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A Momentum Shift

1. Today's Trading Playbook

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KEY THEMES

News sources point to a decision made by the **Ministry of Trade & Industry** to impose anti-dumping duty on Turkish machine-made carpets and rugs imports. Such a decision is for sure positive for local carpet makers in general and for Oriental Weavers Carpet [**ORWE**] in specific. We note that the local carpets market still has not recovered yet in terms of volumes since the EGP floatation. ORWE's local sales saw a 4-year CAGR of 2% over the 2016-2020 period, driven only by a number of price hikes, where prices grew at a 4-year CAGR of 10%. Furthermore, local volumes dropped by a 4-year CAGR of 7% over the same period reaching 40.3mn sqm in 2020.

The decision is supposed to make imported carpets pricier and thus support demand for local production at higher prices. However, we note that ORWE's stock has been on the rise for the last two months, reaching its best levels since March 2019. So far, we think the effect on the stock has been priced post the recent rally. While we see ORWE's current price offering little to mediocre upside, we still like ORWE as a strong dividend payer and hence we suggest buying the dips. It is worth noting that ORWE at current prices is traded at forward P/E and EV/EBITDA of 6x and 5x, respectively.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

In line with public sector wage hikes, employees of private-sector companies will for the first time receive a minimum wage starting from the beginning of next year. Companies will need to pay workers at least EGP2,400 per month, according to a decision by the National Council for Wages (NCW) that could impact some 12.6mn workers. The council, headed by Minister of Planning, also decided to put in place minimum bonuses for private-sector

employees equal to 7% of the basic salary. These bonuses will be paid out bi-annually, with the government requiring companies to pay 3% on 1 July and the remaining 4% in January. ([MoP](#))

The Ministry of Tourism plans to launch by the end of the year a three-year international promotional campaign to revive Egypt's tourism industry following the COVID shutdown. ([Egyptian Cabinet](#))

The House of Representatives gave final approval to the draft law of sovereign sukuks. The law was passed after being approved by Al-Azhar, the Financial Regulatory Authority (FRA), and other regulatory entities. ([Mubasher](#))

Red Sea hotels occupancies in H1 2021 increased to 28% vs. 15% in H1 2020. ([Economy Plus](#))

IMF Mission Chief for Egypt said during a press conference that Egypt does not need any external funding from the fund at present and that the decision to grant new funding to Egypt is in the hands of the Egyptian authorities. ([Daily News](#))

CORPORATE NEWS

Orascom Construction [ORAS] won contracts worth EGP2.6bn to construct seven factories for the **Holding Co. for Spinning & Weaving**. These contracts are part of a plan to restore or reconstruct 65 buildings for government-affiliated operators in the spinning and weaving industry. ([Hapi](#)) ORAS is currently trading at a TTM P/E of 6.1x.

The Minister of Trade & Industry issued a decision imposing anti-dumping duty on Turkish Machine-made Carpets and rugs imports. This decision will be positive for Oriental Weavers Carpet [ORWE] as the local market did not recover yet since the year of EGP floatation, 2016. ORWE's local sales saw a 4-year CAGR of 2% during the 2016-2020 period driven only by higher prices (4-year CAGR of 10%), while local sales dropped at a CAGR of 7% to reach 40.3mn sqm in 2020. (Al-Borsa)

Ora Developers (Ora) purchased 486 feddans in North Coast with expected investments of EGP25bn. If Ora launches the project this summer would intensify existing competition in the market for secondary housing given that permits in the area were re-issued and the likes of Palm Hills Developments [PHDC] and SODIC [OCDI] launching their own projects Hacienda West and Malaaz. ([Al-Mal](#))

GLOBAL NEWS

Larry Summers, former U.S. Treasury Secretary predicts inflation to reach 5% at the end of this year and yields to rise as a result over the rest of 2021. Meanwhile, Morgan Stanley expects the FOMC to start discussing the tapering in July in order to provide forward guiding in September meeting. A formal tapering announcement should be expecting in March 2022 and first rate hike in Q3 2023. ([Yahoo news](#))

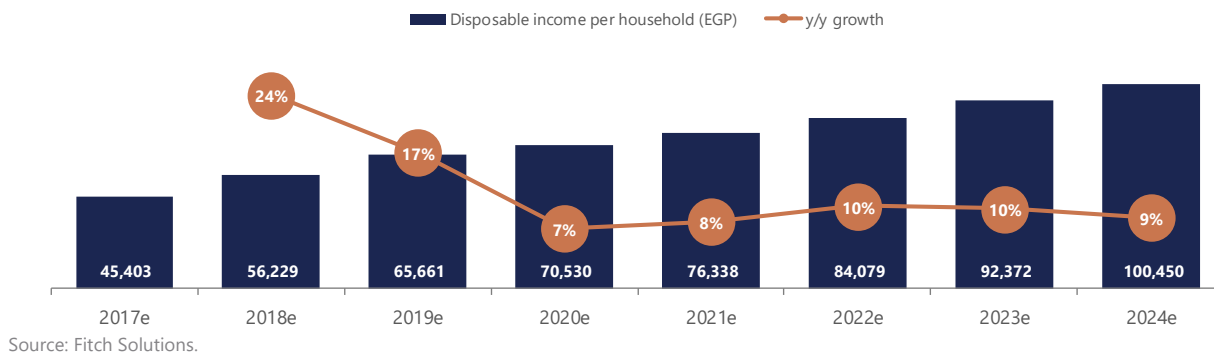
The supply chain imbalances and higher demand currently leading to higher inflation are transitory and the U.S. Federal Reserve has the tools to respond if inflation remains elevated for longer than anticipated, Fed Vice Chair for Supervision said on Monday. ([Reuters](#))

3. CHART OF THE DAY

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Egypt's disposable income per household



Egyptians' disposable income per household is expected to increase to EGP100,450 by 2024 from EGP45,403 in 2017, according to Fitch Solutions, implying a 7-year CAGR of 12%. The expected slower growth in disposable income per household can be attributed to COVID-led unemployment and wage cuts.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
652.3						1,416.9 1,178.6					
daily chg. ytd chg.						daily chg. ytd chg.					
	EGX 30	10,273.92	(0.30%)	(5.27%)			Gold	1,778.48	(0.17%)	(6.50%)	
	EGX 30 TR	3,986.72	(0.77%)	(4.44%)			Silver	26.11	0.04%	(1.38%)	
	EGX 70 EWI	2,315.80	(0.78%)	7.96%			Brent Oil	74.68	(0.24%)	43.82%	
	EGX 100 EWI	3,278.21	(0.73%)	5.82%			WTI	72.91	(0.21%)	49.96%	
	DFMGI	2,839.97	(1.07%)	13.96%			Natural Gas	3.62	(0.66%)	41.51%	
	ADSMI	6,749.16	0.63%	33.56%		EGP	USD/EGP	15.67	(0.10%)	(0.42%)	
	TASI	10,957.07	(0.09%)	26.10%		€	EUR/USD	1.19	(0.06%)	(2.44%)	
	QE Index	10,679.11	(0.57%)	2.33%		£	GBP/USD	1.39	(0.11%)	1.45%	
	S&P 500	4,290.61	0.23%	14.23%		¥	USD/JPY	110.63	(0.02%)	7.13%	
	Dow 30	34,283.27	(0.44%)	12.01%			6M TB yield	13.36	2	63	
	NASDAQ	14,500.51	0.98%	12.51%			1Y TB yield	13.23	3	46	
	VIX	15.76	0.90%	(30.73%)			10Y TB yield	14.83	(0)	44	
	STOXX 50	4,089.91	(0.75%)	15.12%			2Y TB yield	0.25	(3)	12	
EM	MSCI Emerging	1,380.90	0.09%	6.94%			10Y TB yield	1.48	(5)	55	
FM	MSCI Frontier	643.97	0.49%	12.66%			30Y TB yield	2.10	(5)	44	

* As of market close, except for commodities and currencies at 8.45am 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
29-Jun-21	MOIL	BoD meeting	Discussing the financial results.
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).
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).
1-Jul-21	AMES	EGM	Approving increasing the issued capital and amending articles 6 and 7 of the bylaws.
3-Jul-21	MTIE	OGM	Renewing the board term.
4-Jul-21	OIH	OGM	Approving the financial statements and other agenda items.
5-Jul-21	MOIL	EGM	Approving cutting the authorized capital from USD1bn to USD940.5mn.
7-Jul-21	ELSH	Auction	Open bid for five residential buildings and 11 commercial plots.

11-Jul-21	EXPA	OGM	Date for ex-dividends at a 1-for-5 ratio.
11-Jul-21	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in the 6 th of October project.
11-Jul-21	MTIE	Stock dividend	Last date for eligibility for a 0.25-for-1 stock dividend.
12-Jul-21	MTIE	Stock dividend	Date for distributing a 0.25-for-1 stock dividend.
12-Jul-21	SVCE	EGM	Amending articles of the bylaws.
14-Jul-21	EXPA	OGM	Approving the estimated budget.
15-Jul-21	TMGH	Cash dividend	Payment date for EGP0.072/share (2nd round).

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
16-June-21	<u>B Investments Holding [BINV] – Strong Financials, Growing Investments</u>
14-June-21	<u>Al-Shams Housing & Development [ELSH] – Earnings Flattened by Factoring Cost</u>
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 [MACROView – External strains are slacking and reserves are growing](#)
- 6-Oct-20 [**CIB \[COMI\] – A Good Bet for the “Risk On” Mode**](#)
- 5-Oct-20 [MACROView – Egypt’s recovery is broadening](#)
- 10-Sep-20 [MACROView – A Stunning Chapter Towards Targets](#)
- 8-Sep-20 [MACROView – Crawling Out of the Troughs](#)
- 3-Sep-20 [MACROView – Job losses and the bumpy road to recovery](#)
- 18-Aug-20 [Oriental Weavers Carpet \[ORWE\] – Q2 2020 Results](#)
- 13-Aug-20 [Credit Agricole Egypt \[CIEB\] – Q2 2020 Results](#)
- 10-Aug-20 [MACROView – Muted inflation environment still dominates](#)
- 9-Aug-20 [MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed](#)
- 5-Aug-20 [MACROView – Toward gradual recovery](#)
- 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](#)

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