



بنك الإمارات دبي الوطني
Emirates NBD

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Equity Weekly

Global Equities

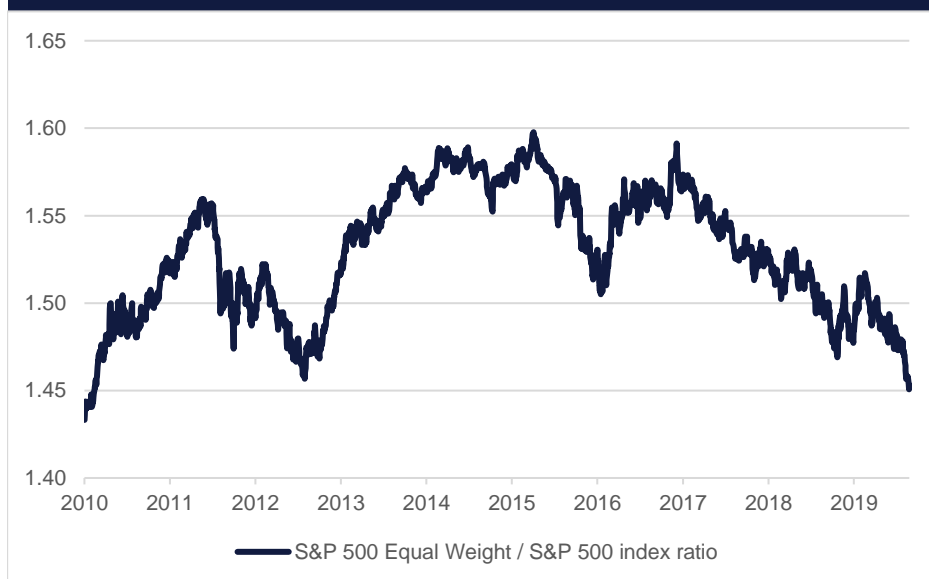
Global equities closed higher as investors treated the lull in trade confrontation between the US and China as positive. Some positive developments in Eurozone politics (Italy) and slight recovery in oil prices also helped. The MSCI All Country index gained +2.0% 5d on the back of strength in MSCI G7 index which added +2.3% 5d. Other major sub-indices closed mixed with the MSCI EM index and the MSCI FM index ending the week +1.1% 5d and -1.0% 5d respectively. Surprisingly, volatility continues to remain subdued. The VIX index and the V2X index dropped -4.5% 5d and -12.3% 5d respectively.

The focus of investors this week will be on economic releases across economies including the key report of US non-farm payrolls data. Further, investors would be keen to see the reaction of both China and the US now that tariffs on Chinese goods came into effect at the start of this week. This becomes important in context of comments from Chinese officials that it would refrain from immediate retaliatory steps.

Chart of the week

While the S&P 500 index is still positive for the year, the gains amid index constituents is more uneven. The S&P 500 equal weight index which counts each stock equally, according to Bloomberg, fell to a multi-year low relative to the broader index. Over the last 1 year, the equal weighted index has lost -1.7% compared to gain of +0.9% in the S&P 500 index.

Chart of the week – Small cap US stocks underperform large caps



Source: Bloomberg

MENA Markets

It was a mixed week of trading for regional equities amid a rebound in risk sentiment and implementation of broader index inclusions. The S&P Pan Arab Composite index dropped -0.1% 5d.

UAE bourses closed mixed with the DFM index losing -0.4% 5d and the ADX index gaining +2.5% 5d. The focus remained on market heavyweights across both indices. In Dubai, some Emaar-related names saw a slight pullback as investors locked in profit. Emaar Properties and Emaar Development dropped -1.0% 5d and -2.1% 5d respectively. In Abu Dhabi, gains in First Abu Dhabi Bank (+1.63% 5d) and Etisalat (+4.1% 5d) drove the broader index higher. It is worth noting that both DFM index and the ADX index have so far outperformed their EM peers. The DFM index and the ADX index have rallied +9.1% ytd and +4.4% ytd relative to gains of +1.9% ytd in the MSCI EM index.

The Tadawul dropped -5.0% 5d in a week where the final phase of inclusion in the MSCI EM index was made effective. Saudi stocks now account for 2.8% of index's total market capitalization. In the first seven months of this year, trading activities of foreign investors represented c.21% of the total market. In terms of valuation the Tadawul currently trades at 15.4x 12m forward earnings, a premium to the MSCI EM index which is trading at 12.3x 12m forward earnings. The MSCI Saudi Arabia index is trading at 16.5x 12m forward earnings. The dividend yield for the MSCI Saudi Arabia index currently stands at 4.13% compared 2.97% for the MSCI EM index.

Elsewhere, the EGX 30 index was a notable outperformer with gains of +3.5% 5d. The outsized rate cut by the Egyptian Central Bank was the primary catalyst. The EGX Banks index and the EGX Real Estate index added +5.3% 5d and +2.3% 5d respectively.

Developed Markets

Developed market equities closed higher for the first time in five weeks amid lack of adverse developments on the trade front between the US and China. With economic data continuing to remain mixed, investors remain optimistic of further easing by the Federal Reserve when it meets later this month. Investor sentiment also received support from political developments in Italy where Five Star and Democratic political parties agreed to form a coalition with Giuseppe Conte as Prime Minister. Overall, the S&P 500 index, the Euro Stoxx 600 index and the Topix index gained +2.8% 5d, +2.2% 5d and +0.6% 5d respectively.

Emerging Markets

Emerging market equities underperformed the broader trends as multitude of factors weighed including trade issues between China and the US and weakening economic growth in India. The MSCI EM index added +1.1% 5d compared to gains of +2.1% 5d in the MSCI World index.

While Indian equities rallied last week, they ended lower for a third consecutive month. The primary driver behind the recent weakness has been slowing economic growth and the GDP data released over the weekend confirmed the fears. India's economy in Q1 FY 2020 grew at 5%, the slowest pace of growth in six years. The underlying data amplified the stress in manufacturing sector and a near collapse in consumer spending. India's government seems to have understood the severity of the crisis and has unveiled a series of measures to revive the economy. As part of that process, the government announced the merger of 10 state-owned banks into four banks. The step was long-overdue and would bring the number of state-owned banks down to 12 from current 27.

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	2,759	-0.4%	38.8	7.4	1.0	4.5	56.76
ADX	5,166	2.5%	58.9	13.3	1.6	4.8	45.00
Tadawul	8,020	-5.0%	2,703.7	15.5	1.8	3.8	41.62
ISE 100	96,718	-0.4%	1,108.9	6.9	0.9	3.7	-
EGX 30	14,835	3.5%	47.7	9.9	1.8	2.6	53.33
Kuwait Premier	6,528	-1.2%	67.9	9.7	0.8	3.3	78.95
Bahrain	1,533	0.0%	1.3	-	-	5.1	55.56
MSM	4,005	0.4%	75.2	6.9	0.6	6.8	50.00
Qatar Exchange	10,233	3.2%	90.3	13.8	1.0	4.3	50.00
MADEX	9,542	1.5%	10.9	18.3	2.6	3.8	67.35
TUSISE	7,278	0.5%	0.7	21.8	-	1.7	37.50

Developed Market Indices

Dow Jones	26,403	3.0%	7,425.2	17.4	3.8	2.4	68.97
S&P 500	2,926	2.8%	37,201.4	17.7	3.2	2.0	59.84
Nasdaq	7,963	2.7%	25,280.2	23.9	3.6	1.2	38.08
FTSE 100	7,207	1.6%	3,695.6	12.6	1.6	5.0	53.47
Dax	11,939	2.8%	2,963.7	14.0	1.5	3.4	56.67
Cac 40	5,480	2.9%	3,047.2	14.6	1.6	3.5	72.50
Swiss	9,896	1.5%	2,951.6	16.8	2.4	3.3	78.95
Nikkei	20,704	0.0%	9,975.1	15.0	1.5	2.2	23.11
Australia	6,604	1.2%	4,390.1	16.7	2.0	4.3	62.44
Stoxx 600	379	2.2%	22,531.8	14.5	1.7	3.8	59.60

Emerging Market Indices

Hong Kong	25,725	-1.7%	4,457.8	10.3	1.1	3.8	24.00
Shanghai	2,886	-0.4%	27,864.9	11.3	1.3	2.4	36.26
Korea	1,968	1.0%	3,228.5	12.7	0.8	2.4	20.94
Sensex	37,333	1.7%	114.6	19.2	2.7	1.3	48.39
Nifty	11,023	1.8%	3,007.2	18.2	2.6	1.3	36.00
Karachi	29,672	-5.4%	25.0	5.4	0.8	7.0	3.37
Taiwan	10,618	0.8%	3,425.4	16.1	1.7	4.4	64.09
Bovespa	101,135	3.5%	3,107.7	12.7	1.8	2.9	68.18
Jo'burg	55,260	2.3%	1,297.0	12.4	1.7	4.2	32.08
Vietnam	984	-0.8%	121.8	16.4	2.6	1.8	51.19
Jakarta	6,328	1.2%	498.4	15.4	2.3	2.4	43.98

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	2,139	2.1%	-0.5%	13.5%	16.26	2.26	2.53
MSCI G7	1,956	2.3%	-0.4%	14.0%	16.35	2.34	2.37
MSCI EM	984	1.1%	-1.9%	1.9%	12.84	1.48	2.97
MSCI FM	563	-1.0%	-1.6%	9.1%	10.68	1.20	4.20
S&P Pan Arab	762	-2.0%	-5.2%	4.6%	13.39	1.35	3.96
DUAE INDEX	3,244	1.9%	-5.2%	5.0%	10.31	1.34	4.85
DKUW INDEX	4,673	-1.1%	-2.1%	24.5%	-	-	-
DQAT INDEX	6,838	3.4%	-2.5%	-2.1%	13.92	1.42	3.80
DKUS INDEX	3,590	-1.4%	-4.1%	20.1%	7.33	0.55	3.04
DQAS INDEX	7,671	3.6%	-3.0%	-5.8%	19.41	2.13	3.66

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-45.0%	-25.6%	12.4%	Bahrain	-	-	27.6%
ADX	-0.8%	20.5%	22.1%	MSM	-48.7%	-54.0%	72.7%
Tadawul	15.9%	29.4%	-3.8%	Qatar	3.4%	-27.8%	7.3%
Kuwait Premier	-27.7%	-38.2%	-15.7%	TUSISE	62.7%	-	-56.7%

Relative to MSCI G7 Index

Dow Jones	6.3%	63.7%	2.3%	Cac 40	-10.5%	-33.4%	45.8%
S&P 500	8.2%	36.1%	-15.5%	Swiss	2.9%	2.3%	40.7%
Nasdaq	46.0%	55.7%	-51.0%	Nikkei	-8.2%	-36.3%	-7.9%
FTSE 100	-23.0%	-29.7%	109.2%	Australia	2.5%	-12.4%	83.4%
Dax	-14.5%	-37.1%	41.6%	Stoxx 600	-11.3%	-26.7%	60.2%

Relative to MSCI Emerging Market Index

Hong Kong	-19.4%	-23.9%	27.6%	Jo'burg	-3.1%	13.3%	40.4%
Shanghai	-12.3%	-10.9%	-18.1%	Vietnam	27.7%	78.7%	-38.1%
Korea	-1.4%	-43.3%	-19.1%	Jakarta	20.1%	54.7%	-17.8%
Sensex	49.5%	81.3%	-56.7%				
Nifty	41.7%	73.7%	-54.6%				
Karachi	-58.3%	-44.7%	135.4%				
Taiwan	25.2%	13.6%	47.3%				
Bovespa	-1.0%	21.1%	-2.1%				

Source: Bloomberg, BEst – Bloomberg Estimate

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