

**TABLE OF CONTENTS****1. Today's Trading Playbook****2. Top News & Analysis****3. Chart of the Day****4. Markets Performance****5. Latest EGX Valuation Multiples****6. Key Dates****7. Latest Research**

## Opportunities on the New Orient Express

### 1. Today's Trading Playbook

**TABLE OF CONTENTS**

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#### KEY THEMES

We believe the market will continue to be event driven as we have seen in the last couple of weeks. Bank stocks fell last week after the CBE banned Egyptian banks from paying any cash dividends, a decision that we think may be revisited for banks that already boast high capital adequacy ratio (CAR) and low non-performing loan (NPL) ratio, like large-cap banks. Yesterday's announced acquisition of **BLOM Bank Egypt** by **Bank ABC**, while expected, should help re-rate bank stocks, especially those that trade below or near their book value. Please check our latest [EGX Valuation Multiples](#) report for a run of those bank stocks. Also, the investment banking arm of CI Capital Holding [**CICH**] (+8.6% since we published [our core coverage report](#) last Thursday) should benefit off the BLOM Bank Egypt's deal as it is the advisor to the seller.

Meanwhile, Orascom Construction [**ORAS**] – as we expected yesterday – ended the day on a positive note (+7% on a VWAP basis and +10% on a last price basis) on the heels of its new award to take part in Egypt's high-speed rail system project. Also, tomorrow is the last day to be eligible for ORAS's EGP3.313/share dividend (a 3.5% yield). Incidentally, Siemens' CEO named Elsewedy Electric [**SWDY**] (unchanged d/d) as one of the potential local beneficiaries from the high-speed rail system project in the future in his interview with [Skynews Arabia](#) (minute 2:30+).

Elsewhere, we believe Ibsina Pharma [**ISPH**] is poised to benefit from the second wave of COVID-19 in view of the high demand for medication as Egyptians adopt a home-grown treatment protocol. We note that ISPH is not linked to certain medicine, so it is – in our opinion – the best play on growing medicine sales in Egypt.

#### POSITIVE

**ORAS:** We think ORAS could continue its rally for the next couple of days before it goes ex-dividend on 20 January. The stock is still cheap, trading at 7.6x TTM earnings.



**SWDY:** If the words of Siemens' CEO foreshadow a potential involvement of SWDY in the high-speed project down the road, we could continue SWDY join ORAS's rally. The stock is also cheap, trading at 7.3x TTM earnings.

**TMGH:** TMG Holding's [TMGH] new land acquisition in the New Capital City should add 42% to its land bank, marking a new chapter in the company's growth story, albeit still focused East of Cairo.

**ISPH:** Ibnsina Pharma [ISPH] has pared some of its earlier losses, having advanced by 8% in three trading sessions from a day low of EGP4.90 on 12 January. ISPH is still trading at a 35% discount to the market consensus of EGP8.28/share.

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

## 2. TOP NEWS & ANALYSIS

### TABLE OF CONTENTS

### MACRO NEWS

**Egypt's economy is now expected to expand between 2.8-4% this fiscal year** under the Ministry of Finance's amended targets, while the debt-to-GDP ratio is penciled in at 89% rather than 83%. ([Enterprise](#))

**Foreign investment in local currency bonds has continued to rebound through the beginning of 2021**, with total holdings now standing at USD26bn. ([Enterprise](#))

**The Ministry of Finance has reportedly set aside USD1.5-1.6bn to purchase vaccines against COVID-19.** ([Masrawy](#))

**Al-Nasr Automotive Co. has reached an agreement with China's Dongfeng to assemble electric vehicles in Egypt**, and the final contracts will be signed today. ([Masrawy](#))

### CORPORATE NEWS

**Siemens's CEO named Elsewedy Electric [SWDY] as one of the companies that can potentially participate in Egypt's first high-speed rail system.** ([Skynews Arabia](#))

**TMG Holding [TMGH] confirmed that one of its subsidiaries is signing a contract with government housing body NUCA to acquire 5,000 feddans in Capital Gardens City for an EGP500bn development.** The project, which will provide 3.3mn jobs, will be built on 50% of the gross land area (GLA) with some 140,000 apartments and villas to house around 600,000 customers. TMGH plans to allocate 37 feddans for a university, 90 feddans for a sports club, and



30 feddans for schooling. The cash value and the agreed in-kind payment could be disclosed soon since the deal was reportedly sealed yesterday. ([Company disclosure](#), [Al-Mal](#))

**Faisal Islamic Bank of Egypt's [FAIT] standalone 2020 net profit retreated 24% y/y to EGP2bn**, despite a 7.6% growth in net interest income (NII) to EGP4.6bn. FAIT's ROAE fell from 21.5% in 2019 to 15.3% in 2020. FAIT is currently traded at a P/BV of 0.38x and a TTM P/E of 2.6x. (Bank release)

**Alexandria Container & Cargo Handling's [ALCN] unaudited net income fell 15% y/y to EGP625mn in H1 2020/21** (ended 31 December 2020). Meanwhile, revenues decreased to EGP1.1bn (-12.2% y/y). ([Company disclosure](#))

**Arabian Food Industries Co.'s [DOMT] BoD decided to authorize the Egyptian Arab Land Bank (EALB) to mortgage its bakery production line** which is financed by credit facilities from the lender. ([Company disclosure](#))

**Raya Holding's [RAYA] BoD approved a 10-for-1 stock split from a par value of EGP5.0/share to EGP0.5/share**. The decision which aims to increase trading volumes and stock liquidity is pending EGM approval on 9 February 2021. ([Al-Borsa](#))

**Orascom Development Egypt [ORHD] sold its entire c.1.14mn treasury shares (a 0.1% stake)** to not exceed the one-year holding period permissible by the financial regulator. ([Company disclosure](#))

## GLOBAL NEWS

**China's economy picked up speed in Q4 2020, with growth beating expectations as it ended a rough coronavirus-stricken 2020** in a remarkably good shape and remained poised to expand further this year even as the global pandemic rages unabated. ([Reuters](#))

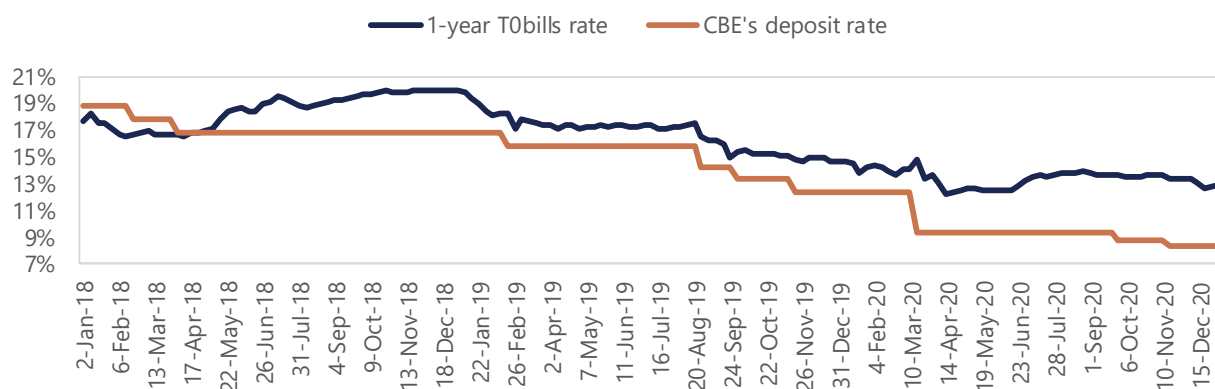


### 3. CHART OF THE DAY

#### TABLE OF CONTENTS

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**The gap between yields and CBE's rate**



Source: CBE.

Given the material external pressures on Egypt's main FX revenues due to pandemic-related headwinds, the gap between the yield on debt securities and CBE's benchmark rate is still elevated. The transmission between policy rate and debt securities yields was, and will remain, low despite the 400bps rate cut seen in 2020 and the 100-150bps rate cut expected in 2021.

### 4. MARKETS PERFORMANCE

#### TABLE OF CONTENTS

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
681.3					1,366.4 1,178.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
🇪🇬	📉	EGX 30	11,446.53	(0.06%)	5.54%	📉	Gold	1,828.45	(0.98%) (3.20%)
	📉	EGX 30 TR	4,419.02	(0.12%)	5.92%	📉	Silver	24.77	(2.94%) (5.13%)
	📈	EGX 70 EWI	2,277.37	1.01%	6.16%	📉	Brent Oil	55.10	(0.76%) 5.56%
	📈	EGX 100 EWI	3,274.35	0.66%	5.70%	📉	WTI	52.36	(0.63%) 7.23%
🇦🇪	📉	DFMGI	2,695.05	(0.27%)	8.15%	🔥	Natural Gas	2.74	(3.91%) 3.58%
	📈	ADSMI	5,279.98	0.25%	5.29%	EGP	USD/EGP	15.66	(0.30%) (0.49%)
🇸🇦	📉	TASI	8,874.90	(0.27%)	2.13%	€	EUR/USD	1.21	(0.05%) (1.15%)
🇺🇸	📉	QE Index	10,860.72	(0.49%)	4.07%	£	GBP/USD	1.36	(0.17%) (0.75%)
	📉	S&P 500	3,768.25	(0.72%)	0.32%	¥	USD/JPY	103.85	(0.11%) 0.47%
	📉	Dow 30	30,814.26	(0.57%)	0.68%	🇪🇬	6M TB yield	12.84	4 11
	📉	NASDAQ	12,998.50	(0.87%)	0.86%	📈	1Y TB yield	12.88	1 11
	📈	VIX	24.34	4.69%	6.99%	📉	10Y TB yield	14.38	(1) (1)
🇪🇺	📉	STOXX 50	3,599.55	(1.15%)	1.32%	🇺🇸	2Y TB yield	0.13	(2) (1)
	📉	MSCI Emerging	1,358.03	(0.93%)	5.17%	📈	10Y TB yield	1.09	1 16
	📉	MSCI Frontier	591.67	(0.04%)	3.51%	📈	30Y TB yield	1.85	3 19

\* As of market close, except for commodities and currencies at 8.25am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.



## 5. LATEST EGX VALUATION MULTIPLES

[TABLE OF CONTENTS](#)

[Find out](#) how your favorite stocks compare to the rest of the market.

## 6. KEY DATES

[TABLE OF CONTENTS](#)

DATE	TICKER	TYPE	EVENT
18-Jan-21	CIRA	Conference Call	Discussing Q1 2020/21 Results.
19-Jan-21	ORAS	Cash dividend	Record date for EGP3.313/share.
20-Jan-21	ORAS	Cash dividend	Ex-Dividend date for EGP3.313/share.
21-Jan-21	GPPL	OGM	Approving the financial statements ending 31 Dec. 2019 & a board reshuffle.
23-Jan-21	DSCW	OGM	Approving the financial statements ending 31 Dec. 2019 & a board reshuffle.
24-Jan-21	AIH	Lawsuit	A court session discussing legal disputes relevant to the company.
24-Jan-21	PACH	Cash dividend	Record date for EGP1.00/share.
24-Jan-21	CSAG	Cash dividend	Record date for EGP1.382/share.
24-Jan-21	SUCE	Auction	Auctioning a 51% stake in Kuwait-based Hilal Cement at a starting price of KWD0.058/share.
25-Jan-21	CSAG	Cash dividend	Ex-Dividend date for EGP1.382/share.
26-Jan-21	ORAS	Cash dividend	Distribution date for EGP3.313/share.
27-Jan-21	PACH	Cash dividend	Distribution date for EGP0.50/share (1st installment).
27-Jan-21	CSAG	Cash dividend	Distribution date for EGP1.382/share.
28-Jan-21	SKPC	EGM	Discussing a board proposal to amend articles 2, 3 & 4 of the bylaws.
30-Jan-21	ALRA	EGM	Amending articles 6 & 7 of the bylaws.
3-Feb-21	ETRS	OGM	Discussing adding a new board member.
3-Feb-21	ETRS	EGM	Amending articles 5 & 22 of the bylaws.
4-Feb-21	AMES	OGM	Approving increasing the issued capital.
6-Feb-21	EDBM	EGM	Discussing cutting share par value and amending articles 6 & 7 of the bylaws.
8-Feb-21	MFPC	EGM	Amending articles 4, 7, 25, 21, 29, 46, 48 & 55 of the bylaws.
8-Feb-21	EIUD	EGM	Amending articles 3, 4, 6 & 7 of the bylaws.
9-Feb-21	RAYA	EGM	Discussing a stock split and articles 6 & 7 of the bylaws.
13-Feb-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
15-Feb-21	SRWA	EGM	Increasing BoD members from 11 to 13.
15-Feb-21	EAST	Cash dividend	Distribution date for EGP0.714/share (2nd installment).
15-Feb-21	HELI	Auction	Open bid for 270 feddans in new Heliopolis

## 7. LATEST RESEARCH

[TABLE OF CONTENTS](#)

DATE	PUBLISHED REPORT
14-Jan-21	<a href="#">CI Capital Holding [CICH] – New Expansions = Further Growth</a>
10-Jan-21	<a href="#">MACROView – Below End-of-Year Target</a>



6-Jan-21	<a href="#"><u>MACROView – On the Path to Further Recovery</u></a>
5-Jan-21	<a href="#"><u>MACROView – Rutted Road to Recovery</u></a>
28-Dec-20	<a href="#"><u>Elsewedy Electric [SWDY] – More Growth to Come</u></a>
22-Dec-20	<a href="#"><u>EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</u></a>
16-Dec-20	<a href="#"><u>CIB [COMI] – Earnings beat despite higher provisions</u></a>
10-Dec-20	<a href="#"><u>MACROView – The Highest Reading in Seven Months</u></a>
7-Dec-20	<a href="#"><u>MACROView – Restored Ground</u></a>
6-Dec-20	<a href="#"><u>MACROView – Lost Momentum</u></a>
3-Dec-20	<a href="#"><u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u></a>
25-Nov-20	<a href="#"><u>Misr Chemical Industries [MICH] – Pandemic Proof</u></a>
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>
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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