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The Egyptian Center for Economic Studies

Our Economy and The World

The Weekly Report

Issue: 135 Date: 3rd March 2019

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

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Key Global and Regional Developments over the Past Week

Reuters: Brexit delay will not solve the impasse over deal, PM May says

Delaying Britain's exit from the European Union does not deliver a deal and merely delays the big decision on Brexit, Prime Minister Theresa May said on Monday. "An extension to Article 50, a delay in this process, doesn't deliver a decision in parliament, it doesn't deliver a deal," May said. "What it does is precisely what the word 'delay' says. It just delays the point at which you come to that decision. And I think that any extension of Article 50, in that sense, isn't addressing the issue. We have it within our grasp." She added: "Any delay is a delay, it doesn't address the issue, it doesn't resolve the issue."

(Read full article)

Reuters: Trump calls on OPEC to 'relax,' says oil prices are too high

U.S. President Donald Trump on Monday expressed concern about oil prices and repeated his previous calls on the Organization of the Petroleum Exporting Countries (OPEC) to keep prices steady. On Monday, oil prices edged up amid political uncertainty and sanctions and involuntary curbs on several producers but could face pressure from continued anxiety over the global economy and record U.S. exports. "Oil prices getting too high. OPEC, please relax and take it easy. World cannot take a price hike - fragile!" Trump, whose administration has sanctioned crude from Iran and Venezuela, tweeted. OPEC members and non-OPEC producers such as Russia are leading efforts to rebalance the market and support oil prices. Trump, who has made the U.S. economy one of his top issues, has repeatedly tweeted about oil prices and OPEC, airing complaints about higher prices, including ahead of the organizations meeting in December.

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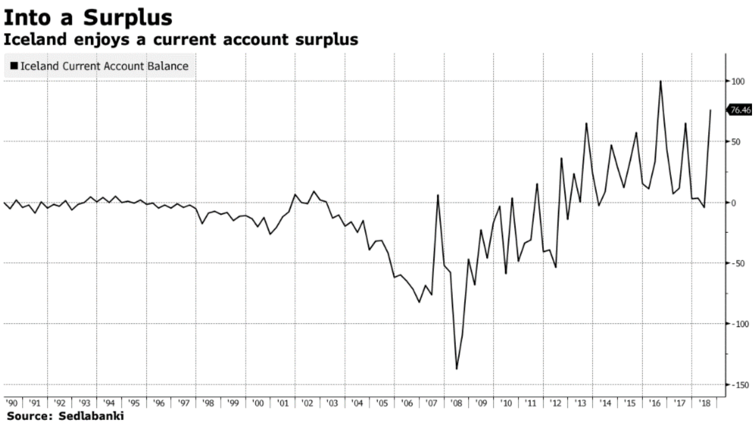
Bloomberg: Turkish Opposition Warns Borrowing Spree Abroad May Backfire

The Turkish government's strategy of heavy borrowing abroad this early in the year risks triggering a spike in lira bond yields after municipal elections in March, the nation's main opposition party said. "The government is pressuring exchange rates and yields as it borrows heavily in foreign currencies," Faik Oztrak, spokesman for the Republican People's Party, or CHP, said in an interview in Istanbul. "This will create serious troubles after the vote, when they will have to resort to heavy domestic borrowing. That would send yields higher." In a bid to keep a lid on rates before polls on March 31, the government has curbed domestic bond sales and turned instead to foreign investors for its financing needs. While that's helped fuel a rally in local-currency debt, concern is growing that the policy could backfire if the government's budget deficit continues to widen as the economy sputters.

(Read Full Article)

Bloomberg: Iceland Proposes the Once-Unthinkable: Its Own $2.5 Billion Wealth Fund

An Icelandic wealth fund would have been unthinkable just a decade ago. But as the nation dismantles the last vestiges of its capital controls, the coalition that steers Iceland has now proposed amassing a fund of as much as 300 billion kronur ($2.5 billion), equal to about $7,000 per Icelander. It's a testament to Iceland's success -- and hard work -- in steering its way out of the financial ruin that hit in 2008. Largely out of necessity, politicians unveiled a string of policies that were as controversial as they were successful, including trapping foreign investors, nationalizing banks and writing off consumer debt. The nation was also blessed with a boom in tourism, bringing a rare surplus in its accounts with the rest of the world. "The upswing of the past years is unique in the history of the country," said Gylfi Zoega, a professor at the University of Iceland and a member of the Icelandic central bank's monetary policy committee. "Usually an upswing has been driven by foreign demand and ended in a currency crisis, but now it's export driven and there has been a lot of domestic savings."



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Reuters: Trump says 'signing summit' with Xi for U.S.-China deal possible soon

U.S. President Donald Trump said on Monday he may soon sign a deal to end a trade war with Chinese President Xi Jinping if their countries can bridge remaining differences, saying negotiators were “very, very close” to a deal. Markets rallied after Trump said on Sunday he would delay an increase in U.S. tariffs on $200 billion of Chinese goods and extend his March 1 deadline for a deal. Trump’s decision avoided another escalation in a trade war between the world’s two largest economies that has cost both countries billions of dollars and roiled global financial markets.

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Special Analysis: IMF - Credit Cycle and Capital Buffers in Central America, Panama, and the Dominican Republic

Credit is key to support healthy and sustainable economic growth but excess aggregate credit growth can signal the build-up of imbalances and lead to systemic financial crisis. Hence, monitoring the credit cycle is key to identifying vulnerabilities, particularly in emerging markets, which tend to be more exposed to sudden external shocks and reversal in capital flows. We estimate the credit cycle in Central America, Panama, and the Dominican Republic and find that the credit gap is a powerful predictor of systemic vulnerability in the region.

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Recent Developments in Financial and Commodity Markets

Reuters: Asian shares slip from five-month highs, pound jumps on Brexit delay hopes

Asian shares lost steam on Tuesday after scaling a five-month high as investors waited to see if Washington and Beijing can clinch a trade deal, while the pound advanced on hopes UK Prime Minister Theresa May will delay a Brexit deadline. Spreadbetters pointed to a weak start for Europe with futures for London's FTSE off 0.6 percent even as fears of a no-deal Brexit faded. U.S. stock futures were down too, with E-Minis for the S&P 500 falling 0.4 percent. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.5 percent from its highest since mid-September as U.S. and Chinese negotiators work to hammer out a deal that would end a protracted tit-for-tat tariff battle. President Donald Trump said on Sunday he would delay a tariff hike on $200 billion of Chinese imports in the clearest sign yet that both sides were making progress in the talks, but he also sounded a note of caution, saying a deal "could happen fairly soon, or it might not happen at all."
(Read Full Article)

Reuters: Russia's Gazprom says its European gas market share grew to 36.7 percent in 2018

Russian gas giant Gazprom's share of the European gas market rose to 36.7 percent last year from 34.7 percent in 2017, a company manager told investors during a presentation in Hong Kong on Tuesday. Oleg Aksyutin, a member of Gazprom's management committee, also said that Gazprom's share of China's overall gas imports may reach 25 percent by 2035. The Russian firm is scheduled to begin supplying gas to China in December 2019. Elena Burmistrova, head of Gazprom's exporting arm, also said that Gazprom's average gas price in Europe reached $245.5 per 1,000 cubic meters last year.
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