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Tipping Point

1. Today's Trading Playbook

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KEY THEMES

The existence of a performance divergence between the EGX30 and EGX70 is no longer a size related matter. The next four names achieves literally a mere zero in top line, yet their average price return between 19 March 2020 and today is a whopping 1368%! Such names are El Nasr for Manufacturing Agricultural [**ELNA**], National Real Estate Bank [**NRPD**], Gulf Canadian Real Estate Investment [**CCRS**], and New Ismailia Urban Development [**IDRE**].

Furthermore, you have actual travelers from small cap territory to the unfortunate land of large and medium caps. For example, a rare life case of Speed Medical traveling all the way from the Nilex space to EGX 30. Also, Zahraa El-Maadi Investment & Development [**ZMID**] is the now the third largest in terms of market cap amongst the real estate sector, crossing names like Palm Hills Developments [**PHDC**], SODIC [**OCDI**], and Orascom Development Egypt [**ORHD**].

The above facts tell us this is becoming less and less about size attractiveness and more of a liquidity trade. Given the repercussions of a very weak participation from certain type of investors (e.g. foreign investors), local liquidity—particularly retail—had to cover such a role, resulting in where we stand today. In such situation, the cheapening of large caps will not serve as a proper catalyst in our case. However, it is rather the return of foreign liquidity at a certain tipping point that will bring balance once again to the scene.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Moody's maintains Egypt's credit rating at B2 with stable outlook as the country's volatile financing conditions due to "very weak" debt affordability and rising gross borrowing requirements, are balanced out by "improving shock resilience" backed by the state's economic and fiscal reforms. ([Moody's](#))

Egypt and Russia agreed to expand the scope of the Russian Industrial Zone (RIZ) within the Suez Canal Economic Zone (SCZone), to include additional 5mn square meters distributed between East Port Said and Ain Sokhna. ([Cabinet](#))

EBRD will give Egypt an extra loan up to EUR250mn to help upgrading Alexandria's Abu Qir railway into an underground metro after the bank approval. The project is part of a total invested package of EUR1.6bn which is expected to be financed by EBRD and other entities. ([EBRD](#))

Importers and their agents will be able to defer paying 70% of taxes and fees to clear cargo at shipping ports till after the cargo arrives, under new amendments to the Advanced Cargo Information (ACI) system. ([Enterprise](#))

Egyptian startups collected some USD194mn in venture capital finance in the first half of this year and accounted for 26% of all transactions inked across MENA in the same time period. ([Egypt Today](#))

The Central Bank of Egypt (CBE) approved new interoperability rules designed to make it easier for the public to deposit and withdraw money with any payment card or mobile wallet, regardless of the network operator or the bank. ([Enterprise](#))

CORPORATE NEWS

CIB [COMI] applied with the Egyptian Exchange (EGX) for listing 492.6mn new shares through a stock dividend issue to increase the issued and paid-up capital from EGP14.78bn to EGP19.2bn. ([EGX](#))

Al Baraka Bank - Egypt [SAUD] plans to launch the activity of its investment arm (Al Baraka Financial Investments) soon in the local market, where the bank decided to start by entering the fields of factoring and sukuk. (Hapi)

Raya Holding [RAYA], which owns 76% of Aman Holding, is studying with National Bank of Egypt which holds a 24% stake, either listing Aman Holding on EGX or selling a stake to a third-party investor directly. ([Al-Mal](#))

Alexandria Flour Mills [AFMC] is currently processing the selling of a number of production lines through its Holding Company for Food Industries. Auction will take place in the current week in order to dispose the unutilized capacities. ([Al-Mal](#))

North Cairo Flour Mills [MILS] reported FY21 net profit of EGP1.5mn (-91.3% y/y). Meanwhile, the company reported revenues of EGP551.4mn (-13.8% y/y). GPM declined to 13.1% in FY21 compared to 15.3% in FY20. ([Company disclosure](#))

GLOBAL NEWS

U.S. consumer spending surged in June as vaccinations against COVID-19 boosted demand for travel-related services, but part of the increase reflected higher prices, with annual inflation accelerating further above the Federal Reserve's 2% target. ([Reuters](#))

U.S. economic growth solidly in the second quarter as massive government aid and vaccinations against COVID-19 fueled spending on travel-related services. ([Reuters](#))

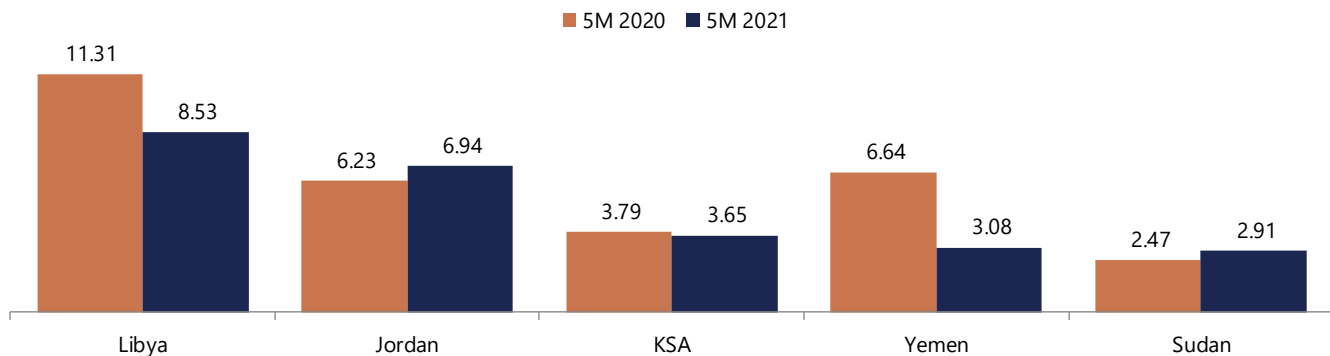
OPEC oil output rose in July to its highest since April 2020, a Reuter's survey found, as the group further eased production curbs under a pact with its allies and top exporter Saudi Arabia phased out a voluntary supply cut. ([Reuters](#))

3. CHART OF THE DAY

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Egyptian Ceramics Export Destinations (USDmn)



Source: ECBM.

The Egyptian ceramics exports had a tough start to the year, decreasing to USD32mn (-20% y/y). Libya, which was the top ceramics importer, received USD8.5mn worth of Egyptian ceramics in 5M 2021, 25% less y/y. Meanwhile, exports to Yemen decreased the most (-54% y/y) to USD3.08mn. Of the top five export destinations, three countries imported less y/y.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
701.6						2,121.2 1,178.6					
daily chg. ytd chg.						daily chg. ytd chg.					
	📉	EGX 30	10,742.23	(0.25%)	(0.95%)		📉	Gold	1,814.19	(0.76%)	(4.43%)
	📉	EGX 30 TR	4,184.57	(0.28%)	0.30%		📉	Silver	25.49	(0.09%)	(3.45%)
	📈	EGX 70 EWI	2,763.58	1.79%	28.83%		📈	Brent Oil	75.41	0.41%	45.58%
	📈	EGX 100 EWI	3,742.00	1.22%	20.79%		📈	WTI	73.95	0.45%	52.41%
	📈	DFMGI	2,765.71	0.51%	10.98%		📉	Natural Gas	3.91	(3.57%)	54.16%
	📈	ADSMI	7,318.18	1.03%	45.05%	EGP	📉	USD/EGP	15.70	(0.12%)	(0.23%)
	📈	TASI	11,012.71	0.72%	26.74%	€	📉	EUR/USD	1.19	(0.14%)	(2.83%)
	📈	QE Index	10,753.28	0.42%	3.04%	£	📉	GBP/USD	1.39	(0.39%)	1.71%
	📉	S&P 500	4,395.26	(0.54%)	17.02%	¥	📈	USD/JPY	109.72	0.22%	6.27%
	📉	Dow 30	34,935.47	(0.42%)	14.14%		📉	6M TB yield	13.23	(2)	50
	📉	NASDAQ	14,672.68	(0.71%)	13.85%		📈	1Y TB yield	13.31	2	54
	📈	VIX	18.24	3.05%	(19.82%)		📉	10Y TB yield	14.82	(0)	43
	📉	STOXX 50	4,089.30	(0.67%)	15.11%		📉	2Y TB yield	0.19	(2)	6
EM	📉	MSCI Emerging	1,277.81	(1.36%)	(1.04%)		📉	10Y TB yield	1.23	(2)	30
FM	📈	MSCI Frontier	642.08	0.14%	12.32%		📉	30Y TB yield	1.90	(0)	24

* 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
1-Aug-21	FWRY	OGM	Discussing netting contracts and the financial statements ending 31 Dec. 2020.
2-Aug-21	OCDI	MTO	The deadline for Aldar Properties' [ADX: ALDAR] MTO for a minimum of a 51% stake in SODIC [OCDI].
2-Aug-21	POUL	OGM	Appointing an independent board member and voting on changes to the board responsibilities.
2-Aug-21	PHDC	OGM	Discussing netting contracts
2-Aug-21	ORAS	Cash dividend	The deadline for eligibility for a dividend of USD0.2313/share.
5-Aug-21		MPC Meeting	Determining the CBE's policy rate.
5-Aug-21	DAPH	EGM	Increasing the capital from EGP249.48mn to EGP299.37mn and amending articles 4, 6 & 7 of the bylaws.
8-Aug-21	SKPC	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
10-Aug-21	OFH	OGM	Discussing the company's establishment expenses and other agenda items.
10-Aug-21	ORAS	Cash dividend	Date for paying out a dividend of USD0.2313/share.

10-Aug-21	RTVC	EGM	Discussing an offer for subsidiary Ambian for Tourism Investment.
10-Aug-21	HELI		Deadline for turning in the conditions brochure for Heliopark.
14-Aug-21	HELI	OGM	Approving the estimated budget of FY 2021/22.
14-Aug-21	HELI	EGM	Amending articles of the bylaws.
18-Aug-21	MOIN	OGM	Authorizing the board of directors to appoint a new member.
18-Aug-21	MOIN	EGM	Amending article 21 of the bylaws.
21-Aug-21	ELNA	OGM	Approving the financial statements and other agenda items.
22-Aug-21	PRCL	OGM	Reshuffling the board & other agenda items.
22-Aug-21	PRCL	EGM	Amending the articles of association.
24-Aug-21	GOCO	OGM	Approving the financial statements ending 31 Dec. 2020 and proposed dividend.
26-Aug-21	ELWA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
30-Aug-21	EGTS	OGM	Approving the financial statements and other agenda items.
31-Aug-21	MBSC	Cash dividend	The deadline for eligibility for a dividend of EGP1.5/share.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
26-Jul-21	<u>EFG Hermes Holding [HRHO] – FV and 12MPT Adjustment to Bonus Share Action</u>
13-Jul-21	<u>Commercial International Bank [COMI] – Tamed Credit Provisions Spur Annual Growth</u>
8-Jul-21	<u>MACROView – Inflation Edged Up, As Expected</u>
8-Jul-21	<u>MACROView – External Buffers Still Powering Ahead</u>
6-Jul-21	<u>MACROView – A Steady and Slow Recovery in the Making</u>
5-July-21	<u>Abu Qir Fertilizers [ABUK] – Talking U</u>
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>Elsowedy 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>

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