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Commodities & Stocks

1. Today's Trading Playbook

TABLE OF CONTENTS**Amr Hussein Elalfy, CFA** | Head of Researchaelalfy@egy.primegroup.org**KEY THEMES**

This is yet another short trading week, shortened by a long Eid El-Fitr holiday from Wednesday, 12 May through Sunday, 16 May. Trading will resume next week on Monday, 17 May. For this week, investors will await the results of MSCI EM rebalancing (due on 11 May) and look forward to more CQ1 2021 results for clues about companies' performance. As for the latter, Sidi Kerir Petrochemicals [**SKPC**] reported last Thursday strong earnings for Q1 2021, thanks to higher polyethylene (PE) selling prices. With PE continuing to trade above USD1,300/ton, SKPC's performance is likely to be sustained in Q2 2021. Already up 3.2% last Thursday, SKPC is now up around 14% ytd, in line with PE prices (+12% ytd). Also last Thursday, Alexandria Mineral Oils [**AMOC**] reports its 9M 2020/21 results, turning to profitability, thanks to better margins.

That said, we think there is still room for commodity-linked stocks to appreciate further through H1 2021. Besides SKPC and AMOC, we had alluded before to Egypt Aluminum [**EGAL**], up 3% since [our call on 27 April](#). Also, Ezz Steel [**ESRS**] saw its stock appreciate 8% in May, after raising its selling prices on 1 May. Over the weekend, ESRS raised its selling prices again by c.3%.

Elsewhere, we now know that LSE-listed Integrated Diagnostics Holdings [**LSE: IDHC**] will have its local shares debut on Thursday, 20 May, denominated in Egyptian pounds. Investors will likely look at Speed Medical [**SPMD**] as one of IDHC's peers that is already traded on the EGX, albeit with a much smaller size with a market cap of only EGP2.7bn, a quarter of IDHC's market cap. However, IDHC and SMPD are currently traded at similar valuation levels on LSE and EGX at TTM P/E of 22.8x and 23.1x, respectively.

POSITIVE

AMOC, EGAL, ESRS, SKPC: We suggest these four stocks as plays on the commodity super cycle.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

S&P Global Ratings has affirmed Egypt's sovereign credit rating at B with a stable outlook despite the impact of COVID-19 on the country's tourism and exports as well as "elevated" external debt. ([Enterprise](#))

Proposals to mandate a minimum wage for private-sector employees will be drafted this month. ([Ministry of Planning](#))

The Customs Authority will establish a new unit dedicated to investigating complaints from exporters about customs procedures. ([Cabinet statement](#))

Real estate developers have until end of year to settle their reconciliation fees to regularize the status of their North Coast developments with the New Urban Communities Authority (NUCA) after a 30 June deadline was extended. ([Al-Shorouk](#))

The Board of Directors (BoD) of the government's initiative to convert and replace cars to operate with a dual-fuel system refused to add two new car brands to the initiative, due to their high prices. Hence, there is no modification in the current car brands available to the participants. (Al-Borsa)

CORPORATE NEWS

Integrated Diagnostics Holdings [LSE: IDHC], which is listed on London Stock Exchange (LSE), said its ordinary shares will be traded on the Egyptian Exchange (EGX) on 20 May 2021. IDHC will trade in EGP at a price equivalent to the stock's value on the LSE (based on the exchange rate announced by the CBE on 19 May 2021, a day before trading. IDHC's shares traded at an average of EGP18.09/share in the period between 28 April and 5 May 2021, implying a market cap of c. EGP10.85bn.

Sidi Kerir Petrochemicals' [SKPC] preliminary Q1 2021 figures showed the company reverting back to profitability, with net earnings of EGP152mn vs. net losses of EGP31mn in the comparable quarter a year before. The significant improvement in bottom line comes on the back of robust revenue growth, as top line recorded EGP1.31bn (+38% y/y). GPM also improved substantially to 21.5% vs. 2.6%, reflecting considerably higher selling prices when compared to Q1 2020 when the COVID-19 pandemic started. ([Company disclosure](#))

Alexandria Mineral Oils' [AMOC] 9M 2020/21 results showed a consolidated net profit of EGP94mn vs. a net loss of EGP161mn in 9M 2019/20. This comes despite 5% lower revenues, of EGP7.1bn. AMOC recorded a gross profit of EGP433mn (a GPM of 6% vs. a GLM of 2% a year earlier). We note that in H1 2020/21, AMOC had net losses of EGP43mn, which reflects the strong improvement in the last quarter on the back of better spreads between key inputs and outputs prices. ([Company disclosure](#))

Egyptian Gulf Bank's [EGBE] Q1 2021 stand-alone net profit inched up 2% y/y to EGP160mn, as a result of an 8% y/y growth in net interest income (NII) to EGP662mn. The bank's ROAE reached to 12% in Q1 2021 vs. 11.5% in Q1 2020. ([Bank release](#))

The Saudi Public Investment Fund plans to enter the Egyptian banking sector by acquiring a majority stake in one of the banks operating in the market. ([Economy Plus](#)) This prompts speculations that the potential acquirees would have a paid-up capital short of EGP5bn, the minimum recently set by the Central Bank of Egypt. Hence, we see Suez Canal Bank [**CANA**] and Al Baraka Bank - Egypt [**SAUD**] as two likely prospects for such a potential takeover, having a paid-up capital of EGP2bn and EGP2.9bn, respectively. For this scenario to materialize, the Saudi fund will have to reach an agreement with CANA's 41.5% shareholder **Arab International Bank** (in which the CBE and Libyan Foreign Bank own 38.7% each), and SAUD's 73.68% owner **Al-Baraka Banking Group**.

Ezz Steel [ESRS] upped its selling prices by 3% to EGP14,200/ton (including 14% VAT) effective 7 May 2021. (Company announcement)

The General Authority of Health Care signed a cooperation protocol with Ibsina Pharma [ISPH], under which ISPH will support the authority's digital transformation plan for its health services in hospitals and other health centers, serving the participants of the universal healthcare program. ([Company disclosure](#))

Canal Shipping Agencies' [CSAG] unaudited financial indicators for 9M 2020/21 showed net income hit EGP153.6mn (-37% y/y), dragged down by COVID-19 and lower investment income from subsidiaries **Damietta Container & Cargo** and **Port Said Container & Cargo**. Meanwhile, CSAG's revenues decreased to EGP37mn (-25% y/y). ([Company disclosure](#))

Speed Medical [SPMD] aims to increase the hospital bed capacity of New Al-Safwa Specialized Hospital from 67 beds to 150 beds, with investments worth EGP75mn, as part of its investment plan for the hospital after acquiring it. (Al-Borsa)

GLOBAL NEWS

Copper soared to a fresh all-time high as optimism about a global rebound from the pandemic boosts commodities markets. Stimulus measures and vaccine rollouts are fueling prospects for a resurgence in demand that is set to strain supply, while copper's crucial role in the green-energy transition is expected to underpin longer-term gains. ([Bloomberg](#))

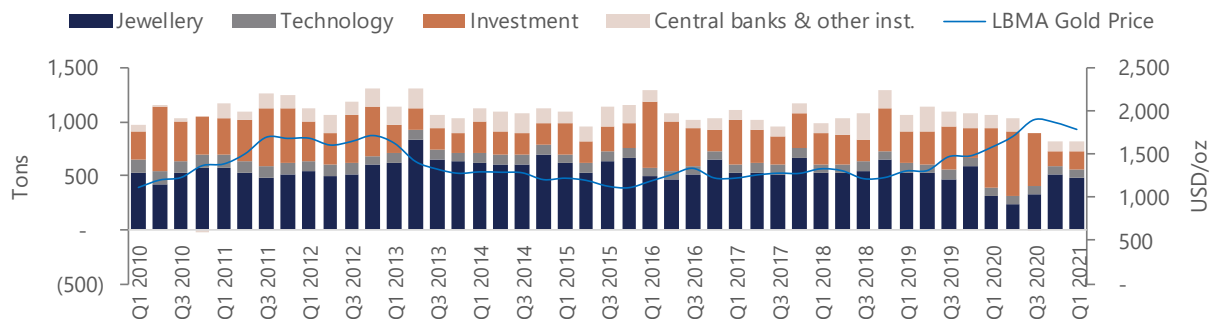
President Joe Biden reacted on Friday to a disappointing April jobs report by saying the U.S. economy has a "long way to go" before recovering from its pandemic slump, and he urged Washington to do more to help the American people. ([Reuters](#))

3. CHART OF THE DAY

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Gold Demand Trends in Q1 2021



















































Source: World Gold Council.

Global gold demand fell by 23% y/y in Q1 2021, but remained almost flat on a quarterly basis (815.7 tons in Q1 2021 vs. 813.7 tons in Q4 2020). Meanwhile, the average price was 13% higher y/y in Q1 2021 but 4% lower q/q. Lower prices in Q1 2021 drove consumer demand higher as jewelry demand grew 52% y/y than the weak Q1 2020. Growth in consumer demand was offset by strong outflows from gold ETFs, which lost 177.9 tons in Q1 2021 due to higher U.S. yields and a downward price trend that weighed on investor sentiment.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
658.9						1,026.9 1,178.6					
daily chg. ytd chg.						daily chg. ytd chg.					
		EGX 30	10,588.09	0.72%	(2.37%)			Gold	1,831.24	0.88%	(3.54%)
		EGX 30 TR	4,125.85	0.67%	(1.10%)			Silver	27.45	0.51%	3.97%
		EGX 70 EWI	2,130.91	0.34%	(0.66%)			Brent Oil	68.28	0.28%	31.81%
		EGX 100 EWI	3,050.59	0.43%	(1.52%)			WTI	64.90	0.29%	33.76%
		DFMGI	2,663.93	0.52%	6.90%			Natural Gas	2.96	1.02%	16.50%
		ADSMI	6,152.09	0.59%	21.94%			USD/EGP	15.67	(0.05%)	(0.45%)
		TASI	10,228.35	(0.23%)	17.71%			EUR/USD	1.22	0.84%	(0.41%)
		QE Index	10,895.72	(0.01%)	4.41%			GBP/USD	1.40	0.68%	2.30%
		S&P 500	4,232.60	0.74%	12.69%			USD/JPY	108.60	(0.45%)	5.18%
		Dow 30	34,777.76	0.66%	13.63%			6M TB yield	13.38	(1)	65
		NASDAQ	13,752.24	0.88%	6.70%			1Y TB yield	13.36	(2)	59
		VIX	16.69	(9.24%)	(26.64%)			10Y TB yield	14.83	(1)	44
		STOXX 50	4,034.25	0.87%	13.56%			2Y TB yield	0.15	(1)	2
		MSCI Emerging	1,348.57	0.58%	4.44%			10Y TB yield	1.58	0	65
		MSCI Frontier	615.65	0.23%	7.70%			30Y TB yield	2.28	4	62

* As of market close. 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
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.
9-May-21	UNIP	Stock Split	Last eligibility date for a 10-for-1 stock split.
9-May-21	AMIA	Stock split	Last eligibility date for a stock split.
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.
11-May-21	ETEL		Releasing its Q1 2021 financial results
11-May-21	ETEL	Earnings update call	To comment on Q1 2021 results
12-May-21	TMGH	Cash dividend	Date for a payout of EGP0.072/share (1st round).
16-May-21	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in the 6th of October project.
17-May-21	NCCW	OGM	A board reshuffle.
17-May-21	NCCW	EGM	Amending articles 21, 24, 31 & 32 of the bylaws.
17-May-21	POUL	Cash dividend	Last date for eligibility for a dividend of EGP0.160/share.

19-May-21	FWRV	Right Issue	The closing date for a rights issue subscription.
19-May-21	ESGI	OGM	Approving the financial statements and other agenda items.
19-May-21	RMDA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
19-May-21	RMDA	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
19-May-21	ORAS	OGM	Approving the financial statements and a cash dividend of USD0.23/share.
20-May-21	POUL	Cash dividend	Date for a payout of EGP0.160/share.
20-May-21	HRHO	OGM	Approving a capital increase of EGP768.6mn through retained earnings and approving other agenda items.
20-May-21	HRHO	EGM	Approving an employee incentive system and other agenda items.
20-May-21	IDHC	First Trading Day	First day of trading for Integrated Diagnostics Holding [IDHC] local shares in EGP on the EGX.
27-May-21	FAIT	EGM	Amending articles 2, 7, & 47 of the bylaws.

7. LATEST RESEARCH

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DATE PUBLISHED REPORT

6-May-21	<u>MACROView – The Road to Recovery Gets Longer</u>
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>Elsowedy 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>

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