



بنك الإمارات دبي الوطني
Emirates NBD

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Equity Weekly

Global Equities

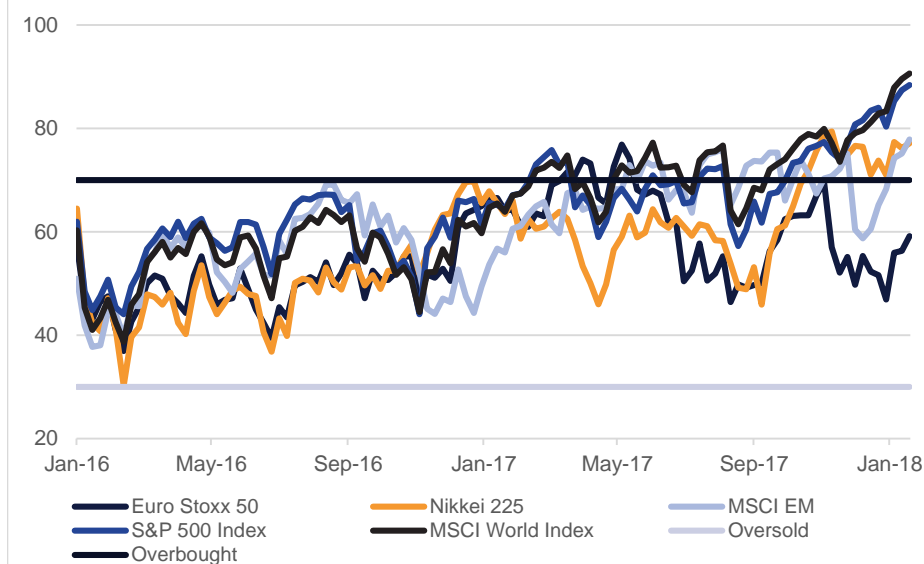
Global equities shrugged off the US government shutdown to close at new highs. The positive tone is supported by strong macroeconomic data and corporate earnings. The fact that considerable progress was made towards government formation in Germany also helped investor sentiment. The MSCI World index added +1.0% 5d on the back of gains across its sub-indices. The MSCI EM index, the MSCI G7 index and the MSCI Arabian Markets index added +2.0% 5d, +1.0% 5d and +0.8% 5d respectively.

While markets may be immune to the political crisis in the US for the time being, a prolonged stand-off could see investors starting to hedge their bets. In the current circumstances, the ongoing Q4 2017 earnings season becomes an important driver of equity markets in the short term. Regionally, the positive tone is likely to continue as oil prices remain at elevated level and investors remain invested for dividends.

Chart of the week

With all major markets continuing their rally from 2017, it is not surprising to see talk of markets overheating. If we look at the 14-day relative strength index chart since start of 2016, then it can be seen that the Euro Stoxx 50 index is the only one which is not yet in the overbought territory. All other major indices are well into the overbought territory. The 14-day RSI index is a commonly used technical tool which measures the speed and change of price movements.

Chart of the week – Only European equities are below the overbought territory



Source: Bloomberg

MENA Markets

MENA equity markets continued their strong start in 2018. It is worth noting that, so far in 2018, returns from regional markets are in line with that of global benchmarks. Both the S&P Pan Arab Composite index and the MSCI World index has added +4.9% ytd. The elevated level of oil prices and a positive start to the earnings season seem to be helping investor sentiment.

The Tadawul added +2.7% 5d for a fifth consecutive week of gains. Much of the gains came from the two heavyweight sectors i.e., banking and petrochemicals. Sabic gained +4.8% 5d to close at its highest level since October 2014 while Alinma Bank added +4.4% 5d to regain level last seen in August 2015. The market also received a boost from reports that the corruption investigation is closer to the end with the Ritz Carlton taking public bookings again from mid-February 2018. All related stocks rallied with Kingdom Holdings and Al Tayyar Travels adding +4.8% 5d and +6.1% 5d respectively.

UAE bourses rallied too with the DFM index and the ADX index adding +0.8% 5d and +0.7% 5d respectively. The focus continued to remain on Emaar-related shares as local position themselves ahead of the special dividend payment of AED 0.42 per share from Emaar Properties. The ex-date for the same is 23 January 2018. Emaar Malls and Emaar Properties ended the week with gains of +8.2% 5d and +2.4% 5d respectively while Emaar Development lost -1.6% 5d.

In terms of earnings season, Emirates NBD and Dubai Islamic Bank reported strong set of 2017 earnings. Emirates NBD reported a 15% y/y increase in 2017 net profit to AED 8.35bn. Impaired loan ratio improved from 6.4% at the end of 2016 to 6.2% and the net interest margin came in at 2.51%. Dubai Islamic Bank reported a 20% y/y increase in profits attributable to owners to AED 4.32bn from AED 3.6bn. Impairment charges increased to AED 823.5mn from AED 391.8mn. In terms of dividend, Emirates NBD said it plans to pay AED 0.40 per share while Dubai Islamic Bank is yet to announce the quantum.

Developed Markets

Notwithstanding the shutdown of the US government, strong corporate earnings and macroeconomic data propelled developed market equities to new highs. Reports that the Federal Reserve is looking to tweak the leverage ratio of US banks which in turn could free up huge amount of capital also provided a boost to equities. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index gained +1.5% 5d, +0.6% 5d and +0.7% 5d respectively.

The earnings season in the US got off to a strong start. Nearly 11% of companies in the S&P 500 index have reported earnings. According to FactSet, 68% of those companies have reported positive earnings surprise and 85% of those companies have reported positive sales surprise. The aggregate earnings growth for Q4 2017 for the S&P 500 index is -0.2% mainly on account of one-off tax charges reported by banks. If the financials are excluded then the blended aggregate earnings growth for Q4 2017 is 11.2%.

Emerging Markets

Emerging market equities outperformed the broader index with the MSCI EM index adding +2.0%5d compared to gains of +1.0% 5d in the MSCI World index.

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 | 3,531 | 1.0% | 88.6 | 8.8 | 1.2 | 3.9 | 41.67 |
| ADX | 4,625 | 0.7% | 41.9 | 11.3 | 1.4 | 4.3 | 49.15 |
| Tadawul | 7,539 | 2.7% | 931.2 | 13.7 | 1.6 | 3.2 | 57.23 |
| ISE 100 | 115,147 | 1.9% | 2,016.9 | 8.4 | 1.2 | 2.7 | 69.70 |
| EGX 30 | 15,411 | 1.1% | 49.0 | 10.5 | 1.9 | 2.6 | 86.67 |
| KWSE | 6,639 | 1.2% | 54.4 | - | - | 5.3 | 36.28 |
| Bahrain | 1,333 | 1.2% | 1.5 | - | - | 5.9 | 70.00 |
| MSM | 5,024 | -1.2% | 3.8 | 9.5 | 1.0 | 5.3 | 40.00 |
| Qatar Exchange | 9,200 | 0.7% | 66.7 | 12.2 | 1.5 | 4.2 | 55.00 |
| MADEX | 10,557 | 1.5% | 19.4 | 19.0 | 3.1 | 3.5 | 77.27 |
| TUSISE | 6,362 | 1.0% | 2.3 | 18.9 | - | 2.2 | 61.36 |

Developed Market Indices

| | | | | | | | |
|-----------|--------|-------|----------|------|-----|-----|-------|
| Dow Jones | 26,072 | 1.0% | 10,976.7 | 18.4 | 3.9 | 2.1 | 96.67 |
| S&P 500 | 2,810 | 0.9% | 49,585.3 | 18.6 | 3.2 | 1.9 | 79.80 |
| Nasdaq | 7,336 | 1.0% | 30,017.7 | 22.9 | 4.2 | 1.0 | 68.04 |
| FTSE 100 | 7,731 | -0.6% | 6,395.6 | 14.8 | 2.0 | 4.1 | 69.31 |
| Dax | 13,434 | 1.4% | 4,867.0 | 14.0 | 1.7 | 3.0 | 68.97 |
| Cac 40 | 5,527 | 0.2% | 4,067.9 | 15.3 | 1.6 | 3.2 | 82.50 |
| Swiss | 9,510 | -0.4% | 3,322.7 | 16.7 | 2.4 | 3.4 | 95.00 |
| Nikkei | 23,808 | 0.7% | 14,802.7 | 19.6 | 1.9 | 1.7 | 88.89 |
| Australia | 6,006 | -1.1% | 2,937.1 | 16.2 | 2.0 | 4.3 | 68.34 |
| Stoxx 600 | 401 | 0.6% | 33,387.8 | 15.5 | 1.9 | 3.4 | 74.12 |

Emerging Market Indices

| | | | | | | | |
|-----------|--------|------|----------|------|-----|-----|-------|
| Hong Kong | 32,255 | 2.7% | 8,246.3 | 12.8 | 1.4 | 3.2 | 94.00 |
| Shanghai | 3,488 | 1.7% | 44,498.2 | 13.6 | 1.6 | 1.8 | 26.48 |
| Korea | 2,520 | 1.0% | 5,902.9 | 9.3 | 1.0 | 1.0 | 44.35 |
| Sensex | 35,512 | 2.7% | 255.4 | 23.3 | 3.2 | 1.1 | 83.87 |
| Nifty | 10,895 | 2.0% | 2,133.6 | 22.1 | 3.1 | 1.2 | 78.00 |
| Karachi | 44,179 | 2.9% | 63.7 | 9.5 | 1.6 | 5.3 | 37.08 |
| Taiwan | 11,151 | 2.5% | 4,261.6 | 14.3 | 1.9 | 3.6 | 71.92 |
| Bovespa | 81,220 | 2.4% | 2,040.6 | 13.2 | 1.7 | 2.4 | 83.87 |
| Micex | 2,286 | 1.1% | 688.8 | 6.7 | 0.8 | 4.9 | 73.33 |
| Jo'burg | 60,913 | 1.4% | 1,702.2 | 16.7 | 2.1 | 2.7 | 65.84 |
| Vietnam | 1,062 | 1.1% | 310.7 | 18.7 | 3.1 | 2.0 | 58.36 |
| Jakarta | 6,491 | 1.9% | 517.8 | 16.7 | 2.5 | 1.9 | 46.81 |

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 | 2,207 | 1.0% | 5.1% | 4.9% | 17.35 | 2.40 | 2.24 |
| MSCI G7 | 1,999 | 1.0% | 5.1% | 5.1% | 17.51 | 2.49 | 2.07 |
| MSCI EM | 1,233 | 2.0% | 8.0% | 6.4% | 13.34 | 1.70 | 2.11 |
| MSCI FM | 678 | 1.3% | 6.5% | 6.3% | 13.48 | 2.00 | 2.84 |
| S&P Pan Arab | 720 | 1.9% | 5.5% | 4.9% | 8.20 | 1.50 | 3.57 |
| DUAE INDEX | 3,478 | 1.2% | 6.0% | 5.6% | 10.42 | 1.31 | 3.89 |
| DKUW INDEX | 3,647 | 1.5% | 8.1% | 6.9% | - | - | - |
| DQAT INDEX | 5,731 | 0.9% | 7.0% | 7.9% | 11.58 | 1.56 | 3.32 |
| DKUS INDEX | 2,947 | 0.9% | 4.8% | 5.2% | 15.08 | 1.76 | 2.33 |
| DQAS INDEX | 7,636 | -0.6% | 8.2% | 7.2% | 13.23 | 1.72 | 4.71 |

Relative to S&P Pan Arab Composite Index

| Index | PE | PB | Dvd Yield | Index | PE | PB | Dvd Yield |
|---------|-------|--------|-----------|---------|--------|--------|-----------|
| DFM | 7.3% | -20.5% | 8.2% | Bahrain | - | - | 64.4% |
| ADX | 37.4% | -8.8% | 21.4% | MSM | 16.2% | -36.2% | 47.3% |
| Tadawul | 67.5% | 3.7% | -9.3% | Qatar | 48.3% | -3.6% | 18.3% |
| KWSE | - | - | 47.6% | TUSISE | 130.6% | - | -38.9% |

Relative to MSCI G7 Index

| | | | | | | | |
|-----------|--------|--------|--------|-----------|--------|--------|--------|
| Dow Jones | 5.3% | 57.2% | 2.3% | Cac 40 | -12.7% | -36.1% | 53.4% |
| S&P 500 | 6.2% | 28.4% | -9.8% | Swiss | -4.4% | -2.5% | 64.0% |
| Nasdaq | 30.7% | 67.0% | -49.8% | Nikkei | 11.7% | -22.4% | -20.4% |
| FTSE 100 | -15.4% | -20.8% | 96.8% | Australia | -7.4% | -20.5% | 109.4% |
| Dax | -20.3% | -29.8% | 43.8% | Stoxx 600 | -11.5% | -24.4% | 64.5% |

Relative to MSCI Emerging Market Index

| | | | | | | | |
|-----------|--------|--------|--------|---------|-------|-------|-------|
| Hong Kong | -4.1% | -18.5% | 50.5% | Jo'burg | 25.5% | 22.1% | 27.6% |
| Shanghai | 1.6% | -7.0% | -16.2% | Vietnam | 40.1% | 81.5% | -6.0% |
| Korea | -30.3% | -39.4% | -55.0% | Jakarta | 24.9% | 48.9% | -8.7% |
| Sensex | 74.3% | 87.9% | -48.4% | | | | |
| Nifty | 65.5% | 85.1% | -41.6% | | | | |
| Karachi | -28.7% | -8.4% | 151.8% | | | | |
| Taiwan | 7.5% | 9.8% | 71.3% | | | | |
| Bovespa | -1.0% | -1.9% | 15.0% | | | | |
| Micex | -49.5% | -55.3% | 130.6% | | | | |

Source: Bloomberg, BEst – Bloomberg Estimate

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