



Banking on the Unbanked

1. Today's Trading Playbook

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KEY THEMES

Over the past couple of issues of **PRIME**Time, we had shown in *Chart of the Day* how Egypt's economy stands out globally, with expectations of positive economic growth rates. This compares favorably to other parts of the MENA region that are contracting in the wake of the COVID-19 fallout. Nonetheless, foreign investors have been mixed about investing in Egypt. On one hand, foreign portfolio (indirect) investments (FPIs) in the stock market continue to show net selling (for instance, foreign investors were net sellers on the EGX yesterday with net cash outflows in excess of EGP330mn). On the other hand, foreign direct investments (FDIs) have mostly been concentrated in the oil and gas sector, but more recently we have seen signs of interest in other sectors, such as banks. While Bahrain's Ahli United Bank increased its stake in its Egypt unit, Bahrain's Bank ABC is looking to acquire Lebanese BLOM Bank's Egypt unit. We believe the banking sector will be due for further mergers and acquisitions (M&A) activity as we draw closer to the end of the grace period for banks to shore up their paid-in capital to the minimum required EGP5bn. Meanwhile, companies with exposure to non-banking financial services (NBFS) continue to grow their outreach and distribution network in an effort to capture a larger slice of this early stage of high growth.

POSITIVE

EXPA, CICH, HRHO: Export Development Bank of Egypt [**EXPA**] rose yesterday by close to 4% on the day, with room for further re-rating as the bank continues to trade at a large unjustified (40%) discount to its book value (P/BV of 0.6x). Elsewhere, CI Capital Holding [**CICH**] is pressing ahead with its NBFS service offerings, which should help the investment bank in its diversification drive and quest for growth. Also, EFG Hermes Holding [**HRHO**] is another beneficiary of Egypt's overall financial inclusion theme; it was an early mover into this nascent segment of Egypt's financial sector. HRHO will soon be a triple play on investment banking, NBFS, and commercial banking once its aiBank acquisition is concluded (expected end of year / early 2021).

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



2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's economy will grow at a 3.3% clip during the current fiscal year, according to a Reuters poll of economists. This is a slight upward revision from the 3.1% growth economists had penciled in for FY21 in a similar poll in July. This comes in line with our expectation of 3.3% annual growth in FY21. ([Reuters](#))

Egypt's Commodities Exchange (Egycomex) will begin trading in H1 2021 and will launch with only wheat as a tradeable commodity. ([Al-Borsa](#))

The Central Bank of Egypt (CBE) required banks to present their BoDs with its instructions, controls and correspondence and include them in the board meeting records. (CBE: [1](#), [2](#))

CORPORATE NEWS

CI Capital Holding's [CICH] microfinance arm Reefy signed contacts with three e-payment platforms for better reachability to clients and cash collection efficiency. (Company disclosure)
The three e-payment platforms are Fawry [**FWRY**], MM Group's [**MTIE**] Masary, and Raya Holding's [**RAYA**] Aman.

CIB [COMI] said it met yesterday with the CBE officials to discuss its main findings and the violations that were included in their latest review and identify "necessary enhancements to be made as required on the compliance and internal audit fronts." ([Bank release](#))

Bahrain's Arab Banking Corporation (Bank ABC) will wrap up due diligence on BLOM Bank Egypt in mid-November, ahead of a potential offer to acquire the Lebanese bank's Egypt assets. ([Masrawy](#))

Ahli United Bank - Bahrain (AUB) purchased more than 30mn shares in AUB Egypt alongside Misr Strategia for EGP913.1mn at EGP29.8/share, in addition to the International Finance Corporation's (IFC) 10% stake and Qatar National Bank's [**QE: QNBK**] 4.17% holding, while Misr Strategia would acquire the remaining 0.15% held by Egyptian shareholders. ([Al-Borsa](#))

Orascom Investment Holding [OIH] along with Hassan Allam Holding and Siraj Lighting requested tender specification for development and management of Sound & Light project. ([Al-Mal](#))



Real Estate Egyptian Consortium's [AREH] 9M 2020 revenues and net profits plunged by 70% and 62% y/y, respectively. ([Company disclosure](#))

GLOBAL NEWS

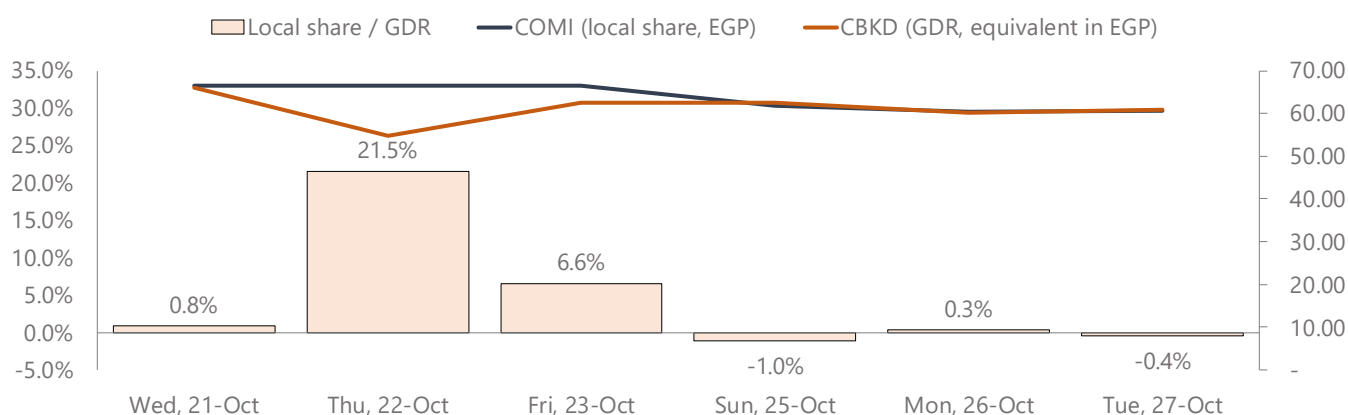
Global foreign direct investment fell 49% y/y in H1 2020 as lockdowns across the world and recession fears caused a slowdown in cross-border investment UNCTAD has said in its latest investment monitor report. ([UNCTAD](#))

Growth in other major African economies is seen as subdued and mixed, according to a Reuters poll. The continent's two largest economies, Nigeria and South Africa, are expected to grow at 2% and 3.5% in 2021 after taking a beating this year and shrinking 4% and 8.5%, according to the poll. ([Reuters](#))

3. CHART OF THE DAY

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Source: Investing.com

The past week or so has seen prices of both CIB's EGX-listed local shares (**COMI**) and LSE-listed GDRs (**CBKD**) fluctuate widely. While the local shares have long been trading at a historical premium to their counterpart GDRs, that premium has narrowed over the past three trading days, as can be seen on the above chart.



4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
605.9					1,478.7 953.0				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	↗	EGX 30	10,559.71	0.45%	(24.37%)		↗	Gold	1,907.99 0.31% 25.78%
	↗	EGX 30 TR	4,047.62	0.24%	(21.69%)		↗	Silver	24.37 0.38% 37.22%
	↗	EGX 70 EWI	1,864.91	2.78%	47.18%		↗	Brent Oil	41.20 1.83% (35.58%)
	↗	EGX 100 EWI	2,742.45	2.34%	25.54%		↗	WTI	39.57 2.62% (33.53%)
	↗	DFMGI	2,191.16	1.14%	(20.75%)		↘	Natural Gas	3.02 (0.17%) 38.42%
	↗	ADSMI	4,682.82	1.25%	(7.32%)	EGP	↗	USD/EGP	15.72 0.07% (2.12%)
	↗	TASI	8,198.90	0.53%	(2.27%)	€	↘	EUR/USD	1.18 (0.12%) 5.08%
	↗	QE Index	9,853.16	0.47%	(5.49%)	£	↗	GBP/USD	1.30 0.15% (1.52%)
	↘	S&P 500	3,390.68	(0.30%)	4.95%	¥	↘	USD/JPY	104.42 (0.40%) (4.03%)
	↘	Dow 30	27,463.19	(0.80%)	(3.77%)		↗	6M TB yield	13.45 8 (156)
	↗	NASDAQ	11,431.35	0.64%	27.40%		↗	1Y TB yield	13.59 8 (98)
	↗	VIX	33.35	2.74%	142.02%		↗	10Y TB yield	14.73 7 103
	↘	STOXX 50	3,070.60	(1.12%)	(18.01%)		↗	2Y TB yield	0.15 0 (142)
EM	↗	MSCI Emerging	1,133.99	0.30%	1.73%		↘	10Y TB yield	0.78 (3) (114)
FM	↘	MSCI Frontier	522.22	(0.45%)	(10.88%)		↘	30Y TB yield	1.56 (4) (83)

* As of market close, except for commodities and currencies at 8.42am 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
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.
2-Nov-20	AXPH	Cash dividend	Ex-Dividend date for EGP15.50/share.
2-Nov-20	CPCI	Cash dividend	Ex-Dividend date for EGP3.20/share.
2-Nov-20	NIPH	Cash dividend	Ex-Dividend date for EGP1.00/share.
2-Nov-20	IRON	OGM	Approving the financial statements ending 30 Jun. 2020.
2-Nov-20	IRON	EGM	Discussing the continuation of the company.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
25-Oct-20	CIB [COMI] – Short-term pain for longer-term gain
11-Oct-20	MACROView – Disinflationary trend interrupted
11-Oct-20	MACROView – External strains are slacking and reserves are growing
6-Oct-20	CIB [COMI] – A Good Bet for the “Risk On” Mode
5-Oct-20	MACROView – Egypt’s recovery is broadening
10-Sep-20	MACROView – A Stunning Chapter Towards Targets
8-Sep-20	MACROView – Crawling Out of the Troughs
3-Sep-20	MACROView – Job losses and the bumpy road to recovery
18-Aug-20	Oriental Weavers Carpet [ORWE] – Q2 2020 Results
13-Aug-20	Credit Agricole Egypt [CIEB] – Q2 2020 Results
10-Aug-20	MACROView – Muted inflation environment still dominates
9-Aug-20	MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed
5-Aug-20	MACROView – Toward gradual recovery
29-Jul-20	MACROView – CAD gains eroded by financial account vulnerability
14-Jul-20	Commercial International Bank - [COMI] - Q2 2020 results
9-Jul-20	MACROView – Inflation driven by non-food baskets and unfavorable base effect
8-Jul-20	MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position
7-Jul-20	MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed
25-Jun-20	EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition
10-Jun-20	MACROView – Lowest annual reading in five months, but monthly figures show no changes
8-Jun-20	Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices



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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