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Balance of Risks

1. Today's Trading Playbook

TABLE OF CONTENTS**KEY THEMES**

To navigate the market nowadays, we probably need tens of different trading playbooks. It seems that we are sailing in uncharted waters looking for land, but we need to be careful because what may look like land could be very well a mirage. Thus, investors, who are long term by definition, need to be able to balance the risks of trading in the short term versus investing for the long term. What this means is that investors should not diverge from their long-term strategy to chase short-term gains that may just be that: short term.

Meanwhile, and continuing with one of the two market-moving events (i.e. earnings), Cleopatra Hospitals Group [CLHO] posted a 23% y/y increase in consolidated net profit for Q1 2021. The company registered c. EGP101mn in net earnings, which brings its TTM EPS to EGP0.19/share. The results make us believe that for at least the first three quarters of 2021, we are going to get a very nice base effect, which will decorate quarterly results from a y/y perspective. The important takeaway is growth on top-line level was volume driven, given the slim volumes witnessed during 2020. While CLHO had compensated the drop in volumes in 2020 through price hikes, Q1 2021 GPM strengthened to 38.7% (+466bps y/y). CLHO's strong opening to 2021 from an earning perspective, coupled with weak stock performance, sends the name's P/E down to 21x. We deem CLHO's current TTM P/E as too low compared to historical levels. To put it into perspective, CLHO's 3-year average P/E is 35x, which render the current levels as being very repressed.

POSITIVE

TMGH: Having laid the foundation of its new project "Nour City", TMG Holding [TMGH] may see its stock re-rate as a result.

CLHO: Q1 2021 results were strong, suggesting a recovery.

EAST: Eastern Company [EAST] usually does well whenever we witness a price hike in cigarettes, be it related to taxes or health insurance. EAST often manages to squeeze out some profits from such price hikes.

MTIE: MM Group's [MTIE] Q1 2021 double-digit earnings growth posted should bring attention back to the stock in line with consumption recovery.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt's trade deficit declined by 25.2% y/y to USD2.69bn in March on the back of 43.5% y/y surge in exports and only 2% y/y increase in imports. This should alleviate the pressures on the country's current account deficit in Q3 FY21. ([Mubasher](#))

Based on the recent executive amendment to the VAT Law, 14% VAT will be charged on all online delivery services provided by restaurants and shops. The amendment is the latest in a series of moves taken by the government to collect VAT on digital services. ([Enterprise](#))

The African Export-Import Bank (Afreximbank) has agreed to lend the United Bank USD600mn to finance SMEs and foreign trade. ([Masrawy](#))

CORPORATE NEWS

Talaat Mostafa Group Holding [TMGH] laid the foundation stone for its Noor project which stretches over 5,000 feddans in Capital Gardens. TMGH expects to build 8,000 units during the first phase of the project, with payment terms of up to 15 year. ([Hapi](#), [Economy Plus](#))

Eastern Tobacco's [EAST] CEO said that the increase in the price of cigarettes will be effective by the beginning of July 2021. This should be reflected on inflation reading but not significantly due to the small weight of the tobacco basket in the CPI index. ([Egypt Today](#))

MM Group [MTIE] Q1 2021 net earnings grew to EGP127mn (+20% y/y) on 13% growth seen in top line of EGP2.5bn. ([Company disclosure](#))

Amer Group's [AMER] net profits skyrocketed to EGP105.8mn (+39.5x) in Q1 2021. Meanwhile, AMER saw its revenues surge to EGP1bn (+237% y/y) after delivering units in its projects in Port Said, Ain El-Sokhna and Marsa Matrouh. Pre-sales, however, declined to

EGP491mn (-11.9% y/y). On the other hand, AMER's interest expense shot up to EGP149mn (+696% y/y) due to EGP600mn in securitization. (Company disclosures: [1](#), [2](#))

A consortium of Orascom Construction [ORAS] and Metito completed a USD130mn seawater desalination plant in East Port Said. The desalination plant capacity is 150,000 cbm/d and will serve one million citizen. ([Press release](#))

Emirates Advanced Investments Group submitted offer to the FRA to acquire 100% of Alexandria Medical Services [AMES]. The Emirati company wants to acquire at least 51% of the company at EGP47.98/share. The offer is still subject to the FRA's approval. ([Mubasher](#))

Egypt Post will offer a share of its private equity arm, Post for Investment (PFI), on the EGX. Market conditions and foreign investors' appetite will determine the timing and size of the IPO. ([Enterprise](#))

GLOBAL NEWS

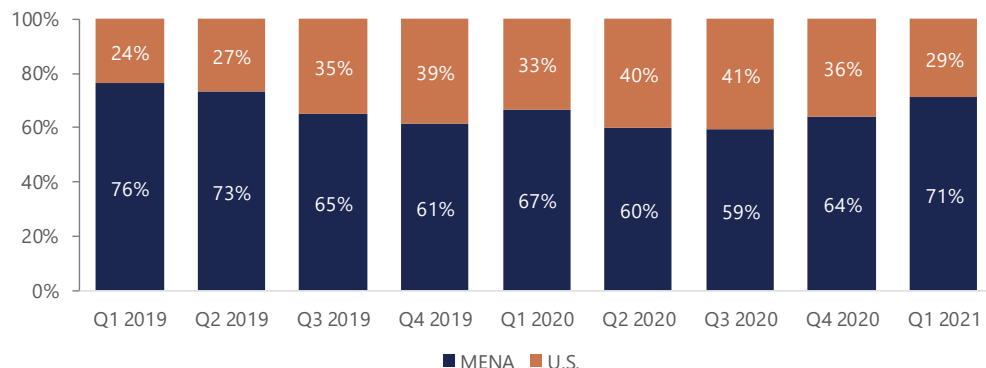
To reduce their exposure to a rise in U.S. interest rates, some of emerging-market investors are planning to reposition their portfolio to EM bonds that are less sensitive to rising U.S. rates, or towards equities, which are seen by some investors as being less vulnerable to moves in the US treasury market. ([Bloomberg](#))

3. CHART OF THE DAY

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ORAS's Revenue Breakdown



Source: Company reports.

Orascom Construction [ORAS] in Q1 2021 saw 71% of its revenues derive from the MENA region (up from 64% in Q4 2020) and 29% from the U.S. (down from 36% in Q4 2020). ORAS's revenues edged down to USD816.6mn in Q1 2021 (-1.3% y/y) during the same quarter this year as the U.S. contributed 13.9% less, or USD236.6mn, to revenues y/y. Meanwhile, revenues from the MENA region increased to USD580mn (+4.9% y/y).

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
639.2					1,275.6 1,178.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	↗	EGX 30	10,122.44	0.67% (6.66%)		↗	Gold	1,891.59 1.11% (0.79%)	
	↗	EGX 30 TR	3,944.98	0.88% (5.44%)		↗	Silver	27.79 1.32% 4.23%	
	↗	EGX 70 EWI	2,370.65	1.56% 10.51%		↘	Brent Oil	71.89 (0.99%) 37.41%	
	↗	EGX 100 EWI	3,304.22	1.61% 6.66%		↘	WTI	69.62 (0.88%) 42.23%	
	↘	DFMGI	2,820.71	(0.12%) 13.19%		↔	Natural Gas	3.10 0.00% 21.98%	
	↗	ADSMI	6,623.41	0.26% 31.28%	EGP	↘	USD/EGP	15.69 (0.00%) (0.31%)	
	↘	TASI	10,685.45	(0.12%) 22.97%	€	↘	EUR/USD	1.22 (0.08%) (0.48%)	
	↘	QE Index	10,739.14	(0.14%) 2.91%	£	↘	GBP/USD	1.42 (0.18%) 3.37%	
	↗	S&P 500	4,229.89	0.88% 12.61%	¥	↘	USD/JPY	109.52 (0.01%) 6.06%	
	↗	Dow 30	34,756.39	0.52% 13.56%		↗	6M TB yield	13.39 1 66	
	↗	NASDAQ	13,814.49	1.47% 7.19%		↘	1Y TB yield	13.33 (0) 56	
	↘	VIX	16.42	(8.98%) (27.82%)		↗	10Y TB yield	14.84 1 45	
	↗	STOXX 50	4,089.38	0.25% 15.11%		↗	2Y TB yield	0.15 2 2	
EM	↘	MSCI Emerging	1,381.56	(0.15%) 6.99%		↘	10Y TB yield	1.55 (3) 62	
FM	↗	MSCI Frontier	637.79	0.26% 11.57%		↘	30Y TB yield	2.23 (4) 57	

* As of market close, except for commodities and currencies at 8.05am 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
7-Jun-21	OCDI	Cash dividend	Date for ex-dividend of EGP0.55/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 EGP0.55/share.
9-Jun-21	MPRC	Stock dividend	Last date for eligibility for a 0.052-for-1 stock dividend.
10-Jun-21	MPRC	Stock dividend	Date for a stock dividends at a 0.052-for-1 ratio.
10-Jun-21	RTVC	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
15-Jun-21	UNIP	Cash dividend	Last date for eligibility for a dividend of EGP0.011/share.
16-Jun-21	UNIP	Cash dividend	Date for ex-dividends of EGP0.011/share.
16-Jun-21	UNIT	EGM	Approving a capital reduction and amending articles 6, 7 & 24 of the bylaws.
16-Jun-21	HDBK	Stock dividend	Last date for eligibility for a 1-for-5 stock dividend.
16-Jun-21	EHDR	Stock dividend	Last date for eligibility for a 0.1-for-1 stock dividend.
17-Jun-21	HDBK	Stock dividend	Date for stock dividends at a 1-for-5 ratio.
17-Jun-21	EHDR	Stock dividend	Date for stock dividends at a 0.1-for-1 ratio.
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.
20-Jun-21	UNIP	Cash dividend	Payment date for a dividend of EGP0.011/share.
21-Jun-21	MOIL	OGM	Approving the financial statements and other agenda items.
21-Jun-21	MOIL	EGM	Approving a capital reduction.
24-Jun-21	MENA	EGM	Amending articles 5 & 39 of the bylaws.
26-Jun-21	CSAG	OGM	Approving the estimated budget of FY 2021/22.
26-Jun-21	UASG	OGM	Approving the estimated budget of FY 2021/22.
26-Jun-21	ALCN	OGM	Approving the estimated budget of FY 2021/22.
28-Jun-21	DSCW	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
29-Jun-21	CIEB	OGM	Approving a capital increase and other agenda items.
29-Jun-21	CIEB	EGM	Amending articles 6 & 7 of the bylaws.
29-Jun-21	HELI	Cash dividend	Date for a payout of EGP0.16/share (2nd round).
29-Jun-21	HELI		The deadline for buying a copy of the bidding terms for Heliopark.
30-Jun-21	CICH	Cash dividend	Date for a payout of EGP0.05/share (2nd round).
30-Jun-21	EGTS	OGM	Approving the financial statements and other agenda items.

7. LATEST RESEARCH**TABLE OF CONTENTS**

DATE	PUBLISHED REPORT
6-June-21	<u>MACROView – Further Enhancement</u>
3-June-21	<u>MACROView – Contraction Eased</u>
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 [MACROView – CAD gains eroded by financial account vulnerability](#)
- 14-Jul-20 [Commercial International Bank - \[COMI\] - Q2 2020 results](#)
- 9-Jul-20 [MACROView – Inflation driven by non-food baskets and unfavorable base effect](#)
- 8-Jul-20 [MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position](#)
- 7-Jul-20 [MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed](#)
- 25-Jun-20 [EFG Hermes Holding \[HRHO\] – Behind the Optics of the Arab Investment Bank Potential Acquisition](#)

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