



بنك الإمارات دبي الوطني
Emirates NBD

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

www.emiratesnbdresearch.com

Equity Weekly

Global Equities

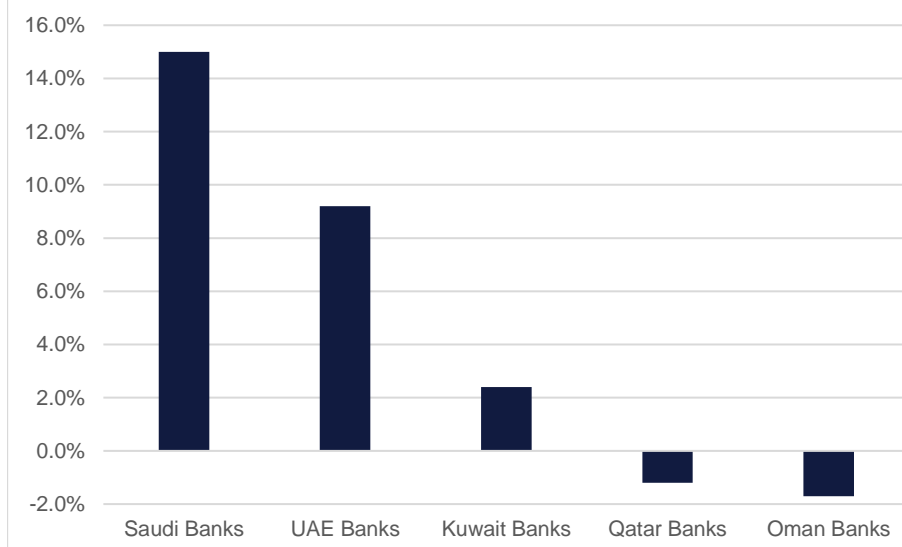
The rally in global equities stalled last week as concerns over economic growth resurfaced amid mixed economic data. It is also possible that investors are preferring to lock in gains since the start of the year ahead of a period likely to see some resolution to key market events. Overall, the MSCI All Country index dropped -0.6% 5d. Among major sub-indices, only the MSCI Frontier Markets index closed in positive territory with gains of +0.7% 5d. Volatility rose in Europe but eased elsewhere. The V2X index rose +16.6% 5d while the VIX index and the CBOE EM ETF Volatility index dropped -2.6% 5d and -3.8% 5d respectively.

This week will see resumption of trade talks between the US and China as a high profile US delegation visits China. Further, the deadline for temporary truce reached between political parties in the US over government shutdown ends this week and the UK Prime Minister is expected to brief the Parliament on the progress made on her Brexit plan.

Chart of the week

Most GCC equity indices are currently in positive territory for the year. The strength can be attributed to gain in banking stocks. Among GCC banks, Saudi banks have rallied +15.0% ytd and UAE banks have gained +9.2% ytd. Qatari and Omani banks have underperformed as they are in negative territory for the year.

Chart of the week – Banking stocks drive GCC equities higher (ytd)



Source: Bloomberg, Emirates NBD Research

MENA Markets

It was a mixed week of trading for regional equities amid concentrated interest in certain sector stocks. The S&P Pan Arab Composite index added +0.5% 5d.

UAE bourses closed mixed with the DFM index losing -1.0% 5d and the ADX index adding +1.3%. The focus in the UAE continues to remain on real estate sector stocks. The DFM Real Estate and Construction index dropped -7.0% 5d with all stocks in the index closing in negative territory. Emaar Properties and related names were among the worst hit with Emaar Development losing -14.0% 5d, Emaar Properties dropping -7.4% 5d and Emaar Malls declining -5.1% 5d. With no specific corporate development, the decline appears to be simply a case of lack of investor appetite. Following the drop, the valuation differential has widened substantially. For example, Emaar Properties is now trading at 4.4x 2019E earnings and 0.5x 2019E book value compared to the MSCI EM Real Estate index which is trading at 7.2x 2019 earnings and 1.04x 2019E book value.

Elsewhere, the Qatar Exchange dropped -2.0% 5d. The decline was triggered by weakness in banking stocks with the Qatar Exchange Banks and Financial Services Index losing -2.4% 5d. It must be noted that Qatari banking stocks have underperformed their regional peers since the start of the year. The QE Banks and Financial Services index has dropped -1.4% ytd compared to a gain of +9.0% ytd in the S&P GCC Composite Banks index. The underperformance seems to be driven by lower than expected dividend payout by banks. For example, Doha Bank recommended a dividend of QAR 1 per share for 2018 compared to QAR 3 per share payout in 2017.

Elsewhere, Egyptian equities extended their positive run to sixth consecutive week with gains of +4.4% 5d. The strength continues to be driven by real estate stocks amid continued optimism over possible easing of monetary policy.

Developed Markets

Developed market equities closed mixed amid renewed concerns over economic growth and fresh concerns over the possibility of a trade deal between the US and China. The European Commission cut its growth forecasts for all major economies in the region. The region as a whole was projected to grow by 1.3% in 2019 compared to earlier forecasts of 1.9%. The growth forecast for 2020 was also lowered to 1.6%. Overall, the S&P 500 index closed flat while the Euro Stoxx 600 index and the Nikkei index dropped -0.5% 5d and -2.2% 5d respectively.

The earnings season in the US continued to exhibit strength. With 66% of companies in the S&P 500 index having reported earnings, 71% of companies have reported a positive EPS surprise and 62% have reported a positive revenue surprise. According to FactSet, the blended earnings growth is 13.3% compared to estimates of 12.2% at the end of 2018. However, the earnings season in Europe is much weaker. With 45% of companies in the Euro Stoxx 600 index having reported earnings, 53% of companies have reported a positive surprise while 57% of companies have reported a positive revenue surprise. The earnings per share, so far, has declined -0.5% y/y.

Emerging Markets

Emerging market equities underperformed the wider market. The MSCI EM index dropped -1.4% 5d compared to a decline of -0.4% 5d in the MSCI World index.

The Reserve Bank of India cut interest rates by 25 bps at its first policy meeting of 2019. The central bank also changed the stance of monetary policy to neutral from calibrated tightening. The central bank pointed to easing of inflationary pressures as the reason behind the cut also lowered inflation forecasts for the next 12 months. The equity market reacted positively but pared gains following mixed corporate earnings. India's Nifty index ended the week with gains of +0.5%.

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	2,543	-1.0%	45.4	6.2	0.8	5.5	24.32
ADX	5,112	1.3%	58.6	12.2	1.6	4.7	33.90
Tadawul	8,613	0.6%	789.5	15.2	1.8	3.3	46.45
ISE 100	102,452	-0.1%	1,263.6	7.2	1.0	4.1	49.49
EGX 30	14,754	4.4%	56.6	10.1	1.9	2.0	37.04
Kuwait Premier	5,440	0.2%	79.1	10.5	1.1	3.5	62.50
Bahrain	1,418	1.9%	3.4	-	-	5.8	62.50
MSM	4,152	-0.3%	5.2	6.3	0.6	6.2	20.00
Qatar Exchange	10,505	-2.0%	48.8	13.3	1.6	4.2	65.00
MADEX	9,236	-0.1%	6.4	16.5	2.3	3.9	39.58
TUSISE	7,163	-1.0%	1.0	19.2	5.1	2.0	30.95

Developed Market Indices

Dow Jones	25,106	0.2%	8,112.3	15.2	3.6	2.5	66.67
S&P 500	2,708	0.0%	42,480.1	16.1	3.0	2.1	50.10
Nasdaq	7,298	0.5%	29,332.3	20.7	4.0	1.3	30.35
FTSE 100	7,071	0.7%	4,706.4	12.4	1.6	4.9	41.58
Dax	10,907	-2.4%	4,606.8	11.8	1.4	3.7	24.14
Cac 40	4,962	-1.1%	4,132.5	12.6	1.4	3.8	35.00
Swiss	9,003	0.1%	2,460.6	14.7	2.2	3.7	35.00
Nikkei	20,333	-2.2%	13,230.1	14.7	1.5	2.3	13.78
Australia	6,071	3.6%	3,817.8	15.7	1.9	4.8	49.23
Stoxx 600	358	-0.5%	28,307.5	13.2	1.6	4.1	35.52

Emerging Market Indices

Hong Kong	27,946	0.1%	4,011.1	10.7	1.2	3.6	64.00
Shanghai	2,618	0.0%	17,247.8	9.9	1.2	2.6	-
Korea	2,177	-1.2%	5,876.2	10.4	0.9	1.6	37.75
Sensex	36,546	0.2%	104.0	22.3	2.9	1.4	45.16
Nifty	10,944	0.5%	2,046.9	20.8	2.8	1.5	42.00
Karachi	40,887	-0.5%	50.0	8.0	1.3	5.1	34.07
Taiwan	9,932	-	2,880.0	-	-	-	-
Bovespa	95,343	-2.6%	3,584.7	12.0	1.8	3.2	79.69
Jo'burg	53,244	-1.3%	1,270.4	13.3	1.7	4.3	39.62
Vietnam	908	0.0%	88.3	14.3	2.4	2.0	-
Jakarta	6,522	-0.3%	498.9	15.7	2.3	2.1	57.35

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	2,021	-0.4%	3.2%	7.3%	14.82	2.14	2.59
MSCI G7	1,842	-0.5%	3.4%	7.4%	14.87	2.21	2.41
MSCI EM	1,036	-1.3%	3.5%	7.3%	11.93	1.43	2.80
MSCI FM	545	0.7%	2.6%	5.7%	10.39	1.37	3.73
S&P Pan Arab	777	0.2%	4.5%	6.6%	12.91	1.55	3.73
DUAE INDEX	3,147	-0.6%	1.8%	1.6%	9.28	1.15	5.06
DKUW INDEX	3,840	-0.2%	-0.1%	2.3%	-	-	-
DQAT INDEX	7,024	-2.4%	-0.2%	0.5%	13.38	2.04	3.63
DKUS INDEX	3,016	0.5%	-1.5%	0.9%	7.10	0.92	3.50
DQAS INDEX	8,340	-1.5%	0.9%	2.4%	15.10	1.96	4.09

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-52.0%	-46.8%	48.3%	Bahrain	-	-	55.3%
ADX	-5.3%	5.0%	27.3%	MSM	-50.9%	-59.8%	67.2%
Tadawul	17.9%	16.5%	-12.0%	Qatar	3.2%	4.3%	12.6%
Kuwait Premier	-19.0%	-30.2%	-5.7%	TUSISE	49.0%	230.34%	-46.4%

Relative to MSCI G7 Index

Dow Jones	2.1%	65.1%	1.5%	Cac 40	-15.2%	-37.9%	58.7%
S&P 500	8.6%	34.3%	-11.3%	Swiss	-1.3%	-2.3%	54.2%
Nasdaq	39.2%	80.8%	-47.4%	Nikkei	-1.4%	-31.3%	-6.3%
FTSE 100	-16.7%	-25.9%	104.3%	Australia	5.4%	-13.2%	98.9%
Dax	-20.8%	-37.8%	55.0%	Stoxx 600	-11.3%	-29.2%	69.1%

Relative to MSCI Emerging Market Index

Hong Kong	-10.4%	-17.4%	28.0%	Jo'burg	11.6%	17.6%	54.9%
Shanghai	-17.4%	-18.1%	-8.2%	Vietnam	19.8%	70.1%	-29.5%
Korea	-12.4%	-38.2%	-44.0%	Jakarta	31.9%	62.5%	-25.8%
Sensex	87.2%	104.9%	-50.4%				
Nifty	74.3%	94.8%	-47.2%				
Karachi	-33.3%	-9.7%	83.2%				
Taiwan	-	-	-				
Bovespa	0.7%	24.4%	13.7%				

Source: Bloomberg, BEst – Bloomberg Estimate

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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

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

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielrich@emiratesnbd.com

Hessa Al Khawaja
Research Associate
+9714 609 3015
Hessaalkh@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

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patrickc@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com