



PRIMETime

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V for Volatility, Not V-Shaped Recovery

Amr Hussein Elalfy CFA, Head of Research

AElalfy@egy.primegroup.org

When there seems to be a disconnect between economic activity and stock market performance, it is usually because the stock market is voting on what comes next, not what happened lately or what is happening now. Yesterday was yet another exceptional day for the Egyptian stock market, with volatility (as we like to measure it using the daily range) rising above its ytd average for both **EGX 30** and **EGX 70 EWI**. Please look at our **Chart of the Day** below for the bigger picture. Economic indicators aside, investors became jittery midday yesterday over geopolitical concerns.

As illustrated in the table below, EGX 30 is still down 24% ytd, while EGX 70 EWI is up 15%. In 2020, both indices had their intraday peaks and troughs on 9 February and 19 March, respectively. The maximum drawdown for EGX 30 was -43% vs. -38% for EGX 70 EWI over 39 days. However, in the 118 days that followed (until yesterday), EGX 30 recovered by 31%, whereas EGX 70 EWI recovered by 82% (hence the ytd positive performance). So far into 2020, EGX 30's daily performance has been close to a flip of a coin, up half the time. On the other hand, EGX 70 EWI is up two-thirds of the time, albeit averaging a larger daily negative performance on its negative days. According to our calculation, higher volatility is not good for either index but is worse for EGX 30. On the days when volatility is above its ytd average, EGX 30 averaged -0.53% vs. only -0.27% for EGX 70 EWI. Nonetheless, EGX 70 EWI had mostly positive days, unlike EGX 30 which had mostly negative days.

That said, we think volatility is here to stay, so investors should be accustomed to it, deal with it, and benefit off it. Below, we list 19 stocks that we think should be in your portfolio at such times.

Index	EGX 30	EGX 70 EWI	Index	EGX 30	EGX 70 EWI
31-Dec-19	13,962	1,267	Peak before trough	14,137.22	1,283.04
15-Jul-20	10,617	1,462	Date reached	9-Feb-20	9-Feb-20
ytd performance	-24%	15%	Maximum drawdown	-43%	-38%
			No. of days to trough	39	39
No. of positive days	63	83	Recovery since trough	31%	82%
% positive days / total days	49%	64%	No. of days from trough	118	118
Average daily performance	1.30%	1.33%	Average daily change	-0.19%	0.14%
No. of negative days	66	46	Average daily range	0.91%	1.02%
% negative days / total days	51%	36%	No. of days above daily change	69	78
Average daily performance	-1.61%	-2.03%	No. of days above daily range	38	39
ytd high	14,137	1,578	When daily range is above average ...		
Date reached	9-Feb-20	13-Jul-20	Average daily performance	-0.53%	-0.27%
ytd low	8,114	801	No. of days positive	17	21
Date reached	19-Mar-20	19-Mar-20	No. of days negative	21	18

Source: Investing.com, Prime Research.

1. TODAY'S TRADING PLAYBOOK

Amr Hussein Elalfy CFA, Head of Research

AElalfy@egy.primegroup.org

KEY THEMES

At times of heightened volatility that turns out to be irrational, we think it is best to hold your horses until the wave fades away. Here you are 19 stocks that we like by sector:

Banks: **CANA, EXPA, COMI.**

Consumer Discretionary: **AUTO, CIRA, ORWE, MTIE, MHOT.**

Consumer Staples: **EAST, OLF.**

Energy & Utilities: **EKHO.**

Health Care: **CLHO, ISPH.**

Industrials: **SWDY.**

Materials: **MICH.**

NBFI: **HRHO.**

Real Estate: **MNHD, OCDI.**

Telecom: **ETEL.**

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

The Egyptian government expected a GDP growth ranging from 3.7-3.8% by end of FY20. ([Zawya](#))

After severely downgraded projections since mid-March 2020, our estimates suggest GDP should grow by 3.8% in FY20 and 3.3% in FY21, driven by a plunge in the contribution of private consumption expenditures (PCE) and exports.

Foreign holdings of Egyptian sovereign debt stood at USD7bn by the end of last May, falling only slightly from USD7.4mn in April. ([CBE](#))

The African Bank for Export and Import (Africaxim Bank), revealed that it had disbursed about USD3.55bn to CBE as part of its plan to help institutions mitigate the effects of COVID-19. ([Al Mal](#))

The Automobile Dealers Association said that converting luxury brand models to work with natural gas threatens their exit from international warranty services provided by international companies, especially cars manufactured to the Euro 6 standards. In a separate release, Al AMAL co. announced that it managed to supply 200 gas-powered cars during H1 2020. ([Al Mal](#))

CORPORATE NEWS

Arabia Investments Holding [AIH] agreed to restructure its subsidiary Cairo for Developments & Cars Manufacturing. AIH is setting a plan to market and sell its subsidiary at fair value. Meanwhile, the board approved debt settlement with **Suez Canal Bank [CANA]**. ([Mubasher](#))

Cairo for Investment & Real Estate Development's [CIRA] net profit surged 32% y/y to EGP330mn in 9M 2019/20, as revenues jumped 54% y/y to EGP992mn (Higher-Ed's pupil-teacher ratio "PTR" of 16.3 vs. 12.9 last year and K-12-Ed's PTR of 11.2 vs. 11.5 last year), exceeding the 2018/19 full-year revenue figure by a good 41%. This puts CIRA on track to surpass the EGP1bn mark by end of 2019/20 (end of August 2020). CIRA's being amongst the first to fully transition to an online workplace was key in lifting its performance. ([Company disclosure](#))

Arafa for Investment and Consultancies [AIVC] turned into losses in Q1 2019 to record a net loss of USD0.31mn vs a net profit of USD1.6mn year ago. Following the operating loss of USD1.2mn vs operating profit of USD0.41mn in the same period last year. ([Company disclosure](#))

El Gioshy steel postpones plans of annual capacity addition by 250,000 tons from currently 500,000 tons due to reasons that include the existing of tarries imposed on steel billets imports. (Al-Mal)

GLOBAL NEWS

U.S. businesses saw an uptick in activity into the beginning of July as states eased restrictions to contain the novel coronavirus pandemic, a Federal Reserve report showed on Wednesday, but many were uncertain about the economic outlook. ([Reuters](#))

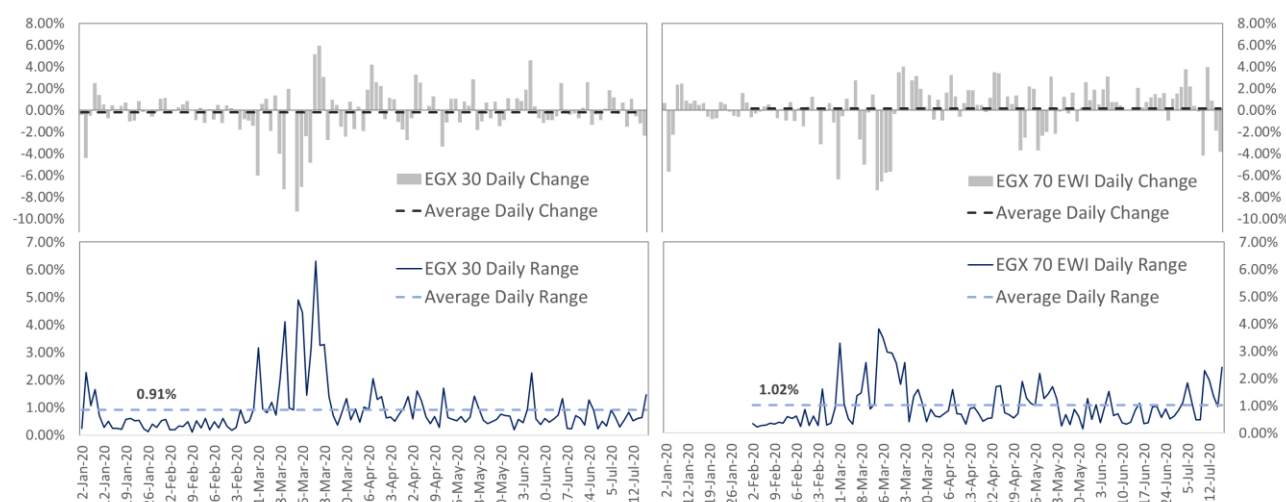
The U.S. Institute for Supply Management said on Wednesday it would launch a new Purchasing Managers' Index for hospitals next month to assess domestic hospital supply chains amid the COVID-19 pandemic. ([Reuters](#))

A failure by South Africa to lower public debt risks triggering credit downgrades deeper into sub-investment grade, Fitch said on Wednesday. ([Reuters](#))

Oil prices rose more than 2% on Wednesday, supported by a sharp drop in U.S. crude inventories, but further gains were limited with OPEC and its allies set to ease supply curbs from August as the global economy gradually recovers from the coronavirus pandemic. ([CNBC](#))

U.S. President Trump has signed an order to end preferential economic treatment for Hong Kong after China enacted a new security law there. ([BBC](#))

3. CHART OF THE DAY



Source: Investing.com, Prime Research.

The above four-in-one chart illustrates the performance of the market's two main indices, EGX 30 and EGX 70 EWI. EGX 30 exhibited a higher level of volatility (vis-à-vis EGX 70 EWI) during March 2020 in the midst of the COVID-19 panic. Later on, its volatility fell, while that of EGX 70 EWI increased, most notably in the past 2-3 weeks. However, yesterday proved to be important as volatility across both indices jumped above their ytd average daily range.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)				580.7	Equity turnover (EGPmn): Last, ytd avg.				1,542.7	817.7
			daily chg.	ytd chg.				daily chg.	ytd chg.	
	EGX 30	10,617.42	(2.36%)	(23.95%)		Gold	1,810.29	0.05%	19.03%	
	EGX 30 TR	4,020.73	(3.21%)	(22.21%)		Silver	19.42	1.04%	7.55%	
	EGX 70 EWI	1,461.79	(3.85%)	15.37%		Brent Oil	43.79	2.07%	(30.86%)	
	EGX 100 EWI	2,254.08	(3.73%)	3.18%		WTI	41.20	2.26%	(29.98%)	
	DFMGI	2,048.20	(0.22%)	(25.92%)		Natural Gas	1.78	1.83%	(18.68%)	
	ADSMI	4,221.11	(1.56%)	(16.12%)	EGP	USD/EGP	15.97	(0.01%)	(0.46%)	
	TASI	7,418.04	0.51%	(11.58%)	€	EUR/USD	1.14	0.11%	1.69%	
	QE Index	9,394.59	0.81%	(9.83%)	£	GBP/USD	1.26	0.27%	(5.36%)	
	S&P 500	3,226.56	0.91%	(0.13%)	¥	USD/JPY	106.94	(0.28%)	(1.54%)	
	Dow 30	26,870.10	0.85%	(5.85%)		6M TB yield	13.52	0	(149)	
	NASDAQ	10,550.49	0.59%	17.59%		1Y TB yield	13.61	0	(96)	
	VIX	27.76	(5.96%)	101.45%		10Y TB yield	14.43	33	73	
	STOXX 50	3,378.21	1.71%	(9.80%)		2Y TB yield	0.17	0	(140)	
EM	MSCI Emerging	1,066.29	0.64%	(4.34%)		10Y TB yield	0.63	0	(129)	
FM	MSCI Frontier	482.20	0.11%	(17.71%)		30Y TB yield	1.34	3	(105)	

* As of market close, except for commodities and currencies at 9.04am 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
16-Jul-20	AREH	Cash dividend	Ex-dividend date for EGP0.50/share.
16-Jul-20	UASG	BoD meeting	Discussing upgrades.
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 of Egyptian Co. for Construction Development-Lift Slab.
18-Jul-20	ALCN	BoD meeting	Discussing 2019/20 financial statements.
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 from their liability as MOPCO's board members.
19-Jul-20	SKPC	Cash dividend	Record date for EGP0.15/share (1 st 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 (1 st installment).
22-Jul-20	NHPS	EGM	Amending the terms of the reimbursement program for the sale of Le Meridien Heliopolis hotel.

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

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