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Heyday Heyday Heyday

1. Today's Trading Playbook

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KEY THEMES

Last Thursday, the market witnessed one of those "once in a blue moon" days where traded values crossed—not just the EGP2bn mark—but almost the EGP4bn mark! It was a reminder of one of those heydays when the market was flush with liquidity and optimism. Thursday was the day before the MSCI Emerging Markets index rebalancing was to take place (at the close of 27 May). Remember that earlier mid-May, MSCI had made its semi-annual index review (SAIR), where it decided to replace Elsewedy Electric [**SWDY**] with Fawry [**FWRY**], joining CIB [**COMI**] and Eastern Company [**EAST**] to represent Egypt in the widely-tracked index. Ideally, what this should have meant was high outflows from SWDY and smaller outflows from COMI and EAST—all going into FWRY which now has a higher free float market cap. Both Arab and non-Arab foreign institutional investors were net sellers with EGP539mn and EGP301mn, respectively, whereas Egyptian investors were net buyers with EGP794mn.

Nonetheless, what we saw last Thursday was unexpected, where:

- **COMI** fell higher than expected (-3.5%, turnover of EGP1.28bn).
- **FWRY** rose on a VWAP basis (+2.1%) but was down on a last price basis (-0.8%) with a turnover of EGP0.82bn.
- **SWDY** ended the day lower (-4.2%, T/O of EGP0.64bn).
- **EAST** was marginally higher (+1.4%, EGP0.05bn).

The fact that COMI (which is still part of MSCI EM index) fell this much, similar to SWDY (which is being removed from the index), suggests that Egypt's weight in MSCI EM was probably even reduced further. Still, we prefer to use such volatility which result in mispricing as opportunities to jump in at low valuation levels.

POSITIVE

COMI, SWDY: Both stocks have fallen in the past few days without any fundamental justification. We believe it was an overreaction to MSCI EM rebalancing.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt will receive the final tranche of its IMF standby loan before the end of June. The one-year USD5.2bn financing package was agreed last June to support the economy during the COVID-19 pandemic. Meanwhile, Egypt is unlikely to engage in another financing agreement with the IMF after the end of the SBA in June. ([Al-Masry Al-Youm](#))

Driven by the base-year effect, hotel occupancy rates in Egypt fell in Q1 2021, with four tourist hotspots seeing declining figures from the same period last year. Yet, the rebound in tourism sector is gaining a boost from Emirati budget carrier Flydubai which announced it will begin operating three weekly flights to Sharm El-Sheikh as of 15 June, making the Red Sea city the airline's second destination in Egypt following Alexandria. ([Colliers](#), [Flydubai](#))

Egypt's debt inflows to finance infrastructure projects will fund Cairo Metro Line VI from U.S. infrastructure giant Bechtel. Bechtel will arrange facilities worth a total of USD2bn for the Egyptian government to finance nearly half of Cairo's Metro Line VI. ([Al-Mal](#))

Based on presidential direction, the Ministry of Finance could expand its automotive natgas transition scheme to allow more vehicle owners and more governorates to participate. It is not clear yet how the government is going to achieve that without carrying on burden on the budget, but the time scale of the plan could expand to minimize its fiscal burden. ([The Cabinet statement](#))

CORPORATE NEWS

Talaat Mostafa Group Holding's [TMGH] preliminary Q1 2021 results indicated stronger revenues of EGP2.9bn (+27.5% y/y) and higher net profits of EGP447mn (+19% y/y). Meanwhile, TMGH's pre-sales surged to EGP3.46bn (+56% y/y). ([Company disclosure](#))

Obour Land for Food Industries [OLFI] reported net income after minority of EGP70mn (+3% y/y) in Q1 2021 on higher revenues of EGP664mn (+14% y/y). Gross profit margin, however, dropped (-103bps). OLFI is currently trading at a LTM P/E of 8.3x. ([Company disclosure](#))

Egytrans [ETRS] received a non-binding offer to acquire a 72.3% stake in Ostool held by Paradigm Logistics Ltd. This acquisition will create a liability on ETRS that will be settled through additional shares issuance. Paradigm Logistics expects ETRS's fair value to be EGP460mn (EGP14.7/share) and Ostool's to range between EGP495-640mn, with an implied share swap ratio ranging from 1.1-1.4x in favor of Ostool. This offer is at a 32% premium to ETRS's six-month trailing average price. On a separate note, ETRS's BoD postponed a decision it has to make about its fair value as set by Grant Thornton Financial Advisory and relevantly the acquisition offer it received from **H.A. Utilities BV** until discussing Paradigm Logistics' offer. (Company disclosures: [1](#), [2](#))

General Co. for Ceramic & Porcelain Products [PRCL] expects revenues of EGP337.2mn in 2021/22, as per its budget, up from a targeted EGP258.4mn for 2020/21 and EGP267.5mn achieved in 2019/20. The company sees its net income at EGP6.3mn in 2021/22, against an estimated loss of EGP29.7mn for 2020/21 which is still narrower than its 2019/20 net loss of EGP54.3mn. ([Company disclosure](#))

Cairo for Investment & Real Estate Development's [CIRA] BoD approved acquiring 20% more of Star Light Educational DMCC, leaving its total holding in the UAE-based company at 80%. In 2019, CIRA had acquired a 60% stake in Star Light Educational DMCC which indirectly owns BCCIS, the first school serving the high-income segment in CIRA's portfolio. On another note, **the BoD also approved the acquisition of a 40% stake in Global Furniture,** a manufacturer of educational furniture. **The two investments are worth around EGP58mn.** (Company disclosures: [1](#), [2](#))

Ibnsina Pharma's [ISPH] request to increase its capital to EGP280mn through a 16.7% stock dividend has been approved by the Financial Regulatory Authority (FRA). ([FRA](#))

Amer Group [AMER] is addressing local banks to obtain EGP1.2bn in loans to fund the development of its projects in New Minya and Port Said. ([Al-Shorouk](#))

Odin Investments [ODIN] acquired 100% of Alpha Capital Holding, the asset manager, in a deal worth EGP50mn. Alpha Capital's AUMs amount to EGP9.2bn. ([Al-Mal](#)) This deal values the asset manager at 0.5% of its AUMs.

United Media Services (UMS) announced the restructuring of its BoD headed by Hassan Abdallah. Meanwhile, UMS is preparing to float 20-30% of its shares on the Egyptian Exchange (EGX) by 2024. ([Hapi](#), [Enterprise](#))

GLOBAL NEWS

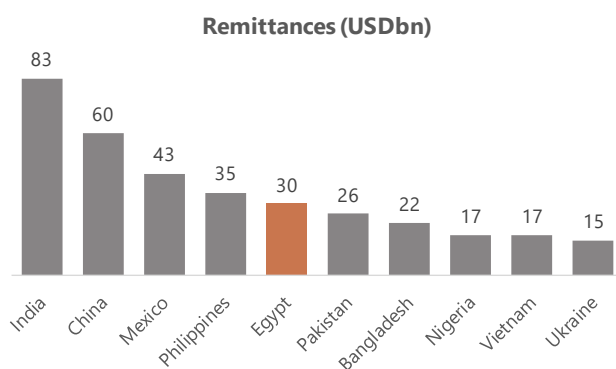
A summer burst of inflation seems inevitable, data of a key U.S. inflation indicator suggested again after it rose a faster-than-expected 3.1% in April as price pressures built in the rapidly expanding U.S. economy. The core personal consumption expenditures index was forecast to increase 2.9% after rising 1.9% in March. Federal Reserve officials consider the measure to be the best gauge for inflation, though they watch a number of metrics. ([CNBC](#))

Gold reversed course and turned positive on Friday, popping above the key USD1,900 level, after data showed U.S. consumer prices surged in April and boosted bullion's appeal as an inflation hedge. ([CNBC](#))

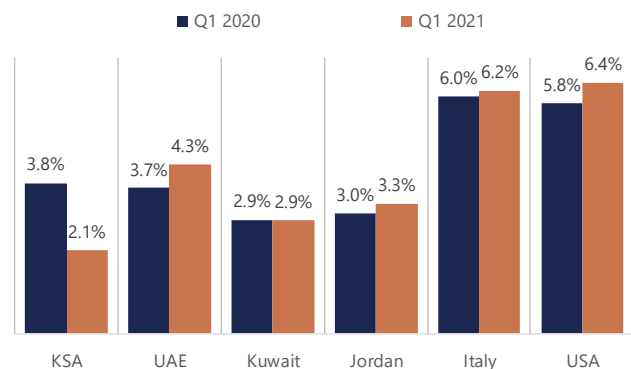
3. CHART OF THE DAY

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Source: The World Bank.



Remittances to the MENA region rose by 2.3% to c.USD56bn in 2020 despite the pandemic, and by 3.4% in 2019. The anticipated decline in remittances to the region did not materialize due mostly to unexpectedly strong flows to Egypt, the world's fifth-largest remittance-receiving country, and Morocco. Meanwhile, the cost of sending USD200 to the MENA region declined only slightly in Q1 2021 to 6.6% despite the pandemic, compared with 6.9% in the same quarter of the previous year. Sending money to Egypt is less expensive when the transfer is made from MENA countries (costs around 3%) compared to other non-MENA countries.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
652.5					3,877.5 1,178.6				
				daily chg.	ytd chg.			daily chg.	ytd chg.
	↓	EGX 30	10,242.30	(1.23%)	(5.56%)		↗	Gold	1,903.77 0.38% 0.28%
	↓	EGX 30 TR	3,961.91	(1.59%)	(5.03%)		↗	Silver	27.94 0.33% 5.81%
	↗	EGX 70 EWI	2,225.59	0.69%	3.75%		↓	Brent Oil	68.72 (0.69%) 32.66%
	↗	EGX 100 EWI	3,150.13	0.46%	1.69%		↓	WTI	66.32 (0.79%) 36.69%
	↓	DFMGI	2,816.46	(0.31%)	13.02%		↗	Natural Gas	2.99 0.95% 17.61%
	↓	ADSMI	6,548.19	(0.25%)	29.79%	EGP	↗	USD/EGP	15.68 0.05% (0.39%)
	↗	TASI	10,519.52	0.46%	21.06%	€	↓	EUR/USD	1.22 (0.02%) (0.20%)
	↗	QE Index	10,764.13	1.28%	3.14%	£	↓	GBP/USD	1.42 (0.13%) 3.79%
	↗	S&P 500	4,204.11	0.08%	11.93%	¥	↗	USD/JPY	109.85 0.04% 6.39%
	↗	Dow 30	34,529.45	0.19%	12.82%		↓	6M TB yield	13.39 (1) 66
	↗	NASDAQ	13,748.74	0.09%	6.68%		↓	1Y TB yield	13.34 (1) 57
	↗	VIX	16.76	0.12%	(26.33%)		↓	10Y TB yield	14.83 (0) 44
	↗	STOXX 50	4,070.56	0.78%	14.58%		↓	2Y TB yield	0.14 (0) 1
EM	↗	MSCI Emerging	1,360.78	0.48%	5.38%		↗	10Y TB yield	1.58 1 65
FM	↗	MSCI Frontier	630.67	0.67%	10.33%		↗	30Y TB yield	2.26 0 60

* 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
30-May-21	ISPH	BoD meeting	Discussing the financial results.
30-May-21	HRHO	EGM	Approving employees' incentive system and other agenda items.
30-May-21	ZMID	Cash dividend	Date for a payout of EGP0.15/share (1st round).
2-Jun-21	ECAP	Cash dividend	Last date for eligibility for EGP1/share.
3-Jun-21	ECAP	Cash dividend	Date for ex-dividends of EGP1/share.
5-Jun-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
6-Jun-21	OCDI	Cash dividend	Last date for eligibility for a dividend of EGP0.550/share.
7-Jun-21	OCDI	Cash dividend	Date for ex-dividends of EGP0.550/share.
7-Jun-21	ECAP	Cash dividend	Date for a payout of EGP1/share.
8-Jun-21	CCAP	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
9-Jun-21	OCDI	Cash dividend	Date for a payout of EGP0.550/share.
10-Jun-21	RTVC	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
16-Jun-21	UNIT	EGM	Approving a capital reduction and amending article 6, 7 & 24 of the bylaws.
17-Jun-21	SCEM	OGM	Approving the 2020 financial statements and an asset sale.

17-Jun-21	SCEM	EGM	Amending articles in the bylaws.
17-Jun-21		MPC Meeting	Determining the CBE's policy rate.
21-Jun-21	MOIL	OGM	Approving the financial statements and other agenda items.
21-Jun-21	MOIL	EGM	Approving a capital reduction.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
23-May-21	<u>Orascom Construction [ORAS] – Earnings Short of Our Estimates</u>
23-May-21	<u>CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense</u>
22-May-21	<u>Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions</u>
20-May-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth</u>
20-May-21	<u>EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track</u>
18-May-21	<u>B Investments Holding [BINV] – Exits Kick Off, Unlocking Value</u>
18-May-21	<u>Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead</u>
17-May-21	<u>Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth</u>
11-May-21	<u>MACROView – Inflation Eased but Stage Still Set for a Pick-Up</u>
9-May-21	<u>MACROView – Stability Prevailed</u>
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>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>

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