



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

Global equities shrugged off growing concerns over inflation to have their best week since 2013. This despite a stronger than expected inflation reading in the US and fresh concern over trade wars, with the US considering tariffs on steel imports and China threatening to retaliate. The political risk premium in the US increased further towards the end of last week following comments from Robert Mueller over Russia's intervention in the US election.

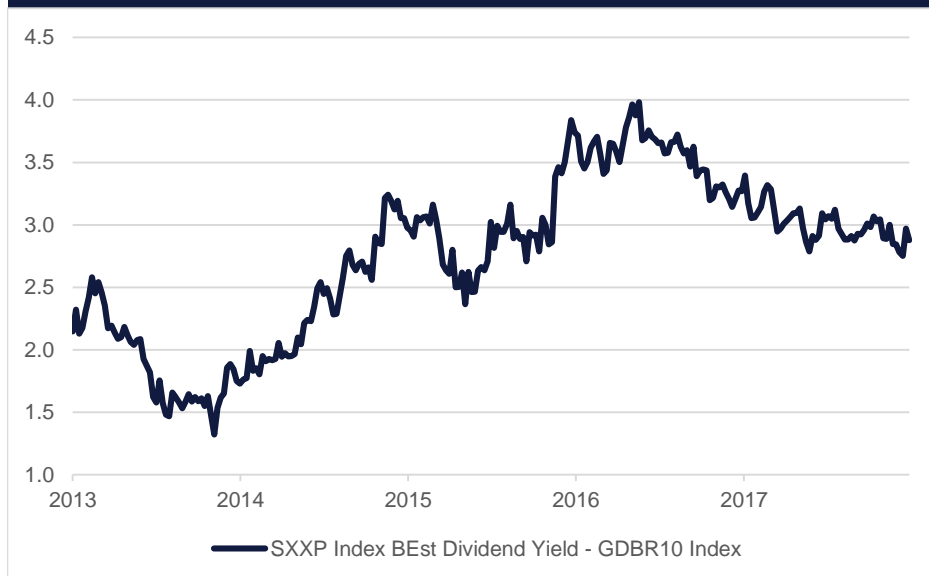
While benchmark indices rallied, some major equity indices closed lower for the week. The MSCI World index added +4.2% 5d even as the Nikkei index and the Nifty index closed lower for the week. Volatility retraced some of its higher moves with the VIX index (US) and the V2X index (Europe) dropping -33.0% 5d and -49.0% 5d respectively.

The quick rebound in equity markets last week should help alleviate some concerns over volatility. Having said that, there are enough concerns over trade and politics lurking in the background which warrant a cautious stance still. Regional equities are likely to remain subdued amid a weak end to the earnings season.

Chart of the week

Amid rising bond yields, there is renewed focus on dividend yield from stocks. Among developed market equities, European stocks still offer the highest dividend yield among its peers with the Euro Stoxx 600 index yielding 3.6%. This is nearly 300 bps higher than yields from 10-year German bonds.

Chart of the week – European equities dividend yield highest among developed market peers



Source: Bloomberg

MENA Markets

MENA equities regained some of the losses from the previous week on positive global cues and a rebound in oil prices. However, gains were limited as the earnings season continued to disappoint. The MSCI Arabian Markets index added +0.8% 5d and oil (Brent) rallied +3.3% 5d.

The Tadawul gained +1.5% 5d amid continued investor interest in banking sector stocks. The Tadawul Banks index added +2.5% 5d with Al Rajhi Bank and NCB rallying +4.3% 5d and +1.6% 5d respectively. Elsewhere, quarterly earnings weighed with Etihad Etisalat losing -7.6% 5d after reporting a loss of SAR 182mn for Q4 2017. Savola (+0.7% 5d) drifted higher even as the company reported a loss of SAR 37.5mn versus consensus estimates of a profit of SAR 191mn. The stock has lost -4.0% since the start of 2018.

The MSCI provided an update on the implications should Saudi Arabian equities be included in the EM index. Saudi Arabia would have 32 stocks under EM classification and a free float adjusted market capitalization of USD 124.1bn. This implies a potential weight of 2.3% in the MSCI EM index. If confirmed in June 2018, the reclassification would happen in two steps – May 2019 and August 2019. The calculations exclude the Saudi Aramco IPO.

UAE bourses closed mixed with the DFM index adding +0.1% 5d and the ADX index losing -0.5% 5d. Real estate sector stocks remained under pressure with Emaar Properties and Aldar Properties losing -3.9% 5d and -3.1% 5d respectively. Aldar Properties reported 2017 net profit of AED 2.0bn, missing consensus estimates of AED 2.4bn by 17%. The company plans to increase foreign ownership limit to 49% from 40% currently. This could result in passive inflows of about USD 50mn from investors tracking the MSCI and FTSE emerging market benchmarks. DXB Entertainments lost -5.4% 5d to close at all-time lows after the company reported weak earnings and sought to restructure its USD 1.15bn debt with a 3 year payment freeze.

Developed Markets

Developed market equities shrugged off any concern over inflation with its best weekly rally since 2013. This despite a higher than expected increase in inflation in the US. The CPI rose 0.5% m/m relative to expectations of 0.3% and previous month's reading of 0.1%. The focus reverted back to fundamentals as economic data and earnings continued to remain strong. The S&P 500 index, the Euro Stoxx 600 index added +4.3% 5d and +3.3% 5d respectively. The Nikkei index bucked the trend with losses of -0.8% 5d as the JPY strengthened to a 15-month high. The JPY ended the week at 106 level.

The strength in corporate earnings continued. With nearly 80% of companies in the S&P 500 index reporting earnings, 75% of those have reported positive earnings surprise and 78% have reported positive sales surprise. According to FactSet, the aggregate earnings growth for Q4 2017 is 15.2% relative to an estimate of 11.0% at the end of 2017. If the earnings growth of 15.2% is maintained then it will mark the highest earnings growth since Q3 2011.

Emerging Markets

Emerging market equities marginally outperformed broader equity markets. The MSCI EM index gained +5.0% 5d compared to a rally of +4.2% 5d in the MSCI World index.

India's Nifty index dropped -1.2% 5d after a fraud of USD 1.8bn was revealed at Punjab National Bank, the country's second largest state-run bank. This weighed on wider investor sentiment.

Market Data

MENA Equity Indices

Index	Last Price	wtd % chg	T.Value 5d avg (USDmn)	BEst P/E	BEst P/B	Div Yield	% above 200d MA
DFM	3,330	0.1%	65.0	8.6	1.1	5.3	27.78
ADX	4,577	-0.5%	32.2	11.2	1.4	4.4	40.68
Tadawul	7,510	1.4%	827.6	13.8	1.6	3.2	54.91
ISE 100	116,511	2.3%	1,486.0	8.4	1.2	2.7	63.27
EGX 30	14,966	0.3%	44.9	10.9	2.0	2.1	76.67
KWSE	6,764	1.6%	32.6	-	-	5.6	30.91
Bahrain	1,340	0.5%	2.7	-	-	5.9	77.78
MSM	5,017	0.2%	3.1	9.7	1.0	5.2	56.67
Qatar Exchange	9,028	1.5%	43.0	12.5	1.4	4.6	60.00
MADEX	10,718	0.0%	9.6	18.6	2.8	3.6	80.00
TUSISE	6,573	1.0%	1.5	22.0	-	2.1	68.29

Developed Market Indices

Dow Jones	25,219	4.3%	9,949.5	17.0	3.8	2.2	76.67
S&P 500	2,732	4.3%	48,497.2	17.5	3.1	2.0	71.20
Nasdaq	7,239	5.3%	32,180.6	22.0	4.2	1.1	57.47
FTSE 100	7,295	2.9%	6,665.0	13.9	1.9	4.3	50.50
Dax	12,452	2.8%	5,456.7	12.9	1.6	3.2	44.83
Cac 40	5,282	4.0%	5,509.6	14.6	1.5	3.3	52.50
Swiss	8,987	3.5%	3,444.7	15.9	2.3	3.5	65.00
Nikkei	21,720	1.6%	18,672.3	17.5	1.8	1.8	57.78
Australia	5,904	1.1%	3,607.2	15.9	1.9	4.4	54.55
Stoxx 600	381	3.3%	36,453.4	14.7	1.8	3.6	56.81

Emerging Market Indices

Hong Kong	31,115	5.4%	8,158.9	12.2	1.3	3.2	-
Shanghai	3,199	2.2%	29,639.7	12.5	1.5	1.9	-
Korea	2,421	2.5%	6,473.3	9.3	1.0	1.4	-
Sensex	34,011	0.0%	132.0	22.3	3.0	1.2	64.52
Nifty	10,452	0.0%	1,712.7	21.1	3.0	1.3	58.00
Karachi	43,627	-0.4%	42.3	9.6	1.5	5.3	33.70
Taiwan	10,421	0.5%	4,736.0	13.4	1.7	3.9	-
Bovespa	84,525	4.5%	2,897.7	13.3	1.7	2.8	77.42
Micex	2,255	2.6%	761.5	6.6	0.7	4.9	73.33
Jo'burg	59,122	5.8%	2,301.8	16.5	2.1	2.8	61.49
Vietnam	1,059	5.6%	201.2	18.8	3.4	2.0	-
Jakarta	6,591	1.3%	459.0	16.9	2.7	1.8	-

Source: Bloomberg, BEst – Bloomberg Estimate

Relative Valuations

Benchmark Equity Indices

Index	Last Price	wtd % chg	1m % chg	Ytd % chg	BEst P/E	BEst P/B	Div Yield
MSCI World	2,138	4.2%	-3.1%	1.6%	16.35	2.29	2.34
MSCI G7	1,935	4.2%	-3.2%	1.7%	16.45	2.38	2.18
MSCI EM	1,200	5.0%	-2.7%	3.6%	12.89	1.66	2.33
MSCI FM	659	3.1%	-2.8%	3.3%	13.15	2.02	3.10
S&P Pan Arab	713	1.1%	-1.0%	3.9%	12.61	1.50	3.76
DUAE INDEX	3,366	-0.6%	-3.4%	1.7%	10.18	1.31	4.97
DKUW INDEX	3,551	0.0%	-3.3%	4.1%	-	-	-
DQAT INDEX	5,451	1.0%	-4.6%	2.6%	11.22	1.48	4.18
DKUS INDEX	2,889	-0.3%	-2.4%	3.1%	14.90	1.86	2.38
DQAS INDEX	7,607	2.0%	-0.8%	6.8%	13.33	1.65	4.77

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-32.0%	-23.6%	41.4%	Bahrain	-	-	56.3%
ADX	-11.5%	-4.2%	16.5%	MSM	-23.3%	-35.2%	37.7%
Tadawul	9.0%	5.0%	-14.7%	Qatar	-1.1%	-8.5%	21.1%
KWSE	-	-	48.7%	TUSISE	74.1%	-	-43.8%

Relative to MSCI G7 Index

Dow Jones	3.3%	61.6%	2.4%	Cac 40	-11.2%	-36.3%	52.4%
S&P 500	6.3%	30.2%	-10.5%	Swiss	-3.1%	-2.0%	62.5%
Nasdaq	33.7%	76.9%	-50.9%	Nikkei	6.3%	-26.1%	-16.0%
FTSE 100	-15.4%	-21.3%	98.3%	Australia	-3.2%	-18.3%	103.4%
Dax	-21.4%	-31.8%	47.8%	Stoxx 600	-10.6%	-24.4%	64.3%

Relative to MSCI Emerging Market Index

Hong Kong	-5.7%	-20.2%	38.3%	Jo'burg	28.3%	24.1%	21.4%
Shanghai	-3.3%	-11.9%	-17.2%	Vietnam	45.7%	105.6%	-13.3%
Korea	-27.6%	-38.6%	-39.5%	Jakarta	31.1%	60.1%	-20.9%
Sensex	72.7%	80.3%	-49.7%				
Nifty	64.0%	78.8%	-43.1%				
Karachi	-25.5%	-8.1%	127.3%				
Taiwan	3.8%	5.1%	66.0%				
Bovespa	3.5%	4.8%	21.3%				
Micex	-49.1%	-54.9%	108.3%				

Source: Bloomberg, BEst – Bloomberg Estimate

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