

Today's Story

Inflation Creeps Up in May; Stay Tuned for More

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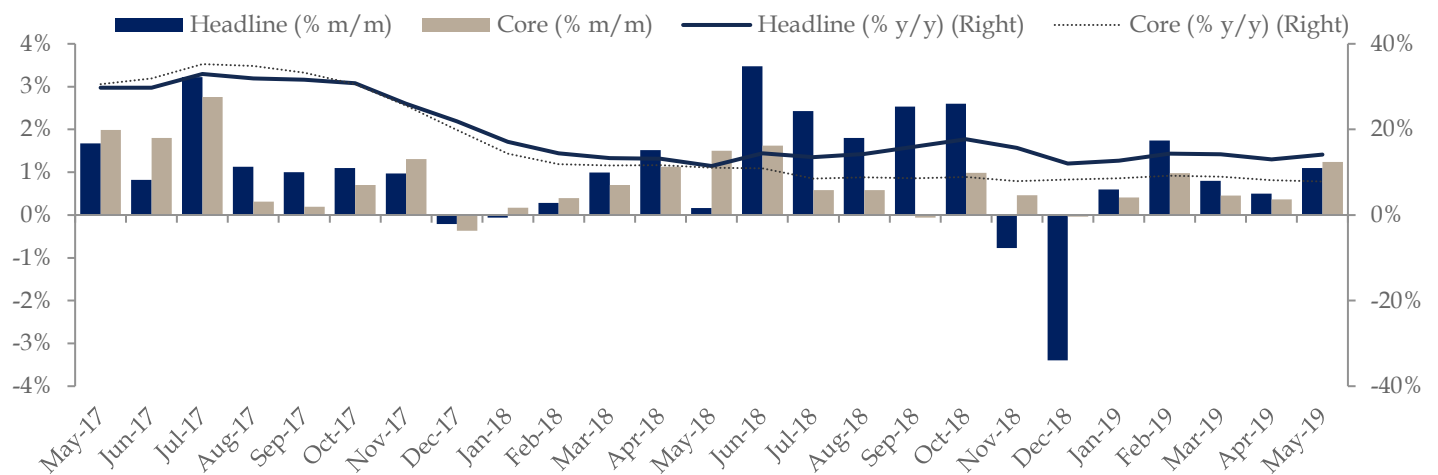
(in Arabic)

The Daily Cast
البث اليومي



Inflation crept up annually as per data published by official statistics agency CAPMAS on Monday. The pick-up in both urban and total republic inflation is not shocking since vegetable and fruit prices have been escalating on annual and monthly basis, respectively. Annual urban inflation edged up from 13% in April to 14.1% in May. Meanwhile, monthly urban inflation accelerated from 0.5% to 1.1%. A similar trend pace was detected in total republic inflation which inched up from 12.5% in April to 13.2% in May on an annual basis and from 0.4% to 0.9% on a monthly basis. The future of inflation and interest rates are the topics of discussion in *Today's Story*.

- Core inflation cooled annually:** Core inflation eased from 8.1% in April to 7.8% in May on an annual basis. Meanwhile, on a monthly basis, core inflation accelerated from 0.5% to 1.2%, most probably corresponding to the price levels of core food items and medical care goods.
- How do we see inflation pattern in the near future?** We think inflation rates in the coming two quarters will be mainly driven by two factors (excluding any unpredictable movement in vegetable prices): (1) impending fiscal reform measures and (2) the base effect. On that account, we expect inflation to rise towards a peak of 16% early Q1 FY2019/20 and cool down afterwards. We do not think inflation rates will be galloping, as the base effect during H2 2019 should be mostly favorable. On that account, we note that the average increase of electricity tariffs is lower than last years. This, coupled with the current moderate oil prices (hovering below USD65/bbl), could mitigate the effect of the expected inflation hikes.
- Interest rates ... freezing in the summer?** Given the expected pick-up in inflation rates, we believe the CBE will likely prefer to keep rates unchanged in its upcoming Monetary Policy Committee meetings in July, August, and September. Afterwards, a decision to cut rates by 1% might be made in November or December by the CBE, thus maintaining its easing path which will be positive for the overall economy.



Source: CBE.

Top Headlines

Corporate

- Electro Cable Egypt's (ELEC)** board of directors approved selling or renting unused land plots totaling 43,000 sqm. ([Company disclosure](#))
- Vodafone Egypt (VFE)**, a 44.95%-owned subsidiary of **Telecom Egypt (ETEL)**, will be fined EGP10mn by the **National Telecommunications Regulatory Authority (NTRA)** for its network disruption on 3 June 2019. ([Hapijournal](#))
- Egypt Aluminum (EGAL)** revised its FY2019/20 budget to post a net profit of EGP107mn rather than the EGP342mn net losses previously projected. Lower-than-expected electricity cost accounted for the swing to profit. ([Company disclosure](#))

- **Raya Holding for Financial Investments'** (RAYA) subsidiary **Aman for Microfinance** is planning to increase its loan portfolio to EGP500mn and service 60,000 clients by 2019 year-end. ([Company Disclosure](#))

Non-Corporate

- **Egyptian Capital Markets Association (ECMA)** announced a detailed statement on the developments of the integration of capital gains tax and stamp tax on the stock exchange transactions. The statement showed the cancellation of the stamp tax on Egyptians and residents while foreigners will pay only 0.1% on their transactions. The statement also proposed a 50% tax cut for 7 years for the companies that decide to float more than 35% of their shares in IPO. Also, exemption of same day trading from the tax is one of the proposed amendments. (Al-Borsa)
- **Core inflation** in May recorded 7.8% y/y, easing down from 8.1% in April, while on a monthly basis it picked up from 0.5% in April to 1.2% in May. ([CBE](#))

Markets

↗	EGX 30	14,148.88	1.71%	↗	EGX 70	604.75	0.59%
↗	DFMGI	2,674.77	0.90%	↗	ADSMI	4,997.83	0.84%
↗	TASI	8,849.21	1.72%	↗	QE Index	10,503.55	2.02%
↗	S&P 500	2,886.73	0.47%	↗	MSCI EM	1,022.03	1.45%
↘	Gold	1,326.03	(0.15%)	↗	Brent Oil	62.72	0.69%

*As of market close, except for commodities at spot price as of 8.39am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** ended higher on Monday, thanks to stronger **COMI**, **TMGH**, and **EAST**. UAE's **DFGMI** and **ADSMI** ended in the green, bolstered by gains in the **banking** and **real-estate** sectors. **Saudi Arabia's** benchmark **TASI** closed higher on **banking** and **materials** stocks.
- **Global Markets:** **US equities** gained momentum on Monday. Sentiment for risky assets around the globe picked up in response to US skipping the idea of imposing tariffs on **Mexico**. Also, expectation of a dovish **Fed** in its next **FOMC** meeting supported stocks' rally. The **DXY** was mainly flat on morning trading while oil was supported by supply arrangement news.

Number of the Day

EGP3bn

The total investments that Egyptian-Saudi Co. for Natural Water & Food Industries (ESC) is planning to inject into Egypt by the end of 2022.

Today's Quiz

What is the total capital of Aman for Microfinance?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
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	MTIE	Dividends	13-Jun	Ex-date (EGP0.25/share); Last eligible date (12 Jun)
Raya Holding	RAYA	Dividends	16-Jun	Ex-date (EGP0.15/share); Last eligible date (15 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

EGP50mn.

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