



PRIMETime

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Surprise, Surprise!

1. Today's Trading Playbook

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KEY THEMES

Last Thursday's decision by the Monetary Policy Committee of the Central Bank of Egypt (CBE) to cut interest rates by 50bps was a surprise to most market participants, us included. However, to us the surprise was not much whether the CBE will cut rates or not going forward, but it was rather the timing, noting that there remain two more MPC meetings before year-end. The magnitude of the rate cut, however, may reflect the CBE's inclination to make at least one more rate cut (another 50bps perhaps) before year-end.

At a time when other central banks are tightening to fend off inflation (the Central Bank of Turkey for instance which hiked rates by 200bps on Thursday), the CBE continues on its easing path. The picture in Egypt is different nowadays with low single-digit inflation rates that are well within the CBE's target range. Also, Egypt's positive economic growth, which is the highest in the MENA region, needs to be sustained by stimulating corporate credit growth. While the latest decision by state-owned banks to flatten their deposit yield curve has no direct bearing on the CBE's policy rates, we continue to believe that it is all best for the Egyptian banking sector: lower cost of funds and eventually higher volume growth, thanks to the CBE's Thursday rate cut.

POSITIVE

Banks: We reiterate our positive call on Egypt banks in general, most notably those with net short-term liabilities, such as Commercial International Bank – Egypt [COMI], QNB Al-Ahli [QNBA], Credit Agricole Egypt [CIEB], and Al-Baraka Bank Egypt [SAUD].

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

The Central Bank of Egypt (CBE) decided Thursday to cut overnight deposit and lending rates and its main operation by 50bps to 8.75%, 9.75%, and 9.25%, respectively. The discount rate was also reduced by 50bps to 9.25%. ([Al-Borsa](#))

The asset liability committees of local Egyptian banks will begin meeting today to tackle the new 50bps cut in corridor rates of CDs, savings accounts, deposits, as well as lending operations. ([Cash News](#))

President Abdel Fattah El-Sisi approved the new banking law (Law No. 194 of 2020), regulating the banking sector and the central bank. He also directed to settle the issue of overdue payments with exporters before the end of year. ([Al-Borsa](#), [Egypt Today](#))

Egypt's government electronic payments shot up 223% y/y at the end of July. Meanwhile, the number of electronic payment cards increased to 39.6mn by end-June 2020 from 36.9mn by end-December 2019. ([Mubasher](#), [Al Borsa](#))

Foreign holdings of Egyptian T-bills continued to rebound for the second consecutive month in July 2020, rising to USD10.8bn from USD7.7bn in June 2020. ([CBE](#))

CORPORATE NEWS

Eastern Co.'s [EAST] initial KPIs for 2019/20 showed that net profit edged up 1.6% y/y to EGP3.8bn following 10.1% y/y growth in gross profit. GPM reached 39.8% vs. 37.3% a year earlier. Revenues grew 3.1% y/y to EGP14.5bn. ([Company disclosure](#))

Abu Qir Fertilizers's [ABUK] AGM has ratified BoD proposed DPS of EGP1.2/share to be paid in two installments. ([Company disclosure](#))

Arabian Ginning Cotton's [ACGC] BoD approved an EGP100mn capital increase by Modern Nile Cotton, a unit owned by ACGC's 99.99% subsidiary Amwal Al-Arabia for Cotton. ACGC will contribute EGP70mn, appear as a new direct shareholder of Modern Nile Cotton, and will waive its subscription rights of the remainder of the capital hike in favor of NMC's existing shareholders. ([Company disclosure](#))

The Holding Co. for Construction & Development (HCCD) sent a letter to all parties associated with the sale of Nile Cotton Ginning Co. [NCGC], and the mandatory tender offer submitted by IMEX International, demanding not to dispose of any asset owned by NCGC or to conduct any trading or allow trading on its shares. ([Al-Mal](#))

El-Nasr for Manufacturing Agricultural Crops' [ELNA] BoD approved a request by Sohag Housing & Development, which had bought a Sohag land plot from ELNA, to delay its first EGP10mn installment payment for 30 days to 20 October. ([Company disclosure](#))

The Arab Banking Corporation (ABC) has begun due diligence on BLOM Bank Egypt, ahead of a submitting an offer to acquire the bank. ([Al-Shorouk](#))

GLOBAL NEWS

Turkey's central bank unexpectedly hiked interest rates by 200bps to 10.25% on Thursday, tightening policy for the first time in two years in order to lift the lira from record lows and rein in elevated inflation. ([Reuters](#))

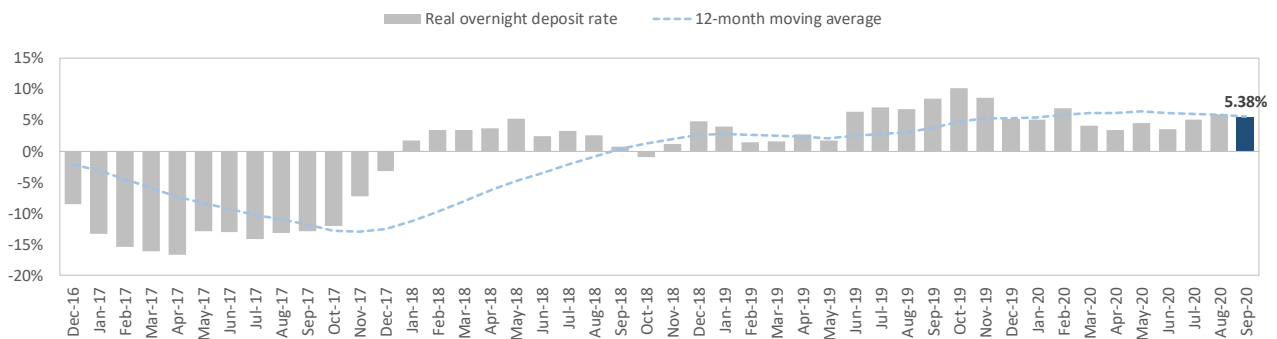
Colombia's central bank board cut the benchmark interest rate to a historic low of 1.75% on Friday, in a split decision in line with a narrow majority of analyst predictions, as it continues to bolster the economy amid fall-out from coronavirus. ([Reuters](#))

U.S. Treasury yields moved off earlier lows on Friday in the wake of an upbeat report on U.S. durable goods, while stocks shook off a weaker start to turn higher. ([Reuters](#))

3. CHART OF THE DAY

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Source: CBE.

With the CBE's latest 50bps rate cut, real overnight deposit rate is now very close to its 12-month moving average as seen in the above chart.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
616.7					1,268.8 926.1				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	➔	EGX 30	10,911.44	(0.62%) (21.85%)		➔	Gold	1,861.58	(0.35%) 22.69%
	➔	EGX 30 TR	4,174.07	(0.32%) (19.24%)		➔	Silver	22.89	(1.12%) 28.21%
	➔	EGX 70 EWI	2,000.45	(0.46%) 57.88%		➔	Brent Oil	41.92	(0.05%) (33.39%)
	➔	EGX 100 EWI	2,885.25	(0.64%) 32.07%		➔	WTI	40.25	(0.15%) (30.97%)
	➔	DFMGI	2,252.25	(1.45%) (18.54%)		➔	Natural Gas	2.14	(4.85%) (2.28%)
	➔	ADSMI	4,466.82	(0.52%) (11.72%)	EGP	➔	USD/EGP	15.78	0.11% (1.64%)
	➔	TASI	8,236.17	(0.10%) (1.82%)	€	➔	EUR/USD	1.16	(0.35%) 3.73%
	➔	QE Index	9,788.29	0.01% (6.11%)	£	➔	GBP/USD	1.27	(0.01%) (3.85%)
	➔	S&P 500	3,298.46	1.60% 2.09%	¥	➔	USD/JPY	105.58	0.16% (2.79%)
	➔	Dow 30	27,173.96	1.34% (4.78%)		➔	6M TB yield	13.57	(1) (144)
	➔	NASDAQ	10,913.56	2.26% 21.63%		➔	1Y TB yield	13.67	2 (90)
	➔	VIX	26.38	(7.47%) 91.44%		➔	10Y TB yield	14.64	(5) 94
	➔	STOXX 50	3,137.06	(0.71%) (16.24%)		➔	2Y TB yield	0.14	(1) (143)
EM	➔	MSCI Emerging	1,059.10	0.13% (4.98%)		➔	10Y TB yield	0.66	(2) (126)
FM	➔	MSCI Frontier	522.28	(0.04%) (10.87%)		➔	30Y TB yield	1.40	(2) (99)

* As of market close. 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
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 an 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 the issued capital.
30-Sep-20	MOIN	Stock dividend	Record date for dividends at ratio of 0.25:1.
30-Sep-20	ISPH	Stock dividend	Record date for dividends at ratio of 0.170:1.

1-Oct-20	MOIN	Stock dividend	Distribution date for dividends at ratio of 0.25:1.
1-Oct-20	ISPH	Stock dividend	Distribution date for dividends at ratio of 0.170:1.
1-Oct-20	ACGC	OGM	Approving the financial statements ending 30 Jun. 2020.
3-Oct-20	EFIC	EGM	Amending articles No. 26 and 36 of the company's bylaws.
4-Oct-20	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
5-Oct-20	CLHO	EGM	Discussing applying a reward system to encourage employees.

7. LATEST RESEARCH

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

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