



## To Stay on “Dovish Pause” Mode

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The Monetary Policy Committee (MPC) at the Central Bank of Egypt (CBE) will meet today to decide the policy rates in its penultimate meeting this year. **Our call is that the MPC will opt for its preferred mindset, a “wait-and-see” position, to preserve monetary policy space and assess the current level of uncertainties.** For now, we expect the CBE’s policy rates to be maintained this meeting with a higher probability to cut rates further by 50bps in the December meeting. But this is a “dovish pause” that is consistent with a muted pass-through from the policy rates to the real economy. The pace of recovery is still uneven across sectors, with some industries remaining well below the pre-COVID levels. For example, El-Nasr for Civil Works [NCCW] turned to losses of in Q3 2020 compared to a year before; PACHIN’s [PACH] 2019/20 consolidated net profit decreased sharply y/y, while Oriental Weavers Carpet’s [ORWE] net income surged y/y in Q3 2020, thanks to collected export rebates and lower global oil prices. Moreover, the slower improvement in the labor market, as suggested by the PMI employment sub-index reading which remained negative for the twelfth consecutive month, should be taking its toll on household consumption and feed more deflationary waves.

**However, the limited effect of a rate cut on the booting economic activity is not the only reason for this dovishness because:**

- 1) **Currently lower-than-CBE target inflation figures were mainly driven by muted demand and structural weakness in food prices.** Demand-driven inflation will remain an overhang on the improvement in labor market conditions, which is subject to further recovery across all sectors, including tourism and other labor-intensive sectors.
- 2) **Globally, the recent resurgence in COVID-19 cases resulted in the reinstatement of health-related restrictions measures,** including a travel ban that will add more agony to tourism and aviation sectors.
- 3) **Downsize risks to capital inflows outlook persist,** stemming from ongoing uncertainties surrounding the pandemic domestically and U.S. political shift after the presidential elections.

**Yet, we still expect the MPC to keep its dovish tone concerning future easing as underlying inflation figures are expected to remain muted by available spare capacity in the domestic economy and FX stability.**



## 1. Today's Trading Playbook

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### KEY THEMES

It's the end of the week which included many Q3 earnings reports that came somewhat mixed, with a few outstanding ones. These included Oriental Weavers Carpet [**ORWE**], Cairo for Investment & Real Estate Development [**CIRA**], Al Baraka Bank Egypt [**SAUD**], and Telecom Egypt [**ETEL**] which just last reported last night a good set of results. We also remind you of our previous call on Misr Chemical Industries [**MICH**] which reported a strong Q1 2020/21 bottom line. We had first shed the light on the name back [on 29 July](#), when the stock was trading just above EGP6 a share (now up 88% since then). Incidentally, almost all these companies are within our preferred sectors which we have been reiterating lately, namely banks, education, health care, and telecom.

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

## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**The Egyptian Cabinet approved the long awaited Unified Insurance Law in its weekly meeting yesterday.** ([Egyptian Cabinet](#))

**Treasury bills and sovereign bonds sold on international markets are now exempt from income tax.** ([Egyptian Cabinet](#))

**Egypt aims to increase the value of its annual exports to Africa to USD30bn within 3-5 years.** ([Mubasher](#))

**The Minister of Petroleum revealed that work is underway to implement three oil refining projects with investments of USD5.7bn.** The projects will help Egypt achieve self-sufficiency in petroleum products by 2023. ([Zawya](#))

### CORPORATE NEWS

**Telecom Egypt [ETEL] reported an EAS-based net income after minority of EGP1.5bn (+14% y/y) in Q3 2020** as revenues grew 17% y/y to EGP7.4bn and SG&A fell 19% to EGP1.4bn. EAS is Egyptian accounting standards. Meanwhile, **ETEL has inked an agreement with the**



**Amsterdam Internet Exchange (AMS-IX) to establish Egypt's first internet exchange point (EG-IX) in Smart Village**, enabling better online communication between Egypt, Africa and the Middle East. ([Company disclosure](#), [MCIT](#))

**Elsewedy Electric's [SWDY] subsidiary Elsewedy Electric for Trading & Distribution signed new turnkey projects worth EGP846mn**, including a range of contracts with the Egyptian Electricity Transmission Co. ([Company disclosure](#))

**Misr Chemical Industries [MICH] saw its Q1 2020/21 net profit rocket up 370% y/y to EGP42mn** on higher revenues of EGP127mn (+62% y/y). ([Company disclosure](#))

**Raya Holding's [RAYA] net loss after minority narrowed to EGP66.4mn in 9M 2020** from EGP103.1mn a year ago as revenues rose 16% y/y to EGP7.6bn. Meanwhile, **RAYA's BoD approved offloading one of its subsidiaries "BariQ" to a foreign institution** in a deal that could be worth EGP500mn, according to *Al-Borsa*. On a similar note, **RAYA's BoD also approved selling a minority stake of Aman Group** (24%) to National Bank of Egypt. (Company disclosures: [1](#), [2](#), [Al-Borsa](#))

**EIPICO's [PHAR] 9M 2020 net profit fell to EGP339mn (-35% y/y)** after a 17% drop in revenues to EGP2.2bn. ([Company disclosure](#))

**Al Baraka Bank - Egypt's [SAUD] Q3 2020 net profit surged 78% y/y to EGP580mn**, mainly on lower funding cost of 1.7% in Q3 2020 vs. 2.3% in Q3 2019. Net interest income climbed 39% y/y to EGP665mn as gross loans rose 12% ytd to EGP22bn. Meanwhile, deposits grew marginally by 5% ytd to EGP67bn. SAUD's ROAE hit 34.6% in 9M 2020, up from 26.3% in H1 2020. SAUD currently trades at an LTM P/E of 4.4x and a P/BV of 0.47x. ([Bank release](#))

**Domty's [DOMT] net income fell to EGP41mn (-19% y/y) in Q3 2020** on lower operating profits (-21% y/y). This came despite a 53% y/y surge in other operating income and a 31% y/y fall in net interest expenses. Meanwhile, revenues grew by a mere 1% y/y to EGP724mn. ([Company disclosure](#))

**Electro Cable Egypt's [ELEC] Q3 2020 net income after minorities decreased 26% y/y to EGP22mn**, hit by a 12% lower gross profit of EGP65mn. ELEC is trading at a TTM P/E of 9.4x. ([Company disclosure](#))

**A.T. Lease's [ATLC] 9M bottom line increased 6% y/y to EGP55.3mn** on higher operating profit of EGP71.2mn (+20% y/y). However, top line edged down to EGP381mn (-1% y/y). ([Company disclosure](#))



**Misr Beni Suef Cement's [MBSC] net income leapt 90% y/y to EGP127mn** in 9M 2020 on the back of lower revenues of EGP811mn (-41% y/y), deferred taxes of EGP40mn, and a lower investment income of EGP13mn. MBSC is trading at 7x a TTM P/E. ([Company disclosure](#))

**Unipack's [UNIP] Q3 2020 net profit fell 61% y/y to EGP2.5mn** on lower revenues of EGP87mn (-22% y/y) as SG&A rose to EGP2.6mn (+24% y/y). ([Company release](#))

**Ceramica Remas [CERA] saw its net income halve y/y to EGP3mn in Q3 2020**, dragged by a 9% y/y slide in revenues to EGP183mn and a 58% y/y jump in SG&A to EGP6mn. ([Company disclosure](#))

**Egyptians for Housing & Development's [EHDR] 9M 2020 net profits slumped 61% y/y to EGP11.3mn** as revenues declined 17% y/y to EGP37.4mn. Higher SG&A and lower other revenues pulled the profits down. ([Company disclosure](#))

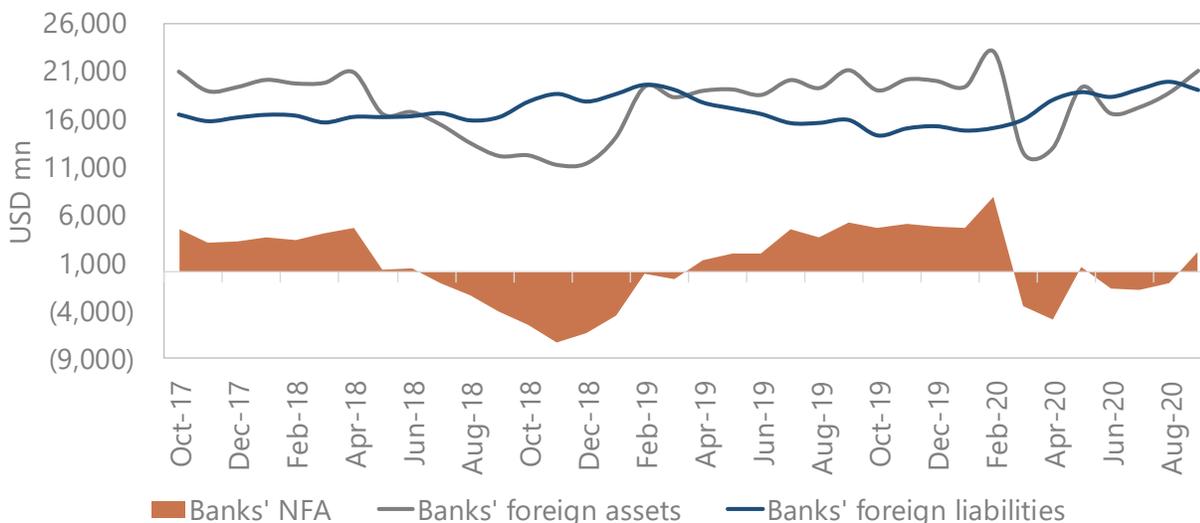
**GLOBAL NEWS**

**The Turkish President pledged a new economic growth strategy on Wednesday based on stability, lower inflation, and international investment**, an abrupt shift in rhetorical gears that sparked a lira rally of up to 4%. ([Reuters](#))

**The next six months will remain turbulent as the global economy keeps grappling with the effects of the coronavirus pandemic**, president of the Federal Reserve Bank of Boston. ([CNBC](#))

**3. CHART OF THE DAY**

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Source: CBE.



Thanks to significantly favorable risk-return environment and a stable EGP, the favorable positions of carry trade bolstered commercial banks' net foreign assets (NFAs). For the first time in three months, commercial banks' foreign assets (+4% m/m) exceeded foreign liabilities (-4% m/m) by USD2bn.

#### 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)		625.7		Equity turnover (EGPmn): Last, ytd avg.		1,628.0 962.6	
			daily chg.	ytd chg.		daily chg.	ytd chg.
	↓ EGX 30	10,997.65	(0.72%)	(21.23%)		↓ Gold	1,865.73 (0.62%) 23.08%
	↑ EGX 30 TR	4,246.85	0.30%	(17.83%)		↑ Silver	24.28 0.18% 34.95%
	↑ EGX 70 EWI	1,976.89	1.20%	56.02%		↓ Brent Oil	43.80 (0.48%) (30.73%)
	↑ EGX 100 EWI	2,888.80	0.89%	32.24%		↓ WTI	41.45 (0.55%) (29.31%)
	↑ DFMGI	2,283.02	0.78%	(17.43%)		↑ Natural Gas	3.03 0.49% 39.15%
	↑ ADSMI	4,832.25	1.34%	(5.07%)		↓ USD/EGP	15.63 (0.16%) (2.44%)
	↑ TASI	8,449.66	0.53%	0.72%	€	↓ EUR/USD	1.18 (0.14%) 4.88%
	↓ QE Index	10,119.69	(0.12%)	(2.93%)	£	↓ GBP/USD	1.32 (0.26%) (0.53%)
	↑ S&P 500	3,572.66	0.77%	10.58%	¥	↓ USD/JPY	105.43 (0.19%) (3.11%)
	↓ Dow 30	29,397.63	(0.08%)	3.01%		↑ 6M TB yield	13.52 3 (149)
	↑ NASDAQ	11,786.43	2.01%	31.36%		↑ 1Y TB yield	13.68 2 (89)
	↓ VIX	23.45	(5.44%)	70.17%		↑ 10Y TB yield	14.79 6 109
	↑ STOXX 50	3,467.30	0.72%	(7.42%)		↔ 2Y TB yield	0.19 0 (138)
	↓ MSCI Emerging	1,178.86	(0.09%)	5.76%		↑ 10Y TB yield	0.98 3 (94)
	↓ MSCI Frontier	535.91	(0.44%)	(8.54%)		↑ 30Y TB yield	1.75 1 (64)

\* 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
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	MICH	BoD meeting	Follow up on production, sales and exports.
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	PHDC	Conference Call	Discussing 9M 2020 results.
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.
18-Nov-20	RACC	OGM	Approving the financial statements ending 31 Dec. 2019.
18-Nov-20	RACC	EGM	To discuss selling some of the depreciated fixed assets
19-Nov-20	MICH	Cash dividend	Distribution date for EGP1.00/share.
19-Nov-20	ORWE	EGM	Amending some articles of the company's bylaws.
19-Nov-20	WCDF	Cash dividend	Distribution date for EGP12.00/share.
21-Nov-20	COSG	EGM	Approving splitting the par value per share and amending articles No. 6 & 7 of the company's bylaws.
18-Nov-20	RACC	OGM	Approving the financial statements ending 31 Dec. 2019.

## 7. LATEST RESEARCH

DATE	PUBLISHED REPORT
10-Nov-20	<a href="#">MACROView – An expected rise as the new school year began</a>
4-Nov-20	<a href="#">MACROView – The Stars Seem to Be Aligned for International Reserves</a>
3-Nov-20	<a href="#">MACROView – The Highest Reading in Six Years</a>
25-Oct-20	<a href="#">CIB [COMI] – Short-term pain for longer-term gain</a>
11-Oct-20	<a href="#">MACROView – Disinflationary trend interrupted</a>
11-Oct-20	<a href="#">MACROView – External strains are slacking and reserves are growing</a>
6-Oct-20	<a href="#">CIB [COMI] – A Good Bet for the “Risk On” Mode</a>
5-Oct-20	<a href="#">MACROView – Egypt’s recovery is broadening</a>
10-Sep-20	<a href="#">MACROView – A Stunning Chapter Towards Targets</a>
8-Sep-20	<a href="#">MACROView – Crawling Out of the Troughs</a>
3-Sep-20	<a href="#">MACROView – Job losses and the bumpy road to recovery</a>
18-Aug-20	<a href="#">Oriental Weavers Carpet [ORWE] – Q2 2020 Results</a>
13-Aug-20	<a href="#">Credit Agricole Egypt [CIEB] – Q2 2020 Results</a>
10-Aug-20	<a href="#">MACROView – Muted inflation environment still dominates</a>
9-Aug-20	<a href="#">MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</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>
8Jun-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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