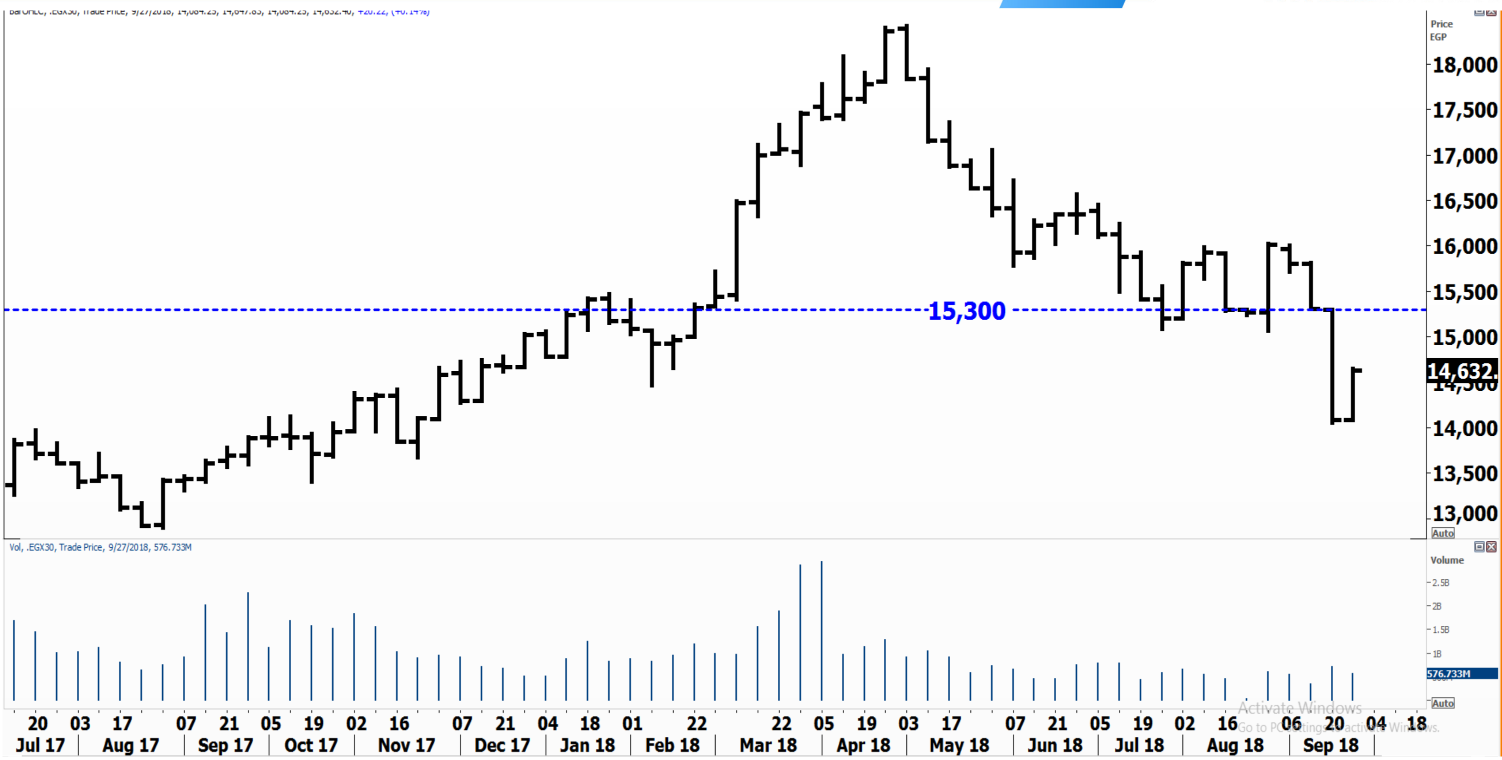
PIONEERSSECURITIES

Weekly Overview

30– Sept 18

This report must be read with the disclaimer on last page



The market rebounded last week as it was expected, closing the week at around 14,600. Our view on the short-term time dimension is still bullish, and we are expecting this rise to continue this week. It is important to note that the 15,300 level should be watched carefully as it constitutes the high of the panic week. Thus, this level will be considered as an important resistance that will probably invite sellers to step in. Our recommendation is to reduce exposure as the index is approaching this resistance.

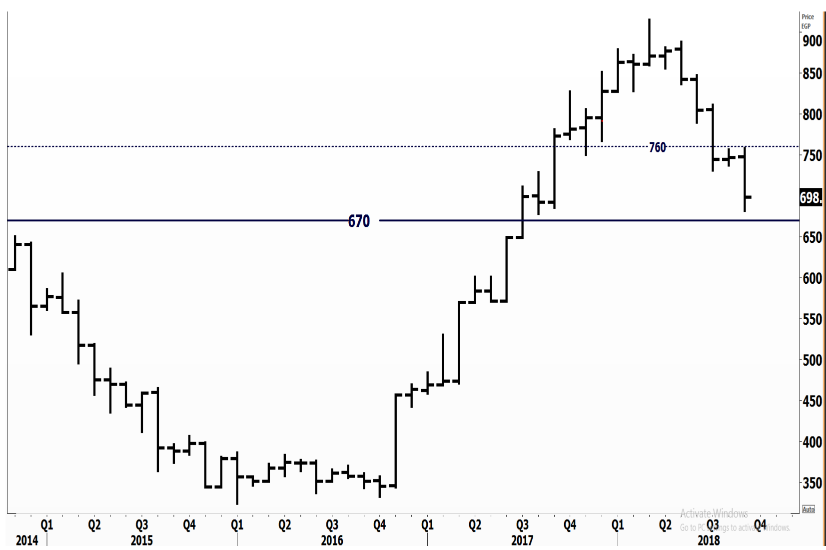
Our re-entry will be triggered in one of these two scenarios: - either a decline from 15,300 followed by a higher low formation (a rebound that will take place from an area above 14,000) - or if the 15,300 is clearly broken upwards. A break above this level will lead to a stronger rise that will lead the index to 16,000, and probably higher levels. Thus, our key level is 15,300; a break above it will be an early signal of a potential breakout above 16,000

EGX 70/ Monthly chart

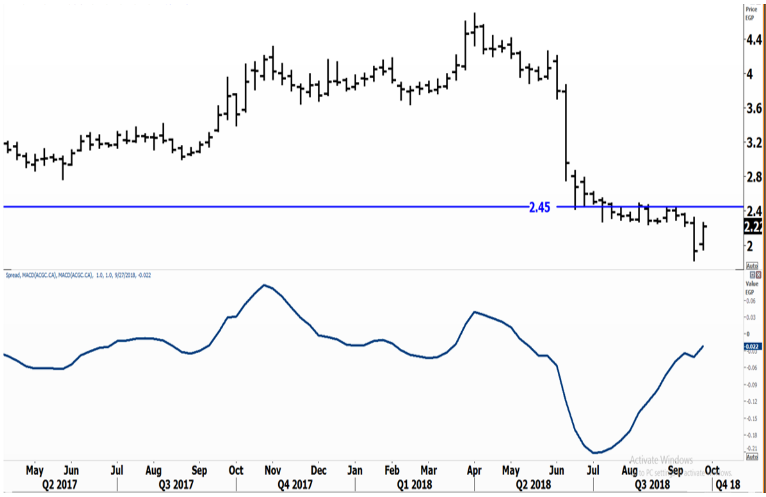
The EGX 70 tested its major previous peak that lies at 670. We are zooming in the chart a bit, this is why we can not see this major ex-peak that is currently serving as support. (in a previous report we mentioned this major support and showed it on the chart).

The 670, thus, served as an important support for the strong decline that the index witnessed. Classically, the index should witness a strong rebound from here, the inability to rise significantly shows that money is entering mainly blue chips. We are expecting, however, this week that the EGX 70 witnesses a stronger rise.

The 760 level is the first important resistance to watch. Normally, selling pressure will intensify near this level, which will be a reason to sell. If, however, the index breaks above this level, the next rise will be strong. Until this happens, we will be reducing exposure as the EGX 70 approaches 760.



ACGC



ACGC is one of the stocks that witnessed a severe decline lately. The stock began to stabilize and might be preparing itself for a significant rise. Our important resistance to watch lies at 2.45-2.5. If ACGC breaks clearly above this area on a weekly basis, an important buy signal will be triggered and our target will be set around 3.25-3.3.

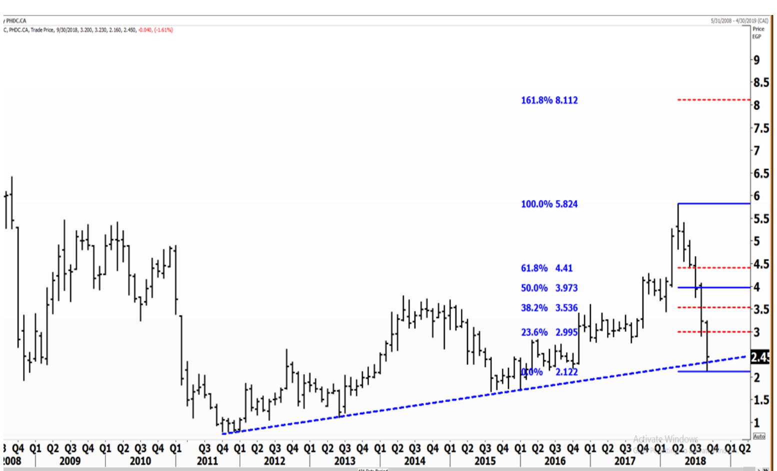
The indicator below the price chart is a momentum indicator called MACD Histogram. The positive divergence that is apparent on the chart tells us that sellers are getting weaker with time.

COMI

It is important to look at COMI once again, especially after it rebounded from its important support that lies at 79-80. The ability of COMI to maintain itself above 80 is a bullish setup for a potential rise that should break 86.5 upwards. A break above this level will probably lead the stock to new highs. The 93-95 area will serve as resistance, but new highs might occur.

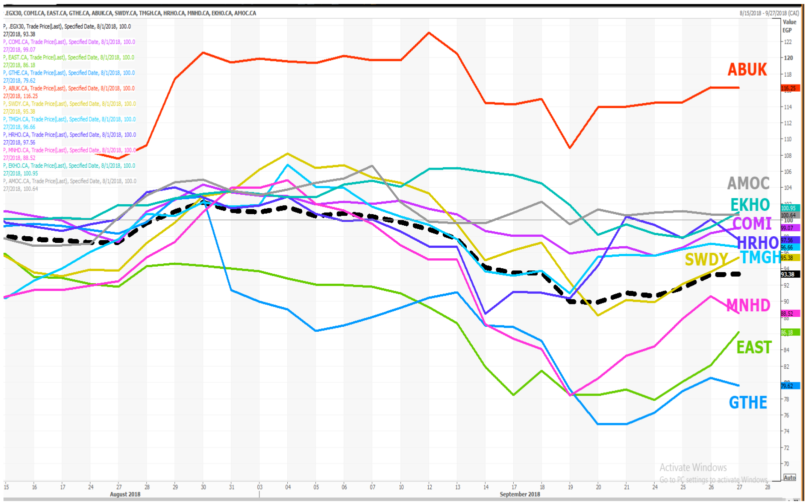
It is important to note though, that if COMI tests its high or witnesses a new high, we will not be buying the stock there because of the monthly major negative divergence *(not shown here)* which tells us that the stock might be peaking from a bigger time frame. Thus, we are expecting a significant rise from current levels that will probably be followed by a renewed decline.

PHDC



PHDC fell from 5.8 to around 2 one shot without witnessing any upward correction. Such a big decline led the stock to its major rising trendline that is still intact. Thus, despite its severe underperformance, we believe that PHDC should witness a significant rebound from current levels. The stock should retrace either 38% or 50% of its decline. A 38% retracement of the overall decline should lead PHDC to 3.5, while a 50% retracement leads it to 4. In either cases, the next rise is expected to be strong and significant. We recommend stepping in with a stop below the trendline.

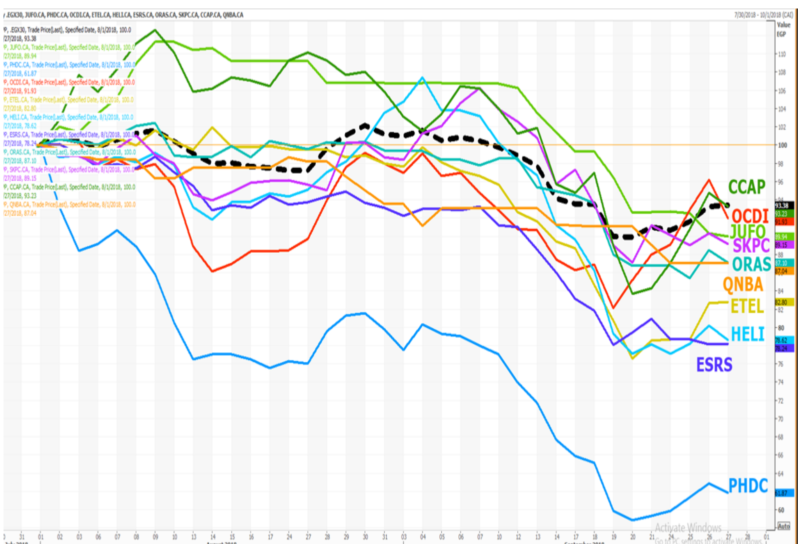
Top index weights (3% and above)



The ranking of the outperformers this week is still the same as last week, which is something that we like to see as it shows continuity in outperforming stocks. The only difference is SWDY which began to show better performance, and is on its way to outperform once again, and EAST, which began to look North finally.

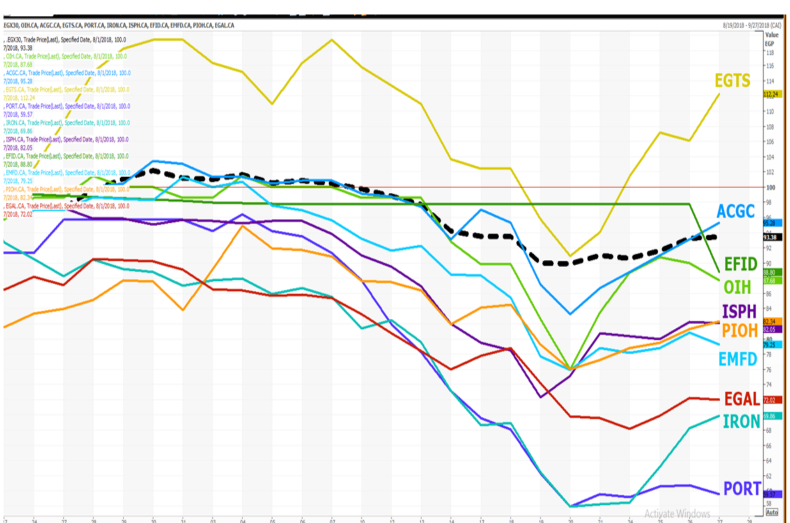
This week, we should watch a positive change in GTHE, which should also begin looking up. Those who like to buy underperformers the moment they are trying to change their performance can play the GTHE game.

Mid Weights (above 1.5%)



Unlike the heaviest weights stocks in the EGX 30, most stocks in this category have relative performance curves that are below that of the EGX 30 (shown by the dotted line). This shows that money is entering the heaviest weights. As we can see from this chart, most stocks are moving close to each other and below the EGX 30. PHDC is the only exception as it is too far away in the South. This shows extreme underperformance. But can also be used from contrarians as a potential; especially that the gap between PHDC and the rest of the stocks is too big.

Smallest Weights (below 1.5%)



The performance of stocks within this category is clear. EGTS is the most outperformer, followed by ACGC, which began to show significant improvement lately. The rest of the stock are moving below the EGX 30 curve. We can see, however, OIH, ISPH, and PIOH doing well as they might begin to show better performance in the future. As for the rest of the stocks, we still need to see more strength in their relative performance curves.

Disclaimer

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