ECES
المركز المصري
للدراسات الاقتصادية
The Egyptian Center
for Economic Studies

Financial Markets Snapshot

Issue 28
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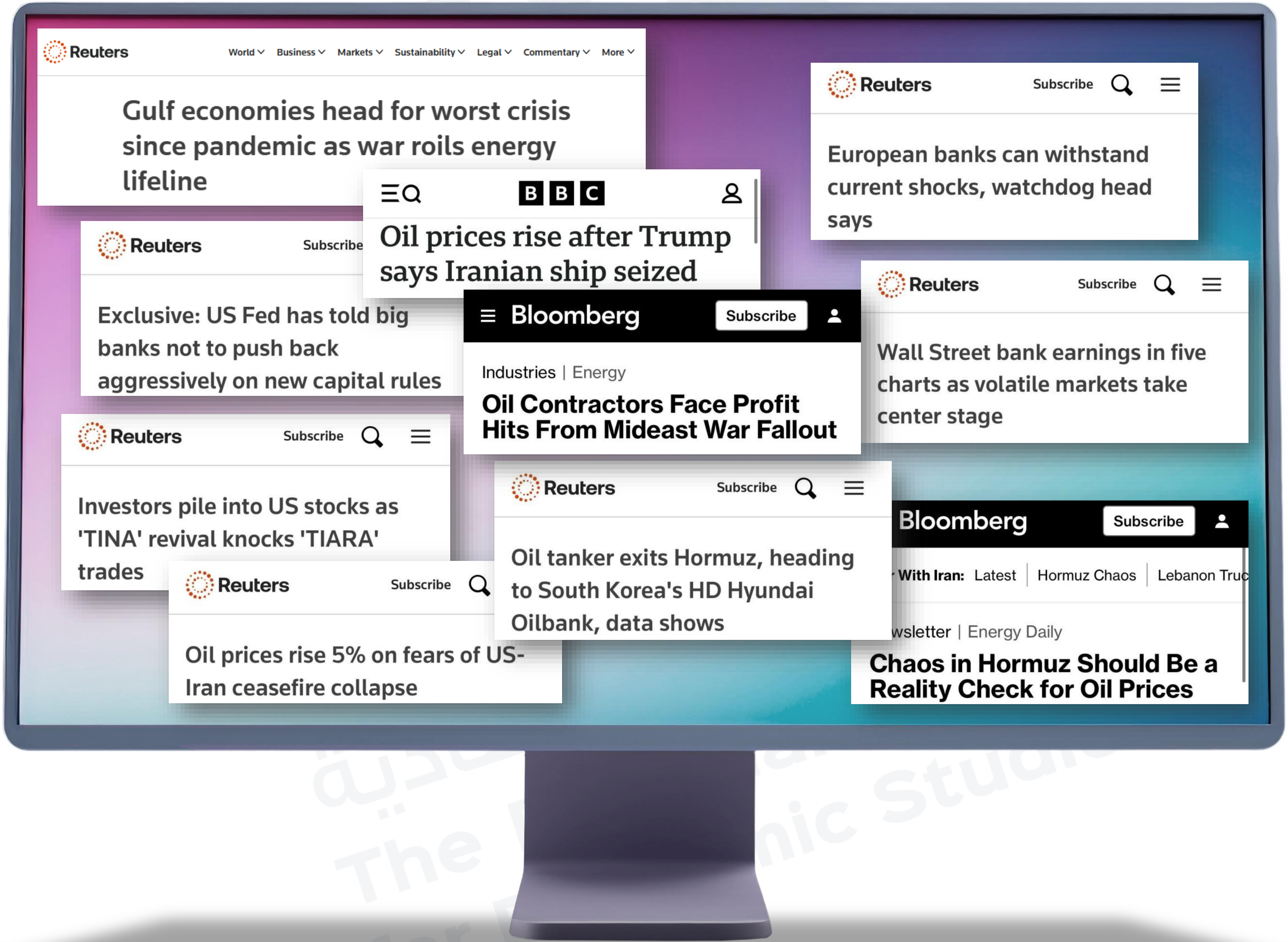
Contents

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 markets witnessed turbulence over the past month, with energy prices skyrocketing due to the attack initiated by the US and Israel on Iran and what followed (hereafter referred to as the 'Middle East wars'), while most of the other commodities stayed stable or witnessed slight increases.
- Global inflation dynamics showed renewed upward pressure over the past month, particularly in energy-sensitive regions. This has pushed most global markets Central banks to follow a wait and see approach.
- Despite the big drop in early March, global equity markets recorded broadly positive performance over the past month, supported by improving risk sentiment and hopes of a near resolution for Middle East war.
- Global bond markets faced upward pressure over the past month, as sovereign yields increased across major economies amid shifting monetary policy expectations and evolving inflation dynamics, while CDSs subsided reflecting relative confidence in global economy.

Emerging Markets

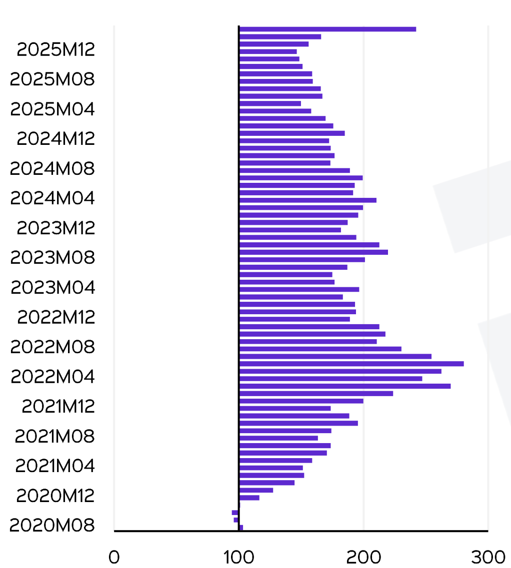
- Inflation dynamics across emerging markets remained mixed over the past month, reflecting divergent domestic drivers across countries, with some witnessing easing price pressures while others experienced renewed increases. Analysis is constrained by delay in data publishing since beginning of the year in the case of the UAE.
- Amid mixed inflation trends, monetary policy across emerging markets remained broadly cautious over the past month, with all Central banks keeping policy rates unchanged while maintaining a cautious stance.
- Emerging markets currencies showed broadly positive performance against the US Dollar over the past month, supported by a partial shift away from safe-haven demand for the US Dollar in the hope of near resolution of the Middle East war.
- Despite the geopolitical tensions, emerging markets equities showed uneven performance over the past month, reflecting a balance between resilient domestic conditions and persistent uncertainty surrounding the Middle East war and its implications.
- Ten-year government bond yields across most emerging markets declined over the past month, reflecting easing investor caution and improved global risk sentiment amid more stable monetary policy expectations and Middle East war containment hopes.

Egyptian Local Market

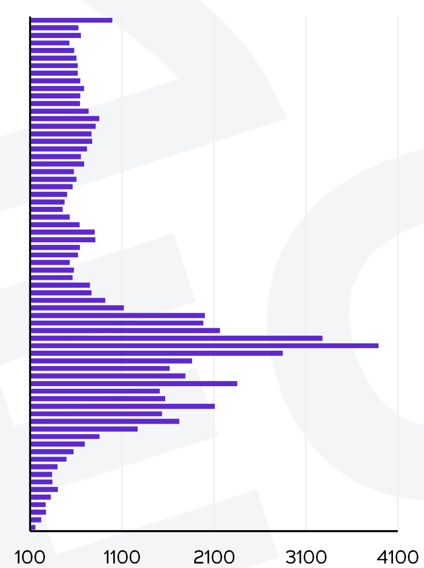
- Egypt 10-year government bond yield increased over the past month, driven by continued increase in total external debt and elevated upcoming debt service obligations, as well as increased risks due to Middle East war, which reflected into a change of outlook by S&P rating agency.
- After a period of gradual recovery in recent months, Egypt macroeconomic indicators showed some moderation in momentum over the past month, partly reflecting external headwinds linked to the Middle East war and its impacts on energy prices and inflation.
- The Middle East war continued to influence short-term capital flows, leading to renewed volatility in portfolio movements. The overall external position remained broadly contained, while the pound has fluctuated in line with the movement of hot money.

Commodity markets witnessed turbulence over the past month, with energy prices skyrocketing due to the attack initiated by the US and Israel on Iran and what followed (hereafter referred to as the 'Middle East wars'), while most of the other commodities stayed stable or witnessed slight increases. Energy prices moved higher, as crude oil and natural gas increased, supported by ongoing supply factors due to Middle East war. Agricultural commodities showed mixed performance, with palm oil and wheat prices rising, while rice prices declined, indicating divergent market fundamentals. Meanwhile, gold and iron ore prices edged slightly higher, pointing to modest improvement in sentiment. Overall, commodity price movements remained uneven, highlighting persistent volatility across global commodity markets.

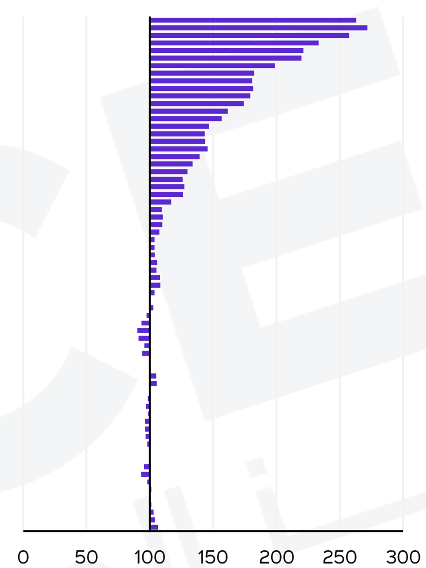
Crude Oil, Brent



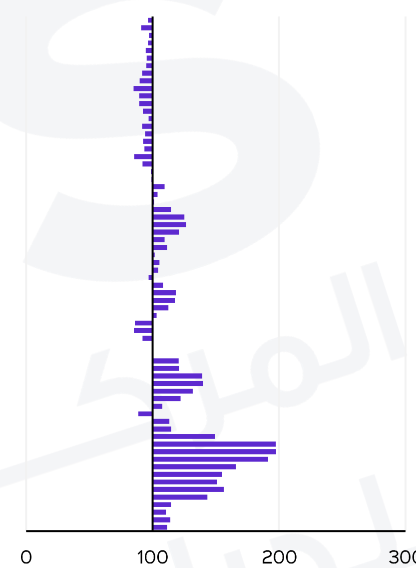
Natural Gas



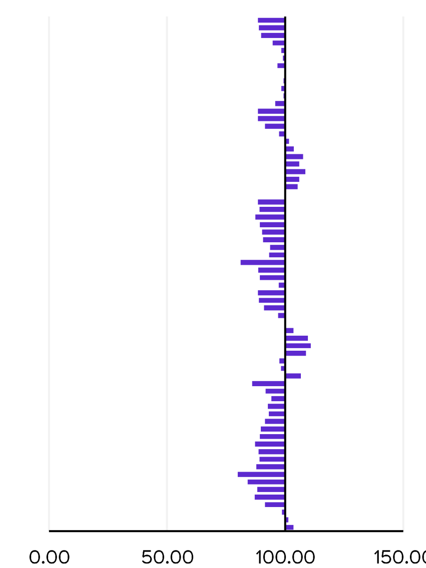
Gold



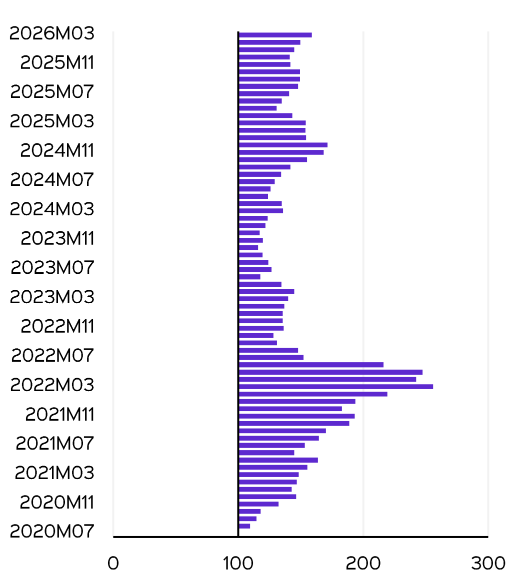
Iron ore



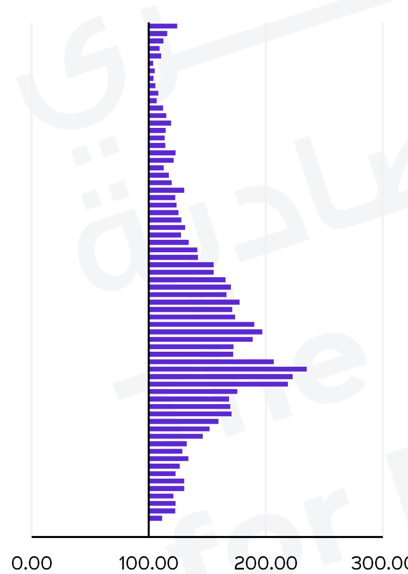
Tea



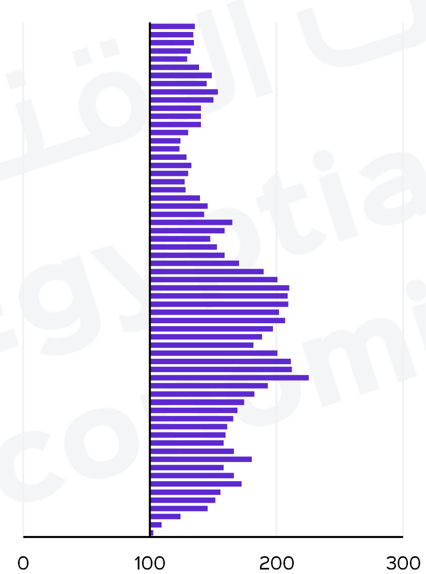
Palm oil



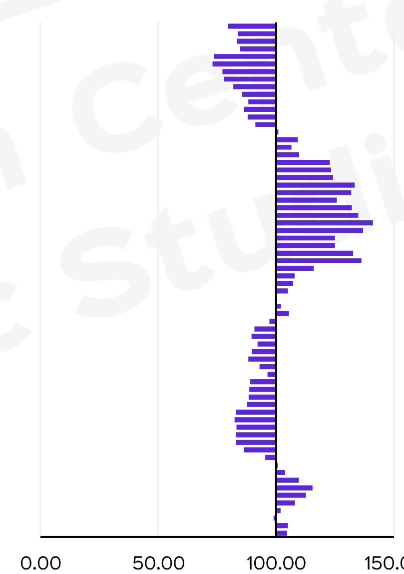
Wheat



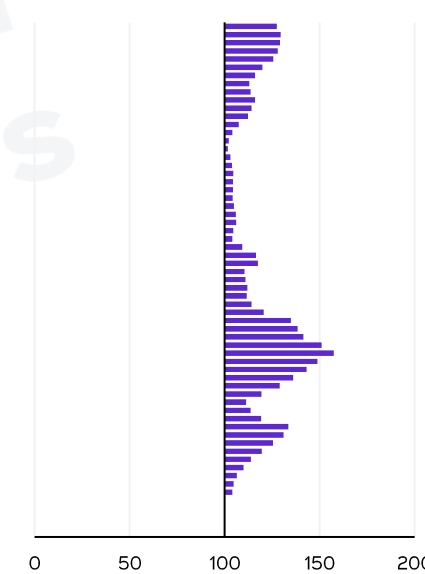
Maize



Rice

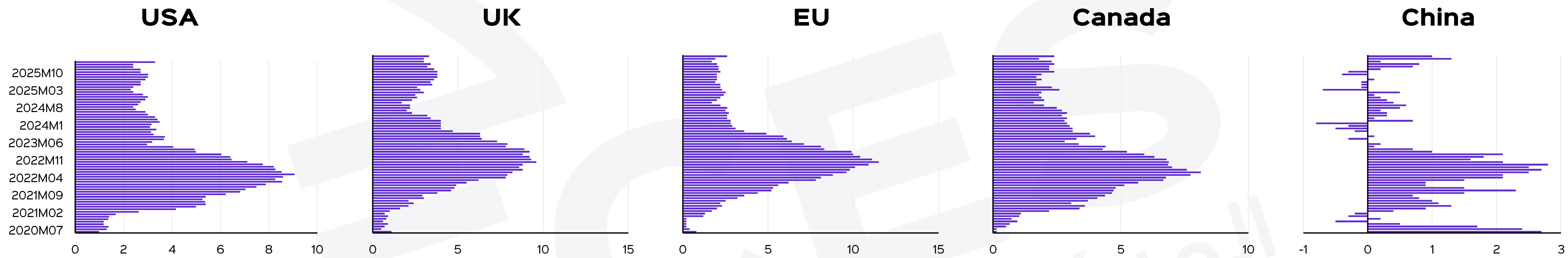


Bovine meat

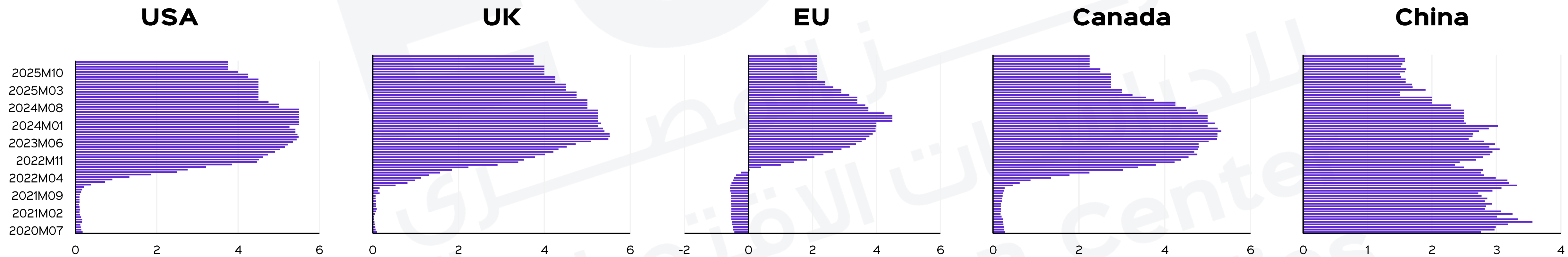


Global inflation dynamics showed renewed upward pressure over the past month, particularly in energy-sensitive regions. This has pushed most global markets Central banks to follow a wait and see approach. Inflation in both the US and the Eurozone rose sharply, reflecting the pass-through of higher energy prices and emerging supply-side pressures. This shift marks a reversal from earlier moderation trends, with the full impact of ongoing geopolitical tensions still unfolding. Against this backdrop, major Central banks maintained a cautious and data-dependent stance, balancing rising inflation risks with growth considerations. Currency markets, however, reflected shifting dynamics, with the Euro and Chinese Yuan strengthening against the US Dollar.

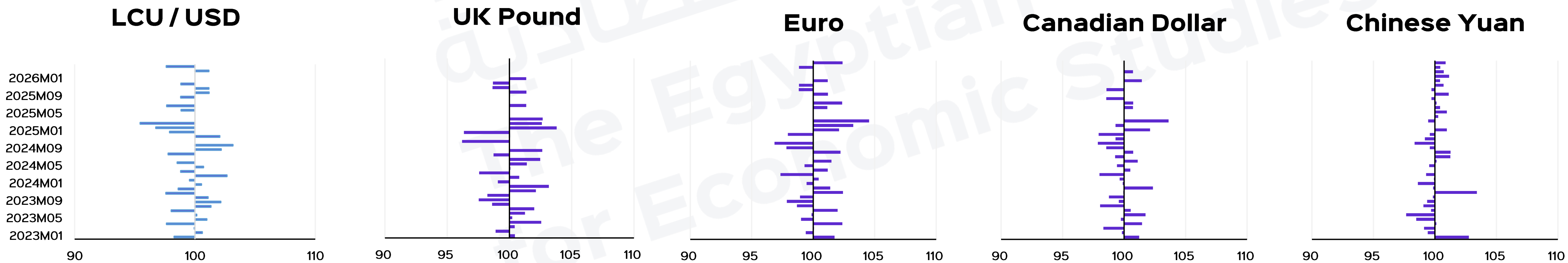
Inflation Rate



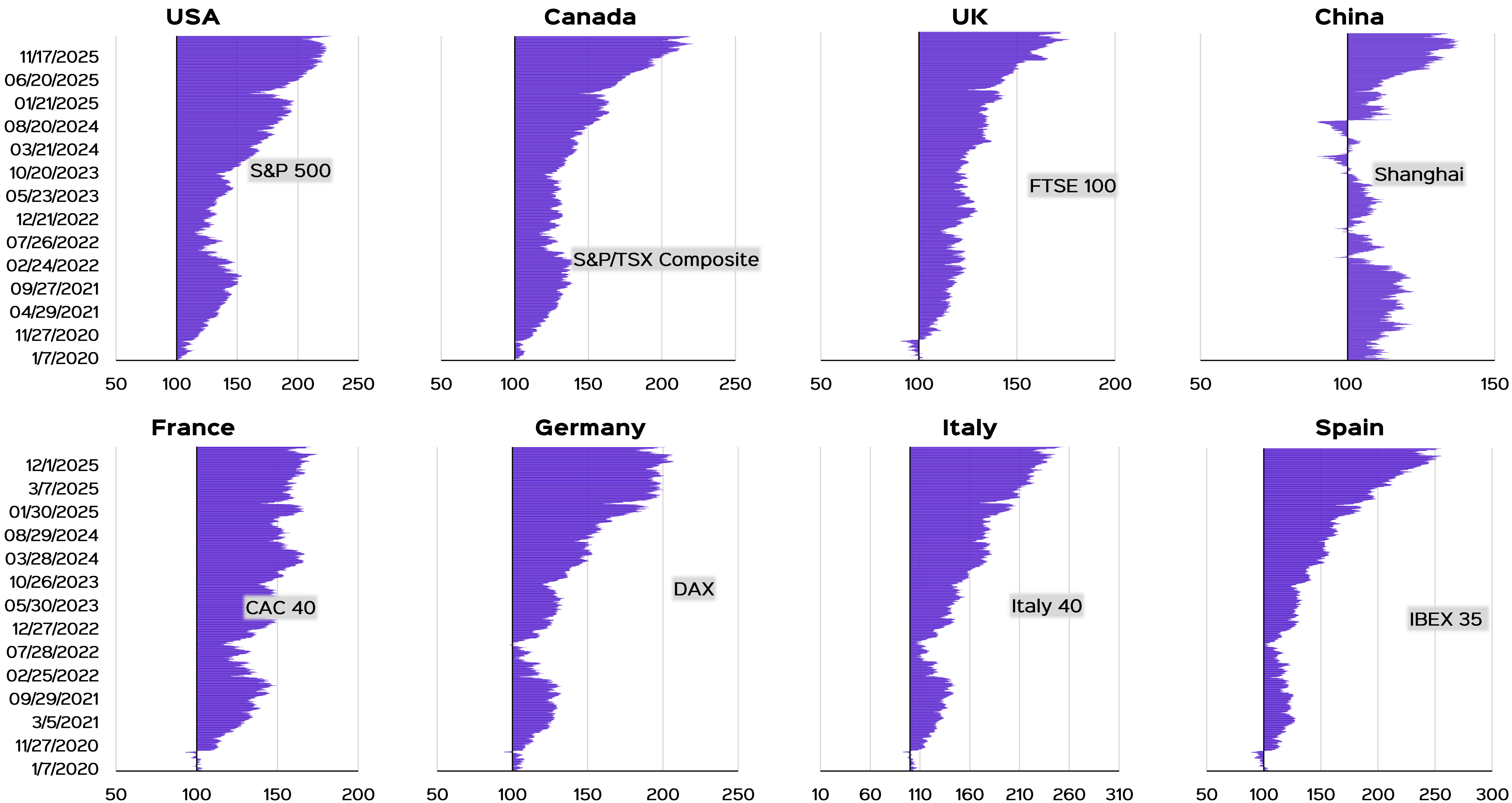
Policy Rate



LCU / USD

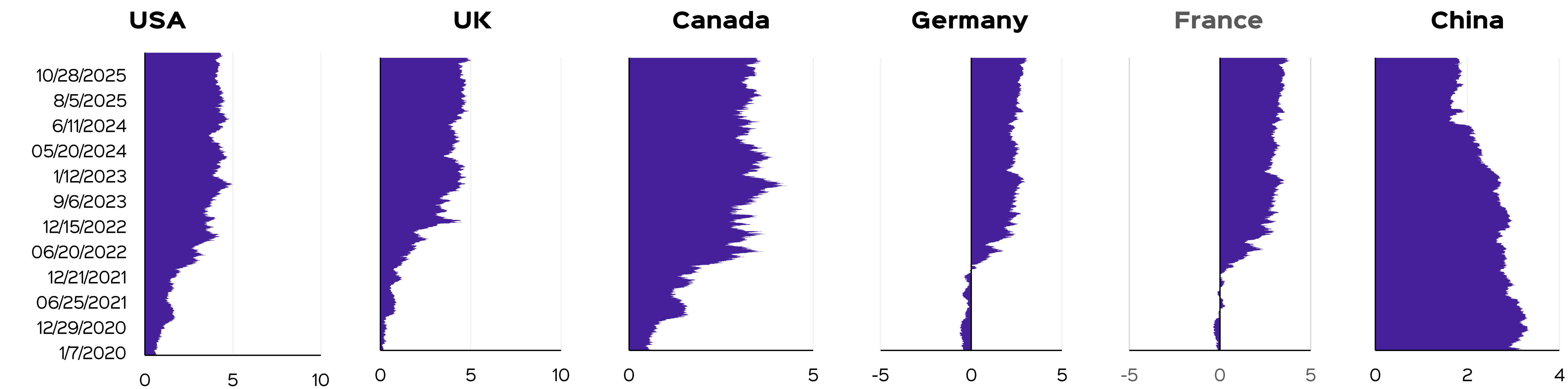


Despite the big drop in early March, global equity markets recorded broadly positive performance over the past month, supported by improving risk sentiment and hopes of a near resolution for Middle East war. US equities advanced, building on strong corporate performance and continued market momentum. In the UK and Canada, stock markets also moved higher, benefiting from supportive financial conditions and easing concerns around growth. Meanwhile, Chinese equities also rose, supported by policy measures and gradual improvement in market sentiment. Overall, global equity markets demonstrated broad-based strength, even amid elevated energy prices and ongoing Middle East war, on the hope of a near resolution of the conflict.

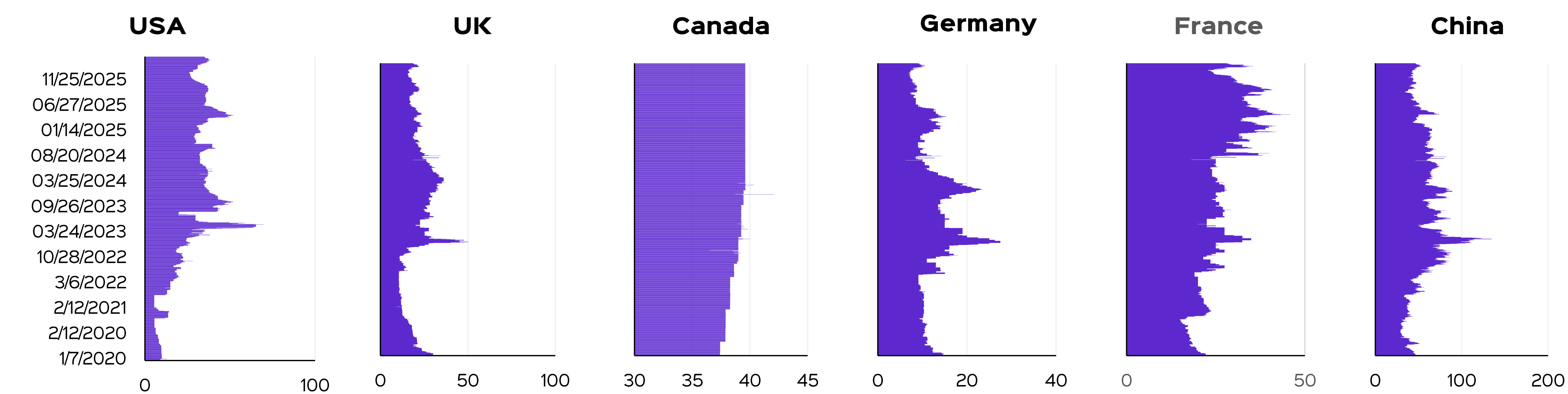


Global bond markets faced upward pressure over the past month, as sovereign yields increased across major economies amid shifting monetary policy expectations and evolving inflation dynamics, while CDSs subsided reflecting relative confidence in global economics. Ten-year government bond yields rose in the US, UK, Canada, Germany, France, and China, reflecting continued repricing of interest rate expectations and persistent uncertainty around the pace of policy easing. In contrast, credit default swaps (CDSs) edged slightly lower across key markets, indicating some improvement in perceived sovereign risk and a relatively more stable investor sentiment.

10-Year Bond Yield

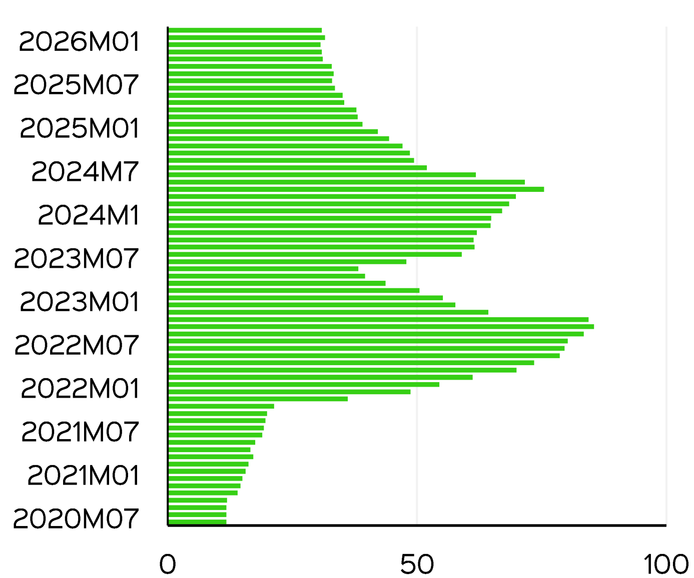


5-Year CDS

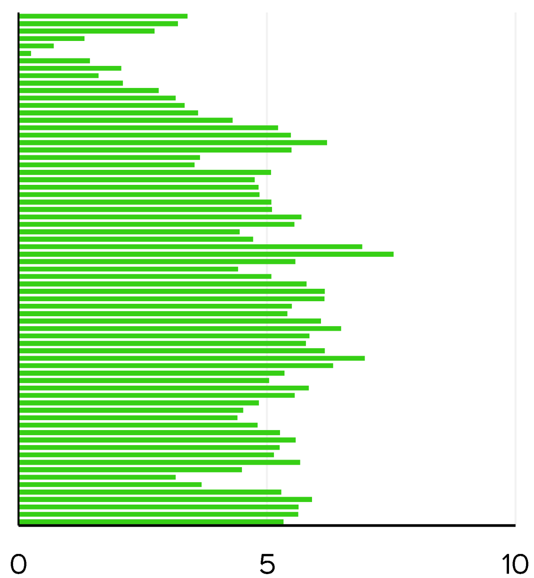


Inflation dynamics across emerging markets remained mixed over the past month, reflecting divergent domestic drivers across countries, with some witnessing easing price pressures while others experienced renewed increases. Analysis is constrained by delay in data publishing since beginning of the year in the case of the UAE. Inflation accelerated in India, Brazil, and South Korea, supported by stronger domestic demand and emerging cost pressures. Meanwhile, Turkey continued to experience elevated inflation levels, reflecting persistent underlying pressures. Overall, inflation trends across emerging markets remained uneven, largely driven by country-specific factors and constrained by partial data availability, especially with energy-sensitive countries that are dependent on oil imports.

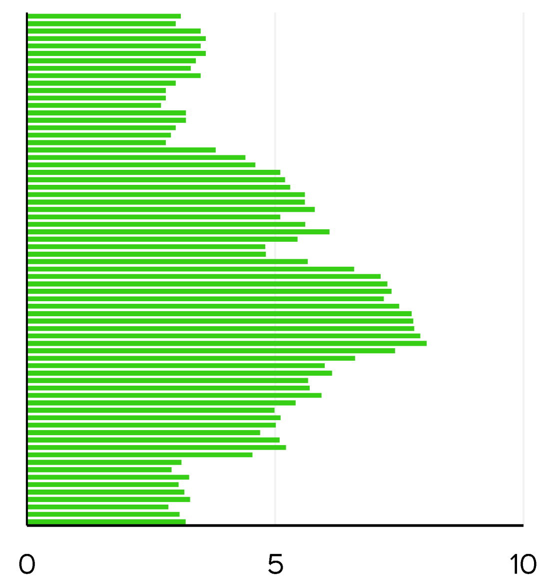
Turkey



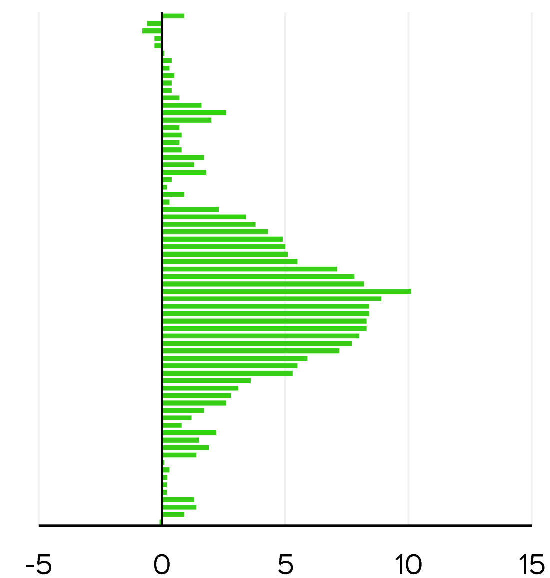
India



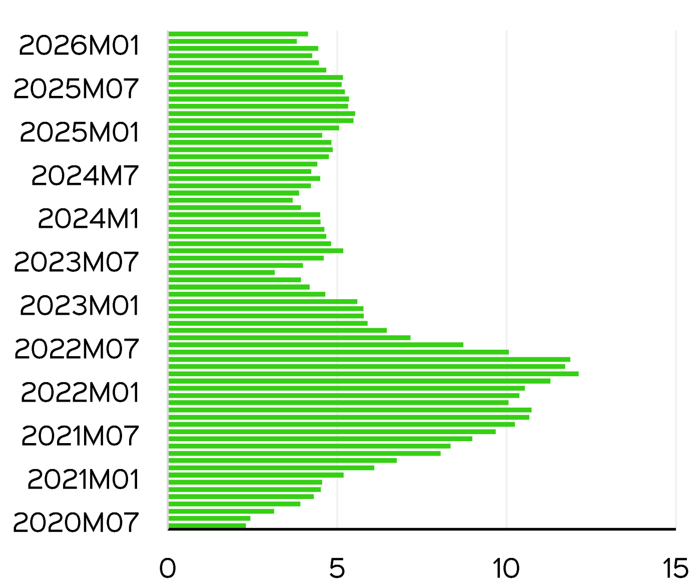
South Africa



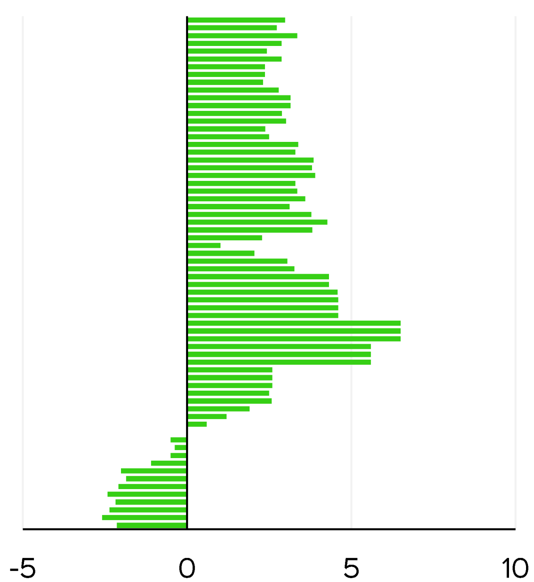
Morocco



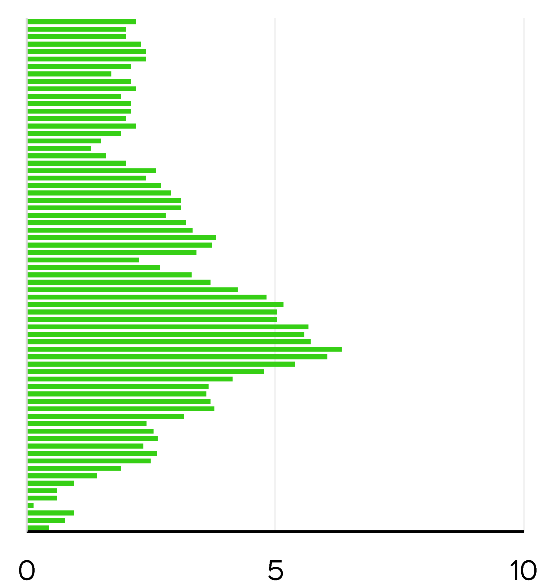
Brazil



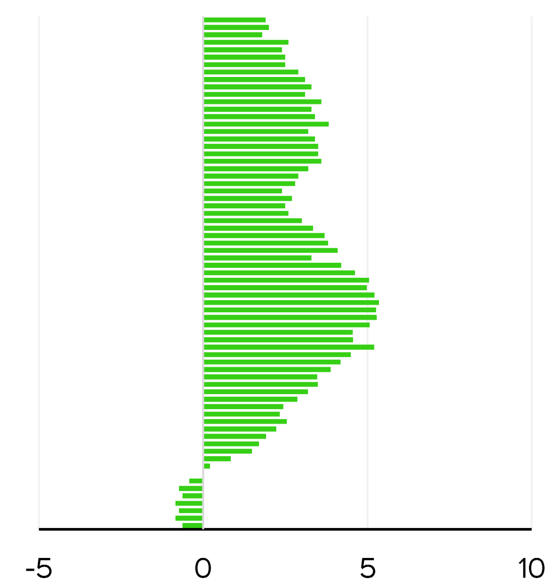
UAE



South Korea

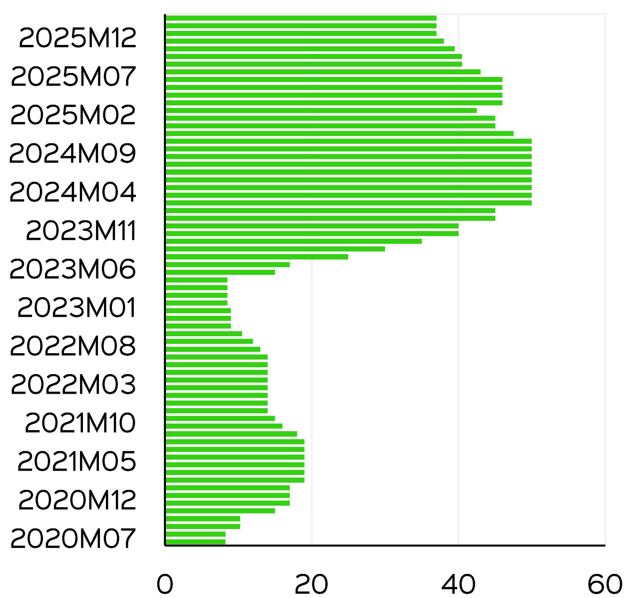


Israel

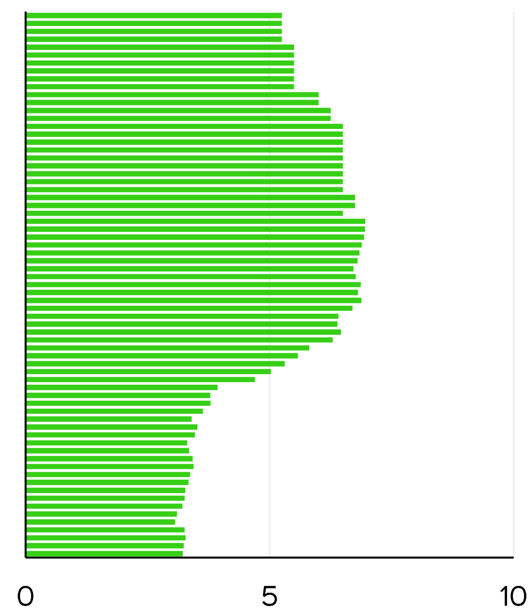


Amid mixed inflation trends and evolving global financial conditions, monetary policy across emerging markets remained broadly cautious over the past month, with all Central banks keeping policy rates unchanged while maintaining a cautious stance. Monetary authorities across the covered economies—including India, Turkey, Brazil, South Africa, South Korea, the UAE, and Morocco—held interest rates steady, reflecting a careful balance between supporting economic activity and containing inflationary pressures. Overall, Central banks continued to adopt a prudent and data-dependent approach, remaining attentive to both domestic developments and external financial risks.

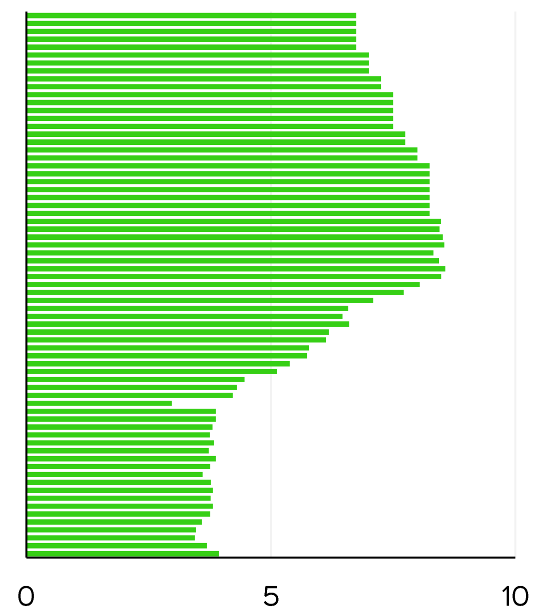
Turkey



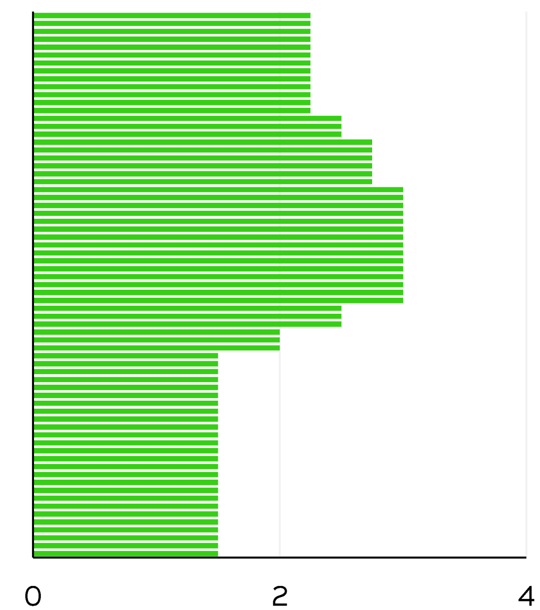
India



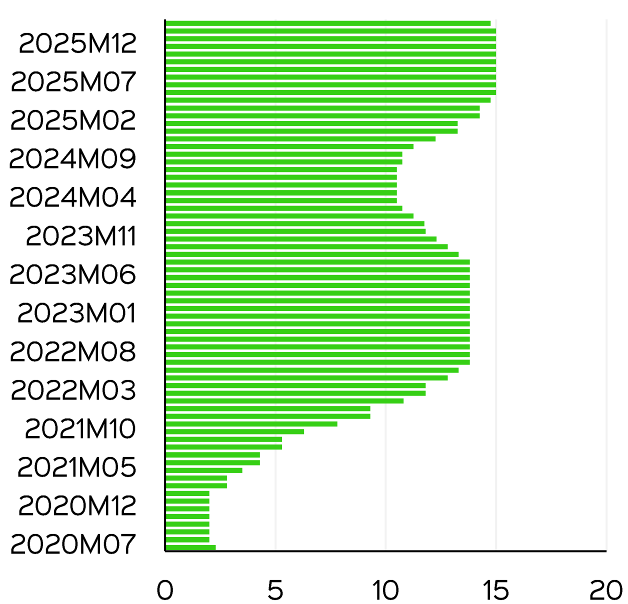
South Africa



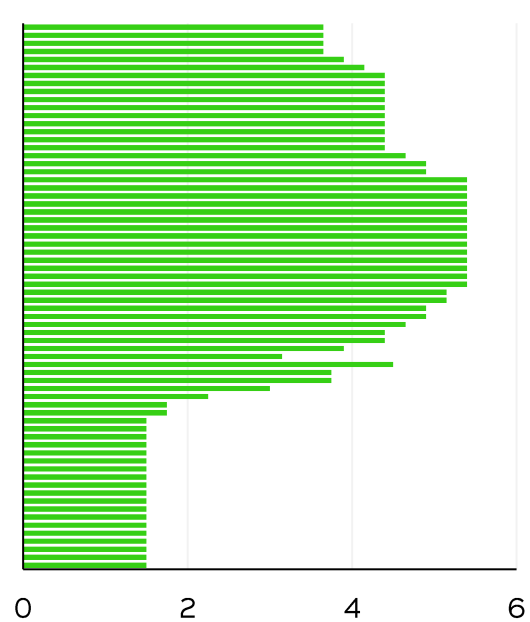
Morocco



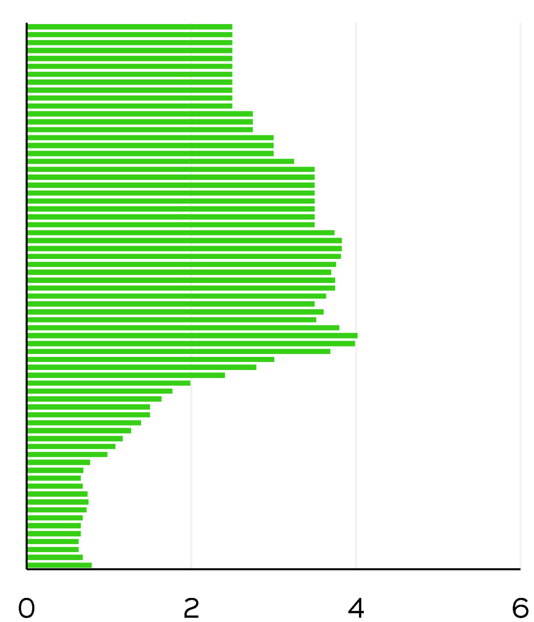
Brazil



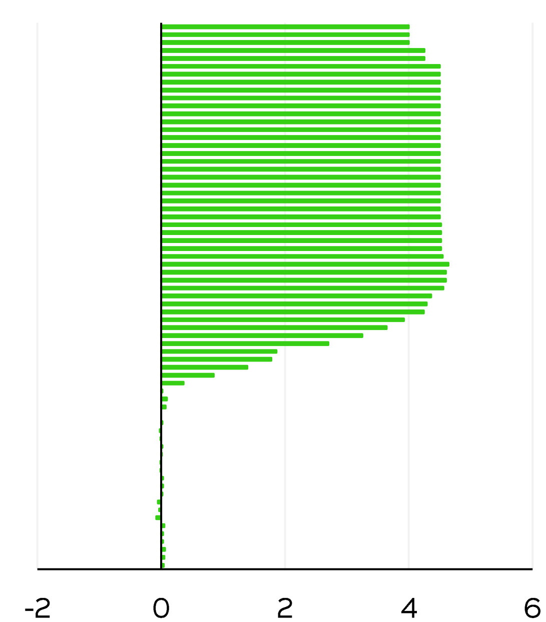
UAE



South Korea

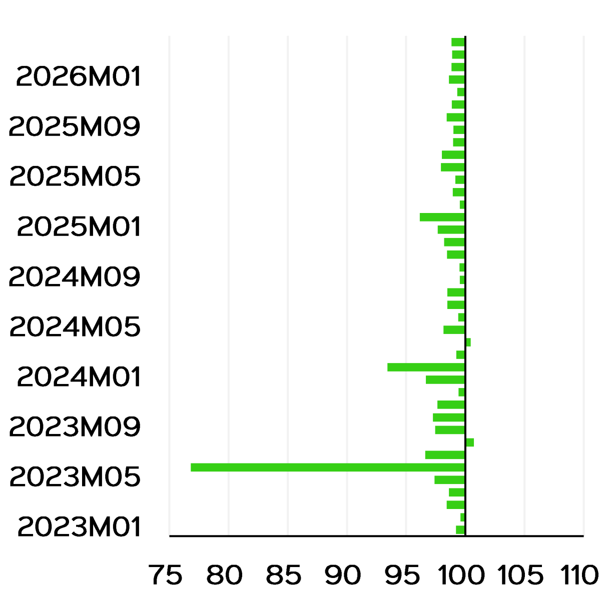


Israel

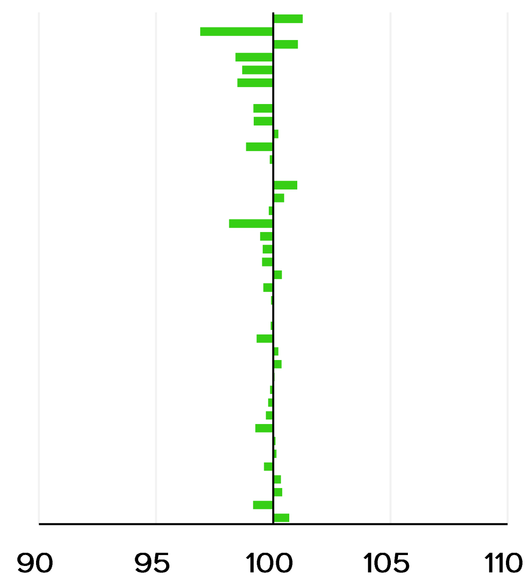


Emerging markets currencies showed broadly positive performance against the US Dollar over the past month, supported by improving investor sentiment and a partial shift away from safe-haven demand for the US Dollar in the hope of near resolution of the Middle East war. Several currencies strengthened, including the South African Rand, South Korean Won, Moroccan Dirham, Indian Rupee, and Brazilian Real, reflecting relatively resilient domestic conditions and easing external pressures. Overall, currency movements across emerging markets indicated a recovery in select currencies, driven by country-specific factors and a moderation in global risk aversion, even as the US Dollar remained influenced by ongoing geopolitical developments.

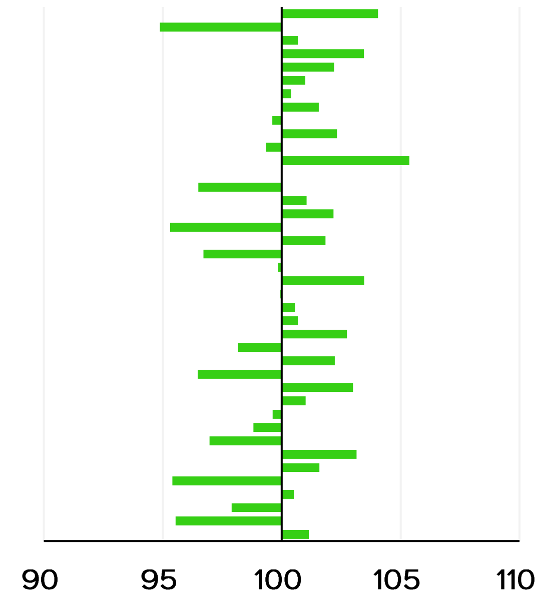
Turkish Lira



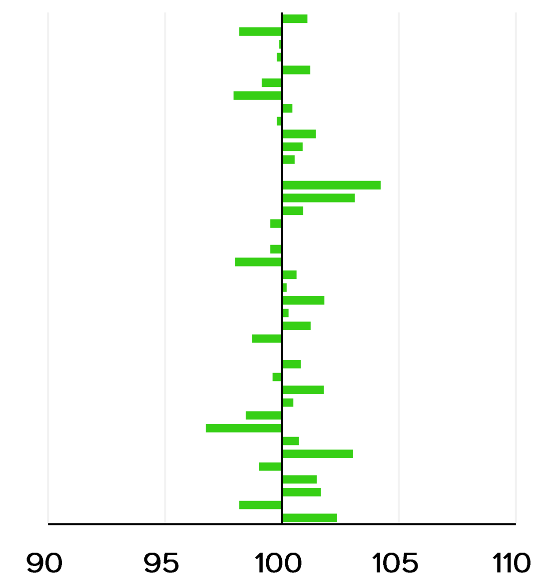
Indian Rupee



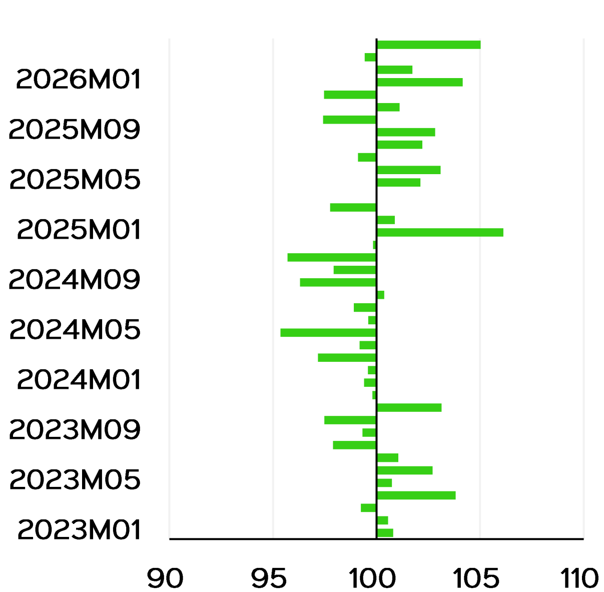
South African Rand



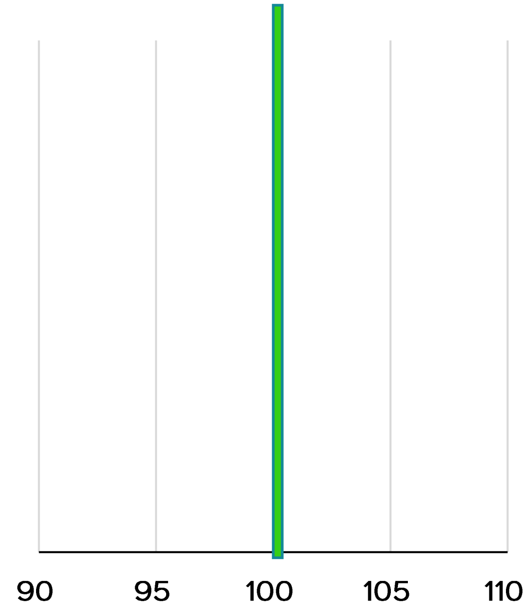
Moroccan Dirham



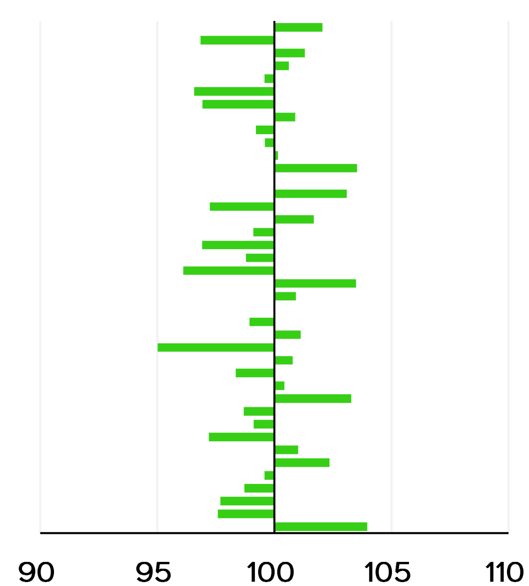
Brazilian Real



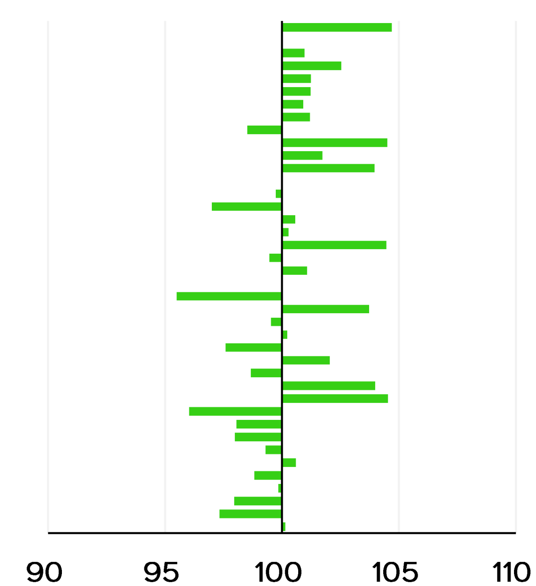
UAE Dirham



Korean Won

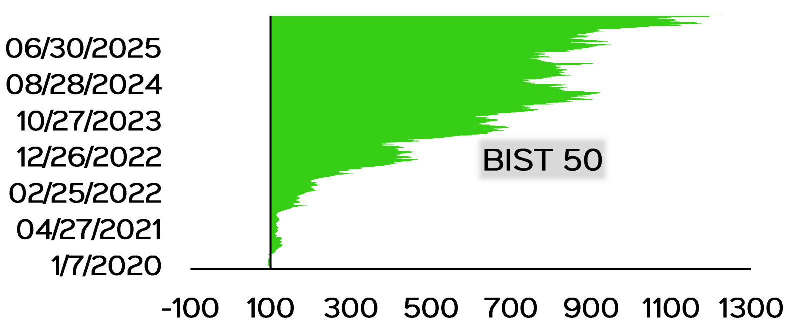


Israeli New Shekel

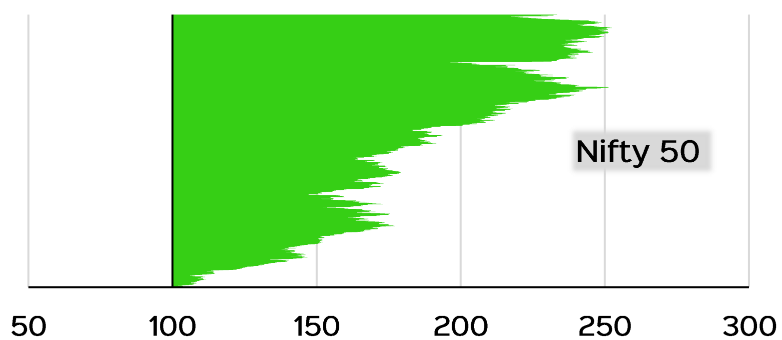


Despite the geopolitical tensions, emerging markets equities showed uneven performance over the past month, reflecting a balance between resilient domestic conditions and persistent uncertainty surrounding the Middle East war and its implications. Stock markets across most major emerging economies recorded gains, reflecting stronger sectoral performance and improved risk appetite. India and South Korea showed slightly weaker performance, while UAE equities declined, standing out as the main exception amid more selective sectoral pressures and Middle East war. Overall, emerging market equities demonstrated broad-based strength, although performance remained uneven across countries, highlighting varying domestic dynamics and sector-specific developments.

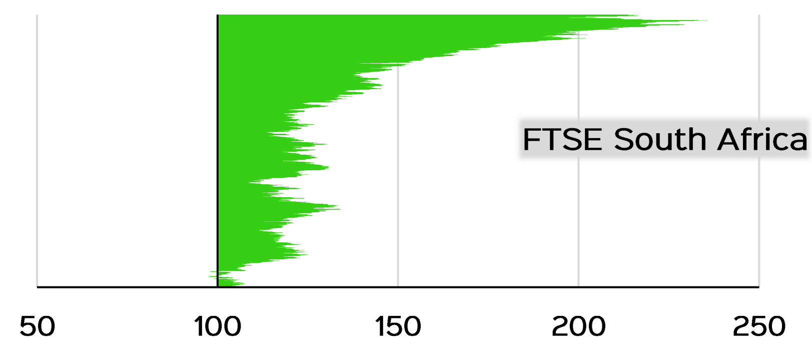
Turkey



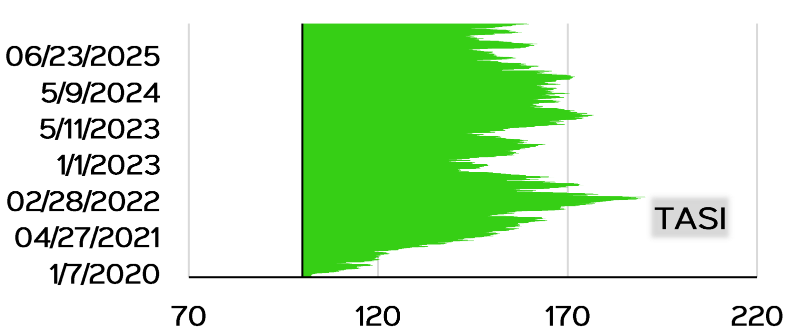
India



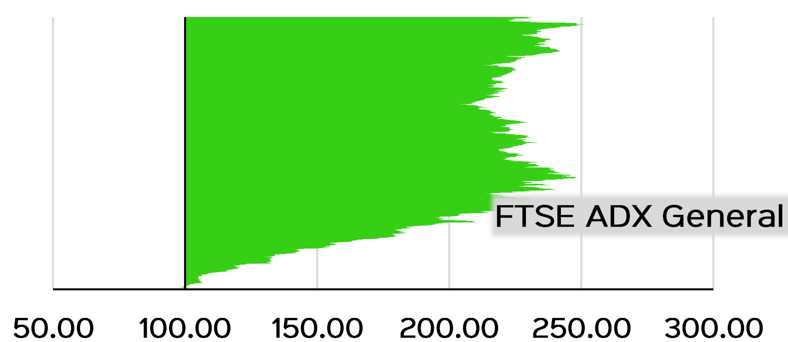
South Africa



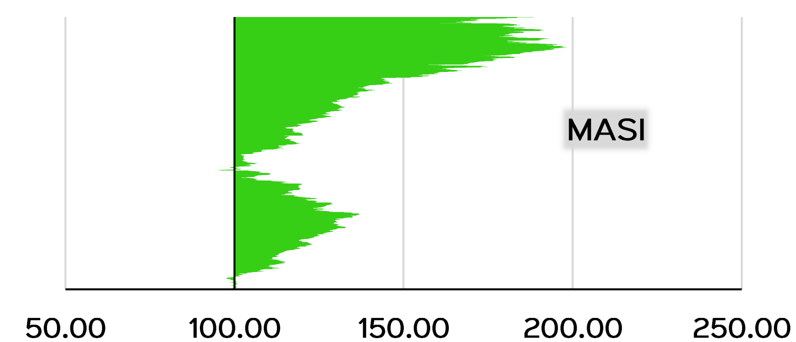
Saudi Arabia



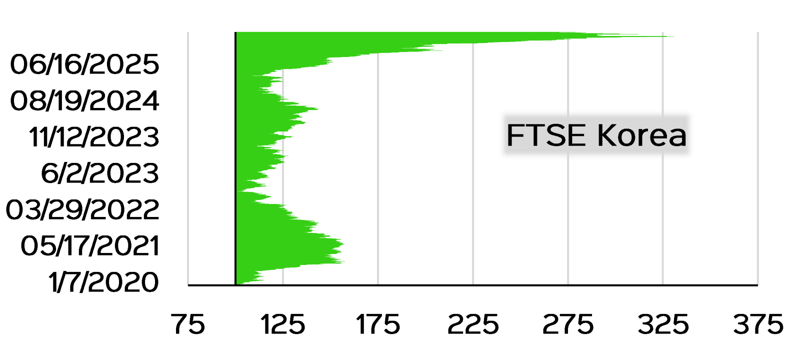
UAE



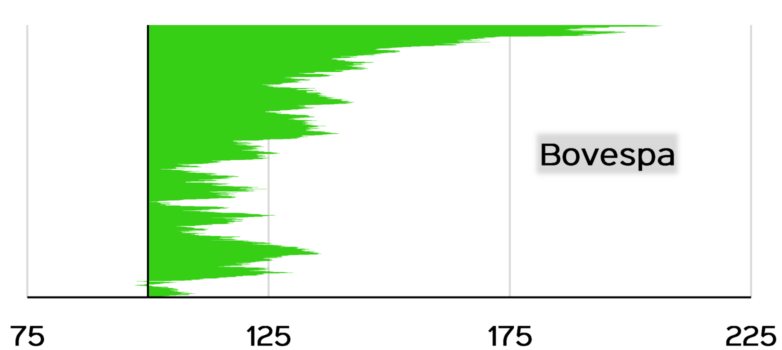
Morocco



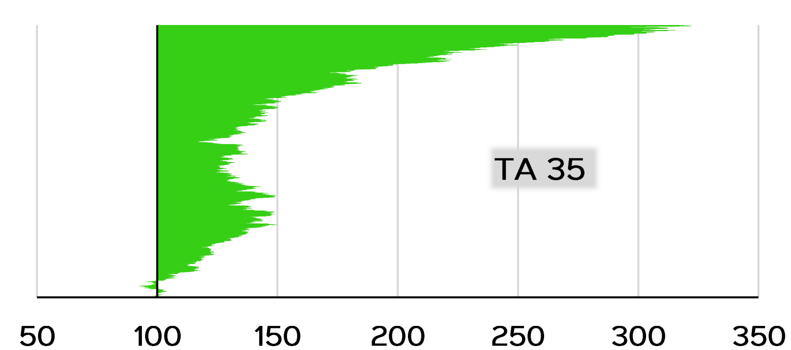
South Korea



Brazil

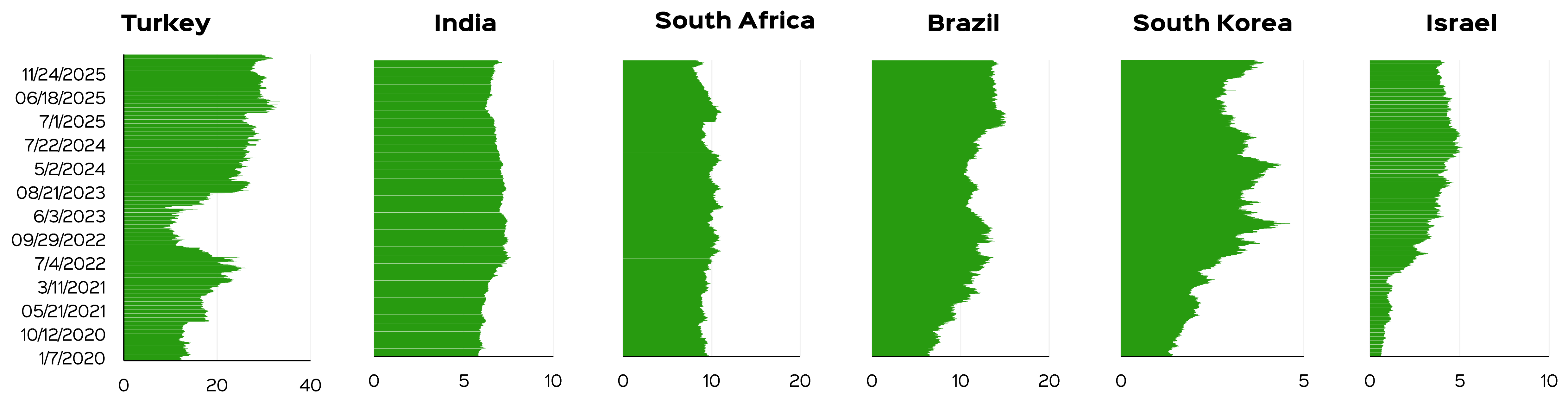


Israel

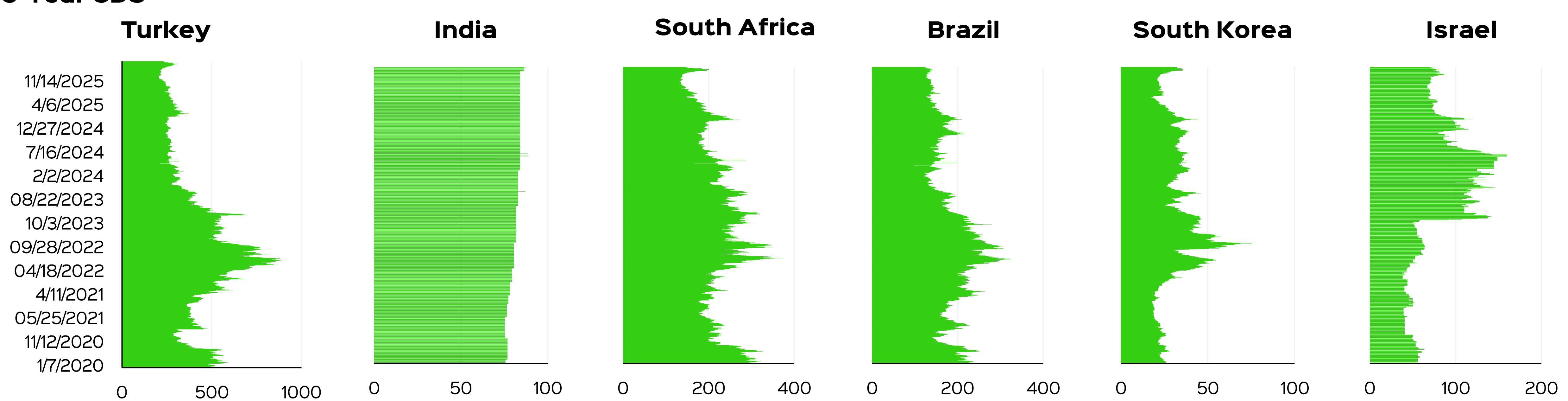


Ten-year government bond yields across most emerging markets declined over the past month, reflecting easing investor caution and improved global risk sentiment amid more stable monetary policy expectations and Middle East war containment hopes. Yields in Turkey, India, South Africa, South Korea, and Brazil all moved lower, signaling reduced borrowing costs and relatively calmer domestic debt market conditions. At the same time, credit default swaps (CDSs) also declined across all these markets, indicating lower perceived sovereign risk and a gradual improvement in investor confidence. Overall, emerging market debt markets experienced broad-based downward pressure on yields and risk premia, driven by Middle East war quick resolution hopes.

10-Year Bond Yield

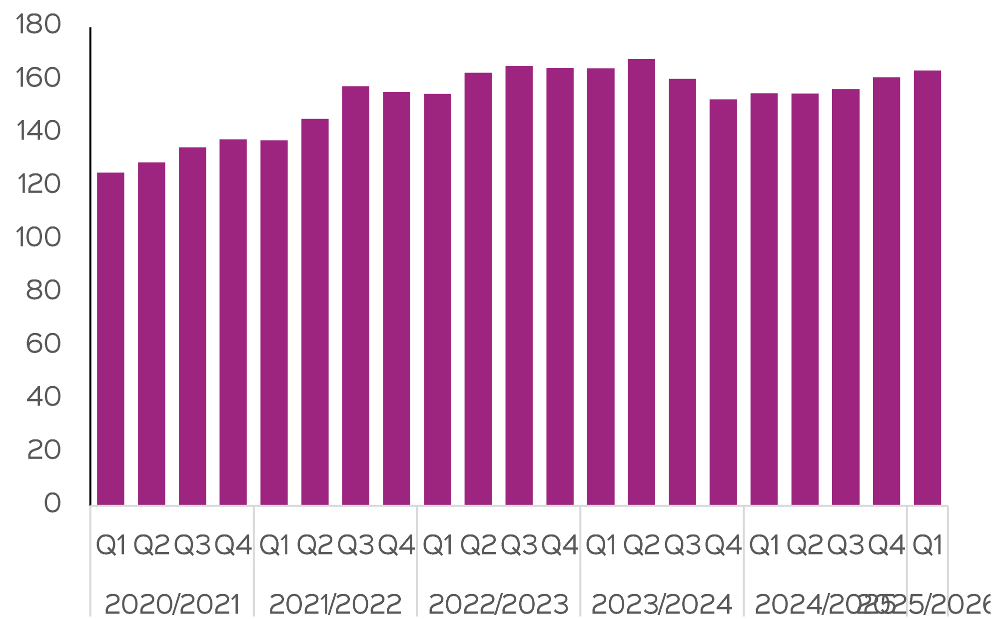


5-Year CDS

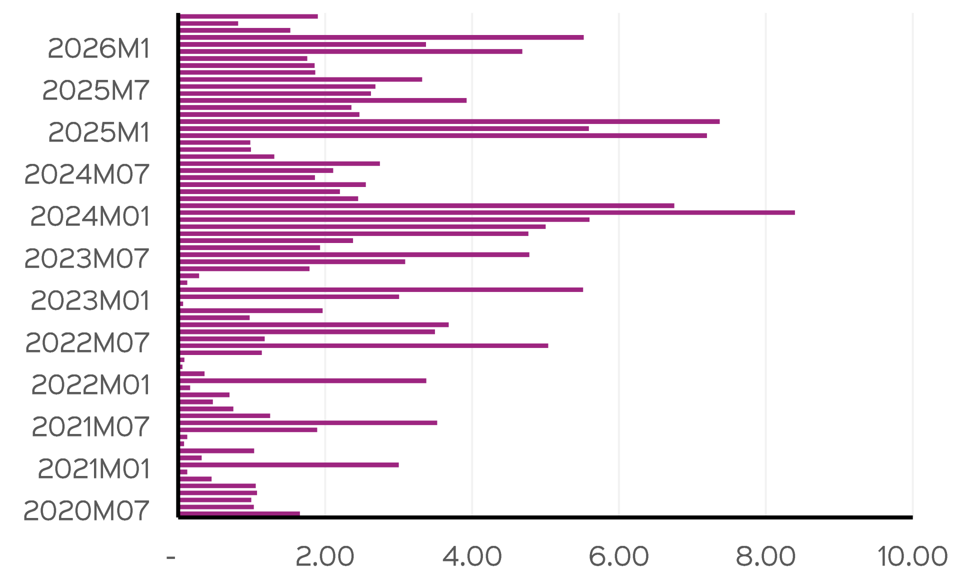


Egypt 10-year government bond yield increased over the past month, driven by continued increase in total external debt and elevated upcoming debt service obligations, as well as increased risks due to Middle East war, which reflected into a change of outlook by S&P rating agency. At the same time, credit default swaps (CDSs) declined, indicating an improvement in perceived sovereign risk despite ongoing fiscal and external pressures. Total external debt and debt service requirements remained elevated due to persistent borrowing needs and higher financing costs. With the continuation of the Middle East war, Standard & Poor's has revised Egypt's outlook from positive to stable.

Total External Debt (bn $)*



External Debt Service (bn $)*

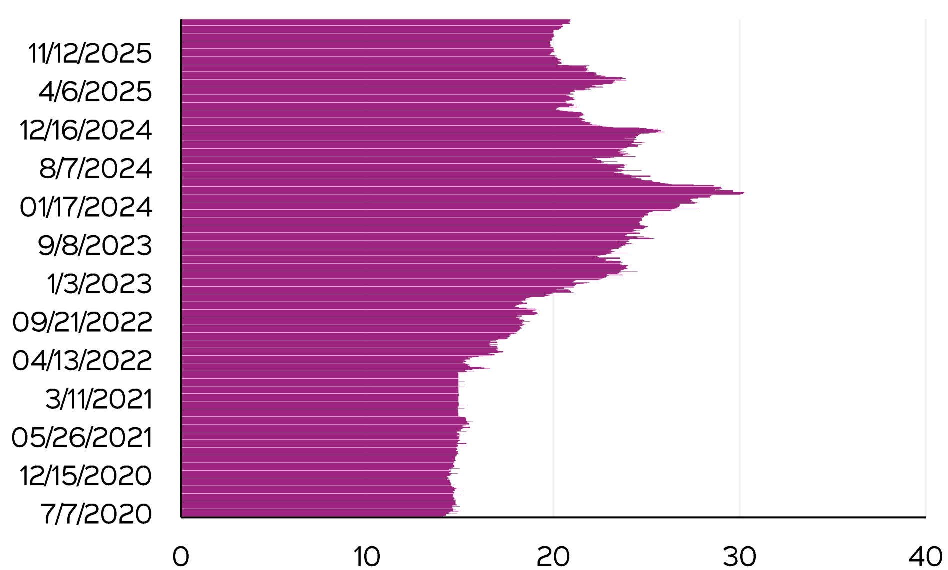


S&P Global Ratings
B Stable

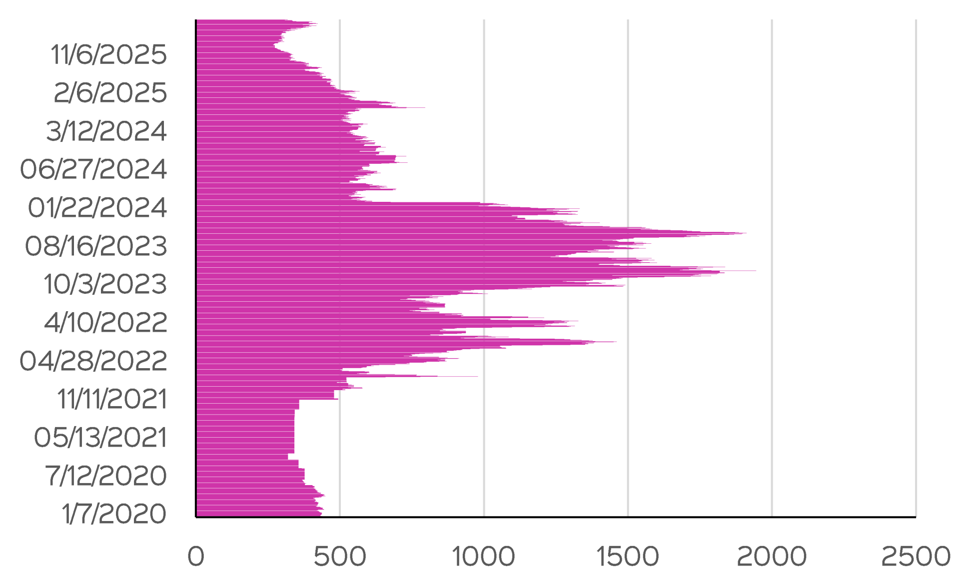
FitchRatings
B Stable

Moody's Investors Service
Caa1 Positive

Egypt 10-Year Bond Yield



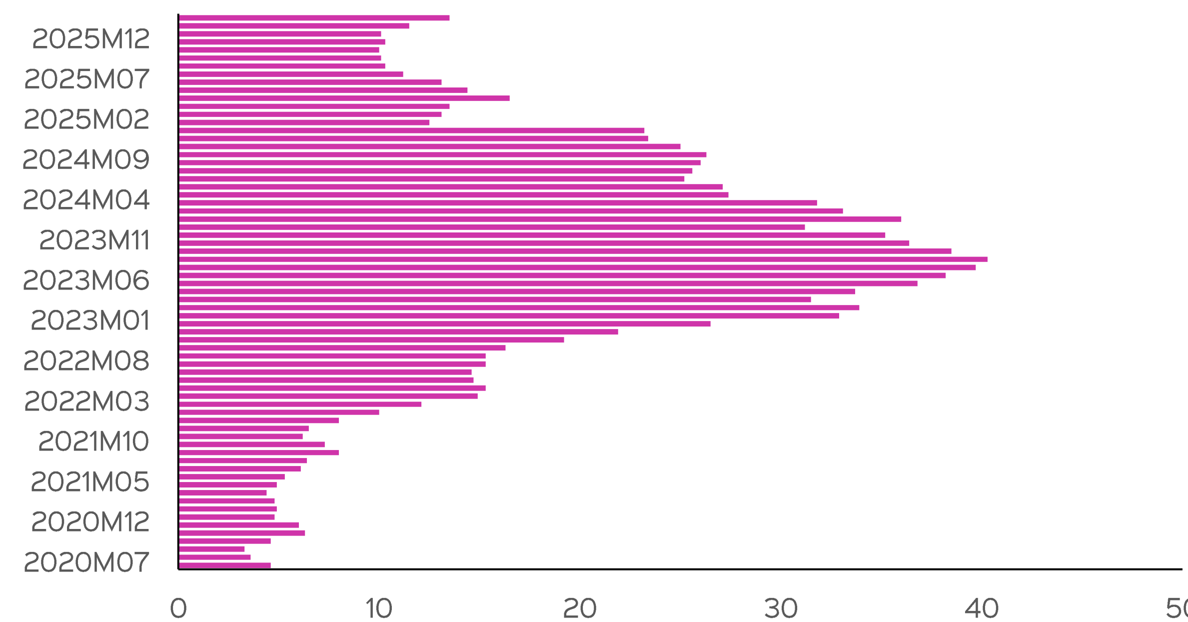
5Y CDS, Egypt



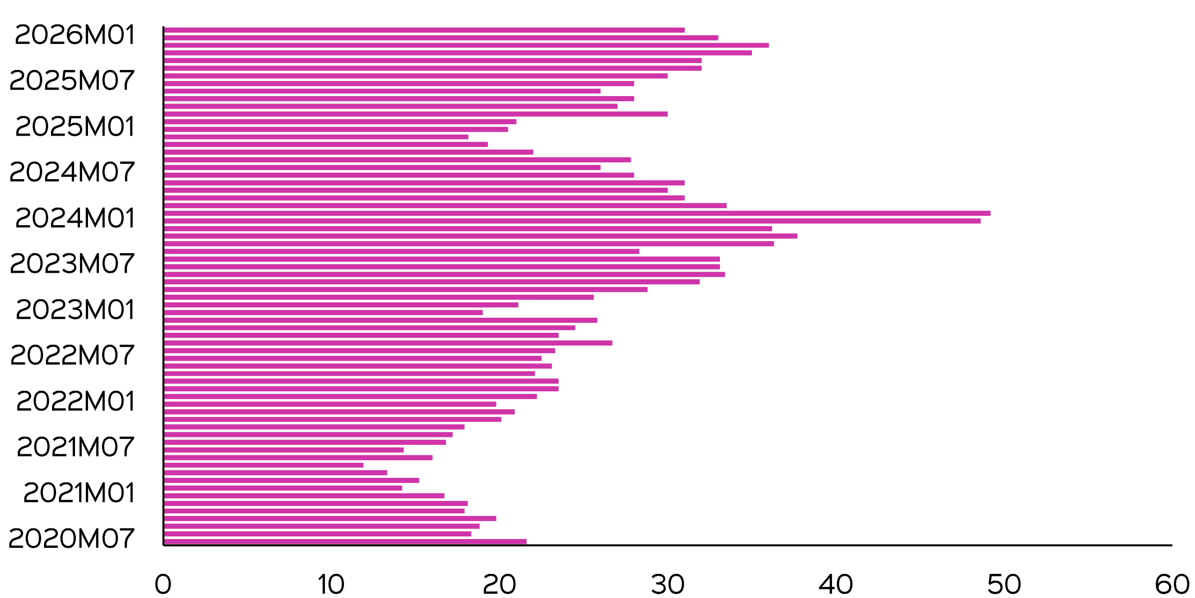
After a period of gradual recovery in recent months, Egypt macroeconomic indicators showed some moderation in momentum over the past month, partly reflecting external headwinds linked to the Middle East war and its impacts on energy prices and inflation. GDP growth remained broadly stable, indicating continued underlying resilience in economic activity. Inflation edged higher for the second consecutive month, reflecting renewed and persistent price pressures. At the same time, the growth rate of money supply declined for the second month in a row, suggesting tighter domestic liquidity conditions. Meanwhile, the Central bank kept interest rates unchanged this month, maintaining a cautious and balanced monetary stance amid evolving inflation dynamics.

GDP Growth Rate (%)*

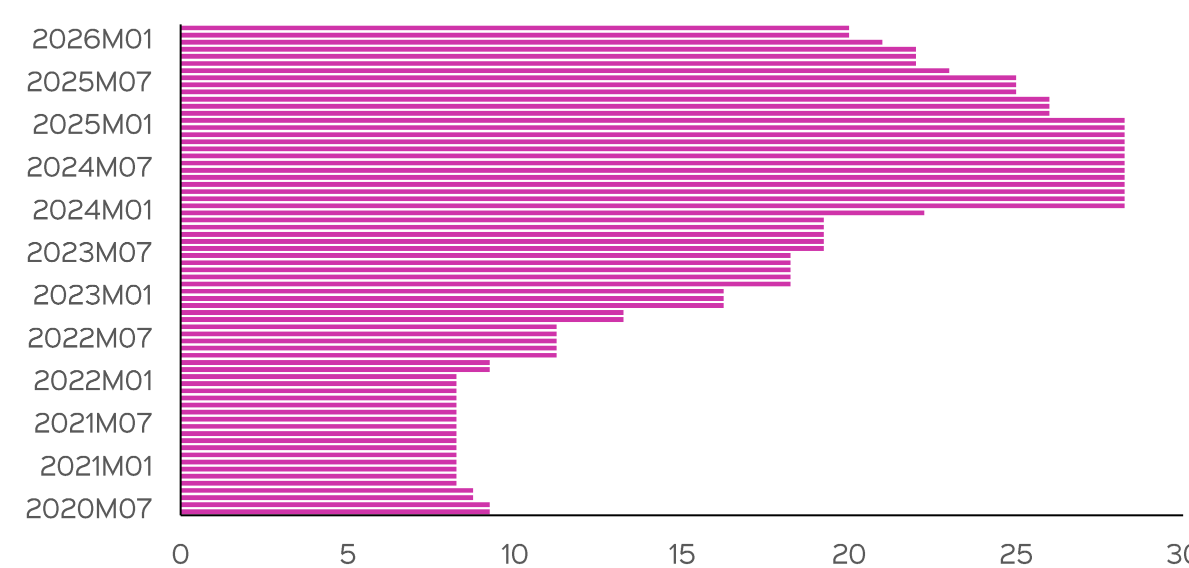
Inflation Rate (%)



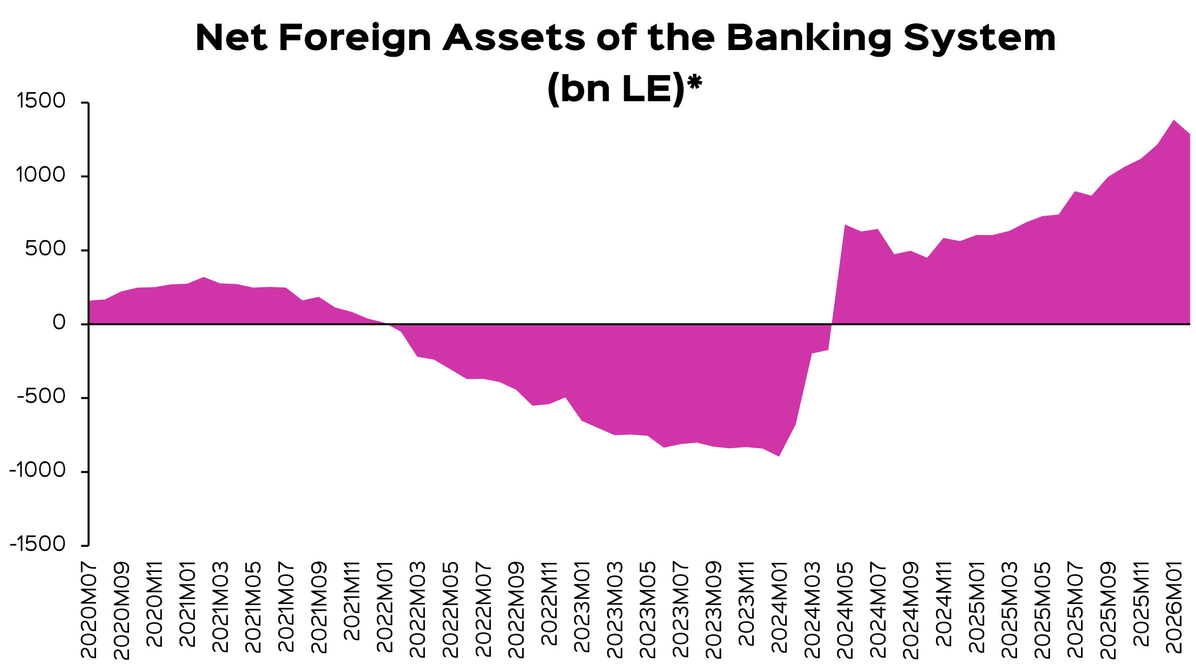
Growth Rate of Money Supply (M1)*

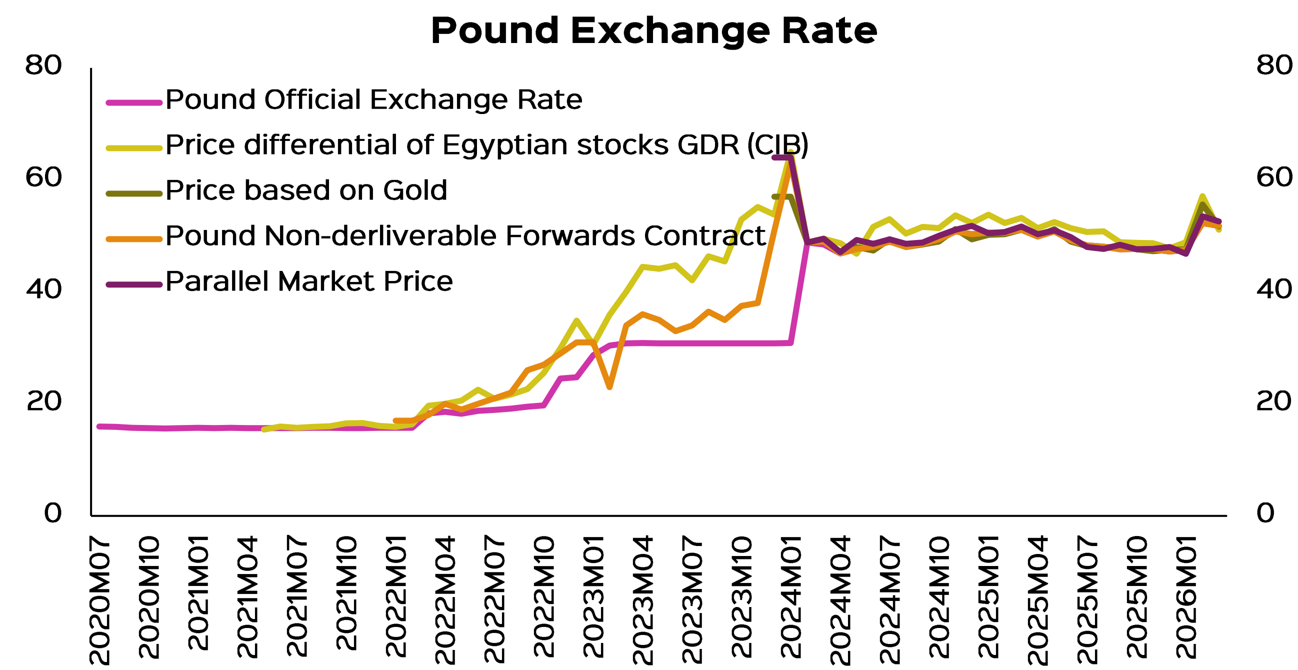


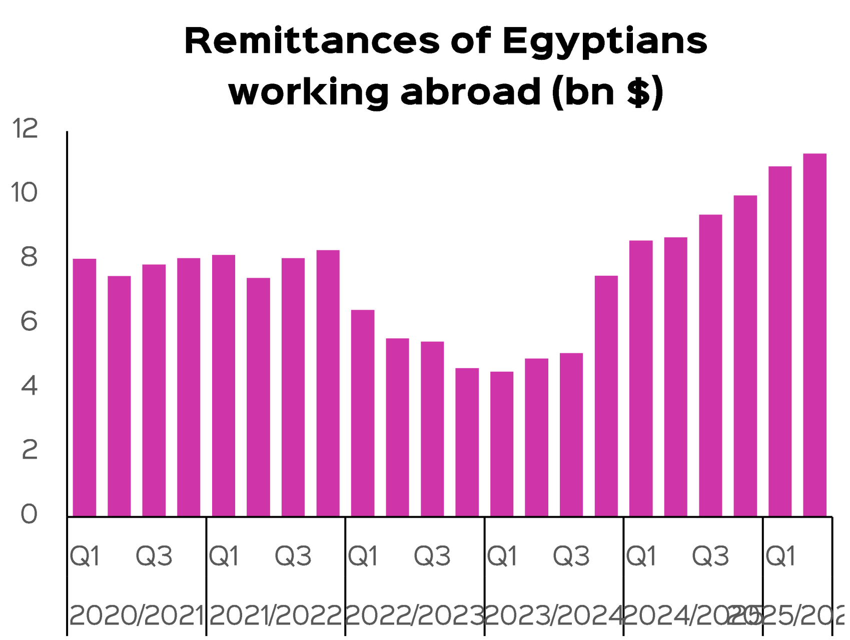
Policy Rate (%)

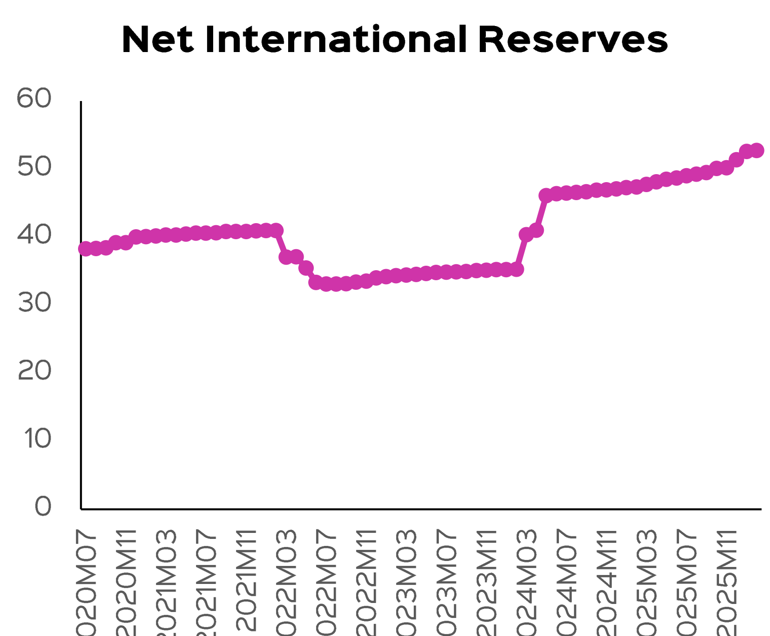


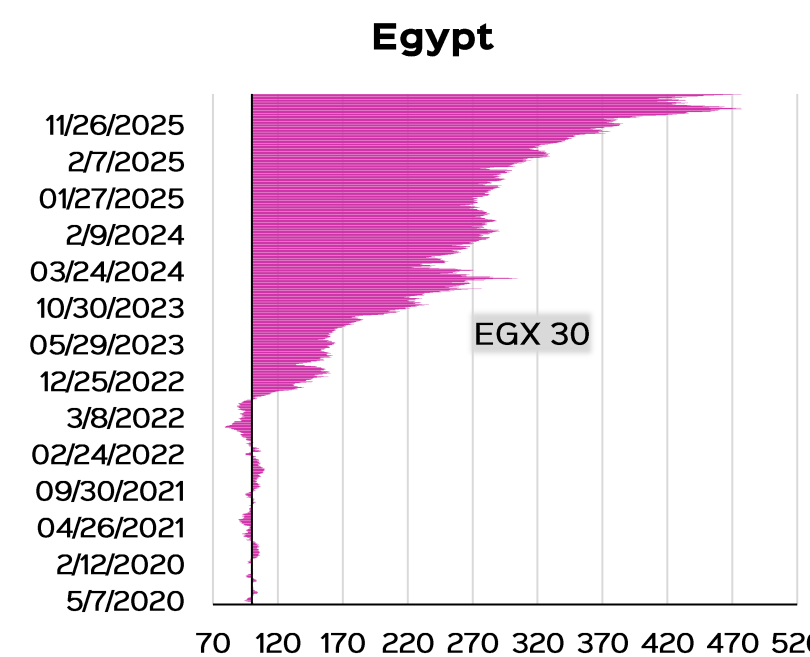
The Middle East war continued to influence short-term capital flows, leading to renewed volatility in portfolio movements. The overall external position remained broadly contained, while the pound has fluctuated in line with the movement of hot money. Central bank foreign reserves remained stable, while remittances from Egyptians working abroad stayed robust, continuing to provide a key source of external stability despite ongoing hot money outflows. Net foreign assets in the banking system declined for the first time in five months, reflecting recent portfolio outflows and tighter foreign liquidity conditions. The official exchange rate showed fluctuated movement aligned with hot money movement.











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

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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