

## Record Breaking (Not a Broken Record)

### FUNDAMENTAL THOUGHTS

Welcome back from a long weekend that was worth taking following the major actions seen in the market just as we were putting our feet back into the water for the New Year. After only four trading sessions into 2023, **EGX 30** is up 9.6% ytd, crossing the 16,000 mark for the first time since early 2018 (almost five years ago!), while **EGX 70 EWI** is up 4.3% ytd, albeit still shy of the 3,000 mark. As we alluded to last Thursday, the picture is totally different when converting such performance back into **USD** terms which rose simultaneously by 9.7% ytd to EGP27.12 (the mid-point between the buy and sell prices posted on the **Central Bank of Egypt's** website), which also means the EGP weakened 8.8% ytd. So, the **EGX 30 USD** index was basically flat ytd, which might explain why **foreign investors** have been net sellers since the start of the year. On the other hand, having been net buyers in the first three days of the year, **Egyptian institutions** ended Thursday as net sellers along with **Egyptian individuals** who have been net sellers every day since the start of the year. Alternatively, **Arab investors** were overall net buyers with institutional buying. The good thing is the resurgence of trading liquidity in the market, with a daily average of c.EGP2.5bn ytd after hitting a high of EGP3.1bn last Thursday alone.

For this week, we think investors will look out for **Egypt's** December 2022 **headline inflation** reading (scheduled to be released tomorrow morning), for which we pencil in a 19% y/y jump in CPI, up from 18.7% in November 2022.

— Amr Hussein Elalfy, MBA, CFA | Head of Research

## TODAY'S TOP NEWS & ANALYSIS

NBE and Banque Misr let importers access USD, borrow USD705mn, and collect EGP119bn

Egypt's medical and pharmaceutical exports reach USD883mn

Egypt expects growth in its natural gas production capabilities

GASC launches an international fresh wheat tender

Mild winter in Europe causes natural gas prices to slump

Crude oil prices slipped 8% for the week

Egypt's Eurobond yields decline on higher demand, and USD/EGP NDFs follows

CIB to increase its paid-in capital by EGP165mn

NIB fully exits its stake in ADIB Egypt

EIPICO's EGP814mn paid-in capital increase cleared by the FRA

Arab Cotton reports wider preliminary losses in Q1 2022/23

## MACRO

### **NBE and Banque Misr let importers access USD, borrow USD705mn, and collect EGP119bn**

**National Bank of Egypt (NBE)** and **Banque Misr**, the two largest state-owned banks, are reportedly starting to enable importers to access USD gradually. This comes after the EGP dropped 6.4% last Wednesday, marking the first time in a while that banks release some USD liquidity.

On a different note, both banks borrowed a total of USD705mn to cover the foreign currency demand gap, according to unofficial sources. Banque Misr borrowed USD300mn for 7 years from **African Development Bank**, and NBE borrowed USD405mn for 3 years from various GCC and international banks, including **Mashreq Bank**, **Doha Bank**, **Emirates NBD**, **First Abu Dhabi Bank**, **Standard Chartered**, and **Japan's Sumitomo Mitsui Banking Corporation**.

Meanwhile, both banks reportedly accepted EGP119bn in their recently-introduced high-yield 25% p.a., including EGP80bn at NBE and EGP39bn at Banque Misr. Of those funds, 50% came from the redemption of previous CDs, and 50% were transferred from other banks, cash deposits, and FX conversion. ([Asharq Business](#), [Alarabiya](#), [ON](#))

### **Egypt's medical and pharmaceutical exports reach USD883mn**

Medical and pharmaceutical exports grew to USD883mn in 11M 2022 (+45% y/y), mainly driven by growth in cosmetics recording USD558mn (+108% y/y). ([Mubasher](#))

## Egypt expects growth in its natural gas production capabilities

In an interview with Al-Sharq TV program "Taqa +", Vice President of the **Egyptian Natural Gas Holding Company (EGAS)** discussed **Egypt's** future expectations of natural gas production, with the following key highlights:

- The **Ministry of Petroleum & Mineral Resources** plans to drill 16 new wells in FY23 and 45 new wells in FY24-FY26.
- These new wells have been found, thanks to the 45 agreements the ministry signed for gas exploration in the Mediterranean.
- Egypt's natural gas exports grew 140% y/y to USD8.4bn in 2022 compared to USD3.5bn in 2021, driven by higher global prices and a 14% increase in Egypt's natural gas production to 50mn tons.
- Egypt currently operates two natural gas liquefaction plants with a combined production capacity of 2.1bn cubic feet per day (cfpd).
- If the quantities of natural gas extracted from the new wells exceed the current liquefaction capabilities then new liquefaction plants will be built. ([Asharq Business](#))

## GASC launches an international fresh wheat tender

The **General Authority for Supply Commodities (GASC)** launched an international tender to buy 30,000-60,000 tons of wheat on a cost and freight basis for February delivery. The purchase will be financed by a portion of USD500mn loan that the **World Bank** has agreed to provide. ([GASC](#))

## Mild winter in Europe causes natural gas prices to slump

**Natural gas** prices across **Europe** have continued to decline for the fourth consecutive week. Natural gas future contracts in **Holland** for the near term dropped by 4% to settle at EUR69.53/MWh, recording a weekly decline of 8.9% as **UK** future contracts continued to deteriorate as well. The warmer-than-expected winter conditions have helped ease the energy crisis that befell Europe as a result of the **Russia-Ukraine** war. However, winter has just begun, so it could get a lot colder and natural gas prices are still very sensitive to any supply chain shocks that may occur. ([Asharq Business](#))

## Crude oil prices slipped 8% for the week

**Brent oil** futures dropped by 0.2% to USD78.57/bbl, while US crude oil futures rose by 0.1% to reach USD73.77 on Friday. However, both Brent and US crude oil declined by more than 8% for the week, the biggest weekly decline in oil prices at the start of a new year since 2016. ([CNBC Arabia](#))

**Egypt's Eurobond yields decline on higher demand, and USD/EGP NDFs follows**

The yield on Egypt's Eurobonds that mature in January 2025 declined to 9.1% compared to 12.1% in June. Meanwhile, the yield of long-term bonds declined to 13.1% from 14.3%. This reflects stronger demand for the sovereign bonds. Meanwhile, the one-year USD/EGP Non-Deliverable Forward (NDF) also declined to EGP30.5-30.9 from EGP32.6-33.1 after the CBE went for a more flexible FX regime. ([Al-Borsa](#))

**CORPORATE****CIB to increase its paid-in capital by EGP165mn**

Commercial International Bank - Egypt [**COMI**] submitted documents to increase its paid-in capital by EGP165mn to EGP30bn, at par value of EGP10, as a part of the bank's employee incentive program. (Company disclosure)

**NIB fully exits its stake in ADIB Egypt**

Having decreased its stake from 10% to 2.4% last month, **National Investment Bank (NIB)** has fully exited its stake in Abu Dhabi Islamic Bank - Egypt **ADIB** by selling the remaining 9.6mn shares to ADIB's parent bank Abu Dhabi Islamic Bank - UAE [**ADX: ADIB**] which in turn increased its stake to 52.607%. (Company disclosure [1](#), [2](#))

**EIPICO's EGP814mn paid-in capital increase cleared by the FRA**

EIPICO [**PHAR**] will now proceed with its EGP814mn capital increase through a rights issue, offering 14,875,575 new shares at a fair value of EGP54.72/share (a par value of EGP10/share + an issuance premium of EGP44.72/share), which is 41% higher than PHAR's last market price. Earlier in November 2022, PHAR's BoD had agreed to increase paid-in capital by 15% to EGP1.14bn. Proceeds from the capital increase are earmarked to finance EIPICO III facility, maintaining PHAR's capital structure and credit profile, support its working capital, and support profitability by reducing the cost of finance. ([FRA](#))

**Arab Cotton reports wider preliminary losses in Q1 2022/23**

Arab Cotton Ginning Co. [**ACGC**] reported Q1 2022/23 net losses of EGP8.5mn compared to EGP0.4mn despite higher revenues of EGP231mn (+25% y/y). The loss was due to pressured gross profit margin to 14% (-7pp y/y). ([Company disclosure](#))

## MARKETS PERFORMANCE

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
1,033.2						3,131.5		2,614.9	
				daily chg.	ytd chg.			daily chg.	ytd chg.
		EGX 30	16,002.18	2.86%	9.62%			Gold	1,865.69 1.79% 2.28%
		EGX 30 TR	6,582.60	2.86%	9.62%			Silver	23.83 2.52% (0.52%)
		EGX 70 EWI	2,921.10	0.33%	4.25%			Brent Oil	78.57 (0.15%) (8.54%)
		EGX 100 EWI	4,368.39	0.67%	5.38%			WTI	73.77 0.14% (8.09%)
		DFMGI	3,302.44	(0.43%)	(1.01%)			Natural Gas	3.71 (0.27%) (17.09%)
		ADSMI	10,197.78	(0.54%)	(0.13%)	EGP		USD/EGP	27.20 (0.01%) (9.10%)
		TASI	10,531.83	(0.00%)	0.51%	€		EUR/USD	1.06 1.16% (0.57%)
		QE Index	11,145.31	2.77%	4.35%	£		GBP/USD	1.21 1.55% 0.08%
		S&P 500	3,895.08	2.28%	1.45%	¥		USD/JPY	132.08 1.01% (0.73%)
		Dow 30	33,630.61	2.13%	1.46%			6M TB yield	20.60 143 143
		NASDAQ	10,569.29	2.56%	0.98%			1Y TB yield	20.89 198 198
		VIX	21.13	(5.92%)	(2.49%)			10Y TB yield	14.68 0 0
		STOXX 50	4,017.83	1.47%	5.91%			2Y TB yield	4.25 (10) (18)
EM		MSCI Emerging	988.68	0.48%	3.38%			10Y TB yield	3.56 (12) (32)
FM		MSCI Frontier	478.44	(0.40%)	1.30%			30Y TB yield	3.69 (11) (28)

\* As of market close. Change in Treasuries is in basis points.  
Source: Bloomberg, CBE.

## KEY DATES

DATE	TICKER	TYPE	EVENT
9-Jan-23	ARCC	Cash dividend	Deadline for eligibility for a dividend of EGP0.660/share.
9-Jan-23	CAED	Cash dividend	Deadline for eligibility for a dividend of EGP1.150/share.
10-Jan-23	CAED	Cash dividend	Ex-dividend date for EGP1.150/share.
10-Jan-23	ARCC	Cash dividend	Ex-dividend date for EGP0.660/share.
10-Jan-23	RAYA	Cash dividend	Deadline for eligibility for a dividend of EGP0.035/share.
11-Jan-23	RAYA	Cash dividend	Ex-dividend date for EGP0.035/share.
11-Jan-23	ATLC	Cash dividend	Payment date for a dividend of EGP0.37/share.
11-Jan-23	ADIB	Right Issue	Last day of trading the rights issue.
11-Jan-23	EGBE	Stock dividend	Last date for eligibility for a 0.10-for-1 stock dividend.
11-Jan-23	HELI	Cash dividend	Deadline for eligibility for a dividend of EGP0.22/share.
12-Jan-23	EGBE	Stock dividend	Date for distributing a 0.10-for-1 stock dividend.
12-Jan-23	CAED	Cash dividend	Payment date for a dividend of EGP1.150/share.
12-Jan-23	ARCC	Cash dividend	Payment date for a dividend of EGP0.660/share.
15-Jan-23	RAYA	Cash dividend	Payment date for a dividend of EGP0.035/share.
15-Jan-23	CIRA	OGM	Approving financial statements and the proposed dividends.
15-Jan-23	CIRA	EGM	Amending article No. 2 of the company's bylaws.
16-Jan-23	HELI	Cash dividend	Payment date for a dividend of EGP0.05/share (1st installment).
16-Jan-23	ADIB	Capital increase	Capital increase subscription closing date.
17-Jan-23	EHDR	OGM	Discussing netting contracts & board election.

17-Jan-23	EHDR	EGM	Discussing cancelling reward system.
18-Jan-23	CCAP	EGM	Discussing reward system for the Board members.
22-Jan-23	EMFD	EGM	Amending article No. 3 of the company's bylaws.
22-Jan-23	PHDC	OGM	Discussing netting contracts.
25-Jan-23	CLHO	EGM	Discussing capital reduction by cancelling treasury stocks & amending Articles No. 6 & 7 of the company's bylaws.

## LATEST RESEARCH

DATE	PUBLISHED REPORT
18-Dec-22	<a href="#">Elsewedy Electric [SWDY] – Turning Copper Into Gold</a>
5-Dec-22	<a href="#">Commercial International Bank [COMI] – Still Spearheading</a>
28-Nov-22	<a href="#">Abu Dhabi Islamic Bank - Egypt [ADIB] – Unmitigated Temerity</a>
<b>20-Nov-22</b>	<b><a href="#">Alexandria Containers &amp; Cargo Handling Co. [ALCN] – Gateway of the North</a></b>
14-Nov-22	<a href="#">Obour Land for Food Industries [OLFI] – Wise and Clever</a>
<b>13-Nov-22</b>	<b><a href="#">STANDPoint – Time to Catch Up; Updating our fundamental outlook</a></b>
3-Nov-22	<a href="#">TAKEStock – Telecom Egypt [ETEL] – Life Above 40</a>
19-Oct-22	<a href="#">Lecico Egypt [LCSW] – A Fragile Tile?</a>
27-Sep-22	<a href="#">Commercial International Bank [COMI]: Commander-in-Chief</a>
24-Sep-22	<a href="#">TAKEStock: The Egyptian Banking Industry - The RRR Effect</a>
21-Sep-22	<a href="#">EGYPTBanks – The Causal Sequence</a>
<b>24-Aug-22</b>	<b><a href="#">Arabian Food Industries (Domty) – Core Coverage Report</a></b>
22-Aug-22	<a href="#">Credit Agricole Egypt [CIEB] – Core Coverage Update</a>
31-Jul-22	<a href="#">Ghazl El-Mahalla Football Co. [GMFC] - IPO Update</a>
14-Jun-22	<a href="#">Ghazl El-Mahalla Football Co. [GMFC] - In a League of Its Own</a>
8-Jun-22	<a href="#">TAKEStock – Delta Sugar [SUGR] - Sweet and Sour</a>
7-Jun-22	<a href="#">TAKEStock – Orascom Financial Holding [OFH] - Triple-Digit Upside</a>
25-May-22	<a href="#">TAKEStock – The Egyptian Cement Industry - Gauging the Impact</a>
<b>23-May-22</b>	<b><a href="#">Cairo for Investment &amp; Real Estate Development [CIRA] – Head of the Class</a></b>
19-May-22	<a href="#">MACROView – A New Game Plan</a>
17-May-22	<a href="#">MACROView – All Uphill from Here</a>
<b>15-May-22</b>	<b><a href="#">EGYPTBanks – Harness the Hike</a></b>
15-May-22	<a href="#">TAKEStock – Hidden “valu”</a>
28-Apr-22	<a href="#">MACROView – Din of Battle Getting Louder</a>
17-Apr-22	<a href="#">MACROView – Before the Grand Storm</a>
14-Apr-22	<a href="#">EFG Hermes Holding [HRHO] – Rating Cut on Withdrawal of FAB's Bid</a>
12-Apr-22	<a href="#">MACROView – Mounting External Vulnerabilities</a>
10-Apr-22	<a href="#">MACROView – Much Higher Inflation ... and Longer</a>
24-Mar-22	<a href="#">EFG Hermes Holding [HRHO] – The Best Is Yet to Come</a>
23-Mar-22	<a href="#">CI Capital Holding [CICH] – A Year to Remember</a>
22-Mar-22	<a href="#">Orascom Construction [ORAS] – A Clear Devaluation Winner</a>
10-Mar-22	<a href="#">MACROView – The Dizzying Speed</a>

6-Mar-22	<a href="#"><u>MACROView – On the Back Foot</u></a>
2-Mar-22	<a href="#"><u>MACROView – Calculating the Ferocity</u></a>
1-Mar-22	<a href="#"><u>Housing &amp; Development Bank [HDBK] – Credit Provisions Flattened Earnings Growth</u></a>
27-Feb-22	<a href="#"><u>Export Development Bank of Egypt [EXPA] – A Year to Forget</u></a>
22-Feb-22	<a href="#"><u>Commercial International Bank (CIB) [COMI] – 2021, a Grand Finale</u></a>
21-Feb-22	<a href="#"><u>Crédit Agricole Egypt (CAE) [CIEB] – Non-Interest Income Saves the Day</u></a>
20-Feb-22	<a href="#"><u>Abu Dhabi Islamic Bank - Egypt [ADIB] – Wise Utilization Enhances Profitability</u></a>
17-Feb-22	<a href="#"><u>Al Baraka Bank Egypt [SAUD] – Earnings Pressured by Higher Cost of Risk</u></a>
16-Feb-22	<a href="#"><u>MACROView – A Soothing Message From the CBE ... and Our Takeaways</u></a>
14-Feb-22	<a href="#"><u>Abu Qir Fertilizers [ABUK] – Another Record-High Quarter</u></a>
13-Feb-22	<a href="#"><u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u></a>
10-Feb-22	<a href="#"><u>MACROView – Ebb and Flow</u></a>
10-Feb-22	<a href="#"><u>MACROView – The Cloudy Year Has Just Begun</u></a>
9-Feb-22	<a href="#"><u>Elsewedy Electric [SWDY] – Ending 2021 on a Good Note</u></a>
8-Feb-22	<a href="#"><u>MACROView – A Fall in Disguise</u></a>
7-Feb-22	<a href="#"><u>Macro Group Pharmaceuticals [MCRO] – Not the Usual Pharma Stock</u></a>
1-Feb-22	<a href="#"><u>MACROView – The Ripple Effect</u></a>
31-Jan-22	<a href="#"><u>Obour Land For Food Industries [OLFI] – Double-Digit Growth Complements a Resilient Story</u></a>
<b>30-Jan-22</b>	<b><a href="#"><u>STANDPoint – Egypt Valuation Repertoire — 2022 Outlook</u></a></b>
12-Jan-22	<a href="#"><u>QNB Alahli [QNBA] – Slow Earnings Pace Despite Assets Growth</u></a>
10-Jan-22	<a href="#"><u>MACROView – The Last Reading Ahead of a Cloudy Year</u></a>

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