



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

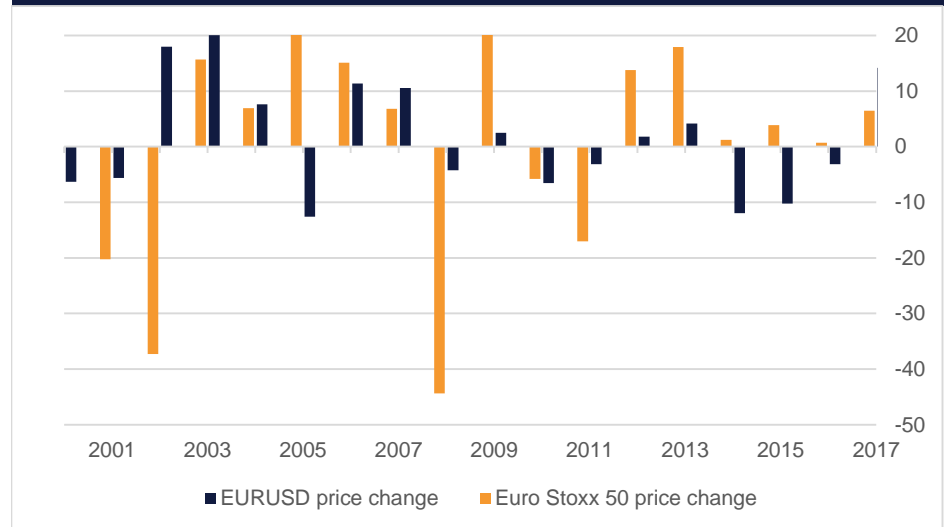
So far in 2018, global equities have continued from where they left off in 2017. The passage of the tax bill in the US at the end of 2017, the continued rally in commodities and string of strong economic data are providing strength to the current momentum. The MSCI World index added +2.4% 5d on the back of gains across its sub-indices. The MSCI EM index, the MSCI G7 index and the MSCI Arabian Markets index added +4.1% 5d, +2.4% 5d and +1.5% 5d respectively.

With risks remaining relatively benign, the positive tone in equity markets is likely to continue. The start of Q4 2017 earnings season next week could well set the tone in the near term. Regionally, regional investors are expected to put money at play at the start of the year in anticipation of dividend announcements and that could help sustain the positive trend.

Chart of the week

The recent decline in the EUR has prompted suggestion that it could have a negative impact on European equities. If we track the moves of the EUR and Euro Stoxx 50 index since 2000, we find that both tend to move in same direction. However, when measured since 2015 the monthly correlation turns negative -0.36 compared to positive +0.13 since the start of 2000.

Chart of the week – EURUSD and Euro Stoxx 50 index



Source: Bloomberg

MENA Markets

MENA equity markets made a solid start to 2018 with all major markets, with the exception of the EGX 30 index, closing the first week of trading in positive territory. The continued strength in oil prices, with Brent prices adding +1.4% 5d, also helped investor sentiment. The S&P Pan Arab Composite index added +1.3% 5d.

UAE bourses led the rally with the DFM index and the ADX index adding +3.9% 5d and +5.3% 5d respectively. The start of the New Year saw foreign investors returning to the market which in turn helped market heavyweights. Most Emaar related stocks saw interest with Emaar Properties, Emaar Development and Emaar Malls ending the week with gains of +6.7%, +8.3% and +2.4% respectively. The fact that Emaar Properties is scheduled to pay the first tranche of its special dividend later this month could have spurred renewed interest in the stock.

The Tadawul ended the week with gains of +0.6% as investors wait on the impact of increased gasoline prices and introduction of VAT on consumer spending. The banking sector was the outperformer with the Tadawul Banking index gaining +3.4%. National Commercial Bank rallied +5.5% 5d after the bank announced 50% bonus shares at the end of 2017. Among other stocks, Dar Al Arkan continued to see big moves. The stock ended the week with losses of -27.7% as investors booked some profit from the recent rally. The stock ended 2017 with gain of +134%. The company's board gave approval for the IPO of its properties unit. The preliminary valuation of assets, as reported by Bloomberg, is about SAR 2.7bn. The current assets portfolio of the unit includes a mall in Riyadh and properties in cities of Jeddah, Mecca, Medina and Riyadh.

Developed Markets

Developed market equities continued the momentum of 2017 into 2018. All major markets made a strong start as economic data continued to remain strong across economies. The non-farm payrolls data in the US for December 2017 came in lower than expected at 148,000 but was still a robust reading. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index gained +2.1% 5d, +2.0% 5d and +3.6% 5d respectively.

The start of the year was also marked by implementation of the MiFID II regulations. So far, the impact has been limited and that could be put down to the delay in introduction of limits on dark pools to next week. The rules that restrict how much volume can be traded in dark pools is estimated to affect nearly 72% of European equities. However, there were early signs that investors are starting to shift to new systems with CBOE Europe reporting a five-fold increase in average daily volumes in first week of January 2018 compared to December 2017.

Emerging Markets

The trend of emerging market equities outperforming broader markets continued in 2018. The MSCI EM index added +4.1% 5d helped by +5.1% 5d gain in the MSCI BRIC index.

Fund flows into emerging markets continued to remain strong. For the week ended 3 January 2018, EM equity funds received inflows of USD 1.88bn. This is in sharp contrast to DM funds which saw an outflow. In terms of region, Latin American funds saw the strongest inflow as a percentage (0.2%) of asset under management.

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	3,464	2.8%	92.8	9.0	1.2	4.1	33.33
ADX	4,548	3.4%	41.7	11.0	1.3	4.4	50.85
Tadawul	7,277	0.6%	1,093.3	13.3	1.5	3.3	50.87
ISE 100	116,638	0.1%	2,013.6	8.5	1.3	2.7	76.77
EGX 30	14,782	-1.6%	26.6	10.1	1.8	2.7	76.67
KWSE	6,454	0.7%	46.1	-	-	5.4	28.04
Bahrain	1,312	0.5%	2.7	-	-	5.9	66.67
MSM	5,105	1.1%	3.1	10.4	1.0	5.1	43.33
Qatar Exchange	8,631	1.2%	46.1	11.6	1.4	4.5	20.00
MADEX	10,220	0.6%	12.9	18.1	3.0	3.7	80.00
TUSISE	6,265	-0.5%	1.1	18.7	-	2.2	61.36

Developed Market Indices

Dow Jones	25,296	2.3%	8,103.2	18.5	3.8	2.2	93.33
S&P 500	2,743	2.6%	38,576.9	18.7	3.1	1.9	79.80
Nasdaq	7,137	3.4%	24,937.7	22.7	4.1	1.1	64.54
FTSE 100	7,724	0.5%	4,843.5	14.9	2.0	4.1	65.35
Dax	13,320	3.1%	4,449.0	13.8	1.7	3.0	68.97
Cac 40	5,471	3.0%	3,830.6	15.1	1.6	3.2	75.00
Swiss	9,557	1.9%	2,466.7	16.8	2.4	3.4	95.00
Nikkei	23,715	4.2%	11,618.4	19.6	1.9	1.7	92.44
Australia	6,122	0.9%	2,139.7	16.6	2.0	4.2	80.40
Stoxx 600	397	2.1%	27,294.0	15.4	1.9	3.4	73.61

Emerging Market Indices

Hong Kong	30,815	3.0%	5,858.9	12.4	1.3	3.3	86.00
Shanghai	3,392	2.6%	35,329.9	13.2	1.5	1.8	29.03
Korea	2,498	1.2%	5,175.2	9.2	1.0	0.9	38.90
Sensex	34,154	0.3%	103.9	22.4	3.1	1.1	90.32
Nifty	10,559	0.3%	1,437.9	21.3	3.0	1.3	82.00
Karachi	42,524	5.1%	63.9	9.1	1.5	5.5	30.77
Taiwan	10,880	2.2%	4,030.5	14.0	1.8	3.7	68.79
Bovespa	79,071	3.5%	1,969.0	13.1	1.6	2.5	87.10
Micex	2,207	4.6%	412.4	6.5	0.7	5.0	68.89
Jo'burg	59,717	0.4%	1,145.4	16.4	2.0	2.7	62.11
Vietnam	1,013	2.9%	246.5	17.5	2.7	2.1	56.77
Jakarta	6,354	0.0%	403.5	16.4	2.5	2.0	43.41

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	2,157	2.5%	4.0%	2.5%	17.37	2.36	2.27
MSCI G7	1,951	2.6%	3.9%	2.6%	17.53	2.45	2.11
MSCI EM	1,201	3.7%	8.1%	3.7%	13.14	1.67	2.15
MSCI FM	652	2.2%	4.0%	2.2%	13.06	1.91	2.94
S&P Pan Arab	694	1.2%	4.0%	1.2%	7.95	1.45	3.70
DUAE INDEX	3,406	3.6%	3.5%	3.3%	10.21	1.29	3.98
DKUW INDEX	3,522	3.2%	4.4%	3.2%	-	-	-
DQAT INDEX	5,328	0.3%	8.0%	0.3%	11.00	1.49	3.58
DKUS INDEX	2,867	2.3%	3.6%	2.3%	14.76	1.78	2.39
DQAS INDEX	7,266	2.0%	11.1%	2.0%	13.18	1.67	4.98

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	13.8%	-20.8%	10.8%	Bahrain	-	-	60.5%
ADX	38.2%	-8.1%	19.9%	MSM	31.0%	-32.2%	38.4%
Tadawul	67.4%	3.4%	-10.1%	Qatar	45.9%	-2.1%	21.9%
KWSE	-	-	44.7%	TUSISE	135.1%	-	-40.0%

Relative to MSCI G7 Index

Dow Jones	5.6%	55.7%	3.4%	Cac 40	-13.9%	-35.9%	53.2%
S&P 500	6.6%	27.8%	-9.4%	Swiss	-4.3%	-1.3%	61.3%
Nasdaq	29.3%	65.8%	-49.7%	Nikkei	11.8%	-21.2%	-21.7%
FTSE 100	-15.2%	-19.9%	94.0%	Australia	-5.1%	-17.5%	100.1%
Dax	-21.1%	-29.0%	41.8%	Stoxx 600	-12.2%	-23.8%	62.7%

Relative to MSCI Emerging Market Index

Hong Kong	-5.2%	-20.1%	54.0%	Jo'burg	25.2%	20.8%	24.5%
Shanghai	0.5%	-8.5%	-15.5%	Vietnam	33.2%	64.6%	-2.6%
Korea	-30.0%	-38.8%	-56.2%	Jakarta	25.2%	48.7%	-8.6%
Sensex	70.5%	85.4%	-47.5%				
Nifty	62.2%	82.4%	-41.1%				
Karachi	-30.6%	-10.5%	156.3%				
Taiwan	6.8%	9.0%	72.0%				
Bovespa	-0.6%	-2.4%	14.5%				
Micex	-50.7%	-56.7%	134.1%				

Source: Bloomberg, BEst – Bloomberg Estimate

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