Dubai shares plunged, dragging the benchmark index down 20 percent from a peak in May and bringing an end to the biggest bull market since 2005.

The DFM General Index declined 4.3 percent to 4,296 at the close, entering a bear market after falling from a high on May 6. The drop was led by real-estate stocks including Arabtec Holding Co. (ARTC), which tumbled 9.9 percent after three people familiar with the matter said the company dismissed hundreds of staff, including several senior executives.

“There is confusion in the market and I call it Arabtec fever,” Wadah Al Taha, chief investment officer of Dubai-based Al Zarooni Group, said by telephone. “It’s contagious and affecting every single share in the market.”

Shares in Dubai have soared since January 2012 amid a real-estate recovery and boom in trade and tourism in the Middle East business hub. The United Arab Emirates’ central bank said June 8 there are signs the property market is overheating, fueling the stock declines.

Emaar Properties PJSC (EMAAR), developer of the world’s tallest tower and the company with the biggest weighting on Dubai’s gauge, fell 4.9 percent to 8.80 dirhams. Deyaar Development lost 7.8 percent to 1.07 dirhams.

CEO Resignation

Arabtec, which has the fifth-highest weighting on Dubai’s index, plunged 48 percent so far this month as Abu Dhabi state-run Aabar Investments PJSC cut its stake to 18.85 percent as of June 11 from 21.57 percent, stoking speculation the builder was losing government backing. The company’s Chief Executive Officer Hasan Ismaik resigned last week.

Under Ismaik’s 15-month leadership, Arabtec aimed to become a top-10 global contractor, expanding into areas including oil and gas and infrastructure. Shares in the largest listed construction company in the U.A.E. gained 261 percent this year to a peak on May 14.

“One stock, which had reached unacceptable levels, has been dragging down the rest of the index,” Rami Sidani, who oversees the $343 million Schroders International Selection Fund, said by phone from Dubai today.

Even after this month’s drop, Dubai’s index remains the world’s top performer in dollar terms among...
more than 90 tracked by Bloomberg. The gauge is valued at 1.7 times net assets, a 10 percent premium over the MSCI Emerging Markets Index. It’s traded at an average discount of 39 percent during the past three years, data compiled by Bloomberg show.

The DFM General Index’s 14-day relative strength index has dropped to 33. (DFMGI) A level below 30 typically indicates to analysts the stocks are oversold and are poised for a rebound.

**IMF Warning**

Dubai’s index has dropped an average 34 percent during 11 previous bear markets, according to data compiled by Bloomberg. The retreats have lasted 139 calendar days on average, versus 48 days for the current selloff.

The U.A.E.’s real-estate market may attract further speculative demand, spurring the risk of “unsustainable price dynamics and an eventual correction,” the International Monetary Fund said in an e-mailed report dated May 27. The country’s central bank on June 8 said rental yields in Dubai and Abu Dhabi had fallen below historical averages as real estate prices rose, indicating the market may be imbalanced.

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