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Eye on Bourse

Ahmed Kamel

Global oil prices driving local stocks

THE local stock market is forecast to take a sideways trend this week amid low volumes, traders and analysts said.

Traders said oil prices would cast a shadow on the region as well as the local market. Prices of crude oil will remain a key factor worldwide, especially in Arab Gulf stock markets, one trader said.

"Oil will be the main driver. The Egyptian stocks are expected to be highly affected as Arab investors significantly influence trading," Mohamed Assem, a Cairo-based trader told *The Egyptian Gazette*.

The benchmark index EGX30 rose by 216 points, or 3.6 per cent, ending last week's trading at 6,202 points. However, the broader EGX70 and EGX100 indexes fell by 1.8 and 0.88 per cent to 349 and 708 points respectively.

"Volumes will remain low, and the sideways trend is seen to continue this week," Assem said.

Volume fell to LE4.4 billion (\$637 million) last week, down from LE5.1 billion the previous week. Market capitalisation rose by LE9.37 billion to LE400.69 billion, according to market data.

Last week, Arab investors made net purchases worth LE97.55 million, while non-Arabs made net sell-offs worth LE96.9 million.

It's noteworthy that non-Arabs have made net sell-offs worth LE637.55 million, while Arabs have made net purchases worth LE293.95 million since the beginning of the year.

Mutual funds, which accounted for 63 per cent of trades over the past week, made net sell-offs worth LE51.4 million last week, according to Bourse data.

"Higher oil prices will simply drive Arabs to buy into Egyptian stocks, and vice versa," Assem noted.

On Friday, oil prices fell globally on expectations that top oil exporters might fail to reach a deal to boost the market. Members of the Organisation of the Petroleum Exporting Countries (OPEC) are scheduled to meet today (Sunday) to discuss production policies.

Brent crude futures fell by 1.2 per cent to \$34.06 a barrel. US crude futures shed 2.6 per cent to \$30.89 a barrel.

Traders said a fuelling race for CI Capital, the investment arm of Commercial International Bank (CIB), would boost investor confidence. Ahly Capital Holding, a subsidiary investment unit of state-owned National Bank of Egypt, has showed interest in acquiring CI Capital. Shares in CIB account for roughly 40 per cent of the benchmark index's weight, according to Bourse data.

Orascom Telecom Media and Technology, which is owned by business tycoon Naguib Sawiris, also seeks to take over the investment bank for roughly LE1 billion.

Market observers said the race for CI Capital might trigger a wave of acquisitions, boosting the local stocks in the coming weeks.

Technically, the indexes are seen to test new resistance levels. "The main index firmed above 6,000 points last boosted by CIB gains. The stocks are expected to gain this week," said Sameh Gharib, head of technical research at Cairo-based Gozour Securities.

"The EGX30 will test 6,300 points today. The support level now stands at 5,526 points. The EGX70 has a new resistance level of 360 points," Gharib added.