



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
28 October 2018

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Equity Weekly

Global Equities

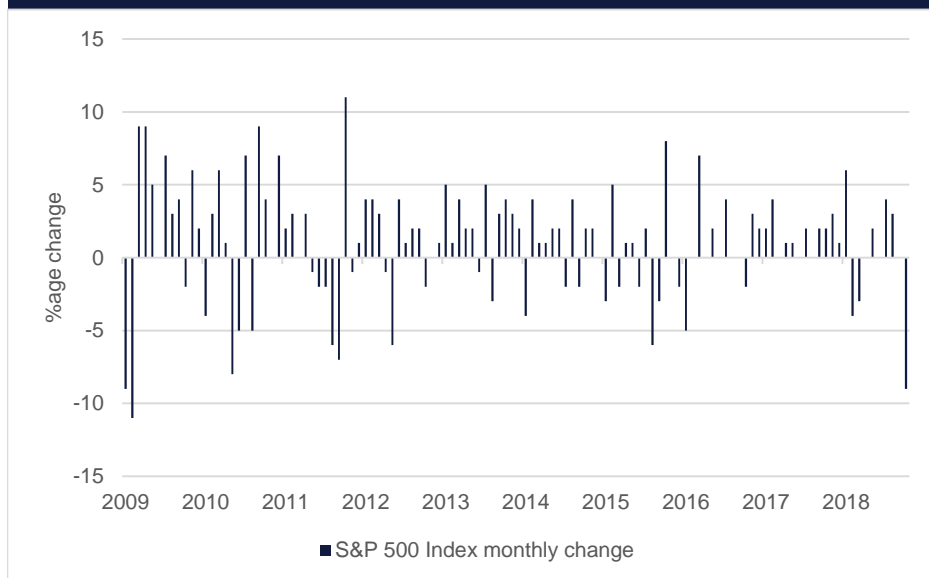
Global equities closed sharply lower as multiple factors weighed on investor sentiment. These included the political flare-up in Europe, the lack of progress on the trade front and mixed trends on corporate earnings. Strong economic data from the US lent further credence to the viewpoint that the Federal Reserve will continue to raise interest rates irrespective of its impact of financial markets. The MSCI World index closed lower for a fifth consecutive week with losses of -3.9% 5D. The stretch of weekly losses is the first such instance since the middle of 2013. Volatility jumped across the board. The VIX index, the V2X index and the CBOE EM ETF Volatility index added +21.5% 5d, +26.4% 5d and +18.7% 5d respectively.

While the focus of investors' will continue to remain on the ongoing Q3 2018 earnings season, it will also increasingly turn towards the political developments in the US (mid-term elections) and Europe (Italy and Germany). Regionally, flows are likely to be driven by earnings and evolving geopolitical conditions.

Chart of the week

The S&P 500 index lost -3.9% 5d to take its 1-month losses to 8.8%. It also wiped out all of its year to date gains and is on track to have the worst month since February 2009. Unless recovered in the remaining three trading sessions of the month, it will be the worst monthly performance of the current bull run.

Chart of the week – US equities on course for worst month since 2009



Source: Bloomberg

MENA Markets

It was a mixed week of trading for regional equities amid a weak global backdrop, mixed geopolitical developments and continued correction in oil prices. The S&P Pan Arab Composite index rose +1.2% 5d while Brent oil dropped -2.7% 5d.

UAE bourses closed lower with the DFM index losing -0.8% 5d and the ADX index dropping -2.1% 5d. Corporate earnings dominated flows as market heavyweights reported earnings. First Abu Dhabi Bank reported Q3 2018 net profit of AED 3.02bn (-1.0% q/q, +16.0% y/y) on the back of continued improvement in efficiencies and relatively strong credit growth. The stock ended the week -4.5% lower. DP World gained +2.4% 5d even as the company reported weaker than expected operating metrics. The company's Q3 2018 gross volume dropped to 18mn TEU from 18.3mn TEU last year. The company attributed the decline to trade uncertainty and weakness in UAE volumes.

Developed Markets

Developed market equities closed lower across the board. While there was no explicit trigger, the continuance of geopolitical uncertainty and overhang of trade talks coupled with mixed corporate earnings weighed on investor sentiment. Stronger than expected US GDP data of 3.5% for Q3 2018 did little as investors' focused on the breakdown of components which indicated that certain parts of the economy are starting to feel the impact of rising interest rates. In Europe, budget politics continued between the EU and Italy even as the ECB deviated little in their latest guidance on QE and rates from their last meeting. Eventually, the S&P 500 index, the Euro Stoxx 600 index and the Nikkei index dropped -3.9% 5d, -2.5% 5d and -6.0% 5d respectively.

The broad earnings season in the US remained strong. With c.48% of companies in the S&P 500 index reporting earnings, 77% of those reported a positive earnings surprise while 59% reported a positive sales surprise. According to Factset, the blended earnings growth for Q3 2018 stands at 22.5%. If this remain true at the end of the earnings season then it will mark the third highest earnings growth since Q3 2010. However, it is worth noting that for Q4 2018, 26 companies on the S&P 500 index have issued negative EPS guidance compared to 15 who have issued positive EPS guidance.

Emerging Markets

Emerging market equities outperformed broader equities. The MSCI EM index dropped -3.3% 5d compared to a decline of -3.9% 5d in the MSCI World index. The outperformance can be attributed to the strength in Chinese and Brazilian equities. The Shanghai Composite index and the Bovespa index ended the week with gains of +1.9% 5d and +1.8% 5d respectively.

Chinese stocks derived their strength from verbal intervention by government officials. The President pledged support to the private sector, proposed to cut personal income taxes and bolster equities by tweaking rules around share buy-backs and private equity investments into stocks. In effect, it was a quasi-fiscal stimulus by the government. However, it is worth noting that the effects of the announcement faded as the week progressed. Elsewhere, Brazilian equities gained as investors bought ahead of the final round of elections later today where the right leaning candidate Jair Bolsonaro is expected to win easily.

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	2,736	-0.8%	45.6	7.9	1.1	6.5	21.62
ADX	4,882	-2.1%	31.2	12.1	1.6	4.9	30.51
Tadawul	7,836	2.5%	1,522.2	14.6	1.8	3.6	19.21
ISE 100	90,542	-2.8%	1,089.1	6.8	1.0	4.7	19.59
EGX 30	13,024	-4.5%	32.6	9.6	2.0	2.3	10.00
Kuwait Premier	5,228	1.1%	31.7	15.0	1.6	3.7	68.75
Bahrain	1,316	-0.6%	2.2	-	-	6.2	-
MSM	4,453	0.2%	5.2	7.6	0.7	6.1	33.33
Qatar Exchange	10,153	-0.4%	52.2	14.0	1.7	4.3	60.00
MADEX	8,999	-0.2%	13.9	16.8	-	4.0	10.64
TUSISE	7,357	-2.5%	1.2	22.4	-	1.9	43.59

Developed Market Indices

Dow Jones	24,688	-3.0%	11,707.8	15.5	3.8	2.3	56.67
S&P 500	2,659	-3.9%	57,722.0	16.3	3.1	2.0	34.52
Nasdaq	7,167	-3.8%	40,867.6	20.9	4.2	1.1	26.30
FTSE 100	6,940	-1.6%	5,823.3	12.2	1.6	4.8	20.79
Dax	11,201	-3.1%	6,397.2	12.3	1.5	3.5	20.00
Cac 40	4,967	-2.3%	5,402.4	13.2	1.4	3.6	15.00
Swiss	8,666	-2.3%	3,435.4	15.3	2.2	3.7	30.00
Nikkei	21,185	-6.0%	14,870.8	14.9	1.6	2.1	24.00
Australia	5,665	-4.6%	3,820.7	14.4	1.8	4.9	31.82
Stoxx 600	352	-2.5%	36,081.6	13.5	1.6	3.9	25.13

Emerging Market Indices

Hong Kong	24,718	-3.3%	5,024.6	10.3	1.1	4.1	14.00
Shanghai	2,599	1.9%	22,386.9	10.6	1.2	2.6	5.10
Korea	2,027	-6.0%	5,508.5	8.3	0.9	2.1	10.88
Sensex	33,349	-2.8%	106.3	18.1	2.6	1.4	25.81
Nifty	10,030	-2.7%	2,574.3	17.4	2.5	1.4	26.00
Karachi	40,556	5.5%	59.6	8.4	1.3	5.3	38.71
Taiwan	9,489	-4.3%	3,225.7	12.4	1.6	4.7	13.71
Bovespa	85,720	1.8%	3,261.4	13.0	1.8	3.3	66.15
Jo'burg	50,838	-2.4%	1,444.1	12.0	1.6	4.1	26.88
Vietnam	901	-6.0%	141.0	15.4	2.8	2.2	31.19
Jakarta	5,785	-0.9%	334.2	15.0	2.2	2.4	31.07

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	1,982	-3.9%	-9.3%	-5.8%	14.94	2.18	2.55
MSCI G7	1,815	-3.9%	-9.2%	-4.6%	15.03	2.26	2.36
MSCI EM	940	-3.3%	-10.3%	-18.9%	10.89	1.41	3.08
MSCI FM	518	-0.5%	-4.1%	-18.7%	12.00	1.63	4.30
S&P Pan Arab	731	1.1%	-0.2%	6.6%	13.52	1.68	4.07
DUAE INDEX	3,183	-1.3%	-2.0%	-3.8%	9.71	1.27	5.90
DKUW INDEX	3,686	0.7%	-2.9%	8.0%	-	-	-
DQAT INDEX	6,795	0.6%	6.2%	27.9%	13.61	2.14	3.75
DKUS INDEX	2,940	0.5%	-4.3%	4.9%	15.13	1.71	3.61
DQAS INDEX	7,952	-1.5%	6.1%	11.6%	15.34	1.95	4.28

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-41.8%	-37.0%	58.8%	Bahrain	-	-	52.5%
ADX	-10.2%	-2.9%	21.6%	MSM	-43.8%	-57.1%	50.6%
Tadawul	7.7%	4.1%	-11.4%	Qatar	3.7%	-0.8%	6.0%
Kuwait Premier	11.3%	-4.2%	-10.0%	TUSISE	65.4%	-	-52.7%

Relative to MSCI G7 Index

Dow Jones	3.1%	67.6%	-1.4%	Cac 40	-11.9%	-36.0%	52.8%
S&P 500	8.4%	35.7%	-13.6%	Swiss	1.8%	-1.9%	56.6%
Nasdaq	38.9%	85.5%	-52.2%	Nikkei	-0.5%	-29.7%	-11.5%
FTSE 100	-18.6%	-28.7%	103.2%	Australia	-4.5%	-21.4%	107.5%
Dax	-18.5%	-34.8%	49.4%	Stoxx 600	-10.2%	-27.7%	66.4%

Relative to MSCI Emerging Market Index

Hong Kong	-5.5%	-19.4%	31.4%	Jo'burg	10.2%	10.7%	31.6%
Shanghai	-2.5%	-15.4%	-14.8%	Vietnam	41.7%	97.1%	-27.1%
Korea	-23.6%	-37.6%	-30.5%	Jakarta	38.2%	57.2%	-23.8%
Sensex	65.9%	82.8%	-55.0%				
Nifty	60.1%	79.7%	-54.0%				
Karachi	-22.9%	-6.5%	73.4%				
Taiwan	13.9%	13.8%	51.7%				
Bovespa	19.3%	27.2%	7.5%				

Source: Bloomberg, BEst – Bloomberg Estimate

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