



Financial Markets Snapshot

Issue 15
March 2025

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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



- Prices of most commodities have stayed stable or even declined, except for gold which spiked quickly last month due to inflationary expectations, uncertainty and global geopolitical tensions.
- Inflation rates have increased again across most global markets, except for China. Most of global Central banks have cut interest rates to stimulate their economies, while the US kept its interest rate in fear of inflationary expectations.
- Global stock markets have diverged, with the US market witnessing a huge selloff, while the European and Chinese markets rallied on the back of financial stimulus and monetary easing.
- Due to the confusing messages and volatility, bond yields and CDSs have increased again across global markets.

Emerging Markets



- Inflation rates across emerging markets have diverged again, yet there is no major spike or decline.
- Accordingly, emerging markets Central banks have diverged, yet again, in their policy stance. Central banks witnessing declining inflation rates have cut their interest rates, while others stayed put until inflation gets tamed.
- This has reflected into emerging markets currencies. Those cutting rates have witnessed currency depreciation in return, while countries having fixed interest rates witnessing currency appreciation.
- Emerging markets stock markets have suffered from heightened volatility, yet for a change some of them have rallied on the back of decreasing interest rates or stable currencies.
- Global uncertainty had its toll on rising bond yields across emerging markets. Same applies to CDSs.

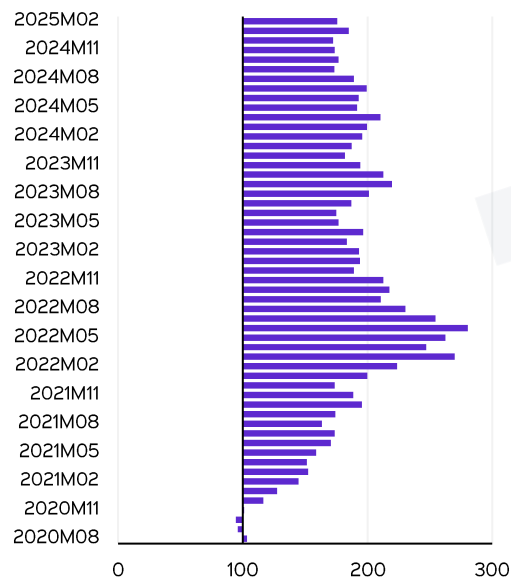
Egyptian Local Market



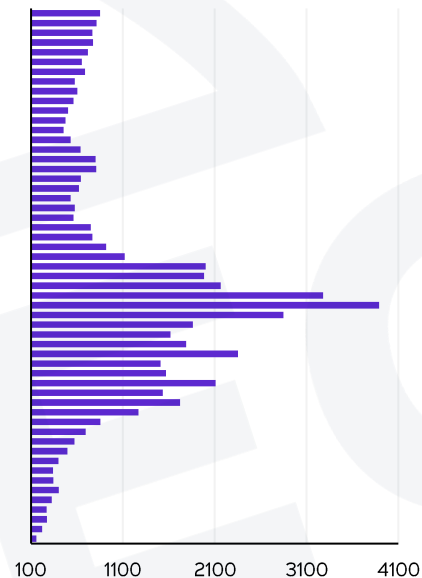
- Total external debt resumed its upward trend due to new borrowing and accumulated debt servicing cost. Bond yields increased as Egypt returned to international bond markets and needed to attract new funds.
- Inflation rate has sharply declined last month as the change of base year effect came into play, while money supply has resumed its high growth rate. Central bank has kept its interest rate fixed, yet with the sharp decline in inflation, the Central bank has a room for an upcoming cut.
- Central bank reserves of foreign currency and net foreign assets in the banking system slightly increased, due to inflows of foreign funds and stable remittances. Official exchange rate rose again and the gap with other prevailing rates persisted, though still under control.

Most commodity prices have stayed stable or even declined, except for gold which notably spiked thanks to inflationary expectations, uncertainty and global geopolitical tensions. Commodity prices have gotten back to their relative stability and downward trend across most commodities. Key commodities such as oil went down thanks to increased US production and Trump pressure on OPEC. Iron also went down due to recessionary fears and demand concerns. On the contrary, gold spiked in the last month due to inflationary expectations in the US resulting from tariffs, uncertainty about Trump next moves, and increased global geopolitical tensions.

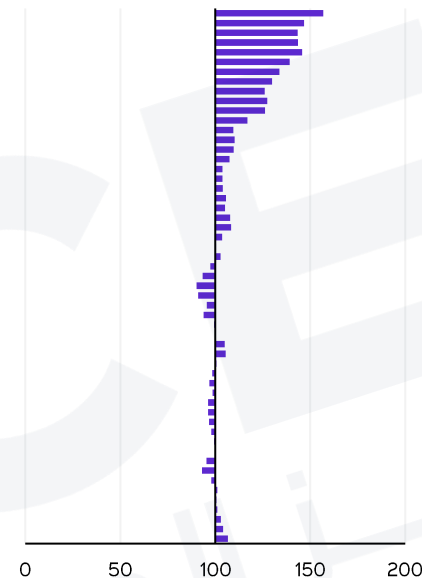
Crude Oil, Brent



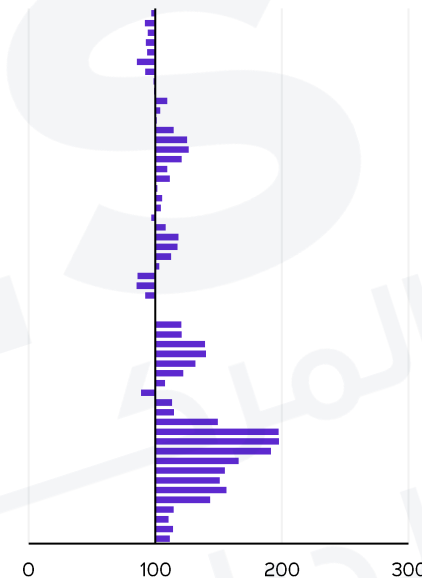
Natural Gas



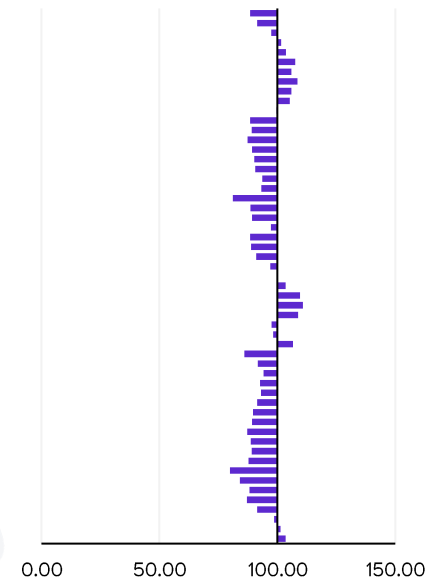
Gold



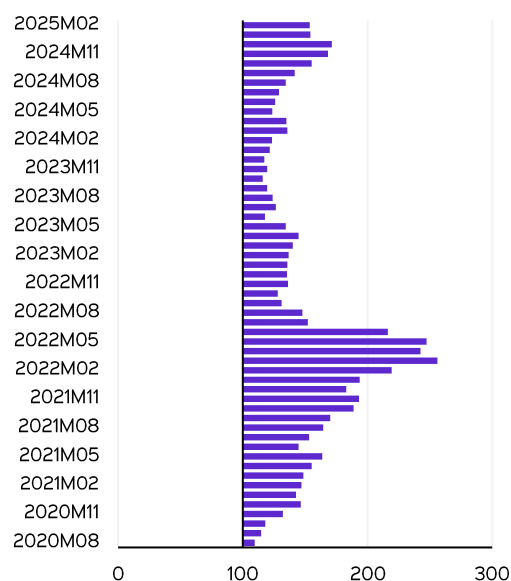
Iron ore



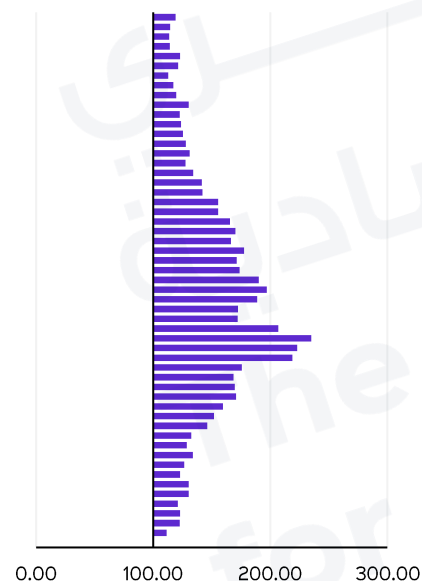
Tea



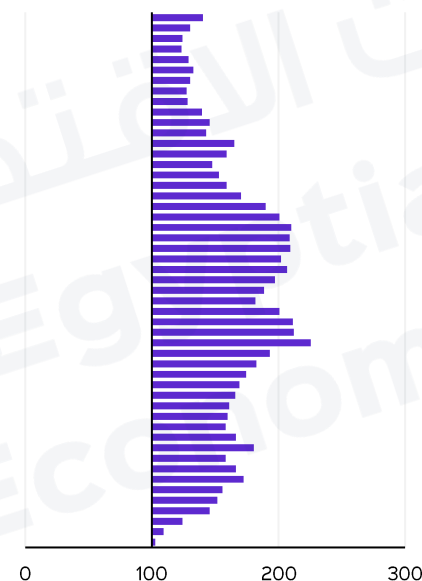
Palm oil



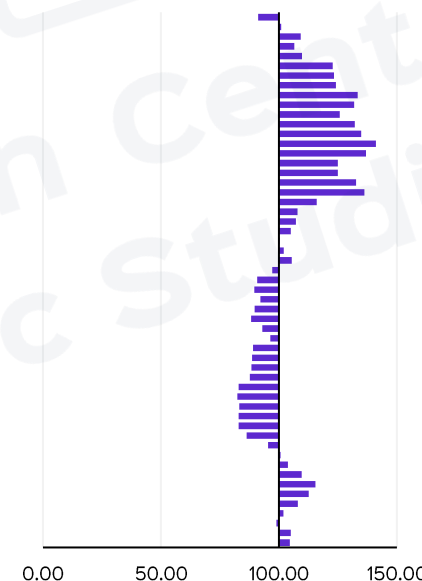
Wheat



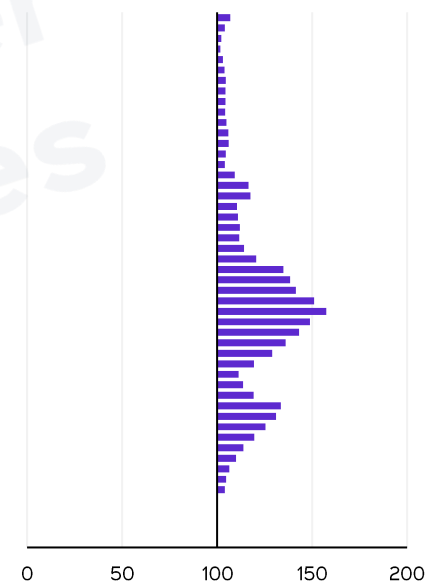
Maize



Rice

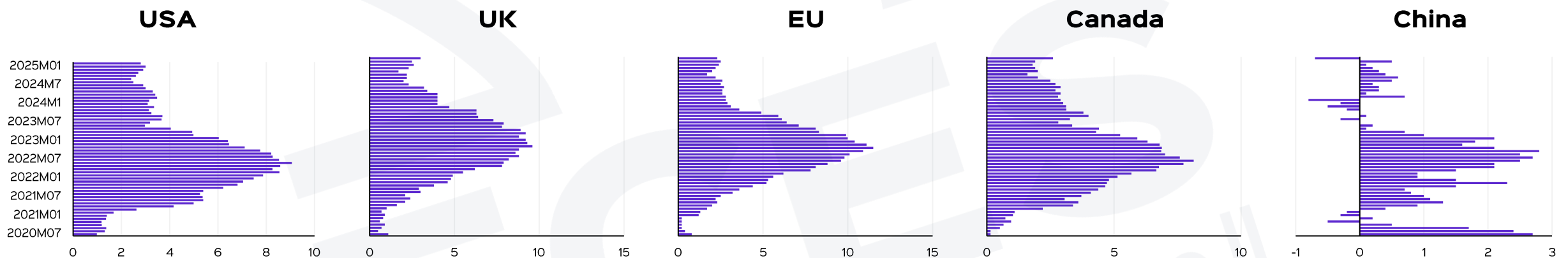


Bovine meat

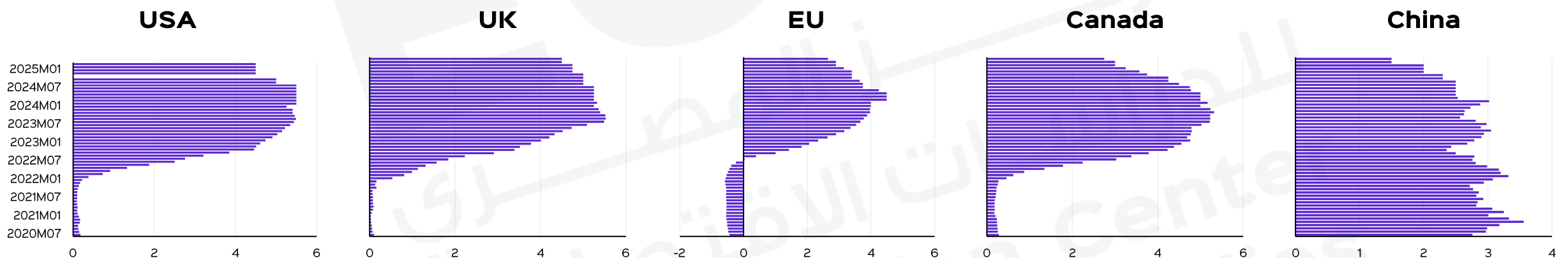


Inflation rates have inched upwards, yet again, across most global markets, except for China. This has left Central banks with a critical situation. Most of global Central banks have cut interest rates to stimulate their economies, while the US kept its interest rate in fear of inflationary expectations. Trump presidency and his unexpected moves when it comes to tariffs is creating global uncertainty and disrupting supply chains and inflation expectations across global markets. Some Central banks such as UK, EU and Canada decided to cut rates to stimulate their economies, expecting sticky inflation to tame down by time. While others such as the US Fed decided to keep rates high in fear of the inflationary expectations of Trump policies, until there is more clarity.

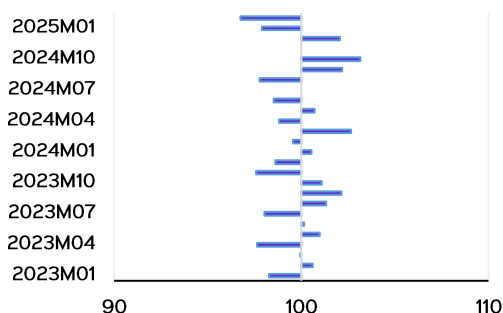
Inflation Rate



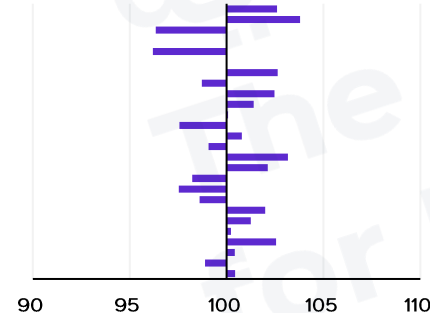
Policy Rate



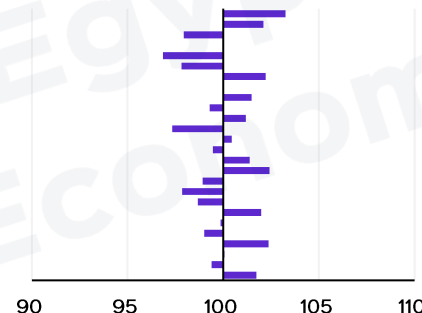
LCU / USD



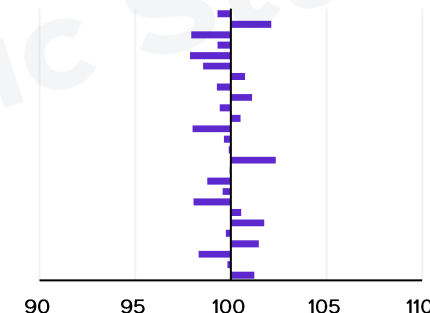
UK Pound



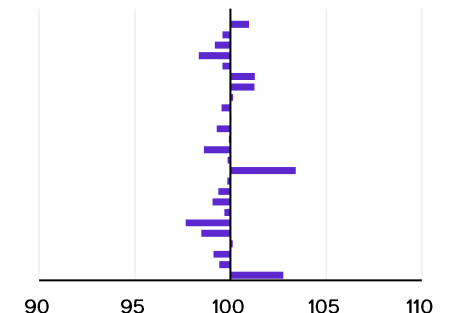
Euro



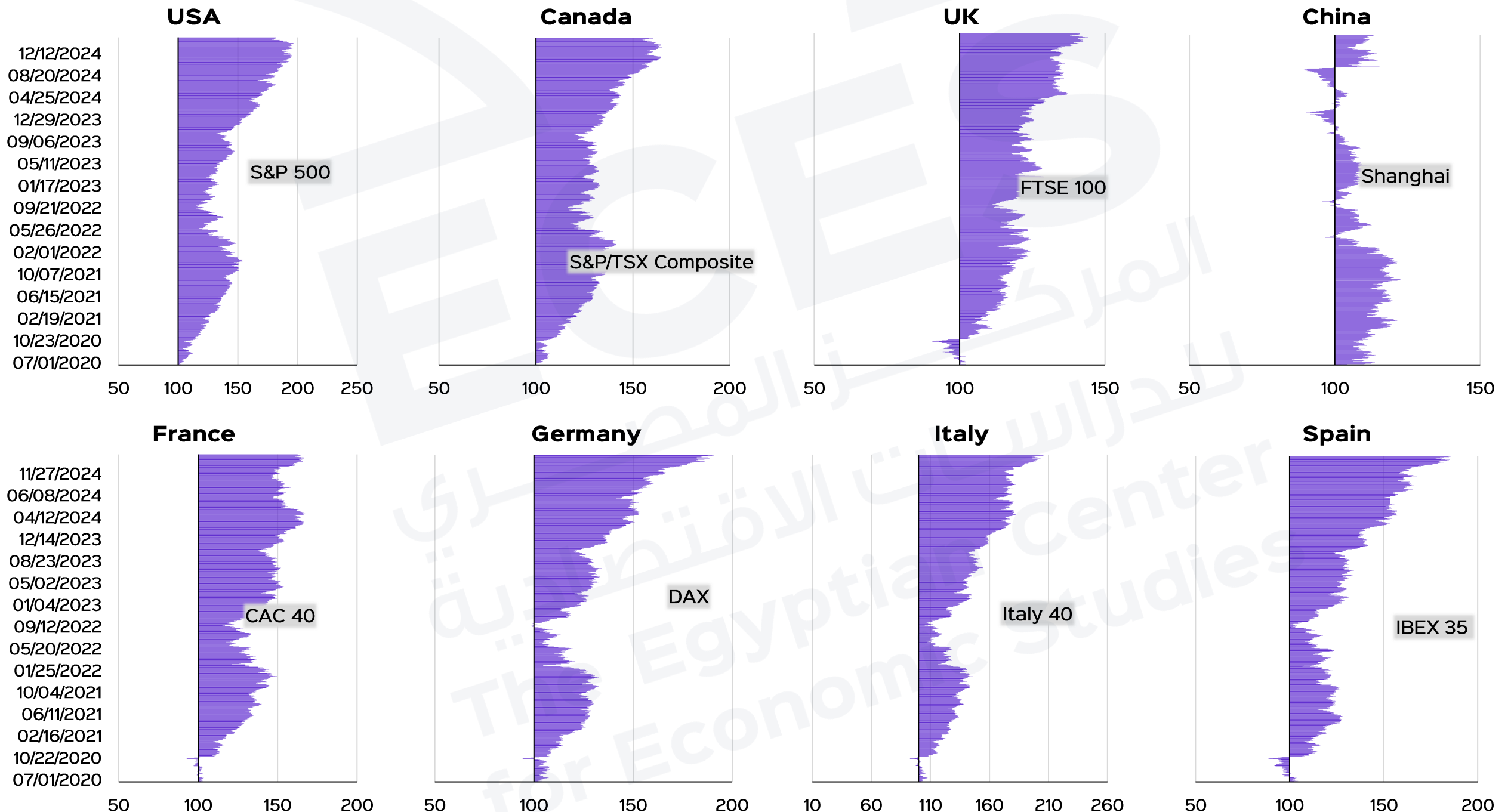
Canadian Dollar



Chinese Yuan

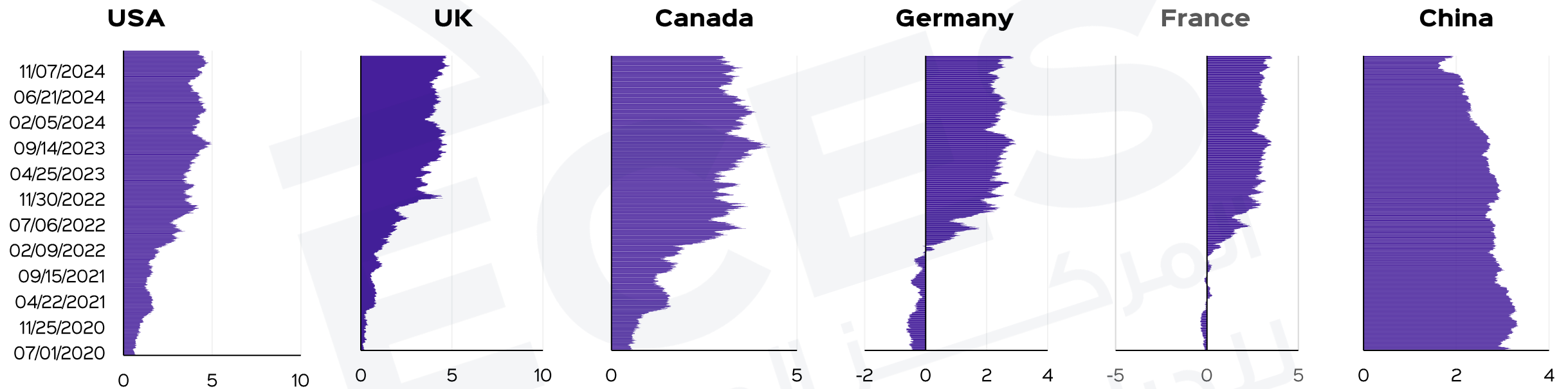


Global stock markets have witnessed a major divergence, with the US market witnessing a huge selloff taking it into correction territory, while the European and Chinese markets rallied on the back of financial stimulus and monetary easing. The uncertainty about Trump next moves and the barrage of executive orders and tariff decisions have triggered a huge selloff in the US market that took it into correction territory as the market dropped by more than 10%. On the other hand, the European and Chinese markets have rallied since the beginning of the year thanks to fiscal stimulus, monetary easing and advances in the tech arena especially in China.

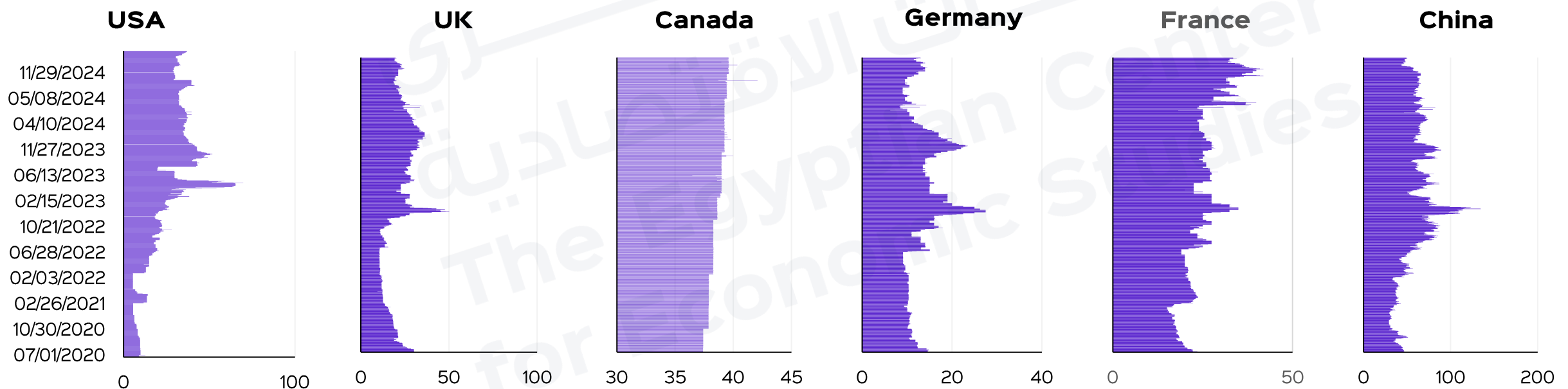


Higher than expected inflation rates, high inflation expectations, monetary easing in Europe, fiscal stimulus in Europe and China as well as continuous tariff threats are creating unparalleled volatility in bond markets. The same is witnessed in CDSs which are volatile without a clear direction. Actual 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, while China is proceeding with fiscal stimulus. Such conflicting directions have resulted into huge volatility in bonds market. Same applies for CDSs which are very volatile and without clarity on the direction.

10-Year Bond Yield



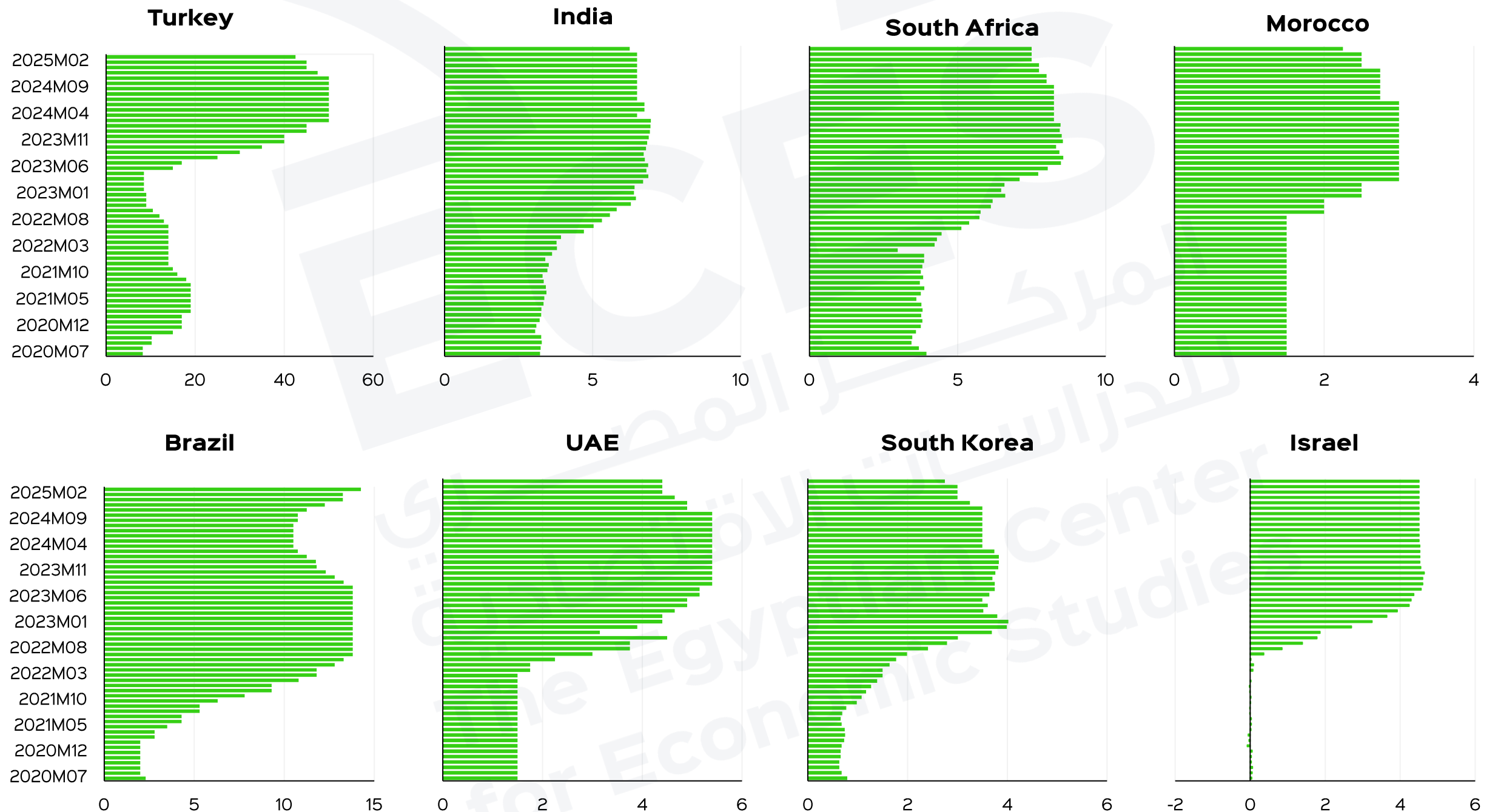
5-Year CDS



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 no major spike or decline. Emerging markets inflation rates have diverged yet again for a variety of reasons between food prices or commodity prices, yet the changes have been tamed down without major spikes or declines. The tendency for stabilization in most commodities prices and the tight monetary policies have played a major role towards stabilization. Some countries such as Turkey, India and South Korea are enjoying decreasing inflation, while others are still suffering from sticky inflation.

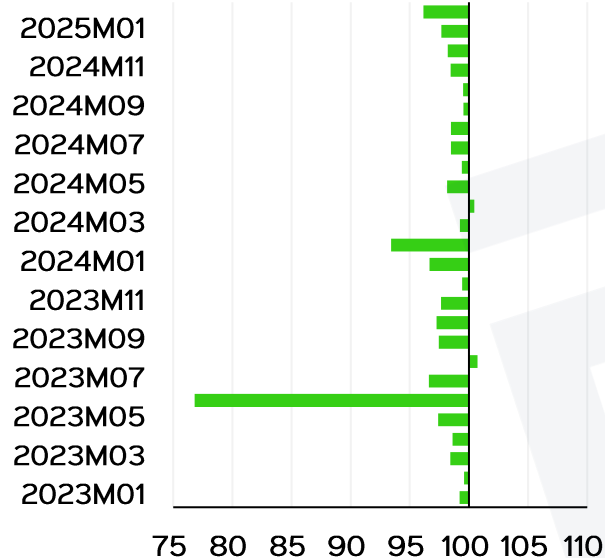


Emerging markets Central banks have diverged, yet again, in their policy stance. Central banks witnessing declining inflation rates have cut their interest rates, while others stayed put until inflation gets tamed. Brazil hiked its rate further to protect its currency. Emerging markets Central banks have taken divergent stance on their interest rates depending on actual inflation rates in their respective countries. Central banks in Turkey, India and South Korea have cut their rates as the witness declining inflation, while other Central banks have kept their rates fixed given high inflation rates. Brazil is an exception as it hiked its rate further to protect its currency, which is facing huge pressure.

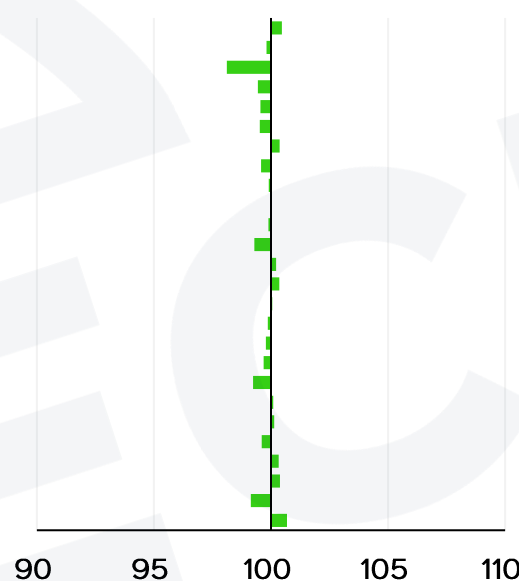


Emerging markets currencies have been having different experiences, with countries cutting interest rates witnessing declining currencies against the US Dollar, while countries having fixed interest rates witnessing currency appreciation against the generally weaker US Dollar. The divergence in emerging markets have expanded into currencies arena, where countries that cut interest rates have seen their currencies depreciating, while countries which have maintained high interest rates have seen their currencies appreciating against the US Dollar, which is in general getting weaker against other global currencies thanks to US policy turbulence and high inflation expectations.

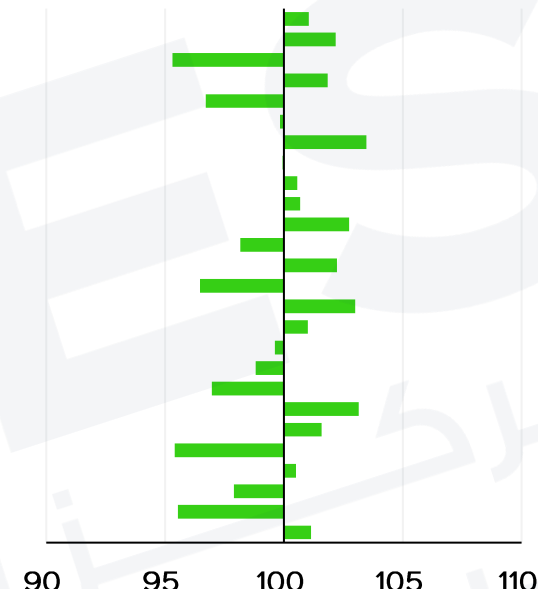
Turkish Lira



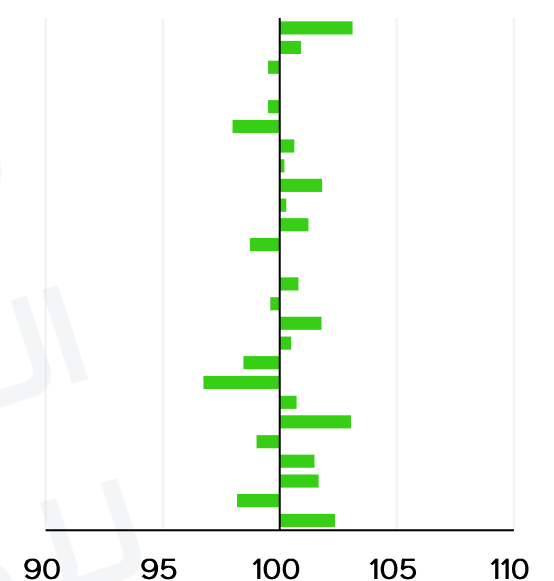
Indian Rupee



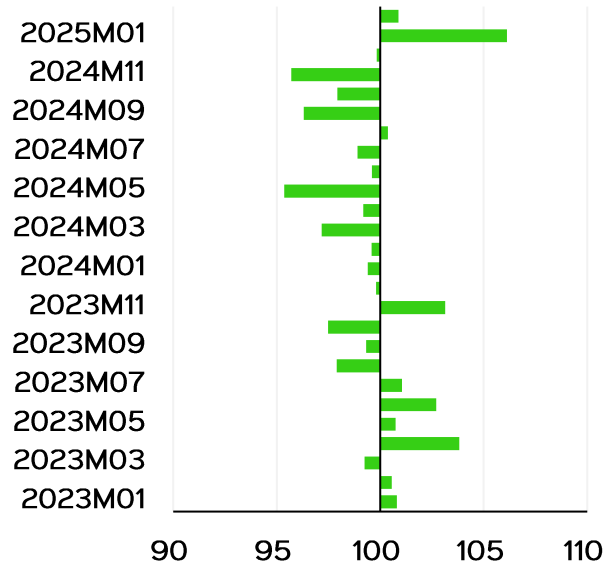
South African Rand



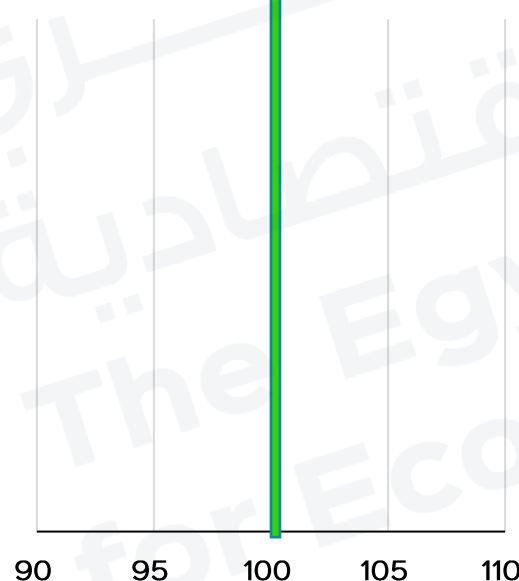
Moroccan Dirham



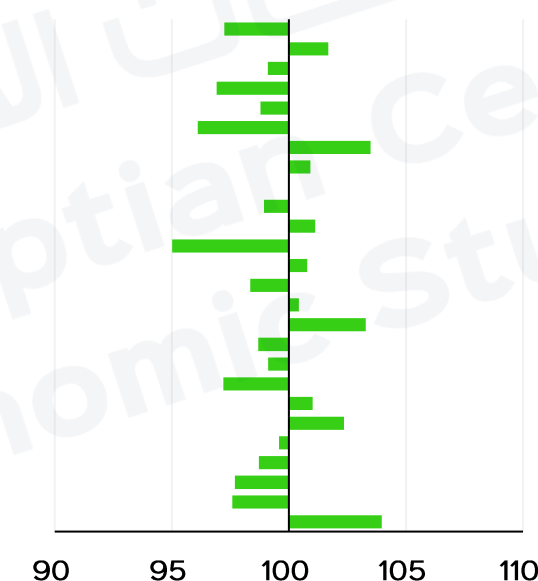
Brazilian Real



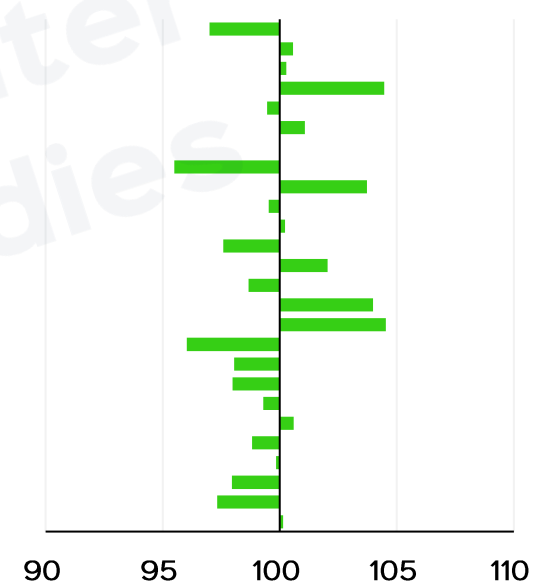
UAE Dirham



Korean Won



Israeli New Shekel

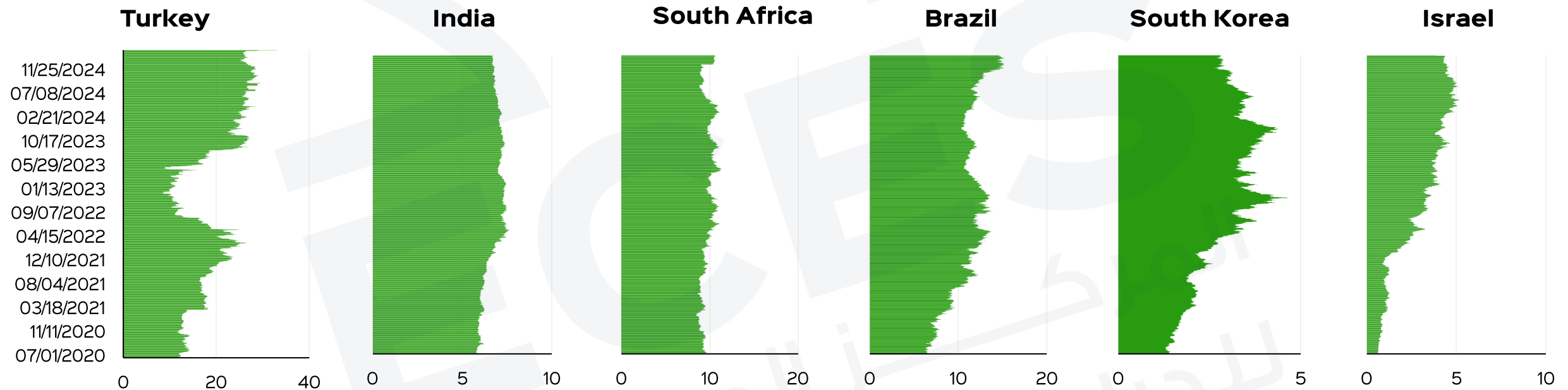


Emerging markets stock markets have witnessed heightened volatility mirroring global markets. Despite of such volatility, some of them have rallied on the back of decreasing interest rates or stable currencies. The new Trump presidency has introduced an unforeseen level of volatility that is disseminated across the different stock markets, whether global or emerging markets. Emerging markets have witnessed an even larger volatility, Having said so, some of the emerging markets stock markets have rallied last month thanks to decreasing interest rates and stable currencies, which are acting as good enough catalysts for such markets to rally and elevate corporate valuations at a time of global uncertainty.

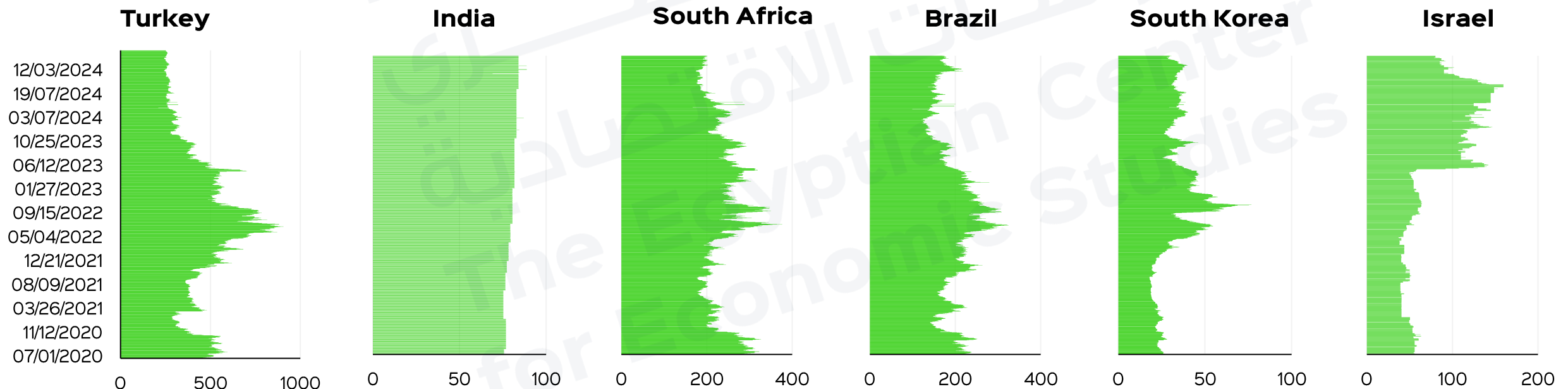


Global uncertainty had its toll on rising bond yields across emerging markets, which are more vulnerable to economic shocks resulting from trade wars and geopolitical tensions. This has also reflected on volatile and CDSs that spiked across many emerging markets. Bond yields in emerging markets have witnessed large volatility and tended to rise due the global uncertainty resulting from ensuing trade wars and geopolitical tensions, which emerging markets tend to hurt emerging markets more than global markets. CDSs have also been very volatile and spiked upwards with the increased global uncertainty and geopolitical tensions that affect emerging markets capabilities to for debt repayment.

10-Year Bond Yield



5-Year CDS

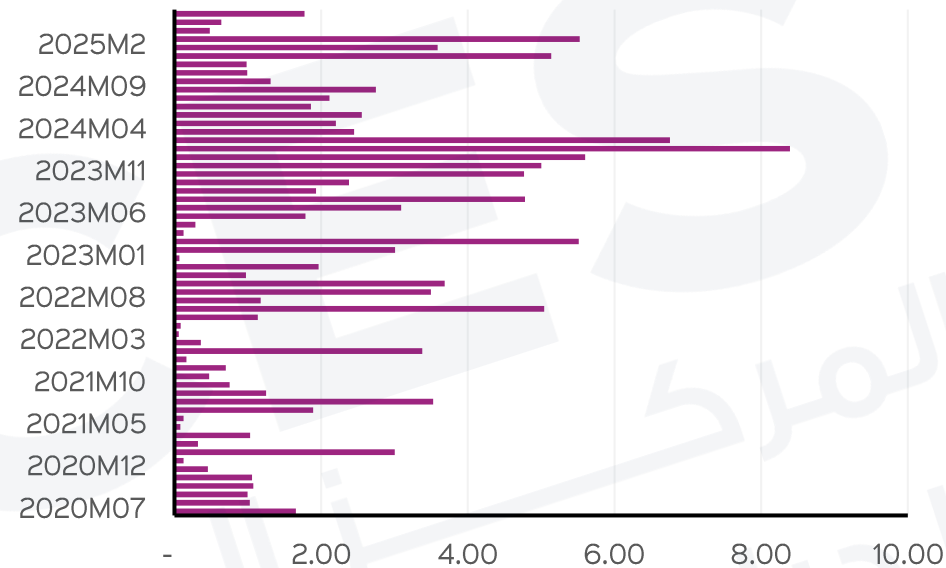


Total external debt resumed its upward trend in February due to new borrowing and accumulated debt servicing cost. Bond yields inched upwards as Egypt returned to international bond markets and needed to attract new funds. CDSs increased as well due to global and regional geopolitical tensions. After declining for few quarters, external debt resumed its upward trend thanks to external borrowing. To attract funds as Egypt returns to international debt market, bond yields have inched upwards. In addition, the global and regional geopolitical tensions and the general global uncertainty have all resulted into higher CDSs.

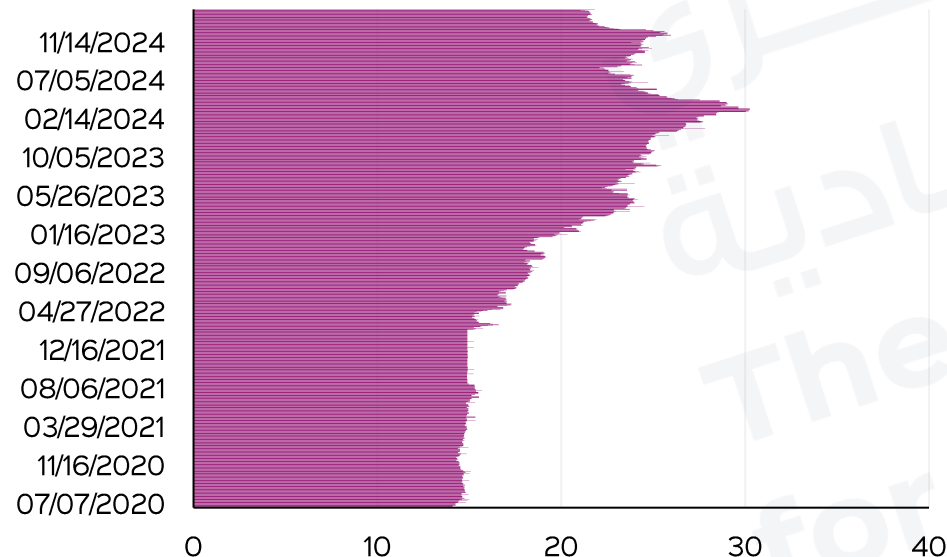
Total External Debt (bn \$)*



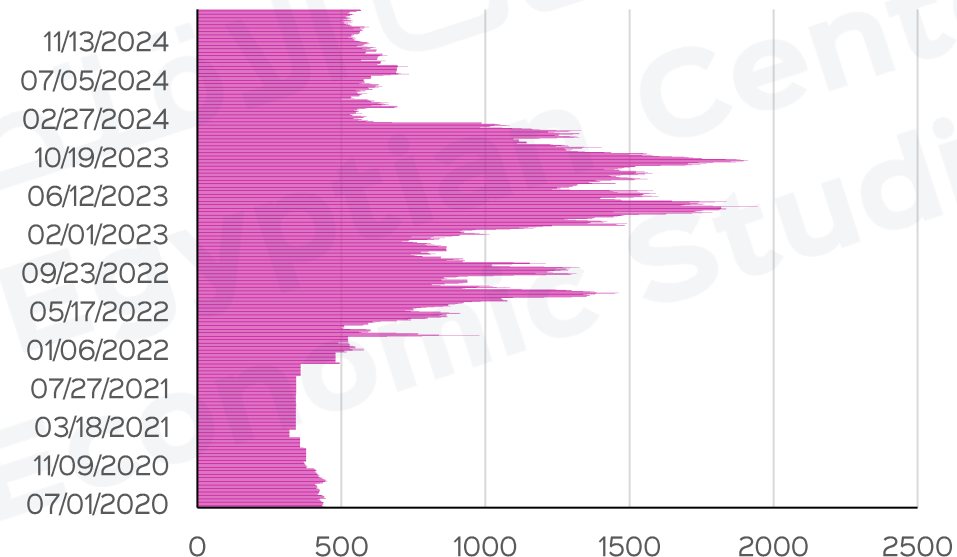
External Debt Service (bn \$)*



Egypt 10-Year Bond Yield



5Y CDS, Egypt



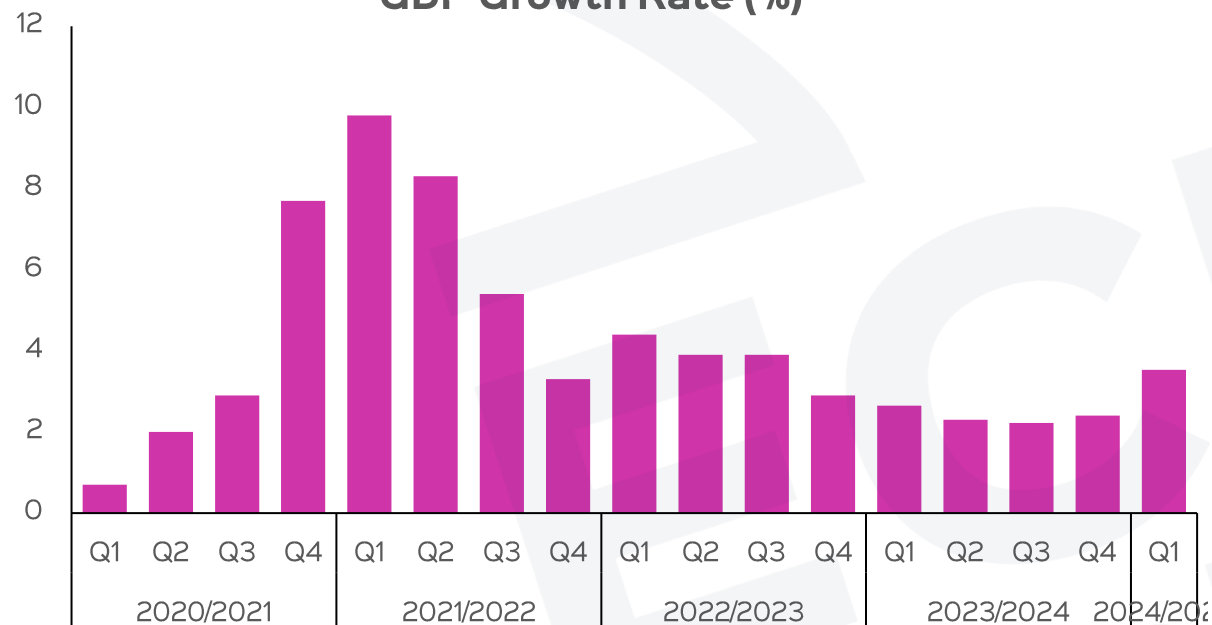
S&P Global
Ratings
B- Positive

Fitch Ratings
B Stable

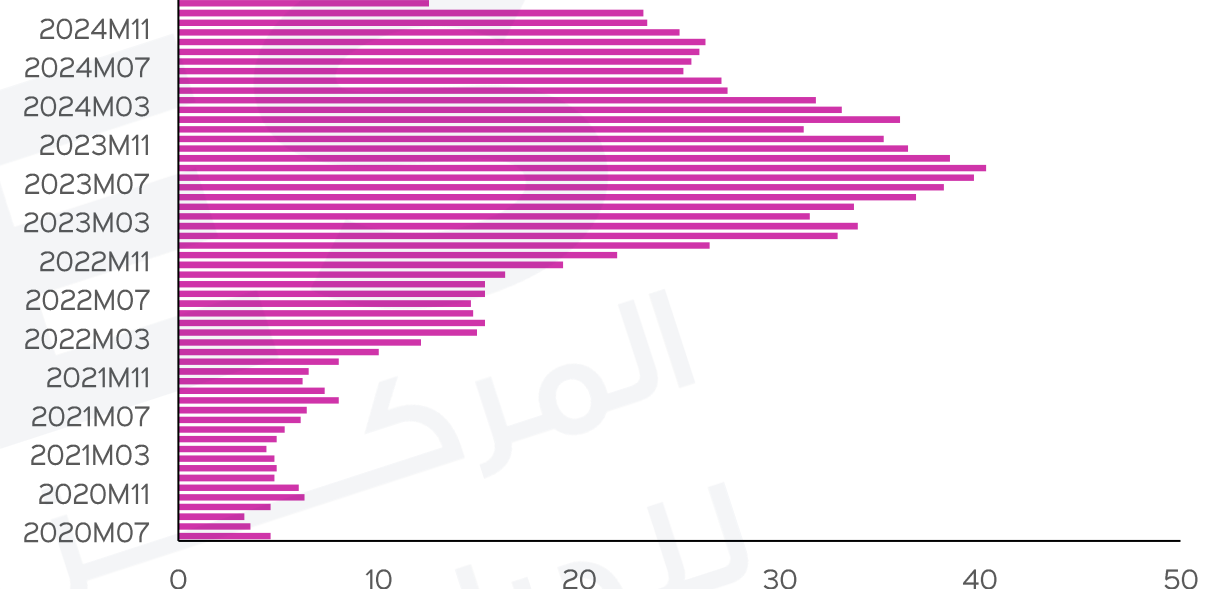
MOODY'S
INVESTORS SERVICE
Caa1 Positive

Inflation rate has sharply declined last month due the change of base year effect, while money supply has resumed its high growth rate. Central bank has kept its interest rate fixed to curb inflation and protect the Pound. But with the sharp decline in inflation, the Central bank has a room for an upcoming cut. Inflation rate decreased for the fourth month in a row, but this time it witnessed a sharp decline thanks to the change of base year effect, while the growth rate of money supply has increased again. This is positive news on the macro level and should give the Central bank room to cut rate in the coming period as inflation rate started to decline, even if driven by the change of base year effect.

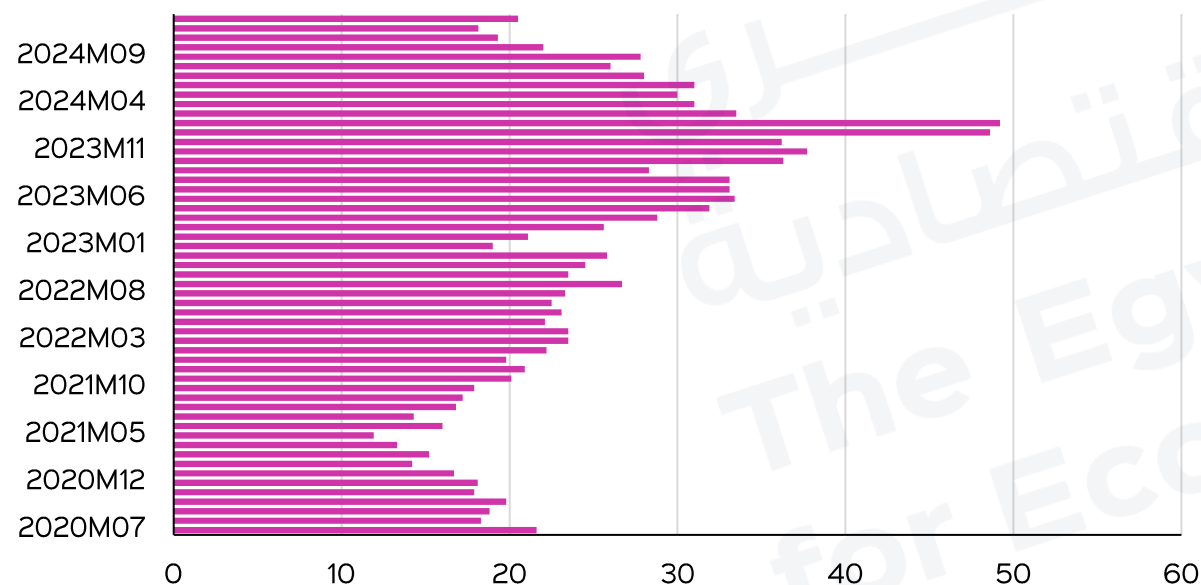
GDP Growth Rate (%)*



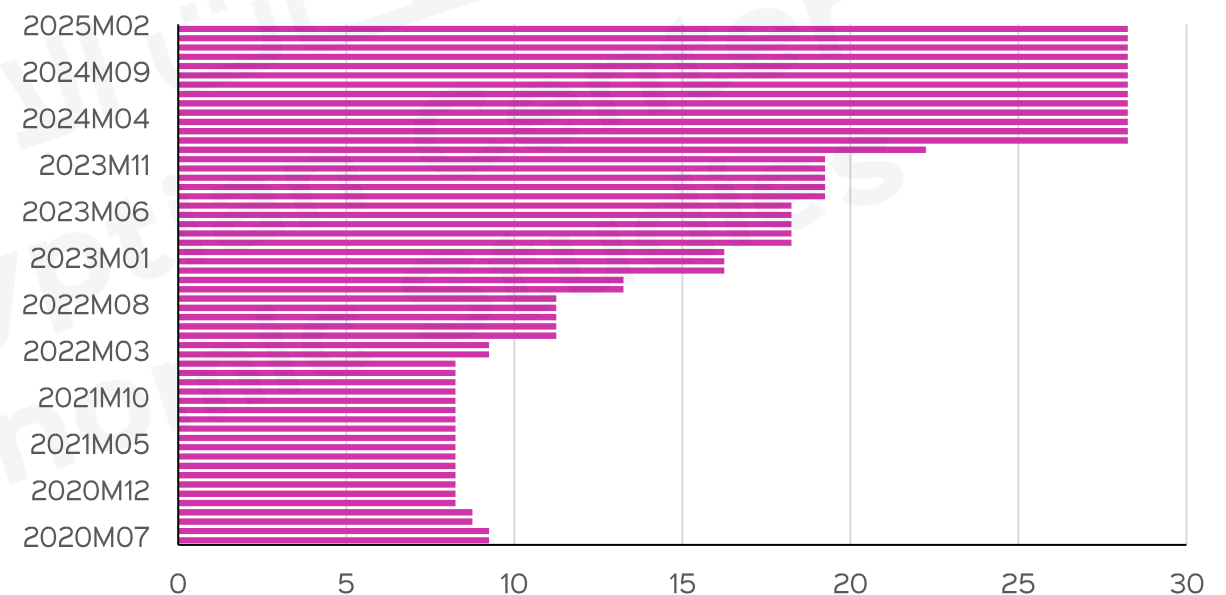
Inflation Rate (%)



Growth Rate of Money Supply (M1)*

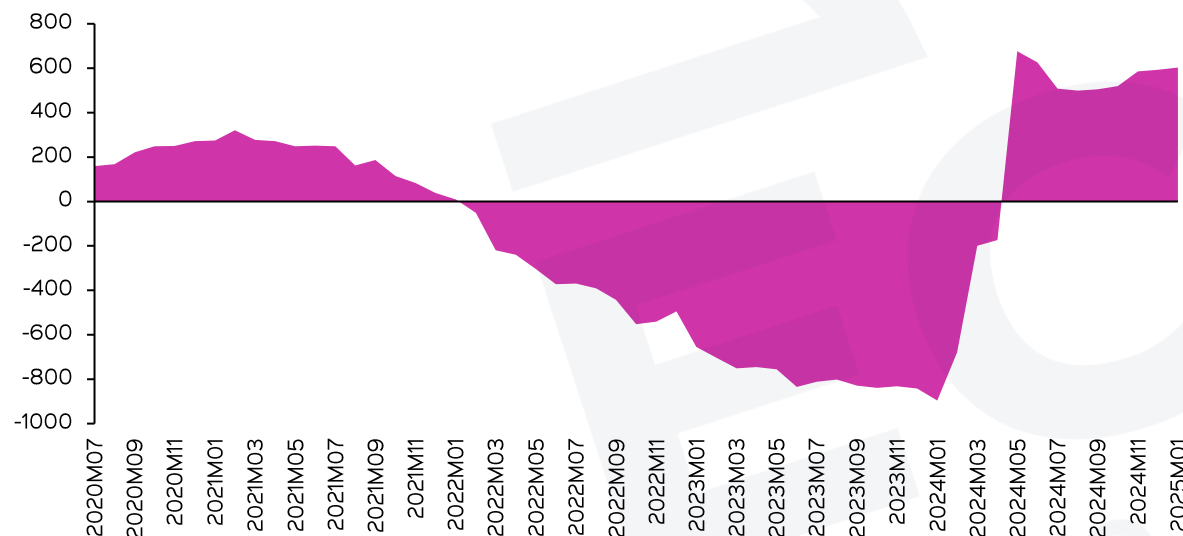


Policy Rate (%)

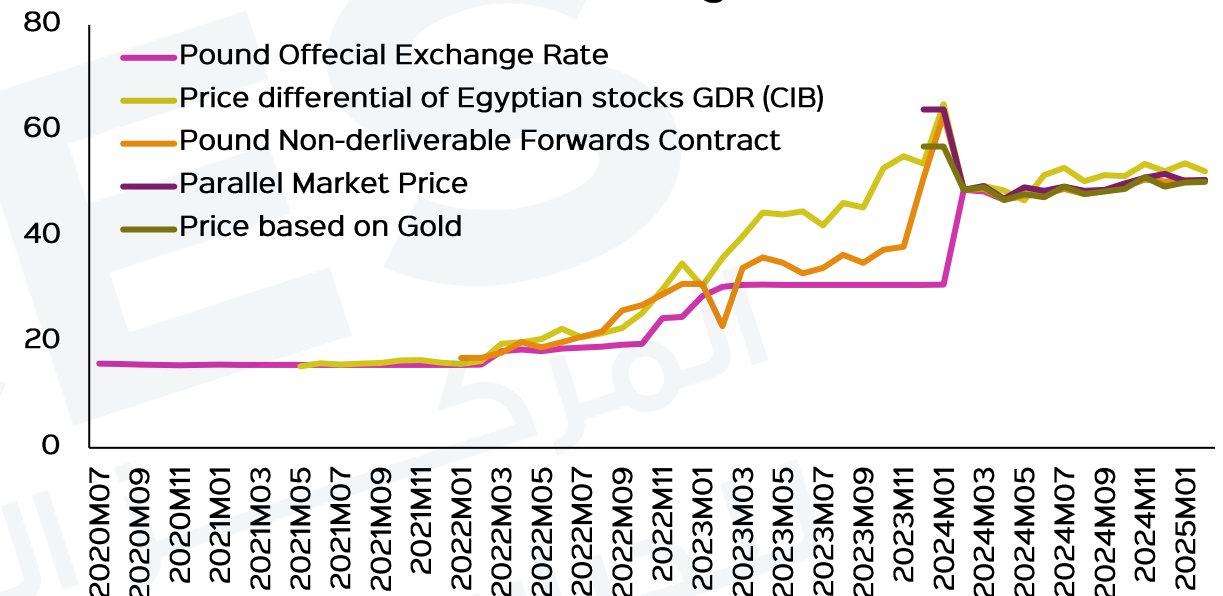


Central bank reserves of foreign currency have inched upwards and net foreign assets in the banking system slightly increased, supported by inflows of foreign funds and stable remittances. Official exchange rate rose again and the gap with other prevailing rates persisted, though still under control. Currency inflows from remittances have stabilized at a high level 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. The Pound official exchange rate kept climbing gradually and the gap between the official and other prevailing rates in the market persisted for the fourth month in a row, though still under control.

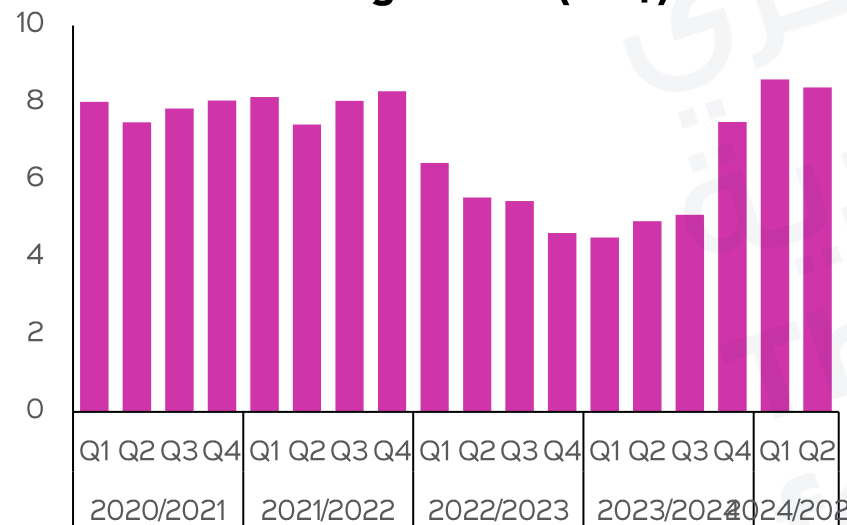
**Net Foreign Assets of the Banking System
(bn LE)***



Pound Exchange Rate



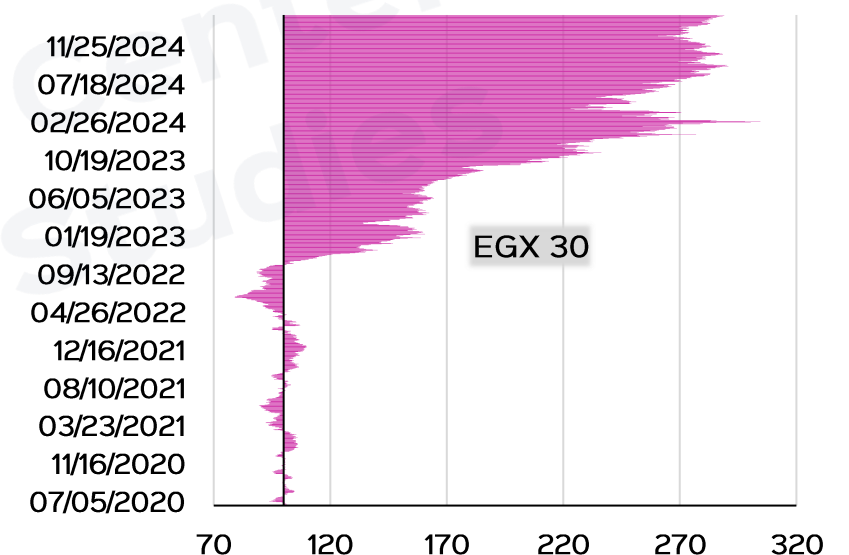
**Remittances of Egyptians
working abroad (bn \$)**



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.

