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Another Case of Mispricing

1. Today's Trading Playbook

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KEY THEMES

U.S. equities ended last week under pressure, as the earnings season kicked off with a bit of weakness in banking stocks. Moreover, still the upward trajectory in bond yields is spooking investors' sentiment. Meanwhile, oil prices closed last week on a bullish note as mounting tensions between Russia and Ukraine raising the question of a future disruption to global crude supplies. Brent oil prices were traded above the USD86/bbl level.

Elsewhere, Taaleem Management Services [**TALM**] has reported its Q1 2021/22 figures, with bottom line growing by 23% y/y to EGP71mn. Earnings improved on the back of higher revenues of EGP172mn (+27% y/y), driven by higher tuition fees. In addition, TALM's GPM widened 363bps to 71%. Despite operating the same sector which Cairo For Investment & Real Estate Development [**CIRA**] operates, TALM trades at discount to CIRA. On a TTM basis, TALM's P/E is 24% slimmer than CIRA, which could be attributable in view of higher perceived growth for CIRA. However, we argue that at current market prices, TALM discount is in fact overly stated.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Grand Egyptian Museum (GEM) could open its doors to the public in H2 2022, according to Tourism Minister. ([Enterprise](#))

Omicron was the likely cause of an 89% spike in COVID-19 cases during the first week of January across the Eastern Mediterranean, according to the World Health Organization's (WHO) regional director for the Eastern Mediterranean. ([Enterprise](#))

Ethiopia's government announced plans to clear 17,000 hectares of forest in preparation for the third filling of the dam this summer. The process could take two months to be complete, where Ethiopia's government targets February to start the clearing process. ([Enterprise](#))



CORPORATE NEWS

Taaleem Management Services [TALM] reported net income after minority of EGP71mn (+23% y/y) in Q1 2021/22 on higher revenues of EGP172mn (+27% y/y) and higher GPM of 71% (+363bps y/y). ([Company disclosure](#))

Central Egypt Flour mills [CEFM] mulls finalizing the automation of all the divisions within the company including mills and silos. Meanwhile, CEFM is currently looking forward to finalize the establishment of two silos by 2024, increasing the total number of silos owned by CEFM to 17 silos. The initial investment costs for adding both silos are EGP180mn. ([Al-Mal](#))

The United Bank's bottom line grew by 10% in 2020, reaching to EGP1.3bn, where its total number of branches hit a total of 70 operating branch. ([Al-Mal](#))

GLOBAL NEWS

U.S. retail sales dropped by the most in ten months in December, likely the result of Americans starting their holiday shopping in October to avoid empty shelves at stores. ([Reuters](#))

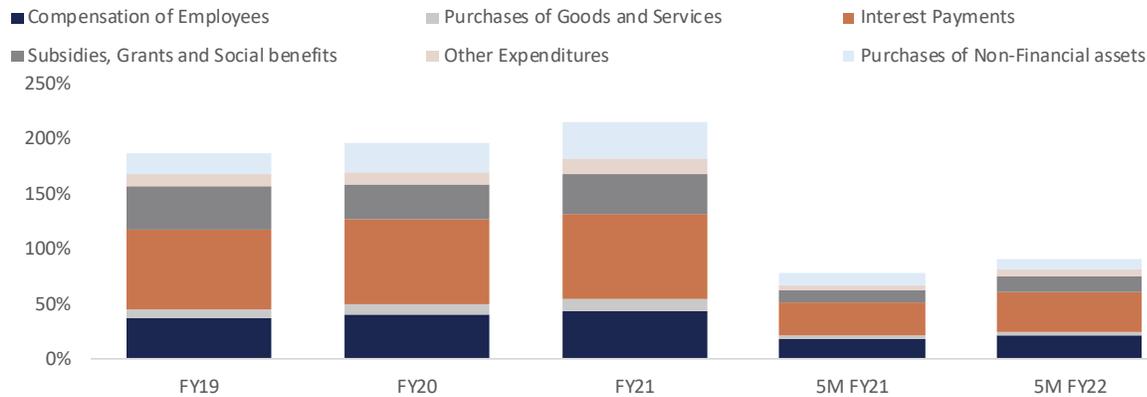
China's new home prices fell more slowly in December than a month earlier, official data showed on Saturday, as marginal easing on financing curbs, and promotions by property developers helped to stabilize demand. ([Reuters](#))

3. CHART OF THE DAY

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Mona Bedeir | Chief Economist

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Source: MoF, Prime Research.

Interest payments and public wages both have the lion's share of total expenditures. In 5M FY22, the share of both accounted for c.56% of total expenditures.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)		768.4		Equity turnover (EGPmn): Last, ytd avg.		816.5 1,178.6	
			daily chg.	ytd chg.		daily chg.	ytd chg.
	EGX 30	12,012.31	(0.40%)	0.53%		Gold	1,817.94 (0.25%) (0.62%)
	EGX 30 TR	4,743.98	(0.36%)	0.58%		Silver	22.96 (0.55%) (1.48%)
	EGX 70 EWI	2,234.21	(1.18%)	1.47%		Brent Oil	86.06 1.88% 10.65%
	EGX 100 EWI	3,277.42	(1.14%)	0.68%		WTI	83.82 2.07% 11.45%
	DFMGI	3,201.77	(0.40%)	0.18%		Natural Gas	4.26 (0.19%) 14.26%
	ADSMI	8,425.40	(0.01%)	(0.74%)	EGP	USD/EGP	15.69 0.19% 0.17%
	TASI	12,079.01	1.02%	7.07%	€	EUR/USD	1.14 (0.38%) 0.36%
	QE Index	12,318.12	1.27%	5.95%	£	GBP/USD	1.37 (0.23%) 1.06%
	S&P 500	4,662.85	0.08%	(2.17%)	¥	USD/JPY	114.19 0.01% 0.78%
	Dow 30	35,911.81	(0.56%)	(1.17%)		6M TB yield	12.09 (10) (64)
	NASDAQ	14,893.75	0.59%	(4.80%)		1Y TB yield	13.22 (2) 45
	VIX	19.19	(5.51%)	11.44%		10Y TB yield	14.72 1 33
	STOXX 50	4,272.19	(1.01%)	(0.61%)		2Y TB yield	0.96 4 83
EM	MSCI Emerging	1,257.46	(0.46%)	2.07%		10Y TB yield	1.79 4 86
FM	MSCI Frontier	661.47	0.06%	(0.63%)		30Y TB yield	2.13 4 47

* 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

DATE	TICKER	TYPE	EVENT
16-Jan-22	OCDI	OGM	Board election.
16-Jan-22	OCDI	EGM	Amending articles of the company's bylaws.
18-Jan-22	RAYA	Cash dividend	Date for paying out a dividend of EGP0.060/share.
18-Jan-22	UEFM	Auction	To rent 14 shops.
20-Jan-22	ARCC	EGM	Discussing changes to the bylaws.
23-Jan-22	ORAS	Cash dividend	Deadline for eligibility for a dividend of USD0.2313/share.
25-Jan-22	ALCN	Cash dividend	Deadline for eligibility for a dividend of EGP0.787/share.
25-Jan-22	PACH	Cash dividend	Deadline for eligibility for a dividend of EGP1.25/share.
25-26 Jan-22		FOMC	Determining Policy Rate.
26-Jan-22	ALCN	Cash dividend	Ex-dividend date for EGP0.787/share.
31-Jan-22	PACH	Cash dividend	Date for paying out a dividend of EGP0.75/share (1st installment).
31-Jan-22	ALCN	Cash dividend	Date for paying out a dividend of EGP0.787/share.
31-Jan-22	ORAS	Cash dividend	Date for paying out a dividend of USD0.2313/share.
3-Feb-22		MPC Meeting	Determining the CBE's policy rate.
3-Feb-22	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
6-Feb-22	MOIN	Cash dividend	Payment date for a dividend of EGP0.125/share (2nd installment).
15-Feb-22	EAST	Cash dividend	Payment date for a dividend of EGP0.60/share (2nd installment).

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
12-Jan-22	<u>QNB Alahli [QNBA] – Slow Earnings Pace Despite Assets Growth</u>
10-Jan-22	<u>MACROView – The Last Reading Ahead of a Cloudy Year</u>
30-Dec-21	<u>EGYPTCeramics – From Dusk to Dawn</u>
26-Dec-21	<u>Obour Land For Food Industries [OLFI] – A Play on Consumption Recovery</u>
22-Dec-21	<u>MACROView – The Return of the 'Vigilante'</u>
14-Dec-21	<u>MACROView – When “Bad” Inflation Clouds the Path of “Good” Inflation</u>
9-Dec-21	<u>MACROView – Another Retreat ... Until Further Notice</u>
8-Dec-21	<u>MACROView – For Stormy Days, Eyes on the Ball</u>
7-Dec-21	<u>EGYPTBanks – Takeoff Time</u>
5-Dec-21	<u>MACROView – Searching for Lost Momentum</u>
21-Nov-21	<u>TAKEStock – 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>



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- 14-Jan-21 [CI Capital Holding \[CICH\] – New Expansions = Further Growth](#)**

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