



بنك الإمارات دبي الوطني
Emirates NBD

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Equity Weekly

Global Equities

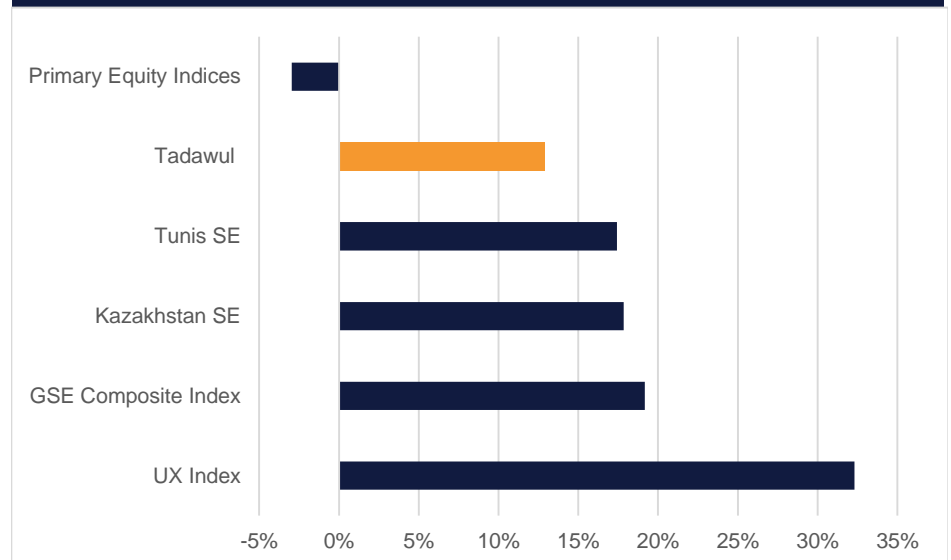
It was a week of two halves for global equities as political crisis in Europe weighed on investor sentiment in the first half while strong jobs data in the US and resolution of European political crisis towards the end of the week helped shrug off probable trade tensions. Overall, the MSCI World index closed marginally lower with losses of -0.1% 5d. MENA equities were a notable outperformer with the MSCI Arabian Markets index adding +1.2% 5d.

The focus this week will firmly be on the evolving trade talks between the US and China. The flip-flop from US President Donald Trump on the issue has added a degree of uncertainty. China said that any agreement reached during talks will be called off if the US imposes tariffs. The progress on the scheduled summit between the US and North Korea will also be watched. On the EM front, the Reserve Bank of India will be in focus where it is widely expected to change its stance from neutral to hawkish.

Chart of the week

Ahead of the MSCI decision later this month on including Saudi equities in the MSCI EM index, it is worth noting that the Tadawul is among the world's five best performing equity markets so far in 2018. The Tadawul returned +12.9% at the end of last week compared to a negative return of -3.0% from primary equity indices. The Tadawul is currently trading at 15.6x 12-month forward earnings compared to the MSCI EM index which is trading at 12.1x 12-month forward earnings.

Chart of the week – Tadawul among top five best performing equity markets (ytd, USD)



Source: Bloomberg

MENA Markets

Most MENA equity indices closed higher as flows were dominated by the MSCI trade. The S&P Pan Arab Composite index added +0.7% 5d.

UAE bourses closed higher with the DFM index adding +0.3% 5d and the ADX index gaining +0.1% 5d. Dubai Islamic Bank led gains on the DFM index as the stock closed +6.1% 5d. It was primarily a case of a rally buoyed by fundamental factors as right trading window ended last week. It must be remembered that the bank plans to raise USD 1.4bn from the right issue. The subscription period for the same ends on 6 June 2018. Emaar-related shares continued to remain under pressure. With the exception of Emaar Properties (+0.2% 5d), both Emaar Malls and Emaar Development dropped -1.9% 5d and -2.4% 5d respectively.

The Tadawul was the best performing equity market in the region with gains of +1.5% 5d. Gains were led by banking sector stocks with the Tadawul Banks index adding +2.2% 5d. The banking system data release by SAMA last week showed a pick-up in loan growth. Loans to private sector grew at 1.4% m/m and 2.3% ytd. It must also be noted that the trailing 12-month return on assets of 2.08% for the Tadawul Banks index is the highest since mid-2014. The sector is currently trading at 1.76x 12-month forward book value compared to the MSCI EM Banks index which is trading at 1.09x 12-month forward book value.

Developed Markets

Political developments in Europe and trade tensions between the US and its trading partners dominated flows in developed markets. Stronger than expected jobs data in the US helped the S&P 500 index close in positive territory for the week. The non-farm payrolls data showed that the US added 223,000 jobs in May and the unemployment rate dropped to 3.8%.

Political stalemates in Europe reached a conclusion for now with new governments formed in Italy and Spain. The populist parties Five Star Movement and League managed to form a government in Italy with Giuseppe Conte becoming the Prime Minister. It does remove the overhang of an immediate election in the short-term. In Spain, Pedro Sanchez was sworn in as the new Prime Minister after his predecessor Mariano Rajoy lost a no-confidence vote in Parliament.

Eventually, the S&P 500 index ended the week with gains of +0.3% while the Euro Stoxx 600 index and the Nikkei index dropped -1.1% 5d and -1.2% 5d respectively. The FTSE MIB index and Madrid Stock Exchange index closed -1.3% 5d and -1.9% 5d lower as losses in the early part of the week weighed.

Emerging Markets

Emerging market equities underperformed wider equity markets as domestic developments in Brazil and Turkey weighed on the broader index. The MSCI EM index dropped -0.6% 5d compared to a drop of -0.1% in the MSCI World index.

India's Nifty index ended the week with gains of +0.9% as stronger than expected Q4 FY 2018 GDP data of 7.7% spurred speculation of an earlier than expected interest rate hike from the Reserve Bank of India. The RBI is scheduled to meet later this week.

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	2,964	0.3%	94.8	8.0	1.0	5.7	33.33
ADX	4,605	0.1%	44.8	11.3	1.5	5.3	49.15
Tadawul	8,161	1.5%	934.1	15.5	1.8	3.3	46.29
ISE 100	99,171	-2.5%	1,648.3	6.9	1.1	4.5	18.56
EGX 30	16,415	-1.3%	70.2	12.8	2.4	2.0	70.00
Kuwait Premier	4,691	0.1%	27.4	12.9	1.3	4.0	43.75
Bahrain	1,266	0.2%	1.2	-	-	6.5	-
MSM	4,607	0.9%	47.6	9.3	0.8	5.3	50.00
Qatar Exchange	8,881	-1.9%	364.0	12.5	1.4	4.9	55.00
MADEX	9,937	-1.4%	16.6	18.1	2.5	4.0	42.22
TUSISE	7,648	0.0%	2.5	24.1	-	1.9	79.55

Developed Market Indices

Dow Jones	24,635	-0.5%	8,747.1	16.2	3.8	2.3	56.67
S&P 500	2,735	0.5%	47,787.7	17.2	3.1	2.0	59.08
Nasdaq	7,554	1.6%	31,220.2	22.8	4.4	1.0	59.62
FTSE 100	7,702	-0.4%	7,593.7	14.0	1.8	4.2	76.24
Dax	12,724	-1.7%	5,431.6	13.1	1.6	3.2	62.07
Cac 40	5,466	-1.4%	5,605.8	14.7	1.6	3.3	60.00
Swiss	8,619	-1.6%	3,235.7	15.2	2.2	3.7	50.00
Nikkei	22,171	-1.2%	14,720.6	16.2	1.7	2.0	47.56
Australia	5,990	-0.7%	3,888.2	16.0	2.0	4.4	64.14
Stoxx 600	387	-1.1%	38,936.4	14.7	1.8	3.6	63.04

Emerging Market Indices

Hong Kong	30,493	-0.3%	5,844.4	11.8	1.3	3.5	67.35
Shanghai	3,075	-2.1%	27,762.2	12.1	1.4	2.0	15.88
Korea	2,439	-0.9%	8,972.0	9.4	1.0	1.8	55.98
Sensex	35,227	0.9%	111.7	18.7	2.7	1.1	54.84
Nifty	10,696	0.9%	2,321.7	18.0	2.7	1.2	46.00
Karachi	42,913	2.0%	39.7	9.5	1.5	5.2	47.19
Taiwan	10,949	0.1%	5,177.8	14.1	1.8	3.7	53.37
Bovespa	77,240	-2.1%	3,376.6	11.5	1.6	3.1	38.46
Jo'burg	57,282	0.6%	1,816.5	14.8	1.9	3.2	44.38
Vietnam	993	3.0%	194.6	16.9	3.0	1.8	34.19
Jakarta	-	0.1%	641.4	15.4	2.3	2.2	-

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	2,109	-0.1%	0.9%	0.3%	16.09	2.29	2.39
MSCI G7	1,921	0.1%	1.3%	1.0%	16.17	2.38	2.21
MSCI EM	1,130	-0.6%	-0.5%	-2.4%	12.27	1.60	2.47
MSCI FM	577	-1.2%	-6.9%	-9.5%	11.55	1.79	3.59
S&P Pan Arab	742	0.7%	0.1%	8.2%	13.27	1.55	3.96
DUAE INDEX	3,169	-0.4%	-3.2%	-4.0%	9.49	1.26	5.72
DKUW INDEX	3,324	-0.2%	-3.0%	-2.6%	-	-	-
DQAT INDEX	5,718	-1.7%	0.0%	7.6%	11.83	1.61	4.57
DKUS INDEX	2,691	0.1%	-2.8%	-4.0%	13.24	1.41	4.05
DQAS INDEX	6,789	-2.2%	-6.7%	-4.7%	14.22	1.44	5.03

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-39.8%	-32.3%	43.5%	Bahrain	-	-	63.6%
ADX	-14.7%	-3.1%	33.1%	MSM	-29.7%	-51.4%	33.8%
Tadawul	16.9%	16.0%	-18.0%	Qatar	-5.9%	-9.3%	24.1%
Kuwait Premier	-2.9%	-13.7%	2.2%	TUSISE	81.6%	-	-52.4%

Relative to MSCI G7 Index

Dow Jones	0.1%	57.3%	3.1%	Cac 40	-9.1%	-34.3%	48.3%
S&P 500	6.3%	31.9%	-11.8%	Swiss	-6.3%	-6.6%	68.2%
Nasdaq	41.1%	85.1%	-53.9%	Nikkei	0.0%	-30.2%	-11.4%
FTSE 100	-13.2%	-22.6%	90.8%	Australia	-0.8%	-17.1%	98.5%
Dax	-19.3%	-32.1%	42.9%	Stoxx 600	-8.8%	-24.6%	61.8%

Relative to MSCI Emerging Market Index

Hong Kong	-3.7%	-19.1%	42.9%	Jo'burg	20.5%	19.6%	31.1%
Shanghai	-1.5%	-10.9%	-18.2%	Vietnam	38.1%	87.9%	-27.5%
Korea	-23.2%	-35.4%	-27.7%	Jakarta	25.3%	44.9%	-9.6%
Sensex	52.3%	69.1%	-55.2%				
Nifty	46.3%	65.8%	-50.1%				
Karachi	-22.6%	-5.3%	111.1%				
Taiwan	14.9%	11.6%	48.8%				
Bovespa	-6.3%	-1.8%	24.2%				

Source: Bloomberg, BEst – Bloomberg Estimate

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