



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

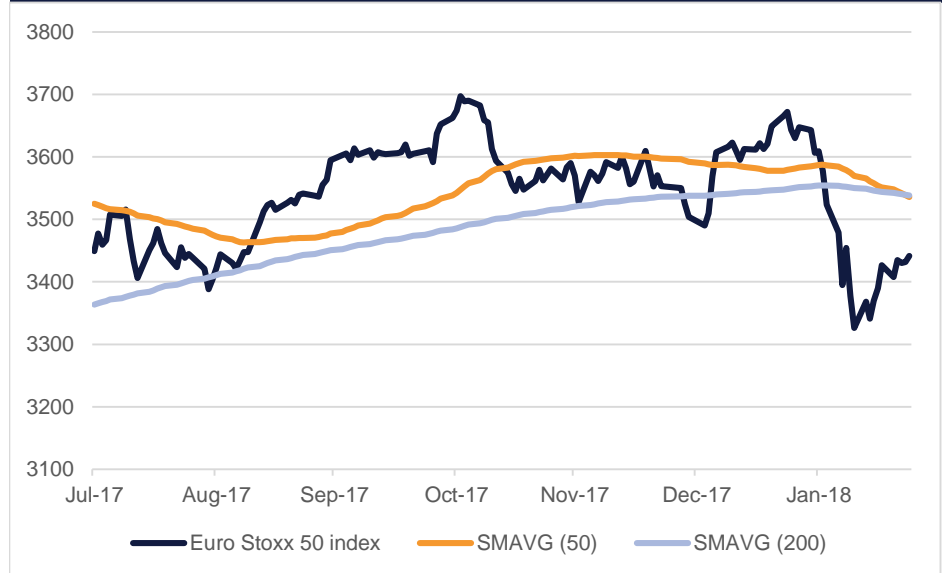
Global equities built on the rally from the previous week to recoup within 1.5% of the level seen before the start of the correction at the start of the month. Concerns over inflation and US politics faded into the background amid continued strong corporate earnings and economic data. The MSCI World index added +0.1% 5d amid gains in all its sub-indices. The MSCI EM index, the MSCI G7 index and the MSCI Arabian Markets index added +1.4% 5d, +0.2% 5d and +0.1% 5d respectively. Volatility declined in the US with the VIX index losing -13.8% 5d but rose marginally in Europe with the V2X index added +2.3% 5d.

The sustained rebound in equity markets has brought the focus back on fundamentals which remains on a strong footing. This week the focus will be on the new Federal Reserve's Chairman Jerome Powell's testimony to the US Congress. Regional markets are likely to remain subdued amid a lack of other catalysts.

Chart of the week

European equities have underperformed global markets so far in 2018. The Euro Stoxx 50 index has dropped -1.8% ytd compared to a gain of +1.8% ytd in the MSCI World index. Looking ahead, a 'death cross' technical sign was triggered on the Euro Stoxx 50 index with the 200-day moving average closing above the 50-day moving average. This is generally considered a bearish sign.

Chart of the week – 'Death Cross' triggered for the Euro Stoxx 50 index



Source: Bloomberg

MENA Markets

It was a subdued week of trading for MENA equities with most markets drifting higher. Notably, volumes declined across the board as investors await dividend payouts before fresh allocation. It could also be the case of uncertainty in global markets weighing on investor sentiment. The MSCI Arabian Markets index ended the week +0.1%.

The Tadawul added +0.2% 5d amid continued inflows from foreign investors. According to data from the exchange, foreign investors are net buyers to the tune of USD 315mn so far in February 2018. Much of this inflow can be attributed to the possibility of an imminent announcement from FTSE over inclusion of Saudi Arabian equities in the EM index. The FTSE country classification announcement is scheduled for March 28, 2018. If confirmed, the weightage of Saudi Arabia is likely to be between 2.5% and 3.0% which would roughly account for passive inflows of USD 4bn. The implementation would likely be in two tranches starting March 2019. This follows an update from the MSCI last week which was interpreted by investors as a 'done deal'.

UAE bourses closed mixed with the DFM index losing -1.3% 5d and the ADX index closing flat. Emaar Properties ended the week with gains of +1.6% 5d following reports that the government will soon change rules of off-plan sales for private developers wherein they will be allowed to start sales only after they have completed 50% construction. Earlier, they were allowed to start selling after completing 20% construction. Damac fell -1.2% 5d on the same. The rally in Emaar appears counter-intuitive given that Emaar already has a significant market share in off-plan sales and that the suggested reason for the change is 'over-supply'.

Dubai Islamic Bank said that the right issue will be priced at a discount of 45% to the market price on the date decided by the board. The bank will issue 1.65bn new share and the shareholders will have the right to buy 1 share for every 3 held.

Developed Markets

Developed market equities closed higher for a second consecutive week as the focus remained on fundamentals. Investors continued to shrug off any possibility of a faster than expected rate hikes in the US. The minutes from the last Federal Reserve meeting had a slight hawkish tilt but not enough to reignite concerns over higher rates. The S&P 500 index added +0.6% wow to close within 1% of the level at the start of February 2018. European equities were more subdued with Euro Stoxx 600 index adding +0.1% 5d and the FTSE 100 index dropping -0.7% 5d.

The strength in corporate earnings continued. With nearly 90% of companies in the S&P 500 index reporting earnings, 74% of those have reported positive earnings surprise and 78% have reported positive sales surprise. According to FactSet, the aggregate earnings growth for Q4 2017 is 14.8% relative to an estimate of 11.0% at the end of 2017. If earnings growth of 14.8% is maintained then it will mark the highest earnings growth since Q3 2011. Importantly, all eleven sectors are reporting earnings and revenue growth for the first time since Q3 2011.

Emerging Markets

Emerging market equities outperformed broader equity markets. The MSCI EM index gained +1.4% 5d compared to a rally of +0.1% 5d in the MSCI World index. The gains were led by Chinese equities which played catch-up following a week-long holiday. The Shanghai Composite index added +2.8% wow.

Russia was upgraded to investment grade by S&P with its first upgrade since 2006. The sovereign rating was upgraded to BBB- from BB+ with stable outlook. The MSCI Russia index ended the week with gains of +3.9% 5d.

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 | 3,287 | -1.3% | 58.3 | 8.7 | 1.1 | 5.3 | 27.78 |
| ADX | 4,580 | 0.0% | 31.6 | 11.1 | 1.4 | 4.4 | 42.37 |
| Tadawul | 7,525 | 0.2% | 792.8 | 13.8 | 1.6 | 3.2 | 54.60 |
| ISE 100 | 117,522 | 0.3% | 1,620.0 | 8.5 | 1.3 | 2.6 | 62.89 |
| EGX 30 | 15,319 | 2.4% | 44.8 | 11.2 | 2.0 | 2.0 | 76.67 |
| KWSE | 6,757 | -0.1% | 35.8 | - | - | 5.6 | 34.26 |
| Bahrain | 1,352 | 0.9% | 7.3 | - | - | 5.8 | 66.67 |
| MSM | 4,972 | -0.9% | 6.9 | 9.5 | 1.0 | 5.2 | 53.33 |
| Qatar Exchange | 9,096 | 0.8% | 31.9 | 12.4 | 1.4 | 4.6 | 65.00 |
| MADEX | 10,762 | 0.3% | 14.0 | 18.8 | 2.8 | 3.6 | 71.11 |
| TUSISE | 6,663 | 0.9% | 1.3 | 22.0 | - | 2.1 | 67.39 |

Developed Market Indices

| | | | | | | | |
|-----------|--------|-------|----------|------|-----|-----|-------|
| Dow Jones | 25,310 | 0.4% | 8,949.6 | 17.1 | 3.9 | 2.2 | 80.00 |
| S&P 500 | 2,747 | 0.6% | 43,718.6 | 17.6 | 3.1 | 1.9 | 70.20 |
| Nasdaq | 7,337 | 1.4% | 29,562.4 | 22.4 | 4.2 | 1.1 | 56.86 |
| FTSE 100 | 7,244 | -0.7% | 5,784.7 | 13.8 | 1.8 | 4.4 | 51.49 |
| Dax | 12,484 | 0.3% | 4,252.9 | 12.9 | 1.6 | 3.2 | 51.72 |
| Cac 40 | 5,317 | 0.7% | 3,800.7 | 14.7 | 1.5 | 3.3 | 55.00 |
| Swiss | 8,948 | -0.4% | 2,393.9 | 15.8 | 2.3 | 3.6 | 60.00 |
| Nikkei | 21,893 | 0.8% | 12,752.5 | 17.4 | 1.8 | 1.8 | 60.00 |
| Australia | 6,000 | 1.6% | 4,047.4 | 16.1 | 2.0 | 4.4 | 65.15 |
| Stoxx 600 | 381 | 0.1% | 28,567.1 | 14.7 | 1.8 | 3.6 | 57.14 |

Emerging Market Indices

| | | | | | | | |
|-----------|--------|-------|----------|------|-----|-----|-------|
| Hong Kong | 31,267 | 0.5% | 5,474.0 | 12.2 | 1.3 | 3.2 | 74.00 |
| Shanghai | 3,289 | 2.8% | 24,032.6 | 12.8 | 1.5 | 1.9 | 17.00 |
| Korea | 2,452 | 1.2% | 5,016.1 | 9.5 | 1.0 | 1.5 | 45.25 |
| Sensex | 34,142 | 0.4% | 126.3 | 22.2 | 3.0 | 1.2 | 61.29 |
| Nifty | 10,491 | 0.4% | 1,941.1 | 21.0 | 3.0 | 1.3 | 54.00 |
| Karachi | 43,267 | -0.8% | 50.5 | 9.4 | 1.5 | 5.4 | 29.67 |
| Taiwan | 10,795 | 3.6% | 4,116.9 | 13.9 | 1.8 | 3.7 | 54.43 |
| Bovespa | 87,293 | 3.3% | 2,933.7 | 13.6 | 1.8 | 2.7 | 82.26 |
| Micex | - | 3.6% | 826.5 | 6.7 | 0.8 | 4.7 | - |
| Jo'burg | 58,715 | -0.7% | 2,007.3 | 16.2 | 2.0 | 2.8 | 58.39 |
| Vietnam | 1,103 | 4.1% | 219.7 | 19.3 | 3.5 | 1.9 | 53.31 |
| Jakarta | 6,620 | 0.4% | 517.0 | 17.0 | 2.6 | 1.8 | 55.69 |

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 | 2,141 | 0.1% | -4.8% | 1.8% | 16.40 | 2.29 | 2.32 |
| MSCI G7 | 1,939 | 0.2% | -4.8% | 2.0% | 16.50 | 2.38 | 2.16 |
| MSCI EM | 1,216 | 1.4% | -4.4% | 5.0% | 13.02 | 1.67 | 2.30 |
| MSCI FM | 662 | 0.5% | -2.6% | 3.8% | 13.17 | 2.01 | 3.08 |
| S&P Pan Arab | 715 | 0.4% | -0.8% | 4.3% | 12.69 | 1.51 | 3.76 |
| DUAE INDEX | 3,352 | -0.4% | -3.4% | 2.2% | 10.22 | 1.31 | 4.95 |
| DKUW INDEX | 3,541 | -0.3% | -3.2% | 3.8% | - | - | - |
| DQAT INDEX | 5,537 | 1.6% | -3.6% | 4.2% | 11.38 | 1.51 | 4.13 |
| DKUS INDEX | 2,899 | 0.4% | -2.2% | 3.5% | 15.51 | 1.91 | 2.37 |
| DQAS INDEX | 7,589 | -0.2% | -1.3% | 6.5% | 13.28 | 1.64 | 4.81 |

Relative to S&P Pan Arab Composite Index

| Index | PE | PB | Dvd Yield | Index | PE | PB | Dvd Yield |
|---------|--------|--------|-----------|---------|--------|--------|-----------|
| DFM | -31.7% | -23.8% | 41.1% | Bahrain | - | - | 53.3% |
| ADX | -12.6% | -4.4% | 18.0% | MSM | -25.0% | -36.6% | 39.6% |
| Tadawul | 8.6% | 4.3% | -14.0% | Qatar | -2.3% | -9.6% | 21.9% |
| KWSE | - | - | 48.3% | TUSISE | 73.3% | - | -44.5% |

Relative to MSCI G7 Index

| | | | | | | | |
|-----------|--------|--------|--------|-----------|--------|--------|--------|
| Dow Jones | 3.7% | 61.8% | 2.3% | Cac 40 | -11.0% | -35.8% | 53.6% |
| S&P 500 | 6.8% | 30.7% | -10.7% | Swiss | -4.1% | -2.6% | 64.3% |
| Nasdaq | 35.8% | 78.4% | -51.4% | Nikkei | 5.4% | -25.8% | -15.8% |
| FTSE 100 | -16.5% | -23.7% | 101.3% | Australia | -2.4% | -17.4% | 102.2% |
| Dax | -21.5% | -31.7% | 48.5% | Stoxx 600 | -11.0% | -24.8% | 66.1% |

Relative to MSCI Emerging Market Index

| | | | | | | | |
|-----------|--------|--------|--------|---------|-------|--------|--------|
| Hong Kong | -6.3% | -20.5% | 39.6% | Jo'burg | 24.4% | 21.3% | 23.2% |
| Shanghai | -1.8% | -10.3% | -18.4% | Vietnam | 47.9% | 107.0% | -16.8% |
| Korea | -27.1% | -38.3% | -35.7% | Jakarta | 30.3% | 58.1% | -20.2% |
| Sensex | 70.2% | 79.2% | -49.2% | | | | |
| Nifty | 61.5% | 77.7% | -41.4% | | | | |
| Karachi | -27.5% | -10.0% | 132.8% | | | | |
| Taiwan | 6.7% | 7.9% | 62.5% | | | | |
| Bovespa | 4.4% | 7.9% | 18.2% | | | | |
| Micex | -48.4% | -54.1% | 103.7% | | | | |

Source: Bloomberg, BEst – Bloomberg Estimate

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