



بنك الإمارات دبي الوطني  
Emirates NBD

Weekly  
6 May 2018

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

www.emiratesnbdresearch.com

# Equity Weekly

## Global Equities

While global equities broadly closed lower, the trend within regions is turning increasingly mixed. This can be partly explained by resurgence of domestic factors i.e. politics in the US and growing speculation over Brexit. The MSCI World index dropped -0.3% 5d with all its sub-indices closing lower. However, within developed markets European equities ended the week in positive territory while US equities closed lower. Volatility declined marginally in the US with the VIX index losing -4.2% 5d but increased in Europe and emerging markets. The V2X index and the CBOE EM ETF Volatility index gained +2.2% 5d and +4.4% respectively.

The focus this week will be on the Bank of England meeting where the odds of a rate hike have shifted significantly over the last two weeks. The market is now pricing in no change compared to a near certain hike two weeks ago. Elsewhere, the focus will remain on economic data as there is growing speculation over the possibility of economic growth peaking sooner than expected.

## Chart of the week

Over the last three months, European equities have outperformed US equities. The Euro Stoxx 600 index has rallied +2.8% 3m compared to a drop of -0.7% in the S&P 500 index. In this context, it is interesting to note that the price differential between US and European technology stocks are currently at their lowest since June 2017. This is based on the price to earnings ratio of the S&P 500 Information Technology Index and the Stoxx Europe 600 Technology index. Technology sector stocks have been the biggest driver of return on both the indices over the last one year.

**Chart of the week – PE ratio of technology shares of S&P 500 index and Euro Stoxx 600 index**



Source: Bloomberg

## MENA Markets

Most MENA equity indices closed lower amid mixed corporate earnings and weak investor sentiment. The S&P Pan Arab Composite index dropped -1.8% 5d.

UAE bourses closed lower with the DFM index and the ADX index losing -3.3% 5d and -2.4% 5d respectively. The DFM index closed below the psychological level of 3,000 for the first time since February 2016. Much of the recent decline on the DFM index can be attributed to growing concern over the real estate sector. Emaar Properties, the bell weather stock, has closed lower for nine out of the last 10 weeks of trading. The stock declined -0.7% 5d last week even as the company reported better than expected earnings. Revenues for the company increased to AED 5.59bn, beating consensus estimates of AED 5.46bn by 2.4%. Net profit for the company increased +8% y/y to AED 1.5bn. Damac, the other real estate developer listed on the DFM, lost -8.9% 5d.

The Tadawul lost -1.7% 5d as foreign investors were net sellers for the week. Weak corporate earnings weighed on investor sentiment. Al Rajhi Bank lost -1.6% 5d after the bank reported Q1 2018 net profit of SAR 2.38bn, missing consensus estimates of SAR 2.46bn by 3.2%.

Elsewhere, the Qatar Exchange dropped -3.1% 5d as investors took some money off the table ahead of the MSCI decision on 15 May 2018. Most market heavyweights closed lower with Qatar National Bank losing -1.5% 5d and Qatar Electricity & Water Co dropping -3.1% 5d.

## Developed Markets

Developed market equities closed mixed as European equities continued to receive a boost from weak EUR while US equities continue to face the overhang of domestic politics. US equities did receive a boost late in the week from a fairly robust non-farm payrolls data which showed that unemployment rate has dropped below 4%. The statement after the Federal Reserve meeting earlier in the week had a dovish tilt compared to expectations as members described the symmetric nature of the inflation target. However, it had no impact on equity markets. Eventually, the Euro Stoxx 600 index and the Nikkei index added +0.6% 5d and +0.9% 5d respectively while the S&P 500 index lost -0.2% 5d.

The earnings season in the US remains on a strong footing. With 81% of companies in the S&P 500 index having reported earnings, 78% of those companies reported a positive EPS surprise and 77% of those companies reported a positive sales surprise. According to FactSet, the aggregate earnings growth is 24.2%. If this is maintained then it would be the highest earnings growth since Q3 2010. It should also be noted that at the end of Q1 2018, the estimated earnings growth was 17.1%.

## Emerging Markets

Emerging market equities underperformed wider equity markets with the MSCI EM index losing -1.7% 5d compared to a drop of -0.3% 5d in the MSCI World index. Within the emerging markets, the BRIC bloc outperformed with the MSCI BRIC index dropping -1.3% 5d. It is evident that sustained strength in the USD is having a negative impact on appetite for riskier EM assets.

A weaker EM currency USD undermines investor return in the USD. For example, India's Sensex has risen +2.5% ytd in local currency terms but has dropped -2.0% ytd in USD terms. Hence, it is no surprise to see weakness in EM currencies reflecting onto EM equities. The JP Morgan Emerging Market Currency Index has dropped for a fifth consecutive week and the MSCI EM equities have dropped for four out of those five corresponding weeks.

## 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	2,948	-3.1%	47.9	7.9	1.0	5.9	22.22
ADX	4,557	-3.0%	36.6	11.6	1.5	5.3	35.59
Tadawul	8,107	-1.7%	1,264.2	15.0	1.7	3.3	59.43
ISE 100	102,599	-4.4%	1,687.5	7.2	1.1	3.9	26.53
EGX 30	17,833	-2.9%	54.6	14.6	2.6	1.7	90.00
Kuwait Premier	4,792	-0.4%	29.8	12.7	1.4	3.9	43.75
Bahrain	1,264	0.0%	2.0	-	-	6.5	55.56
MSM	4,726	0.1%	10.6	9.9	0.8	5.1	53.33
Qatar Exchange	8,806	-3.1%	43.6	12.3	1.4	4.9	47.37
MADEX	10,599	-0.5%	6.5	19.2	2.5	3.6	60.00
TUSISE	7,144	0.0%	1.6	22.8	-	2.1	71.43

### Developed Market Indices

Dow Jones	24,263	-0.2%	9,215.8	16.1	3.7	2.3	50.00
S&P 500	2,663	-0.2%	45,200.1	16.9	3.1	2.0	55.89
Nasdaq	7,210	1.3%	30,903.3	21.8	4.1	1.1	53.63
FTSE 100	7,567	0.9%	6,220.9	14.0	1.8	4.3	69.31
Dax	12,820	1.9%	5,130.4	13.3	1.7	3.1	55.17
Cac 40	5,516	0.6%	4,592.7	15.0	1.6	3.2	62.50
Swiss	8,904	0.7%	2,589.2	15.5	2.3	3.6	65.00
Nikkei	-	0.0%	14,185.2	-	-	-	-
Australia	6,063	1.8%	3,711.1	16.2	2.0	4.4	69.35
Stoxx 600	387	0.6%	29,983.2	14.9	1.8	3.5	65.05

### Emerging Market Indices

Hong Kong	29,927	-1.2%	5,203.5	11.5	1.3	3.5	51.02
Shanghai	3,091	0.3%	26,012.9	12.2	1.4	2.0	17.30
Korea	2,461	-1.2%	8,837.5	9.8	1.1	1.8	59.20
Sensex	34,915	-0.2%	87.9	18.4	2.7	1.1	61.29
Nifty	10,618	-0.7%	1,884.8	17.7	2.6	1.3	56.00
Karachi	44,537	-2.2%	43.8	9.8	1.6	5.1	57.78
Taiwan	10,529	-0.2%	3,846.2	13.6	1.7	3.8	44.78
Bovespa	83,118	-3.8%	2,377.1	12.6	1.7	2.9	62.90
Jo'burg	57,649	0.3%	1,710.5	15.0	1.9	3.2	58.64
Vietnam	1,027	-2.2%	206.5	17.4	3.1	1.9	36.19
Jakarta	5,792	-2.1%	442.7	14.7	2.2	2.3	44.42

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	2,089	-0.3%	1.8%	-0.7%	15.97	2.24	2.41
MSCI G7	1,897	-0.3%	2.0%	-0.3%	16.01	2.33	2.24
MSCI EM	1,136	-1.7%	-2.2%	-1.9%	12.24	1.58	2.46
MSCI FM	620	-2.7%	-6.3%	-2.8%	12.08	1.81	3.41
S&P Pan Arab	741	-1.8%	0.8%	8.0%	13.18	1.54	3.95
DUAE INDEX	3,177	-2.2%	-0.6%	-3.0%	9.71	1.27	5.64
DKUW INDEX	3,422	-0.6%	-1.2%	0.3%	-	-	-
DQAT INDEX	5,619	-2.2%	3.5%	5.8%	11.69	1.58	4.64
DKUS INDEX	2,775	-0.3%	-1.4%	-1.0%	13.30	1.48	3.91
DQAS INDEX	7,076	-2.5%	-0.2%	-0.7%	14.41	1.53	4.82

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

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-40.5%	-32.5%	48.3%	Bahrain	-	-	63.4%
ADX	-11.7%	-1.3%	34.0%	MSM	-25.3%	-48.7%	29.2%
Tadawul	13.7%	12.5%	-17.1%	Qatar	-6.8%	-9.6%	25.1%
Kuwait Premier	-3.9%	-10.8%	-0.8%	TUSISE	72.7%	-	-47.2%

### Relative to MSCI G7 Index

Dow Jones	0.5%	58.9%	3.1%	Cac 40	-6.1%	-31.6%	43.8%
S&P 500	5.2%	31.7%	-10.7%	Swiss	-3.2%	-2.5%	62.1%
Nasdaq	35.9%	78.3%	-52.2%	Nikkei	-	-	-
FTSE 100	-12.4%	-21.0%	89.8%	Australia	1.3%	-15.2%	96.0%
Dax	-16.7%	-28.6%	38.4%	Stoxx 600	-6.7%	-21.9%	57.6%

### Relative to MSCI Emerging Market Index

Hong Kong	-5.7%	-20.1%	41.6%	Jo'burg	22.2%	20.4%	31.7%
Shanghai	-0.7%	-10.1%	-19.5%	Vietnam	42.1%	98.6%	-23.1%
Korea	-20.3%	-33.4%	-28.4%	Jakarta	20.1%	40.1%	-4.8%
Sensex	50.0%	69.4%	-54.4%				
Nifty	44.9%	66.8%	-49.1%				
Karachi	-19.9%	-1.7%	108.0%				
Taiwan	10.9%	8.2%	55.6%				
Bovespa	2.6%	7.7%	16.8%				

Source: Bloomberg, BEst – Bloomberg Estimate

## Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

## 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 Pugalía**  
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

### Group Corporate Affairs

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

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