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How Thin Is Supply?

1. Today's Trading Playbook

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Mohamed Saad | Senior Equity Analyst

msaad@egy.primegroup.org

KEY THEMES

Aluminum prices have surged yet again, breaking the ceiling of the USD2,800 per ton amid ongoing fears of tighter supply coinciding with rebounding demand. This comes post a coup that began in Guinea, sending fears of supply disruption, due to Guinea's immense bauxite reserves. Moreover, power curbs in China, as well as drought in certain provinces there provided further boost to aluminum prices. However, some reports started to hint that supply is not expected to be that thin that justifies current price levels.

Here at home, this couldn't be more perfect for Egypt Aluminum [**EGAL**], which is off to strong earnings, projected in 2021/22. The main downside risk for EGAL at such market price is the possible expiry of the electricity price cut decision, which was dated in April 2020 for 5 years to come. We believe that given the rally that took place in EGAL's share price, the only thing that justifies EGAL current price levels is the continuation to receive electricity at EGP1.01/kWh post the year 2025, assuming global aluminum price normalization.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Foreign assets at commercial banks showed a notable decline in July. Primary data from the Central Bank of Egypt (CBE) showed that the country's NFA at commercial banks retreated back to a net liability position for the first time since August 2020 to USD1.6bn by the end of July. This came against the backdrop of USD3bn fall in foreign assets to USD18.8bn and a slight increase of USD270mn in liability to USD20.5bn. Also, non-official reserves declined by USD2.76bn to USD7.37bn by end of July 2021. ([CBE](#), Prime research). See chart of the day below.



Annual headline urban inflation accelerated to 5.7% in August up from 5.4% in July 2021, driven by mainly food price hikes, in addition to the unfavorable base year effect. Monthly reading, however, decreased to 0.1% in August from 0.9% in July. We will publish our report soon. (Bloomberg)

The state's privatization program will resume before the end of the year, Minister of Planning Dr. Hala El-Said said, confirming that at least two, maybe three state-owned companies would IPO between now and December. ([Masrawy](#))

Egypt is still discussing some technical issues to make its domestic debt "Euroclearable", a goal it expects to achieve within a few months but not by an earlier target of November, Minister of Finance said. Egypt is also on review to join JP Morgan's GBI-EM investment index in a listing that could lift its local currency bond markets. The government is due to take part in a video conference discussion about the conclusion of the process to join the index in mid-September, Minister said. ([Reuters](#))

Egypt will export natural gas to Lebanon via a pipeline running through Jordan and Syria following an agreement to help relieve the fuel shortage currently paralyzing Lebanon. ([Ministry of Petroleum](#))

CORPORATE NEWS

GB Auto's [AUTO] investment MNT-Halan, a fintech ecosystem platform, received a funding of USD120mn from global investors. ([Enterprise](#))

Banque Misr is considering withdrawing from the negotiations to sell its 14.99% stake in Fawry Plus, Fawry's [FWRY] subsidiary. The bank sees potential growth in its investment that it would consider keeping its stake in. (Al-Mal)

Speed Medical [SPMD] submitted a price increase offer to the sellers in the new Al-Safwa Hospital acquisition deal, equal to interest on the total amount of the hospital's value of EGP185mn, up from EGP92.5mn. This came due to the delay in the approval by the Ministry of Health for any purchase of medical units to date. ([EGX](#))

Arab Moltaqa Investments [AMIA] announced it has signed a contract to develop its owned land plots in Almaza, East Cairo. The contract is in partnership with Bonyan for Real Estate. ([Company disclosure](#))

GLOBAL NEWS

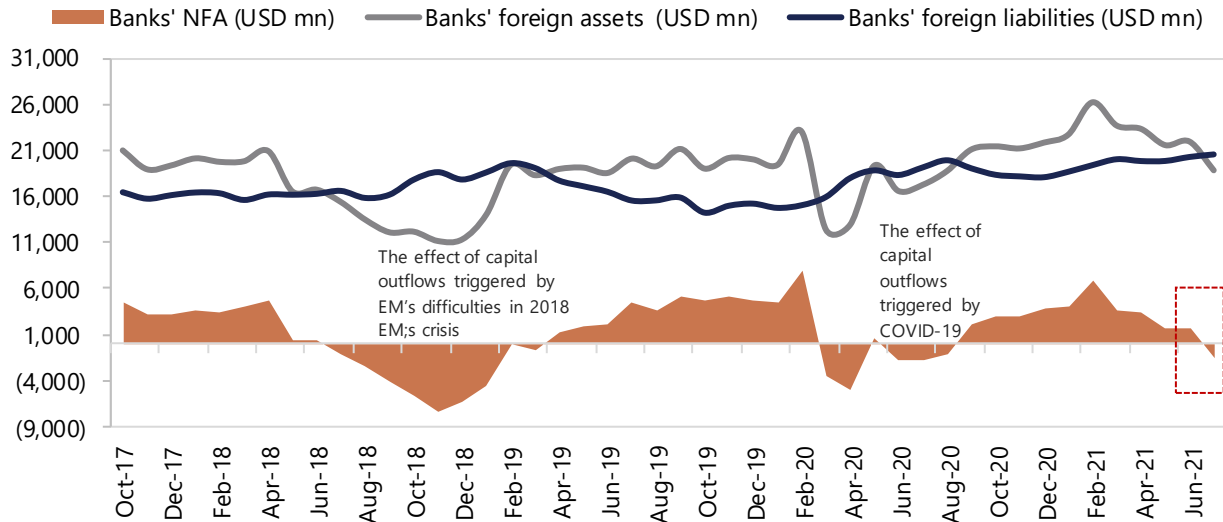
Oil prices increased last Wednesday and settled up more than 1% as U.S. Gulf of Mexico producers made slow progress in restoring output after Hurricane Ida. ([Reuters](#))

3. CHART OF THE DAY

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Mona Bedeir | Chief Economist

mbedeir@egy.primegroup.org













































Source: CBE, Prime Research.

Foreign assets at commercial banks (the country's first line of defense against capital outflow shocks) continue to fall in July, for the third consecutive month. This fall in assets drove the stock of net foreign assets to fall from a net asset position of USD1.7bn by the end of June to a net liability position of USD1.6bn by the end of July. This pattern suggests that the country might have already faced some capital outflows in longer-term sovereign debt instruments, given that short-term assets are still attracting foreign investment.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						727.1		Equity turnover (EGPmn): Last, ytd avg.						1,404.3		1,178.6						
						daily chg.		ytd chg.								daily chg.		ytd chg.				
		EGX 30	11,135.48	0.41%	2.68%														Gold	1,789.26	(0.28%)	(5.78%)
		EGX 30 TR	4,346.20	0.36%	4.18%														Silver	23.95	(1.54%)	(9.49%)
		EGX 70 EWI	2,854.24	0.63%	33.06%														Brent Oil	72.60	0.37%	40.68%
		EGX 100 EWI	3,847.22	0.58%	24.19%														WTI	69.30	0.26%	43.20%
		DFMGI	2,906.63	(0.09%)	16.64%														Natural Gas	4.91	0.28%	94.09%
		ADSMI	7,771.04	0.68%	53.68%													EGP		USD/EGP	15.70	(0.28%)
		TASI	11,455.65	0.36%	31.83%												€		EUR/USD	1.18	0.06%	(3.22%)
		QE Index	11,076.22	0.12%	6.14%												£		GBP/USD	1.38	0.01%	0.75%
		S&P 500	4,514.07	(0.13%)	20.18%												¥		USD/JPY	110.25	(0.15%)	6.62%
		Dow 30	35,031.07	(0.20%)	14.46%														6M TB yield	12.68	(12)	(5)
		NASDAQ	15,286.64	(0.57%)	18.61%														1Y TB yield	12.99	(14)	22
		VIX	17.96	(0.99%)	(21.05%)													10Y TB yield	14.71	(8)	32	
		STOXX 50	4,177.15	(1.13%)	17.58%														2Y TB yield	0.22	(0)	9
		MSCI Emerging	1,313.60	(0.91%)	1.73%														10Y TB yield	1.34	(3)	41
		MSCI Frontier	661.64	(0.16%)	15.75%													30Y TB yield	1.96	(3)	30	

* As of market close, except for commodities and currencies at 8.35am 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
14-Sep-21	EKHO	Share conversion	Last day for shareholder to convert the trade currency of shares traded on EGX from USD to EGP.
16-Sep-21		MPC Meeting	Determining the CBE's policy rate.
18-Sep-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
19-Sep-21	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in the 6th of October project.
21-Sep-21	CIRA	OGM	Discussing the dividend distribution suggested by the BoD.
21-22 Sep-21		FOMC	Determining the U.S. monetary stance.
22-Sep-21	RMDA	Stock dividend	Last date for eligibility for a 0.30-for-1 stock dividend.
23-Sep-21	RMDA	Stock dividend	Date for distributing a 0.30-for-1 stock dividend.
25-Sep-21	ABUK	OGM	Approving the financial statements ending 30 Jun. 2021 and the proposed dividend.
25-Sep-21	ELNA	OGM	Approving the financial statements and other agenda items.
25-Sep-21	AMOC	OGM	Approving the financial statements ending 30 Jun. 2021 and other agenda items.
28-Sep-21	HRHO	OGM	Approving increasing issued capital and amending articles 6 & 7 of the bylaws.
29-Sep-21	DEIN	OGM	Approving financial statements and other agenda items.

29-Sep-21	CICH	EGM	Amending articles 4, 7 & 19 of the bylaws.
29-Sep-21	IFAP	OGM	Approving financial statements and other agenda items.
29-Sep-21	IFAP	EGM	Amending articles 3, 24 & 31 of the bylaws.
30-Sep-21	AIFI	OGM	Discussing listing Atlas Siwa for Agricultural Development on the Nilex.
30-Sep-21	CICH	Cash dividend	Date for paying out EGP0.10/share (3rd round).
30-Sep-21	ZMID	Cash dividend	Date for paying out EGP0.15/share (3rd round).
30-Sep-21	ANFI	OGM	A board reshuffle.
30-Sep-21	ANFI	EGM	Amending article 7 of the bylaws.
30-Sep-21	MOED	OGM	Approving the financial statements and other agenda items.
30-Sep-21	MICH	OGM	Discussing dividend distribution for financial year 2020/2021.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
7-Sep-21	<u>MACROView – The Global Blessing Windfall</u>
6-Sep-21	<u>MACROView – Tempered, But Cautious, Optimism</u>
5-Sep-21	<u>Misr Chemical Industries [MICH] – Nice While It Lasted</u>
29-Aug-21	<u>Orascom Construction [ORAS] – Recovery on Track Although Below Estimates</u>
24-Aug-21	<u>Abu Qir Fertilizers [ABUK] – When the Stars Align</u>
18-Aug-21	<u>EFG Hermes Holding [HRHO] – Solid Business, Strong Financial Growth</u>
17-Aug-21	<u>Elsowedy Electric [SWDY] – Impressive Set of Results</u>
17-Aug-21	<u>Commercial International Bank [COMI] – Adjustment Post Stock Dividend</u>
16-Aug-21	<u>B Investments Holding [BINV] – Growth Dented Across the Board</u>
11-Aug-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – Non-Interest Income Heals Earnings Growth</u>
10-Aug-21	<u>MACROView – July's Feverous Inflation</u>
9-Aug-21	<u>CI Capital Holding [CICH] – Robust Exit Saves the Day</u>
5-Aug-21	<u>MACROView – The Sky Is No Blue</u>
4-Aug-21	<u>MACROView – Constrained Recovery</u>
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>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>

**Prime Securities****Shawkat El Maraghy**

Managing Director

T +20233005622

SElmaraghy@egy.primegroup.org**Sales****Mohamed Ezzat**

Head of Sales & Branches

T +20233005784

MEzzat@egy.primegroup.org**Mohamed Ashmawy**

Head of Institutional Sales

T +20233005612

MAshmawy@egy.primegroup.org**Amr Alaa CFTe**

Team Head-Institutional Desk

T +20233005609

AAlaa@egy.primegroup.org**Mohamed ElMetwaly**

Manager

T +20233005610

MElmetwaly@egy.primegroup.org**Emad El Safoury**

Manager

T +20233005624

EElsafoury@egy.primegroup.org**Shawkat Raslan**

Heliopolis Branch Manager

T +20233008130

SRaslan@egy.primegroup.org**Nashwa Abuelatta**

Alexandria Branch Manager

T +20233005173

NAbuelatta@egy.primegroup.org**Research****Amr Hussein Elalfy CFA**

Head of Research

T +20233005724

AElalfy@egy.primegroup.org**Head Office**

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.2 Wadi El Nil St, Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +20233005700/770/650/649

F +20237607543

Branches**Heliopolis**7 Elheqaz Square
Heliopolis, Cairo, Egypt

T +20227770600

F +20227770604

Alexandria7 Albert Al Awa St.
Smouha, Alexandria, Egypt

T +20233008170

F +20233054622

Websitewww.primeholdingco.com**Disclaimer**

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