



PIONEERSSECURITIES



QUARTERLY REPORT

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In this report, we will have a look at the overall direction of the Egyptian Market and our expectation for this quarter.

Then, we will dig into our ranking system and analyze our ranking curves to be able to differentiate different stocks based on their performance and their volatility. As we mentioned in our previous reports, we did not only rank stocks from the best to the worst, but our system shows 1- stocks that perform well during market rises and market declines (*outperformers*), 2- stocks that perform well only during market rises but underperform during market declines (*known as high beta stocks*), 3- stocks that are outperformers during market declines only and do not perform well during market rises (*known as defensive stocks*), 4- stocks that are performing badly during both market rises and declines (*stocks that will be avoided*). For a detailed explanation of our ranking criteria please refer to the first quarterly report.

The market during 2019 was weak and despite that the EGX 30 index moved sideways during this year, most stocks witnessed significant declines. The reason for the ability of the EGX 30 index to maintain a sideways trend despite the stocks' big declines is the high weight of COMI which was almost the only stock in the index that continued its major uptrend.

Our key major area lies at the 15,200-15,300 range; the EGX 30 tested this major resistance few times during 2019 but was not able to break it to the upside. Actually we were expecting a breakout before the end of the year but unfortunately, the market fell during the last three months of the year to close at 14,000 after reaching a low of 13,300 during December.

The question remains whether the market bottomed or not yet; i.e. are we going to make a new low below 12,000 or did we end the correction and should aim to the highs? It is important to note that we have two key levels; the 13,200 on the downside, and the 15,300 on the upside. In other words, if the EGX 30 index breaks below 13,200 and closes clearly below it, the probability of a break below 12,000 will be high. Since the market is already trading near this important area, it is crucial for us to look at the market closely and see how it will react at these important levels.

Another important issue is to look at the EGX 50 index as it gives us a better representation for the market.



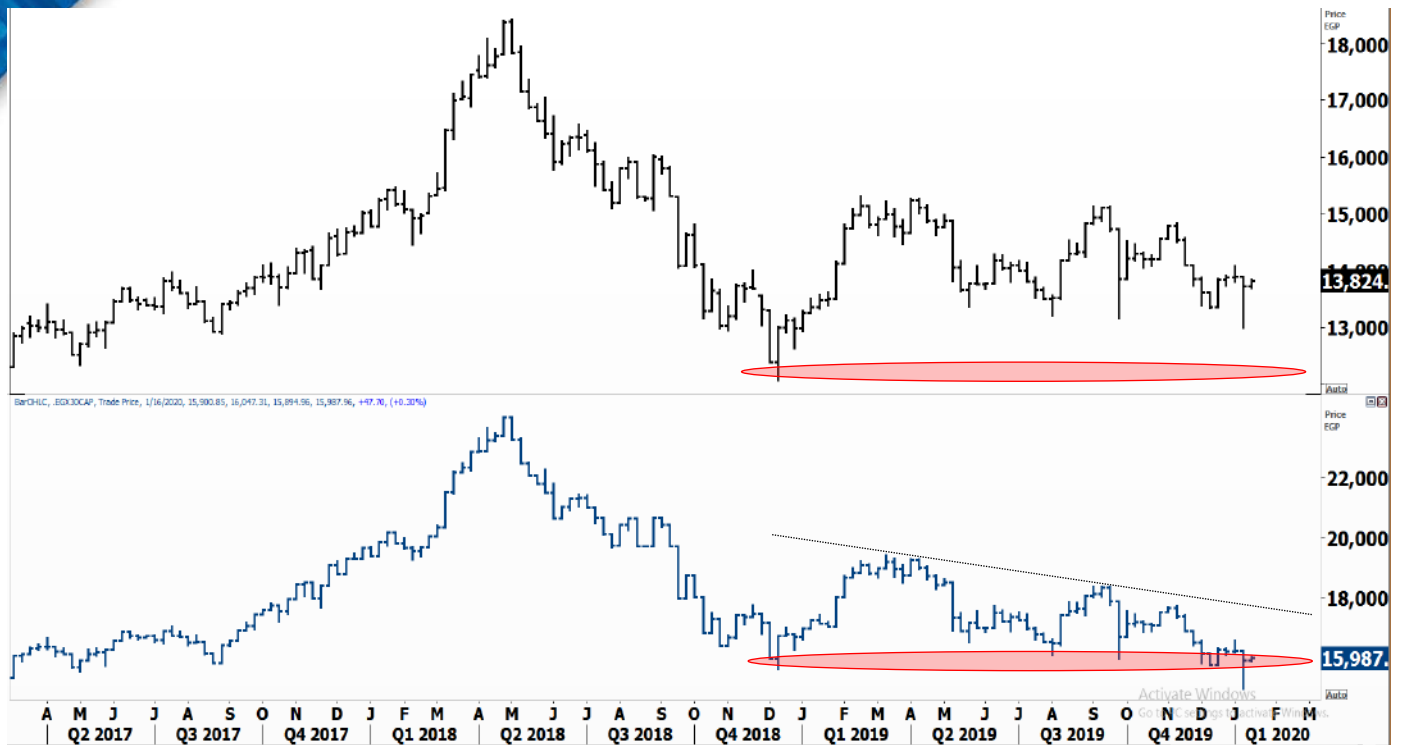
As we can see from the monthly chart, the EGX 30 index traded the whole year inside a sideways range between 13,200 and 15,300, this is why these two levels are very important to watch as a break beyond one of these two boundaries will be significant from an intermediate-term time dimension.

If we look more micro we will see the 14,000 level which is the first level to watch; a break above 14,000 will trigger an entry signal with a target at the upper boundary at 15,300.



The EGX 50 index witnessed a downtrend during 2019 and closed near 1,900 by the end of the year. Our confirmed signal to enter the market aggressively will occur if the 2,100 level is clearly broken to the upside. On a shorter-term time dimension, the 1,990 is an important level to watch.

For now, we are on the sidelines, as no clear signal of a potential breakout appeared yet. Having said that, we prefer to wait for a clear market confirmation on both the EGX 30 and the EGX 50 indices before taking significant actions.



The upper chart is the EGX 30 index, while the lower chart is the capped EGX 30. As we know, the EGX 30 capped index gives a maximum weight of 15% to each stock, thus COMI has a weight of 15% instead of the 42%, which is its current weight in the EGX 30 index based on its market cap as of early 2020.

If we play the “find the difference between both charts” game, we will notice that they obviously look the same with some minor differences. The most important difference is that the EGX30cap index is near its December low already, which coincides with the 12,000 level on the EGX 30. A second difference is the clearer lower high on the capped index as shown from the drawn trendline. This lower high is not that clear on the EGX 30.

Thus, it makes sense to say that the EGX 30 index is clearly outperforming the capped index because of COMI’s heavy weight on the EGX 30. We can also conclude that the EGX 30 capped is already moving close to its major support that coincides with the 12,000 on the EGX 30, which makes these levels important to watch.

This leads us to the importance of the 13,200 on the EGX 30 index as a violation below this level will be accompanied by a break of the December low on the EGX 30 capped, which will be a bearish scenario for the market.



The weekly chart of the EGX 70 index is interesting to watch as it shows a major resistance at the 555 level. The index is currently moving near 535, and is not far away from its important peak; a break above 555 and a weekly confirmation of this breakout will be seen as bullish from an intermediate-term basis.

As long as the EGX 70 is trading below this important resistance, we do not recommend entering the market. Our buy signal will be triggered, however, at a clear breakout.

How to interpret the ranking curves

From now on, we will look at the ranking curves of individual stocks. We will obviously not look at the 40 stocks, but will have a view on the stocks that have potential, either as defensive, offensive, or a potential outperformer. The main advantage of this report is that it contains information that helps investors to take their own decision; some investors are more biased to the defensive side, others are more aggressive, and so on. By reading and understanding this report, investors will be able to choose their universe of stocks that will better suit their investment strategy and their risk tolerance.

Each stock has five ranking curves. The first curve, called "Overall Ranking Curve" shows the progress of the ranking of each stock since inception until today. As we mentioned before, the vertical axis shows the rank of the stock within the universe which consists of 41 entities (40 stocks in addition to the EGX 30). Thus, a rising curve shows that the rank of the stock is improving and vice versa.

Second curve called "20-periods ranking curve" shows the same ranking of each stock but in the last 20-periods only. Thus, with every new entry, we use the past 20 periods instead of the whole time since inception. The third curve "10-periods ranking curve" is short-term as it shows the ranking progress of each stock in the last 10 periods.

As for the fourth and fifth ranking curves, they are very important as they show whether the stock is more biased to the aggressive side or the defensive side. The fourth curve is called "Up-move ranking curve" and it shows the ranking evolvement during upward market moves only, while the fifth curve "Down-move ranking curve" shows the ranking of the stock during downward market moves only.

It is important to understand first that the ranking is done based on the weighted cumulative average system. In other words, with each new period we take the previous n averages (weighted by the number of days of each period).

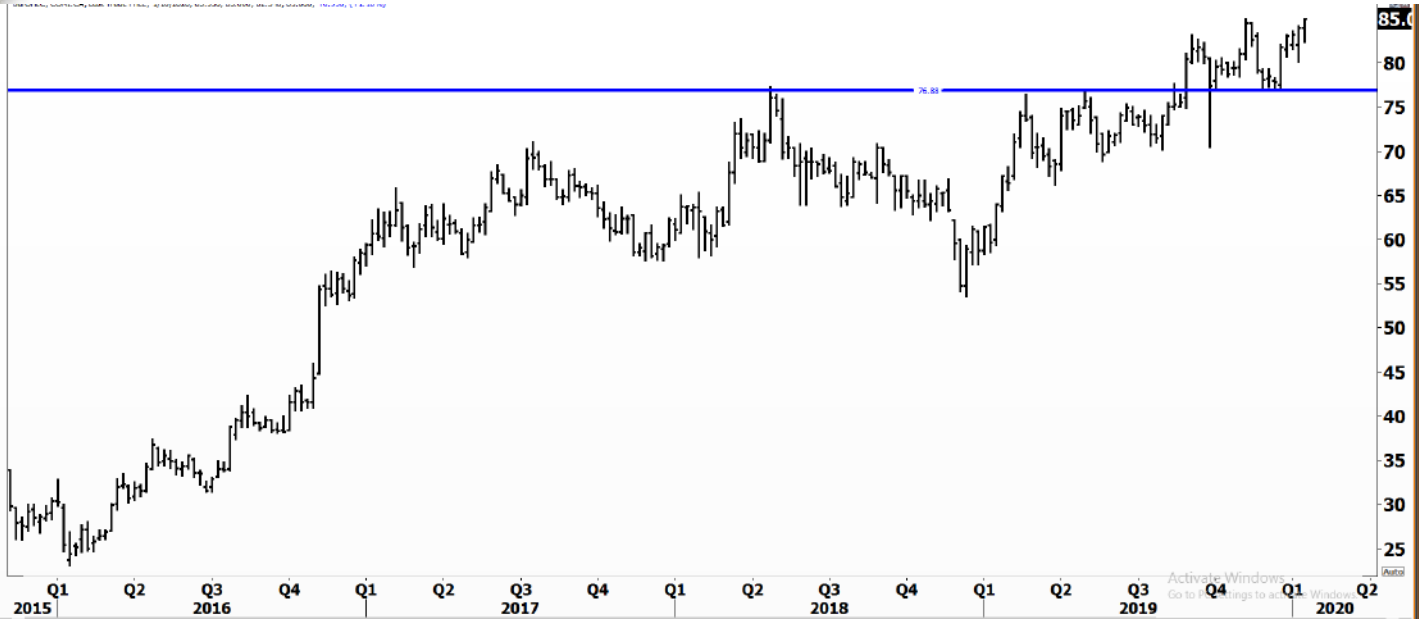
Looking at the five ranking curves criteria gives us important information about the stock. The first three ranking curves show the overall performance of the stock from a longer-term and short-term time dimension. If, for example, we see the "10-periods ranking curve" improving, then the shorter-term picture is getting better; obviously, the "Overall Ranking curve" is the base of our ranking system and very important to look at. The next two shorter term ranking curves give special attention to the more recent picture.

As for the last two ranking curves, they are very important to watch. If we note that the "Up-move ranking curve" hovering at the upper part of the chart, while the "Down-move ranking curve" moving at the bottom of the chart, then the stock is a high-beta stock. On the other hand, if the "Down-move ranking curve" is showing improvement unlike the Up-move, then the stock is a defensive stock. We will be surprised if we know that many of the stocks that we thought they were defensive are actually high beta and vice versa.

Thus, looking at the 5 ranking charts we will have a clear view about the performance of the stock from different time dimensions, as well as its characteristic whether it is more biased to the offensive or the defensive side.

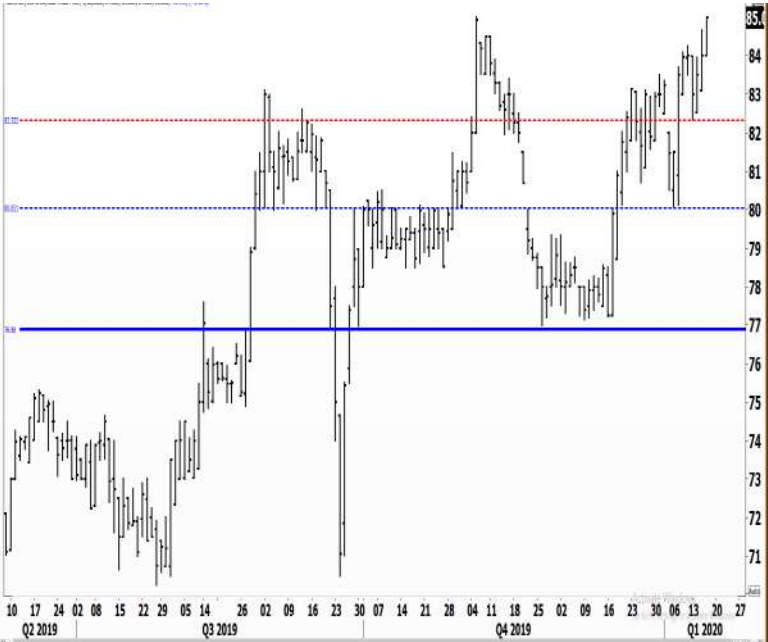
For a detailed explanation of the criteria of our ranking curves, please refer to our first Quarterly Report dated Jan 2018.

COMI Price Chart



The weekly chart of COMI shows that the stock is witnessing a major uptrend; this trend is expected to continue as no signs of weakness appeared yet.

First important support lies at 76.85-77. A break below this support will be the first signal to reduce exposure. As long as the stock is trading above this level, we recommend investors to hold



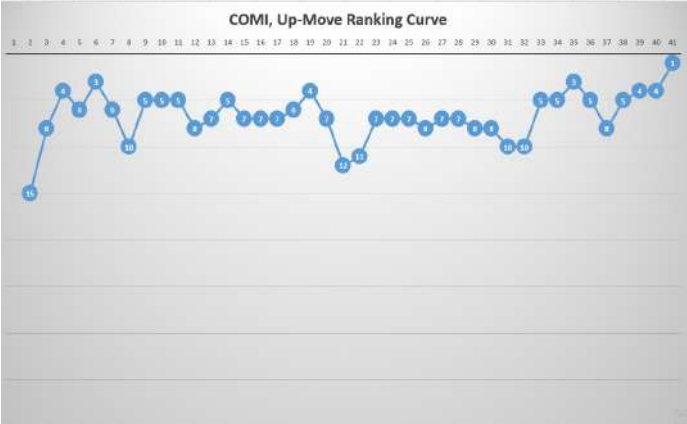
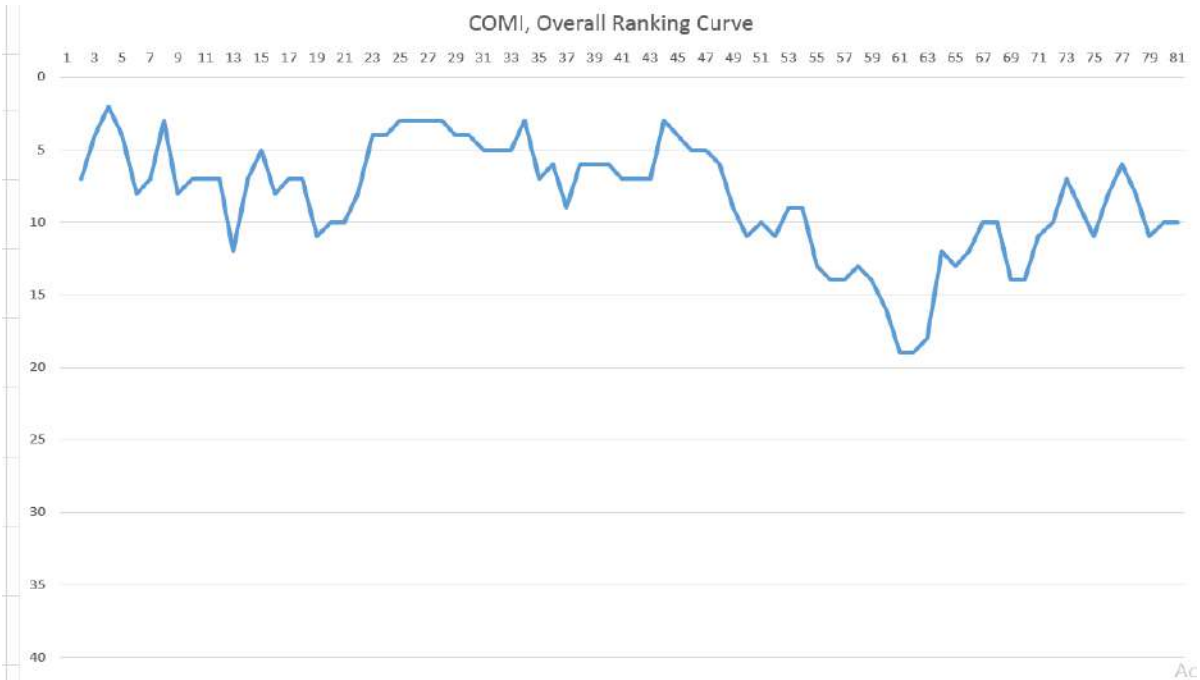
On the short-term, the stock also looks strong as it is breaking its previous peak. The 77 level is our major support as we just mentioned.

Those who are more short-term in nature can use the 80 level as their stop, as a break below this level will be the first sign of weakness.

Shorter-term investors who want to get out with the first minor sign of weakness can place their stop below 82.35.

Our advice to investors, is to use the 80 level as their stop or use the more important 77 major support.

COMI Ranking Curves



The first chart is the overall ranking of COMI. The next two charts are the 20-periods ranking (left) and 10-periods ranking (right) of the stock. The last two charts are the Up-move ranking (left) and the Down-move ranking (right) of the stock. As we mentioned before, we are charting the ranking improvement of the stock, which is calculated as the nth days cumulative weighted average of the previous ranking periods.

COMI ranks 1st on the Overall Ranking, 1st on the 20-periods ranking, and 4th on the 10-periods ranking. As for upward periods and downward periods, the stock ranks 1st in the upward periods, and 12th in the downward periods.

First, our universe consists of 40 stocks, thus, ranks that are above 20 means that probably in the middle of the scale, which means that it performs better than 50% of the stocks.

If we look at COMI, we will note that it is the best performer almost in all types of ranking. The stock is also a clear outperformer both during upward market moves and downward market moves. Being the 1st and the 12th respectively.

COMI, thus, is our number one stock that should be a main component of anyone's portfolio.



As we can see from the weekly chart of ADIB, the stock has been witnessing a big sideways range during the whole year of 2019. This wide range has an upper boundary at 14 and a lower boundary near 10.5-11. Obviously, a break beyond one of these two boundaries will have a significant impact on the future direction of the stock.

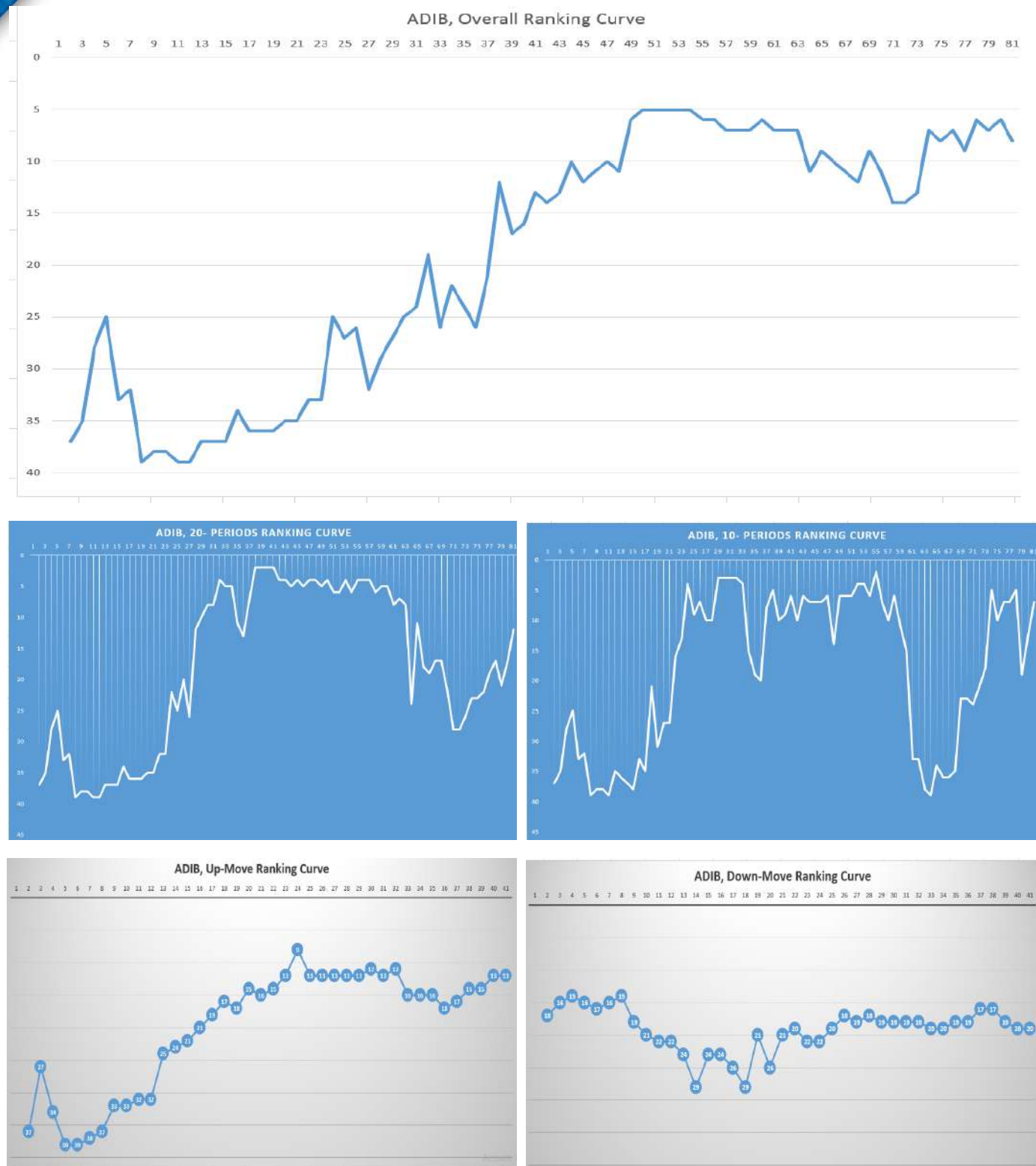
Based on the current stock performance and its momentum, the probability of an upward breakout is much higher than that of a big decline. Having said that, we are expecting the stock to break above 14, which will lead it to 18 as an initial target. Thus, those who want to enter the stock aggressively are recommended to buy at the break of 14.



On the smaller time frame, ADIB broke above 12.65, which was a resistance for the stock. Stepping at market dips is not a bad idea, since we are expecting the stock to break above 14.

Those who are out of the stock can buy the stock as it approaches the 12.5-12.7 area.

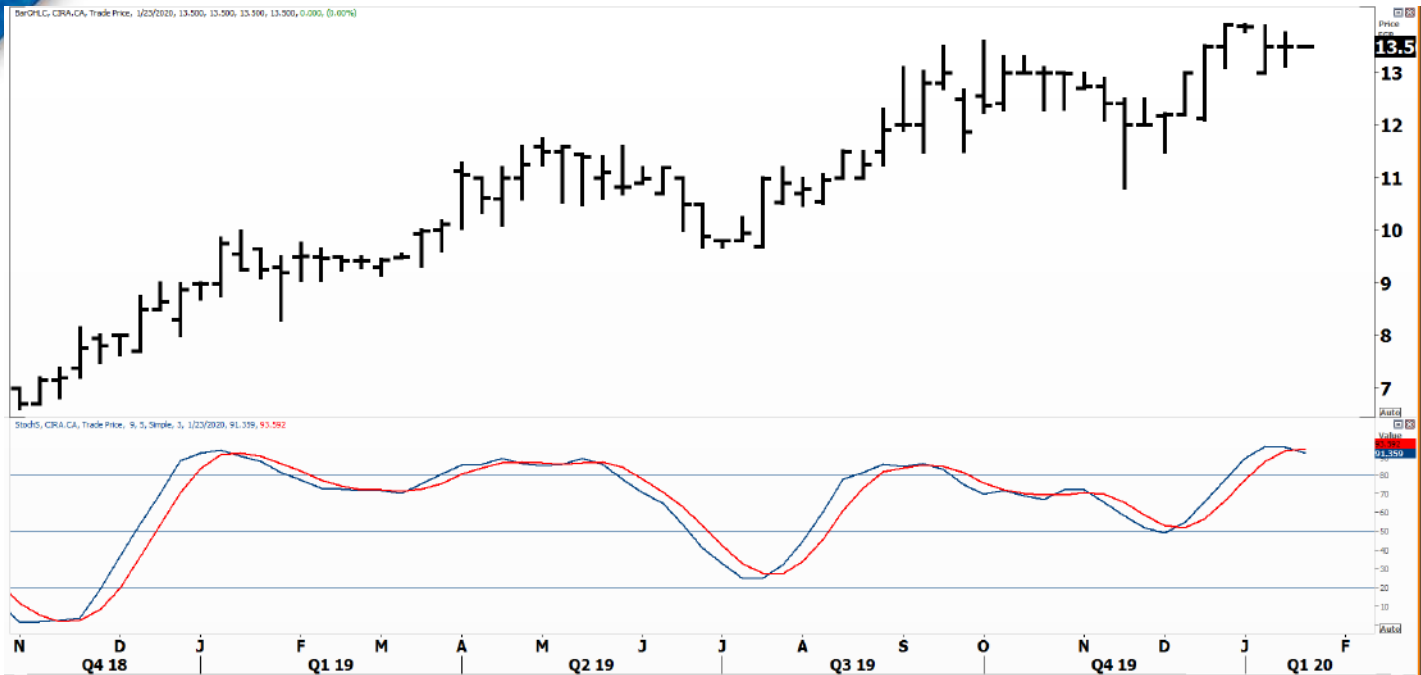
ADIB Ranking Curves



ADIB is one of the outperformers despite that it witnessed periods of underperformance as it is obvious on the 20 and 10-periods ranking curves. The stock regained its strength once again and ranks near the top of the scale in almost all ranking curves.

As for the Up move ranking curve, ADIB is the 13th and it ranks the 20th on the down moves ranking . In other words, during market rises, ADIB performs strongly, while during market declines, the stock is almost better than only 50% of the stocks in our universe.

CIRA Price Chart



We will only analyze CIRA on the price chart as it is not yet in our ranking system because of lack of enough historical data.

The stock, as we can see, is witnessing a major uptrend and is one of the strongest outperformers in the Egyptian market. We recommend investors to hold the stock for the long-term and keep it as long as it is witnessing its higher lows and higher highs.



The gaps on the daily chart are due to the low liquidity of the stock. CIRA thus is not for short-term trading, it should be held for intermediate-term.

The 13-level is the first support for the stock, followed by 11. Those who are holding the stock for the long-term are recommended to place their stop below 11; as the stock continues its rise, the trailing stop will be altered upwards.

HRHO Price Chart



HRHO is witnessing a major sideways trend from early 2017 until today. The stock witnessed few false breakouts to the downside, especially by the end of 2018 when it broke below 15.5 (which was an important support) but was able to trade once again above it to reach 21 during September 2019 before falling once again to the 15.5-16 range.

In other words, HRHO is a high volatile stock but it meets strong buying power when it declines to the lower end of the trading range. Our major support lies currently at 14; first support to watch, however lies around 15.5, which is near to the current market price.

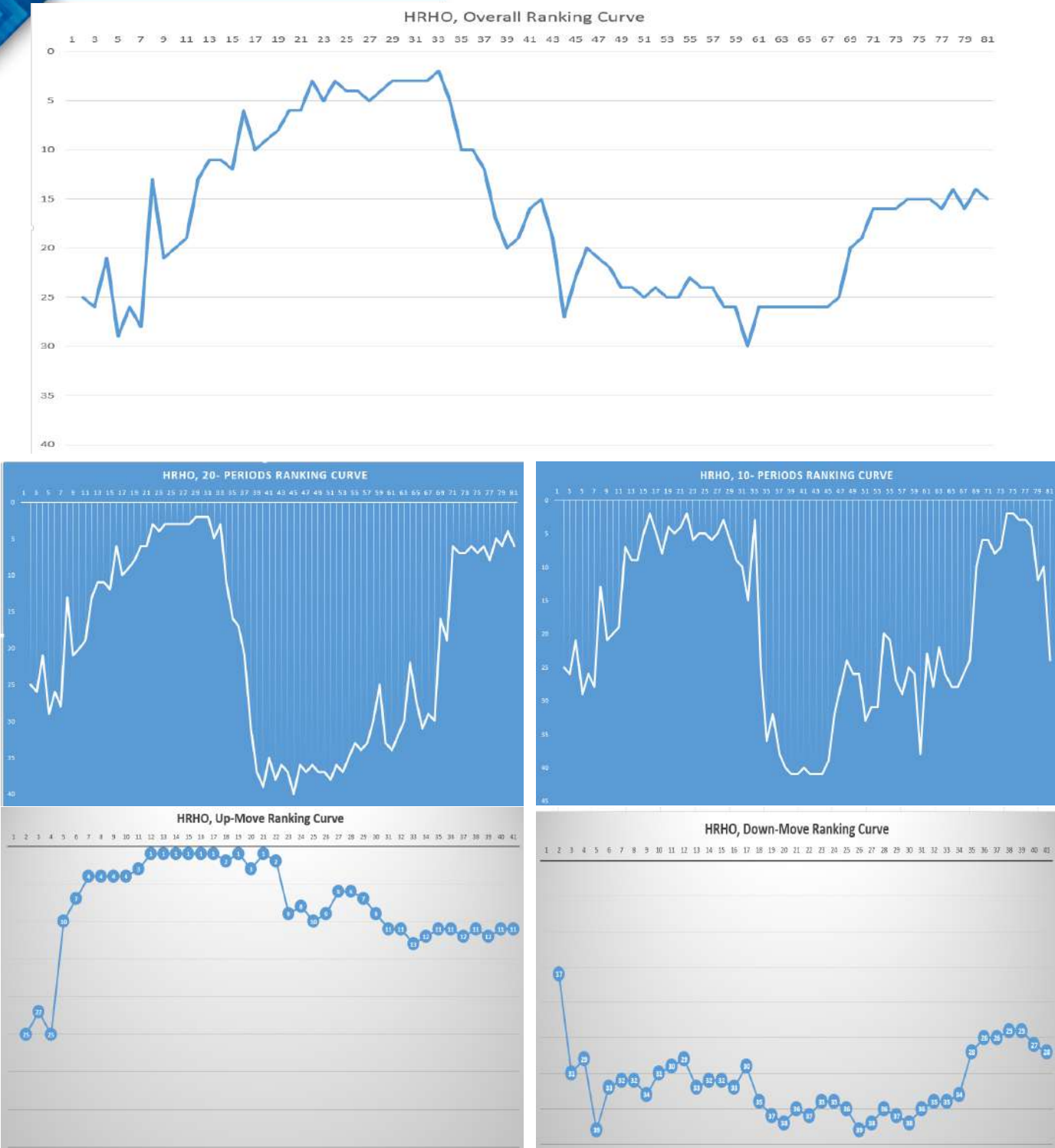
Our recommendation is to buy the stock if it approaches 14 or if it rebounds from the 15.5 range. We will not turn inter-mediate-term bullish, however, unless the 18 level is clearly broken to the upside.



On the short-term, HRHO needs to break 16.5 upwards before taking any action. Thus, short-term investors can buy at the breakout above 16.5 as an early signal of a potential break above 18.

The MACD indicator began to show a positive divergence, hinting that selling pressure began to weaken. We do not recommend entering, however, unless the 16.5 level is clearly broken to the upside.

HRHO Ranking Curves

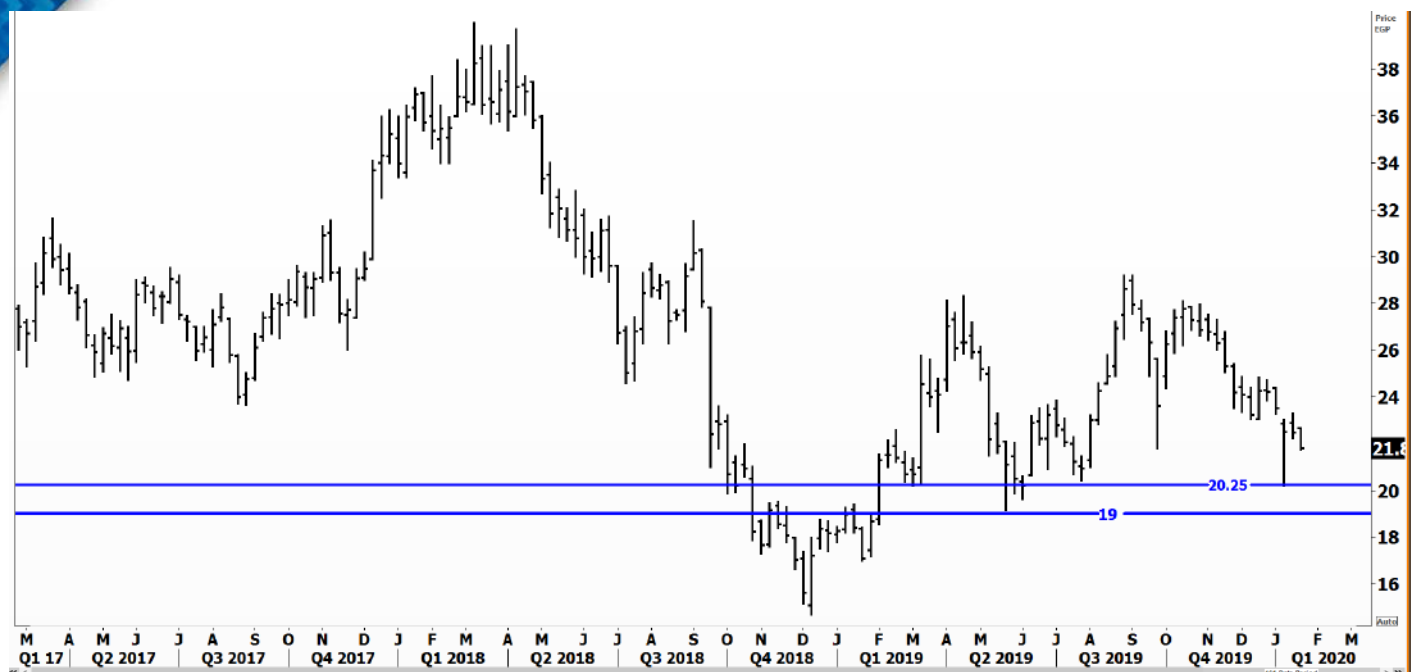


The Overall Ranking curve and the 20-periods ranking curve show that HRHO is still one of the outperformers. The 10-periods ranking curve, however, witnessed a decline in the stock’s ranking because of the recent weakness of the stock.

As for the up-move and down-move curves, looks like HRHO is a high beta stock as it is performing well during market rises (*the 11th from 40 stocks*) while it is weaker during market declines (*i.e.: it falls sharply during market weakness*).

Based on these ranking curves, we believe that HRHO will be one of the strong performers in case the market regains its strength.

HELI Price Chart



Heliopolis Housing is one of the stocks that witnessed wide price ranges as it fell during 2018 from 38 to almost 16, before rebounding once again to 28 during 2019.

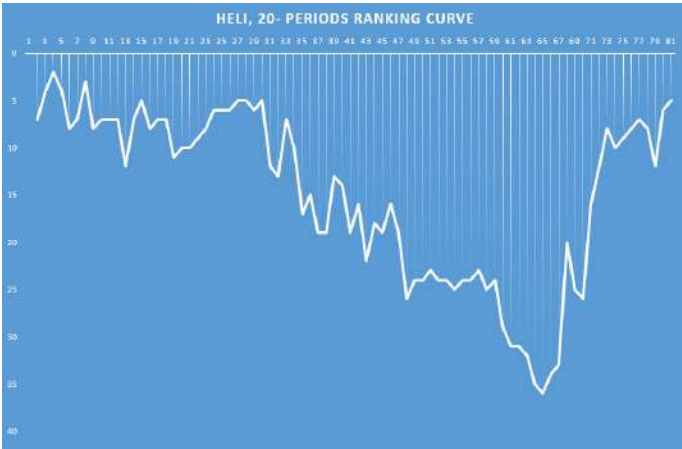
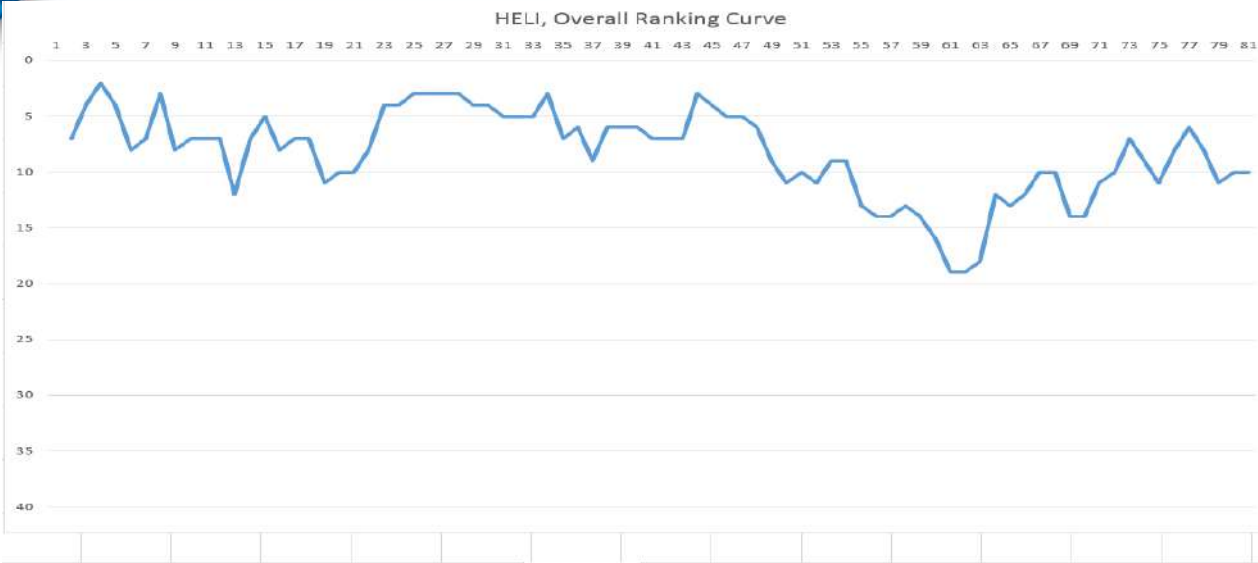
HELI is currently trading around 21.8 and has a support at 20.25, followed by 19. We actually do not expect a violation of these support levels, especially the second one unless the overall market continues its downtrend.

Thus, despite the recent weakness of the stock, we are approaching an important area that should be watched. Should a significant rebound occurs from these levels, the stock will probably be eligible to approach 28 once again.



If we look at the daily chart, we will see that the 23.3 level is our entry point. Thus, a breakout above 23.3 will create a higher low and a higher high on the daily chart, which will be an important sign of a potential test of the 28 important resistance.

HELI Ranking Curves

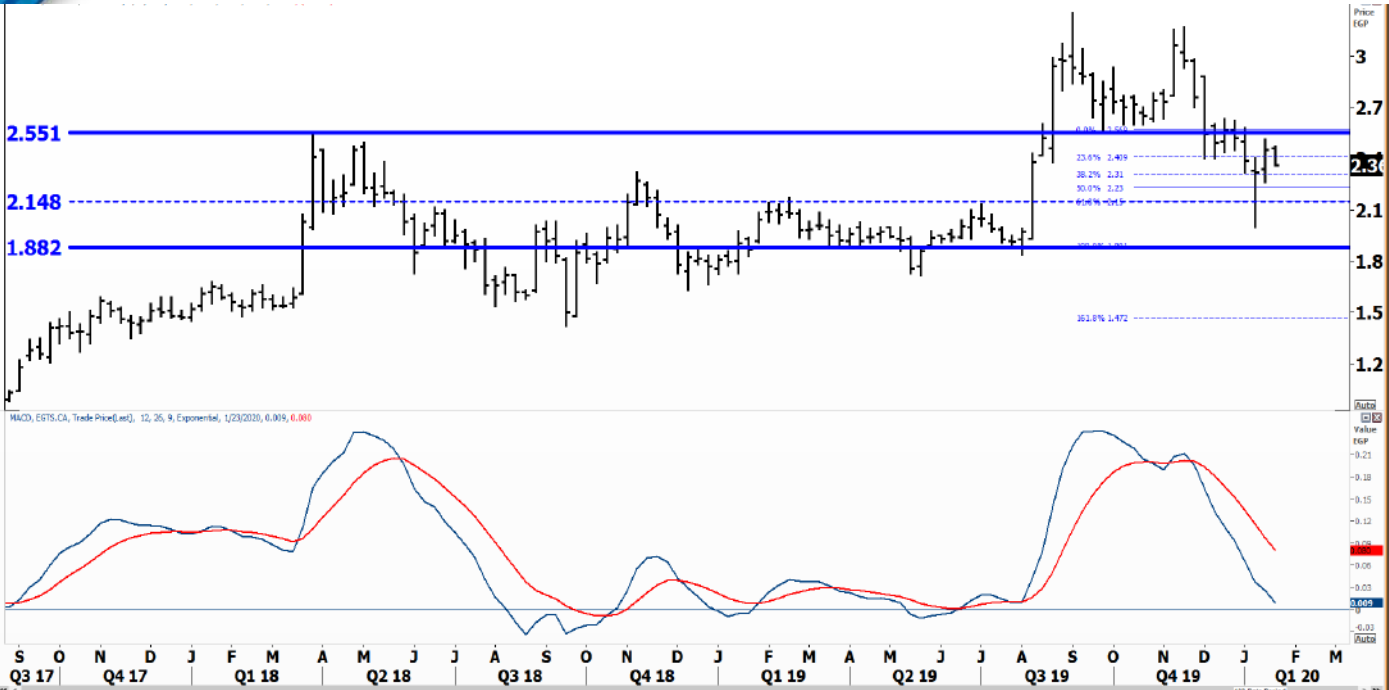


HELI looks good in our ranking curves. The stock ranks 10th on the overall ranking curve and ranks 5th on the 20-periods ranking. As for the 10-periods ranking, a decline occurred in Heli's ranking due to the recent weakness. The overall situation, however, looks favorable.

As for the up-move ranking curve, the stock is the 6th out of the 40 stocks and the 24th on the down-move ranking. In other words, Heli is an outperformer with a bias to the high beta category of stocks.

Based on these ranking curves, Heli is one of the first stocks to buy should the market regains its strength.

EGTS Price Chart



The break below 2.55 created a double top formation with a target near 1.88. The stock declined to 2 and rebounded, currently trading near 2.4. The 1.8 level might be reached before the next strong rise; if, however, EGTS breaks above 2.55 once again a new buy signal will be triggered as our target will be set at the peak near 3.

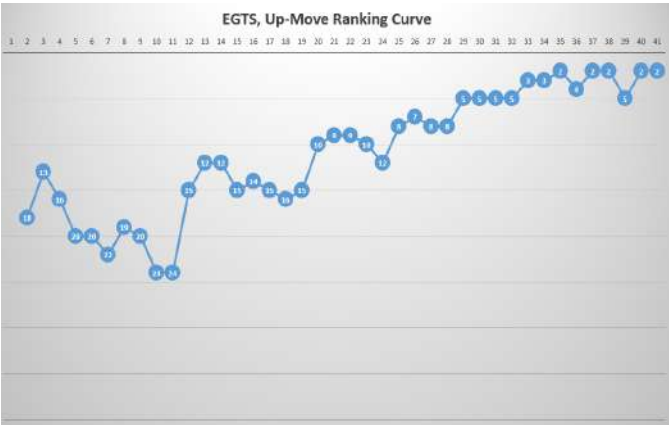
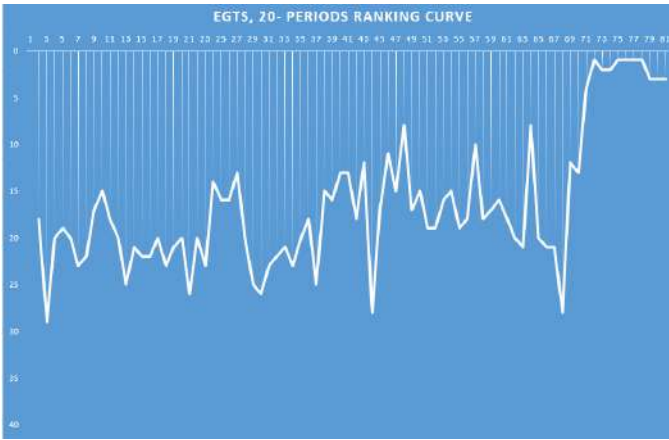
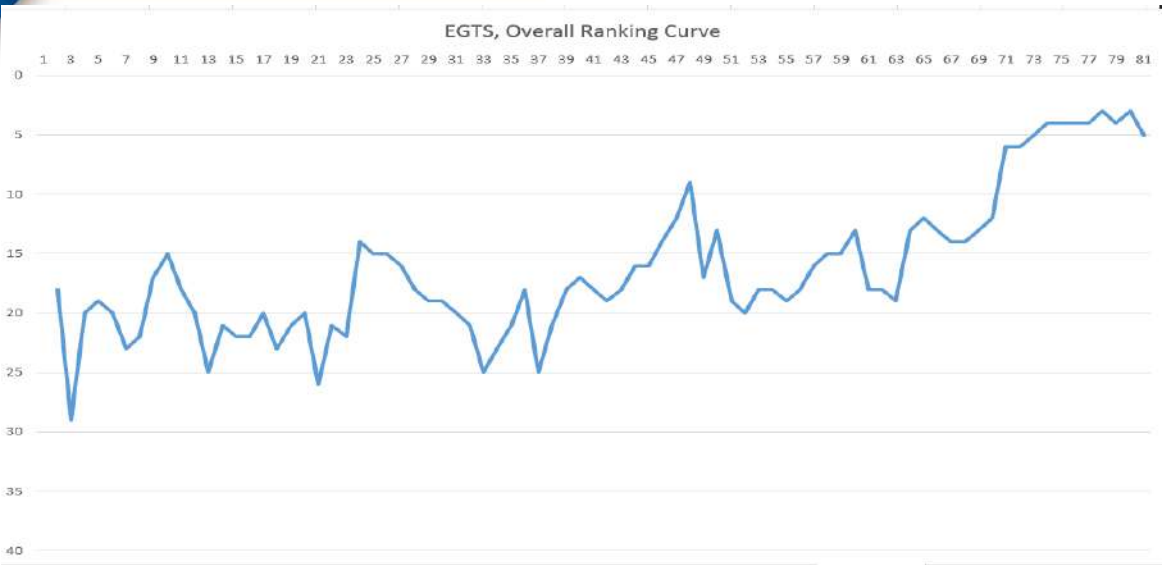
It is also important to note that the 2.1-2.15 range is a support for the stock that appears on the weekly chart. Those who want to step in near 2.15 can do so and place their stop strictly below 1.8.



The daily chart shows that the gap at 2.25 can serve as support for EGTS, while those who want to enter after a minor confirmation can buy at the 2.5 breakout, as a break above this level will probably lead to a breakout above 2.55.

Despite that the 2.1-2.15 is a support for the stock, if the rebound comes from 2.25, this will be viewed as a more bullish scenario for EGTS.

EGTS Ranking Curves



EGTS looks almost like HRHO and HELI; a strong overall and 20-periods ranking curves, with weakness on the 10-periods ranking. This shows that the stock witnessed some weakness recently but is still maintaining its outperformance.

As for the up-moves and down-moves ranks, EGTS is the second in the up-move ranking curve, which means that it is one of the most stocks that rise during market bull moves, while it is in the middle of the scale (the 22nd) during downward market moves. This confirms the outperformance attitude of EGTS despite its recent weakness.

EFIC Price Chart



The stock broke above the 10.5-11 area in the fourth quarter of 2019 to reach 13 before it corrected to test its support at the same range. We believe, thus, that the 10.5-11 range should serve as support, which should lead EFIC to a renewed rise.

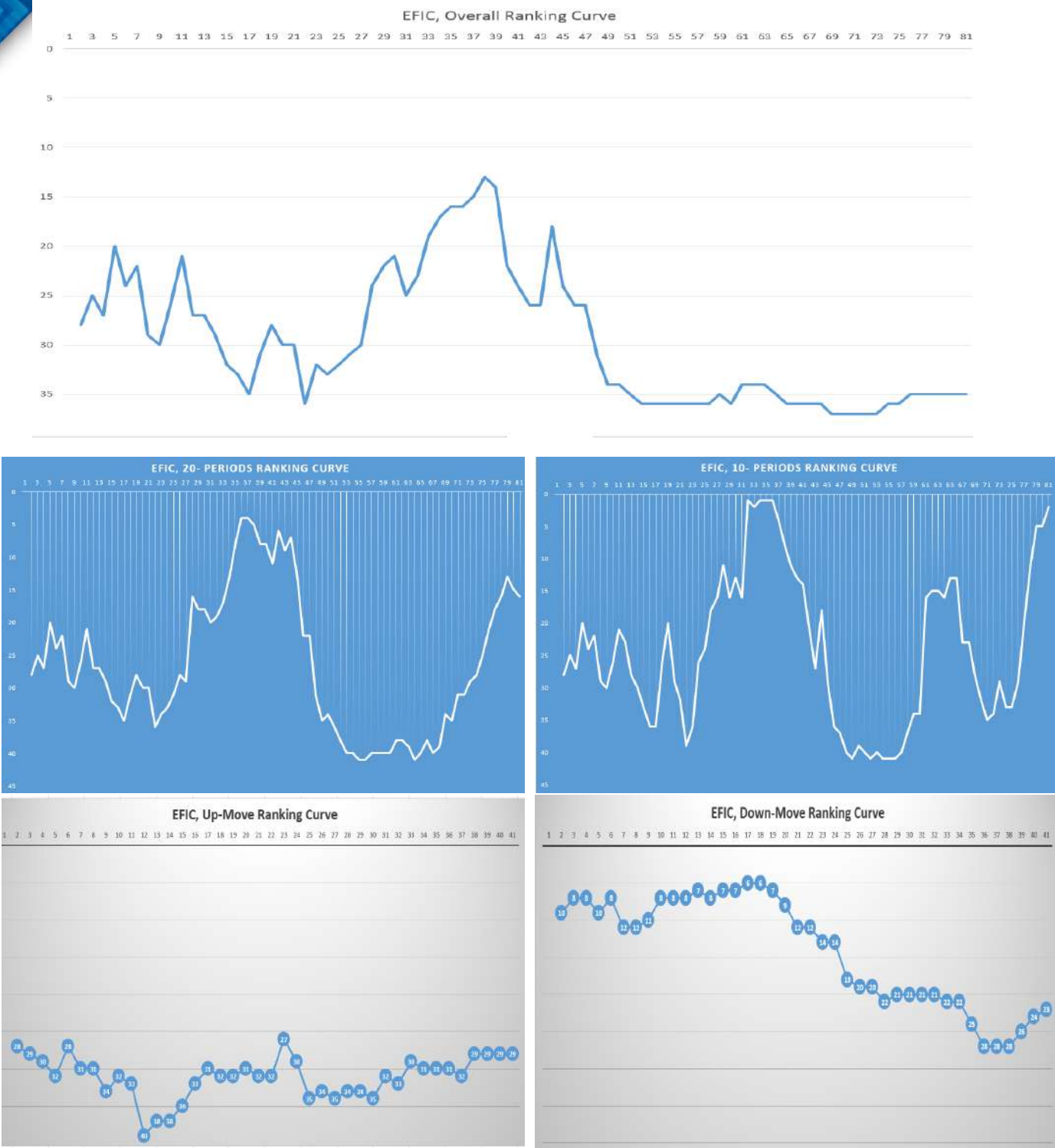
Our next resistance, in case the stock rises from here, lies at 13, then the stock will probably witness a strong rise that should lead it to higher levels.



Those who are shorter-term in nature are recommended to wait for a break above 11.5 before entering. A break above this level will confirm the stock rebound, which will lead EFIC to its aforementioned target.

Position holders should place their initial stop below 10.4.

EFIC Ranking Curves



Despite that the Overall ranking curve is almost at the bottom of the scale, EFIC witnessed a notable improvement in both the 20-periods and 10-periods ranking curves, improving from the 41st (*worst performer*) to the 16th on the 20-periods ranking curve, and reaching the second on the 10-periods ranking curve.

Based on this significant improvement, we believe that there is a lot of potential for the stock, especially if the Up-move and Down-move ranking curves improve too.

OIH Price Chart



OIH is currently trading near its major support that lies around 0.5. The stock is near its lows but was able to maintain itself relatively when markets witnessed sharp declines.

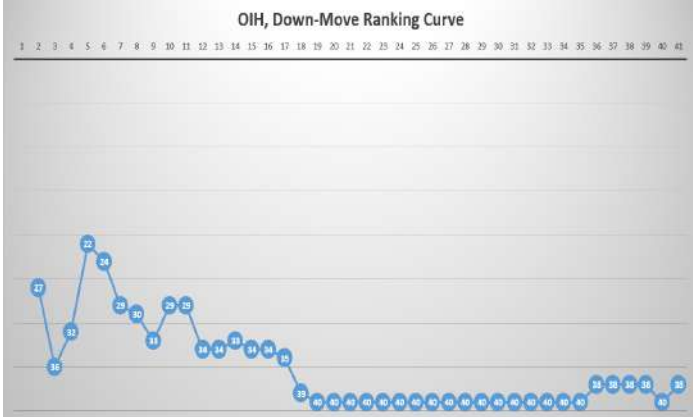
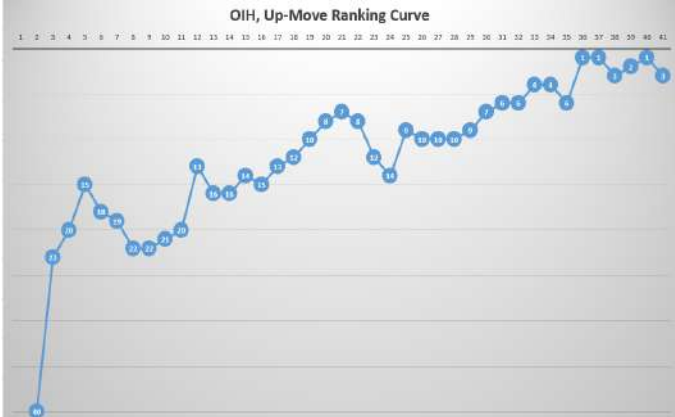
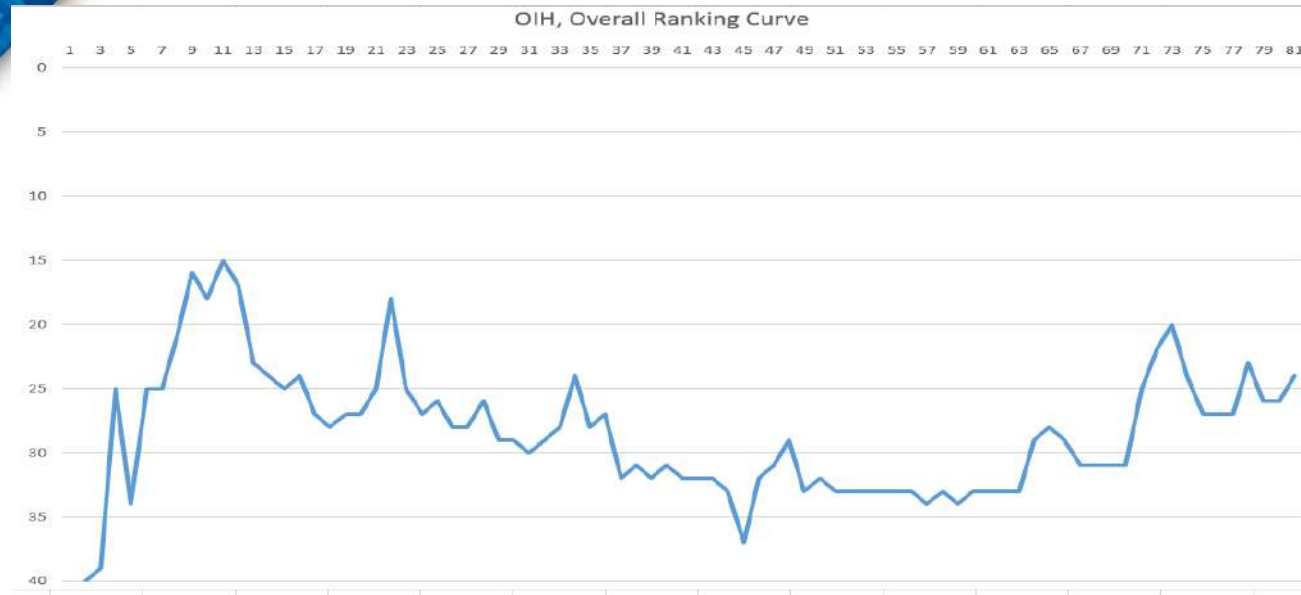
Thus, we expect the 0.5 area to serve as strong support from which the stock can rebound. As for our upside targets, we expect OIH to revisit the 0.75-0.8 area.



Short-term investors can step in at the 0.557 breakout. Such a break will be bullish for the stock and will lead it to 0.58 initially, then the 0.62-0.63 area.

Those who want to step in are recommended to buy at the 0.557 breakout.

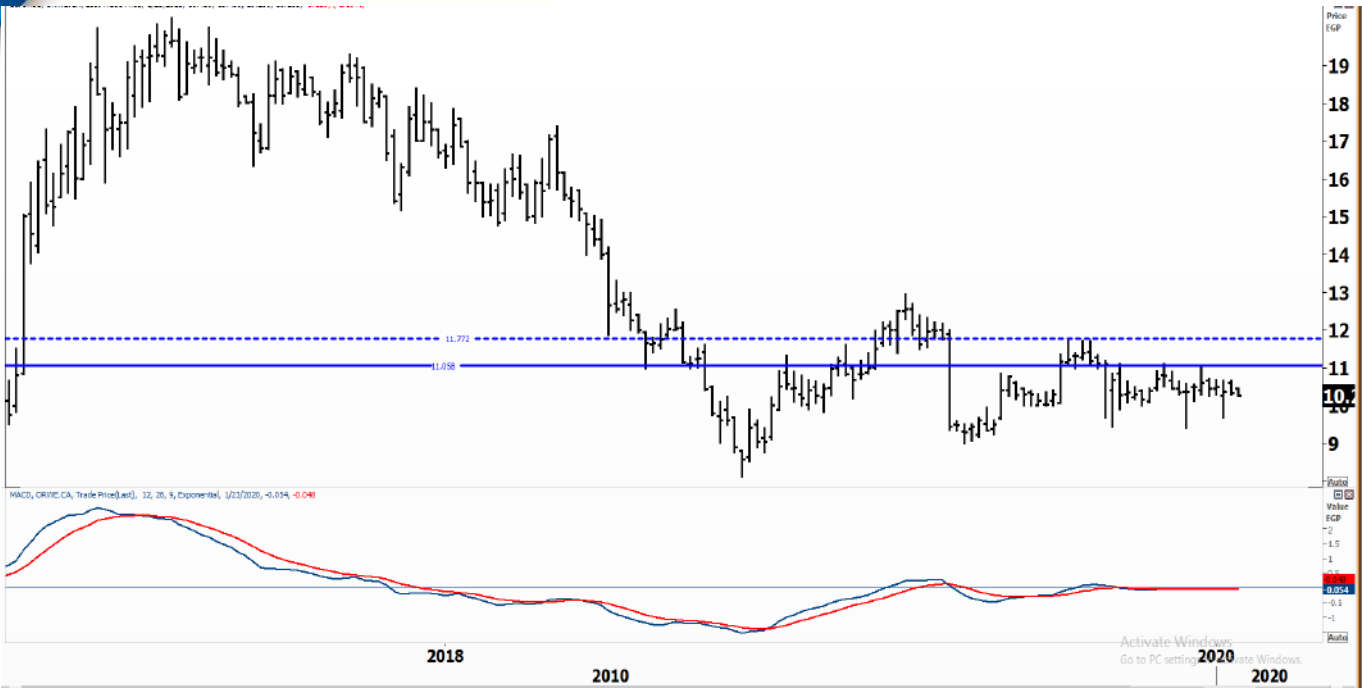
OIH Ranking Curves



As we can see from the ranking curves, OIH is improving on the Overall Ranking and the 20-Periods ranking curves. As for the 10-periods ranking, the stock is doing well, moving inside a range but at the upper part of the scale.

The two charts below show that OIH is usually a high beta stock as it is the third stock that rises during market rises and one of the stocks that decline the most when markets fall. It is important to note, however, that the stock was able to maintain itself relatively during the past market decline.

ORWE Price Chart



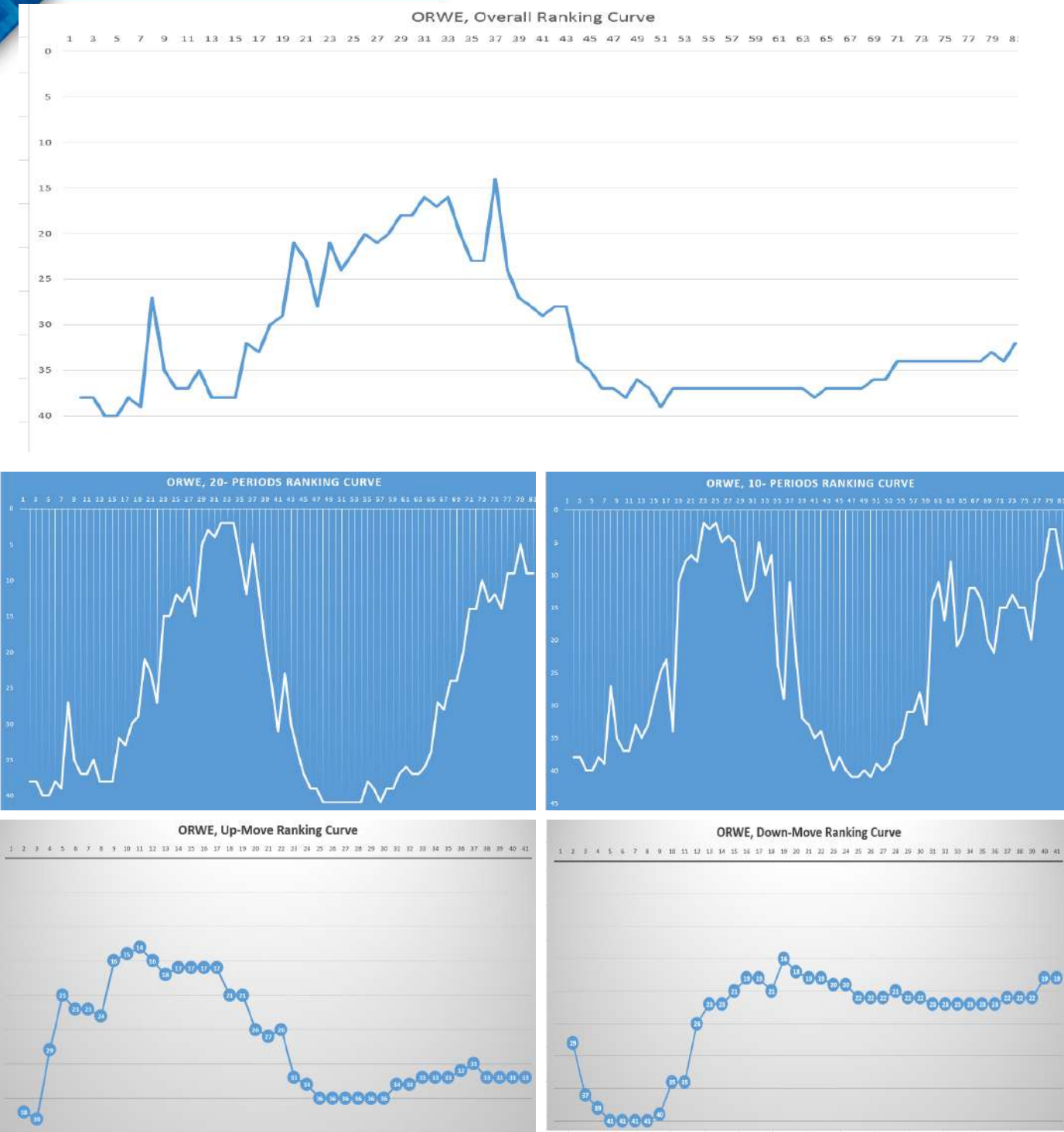
ORWE is witnessing a sideways range on the weekly chart that looks like it wants to break to the upside. The stock has a resistance at 11, followed by 11.75; a break beyond this range, will probably lead to another breakout above 13, which will lead ORWE near 15-16.

Thus, our breakout will be confirmed if the stock confirms the 11.75 break. This will probably lead the stock near 16.



The 10.7 level can be considered as an early sign to enter the stock, then the 11.1. We recommend investors, however, to step in after the 11.1 break even before the final 11.75 confirmation.

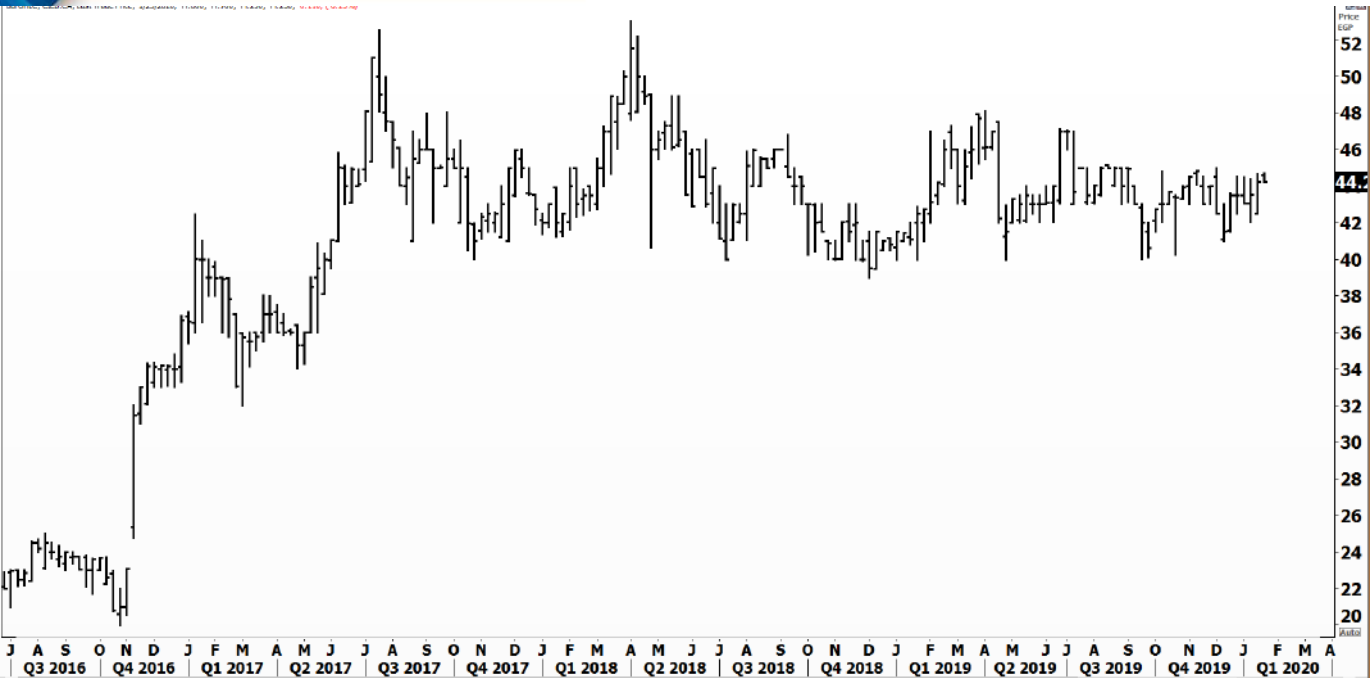
ORWE Ranking Curves



The Overall ranking curve is slightly improving, while both the 20-periods and 10-periods ranking curves showed a significant improvement in the rank of ORWE. The stock is in the 9th place in both ranking curves after it spent a significant time in the bottom of the scale. Such an improvement should not be taken lightly.

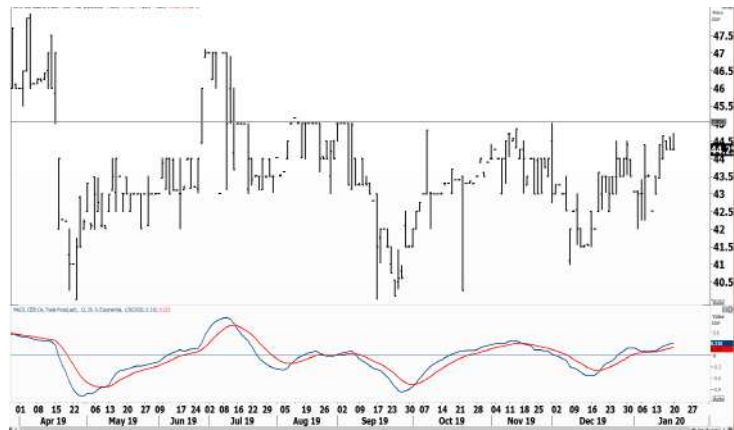
If we look at upward and downward market moves, we will note that ORWE is improving in the downward moves ranking, which tells us that it is delving into the defensive category of stocks.

CIEB Price Chart



As we can see from the chart, CIEB is a calm stock that is moving between 40 and 48. The stock is very defensive that does not fall but also does not rise. The benefit of having CIEB in our portfolio is like having cash but in the same time we are invested in equity; in other words, the stock saves us during market declines.

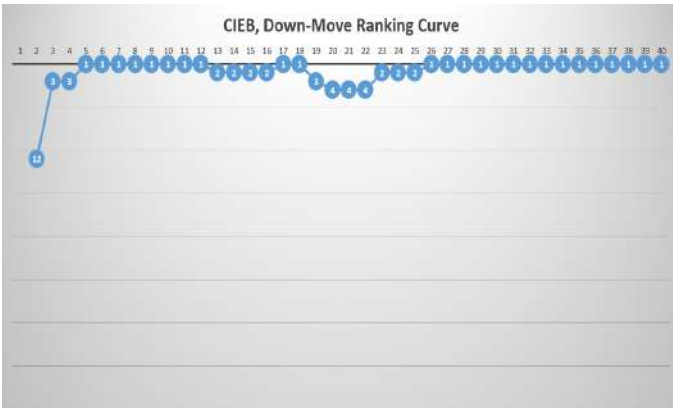
Those who are managing portfolios should always have a portion of CIEB in their portfolio.



On the short-term, CIEB has a resistance at 45, then the 48 level, which is the upper boundary of the overall trading range.

Those who want to buy partially can wait for the stock near the 42-42.5 range before stepping in.

CIEB Ranking Curves



The Overall ranking curve looks strong as it is witnessing a clear uptrend, the 20-period ranking curve also looks strong, putting CIEB in the top 10. If we look to the 10-period ranking curve we will see much higher volatility; this is because of the sensitivity of the 10-periods ranking curve in showing the defensive nature of CIEB; the stock performs very strongly during downward market moves, while it performs very poorly during upward moves. Thus, the volatility in the performance of the stock.

This is shown in a very obvious way in the last two charts, which show clearly how defensive CIEB is,

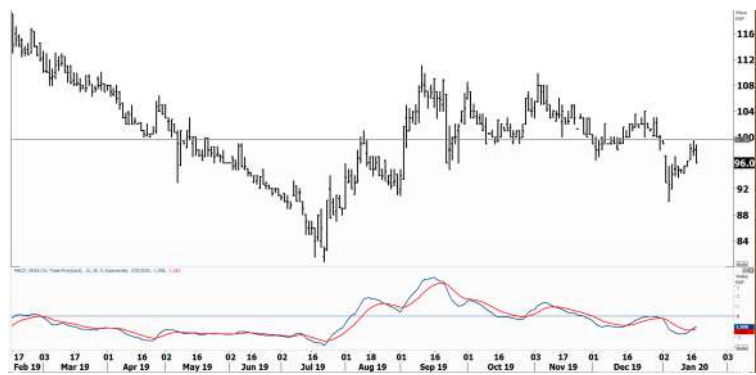
ORAS Price Chart



The stock is trying to create a higher low formation on the weekly chart. It is important, however, to break above 110 for a formal buy signal to be triggered. A break above 110 will be a bullish sign for the stock and our target will be set around 140-145.

On the other hand, those who have positions are recommended to place their initial stop below 90.

ORAS is one of the defensives that can outperform during market declines.



The 99.5 level is the current resistance on the daily chart. Short-term investors can step in at the breakout above this level. A break above 99.5 or 100 will lead ORAS to 107-108.

It is important to note though that the 104 level can also be a temporary hurdle.

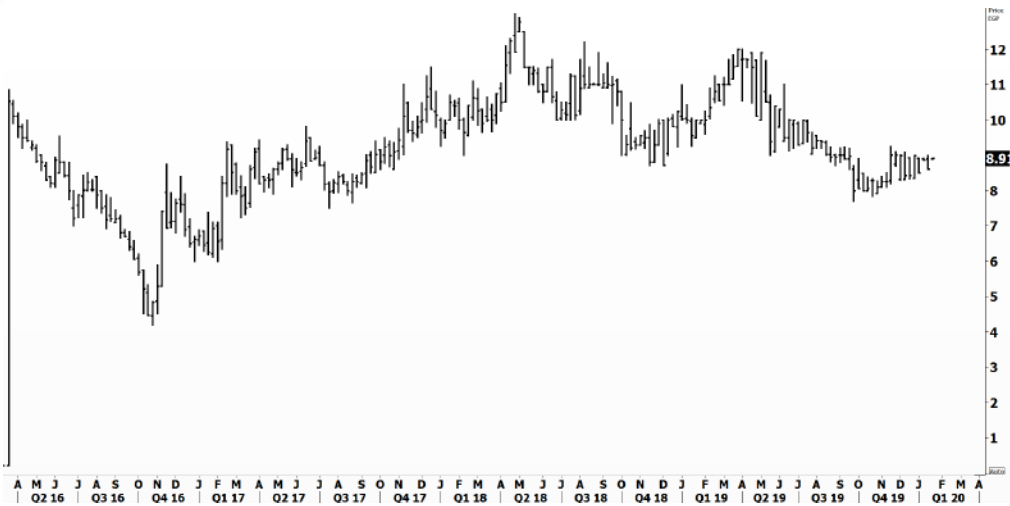
ORAS Ranking Curves



If we look at the ranking curves of ORAS we will note that the stock is almost near the middle of the range in the overall and the 20-periods, ranking curves, while it is at the top of the scale on the 10-periods ranking curve. This shows that the stock has been improving significantly lately.

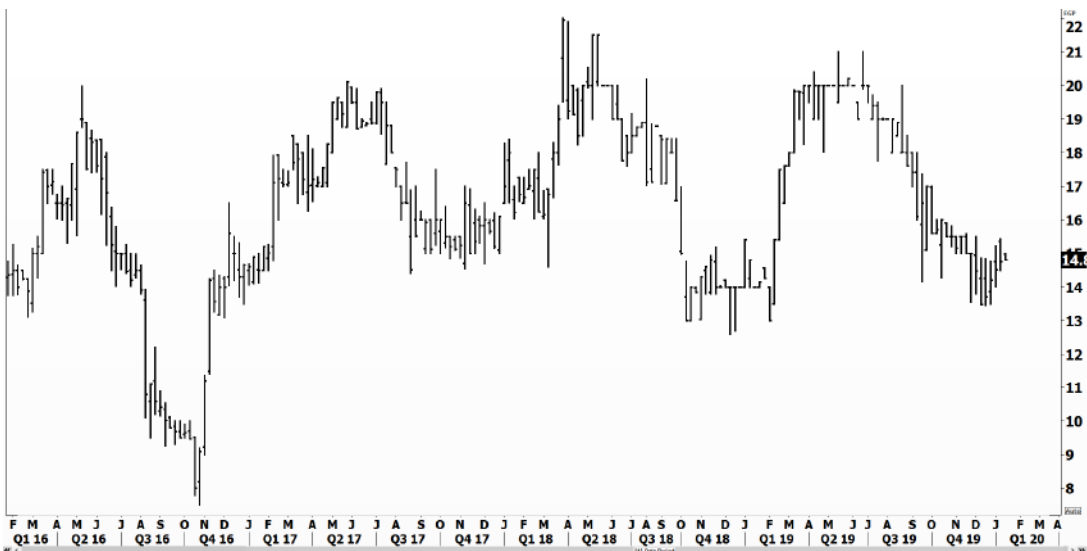
As for the up and down curves, the stock is clearly a defensive one, the 34th in the up-moves ranking curve, and the 7th in the down-moves ranking curve, which shows that ORAS outperforms the market during declines.

DOMT and EFID Price Charts

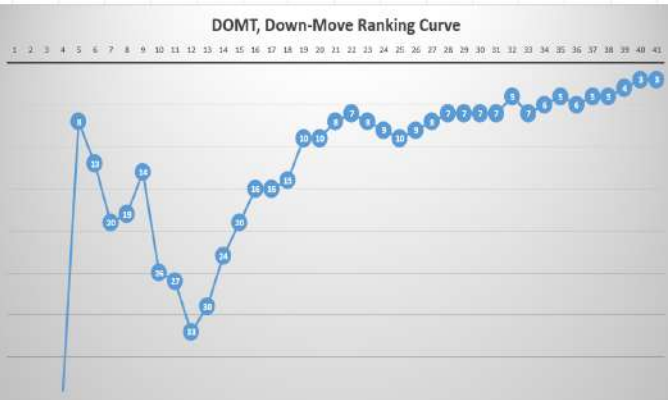
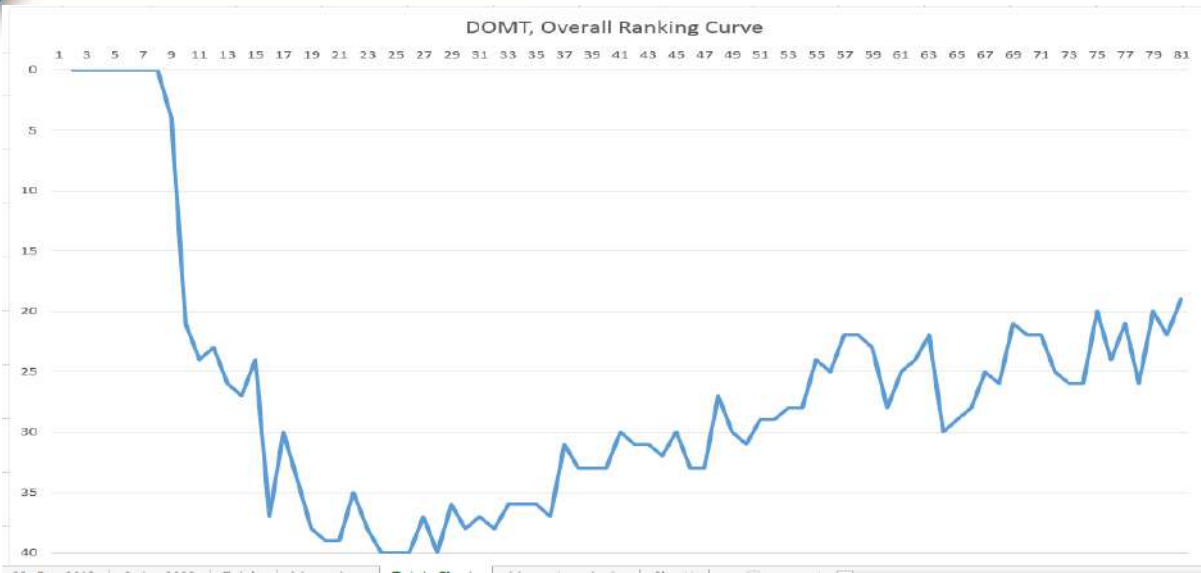


DOMT is one of the defensive stocks that possess low volatility. The stock is inside a trading range and is now near the lower boundary of this trading range. A rebound from here might occur. A break above 9.3 will be bullish for the stock and will send it near 11.

EFID is also a defensive stock that looks almost like DOMT. The stock is testing its support that lies around 13 and rebounding from there. Those who are interested in such a defensive stock can keep it as it saves investors during sharp downtrends. If a rebound occurs, the stock will probably reach 18.



DOMT Ranking Curves



One of the most defensive stocks as shown from the last two charts. The stock performs badly during upward moves while it outperforms the market during bear periods.

If we look at the overall ranking curve, we will note that the curve is rising, which shows that the overall performance of the stock is getting better. This can also be shown by the 20 and 10 periods ranking curves.

DOMT is also recommended to be one of the holdings in big portfolios.

The market is witnessing a period of uncertainty among investors. People's emotions also swing swiftly from bearish to bullish, bullish to bearish, then bearish to bullish and so on

BEARISH



BULLISH

The EGX 30 index witnessed significant rises while most of the stocks did not follow the same path, which rose the frustration among market participants. Even important breakouts on the EGX 30 was not followed by stocks, only COMI which is one of the very few stocks that are witnessing an uptrend, if not the only one.

Since stocks are not correlated together, and as we know that the EGX 30 is controlled by COMI, our decision to enter the market should be based on the EGX 50 index, which gives a more credible picture of the overall market situation. This index did not breakout yet, and is still in its downward move. We should turn bullish on the market if the EGX 50 surpasses clearly the 2000 level and closes the month above it.

Investors are also urged to use relative performance analysis to choose stocks. Even non-experts can do that by seeing which stocks are performing better.

Seeing where the flows go and joining it, even for short-term trading, can be profitable if we have discipline and use our stop losses strictly.

In other words, we do not recommend to buy and hold until the market breaks to the upside and confirms its breakout on a monthly basis. However, trading chances are always there, we need to do three things:

- 1– Be quick to sell at targets or at stop losses
- 2– Understand that the day the market looks fine it will fall the second day and vice versa since we are still inside this sideways range
- 3– do not get excited with good trades because this sideways range can eat your profits quickly unless you have strong discipline.

BUT

These three rules will change if the EGX 50 index breaks above 2000; if this happens our three rules will be as follows:

- 1– Search for outperformers and enter the market aggressively.
- 2– Do not sell at targets as the stock will probably continue its rise.
- 3– Understand that when things look good, they will look better tomorrow, cause we are in an uptrend

29 DISCLAIMER



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