



# Financial Markets Snapshot

## Q3, 2024 Review

# Methodology

## Global Markets



## Emerging Markets



## Egyptian Local Market



# Methodology

## Global Markets



- Global markets such as the USA, UK, EU, China and Canada set the tone of the global economy.
- The report begins by analyzing the changes in global markets in terms of economic policy directions and financial markets and tries to plot how those dynamics are interlinked.
- The report then tries to examine the ripple effect of changes in global markets on emerging market economies, and the choices available to such markets.

## Emerging Markets



- Emerging markets such as Brazil, India, South Africa, Turkey, and others are widely affected by the tides in global markets.
- The report tries to understand the effects of changes in policies in global markets on the choices available for different emerging markets.
- The report then tries to analyze the progress of different emerging markets in light of global economic changes and the policy options available for emerging markets as a group.

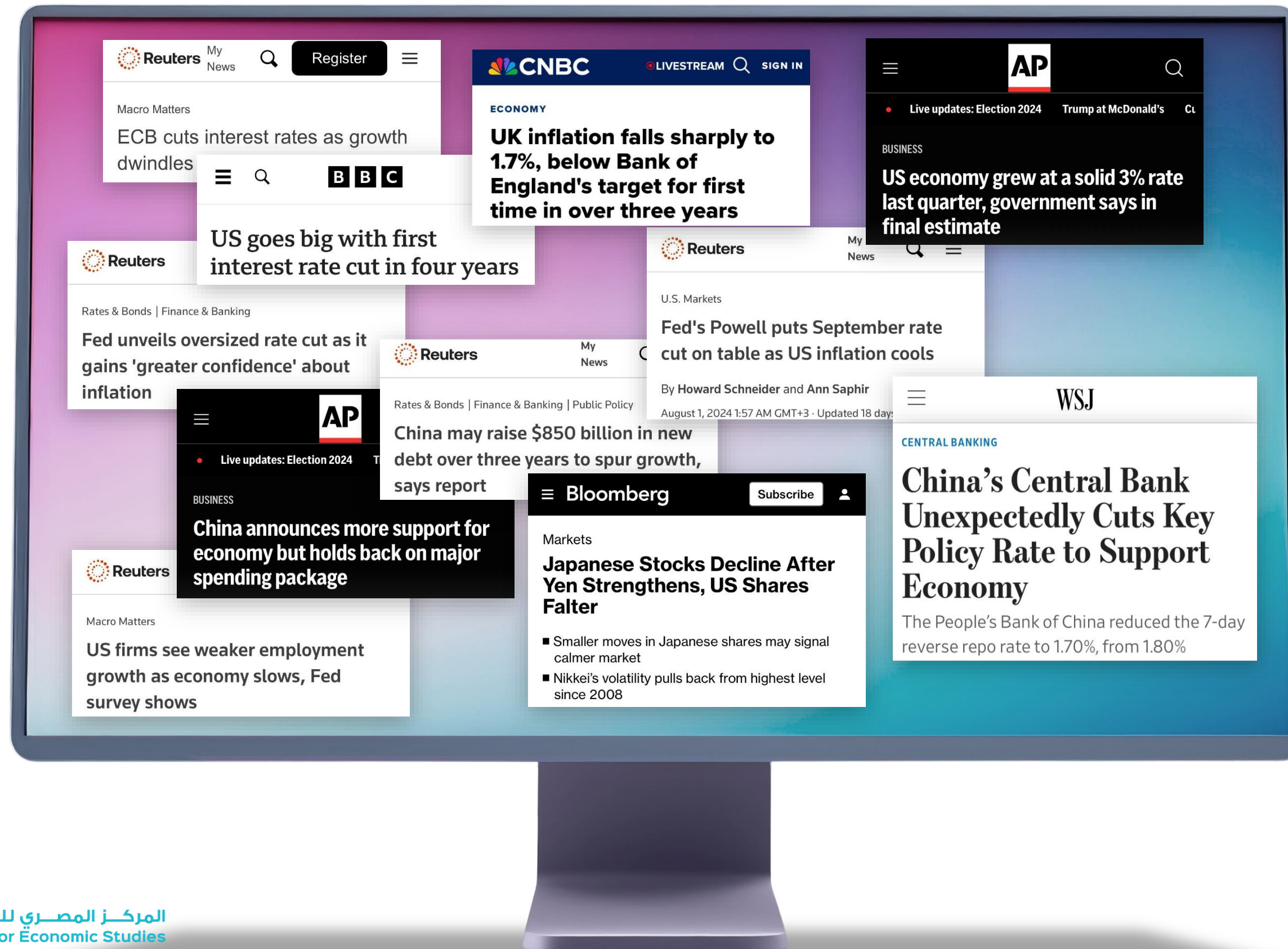
## Egyptian Local Market



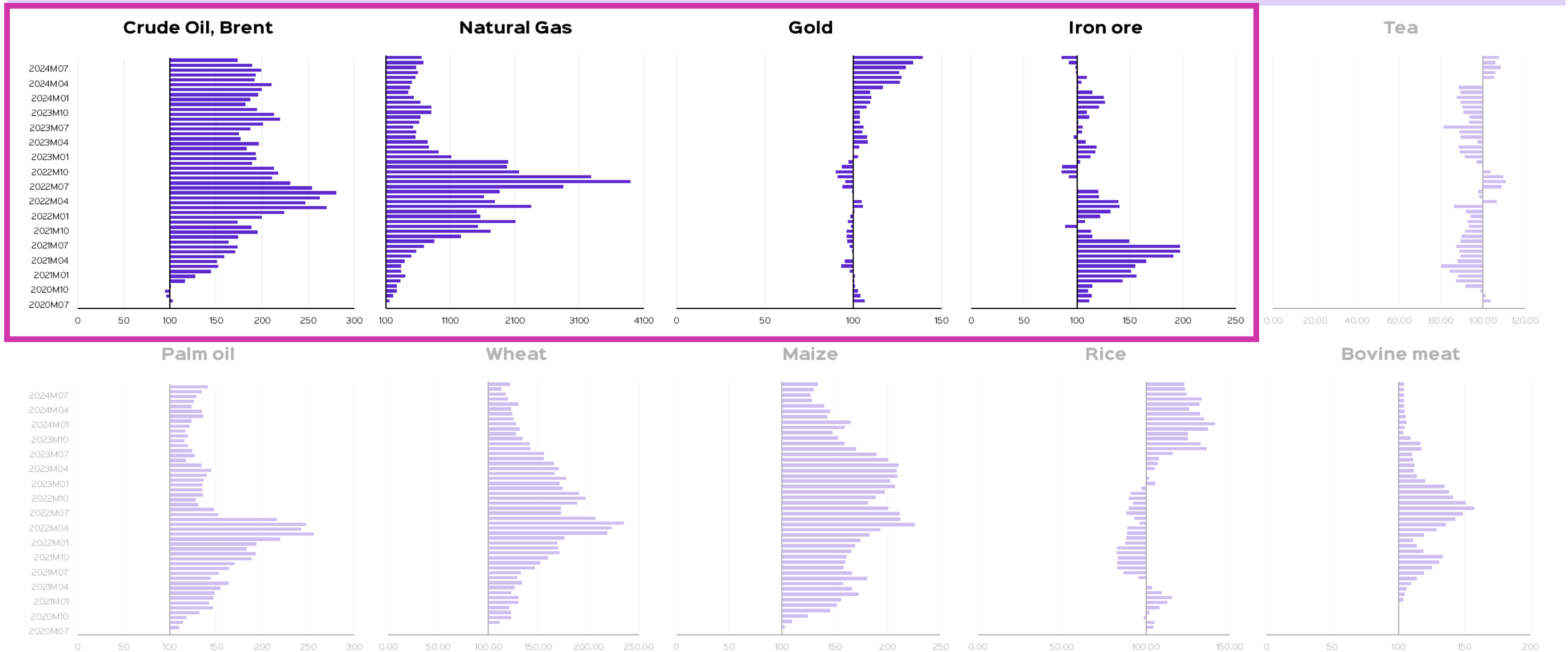
- Like any other emerging market, the local market in Egypt is affected by dynamics in the global markets as well as the policy choices adopted by other emerging markets.
- The report tries to understand the effects of changes in global markets as well as changes in emerging markets on the local market in Egypt.
- The report also tries to link between external factors as well as local policies such as fiscal and monetary policy, and how they interact resulting in the current economic situation.



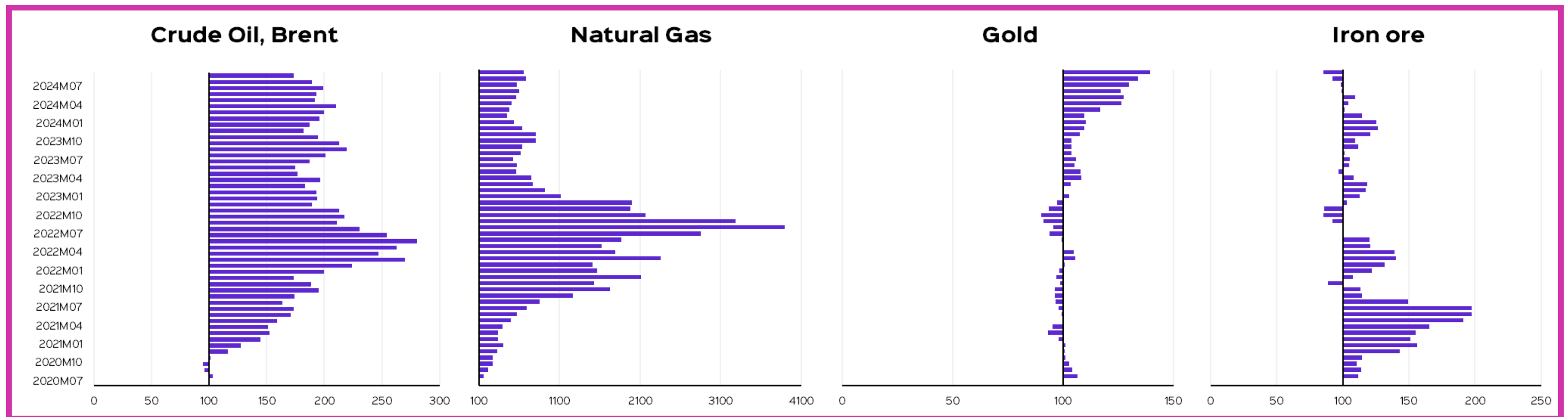
# Latest News – Key Headlines



**Commodity prices have witnessed divergence and volatility over last month due to changes in economic outlook and geopolitical tensions, with oil and gold exhibiting the biggest divergence.** With the commencement of interest rate cuts globally, gold has been reaching new highs. The geopolitical tensions and the escalating middle east war has pushed oil prices upwards before the risk of an extensive war declined and oil prices retreated accordingly. Iron ore price declined due to recession fears. Wheat price increased due to unfavourable weather conditions in exporting countries, while other commodities have more or less stayed within the same range with no major changes.

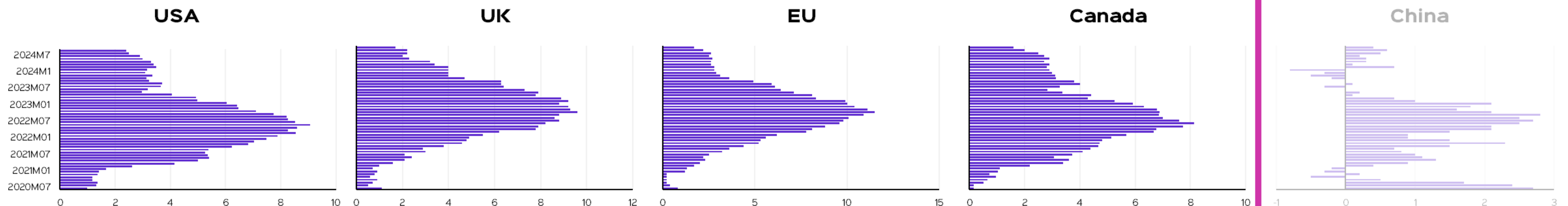


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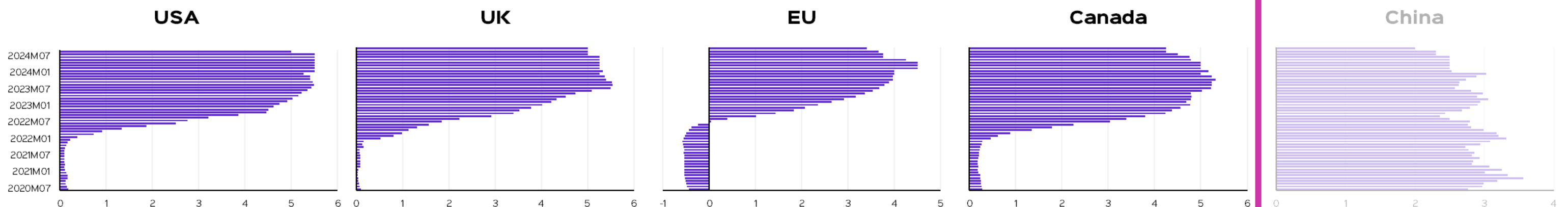


**Inflation rates in global markets kept going down, giving room for Central banks to officially kick off the easing cycle and cut rates as witnessed across global markets. Even China has cut interest rate to keep its relative currency value.** Inflation rates across global markets have kept their declining trend for few months in a row giving confidence to Central banks that inflation isn't anymore a concern, and growth should be the focus instead. Global Central banks have cut their interest rates further after the US jumbo rate cut. Though inflation rate is increasing in China, China has cut interest rate following the US Fed to keep the relative value of its currency to avoid appreciation, hence hurting its exports.

### Inflation Rate



### Policy Rate



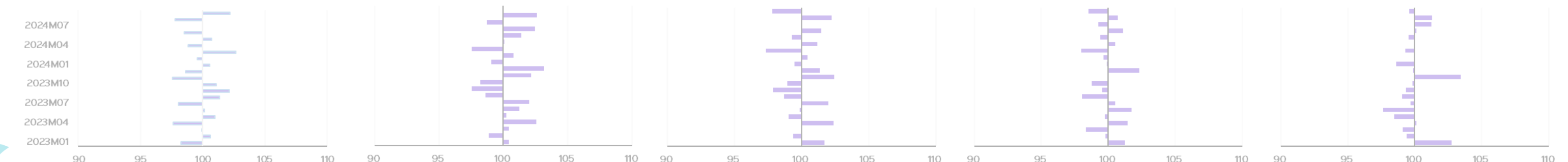
### LCU / USD

### UK Pound

### Euro

### Canadian Dollar

### Chinese Yuan



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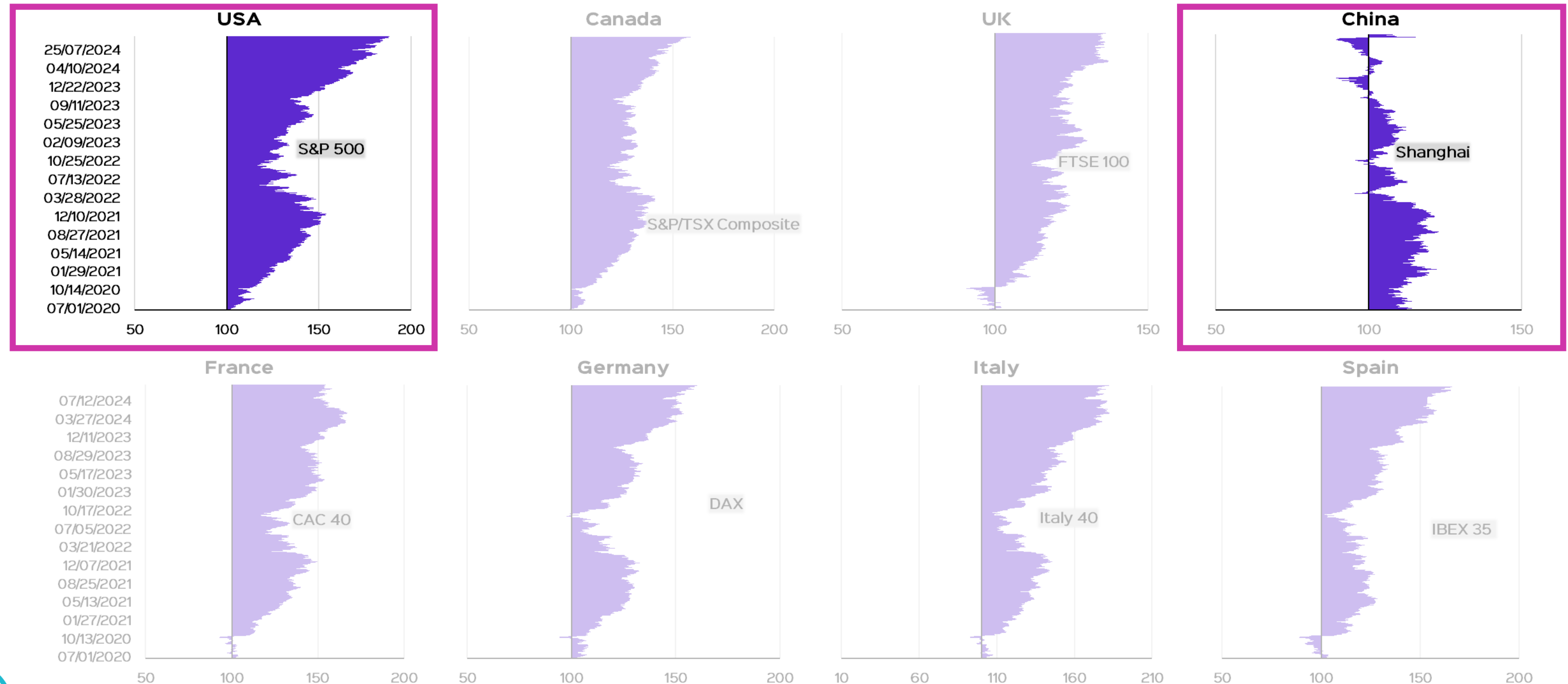




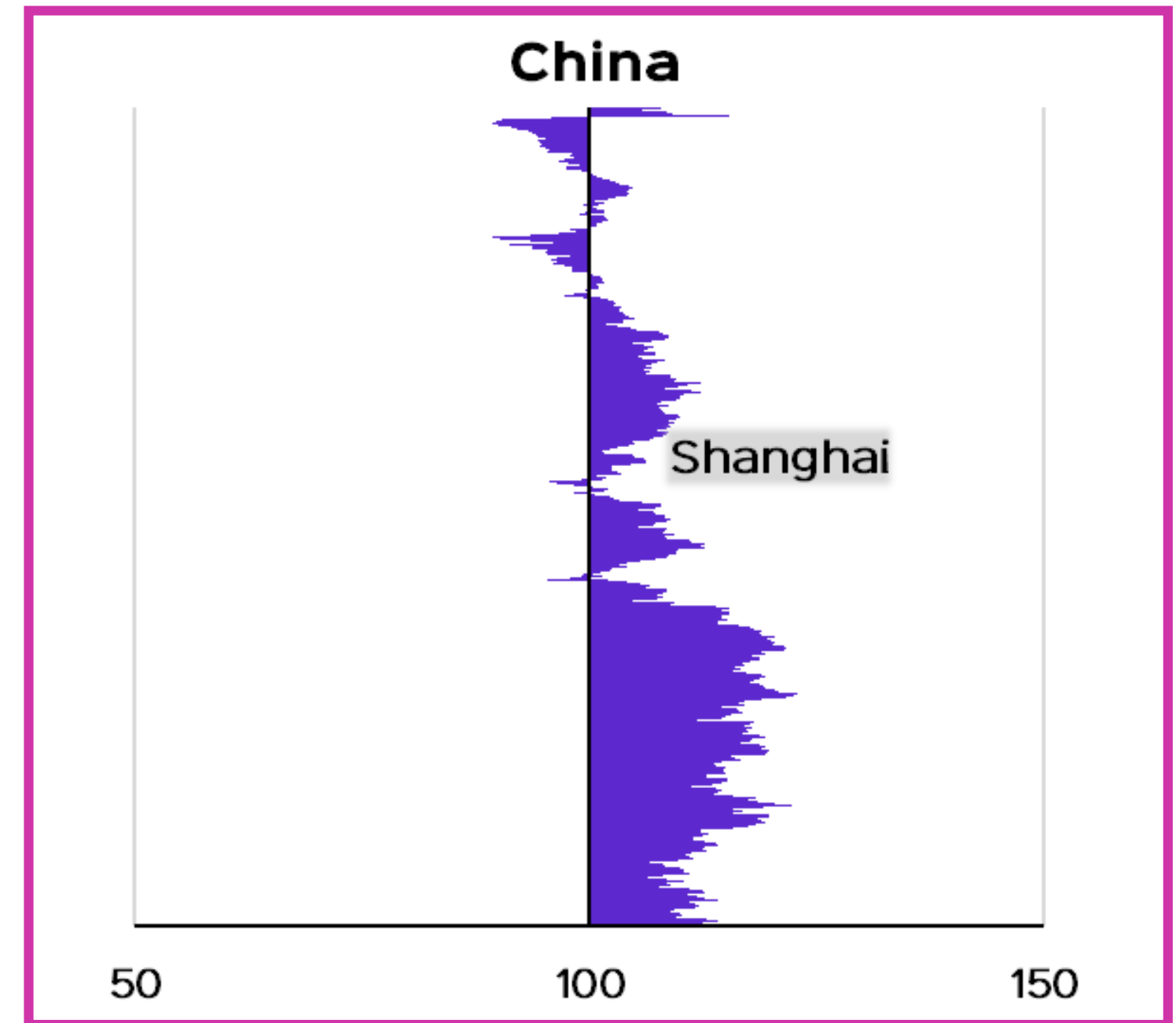
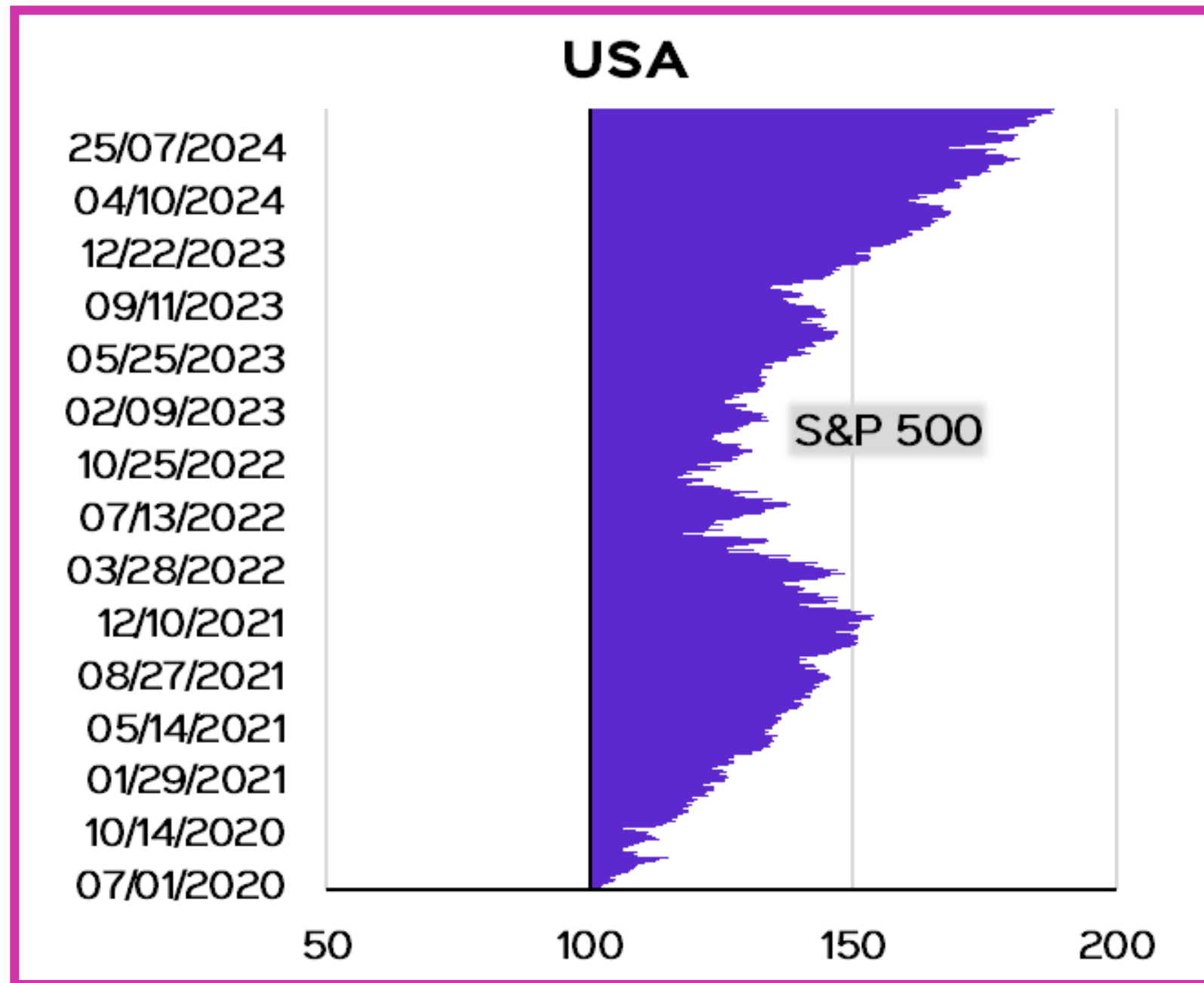
**Global stock markets have rallied after interest rate cuts, with some high volatility due to recession fears, while China has witnessed a big rally that retreated quickly due to concerns about the effectiveness of the government stimulus package.** With the jumbo interest rate cut by the US Fed and cuts by other global Central banks, global markets have rallied quickly with many indices and stocks reaching all time highs yet again. China has even witnessed a bigger rally sparked by the big stimulus package announced by the government but soon afterwards the market cooled down as doubts about the scale and effectiveness of the stimulus package prevailed.



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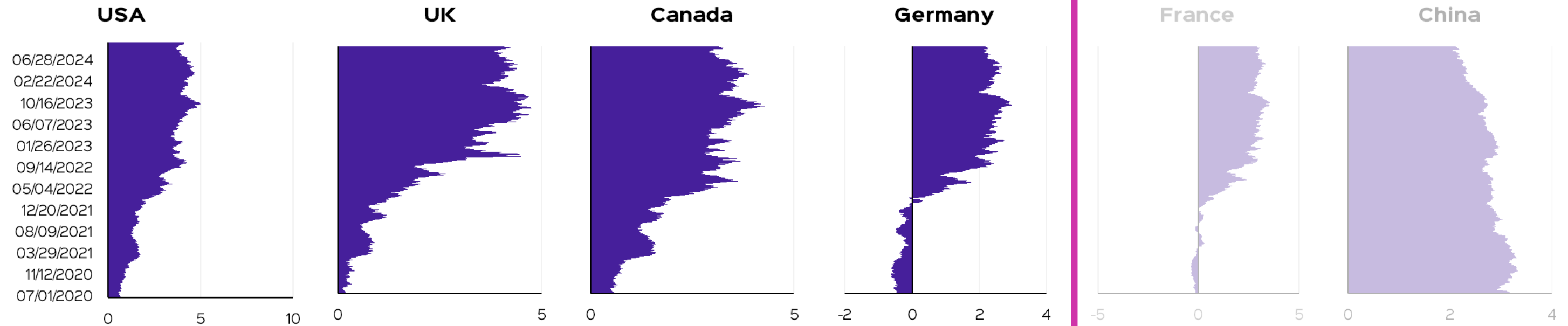


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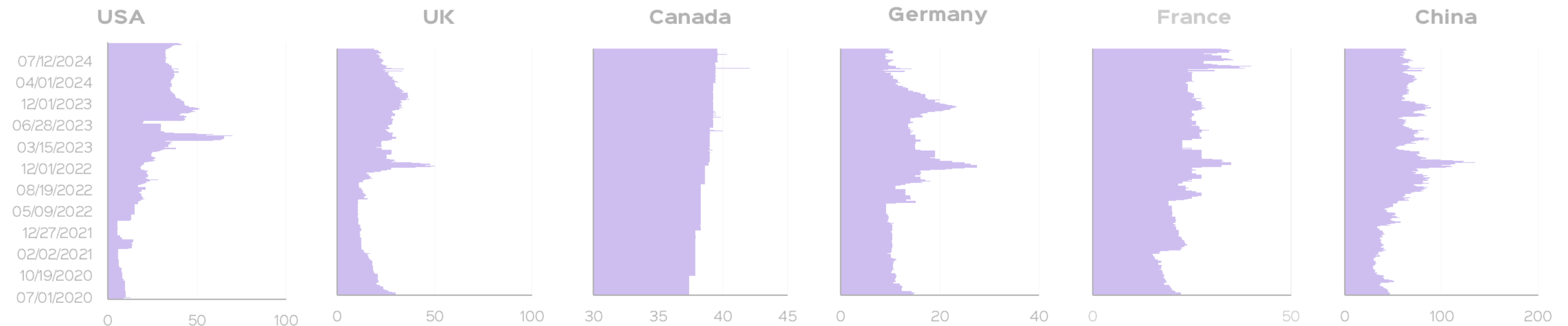


**Despite interest rate cuts, bond yields in global markets have not declined further in the last month and even spiked in some countries, same for CDSs which indicates high volatility and uncertainty in global markets.** With the confirmation of easing cycle kickoff and interest rate cuts across global markets, bond yields were expected to decline further. On the contrary, bond yields didn't decline in the last month but even spiked in some markets due to increased volatility. The same trend was witnessed by CDSs which didn't decline but even spiked in some countries, reflecting the increased market volatility, heightened geopolitical risks and fears of economic stability and expansion in global markets.

### 10-Year Bond Yield



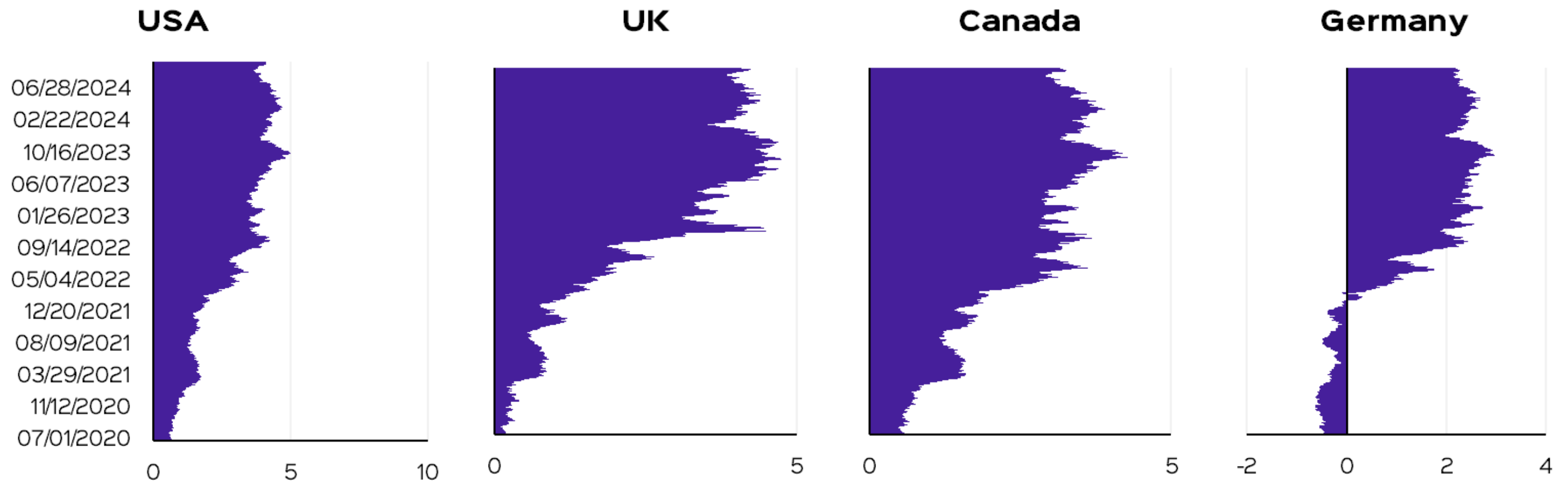
### 5-Year CDS



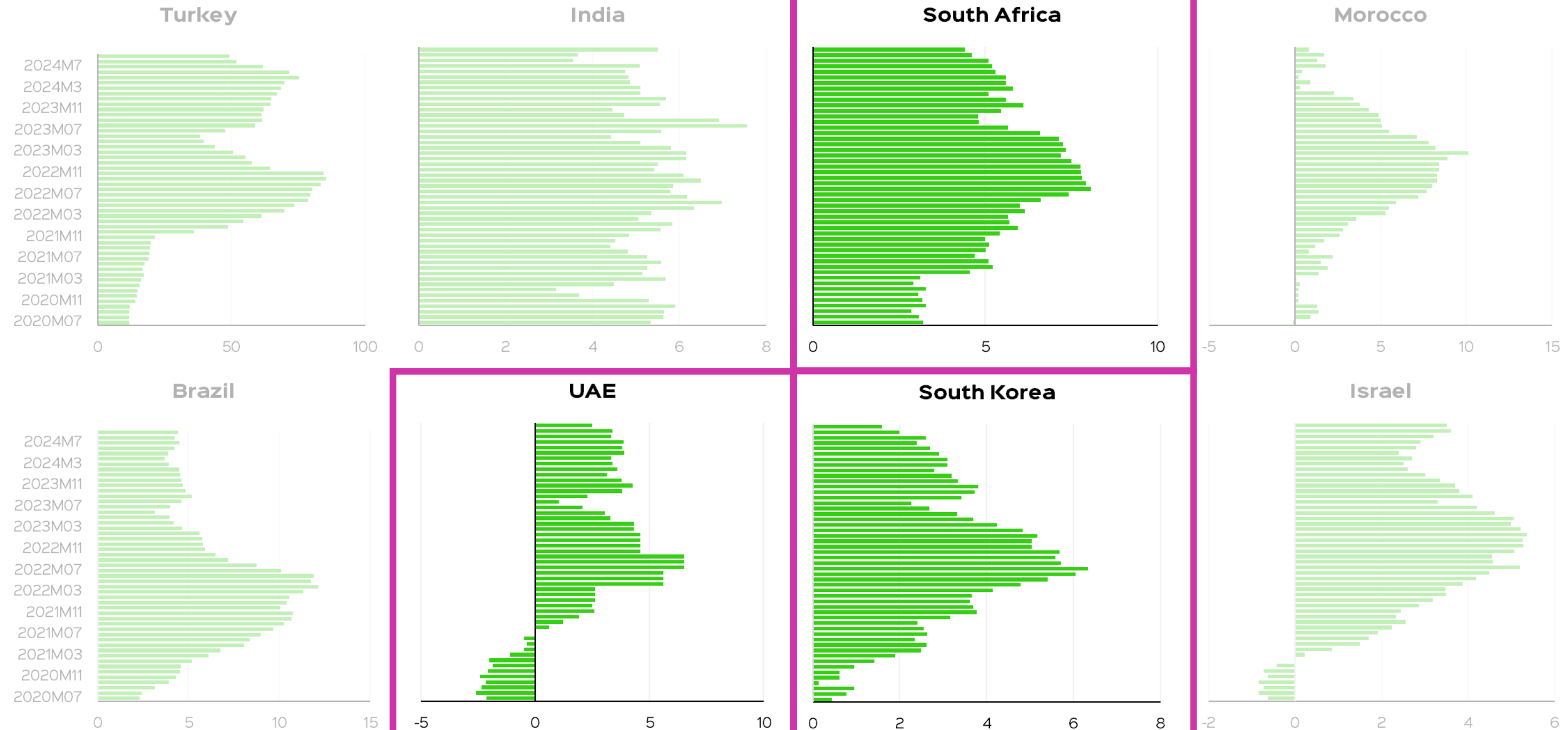


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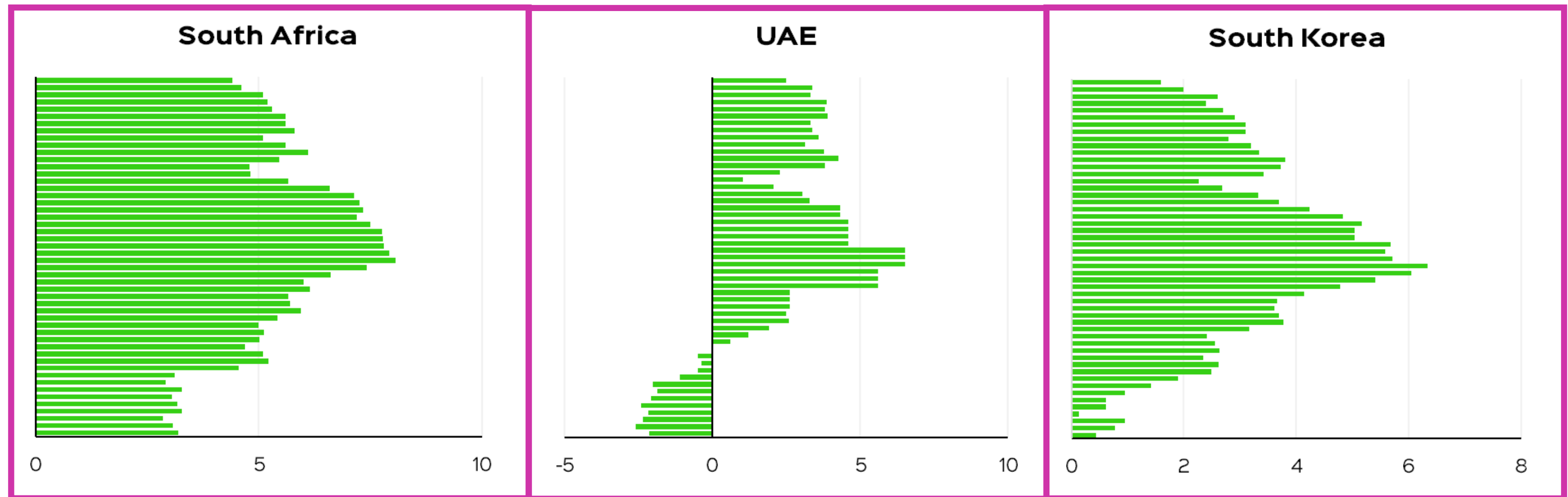
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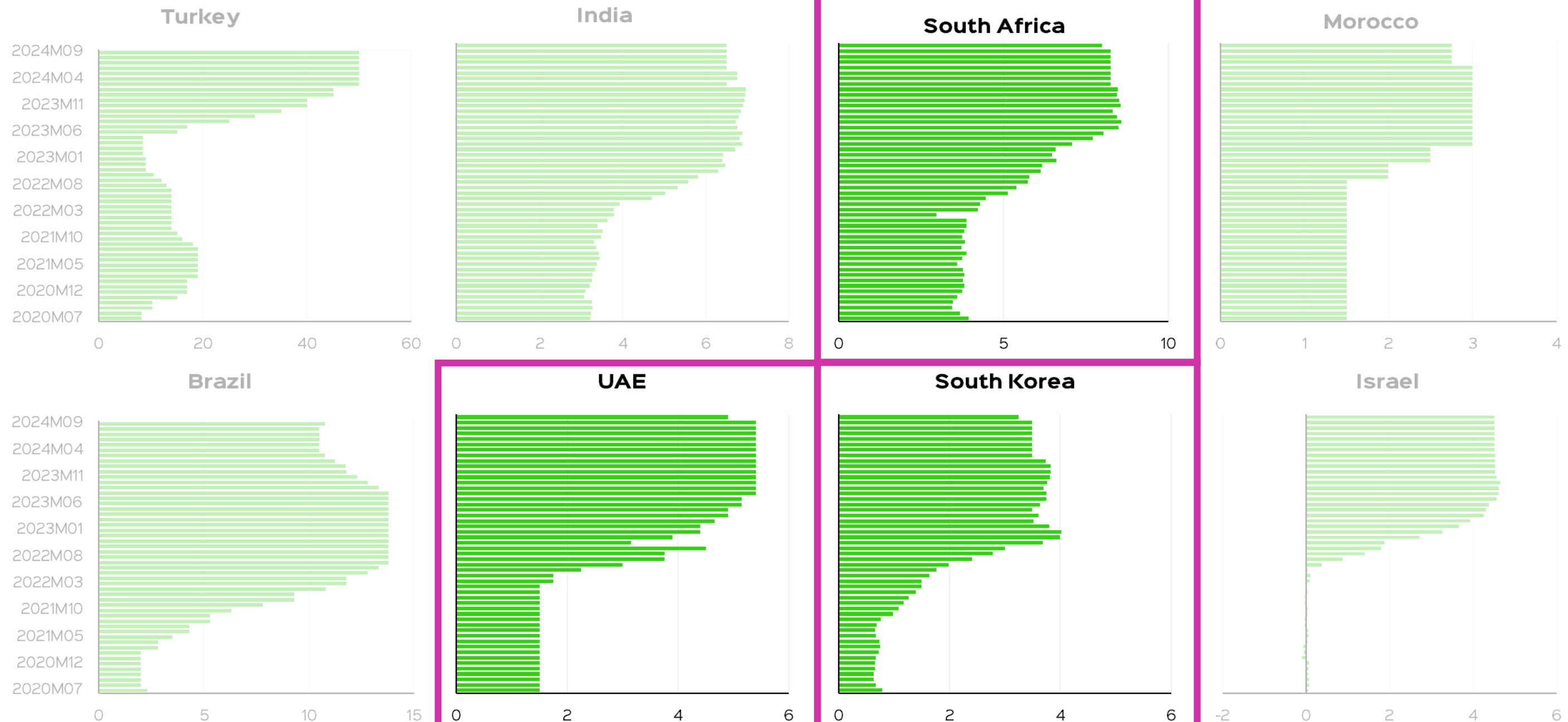
**Inflation rates across most emerging markets have witnessed a general decline thanks to stabilization in most commodity prices and tight monetary policy.** Like global markets, emerging markets have started to witness decline in inflation rates due to stabilization in most commodity prices and the tight monetary policy long adopted by emerging markets Central banks. An exception to this trend is India which witnessed an increase in inflation due to base effect and unfavourable weather conditions. But the overall trend in emerging markets is following quite reasonably the trend in global markets when it comes to declining inflation.



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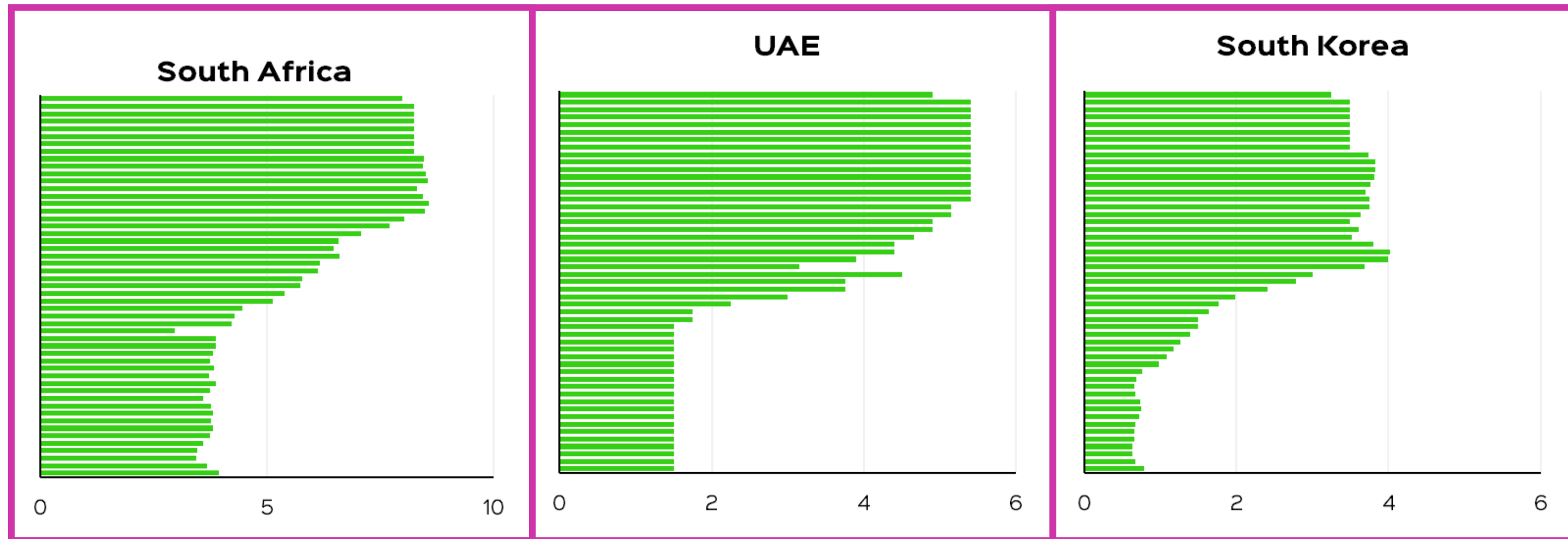


Despite of the decline in inflation rates, emerging markets Central banks have diverged in their direction, some such as UAE, South Africa and South Korea have started cutting rates, while others still keep interest rates high to protect their currencies and tame down inflation. The decline in inflation rates in emerging markets following the trend in global markets has not yet reflected fully in interest rates prevailing in emerging markets. Some emerging markets Central banks such as UAE, South Africa and South Korea have cut interest rates, while others such as Turkey, India and Brazil still maintain high interest rate to protect their currencies and make sure inflation is fully in check.



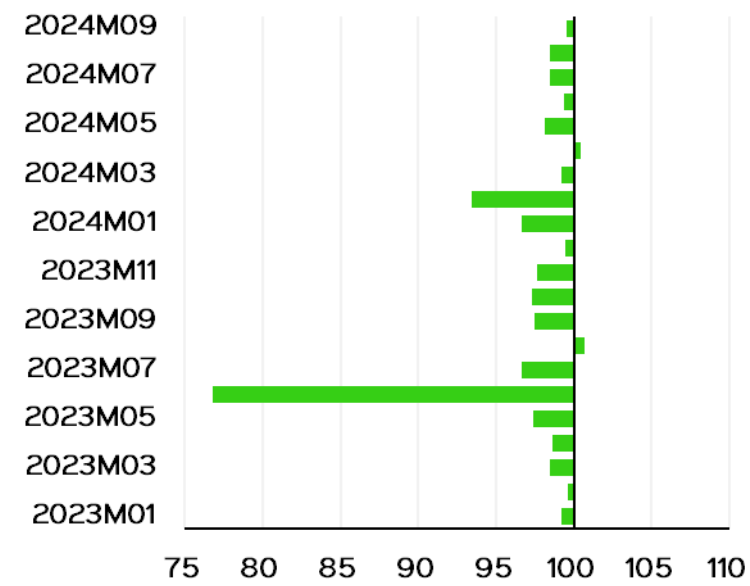


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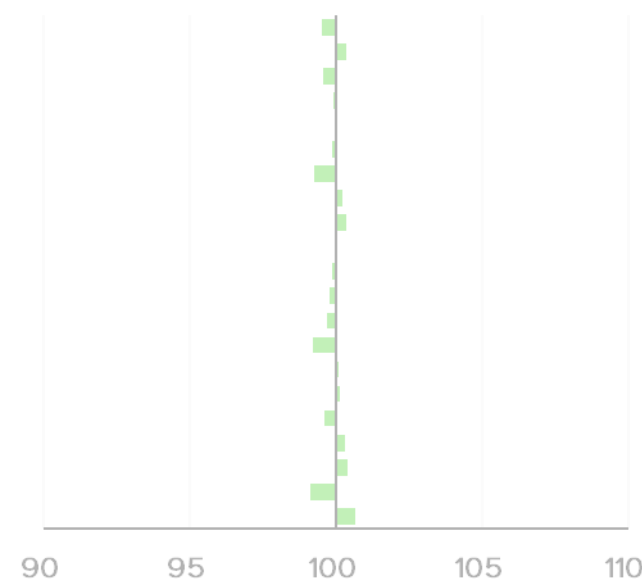


**Despite declining inflation in emerging markets and cutting interest rates in global markets, emerging market currencies are still facing pressure against US Dollar, which explains why many Central banks still delay interest rate cuts.** Emerging market currencies were expected to enjoy less pressure with decreasing local inflation rates and interest rate cuts in global markets, but the reality is that most emerging market currencies are losing value against the US Dollar due to market volatility and geopolitical tensions. Such pressure explains why many Central banks in emerging markets are delaying interest rate cuts to avoid further pressure on their currencies.

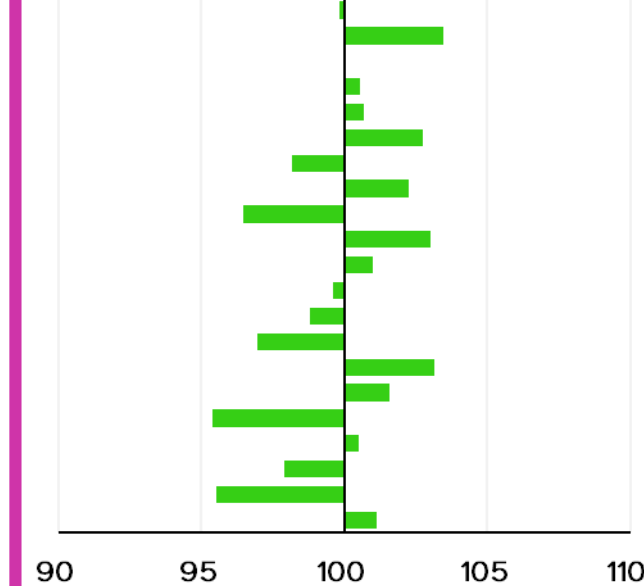
Turkish Lira



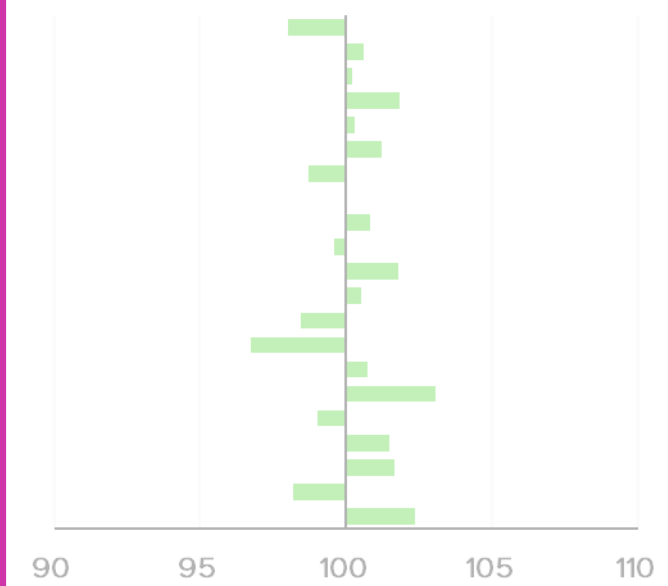
Indian Rupee



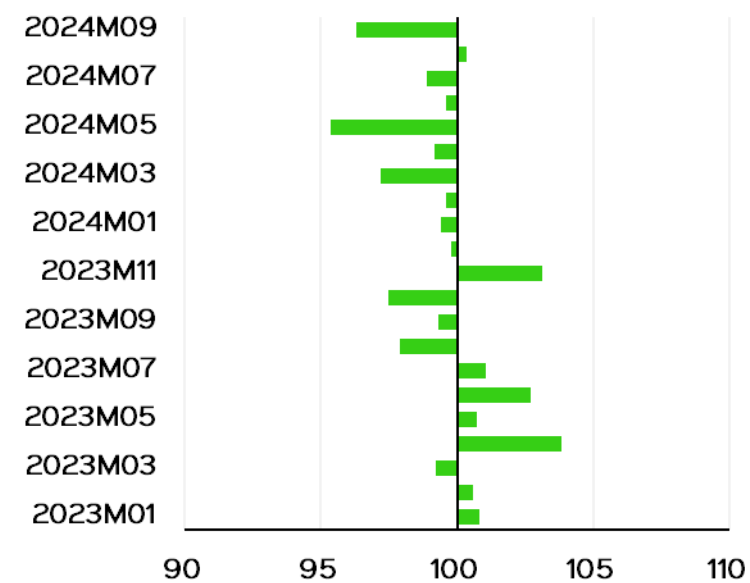
South African Rand



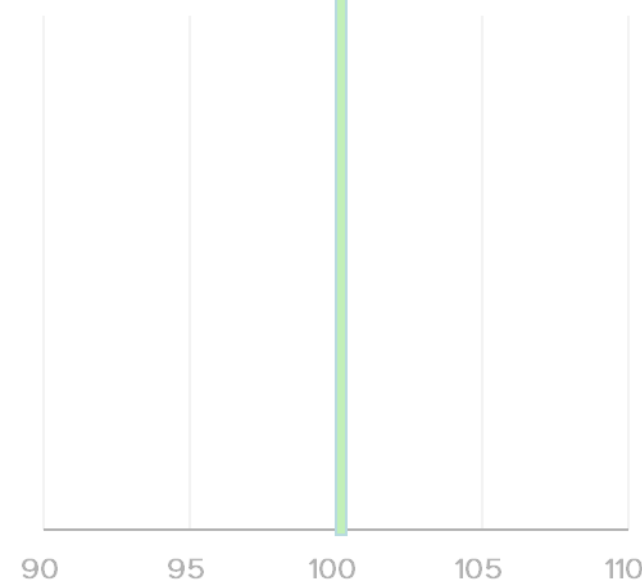
Moroccan Dirham



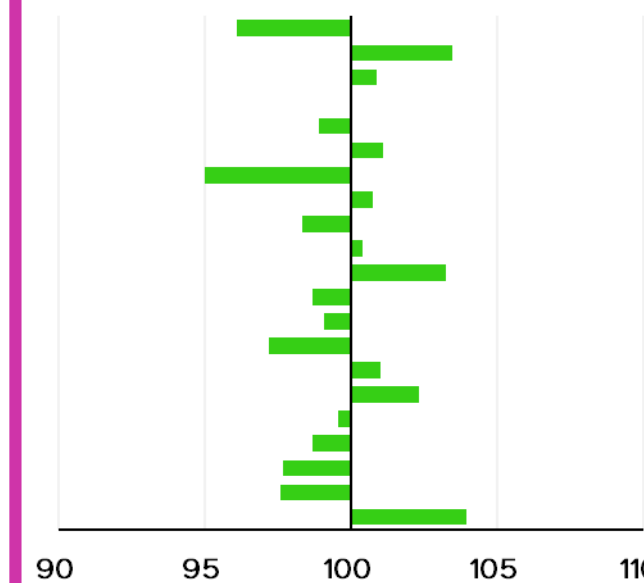
Brazilian Real



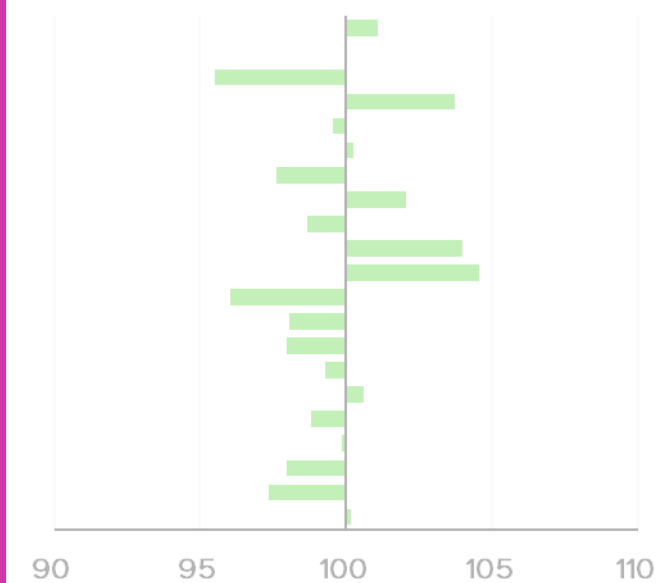
UAE Dirham



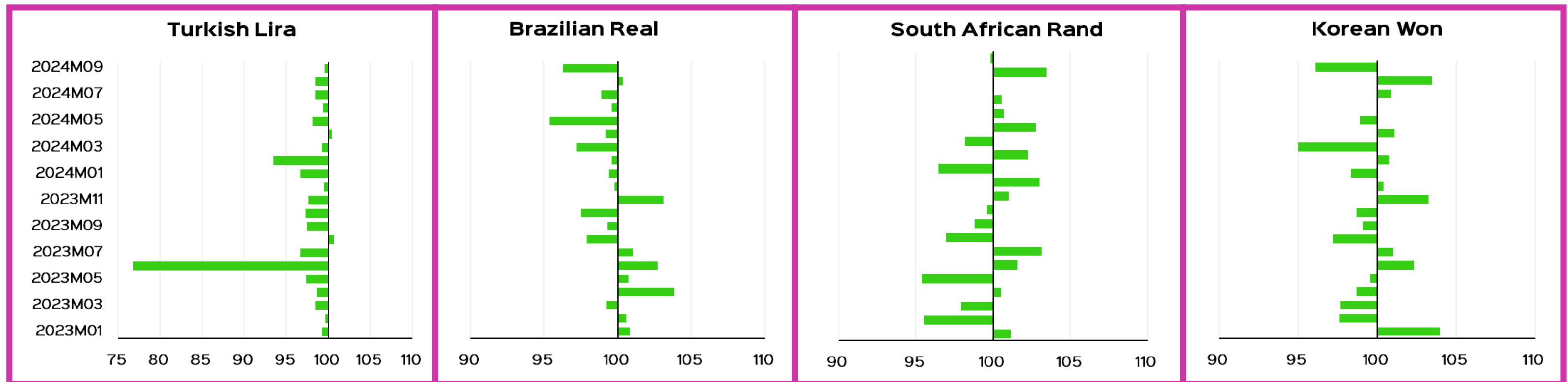
Korean Won



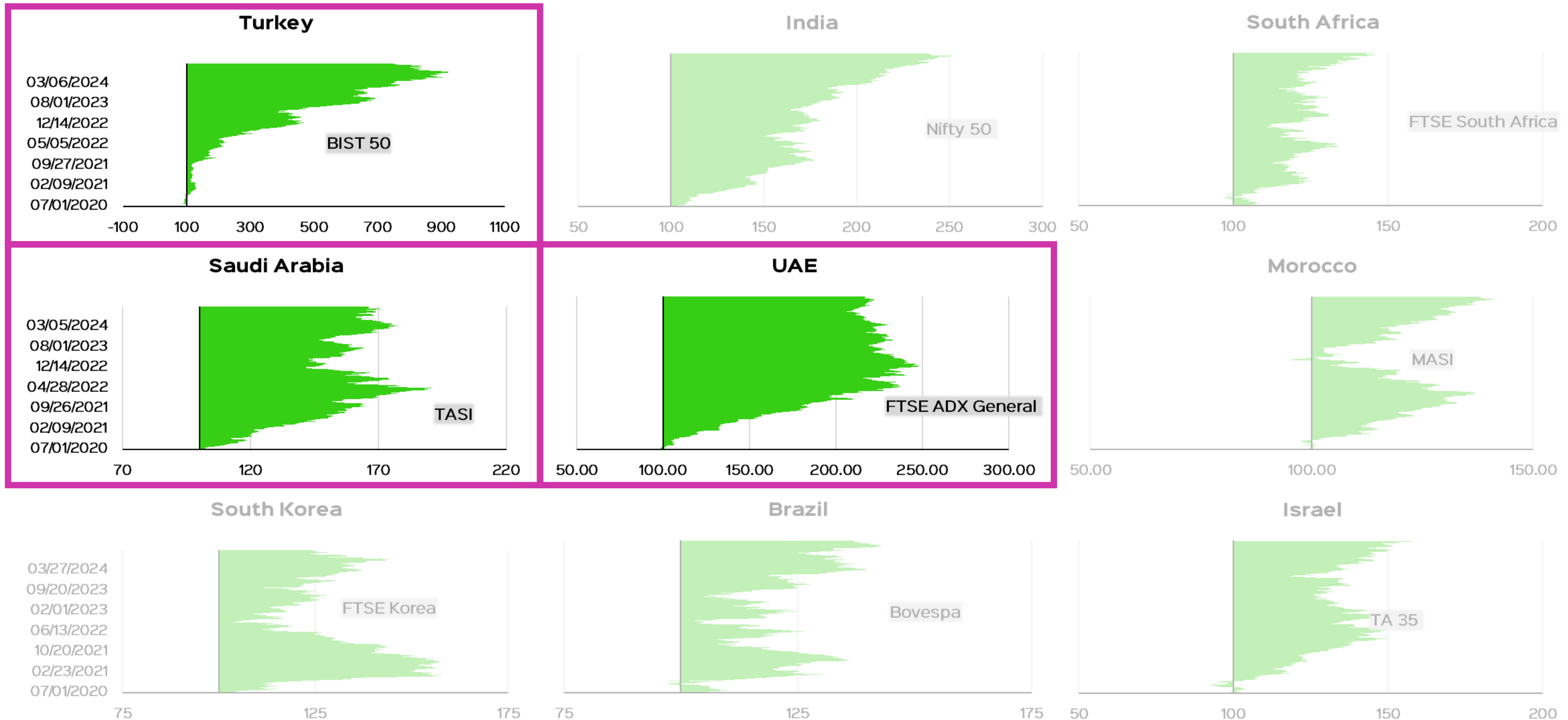
Israeli New Shekel



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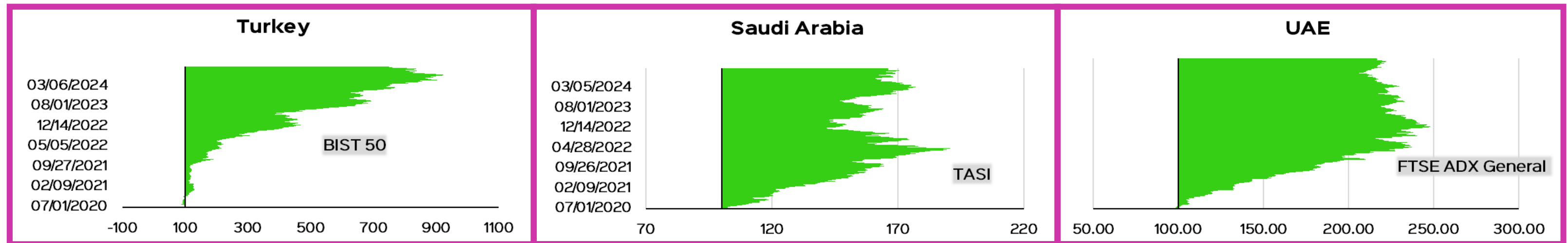


**Stock markets in emerging markets have witnessed another turbulent month due to increased geopolitical tensions, which are affecting money flows to emerging markets in general.** Heightened global geopolitical tensions have had their toll on emerging markets which witnessed a very turbulent month in their stock markets, especially in the middle east region. Besides, the fears of global recession and changes in monetary policy have resulted into a short term uncertainty which reflected on the money flows to emerging markets. Such turbulence and increased volatility are probably other reasons why Central banks in emerging markets are still keeping interest rates high.

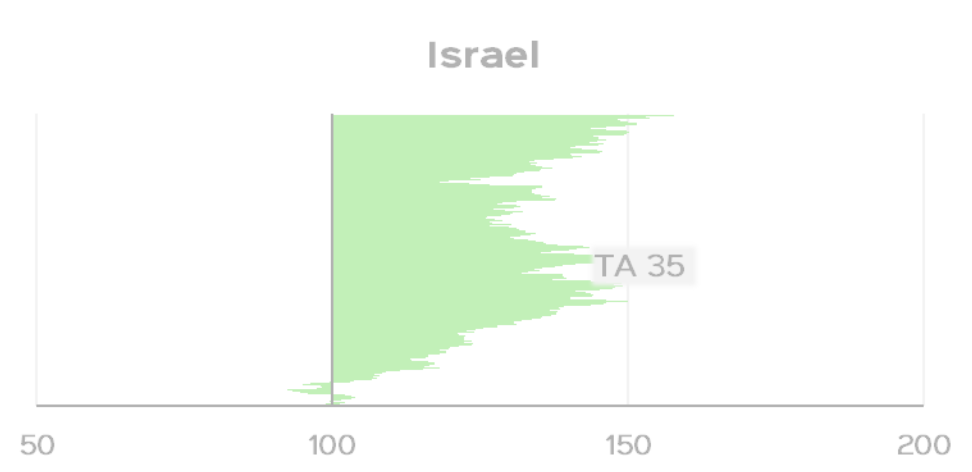
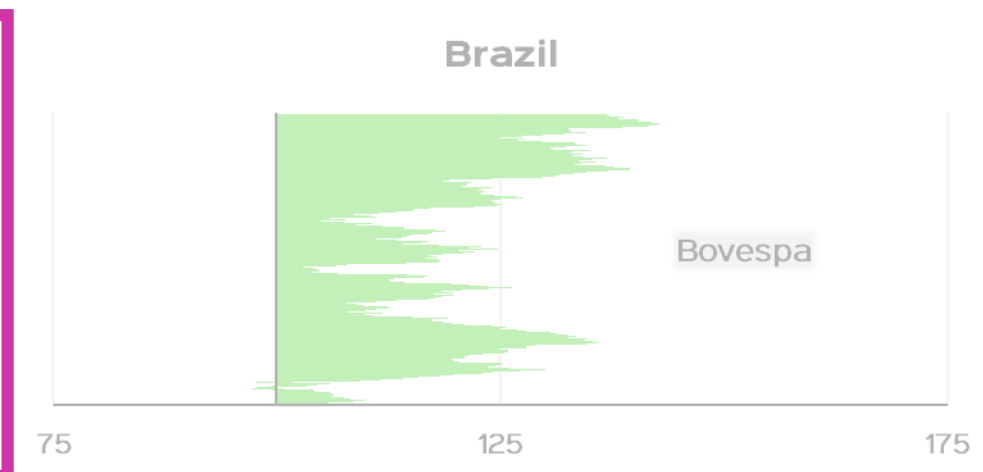
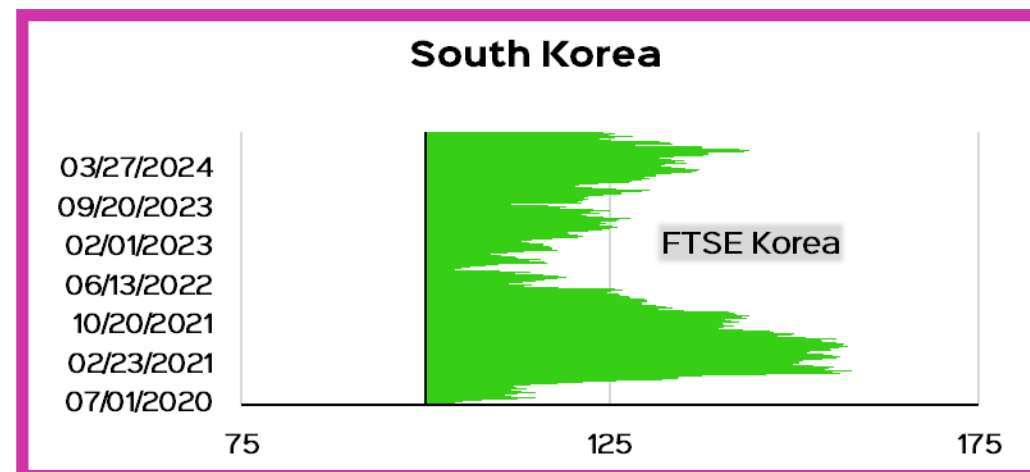
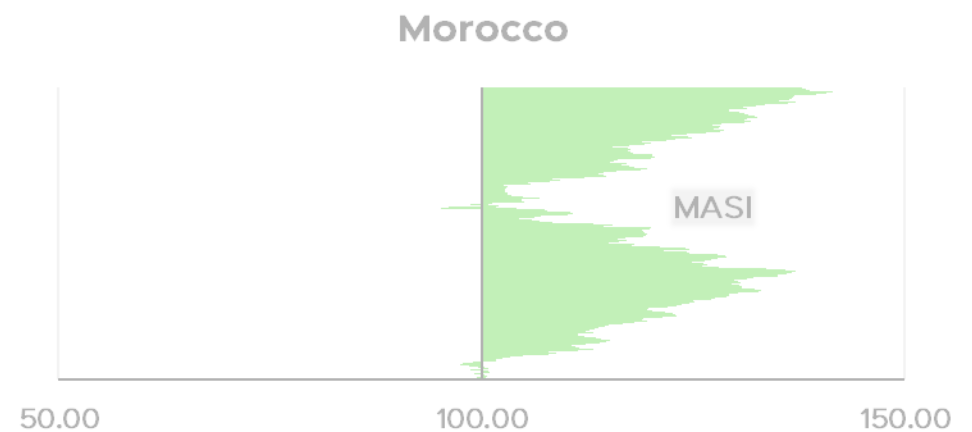
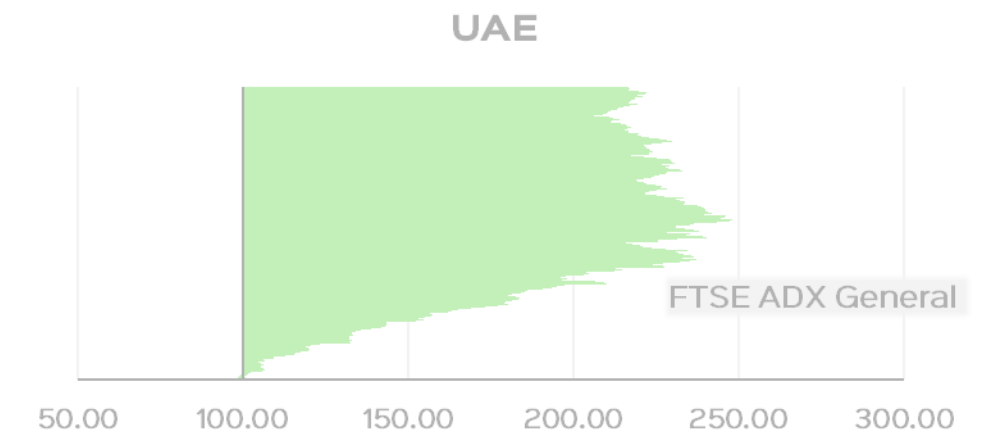
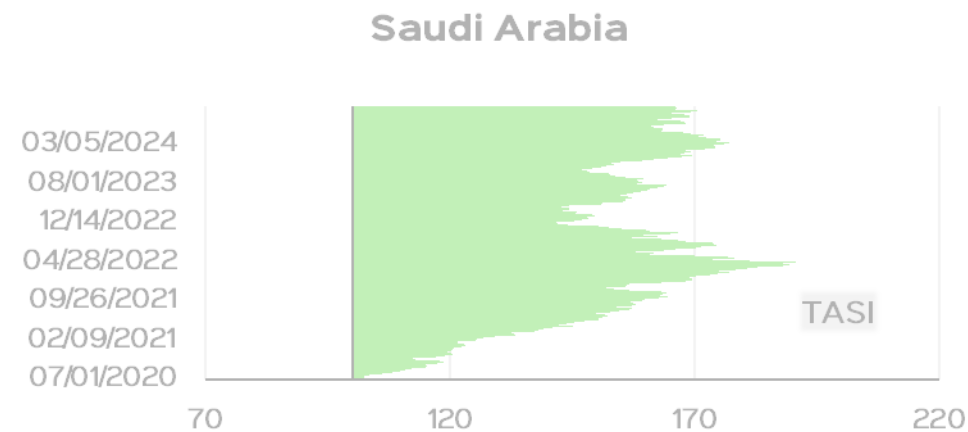
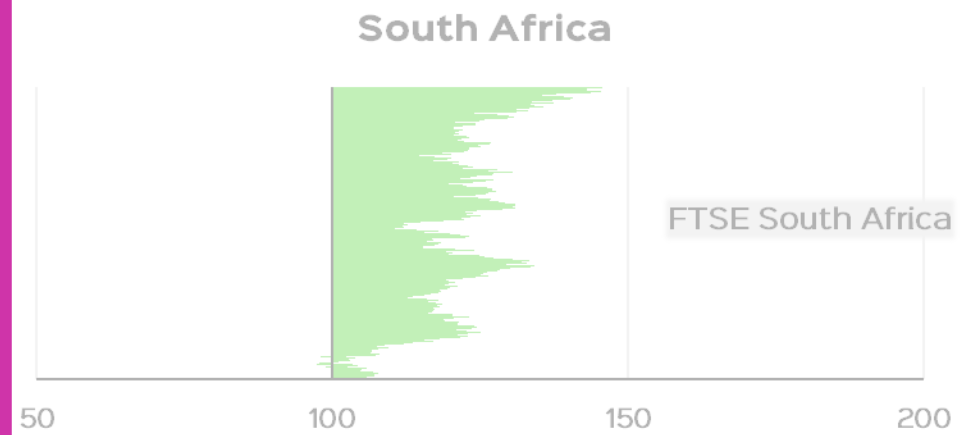
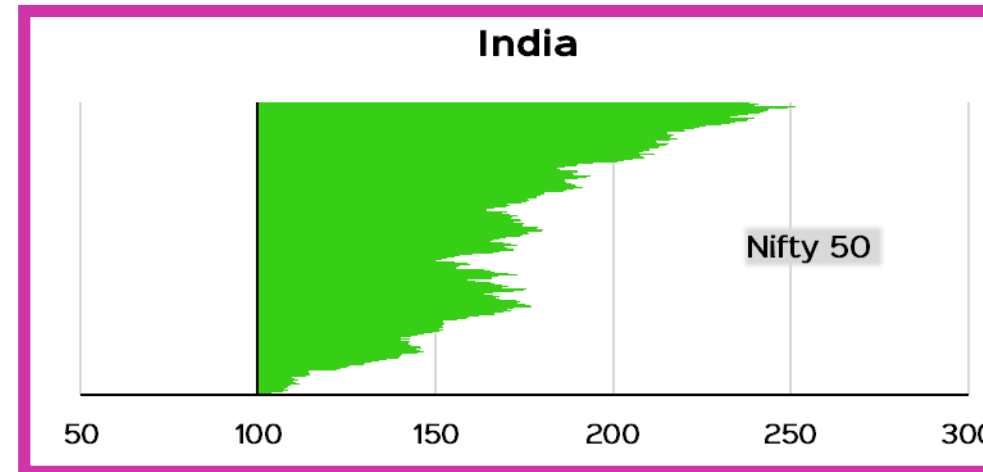
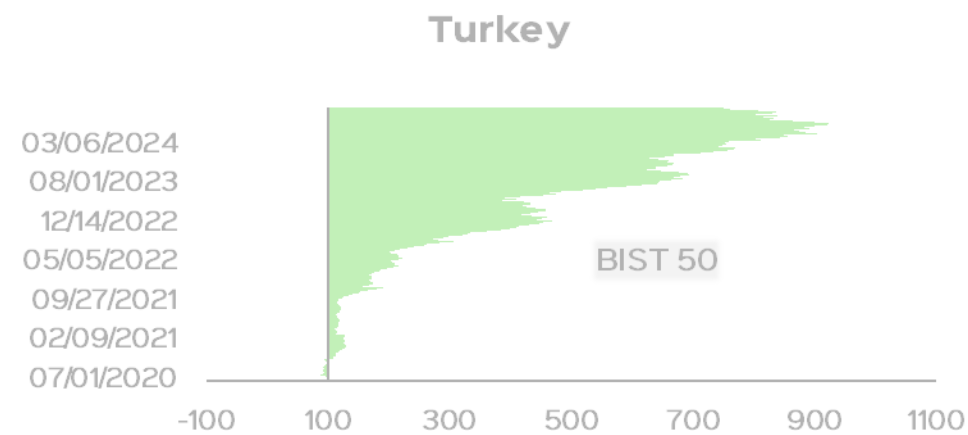




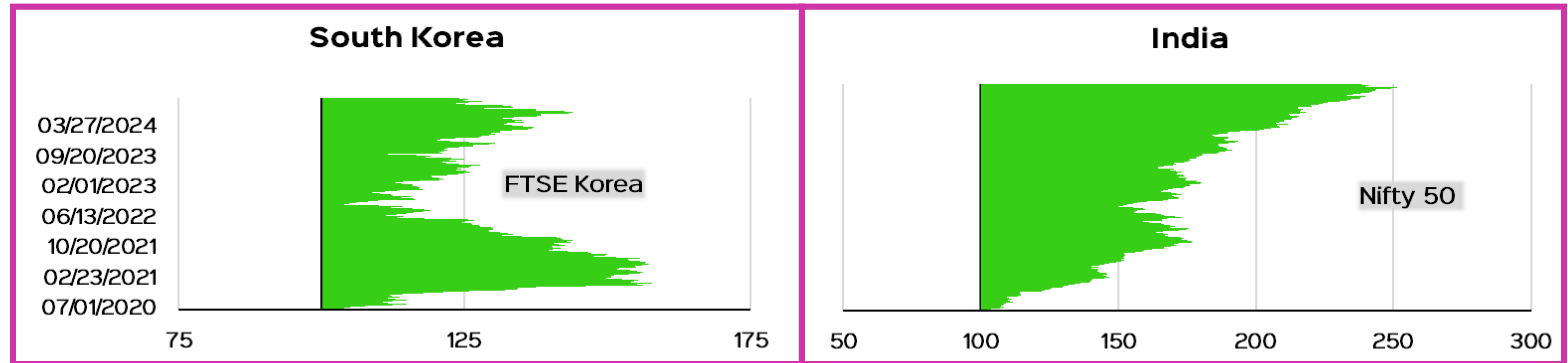
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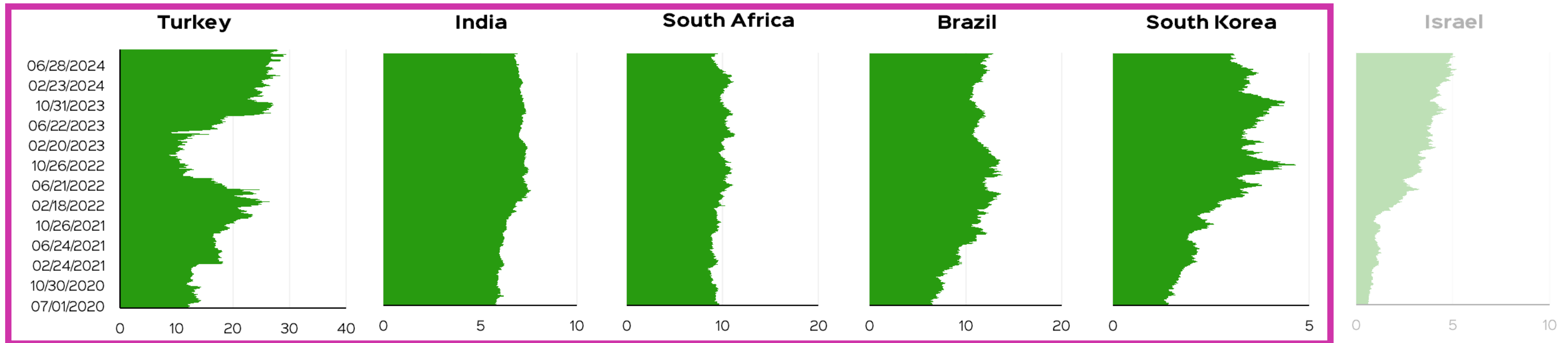


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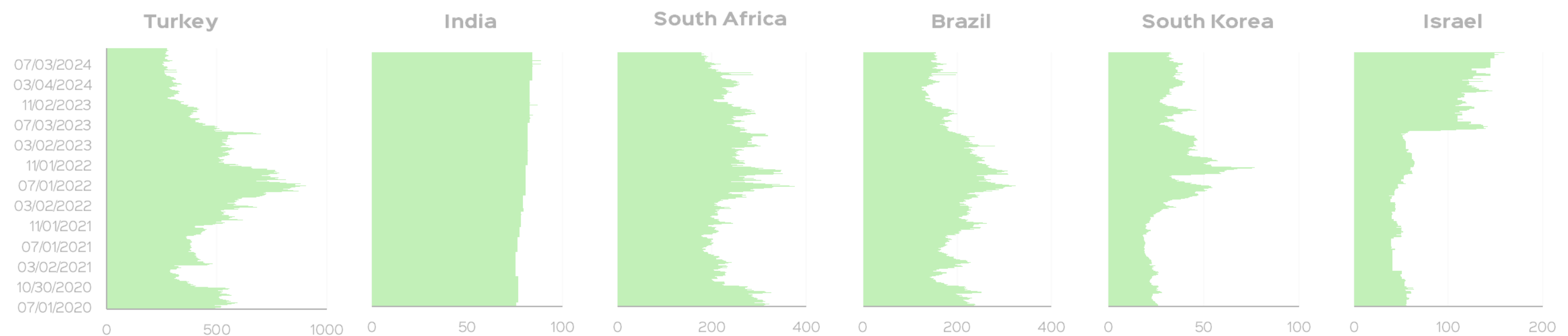


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## 10-Year Bond Yield



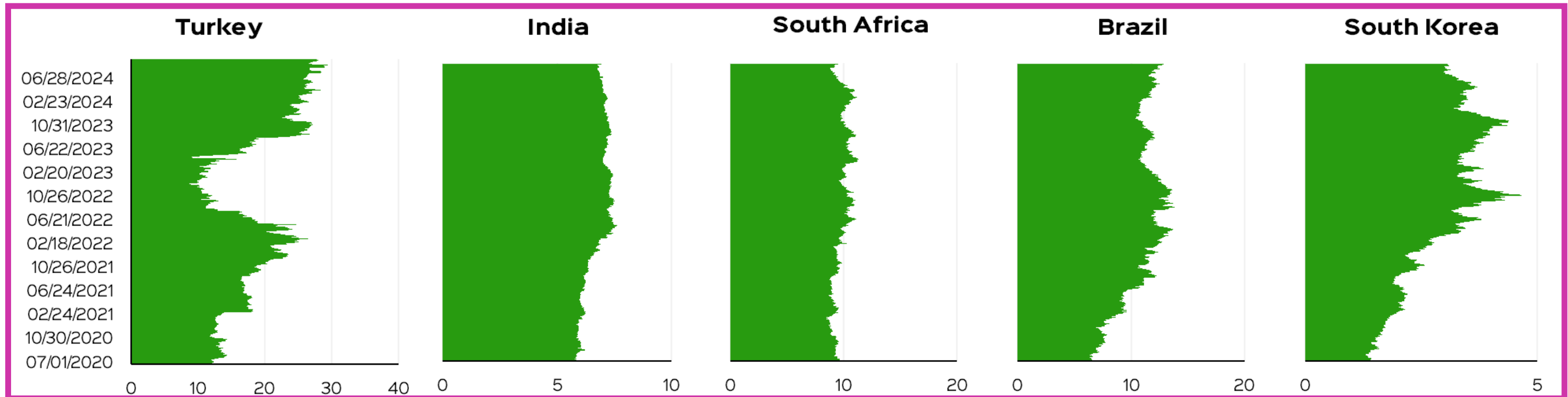
## 5-Year CDS



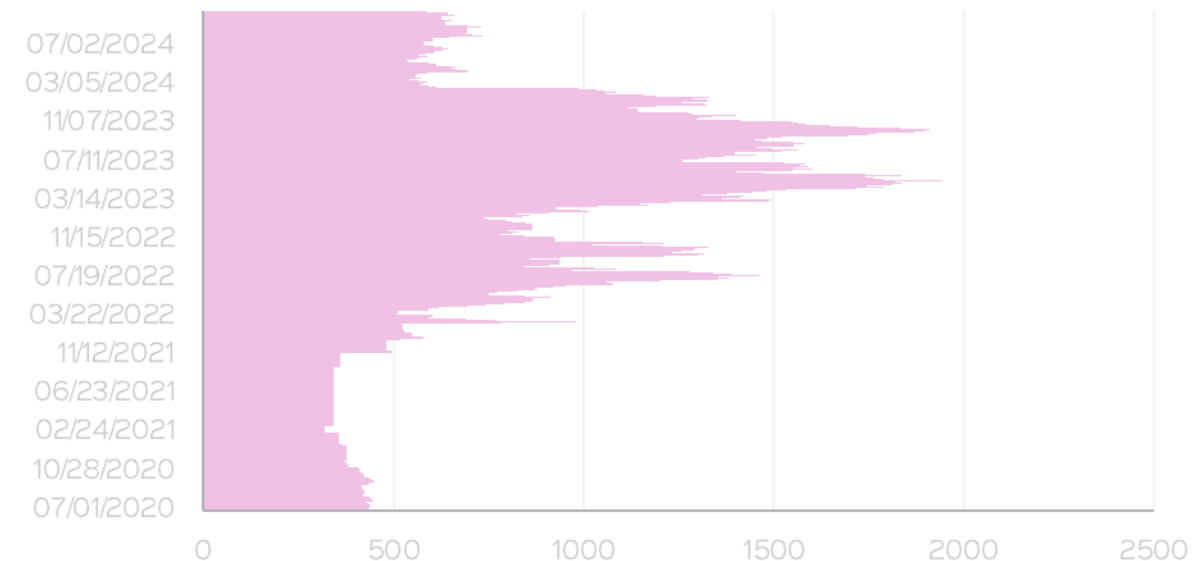
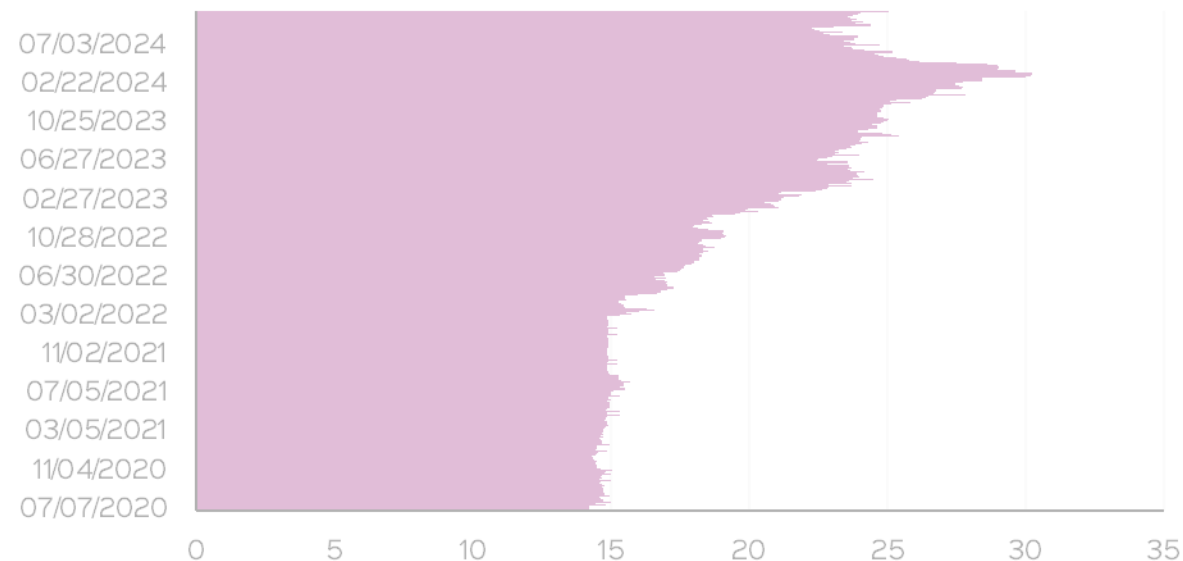


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### 10-Year Bond Yield



**Total external debt is declining thanks to mega deals concluded this year but external debt service due in the coming year is quite sizable. This is putting pressure on bond yields which shot higher amid the geopolitical tensions.** Mega deals concluded this year led to decline in the external debt outstanding, but the external debt service due next year is quite high. In addition, the increasing bond yields in emerging markets as well as regional geopolitical tensions have resulted into higher bond yields. Having said so, CDSs are still stable and even declining with the clear signals that the country will get external help to prevent it from default as witnessed by the few mega deals concluded this year.



**S&P Global**  
Ratings

**B-** Positive

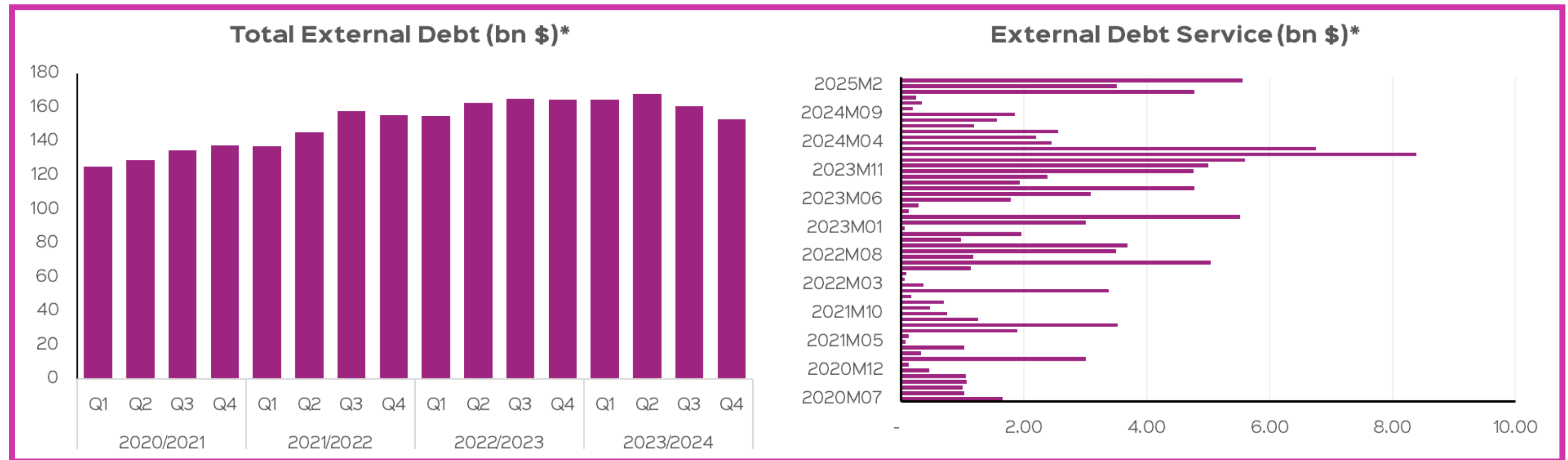
**Fitch** Ratings

**B** Stable

**Moody's**  
INVESTORS SERVICE

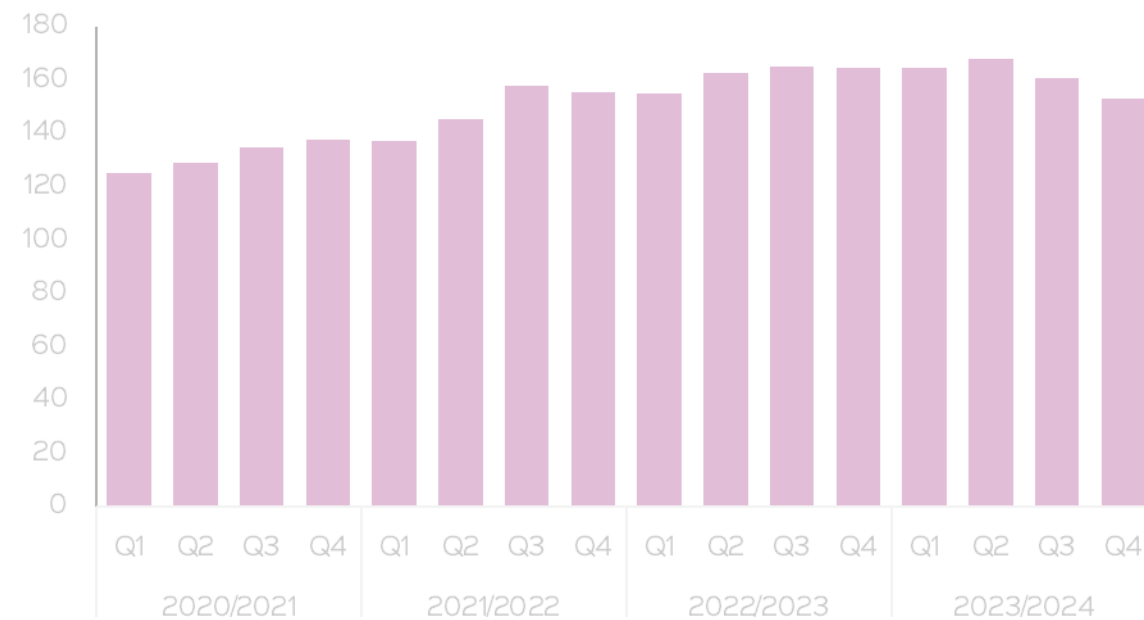
**Caa1** Positive

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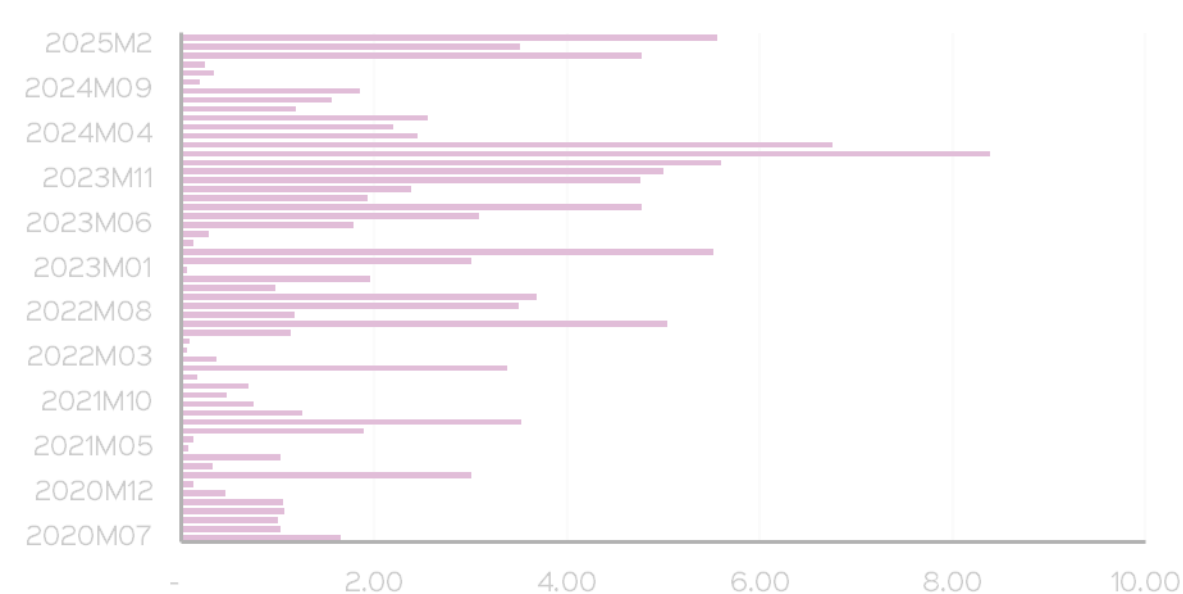


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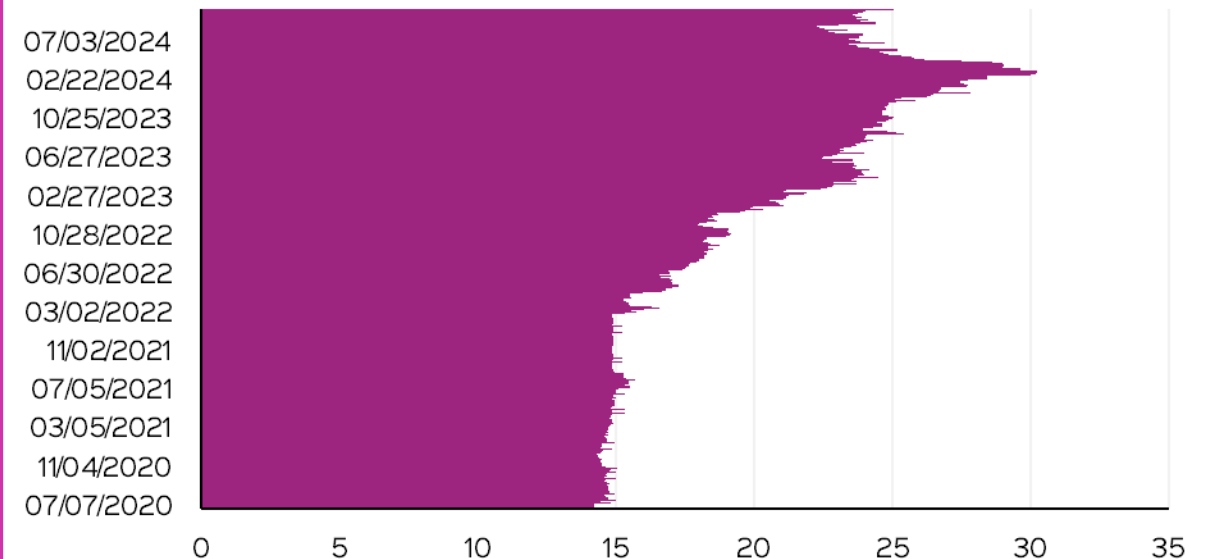
Total External Debt (bn \$)\*



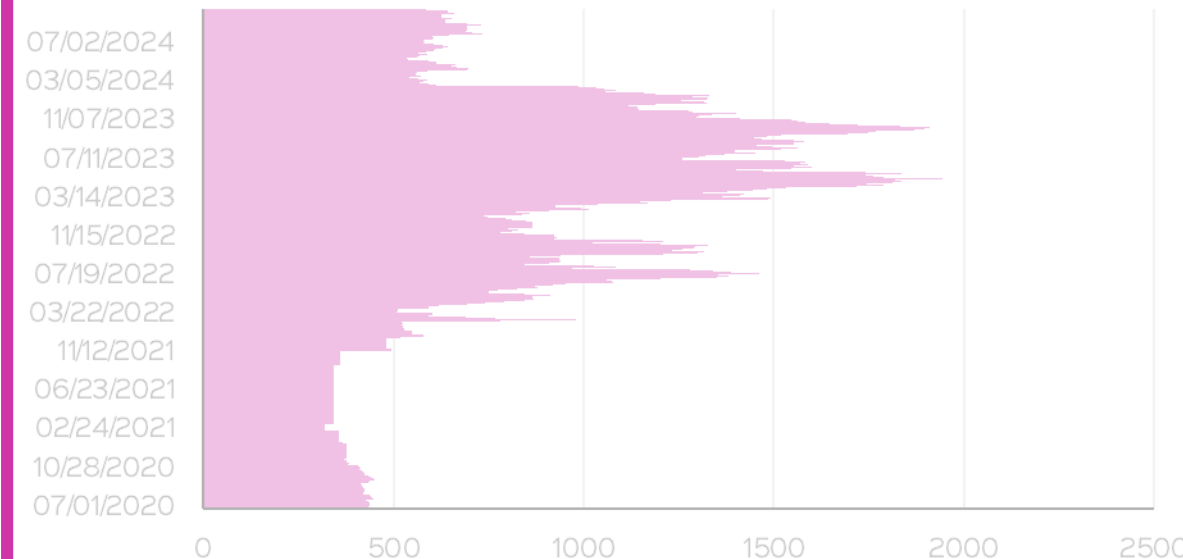
External Debt Service (bn \$)\*



Egypt 10-Year Bond Yield



5Y CDS, Egypt



**S&P Global**  
Ratings

**B-** Positive

**Fitch** Ratings

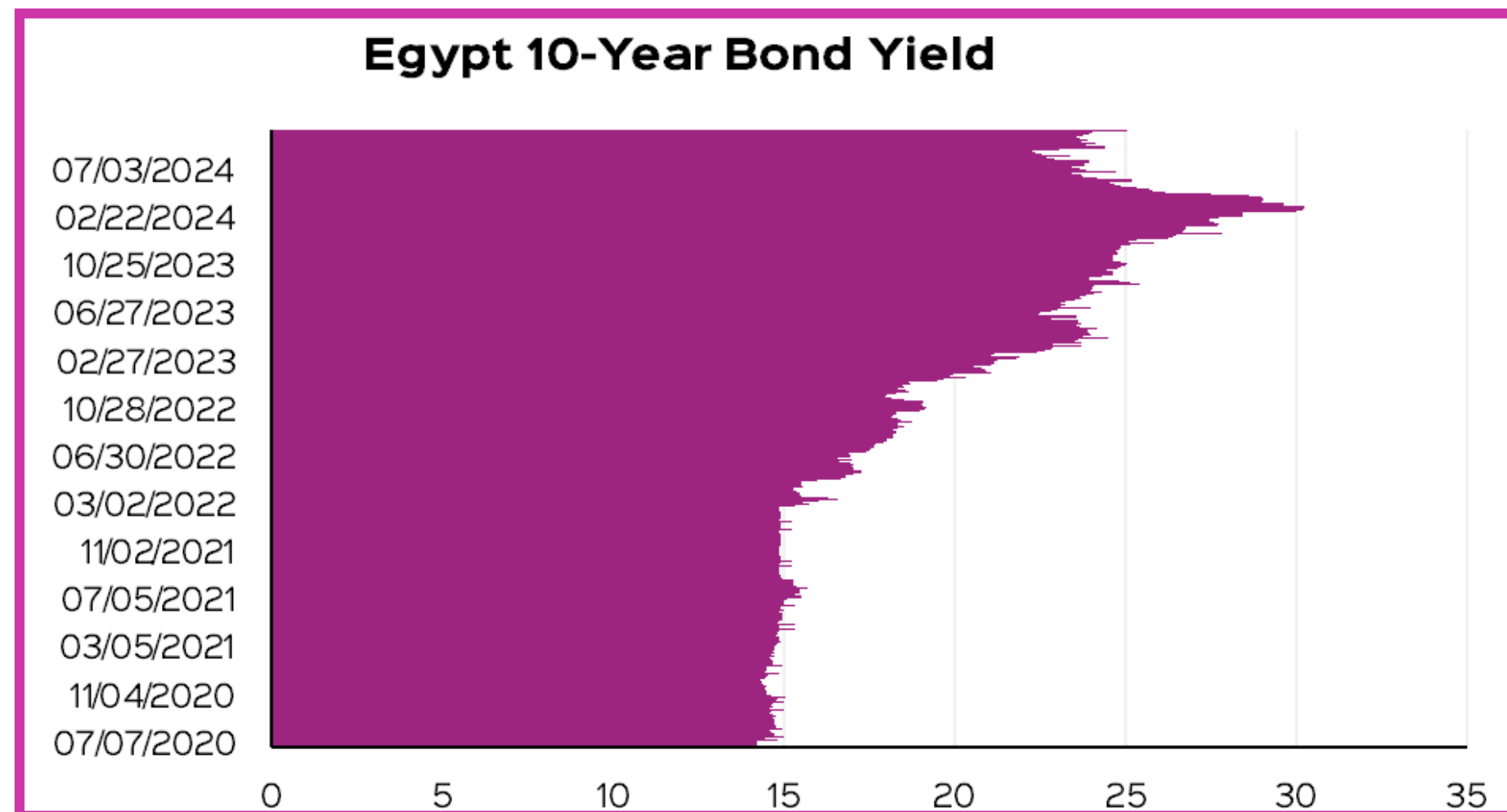
**B** Stable

**MOODY'S**  
INVESTORS SERVICE

**Caa1** Positive



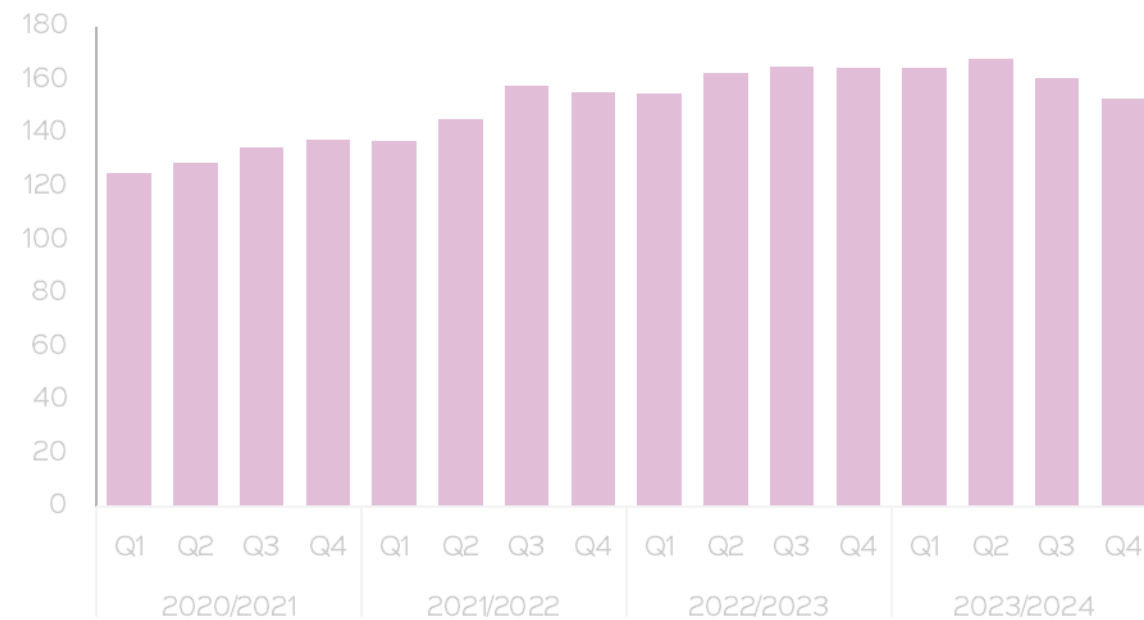
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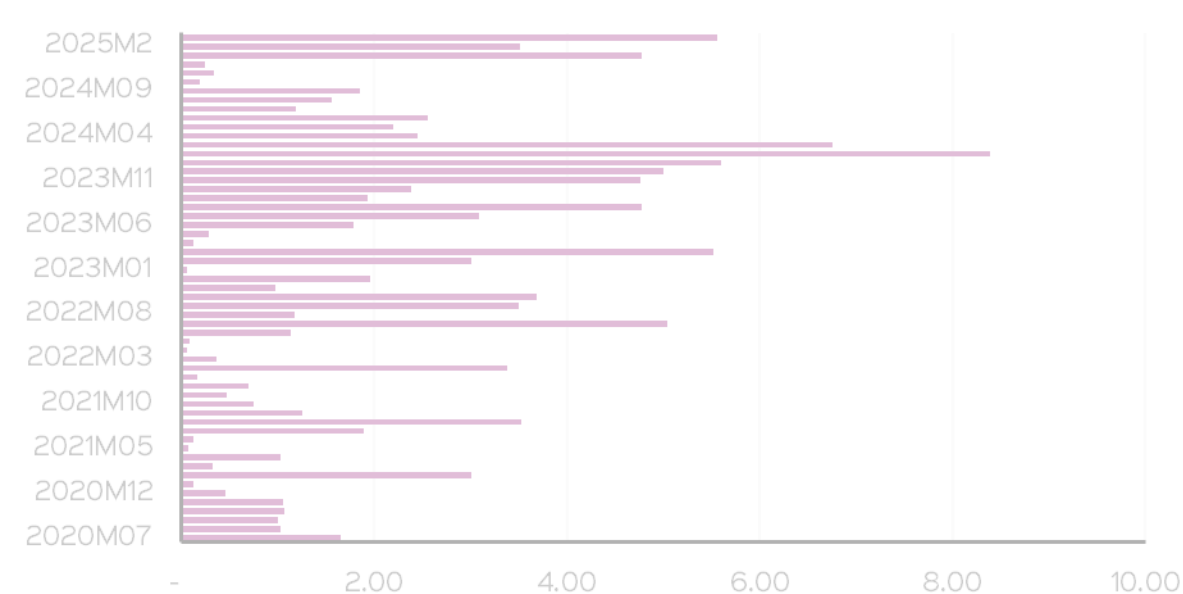


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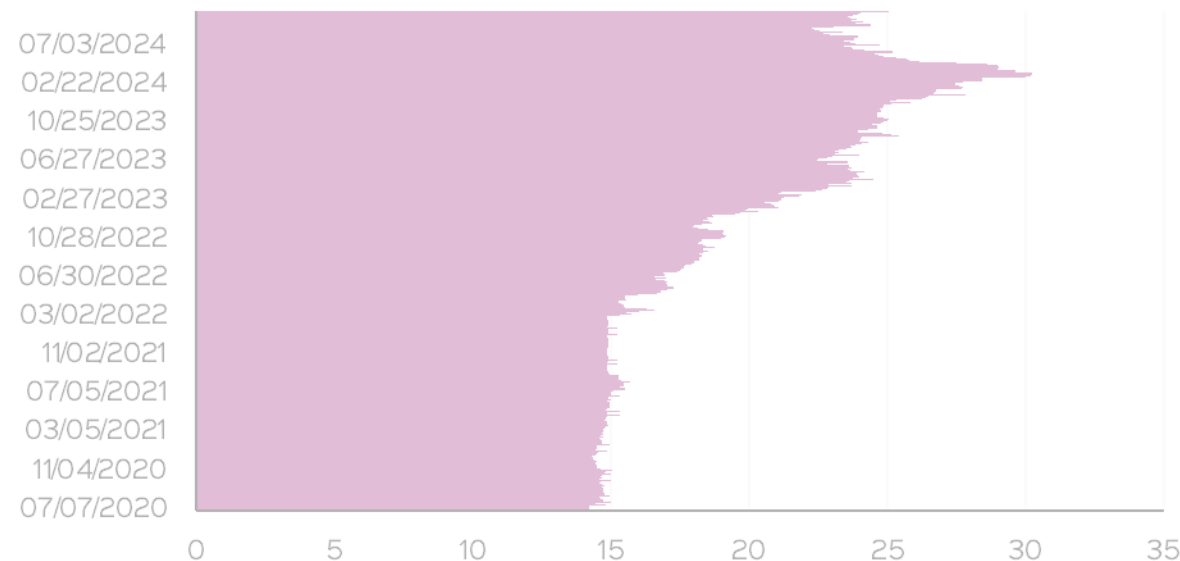
Total External Debt (bn \$)\*



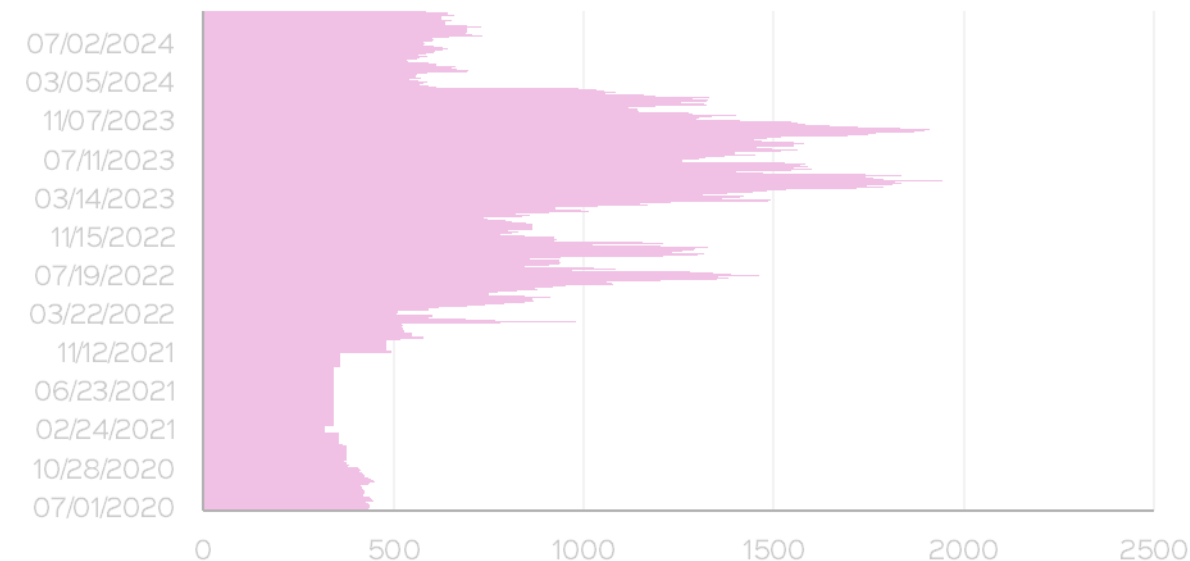
External Debt Service (bn \$)\*



Egypt 10-Year Bond Yield



5Y CDS, Egypt



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Ratings

**B-** Positive

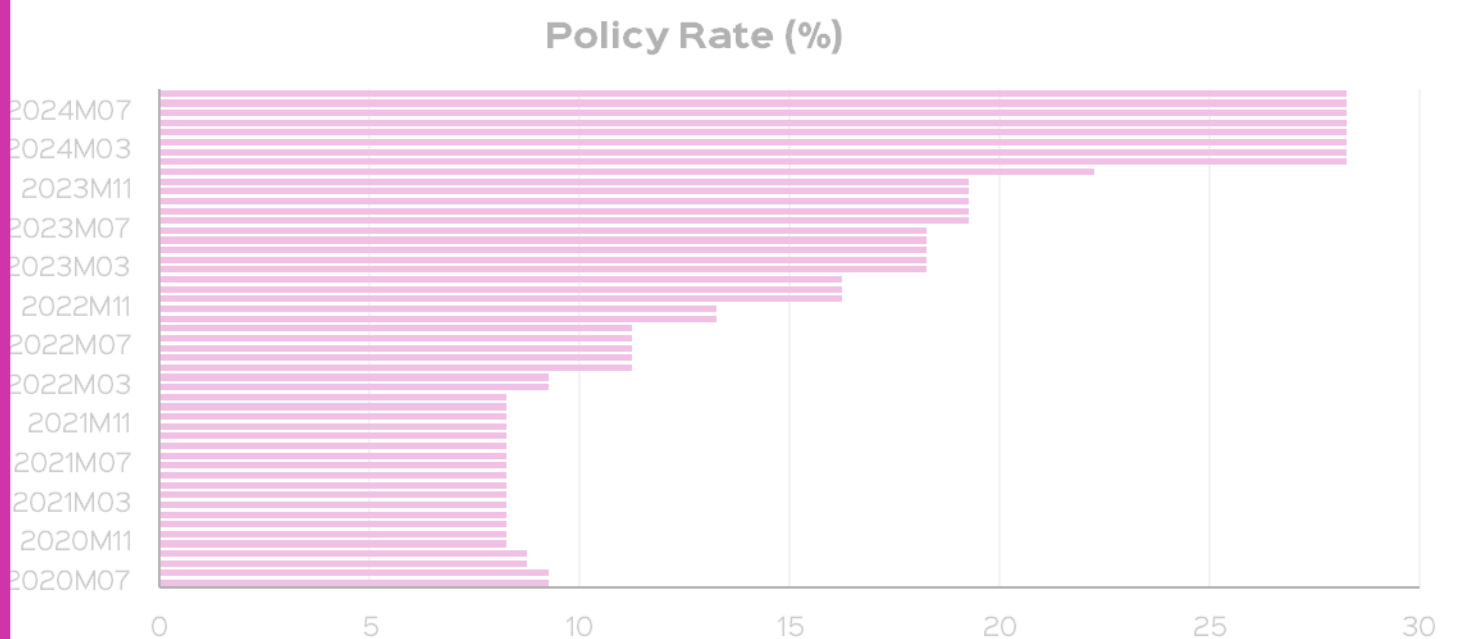
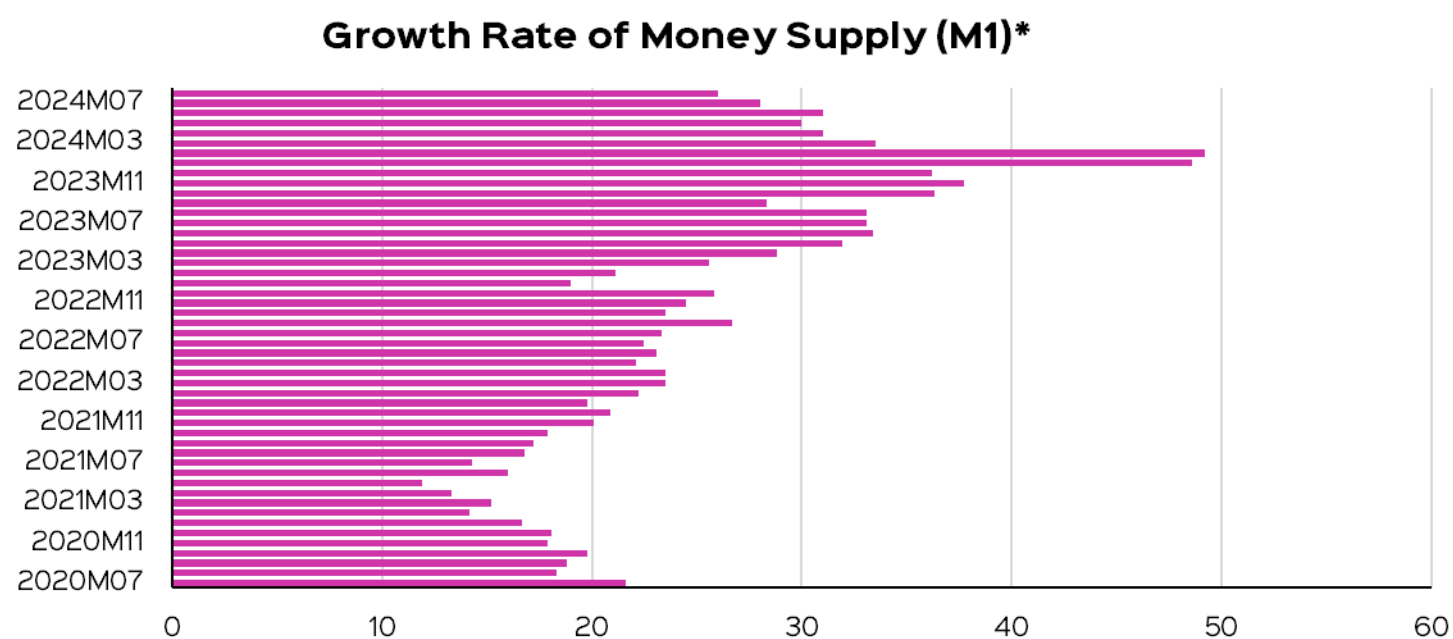
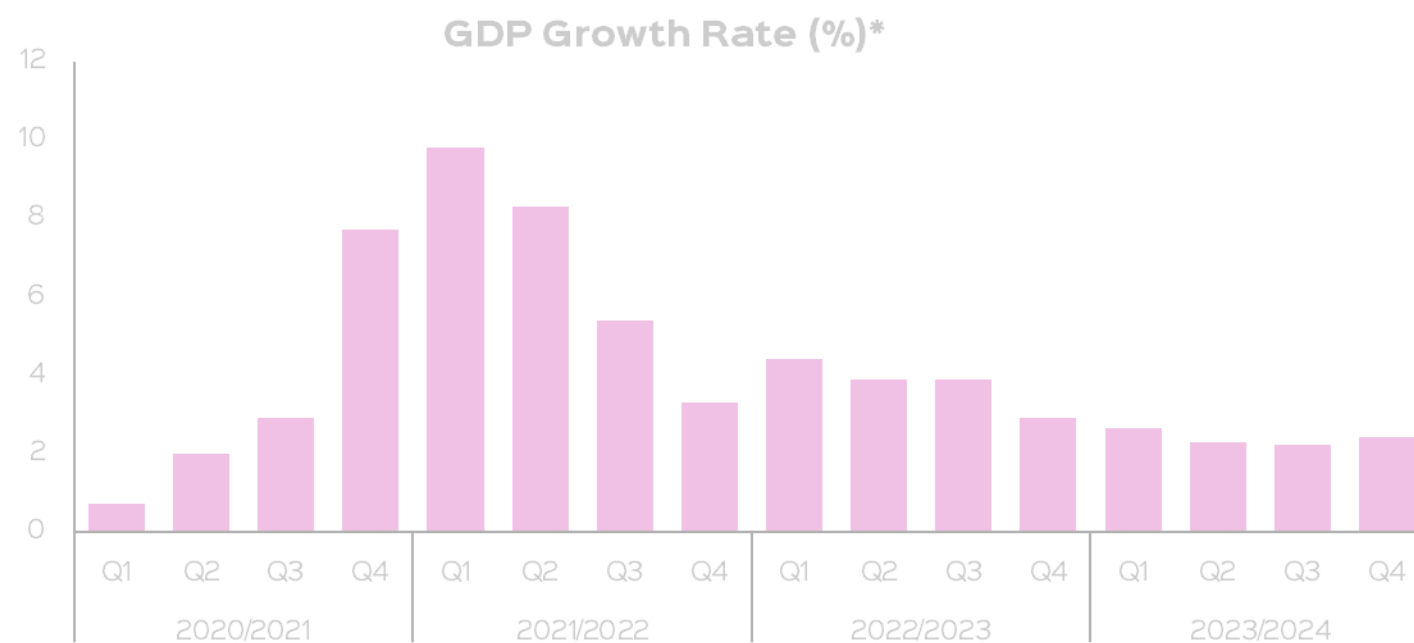
**Fitch Ratings**

**B** Stable

**MOODY'S**  
INVESTORS SERVICE

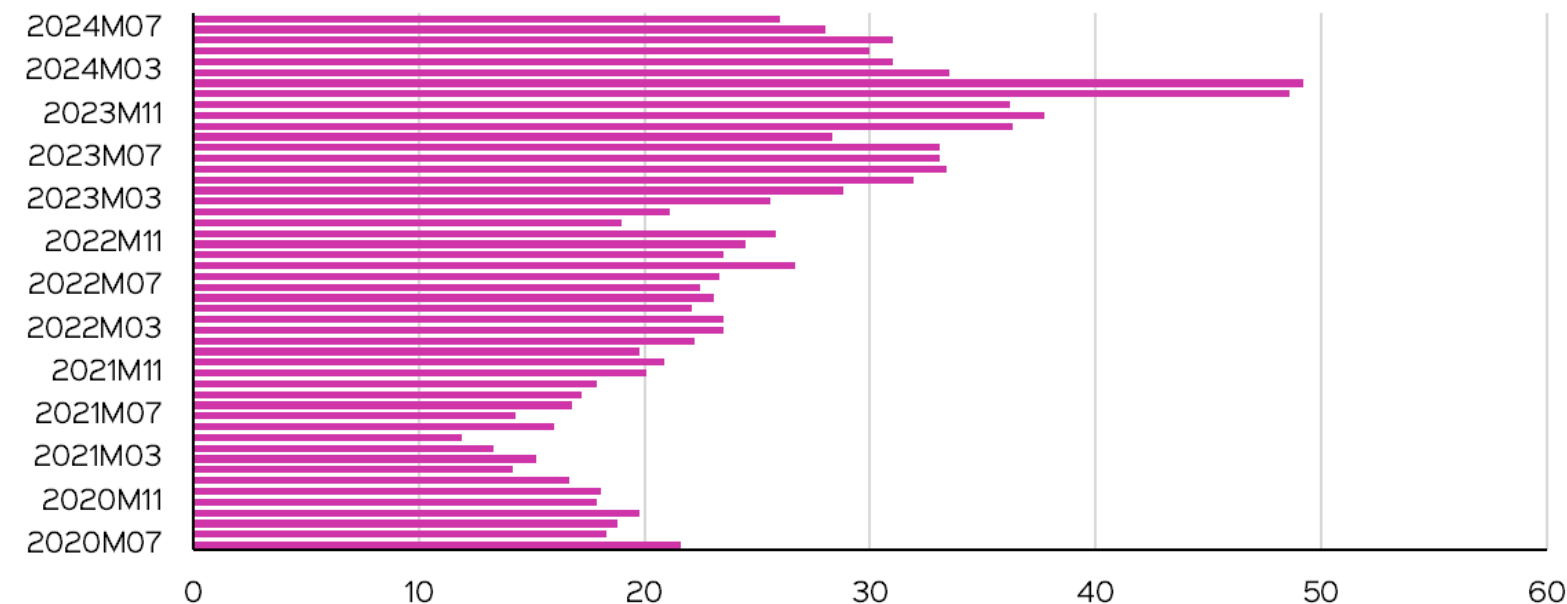
**Caa1** Positive

**Economic growth inched upwards slightly giving a positive sign, but inflation rate increased for the second month in a row due to the fiscal reforms. Despite the decrease in growth in money supply, the high inflation rate and pressure on currency is resulting into a still high interest rate by the Central bank.** Inflation rate increased for the second month in a row due to the different reforms enacted by the government lately resulting into increase in prices of various goods and services. The reforms enacted have overshadowed the effect of the retreat in growth of money supply resulting into higher inflation rate. Central bank is keeping its monetary tightening stance through liquidity absorption and still quite high policy rate.

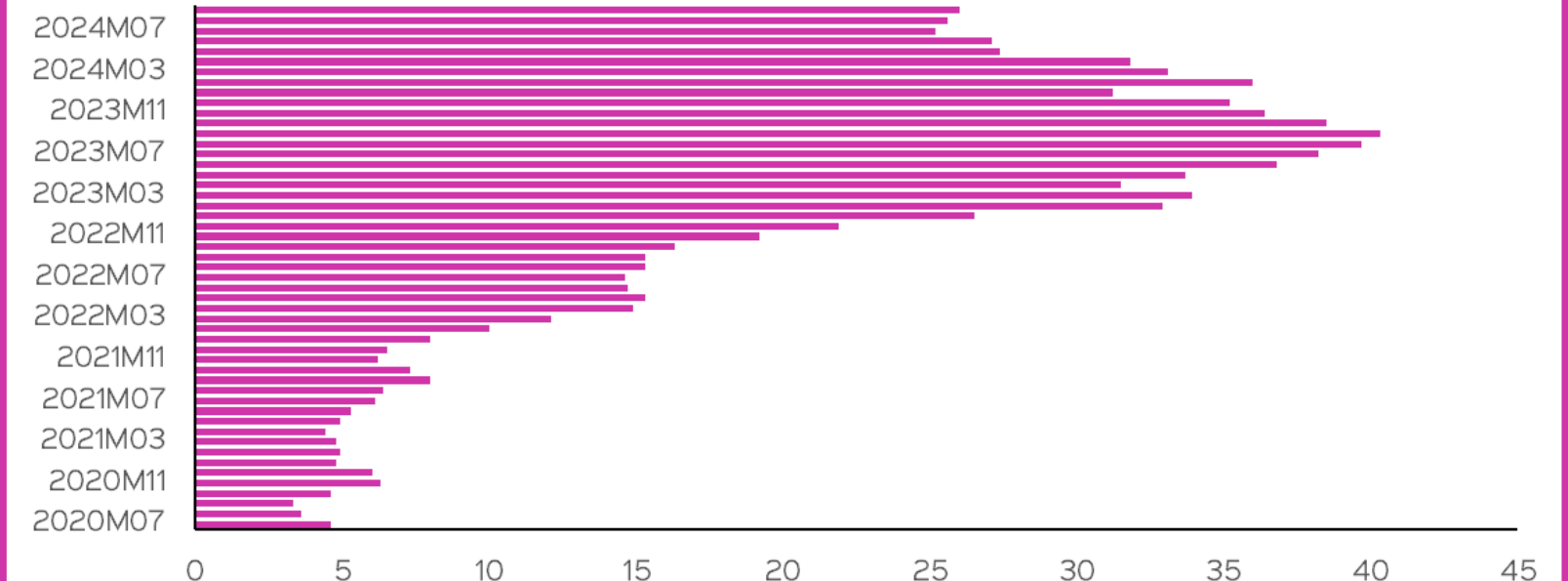


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Growth Rate of Money Supply (M1)\*

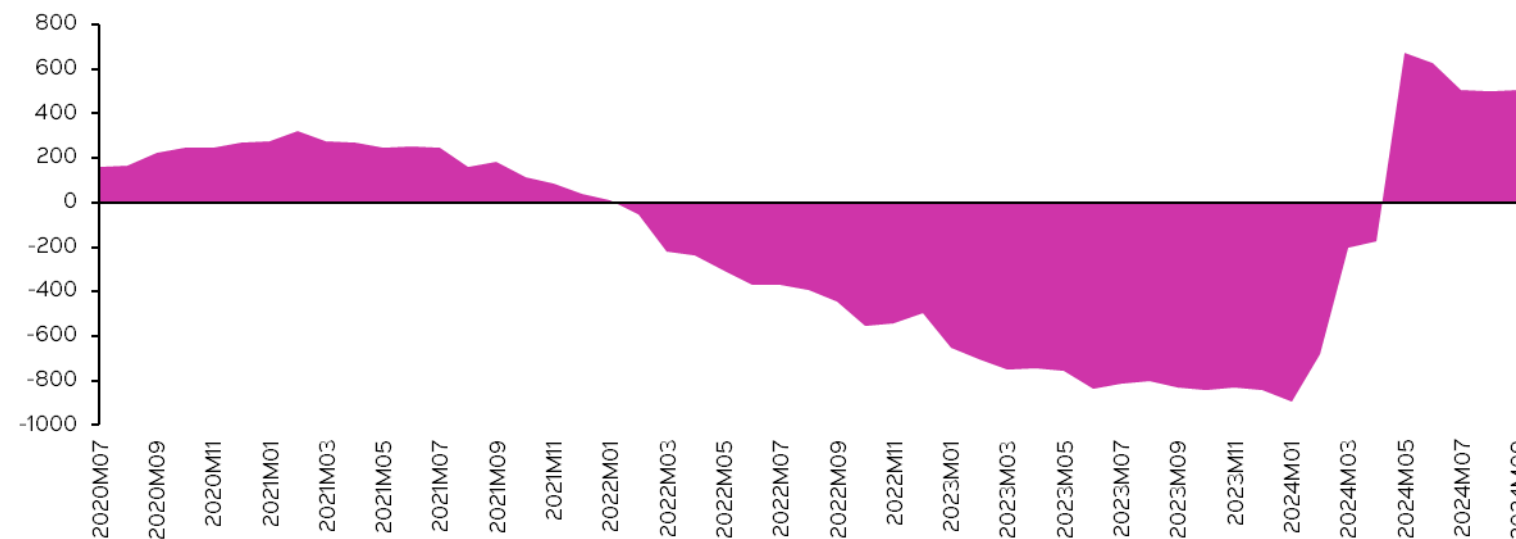


Inflation Rate (%)

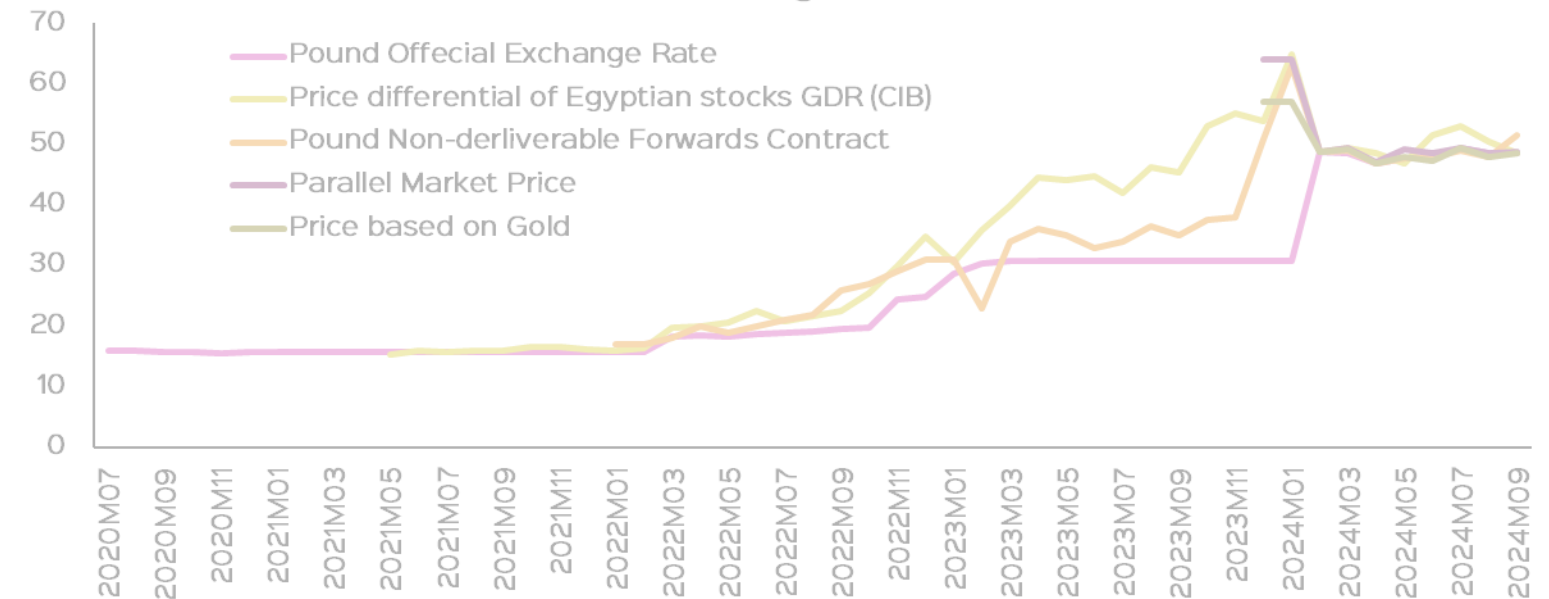


Despite global markets turbulence, Central bank reserves of foreign currency have inched upwards yet again and net foreign assets in the banking system stabilized, which reflected into a stable and unified exchange rate in the market. Despite the turbulence in global financial markets, emerging markets turbulence and regional war, Central bank reserves kept going upwards. In addition, net foreign assets in the banking system stabilized this month after a decline in the previous month with some hot money exit, thanks to large foreign currency inflows from remittances and other sources. As a result, the pound exchange rate stayed unified across the different markets and the GDR rate got contained close to the official rate lately.

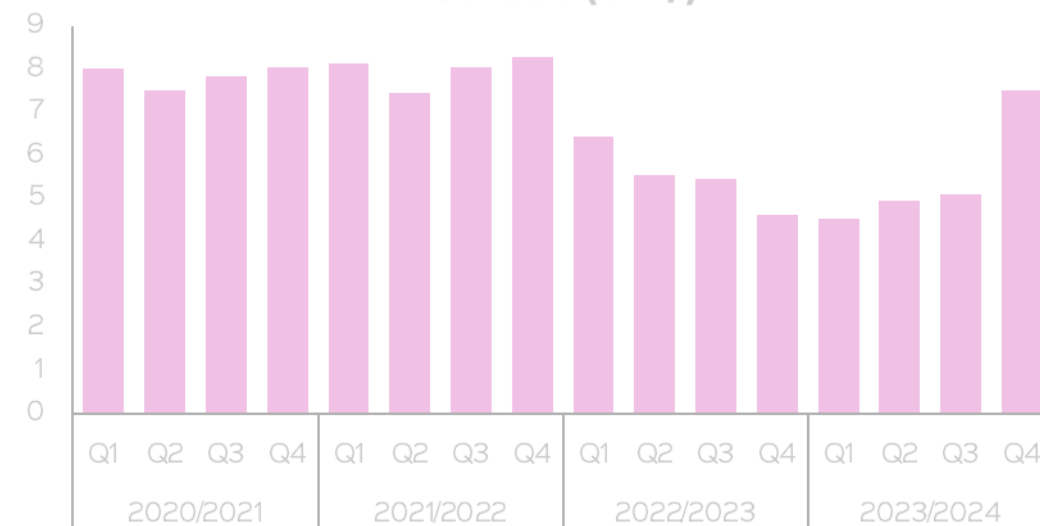
**Net Foreign Assets of the Banking System  
(bn LE)\***



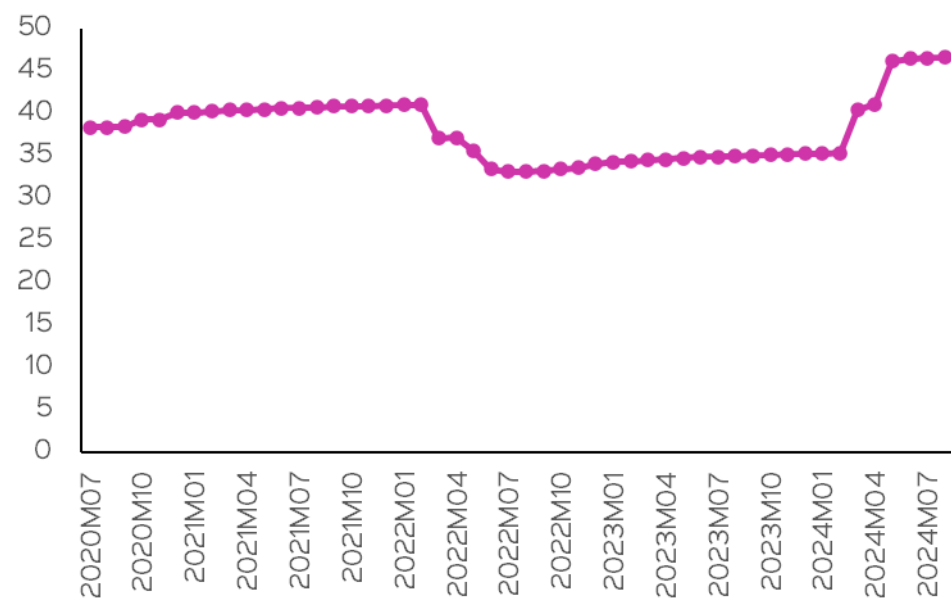
**Pound Exchange Rate**



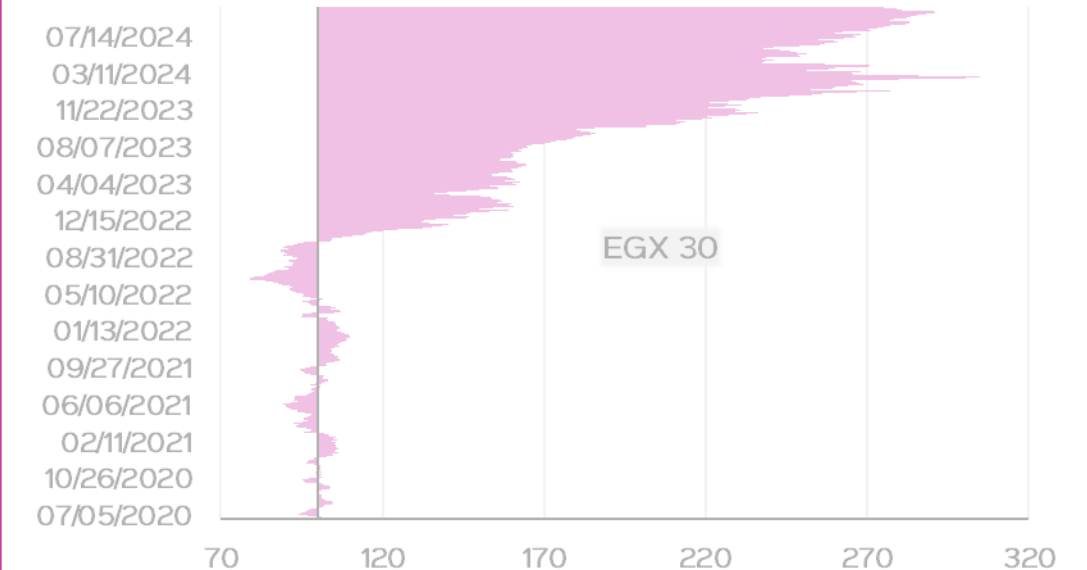
**Remittances of Egyptians working  
abroad (bn \$)**



**Net International Reserves**

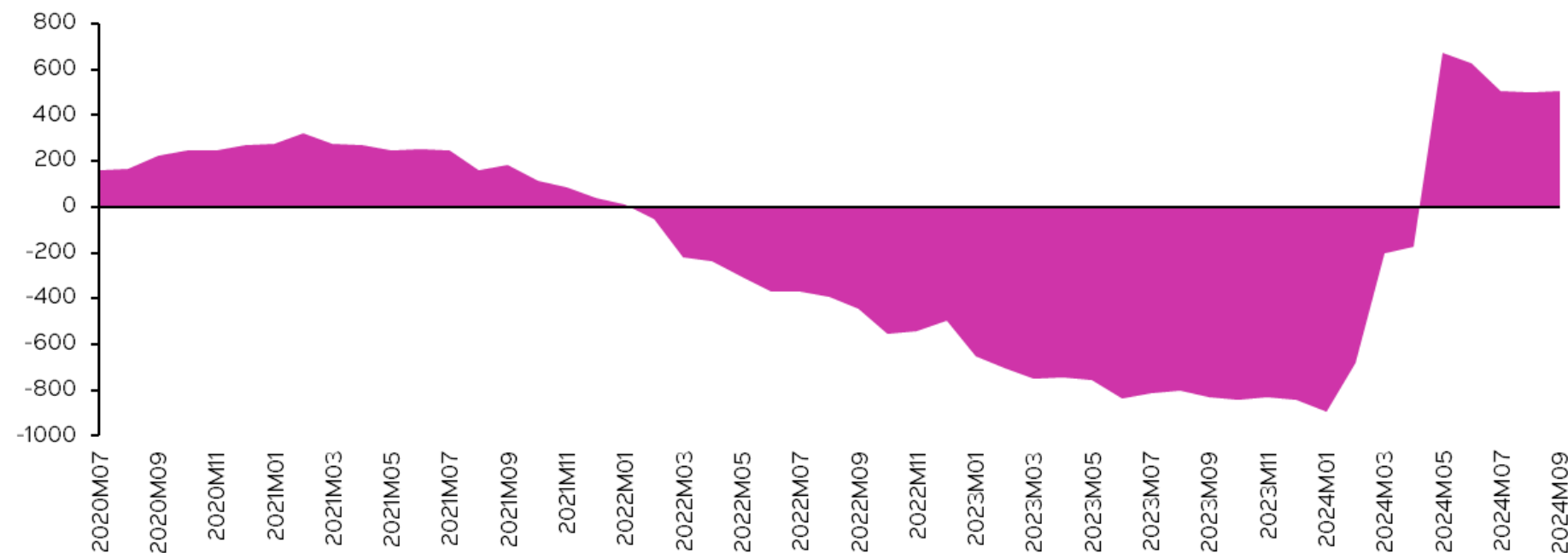


**Egypt**

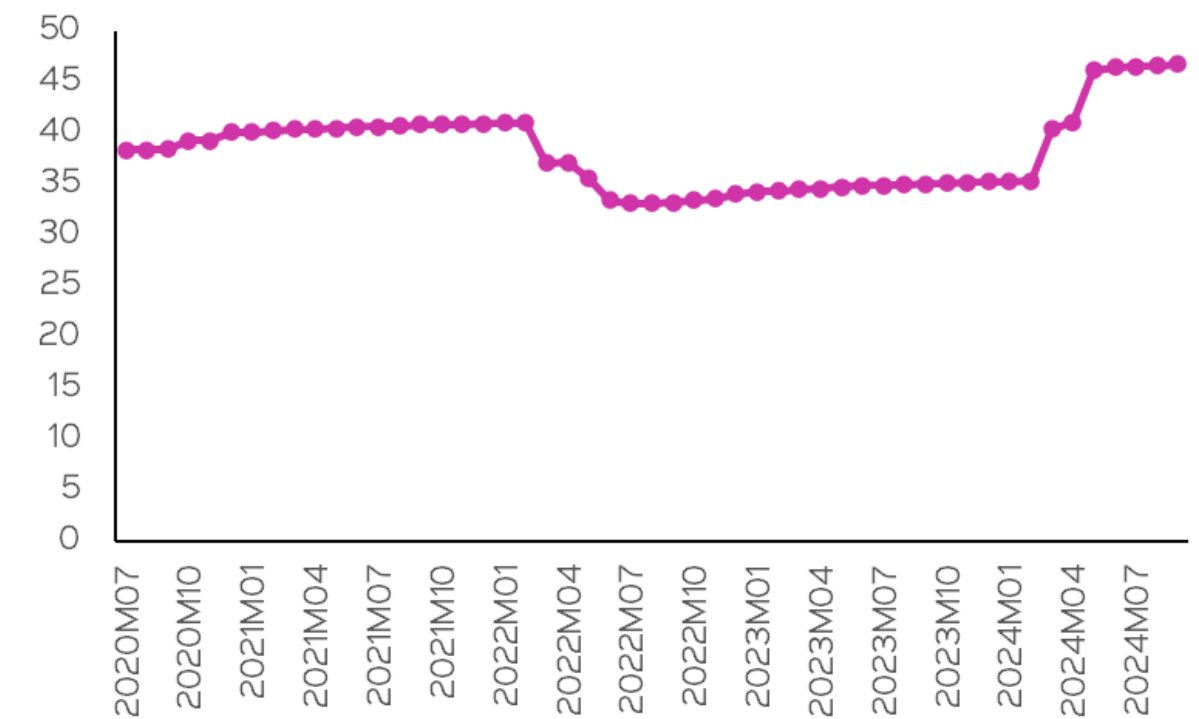


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**Net Foreign Assets of the Banking System  
(bn LE)\***



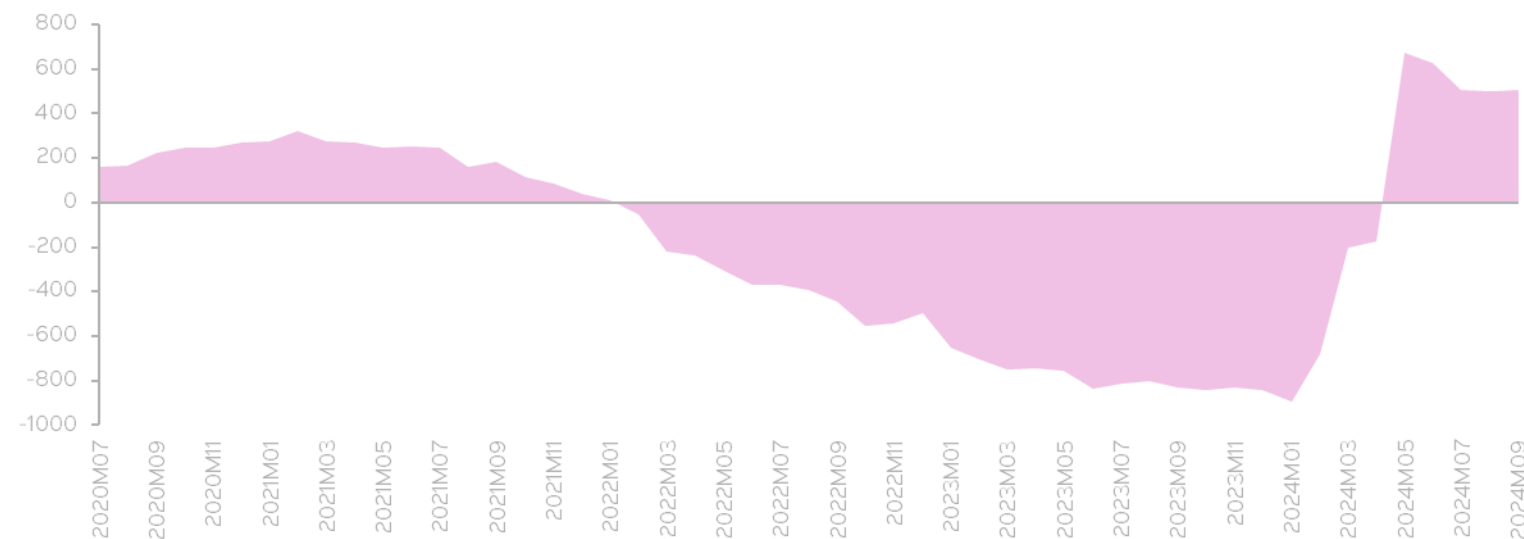
**Net International Reserves**



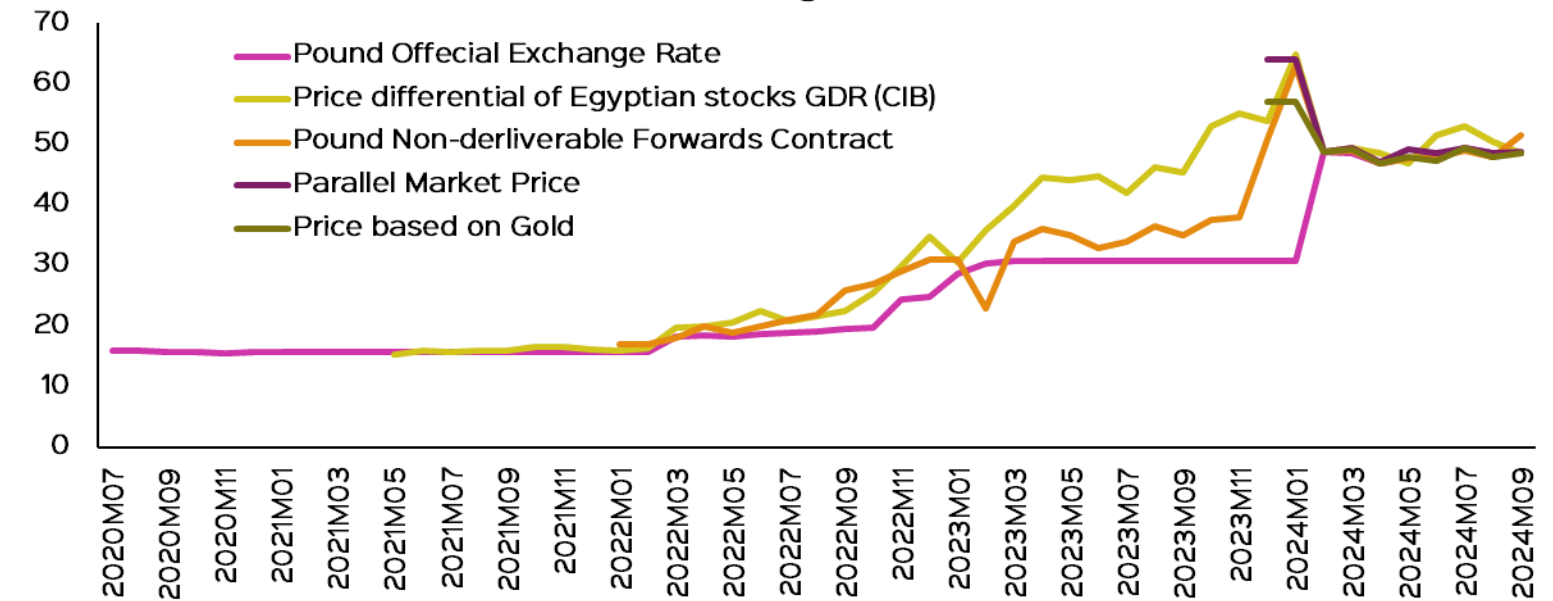


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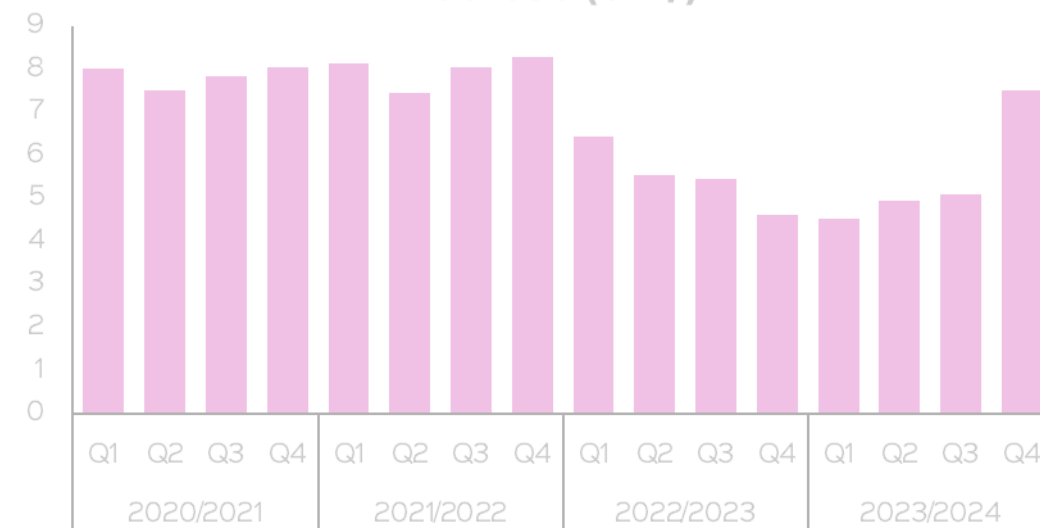
Net Foreign Assets of the Banking System  
(bn LE)\*



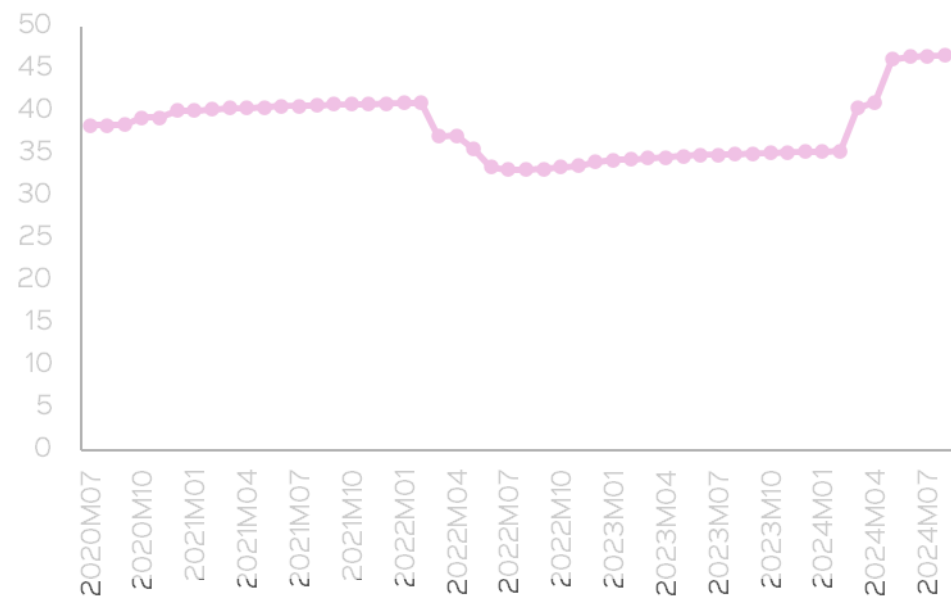
Pound Exchange Rate



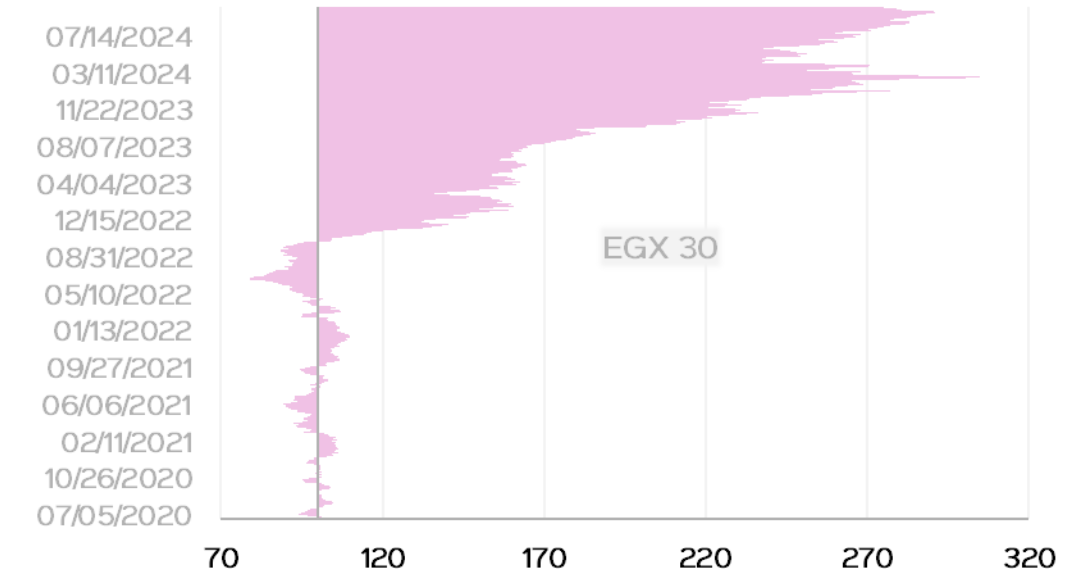
Remittances of Egyptians working  
abroad (bn \$)



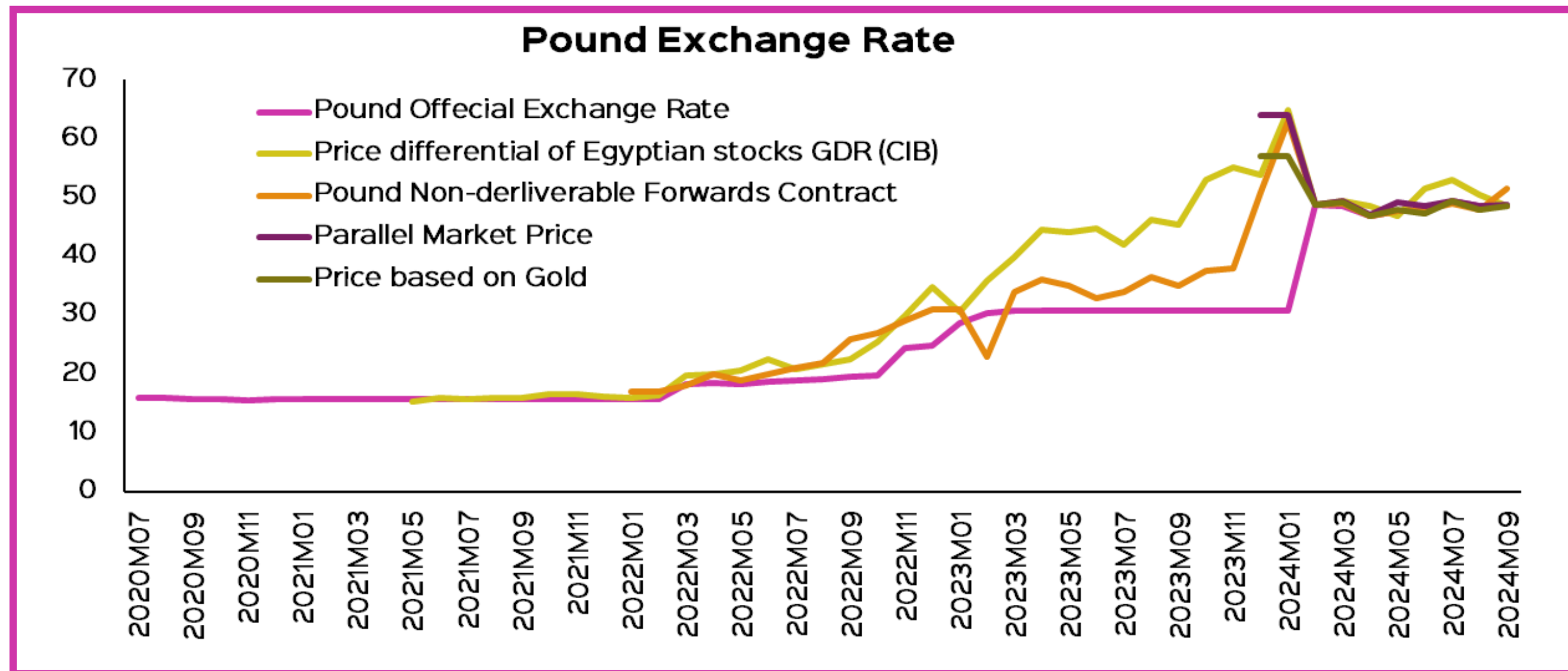
Net International Reserves



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# Thank you