ECES
المركـــز المصـــري
للدراســات الاقتصادية
The Egyptian Center
for Economic Studies

Financial Markets Snapshot

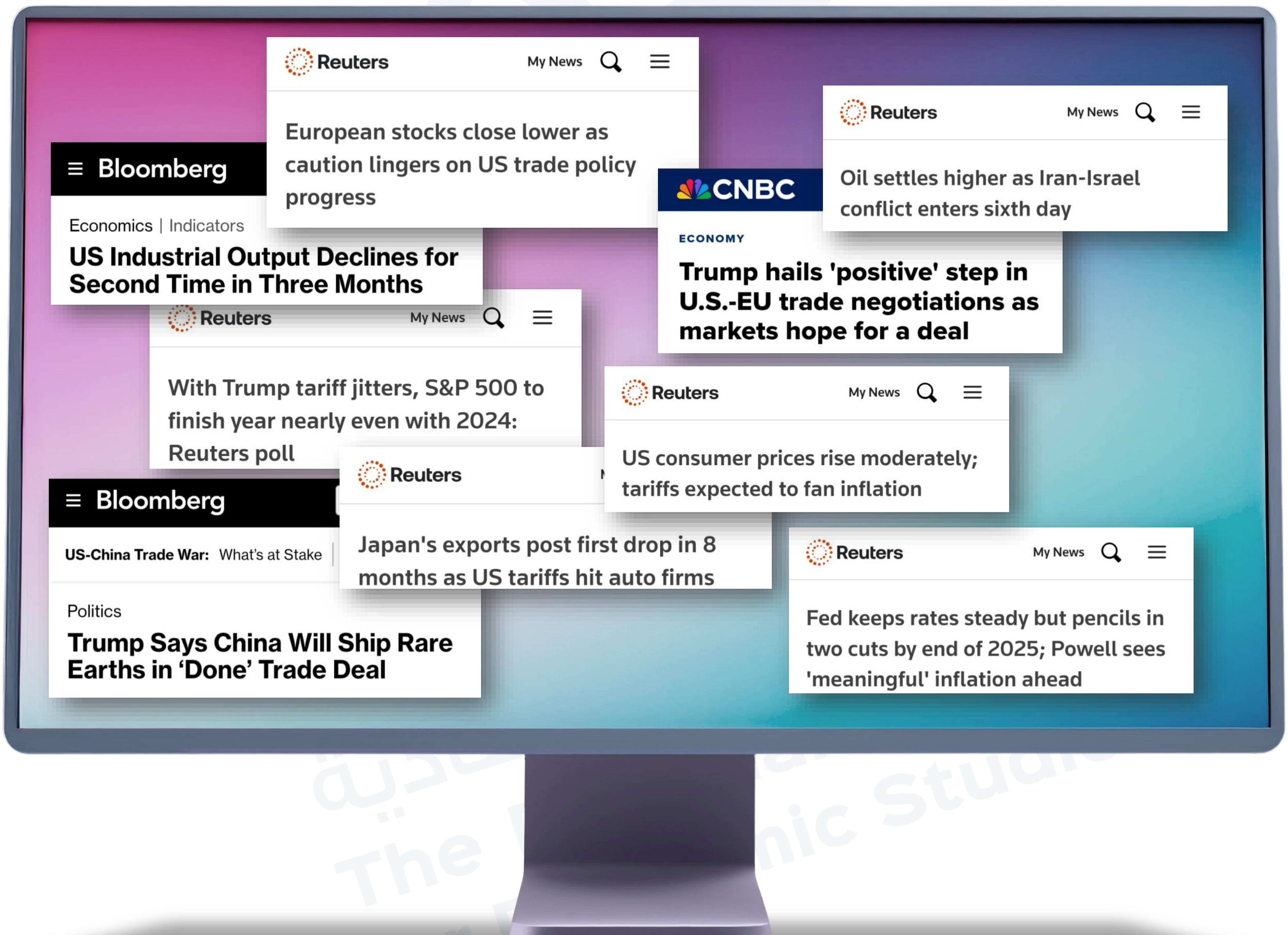
Issue 18
June 2025

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



Analysis – Key Takeaways

Global Markets

- Commodity prices showed mixed performance in the last month with most agricultural commodities registering a decline, while gold prices spiked due to geopolitical tensions. Crude oil spiked before it collapsed on the back of the 12-day war.
- Inflation has stayed uneven across global markets, easing further in EU, while increasing in the US and UK. This sends mixed signals about trend in global monetary policy, especially at a time when the US Dollar is weakening.
- Global stock markets witnessed mixed performance last month, with the US market leading the gains on the back of strong Tech earnings and hope of monetary earning, while UK and EU markets remain relatively subdued.
- Global geopolitical tensions and the short Middle East war have led to fluctuating bond yields across global markets. Despite this, CDSs of global markets have closed lower as the risks of an extended war subsided and monetary easing continuing.

Emerging Markets

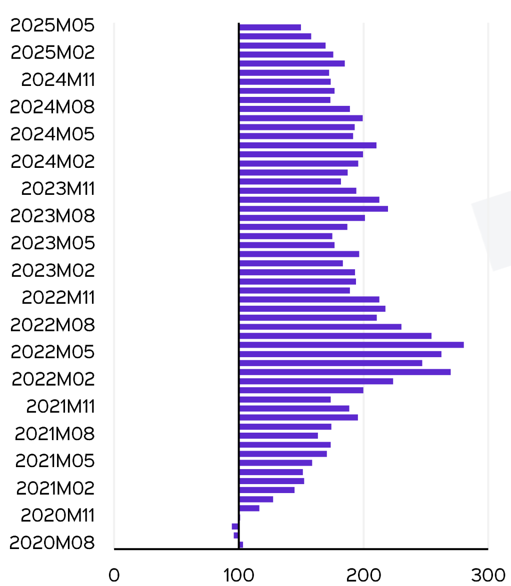
- Inflation rates across emerging markets got generally contained with many emerging markets witnessing a decline
- Despite stable inflation rates and a weakening US Dollar, emerging markets Central banks have mostly adopted a wait and see approach and kept their interest rates fixed until there is clarity on global economy, trade war and Middle East ongoing risks.
- The ongoing 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 a broad-based rally this month, following global markets.
- Bond yields have remained stable across most emerging markets and even declined and CDSs have generally declined as well.

Egyptian Local Market

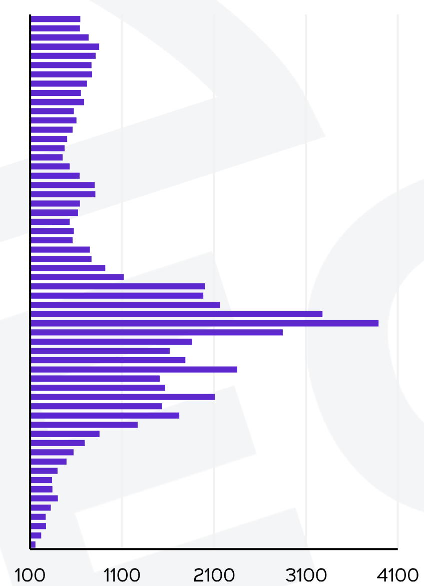
- Total external debt resumed its upward trend due to new borrowing and accumulated debt servicing cost. Bond yields stayed contained thanks to declining inflation rate and stable monetary outlook. CDSs have declined due to perceived monetary stability and declining regional war risks.
- GDP growth rate has increased further, highlighting a partial economic recovery continuing. The continuous growth of money supply, albeit at a slower pace, has resulted into inflation rate inching upwards for the fourth month in a row after a big decline in the previous months.
- Central bank reserves of foreign currency have increased a bit yet net foreign assets in the banking system have declined on the back of regional war and rising geopolitical tensions. Remittances kept climbing and official exchange rate is gradually recovering.

Commodity prices showed mixed performance in the last month with most agricultural commodities registering a decline, while gold prices spiked due to geopolitical tensions. Crude oil spiked before it collapsed on the back of the 12-day war. Commodities have shown a big divergence last month with most agricultural commodities declining driven by improved harvest prospects and a slowdown in China. Gold on the other hand have spiked due to global geopolitical tensions and Middle East war. Crude oil has been a paradox; while it spiked as the war started, it quickly went down even as bombing was taking place in anticipation of a short war, which turned out to be the case as the 12-day war got concluded.

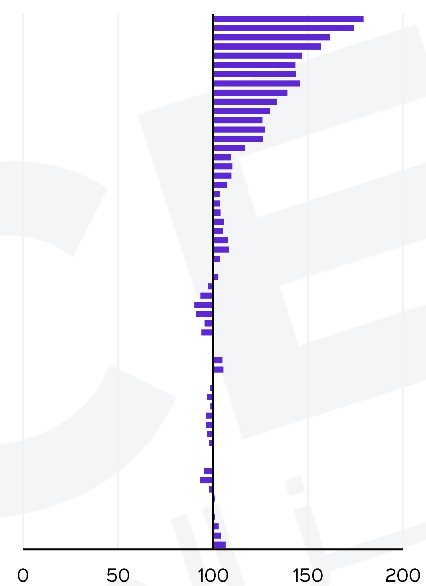
Crude Oil, Brent



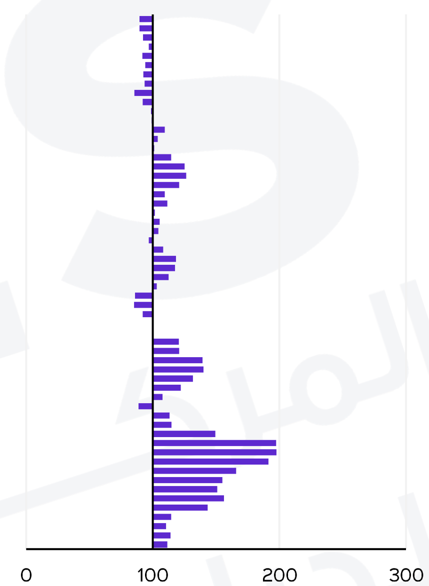
Natural Gas



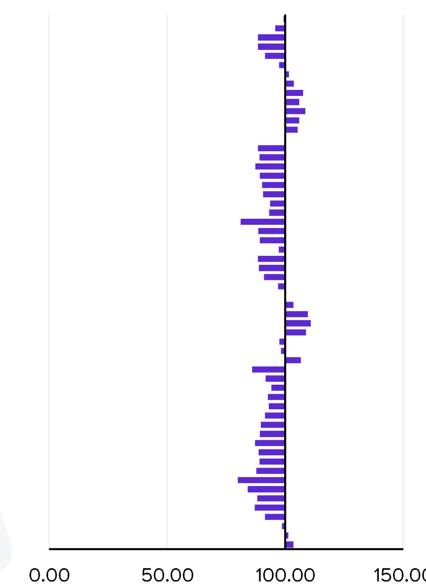
Gold



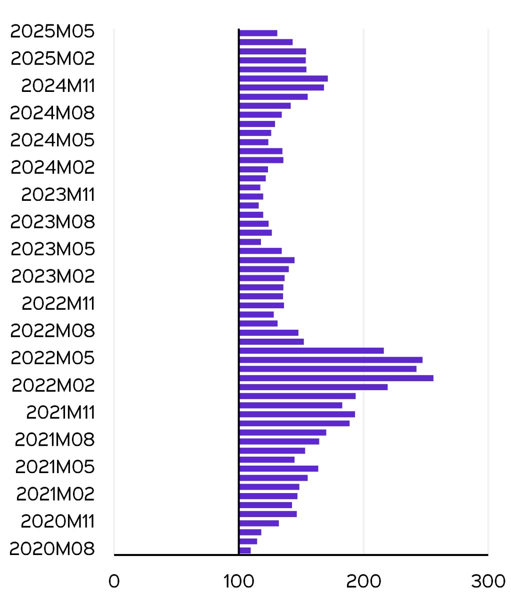
Iron ore



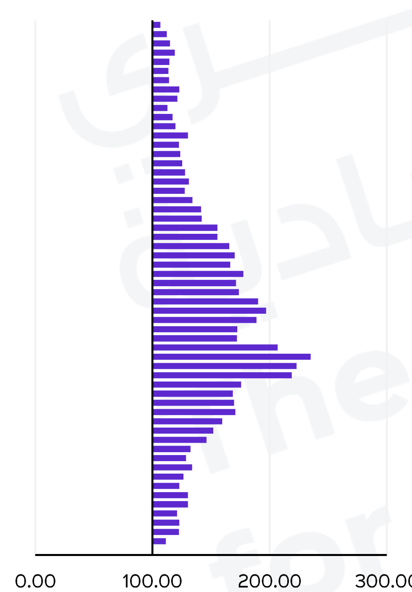
Tea



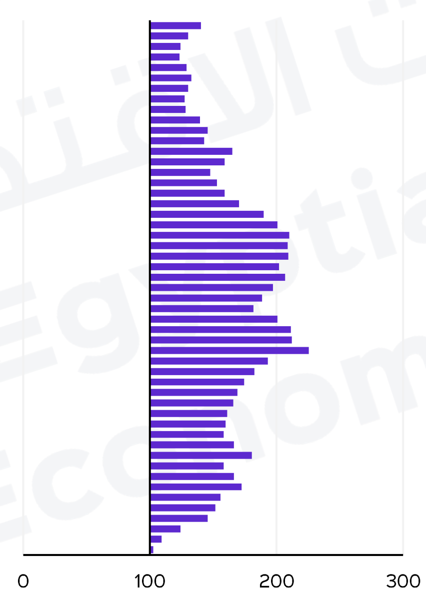
Palm oil



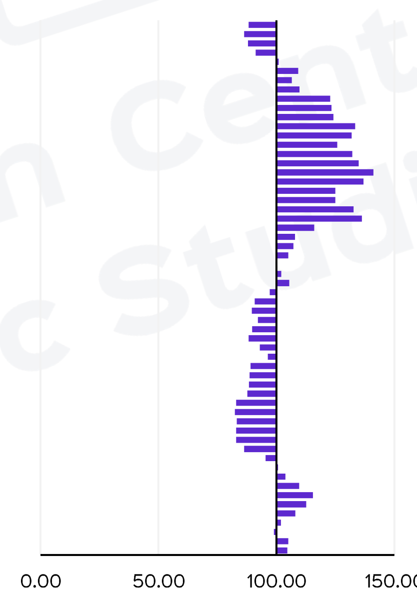
Wheat



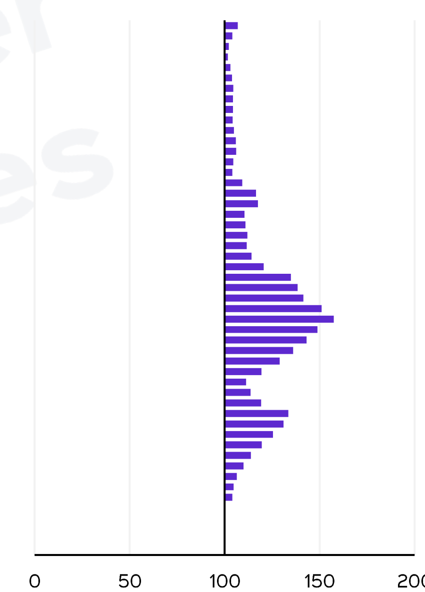
Maize



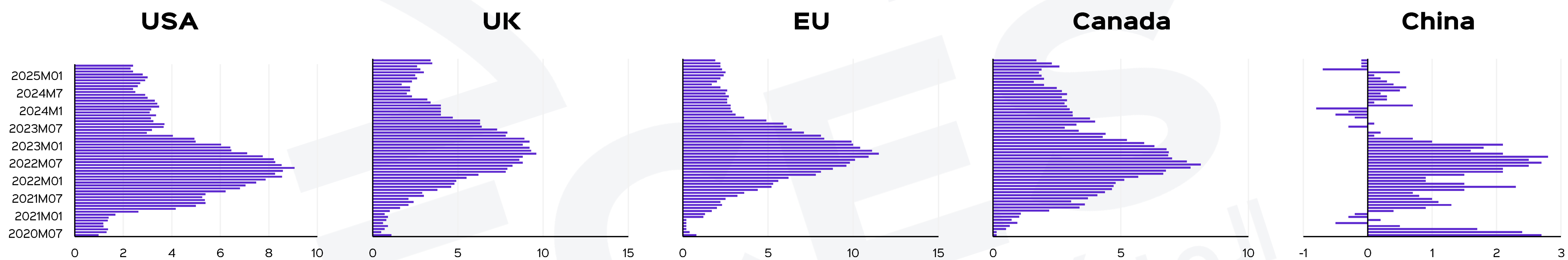
Rice



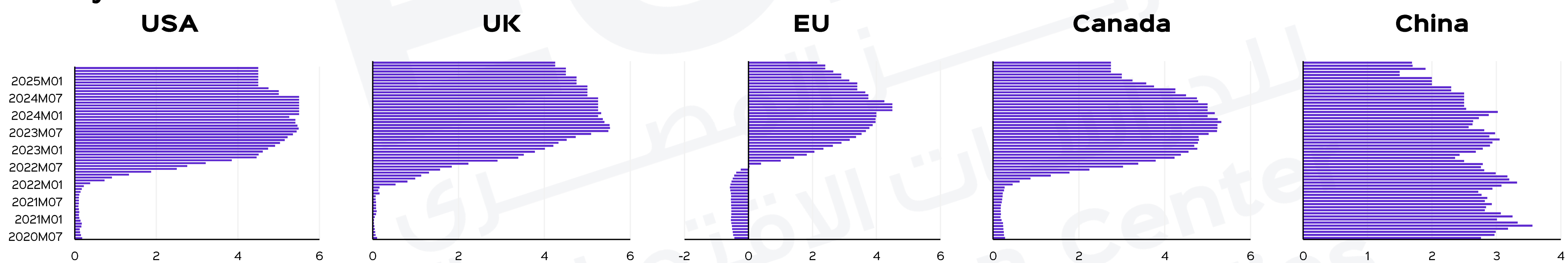
Bovine meat

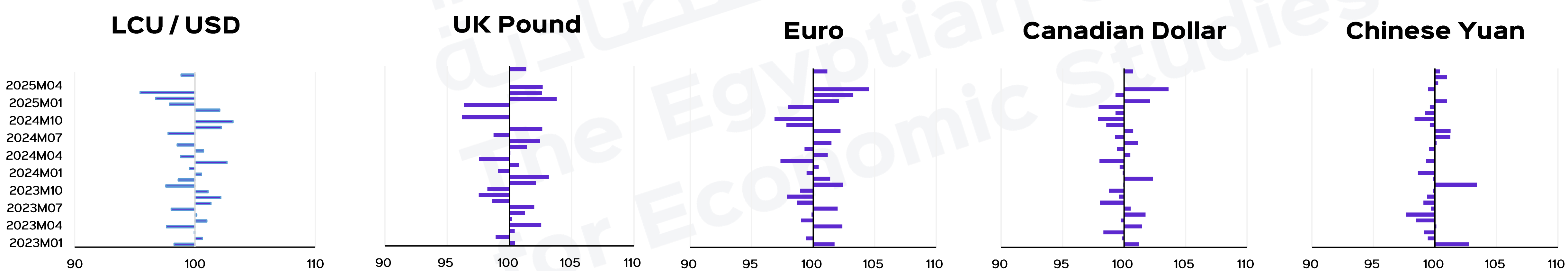


Inflation has stayed uneven across global markets, easing further in EU, while increasing in the US and UK. This sends mixed signals about trend in global monetary policy, especially at a time when the US Dollar is losing further value against most global currencies. The taming down of inflation rates across global markets is not going further as inflation spiked in the US and 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 and continuing weakness of the US Dollar against most global markets currencies.



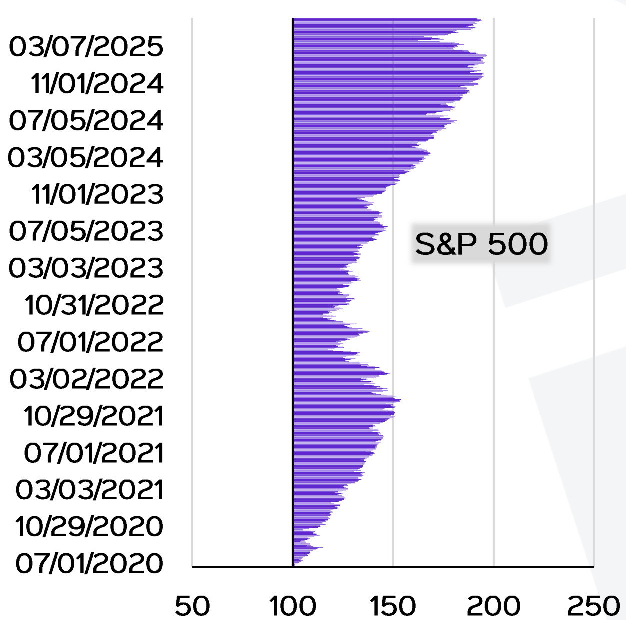
Policy Rate



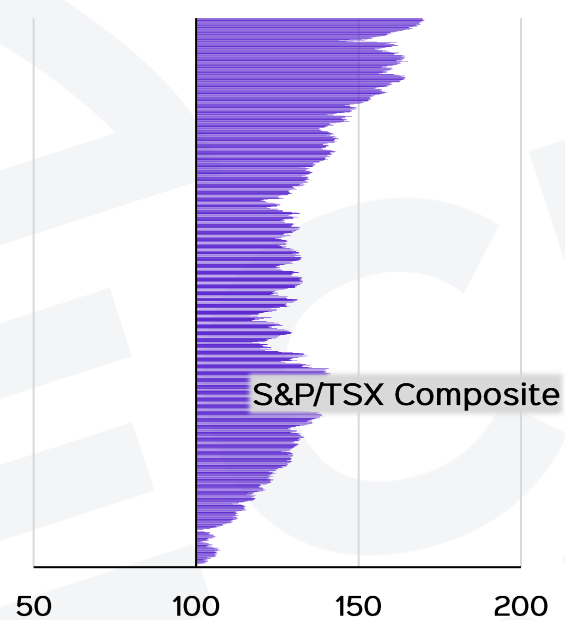


Global stock markets witnessed mixed performance last month, with the US market leading the gains on the back of strong Tech earnings and hope of monetary earning, while UK and EU markets remain relatively subdued with a cautious stance. The relief rally that started last month in global market continued this month especially in the US market as big Tech earnings beat expectations. There have also been expectations that the US Fed will cut rates soon plus the growing discussion about Fed Chairman succession. Other global markets such as UK and EU have been witnessed subdued performance and caution. Chinese market on the other hand has been suffering from concerns over weak domestic demand.

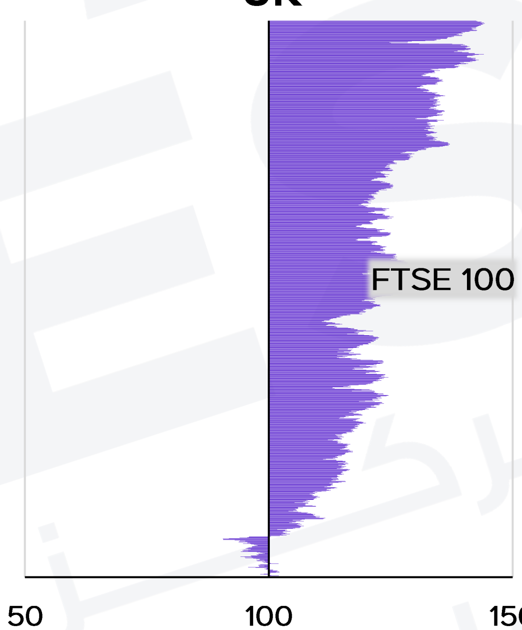
USA



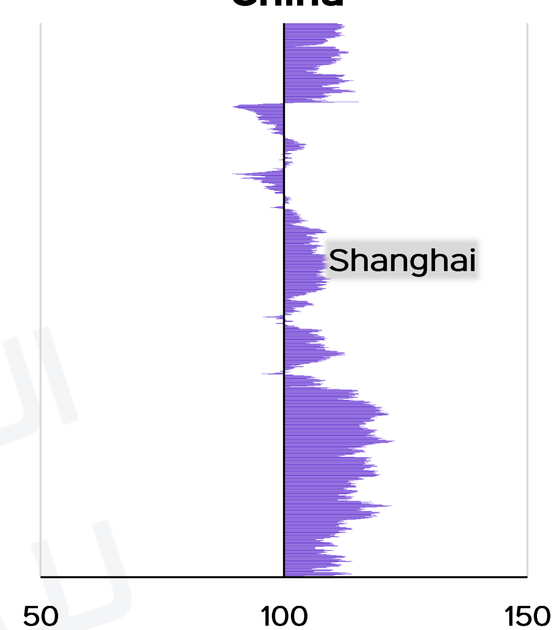
Canada



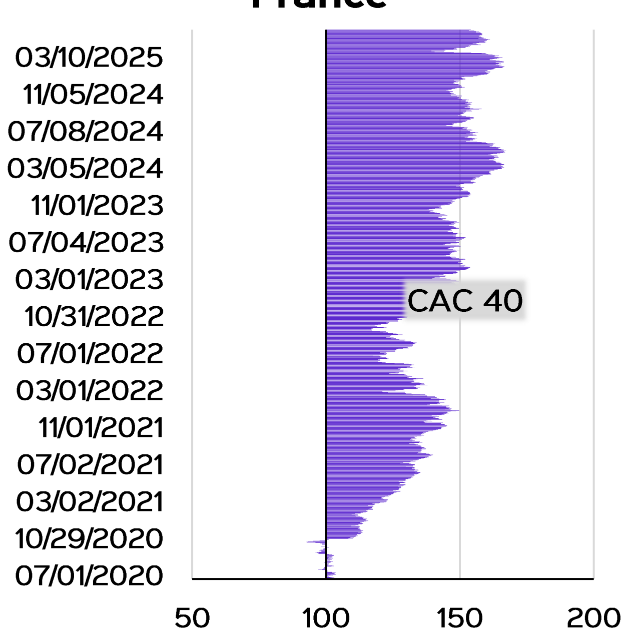
UK



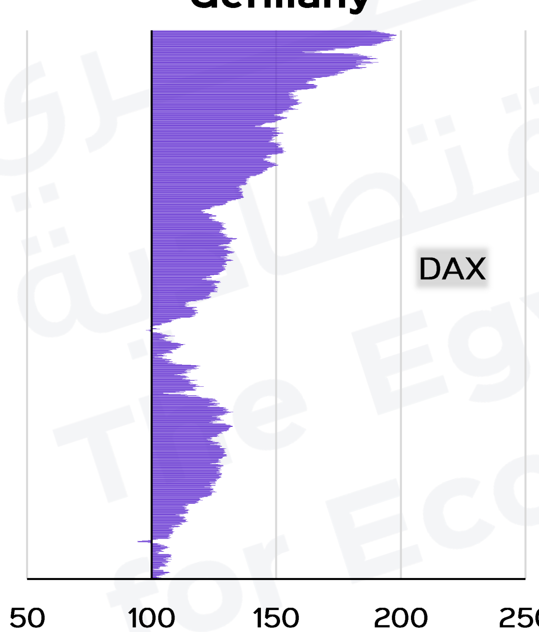
China



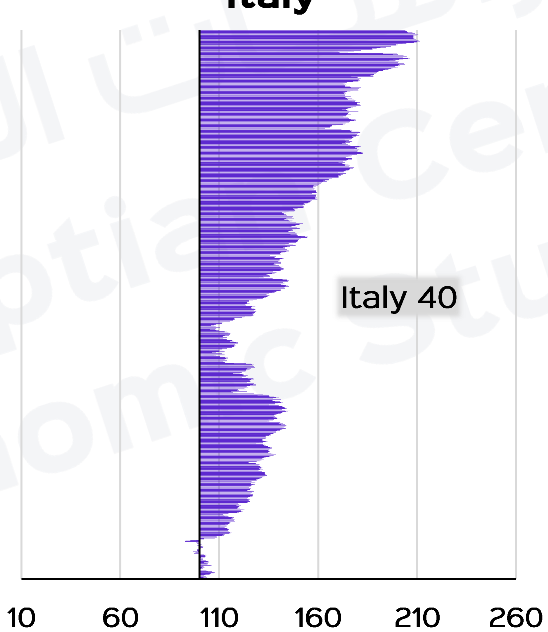
France



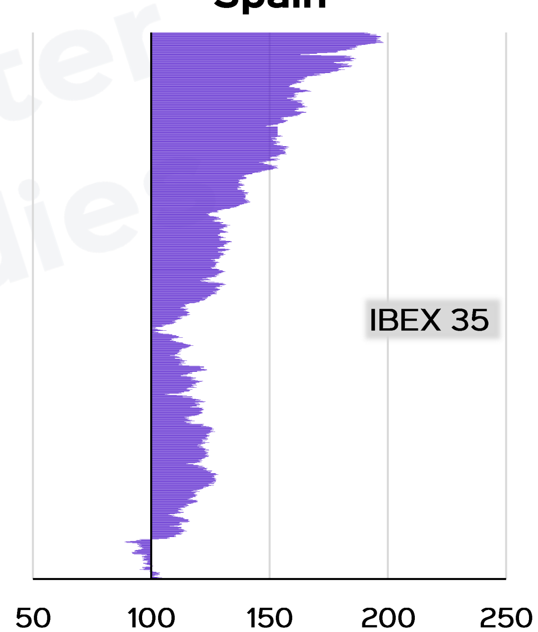
Germany



Italy

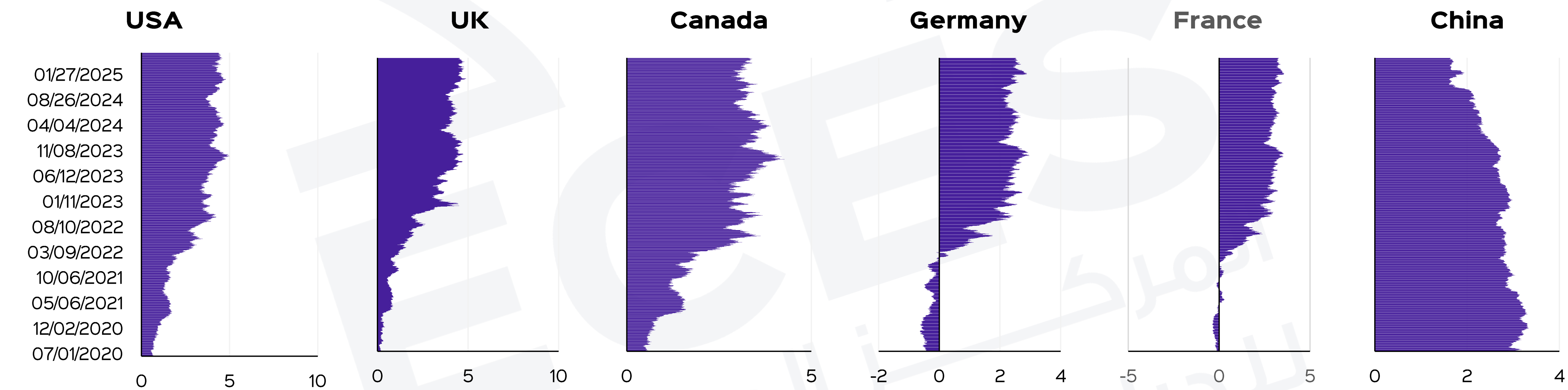


Spain

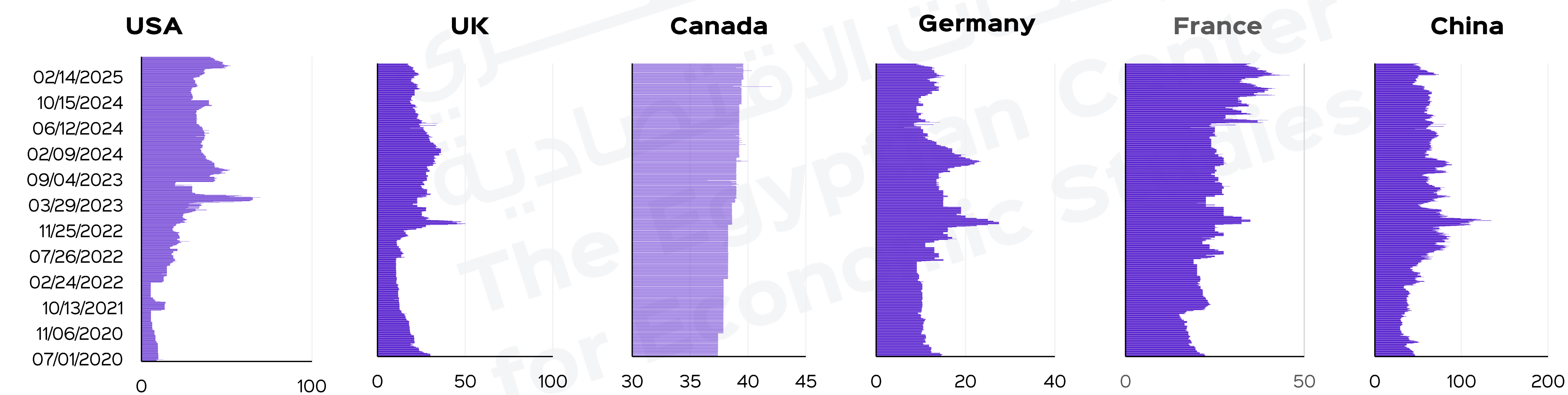


Global geopolitical tensions and the short Middle East war have led to rising turbulence and fluctuating bond yields across global markets. Despite this, CDSs of global markets have closed lower as the risks of an extended war subsided and the prospects of monetary easing increase. Just as the market started to recover from the global trade war, the Middle East war erupted and this caused turbulence and fluctuation in bond yields across global markets. CDSs on the other hand closed lower as the Middle East war risks subsided and the war turned out to be a short one plus the prospects of monetary easing expanding sooner or later across global markets.

10-Year Bond Yield



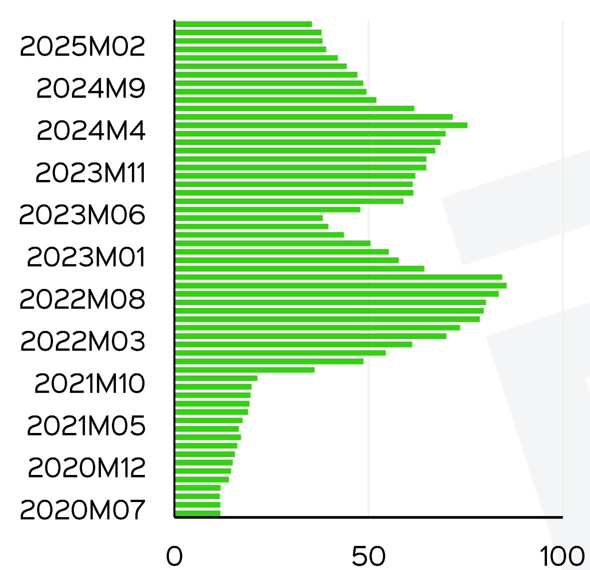
5-Year CDS



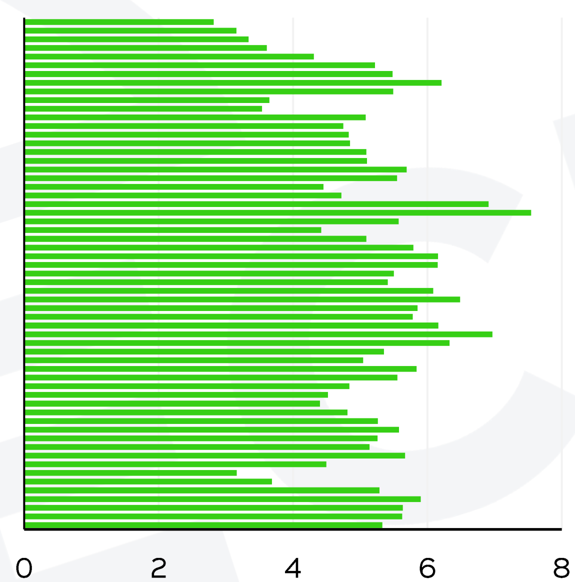
Commodity Markets
Main Rates
Stock Market
Bond Market

Inflation rates across emerging markets got generally contained with many emerging markets witnessing a decline in inflation, while others still experiencing sticky inflation, even if it is stable and not increasing. Emerging markets inflation rates have generally got contained. Counties like India and UAE have seen inflation declining thanks to lower food and energy prices. While others such as Turkey and South Africa still suffer from a high and sticky inflation, even if it is sustained at relatively the same level of last month. Having said so, emerging markets remain vulnerable to commodity shifts and exchange rate fluctuations globally.

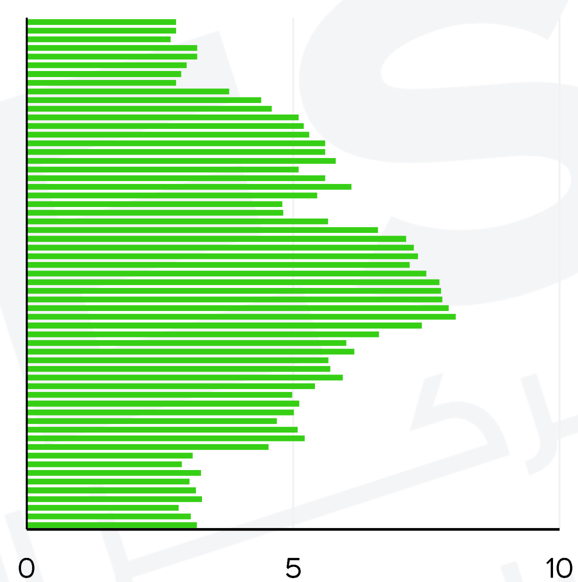
Turkey



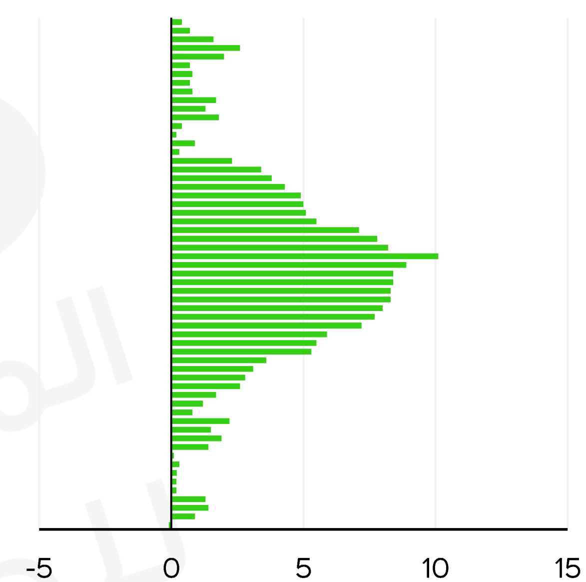
India



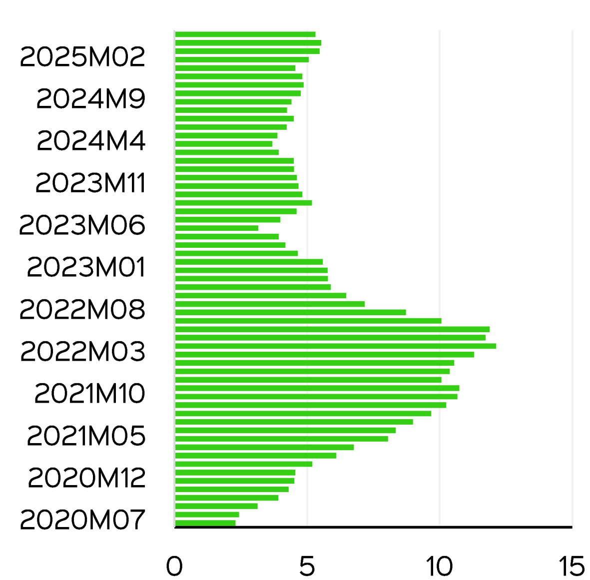
South Africa



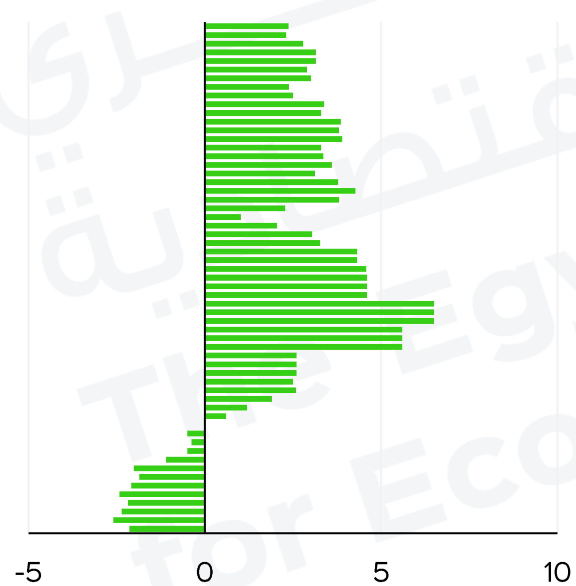
Morocco



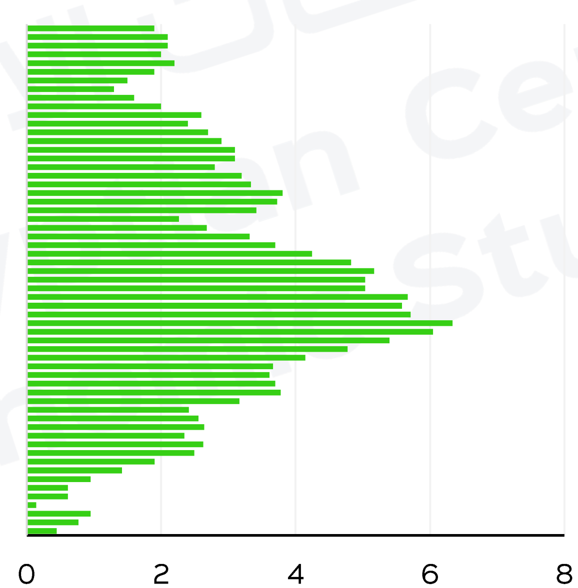
Brazil



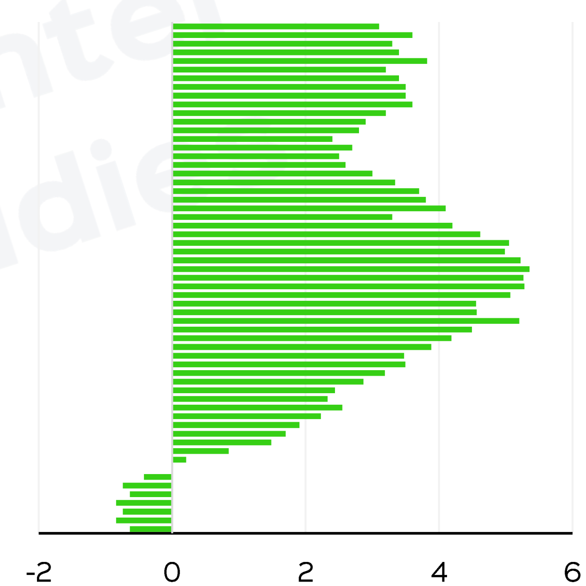
UAE



South Korea

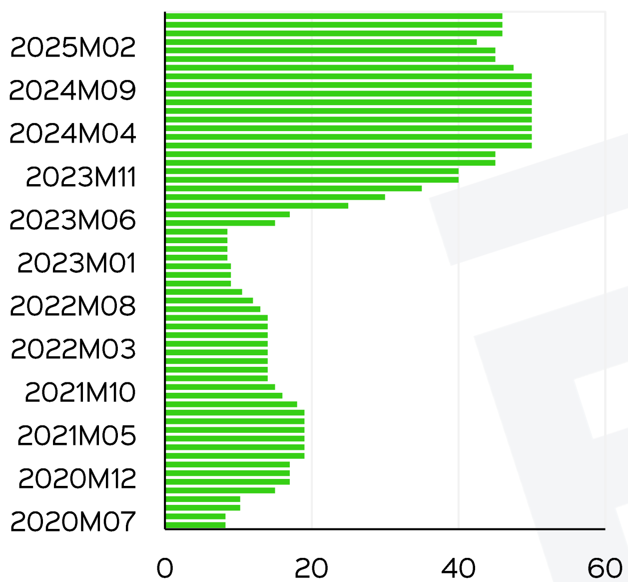


Israel

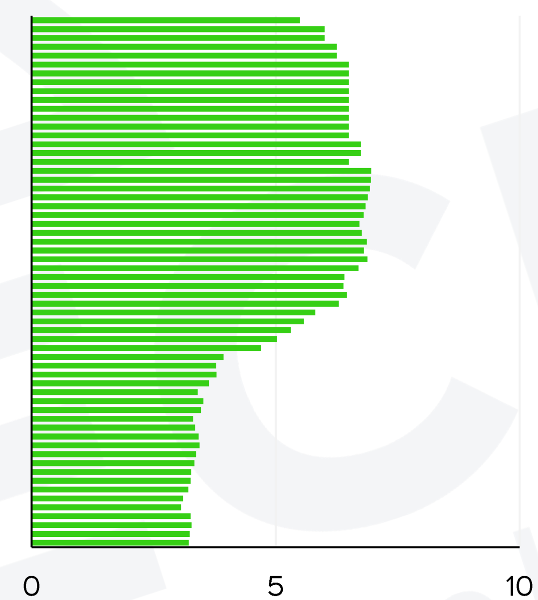


Despite stable inflation rates and a weakening US Dollar, emerging markets Central banks have mostly adopted a wait and see approach and kept their interest rates fixed until there is clarity on global economy, trade war and Middle East ongoing risks. With the global volatility and uncertainty taking 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.

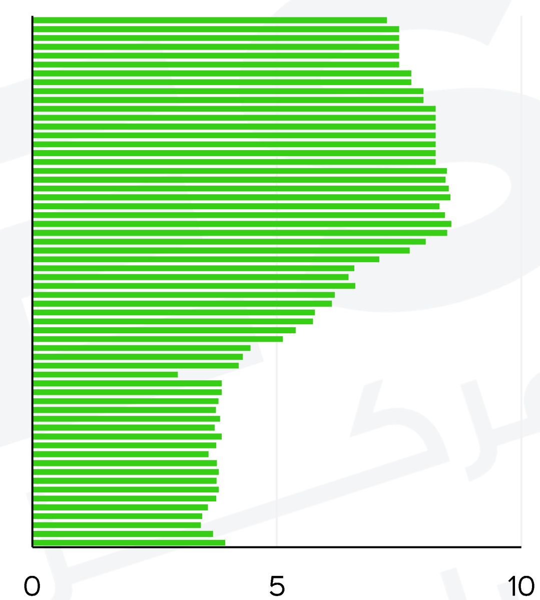
Turkey



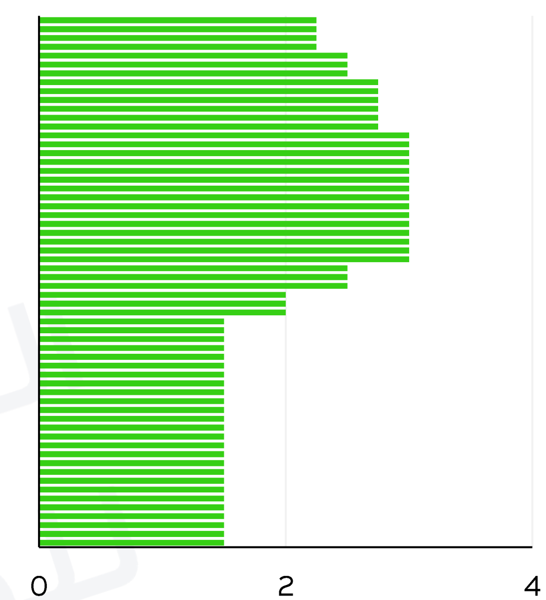
India



South Africa



Morocco



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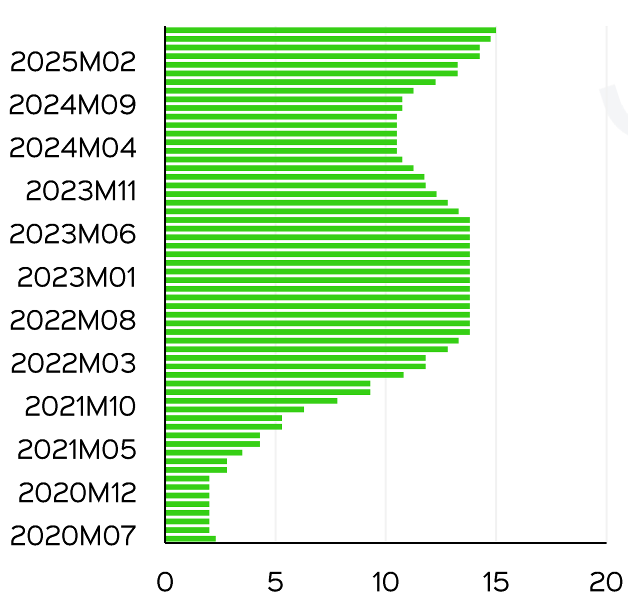
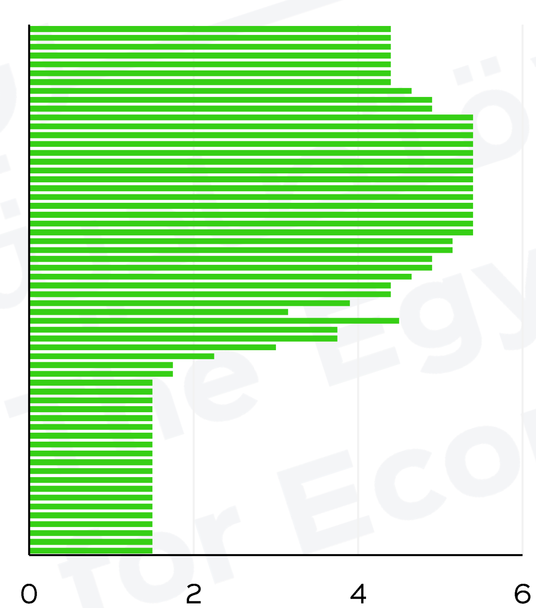
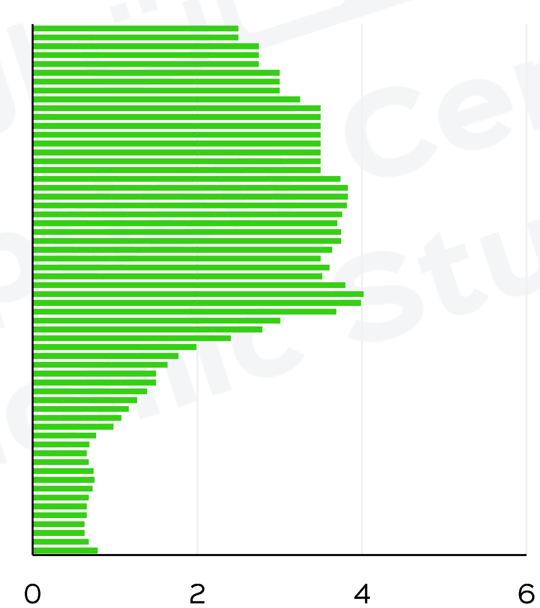


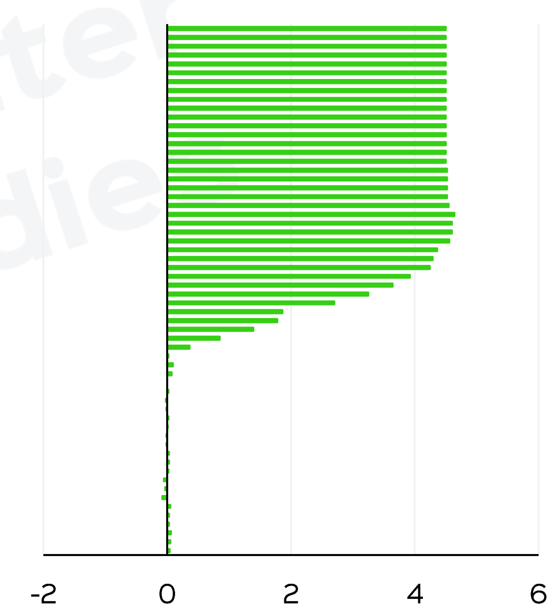
UAE



South Korea

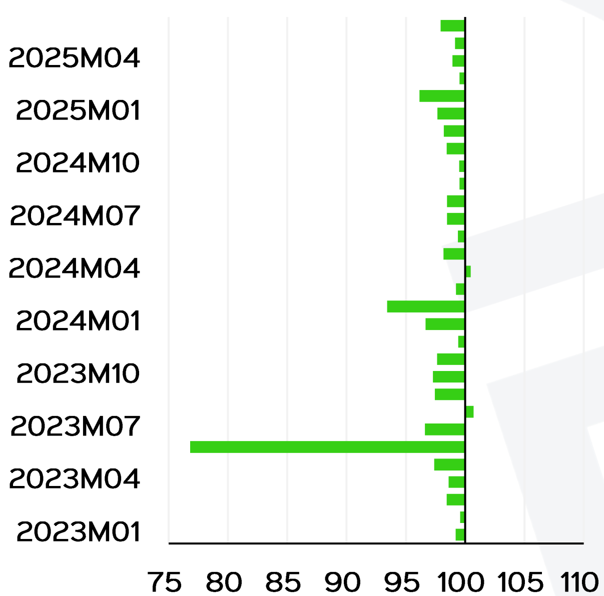


Israel

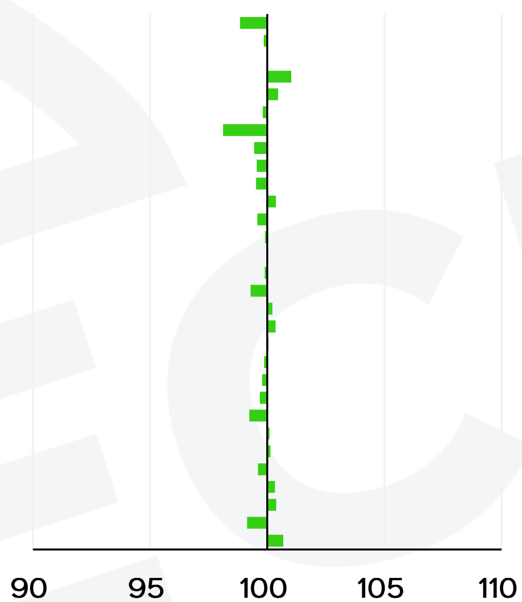


The ongoing weakness of the US Dollar as well as the wait and see approach adopted by emerging markets Central banks have resulted into further strength of emerging markets currencies against the US Dollar, a welcome development for such economies. With the weakening of the US Dollar and the stable inflation and interest rates in emerging markets, emerging markets exchange rates showed resilience against the US Dollar with some of them gaining strength especially those that are witnessing lower inflation rates, while others with sticky inflation such as Turkey and South Africa are facing pressures against their local currencies.

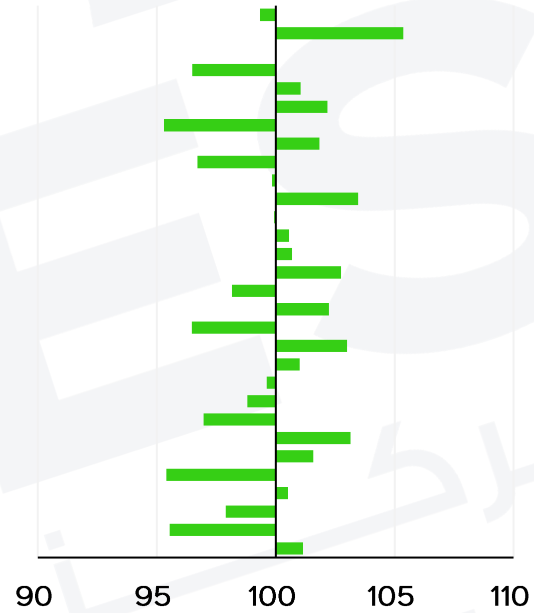
Turkish Lira



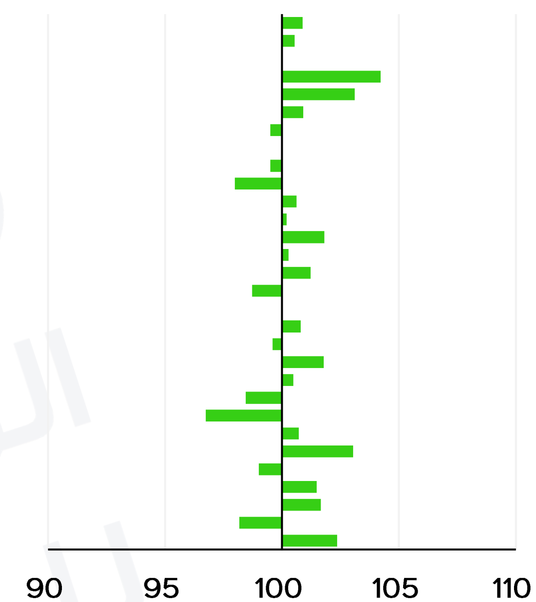
Indian Rupee



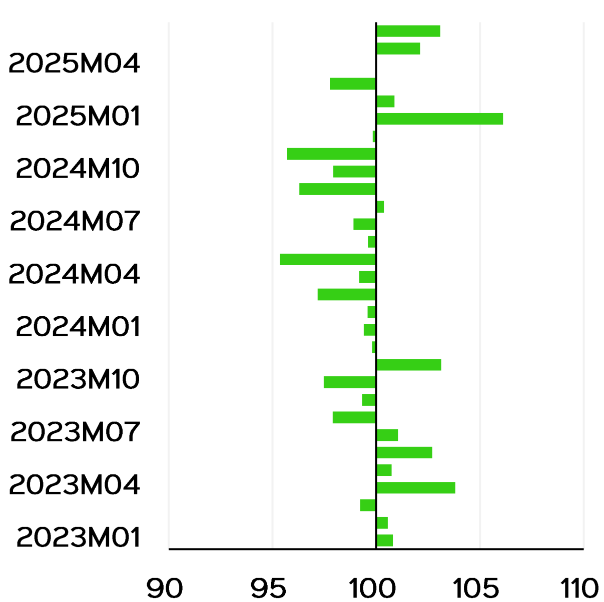
South African Rand



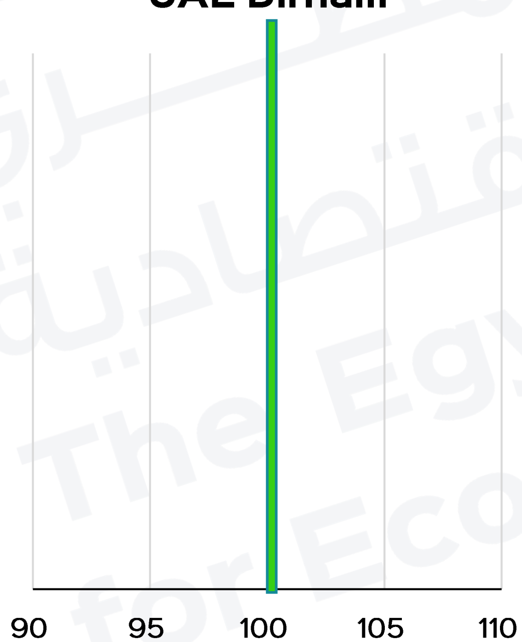
Moroccan Dirham



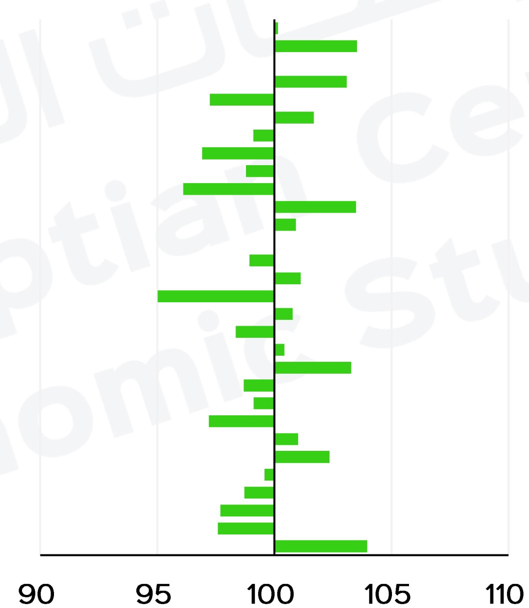
Brazilian Real



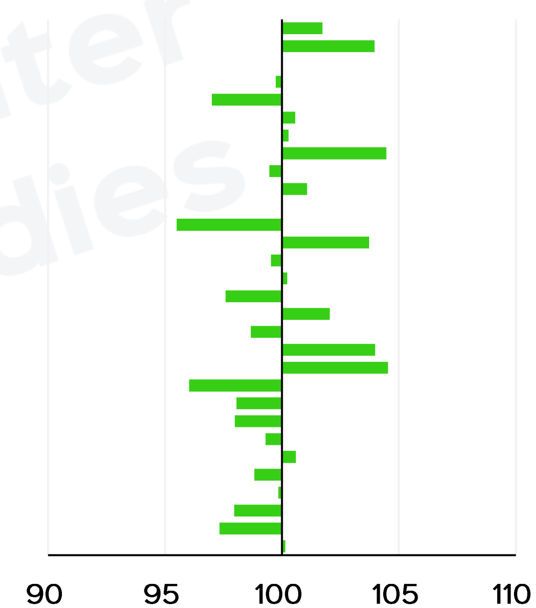
UAE Dirham



Korean Won

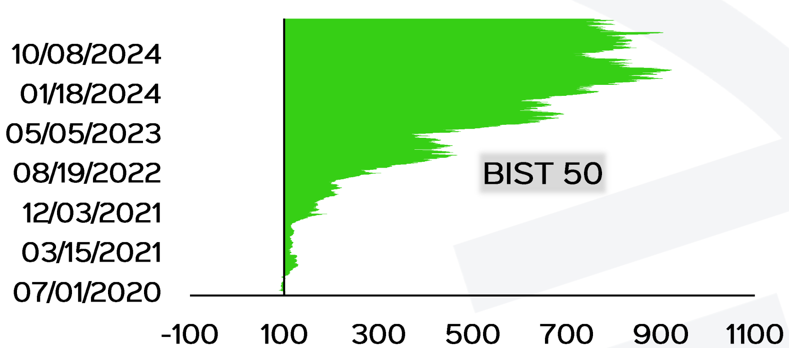


Israeli New Shekel

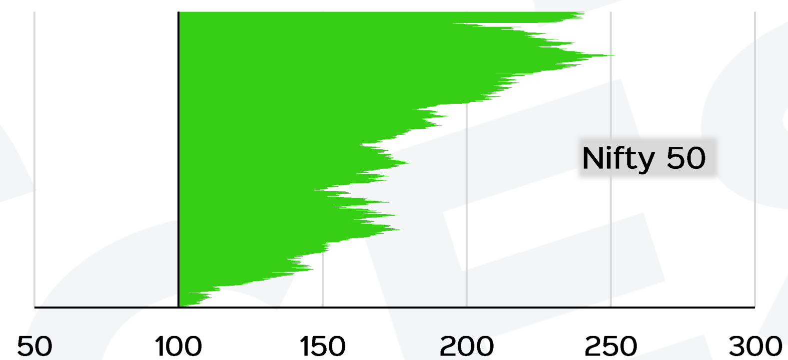


Stock markets in emerging markets have witnessed a broad-based rally this month supported by easing inflation concerns and growing investor appetite, except for Middle East markets which witnessed a turbulent month on the back of the regional war. After the relief rally in global markets last month, emerging markets stock markets have witnessed their own rally on the back of easing inflation concerns and increasing investor appetite. An exception to this rally took place in Middle Eastern markets which were turbulent due to the escalating Middle East war, yet the 12-day war ended quickly and markets resumed growth and recovered their losses.

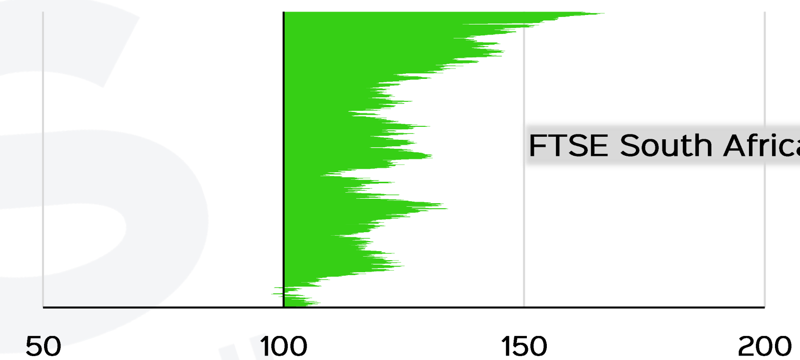
Turkey



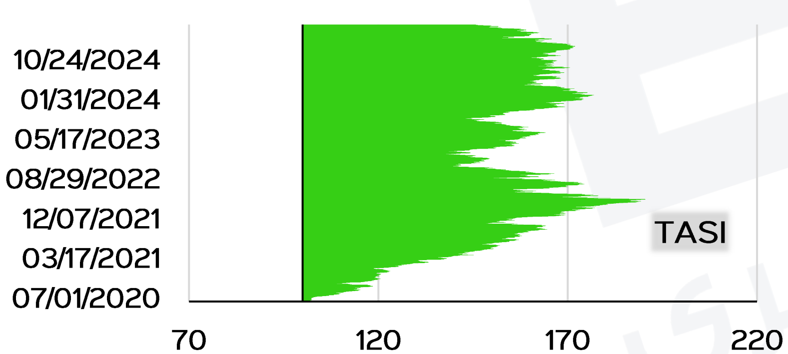
India



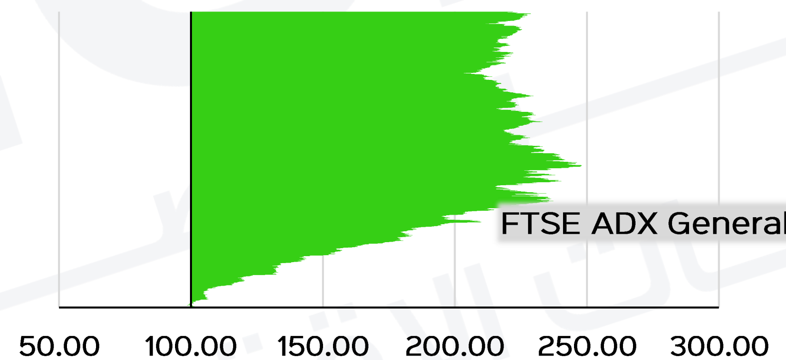
South Africa



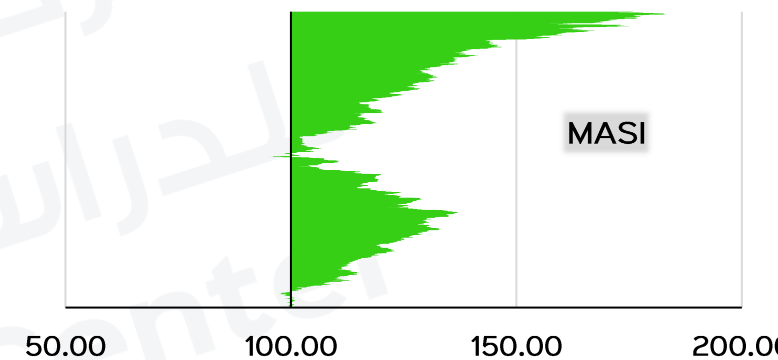
Saudi Arabia



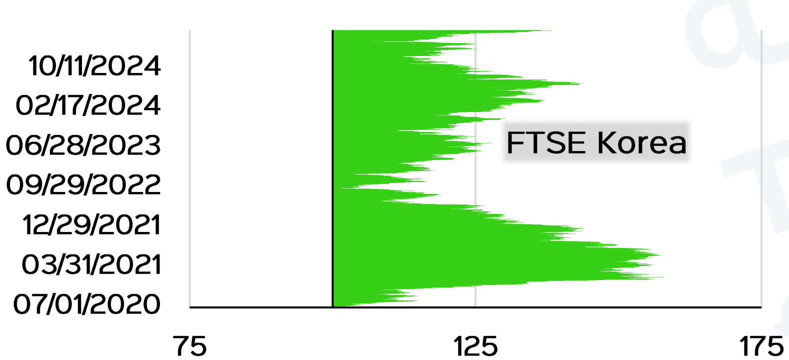
UAE



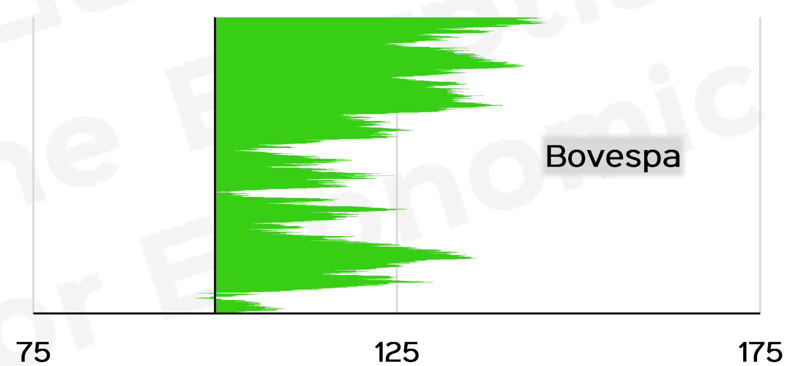
Morocco



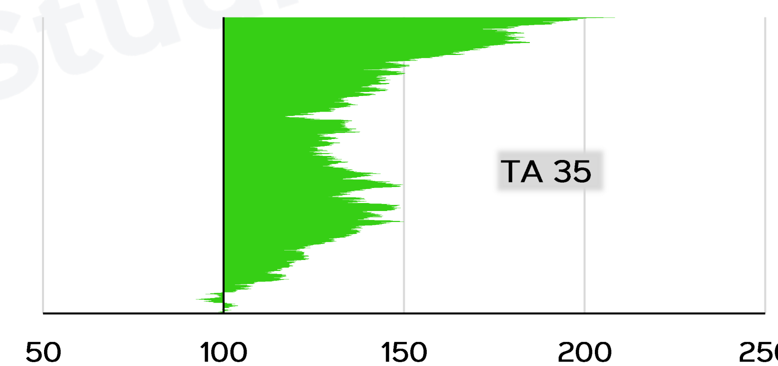
South Korea



Brazil

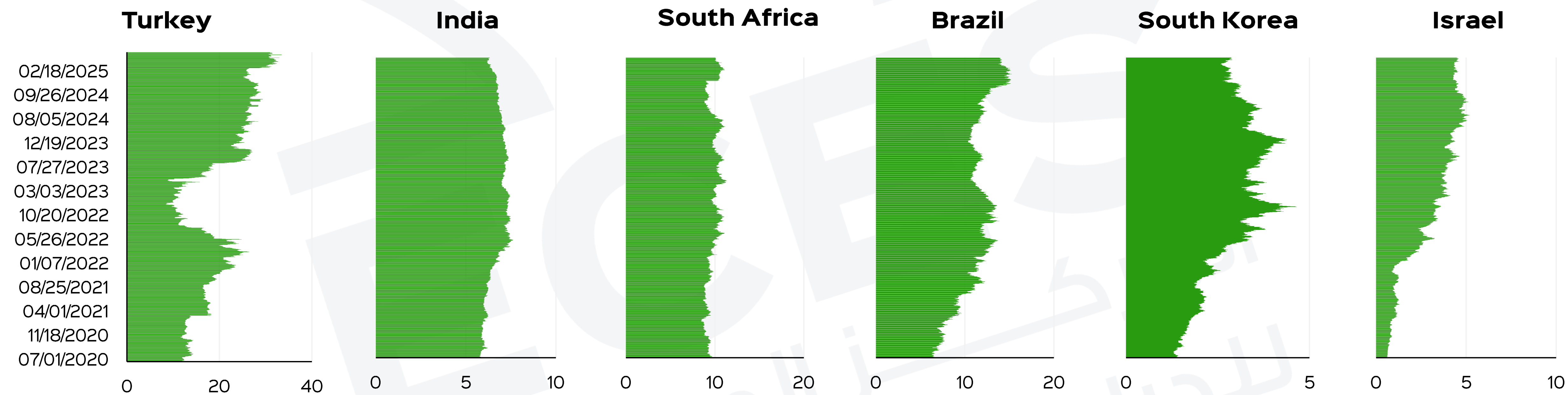


Israel

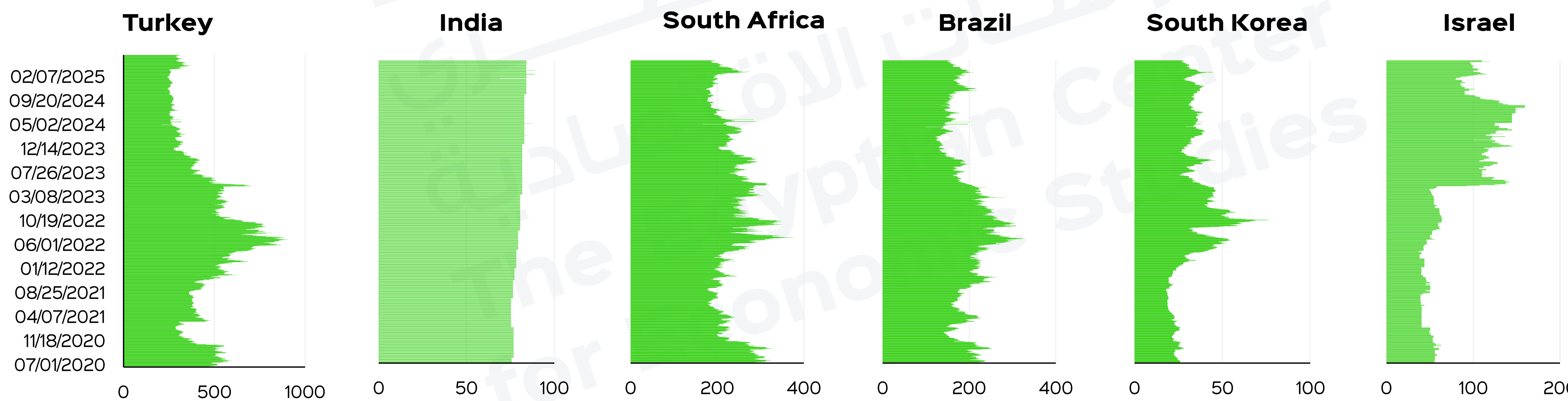


Bond yields have remained stable across most emerging markets and even declined due to decreased local inflationary pressures and cautious monetary policy, except for countries with high inflation like Turkey. CDSs have generally declined as trade tensions decline. The wait and see approach on monetary policy by global Central banks accompanied by the still tightened monetary policy in emerging markets have decreased pressure on bond yields in emerging markets, which stayed stable. An exception to this is Turkey due to its high local inflation rate. Besides, CDSs in emerging markets have generally declined with the perceived decline in global trade war risks and expected monetary easing sooner or later.

10-Year Bond Yield



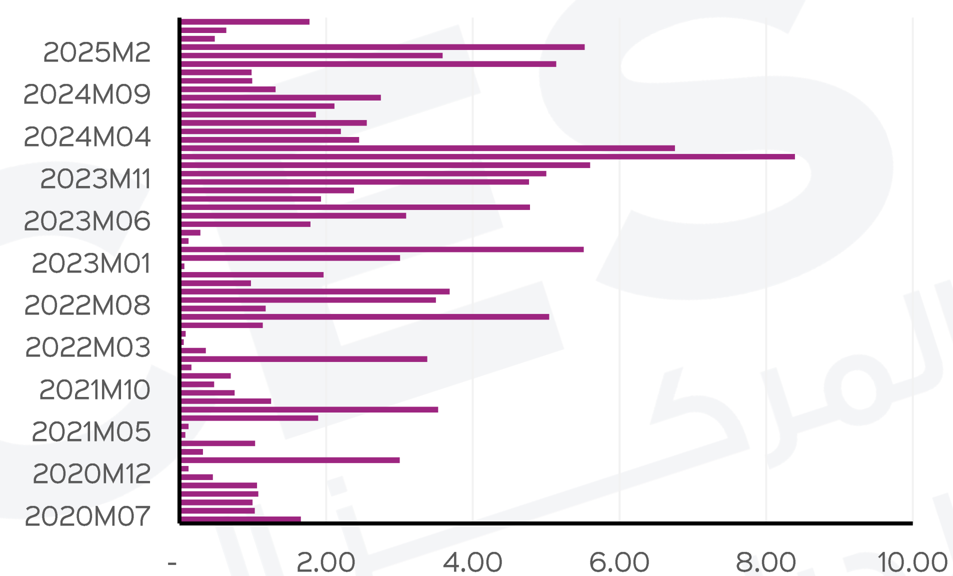
5-Year CDS



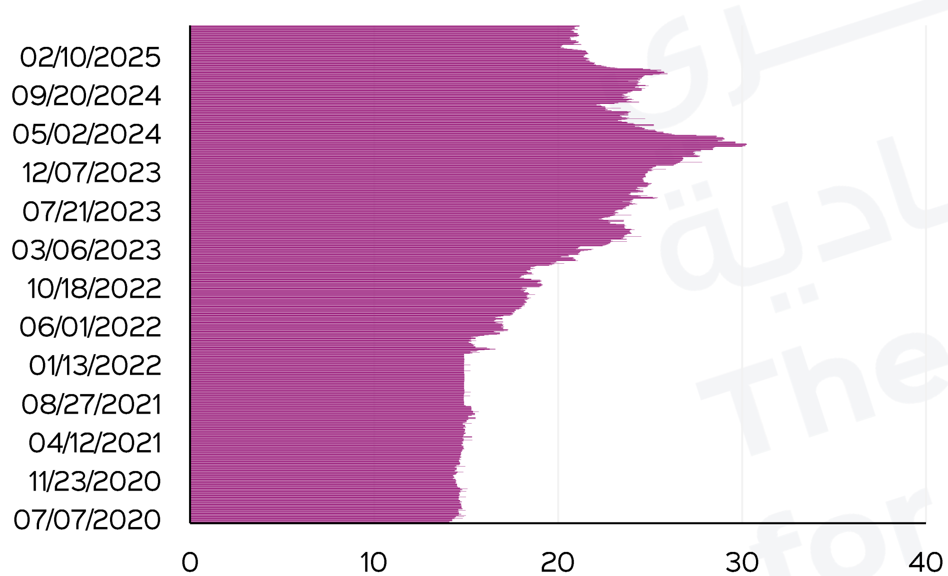
Total external debt resumed its upward trend due to new borrowing and accumulated debt servicing cost. Bond yields stayed contained thanks to declining inflation rate and stable monetary outlook. CDSs have declined due to perceived monetary stability and declining regional war risks. After declining 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, especially with the conclusion of the short 12-day regional war.

Total External Debt (bn $)*

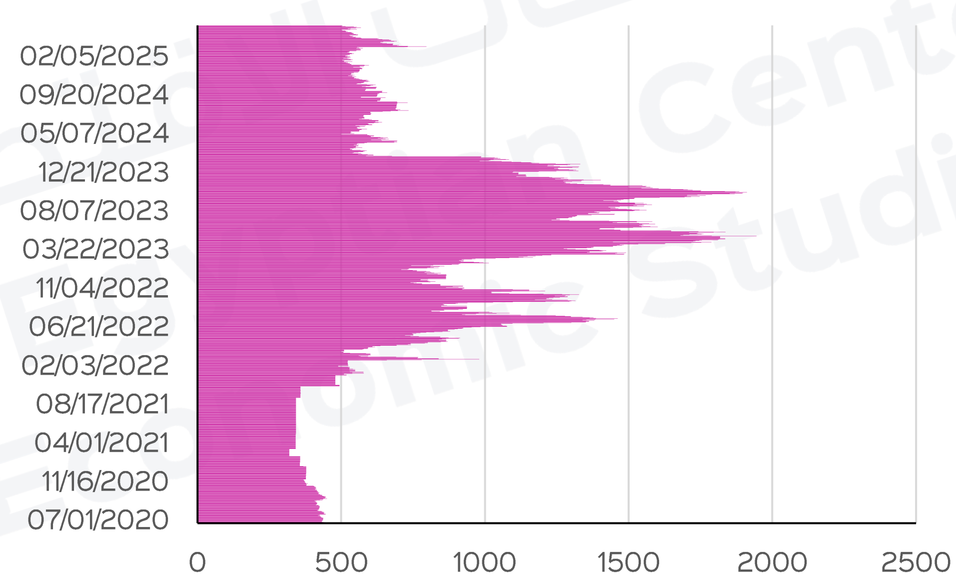
External Debt Service (bn $)*



Egypt 10-Year Bond Yield



5Y CDS, Egypt



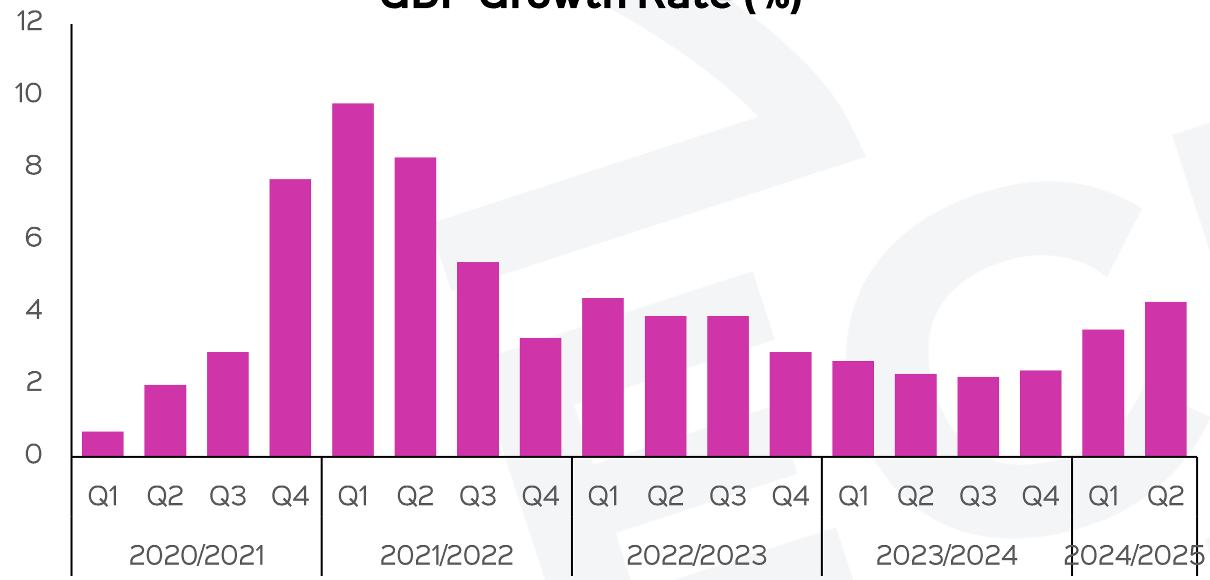
S&P Global Ratings
B- Positive

Fitch Ratings
B Stable

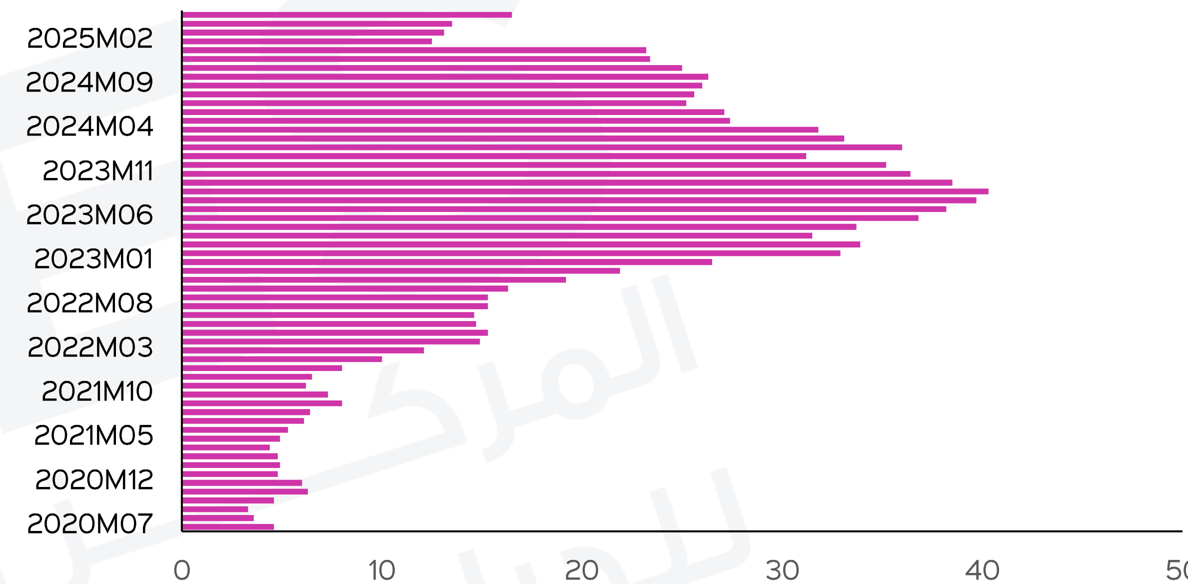
Moody's Investors Service
Caa1 Positive

GDP growth rate has increased further, highlighting a partial economic recovery continuing. The continuous growth of money supply, though slowed a bit, has resulted into inflation rate inching upwards for the fourth month in a row after a big decline in the previous months. 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, albeit at a slower pace, 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 a couple of rate cuts in the last quarter.

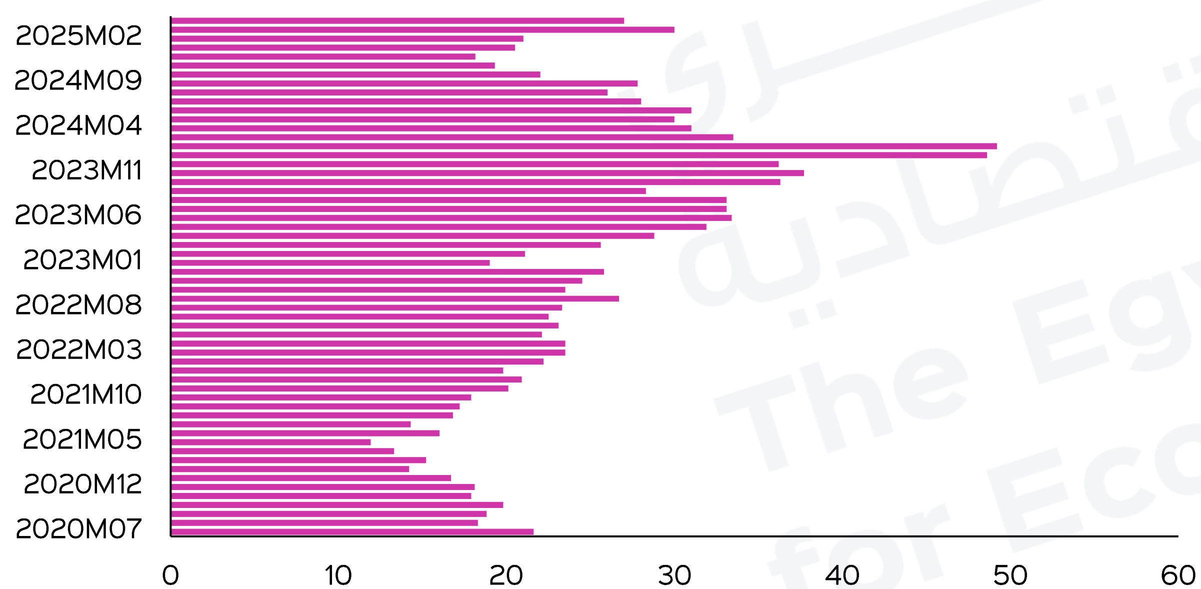
GDP Growth Rate (%)*



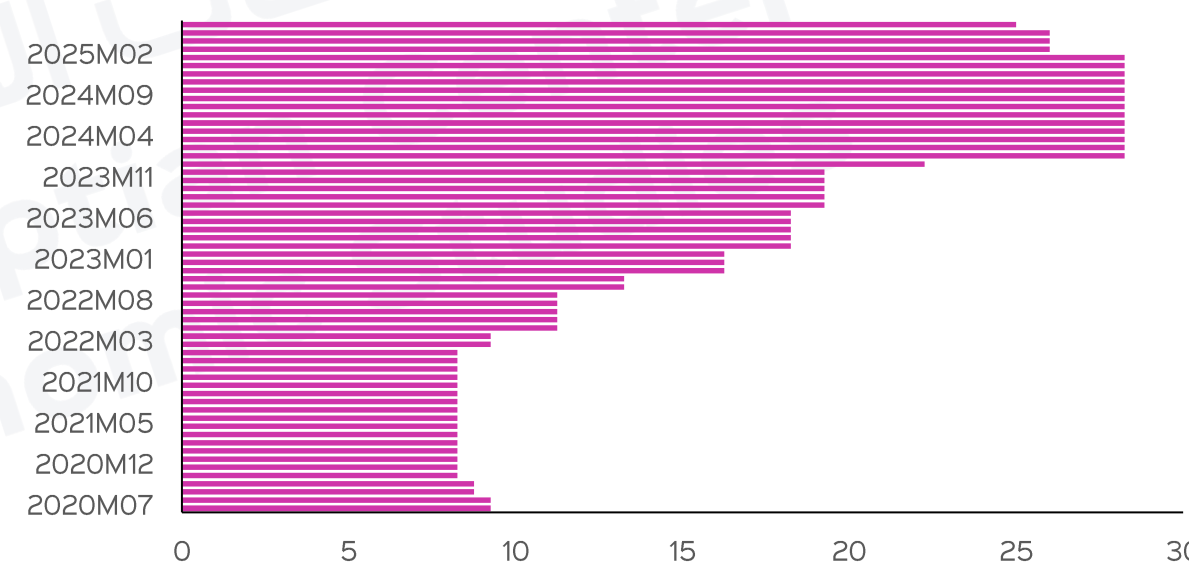
Inflation Rate (%)



Growth Rate of Money Supply (M1)*

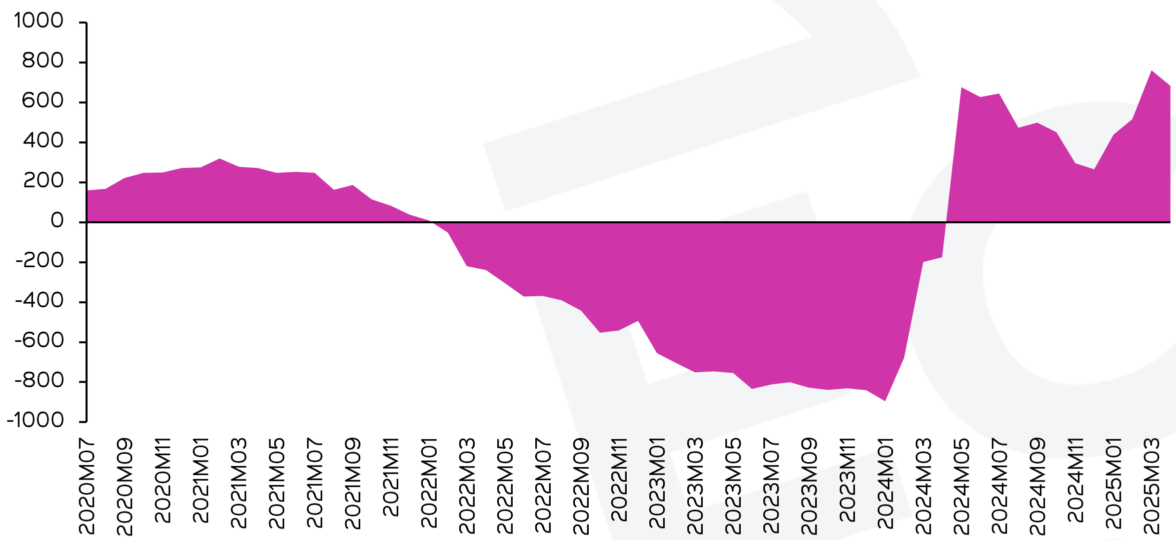


Policy Rate (%)

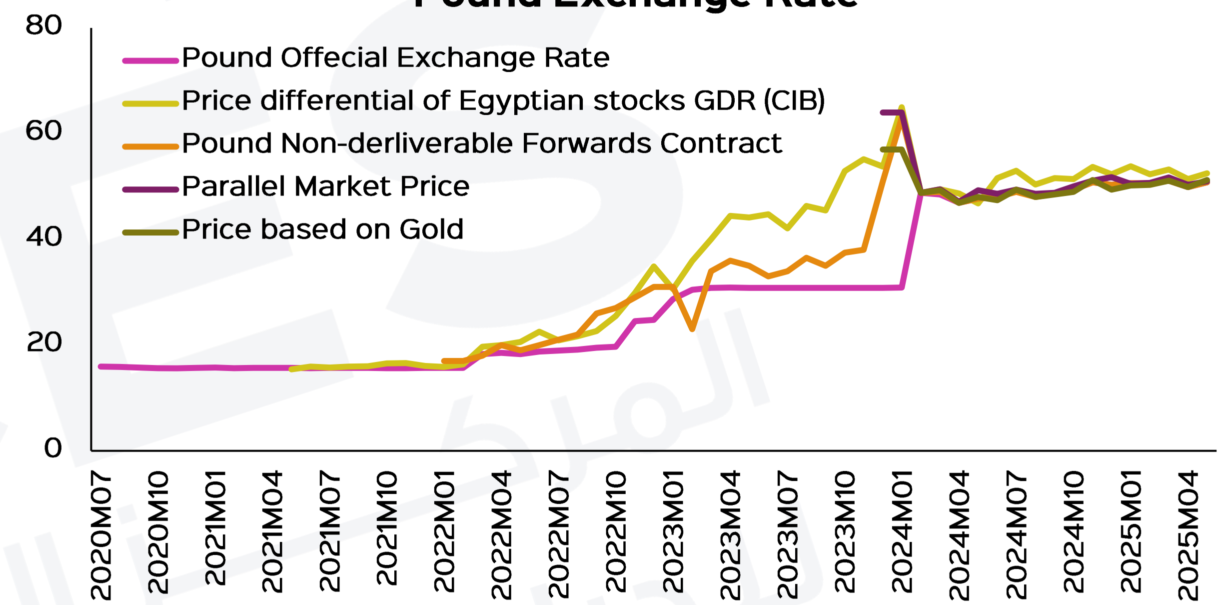


Central bank reserves of foreign currency have increased a bit yet net foreign assets in the banking system have declined on the back of regional war and rising geopolitical tensions. Remittances kept climbing and official exchange rate started to recover gradually. Currency inflows from remittances have stayed stable allowing for a unified exchange rate in the market. Such inflows outweighed the effect of retreating hot money as reflected by decline in the net foreign assets in the banking system. Such position as well as the weakening US Dollar globally and end of the 12-day regional war have all resulted into a gradual recovery of the official exchange rate of the Pound. 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)*

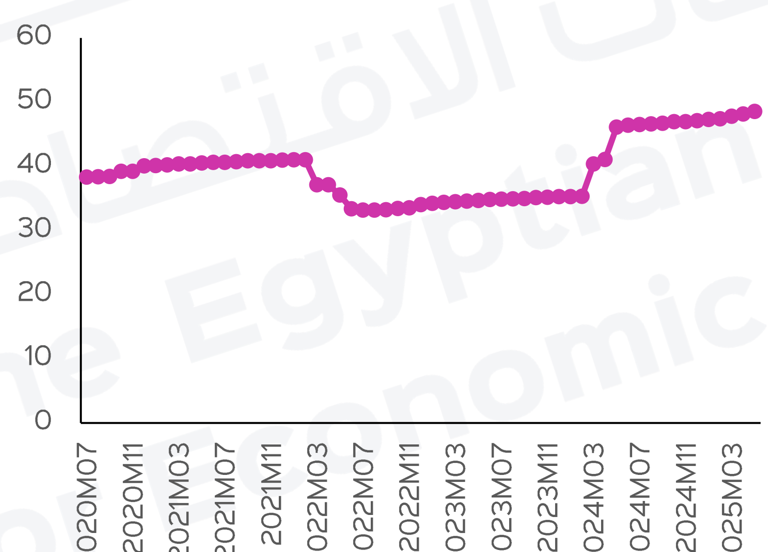


Pound Exchange Rate

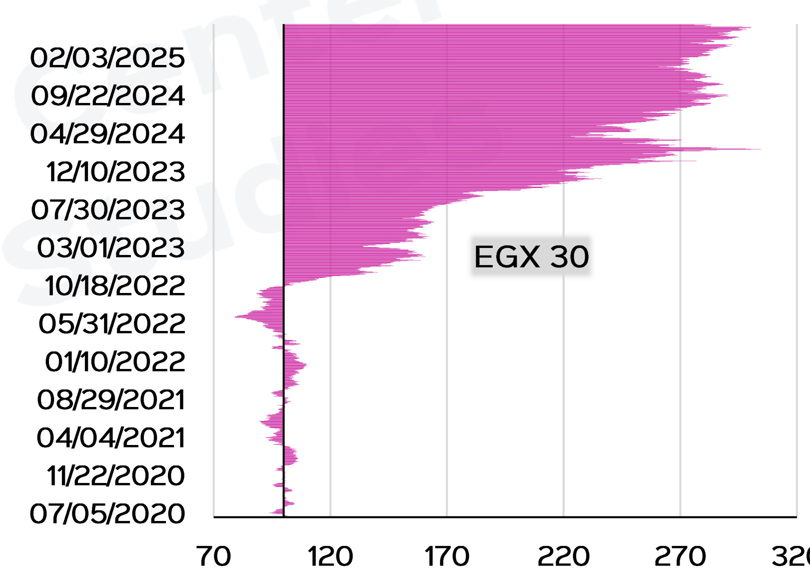


Remittances of Egyptians working abroad (bn $)

Net International Reserves



Egypt



Sources

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- 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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