



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

Global equities closed sharply lower on the back of weakness in US equities. It appears that worries over the pace of economic growth and geopolitical issues are weighing on investor sentiment along with some sector specific concerns. The weakness in commodities also played a part in last week's sell-off. The MSCI All Countries index lost -2.7% 5d while the S&P GS Commodities index declined -6.2% 5d. All major sub-indices closed in negative territory too. The MSCI G7 index, the MSCI EM index and the MSCI FM index dropped -3.0% 5d, -1.7% 5d and -0.4% 5d respectively. The move in volatility index was relatively subdued. The VIX index, the V2X index and the CBOE EM ETF Volatility index moved +7.7% 5d, +5.0% 5d and -3.3% 5d respectively.

Notwithstanding key speeches from various central bankers scheduled for this week, the focus of investors' will squarely be on the G-20 meeting in Argentina scheduled towards the end of the week. A lot is expected from the meeting on the trade front as US president Donald Trump and Chinese President Xi Jinping are scheduled to meet and discuss a possible trade deal. It is also speculated that there will be some discussion on oil prices ahead of the formal OPEC meeting next month.

Chart of the week

With Brexit close to its end-game, the focus has turned to how UK equities will fare in various scenarios. However, it is important to note that despite a -9.6% ytd fall, the FTSE 100 index is trading only a slight discount to European equities. The FTSE 100 to Euro Stoxx index 12-month forward PE ratio is currently at 0.95 compared to long-term average of 0.97.

Chart of the week – UK equities relative to European equities



Source: Bloomberg

MENA Markets

It was a negative week of trading for regional equities amid a weak global backdrop and sharp correction in oil prices. Having said that, most markets fared well relative to global markets. The MSCI Arabian Markets index dropped -0.1% while Brent oil dropped -11.9% 5d.

UAE bourses closed lower with the DFM index losing -0.9% w-o-w and the ADX index dropping -1.4%. Volumes continued to remain weak across the board as investors' prefer to stay on sidelines than deploy cash despite attractive valuations. Real estate sector stocks remain under pressure even as reports suggest that the central bank of the UAE has relaxed bank's exposure limit of 20% to real estate sector. Emaar Properties and Aldar Properties lost -2.7% w-o-w and -1.2% w-o-w respectively. Elsewhere, Drake & Scull said that it is in talks with regulators to lift suspension as the company's restructuring plan has been approved. The stock was suspended on 15 November 2018.

From a valuation perspective, UAE equities are trading at a sharp discount to their GCC peers. The MSCI UAE index is trading at 7.8x 12m forward earnings compared to the MSCI GCC Countries index which is trading at 12.6x 12m forward earnings. The estimated dividend yield for the MSCI UAE index is 6.6% compared to 4.5% for the MSCI GCC Countries index.

Elsewhere, the Tadawul (-0.7% 5d) closed lower for a third consecutive week. Unsurprisingly, petrochemical stocks led the decline with Sabic losing -2.0% 5d and Saudi Kayan dropping -3.6% 5d.

Developed Markets

Developed market equities closed lower across the board as weakness in technology stocks persisted and selling in energy stocks gathered pace amid big moves in oil prices. While sector specific concerns weighed more on investor sentiment, the continued concern and speculation over broader issues did not help either. The US and China continued to exchange barbs on trade and political and economic issues in Europe lingered on. Eventually, the S&P 500 index, the Euro Stoxx 600 index and the Nikkei index dropped -3.8% w-o-w, -1.0% w-o-w and -0.2% w-o-w respectively. The move last week pushed US equities into negative territory for the year with S&P 500 index down -1.5% ytd. Interestingly, despite the recent sell-off, Nasdaq is still positive for the year with gains of +0.5% ytd.

The fund flow data from EPFR shows that redemptions from bonds have been larger than equities for the week ending 20 November 2018. Compared to an outflow of USD 7.3bn from bonds, equities saw an outflow of USD 0.9bn. US and European equities saw outflows of USD 1bn and USD 1.9bn respectively while Japanese equity funds saw an inflow of USD 0.6bn.

Emerging Markets

Emerging market equities outperformed broader equities. The MSCI EM index dropped -1.7% 5d compared to a decline of -2.8% 5d in the MSCI World index. It appears that correction in commodity prices and weakness in the USD helped cap losses in emerging market equities.

The confrontation between the US and China appear to be weighing on Chinese equities. There were reports last week that the US government was contacting key allies to ask them to avoid using telecom and IT equipment's made by China's Huawei Technologies Co. The MSCI China IT index ended the week with losses of -1.7%.

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	2,755	-0.9%	34.4	8.0	1.1	6.4	35.14
ADX	4,985	-1.4%	61.3	12.0	1.7	4.9	32.20
Tadawul	7,607	-0.7%	699.4	14.1	1.7	3.7	24.02
ISE 100	93,003	-1.1%	1,062.1	6.8	0.9	4.6	21.65
EGX 30	13,675	0.0%	37.6	9.9	1.9	2.3	10.00
Kuwait Premier		-0.6%	35.5	11.0	1.6	3.6	
Bahrain	1,323	1.1%	2.9			6.2	55.56
MSM		0.1%	1.7	7.5	0.7	5.9	
Qatar Exchange	10,328	1.1%	55.9	14.1	1.7	4.3	65.00
MADEX	9,051	0.3%	6.2	17.0		4.0	17.02
TUSISE	7,305	0.2%	1.5	22.9		1.9	32.50

Developed Market Indices

Dow Jones	24,286	-4.4%	9,842.3	15.2	3.7	2.4	50.00
S&P 500	2,633	-3.8%	46,938.4	16.1	3.0	2.1	37.57
Nasdaq	6,939	-4.3%	32,404.6	20.3	4.1	1.2	25.96
FTSE 100	6,953	-0.9%	5,089.3	12.4	1.6	4.8	30.69
Dax	11,193	-1.3%	3,950.2	12.4	1.5	3.6	27.59
Cac 40	4,947	-1.6%	3,562.7	13.2	1.4	3.6	22.50
Swiss	8,846	-0.7%	2,539.5	15.8	2.3	3.6	40.00
Nikkei		-0.2%	12,080.3				
Australia	5,716	-0.3%	3,334.0	14.6	1.8	5.0	29.29
Stoxx 600	354	-1.0%	26,048.4	13.6	1.7	3.9	26.94

Emerging Market Indices

Hong Kong	25,928	-1.0%	3,074.4	10.9	1.2	3.9	26.00
Shanghai	2,579	-3.7%	22,979.4	10.5	1.2	2.6	8.09
Korea	2,057	-1.7%	3,916.7	8.6	0.9	2.3	14.96
Sensex		-1.3%	98.5	20.1	2.7	1.4	
Nifty		-1.5%	1,989.4	19.0	2.7	1.4	
Karachi	40,869	-1.9%	46.2	8.6	1.3	5.1	37.78
Taiwan	9,667	-1.3%	2,631.4	12.6	1.6	4.6	21.56
Bovespa	86,230	-2.6%	2,556.7	13.2	1.8	3.4	60.00
Jo'burg	50,698	-2.7%	1,378.3	12.4	1.6	4.1	26.88
Vietnam	918	2.2%	105.4	15.7	2.8	2.0	34.38
Jakarta	6,006	-0.1%	429.6	15.9	2.3	2.3	32.16

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	1,975	-2.8%	-0.3%	-6.1%	14.90	2.17	2.58
MSCI G7	1,802	-3.0%	-0.7%	-5.2%	14.94	2.25	2.40
MSCI EM	969	-1.7%	3.2%	-16.3%	11.32	1.46	3.05
MSCI FM	526	-0.4%	1.5%	-17.5%	11.27	1.62	4.18
S&P Pan Arab	723	-0.4%	0.5%	5.4%	12.93	1.66	4.10
DUAE INDEX	3,226	-1.0%	-0.8%	-2.7%	9.65	1.30	5.83
DKUW INDEX		-0.5%	2.5%	9.1%			
DQAT INDEX	7,034	1.1%	2.8%	32.4%	13.88	2.20	3.63
DKUS INDEX		-0.7%	2.3%	5.9%	13.17	1.62	3.54
DQAS INDEX	8,115	1.3%	0.7%	13.9%	15.41	1.98	4.20

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-38.0%	-35.2%	56.8%	Bahrain			50.2%
ADX	-7.3%	0.2%	18.8%	MSM	-42.2%	-55.5%	43.4%
Tadawul	8.9%	1.6%	-9.7%	Qatar	9.4%	1.6%	4.0%
Kuwait Premier	-14.7%	-1.9%	-11.5%	TUSISE	77.5%		-52.7%

Relative to MSCI G7 Index

Dow Jones	1.7%	65.5%	-1.6%	Cac 40	-11.8%	-35.8%	50.6%
S&P 500	7.7%	35.0%	-14.1%	Swiss	5.6%	1.2%	50.6%
Nasdaq	36.0%	80.8%	-50.8%	Nikkei			
FTSE 100	-17.3%	-27.6%	101.0%	Australia	-2.4%	-20.6%	107.7%
Dax	-17.1%	-34.7%	48.1%	Stoxx 600	-8.9%	-26.6%	62.7%

Relative to MSCI Emerging Market Index

Hong Kong	-4.0%	-18.0%	27.0%	Jo'burg	9.3%	9.0%	33.3%
Shanghai	-7.4%	-19.3%	-13.3%	Vietnam	38.7%	93.9%	-33.9%
Korea	-24.0%	-38.8%	-24.3%	Jakarta	40.5%	60.0%	-24.7%
Sensex	77.2%	87.8%	-54.3%				
Nifty	67.7%	83.7%	-53.0%				
Karachi	-24.2%	-8.3%	67.8%				
Taiwan	11.2%	12.0%	51.3%				
Bovespa	16.2%	24.3%	11.4%				

Source: Bloomberg, BEst – Bloomberg Estimate

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