

## Today's Story

### The Tough Call — Should the CBE Hike Rates?

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- The upcoming meeting of the **Central Bank of Egypt's (CBE) Monetary Policy Committee (MPC)** scheduled for 27 September comes at turbulent times. A global tightening monetary theme has curbed investors' appetite for emerging markets (EM) asset classes in general. **Egypt**, one of those emerging markets, has felt the brunt of this outflow from Egyptian equities back in August and Egyptian Treasuries since end of April.
- Trying to foresee the MPC's upcoming interest rate decision, we consider only two possible scenarios with different probabilities: (1) keeping rates constant and (2) a 100-200bps rate hike.
  - **Keeping rates constant (we assign it an 80% probability):** The CBE may decide to keep rates unchanged in view of ...
    - The need to contain Egypt's cost of debt.
    - The timing would not be right for the stock market at a time of the government's public offerings program.
    - The absence of inflationary pressures.
    - The relative stability of the EGP.
    - The CBE's repatriation mechanism keeping hot inflows off its precious reserves.
  - **A 100-200bps rate hike (we assign it a 20% probability):** The CBE may decide to hike rates to ...
    - Stimulate foreign inflows into Treasuries.
    - Secure enough funding to meet public finance needs.
    - Support the EGP.
    - Counter other competing EMs with higher policy rates (e.g. **Turkey** and **Argentina**).
- **Our view:** We still rule out any rate cut in the near future in view of the monetary tightening scene globally. This leaves us with two other possible scenarios, a “no change” decision or a “rate hike” decision. While the latter is still possible in view of current competition from other EMs, we are more inclined to go for the former which is the least disruptive decision in our opinion and is in line with the CBE's “wait and see” mode until further notice.

## Top Headlines

### Corporate

- **Elsewedy Electric (SWDY)** announced that its 10-for1 stock split will be effective on 27 September 2018, where its par value will be split from EGP10 to of EGP1, thus increasing the company's number of shares will increase from 218.4mn to 2.18bn after the stock split. (Company Disclosure)
- **Oriental Weavers Carpet (ORWE)** said that the tariffs imposed by the **US** on **China's** goods, which include textiles and furniture, should bode well for ORWE's operation in the US market. The **United States** represents 40% of ORWE's tufted division export sales, while China holds around 20-25% share of the US tufted market. We note that tariffs on China's tufted products will be raised from the current 6-8% to 10% effective 24 September 2018 and further to 25% in January 2019. (Company IR)
- **Abu Qir Fertilizers (ABUK)** announced that is has been studying a menthol project and reviewing the bid requirements and specifications to be tendered to competent companies in order to prepare feasibility and marketing studies for the project. ([Company Disclosure](#))
- The **New Cairo City Authority** contracted **Orascom Construction (ORAS)** to build EGP650mn of new road, utility and infrastructure developments in New Cairo. ([Al-Borsa](#))
- **South Valley Cement (SVCE)** could decide not to add its new licensed cement line due to market conditions in light of current oversupply. Meanwhile, **Trade & Industry Assistant Minister**, Hussein El-Garhy, said that the market oversupply ranges from 25-30mn tons. (Al-Mal, Al-Masry Al-Youm)

## Non-Corporate

- The **Minister of Trade & Industry** issued a decree increasing the export fee of nitrogen-based fertilizers from EGP125/ton to EGP500/ton on companies that did not meet their local quota. ([Hapi Journal](#))
- The **Minister of Petroleum** Tarek El Molla and **Cyprus's Minister of Energy** will sign an agreement to build a USD1bn pipeline connecting the Aphrodite gas field to liquefaction plants in Egypt. ([Enterprise](#))

## Markets

↗	EGX 30	14,653.91	0.02%	↘	EGX 70	720.82	(0.37%)
↘	DFMGI	2,742.98	(0.33%)	↘	ADSMI	4,876.39	(0.13%)
↗	TASI	7,643.40	0.44%	↘	QE Index	9,823.53	(0.09%)
↗	S&P 500	2,904.31	0.54%	↗	MSCI EM	1,019.74	0.33%
↗	Gold	1,203.44	0.42%	↗	Brent Oil	79.09	0.08%

\*As of market close, except for commodities at spot price as of 8.13am CLT.

- **MENA Markets:** The **EGX 30** has inched marginally higher on Tuesday, paring its losses over the prior six sessions. **TASI** ended higher on gains in the **Hotels & Tourism** sector. **UAE indices** closed lower, with **DFMGI** ending down for the fifth session in a row.
- **Global Markets:** **Global equities** rebound on Tuesday, as investors neutralized trade tensions, helping **US indices** to close in the green. **Asian equities** also traded higher this morning in light of potential stimulus in the **Chinese** economy to balance potential trade war effects. **Oil** prices were nearly flat in morning trading after a rise in US crude stockpiles.

## Number of the Day

### USD5bn

Egypt targets to issue Eurobonds worth USD5bn in FY2018/19.

### Today's Quiz

What was the share of foreigners in Egypt's T-bills outstanding balance during July?

(Answer located at the end of this newsletter)

## Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Misr Beni Suef Cement	MBSC	Dividends	20-Sep	Record date for cash dividends eligibility of EGP 2.0 per share
GlaxoSmithKline	BIOC	GM	20-Sep	Reviewing Agenda Items
Canal Shipping Agencies	CSAG	GM	23-Sep	Reviewing Agenda Items
Alexandria Containers Handling	ALCN	GM	24-Sep	Reviewing Agenda Items
Middle Egypt Flour Mills	CEFM	Lawsuit	25-Sep	Legal Disputes Relevant to the Company
Misr Beni Suef Cement	MBSC	Dividends	25-Sep	Distribution of cash dividends of EGP 2.0 per share
Orange Egypt for Telecommunications	OREG	EGM	25-Sep	Reviewing the voluntary delisting decision
South Cairo & Giza Mills	SCFM	Lawsuit	26-Sep	Legal Disputes Relevant to the Company
October Pharma	OCPH	Dividends	27-Sep	Distribution of cash dividends of EGP 2.0 per share
International Company for Leasing	ICLE	Dividends	28-Sep	Distribution of cash dividends of EGP 1.125 per share
Alexandria Co for Pharmaceuticals	AXPH	GM	29-Sep	Discussing distribution of EGP8.25 per share cash dividends
Arab Pharmaceuticals	ADCI	GM	29-Sep	Reviewing Agenda Items
Abou Kir Fertilizers & Chemicals	ABUK	EGM	29-Sep	Reviewing Agenda Items
International Agricultural Products	IFAP	EGM	29-Sep	Reviewing Agenda Items
Alexandria Mineral Oils	AMOC	Dividends	30-Sep	Record date for cash dividends eligibility of EGP 0.85 per share
Alexandria Mineral Oils	AMOC	Dividends	3-Oct	Distribution of 1th installment of cash dividends of EGP 0.55 per share
Middle East Glass Manufacturing Co	MEGM	EGM	4-Oct	Reviewing Agenda Items
Pioneers Holding	PIOH	Right issue	8-Oct	End date for right issue trading separately
Egypt Aluminum	EGAL	EGM	8-Oct	Discussing capital increase
Alexandria Spinning & Weaving	SPIN	GM	8-Oct	Reviewing Agenda Items
Golden Coast	GOCO	Dividends	9-Oct	Distribution of 2nd installment of cash dividends of EGP 0.1 per share
Suez Canal Bank	CANA	Lawsuit	9-Oct	Legal Disputes Relevant to the Company
Extracted Oils	ZEOT	GM	10-Oct	Reviewing Agenda Items
Union National Bank Egypt	UNBE	EGM	13-Oct	Reviewing Agenda Items
MM Group for Industry	MTIE	EGM	13-Oct	Reviewing Agenda Items
Nozha International Hospital	NINH	GM	15-Oct	Reviewing Agenda Items (Bonus Shares)
General Silos & Storage	GSSC	Lawsuit	15-Oct	Legal Disputes Relevant to the Company
Alexandria Flour Mills	AFMC	GM	17-Oct	Reviewing Agenda Items
Al Ahram Co for Printing	EPPK	GM	25-Oct	Reviewing Agenda Items
Egyptian Resorts Co.	EGTS	Lawsuit	27-Oct	Legal Disputes Relevant to the Company
Alexandria Flour Mills	AFMC	Lawsuit	29-Oct	Legal Disputes Relevant to the Company
El Nasr Co for Transformers	NASR	Dividends	31-Oct	Distribution of 3rd installment of cash dividends of EGP 0.1 per share
Porto Group Holding	PORT	Lawsuit	29-Nov	Legal Disputes Relevant to the Company

## Quiz Answer

21%.

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