



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

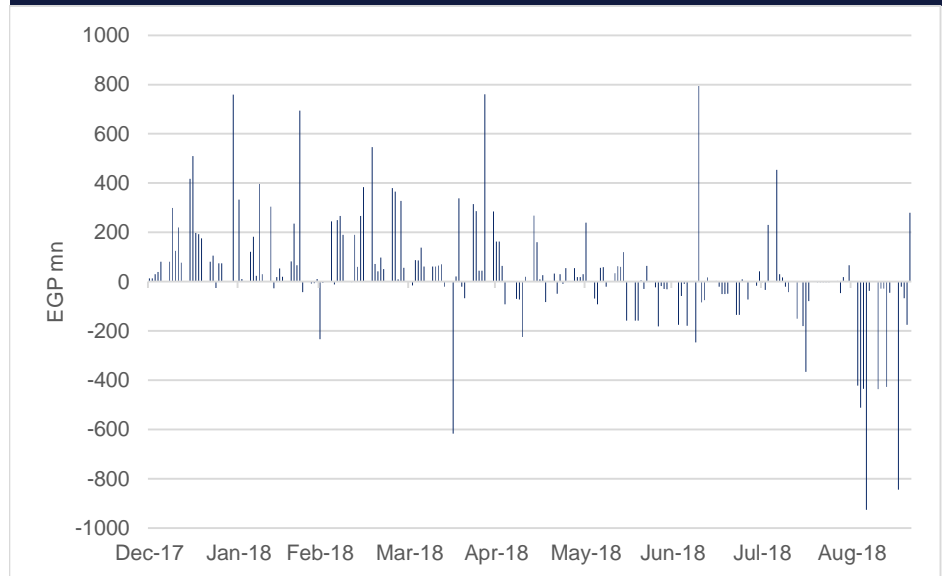
Global equities rallied sharply as strong economic data across economies, reports of China easing rules on taxes to boost consumption and relatively stability in emerging markets boosted risk appetite. The MSCI World index added +1.5% 5d on the back of gains across its sub-indices. The MSCI G7 index, the MSCI EM index and the MSCI Arabian Markets index added +1.5% 5d, +2.2% 5d and +1.3% 5d respectively. Volatility declined across the board. The VIX index, the V2X index and the CBOE EM ETF Volatility index declined -3.2% 5d, -7.8% 5d and -4.4% 5d respectively.

The focus this week will remain firmly on the Federal Reserve meeting. While the Fed is widely expected to raise rates by 25bps, the commentary accompanying the hike is likely to be minutely analyzed for clues into the future direction. A 'hawkish hike' can possibly trigger fresh volatility in emerging markets. Elsewhere, the UK and China will also be on the radar after the deterioration in relationship between the UK and the Eurozone at last week's Salzburg conference and sanctions on China's defense agency by the US over the weekend.

Chart of the week

The sharp fall in Egyptian equities has brought into focus sustained outflows from foreign investors since the start of September 2018. Foreign investors have sold stocks worth EGP 4.1bn so far in September 2018. In fact, the last trading day of last week (20 September 2018) saw the first day of inflows from foreign investors this month. Despite the recent outflow, foreign investors are net buyers to the tune of EGP 7.1bn so far in 2018.

Chart of the week – Foreign investors sell Egyptian equities in September 2018



Source: Bloomberg

MENA Markets

Regional markets, with the exception of the Tadawul, closed lower as investor sentiment remained weak. The S&P Pan Arab Composite index added +0.4% 5d.

UAE bourses closed lower with the DFM index and the ADX index losing -1.6% 5d and -1.0% 5d respectively. Emaar Properties closed lower for a fourth consecutive week to take its year to date losses to -26.1%. There was no fresh trigger for the decline. Deyaar Development outperformed its sector peers and the broad index with 5d gains of +6.6%. There was no corporate news flow which drove the move. Abu Dhabi based banks which are in talks for a potential merger gave up some of their recent gains with UNB and ADCB losing -3.2% 5d and -2.7% 5d respectively. ADIB (-5.3% 5d) has been another notable underperformer ahead of its rights issue.

The Tadawul (+2.3% 5d) closed in positive territory for the first time in three weeks. Banking sector stocks led the move higher with the Tadawul Banks index adding +3.0% 5d. Sabic gained +4.1% 5d after the company entered into an agreement with Clariant to develop their strategic relationship further.

Egyptian equities closed lower for a third consecutive week with the EGX 30 index losing -8.0% 5d. The move last week took the index into negative territory for the year. There were multiple triggers for the sharp decline including concerns over FX, margin calls for retail investors and an arrest order on former President Hosni Mubarak's sons for stock market manipulation. The upcoming MPC meeting later this week will be keenly watched by investors given the conundrum facing the central bank on easing rates further.

Developed Markets

Developed market equities continued their positive run as sustained strong economic data offset continued stalemate between the US and China on the trade front. Gains in oil prices helped commodity stocks and a rise in treasury yields helped financials. Overall, the S&P 500 index, the Euro Stoxx 600 index and the Nikkei index gained +0.9% 5d, +1.7% 5d and +4.6% 5d respectively.

According to data from Bloomberg, investors put in USD 38bn into US stock ETF through Thursday last week. The EPFR data showed that US equity funds received USD 14.5bn in the week ending September 19. This was the largest weekly inflow since March 2018. One reason for the surge in inflows is the revision to the Global Industry Classification Standard. S&P Global will be merging some internet and media stocks with phone companies to form a new group called communication services. The change will take Alphabet, Facebook and Netflix from their respective subsectors and force investors to shuffle their money accordingly.

Emerging Markets

Emerging market equities outperformed broader equities. The MSCI EM index added +2.2% 5d relative to a gain of +1.5% 5d in the MSCI World index. The decline in volatility in EM currencies and some positive development on the policy front played a part in the rally.

China's Shanghai Composite index gained +4.3% 5d for its biggest weekly gain in 2018. Reports that the government plans to cut taxes and lift consumption drove the rally. The measures include reduction in value-added tax and simplification of deductions in individual income tax.

Indian equities underperformed with the Nifty index losing -2.0% 5d. The decline was precipitated by concerns over the health of non-bank financial companies following a default by IL&FS.

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	2,764	-1.6%	57.4	7.7	1.0	6.1	16.22
ADX	4,883	-1.0%	45.9	12.3	1.6	4.9	34.48
Tadawul	7,768	2.3%	681.4	14.2	1.7	3.7	24.58
ISE 100	97,988	1.4%	1,265.2	7.2	1.1	4.4	28.87
EGX 30	14,083	-8.0%	40.8	9.4	1.9	2.5	16.67
Kuwait Premier	5,363	0.3%	169.6	14.6	1.6	3.6	68.75
Bahrain	1,340	-0.4%	3.2	-	-	6.1	-
MSM	4,495	-1.4%	3.5	-	-	6.1	33.33
Qatar Exchange	9,766	-2.6%	61.7	13.0	1.6	4.5	70.00
MADEX	9,100	0.4%	10.7	16.6	2.6	4.5	14.58
TUSISE	7,815	-1.0%	1.7	25.1	-	1.8	65.85

Developed Market Indices

Dow Jones	26,744	2.3%	14,995.7	17.1	4.1	2.1	93.33
S&P 500	2,930	0.8%	65,850.5	18.1	3.4	1.8	73.00
Nasdaq	7,987	-0.3%	44,271.3	23.8	4.7	1.0	53.76
FTSE 100	7,490	2.5%	6,768.2	13.5	1.8	4.4	57.43
Dax	12,431	2.5%	6,144.4	13.3	1.6	3.2	46.67
Cac 40	5,494	2.6%	6,080.1	14.7	1.6	3.2	57.50
Swiss	8,995	0.3%	3,481.3	15.9	2.3	3.5	60.00
Nikkei	23,870	3.4%	18,054.1	16.8	1.8	1.9	56.00
Australia	6,195	0.5%	4,233.1	16.0	2.0	4.5	59.60
Stoxx 600	384	1.7%	38,450.1	14.8	1.8	3.6	58.49

Emerging Market Indices

Hong Kong	27,954	2.4%	4,716.4	11.4	1.3	3.6	42.00
Shanghai	2,797	4.3%	17,198.5	11.1	1.2	2.4	8.87
Korea	2,339	0.9%	5,632.7	9.3	1.0	1.9	34.21
Sensex	36,842	-3.3%	113.8	19.7	2.9	1.2	54.84
Nifty	11,143	-3.2%	2,539.3	19.3	2.8	1.3	52.00
Karachi		1.0%	40.6	8.6	1.3	5.4	-
Taiwan	10,972	1.0%	3,858.1	14.1	1.8	4.0	42.48
Bovespa	79,444	5.3%	2,049.4	11.7	1.6	3.5	32.31
Jo'burg	57,164	1.0%	2,209.9	13.8	1.8	3.5	38.65
Vietnam	1,003	1.2%	194.6	17.2	3.1	2.1	43.96
Jakarta	5,958	0.4%	396.3	15.6	2.3	2.3	36.51

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	2,200	1.5%	1.8%	4.6%	16.60	2.40	2.31
MSCI G7	2,012	1.5%	1.9%	5.8%	16.72	2.50	2.13
MSCI EM	1,051	2.2%	0.1%	-9.2%	12.16	1.58	2.70
MSCI FM	549	3.0%	-0.5%	-13.9%	12.84	1.40	3.91
S&P Pan Arab	726	0.4%	-1.1%	5.9%	13.02	1.56	4.18
DUAE INDEX	3,197	-1.9%	-0.8%	-2.6%	9.77	1.28	5.65
DKUW INDEX	3,828	0.3%	0.0%	12.2%	-	-	-
DQAT INDEX	6,393	-2.6%	5.1%	20.3%	13.02	1.98	3.91
DKUS INDEX	3,103	0.5%	-0.2%	10.7%	15.81	1.72	3.42
DQAS INDEX	7,458	-2.3%	2.0%	4.7%	14.23	1.72	4.42

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-40.7%	-34.5%	47.0%	Bahrain	-	-	45.0%
ADX	-5.8%	4.4%	17.3%	MSM	-	-	45.6%
Tadawul	9.4%	8.1%	-12.5%	Qatar	0.0%	1.8%	7.5%
Kuwait Premier	12.0%	2.2%	-13.4%	TUSISE	93.0%	-	-56.6%

Relative to MSCI G7 Index

Dow Jones	2.4%	65.1%	0.0%	Cac 40	-12.3%	-35.4%	52.1%
S&P 500	8.5%	35.3%	-13.6%	Swiss	-5.0%	-6.1%	65.3%
Nasdaq	42.6%	87.9%	-53.5%	Nikkei	0.4%	-28.3%	-12.7%
FTSE 100	-19.2%	-28.8%	104.3%	Australia	-4.6%	-21.4%	109.0%
Dax	-20.6%	-36.9%	51.2%	Stoxx 600	-11.8%	-28.3%	69.0%

Relative to MSCI Emerging Market Index

Hong Kong	-6.1%	-19.5%	33.5%	Jo'burg	13.2%	11.4%	29.1%
Shanghai	-8.6%	-21.1%	-10.0%	Vietnam	41.2%	95.8%	-22.9%
Korea	-23.3%	-36.3%	-28.6%	Jakarta	28.2%	46.7%	-15.7%
Sensex	61.9%	81.4%	-54.2%				
Nifty	58.3%	79.6%	-53.1%				
Karachi	-29.3%	-14.4%	100.4%				
Taiwan	15.8%	13.9%	48.5%				
Bovespa	-3.9%	-0.7%	30.7%				

Source: Bloomberg, BEst – Bloomberg Estimate

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