ECES
المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

Financial Markets Snapshot

Issue 33
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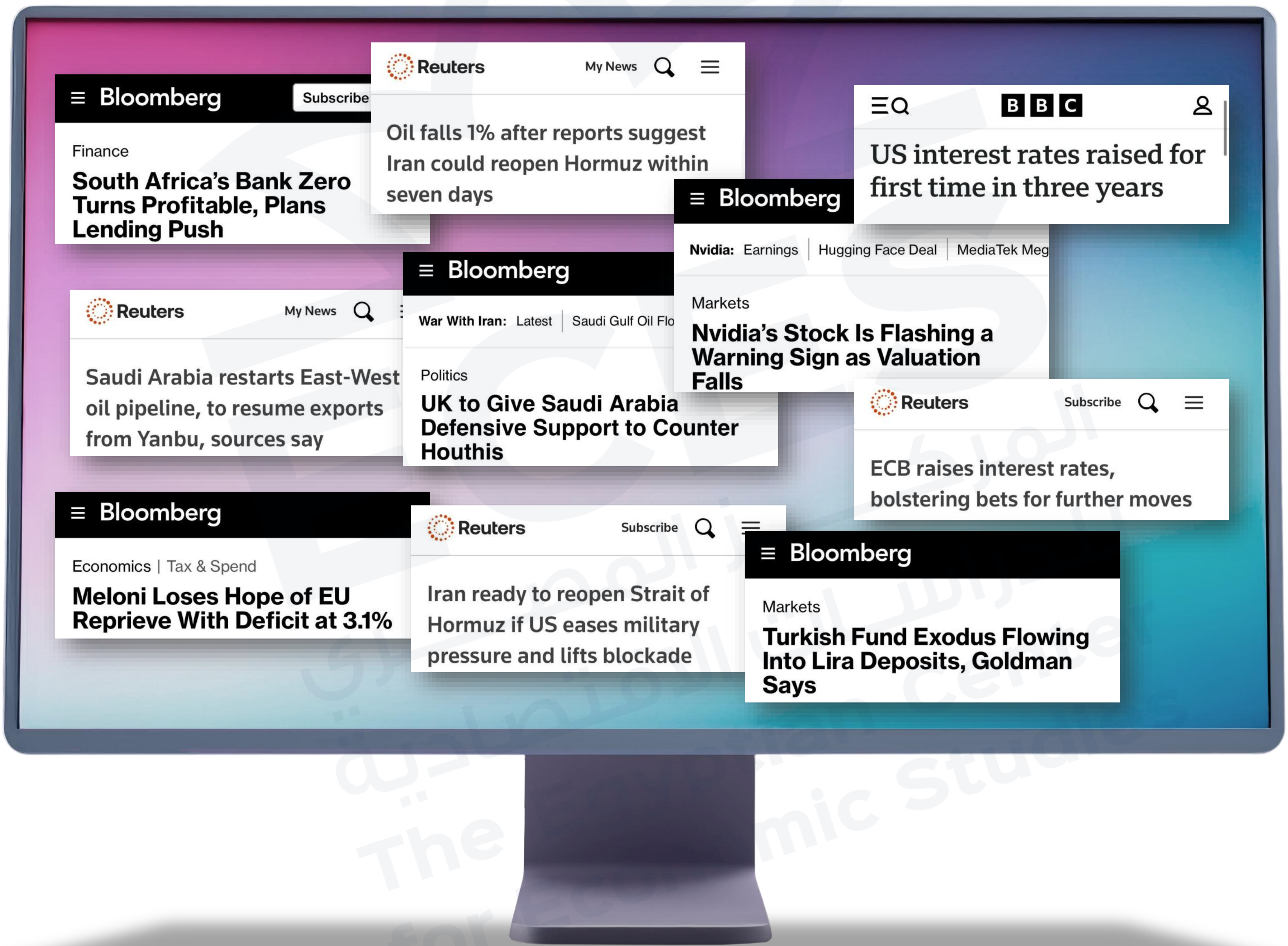
Contents

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 recorded a broad-based increase over the past month, as prices rose across most major energy, precious metals, and agricultural commodities, reflecting stronger market pressures and evolving global supply-demand conditions.
- Global inflationary pressures strengthened over the past month, while tighter monetary policy in the US and EU reflected renewed efforts to contain price pressures. This resulted into a stronger US Dollar strengthened against most major currencies.
- Global equity markets experienced a modest decline over the past month, reversing the previous broadly positive performance, as investor sentiment softened across major markets amid continued global uncertainties.
- Sovereign bond markets came under renewed pressure over the past month, as government bond yields increased across major economies, while sovereign risk perceptions remained broadly stable with a notable increase in France.

Emerging Markets

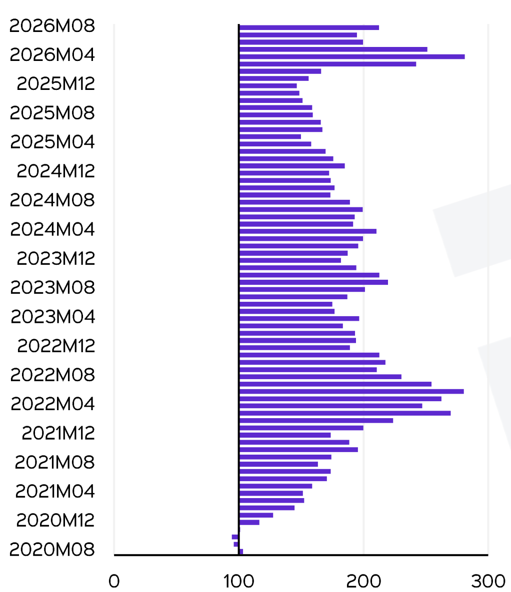
- Inflation trends across emerging markets remained broadly stable over the past month, with limited changes across most selected economies, while India and South Korea recorded increases in inflation and Brazil experienced a decline.
- Monetary policy across emerging markets remained broadly cautious over the past month, while policy rates increased in South Korea and the UAE, mimicking US Fed. Rates remained unchanged across most other selected economies.
- Emerging market currencies came under renewed pressure against the US Dollar over the past month, with most selected currencies weakening, while the Brazilian Real remained broadly stable and was the main exception to the broader depreciation trend
- Emerging market equities maintained a broadly positive performance over the past month, although market movements remained volatile across most markets, with South Korea recording a slight decline.
- Sovereign bond markets across emerging economies remained under pressure over the past month, as bond yields increased generally, while sovereign risk perceptions also increased, with only marginal declines in Brazil and South Korea, respectively.

Egyptian Local Market

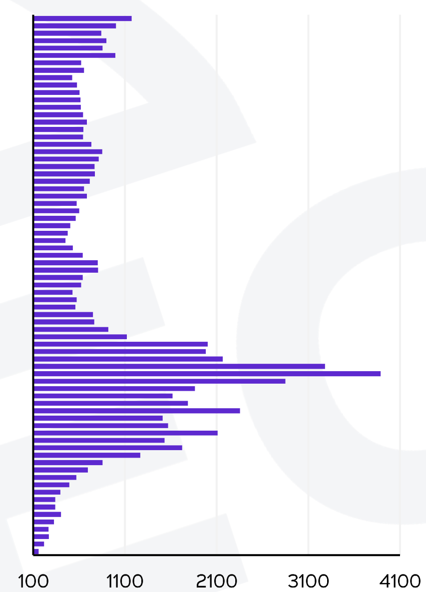
- Egypt external financing conditions remained broadly stable, despite being high, over the past month, as external debt levels were unchanged, while borrowing costs and sovereign risk perceptions slightly increased.
- Egypt macroeconomic developments remained broadly stable over the past month, with a slight moderation in inflation and slower money supply growth, while the Central Bank maintained its policy rate unchanged amid a shift toward tighter monetary policy in some major economies.
- Egypt external sector indicators continued to show stability over the past month, supported by higher net foreign assets and international reserves, while financial market performance remained resilient despite a weakening of the Egyptian Pound and a decline in remittances, leaving the overall situation cautious and mixed.

Commodity markets recorded a broad-based increase over the past month, as prices rose across most major energy, precious metals, and agricultural commodities, reflecting stronger market pressures and evolving global supply-demand conditions. Energy and major commodities recorded noticeable increases, with Brent crude oil, natural gas, and gold prices rising, alongside higher prices for wheat, maize, rice, palm oil, and bovine meat. In contrast, tea and iron ore prices edged down only marginally, with the declines remaining limited. Overall, the broad-based increase in commodity prices marks a shift from the mixed performance observed in the previous month, with upward price movements dominating across most commodity groups.

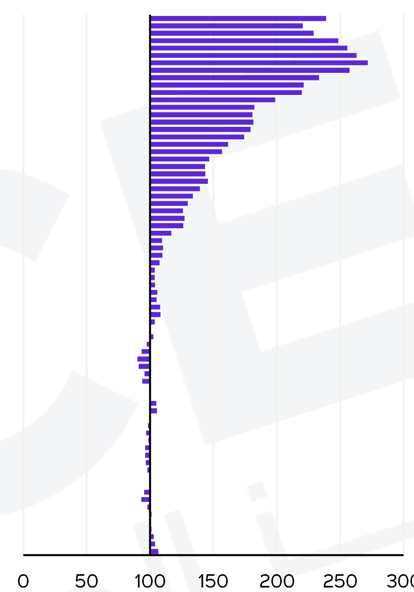
Crude Oil, Brent



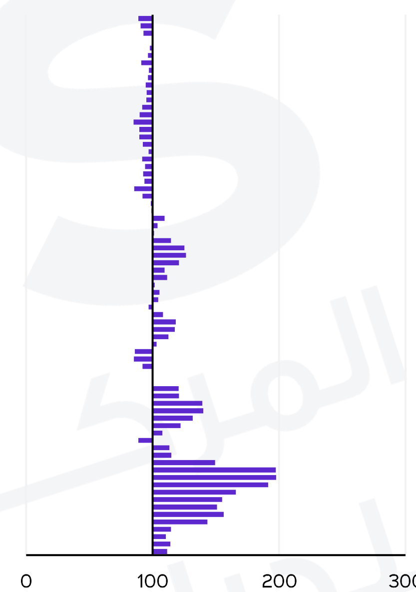
Natural Gas



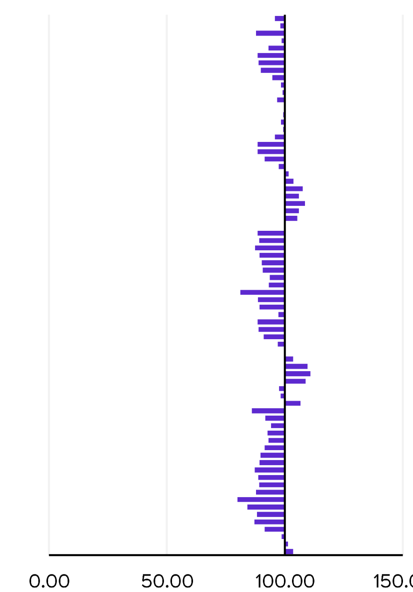
Gold



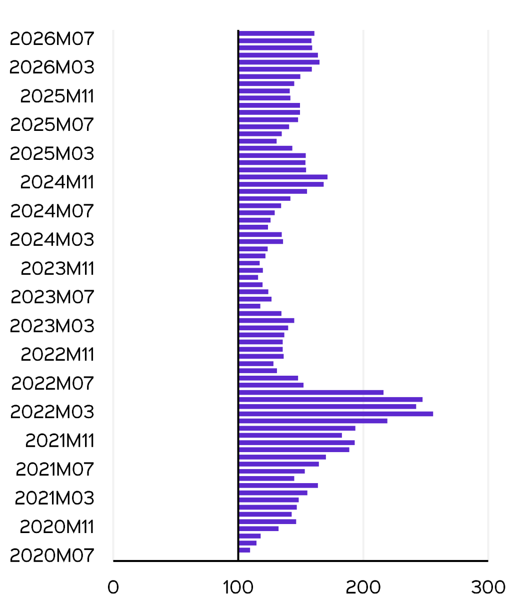
Iron ore



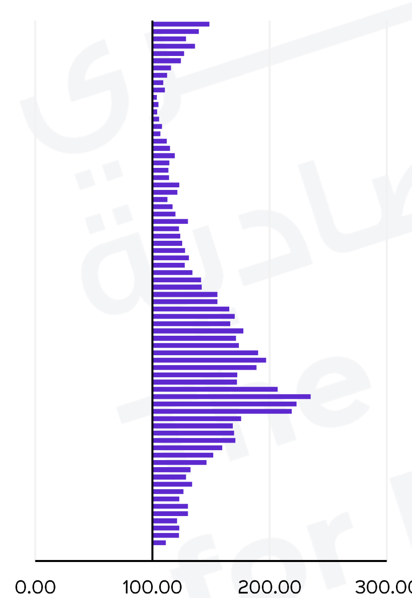
Tea



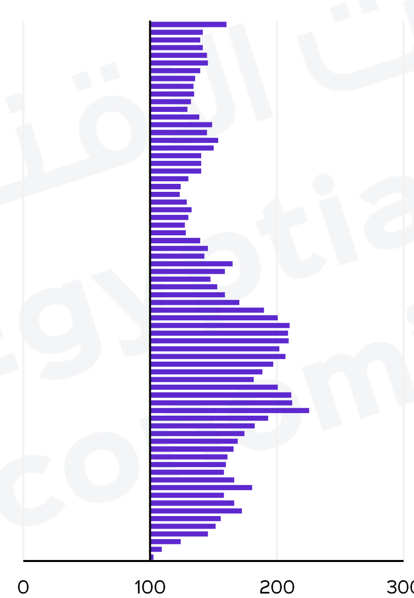
Palm oil



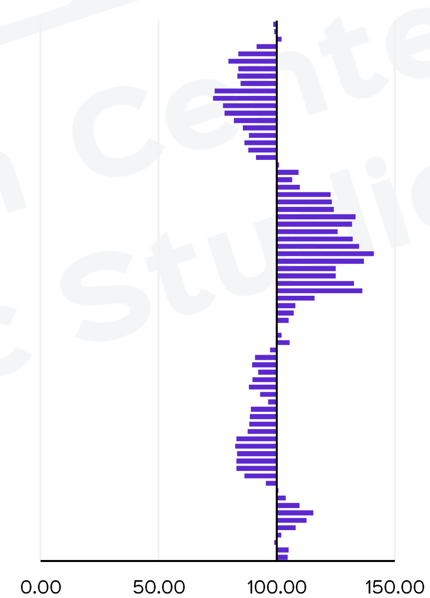
Wheat



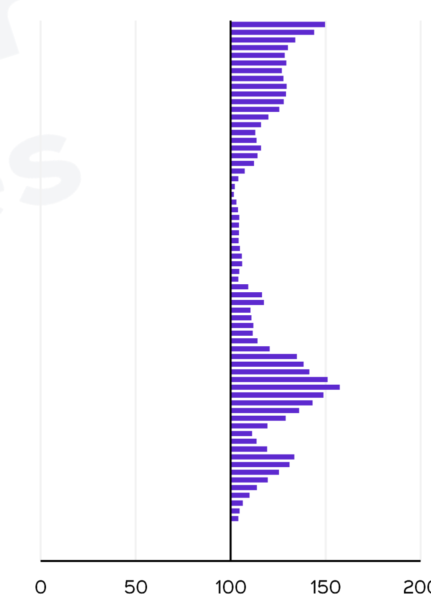
Maize



Rice

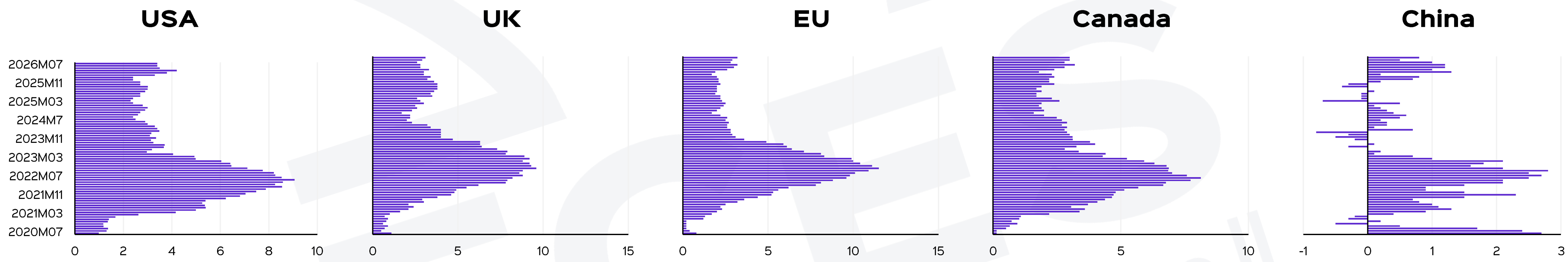


Bovine meat

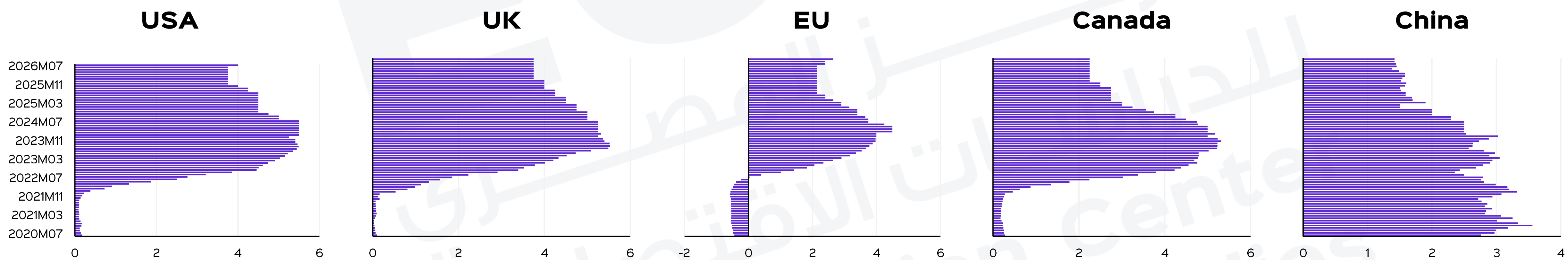


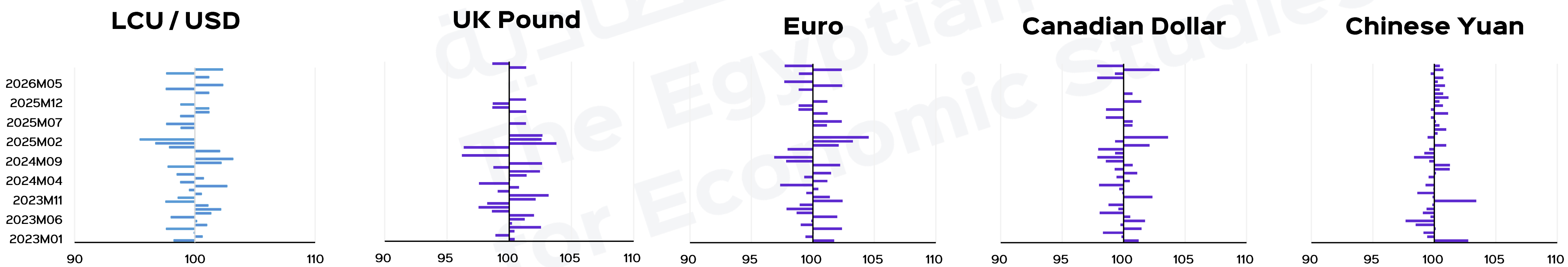
Global inflationary pressures strengthened over the past month, while tighter monetary policy in the US and EU reflected renewed efforts to contain price pressures. This resulted into a stronger US Dollar strengthened against most major currencies. Inflation increased across global markets, while price pressures remained relatively contained in the US. In response to renewed inflationary pressures, both the US Federal and the ECB raised their policy rates, while the UK, Canada, and China maintained their existing rates, adopting a more cautious wait-and-see approach. Meanwhile, the US Dollar strengthened against most global currencies, reflecting stronger demand for dollar-denominated assets.

Inflation Rate

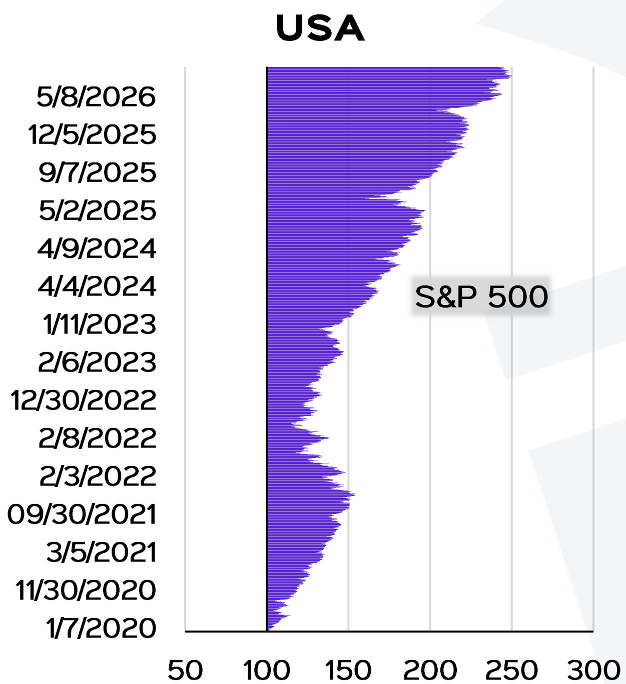


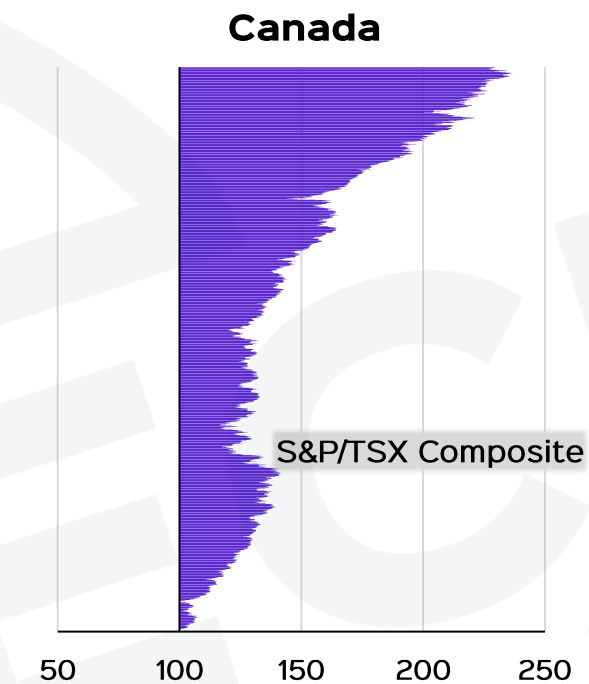
Policy Rate

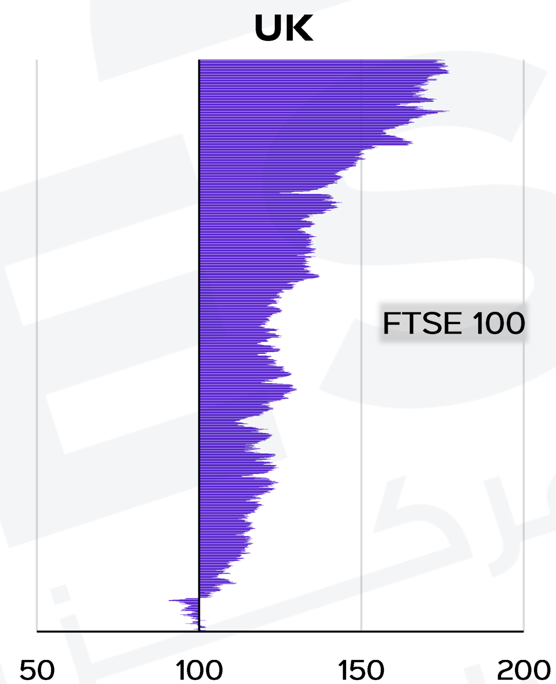


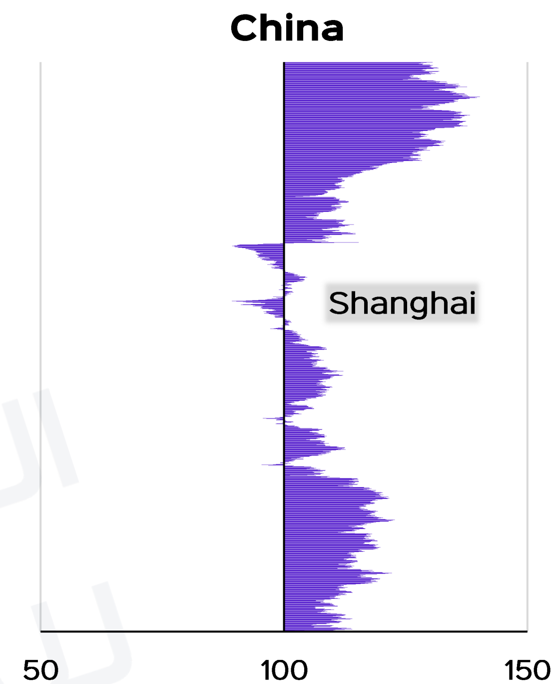


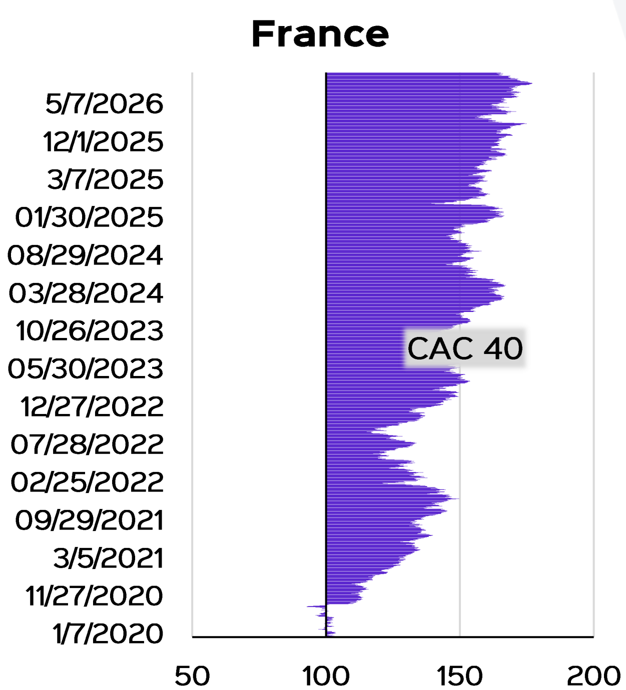
Global equity markets experienced a modest decline over the past month, reversing the previous broadly positive performance, as investor sentiment softened across major markets amid continued global economic and geopolitical uncertainties. Most major equity markets recorded slight declines, indicating some moderation in investor confidence following the gains observed in the previous month. Chinese equities also remained relatively weak, with the Shanghai Composite showing limited momentum. Overall, the broad-based moderation across major equity markets suggests a more cautious investor stance amid persistent macroeconomic uncertainties and evolving expectations regarding global monetary policy.

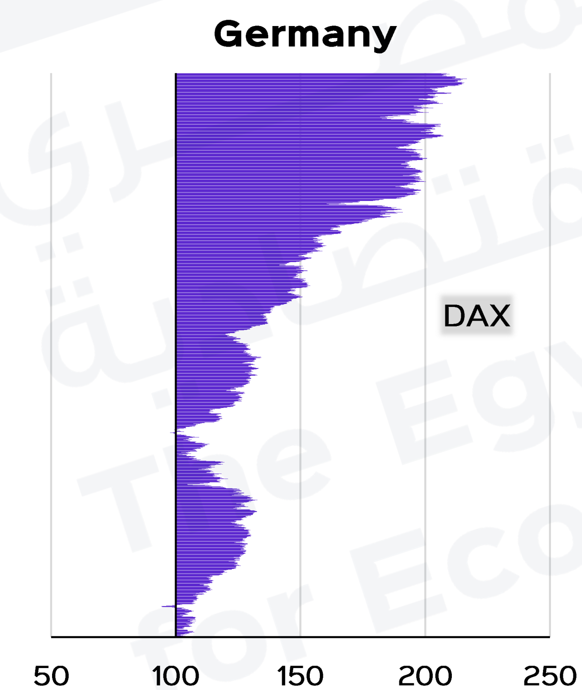


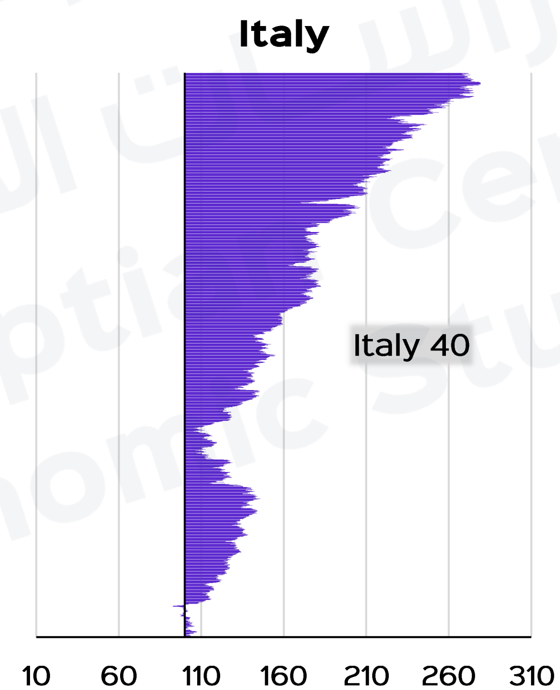


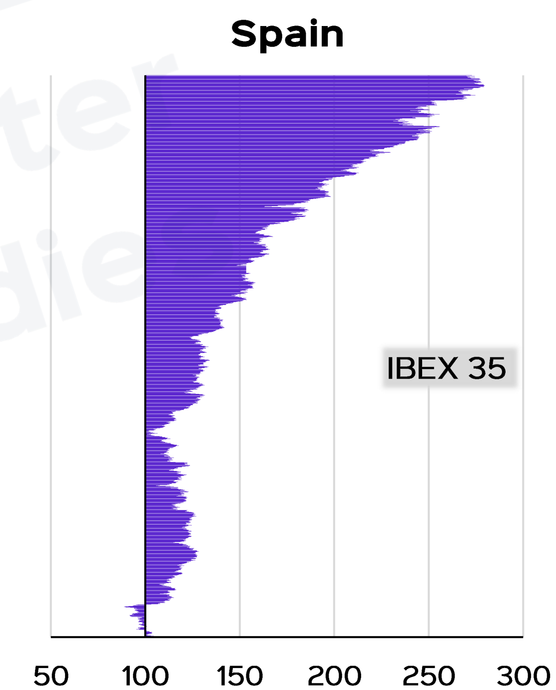






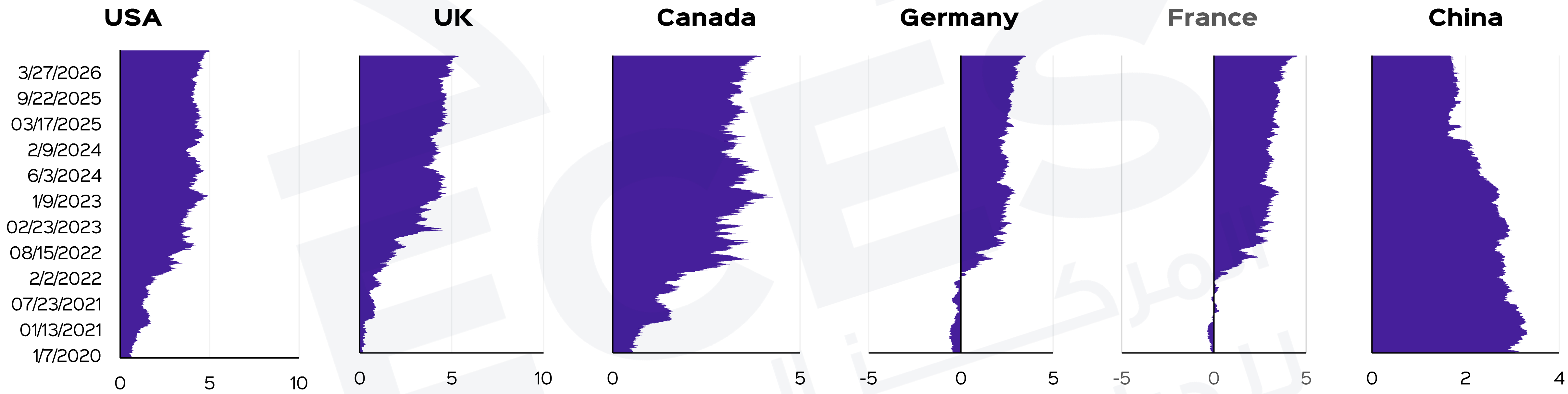




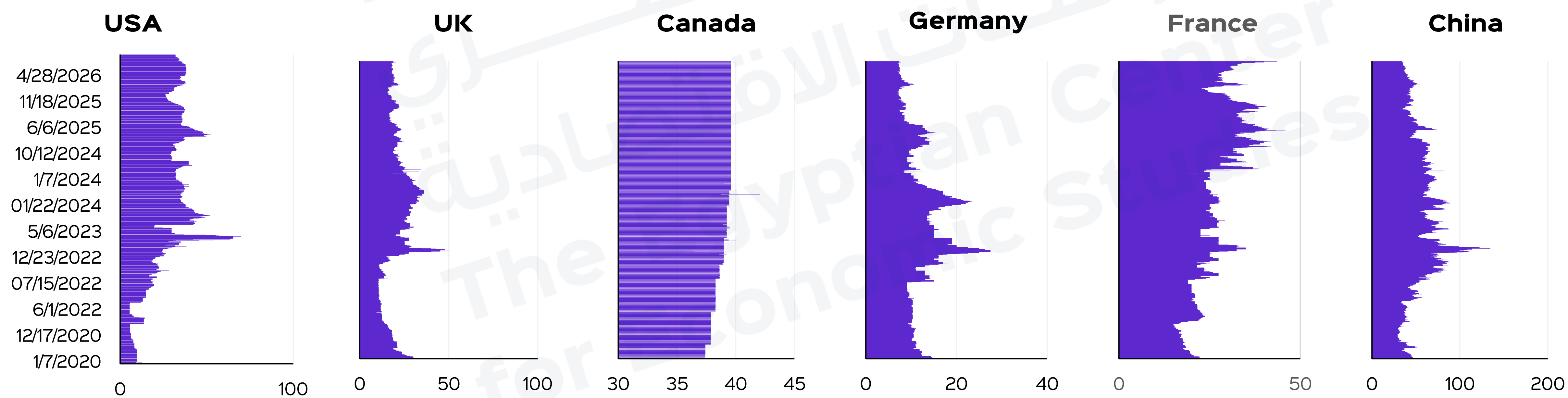


Sovereign bond markets came under renewed pressure over the past month, as government bond yields increased across major economies, while sovereign risk perceptions remained broadly stable with a notable increase in France. Ten-year government bond yields increased across most global markets, reflecting persistent uncertainty surrounding inflation and expectations of a cautious pace of monetary policy adjustment. Meanwhile, 5-year credit default swaps (CDSs) increased significantly in France, indicating a notable rise in perceived sovereign credit risk. Overall, the increase in bond yields points to higher borrowing costs across major economies, while sovereign risk developments remained relatively contained outside France.

10-Year Bond Yield



5-Year CDS

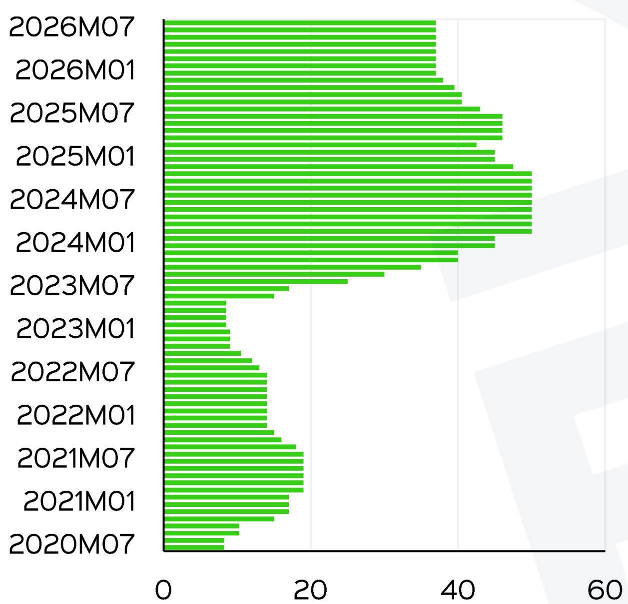


Inflation trends across emerging markets remained broadly stable over the past month, with limited changes across most selected economies, while India, South Korea, and South Africa recorded increases in inflation and Brazil experienced a decline. Inflation increased in India and South Korea, indicating renewed price pressures in both economies, while Brazil recorded a moderation in inflation. Meanwhile, inflation rates remained broadly unchanged across Turkey, unlike expectations. Overall, inflation developments remained relatively stable across emerging markets, with only a few economies recording notable changes over the past month.

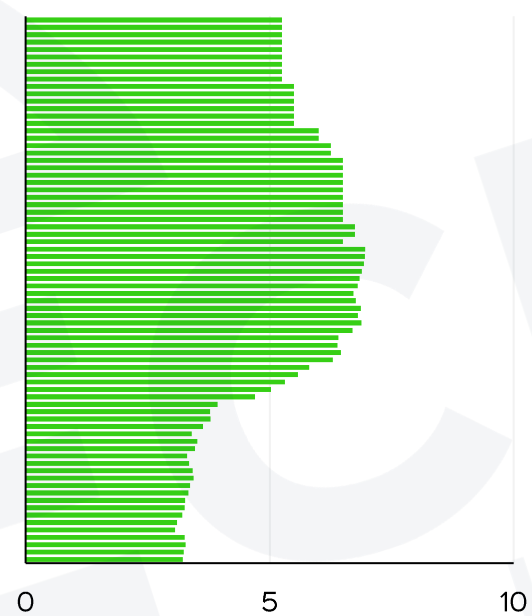
Note: Morocco did not release its inflation data last month.

Monetary policy across emerging markets remained broadly cautious over the past month, while policy rates increased in South Korea and the UAE, mimicking US Fed, while Brazil moved toward limited monetary easing and rates remained unchanged across most other selected economies. Policy rates increased in South Korea and the UAE, reflecting a continued focus on managing evolving domestic economic conditions and inflationary pressures. In contrast, Brazil recorded a slight policy rate cut, indicating some room for monetary easing as inflationary pressures moderated. Overall, monetary policy developments remained mixed, with most emerging markets Central banks maintaining policy stability.

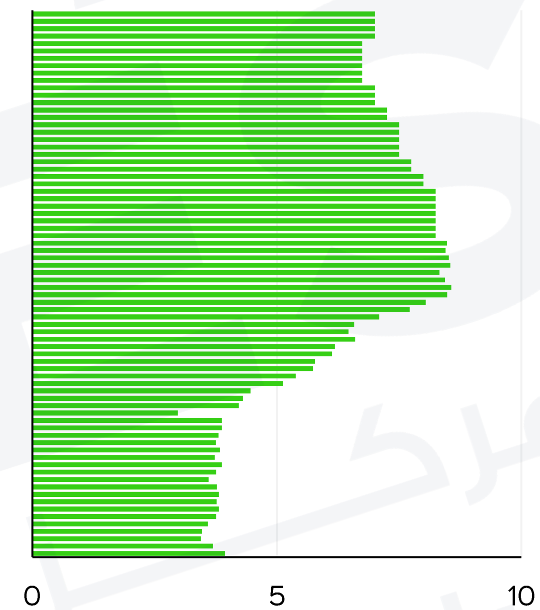
Turkey



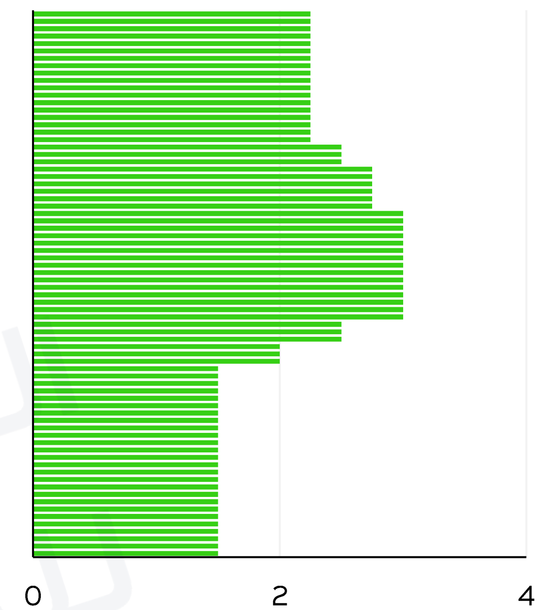
India



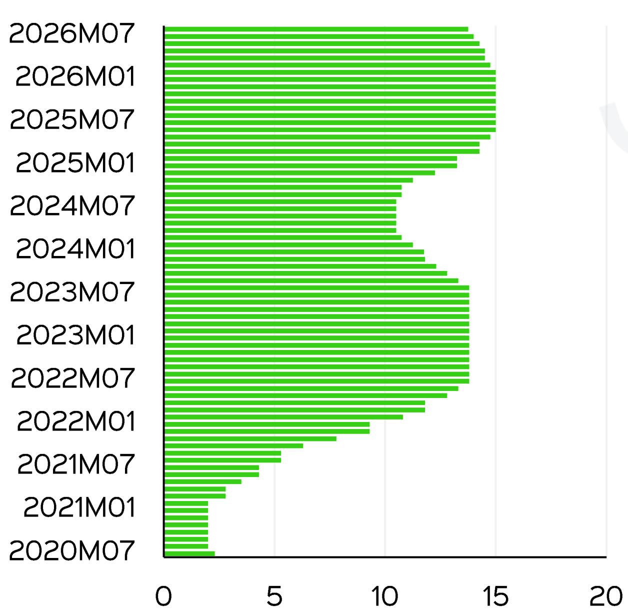
South Africa



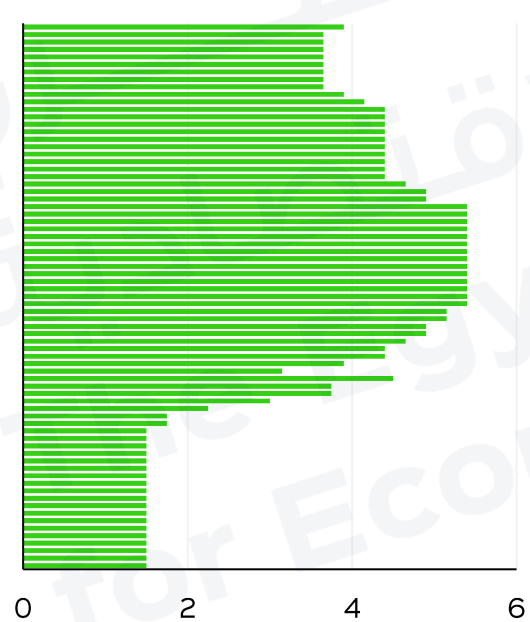
Morocco



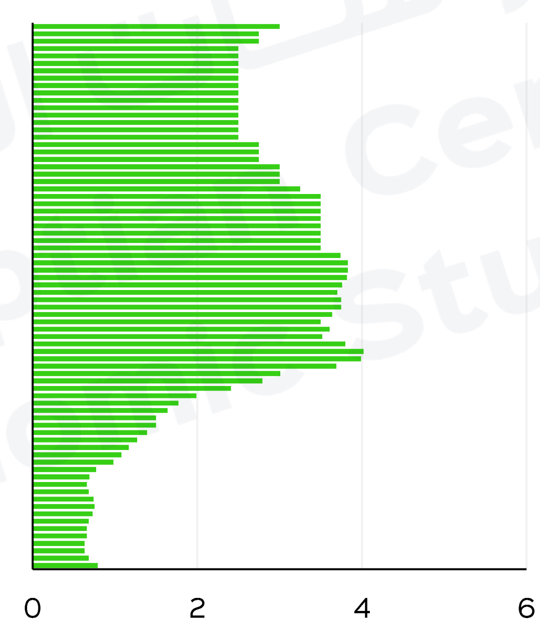
Brazil



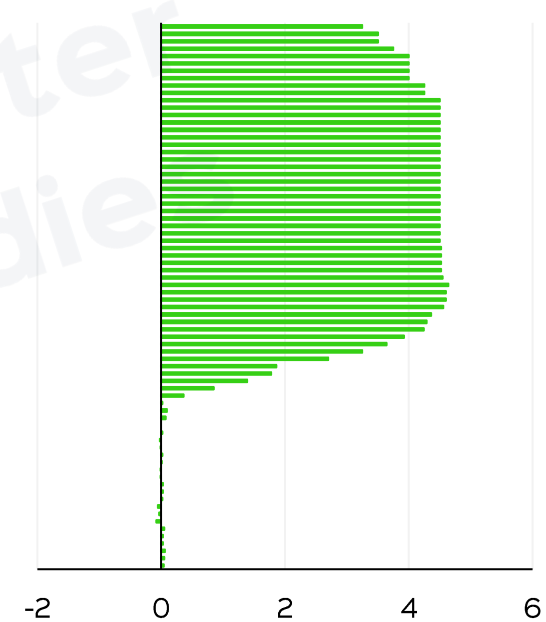
UAE



South Korea

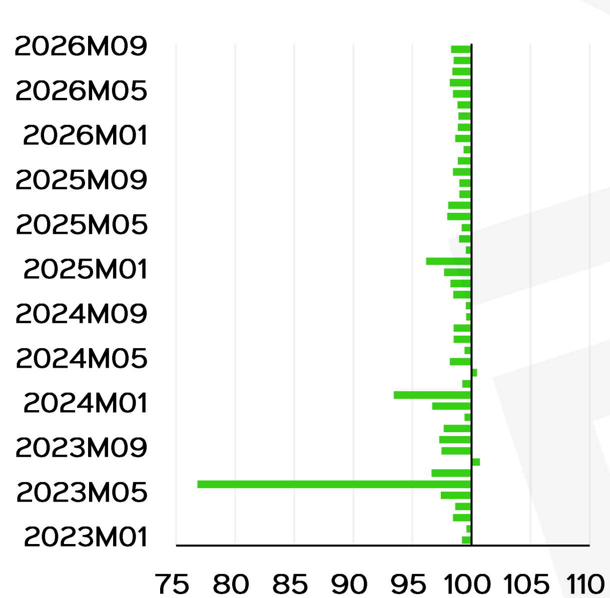


Israel

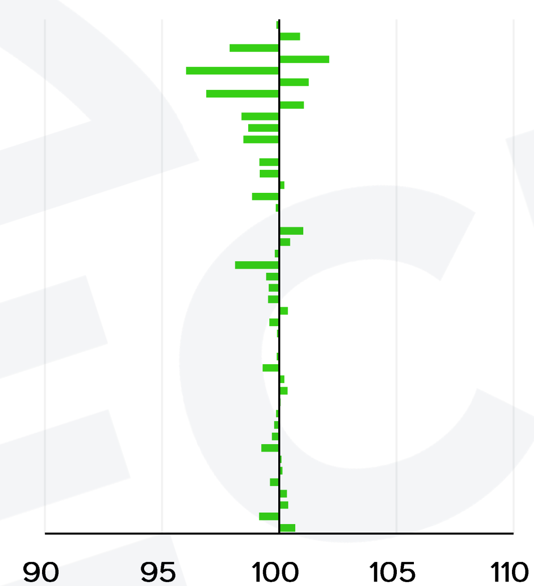


Emerging market currencies came under renewed pressure against the US Dollar over the past month, with most selected currencies weakening, while the Brazilian Real remained broadly stable and was the main exception to the broader depreciation trend. Emerging markets currencies generally recorded declines against the US Dollar, reflecting renewed dollar strength and continued pressure on emerging markets currencies. In contrast, the Brazilian Real remained broadly stable without a notable depreciation over the month. Overall, the latest movements indicate a broad-based strengthening of the US Dollar against most emerging markets currencies.

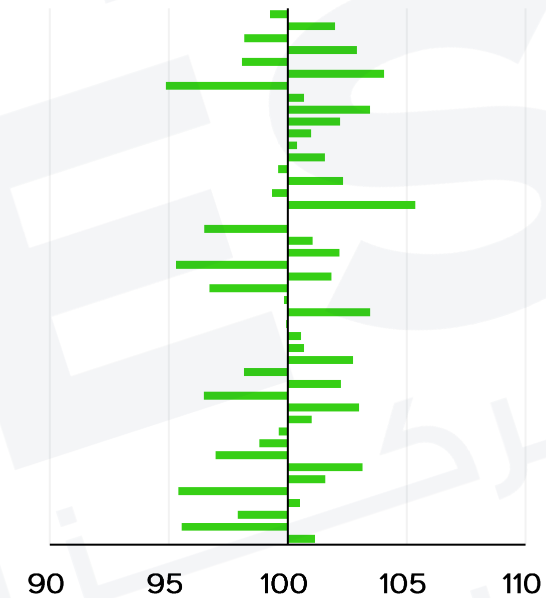
Turkish Lira



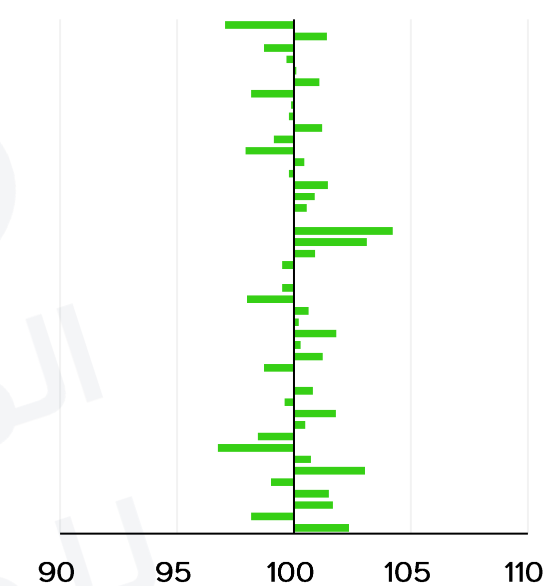
Indian Rupee



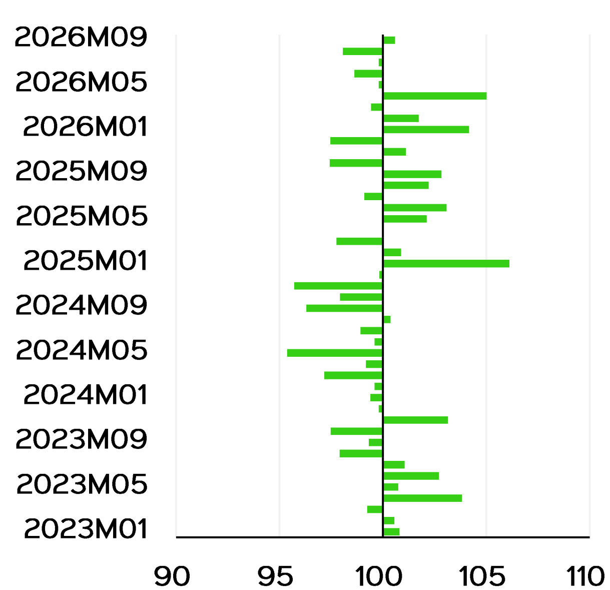
South African Rand



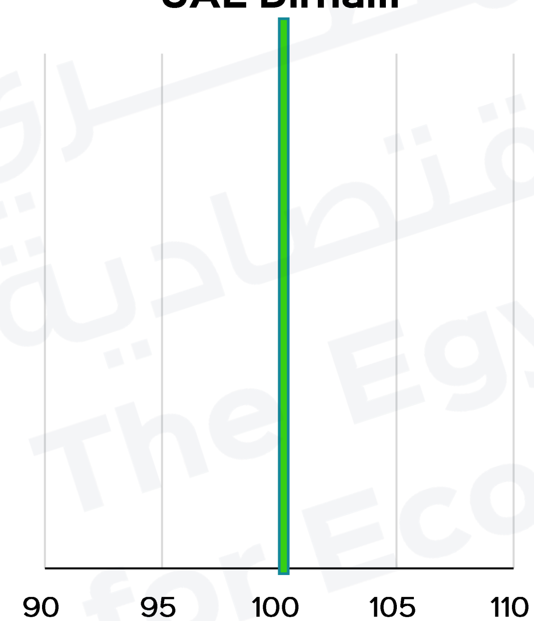
Moroccan Dirham



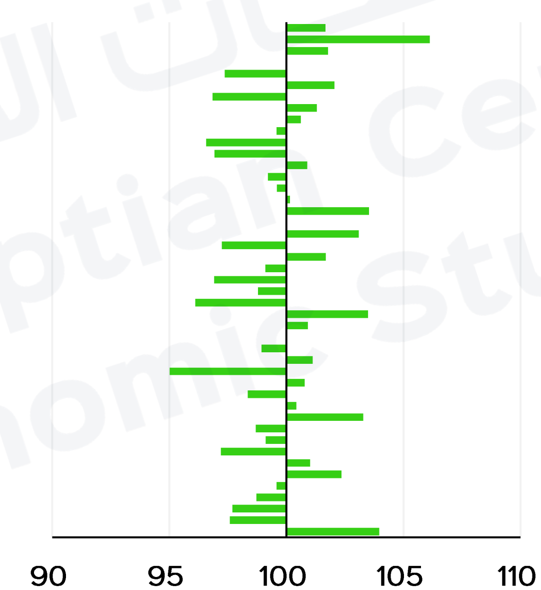
Brazilian Real



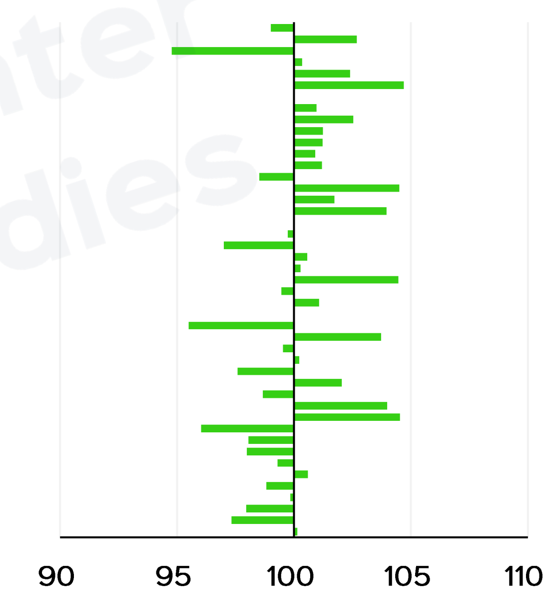
UAE Dirham



Korean Won

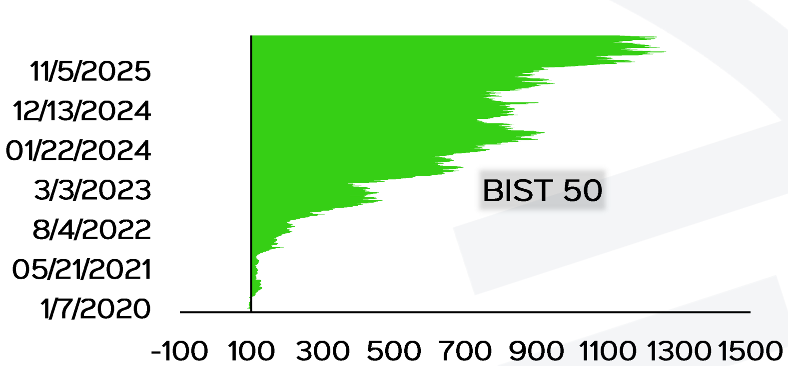


Israeli New Shekel

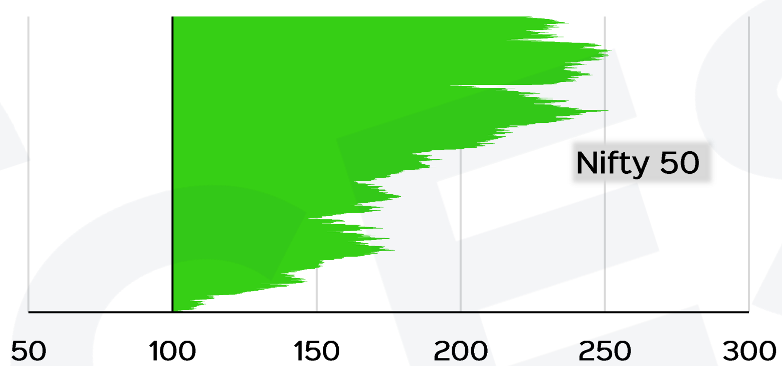


Emerging market equities maintained a broadly positive performance over the past month, although market movements remained volatile across most markets, with South Korea recording a slight decline. Emerging markets equities generally recorded gains despite noticeable fluctuations during the month, indicating continued positive market momentum amid changing investor sentiment. In contrast, South Korean equities edged down slightly, marking a modest reversal from the positive performance observed previously. Overall, emerging markets equities remained broadly resilient, with most markets continuing to record gains despite increased volatility and ongoing global uncertainties.

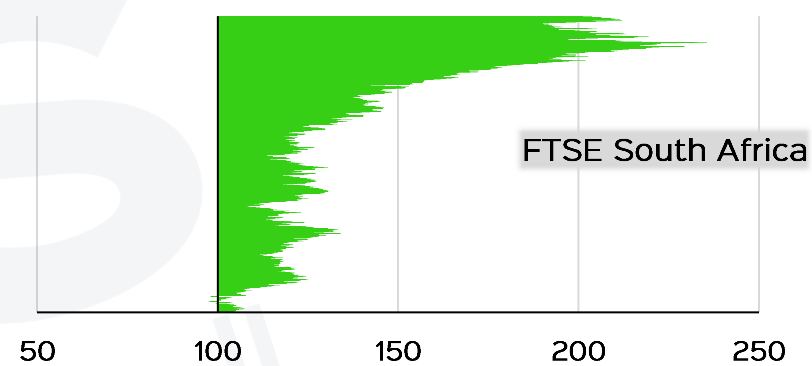
Turkey



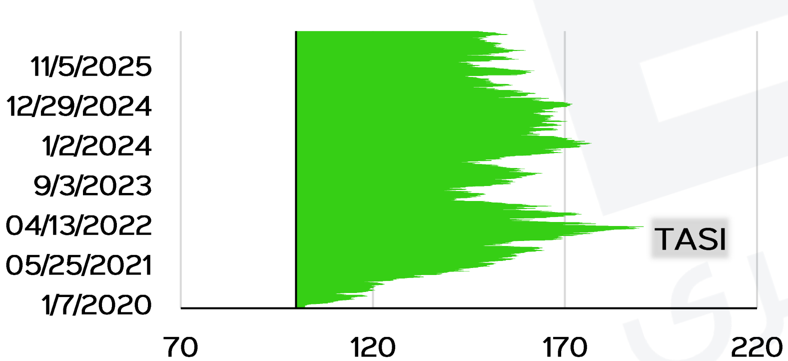
India



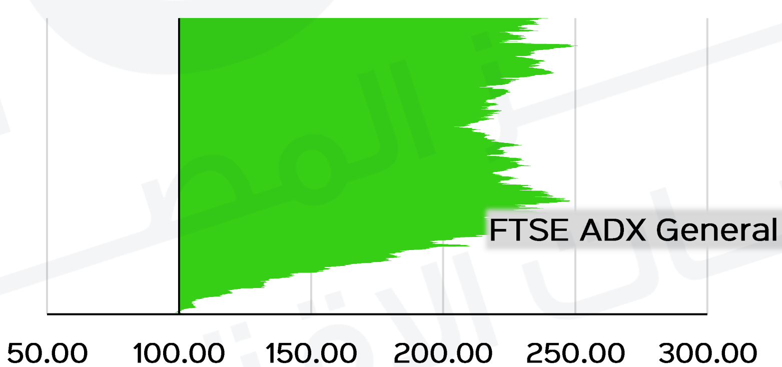
South Africa



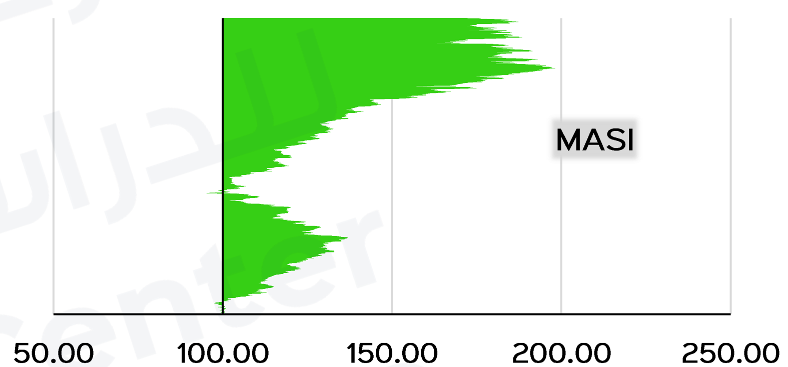
Saudi Arabia



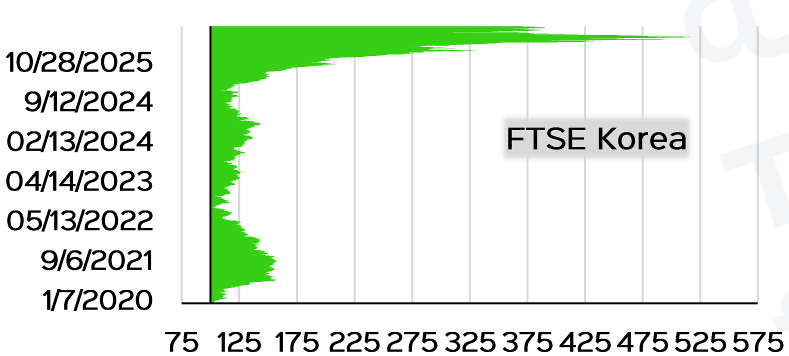
UAE



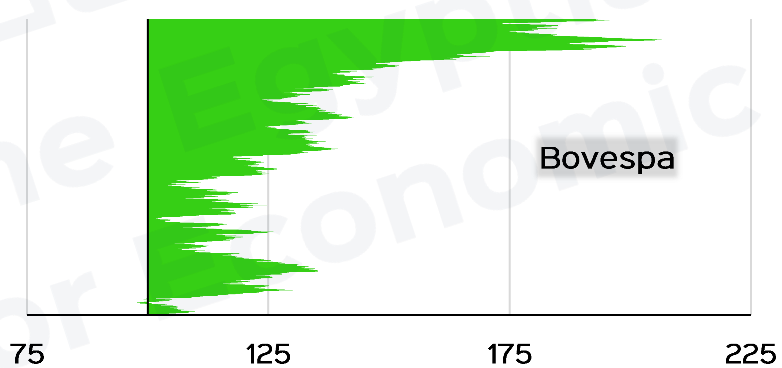
Morocco



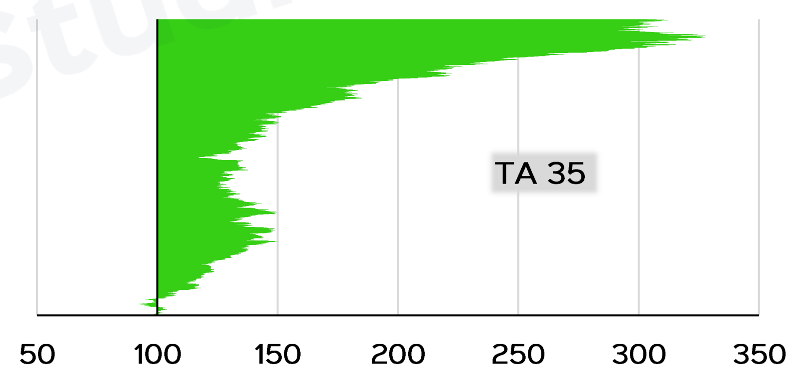
South Korea



Brazil

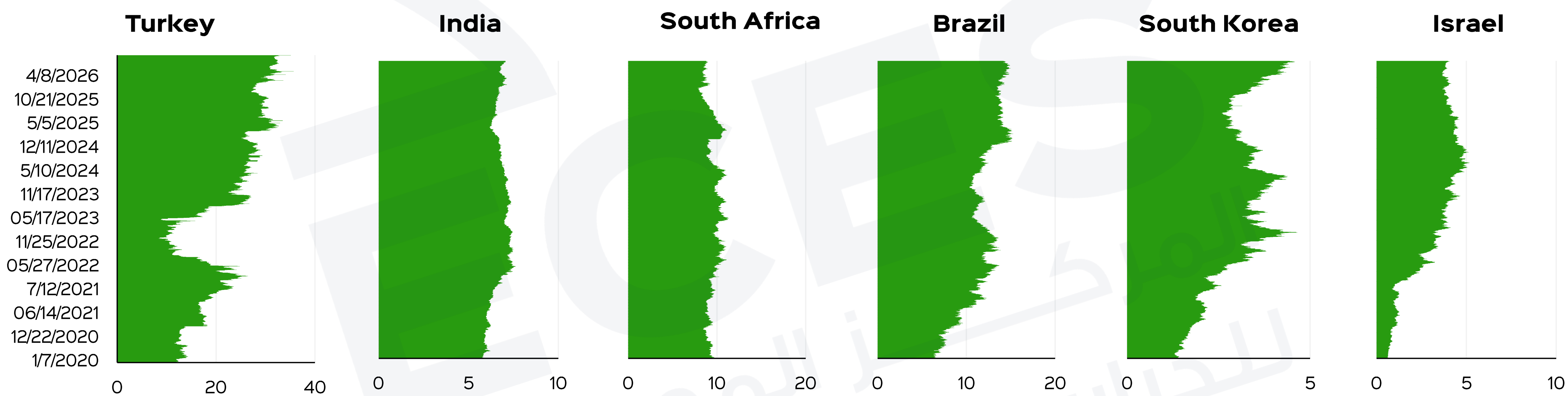


Israel

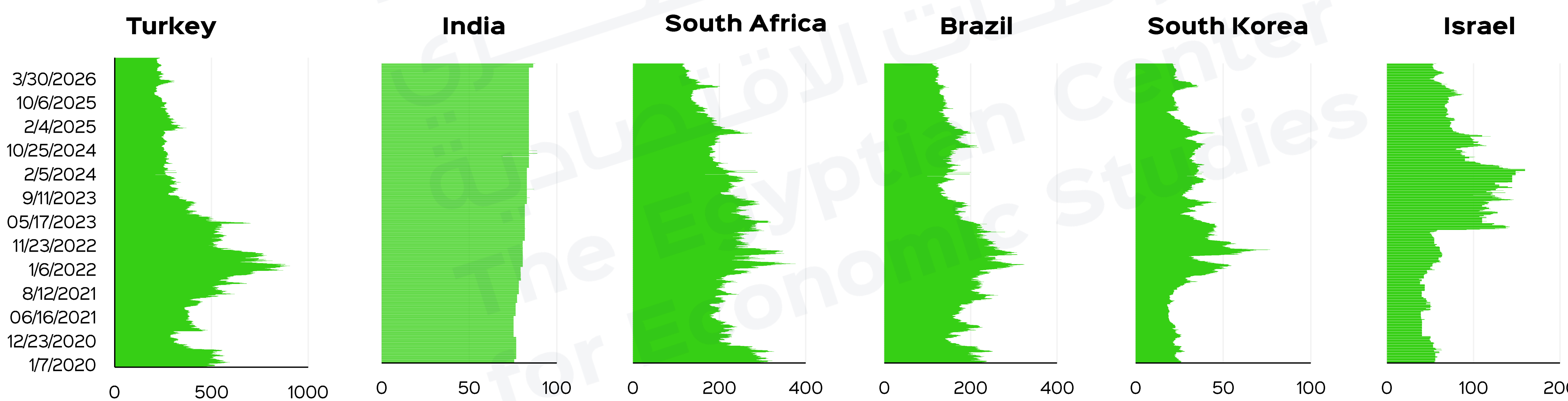


Sovereign bond markets across emerging economies remained under pressure over the past month, as ten-year government bond yields increased generally, while sovereign risk perceptions also increased, with only marginal declines in Brazil and South Korea, respectively. Ten-year government bond yields increased in most emerging markets, while Brazil recorded only a slight decline, indicating that borrowing costs remained broadly elevated across emerging markets. Meanwhile, 5-year CDSs increased across most selected economies, reflecting higher perceived sovereign risk, while South Korea recorded a marginal decline. Overall, emerging economies bond markets remained under pressure, with higher yields and sovereign risk premiums prevailing across most markets.

10-Year Bond Yield



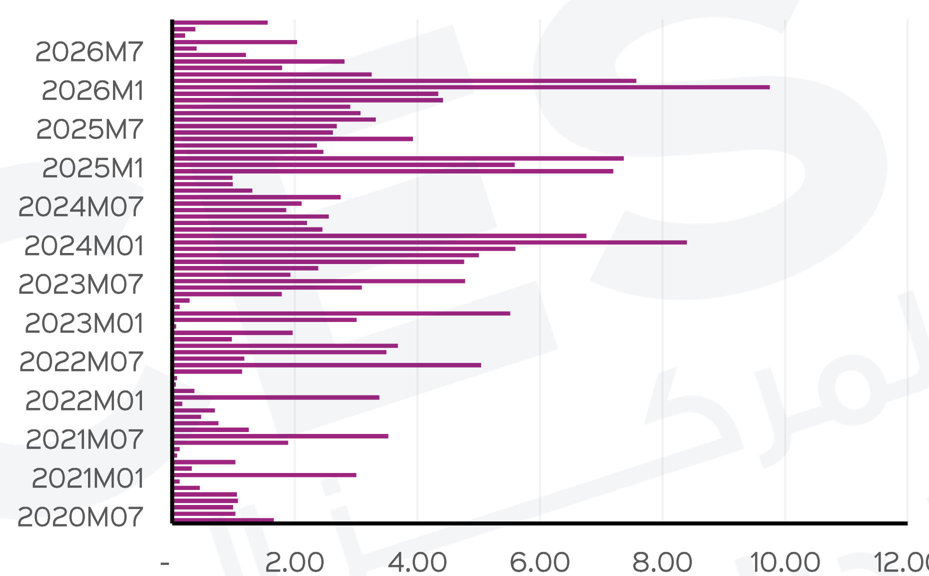
5-Year CDS



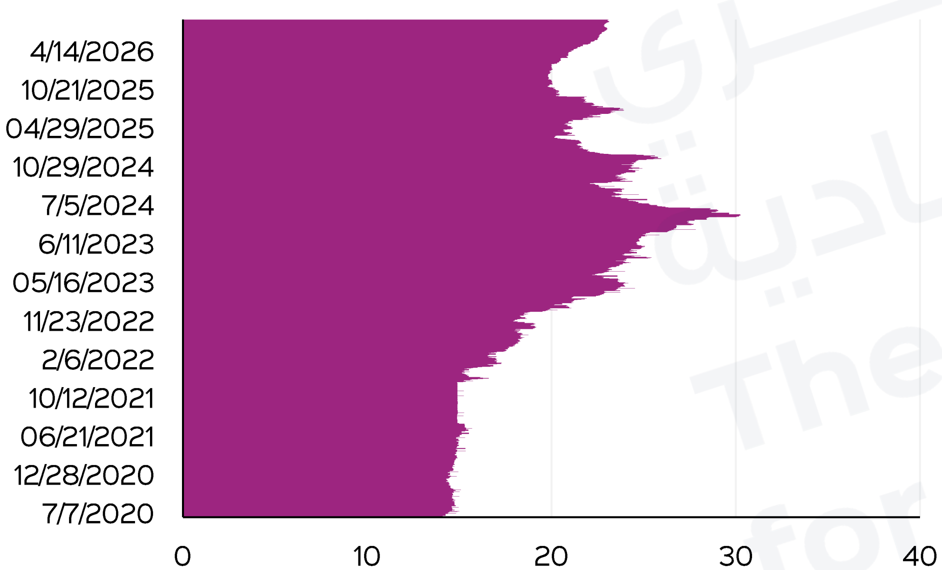
Egypt external financing conditions remained broadly stable, despite being high, over the past month, as external debt levels were unchanged, while borrowing costs and sovereign risk perceptions slightly increased. Total external debt remained broadly unchanged, indicating a stable external debt position over the period, despite being at a high level. Meanwhile, Egypt 10-year government bond yield increased slightly, reflecting a marginal rise in borrowing costs, while the 5-year CDS also edged higher, pointing to a very limited increase in perceived sovereign risk. Overall, external financing conditions remained relatively stable in the short term, with only modest movements in market-based financing indicators.

Total External Debt (bn $)*

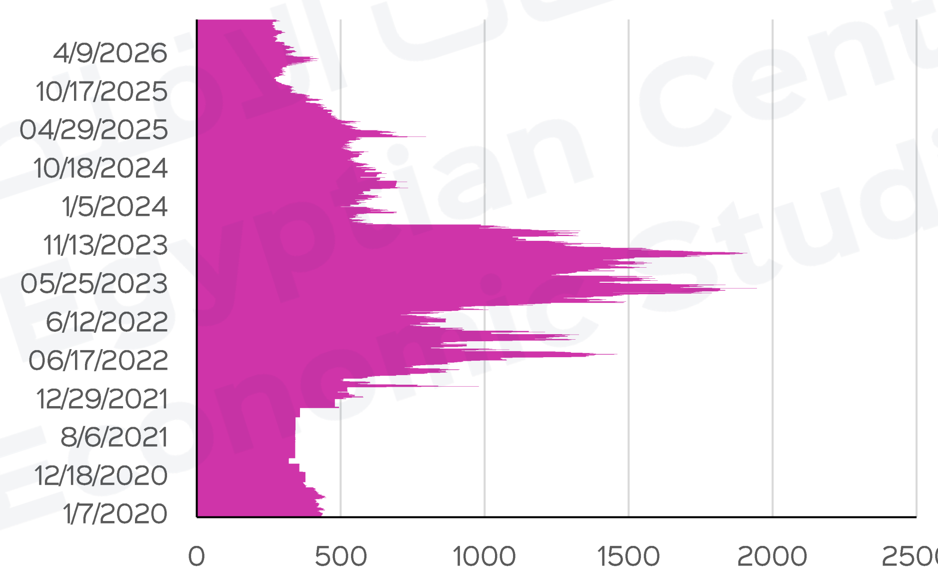
External Debt Service (bn $)*



Egypt 10-Year Bond Yield



5Y CDS, Egypt

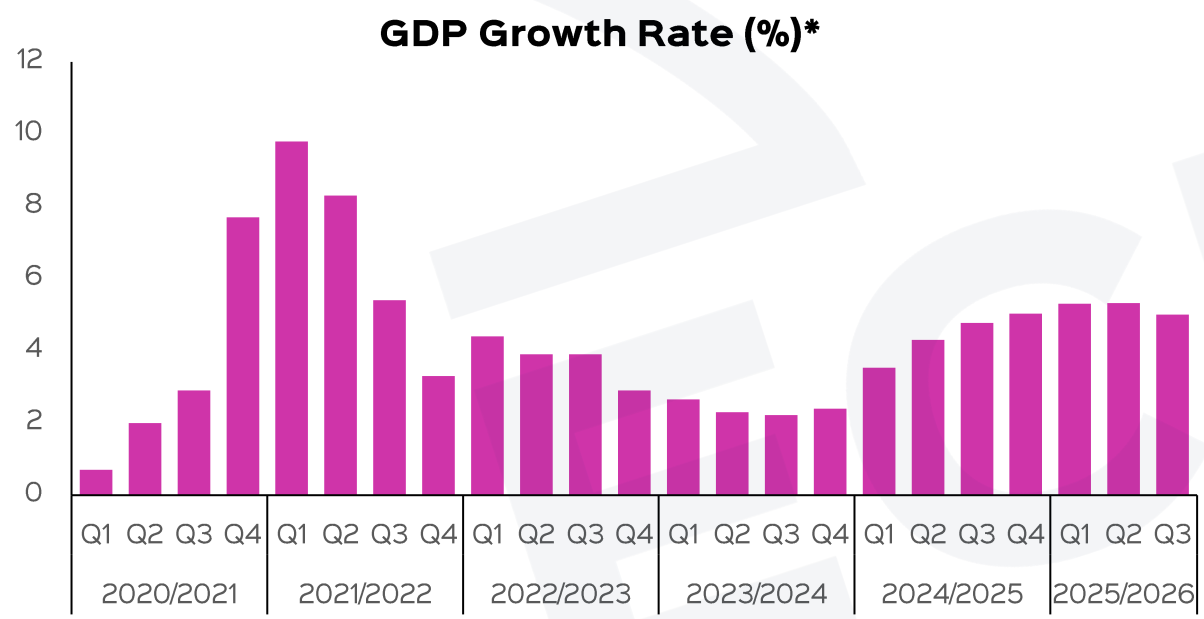


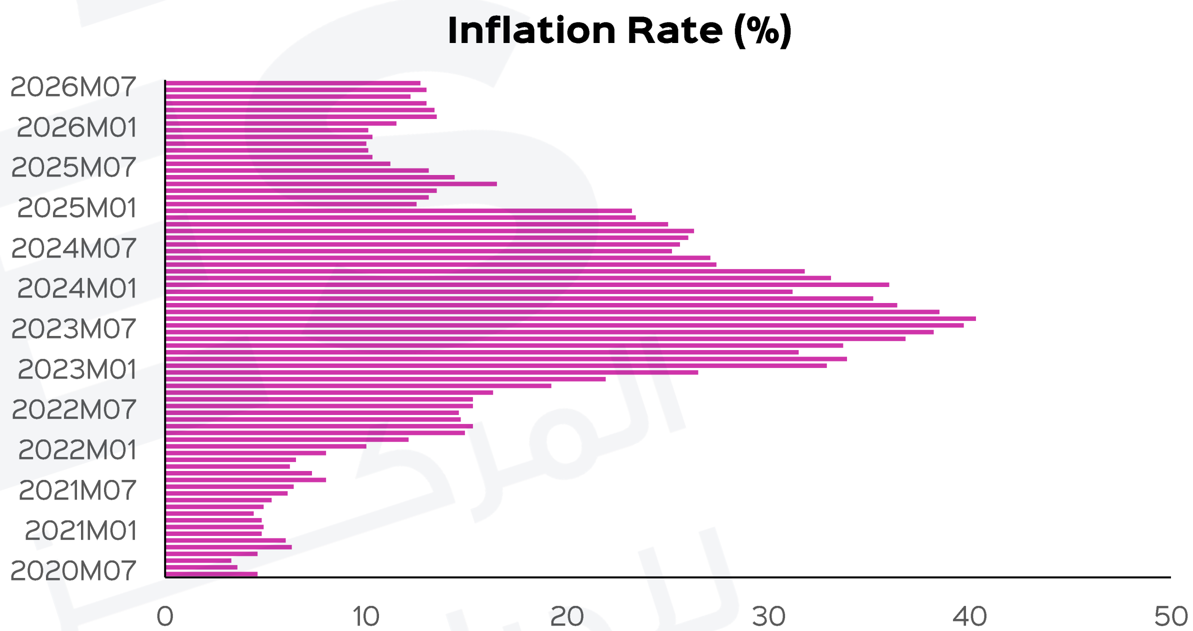
S&P Global Ratings
B Stable

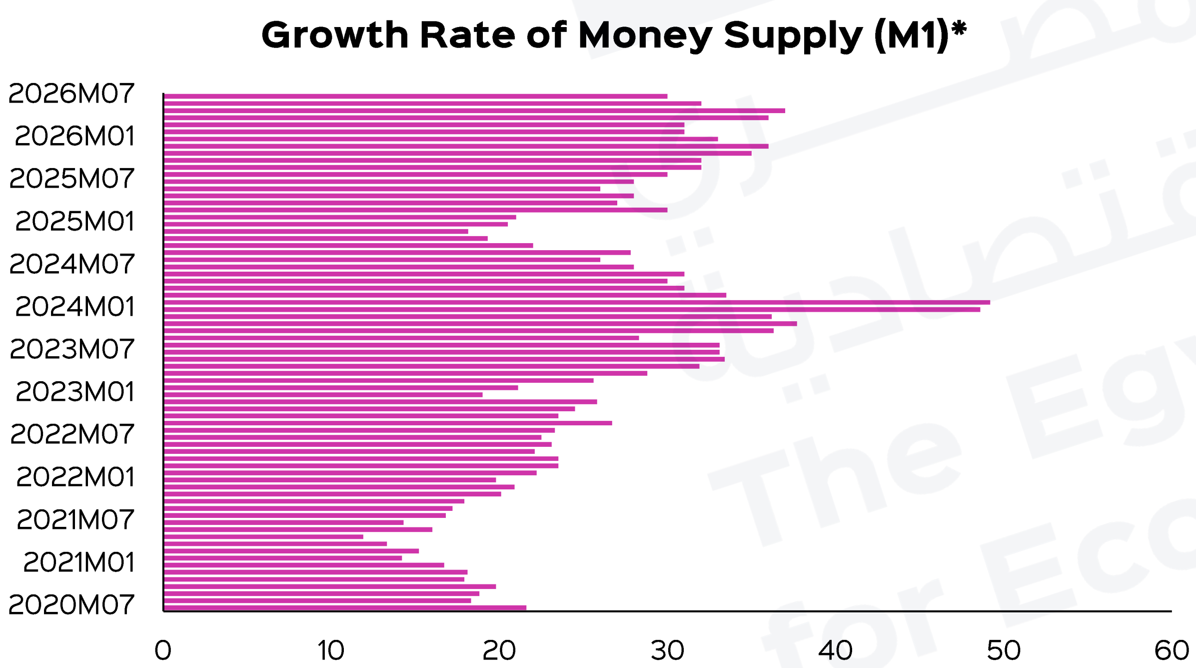
Fitch Ratings
B Stable

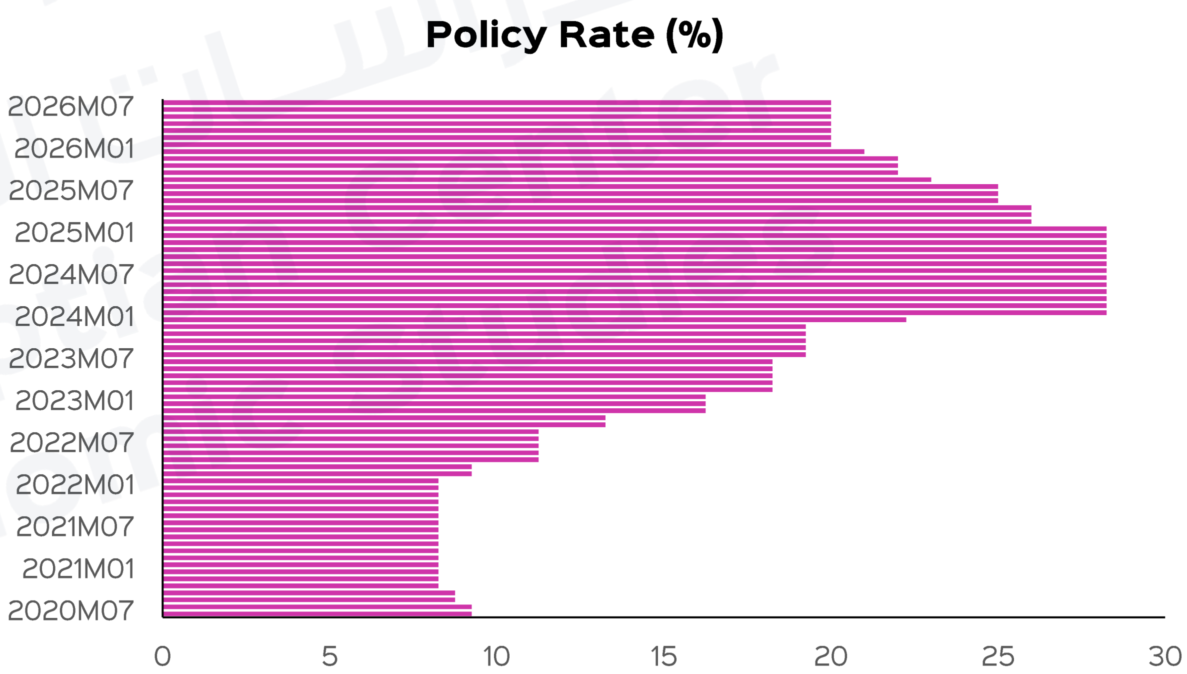
Moody's INVESTORS SERVICE
Caa1 Positive

Egypt macroeconomic developments remained broadly stable over the past month, with a slight moderation in inflation and slower money supply growth, while the Central Bank maintained its policy rate unchanged amid a shift toward tighter monetary policy in some major economies. Inflation edged down only marginally, indicating that price pressures remained broadly persistent despite the slight moderation. Meanwhile, the growth rate of money supply (M1) declined, pointing to slower growth in domestic liquidity. At the same time, the Central bank kept its policy rate unchanged, maintaining a cautious stance while continuing to monitor inflation dynamics and domestic economic conditions, at a time where most global Central banks are raising policy rates.



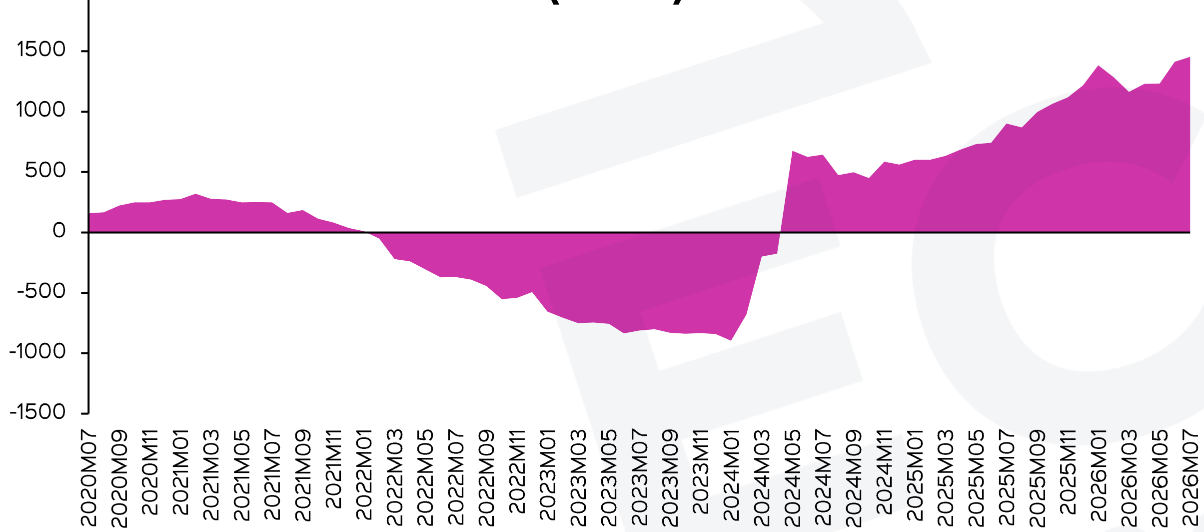




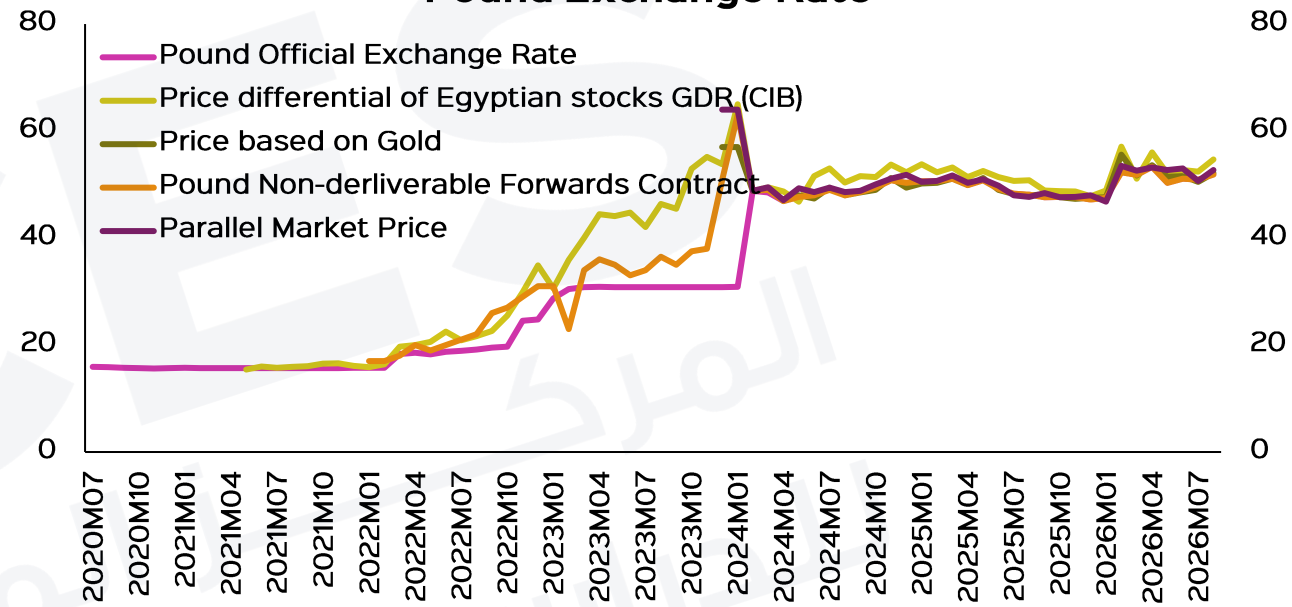


Egypt external sector indicators continued to show stability over the past month, supported by higher net foreign assets and international reserves, while financial market performance remained resilient despite a weakening of the Egyptian Pound and a decline in remittances, leaving the overall situation cautious and mixed. Net foreign assets of the banking system and net international reserves continued to increase. Meanwhile, the Egyptian Pound weakened against the US Dollar, with the exchange rate increasing across the market. In addition, remittances from Egyptians working abroad declined during the latest quarter. Overall, the external position showed mixed developments, with stronger reserve and liquidity indicators alongside renewed exchange-rate pressures and lower remittance inflows.

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

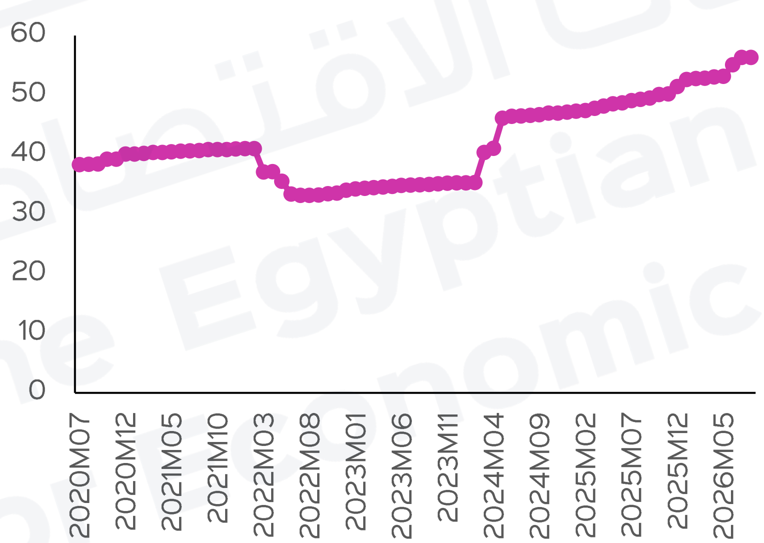


Pound Exchange Rate

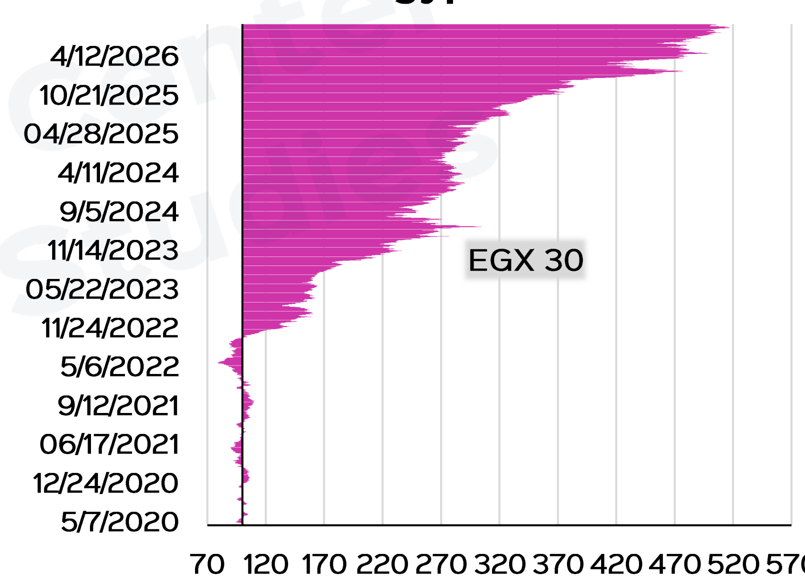


Remittances of Egyptians working abroad (bn $)

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

Annex 1: Methodology

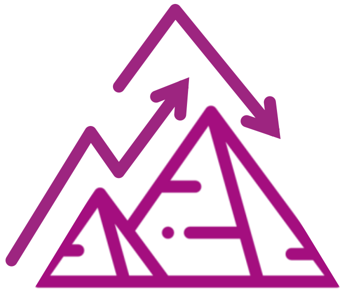
Global Markets

- 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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