



Don't Push the Panic Button

1. Today's Trading Playbook

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KEY THEMES

Today's trading session will probably be key as to how the rest of the year will fare, in our opinion. The market's heavy-weight CIB [**COMI**], which was suspended from trading last Thursday, saw its GDR [**CBKD**] sink 17% on that same day before paring its losses on Friday (+14%). Despite the one-day recovery, the local share will need to adjust lower to be aligned with the equivalent of its GDR price. But if we take into account that the GDR has historically been trading at a 6% discount to the local share, we should not see much change. But until the CBE releases its final report concerning its findings at CIB, we could continue to see some fluctuation in the share price on an intraday basis. We calculate that a 5-6% drop by COMI, all other stocks constant, would translate into a c.2% drop in the market's main index EGX 30. We hope—and think as well—that the local share will find support around EGP60, driven by institutional buyers opting to get in at a 10% discount to Wednesday's price (EGP66.60). With much of the uncertainty surrounding the bank's leadership—at least in the short term—dissipating, investors' eyes would be fixated on the Central Bank of Egypt's final findings report which would reveal, once and for all, how severe the issues are at CIB, if at all. Elsewhere, we could see some profit taking activity across small caps which have had a home run on a year-to-date basis and even better since mid-March 2020. Generally speaking, we advise our clients not to push the panic button indiscriminately, but to rather consider each stock for its own merits.

POSITIVE

We reiterate the few names we prefer for the time being as we listed in [last Thursday's issue](#), including COMI which we reiterated as an Overweight [this morning](#), albeit with a 2% lower 12M PT of EGP83/share (still offering a 25% upside). Four of those names we mentioned last Thursday ended the day unscathed, namely Juhayna Food Industries [**JUFO**] (+3.4%, Ibsina Pharma [**ISPH**] (+1.9%), Obour Land Food Industries [**OLFI**] (+0.5%), and Nile Pharma [**NIPH**] (+0.4%). For the full list, please read "[Déjàvu](#)".

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



2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt is keen to stimulate investments and encourage investors to expand their activities in the industrial sector, being the locomotive of economic growth, the Ministry of Finance said. ([MoF](#))

Russian travel agency Pegas Touristik will launch daily indirect flights from Moscow to Sharm El-Sheikh and Hurghada via Turkey's Antalya from this Thursday, 29 October. The number of trips will increase from 2 November 2020. Russia's ban on direct flights to the Red Sea resorts remains in place. ([Al-Shorouk](#))

Elsawedy Technical Education (STA) has signed an MoU with the Education Ministry to establish 10 vocational schools in the next five years. ([Al-Mal](#))

CORPORATE NEWS

Hisham Ezz Al-Arab, Chairman & Managing Director of Commercial International Bank (CIB) [COMI], decided to step down, effective immediately. CIB's board of directors then unanimously decided to appoint Sherif Sami as Non-Executive Chairman, subject to the Central Bank of Egypt's (CBE) approval. On Friday, CIB's GDR on the London Stock Exchange ended the day 14% higher at USD4/share, recouping most of Thursday's losses. The CBE on the other hand issued a statement providing its full support to CIB. ([Al-Mal](#), [Daily News 1](#), [2](#))

According to Al-Mal, the National Co. for Railways Industry will be established with five shareholders, namely Orascom Construction [**ORAS**], Hassan Allam, and Samcrete Engineers & Contractors, The Sovereign Fund of Egypt, and the General Authority for Suez Canal Economic Zone. The investment cost is USD240mn. ([Al-Mal](#))

Prime Holding's [PRMH] investment banking arm, Prime Capital, looks to close four investment deals for a Saudi institution in the health care sector worth EGP3bn. ([Al-Borsa](#))

Arab Cotton Ginning Co. [ACGC] expects COVID-19 will continue to negatively impact the parent company and its affiliates, especially in light of fears of a second wave and the decisions of some foreign countries to initiate closures, as most of the affiliated companies depend on foreign markets whether for export or importing some production requirements. ([Al-Mal](#))



Rich Food Industries plans to increase its market share in the field of chilled and frozen meats at a rate of 2% to 3% annually from the current market share of 12% in addition to the acquisition of other medium-sized food companies within two years. ([Al-Borsa](#))

GLOBAL NEWS

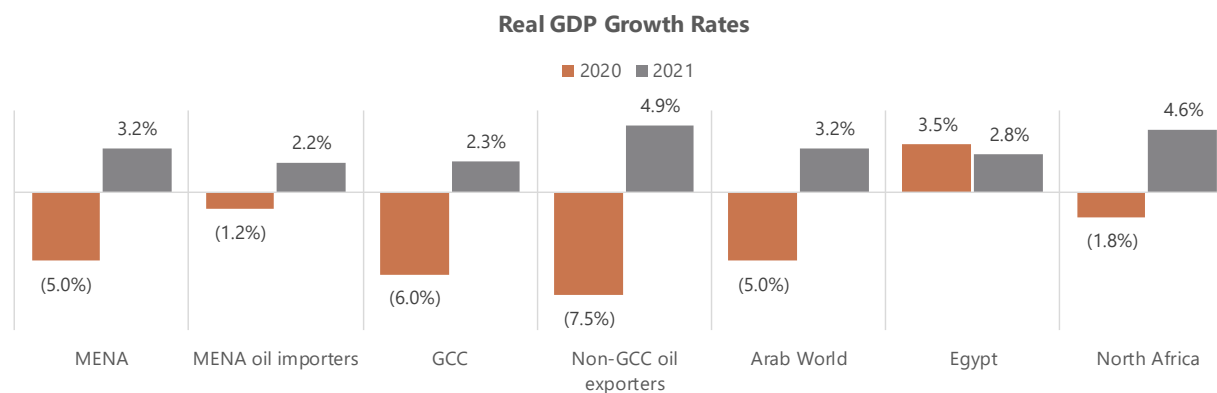
The U.S. State Department is urging Egypt to avoid working with “malign actors” like the Chinese Communist Party to develop its 5G infrastructure and instead work with American firms. ([U.S embassy](#))

China will seek to improve the flexibility of its yuan currency and will reduce restrictions on cross-border use of the yuan, the country’s central bank governor Yi Gang said on Saturday. ([Reuters](#))

Emerging market currencies are rallying on the expectation that Biden will be in the Oval Office come January, with the MSCI EM index rising 2.4% since the start of September. ([Financial Times](#))

3. CHART OF THE DAY

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Source: IMF.

All countries in the MENA region, except for Egypt, are expected to post negative growth rates in 2020. In 2021, however, weaknesses in growth during H2 2020 are reflected in lower projections for fiscal year 2020/21, where Egypt is expected to grow by 2.8%, lower than the 3.2% expected for the whole MENA region.



4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						609.1		Equity turnover (EGPmn): Last, ytd avg.				1,163.8		950.7			
						daily chg.		ytd chg.						daily chg.		ytd chg.	
		EGX 30	10,987.43	(1.03%)	(21.30%)			Gold	1,902.05	(0.11%)			25.36%				
		EGX 30 TR	4,198.67	(0.52%)	(18.76%)			Silver	24.61	(0.41%)			37.84%				
		EGX 70 EWI	1,820.69	(5.08%)	43.69%			Brent Oil	41.77	(1.63%)			(33.62%)				
		EGX 100 EWI	2,692.53	(4.45%)	23.25%			WTI	39.85	(1.94%)			(31.66%)				
		DFMGI	2,185.55	0.66%	(20.95%)			Natural Gas	2.97	(1.20%)			35.72%				
		ADSMI	4,556.74	0.29%	(10.35%)		EGP		USD/EGP	15.71	(0.12%)			(2.07%)			
		TASI	8,505.18	0.10%	1.38%	€		EUR/USD	1.19	0.36%			5.77%				
		QE Index	9,958.37	(0.07%)	(4.48%)	£		GBP/USD	1.30	(0.34%)			(1.64%)				
			S&P 500	3,465.39	0.34%	7.26%	¥		USD/JPY	104.71	(0.14%)			(3.59%)			
		Dow 30	28,335.57	(0.10%)	(0.71%)			6M TB yield	13.45	8			(156)				
		NASDAQ	11,548.28	0.37%	28.71%			1Y TB yield	13.59	8			(98)				
		VIX	27.55	(1.99%)	99.93%			10Y TB yield	14.73	7			103				
		STOXX 50	3,198.86	0.87%	(14.59%)			2Y TB yield	0.17	2			(140)				
		MSCI Emerging	1,136.45	(0.01%)	1.95%			10Y TB yield	0.84	2			(108)				
		MSCI Frontier	532.99	0.46%	(9.04%)			30Y TB yield	1.64	1			(75)				

* 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
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 EGP1.500 DPS.
25-Oct-20	SUGR	Cash dividend	Record date for EGP0.25 DPS.
25-Oct-20	ADCI	Cash dividend	Distribution date for EGP4.00 DPS.
26-Oct-20	SUGR	Cash dividend	Ex-Dividend date for EGP0.25/share.
26-Oct-20	MBSC	Cash dividend	Ex-Dividend date for EGP1.500/share.
26-Oct-20	ROTO	Cash dividend	Distribution date for EGP0.375/share (3rd installment).
28-Oct-20	MBSC	Cash dividend	Distribution date for EGP1.500/share.
28-Oct-20	SUGR	Cash dividend	Distribution date for EGP0.25/share.
28-Oct-20	PRCL	OGM	Approving the financial statements ending 30 Jun. 2020.
28-Oct-20	PRCL	EGM	Discussing the continuation of the company.
28-Oct-20	ZEOT	OGM	Approving the financial statements ending 30 Jun. 2020.



28-Oct-20	ACRO	OGM	Approving the proposed dividend.
1-Nov-20	EGAL	OGM	Approving the financial statements ending 30 Jun. 2020.
1-Nov-20	EGAL	EGM	Amending articles of the company's bylaws.
1-Nov-20	MHOT	OGM	Approving the financial statements ending 30 Jun. 2020.
1-Nov-20	MHOT	EGM	Amending articles of the company's bylaws.
1-Nov-20	AFMC	OGM	Approving the financial statements ending 30 Jun. 2020.
1-Nov-20	OCDI	OGM	Approving increasing issued capital by 2% and amending articles No. 6 & 7 of the company's bylaws.
1-Nov-20	CPCI	Cash dividend	Record date for EGP3.20/share.
1-Nov-20	AXPH	Cash dividend	Record date for EGP15.50/share.
1-Nov-20	NIPH	Cash dividend	Record date for EGP1.00/share.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
11-Oct-20	<u>MACROView – Disinflationary trend interrupted</u>
11-Oct-20	<u>MACROView – External strains are slacking and reserves are growing</u>
6-Oct-20	<u>CIB [COMI] – A Good Bet for the “Risk On” Mode</u>
5-Oct-20	<u>MACROView – Egypt’s recovery is broadening</u>
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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