



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

Global equities closed lower as the combination of continued tension on the trade front and contagion fears in emerging markets made investors wary. Reports of purported talks between the US and China did provide some succor towards the end of the week but it was not enough. The MSCI World index dropped -0.1% 5d on the back of sharp sell-off in the MSCI EM index (-3.7% 5d) and the MSCI Arabian Markets index (-0.2% 5d). The MSCI G7 index closed flat. Volatility declined in the US but increased elsewhere. The V2X index and the CBOE EM ETF Volatility index jumped +6.0% 5d each.

Turkey and trade is likely to remain on investors' mind this week. Any progress on reports of talks between the US and China will be treated as positive. Similarly, investors will see if some concrete steps are taken to stabilize the currency in Turkey and toning down of rhetoric between the US and Turkey. Regionally, most markets are closed for the full week.

Chart of the week

Concerns over growth and political turmoil in emerging markets and the aftereffect of trade war on demand for commodities has led commodity prices lower. The drop in commodity prices is reflecting in stock prices. For example, the global mining stocks are currently trading at their lowest valuations in five years. The MSCI World Metals and Mining index had dropped -13.6% ytd and is currently trading at 10.7x forward price to earnings ratio.

Chart of the week – Mining stocks at their lowest valuations in since 2013



Source: Bloomberg

MENA Markets

It was a negative week of trading for regional equities as the earnings season global cues remained mixed. It is also likely that investors reduced position ahead of week-long holiday in most regional markets. The S&P Pan Arab Composite index -2.9% 5d.

The Qatar Exchange dropped -4.4% 5d as investors pared their position in banking stocks given their exposure to Turkey. Qatar National Bank and Commercial Bank of Qatar dropped -6.3% 5d and -5.2% 5d respectively. Both these banks own or have substantial stake in banks in Turkey.

The Tadawul closed lower for a fourth consecutive week with losses of -3.8% 5d. Banking sector stocks were among the worst hit with the Tadawul Banks index losing -4.4% 5d.

UAE bourses closed mixed with the DFM index losing -3.0% 5d and the ADX index adding +1.3% 5d. Emaar Properties dropped -5.5% 5d even as the company reported earnings ahead of consensus estimates. The company reported H1 2018 net profit of AED 2.98bn (+5.0% y/y) after making adjustments for Emaar Development IPO. The performance of other Emaar-related companies i.e., Emaar Development (-0.6% 5d) and Emaar Malls (-1.5% 5d) followed a similar trend. The ADX index was helped by +1.8% 5d gain in First Abu Dhabi Bank. It is interesting to note that First Abu Dhabi Bank is one of the few banking stocks which has remained steady despite a broad sell-off in banking sector stocks across the region.

Developed Markets

US equities were an exception in what was a week of broad sell-off for developed markets equities. The concerns over continued trade war, geo-political fallout from economic development in Turkey and sustained dropped in commodity prices weighed on investor sentiment. Reports towards the latter part of the week that the US and China are back talking did help to alleviate some concern. Eventually, the S&P 500 index added +0.6% 5d while the Euro Stoxx 600 index and the Topix index dropped -1.2% 5d and -1.3% 5d respectively.

The reason for continued outperformance of US equities relative to other developed market equities can be traced back to strong earnings season. With nearly 95% of S&P 500 companies having reported earnings 79% of those have reported a positive EPS surprise and 72% of have reported a positive sales surprise. According to FactSet, the blended earnings growth for Q2 2018 earnings season stands at 24.6%, the highest since Q2 2010. The S&P 500 index had added +6.6% ytd compared to a drop of -2.1% ytd in the Euro Stoxx 600 index and -6.6% ytd in the Topix index.

Emerging Markets

Emerging market equities underperformed broad equity markets as the combination of USD strength the fear of contagion from economic turmoil in Turkey weighed. The MSCI EM index dropped -3.7% 5d compared to -0.1% 5d drop in the MSCI World index. Turkey's Istanbul 100 index was the worst performer with losses of -6.5% 5d. China's Shanghai Composite index dropped -4.5% 5d amid fears over slowing economic growth.

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	2,803	-4.0%	34.9	7.6	1.0	6.0	22.22
ADX	4,907	0.7%	45.6	12.2	1.6	4.9	41.38
Tadawul	7,867	-3.8%	809.4	14.5	1.7	3.6	31.84
ISE 100	88,735	-8.2%	1,712.8	6.5	1.0	4.9	17.53
EGX 30	15,296	-3.9%	24.8	10.4	2.1	2.3	41.38
Kuwait Premier	5,382	-1.4%	35.8	14.7	1.6	3.6	75.00
Bahrain	1,347	-0.2%	1.4	-	-	6.1	75.00
MSM	4,390	-0.9%	4.1	-	-	6.2	36.67
Qatar Exchange	9,448	-4.4%	31.1	13.2	1.5	4.6	65.00
MADEX	9,529	-0.9%	5.1	17.5	2.7	4.4	24.44
TUSISE	8,348	0.3%	1.0	25.4	-	1.7	80.49

Developed Market Indices

Dow Jones	25,669	1.4%	7,224.7	16.5	3.9	2.2	66.67
S&P 500	2,850	0.6%	39,310.4	17.6	3.3	1.9	67.27
Nasdaq	7,816	-0.3%	29,383.3	23.3	4.6	1.0	53.96
FTSE 100	7,559	-1.4%	5,023.2	13.4	1.8	4.4	62.38
Dax	12,211	-1.7%	4,213.0	12.9	1.5	3.3	40.00
Cac 40	5,345	-1.3%	3,444.9	14.2	1.6	3.4	37.50
Swiss	9,004	-0.3%	2,242.9	15.8	2.3	3.6	55.00
Nikkei	22,270	-0.1%	11,557.1	15.9	1.7	2.0	34.22
Australia	6,339	1.0%	3,865.5	16.2	2.0	4.4	68.69
Stoxx 600	381	-1.2%	24,827.3	14.5	1.8	3.6	54.03

Emerging Market Indices

Hong Kong	27,213	-4.1%	5,427.6	11.1	1.2	4.0	20.41
Shanghai	2,669	-4.5%	17,212.9	10.7	1.3	2.5	6.75
Korea	2,247	-1.6%	4,828.5	8.9	1.0	2.0	28.67
Sensex	37,948	0.2%	103.7	20.2	2.9	1.2	58.06
Nifty	11,471	0.4%	2,088.0	19.8	2.9	1.2	58.00
Karachi	42,447	-0.9%	56.2	8.8	1.4	5.2	44.57
Taiwan	10,691	-2.7%	4,229.5	13.7	1.7	4.1	44.62
Bovespa	76,029	-0.6%	2,147.9	11.4	1.6	3.4	30.77
Jo'burg	56,648	-1.8%	1,510.6	13.6	1.8	3.2	30.25
Vietnam	969	0.0%	160.1	16.9	3.0	1.9	30.84
Jakarta	-	-4.8%	412.3	14.8	2.2	2.4	-

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	-0.1%	0.0%	1.6%	16.21	2.34	2.34
MSCI G7	1,953	0.0%	0.3%	2.7%	16.30	2.43	2.17
MSCI EM	1,023	-3.7%	-4.4%	-11.7%	11.74	1.52	2.78
MSCI FM	552	-1.4%	-2.8%	-13.4%	11.60	1.72	3.76
S&P Pan Arab	734	-2.9%	-3.7%	7.1%	13.08	1.56	4.12
DUAE INDEX	3,242	-1.1%	0.2%	-1.8%	9.74	1.29	5.60
DKUW INDEX	3,828	-1.8%	0.1%	12.2%	-	-	-
DQAT INDEX	6,083	-5.2%	0.9%	14.5%	12.44	1.82	4.12
DKUS INDEX	3,107	-2.5%	-1.0%	10.9%	15.45	1.77	3.40
DQAS INDEX	7,313	-3.5%	-1.3%	2.7%	15.68	1.70	4.51

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-42.0%	-32.7%	46.0%	Bahrain	-	-	47.4%
ADX	-7.1%	4.4%	19.3%	MSM	-	-	50.9%
Tadawul	10.6%	10.7%	-13.1%	Qatar	0.9%	-2.3%	12.9%
Kuwait Premier	12.6%	1.1%	-13.7%	TUSISE	94.3%	-	-59.0%

Relative to MSCI G7 Index

Dow Jones	1.0%	61.8%	2.3%	Cac 40	-13.0%	-36.0%	54.4%
S&P 500	8.3%	35.0%	-12.4%	Swiss	-2.8%	-4.8%	64.1%
Nasdaq	43.0%	88.6%	-53.0%	Nikkei	-2.4%	-30.8%	-9.7%
FTSE 100	-17.6%	-27.8%	101.9%	Australia	-0.3%	-16.8%	101.0%
Dax	-21.1%	-36.2%	51.2%	Stoxx 600	-10.8%	-27.2%	67.8%

Relative to MSCI Emerging Market Index

Hong Kong	-5.4%	-20.2%	43.5%	Jo'burg	16.1%	15.7%	15.6%
Shanghai	-9.2%	-16.4%	-10.0%	Vietnam	44.2%	98.9%	-33.2%
Korea	-23.8%	-37.0%	-27.6%	Jakarta	26.4%	44.4%	-15.5%
Sensex	72.2%	90.6%	-57.6%				
Nifty	68.5%	89.4%	-55.8%				
Karachi	-24.7%	-6.3%	88.0%				
Taiwan	16.4%	14.1%	48.1%				
Bovespa	-3.2%	3.2%	23.5%				

Source: Bloomberg, BEst – Bloomberg Estimate

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