

## Today's Story

### A Month in Brief – A Well-Received Rate Cut

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(in Arabic)

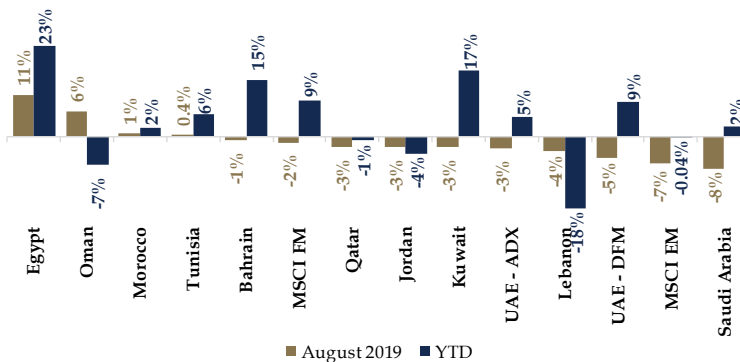
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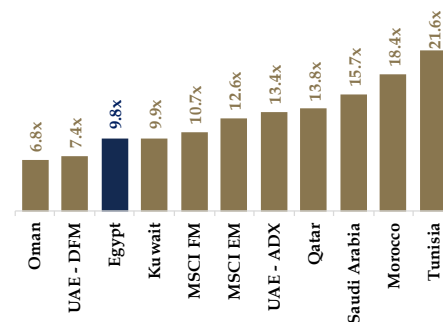
In [The Daily Beam dated 19 August 2019](#), we came to a conclusion that the US equity market's oft-cited phenomenon "Sell in May and Go Away" is translated to "Buy in August and Sell in February" in Egypt. Judging from the performance of the Egyptian equities so far, that interpretation clearly holds true with the EGX 30 gaining 11% in August (+23% ytd). Also, traded value totaled EGP15bn in August, the fourth-highest month so far in 2019, with the last session in the month recording more than EGP1.3bn. We can largely attribute this outstanding performance to the CBE's decision to cut interest rates by 150bps in late August, a much-anticipated move that encouraged investors to dive deeper into the market. Foreigners turned buyers to a large measure in August from being heavy net sellers in July, but we note that a considerable part of their inflows was induced by the execution of Global Telecom Holding's (GTHE) deal. Egyptians were mostly the sellers in GTHE's deal, and Arabs also turned net sellers on a ytd basis. Egypt is still the third cheapest market, trading at a discount to MSCI EM and MSCI FM. Below, we analyze the market performance during August.

- **Egypt's** equity market was the best performer compared to its MENA peers in August after it was the second worst market in July. **EGX 30** gained 11% in USD terms in August, outperforming **MSCI FM** (-2%) and **MSCI EM** (-7%). Accordingly, Egypt returned to top MENA markets on a ytd basis after being fifth in July, with the EGX 30 index adding 23% ytd in USD terms. On the valuation side, Egypt is still the third cheapest among the MENA markets behind **Oman** and **Dubai**. By the end of August, EGX 30 was traded at a 22% discount to MSCI EM and at a 8% discount to MSCI FM.

MENA Markets August 2019 & YTD Performance



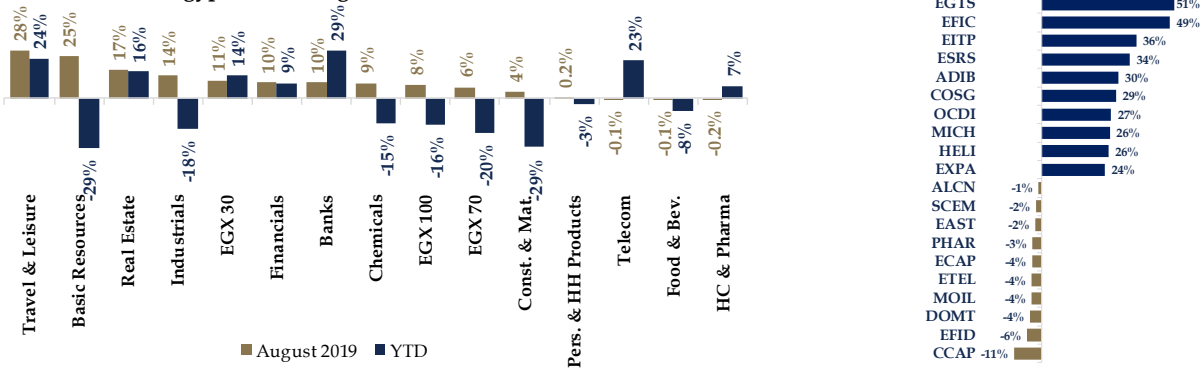
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Note: Performance measured in USD terms. Source: Bloomberg.

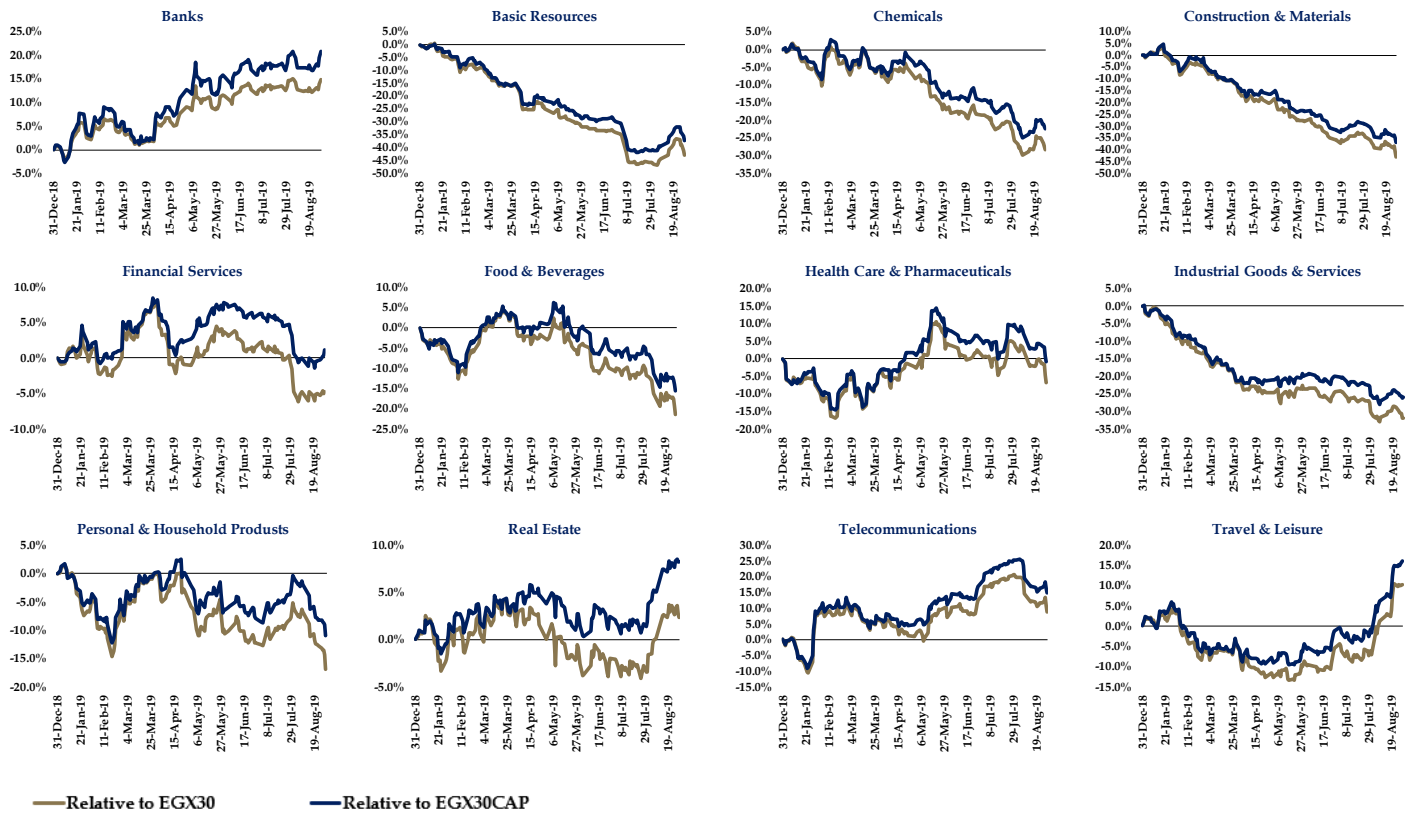
- After the bloody month of July, most of **EGX** sectors returned to the green zone in August. **Travel & leisure** and **basic resources** were the top risers, while **health care & pharmaceuticals**, **food & beverage**, and **telecom** were the only decliners during August 2019. Judging from the market's generally good performance in August, it seems that investors opted for cyclicals as opposed to non-cyclicals (i.e. **health care** and **F&B**). Indeed, **basic resources** was lifted by a remarkable performance by **Ezz Steel** (ESRS), after its 55%-owned subsidiary **Al-Ezz Dekheila Steel's** (IRAX) BoD agreed to acquire 56% and 100% of sister companies **Ezz Flat Steel** (EFS) and **Ezz Rolling Mills** (ERM), respectively. On a ytd basis, **banks**, **telecom**, and **travel & leisure** were the top winners, while **basic resources** and **construction & materials** lost the most. The below chart to the right depicts ten of the the best- and worst-performing stocks in the EGX 100 based on an analysis of total return in August.

## Egypt sectors August 2019 & YTD Performance



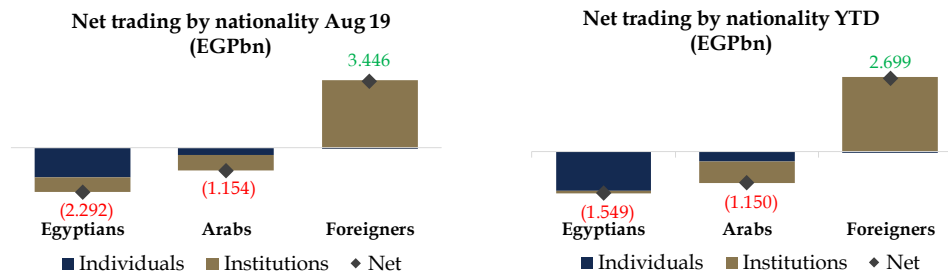
Note: Performance measured in EGP terms. Source: Bloomberg.

## The daily performance of the market's 12 sectors relative to EGX 30 and EGX 30 CAP on a ytd basis



Source: Bloomberg, SHUAA Securities Egypt.

## Investors by type



Source: EGX.

- **Egyptians** were net sellers with EGP2.29bn of net outflows in August (net outflows of EGP1.55bn ytd), driven by individuals.
  - **Arabs** were net sellers with EGP1.15bn of net outflows (net outflows of EGP1.15bn ytd), led by institutions.
  - **Foreigners** were net buyers with EGP3.45bn of net inflows (net inflows of EGP2.70bn ytd), dominated by institutions.
- We note that the turnover figures in August account for the execution of GTHE's deals which amounted to EGP9.72bn.*

## Top Headlines

### Corporate

- **Export Development Bank of Egypt's (EXPA)** FY2018/19 stand-alone earnings grew 50% y/y to EGP1.05bn. Earnings growth came on the back of 47% higher net interest income of EGP1.71bn, coupled with a 34% growth in non-interest income on the back of sale of its headquarters building. Deposits expanded notably to EGP40.5bn (+17% y/y) with the expansion of the bank's branch network during the period. On other hand, lending growth came lush as gross loans surged to EGP26.2bn (+24% y/y), bringing GLDR to 65% vs. 61% a year earlier. Meanwhile, CAR came at 14.83% vs. 13.62% a year earlier, supported by earnings momentum and stronger loan-book diversity. ([Company disclosure](#))
- **Alexandria Mineral Oils Co.'s (AMOC)** BoD proposed an EGP0.25 cash dividend per share for FY2018/19, implying a 5.7% dividend yield. ([Company disclosure](#))
- **Egyptian Iron & Steel (IRON)** reported net losses of EGP1.25bn in FY2018/19 compared to net losses of EGP899.6mn last year. The higher net losses could be attributed to heavier gross losses in the year. Meanwhile, revenues fell by 23% to EGP1.24bn. ([Company disclosure](#))
- **Elsewedy Electric (SWDY)** said that its subsidiary **Elsewedy Electric for Trading & Distribution** has signed a new EPC agreement worth EGP327mn with the **Egyptian Electricity Transmission Co. (EETC)** for 220 KV overhead transmission lines in Qusser, Marsa Allam, and Bernes totaling 100 km in length, with a 6-month execution period. ([Company disclosure](#))
- **Dice Sport & Casual Wear's (DSCW)** earnings increased slightly by 2% y/y to EGP42mn in Q2 2019 on FX gains of EGP21mn. Revenues inched down 1% y/y to EGP393mn. Meanwhile, DSCW's gross profit decreased by 11% y/y to EGP95mn, reflecting a 3% lower GPM. ([Company disclosure](#))
- The **Egyptian government** is ready to sell stakes in each of **Alexandria Containers & Cargo Handling Co. (ALCN)**, **Abu Qir Fertilizers (ABUK)**, and **Sidi Kerir Petrochemicals Co. (SKPC)**. The order, timing, size, and makeup of each of the offerings will be determined during a meeting scheduled for next week based on the opinion of investment banks supporting the sales and market conditions, Tawfik said. ([Enterprise](#))
- A subsidiary of **Amer Group Holding (AMER)** has signed with **Dr. Nermien Ismail Language Schools (NIS)** an agreement to build a school in Port Said. ([Enterprise](#))

### Non-Corporate

- The second wave of the public offerings program (POP), which consists only of IPOs, has been postponed to after January 2020 from an original September 2019 date, **Minister of Public Enterprises Hisham Tawfik** said. ([Enterprise](#))
- Credit rating agency **Moody's** has maintained its **Egypt** rating at B2 with a stable outlook, citing its large debt load and persistently weak albeit improving government finances. ([Enterprise](#))
- **Average yields** were down in an auction held on **29 August 2019**, as follows: ([CBE](#))

Maturity	Yield	Was	Required	Submitted	Accepted	Bid-to-cover ratio
182 days	16.521%	16.900%	EGP9.25bn	EGP13bn	EGP8bn	1.4
364 days	16.263%	16.511%	EGP9.75bn	EGP15.8bn	EGP9.75bn	1.6

## Markets

↗	EGX 30	14,835.36	1.64%	↗	EGX 30 TR	5,487.22	0.87%
↗	EGX 70	553.34	0.40%	↗	EGX 100	1,455.08	0.53%
↗	DFMGI	2,758.60	0.03%	↗	ADSMI	5,165.57	0.72%
↘	TASI	8,019.77	(1.85%)	↗	QE Index	10,232.85	2.07%
↗	S&P 500	2,926.46	0.06%	↗	MSCI EM	984.33	1.47%
↘	Gold	1,520.38	(0.47%)	↘	Brent Oil	59.25	(2.05%)

\*As of market close

- **MENA Markets:** Egypt's benchmark **EGX 30** was up on Thursday, supported by **COMI**, **HRHO**, and **EKHO**. In the **UAE**, **DFMGI** strengthened as well, powered by its **banking** and **transportation** sectors. Meanwhile, **ADSMI** rose drawing on **banks** and **telecom** stocks. Meanwhile, **Saudi Arabia's TASI** slid on weaker **banking**, and **materials** stocks.
- **Global Markets:** **US equities** rose last Friday on hopes of reconciled trade worries, coupled with positive economic data on consumer spending. **Oil** prices fell on Friday despite closing for big weekly gains. Meanwhile, **gold** prices weekend on Friday, amid some strength on the **US dollar index (DXY)**.

## Number of the Day

14,835.36

The highest price level reached by EGX 30 since 5 May 2019, which was recorded last Thursday.

## Today's Quiz

What is **General Co. for Silos & Storage's (GSSC)** free float percentage?

(Answer located at the end of this newsletter)

## Corporate Events

Company	Ticker	Event Type	Event Date	Reason
CI Capital Holding	CICH	AGM	2-Sep	Discuss capital increase
GB Auto	AUTO	EGM	3-Sep	Approve merging RG Investment into GB Auto.
Suez Canal Bank	CANA	Lawsuit	4-Sep	To rule in a lawsuit that invalidated theBank's AGM on April 4, 2018
Ezz Steel	ESRS	Lawsuit	9-Sep	Steel Billets -Law Suit
Global Telecom Holding	GTHE	EGM	9-Sep	Discussing delisting from EGX; approving asset sale.
Dice Sport & Casual Wear	DSCW	EGM	12-Sep	Discuss capital increase
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	15-Sep	Legal Disputes relevant to <i>Porto Tartous</i> project
Canal Shipping Agencies	CSAG	Tender	15-Sep	put up a two-story building for rent in an auction
Maridive & Oil Services	MOIL	EGM	16-Sep	Discuss capital increase
El Ezz Aldekhela Steel Alexandria	IRAX	EGM	22-Sep	Voting on Capital increase and the acquisition of EFS and ERM
Egyptian Resorts Co.	EGTS	AGM	25-Sep	Reviewing Agenda Items
Amer Group Holding	AMER	Lawsuit	26-Sep	Legal disputes relevant to the company
Porto Group Holding	PORT	Lawsuit	26-Sep	Legal disputes relevant to the company
Arabia Investments Holding	AIH	Lawsuit	29-Sep	lawsuit against French Peugeot
Sidi Kerir Petrochemicals	SKPC	Dividends	16-Oct	Payment date (EGP0.25/share)
Egyptian Resorts Co.	EGTS	Lawsuit	26-Oct	Appeal against TDA regarding Sahl Hasheesh
Misr Cement (Qena)	MCQE	Dividends	31-Oct	Payment date (EGP0.25/share)

## Quiz Answer

15.7%.

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