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EGYPTIAN INSTITUTE FOR STUDIES

Economic Reports

10 OCTOBER
2019

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Dimensions of Egypt Stock Exchange Collapse in Sept.

Ahmed Hafez*

The Egyptian Stock Exchange (EGX) went through difficult sessions of stock market decline during the final week of September 2019, which was described as the second largest decline in the history of the Egyptian Stock Exchange. Most sessions during the week were characterized by strong selling pressure from individuals in some sessions and from institutions in others, which may give some significant indications to clarify the impact of the call for demonstrations against the Sisi regime on the stock market decline on the one hand and the extent to which individuals and institutions responded to these calls on the other.

Reviewing what happened on Sunday, September 22, 2019, we find that the Egyptian Stock Exchange closed Sunday's trading session with a collective drop of all indices, a selling pressure of Egyptian and Arab traders, and a decline in market capitalization by LE 35.7 billion, to reach level of LE 702.302 billion.

Egyptian nationals accounted for 74.72% of total trading (buying and selling), while foreigners accounted for 14.82% (buying and selling), and Arabs accounted for 10.45% (buying and selling) during the trading session on Sunday. Institutions accounted for 39.51% of transactions on the stock exchange, while the rest of transactions were by individuals at 60.48%.

Therefore, it is possible to say that the largest transactions were carried out by individuals of different nationalities, which indicates a serious fear of price drop due to calls for demonstrations. It was natural that this would not happen at the beginning of the week as individuals and institutions usually move to open new purchasing centers, to be closed during the week or at the end of the week.

However, selling dominated as a result of the call for demonstrations, and Egyptian investors feared repetition of the famous sessions of 25-26-27 January 2011, which led to closing the stock market for 52 trading sessions.

The transactions of Arab individuals and foreign institutions tended to buy at LE 2 million and LE 167.7 million, respectively, which are of course very low values, but constitute the opening of buying

centers for Arab individuals and foreign institutions, taking advantage of the waves of selling from Egyptian individuals and institutions.

As a result of the events of Sunday, all indices declined, with the EGX 30 index by 5.32% to close at 13958 points, the EGX 50 index by 6.88% to close at 1966 points, the EGX 30 Capped index (of determined weights) by 6.06% to close at 16804 points, and the EGX 30 benchmark index by 6.46% to close at 5129 points.

The EGX 70 index of medium and small companies dropped by 5.66% to close at 509 points, the EGX 100 index by 5.68% to close at 1358 points, and the Nile Stock Exchange index by 0.63% to close at 460 points.

Shares of 3 companies listed in the stock market rose at the end of trading, 157 companies fell, and levels of 19 companies did not change. During the session of Monday 23 September 2019, the Egyptian Stock Exchange ended the trading session with a collective decline of all indices under pressure from sales of foreign dealers, and the market capitalization fell by LE 8.2 billion to reach the level of LE 694.110 billion.

A total of 336.5 million shares changed hands through 31.9 thousand transactions at a total value of LE 1.3 billion. Egyptian investors recorded 61.82% of total trading, while foreign investors accounted for 32.55%, and Arabs accounted for 5.63% during Monday's trading session. The institutions accounted for 57.30% of the total market trading, with the remaining 42.69% by individuals.

Egyptian, Arab and foreign individuals as well as the foreign institutions tended to sell at LE 67.6 million, LE 5.1 million, LE 2.2 million and LE 211.6 million respectively, while Egyptian and Arab institutions tended to buy at LE 270 million and LE 16.5 million respectively.

Monday's data indicate that there was continued selling by Egyptian individuals, and also entry of foreign individuals in the selling pressure, but at the same time Egyptian institutions took advantage of the increased selling pressure, and bought some of the shares they had sold in the previous session with the aim of reducing the total losses.

By the end of the day, all indices fell, and shares of 25 companies listed on the stock exchange rose at the close of trading, 126 companies fell, and levels of 27 companies remained unchanged.

On Tuesday, September 24, 2019, the Egyptian Stock Exchange recorded a negative performance for the third session in a row with a capital loss estimated at about LE 21.8 billion to stabilize its market capitalization at the level of LE 672.280 billion against LE 694.110 billion, and all indices declined by the end of trading.

Sales of foreign investors (institutions-individuals) by EGP 776.8 million exacerbated the decline of the stock market, compared to purchases of local and Arab investors (institutions-individuals) worth LE 747.3 million and LE 29.4 million respectively.

Tuesday's trading witnessed continued selling by foreign individuals in addition to foreign institutions with high values of LE 776.8 million, and buying by Egyptian individuals and institutions, which reinforces the rise in the coming session to compensate for losses and achieve a new position for shares.

On Wednesday (25 September 2019), the Egyptian Stock Exchange ended trading on a collective rise for all indices stable in the Green Zone, and foreign and Arab investors' purchases worth LE 64.7 million and LE 158 million respectively, compared to local sales worth LE 222.7 million boosted the rise of indices.

Soon, Egyptians (individuals and institutions) sold what they had bought in the previous session, to compensate for the huge losses due to the falling prices and the pressure of securities companies operating in the stock exchange to cover the marginal purchase accounts that are opened to customers with indebtedness from the company loading the interest on the client. On the other hand, Arabs opened new short-term buying positions in anticipation of the rise of stocks in the next session.

In Thursday's session, the Egyptian stock market ended on a collective rise of indices, supported by investor purchases on the leading and medium-sized stocks. Market capitalization gained about LE 7.3 billion to record LE 695.795 billion against LE 688.484 billion on Wednesday.

The value of shares traded inside the booth recorded about LE 915.4 million, through a trading volume of 249.8 million shares, executing 24,682 thousand transactions, and institutions accounted for 62.68% of transactions against 37.31% by individuals. The dealings of Egyptian investors moved

towards selling at LE 141.5 million, compared to Arab and foreign purchases worth LE 131.8 million and LE 9.6 million respectively.

Despite the rise in the stock indices, the differences between the buying and selling transactions registered in favor of institutions and individuals, whether buying or selling, were very small (LE 141.5 million in selling by Egyptians and LE 131.8 million in buying by foreigners and Arabs), which indicates the convergence of buying and selling, but what is striking is the purchase by institutions of the high relative weight shares on EGX30 index, especially banks, so that the index would rise at the end of trading.

At the close of the week, the market capitalization of the Egyptian Stock Exchange declined by about LE 42.2 billion to close at 695.8 LE billion, a drop of 5.7% from the third week of September 2019, and the market capitalization of the main index declined from LE 429.9 billion to LE 402.89 billion during the week ended. The capital of the small and medium-sized index fell from LE 205.5 billion to LE 194.6 billion, a decline of 5.3%, while the broader capital index fell from LE 635.4 billion to LE 597.4 billion, a decline of 6%.

Retail sales dominated this week's session, after marginal buying pressures and T+0 which closed with significant losses, indicating panic over the call for demonstrations. Egyptian individual investors were the most affected party by the September 2019 collapses; however, they continued to suffer amid effort to reduce their continuing losses.

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