

## Today's Story

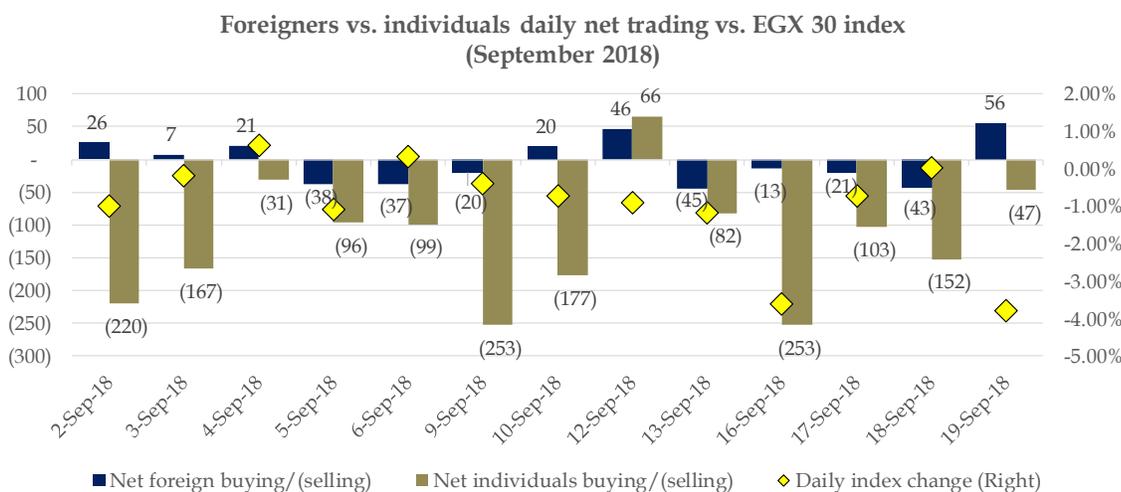
### Who Let the “Bears” Out?

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- With the **EGX 30** falling below the 14,700 level, the market has officially entered the “bear” market mode. The question is: What instigated this drop over the past couple of trading sessions? One way to understand what happened is to look at the trading data by investor type. The data is split by institutions and individuals on one hand and by nationality on the other hand. Since the Egyptian pound (EGP) flotation, we note the following ...
  - **Net buyers** have been led by:
    - **Institutions** with a cumulative amount of EGP24.7bn.
    - **Foreigners** with a cumulative amount of EGP20.3bn.
    - **Arabs** with a cumulative amount of EGP1.0bn.
  - **Net sellers**, on the other hand, have been led by:
    - **Individuals** with a cumulative amount of EGP24.7bn.
    - **Egyptians** with a cumulative amount of EGP21.3bn.
- However, the market as measured by the EGX 30 index has been on a slippery slope in September 2018, closing in the red in all but three of the 13 trading sessions so far into the month. The EGX 30's cumulative loss in September alone is now -11.94%, down 6.13% ytd and 23.44% off its peak of 18,414.11 of 29 April 2018. A closer look at who has been driving the index's negative performance reveals three main groups:
  - **Individuals** with a cumulative net selling of EGP1.61bn.
  - **Foreigners** with a cumulative net selling of EGP40mn.
  - **Arabs** with a cumulative net selling of EGP24mn.

We focus next on two of the above three groups, namely **individuals** and **foreigners**, because of the size of the former and the sentiment the latter can have on the market. As shown in the below chart:

- **Individuals have been net sellers in all but one trading session so far in September.** We can attribute this behavior to the margin debt that individuals have had over the past. With the market dropping, margin calls often get triggered which instigate more selling pressure on stocks which go into a downward spiral until the sell-off wave abates.
- **Foreigners have been almost evenly split between buying (6 sessions) and selling (7 sessions) in September.** Yesterday alone when the EGX 30 recorded the second daily drop in excess of 3%, foreigners were net buyers with some EGP56mn. We note that such data is only for stock trading and do not include bond trading, where foreigners have been net sellers in view of turmoil in emerging markets.



Source: EGX, SHUAA Securities Egypt database

- Statistically speaking:** Based on its historical data, when the EGX 30 index falls on any given day by more than 3%, there is a 54% chance that the following day will also close lower. Over the years (excluding yesterday), the EGX 30 has had a total of 188 days (or 4% of the time) when it closed down on any given day by more than 3%. Out of those 188 days, 86 days were followed by a positive performance the following day with an average of +2.25%, and 102 days were followed by a negative performance the following day with an average of -2.30%. Overall, the average performance the following day has been -0.22%. There is also a 16% chance that the following day will register a drop of more than 3% versus a 14% chance it will register a jump of more than 3%. Here is a summary of these findings:

Data below are based on EGX 30 historical data, excluding yesterday	No. of days	Performance
Total number of trading days for the EGX 30 since its inception in 1998	5,063	
Number and performance of days EGX 30 was down more than 3%	188	(0.22%)
... of which number and average performance of positive days following a drop of more than 3%	86 ;	2.25%
... of which number and average performance of negative days following a drop of more than 3%	102 ;	(2.30%)
... of which number and average performance of more than +3% following a drop of more than 3%	27 ;	4.41%
... of which number and average performance of less than -3% following a drop of more than 3%	31 ;	(4.89%)

Source: EGX, SHUAA Securities Egypt database

- Now what?** Trading data and statistics aside, we recommend that investors at such volatile times should focus on individual stocks, not the main market index which we all know is swayed mainly by **COMI**. We had hinted earlier in [The Daily Beam issued on 16 September 2018](#) a number of stock picks that should be somewhat intact in view of the current macro picture. We distinguished these stocks as being export oriented, have low leveraged balance sheets, and generate positive free cash flows. However, as the market tended to sell off rather quickly, it makes sense to widen the scope to include some stocks that are at deep discount to their book or par values. We have handpicked the following 12 names that trade at discount to par value and book value: **RTVC** (-68% discount to par value, -77% discount to book value), **APSW** (-61%, -25%), **ACGC** (-55%, -69%), **MPRC** (-54%, -59%), **SVCE** (-47%, -62%), **UEGC** (-37%, -44%), **CANA** (-28%, -46%), **DAPH** (-23%, -55%), **EFIC** (-14%, -42%), **AMER** (-10%, -49%), **EXPA** (-9%, -43%), and **LCSW** (-5%, -63%).

## Top Headlines

### Corporate

- State-owned investment bank **NI Capital** issued a tender yesterday that will see it hire a manager for the sale of additional stake of **Alexandria Containers & Cargo Handling** (ALCN) on the EGX this year. ([Youm7](#))
- Egypt's** state-IPOs program will likely kick off in October, starting with two companies **Alexandria Mineral Oils Co.** (AMOC) and **Eastern Company** (EAST). Then **Alexandria Containers & Cargo Handling Co.** (ALCN) is expected to float its shares in November, followed by **Heliopolis Housing & Development** (HELI) and **Abu Qir Fertilizers** (ABUK) in December. Meanwhile, the second of wave of the program is expected to take place in 2019. ([Enterprise](#))
- Orascom Investment Holding** (OIH) declared its intension to invest the proceeds from the sale of **MENA Cable** in areas targeted for expansions, such as financial services, real estate, agri-industries, entertainment, and logistics. ([Company Disclosure](#))
- Raya Contact Center** (RACC) inked a long-term lease agreement of a c.8,400 sqm building in **Smart Village**. The new facility is expected to add around c.1,500 workstations to RACC's capacity. RACC's CEO, Reem Assad, said the year 2018 should be mainly concerned with building capacities in preparation for growth potential. ([Company Disclosure](#))
- B Investments Holding** (BINV) announced the acquisition of a controlling stake in **Gourmet** group of companies (**Gourmet Egypt** and **Gourmet Food Solutions**), operating in the food industry, by investing c.EGP125mn through both an acquisition and a capital increase to bring BINV's total stake to c.53%. We note that BINV has previously announced its intention to acquire two companies, one in the food industry and another in solar energy. ([Company Disclosure](#))
- The **Cairo Court of Appeals** has postponed **Ibnsina Pharma's** (ISPH) case for review on 19 November 2018. By a way of background, earlier this year the **Economic Court in Egypt** had issued a preliminary verdict against ISPH and three other drug distributors, fining them a total of EGP5.6bn over monopolistic acts in 2015 that were claimed to have negatively affected retailers in the markets. Later on, the four defendants appealed the verdict to the Cairo Court of Appeals. According to the company's IR, postponement of the case is positive for ISPH. ([Company Disclosure](#))

- **South Valley Cement (SVCE)** denied all published rumors regarding any thoughts or plans not to add its new licensed cement line. ([Company Disclosure](#))

## Non-Corporate

- An **IMF** delegation will arrive in **Cairo** at the end of October for its fourth review of the economic reform program ahead of unlocking another tranche of the USD12bn extended fund facility, the **Minister of Finance** Mohamed Maait said. ([Enterprise](#))
- The **Minister of Finance** said **Egypt** could tap global debt market with a USD5bn issue, plus or minus, maybe early 2019. ([Enterprise](#))
- The **Ministry of Electricity** will sign today EGP6.3bn worth of contracts with **Siemens** to manage the three combined-cycle plants in **Burullus, Beni Suef**, and the new capital. ([Enterprise](#), [Al-Borsa](#))
- Chairman of the **Financial Regulatory Authority (FRA)** Dr. Mohamed Omran issued a decision to reduce annual services fees by 50% for the companies listed on the **EGX**. According to the decision, annual services fees will be 0.0005% of total issued capital (vs. the current 0.001%), with minimum fees of EGP5,000 (vs. EGP10,000), while the maximum fees will remain at EGP 25,000. In addition, the **Nilex** companies will have a further 50% cut on their annual services fees to stand at 0.00025% of total issued capital with minimum fees of EGP2,500 and a maximum of EGP12,500. The new decision will come into effect from the first of January 2019. ([FRA](#))

## Markets

↘	EGX 30	14,098.56	(3.79%)	↘	EGX 70	694.52	(3.65%)
↘	DFMGI	2,740.68	(0.08%)	↗	ADSMI	4,884.06	0.16%
↗	TASI	7,729.65	1.13%	↘	QE Index	9,805.40	(0.18%)
↗	S&P 500	2,907.95	0.13%	↗	MSCI EM	1,031.07	1.11%
↗	Gold	1,204.04	0.47%	↗	Brent Oil	79.40	0.47%

\*As of market close, except for commodities at spot price as of 8.2am CLT.

- **MENA Markets: Egyptian equities** suffered from a severe sell-off wave yesterday; all **EGX 30** constituents ended the day down, led by **COMI, SWDY**, and **ABUK**. **TASI** ended higher on gains in the **banks** and **materials** sectors. **UAE indices** were mixed, with **DFMGI** ending down for the sixth session in a row, while **ADSMI** closed marginally higher.
- **Global Markets: US equities** closed mostly higher on Wednesday as investors took escalating trade tensions in stride to instead focus on improving economic fundamentals even as a weak technology sector pulled the **Nasdaq** lower. **Oil** and **gold** prices were nearly flat in morning trading.

## Number of the Day

# 870,540

Total number of containers handled by **Alexandria Containers Handling (ALCN)** in FY2017/18.

## Today's Quiz

When was the worst decline in EGX 30 since 2016 started?

(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
Elsewedy Electric	SWDY	Stock split	26-Sep	Record date for stock split eligibility
South Cairo & Giza Mills	SCFM	Lawsuit	26-Sep	Legal Disputes Relevant to the Company
October Pharma	OPPH	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
Export Development Bank	EXPA	EGM	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
Egyptian Iron & Steel	IRON	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

It was on 14 January 2016 when the EGX 30 index declined 5.60%.

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