



# Financial Markets Snapshot

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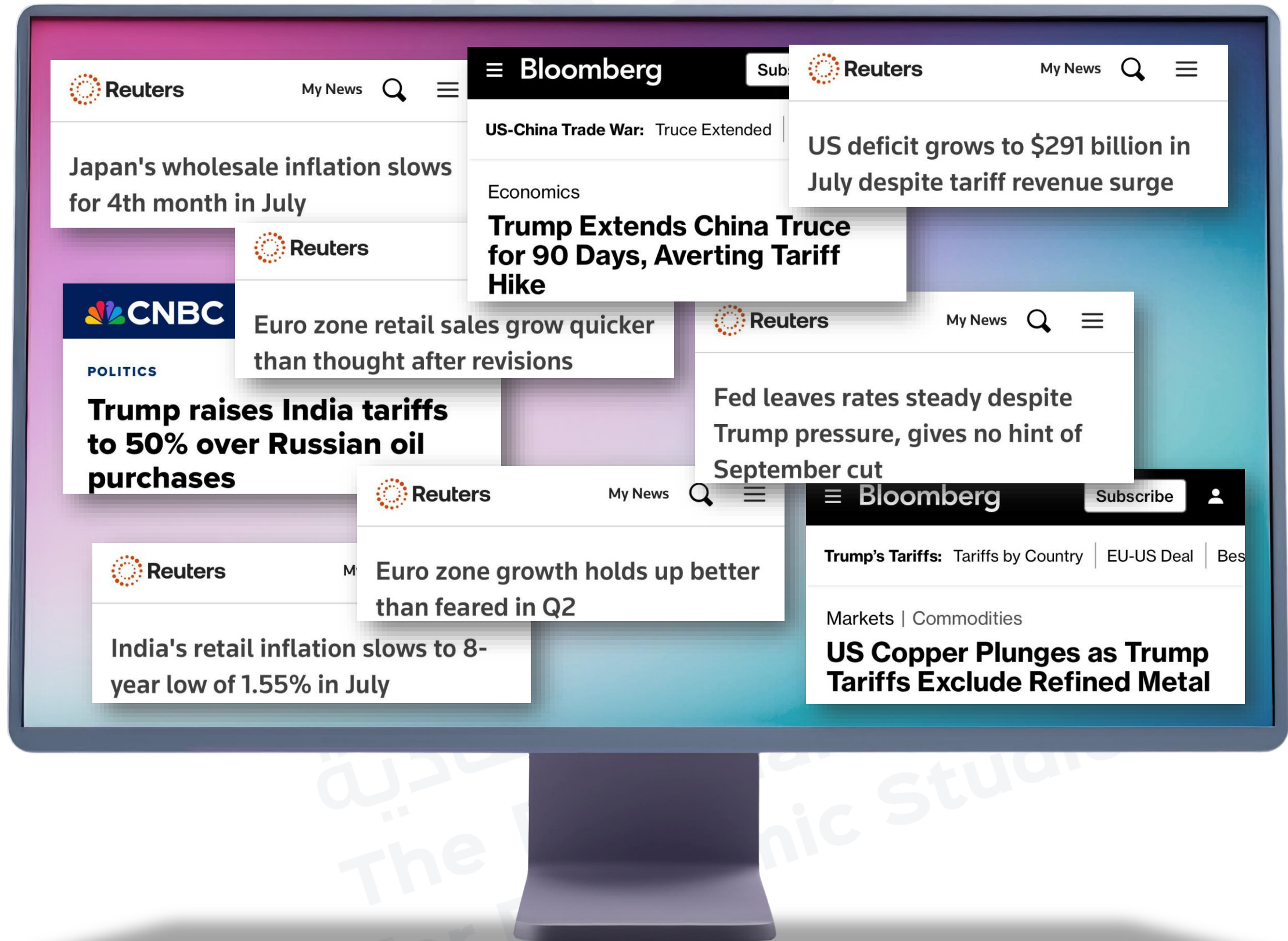




# About The Report

- 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 showed further growth momentum over last month with some commodities such as crude oil and palm oil edging upwards.
- Inflation trends remained mixed for another month, with US, UK and Canada witnessing heightened inflation as opposed to Eurozone which is witnessing cooling inflation.
- Global stock markets kept their divergence trend, with the US market leading the gains on the back of strong Tech earnings and expectations of a rate cut soon, while UK and EU markets remain relatively subdued.
- Bond yields of global markets have generally edged higher due to persistent inflation. On the other hand, CDSs have been contained reflecting a more balanced global risk sentiment.

## Emerging Markets



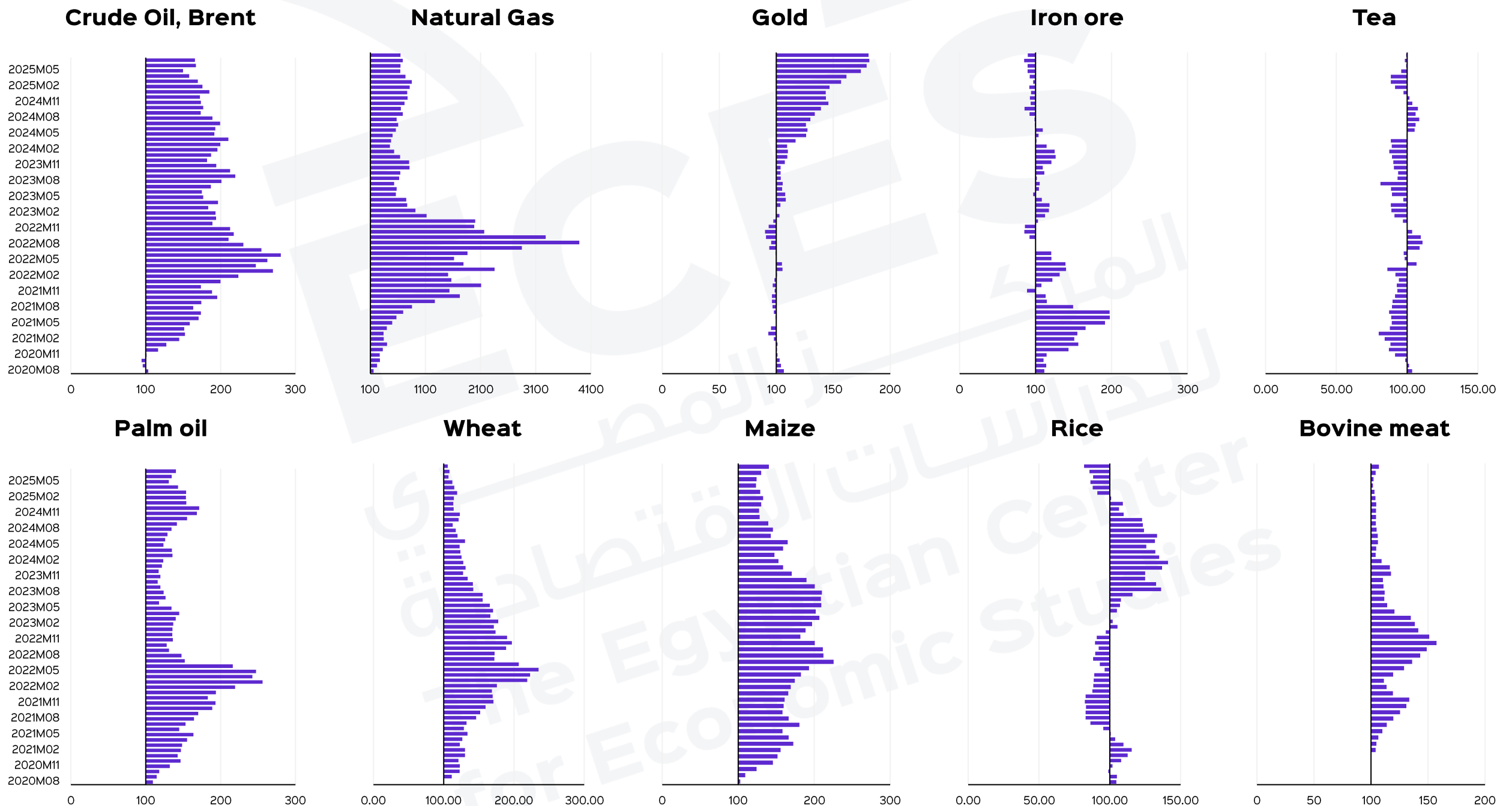
- Inflation rates across emerging markets remained generally contained with many markets witnessing stable inflation levels.
- Despite inflation moderation, most emerging markets Central banks have adopted a “wait and see” approach.
- Emerging markets currencies have witnessed continued mixed performance against the weakening US Dollar, with some such as India gaining further strength while other such as Turkey and South Africa getting much weaker.
- Stock markets in emerging markets have extended their rally over last month supported by easing local inflation concerns, growing investors appetite and the containment of geopolitical risks.
- Bond yields in most emerging markets remained broadly stable or edged lower, supported by easing local inflation. Besides, CDSs have generally declined across emerging markets reflecting easing geopolitical risks and reduced trade tensions.

## Egyptian Local Market



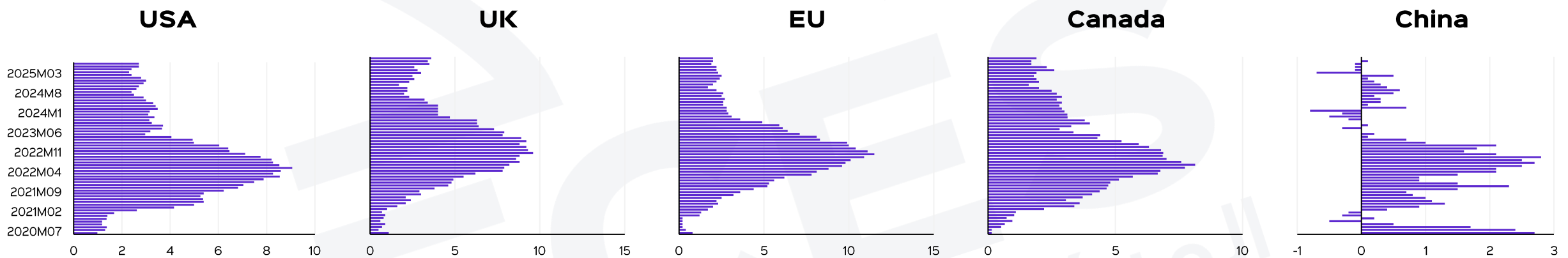
- Total external debt continues its upward trend due to new borrowing and accumulated debt servicing cost. Bond yields edged high reflecting persistent regional geopolitical risks and investor caution. CDSs declined further due to perceived monetary stability and short-term resilience.
- GDP growth has maintained momentum, highlighting the continuation of the partial economic recovery. The rate of growth of money supply has slowed a bit, which resulted into lower inflation rate for the second month in a row. At another level, the Central continues to mimic others in following a “wait and see” approach.
- Central bank reserves of foreign currency have increased further and net foreign assets in the banking system have continued their recovery. Remittances kept climbing for few months in a row now and official exchange rate kept its gradual recovery trend.

**Commodity prices showed further growth momentum over last month with some commodities such as crude oil and palm oil edging upwards, while few others stayed stable or witnessed minor declines.** For the second month in a row, commodities kept momentum growing further in price. Crude oil and palm oil prices increased due to supply constraints and strong demand. Gold has kind of stabilized yet at high level due to partial containment of geopolitical risks on one hand and fear of inflation on the other hand. Iron ore on the other hand decreased in price due to questioned Chinese demand in the first place and supply availability.

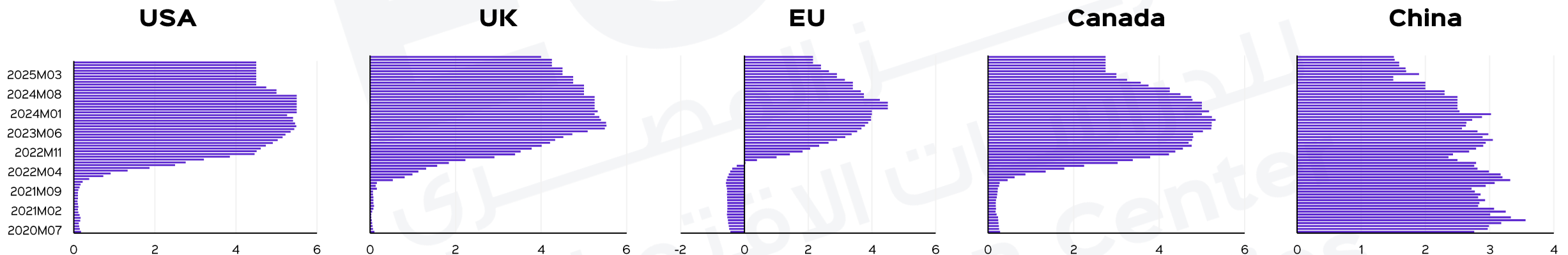


**Inflation trends remained mixed for another month, with US, UK and Canada witnessing heightened inflation as opposed to Eurozone which is witnessing cooling inflation. This has resulted into continuity of the overall cautious approach especially in a weak US Dollar environment.** The US, UK and Canada witnessed persistent inflation, while Eurozone started to see inflation softening. This situation has made it harder for most Central banks to cut rates further, yet Central bank of England has proceeded with cutting rates, while other Central banks are still exploring the right timing to proceed with easing especially amid inflationary risks. US Dollar kept its weakening trend for another month against most global currencies.

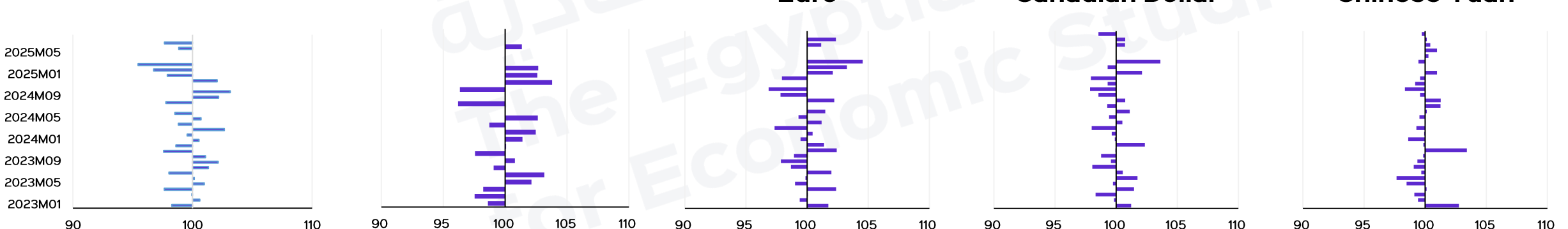
## Inflation Rate



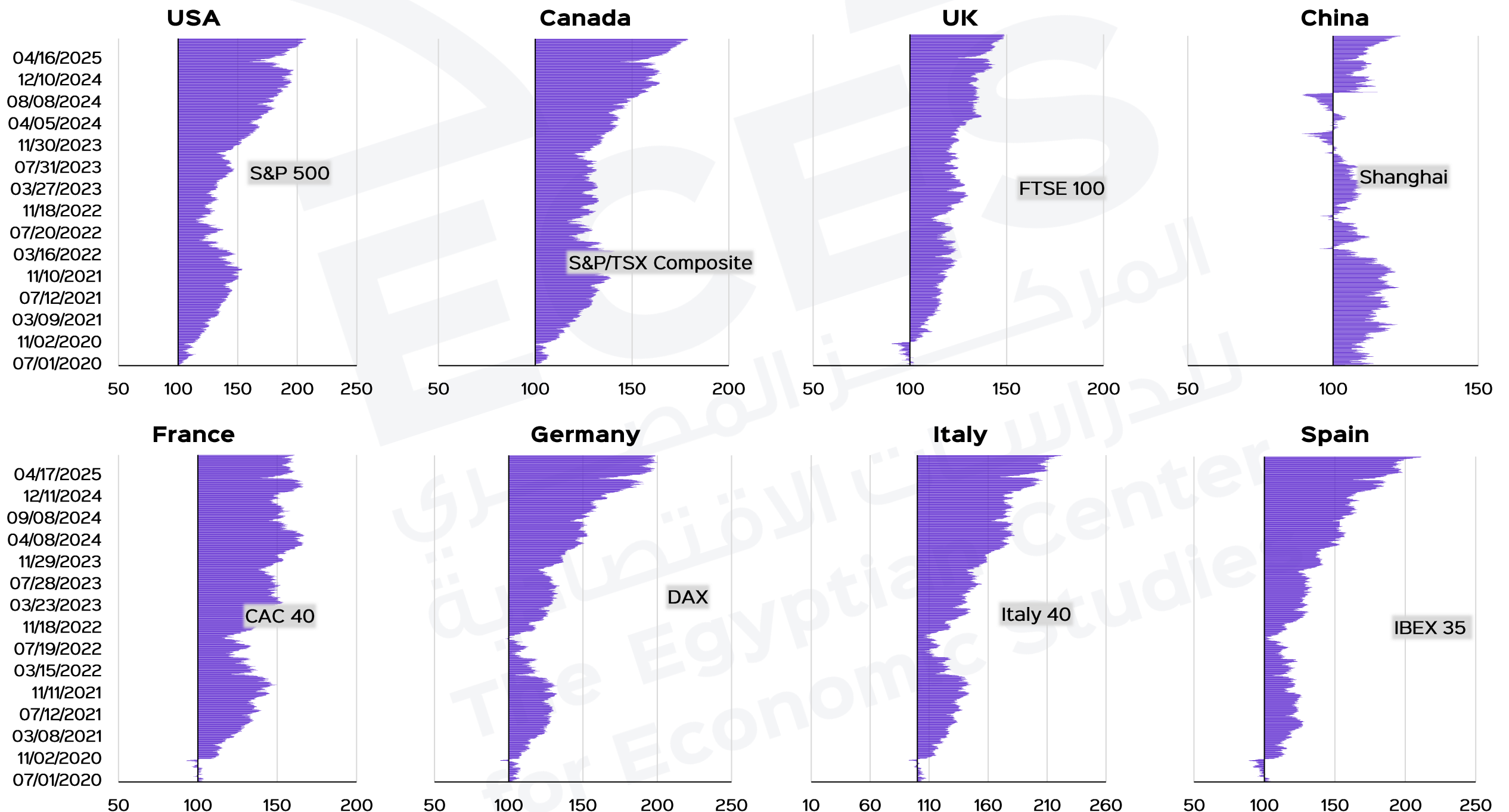
## Policy Rate



## LCU / USD



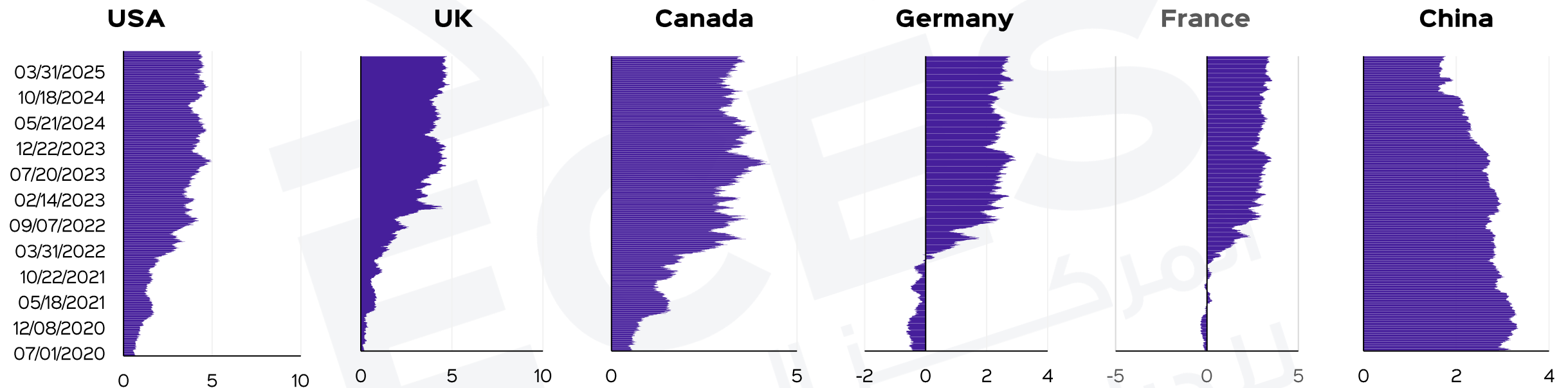
Global stock markets kept their divergence trend, with the US market leading the gains on the back of strong Tech earnings and expectations of a rate cut soon, while UK and EU markets remain relatively subdued with a cautious stance though progressing upwards in general. The US rally kept momentum thanks to big Tech earnings beating expectations. There have also been growing expectations that the US Fed shall resume cutting rates in September, pushing the market upwards. Other global markets such as UK and EU have witnessed subdued performance and caution, though in general such markets have progressed upwards.



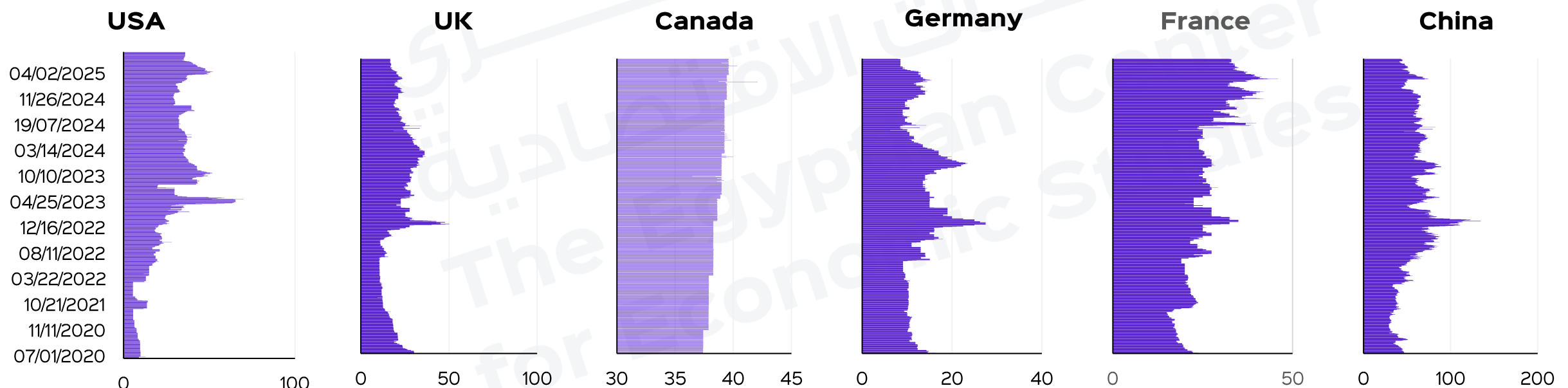


**Bond yields of global markets have generally edged higher last month due to persistent inflation that would delay or at least slowdown further monetary easing.** On the other hand, CDSs have been contained reflecting a more balanced global risk sentiment despite the never-ending geopolitical uncertainties. The persistence of inflation across most global markets has diminished the odds of a speedy monetary easing, which reflected into higher bond yields across global markets. On the other hand, the global risk sentiment seem to be contained allowing CDSs to decline across most global markets, despite the continuous global geopolitical uncertainties.

## 10-Year Bond Yield



## 5-Year CDS

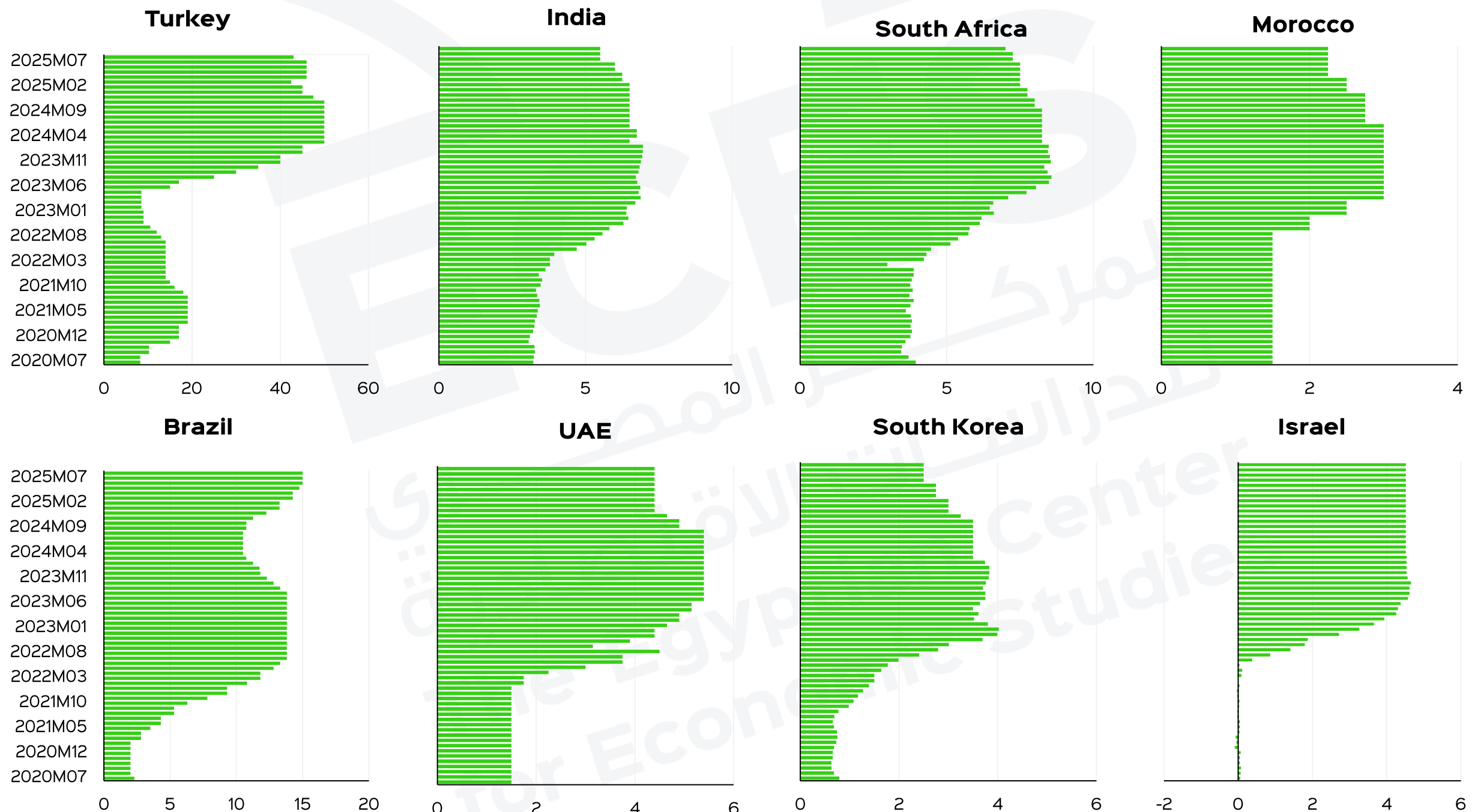


**Inflation rates across emerging markets remained generally contained with many markets witnessing stable inflation levels, while others still experience sticky and persistent inflation.**

Emerging markets inflation rates have generally stayed contained for another month. Countries like India have seen inflation declining due to lower food and energy prices. While some other emerging markets such as Turkey and South Africa still suffer from a high and sticky inflation, which remains unchanged for few months now. Despite this moderation trend, emerging markets remain vulnerable to commodity shifts and exchange rate fluctuations globally.

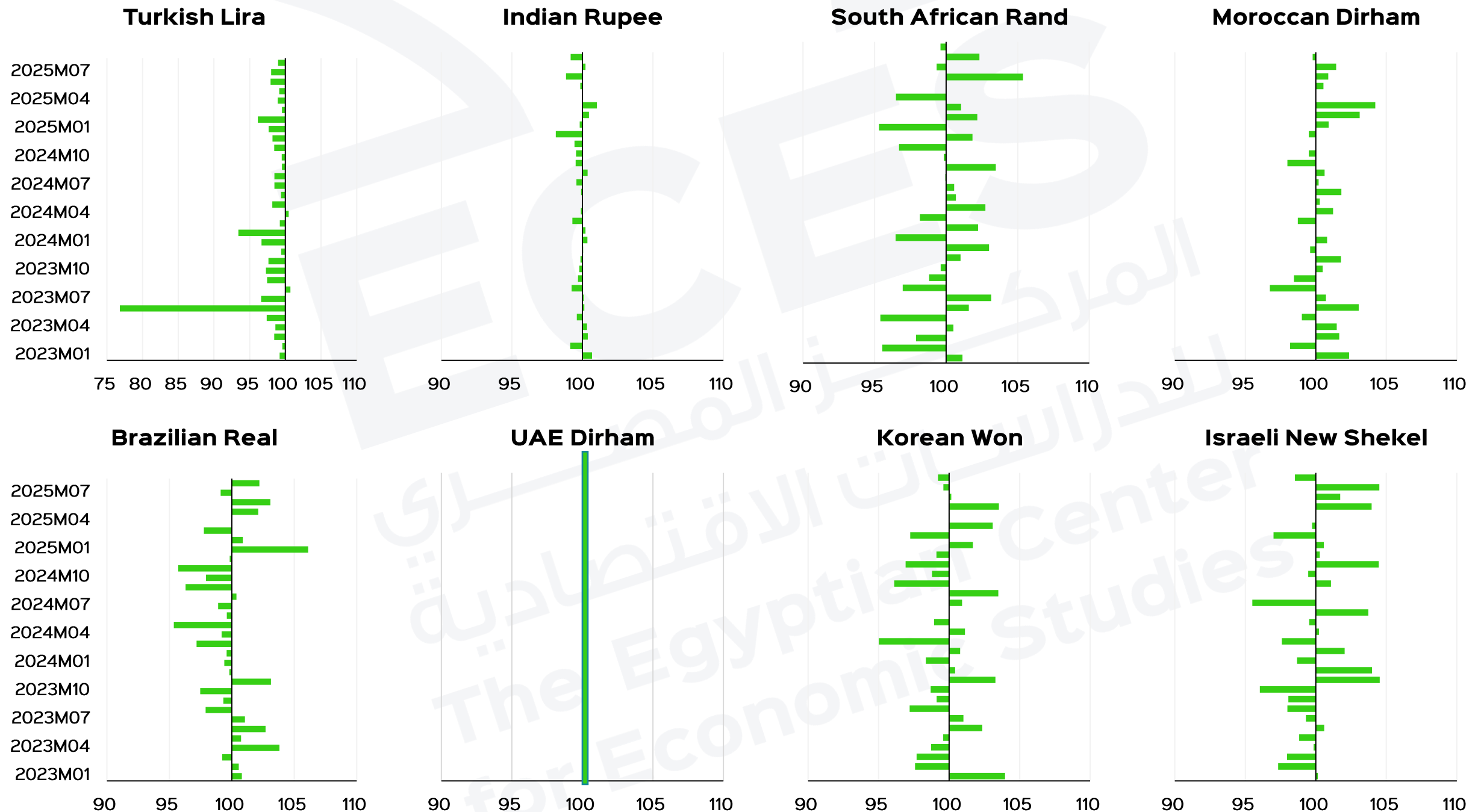


**Despite inflation moderation and a weakening US Dollar, most emerging markets Central banks have adopted a “wait and see” approach and kept their interest rates fixed until there is clarity on global economy, while few Central banks have started cutting rate to stimulate growth.** With the global volatility 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 and the US Dollar has weakened against most global currencies. An exception to this trend is the direction adopted by Central banks of Turkey and South Africa, which have cut rates to stimulate growth, despite facing persistent inflation.

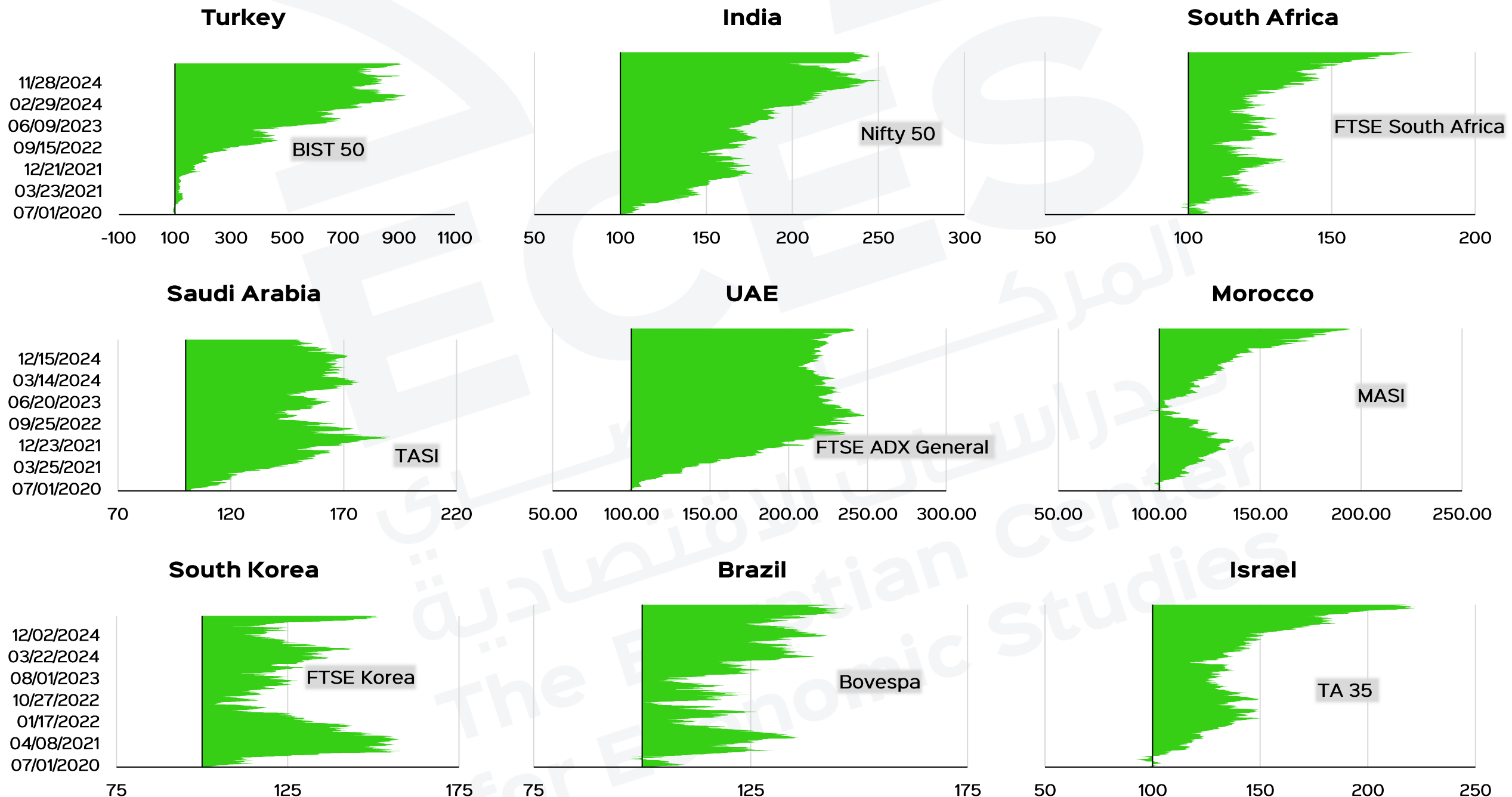




**Emerging markets currencies have witnessed continued mixed performance against the weakening US Dollar, with some such as India gaining further strength while other such as Turkey and South Africa getting much weaker.** Despite the noticeable and extended weakness of the US Dollar, emerging markets currencies have experienced mixed performance. Some countries such as India witnessed currency appreciation supported by lower local inflation and steady capital inflows, while others such as Turkey and South Africa remain exposed to big pressure thanks to persistent inflation and weak investors confidence as well as their latest monetary easing steps.

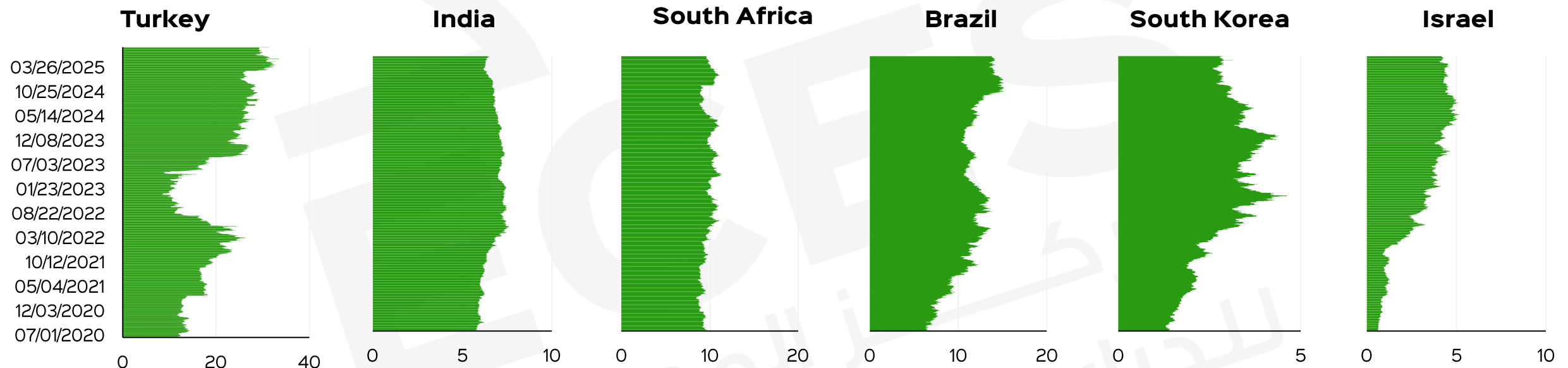


**Stock markets in emerging markets have extended their rally over last month supported by easing local inflation concerns, growing investors appetite and the containment of geopolitical risks.** With extension of the relief rally in global markets for another month, emerging markets stock markets have witnessed another month of the extended rally on the back of easing inflation concerns and increasing investor appetite. Indian and South Korean markets posted continued solid gains driven by strong Tech performance and capital inflows. Turkey and South Africa have also advanced on the back of interest rate cuts to incentive growth.

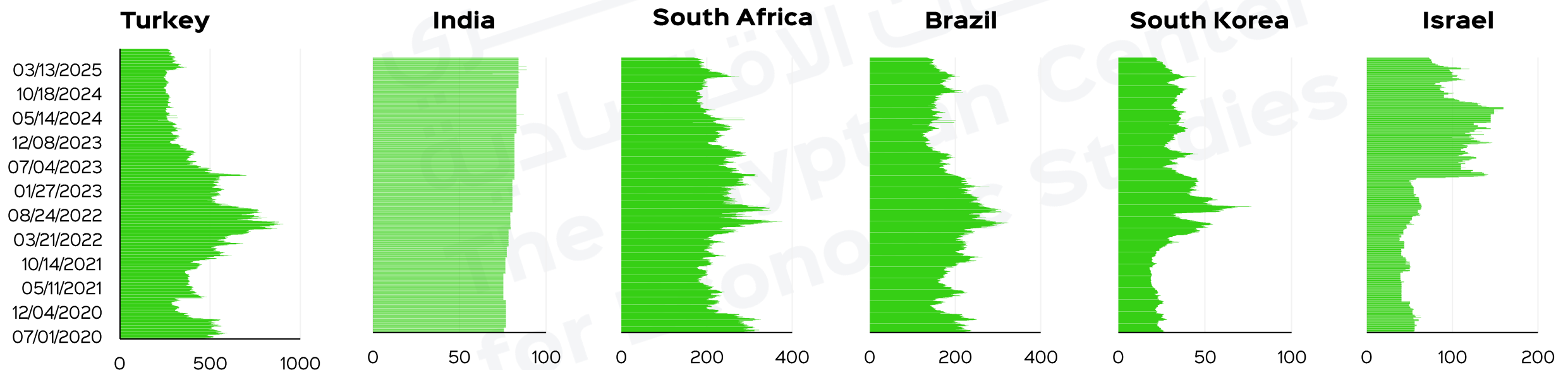


**Bond yields in most emerging markets remained broadly stable or edged lower over past month, supported by easing local inflation and cautious monetary policy. Besides, CDSs have generally declined across emerging markets reflecting easing geopolitical risks and reduced trade tensions.** The wait and see approach on monetary policy by global Central banks accompanied by the still tightened monetary policy in emerging markets and low local inflation have decreased pressure on bond yields in emerging markets, which stayed stable. Besides, CDSs in emerging markets have generally declined with the perceived decline in global trade war risks and reduced geopolitical tensions.

### 10-Year Bond Yield



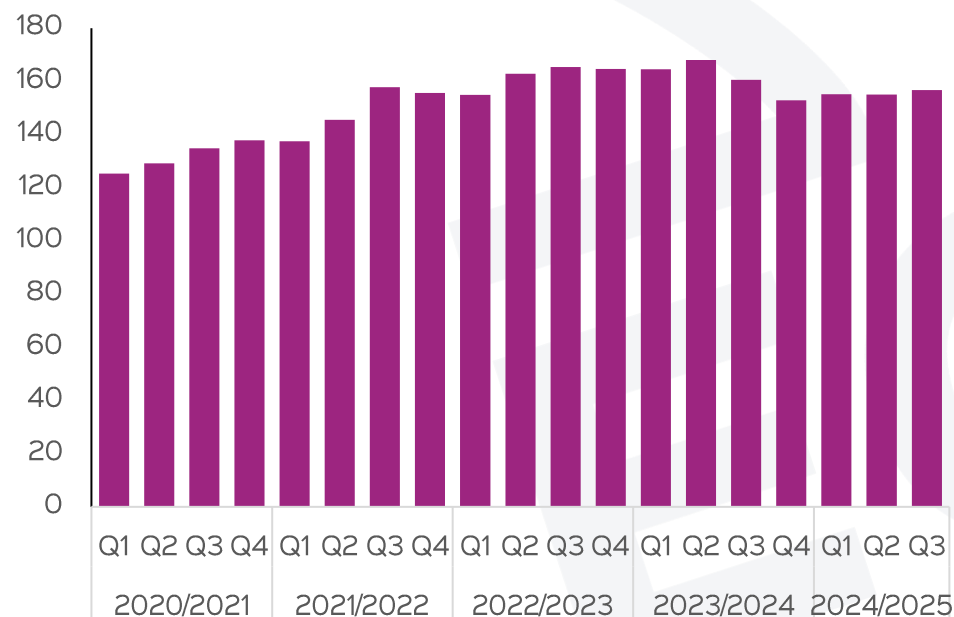
### 5-Year CDS



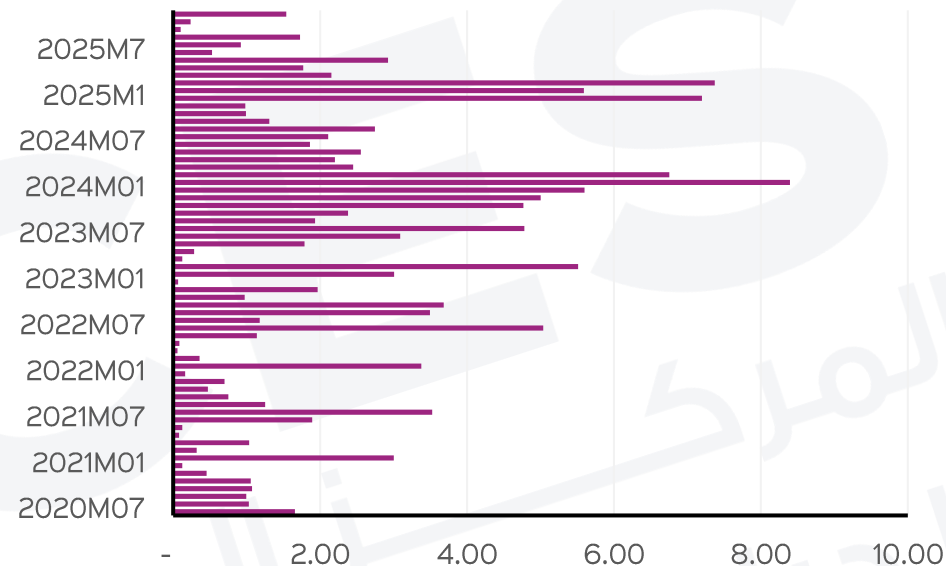


**Total external debt continued its upward trend due to new borrowing and accumulated debt servicing cost. Bond yields edged high reflecting persistent regional geopolitical risks and investor caution. CDSs declined further due to perceived monetary stability and short-term resilience.** External debt kept its upward trend thanks to external borrowing and accumulated debt servicing cost. Bond yields edged higher due to increased geopolitical risks, despite the local monetary stability. CDSs went down further as investors perceive the country as stable and hedged in the short term from a monetary standpoint as compared to other emerging markets.

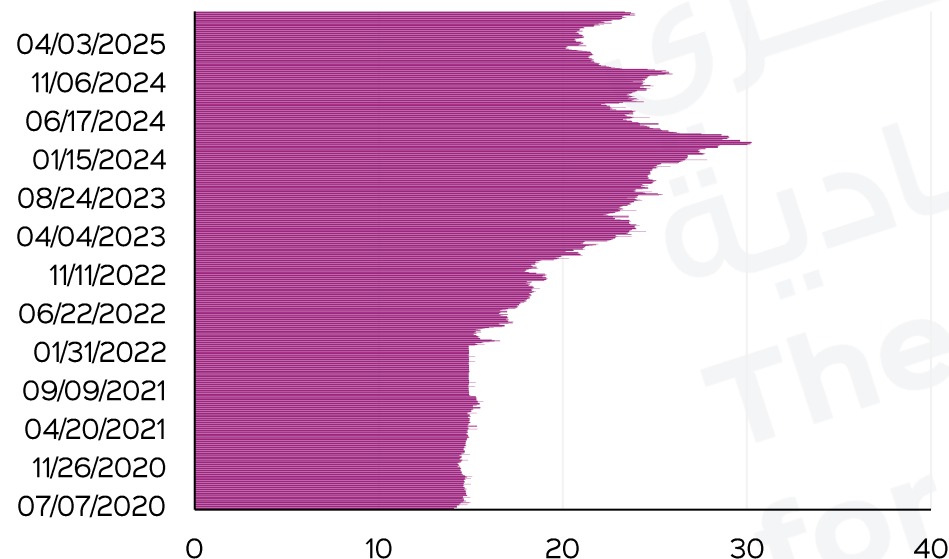
Total External Debt (bn \$)\*



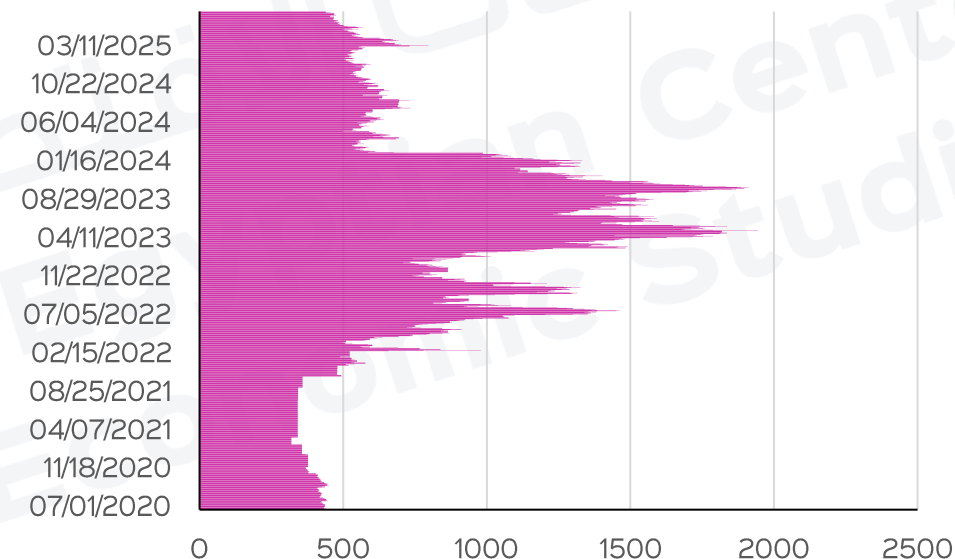
External Debt Service (bn \$)\*



Egypt 10-Year Bond Yield



5Y CDS, Egypt

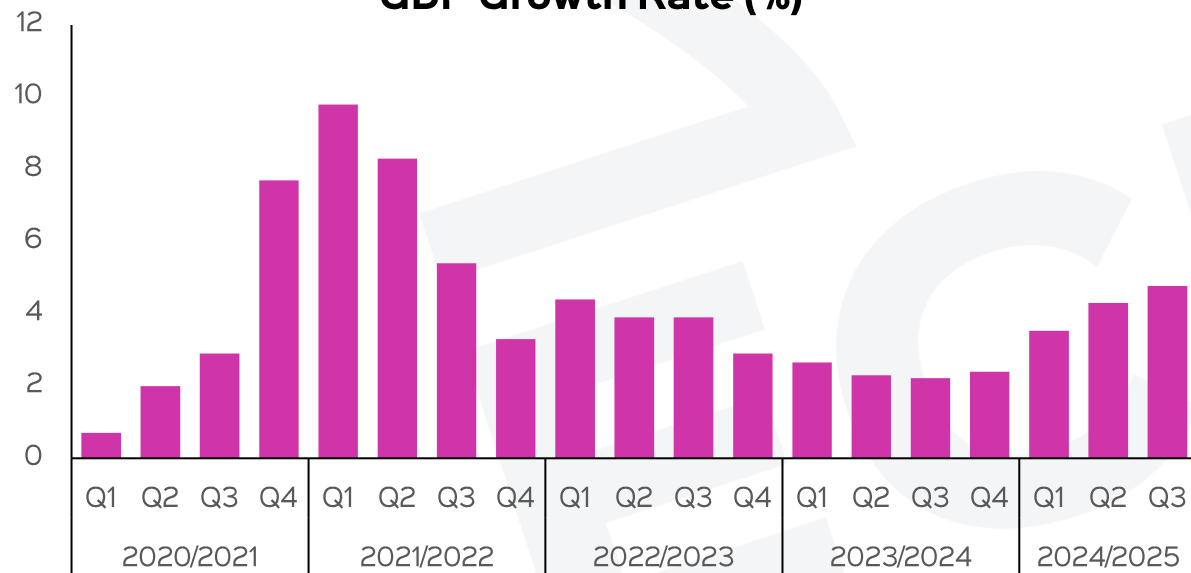
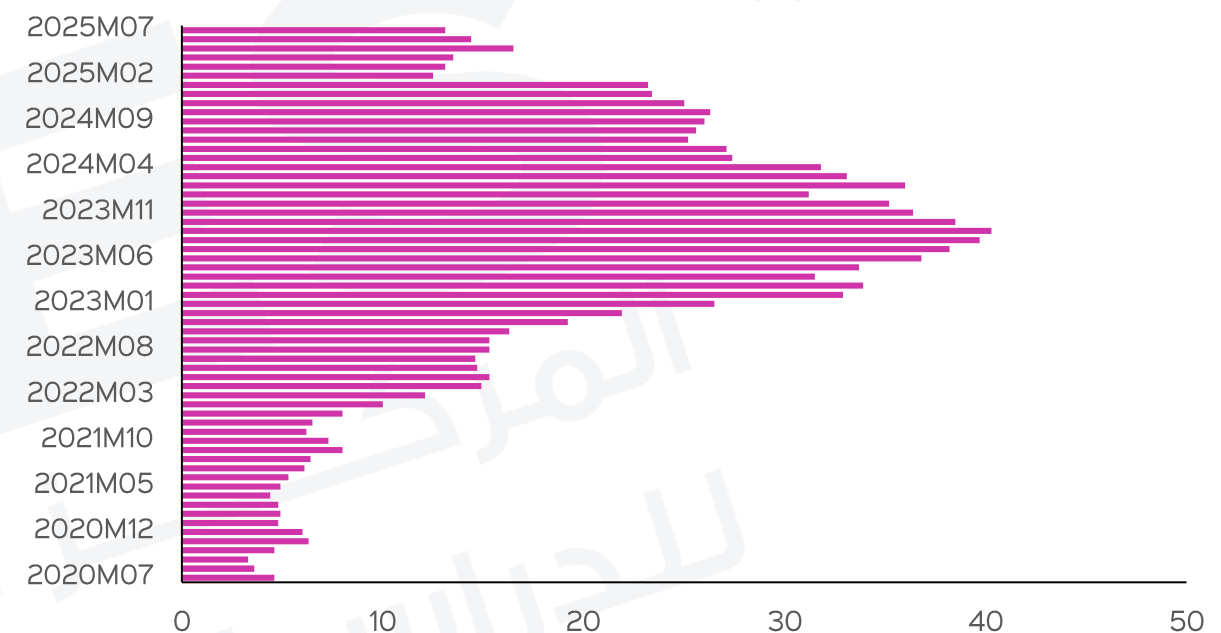
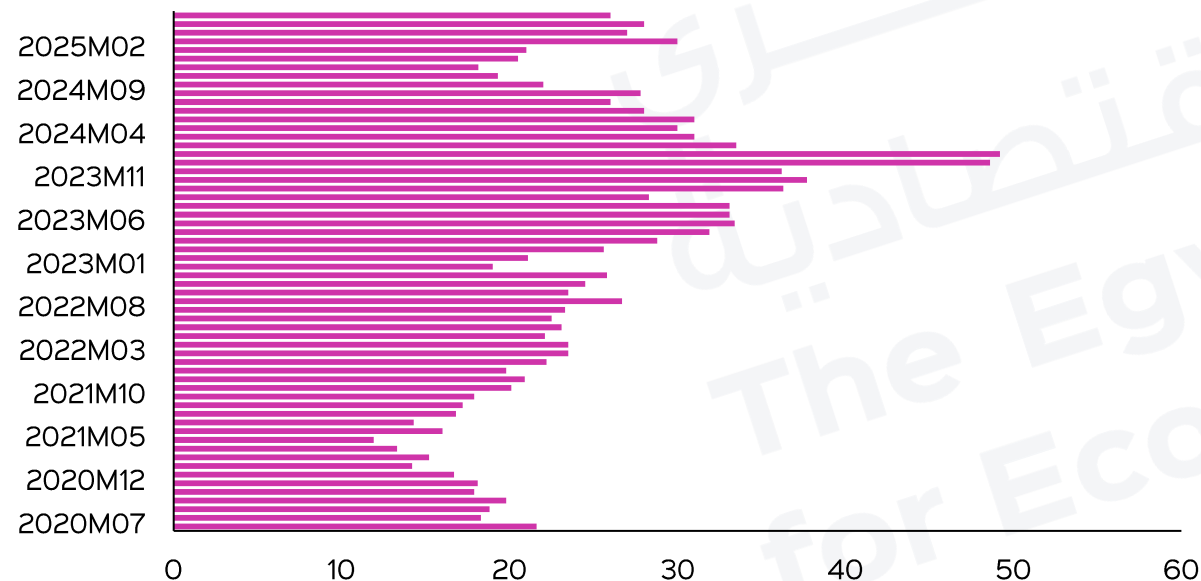
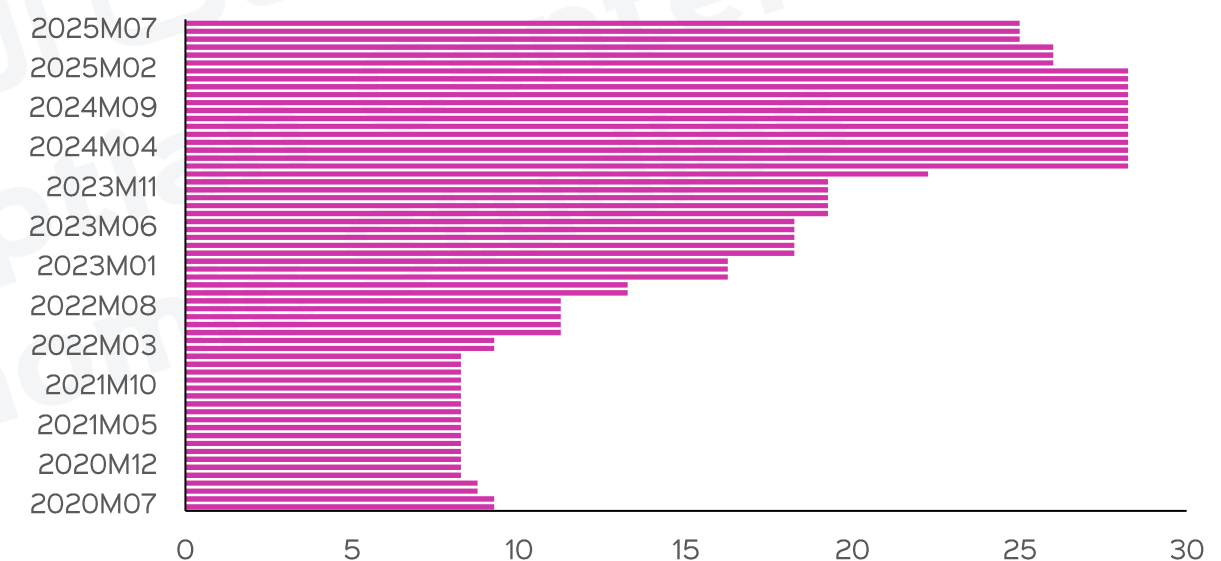


**S&P Global**  
Ratings  
**B-** Positive

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

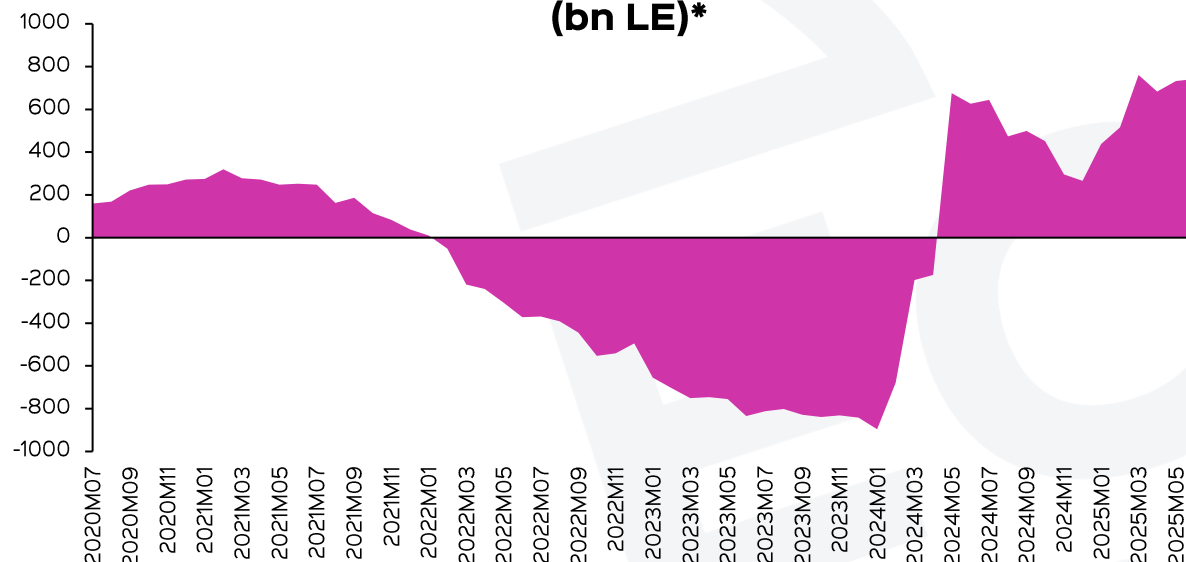
**MOODY'S**  
INVESTORS SERVICE  
**Caa1** Positive

**GDP growth has maintained momentum, highlighting the continuation of the partial economic recovery continuing. The rate of growth of money supply has slowed a bit, which resulted into lower inflation rate for the second month in a row. While the Central bank continues to mimic others in following a “wait and see” approach.** The economy has kept its growth momentum for the fourth quarter in a row showing an increase in GDP growth rate. On the monetary side, growth of money supply has slowed for the second month resulting into lower inflation rate. The Central bank has mimicked other global and emerging markets Central banks by adopting a cautious “wait and see” approach in such uncertain time.

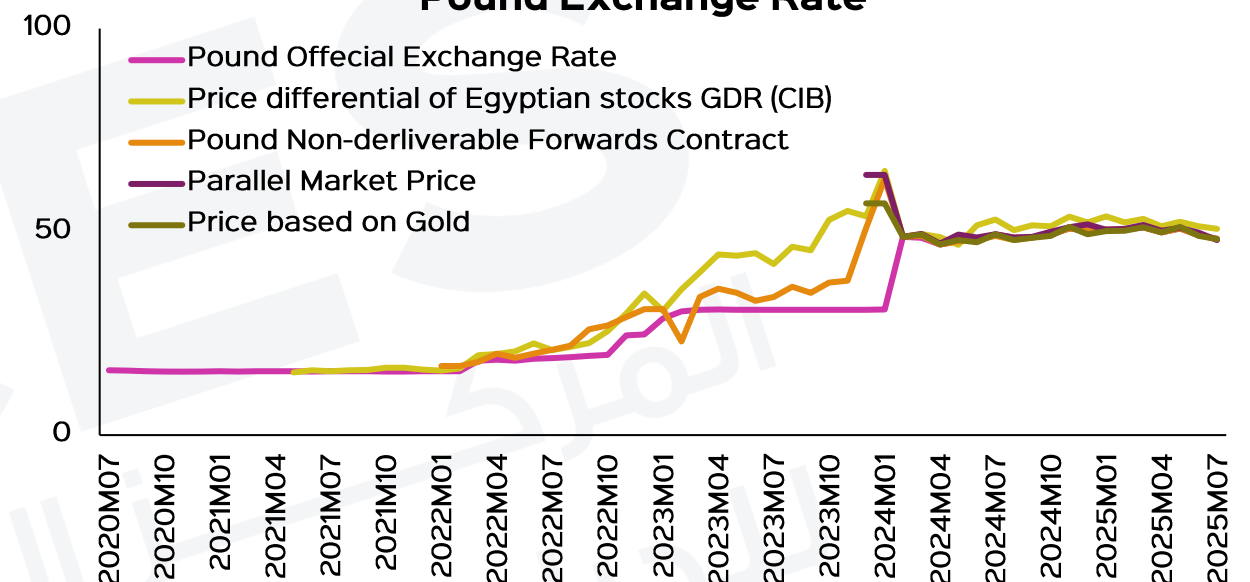
**GDP Growth Rate (%)\*****Inflation Rate (%)****Growth Rate of Money Supply (M1)\*****Policy Rate (%)**

**Central bank reserves of foreign currency have increased further and net foreign assets in the banking system have continued their recovery. Remittances kept climbing for few months in a row now and official exchange rate kept its gradual recovery trend.** Currency inflows from remittances have stayed stable for few months in a row allowing for a unified exchange rate in the market. Besides, hot money returned to the market after the conclusion of the 12-days war, thus enhancing the net foreign assets in the banking system. Such position as well as the weakening US Dollar globally have resulted into a continued recovery of the official exchange rate of the Pound, with the gap between the official and other prevailing rates in the market narrowing down.

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



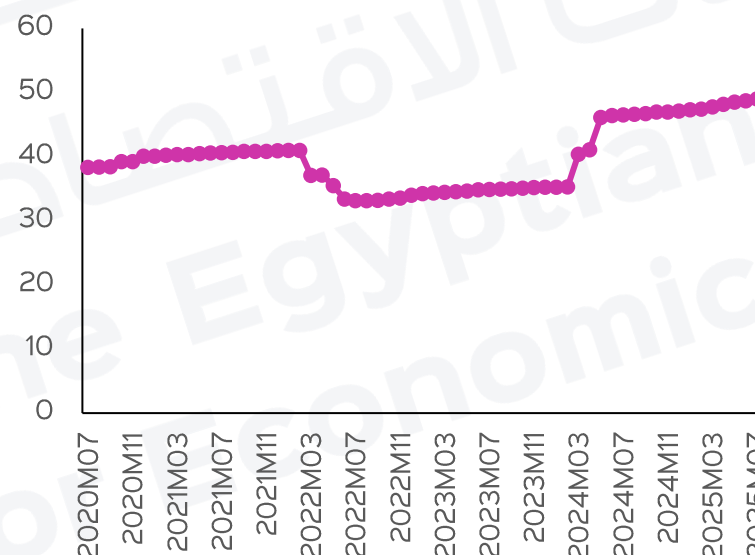
**Pound Exchange Rate**



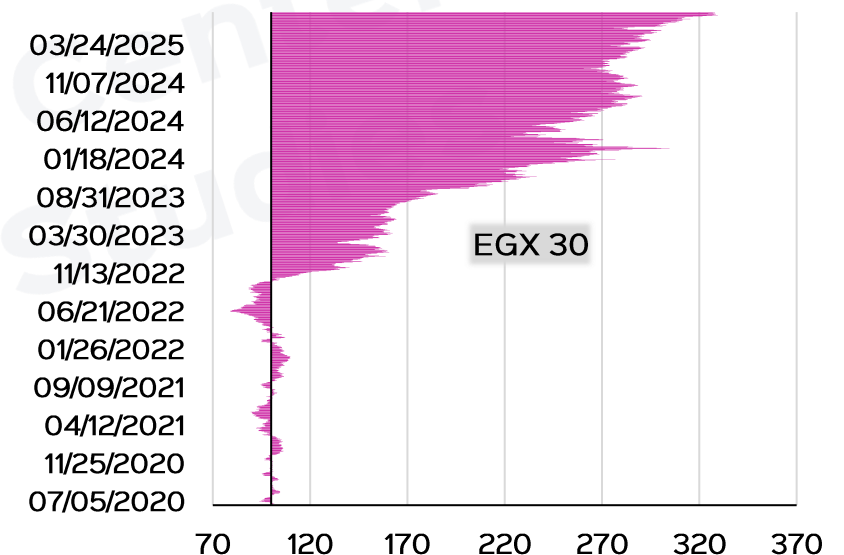
**Remittances of Egyptians  
working abroad (bn \$)**



**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.



