



بنك الإمارات دبي الوطني  
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# Equity Weekly

## Global Equities

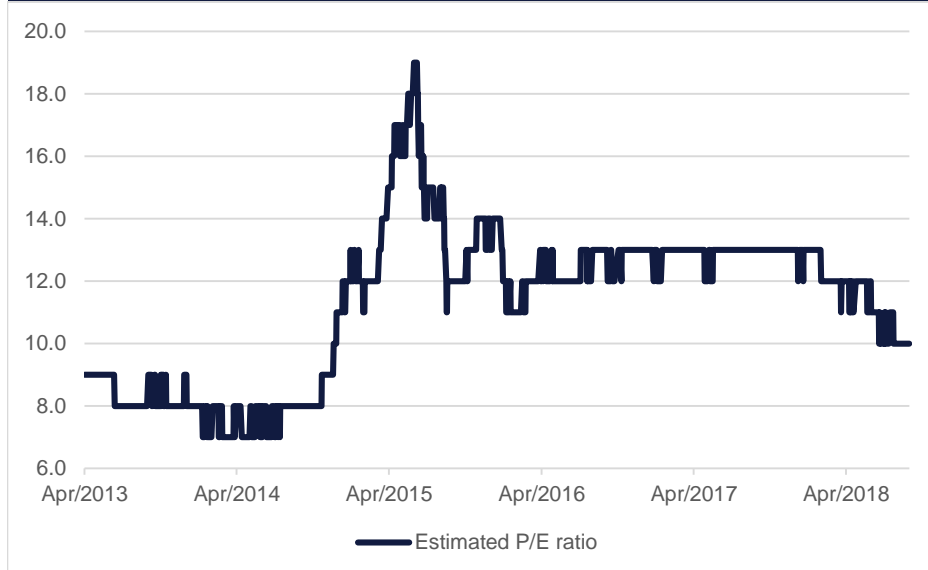
Global equities closed lower as continued trade friction between the US and its trading partners and evidence of contagion impact in emerging markets kept investors wary. Reports of US President Donald Trump considering imposing tariffs on nearly USD 267bn of Chinese goods soured the sentiment further. The MSCI World index dropped -1.7% 5d on the back of sharp sell-off in the MSCI EM index (-3.1% 5d) and the MSCI Arabian Markets index (-1.8% 5d). Volatility increased across the board. The VIX index, the V2X index and the CBOE EM ETF Volatility index jumped +10.0% 5d, +5.3% 5d and +7.5% 5d respectively.

Emerging markets are likely to remain in focus next week. Investors are likely to look for signs whether things are stabilizing in some EM economies as first step towards broader normalization. This coupled with upcoming monetary policy meetings in the UK and Europe and key economic data in the US will be keenly watched. Regionally, markets are likely to follow global cues.

## Chart of the week

China at the forefront of trade tensions between the US and its trading partners, is among the worst performing equity markets in 2018. The Shanghai Composite index has dropped -18.3% ytd compared to a decline of -11.7% ytd in the MSCI EM index. This has pushed the valuation of Chinese stocks to levels last seen in 2014. The Shanghai Composite index is currently trading at 9.9x estimated earnings compared to its five-year average of 11.5x earnings. The MSCI EM index is currently trading at 11.1x 12m forward earnings.

### Chart of the week – Chinese equities trading at their cheapest level since 2014



Source: Bloomberg

## MENA Markets

Most regional equity markets closed lower tracking sustained weakness in broad emerging markets amid lack of positive catalysts within the region. The S&P Pan Arab Composite index dropped -2.2% 5d.

UAE bourses closed lower with the DFM index and the ADX index losing -0.5% 5d and -1.4% 5d respectively. The focus remained on confirmation of reports that Abu Dhabi Commercial Bank is in early talks with Union National Bank and Al Hilal Bank for a possible three-way merger. If successful, the merged bank with total assets of c. USD 113bn will become the fifth largest bank in the GCC. UNB was the biggest beneficiary with gains of +29.8% 5d. ADCB too rallied on the news with +7.8% 5d rise. ADCB is currently trading at 1.22x 2019E book value while UNB is trading at 0.71x 2019E book value. This is in relative contrast to S&P GCC Composite Banks index which is trading at 1.5x 2019E earnings.

The Tadawul (-3.3% 5d) dropped sharply lower with the index closing at its lowest level since early March 2018. While there was no specific trigger, it appears that the broad concerns over emerging markets filtered through onto Saudi equities. Banking and Retail sector stocks led the decline with the Tadawul Banks index and the Tadawul Retailing losing -2.9% 5d and -3.6% 5d respectively.

Kuwaiti stocks were a notable exception in the region as the Kuwait Premier Market index added +0.8% 5d to take its gains over the last three months to +11.0%. The primary trigger remains the inclusion in the EM index by FTSE and possible similar action by the MSCI in the next twelve months. The index is currently trading at 14.7x 12m forward earnings compared to the MSCI Arabian Markets index which is trading at 13x 12m forward earnings.

## Developed Markets

Notwithstanding strong economic data from the US wherein both the ISM manufacturing and non-farm payroll came in stronger than anticipated, developed market equities closed lower across the board. The sharp decline in technology stocks amid concerns over tougher regulation and the continued overhang of trade tensions weakened investor sentiment. The continued weakness in emerging market currencies also weighed on developed market equities especially European equities. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index dropped -1.03% w-o-w, -2.2% 5d and -2.4% 5d respectively. The ML FANG index (-4.9% w-o-w) had its biggest weekly decline since March 2018.

## Emerging Markets

Emerging market equities underperformed broad equity markets as sustained weakness in EM currencies spread onto stock markets following fears of a domino impact. The MSCI EM index dropped -3.1% 5d while the JPM EM Currency index dropped -0.5% 5d. The broad stroke weakness across emerging markets is driven by political concerns in some emerging economies, stronger USD, faster pick-up in inflation and tightening of monetary policy ahead of the curve and continued trade friction between the US and China.

## 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	2,827	-0.5%	46.1	7.9	1.1	6.0	19.44
ADX	4,918	-1.4%	57.6	12.3	1.6	4.9	36.21
Tadawul	7,688	-3.3%	824.1	14.1	1.7	3.7	27.37
ISE 100	93,274	0.0%	902.8	6.9	1.0	4.7	28.87
EGX 30	15,803	-1.3%	31.8	10.3	2.1	2.2	51.72
Kuwait Premier	5,305	0.8%	44.5	14.7	1.5	3.6	75.00
Bahrain	1,340	0.1%	2.3	-	-	6.1	-
MSM	4,433	0.3%	3.5	-	-	6.1	33.33
Qatar Exchange	9,827	-0.6%	27.5	13.1	1.6	4.5	70.00
MADEX	9,012	-2.2%	10.5	16.4	2.5	4.7	14.58
TUSISE	8,118	-6.1%	2.8	25.4	-	1.7	67.50

### Developed Market Indices

Dow Jones	25,917	-0.2%	9,170.0	16.6	4.0	2.2	76.67
S&P 500	2,872	-1.0%	46,295.0	17.8	3.3	1.9	65.60
Nasdaq	7,903	-2.6%	33,972.4	23.6	4.6	1.0	54.34
FTSE 100	7,278	-2.1%	5,303.2	13.0	1.7	4.5	53.47
Dax	11,960	-3.3%	3,840.9	12.7	1.5	3.4	33.33
Cac 40	5,252	-2.9%	4,029.0	13.9	1.5	3.4	30.00
Swiss	8,843	-1.5%	2,227.3	15.6	2.3	3.6	50.00
Nikkei	22,307	-2.4%	10,479.8	15.7	1.7	2.0	33.33
Australia	6,144	-2.8%	3,289.1	15.7	1.9	4.5	62.12
Stoxx 600	374	-2.2%	27,669.6	14.3	1.7	3.7	49.83

### Emerging Market Indices

Hong Kong	26,973	-3.3%	5,102.7	11.0	1.2	3.8	20.41
Shanghai	2,702	-0.8%	15,771.2	10.8	1.2	2.5	7.61
Korea	2,282	-1.8%	4,562.0	9.0	1.0	2.0	31.97
Sensex	38,390	-0.7%	119.9	20.6	3.0	1.2	67.74
Nifty	11,589	-0.8%	2,208.6	20.0	2.9	1.2	64.00
Karachi	40,855	-2.1%	29.8	8.6	1.4	5.2	29.79
Taiwan	10,847	-2.0%	3,886.8	13.9	1.8	4.1	41.57
Bovespa	76,416	-0.3%	1,613.1	11.4	1.5	3.6	-
Jo'burg	57,068	-2.7%	1,613.4	13.5	1.7	3.3	38.89
Vietnam	969	-2.1%	149.1	16.8	3.0	2.2	34.42
Jakarta	5,851	-2.8%	366.6	15.1	2.3	2.3	33.71

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	2,138	-1.7%	-0.1%	1.6%	16.14	2.34	2.36
MSCI G7	1,956	-1.6%	0.2%	2.9%	16.27	2.43	2.18
MSCI EM	1,023	-3.1%	-3.7%	-11.7%	11.87	1.53	2.72
MSCI FM	538	-0.7%	-4.0%	-15.6%	12.10	1.58	3.97
S&P Pan Arab	726	-2.2%	-3.9%	5.9%	13.06	1.56	4.18
DUAE INDEX	3,264	-0.4%	-0.8%	-0.6%	9.97	1.31	5.53
DKUW INDEX	3,770	0.4%	-3.2%	10.5%	-	-	-
DQAT INDEX	6,453	-0.4%	-0.2%	21.4%	13.19	1.97	3.88
DKUS INDEX	3,061	-0.1%	-4.0%	9.3%	15.76	1.72	3.46
DQAS INDEX	7,480	-0.6%	-2.8%	5.0%	14.43	1.75	4.40

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

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-39.1%	-32.2%	42.6%	Bahrain	-	-	45.8%
ADX	-5.7%	5.5%	16.9%	MSM	-	-	46.7%
Tadawul	8.4%	7.6%	-11.6%	Qatar	0.1%	1.9%	7.5%
Kuwait Premier	12.6%	-0.8%	-14.0%	TUSISE	94.4%	-	-58.2%

### Relative to MSCI G7 Index

Dow Jones	1.9%	64.3%	1.0%	Cac 40	-14.3%	-36.8%	56.1%
S&P 500	9.2%	36.1%	-13.7%	Swiss	-4.1%	-5.5%	64.8%
Nasdaq	44.9%	90.0%	-54.1%	Nikkei	-3.5%	-31.0%	-8.7%
FTSE 100	-20.3%	-30.0%	107.5%	Australia	-3.4%	-20.1%	107.0%
Dax	-21.8%	-37.6%	53.8%	Stoxx 600	-12.1%	-28.5%	69.8%

### Relative to MSCI Emerging Market Index

Hong Kong	-7.6%	-21.6%	38.1%	Jo'burg	13.7%	12.9%	22.9%
Shanghai	-8.6%	-20.6%	-8.5%	Vietnam	41.4%	94.8%	-19.1%
Korea	-23.8%	-36.4%	-27.2%	Jakarta	27.5%	47.1%	-14.6%
Sensex	73.2%	94.1%	-56.2%				
Nifty	68.9%	91.9%	-55.1%				
Karachi	-27.3%	-10.0%	91.3%				
Taiwan	17.4%	15.8%	48.8%				
Bovespa	-3.9%	-1.4%	32.6%				

Source: Bloomberg, BEst – Bloomberg Estimate

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