



So Far So Good

1. Today's Trading Playbook

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KEY THEMES

Exactly four weeks to call 2020 a year, probably one of the most eventful, yet infamous, years the world has ever come to know in recent history. In Egypt, [an earthquake](#) with a magnitude of 5.4 on the Richter scale hit Cairo and other coastal cities yesterday afternoon for a few moments. On the positive side, [Egypt's PMI November 2020 reading](#) published Thursday was still above the 50 threshold, which is promising given the circumstances worldwide. Egypt's balance of payments (BoP) in FY20 has reflected somewhat the impact of COVID-19 on the economy, mainly in Q4 FY20. Our senior economist **Mona Bedeir** runs us through the key takeaways from the BoP in [this note](#).

Meanwhile, as we expected [last Thursday](#), we called for contrarian investors to bet on Juhayna Food Industries [**JUFO**] which had seen its stock fall on Wednesday following news concerning its chairman (please see the update below in the news section). The stock managed to end Thursday on an upbeat note, paring some of its earlier losses, up 2% on the day. Similarly, our [Thursday call](#) on Oriental Weavers Carpet [**ORWE**] also paid off, with the stock ending the day up 3.5%. Incidentally, ORWE is an exemplary case on how being listed on the EGX has transformed family-owned companies into strong institutions, especially when corporate governance is upheld. This was basically our call on JUFO.

POSITIVE

EGCH: Egyptian Chemical Industries' (KIMA) [**EGCH**] call to increase its capital by 44% in cash (please read the news below) could be a short-term positive for the stock, as the company looks to alleviate its EGP6.7bn debt load.

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



2. TOP NEWS & ANALYSIS

MACRO NEWS

The U.K. and Egypt signed a post-Brexit trade agreement. The trade continuity agreement, which comes into effect on 1 January 2021, will liberalize trade on industrial products, as well as the majority of commodities and food items. ([Ministry of Foreign Affairs](#))

Foreign portfolio investment in EGP-denominated bonds rose to USD23bn by the end of November, up from USD21.1bn six weeks earlier. ([Masrway](#))

The Minister of Finance believes that the Egyptian government will narrow the budget deficit to 7.5% of GDP by the end of June 2021 from 7.9% in FY20, provided the distribution of effective COVID-19 vaccines in 2021 and the easing of the pandemic. ([Al-Mal](#))

Bombardier is set to begin manufacturing in Q1 2021 the railcars for the two planned monorails that will link Sixth of October City to Giza and Nasr City to the new capital, under a USD4.5bn contract signed last year. ([Al-Borsa](#))

Sugar prices rose by 6% to EGP7,400/ton from EGP7,000/ton two weeks ago. A recent government decision will see white and raw sugar importation subject to approvals on the quantity from the Ministry of Trade & Industry and the Ministry of Supply & Internal Trade. This decision will last for three months and will be periodically reviewed. (Al-Mal: [1](#) [2](#))

CORPORATE NEWS

Raya Holding's [RAYA] BoD approved the proposed offer presented by its subsidiary, Raya Distribution, to acquire 100% of Itsalat International Egypt (i2) and United Retail Co. (URC). Raya Electronics may be involved in the transaction to comply with the Companies' Law. Meanwhile, RAYA's BoD also approved investing EGP100mn in a new fintech-focused venture capital fund. ([Company disclosure](#))

Alexandria Container & Cargo Handling [ALCN] injected EGP140mn in the Egyptian Group for Multipurpose Terminals, in which ALCN owns a 13% stake. ([Al-Mal](#))

Egyptian Chemical Industries' (KIMA) [EGCH] BoD has proposed increasing paid-in capital to EGP6.5bn by EGP2bn distributed over 400mn shares with a par value of EGP5/share. The capital increase will see EGCH's creditors allowed to participate in the capital increase. In addition, the BoD authorized EGCH's managing director to negotiate with banks the way KIMA can use its stakes in Abu Qir Fertilizers [**ABUK**] (2.7%) and Delta Sugar [**SUGR**] (6.45%) in order to pay off some of its debt. ([Company disclosure](#))



Egypt Aluminum [EGAL] preliminary Q1 2020/21 results showed net losses narrowing to EGP151mn vs. EGP278mn a year earlier. This comes in light of 16% y/y improvement in revenues of EGP2.2bn, as well as lower gross losses. EGAL still registered a GLM, which reached 11% vs. 30% a year earlier. The figures reflect (1) a deflation in sales volume, (2) weaker aluminum base prices, and (3) a stronger EGP. ([Company disclosure](#))

Juhayna Food Industries' [JUFO] BoD approved appointing deputy chairman Seifeldin Thabet as acting chairman. ([Company disclosure](#))

Orascom Construction [ORAS], Hassan Allam, and Arab Contractors consortium is getting ready to build the new Administrative Capital's water station. The project's cost is EGP15bn. ([Al-Mal](#))

Elseddy Electric's [SWDY] subsidiary Egytech Cables signed a contract to establish the Delta Regional Control Centre [DRCC]. The project value is EGP193mn and will be implemented over 18 months. ([Company disclosure](#))

MM Group [MTIE] expects an increase in its electrical appliances sales by 25% h/h in H2 2020, indicating that the reopening of the economy, along with the government's initiative to boost consumption have supported the performance of MTIE's electrical appliances sector since the beginning of H2 2020. ([Al-Mal](#))

GLOBAL NEWS

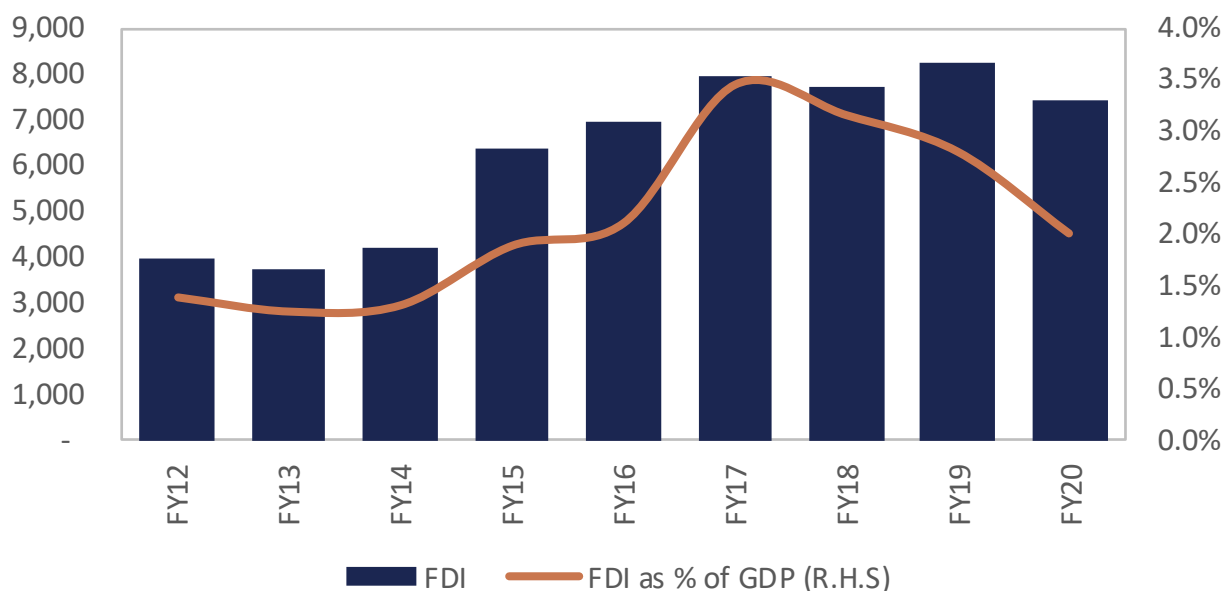
Emerging markets equities are expected to have a good run in 2021 as demand rises and large-scale vaccination efforts around the globe improve sentiment. ([Reuters](#))

The U.S. economy added the fewest workers in six months in November, hindered by a resurgence in new COVID-19 cases that, together with a lack of more government relief money, threatens to reverse the recovery from the pandemic recession. ([Reuters](#))

Fitch Ratings believes risks to Egyptian banks' operating environment will remain heightened over the medium term, suggesting potential further pressures on banks' financial metrics. However, foreign-currency credit and liquidity fallout from the coronavirus crisis are receding. ([Fitch](#))

3. CHART OF THE DAY

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Source: CBE & Prime Research.

Egypt's FDIs fell by 9.5% in FY20, registering its lowest level since the EGP floatation of USD7.4bn vs. USD8.2bn a year earlier. The significant fall in FDIs was concentrated in H2 FY20 as it dropped by 38% y/y as a result of the onset of COVID-19 economic turmoil crisis. However, the performance of FDI inflows is still below expectations, even before the pandemic outbreak where its share of GDP has been on a declining path since FY17. Looking ahead, the effect of the COVID-19 crisis on FDI inflows are material given that 60% of total FDI inflow to Egypt are concentrated in the oil and gas sector that has been struggling with lower price and chronic global market imbalances. Thus, the ongoing structural reform has to be more focused on boosting investment opportunities through enhancing the business environment and competitiveness of the economy.



4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
642.9						1,378.3		1,010.5	
				daily chg.	ytd chg.			daily chg.	ytd chg.
	↓	EGX 30	11,015.01	(0.08%)	(21.10%)		↓	Gold	1,838.86 (0.12%) 21.20%
	↑	EGX 30 TR	4,248.21	0.70%	(17.81%)		↑	Silver	24.19 0.50% 35.47%
	↑	EGX 70 EWI	2,088.36	0.32%	64.82%		↑	Brent Oil	49.25 1.11% (21.74%)
	↑	EGX 100 EWI	3,038.42	0.27%	39.09%		↑	WTI	46.26 1.36% (20.67%)
	↑	DFMGI	2,419.60	0.82%	(12.49%)		↑	Natural Gas	2.58 2.71% 17.63%
	↓	ADSMI	4,964.94	(0.42%)	(1.41%)	EGP	↑	USD/EGP	15.67 0.03% (2.29%)
	↓	TASI	8,674.97	(0.22%)	3.41%	€	↓	EUR/USD	1.21 (0.19%) 8.10%
	↑	QE Index	10,465.64	0.71%	0.38%	£	↓	GBP/USD	1.34 (0.07%) 1.39%
	↑	S&P 500	3,699.12	0.88%	14.50%	¥	↑	USD/JPY	104.17 0.32% (4.09%)
	↑	Dow 30	30,218.26	0.83%	5.89%		↓	6M TB yield	13.22 (2) (179)
	↑	NASDAQ	12,464.23	0.70%	38.91%		↓	1Y TB yield	13.29 (2) (128)
	↓	VIX	20.79	(2.30%)	50.87%		↔	10Y TB yield	14.49 0 79
	↑	STOXX 50	3,539.27	0.63%	(5.50%)		↓	2Y TB yield	0.15 (1) (142)
	↑	MSCI Emerging	1,251.04	0.93%	12.24%		↑	10Y TB yield	0.97 3 (95)
	↑	MSCI Frontier	551.97	0.14%	(5.80%)		↑	30Y TB yield	1.74 5 (65)

* 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
7-Dec-20	ASCM	OGM	Discussing appointing a second auditor for the company's accounts for the current year ending 31 Dec.
7-Dec-20	ASCM	EGM	Amending article No. 4 of the company's bylaws.
8-Dec-20	CEFM	Cash dividend	Record date for EGP3.250/share.
8-Dec-20	BTFH	OGM	Discussing netting contracts.
8-Dec-20	OIH	OGM	Approving (1) a sale-leaseback agreement with its subsidiary Beltone Financial Holding and (2) renting an office space to its spinoff company Orascom Financial Holding.
8-Dec-20	OIH	EGM	Approving a sale-and-lease back agreement for one of its tangible assets.
9-Dec-20	EGAS	Stock dividend	Record date for 1:1 dividend.
10-Dec-20	EGAS	Stock dividend	Distribution date for 1:1 dividend.
10-Dec-20	CIEB	EGM	Discussing the assignment of a land plot owned by the Urban Communities Authority for EGP100mn.
10-Dec-20	ACAMD	EGM	Approving splitting the par value per share and amending articles No. 6 & 7 of the company's bylaws.



10-Dec-20	ICLE	Cash dividend	Record date for EGP2.50/share.
12-Dec-20	ALCN	OGM	Approving the financial statements ending 30 Jun. 2020 and the proposed dividend.
12-Dec-20	ALCN	EGM	Amending article No. 19 of the company's bylaws.
15-Dec-20	ICLE	Cash dividend	Distribution date for EGP2.50/share.
15/16-Dec-20		FOMC	Determining the direction of the monetary policy and benchmarks policy rates.
16-Dec-20	PACH	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.
16-Dec-20	PACH	EGM	Amending article No. 4 of the company's bylaws.
19-Dec-20	GGCC	EGM	Discussing a stock split and amending articles No. 6 & 7 of the company's bylaws.
21-Dec-20	SUCE	OGM	Discussing netting contracts & a board reshuffle.
22-Dec-20	CIRA	EGM	Discuss the sale of some assets.
22-Dec-20	AJWA	EGM	Amending article No. 4 of the company's bylaws.
24-Dec-20		MPC Meeting	
24-Dec-20	ROTO	Cash dividend	Distribution date for EGP0.375/share (4th installment).
27-Dec-20	EKHO	OGM	Approving the financial statements ending 30 Jun. 2020 and the proposed dividend.
27-Dec-20	EKHO	EGM	Approve increasing the issued capital.
27-Dec-20	PRMH	EGM	Approving adding a mutual fund activity by itself or with others.
30-Dec-20	ELSH	Cash dividend	Distribution date for EGP0.100/share (2nd installment).
31-Dec-20	ABUK	Cash dividend	Distribution date for EGP0.90/share (2nd installment).
31-Dec-20	NRPD	Lawsuit	A court session discussing legal disputes relevant to the company.

7. LATEST RESEARCH

DATE

PUBLISHED REPORT

3-Dec-20	<u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u>
25-Nov-20	<u>Misr Chemical Industries [MICH] – Pandemic Proof</u>
10-Nov-20	<u>MACROView – An expected rise as the new school year began</u>
4-Nov-20	<u>MACROView – The Stars Seem to Be Aligned for International Reserves</u>
3-Nov-20	<u>MACROView – The Highest Reading in Six Years</u>
25-Oct-20	<u>CIB [COMI] – Short-term pain for longer-term gain</u>
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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