



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
8 April 2018

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

www.emiratesnbdresearch.com

Equity Weekly

Global Equities

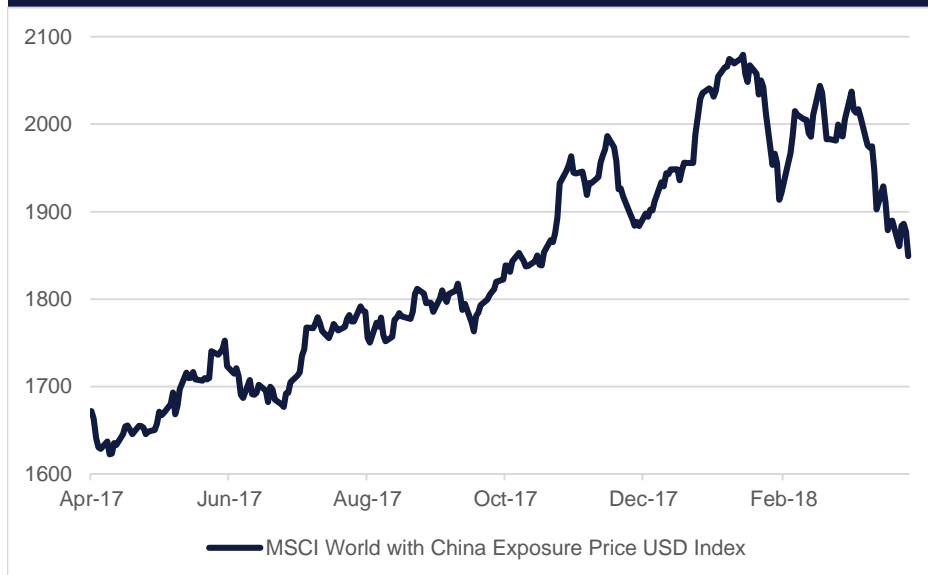
Global equities closed lower as investors' saw measures and counter-measures declared by the US and China on the trade front. The worry for investors appears to lack of strategy in these measures and little clarity on when and if a negotiated settlement can be reached between the two countries. Mixed economic data from the US and the Eurozone added to the uncertainty. The MSCI World index dropped -0.7% 5d amid weakness in the MSCI G7 index (-0.8% 5d) and the MSCI EM index (-0.8% 5d). Volatility rose in the US with the VIX index adding +7.6% 5d to remain above the 20.0 level but dropped in Europe and remained flat in emerging markets.

With the 'trade tantrum' starting to have an impact, the Q1 2018 corporate earnings season starting this week becomes all the more important. Investors' would be keen to confirm that the strongest pillar of support i.e., earnings continues to provide buffer against political uncertainties. Regionally, flows are likely to be driven by expectations of further foreign investor inflows into the region.

Chart of the week

With the current focus on the US-China trade disputes, it is not surprising to see stocks with exposure to China taking a hit. The MSCI World with China exposure index has declined to its lowest level since October 2017. The index reflects the performance of companies with significant exposure to China regardless of domicile by deriving a company's economic exposure using the geographic distribution of its revenues.

Chart of the week – Stocks of companies with exposure to China declines sharply



Source: Bloomberg

MENA Markets

It was a mixed week of trading for MENA equities as flows continued to be driven by measures taken by different bourses to attract foreign investor inflows. The Qatar Exchange index added +2.6% 5d and the Tadawul gained +1.1% 5d while the DFM index lost -0.8% 5d.

Gains on the Qatar Exchange were driven by announcement from Qatar Petroleum that it will lift non-Qatari ownership limit in energy sector companies and its subsidiaries listed on the exchange to 49%. This drove sharp gains in Qatar Fuel (+8.1% 5d), Gulf International Services (+10.0% 5d) and Mesaieed Petrochemical Holding Co (+4.8% 5d). It must be noted here that the changes need to be implemented fairly quickly so as to be eligible for weight gains in the MSCI May review.

Elsewhere, this was the first week of trading with changes in indices in Kuwait. The Boursa Kuwait Premier Market Price Return index dropped -3.1% as investors take time to get used to the changes. For the record, the market is now divided into three segments i.e., Premier, Main and Auction. The Premier index is composed of the largest and most liquid companies. The segmentation is designed to improve liquidity and transparency.

Developed Markets

It was a volatile week of trading for developed market equities as risk of a full-blown trade war between the US and China escalated. The past week saw both the US and China announce tariffs on each other's products without a deadline to implement them. The vagueness in announcements at the start of the week led investors to believe that these are mere posturing and that a negotiated solution is inevitable. However, US President Donald Trump doubled down with announcement of fresh tariffs towards the end of the week which exemplified the erratic nature of steps and exposed the lack of an end-game in a battle of high stakes.

A subdued non-farm payrolls data and comments from Fed Chairman Powell suggesting that Fed remains on track to hike three times this year added further uncertainties in investors' minds. Eventually, the S&P 500 index -1.4% w-o-w while the Nikkei index and the Euro Stoxx 600 index added +0.5% w-o-w and +1.1% w-o-w. Much of the outperformance of non-US developed market equities can be put down to fact that most investors expect Europe to avoid getting caught in the US-China crossfire. The correlation between the Stoxx 600 index and the S&P 500 index is at its lowest since 2006.

Emerging Markets

Emerging market equities performed in line with broader equity markets with the MSCI EM index losing -0.8% 5d. It was a truncated week of trading for Chinese equities which were the focus of trade measures taken by the US. The Shanghai Composite index dropped -1.2% w-o-w with investors still to react to the latest measures announced by the US towards the end of the week.

India's Nifty index added +2.2% 5d to outperform emerging market peers. The market received a boost from the Reserve Bank of India which left interest rates unchanged at 6.0%. While the central bank reiterated a neutral stance, it lowered its inflation forecasts considerably. Inflation for H1 FY 2019 is now expected to range between 4.7 %- 5.1% compared to earlier forecast of 5.1% - 5.6%. The forecast for inflation in H2 FY 2019 was also lowered by 20 bps. Having said that, the monetary policy committee continued to highlight upside risks to inflation on account of increased farm price support and possibility of a fiscal slippage by the government. Overall, the stance by the RBI reaffirms our view that the central bank is expected to be on a prolonged pause with no change in policy rate expected in 2018.

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	3,083	-0.8%	44.6	8.0	1.1	5.9	27.78
ADX	4,689	2.2%	35.1	11.3	1.5	5.2	44.07
Tadawul	7,953	1.0%	1,319.7	14.6	1.7	3.2	58.86
ISE 100	114,738	0.0%	1,523.9	8.2	1.2	3.4	58.16
EGX 30	17,411	-0.2%	106.0	14.0	2.4	1.9	90.00
Kuwait Premier	4,794	-3.1%	31.2	12.7	1.4	4.0	40.00
Bahrain	1,283	-2.7%	0.5	-	-	6.4	-
MSM	4,799	0.5%	10.0	10.1	0.9	5.0	60.00
Qatar Exchange	8,793	2.6%	52.1	12.2	1.4	5.0	63.16
MADEX	10,450	-1.7%	16.1	18.6	2.6	3.7	57.78
TUSISE	7,141	0.6%	2.1	23.0	-	1.9	75.00

Developed Market Indices

Dow Jones	23,933	-0.7%	9,745.7	16.2	3.7	2.4	63.33
S&P 500	2,604	-1.4%	48,986.2	16.7	3.0	2.1	53.00
Nasdaq	6,915	-2.1%	34,232.1	21.1	3.9	1.1	49.40
FTSE 100	7,184	1.8%	6,654.7	13.6	1.8	4.4	41.58
Dax	12,241	1.2%	5,351.7	12.7	1.6	3.2	37.93
Cac 40	5,258	1.8%	4,740.9	14.5	1.5	3.4	42.50
Swiss	8,671	-0.8%	3,357.2	15.2	2.2	3.7	40.00
Nikkei	21,568	0.5%	12,335.1	15.6	1.6	2.0	44.00
Australia	5,789	0.5%	3,503.0	15.5	1.9	4.6	53.54
Stoxx 600	375	1.1%	35,321.3	14.5	1.8	3.6	48.49

Emerging Market Indices

Hong Kong	29,845	-0.8%	6,515.5	11.5	1.3	3.5	59.18
Shanghai	3,131	-1.2%	32,279.2	12.2	1.4	1.9	-
Korea	2,430	-0.7%	7,038.2	9.5	1.0	1.6	42.84
Sensex	33,627	2.0%	77.9	17.8	2.6	1.2	48.39
Nifty	10,332	2.2%	1,681.6	17.3	2.6	1.3	48.00
Karachi	46,638	2.4%	87.6	10.3	1.6	5.0	61.96
Taiwan	10,821	-0.9%	3,345.8	13.9	1.8	3.7	-
Bovespa	84,820	-0.6%	2,369.4	13.2	1.7	2.9	70.97
Jo'burg	55,879	0.7%	2,024.2	14.6	1.9	3.2	52.80
Vietnam	1,200	2.2%	272.1	20.2	3.6	1.8	45.98
Jakarta	6,175	-0.2%	338.1	15.7	2.4	2.1	53.57

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	2,053	-0.7%	-4.5%	-2.4%	15.66	2.17	2.45
MSCI G7	1,859	-0.8%	-4.7%	-2.3%	15.72	2.25	2.28
MSCI EM	1,162	-0.8%	-3.7%	0.3%	12.17	1.58	2.42
MSCI FM	662	-0.6%	-0.7%	3.8%	12.84	1.94	3.20
S&P Pan Arab	735	0.4%	3.3%	7.2%	13.11	1.53	3.91
DUAE INDEX	3,253	0.4%	-2.2%	-2.3%	9.95	1.25	5.75
DKUW INDEX	3,471	-3.7%	-2.5%	1.8%	-	-	-
DQAT INDEX	5,504	4.0%	9.6%	3.6%	11.44	1.54	4.58
DKUS INDEX	2,815	-3.2%	-2.8%	0.5%	15.16	1.79	2.50
DQAS INDEX	7,151	2.2%	1.6%	0.4%	12.81	1.60	5.23

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-38.7%	-29.9%	51.3%	Bahrain	-	-	62.8%
ADX	-13.6%	-3.4%	32.0%	MSM	-22.8%	-41.9%	27.7%
Tadawul	11.7%	10.0%	-17.0%	Qatar	-7.0%	-10.7%	27.9%
Kuwait Premier	-3.2%	-9.4%	1.5%	TUSISE	75.5%	-	-50.3%

Relative to MSCI G7 Index

Dow Jones	3.1%	62.2%	3.2%	Cac 40	-7.9%	-32.4%	47.6%
S&P 500	6.2%	31.6%	-10.0%	Swiss	-3.1%	-0.6%	62.5%
Nasdaq	34.3%	75.1%	-50.8%	Nikkei	-0.6%	-27.8%	-12.6%
FTSE 100	-13.6%	-20.9%	93.3%	Australia	-1.4%	-15.9%	99.9%
Dax	-19.1%	-28.9%	42.3%	Stoxx 600	-8.0%	-21.7%	59.9%

Relative to MSCI Emerging Market Index

Hong Kong	-5.4%	-20.4%	43.8%	Jo'burg	20.4%	18.4%	32.6%
Shanghai	0.2%	-9.4%	-19.6%	Vietnam	66.0%	127.6%	-26.9%
Korea	-22.3%	-34.8%	-32.4%	Jakarta	29.3%	50.7%	-14.7%
Sensex	46.5%	66.7%	-51.9%				
Nifty	42.2%	65.2%	-46.6%				
Karachi	-15.0%	3.6%	106.7%				
Taiwan	14.0%	13.0%	53.7%				
Bovespa	8.6%	10.3%	18.9%				

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

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
danielricha@emiratesnbd.com

Aditya Pugalia
Director - Financial Markets Research
+9714 609 3027
adityap@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@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
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com