



# PRIMETime

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## COVID-19's Winner and Loser

### 1. Today's Trading Playbook

Prime Research

[Research@egy.primegroup.org](mailto:Research@egy.primegroup.org)

#### KEY THEMES

President Abdel Fattah Al-Sisi discussed building the largest container handling station within the MENA region with a capacity of two million containers annually through Abu Quir Port. We note that Alexandria Container and Cargo Handling [ALCN] operates only within **Alexandria Port Authority (APA)** with a terminal in *Alexandria Port* and another in *El-Dekheila Port*. While a new port could pose a competition threat, we view the current challenges facing the ALCN business model as more severe (i.e. weak global trade, and stronger EGP). Hence we think this will be, for now, neutral on ACLN, given the unknown timeline of the project.

Meanwhile, Misr Chemical Industries' [MICH] [edited preliminary earnings for 2019/20](#) reached EGP64mn (-18% y/y), but we remind you that its 9M 2019/20 (ended 31 March 2020) bottom line was only EGP28mn. This implies that Q4 2019/20 bottom line recorded around EGP36mn (56% of full-year earnings). Also, MICH BoD on 27 August did announce that July 2020 bottom line came at EGP14.5mn, nearly matching June's 2020. MICH earnings in July 2019 were merely EGP0.465mn. Such stellar monthly performance promises strong 2020/21 bottom line figure, as the company enjoys a cut in electricity prices, as well as high demand for its product portfolio, especially chlorine and sodium hypochlorite. We expect GPM now is north of 40%, hence we expect MICH for the first three quarters of 2020/21 to depict a very high double digit earnings growth, given such a weak base in 2019/20.

#### POSITIVE

**MICH:** Expectations of a strong 9M 2020/21 given a weak base in 2019/20.

#### NEUTRAL

**ALCN:** Abuqir port news expected to be, for now, neutral on ACLN, given the unknown timeline of the project, and the already existing challenges facing the business.

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

## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**Urban headline inflation eased to 3.4% in August down from 4.2% in July. While Monthly average prices fell by 0.2% in August.** ([CAPMAS](#))

**Egypt on Wednesday announced the formation of a commodities exchange that will initially trade wheat, oils, sugar, and rice starting Q1 2021.** ([Zawya](#))

**The Ministry of Finance (MoF) approved urgent allocations of EGP7.5bn to several state-run bodies during August.** An amount of EGP4bn will be given to the General Authority for Supply Commodities (GASC) as part of the MoF's allocation, while USD139.9mn will be used to purchase 580,000 tonnes of imported wheat. ([MoF](#))

**The Egyptian cabinet approved a presidential bill for an EUR225mn agreement with the African Development Bank (AfDB) to finance the country's electricity and green growth support program.** ([Mubasher](#))

**Egypt's customer deposits jumped 201% to EGP4.68tn,** Central Bank of Egypt's (CBE) governor Tarek Amer said, adding that customers have received EGP724bn in interest income for 6mn families holding CDs worth EGP2.1tn since 2014. Amer said that a local currency saver will always get better returns than those saving in other currencies. He also revealed that the CBE's initiative to lend the private sector at an 8% interest rate will be doubling its financial support, at the request of the president, to a total of EGP200bn after the initial amount was exhausted. ([Al Borsa 1](#), [2](#))

**Egypt is still hammering out a new trade agreement with the UK as Britain braces for a hard exit from the European Union.** ([Al-Shorouk](#))

**Egypt's introduction of 20 new city developments and upgrading existing 23 cities is fueling demand on Egypt's real estate sector despite the impact of the covid-19,** Fitch Solutions said. ([Fitchratings](#))

### CORPORATE NEWS

**Cleopatra Hospital Co. [CLHO] signed a Business Transfer Agreement (BTA) to transfer the assets and operations of Bedaya for Medical Services, Egypt's leading Assisted Reproductive Technology (ART) and fertility center led by Dr.Ismail Aboul Foutouh, to a joint venture held for 60% by CLHO and the remaining 40% by Dr.Ismail Aboul Foutouh.** ([Company disclosure](#))

**Vodafone Group does not mind reviewing the value of Saudi Telecom co. (STC) deal,** noting that there is a preliminary agreement to revalue Vodafone Egypt Telecommunications [VODE] in light of the circumstances that have occurred in the global economy following the spread of COVID-19. ([Al-Mal](#))

**Norges Bank raised its stake in Juhayna Food Industries [JUFO] from 4.99% to 5.09%. ([Company disclosure](#))**

**Beltone Financial Holding [BTFH], CI Capital Holding [CICH], and EFG Hermes Holding [HRHO] will hold stakes in Egycomex.** The 3 along with the state-owned banks, NBE, Banque Misr and Agricultural Bank of Egypt, are reportedly going to own 49%. ([Enterprise](#))

**Local sugar manufacturers are preparing to raise their selling prices after the decision of extending the ban on importing sugar for a period of 3 months. (Al-Mal)**

## GLOBAL NEWS

**The outlook for Saudi Arabia's economy remains uncertain,** the kingdom's central bank governor said on Wednesday, as the oil exporter navigates the effects of low oil prices and the coronavirus pandemic. ([Reuters](#))

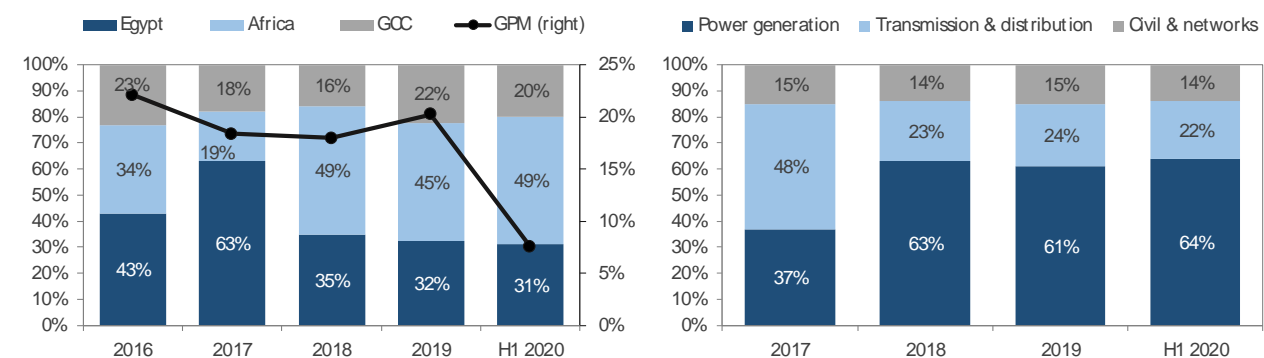
**Turkey can capitalize on the legacy of this year's global health crisis by putting a competitive lira at the heart of a new strategy to move toward a more export-focused economy,** according to Treasury and Finance Minister. ([Bloomberg](#))

**Some European Central Bank policymakers have become more confident in their forecasts for the region's economic recovery,** potentially reducing the need for more monetary stimulus this year, according to euro-area officials familiar with the discussions. ([Bloomberg](#))

## 3. CHART OF THE DAY

Dina Abdelbadie, Equity Analyst

[DAbdelbadie@egy.primegroup.org](mailto:DAbdelbadie@egy.primegroup.org)



Source: Company Reports.

**Seeking new opportunities:** Elsewedy Electric's [SWDY] turnkey segment, a cornerstone for revenues, generated EGP9.4bn in H1 2020 (47% of revenues, up from 31% in H1 2019). Despite the sharp decrease in the turnkey segment's gross profit margin to 8% in H1 2020 (down from 17% in H1 2019), we still like the geographical evolution that has been taking place recently in SWDY's backlog. Africa's portion of total backlog grew by a 3-year CAGR (2016-2019) of 71% vs. Egypt's 41%. The lion's share of the turnkey backlog comes from power generation projects at the expense of the transmission segment.

## 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						609.2		Equity turnover (EGPmn): Last, ytd avg.				1,076.6		907.7			
						daily chg.	ytd chg.							daily chg.	ytd chg.		
		EGX 30	10,929.89	(0.20%)	(21.71%)			Gold	1,946.84	0.77%	28.17%			Silver	26.98	1.16%	51.25%
		EGX 30 TR	4,182.76	(0.18%)	(19.07%)			Brent Oil	40.79	2.54%	(34.94%)		WTI	38.05	3.51%	(34.57%)	
		EGX 70 EWI	1,801.03	0.47%	42.14%			Natural Gas	2.41	0.25%	9.64%						
		EGX 100 EWI	2,661.00	0.26%	21.81%		EGP		USD/EGP	15.80	(0.04%)	(1.62%)					
		DFMGI	2,273.62	(0.63%)	(17.77%)		€		EUR/USD	1.18	0.21%	5.49%					
		ADSMI	4,508.82	(0.24%)	(10.93%)		£		GBP/USD	1.30	0.15%	(1.76%)					
		TASI	8,079.74	(0.12%)	(3.69%)		¥		USD/JPY	106.18	0.14%	(2.28%)					
		QE Index	9,712.73	(0.49%)	(6.84%)			6M TB yield	13.48	(19)	(153)						
		S&P 500	3,398.96	2.01%	5.21%			1Y TB yield	13.55	(27)	(102)						
		Dow 30	27,940.47	1.60%	(2.10%)			10Y TB yield	14.70	(8)	100						
		NASDAQ	11,141.56	2.71%	24.17%			2Y TB yield	0.13	(1)	(144)						
		VIX	28.81	(8.42%)	109.07%			10Y TB yield	0.71	3	(121)						
		STOXX 50	3,324.83	1.76%	(11.22%)			30Y TB yield	1.46	4	(93)						
EM		MSCI Emerging	1,085.75	(0.16%)	(2.59%)												
FM		MSCI Frontier	509.61	0.11%	(13.03%)												

\* As of market close, except for commodities and currencies at 8.36am 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
10-Sep-20	CPCI	Stock dividend	Distribution date for a 25% stock dividend.
10-Sep-20	SPHT	EGM	Amending articles 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 the interest rate on USD.
16-Sep-20	AMES	Stock dividend	Record date for a dividend at ratio of 0.083:1.
17-Sep-20	AMES	Stock dividend	Distribution date for a dividend at ratio of 0.083:1.
17-Sep-20	ORAS	EGM	Voting on hiring Nada Shousha as an independent non-executive independent director.
17-Sep-20	RMDA	EGM	Amending article No. 4 of the company's bylaws.
20-Sep-20	ORWE	EGM	Amending some articles of the company's bylaws.
21-Sep-20	EHDR	EGM	Approving splitting the par value per share and amending articles No. 6 & 7 of the company's bylaws.
21-Sep-20	CICH	OGM	Discussing adding two seats to the BoD.
21-Sep-20	MFSC	Cash dividend	Record date for EGP0.995/share.
22-Sep-20	MFSC	Cash dividend	Ex-Dividend date for EGP0.995/share.
24-Sep-20	MFSC	Cash dividend	Distribution date for EGP0.995/share.

24-Sep-20		MPC Meeting	Discussing interest rate decision.
26-Sep-20	IFAP	OGM	Approving the financial statements ending 30 Jun. 2020.
26-Sep-20	ABUK	OGM	Approving the financial statements ending 30 Jun. 2020.
26-Sep-20	CPCI	OGM	Approving the financial statements ending 30 Jun. 2020.
26-Sep-20	AXPH	OGM	Approving the financial statements ending 30 Jun. 2020.
26-Sep-20	ADCI	OGM	Approving the financial statements ending 30 Jun. 2020.

## 7. LATEST RESEARCH

DATE	PUBLISHED REPORT
8-Sep-20	<a href="#">MACROView – Crawling Out of the Troughs</a>
3-Sep-20	<a href="#">MACROView – Job losses and the bumpy road to recovery</a>
18-Aug-20	<a href="#">Oriental Weavers Carpet [ORWE] - Q2 2020 Results</a>
13-Aug-20	<a href="#">Credit Agricole Egypt [CIEB] – Q2 2020 Results</a>
10-Aug-20	<a href="#">MACROView – Muted inflation environment still dominates</a>
9-Aug-20	<a href="#">MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</a>
5-Aug-20	<a href="#">MACROView – Toward gradual recovery</a>
29-Jul-20	<a href="#">MACROView – CAD gains eroded by financial account vulnerability</a>
14-Jul-20	<a href="#">Commercial International Bank - [COMI] - Q2 2020 results</a>
9-Jul-20	<a href="#">MACROView – Inflation driven by non-food baskets and unfavorable base effect</a>
8-Jul-20	<a href="#">MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position</a>
7-Jul-20	<a href="#">MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed</a>
25-Jun-20	<a href="#">EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition</a>
10-Jun-20	<a href="#">MACROView – Lowest annual reading in five months, but monthly figures show no changes</a>
8-Jun-20	<a href="#">Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices</a>
8-Jun-20	<a href="#">MACROView – Solid buffers and moderate depreciation: The CBE's recipe to deal with COVID-19</a>
3-Jun-20	<a href="#">MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy</a>
18-May-20	<a href="#">Abu Dhabi Islamic Bank [ADIB] – Q1 2020 Results</a>
18-May-20	<a href="#">Al Baraka Bank Egypt [SAUD] – Q1 2020 Results</a>
17-May-20	<a href="#">Credit Agricole Egypt [CIEB] – Q1 2020 Results</a>
13-May-20	<a href="#">MACROView – Yesterday's CBE conference call with Deputy Governor</a>
11-May-20	<a href="#">MACROView– Acceleration in April driven by food prices – as expected</a>
7-May-20	<a href="#">MACROView – Keeping head above water amid pandemic uncertainties</a>
5-May-20	<a href="#">Commercial International Bank (CIB) - Egypt [COMI] – Q1 2020 Results</a>

## 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.

Regulated by FRA License No. 179.

Member of the Egyptian Exchange.

2 Wadi Elnil St., Liberty Tower, 7<sup>th</sup> 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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