

Breathe the Pressure

FUNDAMENTAL THOUGHTS

It was an ugly trading session yesterday, with both **EGX 30** (-3.9%) and **EGX 70 EWI** (-2.4%) mimicking the same performance from start to finish. It looked like the mounting pressure we referred to yesterday was released in the form of a profit-taking wave. Egyptian institutions were net sellers for the day, probably taking some profits off the table, while foreign investors fell back to their usual status as net sellers.

The trigger? We can only guess that a higher-than-expected December 2022 inflation reading may have led investors to think of further tightening by the **Central Bank of Egypt (CBE)** when it meets in three weeks. This alone can push valuations lower, especially when the USD only inched higher yesterday to EGP27.65. Indeed, **EGX 30 USD** closed yesterday down 4.2%, extending its ytd loss to 5.3%.

That said, we think this is a good opportunity for those who missed the early rally at the start of the year to breathe the pressure and jump back in at current levels.

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

TODAY'S TOP NEWS & ANALYSIS

Key points from IMF's press release regarding Egypt's Extended Fund Facility

Egypt's core inflation rise to 24.4% in December 2022

ExxonMobil obtains Exploration Rights in Nile Delta

AD Ports interested in Suez Port (Port Tawfiq)

CIB reportedly issues new 22.5% 18-months CDs

Egyptian steel companies hike their prices

Telecom Egypt to obtain new frequencies soon

Contact Financial Holding aims to expand its portfolio

EFID to sell used equipment to its plant in Morocco

B.Tech closes its first securitized bonds issuance

AMN for Industrial Investment ups its stake in PACHIN

MACRO

Key points from IMF's press release regarding Egypt's Extended Fund Facility

The **International Monetary Fund (IMF)** published yesterday a press release with some details about **Egypt's** Extended Fund Facility (EFF), some key points of which we highlight below:

- The **CBE** will commit to a durably flexible exchange rate that should conform to the dynamics of the country's balance of payments (BoP), preventing the imbalances to resurface in the future and in turn furtherly improving its export competitiveness.
- Mounting inflationary pressures require a tighter **CBE** monetary policy.
- The **CBE** will consult with IMF staff when headline inflation comes outside an inflation target of the 5%-9% range and consult with the Executive Board if inflation falls outside the outer bands of 3%-18% in December 2022, 3%-16% in March 2023, and 3%-15% in June 2023.
- The **CBE** will stop providing governmental entities with foreign currency liquidity out of the reserves in order to fund their imports.
- Foreign reserves growth outside the scope of borrowing is a major target of the IMF program. Accordingly, the IMF target a cumulative increase in reserves of USD6bn during FY23 and USD10.1bn in FY24.
- The CBE will apply, in a more decisive manner, restrictions on net foreign currency position for banks in order to put a lid on extremely negative net foreign assets (NFAs). Hence, the CBE will monitor individual banks' net open positions, NFAs, and foreign exchange transactions on the interbank market, and it will consult with IMF staff if aggregate banks' NFAs show a cumulative decline of USD2bn over a three-month period.
- **Egypt's** financing gap for FY23 is estimated at USD5bn, which is to be closed from the IMF and different lenders, including **The World Bank**, the **China Development Bank**, the **Asian Infrastructure Investment Bank**, the **Arab Monetary Fund**, and the **African Development Bank**. Throughout 2023, Egypt will receive USD700mn from the IMF, with two USD347mn tranches scheduled for March and September. The Egyptian government will receive also USD2bn from committed purchases of public sector assets, including from partners in the **GCC**. The remaining USD2bn from the IMF will be across six USD347mn tranches through September 2026, with two disbursements scheduled for March and September each year.
- **Egypt's** financing gap is estimated at USD17bn over the next four years or so. The USD3bn IMF program will only account for less than 20% of that amount, with the remainder expected to be filled by other multilateral and bilateral creditors.
- **Egypt** secured assurances from **GCC** partners that the USD28bn in official deposits from GCC members at the CBE (at end-September 2022) will not mature until after the completion of the 4y EFF in September 2026 and will not be used for the purchase of equities or debt.
- **Egypt** will carry out an ambitious privatization plan where certain purchases of equity stakes in state-owned assets with proceeds going towards increasing international reserves, closing

the financing gap, further strengthening the country's fiscal position, and reducing government debt.

- **Egypt** will publish a comprehensive annual tax expenditure report, detailing tax exemptions and tax breaks provided to companies operating in free economic zones and to all state-owned enterprises (including public sector companies, public business sector companies, military-owned companies, economic authorities, and joint ventures and partnerships).

([IMF press release](#))

Egypt's core inflation rise to 24.4% in December 2022

Similar to headline inflation, Egypt's core inflation rose to 24.4% in December 2022 compared to 21.5% in November 2022, while m/m inflation was 2.6% in December vs. 2.7% in November. (Economy Plus)

ExxonMobil obtains Exploration Rights in Nile Delta

ExxonMobil has been granted exploration rights to two offshore drilling blocks, covering a combined area of over 11,000 sq. km. Both sites are located in the outer Nile Delta region and **ExxonMobil Egypt** will begin operations this year, following final approval from the Egyptian government. ([Reuters](#))

AD Ports interested in Suez Port (Port Tawfiq)

Abu Dhabi Ports (AD Ports) is reportedly in negotiations with the Egyptian government to develop and manage the **Suez Port (Port Tawfiq)** on a right-of-use basis contract. AD Ports currently operates **Ain Sokhna Port** and a multi-purpose terminal in **Safaga Port** in **Egypt**. Last September, AD Ports acquired a 70% stake in two Egyptian logistics companies, **Transmar** and **Transcargo International**, for USD140mn. ([Asharq Business](#))

CORPORATE

CIB reportedly issues new 22.5% 18-months CDs

Commercial International Bank - Egypt [**COMI**] has reportedly issued new high-yield 18-month CDs, a 20% p.a. paid monthly and a 22.5% p.a. paid as a lump sum at maturity. ([Al-Masry Al-Youm](#))

Egyptian steel companies hike their prices

Beshay Steel increased its rebar prices by 14% to EGP27,360/ton compared to EGP24,000/ton in mid-December. The **Arab Iron & Steel Union (AISU)** reported that average international rebar prices reached USD700/ton in the first week of 2023, up from USD680/ton in the last week of 2022. Rising billet prices (USD550/ton vs. USD530/ton) are to blame for the price increase. Beshay's new price is equivalent to almost USD1,000/ton, which is USD300 higher than the average international price. Ezz Steel [**ESRS**] is also set to raise its price today for long steel to EGP25,985/ton compared to EGP23,450/ton in mid-December. ([Al-Borsa](#))

Telecom Egypt to obtain new frequencies soon

Telecom Egypt's [ETEL] mobile operator, **WE**, will soon obtain new additional frequencies to improve the quality of its service. The cost of these frequencies is said to be USD125mn and will be funded through loans. WE has managed to add on 12mn mobile subs in five years despite a saturated market with penetration rate of 110%. (Economy Plus)

Contact Financial Holding aims to expand its portfolio

Contact Financial Holding [CNFN] is aiming to expand its current outstanding portfolio by 70% to EGP19bn in 2023, targeting **Saudi Arabia** and the **UAE**. CNFN's portfolio grew 62% to EGP11.4bn in 2022, driven in part by expansion into the African market. (Al-Borsa)

EFID to sell used equipment to its plant in Morocco

Edita Food Industries' [EFID] BoD approved selling 825 Twinkies molds to its plant in **Morocco** for a total of EUR83,500 which is equivalent to EGP2.4mn. ([Company disclosure](#))

B.Tech closes its first securitized bonds issuance

B.Tech has reportedly finalized a securitization bond issuance worth EGP1bn over three tranches with a credit rating of P1. The issuance is the first of an EGP5.0bn approved bond program that should be finalized within two years. ([Arab Finance](#))

AMN for Industrial Investment ups its stake in PACHIN

AMN for Industrial Investment upped its stake in Paints & Chemical Industries (PACHIN) [PACH] from 9.937% to 10.604% after buying 160,205 shares at an average price of EGP28.99/share. ([Company disclosure](#))

MARKETS PERFORMANCE

Current equity market cap (EGPbn)						1,006.2		Equity turnover (EGPmn): Last, ytd avg.				2,359.3		2,596.1					
						daily chg.		ytd chg.								daily chg.		ytd chg.	
		EGX 30	15,462.57	(3.94%)	5.92%														
		EGX 30 TR	6,352.25	(4.06%)	5.79%														
		EGX 70 EWI	2,814.08	(2.41%)	0.43%														
		EGX 100 EWI	4,213.72	(2.71%)	1.65%														
		DFMGI	3,313.65	(0.25%)	(0.67%)														
		ADSMI	10,209.69	0.39%	(0.01%)														
		TASI	10,634.06	(0.12%)	1.48%														
		QE Index	11,425.48	(0.36%)	6.97%														
		S&P 500	3,919.25	0.70%	2.08%														
		Dow 30	33,704.10	0.56%	1.68%														
		NASDAQ	10,742.63	1.01%	2.64%														
		VIX	20.58	(6.33%)	(5.03%)														
		STOXX 50	4,057.46	(0.27%)	6.95%														
		MSCI Emerging	1,014.02	0.05%	6.03%														
		MSCI Frontier	483.57	0.08%	2.38%														

		Gold	1,877.03	0.28%	3.19%
		Silver	23.60	(0.20%)	(0.38%)
		Brent Oil	80.10	(0.66%)	(7.38%)
		WTI	75.12	(0.76%)	(7.11%)
		Natural Gas	3.64	0.00%	(18.68%)
		USD/EGP	27.68	(0.28%)	(10.66%)
€		EUR/USD	1.07	0.16%	0.42%
£		GBP/USD	1.22	0.12%	0.70%
¥		USD/JPY	132.26	(0.29%)	(0.84%)
		6M TB yield	20.60	143	143
		1Y TB yield	20.89	198	198
		10Y TB yield	14.68	0	0
		2Y TB yield	4.25	4	(18)
		10Y TB yield	3.62	9	(26)
		30Y TB yield	3.75	9	(21)

* As of market close, except for commodities and currencies at 8.35am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

KEY DATES

DATE	TICKER	TYPE	EVENT
11-Jan-23	COMI	Capital increase	ESOP registration, increasing capital by EGP165.4mn from EGP29.825bn to EGP29.991bn.
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	<u>Elsewedy Electric [SWDY] – Turning Copper Into Gold</u>
5-Dec-22	<u>Commercial International Bank [COMI] – Still Spearheading</u>
28-Nov-22	<u>Abu Dhabi Islamic Bank - Egypt [ADIB] – Unmitigated Temerity</u>
20-Nov-22	<u>Alexandria Containers & Cargo Handling Co. [ALCN] – Gateway of the North</u>
14-Nov-22	<u>Obour Land for Food Industries [OLFI] – Wise and Clever</u>
13-Nov-22	<u>STANDPoint – Time to Catch Up; Updating our fundamental outlook</u>
3-Nov-22	<u>TAKEStock – Telecom Egypt [ETEL] – Life Above 40</u>
19-Oct-22	<u>Lecico Egypt [LCSW] – A Fragile Tile?</u>
27-Sep-22	<u>Commercial International Bank [COMI]: Commander-in-Chief</u>
24-Sep-22	<u>TAKEStock: The Egyptian Banking Industry - The RRR Effect</u>
21-Sep-22	<u>EGYPTBanks – The Causal Sequence</u>
24-Aug-22	<u>Arabian Food Industries (Domty) – Core Coverage Report</u>
22-Aug-22	<u>Credit Agricole Egypt [CIEB] – Core Coverage Update</u>
31-Jul-22	<u>Ghazl El-Mahalla Football Co. [GMFC] - IPO Update</u>
14-Jun-22	<u>Ghazl El-Mahalla Football Co. [GMFC] - In a League of Its Own</u>
8-Jun-22	<u>TAKEStock – Delta Sugar [SUGR] - Sweet and Sour</u>
7-Jun-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>Elsewedy 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>

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