
ECES
المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

# Financial Markets Snapshot

Issue 32
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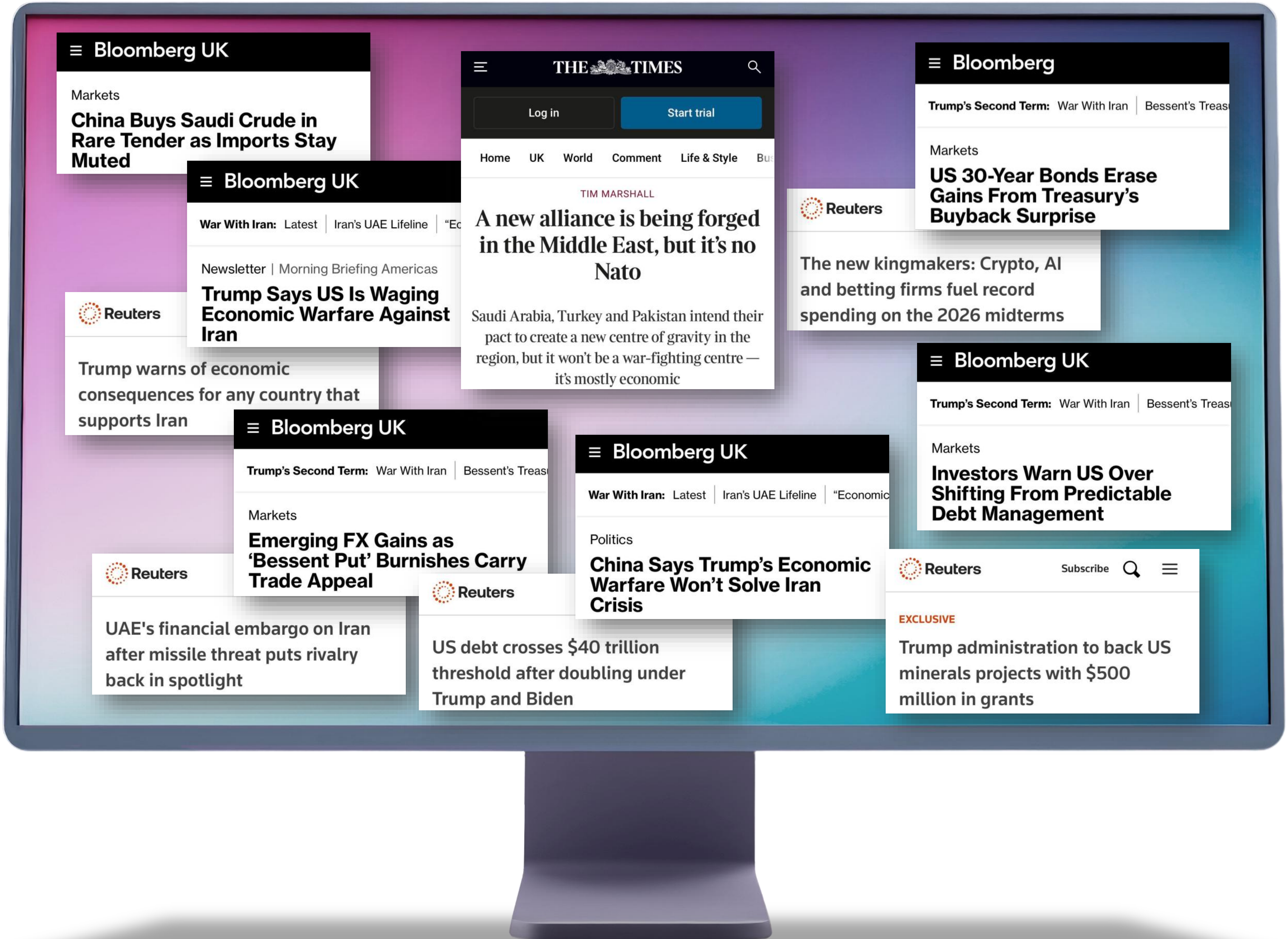
# Contents


# 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 showed mixed performance over the past month, as lower energy and industrial commodity prices were offset by increases across several agricultural commodities, reflecting divergent supply-demand dynamics and evolving global market conditions.
- Global inflation trends remained mixed over the past month, while major Central banks continued to adopt a cautious policy stance amid uneven price dynamics. Monetary policy tightening resumed only in the Eurozone, whereas currency markets reflected a modest weakening of the US Dollar.
- Global equity markets maintained broadly positive performance over the past month, supported by resilient investor sentiment and improving expectations for global economic activity, although performance remained uneven across regions.
- Sovereign bond markets remained under upward pressure over the past month as government bond yields stayed elevated across major economies, while sovereign risk perceptions showed mixed movements across markets.

## Emerging Markets

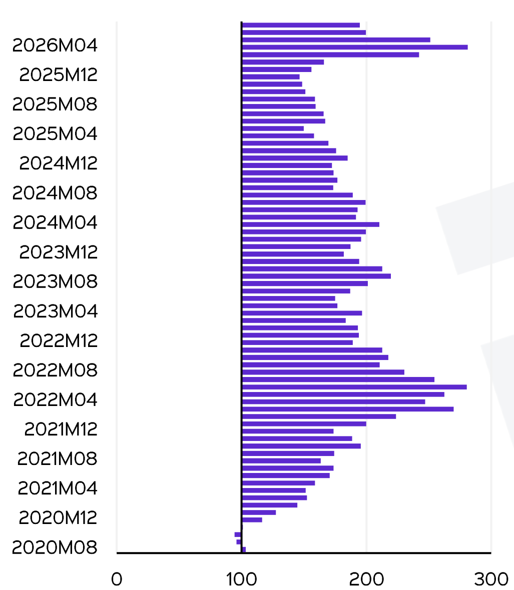
- Inflationary pressures across emerging markets stabilized or even eased over the past month, as inflation declined in most selected economies, indicating a gradual moderation in price pressures despite continued economic and geopolitical uncertainties.
- Monetary policy across emerging markets remained broadly cautious over the past month, as most Central banks maintained policy rates unchanged while continuing to assess inflation developments and the global economic outlook.
- Emerging markets currencies showed mixed performance against the US Dollar over the past month, with most currencies strengthening as the US Dollar lost some momentum, with the exception of the Turkish Lira and Brazilian Real which continued depreciating.
- Emerging markets equities maintained a broadly positive performance over the past month, supported by resilient investor sentiment, improving domestic fundamentals, and continued risk appetite despite ongoing global uncertainties.
- Sovereign bond markets across emerging economies remained under pressure over the past month, as elevated borrowing costs and sovereign risk premiums continued to reflect persistent global uncertainty, tight financing conditions, and cautious investor sentiment.

## Egyptian Local Market

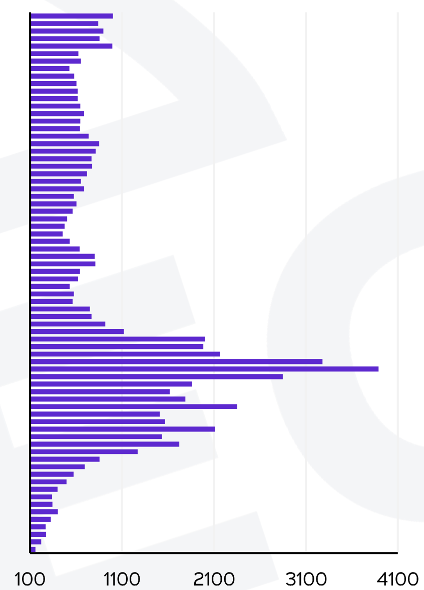
- Egypt external financing conditions remained under pressure over the past month amid a turbulent region, as elevated external debt levels and debt service obligations continued to weigh on financing conditions despite lately decline of CDSs.
- Renewed inflationary pressures and softer domestic liquidity characterized Egypt macroeconomic developments over the past month, while the Central bank maintained a cautious wait-and-see stance to balance inflation risks with economic activity.
- Despite continued external financing pressures, Egypt's external sector indicators continued to show strengthening over the past month, largely driven by an increase in foreign currency liquidity. However, such improvement is temporary by nature, as it is not supported by structural changes in the economy, but rather reflects a precarious improvement in liquidity conditions that remains highly vulnerable to significant regional vulnerabilities and external shocks.

**Commodity markets showed mixed performance over the past month, as lower energy and industrial commodity prices were offset by increases across several agricultural commodities, reflecting divergent supply-demand dynamics and evolving global market conditions.** Energy and industrial commodities weakened over the month, with Brent crude oil, gold, and iron ore prices declining, reflecting softer market sentiment and easing demand for safe-haven and industrial assets. In contrast, several agricultural commodities recorded moderate gains, with wheat, maize, tea, and bovine meat prices moving higher, supported by commodity-specific supply and seasonal factors. Such changes are dynamic and can change overnight.

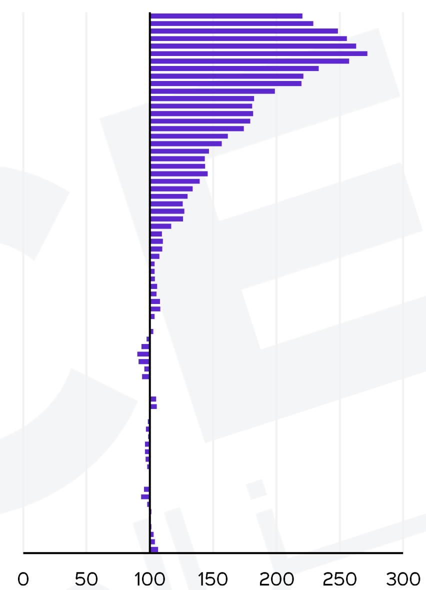
**Crude Oil, Brent**



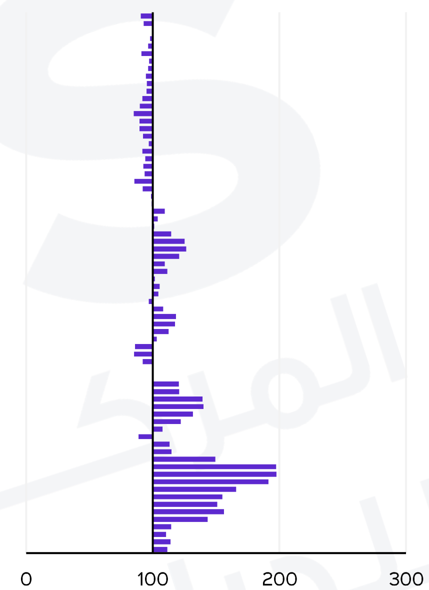

**Natural Gas**



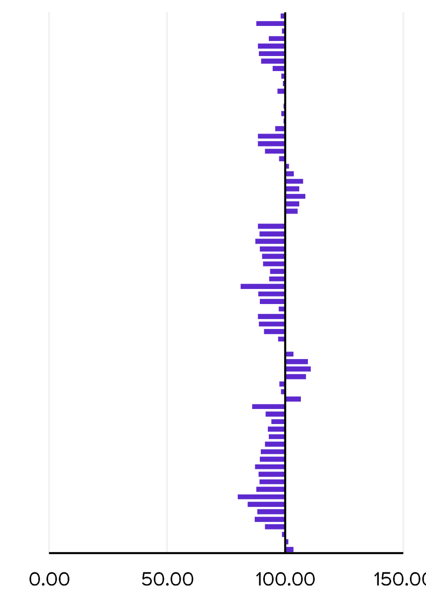

**Gold**



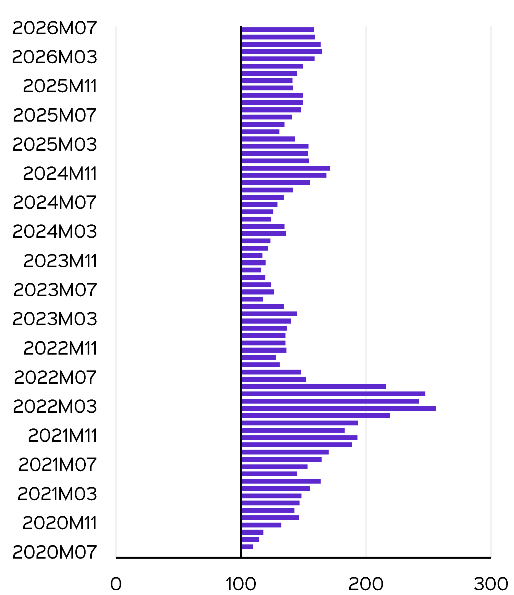

**Iron ore**



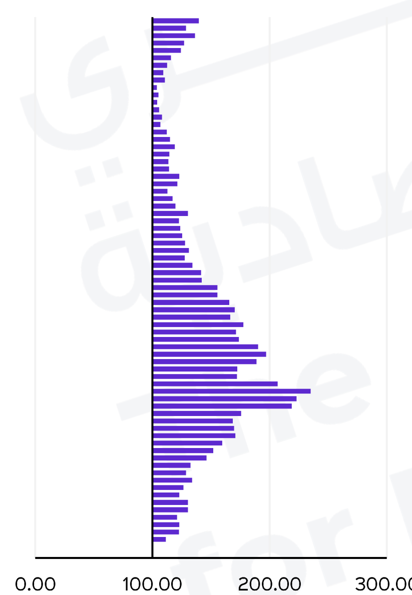

**Tea**



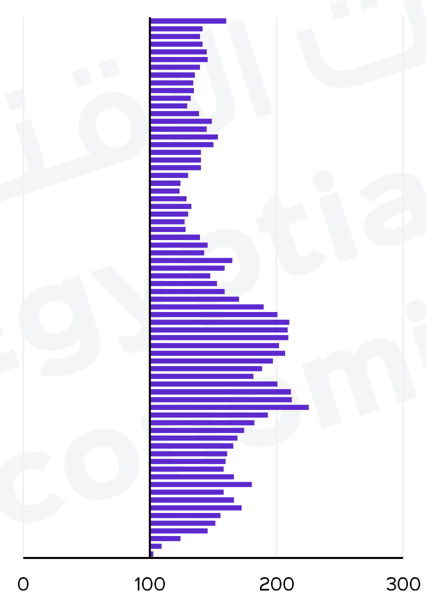

**Palm oil**



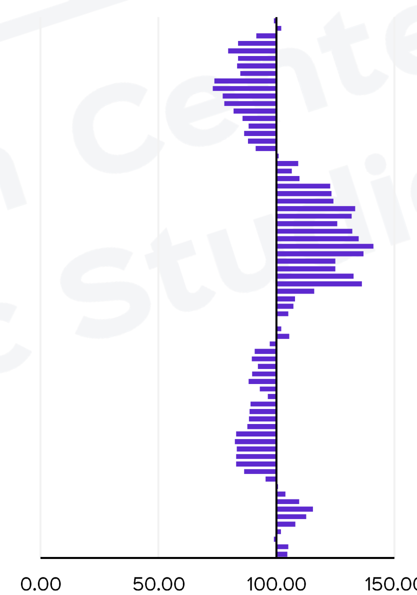

**Wheat**



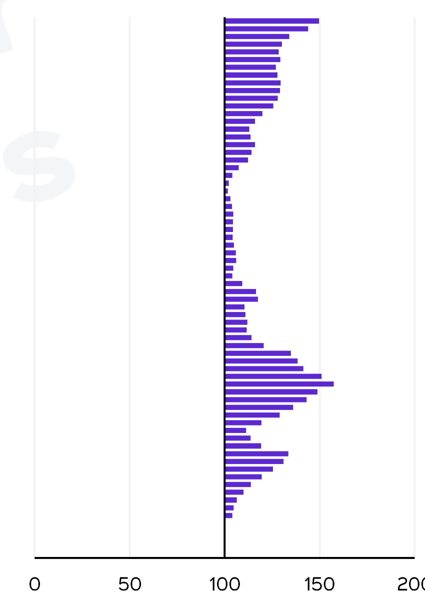

**Maize**




**Rice**

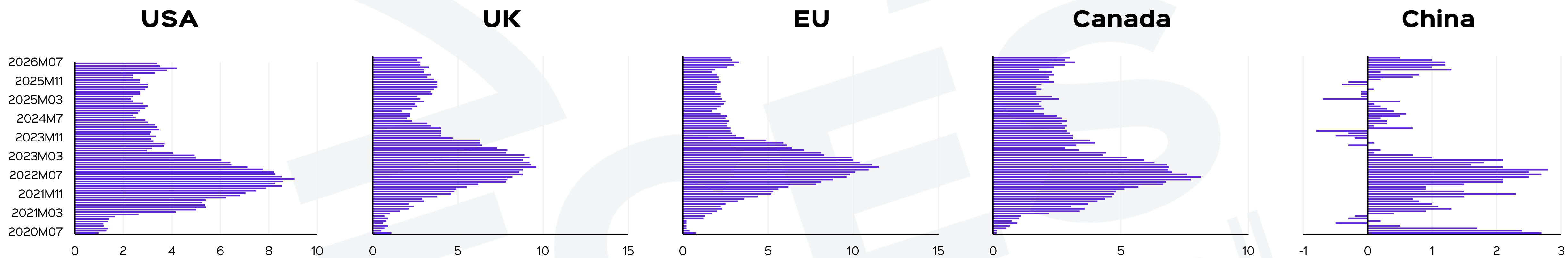



**Bovine meat**

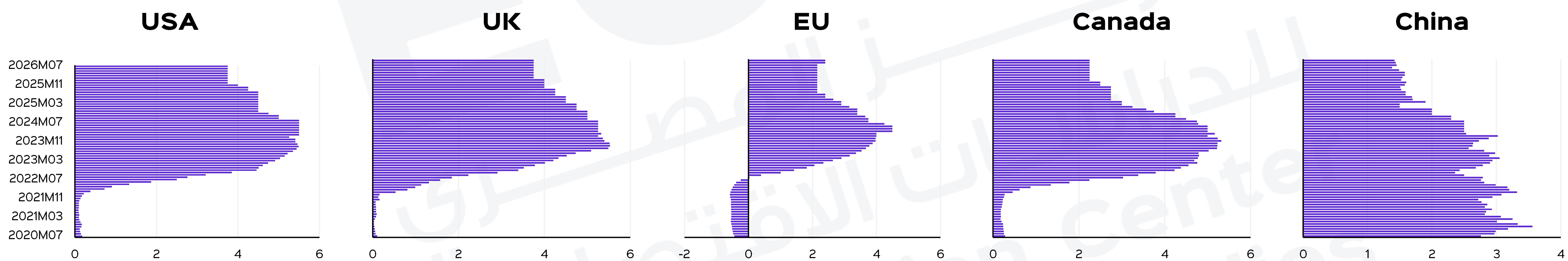


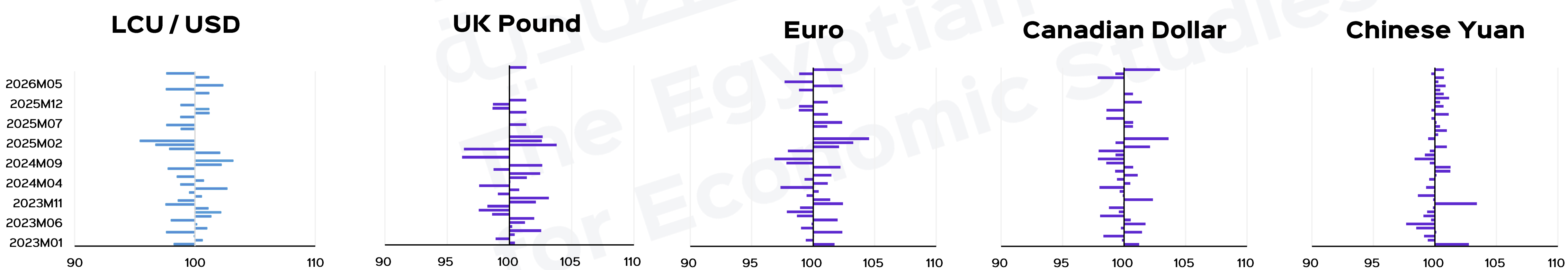
**Global inflation trends remained mixed over the past month, while major Central banks continued to adopt a cautious policy stance amid uneven price dynamics.** Monetary policy tightening resumed only in the Eurozone, whereas currency markets reflected a modest weakening of the US Dollar. Inflation trends diverged across major economies, with inflation easing slightly in the US and declining further in China, while price pressures edged higher in the Eurozone and Canada. In response, the European Central Bank raised its policy rate, reflecting renewed concerns over inflation, while other major Central banks kept interest rates unchanged, maintaining a wait-and-see approach.

## Inflation Rate

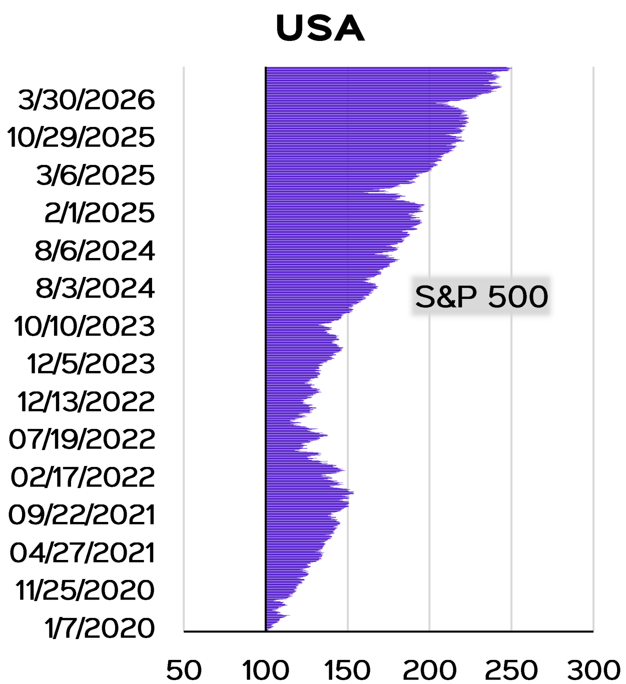


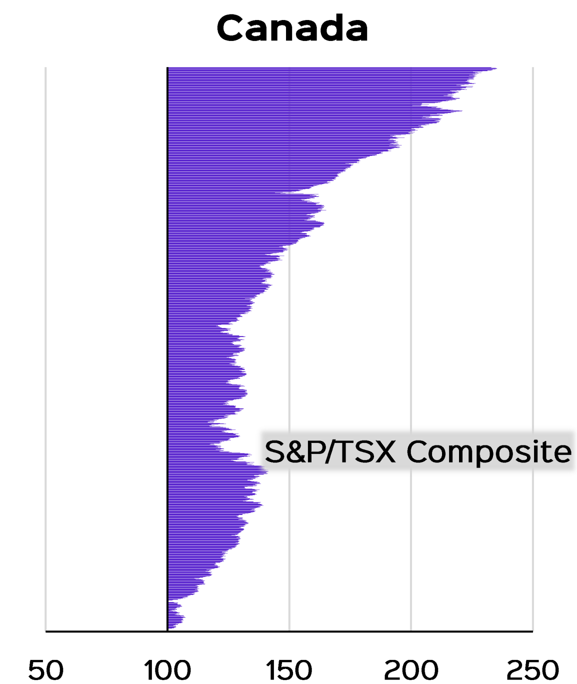

## Policy Rate

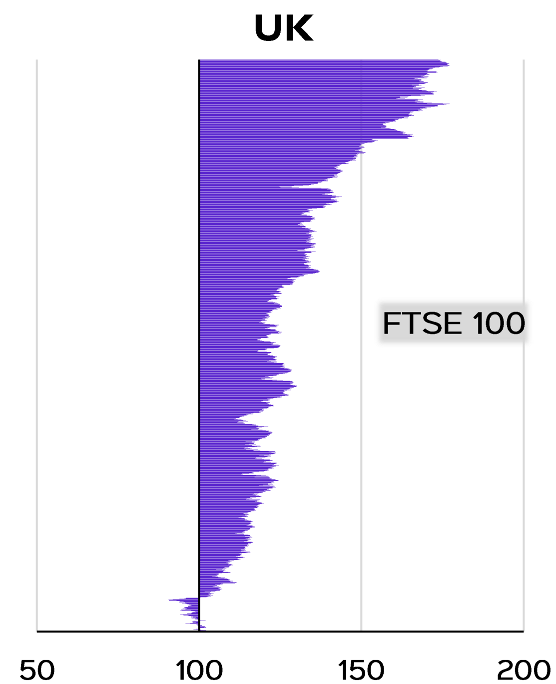


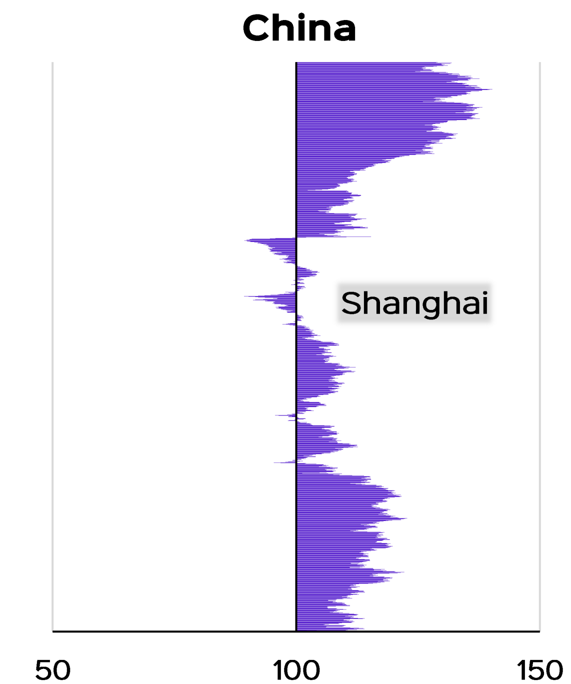



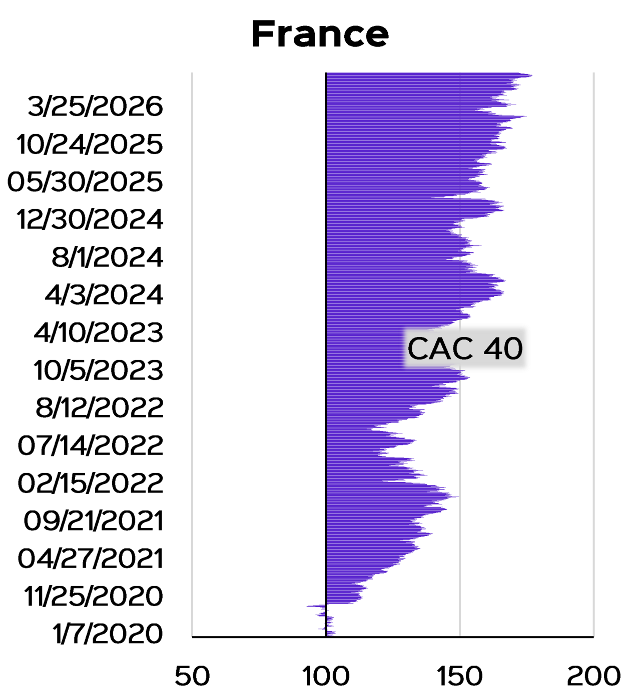
**Global equity markets maintained broadly positive performance over the past month, supported by resilient investor sentiment and improving expectations for global economic activity, although performance remained uneven across regions.** Most major equity markets, including those in the US, Canada, and Europe, continued to post gains, reflecting solid corporate earnings, resilient economic fundamentals, and sustained investor confidence. In contrast, Chinese equities recorded a slight decline, highlighting continued weakness in domestic market sentiment and lingering concerns over the country's economic outlook.

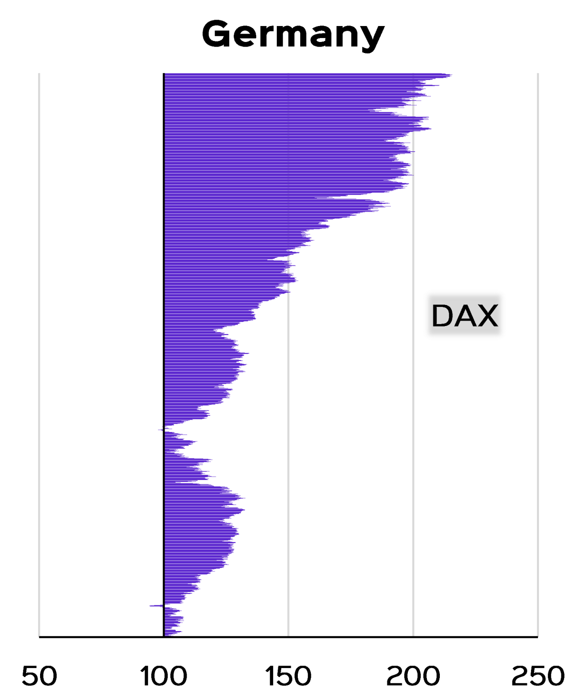


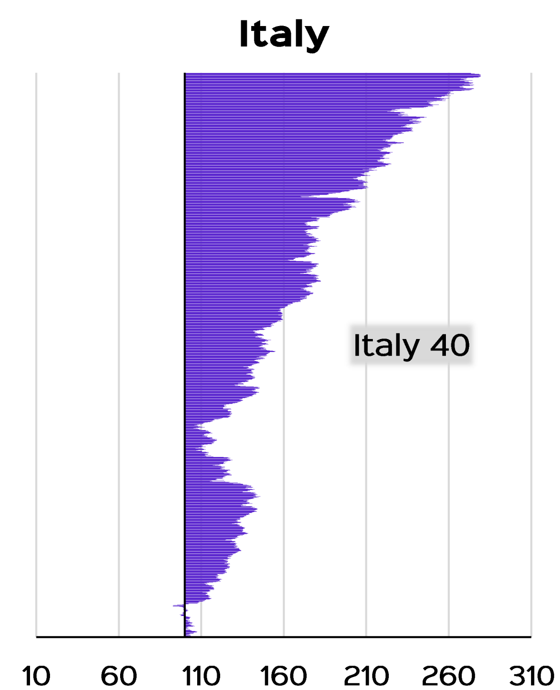



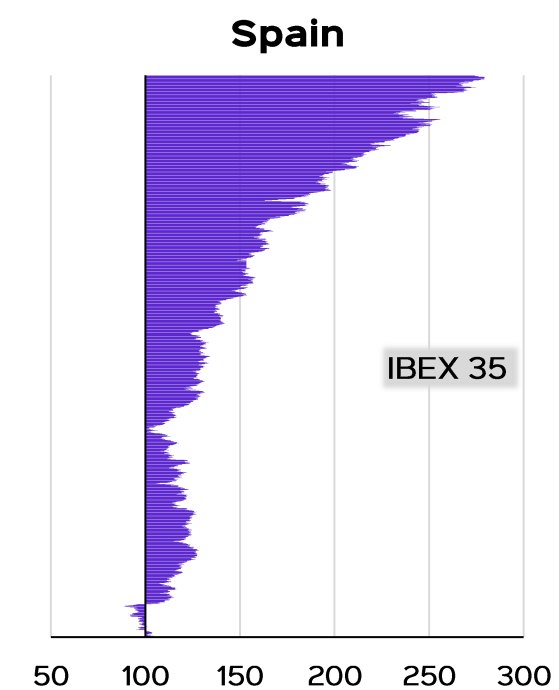



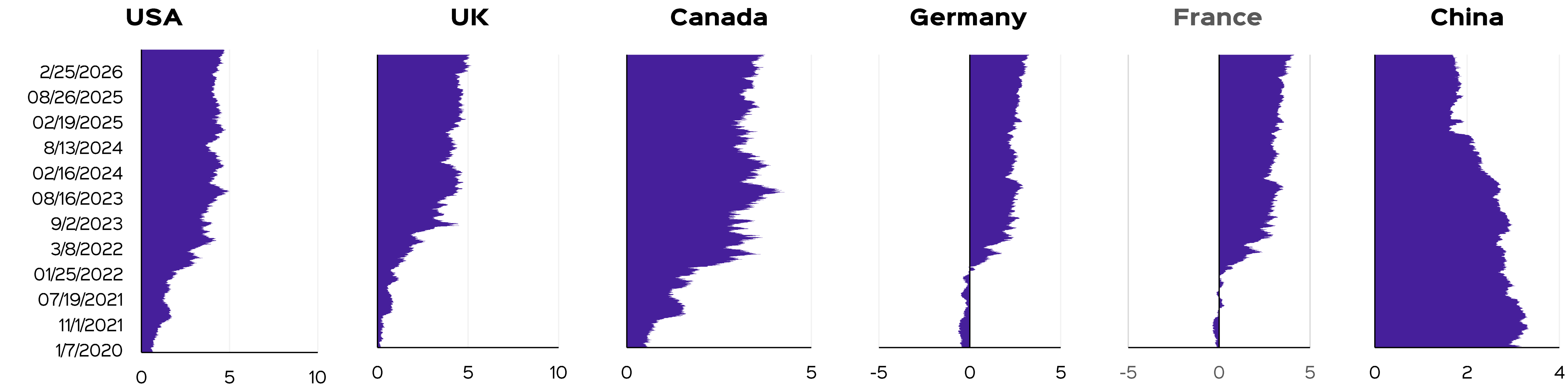



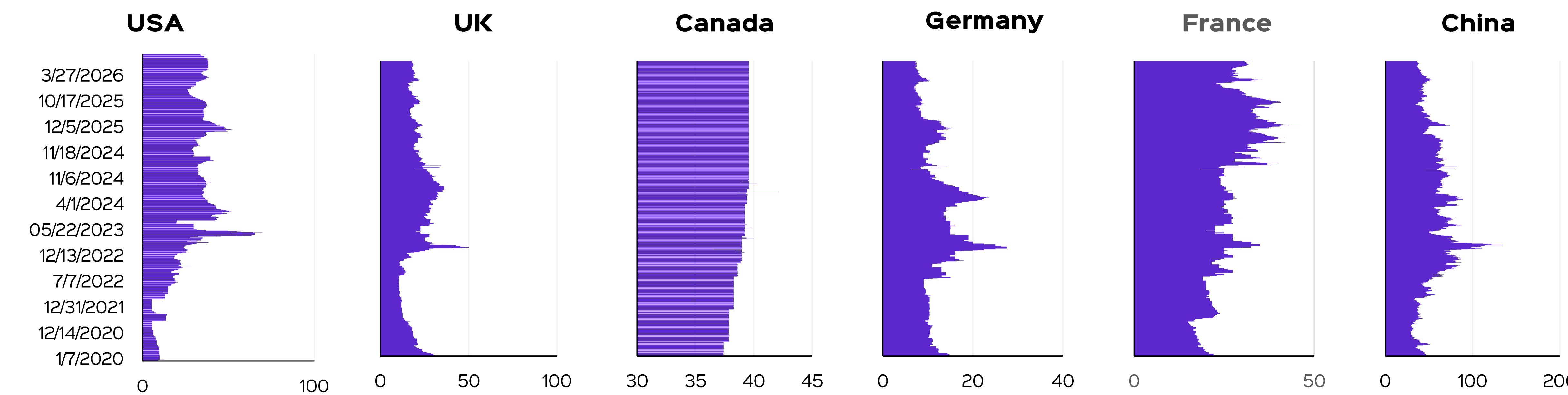



**Sovereign bond markets remained under upward pressure over the past month as government bond yields stayed elevated across major economies, while sovereign risk perceptions showed mixed movements across markets.** Ten-year government bond yields remained elevated across the US, UK, Canada, Germany, France, and China, reflecting persistent uncertainty over the inflation outlook and expectations that monetary policy easing will remain gradual. Meanwhile, credit default swaps (CDSs) showed mixed performance, declining marginally in the US, edging higher in Canada, and remaining broadly stable across the other major economies. Such changes are very dynamic given the fluidity of the global geopolitical situation.

**10-Year Bond Yield**




**5-Year CDS**



**Inflationary pressures across emerging markets stabilized or even eased over the past month, as inflation declined in most selected economies, indicating a gradual moderation in price pressures despite continued economic and geopolitical uncertainties.** Inflation rates declined across most emerging markets, including Turkey, South Africa, Morocco, Brazil and South Korea, reflecting softer price pressures and the gradual impact of previously tight monetary policies. In contrast, the UAE was the only selected economy to record a slight increase in inflation, although inflation remained at relatively moderate levels. While inflation data availability for the UAE has resumed following earlier reporting delays.

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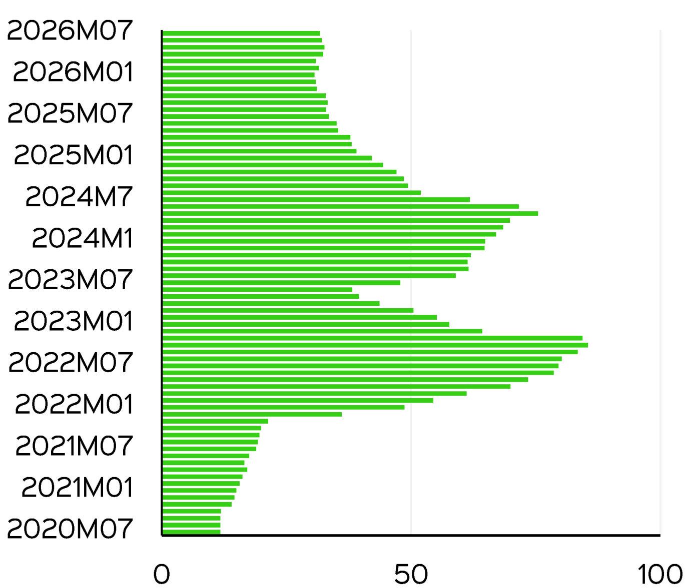


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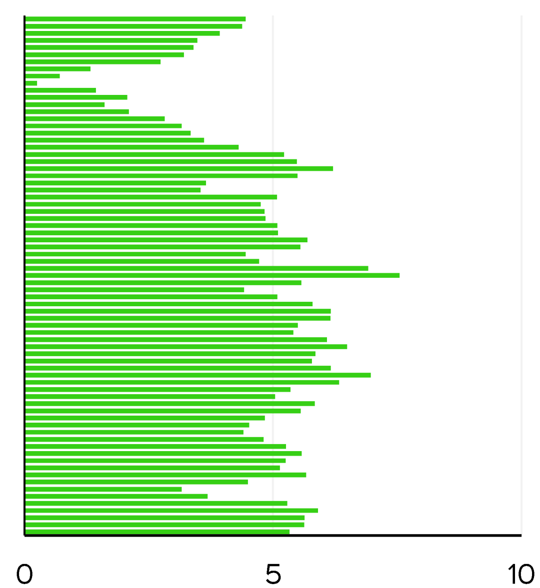
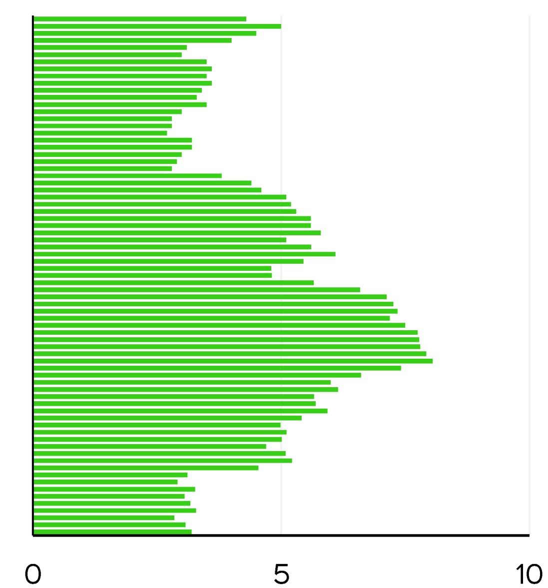
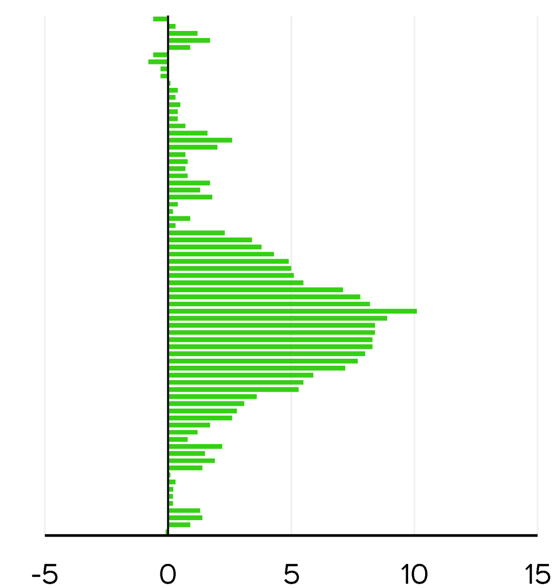


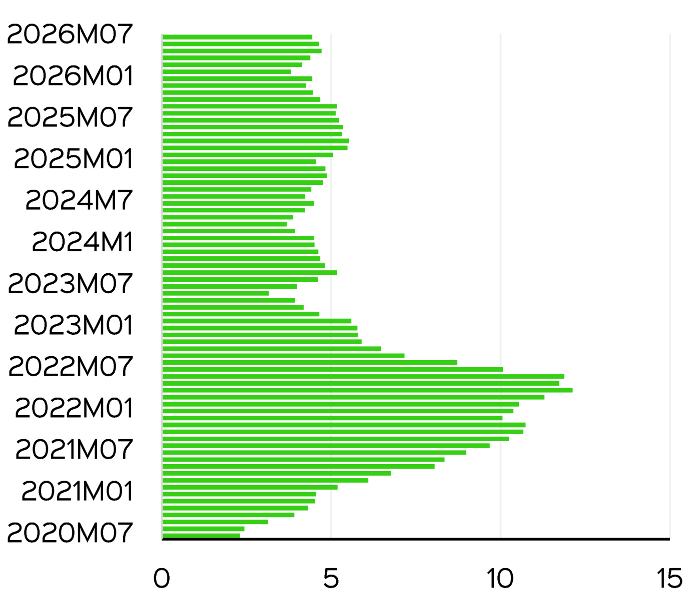

**South Africa**



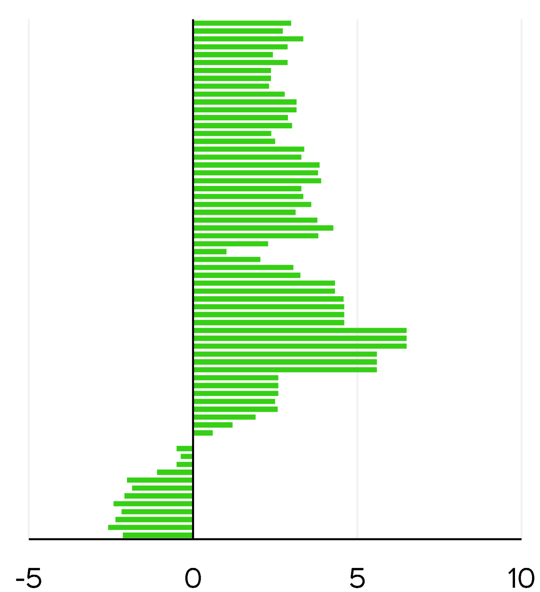

**Morocco**



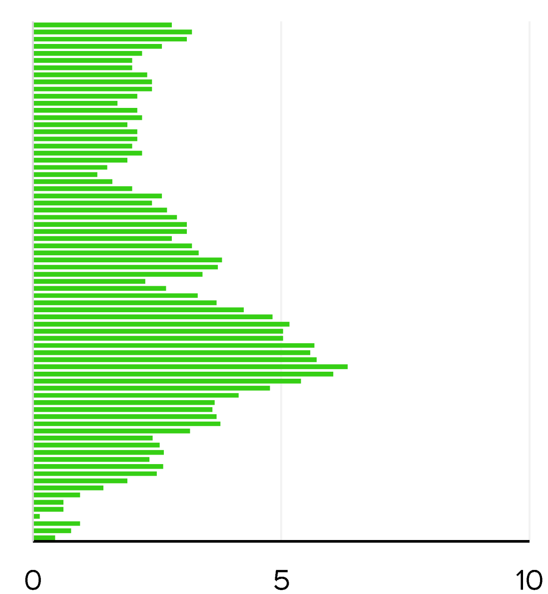

**Brazil**



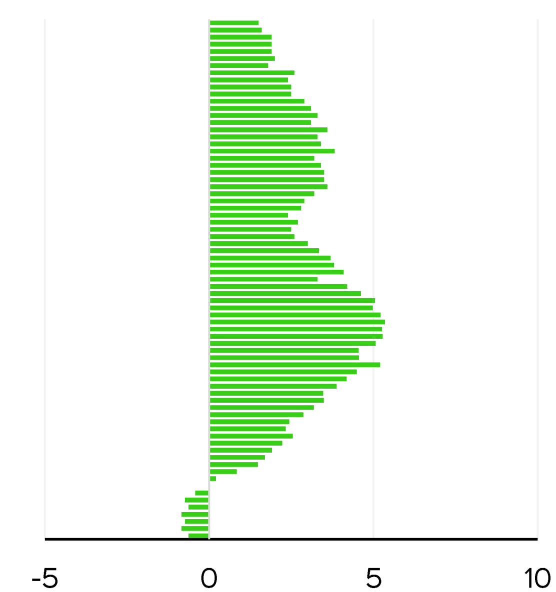

**UAE**




**South Korea**



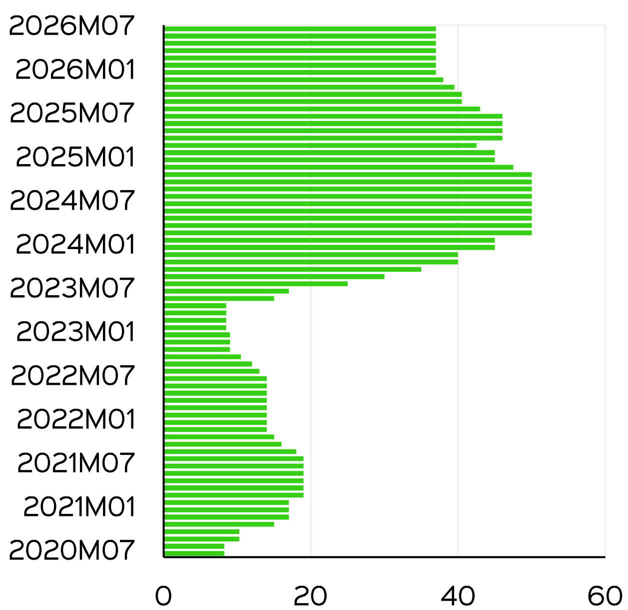

**Israel**



**Monetary policy across emerging markets remained broadly cautious over the past month, as most Central banks maintained policy rates unchanged while continuing to assess inflation developments and the global economic outlook.** Policy rates remained unchanged across Turkey, India, South Africa, Morocco, South Korea, and the UAE, reflecting a continued wait-and-see approach by monetary authorities despite evolving inflation dynamics. Meanwhile, Brazil was the only selected economy to implement a slight policy rate cut, signaling increased confidence that inflationary pressures are moderating and allowing for limited monetary easing.



**Turkey**

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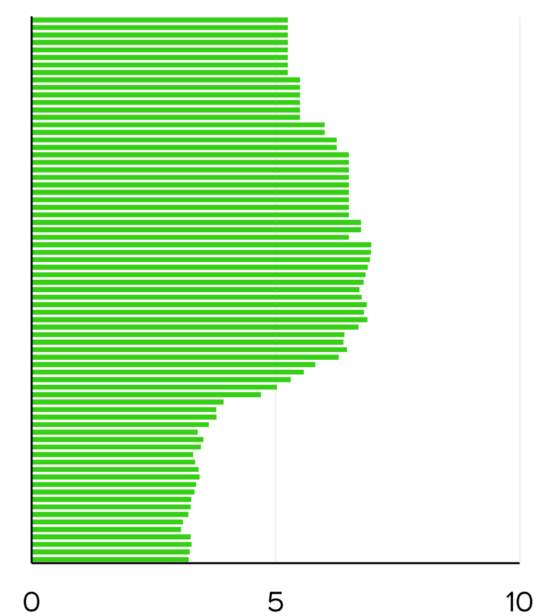


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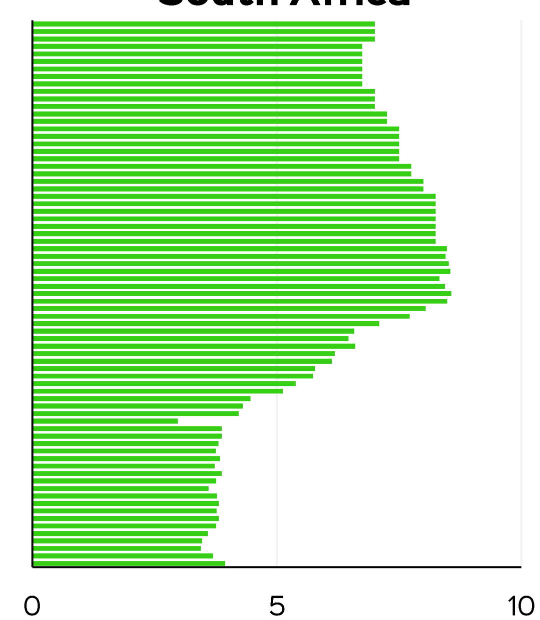
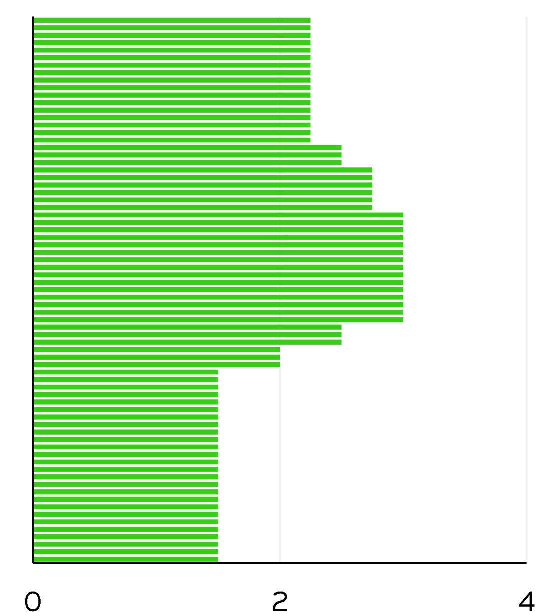



**Morocco**

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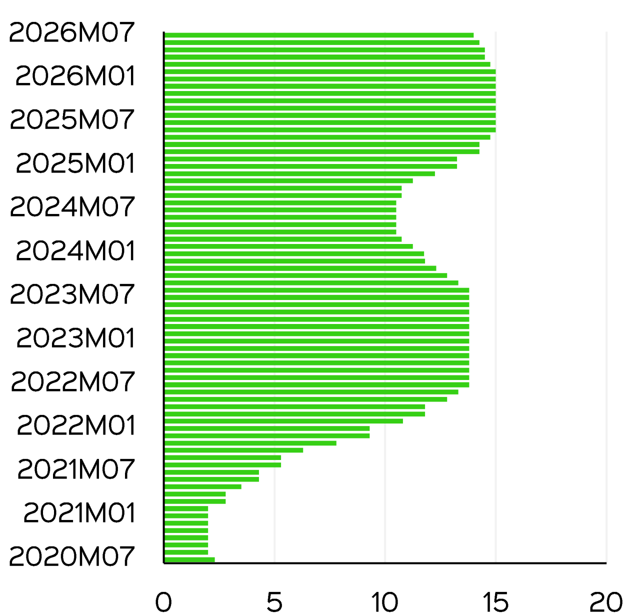


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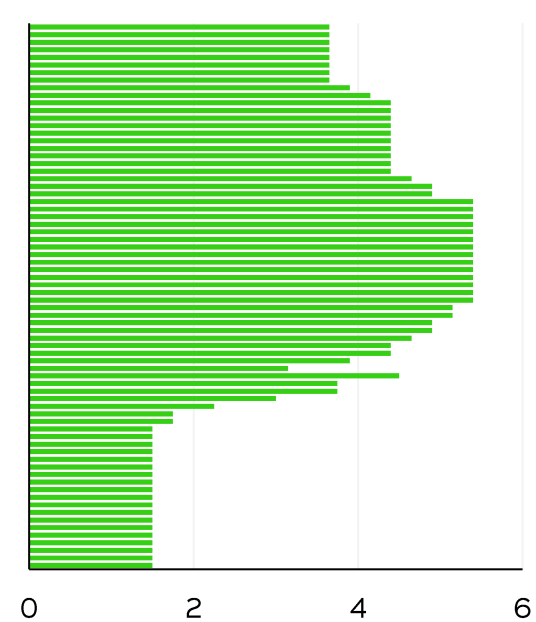


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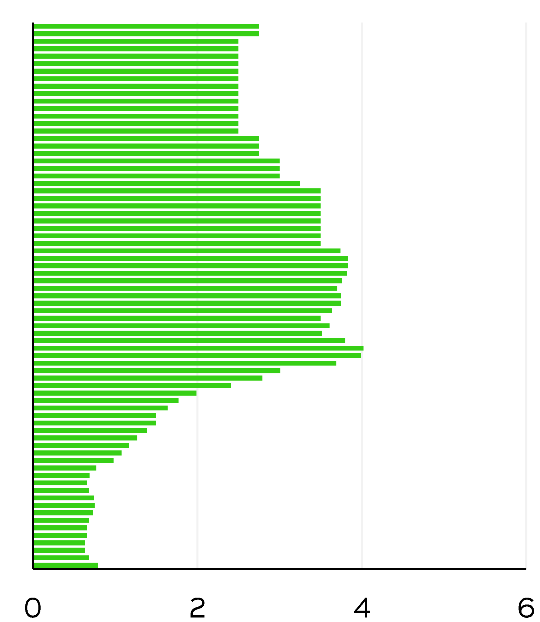
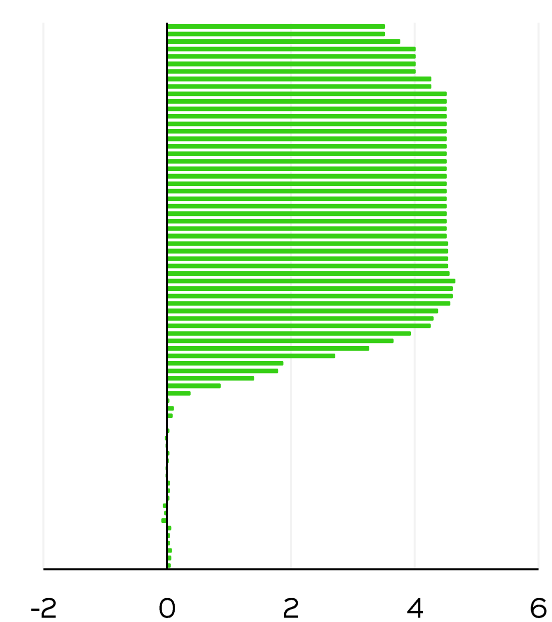
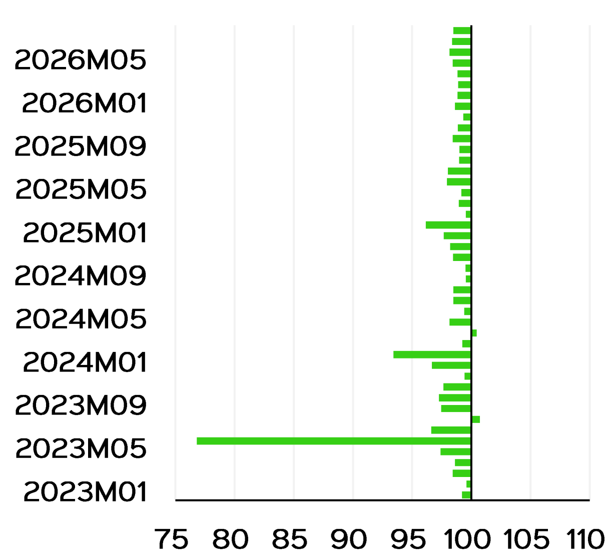



**Israel**

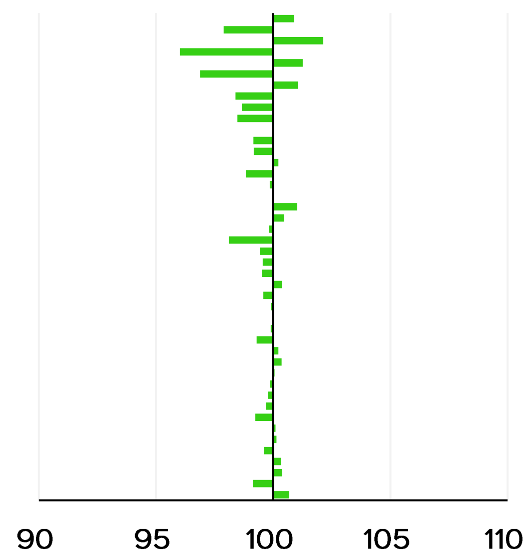


**Emerging markets currencies showed mixed performance against the US Dollar over the past month, with most currencies strengthening as the US Dollar lost some momentum, with the exception of the Turkish Lira and Brazilian Real which continued depreciating.** Most emerging market currencies recorded modest gains against the US Dollar, including the Indian Rupee, South African Rand, Moroccan Dirham, and South Korean Won, reflecting improved investor sentiment and softer demand for dollar-denominated assets. Meanwhile, the Turkish Lira and Brazilian Real remained under pressure, highlighting the continued impact of domestic economic challenges despite the broader improvement in emerging market currency performance.

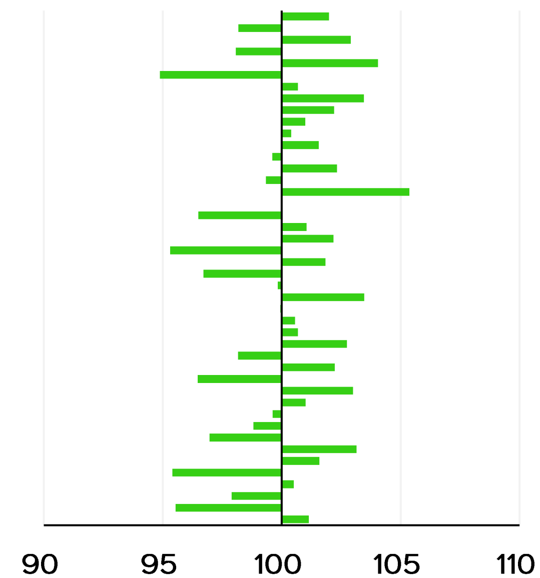
**Turkish Lira**



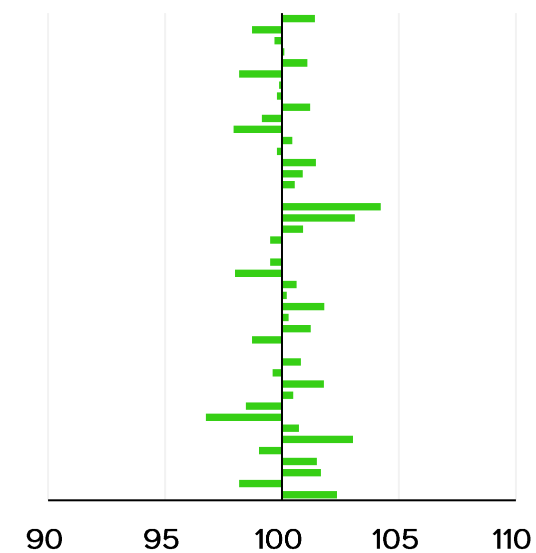

**Indian Rupee**



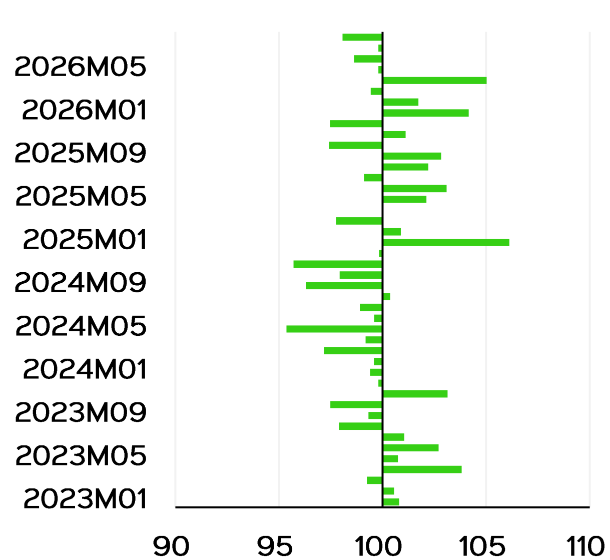

**South African Rand**



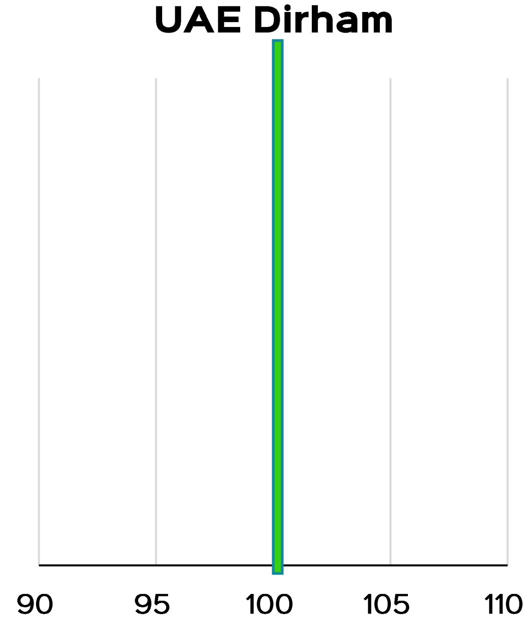

**Moroccan Dirham**



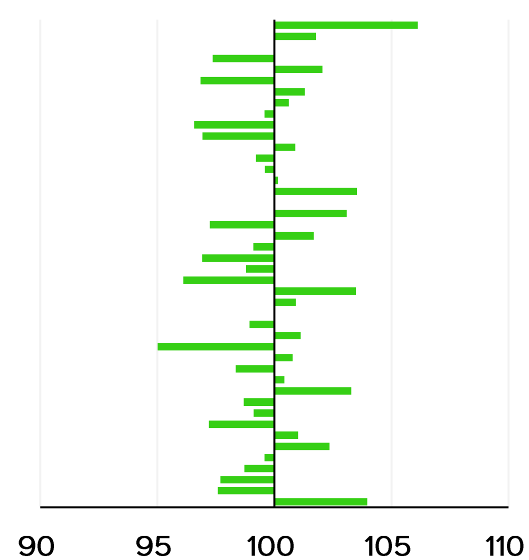

**Brazilian Real**



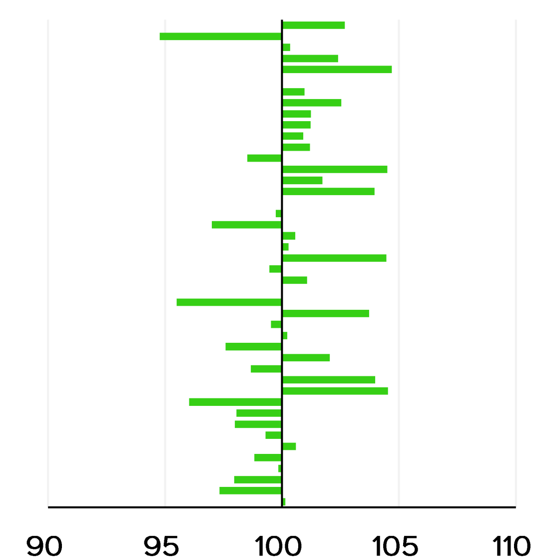

**UAE Dirham**




**Korean Won**

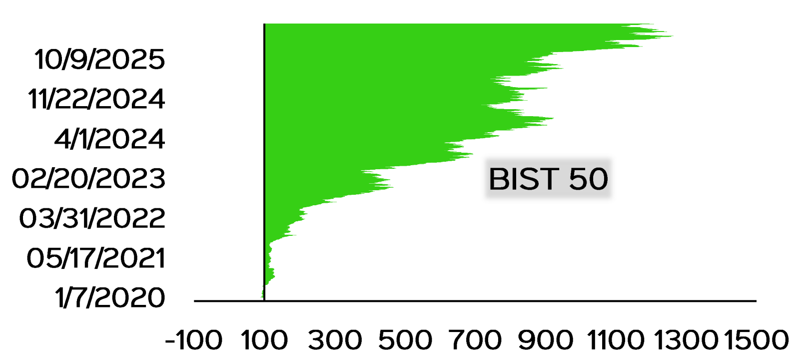



**Israeli New Shekel**



**Emerging markets equities maintained a broadly positive performance over the past month, supported by resilient investor sentiment, improving domestic fundamentals, and continued risk appetite despite ongoing global uncertainties.** Equity markets across most emerging economies continued to post gains, with Turkey, India, the UAE, Morocco, Brazil, Saudi Arabia, South Africa, and Israel recording positive performance, reflecting sustained market momentum and improving investor confidence. In contrast, South Korean equities recorded a slight decline, reflecting modest profit-taking and softer market sentiment. Such situation is very vulnerable to changes given the ongoing geopolitical uncertainties.

**Turkey**

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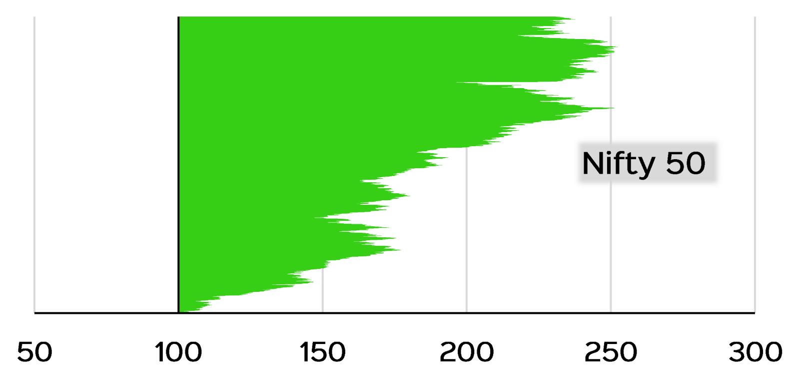
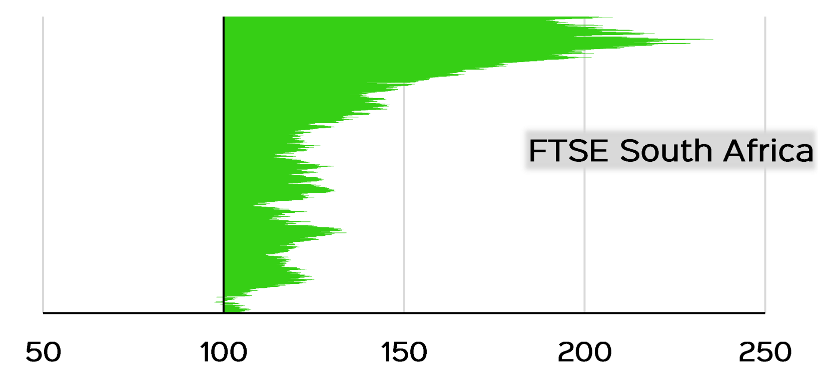
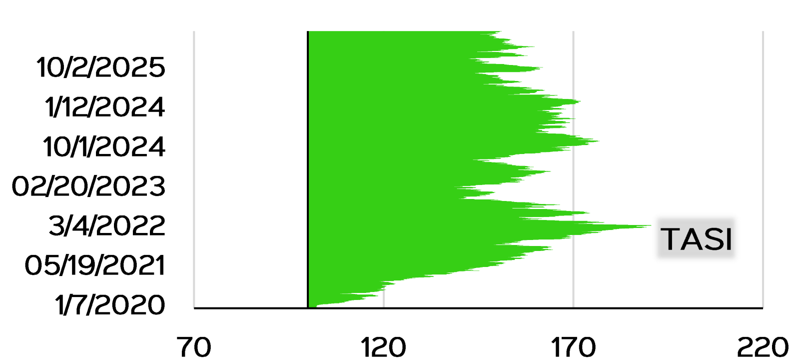


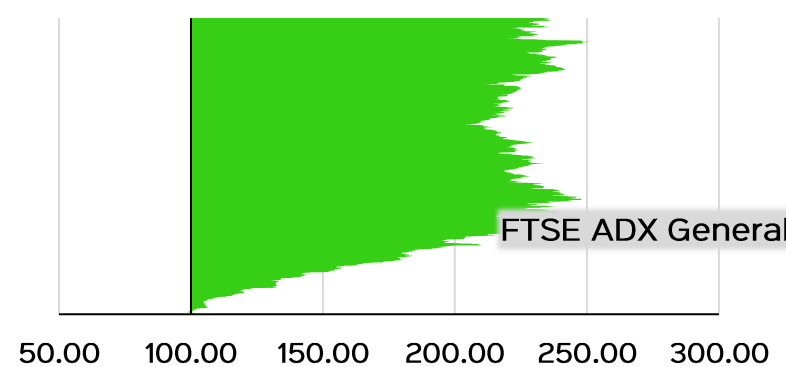

**South Africa**



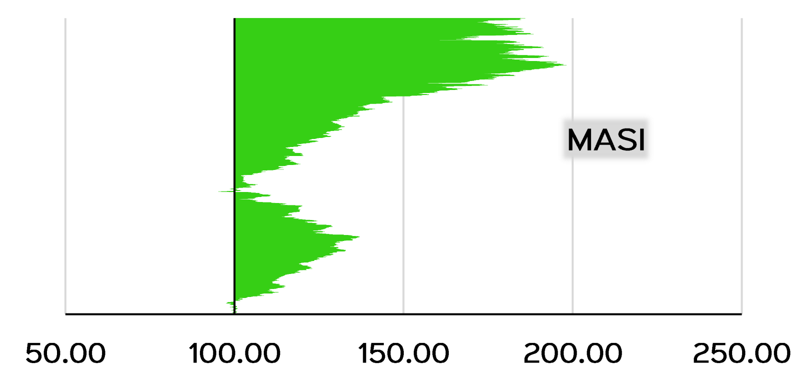

**Saudi Arabia**



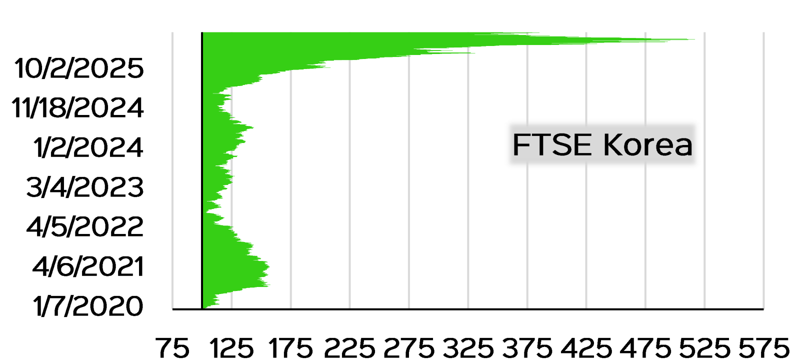

**UAE**




**Morocco**




**South Korea**

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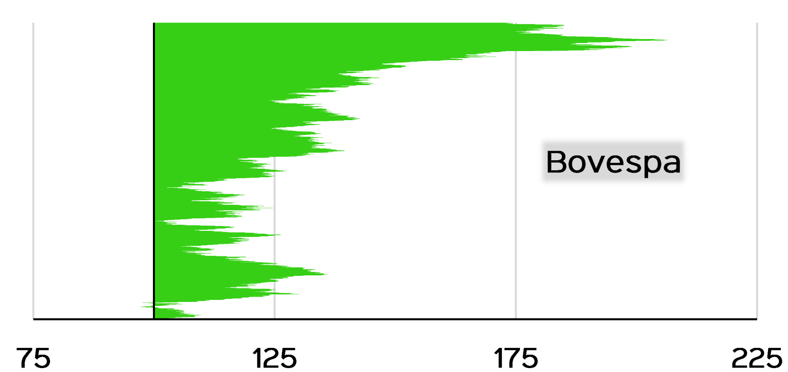
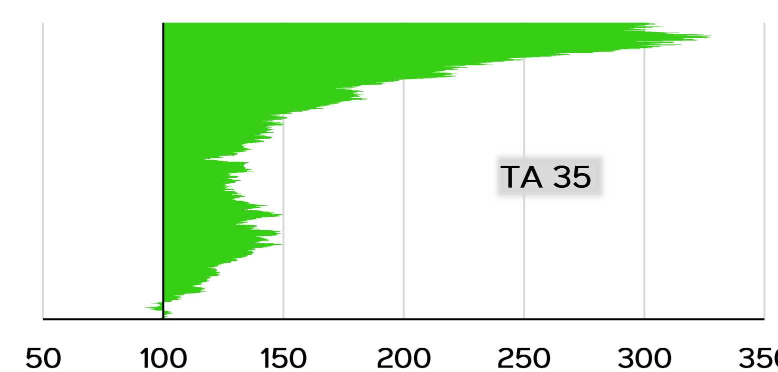
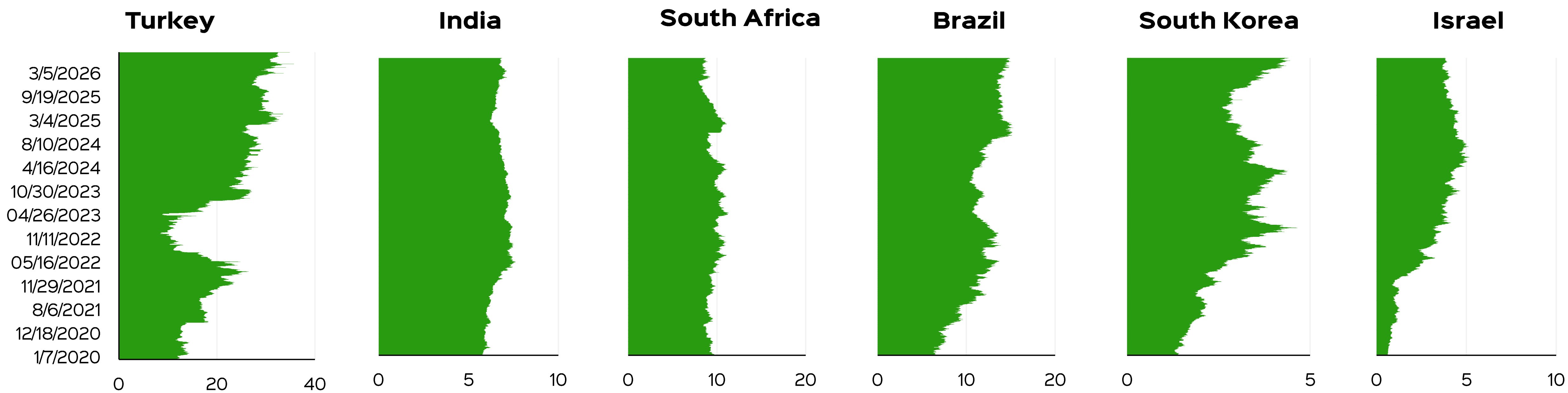



**Israel**

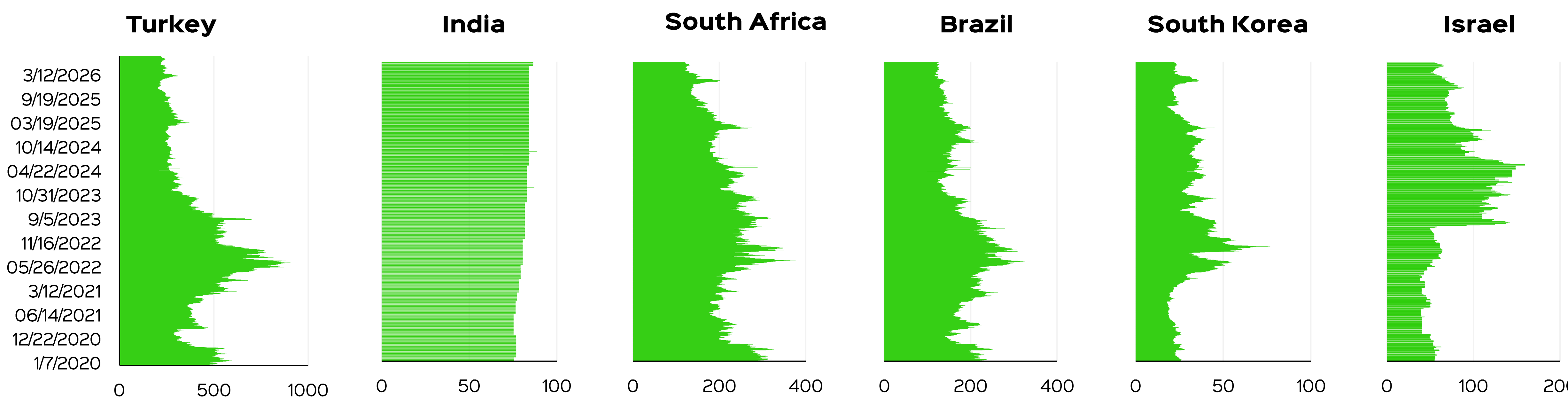


**Sovereign bond markets across emerging economies remained under pressure over the past month, as elevated borrowing costs and sovereign risk premiums continued to reflect persistent global uncertainty, tight financing conditions, and cautious investor sentiment.** Ten-year government bond yields remained elevated across the selected emerging markets, indicating sustained high long-term financing costs and continued caution regarding the outlook for interest rates. Meanwhile, credit default swaps (CDSs) also remained elevated across most markets, highlighting persistent sovereign risk perceptions and continued investor caution toward emerging market debt despite broadly resilient macroeconomic conditions.

**10-Year Bond Yield**



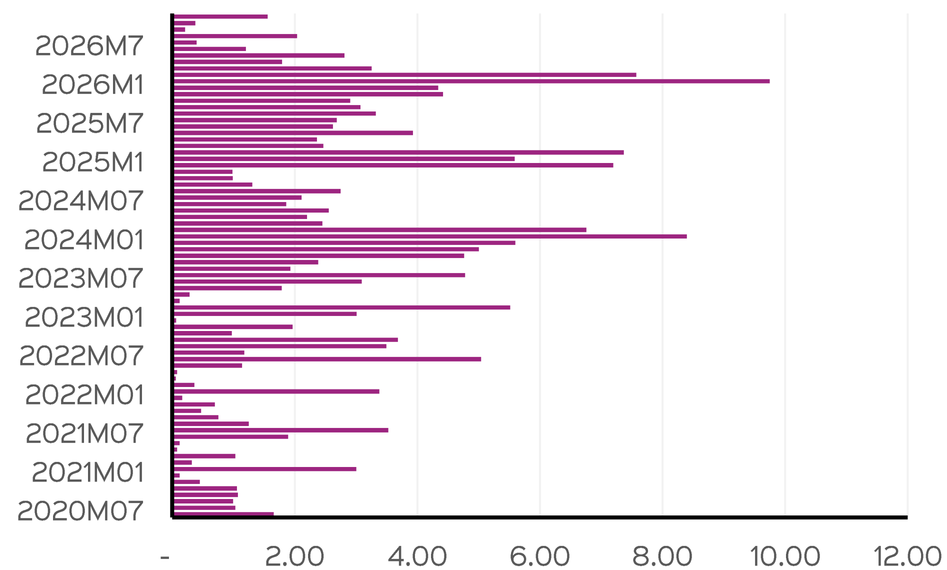

**5-Year CDS**



**Egypt external financing conditions remained under pressure over the past month amid a turbulent region, as elevated external debt levels and debt service obligations continued to weigh on financing conditions despite lately decline of CDSs.** Total external debt and external debt service obligations remained elevated, highlighting persistent financing needs and substantial repayment commitments. At the same time, Egypt's 10-year government bond yield stayed at a high level, reflecting continued elevated borrowing costs and tight financing conditions. Meanwhile, Egypt's 5-year credit default swaps (CDSs) declined slightly, suggesting a modest improvement in perceived sovereign risk and somewhat stronger investor confidence.

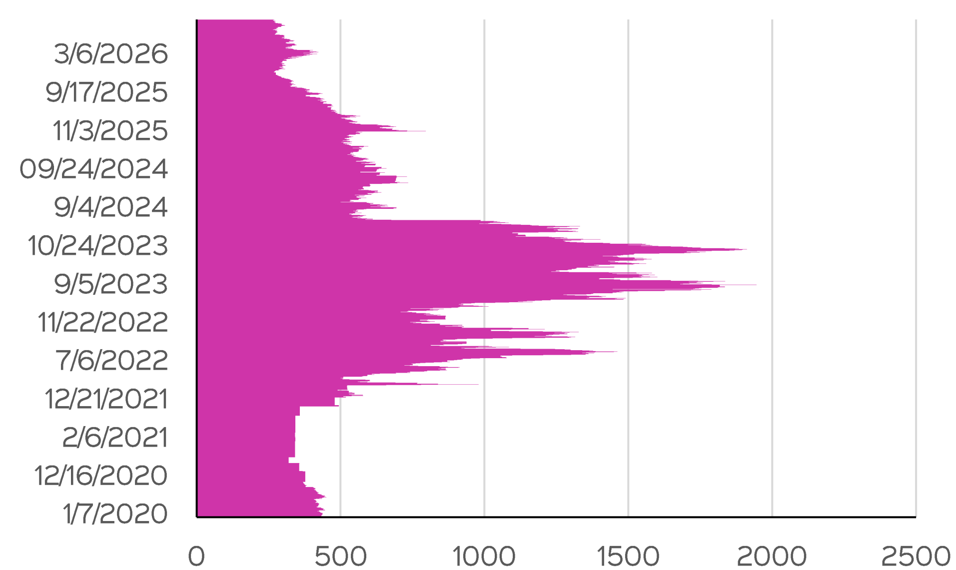
**Total External Debt (bn $)***


**External Debt Service (bn $)***




**Egypt 10-Year Bond Yield**


**5Y CDS, Egypt**



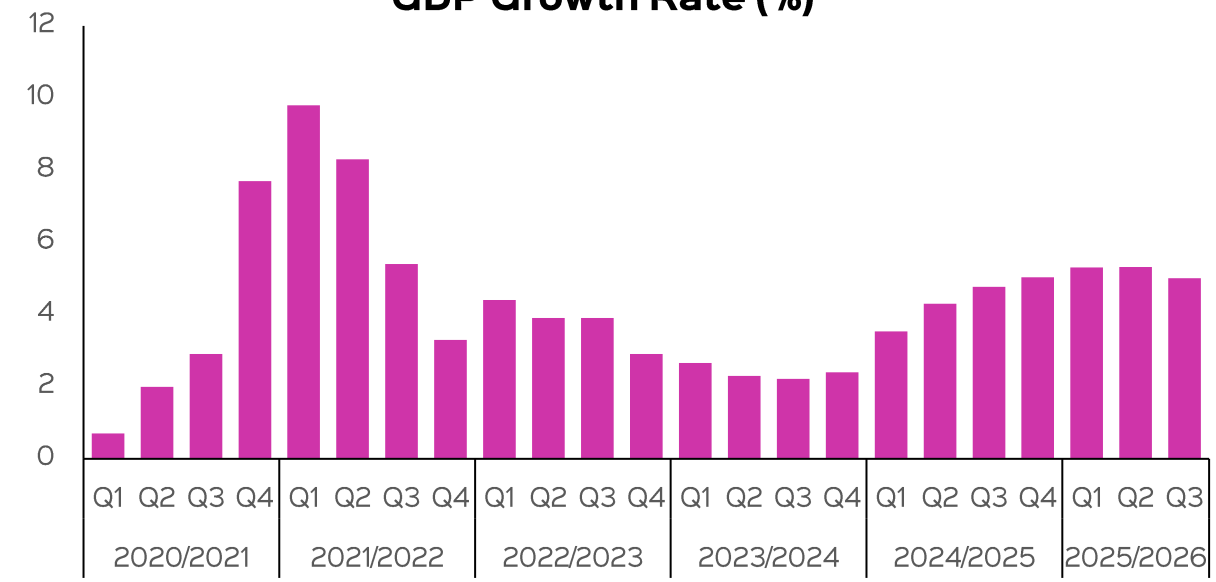

S&P Global Ratings
**B** Stable

Fitch Ratings
**B** Stable

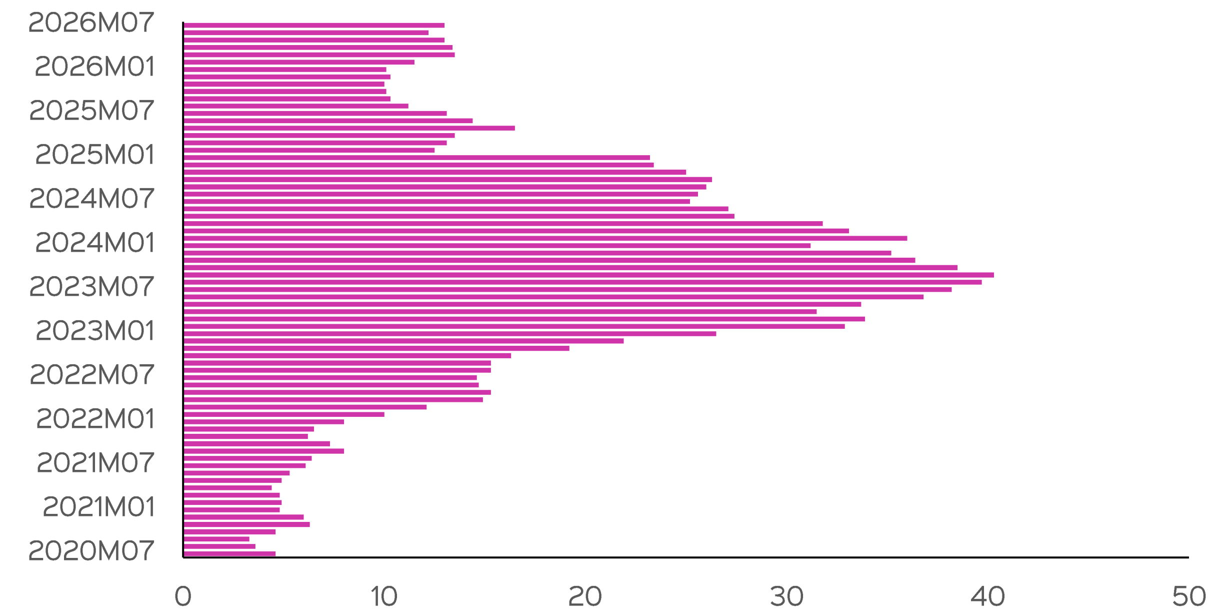
Moody's Investors Service
**Caa1** Positive

**Renewed inflationary pressures and softer domestic liquidity characterized Egypt macroeconomic developments over the past month, while the Central bank maintained a cautious wait-and-see stance to balance inflation risks with economic activity.** GDP growth moderated slightly, indicating some easing in the pace of economic activity. Meanwhile, inflation edged higher, reflecting renewed price pressures after a period of gradual moderation. At the same time, the growth rate of money supply slowed modestly, suggesting a slight tightening in domestic liquidity conditions. Nevertheless, the Central bank kept policy rates unchanged, maintaining a cautious monetary stance while monitoring inflation dynamics and external developments.

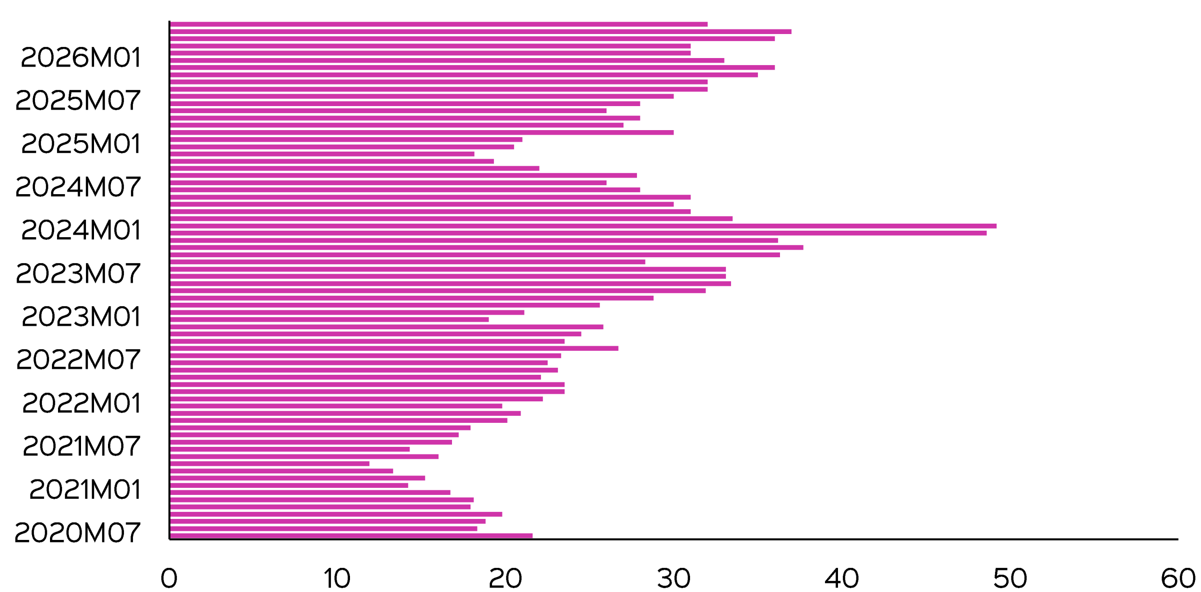
**GDP Growth Rate (%)***



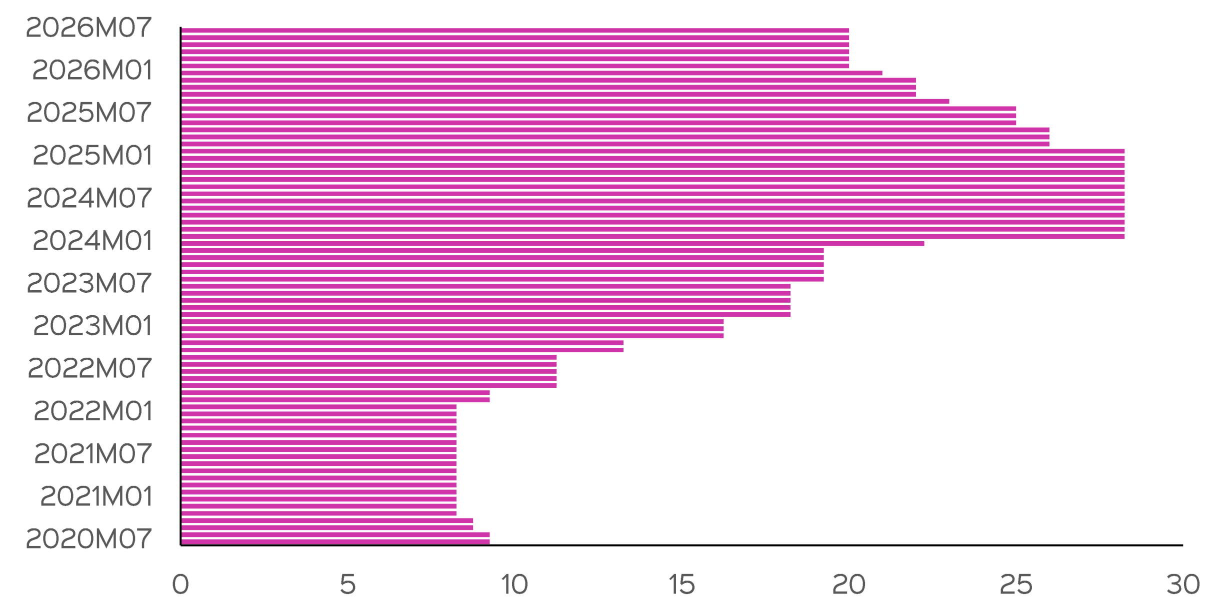

**Inflation Rate (%)**




**Growth Rate of Money Supply (M1)***

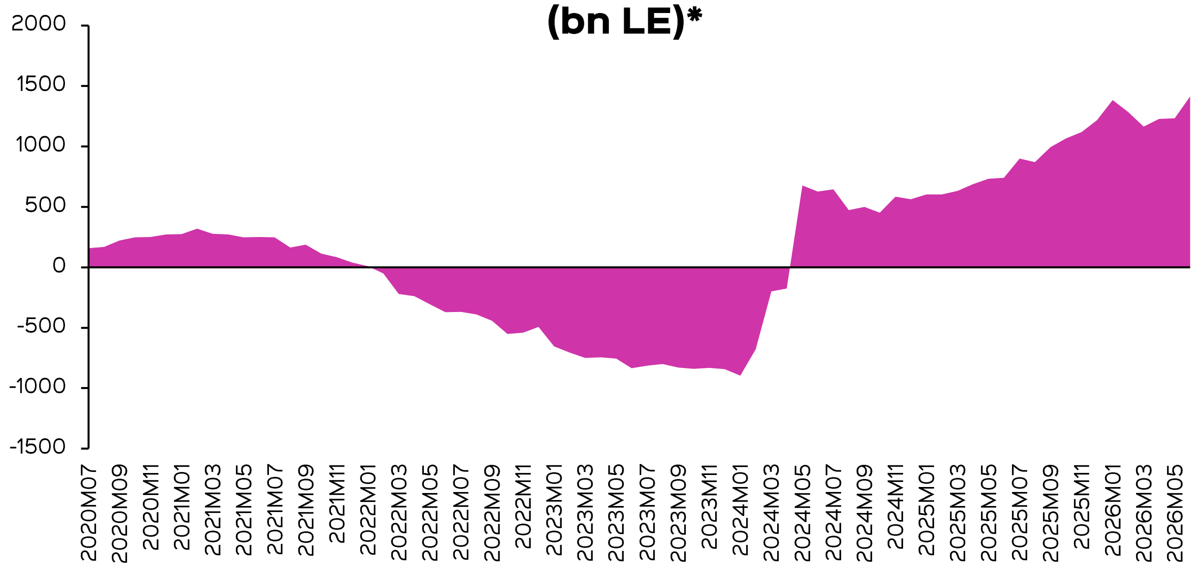



**Policy Rate (%)**

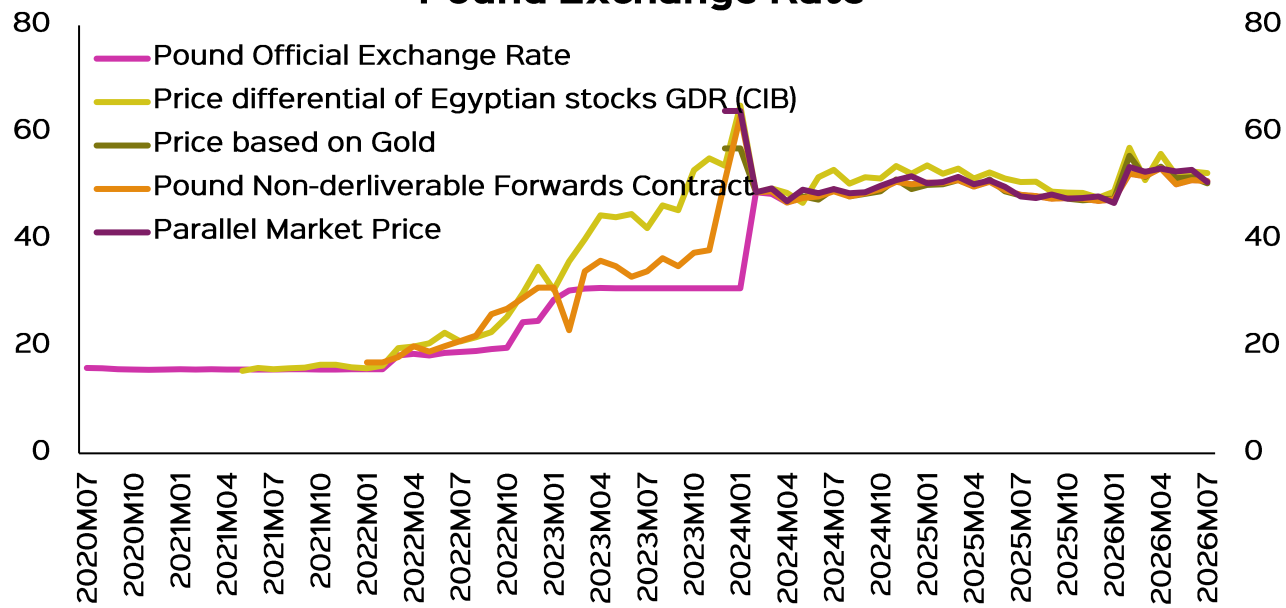


**Despite continued external financing pressures, Egypt's external sector indicators continued to show strengthening over the past month, largely driven by an increase in foreign currency liquidity.** However, such improvement is temporary by nature, as it is not supported by structural changes in the economy, but rather reflects a precarious improvement in liquidity conditions that remains highly vulnerable to significant regional vulnerabilities and external shocks. Net foreign assets of the banking system and net international reserves continued to increase, reflecting an improvement in foreign currency liquidity that has supported Egypt's external position in the short term. At the same time, the Egyptian Pound maintained a broadly unified and relatively stable exchange rate across the market despite limited fluctuations. However, these developments are temporary by nature, as they are not supported by structural improvements in the economy and remain highly vulnerable to persistent regional uncertainties and the country's elevated external debt obligations.

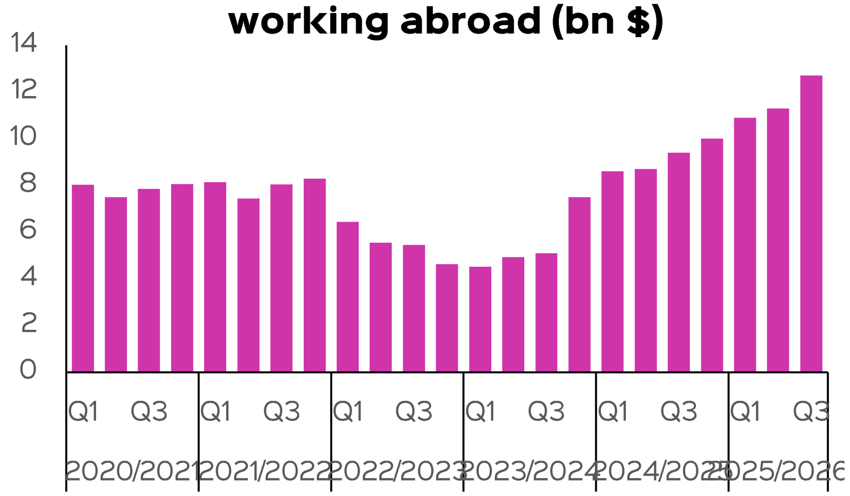
**Net Foreign Assets of the Banking System (bn LE)***



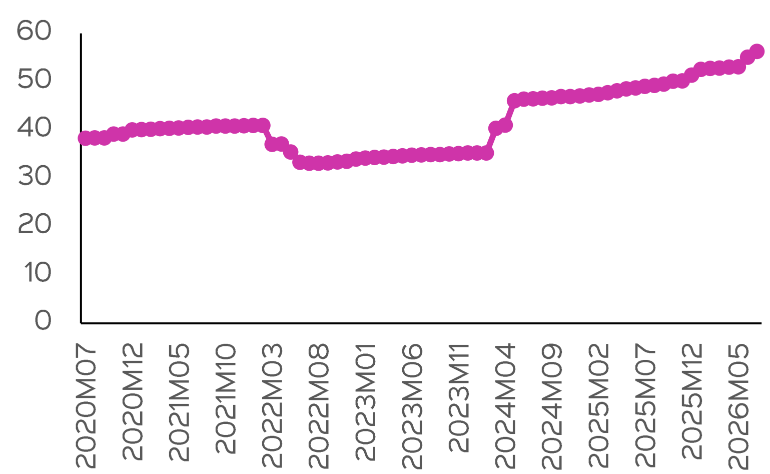
**Pound Exchange Rate**



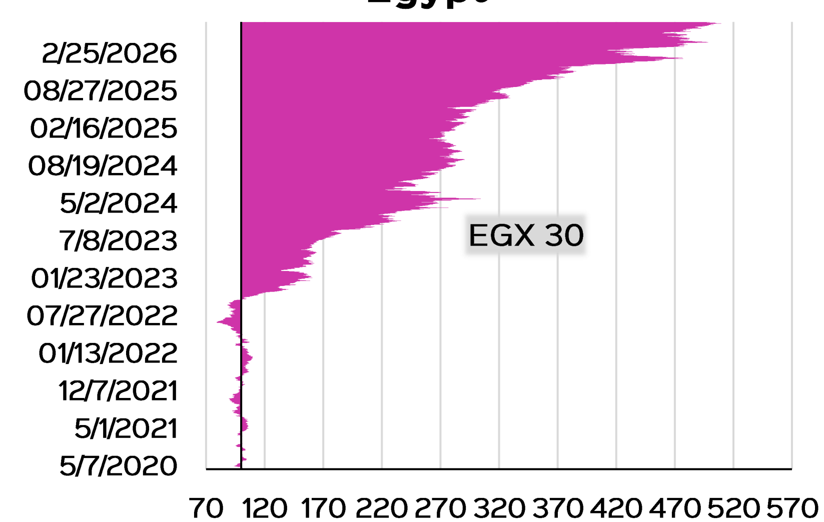

**Remittances of Egyptians working abroad (bn $)**




**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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