

ECES
المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

Financial Markets Snapshot

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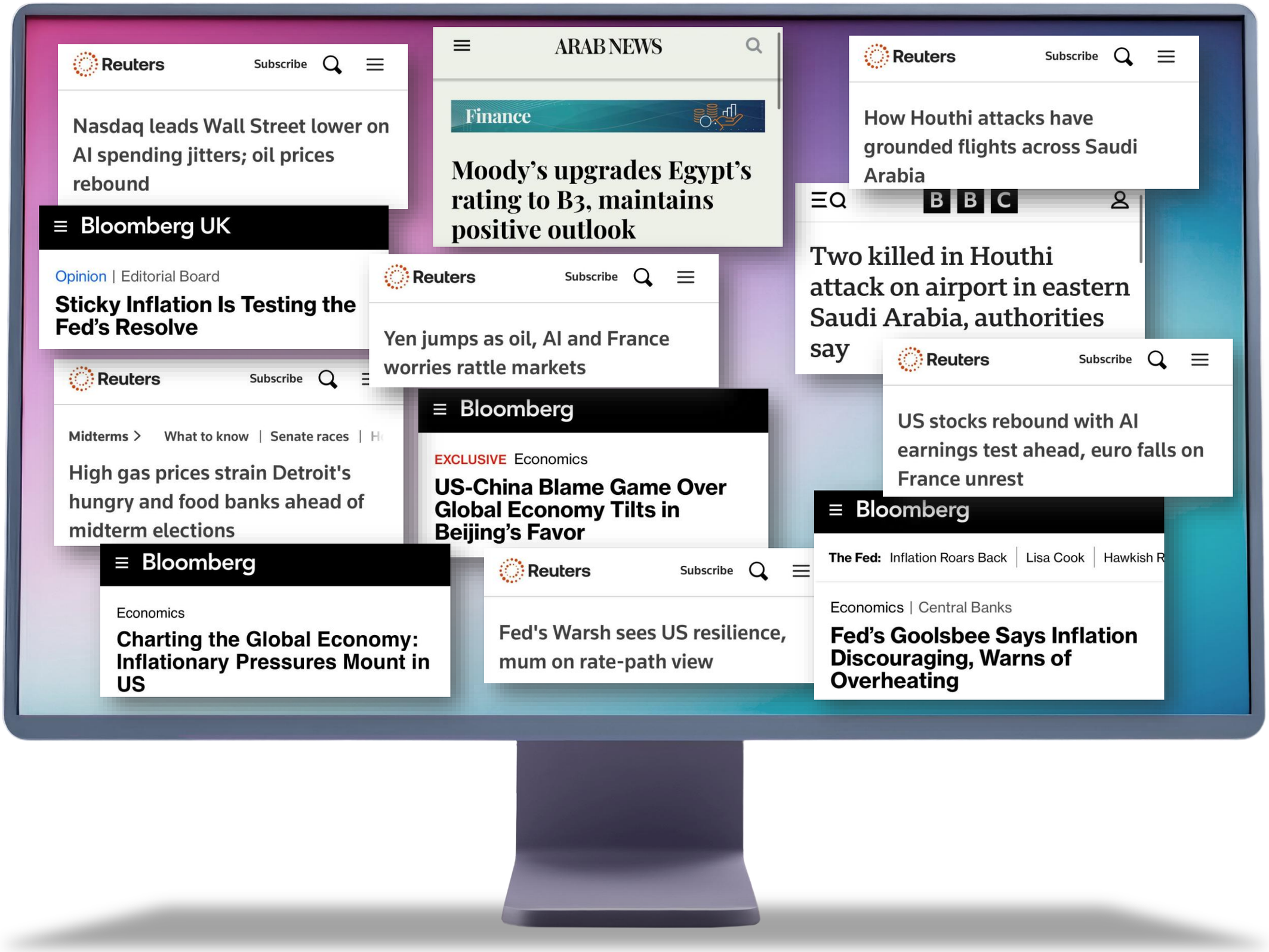




About The Report

- The report explores the linkages between global, emerging and local financial markets, trying to examine the changes taking place in the global markets, and how they reflect on emerging markets, which in turn have implications on the local Egyptian economy and its financial markets. The cascading impact is one of the most prevalent characteristics of financial markets.
- The report targets economic policy makers, the business community, financial institutions, economic actors and the public in general, thus, the report uses simple terminology and tries to explain different economic and financial terms in layman's terms as much as possible.
- The report is descriptive, aiming at plotting the current state of the Egyptian economy as a result of the different financial market dynamics. It is not in any way prospective, thus no future forecasts are provided for the different economic indicators. The report is not prescriptive either, thus no policy advice is provided to policy makers or economic actors.
- The report is issued on a monthly basis and tries to highlight the changes across the different markets and across the different indicators and their interlinks.
- Data in the report is presented mainly in rates such as inflation rates or interest rates or in an indexed format, with base points at 100 to ease comparison and analysis across different countries and indicators.

Latest News – Key Headlines



Analysis – Key Takeaways

Global Markets

- Commodity markets continued to record broad-based price increases over the past month, with most major energy and agricultural commodities rising, while tea and iron ore prices edged down marginally.
- Global inflationary pressures increased further over the past month, while major Central banks maintaining their policy rates at the levels established following their latest rate adjustments. Meanwhile, the US Dollar remained strong against most major currencies, which continued to weaken.
- Global equity markets showed mixed performance over the past month, with some major markets recording slight gains, while others experienced modest declines, yet turbulence has been a common theme.
- Bond yields across most global markets edged higher as inflation increased. CDSs spiked across different EU markets, reflecting the increased geopolitical risks across major economies.

Emerging Markets

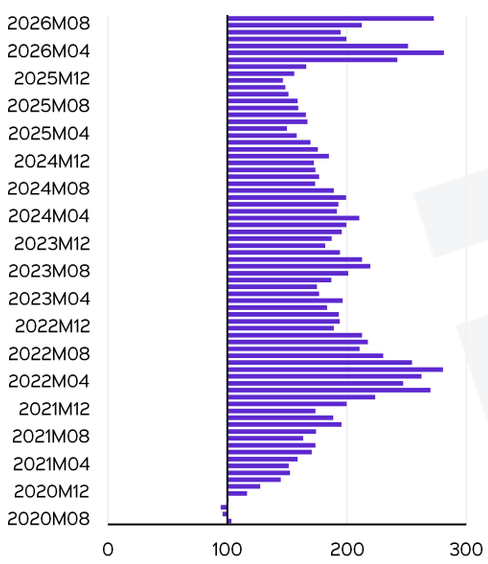
- Inflation trends across emerging markets showed mixed movements over the past month, with a sharp increase in India, modest increases in South Africa and Brazil, and declines in several other selected economies.
- Monetary policy across emerging markets showed mixed developments over the past month, with policy rates rising in India and South Africa, while other selected economies largely maintained their current rates.
- Emerging market currencies remained under pressure against the US Dollar over the past month, although a few currencies recorded slight improvements or relative stability.
- Emerging markets equities showed generally negative performance over the past month, with most selected markets recording declines.
- Sovereign bond markets across emerging economies have generally edged higher the past month, as ten-year government bond yields increased a bit or remained stable, while sovereign risk premiums stayed elevated across all selected markets due to geopolitical risks.

Egyptian Local Market

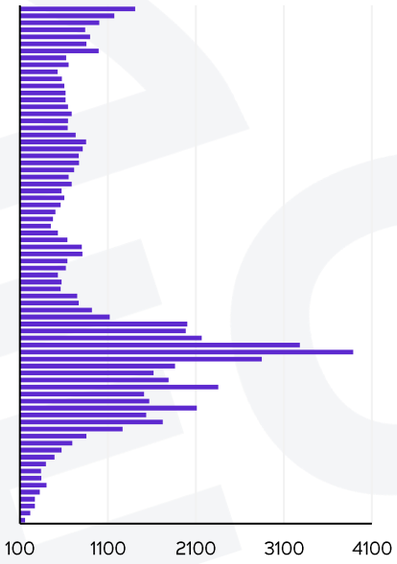
- Egypt external financing conditions remained challenging over the past month, as external debt and debt service obligations stayed elevated, while borrowing costs and sovereign risk premiums increased, despite the improvement in rating conditions.
- Egypt macroeconomic indicators showed mixed developments over the past month, with GDP growth declining, while on the other hand, money supply growth declined for the second month in a row, allowing inflation and policy rate to remain stable.
- Egypt's external sector indicators showed mixed developments over the past month, as net foreign assets and international reserves increased, while the Egyptian Pound weakened further against the US Dollar, coupled with a sell-off in the stock market. These conflicting movements highlight growing uncertainty, potential mistrust in the economy, and heightened vulnerability amid rising geopolitical risks.

Commodity markets continued to record broad-based price increases over the past month, with most major energy and agricultural commodities rising, while tea and iron ore prices edged down marginally. Brent crude oil, natural gas, palm oil, wheat, and rice prices increased, reflecting evolving global supply-demand conditions and continued pressures across energy and agricultural markets. In contrast, tea and iron ore recorded slight declines, although these movements remained limited. Overall, upward price movements continued to dominate across most commodity groups, indicating that commodity markets maintained a broadly positive price trajectory over the past month, with increasing geopolitical risks.

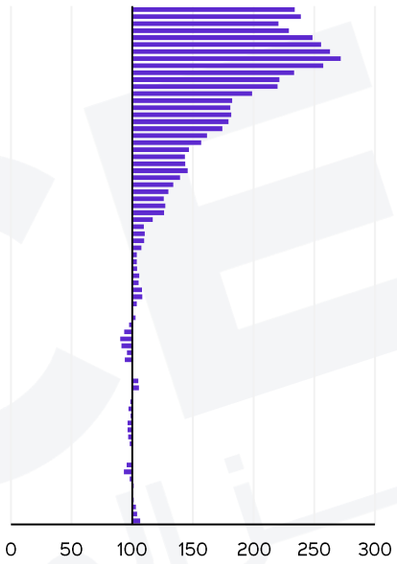
Crude Oil, Brent



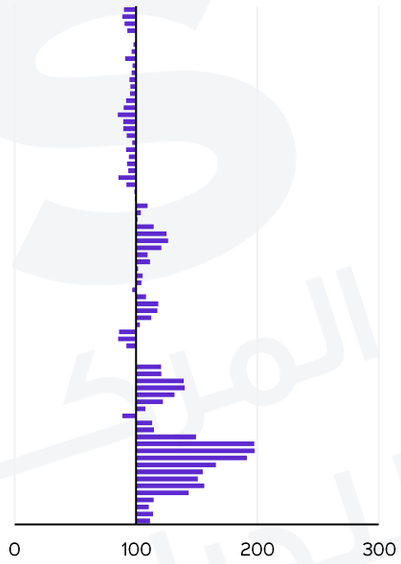
Natural Gas



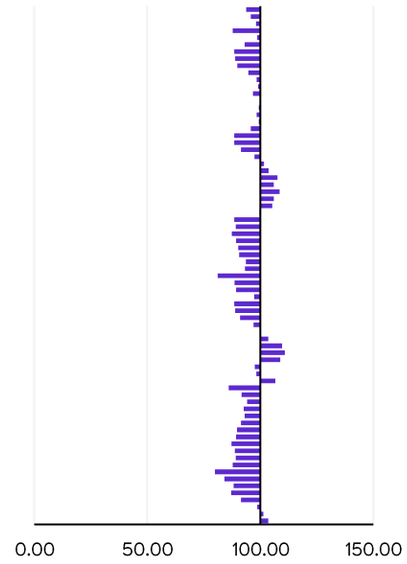
Gold



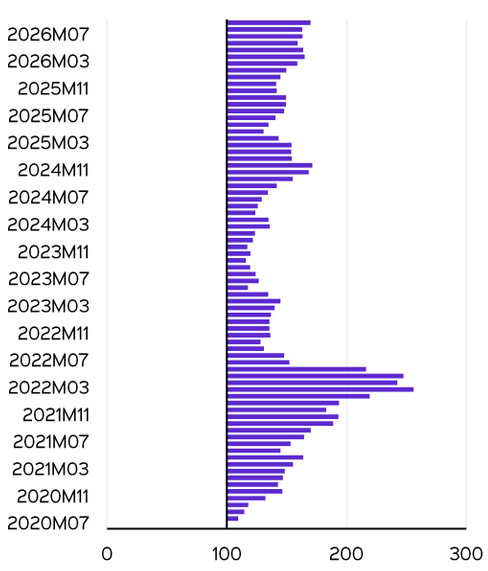
Iron ore



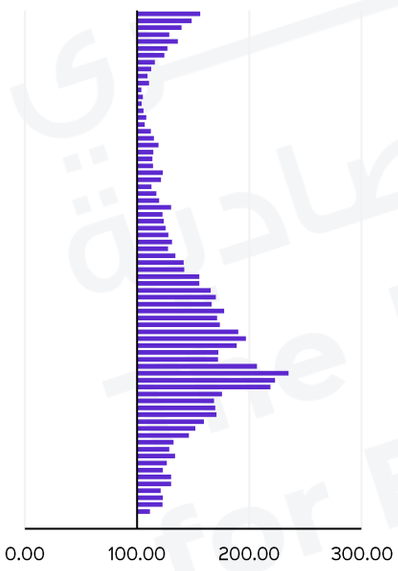
Tea



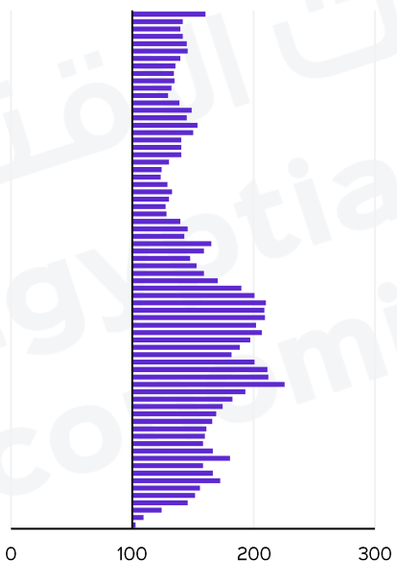
Palm oil



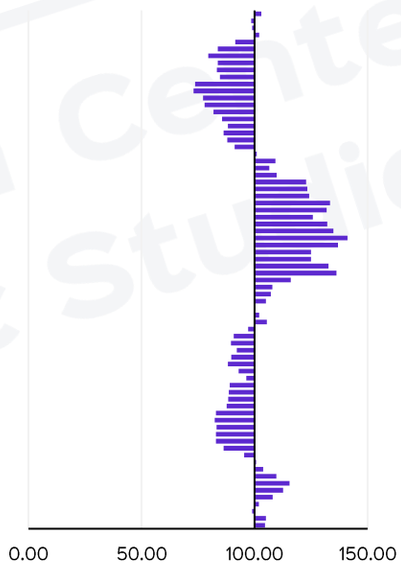
Wheat



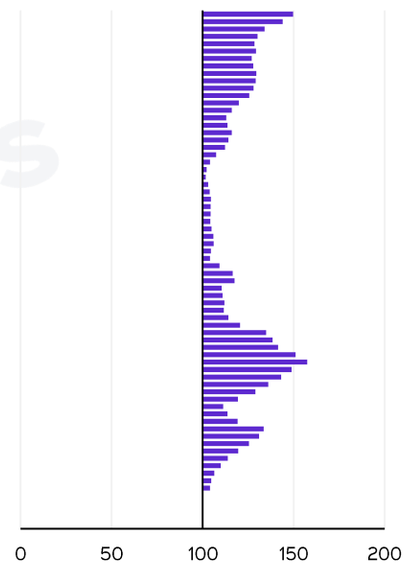
Maize



Rice

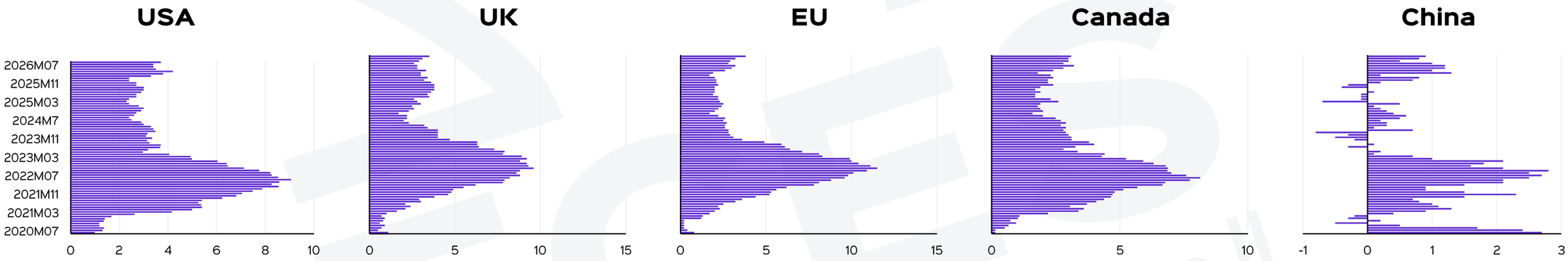


Bovine meat

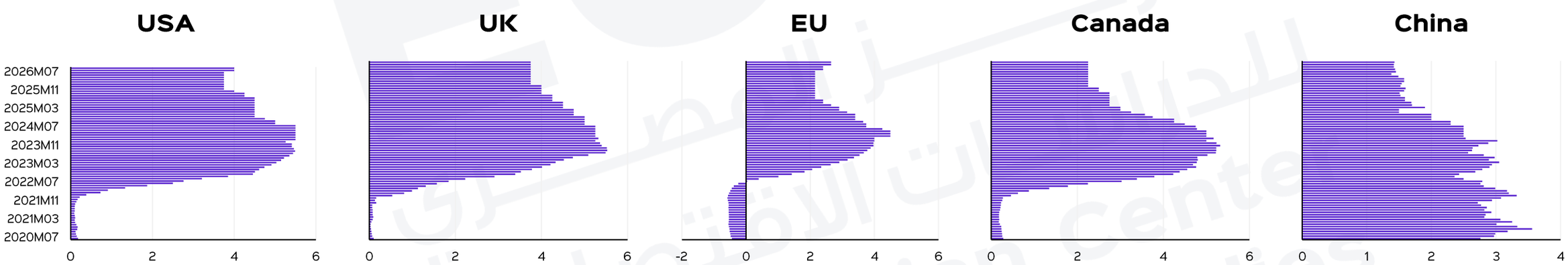


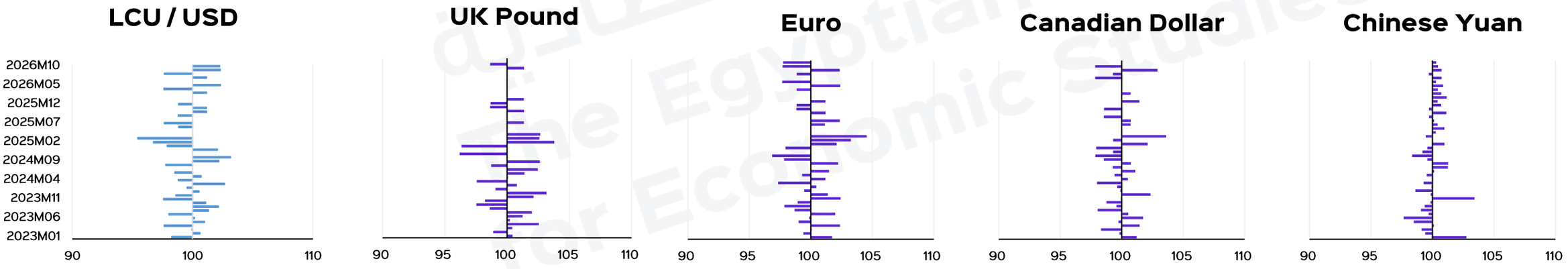
Global inflationary pressures increased further over the past month, while major Central banks maintaining their policy rates at the levels established following their latest rate adjustments. Meanwhile, the US Dollar remained strong against most major currencies, which continued to weaken. Inflation increased across the US, UK, Eurozone, Canada, and China, pointing to renewed price pressures across major economies. Despite these increases, Central banks kept policy rates unchanged, maintaining their current monetary policy stance while assessing inflation developments and the broader economic outlook. Meanwhile, the US Dollar maintained its strength against major global currencies.

Inflation Rate

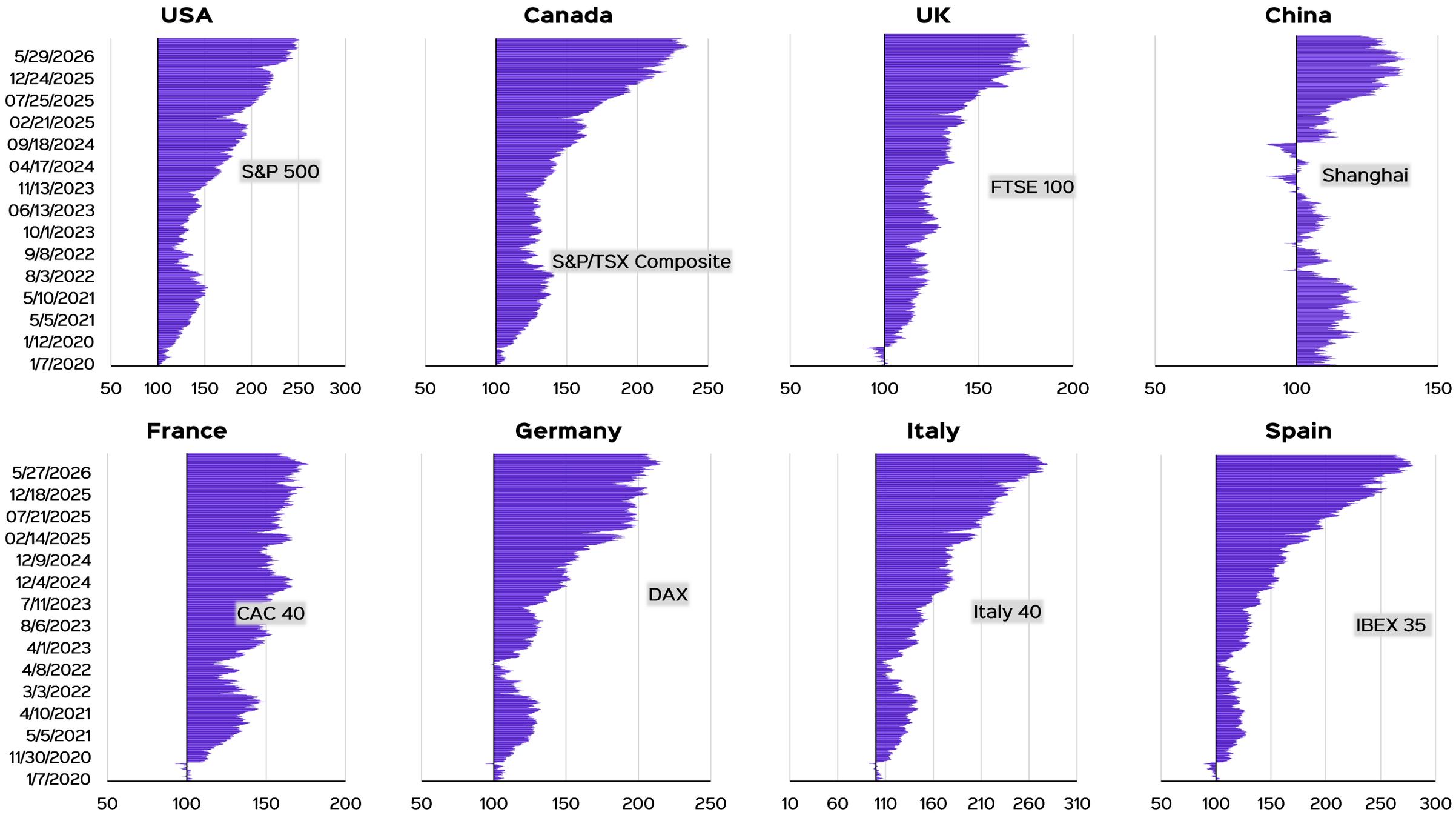


Policy Rate



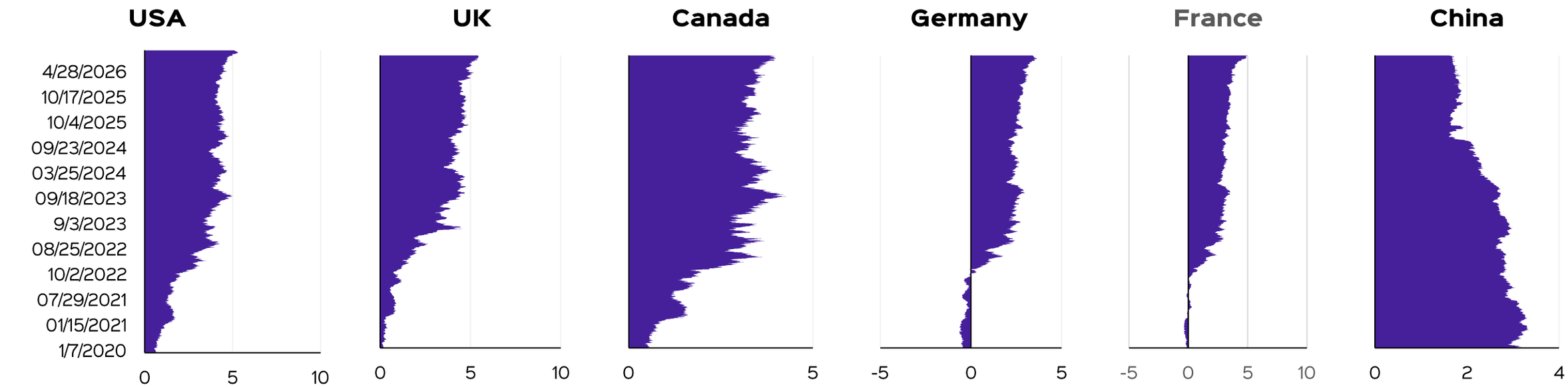


Global equity markets showed mixed performance over the past month, with some major markets recording slight gains, while others experienced modest declines, yet turbulence has been a common theme. Equity markets in the US, Canada, the UK, and Italy edged higher, reflecting a modest improvement in market performance. In contrast, German, French, and Spanish equities recorded slight declines, while Chinese equities also weakened, indicating continued unevenness in investor sentiment across major economies. Overall, global equity markets showed mixed, but generally positive performance, with modest gains across most markets offset by declines in selected European and Chinese markets.

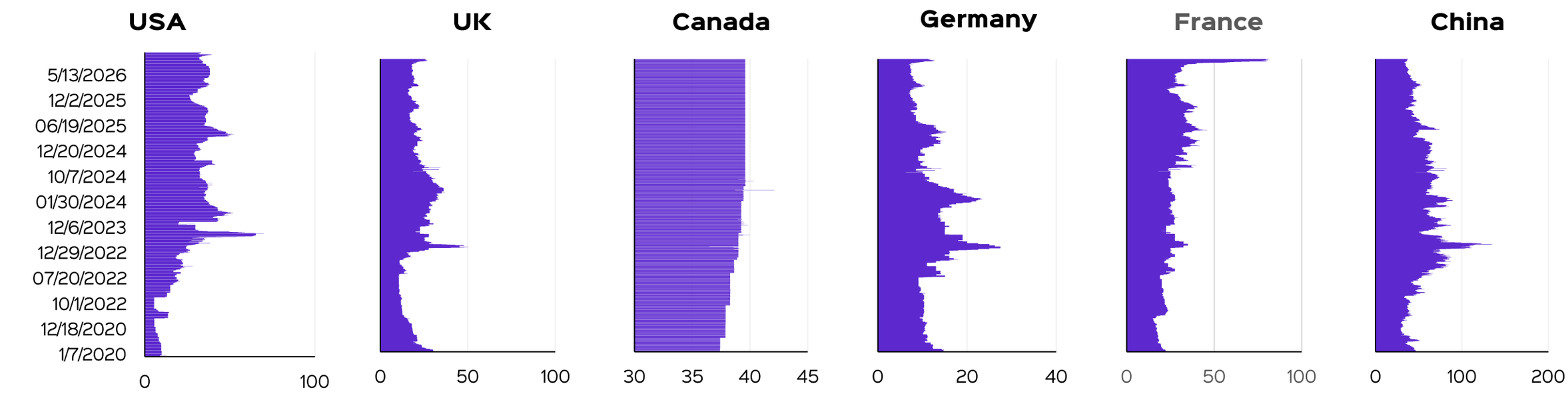


Bond yields across most global markets edged higher as inflation increased. CDSs spiked across different EU markets, reflecting the increased geopolitical risks across major economies. Ten-year government bond yields remained stable or edged a bit higher across the US, UK, Canada, Germany, France, and China, indicating limited changes in long-term borrowing costs. Meanwhile, 5-year credit default swaps (CDSs) increased notably in France, the US, Germany, and the UK, pointing to a rise in perceived sovereign credit risk in these markets. Overall, bond yield movements remained limited, while the increase in CDSs across several major economies suggests heightened caution regarding sovereign risk amid ongoing global economic uncertainties.

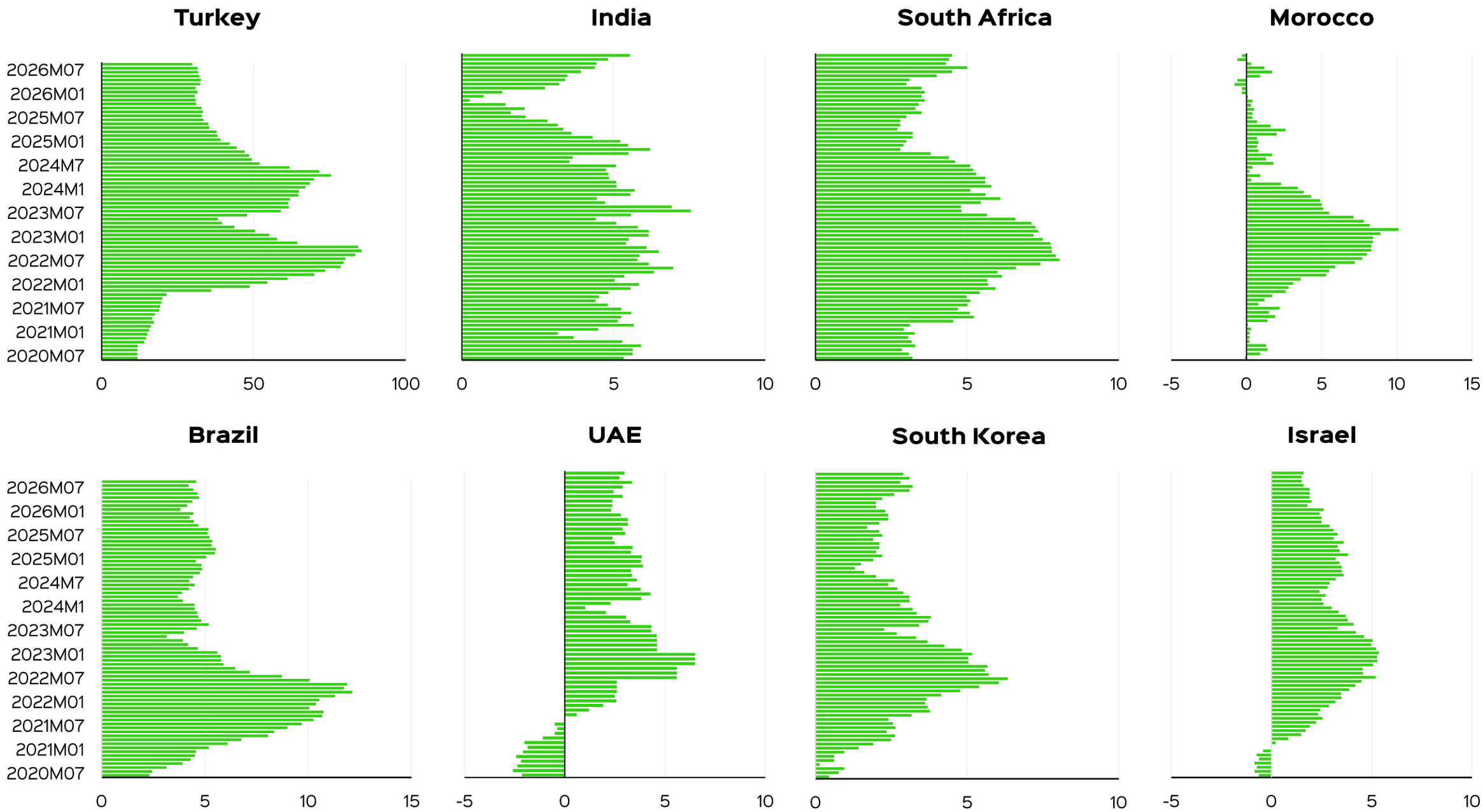
10-Year Bond Yield



5-Year CDS

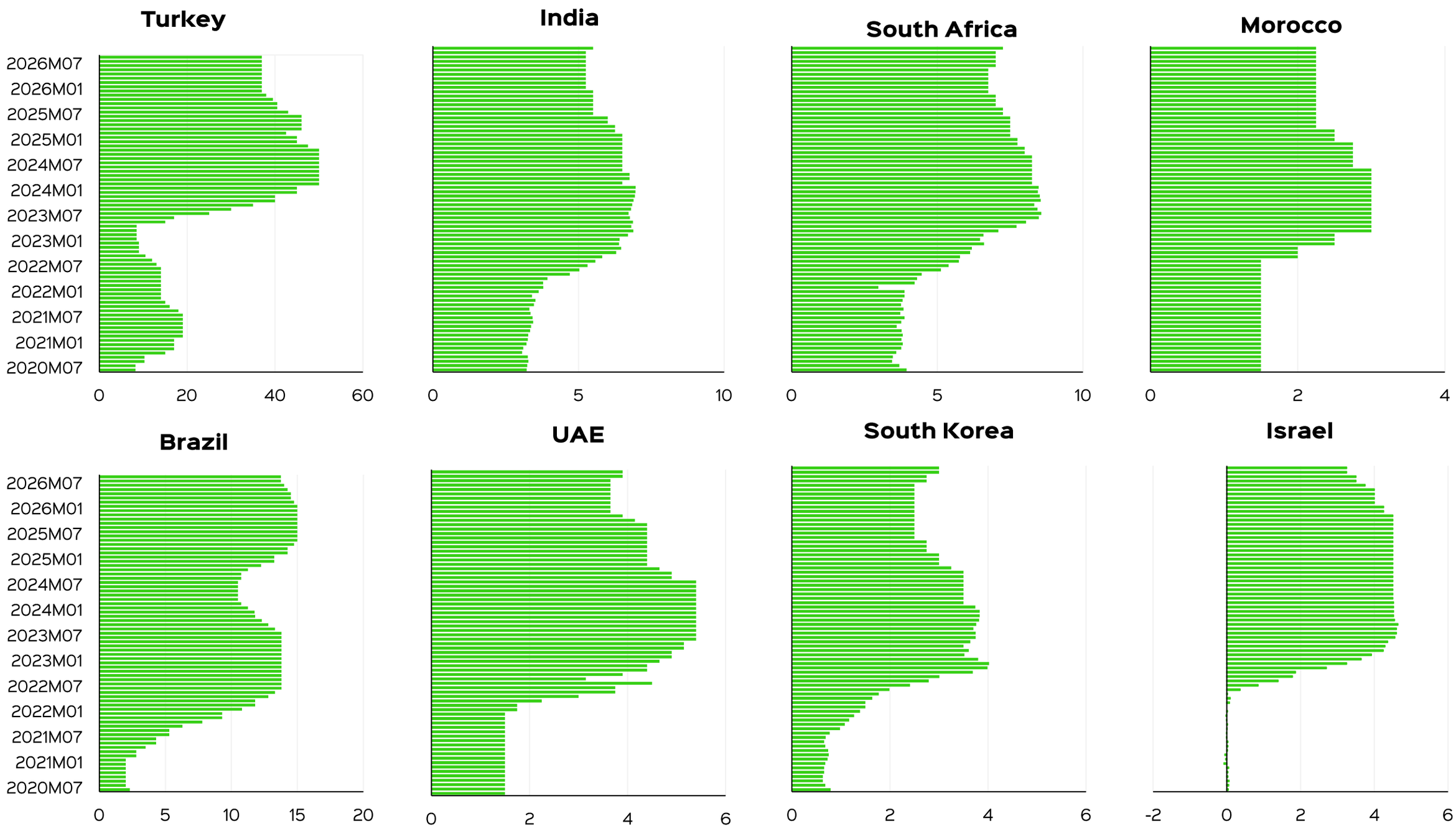


Inflation trends across emerging markets showed mixed movements over the past month, with a sharp increase in India, modest increases in South Africa and Brazil, and declines in several other selected economies. Inflation rose significantly in India, while South Africa and Brazil recorded slight increases. In contrast, inflation edged down in Morocco, with smaller declines in Turkey and South Korea. Overall, inflation developments remained uneven across emerging markets, with renewed price pressures in some economies contrasting with modest easing in others. This comes at a time where uncertainty prevails across global markets with regards to inflation and monetary policy.



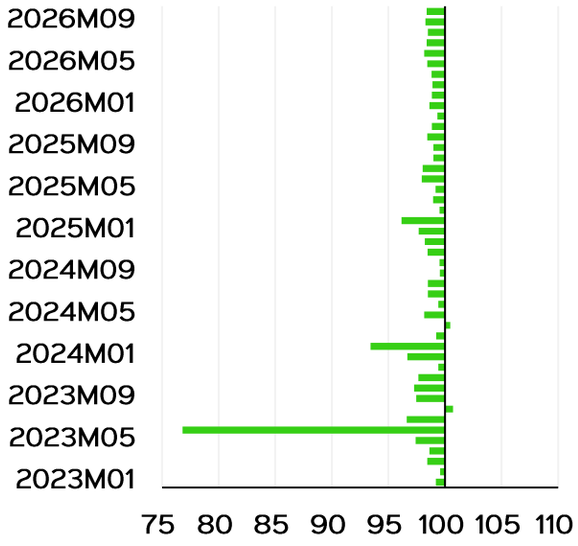
Note: Morocco did not release its inflation data last month.

Monetary policy across emerging markets showed mixed developments over the past month, with policy rates rising in India and South Africa, while other selected economies largely maintained their current rates. India and South Africa recorded notable increases in policy rates, reflecting tighter monetary policy amid evolving domestic economic conditions and inflationary pressures. Meanwhile, policy rates remained broadly unchanged in Turkey, Morocco, Brazil, the UAE, and South Korea, indicating a continued wait-and-see approach across these economies. Overall, monetary policy developments diverged across emerging markets, with India and South Africa tightening policy while most other central banks maintained their existing stance.

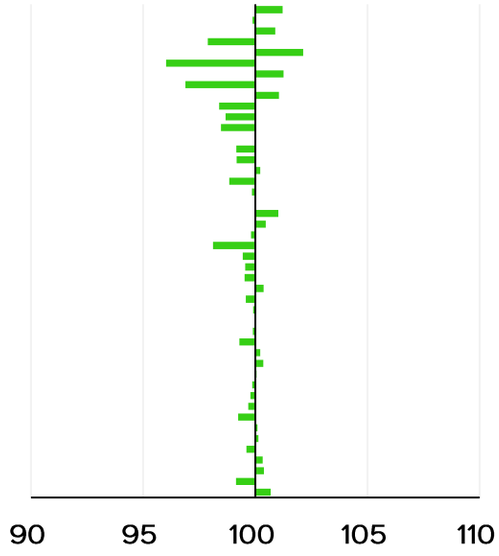


Emerging market currencies remained under pressure against the US Dollar over the past month, although a few currencies recorded slight improvements or relative stability. Most selected currencies continued to weaken against the US Dollar, reflecting its sustained strength and continued pressure on emerging markets currencies. In contrast, the South Korean Won, Brazilian Real, and Indian Rupee recorded modest gains, indicating limited improvements in their performance relative to the broader trend. Meanwhile, the UAE Dirham remained stable against the US Dollar, consistent with its exchange-rate peg. Overall, the US Dollar remained dominant, with only limited currency-specific improvements across emerging markets.

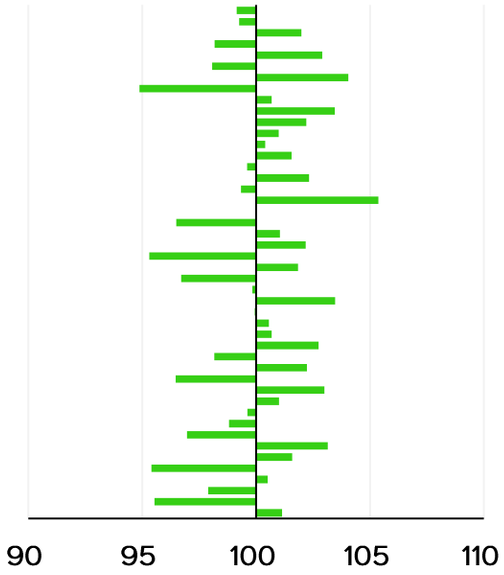
Turkish Lira



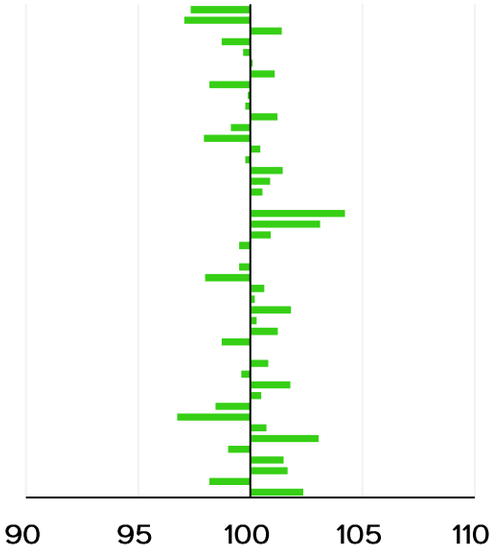
Indian Rupee



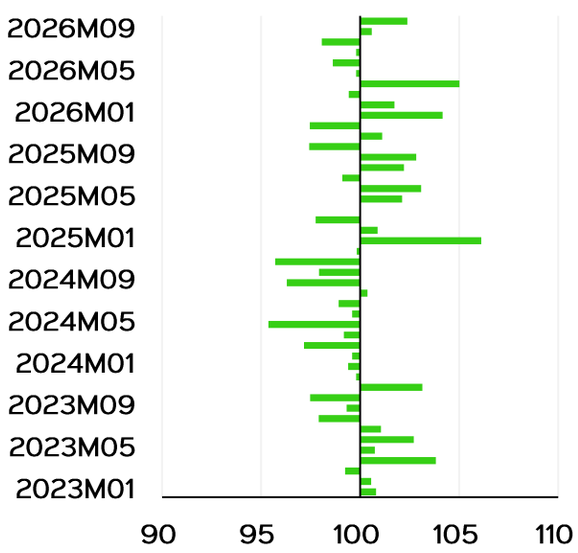
South African Rand



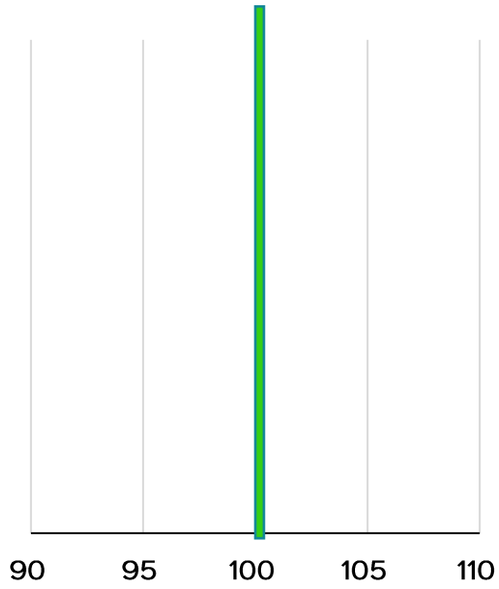
Moroccan Dirham



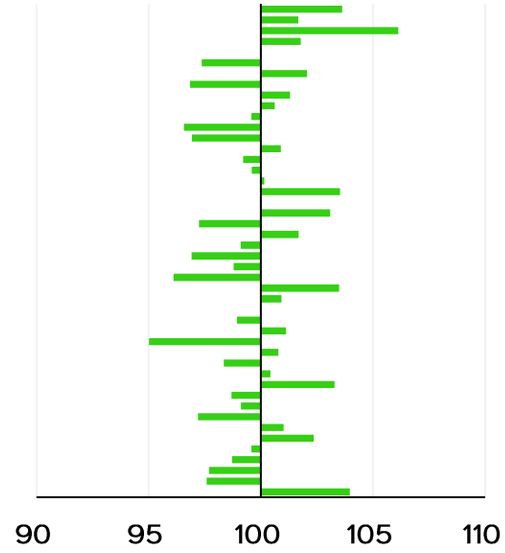
Brazilian Real



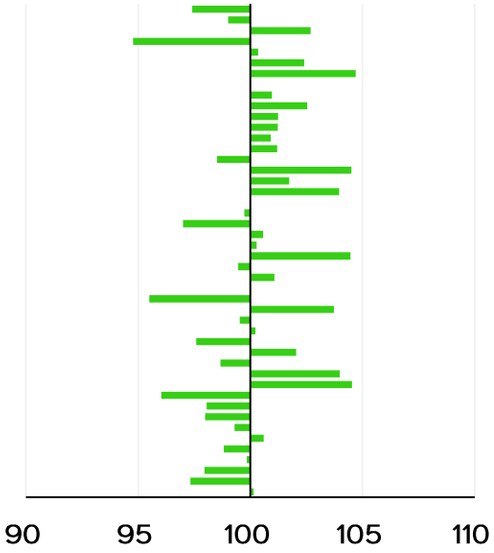
UAE Dirham



Korean Won

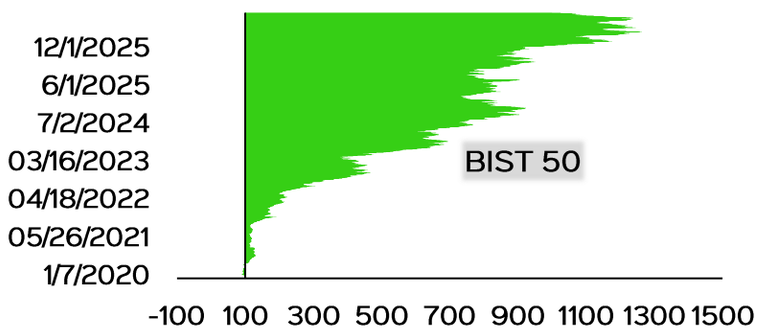


Israeli New Shekel

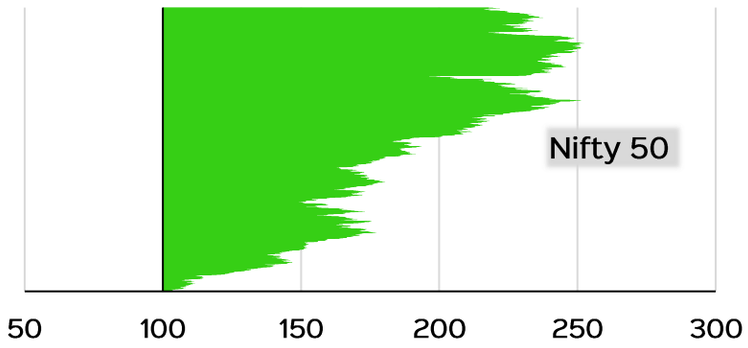


Emerging markets equities showed generally negative performance over the past month, with most selected markets recording declines, while Brazil was the main exception to this trend. Equity markets across Turkey, India, South Africa, Saudi Arabia, the UAE, Morocco, and South Korea generally experienced downturns, reflecting softer market sentiment and increased investor caution. In contrast, Brazilian equities recorded gains, outperforming the broader trend across the selected emerging markets. Overall, emerging equity markets faced downward pressure, with Brazil standing out as the only market to register positive performance over the period.

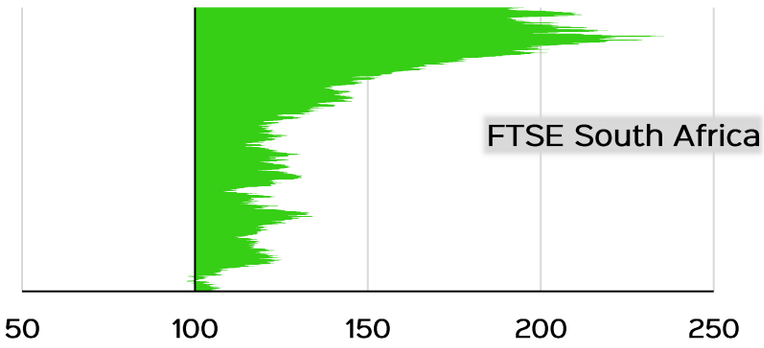
Turkey



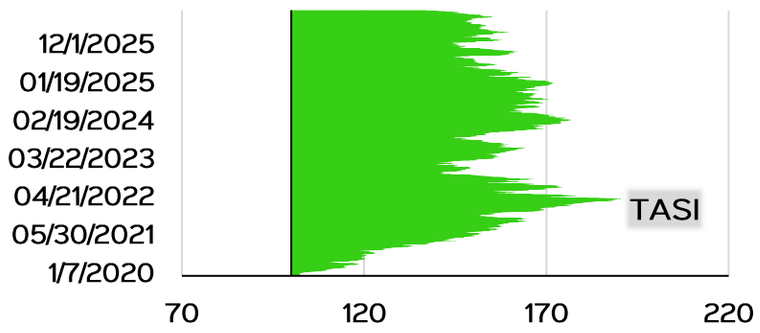
India



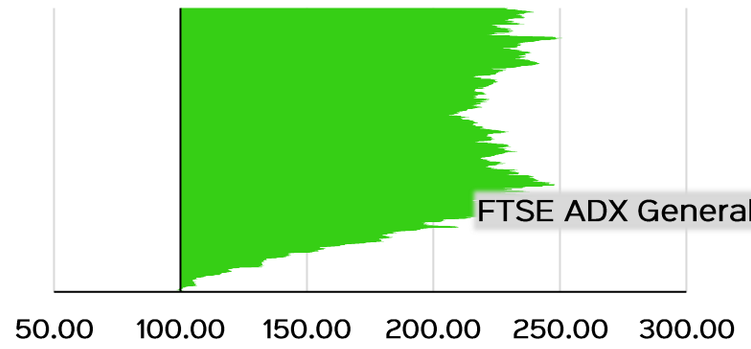
South Africa



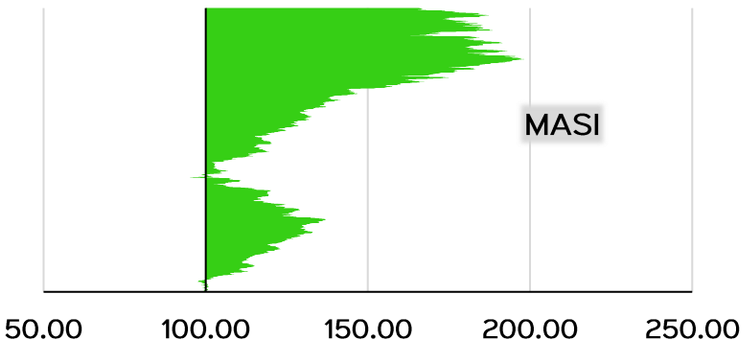
Saudi Arabia



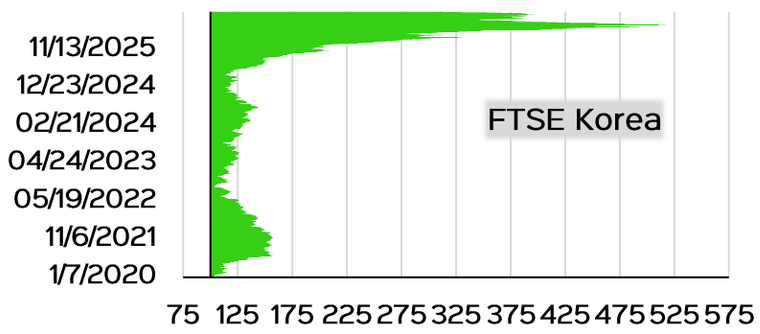
UAE



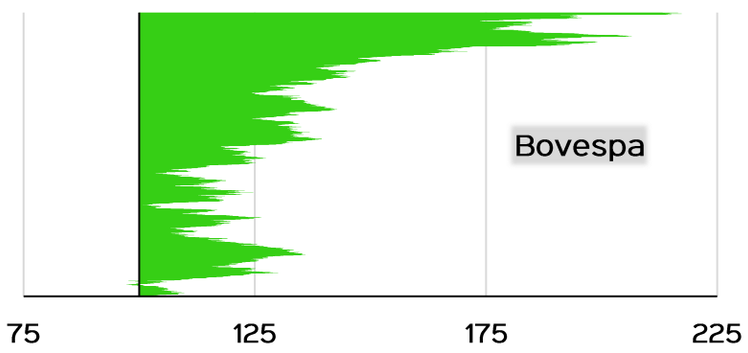
Morocco



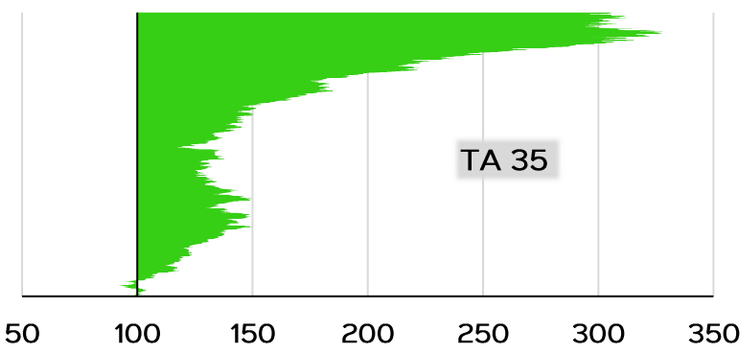
South Korea



Brazil

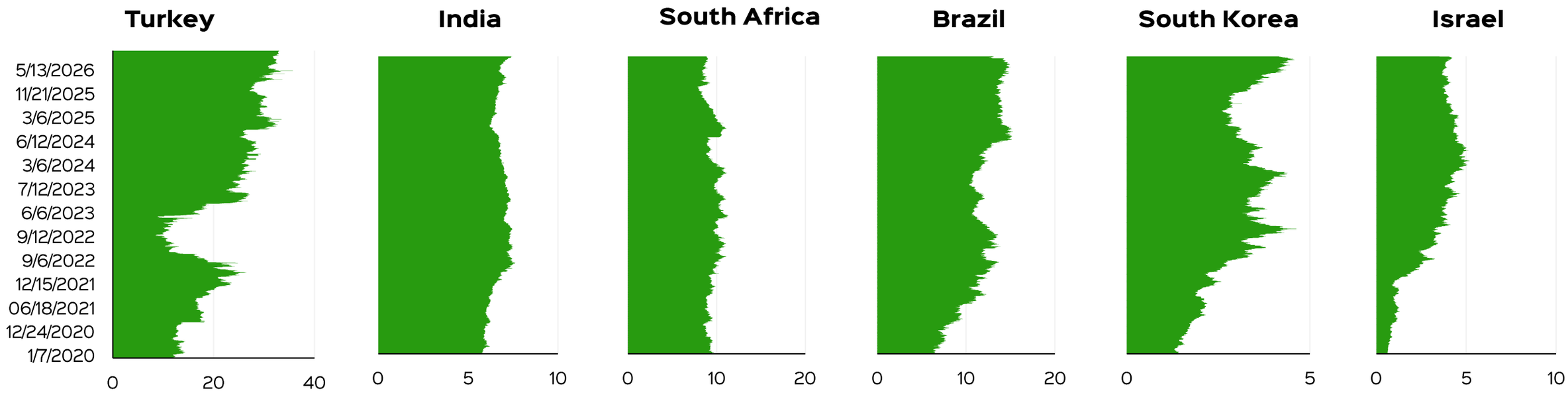


Israel

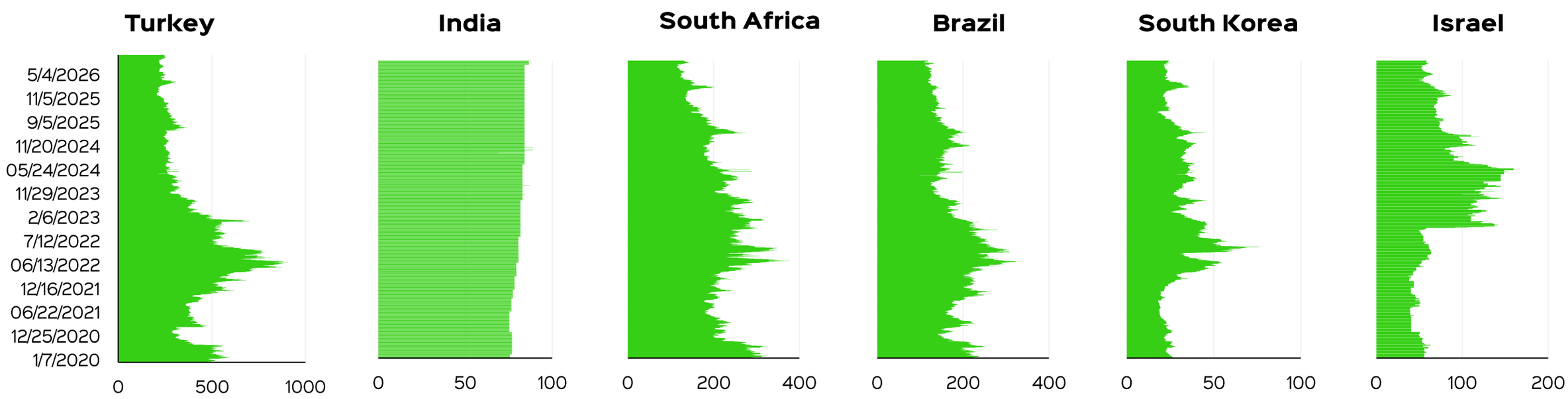


Sovereign bond markets across emerging economies have generally edged higher the past month, as ten-year government bond yields increased a bit or remained stable, while sovereign risk premiums stayed elevated across all selected markets due to geopolitical risks. Ten-year government bond yields remained broadly stable or increased across Turkey, India, South Africa, Brazil and South Korea, with Brazil recording a slight decline. Meanwhile, 5-year credit default swaps (CDSs) remained elevated across all selected economies, indicating continued concerns over sovereign risk and persistent investor caution toward emerging-market debt.

10-Year Bond Yield



5-Year CDS

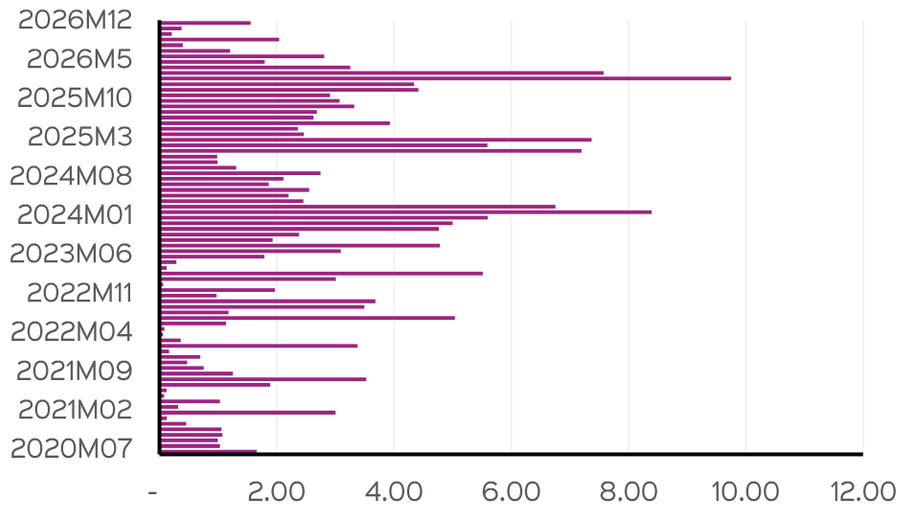


Egypt external financing conditions remained challenging over the past month, as external debt and debt service obligations stayed elevated, while borrowing costs and sovereign risk premiums increased, despite the improvement in rating conditions. However, credit rating developments were mixed, with Moody's upgrading Egypt sovereign rating, while other major agencies maintaining their assessments. Total external debt and external debt service obligations remained high, highlighting persistent financing needs and substantial repayment commitments. Meanwhile, Egypt 10-year government bond yield and 5-year credit default swaps (CDSs) increased, indicating higher borrowing costs and a rise in perceived sovereign risk due to regional geopolitics.

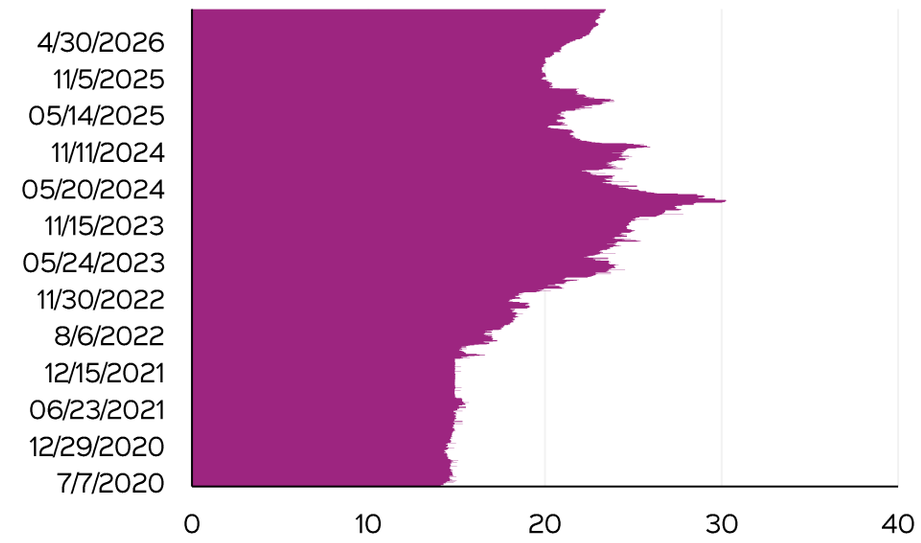
Total External Debt (bn $)*



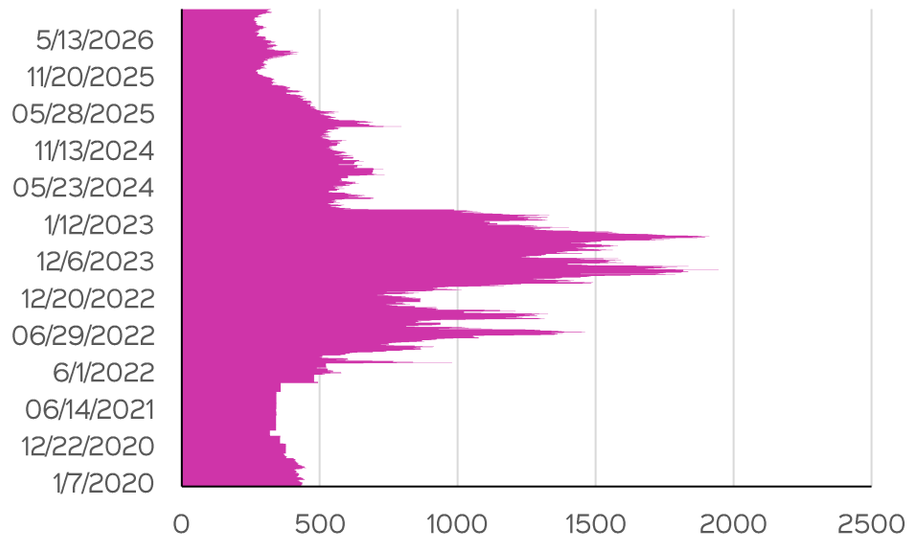
External Debt Service (bn $)*



Egypt 10-Year Bond Yield



5Y CDS, Egypt



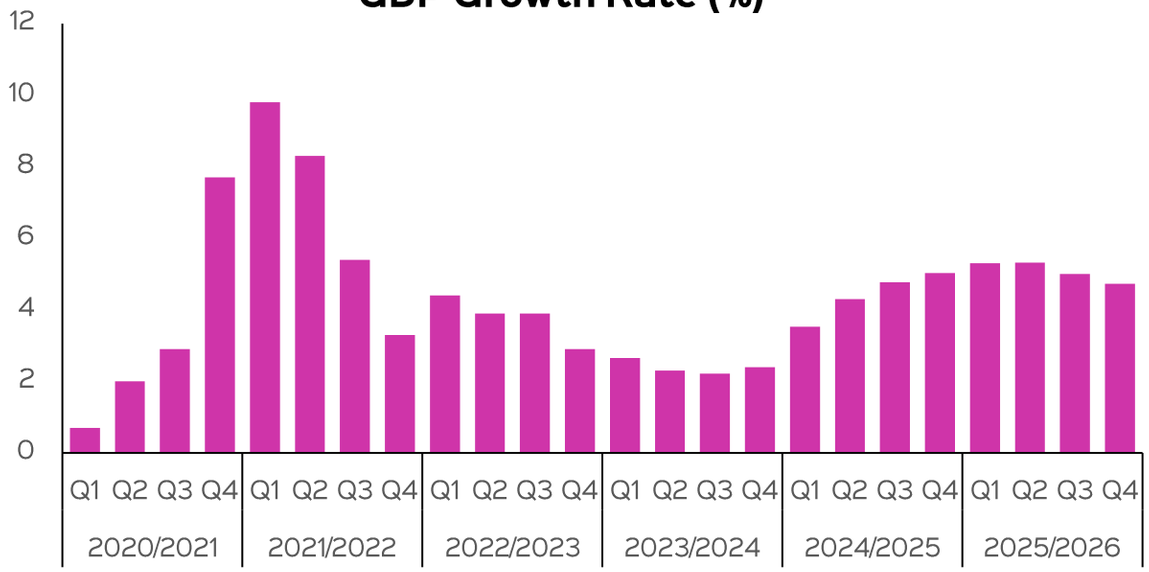
S&P Global Ratings
B Stable

Fitch Ratings
B Stable

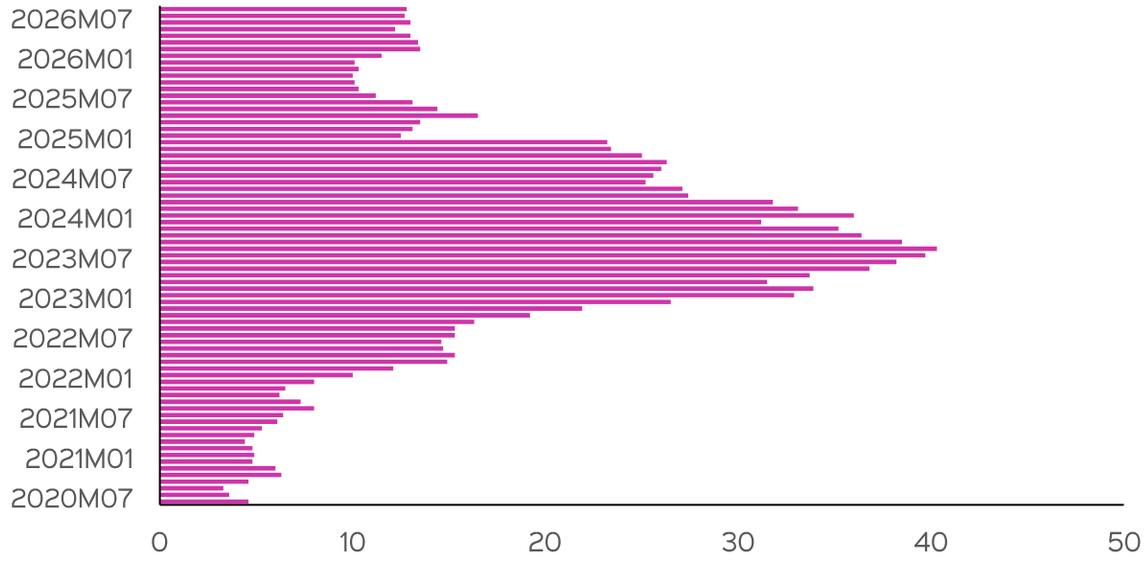
Moody's Investors Service
B3 Positive

Egypt macroeconomic indicators showed mixed developments over the past month, with GDP growth declining, while on the other hand, money supply growth declined for the second month in a row, allowing inflation and policy rate to remain stable. GDP growth moderated, indicating a slowdown in economic activity, while the growth rate of money supply (M1) declined, pointing to slower growth in domestic liquidity. Thus, inflation remained broadly stable, suggesting that price pressures persisted with limited change. This has allowed the Central bank to maintain its policy rate unchanged, reflecting a cautious approach to monetary policy amid ongoing domestic economic challenges.

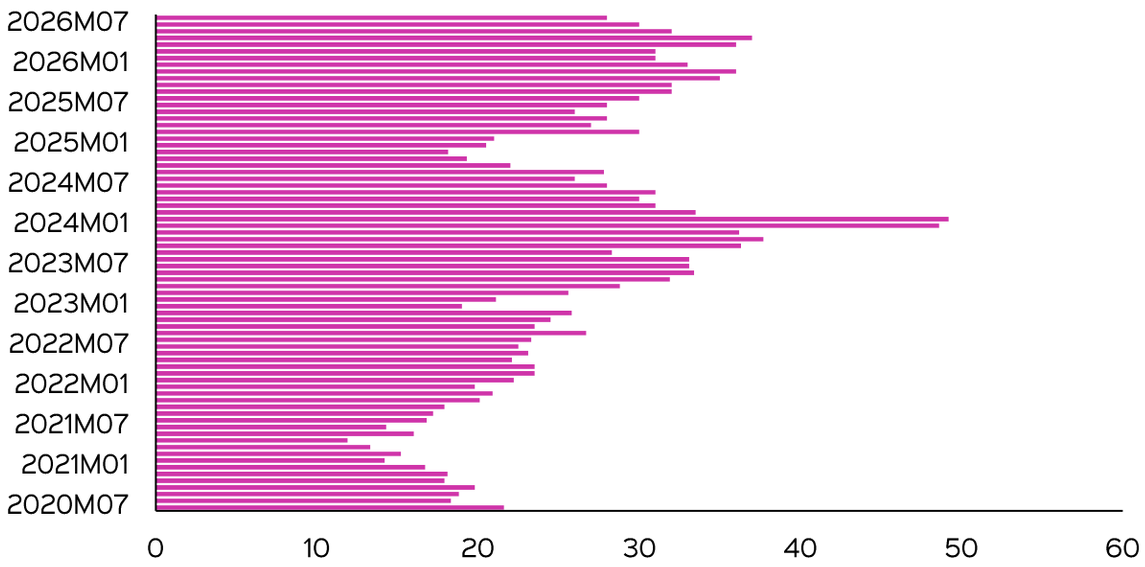
GDP Growth Rate (%)*



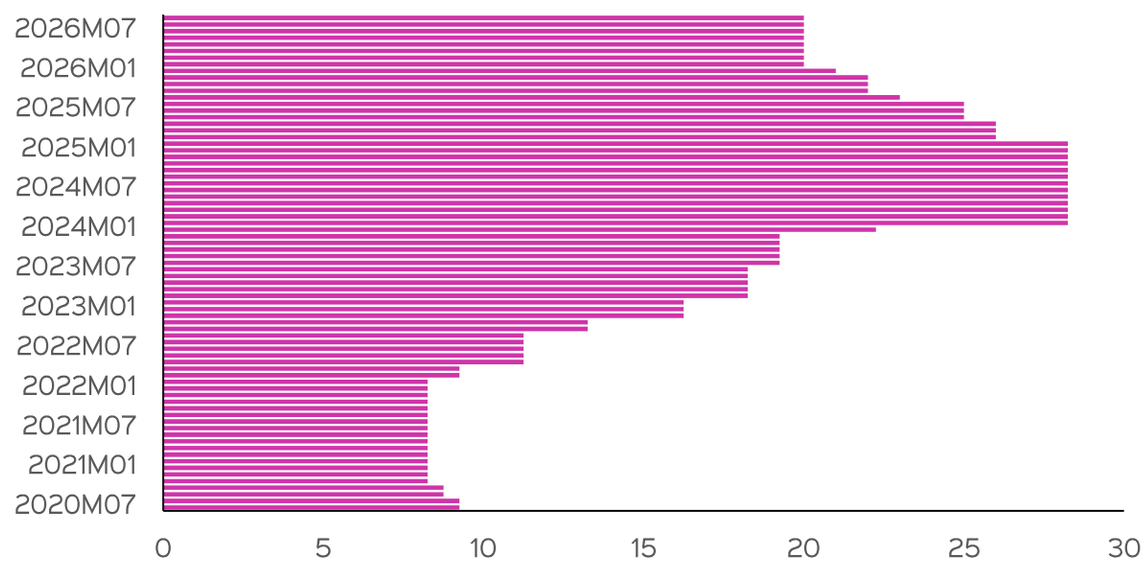
Inflation Rate (%)



Growth Rate of Money Supply (M1)*

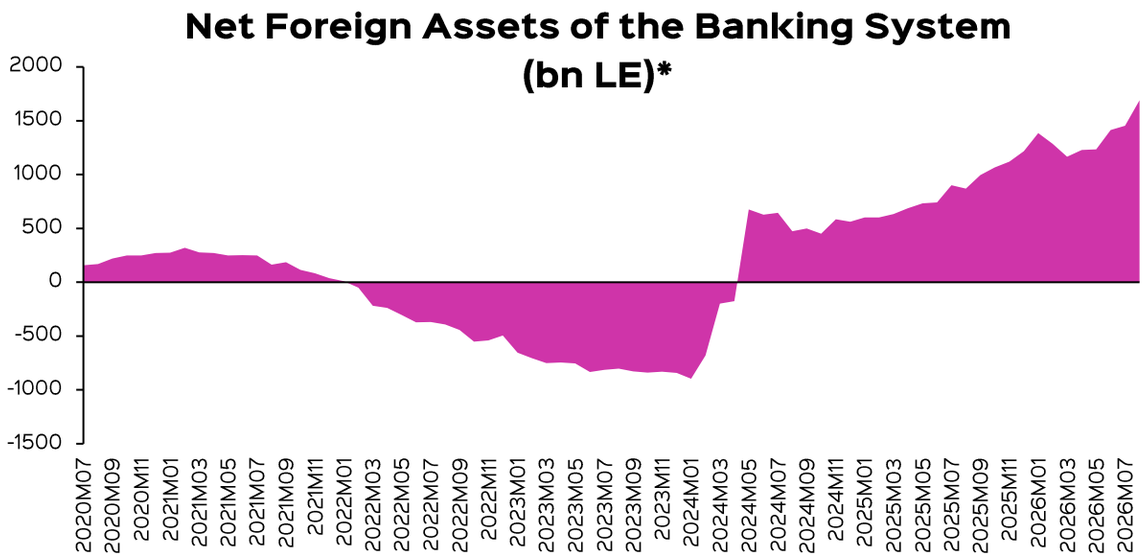


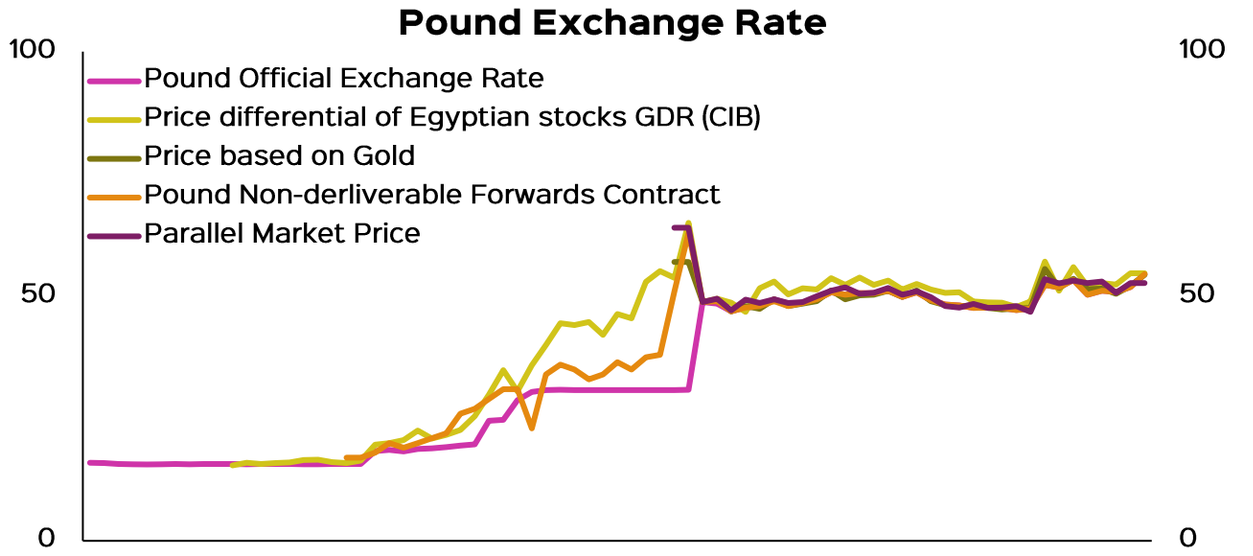
Policy Rate (%)

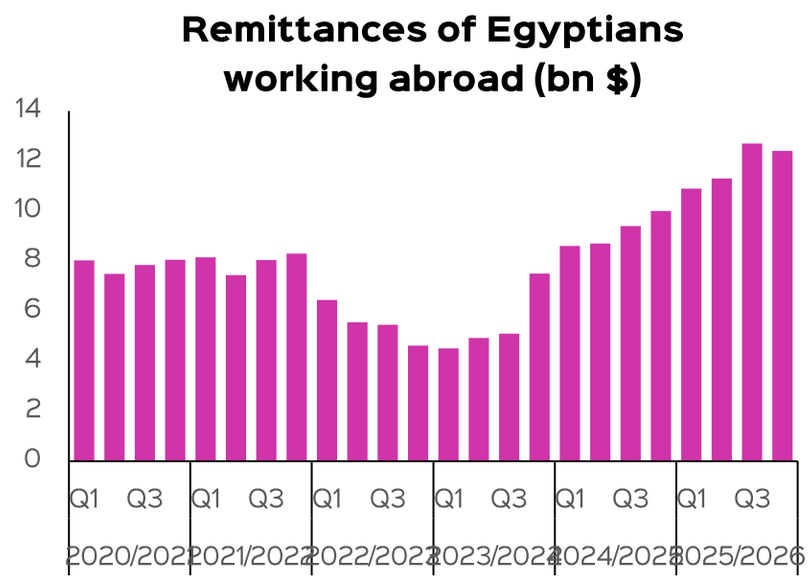


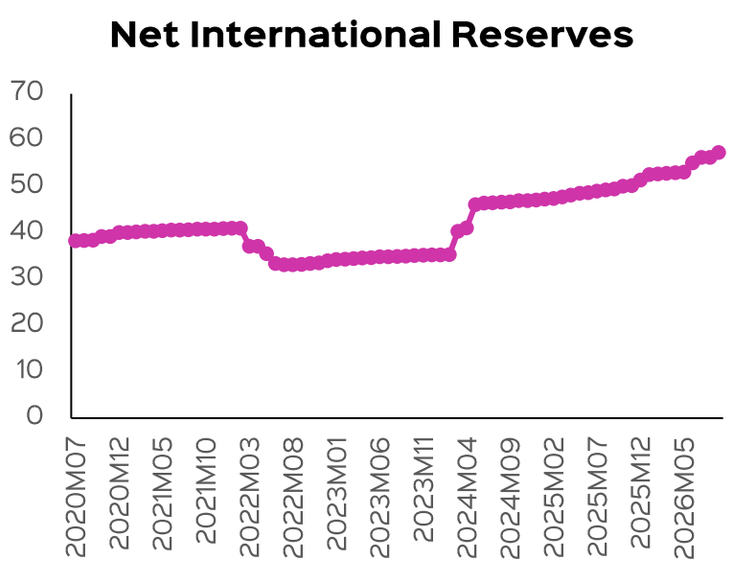


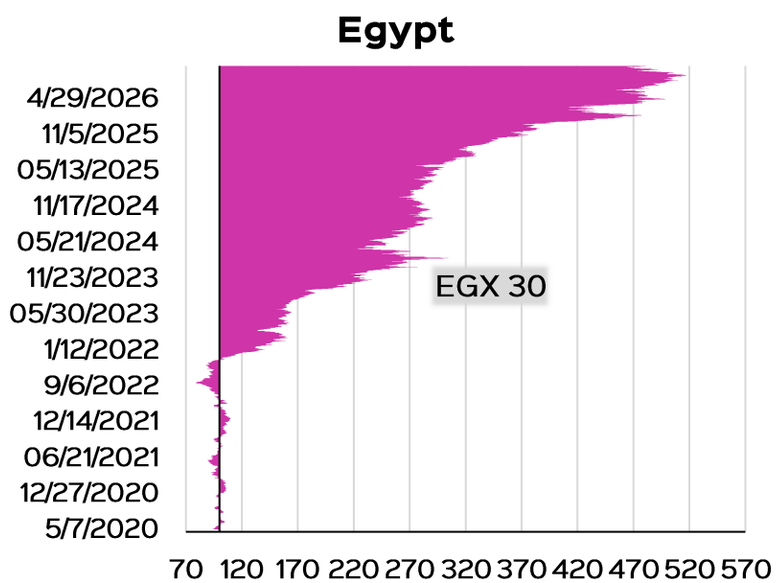
Egypt's external sector indicators showed mixed developments over the past month, as net foreign assets and international reserves increased, while the Egyptian Pound weakened further against the US Dollar, coupled with a sell-off in the stock market. These conflicting movements highlight growing uncertainty, potential mistrust in the economy, and heightened vulnerability amid rising geopolitical risks. Net foreign assets of the banking system and net international reserves continued to rise, indicating an improvement in these external and banking-sector buffers. However, the Egyptian Pound depreciated further against the US Dollar, reflecting continued exchange-rate pressures. Meanwhile, the EGX 30 declined, indicating weaker stock market performance and heightened investor caution. These developments reflect a divergence between improving external buffers and deteriorating financial market sentiment, with the currency's continued weakness and the stock market sell-off suggesting potential concerns over investor confidence and increased sensitivity to geopolitical risks.











Sources

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- Corporate Finance Institute
- World Bank
- Investing.com

Emerging Markets



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- Central Bank of Saudi Arabia
- Central Bank of Morocco
- Central Bank of UAE
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Egyptian Local Market



- Central Bank of Egypt
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Annex 1: Methodology

Global Markets



- Global markets such as the USA, UK, EU, China and Canada set the tone of the global economy.
- The report begins by analyzing the changes in global markets in terms of economic policy directions and financial markets and tries to plot how those dynamics are interlinked.
- The report then tries to examine the ripple effect of changes in global markets on emerging market economies, and the choices available to such markets.

Emerging Markets



- Emerging markets such as Brazil, India, South Africa, Turkey, and others are widely affected by the tides in global markets.
- The report tries to understand the effects of changes in policies in global markets on the choices available for different emerging markets.
- The report then tries to analyze the progress of different emerging markets in light of global economic changes and the policy options available for emerging markets as a group.

Egyptian Local Market



- Like any other emerging market, the local market in Egypt is affected by dynamics in the global markets as well as the policy choices adopted by other emerging markets.
- The report tries to understand the effects of changes in global markets as well as changes in emerging markets on the local market in Egypt.
- The report also tries to link between external factors as well as local policies such as fiscal and monetary policy, and how they interact resulting in the current economic situation.

Annex 2: Terminology

Term	Explanation
Policy Rate	The central bank policy rate (CBPR) is the rate used by the Central Bank to signal or implement its monetary policy stance.
LCU / USD	The change in the value of one currency in comparison to another currency (the US Dollar) in the free-floating exchange rate regime.
CDS	A credit default swap (CDS) is a type of credit derivative that provides the buyer with protection against default and other risks. The buyer of a CDS makes periodic payments to the seller until the credit maturity date. In the agreement, if the debt issuer defaults, the seller commits to paying the buyer all premiums and interest that would've been paid up to the date of maturity.
Credit Rating	A credit rating is an opinion of a particular credit agency regarding the ability and willingness of an entity (government, business, or individual) to fulfill its financial obligations in full and within the established due dates. A credit rating also signifies the likelihood a debtor will default. It is also representative of the credit risk carried by a debt instrument – whether a loan or a bond issuance.
Net Foreign Assets of the Banking System	Net foreign assets are the sum of foreign assets held by monetary authorities and deposit money banks, less their foreign liabilities. Data is in current local currency.
External Debt Service	The external debt to be paid in a certain period, is composed of the sum of principal installments and interest.



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