



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

Notwithstanding mixed economic data and a surge in new coronavirus infections across economies, global equities managed to end the week higher. Central banks remained at the fore in shoring up investor confidence as they continued to expand their balance sheets and ease monetary policy further. The Federal Reserve came through on its earlier promise of buying individual corporate bonds under a facility which had so far purchased only ETFs.

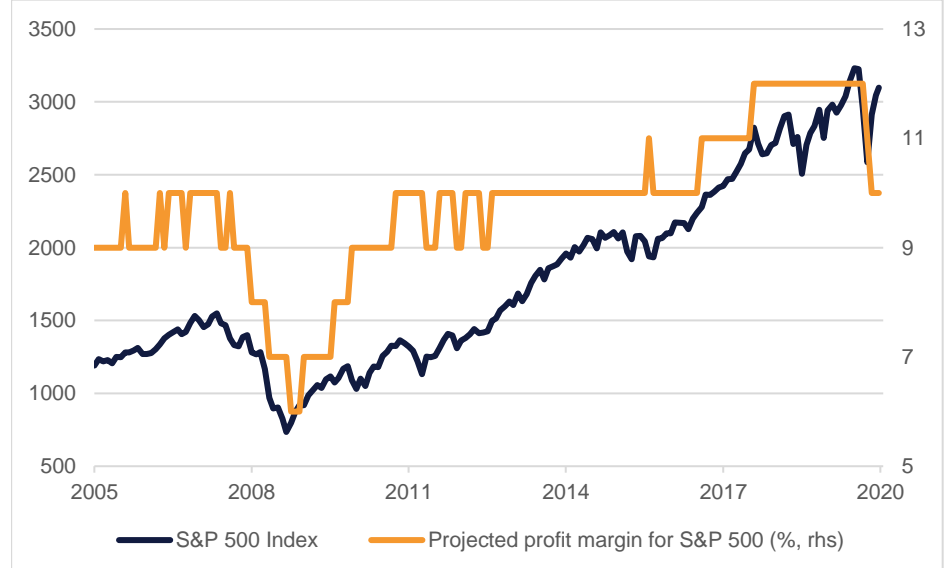
Overall, the MSCI All Country index added +1.8% 5d on the back of strength in most sub-indices. The MSCI G7 index and the MSCI EM index added +2.0% 5d and +1.5% 5d respectively. Volatility eased across markets with the VIX index, the V2X index and the CBOE EM ETF Volatility index dropping -2.7% 5d, -22.2% 5d and -16.4% 5d respectively.

The focus this week will be on first-tier economic data from developed economies and central bank decisions in Turkey and Egypt. Investors will also keep an eye on results from the Fed's stress tests on US large banks as any restrictions on the ability of banks to pay dividends would depend on the results.

Chart of the week

With equity markets close to erasing their year to date losses, the disconnect between price performance and corporate earnings is becoming stark. US corporate earnings dropped 16% in Q1 2020 and are expected to fall further in Q2 2020. Similarly, consensus forecasts show that the net income margin is expected to drop by 2.2% in 2020 to 9.5%. The net income margin peaked in January 2019 at 12.3%. Price performance generally has a positive correlation to earnings and margins.

Chart of the week – Disconnect between fundamentals and price performance warrants caution



Source: Bloomberg

MENA Markets

Regional markets recovered marginally from the losses of the previous week. With regional markets lacking a catalyst of their own, they have started to track the moves in global markets. The S&P Pan Arab Composite index added +1.2% 5d.

Aldar Properties added +3.5% 5d amid reports that Mubadala Investment Co is weighing the sale of a mall and other real estate assets including Abu Dhabi Global Market district to the company. If the deal fructifies then it would add to Aldar's asset management business and improve its recurring income stream.

Elsewhere, Saudi Arabia moved into the final phase of easing as starting this week the country lifted restrictions on movement and allowed resumption of all commercial activities. However, international activities continue to be banned. The Tadawul ended last week with gains of +0.6%.

Developed Markets

Developed market equities closed higher as investors turned their focus again on positives and largely shrugged off any indications of a renewed surge in the viral outbreak or warnings over economic outlook. The Bank of England added GBP 100bn to their bond buying program citing risk of 'higher and persistent unemployment' with repercussions for economic growth and inflation. Further, at the EU's first debate no consensus was reached on the proposed EUR 750bn economic recovery plan. With little progress made at this meeting, leaders agreed to meet next month in person to reach an agreement.

Overall, the S&P 500 index, the Euro Stoxx 600 index and the Nikkei index added +1.9% 5d, +3.2% 5d and +0.8% 5d respectively. The trend of European equities outperforming their developed market peers continued with the Euro Stoxx 50 index now adding +12.5% 1m compared to gains of +6.1% 1m in the MSCI G7 index.

Emerging Markets

Emerging market equities closed higher but underperformed the broader index. The MSCI EM index added +1.5% 5d compared to gains of +2.1% 5d in the MSCI World index. BRIC indices outperformed despite hostility between India and China on their borders. The MSCI BRIC index added +2.4% 5d with India's Nifty index and China's Shanghai Composite index rallying +2.7% 5d and +1.6% 5d respectively.

Elsewhere, central banks in Brazil, Indonesia and Russia cut interest rates. These central banks left the door open for more monetary easing. Another notable outperformer was Turkish stocks. The Istanbul 100 index gained +3.4% 5d to trim its year to date losses to only -0.7%. It is worth highlighting that Turkish equities saw net inflows from foreign investors for the first time in five months. According to data from Turkey's Central Bank, foreign investors bought stocks worth USD 50mn in the week ended 12 June 2020.

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	2,125	4.2%	102.7	9.8	0.7	4.5	29.73
ADX	4,331	0.7%	45.8	17.5	1.3	5.9	38.33
Tadawul	7,328	1.7%	1,407.2	21.9	1.9	3.5	41.97
ISE 100	109,155	-0.2%	2,161.3	9.7	0.9	2.4	85.00
EGX 30	10,934	2.9%	39.5	9.5	1.3	3.2	6.67
Kuwait Premier	-	3.1%	147.2	19.8	1.6	3.9	-
Bahrain	1,283	0.7%	1.3	-	-	5.5	25.00
MSM	3,525	0.2%	3.1	-	-	6.8	26.67
Qatar Exchange	9,186	-0.7%	56.7	16.9	1.4	4.3	40.00
MADEX	8,116	-0.8%	19.8	16.2	-	4.4	37.50
TUSISE	6,658	-0.2%	1.2	-	-	2.0	21.95

Developed Market Indices

Dow Jones	25,871	1.0%	17,299.2	23.7	3.7	2.4	43.33
S&P 500	3,098	1.9%	76,381.5	24.8	3.4	1.9	42.08
Nasdaq	9,946	3.7%	63,533.0	36.8	5.2	0.9	44.17
FTSE 100	6,293	3.1%	5,369.8	19.0	1.5	3.9	43.43
Dax	12,331	3.2%	6,747.8	20.5	1.4	2.9	53.33
Cac 40	4,979	2.9%	5,550.7	22.2	1.4	3.0	32.50
Swiss	10,266	4.8%	5,155.5	19.5	2.4	3.2	50.00
Nikkei	22,479	0.8%	13,272.6	21.7	1.7	1.9	30.67
Australia	5,943	1.6%	6,048.6	21.0	1.9	3.1	37.88
Stoxx 600	365	3.2%	40,092.6	21.1	1.7	3.0	41.97

Emerging Market Indices

Hong Kong	24,644	1.4%	4,850.9	11.5	1.0	3.9	18.00
Shanghai	2,968	1.6%	37,212.9	12.2	1.3	2.3	46.64
Korea	2,141	0.4%	10,707.2	15.2	0.9	2.2	41.64
Sensex	34,732	2.8%	183.5	20.3	2.4	1.4	30.00
Nifty	10,244	2.7%	4,607.6	19.6	2.2	1.6	30.00
Karachi	33,439	-3.5%	29.6	6.6	0.9	5.8	40.23
Taiwan	11,550	1.0%	6,147.5	17.8	1.8	3.9	57.73
Bovespa	96,572	4.1%	4,747.8	26.0	1.5	3.4	40.54
Jo'burg	54,224	1.1%	1,993.0	13.8	1.5	3.8	29.05
Vietnam	869	0.6%	189.2	15.2	2.1	2.1	51.40
Jakarta	4,942	1.3%	483.1	16.0	1.8	3.1	16.34

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	2,209	2.1%	6.6%	-6.3%	23.00	2.37	2.26
MSCI G7	2,031	2.0%	6.2%	-6.0%	23.39	2.46	2.17
MSCI EM	1,001	1.5%	10.6%	-10.2%	16.07	1.52	2.72
MSCI FM	479	0.0%	4.0%	-18.2%	14.14	1.57	4.27
S&P Pan Arab	669	0.6%	5.5%	-15.2%	4.60	0.34	4.03
DUAE INDEX	2,561	0.5%	8.5%	-19.6%	12.45	1.02	4.87
DKUW INDEX	3,892	-1.6%	3.7%	-23.3%	-	-	-
DQAT INDEX	6,264	0.9%	5.5%	-11.1%	15.35	1.76	3.95
DKUS INDEX	3,139	-1.7%	3.2%	-18.3%	0.35	0.03	3.06
DQAS INDEX	7,532	1.4%	6.9%	-4.7%	17.97	1.75	4.57

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	111.8%	113.8%	11.8%	Bahrain	-	-	37.2%
ADX	254.9%	290.0%	45.8%	MSM	-	-	69.6%
Tadawul	374.6%	470.2%	-12.9%	Qatar	272.6%	306.9%	6.5%
Kuwait Premier	-80.4%	-79.8%	-1.4%	TUSISE	-	-	-54.7%

Relative to MSCI G7 Index

Dow Jones	1.4%	51.2%	12.3%	Cac 40	-4.9%	-41.2%	36.2%
S&P 500	5.8%	37.6%	-12.1%	Swiss	-16.8%	-4.1%	45.4%
Nasdaq	57.4%	111.6%	-59.5%	Nikkei	-7.4%	-32.9%	-12.1%
FTSE 100	-18.6%	-39.7%	77.1%	Australia	-10.2%	-24.9%	43.1%
Dax	-12.2%	-41.4%	32.5%	Stoxx 600	-9.9%	-32.6%	39.9%

Relative to MSCI Emerging Market Index

Hong Kong	-28.3%	-36.5%	43.5%	Jo'burg	-14.0%	-0.2%	41.3%
Shanghai	-24.1%	-15.8%	-14.4%	Vietnam	-5.2%	36.2%	-24.3%
Korea	-5.4%	-41.6%	-20.6%	Jakarta	-0.5%	16.3%	14.1%
Sensex	26.6%	58.1%	-47.1%				
Nifty	22.2%	45.5%	-42.6%				
Karachi	-58.7%	-42.3%	115.1%				
Taiwan	10.9%	21.7%	45.1%				
Bovespa	61.5%	0.7%	24.0%				

Source: Bloomberg, BEst – Bloomberg Estimate

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