

## Cityscape, EMAAR, DANA, FAB, UNB, and the Way to Go!

Schools are back and so does the terrible traffic. We return from a short vacation, but, alas, trading volume extends its holiday! Complications that surround current geopolitics continue to be a value depressant, especially in our part of the world.

Institutional traders on the other hand are bracing for potential new inclusions into FTSE's Emerging Markets Index. Both Saudi Arabia and Kuwait run good chances to be in. This is however not a big concern for us at this point, it will happen in phases. To see companies being actually added may stretch to year 2019 or possibly beyond it.



Cityscape Global took place last week. There were many interesting projects, no doubt. Big deals were struck and the footfall was good. Overall, the vibe gave decent hints for how the supply curve will look like. Nonetheless, the beauty of exhibited projects does not sway us from the fact that consumer's spending power is losing some steam. Buyers from countries like China and Russia could absorb some of the supply, but the focus should remain on domestic and GCC forces. Frankly speaking, layoffs, VAT, and the rising cost of bank borrowing set the tone for a weaker demand. Until we spot an initial recovery on the demand side, we continue to see more challenges lie ahead.

### EMAAR

It was interesting to see EMAAR missing a presence at the Cityscape. Anyhow, we prefer to dwell on the stock's recent outperformance. Well, *"the closer we get to November, the more attention will be driven towards Emaar"*. This is what we exactly wrote in one of our previous notes. The higher level of transparency Emaar has shown lately is quite impressive. Analysts now have more information to calibrate their valuation models. We, therefore, continue to believe that EMAAR's stock could still have another leg up. The opportunity though is obviously getting narrower. Said differently, the journey from 9.00 to higher levels could be rough.



### DANA GAS

Surrounded by legal uncertainties, DANA's stock will likely continue to be a bumpy rollercoaster ride. Based on media sources, investors in the USD700mn sukuk offered to settle a dispute over the validity of the securities ahead of a trial in London this week (18-19 Sep). Long story short, DANA rejected the offer, and will therefore stick to litigation. This could fuel speculative bets that DANA's confidence may pay off, but geopolitics rule. *An independence referendum is scheduled for 25 September for the Kurdistan region. We think this is a key driver to watch along with the hearing in the UK this week.*

We shot our investment update, upgrading our 12-mo fair value estimate to AED1.06. The upgrade came on the back of the recent KRG deal, which obviously forms a turning point for DANA's liquidity and solvency positions. However, before you consider trading this name, make sure that you can tolerate high volatility and possibly short-term pullbacks as it remains vulnerable to many headline and geopolitical risks.

### UNB and FAB

In this space, we were all about UNB in the month of July as we saw potential opportunities given its solid 2Q17 performance, very attractive price multiples and how it looked to have been overshot to the downside. When we look at UNB's chart now, it looks as though selling pressure on the name has finally eased up—setting the stage to test for near-term resistance at around 4.50–4.55 (the 38.2% retracement from the most recent peak of 5.20).

Meanwhile, we have just released our update on FAB, keeping an Overweight on the name and adjusting our 12-mo fair value estimate to AED12.03. We see the stock's fundamentals to remain strong despite the bank still mostly pre-occupied with the on-going integration. FAB is a name one cannot ignore given its increasing dominance in the regional banking space. In the short- to medium-term, share performance is likely to remain liquidity-driven.

But, *watch out for talks on potential dividends*. So far the bank's management has kept mum on how the payout will look like for 2017. As we watch the integration unfold, it looks like FAB has inherited most of the flavor of FGB. Then, it could very well be the case that FAB's dividend philosophy could be similar to FGB's too or at least, somewhere in the middle. Let's say 2017's payout would be somewhere in the middle. Then, this implies payout of 50% to 60% (highly probable, given FAB's strong CAR of >14%). Such a range of payout points to an implied yield of 5% to 6%. This is not bad at all vis-à-vis the current UAE banking average of 5.07%.

### The Way to Go!

Sentiments remain on tenterhooks. FOMC will meet this week with eyes wide open on the dot plot of members' expectations for interest rates. But we think the moving part will be the clues to unwinding Fed's balance sheet. Inflation figures in the UK and elsewhere continue to shake the currency markets.

Political noises continue to grow on both global and regional fronts.

*We therefore believe short-term trades are the way to go until the dust settles down.*



DFMGI broke below the floor of its upward-trending channel. Some margin calls could be the culprit. Thus, a positive recovery is expected.

However, even if the index quickly recovers, technically—testing the area between 3600–3580 remains likely in the short-term.

A gradual flight to quality is highly advisable as companies will soon enter the 3Q17 Earnings Season.

At the same time, start looking into income stocks as early as today. Heads up: banks usually take a lead on this.

Enjoy some event-driven trades this week. We will clue you in on other specific names in due course and their potential opportunities.



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**Make this week count!**



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