



PRIMETime

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Buy It Then Liquidity Will Come

1. Today's Trading Playbook

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KEY THEMES

Yesterday was one of the few days we have seen lately where institutional foreign investors ended the day net buyers (EGP16.8mn). Twenty-two stocks of the EGX 30 rose yesterday, including five of the 19 top picks we listed [last Thursday](#) advancing in excess of 2% apiece: **HRHO** (+4.4%), **OCDI** (+3.6%), **AUTO** (+2.4%), **COMI** (+2.4%), and **CIRA** (+2.3%). It seems the geopolitical risk concerning the situation in Libya and Ethiopia is subsiding, which is supporting the market.

POSITIVE

MPCI: [Our call two days ago](#) is paying off; the stock is up 12.9% so far (+15.7% at last price). MPCI is now at a two-year high. Please read *Talking Pharma* [here](#) to learn why we picked the stock of what was once a money-losing drug manufacturer. MPCI traded yesterday 91,538 shares (the highest in 13 trading sessions) worth EGP1.5mn. With a sub-EGP100mn market cap, MPCI is the smallest of all EGX-listed pharma stocks, making it a less likely candidate for institutional investors given its low liquidity, but could The Sovereign Fund of Egypt be interested as part of its health care fund? We believe all state-owned pharma stocks will be better off if merged into one larger entity. As for MPCI, if its June profitability proves sustainable, we could see higher liquidity over the coming period. But shareholders should not expect dividends just yet until its retained losses are extinguished (i.e. book equity was a negative EGP88mn as of 31 March 2020). MPCI is one of the few companies that reports a monthly P&L, so we'll look forward to July figures by late August.

NEUTRAL

RMDA: Another drug manufacturer was up yesterday after receiving a nod from the Egyptian Drug Authority to price two medicines used in COVID-19 protocol starting September (as detailed in the news below). Until there is visibility on the demand for the two drugs, it will be difficult to gauge the impact on RMDA's results.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's economic growth will slow to 3.1% in FY21 that began this month due to the coronavirus pandemic, a *Reuters* poll showed on Tuesday, down from 3.5% forecast in a similar poll three months ago. ([Reuters](#))

The European Bank for Reconstruction & Development (EBRD) ploughed EGP1.5bn (EUR86.5mn) into the latest EGP10bn bond issuance by El-Taamir, New Urban Communities Authority's (NUCA) special purpose securitization company, in support of the authority's plans to diversify funding sources. ([Egypt Today](#))

The New Urban Communities Authority has closed its three-tranche EGP10bn securitized bond issuance, the largest of its kind in Egypt. Proceeds are earmarked to finance development of new urban areas, including the New Administrative Capital and New El-Alamein. ([Al-Mal](#))

The International Islamic Trade Finance Corporation (ITFC) will disburse the last tranche of the USD200mn package aimed at financing Egypt's wheat imports. ([Mubasher](#))

The Minister of Finance said the law on delinquent taxes, which was recently approved by Parliament, will guarantee that 90% (70%, 50%) of late fees or additional tax dues will be forgiven, if the full sum is paid within the first 60 days (120 days, 180 days) since the enactment of the law. ([Egypt Today](#))

The Minister of Education capped tuition fees for private schools at 7% in the coming academic year. Meanwhile, universities are expected to transfer more of their curricula online over the next academic year. ([Akhbar El-Yom](#), [Al-Borsa](#))

CORPORATE NEWS

Rameda [RMDA] said the Egyptian Drug Authority (EDA) approved pricing two drugs that could be used in COVID-19 treatment: Anvirezam at EGP1,260 per 40-tablet pack and intravenous Remdesivir powder vials at EGP680/vial branded Remdesivir-Rameda. ([Company disclosure](#))

SODIC [OCDI] has awarded EGP1.2bn in contracts at its flagship SODIC East development to date since breaking ground on the project in 2018. ([Company release](#))

GB Auto's [AUTO] negotiations with the Ministry of Public Enterprise to produce alternative vehicles for the tuk-tuk three-wheelers in one of Al-Nasr hangars reached a deadlock. ([Al-Mal](#))

MM Group for Industry & International Trade [MTIE], the agent for Land Rover, Jaguar, Bentley and Maserati in Egypt, captured 94% of the total 464 sold vehicles during 5M 2020, dominating the luxury SUV market. ([Al-Mal](#))

Banque Misr, Egypt's second largest state-owned bank, upped its stake in CI Capital Holding [CICH] from 7.3% to 10.16% by buying 28.6mn shares worth EGP114.56mn. ([Company disclosure](#))

Saudi Egyptian Industrial Investment Co. sold EGP20.2mn worth of its shares in Arab Cotton Ginning Co. [ACGC], reducing its stake from 12.46% to 8.69%. ([Company disclosure](#))

Eastern Co. [EAST] bought back 4.03mn treasury shares on 20 July 2020. ([Company disclosure](#))

Zahraa Maadi Investment & Development [ZMID] sold an 898.75sqm land plot in a public auction on 20 July at EGP17,500/sqm with total amount of EGP15.7mn. ([Company release](#))

GLOBAL NEWS

A recent rush into inflation-protected U.S. Treasury bonds has sent yields to near historic lows, but not all investors are buying into the story of higher inflation ahead. ([Reuters](#))

Buyers of liquefied natural gas (LNG) from the U.S. continued scrapping September loadings due to weak global gas demand, but fewer cargos were canceled than for the two previous months, industry sources said on Tuesday. ([Reuters](#))

Judy Shelton and Christopher Waller gained important approval Tuesday from the Senate banking committee as nominees to the Federal Reserve's board of governors. Shelton has come under fire for her support of the gold standard and questions regarding Fed's political independence. ([CNBC](#))

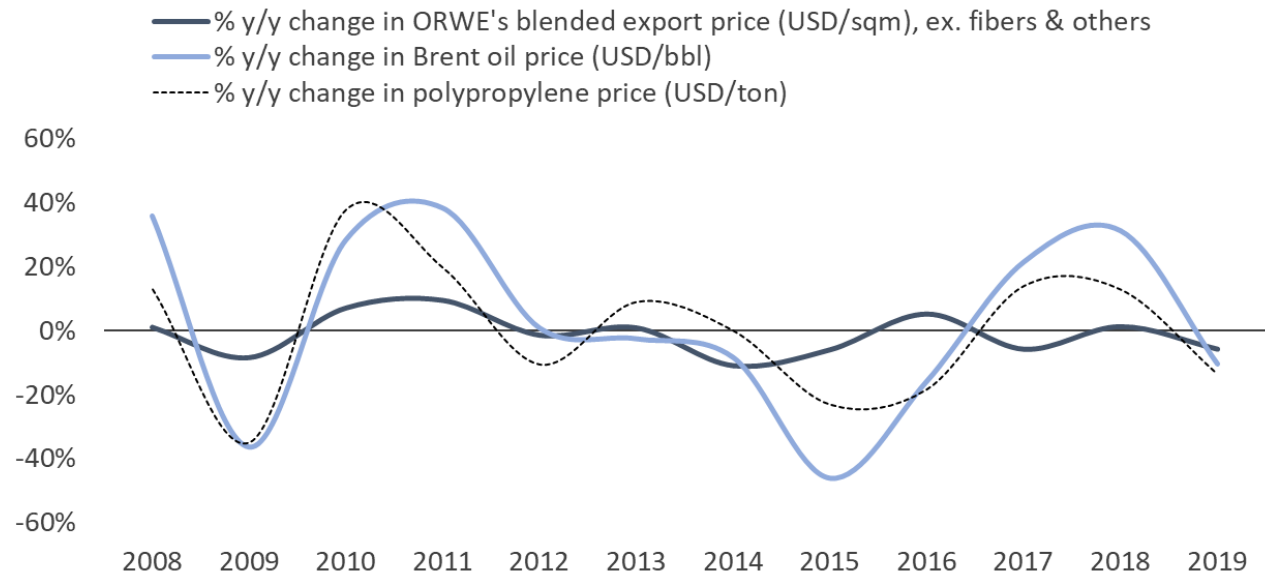
Japan's exports plunged at a double-digit pace for the fourth month in a row in June, backing signs the coronavirus crisis has knocked the economy into its worst post-war recession and raising the specter of a longer and more painful global downturn. ([Reuters](#))

Mexico's central bank will likely cut its interest rate by 50bps at its next monetary policy meeting in August and keep borrowing costs at 4.50% until the end of next year. ([Reuters](#))

3. CHART OF THE DAY

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Source: Company reports, Bloomberg.

Over the last duodecennial period (2007-2019), **Oriental Weavers Carpet's** [ORWE] export blended price (excluding the sales of fibers and other items) slipped from USD6.2/sqm in 2007 to USD5.2/sqm in 2019 (a 12-year CAGR of -1.4%), in line with the polypropylene price drop (a 12-year CAGR of -1.7% to USD1,103/ton by 2019) over the same period. This demonstrates the weak pricing power ORWE has had due to intensified global competition, particularly from China and Turkey. This has prevented ORWE from raising export prices even when PP prices rose in 2017 and 2018. Thus, weakening EM currencies and the downward pressure on Brent oil price (and PP in turn) are not likely to support higher export prices for ORWE in the near term.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
578.4					1,272.0 820.7				

* 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
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.
27-Jul-20	ORWE	Cash dividend	Ex-dividend date for EGP0.650/share.

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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