

Today's Story

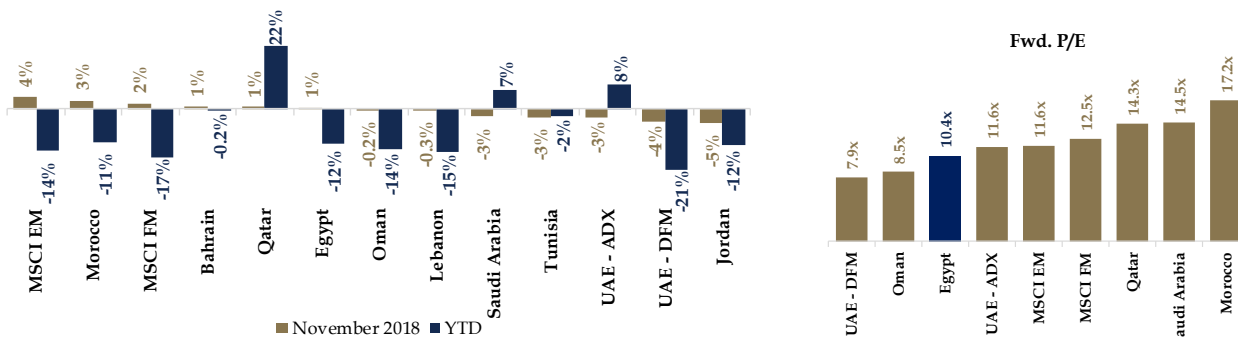
A Month in Brief: A Short-Lived Rally in November

Ahmed Abdelnaby | Vice President, Research | ahmedabdelnaby@shuaasecurities.com

The Central Bank of Egypt “CBE” kept interest rates unchanged mid-November, a decision that built up investors’ appetite, only to be curbed by November-end with a new tax treatment on interest income generated from Treasuries which bruised the banking sector as we detail hereafter. Egypt’s market valuation is still attractive with the market benchmark, EGX 30 index, trading at a discount to MSCI EM and even MSCI FM. The heavy selling pressures were brought to bear by Arabs as they turned net sellers in November compared to October. Let’s cast a glance at the performance during November 2018 and ytd.

- **Egypt** was the fourth best performing market in November across MENA; **EGX 30** gained 1% in USD terms (still -12% ytd), underperforming **MSCI EM** and **MSCI FM** indices in November but outperforming them on a ytd basis. Emerging markets recovered in November, while the Egyptian banking sector’s drop marred the positive effect from **CBE’s** decision to leave interest rates unchanged. On the valuation side, Egypt is still the third cheapest MENA market for the second month in a row behind **Dubai** and **Oman**. EGX 30 is traded at a slightly wider discount to MSCI EM of 10.3% (vs. 7.5% in October).

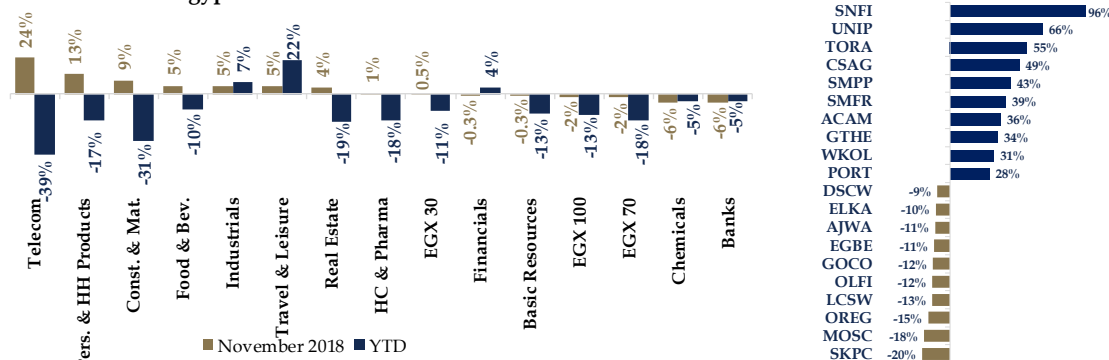
MENA Markets November 2018 & YTD Performance



Note: Performance measured in USD.
Source: Bloomberg.

- Contrary to October, most of **EGX** sectors performed well in November as the **CBE’s** decision to leave interest rates unchanged (in line with most economists' views) helped boost investor sentiment. The **banking** sector was severely damaged late November when the **Cabinet** approved a new tax treatment on interest income generated from Treasuries, in a step that led analysts to draw up gloomy forecasts for banks’ earnings, sparking a wave of sell-offs in the sector to close the month as the top loser. Meanwhile, **Telecom** was the top performer in November, followed by **Personal & Household Products** and **Construction & Materials**. On a ytd basis, **Travel & Leisure** (+22%), **Industrials** (+7%), and **Financials** (+4%) were the only gainers so far. The below right chart depicts the best and worst 10 performing stocks based on total return analysis in November.

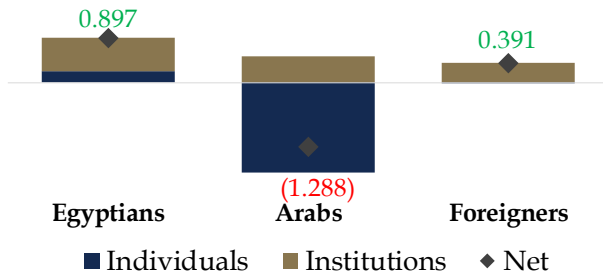
Egypt sectors November 2018 & YTD Performance



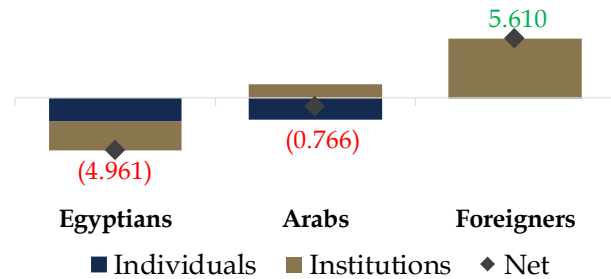
Note: Performance measured in EGP.
Source: Bloomberg.

- In terms of investor trading by type:
 - Foreigners** turned net buyers in November with EGP0.39bn of net inflows, driven by institutions, after being net sellers for the previous three consecutive months. On a ytd basis, they are still net buyers with EGP5.61bn net inflows, largely led by institutions.
 - Arabs** turned net sellers in November with EGP1.29bn of net outflows (EGP0.77bn net outflows ytd), driven by individuals.
 - Egyptians** continued as net buyers in November with EGP0.90bn of net inflows, driven by institutions, while they are still net sellers ytd with EGP4.96bn of net outflows, dominated by institutions.

Net trading by nationality Nov 18
(EGPbn)

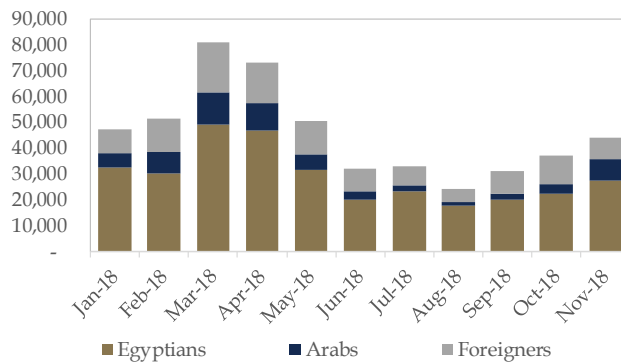


Net trading by nationality YTD
(EGPbn)

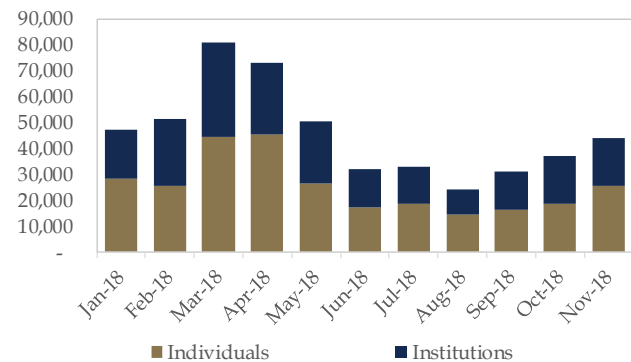


Source: EGX.

Trading values by nationality of investor



Trading values by type of investor



Source: EGX.

Top Headlines

Corporate

- Orascom Construction (ORAS)** has signed contracts for the construction of the council of ministries building and a cathedral in New administrative capital, in addition to some infrastructure work as well. (Al-Mal)
- Emaar Industries** will acquire white cement plant of **South Helwan**, a subsidiary of **Suez cement (SUCE)** before this year's end for a total value of above EGP600mn. (Al-Mal)
- Beltone Financial Holding's (BTFH)** appeal against the **Financial Regulatory Authority (FRA)** was postponed to 15 December 2018. (Mubasher)

Non-Corporate

- The **Ministry of Finance** decided to liberalize the customs exchange rate on some goods in line with the **Central Bank of Egypt's (CBE)** rate, effective 1 December 2018. This applies to luxurious goods and imports resembling local products. However, the old customs' exchange rate of EGP16/USD will still apply on strategic goods and production inputs. Previously, a unified customs exchange rate used to take effect on all imported goods, which was around 90% of the official rate. ([Al-Borsa](#))

- In an auction held on 29 November, **average yields** were up on 182-day and one-year T-bills:
 - Yield on **182-day T-bills** rose from 19.893% to 19.964% (+7.1bps) with EGP7.4bn accepted vs. EGP9.5bn required.
 - Yield on **one-year T-bills** rose from 19.920% to 19.957% (+3.7bps) with EGP13.2bn accepted vs. EGP9.5bn required. ([CBE](#))
- Banks' net foreign assets** recorded a net negative position of USD5.5bn in October vs. USD3.9bn in September. ([Al-Mal](#))
- Russian Rosneft** has begun the process of acquiring a license to import natural gas. The company has apparently received preliminary approval from the government to form a JV with a local entity for the activity. ([Enterprise](#))

Markets

↗	EGX 30	13,319.50	0.08%	↘	EGX 70	681.59	(0.10%)
↘	DFMGI	2,668.66	(0.61%)	↘	ADSMI	4,770.08	(2.27%)
↗	TASI	7,702.99	0.92%	↗	QE Index	10,364.54	0.34%
↗	S&P 500	2,760.17	0.82%	↘	MSCI EM	994.72	(0.33%)
↘	Gold	1,220.52	(0.30%)	↘	Brent Oil	59.46	(0.75%)

*As of market close, except for commodities at spot price as of 8.18am CLT.

- MENA Markets:** The **EGX 30** ended Thursday in a stalemate between bulls and bears, closing on a marginal gain. **UAE indices** ended lower, with **DFMGI** slipping on losses from **consumer staples, financials** and **real estate** sectors. Meanwhile, **ADSMI** were down on the back of weaker **banking** and **telecommunication** sectors. **TASI** was noticeably up, notching a 4-day winning streak.
- Global Markets:** **US equities** ended Friday Firmly higher on the back of renewing hopes of smooth resolving regarding trade tensions between US and its biggest trade partners. **Oil** prices were slammed on doubts over curbing oil output to boost prices. **Gold** and other safe haven were down, as the US Dollar Index (DXY) strengthened.

Number of the Day

18.6%

Foreigners' share of the market turnover during November 2018.

Today's Quiz

How many business segments does **Cleopatra Hospital** (CLHO) operate?

(The answer is located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Cleopatra Hospital	CLHO	EGM/ AGM	3-Dec	Reviewing the IFA report regarding the fifth hospital acquisition
Rubex Plastics	RUBX	EGM	3-Dec	Reviewing Agenda Items
Universal for Paper and Packaging Materials	UNIP	Dividends	3-Dec	Record date for cash dividends distribution of EGP 0.30 per share
Dice Sport & Casual Wear	DSCW	Stock split	4-Dec	Discussing stock split
Sues Canal Co for Technology Settlement	SCTS	AGM	5-Dec	Reviewing Agenda Items
Universal for Paper and Packaging Materials	UNIP	Dividends	6-Dec	Distribution of cash dividends of EGP 0.30 per share
Misr Chemical Industries	MICH	AGM	9-Dec	Reviewing Agenda Items
Al Ahram Co for Printing	EPPK	GM	11-Dec	Discussing recomposition of board of directors
Arabia Investments and Development	AIND	EGM	13-Dec	Discussing capital reduction
Ibnsina Pharma	ISPH	Lawsuit	19-Dec	Legal Disputes Relevant to the Company
Industrial & Engineering Projects	IEEC	EGM/ AGM	21-Dec	Reviewing Agenda Items

Quiz Answer

15. Out of them, four main business segments dominate c.65% of revenues, namely inpatients, outpatients, surgeries, and emergency rooms (ERs).

Contact Details

☎ +(202) 16331

📍 143, Bank Zone, 5th Settlement,
New Cairo, First Abu Dhabi Bank Building (6th Floor)
Cairo, Egypt

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