

TABLE OF CONTENTS**1. Today's Trading Playbook****2. Top News & Analysis****3. Chart of the Day****4. Markets Performance****5. Latest EGX Valuation Multiples****6. Key Dates****7. Latest Research**

The Art of Dovishness

1. Today's Trading Playbook

[TABLE OF CONTENTS](#)

KEY THEMES

It's interest rate week! The CBE's Monetary Policy Committee (MPC) meets this Thursday, 17 June, in its fourth meeting in 2021 to decide on EGP interest rates. As we have seen in the first three meetings so far in the year, we envisage that the MPC will keep rates on hold. As a reminder, the policy rates current stand at 8.25% for overnight deposit and 9.25% for overnight lending. Meanwhile, both the main operation and the discount rates stand at 8.75% each. In our inflation note [published last Thursday](#), our Chief Economist **Mona Bedeir** said that May inflation, albeit higher vs. April, was still within the CBE's target of $7\% \pm 2\%$. She thinks the CBE needed to get a clearer picture of (1) the trajectory of global commodity prices and their impact on domestic inflation and (2) the U.S. inflation outlook and its impact on the Fed's monetary stance. Indeed, the Fed will meet on Tuesday and Wednesday to decide USD interest rates and is likely to maintain its target at 0.00-0.25%.

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

2. TOP NEWS & ANALYSIS

[TABLE OF CONTENTS](#)

MACRO NEWS

Fitch Ratings expects Egyptian banks' net interest margins (NIMs) to likely come under pressure in 2021-2022, driven by potential policy rate cuts and changes in yields on sovereign debt, as well as any shifts in banks' balance-sheet structures. ([Fitch Ratings](#))

Egypt is expected to produce its first batch of the locally-manufactured Sinovac vaccine this week. ([Cabinet](#))

The gradual recovery in the tourism sector continues as 2mn tourists visited Egypt during the first five months of this year, averaging 0.4mn people per month. Meanwhile, European budget carrier Wizz Air operated yesterday its first weekly flight from Milan to Sharm El Sheikh — the same day Hurgada International Airport received its first charter flight through Air Armenia from Armenia. ([Gomhuria](#), [Al-Mal](#))

Egypt's annual core inflation inched up in May to 3.4% compared to 3.3% in April 2021. Meanwhile, monthly core CPI inflation, eased to 0.3% in May, compared to 0.7% in April 2021. Annual core inflation is still well below its historical average. This indicates that demand-driven inflationary pressures are still muted. ([CBE](#)) For further details about our inflation outlook please read [our monthly note](#).

CORPORATE NEWS

Orascom Financial Holding [OFH] reported a net profit of EGP19mn in Q1 2021, derived from total revenues of EGP139mn, as per the first financial statement issued by this recent spun-off company. ([Company disclosure](#))

Al-Shams Housing & Development's [ELSH] Q1 2021 revenues grew to c. EGP118mn (+19% y/y). Meanwhile, net profits remained flat recording EGP49.3mn vs. EGP49.4mn in Q1 2020. ELSH net profits were flattened due to the booking of EGP36.8mn (+23% y/y) of interest expenses related to factoring of receivables portfolio. ([Company disclosure](#))

Eastern Company [EAST] is reportedly studying financing solutions to fund its expansions through issuance of securitization bonds worth of EGP3bn. ([Al-Shorouk](#))

Integrated Diagnostics Holding [IDHC] plans to inject EGP300mn worth of investments in 2021. Meanwhile, IDHC plans to expand in the radiology segment. (Hapi)

Raya Holding's [RAYA] Aman for Microfinance, is pursuing the SMEs license with a plan to finance loans worth of EGP250mn before year-end, pending green light from FRA. (Hapi)

United Housing & Development [UNIT] Q1 2021 revenues surged to EGP51.2mn (+42% y/y), while its profits grew to EGP29.8mn (+38% y/y). ([Company disclosure](#))

Cairo Oils & Soap's [COSG] Q1 2021 net losses widened to EGP16.8mn from EGP15.4mn in Q1 2020, as revenues slid to EGP11.7mn (-11%). ([Company disclosure](#))

Ajwa for Food Industries' [AJWA] stand-alone financials showed narrower net losses of EGP5.8mn in Q1 2021 compared to EGP6.7mn in Q1 2020. Meanwhile, revenues jumped to EGP79.47mn (+36% y/y). ([Company disclosure](#))

National Bank of Egypt and Banque Misr changed their fiscal year end to be December instead of June, in line with Law No. 194 of 2020 issued by the Central Bank of Egypt. ([Benok Invest](#))

GLOBAL NEWS

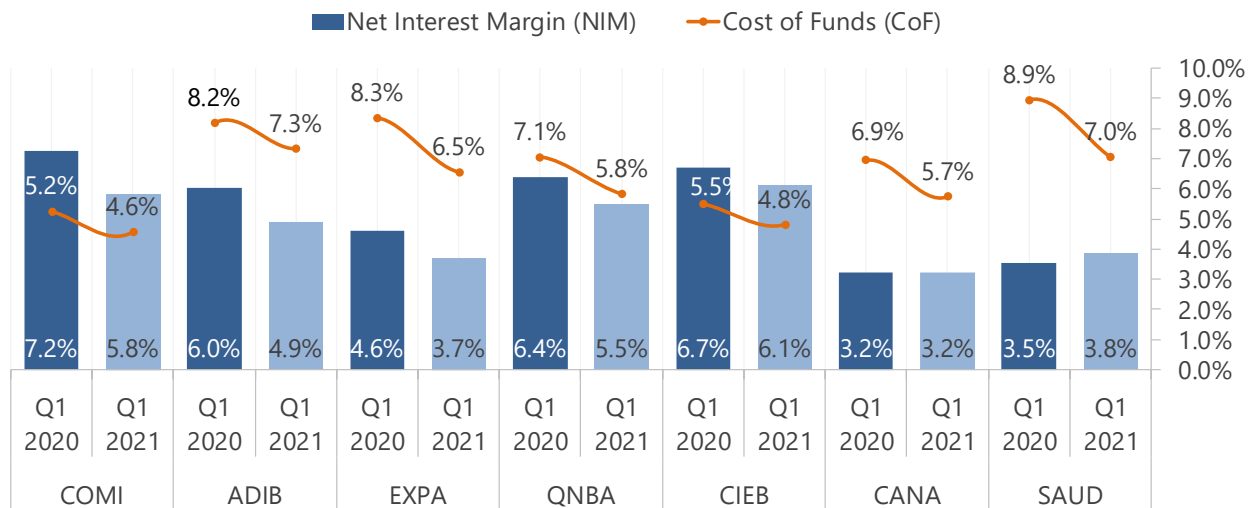
Global prices of metals from copper to steel are likely to soar further as China cuts production to hit its ambitious carbon emissions targets. ([FT](#))

U.S. consumer prices jumped more than expected in May. The consumer price index rose 5% y/y in May, the highest since the summer of 2008, when oil prices were skyrocketing. Excluding food and energy, core CPI rose 3.8% y/y, the highest pace since 1992. ([CNBC](#))

3. CHART OF THE DAY

[TABLE OF CONTENTS](#)

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Source: Bank's Financials.

Egypt banks' NIM vs. CoF: As depicted above, most EGX-listed banks during Q1 2021 saw their NIMs decline on back of 400bps lower corridor rates. However, some banks' NIMs stretched, thanks to their short-term deposits. For instance, Al Baraka Bank Egypt [**SAUD**] generated higher NIM due to its low utilization rate (loans-to-deposits ratio of 35%), which alleviated the impact of declining lending rates. These factors led to a high reduction in cost of funds (CoF). On the other hand, CIB [**COMI**], which faced a mature T-bond portfolio, saw its NIMs plunge the most, despite the reduction in its CoF.

4. MARKETS PERFORMANCE

TABLE OF CONTENTS

Current equity market cap (EGPbn)		643.0		Equity turnover (EGPmn): Last, ytd avg.		1,335.1	1,178.6
		daily chg.	ytd chg.			daily chg.	ytd chg.
	EGX 30	9,977.90	(0.64%) (8.00%)		Gold	1,877.53	(1.11%) (1.10%)
	EGX 30 TR	3,880.76	(0.88%) (6.98%)		Silver	27.92	(0.26%) 5.74%
	EGX 70 EWI	2,384.44	0.04% 11.15%		Brent Oil	72.69	0.23% 40.33%
	EGX 100 EWI	3,333.71	(0.03%) 7.61%		WTI	70.91	0.88% 46.15%
	DFMGI	2,842.41	0.37% 14.06%		Natural Gas	3.30	4.67% 29.81%
	ADSMI	6,716.14	0.07% 33.12%	EGP	USD/EGP	15.64	(0.23%) (0.65%)
	TASI	10,796.33	0.06% 24.25%	€	EUR/USD	1.21	(0.50%) (0.88%)
	QE Index	10,723.13	0.30% 2.75%	£	GBP/USD	1.41	(0.49%) 3.20%
	S&P 500	4,247.44	0.19% 13.08%	¥	USD/JPY	109.66	0.30% 6.21%
	Dow 30	34,479.60	0.04% 12.65%		6M TB yield	13.38	(1) 65
	NASDAQ	14,069.42	0.35% 9.16%		1Y TB yield	13.29	(4) 52
	VIX	15.65	(2.80%) (31.21%)		10Y TB yield	14.84	1 45
	STOXX 50	4,126.70	0.75% 16.16%		2Y TB yield	0.15	(1) 2
EM	MSCI Emerging	1,381.99	0.23% 7.03%		10Y TB yield	1.45	(4) 52
FM	MSCI Frontier	639.97	0.68% 11.96%		30Y TB yield	2.14	(3) 48

* As of market close. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

5. LATEST EGX VALUATION MULTIPLES

TABLE OF CONTENTS

[Find out](#) how your favorite stocks compare to the rest of the market.

6. KEY DATES

TABLE OF CONTENTS

DATE	TICKER	TYPE	EVENT
13-Jun-21	MOIN	BoD meeting	Discussing the financial results.
14-Jun-21	AJWA	Reverse stock split	Last eligible date for a reverse stock split at a 1:5 ratio.
15-Jun-21	AJWA	Reverse stock split	Execution date for a reverse stock split at a 1:5 ratio.
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 and 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 distributing stock dividends at a 1-for-5 ratio.
17-Jun-21	EHDR	Stock dividend	Date for distributing 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 and 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	RACC	EGM	Discussing a capital decrease and amending articles 4, 6 and 7 of the bylaws.
29-Jun-21	CIEB	OGM	Approving a capital increase and other agenda items.
29-Jun-21	CIEB	EGM	Amending articles 6 and 7 of the bylaws.
29-Jun-21	HELI	Cash dividend	Date for a pay out 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	IDHC	OGM	Approving financial statements and distributing dividends.
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
10-June-21	<u>MACROView – Inflation Risk Rising, but Still Within Target</u>
8-June-21	<u>TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends</u>
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>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>Elsowedy 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>

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