ECES
المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

Our Economy and The World

The Weekly Report

Issue: 290 Date: 2nd October 2022

This week's issue of "Our Economy and the World" includes:

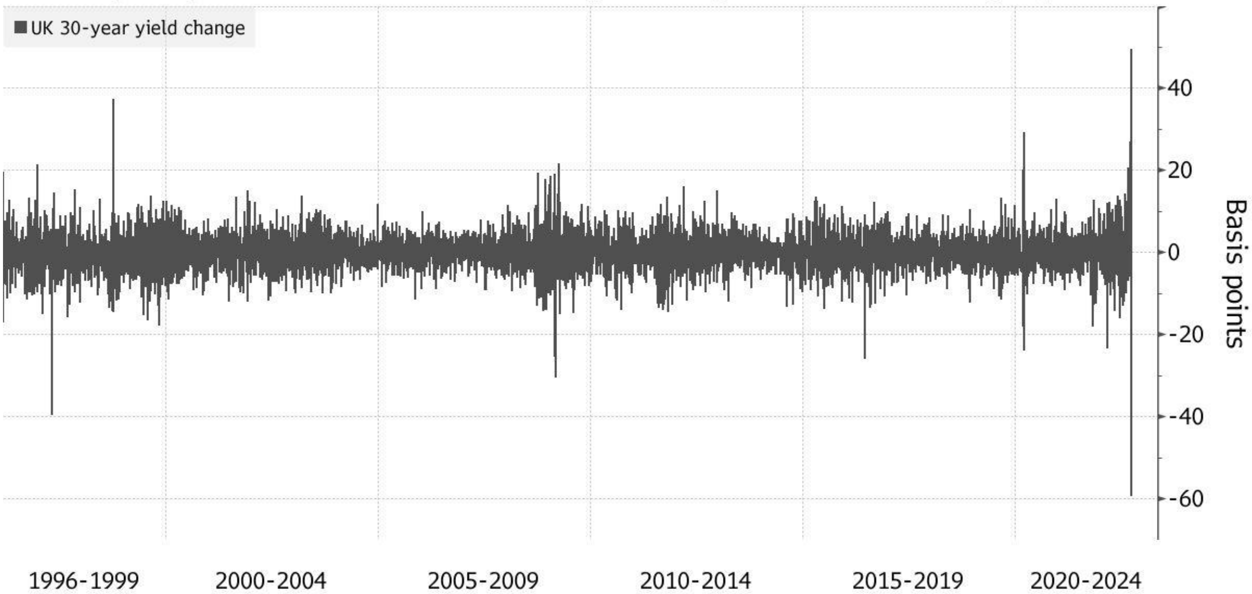
Disclaimer
The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.

Key Global and Regional Developments over the Past Week

Bloomberg: BOE steps back into bond market to restore stability

The Bank of England staged a dramatic intervention to stave off an imminent crash in the gilt market by pledging unlimited purchases of long-dated bonds. With the fallout from Prime Minister Liz Truss's tax cuts still ripping through UK asset prices, the central bank had been warned that collateral calls on Wednesday afternoon could force investors to dump government bonds, according to a person familiar with its decision making. The plan to buy securities maturing in 20 years or more in daily tranches of up to £5 billion ($5.3 billion) had an immediate impact on the gilt market, putting yields on 30-year debt on track for the biggest drop on record. They earlier climbed to the highest since 1998.

Whipsawed
UK 30-year yield is set for a record drop two days after a historic jump



Source: Bloomberg Bloomberg

(Read Full Article)

Reuters: Euro zone yields fall from multi-year highs tracking moves in UK gilts

Euro zone borrowing costs fell on Wednesday, tracking moves in British gilts, after hitting multi-year highs amid monetary tightening expectations and concerns about potentially growing bond supply due to more public spending. The euro area bond market has recently trailed yields in British gilts, which made their sharpest rise in decades in response to new finance minister Kwasi

Disclaimer
The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.

Kwarteng's tax cuts and borrowing plans. But British government bonds soared, and their yields dropped by 40 basis points (bps) after the Bank of England announced on Wednesday it would intervene in the 2.1 trillion-pound market that was starting to seize up.

(Read Full Article)

FT: UK in 'difficult' talks over greater access to India's financial sector

UK negotiators have the "difficult" task of winning greater access to the Indian market for financial companies in a trade deal they hope to seal with New Delhi next month, the Lord Mayor of London has said. Vincent Keaveny acknowledged in an interview with the Financial Times that India might reject British calls to ease its tight restrictions on foreign financial services firms.

(Read Full Article)

CNBC: For the first time in 30 years, Asia's developing economies are set to grow faster than China's, ADB says

Asia's developing economies may be showing signs of recovery, but the Asian Development Bank (ADB) cut its growth forecasts for them yet again — thanks to China's prolonged zero-Covid policy. But this will be the first time in more than three decades that the rest of developing Asia will grow faster than China, the Manila-based lender said in its latest outlook report released Wednesday. "The last time was in 1990, when (China's) growth slowed to 3.9% while GDP in the rest of the region expanded by 6.9%," it said.

(Read Full Article)

Disclaimer
The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.

ECES
المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

Our Economy and The World
The Weekly Report

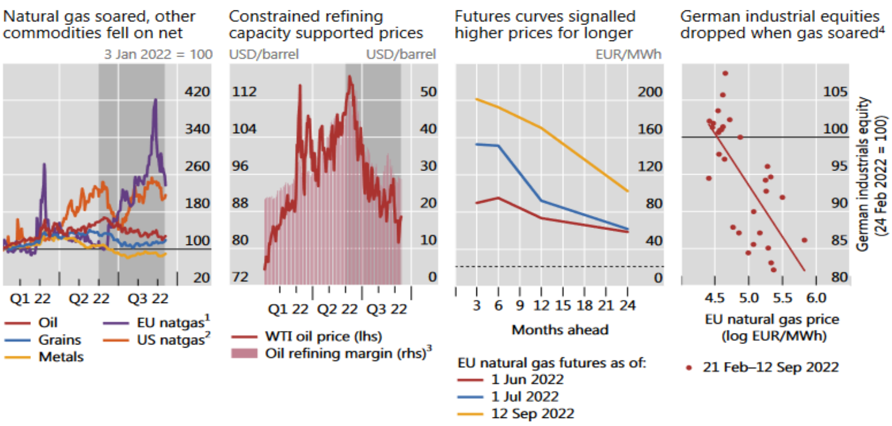
Special Analysis

Bank of International Settlements: BIS Quarterly Review, September 2022

Worsening growth prospects and evolving perceptions of the monetary stance shaped financial markets during the review period. Economic indicators deteriorated due to the fallout from the Ukraine war and weakness in China. Market-based expectations of inflation and policy rates fluctuated as monetary tightening quickened globally and energy disruptions intensified in Europe. All these factors swayed financial conditions and contributed to market volatility.

There were two turning points for risky assets and sovereign bonds. The first was in mid-June. After the Federal Reserve raised rates more than expected, investors anticipated falling inflation and a flattening of the policy rates' path. Financial conditions eased and corporate spreads compressed. A seeming paradox emerged from the markets for risky assets and sovereign bonds: while stock indices rallied with few exceptions, the yield curve inverted sharply in the United States – often a harbinger of recessions – and flattened in other jurisdictions. The second turning point was in August. As the policy response to inflation became more forceful and the energy crisis worsened in Europe, financial conditions tightened, risky assets retreated and core yields rose. On balance, investors seemed to anticipate a smooth resolution of the challenges posed by high inflation.

Markets anticipated lasting energy crisis in Europe, with broad repercussions — Graph 4



The shaded areas in the first and second panels indicate 1 June–12 September 2022 (period under review). The dashed horizontal line in the third panel indicates the 2010–21 average price of one-month futures.

[1] Title Transfer Facility (TTF). [2] Henry Hub. [3] The chart shows the "3:2:1 crack spread", which is the difference between the price of a standard basket of refined products and the cost of crude oil. [4] TTF for natural gas and Germany-Datastream Industrials index for equity. End-of-week data.

Sources: Bloomberg; Datastream; BIS calculations.

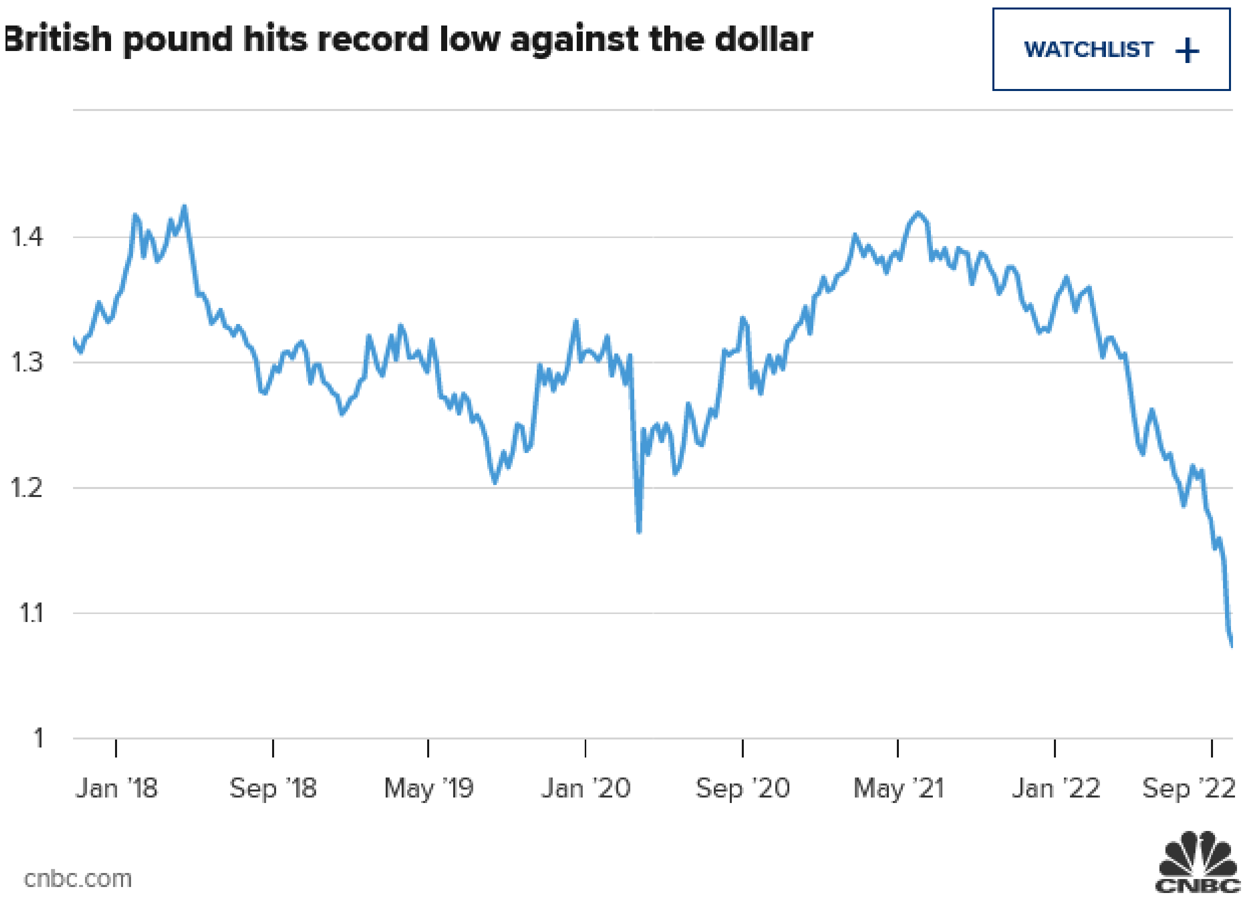
(Read Full Report)

Disclaimer
The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.

Developments in Financial and Commodity Markets in the Past Week

CNBC: Sterling hits record low against the dollar, as Asia-Pacific currencies also weaken

The British pound plunged to a record low on Monday morning in Asia, following last week's announcement by the new U.K. government that it would implement tax cuts and investment incentives to boost growth. Sterling briefly fell 4% to an all-time low of $1.0382 on Monday, continuing its sluggish trade in recent months as the U.S. dollar strengthens. The U.K. currency last traded down about 1.5% $1.069 against the greenback.

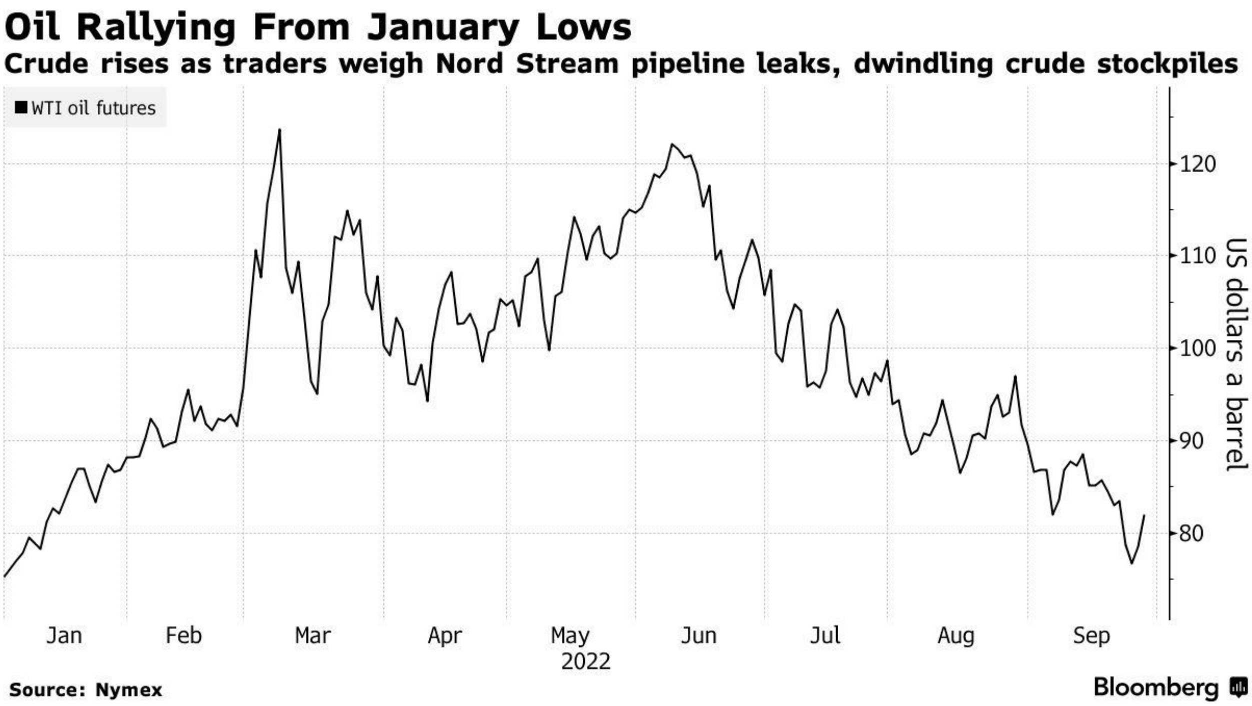


(Read Full Article)

Disclaimer
The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.

Bloomberg: Oil rises as Europe pipeline leak stirs energy security concerns

Oil rose alongside equity markets as traders mull risks to European energy following Nord Stream pipeline leaks. West Texas Intermediate traded near $80 a barrel, extending gains as the dollar's rally ran out of steam, lifting broader markets. Traders are also weighing bullish indicators from European energy risks and potential OPEC+ output cuts. Leaks in three Nord Stream pipelines that began Tuesday are widely suspected to be sabotage. While the leaks are only affecting gas supply, the damage has been perceived as a broader escalation of Russia's energy conflict with Europe.



(Read Full Article)

Disclaimer
The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.