



بنك الإمارات دبي الوطني  
Emirates NBD

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# Equity Weekly

## Global Equities

Global equities closed lower despite an agreement on NAFTA and continued strong economic data from the US. The overhang of continued trade spat between the US and China and sharp rise in UST yields dampened investor sentiment. The MSCI World index dropped -1.5% 5d with the MSCI EM index and the MSCI G7 index losing -4.5% 5d and -1.3% 5d respectively. Volatility jumped across the board. The VIX index, the V2X index and the CBOE EM ETF Volatility index added +22.3% 5d, +13.0% 5d and +19.1% 5d respectively.

The focus this week will shift to the Q3 2018 earnings season across the board. Despite political headwinds, earnings have remained a key driver of stock price movements this year. The trend will be keenly watched given the sharp rise in bond yields and continued stalemate between the US and China on the trade front. Regionally, the focus will shift to Q3 2018 earnings.

## Chart of the week

The sharp correction in emerging market equities has resulted in its valuation relative to the S&P 500 index drop to its lowest level since 2008. Emerging market equities closed lower for a second consecutive quarter with the MSCI EM index losing -2.0% in Q3 2018 following a drop of -8.7% in Q2 2018. The index is now trading at a PE multiple of 10.7x 12m forward earnings. The S&P 500 index is trading at 16.7x 12m forward earnings.

### Chart of the week – EM stocks' valuations against US equities drop to levels last seen in 2008



Source: Bloomberg

## MENA Markets

Regional equities closed mixed amid a weak global backdrop. The S&P Pan Arab Composite index added +0.6% 5d as Brent oil gained +1.7% 5d. The gain in oil prices in the past week took the year to date increase to +25.9%.

UAE bourses closed mixed with the DFM index losing -1.2% 5d and the ADX index gaining +1.2% 5d. Emaar related names closed lower to give up their previous week gains. Emaar Properties, Emaar Malls and Emaar Development lost -1.4% 5d, -1.6% 5d and -2.3% 5d respectively. Drake & Scull closed +14.8% 5d higher as the company postponed its annual general meeting to a later date citing lack of quorum. The meeting following the market close on Thursday saw shareholders vote to continue operations. Elsewhere, Reuters reported that the Sharjah government is weighing a merger between Bank of Sharjah, Invest Bank and United Arab Bank. However, United Arab Bank denied the report. There was limited impact of the news on the share price.

The Tadawul added +1.3% 5d. Petrochemical stocks continued their positive run as oil prices rallied to multi-year highs. Sabic and Saudi Kayan added +1.8% 5d and +5.7% 5d respectively. Additionally, we also saw Sipchem sign a non-binding agreement to acquire Sahara Petrochemicals in an all-share deal. The deal is valued at c. USD 2.2bn with Sipchem issuing each Sahara Petrochem's shareholder with 0.8356 new Sipchem shares. Both stocks closed higher with Sipchem adding +1.3% 5d and Sahara Petrochem gaining +6.8% 5d.

## Developed Markets

Notwithstanding strong economic data from the US, developed market equities closed lower as investors' weighed the impact of rising UST yields on equities and technology stocks suffered from continued trade spat between the US and China. The S&P 500 index, the Euro Stoxx 600 index and the Nikkei index dropped -1.0% 5d, -1.8% 5d and -1.4% 5d respectively. The MSCI World IT index dropped -2.5% 5d.

## Emerging Markets

Emerging market equities underperformed broader equities. The MSCI EM index dropped -4.5% 5d relative to a decline of -1.5% 5d in the MSCI World index.

Indian equities underperformed with the Nifty losing -6.0% 5d as the Indian economy continue to suffer from many cross currents. The rise in oil prices, the sharp depreciation in the INR and concerns over the health of non-banking financial companies weighed on investor sentiment. The decision of the government to ask state-owned oil companies to bear a part of subsidy and a surprise move by the Reserve Bank of India to hold rates steady precipitated the decline.

Brazilian stocks were a notable outperformer. The Bovespa index added +3.8% 5d as polls indicated that right-wing candidate Jair Bolsonaro is gaining support. While the improvement in support may not be enough for him to win outright in first-round vote, he has a chance to win following second round of vote. The first round of voting is scheduled for later today while the second round voting is scheduled for 28 October 2018.

## 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	2,792	-1.2%	42.1	7.9	1.1	6.1	16.22
ADX	5,007	1.2%	52.8	12.5	1.7	4.8	37.29
Tadawul	7,998	1.3%	818.0	14.4	1.8	3.5	28.25
ISE 100	94,883	-5.5%	1,273.7	7.0	1.0	4.5	24.74
EGX 30	14,105	-3.6%	27.1	9.0	1.9	2.8	13.33
Kuwait Premier	5,315	-0.6%	30.4	15.3	1.6	3.6	68.75
Bahrain	1,325	-1.8%	7.2	-	-	6.2	66.67
MSM	4,526	0.0%	3.7	-	-	6.0	40.00
Qatar Exchange	9,902	1.2%	45.7	12.9	1.6	4.4	70.00
MADEX	9,111	-0.1%	3.7	16.8	2.6	4.0	18.75
TUSISE	7,599	-2.9%	2.1	24.1	-	1.9	52.38

### Developed Market Indices

Dow Jones	26,447	0.0%	8,336.0	16.7	4.0	2.2	83.33
S&P 500	2,886	-1.0%	43,942.6	17.7	3.3	1.9	63.62
Nasdaq	7,788	-3.2%	33,183.5	22.8	4.6	1.0	43.83
FTSE 100	7,319	-2.6%	5,488.3	13.1	1.7	4.5	42.57
Dax	12,112	-1.1%	4,723.7	13.1	1.6	3.3	36.67
Cac 40	5,359	-2.4%	4,112.6	14.3	1.6	3.4	42.50
Swiss	9,042	-0.5%	2,512.1	15.8	2.3	3.6	50.00
Nikkei	23,784	-1.4%	14,948.2	16.7	1.8	1.9	56.44
Australia	6,185	-0.4%	2,858.1	15.6	1.9	4.5	57.58
Stoxx 600	376	-1.8%	28,664.7	14.4	1.7	3.7	46.72

### Emerging Market Indices

Hong Kong	26,573	-4.4%	4,251.6	11.0	1.2	3.8	24.00
Shanghai	2,821	0.0%	18,679.3	11.5	1.3	2.4	-
Korea	2,268	-3.2%	5,716.5	9.1	1.0	1.9	29.23
Sensex	34,377	-5.1%	142.8	18.4	2.7	1.3	29.03
Nifty	10,316	-5.6%	3,098.1	17.7	2.6	1.4	30.00
Karachi	39,226	-4.3%	27.9	8.2	1.3	5.6	26.14
Taiwan	10,517	-4.4%	3,418.0	13.5	1.7	4.2	32.73
Bovespa	82,322	3.8%	3,227.9	12.2	1.6	3.5	44.62
Jo'burg	54,409	-2.3%	1,344.4	12.9	1.7	3.7	33.13
Vietnam	1,008	-0.9%	189.2	17.3	3.1	2.0	53.70
Jakarta	5,732	-4.1%	371.1	14.9	2.2	2.4	34.22

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	2,151	-1.5%	0.6%	2.3%	16.19	2.35	2.35
MSCI G7	1,973	-1.3%	0.8%	3.7%	16.33	2.45	2.17
MSCI EM	1,001	-4.5%	-2.2%	-13.6%	11.53	1.50	2.83
MSCI FM	534	-1.2%	-0.8%	-16.3%	12.49	1.37	4.19
S&P Pan Arab	739	0.6%	1.8%	7.8%	13.48	1.70	4.04
DUAE INDEX	3,258	0.2%	-0.7%	-1.3%	9.91	1.30	5.57
DKUW INDEX	3,770	-0.7%	0.2%	10.5%	-	-	-
DQAT INDEX	6,555	1.4%	1.5%	23.4%	13.18	2.07	3.89
DKUS INDEX	3,040	-1.0%	-0.7%	8.5%	15.61	1.75	3.40
DQAS INDEX	7,632	1.7%	2.0%	7.1%	14.67	1.77	4.49

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

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-41.1%	-37.1%	50.8%	Bahrain	-	-	53.1%
ADX	-7.3%	-1.6%	18.8%	MSM	-	-	49.7%
Tadawul	6.9%	3.7%	-12.2%	Qatar	-4.0%	-6.3%	10.0%
Kuwait Premier	13.3%	-4.2%	-10.8%	TUSISE	78.4%	-	-53.8%

### Relative to MSCI G7 Index

Dow Jones	2.3%	64.9%	-0.1%	Cac 40	-12.5%	-36.2%	54.2%
S&P 500	8.5%	35.7%	-13.4%	Swiss	-3.2%	-5.7%	63.4%
Nasdaq	39.8%	86.8%	-52.1%	Nikkei	2.5%	-27.2%	-13.9%
FTSE 100	-19.9%	-29.3%	106.3%	Australia	-4.7%	-20.9%	107.6%
Dax	-19.8%	-35.0%	50.6%	Stoxx 600	-11.8%	-28.8%	69.4%

### Relative to MSCI Emerging Market Index

Hong Kong	-4.8%	-18.8%	33.1%	Jo'burg	12.2%	11.0%	32.4%
Shanghai	-0.4%	-14.1%	-14.5%	Vietnam	49.8%	109.4%	-28.9%
Korea	-20.8%	-35.1%	-32.6%	Jakarta	29.4%	47.2%	-16.2%
Sensex	59.2%	77.9%	-52.8%				
Nifty	53.5%	74.4%	-51.6%				
Karachi	-28.7%	-13.1%	99.5%				
Taiwan	17.5%	14.6%	47.3%				
Bovespa	5.8%	9.0%	22.0%				

Source: Bloomberg, BEst – Bloomberg Estimate

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