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On the Edge of Tapering

1. Today's Trading Playbook

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KEY THEMES

In line with expectation, the Fed kept its target range for the federal funds rate at 0-0.25% after its two-day September policy meeting that ended yesterday. The Fed's policy statement indicated that tapering is looming. The post-meeting statement altered the part of July's policy statement pertaining to asset purchases pace, stating "If progress continues broadly as expected, the Committee judges that moderation in the pace of asset purchases may soon be warranted." This came at the time where the market is widely expecting now that the Fed will formally announce tapering in November, with the first reduction in purchases starting in December.

As for the pace of the reduction in assets purchased, the Fed's chairperson said, "as long as the recovery remains on track, a gradual tapering process that concludes around the middle of next year is likely to be appropriate." Unlike the 2013-2014 tapering episode, which continued for almost a full year, the Fed is widely expected to opt for a shorter period given that the market is now well prepared and the risks around inflation are higher, compared to the last tapering attempt. This made some FOMC members more willing to raise rates earlier than expected with the first-rate hike now expected to take place in 2022.

Here at home, as for most of the EMs, the concern with tapering is the potentially disruptive capital outflows as carry trade activity will be unwound. However, not all EMs are in one basket. We have to remember that EMs are now more heterogeneous than years ago, and their vulnerability to the U.S. hawkish monetary policy is not merely a function of classic factors, such as high external debt and high domestic private sector foreign currency debt. Other factors can play out, including the economic resilience at the time of the COVID-19 crisis and a balanced economic policy stance that boosted the capacity to absorb shocks, which came all in favor of Egypt.

Egypt now is standing on a stronger footing compared to the last tapering after the successful implementation of the economic reform in 2016. Furthermore, the rebuilding of FX buffers post the peak of the pandemic in 2020 is another good notion. However, in the face of the tapering storm, we do expect the CBE to keep its current accommodative monetary stance steady for the rest of the 2021 and 2022, if inflation expectation remains well anchored around the CBE's target. In addition, Egypt will likely be more active this year and early 2022 in tapping international markets to meet its growing financing needs, including international bonds market, sukuk market, and green bonds.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Foreign holdings of T-bills increased for the fourth consecutive month in July recording USD23.7bn, compared to USD22.9bn at the end of June. ([CBE](#))

The Ministry of Finance announced the rollout of electronic invoicing for business-to-consumer transactions, marking a new phase of the government's efforts to bring more Egyptian businesses into the formal economy. Some 100 companies are taking part in a six-month trial phase during which they will need to record all transactions via a real-time electronic system. ([Enterprise](#))

Mercedes-Benz was allocated 20,000 sqm at the Suez Canal Economic Zone last week to start implementing the first logistics zone in Egypt specialized in distributing cars regionally and locally. ([Economy Plus](#))

CORPORATE NEWS

Telecom Egypt [ETEL] said it is not aware of news that the Saudi Telecom Co. (STC) is considering the acquisition of a stake in Vodafone Egypt [VODE]. ([Company disclosure](#))

Egypt Aluminum's [EGAL] preliminary 2020/21 adjusted indicators showed a bottom line of EGP28mn vs. a net loss of EGP1.7bn a year earlier. Revenues hiked 57% to EGP11.4bn, where gross losses contracted, leading to a GLM of 0.75% vs. 28% a year earlier. We note that, according to the indicators, Q4 2020/21 bottom line came in at EGP376mn as GPM recorded 12%. ([Company disclosure](#))

Egyptian Chemical Industries (KIMA) [EGCH] said that total urea exports since the beginning of 2021/22 amounted to 157,000 tons, exported to East Africa, Romania, and Portugal. ([Company disclosure](#))



Al-Shams Housing & Development [ELSH] will distribute EGP0.2/share to its minority shareholders over two equal installments in October and December this year. For majority shareholders (namely The Holding Co. for Construction, Misr Insurance, and Misr Life Insurance), the dividend will be handed out over two equal installments in February and April 2022, given the liquidity levels at the company. ([Company disclosure](#))

GLOBAL NEWS

In what some described as a hawkish tilt, the Federal Reserve on Wednesday cleared the way to begin reducing its monthly bond purchases as soon as November, and nine of 18 U.S. central bank policymakers projected borrowing costs will need to rise in 2022. ([Reuters](#))

China Evergrande Group agreed to settle interest payments on a domestic bond on Wednesday. Meanwhile, the Chinese central bank injected cash into the banking system, temporarily soothing fears of imminent contagion from the debt-laden property developer. ([Reuters](#))

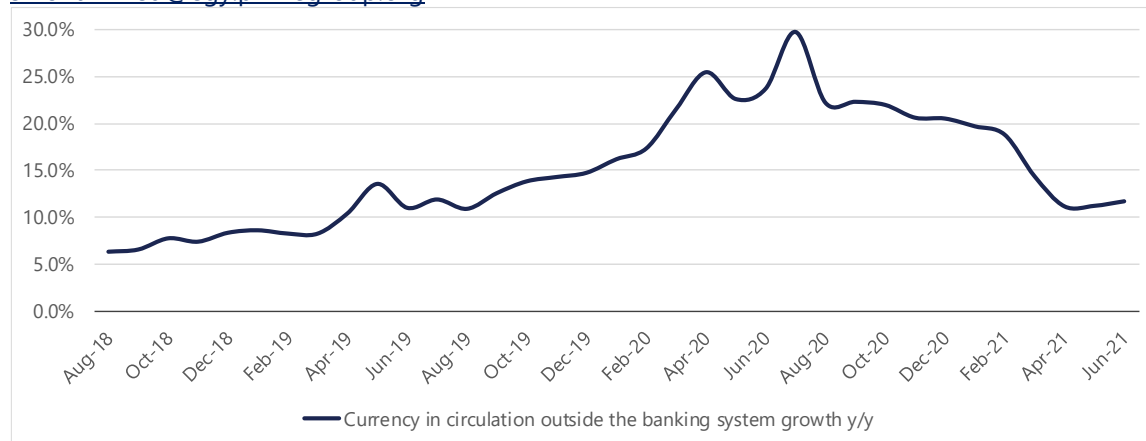
Brazil's central bank on Wednesday raised interest rates by 100 basis points (bps) and flagged a third straight hike of that size in October as it battles surging inflation with the world's most aggressive monetary tightening. ([Reuters](#))

Global automakers could lose USD210bn in revenue this year because of supply chain disruptions, nearly double a forecast earlier this year. ([Reuters](#))

3. CHART OF THE DAY

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Source: CBE.

Currency outside the banking system showed a slow growth since reaching a peak in July 2020, which coincided with the Central Bank of Egypt's (CBE) bold strides during the COVID-19 pandemic, such as exempting local transfers in EGP from all commissions and related expenses in addition to setting a daily maximum limit for withdrawals and deposits at bank branches. All the aforementioned steps accelerate the country's efforts towards turning into a cashless society in the medium term.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						701.0					
						Equity turnover (EGPmn): Last, ytd avg.		1,203.3		1,178.6	
						daily chg.		ytd chg.			
		EGX 30	10,596.06	0.93%	(2.30%)			Gold	1,768.16	(0.36%)	(7.09%)
		EGX 30 TR	4,137.53	0.94%	(0.82%)			Silver	22.70	0.89%	(14.31%)
		EGX 70 EWI	2,679.52	3.10%	24.91%			Brent Oil	76.19	0.14%	47.30%
		EGX 100 EWI	3,634.58	2.80%	17.33%		WTI	72.23	0.17%	49.11%	
		DFMGI	2,843.83	0.22%	14.12%			Natural Gas	4.81	(0.29%)	88.70%
		ADSMI	7,781.83	0.35%	54.21%	EGP		USD/EGP	15.70	(0.18%)	(0.17%)
		TASI	11,270.57	(0.40%)	29.70%	€		EUR/USD	1.17	0.25%	(4.09%)
		QE Index	11,177.53	0.31%	7.11%	£		GBP/USD	1.36	0.17%	(0.18%)
		S&P 500	4,395.64	0.95%	17.03%	¥		USD/JPY	109.78	0.11%	6.44%
		Dow 30	34,258.32	1.00%	11.93%			6M TB yield	12.61	(8)	(12)
		NASDAQ	14,896.85	1.02%	15.58%		1Y TB yield	13.03	0	26	
		VIX	20.87	(14.33%)	(8.26%)		10Y TB yield	14.69	(2)	30	
		STOXX 50	4,150.19	1.29%	16.82%			2Y TB yield	0.24	2	11
EM		MSCI Emerging	1,262.79	0.11%	(2.20%)		10Y TB yield	1.31	(2)	38	
FM		MSCI Frontier	661.55	0.53%	15.73%		30Y TB yield	1.82	(5)	16	

* 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
23-Sep-21	AMES	BoD meeting	Discussing the agenda.
23-Sep-21	RMDA	Stock dividend	Date for distributing a 0.30-for-1 stock dividend.
25-Sep-21	AIH	Lawsuit	A court session discussing legal disputes relevant to the company.
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 the issued capital and amending articles 6 & 7 of the bylaws.
29-Sep-21	DEIN	OGM	Approving the 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 the 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 a dividend distribution for FY2020/21.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
19-Sep-21	TAKESock – Consumer Staples (Food & Beverage) – All You Can Eat Festival
15-Sep-21	MACROView – Deciphering the Din of Battle
14-Sep-21	TAKESock – Orascom Investment Holding [OIH] — Monetization at Play
9-Sep-21	MACROView – Hot Summer Winds
7-Sep-21	MACROView – The Global Blessing Windfall
6-Sep-21	MACROView – Tempered, But Cautious, Optimism
5-Sep-21	Misr Chemical Industries [MICH] – Nice While It Lasted
29-Aug-21	Orascom Construction [ORAS] – Recovery on Track Although Below Estimates
24-Aug-21	Abu Qir Fertilizers [ABUK] – When the Stars Align



18-Aug-21	<u>EFG Hermes Holding [HRHO] – Solid Business, Strong Financial Growth</u>
17-Aug-21	<u>Elsewedy 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>

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