



PRIMETime

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Inflation to Remain Subdued

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The Central Bank of Egypt's (CBE) last decision to cut its benchmark rates by 50bps came as a bolt from the blue. However, given the magnitude of the cut, we do not think there is a complete shift in the CBE's cautious stance. According to the CBE's press release, "the reduction of policy rates provides appropriate support to economic activity, while remaining consistent with achieving price stability over the medium term." Nevertheless, the reduction should have a limited effect on (1) the lending activity of the private sector which already has access to cheaper credit through [the CBE's initiatives](#) and (2) the yield on government debt instruments as foreign inflows into the debt market are still below pre-coronavirus levels. Instead, we think carry trade inflows would rather be a function of the volatile environment given the U.S elections and global uncertainty triggered by threats of a second wave of COVID-19.

While another rate cut is unlikely to trigger a material re-rating of the stock market in general, the CBE's last move was mainly driven by significantly high positive real yield (please see [yesterday's Chart of the Day](#)) and the muted inflation levels that are expected to end the year below the CBE's lower band target. We expect inflation to hover around 6.2% during Q4 2020 on the backdrop of the back-to-school season and the base-year effect.

1. Today's Trading Playbook

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KEY THEMES

Yesterday, we mentioned banks as one of the key beneficiaries of a low interest rate environment, particularly those banks with net short-term liabilities. Another beneficiaries would definitely be the non-banking financial service (NBFS) sector, especially those with exposure to leasing, consumer finance, factoring, and micro-finance in addition to those with a growing e-payment platform. The more affordable it is for consumers, the more volume we should expect.

POSITIVE

NBFS: In view of their current valuation levels, we prefer in this space (in alphabetical order) CI Capital Holding [**CICH**], EFG Hermes Holding [**HRHO**], GB Auto [**AUTO**], MM Group [**MTIE**], and Sarwa Capital Holding [**SRWA**].

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Suez Canal Authority's investments will reach some EGP16.9bn in FY21. ([Al-Borsa](#))

The Egyptian government is mulling a number of recommendations and proposals that should support the tourism sector. ([Al-Borsa](#))

The Ministry of Finance is preparing to launch the first sovereign government green bond issue in the MENA region on global markets. ([Al-Borsa](#))

The Egyptian government will launch within days a new initiative for immediate payment of all arrears due to exporters up to end of September. This will be done via the Export Development Fund in one payment before year end at a 15% discount instead of scheduling it over 4-5 years. ([Al-Borsa](#))

Saudi investor Turki Al Sheikh, Estadat Holding, and an unnamed GCC-based buyer are all in the running to acquire Misr for Central Clearing, Depository and Registry's (MCDR) 71% stake in Makkasa Sport. ([Al-Mal](#))

Cement producers asked the Egyptian government to provide radical solutions to help the sector get out of its current tough situation. ([Al-Shorouk](#))

CORPORATE NEWS

Qalaa Holdings' [CCAP] subsidiary Egyptian Refining Co.'s (ERC) facility in Mostorod was inaugurated yesterday by President Abdel-Fattah El-Sisi. The USD4.3bn facility is the largest private-sector project of its kind in Africa, producing some 2.3mn tpa of diesel fuel and 860,000 tons of high-octane fuel as well as jet fuel and butane. ([Masrawy](#))

Orascom Investment Holding [OIH] is considering acquiring The United Bank which is owned by the Central Bank of Egypt (CBE). ([Economy Plus](#))

National Bank of Egypt (NBE) agreed to increase short-term credit facilities granted to Ibnsina Pharma [ISPH] by EGP250mn. ([Company disclosure](#))

Talaat Mostafa Group's [TMGH] subsidiary Al-Rehab Securitization Co. intends to issue EGP440mn securitization bonds for the Arab Co. for Projects & Urban Development, a subsidiary of TMGH that develops Al Rehab and Madinaty. The bank alliance participating in the issuance includes CIB [**COMI**], Suez Canal Bank [**CANA**], and EFG Hermes Holding [**HRHO**]. ([Economy Plus](#))

Speed Medical [SPMD] intends to pump investments of EGP330mn in the activities of medical labs and hospitals in the 2020-2022 period. Meanwhile, SPMD's fair value was cut by its independent financial advisor to EGP1.68/share in response to the FRA's comments. (Al-Mal, Al-Borsa)s

International Agricultural Products' [IFAP] OGM decided not to distribute dividends for 2019/20. ([Company disclosure](#))

GLOBAL NEWS

IMF chief calls on countries to promote fintech for financial inclusion on a global scale for a better and more resilient post-pandemic world. ([China Daily](#)) Notably, Egypt has been rapidly moving with initiatives accelerating financial inclusion.

U.S. President Donald Trump's businesses have hemorrhaged hundreds of millions of dollars over the last two decades, allowing him to minimize his federal income tax bill to zero or nearly zero for many of years during that period, according to a bombshell report published yesterday by The New York Times. ([CNBC](#))

3. CHART OF THE DAY












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Source: Prime Research, Company Reports.

Fawry [**FWRY**] has seen some exceptional top-line y/y quarterly growth, averaging 45% in the last six quarters. With FWRY attaining the biggest slice of market share, given its unparalleled geographical presence and the government developing the segment as it hunts for financial inclusion, it is likely for FWRY to keep its high growth rates in the future, subject to competition from existing and newly-established names.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
616.2					1,026.9 926.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	EGX 30	10,902.22	(0.08%)	(21.91%)		Gold	1,861.58	(0.35%)	22.60%
	EGX 30 TR	4,166.66	(0.18%)	(19.38%)		Silver	22.89	(1.12%)	27.92%
	EGX 70 EWI	2,024.61	1.21%	59.79%		Brent Oil	41.92	(0.05%)	(33.96%)
	EGX 100 EWI	2,914.81	1.02%	33.43%		WTI	40.25	(0.15%)	(31.66%)
	DFMGI	2,244.93	(0.33%)	(18.80%)		Natural Gas	2.14	(4.85%)	(2.56%)
	ADSMI	4,485.84	0.43%	(11.34%)	EGP	USD/EGP	15.78	0.11%	(1.76%)
	TASI	8,293.62	0.70%	(0.79%)	€	EUR/USD	1.16	(0.35%)	3.72%
	QE Index	9,815.47	0.28%	(5.45%)	£	GBP/USD	1.27	(0.01%)	(3.59%)
	S&P 500	3,298.46	1.60%	2.09%	¥	USD/JPY	105.58	0.16%	(2.96%)
	Dow 30	27,173.96	1.34%	(4.78%)		6M TB yield	13.52	(5)	(149)
	NASDAQ	10,913.56	2.26%	21.63%		1Y TB yield	13.60	(7)	(97)
	VIX	26.38	(7.47%)	91.44%		10Y TB yield	14.64	(5)	94
	STOXX 50	3,137.06	(0.71%)	(15.05%)		2Y TB yield	0.14	0	(143)
EM	MSCI Emerging	1,059.10	0.13%	(4.98%)		10Y TB yield	0.66	0	(126)
FM	MSCI Frontier	522.28	(0.04%)	(10.87%)		30Y TB yield	1.40	0	(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
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 (2 nd 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.
30-Sep-20	EXPA	BoD meeting	Reviewing agenda items.
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 for employees.
7-Oct-20		FOMC	Discussing policy rate.
7-Oct-20	NCCW	Stock dividend	Record date for dividends at ratio of 0.333:1.
8-Oct-20	NCCW	Stock dividend	Distribution date for dividends at ratio of 0.333:1.
11-Oct-20	WCDF	OGM	Approving the financial statements ending 30 Jun. 2020.

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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