

Today's Story

A Month in Brief: May Bloodied as 'Sell in May and Go Away' Looms

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(in Arabic)

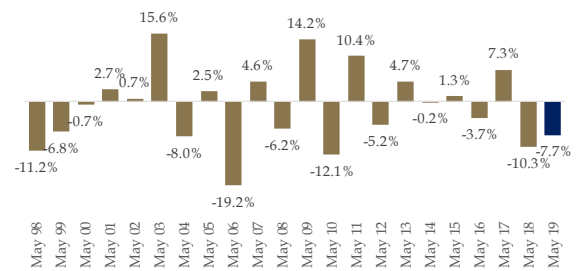
The Daily Cast
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Egyptian equities tumbled in May to their worst monthly performance since the beginning of 2019 as the market benchmark EGX 30 hovered around the 14,000 level during the month. Dried up by the Ramadan season, liquidity—added to margin calls—caused the crushing disappointment. Also, a stronger EGP in May helped pull stocks lower. Combined, these factors rendered all EGX sectors losers. In the same vein, the world's largest index provider MSCI's inclusion of 50% of the Saudi Arabian market (the remaining 50% will follow in August) and Argentina in emerging markets indices, along with a higher weight of China's A-shares late May, all squeezed some money out of their peer markets, including Egypt. All that considered, could Egypt still be an alluring market as it has been for the last year and a half? EGX 30 is still trading at a discount to both MSCI EM and MSCI FM. The bad performance was brought to bear by Egyptians who mounted their selling pressure to close out May as net sellers for the second month in a row, while Arabs followed suit. Meanwhile, foreigners continued to be net buyers. Let's cast a glance at the performance during May 2019.

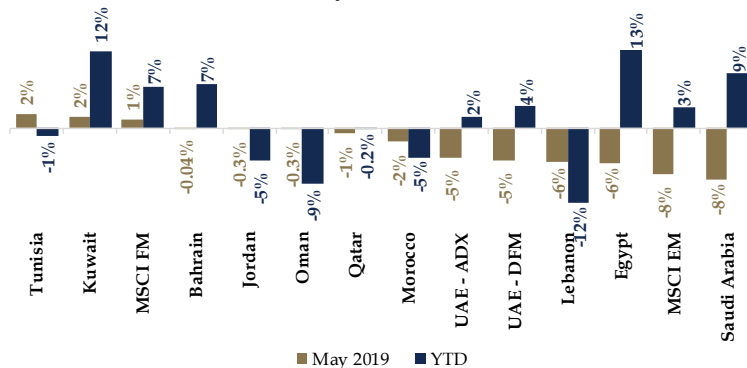
- Egyptian equities slipped to their first monthly decline since the beginning of 2019. However, that May drag still did not deprive them from staying at the top of MENA markets ytd, upheld by the hefty gains made in January and February. EGX 30 lost 7.7% in EGP terms (-6% in USD terms due to a stronger EGP, yet up 13% ytd), underperforming MSCI FM but outperforming MSCI EM. This EGX 30 performance was the sixth worst among all May months since the index inception, playing on the "Sell in May and go away" adage—arguing that investors should exit the stock market before summer to avoid a seasonal downdraft and switch gears in the fall—which may be what have run through the market in May—or starting May. Chart to the right depicts the EGX 30 performance during each May since the index inception back in 1998. On the valuation side, Egypt is the fourth cheapest among the MENA markets if we added Bahrain's stock market to the mix, which includes Dubai and Oman. EGX 30 was traded at a 23% discount to MSCI EM by the end of May and at an 8% discount to MSCI FM.

EGX 30 performance during each May since inception



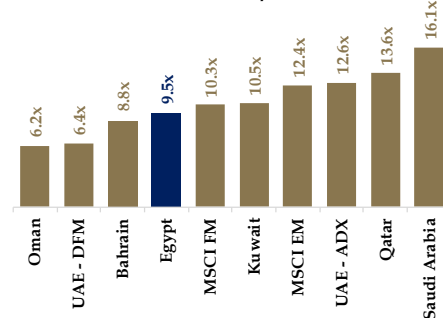
Source: Investing.com.

MENA Markets May 2019 & YTD Performance



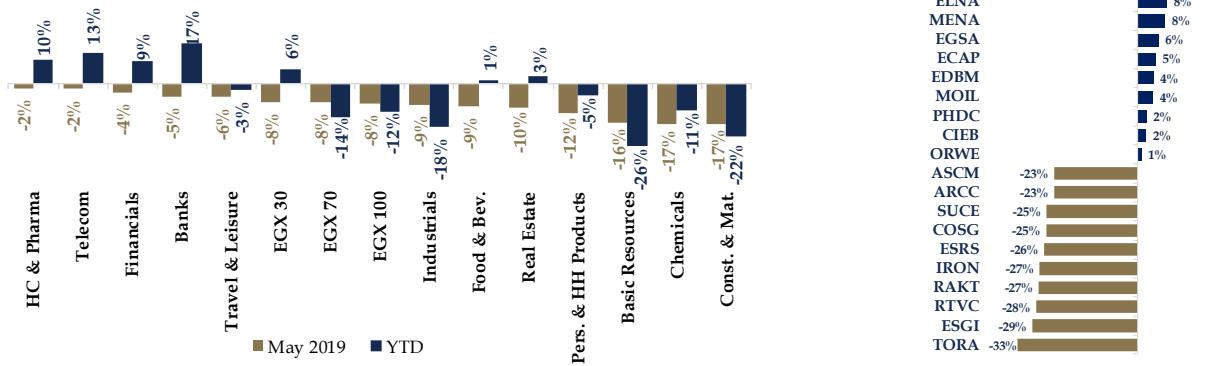
Note: Performance measured in USD terms.
Source: Bloomberg.

Fwd. P/E



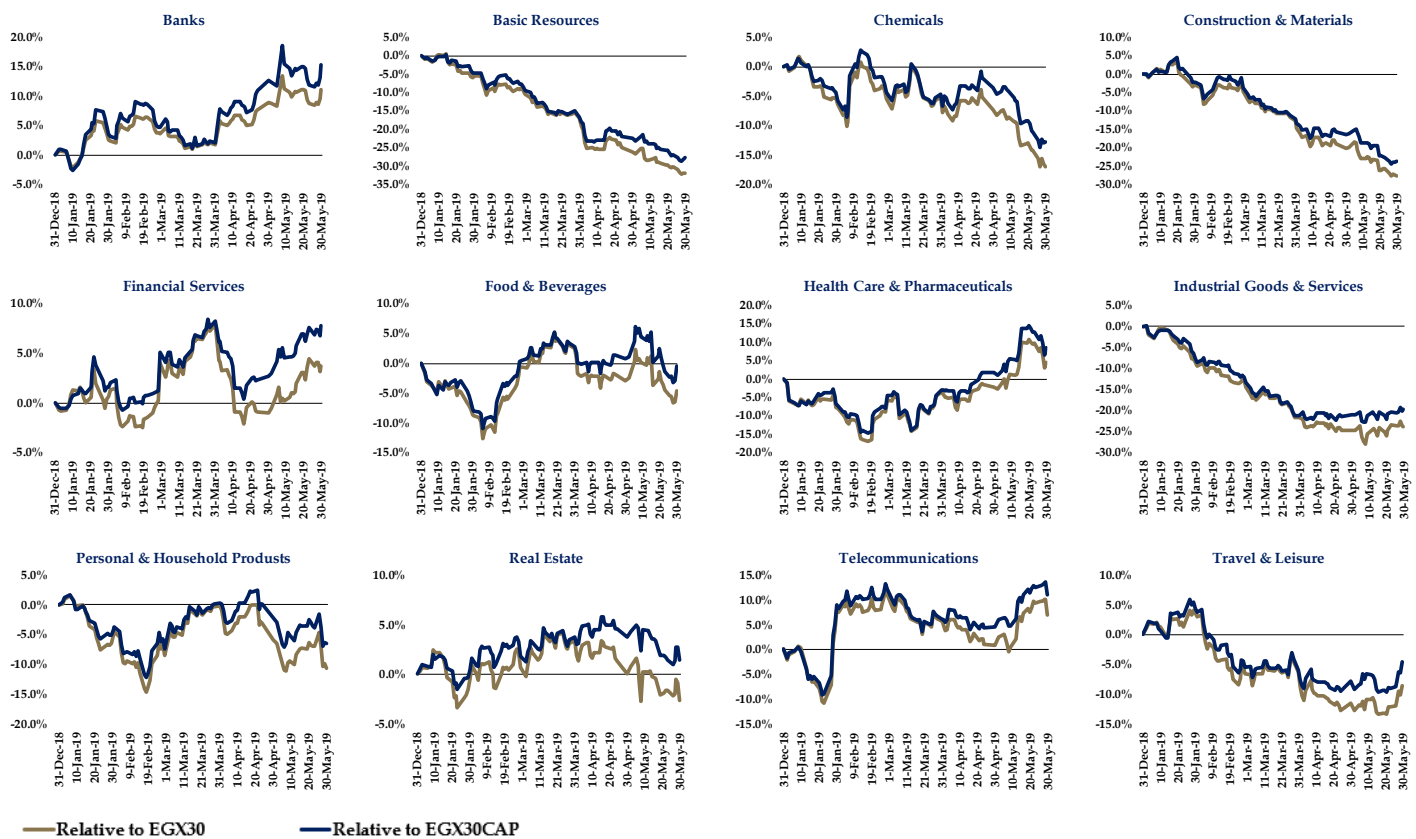
- With no exceptions, all EGX sectors slipped in May, extending their losses from April. Healthcare & pharmaceuticals was the least down sector, followed by telecom while constructions & materials, and chemicals which were the worst performing. On a ytd basis, banks, telecom, and healthcare & pharmaceuticals were the top gainers, while basic resources and construction & materials were the top losers. The below chart to the right depicts the best and worst 10 performing stocks within EGX 100 index constituents based on a total return analysis in May 2019.

Egypt sectors May 2019 & YTD Performance



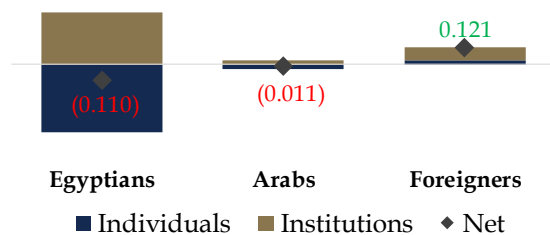
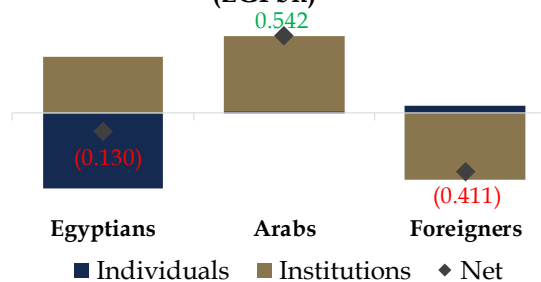
Note: Performance measured in EGP terms.
Source: Bloomberg.

- For the 12 sectors' daily performance relative to EGX 30 and EGX 30 CAP indices, please see the charts below.



Source: Bloomberg, SHUAA Securities Egypt.

- In terms of investors trading by type:
 - Egyptians** continued to be net sellers with EGP0.11bn of net outflows in May, driven by individuals, for the third consecutive month. Despite Egyptian purchases during January and February, heavy selling pressures during the last three consecutive months turned them into net sellers on a ytd basis with net outflows of EGP0.13bn.
 - Arabs** became net sellers in May with a net outflow of EGP0.01bn after they were net buyers for three consecutive months, driven by individuals (still net buyers on ytd basis with a net inflow of EGP0.54bn).
 - Foreigners** remained net buyers in May with lower net inflows of EGP0.12bn compared to April figures, led by institutions. Despite their buying through the last three months, foreigners are still net sellers on ytd basis with net outflows of EGP0.41bn.

Net trading by nationality May 19
(EGPbn)Net trading by nationality YTD
(EGPbn)

Source: EGX.

Top Headlines

Corporate

- **Misr Fertilizers Production Co.'s "MOPCO"** (MFPC) net profit jumped 66% y/y to EGP435.2mn in Q1 2019, owing to reversed provisions. Meanwhile, revenues rose 19% to EGP2.36bn and gross margin declined to 46% vs. 50% in Q1 2018. ([Company disclosure](#))
- **Arab Cotton Ginning's** (ACGC) consolidated earnings jumped 85% y/y to EGP20mn in Q3 FY2018/19 on (1) an expansion in GPM by 77bps to 12.6% during the quarter and (2) FX gains of EGP9mn compared to EGP1mn in Q3 FY2017/18. Earnings growth came in despite soaring net financing expenses which increased by 61% y/y to EGP50mn. Meanwhile, revenue inched up 1% to EGP693mn during the quarter. ([Company disclosure](#))
- **Arab Co. for Asset Management & Development's** (ACAMD) BoD approved the following: (1) transferring some of the company's fixed assets to inventory, (2) postponing the final decision regarding the offer received ACAMD for its land in **Abu Teeg**, and (3) approving the draft of the sales contract of **Minyet Samanod** land. ([Company disclosure](#))
- **Alexandria Mineral Oils Co.** (AMOC) accepted the highest bid by **Vitol** to export two mazut shipments, each weighing from 25,000 tons to 30,000 tons, in the period from May-July 2019. ([Company disclosure](#))
- The **CI Capital-Renaissance Capital** consortium that was awarded the SPO of **Abu Qir Fertilizers** (ABUK) will kick off its roadshow after *Eid El-Fitr*. According to sources, the SPO of a maximum of 20% will be executed in June or July 2019. (Al-Mal)
- **Arabia Holding** is seeking to borrow EGP1bn from local banks to finance its real estate developments, including *Sun Capital* and *Galleria New Cairo*, of which investments amount to EGP5bn and EGP3.6bn, respectively. It is worth noting that Arabia Holding's land bank is around 5mn sqm. (Al-Mal)

Non-Corporate

- The **Ministry of Finance** has maintained the customs exchange rate for basic and strategic goods at EGP16/USD during June, contrary to common expectations. Meanwhile, the customers exchange rate for non-strategic goods was reduced by 2.2% from EGP17.24/USD in May 2019 to EGP16.8648/USD in June 2019. ([Al-Ahram](#), [Al-Shorouk](#))
- **Egypt's** M2 money supply growth slowed in April to an annual 11.33% from 11.39% in March. It stood at EGP3.76tn as of end-April, up from EGP3.72tn a month earlier. ([Reuters](#))
- The **CBE** allocated EGP50bn to finance real estate purchases by middle-income individuals through mortgage in efforts to support the sector. ([Al-Borsa](#))
- The **Ministry of Finance** is on track to revise some medium-term targets for **Egypt's** key macro indicators in light of a challenging global outlook. Revised indicators include:
 - Lower GDP growth target for FY2020/21 (from 7.2% to 6.5%),
 - Higher interest rate assumptions in FY2019/20 (from 10.7% to 15.5%) and 11.5% in FY2020/21 and 10% in FY2021/22,
 - Higher inflation in FY2019/20 (from an average 9.7% to an average of 10.5%) and 9.1% in FY2020/21 and 8% in FY2021/22,
 - Oil price of USD68/bbl in FY2020/21,
 - Higher public debt target in FY2020/21 (from 80% to 85% of GDP), and
 - Higher budget deficit in FY2020/21 (from 5% to 6.2%) and 4.8% in FY2021/22. ([Enterprise](#))

- **CDC Group**, a UK development financial institution, was granted approval by the **Central Bank of Egypt (CBE)** to provide Tier 2 capital to the Egyptian banking sector. The approval could see CDC commit as much as USD200mn to **Egypt's** banks to help support their loan book expansion, bringing new products to their SMEs. ([Enterprise, CDC](#))
- **Average yields on 182-day and 357-day T-bills** were up in an auction held on **30 May 2019**, as follows: ([CBE](#))

- **182 days: 17.645%** (+18bps vs. 17.463%).

Required	Submitted	Accepted	Bid-to-cover ratio
EGP9bn	EGP8.3bn	EGP4.2bn	0.92

- **357 days: 17.339%** (+8.2bps vs. 17.257%).

Required	Submitted	Accepted	Bid-to-cover ratio
EGP9.5bn	EGP12.7bn	EGP5.5bn	1.34

Markets

↘ EGX 30	13,771.31	(1.45%)	↘ EGX 70	597.40	(0.91%)
↗ DFMGI	2,620.33	0.79%	↗ ADSMI	5,003.59	2.82%
↗ TASI	8,516.48	1.22%	↗ QE Index	10,273.01	3.43%
↘ S&P 500	2,752.06	(1.32%)	↗ MSCI EM	998.00	0.31%
↗ Gold	1,305.58	1.31%	↘ Brent Oil	61.99	(5.11%)

*As of market close

- **MENA Markets:** **Egypt's** benchmark **EGX 30** closed lower on Thursday on weaker **GTHE, TMGH, and EAST**. **UAE indices** closed in the green, with **DFMGI** supported by **real-estate** and **banking** stocks, and **ADSMI** powered by its **banking** and **telecommunication** sectors. In **Saudi Arabia**, **TASI** closed in the green territory as **banking** and **materials** stocks went north.
- **Global Markets:** **US stocks** closed lower on Friday, pressured by losses in **Telecom, Technology, and Oil & Gas** sectors. Moreover, the US stocks ended the month of May suffering from trade tensions. **Gold** ended Friday in the green, while **oil** closed in the red.

Number of the Day

32%

Foreign contribution to total market turnover during May 2019.

Today's Quiz

How much does National Investment Bank (NIB) own in Export Development Bank of Egypt (EXPA)?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Eastern Company	EAST	EGM / AGM	2-Jun	Reviewing Agenda Items
Egypt Aluminium	EGAL	EGM	2-Jun	Reviewing Agenda Items
Arabia Investments Holding	AIH	Lawsuit	9-Jun	Legal diputes against French Peugeot
Medinet Nasr for Housing & Development	MNHD	Bonus Shares	9-Jun	Bonus shares record date
Medinet Nasr for Housing & Development	MNHD	Bonus Shares	10-Jun	Bonus shares distribution date
Egyptian Resorts Co.	EGTS	EGM	11-Jun	Amending some of the company's articles of incorporation
Egyptian Resorts Co.	EGTS	AGM	11-Jun	Reviewing Agenda Items
MM Group for Industry	MIIE	Dividends	13-Jun	Ex-date (EGP0.25/share); Last eligible date (12 Jun)
South Valley Cement	SVCE	AGM	20-Jun	Reviewing Agenda Items
Amer Group Holding	AMER	Lawsuit	23-Jun	Legal Disputes Relevant to <i>Porto Tartous</i> project
Porto Group Holding	PORT	Lawsuit	23-Jun	Legal Disputes Relevant to <i>Porto Tartous</i> project
Global Telecom Holding	GTHE	AGM	26-Jun	Discussing capital increase
Qalaa Holdings	CCAP	AGM	26-Jun	Reviewing Agenda Items
Ezz Steel	ESRS	AGM	26-Jun	Reviewing Agenda Items
Misr Cement (Qena)	MCQE	Dividends	27-Jun	Payment date (EGP0.25/share)
Egyptian Transport and Commercial	ETRS	Dividends	27-Jun	Payment date (EGP0.50/share)
South Valley Cement	SVCE	Results	30-Jun	1Q 2019 results
Amer Group Holding	AMER	Lawsuit	4-Jul	Legal Disputes Relevant to the Company
Porto Group Holding	PORT	Lawsuit	4-Jul	Legal Disputes Relevant to the Company
Egyptian Resorts Co.	EGTS	Lawsuit	4-Jul	Appeal against TDA regarding Sahl Hasheesh
TMG Holding	TMGH	Dividends	15-Jul	Payment date (EGP0.088/share)
Orascom Construction	ORAS	Results	8-Aug	1H 2019 results
Ismailia Misr Poultry	ISMA	Dividends	8-Aug	Payment date (EGP0.10/share)
Sidi Kerir Petrochemicals	SKPC	Dividends	22-Aug	Payment date (EGP0.50/share)
Sidi Kerir Petrochemicals	SKPC	Dividends	16-Oct	Payment date (EGP0.25/share)
Misr Cement (Qena)	MCQE	Dividends	31-Oct	Payment date (EGP0.25/share)

Quiz Answer

40.75%.

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