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## The Index Game

### 1. Today's Trading Playbook

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**Amr Hussein Elalfy** CFA | Head of Research  
[aelfy@egy.primegroup.org](mailto:aelfy@egy.primegroup.org)

#### KEY THEMES

As we expected [yesterday](#), MSCI did not make any changes (i.e. additions or deletions) to Egypt's stocks in its MSCI Emerging Markets (EM) index. Furthermore, the index company did not make any changes to small-cap or mid-cap indices. We realize that some investors often wait for the announcements made by MSCI or other index providers to play the momentum game: buy the potential additions and sell the potential deletions. We tend to be contrarian when it comes to the game of indices rebalancing; we might prefer to buy the potential deletions and sell the potential additions. We argue that such a hype over indices rebalancing create short-term imbalances and result in mispricing of certain stocks. For instance, some market participants were betting that Fawry [**FWRY**] will make it to at least MSCI Small-Cap index, which it did not. FWRY is up 42% already ytd, closing yesterday at EGP47.62/share vs. Bloomberg consensus of EGP33.9/share (a 29% downside potential, unless of course analysts start chasing the stock price higher! As for investors, buying the stock that will only move higher because of its inclusion in an index leaves their performance up to the whims of that index provider, becoming an all-out passive investor. But for active investors, we refer them to our 20 long ideas and now-seven short ideas after removing Raya Holding [**RAYA**].

#### POSITIVE

**20 Long Ideas:** CIEB, COMI, AUTO, CIRA, MTIE, ORWE, OLF, EKHO, ISPH, ORAS, SWDY, ABUK, MFPC, MICH, BINV, CICH, HRHO, ELSH, EMFD, and ETEL.

#### NEGATIVE

**7 Short Ideas:** ACGC, KABO, AFDI, ALCN, PRCL, UNIP, and FWRY.

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



## 2. TOP NEWS & ANALYSIS

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#### MACRO NEWS

**Annual headline inflation eased to 4.3% in January 2021, down from 5.4% in December 2020.** Monthly change in price level fell to 0.4% in January, the same m/m decline registered in December 2020. ([CAPMAS](#))

**Egypt has no plans to return to the international debt market before the end of H1 2021.** The state budget gives the government the license to borrow up to USD7bn through debt instruments in the international market, of which the Ministry of Finance has so far used a little over half in FY2020-2021. ([Alarabiya](#))

**The House of Representatives' Economic Committee finalized today its amendments to the Sovereign Sukuk Law** which sets the framework by which Egypt will issue sovereign Sukuks. ([Al-Mal](#))

**Egypt's House of Representatives approved five grant agreements worth USD41mn with development partners.** The agreements cover several sectors, such as health, trade, investment, environment, women empowerment, and transportation. ([Mubasher](#))

**The House of representative approved amendments to the Egypt-US Investment Development Agreement, unlocking an additional USD26.6mn to help facilitate local trade and investment.** It also signed off on a raft of financing agreements from international institutions, including a JPY1bn (USD9.55mn) grant from the Japanese government to fund economic and social development programs, a technical assistance grant worth EUR3mn from the European Bank of Reconstruction & Development to modernize Cairo Metro Line 1, and EUR200,000 from the Spanish Agency for International Development Cooperation for women's empowerment in the tourism sector. ([Enterprise](#))

#### CORPORATE NEWS

**MSCI Equity Indexes February review resulted in no change in Egypt stocks in the constituents of global, small, or micro cap indices.** ([MSCI QIR](#), [Global](#), [Small](#), [Micro Cap](#))

**Elsewedy Electric's [SWDY] subsidiary signed a new contract with Alexandria Petroleum Maintenance Co. to execute a sewage treatment plant.** The contract's value is EGP126mn and it will be executed over 24 months. ([Company disclosure](#))



**Samsung has agreed with the government to start manufacturing educational tablets in Egypt**, as part of the tablet industry localization plan targeted by the government. (Al-Borsa)

**Rameda [RMDA] said it is no longer mulling the acquisition of Glaxo Group Limited's shares in GlaxoSmithKline** after the British majority shareholder showed no interest in the Egyptian pharma developer as a potential acquirer. Instead, Glaxo Group Limited earlier announced it is focusing on talks with Hikma Pharma. ([Company release](#))

**GB Auto [AUTO] sold 300,000 treasury stocks on 8 February 2021.** ([Company release](#))

## GLOBAL NEWS

**A recovery in global trade is expected to slow again in Q1 2021** as the COVID-19 pandemic keeps disrupting the travel industry after world trade contracted 9% in 2020. ([Reuters](#))

**A rise in commodity prices is stoking predictions of long-term "supercycle" growth driven by Chinese demand for raw materials and a global energy transition away from carbon.**

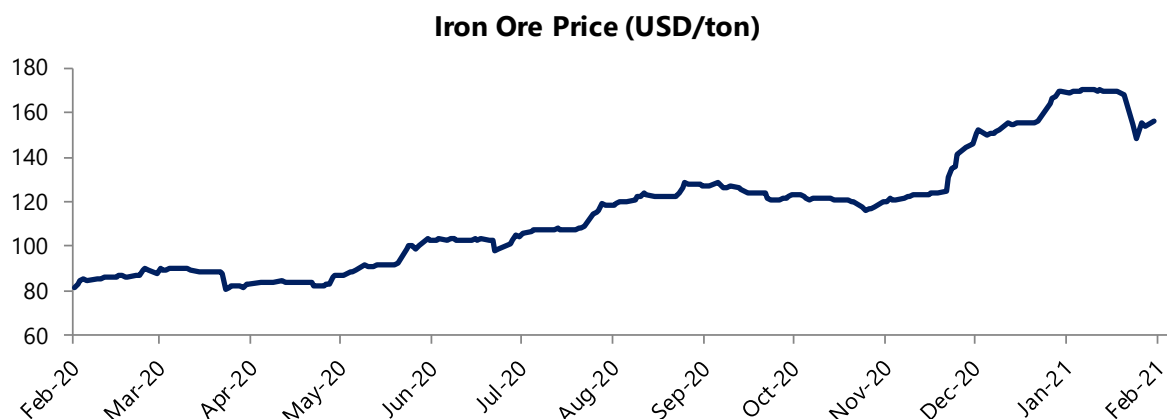
Wall Street banks are telling their clients to increase their exposure to raw materials, which are poised to benefit from a vaccine-driven global economic recovery, aided by fiscal stimulus. Some are even predicting a prolonged period of commodity-intensive growth that marks a repeat of the so-called "supercycle" of the 2000s, where oil and metal prices hit record highs as China's rapid industrialization caught the industry napping. ([FT](#))

**Saudi Arabia's central bank is about to undergo changes which may result in more of the kingdom's hard currency reserves going to its sovereign wealth fund.** ([FT](#))

## 3. CHART OF THE DAY

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**Mohamed Saad** | Equity Analyst  
[msaad@egy.primegroup.org](mailto:msaad@egy.primegroup.org)



Source: Investing.com.



Despite signs of domestically softening Chinese demand, iron ore prices are still stubborn above USD150/ton. This comes partially due to a slightly weaker supply, as the wet season affects both Brazil and Australia.

#### 4. MARKETS PERFORMANCE

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| Current equity market cap (EGPbn) |   |               |            |          | Equity turnover (EGPmn): Last, ytd avg. |     |            |              |                        |
|-----------------------------------|---|---------------|------------|----------|---|-----|------------|--------------|------------------------|
| 699.5                             |   |               |            |          | 1,375.8 1,178.6                         |     |            |              |                        |
|                                   |   |               | daily chg. | ytd chg. |   |     | daily chg. | ytd chg.     |                        |
|                                   | ↓ | EGX 30        | 11,447.73  | (0.65%)  | 5.56%                                   |     | ↑          | Gold         | 1,838.32 0.41% (2.94%) |
|                                   | ↓ | EGX 30 TR     | 4,402.70   | (0.20%)  | 5.53%                                   |     | ↓          | Silver       | 27.27 (0.02%) 3.53%    |
|                                   | ↓ | EGX 70 EWI    | 2,390.97   | (0.87%)  | 11.46%                                  |     | ↑          | Brent Oil    | 61.09 0.07% 18.01%     |
|                                   | ↓ | EGX 100 EWI   | 3,417.26   | (0.75%)  | 10.31%                                  |     | ↓          | WTI          | 58.36 (0.03%) 20.24%   |
|                                   | ↑ | DFMGI         | 2,647.16   | 0.15%    | 6.23%                                   |     | ↓          | Natural Gas  | 2.84 (1.59%) 9.89%     |
|                                   | ↑ | ADSMI         | 5,662.57   | 0.12%    | 11.92%                                  | EGP | ↓          | USD/EGP      | 15.66 (0.03%) (0.54%)  |
|                                   | ↑ | TASI          | 8,892.92   | 0.95%    | 2.34%                                   | €   | ↑          | EUR/USD      | 1.21 0.04% (0.75%)     |
|                                   | ↓ | QE Index      | 10,445.00  | (0.46%)  | 0.09%                                   | £   | ↑          | GBP/USD      | 1.38 0.03% 1.10%       |
|                                   | ↓ | S&P 500       | 3,911.23   | (0.11%)  | 4.13%                                   | ¥   | ↓          | USD/JPY      | 104.59 (0.01%) 1.29%   |
|                                   | ↓ | Dow 30        | 31,375.83  | (0.03%)  | 2.51%                                   |     | ↓          | 6M TB yield  | 13.06 (13) 33          |
|                                   | ↑ | NASDAQ        | 14,007.70  | 0.14%    | 8.69%                                   |     | ↓          | 1Y TB yield  | 13.16 (16) 39          |
|                                   | ↑ | VIX           | 21.63      | 1.84%    | (4.92%)                                 |     | ↓          | 10Y TB yield | 14.69 (0) 30           |
|                                   | ↓ | STOXX 50      | 3,661.13   | (0.12%)  | 3.05%                                   |     | ↑          | 2Y TB yield  | 0.13 2 (0)             |
| EM                                | ↑ | MSCI Emerging | 1,409.14   | 0.67%    | 9.13%                                   |     | ↓          | 10Y TB yield | 1.16 (1) 23            |
| FM                                | ↑ | MSCI Frontier | 582.78     | 0.81%    | 1.95%                                   |     | ↓          | 30Y TB yield | 1.95 (1) 29            |

\* As of market close, except for commodities and currencies at 8.28am 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   |
|-----------|--------|---------------|---|
| 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 the 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 increasing the issued capital by distributing EGP54.5mn worth of bonus shares.  |
| 28-Feb-21 | EXPA | EGM            | Approving increasing the issued capital and amending articles 5, 23 and 48 of the bylaws. |
| 28-Feb-21 | ACRO | EGM            | Amending article 4 of the bylaws.   |

## 7. LATEST RESEARCH

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### PUBLISHED REPORT

|                 |  |
|-----------------|--|
| 8-Feb-21        | <a href="#"><u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u></a>    |
| 4-Feb-21        | <a href="#"><u>MACROView – External Buffers Are Still Restoring Grounds</u></a>            |
| 3-Feb-21        | <a href="#"><u>MACROView – A Fragile Improvement but Favorable Sentiment</u></a>           |
| 3-Feb-21        | <a href="#"><u>MACROView – External Woes vs. Cautious Optimism</u></a>                     |
| <b>2-Feb-21</b> | <b><a href="#"><u>STANDPoint – Egypt 2021 Investing Playbook</u></a></b>                   |
| 14-Jan-21       | <a href="#"><u>CI Capital Holding [CICH] – New Expansions = Further Growth</u></a>         |
| 10-Jan-21       | <a href="#"><u>MACROView – Below End-of-Year Target</u></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>   |



## Prime Securities

### Shawkat El Maraghy

Managing Director

T +202 3300 5622

[SElmaraghy@egy.primegroup.org](mailto:SElmaraghy@egy.primegroup.org)

## Sales

### Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

[MEzzat@egy.primegroup.org](mailto:MEzzat@egy.primegroup.org)

### Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

[MAshmawy@egy.primegroup.org](mailto:MAshmawy@egy.primegroup.org)

### Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

[AAlaa@egy.primegroup.org](mailto:AAlaa@egy.primegroup.org)

### Mohamed El Metwaly

Manager

T +202 3300 5610

[MElmetwaly@egy.primegroup.org](mailto:MElmetwaly@egy.primegroup.org)

### Emad El Safoury

Manager

T +202 3300 5624

[EElsafoury@egy.primegroup.org](mailto:EElsafoury@egy.primegroup.org)

### Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 5110

[SRaslan@egy.primegroup.org](mailto:SRaslan@egy.primegroup.org)

### Mohamed El Henawy

Nasr City Branch Manager

T +202 3300 5166

[MElhenawy@egy.primegroup.org](mailto:MElhenawy@egy.primegroup.org)

### Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

[NAbuelatta@egy.primegroup.org](mailto:NAbuelatta@egy.primegroup.org)

## Research

### Amr Hussein Elalfy CFA

Head of Research

T +202 3300 5724

[AElalfy@egy.primegroup.org](mailto:AElalfy@egy.primegroup.org)

## Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.  
Member of the Egyptian Exchange.

2 Wadi Elnil St., Liberty Tower, 7<sup>th</sup> Fl.  
Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

## Branches

### Heliopolis

7 Elheqaz Square  
Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

### Nasr City

9 Elbatrawy St.  
Nasr City, Cairo, Egypt

T +202 3300 8160

F +202 3305 4622

### Alexandria

7 Albert Al Awal St.  
Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

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