



بنك الإمارات دبي الوطني
Emirates NBD

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Equity Weekly

Global Equities

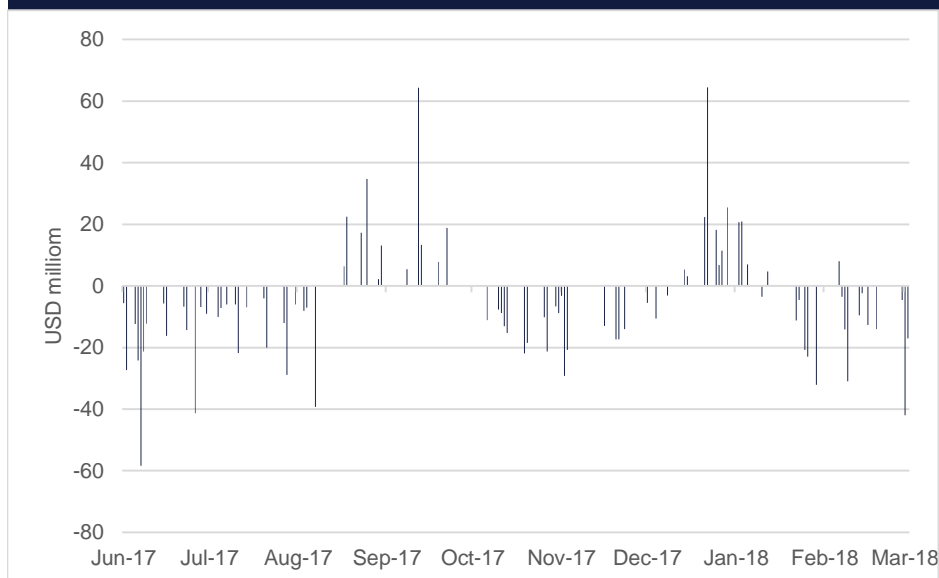
Global equities traded mixed as domestic politics weighed on US stocks but had a limited impact on global stocks. The decision of the US President Donald Trump to fire his Secretary of State Rex Tillerson and comments from the new economic advisor Larry Kudlow added to fears of an extended trade war. The MSCI World index dropped -0.7% 5d mainly on the back of -1.2% 5d decline in the S&P 500 index. The MSCI EM index and the MSCI Arabian Markets index added +0.5% w-o-w and +2.9% w-o-w respectively. Volatility rose in the US but declined elsewhere. The VIX index added +7.9% 5d while the V2X index and CBOE EM Volatility ETF dropped -13.1% 5d and -3.8% 5d respectively.

This week investors are likely to focus on the Federal Reserve meeting. While a 25bps hike in interest rate is widely anticipated, the interest would be to see changes in median projections for 2018 and 2019. Regionally, the focus is likely to remain on Saudi Arabia related FTSE announcement scheduled towards the end of this month.

Chart of the week

The current diplomatic spat between the United Kingdom and Russia has led investors to reduce their exposure to Russian equities. The biggest ETF, VanEck Vectors Russia ETF, which invests in Russian equities saw its biggest single-day redemption last week since June 2017. The MSCI Russia index ended the week with losses of -2.8%. Despite last week's losses the index has outperformed the broader MSCI EM index (+4.7% ytd) with ytd gains of +9.8%.

Chart of the week – Biggest Russia related ETF sees largest single-day outflow since June 2017



Source: Bloomberg

MENA Markets

It was a positive week of trading for MENA equities. The trading activity was dominated by news flow around foreign ownership limits and FTSE EM index rebalancing. The S&P Pan Arab Composite index ended the week with gains of +2.3%.

UAE bourses closed higher with the DFM index rallying +1.3% 5d and the ADX index adding +0.4% 5d. Much of the move on the DFM index was on account of Emirates NBD's announcement that it will seek shareholder's approval to raise foreign ownership limit to 20% from 5% and raise capital by as much as AED 7.35bn by issuing new shares at no less than 10% discount to the market price. The stock rose +19.3% 5d. Arabtec ended the week with losses of -2.1% even as the company announced a cash dividend of AED 0.0205 per share, the first cash dividend since 2012.

The Qatar Exchange (+6.5% 5d) had its largest weekly gain since January 2016. Qatar National Bank (+19.5% 5d) was the catalyst as the bank announced its intention to increase non-Qatari ownership limit to 49% from 25%. It is worth noting here that unlike Emirates NBD where foreign investor ownership had reached a ceiling, Qatar National Bank's current non-Qatari ownership of c. 7% was well below the limit of 25%.

Elsewhere, Egyptian equities continued their positive run with the EGX 30 index jumping +3.2% 5d to take its year to date gains to +14.8%. ElSewedy Electric Co outperformed the broader index with gains of +27.4% 5d as the company received a contract worth EGP 1.2bn for building a power transmission plant in Cairo. The recent gain in share price increases the possibility of the stock being included in the MSCI index at the next rebalancing.

Developed Markets

Developed market equities closed lower as political risk premium rose sharply in the US following Donald Trump's decision to make changes to his cabinet. Comments from Larry Kudlow, the new economic advisor to the US President, on having a stronger USD and strident trade policy with China raised fresh concern in investors' minds about the end-game in the ongoing trade war. On the broad economy, mixed data and a rather subdued inflation print in the US did help to assuage some fears on the monetary policy front ahead of this week's Federal Reserve meeting.

The S&P 500 index and the Euro Stoxx 600 index dropped -1.2% 5d and -0.1% 5d respectively. It is interesting to note that despite the imposition of steel tariffs, stocks related to the industry has actually underperformed the broader index. The NYSE Arca Steel index closed lower for a fourth consecutive week with losses of -2.1% 5d. The Nikkei index added +1.0% 5d despite a fresh political scandal leading to a drop in approval ratings of President Abe.

Emerging Markets

Emerging market equities outperformed broader equity markets with the MSCI EM index adding +0.5% 5d compared to a decline of -0.7% 5d in the MSCI World index. South Korean equities outperformed for a second consecutive week following the possibility of further thawing of tension with North Korea. The Kospi index added +1.4% 5d to move into positive territory for the year.

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	3,197	1.3%	76.2	8.4	1.1	5.5	22.22
ADX	4,543	0.3%	33.9	11.1	1.4	5.2	44.07
Tadawul	7,745	2.4%	1,269.2	14.3	1.6	3.1	55.75
ISE 100	117,216	0.2%	1,607.9	8.4	1.3	2.6	58.76
EGX 30	16,999	3.2%	114.3	12.3	2.3	1.8	83.33
KWSE	6,760	-0.3%	34.7	-	-	5.6	35.29
Bahrain	1,356	-1.1%	5.2	-	-	5.9	50.00
MSM	4,897	-0.7%	11.4	9.6	1.0	5.1	56.67
Qatar Exchange	8,848	6.5%	130.5	12.1	1.3	4.8	60.00
MADEX	10,732	-0.9%	8.5	18.9	2.8	3.6	73.33
TUSISE	6,932	0.6%	2.2	22.5	-	2.0	63.41

Developed Market Indices

Dow Jones	24,947	-1.5%	12,563.3	16.9	3.8	2.3	73.33
S&P 500	2,752	-1.2%	58,825.8	17.6	3.1	1.9	68.60
Nasdaq	7,482	-1.0%	39,189.3	22.8	4.3	1.0	61.72
FTSE 100	7,164	-0.8%	6,901.5	13.5	1.8	4.4	51.49
Dax	12,390	0.3%	6,864.7	12.9	1.6	3.2	44.83
Cac 40	5,283	0.2%	4,907.8	14.6	1.5	3.3	50.00
Swiss	8,883	-0.6%	3,549.4	15.6	2.3	3.6	60.00
Nikkei	21,677	1.0%	12,314.9	16.2	1.7	1.9	45.33
Australia	5,949	-0.2%	4,064.8	15.9	1.9	4.4	64.14
Stoxx 600	378	-0.1%	40,408.9	14.6	1.8	3.6	53.95

Emerging Market Indices

Hong Kong	31,502	1.6%	5,641.3	12.3	1.3	3.2	77.55
Shanghai	3,270	-1.1%	30,769.4	12.8	1.5	1.9	20.65
Korea	2,494	1.4%	6,166.2	9.7	1.1	1.7	48.14
Sensex	33,176	-0.4%	118.0	21.7	2.9	1.2	45.16
Nifty	10,195	-0.3%	2,214.9	20.6	2.9	1.4	40.00
Karachi	43,363	0.8%	33.5	9.6	1.5	5.4	34.83
Taiwan	11,028	1.5%	4,283.4	14.2	1.8	3.7	59.00
Bovespa	84,886	-1.7%	2,772.1	12.9	1.7	2.9	70.97
Micex	-	-1.7%	835.6	6.4	0.7	4.8	68.89
Jo'burg	58,101	-1.8%	2,650.8	16.0	2.0	3.1	55.90
Vietnam	1,150	2.4%	288.8	20.0	3.5	1.8	45.63
Jakarta	6,305	-2.0%	526.9	16.0	2.5	1.9	49.77

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	2,134	-0.7%	-0.1%	1.5%	16.29	2.28	2.34
MSCI G7	1,935	-0.7%	0.0%	1.8%	16.39	2.37	2.18
MSCI EM	1,213	0.5%	1.0%	4.7%	12.95	1.67	2.33
MSCI FM	666	-0.1%	1.2%	4.4%	13.08	2.01	3.03
S&P Pan Arab	728	2.3%	1.9%	6.2%	12.93	1.55	3.75
DUAE INDEX	3,270	0.2%	-2.9%	-0.6%	9.99	1.28	5.52
DKUW INDEX	3,554	0.4%	0.1%	4.2%	-	-	-
DQAT INDEX	5,443	9.7%	-0.1%	2.4%	11.16	1.50	4.37
DKUS INDEX	2,891	0.1%	0.1%	3.2%	15.57	1.92	2.38
DQAS INDEX	7,247	4.1%	-4.7%	1.7%	12.77	1.58	5.06

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-35.0%	-27.9%	46.2%	Bahrain	-	-	57.6%
ADX	-14.5%	-6.5%	38.1%	MSM	-25.6%	-38.7%	37.0%
Tadawul	10.7%	6.4%	-18.2%	Qatar	-6.8%	-13.0%	27.7%
KWSE	-	-	48.1%	TUSISE	74.3%	-	-46.5%

Relative to MSCI G7 Index

Dow Jones	3.1%	60.2%	3.3%	Cac 40	-11.0%	-35.2%	53.4%
S&P 500	7.5%	31.3%	-10.9%	Swiss	-4.9%	-3.2%	65.3%
Nasdaq	39.2%	83.5%	-52.2%	Nikkei	-1.1%	-26.4%	-15.1%
FTSE 100	-17.3%	-24.8%	103.4%	Australia	-2.9%	-17.8%	103.0%
Dax	-21.3%	-31.7%	48.3%	Stoxx 600	-11.2%	-24.8%	66.2%

Relative to MSCI Emerging Market Index

Hong Kong	-4.7%	-19.7%	37.2%	Jo'burg	23.9%	18.9%	31.5%
Shanghai	-1.5%	-10.3%	-20.3%	Vietnam	54.2%	108.3%	-21.4%
Korea	-25.2%	-36.6%	-28.9%	Jakarta	23.8%	47.1%	-17.4%
Sensex	67.9%	74.8%	-48.9%				
Nifty	59.0%	73.5%	-41.1%				
Karachi	-26.0%	-9.1%	129.9%				
Taiwan	9.5%	10.3%	56.7%				
Bovespa	-0.3%	3.9%	22.9%				
Micex	-50.6%	-55.2%	106.3%				

Source: Bloomberg, BEst – Bloomberg Estimate

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