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Racing Against Time

1. Today's Trading Playbook

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KEY THEMES

The Monetary Policy Committee (MPC) is meeting today while Egypt as well as most emerging markets (EMs) are racing against time on two fronts. First, EM countries need to roll out vaccinations faster than the COVID-19 spreading pace. As vaccination campaigns kicked off, a new wave of COVID-19 cases rose in mid-March. The vaccination process is still slow while the number of cases is on the rise, a sign that the pandemic is not yet under full control. Secondly, while EM countries try to keep domestic inflation in check, commodity prices have been spiking since mid-2020. For net commodity importing countries, this increases the balance of payments risk and inflation risks. In March this year, global commodity prices weakened due to cheaper oil, higher U.S. yields, and a stronger U.S. dollar. Yet, since April, the sentiment towards commodities has improved again. Agricultural commodity prices are already close to their peak levels in 2008 and 2011. However, the outlook for global commodity prices is still mixed.

On one hand, the surge in COVID-19 cases in India and its consequential erosive effect on demand should weigh on oil prices, given the expected OPEC+ production increase in May. Meanwhile, the wider global vaccination process in advanced countries and the growing optimism about a faster-than-expected recovery should drive the U.S. dollar even higher with U.S. real yields somewhat increasing. These factors pose more downward pressure on gold prices. On the other hand, global agricultural commodity prices should improve as economies recover on a larger scale.

All factors considered, we still expect the Central Bank of Egypt (CBE) to pause its easing cycle until H2 2021 to assess how effective will Egypt's good macroeconomic fundamentals be in softening the market reaction to the U.S. yield shocks and the length of the current surge in global commodity prices. Even though the upswing in U.S. yields has recently lost momentum, the upward pressure on yields is significant, partly due to increased optimism about the economic outlook. Thus, most central banks in EMs will remain vigilant,

given the strong correlation between the Fed's monetary policy and the movement in asset prices and capital inflows in EMs.

Moreover, the intense pressures on Egypt's main FX revenues, the pandemic-related challenges, and the structural weaknesses should lead the CBE to maintain a cautious monetary policy. Finally, the important role of foreign portfolio investment (FPI) in financing the current account deficit (CAD) and stabilizing the local currency should also keep the monetary authority alert. Hence, we do not expect the easing cycle to be resumed any time soon.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

With the Stand-By Arrangement (SBA) with the International Monetary Fund (IMF) approaching its end, the Egyptian government continues to show its commitments to address all of the structural obstacles facing the sustainability of economic growth. Thus, the country will embark on a three-year program of structural reforms designed to support the private sector and exports-led economic growth. The government will focus its reform agenda on developing three main strategic sectors (manufacturing, telecom and IT, and agriculture) to raise their combined share of GDP to 30-35% by 2023-2024 from 26% last year. In line with the plan to increase exports to USD100bn, the next reform round will focus on supporting exports in each of these sectors and will integrate the local industry into international value chains through higher value-added manufacturing. ([Egyptian Cabinet](#), Prime Research)

Spending to tackle the fallout from COVID-19 has exceeded EGP100bn, which was earmarked for a government stimulus package announced at the onset of the pandemic. ([Al-Arabiya](#))

Egypt is currently working with IMF to draft a Medium-Term Revenue Strategy (MTRS) that aims to mobilize the country's revenues, through which revenues would increase by 2% of GDP over four years. Egypt expects its domestic debt to be "Euroclear-able" and open to a larger number of foreign investors by November 2021. ([Ahram Online](#))

CORPORATE NEWS

Abu Qir Fertilizers' [ABUK] unaudited 9M 2020/21 indicators showed bottom line reached EGP2,445mn (+15% y/y; +105% vs. the targeted net profit of EGP1,194mn). Meanwhile, revenues increased to EGP6,305mn (+9% y/y; +34% vs. the targeted revenue of EGP4,706mn). ([Company disclosure](#))

CIB [COMI] announced cooperation with the Alexandria Businessmen Association, with the aim of automating the disbursement and collection of micro-loans to its clients through the digital services provided by the bank. ([Hapi](#))

GB Auto [AUTO] added the Chinese Changan car model to its portfolio which it expects to present next month. AUTO is already the local car dealer for Hyundai, Mazda, Chery, and Geely brands. (Al-Mal)

GLOBAL NEWS

Saudi Arabia is in talks to sell a 1% stake in state-controlled oil giant Aramco to a foreign company, Crown Prince said in an interview. The kingdom could also announce a secondary offering of shares in the company within the next two years. ([Bloomberg](#))

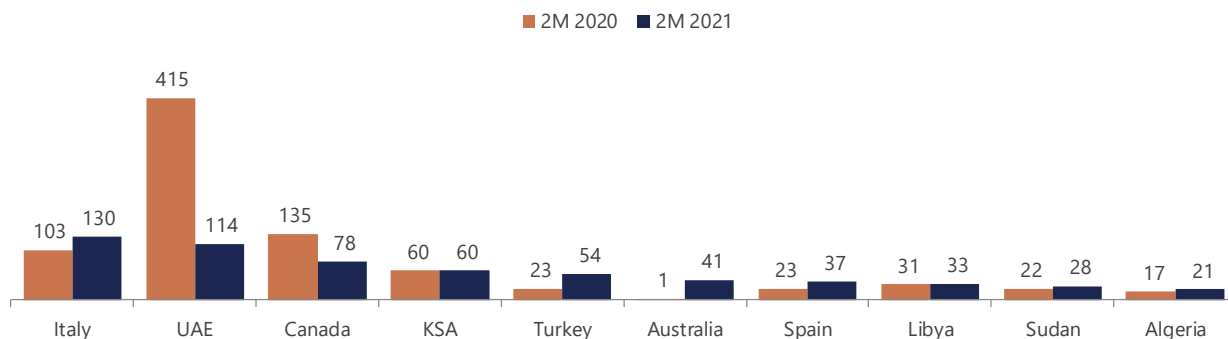
The U.S. economy has had a steady run of good news in recent months, with job gains accelerating as businesses reopen and forecasters projecting that 2021 will see the strongest GDP growth in decades. But the Federal Reserve has shown no sign that there has been enough progress yet to ease the support for the economy that it put in place at the onset of the pandemic, including a promise to keep its key overnight interest rate near zero for years to come and to keep buying USD120bn in government bonds and mortgage-backed securities each month. ([Reuters](#))

3. CHART OF THE DAY

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Egypt's Top 10 Export Destinations for Building Materials (USDmn)













































Source: ECBM.

Egypt's building materials exports to its top 10 destinations, under the ECBM umbrella, decreased to USD596mn (-28% y/y) in 2M 2021, although eight of them exported much more. A plunge in building materials exports to the UAE (-73% y/y, USD114mn) and Canada (-42% y/y to USD78mn) dragged down the total on a y/y basis.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						655.0					
						Equity turnover (EGPmn): Last, ytd avg.		982.4		1,178.6	
						daily chg.		ytd chg.			
		EGX 30	10,591.42	0.62%	(2.34%)			Gold	1,776.60	(0.27%)	(6.78%)
		EGX 30 TR	4,101.41	0.11%	(1.69%)			Silver	26.27	0.16%	(1.59%)
		EGX 70 EWI	2,079.95	0.65%	(3.04%)			Brent Oil	66.42	0.44%	28.78%
		EGX 100 EWI	3,003.40	0.58%	(3.05%)			WTI	62.94	0.38%	30.21%
		DFMGI	2,630.07	(0.62%)	5.54%			Natural Gas	2.87	0.10%	13.27%
		ADSMI	6,120.22	(0.42%)	21.30%	EGP		USD/EGP	15.68	(0.18%)	(0.39%)
		TASI	10,267.17	0.35%	18.16%	€		EUR/USD	1.21	(0.12%)	(1.14%)
		QE Index	10,968.88	0.58%	5.11%	£		GBP/USD	1.39	(0.17%)	1.60%
		S&P 500	4,186.72	(0.02%)	11.47%	¥		USD/JPY	108.70	0.19%	5.48%
		Dow 30	33,984.93	0.01%	11.04%			6M TB yield	13.40	1	66
		NASDAQ	14,090.22	(0.34%)	9.33%			1Y TB yield	13.38	1	61
		VIX	17.56	(0.45%)	(22.81%)			10Y TB yield	14.84	2	45
		STOXX 50	4,011.91	(0.22%)	12.93%			2Y TB yield	0.18	1	5
EM		MSCI Emerging	1,361.96	0.10%	5.48%			10Y TB yield	1.64	6	71
FM		MSCI Frontier	606.47	0.45%	6.09%			30Y TB yield	2.31	6	65

* As of market close, except for commodities and currencies at 8.15am 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
28-Apr-21	MOIL	BOB meeting	Discussing 2020 financial results.
28-Apr-21	AJWA	OGM	Approving the financial statements and other agenda items.
28-Apr-21	AJWA	EGM	Discussing the continuation of the company.
28-Apr-21	ZMID	BOB meeting	Approving Q1 2021 unaudited results.
28-Apr-21	MICH	BOB meeting	Follow up on production, sales and exports.
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 budget estimates for FY2021/22.
28-Apr-21	EGCH	OGM	Approving the budget estimates for FY2021/22.
28-Apr-21	EGCH	EGM	Approving increasing the issued capital.
28-Apr-21	MNHD	Cash dividend	Last date for eligibility for EGP0.45/share.
29-Apr-21	PACH	Cash dividend	Date for a payout of EGP0.50/share (2nd round).
29-Apr-21	FWRY	OGM	Approving the financial statements and other agenda items.
29-Apr-21	AIH	OGM	Approving the financial statements and other agenda items.
29-Apr-21	BINV	OGM	Approving the financial statements, and discussing a dividend distribution and other agenda items.
29-Apr-21	CLHO	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
29-Apr-21	CLHO	EGM	Approving an employee incentive system.
6-May-21	TALM	Stabilization fund	OPR closes.
6-May-21	MNHD	Cash dividend	Date for a payout of EGP0.15/share (1st round).
8-May-21	ECAP	OGM	Approving the financial statements and other agenda items.
8-May-21	ECAP	EGM	Amending articles 6 & 7 of the bylaws.
8-May-21	IRAX	OGM	Approving the financial statements and other agenda items.
8-May-21	IRAX	EGM	Discussing the agenda.
8-May-21	ESRS	OGM	Approving the financial statements and other agenda items.
8-May-21	AIFI	EGM	Amending article 4 of the bylaws.
9-May-21	ELSH	OGM	Approving the financial statements and other agenda items.
9-May-21	TMGH	Cash dividend	Last date for eligibility for an EGP0.145/share dividend to be issued over two equal payouts.
9-May-21	CCRS	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
10-May-21	SVCE	OGM	Approving the financial statements and other agenda items.
10-May-21	ZMID	OGM	A board reshuffle.
10-May-21	ZMID	EGM	Amending articles 20, 29 & 30 of the bylaws.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
18-Apr-21	<u>MACROView – Challenges Remain Daunting</u>
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>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>
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>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>CIB [COMI] – Q1 2020 Results</u>

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