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Our Economy & the World

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

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Key Global Developments

Greece's European Creditors Suspend Debt Relief Measures after Social Measures Taken by Tsipras

Argaam

European creditors suspended a recently announced debt relief package for Greece in protest of new social measures taken by Alexis Tsipras, according to Eurogroup's spokesman.

The spokesman for Jeroen Dijsselbloem, President of the Eurogroup, said in a statement that the actions of the Greek government (reactivating the annual 13th month salary for some retirees, and postponing raising the VAT) are not in line with the agreements with the EU.

The spokesman for the president of the Eurogroup, which includes 19 countries, added that this does not prevent implementing debt relief measures.

The finance ministers of the Eurogroup agreed on December 5th on additional measures to soften Greece's debts.

However, after three days, Tsipras announced reactivation of the annual thirteenth month-salary, cancelling thus previous austerity measures, to retirees who receive less than 850 euros in monthly wages.

He also announced delaying the increase of the VAT, which was agreed on with creditors, in eastern Aegean Islands that receives more than 16,000 refugees and immigrants, adding that this delay would continue "as long as the refugee crisis continues."

Immediately after the Eurogroup announcement, the Athens Stock Exchange recorded losses of more than 3 percent.

State of the World 2017 Report Predicts oil prices between $50 to $55 a barrel in the First Half of 2017

WAM

The "State of the World in 2017" report issued by the "Arab Strategy Forum" predicted oil prices in the international market to range between $50 to $55 per barrel during the first half of next year before rebounding in the second half without exceeding the ceiling of $60 a barrel thanks to the OPEC agreement end of November to cut production to about 33 million bpd.

The report, prepared by the "Eurasia Group" for the Arab Strategy Forum, said that under this scenario, the US shale oil will resume modest growth by the middle of next year, but will post further growth if oil prices crossed $60 per barrel. This obstacle will have significant implications for oil producers in the Middle East and North Africa region that needs higher oil prices in order to balance their budgets.

The report highlighted that the decline in oil revenues would impose on the countries that rely on its export a difficult challenge of either cutting the politically controversial government spending or deferring such spending to address the risk of further economic deterioration and negative political repercussions in the future.

The report, which was obtained by the Emirates News Agency, pointed out that countries' ability to withstand reduced spending will largely depend on the cash reserves of these countries and their ability to provide money. The higher the amount of money, the less the probability to cut spending.

The ability of the political regimes of these countries will also depend on withstanding the internal pressures and obligations to achieve their goals. The higher the pressures, the less the probability to cut spending.

The report predicted that oil-exporting countries in the Middle East and North Africa would face financial pressures according to IMF estimates. So, oil-producing countries in the region should not rely much on the possibility that the agreement to freeze oil production or even reduce it to push oil prices up.

They must also enhance their ability to secure funds from non-oil sources and/or cut government spending urgently, especially if they all embrace the idea of maintaining low oil prices over the coming period.

In an Expected Move, the Fed Raises Interest Rates and Hints at Tighter Monetary Policy

Argaam

The Federal Reserve raised the U.S. interest rate for the first time in a year and signaled a slightly tighter approach regarding monetary policy.

According to expectations in the markets, the Fed raised interest rates 25 basis points to a range between 0.5 percent and 0.75 percent from a range between 0.25 percent and 0.5 percent.

In a statement, the Fed stressed that the pace of US economy will allow gradual raising of the interest rate. It also expected to raise interest rates three times in the next year rather than twice.

Economists pointed out that the fiscal stimulus that US President-elect Donald Trump talked about of increasing infrastructure spending and tax cuts will contribute to the acceleration of economic growth in the country.

The central bank's statement did not refer to the financial policies of the Trump administration, but it said that it is close to achieving the full goals of the labor market and price stability. It also expects further improvement in the pace of employment in the coming period as well as moving towards the targeted inflation rate.

The Fed stressed that the risks regarding its expectations about the US economy seem balanced, and that the decision has not been opposed by any member of the Fed.

Fed officials have not amended their expectations about US economic growth, as they still expect a GDP growth of 2 percent on average over the next three years. During the same period, unemployment is expected to stabilize near the 4.6 percent recorded last November.

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Britain Seeks Agreements to Facilitate its Divorce from the EU

Arabiya Net

British Finance Minister, Philip Hammond, called to reach transitional agreements to facilitate Brexit, and ruled out the occurrence of disorders that may affect the financial sector in particular.

Hammond said it would be useful in general to have a long period to manage the transition, adding that this means moving towards a calm period of transition involving less risks to financial stability.

However, the European Commission has previouly warned that it would be difficult to reach agreements of this kind

US Industrial Production Resumes Decline in November

Argaam

The US industrial production index witnessed the third decline over the past four months in November, in a sign that the sector is suffering again after a recovery in the Summer of this year.

Federal Reserve data showed a drop in industrial production by 0.4 percent last month, the biggest decline since March.

The October reading was revised up to 0.1 percent of the original reading, which was stable.

In a related development, the production index of the manufacturing industries fell 0.1 percent in November due to falling motor vehicles and spare parts production by 2.3 percent during the same period.

State of the World 2017 Report of the Arab Strategy Forum Expects Europe to be Source of Economic and Financial Risks

WAM

The "State of the World 2017" report to be issued by the Arab Strategy Forum during its meetings in Dubai expects the European monetary and financial obligations to produce risks to growth and financial stability of Europe and the world as a whole next year.

The report, prepared by "Eurasia Group" for the Arab Strategy Forum, said that the European banks suffered from the decline in share prices by more than 10 percent, according to IMF estimates since the Brexit decision. The decline is exacerbated by the challenges faced by the banking sector affected by the low interest rate and an environment that suffers significantly from obstacles to the implementation of integration and restructuring operations.

It added that in the meantime European political leaders who are working to address the crises on several fronts will distance themselves from exerting the remaining political effort they have in addressing banking challenges. Add to this the low financial projections in countries stretching from Greece to the southern tip of European continent, including France, the risk of a financial contagion will be possible.

The report warned that any European banking crisis will have shock waves hitting the global markets. It noted that even with the success of efforts to prevent a systemic banking crisis, the weak financial outlook for many European economies, such as Italy, France, Portugal and Greece, may cause unrest in the global financial system, especially that the low political capacity makes it more difficult to respond to crises.

According to forecasts, the European growth rate will decline over the next year compared to the previous year to reach 1.4 percent according to the IMF estimates, said the report. Any financial recession in Europe will affect the global economy, and any repercussions in Europe would require restructuring lending terms.

Emerging markets may be vulnerable to the European problems and could be significantly affected by weak European markets. Middle East assets or investments in Europe may be affected by the fluctuations in the European economy and economic tensions. At the same time, attempts of countries in the region to attract external funding may face investors' unwillingness to take risks, which is boosted by the economic tension in Europe.

UK Employment Drops for First Time in More than a Year

Argaam

UK employment fell for the first time in more than a year in the three months through October as the labour market showed some signs of weakness.

The number of people in work fell by 6,000 to 31.76 million people, while the jobless rate was unchanged at 4.8 percent.

Single-month data showed that the unemployment rate rose to 4.9 percent in October from 4.6 percent in September. Unemployment also fell over the three-month period, by 16,000 to 1.62 million.

While the average weekly income, with the exception of bonuses, increased by 2.6 percent in October on a year on year basis, which is a little higher compared to the previous month..

OPEC Signals Larger 2017 Oil Surplus, Unless Cuts Implemented

Reuters

OPEC on Wednesday signaled a growing oil supply surplus next year unless members implement their deal to curb output from record levels and outside producers also deliver on cutback pledges made at the weekend.

The Organization of the Petroleum Exporting Countries pumped 33.87 million barrels per day (bpd) last month, according to figures OPEC collects from secondary sources, up 150,000 bpd from October, OPEC said in a monthly report.

OPEC's own figures show the group's output has continued to rise, adding to a global glut, ahead of the January start of its first supply cut agreement since 2008. This could raise questions about its ability to comply fully with the deal.

But OPEC was hopeful that supply curbs pledged by Russia and other non-members at the weekend, in addition to its own reductions, will tackle the surplus and support prices, which at $55 a barrel LCOc1 are still half the level of mid-2014.

The non-OPEC cuts should help to "accelerate the reduction of global inventories and bring forward the rebalancing of the oil market to the second half of 2017," OPEC said in the report.

To speed it up, OPEC last month finalised a plan to cut output by about 1.20 million bpd from Jan. 1 to 32.50 million bpd. On Saturday, non-member countries pledged curbs of around 560,000 bpd in the first such move since 2001.

The report is the latest to show output hitting new peaks. The November OPEC production figure is the highest since at least 2008, according to a Reuters review of past OPEC reports.

Implications for Egypt:

The decision by the Fed to raise interest rates by 25 basis points, which is the second increase in about 10 years, was primarily supported by progress made by US economy with respect to two of the most important objectives of the Fed, namely full employment and the inflation target of 2 percent. This step was also supported by a desire to validate market expectations about interest rates, as well as in response to the decline in external headwinds (especially Europe, in spite of the results of the Italian referendum).

According to a recent report by Mohamed El-Erian, the US Federal Reserve will keep the door open for the possibility of multiple steps to raise interest rates in 2017. This is not only due to its expectations of strong performance of the US economy in 2017, but also because of the upward trend in the rates of growth and inflation prompted by statements made by US President-elect Donald Trump. However, he noted an important consideration, namely, to what extent a more active fiscal policy, led by stronger spending on infrastructure, would allow faster monetary policy normalization.

We reaffirm that recent global economic volatility points to escalating pressures on global economic growth opportunities. This requires Egypt to enhance measures taken to increase economic growth, such as the promotion of domestic production, especially among SMEs, in light of the expected recession in Britain and shifts in movement of global investment flows worldwide as well as the emergence of an escalating trade war between the US and China amid slow global economic growth. Against this backdrop, Egypt has to move more quickly to encourage domestic consumption while supporting its presence in the Arab and African regional markets in order to capture larger market shares in the medium term and to benefit from trade agreements with these countries.

From the International Press

European Concerns about Growing Numbers of Beneficiaries from Tax Exemptions

Al-Sharq Al-Awsat

A European non-governmental report showed that the number of multinational companies benefiting from tax exemptions and financial incentives has tripled in the EU over the past two years. The report comes before the first of January, the deadline for implementation of a political agreement on directives aimed at improving the transparency of member countries' assurances to companies on how to calculate due taxes in the context of countering tax evasion.

The report is prepared by Eurodad, a non-governmental network of 47 NGOs in 20 European countries that is concerned with economic, financial and developmental studies in Europe. The report issued yesterday covered the period between 2013 and 2015.

According to European media sources in Brussels, the report showed that Luxemburg and Belgium signed the largest number of agreements with multinational companies that allow the latter to avoid paying a large portion of their taxes and benefit from multiple financial incentives.

Eurodad conveyed its members' worries due to multiplying financial agreements signed between multinational companies and the European governments. In 2013, the number of these agreements was 547, rising to 1,444 in 2015, according to the report. Eurodad says that in the preparation of the report, it used data from the European Commission, which covered 17 EU member countries in addition to Norway.

Economist Tove Ryding, one of the contributors to the report, said that everyone is now aware of secret agreements between countries and large companies to help the latter avoid paying taxes. The report did not deny the efforts made by the European Commission, which allowed certain countries this year to recover huge amounts from companies operating in its territory.

The financial scandal known as the Luxleaks in 2014, which revealed that Luxembourg alone signed 350 financial agreements with many companies, contributed to strengthening the work of the European executive body and specialized bodies to detect irregularities of this kind.

The European Commission demanded that Apple pay an amount up to 13 billion euros to Ireland, in compensation for tax privileges it acquired during the years from 2003 to 2014. Last August, 19 European countries obtained from the German authorities information on 150 banking operations linked to accounts in Switzerland and Luxembourg, which contributes significantly to combating tax evasion in Europe. In May 2015, the EU signed a historic agreement with Switzerland on the exchange of information about bank accounts, thus contributing to enhancing tax transparency.

At the end of May this year, the Ministerial Council of the European Union in Brussels announced adoption of reporting rules by multinational companies of tax-related information, and the exchange of this information between member countries.

The Council said that the relevant rules are on top of the elements included in the package of proposals put forth by the European Commission last January to strengthen the rules of countering corporate tax evasion. These rules are based on the recommendations of the OECD.

The European Ministerial Council, which includes the ministers of finance of member countries, stressed that these rules are legally binding and each individual country should prepare reports on implementation of rules of information exchange by multinational companies. A statement in Brussels said that the revenues of these companies amount to at least 750 million euros.

European media reports in Brussels had reported earlier that large companies may not be able to get special tax regimes in the future, as was the case in the past. The OECD offered new proposals to prevent tax evasion.

Pascal Saint-Amans, Director of the Centre for Tax Policy and Administration at OECD, said that the financial crisis is a kind of economic weakness that requires putting an end to tax evasion, which is in itself illegal. As for multinational companies, proposed tax regimes were developed and were approved by 44 countries, including the G20, the OECD countries and emerging countries. Taxes that can be paid in two different countries may be removed. So in the future, companies will not be able to pay taxes in the countries that they like .. double taxation has come to an end.

Implications for Egypt:

It should be clear that it is not prohibited legally to deal with tax havens. In fact, there are some legitimate reasons for such dealings, especially for investors in hedge funds. Therefore, investors in unstable countries frequently resort to safe havens, due to their exposure in their respective countries to risks caused by their governments or by criminal gangs.

The lack of transparency and information sharing can be used for illegal purposes, including money laundering, bribes, corruption, tax evasion as well as other illegal activities. Privacy protection laws, which prevent tax authorities abroad from accessing the information of complex entities located in tax havens is one of the main reasons for the lack of information sharing. In 2013, "The Economist" magazine said in a report that about $20 trillion is hidden in offshore accounts in various parts of the world, mostly used in legal activities.

Therefore, international tax evasion is one of the issues that Egypt needs to pay attention to urgently in light of the increase at the international level. Tracking those companies on the international level is very difficult, and requires highly experienced lawyers; as there is sometimes a series of companies affiliated to each other. Also, proving corruption charges requires strenuous efforts, and a political will that some countries may lack.

Previously, the Egyptian Ministry of Finance issued a statement making clear that Egypt has tax legislations that enable tracking cases of tax evasion and international tax avoidance. Egypt also concluded several agreements to avoid double taxation that allow the exchange of information with various countries to combat tax avoidance and evasion. Egypt is also a party to several multilateral agreements to achieve this goal. All these mechanisms will enable the tax administration in Egypt to obtain information on international tax evasion with a view to countering them.

The statement emphasized that the Income Tax Law no. 91/ 2005 includes pillars that counter these cases, whether through activation of the principle of the neutral price of transactions between related parties, ensuring setting the real price to prevent tax fraud. There are also the articles on the rules of combating tax avoidance whether public or private.

Special Analysis

Oil and Gas Discoveries in the Mediterranean Reflect Regional Stability

Al-Hayat

The demarcation of Lebanon's maritime borders to determine the final points of the exclusive economic zone is still pending between Syria and Israel. The head of the Future Movement in Lebanon's parliament Fouad Siniora said that "Lebanon demarcated the border with Cyprus, but when we went to the south and north, we could not sign an agreement with Israel, while the Syrian side expressed reservation and does not want to sign. This forced us to move away somehow from the third point in the north and the south."

Siniora was speaking in an intervention at a seminar on the prospects of eastern Mediterranean oil, organized by the Institute for Palestine Studies, and inaugurated by President of the Board of Trustees Tarek Mitri. This was in light of the importance of oil and gas discoveries in the Mediterranean Sea and their impact on the future of political and economic stability in the region, without losing sight of Israel's attempts to exploit the exports of gas to some of these countries to gain strategic control.

The session of the first pillar of the seminar dealt with the legal, political and diplomatic dimensions of oil discoveries in Lebanese waters, and was moderated by economist Kamal Hamdan. During the session, Chairman of the Parliamentary Committee for Public Works and Energy, Mohammad Qabbani, said that the Lebanese government has been issued five months ago a court order that forces SGS USA to deliver the results of the undertaken surveys. These surveys reveal the presence of large amounts of gas and oil in the Eastern Mediterranean and the existence of shared basins, especially between Lebanon and the occupied territories. "What has revived oil and gas prospecting in Lebanon is Israel's move towards Turkey to build a gas pipelines to Europe, after it was clear that the line from Turkey to Cyprus and Greece is prohibitive," he said, hoping the two pending decrees in the Council of Ministers would see the light in the new government.

The Chief of the Lebanese Petroleum Administration, Wesam Al-Dhahabi, presented the steps taken for the start of prospecting, exploration and future stages, referring to the completion of the legislative structure. He pointed out that many countries commended the work done so far, but stressed that the road is still long, calling for oversight, accountability and the involvement of civil society.

A partner of Al Mashreq International Advocates & Legal Consultants, Fadi Nader, said that the actual value lies in regulations that would be issued to complement the law related to petroleum resources. He pointed out the financial side of it, which deals with the calculation of profit sharing, whose decree has yet to be issued. He stressed that the tax system should incentivize investors.

Siniora stressed that the border demarcation agreement should involve three parties, adding that the text of the bilateral agreement between Lebanon and Cyprus is the same as that signed by Cyprus with Egypt and

Israel. He noted that the third article in it requires the signatory to consult with us before signing any agreement with a third party. So, before signing with Israel, Cyprus should have consulted with the Lebanese side in relation to the 23rd point.

He said: "When we signed the agreement with Cyprus directly, we immediately demarcated the southern and northern borders unilaterally, adding that the Cypriot side is the one that mishandled the agreement, not Lebanon."

Siniora stressed that the best way for demarcation of the borders between the three countries is to return to the United Nations, pointing out that the 10th article of the agreement provides for the possibility of Lebanon to request assistance from the United Nations in border demarcation. "I personally took the initiative and sent a letter to the Secretary-General and I hope the UN would abide by the article 10 of the agreement, because it provides for the demarcation of the border without specifying whether it is the sea or land border."

The Turkish ambassador in Lebanon said that energy security is linked to foreign policy and security, not just development. He presented the large supply projects in Turkey, including the Trans-Anatolian gas pipeline, whose construction will begin in 2018 and will transfer gas to Europe starting in 2020. He pointed out that two Turkish companies qualified in Lebanon and are still interested in investing there.

The Cypriot Ambassador to Lebanon said that the Eastern Mediterranean would be a reservoir for Europe, declaring the need to resume negotiations between Lebanon and Cyprus. She hoped the agreement signed in 2007 would be endorsed. She revealed that Cyprus is ready to help resolve the problem of demarcation of the border with Israel.

Nasser Hoteit, Board Member of the Lebanese Petroleum Administration, said regarding the issue of demarcation of the border with Israel that until (July) 2016, Israel identified the patches at point 23, and the map of the Israeli patches sent to companies actually contains three patches in Lebanese waters. He has not overlooked the importance of formulation of energy policies that cut across sectors regarding exploration, production and electricity policies from all sources. He saw the importance of regulatory authorities, not regulatory bodies.

Expert and colleague Walid Khadduri spoke about the prospects of Israeli petroleum industry, adding that the attention of Israel suddenly changed, turning to nearby Arab markets that signed peace treaties with it, instead of giving priority to exporting to European markets. The geo-strategic objective of adopting the gas export policy is to normalize relations with the countries concerned, and to penetrate the strategic Arab energy sector through exports of gas. This step will later give Israel influence in determining the growth of the Arab industry, through controlling gas and electricity prices. He noted that gains from gas investments have currently shrunk due to lower natural gas prices to less than half of their 2014 levels.

Implications for Egypt:

Egypt is expected to add between 5.5 to 6 billion cubic feet of natural gas and 28.5 thousand barrels of condensates per day for domestic production, through 13 natural gas field development projects currently being implemented with investments valued at $33 billion. This will raise production to 9.5 or 10 billion cubic feet of gas by 2020, according to estimates by the Ministry of Petroleum and companies working in the field of oil and natural gas projects in Egypt.

Among the factors that qualify Egypt to achieve its goal as a natural gas hub is the existence of infrastructure for the gas sector, such as the liquefaction plant and a large consumption market. This will render any project to develop natural gas production economically feasible according to the Stratfor magazine for the analysis of information on natural gas in the Mediterranean. According to initial estimates and in light of current circumstances, Egypt is expected to stop importing natural gas starting in 2021, which would represent an important step in easing the pressure on the balance of payments and on the volume of Egyptian imports. In addition, the purchase of gas from the production fields in Egypt is much cheaper than importing it, which would will save large funds borne by the state in the import process, notably in the rent of gasification ships, according to experts.

The trend in Egypt over the past years was to export the surplus of natural gas production. Instead, there must be a clear investment plan to exploit and maximize benefits from Egypt's current natural gas resources and link them to projects with value-added that increase the return on the use of natural gas, such as petrochemical industries and fertilizers, while reducing the exports of gas in crude form. Such exports would represent a waste of opportunities to establish integrated industries based on local raw materials that would provide strategic depth to take advantage of these resources to create jobs, increase industrial exports and speed up the rate of economic growth and development.

Global Financial Market Performance

Reuters/ Argaam

Chinese stocks rose at the close of Friday trading, but posted the largest weekly losses since April, coinciding with the decline in investors' appetite for domestic assets and losses of real estate and insurance companies.

On the other hand, Chinese sovereign bonds tended to record the biggest weekly decline in more than seven years with the central bank heading towards a debt market correction.

Home prices in China are declining after the package of restrictions and measures imposed in a number of cities to rein in the unit prices and avoid the emergence of a real estate bubble. Insurance companies came under strong pressure after a campaign led by the authorities on sector investments in the stock market**.**

At the end of trading, the Shanghai Composite index rose 0.15 percent to 3,122 points, but recorded losses of 3.3 percent this week.

The Japanese stock indices rose at the close of Friday trading. The Nikkei index recorded its highest level in almost a year, with US stock gains and strong performance of the shares of the financial sector in Japan.

Analysts said the stock market was able to absorb the Fed's decision to raise interest rates, with positive prospects for the future backed by US plans to boost economic growth**.**

The financial sector in Japan continues to post gains, benefiting from higher returns on global government bonds, which usually draw strong Japanese investments.

Yields on 10-year Japanese government bonds rose to 1 percent on Friday, the first time to reach this level since January 29, when the central bank announced interest rate cuts to negative levels. Local currency depreciated by 13.2 percent against the dollar since the US presidential election in the November 8th, which supported the shares of exporting companies, as it enhances the competitiveness of Japanese products.

At the end of trading, the Japanese Nikkei index rose by 0.65 percent to 19,401 points, its highest level since last December, while the TOPIX index rose by 0.5 percent to 1,550 points**.**

US stocks lost gains recorded during Friday trading closing the session on stability affected by news of the Chinese navy seizing an American drone in the South China Sea waters. The NASDAQ and S&P indices recorded weekly losses, while the Dow Jones posted gains for the sixth week in a row**.**

The Dow Jones industrial average fell nearly nine points to 19,843 points, after gains of more than 40 points earlier in the session. The Nasdaq index declined by 19.7 points to 5,437 points, while the S&P 500 benchmark declined by 4 points to 2,258 points**.**

On a weekly level, Nasdaq recorded losses of 0.1 percent, and the broader S&P 500 recorded losses of 0.1 percent, while the Dow Jones achieved a weekly gain of 0.4 percent.

In European markets, STOXX Europe 600 Index rose 0.34 percent, or 1.2 points, to 360 points. The French CAC Index rose 14 points to 4,833 points, the German DAX rose 37.6 points to 11,404 points, while the British FTSE index rose 12.6 points to 7,011.6 points.

On the other hand, gold futures for February delivery rose at settlement by 0.7 percent or $7.60 to $1,137.40 an ounce, but recorded weekly losses of 2.1 percent.
In the oil markets, the US NYMEX rose by 2 percent, or one dollar, and closed at $51.90 a barrel, recording a weekly gain of 0.8 percent. Brent rose 2.2 percent, or $1.19, to close at $55.21 a barrel, and achieved a weekly gain of 1.7 percent.
With regard to economic data, the US homes under construction dropped by 18.7 percent to 1.09 million units at a seasonally adjusted annual reading, and building permits fell 4.7 percent to 1.2 million compared to October reading**.**

Implications for Egypt:

Global financial markets continued to rise in disregard of the US Federal Reserve’s decision to raise interest rates, benefiting from the decline in global currency rates against the dollar. Chinese stocks were an exception, recording the biggest weekly loss since April, coinciding with the decline in investors' appetite for domestic assets and losses of real estate and insurance companies.

Analysts said the stock market was able to absorb the Fed's decision to raise interest rates, with positive prospects for the future backed by US plans to boost economic growth

On the other hand, in last week's trading the Egyptian Stock Exchange held four sessions only because of the holiday of Prophet Mohammad's birth. It achieved a gain of about 7.4 billion pounds, to reach about 570.9 billion pounds compared to 563.5 billion pounds in the previous week, a rise of 1.3 percent.

The weekly report of the Egyptian Stock Exchanges showed a collective rise in the main stock market indices, with the EGX 30 index rising by 0.25 percent to reach 11,326 points. Secondary market indices tended upward, with the EGX 70 index of small and medium shares increasing by about 0.52 percent to close at 452 points, while the broader EGX 100 index rose by 0.36 percent to reach 1,064 points. The multi weighted EGX 20 posted a rise of about 1.75 percent to 11,168 points.

We stress that the stock market is in dire need of diversifying/introducing new products and securities, to support its ability to enhance stability, and attract liquidity and new investors. However, it is important to choose the right time for such offerings, which should preferably take place after the stock market stabilizes to ensure greater success. This would send a message of reassurance to investors and foreign institutions. All in all, the stock market faces a number of challenges to reach stability amid sound economic and financial fundamentals, as the stock market has yet to reach a point of harmony with these fundamentals in the absence of institutional investment based on development and financial objectives.

We also see a need for new stimulus measures for the Egyptian Stock Exchange to enhance its financial depth and investment flexibility, through completing the required legislative amendments and taking faster steps towards selling new companies and new financial instruments in the stock market.