



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

Global equities closed lower for the first time in three weeks. However, the move appears relatively muted when weighed against a multitude of negative catalysts which emerged throughout the week. These included absolute dislocation in oil markets, grim economic data out of the US and Europe and mounting risk of structural damage. Policymakers continued to firefight with the European Central Bank making a move towards accepting junk bonds as collateral and the US passing additional stimulus measures.

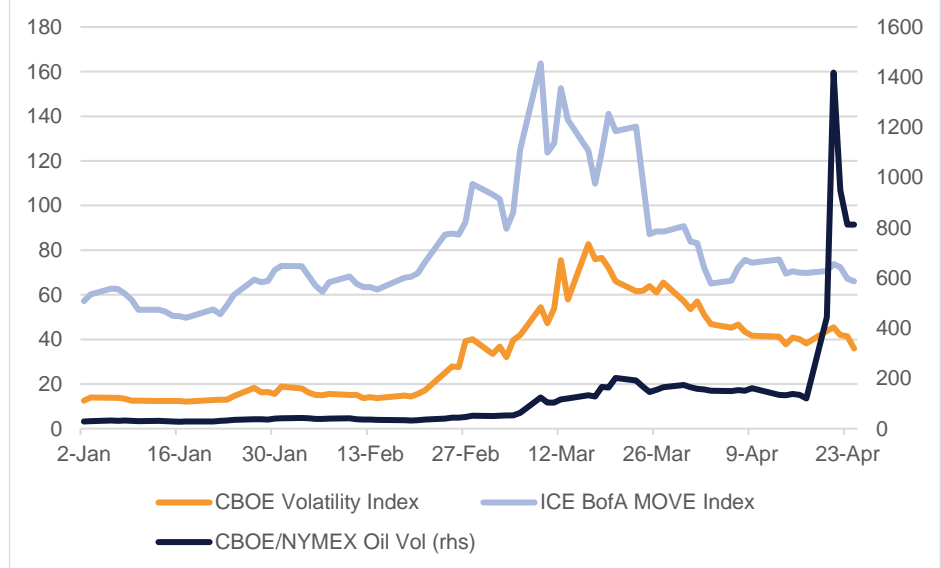
Overall, the MSCI All Country index dropped -1.6% on the back of losses across its sub-indices. The MSCI G7 index, the MSCI EM index and the MSCI FM index declined -1.4% 5d, -2.4% 5d and -1.4% 5d respectively. Volatility jumped in emerging markets but eased off elsewhere. The CBOE EM ETF Volatility index jumped +36.6% 5d.

Beyond coronavirus, the focus this week will be on central banks with scheduled meetings of the Federal Reserve, the European Central Bank and the Bank of Japan. Given that these central banks have been rather proactive outside of their regular meetings, we do not expect major changes to their policy this week. Yet, it will be important to hear their prognosis of the health of the global economy. Corporate earnings and economic data will also be keenly watched.

Chart of the week

Last week saw WTI oil futures plunge into negative territory for the first time in history. Unsurprisingly, oil volatility jumped to a record high. However, what was surprising was the limited contagion impact of the move on the volatility of other asset classes including equities and fixed income.

Chart of the week – Volatility in other asset classes were unaffected by a spike in oil volatility



Source: Bloomberg

MENA Markets

Regional markets closed mixed amid a collapse in oil prices. It does appear that some markets were supported by the emergence of bargain hunting. Overall, the S&P Pan Arab Composite index ended the week with losses of -1.5%.

UAE bourses closed higher with the DFM index and the ADX index adding +1.7% 5d and +2.4% respectively. Telecom companies led the gain with du adding +2.4% 5d and Etisalat gaining +5.9% 5d. Both these companies reported Q1 2020 earnings wherein Etisalat reported a net income of AED 2.18bn (-1.5% y/y) and du reported a profit of AED 355mn (-21.0% y/y). The first interim dividend payment of AED 0.25 per share, announced by Etisalat, was lower than last year's interim dividend. Both companies did highlight that a greater impact of the viral outbreak will reflect in Q2 2020 earnings.

The Tadawul ended the week marginally lower with losses of -0.40% 5d. Saudi Aramco closed flat while Sabic declined -4.9% 5d. Saudi Electricity Co. ended the week flat even as the company received a waiver to not pay dividends for the Public Investment Fund's 74.31% stake in the company. The waiver was given to ensure the company's financial and operational sustainability.

Developed Markets

With most economies in the developed world plotting their way to ease restrictions, the focus of investors has shifted on the pace and efficacy of these measures. This coupled with continued measures by policymakers to support and stimulate the economy helped investors to navigate through massive distortion in energy markets and pare early week losses. Along with measures from the ECB, European leaders signed off a EUR 540bn plan to tackle the immediate fallout from the pandemic.

Overall, the S&P 500 index, the Euro Stoxx 600 index and the Nikkei index lost -1.3% 5d, -1.2% 5d and -3.2% 5d respectively. Over the past month, healthcare and technology sector stocks have outperformed with gains of +22.1% 1m and +15.2% 1m respectively in the US and +14.1% 1m and +8.8% 1m respectively in Europe.

The earnings season in the US continues to remain rather dismal. With nearly 24% of companies in the S&P 500 index having reported earnings, 60% of companies are reporting profits and sales above estimates. According to FactSet, the blended earnings growth at the end of last week came in at -15.8%. If this rate of decline holds, then this will be the largest y/y decline in earnings since Q2 2009. The S&P 500 index is currently trading at 19.1x 12m forward earnings, higher than the 5y and 10y averages.

Emerging Markets

Emerging market equities underperformed the broader market. The MSCI EM index lost -2.4% 5d relative to a decline of -1.5% 5d in the MSCI World index. The weakness in EM currencies and a sharp drop in oil prices contributed to this underperformance. Turkey's Istanbul 100 index (+2.6% 5d) was a notable outperformer after the central bank surprised markets by a 100 bps cut in interest rates. Brazil's Bovespa index dropped -3.2% 5d as political turmoil coupled with the viral outbreak weighed on investor sentiment.

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 | 1,891 | 1.7% | 62.8 | 7.3 | 0.6 | 6.6 | 18.92 |
| ADX | 4,063 | 2.4% | 45.5 | 12.4 | 1.2 | 6.1 | 30.00 |
| Tadawul | 6,605 | -0.4% | 983.9 | 17.0 | 1.7 | 4.0 | 17.71 |
| ISE 100 | 98,759 | 0.0% | 1,667.8 | 6.7 | 0.7 | 2.9 | 64.00 |
| EGX 30 | 10,120 | -0.3% | 57.8 | 7.5 | 1.2 | 3.5 | 3.33 |
| Kuwait Premier | 5,025 | -1.9% | 87.9 | 15.1 | 1.4 | 4.5 | 5.56 |
| Bahrain | 1,308 | -0.4% | 1.3 | - | - | 5.9 | - |
| MSM | 3,482 | -1.6% | 1.8 | - | - | 8.0 | 30.00 |
| Qatar Exchange | 8,473 | -1.2% | 84.2 | 12.6 | 1.3 | 4.7 | 20.00 |
| MADEX | 7,325 | -0.8% | 6.7 | 13.8 | - | 4.8 | 4.08 |
| TUSISE | 6,357 | 1.3% | 0.4 | 34.5 | - | 2.3 | 21.05 |

Developed Market Indices

| | | | | | | | |
|-----------|--------|-------|----------|------|-----|-----|-------|
| Dow Jones | 23,775 | -1.9% | 11,427.4 | 20.7 | 3.4 | 2.7 | 30.00 |
| S&P 500 | 2,837 | -1.3% | 50,995.4 | 21.6 | 3.0 | 2.2 | 23.00 |
| Nasdaq | 8,635 | -0.2% | 41,594.4 | 29.7 | 4.4 | 1.1 | 22.76 |
| FTSE 100 | 5,752 | -0.6% | 4,069.4 | 15.3 | 1.4 | 4.9 | 22.22 |
| Dax | 10,336 | -2.7% | 4,275.6 | 16.3 | 1.2 | 3.5 | 10.00 |
| Cac 40 | 4,393 | -2.3% | 3,162.8 | 17.3 | 1.3 | 3.8 | 10.00 |
| Swiss | 9,626 | 0.1% | 4,147.4 | 17.6 | 2.2 | 3.5 | 35.00 |
| Nikkei | 19,262 | -3.2% | 11,398.6 | 15.9 | 1.4 | 2.4 | 12.00 |
| Australia | 5,243 | -4.5% | 3,744.8 | 17.0 | 1.6 | 4.1 | 13.00 |
| Stoxx 600 | 330 | -1.2% | 26,510.1 | 17.0 | 1.5 | 3.8 | 20.67 |

Emerging Market Indices

| | | | | | | | |
|-----------|--------|-------|----------|------|-----|-----|-------|
| Hong Kong | 23,831 | -2.3% | 3,907.4 | 10.5 | 1.0 | 3.9 | 8.00 |
| Shanghai | 2,809 | -1.1% | 32,643.5 | 11.0 | 1.2 | 2.4 | 34.41 |
| Korea | 1,889 | -1.3% | 8,606.8 | 12.6 | 0.8 | 2.3 | 22.01 |
| Sensex | 31,327 | -0.8% | 137.6 | 16.1 | 2.2 | 1.6 | 20.00 |
| Nifty | 9,154 | -1.2% | 4,028.9 | 15.3 | 2.0 | 1.8 | 18.00 |
| Karachi | 32,806 | -0.1% | 59.3 | 5.9 | 1.0 | 6.3 | 37.08 |
| Taiwan | 10,347 | -2.4% | 4,568.2 | 15.5 | 1.6 | 4.4 | 24.26 |
| Bovespa | 75,331 | -4.6% | 3,611.5 | 13.1 | 1.3 | 4.6 | 11.11 |
| Jo'burg | 49,527 | 0.8% | 1,050.3 | 11.1 | 0.9 | 4.3 | 15.44 |
| Vietnam | 777 | -1.6% | 162.4 | 12.3 | 1.9 | 2.4 | 23.85 |
| Jakarta | 4,496 | -3.0% | 307.7 | 11.8 | 1.5 | 3.7 | 9.83 |

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 | 1,988 | -1.5% | 8.8% | -15.7% | 19.24 | 2.09 | 2.69 |
| MSCI G7 | 1,832 | -1.4% | 9.1% | -15.2% | 19.53 | 2.17 | 2.54 |
| MSCI EM | 879 | -2.4% | 4.4% | -21.1% | 13.02 | 1.23 | 3.11 |
| MSCI FM | 432 | -1.4% | 0.4% | -26.2% | 11.29 | 1.42 | 5.12 |
| S&P Pan Arab | 604 | -0.6% | 3.9% | -23.4% | 13.56 | 1.37 | 4.82 |
| DUAE INDEX | 2,315 | 2.1% | 11.2% | -27.3% | 9.97 | 0.93 | 5.81 |
| DKUW INDEX | 3,526 | -2.9% | -3.4% | -30.5% | - | - | - |
| DQAT INDEX | 5,764 | -2.7% | -0.1% | -18.2% | 12.58 | 1.63 | 4.31 |
| DKUS INDEX | 2,823 | -1.1% | 0.1% | -26.5% | 14.62 | 1.50 | 3.44 |
| DQAS INDEX | 6,895 | -0.9% | 2.4% | -12.7% | 13.75 | 1.71 | 5.01 |

Relative to S&P Pan Arab Composite Index

| Index | PE | PB | Dvd Yield | Index | PE | PB | Dvd Yield |
|----------------|--------|--------|-----------|---------|--------|-------|-----------|
| DFM | -46.5% | -52.7% | 36.2% | Bahrain | - | - | 23.2% |
| ADX | -8.5% | -12.8% | 25.5% | MSM | - | - | 65.3% |
| Tadawul | 25.3% | 24.2% | -17.6% | Qatar | -7.0% | -3.0% | -2.1% |
| Kuwait Premier | 11.5% | 1.7% | -7.1% | TUSISE | 154.2% | - | -52.1% |

Relative to MSCI G7 Index

| | | | | | | | |
|-----------|--------|--------|--------|-----------|--------|--------|-------|
| Dow Jones | 6.0% | 56.6% | 5.3% | Cac 40 | -11.2% | -42.2% | 48.7% |
| S&P 500 | 10.6% | 39.1% | -15.2% | Swiss | -9.8% | 0.8% | 38.1% |
| Nasdaq | 51.8% | 103.3% | -56.6% | Nikkei | -18.7% | -36.9% | -6.5% |
| FTSE 100 | -21.4% | -37.2% | 94.5% | Australia | -12.9% | -25.3% | 62.1% |
| Dax | -16.7% | -43.4% | 39.2% | Stoxx 600 | -12.8% | -32.1% | 47.9% |

Relative to MSCI Emerging Market Index

| | | | | | | | |
|-----------|--------|--------|--------|---------|--------|--------|--------|
| Hong Kong | -19.3% | -21.9% | 25.9% | Jo'burg | -14.7% | -24.3% | 37.5% |
| Shanghai | -15.7% | -2.6% | -23.9% | Vietnam | -5.7% | 52.3% | -23.7% |
| Korea | -2.9% | -36.8% | -26.8% | Jakarta | -9.5% | 21.0% | 18.7% |
| Sensex | 23.8% | 75.3% | -47.3% | | | | |
| Nifty | 17.7% | 60.6% | -43.2% | | | | |
| Karachi | -54.6% | -19.0% | 102.9% | | | | |
| Taiwan | 19.2% | 32.6% | 42.7% | | | | |
| Bovespa | 0.4% | 3.3% | 49.5% | | | | |

Source: Bloomberg, BEST – Bloomberg Estimate

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