



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
8 March 2020

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Equity Weekly

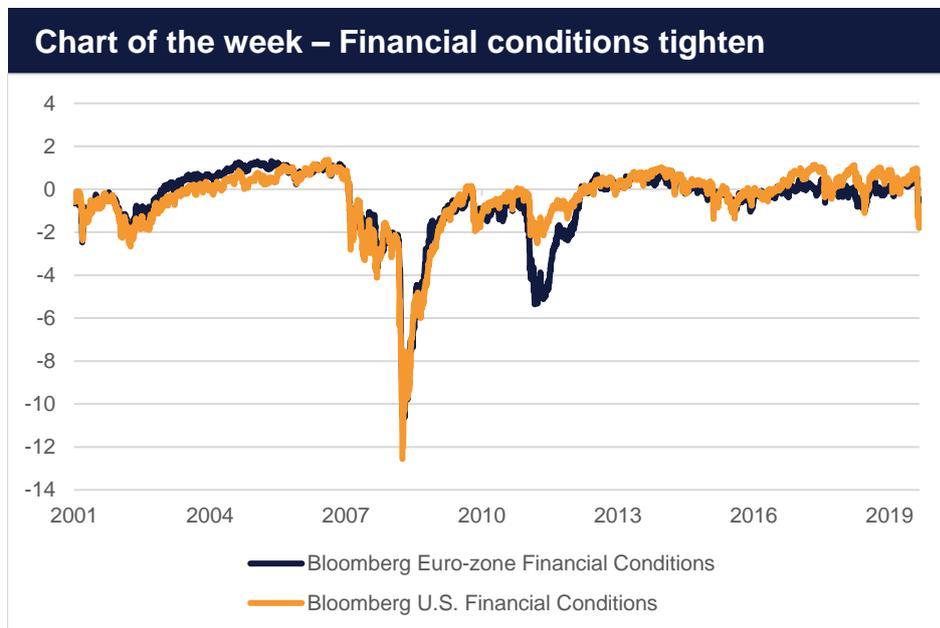
Global Equities

Volatility jumped in global equity markets as investors paid more attention to the widening coronavirus outbreak. While the G7 statement lacked any specific measure, the Federal Reserve did cut interest rates by 50 bps. However, that did little to ease worries as the collapse of OPEC+ talks in Vienna towards the end of last week added to worries. The MSCI All Country index did end the week with marginal gains of +0.4% 5d on the back of strength in the US and Chinese equities. Volatility did rise further in developed markets but eased in emerging markets. The VIX index, the V2X index and the CBOE EM ETF Volatility index closed +4.6% 5d, +1.9% 5d and -20.0% 5d respectively.

Even as investors continue to track the spread of coronavirus, they will focus more on the policy response to deal with the impact on economic activity. The meeting of the European Central Bank, the announcement of the UK budget and continued economic data releases will be keenly monitored.

Chart of the week

The Federal Reserve cut rates by 50 bps for the first inter-meeting change since the 2008 financial crisis. The central bank said that the move was aimed at easing financial conditions at a time when their outlook for the economy has taken a turn for the worse. The Bloomberg financial condition index reading c.-2.0 suggests that it is tighter than normal by two standard deviations. By this measure, the Federal Reserve may need to ease rates further if the condition continues to deteriorate.



Source: Bloomberg

MENA Markets

Regional bourses closed sharply lower as continued cases of coronavirus, sharp decline in global asset prices and a collapse in oil prices weighed on investor sentiment. The weakness was broad based with the S&P Pan Arab Composite index losing -2.9% w-o-w.

Most regional indices ended last week at multi-year lows. The DFM index dropped -5.0% 5d to close at levels last seen in September 2013. The Tadawul declined -2.1% 5d to close at levels last seen in October 2018.

The sharp decline in regional inter-bank rates in line with those in global markets weighed heavily on banking sector stocks. They led the decline in regional markets with Al Rajhi Bank, Abu Dhabi Commercial Bank and National Bank of Kuwait dropping -1.5% 5d, -8.8% 5d and -4.3% 5d respectively. Travel was another sector that came under renewed pressure as flight cancellations continued and governments expanded travel advisories to more countries. Air Arabia dropped -11.4% 5d to close at its lowest level since September 2019.

Developed Markets

Developed market equities had one of their most volatile weeks. The week was marked by the Federal Reserve cutting interest rates by 50 bps, a statement from G7 countries promising support and mixed economic data. The continued inability of investors to ascertain the impact of coronavirus on economic growth and the failure of OPEC+ to even carry forward output cuts beyond Q1 2020 weighed heavily on markets. While the S&P 500 (+0.6% 5d) did manage to end the week higher, the Euro Stoxx 600 index and the Nikkei index dropped -2.4% 5d and -1.9% 5d respectively.

The trading week was all about volatility. The CBOE Volatility index (VIX) remained above 30 for six consecutive sessions, the longest streak since 2011. Interestingly, the gap between the VIX index and the emerging market volatility index (CBOE EM ETF Volatility index), at the end of last week, was at its widest since 2011.

Emerging Markets

Emerging market equities outperformed broader indices with the MSCI EM index adding +0.7% 5d compared to a gain of +0.4% 5d in the MSCI World index. Much of the gain in the headline emerging market index can be put down to a +5.4% 5d rally in the Shanghai Composite index. It appears that a declining number of cases reported from China, loose monetary policy and expectation of a much larger fiscal stimulus had tempted investors back into stocks. The daily turnover and stock leverage, indicative of speculative trading, at the end of last week, were at four-year highs.

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	2,461	-5.0%	55.7	6.5	0.7	5.2	21.62
ADX	4,643	-5.3%	44.7	10.6	1.3	5.7	41.67
Tadawul	7,468	-2.1%	1,148.9	14.1	1.6	3.9	48.45
ISE 100	109,601	5.5%	1,522.6	5.9	0.8	3.4	81.00
EGX 30	12,348	-5.1%	36.5	7.8	1.3	2.6	6.67
Kuwait Premier	6,391	-5.0%	160.2	14.1	0.1	3.8	33.33
Bahrain	1,618	-2.6%	2.7	-	-	4.6	-
MSM	4,108	-0.6%	4.2	6.8	0.7	7.4	43.33
Qatar Exchange	9,309	-1.9%	92.5	12.3	1.4	4.4	20.00
MADEX	9,346	-3.6%	18.3	17.4	2.5	3.8	40.82
TUSISE	7,025	-0.8%	1.0	22.9	-	2.1	42.50

Developed Market Indices

Dow Jones	25,865	1.8%	21,093.0	16.5	3.7	2.6	33.33
S&P 500	2,972	0.6%	84,788.5	17.2	3.1	2.1	35.80
Nasdaq	8,576	0.1%	59,352.2	23.5	4.3	1.2	26.96
FTSE 100	6,463	-1.8%	7,594.9	11.9	1.5	5.3	26.53
Dax	11,542	-2.9%	7,920.4	12.7	1.3	3.5	20.00
Cac 40	5,139	-3.2%	7,825.8	13.1	1.4	3.8	17.50
Swiss	9,737	-1.0%	7,634.3	15.7	2.4	3.5	25.00
Nikkei	20,750	-1.9%	16,623.8	16.5	1.5	2.2	12.44
Australia	6,396	-0.7%	5,552.9	17.2	2.0	4.3	27.50
Stoxx 600	367	-2.4%	52,544.8	13.7	1.6	4.0	29.53

Emerging Market Indices

Hong Kong	26,147	0.1%	5,980.5	10.2	1.1	3.8	30.00
Shanghai	3,035	5.4%	57,123.9	11.1	1.3	2.2	52.79
Korea	2,040	2.7%	6,392.6	11.4	0.8	2.2	18.68
Sensex	37,577	-1.9%	119.6	20.3	2.8	1.3	33.33
Nifty	10,989	-1.9%	3,477.7	19.5	2.6	1.3	26.00
Karachi	38,220	0.6%	56.8	6.3	1.0	5.5	69.66
Taiwan	11,322	0.3%	4,774.5	15.3	1.8	4.0	40.07
Bovespa	97,997	-5.9%	5,494.9	11.7	1.5	3.6	47.22
Jo'burg	52,065	2.0%	1,863.7	11.1	1.6	4.1	22.58
Vietnam	891	1.0%	119.6	12.9	2.1	2.2	31.09
Jakarta	5,499	0.8%	376.8	13.1	1.8	2.9	15.69

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	2,149	0.4%	-10.6%	-8.9%	16.00	2.20	2.60
MSCI G7	1,968	0.3%	-10.8%	-8.9%	16.09	2.27	2.46
MSCI EM	1,012	0.7%	-7.3%	-9.2%	12.42	1.38	2.86
MSCI FM	540	-2.1%	-7.3%	-7.9%	9.60	1.21	4.12
S&P Pan Arab	707	-2.9%	-8.1%	-10.4%	12.28	1.36	4.16
DUAE INDEX	2,852	-6.1%	-16.9%	-16.8%	8.07	0.96	5.53
DKUW INDEX	4,591	-5.1%	-9.1%	-9.5%	-	-	-
DQAT INDEX	6,382	-0.9%	-7.9%	-9.5%	12.83	1.81	3.86
DKUS INDEX	3,506	-5.0%	-9.3%	-8.7%	7.05	0.11	3.09
DQAS INDEX	7,475	-0.3%	-6.1%	-5.4%	13.44	1.73	4.68

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-47.4%	-45.0%	23.9%	Bahrain	-	-	10.0%
ADX	-13.5%	-7.6%	36.5%	MSM	-44.6%	-51.3%	78.8%
Tadawul	15.0%	18.3%	-6.9%	Qatar	0.3%	2.8%	5.8%
Kuwait Premier	14.4%	-90.9%	-8.4%	TUSISE	86.5%	-	-49.6%

Relative to MSCI G7 Index

Dow Jones	2.8%	62.9%	7.3%	Cac 40	-18.7%	-37.9%	55.2%
S&P 500	7.2%	35.3%	-13.8%	Swiss	-2.3%	4.5%	40.2%
Nasdaq	46.3%	90.2%	-52.5%	Nikkei	2.6%	-33.5%	-11.8%
FTSE 100	-25.8%	-34.4%	115.4%	Australia	7.1%	-13.1%	73.9%
Dax	-20.9%	-41.1%	43.4%	Stoxx 600	-15.0%	-29.9%	62.1%

Relative to MSCI Emerging Market Index

Hong Kong	-18.0%	-23.5%	32.6%	Jo'burg	-10.5%	13.9%	43.4%
Shanghai	-10.7%	-8.1%	-23.2%	Vietnam	3.7%	49.7%	-21.8%
Korea	-8.2%	-39.9%	-23.3%	Jakarta	5.2%	30.4%	1.2%
Sensex	63.6%	105.3%	-55.6%				
Nifty	57.0%	86.3%	-53.7%				
Karachi	-49.4%	-26.4%	92.1%				
Taiwan	23.6%	27.4%	40.2%				
Bovespa	-5.5%	5.1%	24.4%				

Source: Bloomberg, BEst – Bloomberg Estimate

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