



PRIMETime

Wednesday, 15 July 2020 (9:29 AM)

Consumption to the Rescue

1. TODAY'S TRADING PLAYBOOK

Amr Hussein Elalfy CFA, Head of Research
AElalfy@egy.primegroup.org

KEY THEMES

Consumption is key to Egypt's economic growth, representing more than 80% of GDP historically. Thus, it makes sense that the Egyptian government along with the Central Bank of Egypt are now joining forces to stimulate private consumption via several initiatives. This has a dual positive impact. On one hand, it will support Egyptian citizens in maintaining their standards of living, especially when it comes to durable goods (such as cars and home appliances). On the other hand, these initiatives will also stimulate local manufacturing and consumer product sales.

POSITIVE

AUTO, MTIE, HRHO, RAYA, SRWA, AIH: We note six stocks that can benefit off this theme. First and foremost, **AUTO** (please see *Chart of the Day* below) could benefit off yet another national car replacement program, having succeeded in the *National Taxi Replacement Initiative* launched back in April 2009. Also, **MTIE** could benefit from new demand for consumer products as a result of the abovementioned initiatives. Its sales of electronic and electric appliances fell in Q1 2020 by one third to EGP1.44bn. Home appliances make up around 14% of MTIE's sales. On the financing front, **HRHO's** ValU and **RAYA's** Aman should eventually see such demand filter through to their consumer finance business. Also, **SRWA**, a leading car financing business, and **AIH's** Rawaj could yet be two other beneficiaries.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

An EGP2bn fund to stimulate consumption will have multiple goals, including providing the necessary financing to owners of old cars who need financing with simple interest rate approaching the zero and another segment for those wishing to obtain apartments for low-income people whom social housing conditions did not meet. The three-month initiative, which also includes discounts on selected consumer goods, will start from the end of July and aims to stimulate EGP100bn worth of consumer spending. The government will also create a dedicated online store that people can use to purchase products under the installment plans. ([Egypt Today, Enterprise](#))

The Egyptian government increased the social reform provision to EGP19.5bn and raised the number of *Takaful* and *Karama* program's beneficiaries to 100,000 in FY21. ([Zawya](#))

Egypt and Saudi Arabia are among the six countries participating in a multilateral fund for supporting infrastructure projects under the Belt and Road Initiative (BRI), a global development strategy adopted by the Chinese government in 2013 involving infrastructure development and investments in nearly 70 countries and international organizations. ([Zawya](#))

The Ministry of Electricity said that the total cost of implementing four power control centers in the electricity distribution networks is estimated at nearly EGP4.6bn. ([Egypt Today](#))

CORPORATE NEWS

Orascom Investment Holding [OIH] moved to the positive bottom-line sign in Q1 2020 with EGP43mn from a loss of EGP78mn last year same period. Lower operating revenues of EGP272mn in Q1 2020 (-15% y/y) were more than offset by higher interest income. ([Company disclosure](#))

Qalaa Holding's [CCAP] TAQA Arabia inaugurated its first NG fueling station as part of an EGP650mn plan to build out 50 stations with National Co. for Roads. TAQA plans to close out the year with 13 natural gas stations. ([Enterprise](#))

GB Auto [AUTO] revealed that most of the cars that the group is dealing with can be converted to work with gas, noting that it has been working with companies like Cargas and Gaztec to convert cars assembled at its facilities, especially *Hyundai Elantra* and *Chery Arrizo 5*. (Al-Mal)

Orascom Development Egypt [ORHD] said that demand for El-Gouna's contracted and reserved units rose 22.1% y/y during Q2 2020. ([Arab Finance](#))

A shareholder of Dice Sport & Casual Wear [DSCW] reduced his stake from 10% to 5% at a total value of EGP37mn. ([Company disclosure](#))

Hitachi ABB Power Grids - Egypt is looking to increase its exports to 50% of its output of electric transformers and high-voltage components in the coming years (vs. 15-20% currently). ([Mubasher](#))

GLOBAL NEWS

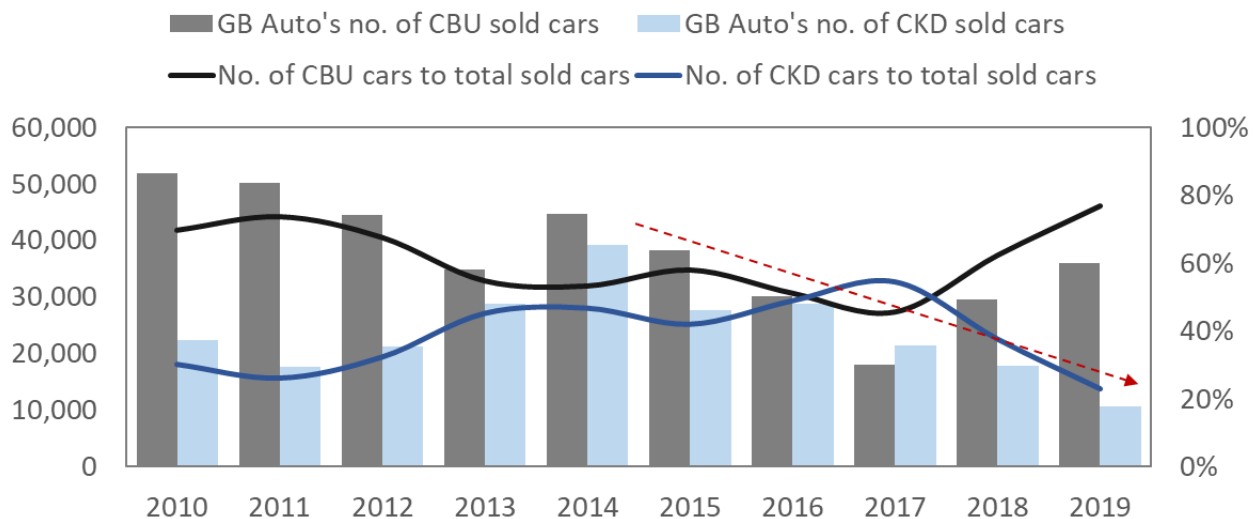
The U.S. economy will have a slower-than-expected recovery amid a surge in novel coronavirus cases across the country and a broad second wave of the disease could cause economic pain to deepen again. ([Reuters](#))

U.K. Prime Minister ordered Huawei equipment to be purged completely from Britain's 5G network by the end of 2027, risking the ire of China by signaling that the world's biggest telecoms equipment maker is not welcome in the West. ([Reuters](#))

China's economy likely returned to modest growth in the second quarter after a record contraction, as lockdown measures ended and policymakers announced more stimulus to combat the shock from the coronavirus crisis, according to a *Reuters* poll. ([Reuters](#))

Oil prices rose slightly on Tuesday as OPEC and its allies cut production by more than agreed to in June, although demand concerns lingered due to increased cases of COVID-19 in the United States. ([Reuters](#))

3. CHART OF THE DAY



Source: GB Auto.

In light of the Egypt's initiatives to stimulate consumption and drive a conversion to cleaner fuel sources, we could see a recovery in locally assembled car sales in the upcoming 4-6 years. They have suffered from fierce competition from imports, thanks to free trade agreements with the EU and Turkey. Recently, the Ministry of Trade & Industry has identified 240,000 old minibuses and 50,000 old taxis to be scrapped and replaced with new vehicles. **GB Auto** [AUTO] stands to benefit more from replacing taxis as opposed to minibuses due to their low contribution to the company's sales (c. 7% in the past ten years). Indeed, AUTO was one of the major beneficiaries of the *National Taxi Replacement Initiative* launched back in April 2009 and implemented in three phases. AUTO succeeded to grab a 37.6% market share during the first phase of the initiative in 2009 before reaching 89.3% in 2011, according to AUTO's presentation.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)				595.9	Equity turnover (EGPmn): Last, ytd avg.				877.6	812.2
				daily chg.	ytd chg.				daily chg.	ytd chg.
	➔	EGX 30	10,873.53	(1.22%)	(22.12%)		➔	Gold	1,809.36	0.37% 19.14%
	➔	EGX 30 TR	4,154.22	(0.29%)	(19.62%)		➔	Silver	19.22	0.74% 7.91%
	➔	EGX 70 EWI	1,520.35	(1.89%)	19.99%		➔	Brent Oil	42.90	0.42% (31.54%)
	➔	EGX 100 EWI	2,341.31	(1.84%)	7.18%		➔	WTI	40.29	0.47% (30.63%)
	➔	DFMGI	2,052.76	(0.72%)	(25.76%)		➔	Natural Gas	1.75	0.40% (19.60%)
	➔	ADSMI	4,287.82	(0.45%)	(15.63%)	EGP	➔	USD/EGP	15.97	0.07% (0.43%)
	➔	TASI	7,380.35	(0.43%)	(12.03%)	€	➔	EUR/USD	1.14	0.49% 1.71%
	➔	QE Index	9,319.40	0.23%	(10.61%)	£	➔	GBP/USD	1.26	(0.02%) (5.05%)
	➔	S&P 500	3,197.52	1.34%	(1.03%)	¥	➔	USD/IPY	107.24	(0.05%) (1.26%)
	➔	Dow 30	26,642.59	2.13%	(6.64%)		⇌	6M TB yield	13.52	0 (149)
	➔	NASDAQ	10,488.58	0.94%	16.90%		⇌	1Y TB yield	13.61	0 (96)
	➔	VIX	29.52	(8.29%)	114.22%		➔	10Y TB yield	14.43	33 73
	➔	STOXX 50	3,321.39	(0.85%)	(11.31%)		➔	2Y TB yield	0.17	4 (140)
EM	➔	MSCI Emerging	1,059.52	(1.11%)	(4.95%)		➔	10Y TB yield	0.63	1 (129)
FM	➔	MSCI Frontier	481.67	(0.85%)	(17.80%)		⇌	30Y TB yield	1.31	0 (108)

* As of market close, except for commodities and currencies at 8.26am 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
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 studying the fair value of Egyptian Co. for Construction Development-Lift Slab.
19-Jul-20	AJWA	OGM	Approving the financial statements ending 31 Dec. 2019.
19-Jul-20	AJWA	EGM	Amending article No. 4 of the company's bylaws.
19-Jul-20	MFPC	OGM	Considering discharging the representatives of Agrium Egyptian Holdings for their liability as MOPCO's board members.
19-Jul-20	SKPC	Cash dividend	Record date for EGP0.15/share (1st installment).
20-Jul-20	AREH	Cash dividend	Distribution date for EGP0.50/share.
22-Jul-20	SKPC	Cash dividend	Distribution date for EGP0.15/share (1st installment).

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
14-Jul-20	Commercial International Bank - [COMI] - Q2 2020 results
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

PRIME SECURITIES

Shawkat El Maraghy

Managing Director

Tel.: +202 3300 5622

SElmaraghy@egy.primegroup.org

SALES

Mohamed Ezzat

Head of Sales & Branches

Tel.: +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

Tel.: +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa, CFTe

Team Head – Institutional Desk

Tel.: +202 3300 5609

AAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

Tel.: +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

Tel.: +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

Tel.: +202 3300 5110

SRaslan@egy.primegroup.org

Mohamed El Henawy

Nasr City Branch Manager

Tel.: +202 3300 5166

MElhenawy@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

Tel.: +202 3300 5173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy, CFA

Head of Research

Tel.: +202 3300 5724

AElalfy@egy.primegroup.org

HEAD OFFICE

PRIME SECURITIES S.A.E.

Regulated by FRA License No. 179.

Member of the Egyptian Exchange.

2 Wadi Elnil St., Liberty Tower, 7th Fl.

Mohandessin, Giza

Egypt

Tel: +202 3300 5700/770/650/649

Fax: +202 3760 7543

BRANCHES

HELIOPOLIS

7 Elhegag Square

Heliopolis, Cairo

Egypt

Tel: +202 2777 0600

Fax: +202 2777 0604

NASR CITY

9 Elbatrawy St.

Nasr City, Cairo

Egypt

Tel: +202 3300 8160

Fax: +202 3305 4622

ALEXANDRIA

7 Albert Al Awal St.

Smouha, Alexandria

Egypt

Tel: +202 3300 8170

Fax: +202 3305 4622

DISCLAIMER

Information included in this report has no regard to specific investment objectives, financial situation, advices or particular needs of the report users whether they received them directly or through any research pool and other specialized websites. The report is published for information purposes only and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Unless specifically stated otherwise, all price information is only considered as indicator. No express or implied representation or guarantee is provided with respect to completeness, accuracy or reliability of information included in this report. Past performance is not necessarily an indication of future results. Fluctuation of foreign currency rates of exchange may adversely affect the value, price, or income of any products mentioned in this report. Information included in this report should not be regarded by report users as a substitute for the exercise of their own due diligence and analysis based on own assessment and judgment criteria. Any opinions given are subject to change without notice and may significantly differ or be contrary to opinions expressed by other Prime business areas as a result of using different assumptions and criteria. Prime Group is under no obligation responsible to update or keep current the information contained herein. Prime Group, its directors, officers, employees or clients may have or have had interests or long or short positions in the securities and/or currencies referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Prime Group, its related entities, directors, employees, and agents accept no liability whatsoever for any loss or damage of any kind arising from the use of all or part of these information included in this report whether it is received directly or through research pools and other specialized websites. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall, in no way, constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Furthermore, Prime Group or any of the group companies may have or have had a relationship with or may provide or have provided other services, within its objectives to the relevant companies.

Copyrights © 2020, Prime Group, ALL RIGHTS RESERVED. You are hereby notified that distribution and copying of this document is strictly prohibited without the prior approval of Prime Group.