



# Financial Markets Snapshot

Issue 17  
May 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



- Commodity prices have maintained their stabilization trend across most commodities, except for the further decline in crude oil due to increased supply and notable hike in gold prices due to global macroeconomic changes.
- Inflation has diverged across global markets, easing further in US and EU, while increasing in the UK. This sends mixed signals about trend in global monetary policy.
- Global stock markets have witnessed an unexpected relief rally across most global markets especially the US market, out of optimism that trade talks are commencing.
- Turbulence in global markets in the last few weeks have resulted into fluctuating bond yields across developed markets. CDSs of global markets have subsided as trade talks initiated and risks of global tariff war contained, though temporarily.

## Emerging Markets



- Inflation rates across emerging markets have kept their divergence trend for another month.
- Despite stable inflation rates, 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.
- The general weakness of the US Dollar as well as the wait and see approach adopted by emerging markets Central banks have resulted into further strength of emerging markets currencies against the US Dollar.
- Stock markets in emerging markets have witnessed another turbulent month with some witnessing a relief rally as investors get into markets that could benefit from such tensions as India and Morocco.
- Bond yields have remained generally stable across most emerging markets and CDSs have generally declined.

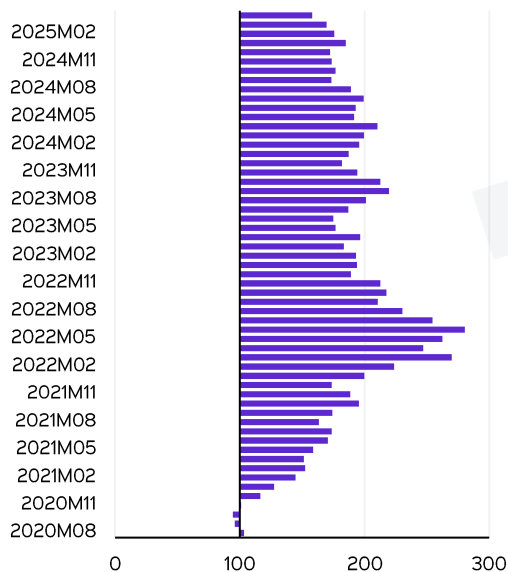
## Egyptian Local Market



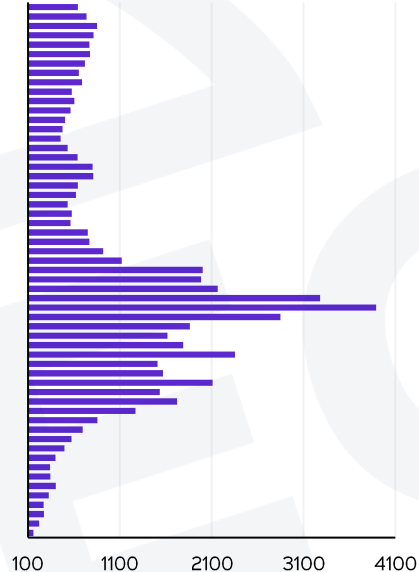
- Total external debt resumed its upward trend due to new borrowing and accumulated debt servicing cost. Bond yields stayed contained thanks to declining inflation rate and CDSs have declined due to perceived monetary stability in the country as compared to other emerging markets in the short term.
- GDP growth rate has increased further, highlighting a partial economic recovery commencing. The continuing growth of money supply has resulted into inflation rate inching upwards for the third month in a row after a big decline in the previous months. The big decline in inflation rate has given the Central bank room for another rate cut lately.
- Central bank reserves of foreign currency have increased a bit and net foreign assets in the banking system have spiked, supported by inflows of foreign funds and stable remittances. Official exchange rate started to decline slightly, and the gap with the other prevailing rates became even more limited.

**Commodity prices have maintained their stabilization and downward trend across most commodities, except for the further 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 maintained their downward price trend with concerns about an upcoming global recession and decreased demand. Oil prices declined further due to fears of global recession and the increased supply by OPEC. In contrast, gold prices kept climbing due to increased geopolitical tensions and global trade war as a result of the new Trump tariffs, pushing Central banks and retail investors to resort to Gold as safe haven.

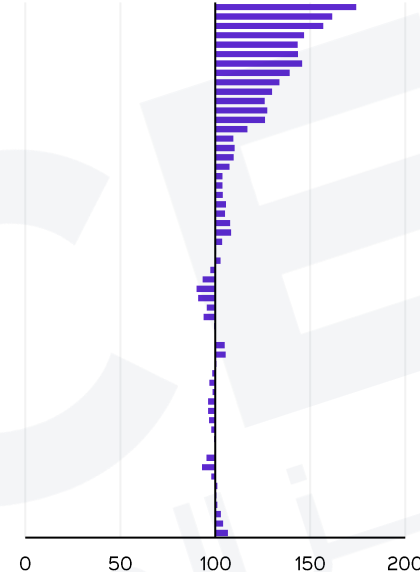
Crude Oil, Brent



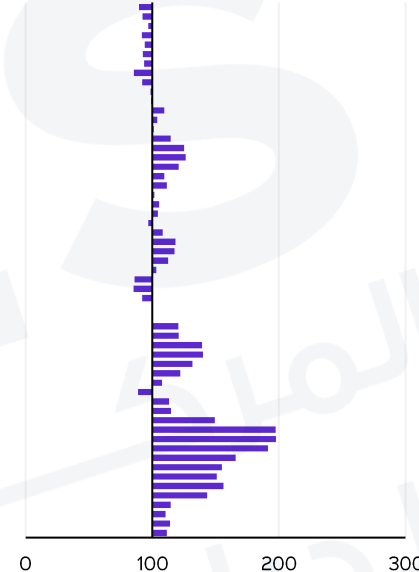
Natural Gas



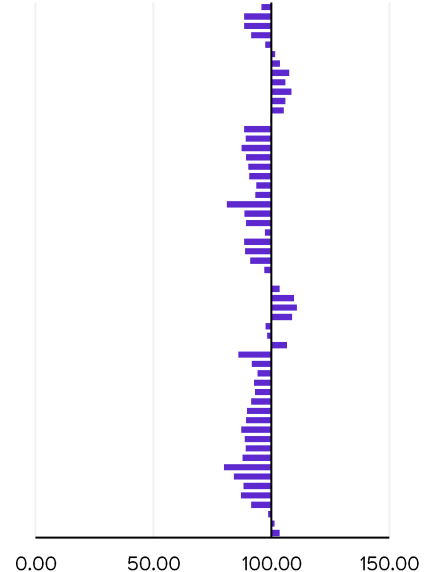
Gold



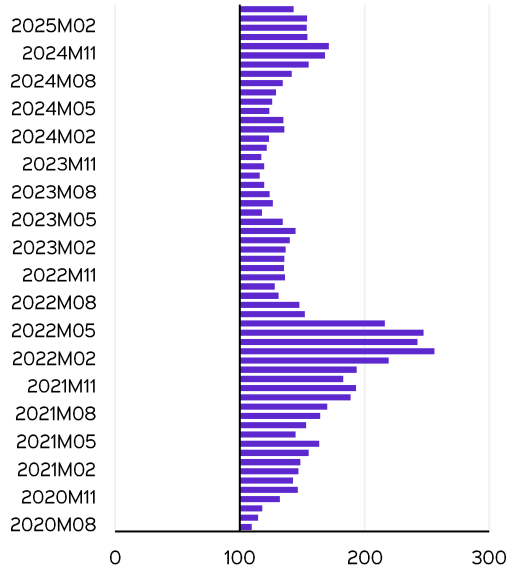
Iron ore



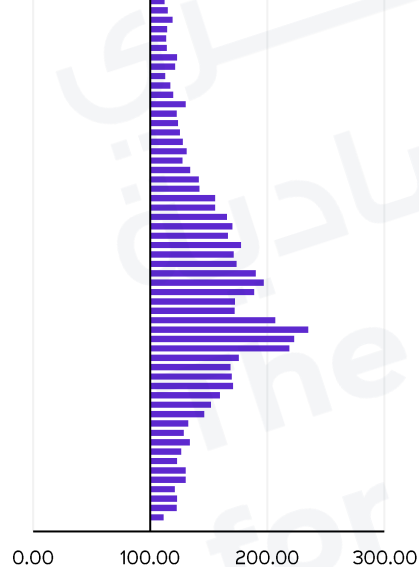
Tea



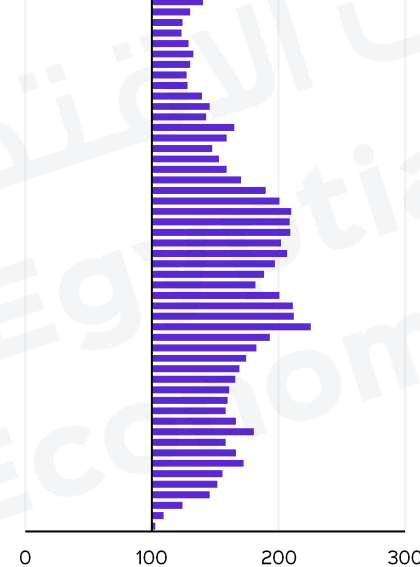
Palm oil



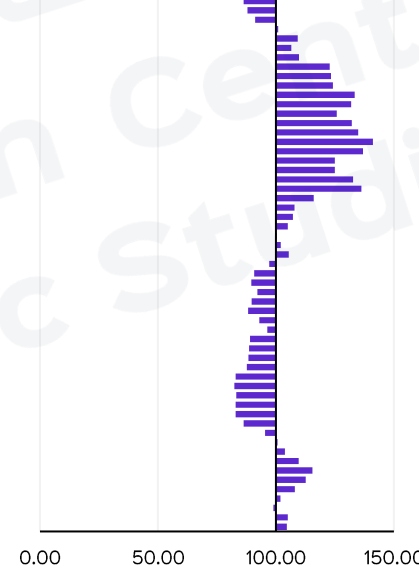
Wheat



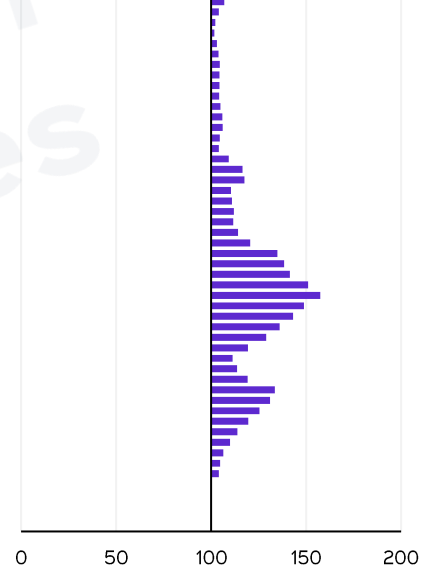
Maize



Rice

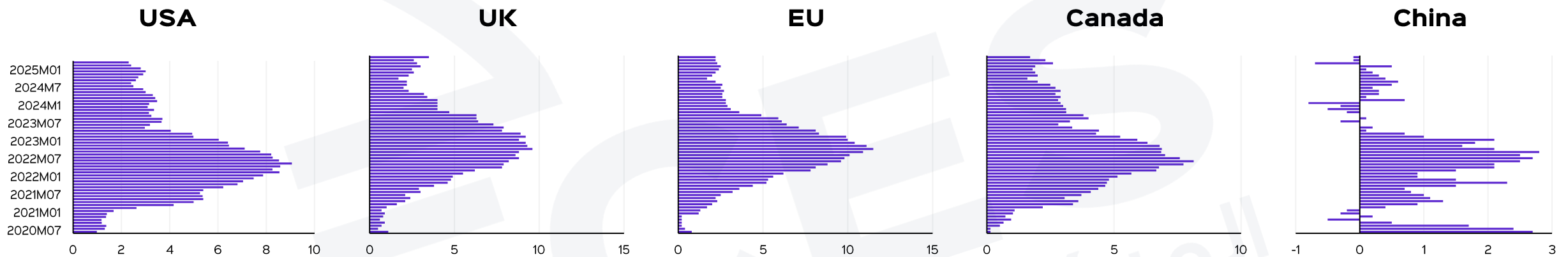


Bovine meat

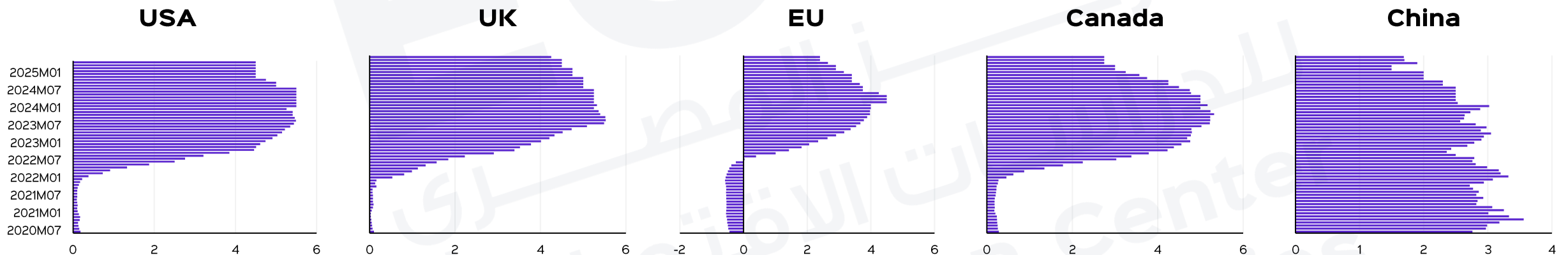


**Inflation has diverged across global markets, easing further in US and EU, while increasing in the UK. This sends mixed signals about trend in global monetary policy, especially at a time when the US Dollar is losing value against most global currencies.** The taming down of inflation rates across global markets may not go further as inflation spiked in the UK and fears about a similar trend erupts across other global markets due to Trump tariffs. Thus, the monetary easing cycle is expected to slowdown with most Central banks following a wait and see approach especially the US Fed, which is assessing the impact of Trump tariffs. Such mixed signals are magnified by the unusual weakness of the US Dollar against most global markets currencies.

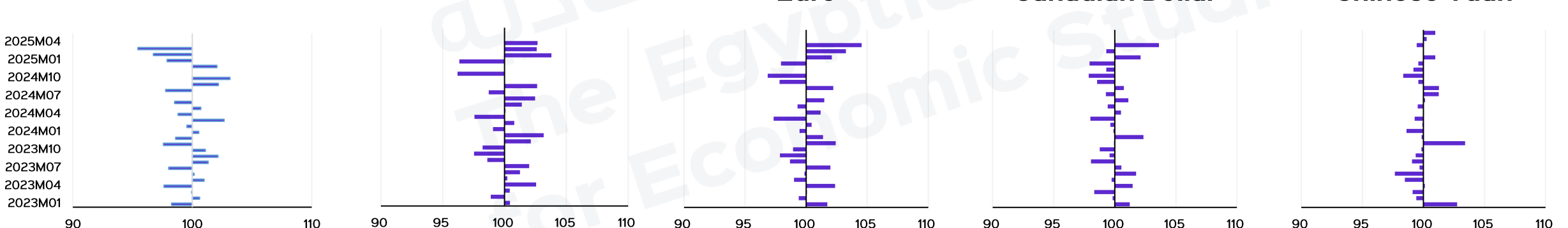
## Inflation Rate



## Policy Rate



## LCU / USD



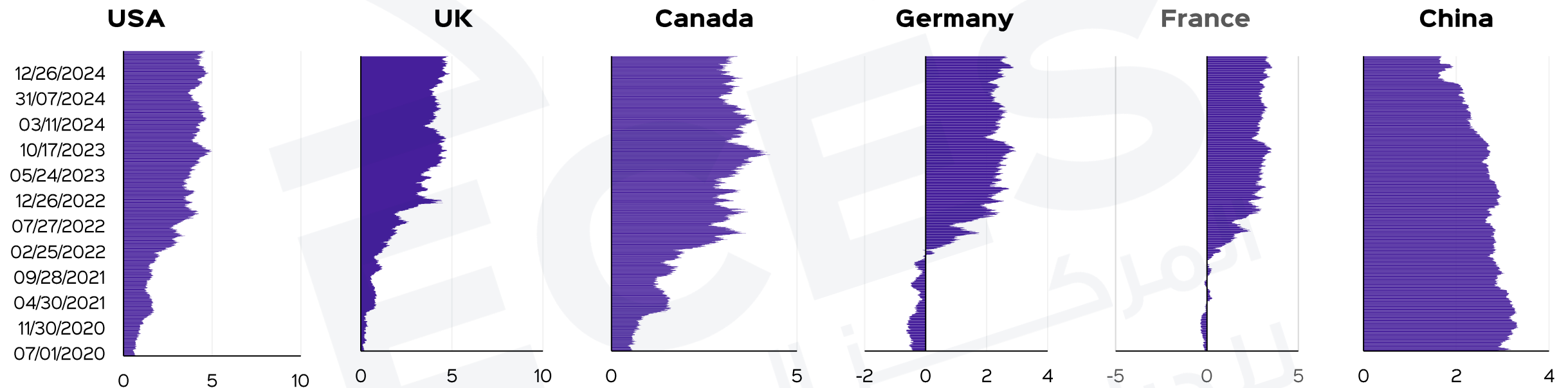
**Global stock markets have witnessed an unexpected relief rally across most global markets especially the US market, out of optimism that trade talks are commencing. Such rally has been uneven across markets with focus on US market in the first place.** Trump global trade war and the lack of consistency on direction have thrown global stock markets into a limbo during the previous month. Yet, the initiation of trade talks with several countries especially China has resulted into an unexpected relief rally across most global markets especially the US markets. The same trend was witnessed across few other EU markets.



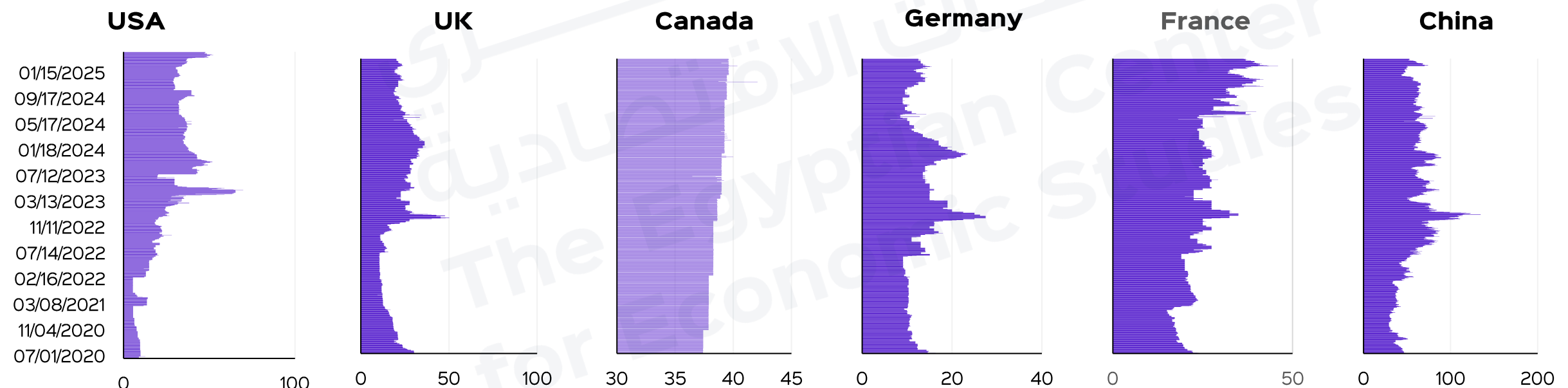


**Turbulence in global markets in the last few weeks have resulted into fluctuating bond yields across developed markets, yet with a general downward trend. CDSs of global markets have subsided as trade talks initiated and risks of global tariff war contained, though temporarily.** The turbulence and uncertainty about global trade prospects have had their toll on bond markets, where bond yields fluctuated aggressively yet with a general downward trend as global trade tensions get contained. This has reflected into CDSs which subsided as well with the commencement of trade talks and decreased tone of trade war, though such trend seems very temporary.

## 10-Year Bond Yield



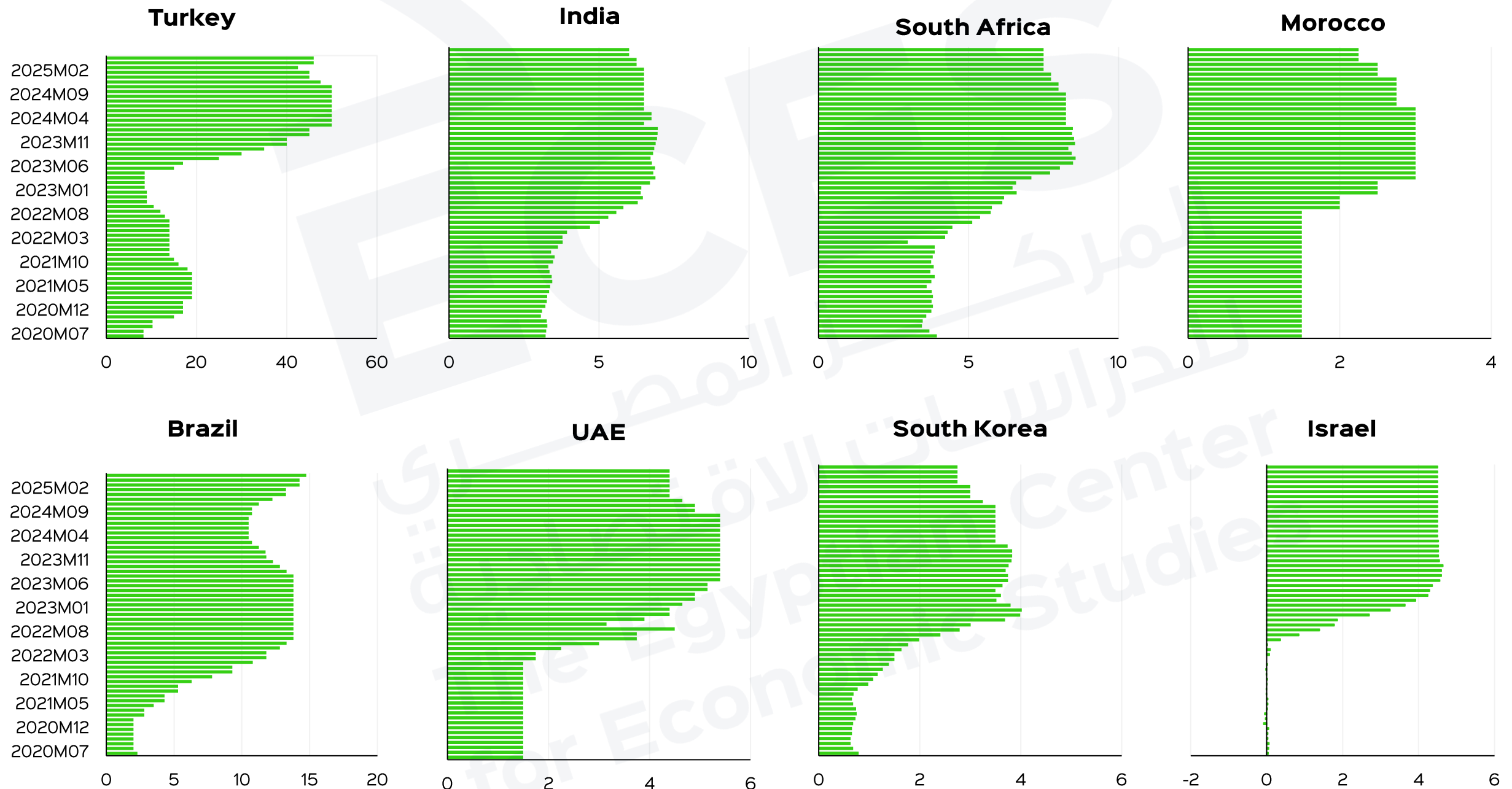
## 5-Year CDS



**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 with no major changes either upwards or downwards.** Emerging markets inflation rates have diverged yet again for a variety of reasons between food prices or commodity prices or imported inflation, but on an overall basis the changes have become tamed down. Some countries such as India and UAE are enjoying declining inflation, while others are still suffering from sticky inflation especially countries dependent on imports of different products and commodities.



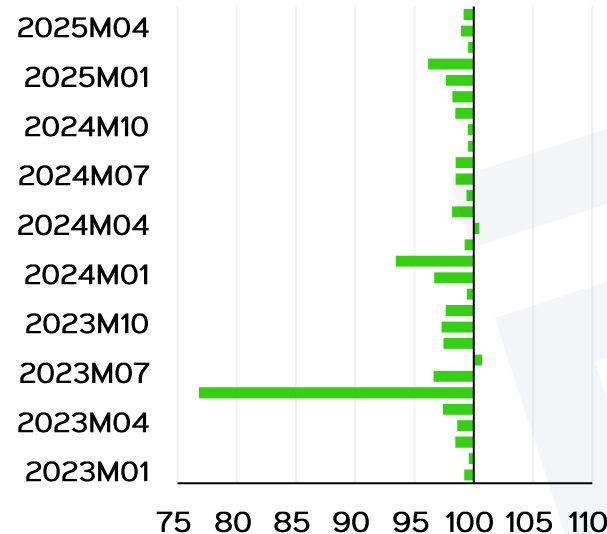
**Despite stable inflation rates, emerging markets Central banks have mostly adopted a wait and see approach and kept their interest rates fixed until there is clarity on global economy. The wait and see approach adopted mirrors the stance of global Central banks, amid a tough and uncertain time.** With the global volatility and uncertainty taking place, most emerging markets Central banks have adopted a wait and see approach until they get clarity, though local inflation rates in emerging markets have stabilized. Besides, the weakness of the US Dollar would have allowed most of them to cut rates in normal situations, but most emerging markets Central banks opted for a cautious wait and see approach, mirroring the main global Central banks in such uncertain time.



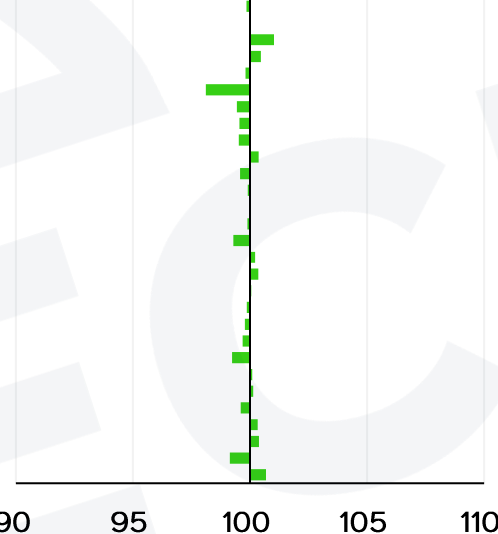


**The general weakness of the US Dollar as well as the wait and see approach adopted by emerging markets Central banks have resulted into further strength of emerging markets currencies against the US Dollar, which is perceived as a relief sign for their vulnerable economies.** With the weakening of the US Dollar and the stable inflation and interest rates in emerging markets, emerging markets exchange rates showed resilience against the US Dollar with most of them gaining strength. The global volatility and uncertainty was met by stable policy rates by Central banks in emerging markets in an attempt to shield their vulnerable economies for the global trade war.

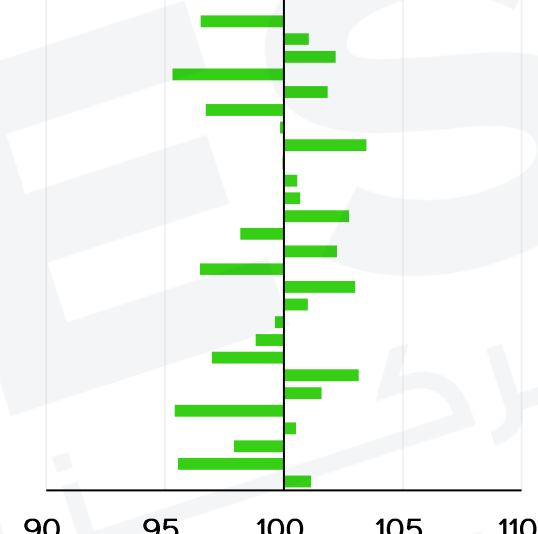
Turkish Lira



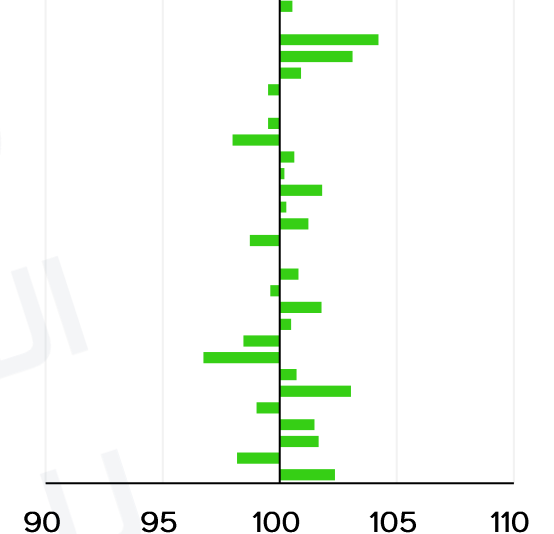
Indian Rupee



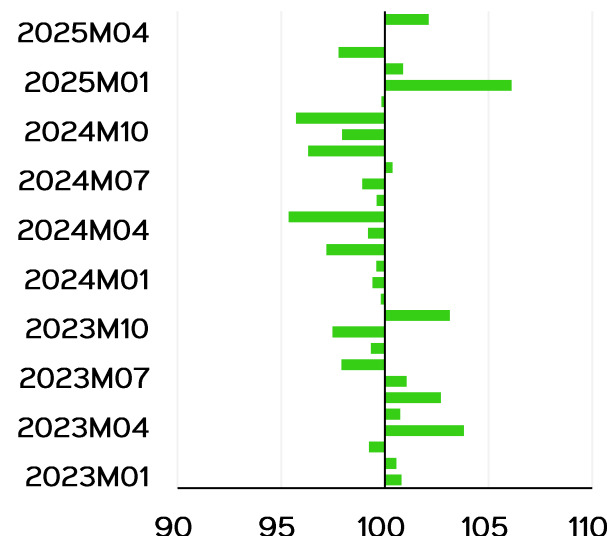
South African Rand



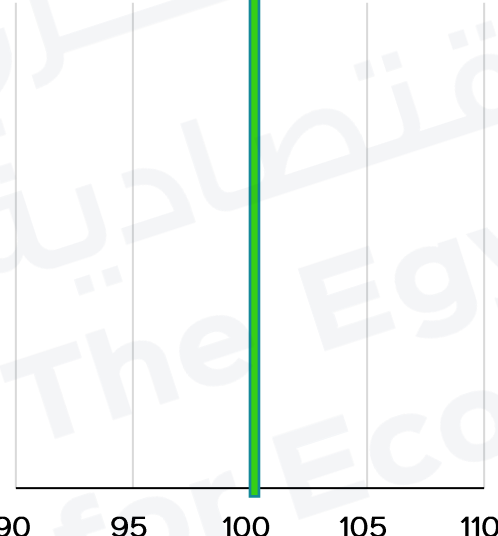
Moroccan Dirham



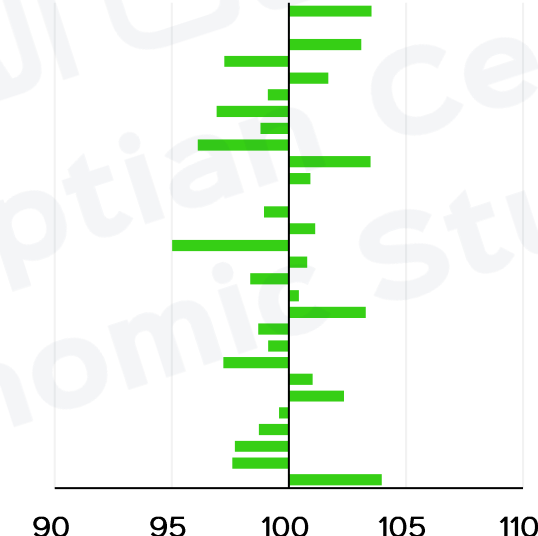
Brazilian Real



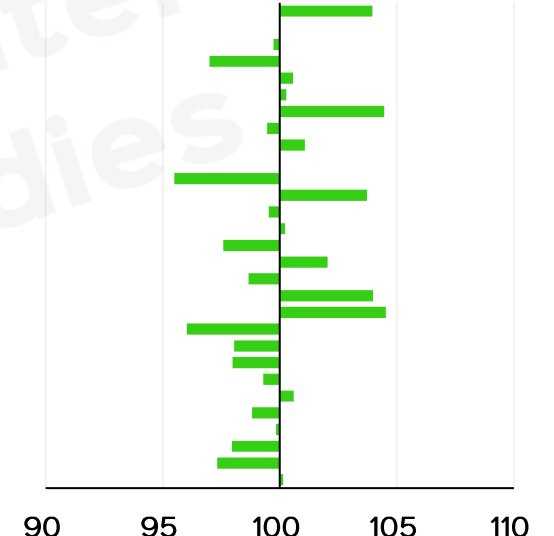
UAE Dirham



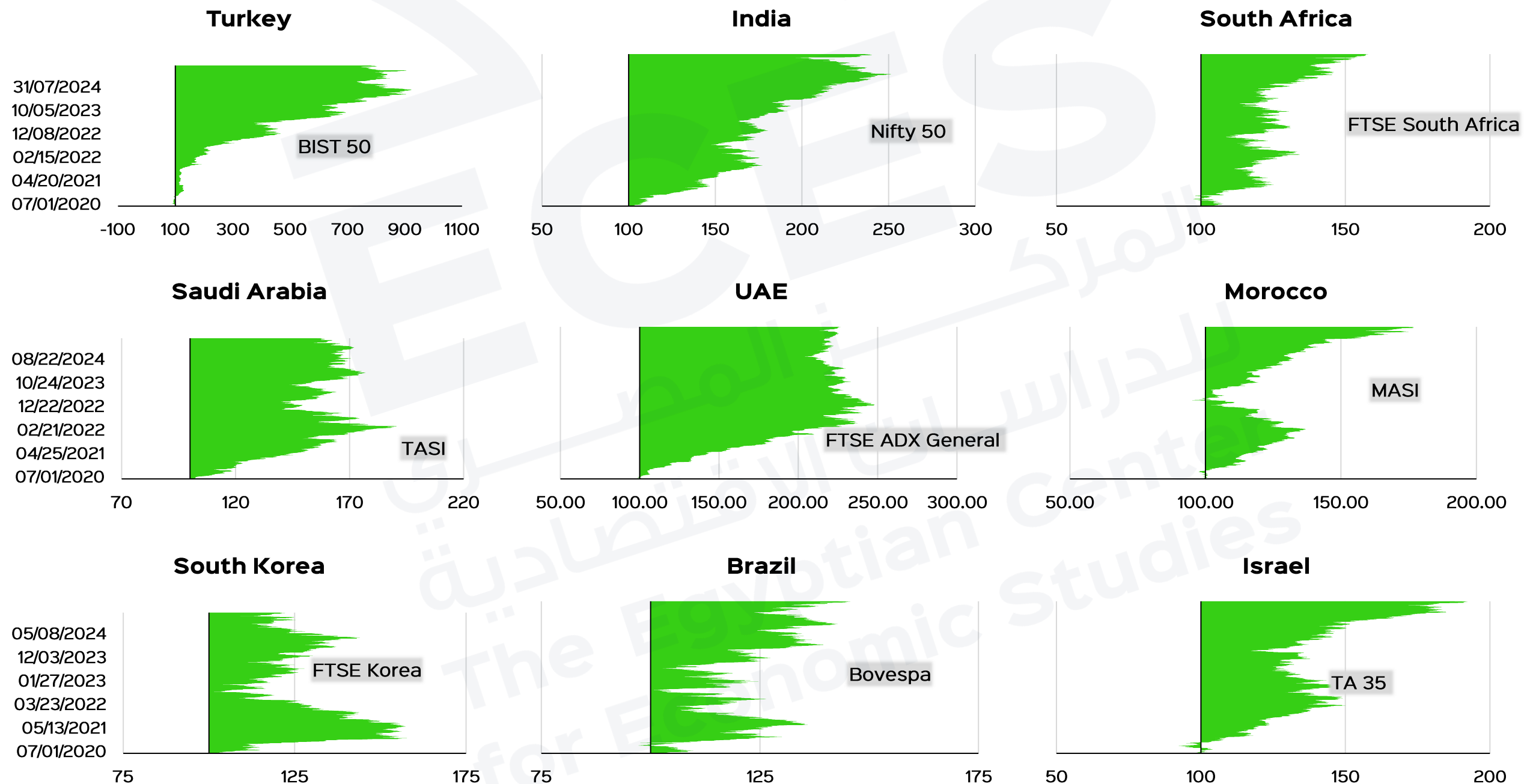
Korean Won



Israeli New Shekel

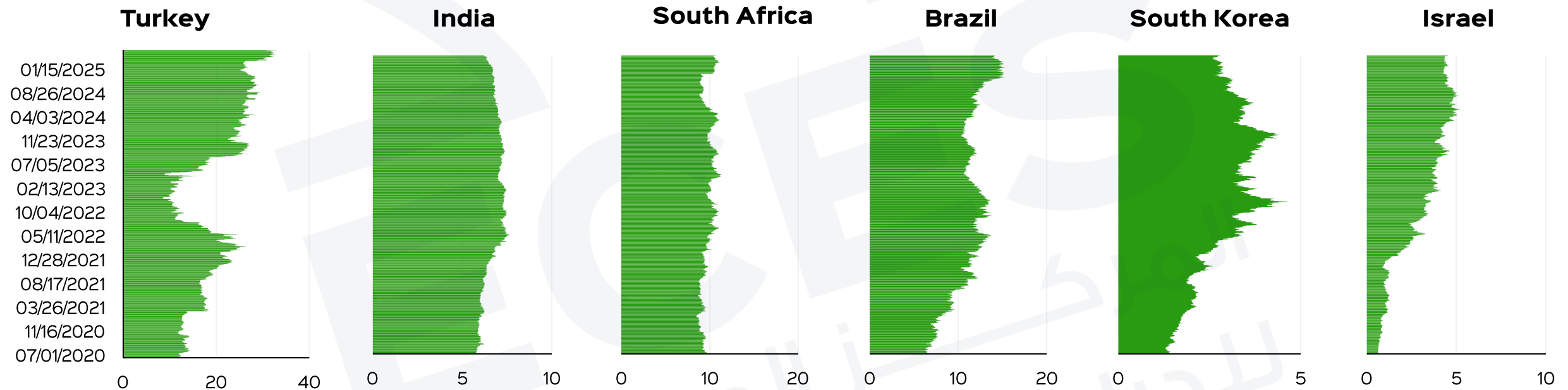


**Stock markets in emerging markets have witnessed another turbulent month due to heightened global geopolitics and the escalating global trade war, yet some of them have witnessed a relief rally as investors get into markets that could benefit from such tensions as India and Morocco.** The new Trump 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 lately. Yet some of them have witnessed a relief rally like global markets, but driven by the interest of some investors to stay away of global trade war and get into markets that could actually benefit from such trade war dynamics like India and Morocco.

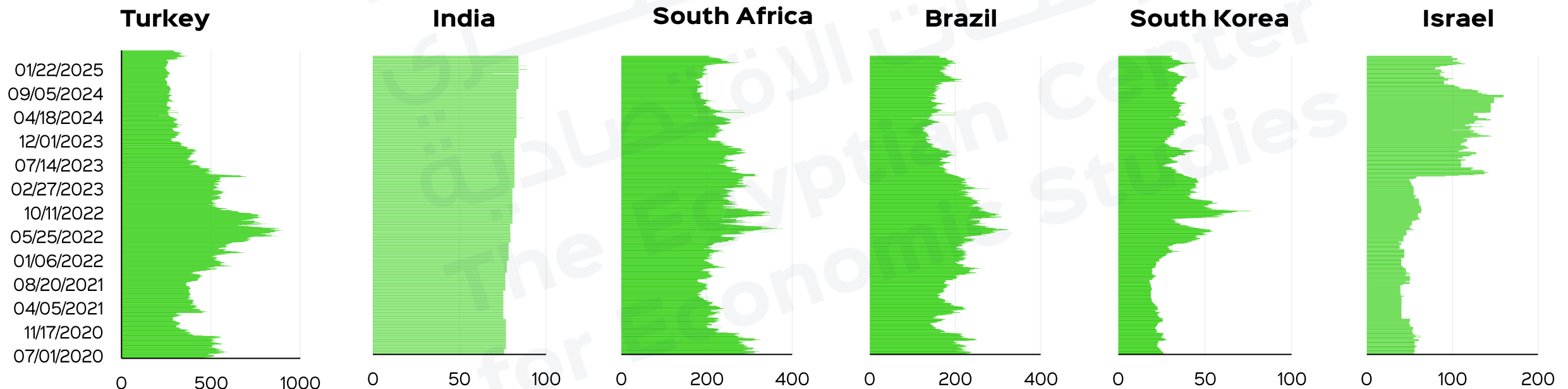


**Bond yields have remained generally stable across most emerging markets and even declined due to decreased local inflationary pressures and cautious monetary policy, except for countries like Turkey. CDSs have generally declined as trade war risks subside, though temporarily.** The wait and see approach on monetary policy by global Central banks coupled with the still tightened monetary policy in emerging markets have decreased pressure on bond yields in emerging markets, which stayed stable. Turkey is an exception due to its high local inflation rate. On the other hands, CDSs in emerging markets have generally declined with the perceived decline in global trade war risks as trade talks commenced, though this seems temporary.

### 10-Year Bond Yield



### 5-Year CDS



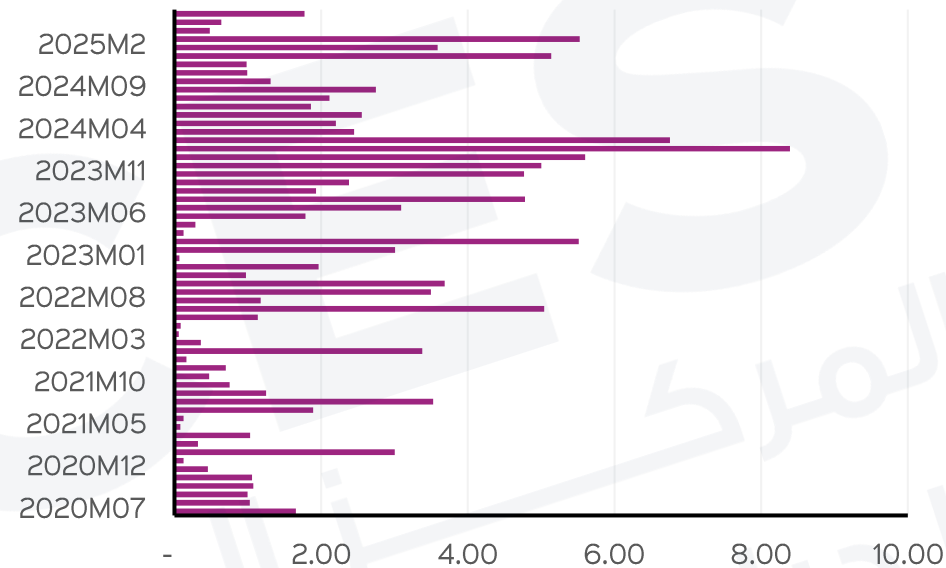


**Total external debt resumed its upward trend due to new borrowing and accumulated debt servicing cost. Bond yields stayed contained thanks to declining inflation rate and CDSs have declined due to perceived monetary stability in the country as compared to other emerging markets.** After declining for few quarters, external debt resumed its upward trend thanks to external borrowing and accumulated debt servicing cost. Bond yields stayed contained thanks to declining inflation lately. CDSs have showed a noticeable decline as investors perceive the country as stable and hedged in the short term from a monetary standpoint as compared to other emerging markets.

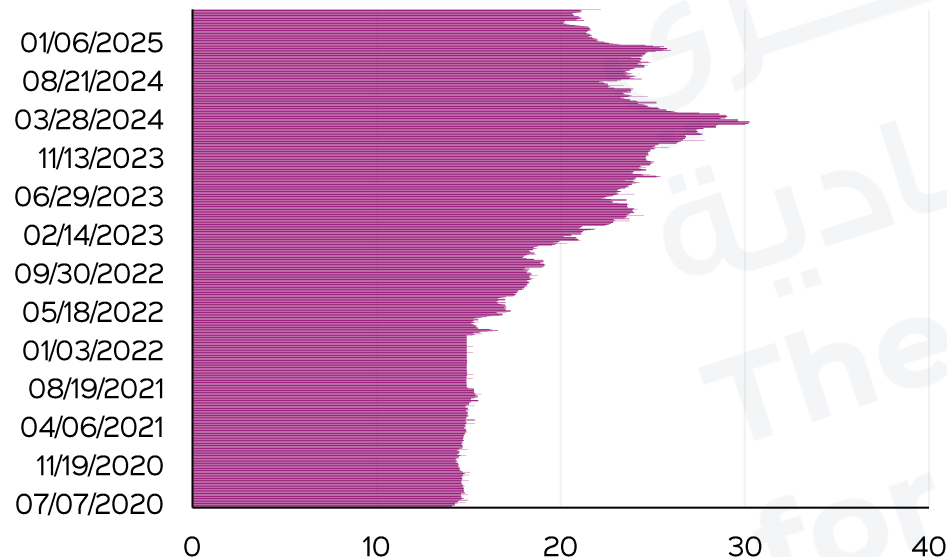
Total External Debt (bn \$)\*



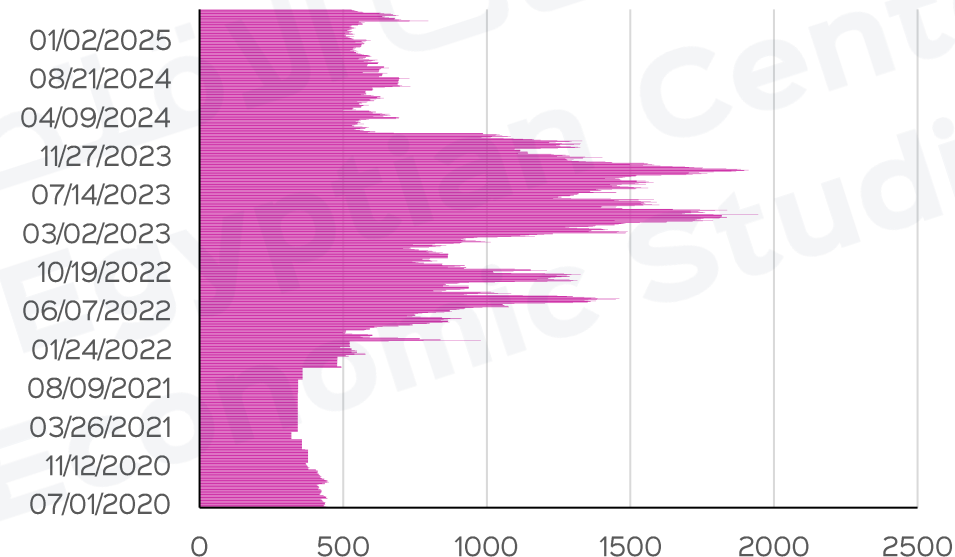
External Debt Service (bn \$)\*



Egypt 10-Year Bond Yield



5Y CDS, Egypt

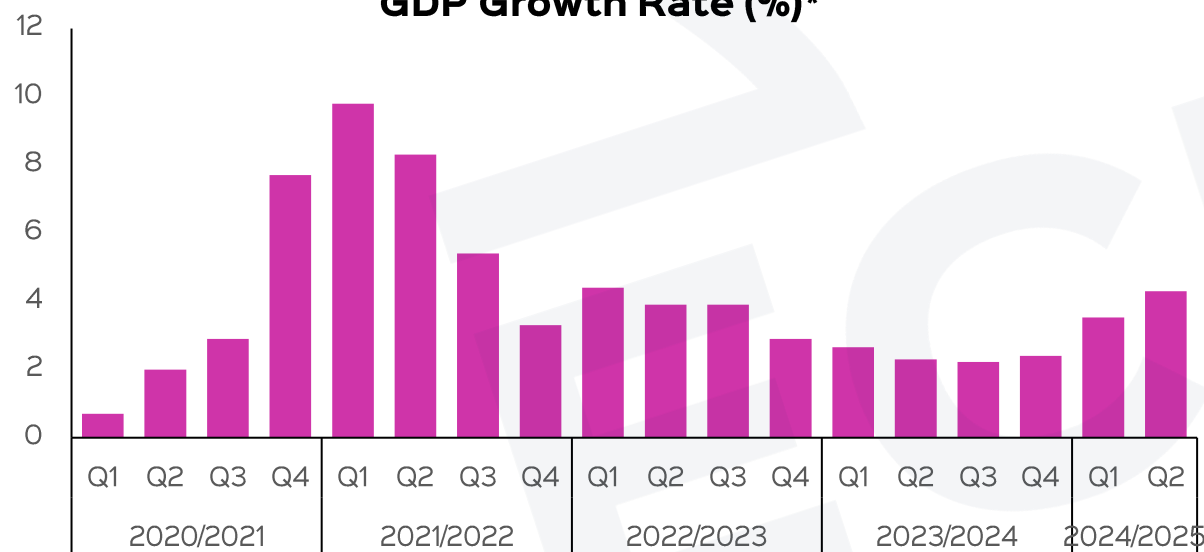
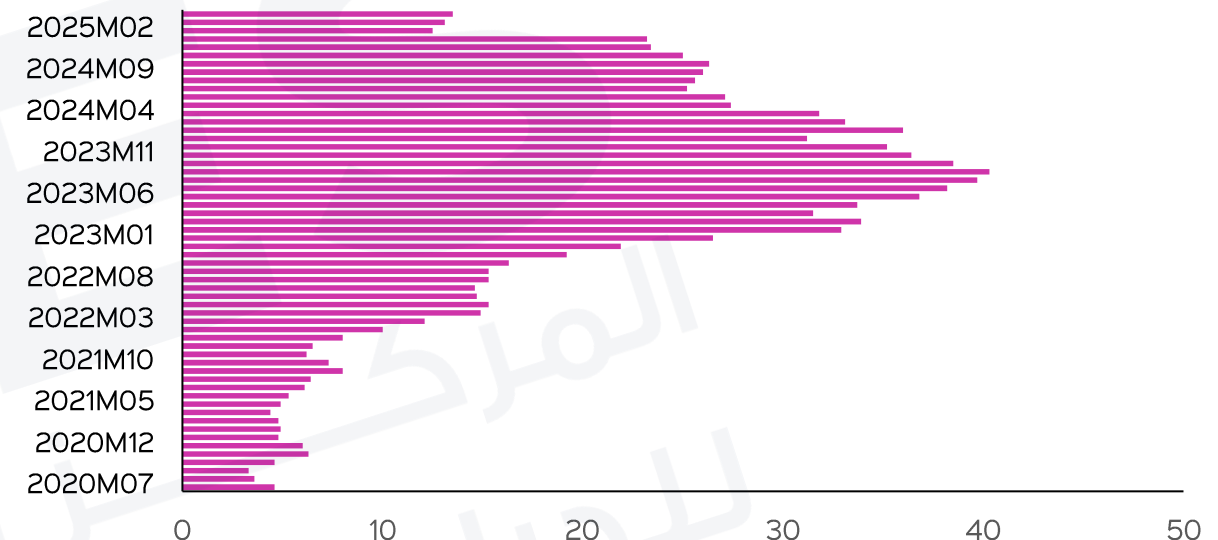
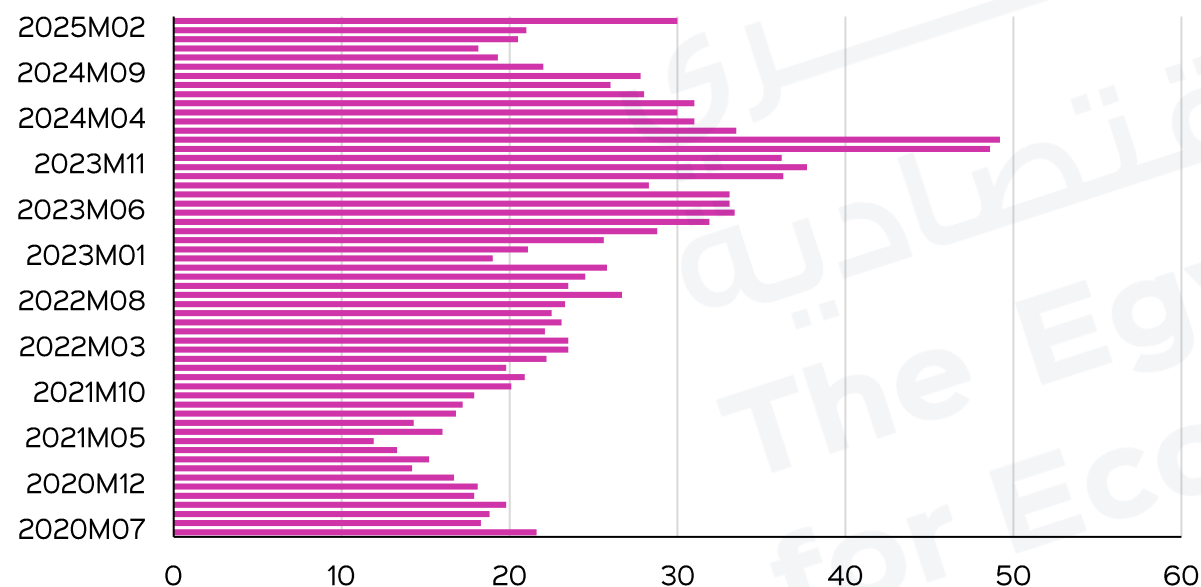
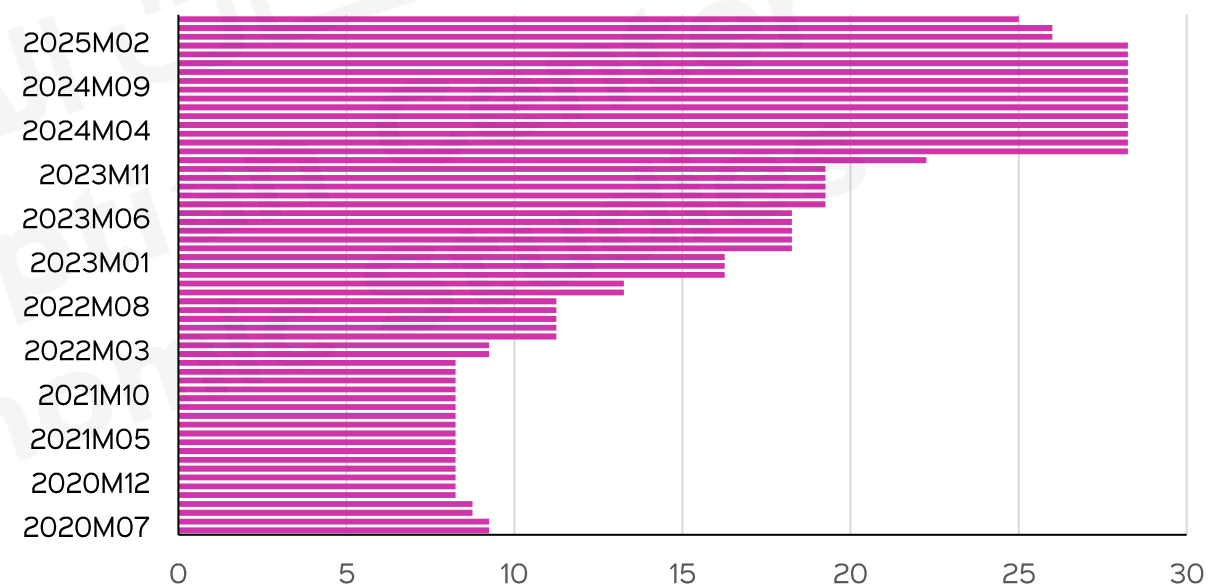


**S&P Global**  
Ratings  
**B-** Positive

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

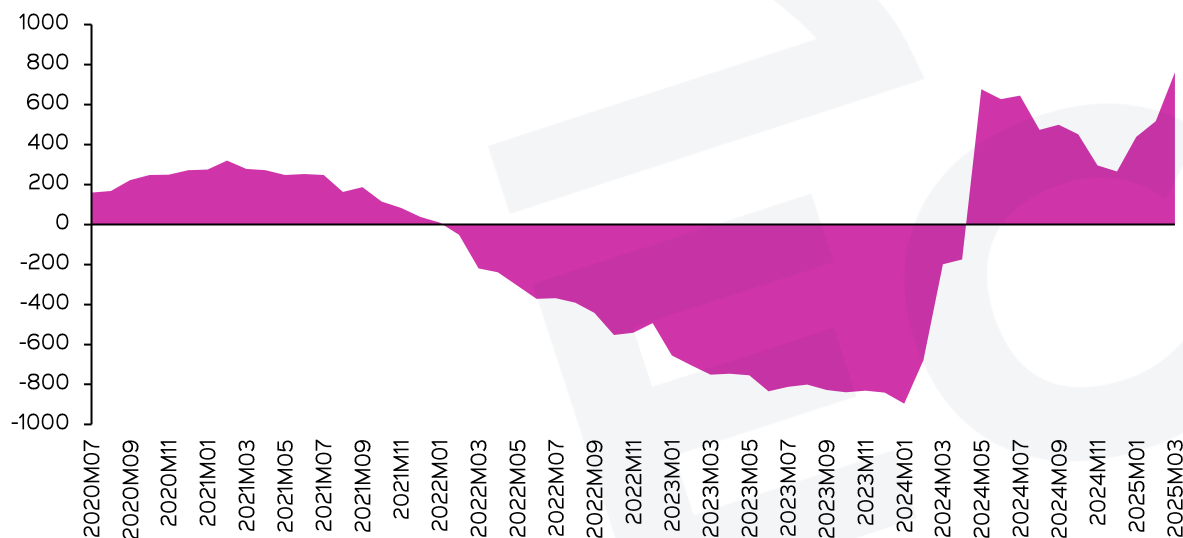
**MOODY'S**  
INVESTORS SERVICE  
**Caa1** Positive

**GDP growth rate has increased further, highlighting a partial economic recovery commencing. The continuing growth of money supply has resulted into inflation rate inching upwards for the third month in a row after a big decline in the previous months. The big decline in inflation rate has given the Central bank room for another 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 sustained resulting into inflation rate inching upwards yet again after a big decline few months ago. The big lately decline, which is mainly due to the base effect, has given the Central bank the room for another rate cut of 1%, continuing the monetary easing.

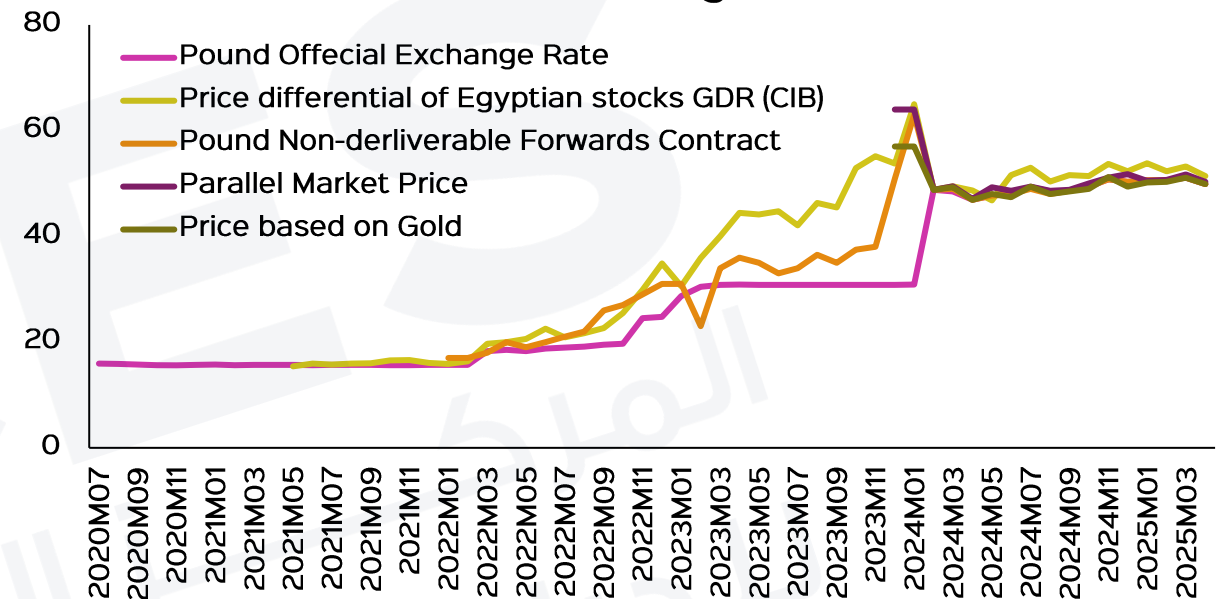
**GDP Growth Rate (%)\*****Inflation Rate (%)****Growth Rate of Money Supply (M1)\*****Policy Rate (%)**

**Central bank reserves of foreign currency have increased a bit and net foreign assets in the banking system have spiked, supported by inflows of foreign funds and stable remittances. Official exchange rate started to decline slightly, and the gap with the other prevailing rates became even more limited.** Currency inflows from remittances have stayed stable 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. This has resulted into a slight decline in the Pound official exchange rate. In addition, the gap between the official and other prevailing rates in the market have narrowed down.

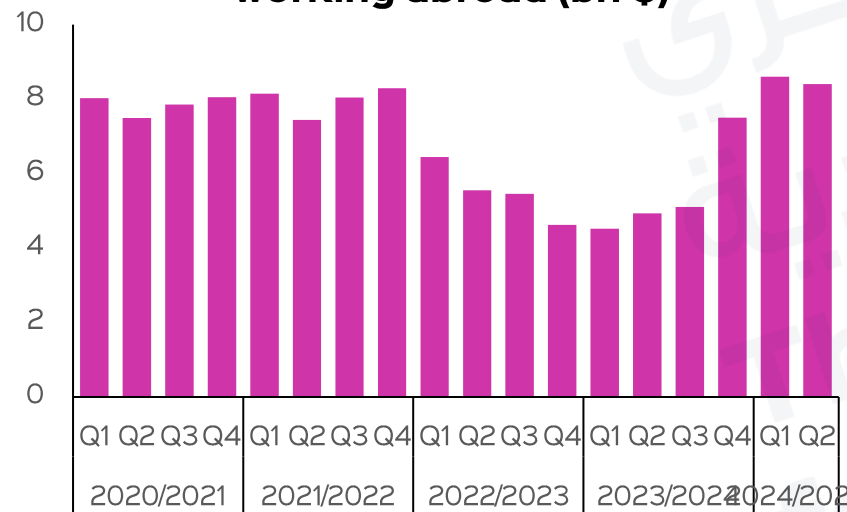
**Net Foreign Assets of the Banking System  
(bn LE)\***



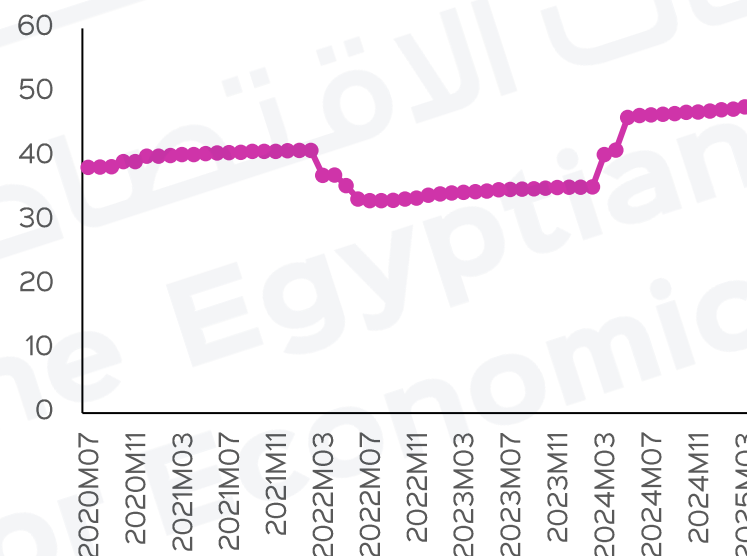
**Pound Exchange Rate**



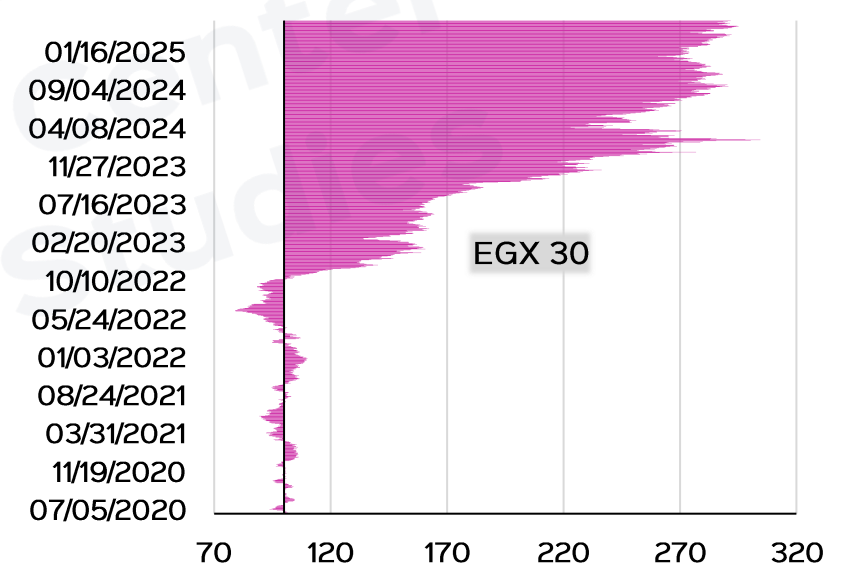
**Remittances of Egyptians  
working abroad (bn \$)**



**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.



