



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
24 June 2018

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Equity Weekly

Global Equities

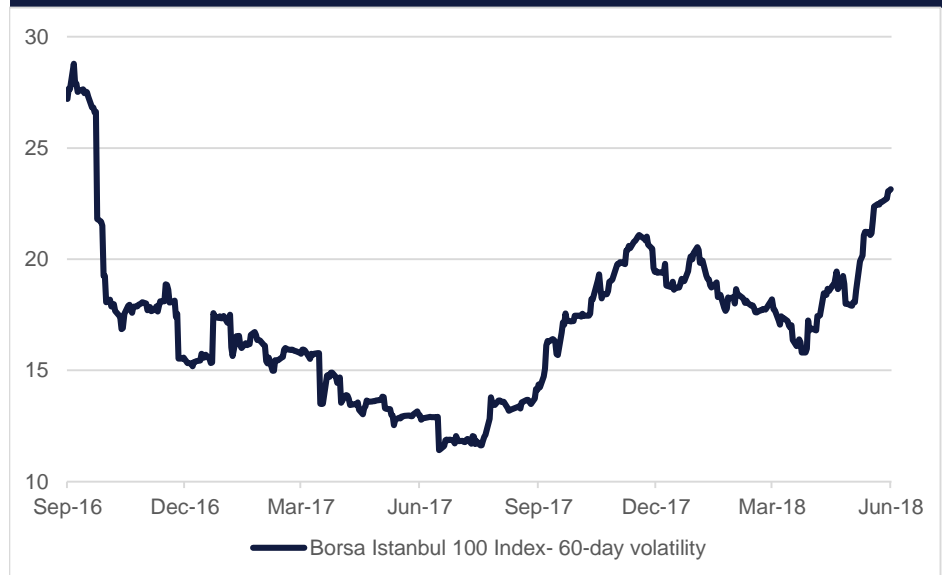
Global equities closed lower as the focus shifted onto the ongoing trade war between the US and other countries. With neither side showing any signs of any imminent thaw, investors started to recalibrate their positions. A reasonable outcome from the OPEC meeting did help to assuage some concerns over the trajectory of oil prices which in turn provided support to broader equities. The MSCI World index dropped -0.9% on the back of weakness across its sub-indices. The MSCI G7 index, the MSCI EM index and the MSCI Frontier Markets index declined -1.0% 5d, -2.3% 5d and -0.8% 5d respectively. Volatility increased across the board with the VIX index, the V2X index and the CBOE EM ETF Volatility index rising +14.9% 5d, +17.11% 5d and +9.2% 5d respectively.

The focus this week will firmly be on how risks around global trade evolves. Regionally, investors will be keenly watching the follow-through impact of the MSCI's decision to upgrade Saudi Arabian equities to EM status and its impact on the broad region.

Chart of the week

The focus this week will be on the result of presidential and parliamentary elections in Turkey. Ahead of the results, the Turkish stock index 60-day volatility has climbed to a 20-month high. It is worth noting here that the Borsa Istanbul 100 index is currently trading at 6.8x 12-month forward earnings implying a significant discount to the MSCI EM index which is trading at 11.3x 12-month forward earnings.

Chart of the week – Ahead of election results, volatility in Turkish stocks rises



Source: Bloomberg

MENA Markets

It was a truncated week of trading for GCC equities. The week was dominated by MSCI announcement that they will be including Saudi Arabian equities in their emerging market index and also consider Kuwait for a potential upgrade to emerging market status next year. The S&P Pan Arab Composite index dropped -1.2% w-o-w.

The upgrade for Saudi Arabia is an important milestone in evolution of its capital markets. We have highlighted the same in our note released last week.

<http://www.emiratesnbdresearch.com/research/article/?a=saudi-arabia-an-important-milestone-970>

The index added +0.5% following the announcement from the MSCI. It is imperative to note here that the move was widely anticipated and hence it will not be surprising to see a more measured reaction to the move.

UAE bourses closed lower with the DFM index and the ADX index dropping -3.6% w-o-w and -3.8% w-o-w respectively. Air Arabia dropped -11.5% w-o-w on above average volumes after the company revealed an exposure of USD 336mn to funds managed by Abraaj Group. The total exposure equates to 9.6% of company's total assets at the end of Q1 2018. The company on its part has said that the exposure will have no significant impact on its daily operations and that it has formed a team of executive to safeguard its investment. For the record, Abraaj last week filed for a court-supervised restructuring.

Developed Markets

Developed market equities closed lower as fears of a prolonged trade war took center stage. Neither the US President Donald Trump nor other countries are showing any signs of a near-term thaw as both sides continue to announce and implement tit-for-tat tariffs. The broader equity indices did receive some boost from energy sector stocks towards the end of the week as OPEC's decision to boost output led oil prices higher on interpretation that the output increase is lower than earlier feared. Eventually, the S&P 500 index, the Euro Stoxx 600 index and the Nikkei index ended the week with losses of -0.9% 5d, -1.1% 5d and -1.5% 5d respectively.

Emerging Markets

Emerging market equities underperformed wider equity markets. The MSCI EM index dropped -2.3% 5d compared to a decline of -0.9% 5d in the MSCI World index. China's Shanghai Composite index was among the worst performer with losses of -5.1% 5d. The index closed at its lowest level since June 2016 as concerns over the impact of trade tension with the US and mixed economic data forced investors to pare positions.

According to market data, outflows from emerging markets accelerated last week with USD 5.6bn flowing out. Nearly 71% of the outflows were driven by ETFs and the rest from mutual funds.

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	2,928	-3.6%	68.0	7.9	1.0	5.8	25.00
ADX	4,535	-3.8%	36.5	11.3	1.5	5.3	44.07
Tadawul	8,206	-0.8%	516.3	15.5	1.8	3.1	48.30
ISE 100	95,852	0.5%	1,166.5	6.8	1.0	4.6	13.40
EGX 30	16,346	0.8%	37.0	12.6	2.4	2.7	63.33
Kuwait Premier	4,804	-0.4%	34.4	13.3	1.4	4.0	37.50
Bahrain	1,309	0.2%	1.6	-	-	6.3	55.56
MSM	4,610	0.3%	4.0	9.3	0.8	5.3	56.67
Qatar Exchange	8,923	-1.9%	228.4	12.7	1.4	4.9	65.00
MADEX	9,943	-1.2%	14.5	18.0	2.5	4.0	55.56
TUSISE	7,981	2.0%	3.3	25.5	-	1.8	73.17

Developed Market Indices

Dow Jones	24,581	-2.0%	9,351.2	16.1	3.7	2.3	60.00
S&P 500	2,755	-0.9%	51,533.4	17.3	3.2	2.0	61.28
Nasdaq	7,693	-0.7%	39,410.0	23.2	4.5	1.0	61.81
FTSE 100	7,682	0.6%	6,026.4	13.9	1.8	4.2	75.25
Dax	12,580	-3.3%	4,728.2	13.1	1.6	3.2	40.00
Cac 40	5,387	-2.1%	4,406.4	14.6	1.6	3.3	55.00
Swiss	8,617	-0.3%	2,762.6	15.2	2.2	3.7	45.00
Nikkei	22,517	-1.5%	13,377.2	16.3	1.7	1.9	41.33
Australia	6,225	2.2%	4,130.2	16.6	2.0	4.3	67.68
Stoxx 600	385	-1.1%	31,435.5	14.7	1.8	3.6	61.08

Emerging Market Indices

Hong Kong	29,339	-3.2%	6,126.3	11.6	1.3	3.7	44.90
Shanghai	2,890	-4.4%	25,396.6	11.5	1.4	2.4	10.60
Korea	2,357	-1.9%	6,534.9	9.2	1.0	1.8	42.52
Sensex	35,690	0.2%	153.7	18.5	2.7	1.3	51.61
Nifty	10,822	0.0%	1,766.7	18.2	2.7	1.3	50.00
Karachi	41,637	-4.7%	57.5	9.3	1.5	5.2	34.41
Taiwan	10,899	-1.7%	5,193.4	13.9	1.8	3.7	51.96
Bovespa	70,641	-0.2%	2,185.8	10.6	1.5	3.4	20.00
Jo'burg	56,857	-1.4%	1,895.3	14.3	1.9	3.3	36.88
Vietnam	983	-3.3%	154.2	17.9	3.1	1.9	29.84
Jakarta	5,822	-2.9%	566.5	14.8	2.2	2.3	40.04

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	2,115	-0.9%	0.2%	0.5%	16.12	2.29	2.39
MSCI G7	1,928	-1.0%	0.4%	1.4%	16.20	2.39	2.21
MSCI EM	1,088	-2.3%	-4.3%	-6.1%	12.00	1.57	2.59
MSCI FM	575	-0.8%	-1.6%	-9.9%	11.94	1.81	3.66
S&P Pan Arab	743	-1.2%	0.9%	8.4%	13.30	1.56	3.93
DUAE INDEX	3,134	-4.2%	0.1%	-4.3%	9.35	1.24	5.75
DKUW INDEX	3,435	-0.7%	1.7%	0.7%	-	-	-
DQAT INDEX	5,673	-2.6%	-2.1%	6.8%	11.71	1.65	4.42
DKUS INDEX	2,782	-0.8%	2.2%	-0.7%	13.86	1.48	3.81
DQAS INDEX	6,874	-0.7%	-0.4%	-3.5%	14.92	1.56	4.80

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-40.4%	-33.8%	47.2%	Bahrain	-	-	59.7%
ADX	-15.3%	-3.4%	34.4%	MSM	-29.9%	-51.3%	35.5%
Tadawul	16.9%	16.7%	-19.8%	Qatar	-4.6%	-8.9%	24.1%
Kuwait Premier	-0.2%	-11.9%	1.1%	TUSISE	91.6%	-	-54.9%

Relative to MSCI G7 Index

Dow Jones	-0.4%	56.6%	3.5%	Cac 40	-9.8%	-34.0%	48.7%
S&P 500	6.8%	32.4%	-11.9%	Swiss	-6.4%	-7.0%	67.7%
Nasdaq	43.5%	88.7%	-54.8%	Nikkei	0.9%	-28.8%	-12.3%
FTSE 100	-14.2%	-23.7%	91.7%	Australia	2.6%	-14.3%	92.6%
Dax	-19.2%	-33.5%	44.2%	Stoxx 600	-9.3%	-25.2%	62.7%

Relative to MSCI Emerging Market Index

Hong Kong	-3.7%	-19.3%	43.5%	Jo'burg	19.2%	17.9%	26.2%
Shanghai	-4.4%	-13.3%	-8.9%	Vietnam	49.2%	100.2%	-26.7%
Korea	-23.6%	-36.0%	-28.5%	Jakarta	23.4%	41.9%	-9.7%
Sensex	53.8%	72.7%	-50.5%				
Nifty	51.6%	72.2%	-50.1%				
Karachi	-22.6%	-5.9%	101.6%				
Taiwan	16.2%	12.7%	43.2%				
Bovespa	-11.3%	-7.4%	32.1%				

Source: Bloomberg, BEst – Bloomberg Estimate

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