



بنك الإمارات دبي الوطني  
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**Aditya Pugalia**  
Director, Financial Markets Research  
+971 4 609 3027  
adityap@emiratesnbd.com

www.emiratesnbdresearch.com

# Equity Weekly

## Global Equities

Global equities closed marginally lower amid rises in bond yields and sharp moves in currencies. The continued strength in earnings and stable commodity prices did lend support to equities. The MSCI World index closed the week -0.2% lower amid a drop in all its sub-indices. The MSCI EM index, the MSCI Arabian Markets index and the MSCI G7 index dropped -1.0% 5d, -1.0% 5d and -0.1% 5d respectively. Volatility dropped across the board with the VIX index, the V2X index and the CBOE EM ETF Volatility dropping -8.7% 5d, -4.5% 5d and -5.4% 5d respectively.

With geopolitical risks receding, the focus of investors' remains on corporate earnings and macro-economic data. The move in yields amid mixed economic data has opened an avenue of uncertainty and could in turn could lead to a cautious approach until further clarity emerges. Regionally, Saudi Arabian equities are likely to see sustained investor interest ahead of the MSCI announcement in June 2018.

## Chart of the week

Even as earnings growth in the US remains strong, the price action in the S&P 500 index remains weak. Last week, the index closed flat despite strong results from a variety of sector bellwethers. Interestingly, over the past two earnings season (Q4 2017 & Q1 2018), the index has ended lower. This is a departure from the trend since the start of 2015 when the index actually gained during the corporate earnings announcement period. This change in trend could perhaps be a reflection of expectations of earnings growth slowing from hereon.

## Chart of the week – Weak performance despite strong earnings



Source: Bloomberg

## MENA Markets

Most MENA equity indices, with the exception of Egyptian equities, drifted lower amid mixed corporate earnings. The S&P Pan Arab Composite index dropped -0.2% 5d. The EGX 30 index added +3.7% 5d.

UAE bourses closed lower with the DFM index and the ADX index losing -1.3% 5d and -0.2% 5d respectively. Volumes continued to remain below par signaling low level of investor interest ahead of traditionally slower summer months. DXB Entertainments dropped -8.7% 5d following reports that the stock may be removed from the MSCI index in the semi-annual review which is scheduled to be announced next month. Real estate sector stocks continued to remain under pressure with Emaar Properties losing -1.2% 5d and Damac Properties dropping -7.7% 5d. Both these companies have decided to pay out lower than expected dividends and highlighted the need to preserve capital.

The Tadawul ended the week marginally lower with losses of -0.4% 5d amid bouts of profit booking and mixed earning announcements. Safco lost -6.1% 5d after reporting weaker than expected Q1 2018 net profit of SAR 237.2mn, missing consensus estimates of SAR 356.3mn by 33%. The company attributed the decline in profit to increase in costs relating to organization restructuring. Elsewhere, there were minor pull backs in banking sector stock with Alinma Bank losing -1.3% 5d and Al Rajhi Bank dropping -0.5% 5d.

Egyptian equities continued their positive run following continued gains in rate sensitive sectors of banking and real estate. Commercial International Bank Egypt added +6.3% 5d, Talaat Moustafa gained +2.7% 5d and Palm Hills Development rallied +2.7% 5d.

## Developed Markets

Developed market equities closed mixed as European and Japanese equities received a boost from weakness in their currencies. The EUR and the JPY ended the week with losses of -1.3% each. The story was similar in the UK where the GBP dropped -1.6% 5d. A significant part of this decline can be attributed to paring back of expectations of a tighter monetary policy in the Eurozone and the UK following a spate of weak economic data. Eventually, the FTSE 100 index, the Euro Stoxx 600 index and the Nikkei index ended the week with gains of +1.8% 5d, +0.7% 5d and +1.4% 5d respectively. The S&P 500 index closed flat for the week.

The earnings season in the US remains on a strong footing. With 53% of companies in the S&P 500 index having reported earnings, 79% of those companies reported a positive EPS surprise and 74% of those companies reported a positive sales surprise. According to FactSet, the aggregate earnings growth is 23.2%. If this is maintained then it would be the highest earnings growth since Q3 2010.

## Emerging Markets

Emerging market equities underperformed wider equity markets with the MSCI EM index losing -1.0% 5d compared to a drop of -0.2% 5d in the MSCI World index. Within the emerging markets, the BRIC bloc outperformed with the MSCI BRIC index dropping -0.2% 5d. It is evident that stronger USD and higher yields in the US is having a negative impact on appetite for riskier EM assets.

Turkey's Borsa Istanbul 100 index dropped -3.0% w-o-w after the Turkish Central Bank raised interest rates by 75 bps to 13.5%. The quantum of rise was higher than market expectations of a 50bps hike. The central bank said that it decided to implement a measured tightening in policy to counter rises in Turkey's import bill.

## 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	3,043	-1.3%	49.3	8.1	1.1	6.0	25.00
ADX	4,697	-0.2%	38.9	11.8	1.6	5.2	40.68
Tadawul	8,248	-0.3%	1,391.5	15.2	1.8	3.2	67.43
ISE 100	107,614	-3.5%	1,604.9	7.5	1.1	3.7	35.71
EGX 30	18,363	3.3%	69.4	14.2	2.6	1.8	93.33
Kuwait Premier	4,810	0.8%	25.4	12.7	1.4	3.9	50.00
Bahrain	1,263	-2.9%	1.7	-	-	6.5	50.00
MSM	4,722	-0.8%	3.6	9.9	0.8	5.1	46.67
Qatar Exchange	9,088	-1.2%	43.9	12.7	1.5	4.8	52.63
MADEX	10,607	-0.2%	7.3	19.2	2.5	3.6	64.44
TUSISE	7,125	-0.7%	2.1	22.5	-	2.0	73.91

### Developed Market Indices

Dow Jones	24,311	-0.6%	9,006.4	16.2	3.7	2.3	56.67
S&P 500	2,670	0.0%	46,041.7	17.0	3.1	2.0	59.60
Nasdaq	7,120	-0.4%	31,858.3	21.6	4.1	1.1	53.26
FTSE 100	7,502	1.8%	6,576.1	14.1	1.8	4.2	64.36
Dax	12,581	0.3%	5,150.9	13.1	1.6	3.2	44.83
Cac 40	5,483	1.3%	4,429.1	15.0	1.6	3.2	60.00
Swiss	8,843	0.4%	2,781.9	15.5	2.3	3.7	50.00
Nikkei	22,468	1.4%	13,336.2	16.3	1.7	1.9	64.44
Australia	5,954	1.4%	3,674.9	15.9	1.9	4.5	61.81
Stoxx 600	385	0.7%	36,004.5	14.9	1.8	3.6	61.11

### Emerging Market Indices

Hong Kong	30,281	-0.5%	5,263.4	11.7	1.3	3.4	61.22
Shanghai	3,082	0.3%	26,983.5	12.1	1.4	2.0	15.11
Korea	2,492	0.6%	7,540.7	9.7	1.1	1.7	53.47
Sensex	34,970	1.6%	93.5	18.6	2.7	1.1	67.74
Nifty	10,692	1.2%	2,193.3	18.0	2.7	1.2	64.00
Karachi	45,543	0.6%	50.2	10.0	1.6	5.0	64.84
Taiwan	10,553	-2.1%	4,308.6	13.6	1.7	3.8	45.58
Bovespa	86,445	1.0%	2,178.5	13.1	1.8	2.6	70.97
Jo'burg	-	-0.2%	1,501.7	15.0	1.9	3.1	-
Vietnam	1,050	-6.2%	236.8	17.8	3.2	2.0	35.92
Jakarta	5,919	-6.6%	458.7	15.0	2.3	2.3	50.33

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	2,096	-0.2%	1.4%	-0.4%	16.00	2.24	2.40
MSCI G7	1,902	-0.1%	1.6%	0.0%	16.05	2.32	2.23
MSCI EM	1,156	-1.0%	-1.2%	-0.2%	12.35	1.60	2.42
MSCI FM	637	-1.5%	-4.3%	-0.1%	12.34	1.87	3.36
S&P Pan Arab	754	-0.2%	3.0%	10.0%	13.45	1.58	3.89
DUAE INDEX	3,246	-0.6%	-0.1%	-1.5%	9.89	1.30	5.66
DKUW INDEX	3,442	0.5%	-2.3%	0.9%	-	-	-
DQAT INDEX	5,743	-1.8%	6.9%	8.1%	11.97	1.61	4.53
DKUS INDEX	2,782	-0.9%	-3.6%	-0.7%	13.36	1.48	3.91
DQAS INDEX	7,257	-1.3%	3.4%	1.9%	14.72	1.56	4.69

### Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-40.1%	-32.0%	54.0%	Bahrain	-	-	66.5%
ADX	-12.6%	-1.3%	33.9%	MSM	-26.1%	-49.4%	30.8%
Tadawul	13.0%	11.3%	-16.7%	Qatar	-5.4%	-2.8%	23.3%
Kuwait Premier	-5.8%	-12.9%	0.7%	TUSISE	67.0%	-	-49.9%

### Relative to MSCI G7 Index

Dow Jones	0.8%	59.1%	3.5%	Cac 40	-6.6%	-31.8%	44.8%
S&P 500	5.6%	31.9%	-10.4%	Swiss	-3.7%	-2.7%	63.6%
Nasdaq	34.4%	75.8%	-51.6%	Nikkei	1.5%	-27.2%	-13.5%
FTSE 100	-12.4%	-20.5%	89.6%	Australia	-0.7%	-16.4%	99.9%
Dax	-18.3%	-29.2%	41.2%	Stoxx 600	-7.4%	-22.1%	59.1%

### Relative to MSCI Emerging Market Index

Hong Kong	-5.3%	-20.1%	42.1%	Jo'burg	21.1%	18.4%	29.7%
Shanghai	-2.3%	-11.7%	-18.3%	Vietnam	43.8%	100.0%	-19.4%
Korea	-21.1%	-33.4%	-28.1%	Jakarta	21.8%	41.7%	-6.7%
Sensex	50.4%	69.3%	-53.8%				
Nifty	45.6%	67.3%	-48.5%				
Karachi	-18.8%	1.1%	107.3%				
Taiwan	9.9%	7.6%	57.9%				
Bovespa	5.8%	11.8%	9.4%				

Source: Bloomberg, BEst – Bloomberg Estimate

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## Emirates NBD Research & Treasury Contact List

**Emirates NBD Head Office**  
12th Floor  
Baniyas Road, Deira  
P.O.Box 777  
Dubai

**Jonathan Morris**  
General Manager Wholesale Banking  
JonathanM@emiratesnbd.com

**Aazar Ali Khwaja**  
Senior Executive Vice President  
Global Markets & Treasury  
+971 4 609 3000  
aazark@emiratesnbd.com

**Tim Fox**  
Head of Research &  
Chief Economist  
+9714 230 7800  
timothyf@emiratesnbd.com

---

### Research

**Khatija Haque**  
Head of MENA Research  
+9714 230 7803  
khatijah@emiratesnbd.com

**Anita Yadav**  
Head of Fixed Income Research  
+9714 230 7630  
anitay@emiratesnbd.com

**Aditya Pugalia**  
Financial Markets Research  
+9714 230 7802  
adityap@emiratesnbd.com

**Athanasios Tsetsonis**  
Sector Economist  
+9714 230 7629  
athanasiost@emiratesnbd.com

**Edward Bell**  
Commodity Analyst  
+9714 230 7701  
edwardpb@emiratesnbd.com

**Daniel Richards**  
MENA Economist  
+9714 609 3032  
danielrich@emiratesnbd.com

**Mohammed Altajir**  
FX Analytics and Product Development  
+9714 609 3005  
mohammedtaj@emiratesnbd.com

**Hessa Al Khawaja**  
Research Associate  
+9714 609 3015  
Hessaalkh@emiratesnbd.com

---

### Sales & Structuring

**Group Head – Treasury Sales**  
Tariq Chaudhary  
+971 4 230 7777  
tariqmc@emiratesnbd.com

**Saudi Arabia Sales**  
Numair Attiyah  
+966 11 282 5656  
numaira@emiratesnbd.com

**Singapore Sales**  
Supriyakumar Sakhalkar  
+65 65785 627  
supriyakumars@emiratesnbd.com

**London Sales**  
+44 (0) 20 7838 2241  
vallancel@emiratesnbd.com

**Egypt**  
Gary Boon  
+20 22 726 5040  
garyboon@emiratesnbd.com

---

### Emirates NBD Capital

**Ahmed Al Qassim**  
CEO- Emirates NBD Capital  
AhmedAQ@emiratesnbd.com

**Hitesh Asarpota**  
Head of Debt Capital Markets.  
+971 50 4529515  
asarpotah@EmiratesNBD.com

---

### Investor Relations

**Patrick Clerkin**  
+9714 230 7805  
patrickc@emiratesnbd.com

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### Group Corporate Affairs

**Ibrahim Sowaidan**  
+9714 609 4113  
ibrahims@emiratesnbd.com

**Claire Andrea**  
+9714 609 4143  
clairea@emiratesnbd.com