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Equity Weekly

Global Equities

Global equities rallied sharply last week as the Phase 1 trade agreement between the US and China was eventually signed and corporate earnings came in better than expected. The absence of any follow-up rhetoric on geopolitical tensions also provided support to risk assets. The MSCI All Country index added +1.5% 5d on the back of strength in developed and emerging market equities. The MSCI G7 index and MSCI EM index added +1.6% 5d and +1.2% 5d respectively. Volatility continued to decline across the board with the VIX index, the V2X index and the VXEEM index dropping -3.7% 5d, -13.7% 5d and -5.5% 5d respectively.

The focus this week will be on central banks with monetary policy decisions from the European Central Bank, the Bank of Japan and the Bank of Canada. Investors, both globally and regionally, will continue to keep an eye on corporate earnings.

Chart of the week

As gains in equity markets gather pace, there is an increased commentary about valuations. It is worth pointing out that the S&P 500 index is currently trading at the highest level over its 200-day moving average since January 2018.

Chart of the week – Spread between S&P 500 index and 200d moving average



Source: Bloomberg

MENA Markets

Regional markets closed higher last week as geopolitical tensions subdued and earnings season got off to better than expected start. The rally is also broadly in line with the trend seen in the past wherein investors add positions ahead of full-year dividend announcements. The MSCI GCC Countries index added +2.0% 5d while the S&P GCC dividend focused large mid cap total return index added +2.2% 5d.

UAE bourses closed higher with the DFM index and the ADX index adding +2.8% 5d and +1.9% 5d respectively. Gains on both indices were led by market heavyweights. Emaar Properties rallied +2.7% 5d even as the other two related listed entities i.e., Emaar Malls and Emaar Development ended the week flat. The ADX index was driven by gains in the banking sector stocks with First Abu Dhabi Bank and ADCB adding +2.5% 5d and +2.7% 5d respectively.

The Tadawul gained +1.4% 5d on the back of strength in mid-cap stocks. The S&P Saudi Arabia midcap local currency index rallied +2.7% 5d. The performance of large-caps was more mixed with Saudi Aramco and National Commercial Bank losing -1.1% 5d and -2.0% 5d respectively while Al Rajhi Bank and Sabic gained +0.8% 5d and +0.9% 5d respectively.

Developed Markets

Developed market equities closed higher as the earnings season came in stronger than expected even as economic data remained mixed. The signing of the Phase 1 trade deal between the US and China provided a fillip to investor sentiment. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index added +2.0% 5d, +1.3% 5d and +1.3% 5d respectively.

Nearly 9% of companies in the S&P 500 index have reported earnings for Q4 2019. According to FactSet, 72% of those companies have reported earnings above estimates and 63% of those companies have reported revenues above estimates. The blended earnings for the S&P 500 index so far have dropped -2.1%. If the number holds at the end of reporting season then it will mark the first time the index has reported four straight quarters of y/y decline in earnings since Q2 2016.

Emerging Markets

Emerging market equities underperformed broader indices even as risk assets received a boost from the actual signing of the trade deal between the US and China. Ironically, China's Shanghai Composite index ended the week lower with losses of -0.5% 5d.

The week was dominated by central bank meetings in key emerging markets of Egypt, Turkey, and South Africa. There were a couple of surprises at those meetings, with Egypt choosing to hold rates steady at 12.25%, while South Africa confounded expectations by cutting by 25bps to 6.25%. Turkey's 75bps cut was the one move that was largely within expectations. Turkey's Istanbul 100 index and Egypt's EGX 30 index ended the week higher with gains of +2.4% 5d and +0.7% 5d respectively.

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	2,828	2.9%	67.3	7.8	1.0	4.1	40.54
ADX	5,179	2.0%	41.8	12.5	1.6	4.8	43.33
Tadawul	8,460	1.4%	1,114.1	17.1	2.0	3.2	83.51
ISE 100	121,475	2.0%	2,429.6	6.8	1.0	3.1	98.00
EGX 30	13,824	0.7%	32.6	8.5	1.5	2.5	23.33
Kuwait Premier	7,090	2.3%	158.3	16.5	0.1	3.1	63.16
Bahrain	1,640	2.7%	3.2	-	-	4.7	62.50
MSM	4,061	2.1%	6.6	6.9	0.7	7.3	63.33
Qatar Exchange	10,698	2.4%	70.4	14.1	1.6	4.0	60.00
MADEX	10,188	0.7%	21.5	18.7	2.6	3.5	77.55
TUSISE	6,904	0.7%	0.6	19.0	-	2.1	26.19

Developed Market Indices

Dow Jones	29,348	1.8%	11,245.4	17.8	4.0	2.3	83.33
S&P 500	3,330	2.0%	50,507.5	19.1	3.4	1.9	87.40
Nasdaq	9,389	2.3%	36,296.0	25.9	3.8	1.0	61.44
FTSE 100	7,675	1.1%	4,504.5	13.7	1.7	4.5	81.00
Dax	13,526	0.3%	3,828.0	14.5	1.6	3.1	76.67
Cac 40	6,101	1.1%	3,787.5	15.1	1.7	3.3	77.50
Swiss	10,842	1.9%	3,787.6	17.1	2.5	3.2	94.74
Nikkei	24,041	0.8%	11,304.3	18.3	1.7	1.9	73.78
Australia	7,064	1.9%	2,931.9	18.7	2.2	3.9	80.00
Stoxx 600	425	1.3%	28,143.0	15.3	1.8	3.5	81.65

Emerging Market Indices

Hong Kong	29,056	1.5%	4,583.1	10.9	1.2	3.4	68.00
Shanghai	3,075	-0.5%	33,307.7	11.1	1.3	2.2	48.06
Korea	2,251	2.0%	5,163.9	12.1	0.9	1.5	34.19
Sensex	41,945	0.8%	113.8	23.7	3.2	1.2	76.67
Nifty	12,352	0.8%	2,561.1	22.5	2.9	1.2	66.00
Karachi	43,168	-0.1%	40.3	6.9	1.1	4.8	93.41
Taiwan	12,090	0.5%	4,504.5	16.3	1.9	3.8	66.92
Bovespa	118,478	2.6%	3,780.9	13.8	2.0	2.9	97.26
Jo'burg	59,002	2.6%	1,273.8	12.6	1.8	3.5	47.10
Vietnam	979	1.1%	96.0	13.9	2.3	2.0	35.33
Jakarta	6,292	0.3%	401.1	14.8	2.1	2.4	27.62

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	2,416	1.6%	2.8%	2.4%	17.63	2.45	2.28
MSCI G7	2,214	1.6%	2.8%	2.4%	17.77	2.54	2.14
MSCI EM	1,147	1.2%	3.5%	2.9%	13.42	1.59	2.53
MSCI FM	595	1.3%	3.2%	1.6%	12.32	1.33	3.79
S&P Pan Arab	799	1.9%	3.7%	1.3%	14.35	1.55	3.75
DUAE INDEX	3,274	3.2%	4.1%	3.4%	9.69	1.24	4.45
DKUW INDEX	5,162	2.6%	4.5%	1.7%	-	-	-
DQAT INDEX	7,202	1.9%	3.7%	2.2%	14.19	1.99	3.61
DKUS INDEX	3,866	1.5%	3.3%	0.7%	16.90	0.12	2.83
DQAS INDEX	8,157	3.2%	3.9%	3.2%	14.99	1.82	4.45

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-45.3%	-36.3%	9.0%	Bahrain	-	-	26.7%
ADX	-13.1%	1.8%	28.7%	MSM	-51.6%	-56.8%	95.8%
Tadawul	19.0%	27.2%	-14.6%	Qatar	-1.5%	3.3%	6.2%
Kuwait Premier	14.9%	-90.4%	-17.9%	TUSISE	32.7%	-	-43.0%

Relative to MSCI G7 Index

Dow Jones	0.0%	59.0%	8.0%	Cac 40	-15.2%	-34.9%	53.9%
S&P 500	7.5%	35.1%	-13.0%	Swiss	-3.6%	-0.5%	47.3%
Nasdaq	45.8%	49.4%	-52.3%	Nikkei	2.8%	-31.3%	-12.5%
FTSE 100	-23.1%	-33.3%	108.6%	Australia	5.0%	-13.8%	82.9%
Dax	-18.3%	-38.2%	43.1%	Stoxx 600	-13.7%	-28.9%	63.2%

Relative to MSCI Emerging Market Index

Hong Kong	-18.6%	-27.0%	34.7%	Jo'burg	-6.4%	15.5%	39.7%
Shanghai	-17.0%	-19.0%	-13.0%	Vietnam	3.2%	44.1%	-20.7%
Korea	-9.5%	-43.0%	-39.3%	Jakarta	10.0%	31.6%	-4.6%
Sensex	76.5%	100.5%	-54.3%				
Nifty	67.7%	82.8%	-53.6%				
Karachi	-48.6%	-27.8%	89.9%				
Taiwan	21.2%	17.6%	50.7%				
Bovespa	2.5%	26.5%	13.4%				

Source: Bloomberg, BEst – Bloomberg Estimate

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