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A Safe Bet

1. Today's Trading Playbook

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KEY THEMES

For the fourth day in a row, both EGX 30 and EGX 70 EWI extended their losing streak, down respectively by 1.9% and 8.1% since 25 February and 1.1% and 6.1% so far in March. Such a performance indicates a pullback in small-cap stocks that have outperformed their large-cap counterparts. Geopolitical tensions as well as leveraged retail investors are probably to blame. At such volatile times, we remind our clients of our call that large caps are the best bet for now. So far since we published our **STANDPoint note**, our short ideas (average +2.0%) have outperformed our long ideas (average -1.3%). But again, it's too early to tell where we will end the year. We believe, however, that sticking to stocks of companies with strong fundamentals is always the safest bet in the long term.

For a run on where stocks trade in terms of multiples, always refer to our **Latest EGX Valuation Multiples** updated daily under **Section No. 5**.

POSITIVE

ETEL: Telecom Egypt [**ETEL**] is one of the large caps that we like. Following strong Q4 2020 results, the stock is still lagging behind. News of launching a new subsea system along with the Egyptian government's push to fast-track its Digital Transformation and Digital Egypt projects should bode well for ETEL.

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



2. TOP NEWS & ANALYSIS

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MACRO NEWS

Some 7,000 new hotel rooms are expected to be added to Egypt's hospitality sector by 2023 as disruptions inflicted by COVID-19 fade. This comes after hotel occupancy rates in 2020 fell by up to 66% y/y in Cairo, 43% in Alexandria, 56% in Sharm El-Sheikh and 60% in Hurghada due to the collapse of global tourism this past year. ([Enterprise](#))

Private-sector companies and government bodies have an additional six-month period to install electronic payment terminals on-site, as mandated by the E-Payments Law's Executive Regulations. ([Cabinet statement](#))

French transport company RATP Dev has signed a contract with the National Authority for Tunnels to manage and operate the planned electric rail line between El-Salam City and Tenth of Ramadan City, via the New Administrative Capital. ([Cabinet statement](#))

Samsung signed the contracts to set up a USD30mn factory in Beni Suef to manufacture educational tablets for public school students in Egypt. ([Cabinet statement](#))

The Egyptian Cabinet approved the proposal of providing a green incentive to buyers who purchase locally-produced electric cars. ([Egypt Cabinet](#))

CORPORATE NEWS

Telecom Egypt [ETEL] plans to launch a new subsea system that will connect coastal and landlocked African countries to Europe by 2023. The project, named Hybrid African Ring Path (HARP), will be built through ETEL's widespread terrestrial and subsea infrastructure. ([Company disclosure](#)) Meanwhile, the **Egyptian Cabinet approved the Ministry of Communications & Information Technology's (MCIT) request to contract ETEL for implementing the infrastructure third phase** in terms of fiber optic networks as part of the country's Digital Transformation and Digital Egypt projects. ([Egypt Cabinet](#))

TMG Holding's [TMGH] preliminary 2020 results showed an increase in revenues to EGP14.1bn (+20% y/y). Meanwhile, net profits declined to c. EGP1.7bn (-11% y/y). ([Company Disclosure](#))

Sidi Kerir Petrochemicals' [SKPC] BoD on 2 March 2020 postponed deciding on an offer for its polypropylene project license in exchange for a 5% stake in Red Sea National for Refining & Petrochemicals (RSNRPC), the bidder. On a separate note, the BoD proposed a no-dividend policy for 2020. ([Company disclosure](#))



Egyptian Chemical Industries (KIMA) [EGCH] said its urea and ammonia facility became operational on a trial basis on 28 February 2021, after breakdowns that left it non-operational for nearly eight months. EGCH stated that the cost of repairs will be incurred by Italian Tecnimont as the factory is still insured. ([Company disclosure](#))

Al Ahly Capital, the investment arm of National Bank of Egypt, is acquiring a controlling stake in Momken for E-Payments. The transaction is said to be around EGP100mn. (Al-Mal)

Zahraa Maadi Investment & Development's [ZMID] 2020 net profits increased to EGP213mn (+20% y/y), while revenues grew to EGP489mn (+14% y/y). ([Company Disclosure](#))

Mena for Touristic & Real Estate Investment's [MENA] 2-for-1 stock split will be effective on 11 March 2021. ([Company Disclosure](#))

Northern Upper Egypt Development & Agricultural Production [NEDA] reported net losses of EGP1.01mn in 2020 (vs. net income of EGP2.98mn a year earlier), mainly on lower gross profit (-59% y/y). Revenues, meanwhile, fell 71% y/y to EGP25mn. ([Company disclosure](#))

GLOBAL NEWS

China is likely to see further monetary tightening amid threats arising from “large bubbles” in China’s property and global financial markets, the country’s chief banking regulator has said. ([Financial times](#))

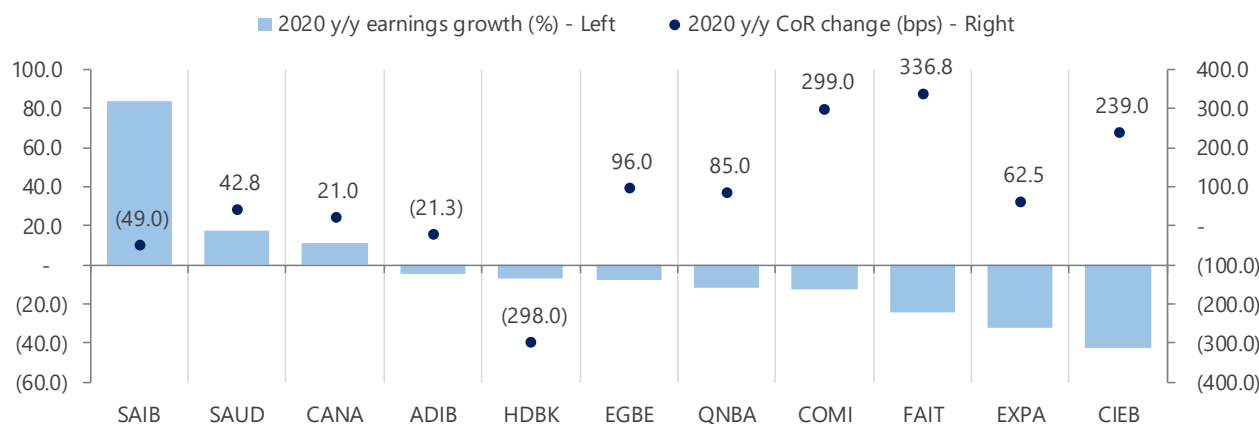
The U.S. economic recovery continued at a modest pace over the first weeks of this year, with businesses optimistic about the months to come and demand for housing “robust,” but the job market showing only slow improvement, the Federal Reserve reported. ([Reuters](#))



3. CHART OF THE DAY

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Source: Banks financials.

Egypt banks' 2020 profit growth vs. cost of risk change: Profits of most EGX-listed banks in 2020 plummeted, battered by high built up provisions and lower interest income. However, some banks showed good profitability growth despite bulking up provisions during 2020, as was the case with Societe Arabe Internationale de Banque **[SAIB]** which managed its cost of funds by +3% during 2020, in line with asset growth. On the other hand, Al Baraka Bank Egypt **[SAUD]** maintained its profitability metrics (e.g. NIM and ROAE), thanks to its favorable deposit terms. Other factors, such as high operating expenses due to COVID-19 precautionary measures, played a key role in undermining the profits of other banks.



4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
690.8						1,615.3		1,178.6	
				daily chg.	ytd chg.			daily chg.	ytd chg.
	↓	EGX 30	11,393.25	(0.68%)	5.05%		↓	Gold	1,711.23 (1.56%) (9.58%)
	↓	EGX 30 TR	4,387.09	(0.06%)	5.16%		↓	Silver	26.10 (2.50%) (1.21%)
	↓	EGX 70 EWI	2,190.90	(4.47%)	2.13%		↑	Brent Oil	64.07 0.73% 24.59%
	↓	EGX 100 EWI	3,203.62	(3.68%)	3.42%		↑	WTI	61.28 0.60% 27.06%
	↑	DFMGI	2,589.99	0.80%	3.93%		↓	Natural Gas	2.82 (0.67%) 10.16%
	↓	ADSMI	5,699.52	(0.19%)	12.92%	EGP	↓	USD/EGP	15.65 (0.26%) (0.57%)
	↑	TASI	9,310.28	0.67%	7.14%	€	↓	EUR/USD	1.21 (0.02%) (1.28%)
	↓	QE Index	10,044.45	(0.19%)	(3.75%)	£	↑	GBP/USD	1.40 0.03% 2.11%
	↓	S&P 500	3,819.72	(1.31%)	1.69%	¥	↑	USD/JPY	107.01 0.09% 3.74%
	↓	Dow 30	31,270.09	(0.39%)	2.17%		↑	6M TB yield	13.25 6 51
	↓	NASDAQ	12,997.75	(2.70%)	0.85%		↓	1Y TB yield	13.22 (1) 45
	↑	VIX	26.67	10.66%	17.23%		↑	10Y TB yield	14.73 4 34
	↑	STOXX 50	3,712.78	0.14%	4.51%		↑	2Y TB yield	0.15 2 2
EM	↑	MSCI Emerging	1,378.02	1.35%	6.72%		↑	10Y TB yield	1.47 6 54
FM	↓	MSCI Frontier	575.00	(0.11%)	0.59%		↑	30Y TB yield	2.25 4 59

* As of market close, except for commodities and currencies at 8.3am 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-Mar-21	ORWE	Conference Call	Discussing Q4 2020 financial results.
7-Mar-21	EGBE	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
7-Mar-21	EGBE	EGM	Amending articles 4, 52, 6 & 7 of the bylaws.
10-Mar-21	RTVC	EGM	Discussing an offer for its 99.95% stake in Orient Tours Hotels & Tourism Villages
10-Mar-21	FWRY	Stock dividend	Record date for 0.28-for-1.
11-Mar-21	FWRY	Stock dividend	Distribution date for 0.28-for-1.
11-Mar-21	CICH	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
13-Mar-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
15-Mar-21	ETEL	EGM	Amending articles 21 & 43 of the bylaws.
16-Mar-21	SRWA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
16-Mar-21	ALUM	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.



16-Mar-21	ALUM	EGM	Amending articles 4 & 7 of the bylaws.
17-Mar-21	OLFI	Cash dividend	Record date for EGP0.60/share.
18-Mar-21	OLFI	Cash dividend	Ex-dividend date for EGP0.60/share.
18-Mar-21	NBKE	OGM	Approving the financial statements ending 31 Dec. 2020.
18-Mar-21	SAIB	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
18-Mar-21	FAIT	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
18-Mar-21		MPC Meeting	Discussing a policy rate decision.
19-Mar-21	NINH	OGM	Approving the financial statements ending 31 Dec. 2020.
19-Mar-21	NINH	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
22-Mar-21	OLFI	Cash dividend	Distribution date for EGP0.60/share.
23-Mar-21	ADIB	OGM	Approving the financial statements ending 31 Dec. 2020.
23-Mar-21	ADIB	EGM	Approving increasing the authorized capital from EGP4bn to EGP7bn, and amending article 6 of the bylaws.
23-Mar-21	EHDR	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
23-Mar-21	EHDR	EGM	Approving a stock dividend and amending articles 6 and 7 of the bylaws.
23-Mar-21	PORT	OGM	Approving the financial statements ending 31 Dec. 2020.
23-Mar-21	PORT	EGM	Discussing changing the name of the company.
24-Mar-21	CICH	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
25-Mar-21	AUTO	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
25-Mar-21	AUTO	EGM	Discussing the agenda.
25-Mar-21	UNIT	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
27-Mar-21	MBSC	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
27-Mar-21	MCQE	OGM	Approving the financial statements ending 31 Dec. 2020.
27-Mar-21	PHAR	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
3-Mar-21	<u>MACROView – Weak Demand Still Weighing on the Rebound Trajectory</u>
2-Mar-21	<u>MACROView – Commodity Supercycle: Real or Hype?</u>
1-Mar-21	<u>Commercial International Bank [COMI] – Earnings Beat Despite Higher Provisions</u>
25-Feb-21	<u>Elsewedy Electric [SWDY] – Strong Set of Results Driven by Turnkey</u>
22-Feb-21	<u>CI Capital Holding [CICH] – Got the Hit, Yet Better Than Expected</u>
10-Feb-21	<u>MACROView – Disinflation Continues Amid Acceleration in Global Commodity Prices</u>
8-Feb-21	<u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u>
4-Feb-21	<u>MACROView – External Buffers Are Still Restoring Grounds</u>



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