



بنك الإمارات دبي الوطني
Emirates NBD

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Aditya Pugalia
Director, Financial Markets Research
+971 4 609 3027
adityap@emiratesnbd.com

www.emiratesnbdresearch.com

Equity Weekly

Global Equities

Notwithstanding heightened political tensions, global equities rallied last week amid indications that the economic impact of coronavirus has peaked. Most countries over the last few days have eased economic restrictions considerably as fears of a second wave of infections receded. Investor sentiment also received a boost from continued stimulatory measures by policymakers across various economies.

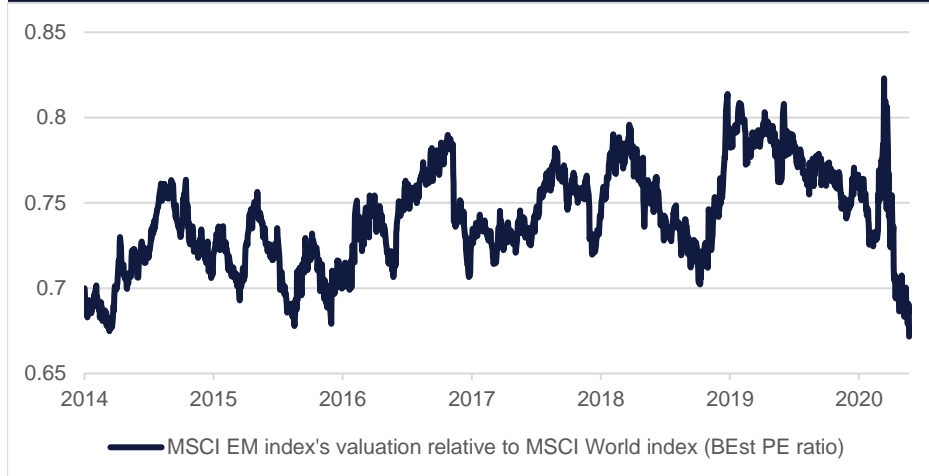
Overall, the MSCI All Country World index added +3.6% 5d on the back of strength across major sub-indices. The MSCI G7 index, the MSCI EM index and the MSCI FM index added +3.6% 5d, +2.8% 5d and +2.6% 5d respectively. Volatility eased across markets but remain elevated. The VIX index, the V2X index and the CBOE EM ETF Volatility index are still +100% ytd, +123% ytd and +73% ytd respectively.

The focus this week will be on politics and central banks. On the political front, the US-China rather public confrontation and the next round of Brexit negotiations will be watched. We also have the European Central Bank and Bank of Canada policy meetings where little change is expected in either interest rate or direction of policy. Beyond that, the US non-farm payrolls data will be of interest to investors.

Chart of the week

While global equities have recovered sharply from the lows of March 2020, gains have been uneven across markets. Developed market equities have led the rally with the MSCI G7 index trimming their year to date losses to -8.3%. In contrast, the MSCI EM index and the MSCI FM index are still down -16.5% ytd and -19.3% ytd. The outperformance can be put down to the ability of developed economies to spend their way out of the coronavirus pandemic, unlike emerging market economies. In fact, on a P/E ratio basis, the MSCI EM index is now trading at the deepest discount since 2014 to the MSCI World index.

Chart of the week – Emerging market equities trading at cheapest level in six years relative to broader markets



Source: Bloomberg

MENA Markets

Most regional markets were closed on account of Eid holidays. The few markets which we did open mid-way through the week reacted positively to easing measures of governments in the region. The sustained rise in oil prices also helped investor sentiment. The Brent oil rallied +7.7% last week to take their 1-month gains to +68%.

As economies approach a shift in dealing with the viral outbreak, it is worth noting that most equity markets in the region are currently trading at a premium to wider emerging markets. The Tadawul and the KSWSE PM index are currently trading at 20.8x and 17.6x 12m forward earnings respectively. The MSCI EM index is trading at 14.2x 12m forward earnings. The DFM index is a notable exception as it is trading at a substantial discount with a 12m forward P/E ratio of 9.1x.

Developed Markets

Developed market equities closed higher as stimulus measures from the Eurozone and Japan overshadowed the tensions between the US and China. The Japanese cabinet approved measures worth USD 1.1tn including financing help for companies, subsidies to help firms pay rent and support for local economies. The latest set of measures coupled with one announced in early April takes the total support so far to nearly 40% of GDP. Meanwhile, the European Union unveiled plans of a EUR 750bn recovery fund which includes EUR 500bn in grants and EUR 250bn in loans to member states. The money will be borrowed on financial markets and repaid from the EU's budget. However, the plan will need to be ratified by all members in a meeting which is scheduled for the middle of next month.

Overall, the S&P 500 index, the Nikkei index and the Euro Stoxx 600 index added +3.0% w-o-w, +7.3% w-o-w and +3.0% w-o-w respectively.

Emerging Markets

Emerging market equities closed higher but underperformed the broader index. The MSCI EM index added +2.8% 5d compared to a rally of +3.7% in the MSCI World index. The rally was supported by weakness in the USD even as the fallout from US-China spat weighed on investor sentiment.

The fallout of political decisions taken at China's National People's Congress had a limited impact on Chinese equities. The Shanghai Composite index added +1.4% 5d. Elsewhere, India's Nifty index added +6.0% 5d even as GDP growth data came in quite weak at the end of the trading week. The GDP grew at 3.1% in Q4 FY 2020 to lower the full year FY 2020 expansion to 4.2%. This was the lowest annual growth in eight years. It must be noted that only a small part of impact of the lockdown measures would be visible in this data.

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	1,961	1.2%	117.2	9.3	0.7	5.0	24.32
ADX	4,119	0.2%	58.2	15.5	1.2	6.2	36.67
Tadawul	7,051	0.0%	1,546.4	20.8	1.9	3.6	-
ISE 100	105,521	2.3%	2,116.2	8.5	0.8	2.6	80.00
EGX 30	10,110	0.0%	28.5	8.6	1.4	3.5	-
Kuwait Premier	5,456	3.0%	95.1	19.3	1.5	4.2	11.11
Bahrain	1,276	0.4%	0.8	-	-	5.5	-
MSM	3,521	3.3%	2.8	-	-	6.8	26.67
Qatar Exchange	8,873	0.0%	103.1	15.9	1.3	4.5	-
MADEX	7,997	1.6%	18.8	15.3	-	4.4	22.45
TUSISE	6,489	-0.5%	0.6	41.2	-	2.3	13.16

Developed Market Indices

Dow Jones	25,383	3.8%	13,030.8	23.2	3.6	2.5	43.33
S&P 500	3,044	3.0%	63,277.8	24.3	3.3	2.0	44.80
Nasdaq	9,490	1.8%	51,077.6	34.8	4.9	1.0	37.92
FTSE 100	6,077	1.4%	6,237.8	18.0	1.4	4.1	39.39
Dax	11,587	4.6%	5,498.7	19.1	1.4	3.1	33.33
Cac 40	4,695	5.6%	4,780.6	20.1	1.4	3.3	20.00
Swiss	9,831	1.5%	5,055.8	18.6	2.2	3.6	35.00
Nikkei	21,878	7.3%	16,413.7	19.9	1.6	2.0	29.78
Australia	5,756	4.7%	6,296.3	20.2	1.8	3.3	30.50
Stoxx 600	350	3.0%	38,701.6	19.7	1.6	3.3	33.78

Emerging Market Indices

Hong Kong	22,961	0.1%	5,657.2	10.8	0.9	4.1	12.00
Shanghai	2,852	1.4%	27,743.9	11.7	1.2	2.4	36.98
Korea	2,030	3.0%	9,788.9	14.3	0.8	2.3	38.67
Sensex	32,424	5.7%	412.2	17.7	2.2	1.6	23.33
Nifty	9,580	6.0%	4,751.8	17.1	2.0	1.7	24.00
Karachi	33,931	0.3%	40.6	6.6	0.9	5.9	47.83
Taiwan	10,942	1.2%	5,495.1	16.9	1.7	4.2	40.94
Bovespa	87,403	6.4%	4,216.5	21.6	1.5	3.8	28.38
Jo'burg	50,483	0.7%	1,428.4	12.7	0.8	4.2	19.59
Vietnam	864	1.4%	207.1	14.6	2.1	2.1	41.64
Jakarta	4,754	4.6%	606.3	14.3	1.6	3.4	11.71

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	2,148	3.7%	7.1%	-8.9%	22.12	2.27	2.39
MSCI G7	1,982	3.6%	7.5%	-8.3%	22.52	2.37	2.29
MSCI EM	930	2.8%	1.5%	-16.5%	14.63	1.32	2.99
MSCI FM	473	2.6%	5.3%	-19.3%	13.08	1.57	4.65
S&P Pan Arab	641	0.6%	1.4%	-18.7%	16.49	1.51	4.30
DUAE INDEX	2,404	0.2%	-2.2%	-24.5%	12.07	0.96	5.25
DKUW INDEX	3,870	3.0%	4.1%	-23.7%	-	-	-
DQAT INDEX	-	-	4.6%	-14.2%	14.45	1.71	4.10
DKUS INDEX	3,132	3.0%	4.5%	-18.4%	19.52	1.72	3.25
DQAS INDEX	-	-	2.3%	-9.4%	16.76	1.68	4.82

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-43.8%	-55.4%	15.5%	Bahrain	-	-	28.5%
ADX	-5.8%	-19.4%	44.6%	MSM	-	-	59.0%
Tadawul	25.9%	24.1%	-17.2%	Qatar	-3.3%	-12.8%	4.9%
Kuwait Premier	16.8%	2.7%	-2.7%	TUSISE	149.6%	-	-47.3%

Relative to MSCI G7 Index

Dow Jones	2.8%	53.7%	8.2%	Cac 40	-10.8%	-43.0%	41.8%
S&P 500	7.9%	40.1%	-14.9%	Swiss	-17.4%	-5.2%	54.9%
Nasdaq	54.4%	107.8%	-56.8%	Nikkei	-11.8%	-34.4%	-11.4%
FTSE 100	-20.2%	-39.6%	78.9%	Australia	-10.1%	-24.9%	42.2%
Dax	-15.3%	-42.9%	34.8%	Stoxx 600	-12.3%	-33.2%	42.7%

Relative to MSCI Emerging Market Index

Hong Kong	-26.1%	-30.1%	35.3%	Jo'burg	-12.9%	-40.1%	38.9%
Shanghai	-20.0%	-7.1%	-21.3%	Vietnam	0.2%	56.4%	-29.0%
Korea	-2.3%	-36.7%	-23.9%	Jakarta	-2.1%	22.2%	14.0%
Sensex	21.1%	68.2%	-48.2%				
Nifty	16.8%	54.8%	-44.3%				
Karachi	-54.8%	-28.9%	98.3%				
Taiwan	15.2%	32.1%	40.1%				
Bovespa	47.9%	10.7%	26.2%				

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

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

Edward Bell
Senior Director, Market Economics
+9714 230 7701
edwardpb@emiratesnbd.com

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

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

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

Shady Shafer Elborno
Head of Macro Strategy
+9714 609 3015
shadyb@emiratesnbd.com

Jamal Mattar
Research Associate
+9714 444 3607
jamaly@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

Egypt
+20 22 726 5040

Emirates NBD Capital

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

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com