



بنك الإمارات دبي الوطني
Emirates NBD

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Equity Weekly

Global Equities

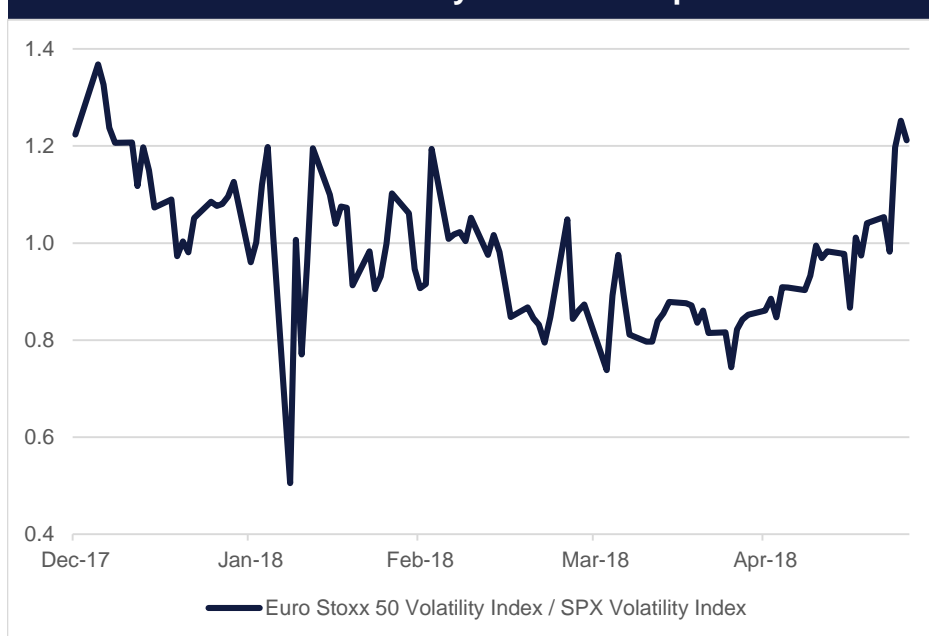
Global equities closed lower as the focus shifted back to geopolitical tensions and the possible start of a fresh round of trade tantrums. Oil prices, which have been supportive over the last month, declined sharply to put additional pressure on equities. The MSCI World index dropped -0.5% 5d on the back of weakness in the MSCI EM index (-0.1% 5d) and the MSCI G7 index (-0.4% 5d). GCC equities were an exception with the S&P Pan Arab Composite index adding +0.5% 5d.

With the earnings season behind us and the latest minutes from the Federal Reserve easing concern over rising US yields, the focus would shift back to the unpredictable nature of Donald Trump's policies. North Korea and trade talks between the US and China will continue to remain under focus. On the EM front, Turkey will be closely watched amid concerns that the contagion effect could spread to other EM financial assets.

Chart of the week

The political tensions brewing in Europe are weighing on stocks. This is reflected in increased volatility compared to US equities. The V2X index rallied +14.7% 5d compared to a decline of -1.5% 5d in the VIX index. The trend is similar over the last one month. The V2X index has jumped +22.0% 1m compared to a drop of -14.2% 1m in the VIX index. Hence it is not surprising to see the spread between the V2X index and the VIX index has widened to its highest level since January 2018.

Chart of the week – Volatility rises in Europe



Source: Bloomberg, Emirates NBD Research

MENA Markets

Most MENA equity indices closed higher as corporate news flow turned positive. UAE bourses led gains in the region with the DFM index and the ADX index rallying +1.4% 5d and +3.8% 5d respectively.

The past week was dominated by the decision of the UAE government to issue 10-year visas for select professions and allow 100% foreign ownership of companies operating onshore. While details and timeline of the proposed change is still to be worked out, investors reacted positively to the initiative. Most interpret the decision as providing greater clarity and stability to the expat community which in turn should encourage greater investments into the country. This was reflective in increased interest for real estate sector stocks with Emaar Properties adding +1.2% 5d and Damac Properties rallying +6.2%.

Emirates NBD confirmed that it has signed a definitive agreement with Sberbank to buy its entire stake in Denizbank for c.USD 3.2bn. The banking sector stocks rallied on the back of the news with Emirates NBD gaining +7.1% 5d and First Abu Dhabi Bank gaining +8.2% 5d.

Elsewhere, the Qatar Exchange gained +1.8% 5d as investors positioned themselves ahead of this week's flows owing to changes in the MSCI EM index. The change made by the MSCI last week would be effective from 31 May 2018. Qatar National Bank added +3.2% 5d and Qatar Islamic Bank gained +8.1% 5d.

Additionally, it must be noted that starting this week the Tadawul would move from a volume-weighted average to an auction method for determining closing prices. The changes will apply to the main market as well as the parallel market (Nomu).

Developed Markets

Developed market equities closed mixed with the S&P 500 index adding +0.3% 5d and the Euro Stoxx 600 index and the Nikkei index losing -0.9% 5d and -2.1% 5d respectively. The renewed concern over trade tantrums following President Trump's ambiguous tweet on auto sector tariffs and speculation over the proposed summit between the US and North Korea weighed on investor sentiment.

Political developments in Italy and Spain weighed on European equities. The IBEX 35 index dropped -2.8% 5d after the opposition in Spain called a vote of no-confidence against the minority administration of Prime Minister Mariano Rajoy. The FTSE MIB index dropped -4.5% 5d as investors' remained wary of the agenda of the proposed government which could threaten the fiscal and banking stability.

The sharp drop in oil prices following comments from the Saudi oil minister that OPEC would consider raising production weighed on oil-related stocks. The S&P 500 Oil & Gas Exploration sub-index dropped -6.0% 5d and the Euro Stoxx 600 Oil & Gas sub-index declined -6.3%.

Emerging Markets

Emerging market equities outperformed wider equity markets as the pace of gains in the USD slowed and 10y US Treasuries yield dropped below 3%. The MSCI EM index dropped -0.1% 5d compared to -0.5% 5d in the MSCI World index.

The Borsa Istanbul 100 index added +0.8% 5d even as the Turkish Lira remained under pressure. The decision of the Turkish Central Bank to raise interest rates by 300 bps in an emergency meeting had a limited impact on the currency. The central bank also said that it would allow exporters to repay dollar-denominated loans in the local currency.

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	2,954	1.4%	75.4	7.9	1.0	5.8	30.56
ADX	4,601	3.8%	37.5	11.3	1.5	5.3	40.68
Tadawul	8,038	0.3%	789.6	15.3	1.8	3.3	49.14
ISE 100	103,200	-1.2%	1,471.4	7.3	1.1	3.9	21.65
EGX 30	16,634	-1.4%	29.9	13.6	2.5	1.8	76.67
Kuwait Premier	4,688	-1.6%	18.6	12.8	1.3	4.1	43.75
Bahrain	1,263	-0.8%	1.4	-	-	6.5	-
MSM	4,564	-1.2%	4.1	9.5	0.8	5.3	46.67
Qatar Exchange	9,049	1.8%	88.6	12.6	1.4	4.9	60.00
MADEX	10,144	-1.4%	20.1	18.5	2.4	3.8	48.89
TUSISE	7,615	2.4%	2.5	24.3	-	2.0	78.05

Developed Market Indices

Dow Jones	24,753	0.2%	6,891.0	16.3	3.8	2.3	60.00
S&P 500	2,721	0.3%	36,717.1	17.1	3.1	2.0	60.88
Nasdaq	7,434	1.1%	24,318.0	22.4	4.3	1.0	59.85
FTSE 100	7,730	-0.6%	6,702.0	14.1	1.9	4.2	82.18
Dax	12,938	-1.1%	5,350.5	13.3	1.6	3.1	62.07
Cac 40	5,543	-1.3%	4,261.3	14.9	1.6	3.2	65.00
Swiss	8,759	-2.0%	2,891.7	15.4	2.3	3.7	60.00
Nikkei	22,451	-2.1%	11,999.1	16.3	1.7	1.9	57.33
Australia	6,033	-0.9%	3,358.7	16.1	2.0	4.4	67.17
Stoxx 600	391	-0.9%	30,856.0	14.9	1.8	3.5	68.90

Emerging Market Indices

Hong Kong	30,588	-1.5%	4,668.0	11.8	1.3	3.5	73.47
Shanghai	3,141	-1.6%	28,562.8	12.3	1.4	2.0	20.30
Korea	2,461	0.0%	6,732.5	9.5	1.0	1.8	52.32
Sensex	34,925	0.2%	74.6	18.6	2.7	1.1	51.61
Nifty	10,605	0.1%	1,824.9	17.9	2.6	1.3	48.00
Karachi	42,074	1.1%	35.4	9.3	1.5	5.3	37.08
Taiwan	10,942	1.0%	4,071.9	14.1	1.8	3.7	48.64
Bovespa	78,898	-5.0%	3,082.5	11.9	1.6	3.0	47.69
Jo'burg	56,917	-1.5%	1,447.9	14.8	1.9	3.3	47.53
Vietnam	964	-7.4%	160.1	16.2	2.9	1.8	32.06
Jakarta	5,976	3.3%	481.2	15.4	2.3	2.2	42.76

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	2,111	-0.5%	0.7%	0.3%	16.11	2.27	2.38
MSCI G7	1,920	-0.4%	0.9%	0.9%	16.17	2.37	2.21
MSCI EM	1,137	-0.1%	-1.7%	-1.9%	12.26	1.59	2.47
MSCI FM	584	-3.4%	-8.3%	-8.4%	11.64	1.73	3.77
S&P Pan Arab	736	0.5%	-2.4%	7.4%	13.11	1.54	3.97
DUAE INDEX	3,180	3.4%	-1.9%	-4.1%	9.49	1.26	5.72
DKUW INDEX	3,330	-1.8%	-3.5%	-2.4%	-	-	-
DQAT INDEX	5,819	2.1%	0.7%	9.5%	12.04	1.64	4.49
DKUS INDEX	2,688	-1.7%	-3.8%	-4.1%	13.14	1.40	4.05
DQAS INDEX	6,943	-0.1%	-5.0%	-2.5%	14.56	1.49	4.92

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-39.7%	-32.6%	44.9%	Bahrain	-	-	63.5%
ADX	-13.5%	-2.3%	32.9%	MSM	-27.5%	-50.6%	32.8%
Tadawul	16.5%	14.2%	-17.7%	Qatar	-3.6%	-7.1%	22.2%
Kuwait Premier	-2.1%	-13.6%	2.3%	TUSISE	85.4%	-	-49.7%

Relative to MSCI G7 Index

Dow Jones	0.8%	59.5%	2.6%	Cac 40	-7.7%	-32.8%	46.5%
S&P 500	6.0%	32.4%	-11.4%	Swiss	-5.0%	-4.7%	65.9%
Nasdaq	38.6%	83.3%	-53.0%	Nikkei	0.7%	-28.5%	-12.8%
FTSE 100	-12.9%	-21.6%	89.9%	Australia	-0.3%	-16.9%	99.4%
Dax	-17.6%	-30.4%	40.6%	Stoxx 600	-7.7%	-23.1%	59.6%

Relative to MSCI Emerging Market Index

Hong Kong	-3.4%	-18.7%	42.5%	Jo'burg	20.9%	19.5%	32.4%
Shanghai	0.3%	-9.2%	-20.1%	Vietnam	32.3%	80.5%	-25.3%
Korea	-22.2%	-34.3%	-28.2%	Jakarta	25.7%	46.0%	-8.9%
Sensex	51.4%	67.1%	-54.1%				
Nifty	46.0%	64.5%	-49.1%				
Karachi	-24.2%	-7.0%	114.0%				
Taiwan	14.9%	11.9%	49.1%				
Bovespa	-3.2%	3.1%	21.9%				

Source: Bloomberg, BEst – Bloomberg Estimate

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