



The Rebound

1. Today's Trading Playbook

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KEY THEMES

Globally, U.S. stocks gave up some of its gains the day before as investors began to reassess the knee-jerk reaction they had following news of a COVID-19 vaccine. This is why we recommended to be cautiously optimistic. Meanwhile, foreign investors in Egypt finally turned net buyers in the market yesterday, having been net sellers for so long through 2020 so far. Two takeaways we note from this: (1) as we said before, a Biden win will likely be positive for emerging markets (EM) in general and Egypt in specific being an EM itself, especially when the market is trading at half the valuation level of MSCI EM, and (2) if this happens, we should start seeing "the big shift" (that we alluded to early October) materialize with large caps outperforming small caps. Last night, MSCI barely changed Egypt's constituents of its major indices, the most important of which is MSCI Global Standard Index, where all three stocks (CIB [**COMI**], Eastern Co. [**EAST**], and Elsewedy Electric [**SWDY**]) kept their places. This leaves only Oriental Weavers Carpet [**ORWE**] which was removed from MSCI Small-Cap Index, not much of an issue given foreign investors' already-low trading activities in the market year-to-date.

POSITIVE

Large caps: We reiterate our view that large caps are poised for a re-rating over the coming period.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Annual core inflation rose to 3.9% from 3.3% in September, according to central bank figures. On a monthly basis, the core rate increased to 1.7% from 0.1% in September. (CBE)



Egypt needs to double down on reforms to stimulate job creation and private sector activity as the impact of the coronavirus pandemic on the economy begins to abate, the World Bank has said in its latest Egypt Economic Monitor report. ([WB](#))

The Egyptian Tax Authority will obligate 134 companies of the top corporate taxpayers to issue electronic tax invoices on 15 November. The second phase of making e-invoices obligatory, which will begin on 15 February 2021, will include 350 companies, while the third phase, which will start on 15 May 2021, will include the remaining top corporate taxpayers. ([Mubasher](#))

The European Investment Bank (EIB) has provided EUR1.6bn to Egyptian banks to support SMEs this current year, according to the Minister of International Cooperation. ([Hapi](#))

EBRD, the European Union (EU), and the Green Climate Finance—in working with local partner banks—will offer two sub-loans programs cumulatively worth EUR220mn to SME businesses for green investments in energy, water and resource-efficient solutions. ([EBRD](#))

CORPORATE NEWS

As part of its Semi-Annual Index Review, MSCI made no change in its Global Standard Index when it came to Egypt, which means all three EGX stocks in MSCI Emerging Markets Index, namely CIB [COMI], Eastern Co. [EAST], and Elsewedy Electric [SWDY] will remain. However, MSCI removed Oriental Weavers Carpet [ORWE] from its Global Small-Cap Index, with no additions. Also, no change was announced for Egypt in MSCI Global Micro Cap Index. (MSCI: [1](#), [2](#), [3](#))

Edita Food Industries [EFID] reported an EAS-based net income of EGP121mn (+3% y/y) in Q3 2020, mainly on a surge in other income to EGP25mn (vs.0.5mn in Q3 2019) and net interest income of EGP1.2mn (vs. net interest expense of EGP2.7mn a year ago). Meanwhile, revenues dropped 3% y/y to EGP1.06bn. EAS is Egyptian accounting standards. ([Company disclosure](#))

MM Group's [MTIE] net income fell 15% y/y to EGP88mn in Q3 2020 as revenues dropped 8% y/y to EGP2.2bn and gain from associate companies fell 84% y/y to EGP2.1mn. Meanwhile, **MTIE is planning to compete in the luxury electric car market starting Q1 2021** through two models belonging to Jaguar and Range Rover brands. ([Company disclosure](#), Al-Mal)

United for Housing & Developments [UNIT] saw its 9M 2020 net profits decline by 19% y/y to EGP103mn although revenues increased by 19% y/y to EGP123.6mn. The decline was driven by lower interest income and other operating revenues. ([Company disclosure](#))



Egyptian Starch & Glucose's [ESGI] net loss narrowed to EGP3.6mn in 9M 2020 (vs. EGP8.9mn in 9M 2019), mainly as financing costs retreated 26% y/y. Meanwhile, revenues fell 16% to EGP601mn. ([Company disclosure](#))

Sarwa Capital's [SRWA] 9M 2020 bottom line reached EGP193.8mn (-31% y/y) due to lower operating profits of EGP178.5mn (-38% y/y). Meanwhile, top line growth was 8%, reaching EGP2.4bn. SRWA's outstanding portfolio reached EGP7.3bn by end of September 2020 with EGP3.2bn increase in the 9M 2020 period. ([Company disclosure](#), [Al-Borsa](#))

Prime Holding's [PRMH] total fees & commission revenues surged 66% y/y to EGP47.1mn in 9M 2020. However, it reported a net loss of EGP17mn, mainly due to higher operating expenses as the group executes on its expansion plans. ([Company disclosure](#))

El-Nasr Co. for Civil Works' [NCCW] CEO announced that COVID-19 consequences affected the company's operations negatively. He added that NCCW turned to losses in 9M 2020 due to lower revenues, slower execution rate, and higher provisions to face the crisis. ([Al-Mal](#))

Acrow Misr's [ACRO] EGM approved distributing a cash dividend of EGP1.75/share, implying a 12% yield. ([Company disclosure](#))

National Bank of Kuwait - Egypt's [NBKE] Q3 2020 net profit fell 44% y/y to EGP344mn on the back of 22% y/y drop in net interest income to EGP620mn and reporting other operating expense to EGP11.6mn compared to other operating income EGP85mn in Q3 2019. NBKE's ROAE stood at 16.6% in Q3 2020. ([Bank release](#))

GLOBAL NEWS

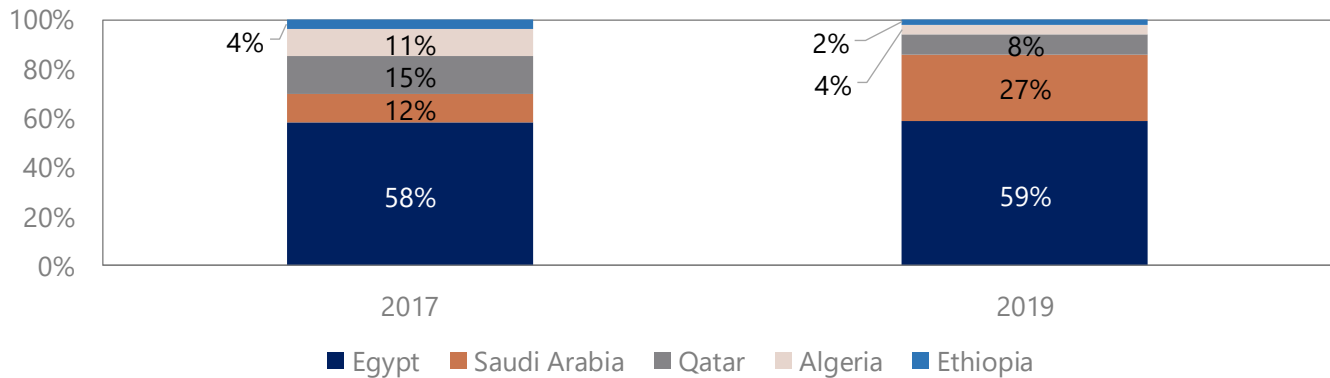
Fed officials continue to discuss what they can do to help, and those talks have included stepping up the asset purchase program if necessary. ([CNBC](#))

Saudi Arabia's economy shrank 4.2% in the third quarter from a year earlier, a smaller contraction than the second quarter when the economy was reeling from coronavirus-linked lockdowns. ([Reuters](#))

3. CHART OF THE DAY

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Source: Company Reports.

The wires & cables segment has always been the main revenue contributor to Elsewedy Electric [SWDY] except for H1 2020 when the turnkey segment captured 47% of revenues, leaving wires & cables with 41% of revenues or EGP8.3bn. Net revenues from wires & cables grew by a 3-year CAGR of 15% (2016-2019). We see the capacity split changes between countries in the region from 2017 to 2019, where Egypt remains the cornerstone while Saudi Arabia overtook Qatar, which points to a possibly deeper cooperation between Egypt and Saudi Arabia.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
627.9					1,819.4 959.4				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	↗	EGX 30	11,077.25	2.20% (20.66%)		↗	Gold	1,877.32	0.77% 24.07%
	↗	EGX 30 TR	4,234.05	0.94% (18.08%)		↗	Silver	24.23	0.53% 36.52%
	↗	EGX 70 EWI	1,953.50	2.07% 54.17%		↗	Brent Oil	43.61	1.10% (29.94%)
	↗	EGX 100 EWI	2,863.30	2.30% 31.07%		↗	WTI	41.36	1.21% (28.21%)
	↗	DFMGI	2,265.35	2.05% (18.07%)		↗	Natural Gas	2.95	1.02% 36.09%
	↗	ADSMI	4,768.22	0.52% (5.99%)	EGP	↘	USD/EGP	15.66	(0.00%) (2.38%)
	↗	TASI	8,405.04	0.46% 0.19%	€	↗	EUR/USD	1.18	0.05% 5.42%
	↗	QE Index	10,131.85	0.37% (2.82%)	£	↘	GBP/USD	1.33	(0.10%) 0.02%
	↘	S&P 500	3,545.53	(0.14%) 9.74%	¥	↘	USD/JPY	105.30	(0.01%) (3.06%)
	↗	Dow 30	29,420.92	0.90% 3.09%		↗	6M TB yield	13.52	3 (149)
	↘	NASDAQ	11,553.86	(1.37%) 28.77%		↗	1Y TB yield	13.68	2 (89)
	↘	VIX	24.80	(3.69%) 79.97%		↗	10Y TB yield	14.79	6 109
	↗	STOXX 50	3,442.62	1.02% (8.08%)		↗	2Y TB yield	0.19	1 (138)
EM	↘	MSCI Emerging	1,179.92	(1.04%) 5.85%		↗	10Y TB yield	0.95	1 (97)
FM	↗	MSCI Frontier	538.27	0.42% (8.14%)		↗	30Y TB yield	1.74	2 (65)

* As of market close, except for commodities and currencies at 8.35am 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
11-Nov-20	MCQE	BoD meeting	Approving 9M 2020 financial statements.
11-Nov-20	CIRA	Conference Call	Discussing FY19/20 results.
11-Nov-20	GSSC	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.
11-Nov-20	ZMID	EGM	Amending articles No. 3 & 4 of the company's bylaws and creating a JV company with Premier for Real Estate Investment.
11-Nov-20	EGAL	OGM	Approving the financial statements ending 30 Jun. 2020.
11-Nov-20	EGAL	EGM	Amending articles of the company's bylaws.
12-Nov-20	OCDI	Earnings Announcement	Announcing Q3-2020 earnings.
12-Nov-20	ADIB	Earnings Announcement	Announcing Q3-2020 earnings.
12-Nov-20	EKHO	BoD meeting	Approving 9M 2020 financial statements.
12-Nov-20	ETEL	Earnings Announcement	Announcing Q3-2020 earnings.
12-Nov-20	ISPH	BoD meeting	Approving 9M 2020 financial statements.
12-Nov-20	EAST	Cash dividend	Record date for EGP1.429/share.
12-Nov-20		MPC Meeting	Discussing CBE's policy rate decision.
12-Nov-20	PRCL	OGM	Approving the financial statements ending 30 Jun. 2020.
12-Nov-20	PRCL	EGM	Discussing the continuation of the company.
15-Nov-20	EAST	Cash dividend	Distribution date for EGP0.714/share (1st installment).
16-Nov-20	WCDF	Cash dividend	Record date for EGP12.00/share.
16-Nov-20	MICH	Cash dividend	Record date for EGP1.00/share.
17-Nov-20	AUTO	Conference Call	Discussing 9M 2020 results.
17-Nov-20	MICH	Cash dividend	Ex-Dividend date for EGP1.00/share.
17-Nov-20	UEFM	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.
17-Nov-20	UEFM	EGM	Amending some articles of the company's bylaws.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
10-Nov-20	MACROView – An expected rise as the new school year began
4-Nov-20	MACROView – The Stars Seem to Be Aligned for International Reserves
3-Nov-20	MACROView – The Highest Reading in Six Years
25-Oct-20	CIB [COMI] – Short-term pain for longer-term gain



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>
8Jun-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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