INVESTORS LIKELY TO BE BACK IN THE TRADING RING TO CASH IN ON LOW VALUATIONS

# MARKETS TO REBOUND IN '19

**Muzaffar Rizvi**

DUBAI — The UAE markets are expected to rebound in 2019 due to strong positive macroeconomic indicators, low valuations of stocks and higher spending on infrastructure developments ahead of the mega exhibition, Expo 2020 Dubai.

Analysts and market experts said investors will be back in the trading ring this year as both the Dubai and Abu Dhabi bourses are trading at attractive valuations. The volatility in the oil market is also expected to be over following strong measures taken by Opec and its allies and it will help the equity markets in general and energy firms in particular.

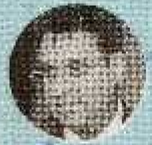
Referring to IMF data, experts said that Dubai's GDP growth will climb to 4.1 per cent this year from 3.3 per cent in 2018. They were of the view that Dh9.2 billion government spending on infrastructure projects this year is bound to generate economic activity and it will ultimately benefit the stock market.

"For 2019, we expect mild recovery for Dubai stocks as fundamentally strong banking, construction and real estate stocks appear oversold. The recovery in Dubai's real estate sector is expected to be limited; however, we believe the weakness is already priced in," said Faisal Hassan, head of investment research at Kamco Investment Company.

TURN TO PAGE 16


"We expect mild recovery for Dubai stocks as fundamentally strong banking, construction and real estate stocks appear oversold"

**Faisal Hassan,** head of investment research at Kamco Investment Company



"The market will fare better in 2019 as the government has taken some measures and Expo 2020 Dubai is likely to lift the economy"

**M.R. Raghu,** head of research at Kuwait Financial Centre (Markaz)

### HOW UAE BOURSES FARED

| Markets | 2017 | 2018 | Change |
|---|---|---|---|
| DFM | 3,370.07 | 2,529.75 | ↓ 24.93% |
| ADX | 4,441.99 | 4,915.07 | ↑ 10.65% |

### SECTORS TO WATCH IN 2019

- Banking
- Construction
- Real estate
- Insurance

### HOW MUCH UAE SHARES ARE TRADING AT A DISCOUNT

Dubai trades at **7x** P/E ratio

Abu Dhabi trades at **12x** P/E ratio

### WHY UAE SHARES ARE ATTRACTIVE

- Cheaper valuation
- Fundamentals are strong
- Markets oversold
- Weakness already priced in

KT GRAPHIC • SOURCES: DFM, ADX AND KT RESEARCH

# Markets to rebound in 2019

> FROM PAGE 15

"Valuation multiples also support our expectation of a recovery given Dubai trades at one of the lowest P/E of 7x while Abu Dhabi is at 12x. In terms of price-to-book ratio, Dubai currently trades at 0.9x which is a strong support factor," Hassan said.

In 2018, UAE equity markets moved in opposite directions, with the Dubai bourse declining 25 per cent while the Abu Dhabi bourse was up more than 10 per cent. Dubai witnessed weakness across all sectors but the decline was steep in the case of real estate and financial services indices. On the other hand, the Abu Dhabi bourse was buoyed by the banking index.

M.R. Raghu, head of research at Kuwait Financial Centre (Markaz), expects the UAE market will fare better in 2019 as the government has taken some measures and Expo 2020 Dubai is likely to lift the economy.

"The performance of traditional growth engines for the UAE markets — real estate and retail — have been lacklustre. This coupled with increasing input prices and value-added tax implementation have impacted the margins for businesses," he said.

He said the UAE real estate market continues to be oversupplied and it has exerted pressure on sales, occupancy and rentals. The market has witnessed an approximately 30 per cent fall in capital values in various pockets.

According to a note issued by Allied Investment Partners, the UAE and other Mena markets will be directed by fluctuation in the oil prices as well as sentiments in the global markets.

"Going forward, the trading activity within the Mena region is likely to track the sentiments in global markets as well as the movement in oil prices, which continues to influence the performance of regional economies," said Lenie Assaad, associate, Allied Investment Partners.

"Furthermore, it is important to highlight that the local banking sector is currently trading at very attractive levels on local equity markets and are backed by solid fundamentals," she said.

Hassan believes that dividend-paying stocks would attract investor interest in 2019. In addition, any signs of bottoming of real estate market should support high-quality frontline stocks in the sector.

"Nevertheless, although oversold, we see minimal positive drivers that point to a near-term recovery for the aggregate market."

*— muzaffarrizvi@khaleejtimes.com*