



PRIMETime

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Improving Risk Profile

1. Today's Trading Playbook

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KEY THEMES

We think the market is poised for another positive week. Last week, EGX 30 rose 2.0%, paring its ytd loss to 20%, while EGX 70 added yet another 2.6%, further extending its ytd gain to c.34%. In view of Egypt's resilience in the face of COVID-19 and the seemingly improved situation in Libya, we believe the geopolitical risk is somewhat alleviated. Hence, we believe the overall scene is conducive to the market extending its positive performance over the coming days. But it is large caps (e.g. EGX 30) that should drive the market, having been lagging behind so far into the year. This will be made possible as non-Arab foreigners are attracted back into the market.

POSITIVE

Large caps: Except for Telecom Egypt [ETEL], the following large caps are down for the year between 16-38%: CIB [COMI], Eastern Co. [EAST], and EFG Hermes Holding [HRHO]. We believe they would be amongst the first to benefit off revived interest of foreign investors. Elsewedy Electric [SWDY], meanwhile, which just reported this morning higher earnings q/q in Q2 2020, may continue to lag a bit until we see a y/y recovery.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Over 100,000 tourists have flown in to Egypt's Red Sea resorts of Hurghada and Sharm El-Sheikh since the resumption of international tourism to Egypt on 1 July. ([Zawya](#))

Europe's supranational development lender EBRD will provide a loan worth USD200mn (EGP3.18bn) to support five economies, including Egypt. ([Zawya](#))

Egypt's investments in the manufacturing industry for the FY21 plan are estimated at EGP80.6bn, as per the Minister of Planning. The manufacturing sector is the key driver of economic development, accounting for around 17% of GDP and employing around 15% of total labor force. ([Zawya](#))

All Arab countries' economies are expected to shrink, except for Egypt's which is projected to grow by 2% in 2020, the Arab Monetary Fund (AMF) said in its latest report on the Arab economic outlook. ([AMF](#))

Commercial banks have finished drawing up a list of large corporate clients most affected by COVID-19 at the request of the Central Bank of Egypt. This may followed by another extension of delay monthly instalments by banks. (CBE, [Al-Shorouk](#))

Egypt's Cabinet approved to exempt built-up properties, used in production and service activities related to hotels and other tourism businesses as well as the aviation industry, from real estate tax for a period of 9 months starting from the beginning of April 2020. ([Cabinet disclosure](#))

CORPORATE NEWS

Elsewedy Electric's [SWDY] Q2 2020 net income almost halved to EGP514.2mn (-45% y/y, but +28% q/q). This was the result of a 9.6% y/y decrease in revenues to EGP9.34bn across all segments, except for the turnkey projects and renewables, and a y/y narrower gross profit margin of 12% (-5.5ppt). (Company disclosures: [1](#), [2](#))

The General Authority of Health Care, in cooperation with Cleopatra Hospital Co. [CLHO] and El-Balto Medical Services Co., launched an initiative known as *Ettamen* ("rest assured" in Arabic), aiming to provide remote medical services to patients enrolled in the new Universal Health Insurance system. ([Al-Masry Al-Youm](#))

Oriental Weavers Carpet [ORWE] confirmed that it is on track to implement its USD8-10mn investment plan for 2020, as the company has already pumped some EGP146mn (c.USD9.2mn) during the period ending 30 June 2020. (Al-Mal)

CIB [COMI] has seen a 100% y/y increase in the number of internet and mobile banking transactions in July 2020 as customers flocked to digital banking services during the pandemic, CIB's deputy COO said. ([Daily News Egypt](#))

Amer Group [AMER] is closing in an agreement for a loan worth of EGP1bn with an unnamed local bank to finance construction works at projects in Ain El-Sokhna, Alexandria, and Port Said. ([Al Shorouk](#))

El-Nasr for Manufacturing Agricultural Crops' [ELNA] BoD approved an EGP650mn offer presented by Sohag Housing & Development for the 64,000 sqm land upon which the company's Sohag plant is built. ([Company disclosure](#))

Speed Medical [SPMD] invested EGP29mn during H1 2020, distributed on investments related to El-Obour hospital and medical laboratories that the company aims to open. This is compared to the EGP12mn invested in the same period last year. (Al-Mal)

Orange Egypt [OREG] signed a new cooperation protocol with public and private hospital operator and manager Prime Speed Medical and Misr El-Kheir Foundation to provide hospitals with rapid test kits, which have been approved by the U.S. Food & Drug Administration (FDA), to diagnose COVID-19 cases. ([Daily News](#))

GLOBAL NEWS

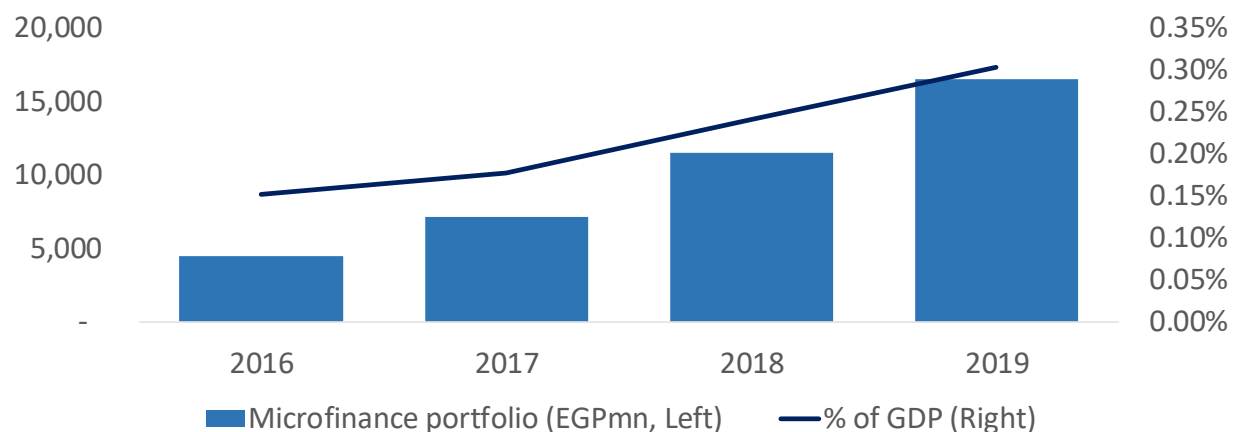
US business activity snapped back to the highest since early 2019 this month as companies in both the manufacturing and services sectors saw a resurgence in new orders even as new COVID-19 cases remain stubbornly high across the country, a purchasing managers' survey showed on Friday. ([Reuters](#))

The euro zone's economic recovery from its deepest downturn on record has stuttered this month, particularly in services, as the pent-up demand unleashed last month by the easing of coronavirus lockdowns dwindled, a survey showed on Friday. ([Reuters](#))

Fitch Ratings has revised the outlook on Turkey's long-term issuer default ratings (IDRs) to negative from stable and affirmed the IDRs at 'BB-'. ([Fitch ratings](#))

3. CHART OF THE DAY








































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Source: Prime Research, FRA, CBE.

Egypt's microfinance portfolio grew at a 3-year CAGR of 54% to EGP16.5bn by the end of 2019 (only 0.3% of GDP). Yet, we see huge growth potential for the segment that is believed to be a cornerstone of the economic and social wellbeing.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
616.6					1,274.3 865.3				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
		EGX 30	11,160.05	0.75% (20.07%)			Gold	1,940.48 (0.35%)	27.89%
		EGX 30 TR	4,277.42	0.78% (17.24%)			Silver	26.79 (1.68%)	50.07%
		EGX 70 EWI	1,692.88	1.60% 33.61%			Brent Oil	44.35 (1.22%)	(29.52%)
		EGX 100 EWI	2,571.86	1.66% 17.73%			WTI	42.34 (1.12%)	(27.39%)
		DFMGI	2,235.58	(0.50%) (19.14%)			Natural Gas	2.45 4.08%	11.83%
		ADSMI	4,542.96	0.94% (10.50%)	EGP		USD/EGP	15.93 (0.02%)	(0.68%)
		TASI	7,842.84	(0.13%) (6.51%)	€		EUR/USD	1.18 (0.53%)	5.21%
		QE Index	9,767.18	(0.47%) (6.31%)	£		GBP/USD	1.31 (0.94%)	(1.26%)
		S&P 500	3,397.16	0.34% 5.15%	¥	⇄	USD/JPY	105.80 0.00%	(2.59%)
		Dow 30	27,930.33	0.69% (2.13%)			6M TB yield	13.68 3	(133)
		NASDAQ	11,311.80	0.42% 26.07%			1Y TB yield	13.82 3	(75)
		VIX	22.54	(0.79%) 63.57%		⇄	10Y TB yield	14.58 0	88
		STOXX 50	3,259.75	(0.43%) (12.96%)			2Y TB yield	0.17 2	(140)
EM		MSCI Emerging	1,091.85	1.05% (2.05%)			10Y TB yield	0.64 (3)	(128)
FM	⇄	MSCI Frontier	497.67	0.00% (15.07%)			30Y TB yield	1.34 (6)	(105)

* As of market close, except for commodities and currencies at 8.42am 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
24-Aug-20	MFSC	OGM	Discussing 2019/20 financial statements and proposed dividend.
24-Aug-20	NCGC	EGM	Approving increasing issued capital and amending articles No. 4, 6 & 7 of the company's bylaws.
25-Aug-20	PORT	Stock dividend	Record date for a share dividend at a ratio of 0.166:1.
26-Aug-20	PORT	Stock dividend	Distribution date for a share dividend at a ratio of 0.166:1.
26-Aug-20	MIPH	EGM	Amending article No. 4 of the company's bylaws.
26-Aug-20	OBRI	Cash dividend	Record date for EGP0.300/share.
27-Aug-20	OBRI	Cash dividend	Ex-Dividend date for EGP0.300/share.
29-Aug-20	AALR	OGM	Board election.
29-Aug-20	WKOL	OGM	Board election.
29-Aug-20	MOIL	OGM	Board election.
31-Aug-20	LCSW	OGM	Approving the financial statements ending 31 Dec. 2019.
31-Aug-20	ZMID	Cash dividend	Distribution date for EGP0.25/share (2nd installment).
31-Aug-20	OBRI	Cash dividend	Distribution date for EGP0.300/share.
1-Sep-20	MENA	OGM	Approving the financial statements ending 31 Dec. 2019.
9-Sep-20	DAPH	OGM	Discussing netting contracts.
10-Sep-20	SPHT	EGM	Amending article No. 4, 6, 7 & 60 of the company's bylaws.
12-Sep-20	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
15/16-Sep-20		FOMC	Deciding on USD interest rate.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
13-Aug-20	Credit Agricole Egypt [CIEB] – Q2 2020 Results
10-Aug-20	MACROView – Muted inflation environment still dominates
9-Aug-20	MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed
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

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