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Kicking the Can Down the Road

1. Today's Trading Playbook

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KEY THEMES

Contrary to our expectations and market consensus, the **Central Bank of Egypt's (CBE) Monetary Policy Committee (MPC)** decided to keep its benchmark rates unchanged in its 23 June meeting, now at 11.25% for overnight deposit rate and 12.25% for overnight lending rates. We highlight four takeaways from the MPC's meeting minutes, as follows:

(1) The MPC will allow for inflation to deviate from its pre-announced target rate of $7\% \pm 2\%$ (on average in Q4 2022) as long as such a deviation is due to exogenous shocks that are outside the scope of monetary policy. Thus, the MPC sees the Russia-Ukraine conflict as an exogenous shock that may lead to transitory deviations.

(2) The MPC's monetary policy tools will be utilized to (1) anchor inflation expectations and (2) contain demand-side pressures and second-round effects from supply shocks.

(3) The MPC targets a low and stable inflation rate over the medium term to achieve high and sustainable growth rates while preserving real incomes.

(4) Last but not least, the MPC rebutted market calls to turn current real interest rates from negative to positive quickly, since it believes that the path of future policy rates is a function of (forward-looking) "inflation expectations" as opposed to (current) "prevailing inflation rates".

The question now is how the stock market will react following Thursday's decision. By way of background, since the 19 May decision to hike rates by 200bps, we had a total of 25 trading sessions. While EGX 30 closed in the red in 19 trading sessions (76% of the time), EGX 70 EWI closed in the red in only 11 trading sessions (44% of the time). Overall, the market has not received the tightening wave very well, but this does not necessarily mean a pause of that wave will be positive for the market either. After all, investors have almost two more months before the next MPC meeting on 18 August to figure out which way the market will go. A lot can happen between now and then.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Emir of Qatar Tamim bin Hamad visited Egypt this past weekend, affirming his intention to invest in Egypt following the USD5bn agreement signed back in March. ([Al-Ahram](#))

CORPORATE NEWS

GB Auto's [AUTO] consumer finance arm, Drive (a GB Capital subsidiary) has completed its first issuance of EGP700mn securitization bonds as part of an EGP2bn program. ([Company disclosure](#))

Orascom Construction [ORAS], Thales, and Colas Rail have signed a contract worth USD659mn to build the first phase of Cairo's 4th metro line. ([Company disclosure](#))

Aldar Properties PJSC [ADX: ALDAR] is allegedly considering the acquisition of a majority stake in Madinet Nasr Housing & Development [MNHD] at an expected price of EGP3.0/share. ([El-Shorouk](#))

EFG Hermes Holding [HRHO] is planning to add consumer factoring to its operations. ([Al-Mal](#))

Alexandria Container and Cargo Handling Co. [ALCN] achieved EGP2.44bn in revenues during 11M 2021/22 (+13% y/y). Moreover, net earnings increased to EGP1.7bn (+34%) for the period. ([Al-Mal](#))

Misr Chemical Industries [MICH] 11M 2021/22 bottom line upped by 46% y/y to EGP189mn. Reasons for bottom line growth is higher sales volume and higher average selling prices. In addition, MICH saw FX gains during Q3 2021/22. We have an overweight rating on MICH with our 12MPT at EGP13.9/share (ETR +39%). ([Company disclosure](#))

Arab Cotton Ginning's [ACGC] 9M 2021/22 KPIs showed net earnings of EGP74.6mn vs. net losses of EGP22.7mn a year ago. This came on the back of higher revenues of EGP1.3bn (+40% y/y) and better GPM of 18% vs. 9% a year earlier. ([Company disclosure](#))

Arab Co. for Asset Management & Development [ACAMD] has received an offer from the Egyptian Company for Housing and Development (RAMW) to take part developing a 24,818 sqm land plot in Tanta. ([Mubasher](#))

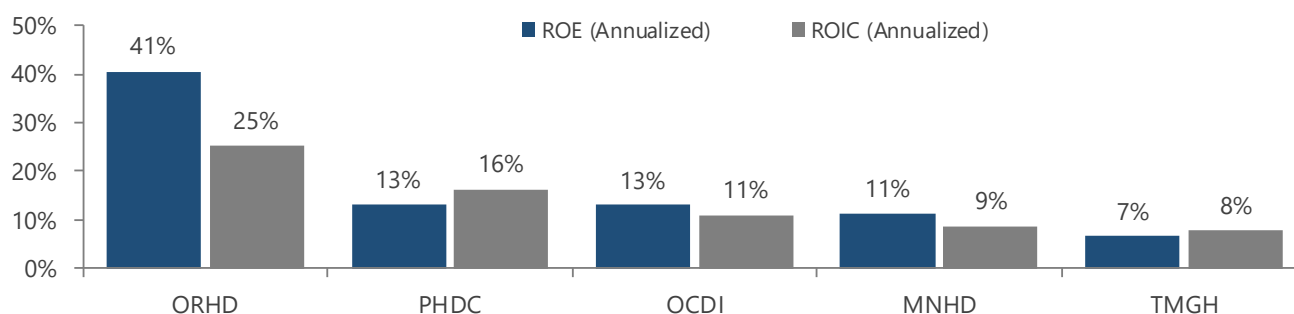
Lafarge Cement Egypt is looking to increase the use of alternative fuels in its fuel mix to reach 50% by 2025. Lafarge currently uses 22% of alternative fuels in its mix. ([Mubasher](#))

3. CHART OF THE DAY

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Profitability of EGX-listed real estate developers (Q1 2022)



Source: Companies' disclosures.

In Q1 2022, Orascom Development Egypt [**ORHD**] outperformed its peers with an annualized ROIC of 25%, mainly attributable to its solid cash balance. Additionally, ORHD's annualized ROE of 41% is the highest among its competitors.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.			
635.3					389.8 816.7			
			daily chg.	ytd chg.			daily chg.	ytd chg.
	EGX 30	9,439.85	(1.80%)	(21.00%)		Gold	1,822.77	(0.81%) (0.13%)
	EGX 30 TR	3,818.00	(1.71%)	(19.05%)		Silver	20.95	(2.17%) (9.20%)
	EGX 70 EWI	1,778.80	(1.21%)	(19.21%)		Brent Oil	110.05	2.37% 49.58%
	EGX 100 EWI	2,629.46	(1.21%)	(19.22%)		WTI	104.27	3.21% 49.12%
	DFMGI	3,198.94	(1.14%)	0.09%		Natural Gas	6.24	(0.30%) 66.76%
	ADSMI	9,244.48	(0.62%)	8.91%	EGP	USD/EGP	18.77	(0.20%) (16.33%)
	TASI	11,310.67	(0.08%)	0.26%	€	EUR/USD	1.05	0.29% (7.19%)
	QE Index	11,753.44	(1.59%)	1.10%	£	GBP/USD	1.23	0.07% (9.34%)
	S&P 500	3,795.73	0.95%	(17.93%)	¥	USD/JPY	134.95	0.97% (14.90%)
	Dow 30	30,677.36	0.64%	(13.31%)		6M TB yield	15.30	6 257
	NASDAQ	11,232.19	1.62%	(25.81%)		1Y TB yield	14.08	1 131
	VIX	29.05	0.35%	58.13%		10Y TB yield	14.68	30 29
	STOXX 50	3,436.29	(0.82%)	(17.80%)		2Y TB yield	3.08	0 295
	MSCI Emerging	995.34	0.18%	(19.21%)		10Y TB yield	3.14	(2) 221
	MSCI Frontier	514.70	(0.04%)	(22.68%)		30Y TB yield	3.26	2 160

* 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
26-Jun-22	MIPH	Cash dividend	Deadline for eligibility for a dividend of EGP2.9/share.
26-Jun-22	RAYA	EGM	Discussing applying a reward system for the company.
26-Jun-22	ASCM	OGM	Approving financial statements and other agenda items.
26-Jun-22	CCAP	OGM	Approving financial statements and other agenda items.
26-Jun-22	CCAP	EGM	Discussing the continuation of the company.
29-Jun-22	MIPH	Cash dividend	Date for paying out a dividend of EGP2.9/share.
29-Jun-22	JUFO	OGM	Approving financial statements ending 31 Dec. 2021 and the proposed dividends.
29-Jun-22	JUFO	EGM	Amending Articles No. 4, 25, 32, 44 & 47 of the company's bylaws.
1-Jul-22	GMFC	Subscription in the capital increase	Last day of subscription in the GMFC's EGP98mn capital increase.
3-Jul-22	CIRA	EGM	To approved to securitize CIRA's receivable portfolio worth of a maximum of EGP2bn.
3-Jul-22	PHDC	OGM	Discussing netting contracts.
3-Jul-22	PHDC	EGM	Considering canceling the reward and incentive programs for the employees, managers and executive members of the company's BoD.
6-Jul-22	IRON	OGM	Discussing the financial position.
6-Jul-22	TMGH	Cash dividend	Payment date for a dividend of EGP0.087/share (2nd installment).
7-Jul-22	ASCM	EGM	Discussing the continuation of the company.
18-Jul-22	SVCE	OGM	Considering the shareholders request to present the obstacles facing the cement sector in Egypt.
18-Jul-22	EXPA	EGM	Discussing the amendment of article no.5 of the bank's internal system.
20-Jul-22	DSCW	Capital increase	Capital increase subscription closing date.
21-Jul-22	ADIB	Capital increase	Capital increase subscription closing date.
21-Jul-22	ADIB	Right Issue	Rights issue subscription closing date.
24-Jul-22	AIFI	OGM	Approving financial statements.
26-27 Jul-2022		FOMC	Determining policy rate & monetary stance.
28-Jul-22	PHAR	Cash dividend	Payment date for a dividend of EGP1.5/share (2nd installment).

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
14-June-22	Ghazl El-Mahalla Football Co. [GMFC] - In a League of Its Own
8-June-22	TAKESock – Delta Sugar [SUGR] - Sweet and Sour

7-June-22	<u>TAKEStock – Orascom Financial Holding [OFH] - Triple-Digit Upside</u>
25-May-22	<u>TAKEStock – The Egyptian Cement Industry - Gauging the Impact</u>
23-May-22	<u>Cairo for Investment & Real Estate Development [CIRA] – Head of the Class</u>
19-May-22	<u>MACROView – A New Game Plan</u>
17-May-22	<u>MACROView – All Uphill from Here</u>
15-May-22	<u>EGYPTBanks – Harness the Hike</u>
15-May-22	<u>TAKEStock – Hidden “valu”</u>
28-Apr-22	<u>MACROView – Din of Battle Getting Louder</u>
17-Apr-22	<u>MACROView – Before the Grand Storm</u>
14-Apr-22	<u>EFG Hermes Holding [HRHO] – Rating Cut on Withdrawal of FAB’s Bid</u>
12-Apr-22	<u>MACROView – Mounting External Vulnerabilities</u>
10-Apr-22	<u>MACROView – Much Higher Inflation ... and Longer</u>
24-Mar-22	<u>EFG Hermes Holding [HRHO] – The Best Is Yet to Come</u>
23-Mar-22	<u>CI Capital Holding [CICH] – A Year to Remember</u>
22-Mar-22	<u>Orascom Construction [ORAS] – A Clear Devaluation Winner</u>
10-Mar-22	<u>MACROView – The Dizzying Speed</u>
6-Mar-22	<u>MACROView – On the Back Foot</u>
2-Mar-22	<u>MACROView – Calculating the Ferocity</u>
1-Mar-22	<u>Housing & Development Bank [HDBK] – Credit Provisions Flattened Earnings Growth</u>
27-Feb-22	<u>Export Development Bank of Egypt [EXPA] – A Year to Forget</u>
22-Feb-22	<u>Commercial International Bank (CIB) [COMI] – 2021, a Grand Finale</u>
21-Feb-22	<u>Crédit Agricole Egypt (CAE) [CIEB] – Non-Interest Income Saves the Day</u>
20-Feb-22	<u>Abu Dhabi Islamic Bank - Egypt [ADIB] – Wise Utilization Enhances Profitability</u>
17-Feb-22	<u>Al Baraka Bank Egypt [SAUD] – Earnings Pressured by Higher Cost of Risk</u>
16-Feb-22	<u>MACROView – A Soothing Message From the CBE ... and Our Takeaways</u>
14-Feb-22	<u>Abu Qir Fertilizers [ABUK] – Another Record-High Quarter</u>
13-Feb-22	<u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u>
10-Feb-22	<u>MACROView – Ebb and Flow</u>
10-Feb-22	<u>MACROView – The Cloudy Year Has Just Begun</u>
9-Feb-22	<u>Elsowedy Electric [SWDY] – Ending 2021 on a Good Note</u>
8-Feb-22	<u>MACROView – A Fall in Disguise</u>
7-Feb-22	<u>Macro Group Pharmaceuticals [MCRO] – Not the Usual Pharma Stock</u>

1-Feb-22	<u>MACROView – The Ripple Effect</u>
31-Jan-22	<u>Obour Land For Food Industries [OLFI] – Double-Digit Growth Complements a Resilient Story</u>
30-Jan-22	<u>STANDPoint – Egypt Valuation Repertoire — 2022 Outlook</u>
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>Elsewedy 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>

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