



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

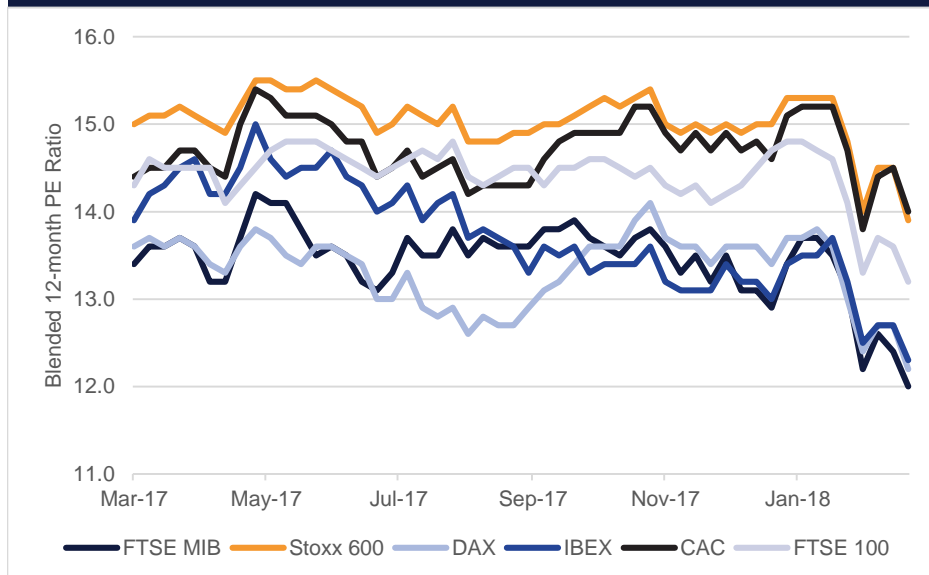
Global equities closed lower as hawkish comments from the Fed Chair Jerome Powell and fear of an imminent trade war following announcement of import tariffs on Steel and Aluminum by the US weighed on investor sentiment. The MSCI World index dropped -2.4% 5d to move back into negative territory for the year. All major sub-indices declined with the MSCI EM index, the MSCI G7 index and the MSCI Arabian Markets index losing -2.8% 5d, -2.4% 5d and -1.1% 5d respectively. Volatility jumped across the board with the VIX index, the V2X index and CBOE EM Volatility ETF adding +18.8% 5d, +28.7% 5d and +17.4% 5d respectively.

This week the focus will remain on politics. The result of Italian elections at the start of the week and the formal announcement of import tariffs by the US later in the week will be closely watched. Investors will look out for reaction from US trading partners to gauge the extent of fallout from this decision. Regionally, markets are likely to remain range bound.

Chart of the week

Italy votes for new government today. While the political risk premium remains high ahead of the results, it is worth noting that on a 12-month PE ratio measure, Italian equities are the cheapest compared to other European equities. The FTSE MIB index is currently trading at 11.7x 12-month forward earnings compared to the Euro Stoxx 600 index which is trading at 13.9x 12m forward earnings.

Chart of the week – Italian equities cheapest among European equities



Source: Bloomberg

MENA Markets

It was yet another week of subdued trading for MENA equities. Volumes remained low across the board despite positive news flow around inclusion of Saudi Arabia in the EM indices of MSCI and FTSE. Most markets closed lower to drag down the S&P Pan Arab Composite index (-1.1% 5d).

UAE bourses closed mixed with the DFM index losing -1.3% and the ADX index closing flat. The ADX index was helped by +2.2% 5d gain in FAB. The bank said that it expects AED 220mn to AED 250mn of profit increase to come with every 1% rise in US interest rates. DP World dropped -2.8% 5d following reports that Djibouti has terminated its contract with the company on the Doraleh Container Terminal. DP World clarified that it sees no financial impact from the decision. The recent correction in the stock should be seen in light of sharp rise in share price over the last three months.

The Qatar Exchange dropped -4.0% 5d. The headline move in the index was mainly on account of stocks going ex-dividend including Masraf Al Rayan, Barwa Real Estate Co, Qatar Insurance Co and Qatar Water and Electricity Co. Vodafone Qatar (+20.8% 5d) was a notable exception after the company's license was extended by 40 years to 2068. The extension would reduce the company's annual amortization cost. The stock also received a boost from reports that Qatar Foundation will increase its stake in Vodafone Europe to 50%.

Both DFM and Qatar Exchange also saw some minor outflows on account of readjustment from the MSCI. FTSE also informed that Qatar Navigation will replace Qatar Insurance in the index.

Elsewhere, the EGX 30 index added +0.8% 5d. The positive impact of rate cut continues to feed through the market along with impact of changes from the MSCI. Eastern Tobacco added +11.1% 5d after FTSE included the stock in the EM index. The company's decision to split the stock in 3:1 ratio provided additional support. Fitch said that it expects inflation to fall further and average around 13%. The rating agency added that it expects 200-300 bps cut in interest rates.

Developed Markets

Developed market equities closed lower for the first time in three weeks as a combination of hawkish comments from the Fed Chairman and announcement of import tariffs by the US President Donald Trump weighed on investor sentiment. The Fed Chairman Jerome Powell gave an upbeat assessment of the US economy and hinted at a possibility of four rate hikes in 2018. He added that the recent volatility in financial markets will not affect the interest rate path in the US. The US President confirmed that later this week, he will announce 25% import tariff on Steel and 10% on Aluminum. This could be the first move in a trade war as most US trading partners have indicated that they will respond in equal measure. The fear of this extending to other products remains real.

The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index lost -2.0% 5d, -3.7% 5d and -3.3% 5d respectively. The basic materials sector stocks led the decline in both Europe and the US with losses of -4.1% 5d and -4.4% 5d respectively.

Emerging Markets

Emerging market equities underperformed broader equity markets with the MSCI EM index losing -2.8% 5d compared to a decline of -2.4% 5d in the MSCI World index.

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	3,209	-2.4%	56.3	8.4	1.1	5.5	25.00
ADX	4,595	0.3%	44.8	11.2	1.4	4.4	40.68
Tadawul	7,411	-1.5%	873.3	13.6	1.6	3.3	52.30
ISE 100	116,859	0.1%	1,614.5	8.5	1.3	2.6	56.70
EGX 30	15,443	0.8%	91.2	11.2	2.0	2.0	70.00
KWSE	6,808	0.8%	40.6	-	-	5.6	37.50
Bahrain	1,373	1.6%	3.6	-	-	5.7	70.00
MSM	5,012	0.8%	5.3	9.9	1.0	5.2	60.00
Qatar Exchange	8,730	-4.0%	52.7	12.0	1.3	4.8	60.00
MADEX	10,722	-0.4%	18.5	18.8	2.8	3.6	71.11
TUSISE	6,703	0.5%	1.4	21.7	-	2.1	66.67

Developed Market Indices

Dow Jones	24,538	-3.0%	10,425.1	16.6	3.7	2.3	70.00
S&P 500	2,691	-2.0%	50,270.6	17.2	3.0	2.0	64.00
Nasdaq	7,258	-1.1%	33,381.5	22.1	4.2	1.1	54.77
FTSE 100	7,070	-2.4%	6,566.7	13.3	1.7	4.5	40.59
Dax	11,914	-4.6%	5,476.2	12.4	1.6	3.4	20.69
Cac 40	5,137	-3.4%	4,881.7	14.2	1.5	3.4	32.50
Swiss	8,629	-3.6%	3,024.5	15.2	2.2	3.7	45.00
Nikkei	21,182	-3.2%	14,844.9	15.9	1.7	1.9	44.44
Australia	5,929	-1.2%	4,153.4	15.9	1.9	4.4	57.07
Stoxx 600	367	-3.7%	34,718.3	14.2	1.7	3.7	40.27

Emerging Market Indices

Hong Kong	30,583	-2.2%	6,682.7	11.9	1.3	3.3	76.00
Shanghai	3,255	-1.0%	30,154.6	12.7	1.5	1.9	18.52
Korea	2,402	-2.0%	5,448.0	9.3	1.0	1.6	40.16
Sensex	34,046	-0.3%	99.8	22.3	3.0	1.2	-
Nifty	10,458	-0.3%	1,836.4	21.1	3.0	1.3	-
Karachi	43,740	1.1%	51.1	9.5	1.5	5.3	34.07
Taiwan	10,698	-0.9%	3,918.7	13.8	1.8	3.8	53.51
Bovespa	85,761	-1.8%	3,198.1	13.3	1.8	2.7	80.65
Micex	2,289	-2.1%	812.4	6.5	0.7	4.8	75.56
Jo'burg	57,745	-1.7%	1,927.6	15.7	2.0	2.9	57.14
Vietnam	1,121	1.7%	276.7	19.6	3.4	1.9	47.00
Jakarta	6,582	-0.6%	523.4	16.9	2.6	1.8	55.94

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	2,090	-2.4%	-0.7%	-0.6%	15.99	2.24	2.38
MSCI G7	1,894	-2.4%	-0.2%	-0.4%	16.07	2.32	2.21
MSCI EM	1,182	-2.8%	-2.3%	2.0%	12.66	1.63	2.36
MSCI FM	659	-0.5%	0.9%	3.3%	13.01	1.99	3.09
S&P Pan Arab	707	-1.1%	-1.2%	3.1%	12.54	1.49	3.80
DUAE INDEX	3,309	-1.3%	-3.6%	0.8%	10.08	1.29	5.02
DKUW INDEX	3,576	1.0%	0.9%	4.8%	-	-	-
DQAT INDEX	5,200	-6.1%	-7.9%	-2.1%	10.66	1.42	4.43
DKUS INDEX	2,897	-0.1%	0.2%	3.4%	15.49	1.91	2.37
DQAS INDEX	7,266	-4.3%	-4.6%	2.0%	12.79	1.56	5.06

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-33.0%	-25.5%	43.6%	Bahrain	-	-	49.5%
ADX	-11.1%	-3.0%	16.0%	MSM	-21.1%	-34.5%	36.7%
Tadawul	8.4%	4.1%	-13.6%	Qatar	-4.4%	-11.8%	25.2%
KWSE	-	-	46.4%	TUSISE	73.4%	-	-45.5%

Relative to MSCI G7 Index

Dow Jones	3.1%	60.8%	3.0%	Cac 40	-11.7%	-36.5%	54.9%
S&P 500	7.1%	31.0%	-10.6%	Swiss	-5.1%	-4.1%	66.6%
Nasdaq	37.7%	81.5%	-52.1%	Nikkei	-0.8%	-26.5%	-14.6%
FTSE 100	-17.0%	-24.9%	105.0%	Australia	-1.3%	-16.5%	100.1%
Dax	-22.9%	-33.1%	52.2%	Stoxx 600	-11.8%	-25.8%	68.5%

Relative to MSCI Emerging Market Index

Hong Kong	-5.6%	-20.3%	39.2%	Jo'burg	24.1%	20.7%	24.0%
Shanghai	0.6%	-8.5%	-20.5%	Vietnam	55.2%	106.5%	-20.3%
Korea	-26.6%	-37.9%	-32.0%	Jakarta	33.1%	59.7%	-21.8%
Sensex	76.5%	83.6%	-50.4%				
Nifty	66.9%	82.0%	-43.0%				
Karachi	-24.6%	-6.4%	124.1%				
Taiwan	8.6%	9.6%	59.6%				
Bovespa	5.2%	8.7%	14.4%				
Micex	-48.9%	-54.0%	102.1%				

Source: Bloomberg, BEst – Bloomberg Estimate

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