

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global bond issuance at \$2.1 trillion in first four months of 2018

S&P Global Ratings indicated that the global issuance of corporate bonds, U.S. public finance bonds, other international public finance bonds and structured finance products totaled \$2.07 trillion in the first four months of 2018, up by 1% from \$2.05 trillion in the same period of 2017. In comparison, it said that global bond issuance reached \$5.4 trillion in 2015 and \$6.1 trillion in 2016. It attributed the year-on-year increase in the first four months of the year to a significant annual growth in global structured finance issuance to a seven-year high of \$370bn, as well as to a 27% year-on-year rise in Chinese corporate bond issuance. Still, it forecast global bond issuance to decrease by 2.3% in 2018 from \$6.26 trillion in 2017, due to a projected decline in U.S. public finance issuance as a result of the revised U.S. tax code, which would likely be offset, in part, by expectations of higher global structured finance issuance. It also anticipated that increasingly restrictive monetary policies would hamper global bond issuance this year. S&P pointed out that issuance by non-financial institutions amounted to \$748bn, or 36.1% of total debt issues, in the first four months of 2018. Issuance from financial institutions followed with \$731.5bn (35.4%), then investor-placed structured finance issuance with \$369.8bn (17.9%), international public finance issues with \$125.7bn (6.1%), and U.S. public finance issuance with \$94.3bn (4.6%). The agency indicated that the figures cover long-term debt with maturities that exceed one year and exclude debt issued by supranational institutions.

Source: S&P Global Ratings

Over 80% of banks explored at least one new market for trade finance services in 2017

The 2018 ICC Global Survey on Trade Finance indicated that 27% of surveyed banks declined to finance trade transactions due to a lack of funding, while 23% of banks said that the risk profile of the clients requesting trade financing was unacceptable. Also, the 2018 survey indicated that 34% of participants cited favorable pricing to be the most valued aspect of services requested by clients, relative to 29% of respondents last year. It added that cash flow and working capital solutions were the most requested client services for 14% of participants compared to a share of 19% in last year's survey, while 13% of respondents cited higher credit limits as the most requested client service relative to 12% in the previous survey. In parallel, the survey indicated that 83% of surveyed banks explored at least one new market in 2017. It said that 88% of participants tapped new markets in the Asia-Pacific region, 87% of respondents explored new markets in Western Europe, and 82% of surveyed banks tapped new markets in North America. In contrast, it noted that 38% of surveyed banks exited from one or more markets last year. It said that 31% of respondents retreated from Central and East European markets, 28% of participants reduced their presence in Latin America, and 27% of surveyed banks retreated from African markets. The survey was conducted between December 2017 and February 2018, and was compiled from the responses of 251 banks in 91 countries.

Source: ICC Banking Commission

MENA

FDI in Arab world down 12% to \$28bn in 2017

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that foreign direct investment (FDI) in 18 Arab economies totaled \$28.3bn in 2017, constituting a decrease of 11.7% from \$32.1bn in 2016. FDI inflows to Arab countries accounted for 4.2% of FDI in developing economies and for 2% of global foreign direct investment in 2017. The UAE was the largest recipient of FDI in the region with \$10.4bn, or 36.6% of total FDI in Arab countries, followed by Egypt with \$7.4bn (26.1%), Morocco with \$2.7bn (9.4%) and Lebanon with \$2.6bn (9.3%); while Iraq and Yemen posted negative flows of -\$5.03bn and -\$270m, respectively, in 2017. In parallel, FDI in Bahrain rose by 2.1 times in 2017, followed by flows to Qatar (+27.4%), Morocco (+23%), Mauritania (+21.5%), Oman (+11.1%), the UAE (+7.8%), Jordan (+7.2%), Djibouti (+3.1%), Lebanon (+0.7%) and Sudan (+0.1%). In contrast, inflows to Saudi Arabia fell by 81% in 2017, followed by Palestine (-31.5%), Kuwait (-28.2%), Algeria (-26.4%), Egypt (-8.8%) and Tunisia (-0.6%). Further, FDI inflows to the 18 Arab countries were equivalent to 1.2% of their aggregate GDP in 2017, down from 1.4% of GDP in 2016. FDI inflows to Djibouti were equivalent to 8.1% of its GDP last year, followed by Mauritania (6.4% of GDP) and Lebanon (5.1% of GDP).

Source: UNCTAD, International Monetary Fund, Byblos Research

GCC

Fixed income issuance at \$64bn in first five months of 2018

Total fixed income issuance in Gulf Cooperation Council (GCC) countries, which consists of corporate and sovereign bond and sukuk issuance, reached \$63.6bn in the first five months of 2018, compared to an aggregate of \$122.6bn in full year of 2017. Sovereign and corporate bond issuance in the GCC amounted to \$50.7bn in the first five months of 2018 relative to \$81.2bn in full year 2017. Also, sovereign bond issues in GCC economies stood at \$31bn in the first five months of 2018, constituting 61.1% of the region's total bond issuance, while GCC corporate bond issues reached \$19.7bn, representing 38.9% of the total. In parallel, aggregate GCC sovereign and corporate sukuk issuance amounted to \$12.9bn in the covered period compared to \$41.4bn in full year 2017. Sovereign sukuk issues in the region reached \$7.3bn in the first five months of 2018, representing 56.6% of GCC sukuk issuance, while corporate sukuk issues reached \$5.6bn, or 43.4% of the total. On a monthly basis, sovereign and corporate bond issuance totaled \$8.7bn in January, \$5.9bn in February, \$5bn in March, \$27.2bn in April and \$3.9bn in May 2018. In parallel, the region's total sovereign and corporate sukuk issuance was \$3.8bn in January, \$2.1bn in February, \$3bn in March, \$3.8bn in April and \$200m in May 2018.

Source: KAMCO

OUTLOOK

AFRICA

Growth outlook subject to significant external and domestic risks

The World Bank projected economic growth in Sub-Saharan Africa (SSA) to accelerate from 2.6% in 2017 to 3.1% in 2018, relative to a previous forecast of 3.2% for 2018, supported by higher oil and metals production and prices, improved agricultural activity, increasing domestic demand, supportive external financial market conditions, as well as a pick-up in investment. It expected growth in the SSA region to average 3.6% annually during the 2019-20 period on the back of a stronger recovery in economic activity in Angola, Nigeria and South Africa, the region's largest economies. It forecast Angola's real GDP to grow from 1.2% in 2017 to 1.7% this year, supported by a more efficient allocation of foreign currency, higher natural gas production and improved business sentiment. Also, it projected Nigeria's real GDP to pick up from 0.8% last year to 2.1% in 2018, driven by higher oil output and improved non-hydrocarbon sector activity, but to remain subdued due to capacity and structural constraints.

In addition, the Bank expected economic activity in SSA's oil exporters to accelerate from 1.5% in 2017 to 2.3% this year and to average 2.7% annually in the 2019-20 period, due to higher oil production. But it anticipated a slower recovery among oil exporters in the Central African Economic and Monetary Community, amid sustained fiscal consolidation efforts to stabilize their debt levels. Also, it expected rising mining output and improved metal prices to boost growth in some SSA metal exporters, while it anticipated economic activity in other countries to remain subdued as a result of high debt levels that continue to weigh on the private sector. Further, it projected growth in non-resource intensive SSA countries to remain solid in the near term, supported by improving agricultural conditions, strong infrastructure investment, as well as higher household demand. Further, it considered that the region's outlook is subject to significant external downside risks, such as tighter global financing conditions, unexpected capital outflows, a sharp decline in oil and metals prices and weaker-than-expected growth in China. It added that domestic risks include longer-than-expected droughts, delayed fiscal adjustment, weak implementation of structural reforms as well as an intensification of regional, political and security tensions.

Source: World Bank

GCC

Gradual pace of reforms would avoid negative impact on economic activity

European credit insurance group Credendo considered that Gulf Cooperation Council (GCC) countries would have to continue to implement reforms in coming years, but at a gradual pace that would not hurt economic growth and employment. It indicated that GCC countries have implemented fiscal consolidation measures in recent years, which allowed them to improve their fiscal balances. It noted that all GCC economies implemented some form of public wage or employment freeze, as well as energy subsidy reforms. On the revenues side, it noted that Saudi Arabia and the UAE have already introduced the value-added tax in January 2018, while the remaining GCC economies are expected to follow suit in 2019. It added that the region's current account bal-

ance shifted to a surplus of \$30bn in 2017 as a result of capital spending reductions, lower imports and higher global oil prices. However, it pointed out that fiscal consolidation measures in GCC economies significantly weighed on their GDP growth, given the size of their public sectors and the strong correlation of non-oil growth to government spending.

Further, Credendo expected growth in Kuwait, the UAE and Saudi Arabia to recover slightly in 2018, given their large financial resources and buffers that will allow them to continue to implement reforms at a gradual pace. In parallel, it considered the economic situation of Bahrain and Oman to be more critical. It anticipated that the combination of Bahrain's wide fiscal deficit, high public debt level, large refinancing needs and the absence of reforms, could potentially lead to a significant loss in confidence, which would weigh heavily on the Bahraini economy. Also, it pointed out that Oman would need to narrow its fiscal deficit, but would need to implement economic reforms to diversify the economy away from the hydrocarbon sector. It added that the adoption of significant adjustments to public spending in Bahrain and Oman could weigh on the countries' economic growth in the short term, but would support long-term growth.

Source: Credendo

JORDAN

Growth revised upward on financial support from GCC countries

The Institute of International Finance revised upwards its 2018 real GDP growth projection for Jordan to 2.5% from 2.2% previously, following the new aid package that the country recently received from some Gulf Cooperation Council (GCC) countries. It indicated that Saudi Arabia, the UAE and Kuwait pledged a five-year \$2.5bn aid package to Jordan, equivalent to 5% of the country's GDP. The support includes a sizeable deposit at the Central Bank of Jordan to support foreign currency reserves, along with funding for public spending on infrastructure and social services. The IIF noted that the financial support came after mass protests in Jordan that were triggered by higher taxes and rising inflation, due to the lifting of food subsidies and the increase in gasoline prices and electricity tariffs. It added that the country's economic condition remains challenging amid subdued growth, wide fiscal and current account deficits, an elevated public debt level, a high unemployment rate and regional instability.

In parallel, the IIF pointed out that the Cabinet pledged to withdraw the recent tax bill and focus on fighting tax evasion, which is estimated at \$800m, or 2% of GDP, per year. It considered that improving tax compliance and making the tax system more equitable would narrow the fiscal deficit. It noted that shifting from a Goods & Services Tax to a Value-Added Tax system could increase government revenues, while it considered that the scope of adjusting the expenditures is limited, given that most of the spending is politically sensitive. It forecast the fiscal deficit to narrow from 2.6% of GDP in 2017 to 2.3% of GDP in 2018, and projected the public debt level to decline from 96% of GDP at end-2017 to 93.4% of GDP at end-2018. It said that the elevated public debt level has constrained the ability of the authorities to implement a countercyclical fiscal policy in response to shocks and to finance priority spending, including on infrastructure.

Source: Institute of International Finance



ECONOMY & TRADE

SAUDI ARABIA

Sovereign ratings affirmed at 'A+', outlook 'stable'

Fitch Ratings affirmed at 'A+' Saudi Arabia's long-term foreign-currency Issuer Default Rating (IDR) with a 'stable' outlook. It noted that the ratings are supported by the country's strong fiscal and external balances, high level of foreign currency reserves, substantial government assets, low government debt level, and a commitment to extensive reforms. But it said that the ratings are constrained by the country's high reliance on the hydrocarbon sector, weak governance indicators and elevated geopolitical risks. It forecast real GDP to grow by 1.8% in 2018 and by 1.9% in 2019 relative to a contraction of 0.7% in 2017, supported by improved non-hydrocarbon sector activity as a result of fiscal expansion, improved confidence and the implementation of structural reforms. Further, it expected the central government's budget deficit to narrow from 8.4% of GDP in 2017 to 6.4% of GDP in 2019 based on its Brent oil price assumption of \$57.5 p/b in each of 2018 and 2019, mainly due to sharp increases in oil and non-oil revenues. It anticipated the government to finance its deficits through drawing down its deposits at the Saudi Arabia Monetary Authority (SAMA) and by issuing domestic and external debt. As such, it expected the government's debt level to rise from 17% of GDP in 2017 to 27% of GDP in 2019. In parallel, Fitch projected the current account surplus to narrow in 2018 due to a recovery in domestic demand, capital spending and imports, which, along with sustained capital outflows, will lead to a further decrease in SAMA's reserves in the 2018-19 period.

Source: Fitch Ratings

MAURITANIA

Growth prospects dependent on reforms

The International Monetary Fund indicated that Mauritania's economy has been recovering, as real GDP growth accelerated from 1.8% in 2016 to 3.5% in 2017 due to improved terms of trade and strong activity in the agriculture, manufacturing, transport and telecommunications sectors. But it projected growth to slow down slightly to 3% in 2018, as a result of the delayed impact of last year's drought on the agriculture industry. It considered the country's growth prospects to be promising, but encouraged authorities to implement further reforms to maintain macroeconomic stability, achieve inclusive growth and to improve governance and the business climate. Also, the Fund projected the annual average inflation rate at 2.7% in 2018 due to a relatively stable exchange rate. In parallel, it said that the primary budget balance, excluding grants, shifted from a deficit of 1.5% of non-extractive GDP in 2016 to a surplus of 0.3% of non-extractive GDP in 2017, supported by current and capital spending cuts and higher non-extractive tax revenues, and projected the surplus to widen to 1.1% of GDP this year. In addition, it expected the current account deficit to narrow from 14.4% of GDP in 2017 to 11.6% of GDP in 2018, due to an expected rebound in mining and fishing exports. The Fund encouraged the government to continue to implement monetary, exchange rate, and financial sector reforms to improve the effectiveness of the official foreign exchange market and ensure banking sector soundness. It also called on authorities to avoid non-concessional borrowing to ensure debt sustainability and to strengthen debt management.

Source: International Monetary Fund

UAE

Ratings on Abu Dhabi affirmed on strong fiscal and external positions

S&P Global Ratings affirmed at 'AA/A-1+' the long- and short-term foreign and local currency sovereign credit ratings on the Emirate of Abu Dhabi, with a 'stable' outlook on the long-term ratings. It noted that Abu Dhabi's ratings are supported by its strong fiscal and external positions, but are constrained by the nascent political institutions, limited monetary policy flexibility, underdeveloped local-currency bond market and limited data availability, as well as by heightened geopolitical uncertainty in the Gulf region. It expected Abu Dhabi to maintain a very strong net fiscal asset position of 235% of GDP on average during the 2018-21 period, one of the highest ratios among rated sovereigns. It added that the Emirate's asset position provides a buffer to mitigate the negative impact of low oil prices on economic growth, government revenues and the external account. In addition, S&P forecast Abu Dhabi's general government fiscal surplus to average 8% of GDP annually in the 2018-21 period, driven by higher oil and non-oil revenues and a slower increase in expenditures. In parallel, Standard Chartered Bank indicated that Abu Dhabi's real GDP contracted by 0.7% in 2017, due to oil output cuts under the OPEC agreement and sustained fiscal consolidation efforts. Also, it said that Dubai's economic activity slowed down but still grew by less than 3% in 2017, given its lower reliance on the hydrocarbon sector for growth and fiscal revenues. It added that Abu Dhabi is planning a AED50bn, or \$13.6bn, three-year fiscal plan to support economic activity.

Source: S&P Global Ratings, Standard Chartered Bank

SYRIA

Economy to contract by 0.3% in 2018, real GDP contracts by 58% between 2011 and 2016

IHS Markit indicated that Syria's real GDP contracted by 58.3% between 2011 and 2016, and that economic activity retreated by an annual average of 12.4% during the 2011-16 period. Also, it indicated that economic activity in Syria continued to shrink but at a slower rate between 2014 and 2016, with real GDP contraction slowing down from 14.7% in 2014 to 6.1% in 2015 and 4% in 2016, according to official national accounts. Further, it estimated Syria's economic contraction at about 2.3% in 2017. It said that activity in wholesale & retail trade contracted by an annual average of 21% in real terms during the 2011-16 period, followed by mining, manufacturing & utilities (-18.2%), the agricultural sector (-9.3%), transportation & communications (-6.7%) and government services (-0.5%). In parallel, IHS estimated that the country's mining, manufacturing & utilities sector has expanded in 2017, while it considered the transport & communications sector to have registered growth last year. It added that the wholesale & retail trade sector is likely to have recorded a more moderate contraction in 2017. In parallel, IHS forecast Syria's real GDP to contract by 0.3% in 2018, and said that it remains unclear when the economy will stabilize, given the massive infrastructure damage and the huge financing needs for the reconstruction phase in coming years.

Source: IHS Markit, Central Bank of Syria



BANKING

TURKEY

Agency takes rating actions on 17 banks

Moody's Investors Service downgraded from 'Ba2' to 'Ba3' the long-term local-currency deposit ratings of Ziraat Bankasi, Akbank, Turkiye IS Bankasi, Turkiye Garanti Bankasi, Yapi ve Kredi Bankasi, Turkiye Vakiflar Bankasi and Denizbank. It also downgraded from 'Ba3' to 'B1' the long-term local-currency deposit ratings of Odea Bank, HSBC Bank Turkey and Turkiye Halk Bankasi (Halkbank), and from 'B2' to 'B3' that of Sekerbank. Further, it affirmed at 'Ba3' and placed under review for downgrade the long-term local-currency deposit ratings of ING Bank, Alternatifbank, QNB Finansbank and Turk Ekonomi Bankasi. In parallel, it downgraded from 'Ba3' to 'B1' the long-term foreign-currency deposit ratings of Halkbank, HSBC Bank Turkey and Odea Bank, and from 'B2' to 'B3' that of Sekerbank, while it affirmed and placed under review for downgrade the foreign-currency deposit ratings of the remaining 11 banks. In addition, it downgraded from 'Ba2' to 'Ba3' the long-term issuer ratings of Export Credit Bank of Turkey and Turkiye Sinai Kalkinma Bankasi. It attributed the downgrade of the banks' long-term ratings to the deteriorating operating environment in Turkey, as reflected by the recent erosion in investor confidence. It added that the banks' performance is constrained by weaker funding conditions, given their high reliance on US dollar short-term market funding that represented about 50%, or \$75bn of their foreign-currency market funding as at March 2018.

Source: Moody's Investors Service

ANGOLA

NPLs ratio at 29% at end-2017

The International Monetary Fund indicated that Angola's banking system is stable despite weak economic activity that has weighed on the banks' capital metrics and asset quality in the previous three years. The sector's risk-weighted capital adequacy ratio reached 18.9% at the end of 2017 relative to 19.2% at end-2016, but was well above the regulatory minimum of 10%. The IMF noted that Banco Nacional de Angola (BNA) introduced a new liquidity requirement that limits the banks' daily net foreign exchange liquid position. Also, it said that the BNA has increased by threefold the minimum regulatory capital requirement that banks have to meet by the end of 2018, which could lead to consolidation in the sector. In parallel, the banks' aggregate liquid assets represented 33.8% of total assets at the end of 2017 relative to 46.3% a year earlier, while they were equivalent to 43.2% of short-term debt at end-2017 compared to 59.2% at end-2016. Further, the IMF said that subdued lending growth and high provisioning are weighing on the banks' balance sheets and estimated the aggregate non-performing loans (NPLs) ratio at 28.8% at the end of 2017 relative to 13.1% at end-2016, with 80% of NPLs concentrated in the state-owned Banco de Poupança e Crédito. The sector's loans-to-deposits ratio stood at 49.3% at end-2017 relative to 51.6% at end-2016. The Fund noted that foreign currency loans represented 25.1% of total loans, while foreign currency deposits stood at 33.5% of total deposits. In addition, the banks' return on assets reached 2.1% in 2017 nearly unchanged from 2.2% in 2016, while their return on equity decreased from 15.6% in 2016 to 14.5% in 2017.

Source: International Monetary Fund

OMAN

Banks' asset quality and profitability metrics continue to deteriorate

Fitch Ratings considered that the asset quality metrics of Omani banks continued to deteriorate in 2017, as the challenging operating environment weighed on the real estate, contracting and hydrocarbon sectors last year. It noted that the banks' loan impairment charges-to-gross loans ratio continued to increase at most Omani banks. Still, it pointed out that the banks' loan-loss reserves are adequate at over 100% of impaired loans and at about 3.5% of gross loans. Overall, it anticipated the banks' asset quality metrics to remain under pressure in 2018, mainly in the contracting and real estate sectors. Further, it said that funding costs increased in 2017 due to higher interest rates and tighter liquidity, which added pressure on the banks' profitability as interest rate risk cannot be hedged in Oman, given a long-standing regulatory interest-rate cap of 6% for retail lending. It indicated that the funding pressures on banks eased slightly in 2017 but remained elevated. Also, it noted that Omani banks are mostly funded by local currency deposits, which shields them from external deposit outflows and currency risks. In parallel, it noted that the sector's liquidity is adequate, with the banks' liquid assets equivalent to around 25% of customer deposits. It added that the banks' core capital ratios rose slightly in 2017 due to lower lending growth and sufficient internal capital generation, but expected these ratios to remain only adequate given high concentration risks.

Source: Fitch Ratings

QATAR

Banking sector resilient to macroeconomic shocks

The International Monetary Fund indicated that Qatari banks are profitable, liquid and well capitalized, with a low average non-performing loans (NPLs) ratio of 1.5%, a strong capital adequacy ratio (CAR) of 16.6% and a comfortable level of provisions of about 85% of NPLs. It added that the Qatar Central Bank's (QCB) ability to supervise and regulate the banking system is strong, as demonstrated by the early adoption of Basel III standards. In parallel, it indicated that QCB's liquidity injections and increased public-sector deposits have helped mitigate the funding pressure on Qatari banks in the context of the diplomatic rift with other Arab countries. It considered that the banking sector needs to accelerate deposit growth and further diversify its financing sources. Further, it pointed out that NPLs in the Qatari banking system are influenced by oil prices, private sector credit growth, non-oil private sector growth and developments in the stock market. As such, it assessed the resilience of the banking sector to macroeconomic shocks by conducting a stress test that measures the future path of NPLs and its impact on the banks' CARs under a baseline scenario, a shock scenario and a severe shock scenario. It concluded that the results are in line with QCB's stress tests and reflect the resilience of Qatar's banking system, even under the severe shock scenario. It expected the banks' CAR to remain above the QCB's regulatory minimum of 10% under all scenarios, which reflects that Qatari banks are well-positioned to mitigate the impact of an increase in NPLs. It said that the banks' capital would only be put under pressure in the event of a very sharp economic downturn.

Source: International Monetary Fund



ENERGY / COMMODITIES

Future oil prices depend on future output policy

Elevated uncertainties about the direction of supply in the oil market have led to the relative stabilization of ICE Brent crude oil front-month prices at between \$75 per barrel (p/b) and \$77 p/b in the last three weeks. In fact, disagreements have surfaced in recent weeks among OPEC members on whether to maintain the current cuts in output or increase production. The lack of clarity about OPEC's next move is exacerbated by the fact that the output cut agreement between OPEC and non-OPEC reached its main target of reducing OECD crude oil stocks. In this context, OECD inventories fell by 247 million barrels year-on-year to 2,811 million barrels in April 2018. Other opposing factors that led to the stabilization of oil prices include heightened tensions between the U.S. and Saudi Arabia on one side and Iran on the other side, rising U.S. oil supply, and declining refinery activity in China. Overall, the direction of oil prices in the near term will mainly depend on OPEC's future production policy that will be decided at the cartel's upcoming meeting on June 22. Brent oil prices are expected to average \$73.9 p/b in the second quarter of 2018 and \$73.8 p/b in the third quarter relative to an average of \$67.3 p/b in the first quarter of the year, while WTI prices are projected to average \$68.3 p/b in the second quarter and \$68.4 p/b in the third quarter of 2018 compared to an average of \$62.9 p/b in the first quarter of this year.

Source: Thomson Reuters, Byblos Research

Middle East accounts for 48% of global oil reserves

BP estimated that the Middle East region's proven crude oil reserves reached 807.7 billion barrels at the end of 2017, equivalent to 47.6% of the world's oil proven reserves. Saudi Arabia held 266.2 billion barrels, or 33% of total proven reserves in the Middle East, at end-2017. Iran followed with 157.2 billion barrels (19.5%), then Iraq with 148.8 billion barrels (18.4%) Kuwait with 101.5 billion barrels (12.6%) and the UAE with 97.8 billion barrels (12.1%), while other Middle East countries held the remaining 16.6% of the region's proven reserves.

Source: BP, Byblos Research

Iran to increase oil output by 460 million barrels in coming three years

Iran announced plans to increase its oil output by 460 million barrels within the next three years. The plan will focus on increasing production from 29 oilfields. The activities related to the output increase will be mainly carried out by Iranian companies. Iran's oil production reached 3.83 million barrels per day in May 2018, representing 12% of the total crude oil production of the Organization of Petroleum Exporting Countries.

Source: National Iranian Oil Company, Byblos Research

OPEC's oil basket price up 8.3% in May 2018

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) averaged \$74.11 per barrel (p/b) in May 2018, constituting an increase of 8.3% from \$68.43 p/b in the preceding month. Nigeria's Bonny Light posted a price of \$77.73 p/b, followed by Algeria's Saharan blend at \$77.25 p/b and Angola's Girassol crude oil at \$76.75 p/b. In parallel, all 14 prices included in the OPEC reference basket posted monthly increases that ranged from \$4.82 p/b to \$7.89 p/b in May 2018.

Source: OPEC, Byblos Research

Base Metals: Copper prices hit their highest level since January 2014

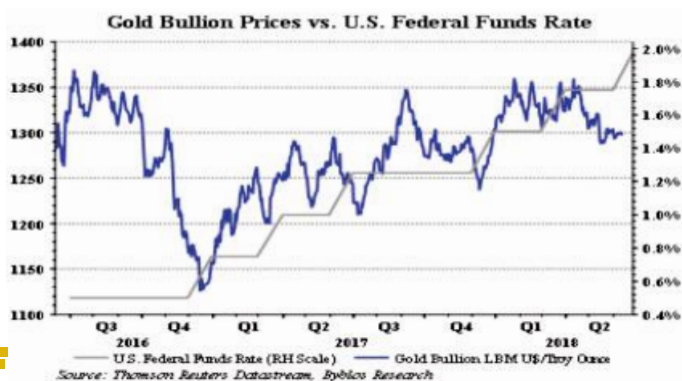
LME copper three-month future prices averaged \$7,174 per metric ton so far in June 2018, constituting an increase of 4.7% from \$6,854 per ton in May of this year. The rally in prices was driven by labor-related supply disruptions at Escondida, the world's biggest copper mine in Chile, by a weaker US dollar, as well as by higher demand for the metal, mainly from China, the world's largest consumer of copper. China imported 475,000 tons of copper in May 2018, constituting a rise of 8% from April and of 22% from May 2017. China's copper imports in May reached their highest level since December 2016, amid the country's crack-down on scrap copper that led to higher demand of the metal in other forms. Also, Chinese scrap copper imports, which do not meet the country's tight impurity thresholds, dropped by 36.7% in April 2018 from a year earlier. However, receding concerns about a potential strike at Escondida, news of rising inventories in China, as well as expectations of a hike in interest rates by the U.S. Federal Reserve have capped the upward pressure on the metal's price. As such, copper prices dropped from \$7,332 per ton on June 7, 2018, their highest level since January 2014, to \$7,257 per ton on June 13, 2018.

Source: Thomson Reuters, Byblos Research

Precious Metals: Introduction of laboratory-grown diamonds disrupts industry

The introduction of gem-quality laboratory grown diamonds to the market constitutes a risk to the diamond industry. First, it has increased competition and threatened the structure of the oligopolistic diamond industry. Second, it has led consumers to fear the undisclosed mixing of laboratory-grown diamonds with natural diamonds. However, the recent introduction of a machine by De Beers, the world's largest diamond producer, that detects any mixing of the two types of diamonds would allow for the segmentation of the two different industries and would protect the revenues of the mined diamond sector. As such, the natural diamond industry would benefit from its strategy of limited and exclusive supply, while the laboratory-grown diamond segment is characterized by high competition and, in turn, lower prices. Further, laboratory-grown diamond producers could also benefit from economies of scale, as well as from their alliances with gold producers to reduce costs. As such, companies that have exposure to both natural and laboratory-grown diamond industries are the least vulnerable to the recent developments in the sector, as they could benefit from the characteristics of the two markets. Further, diamond consumers who embrace laboratory-grown diamonds would also benefit from the lower prices of such diamonds.

Source: ABN AMRO



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-2.5	17.3	2.5	-	-	-	-12.3	
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
	Stable	Stable	Stable	-	Stable								
Egypt	B	B3	B	B	B+	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
	Stable	Stable	Positive	Positive	Positive								
Ethiopia	B	B1	B		B+	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
	Stable	Stable	Stable	-	Stable								
Ghana	B-	B3	B	-	BB-	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
	Positive	Stable	Stable	-	Stable								
Ivory Coast	-	Ba3	B+	-	B+	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-16.4	78.2	-	-	-	-	-10.6	-
	-	-	Stable	-	Stable								
Dem Rep Congo	CCC+	B3	-	-	CCC	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
	Stable	Negative	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
	Stable	Positive	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-4.5*	15.7	7.4	29.5	1.2	69.4	1.4	1.4
	Stable	Stable	Negative	-	Stable								
Sudan	-	-	-	-	CC	-2.5	55.2	47.5	-	-	-	-4.7	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
	-	Stable	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-3.6*	33.3	23.1**	-	-	-	-7.2	-
	Stable	-	-	-	Stable								
Rwanda	B	B2	B+	-	B+	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
	Stable	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B1	BB-	BB	BB+	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
	Stable	Negative	Stable	Stable	Negative								
Iran	-	-	-	BB-	BB-	0.7	29.2	2.0	-	-	-	5.3	-
	-	-	-	Negative	Positive								
Iraq	B-	Caa1	B-	-	CC+	-4.2	60.0	38.8	-	-	-	-4.4	-
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	BB+	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
	Stable	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	B3	B-	B	B-	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
	Stable	Stable	Stable	Stable	Stable								
Oman	BB	Baa3	BBB-	BBB	BBB-	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
	Stable	Negative	Negative	Stable	Negative								
Qatar	AA-	Aa3	AA-	AA-	A+	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
	Negative	Negative	Stable	Negative	Negative								
Saudi Arabia	A-	A1	A+	A+	AA-	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-6.0	77.4	20.3	-	-	-	-4.2	
	-	-	-	-	Negative								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-								
	-	Positive	Positive	-	Stable	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB-	Baa2	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB-	Baa3	BBB	-	BBB								
	Negative	Stable	Stable	-	Stable	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Stable	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BBB-	Ba1	BBB-	-	BBB-								
	Stable	Positive	Positive	-	Stable	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	BB-	Ba2	BB+	BB+	BB-								
	Stable	Stable	Stable	Negative	Stable	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	B-	Caa2	B-	-	B-								
	Stable	Positive	Stable	-	Stable	-3.0	89.8	144.5	226.4	32.1	827.4	-3.6	1.7

* including grants for Sub-Saharan African countries

** to official creditors

***Credit Watch Negative

Source: Institute of International Finance; International Monetary Fund; IHS Global Insight; Moody's Investors Service; Byblos Research - The above figures are estimates for 2017



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.75-2.00	13-Jun-18	Raised 25bps	05-Jul-18
Eurozone	Refi Rate	0.00	14-Jun-18	No change	26-Jul-18
UK	Bank Rate	0.50	10-May-18	No change	21-Jun-18
Japan	O/N Call Rate	-0.10	26-Apr-18	No change	15-Jun-18
Australia	Cash Rate	1.50	05-Jun-18	No change	19-Jun-18
New Zealand	Cash Rate	1.75	10-May-18	No change	28-Jun-18
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Mar-18	No change	21-Jun-18
Canada	Overnight rate	1.25	30-May-18	No change	11-Jul-18
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.75	14-Jun-17	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	22-Mar-18	No change	21-Jun-18
South Korea	Base Rate	1.50	24-May-18	No change	12-Jul-18
Malaysia	O/N Policy Rate	3.25	10-May-18	No change	11-Jul-18
Thailand	1D Repo	1.50	16-May-18	No change	20-Jun-18
India	Reverse repo rate	6.25	06-Jun-18	Raised 25bps	01-Aug-18
UAE	Repo rate	2.25	14-Jun-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	2.50	14-Jun-18	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	17-May-18	Cut 100bps	28-Jun-18
Turkey	Repo Rate	17.75	07-Jun-18	Raised 125bps	24-Jul-18
South Africa	Repo rate	6.50	24-May-18	Cut 25bps	19-Jul-18
Kenya	Central Bank Rate	9.50	28-May-18	No Change	N/A
Nigeria	Monetary Policy Rate	14.00	22-May-18	No change	24-Jul-18
Ghana	Prime Rate	17.00	21-May-18	Cut 100bps	23-Jul-18
Angola	Base rate	18.00	24-May-18	No change	20-Jul-18
Mexico	Target Rate	7.50	17-May-18	No change	21-Jun-18
Brazil	Selic Rate	6.50	17-May-18	No change	21-Jun-18
Armenia	Refi Rate	6.00	15-May-18	No change	27-Jun-18
Romania	Policy Rate	2.50	07-May-18	Raised 25bps	04-Jul-18
Bulgaria	Base Interest	0.00	01-Jun-18	No change	29-Jun-18
Kazakhstan	Repo Rate	9.00	04-Jun-18	Cut 25bps	09-Jul-18
Ukraine	Discount Rate	17.00	12-Apr-18	No change	12-Jul-18
Russia	Refi Rate	7.25	27-Apr-18	Cut 25bps	15-Jun-18



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