



PRIMETime

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Rejoice but Beware of Complacency

1. TODAY'S TRADING PLAYBOOK

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KEY THEMES

EGX 30 index is likely to react positively to **COMI**'s Q2 results just released over night. However, investors need to be wary of becoming too complacent as Q2 earnings continue to be released by Egyptian companies. One good set of results (albeit better than expected) should not be propagated across all EGX-listed stocks. We believe investors should consider each sector's and each company's earnings separately.

POSITIVE

Moving along with the Q2 earnings season, **COMI**'s results came as what we consider a positive surprise to market consensus. The results may come as a reassurance to the market of Egyptian banks' ability to weather the tough economic givens without jeopardizing too much growth. By end of Q2 2020, COMI's CAR jumped to almost 30% with growth in net loans coming sequentially at 4%. The NPL ratio hardly moved, fueling hopes that the strong provisions build-up that will have taken place in H1 2020 are likely to be reversed come end of 2020. With COMI's results coming better than expected and the stock trading at 1.85x book equity, we see room for stock to go back to EGP70 (i.e. 2x book equity) – still low compared to its historical P/B profile.

NEGATIVE

Yesterday, **EGTS** revealed what it called a "material mistake" in a previous disclosure that had investors pencil in 12 July as the date for the next court hearing concerning its dispute with the Tourism Development Authority over a 20mn sqm land on the Red Sea. It turns out that the court hearing is not due until two months later, specifically 12 September. We see this as a negative for the stock performance as the market was hoping for a final resolution to the dispute which could unlock value.

Now, on to the top news and analysis for the day.

2. TOP NEWS & ANALYSIS

MACRO NEWS

The latest round of talks to resolve the dispute surrounding the Grand Ethiopian Renaissance Dam (GERD) has ended without a breakthrough. ([Cabinet release](#))

Investment funds and international institutions pumped new investments worth USD3bn into the Egyptian market in one month, banking sources told *Egypt Today*, detailing that around USD1bn of investments has flowed in over the past two days alone. The U.S. dollar exchange rate slid against the Egyptian pound at seven local banks on Monday. As foreign investments in the local debt market continue to rebound, the pressures on EGP are expected to ease further. ([Egypt Today](#), [Zawya](#))

Egypt will no longer license gasoline-powered cars unless a natural gas fuel system is also installed. The Ministry of Trade & Industry drew up a plan facilitating the conversion to natural gas-powered cars, which costs between EGP8,000-12,000. To be eligible, new cars to be converted to natural gas will have to be locally assembled and meet a minimum percentage of local manufacturing as determined by the ministry. Meanwhile, **friendly tax code and interest-friendly financing measures will be rolled out.** The decision includes the conversion of all types of vehicles. Until now, the ministry identified for the initiative c.1.8mn cars with a total value of EGP320bn. (Al-Ahram: [1](#), [2](#))

The CBE answered Egyptian banks' inquiries concerning the delay of clients' installments for 6 months started from March 2020. We note that restructuring clients' installments will be based on their ability, will include all the local and foreign loans, and will be applied only on lending facilities granted before 15 March 2020. ([CBE](#))

CORPORATE NEWS

Commercial International Bank - Egypt's [COMI] Q2 2020 consolidated net profit after minority interest grew to EGP2.6bn (+8.4% q/q) as a result of lower provisions build-up (-18% q/q). Meanwhile, NII rose marginally to EGP6.3bn (+1.4% q/q). ([Financial statement](#))

Arab African International Bank (AAIB) has purchased a 12.25% stake in Palm Hills Developments [PHDC] for EGP544.2mn. ([Company disclosure](#))

Misr Insurance sold its entire 2.16% stake in Egyptian Media Production City Co. [MPRC]. ([Company disclosure](#))

North Cairo Court has rescheduled the court hearing for the international arbitration case filed by Syrian Antrados against Porto Group Holding [PORT] from 12 July to 26 July. ([Company disclosure](#))

OCI NV for fertilizers and Abu Dhabi National Oil Company (ADNOC) announced reducing their production in Egypt in an effort to cut their losses due to the high natural gas prices, which may lead them to stop production, noting that gas costs exceed 70% of the production cost. ([Youm 7](#))

State-owned NI Capital's microfinance arm Tamweely Microfinance is planning to securitize up to 20% of its loans portfolio before end of year. ([Al-Mal](#))

The Egyptian Electricity Transmission Co. signed a contract with Madkour Group to establish El-Dabaa substation for EGP303mn. The 220/66/22 kv project will support the national electricity grid in the North Coast, replacing the current temporary substation. ([Mubasher](#))

Uber launched Uber Black in Cairo, which offers trips starting at Cairo International Airport, in cooperation with Abou Ghaly Motors. ([Ahram Online](#))

GLOBAL NEWS

The IMF has revised downwards its growth projections for the Middle East and Central Asia as economies were hurt worse than expected by the double blow of lower oil prices and the coronavirus crisis. The region will see real, or inflation-adjusted, GDP fall by 4.7% this year, two percentage points lower than IMF forecasts in April. ([Reuters](#))

Saudi Aramco will reduce its August-loading shipments of medium and heavy crude grades to at least six Asian buyers. This is the fourth month in a row the company is cutting shipments for heavier grades. ([Mubasher](#))

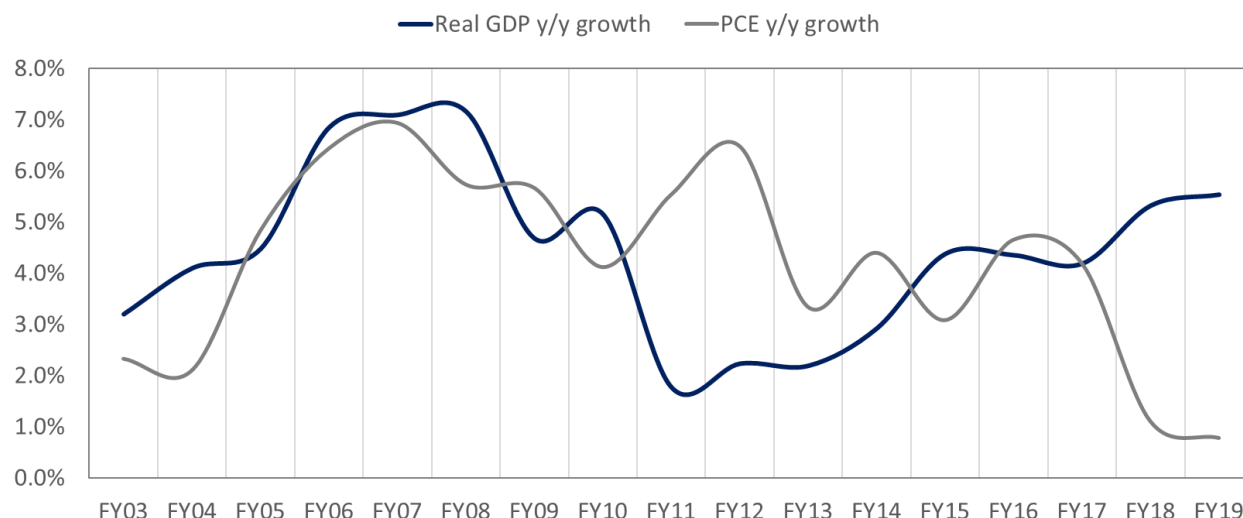
U.S. consumers are more optimistic that the worst of the economic crisis sparked by the coronavirus pandemic is behind them but are still concerned about their earnings and their ability to find new jobs if they become unemployed. ([Reuters](#))

Russian President Putin has delayed his flagship USD360bn national investment plan by six years as the coronavirus pandemic pitches Russia into recession and leaves a hole in the federal budget. ([Financial Time](#))

The U.S. federal government incurred the biggest monthly budget deficit in history in June (USD864bn vs. USD738bn in April) as spending on programs to combat the coronavirus recession exploded while millions of job losses cut into tax revenues. ([CNBC](#))

Oil prices were modestly lower on Monday as the market waits for direction from an OPEC meeting later this week that is expected to recommend an increase in output. ([CNBC](#))













3. CHART OF THE DAY



Source: Ministry of Planning, Prime Research.

Over the last 17 years, the Egyptian economy faced different episodes of economic slowdown but never entered a recession territory on an annual basis. Some of these episodes were externally driven (e.g. the Global Financial Crisis in 2008), but mostly they were domestic issues (e.g. the 2011 Revolution). However, the recovery was mostly aided by resilient private consumption expenditures (PCE), which helps keep the economy from falling and sometimes even boosts it. Nonetheless, in the last economic recovery following the EGP floatation, economic growth was spearheaded by external demand, while PCE slipped to unprecedented levels. The recovery from COVID-19 turmoil is heavily reliant on PCE, given the bumpy outlook for the external sector's rebound trajectory. Yet, consumption needs more government support to restore its position as a growth engine, given the rapidly deteriorating labor market conditions and uncertainties over the epidemiological situation.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
604.5					1,935.7 811.9				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	➔	EGX 30	11,007.85	(0.58%) (21.16%)		➔	Gold	1,802.76 0.23% 18.70%	
	➔	EGX 30 TR	4,166.42	(2.04%) (19.39%)		➔	Silver	19.08 1.90% 6.70%	
	➔	EGX 70 EWI	1,549.56	0.87% 22.29%		➔	Brent Oil	42.72 (1.20%) (32.96%)	
	➔	EGX 100 EWI	2,385.13	0.68% 9.18%		➔	WTI	40.10 (1.11%) (32.21%)	
	➔	DFMGI	2,067.74	(0.87%) (25.21%)		➔	Natural Gas	1.74 (3.66%) (21.38%)	
	➔	ADSMI	4,307.01	(0.21%) (15.26%)	EGP	➔	USD/EGP	15.96 (0.19%) (0.50%)	
	➔	TASI	7,412.21	(0.26%) (11.65%)	€	➔	EUR/USD	1.13 0.39% 1.17%	
	➔	QE Index	9,297.80	(0.42%) (10.82%)	£	➔	GBP/USD	1.26 (0.53%) (5.38%)	
	➔	S&P 500	3,155.22	(0.94%) (2.34%)	¥	➔	USD/IPY	107.29 0.34% (1.20%)	
	➔	Dow 30	26,085.80	0.04% (8.59%)		➔	6M TB yield	13.52 0 (149)	
	➔	NASDAQ	10,390.84	(2.13%) 15.81%		➔	1Y TB yield	13.61 0 (96)	
	➔	VIX	32.19	17.96% 133.60%		➔	10Y TB yield	14.43 33 73	
	➔	STOXX 50	3,350.00	1.63% (10.55%)		➔	2Y TB yield	0.13 (4) (144)	
EM	➔	MSCI Emerging	1,071.36	0.20% (3.88%)		➔	10Y TB yield	0.62 (3) (130)	
FM	➔	MSCI Frontier	485.80	0.51% (17.09%)		➔	30Y TB yield	1.31 (3) (108)	

* As of market close, except for commodities and currencies at 8.39am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

5. LATEST EGX VALUATION MULTIPLES

[Find out](#) how your favorite stocks compare to the rest of the market.

6. KEY DATES

DATE	TICKER	TYPE	EVENT
14-Jul-20	ZMID	Stock dividend	Distribution date for 100% stock dividend.
14-Jul-20	FERC	OGM	Discussing netting contracts.
14-Jul-20	ALEX	EGM	Discussing delisting and amending article No. 4 of the company's bylaws.
14-Jul-20	IRAX	OGM	Approving the financial statements ending 31 Dec. 2019.
14-Jul-20	IRAX	EGM	Amending articles No. 3, 4, 19, 20, 25, 39, 40, 42, 43, 45, 46, 47, 49, 51, 56 of the company's bylaws.
15-Jul-20	EEII	EGM	Approving splitting the par value per share and amending articles No. 4, 6 & 7 of the company's bylaws.
15-Jul-20	TMGH	Cash dividend	Distribution date for EGP0.044/share (2 nd installment).
15-Jul-20	AREH	Cash dividend	Record date for EGP0.50/share.
16-Jul-20	AREH	Cash dividend	Ex-dividend date for EGP0.50/share.
18-Jul-20	SMPP	OGM	Approving the financial statements ending 31 Dec. 2019.
18-Jul-20	SMPP	EGM	Amending article No. 4 of the company's bylaws.
18-Jul-20	EDBM	OGM	Approving the study of fair value to Egyptian Co. for Construction Development-Lift Slab.
19-Jul-20	AJWA	OGM	Approving the financial statements ending 31 Dec. 2019.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
9-Jul-20	MACROView – Inflation driven by non-food baskets and unfavorable base effect
8-Jul-20	MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position
7-Jul-20	MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed-oil
25-Jun-20	EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition
10-Jun-20	MACROView – Lowest annual reading in five months, but monthly figures show no changes
8-Jun-20	Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices
8-Jun-20	MACROView – Solid buffers and moderate depreciation: The CBE’s recipe to deal with COVID-19
3-Jun-20	MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy
18-May-20	Abu Dhabi Islamic Bank [ADIB] – Q1 2020 Results
18-May-20	Al Baraka Bank Egypt [SAUD] – Q1 2020 Results
17-May-20	Credit Agricole Egypt [CIEB] – Q1 2020 Results
13-May-20	MACROView – Yesterday’s CBE conference call with Deputy Governor
11-May-20	MACROView– Acceleration in April driven by food prices – as expected
7-May-20	MACROView – Keeping head above water amid pandemic uncertainties
5-May-20	Commercial International Bank (CIB) - Egypt [COMI] – Q1 2020 Results

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