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Not All Bleak

1. Today's Trading Playbook

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KEY THEMES

The market fell across the board yesterday, with **EGX 30** and **EGX 70 EWI** giving up 1.8% and 2.4%, respectively. The former has fallen by 3.2% in the past couple of days alone since the start of the holy month of Ramadan. The reason? Earlier, it was the margin debt narrative. Later, it was the geopolitical tensions in relation to the Great Ethiopian Renaissance Dam (GERD). This week, the market seems to have added yet another reason related to the upcoming MSCI Emerging Markets index rebalancing. Market talk is suggesting that Elsewedy Electric [**SWDY**] could be replaced by Fawry [**FWRY**] in MSCI EM index, hence the former was down 16% in just three days, while the former is up 9% over the same period. Such market moves around index rebalancing windows are often a good opportunity for picking up cheap stocks. SWDY is now trading at 4.4x 2021 earnings with an EGP0.40 DPS to be paid out soon, implying a 5% yield. All EGX 30 constituents were down on the day, except for FWRY which will see its EGP400mn capital increase rights trade next week. Large caps were hammered, which coincided with foreign investors showing as net sellers.

However, it was not all bleak. Yesterday, EFG Hermes Holding's [**HRHO**] BoD approved the long-anticipated acquisition of **aiBank** which was valued within a range of EGP0.9-1.2bn with an estimated fair value of EGP1.1bn. Post-acquisition, HRHO will own a 51% stake, while **The Sovereign Fund of Egypt (TSFE)** will own another 25% stake. The acquisition will be in the form of a capital increase (i.e. growth capital), raising aiBank's capital by EGP3.9bn to meet the CBE's minimum required capital of EGP5bn, after writing off some EGP800mn of assets. This means HRHO will need to dole out EGP2.55bn of its EGP5bn available cash balance to fund the deal which valued aiBank at 0.56x its book equity at end of June 2020 (before any asset write-off) versus our estimated 1.0x, indicating that aiBank's valuation came below our expectation due to lower-than-thought profitability.

POSITIVE

SWDY: We see the recent sell-off is an opportunity to build positions in SWDY.

HRHO: HRHO will not need to dole out that large amount of cash to fund the acquisition, which means this transaction should be more value accretive down the road, provided the bank improves its profitability measures. We remind you that our 12M PT is EGP17.7/share, offering some 26% upside. Please refer to our [Core Coverage Report](#) on HRHO for more details about our view.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt will be getting at least EUR108mn from the African Development Bank (AfDB) to install wastewater utilities in rural Luxor. ([Enterprise](#))

The oil and gas sector contributed 24% of Egypt's GDP in 2020 and was one of the key sectors that helped rebuild the country's economy in the wake of the economic challenges since 2011, Egyptian Petroleum Minister said in a statement. ([Zawya](#))

Carrefour Egypt is planning to invest EGP400mn to set up 20 new branches this year, backed by projections of a rapid recovery in consumer demand. ([Al-Mal](#))

CORPORATE NEWS

EFG Hermes Holding's [HRHO] BoD approved tagging along with The Sovereign Fund of Egypt (TSFE) to acquire a majority stake in Arab Investment Bank (aiBank). The takeover would leave the investment bank and Egypt's sovereign wealth fund owning 51% and 25%, respectively, of the state-controlled lender. The acquiree was valued by an independent financial advisor at EGP0.9-1.2bn with a weighted average of EGP1.1bn. HRHO's BoD expects aiBank's capital, post-acquisition, to increase to EGP5bn, the minimum required by the Central Bank of Egypt. aiBank's current capital is EGP1.98bn. (Company disclosures: [1](#), [2](#))

Telecom Egypt [ETEL] signed a Memorandum of Understanding (MoU) with Sudatel Telecom Group, the telecommunications and Internet service provider in Sudan. This will enhance cooperation in the field of international connectivity between Egypt and Sudan in order to make optimal use of the land network linking the two countries and develop it with the latest technologies to support international traffic. ([Arab Finance](#))

Taaleem Management Services' [TALM] net profit grew 32% y/y to EGP71mn in Q2 2021, following the 47% y/y increase in gross profit. Revenues, meanwhile, upped 33% y/y to EGP182mn. ([Company disclosure](#))

Egypt Aluminum may not allegedly go for increasing their local selling prices post the import tariffs decision. However, the decision's positive effect could be an increase in local sales volumes. According to the news source, EGAL sells an average of 10,000-11,000 tons per month, with the decision leading monthly local sales volumes to increase towards 13,000 tons. (Al-Borsa)

GLOBAL NEWS

Oil demand is expected to grow in 2021 to 96.7mn bbl/d despite major oil consumers, such as Brazil and India, still grappling with surging COVID-19 cases, the International Energy Agency (IEA) said in its latest Oil Market Report. ([IEA](#))

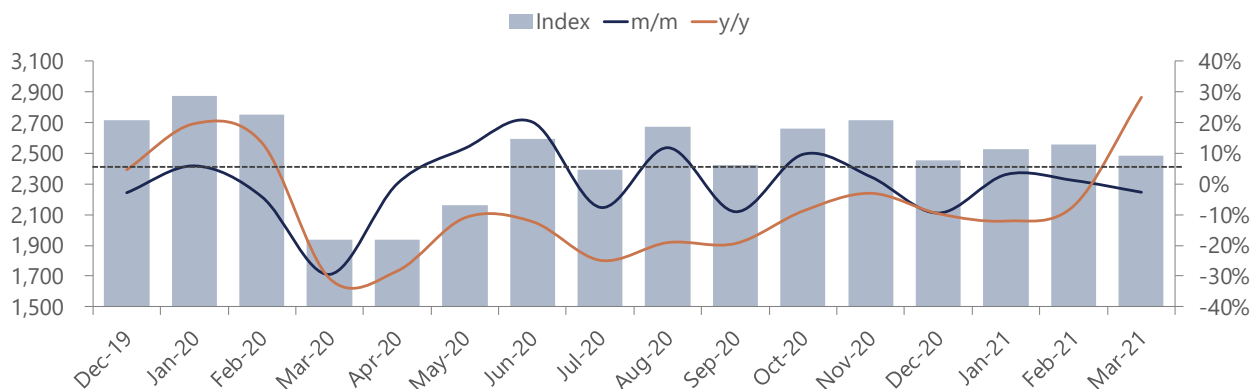
Coinbase shares closed at USD328.28 on their debut on the Nasdaq yesterday, 31% higher than their USD250 reference price. This gave the cryptocurrency exchange — the first crypto firm to go public in the U.S. — a market cap of USD85.8bn at the end of its first day. ([CNBC](#))

3. CHART OF THE DAY

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Aqaarmap Real Estate Demand Index



Source: Aqaarmap, Prime Research.

Based on Aqaarmap's index, demand for real estate properties declined 2.8% m/m in March 2021, while ytd demand increased 1.1%. In the same month, y/y demand surged to a peak of 28.3%, after COVID-19 started to impact the market in Egypt. We note that Aqaarmap's index gauges demand using the website's traffic and economic and statistical data.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
630.5						977.4		1,178.6	
				daily chg.	ytd chg.			daily chg.	ytd chg.
	↓	EGX 30	10,115.51	(1.85%)	(6.73%)		↓	Gold	1,736.43 (0.52%) (8.14%)
	↓	EGX 30 TR	3,907.64	(1.06%)	(6.33%)		↑	Silver	25.42 0.29% (3.22%)
	↓	EGX 70 EWI	1,833.40	(4.64%)	(14.53%)		↑	Brent Oil	66.58 0.20% 28.78%
	↓	EGX 100 EWI	2,733.47	(4.23%)	(11.76%)		↑	WTI	63.15 0.10% 30.28%
	↑	DFMGI	2,569.93	0.15%	3.13%		↑	Natural Gas	2.62 0.11% 3.23%
	↑	ADSMI	6,039.26	0.33%	19.85%	EGP	↓	USD/EGP	15.68 (0.06%) (0.37%)
	↑	TASI	9,847.62	0.09%	13.33%	€	↓	EUR/USD	1.20 (0.04%) (1.97%)
	↑	QE Index	10,605.38	1.19%	1.62%	£	↑	GBP/USD	1.38 0.01% 0.80%
	↓	S&P 500	4,124.66	(0.41%)	9.81%	¥	↓	USD/JPY	108.93 (0.02%) 5.48%
	↑	Dow 30	33,730.89	0.16%	10.21%		↑	6M TB yield	13.40 1 67
	↓	NASDAQ	13,857.84	(0.99%)	7.52%		↑	1Y TB yield	13.38 2 61
	↑	VIX	16.99	2.04%	(25.32%)		↑	10Y TB yield	14.82 3 43
	↑	STOXX 50	3,976.28	0.23%	11.92%		↑	2Y TB yield	0.17 1 4
EM	↑	MSCI Emerging	1,336.59	0.95%	3.51%		↑	10Y TB yield	1.63 1 70
FM	↑	MSCI Frontier	600.25	0.62%	5.01%		↑	30Y TB yield	2.31 1 65

* As of market close, except for commodities and currencies at 8.31am 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
15-Apr-21	FWRY	Right Issue	Last day for eligibility for subscription in the rights issue.
15-Apr-21	CNFN	Cash dividend	Payout date for a dividend of EGP0.107/share.
15-Apr-21	EIUD	Stock dividend	Payout date for dividends at a ratio of 0.25-for-1.
15-Apr-21	EKHO	Stock dividend	Payout date for dividends at a ratio of 1-for-10.
15-Apr-21	CLHO	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
15-Apr-21	CLHO	EGM	Approving an employee incentive system.
15-Apr-21	SAUD	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
15-Apr-21	MENA	OGM	Approving the financial statements ending 31 Dec. 2020.
15-Apr-21	MOIN	OGM	Discussing netting contracts & a board reshuffle.
15-Apr-21	MOIN	EGM	Approving increasing the issued capital and amending articles 4, 6 & 7 of the bylaws.
17-Apr-21	ALCN	BoD Meeting	Discussing the financial position of March.
18-Apr-21	RMDA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.

18-Apr-21	RMDA	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
19-Apr-21	EFIC	Cash dividend	Last date for eligibility for dividends of EGP0.250/share.
19-Apr-21	DOMT	Cash dividend	Last date for eligibility for dividends of EGP0.20/share.
19-Apr-21	EFID	Cash dividend	Last date for eligibility for dividends of EGP0.21/share.
19-Apr-21	FWRY	Right Issue	Rights issue subscription closing date.
20-Apr-21	FWRY	Right Issue	Rights issue subscription starting date.
20-Apr-21	PHDC	Cash dividend	Last date for eligibility for dividends of EGP0.100/share.
20-Apr-21	AUTO	Cash dividend	Last date for eligibility for EGP0.25/share.
21-Apr-21	PORT	EGM	Voting on a new company name.
22-Apr-21	EFID	Cash dividend	Date for a dividend payout of EGP0.21/share.
22-Apr-21	EFIC	Cash dividend	Date for a dividend payout of EGP0.250/share.
22-Apr-21	OCDI	OGM	Approving the financial statements, appointing an IFA to evaluate ALDAR's offer to acquire no less than 51% for EGP18-19/share, and discussing a dividend distribution and other agenda items.
22-Apr-21	KZPC	Cash dividend	Last date for eligibility for dividends of EGP2.50/share.
22-Apr-21	DOMT	Cash dividend	Date for a payout of EGP0.20/share.
24-Apr-21	CICH	OGM	Electing a new BoD and approving the financial statements.
24-Apr-21	MTIE	OGM	Approving the financial statements, and discussing a dividend distribution and other agenda items.
24-Apr-21	MTIE	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
24-Apr-21	EDBM	OGM	Approving the financial statements and other agenda items.
25-Apr-21	CERA	Cash dividend	Last date for eligibility for EGP0.15/share.
25-Apr-21	AUTO	Cash dividend	Date for a dividend payout of EGP0.25/share.
25-Apr-21	AMIA	Cash dividend	Last date for eligibility for dividends of EGP0.50/share.
25-Apr-21	ETRS	Cash dividend	Last date for eligibility for dividends of EGP0.375/share.
25-Apr-21	ORWE	Cash dividend	Last date for eligibility for dividends of EGP1.00/share.
25-Apr-21	PHDC	Cash dividend	Date for a dividend payout of EGP0.100/share.
25-Apr-21	MFPC	Cash dividend	Last date for eligibility for dividends of EGP3.50/share.
25-Apr-21	ETEL	Cash dividend	Last date for eligibility for EGP0.75/share.
25-Apr-21	PHAR	Cash dividend	Last date for eligibility for EGP2.95/share.
27-Apr-21	KZPC	Cash dividend	Date for a payout of EGP2.50/share.
27-Apr-21	AJWA	OGM	Approving the financial statements and other agenda items.
27-Apr-21	AJWA	EGM	Discussing the continuation of the company.
28-Apr-21	CERA	Cash dividend	Date for a payout of EGP0.15/share.
28-Apr-21	ETEL	Cash dividend	Date for a payout of EGP0.75/share.
28-Apr-21	PHAR	Cash dividend	Date for a payout of EGP2.95/share.
28-Apr-21	MFPC	Cash dividend	Date for a payout of EGP3.50/share.
28-Apr-21	ORWE	Cash dividend	Date for a payout of EGP1.00/share.
28-Apr-21	ETRS	Cash dividend	Date for a payout of EGP0.375/share.
28-Apr-21	AMIA	Cash dividend	Date for a payout of EGP0.50/share.
28-Apr-21	ORHD	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
28-Apr-21	AREH	OGM	Approving the financial statements, and discussing a dividend distribution and other agenda items.
28-Apr-21	ACAMD	OGM	Approving the financial statements and other agenda items.
28-Apr-21	EGAL	OGM	Approving the estimated budget for FY2021/22.
28-Apr-21	EGCH	OGM	Approving the estimated budget for FY2021/22.
28-Apr-21	EGCH	EGM	Approving increasing the issued capital.

7. LATEST RESEARCH**TABLE OF CONTENTS**

DATE	PUBLISHED REPORT
13-Apr-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – The Value Algorithm</u>
12-Apr-21	<u>Orascom Construction [ORAS] – Rich in Value</u>
11-Apr-21	<u>MACROView – Monthly Reading Pressured By Seasonality</u>
6-Apr-21	<u>MACROView – FX Assets Well Placed to Mitigate Potential Risks</u>
6-Apr-21	<u>MACROView – Still Downbeat</u>
28-Mar-21	<u>Taaleem Management Services [TALM] – Enriching the Education Sector</u>
18-Mar-21	<u>EFG Hermes Holding [HRHO] – Challenging Year, Yet Growth Continues</u>
10-Mar-21	<u>MACROView – Still Below the Target, but Global Headwinds Cloud the Horizon</u>
8-Mar-21	<u>MACROView – Buffers Grew Despite Signs of Unwelcome Tightening of Financial Conditions</u>
7-Mar-21	<u>Al-Shams Housing & Development [ELSH] – Making Hay While the Sun Shines</u>
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>Esewedy 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>
1-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>Esewedy 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 slackening 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 [MACROView– Acceleration in April driven by food prices – as expected](#)
- 7-May-20 [MACROView – Keeping head above water amid pandemic uncertainties](#)
- 5-May-20 [CIB \[COMI\] – Q1 2020 Results](#)

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