



On 'Hold' for New Forward Guidance

1. Today's Trading Playbook

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KEY THEMES

As the Monetary Policy Committee (MPC) at the Central Bank of Egypt (CBE) heads today towards its last meeting in 2020, we believe the MPC is going to soft-pedal on its dovish stance, opting to hold rates at current levels after the cumulative 400bps cut delivered in 2020. As much as we are optimistic about a global economic recovery in 2021, potential risk factors are still clouding the sky. The deployment of a safe and effective vaccine will be crucial to set the global and domestic economy on a robust recovery in 2021, yet the new mutant variant of the virus started to alter the health risk assessment of both governments and individuals.

Furthermore, inflation remained well below the CBE's end-of-year target of $9\% \pm 3\%$ (i.e. 6-12%), and the committee acknowledged that "the outlook for inflation in Q4 2020 is estimated to be in the low single-digit range, with an increasing likelihood of coming under the inflation target floor of 6%". Despite the acceleration in headline inflation over the last couple of months, inflation expectations (the cornerstone in determining the trajectory of the policy rates) are still muted on the back of the absence of real underlying inflationary pressures. The inflation ticked up in November to its highest level in seven months due to the acceleration in food prices and an unfavorable base year. Thus, we believe that the MPC will lean to pause its easing cycle as:

- (1) The impact of the vaccine still takes time to materialize given the need to assess its medical effectiveness, public acceptance, and national distributional capacity.
- (2) The CBE should review its inflation target in the medium term and provide greater clarity on its forward policy guidance.

The CBE may opt to resume its easing cycle early 2021 with an expected 100-150bps cut throughout the whole year. In short, we expect an inflation average of 6.3% in 2020 and the CBE to lower its inflation target to $6\% \pm 3\%$ (i.e. 3-9%).



POSITIVE

Ceramics stocks (ECAP, CERA, PRCL, LCSW): Yesterday's news of a 3-month import ban on ceramics and porcelain products should provide EGX-listed ceramics stocks with a short-term boost. The list includes (in alphabetical order) Al-Ezz Ceramics & Porcelain [**ECAP**], Arab Ceramics (Remas) [**CERA**], General Co. for Ceramic & Porcelain Products [**PRCL**], and Lecico Egypt [**LCSW**]. It is short term though because this only fixes one side of their problems, the other being weak demand.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's economy grew only 0.7% y/y in Q1 FY21 and probably would have expanded at a 2.7% clip if it weren't for the tourism sector, which continued to reel from the effects of the lockdown in the previous quarter. ([Cabinet statement](#))

The Ministry of Industry, Trade & Small Industries banned ceramics and porcelain imports for three months. ([Al-Borsa](#))

Trade talks between Egypt and the U.S. that were supposed to take place this month have been delayed to 2021 due to the pandemic. ([Enterprise](#))

Airlines, hotels, and other tourism establishments are getting another breather on debt, taxes, and utility payments after the Cabinet approved yesterday extending a payment holiday introduced in April. ([Cabinet statement](#))

Egypt aims to export 45 shipments of liquefied natural gas through the Idku liquefaction plant in 2021 after having seen exports tank this year due to the collapse in gas prices. ([Youm7](#))

CORPORATE NEWS

Alexandria Container & Cargo Handling [ALCN] said its employee protest came to an end and the company is operating normally. ([Company disclosure](#))

Cairo for Investment & Real Estate Development's [CIRA] EGM approved the issuance of 7-year Ijarah Sukuk worth EGP600mn. ([Company disclosure](#))



Egyptian Iron & Steel's [IRON] BoD on 22 December 2020 decided to call for an auction to sell scraps. ([Company disclosure](#))

GLOBAL NEWS

Eni has made a new oil discovery in the Western Desert that will add 10,000 barrels of oil a day to its production from the Meleiha concession. ([Eni](#))

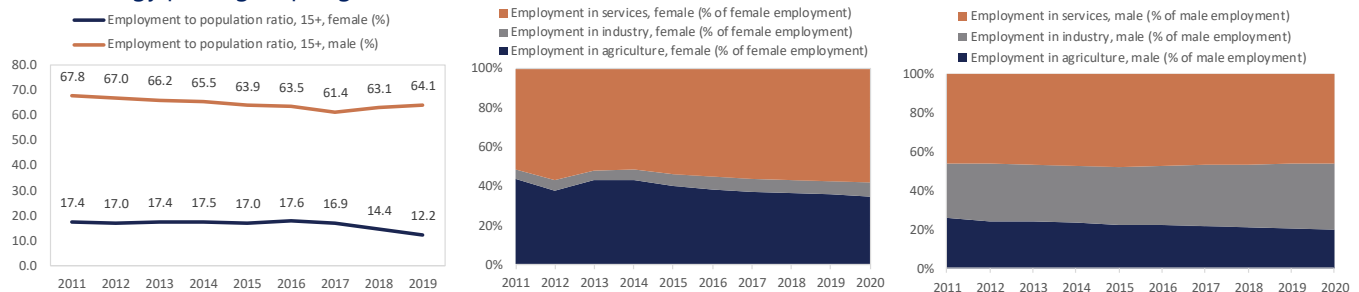
Investors in the MENA region have their work cut out for them in 2021 as bond issuances, budget deficits, and geopolitical complexities heighten risks over the coming 12 months.

With the pandemic still raging and oil prices slumping again, public finances in the MENA region are expected to come under further pressure and the trajectory of the economic recovery uncertain. ([Bloomberg](#))

It seems the U.K. and the EU have finally agreed a tentative outline for a Brexit trade agreement, with the text of the agreement still being drafted. ([Bloomberg](#))

3. CHART OF THE DAY

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Source: CAPMAS.

Statistics show that both male and female employment rates decreased during the 2013-2017 period, yet male employment recovered to 64.1% in 2019, while, for females, rates dived further to 12.2%. This means the gender gap in employment has widened to c.52%. Most of the female employment is concentrated in the services sector where employment opportunities in informal activities are dominant.



4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.			
636.8					1,062.1		1,036.5	
			daily chg.	ytd chg.			daily chg.	ytd chg.
		EGX 30	10,677.51	0.20% (23.52%)			Gold	1,872.89 0.65% 23.65%
		EGX 30 TR	4,125.69	(0.10%) (20.18%)			Silver	25.54 1.41% 44.43%
		EGX 70 EWI	2,021.65	2.94% 59.55%			Brent Oil	51.20 0.45% (18.27%)
		EGX 100 EWI	2,933.98	2.32% 34.31%			WTI	48.12 0.37% (17.17%)
		DFMGI	2,511.46	1.24% (9.17%)			Natural Gas	2.61 (0.88%) 18.09%
		ADSMI	5,142.32	0.64% 1.30%	EGP		USD/EGP	15.71 (0.04%) (2.19%)
		TASI	8,720.67	0.46% 3.95%	€		EUR/USD	1.22 0.14% 8.84%
		QE Index	10,504.16	(0.29%) 0.75%	£		GBP/USD	1.35 0.41% 2.20%
		S&P 500	3,690.01	0.07% 14.21%	¥		USD/JPY	103.57 0.01% (4.63%)
		Dow 30	30,129.83	0.38% 5.58%			6M TB yield	12.65 (32) (236)
		NASDAQ	12,771.11	(0.29%) 42.33%			1Y TB yield	12.67 (33) (190)
		VIX	23.31	(3.80%) 69.16%			10Y TB yield	14.27 (22) 57
		STOXX 50	3,539.26	1.19% (5.50%)			2Y TB yield	0.13 1 (144)
EM		MSCI Emerging	1,258.10	0.75% 12.87%			10Y TB yield	0.95 3 (97)
FM		MSCI Frontier	562.74	0.29% (3.96%)			30Y TB yield	1.69 3 (70)

* As of market close, except for commodities and currencies at 8.43am 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
24-Dec-20	ACRO	Cash dividend	Distribution date for EGP1.750/share.
24-Dec-20		MPC Meeting	Determining the CBE's policy rate.
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	Approving increasing the issued capital.
27-Dec-20	PRMH	EGM	Approving adding a mutual fund activity by itself or with others.
27-Dec-20	MOIL	EGM	Discussing the changing and hiring for key positions.
27-Dec-20	SCTS	Cash dividend	Record date for EGP1.50/share.
28-Dec-20	GSSC	Cash dividend	Record date for EGP3.450/share.
28-Dec-20	MENA	EGM	Discussing a stock split and amending articles No. 6 & 7 of the bylaws.
29-Dec-20	CAED	Cash dividend	Record date for EGP0.90/share.
30-Dec-20	SCTS	Cash dividend	Distribution date for EGP1.50/share.
30-Dec-20	ELSH	Cash dividend	Distribution date for EGP0.100/share (2nd installment).



31-Dec-20	FWRY	OGM	Discussing netting contracts.
31-Dec-20	FWRY	EGM	Approving increasing the issued capital through stock dividends and rights issue.
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.
31-Dec-20	GSSC	Cash dividend	Distribution date for EGP3.450/share.
2-Jan-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
3-Jan-21	CAED	Cash dividend	Distribution date for EGP0.90/share.
3-Jan-21	AIH	Lawsuit	A court session discussing legal disputes relevant to the company.
3-Jan-21	GMCI	OGM	Approving the financial statements ending 31 Dec. 2019.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
22-Dec-20	EFG Hermes Holding [HRHO] – Blueprinting Its Eminence
16-Dec-20	CIB [COMI] – Earnings beat despite higher provisions
10-Dec-20	MACROView – The Highest Reading in Seven Months
7-Dec-20	MACROView – Restored Ground
6-Dec-20	MACROView – Lost Momentum
3-Dec-20	MACROView – Not as Severe as Expected but All Eyes on the Scars
25-Nov-20	Misr Chemical Industries [MICH] – Pandemic Proof
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	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	<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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