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## Lurking in the Background

### 1. Today's Trading Playbook

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**KEY THEMES**

**The Monetary Policy Committee (MPC) of Egypt's central bank is scheduled to meet today amid a wide consensus on a rate hold. This shouldn't be surprising given the agitated global inflation outlook deriving from the surge in global commodity prices and the widening recovery gap between advanced countries and emerging markets. But to actually take this stance, the committee first has to lunge into a more absorbing discussion:**

**(1) Inflation is still well anchored around the CBE's target – but there is cause for alarm.**

Inflation pressures gained further momentum in May from the surge in global food prices where FAO Food Price Index increased by 39.7% y/y, the highest annual growth since the mid of 2011, and by 5% m/m, the biggest monthly change since October 2010. The effect of the acceleration in global food prices already started to feed domestic inflation, as the government had to raise the prices of subsidized cooking oil by the end of May. In addition, pressures were building up at firms as the strains in global supply chains are deepened by the shortages of intermediary products and supply bottlenecks.

**(2) Everyone is going to feel the pinch of climbing global prices and tightening monetary policy among Egypt peers, adding more pressure.** The agitated global inflation outlook has already driven some EMs including Brazil and Russia (despite being commodity exporters) to tighten their monetary policy, and officials have signaled that more rate hikes should be expected down the road.

**(3) The dilemma of balancing measures within a still-recovering economy.** In the face of threatening inflationary pressures, the CBE will likely hold its rate steady for now, as a confidence-building measure, signaling irrevocable commitment to keep inflation in check. Yet, we have to remember that the signs of a broader rebound in economic activity are still not solid yet, given the PMI's sixth consecutive negative reading and a still-muted domestic demand. The

economy is still in need of an accommodative monetary policy to put it on a stronger footing. Moreover, the country's real yield on its debt instruments is still very lucrative. The questions here, though, are to what extent global commodity prices will climb as economies "reopen" and to what extent it will continue to feed domestic inflation. The trajectory of the CBE's monetary policy is contingent on inflation expectations, and so far, inflation to remain anchored around the CBE's target and to pick up to an average of 6.7% in 2H 2021. That should help the CBE keep the real policy rate positive at an average of 200bp over year, as well as providing some scope for a small rate cut by the end of the year if global conditions become more favorable.

**(4) U.S. inflation is still not proven to be "transitory"**. So, long-term U.S Treasury yields could resume rising, which discourages capital inflows into EMs. It would be challenging for the CBE to consider rate cuts at a time when global conditions are starting to tighten in response to heightened inflation fears, especially if a pick-up in domestic price pressures jeopardizes the CBE's inflation targets.

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

## 2. TOP NEWS & ANALYSIS

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### MACRO NEWS

**The United States is planning to increase funding to Egypt** to help it convert to solar energy and move away from fossil fuels. ([Associated Press](#))

**The African Development Bank (AfDB) has approved an EUR83m subordinated loan** to support the development of Egypt's power infrastructure. ([AfDB](#))

**State-owned El Nasr Automotive has imported 13 E70 electric passenger cars from China and will begin testing them on Egyptian roads from the beginning of next month.** The tests will last for three months and come as the government prepares to begin locally producing the vehicles through El Nasr next year. ([Egyptian Cabinet](#))

**The Central Bank of Egypt's (CBE) wholly-owned subsidiary Export Credit Risk Guarantee Co. will start operation within two months with a capital of USD600mn,** a senior CBE official said. ([Mubasher](#))

### CORPORATE NEWS

**Pioneers Holding's [PIOH] BoD approved the horizontal split of the company into three specialized entities: Pioneers Holding for Financial Investments, Pioneers Properties, and Gadwa for Industrial Development.** ([Company disclosure](#))

**Misr Fertilizers Production Co.'s (MOPCO) [MFPC] Q1 2021 consolidated net income increased by 51% y/y to EGP793mn.** Meanwhile, revenues increased by 10% y/y to EGP1,996mn. Furthermore, GPM improved to 52% vs. 48% a year earlier. Bottom-line growth was further supported by lower net financing costs and lower effective tax rate. ([Company disclosure](#))

**SODIC [OCDI] partnered with Orange Egypt to provide OCDI with integrated smart solutions.** ([Economy Plus](#))

**Abu Dhabi Islamic Bank - Egypt [ADIB] said its subsidiary Alexandria National Co. for Financial Investment [ANFI] received a binding cash offer for up to 90% of its shares at EGP5.60 each from Tycoon Holding for Financial Investments.** (Bank release)

**Beltone Financial Holding [BTFH] announced that Orascom Financial Holding [OFH], BTFH largest shareholder, sold additional 2% to stand currently on a 68% stake in BTFH.** The 9.3mn shares were sold on an average price of EGP3.86/BTFH share to a total sale value of EGP35.9mn. ([Company disclosure](#))

**Wasatch International Opportunities Fund reduced its stake in Cleopatra Hospitals Group [CLHO] from 1.44% to 1.22%.** ([Company disclosure](#))

**Remco for Tourism Villages Construction's [RTVC] Q1 2021 net losses jumped to EGP463mn (+250% y/y), yet revenues declined to EGP30.6mn (-8% y/y).** ([Company disclosures](#))

**Lift Slab Misr's [EDBM] Q1 2021 net income fell to EGP0.7mn (-47% y/y) revenues to EGP3.4mn (-60% y/y) on thinner tunnel activity.** ([Company disclosure](#))

## GLOBAL NEWS

**China said it would begin to sell major industrial metals from state stockpiles,** an effort to squelch factory-gate price increases that have hit a 13-year high and are stoking fears of global inflation. ([WSJ](#))

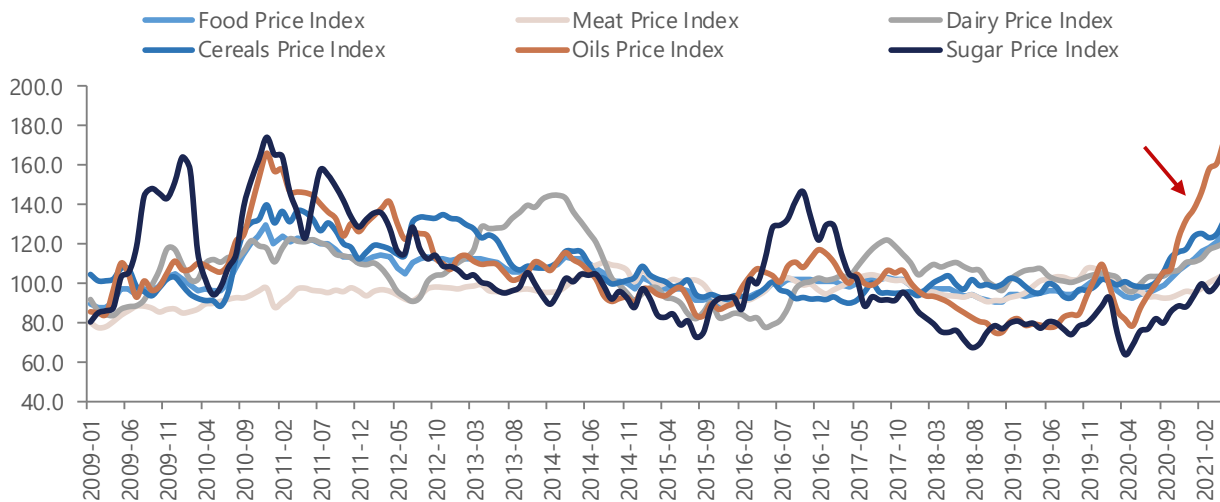
**The Federal Reserve could move to hike interest rates twice in 2023 as the U.S. economic recovery accelerates and inflation rises.** The Federal Reserve considerably raised its expectations for inflation this year and brought forward the time frame on when it will next raise interest rates. However, the central bank gave no indication as to when it will begin cutting back on its aggressive bond-buying program. ([CNBC](#))

### 3. CHART OF THE DAY

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Source: Food & Agriculture Organization of the United Nations.

FAO Food Price Index remained on an upward trajectory for the twelfth consecutive month in May this year (+39.7% y/y), hitting the highest annual growth since mid-2011. The sharp increase in May reflected the surge in the price of vegetable oils, sugar, and cereals along with pricier meat and dairy. The effect of this acceleration in global food prices already started to feed into domestic inflation as the government raised the prices of subsidized cooking oil by 24% by May- end. Vegetable Oil Price Index rose for the twelfth consecutive month in May driven by rising prices of palm, soy, and rapeseed oil.

## 4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
632.0						1,257.4		1,178.6	
				daily chg.	ytd chg.			daily chg.	ytd chg.
	↓	EGX 30	9,880.49	(0.11%)	(8.90%)		↓	Gold	1,811.47 (2.56%) (4.45%)
	↑	EGX 30 TR	3,862.82	0.39%	(7.41%)		↓	Silver	26.98 (2.46%) 2.21%
	↓	EGX 70 EWI	2,236.45	(0.30%)	4.26%		↓	Brent Oil	74.39 (0.44%) 42.97%
	↓	EGX 100 EWI	3,163.01	(0.11%)	2.10%		↓	WTI	72.15 (0.43%) 48.06%
	↓	DFMGI	2,839.98	(1.03%)	13.97%		↓	Natural Gas	3.25 (0.18%) 27.81%
	↓	ADSMI	6,697.09	(0.65%)	32.46%	EGP	↑	USD/EGP	15.65 0.03% (0.55%)
	↑	TASI	10,855.95	0.23%	24.93%	€	↓	EUR/USD	1.20 (0.03%) (1.84%)
	↓	QE Index	10,782.18	(0.10%)	3.32%	£	↑	GBP/USD	1.40 0.01% 2.33%
	↓	S&P 500	4,223.70	(0.54%)	12.45%	¥	↓	USD/JPY	110.71 (0.01%) 7.22%
	↓	Dow 30	34,033.67	(0.77%)	11.20%		↓	6M TB yield	13.38 (1) 65
	↓	NASDAQ	14,039.68	(0.24%)	8.93%		↓	1Y TB yield	13.29 (4) 52
	↑	VIX	18.15	6.64%	(20.22%)		↓	10Y TB yield	14.83 (0) 44
	↑	STOXX 50	4,151.76	0.20%	16.86%		↑	2Y TB yield	0.22 6 9
EM	↓	MSCI Emerging	1,370.00	(0.60%)	6.10%		↑	10Y TB yield	1.58 8 65
FM	↓	MSCI Frontier	641.34	(0.56%)	12.19%		↑	30Y TB yield	2.22 3 56

\* As of market close, except for commodities and currencies at 8:27am 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
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 approving 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 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	IDHC	OGM	Approving the financial statements and approving 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

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DATE	PUBLISHED REPORT
16-June-21	<a href="#"><u>B Investments Holding [BINV] – Strong Financials, Growing Investments</u></a>
14-June-21	<a href="#"><u>Al-Shams Housing &amp; Development [ELSH] – Earnings Flattened by Factoring Cost</u></a>
10-June-21	<a href="#"><u>MACROView – Inflation Risk Rising, but Still Within Target</u></a>
8-June-21	<a href="#"><u>TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends</u></a>
6-June-21	<a href="#"><u>MACROView – Further Enhancement</u></a>
3-June-21	<a href="#"><u>MACROView – Contraction Eased</u></a>
23-May-21	<a href="#"><u>Orascom Construction [ORAS] – Earnings Short of Our Estimates</u></a>
23-May-21	<a href="#"><u>CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense</u></a>
22-May-21	<a href="#"><u>Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions</u></a>
20-May-21	<a href="#"><u>CréditAgricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth</u></a>
20-May-21	<a href="#"><u>EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track</u></a>
18-May-21	<a href="#"><u><b>B Investments Holding [BINV] – Exits Kick Off, Unlocking Value</b></u></a>
18-May-21	<a href="#"><u>Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead</u></a>
17-May-21	<a href="#"><u>Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth</u></a>
11-May-21	<a href="#"><u>MACROView – Inflation Eased but Stage Still Set for a Pick-Up</u></a>
9-May-21	<a href="#"><u>MACROView – Stability Prevailed</u></a>
6-May-21	<a href="#"><u>MACROView – The Road to Recovery Gets Longer</u></a>
18-Apr-21	<a href="#"><u>MACROView – Challenges Remain Daunting</u></a>
<b>13-Apr-21</b>	<a href="#"><u><b>CréditAgricole Egypt (CAE) [CIEB] – The Value Algorithm</b></u></a>
<b>12-Apr-21</b>	<a href="#"><u><b>Orascom Construction [ORAS] – Rich in Value</b></u></a>
11-Apr-21	<a href="#"><u>MACROView – Monthly Reading Pressured By Seasonality</u></a>
6-Apr-21	<a href="#"><u>MACROView – FX Assets Well Placed to Mitigate Potential Risks</u></a>

6-Apr-21	<a href="#"><u>MACROView – Still Downbeat</u></a>
28-Mar-21	<a href="#"><u>Taaleem Management Services [TALM] – Enriching the Education Sector</u></a>
18-Mar-21	<a href="#"><u>EFG Hermes Holding [HRHO] – Challenging Year, Yet Growth Continues</u></a>
10-Mar-21	<a href="#"><u>MACROView – Still Below the Target, but Global Headwinds Cloud the Horizon</u></a>
8-Mar-21	<a href="#"><u>MACROView – Buffers Grew Despite Signs of Unwelcome Tightening of Financial Conditions</u></a>
<b>7-Mar-21</b>	<b><a href="#"><u>Al-Shams Housing &amp; Development [ELSH] – Making Hay While the Sun Shines</u></a></b>
3-Mar-21	<a href="#"><u>MACROView – Weak Demand Still Weighing on the Rebound Trajectory</u></a>
2-Mar-21	<a href="#"><u>MACROView – Commodity Supercycle: Real or Hype?</u></a>
1-Mar-21	<a href="#"><u>Commercial International Bank [COMI] – Earnings Beat Despite Higher Provisions</u></a>
25-Feb-21	<a href="#"><u>Elsewedy Electric [SWDY] – Strong Set of Results Driven by Turnkey</u></a>
22-Feb-21	<a href="#"><u>CI Capital Holding [CICH] – Got the Hit, Yet Better Than Expected</u></a>
10-Feb-21	<a href="#"><u>MACROView – Disinflation Continues Amid Acceleration in Global Commodity Prices</u></a>
8-Feb-21	<a href="#"><u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u></a>
4-Feb-21	<a href="#"><u>MACROView – External Buffers Are Still Restoring Grounds</u></a>
3-Feb-21	<a href="#"><u>MACROView – A Fragile Improvement but Favorable Sentiment</u></a>
3-Feb-21	<a href="#"><u>MACROView – External Woes vs. Cautious Optimism</u></a>
<b>1-Feb-21</b>	<b><a href="#"><u>STANDPoint – Egypt 2021 Investing Playbook</u></a></b>
<b>14-Jan-21</b>	<b><a href="#"><u>CI Capital Holding [CICH] – New Expansions = Further Growth</u></a></b>
10-Jan-21	<a href="#"><u>MACROView – Below End-of-Year Target</u></a>
6-Jan-21	<a href="#"><u>MACROView – On the Path to Further Recovery</u></a>
5-Jan-21	<a href="#"><u>MACROView – Rutted Road to Recovery</u></a>
<b>28-Dec-20</b>	<b><a href="#"><u>Elsewedy Electric [SWDY] – More Growth to Come</u></a></b>
<b>22-Dec-20</b>	<b><a href="#"><u>EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</u></a></b>
16-Dec-20	<a href="#"><u>CIB [COMI] – Earnings beat despite higher provisions</u></a>
10-Dec-20	<a href="#"><u>MACROView – The Highest Reading in Seven Months</u></a>
7-Dec-20	<a href="#"><u>MACROView – Restored Ground</u></a>
6-Dec-20	<a href="#"><u>MACROView – Lost Momentum</u></a>
3-Dec-20	<a href="#"><u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u></a>
<b>25-Nov-20</b>	<b><a href="#"><u>Misr Chemical Industries [MICH] – Pandemic Proof</u></a></b>
10-Nov-20	<a href="#"><u>MACROView – An expected rise as the new school year began</u></a>
4-Nov-20	<a href="#"><u>MACROView – The Stars Seem to Be Aligned for International Reserves</u></a>
3-Nov-20	<a href="#"><u>MACROView – The Highest Reading in Six Years</u></a>



25-Oct-20	<a href="#"><u>CIB [COMI] – Short-term pain for longer-term gain</u></a>
11-Oct-20	<a href="#"><u>MACROView – Disinflationary trend interrupted</u></a>
11-Oct-20	<a href="#"><u>MACROView – External strains are slacking and reserves are growing</u></a>
<b>6-Oct-20</b>	<b><a href="#"><u>CIB [COMI] – A Good Bet for the “Risk On” Mode</u></a></b>
5-Oct-20	<a href="#"><u>MACROView – Egypt’s recovery is broadening</u></a>
10-Sep-20	<a href="#"><u>MACROView – A Stunning Chapter Towards Targets</u></a>
8-Sep-20	<a href="#"><u>MACROView – Crawling Out of the Troughs</u></a>
3-Sep-20	<a href="#"><u>MACROView – Job losses and the bumpy road to recovery</u></a>
18-Aug-20	<a href="#"><u>Oriental Weavers Carpet [ORWE] – Q2 2020 Results</u></a>
13-Aug-20	<a href="#"><u>Credit Agricole Egypt [CIEB] – Q2 2020 Results</u></a>
10-Aug-20	<a href="#"><u>MACROView – Muted inflation environment still dominates</u></a>
9-Aug-20	<a href="#"><u>MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</u></a>
5-Aug-20	<a href="#"><u>MACROView – Toward gradual recovery</u></a>
29-Jul-20	<a href="#"><u>MACROView – CAD gains eroded by financial account vulnerability</u></a>
14-Jul-20	<a href="#"><u>Commercial International Bank - [COMI] - Q2 2020 results</u></a>
9-Jul-20	<a href="#"><u>MACROView – Inflation driven by non-food baskets and unfavorable base effect</u></a>
8-Jul-20	<a href="#"><u>MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position</u></a>
7-Jul-20	<a href="#"><u>MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed</u></a>
25-Jun-20	<a href="#"><u>EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition</u></a>



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