



PRIMETime

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Eventful Week, Yet Expect No Surprises

1. Today's Trading Playbook

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

KEY THEMES

It's a new week, so we urge you to take a look at [our EGX Valuation Multiples report](#) (updated daily) in case you didn't catch it before. FYI, the latest update is always there under Section #5 below.

Today, we start what should be an eventful week, yet we should not expect much surprises. **First**, by [tomorrow \(August 10\)](#), we should see how inflation fared in July. Our senior economist Mona Bedeir expects monthly inflation to be higher on the back of hikes in electricity prices effective in July and the pick-up in demand due to seasonality factors related to Eid Al-Adha and reopening the economy. She expects monthly inflation to range between 0.7-0.9% while annual inflation to range between 4.6-4.8%. **Second**, on August 11 and 12, we have the parliamentary elections for Egypt's Senate nationwide. Elections have already started for Egyptians living abroad today and runs until tomorrow. **Third**, by [the night of August 12](#), we should know for sure whether or not EFG Hermes Holding [**HRHO**] will replace Elsewedy Electric [**SWDY**] in MSCI Emerging Markets (EM) index, a move that the market has been pricing in over at least the past two months. **Fourth**, by [the evening of August 13](#), we will know whether the Central Bank of Egypt (CBE) will maintain its stable interest rate policy since mid-March when it surprisingly cut rates by 300bps. Our call is for a "no change" decision due to external vulnerability to capital outflows, a negative NFA position at commercial banks, and pressure on NIR as most FX revenues are still battered by the COVID-19 turmoil, according to Mona.

In other words, we do not expect the market to be impacted to a great extent by any of the above-mentioned four events. This leaves only company-specific events and Q2 earnings report as the main market moving catalyst. We have Domty [**DOMT**] and Ibnsina Pharma [**ISPH**], one of our top picks, reporting results on 12 and 13 August. We also have Telecom Egypt [**ETEL**], incidentally another top pick, reporting its Q2 results on Thursday.

POSITIVE

ETEL: Our call on ETEL had nothing to do with its Vodafone Egypt stake “sale/no sale” decision. We simply believe the stock is deeply undervalued despite the company’s profitability and the huge potential it has to grow further. Just consider this: ETEL is now worth EGP22.2bn, only EGP7.5bn above Fawry’s [FWRY] EGP14.7bn market cap. With 707mn shares, FWRY needs to cross EGP31 a share to be as valuable as ETEL’s 1,707mn shares. Now, can ETEL offer FWRY’s services throughout its vast nationwide network? We think it can, but the question is will it do it? ETEL is yet to jump on the fintech bandwagon, but if it does, its valuation will be totally different — higher of course. ETEL trades at 6.8x P/E and c.40% below book equity.

COMI, EAST: The SWDY/HRHO debate aside, we believe the other two EGX stocks in MSCI EM warrant a closer look, namely CIB [COMI] (9.1x P/E and 1.8x P/BV) and Eastern Co. [EAST] (7.6x P/E). Down 23% apiece, both stocks are undervalued in our view.

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

2. TOP NEWS & ANALYSIS**MACRO NEWS**

Egypt's net foreign reserves rose slightly to USD38.3bn in July from USD38.2bn in June. ([CBE](#)) We will publish our NIR monthly coverage later on today.

JP Morgan said Egypt was the only country in the Middle East and Africa to retain the confidence of Standard & Poor’s, Moody’s, and Fitch Ratings. ([Zawya](#))

Egypt and Greece signed an agreement on Thursday designating an exclusive economic zone in the eastern Mediterranean between the two countries, an area containing promising oil and gas reserves, the Egyptian Ministry of Foreign Affairs said. ([Zawya](#))

The Central Bank of Egypt decided to allow domestic banks to own shares in payment service and electronic payment companies without a maximum limit. ([Al-Mal](#)) This step opens the door as wide as possible for domestic banks to benefit from the growth in such companies, while including a large segment of clients under the banking sector umbrella. As such, e-payment companies could be targeted by several banks pursuing fintech exposure. Amongst these is Fawry [FWRY], which already has National Bank of Egypt and Banque Misr as minority shareholders and have partially sold some of their stake late July. On the other hand, NBE was in talks to acquire a stake in Aman Holding, a subsidiary of Raya Holding [RAYA]. Also, we note that MM Group [MTIE] has a stake in Masary, another e-payment platform. Thus, we could see further consolidation within this space in the coming period.

The European Bank for Reconstruction & Development (EBRD) mulls approving a USD15mn long-term loan in October 2020 to help finance a USD560mn, 500MW wind power plant in the Gulf of Suez. ([EBRD](#))

CORPORATE NEWS

A shareholder of Dice Sport & Casual Wear [DSCW], UAE national Mohamed Faraj Mohamed Masoud Al Mehairbi, raised his stake from 9.74% to 10.69% at a total value of EGP7.6mn.

([Company disclosure](#))

United Arab Stevedoring's [UASG] 2019/20 unaudited financial indicators showed a wider net loss of EGP25.5mn in 2019/20 vs. EGP22.7mn a year ago, following a 15% y/y decrease in revenues to EGP11.3mn. ([Company disclosure](#))

A consortium of Act Financial Private Equity and related entities Hassan Allam Properties and Concrete Plus has increased its combined stake to 11.4% in SODIC [OCDI], making it the second largest shareholder. (Al-Borsa)

Speed Medical [SPMD] aims to launch a number of new lab branches in the coming period, seven of which will be opened in August in Alexandria, with total investments of EGP12mn. (Al-Borsa)

Porto Group Holding's [PORT] board approved to provide Banque Misr with a joint guarantee for the group's subsidiary Porto 6 October for Tourism Development. ([Arab Finance](#))

Elwadi for International Investment & Development's [ELWA] BoD decided to sell off the 163,879 treasury shares the company had bought back in March 2020. The sale should take place between 6 August and 6 September 2020. ([Company disclosure](#))

Orange Egypt's [OREG] revenues reached EGP8.3bn in H1 2020, up from EGP7.8bn a year before.

OREG's mobile subscribers reached 27.6mn at the end of H1 2020, while the number of those subscribed to its fixed internet services reached 1.4mn. ([Al-Mal](#))

GLOBAL NEWS

U.S. employment growth slowed considerably in July, underscoring an urgent need for additional government aid as a resurgence of COVID-19 infections threatens to snuff out the nascent economic recovery. ([Reuters](#))

Turkey's central bank squeezed some credit channels and signaled on Friday it would do more backdoor policy tightening to arrest a record drop in the lira, as data showed Turks snapped up more foreign currencies than ever before. ([Reuters](#))

China's iron ore imports in July surged to a record (+24% y/y), driven by shipments from miners and resilient demand as the economy bounced back after disruptions from the coronavirus pandemic. ([Reuters](#))

China's dollar-denominated exports rose 7.2% y/y in July, while dollar-denominated imports fell 1.4% in that same month, posting a trade surplus of USD62.3bn in July (+34% m/m). ([CNBC](#))

3. CHART OF THE DAY










































Mohamed Khedr CFTe, MFTA, Senior Technical Analyst
MKhedr@egy.primegroup.org



The chart above shows the monthly bar chart of Egypt Aluminum [EGAL] in the top panel and its correlation coefficient vs. aluminum [MALTRC1] in the bottom panel. Our key takeaways from the chart are:

- (1) The correlation coefficient has been positive since 2013 until today.
- (2) The correlation coefficient exceeded the 0.90 threshold (close to perfect correlation) two times since 2013.
- (3) The current correlation coefficient stands at 0.9034, indicating the current strong correlation between EGAL and aluminum.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
597.0						1,234.9 834.0					
daily chg. ytd chg.						daily chg. ytd chg.					
		EGX 30	10,817.29	1.06%	(22.52%)			Gold	2,035.55	(1.36%)	34.16%
		EGX 30 TR	4,132.56	0.93%	(20.04%)			Silver	28.30	(2.15%)	58.53%
		EGX 70 EWI	1,588.05	0.57%	25.33%			Brent Oil	44.40	(1.53%)	(29.45%)
		EGX 100 EWI	2,436.78	0.63%	11.55%			WTI	41.22	(1.74%)	(29.31%)
		DFMGI	2,107.64	1.36%	(23.77%)			Natural Gas	2.24	3.37%	2.24%
		ADSMI	4,359.59	1.25%	(14.02%)	EGP		USD/EGP	15.97	0.12%	(0.43%)
		TASI	7,499.97	0.40%	(10.60%)	€		EUR/USD	1.18	(0.76%)	5.12%
		QE Index	9,411.83	0.96%	(9.86%)	£		GBP/USD	1.31	(0.69%)	(1.55%)
		S&P 500	3,351.28	0.06%	3.73%	¥		USD/JPY	105.92	0.35%	(2.48%)
		Dow 30	27,433.48	0.17%	(3.87%)			6M TB yield	13.65	8	(136)
		NASDAQ	11,010.98	(0.87%)	22.72%			1Y TB yield	13.79	10	(78)
		VIX	22.21	(1.94%)	61.18%			10Y TB yield	14.48	5	78
		STOXX 50	3,252.65	0.38%	(13.15%)		⇄	2Y TB yield	0.12	0	(145)
EM		MSCI Emerging	1,089.32	(1.56%)	(2.27%)			10Y TB yield	0.54	(2)	(138)
FM		MSCI Frontier	483.49	0.09%	(17.49%)			30Y TB yield	1.20	(3)	(119)

* As of market close, except for commodities and currencies at 8.52am 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
9-Aug-20	MEPA	EGM	Approving a stock split 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.
9-Aug-20	MPCO	BoD meeting	Discussing Q2 2020 results.
10-Aug-20	ECAP	Cash dividend	Distribution date for EGP0.225/share.
11-Aug-20	ACGC	OGM	Electing new board members.
12-Aug-20	ORAS	Cash dividend	Distribution date for EGP3.36/share.
12-Aug-20	DOMT	Conference call	Discussing Q2 2020 results.
12-Aug-20	ISPH	BoD meeting	Discussing Q2 2020 results.
13-Aug-20		MPC meeting	Deciding on EGP interest rate.
13-Aug-20	ETEL	Earnings Announcement	Announcing Q2-2020 earnings.
13-Aug-20	CICH	Conference Call	Discussing H1 2020 results.
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.
17-Aug-20	ROTO	Cash dividend	Distribution date for EGP0.375/share (2nd installment).

18-Aug-20	PHDC	OGM	Approving the decisions of the company's board of directors in its meeting held on 25/6/2020.
18-Aug-20	PHDC	EGM	Considering cancelling the international certificates of deposit program.
19-Aug-20		FOMC	Releasing the minutes of the last meeting.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
5-Aug-20	MACROView – Toward gradual recovery
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

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.

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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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