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Our Economy & the World

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Key Global Developments

G-20 Countries Call for New Blueprints to Protect Infrastructure from Risks of Political Changes

Al-Ahram Portal

John M. Beck, co-chairman of the Infrastructure Taskforce of B20 and the executive chairman of Aecon Group called for finding new ways to protect infrastructure investments from the risks of political and organizational changes.

The G020 Group has a number of task forces, including Business 20, referred to as B-20, from which emerge a number of subgroups with the task of studying the mechanisms that enable the Group-20 to achieve its objectives, particularly with regard to achieving targeted economic growth and job creation.

"The five recommendations put forward by the Infrastructure Taskforce are excellent. For me, the highlights of these recommendations are the financing and the role of the Multilateral Development Bank," said John M. Beck.

He added: "We can establish a global insurance pool for infrastructure investments, and raise the volume and coverage of guarantees for infrastructure investments," Beck added.

In addition, he said Chinese companies can improve their role by familiarizing themselves with proven successes in other countries and jurisdictions, and picking those that best suit their corporate culture and interests.

JPMorgan Index Move Puts $370 Billion Islamic Debt on Radar

Al-Borsa Website

JPMorgan Chase & Co.'s decision to include Islamic bonds in its indexes will draw more global investors to the $370 billion sukuk market and boost trading of the debt.

Shariah-compliant notes will be eligible for inclusion in five JPMorgan gauges from Oct. 31 and will account for between 0.35 percent to 0.99 percent of total assets on the benchmarks, according to an Aug. 18 statement by the bank. Sukuk will be assessed on the same criteria as non-Islamic bonds, the index compiler said.

"We've already received several queries from clients who previously have not invested in sukuk and now want to understand the product," said Hasif Murad, an investment manager at Kuala Lumpur-based Aberdeen Islamic Asset Management Sdn. JPMorgan's step "will potentially lead to a wider acceptance of sukuk for investors" that don't want to risk performance diverging too far from their benchmarks, he added.

The inclusion, which comes after Barclays Plc added Malaysian local-currency sovereign Shariah debt to its index last year, may help to revive worldwide interest in sukuk offerings, which flagged last year amid tumbling oil prices. Sedco Capital in Jeddah said more index compilers may follow as a growing number of investors become familiar with Islamic bonds.

Worldwide sales of debt which comply with the Koran's tenets climbed 17 percent to $28.1 billion so far in 2016 from a year earlier, but interest outside its traditional markets of Malaysia and the Middle East has waned. After a slew of first-time sukuk issuers from South Africa to Luxembourg and the U.K. tapped the market in 2014, there's been a dearth of debut offerings. Kuwait, Pakistan and Malaysian sovereign wealth fund Khazanah Nasional Bhd. have said they plan to tap the market in coming months.

The inclusion in JPMorgan indexes "will foster stronger market participation for sukuk," said Angus Salim Amran, the Kuala Lumpur-based head of financial markets at RHB Investment Bank Bhd. "This is market positive. Funds that benchmark against these indices will be required to increase allocation to sukuk."

The inclusion by JPMorgan may spur more secondary trade of the Islamic debt, which has been hampered by a tendency among investors to buy and hold, amid a shortage of assets, said Fakrizzaki Ghazali, a senior fixed income analyst at Sedco Capital.

Trading of sukuk in Malaysia, the world's biggest market for such bonds, totaled 372.9 billion ringgit ($92 billion) in 2015, compared with 601 billion ringgit for non-Islamic securities, according to data from Bond Pricing Agency Malaysia Sdn.

"Sukuk will gain more attention from now on, but the market may need variety in terms of offerings to sustain the momentum," said Sedco's Fakrizzaki.

Expectations of Increased US Budget Deficit this Year

MENA

The U.S. budget deficit is expected to grow to $590 billion (EUR 522 billion) this year, representing 3.2 percent of economic output, the Congressional Budget Office said.

Last year, the deficit recorded its lowest level in 8 years, reaching $438 billion, but its increase this year is due to increased social protection expenditure and lower tax receipts.

China's Vice Finance Minister says Yuan Devaluation Unlikely

Reuters

Chinese Vice Finance Minister Zhu Guangyao said in an interview with state television that the fundamentals of the Chinese economy are still intact and there is no way to reduce the value of the yuan in the long term.

He added that his country is able to achieve the targeted growth rate of 6.5 percent at least for the period between 2016 and 2020.

Zhou said the world economy faces greater uncertainty over Britain's decision to withdraw from the EU.

Euro zone Monthly Economic Sentiment Falls More than Expected

Reuters

Economic sentiment in the 19 countries sharing the euro fell in August to its lowest level since March, a further indication that morale is weakening after Britain voted to leave the European Union.

The European Commission's euro zone Economic Sentiment Indicator (ESI) fell to 103.5 in August from 104.5 in July, its lowest level since March and well below the 104.1 forecast in a Reuters poll of 38 economists. Estimates ranged from 103.0 to 104.9.

Morale among industry managers fell to -4.4, as the assessment of current order books fell at its sharpest level since February 2009.

Confidence among managers in the services sector also dropped to 10.0, caused by a fall in demand expectations.

Changes in Oil Markets are Favoring Producers

Arabiya. net

Despite the negative effects of oil market developments and prices on all producers over the past two years, supply and demand indicators tend to favor producers in the region regarding control of consumer markets and high dependence on oil flow to their economies. This is due to high reliability of supply and lower production costs, which allows them more maneuverability in oil markets.

The weekly report of the UAE Crescent Petroleum said growing reliance on the region's oil is a positive sign among negative indicators that surrounded the economies of the region, and could almost change their economic features if the revenue decline continues and deficits deepen.

In contrast, the rising production of the region's oil to record levels helped increase supply, thereby raising the region's share of total supply required in the oil markets recently.

The report indicated that countries in the region have unutilized capacity that can be tapped at any time at semi-fixed costs, and at an average price of up to $ 14.2 a barrel. This is not available to many producers around the world, which have frequently been forced to stop production at certain price parities recently.

Oil-importing countries are the primary beneficiaries to date, and producers around the world are the losers from the continued pressure on the energy sector. Therefore, controlling consumer markets may not be as effective as required if oil prices resumed rising and became aligned with targeted price levels by other producers.

This means that countries in the region will be at the forefront of losers again at standard production levels at prevailing prices, and hence the decline of their ability to control whenever prices move upward.

The report pointed out that the race to raise production levels is harmful to all efforts to reduce the negative impact of oil consumption on the environment, stressing that cheap oil has encouraged excessive non-productive consumption worldwide, and has not reflected positively to date on the world economy the global economy and producers' economies when compared with the results of higher prices on growth and inflation at the global level.

Depending on the nature of the phase experienced by energy markets and economies of the region, it has become apparent that options available to all parties are decreasing, because cheap oil, which contributes to raising the size of reserves, will not be the optimal solution to control consumer markets in all market conditions and developments.

The possible loss of market shares with each increase in average prevailing prices would be possible, which leads us to believe that the search for an equilibrium price of oil in the world market price would be the most efficient solution to all parties.

Governors of Global Central Banks Seeking Government Support to Stimulate the Economy

Reuters

Central bank governors representing a large segment of the world economy studied the money markets and interest rates in depth and appealed to counterparts around the world to lend a helping hand.

In light of weak growth, inflation and low interest rates, officials from the Federal Reserve (the US central bank) and the Central Bank of Japan and European Central Bank concluded that their efforts to support the economy through monetary policy tools may stumble if elected leaders did not take bold measures.

These measures vary from reform of the immigration system in Japan to structural changes to support growth and productivity in the United States.

They say that in the absence of such measures it will be difficult to convince the markets and households that the situation will improve and to encourage a shift in the public mood, which economists believe is necessary to improve economic performance worldwide.

In the central bankers' meeting, which lasts three days in Jackson Hole in the US state of Wyoming, Benoit Coeuré, Member of the Executive Council of the European Central Bank, said the bank is working hard to prevent the reinforcement of certain expectations regarding interest, whether too high or too low. However, he added that the slow implementation of economic reforms on the part of European governments is undermining these efforts.

The governor of the Bank of Japan, Haruhiko Karoda, said he holds periodic talks with Prime Minister Shinzo Abe on the opening of Japan to more immigrants and other changes that politically sensitive but necessary to boost growth, which is estimated currently at an average of about one percent per year.

Head of the US Federal Reserve, Janet Yellen, devoted the last page of her speech about possible reforms in the monetary policy to list the financial and structural policies that she sees will support the economy.

Fiscal policy is not included on the official agenda of the meeting but occupied a part in the dialogue, with policy makers thinking closely of the policies suitable for the post-crisis world.

One of the main concerns is extreme caution in household and business expectations, which expect limited growth and weak inflation, and so they did not respond to the efforts of central banks as expected.

Implications for Egypt:

The Group of Twenty's meeting scheduled for early September will be faced with a fundamental challenge to bring views closer and counter the looming global economic crisis. However, it is important to note that the strategies that countries have been using to counter economic crises have been similar in light of limited alternatives, focusing mostly on relying on central banks alone as engines of economic activity. This ultimately led to crises accumulating without solutions. It is worthy of note that monetary policy may represent a catalyst for growth in the short term, but will not address the economic problems faced by countries.

The above news points out the emerging signs of a temporary decrease in oil market crises, with most reports noting that oil prices are tending to stabilize at better levels in light of growing demand. This would reduce the budget deficit in GCC states and would avail Egypt better opportunities to attract Gulf investments along with continued short-term Gulf support.

The news also point out the need to take advantage of Sukuks as a financing instrument in the context of the country's plan to develop and diversify financial instruments to increase the ability of companies and government and other legal entities in obtaining funding, with positive implications for the size of investments and employment at the national economy. This will enable these entities to diversify their funding sources, and to meet the needs of a large segment of public and private legal entities and companies willing to finance their activities and projects or expand them via sukuks. It is worth noting that many investors favor this instrument. However, the introduction of this instrument requires a review of Law No. 10 of 2013 concerning the issuance of sukuks, especially after the legal controversy that surrounded this important instrument and caused its delay.

From the International Press

China Looks Forward to New Economic Blueprints in the G-20 Summit

Al-Sharq Al-Awsat Newspaper

In light of the successive challenges facing the global economy, China hopes the G-20 summit, which starts in China's eastern city of Hangzhou, in early September, would be a starting point for the adoption of new business blueprints that will change the face of the slowing global economy.

The Chinese Foreign Ministry affirmed that the G-20 summit would adopt a blueprint to help achieve strong, sustainable, balanced and inclusive global economic growth. In an official statement, Chinese Foreign Ministry spokesman Lu Kang said that due to the global economic slowdown—growth rates did not exceed more than 3 percent during the past five years—China has reached an agreement with all the other parties participating in the summit to ensure a secure and open global trading system, and strive to achieve comprehensive growth for the benefit of all.

He went on to say that the slowing economy and shrinking global trade have become a matter of concern, and hamper efforts for global economic recovery. Therefore, China believes that under such difficult circumstances, it is incumbent upon all countries to join forces, recalling that the G-20 itself had been founded in 1999 due to the financial crises of the 1990s in order to strengthen international collaboration to achieve international financial stability, and create opportunities for dialogue between industrialized and emerging countries, and to deal with global economic issues.

The spokesman pointed out that the fight against trade and investment protectionism and working to promote trade and investment growth would be among the central topics that will be the focus of the summit, referring to international consensus in this regard.

Inclusive Finance

The upcoming G20 Summit will discuss three important documents on inclusive finance to guide the sector's development globally, said Yi Gang, vice governor of the People's Bank of China.

The documents are about high-level principles, a new indicator system and funding services for small and medium-sized enterprises (SMEs), he added. They also call for promoting the use of digital technology, seeking a balance between innovation and risks and call for establishing a proper regulatory framework.

An upgrade of the current indicator system is also a significant part as the inclusive finance sector is changing rapidly. New indices such as digital payment will be included, said Yi Gang.

The documents also give a priority to the improvement of SME credit and bankruptcy systems and encourage financial institutions to make loans backed by movable property.

China has also affirmed that the G-20 summit would focus primarily on development issues, in order to strengthen international consensus about these issues.

Four Priorities in the Summit

Yi Gang also pointed out that China has chosen the four main priorities for the summit, which will be held under the slogan "towards innovative, active, coherent and comprehensive global economy". These priorities are to create a new path of growth, and the creation of a more efficient and effective global economic and financial governance system, promoting international trade and investment, and achieving comprehensive and coherent development.

Gang said on Friday that the most important priority that will be highlighted during this global economic forum is «comprehensive and coherent development» and its underlying issues related to sustainable development and the need to strengthen coordination with respect to growth of the various economies, and industrial interdependence, while seeking benefits and shared prosperity for all sectors.

He explained that this would be the first time that development issues would take such prominence when developing frameworks for global macroeconomic policies. It would also be the first time that an action plan is formulated for the implementation of the 2030 Sustainable Development agenda, where China hopes that the actions to be taken individually or collectively by the G-20 countries would give a strong impetus to the UN agenda for sustainable development.

The Chinese Foreign Ministry spokesman said that during the summit China would present its vision and proposals on cooperation to support the industrialization of Africa and the least developed countries, and to support these countries in their efforts to accelerate their industrial programs, fight poverty and achieve sustainable development.

He added that the discussions at the summit would address a wide range of topics, including agriculture, employment, labor and trade, as well as the situation of women and youth, and encouraging entrepreneurship.

Gang explained that one of the most important themes of the discussions would be ways of promoting international trade and investment. He noted in this regard that the aim of the discussions would be to increase mutual understanding and achieve consensus through effective use of the multilateral mechanism of the World Trade Organization, and through communication and dialogue at the bilateral level among countries. He also pointed out that the issues of fighting trade and investment protectionism and promoting trade and investment growth would also be addressed.

The Foreign Ministry spokesman affirmed that the economies of the G-20 would remain committed to achieving an open global economy, and would take further steps towards the liberalization of trade and provision of trade facilities. He also stressed China's keenness to cooperate with all parties in the G-20, to put an end to the slowdown in global trade and to achieve inclusive growth and maintain an open and secure global trading system. He expressed confidence that the summit would succeed in taking concrete actions to promote strong, sustainable, balanced and inclusive growth for the global economy.

Optimism of Business Group

In a related context, Hans-Paul Bürkner, Co-chairman of Infrastructure Taskforce of B20 for the G-20 and Chairman of the Boston Consulting Group, said that "We have had great engagement and participation from taskforce members this year." "We have seen encouraging signs through the G20 Finance Ministers and Central Bankers' communiqué as well as on the sidelines of the July G20 Trade Ministers meeting and look forward to a successful Hangzhou Summit in September," he noted.

Hans-Paul said the infrastructure taskforce has been lucky to have the privilege of interacting more closely with G20 working groups and presenting at G20 ministers' meetings, which he said has helped the B20 become more closely aligned with the overall G20 agenda, get input on key emerging ideas from the B20 and ultimately better support its G20 counterparts.

"As China plays an increasingly important role in the global economy, we believe the increasing involvement of Chinese companies is an important trend for the future in infrastructure and other topics," he added. Bürkner stressed the importance of five recommendations put forward by the taskforce, saying that the recommendations "reinforce the fundamentally critical 'evergreen' B20 actions from previous years," and "identify new opportunities." "If implemented, these five recommendations could generate more than $2 trillion in economic activity every year and create more than 30 million additional jobs across the G20 economies," he noted.

Bürkner particularly emphasized the first two recommendations – increasing and accelerating the pipeline for high-quality bankable projects; and the need to develop conducive regulations, deploy asset-monetization strategies and promote the creation of financial instruments necessary to unlock long-term investments in infrastructure. He said the first two recommendations represent the most important infrastructure challenges facing the business community today. He also said he is interested in seeing how the global community will start embracing the promise of a digital revolution in the infrastructure industry.

He added that the remaining three recommendations aim at creating new opportunities, including boosting the catalytic role played by multilateral development banks and multilateral development agencies in encouraging private assets to participate in investment in infrastructure facilities; and increasing the productivity of infrastructure projects through technological innovation and the creation of sustainable infrastructure facilities. And finally to encourage nations and the whole world to strengthen the linkages between infrastructures across various fields.

John M. Beck, co-chairman of the Infrastructure Taskforce of B20 and the executive chairman of Aecon Group Inc. when commenting on this year's Business 20, or B20 Summit, said the recommendations he is most interested in are the ones that protect and insure against political and regulatory risk.

"We can establish a global insurance pool for infrastructure investments, and raise the volume and coverage of guarantees for infrastructure investments," Beck added, emphasizing that new methods must be found to protect infrastructure investments from changes in political and regulatory regimes.

"The B20 activities this year were extremely well-organized," he added. "The role of Chinese companies in the development of the policy recommendations was supportive and constructive," Beck said. In addition, he said Chinese companies can improve their role by familiarizing themselves with proven successes in other countries and jurisdictions, and picking those that best suit their corporate culture and interests.

Implications for Egypt:

The global economy is going through an important turning point, as all major countries have recently taken conflicting economic decisions that are detrimental to the global economy, including China, which has long been characterized by sound economic performance and decisions. We cannot isolate Egypt from the outside world, and Egypt's overcoming the current economic troubles is conditional not only on internal performance but also global performance.

China is now trying through a package of integrated measures, starting with its active presence in the G-20, to reintroduce a global economic lesson relating to the basics of economic reform through a real reform program that focuses on innovation and managing the supply side of the economy. The Egyptian government should draw on this lesson when formulating its own program, to be announced later, by supporting policies and structural and institutional reforms, whether on the economic, financial or administrative levels, as a central pillar in order to return to compete with major economies such as China.

Special Analysis

Last Chance for the US to Ratify the Trans-Pacific Partnership Agreement

Al-Hayat Newspaper

President Barack Obama's administration is awaiting its last chance to ratify the Trans-Pacific Partnership agreement, a free trade agreement that brings together the US with 11 other countries, representing 40 percent of the world economy. Obama's attempts to seek Congressional approval comes after previous attempts that ended in failure and in light of the categorical rejection of the agreement by rival candidates for the presidency, Democratic Hillary Clinton and Republican Donald Trump.

The Presidential team is pinning its hopes on a legislative session of both chambers of Congress, after the Presidential and Congress elections scheduled for November 8. It is noteworthy that Americans call Congressional sessions held during the legislative days extending between 14 and 30 December «lame duck sessions» because of the end of the powers of Congress, morally, despite continuing to operate legally.

The Presidential team sees a window of opportunity to ratify the agreement in Congress during the «lame duck» period, due to its members being free from electorate pressures that peak during election campaigns and subside after the elections. At the same time, members of Congress who lost their seats could cast their ballots without paying attention to electoral considerations.

Opponents of the agreement base their rejection of the agreement on «the North American Free Trade Agreement» (NAFTA), signed by former President Bill Clinton in 1994, and under which trade was freed with Canada, America's neighbor to the north and with Mexico to the south. Since the entry of «NAFTA» into force, a number of US factories, including automobile manufacturers and production plants, were moved south of the US border to take advantage of cheap labor and proximity to the US market. As a result, a large number of US workers lost their jobs, driving them to support candidates opposing free trade agreements. The rejection of the agreement by former Democratic presidential candidate Bernie Sanders led to turning Clinton's position from supporting to rejecting the agreement for fear of losing votes of «blue collar workers», i.e., factory workers who are based in the states that swing between the two parties—the Mideastern states known as the «rust belt» such as Ohio, Michigan and Pennsylvania.

With Hillary Clinton rejecting the agreement, a large number of Congressional members from the Democratic Party followed suit, fearing that their support for the agreement would cost them their seats. The process was repeated in the Republican Party, which traditionally supports free trade agreements, after Trump incited the grassroots against the agreement, leading a number of Republican senators to reject the agreement, causing its ratification process to collapse.

Thus, Obama is trying to re-submit the agreement for voting in the days that are free from the electoral process. In this context, the Ministry of Commerce, the American Chamber of Commerce, which is a civil society association, and lobbies working with large US companies, which will benefit from open markets in Asia, such as Boeing, continued to drum public and political support for the agreement.

A study prepared by the Peterson Institute, an independent economic research institute, shows that ratifying the agreement would raise US exports by $357 billion annually by 2030, when all its provisions come into force. The increase in the value of US exports would add 131 billion to Americans' incomes. Proponents of the agreement say it will end 18,000 tariffs on US exports to member states, five of which are from East and South Asia, i.e., Japan, Vietnam, Singapore, Malaysia and Brunei. The US counts on Vietnam, which Obama visited last May, as a rival ally to China, particularly that Vietnam is currently emerging because of cheap labor, and is capturing factories from China, in which the price of labor is on the increase and the population is aging.

According to the US Chamber of Commerce, Pacific markets saw the joining of a billion people to the middle class over the past two decades, and this number is expected to increase by 1.2 billion by 2030. These represent potential customers with an appetite for US products.

The Chamber noted that the Trans-Pacific Partnership would maintain US leadership, because the number of free trade agreements among countries of East and South Asia rose from only 3 in 2000 to about 50 today, with 80 similar agreements in the pipeline. This means that if the US rejected the agreement, it will remain outside the large Asian market.

In turn, the US Commerce Department provided figures showing that the US would benefit from the ratification of the agreement. For example, the Ministry saw that exports to countries of the agreement of transportation equipment, such as civil aircraft, engines and spare parts, face tariffs that amounted to 25 percent. It explained that the sector employs 681,000 Americans, and accounts for 4 percent of US industrial output in 2013. US exports grew by 49 percent between 2009 and 2014, to reach $123.8 billion, a quarter of which at least was exported to countries of the agreement. This means that eliminating the 25 percent tariffs would turn countries of the agreement into the biggest importers of US transportation equipment.

Likewise, US automobiles would find new open markets to its exports, especially in Japan, which currently imposes high tariffs on imported US cars. Such tariffs were imposed by Japan four decades ago, when its automotive industry was in its early days. Japanese automobiles enter the US market without tariffs, which means that Japan will abandon its charges, while the US will not make any change in this respect.

The US Ministry cited a series of figures covering a variety of sectors, including agricultural and livestock exports, especially US service sector exports, which is the largest sector in the world and accounts for the bulk of US exports.

Implications for Egypt:

The agreement faces major impediments in terms of the mechanism of settling disputes between investors and the state, which is another issue of contention. The legal system allows companies to sue countries for laws affecting business revenues—an issue that was strongly opposed by the parliaments of Germany and France, the two largest economies in the Eurozone. However, there are serious attempts to reach a final version of the agreement during Obama's term in office, as he supports US free trade agreements with a number of countries in the world such as the Pacific states.

If concluded, the agreement will help boost world trade and demand for raw materials and petroleum products, which will increase traffic through the Suez Canal and may help transfer some industries from the European markets to the southern Mediterranean and East European markets.

But Egyptian exports to the European markets should be revised to assess the possibility of being substituted by cheaper US exports due to lower duties resulting from the agreement.

Egypt should also pay attention to the need to speed up economic integration and trade promotion with its main markets in Africa and the Arab region, especially that trade openness to many regions across the world may eventually change the international map of trade and investment, which Egypt must face through these trade and investment alliances in the coming period.

Global Financial Market Performance

Reuters / Argaam

Chinese stock indices rose at the close of Friday trading, supported by gains in the banking sector and the telecommunications sector, as investors awaited the release of the US jobs report to find out whether the US interest rate would move this month.

CK Hutchison got the green light from the EU to establish the largest provider of wireless services in Italy.

Global markets are awaiting the issuance of data about jobs added in the US economy over the past month, with expectations of adding 180 thousand jobs compared to 255 thousand in July, and of lower unemployment to 4.8 percent from 4.9 percent.

At the end of trading, the Shanghai composite index rose by 0.1 percent to 3,067 points.

Regarding shares traded on the Hong Kong Stock Exchange, the CK Hutchison share increased by 3.3 percent to $102.8 HK dollars (US$ 13.25), while the Bank of China share rose by 0.6 percent to $3.57 (US$ 0.46).

The performance of the Japanese stock indices also varied at the close of Friday trading, with the rise of the dollar against the yen, and ahead of the release of the US monthly jobs report expected later today, which may give further indications on the path and timing of raising the US interest rates.

At the close of trading, the Japanese Nikki index fell marginally by 0.01 percent to 16,925 points, while the "TOPIX" index rose by 0.3 percent to 1,340 points.

Shares of the Sony increased by 1.5 percent to 3,350 yen (US $32.3), while the Honda Motors' share rose by 0.6 percent to 3,185 yen (US$ 30.7). The share of Sharp declined to 141 yen (US $ 1.36).

US stocks rose during Friday trading after the release of the monthly jobs report, which increased speculation about postponing raising interest rates by the Federal Reserve, in conjunction with the rise in oil prices, which positively affected energy stocks. Major indices posted weekly gains.

The Dow Jones industrial index increased by 72.6 points to 18,492 points, after gains of more than 120 points in early trading, The Nasdaq index increased by 22.7 points to 5,250 points, while the benchmark S&P 500 index increased by +9 points to 2,180 points.

On a weekly level, the "Dow Jones" index was up 0.5 percent. The wider "S&P 500" increased by 0.5 percent, while the "Nasdaq" posted gains this week by 0.6 percent.

In the European markets, "Stoxx Europe 600" rose by about 2 percent, or 6.7 points, to 350.4 points, which is the highest close since April 20, and the benchmark index posted gains this week of 2 percent.

The "FTSE 100" British index increased by 148.6 points to 6,894.6 points, the German "DAX" index rose by 149.5 points to 10,684 points, while the French "CAC" index increased by 102.5 points to 4,542 points.

On the other hand, gold futures for December delivery rose by 0.7 percent, or by US$9.60, to US$1,326.70 an ounce, and the precious metal made gains this week of less than 0.1 percent.

In oil markets, the US NYMEX rose by 3 percent, or by $US1.28 and closed at US$44.44 a barrel, but posted a loss this week of 6.7 percent, the largest since July 8. The Brent index rose by 3 percent, or by US$1.38, and closed at US$46.83 a barrel recording a weekly loss of about 5.3 percent.

Implications for Egypt:

The outlook this week is in line with the past two weeks. The Egyptian Stock Exchange (EGX) continued to perform independently from global market because of internal factors, which created a wait and see approach that caused the stock market trading to decline, with a relative tendency to collecting gains, contributing to a relative decline in stock indexes.

It is worth noting that with the start of implementing the program of economic reform, the stock market needs to intensify activity in the direction of attracting foreign investment, especially that the reform measures are expected to make such investment more attractive. This will make the stock market more prepared for the placements expected over the coming period along with increasing trading volumes and investment inflows.

We reaffirm that the country’s current approach in considering the sale of company quotas in the Egyptian stock exchange or global markets requires deliberate study of its timing and pricing mechanisms. Its chances of success should also be studied in the light of the current situation in most global markets, to ensure the success of these planned placements as part of the financial package announced by the Egyptian government.

The Egyptian Stock Exchange needs more government attention to complete its development, and improve its legislative institutional framework. This requires speeding up the amendment of the Capital Market Law No. 95 of 1992 as well as modifying the Presidential law governing the institutional setup of the stock market to allow more investment flexibility and strengthen the supervisory tools and increase the number of investment instruments available for trading.