

Daily Economic Update

Economic Research Department
30 July 2024

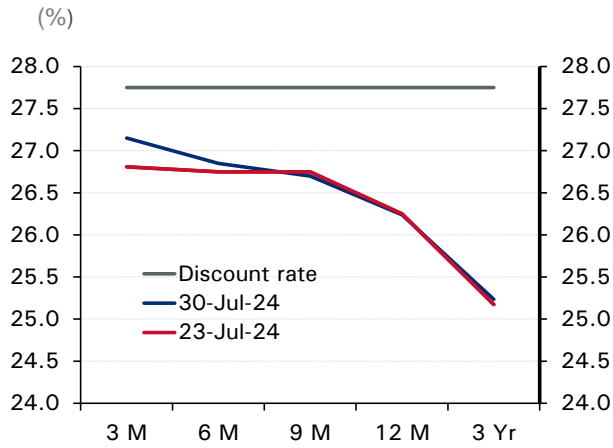
Egypt: IMF Executive Board completes third review, disburses \$820 million. In approving the third review of the program agreed in 2022, the IMF stated that there has been clear improvement in overall macroeconomic conditions including inflation still high but coming down, foreign exchange shortages eliminated, and fiscal targets including spending on infrastructure being met. It also stated that the government must continue with all aspects of the reforms including maintaining the flexible exchange rate regime, despite challenges arising from ongoing regional geopolitical tensions. The Fund also stated that it would like to see greater efforts to accelerate the state's divestment program, reforms to streamline business regulation such as to set up new firms and creating a fairer ground for competition between the public and private sector.

Egypt: Average T-bill yields show limited weekly changes, suggesting yields and inflation are peaking. Government treasury auctions taking place post-petroleum price hikes saw limited changes in yields over the past week, confirming that the market sees inflation as having peaked and will decelerate in the coming months. Average yields (3-12 months) came in at 26.73% (a mild increase from 26.64% of last week). Yields on the 1-year T-bill saw limited change at 26.24% (26.26% as of last week) and 9 months T-bills came in at 26.70% (lower than last week of 26.75%). The submitted coverage for the longer end of the curve (9 and 12 months) increased to 1.61x and 2.18x (from 1.53x and 1.64x last week). On the shorter end of the curve (3 and 6 months), yields saw a higher increase of 0.2% w/w to 26.7% on average with coverage coming in lower at 1.67x (1.72x of last week). Higher coverage by banks at the longer end of the curve could mean that market participants are seeing yields peaking at current levels thus locking in higher rates for longer. The yield curve remains inverted with the 3m T-bill offering 0.91% and 1.90% higher than the 12m T-bill & 3yr T-bond, respectively, which clearly indicates that we are approaching a CBE rate cut. The ministry of finance calendar issuance for Q1 FY24/25 shows that 95% of issuances are dominated by T-bills (maximum 1 year) while only 5% are for long-term bonds (more than 5 years). We expect to see a change in the funding structure for government debt issuance starting Q2 24 (Oct-Dec) as the government could start to issue more longer-term bonds as the monetary easing cycle begins. T-bill yields average are trading at 1.1% below the CBE discount rate.

UK: Chancellor outlines fiscal gap, tees-up tax rises in Autumn budget. The Chancellor of the new government, Rachel Reeves, detailed a £21.9 billion fiscal gap, partly generated by £9 billion in extra wage increases (by 5-6% versus 2% previously planned) for the public sector. Reeves plans to adjust welfare spending, trim capital expenditures on some transportation projects, and introduce 20% VAT on private school fees. She does not intend to raise headline income or VAT rates, but speculation persists that other measures such as increased capital gains or inheritance taxes may be forthcoming. A detailed budget will be presented on October 30, outlining specifics to address the fiscal gap. Although still early, higher wages for public sector workers could

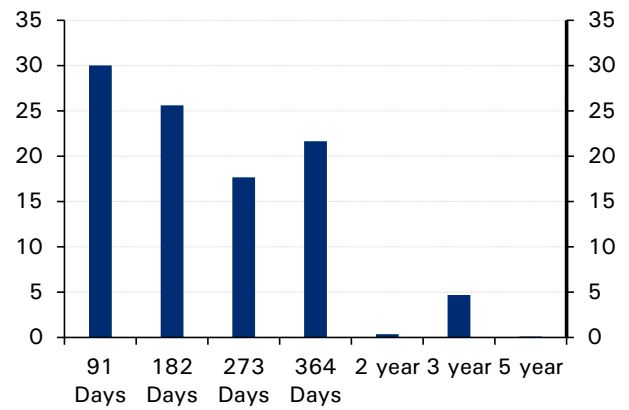
fuel some inflationary pressures, potentially weighing on this week’s Bank of England interest rate decision which is expected to be a close call between no change and a cut.

Chart 1: Egypt LCY treasury yield curve



Source: Central Bank of Egypt

Chart 2: Egypt govt. issuance calendar for Q1 FY24/25



Source: Egypt Ministry of Finance

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,395	0.83	-1.90
Bahrain (ASI)	1,972	0.09	0.02
Dubai (DFMGI)	4,308	0.66	6.13
Egypt (EGX 30)	28,851	-0.64	16.18
GCC (S&P GCC 40)	706	1.24	-0.84
Kuwait (All Share)	7,191	0.18	5.48
KSA (TASI)	12,121	-0.44	1.29
Oman (MSM 30)	4,652	0.54	3.06
Qatar (QE Index)	10,170	0.34	-6.10

International			
CSI 300	3,391	-0.54	-1.18
DAX	18,321	-0.53	9.37
DJIA	40,540	-0.12	7.56
Eurostoxx 50	4,815	-0.97	6.50
FTSE 100	8,292	0.08	7.23
Nikkei 225	38,469	2.13	14.95
S&P 500	5,464	0.08	14.54

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.38	0.00	-14.83
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.20	-0.60	-11.82
Saudi	6.21	0.46	-3.09
LIBOR	5.51	-0.33	-7.60
SOFR	5.26	-0.82	-7.60

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.66	-6.00	33.9
Oman 2027	5.31	-1.00	15.3
Qatar 2026	4.91	-2.00	39.1
Kuwait 2027	4.85	-2.00	51.0
Saudi 2028	4.87	-4.00	34.9

International 10YR			
US Treasury	4.17	-2.14	31.1
German Bund	2.36	-4.30	33.0
UK Gilt	4.05	-4.90	50.9
Japanese Gvt Bond	1.02	-4.00	40.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.10	-0.46
KWD per EUR	0.33	-0.35	0.05
USD per EUR	1.08	-0.35	-1.97
JPY per USD	154.01	0.19	9.18
USD per GBP	1.29	-0.10	1.02
EGP per USD	48.27	-0.02	56.47

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	79.78	-1.66	3.56
KEC	82.13	-1.61	3.23
WTI	75.81	-1.75	5.81
Gold	2377.3	-0.11	15.27

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: Refinitiv / Haver