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Cautiously Dovish

1. Today's Trading Playbook

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KEY THEMES

After the two consecutive rate cuts in H2 2020 (-100 bps in total), the Central Bank of Egypt (CBE) has obviously slowed the pace of its monetary easing cycle. At this stage of the current dovish monetary stance, we judge that the CBE wants to keep the door open for further rate cuts on the way, by keeping expected inflation well-anchored around its targets. That said, markets are still pricing in a minimum of a 100bps cut this year. The Monetary Policy Committee (MPC) of the CBE heads into its first meeting of the year today, at a time where fundamental uncertainties are still emerging from the pandemic globally and domestically. It is still unclear if the weakness in the economy is now much more concentrated in the sectors directly affected by the pandemic—namely hospitality and tourism—or still pressuring other sectors, given the last fall in PMI reading. Although there were no signs of latent inflationary pressures, given the fall in core inflation readings in December, inflation should remain under careful scrutiny as the favorable base effect of 2020 is going to turn unfavorable. Moreover, the current loose monetary policy might prove inflationary, thus the CBE will be very cautious, given that external pressures are still weighing on future exchange rate movements. Our base case remains for now that the CBE will keep interest rates on hold in February's meeting, while the road may be more paved for a 50bps cut in March. We think the CBE still needs to assess the inflation dynamics in 2021 beyond the base-year effect and the recent uptick trend in global commodity prices.

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



2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Egyptian Competition Authority (ECA) is waiting on the House of Representatives to sign off on proposed amendments to the Antitrust Law this year to be able to properly fulfill its role as a regulator. ([Al-Borsa](#))

Egypt's net international reserves grew by USD38mn to USD40.1bn by the end of January 2021. We will publish our report this morning for further details. ([CBE](#))

Egypt's Local Development Fund (LDF) financed 2,194 small and micro projects with EGP24.3mn during the period from July 2020 to January 2021. ([Mubasher](#))

CORPORATE NEWS

Alexandria Mineral Oils' [AMOC] H1 2020/21 results showed consolidated net losses of EGP43mn against net earnings of EGP108mn in H1 2019/20. A 21% slide in revenues to EGP4.3bn caused the disappointing turn. AMOC achieved a gross profit of EGP148mn (GPM of 3.4% vs. 0.9% a year earlier), yet weaker interest and investment income blew the tires under profitability. ([Company disclosure](#))

Cleopatra Hospital [CLHO] is expected within a few days to submit the paperwork for its potential acquisition of Alameda Healthcare to the Egyptian Competition Authority (ECA) which says will reply "as soon as possible." On a separate note, Wasatch Emerging Markets Small Cap Fund raised its stake in CLHO from 1.04% to 5.07% (including the ownership of its related parties). ([Hapi](#), [Company disclosure](#))

CDC Group plc, a development finance institution owned by the UK government, said that it has signed an agreement to acquire a minority stake in Alfa Medical Group for USD100mn, through a consortium that includes Africa Platform Capital. Meanwhile, Alfa is seeking to establish a medical city on an area of 60,000 sqm in El-Sheikh Zayed City, with a target capacity of 1,000 beds within five years. ([Economy Plus](#))

Remco for Tourism Villages Construction [RTVC] is considering an offer for its entire 99.95% stake in Orient Tours Hotels & Tourism Villages from Bayet El-Khebra. It will hire Solid Capital for Financial Advisory to set the fair value of the subsidiary. ([Company disclosure](#))

A.T. Lease [ATLC] closed its second issuance of securitized bonds worth EGP1.09bn. The proceeds from securitizing part of ATLC's portfolio will be utilized to finance the company's expansion plans as well as improving its return on equity. ([Company disclosure](#))



Palm Hills Developments [PHDC] bought back 3mn treasury stocks on 2 February. ([Company disclosure](#))

Arab Co. for Asset Management & Development's [ACAMD] 5-for-1 stock split will be effective starting 10 February 2021. ([Company disclosure](#))

Gulf Canadian Real Estate Investment's [CCRS] BoD approved a 12-for-1 stock split, for which the board invited its shareholders for an EGM. ([Company disclosure](#))

Cairo Oils & Soap's [COSG] EGM gave the go-ahead for a 10-for-1 stock split, reducing its share's par value from EGP5/share to EGP0.5/share. ([Company disclosure](#))

B Investments' [BINV] BoD approved the sale of all treasury stocks owned by the company, totaling 801,289 or 0.5% of the company's outstanding shares. ([Company disclosure](#))

GLOBAL NEWS

The 10-year U.S. Treasury yield held above the 1.1% mark early on Wednesday, as Democrats pushed forward with trying to pass President Joe Biden's USD1.9tn stimulus plan. ([CNBC](#))

Amazon founder Jeff Bezos announced he will step down as company CEO in Q3 2021 to focus on his other businesses, including The Washington Post and space travel company Blue Origin. ([Reuters](#))

BP plunged to a USD5.7bn loss last year, its first in a decade, as the pandemic took a heavy toll on oil demand, and the energy company warned of a tough start to 2021 amid widespread travel restrictions. ([Reuters](#))

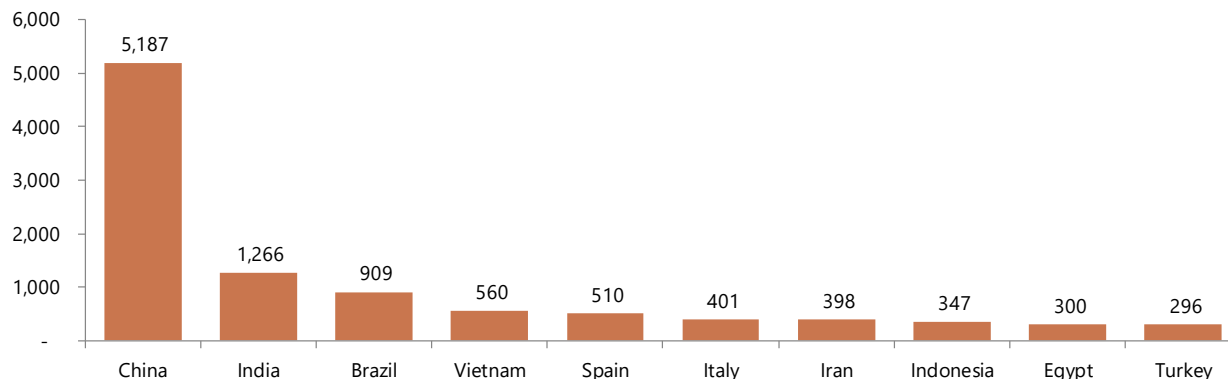


3. CHART OF THE DAY

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Top Ceramic Tiles Manufacturers by Production (mn sqm)



Source: Statista.

Despite the challenges that the Egyptian ceramics industry is facing, Egypt became the ninth largest ceramic tiles manufacturer globally in 2019. Egypt managed to master a relatively young industry after relying solely on imports.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
707.4						1,727.1 1,178.6					
daily chg. ytd chg.						daily chg. ytd chg.					
		EGX 30	11,619.14	(0.16%)	7.14%			Gold	1,834.04	(0.22%)	(4.18%)
		EGX 30 TR	4,464.14	(0.03%)	7.01%			Silver	26.89	0.79%	0.25%
		EGX 70 EWI	2,417.02	0.10%	12.67%			Brent Oil	58.46	0.50%	13.42%
		EGX 100 EWI	3,447.77	(0.03%)	11.30%			WTI	55.69	0.61%	15.48%
		DFMGI	2,712.51	(0.43%)	8.85%			Natural Gas	2.79	(0.14%)	9.69%
		ADSMI	5,674.67	(0.41%)	12.40%	EGP		USD/EGP	15.71	(0.07%)	(0.20%)
		TASI	8,542.55	(0.88%)	(1.69%)	€		EUR/USD	1.20	(0.22%)	(1.69%)
		QE Index	10,471.92	(0.44%)	0.34%	£		GBP/USD	1.36	(0.37%)	(0.53%)
		S&P 500	3,830.17	0.10%	1.97%	¥		USD/JPY	105.03	0.15%	1.88%
		Dow 30	30,723.60	0.12%	0.38%			6M TB yield	13.19	29	46
		NASDAQ	13,610.54	(0.02%)	5.60%			1Y TB yield	13.31	32	54
		VIX	22.91	(10.37%)	0.70%			10Y TB yield	14.69	31	30
		STOXX 50	3,609.75	0.54%	1.61%			2Y TB yield	0.11	(1)	(2)
EM		MSCI Emerging	1,392.64	0.83%	7.85%			10Y TB yield	1.14	3	21
FM		MSCI Frontier	583.70	1.17%	2.11%			30Y TB yield	1.92	5	26

* As of market close, except for commodities and currencies at 8.18am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.



5. LATEST EGX VALUATION MULTIPLES

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

6. KEY DATES

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DATE	TICKER	TYPE	EVENT
4-Feb-21	AMES	OGM	Approving increasing the issued capital.
6-Feb-21	EDBM	EGM	Discussing cutting the 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.
9-Feb-21	EGCH	EGM	Approving increasing the issued capital and amending article 6 of the bylaws.
13-Feb-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
15-Feb-21	SRWA	EGM	First, increasing the BoD seats from 11 to 13. Second, changing the authorized capital to comply with FRA's regulations. Third, changing company's name to Contact Financial Holding.
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.
15-Feb-21	AREH	EGM	Discussing a stock split and amending articles 6 & 7 of the bylaws.
18-Feb-21	QNBA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
18-Feb-21	QNBA	EGM	Amending articles 4 & 39 of the bylaws.
21-Feb-21	FAIT	Stock dividend	Record date for 0.15-for-1.
22-Feb-21	FAIT	Stock dividend	Distribution date for 0.15-for-1.
22-Feb-21	FWRY	EGM	Discussing applying a reward system for employees.
23-Feb-21	OLFI	OGM	Approving the financial statements ending 31 Dec. 2020 and the dividend distribution.
28-Feb-21	EXPA	OGM	Approving the increase of issued capital by distributing EGP54.5mn worth of bonus shares.
28-Feb-21	EXPA	EGM	Approving the increase of issued capital and amending Articles 5, 23, and 48 of the bylaws.
28-Feb-21	ACRO	EGM	Modifying Article No. 4 of the bylaws.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
3-Feb-21	MACROView – A Fragile Improvement but Favorable Sentiment
3-Feb-21	MACROView – External Woes vs. Cautious Optimism
2-Feb-21	STANDPoint – Egypt 2021 Investing Playbook
14-Jan-21	CI Capital Holding [CICH] – New Expansions = Further Growth



10-Jan-21	<u>MACROView – Below End-of-Year Target</u>
6-Jan-21	<u>MACROView – On the Path to Further Recovery</u>
5-Jan-21	<u>MACROView – Rutted Road to Recovery</u>
28-Dec-20	<u>Elsewedy Electric [SWDY] – More Growth to Come</u>
22-Dec-20	<u>EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</u>
16-Dec-20	<u>CIB [COMI] – Earnings beat despite higher provisions</u>
10-Dec-20	<u>MACROView – The Highest Reading in Seven Months</u>
7-Dec-20	<u>MACROView – Restored Ground</u>
6-Dec-20	<u>MACROView – Lost Momentum</u>
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>
8Jun-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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