ECES
المركـــز المصـــري
للدراســات الاقتصادية
The Egyptian Center
for Economic Studies

Financial Markets Snapshot

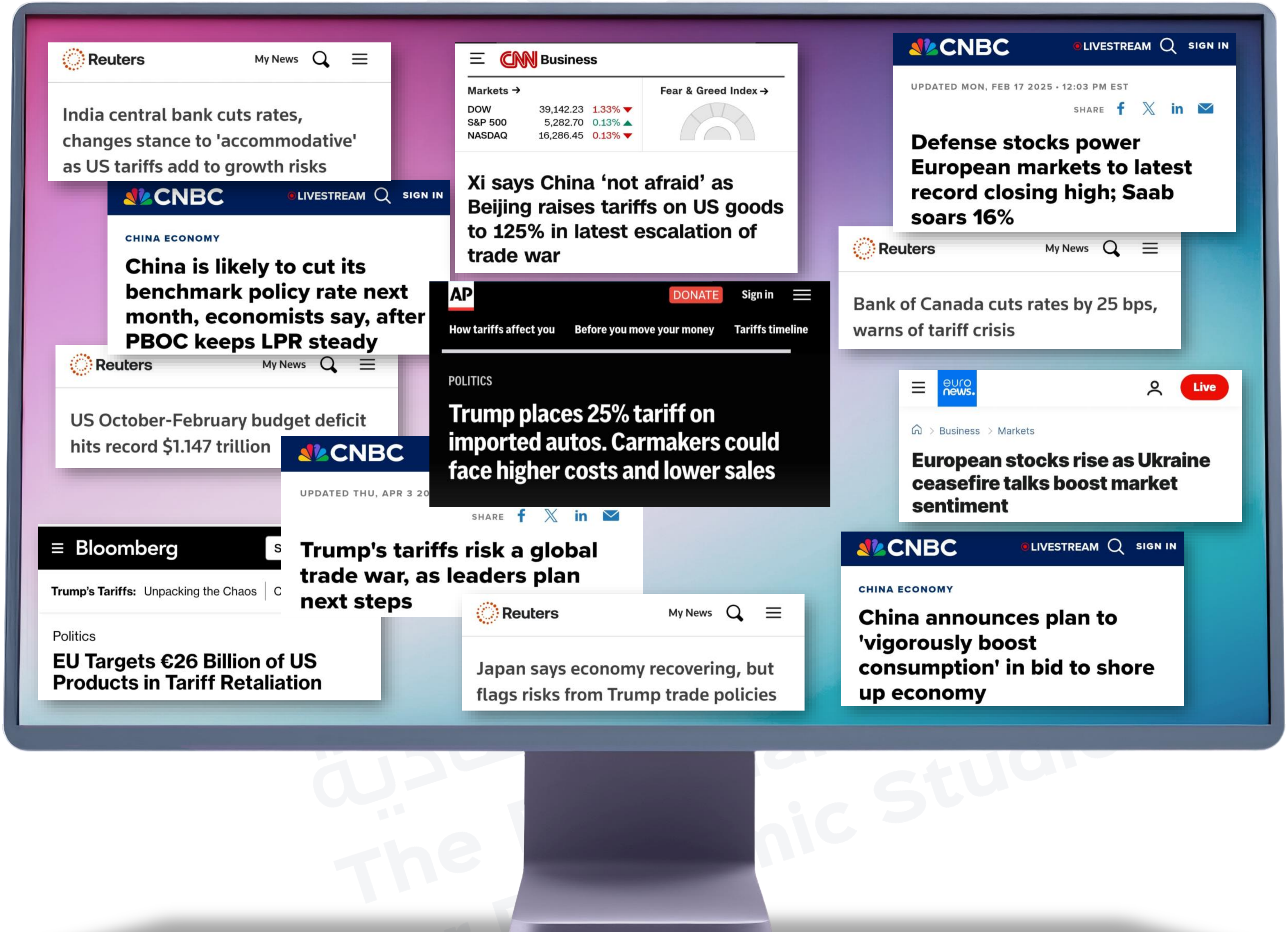
Issue 16
April 2025

Contents

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



A timeline of Trump's tariff actions so far

MARCH 2025

March 1

Trump signs an additional executive order instructing the Commerce Department to consider whether tariffs on lumber and timber are also needed to protect national security, arguing that the construction industry and military depend on a strong supply of wooden products in the U.S.

March 4

Trump's 25 percent tariffs on imports from Canada and Mexico go into effect, though he limits the levy to 10 percent on Canadian energy. He also doubles the tariff on all Chinese imports to 20 percent.

March 5

Trump grants a one-month exemption on his new tariffs impacting goods from Mexico and Canada for U.S. automakers. The pause arrives after the president spoke with leaders of the "Big 3" automakers — Ford, General Motors and Stellantis.

March 6

In a wider extension, Trump postpones 25 percent tariffs on many imports from Mexico and some imports from Canada for a month. But he still plans to impose "reciprocal" tariffs starting on April 2.

March 10

China's retaliatory 15 percent tariffs on key American farm products — including chicken, pork, soybeans and beef — take effect. Goods already in transit are set to be exempt through April 12, per China's Commerce Ministry previous announcement.

March 12

Trump's new tariffs on all steel and aluminum imports go into effect. Both metals are now taxed at 25 percent across the board — with Trump's order to remove steel exemptions and raise aluminum's levy from his previously-imposed 2018 import taxes.

March 13

Trump threatens a 200 percent tariff on European wine, Champagne and spirits if the European Union goes forward with its previously-announced plans for a 50 percent tariff on American whiskey.

March 24

Trump says he will place a 25 percent tariff on all imports from any country that buys oil or gas from Venezuela, in addition to imposing new tariffs on the South American country itself, starting April 2.

March 26

Trump says he is placing 25 percent tariffs on auto imports, a move that the White House claims would foster domestic manufacturing. But it could also put a financial squeeze on automakers that depend on global supply chains.

A timeline of Trump's tariff actions so far

APRIL 2025

April 2

Trump announces his long-promised "reciprocal" tariffs — declaring a 10 percent baseline tax on imports from all countries, as well as higher rates for dozens of nations that run trade surpluses with the U.S.

April 3

Trump's previously-announced auto tariffs begin. Prime Minister Mark Carney says that Canada will match the 25 percent levies with a tariff on vehicles imported from the U.S.

April 4

China announces plans to impose a 34 percent tariff on imports of all U.S. products beginning April 10, matching Trump's new "reciprocal" tariff on Chinese goods, as part of a flurry of retaliatory measures.

April 5

Trump's 10% minimum tariff on nearly all countries and territories takes effect.

April 9

Trump's higher "reciprocal" rates go into effect, hiking taxes on imports from dozens of countries just after midnight. But hours later, his administration says it will suspend most of these higher rates for 90 days, while maintaining the recently-imposed 10% levy on nearly all global imports.

April 10

The White House clarifies that Trump's previously-announced 125% figure for tariffs against China is actually 145%, once his previous 20% fentanyl tariffs are accounted for.

Analysis – Key Takeaways

Global Markets

- Most commodity prices have regained their downward trend, except for the decline in crude oil and notable hike in gold prices due to global macroeconomic changes.
- Inflation has moderated across most global markets giving room for Central banks to cut rates. But Central banks diverged on their reaction.
- Global stock markets have witnessed one of its most turbulent months in decades with most indices declining, due to Trump tariffs and the stagflation fears that such tariffs may result into.
- Declining inflation rates, recessionary fears and market volatility have pushed bond yields downwards a bit, yet CDSs in global markets didn't decline, and in some cases it shot high due to increased uncertainty.

Emerging Markets

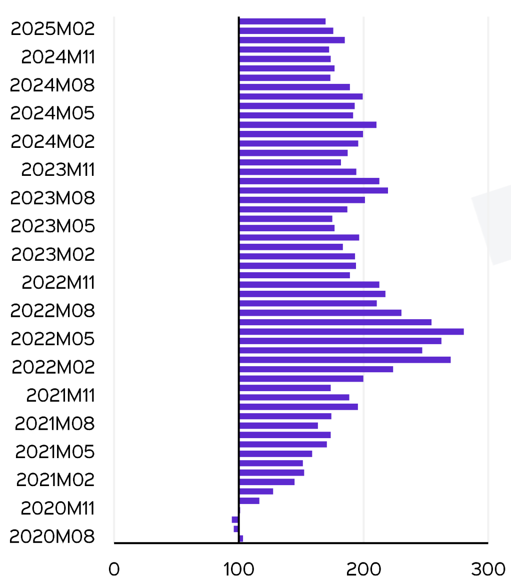
- Inflation rates across emerging markets have kept their divergence trend for another month, with some countries witnessing an increase in inflation and others witnessing stability or even decline.
- Emerging markets Central banks have mostly adopted a wait and see approach and kept their interest rates fixed until there is clarity on global economy, with the exception of Turkey and India.
- Thus, emerging markets currencies have shown resilience against the US Dollar.
- Stock markets in emerging markets have witnessed another turbulent month due to the escalating global trade war.
- Bond yields have remained generally stable in emerging markets, while CDSs have generally increased due to increase geopolitical risks and uncertainty of global trade war.

Egyptian Local Market

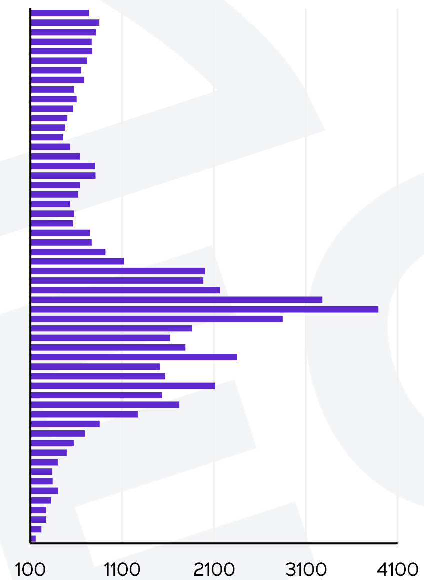
- Total external debt resumed its upward trend due to new borrowing, currency devaluation and accumulated debt servicing cost. Bond yields stayed stable, while CDSs spiked due to financial markets volatility and uncertainty.
- GDP growth is slightly recovering and taking an upward trend. The growth of money supply has resulted into inflation rate inching upwards last month after a big decline in the previous month. Previous big decline in inflation rate, due to base effect mainly, has given the Central Bank room for a big rate cut lately.
- Central bank reserves of foreign currency have increased and net foreign assets in the banking system slightly increased as well, supported by inflows of foreign funds and remittances. Official exchange rate continued to rise while the gap with the other prevailing rates persisted, though still limited.

Commodity prices have regained their stabilization and downward trend across most commodities, except for the decline in crude oil and notable hike in gold prices due to global macroeconomic changes. Commodities have regained their stabilization mode, where most commodities prices have stabilized and followed a gradual downward trend again. Oil prices declined sharply due to fears of global recession as a result of tariffs and the increase of supply by OPEC. In contrast, gold prices skyrocketed in a short period of time due to increased geopolitical tensions and global trade war as a result of the new Trump tariffs, pushing Central banks especially in China to resort to Gold instead of US assets as reserves.

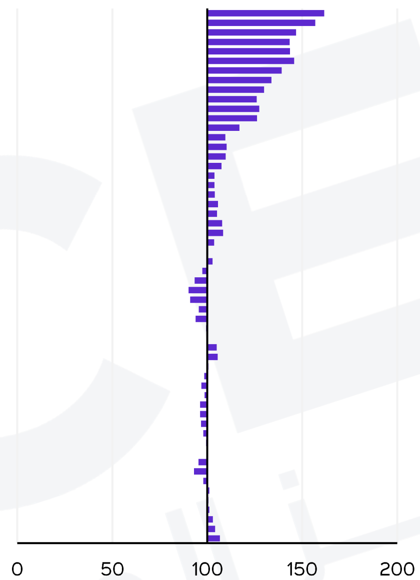
Crude Oil, Brent



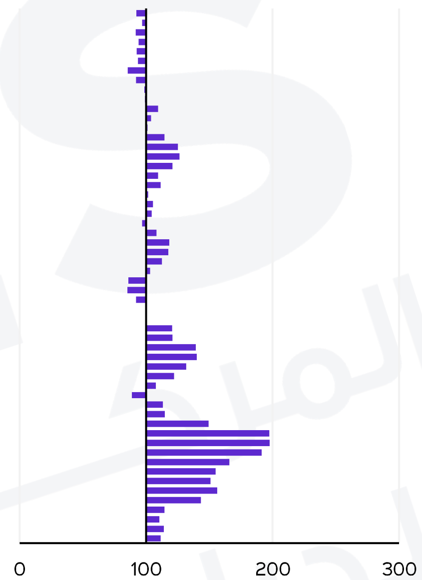
Natural Gas



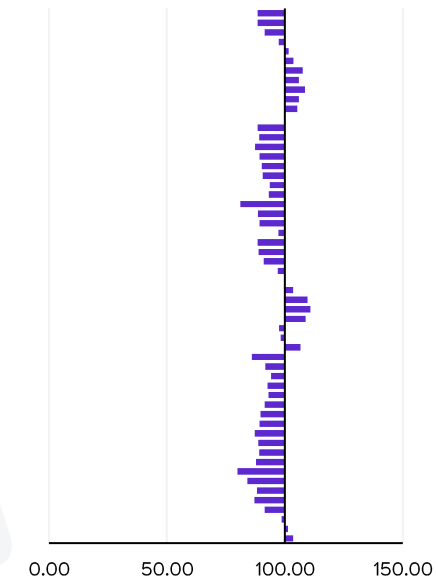
Gold



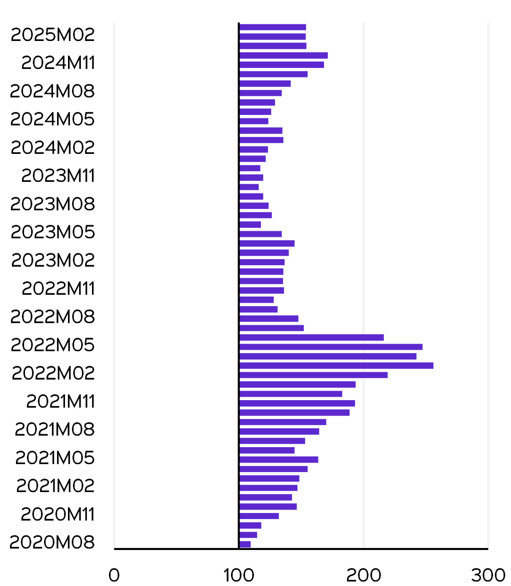
Iron ore



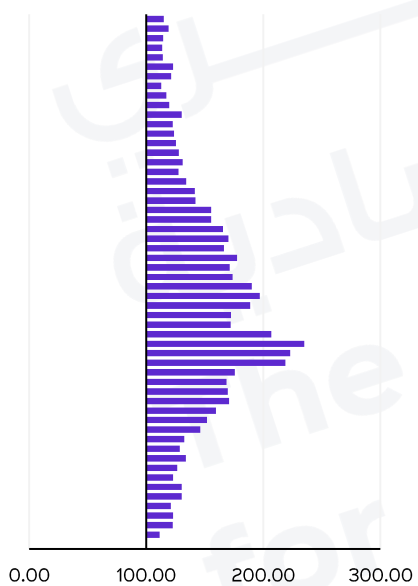
Tea



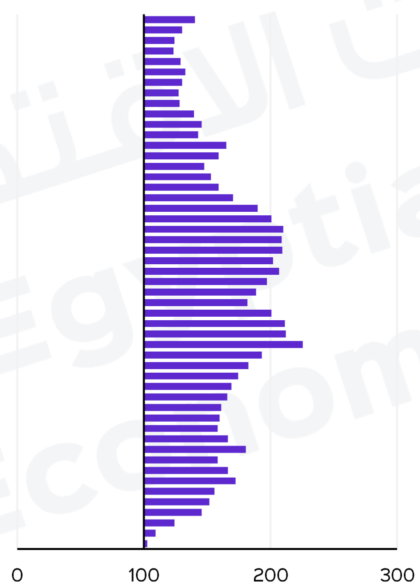
Palm oil



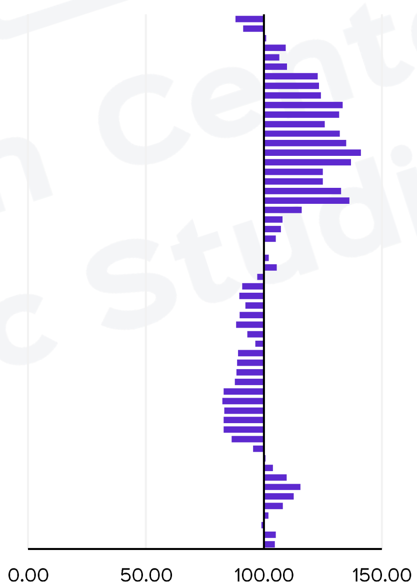
Wheat



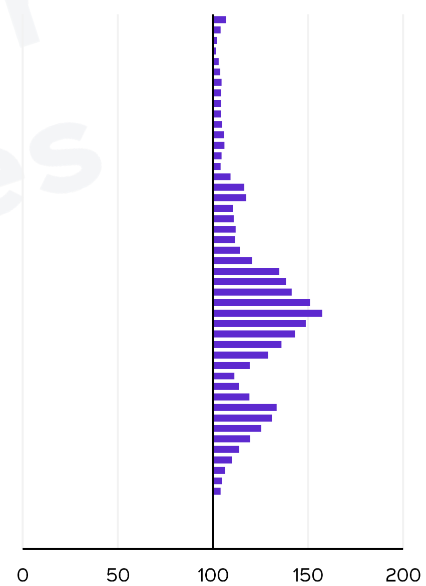
Maize



Rice

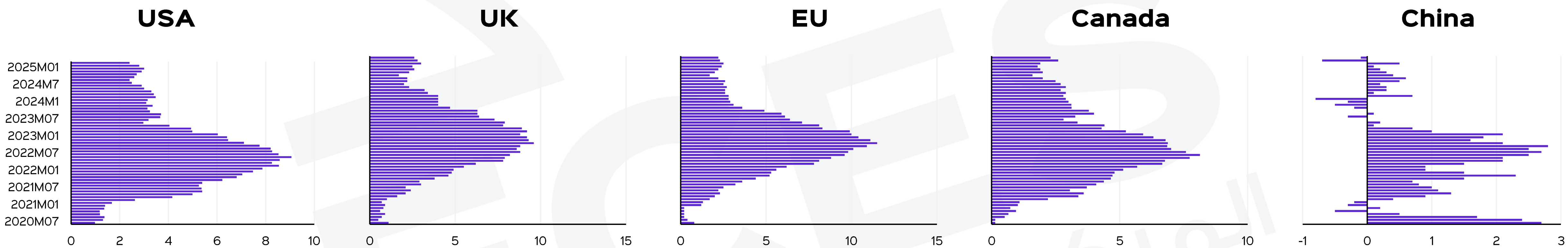


Bovine meat

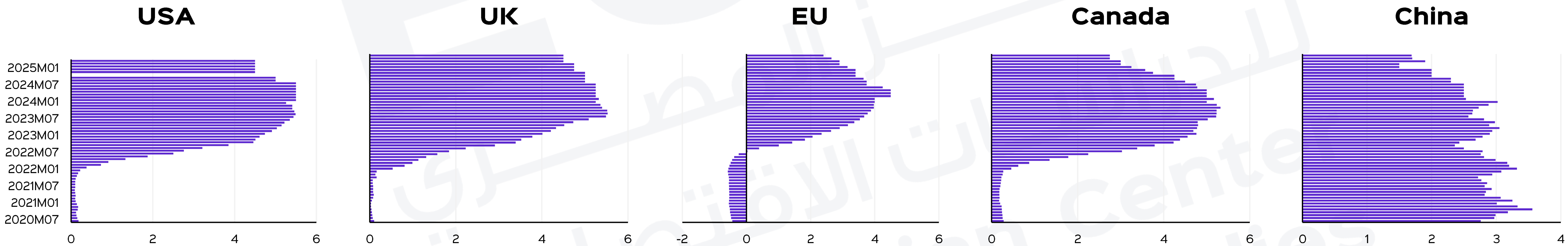


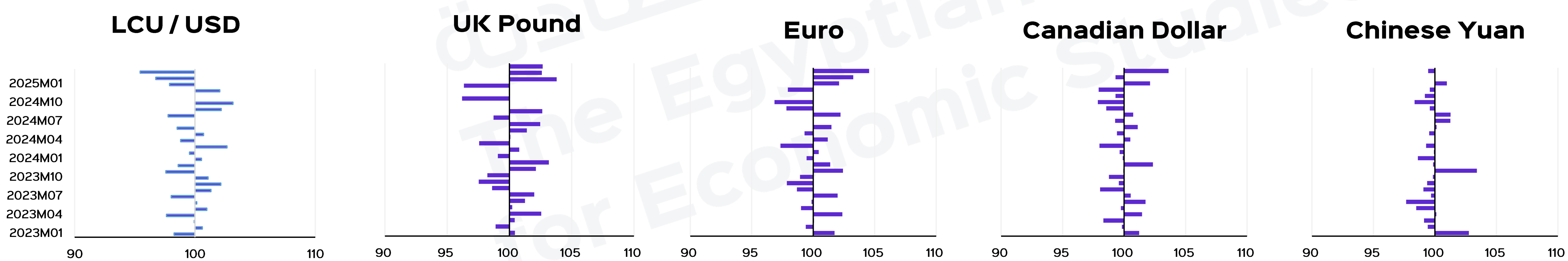
Inflation has moderated across most global markets giving room for Central banks to cut rates. But Central banks diverged on their reaction, with EU, UK and China cutting rates to stimulate growth while the US Fed adopting a wait and see approach. The taming down of inflation rates across global markets has given many global Central banks the room to cut rates and stimulate their local economies at a time of global uncertainty sparked by Trump trade war. This approach was pursued by UK, EU and China Central banks. The US Fed in contrast has kept interest rates as is as and followed a wait and see approach in fear of the inflationary effects of Trump tariffs. Despite not cutting rates, the US Dollar has weakened against most global currencies as interest in US assets decline.

Inflation Rate



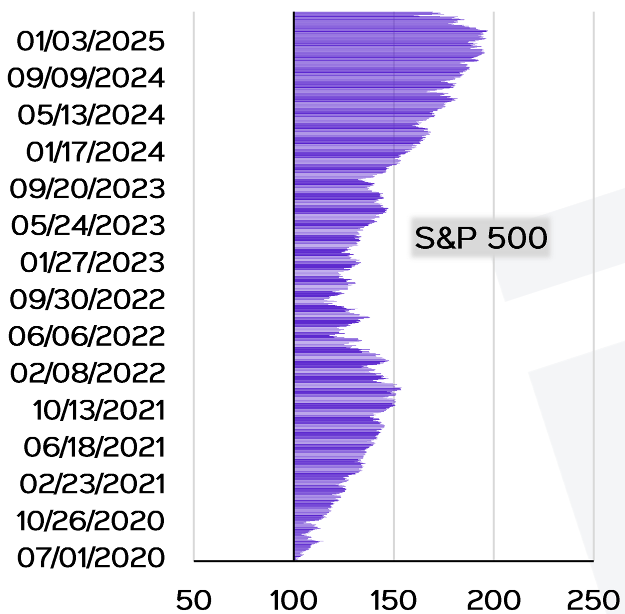
Policy Rate



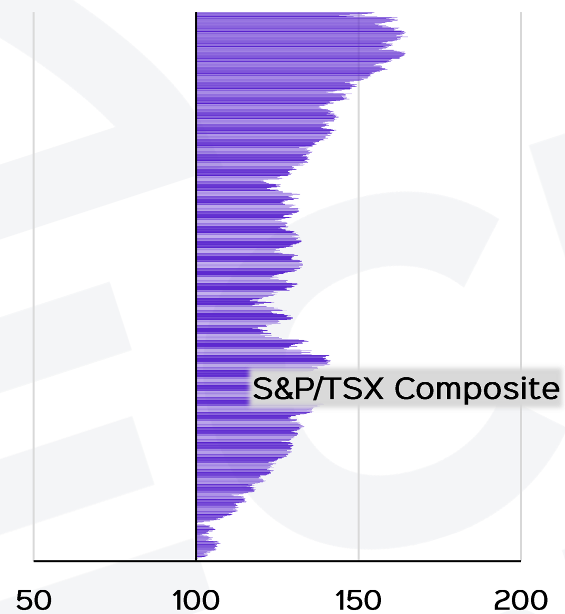


Global stock markets have witnessed one of its most turbulent months in decades with most indices declining, due to Trump tariffs and the stagflation fears that such tariffs may result into. Besides, the lack of consistency in official decisions and communication is resulting into heightened volatility. Trump global trade war and the lack of consistency on direction have thrown global stock markets into a limbo. The optimism of Trump election in the US and far right parties in the EU has faded away and given way to the uncertainty of trade war and recession fears. Such environment is very negative to financial markets where most global markets indices have declined as a result.

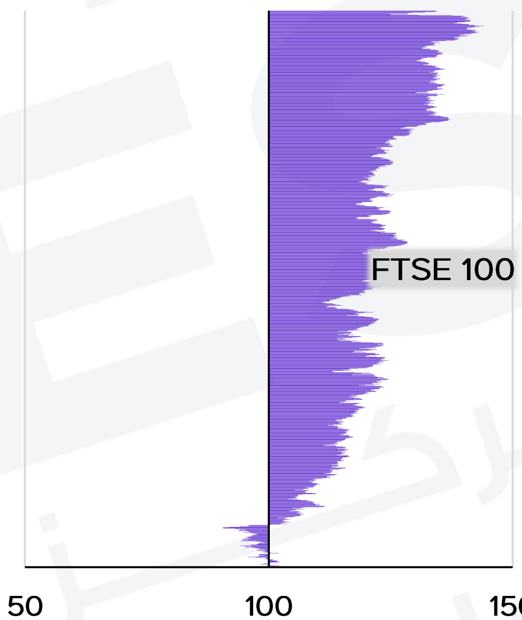
USA



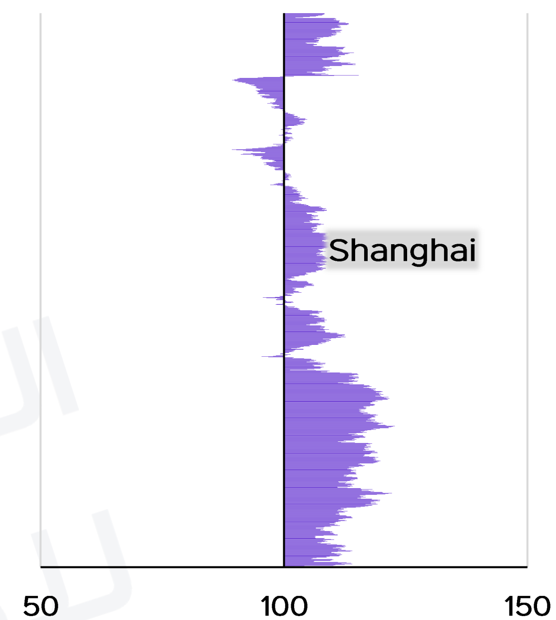
Canada



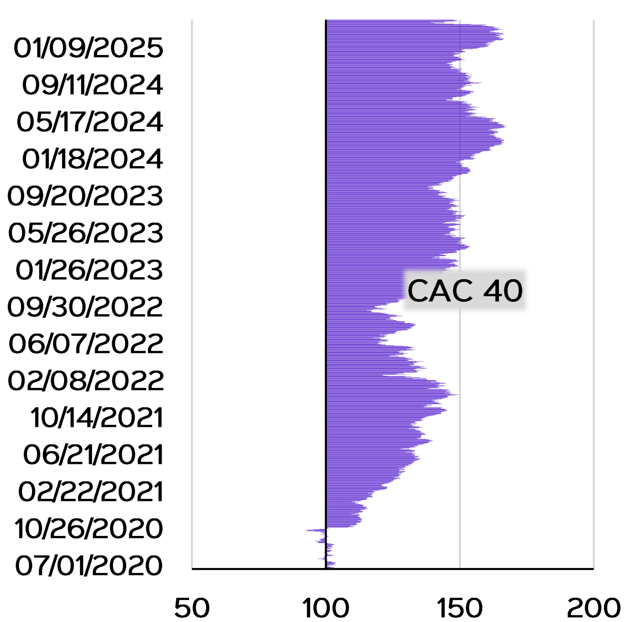
UK



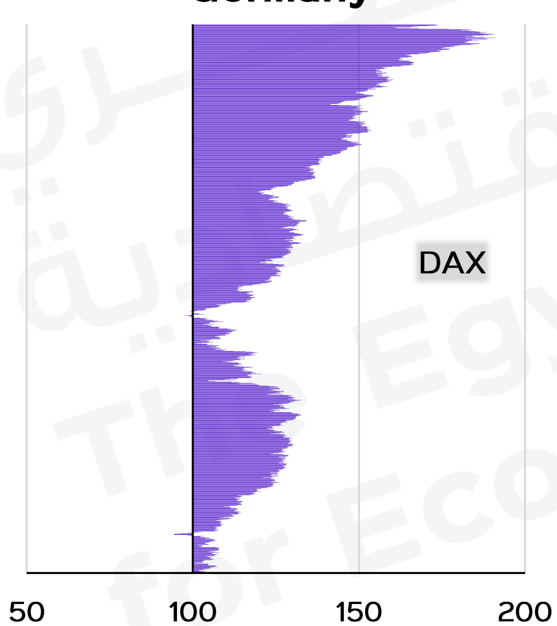
China



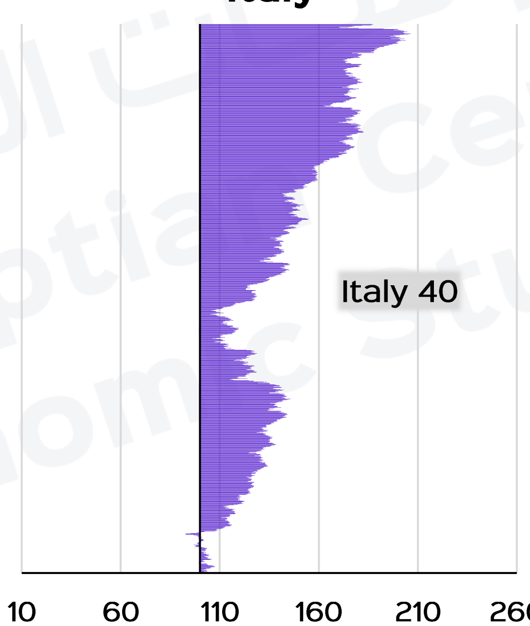
France



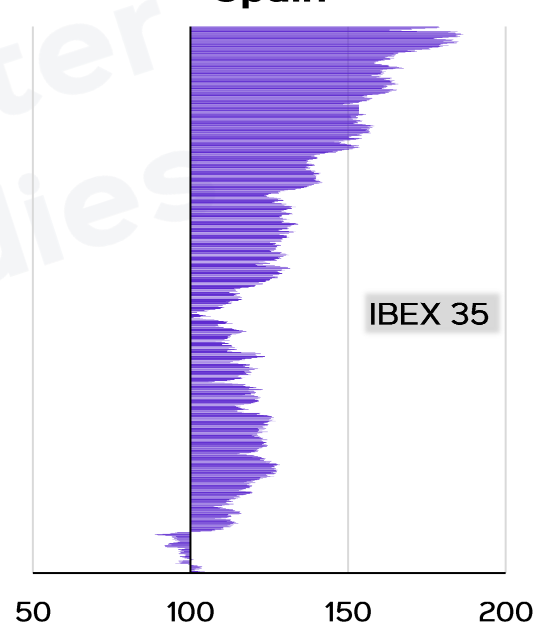
Germany



Italy

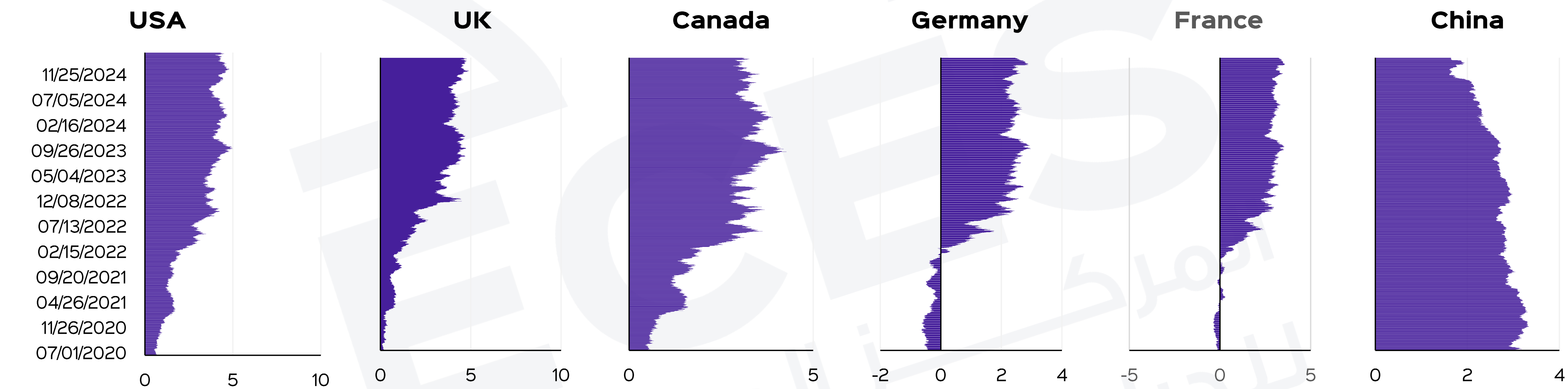


Spain

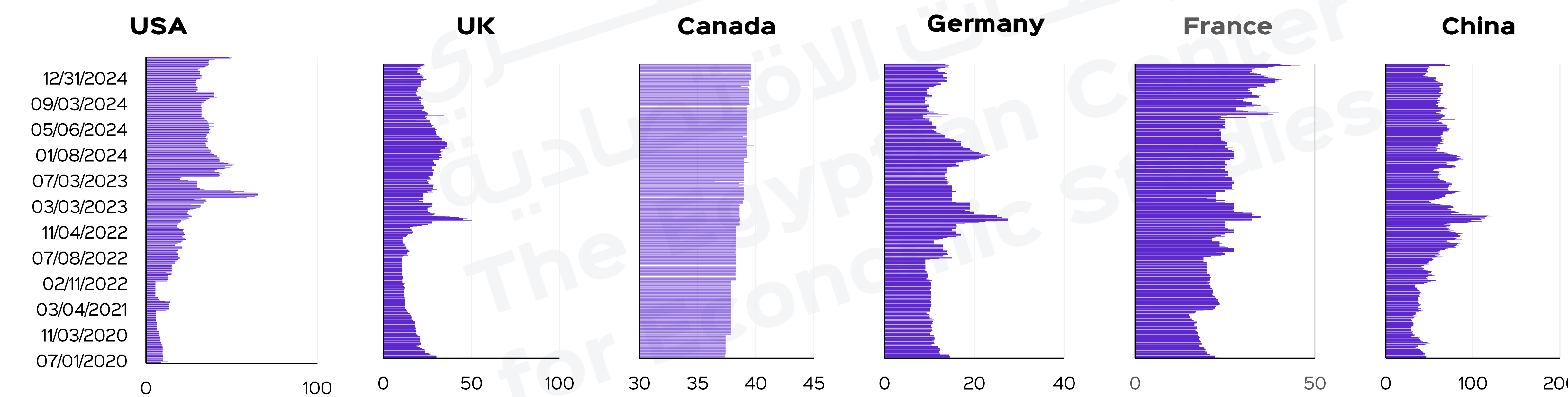


Declining inflation rates, recessionary fears and market volatility have pushed bond yields downwards a bit as investors accept lower rates to buy the debt of most global economies. Despite this, CDSs in global markets didn't decline, and in some cases, it shot high due to increased uncertainty. Actual inflation rates have declined across global markets and this has pushed bond yields downwards. The exit of money from the volatile stock markets has increased demand on debt, pushing down bond yields. The anomaly is the US debt which has witnessed a decreased demand out of fear of policy changes and weakening dollar. The volatility and uncertainty in global markets have pushed CDSs upwards and in some cases such as US it shot high.

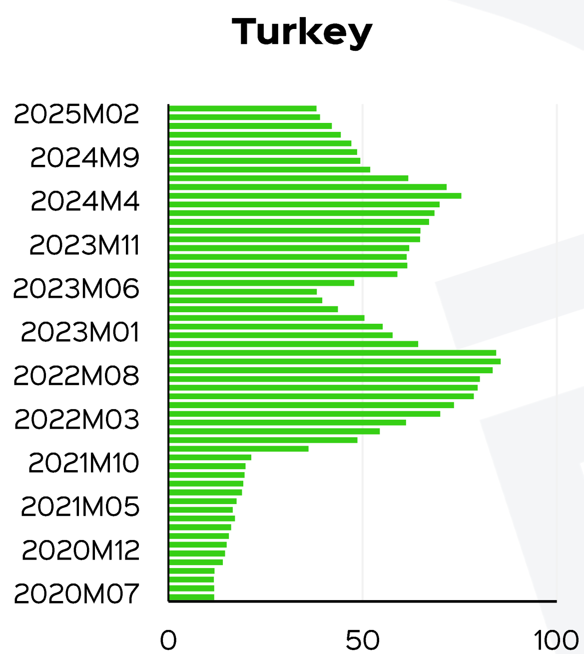
10-Year Bond Yield

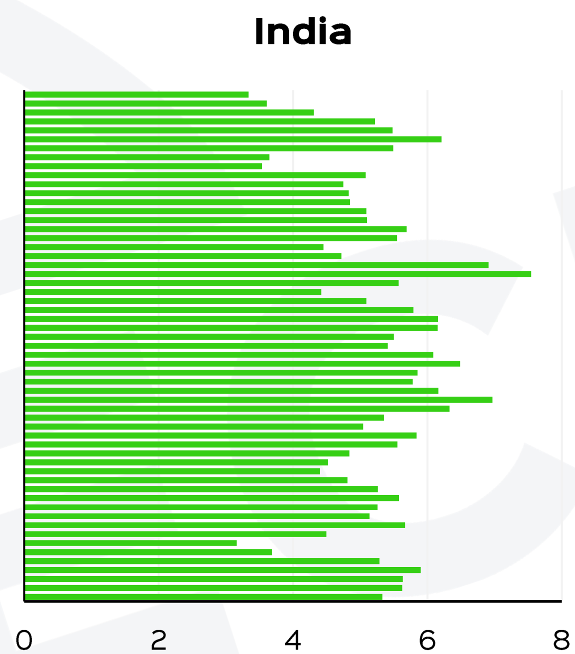


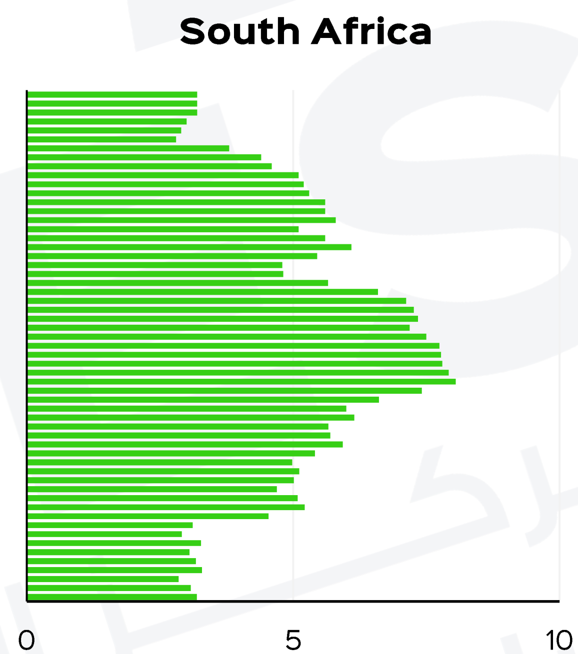
5-Year CDS

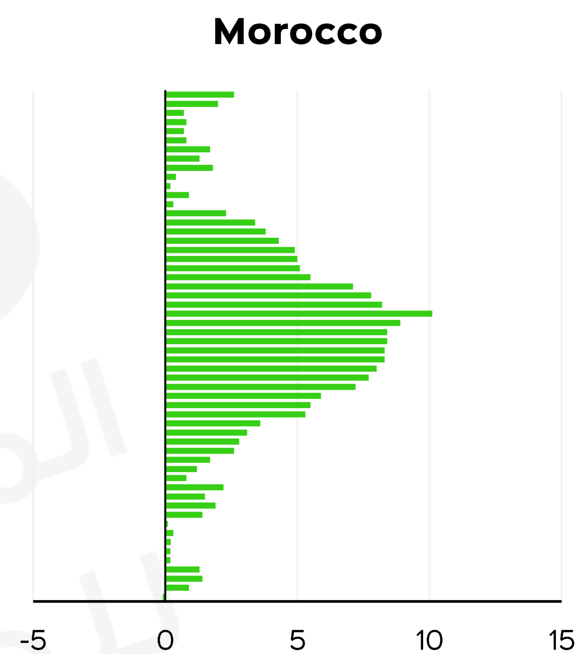


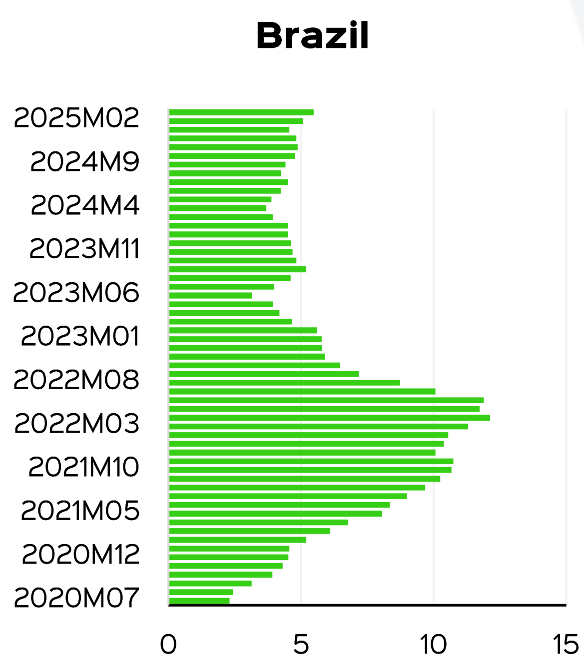
Inflation rates across emerging markets have kept their divergence trend for another month, with some countries witnessing an increase in inflation and others witnessing stability or even decline in inflation, yet there is a clear trend towards inflation moderation. Emerging markets inflation rates have 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 moderation in most commodities prices. Some countries such as India and South Africa are enjoying declining inflation, while others are still suffering from sticky inflation such as Morocco.

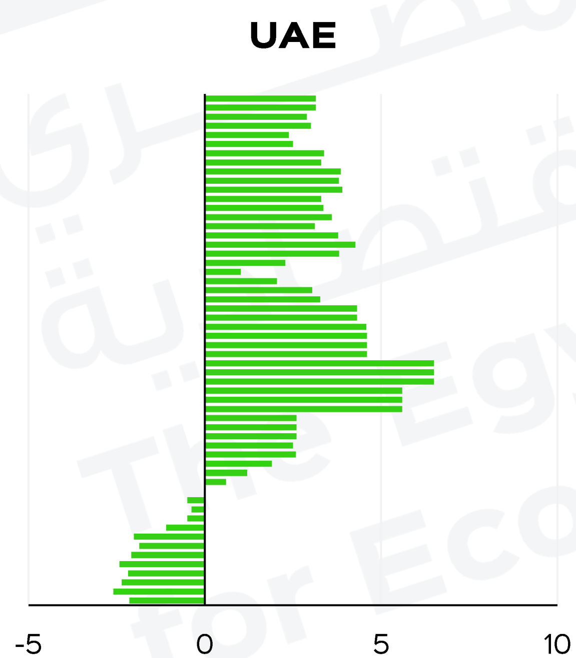


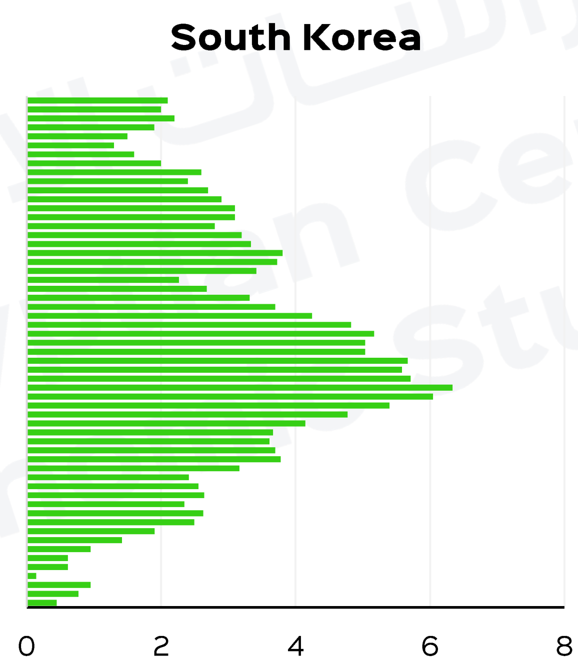


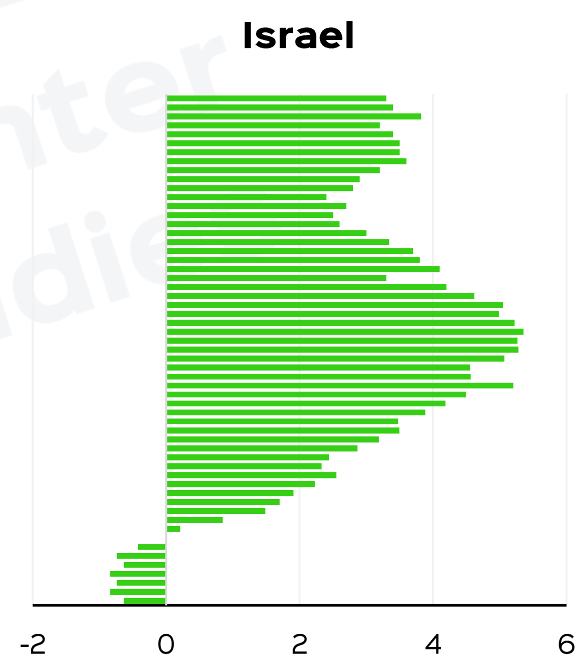






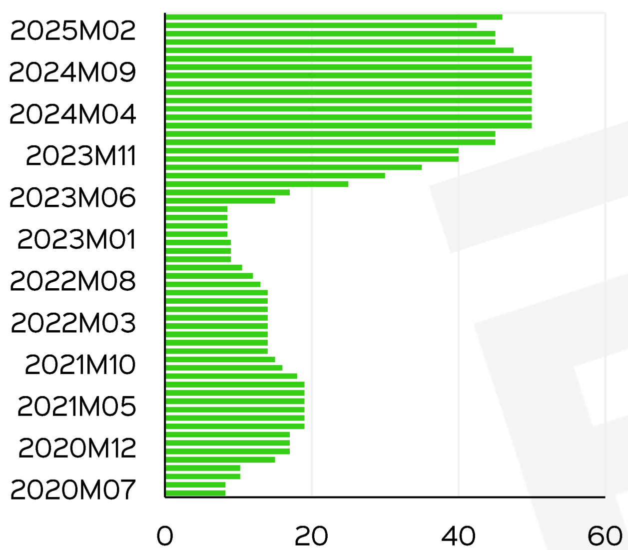




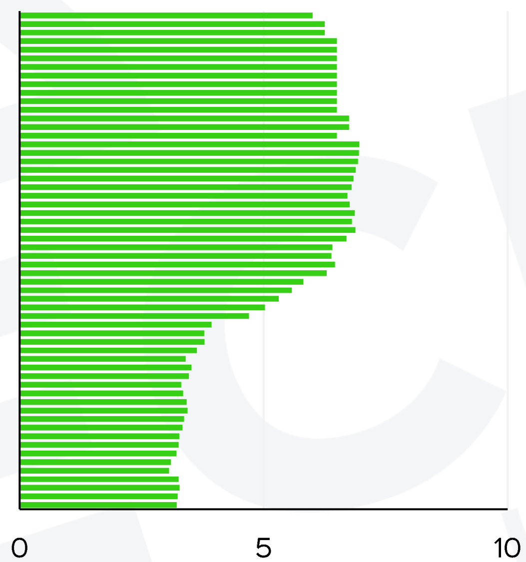


Emerging markets Central banks have mostly adopted a wait and see approach and kept their interest rates fixed until there is clarity on global economy, with the exception of Turkey that hiked interest rates and India that followed the opposite route. With the global volatility and uncertainty taking place, most emerging markets Central banks have adopted a wait and see approach until they get clarity. This approach became even more important as the US Dollar weakened against most global currencies. Turkey has diverged by hiking its interest rates to tame the sticky inflation and protect its currency, while India has banked on its low inflation rate to cut interest rates and stimulate economic growth.

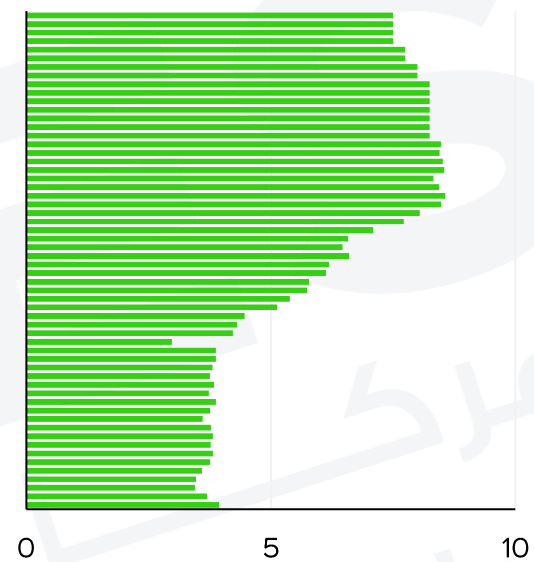
Turkey



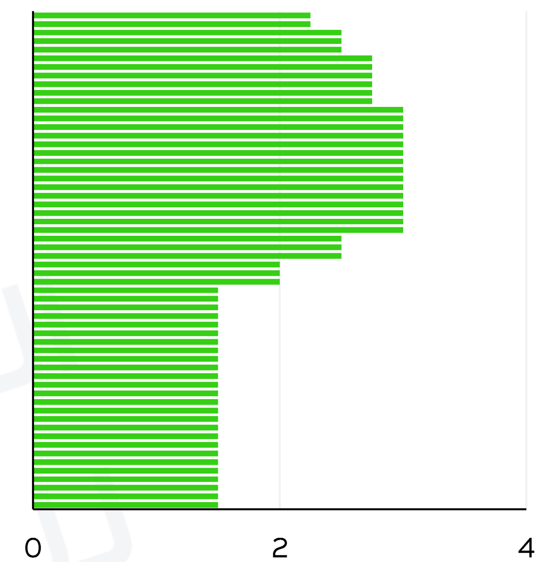
India



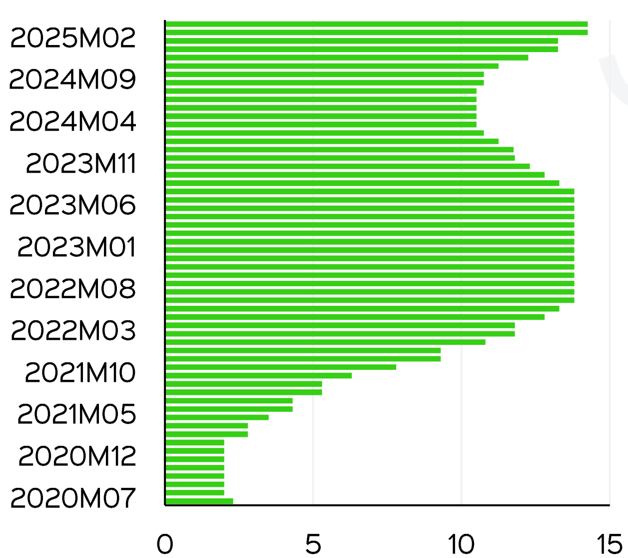
South Africa



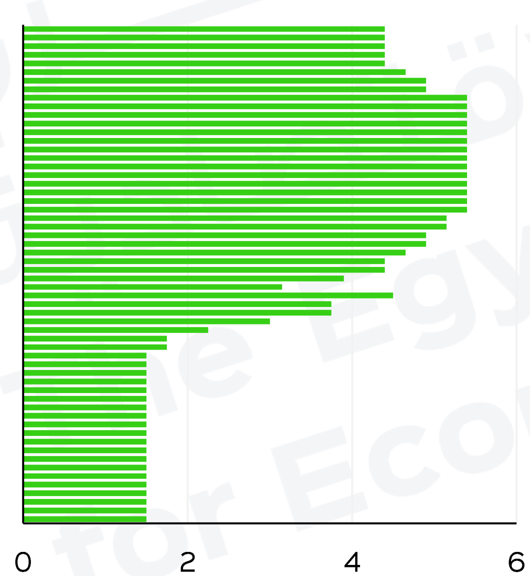
Morocco



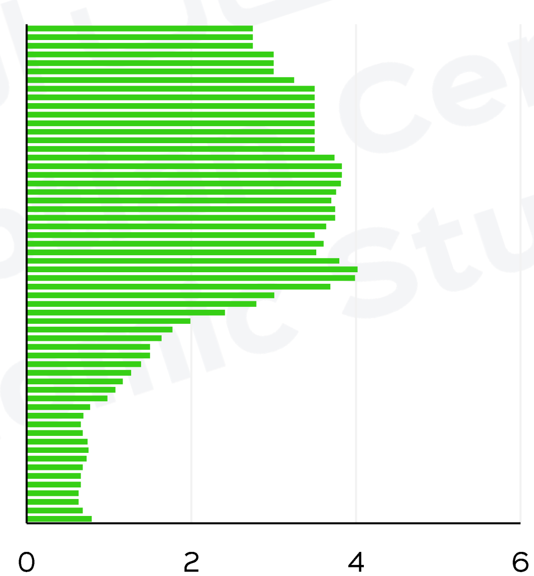
Brazil



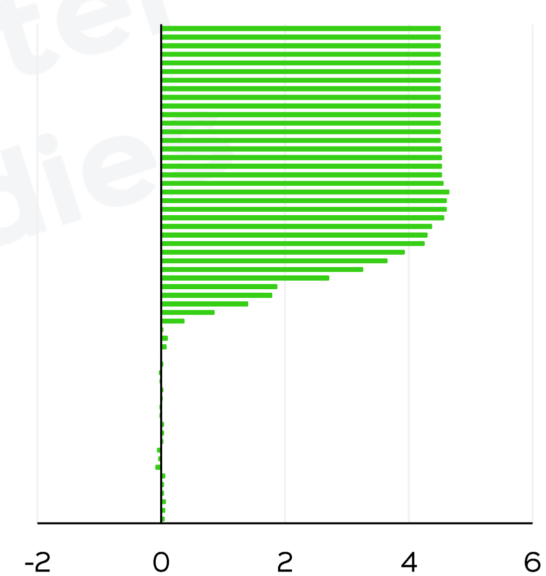
UAE



South Korea

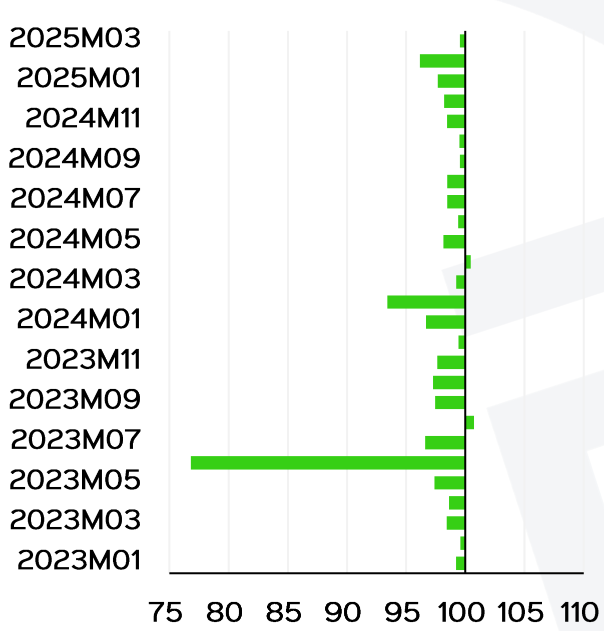


Israel

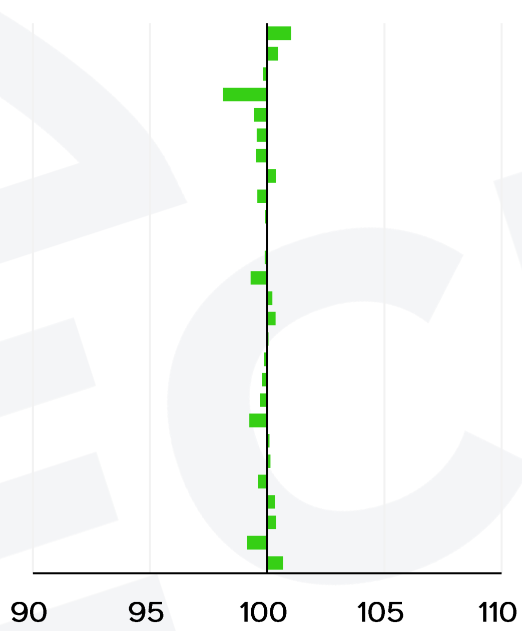


Emerging markets currencies have shown resilience against the US Dollar supported by the weakening of the US Dollar globally and the wait and see approach adopted by most emerging markets Central banks. With the weakening of the US Dollar and the stable inflation and interest rates in emerging markets, emerging markets exchange rates showed resilience against the US Dollar with some even gaining some strength. The global volatility and uncertainty was met by stable policy rates by Central banks in emerging markets in an attempt to waver the huge tide without big losses in their local economies.

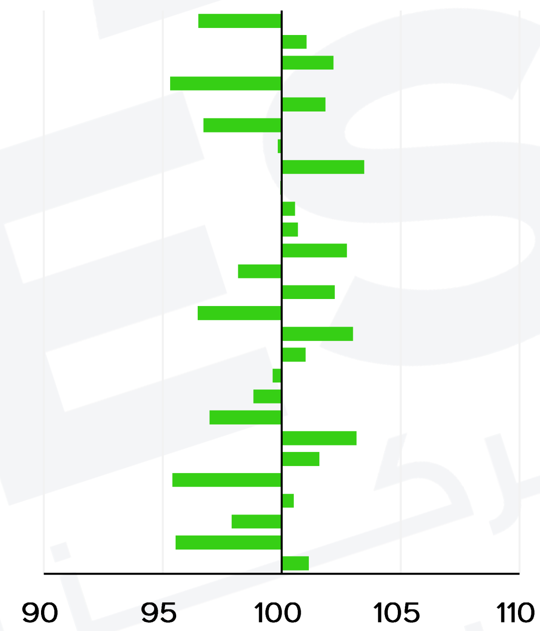
Turkish Lira



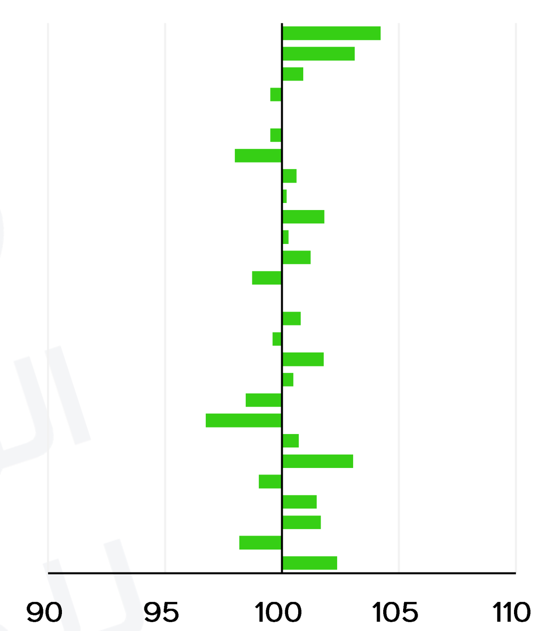
Indian Rupee



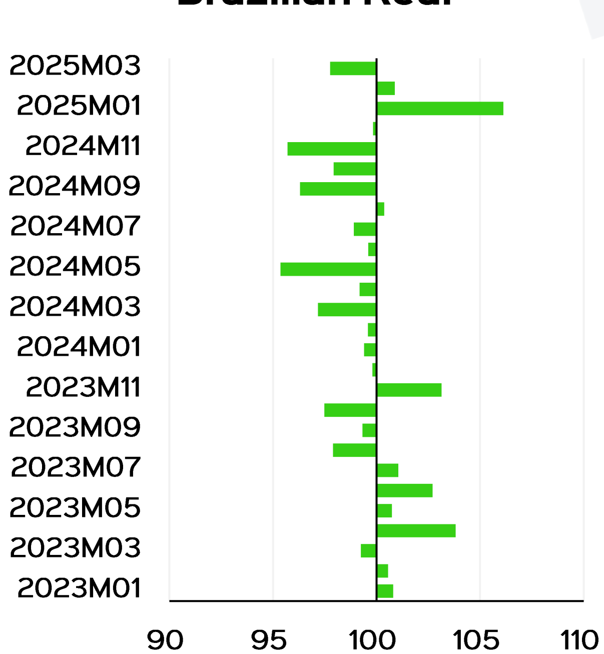
South African Rand



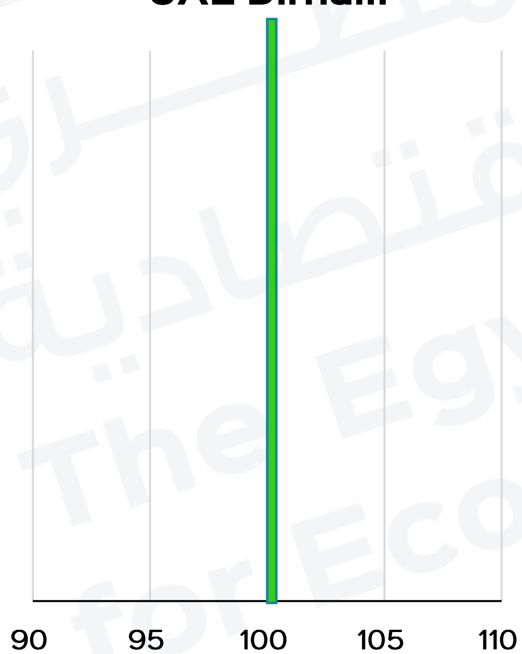
Moroccan Dirham



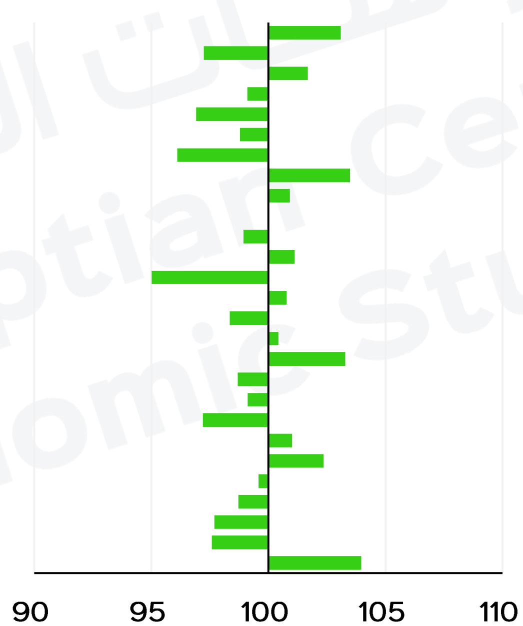
Brazilian Real



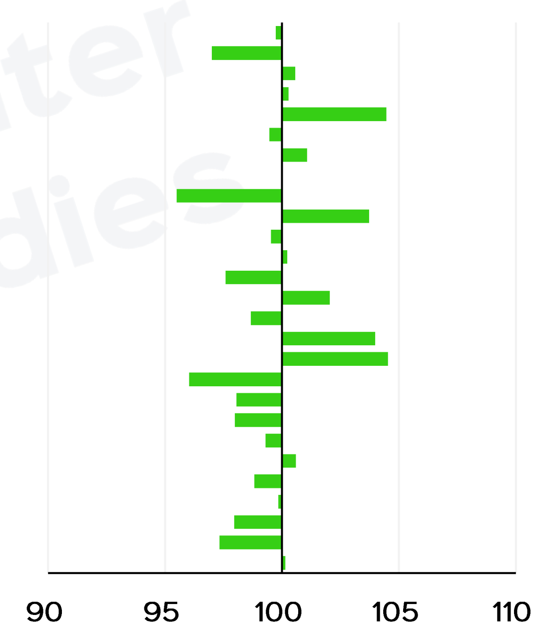
UAE Dirham



Korean Won

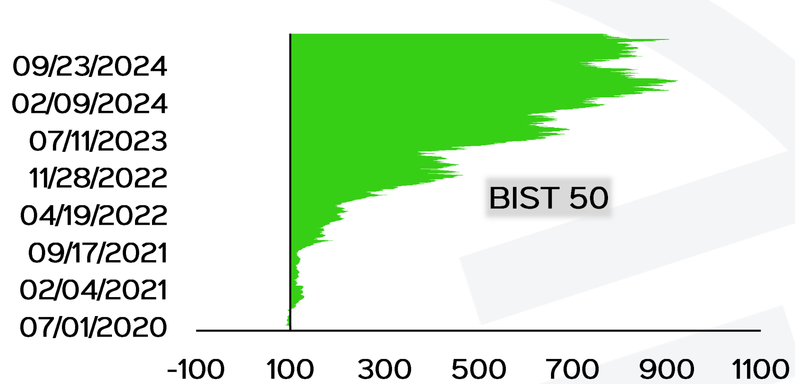


Israeli New Shekel

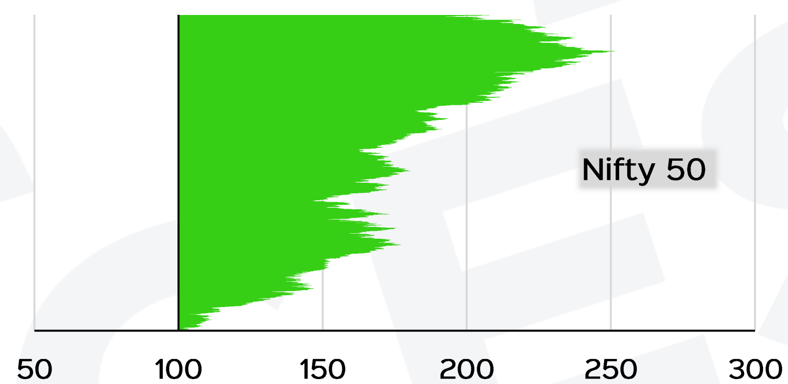


Stock markets in emerging markets have witnessed another turbulent month in the new Trump era, due to heightened global geopolitics and the escalating global trade war sparked by Trump tariffs. The new Trump presidency keeps feeding new levels of uncertainty and volatility to financial markets. Mirroring global markets, emerging markets stock markets have been very volatile and even witnessed larger swings than global markets in the past month given size of such markets and fear of international funds exit. This volatility has pushed most emerging markets stocks markets indices downwards as well as created sharp swings in the markets.

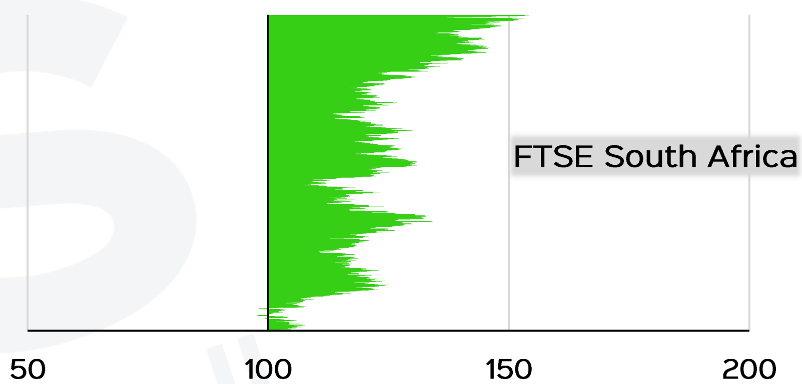
Turkey



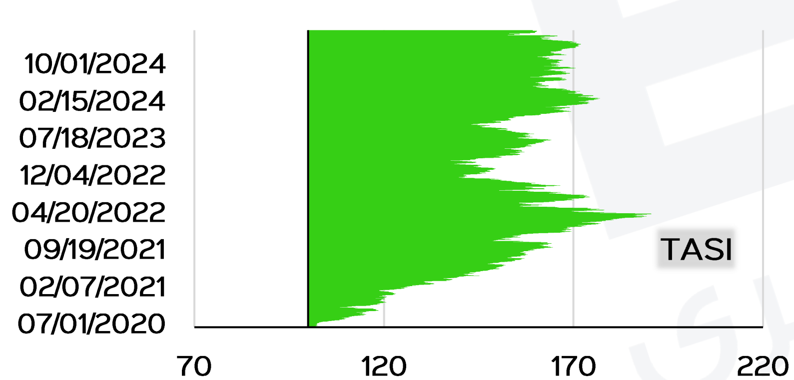
India



South Africa



Saudi Arabia



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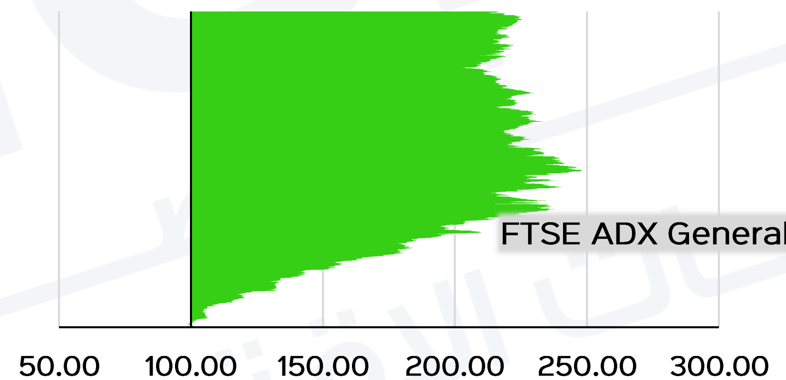

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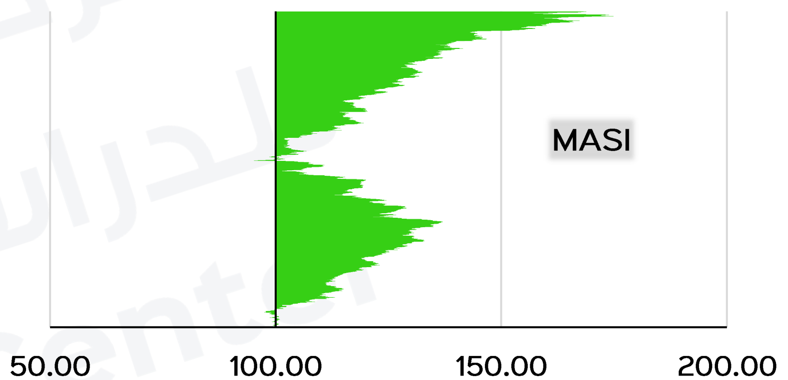

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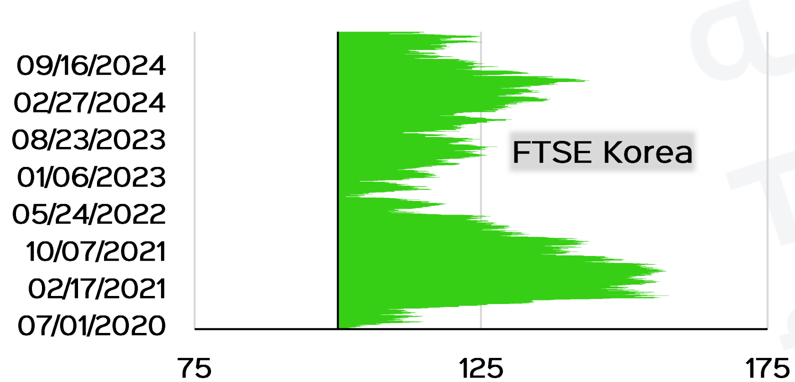

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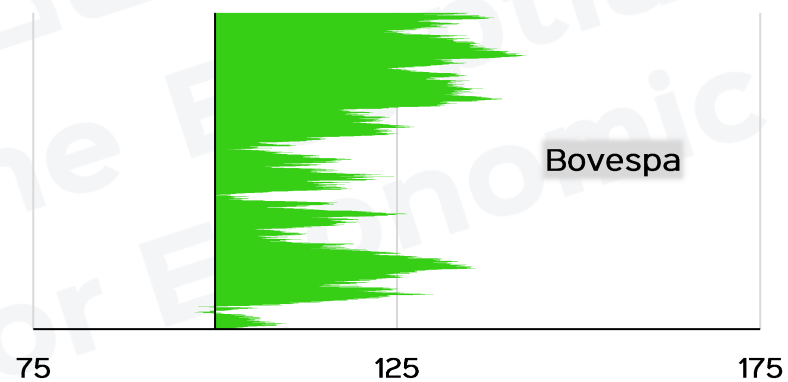

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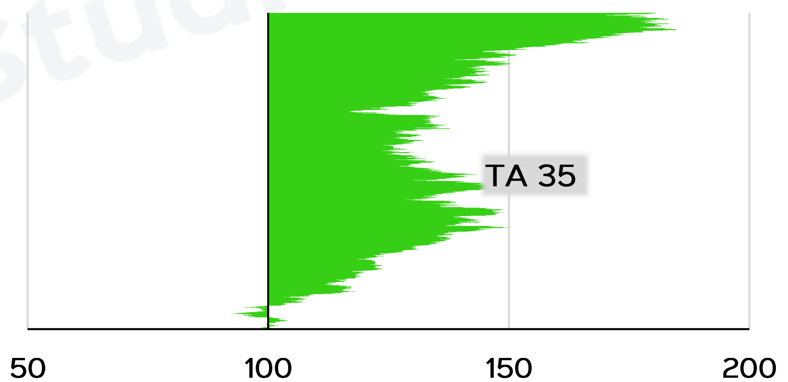
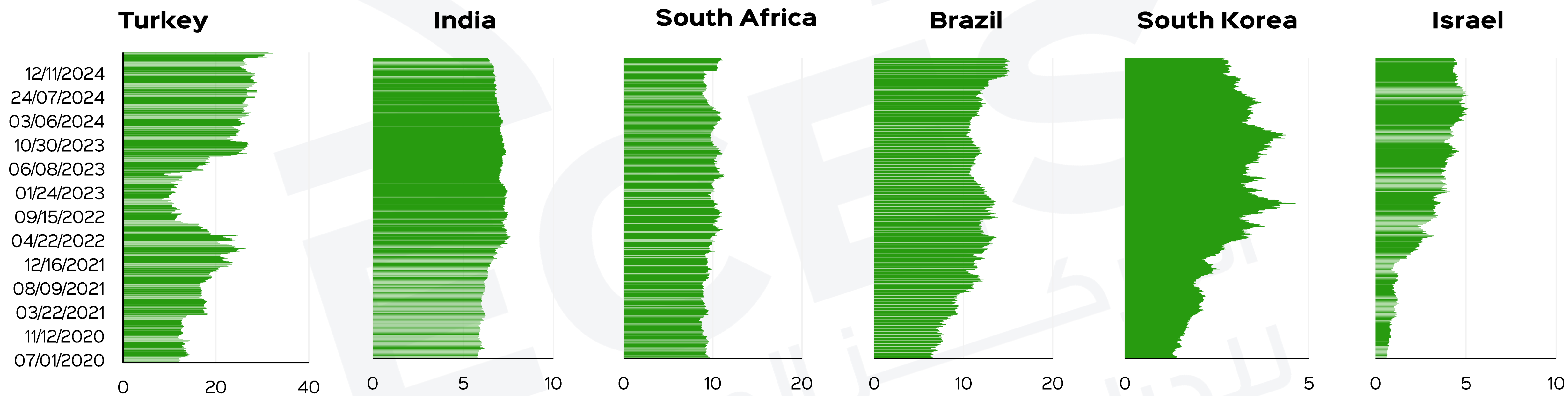
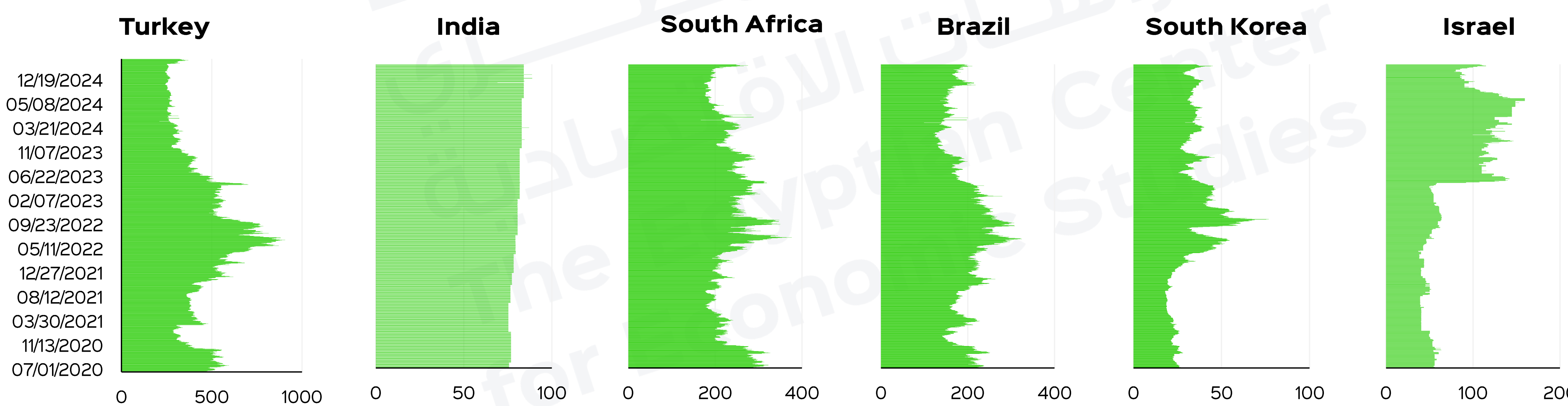


Bond yields have remained generally stable across most emerging markets thanks to monetary easing in global markets and decreased local inflationary pressures, except for countries like Turkey. While CDSs have generally increased due to increase geopolitical risks and uncertainty of global trade war. Monetary easing in global markets has decreased the pressure on bond yields in emerging markets, which stayed stable, though at elevated levels. The moderation of inflation in emerging markets has helped stabilize bond yields as well. On the other hands, CDSs in emerging markets increased and in cases like Turkey and South Africa spiked due to increased geopolitical tensions and global trade war uncertainty.

10-Year Bond Yield

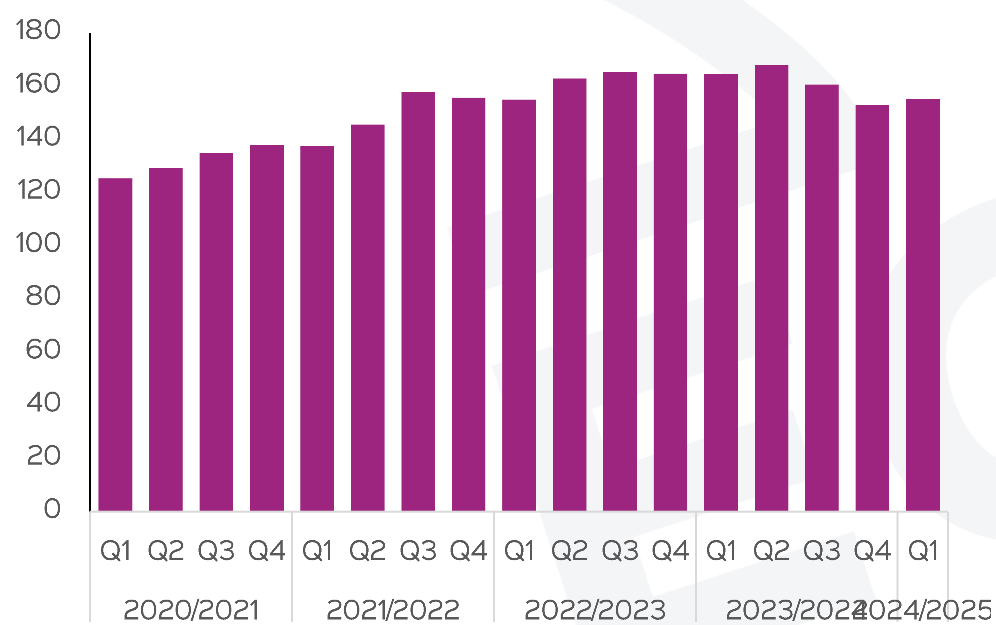


5-Year CDS

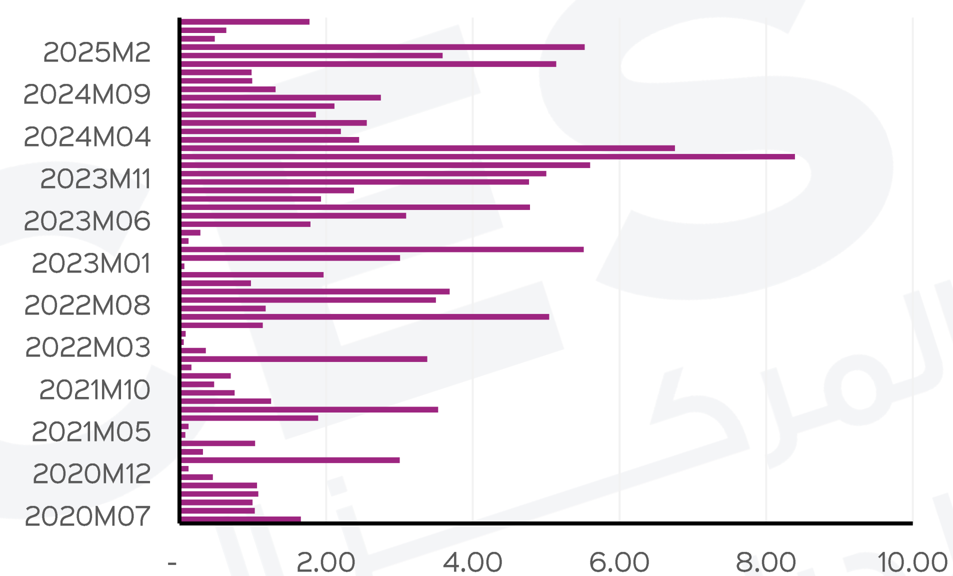


Total external debt resumed its upward trend due to new borrowing, currency devaluation and accumulated debt servicing cost. Bond yields stayed stable thanks to declining inflation and global monetary easy, while CDSs spiked due to financial markets volatility and uncertainty. After declining for few quarters, external debt resumed its upward trend thanks to external borrowing and accumulated debt servicing cost which was exacerbated by the devalued Pound. Bond yields stayed stable thanks to global monetary easing and declining inflation lately. While CDSs spiked due to financial markets volatility and uncertainty, which is affecting inflows of capital to emerging markets.

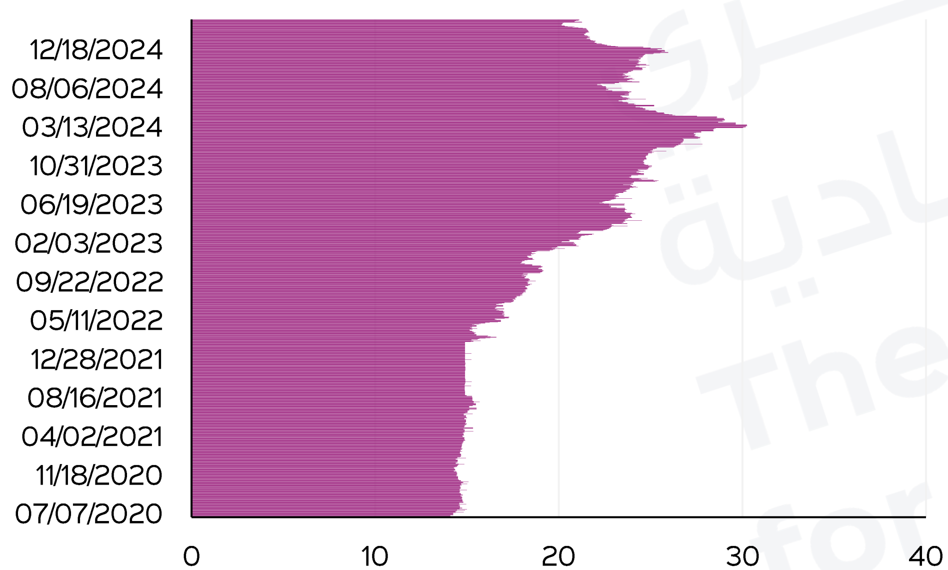
Total External Debt (bn $)*



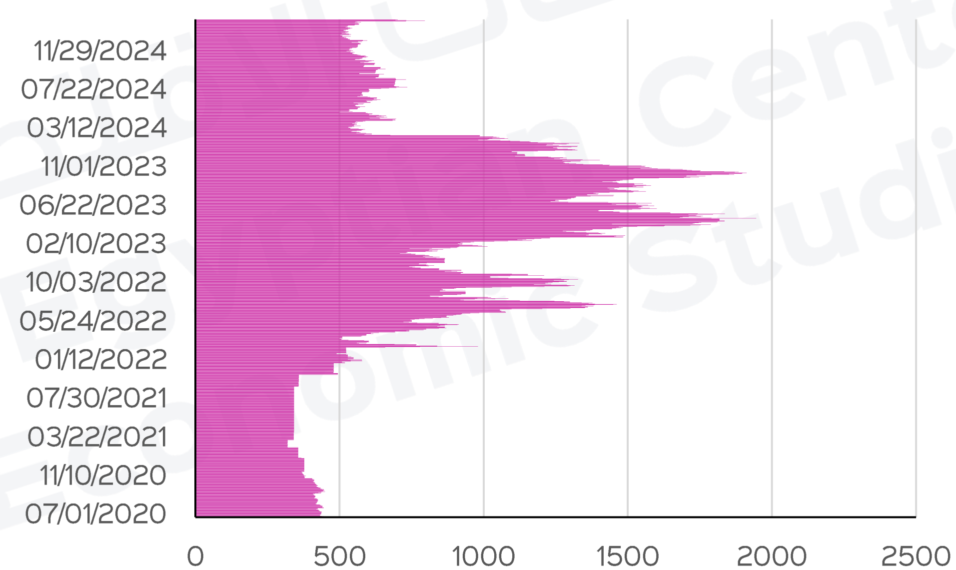
External Debt Service (bn $)*



Egypt 10-Year Bond Yield



5Y CDS, Egypt

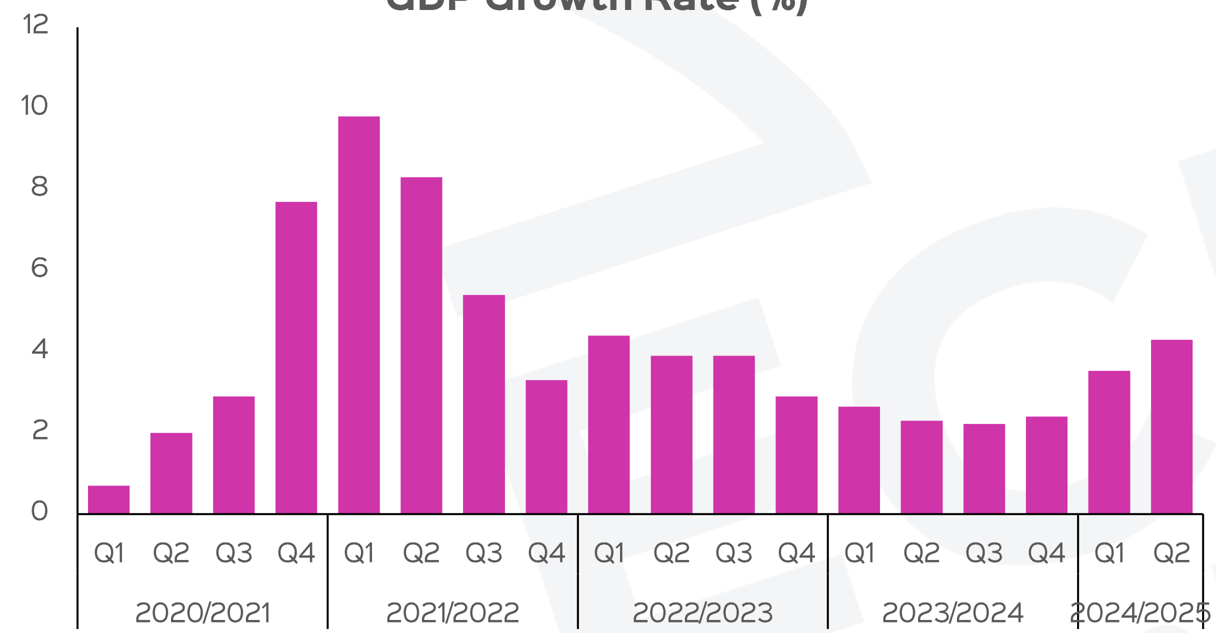


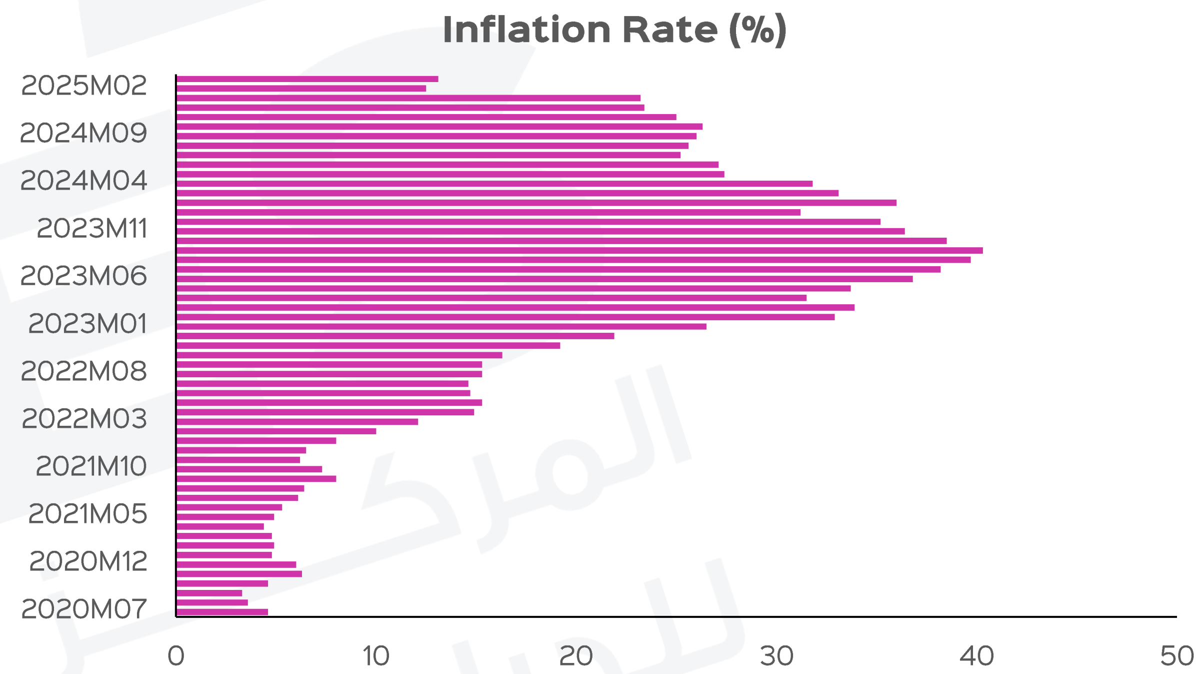
S&P Global Ratings
B- Positive

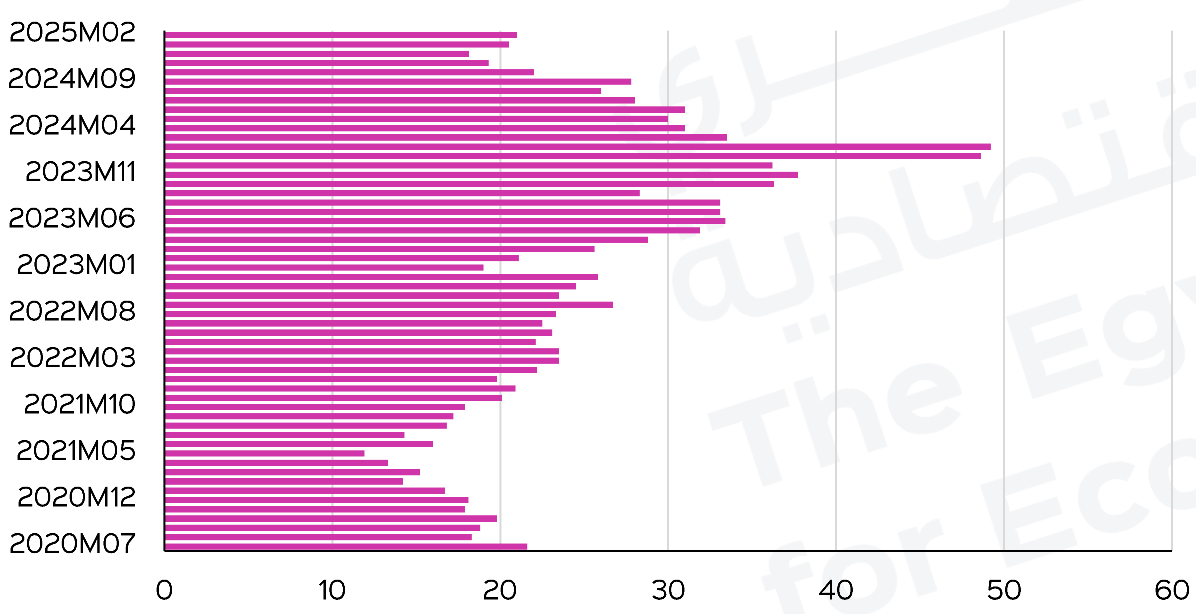
Fitch Ratings
B Stable

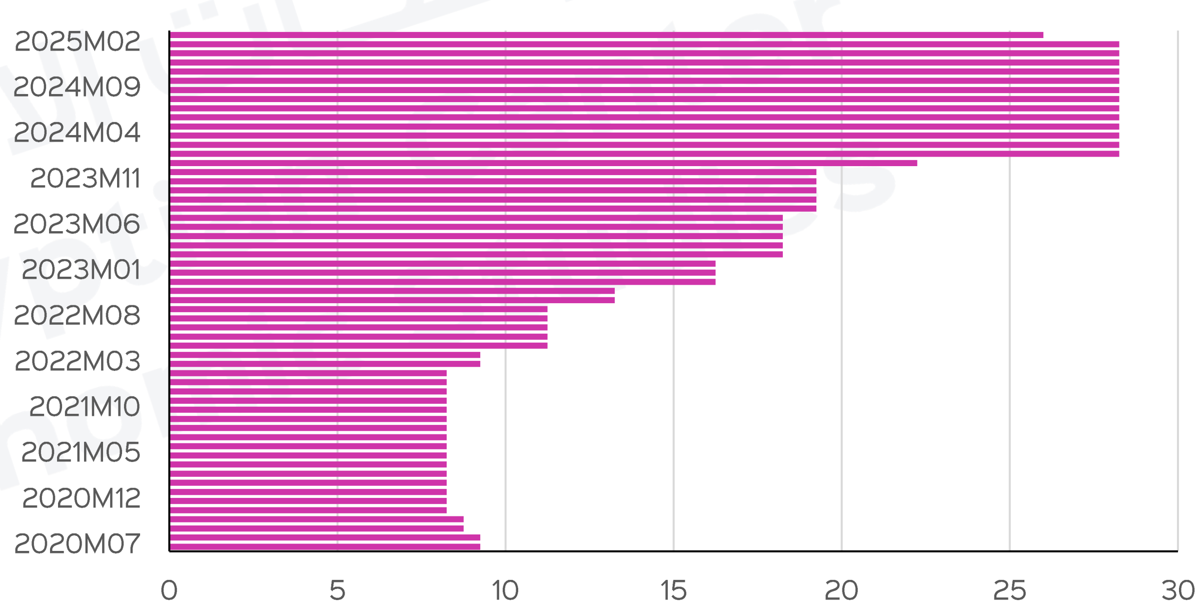
Moody's Investors Service
Caa1 Positive

GDP growth rate has increased, highlighting a partial economic recovery commencing. The growth of money supply has resulted into inflation rate inching upwards last month after a big decline in the previous month. The big decline in inflation rate has given the Central bank room for a big rate cut lately. The economy has kept its growth momentum for the second quarter in a row showing an increase in GDP growth rate. On the monetary side, growth of money supply has increased resulting into inflation rate inching upwards after a big decline in the month before. The big lately decline, which is mainly due to the base effect, has given the Central bank the room for a big rate cut of 2.25%, commencing monetary easing.



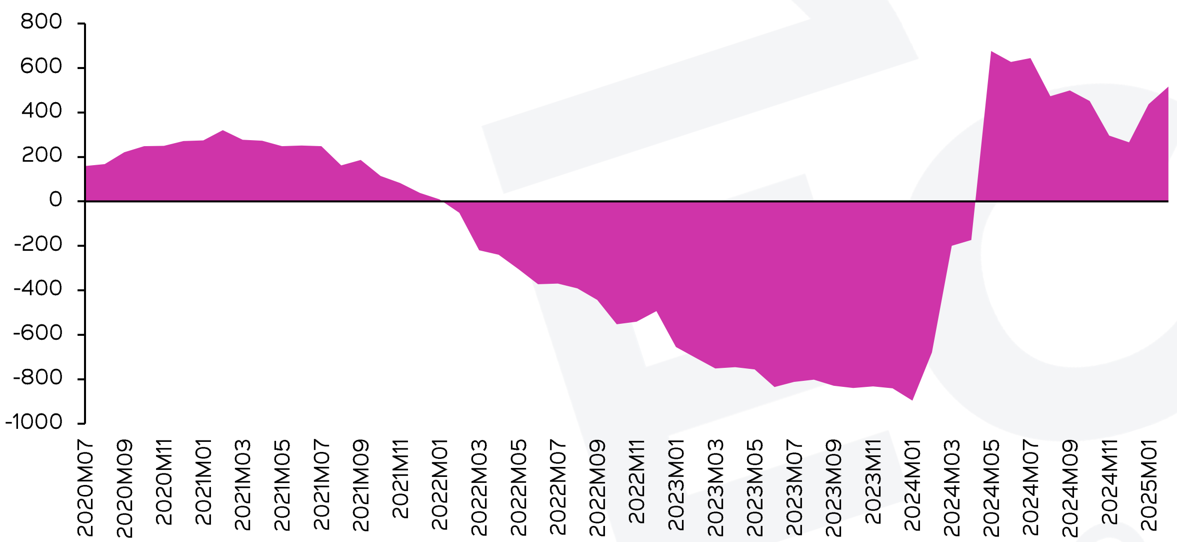




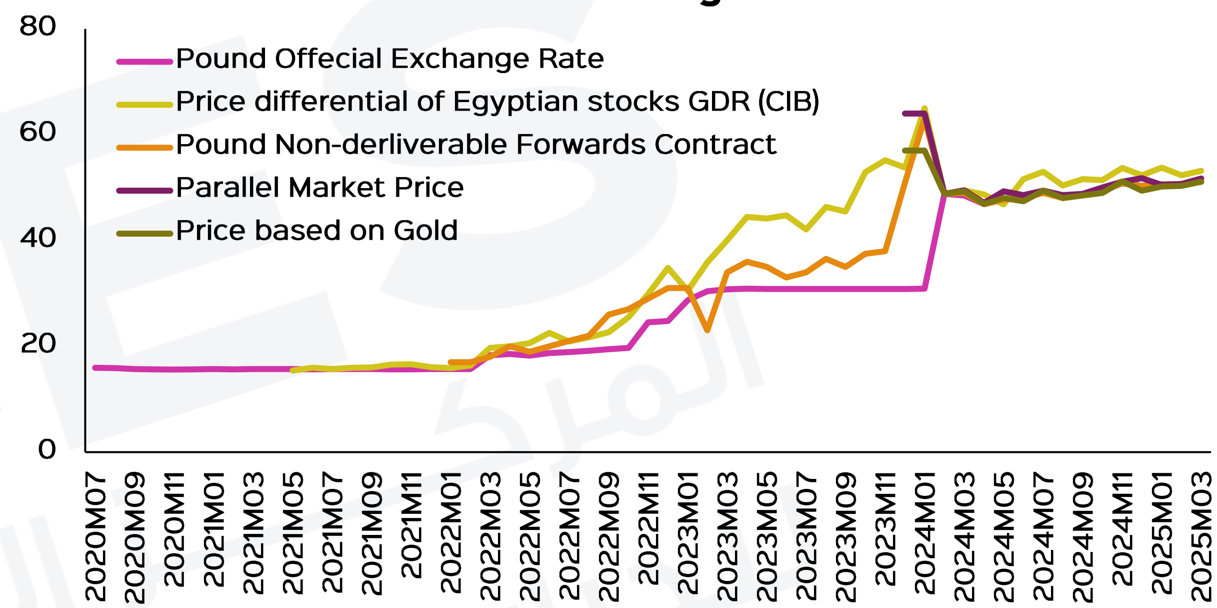


Central bank reserves of foreign currency have increased and net foreign assets in the banking system slightly increased, supported by inflows of foreign funds and remittances. Official exchange rate continued to rise, while the gap with the other prevailing rates persisted, though still limited. Currency inflows from remittances have stayed significantly high 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 and the Central bank official reserves. Despite this, the Pound official exchange rate kept rising due to pressures from hot money outflows in such turbulent times. The gap between the official and other prevailing rates in the market persisted for the fourth month in a row, though still limited.

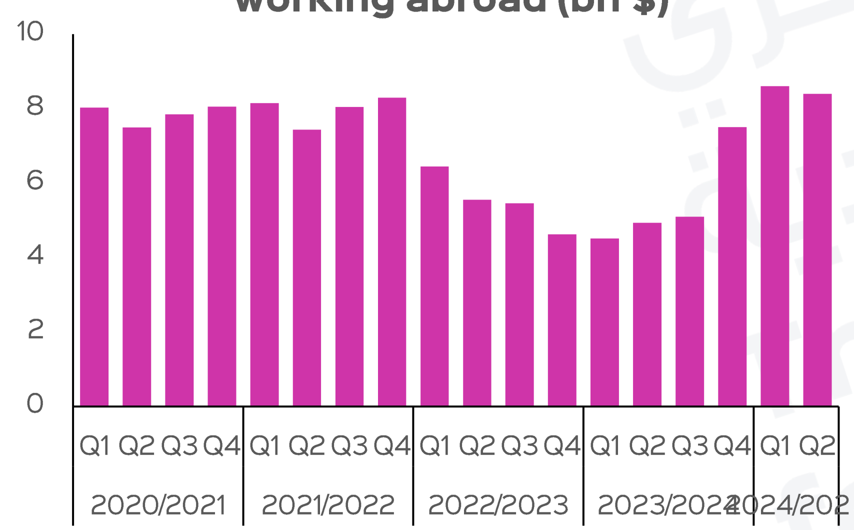
Net Foreign Assets of the Banking System (bn LE)*



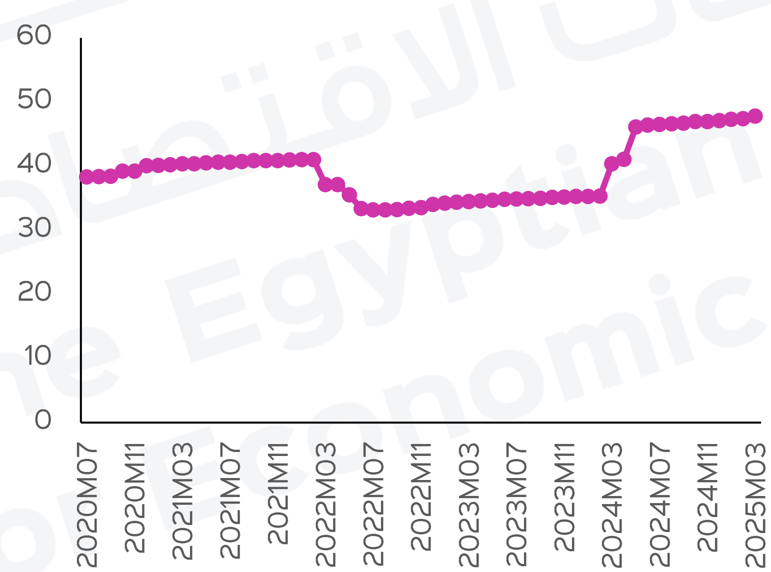
Pound Exchange Rate



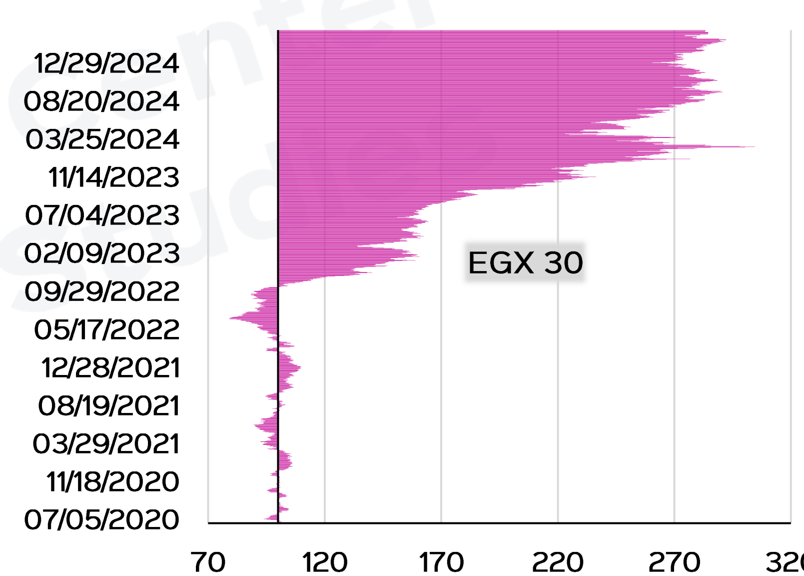
Remittances of Egyptians working abroad (bn $)



Net International Reserves



Egypt



Sources

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- 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

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.

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