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The Egyptian Center for Economic Studies

Our Economy & the World

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Special Introduction about Brexit

Final results of the Brexit referendum showed that Leave supporters came ahead (51.9 percent) of the Remain supporters (48.1 percent), and the turnout was 72.2 percent. After announcement of the referendum results, the sterling fell to its lowest level since 1985, and oil declined by a substantial percentage. Asian and European markets fell significantly at the start of Friday trading.

The only certainty so far is that this decision has caused problems in the EU as a whole amid mounting calls in other countries to vote on secession. Its effects have begun appearing in the global markets, but assessing any potential effects is so far mere speculation and preliminary estimates. Therefore, one must emphasize the lack of clarity at this stage, which means that the best scenario now may be to postpone Brexit until 2018, Britain attaining a status similar to Switzerland, and the conclusion of a trade agreement with Britain's former partners in the EU. According to international reports, Britain would conclude a trade agreement with the EU, while maintaining trade agreements with the rest of the world. But this will inevitably lead to a drop in investments and a contraction of GDP by 3 percent by 2020. If Britain fails to take these measures, i.e., fails to sign a direct trade agreement with the EU, it would be obliged to abide by the laws of the World trade Organization, re-establishing tariff barriers. In that case, Britain would incur significant economic losses.

Many sources see that the impact of Brexit will not stop at the borders of Europe, but will undoubtedly reach many countries in the world including Egypt, which has a trade partnership agreement with the EU. However, this effect remains unassessed for Egyptian economy. There are questions about the position of various countries' exports - including Egypt – to the EU, and the extent of Britain's compliance with the international agreements concluded in the framework of the EU; most importantly, the European Partnership Agreement, and whether the exit will take effect immediately after the referendum or postponed.

Therefore, there is a need to review Egyptian export items to European markets and to see the possibility of substituting them with cheaper items. Also, there are opportunities to export Egyptian goods and services in place of the British goods and services that enjoyed the preferential advantage of Britain's presence in the EU. In addition, there is a need for the Egyptian Stock Exchange to closely monitor transactions at the current period, especially that there are Egyptian shares listed on the London Stock Exchange. In particular, there is a need to prepare quick alternatives to deal with any possible trouble that may result from the Brexit decision with a view to reducing its effects on the Egyptian Stock Exchange.

The Brexit decision could drive investments out of Britain to search for safe havens, including Gulf investments. Such investments may be available to Egypt if it prepares an emergency plan to attract them, noting that the widening inflationary gap between Egypt and its major trading partners in the EU's would lead to further rise in real effective exchange rate. As a result, commodity exports would be undermined. So it is important to take economic measures to significantly improve the investment climate.

According to international reports, Brexit will deprive Britain of the right to make important trade decisions and would be less attractive for foreign investments. Britain's opinion will not be taken in European open market decisions of electronic, financial and business services and other decisions. Brexit will undermine the stability of Europe, in which Britain remains the core market in the financial and banking services besides trade. However, voters in favor of isolationism are finding that they could discuss their business transactions directly with the concerned authorities without recourse to the EU, and believe that British companies will be free from the burden of the European market provisions. They see that trade between Britain and European countries will continue, because Britain imports more from Europe than it exports to it.

Key Global Developments

IMF Says Japan Needs Bold Reforms to Spark Economic Revival

Argaam

The International Monetary Fund said the Japanese government's quest to revitalize its economy faces a long slog in the absence of 'bold' structural reforms, and urged Tokyo to move income policies and labor market reform to the forefront.

The global lender called for a more flexible monetary policy framework with the Bank of Japan abandoning a specific calendar date for achieving its 2 percent inflation target.

"Under current policies, the high nominal growth goal, the inflation target, and the primary budget surplus objective all remain out of reach within the timeframe set by the authorities," the IMF said.

Japan’s Prime Minister Shinzo Abe had started stimulus policies, “Abenomics,” in 2012 that included reform, monetary and financial policies. However, these policies didn’t achieve the targeted success.

Russian Officials Warn of a “Local Debt Crisis”

Asharq Al-Awsat

Russian Finance Minister, Anton Siluanov, warned of possible recurrence of the 1998 crisis in Russia, if the authorities insisted on their decision to increase domestic borrowing to one trillion Russian rubles.

In a press interview, Siluanov talked about the authorities’ plans to increase domestic borrowing through federal loan bonds. He explained that many in the Russian capital market may not invest their capitals in these bonds (long-term financial instrument). He warned that the market in this case may require “short-term financial instruments,” which will lead to the return of short-term government loan bonds that caused the economic crisis and “technical bankruptcy” in 1998.

The Russian Finance Minister explained that given the large borrowing volume (up to a trillion rubles), not all banks would be able to invest in government 10-year- or 15-year-bonds. Therefore, banks will prefer short-term bonds due to their available capitals. Siluanov warned that the issuance of such bonds may lead the Russian economy to a “debt trap.”

Prior to his warnings of the consequences of taking such a step, the Russian Finance Minister said at the St. Petersburg International Economic Forum that the authorities will monitor carefully the bond quantities to be issued, adding that the size of issuance is linked to the size of the budget deficit.

HSBC: Accelerating Growth of Bad Debts in China

Argaam

A recent report revealed that bad debts in China are growing rapidly, with continuing global concern about the rise of the debt level in the world’s second largest economy.

According to a report published by "HSBC," the percentage of debt to GDP in China has almost doubled since 2008, rising at the fastest pace in major economies.

The report pointed out that government companies are considered largely responsible for the significant rise in debt levels, especially those working in the transport, energy and communications sectors, as well as steel and cement.

In spite of their need for funds, the Chinese government and banks had to lend troubled companies to bail them out.

The report pointed out that the Chinese authorities began pushing local governments in the country to close troubled companies, which means a big increase in bad loans on banks' balance sheets.

World Federation of Exchanges: More than 90 Percent of Stock Exchanges Show Commitment Towards Sustainability

Asharq Al-Awsat

The World Federation of Exchanges revealed that more than 90 percent of stock exchanges show commitment towards sustainability. These stock exchanges have programs for governance and sustainable development regulations that are mainly based on educational initiatives for issuers and investors. Programs also include products such as green bonds.

According to the Federation's second study on the rules of corporate governance and disclosure, nearly 100 percent of stock markets believe in the importance of monitoring their listed companies' achievement of sustainable development and active participation in developing corporate governance and disclosure standards. Also, a growing number of exchanges, up to 50 percent compared with 30 percent in 2014, integrate these standards in the preparation of their reports.

Chief Executive Officer of the World Federation of Exchanges, Nandini Sukumar, believes that the findings of this study are mostly characterized by generalizing and integrating the notion of sustainability into stock markets. She noted that the stock exchanges on the list of WFE are currently effectively engaged in working to ensure the health and development of their markets over the long term. They recognize the important role they could play in financing real and sustainable economy.

Putin says structural problems persist in global economy

Middle East News Agency (MENA)

Russian President Vladimir Putin said that the tense global situation is due mainly to economic challenges. He stressed that the structural problems in the global economy, still persist, growth is yet to be restarted.

Putin told the St. Petersburg International Economic Forum that Structural problems in the global economy have accumulated. He expected growing competition in international markets and growing barriers to technological flows.

He pointed out that the restructuring of all economic branches is inevitable, as many production facilities will lose their value, the demand for trade will change and competition will escalate for traditional and emerging markets.

He noted that the current tense political and geographical situation is mainly due to economic challenges and uncertainty, which to a large extent led to the depletion of previous sources of growth.

Putin said that there were risks related to constantly escalating geopolitical tensions, calling for a European and Asian large economic partnership comprising Eurasia, India, China and the Commonwealth of Independent States and other powers.

Putin stressed the need to develop cooperation within the so-called "flexible integration entities."

The Russian President called for strengthening economic and technological cooperation within flexible and open integration entities that encourage competition in scientific research.

Inflation-Adjusted U.S. State Budgets Return to Pre-Crisis Peak - Study

Reuters

State budgets finally returned to their pre-recession peaks in fiscal 2016 after eight years, once adjusted for inflation, according to a survey published on Tuesday.

Aggregate 50-state general fund spending and revenues have now surpassed the peaks they hit in fiscal 2008, the National Association of State Budget Officers reported in the twice-yearly fiscal survey of U.S. states it began in 1979.

In nominal terms, spending surpassed the pre-recession peak in 2013. But once adjusted for inflation, this is the first year expenditures have returned to that level, hitting $797.7 billion in 2016, about 1.2 percent above the 2008 peak.

States collected an estimated $787.1 billion of revenues in 2016, the report said.

While growth is up overall, spending by 29 states as well as general fund revenues in 23 states still remain below 2008 levels, the survey found.

The uneven progress is partly because of population shifts and regional disparities in the impact of the 2007-09 recession.

It is also due to low energy prices for states that produce oil, gas and coal, even as revenue growth has been fairly steady for the past few years in the country as a whole.

Chinese Companies' Acquisition of Global Assets Reached Record Level in 2015

Argaam

In less than six months this year, China's appetite to acquire global assets increased after hitting record levels last year, as firms struggle in the world's second largest economy to snap up real estate assets in the technology and chemicals sectors.

Among the most prominent acquisitions carried out by China last year is the government's Chem China's purchase of the Swiss "Syngenta" for $43 billion, which amounted to 40 percent of the total acquisitions in 2015 by Beijing, valued in excess of $111.5 billion.

Experts see a slowdown in acquisitions by Chinese companies in the second half of this year as markets face uncertainty about global economic growth.

China's largest investment bank expects Chinese companies to acquire $150 billion in global assets this year.

Implications for Egypt:

The above news show that the situation in many emerging markets that have economic, trade and investment relations with Egypt, such as Russia and China, is witnessing structural changes that may lead to shifts in global economic forces over the upcoming period. Both countries are witnessing a radical shift in economic model, which caused Chinese companies to ramp up acquisitions outside China, and drove Russia to launch the cooperation development model in the framework of the so-called "flexible integration entities."

Despite continued escalation of geopolitical tensions, Egypt has great opportunities and potentials to increase its GDP and attract new investments, capitalizing on investments that flew out of global and regional markets. Also, Egypt now provides real engines for growth and development, such as major national projects. But this requires not only speeding up the amendment of laws or imposition of new regulations, but also overcoming administrative hurdles such as obtaining licenses, resolving disputes, adjustment, completion of establishment procedures, and the release of goods as well as other issues deemed as normal procedures. Such issues, if left unresolved, will turn into significant problems that will undermine the structure of the Egyptian economy currently being revamped.

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Special Analysis

Minimal Impact of the Drop in Oil Prices on Merger and Acquisition Strategies

Asharq al-Awsat

A recently published report revealed a minimal impact of falling oil prices on the Merger and acquisition (M&A) deals in the Middle East and North Africa (MENA) region, noting that the volume of domestic deals rises by 43 percent during the first quarter of the year with four MENA countries among the top five destinations for deals. The report pointed out that the M&A market in the region has maintained the annual value of $50 - $60 billion in 2016.

Published by «Ernst & Young», the fourth largest accounting company in the world with headquarters in the UK, the report predicted a meager impact of lower oil prices on M&A deals in the Middle East and North Africa, with executives in the region continuing to strongly pursue deals. It noted that 37 percent of these executives expect the search for M&A deals to continue over the next 12 months.

With regards to the capital confidence index, the report revealed the tendency of MENA companies to conclude deals within the region, with four countries in the region among the top five destinations for deals. The report expects an increase of 43 percent in domestic M&A deals in the first quarter of 2016, up from 21 deals in the first quarter of 2015 to 30 deals in the corresponding period of 2016

According to «Ernst & Young», deals were affected by the fall in asset sales, noting that non-performing asset sales in the MENA region play a more important role in deal-making, because of tight capital. It indicated that in many countries, governments enjoy priority access to available capital, while the private sector, particularly family businesses, acquires a lesser percent of capital.

Phil Gandier, MENA Transaction Advisory Services Leader, says: SMEs in MENA are being forced to take a hard look at their portfolios and shed any non-core assets in an effort to either shore up their balance sheets to weather any economic uncertainties or release cash to fund potential M&A activity. We are starting to see more portfolio review/optimization initiatives than we ever seen in the MENA region and this will drive M&A activity.

In terms of price volatility, «Ernst & Young» said that differences between seller prices and buyer assessments led to price volatility, with prices edging more towards buyer assessments. In addition, the search is still on for transformational deals that allow companies to adapt to changing customer behavior.

For his part, Anil Menon, MENA M&A and initial public offering leader at EY, said that price volatility arises as a result of divergent views on the overall outlook and expectations of the sectors, with expectations of increasing scrutiny by buyers, who are looking to ensure that the commercial reality and market trends are incorporated in business expectations. As a result, sellers are facing increasing pressures to price some of the overall risks as part of deal prices.

As for transformational deals and evolving trends that dominate the M&A activity, the report confirmed that as the result of evolving trends, such as changes in consumer behavior, more than one third of companies in the MENA region pursue mid-market deals that enable their business to compete in the light of changing consumer behavior.

The report pointed out that executives in the MENA region focus on basic strategies to attract and retain customers to drive growth. And with customers moving more towards more careful spending, companies exert their utmost to focus on the customer experience in an attempt to dissuade them from considering lower-value options. «Ernst & Young» concluded that executives in the MENA region should adopt a-wait-and-see attitude, waiting for improvement in the US economy and strengthened confidence in the Chinese economy, as well as waiting for the Brexit results.

However, «Ernst & Young» noted that family companies in the region would likely continue seeking to acquire strategic assets that suit their investment criteria, in light of expectations that M&A deals in the MENA region would maintain their value of $50 - $60 billion annually.

Implications for Egypt:

The world has recently seen significant acquisition activity in light of troubled assets of a number of large companies following the global economic crisis. The decline of the Egyptian Stock Exchange during the past two years revealed opportunities to acquire a number of important and strategic companies at cheap prices due to the political and security situation. Despite strict controls in the relevant law in these cases, these operations are usually carried out in a legal framework that allows their implementation, especially in light of the fragmented ownership structure of many companies and individual investors' concern about how long investors will retain these investments in light of instability.

Many indicators confirm that the recent period has seen investor sentiment being inclined towards seizing opportunities and cheap deals. In light of the rule that says if there is a limited number of investors in the market, and numerous assets for sale, investors conclude the cheapest, yet strongest, investment deals. Here we have to stress that acquisitions over the past years led to a large inflow of liquidity due to these companies' restructuring of those acquired companies and the development of their production lines, which led to increased production capacity and rising demand for labor. The fact that helped attract Western companies to the Egyptian market through acquisitions is availability of investment opportunities, whether in the industrial, agricultural, or tourist sectors. Therefore, and despite the political instability, evidence confirms international interest in investing in Egypt, especially if the country takes more serious steps to resolve economic disputes. That is why sectors such as food, agriculture, medicine and basic resources in Egypt may be a target for acquisition in the coming period, which calls for the need to tighten control over the transactions and the development of a new legal mechanism for the exit of major shareholders.

From the International Press

World to Invest USD 7.8trn in Renewables by 2040

Asharq AlAwsat

It became clear that investment in renewable energy has become the most important step for all economies, whether oil-exporting or oil-importing. Indeed, relying on alternative and renewable energy sources contributes to economic diversification and capital development, especially that countries can use solar and wind energy to generate clean electricity.

A new study has shown that renewable energy sources, such as wind and solar power, will attract two-thirds of total investments in power plants between 2016 and 2040, despite the continuing decline in coal and gas prices.

Bloomberg New Energy Finance, a Bloomberg energy research unit, expects investments in renewables to reach $7.8 trillion worldwide over that period, compared with $1.2 trillion in new coal-operated plants, mostly in India and other Asian emerging markets. These investments include $3.1 trillion in onshore and offshore wind farms, $3.4 trillion in solar energy and $911 billion in hydropower.

This is good news in terms of reducing global carbon emissions resulting from electricity generation from traditional sources. However, it is still not enough to reach the rate targeted by the United Nations for global warming set at less than two degrees Celsius.

BlackRock, the world's largest asset manager, calls transaction hunters to invest heavily in renewable energy sources. Goldman Sachs announced tripling funding for renewable energy sources to $150 billion, noting that clean energy reached a vital turning point, even exceeding traditional energy in new facilities.

According to the report issued by Bloomberg New Energy Finance, entitled “New Energy Outlook for 2016,” 2015 was a benchmark year for investment in clean energy. About $329 billion in global investments were attracted to wind and solar power. Wind headed the new capabilities. The report noted that gas and coal prices will remain low, but that will not prevent the shift of the electricity generation system in the world over the coming decades to renewable energy sources, such as wind and solar power.

Renewable energy sources will acquire 70 percent of the energy mix in Europe by 2040. In 2015, renewable energy sources represented 32 percent of electricity generation in Europe.

In the US, the contribution of renewable energy sources is expected to jump from 14 percent in 2015 to 40 percent in 2040, despite the boom in the usage of shale gas, which is expected to decline from 33 percent to 31 percent.

According to expert estimations, reduced costs of wind power and solar energy generation technologies will contribute by 41 percent and by 60 percent respectively by 2040 in increasing reliance on these sources and using them in place of oil, gas and coal.

The study predicts that renewable energy sources will be cheaper in many countries by 2020, and in all the world as of 2030. Experts point out that electric vehicles will represent 35 percent of new car sales in the world in 2040, i.e., 41 million vehicles.

A recent study revealed that forms of renewable energy are currently responsible for supplying about 25 percent of the world's electricity. Renewable energy is also booming, with international investments in renewables amounting currently to about $280 billion, including $161 billion invested in manufacturing solar panels alone.

Among the important factors that help in promoting renewables is the great technical progress. For example, the electric vehicles manufacturer, Tesla, has recently introduced rechargeable Powerwall's lithium ion battery for household use, and plans to introduce a commercial alternative with a storage capacity of 100 kilowatts per hour.

Regarding the Gulf States, the International Renewable Energy Agency *(*IRENA*)* noted in its report published in early 2015 that renewable energy sources are expected to save $55 to $87 billion to the region by 2030, which is equivalent to revenues of 2.5 billion barrels of oil. This may help reduce carbon emissions by about 1Gt, considering that the six GCC countries are among the 14 countries with largest per capita carbon emissions.

The report says that solar energy projects will provide 85 percent of total employment in the region by 2030, and will contribute 76 percent of sustainable energy plans within the KSA’s program to increase solar energy usage, which is extended until 2040.

The United Arab Emirates is the first engine for investment in renewables in the Middle East. Abu Dhabi has become a regional model in the field of renewable energy, through adopting a series of procedures including “the Masdar,” which is considered a strategic initiative on the long-term. The UAE came second worldwide in producing desalinated water, according to a recent report by Masdar City. The report pointed out that the region accounts for about 38 percent of the production of desalinated water in the world, thanks to the use of the best technologies and attention to cost-cutting. Affordable clean energy and easy access to fresh water pose the most urgent challenge in the Middle East and North Africa region.

Implications for Egypt:

The Middle East and North Africa region is witnessing an enormous and unprecedented pressure on the outdated infrastructure networks, in light of the huge increase in electricity needs. Regional electricity demand is estimated to increase by 84 percent in 2020, which will require an additional increase of 135 gigawatts and $450 billion in investments. However, regional electricity linkage between countries reduces the need for additional capacity to generate electricity from 135 gigawatts to 102 gigawatts. This means a dramatic decline in investment requirements. Technically, electricity linkage will be fully completed in the region by maximum 2018, once the linkage plant between Egypt and Saudi Arabia is completed with a capacity of 3000 MW.

Poor investments in electricity generation over the past years come amid ongoing unrest since the January 25 revolution. This led to a huge delay in the construction of new plants and new equipment for electricity transmission. The Egyptian plan to diversify energy sources and production is important enough to require a new law that contributes to strengthening this strategy and its future vision. Thus, it is possible that benefits would exceed the required stable energy supplies to boost economic growth and development. Egypt has already succeeded in starting to address the problem of power generation, and the formation of a new energy mix depends in a large part on clean energy, a trend that will clearly increase in Egypt over the coming period.

Enforcement of the new electricity law in Egypt will set good conditions for participation of businessmen and investors in the establishment of many projects in renewables. Opening new ways to invest in Egypt through solar and wind power will alleviate the burdens on the budget. However, the state is still obligated to provide the necessary investments to the Egyptian Electricity Transmission Company to activate a competitive market. The direction of the current power generation mix towards renewable energy sources in Egypt is deemed a real shift in economic thinking and will contribute to reducing reliance on traditional fossil fuel sources in favor of clean and renewable energy.

In light of international experience, Egypt is required to create a domestic market for renewable energy with a clear methodology that ensures competitiveness of the renewable energy through gradual liberalization of fuel market, provision of necessary funding through partnerships between public and private sectors in the area of manufacturing, development of a legal and regulatory framework that allows the private sector to possess and invest in the sector, and working on localizing a large percentage of the renewable energy value chain, which has already started recently.

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Global Financial Market Performance

Reuters/ Argaam

The Japanese stocks suffered their biggest daily losses in more than five years on Friday after the British voted for Brexit, which had a negative impact on financial markets and raised fears of a shock to the global economy that is already fragile.

The Nikkei benchmark index collapsed by 7.9 percent to close at 14,952.02 points, after it declined to 14,864.01 points during the session, its lowest level since October 2014.

This is the biggest loss incurred by the index since March 2011, when the financial markets experienced trouble because of risk of a nuclear disaster after a strong earthquake followed by a tsunami.

Pressures on the Japanese stocks increased, with investors rushing to safe assets such as the yen. The dollar fell to 99 yens, its lowest level since November 2013.

Generally, shares of export companies fell affected by appreciation of the yen. The Bridgestone Corporation share lost 8.5 percent, the Toyota Motor share lost 8.7 percent, and the Panasonic share lost 8.3 percent.

Further, shares of companies that have production centers in Britain suffered. The shares of Hitachi, which manufactures trains in Britain, fell by 10.3 percent, while Nissan Motor Corporation, which manufactures cars in the UK fell by 8.1 percent.

The broader Topix index fell by 7.3 percent to 1204.48 points, while the JPX Nikkei-400 index fell 7.3 percent, to end Friday at 10,869.19 points.

The trading value in the market rose to 3.338 trillion yen from 1.57 trillion yen on Thursday.

Also, Chinese shares fell by the end of Friday's trading session due to the global shock resulting from the vote for Brexit.

This was followed by stock market losses around the world after the British referendum, which came in favor of the pro Brexit camp, raising uncertainty about the future of Britain and Europe**.**

The "Shanghai" Composite Index fell by 1.3 percent to 2854 points at closing, down by about 1.1 percent during the week.

The US stocks declined during Friday trading and deepened their losses in light of uncertainty in global markets following the results of the referendum, which resulted in Britain's exit from the EU. Major indices scored the biggest daily decline in ten months, as well as weekly losses. All the "Dow Jones" 30 shares came down.

The "Dow Jones" Industrial Average fell by about 3.4 percent, or by 611 points to 17,400 points, the Nasdaq index fell by (- 202 points) to 4707.9 points, while the "S & P 500" benchmark declined by (- 76 points) to 2037.3 points.

On the weekly level, the "Dow Jones" recorded losses of 1.6 percent, the "Nasdaq" recorded losses of 1.9 percent, while the broader "S & P 500" recorded weekly losses of 1.6 percent.

In the European markets, the "Stoxx Europe 600" benchmark index fell by 7.03 percent, or by 24.3 points to 321.9 points, the biggest daily loss since October 2008, and recorded a weekly loss of 1.2 percent.

"FTSE 100" British index fell by 3.1 percent or by 199.4 points to 6138.6 points. The German "DAX" index fell by 6.8 percent or (-699 points) to 9557 points, while the French "CAC" index fell by 8 percent, or (-359.1 points) to 4106.7 points**.**

On the other hand, gold futures for August delivery jumped at settlement by 4.7 percent or by $59.30 to $1322.40 an ounce, the highest close since July 2014. The precious metal posted weekly gains of about 2.1 percent.

In the oil markets, the US "NYMEX" fell by 4.9 percent or by $2.47 and closed at $47.64 a barrel. It recorded a weekly loss of 0.7 percent. "Brent" also fell by 4.9 percent or by $2.50 and the London session closed at $48.41 a barrel. The crude benchmark posted a weekly loss of about 1.6 percent.

The results of the Brexit referendum in the UK have shown support for Britain's exit from the EU by 51.9 percent compared to 48.1 percent demanding to remain in the EU. This resulted in strong market volatilities as well as announcement by Prime Minister David Cameron to resign before next October**.**

Implications for Egypt:

The collapse of global financial markets at the end of the trading week was a normal reaction to voting in favor of Brexit, which resulted in sharp fluctuations in currencies, stocks and commodities around the world. Investors went for the acquisition of safe assets and billions of dollars flew out of global stock markets ahead of the referendum, which was held on June 23rd, while government bonds' yield fell to record levels in a number of countries.

Therefore, there is a need to closely monitor the Egyptian Stock Exchange's performance and its transactions at5 present, especially that there are Egyptian shares listed on the London Stock Exchange. It is also necessary to develop quick substitutes in order to deal with any possible trouble that may occur. The aim is to minimize its effects on the Egyptian Stock Exchange. This may include activation of some short-term precautionary measures, increasing disclosures of companies listed in the Egyptian Stock Exchange or even stimulating medium-term domestic institutional investment to ensure capital market stability amid this global financial chaos**.**