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Our Economy

& the World

This week's issue of "Our Economy and the World" includes:

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Key Global Developments

Total CEO - Oil Demand Strong, Year-End Too Early for Rebalancing

Reuters

The Chief Executive of French oil and gas major Total said that oil demand in 2016 will stay strong, supporting prices, but the market is unlikely to rebalance by the year-end.

Patrick Pouyanne told a French Senate committee that oil demand rose sharply in 2015 to 1.8 million barrels per day (bpd), increasing at about 2 percent in a single year.

"This year, experts see demand at about 1.2 million barrels per day," Pouyanne said.

"Me and my team see it at about 1.4 million barrels per day, which is still strong and means the market is rebalancing, but will not rebalance completely by the end of the year, however, it will somehow support prices," he added.

Fed Signals Interest Rate Hike Firmly on the Table for June

Reuters

Federal Reserve officials felt the U.S. economy could be ready for another interest rate increase in June, according to the minutes from the central bank's April policy meeting.

Most participants in the policy-setting committee's April 26-27 meeting said they wanted to see signs that economic growth was picking up in the second quarter and that employment and inflation were firming, the minutes showed.

"Then it likely would be appropriate for the committee to increase the target range for the federal funds rate in June," according to the minutes.

The suggestion that a rate increase in June is firmly on the table suggests the Fed is closer to tightening monetary policy again than Wall Street had expected.

Prices for futures contracts on the Fed's benchmark overnight lending rate implied that investors saw a 34 percent chance of a rate increase next month, up from 19 percent.

Recent data has made policymakers more confident that inflation is rising toward the Fed's 2 percent target and they also expressed fewer concerns about a global economic slowdown, according to the minutes of the meeting held on April 26-27.

According to the minutes, most concluded that if the economic data comes in line with the increased growth in the second quarter, if the steady improvement in the labor market continues and if inflation escalated towards the targeted rate (2 percent), then the committee will likely want to increase the interest rate by June.

EC Delays Decision on Spain and Portugal Over Deficit Breaches

Argaam

The European Commission has put off a contentious decision on imposing financial sanctions on Spain and Portugal for failing to bring their budget deficits within European Union rules, saying it would revisit the issue in July, after Spain had held a general election.

The commission, the EU's executive arm, said the two Iberian countries should take more measures to reduce their budget deficits in 2016 and 2017, and gave them an extra year to get their deficits within 3 percent of gross domestic product, the bloc's ceiling. The deadline for Portugal is now 2016 and for Spain 2017.

But in a move aimed at avoiding setting off a political debate in Spain ahead of its elections, the commission said it would push back an assessment of whether the countries had taken enough steps to reduce persistently high budget deficits.

Beijing Defies US Steel Duties by Granting 15 Bns in Subsidies to Exporters

Reuters

The American Chinese dispute over steel file escalated with China confirming that it would persist with controversial tax rebates to steel exporters to support the sector's painful restructuring. China will provide $15 billion in subsidies for steel and coal companies to reduce their production capacity, defying a US move to impose punitive import duties on Chinese steel products.

A worldwide steel glut has become a major trade irritant, with China under fire from global rivals who say it is dumping cheap exports after a slowdown in demand at home.

In a marked escalation of the spat, the United States said it would impose duties of more than 500 percent on Chinese cold-rolled flat steel, widely used for car body panels, appliances and in construction.

However, China's Ministry of Finance said it would "continue to implement a tax rebate policy on steel exports" as it tries to finance a costly capacity closure plan.

By far the world's largest steel producer, China plans to eliminate 100-150 million tons of annual production - more than the US produces per year - over the next five years.

The finance ministry said China was making special funds available to curb overcapacity in both steel and coal and would reward local authorities for exceeding their targets and meeting them early.

Goldman Sachs: The Era of Cheap Oil is Over

CNN

At least that's what Goldman Sachs says. The investment bank told its clients the oil market has flipped into deficit this month, after two years of persistent oversupply. It said it now expects oil prices to reach $50 per barrel in the second half of the year.

U.S. crude futures climbed 1.8 percent on Monday to just above $47 per barrel, the highest level in more than six months. "The oil market has gone from nearing storage saturation to being in deficit much earlier than we expected," Goldman Sachs analysts said in the research note.

The Wall Street firm said supply disruptions as well as stronger demand from India, China and Russia, were behind the sudden switch.

Even so, "Goldman Sachs" expects a gradual decline in world oil glut, as analysts said: "We expect that the return of some of these cuts, as well as increased Iran-Iraq production would offset the current shortage due to pending cases in Nigeria and the expectation of higher demand," adding that prices may fall to $45 a barrel at the beginning of next year, before reaching $60 by the end of 2017.

Japan's Economy Dodges Recession in First-Quarter
Reuters

Japan's economy expanded at the fastest pace in a year in the first quarter, thanks in part to a leap year consumption boost, but analysts say the rebound is not strong enough to dispel concerns over a contraction this quarter.

With private consumption making only a feeble recovery from last quarter's slump, the data keeps alive market expectations that Prime Minister Shinzo Abe will delay a scheduled sales tax hike next year, analysts said.

The world's third-largest economy expanded by an annualized 1.7 percent in January-March, much more than a median market forecast for a 0.2 percent increase and rebounding from a 1.7 percent contraction in the previous quarter, Cabinet Office data showed.

Fitch: 6 European Countries Most Affected from Brexit
Argaam

According to Fitch, the credit rating agency, some European countries will be among the most affected by the potential Brexit.

The credit rating agency said that Ireland, the Netherlands, the island of Malta, Cyprus, Belgium and Luxembourg will be the most vulnerable as a result of the potential Brexit.

Fitch referred in a research note on the risks entailed in the potential Brexit to the fact that goods and service exports of some countries to the UK amount to at least 8 percent of such countries' gross domestic product (GDP). The agency said that the Brexit cost will be less for the EU countries than for Britain, but some European countries will suffer more than others.

OECD: Indicator Flags Improving Outlook in Emerging Economies
Reuters

Economic slowdown in emerging market countries is showing signs of abating, the OECD said, adding that the outlook was improving in Brazil and Russia and stabilizing in China but continuing to deteriorate in the United States.

The Paris-based organization said its monthly leading economic indicator, a measure designed to flag turning points in the world economy, also showed stable growth momentum in the Eurozone.

"CLIs (composite leading indicators) continue to point to easing growth in the United States and the United Kingdom, with the outlook for easing growth now confirmed in Italy," it said in a statement.

On an index where 100 represents the long-term average, the OECD said the reading for OECD countries as a whole edged down to 99.6 in March from 99.7 the month before.

China's reading remained at 98.3 in its latest review of conditions. Brazil's improved to 98.0 while Russia's indicator edged up to 98.6 from 98.4.

The U.S. reading edged lower, to 98.8 from 98.9, while the UK reading remained stable at 99.1 and still pointed to easing growth. Germany's indicator stood at 99.7, unchanged from the previous month.

The Eurozone economy dipped to 100.4, with the indicator for France stable at 100.9 while it fell for Italy from 100.8 to 100.7.

Implications for Egypt:

The IMF believes that corruption hinders the formulation and implementation of sound monetary policies, and erodes the ability of states to raise revenue and undermines the independence and credibility of the central bank in the conduct of monetary policy. As a result, inflation rates are high in the countries with the highest levels of corruption.

Therefore, reform in Egypt requires the availability of several factors to resolve these problems, starting with full transparency in transactions along with speeding up the process of automation instead of relying on paper-based transactions. Problems starting from red tape to corruption usually spring from unnecessary, repeated procedures, whose interpretation is left to the implementing authority without clarity of vision or legislation.

Therefore, in light of the global economic conditions that began to show coherence and a growing shift towards a change in economic balance away from blocs towards alliances, Egypt must realize that economic reform is the most important pillar of confidence building. It is the ideal route for achieving real stability and dissemination of its benefits. This is what we all aspire to as a nation. Reform, in its universal concept at the national level, is the optimal path to putting together an action roadmap with ambitious visions and goals in a way that ensures sustainable development.

In light of this obvious shift in economic models worldwide, it has become necessary for Egypt to undertake a similar change in its economic plan in major such areas such as societal development, quality of life, urban planning, human capital, among others.

Special Analysis

Variation in Wheat Production in Arab Countries

Al-Sharq AL-Awsat

The US Department of Agriculture expects global wheat production to decline slightly in the next fiscal year 2016-2017, along with an increase in consumption. This means higher pressure on the price of wheat, which fell by about 5 percent during the year. 2015-2016 is expected to witness a decline of imports, which will reach 163.5 million tons at the end of June— 2 percent lower.

The annual wheat harvest season in Arab countries has shown a clear variation between extremely low and significantly high. Wheat traders around the world pay particular attention to production and import movements in the Arab countries, as the region is one of the most important importers in the world. Egypt and Algeria alone occupy the first and third places globally among leading importers; while Morocco's expected imports in 2016- 2017 are equal to total imports of Arab countries.

April and May have seen many international tenders for the supply of wheat to Arab countries along with the announcement of these countries of their production, which contributed significantly to international price movements. The United Nations Food and Agriculture Organization (FAO) announced a rise in the food price index in April, the third monthly gradual increase in the index following four consecutive years of decline.

In Egypt, which is expected to import 12 million tons of wheat this year, the government purchased 1.8 million tons of domestic wheat since the start of the crop supply season on April 15. As the largest wheat importing country in the world, Egypt intends to buy 4 million tons of domestic wheat in the 2016. The Ministry of Agriculture said it had been taking all the necessary precautionary measures to avoid selling cheap imported wheat to the government as Egyptian wheat. The government bought a record 5.3 million tons of domestic wheat in the last season, but it is believed that about two million tons of the total was of foreign origin.

In spite of expectations by the US Department of Agriculture that the volume of Egyptian production will fall slightly this year compared to last year, the Egyptian President Abdel Fattah el-Sisi inaugurated the harvest season in Farafra Oasis southwest of Egypt shortly after launching a project to reclaim one and a half million feddans. Meanwhile, the Egyptian Ministry of Agriculture announced that Egypt's wheat production will reach 9 million tons in 2016, which is about 900 thousand tons higher than American expectations.

Morocco was the most affected this year, as the Moroccan Ministry of Agriculture announced that it was expected to harvest 3.35 million tons of grain this year, down 70 percent from the record level of the last season, which stood at 11 million tons, after the country's worst drought in 30 years.

The dry weather, which is uncommon in parts of the country, threatens to increase the financial risks faced by the Moroccan government as it seeks to stimulate economic growth and reduce public spending. Precipitation decreased by 43 percent compared to the annual average and by 45.5 percent from the previous season, making this season the worst in 30 years, as it witnessed 98 days of drought during the period from November to February.

The US Department of Agriculture attaché in Morocco said in a report last month that the Kingdom's imports of cereals will reach 4.6 million tons in the 2016-2017 season, including 3.9 million tons of wheat and 0.7 million ton of barley, while the US Department of Agriculture expects higher figures. Analysts and traders expect that imports of grain remain in the current season below three million tons, as the plentiful crop that was harvested last year contributed to reducing the impact of the drought. The higher food import bills come at a critical time in which Morocco faces protests against austerity measures and unemployment.

In Algeria, the third largest importer in the world, a new tender was announced for the purchase of wheat flour last week. The tender requested a quantity of 50 thousand tons, but Algeria often buys much larger quantities than requested in tenders. Algeria's Grain Council sought in its latest tenders on April 8 to buy about 400 thousand tons of any origin, but it is believed that France will likely be the supplier.

On the other side of the Red Sea, Saudi Arabia announced a tender for the purchase of 550 thousand tons of durum wheat at the end of April. The Saudi Grains Organization said it is seeking to buy 550 tons of durum wheat in a tender, to be shipped during July - August—this is the second tender announced by Saudi Arabia in 2016. The last shipment of wheat bought by Saudi Arabia took place at the end of February, when it bought 870 thousand tons.

Saudi Arabia has become a major importer of wheat durum and soft wheat, since it abandoned plans to achieve self-sufficiency in 2008, because agriculture in the desert land was draining scarce water resources. The Kingdom stopped buying domestic wheat this year.

The ambitious 2030 plan announced by the Kingdom emphasized to rely on Egypt and Sudan, with respect to the provision of food and the establishment of the food industries.

As for the international situation during the Arab harvest season, prices in Asia rose last week with a severe drought that threatens to cut production and raise food commodity prices for half the world population. The increase included the rise of several types of grains, especially wheat, which is used widely in the pasta industry in Asia, along with soybeans and corn.

In Europe, customs data showed in France, the leader of wheat exports in the continent, that in the beginning of the month it had exported 1.4 million tons of soft wheat outside the EU in March, and that Algeria and Morocco were the main importers.

Thus, the volume of exports since the beginning of the 2015 - 2016 season in July until the end of March has reached 8.2 million tons, up by one percent from the corresponding period a year ago, in which the volume of exports reached 8.1 million tons.

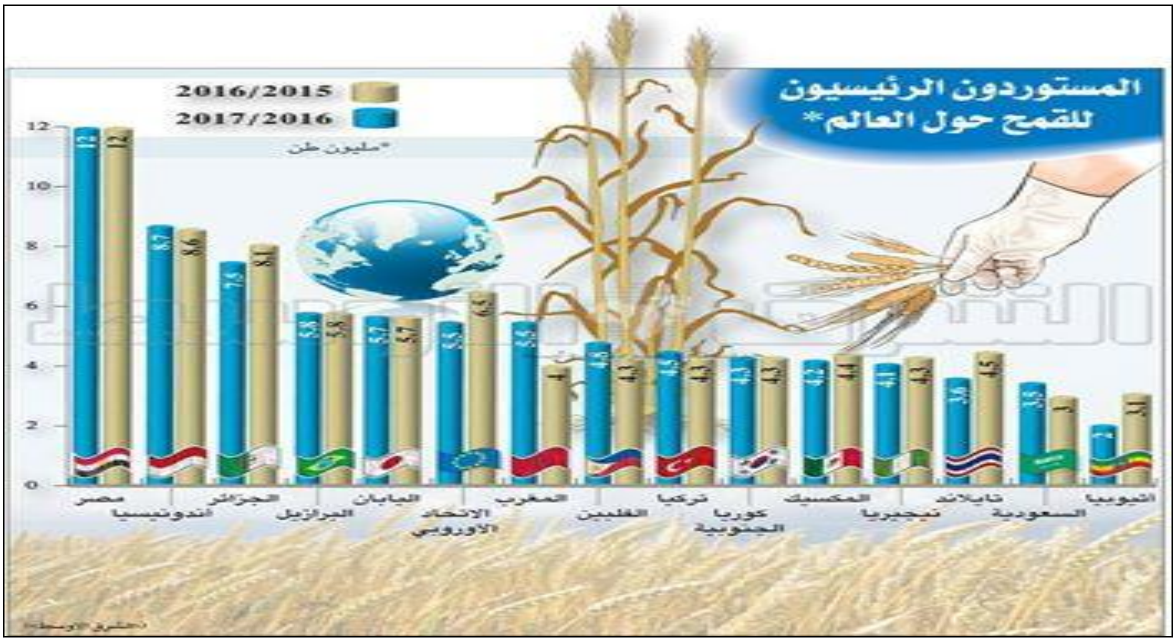
Data showed that French soft wheat exports outside the 28-nation EU bloc, in March, included 580 thousand tons to Algeria, raising total shipments to Algeria since the beginning of the season to 3.5 million tons, an increase of 69 percent on an annual basis. 314 thousand tons of soft wheat were shipped during the same month to Morocco, where the local crop was hit by a severe drought. Total exports to Morocco increased by 71 percent on an annual basis to 1.2 million tons.

Morocco has also boosted demand for French barley in March, reaching a total volume of shipments of 178 thousand tons, surpassing French barley exports to Saudi Arabia during the same month, which amounted to 132 thousand tons. This increased French barley exports outside the EU in March to 450 thousand tons.

«FAO» said at the end of last week that food prices rose slightly in April, as the high vegetable oil and grain prices surpassed the decline in prices of dairy products and sugar.

The FAO food price index , which measures monthly changes on the basis of a basket of cereals, vegetable oil, dairy products, meat and sugar, rose to 151.8 points in April, compared with 149.5 points in the previous month. The slight increase in April is the third monthly gradual increase following four consecutive years of decline.

«FAO» predicted that global grain production in 2016 - 2017 would reach two billion and 526 tons, which is practically unchanged compared to the previous year, and slightly higher than the expectations announced last month. Wheat production is expected to reach 716.9 million tons in 2016-2017, higher than previous expectations. The «FAO» noted that food prices in world markets in April were less 10 percent compared to a year ago.



Implications for Egypt:

Egypt could reduce its wheat import bill by attracting private sector investment in critical segments of the strategic value chain that turns cereals grown elsewhere into the country's main staple food, according to a recently published study by FAO.

More private sector investment in key logistical infrastructures such as port handling or storage facilities is one of the main recommendations of the study to help solve the significant waste issue that characterizes the grain sector. At any rate, more dialogue is needed between public authorities and the grain industry, to ensure that each part can best contribute to improving the country's food security equation. To facilitate this dialogue, the report advocates for the establishment of an independent association of grain storage and trade companies.

The study suggested a shift towards wheat import infrastructures owned and managed primarily by the private sector could lead to considerable savings. The study suggests moving to modern, privately built, silo storage rather than the current flat storage system, also called *Shona*, which induces significant losses due to the wheat being exposed to pests and rodents. Because private sector storage is generally used for more than one commodity and run more efficiently, with far fewer employees, it is able to achieve a higher throughput of commodities and provide storage at a lower cost. Modern silos might be more expensive, but the switch could lead to over USD 43 million in savings per year, ensuring a quick return on investment and lower costs to the Egyptian budget.

Therefore, to achieve greater self-sufficiency in a staple commodity that feeds tens of millions of the poor, Egypt buys local wheat at a subsidized price. This makes any wastage of the crop very expensive in light of the fact that the country, which is suffering from a shortage of US dollars, has to draw on its dwindling foreign reserves to import more grains to make up for the shortages. It is also important to achieve self-sufficiency in wheat cultivation so as to reduce the import bill and put an end to baladi bread production problems. This could be through expanding the cultivation of wheat in new regions and externally, especially in Sudan. It is also important to raise the productivity of cultivated varieties and introduce varieties that achieve a boom in production, like when Mexican varieties were introduced. A focus should be on varieties that give high-quality crops in the South Valley and Western Desert, where major agricultural reclamation projects are taking place. A complete strategy of standard specifications should be developed, as this means a stable investment climate that encourages importers and achieves abundance and large strategic reserves.

From the International Press

European Economy is Lagging
Alittihad newspaper quoting International New York Times

The German economy is under a state of constant weakness, after Germany was the engine of the European economy. This is due to China's cutting back on mining machinery as its economy slips. Demand from some countries for luxury cars is declining as a result of lower oil prices. Western sanctions on Russia contracted demand for high-tech energy equipment. The downshift in the emerging markets is leaving Germany vulnerable — and, by extension, Europe.

As many businesses in the region struggled just to tread water in recent years, German companies prospered by selling the goods and technology that emerging countries needed to become more modern economies. As they did, Germany's strength served as a counterweight to the economic malaise, financial turmoil and Greek debt drama that dragged down many European countries.

Now, Germany, which accounts for the largest share of the European economy, is looking like the laggard. Compared with the economies of other countries in the region, Germany's has been more deeply tethered to emerging markets. The political climate is only adding to the uncertainty, as Germany deals with a wave of migrants and a potential exit of Britain from the European Union.

Against that backdrop, the country's export engine is sputtering, while business confidence is eroding. During the good times, the German manufacturer Eickhoff Bergbautechnik sold 20 machines a year as China dug ever more coal mines to feed its energy-hungry factories. Last year, the company sold just eight. With profit dropping, Eickhoff laid off about 10 percent of its local work force of 300.

Less torrid sales at Eickhoff and hundreds of other midsize German exporters translate into slower overall economic growth. Suppliers of mining equipment generated exports of €6.2 billion in 2012. Last year, those exports fell to €3.5 billion, a trend that has played out in a number of industries. As exports have slipped, the mood in Germany has turned glum. Pessimists outnumbered optimists in February for the first time since late 2014

Although there was a small uptick in March, manufacturers remain wary. If confidence remains weak, they are likely to cut back plans to invest in new equipment or hire people, prompting growth to slow. A weaker German economy would have political consequences for Europe.

As much as other Europeans like to bash the Germans, it is doubtful that the Eurozone could have survived its recent debt crisis without Germany's checkbook. Germany contributes more than a quarter of the financing for the European Stability Mechanism, the new bailout fund used to prevent the total collapse of countries like Greece.

For producers around the Eurozone, German shoppers also filled the void left by struggling Spaniards, Italians and Portuguese. When auto sales entered a deep slump beginning in 2009, Germans bought not only Volkswagens and Mercedeses but also Italian Fiats and French Renaults.

"It's the biggest market in Europe," Thierry Koskas, the executive vice president of sales at Renault, said in an interview. "Due to the weight of this market, it's big volume for us and it's important."

The changing economic picture also threatens to undercut the influence of Chancellor Angela Merkel of Germany. The country's financial strength has made it the dominant political power. Though protesters in Greece were known to burn effigies of Ms. Merkel over her harsh austerity policies, she helped impose a measure of discipline among bickering Eurozone leaders.

But there has been a tonal shift in recent months. Austria and other countries have defied Ms. Merkel's wishes on how to handle the influx of refugees from Syria. While she wanted to preserve Europe's openness, her counterparts instituted border controls.

"Germany's political standing in Europe has declined in the last number of quarters from a position of undisputed hegemony just to one where they are the most important country," said Jacob Funk Kirkegaard, a senior fellow at the Peterson Institute for International Economics in Washington. "It has been more difficult for Berlin to herd the cats."

During the last decade, Germany has been something of a shopping mall for developing countries. If a country was mechanizing its farms, German companies like Claas made the tractors and grain harvesters. If a country needed a factory to produce liquid oxygen or one to bottle beer, German companies like Linde or Krones could design, equip and build the whole plant.

Soaring demand from China, as well as places like Russia, Brazil and Kazakhstan, made Germany nearly impervious to the woes of its neighbors. While more than one-fifth of the work force in Spain is jobless, German unemployment has fallen to only 4.3 percent, lower than that of the United States.

China has been particularly good to German automakers, and therefore to the whole country. Autos are Germany's biggest export and one of the most important sources of jobs. China last year became the biggest market for the German sports car maker Porsche, surpassing the United States for the first time.

But there are signs of trouble. Growth in the Chinese auto market is expected to be around 4 percent this year, half what it was last year. The Middle East is another boom market turned troubled. Civil war in Syria and plunging oil prices have hurt the confidence and buying power of countries like Kuwait.

Implications for Egypt:

The European Union is one of Egypt's largest trading partners. It is also considered one of the largest suppliers of foreign investments and a major source of trade with Egypt. Thus, any potential negative impact faced by the EU will have an impact on economic life in Egypt and on the prospects of export development.

Egypt has certainly been exposed to several economic shocks since 2009 to date, negatively affecting its economic performance. However, it is reassuring that what Egypt is currently suffering is not comparable to what some other countries in the region are going through. This is a good indicator of Egypt's ability to overcome the crisis, provided the right decisions are taken. We cannot isolate Egypt from the outside world. So, Egypt's turning this economic turning point does not relate solely to the country's internal performance, but also to global performance.

There is a consensus that Egypt has not yet reached economic recession. Despite going through adverse economic circumstances, Egypt achieved growth for the second year in a row, and possesses several advantages that enable it to overcome the crisis. Such advantages include a sizable market, a young labor force, and a unique geographical location. Also, the country is witnessing remarkable economic mobility, albeit things must happen faster. Hence, the only way out of this crisis is that instead of denying current challenges, they must be placed in their proper place and dealt with accordingly. Addressing problems has become possible and the vision for the future has become more rooted. The will to reform is what can drive us out of this economic crisis. Hence, the end of the period of economic troubles, which everyone is anticipating, is mainly related to the country's ability to achieve growth that is capable of utilizing the youth, and hence achieve the optimal model of growth and social justice. It is also related to the political and economic potential of the government, and its ability to take the right decisions to overcome the crisis.

In light of the above, the Egyptian government has to focus on the implementation of large public finance reform packages aimed at rationalizing public spending and supporting revenues in order to consolidate the public budgets and ensure their sustainability, especially in light of the current challenges facing the fiscal policy. Tax reform should be on top of the priorities of fiscal policymakers to boost the tax revenues and ensure a fair and efficient tax system by reviewing the income and corporate profits tax systems, adopting the value-added tax and directing the tax system to support small and medium enterprises and the promising regions.

Attention should also be paid to controlling public spending items by rationalizing current expenditure through adjusting wage costs, proceeding with the reform of the basic commodity subsidy system, raising the efficiency of investment spending, increasing the transparency and efficiency of public budget management, and reducing deficits. All this should be combined with parallel efforts to raise the efficiency of public debt management, increase the average maturity of debt issuance and fund it from sources that ensure financial sustainability.

Global Financial Market Performance

Reuters - Argaam

Chinese stocks rose at the end of Friday trading, but recorded the fifth consecutive weekly loss, due to continuing concerns about economic growth in the country, and fears a hike in the US interest rate.

Chinese economic data on industrial production, retail sales and investments for the past month, raised investors' concerns about growth, after it fell short of analysts' expectations. Investors are also still worried about the US Federal Reserve's hint of raising the interest rate next month, which could exacerbate capital outflows from emerging markets, including China.

The "Shanghai" Composite Index rose 0.7 percent to 2825 points at closing, but fell by about 0.1 percent during the current week, which is the fifth weekly decline in a row**.**

Also, Japanese stocks rose at the end of Friday trading, recording gains for the second week in a row, with speculations that the yen's weakness will continue, supporting export companies. Investors believe that the US Federal Reserve's tendency to raise interest rate next month, as implied in its last meeting's minutes issued last Wednesday, will decrease the yen value against the dollar, and increase Japanese product competitiveness abroad.

Shares of export companies led shares that registered the most increase, with the yen losing about 1.5 percent of its value during the week, due to speculations of raising US interest rate in June. The Japanese "Nikki" index rose by 0.5 percent to 16,736 points, registering weekly gains of about 2 percent, and the "TOPIX" index rose by 0.5 percent to 1343 points.

Also, US stock indices rose during Friday trading with markets absorbing the Federal Reserve's meeting minutes. The "S&P" and "Nasdaq" indices made weekly gains, while the "Dow Jones" recorded losses for the fourth consecutive week.

The "Dow Jones" industrial index increased by 65.5 points to 17,500.9 points after more than 100 points in gains during the session, the "Nasdaq" index increased by + 57 points to 4769.5 points, while the "S&P 500" index rose (+12.2 points) to 2052.3 points.

On a weekly level, "Nasdaq" posted gains of 1.1 percent, and the broader "S&P 500" achieved 0.3 percent in gains, while "Dow Jones" recorded a weekly loss of 0.2 percent.

In Europe, the "Stoxx Europe 600" index rose by 1.2 percent or by 4.1 points to 338 points, with the index recording a weekly gain of about 1 percent.

The British "FTSE 100" index also rose (+102.9 points) to 6156.3 points, while the German "DAX" index rose by 120.1 points to 9916 points, and the French "CAC" index rose by +71.3 points to 4353.9 points**.**

On the other hand, gold futures for June delivery declined at settlement by 0.2 percent, or by $1.90 to $1252.90 an ounce, the lowest close since April 27. The precious metal recorded a weekly loss of 1.6 percent.

In oil markets, the US "NYMEX" fell by 0.9 percent or by 41 cents to close at $47.75 a barrel and achieved a weekly gain of 3.3 percent. Also, the benchmark "Brent" index fell by 0.2 percent or by 9 cents to close at $48.72 a barrel and made about 2 percent in gains this week.

In a related context, market concerns eased about the Federal Reserve meeting minutes, which hinted at the willingness of the majority of the Fed's members to support the decision to raise the interest rate in June.

Implications fir Egypt:

Trading in global markets focused last week on the leading stocks, as well as on speculative transactions and profit taking. Volatility and decline dominated traded liquidity between one session and the other, which led directly to cautious investment caused by internal factors, mainly in the stock market, in light of slow positive response to financial and economic developments in the region.

In light of the above, re-energizing the Egyptian Stock Exchange requires considerable effort from all political and economic stakeholders, starting with the pursuit of stability and security, passing through messages reassuring investors at home and abroad, and ending up with the restructuring of deficient systems and laws that need review in a number of aspects. A plan must also be put together to restructure the market and increase institutional depth to attract medium and long-term investments aimed at investing for longer periods of time.

The stock market has become desperately in need of diversifying/introducing new products and securities, to support its ability to enhance stability, and attract liquidity and new investors. Hence, the country's intention to make new offerings during the second half of this year would support turning the Egyptian Stock Exchange into a platform for financing of the economy. However, it is important to choose the right time for such offerings, which should preferably take place after the stock market stabilizes to ensure greater success. This would send a message of reassurance to investors and foreign institutions.