



### CIO OFFICE: Equity Market Update 14<sup>th</sup> May 2020

#### Developed Markets

- ✓ The S&P 500 briefly fell below 2,800, a level that has provided support in the past month, after the Fed Chairman said the threat of a lasting downturn could deepen without additional government spending. The index dropped by -1.75%
- ✓ This brings the Index closer to our fair value of 2775, which we think is a reasonable estimate given the earnings drop expected in 2020 and in line with the dip in economic growth. However, expect continued volatility

#### Emerging Markets

- ✓ In line with U.S. markets, shares in Asia are down this morning and India has given up yesterday's gains
- ✓ As economies open up, concerns on health and shortfalls in demand for consumer discretionary goods and services such as airline travel, leisure and recreation remain a concern

#### GCC

- ✓ **SAP** became Saudi Arabia's first level-3 cloud service provider. Public cloud is vital in Saudi Arabia where organizations, especially the government and public sector, are ramping up their cloud investment
- ✓ **Aramex** 1Q20 Conference call takeaways: Continued weakness expected in 2Q20 across International Express & Freight Forwarding. Domestic express business is doing well in terms of volumes and management expects that segment to be the biggest revenue generator in the future. Liquidity is a priority for the company and they stated that they have comfortable liquidity for the medium-term
- ✓ **The UAE two-phase strategy** to reopen the economy is backed by an USD 79 bn stimulus plans. The first stage of the plan –includes the gradual reopening of businesses. The second phase is designed to accelerate recovery and advance growth, with a focus on the digital economy and technologies such as AI, 5G networks, the Internet of Things (IoT), smart cities, blockchain, the 'green economy' and renewable energy, electric cars, 3d printing, biotech, genetic engineering and robotics

#### Company News

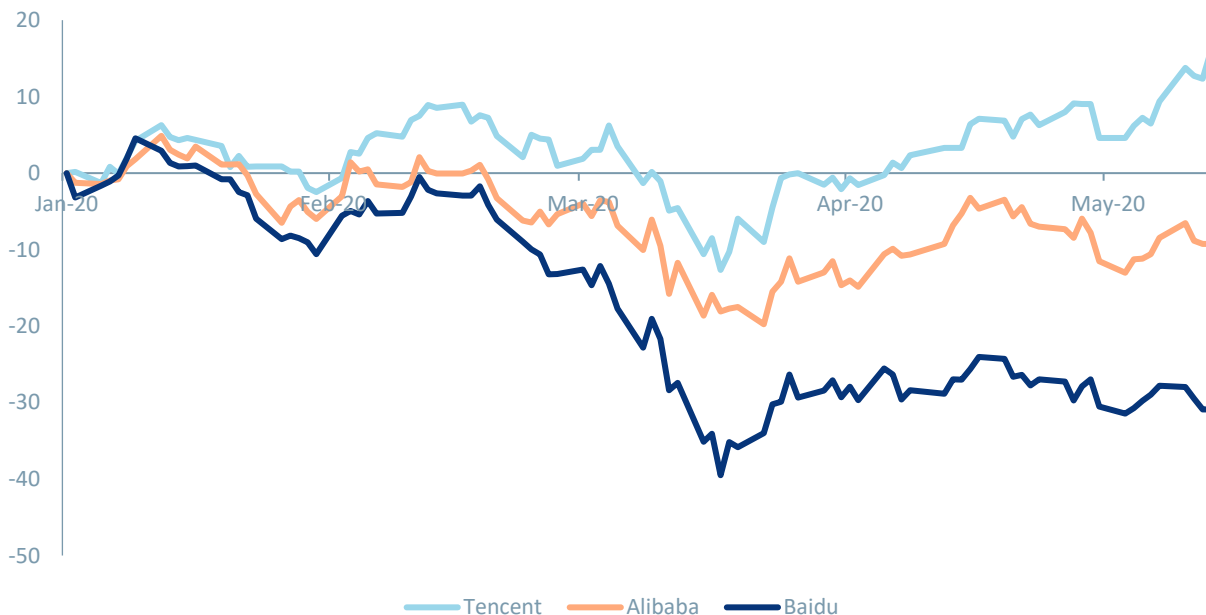
- ✓ **Tencent's** revenue beat expectations after COVID-19 lockdowns propelled gaming sales to their fastest pace of growth since 2017, helping offset shrinking ad budgets and a record Chinese economic contraction. Mobile games revenue +64% y/y, ad revenue +32% y/y, Gross margins at 48.9%
- ✓ **Cisco** beat analysts' fiscal third-quarter estimates and provided fourth-quarter earnings guidance that was ahead of expectations. The company reported earnings of USD 0.79 per share on revenue that fell 8% y/y. 95% of the company's workforce is working from home. Strong guidance comes as a boon in remote work and online activity that is stoking demand for the company's network equipment
- ✓ **Sony** reported an operating profit of JPY 35.45 bn for the quarter ended in March, down 57% from the same period a year earlier. Sony declined to provide a specific forecast for the current fiscal year for the first time since 2016 when the Kumamoto earthquake disrupted its operations
- ✓ **Thermo Fisher's** is granted a 3rd emergency use expansion from the FDA for its diagnostic test which allows for the detection of nucleic acid from the SARS-CoV-2 virus that causes the COVID-19 disease

### Global Equity Indices

Region	Index	Last Price	%1D	%5D	YTD	2019	P/E	P/B	Div. Yield	ROE
<b>Developed Markets</b>										
U.S.	S&P 500 INDEX	2820	-1.7%	-1.0%	-12.1%	31.5%	22.33	3.07	2.1%	14.6%
U.S.	DOW JONES INDUS. AVG	23248	-2.2%	-1.8%	-17.8%	25.3%	21.15	3.37	2.7%	19.9%
U.S.	NASDAQ COMPOSITE INDEX	8863	-1.5%	0.1%	-0.8%	36.7%	32.09	4.79	1.1%	32.1%
U.S.	RUSSELL 2000 INDEX	1233	-3.3%	-2.4%	-25.7%	25.5%	61.00	1.57	1.9%	200.2%
Europe	STXE 600 (EUR) Pr	334	-1.9%	-0.1%	-18.5%	27.9%	18.30	1.49	3.5%	4.4%
U.K.	FTSE 100 INDEX	5904	-1.5%	0.9%	-20.5%	17.2%	17.10	1.39	4.4%	3.2%
Hong Kong	HANG SENG INDEX	23839	-1.4%	-0.6%	-15.1%	13.0%	11.00	0.96	3.6%	10.6%
Japan	NIKKEI 225	19992	-1.4%	1.6%	-14.7%	20.7%	17.81	1.41	2.2%	7.7%
DM	MSCI DM TR USD	5896	-1.7%	-1.3%	-14.7%	27.7%	20.24	2.12	2.5%	7.6%
<b>Emerging Markets</b>										
China	CSI 300 INDEX	3931	-0.9%	0.2%	-3.9%	39.2%	12.39	1.57	2.5%	11.0%
India	S&P BSE SENSEX INDEX	31420	-1.8%	-0.1%	-23.6%	15.7%	16.74	2.15	1.9%	13.1%
UAE	DFM GENERAL INDEX	1921	1.5%	0.1%	-27.4%	14.2%	8.08	0.66	5.1%	7.7%
UAE	ADX GENERAL INDEX	4059	-1.8%	0.9%	-15.6%	8.4%	14.20	1.18	4.7%	11.0%
KSA	TADAWUL ALL SHARE INDEX	6721	0.6%	1.0%	-18.4%	10.9%	19.40	1.79	3.5%	17.4%
EM	MSCI EM TR USD	433	0.0%	1.4%	-18.0%	18.4%	13.92	1.26	2.9%	10.7%
<b>World Sectors</b>										
	MSCI ACWI/FINANCE	88	-2.5%	-3.4%	-32.1%	24.1%	11.24	0.81	4.2%	10.2%
	MSCI ACWI/INF TECH	308	-1.4%	-1.1%	-1.6%	47.5%	23.17	4.61	1.5%	22.9%
	MSCI ACWI/HLTH CARE	276	-0.7%	0.5%	-0.7%	23.3%	18.48	3.84	1.9%	21.7%
	MSCI ACWI/CONS DIS	247	-1.3%	-0.3%	-11.1%	28.2%	31.28	2.89	1.4%	7.9%
	MSCI ACWI/INDUSTRAL	200	-1.9%	-1.3%	-23.6%	27.2%	19.81	2.07	2.5%	8.6%
	MSCI ACWI/COMM SVC	76	-1.4%	-0.7%	-7.3%	25.1%	20.05	2.24	1.8%	10.1%
	MSCI ACWI/CON STPL	226	-1.1%	0.9%	-9.9%	22.4%	19.90	3.57	3.0%	19.8%
	MSCI ACWI/ENERGY	128	-3.6%	-2.9%	-38.0%	13.9%	60.16	0.92	6.1%	2.5%
	MSCI ACWI/MATERIAL	222	-1.5%	-1.4%	-19.3%	20.8%	17.97	1.40	3.3%	7.4%
	MSCI ACWI /UTILITY	127	-1.0%	0.0%	-14.4%	22.3%	15.28	1.48	4.2%	11.0%
	MSCI ACWI/REAL EST	867	-1.6%	-3.4%	-22.6%	24.0%	17.60	1.22	4.4%	9.5%

Source: Bloomberg: 9:50 am 14<sup>th</sup> May 2020

### Exhibit: BAT (Baidu, Alibaba, Tencent) Stocks YTD Relative Performance (%)



Source: Bloomberg 14<sup>th</sup> May 2020, Rebased to zero

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