



# The Paradox

## 1. Today's Trading Playbook

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### KEY THEMES

From time to time, markets do exhibit some paradoxes that can sometimes defy common sense. For example, companies with consistent profitability may fall out of favor only to find its stocks fall in value. In Egypt, we have had a couple of paradoxes in the past few years. For instance, at one point following the EGP flotation, Treasuries were yielding high double-digit returns that dwarfed very low earnings yields for stocks. More recently, we started seeing stocks of companies with zero revenues jump exponentially. For instance, Gulf Canadian Real Estate Investment [**CCRS**] jumped more than 400% ytd, although the company's financials do not live up to such stock performance. Meanwhile, EFG Hermes Holding [**HRHO**] and Orascom Construction [**ORAS**] posted strong Q3 results, yet their stocks barely moved. That said, we continue to believe that building positions in large caps at current levels, with EGX 30 trading at half MSCI EM index in terms of P/E ratio, and will eventually pay off over time.

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

## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**Egypt is on track to receive the second tranche of its USD5.2bn IMF standby loan after it reached a staff-level agreement with the fund** following a review of the 12-month program, the IMF. ([IMF](#))

**The government expects the economy to grow at a 3.5-3.8% clip in the current fiscal year.** The range is higher than the outlook offered by Finance Minister earlier this month at 2.8%-3.5% clip. ([Al-Borsa](#))

**Eleven mining companies have been awarded 82 gold exploration blocks in the Eastern Desert under tenders launched earlier this year.** The winners include seven foreign firms and Four local firms. ([Ministry of Petroleum](#))



**A total of 2,351 exporting companies have benefited from the Egyptian government's two initiatives related to the payment of overdue subsidies with a total amount of EGP3bn.**

([Mubasher](#))

**Egypt secured EGP1.7bn in funding from the EBRD since January** to finance SMEs through local banks, in addition to financing sanitation projects in Alexandria. ([Mubasher](#))

## CORPORATE NEWS

**Misr Fertilizers Production Company [MFPC] 9M 2020 preliminary consolidated figures showed a 34% y/y increase in EPS to EGP7.33, in spite of 12% weaker revenues of EGP5.5bn.** Bottom line growth came in light of (1) contained net borrowing costs, as well as (2) lower effective tax rates. ([Company disclosure](#))

**Cleopatra Hospital [CLHO] reported net income of EGP79mn (+13% y/y) in Q3 2020** mainly on 16% y/y growth in revenues to EGP536mn. ([Company disclosure](#))

**Orascom construction [ORAS] stake at The National Company for Railways Industry is reportedly 15%.** The company is expected to start production by end of 2021 or beginning of 2022. (Al-Mal)

**Cairo for Investment & Real Estate Development [CIRA] said that the investment cost of establishing Badr University in Assiut is EGP2.5bn, where CIRA aims to fully operate the university by 2027.** CIRA is currently negotiating to borrow EGP500mn to finance its expansion plan. (Al-Borsa)

**Raya Holding's [RAYA] subsidiary Aman for Financial Services, targets a portfolio of EGP1.3bn in 2021.** Meanwhile, Aman for Microfinance, target a portfolio of EGP1.1bn by end of 2020. (Al-Borsa)

**Tourah Portland Cement [TORA] 9M 2020 net loss contracted to EGP209mn vs. a net loss of EGP517mn.** Revenues decreased sharply by 80% y/y to EGP97.6mn. ([Company disclosure](#))

**The Export Development Fund will issue today the first batch of the late export rebates due to exporters.** Since the beginning of November, 903 companies have submitted applications to the fund to benefit the immediate payment initiative. (Al-Borsa)

**LSE-listed Integrated Diagnostics Holding (IDH) reported a 39% y/y increase in Q3 2020 net profit of EGP201mn** on 23% higher revenues of EGP720mn. ([Company disclosure](#))

## GLOBAL NEWS

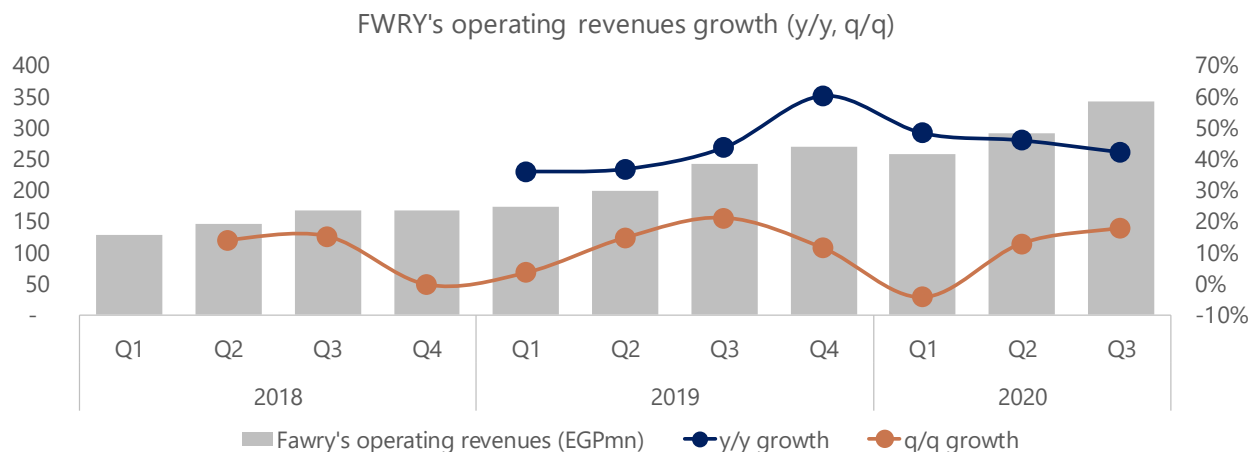
**Stock prices and bond yields fell in relatively light trading on Friday as investors reacted to dwindling aid for the U.S. economy and rising coronavirus infection rates.** ([Reuters](#))

**Leaders of the 20 biggest economies on Saturday vowed to ensure a fair distribution of COVID-19 vaccines, drugs and tests around the world** through doing what's needed to support poorer countries struggling to recover from the coronavirus pandemic. ([Reuters](#))

**EM investors are switching to value stocks and away from growth ones at the fastest pace in more than a decade,** and some say the trend may last up to another 12 months. ([Bloomberg](#))

## 3. CHART OF THE DAY

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Source: Company Report.

Fawry's [FWRY] last 10 quarters witnessed an average revenue growth of 11% on a quarterly basis, showing spikes in H2 for each of the last two years. Meanwhile, y/y revenue growth averaged 45%, with 9M 2020 growing 45% y/y. FWRY is currently trading at a P/E of 133x, which reflects market sentiment of exponential growth.



## 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
629.2						1,743.3 981.7					
				daily chg.	ytd chg.					daily chg.	ytd chg.
	📉	EGX 30	10,898.67	(0.83%)	(21.94%)		📈	Gold	1,870.99	0.24%	23.31%
	📉	EGX 30 TR	4,197.47	(0.57%)	(18.79%)		📈	Silver	24.18	0.52%	35.42%
	📉	EGX 70 EWI	2,010.25	(0.50%)	58.65%		📈	Brent Oil	44.96	1.72%	(28.56%)
	📉	EGX 100 EWI	2,937.87	(0.55%)	34.48%		📈	WTI	42.42	1.24%	(27.25%)
	📉	DFMGI	2,316.11	(0.34%)	(16.23%)		📈	Natural Gas	2.65	2.24%	21.06%
	📉	ADSMI	4,913.71	(0.78%)	(3.10%)	EGP	📈	USD/EGP	15.60	0.06%	(2.75%)
	📉	TASI	8,578.42	(0.50%)	2.26%	€	📉	EUR/USD	1.19	(0.15%)	5.74%
	📉	QE Index	10,107.65	(1.37%)	(3.21%)	£	📈	GBP/USD	1.33	0.11%	0.14%
	📉	S&P 500	3,557.54	(0.68%)	10.11%	¥	📈	USD/JPY	103.86	0.12%	(4.37%)
	📉	Dow 30	29,263.48	(0.75%)	2.54%		📉	6M TB yield	13.25	(5)	(177)
	📉	NASDAQ	11,854.97	(0.42%)	32.12%		📈	1Y TB yield	13.36	1	(121)
	📈	VIX	23.70	2.55%	71.99%		📉	10Y TB yield	14.51	(29)	81
	📈	STOXX 50	3,467.60	0.45%	(7.41%)		📉	2Y TB yield	0.16	(0)	(141)
EM	📈	MSCI Emerging	1,209.26	0.73%	8.49%		📉	10Y TB yield	0.83	(5)	(109)
FM	📈	MSCI Frontier	541.12	0.35%	(7.65%)		📉	30Y TB yield	1.52	(9)	(87)

\* 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
22-Nov-20	MILS	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.
22-Nov-20	MILS	EGM	Approving selling three production lines.
22-Nov-20	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
22-Nov-20	AMER	Lawsuit	A court session discussing legal disputes relevant to the company.
22-Nov-20	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in the 6th of October project.
23-Nov-20	AJWA	EGM	Amending article No. 4 of the company's bylaws.
23-Nov-20	ZEOT	Cash dividend	Record date for EGP0.060/share.
23-Nov-20	ARCC	Conference Call	Discussing 9M 2020 results.
24-Nov-20	PIOH	EGM	Approving splitting the company into three entities.
25-Nov-20	AFMC	Cash dividend	Record date for EGP0.180/share.
26-Nov-20	ZEOT	Cash dividend	Distribution date for EGP0.060/share.



28-Nov-20	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
28-Nov-20	MPCO	OGM	Board election.
28-Nov-20	MPCO	EGM	Approving splitting the par value per share and amending articles No. 6, 7 & 21 of the company's bylaws.
28-Nov-20	HELI	OGM	Approving the financial statements ending 30 Jun. 2020.
28-Nov-20	HELI	EGM	Amending article No. 20 of the company's bylaws.
30-Nov-20	ESGI	OGM	Reshuffling the board members.
30-Nov-20	ZMID	Cash dividend	Distribution date for EGP0.25/share (3rd installment).
30-Nov-20	AFMC	Cash dividend	Distribution date for EGP0.180/share.
30-Nov-20	EDFM	Cash dividend	Record date for EGP11.00/share.

## 7. LATEST RESEARCH

### DATE

### PUBLISHED REPORT

10-Nov-20	<a href="#"><u>MACROView – An expected rise as the new school year began</u></a>
4-Nov-20	<a href="#"><u>MACROView – The Stars Seem to Be Aligned for International Reserves</u></a>
3-Nov-20	<a href="#"><u>MACROView – The Highest Reading in Six Years</u></a>
25-Oct-20	<a href="#"><u>CIB [COMI] – Short-term pain for longer-term gain</u></a>
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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