



# Financial Markets Snapshot

Issue 14  
February 2025

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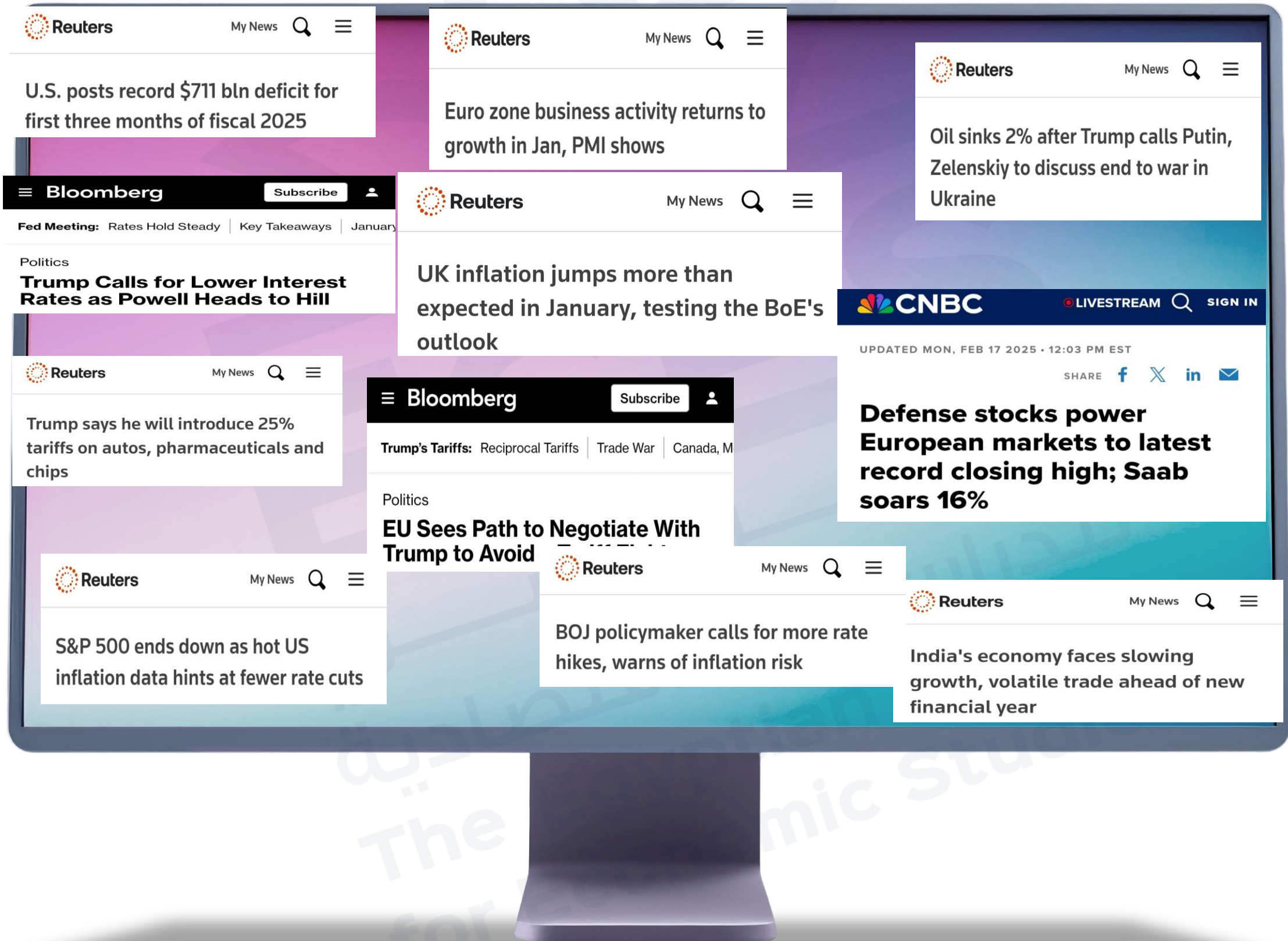
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## About The Report

- The report explores the linkages between global, emerging and local financial markets, trying to examine the changes taking place in the global markets, and how they reflect on emerging markets, which in turn have implications on the local Egyptian economy and its financial markets. The cascading impact is one of the most prevalent characteristics of financial markets.
- The report targets economic policy makers, the business community, financial institutions, economic actors and the public in general, thus, the report uses simple terminology and tries to explain different economic and financial terms in layman's terms as much as possible.
- The report is descriptive, aiming at plotting the current state of the Egyptian economy as a result of the different financial market dynamics. It is not in any way prospective, thus no future forecasts are provided for the different economic indicators. The report is not prescriptive either, thus no policy advice is provided to policy makers or economic actors.
- The report is issued on a monthly basis and tries to highlight the changes across the different markets and across the different indicators and their interlinks.
- Data in the report is presented mainly in rates such as inflation rates or interest rates or in an indexed format, with base points at 100 to ease comparison and analysis across different countries and indicators.

# Latest News – Key Headlines



# Analysis – Key Takeaways

## Global Markets



- Commodity prices returned to divergence after a period of stability, with most being stable or going downwards, while oil and gold spiking upwards due to geopolitical risks and global uncertainty in the new Trump era.
- Inflation rates have inched upwards again and Central banks are diverging in their responses, with UK and EU more into easing compared to the US, which is experiencing inflationary headwinds and a weaker US Dollar.
- Global stock markets have been very volatile with geopolitical tensions, global tariff threats and political changes. EU markets have spiked with the

election of far-right parties and the interest rate cuts.

## Emerging Markets



- Inflation rates across emerging markets have kept their divergence trend for another month, yet with a clear trend towards stabilization.
- Despite the confusing messages and factors, bond yields and CDSs stabilized for now, waiting for a direction.
- Accordingly, emerging markets Central banks have kept their divergent stance, with most of them keeping interest rates stable mirroring global markets.
- High US inflation rate and inflationary fears led to the weakening of US Dollar against global markets currencies and also against emerging markets currencies, giving them a breather for a change.
- Yet, emerging markets stock markets kept suffering from heightened geopolitical risks and the never-ending Trump executive orders.

## Egyptian Local Market

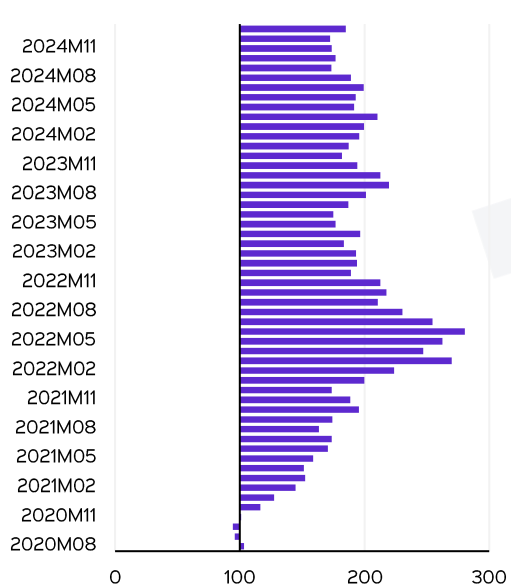


- Total external debt resumed its upward trend due to new borrowings, while CDSs got contained. Bond yields increased as Egypt returned to international bond markets, which have reflected positively into stable CDSs.
- For the third month in a row, inflation rate declined due to having no price hikes enacted lately as well as the consistent decrease in growth in money supply. Central bank still keeps interest rates high to curb inflation and protect the currency.

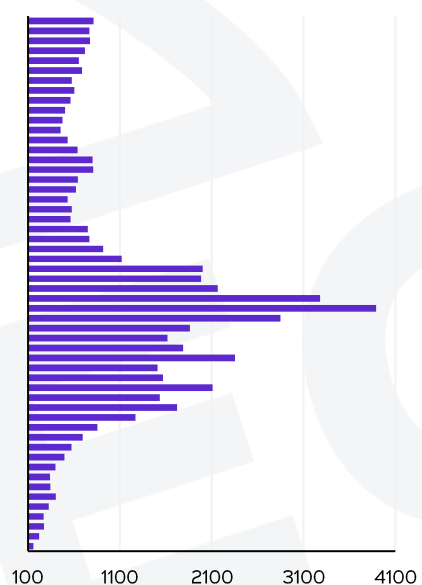
- Both Central bank reserves of foreign currency and net foreign assets in the banking system increased again supported by inflows of foreign funds and

**Commodity prices have diverged after a period of stability, with most being stable or going downwards, while oil and gold spiking upwards due to geopolitical risks and global uncertainty.** After a period of relative stability and downward trend across most commodities, commodities prices have diverged again with most of them staying stable or going downwards such as iron, tea and palm oil, and some staying stable, while oil and gold spiked. Despite Trump intentions to drive oil prices down, geopolitical tensions have disrupted supplies and increased oil prices. In addition, global geopolitical tensions and rising uncertainties as well as fear of inflation have driven gold price upwards.

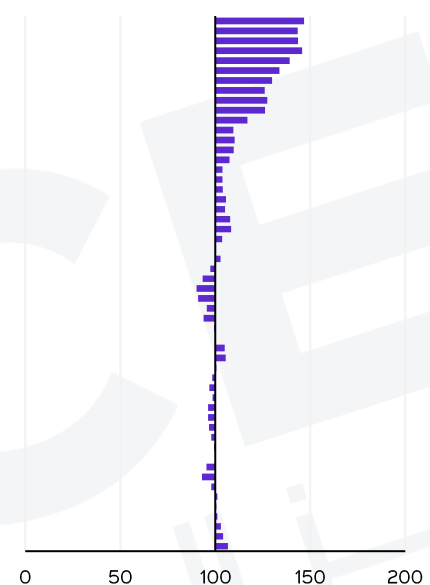
**Crude Oil, Brent**



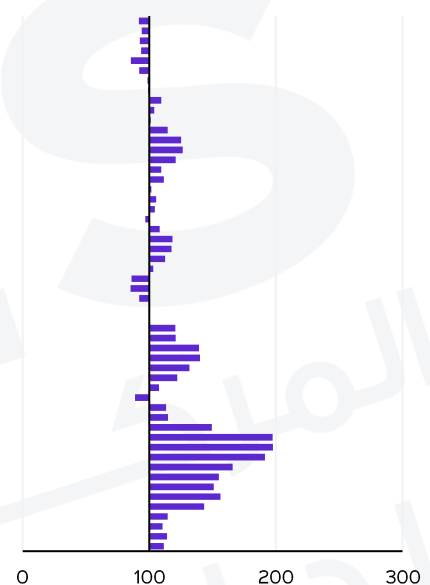
**Natural Gas**



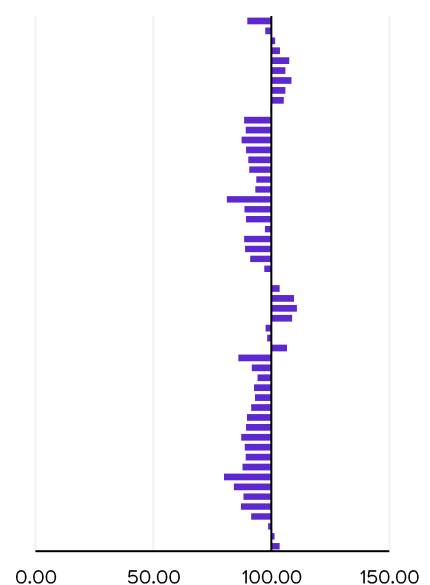
**Gold**



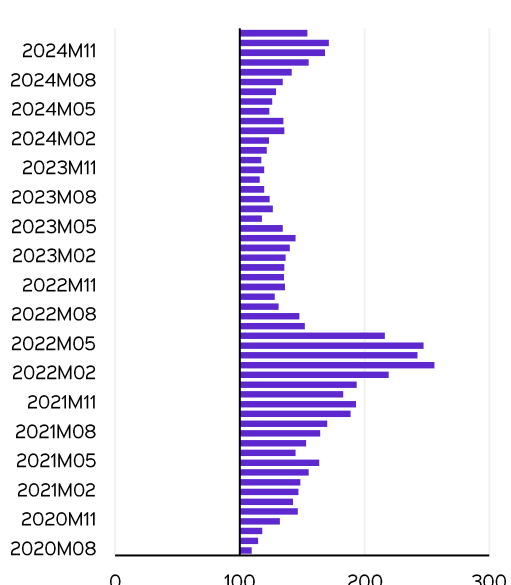
**Iron ore**



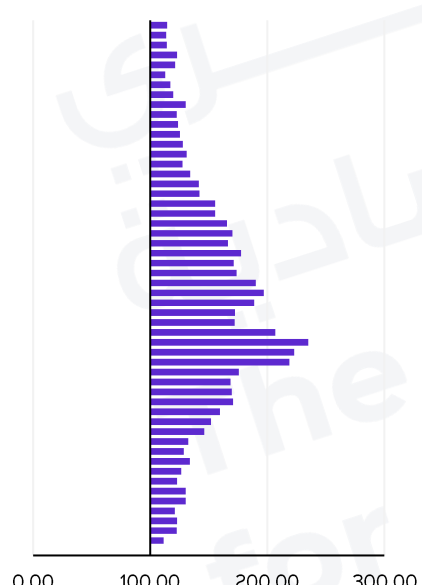
**Tea**



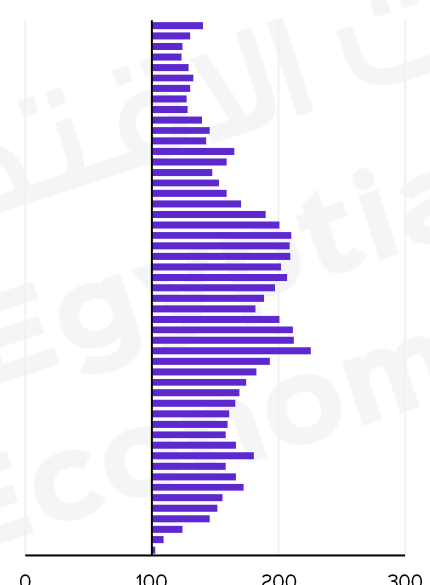
**Palm oil**



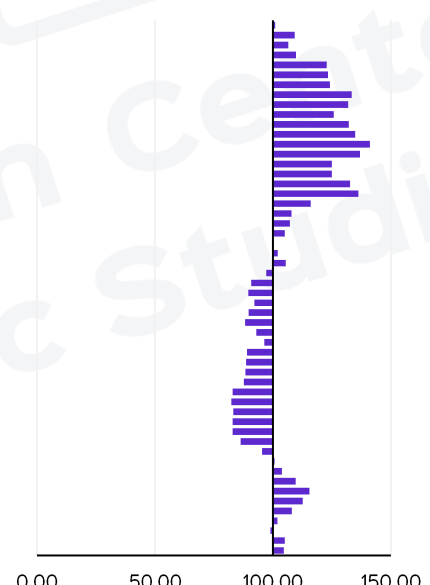
**Wheat**



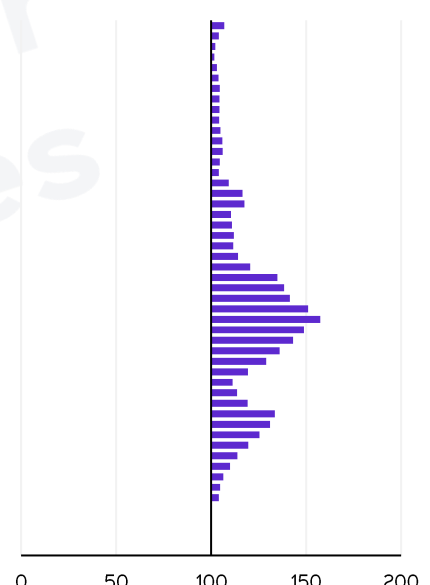
**Maize**



**Rice**

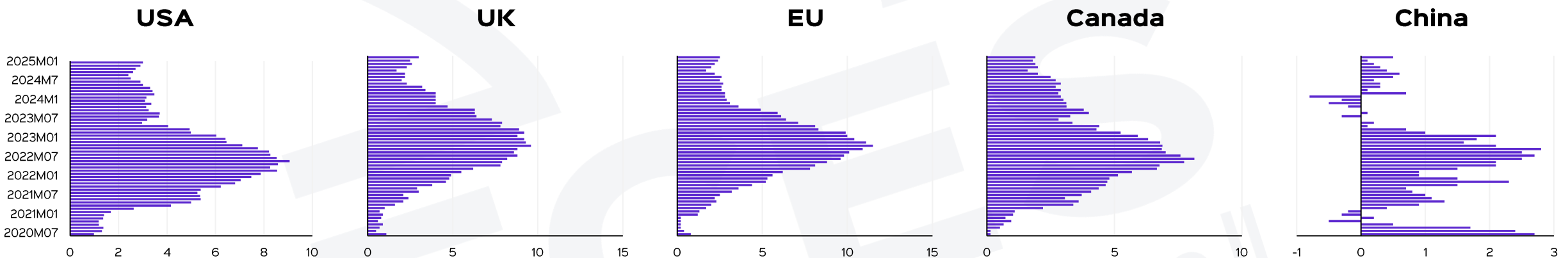


**Bovine meat**

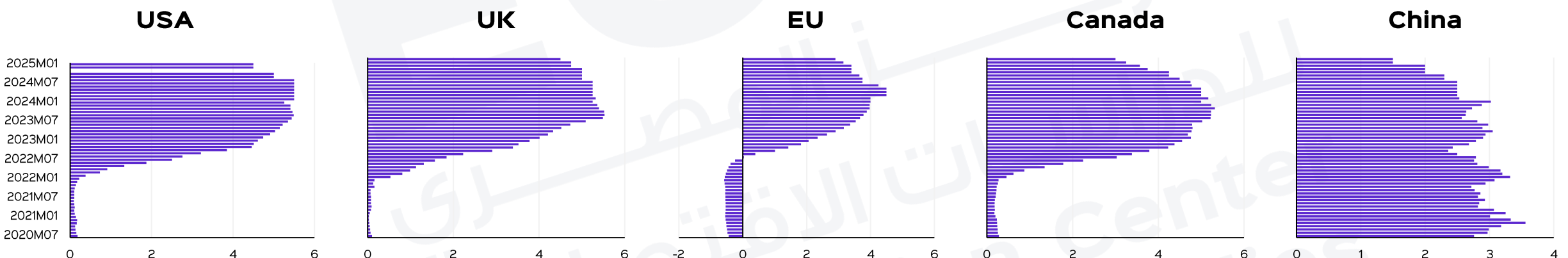


**Contrary to expectations, inflation rates have inched upwards again and Central banks are obviously diverging in their responses, with UK and EU more into easing compared to the US, which is facing inflationary headwinds, pushing the US Dollar downwards.** Trump presidency is obviously creating high inflationary expectations coupled with actual higher than expected inflation rate. This is making it harder for the US Fed to proceed faster with monetary easing. The UK and EU are facing higher than expected inflation as well, but obviously determined to proceed with monetary easing to propel their economies. Despite the expected delay in easing in the US, the US Dollar has lost value against most global currencies because of US inflationary fears.

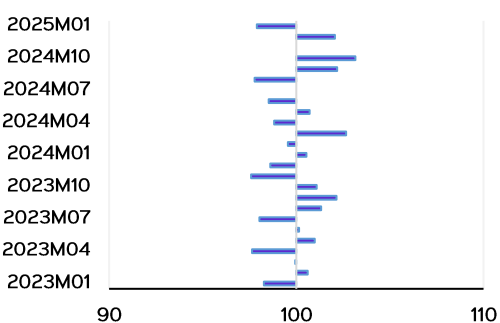
**Inflation Rate**



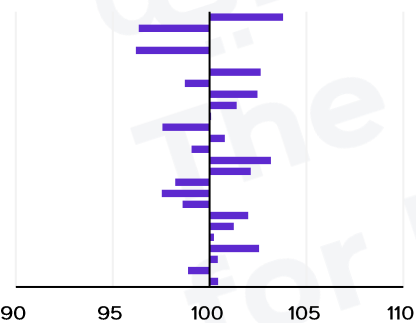
**Policy Rate**



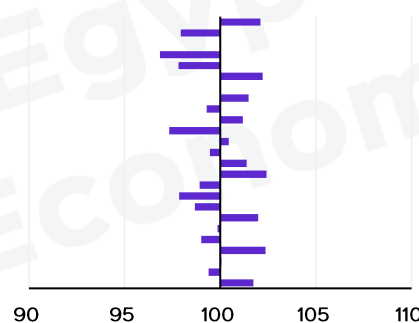
**LCU / USD**



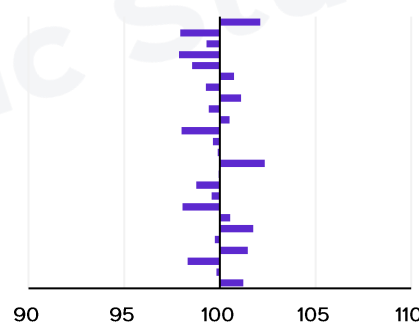
**UK Pound**



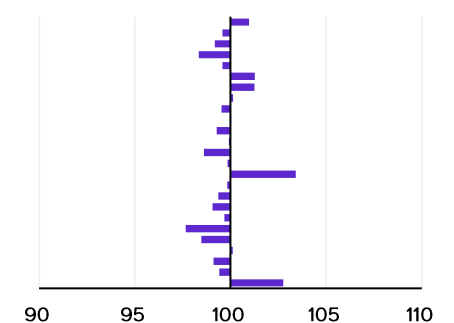
**Euro**



**Canadian Dollar**



**Chinese Yuan**



Commodity Markets

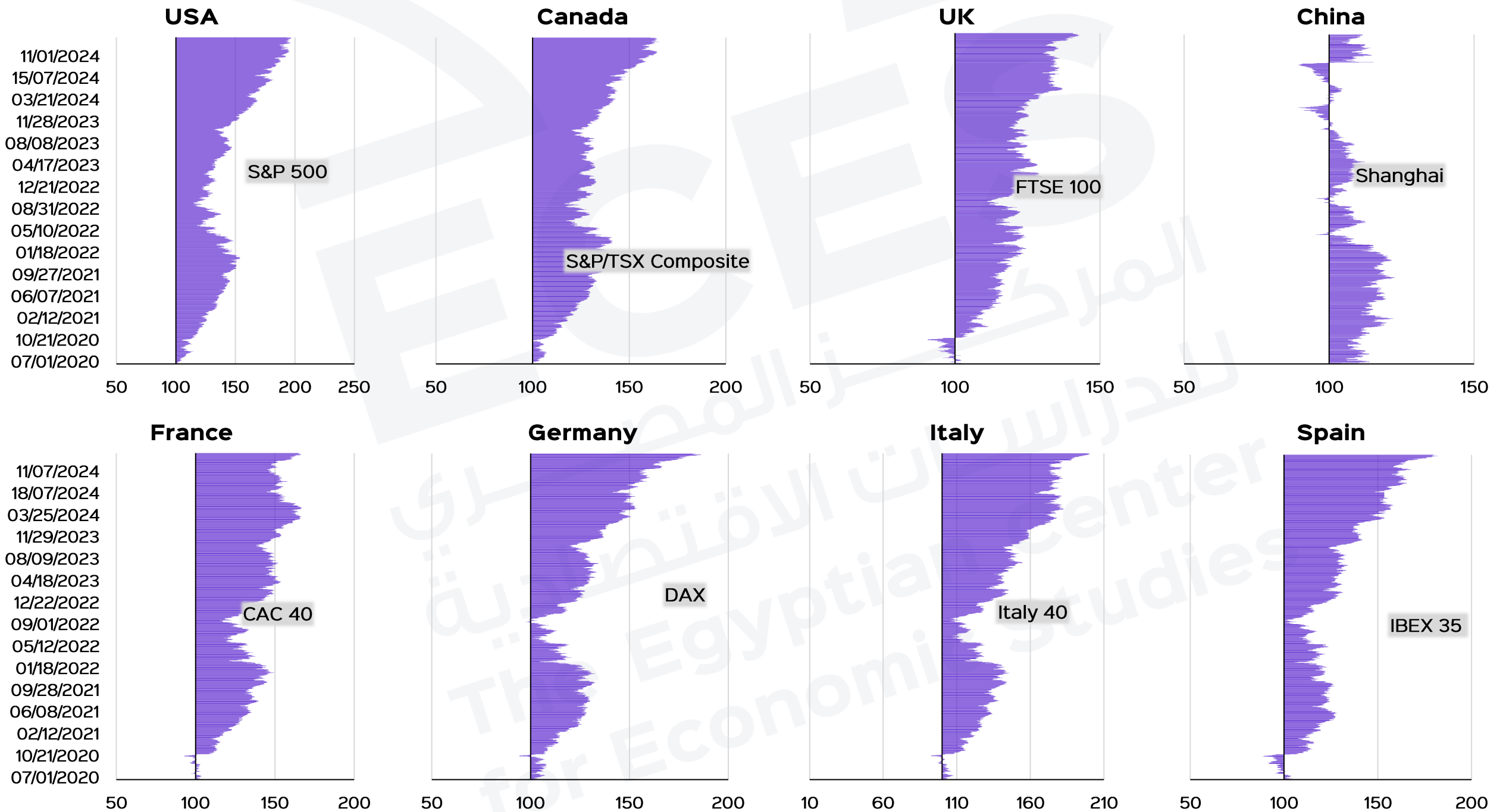
Main Rates

Stock Market

Bond Market

**Global stock markets have been very volatile with geopolitical tensions, global tariff threats and political changes. Notably, EU markets have spiked since they lagged the US market last year along the election of far-right parties and the interest rate cuts.** The election of Trump has brought a new level of turbulence and volatility in the US and global markets in general with the ongoing geopolitical tensions and threat of tariffs. The EU stock markets have notably outperformed the rest of global markets thanks to election of far-right parties that are supposedly business friendly, the interest rate cuts in EU and the catching up with the US market as EU markets lagged last year.

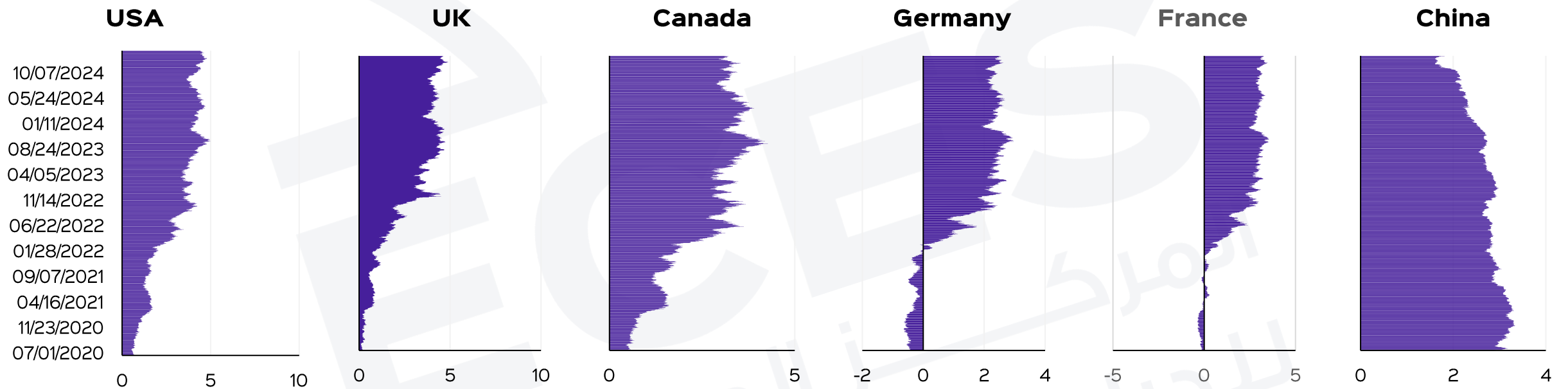
Commodity Markets  
Main rates  
Stock Market  
Bond Market



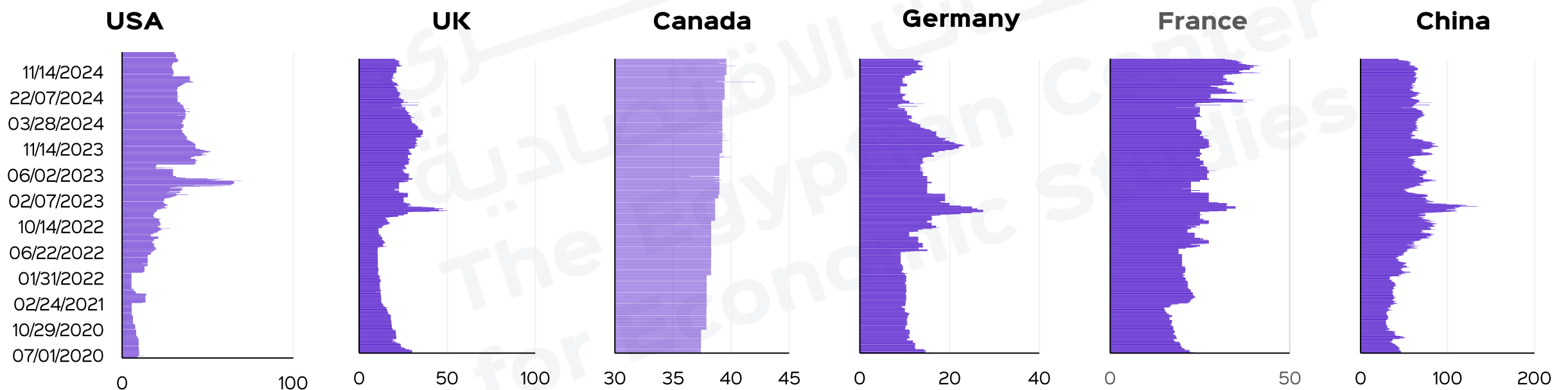


**High actual inflation rates across global markets, US inflationary fears and monetary easing in the EU are acting as opposing factors to bond yields, which have stabilized across global markets. Same applies to CDSs which stabilized in wait for a direction.** Actual inflation rates have increased across most global markets. This was coupled with US inflationary fears due to Trump policies. At the same time, the EU is proceeding with monetary easing. Those factors are sending conflicting messages, resulting into stable bond yields and CDSs in such markets in wait for a clear direction on inflation and monetary easing.

10-Year Bond Yield



5-Year CDS



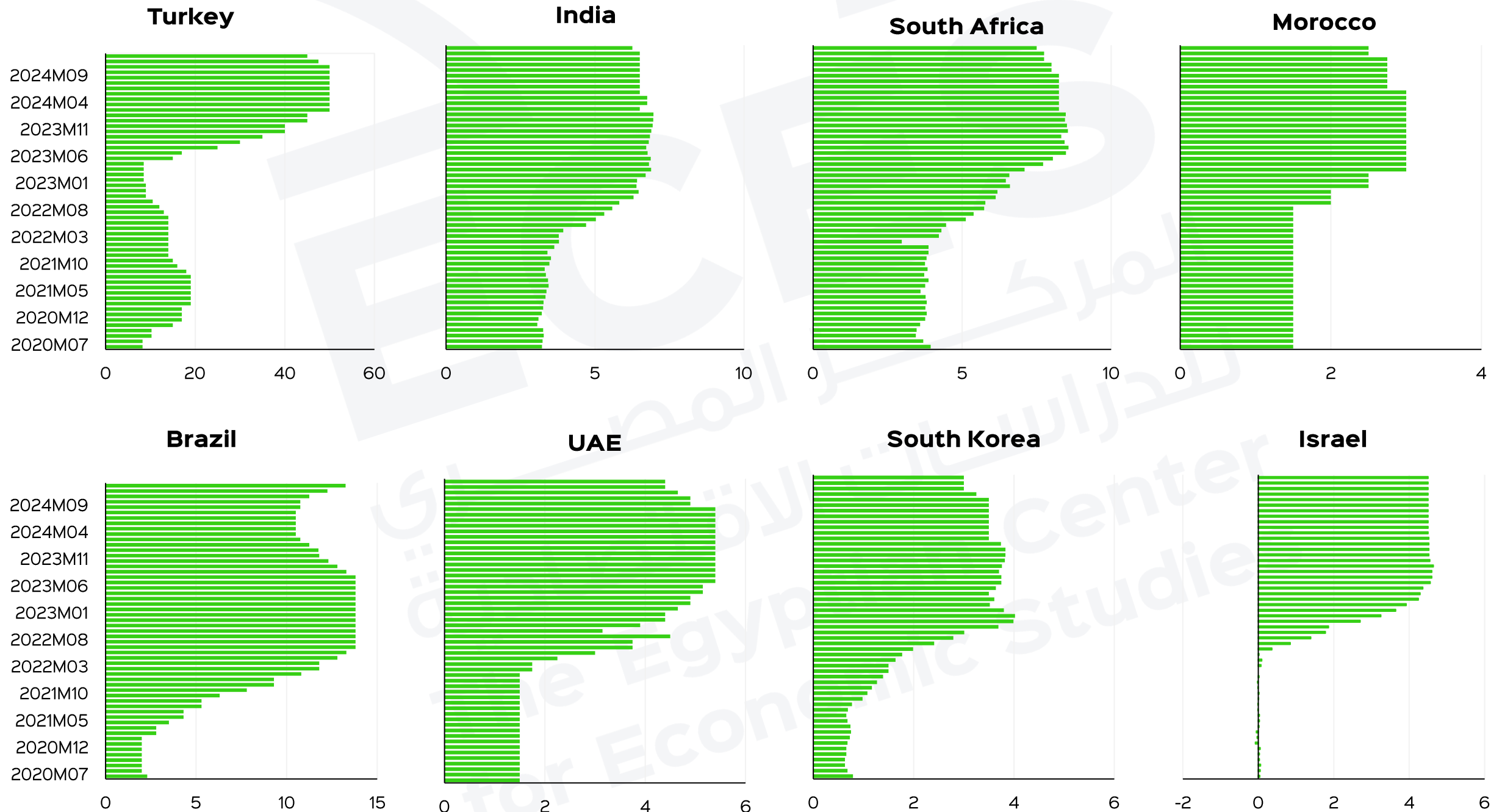
Commodity Markets  
Main Rates  
Stock Market  
Bond Market

**Inflation rates across emerging markets have kept their divergence trend for another month, with some countries witnessing an increase in inflation and others witnessing stability or even decline in inflation, yet there is a clear trend towards stabilization.** Emerging markets inflation rates have diverged yet again for a variety of reasons between food prices or commodity prices, but on an overall basis the changes have become less severe, reflecting the tendency towards stabilization in most commodities prices and the tight monetary policies. Some countries such as Turkey, India and South Africa are enjoying decreasing inflation, while others are still suffering from sticky inflation.



**Emerging markets Central banks have kept their divergent stance to developments in global markets, with most of them keeping interest rates stable mirroring global markets, few cutting interest rates, while countries like Brazil hiked its rate further to protect its currency.** The general trend of stability in inflation rates has reflected into most emerging markets Central banks mirroring global markets Central banks by keeping rates stable last month. Some Central banks such as Turkey, India and South Korea have cut interest rates as their local inflation rates started to get under control, while others such as Brazil hiked its interest rates again to control inflation and protect its currency.

Inflation Rate  
Policy Rate  
LUC/UDC  
Stock Market  
Bond Market



**The higher than expected US inflation rate as well as US inflationary fears that led to the weakening of US Dollar against global markets currencies have also led to weakening of the US Dollar against most of the emerging markets currencies.** Emerging markets currencies started to breathe a bit as most of them appreciated last month against the US Dollar thanks to the high inflation in the US market and the mounting inflationary fears in the US market which are causing weakness of the normally strong US Dollar. Such appreciation of emerging markets currencies is probably a reason why few of their Central banks have kept or cut interest rates as pressure lightened on their local currencies.

Inflation Rate

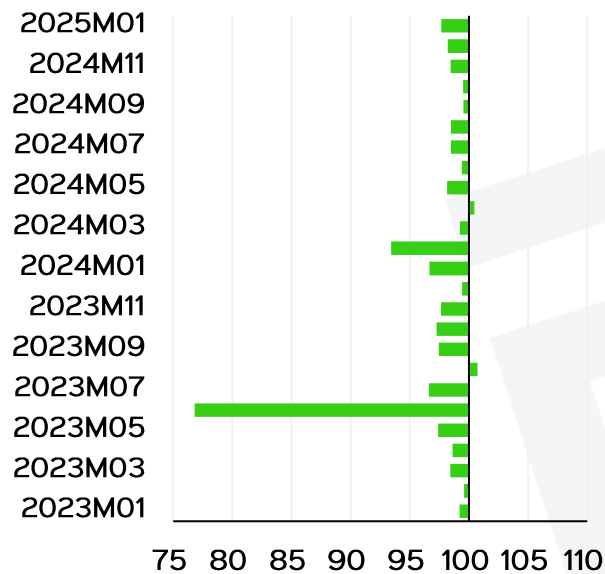
Policy Rate

**LUC/UDS**

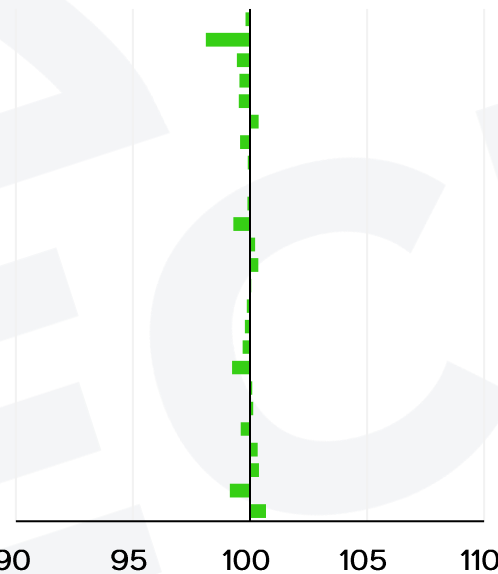
Stock Market

Bond Market

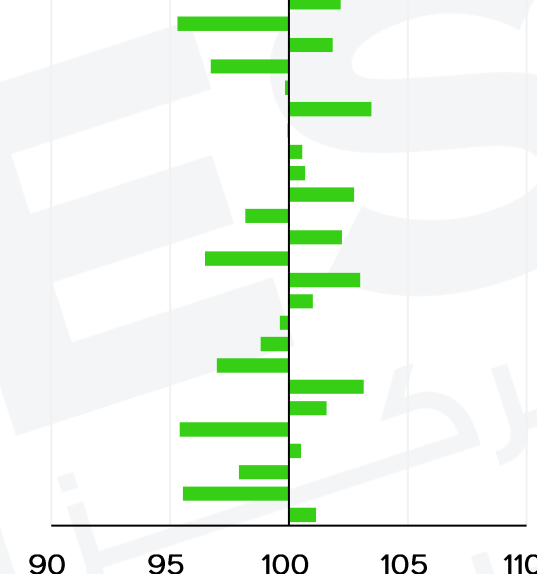
**Turkish Lira**



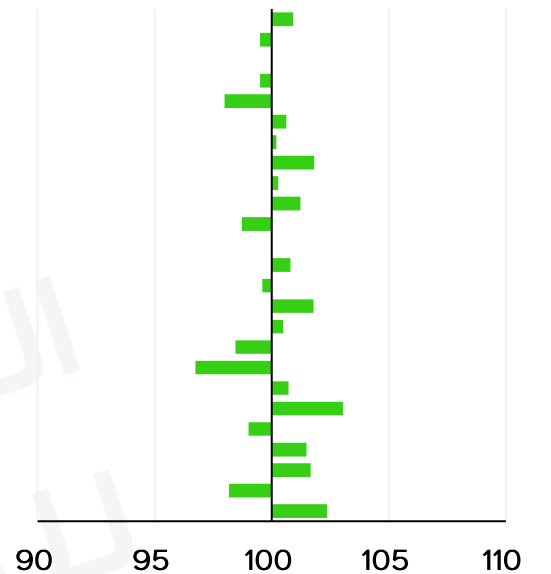
**Indian Rupee**



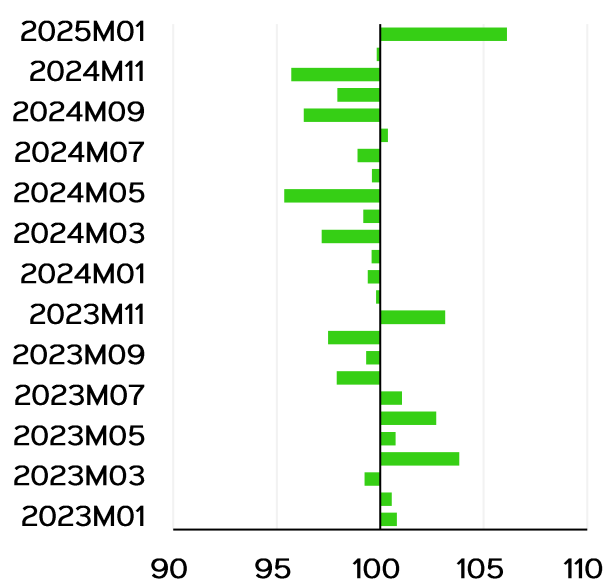
**South African Rand**



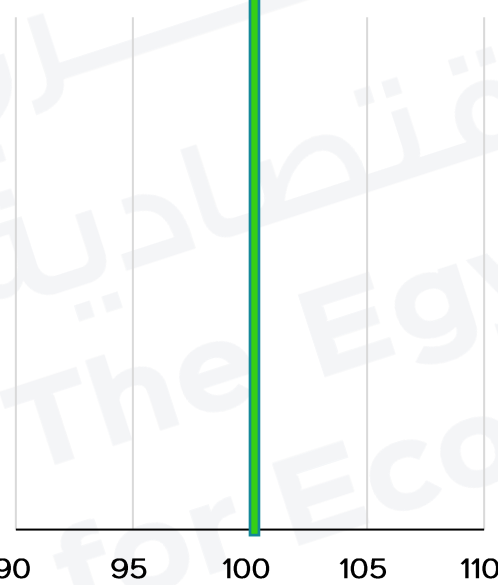
**Moroccan Dirham**



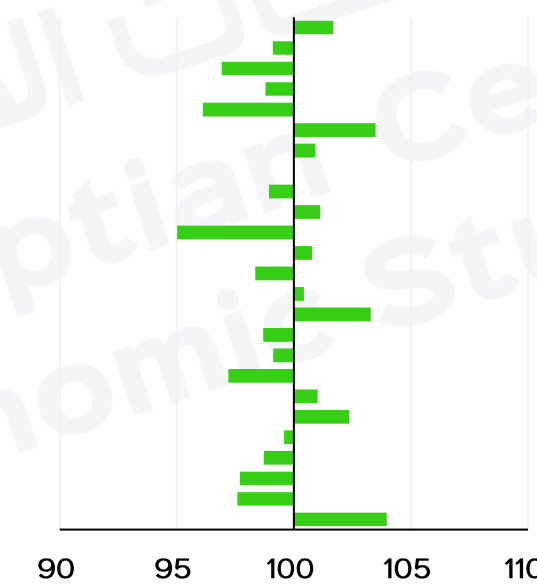
**Brazilian Real**



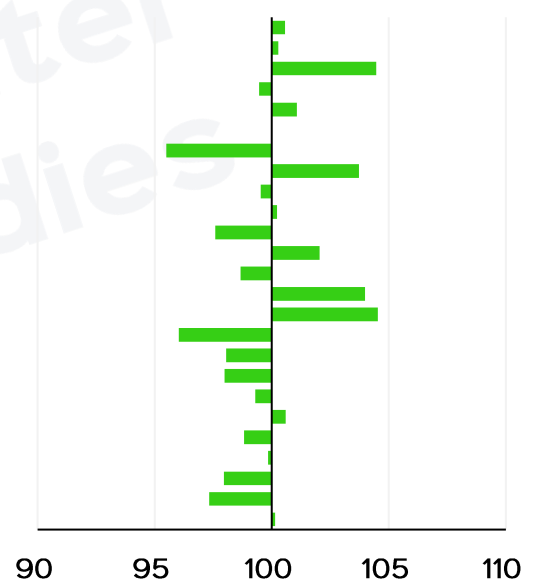
**UAE Dirham**



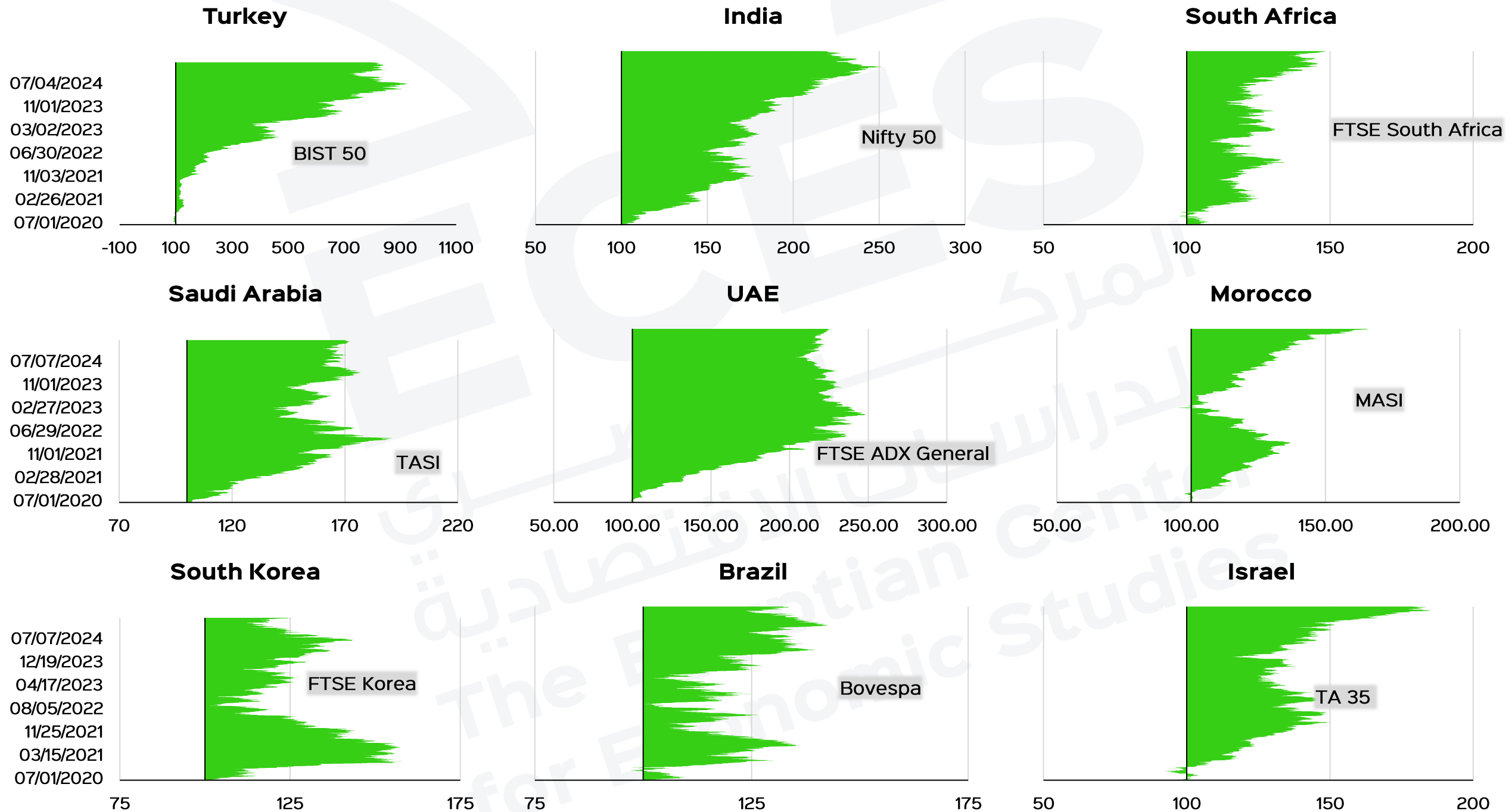
**Korean Won**



**Israeli New Shekel**



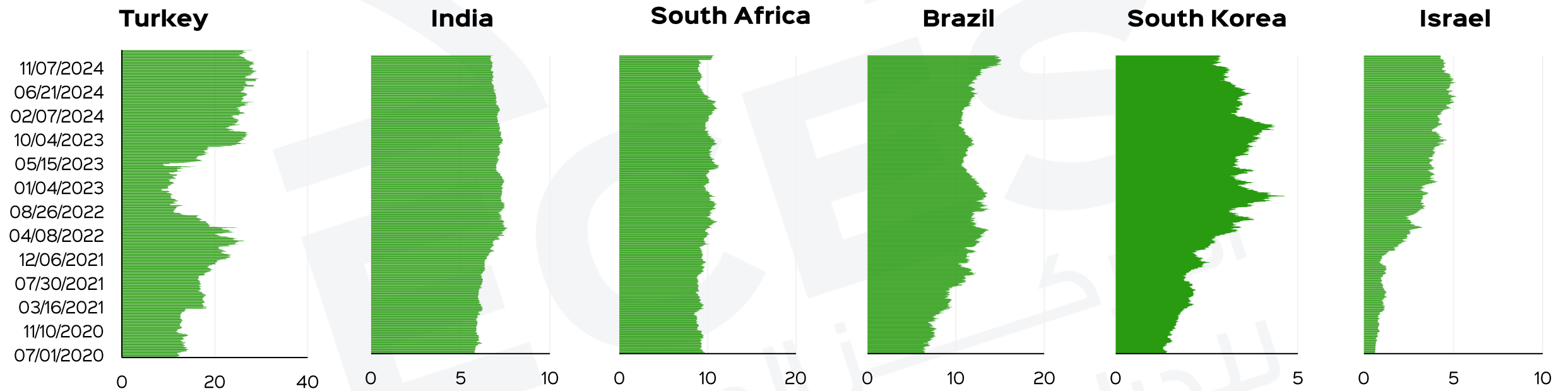
**Stock markets in emerging markets have witnessed another turbulent month in the new Trump era, due to heightened global geopolitics and the never-ending Trump executive orders.** The new Trump has introduced to the market an unforeseen level of volatility that is disseminated across the different stock markets, whether global or emerging markets. Emerging markets have witnessed an even larger volatility due to inherent volatility in such markets and the heightened geopolitical risks. Having said so, some markets such as South Africa, Morocco and South Korea have rallied thanks to strengthening of their local currencies.



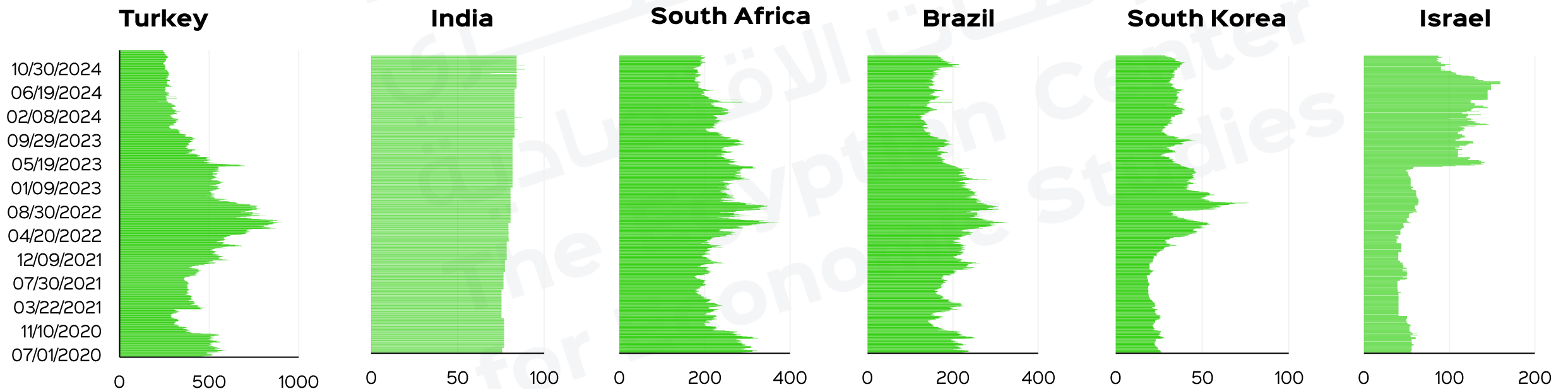
Inflation Rate  
Policy Rate  
LUC/USD  
Stock Market  
Bond Market

**Bond yields in emerging markets have kind of stabilized at high level in most markets, mirroring global markets due to inflationary fears, while CDSs got contained as the mode of slow easing unravels and the risk of default decreases with such clarity.** Bond yields in global markets have stabilized at a time of opposing factors and inputs. Such stability, has been reflected into emerging markets, which have witnessed stable yet high bond yields. CDSs, on the other hand, have been contained as the slow pace of easing cycle has been adopted and with this clarity, the risk of insuring debt for emerging markets against default decreased. So even at high bond yields, clarity have helped decrease CDSs.

**10-Year Bond Yield**



**5-Year CDS**



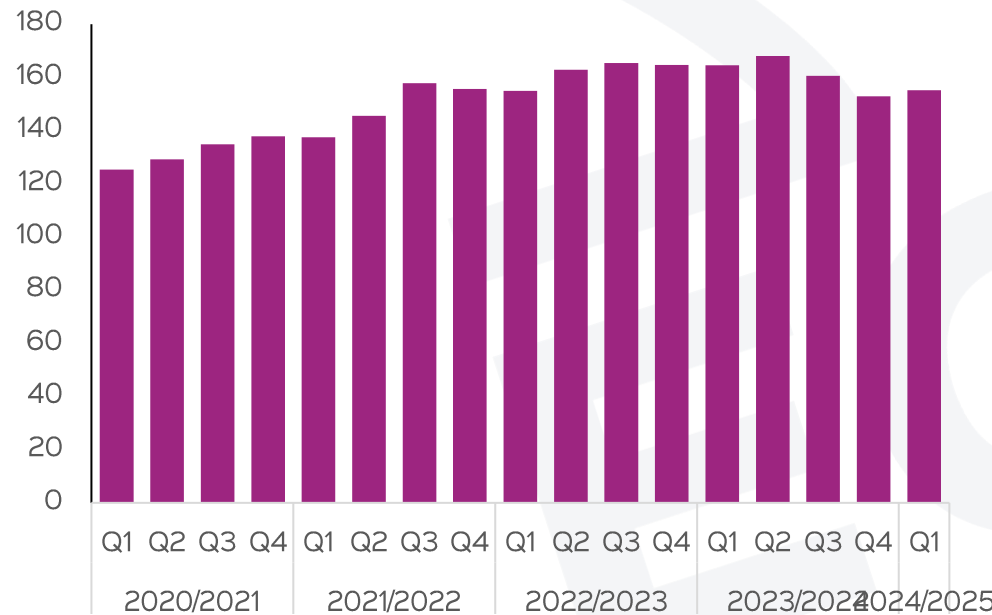
Inflation Rate  
Policy Rate  
LUC/UDC  
Stock Market  
Bond Market

**Total external debt resumed its upward trend due to new borrowing, currency devaluation and accumulated debt servicing cost. Bond yields inched upwards as Egypt returned to international bond markets, which have reflected positively into stable CDSs.** After a declining for few quarters, external debt resumed its upward trend thanks to external borrowing, which was crowned by the return of Egypt to international bond markets, though at high interest rates. Bond yields inched upwards a bit with the increased cost of external borrowing, while CDSs got contained due to decreased risk of default in the near term as the country taps in new sources of funding from the international market.

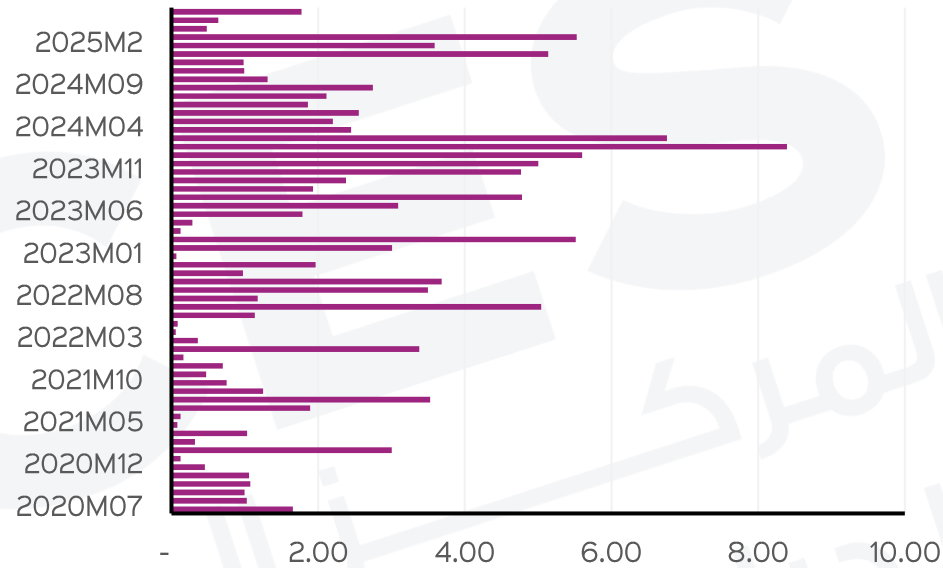
External Position

Local Developments

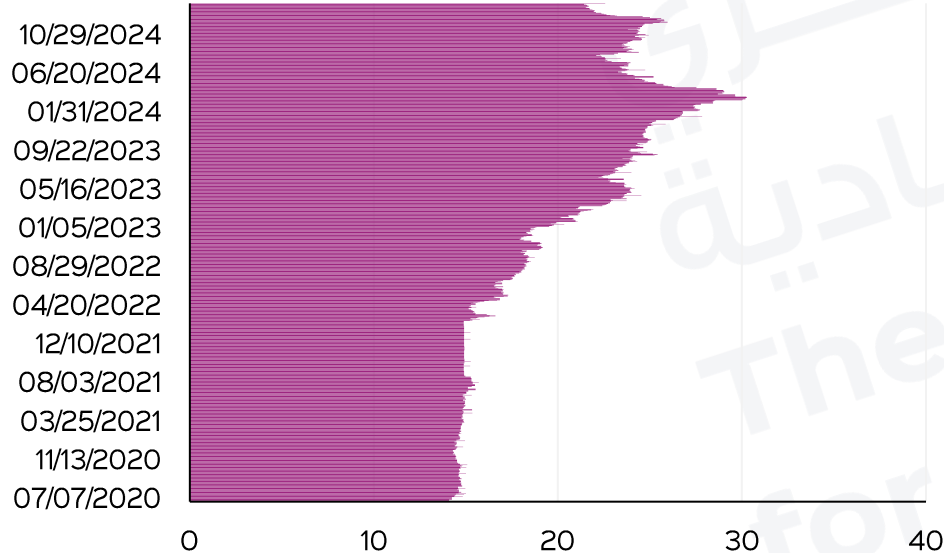
**Total External Debt (bn \$)\***



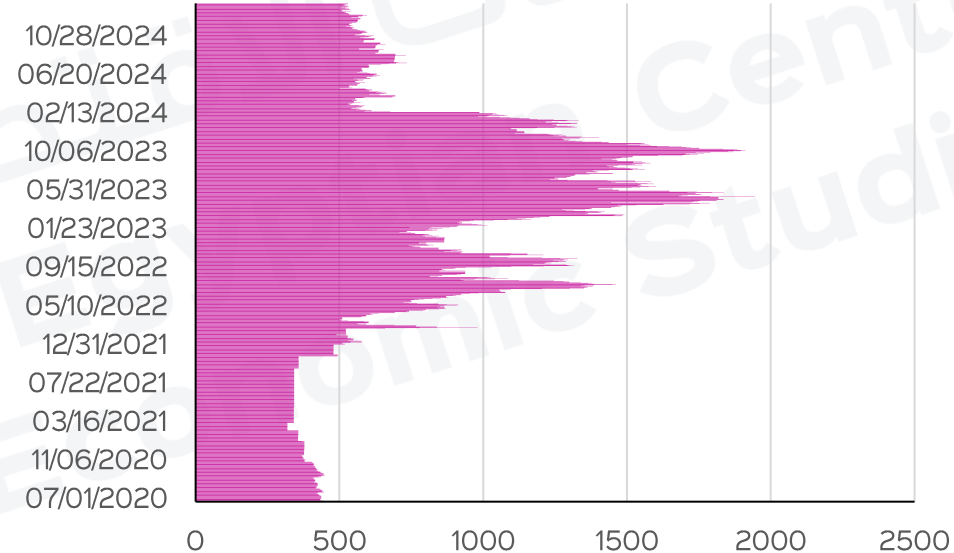
**External Debt Service (bn \$)\***



**Egypt 10-Year Bond Yield**



**5Y CDS, Egypt**



**S&P Global Ratings**  
**B-** Positive

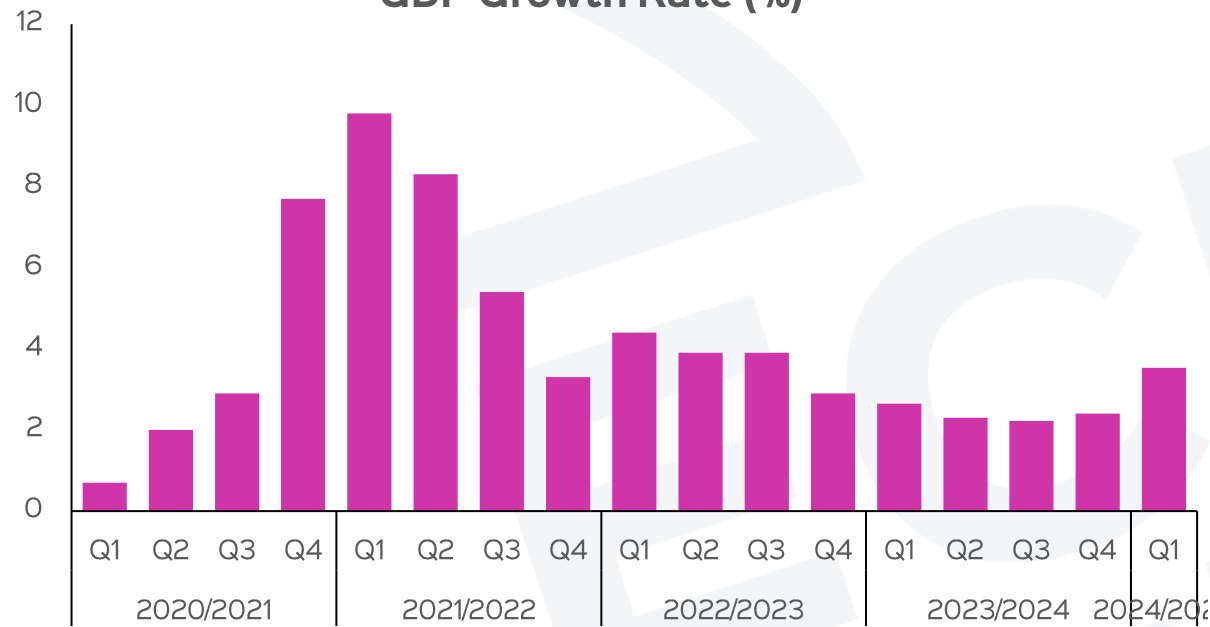
**Fitch Ratings**  
**B** Stable

**MOODY'S INVESTORS SERVICE**  
**Caa1** Positive

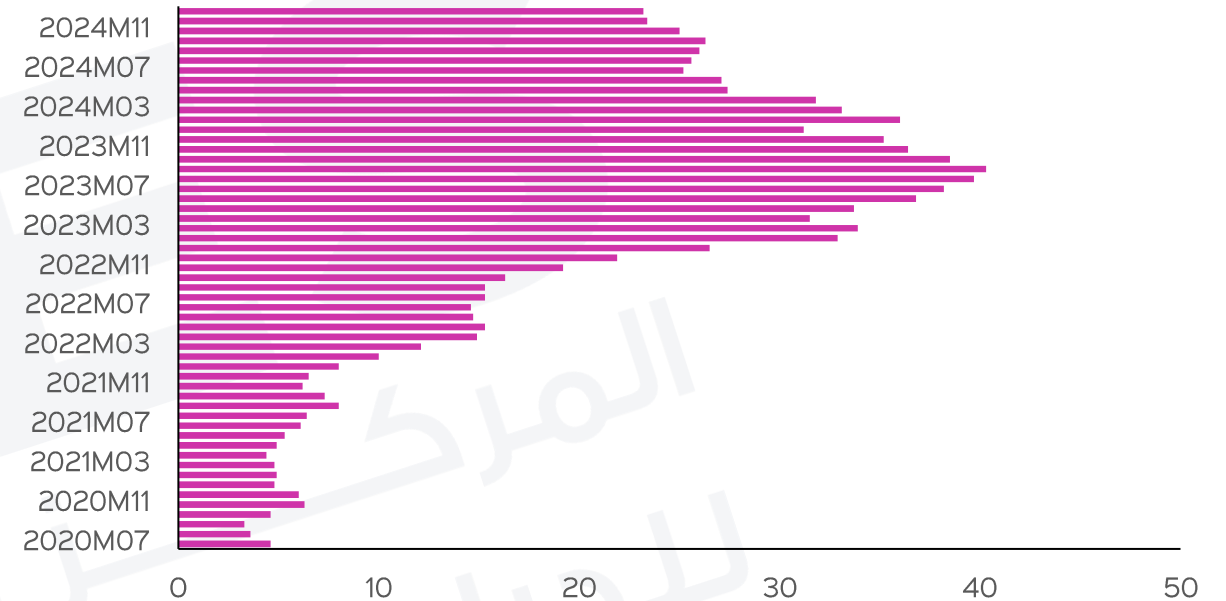
**Inflation rate declined for the third month in a row thanks to having no price hikes enacted lately as well as the consistent decrease in growth in money supply. Central bank is still keeping interest rates high to curb inflation and protect the currency.** Inflation rate decreased for the third month in a row since no price hikes were enacted by the government. Also, the high base effect has helped show a contained inflation, despite still having very high inflation rate. Having said so, the Central bank is still adopting a tight monetary policy as reflected by the steep decline in growth in money supply through liquidity absorption and adoption of high interest rates to contain inflation and protect the currency.

External Position  
Local Developments

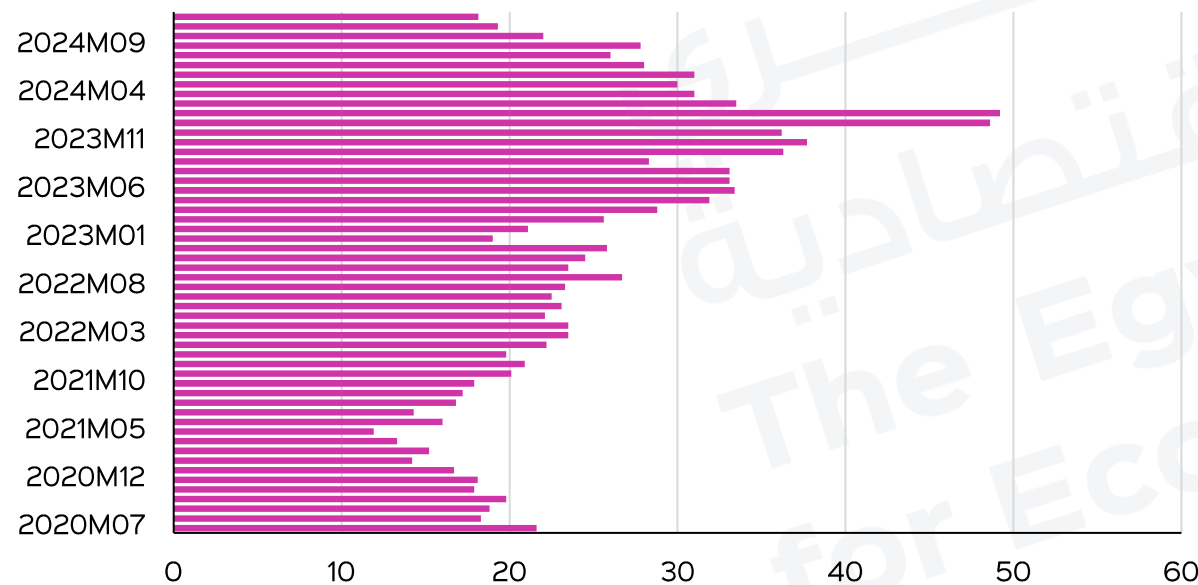
**GDP Growth Rate (%)\***



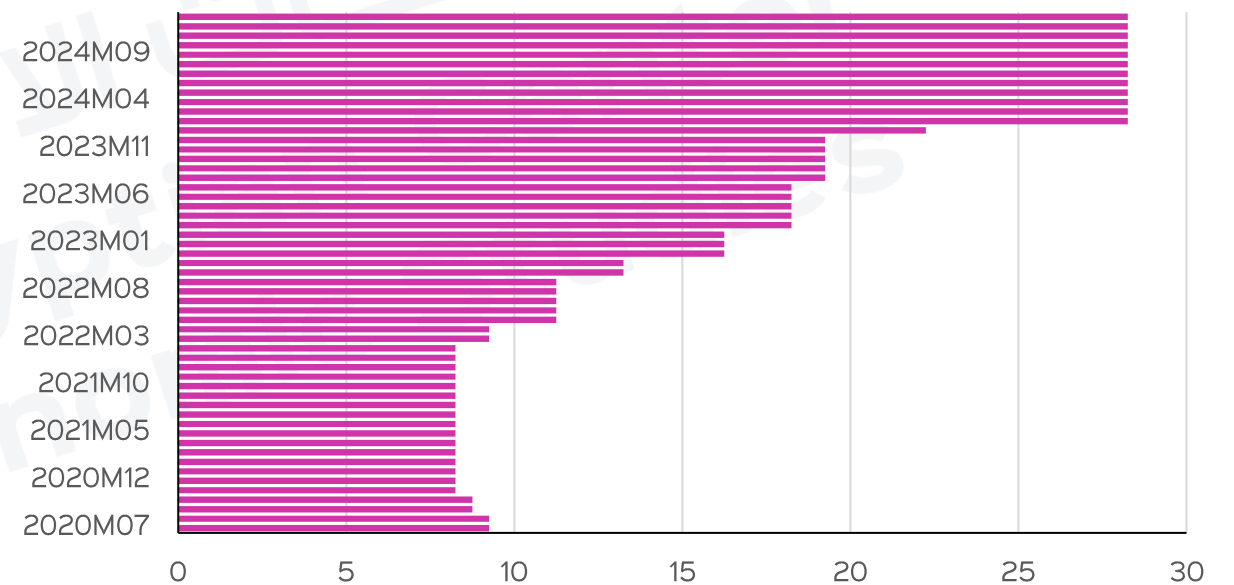
**Inflation Rate (%)**



**Growth Rate of Money Supply (M1)\***



**Policy Rate (%)**



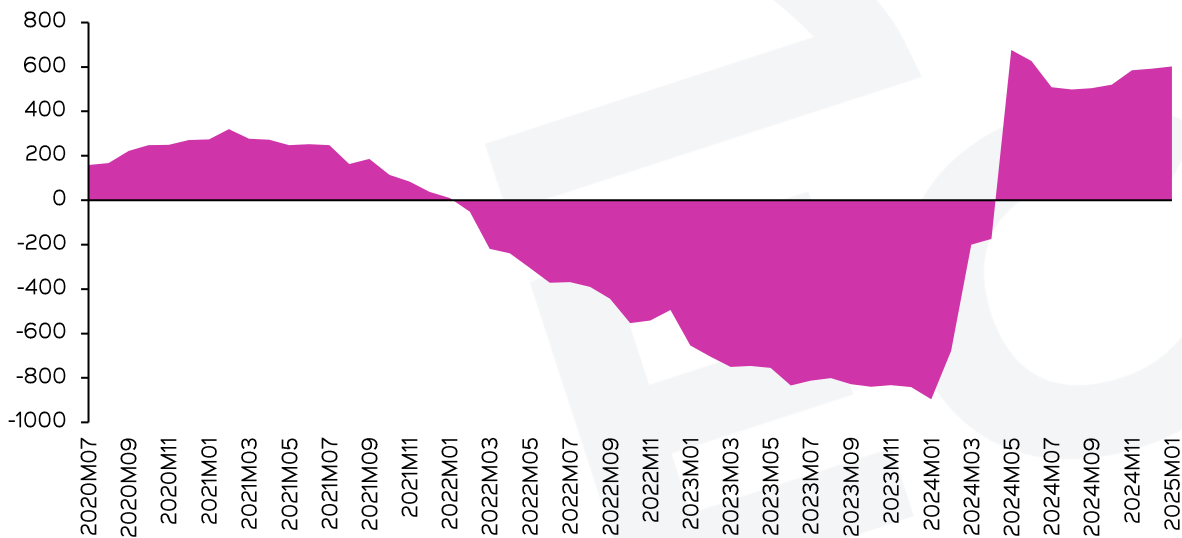


**Central bank reserves of foreign currency have inched upwards and net foreign assets in the banking system slightly increased, supported by inflows of foreign funds and remittances. Official exchange rate kept climbing and the gap with other prevailing rates persisted, though still limited.** Currency inflows from remittances have increased significantly thanks to having a unified exchange rate in the market. Such inflows along with foreign direct investments have supported the position of the net foreign assets in the banking system as the Central bank official reserves. Despite this, the Pound official exchange rate is increasing and the gap between the official and other prevailing rates in the market persisted for the third month in a row, though still limited.

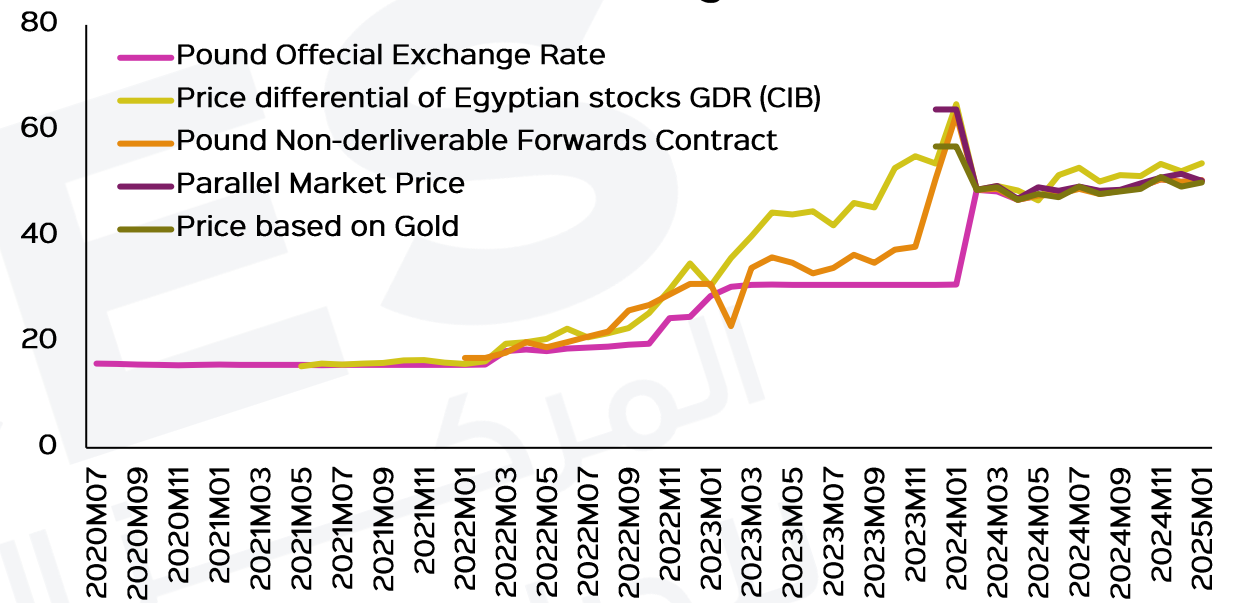
External Position

Local Developments

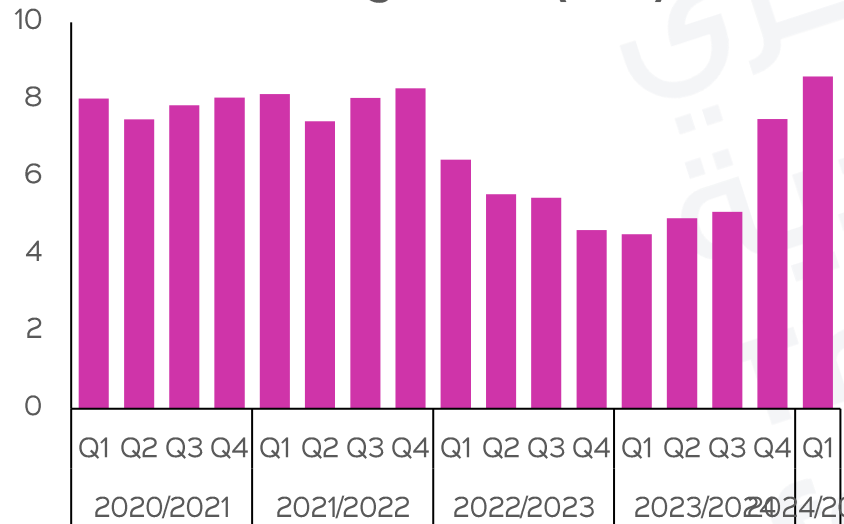
**Net Foreign Assets of the Banking System (bn LE)\***



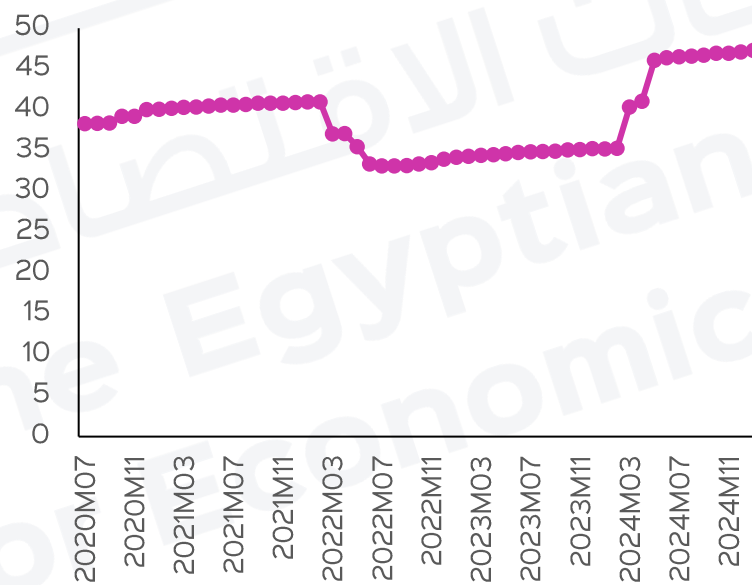
**Pound Exchange Rate**



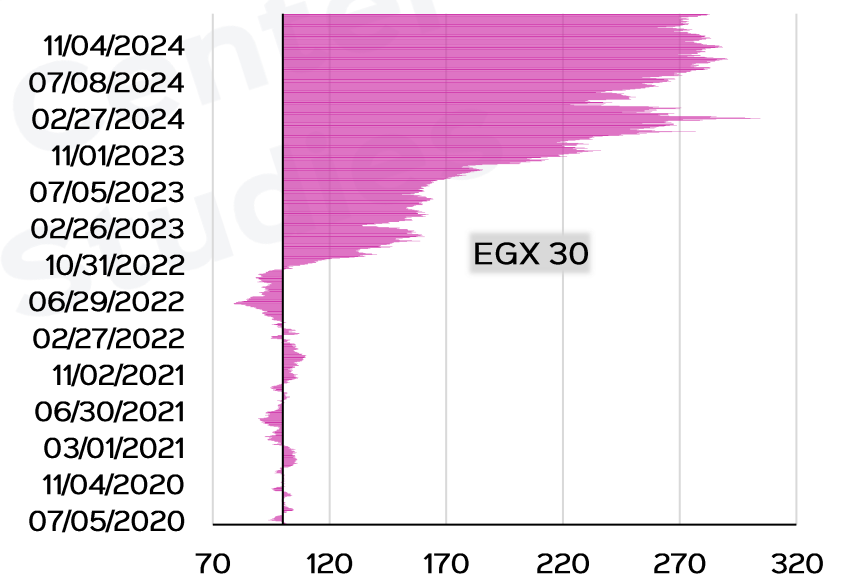
**Remittances of Egyptians working abroad (bn \$)**



**Net International Reserves**



**Egypt**



# Sources

## Global Markets



- Food and Agriculture Organization of the United States
- OECD.Stat
- International Monetary Fund
- Corporate Finance Institute
- World Bank
- Investing.com

## Emerging Markets



- OECD.Stat
- Central Bank of Saudi Arabia
- Central Bank of Morocco
- Central Bank of UAE
- Investing.com

## Egyptian Local Market



- Central Bank of Egypt
- World Bank
- Ministry of Planning and Economic Development
- Egyptian Exchange
- Central Bank Of Egypt
- Investing.com

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# Annex 1: 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.

# Annex 2: Terminology

Term	Explanation
Policy Rate	The central bank policy rate (CBPR) is the rate used by the Central Bank to signal or implement its monetary policy stance.
LCU / USD	The change in the value of one currency in comparison to another currency (the US Dollar) in the free-floating exchange rate regime.
CDS	A credit default swap (CDS) is a type of credit derivative that provides the buyer with protection against default and other risks. The buyer of a CDS makes periodic payments to the seller until the credit maturity date. In the agreement, if the debt issuer defaults, the seller commits to paying the buyer all premiums and interest that would've been paid up to the date of maturity.
Credit Rating	A credit rating is an opinion of a particular credit agency regarding the ability and willingness of an entity (government, business, or individual) to fulfill its financial obligations in full and within the established due dates. A credit rating also signifies the likelihood a debtor will default. It is also representative of the credit risk carried by a debt instrument – whether a loan or a bond issuance.
Net Foreign Assets of the Banking System	Net foreign assets are the sum of foreign assets held by monetary authorities and deposit money banks, less their foreign liabilities. Data is in current local currency.
External Debt Service	The external debt to be paid in a certain period, is composed of the sum of principal installments and interest.

...one high...  
...und is still suffering huge pro...  
...at due to the high negative net foreign assets...  
...external debt, negative net foreign assets, low credit rating and high...  
...ancing needs are all putting more pressure on the pound and makin...  
...national financial markets



  
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