



Financial Markets in 2024: A Year of Turbulence and Anticipation

2024

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January

Top Stories



- Inflation in the Eurozone unexpectedly rose to 2.5%, remaining above the European Central Bank's 2% target for the third consecutive month. The increase was primarily driven by energy prices.

Global Markets



In global markets, commodity prices began to stabilize, and inflation showed signs of containment as central banks signaled the start of an easing cycle.

Emerging Markets



Some emerging markets faced challenges as Central banks raised policy rates to defend their currencies against economic pressures.

Egyptian Local Market



In Egypt, economic conditions worsened with sluggish growth and soaring inflation driven by a weakened pound and increased money supply.

February

Top Stories



- Trade negotiations between the U.S. and China reached a stalemate, causing concerns over potential impacts on global supply chains.
- The Eurozone faced significant economic challenges due to escalating trade tensions, particularly from the U.S.-China tariff war, which posed a "sizeable" hit to its economy.

Global Markets



In global markets, inflation rates showed signs of control, but did not decline as anticipated.

Emerging Markets



Emerging markets experienced instability in inflation rates, with a recent spike following earlier declines in the year.

Egyptian Local Market



In Egypt, discussions with the IMF improved economic prospects, lowering CDS rates, though sustainable recovery depends on structural reforms.

March

Top Stories



- In Asia, the Bank of Japan ended its negative interest rate policy that had been in place since 2016, marking a significant shift in global monetary policy.
- Trade tensions intensified between nations and regions, especially between China and the U.S., Canada, Turkey, and the EU. The EU and these countries imposed tariffs as high as 45% or more on electric vehicles imported from China
- Egypt secured an \$8 billion IMF program expansion and a \$35 billion Ras El-Hekma investment deal, while a sharp pound devaluation to 48 per USD aligned official and parallel market rates, ending the black market.

Global Markets



Global stock markets reached all-time highs, supported by controlled inflation and anticipation of an easing cycle.

Emerging Markets



Most emerging markets kept interest rates high to curb inflation and protect currencies, with Turkey raising rates to record levels.

Egyptian Local Market



In Egypt, inflation surged due to the pound's devaluation, rising energy prices, and expanding money supply, prompting the Central Bank to hike rates to contain inflation and stabilize the currency.

April

Top Stories



- The Eurozone reported a decrease in inflation rates, prompting discussions about potential monetary policy adjustments by the European Central Bank.
- Developed market equities fell in April as interest rate cuts in the US appeared a more distant prospect. Bonds also came under pressure during the month.

Global Markets



In global markets, inflation rates exceeded expectations in some cases, such as in the US, postponing rate cuts.

Emerging Markets



Emerging markets continued to experience high and volatile inflation rates without a clear trend.

Egyptian Local Market



In Egypt, inflation began to decline due to monetary tightening, but economic growth remained subdued as the economy adjusted after significant mega deals.

May

Top Stories



- The U.S. Federal Reserve announced a review of its long-term strategy and policymaking approach, highlighted by a conference on May 15-16. This "framework review" aimed to assess whether the current inflation and interest rate landscape necessitates a return to traditional policies focusing more on controlling inflation rather than prioritizing high employment.

Global Markets



Commodity prices have kept their divergence trend with some spiking such as oil for geopolitical reasons and gold as an inflation hedge.

Emerging Markets



Emerging countries inflation rates stabilized as food and key commodity prices declined, supporting economic recovery.

Egyptian Local Market



In Egypt, inflation declined for the second consecutive month, driven by higher interest rates and strict monetary tightening by the Central bank to absorb excess liquidity.

June

Top Stories



- The European Central Bank cut interest rates to stimulate eurozone growth and support economic recovery
- Global goods trade expanded by 1.8% year-over-year in June, marking the third consecutive month of expansion after a 1% contraction in March.

Global Markets



In global markets, commodity prices diverged, with oil prices declining following OPEC decisions, while gold, iron, tea, and wheat prices rose due to geopolitical tensions, climate issues, and investor preferences.

Emerging Markets



Emerging markets experienced stable but high inflation levels due to the delayed effects of easing cycles and ongoing geopolitical tensions.

Egyptian Local Market



In Egypt, the banking system's net foreign assets turned positive for the first time in years, signaling short-term monetary stability, which helped stabilize the pound and reduce parallel market activity.

July

Top Stories



- China implemented significant stimulus measures to address challenges in the property sector and deflation concerns.
- Global Equities Rise: Global equities increased by 1.2% in July, culminating in a 14.8% gain year-to-date. Key themes included political developments, central bank policies, and escalating conflicts in the Middle East.

Global Markets



Global stock markets continued to hit all-time highs despite high volatility, while bond yields remained stable with a downward outlook due to easing inflationary pressures.

Emerging Markets



Inflation rates in emerging markets subsided, and with stable or lower local inflation, currency pressures eased, leading to a decline in bond yields in some markets.

Egyptian Local Market



In Egypt, large foreign currency inflows from mega deals, hot money, and recovering remittances boosted Central bank reserves, unified the exchange rate, and improved the net foreign assets position.

August

Top Stories



- Oil prices experienced volatility due to geopolitical tensions in the Middle East, affecting global markets.

Global Markets



In global markets, inflation rates showed a clear downward trend, signaling the continuation of the easing cycle, except in China.

Emerging Markets



Bond yields in emerging markets rose slightly, and CDS rates increased due to the unwinding of the Yen carry trade and disruptions in global hot money flows.

Egyptian Local Market



In Egypt, the conclusion of recent mega deals reduced external debt and improved the short-term economic outlook, though global financial market turbulence and the partial exit of hot money led to higher bond yields and CDS rates.

September

Top Stories



- The U.S. Federal Reserve lowered interest rates by 50 basis points, marking its first rate cut in four years, aiming to address a softening labor market

Global Markets



In global markets, inflation continued to decline, with the US Fed cutting its policy rate by 50 bps for the first time in years, signaling a shift toward quick monetary easing.

Emerging Markets



Inflation rates in emerging markets decreased as commodity prices stabilized, with some Central banks cutting rates, while others maintained high policy rates.

Egyptian Local Market



In Egypt, inflation reversed its downward trend and rose due to new reforms, while growth in money supply slowed, though the inflationary impact of reforms remained, with the Central bank continuing monetary tightening.

October

Top Stories



- U.S. Presidential Election: Donald Trump won the 2024 U.S. presidential election, defeating Kamala Harris and planning to withdraw from the Paris Climate Agreement, marking a significant policy shift

Global Markets



In global markets, inflation rates continued to decrease, allowing central banks to begin easing cycle and cut rates, with even China joining the trend to support its currency.

Emerging Markets



Emerging market central banks showed divergent responses, with some cutting rates, while others kept rates high to protect currencies and manage inflation.

Egyptian Local Market



In Egypt, economic growth slightly increased, but inflation rose for the second consecutive month due to fiscal reforms, and the pressure on the currency outweighed the slowing money supply growth, making it challenging for the Central Bank to cut rates.

November

Top Stories



- G20 Summit: World leaders gathered for the G20 summit in Rio de Janeiro, addressing issues such as international economic cooperation and climate challenges. Discussions on international trade, global tax reforms, and the energy transition dominated the agenda.

Global Markets



After the US elections and a second rate cut, the US stock market rallied, while other global markets remained volatile due to economic uncertainty and geopolitical tensions.

Emerging Markets



In emerging markets, Central banks took divergent paths, with some cutting interest rates following a decline in inflation, while others, like Brazil, either kept rates fixed or raised them.

Egyptian Local Market



Despite global market turbulence, Egypt's Central bank reserves and net foreign assets showed slight improvements, leading to a unified exchange rate.

December

Top Stories



- The US stock market closed out 2024 on a high note, with the S&P 500 delivering a remarkable 23.31% annual gain, marking its second consecutive year of exceeding 20% growth

Global Markets



After Trump's election, commodity prices generally stabilized, with exceptions like palm oil and maize rising due to supply shortages.

Emerging Markets



Emerging markets saw a mixed approach from Central banks, with most keeping interest rates high, while a few, like Brazil, raised rates to tackle inflation and protect their currencies.

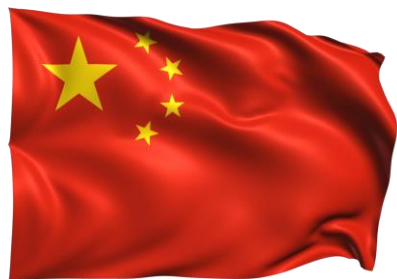
Egyptian Local Market



In Egypt, inflation decreased after several months of rising, driven by stable prices and slower money supply growth, though the Central bank continued to maintain high interest rates to control inflation and defend the currency.

The Financial Tale of Three Countries

Globally



China

- ✓ Stimulus Package
- ✓ Economic Growth
- ✓ Policy Tools

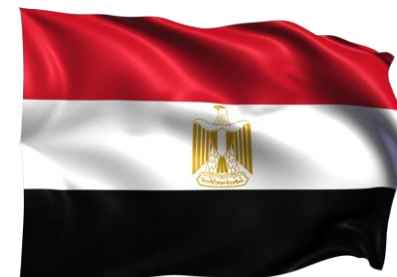
Regionally



KSA

- ✓ Ambitious Vision
- ✓ Sustainability

Locally

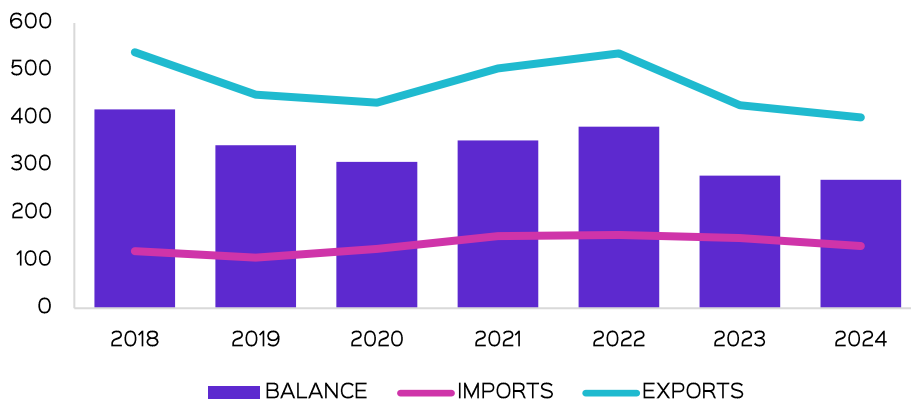


Egypt

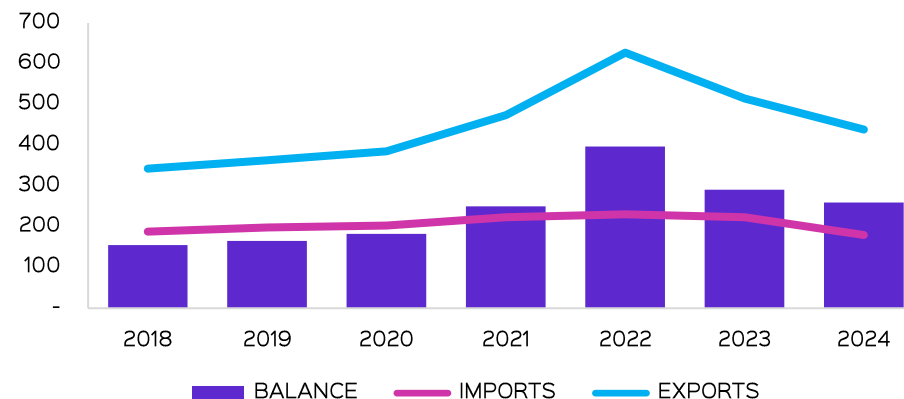
- ✓ External Support
- ✓ Recovery
- ✓ Mega Projects
- ✓ External Debt

Chinese economy has been resilient with regards to its trade balance. The US and EU have levied tariffs and restrictions on Chinese products. This has reflected on Chinese exports to these markets which declined. Having said so, China's trade balance showed resilient and even increased further in the last year, thanks to increasing exports to other markets. This has resulted into resilient and even larger trade balance lately plus stable foreign currency reserves.

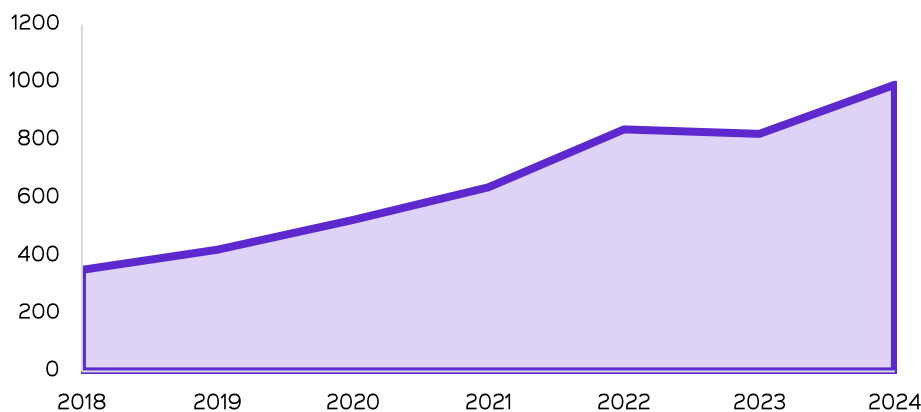
China Trade in Goods with US (in \$bn)



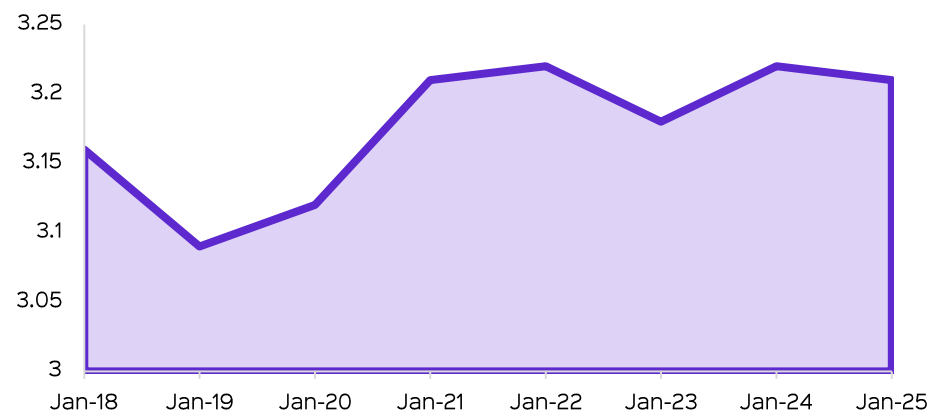
China Trade in Goods with EU (in €bn)



Trade Balance in China (in \$bn)



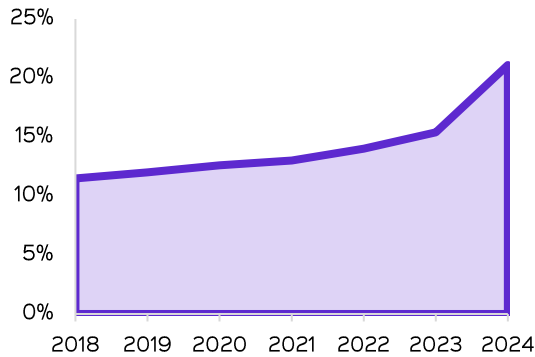
China Foreign Exchange Reserves (in \$tn)



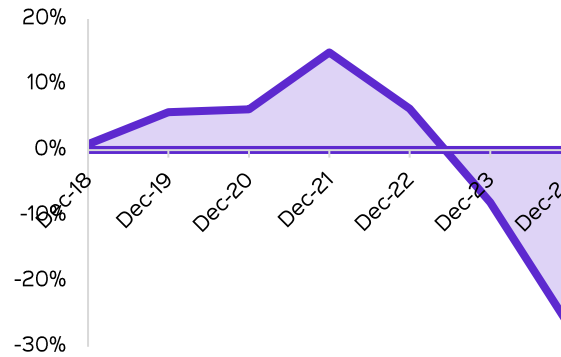
Despite the superior performance on exports, Chinese local economy has been going through really tough time with a growing population and a sluggish real estate market, which has reflected into lower FDIs flowing into the country and lower local consumer confidence. While the Chinese government is trying to revive the economy with stimulus packages supporting the digital economy and helping the ailing real estate sector, the growth prospects are still very low.

National

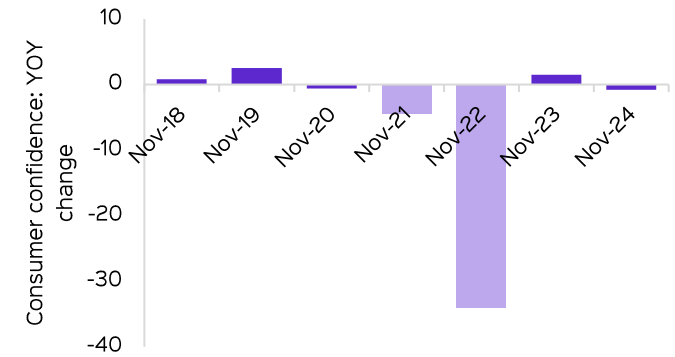
Population ages 65 and above (% of total population)



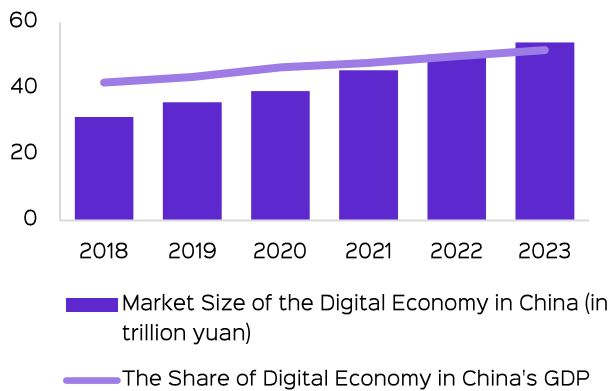
Foreign Direct Investment into China



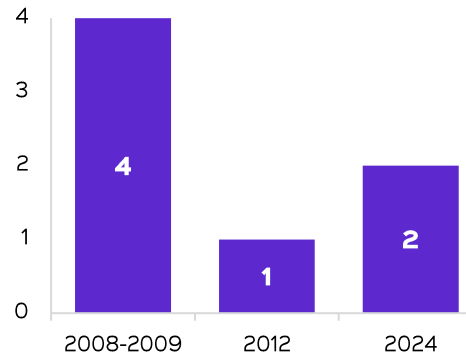
Consumer Confidence Growth for China



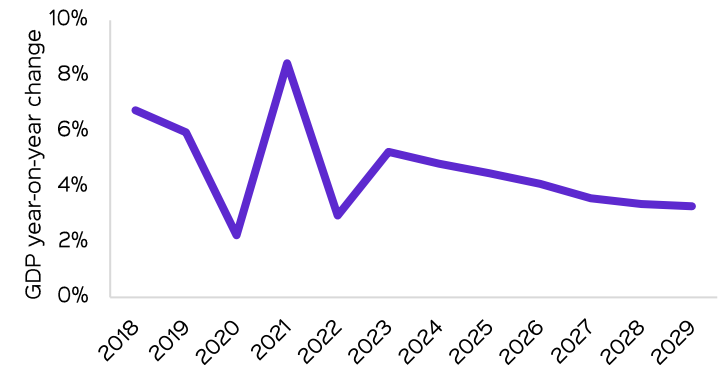
China's Digital Economy



Chinese Stimulus Program (in Yuan tn)

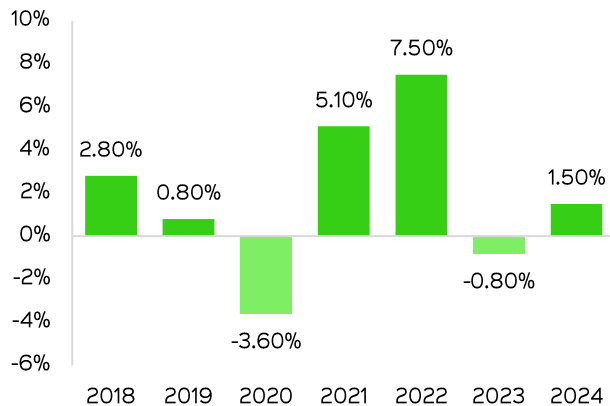


GDP Growth Rate in China from 2018 to 2024 with Forecasts until 2029

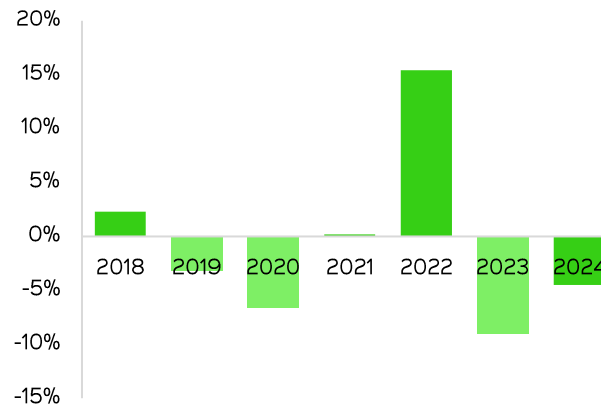


The Saudi economy has been characterized recently with the ambitious vision of 2030 and the giga projects launched. Despite such developments, growth rate in Saudi has been very turbulent and variant between oil and non-oil sectors. Such variances have been evident in the variability of FDIs over the last years. Yet the growth in non-oil sector and tourism in specific has managed to push unemployment rate downward.

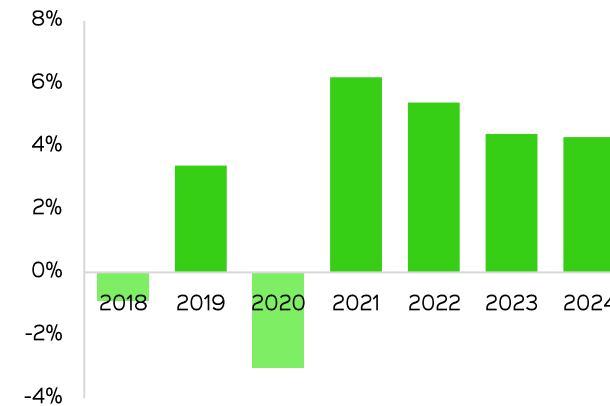
GDP Growth Rate of KSA



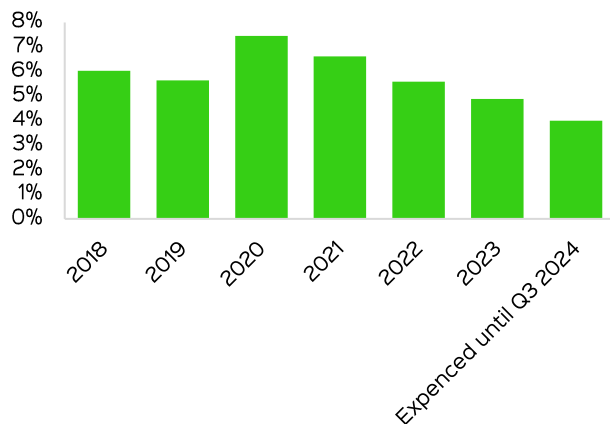
Growth Rate of Oil Sector



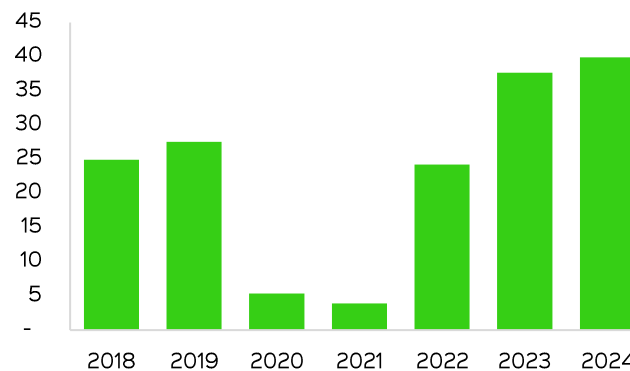
Growth Rate of Non-Oil Sector



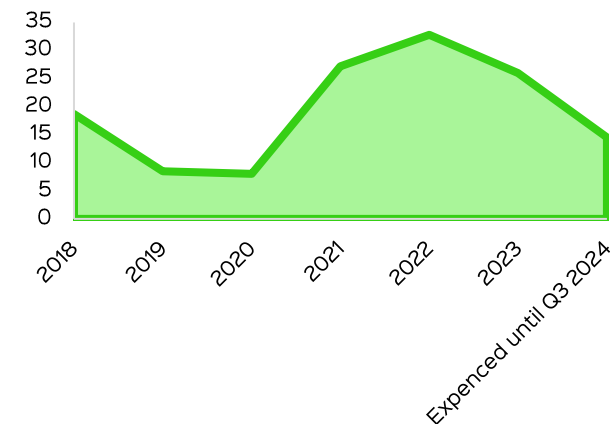
Unemployment Rate



Tourism Revenue (in \$bn)

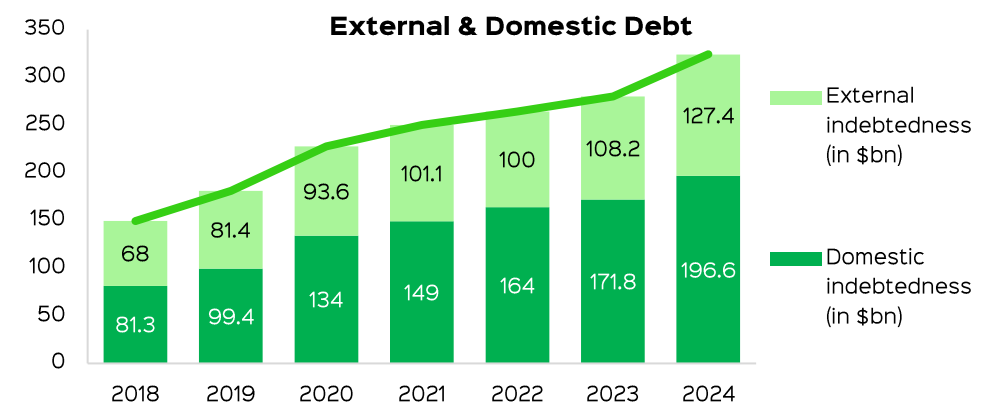
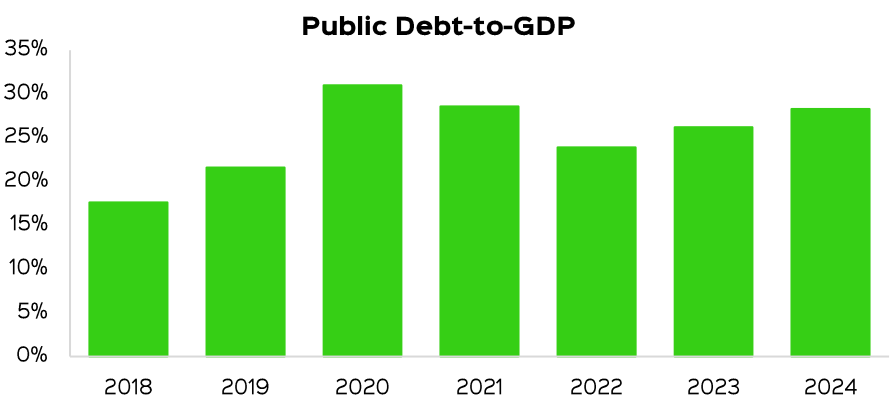
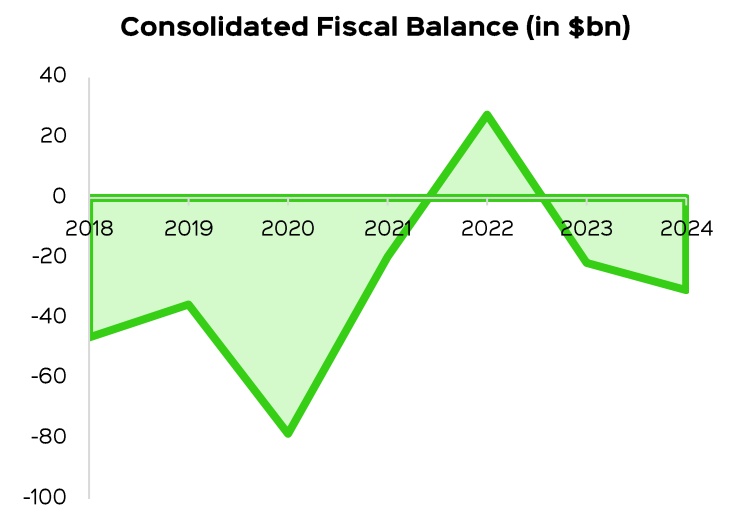
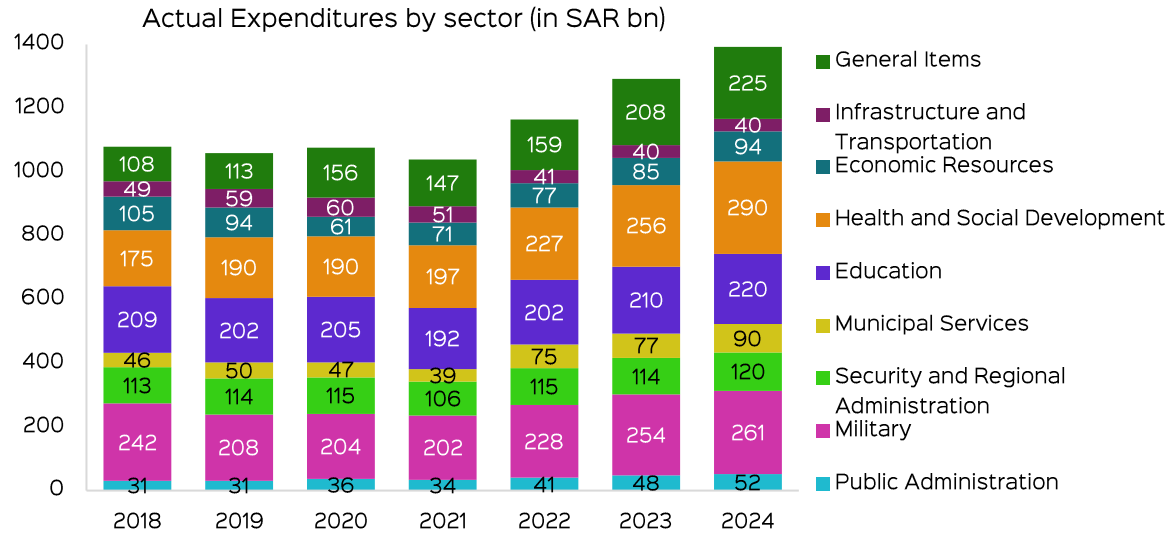


FDI inflows for KSA (in \$bn)



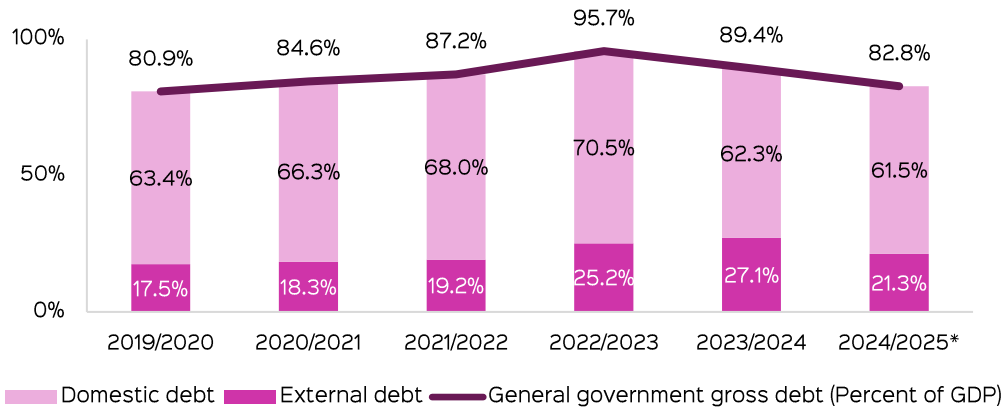
To achieve the ambitious vision of 2030, Saudi have embarked in few giga projects across various sectors which has reflected into increased expenditure across various budget sections. Such increased expenditure that didn't cope with increased revenues have resulted into a deficit into the consolidated budget. To finance such deficit, Saudi had to borrow locally and externally to keep going with its mega projects planned.

GDP Spending

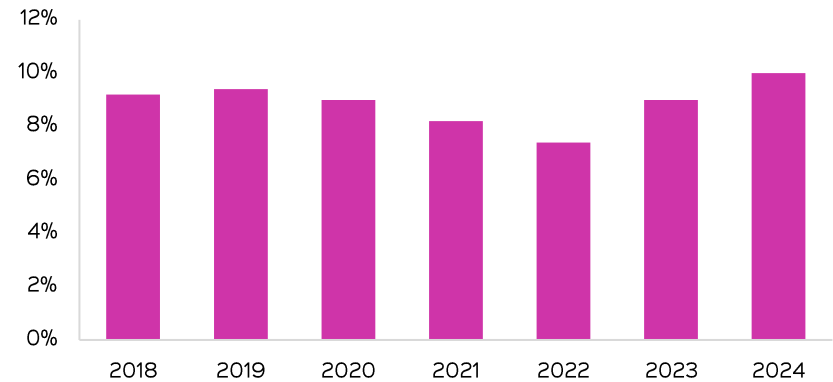


Debt, especially external debt, is a critical problem for Egypt. The accumulation of external debt and the increased debt service burden are some of the manifestations for the critical situation of the economy especially for the last few years till early 2024. The conclusion of mega deals in early 2024 helped decrease outstanding external debt slightly, yet the level of debt service is still high and critical. Short term debt represents around 17% of total external debt and more than half of the actual foreign currency reserves at the Central bank.

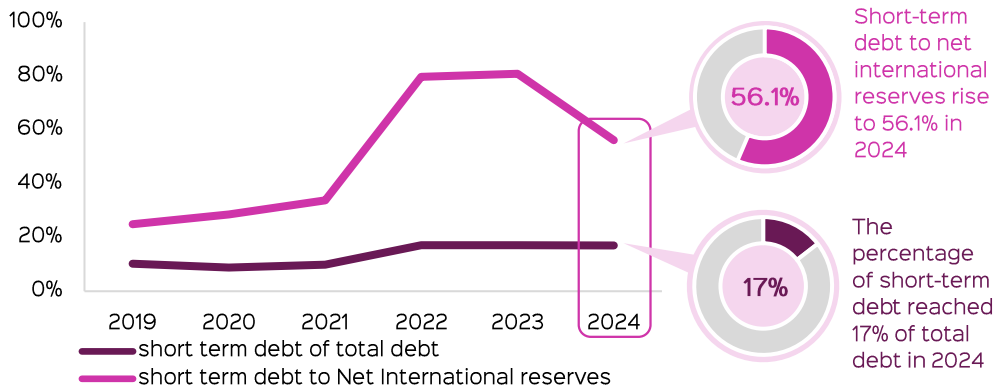
External & Domestic Debt (% of GDP)



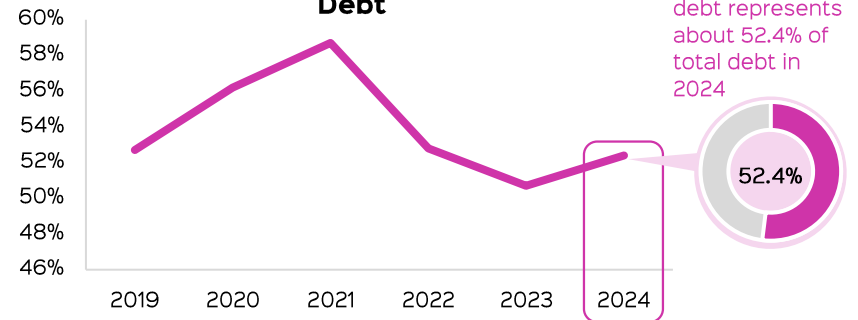
Debt Service (% of GDP)



Short-Term Debt

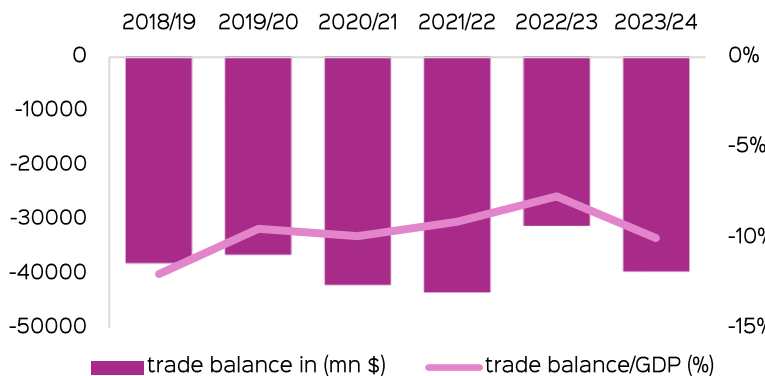


Government Debt of Total External Debt



Negative trade balance stays to be a chronic problem for Egypt which didn't improve yet, even after the devaluation of the pound in early 2024. Having said so, the devaluation of the pound and the unification of exchange rates in the market have helped propel remittances from Egyptians living abroad as well as FDIs and hot money flowing in the country. Such developments have shored up foreign currency reserves at the Central bank and resulted into a positive net foreign assets balance in the banking system.

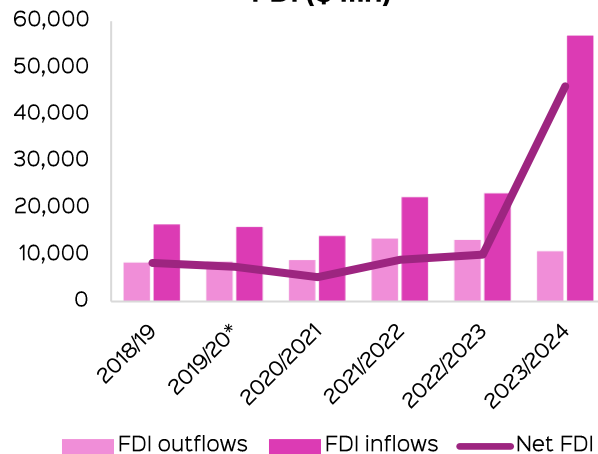
Trade Balance



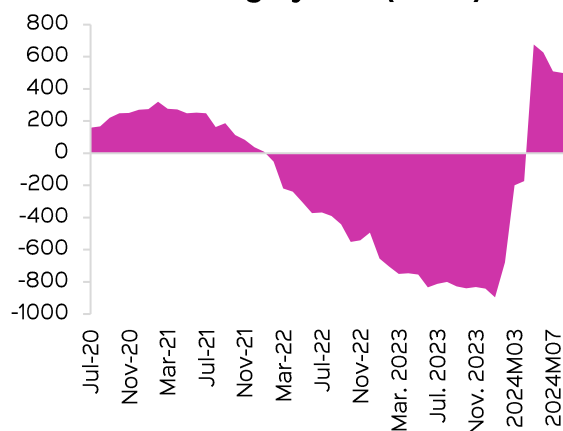
Remittances of Egyptians working abroad (\$ bn)



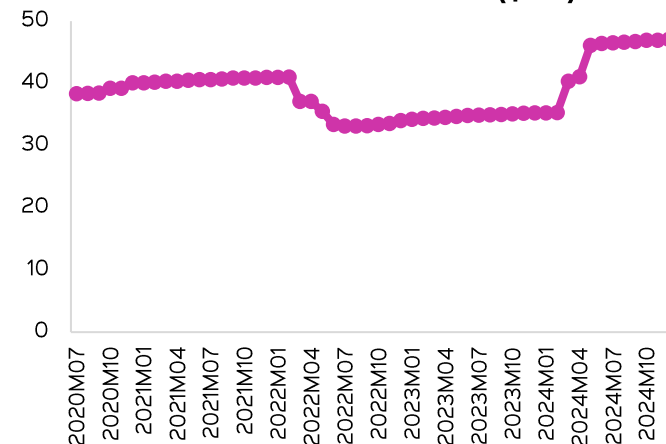
FDI (\$ mn)



Net Foreign Assets of the Banking System (LE bn)



Net International Reserves (\$ bn)





Thank you