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Takeoff Time; Long Egypt Banks

1. Today's Trading Playbook

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KEY THEMES

Yesterday, we initiated [coverage on five Egypt bank stocks listed on the EGX](#). We rated four Overweight and one Neutral. Overall, we are positive on the Egyptian banking sector which we think will be a beneficiary of whatever direction the global and local trends may go. Here is a summary of our rationale, but you may check out [the full report](#) for more details.

Unprecedented challenges overcome: Faced with unprecedented challenges to address long-term macroeconomic imbalances, the CBE's policies under the economic reform of 2016 were crucial to control inflation and stabilize the FX market. The CBE successfully managed to build its credibility during those past five years despite challenges triggered by the EGP floatation and capital outflows in 2018 and later in 2020. By 2021, the inflation environment stabilized, and inflation was contained within the CBE's target of $7\% \pm 2\%$ by Q4 2022. Hence, the CBE's policy rates have been left unchanged since the latest two 50bps cuts in September and November 2020, just before the COVID-19 crisis interrupted the easing cycle that started early 2018.

But global woes hit home: Despite the above conquest, the agitated global inflation environment in 2021 has started to fuel the domestic inflation outlook and – in our opinion – has put an end to this easing cycle, which is expected to be reversed in 2022. The CBE's monetary policy outlook will focus on keeping high real interest rates to help support the economic recovery and alleviate the pressures on the current account deficit (CAD). This fits well within the context of the CBE's inflation-targeting policy that should keep inflation expectations well anchored around its target.

Averting headwinds by going long Egypt banks: We think one way to avert the current and potential headwinds facing the Egyptian economy is by going long Egypt banks. The five new banks stocks that we initiated coverage on are (sorted alphabetically):

1. **Abu Dhabi Islamic Bank – Egypt [ADIB]** (OW / MR / 12M PT EGP21.7/share)
2. **Al Baraka Bank – Egypt [SAUD]** (OW / MR / 12M PT EGP25.6/share)
3. **Export Development Bank of Egypt [EXPA]** (OW / MR / 12M PT EGP11.1/share)
4. **Housing & Development Bank [HDBK]** (N / MR / 12M PT EGP49.0/share)
5. **QNB Alahli [QNBA]** (OW / MR / 12M PT EGP19.5/share).

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt's foreign currency reserves inched up slightly in November, reaching USD40.9bn from USD40.8bn in October. We Will publish our report soon. ([CBE](#))

The Egyptian government will introduce next March a stimulus package to aid Egypt's transition to a green economy, Vice Minister of Finance said. The package of measures will be announced during budget season ahead of the new fiscal year and will offer financial incentives to encourage sustainable and carbon emission-reducing projects. ([Al-Mal](#))

The Sovereign Fund of Egypt (TSFE) is considering to issue green bonds. Little information was provided about the fund's plans, yet it has been said that the sale of the climate-linked securities could be in collaboration with unidentified "partners." ([Al-Mal](#))

CORPORATE NEWS

Abu Qir Fertilizers [ABUK] plans to sell an additional 10-15% stake on the EGX before the month is out, according to the head of Chemical Industries Holding Company. ([Ontv](#))

EFG Hermes Holding [HRHO] announced that Aldar Properties and Abu Dhabi sovereign wealth fund ADQ acquired 85.5% of SODIC [OCDI], the acquisition value is USD388mn. ([Hapi](#))

Hassan Allam Construction reached an agreement with Titan 2 to establish a company to execute the Dabaa Nuclear Power Project infrastructure work. ([Al-Borsa](#))

GLOBAL NEWS

Eurozone governments should continue to spend to support the COVID-19 economic recovery, IMF said. The IMF also noted that the rise in inflation, which hit a record high of 4.9% y/y in November, was temporary and, therefore, not a big threat because it did not translate into a spike in wages. ([Reuters](#))

A coming transition from oil and gas to renewables will be "messy" for many years and lead to sharp energy price volatility as demand and supply clash, top energy executives said on Tuesday. ([Reuters](#))

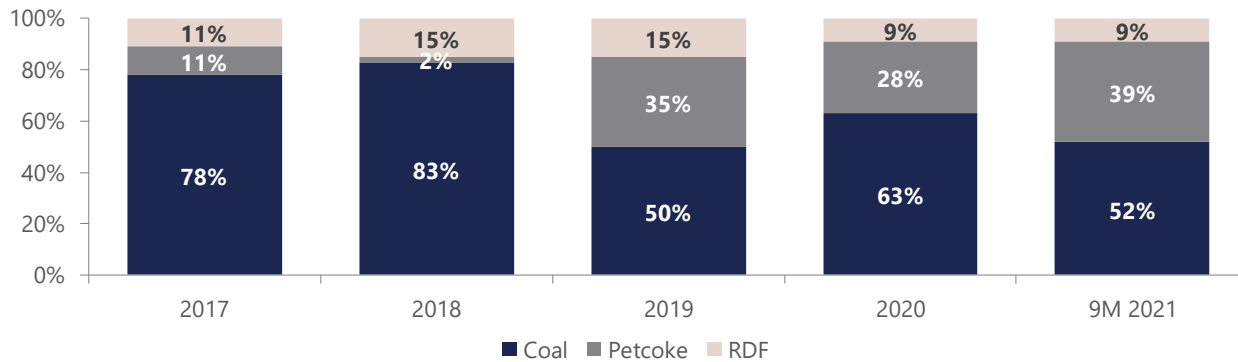
The U.S. dollar was supported against safe-haven currencies such as the Japanese yen on Tuesday, hanging on to an overnight jump made with U.S. yields as investors hoped early signs the omicron variant may be mild will be proved correct. ([CNBC](#))

3. CHART OF THE DAY

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ARCC's Fuel Mix (2017- 9M 2021)



Source: Company disclosure.

Arabian Cement Co. [ARCC] is trying to control its costs through reaching a suitable fuel mix. After the increase in coal prices, its weight has already decreased in favor of petcoke and RDF, noting that RDF maximum weight is 15% and the majority of petcoke is secured locally.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
729.0					1,776.0 1,178.6				
			daily chg.	ytd chg.				daily chg.	ytd chg.
	EGX 30	11,538.26	0.20%	6.39%		Gold	1,784.13	0.31%	(5.79%)
	EGX 30 TR	4,555.04	0.15%	9.19%		Silver	22.51	0.53%	(14.83%)
	EGX 70 EWI	2,135.28	(2.82%)	(0.46%)		Brent Oil	75.44	(0.37%)	45.10%
	EGX 100 EWI	3,136.88	(2.29%)	1.26%		WTI	72.05	(0.54%)	47.69%
	DFMGI	3,192.84	0.97%	28.13%		Natural Gas	3.71	2.10%	49.11%
	ADSMI	8,983.16	(0.18%)	78.77%		USD/EGP	15.75	(0.25%)	0.19%
	TASI	11,108.20	0.79%	27.83%	€	EUR/USD	1.13	0.20%	(7.58%)
	QE Index	11,626.11	0.38%	11.61%	£	GBP/USD	1.32	0.05%	(3.07%)
	S&P 500	4,686.75	2.07%	24.78%	¥	USD/JPY	113.60	(0.11%)	(9.04%)
	Dow 30	35,719.43	1.40%	16.71%		6M TB yield	12.59	(6)	(14)
	NASDAQ	15,686.92	3.03%	21.71%		1Y TB yield	13.32	(2)	55
	VIX	21.89	(19.46%)	(3.78%)		10Y TB yield	14.73	2	34
	STOXX 50	4,276.20	3.36%	20.37%		2Y TB yield	0.69	4	56
	MSCI Emerging	1,235.56	1.78%	(4.31%)		10Y TB yield	1.46	1	53
	MSCI Frontier	658.66	1.18%	15.22%		30Y TB yield	1.79	1	13

* As of market close, except for commodities and currencies at 8.3am 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

DATE	TICKER	TYPE	EVENT
11-Dec-21	UEFM	EGM	Amending articles of the bylaws.
13-Dec-21	MNHD	OGM	Approving its fair value study.
13-Dec-21	MNHD	EGM	Approving increasing the issued capital and amending articles 6 and 7 of the bylaws.
13-Dec-21	HELI	Cash dividend	Deadline for eligibility for a dividend of EGP0.10/share.
14-Dec-21	PHDC	OGM	Discussing netting contracts.
14-15 Dec-21		FOMC	Determining the U.S. Monetary stance.
16-Dec-21	HELI	Cash dividend	Date for paying out a dividend of EGP0.02/share (1st round).
16-Dec-21		MPC Meeting	Determining the CBE's policy rate.
16-Dec-21	NBKE	EGM	Discussing delisting.
16-Dec-21	ETRS	EGM	Amending articles of incorporation.
16-Dec-21	PRCL	OGM	Approving the financial statements and other agenda items.
16-Dec-21	PRCL	EGM	Discussing a capital increase.
19-Dec-21	PORT	EGM	Amending article 2 of the bylaws.
20-Dec-21	RAYA	OGM	Approving the financial statements and the proposed dividends.
22-Dec-21	EGCH	OGM	Approving the financial statements ending 30 Jun. 2021.
22-Dec-21	EGCH	EGM	Amending articles of the bylaws.
23-Dec-21	PACH	OGM	Approving the financial statements and the proposed dividends.
26-Dec-21	AIH	Lawsuit	A court session discussing legal disputes relevant to the company.
30-Dec-21	ABUK	Cash dividend	Date for paying out a dividend of EGP1.00/share (2nd round).
30-Dec-21	MICH	Cash dividend	Date for paying out a dividend of EGP0.50/share (2nd round).
30-Dec-21	EGTS	OGM	Approving the financial statements and other agenda items.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
7-Dec-21	<u>EGYPTBanks – Takeoff Time</u>
5-Dec-21	<u>MACROView – Searching for Lost Momentum</u>
21-Nov-21	<u>TAKESock – Nitrogen Fertilizers Local Price Hike</u>
17-Nov-21	<u>EFG Hermes Holding [HRHO] – Earnings Growth Skyrocketing ex-One-Offs</u>
17-Nov-21	<u>Orascom Construction [ORAS] – BESIX – Back on Track Again</u>
15-Nov-21	<u>B Investments Holding [BINV] – Growth Dented Across the Board – Take 2</u>
15-Nov-21	<u>Elsowedy Electric [SWDY] – A Quarter to Forget?</u>
14-Nov-21	<u>Misr Chemical Industries [MICH] – A Healthy Kick-off to a Promising Year</u>
14-Nov-21	<u>Abu Qir Fertilizers [ABUK] – A “One-of-a-Kind” Quarter</u>

14-Nov-21	<u>Commercial International Bank [COMI] – Elegant Earnings Growth on All Fronts</u>
10-Nov-21	<u>MACROView – The Calm Before the Storm, or Maybe Not</u>
10-Nov-21	<u>CI Capital Holding [CICH] – Record-Breaking Quarter</u>
7-Nov-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – Earnings Recover on Lower Provisions</u>
4-Nov-21	<u>MACROView – Underlying Strength, but Gathering Headwinds</u>
3-Nov-21	<u>MACROView – Gathering Clouds</u>
1-Nov-21	<u>TAKEStock – Separating the Wheat from the Chaff</u>
31-Oct-21	<u>TAKEStock – Natural Gas Price Hike</u>
19-Oct-21	<u>MACROView – The Storm Is Gone but the Headwinds Persist</u>
13-Oct-21	<u>e-finance [EFIH] – An Eye-Opening IPO</u>
10-Oct-21	<u>MACROView – Walking a Tightrope</u>
6-Oct-21	<u>MACROView – On “Risk Control” Mode</u>
6-Oct-21	<u>MACROView – The Tortuous Path to Recovery</u>
19-Sep-21	<u>TAKEStock – Consumer Staples (Food & Beverage) – All You Can Eat Festival</u>
15-Sep-21	<u>MACROView – Deciphering the Din of Battle</u>
14-Sep-21	<u>TAKEStock – Orascom Investment Holding [OIH] — Monetization at Play</u>
9-Sep-21	<u>MACROView – Hot Summer Winds</u>
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>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-Jul-21	<u>Abu Qir Fertilizers [ABUK] – Talking U</u>
16-Jun-21	<u>B Investments Holding [BINV] – Strong Financials, Growing Investments</u>
14-Jun-21	<u>Al-Shams Housing & Development [ELSH] – Earnings Flattened by Factoring Cost</u>
10-Jun-21	<u>MACROView – Inflation Risk Rising, but Still Within Target</u>
8-Jun-21	<u>TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends</u>
6-Jun-21	<u>MACROView – Further Enhancement</u>
3-Jun-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>

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