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ECES
The Egyptian Center for Economic Studies

Our Economy & the World

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Special Introduction

How Would the Global Economy be Affected by Trump's Election

Alarabia net

Although many doubted Donald Trump's ability to win the US presidential election since day one of his nomination, he has become the president-elect who will enter the White House in January to surprise markets, contrary to all expectations!

A state of uncertainty prevailed with Trump's winning due to the negative consequences that may result from his economic program. This state started to be translated into the strongest rise in US Treasury bonds since June. Expectations that the Fed would cut the interest rate this year fell from 82 percent to less than 50 percent. This is due to investor doubts that markets can afford higher US interest rates under Trump's administration despite improved economic indicators, especially those related to employment.

However, failure to raise the interest rate in 2016 may cast a shadow on the credibility of the Fed, which had announced earlier in the year the possibility of raising interest rates four times this year. The first and only time that the Fed increased the interest rate in nearly 10 years was in December 2015.

Returning to the most controversial points in Trump's economic program (to which he referred during his election campaign), and starting from his policies regarding the oil sector, which is vital and important for the Gulf countries, Trump plans to lift restrictions on US energy production, including allowing oil and gas production from coastal waters, and to make the US completely free from needing to import energy. This will have a direct impact on the Gulf States and may pressure oil prices, which fell significantly. Trump also seeks to cease financial support to global warming programs.

Among the economic topics addressed by Trump and criticized most is his intention to re-negotiate international trade agreements, including The Trans-Pacific Partnership (TPP), which was signed by Barack Obama and the North American Free Trade Agreement with Canada and Mexico (NAFTA), signed by former President Bill Clinton.

Trump also plans to impose 35 percent tariffs on imports from Mexico and 45 percent on imports from China. Note that Trump prefers a weaker dollar, which supports US exports**.**

With regard to taxes, Trump proposed cuts for individuals and businesses worth up to $4.4 trillion, and plans to spend $500 billion on infrastructure projects. His economic policy is expected to increase public debt by more than $5 trillion!

Although most studies warn that Trump's policies will lead the US economy into recession, a lower percentage of observers believe that his surprise winning will result in the short run in a decline in markets and currencies, and a resort to safe havens. But in the long term there may be a positive side to his policies that may be difficult to predict under the current shock, taking into account that the program put forth during the election campaign may not necessarily be implemented.

OPEC's Job has just Become Tougher with Trump Win

Reuters

OPEC's job of trying to prop up oil prices has just got much harder.

With Donald Trump winning the U.S. presidential election, the 14-country oil-producing cartel may have to battle a sourer outlook for the global economy and weaker demand for crude.

It also faces the prospect of increased US oil output - a major bugbear for the Organization of the Petroleum Exporting Countries - given Trump's pledge to open all federal land and waters for fossil fuel exploration

OPEC's internal dynamic could change, with Trump promising to tighten policies on Iran just as oil companies begin slowly to return to the Islamic Republic. Details on Trump's energy policy remains scarce so far.

However, what he said about the energy sector would support share prices of independent companies producing oil and gas in the US and shares of large oil companies with significant explorations in the shale oil sector in the country, such as Chevron, Exxon Mobil and Shell.

Trump said he supported lifting regulatory controls in the oil sector, and the opening of federal territories to drilling activities, pledging to revive the oil pipeline project that passes through Canada and the US and to support the coal industry.

Trump criticized the nuclear agreement between the West and Iran, which raises uncertainty and undermines Iran's quest to attract foreign investments to revive its economy**.**

Trump Victory Could Spell Defeat for EU-US Trade Deal

Reuters

A protectionist U.S. president and increased European suspicion of a Trump-led America undermine the prospects of a planned transatlantic free trade agreement between the European Union and the United States.

Trump has argued that international trade deals hurt U.S. workers and the country's competitiveness, but it is not clear to what extent Trump the president will resemble Trump the campaigner.

EU and U.S. officials have for more than three years been negotiating the Transatlantic Trade and Investment Partnership (TTIP), with Brussels and Washington recognizing it will not now be completed under Barack Obama's term as earlier envisaged.

3 Main Files Top the "Cairo and Washington" Agenda Following Trump's Victory

Amwal Alghad

Donald Trump's winning the US election has suggested many scenarios about the future of the Egyptian-American relations on all political and economic fronts, especially after that relationship has seen a state of confusion and tepidity in the wake of the June 30 revolution, which reflected negatively on investment and trade between the two countries.

Observers and experts on the future of the Egypt-US economic relations stressed the need to wait until the new US president's foreign and economic relations are clear, noting that the initial signs for the future of these relations is moving toward more improvement in light of the statements made by Trump during his campaign, conveying his desire to strengthen bilateral relations with Egypt and his extension of an invitation to President al-Sisi to visit the White House during the first months of his assumption of office.

They pointed to a number of economic files that top the discussion agenda between Egypt and the US over the coming period. In particular, the mechanisms of signing a free trade zone agreement with the US, the future of Egypt's requests to amend the QIZ agreement and reduce the Israeli content, as well as plans to take advantage of the GSP, which did not avail Egypt the desired return over the past years.

Key Global Developments

World Bank Improves Russia's Economic Outlook, Sees 1.5 percent GDP Growth in 2017

Argaam

Russia's economic outlook has improved and the commodity-dependent economy is set to return to growth as soon as next year, the World Bank said.

Russian gross domestic product will contract by 0.6 percent this year, the international lender said, performing better than its April prediction for a 1.9 percent contraction.

As oil prices are projected to recover to an average of $55 per barrel in 2017, the Russian economy is expected to bottom out in the second half of this year. The World Bank sees it growing by 1.5 percent in 2017 and 1.7 percent 2018.

The Bank's revised outlook for 2017 is more optimistic than its prediction made in April, of 1.1 percent growth, and also better than the Russian central bank's forecast for growth of less than 1 percent next year.

It said higher oil prices would have a positive impact on Russia's domestic demand, in turn spurring investment activity as major companies replenish their stocks.

Adding a note of caution, the World Bank said Western economic sanctions over the Ukraine conflict and tough conditions for Moscow's main trading partners could complicate Russia's economic recovery.

Big Oil pledges $1 billion for gas technologies to fight climate change

Reuters

Some of the world's biggest oil companies, including Saudi Aramco IPO-ARMO.SE and Royal Dutch Shell, pledged to invest $1 billion to develop climate-friendly technologies as a global deal to wean the world off oil came into force.

The Oil and Gas Climate Initiative (OGCI), which also includes Total, BP, Eni, Repsol, Statoil, CNPC, Pemex [PEMX.UL] and Reliance Industries, launched the Climate Investments fund, which will invest in technologies to reduce carbon emissions over the coming ten years.

BP Chief Executive Bob Dudley told journalists said in a statement that the initiative adds joint investments to the joint work for a low carbon future, and that he expects increased opportunities and flourishing investments overtime.

The investment is nevertheless dwarfed by the joint annual spending of the member companies, even as they battle one of the longest downturns in the sector's history. Shell, Total, BP, Statoil, Repsol and Eni are expected to spend nearly $100 billion in 2016.

The 10 firms, which jointly produce around 20 percent of the world's oil and gas said a large share of the $1 billion will be used for speeding up carbon capture, use and storage (CCUS) in gas-fired power plants and toward reducing leakages of methane, one of the most polluting greenhouse gases, and improving efficiency in the transport sector and energy-intensive industries.

OPEC Deal Becomes More Urgent, Harder to Reach on Trump Victory

Argaam

OPEC was already struggling to finalize a deal on production cuts this month. And then Donald Trump was elected President of the U.S.

The Organization of Petroleum Exporting Countries faces increasing urgency to take measures that will support oil prices as Trump’s surprise victory threatens to deepen a market sell-off, said UBS Group AG.

“The pressure on OPEC to come up with a deal only increases in the wake of Trump’s victory,” said Giovanni Staunovo, an analyst at UBS in Zurich. “Even though the oil market is rebalancing, the political uncertainty in the short term leaves oil prices vulnerable to downside that makes it more urgent for OPEC to act.” Yet the uncertainty arising from the President-Elect’s policies -- from climate change to the U.S. shale industry and sanctions on Iran -- will make resolving differences between producers even harder.

Oil prices had already retreated about 15 percent since October on growing doubts that OPEC could finalize the Algiers accord at its Nov. 30 meeting amid a refusal to cut output from almost a third of its members.

Eurozone Growth to Slow in 2017, Inflation to Pick Up - Commission

Reuters

Eurozone growth will slow next year because its main driver, domestic demand, will decrease as a result of a likely rise in energy prices, while inflation is likely to pick up, the European Commission said.

In a regular economic forecast for the 28 countries that make up the European Union, the EU's executive arm said growth in the 19 countries sharing the euro would slow to 1.7 percent this year from 2.0 percent in 2015 and decelerate further to 1.5 percent in 2017 before picking up again to 1.7 percent in 2018.

Inflation, which European Central Bank wants to keep below but close to 2 percent over the medium term is to pick up to 0.3 percent this year from zero last year and to 1.4 percent in 2017 and in 2018, the Commission said.

IFC: Paris Convention Opens the Way for $23 Trillion in Investments

Al-Ittihad

A study released by the International Finance Corporation (IFC), a member of the World Bank Group, said that the Paris Agreement on Climate Change, which was approved last year, helped provide $23 trillion in investment opportunities to cope with climate change in emerging markets, over the period up to 2030.

Regarding the Middle East and North Africa Region, the study estimated the investment potentials to face climate change in Egypt, Jordan, and Morocco at $265 billion, more than one-third of which is devoted to generating renewable energy, while 55 percent ($146 billion) is devoted to the buildings that limit climate change, the transport sector and waste management.

The study predicted a rise in smart investments to cope with climate change in Egypt to $174 billion in the period 2016 - 2030.

Since the adoption of the Paris Agreement in December 2015, 189 countries have provided national plans aimed at developing solutions to address climate change - including renewable energy, cities with low carbon emissions, efficient energy use, management of sustainable forests and agriculture.

These plans provide a clear road map for investments aimed at eco-friendly infrastructure, which offset higher development costs in advance by saving fuel consumption. The study identifies sectors with a large investment potential in various regions of the world, based on the national commitments of twenty-one countries to limit climate change.

This includes green buildings in East Asia and the Pacific, where China, Indonesia, the Philippines and Vietnam show investment potentials worth of $16 trillion to cope with climate change.

Mergers and Acquisitions in the GCC Countries

Al-Anbaa

According to research published in the Boston Consulting Group's (BCG) 2016 about mergers and acquisitions (M&A) activity in 2016, healthcare, industrials & materials and financial services in the gulf countries have recorded the largest fluctuations, despite the gradual decline witnessed by the industry since 2014.

The report noted an overall 2 percent increase in the value of deals between 2014 and 2015, despite the 26 percent decrease in the number of deals. The number of deals recorded since the beginning of 2016, potentially indicates a further decline in the total number of deals to be expected. However, looking at global trends, this decline could be temporary, as the view of M&A acquisitions is changing.

While M&A deals are not setting records in terms of the volume of deals across the GCC, which recorded 46 deals since the beginning of 2016, there has been a definite increase in deals in certain sectors.

Some 17 percent of the recorded deals were in the medical sector, while services and consumer goods accounted for 13 percent of total M&A deals respectively, and 9 percent of the deals occurred in financial services.

Gas and oil, Africa Gate Towards Economic Growth

Middle East News Agency

Africa is home to some of the world's fastest-growing economies, with many of them relying on oil for foreign exchange. It is estimated that 57 percent of Africa's export earnings come from hydrocarbons. Proven oil reserves have grown by almost 150 percent.

The region is home to five of the top 30 oil-producing countries in the world, and nearly $2 trillion of investments are expected by 2036. Due to these conditions, the interest of Europeans, Americans and Chinese remains high in the continent.

American oil company ExxonMobil is one of the largest foreign investors in Africa. Over the last years, it has committed more than $24 billion to energy exploration and development. Italy remains close. ENI, an Italian multinational oil and gas company, plans to invest around $25 billion mainly in oil and gas, representing 60 percent of the company's investment.

China is the world's second-largest consumer of oil, and it's projected to become the world's largest consumer by 2030. It is estimated that the country will import over 66 percent of its total oil by 2020, and 72 percent by 2040. Its second-largest source of crude imports is Africa.

Oil resources are increasingly declining in the whole world. Therefore, the large oil reserves discovered recently in Africa has given it great importance for the great powers in order to exploit those resources.

The real reason behind the competition over African oil is that it is the safest due to its distance from the political tensions sweeping the Middle East. Also, the speedy African oil boom stimulated exploration companies. The third of new oil discoveries in the world since 2000 is in Africa. Moreover, Africa managed since the beginning of the second millennium to assume a bigger role in global energy security, heating competition up among the major powers on the African oil, especially between the United States, China and France.

In addition to the US-Chinese-European competitiveness over African oil, there is India, which relies on the Gulf of Guinea region for more than 16 percent of its oil imports.

The dependence of these powers on African oil is expected to continue and competition among European and Asian companies over oil and gas fields in Africa will ignite. However, the Western companies operating in oil production and exports account for the lion's share of oil revenues.

According to the system of oil profit distribution in Africa, the country where oil is extracted gets between 30 percent to 35 percent of total profits, while the rest goes to the oil-exploiting companies, after deduction of costs related to installations and units of production and maintenance.

Implications for Egypt:

US election results represented a major concern for investors and markets, prompting investors to turn to safe havens. The problem with the US election this time lies in the challenges faced by the winning candidate and question marks about his programs, increasing uncertainty about the upcoming period. As the US economy is the main pillar of the global economy, the tension in the market will heighten, meaning that caution will prevail according to published international reports.

We reassert that Egypt should focus in the coming period on improving its internal economic infrastructure and rely strongly on developing its industrial bases, and encouraging feeding industries through promoting small and medium enterprises. In light of continued volatility at the international level, the likelihood of a recession and a slowdown in global growth rates is high, which requires Egypt to stimulate sustainable growth drivers that are less affected by global developments, which would support local economic growth.

Also, rapid global developments require proceeding with the economic reform programs at faster rates to promote job creation and absorb the expected slowdown in Egyptian remittances. However, the authorities should be cautious about growth of public debt, especially that the aggravation of the sovereign debt crisis worldwide coupled with shortage of sources of funding would represent a growing risk to the global economy.

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From the International Press

World Bank Expects Diverse Growth in North Africa

Al Hayat

The World Bank expected improved growth rates in the North Africa within the next two years, subject to improvement in oil prices for the oil exporting countries, and improvement of agricultural production, exports, external demand, and investments for the importing countries. However, the explosive regional situation weakens the expected growth and increases the risks of regional instability and attractiveness of the region.

The World Bank believes that Moroccan growth will recover next year to rise gradually in the medium term to 4 percent provided that inflation reaches 2 percent, the best growth rates in North Africa, after slowing to 1.5 percent this year due to a wave of severe drought that affected agricultural production and increased food imports

According to a report on the economic outlook for the Middle East and North Africa, released in Washington, Morocco will be able in the medium term to accelerate growth while maintaining macroeconomic stability. Moroccan industries, such as automotive, aviation and electronics, in addition to the expansion of services, finance and banking companies in West Africa, are able to provide favorable conditions for the kingdom to strengthen its position within the global value chains and emerging countries.

The Bank predicted a growth of 3.4 percent in Morocco next year and 3.5 percent in 2018, to rise to 4 percent thereafter, through pursuing sound economic policy, deepening structural reforms to improve productivity, increase competitiveness and support financial buffers, and benefiting from political stability in the inflamed Arab region where some countries are experiencing civil wars, such as Syria, Iraq, Yemen and Libya.

Algeria’s growth prospects fell to 2.6 percent in 2017 and 2018. The expected increase with the start of production from new oil wells may alleviate the adverse impact of lower oil prices on other sectors. The high unemployment rate is expected to affect household spending in Algeria after the removal of subsidies on certain imported products due to the worsening trade deficit.

Regarding Tunisia, the report stated that 5 years after the revolution, the performance of the economy is too weak with low growth to make a tangible difference in unemployment, poverty and inequality in the medium term. Tunisian economic growth is expected to jump to 3 percent in 2017, and 3.7 in 2018, under a scenario that combines accelerated pace of structural reforms, improved security at the national and regional levels, greater social stability, and an increase in foreign demand that could significantly affect unemployment, poverty and inequality amid growing deficits in budget and current account.

The report explained that Morocco is qualified to lead development in North and West Africa region, but needs a package of structural and social reforms, including increasing the economy's competitiveness and improving productivity for integration into global markets. This requires improving the business climate and adopting sound management and governance practices in public fields as well as strong infrastructure to attract investment and rehabilitate human capital. At the same time, Morocco needs to enhance exchange rate flexibility, which would absorb the external shocks associated with Brexit.

The Bank pointed out that the Moroccan economy can relatively become the strongest in the Middle East and North Africa over the medium term. However, it needs social and gender-related reforms, including reducing unemployment among the youth, which is close to 39 percent, increasing female participation in the labor force and productivity, and alleviating poverty and class and geographical differences between rural and urban areas. The Moroccan economy should continue to diversify its sources of income, encourage job creation and new projects in the private sector, and ease credit conditions. Full implementation of the reforms agenda by the governments in Morocco after the elections scheduled for next fall will increase growth rates and reduce unemployment and poverty.

Implications for Egypt:

The main reasons behind the current crisis in Egypt—whether on the monetary or economic levels—are the inability of the economy to boost foreign currency resources, the decline in the state's revenues from tourism, inadequate growth of foreign direct investment, lower export earnings, and weak production capacity of commodities such as food, forcing the country to resort to importation. Also, many existing industries rely on imported inputs and the local content is too weak and limited in some cases to just packing. Addressing these problems requires sustainable industrial development with economic restructuring to establish import substitution industries on the one hand and increase exports on the other. This strategy is currently visible in the development and funding strategy of SMEs, and the establishment of integrated agro-processing clusters as part of the one and a half million fedden reclamation project.

The legislative system related to the investment climate in Egypt needs a comprehensive review. It is important to establish a system of electronic incorporation of firms and lower the incorporation time spent and its procedures. Legislations should also be amended concerning company incorporation and its procedures, governance, contracting, land allocation mechanism, utility connections, the tax system, the market exit system, and bankruptcy. In addition, an effective mechanism for settling investment disputes should be put in place. The current investment law needs a review to reflect the country's vision for investment and avoid the flaws that appeared in implementation following the amendments in March 2015, which did not produce the expected effects so far, especially in the absence of a clear investment map

On the other hand, effective export promotion must be undertaken through an integrated vision for the export system starting from identifying export targets and opening new markets. Serious steps should be taken to facilitate the transport of goods by creating a network of land and river roads, introducing regular shipping and airlines, and establishing logistics hubs as a main pillar for developing economic and commercial relations. A program that bears the slogan "exporting comes first" should be promoted, including an integrated system to support exports and address existing problems related to tax refunds, and improving Egyptian quality standards in export markets, while seeking to promote service and commodity exports that Egypt has recently focused on.

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Special Analysis

What Actually Causes Inflation (and Who Gains from it)?

John T. Harvey, Forbes

Inflation is simply a rise in the average price of goods and services in the macroeconomy. Which particular goods and services depends on the measure we are examining. Consumer price inflation is the one usually in the news, and it takes a weighted average of various items purchased by the typical household (the list being determined by survey and then updated periodically). The average can rise while some prices have actually fallen, and how much it reflects your personal situation is a function of how closely the basket of goods and services in the index matches your buying patterns. But, the bottom line is that we say that inflation has occurred when the average price of those goods and services has increased.

This does not happen by magic. It takes someone, somewhere making a conscious choice to charge more for the good or service they sell. The initial increase does not have to be in something that is being directly measured by the consumer price index. No household in my neighborhood, for example, buys barrels of oil; and yet when they become more expensive that sends a ripple throughout all related products. In the end, consumer prices jump as well.

Of course, that someone, somewhere who raises their price must also be in a position to make it stick. I could march into the Chancellor’s office here at TCU and demand that my salary be doubled, but that probably won’t accomplish a whole lot (other than to give me a chance to update my vita while I am cleaning out my office). Other factors must come into play. Many circumstances can cause inflation. I will focus on four.

Causes of Inflation: Market Power

First, the economic agent could have **market power**. This means they have the ability to avoid (at least to some extent) competitive pressures. It is the latter that forces firms to please consumers. Adam Smith wrote in 1776 that we cannot trust the undertakers of business to look out for anyone but themselves, and so we must handcuff them. But not with markets, per se, with competition, and the two do not always go hand in hand. The OPEC oil cartel in the 1970s and 1980s is a classic example of market power. Had there been other viable sources of what they sold, they could not have restricted supply and driven up prices as they did because the competition would not have allowed them to do so. We would have just bought oil (or a close substitute) from someone else. Up to late 1973, they lacked the political will to set strict quotas among the various exporters. But, once the motivation was provided by US involvement in the Yom Kippur War, they made a conscious decision to raise prices by cutting supply. And because they were able to avoid competition, it worked! Even though households do not buy barrels of oil, it caused terrible inflation. It drove up the prices of anything that used petroleum or petroleum-based products, it raised the price of gas and, therefore, anything that needed to be transported, and it caused inflation in other energy sources as users shifted to those products. Market power–not money growth–caused this inflation.

Causes of Inflation: Demand Pull

Another means by which inflation can take place is a **rise in demand relative to supply**. Say there is an increase in the demand for housing during an economic expansion. Bottlenecks may arise in certain building supplies like lumber. Contractors bid up these prices in an attempt to secure the materials they need; these price increases then ripple through the economy. Firms and consumers again desire a larger money supply to be able to operate, which the Fed presumably accommodates. The producers of lumber and bricks may also experience a rise in their incomes as part of this process–and why shouldn't they? This is how a market system is supposed to work. Those selling goods and services in highest demand should see their profits and wages rise, even though by definition this will almost certainly cause inflation. This attracts others to sell these same goods and services, while some consumers go in search of substitutes. This is the greatest strength of a market system, it's flexibility in the face of unanticipated changes.

Causes of Inflation: Asset Market Boom

Third and very relevant today, **inflation can be injected from the asset market**. The connection between the prices of goods and services and those of financial assets is tenuous. Sometimes there is practically none at all. Witness the 1990s, with a massive increase in stock prices but very little movement in the consumer price index. However, lines of causation can exist, particularly through commodities futures.

Causes of Inflation: Supply Shock

Last is a **supply shock**. If a storm rages through the Gulf of Mexico, taking out oil derricks and refineries along the way, this may well raise the price of oil and gas. As it should, for this creates incentives to build more derricks and refineries and for consumers to find alternate energy sources. Again, this is what capitalism is supposed to do. In terms of who wins with this sort of inflation, it's obviously more complex since it depends on whose derricks were destroyed and who gets to build new ones. In any event, this, too, can lead to a rise in the money supply and there is no logical reason for the Fed to block this.

Implications for Egypt:

The main factor behind the rise in inflation in Egypt is the increase in foreign exchange rates against the Egyptian pound, which leads to increased commodity prices in the local market, especially with initial moves in the prices of some commodities, especially food in the local market. Moving toward a more flexible exchange rate would reduce imports, boost exports and attract foreign direct investment. As a result, Egypt will not need to continue looking for external funding to keep its foreign reserves at safe levels. Egypt should also adopt a monetary policy that primarily targets inflation, which would ease the pressure on foreign reserves, deepen financial sector reforms, promote transparency with respect to central bank operations, and reduce pressure on monetary policy.

Inflation is primarily attributed to internal factors, mainly weak domestic production. Therefore, the optimal solution in combatting inflation is to increase production, which would lead to lower production cost, and to increased supply and thus lower prices. This requires a real deepening of Egypt’s manufacturing sector in addition to reforming the small and medium-sized enterprise sector, in addition to identifying specific targets of fiscal policies and social transfer programs, and allowing the private sector to build infrastructure projects.

The weak performance of internal trade is another reason behind growing inflation. This system needs comprehensive restructuring at the technical, regulatory and legislative levels, including reforms in ideas and applications. For example, markets need to be regulated to eliminate the role of intermediaries, and to tighten control and penalties to prevent excessive inflation resulting from lack of control over markets.

Availing data and information about goods and their availability and prices to citizens, increased control over markets, and the government’s clarifying the real impact of any reform measure on product prices is an important factor that would help curb inflation.

One of the most important elements for institutional reform to cope with high inflation is to rationalize government spending and review its priorities to increase its developmental impact and reduce the budget deficit. Many budget items are being affected by developments in domestic inflation, which would require a complete review of mechanisms that deal with the deficit, implementing inflation targeting more effectively and conducting a study about the impact of inflation on the budget as part of an integrated plan that also includes a review of spending items and subsidies.

It is important not to take new measures that may affect domestic inflation before measuring their expected impact and conducting a sensitivity analysis of their effect on inflation in the short and medium terms. Any spike in core inflation and increased future pressures suggest that the central bank should strike a balance between stimulating growth and curbing inflation, with a view to reducing future inflationary pressures.

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Our Economy

& the World

Global Financial Market Performance

Reuters/ Argaam

Chinese stock indexes rose at the close of Friday trading, while maintaining the upward trend in light of signs stability of shown by the economy, in addition to the growing purchases in the stock market, with the imposing of restrictions in the real estate market to curb rising house prices.

Chinese stocks benefited from the gains of industrial companies for the second consecutive day with the rise in metal prices, increasing the "Shanghai" index gains since January to date to 20 percent, and recording a gain of 6 percent since the end of September.

The composite index posted gains for the fifth consecutive week, the highest weekly gains since May 2015.

At the end of trading, the "Shanghai" Composite index rose by 0.8 percent to 3,196 points, its highest level since January.

The Japanese stock indexes rose at the close of trading for the second consecutive session, with the gains of industrial and financial companies, despite the rise in the local currency value against the dollar, which usually negatively affects the trading of stocks and corporate earnings, particularly exporters**.**

The industrial corporate stocks increased during Friday's trading at the Tokyo Stock Exchange, driven by the plans of the US president elect "Donald Trump" to increase spending on infrastructure in the US, and coinciding with the rise in commodity prices.

The release of growth data is expected in Japan next Monday. Analyst forecasts suggest in a survey conducted by the "Wall Street Journal" that the Japanese economy grew by 0.9 percent during the third quarter, the third growth in a row, representing the longest series of high growth in three years. At the end of trading, the Japanese "Nikki" index rose by 0.2 percent to 17,374 points, and the "TOPIX" Index rose by 0.15 percent to 1,378 points

Most US stock indexes rose during Friday trading for the fifth consecutive session, with continued optimism among investors about pumping financial incentives to revive the US economy under the term of the president-elect Donald Trump.

The Dow Jones' industrial average rose 39.8 points to 18,847.6 points, which is a new closing record. The "Nasdaq" index also rose (+ 28 points) to 5,237 points, while the "S&P 500" benchmark declined (- 3 points) to 2,164 points.

On a weekly level, the Dow Jones posted gains of 5.4 percent, the largest since December 2011, and Nasdaq posted 3.8 percent in gains, while the S&P posted weekly gains of 3.8 percent**.**

In European markets, the Stoxx Europe 600 benchmark index fell by 0.4 percent, or 1.4 points, to 337.5 points.

The British FTSE 100 index dropped (- 97.5 points) to 6,730 points, and the French "CAC" index fell (- 41.7 points) to 4,489 points, while the German "DAX" index rose (+38 points) to 10,668 points.

On the other hand, gold futures for December delivery declined at settlement by 3.3 percent, or 42.10 dollars to $1,224.30 an ounce, the lowest close since early June. The precious metal posted 6.2 percent in losses this week, the largest since 21 June 2013**.**

In the oil markets, the US "NYMEX" fell by 2.8 percent or $1.25, and closed at $43.41 a barrel, posting a weekly loss of 1.5 percent. The "Brent" benchmark index fell by 2.4 percent, or $1.09, closing at $44.75 a barrel to close at less than 45 dollars for the first time since August, and recorded a weekly loss of 1.8 percent.

With regard to economic data, the "Michigan/ Reuters" index of US consumer confidence for November rose to 91.6 from 87.2 in October.

Implications for Egypt:

The Egyptian stock exchange continued to perform strongly for the second week in a row, posting record gains during the current week amid optimism among investors following the CBE's liberalization of the exchange rate, prompting investors to increase purchases, with expectations that the upcoming period will witness large foreign currency inflows. Add to this the IMF's announcement that it would discuss Egypt's loan, whose first tranche is expected on Tuesday. Market capitalization of listed corporate shares gained LE 90.7 billion, closing at 519.4 compared to 428.7 last week, an increase of 21.2 percent.

The above helped the Egyptian Stock Exchange overcome the global shock following a wave of fears and warnings by large investment banks and global research firms about the potential impact of Trump's election, pushing markets lower on Wednesday. However, the global capital markets and the currency markets quickly absorbed Trump's shock. Analysts pointed out that Trump's speech following the announcement of his victory, and the investors' focus on his plans to support infrastructure spending and reduce corporate taxes positively affected stocks.

Markets are trying to figure out the consequences of Trump's economic policy, especially Asian markets, which are concerned about the future of trade relations between China and the US under a Republican president.