



PRIMETime

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New Law. New Order.

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Egypt's Parliament officially approved the new draft law for the central bank and the banking system. Below, we outline the main new rules and delve a bit into which listed banks are impacted by the new minimum paid-in capital.

- The new law revokes the existing foreign ownership restrictions on banks' capital without being bound by a maximum set forth in any other law. (Article §73)

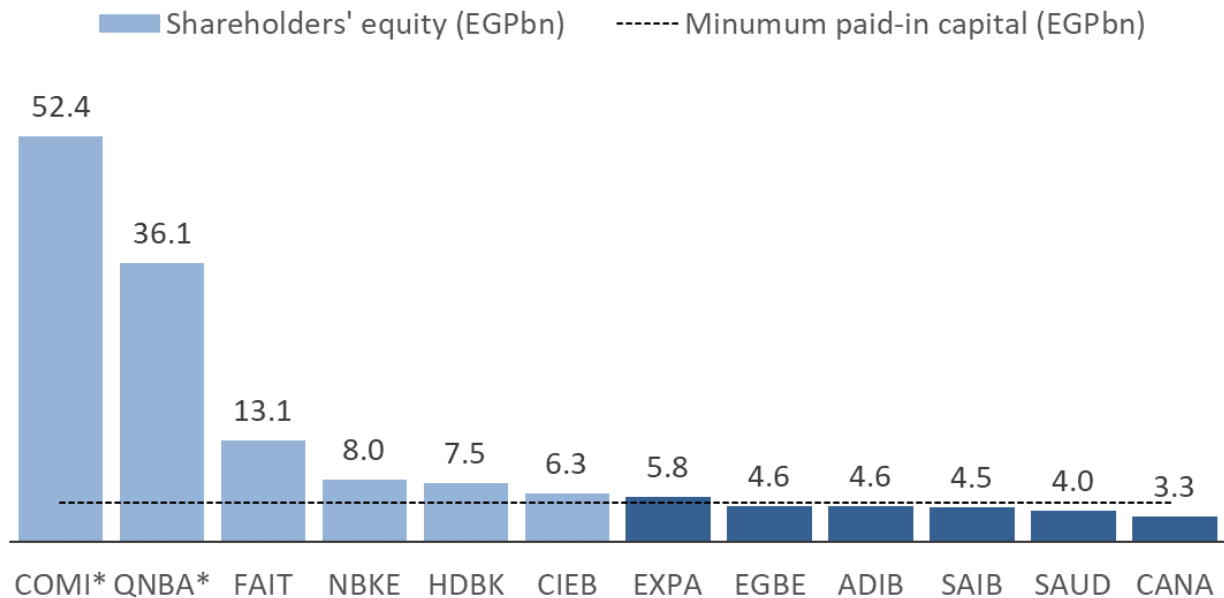
*This means the foreign ownership restriction on **EXPA** should be lift, pending further disclosure by the bank.*

- Establishing two funds for deposit insurance and banking sector development. The latter will be funded from 1% of banks' net attributable profits for the prior fiscal year, in addition to grants, gifts, donations, and aids approved by the Fund's Board of Directors. (Article §178)

This deduction will be applied on all EGX-listed banks as of 2020, except for EXPA of which fiscal year ends in June, hence effective 2020/21.

- The minimum paid-in capital for Egyptian banks has been raised to EGP5bn and for foreign banks' branches to USD150mn, in exclusion of specialized banks and digital banks. (Article §65)

On this account, ADIB, SAUD, and CANA still fall short of the minimum limit. On the other hand, we are still counting on ADIB's ability to fund this shortage through its solid retained earnings over the next three years. As for CANA, we believe the bank will continue to monetize its non-core assets and might entertain the idea of merging with another bank (we reckon SAIB would be a good fit with both having the same major shareholder, Arab International Bank).



* Based on June 2020 figures, otherwise based on March 2020 figures.

Source: Banks' financials.

- It is not permissible for any natural or legal entity to own more than 10% of the issued capital or voting rights of any bank or any percentage that leads to effective control of it except after obtaining the approval of the board of directors of the central bank. (Article §74)
- The private sector may own shares in fully state-owned banks without any limitations. (Article §138)

1. TODAY'S TRADING PLAYBOOK

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KEY THEMES

The new banking law will likely attract attention back to small-sized banks that will need to shore up some capital to meet the new EGP5bn minimum capital limit, mainly ADIB, CANA, and SAUD. Of the three, we continue to prefer **CANA**. Meanwhile, lifting foreign ownership limits will likely open the door for **EXPA**.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

The Parliament approved a new draft law for the central bank and banking system. ([Al-Mal](#)) The new draft law is outlined above in our story for today.

COVID-19 fallout continued to take its toll on fiscal headline indicators, as expected. The overall budget deficit widened to EGP389.1bn (6.5% of GDP) during 11M FY20, compared to EGP327.7bn (6.2% of GDP) in the same period a year ago. Primary surplus fell by 6% to EGP56bn (0.9% of GDP) from EGP59.5bn (1.1% of GDP). ([MoF](#))

Egypt disbursed EGP6bn worth of overdue export subsidies to 1,667 companies during FY20. ([Zawya](#))

The Ministry of Higher Education & Scientific Research signed a cooperation protocol to implement automated tests and applications of smart universities with the Ministry of Communications & IT. The five-year protocol also involves developing infrastructure and technological systems for a total cost of EGP4.7bn. ([Al-Mal](#))

Egypt's Ministry of Manpower is disbursing EGP7.5mn in exceptional aid to 7,621 irregular workers in Giza as from 19 July through 18 August. ([Mubasher](#))

EBRD is supporting Egypt's New Urban Communities Authority (NUCA) with EGP1.5bn (USD86.5mn) in its plans to diversify its funding sources by tapping the debt capital market. ([EBRD](#))

CORPORATE NEWS

Egypt allocated EGP7bn in its FY21 budget to pay off the arrears due to exporters since 2012. This amount compares to EGP6bn last year. Oriental Weavers Carpet [ORWE] will be the key beneficiary given that exports represent c.60% of its sales and its rebates backlog reached EGP458mn as of May 2020. ([Cabinet statement](#))

Heliopolis Housing & Development [HELI] and SODIC [OCDI] entered into negotiations on rescheduling the guaranteed minimum of the proceeds from the 655-acre development project in New Heliopolis City. ([Al-Mal](#))

CI Capital Holding's [CICH] newly-established consumer finance company Souhoola is targeting a portfolio of 2,000 merchants and a customer base of 35,000 by year end. Souhoola is expected to fully operate starting August 2020. ([Al-Mal](#))

Elsowedy Electric [SWDY] plans to establish an arm for constructing and upgrading subways and railways, cooperating with local and foreign companies. ([Al-Mal](#))

Target Real Estate Investment Co. sold its entire stake of 6.9% in Dice Sports & Casual Wear [DSCW] at a total value of EGP49mn. ([Al-Mal](#))

Amer Group [AMER] said that the head of the Cairo Court of Appeal rejected the request submitted by the group to put the executive terms for the arbitration ruling issued in favor of AMER and Amer Syria in the lawsuit filed by Intradus for Tourism Development and others. ([Hapi](#))

Eastern Co. [EAST] bought back 2,718 treasury shares on 23 April 2020. ([Company disclosure](#))

GLOBAL NEWS

European Union leaders appeared close to agreement on a massive stimulus plan for their coronavirus-blighted economies late on Monday after the chairman of their fractious four-day summit presented a new proposal to bridge gaps between them. ([Reuters](#))

The coronavirus pandemic, coupled with low oil prices, will lead GCC governments to increase their borrowings by a record-high of approximately USD100bn this year. The Gulf states' balance sheets will also continue to take a hit from the financial fallout up until 2023, with the deficits reaching about USD490bn cumulatively between 2020 and 2023, S&P Global Ratings said. ([Zawya](#))

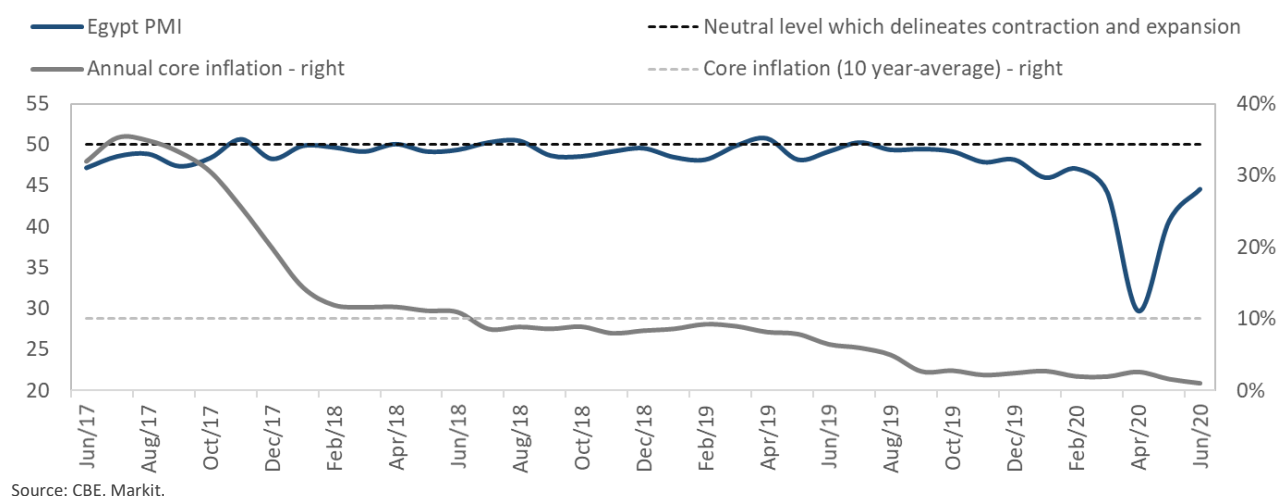
Starting this week, the Americans will get to see if Congress agrees on a second stimulus check for the next coronavirus relief package. ([CNBC](#))

Oil prices were little changed on Monday as coronavirus cases increased in many countries, though a flurry of announcements about a potential COVID-19 vaccine and ongoing talks over a European Union fund to revive economies hit by the pandemic curbed losses. ([CNBC](#))

Japan's government will start subsidizing some companies to invest in factories in Japan and South-East Asia as part of efforts to reduce reliance on manufacturing in China. ([Bloomberg](#))










































The USD dominance could amplify the impact of the COVID-19 crisis on EMs, according to a new study by the IMF titled "Dominant Currencies and External Adjustment". The dominance of the USD implies that the observed weakening of emerging and developing countries' currencies is unlikely to provide a material boost to their economies in the short term as the response of goods exports will be muted, while some sectors that would normally respond more to exchange rates—like tourism—are likely to be impaired by COVID-related containment measures and consumer behavior changes. ([IMF](#))

3. CHART OF THE DAY



The fallout of COVID-19 has created the supply-demand downward spiral. Supply and demand shocks translated through the labor market into a number of downward pressures on the rebound trajectory of pent-up consumption. Despite the process of reopening the economy that started last month, the havoc wrought by the novel virus is still a stone around the demand rebound's neck. Data from PMI suggest that weak demand is still a drag on private-sector activity in June. Moreover, the annual core inflation, as a proxy for demand-driven inflation, is still well below its historical long-term average.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.						
573.3					1,055.0 817.3						
daily chg. ytd chg.					daily chg. ytd chg.						
		EGX 30	10,380.45	0.97%	(25.65%)			Gold	1,817.77	0.41%	19.84%
		EGX 30 TR	4,005.37	1.97%	(22.50%)			Silver	19.91	3.01%	13.69%
		EGX 70 EWI	1,445.99	2.60%	14.12%			Brent Oil	43.28	0.32%	(30.96%)
		EGX 100 EWI	2,223.74	2.13%	1.79%			WTI	40.81	0.54%	(29.82%)
		DFMGI	2,064.96	0.17%	(25.31%)			Natural Gas	1.64	(4.48%)	(24.90%)
		ADSMI	4,238.51	(0.41%)	(16.58%)	EGP		USD/EGP	15.97	0.07%	(0.46%)
		TASI	7,377.36	(0.62%)	(12.06%)	€		EUR/USD	1.14	0.18%	2.05%
		QE Index	9,371.73	0.59%	(10.11%)	£		GBP/USD	1.27	0.74%	(4.29%)
		S&P 500	3,251.84	0.84%	0.65%	¥		USD/JPY	107.27	0.23%	(1.19%)
		Dow 30	26,680.87	0.03%	(6.51%)			6M TB yield	13.38	(14)	(163)
		NASDAQ	10,767.09	2.51%	20.00%			1Y TB yield	13.49	(12)	(108)
	VIX	24.46	(4.75%)	77.50%			10Y TB yield	14.43	33	73	
			STOXX 50	3,388.34	0.68%	(9.53%)			2Y TB yield	0.15	0
EM		MSCI Emerging	1,064.50	0.89%	(4.50%)			10Y TB yield	0.61	(1)	(130)
FM		MSCI Frontier	476.16	(0.96%)	(18.74%)			30Y TB yield	1.31	(1)	(108)

* As of market close, except for commodities and currencies at 8.21am 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
21-Jul-20	CIRA	Conference Call	Discussing Q3 2019/2020 results.
22-Jul-20	SKPC	Cash dividend	Distribution date for EGP0.15/share (1st installment).
22-Jul-20	NHPS	EGM	Amending the terms of the reimbursement program for the sale of Le Meridien Heliopolis hotel.
25-Jul-20	ELWA	OGM	Approving the financial statements ending 31 Dec. 2019.
25-Jul-20	ELWA	EGM	Approving splitting the par value per share and amending articles No. 4, 6 & 7 of the company's bylaws.
25-Jul-20	EALR	EGM	Approving articles of association for the Arab Co. for Land Reclamation.
26-Jul-20	ORWE	Cash dividend	Record date for EGP0.650/share.
26-Jul-20	MTIE	Stock dividend	Record date for 0.25:1.
26-Jul-20	ATLC	Stock dividend	Record date for 0.225:1.
26-Jul-20	OCPH	Cash dividend	Record date for EGP1.50/share.
26-Jul-20	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
27-Jul-20	OCPH	Cash dividend	Ex-dividend date for EGP1.50/share.
27-Jul-20	ATLC	Stock dividend	Distribution date for 0.225:1.

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

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