



# Steeling Against Challenges

## 1. Today's Trading Playbook

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### KEY THEMES

On Thursday, the Ministry of Trade & Industry said it was cutting the anti-dumping fees levied on steel billet imports by 3 percentage points to 13%, with a minimum of USD60/ton instead of USD74/ton. This may have extinguished hopes of another extension to the fee regime which was extended back in April in view of COVID-19. By way of background, we remind you that this cut should have already taken place after 11 April 2020 as part of the government's planned phasing out the anti-dumping fees on steel billet imports. Furthermore, another cut is still scheduled for April 2021, which will bring anti-dumping fees down to 10%, with a minimum of USD46/ton until April 2022. Weighing the impact of that decision on Ezz Steel [**ESRS**], we think it should be the least of the steel maker's worries, as ESRS has already got its hands full with other challenges of (1) soft selling prices, (2) elevated debt levels, and (3) inflated prices of raw materials (i.e. iron ore). In other words, the impact is not major for ESRS and should have been priced in already. Meanwhile, the decision should theoretically bode well rolling factories, such as Misr National Steel [**ATQA**].

Elsewhere, Abu Dhabi private equity fund ADQ is studying the acquisition of Bausch Health's unit in Egypt, Amoun Pharmaceuticals, for an amount in excess of USD700mn. The drug maker was an acquisition target back in 2006 when a consortium of foreign investors, where the company was able to generate EGP1.8bn in revenues back in 2015. Further M&A could be expected in the pharma space, one of our preferred sectors.

### POSITIVE

**Pharma, ATQA:** Notwithstanding any immediate M&A action, we believe the pharma sector warrants some re-rating, trading at low to mid-single-digit P/E multiples. Meanwhile, ATQA may be buoyed by the abovementioned news.

### NEUTRAL

**ESRS:** We do not see a direct impact from the abovementioned news as investors await the final word on natural gas pricing.



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

## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**Export rebates due to exporters should be paid before end of December, the Prime Ministry stressed.** In late September, the government was discussing a new initiative to promptly pay export rebates as lump sum at a 15% discount on total dues. ([Al-Ahram Economy Plus](#)) Oriental Weavers Carpet [**ORWE**] will be the top beneficiary from this initiative given that exports account for 60%+ of revenues, with its rebate backlog standing at EGP509mn as of 31 July 2020.

**Egypt's five-year sovereign green bonds have been listed on London Stock Exchange.** ([LSE](#))

**Egypt's non-oil exports declined by just 3.5% y/y in 9M 2020, totaling c.USD18.15bn compared to USD18.8bn in 9M 2019.** ([Al-Mal](#))

**The Ministry of Trade & Industry has cut import tariffs on steel billets to 13% from 16% as it phases protective tariffs over a three-year period.** The tariffs were controversial among iron and steel manufacturers. ([Al-Mal](#))

**Egypt witnessed the inauguration of Siemens Energy's service center and training academy in the Suez Canal Economic Zone (SCZone) in Ain Sokhna.** The service center, the first of its kind in the region, includes a repair center, an equipment center, and a spare parts warehouse. ([Mubasher](#))

**The Ministry of Education & Technical Education and the Ministry of Finance announced the launch of the second phase of the national project to build and operate 1,000 schools, effective today,** in partnership with the private sector. ([Egyptian Cabinet](#))

**Installments collection at insurance companies increased 11.6% to EGP25.2bn in 8M 2020,** overcoming COVID-19 consequences. ([Al-Mal](#))

### CORPORATE NEWS

**Egypt Aluminum [EGAL] said that U.S.-based Bechtel has been selected to manage EGAL's seventh line capacity upgrades.** ([Company disclosure](#))



**The Egyptian Electricity Transmission Co. [EETC] will conclude the technical analysis offers to establish the electric line between Egypt and Saudi Arabia next December.** Elsewedy Electric [[SWDY](#)] is one of the candidates. ([Al-Borsa](#))

**Alexandria Container & Cargo Handling's [ALCN] unaudited net income decreased by 34% y/y to EGP277.8mn in Q1 2020/21,** affected by 18% y/y lower revenues to EGP547.9mn. The number of containers decreased by 12% y/y and versus target due to the international trade conditions and the decrease in imports. ([Company disclosure](#))

**Emaar Misr for Development [EMFD] will launch its second phase in its project Cairo Gate located in Sheikh Zayed City.** ([Al-Borsa](#))

**Porto Group [PORT] signed a long-term musharakah finance worth EGP500mn with Banque Misr** to accelerate the pace at which the group's Porto October project is executed. ([Company disclosure](#))

**Amer Group's [AMER] subsidiary Delmar for Tourism Development Co. signed an EGP450mn loan with Ahli United Bank** to finance its Porto Heliopolis project. ([Company disclosure](#))

**EIPICO [PHAR] received four bank offers to raise EGP800mn to finance the vital drugs and biological alternatives project,** known as EIPICO 3. ([Al-Mal](#))

**Rameda's [RMDA] EGM approved the board's employee incentive scheme** that includes managers and executive board members. The scheme's value will be up to a maximum of 5% of RMDA's issued capital. ([Company disclosure](#))

**Egyptians for Housing & Development [EHDR] sold its entire stake (21.28%) in Odin Investments [ODIN] for EGP74.81mn.** On a similar note, Odin Capital Group for Financial Investments raised its stake in ODIN from 26.48% to 47.77% (Company disclosures: [1](#), [2](#))

## GLOBAL NEWS

**U.S. retail sales accelerated in September, rounding out a strong quarter of economic activity, but the recovery from the COVID-19 recession is at a crossroads** as government money runs out and companies continue to lay off workers. ([Reuters](#))

**Foreign holdings of U.S. Treasuries fell in August, after rising for three straight months, data from the U.S. Treasury Department showed on Friday.** Foreign investors had USD7.08tn in U.S. Treasuries in August, from USD7.097tn the previous month. ([Reuters](#))

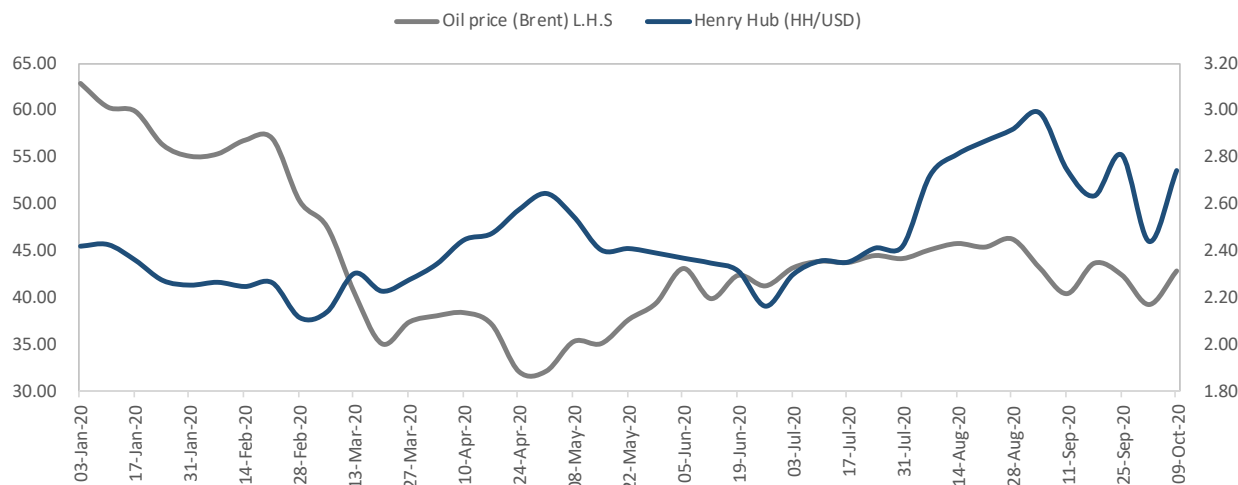


**The U.S. budget deficit hit a record USD3.132tn during fiscal 2020, more than triple the 2019 shortfall, due to massive coronavirus rescue spending. ([Reuters](#))**

### 3. CHART OF THE DAY

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Source: Bloomberg.

Unlike oil prices, global natural gas prices skyrocketed. The Henry Hub (HH/US) rose sharply in June and remained on an upward trend until early September 2020. The recovery in natural gas prices was driven by (1) a significant increase in demand on electricity for cooling use after a heat wave hit several parts of the world and (2) gas still being stocked up on ahead of winter. However, in early September, global natural gas prices declined in tandem with the fall in the oil market.



## 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
630.7						1,112.0 949.2					
daily chg. ytd chg.						daily chg. ytd chg.					
	EGX 30	11,322.71	(0.10%)	(18.90%)			Gold	1,899.29	(0.49%)	25.18%	
	EGX 30 TR	4,317.24	(0.78%)	(16.47%)			Silver	24.16	(0.59%)	35.32%	
	EGX 70 EWI	1,983.72	(0.56%)	56.56%			Brent Oil	42.93	(0.53%)	(31.78%)	
	EGX 100 EWI	2,916.58	(0.50%)	33.51%			WTI	40.88	(0.20%)	(29.89%)	
	DFMGI	2,194.63	(1.06%)	(20.62%)			Natural Gas	2.77	(0.07%)	26.68%	
	ADSMI	4,554.37	(0.41%)	(10.37%)							
	TASI	8,553.79	(0.45%)	1.96%		EGP	USD/EGP	15.70	0.13%	(2.13%)	
	QE Index	9,999.46	(0.27%)	(4.09%)		€	EUR/USD	1.17	0.09%	4.50%	
						£	GBP/USD	1.29	0.05%	(2.58%)	
	S&P 500	3,483.81	0.01%	7.83%		¥	USD/JPY	105.40	(0.05%)	(2.96%)	
	Dow 30	28,606.31	0.39%	0.24%			6M TB yield	13.34	(4)	(167)	
	NASDAQ	11,671.56	(0.36%)	30.08%			1Y TB yield	13.44	(2)	(113)	
	VIX	27.41	1.63%	98.91%			10Y TB yield	14.66	2	96	
	STOXX 50	3,245.47	1.65%	(13.34%)			2Y TB yield	0.15	0	(142)	
EM	MSCI Emerging	1,124.08	0.32%	0.85%			10Y TB yield	0.75	2	(117)	
FM	MSCI Frontier	533.43	0.10%	(8.97%)			30Y TB yield	1.53	2	(86)	

\* As of market close, except for commodities and currencies at 8.3am 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
18-Oct-20	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
18-Oct-20	AMER	Lawsuit	A court session discussing legal disputes relevant to the company.
19-Oct-20	OIH	EGM	Approving a horizontal demerger.
19-Oct-20	ABUK	Cash dividend	Record date for EGP0.30/share (1st installment).
20-Oct-20	ADCI	Cash dividend	Record date for EGP4.00/share.
21-Oct-20	MICH	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.
21-Oct-20	MICH	EGM	Amending articles of the company's bylaws.
21-Oct-20	RAKT	OGM	Approving the financial statements ending 30 Jun. 2020.
21-Oct-20	RAKT	EGM	Amending articles of the company's bylaws.
22-Oct-20	SKPC	Cash dividend	Distribution date for EGP0.15/share (2nd installment).
22-Oct-20	ABUK	Cash dividend	Distribution date for EGP0.30/share (1st installment).
24-Oct-20	MTIE	EGM	Amending article No. 5 of the company's bylaws.



24-Oct-20	WKOL	OGM	Approving the financial statements ending 30 Jun. 2020.
24-Oct-20	WKOL	EGM	Discussing the continuation of the company.
25-Oct-20	AIH	Lawsuit	A court session discussing legal disputes relevant to the company.
25-Oct-20	EAST	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.
25-Oct-20	MBSC	Cash dividend	Record date for DPS of EGP1.500/share.
25-Oct-20	SUGR	Cash dividend	Record date for DPS of EGP0.25/share.
25-Oct-20	ADCI	Cash dividend	Distribution date for DPS of EGP4.00/share.

## 7. LATEST RESEARCH

DATE	PUBLISHED REPORT
11-Oct-20	<a href="#"><u>MACROView – Disinflationary trend interrupted</u></a>
11-Oct-20	<a href="#"><u>MACROView – External strains are slacking and reserves are growing</u></a>
6-Oct-20	<a href="#"><u>CIB [COMI] – A Good Bet for the “Risk On” Mode</u></a>
5-Oct-20	<a href="#"><u>MACROView – Egypt’s recovery is broadening</u></a>
10-Sep-20	<a href="#"><u>MACROView – A Stunning Chapter Towards Targets</u></a>
8-Sep-20	<a href="#"><u>MACROView – Crawling Out of the Troughs</u></a>
3-Sep-20	<a href="#"><u>MACROView – Job losses and the bumpy road to recovery</u></a>
18-Aug-20	<a href="#"><u>Oriental Weavers Carpet [ORWE] – Q2 2020 Results</u></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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