



PRIMETime

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Back in Action

1. Today's Trading Playbook

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KEY THEMES

Welcome back to those of you who have called it a vacation and decided to get back to the market in this 3-day week, the third short week in a row. Since it's just three days, we should not expect much action, save for any out-of-the-blue corporate event such as Q2 earnings or M&A rhetoric. The real action should start next week. On the macro front, July inflation numbers are due on 10 August, and the CBE will meet on 13 August to review policy rates. On the stock market front, MSCI is scheduled on the night of 12 August to announce its verdict on whether or not to remove Elsewedy Electric [SWDY] off its MSCI EM index and add EFG Hermes Holding [HRHO] instead. Meanwhile, we should expect EGX-listed companies to resume their Q2 earnings season which should officially be concluding by 15 August, but we know that a handful of companies usually snooze off well beyond the EGX deadline.

Last week, we wrapped up the first seven months of the year, which we can split into two parts: before 18 March and after 18 March, with 18 March the trough of both market's indices EGX 30 and EGX 70. Speaking of which, both indices' performance, which converged from the start of the year up until 18 March, diverged after 18 March with EGX 70 outperforming EGX 30 by a huge margin. In July alone, EGX 70 added 5.8%, while EGX 30 fell 1.5%. On a ytd basis, EGX 70 is now up 21%, while EGX 30 is down 24%. The top three sectors that exhibited the top positive performance were Telecom & IT, Health Care, and Education. Please check out Chart of the Day below for the ytd performance of all sectors.

POSITIVE

Having been punished since early May for its disappointing Q1 2020 results followed by market speculation of its imminent removal off MSCI EM, we believe SWDY is now poised to recover, to be helped in part by a potentially better Q2 set of results and the possibility — however minute — that it can remain part of Egypt's three stocks in MSCI EM (the other two being CIB [COMI] and

Eastern Co. [EAST]). Incidentally, these two other large cap stocks have underperformed the market since the start of the year, so we believe the upside from current levels makes for a plausible risk-return profile.

NEUTRAL

After the recent run-up in many small-cap stocks so far in 2020, we believe investors should take some of their profits off the table, especially of those stocks that are not supported by strong fundamentals.

NEGATIVE

Q1 2020 results reported by Al-Ezz Dekheila [IRAX] and Ezz Steel [ESRS] may pressure both companies' stocks in view of the wider losses reported.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's total budget deficit fell beyond expectations to 7.8% of GDP in FY20, down from 8.2% in FY19. The country achieved a primary surplus of 1.8% of GDP against the targeted 2%. ([Zawya](#)) The fiscal deficit came in below our expectations of 8.8% in FY20, while the primary surplus exceeded our forecast 1.1%.

Public investment in the current fiscal year is showing an unprecedented increase in various fields, in light of the government's attempts to cope with the economic fallout of COVID-19. ([MoF](#))

The Egyptian Tax Authority issued a decision (No. 386 of 2020) obliging top corporate taxpayers to issue electronic tax invoices for the goods or services they sell as of 15 November. ([Zawya](#))

The National Authority for Tunnels approved the technical offer submitted by Systra, "EGIS-ACE-ESG" consortium, and "Hill International and HJI Group" consortium, for the consultancy works in the New Administrative Capital and Sixth of October City Monorail project limited tender. ([Al-Borsa](#))

CORPORATE NEWS

Effective today, EGX has replaced five stocks in its EGX 30 index, removing ORAS, AMOC, EGTS, EGCH, and PORT and adding IRON, ORWE, EXPA, EFID, and BTFH. Meanwhile, EGX 70 saw nine stocks replaced. (EGX)

Al-Ezz Dekheila Steel [IRAX] incurred net losses after minority of EGP1.1bn in Q1 2020 against net losses of EGP611mn in Q1 2019. This came in light of (1) revenues slipping 14% y/y to EGP9.15bn, (2) COGS retreating yet at a slower pace of 12% y/y, resulting in gross profit of EGP51mn (i.e. GPM of 0.56% vs. GPM of 2.4% in Q1 2019), (3) SG&A expenses grew 34% y/y to

EGP343mn, (4) and higher borrowing costs of EGP863mn (+64% y/y) due to higher net debt balance. Outlook for IRAX is marred by weak market conditions, drastically weakening its top line, yet mismatched by a meaningful cost side improvement while managing a highly-leveraged balance sheet of elevated debt levels, adding pressures to net margins. ([Company disclosure](#))

Ezz Steel's [ESRS] unaudited Q1 2020 net losses after minority improved to EGP860mn against EGP1.1bn in the comparable quarter last year. Revenues slipped to EGP10.8bn (-14.5% y/y) and gross margin deteriorated to 0.7% against 2.4% a year earlier. Meanwhile, before minority losses widened to EGP1.35bn against EGP1.28bn a year earlier. ([Company disclosure](#))

Orascom Investment Holding [OIH] is planning to sell off its submarine cable in Pakistan as the company moves to exit its legacy investments in the telecom industry from when OIH was branded as Orascom Telecom Media & Technology. ([SkyNews Arabia](#))

Eastern Co. [EAST] decided to extend the deadline for completing the purchase of treasury shares for three months more, provided that the buyback totals 3% of the company's total outstanding shares. ([Company disclosure](#))

Nasr Co. for Civil Works' [NCCW] H1 2020 net income fell 38% y/y to EGP5.9mn as revenues were squeezed 13% lower y/y to EGP98.4mn by the COVID-19 induced market turmoil. Meanwhile, **Odin Investments [ODIN] is considering acquiring a controlling stake in NCCW,** which is 52.4% owned by Madinet Nasr Housing & Development [MNHD]. **ODIN's initial acquisition offer targets buying 90% of NCCW, maintaining its EGX listing.** (Company disclosure: [1](#), [2](#), [Al-Mal](#))

Oriental Weavers Carpet [ORWE] included about 22 of its branches in more than 15 governorates in the latest government's initiative that offers discounted prices and instalment payments at lower interest rates on locally-manufactured products in a bid to boost consumer spending. ([Amwal Al-Ghad](#))

Emaar Misr for Development [EMFD] obtained the Cabinet's approval on Wednesday to establish an investment zone at Uptown Cairo in Mokattam. The 64-feddan project is divided into two land plots; the first spans across 58 feddans and the second over six feddans. ([Arab Finance](#))

MM Group for Industry & International Trade's [MTIE] Q2 2020 net profit after minority retreated by 13% y/y to EGP103mn (-3% q/q; implying an LTM P/E ratio of 12.5x as of 29 July 2020), mainly on (1) higher SG&A of EGP95mn (+121% y/y) and (2) a net interest expense of EGP6.4mn vs. a net interest income of EGP1.4mn in Q2 2019. Despite the 14% decline in MTIE's revenues, gross profit improved by 21% y/y to EGP234mn (-7% q/q; GPM of 11.1% vs. 7.9% in Q2 2019). ([Company disclosure](#))

Edita Food Industries' [EFID] Q2 2020 net profit after minority plunged by 77% y/y to EGP11.2mn (NPM of 1.5% vs. 5.7% in Q2 2019) as gross profit fell 16% y/y to EGP245mn (GPM of 32% vs. 34% in Q2 2019) and net interest expense surged 228% y/y. ([Company disclosure](#))

Elwadi For International Investment & Development's [ELWA] Q2 2020 net profit slumped 66% y/y to EGP15mn, following a 63% y/y drop in gross profit to EGP0.88mn (GPM of 31% vs. 48% in Q1 2019). ([Company disclosure](#))

EFG Hermes Holding [HRHO] said Wednesday it advised on the sale of EGP805mn (c.USD50mn) worth of shares or 7% stake in Fawry [FWRY] in the secondary market. ([Mubasher](#))

Aman for Microfinance (a subsidiary of Raya Holding [RAYA]) along with Tasaheel Microfinance (part of GB Auto's [AUTO] GB Capital) and five other companies submitted a request to the FRA for a nano-finance license, marking a step to cover all society segments as part of financial inclusion. Pharos Holding had previously got the license and currently serving more than 2,000 customers. (Al-Mal)

United Arab Stevedoring [UASG] handled no quantities in May 2020 as revenues decreased by 23% y/y to EGP0.8mn during that month, while net losses widened by 17% y/y to EGP2.6mn. ([Company disclosure](#))

Adeptio completed the purchase of a 9.6% stake in Americana Egypt after a two-year dispute with minority shareholders over the company's valuation. ([Al-Mal](#))

Takeover negotiations between Adwia and UK-based Africa-focused private equity firm Development Partners International (DPI) collapsed after the two sides failed to agree on Adwia USD150mn valuation. ([Al-Mal](#))

GLOBAL NEWS

The U.S. economy, battered by a resurgence in the spread of COVID-19, needs increased government spending to tide over households and businesses and broader use of masks to better control the virus, U.S. central bankers said on Monday. ([Reuters](#))

U.S. construction spending fell to a one-year low in June, weighed down by declines in outlays on private and public construction projects. ([Reuters](#))

Eurozone manufacturing activity expanded modestly last month, its first growth since early 2019, and Asia's pain eased as the contraction slowed in export-reliant nations, adding to hopes the sector is emerging from the hit of the coronavirus pandemic. ([Reuters](#))

Remittances across the world could decline by USD108.6bn this year as job losses mount and employers trim payrolls amid a COVID-19 pandemic that has devastated economies, according to a report by the Asian Development Bank. ([Reuters](#))

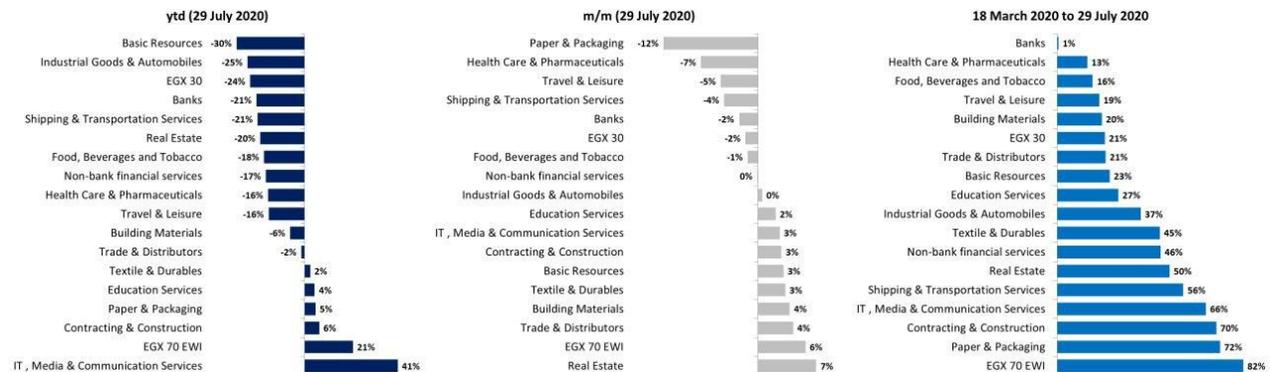
CORRECTION

In the *PRIMETime* report dated 29 July 2020, an announcement by **Cleopatra Hospital Co. [CLHO]** had been misquoted, which we have since corrected in the same [report](#), as follows:

Wasatch Frontier Emerging Small Countries Fund sold 2.02mn shares in Cleopatra Hospital Co. [CLHO] for EGP9.5mn, reducing its stake in CLHO from 0.47% to 0.34%. ([Company disclosure](#))

3. CHART OF THE DAY

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Source: EGX.

The m/m performance of the EGX sector indices showed a slight retracement in some of the sectors that were heavily punished on a ytd basis (e.g. basic resources and real estate). On the other hand, some of the sectors that rebounded strongly since the market's bottom on 18 March (e.g. packaging and contracting) have seen investors switch to a profit taking mode. Meanwhile, the performance of banks and defensives was broadly muted from an m/m perspective.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)		585.5		Equity turnover (EGPmn): Last, ytd avg.		1,054.5 826.0					
			daily chg.	ytd chg.		daily chg.	ytd chg.				
		EGX 30	10,599.46	0.29%	(24.08%)			Gold	1,976.98	0.06%	30.05%
		EGX 30 TR	4,084.11	0.74%	(20.98%)			Silver	24.30	(0.37%)	36.13%
		EGX 70 EWI	1,535.61	1.39%	21.19%			Brent Oil	44.15	1.45%	(30.35%)
		EGX 100 EWI	2,352.47	1.36%	7.69%			WTI	41.01	1.84%	(30.15%)
		DFMGI	2,065.32	0.71%	(25.30%)			Natural Gas	2.10	16.79%	(3.61%)
		ADSMI	4,324.14	0.45%	(14.60%)	EGP		USD/EGP	15.97	0.02%	(0.44%)
		TASI	7,459.21	0.05%	(11.09%)	€		EUR/USD	1.18	(0.14%)	4.98%
		QE Index	9,368.17	(0.04%)	(10.14%)	£		GBP/USD	1.31	(0.08%)	(1.37%)
		S&P 500	3,294.61	0.72%	1.98%	¥		USD/JPY	105.95	0.11%	(2.33%)
		Dow 30	26,664.40	0.89%	(6.57%)			6M TB yield	13.57	12	(144)
		NASDAQ	10,902.80	1.47%	21.51%			1Y TB yield	13.69	10	(88)
		VIX	24.28	(0.74%)	76.20%			10Y TB yield	14.48	5	78
		STOXX 50	3,248.28	2.33%	(13.27%)			2Y TB yield	0.14	0	(143)
EM		MSCI Emerging	1,077.87	(0.10%)	(3.30%)			10Y TB yield	0.58	(1)	(134)
FM		MSCI Frontier	474.28	(0.11%)	(19.06%)			30Y TB yield	1.24	2	(115)

* 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
5-Aug-20	ORAS	Cash dividend	Record date for EGP3.36/share.
5-Aug-20	SVCE	OGM	Approving the financial statements ending 31 Dec. 2019.
5-Aug-20	SVCE	EGM	Amending articles No. 4, 22 & 47 of the company's bylaws.
5-Aug-20	ECAP	Cash dividend	Record date for EGP0.225/share.
6-Aug-20	ORAS	Cash dividend	Ex-Dividend date for EGP3.36/share.
6-Aug-20	ECAP	Cash dividend	Ex-Dividend date for EGP0.225/share.
6-Aug-20	EGTS	OGM	Approving the financial statements ending 31 Dec. 2019.
9-Aug-20	MEPA	EGM	Approving splitting the par value per share and amending Articles No. 4, 6 & 7 of the company's bylaws.
9-Aug-20	NRPD	OGM	Approving the financial statements ending 31 Dec. 2019.
10-Aug-20	ECAP	Cash dividend	Distribution date for EGP0.225/share.
11-Aug-20	ACGC	OGM	Electing the new board members.
12-Aug-20	ORAS	Cash dividend	Distribution date for EGP3.36/share.
13-Aug-20		MPC Meeting	EGP interest rate decision.
15-Aug-20	ABUK	EGM	Amending Articles No. 4, 21 & 50 of the Company's bylaws.
16-Aug-20	AJWA	EGM	Amending Article No. 4 of the Company's bylaws.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
29-Jul-20	MACROView – CAD gains eroded by financial account vulnerability
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
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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