



# PRIMETime

Wednesday, 16 September 2020 (9:39 AM)

## Zugzwang

### 1. Today's Trading Playbook

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#### KEY THEMES

The market has recently taken a breather with EGX 30 down 2.41% so far, paring its gains in August when it jumped 7.23%. We had questioned here before the possibility of EGX 30 bucking this 19-month trend, not recording two consecutive positive months since February 2019. Meanwhile, EGX 70 EWI is up 1.65% so far in September, following a 20.38% jump back in August and marking the fourth positive month in a row.

Our key theme still remains of a large-cap recovery, especially with Q3 2020 earnings season kicking off sometime in October. This quarter, which ends on 30 September, will mark the first quarter post-COVID-19 when the economy saw easing lockdown measures. Generally speaking, results should be better overall than Q2 2020, which we think will fuel optimism for the remainder of the year, unless we face a second wave of the pandemic — God forbid.

In terms of sector focus, our plan is still intact: consumer, health care, and education. Otherwise, market talks of an imminent reduction in natural gas prices have since end of July fueled prices of Abu Qir Fertilizers [**ABUK**] (+26%), Ezz Steel [**ESRS**] (+29%), and Sidi Kerir Petrochemicals [**SKPC**] (+31%).

Meanwhile, we might see the Egyptian government take an action to alleviate the situation that has been worsening for cement producers. Such actions might include reducing energy prices or perhaps setting capacity quotas. This would be an event-driven trade if it happens, but we can also brace for potential M&A activity in the cement industry, a “zugzwang” that would still be disadvantageous for industry players.

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

## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**The Egyptian Ministry of International Cooperation has penned three agreements worth around USD885mn with Arab funds in 8M 2020.** ([Mubasher](#))

**The Cabinet is expected to approve within the next few days the establishment of a city for ready-made garments under the free zone system in the Tenth of Ramadan City.** The project will be with Chinese investors on an area of 21,000 sqm at a total cost of USD20mn. ([Al-Mal](#))

**The Central Bank of Egypt extended the cancellation of ATM withdrawal fees and all transfer fees and commissions to 31 December** from 15 September. ([Youm 7](#))

**The National Telecom Regulatory Authority (NTRA) intends to offer new frequencies to the four local mobile network operators (MNOs) tomorrow, namely 40MHz and 20MHz.** The 40MHz package will be for USD600mn (50% to be paid upfront then 25% within the first year and another 25% within the following year). Meanwhile, the 20MHz package will be for USD300mn to be paid in full upfront with no installments. ([Al-Mal](#))

**As many as six cement producers could be forced to exit the Egyptian market by 2021 if the ongoing oversupply crisis doesn't abate,** Lafarge Egypt's CEO said during a webinar. ([Hapi](#))

**Washington DC-based venture capital firm Openner.vc announced that it's currently accepting applications from Egyptian start-ups.** ([Egypt Today](#))

### CORPORATE NEWS

**EFG Hermes Holding [HRHO] and the Sovereign Fund of Egypt (SFE) are expected to finalize their acquisition on Arab Investment Bank (aiBank) before year-end.** Having started last June their due diligence, we note that the acquisition is now likely to be in line with in line with [Scenario 2 detailed in our analysis earlier](#), which called for possibly a partial stake sale by current shareholders with the new acquirers injecting enough capital to meet the CBE's EGP5bn minimum capital requirement. ([Al-Mal](#))

**Egyptian Iron & Steel's [IRON] BoD has decisively refused the suggestion of segregating IRON's quarries activities in a different company.** This is attributed to the BoD's view of the significance of the quarries activities to IRON's business, being the provider of the factory's raw materials. ([Company disclosure](#))

**Al Baraka Bank Egypt's [SAUD] main building in New Cairo was valued at EGP492.5mn by Baker Tilly Financial Advisory.** ([Al-Mal](#)) We note that SAUD still needs to increase its paid-in capital to EGP5bn over the coming three years, up from a paid-in capital of EGP1.54bn.

**Maridive & Oil Services' [MOIL] unaudited net loss for H1 2020 widened to USD18mn** compared to a net loss of USD3.6mn a year ago. MOIL turned to a gross loss of USD0.8mn vs. a gross profit of USD14.7mn, pulled back by a 33% y/y decrease in revenues to USD24mn in H1 2020. ([Company disclosure](#))

**MM Group for Industry & International Trade's [MTIE] stockholder Rolaco EGB Investment raised its stake from 9.98% to 10%. ([Company disclosure](#))**

**Tourah Portland Cement's [TORA] EGM approved selling an unutilized 385,000 sqm land for EGP2,700/sqm or a total of EGP1.04bn. Ten percent of the land value will be paid within two weeks, 10% within two months and the rest over eight installments quarterly. The land value will be used in the company's restructuring process and loans repayment. ([Company disclosure](#))**

**El-Wadi for International Investment & Development's [ELWA] Q2 2020 results showed that net profits shot up 1,831% y/y to EGP12mn, despite a 54% y/y drop in gross profit, as investment income hit EGP12mn vs. zero in Q2 2019. ([Company disclosure](#))**

**Al Ahli United Bank-Bahrain (AUB) and Misr Strategia Investment submitted a voluntary tender offer to acquire 43.5mn shares (14.52%) of Al Ahli United bank-Egypt at EGP29.783/share for a total of EGP1.3bn. We note that AUB-Bahrain already owns 85.5% of AUB-Egypt. ([FRA](#))**

**Nile Cotton Ginning's [NCGC] major shareholders intend to accept the mandatory tender offer submitted by IMEX International, led by Samir Afifi, who has a 9.94% stake in NCGC. (Al-Borsa)**

## GLOBAL NEWS

**The US-China trade war is making US-based passive funds think twice about buying into Chinese equities. ([Financial Times](#))**

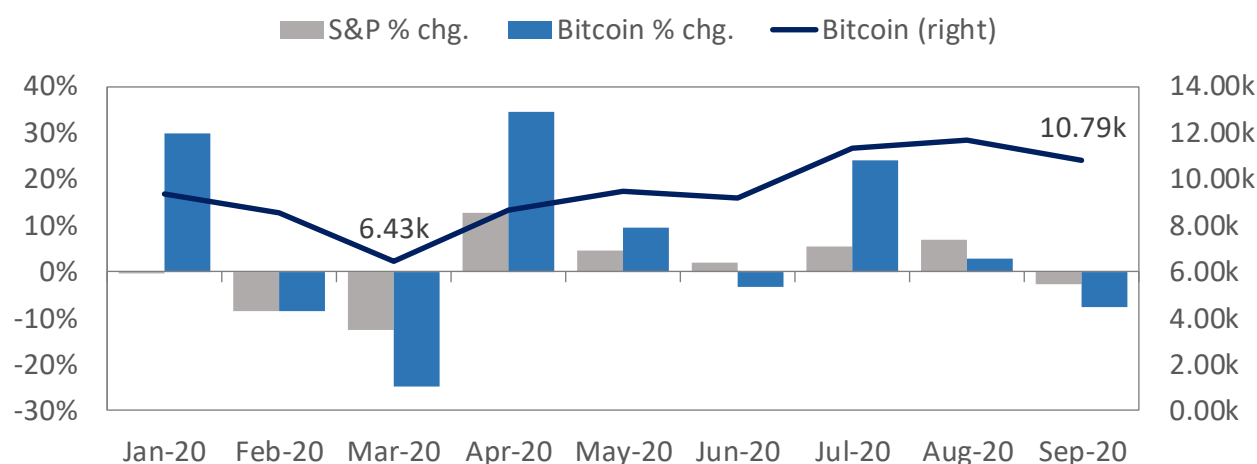
**U.S. factory production increased for a fourth straight month in August, but the recovery is showing signs of strain. ([Reuters](#))**

**Saudi Telecom Co. (STC) asked banks to pitch for roles in a potential public offering of its products and services development arm. ([Reuters](#))**

### 3. CHART OF THE DAY

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











Note: Prices as of 15 September 2020.

Source: Investing.com.

Similar to US equities, Bitcoin rebounded to surpass its best levels recorded in 2020 pre COVID-19. The cryptocurrency bounced back 68% off its March low to trade yesterday around USD10,790.

### 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						613.1		Equity turnover (EGPmn): Last, ytd avg.						937.6		909.8	
						daily chg.	ytd chg.							daily chg.	ytd chg.		
		EGX 30	11,028.06	(0.06%)	(21.01%)												
		EGX 30 TR	4,215.64	(0.51%)	(18.44%)												
		EGX 70 EWI	1,871.15	0.13%	47.68%												
		EGX 100 EWI	2,747.84	(0.06%)	25.78%												
		DFMGI	2,293.10	0.47%	(17.06%)												
		ADSMI	4,509.00	(0.14%)	(11.09%)												
		TASI	8,321.74	0.80%	(0.80%)												
		QE Index	9,892.54	0.20%	(5.11%)												
		S&P 500	3,401.20	0.52%	5.27%												
		Dow 30	27,995.60	0.01%	(1.90%)												
		NASDAQ	11,190.32	1.21%	24.72%												
		VIX	25.59	(1.01%)	85.70%												
		STOXX 50	3,332.26	0.47%	(11.02%)												
		MSCI Emerging	1,112.62	0.76%	(0.18%)												
		MSCI Frontier	514.85	(0.02%)	(12.14%)												
		Gold	1,954.15	(0.14%)	29.05%												
		Silver	27.14	0.05%	52.26%												
		Brent Oil	40.53	2.32%	(34.67%)												
		WTI	38.28	2.74%	(33.25%)												
		Natural Gas	2.36	2.25%	8.18%												
		USD/EGP	15.74	(0.23%)	(1.75%)												
		EUR/USD	1.18	(0.16%)	5.66%												
		GBP/USD	1.29	0.33%	(2.77%)												
		USD/JPY	105.44	(0.27%)	(3.01%)												
		6M TB yield	13.58	10	(143)												
		1Y TB yield	13.65	10	(92)												
		10Y TB yield	14.70	(8)	100												
		2Y TB yield	0.14	1	(143)												
		10Y TB yield	0.68	1	(124)												
		30Y TB yield	1.43	2	(96)												

\* As of market close, except for commodities and currencies at 8.29am 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
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	MNHD	Lawsuit	A court decision discussing legal disputes relevant to the company.
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.
27-Sep-20	CIRA	OGM	Discussing dividend distribution.
27-Sep-20	AIH	Lawsuit	A court Session discussing legal disputes relevant to the company.
27-Sep-20	NCGC	OGM	Approving the financial statements ending 30 Jun. 2020.
28-Sep-20	NCGC	EGM	Amending some articles of the Company's bylaws.
28-Sep-20	ESGI	EGM	Amending articles No. 4, 7, 21, 26, & 29 of the Company's bylaws.
30-Sep-20	MNHD	Cash dividend	Distribution date for EGP0.30/share (2nd installment).
30-Sep-20	EXPA	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	AMOC	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	NIPH	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	MHOT	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	MHOT	EGM	Discussing a note on amicable settlement on VAT.
30-Sep-20	DEIN	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	MPCI	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	MPCI	EGM	Approving increasing issued capital.

## 7. LATEST RESEARCH

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

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