بنك الإمارات دبي الوطني
Emirates NBD

Monthly
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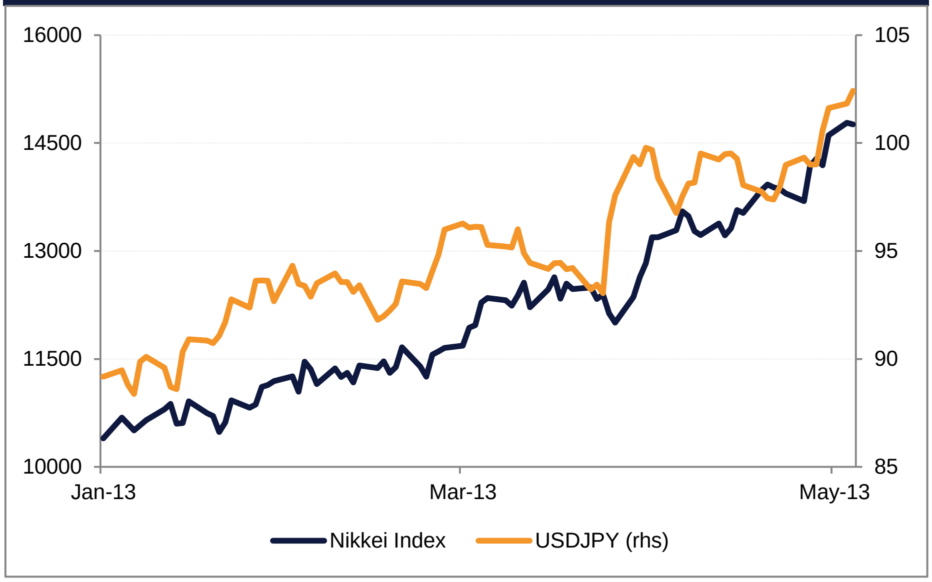
Monthly Insights

The doubts of last month about US growth seem a long time ago now, with markets regaining some confidence about the strength of the recovery. In fact with equity markets continuing to rally strongly, perceptions about the global outlook have improved, helped by further doses of monetary stimulus. The GCC remains well positioned in light of this improvement in sentiment, although it too began to reflect some of those wider global concerns.

- **Global macro:** The last month has seen a number of key developments in the global economy. A month ago there were serious concerns that the US recovery would suffer a relapse in Q2, a repeat of the pattern which had been observed in 2012 and 2011. However, we thought it was too early to write the US economy off and a month later the outlook is already somewhat brighter.
- **GCC macro:** Data across the GCC was largely positive in April, with increased oil production and continued expansion in the non-oil sectors. Global growth concerns had a negative impact on the oil prices last month, and on export growth in the UAE. Consumer confidence in the region also appears to have weakened in Q1, despite strong non-oil growth in Saudi Arabia and increased momentum in the real estate and hospitality sectors in Dubai.
- **Currencies:** After spending much of the last month within ranges, the USD rallied strongly last week, with USD/JPY leading the way as it broke above 100. In the process it made significant progress towards meeting our medium term forecasts, reaching and in some cases exceeding many of our one-month targets.
- **Equities:** The low inflation, low interest environment continues to prove favourable for global equities with the MSCI World index +2.8% 1m. The rate of global growth remains the reason for what appears to be a benign environment, yet the picture here remains mixed. Continued global monetary easing could be expected to drive global equity markets higher, whilst talk of the US potentially reducing monetary easing is not expected to materialize for some time to come.

Japanese markets leading the way



Source: Bloomberg, Emirates NBD Research

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Global Macro

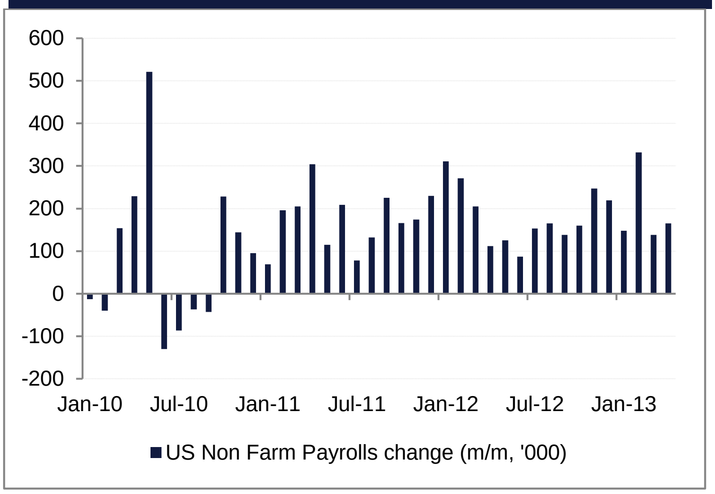
The last month has seen a number of key developments in the global economy. A month ago there were serious concerns that the US recovery would suffer a relapse in Q2, a repeat of the pattern which had been observed in 2012 and 2011. However, we thought it was too early to write the US economy off and a month later the outlook is already somewhat brighter.

Elsewhere, however, concerns about growth have intensified, manifesting themselves in central banks cutting interest rates in both the developed and the EM world. The most significant of these has been in the Eurozone with the ECB cutting interest rates in line with our long-term forecasts. There is certainly an air of increased urgency about the situation in Europe, but with electorates tiring of austerity, this will probably keep the onus on the ECB to provide further monetary policy relief.

What a difference a month makes

From the situation a month ago when markets were becoming quite pessimistic about the US economy, economic prospects there have brightened significantly, thanks in large part to substantial revisions to 2013 employment figures. These showed a much healthier than expected rise in non-farm payrolls of 165k in the month of April, while revisions to the previous two months wiped away the 88k rise in jobs in March, instead turning it into a more respectable 138k gain. In fact cumulative revisions of 114k over February and March together show the US labour market in a much more favourable light, enjoying average monthly payrolls gains of 208k over the last six months, consistent with steady downward pressure on the unemployment rate. Indeed the unemployment rate fell back further to 7.5% in April from 7.6% in March, with weekly jobless claims data also suggesting that there could be more falls to come.

US Non Farm Payrolls



Source: Bloomberg, Emirates NBD Research

The Fed had become quite cautious in late April about whether it might actually need to increase its asset purchases in coming months, rather than reduce them. However, in the light of this improvement in key data its caution about the possibility of increasing QE appears to have been premature. So much so that the Wall Street Journal has recently published an article suggesting that the Fed has already worked out a strategy for winding down its bond buying program. According to the WSJ article the Fed will reduce their asset purchase program in very slow and gradual steps, varying purchases depending on unemployment and inflation numbers. We also think that Fed Chairman Bernanke's comments last week were instructive as he warned against excessive risk-taking, a hint perhaps that the era of cheap money in the US may finally be nearing an end.

Global interest rate cuts

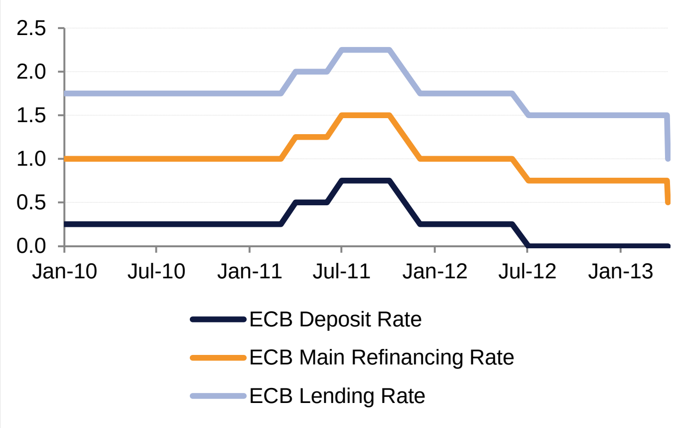
While the mood about the US has improved, situations elsewhere remain challenging however. Since our last edition there have been interest rate cuts in the Eurozone (see below), Denmark, India, Australia, Korea and Poland, together representing nearly a quarter of world GDP, on top of the substantial stimulus measures announced by Japan the previous month . Falling inflation is providing the room for such cuts but while these moves are on the one hand clearly welcome, the fact that central banks still feel the need to provide further monetary accommodation might also be viewed as concerning. Lower commodity prices should increase consumer purchasing power and encourage spending, but the fear is that if they continue, disinflationary pressures could turn deflationary in the context of weak below trend demand.

The mood is not all negative, however, as recent equity markets strength demonstrates. Japan's stock market in particular continues to lead the way following the strong steps taken by the Bank of Japan in April. Meanwhile in the UK there is also some optimism that the worst might be behind it, with Q1 growth of 0.3% surprising positively. We would guard against such optimism, however, and remind that the UK still faces a number of more years of austerity before it even begins to make inroads into its budget deficit and debt. More broadly, the optimism in the equity markets should also be kept in perspective, with boosts to financial asset prices flowing from the liquidity of QE yet to translate into meaningful and self-sustaining economic recoveries. Even the US economy, after five years of QE, has still not found its so called 'escape velocity'.

ECB – too little too late

Finally of course one of the main highlights of the last month was the decision by the ECB to announce a 25bps interest rate cut, taking the Refinance rate to 0.50%, in line with our long term predictions. By the time it happened however, it had become widely anticipated by the broader market, especially after Eurozone inflation had fallen sharply in April to 1.2% down from 1.7% in March. However, in a relatively downbeat press conference President Draghi also appeared to hold out the possibility that the ECB's deposit rate could even be cut into negative territory if necessary, from its existing 0%, depending on economic developments. Despite maintaining the official view that a recovery will begin in H213, Draghi seemed to display little confidence in it, and the EU subsequently lowered its growth forecast for the whole year to -0.4% closer to our own -0.5% estimate.

ECB finally cuts interest rates in May



Source: Bloomberg, Emirates NBD Research

Furthermore, Draghi also acknowledged, what many had suspected before, that the change to monetary policy occurred only when the downturn spread from the 'periphery' to the 'core' i.e. Germany. With growth in Germany barely rising in Q1 it is easy to understand why. However, this suggests that for the rest of the periphery the move is even more overdue and most likely a case of 'too little too late', spelling even greater downside risks to growth in the months to come, with all the attendant political and social consequences. One of these is that governments are increasingly rebelling against the constrictions of austerity, succeeding in some cases in postponing timetables in which they are meant to meet deficit targets. These delays do not get around the fundamental problems of unsustainable debt dynamics, however, with the sense developing that the debt crisis is merely being pushed out even further into the future.

Given this relatively grim picture, it would appear a relatively high likelihood in our view that interest rates will be cut even lower at some point before the end of the year. Even though this may not have much benefit to the economy directly (given a broken banking transmission mechanism), it may at least have the side effect of weakening the EUR exchange rate, an outcome that would provide a much needed boost to competitiveness, especially with internal devaluations running out of favour (see Currencies).

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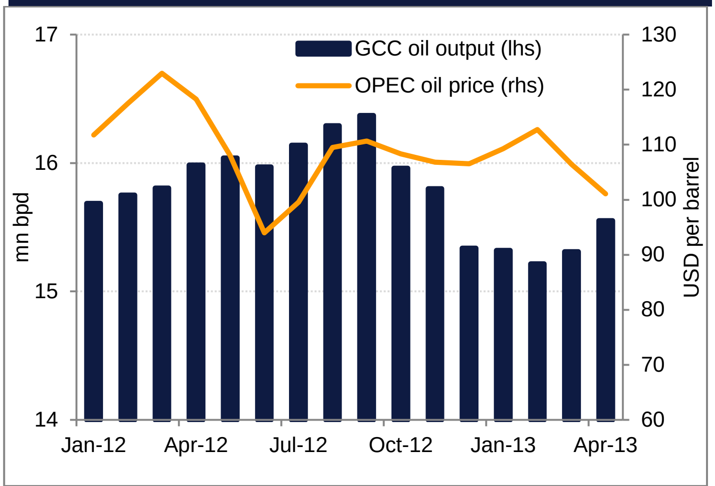
GCC Macro

Data across the GCC was largely positive in April, with increased oil production and continued expansion in the non-oil sectors. Global growth concerns had a negative impact on the oil prices last month, and on export growth in the UAE. Consumer confidence in the region also appears to have weakened in Q1, despite strong non-oil growth in Saudi Arabia and increased momentum in the real estate and hospitality sectors in Dubai.

Oil production increased in April

After declining sharply in Q1 2013, oil production in the GCC OPEC member states increased by 240,000 bpd in April according to Bloomberg estimates. Saudi Arabia, UAE and Kuwait all increased oil output by 80,000 bpd respectively, while Qatar kept its output unchanged from March. Increased GCC production helped to offset lower oil output in Iran and Algeria last month. March output data for Saudi Arabia was also revised upwards to 9.1mn bpd. While average GCC oil output YTD is still down -3.6% on 2012, the decline is not as sharp as the preliminary Q1 estimates suggested. The OPEC reference oil price averaged just USD 101 pb in April, the lowest monthly average since July 2012, as economic data was weaker than expected in most developed economies and China.

GCC oil production and OPEC oil price



Source: Bloomberg,Emirates NBD Research

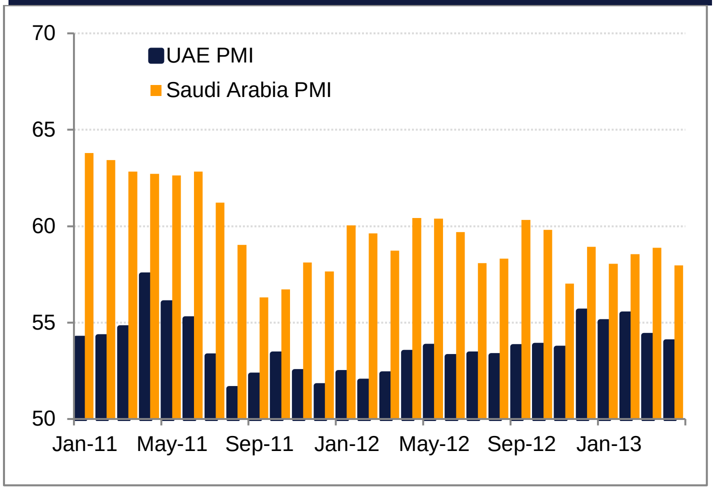
Regional PMIs also eased in April

PMI readings for April showed continued growth in the non-oil sectors in both the UAE and Saudi Arabia, albeit at a slightly slower pace than Q1 2013.

In the UAE, the PMI reading eased to 54.0 in April from 54.3 in March, the lowest reading since November 2012 but still well in expansionary territory. The slowdown was notable in export order growth. Domestic demand appears to remain strong, with a sharp increase in new orders (58.3). However, even this component of the PMI showed a slower rate of growth than in previous months.

Encouragingly, the employment index rose to its highest level in two years as 11% of firms surveyed hired additional staff last month. This was also reflected in staff costs rising at their fastest pace in three months in April. Input prices continued to rise in April, while output prices declined for the second consecutive month.

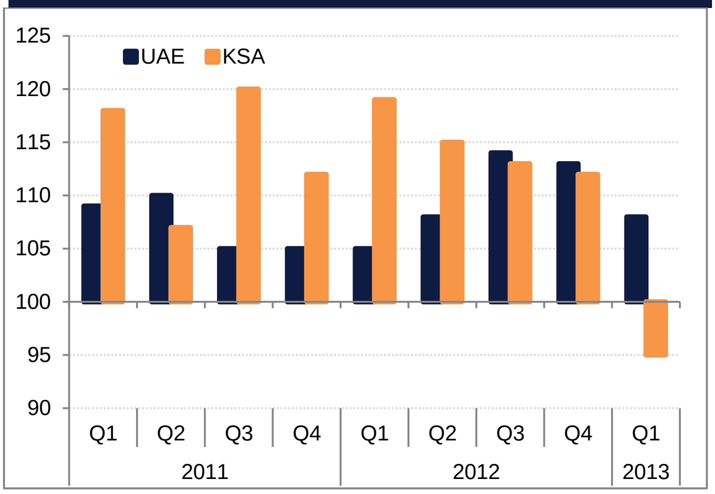
UAE and Saudi PMIs



Source: HSBC/ Markit, Emirates NBD Research

In Saudi Arabia, growth in the non-oil private sector continued to outpace that of the UAE, with the headline PMI reaching 58.0, slightly lower than March's 58.9. Both domestic and external demand appeared to hold up well, with only a modest easing in the pace of new orders and new export orders growth. High order growth contributed to the increase in the backlog of work in April. Both employment and staff costs moderated last month. Nevertheless, overall input prices showed a strong increase, well in excess of the more modest rise in output prices.

Consumer confidence



Source: Nielsen, Emirates NBD Research

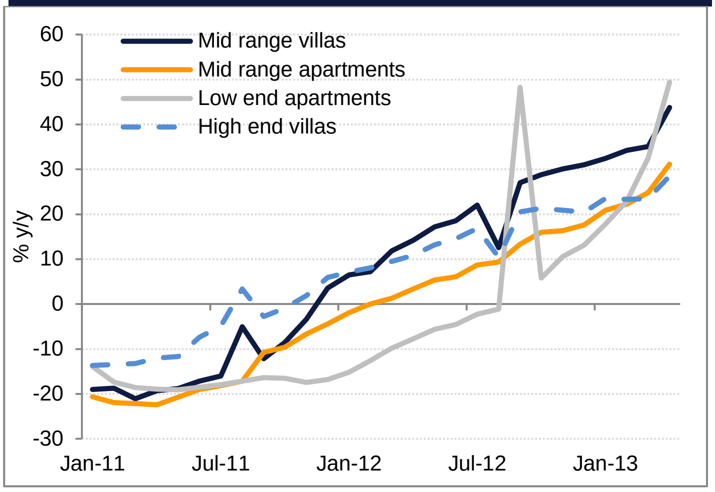
Against this background of robust growth in the non-oil sectors, it was surprisingly to see consumer confidence in the Kingdom decline sharply in Q1 2013, according to a global survey by Nielsen. Indeed, consumers in the Kingdom appear to have turned outright pessimistic about their prospects, personal finances and spending intentions last quarter.

Consumers in the UAE remained optimistic, no doubt buoyed by the evident growth in the tourism and hospitality sectors as well as in the real estate sector with the announcement of more new construction/ development projects. Nevertheless, the UAE's consumer confidence index declined by 5 points in Q1 2013, according to the Nielsen survey.

Dubai real estate shows strong growth in April

After relatively stable growth in Q1 2013, all sectors of Dubai's residential real estate market enjoyed faster price growth in April, according to data from Cluttons. High-end villas and apartments saw prices rise 6.3% m/m (28.5% y/y) and 4.2% m/m (27.1% y/y) respectively. Mid-range villas and apartments saw stronger growth, but the best performer appears to have been the low-end residential sector, which saw prices rise 12.7% m/m (49.4% y/y).

Dubai real estate prices



Source: Cluttons via Bloomberg, Emirates NBD Research

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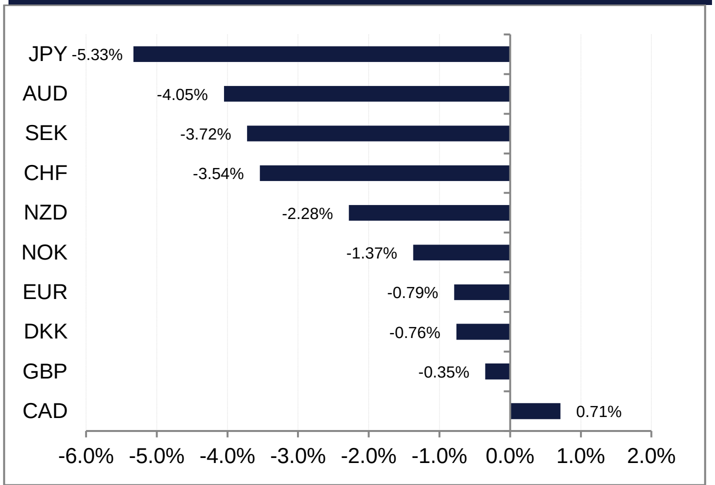
Currencies

After spending much of the last month within ranges, the USD rallied strongly last week, with USD/JPY leading the way as it broke above 100. In the process it made significant progress towards meeting our medium term forecasts, reaching and in some cases exceeding many of our one-month targets.

USD/JPY is reaching new cycle highs of 102.50 as we write, but the USD's moves are also broad based, with EUR/USD closing in on our one-month forecast of 1.28, the AUD dropping below parity, and USD/CHF also clearly breaching our one-month forecast. USD gains are also being recorded in other currency pairs including against GBP, NOK and SEK. Accordingly we are taking this opportunity to revise some of our forecasts, especially over the one-month time horizon.

G10 currencies against USD (1m)



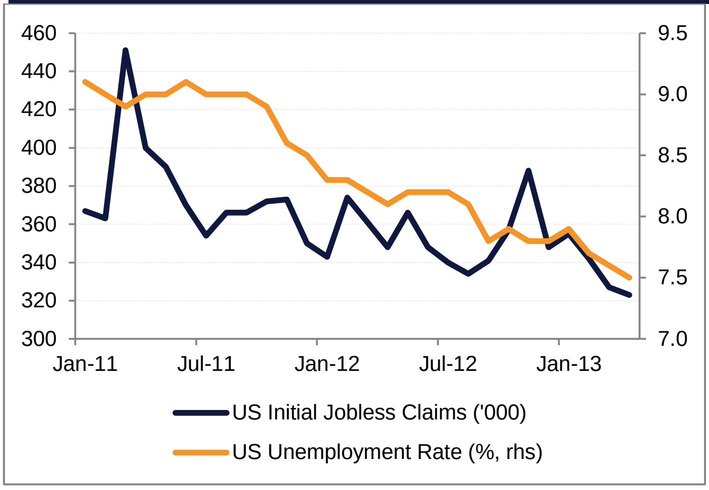
Source: Bloomberg, Emirates NBD Research

USD/JPY inspires broad dollar gains

The context for the USD's rise came with economic data showing the US labour market continuing to improve in May, following on from an already stronger than expected April. Jobless claims which are a good leading indicator of the unemployment rate continued to fall in early May, maintaining the prospect of some kind of reduction in QE over the rest of the year. Indeed, the Wall Street Journal (WSJ) published an article suggesting that the Fed has already worked out a strategy for winding down its bond buying program.

By contrast, other central banks are now much more actively engaged in pursuing their own forms of monetary easing, from the BOJ to the ECB, BOE, SNB and RBA, along with a number of emerging market central banks. This divergent outlook for the monetary policies of the major central banks should continue to keep the USD supported by keeping US bond yields firm, with 10-year yields rising by almost 30bps over the last week.

Claims lead US unemployment lower



Source: Bloomberg, Emirates NBD Research

…With the G7 lending support

The recent G7 meeting appeared to give the green light to the Japanese authorities to continue with their recent pro-growth policies, seemingly accepting Japan's argument that its reflationary policies are aimed at reviving the domestic economy primarily and not at depressing the JPY. This sanguine approach should help to keep USD/JPY underpinned. Data released last week also suggested that Japanese investors are finally beginning to invest their money overseas rather than repatriate it home. The weekly flow of funds data from the Bank of Japan showed that Japanese investors have started to buy foreign bonds again. This was taken as validation of USD/JPY's move higher and provided its gains with further impetus. Having risen above our one-month forecast of 100, USD/JPY is now already closing in on our former three-month forecast of 103. This being the case we are revising up our one and three-month forecasts to 103 and 105 respectively.

EUR policy concerns to grow

After the ECB cut interest rates in early May, Eurozone officials appear to be becoming increasingly concerned about the potential ramifications of a strong EUR exchange rate, especially as other central banks appear to be targeting their own currencies, either indirectly like the BOJ, or more directly like the RBNZ which has intervened in the markets recently. The ECB has maintained that it is ready to act again on interest rates if necessary, even preparing technically for the possibility that negative interest rates might become necessary. However, it is unclear what benefit further cuts in interest rates might achieve, when it is the banking transmission mechanism that appears to be broken, apart from exerting pressure on the EUR exchange rate. In fact talking down the EUR might be a more effective way of providing a stimulus to the Eurozone economy in the near term. An external devaluation of the EUR would aid competitiveness at a time when internal devaluations through cost cutting are starting to face stiff opposition from electorates and policymakers alike. EUR/USD is still significantly above most estimates of equilibrium, which are roughly between 1.15-1.20. We would not be surprised therefore if some governments, like the French for example, start to agitate more forcefully for a weaker EUR, given that its economy is one of the largest in the region that is struggling to implement austerity measures and reforms. EUR/USD which has threatened to push above 1.32 over the last month is now within sight of our 1.28 one-month target. We still envisage that this will be broken, en route to our revised 1.27 forecast, with 1.25 remaining on the horizon over three-months.

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GBP still falling – but from a higher base

GBP has also lost ground as the USD rallied, falling below 1.53 over the last week, after threatening to move above 1.56 at one stage last month. However, its starting point is clearly much higher than we envisaged a month ago as the UK's economic outlook has begun to show a few signs of improvement. Indeed, recent reports have suggested that revisions to 2012 data when they are released next month will show that the UK never actually experienced a double-dip recession in 2012 after all. In general GBP should continue to reflect the USD's firmer tone, and may see some further catch-up with the losses being experienced elsewhere, as the likelihood of further monetary stimulus by the Bank of England only appears to have been postponed, not removed.

Nonetheless, we still have to acknowledge that the starting point for GBP/USD is better than we had thought, and we are consequently making a few adjustments to our forecasts as a result. Our one-month forecast has been raised to 1.50, and our 3-month forecast to 1.48, but beyond this timeframe we still suspect that renewed BOE asset purchases in H2 13 will exert further downward pressure on the GBP over six months and beyond. In particular greater confidence that the inflation rate will return towards the Bank's 2.0% target will provide more encouragement for the Bank to endorse further asset purchases in coming months, probably once the new Governor Mark Carney takes office from July. Although some improvement in the UK's data might be discernible currently, it is a long way from becoming a self-sustaining recovery, with our own forecasts being for growth of just 0.7% this year. In particular, with the UK's trade balance still in heavy deficit in March (-GBP9bn), the argument for further GBP weakness remains persuasive in our view.

AUD falls below parity

The AUD's fall has also been striking, taking it below parity and well beneath our 1-month forecast of 1.01. Last week of course the RBA cut interest rates to 2.75%, which had been our expectation, but it came earlier than many others in the market had expected. The relatively benign inflation environment paved the way for the move, but we suspect that the authorities are becoming more concerned about the strength of the AUD, at a time when other regional central banks like the RBNZ are taking specific actions to depress their exchange rates. Concerns are also rising about the outlook for the mining sector, as capital expenditure investment in this area starts to slow. This being the case we would not rule out a further cut in interest rates, the prospect of which will further erode the AUD's support in coming months. While we have lowered our one-month forecast to 0.98, we are keeping our three-month outlook at 0.97 for the time being.

Equities

The low inflation, low interest environment continues to prove favourable for global equities with the MSCI World index +2.8% 1m. The rate of global growth remains the reason for what appears to be a benign environment, yet the picture here remains mixed. US Q1 2013 earnings continued to beat estimates and US April 2013 payroll data was also better than expected.

On the flip side, US Q1 2013 GDP was below consensus estimates, and in Europe the ECB cut rates, in light of weaker than expected European PMI data and falling German business confidence. Earnings for Q1 2013 from European blue chips have so far been strong, but this did not flow through to medium and small cap companies.

Volatility indicators were mixed with the VIX +4.0% 1m to 13, whilst the VSTOXX declined -12.4% 1m as did VIX HSI -6.6% 1m. Frontier markets led the gains (MSCI Frontier markets index +4.0% 1m), followed by MSCI G7 index +3.1% 1m and the Emerging markets (MSCI Emerging markets index +2.1% 1m).

Continued global monetary easing could be expected to drive global equity markets higher, (with countries ranging from Australia, South Korea, Vietnam and Sri Lanka lowering their benchmark rates), whilst talk in the US of reducing monetary easing should not materialize in the short term.

Q1 2013 Reporting Season Summary

Number of companies reported

Q1 2013 Reporting Season	Total number of companies	% reported
North America	7,827	56.7%
Western Europe	2,486	61.4%
Asia Pacific Developed	6,262	69.7%
Asia Pacific Emerging	9,288	51.6%
Latin America and Caribbean	1,074	52.7%
Eastern Europe	1,284	36.1%
Middle East & Africa	1,651	52.5%
Global Average		
Global Median		

Source: Bloomberg, Emirates NBD Research

Earning summary

Q1 2013 Reporting Season	Nos with earnings estimates	% above BEst earnings estimates	Aggregate earnings surprise
North America	3,238	56%	1.9%
Western Europe	652	51%	-161.2%
Asia Pacific - Developed	687	54%	-16.0%
Asia Pacific - Emerging	892	40%	-53.0%
Latin America and Caribbean	204	35%	-70.8%
Eastern Europe	61	55%	-12.2%
Middle East & Africa	133	51%	-3.8%
Global Average			**-45.0%**
Global Median			**-16.0%**

Source: Bloomberg, Emirates NBD Research

Revenue summary

Q1 2013 Reporting Season	Nos with revenue estimates	% above BEst revenue estimates	Aggregate revenue surprise
North America	3,030	49%	-0.8%
Western Europe	821	41%	-0.2%
Asia Pacific Developed	1,139	48%	0.7%
Asia Pacific Emerging	577	43%	5.2%
Latin America and Caribbean	191	36%	-30.2%
Eastern Europe	107	54%	-1.9%
Middle East & Africa	208	55%	-1.2%
Global Average			**-4.0%**
Global Median			**-0.8%**

Source: Bloomberg, Emirates NBD Research

MENA Markets

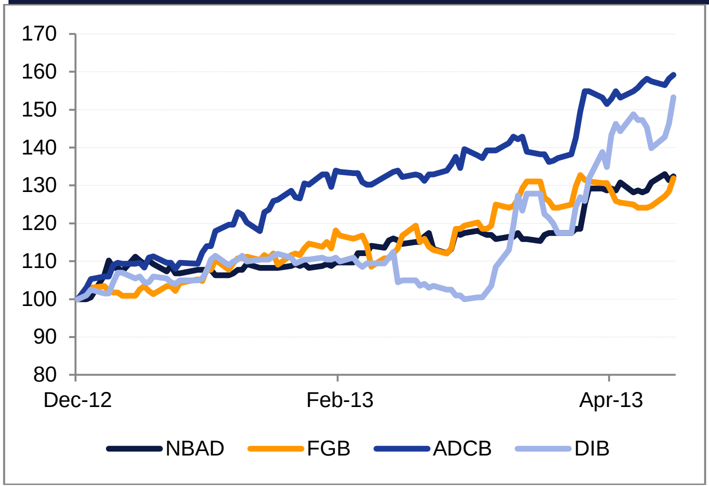
Over the last month MENA markets continued to show some the strongest performance globally led again by UAE markets (with the DFM +13.5% 1m and ADX +10.0% 1m) and the KWSE index (+13.2% 1m).

In the Middle, East and Africa, 50% of 129 companies that have released Q1 2013 results (and for which Bloomberg has earnings estimates) have reported earnings above expectations, and 54% out of 201 have beaten revenue expectations.

UAE - Strong Q1 2013 banking sector results

UAE stock markets continue to show strong performance as profit margins and return on equity both continue to improve, with current ROE of 9.3% and a profit margin of 19.7% for the DFM index (vs 5 year lows of 6.5% and 15.5% seen in 2009) helping to drive up trading volumes and values. Despite the impressive gains (+34.9% ytd) the DFM index trades on just 0.9x Price/book, compared to 1.6x Price/Book for the MSCI Frontier markets index. The banking sector led gains on both the markets, as Emirates NBD (+28.6% 1m), NBAD (+13.9% 1m) and ADCB (+14.4% 1d) all reported Q1 2013 earnings that were +21.8%, +27.2% and +5.8% above Bloomberg consensus estimates respectively.

UAE Banks YTD Relative Performance



Source: Bloomberg, Emirates NBD Research

Increasing UAE tourism could benefit multiple sectors

The outlook for the UAE tourism sector continues to improve, as Dubai announced that it aims to double both annual tourist numbers to 20mn and its hotel room capacity by 2020, which it expects to result in a tripling of the industry's annual revenue to AED 300bn This should benefit several sectors over the medium to long term including Emaar, through its Address Hotels portfolio and potentially increasing footfall at Dubai Mall, (which reached a new record 20mn in Q1 2013) and Air Arabia with increasing tourism helping it maintain load factors in an expanding fleet and potentially increase revenue per passenger.

It should also benefit UAE contractors such as Arabtec and DSI, for whom it is their home market, and where they face less competition than in Saudi Arabia and Qatar, and thus can earn higher margins. DSI and Arabtec both Q1 2013 reported results +64.7% and +81% above Bloomberg consensus estimates respectively, with net income margins improving q/q to 4.6% and 4% respectively.

Arabtec is also expected to carry out the first tranche of its proposed rights issue in June 2013. Typically, shares of companies that carry out rights issues do not perform ahead of the rights issue, due to the dilution effect of additional shares being issued, and as rights issues tend to be carried out at a discount to the prevailing share price at the time.

Saudi Arabia Q1 2013 Results – mixed in terms of earnings versus revenues

With the Saudi Q1 2013 results season drawing to a close with 98% of companies having reported according to Bloomberg, results have been mixed in terms of earnings versus revenues. Of 57 companies for which Bloomberg has earnings estimates, 56% reported earnings above Bloomberg consensus estimates. In terms of revenues of the 67 companies for which Bloomberg had revenue estimates 65% reported revenues below Bloomberg consensus estimates.

Titanium Dioxide prices appear to be bottoming out

Titanium dioxide producers have had a tough time over the last 18 months, as global demand for titanium oxide has declined. However, according to Dupont, supply and demand is expected to stabilise by the middle of 2013. Huntsman, another major player in the titanium dioxide market, expects demand to increase in H2 2013 and that industry destocking in now complete. Given the correlation between titanium dioxide demand and global GDP, this could imply improving prospects for prices. One of the beneficiaries could be Saudi Arabia's Tasnee (National Industrialisation Company), which derives about a third of its sales from titanium dioxide and related products.

Tasnee share price

Source: Bloomberg, Emirates NBD Research

Egypt – positive news flow but structural issues remain

The EGX30 index rose +4.1% 1m, with a majority of the gains following the cabinet reshuffle and the newly appointed Egyptian finance minister stating that signing an accord with the IMF for a USD 4.8bn loan is a priority for the country. Egypt also received a USD 3bn loan from Qatar with a tenor of 3 years and an interest rate of 3.5%, helping alleviate some of the pressure on foreign currency reserves. The Egyptian government should also receive additional funds in the form of tax revenues, as Orascom Construction agreed to pay EGP 7bn (equivalent to approximately one and a half years of profits) to settle an EGP 14bn tax dispute, related to the sale of its Lafarge unit, with the first installment of EGP 2.5bn due to be paid in mid May 2013. Despite the positive news, the IMF is awaiting details of reform plans and updated economic data before resuming negotiations. Challenges still remain for Egypt in terms of how it will tackle fuel and food subsidies, which would help the country move towards securing IMF funding and take pressure off its foreign currency reserves.

Developed Markets

The S&P 500 reached an all-time high of 1,636 over the month, rising +1.8% 1m, but was outshone in terms of performance by the Nasdaq Composite index which gained 4.3% 1m. With a majority of S&P 500 companies (90% out of 500) having reported Q1 2013 results, the season has been positive for earnings. Of the 450 companies for which Bloomberg has earnings estimates over 71% reported earnings that beat estimates. On the revenue front, nearly half (47%) out of 449 companies beat Bloomberg consensus revenue estimates.

European markets also showed strong gains with the Euro Stoxx 600 index rising +4.1% 1m. Earnings for the blue chip Euro Stoxx 50 index have been strong with 86% of companies having reported and 60% of the 30 companies for which Bloomberg has earnings estimates reporting earnings above Bloomberg consensus estimates, but on the earnings side only 39% of 41 companies beat revenue expectations. Looking at earnings from a wider universe of European companies based on the Euro Stoxx 600 stocks gives somewhat of a different picture, with only 48% out of 247 companies beating earnings estimates and 37% of 310 companies beating Bloomberg consensus estimates on the revenue front.

Differentiation between blue chip companies and others

Apple gained +5.8% 1m as it announced it will return an additional USD 55bn to shareholders and as it completed its USD 17bn bond sale, the largest corporate bond sale ever, despite reporting its first decline in quarterly profits in a decade. Over the years Apple has gone from being effectively a niche computer manufacturer to main stream consumer goods manufacturer, yet has been able to enjoy strong margins, due to the innovative nature of its products. The current year appears to be one of financial transition as the changes in the product mix with the introduction of the iPad mini and a rumoured launch of a cheaper iPhone and iWatch lowers margins. Investors appear to be comfortable with this new state, with the stock moving up 18% from its 1 year low of USD 385, and currently trading on 11.4x BEst PE 2013.

For Microsoft the fall in global PC sales in Q1 2013 was expected to be offset by the adoption of Windows 8 (launched in October last year), which was indeed the case with its Windows and Windows Live division (which contributed 24.8% to revenues in the last fiscal year) reporting revenue growth of +8.5% q/q and +23.8% y/y for the quarter ending March 2013. Revenue contribution for this key division may not be as strong over the coming quarters, given the lower than expected uptake of Windows 8, following some weak reviews and feedback (both professional and user generated). Despite 100mn Windows 8 licenses being sold, the installed base just 59mn, according to data from Net Applications, which represents 4.2% of all Windows PCs. Microsoft has stated that it will release an update in the summer. Nonetheless the structural shift by users towards smartphones and tablets, (a space where Microsoft has exposure, but is dominated by Apple and Google in terms of operating systems) continues to be on-going.

A weaker Yen should be a boon for Japanese exporters, reflected in Japans Topix index gaining 7.2% 1m taking ytd gains to 43.3%, but increases pressure on their global competitors such as Samsung and LG in electronics and Kia and Hyundai in automobiles.

Emerging Markets

Emerging markets had a strong month (MSCI EM index +2.1% 1m), led by Asia with MSCI EM Asia index +4.1% 1m followed by Eastern Europe (MSCI EM Eastern Europe +0.8% 1m). Latin American markets ended in negative territory over the last month, with the MSCI EM Latin America -2.8% 1m with a weak Q1 2013 earning season to date, as 63% of 183 companies that have reported earnings (and for which Bloomberg has earnings estimates) missing Bloomberg consensus earnings estimates. Africa was the strongest regions, with the MSCI FM Africa index +6.2%

Myanmar – Mobile telecom's final frontier

The global mobile phone revolution over the last 20 years appears to have bypassed Myanmar, which has one of the lowest 'teledenisties' in the world, with mobile penetration of less than 4% according to Ericsson and less than 1% of the population using the internet in 2011 according to the ITU. Things are about to get a lot more interesting as Myanmar is expected to announce the winners of two 15 year mobile phone licenses later this year. A short list of 12 applicants have been pre-qualified to bid including Ooredoo (formerly known as Qtel), Bharti Airtel, KDDI, MTN, Singapore Telecom, Telenor and a joint bid by Vodafone and China Mobile. With a population of c.60mn and a government target of 80% penetration by 2015 the opportunities for mobile phone operators and equipment providers are substantial, with an implied market size of c.48mn subscribers. A mobile penetration rate of 80% would put Myanmar on par with other developing market where mobile penetration stood at 84.3% in 2012 according to the ITU. The IMF is forecasting 2013 real GDP growth of 6.6% and 6.4% for 2014 and increasing mobile phone penetration should also help boost GDP, with Ericsson estimating the impact as high as 7.4% of GDP in the first three years from the launch of operations.

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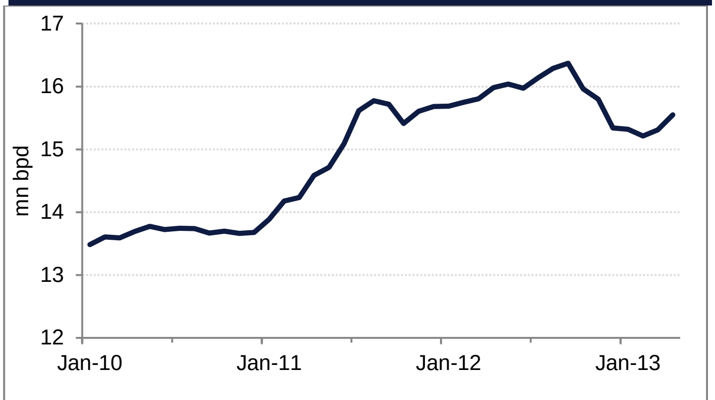
GCC in Pictures

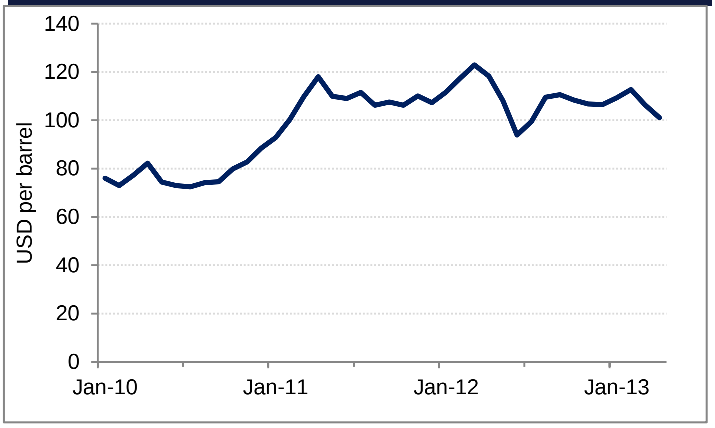
GCC Oil Production



Excludes Bahrain and Oman

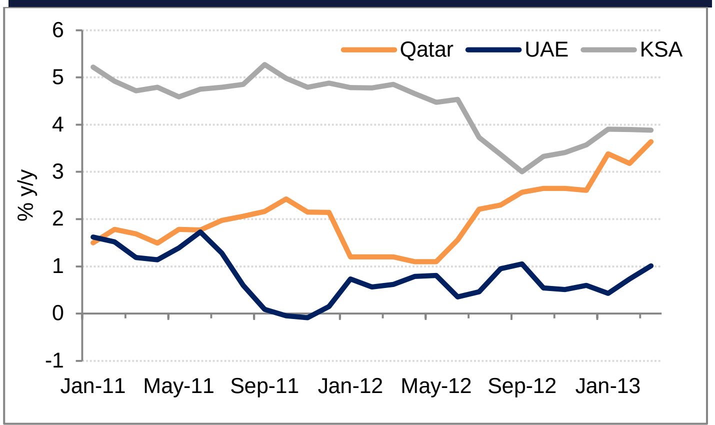
Source: Bloomberg

OPEC Reference Oil Price



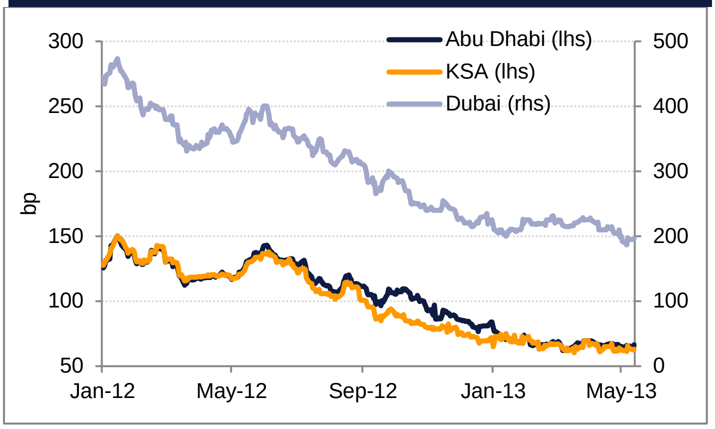
Source: Bloomberg

Inflation



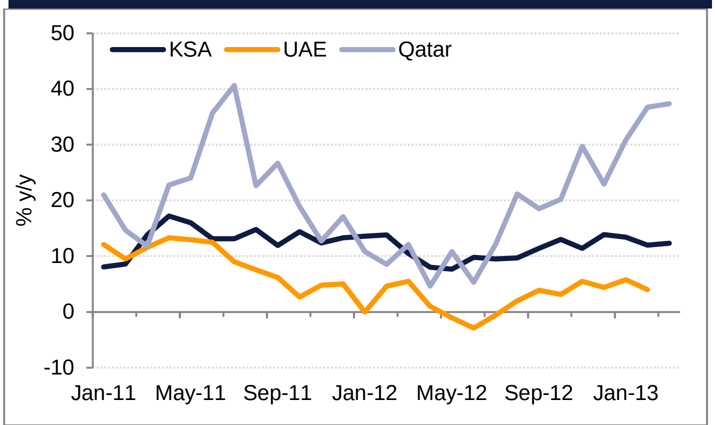
Source: Haver Analytics, Emirates NBD Research

CDS Spreads



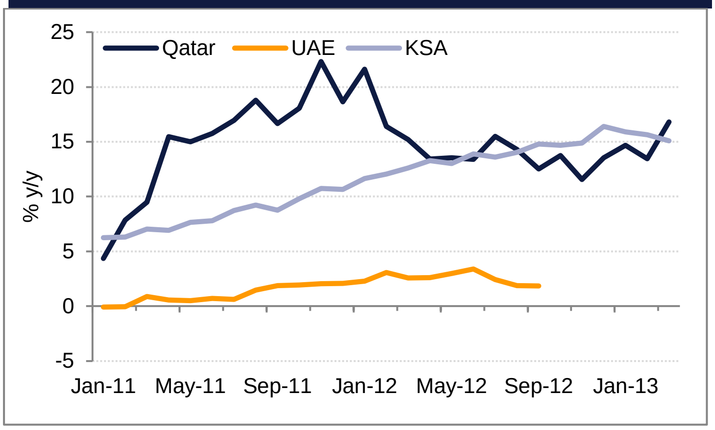
Source: Bloomberg

Money Supply(ex govt. deposits)



Source: Bloomberg, Emirates NBD Research

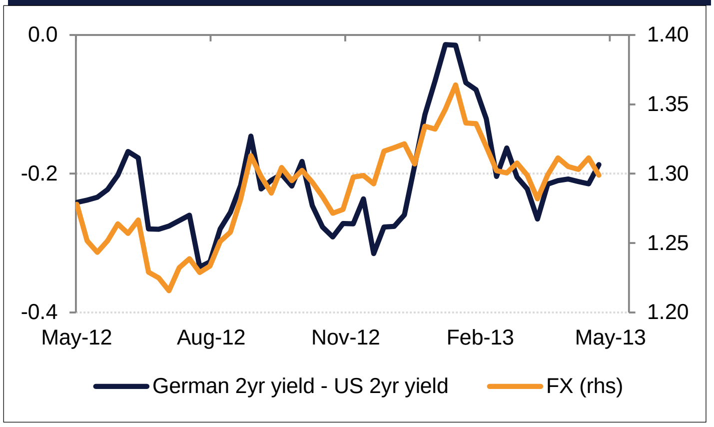
Private Sector Credit



Source: Haver Analytics, Emirates NBD Research

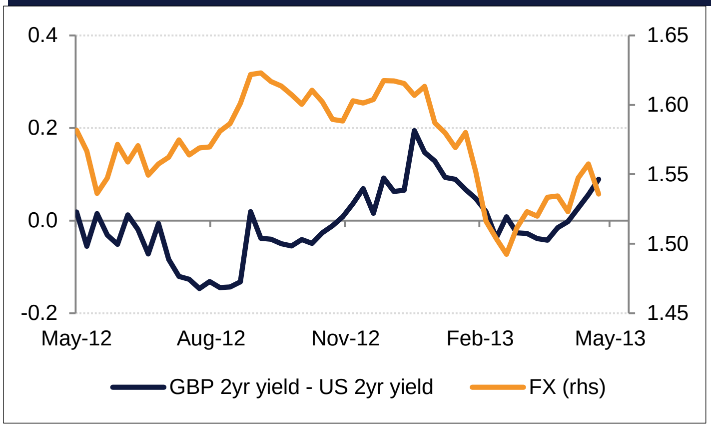
FX–Major Currency Pairs & Interest Rates

Interest Rate Differentials–EUR



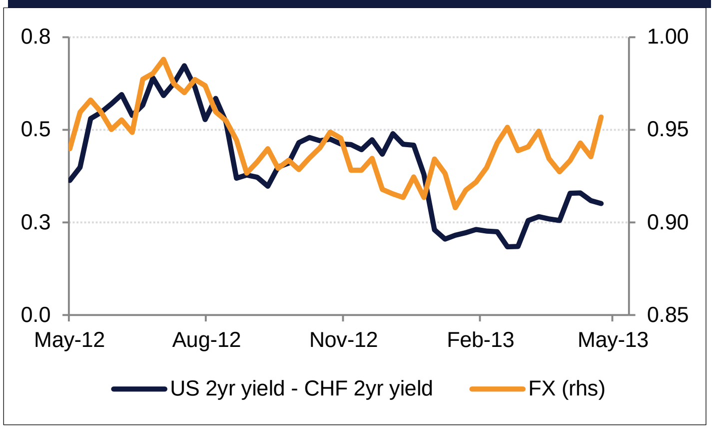
Source: Bloomberg, Emirates NBD Research

Interest Rate Differentials-GBP



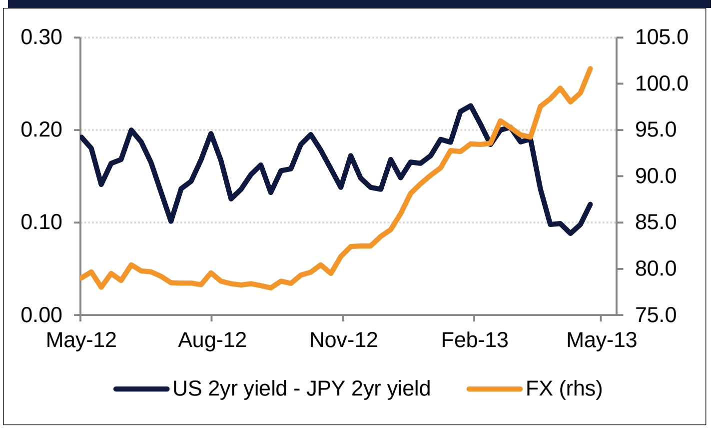
Source: Bloomberg, Emirates NBD Research

Interest Rate Differentials-CHF



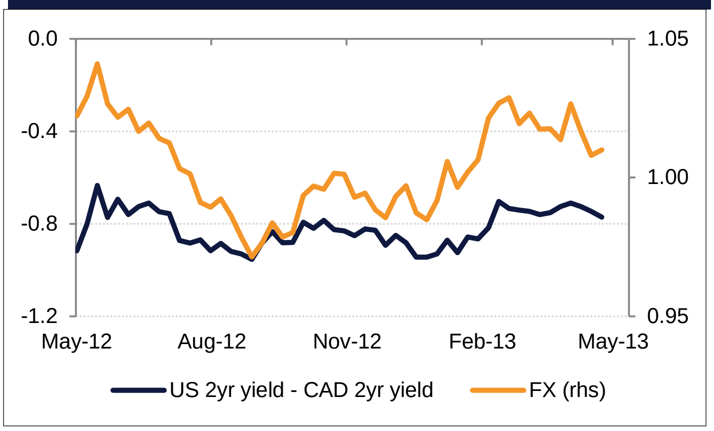
Source: Bloomberg, Emirates NBD Research

Interest Rate Differentials-JPY



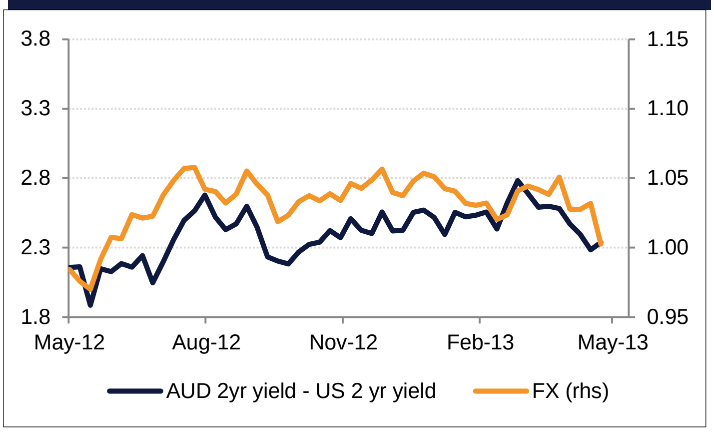
Source: Bloomberg, Emirates NBD Research

Interest Rate Differentials-CAD



Source: Bloomberg, Emirates NBD Research

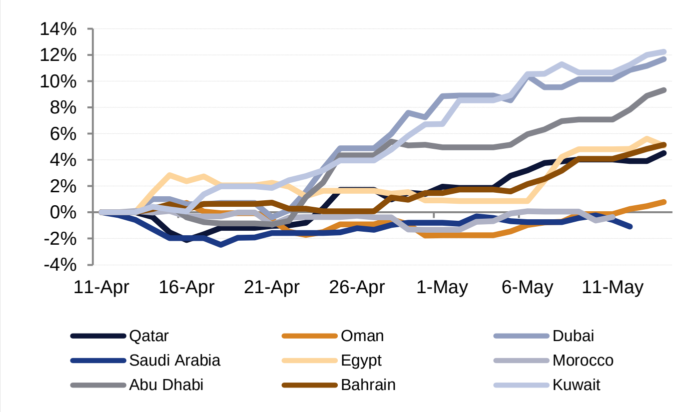
Interest Rate Differentials-AUD



Source: Bloomberg, Emirates NBD Research

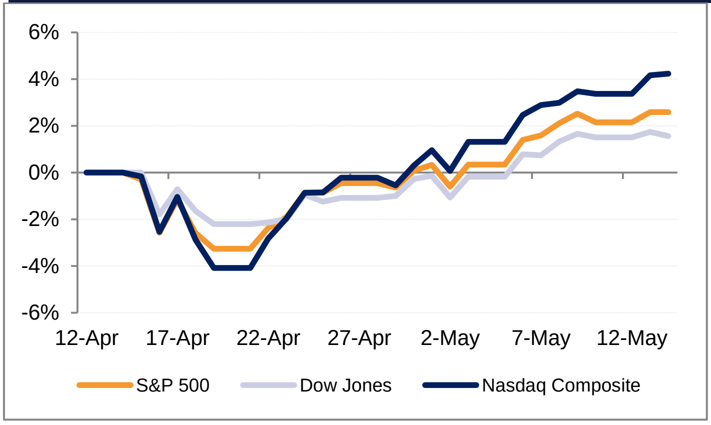
Major Equity Markets

MENA Equity Markets



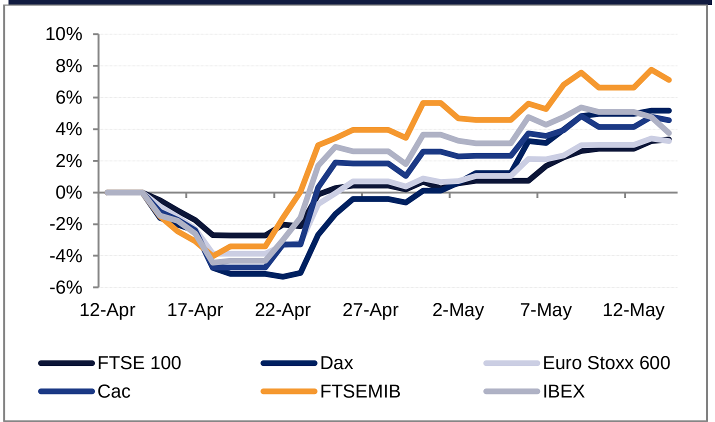
Source: Bloomberg, Emirates NBD Research

US Equity Markets



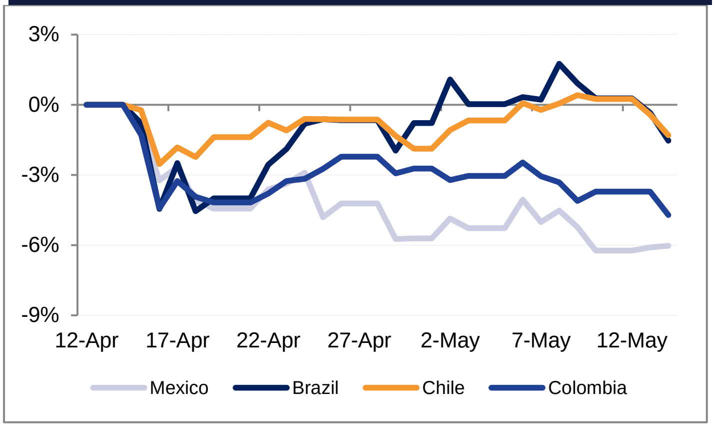
Source: Bloomberg, Emirates NBD Research

European Equity Markets



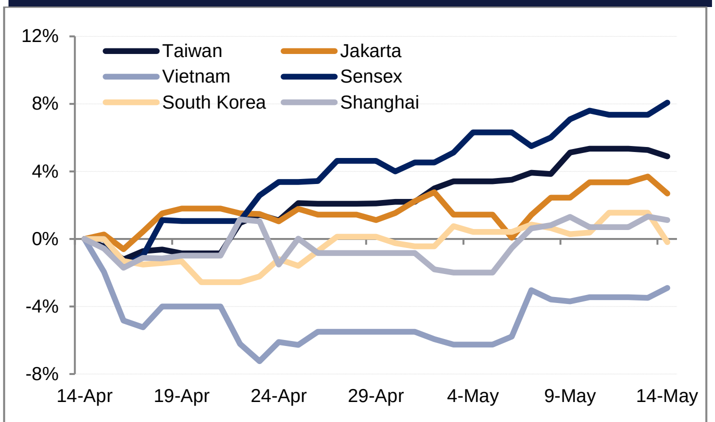
Source: Bloomberg, Emirates NBD Research

Latin American Equity Markets



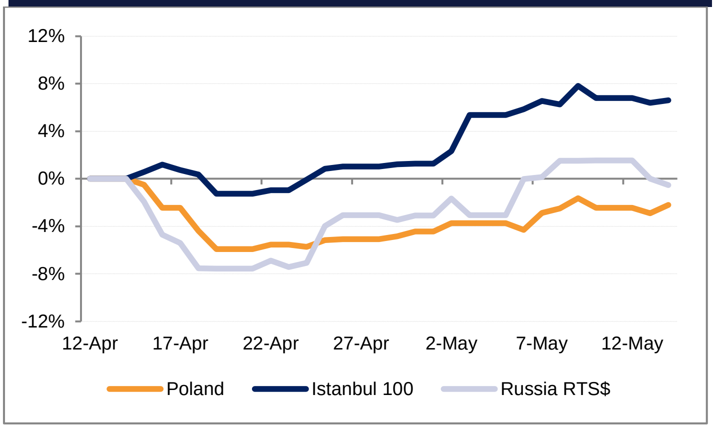
Source: Bloomberg, Emirates NBD Research

Asian Emerging Equity Markets



Source: Bloomberg, Emirates NBD Research

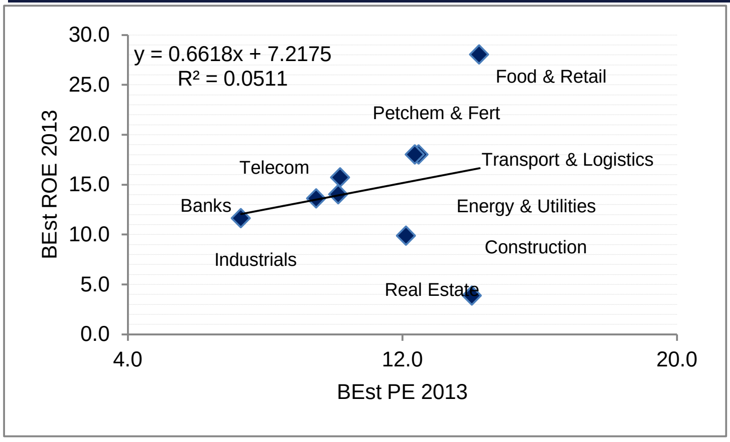
Emerging Europe Equity Markets



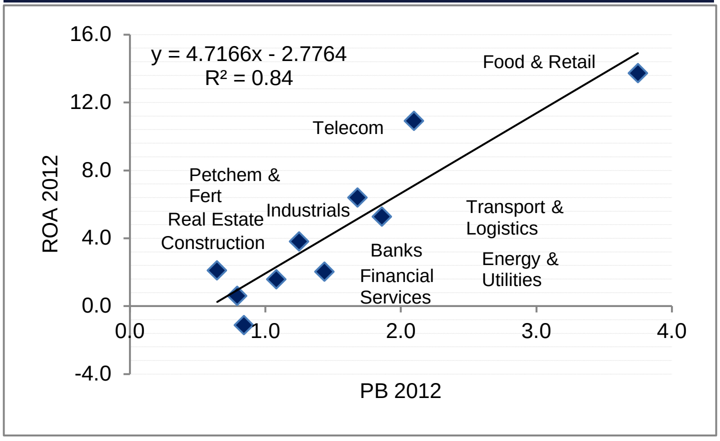
Source: Bloomberg, Emirates NBD Research

Major Equity Markets

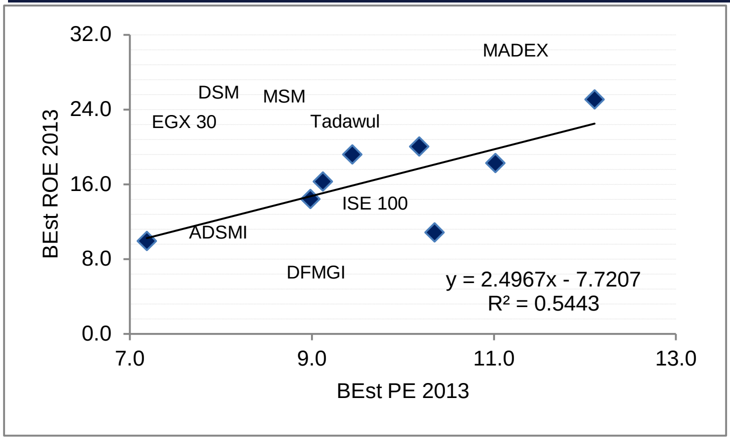
MENA Sector PE/ROE 2013E



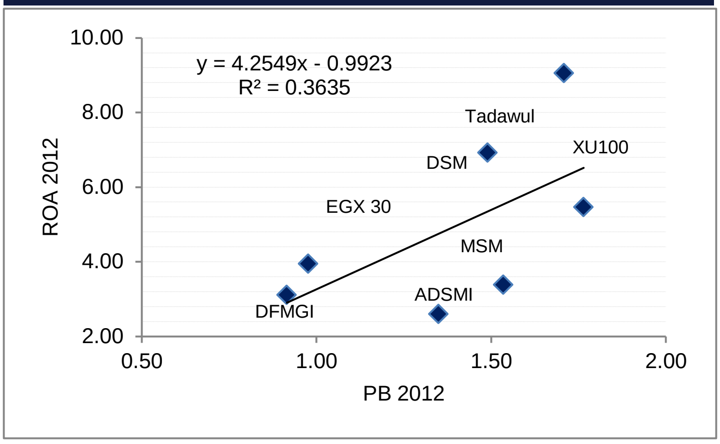
MENA Sector PB/ROA 2012



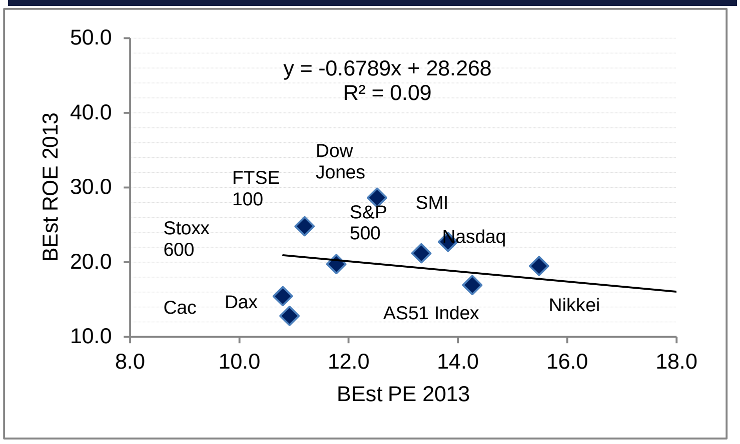
MENA Equity Indices PE/ROE 2013E



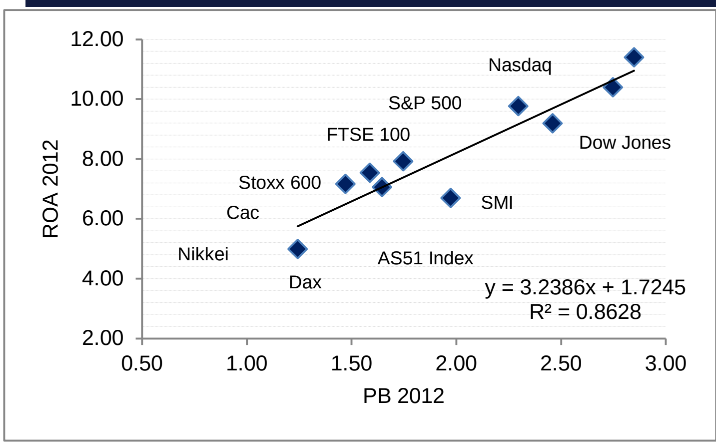
MENA Equity Indices PB/ROA 2012



Developed Market Indices PE/ROE 2013E



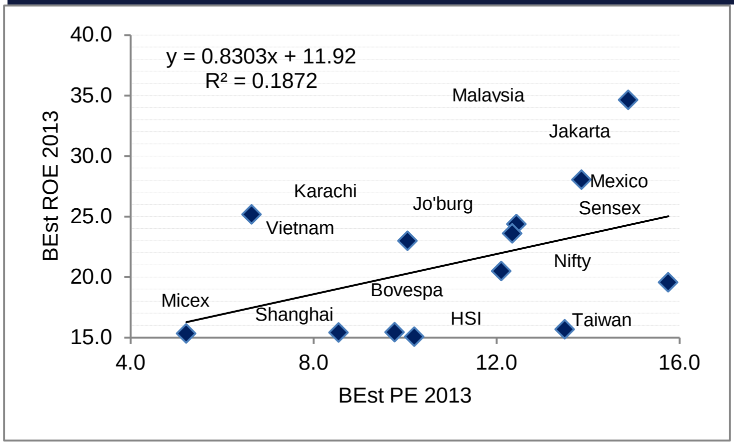
Developed Market Indices PB/ROA 2012



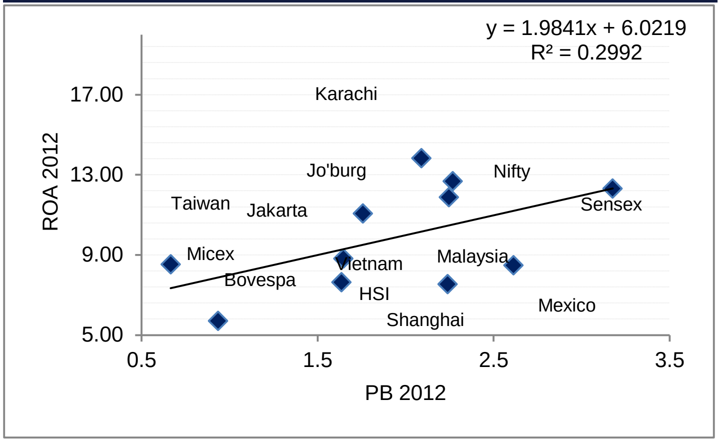
Source: Bloomberg, Emirates NBD Research, BEst – Bloomberg Estimates

Major Equity Markets

Emerging Market Indices PE/ROE 2013E



Emerging Market Indices PB/ROA 2012



Source: Bloomberg, Emirates NBD Research, BEst – Bloomberg Estimates

Key Economic Forecasts - GCC

United Arab Emirates	2009	2010	2011	2012f	2013f
Nominal GDP $bn	259.9	284.1	338.9	357.0	371.2
Real GDP %	-4.8	1.3	4.2	3.7	3.8
Current A/C % GDP	3.5	3.2	9.8	10.1	9.2
Budget Balance % GDP	-12.8	-2.2	3.1	4.7	2.8
CPI %	1.6	0.9	0.9	0.7	2.5
Saudi Arabia					
Nominal GDP $bn	376.7	451.6	669.7	727.3	681.4
Real GDP %	0.1	5.1	8.5	6.8	5.4
Current A/C % GDP	5.6	14.8	23.7	23.4	19.9
Budget Balance % GDP	-6.1	5.2	12.7	14.2	7.0
CPI %	5.1	5.4	5.0	4.0	4.5
Qatar					
Nominal GDP $bn	97.8	125.1	171.5	192.4	206.3
Real GDP %	12.0	16.7	13.0	6.2	5.2
Current A/C % GDP	10.2	26.8	32.5	28.3	23.9
Budget Balance % GDP	15.2	3.0	8.7	9.6	6.2
CPI %	-4.9	1.6	1.9	1.9	4.5
Kuwait					
Nominal GDP $bn	106.0	119.9	160.7	172.3	175.4
Real GDP %	-7.8	7.9	5.7	6.0	3.0
Current A/C% GDP	26.7	31.9	44.0	48.2	40.7
Budget Balance % GDP	21.1	13.9	29.8	21.7	16.6
CPI %	4.0	4.0	4.8	2.9	3.5
Oman					
Nominal GDP $bn	48.2	59.2	72.6	80.6	85.3
Real GDP %	3.9	5.0	5.5	8.3	4.7
Current A/C % GDP	-1.2	9.9	14.2	11.7	8.6
Budget Balance % GDP	0.3	4.8	6.1	10.4	-1.3
CPI %	3.7	3.2	4.0	2.9	3.5
Bahrain					
Nominal GDP $bn	22.9	25.7	29.2	30.4	31.7
Real GDP %	2.5	4.3	1.9	3.4	2.8
Current A/C % GDP	2.4	3.0	11.1	7.8	6.7
Budget Balance % GDP	-4.3	-4.8	-0.3	-2.7	-4.9
CPI %	2.8	2.0	-0.4	2.8	3.2
GCC(GDP weighted average)					
Nominal GDP $bn	255.7	299.2	433.1	468.3	440.7
Real GDP %	-0.7	5.7	7.4	5.9	4.6
Current A/C % GDP	7.5	14.5	23.0	22.8	19.3
Budget Balance % GDP	-2.2	3.7	11.3	11.8	6.4
CPI %	2.8	3.4	3.5	2.8	3.8

Source: Haver Analytics, National sources, Emirates NBD Research

Key Economic Forecasts - Global

US	2009	2010	2011	2012	2013f
Real GDP %	-3.1	2.4	1.8	2.2	2.0
Current A/C % GDP	-2.7	-3.0	-3.1	-3.0	-2.5
Budget Balance % GDP	-10.4	-8.7	-8.2	-6.7	-7.5
CPI %	-0.3	1.6	3.2	2.1	1.5
Eurozone					
Real GDP %	-4.4	2.0	1.4	-0.6	-0.5
Current A/C % GDP	-0.2	0.0	0.1	1.1	0.5
Budget Balance % GDP	-6.3	-6.2	-4.1	-3.3	-3.0
CPI %	0.3	1.6	2.7	2.5	1.5
UK					
Real GDP %	-4.0	1.8	0.9	0.2	0.7
Current A/C% GDP	-1.3	-2.5	-1.3	-3.7	-2.5
Budget Balance % GDP	-11.1	-10.1	-8.0	-6.4	-7.5
CPI %	2.2	3.3	4.5	2.8	1.8
Japan					
Real GDP %	-5.5	4.6	-0.6	2.0	1.5
Current A/C % GDP	2.9	3.7	2.0	1.0	1.5
Budget Balance % GDP	-8.8	-8.4	-9.3	-9.9	-9.0
CPI %	-1.3	-0.7	-0.3	0.0	0.5
China					
Real GDP %	9.2	10.4	9.3	7.8	7.5
Current A/C % GDP	4.9	3.9	2.7	2.3	2.2
Budget Balance %GDP	-2.3	-1.7	-1.1	-	-2.0
CPI%	-0.7	3.3	5.4	2.6	4.0
India*					
Real GDP%	6.6	8.9	7.3	5.1	5.5
Current A/C% GDP	-1.7	-3.6	-3.8	-5.5	-4.5
Budget Balance % GDP	-7.3	-4.0	-7.1	-5.8	-5.0
CPI %	10.8	12.1	8.9	9.3	8.0

Source: Bloomberg, Emirates NBD Research
**For India the data refers to fiscal year*

FX Forecasts

	FX Forecasts - Major					Forwards		
	Spot 13.05	1M	3M	6M	12M	3M	6M	12M
EUR/USD	1.2975	1.27	1.25	1.20	1.15	1.2982	1.2991	1.3013
USD/JPY	101.82	103.0	105.0	107.0	110.0	101.7704	101.7005	101.4970
USD/CHF	0.9576	0.98	1.00	1.04	1.08	0.9567	0.9557	0.9529
GBP/USD	1.5299	1.50	1.48	1.45	1.45	1.5290	1.5284	1.5275
AUD/USD	0.9952	0.98	0.97	0.94	0.90	0.9889	0.9829	0.9715
USD/CAD	1.0106	1.03	1.05	1.07	1.10	1.0128	1.0149	1.0193
EUR/GBP	0.8481	0.85	0.84	0.83	0.79	0.8491	0.8500	0.8519
EUR/JPY	132.1200	131.0	131.0	128.4	126.5	132.1201	132.1201	132.1197
EUR/CHF	1.2426	1.24	1.25	1.25	1.24	1.2422	1.2416	1.2401
	FX Forecasts - Emerging					**Forwards**		
	Spot 13.05	**1M**	**3M**	**6M**	**12M**	**3M**	**6M**	**12M**
USD/SAR*	3.7504	3.75	3.75	3.75	3.75	3.7505	3.7509	3.7516
USD/AED*	3.6729	3.67	3.67	3.67	3.67	3.6730	3.6730	3.6730
USD/KWD	0.2856	0.282	0.285	0.282	0.28	0.2860	0.2865	0.2865
USD/OMR*	0.3850	0.38	0.38	0.38	0.38	0.3848	0.3847	0.3847
USD/BHD*	0.3770	0.376	0.376	0.376	0.376	0.3775	0.3778	0.3783
USD/QAR*	3.6411	3.64	3.64	3.64	3.64	3.6432	3.6449	3.6494
USD/INR	54.7350	53.50	53.00	52.00	51.00	54.7427	54.7508	54.7671
USD/CNY	6.1463	6.23	6.22	6.20	6.25	6.2025	6.2075	6.2171

Data as of 13 May 2013
Source: Bloomberg, Emirates NBD Research

Interest Rate Forecasts

USD Swaps Forecasts					Forwards		
	Current	**3M**	**6M**	**12M**	**3M**	**6M**	**12M**
2y	0.38	0.40	0.41	0.43	0.42	0.47	0.61
5y	0.98	0.95	1.00	1.27	1.09	1.20	1.43
10y	2.06	1.85	2.10	2.44	2.15	2.24	2.43
2s10s (bp)	168	145	169	201	174	177	182
US Treasury Forecasts							
2y	0.24	0.25	0.26	0.28			
5y	0.82	0.80	0.85	1.12			
10y	1.92	1.80	2.05	2.34			
2s10s (bp)	168	155	179	206			
AED-USD Swap Spreads (bp)							
	Current	**3M**	**6M**	**12M**			
2y	59	68	68	63			
3y	59	71	71	67			
5y	67	71	71	67			
AED Swap Rates (%)							
2y	0.97	1.08	1.08	1.06			
3y	1.11	1.26	1.22	1.30			
5y	1.64	1.66	1.71	1.94			
Policy Rate Forecasts							
	Current%	**3M**	**6M**	**12M**			
FED	0–0.25	0.25	0.25	0.25			
ECB	0.50	0.50	0.25	0.25			
BoE	0.50	0.50	0.50	0.50			
BoJ	0.10	0.10	0.10	0.10			
SNB	0.25	0.25	0.25	0.25			
RBA	2.75	2.75	2.50	2.50			
SAMA (r repo)	0.25	0.25	0.25	0.25			
UAE (1W repo)	1.00	1.00	1.00	1.00			
CBK (dis. rate)	2.50	2.50	2.50	2.50			
QCB (o/n depo)	0.75	0.50	0.50	0.50			
CBB (1W depo)	0.50	0.50	0.50	0.50			
CBO (o/n repo)	2.00	2.00	2.00	2.00			

Prices as of 13 May 2013
Source: Bloomberg, Emirates NBD Research

Global Equities Market Watch

Index	Last Close	Avg Daily Value Traded 30d	Mtd % chg	Ytd % chg	%member above 200d MA	BEst PE	BEst PB	BEst Dvd Yld
Dow Jones Industrial Average Index	15,092	4,959	1.7	15.2	97	13.6	2.7	2.5
S&P 500 Index	1,634	24,638	2.3	14.6	92	14.8	2.3	2.1
Nasdaq Composite Index	3,439	13,670	3.3	13.9	66	18.3	2.8	1.4
FTSE100 Index	6,632	5,299	3.0	12.3	83	12.3	1.7	3.8
DAX Index	8,279	4,276	4.4	8.6	80	12.3	1.5	3.3
CAC 40 Index	3,945	3,788	1.9	7.9	88	12.3	1.2	3.8
Swiss Market Index	8,148	2,318	2.9	19.3	100	15.3	2.4	3.2
Nikkei Index	14,782	21,322	6.5	42.0	98	21.2	1.7	1.5
S&P/ASX 200 Index	5,210	4,221	0.6	12.3	69	15.9	2.0	4.3
Stoxx Europe 600 Index	304	26,969	2.2	8.5	85	13.3	1.6	3.6
Dubai Financial Market General Index	2,196	109	5.6	39.0	61	12.2	1.0	3.5
Abu Dhabi Sec Market General Index	3,419	64	6.3	32.3	37	10.1	1.4	5.1
Tadawul All Share Index	7,159	1,632	-0.2	5.3	60	11.6	1.7	4.1
Istanbul SE National 100 Index	89,765	1,439	5.2	15.8	82	12.2	1.8	2.5
Egyptian Exchange Index	5,417	32	3.6	-1.4	37	9.0	0.9	5.2
Kuwait Stock Exchange Index	7,847	273	5.8	32.5	51	-	-	-
Bahrain Bourse All Share Index	1,142	3	4.0	7.8	12	-	-	-
Muscat Securities Index	6,285	21	3.1	9.7	83	9.9	1.5	5.4
Qatar Exchange Index	8,900	54	3.0	6.9	85	10.4	1.5	5.3
MADEX Free Float Index	7,522	9	0.8	-1.4	46	12.6	2.2	3.7
Hong Kong Hang Seng Index	22,990	2,642	0.9	1.2	68	10.9	1.4	3.5
Shanghai Composite Index	2,242	12,190	1.8	-2.3	59	9.7	1.3	3.1
Korea Stock Exchange Index	1,949	3,832	0.2	-1.4	63	10.4	-	1.3
BSE Sensex	19,692	89	1.1	1.5	53	13.8	2.2	1.8
Nifty	5,980	1,086	1.1	1.5	50	13.7	2.2	1.7
Karachi Stock Exchange Index	20,245	56	7.9	21.1	87	8.1	1.7	6.3
Taiwan SE Weighted Index	8,248	2,486	2.0	7.2	67	15.3	1.6	2.9
Bovespa Brasil Sao Paulo SE Index	54,448	2,825	-2.6	-10.7	49	12.4	0.9	3.5
Micex Index	1,417	883	1.8	-4.3	46	5.3	0.7	4.1
FTSE/JSE Africa All Share Index	40,407	1,773	4.1	2.8	70	14.0	1.5	3.2
Vietnam Ho Chi Minh Stock Index	489	33	2.0	16.9	59	12.0	2.1	3.5
Jakarta SE Composite Index	5,055	536	1.0	17.7	54	16.3	3.2	1.9
FTSE Bursa Malaysia KLCI Index	1,788	415	4.1	5.9	83	16.4	2.3	3.3
Mexican Stock Exchange	41,767	560	-1.2	-4.4	57	16.6	2.6	1.6

Prices as of 13 May 2013
Source: Bloomberg, Emirates NBD Research

GCC Equities

Company	Price LLC	Market Cap (USD mn)	PE 2012	BEst PE 2013	ROE 2012	BEst ROE 2013	PB 2012	ROA 2012	Dvd Yld 2012	BEst DvdYld 2013	RSI	Avg Value Traded 3m (USD mn)
UAE												
Aldar	1.55	1952.2	4.2	40.0	17.6	1.8	0.6	3.7	4.7	3.4	70	11
Deyaar Development	0.41	657.6	52.5	13.9	1.0	2.2	0.5	0.6	-	-	67	2
Emaar Properties	5.55	9485.9	10.7	15.3	6.6	6.7	0.7	3.5	2.7	1.9	59	22
Sorouh Real Estate	1.95	1422.2	7.4	8.4	6.8	8.6	0.5	3.1	4.8	3.5	71	6
Arabtec	2.34	1030.0	25.3	13.9	4.8	8.4	1.2	1.6	-	1.5	67	10
Depa	0.42	258.2	-	14.3	-7.3	3.0	0.5	-3.9	0.0	2.4	59	0
DSI	0.95	597.9	16.8	14.6	3.5	5.2	0.6	1.5	-	3.2	72	6
Agithia	2.87	468.8	10.5	11.9	11.5	13.2	1.2	7.9	2.3	3.1	60	0
Dana Gas	0.47	1078.5	4.9	5.6	7.1	8.9	0.3	4.8	-	-	74	2
Tabreed	1.39	308.6	15.2	7.2	5.8	5.3	0.2	2.7	-	-	64	6
Dubai Investments	1.26	1244.2	9.5	-	3.8	-	0.4	2.4	8.2	-	64	7
DFM	1.33	2962.2	231.8	56.7	0.5	2.2	1.1	0.5	0.0	1.4	69	5
Tamweel	1.28	351.2	15.7	15.2	3.2	4.0	0.5	0.7	4.4	3.9	68	1
Air Arabia	1.09	1397.6	9.3	11.6	7.9	8.1	0.7	5.5	8.4	5.5	75	5
Aramex	2.30	912.8	12.0	12.0	12.6	12.8	1.5	9.4	5.0	5.0	51	1
DPW	15.62	12948.0	13.0	23.6	9.6	6.9	1.2	4.3	1.8	1.6	61	1
DIB	2.94	3215.0	6.6	10.6	12.3	11.5	0.8	1.2	7.5	4.9	66	10
NBAD	12.30	14535.5	9.2	11.8	15.1	15.3	1.3	1.6	3.4	2.8	69	2
FGB	14.90	12455.8	8.4	10.4	14.8	16.7	1.2	2.5	7.2	5.5	59	5
ADCB	4.76	7312.5	6.1	9.9	14.3	13.0	0.8	1.5	8.3	5.1	72	8
Etisalat	11.85	25830.0	10.6	12.2	16.8	18.7	1.8	8.8	7.7	5.9	81	5
Du	5.30	6795.5	8.1	13.3	28.8	25.8	2.1	15.2	8.6	5.1	72	3
Saudi Arabia												
Dar Al Arkan	8.35	2404.7	9.0	8.4	6.2	6.4	0.5	4.3	-	2.0	45	38
Emaar Economic City	9.25	2096.6	37.2	-	2.5	-2.3	0.9	1.4	-	0.0	39	23
Almarai	66.25	7065.8	17.6	16.7	20.2	19.8	3.4	8.2	2.0	2.2	63	5
Othaim	92.25	552.0	10.8	12.4	28.4	23.6	2.7	10.0	3.6	3.4	49	3
Alhokair	132.50	2454.5	11.8	13.0	35.8	36.4	3.8	18.8	-	3.1	52	3
Jarir Marketing	174.00	2771.9	16.3	16.4	59.0	57.7	9.1	30.8	4.8	4.9	58	2
Savola	46.50	6146.3	14.3	14.5	17.5	17.4	2.4	6.5	3.5	3.3	59	3
Sahara Petchem	14.60	1784.3	29.1	15.2	3.9	7.6	1.1	2.4	3.7	3.5	58	5

Company	Price LLC	Market Cap (USD mn)	PE 2012	BEst PE 2013	ROE 2012	BEst ROE 2013	PB 2012	ROA 2012	Dvd Yld 2012	BEst DvdYld 2013	RSI	Avg Value Traded 3m (USD mn)
Sabic	91.00	72796.1	10.9	9.8	17.3	17.8	1.8	7.4	5.6	5.9	39	113
SIPCHEM	20.70	2043.4	11.6	12.3	10.7	11.1	1.2	4.0	6.5	5.7	78	2
Saudi Kayan	11.20	4519.8	-	14.8	-5.2	5.0	1.3	-1.7	0.0	1.9	41	9
Yansab	53.25	7987.1	10.9	11.1	20.8	19.7	2.1	10.8	-	5.0	59	6
Chemanol	12.95	421.3	17.6	15.5	6.0	6.4	1.0	3.1	-	3.6	34	5
APPC	28.10	1246.3	13.1	12.0	16.1	19.8	2.1	9.9	7.6	6.8	55	3
Safco	146.50	13065.6	13.1	12.8	45.3	46.7	5.7	39.9	7.9	7.2	23	6
Ma'Aden	31.20	7695.6	27.5	19.4	6.2	8.2	1.7	2.2	-	-	36	5
Tasnee	26.50	4798.1	10.5	9.8	15.3	13.8	1.5	4.1	7.2	6.2	41	9
Saudi Electricity	13.00	14387.9	21.8	18.2	4.8	5.8	1.0	1.1	5.2	5.4	30	7
Saudi Arabian Amiantit	14.00	434.3	14.7	9.3	7.0	8.8	1.1	2.4	-	7.9	45	3
Saudi Cable	13.50	273.6	-	8.4	-16.3	10.8	1.1	-4.0	0.0	5.9	43	4
National Shipping Co	18.90	1583.3	12.0	10.5	9.6	9.7	1.1	4.6	5.2	6.4	36	5
Al Rajhi Bank	66.25	26498.6	12.4	11.5	22.8	23.3	2.7	3.2	5.0	5.6	52	29
Samba	45.20	10895.4	9.3	8.7	14.5	14.5	1.3	2.2	3.7	4.4	50	3
Riyad Bank	23.40	9359.5	10.0	9.6	11.2	11.5	1.1	1.9	5.7	6.1	59	3
Bank Aljazira	26.00	2079.9	15.6	12.8	10.3	11.3	1.6	1.1	-	2.0	43	7
Etihad Etisalat	79.75	16323.1	8.8	9.5	30.6	28.7	2.5	15.8	5.5	6.0	43	13
STC	39.20	21065.5	11.9	8.3	14.8	17.0	1.7	6.3	4.6	6.4	50	8
Zain KSA	720.00	10570.7	12.0	10.8	13.7	14.1	1.9	8.1	6.4	7.7	39	0
Qatar												
Barwa Real Estate	23.95	2583.2	9.3	7.1	9.3	3.0	0.8	2.0	3.6	-	50	4
IQ	170.80	28281.4	10.1	11.0	29.8	27.5	2.8	21.9	5.5	5.3	63	12
QEWC	144.30	3955.0	9.2	9.7	41.8	36.9	3.4	6.4	5.5	5.7	60	2
QGTS	16.28	2517.8	11.0	10.7	47.6	56.5	4.8	2.5	6.6	6.8	61	3
QNB	142.50	27578.3	11.0	10.4	18.7	19.5	1.9	2.5	4.6	3.8	71	6
CBQ	67.90	4641.8	8.7	8.2	13.8	14.8	1.2	2.7	8.5	7.8	63	5
DB	46.50	3367.2	8.0	8.8	17.8	18.0	1.4	2.4	8.9	7.9	59	3
QIB	68.20	4426.1	14.3	11.0	10.9	13.6	1.5	1.9	5.0	6.4	39	1
Qtel	116.80	10328.5	10.3	10.0	12.0	12.5	1.2	3.0	4.8	4.6	66	2
Oman												
Bank Muscat	0.64	3577.7	8.0	8.8	14.3	13.5	1.1	1.8	4.3	4.1	61	2

Company	Price LLC	Market Cap (USD mn)	PE 2012	BEst PE 2013	ROE 2012	BEst ROE 2013	PB 2012	ROA 2012	Dvd Yld 2012	BEst DvdYld 2013	RSI	Avg Value Traded 3m (USD mn)
Kuwait												
KIPCO	450.00	2234.6	16.1	13.0	5.4	7.2	0.9	0.5	5.1	4.4	74	2
Agility	720.00	2601.0	14.8	15.8	3.8	-	0.6	2.4	5.9	5.6	80	5
NBK	970	15516.6	13.5	13.3	12.8	13.1	1.7	2.0	3.1	3.7	62	7
Burgan Bank	590.00	3349.3	14.0	11.3	11.9	16.0	1.6	1.1	1.9	1.9	63	1
Zain	720.00	10570.7	12.0	10.8	13.7	14.1	1.9	8.1	6.4	7.7	39	5
Egypt												
TMG Holding	4.04	1191.1	16.8	12.1	2.2	3.3	0.4	1.0	-	0.0	52	1
Palm Hill Developments	2.21	340.2	-	-	-3.9	7.1	0.8	-0.9	0.0	0.0	56	4
OCIC	245.82	7289.9	31.9	10.9	-	21.5	-	-	-	5.0	60	2
Sidi Kerir Petchem	12.77	961.1	8.0	7.2	35.1	34.8	2.8	26.5	10.2	12.4	43	0
El Ezz Steel Rebars	475.91	933.9	10.5	6.9	19.2	-	2.1	3.8	12.5	10.3	55	0
El Swedy Electric	20.23	640.0	43.9	10.0	2.3	11.2	1.1	0.8	-	5.0	64	0
GB Auto	27.35	506.6	16.4	13.0	10.6	12.6	1.7	3.6	-	4.4	55	0
Oriental weavers	21.42	276.8	7.6	6.1	9.3	9.9	0.7	4.4	-	10.5	47	0
EFG-Hermes	9.50	668.9	102.1	12.6	0.7	4.5	0.6	0.1	-	41.1	35	3
CIB	33.57	2871.8	9.3	8.1	22.8	21.5	1.9	2.5	-	4.0	72	5
Mobinil	130.34	1859.4	-	-	-9.8	-	6.2	-1.4	-	-	50	0
Orascom Telecom	4.68	3509.8	-	4.9	-13.4	15.2	2.1	-2.8	0.0	4.7	62	3
Telecom Egypt	13.40	3284.4	9.3	9.2	9.3	9.4	0.9	8.0	9.2	10.1	57	1
NMTC	2,200	3880.4	15.5	9.9	9.3	12.7	1.4	5.2	5.3	3.9	49	0

Prices as of 13 May 2013
Source: Bloomberg, Emirates NBD Research

Emirates NBD GCC Cash Bonds/Sukuk*

Security Name	S&P Rating	CCY	Bid	Ask ytm%	1 week ago	1 month ago	3 month ago
Emirate of Abu Dhabi 2014	AA	USD	104.13	0.25	104.67	104.88	105.86
Emirate of Abu Dhabi 2019	AA	USD	126.88	1.78	126.98	126.52	127.15
Kigndom of Bahrain 2022	BBB	USD	114.58	4.09	115.28	114.16	112.73
Waha Aerospace 2020	AA	USD	107.00	2.69	107.72	107.02	-
CBB International Sukuk 2014	BBB	USD	105.25	0.64	105.75	105.76	105.84
CBB International Sukuk 2018	BBB	USD	116.13	2.89	116.79	116.43	115.21
Mumtalkat 2015	BBB	USD	104.10	2.60	104.55	104.81	105.18
BHRAIN 5 1/2 03/31/20	BBB	USD	110.26	3.67	110.87	110.17	109.39
Dubai Government 2014	-	USD	106.00	1.84	106.32	106.24	107.24
Dubai Government 2014	-	AED	104.50	1.09	-	104.46	105.00
Dubai Government 2015	-	USD	110.00	2.04	110.44	110.28	110.53
Dubai Government 2017 Sukuk	-	USD	107.00	2.81	107.64	-	-
Dubai Government 2020	-	USD	125.00	3.69	125.78	125.89	125.50
Dubai Government 2021	-	USD	111.00	3.87	111.69	111.74	112.11
Dubai Government 2022 Sukuk	-	USD	118.00	3.93	118.25	-	-
Islamic Development Bank 2014	AAA	USD	102.98	0.57	103.33	103.53	-
Islamic Development Bank 2015	AAA	USD	102.00	0.66	102.36	102.52	-
Islamic Development Bank 2016	AAA	USD	104.19	0.76	104.50	104.53	-
MDC - GMTN B.V. 2014 (Mubadala)	AA	USD	104.50	0.28	104.95	105.26	105.51
MDC - GMTN B.V. 2016 (Mubadala)	AA	USD	106.25	1.38	106.56	106.44	-
MDC - GMTN B.V 2019 (Mubadala)	AA	USD	128.00	2.38	128.91	128.81	128.52
MDC - GMTN B.V. 2021 (Mubadala)	AA	USD	117.25	2.90	118.32	118.14	-
TDIC Finance Ltd 2014	AA	USD	105.88	0.65	106.34	106.61	106.57
TDIC Finance Ltd 2014	AA	USD	105.38	0.86	105.65	105.73	105.63
JORDAN 3 7/8 11/12/15	BB	USD	99.06	3.89	99.46	98.94	97.94
State of Qatar 2014	AA	USD	103.75	0.07	104.16	104.42	104.82
State of Qatar 2015	AA	USD	104.50	0.89	105.15	105.51	105.43
State of Qatar 2019	AA	USD	124.25	1.98	125.02	124.73	124.52
State of Qatar 2020	AA	USD	117.00	2.32	118.22	118.03	117.77
QATAR 9 3/4 06/15/30	AA	USD	171.89	3.85	174.26	173.88	174.30
QATAR 4.5 22	AA	USD	112.50	2.74	113.72	114.23	112.79
State of Qatar 2040	AA	USD	133.29	4.22	135.75	136.92	133.05
State of Qatar 2015	AA	USD	104.88	0.93	105.31	105.46	104.88
State of Qatar 2020	AA	USD	114.25	2.65	115.04	114.72	115.63
Rakia Capital 2014	A	USD	107.88	0.81	108.18	-	109.35
Rakia Capital 2016	A	USD	108.25	1.79	108.89	109.04	109.52
IPIC GMTN 2015	AA	USD	104.38	1.13	104.57	104.57	-

Emirates NBD GCC Cash Bonds/Sukuk*

Security Name	S&P Rating	CCY	Bid	Ask ytm%	1 week ago	1 month ago	3 month ago
INTPET 4 7/8 05/14/16	AA	EUR	110.34	1.10	110.76	110.69	-
INTPET 5 7/8 03/14/21	AA	EUR	123.40	2.42	123.68	122.38	-
IPIC GMTN 2017	AA	USD	107.13	1.63	107.40	107.34	-
IPIC GMTN 2020	AA	USD	113.25	2.91	114.13	114.32	-
IPIC GMTN 2022	AA	USD	117.25	3.11	118.14	118.27	-
Abu Dhabi Commercial Bank 2014	A	USD	104.50	0.92	104.97	104.97	-
Abu Dhabi Commercial Bank 2016	A	USD	106.63	1.89	107.22	106.86	106.88
ADIB Sukuk Perpetual	-	USD	105.72	6.14	106.31	106.10	-
ADIB Sukuk 2015	-	USD	104.50	1.61	105.14	104.59	-
ADIB Sukuk 2016	-	USD	105.88	1.90	106.08	105.56	105.37
Commercial Bank of Qatar 2014	A-	USD	105.25	1.11	105.62	105.80	105.58
Commercial Bank of Qatar 2019	BBB+	USD	123.00	3.34	123.60	123.64	-
DIB Sukuk 2017	-	USD	105.25	3.14	105.75	105.52	105.84
Emirates NBD Bank 2013	-	AED	-	-	-	-	-
Emirates NBD Bank 2017	-	USD	105.50	2.93	105.96	105.41	-
Emirates Islamic Bank 2017	-	USD	105.63	2.90	106.23	105.96	105.89
Emirates Islamic Bank 2018	-	USD	104.75	2.92	105.34	104.02	103.29
National Bank of Abu Dhabi 2014	A+	USD	104.50	0.80	104.75	104.77	104.83
National Bank of Abu Dhabi 2015	A+	USD	105.50	0.99	105.82	105.86	105.43
National Bank of Abu Dhabi 2017	A+	USD	104.88	1.80	105.19	104.86	-
SIB Sukuk 2016	BBB+	USD	106.75	2.28	106.96	107.06	-
Qatar Islamic Bank 2015	-	USD	104.13	1.76	104.50	104.50	-
HSBC Bank Middle East 2015	-	USD	103.38	1.36	103.54	103.44	-
HBME Sukuk Co LTD (HSBC) 2016	-	USD	105.23	1.62	105.47	105.15	-
FGB Sukuk Company 2016	-	USD	105.50	1.86	105.68	105.25	104.99
FGB Sukuk Company 2017	-	USD	106.38	2.09	106.52	106.22	105.92
QNB Finance LTD 2015	A+	USD	103.88	1.33	104.14	103.90	-
QNB Finance LTD 2017	A+	USD	104.75	1.89	104.85	104.74	-
Saudi British Bank 2015	A	USD	103.50	1.25	103.82	103.17	103.04
UNBUH 3.875 16	-	USD	105.50	2.00	105.82	105.44	105.10
TAMWEE4.31 01/13	-	USD	-	-	-	-	-
BSFR 4 1/4 03/15	-	USD	105.03	1.07	105.46	105.42	105.33
BBK 4 1/2 10/28/15	-	USD	102.98	2.87	103.50	103.76	103.81
ADCBUH 0 05/09/16	-	USD	96.27	2.15	96.80	97.28	95.22
EBIUH 0 10/31/16	-	USD	-	-	92.88	-	91.43
MASQUH 0 01/24/17	-	USD	90.59	3.43	91.77	91.91	89.05
ABCORP 0 04/04/17	-	USD	80.18	4.48	86.28	84.24	82.64
BBK 0 06/28/17	-	USD	-	-	86.47	-	85.25

Emirates NBD GCC Cash Bonds/Sukuk*

Security Name	S&P Rating	CCY	Bid	Ask ytm%	1 week ago	1 month ago	3 month ago
BGBKKK 7 7/8 09/29/20	-	USD	115.95	5.23	117.02	117.04	118.23
QATDIA 5 07/21/20	-	USD	114.25	2.65	115.04	114.72	115.63
NBADUH 0 03/15/16	-	AED	95.50	2.30	96.00	95.50	95.00
NBADUH 0 02/28/18	-	AED	-	-	-	-	-
Dubai Holding Comm Op 2014	NR	EUR	100.78	2.61	101.12	100.80	99.96
Dubai Holding Comm Op 2017	NR	GBP	103.24	4.80	103.36	102.02	100.16
Al dar Sukuk Funding II 2013	B+	AED	99.75	-3.48	100.13	100.13	100.25
Atlantic Finance Limited 2014	B+	USD	108.85	1.94	108.83	108.48	108.87
Dar Al-Arkan 2015	-	USD	109.25	4.28	110.82	110.25	109.71
EMAAR (PYRUS) LTD 2015	-	USD	136.13	-5.87	131.99	127.05	122.07
EMAAR Sukuk LTD 2016	BB+	USD	114.25	3.43	115.09	114.63	114.35
EMAAR Sukuk LTD 2019	BB+	USD	112.06	4.04	112.50	111.37	109.67
Anka Sukuk (Nakheel 2016)	-	AED	105.75	7.63	105.92	105.20	105.50
MAFUAE 5.85 17	BBB	USD	111.50	2.32	111.86	111.53	-
DEWA Funding Limited 2013	-	AED	99.50	-3.88	-	-	100.26
DEWA Funding Limited 2015	-	USD	112.00	1.79	112.43	112.39	112.73
DEWA Funding Limited 2016	-	USD	112.25	2.39	112.72	112.76	112.68
DEWA Funding Limited 2020	-	USD	122.88	3.70	123.49	123.68	122.39
Emirates Airlines 2016	-	USD	106.00	2.80	106.37	105.66	105.52
Jafz Sukuk Limited 2019	-	USD	114.50	4.09	115.05	114.57	114.25
Dana Gas Sukuk Ltd 2012	-	USD	94.50	-	95.38	-	89.94
DP World Sukuk Limited 2017	NR	USD	112.00	2.97	112.60	112.12	112.07
DP World Sukuk Limited 2037	NR	USD	118.25	5.41	119.70	118.80	115.21
Dolphin Energy Ltd 2019	-	USD	112.25	3.49	113.49	113.78	112.10
Dolphin Energy Ltd 2021	-	USD	117.50	3.03	119.05	117.37	-
Abu Dhabi National Energy 2013	A-	USD	101.25	-2.19	101.19	101.75	102.55
Abu Dhabi National Energy 2014	A-	USD	104.50	0.74	104.94	105.00	105.13
Abu Dhabi National Energy 2016	A-	USD	113.25	1.63	113.79	113.55	113.33
Abu Dhabi National Energy 2017	A-	USD	107.50	1.81	108.27	108.08	107.70
Abu Dhabi National Energy 2017	A-	USD	117.50	1.80	118.22	118.02	117.79
Abu Dhabi National Energy 2018	A-	USD	124.00	2.19	124.84	124.25	124.45
Abu Dhabi National Energy 2019	A-	USD	120.00	2.62	120.80	120.34	120.73
Abu Dhabi National Energy 2021	A-	USD	118.13	3.32	119.25	119.03	118.86
TAQAUH 4 3/8 10/28/13	A-	EUR	101.25	0.65	101.45	101.69	-
TAQAUH 6 1/2 10/27/36	A-	USD	125.78	4.68	127.89	128.06	-
QGTS 6.067 12/31/33	AA-	USD	124.45	4.27	122.04	121.11	-
QGTS 6.267 12/31/33	A+	USD	119.80	4.75	121.64	120.20	-
MAFUAE 2019 5.25%	-	USD	111.20	3.09	111.48	109.65	108.11

Security Name	S&P Rating	CCY	Bid	Ask ytm%	1 week ago	1 month ago	3 month ago
Qtel International Fin 2014	A /*-	USD	105.25	0.55	106.05	106.25	107.12
Qtel International Fin 2016	A /*-	USD	105.50	1.41	106.33	105.72	-
Qtel International Fin 2019	A /*-	USD	129.50	2.43	130.78	131.01	130.31
Qtel International Fin 2021	A /*-	USD	111.25	2.97	112.43	112.26	-
QTELQD 5 10/19/25	A /*-	USD	110.13	3.96	110.93	111.81	-
Ras Laffan LNG III 2014	A	USD	106.00	0.60	106.31	106.35	106.73
Ras Laffan LNG III 2019	A	USD	124.75	2.37	125.21	124.97	125.04
RASGAS 5.298 09/30/20	A	USD	111.13	3.57	111.33	111.07	-
RASGAS 5.832 09/30/16	A	USD	108.45	3.16	108.27	108.11	-
RASGAS 5.838 09/30/27	A	USD	118.15	3.98	119.55	119.57	-
SABIC Capital 2015	A+	USD	103.50	1.23	104.13	103.83	-
SABIC 4 1/2 11/28/13	A+	EUR	101.77	0.23	102.08	102.45	-
KWIPKK 8 7/8 10/17/16	BBB-	USD	118.00	3.25	118.24	117.53	-
KWIPKK 9 3/8 07/15/20	BBB-	USD	128.60	4.50	129.15	128.66	-

**Prices as of 15 May 2013*
Source: Emirates NBD Sales & Structuring

Emirates NBD Equity Reverse Convertibles*

Underlying Stock	CCY	Current Price/Strike	Coupon to Investor(flat at maturity) Investment Tenor		
			3M	6M	12M
Aldar Properties	AED	1.60	6.44%	8.69%	-
Abu Dhabi National Energy Co.(TAQA)	AED	1.29	6.04%	7.02%	-
Arabtec Holding Co.	AED	2.41	7.76%	9.37%	-
Emaar Properties PJSC	AED	5.73	5.37%	6.74%	-
Aramex	AED	2.29	4.04%	5.94%	-
Sorouh Real Estate Co.	AED	1.99	5.18%	8.60%	-
Abu Dhabi Commercial Bank	AED	4.80	3.94%	4.88%	-
Saudi Basic Industries Corp.	SAR	91.25	3.01%	4.46%	-

**Prices as of 15 May 2013.Please note all prices above are indicative and subject to internal approvals.*
Source: Emirates NBD Sales & Structuring

What is a Reverse Convertible?
A Reverse Convertible is a structured product which allows the investor to benefit from a high return based on the view that the underlying will not decline below its initial level.

Mechanism
At maturity, there are 2 scenarios:

- If the underlying closes at or above its initial level, then investor receives 100% of the capital invested and the coupon
- If the underlying closes at or below its initial level, then investor receives 100% of the capital invested and the coupon minus the negative performance of the underlying from initial level. In this scenario, investor may incur capital loss.

Scenario analysis (ex: Aldar Reverse Convertible on 6 months):

- If Aldar is above its initial level in 6 months, then investor receives 100% + 8.69% = 108.69% of the capital invested
- If Aldar declined by -5% from the initial level in 6 months, then investor receives 100% + 8.69% – 5% = 103.69% of the capital invested
- If Aldar declined by -20% from the initial level in 6 months, then investor receives 100% + 8.69% – 20% = 88.69% of the capital invested

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