

Today's Story

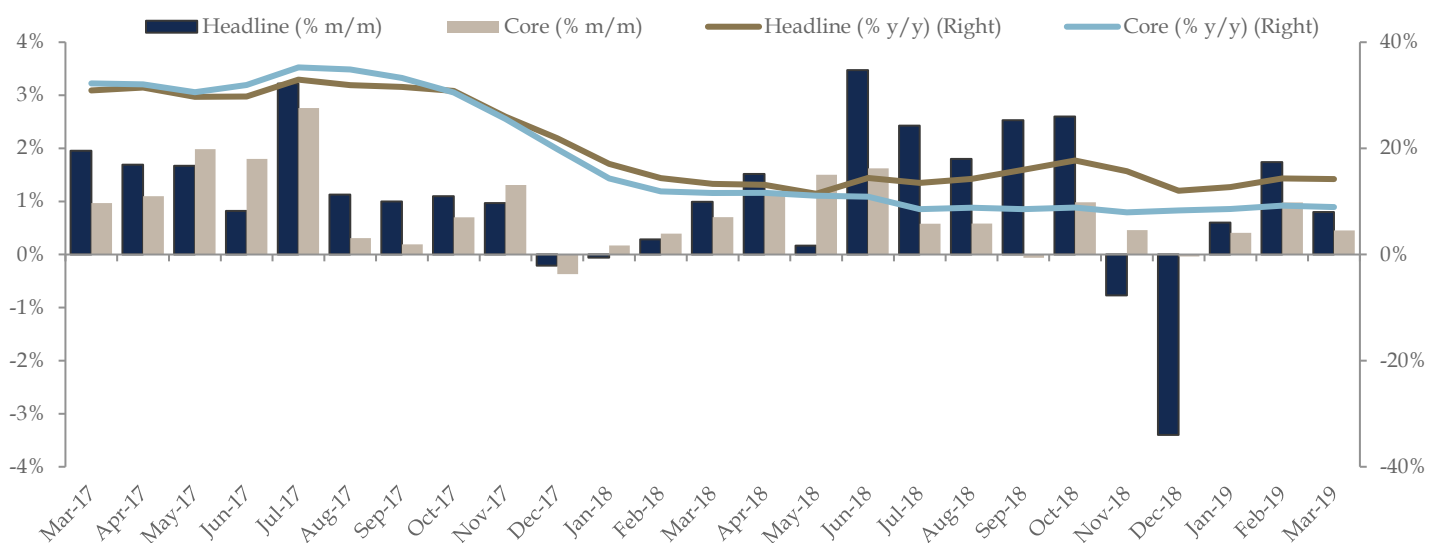
How Inflation Trended in March and How It'll Trend in the Future

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Inflation data released by CAPMAS yesterday showed that annual urban inflation eased slightly for both urban and total republic readings. Annual urban inflation declined from 14.4% in February to 14.2% in March. Meanwhile, monthly urban inflation decelerated from 1.7% in February to 0.8% in March. Total republic's inflation showed the same pattern, with annual inflation marginally down from 13.9% y/y in February to 13.8% y/y in March and monthly inflation down from 1.8% in February to 0.9% in March. Below, we list our main observations:

- Overall, inflation figures in March were driven by the same factors seen in February:** Food and beverages in addition to unfavorable base effect are the two common themes throughout the two months. We do not expect inflation to alter its current pattern in April and May due to seasonality. Later on, June figures will likely be fueled by subsidy elimination which we expect to take place even before mid-June.
- Core inflation eased as well:** Annual core inflation eased from 9.2% recorded in February to 8.9% in March. Monthly core inflation decelerated to almost half from 0.98% in February to 0.45% in March. This is most probably driven by core food items, which saw lower rates of price increases on a monthly basis.
- We do not see inflation figures cooling down anytime soon:** Both the timing (Ramadan and Eid seasons) and the base effect do not suggest a reversal in the current inflation pattern. We see April and May inflation hovering around 13.5% and 14%.
- Freezing interest rates before cutting them:** We believe inflation readings in the abovementioned seasons will most probably foreshadow freezing interest rates, assuming the current global scene remains intact. This might be the case until the two Monetary Policy Committee (MPC) meetings in November and December. By then, we see another potential interest rate cut, especially as the base effect in the September-November period should make annual inflation readings look relatively tamed in these months.

Headline and core inflation rates (y/y) and (m/m)



Source: CBE.

Top Headlines

Corporate

- **Orascom Investment Holding (OIH)** has reportedly addressed about number of issues related to its strategic outlook, mentioning that the firm still see Agri-Industrial sector as a promising growing area to invest. OIH believes that investment in sugar industry will be its corner stone in its Agri-Industrial expansion plan. The company thinks IFA valuation for **Nile Sugar** isn't too pricy, further clarifying that voting on the decision to buy Nile Sugar in the upcoming AGM will be for minority shareholders, where none of the Nile Sugar's related parties will be voting. ([Al-Mal](#))
- **Credit Agricole Egypt's (CIEB) MD, Mr. Pierre Finas**, stated that the bank has no problem to hike its paid capital up to EGP5bn, if the CBE asked for so. ([Al-Borsa](#))
- **Qatar National Bank Al Ahli (QNBA)** posted its Q1 2019 results, where earnings grew to EGP2.02bn (+26% y/y, +11% q/q), with net interest income achieving EGP3.21bn (+40% y/y, +2% q/q). The bank recorded credit loss provisions of EGP65.7mn (+26% y/y, -76% q/q), with EGP42.8mn of which related to treasury investments provisions (nearly 65% of booked provisions). This came as part of the **IFRS9** application. Stage one loans represented 92% of QNBA's total loan book, whereas stage two and stage three represented 5% and 3% respectively. NPLs ratio rose slightly to 2.73% versus 2.42% by the end of 2018, while NPLs coverage ratio increased to 175%. Lending growth came sequentially flattish, with gross loans at EGP144.53bn, where deposits retreated on quarterly basis to EGP201.25bn (-2% q/q), bringing gross loans to deposits ratio higher at 72%. ([Company disclosure](#))
- The **Holding Company for Maritime and Land Transport (HCMLT)** announced the exclusion of three containers companies namely **Alexandria Containers and Cargo Handling (ALCN)**, **Damietta Containers and Cargo Handling**, and **Port Said Containers and Cargo Handling** from its restructuring plans as they are already models of success that have their own ongoing plans. Companies included in the restructuring plans includes **United Arab Stevedoring (UASG)**. ([Al-Mal](#))

Non-Corporate

- **Egypt's annual core inflation** fell to 8.9% in March from 9.2% in February. On a monthly basis, core inflation hit 0.45% in March, down from 0.98% in February. ([CBE](#))
- Egypt's exports to the **United States** under the Qualified Industrial Zones (QIZ) protocol rose 16.8% to USD877mn in 2018, Minister of Trade said. In 2017, Egypt's QIZ exports to the US stood at USD751mn. ([Arab Finance](#))
- The 0.25% levy businesses will have to pay to finance the **universal healthcare system** will be charged on revenues and will not be tax deductible this year. The tithe being collected this year will apply to revenues earned between 12 July and 31 December 2018. ([Enterprise](#))

Markets

↗	EGX 30	15,106.54	0.12%	↗	EGX 70	668.44	0.09%
↗	DFMGI	2,807.96	0.21%	↘	ADSMI	5,058.10	(0.35%)
↗	TASI	9,077.20	0.33%	↗	QE Index	10,236.22	0.18%
↗	S&P 500	2,888.21	0.35%	↗	MSCI EM	1,096.05	0.24%
↘	Gold	1,307.52	(0.04%)	↘	Brent Oil	71.46	(0.38%)

*As of market close, except for commodities at spot price as of 8.25am CLT.

- **MENA Markets:** **EGX 30** ended higher on Wednesday, driven by stronger **COMI, SWDY, and TMGH**. **UAE's ADSMI** fell over **telecom** and **financials** stocks, while **DFMGI** gained on the back of its **banks** and **real-estate** sectors. **Saudi Arabia's TASI** delivered a positive performance fueled by gains in **banking** and **service** stocks.
- **Global Markets:** **US stocks** closed higher on Wednesday, driven by gains in the **technology, financials** and **consumers** sectors. **Oil** prices fell today in Asia as data showed crude inventories grew more than expected in the week to April 5. Meanwhile, **gold** was almost flat in morning trades.

Number of the Day

400,000 ton

The annual production capacity of the **Egyptian Ethylene & Derivatives Company's (Ethydco)** polyethylene plant.

Today's Quiz

What is the value of Qatar National Bank Alahli's (QNBA) investments classified as amortized cost as of Q1 2019?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Arab Cotton Ginning	ACGC	EGM	14-Apr	Reviewing Agenda Items
Faisal Islamic Bank of Egypt - USD	FAITA	Dividends	14-Apr	Last date of cash dividends eligibility of USD0.08/share
Faisal Islamic Bank of Egypt	FAIT	Dividends	14-Apr	Last date of cash dividends eligibility of EGP1.433/share
Credit Agricole Egypt	CIEB	Dividends	15-Apr	Last date of cash dividends eligibility of EGP4.24/share
Egyptian Iron & Steel	IRON	Tender	15-Apr	Tender for the revamping of its production lines
Ismailia Misr Poultry	ISMA	Dividends	15-Apr	Distribution of cash dividends of EGP0.10/share
Sinai Cement	SCEM	AGM	16-Apr	Reviewing Agenda Items
Faisal Islamic Bank of Egypt - USD	FAITA	Dividends	17-Apr	Distribution of cash dividends of USD0.08/share
Faisal Islamic Bank of Egypt	FAIT	Dividends	17-Apr	Distribution of cash dividends of EGP1.433/share
Oriental Weavers Carpet	ORWE	EGM / AGM	17-Apr	Discuss of bonus shares (50%)
Egyptian Satellites	EGSA	Dividends	17-Apr	Last date of cash dividends eligibility of USD0.60/share
Elsaheed Contracting & Real Estate	UEGC	AGM	18-Apr	Reviewing Agenda Items
Edita Food Industries	EFID	Dividends	18-Apr	Distribution of cash dividends of EGP0.20/share
Credit Agricole Egypt	CIEB	Dividends	18-Apr	Distribution of cash dividends of EGP4.24/share
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	18-Apr	Legal Disputes relevant to <i>Porto Tartous</i> project
Minapharm Pharmaceuticals	MIPH	EGM / AGM	20-Apr	Discuss the capital increase
Oriental Weavers Carpet	ORWE	Dividends	21-Apr	Last date of cash dividends eligibility of EGP1.5/share
Egyptian Financial & Industrials	EFIC	Dividends	21-Apr	Last date of cash dividends eligibility of EGP0.25/share
Telecom Egypt	ETEL	Dividends	21-Apr	Last date of cash dividends eligibility of EGP0.25/share
Al Tawfeek for Financial Lease	ATLC	Dividends	21-Apr	Record date for dividends eligibility of EGP0.25/share cash dividends
Egyptian Electrical Cables	ELEC	AGM	21-Apr	Reviewing Agenda Items
Arab Co for Asset Management & Development	ACAMD	Tender	21-Apr	Land Auction
EFG Hermes	HRHO	EGM / AGM	21-Apr	Reviewing Agenda Items
Arabia Investments Holding	AIND	Lawsuit	21-Apr	Legal Disputes relevant to the Company
El Obour Real Estate Investments	OBRI	EGM / AGM	22-Apr	Reviewing Agenda Items
National Co For Maize Products	NCMP	AGM	22-Apr	Reviewing Agenda Items
El-Shams Housing & Urbanization	ELSH	AGM	23-Apr	Reviewing Agenda Items
Suez Cement	SUCE	AGM	23-Apr	Reviewing Agenda Items
Industrial & Engineering Projects	IEEC	EGM / AGM	23-Apr	Reviewing Agenda Items
Misr Fertilizers Production Co.	MFPC	AGM	23-Apr	Reviewing Agenda Items
Tourah Portland Cement	TORA	AGM	23-Apr	Reviewing Agenda Items
Assiut Islamic Trading	AITG	Dividends	24-Apr	Distribution of cash dividends of EGP0.45 share
Al Tawfeek for Financial Lease	ATLC	Dividends	24-Apr	Distribution of cash dividends of EGP0.25 share
Egyptian Financial & Industrials	EFIC	Dividends	24-Apr	Distribution of cash dividends of EGP0.25 share
Telecom Egypt	ETEL	Dividends	24-Apr	Distribution of cash dividends of EGP0.25 share
Oriental Weavers Carpet	ORWE	Dividends	24-Apr	Distribution of cash dividends of EGP1.5/share
Arab Co for Asset Management & Development	ACAMD	EGM	24-Apr	Amending some of the company's articles of incorporation
Orascom Development Egypt	ORHD	AGM	24-Apr	Reviewing Agenda Items
Pioneers Holding	PIOH	EGM	25-Apr	Amending some of the company's articles of incorporation
Sabaa International Co	SIPC	EGM / AGM	27-Apr	Reviewing Agenda Items
Atlas For Investment and Food Industries	AIFI	EGM / AGM	27-Apr	Reviewing Agenda Items
National Cement	NCEM	Lawsuit	27-Apr	To rule in canceling the decision to dissolve the company
Paints & Chemical Industry	PACH	Dividends	30-Apr	Distribution of cash dividends of EGP1.5/share
Minapharm Pharmaceuticals	MIPH	AGM	30-Apr	Reviewing Agenda Items
Egyptian Transport and Commercial	ETRS	Dividends	30-Apr	Distribution of cash dividends of EGP0.5/share
Global Telecom Holding	GTHE	BoD	1-May	Discussing Q1 2019 results
Global Telecom Holding	GTHE	Conference Call	2-May	Discussing Q1 2019 results
Arabian Food Industries Co Domty	DOMT	AGM	2-May	Reviewing Agenda Items
Maridive & Oil Services	MOIL	EGM / AGM	2-May	Reviewing Agenda Items
Engineering Industries ICON	ENGC	EGM / AGM	4-May	Reviewing Agenda Items
Arabia Investments Holding	AIND	GM	4-May	Discussion of planning a Murabaha contract with the major
Arab Polvara Spinning & Weaving	APSW	AGM	4-May	Reviewing Agenda Items
Raya Contact Center	RACC	AGM	5-May	Reviewing Agenda Items
Orascom Investment Holding	OIH	AGM	5-May	Discussing Nile Sugar Acquisition
Raya Holding	RAYA	AGM	6-May	Reviewing Agenda Items
Suez Canal Bank	CANA	Lawsuit	7-May	To rule in a lawsuit that invalidated the Bank's 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
Global Telecom Holding	GTHE	AGM	27-Jun	Discussing capital increase
Egyptian Transport and Commercial	ETRS	Dividends	30-Jun	Distribution of cash dividends of EGP0.5/share
Ismailia Misr Poultry	ISMA	Dividends	8-Aug	Distribution of cash dividends of EGP0.10/share

Quiz Answer

EGP38.3bn.

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