

Today's Story

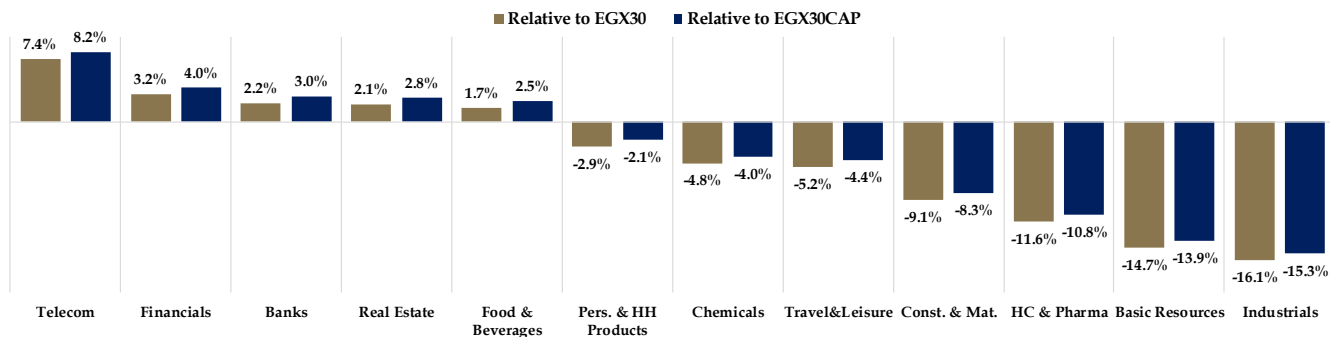
Which Sectors Outperformed in 2019 so Far?

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In *Today's Story*, we assess the relative performance of all 12 Egyptian Exchange (EGX) sector indices versus the main benchmark EGX 30 as well as the newly-launched EGX 30 CAP on a year-to-date basis. This overview highlights each sector's performance so far in 2019, whether as an outperformer or an underperformer. Comparing the sectors' performance against EGX 30 CAP and the main benchmark index, we took on board that EGX 30 CAP sets a maximum weight of 15% for any single stock, while the EGX 30 does not set any. This leaves EGX 30 sensitive to the full weight of blue-chip giants (such as COMI, EAST, and SWDY), sometimes giving false signals on the movements of the whole market. Later in the story, we will clap eyes on some of [our top EGX stock picks, published in our annual strategy note dated 20 January 2019](#), to see if they measured up to the expectations so far.

- Five of the 12 sectors outperformed in 2019:** To gauge the relative performance of each sector, we calculated the absolute difference between ytd performance of each sector index on one hand and both EGX 30 and EGX 30 CAP on a daily basis since the beginning of 2019 on the other hand. A positive (negative) reading means the sector is outperforming (underperforming) either EGX 30 or EGX 30 CAP. As depicted in the chart below (by end of Tuesday, 12 March 2019), five sectors are outperforming in 2019 so far, namely **telecom, financials, banks, real estate, and food & beverages**. Meanwhile, the other seven sectors underperformed relative to both EGX 30 and EGX 30 CAP, with **industrials and basic resources** being the worst.

Sectors ytd performance relative to EGX 30 and EGX 30 CAP indices

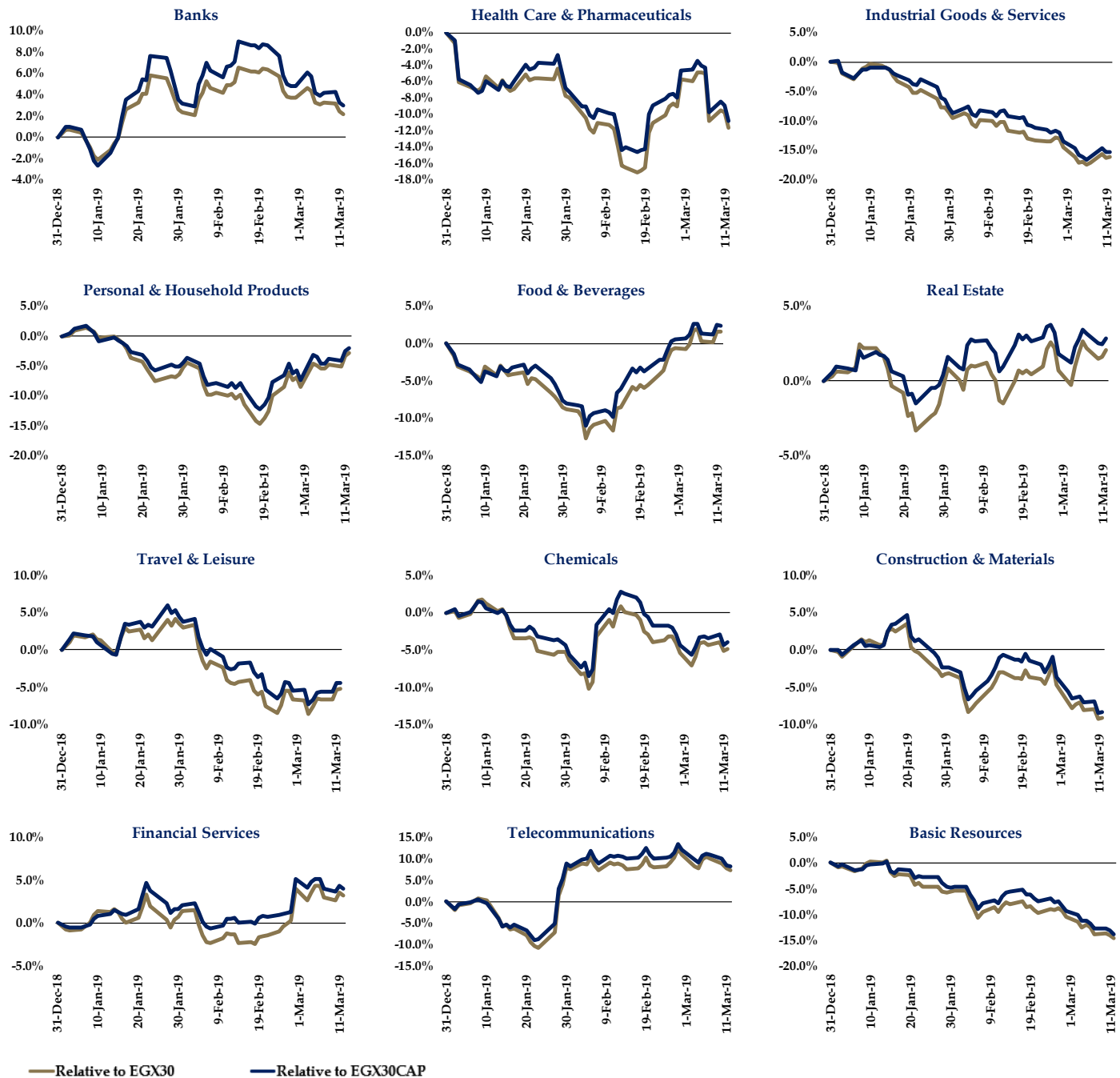


Source: Bloomberg.

- Our preferred names in outperforming sectors:** In our annual strategy note titled "2019 - A Year of Selectivity," dated 20 January 2019, we launched our **EGX Model Portfolio (EGX-MP)** which contained our top 20 stocks. Many of these picks have performed very well so far, while some of them even surpassed our price targets. Accordingly, we replaced those winners with fresh prospects (e.g. ISPH has been replaced by EKHO in our latest rebalance to the MP). But here, we are listing some of the best performing stocks within the top four performing sectors, compared with stocks prices back on 20 January 2019:
 - Telecom:** ETEL with a ytd high of EGP15.84 (+14% vs. our call open price) and OIH with a ytd high of EGP0.846 (+46% vs. our call open price). We note that the latter is still classified as a telecom stock according to EGX classification.
 - Financials:** HRHO with a ytd high of EGP17.89 (+9% vs. our call open price)
 - Banks:** CIEB with a ytd high of EGP46 (+11% vs. our call open price) and FAIT with a ytd high of EGP17.45 (+9% vs. our call open price).
 - Real estate:** ACAMD with a ytd high of EGP3.06 (+5% vs. our call open price), and ORHD with ytd high of EGP7.94 (+8% vs. our call open price), PHDC with a ytd high of EGP3.00 (+35% vs. our call open price), and TMGH with a ytd high of EGP12.17 (+12% vs. our call open price).

On the flipside, there are some well-performing stocks so far within the sectors that underperformed comparing to the main benchmark and EGX 30 CAP. For example, in the **health care & pharmaceuticals** sector (-11.6% vs. EGX 30 and -10.8% vs. EGX 30 Cap), we have **CLHO** in our MP. **CLHO** hit a ytd high of EGP5.80 (+19% vs. our call open price).

For the daily relative performance vis-à-vis EGX 30 and EGX 30 CAP indices for the 12 sectors, please see the charts below.



Source: Bloomberg, SHUAA Securities Egypt.

Top Headlines

Corporate

- **Elsewedy Electric (SWDY)** announced that the wind power plant projects, in cooperation with **UAE's Masdar** and **Japan's Marubeni**, are still under study with the **New & Renewable Energy Authority (NREA)**. The final cost of the projects, which will produce 500MW in **Gulf of Suez** and 200MW in **Ras Ghareb**, has not been set yet. ([EGX](#))

- **Arab Drugs** (ADCI) released its 8M FY2018/19 financials (from July 2018 to February 2019), where net profit before tax increased 13.7% y/y to EGP37.7mn on a 9.3% y/y rise in revenues. ([EGX](#))
- **Palm Hills Developments** (PHDC) said its EGP78mn capital increase, through an employee stock ownership plan (ESOP), has been approved by the **Financial Regulatory Authority (FRA)**. ([EGX](#))
- **Egyptian Iron & Steel** (IRON) reported a 11.6% decline in its tonnage sales to 74,408 tons in 7M FY2018/19 ended January 2019. This is mainly attributed to lower export sales. But we do not think that the current operations have a significant impact on IRON's value. Therefore, we will wait for the results of the production facilities revamping tender and check its impact on IRON's gross losses. ([Company disclosure](#))
- **Ibnsina Pharma** (ISPH) intends to increase its paid-in capital from EGP180.5mn to EGP205mn through the distribution of a 13.5% stock dividend to be financed from 2018 net profits. It is also looking to amend Article No. 3 of its articles of incorporation. ([FRA disclosure](#))
- **Orascom Development Egypt** (ORHD) stated that it has not been addressed officially by any governmental entity with regards to the relinquishing the land of *Amoun Island* in **Aswan**. ([EGX](#))

Non-Corporate

- Trade exchange between **Egypt** and **Japan** rose 30.5% y/y to USD1.26bn in 2018, compared to USD969mn in 2017, the **Egyptian Commercial Service Office** said. ([Egypt Today](#))
- The **Parliament** has approved amendments to *Law No. 10/2009* regulating non-banking financial instruments, which assigns the **Financial Regulatory Authority (FRA)** a separate budget with a fiscal year matching that of the state. Final ratification will be made in a later session. ([Al-Borsa](#))
- The **Egyptian government** is studying the possibility of moving ahead with a local issuance of green bonds in tandem with a planned international issuance in Q4 FY2018/19 or Q1 FY2019/20. This comes as part of the government's new comprehensive debt strategy that aims to diversify the treasury's sources of financing. The government is also mulling whether to float local-currency bonds internationally. ([Enterprise](#))
- The **Minister of Public Enterprises** Hisham Tawfik said that the **Egyptian government** is looking to float seven companies in the second wave of the government's *Public Offerings Program (POP)*. He also said that the program may not be limited to the original 23 companies announced before, and the number of companies to be floated could reach up to 50. ([Al-Borsa](#))
- The **Minister of Electricity & Renewable Energy** Mohamed Shaker announced that the **Egypt-Sudan** electric interconnection project will be postponed due to the current political situation in **Sudan**. **Egypt** was set to export electricity with a capacity of 100MW starting March 2019, to reach 300MW in the project's second phase. ([Al-Mal](#))
- **ACWA Power** intends to invest around USD3bn in the Egyptian market by the end of this year, according to the company's regional manager. The investments will be mainly through three projects in **Luxor** and *Benban Solar Park* in **Aswan**. ([Arab Finance](#))

Markets

↗	EGX 30	15,139.86	0.28%	↘	EGX 70	706.66	(0.09%)
↗	DFMGI	2,598.48	0.25%	↘	ADSMI	4,861.68	(0.18%)
↗	TASI	8,446.07	0.23%	↗	QE Index	9,765.88	0.22%
↗	S&P 500	2,791.52	0.30%	↗	MSCI EM	1,051.52	1.00%
↗	Gold	1,304.49	0.22%	↗	Brent Oil	66.87	0.30%

*As of market close, except for commodities at spot price as of 8.04am CLT.

- **MENA Markets:** **Egypt's** benchmark **EGX 30** ended higher on Tuesday, led by **OCDI**, **AUTO**, and **ORWE**. **UAE's** **ADSMI** was pushed down by **services** and **financial services** stocks, while **DFMGI** closed higher, helped by **financials** and **real estate** stocks. **Saudi Arabia's** **TASI** closed in the green area on good performance by its **telecom** and **industry** sectors.

- **Global Markets:** US indices ended on a mixed note, with the **Dow** closing lower, pulled by **Boeing** (NYSE: BA), whereas **S&P 500** and **Nasdaq 100** close came in green. **Oil** prices closed higher, on supply cut optimism. **Gold** prices gained momentum on uncertainties regarding Brexit votes.

Number of the Day

81bn cubic meters

Egypt's annual needs of water.

Today's Quiz

What is EGX 30 index's forward P/E (2019e)?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Sabaa International Co	SIPC	EGM	16-Mar	Reviewing Agenda Items
Arabia Investments and Development	AIND	Lawsuit	17-Mar	Legal Disputes Relevant to the Company
Credit Agricole Egypt	CIEB	AGM	19-Mar	Reviewing Agenda Items
Abu Dhabi Islamic Bank	ADIB	AGM	20-Mar	Reviewing Agenda Items
CI Capital Holding	CICH	EGM / AGM	20-Mar	Reviewing Agenda Items
Commercial International Bank (CIB)	COMI	EGM	20-Mar	Reviewing Agenda Items
Egyptian Arabian Themar Securities Brokerage	EASB	AGM	21-Mar	Reviewing Agenda Items
Misr Cement (Qena)	MCQE	AGM	23-Mar	Distribution of cash dividends of EGP0.50/share
Egyptian Satellites	EGSA	EGM / AGM	24-Mar	Reviewing Agenda Items
El-Shams Housing & Urbanization	ELSH	EGM	24-Mar	Reviewing Agenda Items
TMG Holding	TMGH	AGM	25-Mar	Reviewing Agenda Items
Medinet Nasr for Housing & Development	MNHD	AGM	25-Mar	Reviewing Agenda Items
Telecom Egypt	ETEL	AGM	27-Mar	Reviewing Agenda Items
Integrated Engineering Group	INEG	AGM	27-Mar	Reviewing Agenda Items
Housing & Development Bank	HDBK	AGM	27-Mar	Reviewing Agenda Items
Global Telecom Holding	GTHE	EGM / AGM	27-Mar	Discussing the continuation of the activity of the company though the company's losses exceeded 50% of the value of shareholders' equity.
Arabian Cement	ARCC	AGM	27-Mar	Reviewing Agenda Items
Amer Group Holding	AMER	EGM / AGM	27-Mar	Reviewing Agenda Items
Al Tawfeek for Financial Lease	ATLC	EGM / AGM	27-Mar	Reviewing Agenda Items
National Housing for professional Syndicates	NHPS	EGM	27-Mar	Reviewing Agenda Items
Global Telecom Holding	GTHE	AGM	27-Mar	Discussing capital increase
Egyptian Chemical Industries - Kima	EGCH	AGM	28-Mar	Adopting the planning budget for FY 2019/2020
Sidi Kerir Petrochemicals	SKPC	AGM	28-Mar	Reviewing Agenda Items
Egypt Aluminum	EGAL	AGM	28-Mar	Adopting the planning budget for FY 2019/2020
Commercial International Bank (CIB)	COMI	Dividends	28-Mar	Distribution of cash dividends of EGP1/share
Egyptian International Pharmaceuticals (EIPICO)	PHAR	EGM / AGM	30-Mar	Reviewing Agenda Items
Cairo Pharmaceuticals	CPCI	EGM / AGM	30-Mar	Reviewing Agenda Items
Egypt Aluminum	EGAL	Tender	31-Mar	Tender for the solar power station
Alexandria Containers Handling	ALCN	AGM	31-Mar	Reviewing Agenda Items
Arab Pharmaceuticals	ADCI	EGM / AGM	31-Mar	Reviewing Agenda Items
Egyptian Iron & Steel	IRON	Tender	31-Mar	Tender for the revamping of its production lines
Canal Shipping Agencies	CSAG	EGM	1-Apr	Adopting the planning budget for FY 2019/2020
Elsewedy Electric	SWDY	EGM / AGM	1-Apr	Reviewing Agenda Items
Palm Hills Developments	PHDC	EGM / AGM	4-Apr	Reviewing Agenda Items
Egyptian Electrical Cables	ELEC	Tender Offer	4-Apr	Last day for submitting orders in tender offer.
Amer Group Holding & Porto Group Holding	OCDI	EGM	8-Apr	Reviewing Agenda Items
Amer Group Holding & Porto Group Holding	OCDI	AGM	9-Apr	Reviewing Agenda Items
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	18-Apr	Legal Disputes relevant to <i>Porto Tartous</i> project
Amer Group Holding & Porto Group Holding	NCEM	Lawsuit	27-Apr	To rule in canceling the decision to dissolve the con
Paints & Chemical Industry	PACH	Dividends	30-Apr	Distribution of cash dividends of EGP1.5/share
Suez Canal Bank				To rule in a lawsuit that invalidated the Bank's
	CANA	Lawsuit	7-May	AGM on April 4, 2018
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	23-Jun	Legal Disputes relevant to <i>Porto Tartous</i> project

Quiz Answer

10.1x (3.8% below its ytd high of 10.5x).

Corrections & Clarifications

In *The Daily Beam* issue dated 12 March 2019, we incorrectly mentioned the percentage that will be deducted from companies' revenues for the universal health care law as 0.0025% when it should read 0.25% (i.e. 2.5 per mille).

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