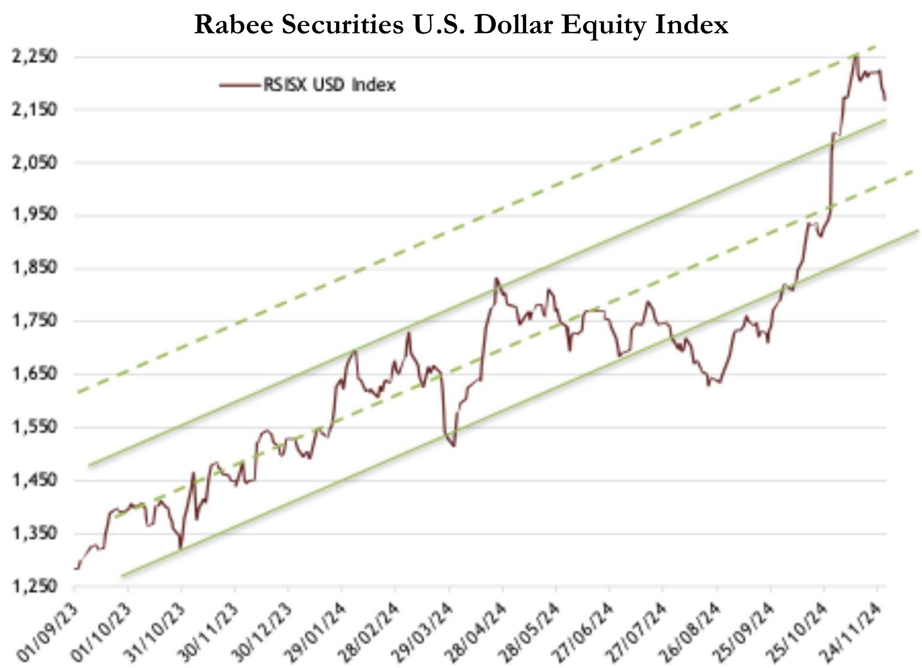
"Corporate Earnings Growth Underpins Market Rally"
Ahmed Tabaqchali, December 4th, 2024

The market, as measured by the Rabee Securities U. S. Dollar Equity Index (RSISX USD Index), was 2.9%, in November and is up 41.7% for the year.

The market's powerful momentum over the last two months continued into the second week of the November when it was up 7.3%, before profit-taking cut that to an increase of 2.9%, suggesting that the market will likely consolidate these gains or pull-back somewhat. However, its technical picture continues to be positive, and the likely consolidation or pullback, should be within its multi-month uptrend as much as they have done over the prior months (chart below).



(*Source: Iraq Stock Exchange, Rabee Securities, AFC Research, daily data as of November 30th*)

Underpinning the market's multi-month rally has been the strong net profit and shareholder equity growth of the top companies in the market, both quarter-over-quarter and year-over-year, which continued with the release of 3rd quarter of 2024 (Q3/24) results. Given that these companies operate in different sectors, each with its own dynamics, and each company within the same sector with its own particular dynamics, the tables below aim to capture these differences by looking at both quarterly and yearly growth. They compare Q3/24 to Q2/24, Q3/24 to Q3/23 to capture quarterly growth both sequentially and year-over-year, as well as trailing 12 months (TTM) ending in Q3/24 to TTM ending in Q3/23 to capture full-year growth.

Earning and book value growth for selected companies

	Q3/24 vs. Q2/24	Q3/24 vs. Q3/23	TTM Q3/24 vs. TTM Q3/23
Net Profit growth			
The Bank of Baghdad (BBOB)	6.7%	89.0%	144.7%
The Commercial Bank of Iraq (BCOI)	-9.9%	126.1%	336.8%
Mansour Bank (BMNS)	-5.4%	116.2%	215.8%
The National Bank of Iraq (BNOI)	35.4%	-9.4%	109.8%
Asiacell (TASC)	56.1%	24.5%	3.1%
Baghdad Soft Drinks (IBSD)	42.2%	59.3%	31.5%

	Q3/24 vs. Q2/24	Q3/24 vs. Q3/23
Book value growth		
The Bank of Baghdad (BBOB)	5.8%	53.1%
The Commercial Bank of Iraq (BCOI)	4.0%	14.1%
Mansour Bank (BMNS)	6.3%	43.9%
The National Bank of Iraq (BNOI)	-0.2%	43.3%
Asiacell (TASC)	8.5%	27.9%
Baghdad Soft Drinks (IBSD)	-0.3%	9.8%

(*Source: Rabee Securities, company reports, and AFC Research. Notes (*), data as of Q3/2024*)

The background to the healthy growth enjoyed by these companies is the relative stability that the country has enjoyed over the last few years, which provided a stable and predictable macroeconomic framework for businesses and individuals to operate in and to plan for capital investments on a scale not seen in the last prior decades of conflict; that in turn, should be sustained by the population's pent-up demand for goods and services to catch up with the rest of the world. Supporting this growth are the liquidity injections into the economy by the government's expansionary three-year budget for 2023-25 that resulted in an estimated real non-oil GDP growth in 2023 of 6.0%, followed by an estimated 3.5% in 2024, which is projected to grow further still by 3.3% in 2025 (IMF). For the banking sector, this has been further fuelled by the significant fundamental developments that promise to accelerate the adoption of banking and bring about a transformation of the sector and its role in the economy, which in turn should promote the growth of other companies.

The equity market, as measured by the Rabee Securities U. S. Dollar Equity Index (RSISX USD Index), having surpassed its 2014 peak by 4.6%, has the potential to rally further reflecting the powerful dynamics discussed here. However, significant risks remain given Iraq's recent history of conflict, extreme leverage to volatile oil prices, as well as the risk that the widening of the current Middle East conflict will not be contained and evolve to destabilise the region –even though the temporary ceasefire in Lebanon lowered the likelihood of a widening, yet risks remain that this will not hold or that other negative developments take place.