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Equity Weekly

Global Equities

Last week global equities had one of their best weeks. Investor's continued bet on economic revival received a booster shot late in the week when the US non-farm payrolls confounded all expectations by showing an increase of 2.5mn jobs contrary to expectations of a decline of 7.5mn. Additionally, policymakers continued with their stimulatory measures as the European Central Bank increased the size of its bond-buying program.

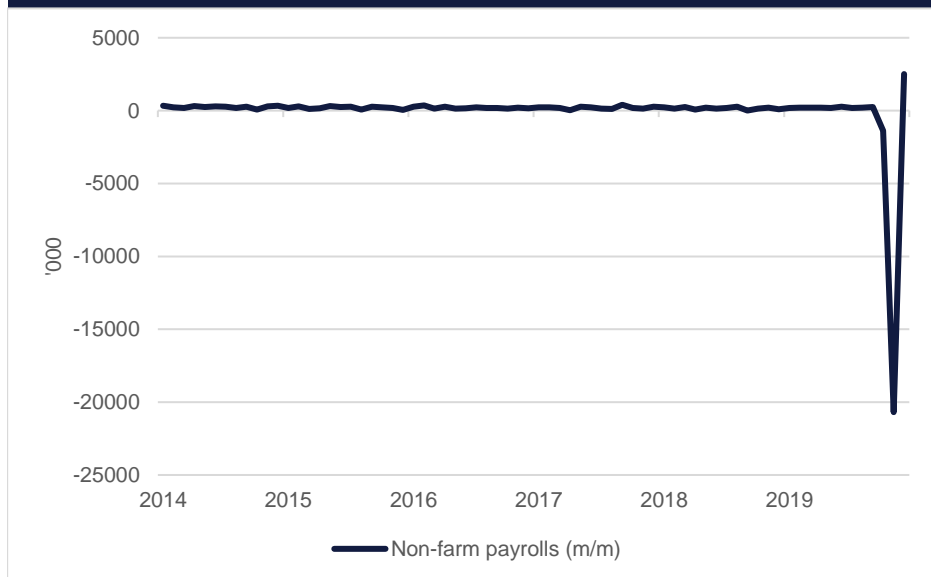
Overall, the MSCI All Country World index added +5.8% 5d on the back of strength across major sub-indices. The MSCI G7 index, the MSCI EM index and the MSCI FM index added +5.3% 5d, +7.8% 5d and +1.4% 5d respectively. Volatility eased across markets but remain elevated. The VIX index, the V2X index and the CBOE EM ETF Volatility index dropped -10.9% 5d, -10.4% 5d and -11.6% 5d respectively.

The focus this week will be on economic data as investors will look to confirm the rebound in US payrolls with other high frequency data points. Also, the meeting of the US Federal Reserve will be high on the agenda. While little change is expected on the policy front, comments from the Fed Chairman will be keenly noted especially in light of the recent economic data and a sharp rebound in financial markets.

Chart of the week

The US non-farm payrolls data released at the end of last week sowed hopes of a V-shaped recovery as it showed 2.5mn jobs were added compared to consensus estimates of a decline of 7.5mn. The unemployment rate improved to 13.3%. The growth was driven by sectors that were among the hardest hit like restaurants, retail and healthcare. Clearly, the decision of states in the US to ease economic restrictions and government program of paycheck protection has helped. Another data point which perhaps explains the surprise is that the share of the unemployed on furlough fell to 73% from 78.3%. Interestingly, a similar trend was seen in Canadian employment data which also showed an increase contrary to expectations of a decline.

Chart of the week – Are we headed towards a V-shaped recovery?



Source: Bloomberg

MENA Markets

The first full week of trading after Eid holidays for regional markets saw investors putting money into play amid a positive global backdrop. The decision of governments within the region to ease economic activity and sustained and a sharp rebound in oil prices helped investor sentiment. Brent oil prices added +19.7% 5d while the S&P Pan Arab Composite index rallied +1.7% 5d.

Gains were broad based with market heavyweights leading the rally. The DFM index was a notable outperformer with gains of +6.6% 5d. Elsewhere, the EGX 30 index added +5.1% 5d as the country reached a staff-level agreement with the IMF on a USD 5.2bn one year stand-by arrangement that aims to alleviate the economic impact of the viral outbreak.

Developed Markets

Developed market equities closed higher as positive economic data surprises coupled with the continued expansion of stimulatory policies provided investors with fresh impetus to shrug off any lingering geopolitical tensions. The much analyzed economic data of the week was the US non-farm payrolls data (see above) which defied forecasts in all sense. The European Central Bank expanded its bond program by EUR 600bn as it remained cautious about growth prospects.

The ECB's decision along with the EU's decision of a EUR 750bn recovery fund late last month has helped European equities to outperform their developed market peers. Beyond the stimulus measures, the fact that most European countries are ahead of the curve relative to their peers in reopening economic activities has also led to this outperformance. The Euro Stoxx 50 index has rallied 11.0% 5d and +16.4% 1m compared to S&P gains of +4.9% 5d and 9.0% 1m respectively. Japan's Topix index has added +3.1% 5d and 10.6% 1m over the same period.

Emerging Markets

Emerging market equities had their best week in more than eight years as they outperformed the broader index. The MSCI EM index rallied +7.8% 5d compared to a gain of +5.5% 5d in the MSCI World index. The sharp rise in commodity prices coupled with sustained weakness in the USD helped to spread the rally within the EM complex.

India's Nifty index continued its positive run with gains of +5.9% 5d even as Moody's cut the sovereign rating by one notch to Baa3 and kept it on a negative watch. The action by Moody's brings its rating in line with the BBB- assessment by the S&P and Fitch. We also had the minutes of the RBI's last unscheduled meeting which showed that the central bank continues to keep all the options open as it prioritizes economic growth. All members of the committee expect the economy to contract in FY 2021. The central bank has so far cumulatively cut interest rates by 250 bps and used unconventional policy tools such as LTROs.

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	2,039	4.0%	77.9	9.9	0.7	4.0	21.62
ADX	4,303	4.5%	68.9	17.7	1.3	5.8	36.67
Tadawul	7,208	2.2%	1,402.5	21.6	1.9	3.6	35.23
ISE 100	110,022	3.8%	2,140.3	9.6	0.9	2.5	86.00
EGX 30	10,621	5.1%	51.6	9.3	1.3	3.2	6.67
Kuwait Premier	5,459	0.1%	75.2	19.4	1.6	3.9	11.11
Bahrain	1,273	-0.2%	1.3	-	-	5.5	-
MSM	3,518	-0.1%	1.9	-	-	6.8	26.67
Qatar Exchange	9,252	4.3%	84.1	17.1	1.4	4.3	45.00
MADEX	8,223	3.4%	13.7	16.2	-	4.3	31.25
TUSISE	6,650	2.1%	1.2	-	-	2.0	15.00

Developed Market Indices

Dow Jones	27,111	6.8%	12,234.5	24.8	3.9	2.3	60.00
S&P 500	3,194	4.9%	57,397.8	25.5	3.5	1.9	60.60
Nasdaq	9,814	3.4%	49,934.0	36.1	5.1	0.9	47.79
FTSE 100	6,484	6.7%	5,306.0	19.7	1.5	3.8	50.51
Dax	12,848	10.9%	7,247.8	21.1	1.5	2.8	63.33
Cac 40	5,198	10.7%	6,168.2	22.7	1.5	2.9	35.00
Swiss	10,190	3.7%	5,230.5	19.3	2.3	3.2	65.00
Nikkei	22,864	4.5%	14,037.0	20.9	1.6	1.9	41.78
Australia	5,999	4.2%	4,788.1	21.4	1.9	3.1	39.00
Stoxx 600	375	7.1%	41,572.0	21.4	1.7	3.0	49.65

Emerging Market Indices

Hong Kong	24,770	7.9%	5,915.7	11.6	1.0	3.8	22.00
Shanghai	2,931	2.8%	34,985.0	12.0	1.3	2.3	43.36
Korea	2,182	7.5%	11,286.3	15.5	0.9	2.1	50.98
Sensex	34,287	5.7%	370.5	18.9	2.4	1.5	30.00
Nifty	10,142	5.9%	4,951.5	18.2	2.2	1.6	28.00
Karachi	34,327	1.2%	30.7	6.7	1.0	5.7	47.67
Taiwan	11,479	4.9%	6,124.9	17.7	1.8	4.0	53.76
Bovespa	94,637	8.3%	5,317.9	24.2	1.5	3.4	41.89
Jo'burg	54,722	8.4%	1,638.6	14.2	1.6	3.8	29.73
Vietnam	886	2.5%	225.4	15.4	2.1	2.0	50.71
Jakarta	4,948	4.1%	719.7	15.5	1.7	3.1	13.89

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	2,267	5.5%	9.9%	-3.9%	23.40	2.44	2.21
MSCI G7	2,088	5.3%	9.8%	-3.4%	23.82	2.54	2.12
MSCI EM	1,003	7.8%	10.0%	-10.0%	15.95	1.52	2.72
MSCI FM	479	1.4%	5.7%	-18.2%	13.35	1.61	4.35
S&P Pan Arab	659	2.9%	8.1%	-15.4%	17.42	1.56	4.01
DUAE INDEX	2,517	4.7%	8.5%	-18.8%	13.31	1.04	4.71
DKUW INDEX	3,879	0.2%	4.1%	-23.6%	-	-	-
DQAT INDEX	6,265	3.5%	6.0%	-11.1%	15.33	1.76	3.96
DKUS INDEX	3,134	0.1%	4.8%	-18.4%	19.51	1.72	3.26
DQAS INDEX	7,394	3.3%	4.4%	-6.4%	17.64	1.73	4.67

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-43.1%	-53.3%	-0.1%	Bahrain	-	-	38.3%
ADX	1.5%	-15.6%	44.5%	MSM	-	-	69.5%
Tadawul	23.8%	22.9%	-11.4%	Qatar	-1.8%	-11.4%	6.7%
Kuwait Premier	11.5%	0.6%	-2.1%	TUSISE	-	-	-50.6%

Relative to MSCI G7 Index

Dow Jones	4.2%	53.1%	9.2%	Cac 40	-4.5%	-40.5%	35.1%
S&P 500	7.0%	37.5%	-12.9%	Swiss	-19.1%	-8.1%	50.2%
Nasdaq	51.4%	101.1%	-58.1%	Nikkei	-12.4%	-35.8%	-9.6%
FTSE 100	-17.1%	-39.1%	77.5%	Australia	-10.1%	-26.5%	44.5%
Dax	-11.4%	-41.0%	30.4%	Stoxx 600	-10.0%	-32.8%	40.8%

Relative to MSCI Emerging Market Index

Hong Kong	-27.4%	-34.3%	38.5%	Jo'burg	-11.0%	5.1%	40.1%
Shanghai	-24.7%	-17.0%	-16.4%	Vietnam	-3.6%	40.0%	-26.2%
Korea	-2.8%	-40.6%	-22.3%	Jakarta	-3.1%	13.0%	14.9%
Sensex	18.4%	55.6%	-46.5%				
Nifty	14.2%	43.0%	-42.2%				
Karachi	-58.0%	-37.4%	110.0%				
Taiwan	11.2%	20.9%	46.6%				
Bovespa	51.8%	-3.8%	26.5%				

Source: Bloomberg, BEst – Bloomberg Estimate

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