

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate debt at \$19.5 trillion at end-2018

S&P Global Ratings indicated that outstanding global rated corporate debt reached \$19.5 trillion at end-2018, and grew by 3% from end-2017. Corporate debt issued by non-financial institutions amounted to \$12.56 trillion or 64.4% of the total at end-2018, while debt issued by financial firms accounted for the remaining \$6.95 trillion (35.6%). Also, investment-grade corporate issuers had \$15.2 trillion in debt, or 78% of the total, while speculative-grade companies had \$4.3 trillion (22%) in debt. In addition, 36% of rated corporate debt were in the 'BBB' rating category, 27% in the 'A' rating segment and 10.7% in the 'BB' rating category, while the remaining 26.3% of rated corporate debt were in other rating categories. On a regional level, corporate debt in the U.S. reached \$9.3 trillion and represented 47.7% of global corporate debt at end-2018, followed by Europe with \$7.1 trillion (36.4%), other developed economies with \$1.8 trillion (9.5%) and emerging markets with \$1.3 trillion (6.4%). Further, non-financial issuers in the U.S. had \$7.1 trillion in corporate debt, equivalent to 36.6% of the total, followed by non-financial firms in Europe with \$3.6 trillion (18.5%), those in other developed economies with \$935.5bn (4.8%) and issuers in emerging markets with \$875.2bn (4.5%). In parallel, financial institutions in Europe had \$3.5 trillion in debt, which represented 18% of the total at end-2018, followed by those in the U.S. with \$2.2 trillion (11.1%), financial firms in other developed economies with \$911.6bn (4.7%) and those in emerging markets with \$381bn (2%).

Source: S&P Global Ratings

MENA

Country risk level unchanged in first quarter of 2019

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world was stable in the first quarter of 2019, as the average score of 19 Arab economies was unchanged quarter-on-quarter at 39.6 points. A higher score represents a lower country risk level. The region's risk level was higher than the global risk level of 43.8 points. It was also higher than the risk levels of North America (79.4 points), Western Europe (73.7 points), Central & Eastern Europe (49.7 points), Latin America (45.9 points), and Asia (43.1 points). In contrast, it was lower than the risk levels of the Caribbean (36.8 points), Sub-Saharan Africa (31.6 points), and Australasia (28.4 points). The average scores of GCC countries and non-GCC Arab countries were also unchanged from the preceding quarter at 59.4 points and 30.5 points, respectively. The Arab world's Political Risks score of 11.64 points was lower than the global average of 13.76 points, while its Economic Performance score of 12.73 points was below the global average of 13.43 points. Further, the region's Credit Ratings score averaged 2.44 points relative to the global average of 3.07 points; while the Access to Bank Finance & Capital Markets score was 4.41 points, higher than the global average of 4.25 points. Qatar had the lowest country risk level in the Arab world and the 28th lowest globally, followed by Kuwait (33rd), the UAE (36th), Saudi Arabia (49th) and Oman (50th).

Source: Euromoney Group, Byblos Research

M&A deals at \$96bn in first four months of 2019

Figures issued by Bureau Van Dijk and Zephyr show that there were 162 merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region for a total of \$96.3bn in the first four months of 2019. In comparison, there were 216 M&A deals worth \$16.9bn in the first four months of 2018. The figures show a decline of 25% in the volume of deals and a rise of 5.7 times in their amount year-on-year in the covered period. On a monthly basis, M&A deals fell from \$73.7bn in March 2019 to \$2.3bn in April, due to Saudi Aramco's \$69.1bn acquisition of a majority stake in Saudi Basic Industries in March. In contrast, the number of transactions grew from 35 deals in March to 36 transactions in April 2019. The amount of M&A transactions in Saudi Arabia reached \$70.8bn in the first four months of the year, which accounted for 73.5% of the region's aggregate deal value. The UAE followed with M&A deals of \$15.4bn (16%), then Bahrain with \$7.1bn (7.3%), Kuwait with \$2.2bn (2.2%), Egypt with \$438m (0.5%), Qatar with \$177m and Morocco with \$162m (0.2% each), Jordan with \$115m (0.1%), and Iran with \$15m. In volume terms, the UAE had 38 M&A deals in the covered period, followed by Egypt with 36 transactions, Saudi Arabia with 27 deals, Kuwait with 21 transactions, Jordan with 16 deals, Oman with eight transactions, Bahrain with six deals, Morocco with five transactions, while the remaining deals were in three other MENA countries.

Source: Zephyr, Bureau Van Dijk, Byblos Research

Nearly 60% of firms adopting new technologies to address financial crime

A survey by Refinitiv on financial crime in the Middle East indicated that fraud is the main area of concern for companies in the region, as over 25% of respondents said that their organization was a victim of fraud in the past five years. The distribution of respondents shows that 61.8% of surveyed participants work in the financial services sector, followed by consultancy (8.4%), the retail industry (7.3%), and the construction or engineering sectors (6.1%). Also, 27.1% of respondents work in the risk, anti-money laundering or compliance unit, while 23% of respondents are part of senior or middle management. The survey noted that 13.7% of surveyed participants indicated that their company has been a victim of cyber-breaches, followed by regulatory breaches and money laundering (12.4% each), and bribery & corruption (11.8%). Also, 75.2% of respondents said that their organization has in place Know Your Customer (KYC) financial crime program, followed by an anti-money laundering program (68.6%), a fraud prevention program (58.2%), and an anti-bribery & anti-corruption program (49%). In parallel, the survey pointed out that organizations have been increasing investments and relying on new technologies to address financial crime. In this context, 58% of respondents said that their company adopted an innovative technology in their compliance solution, while 30% of participants expected their company's investment in these technologies to increase in the coming two years. Further, 75% of respondents expressed high levels of confidence in their company's financial crime solutions in 2018 compared to a share of 65% in 2017.

Source: Refinitiv

OUTLOOK

GCC

Lower real estate prices to persist in near term

The Institute of International Finance indicated that the excess supply of residential and commercial real estate, as well as weak demand for property in the countries of the Gulf Cooperation Council (GCC), have caused a steady decline in real estate prices since 2014. It considered this trend to be a consequence of a supply-driven real estate market, amid rising global interest rates, appreciating exchange rates, and regional tensions. Also, it pointed out that there is a risk that the drop in real estate prices is self-perpetuating, as lower prices would make acquiring property more affordable, but potential buyers might hesitate to buy if they expect their purchase today to lose value over time. Further, it anticipated the decline in prices to persist in the near term. In this context, the IIF indicated that a downward trend in real estate prices increases the risk of deflation in the region, and that central banks are limited in their capacity to control deflationary pressures as GCC currencies are pegged to the US dollar. It also noted that a weakness in the real estate sector poses a threat to the profitability and stability of regional banking systems, given the significant size of loans extended to the sector.

However, the IIF considered that there are some signs of market adjustment and that GCC governments are implementing reforms that would raise the prospects for a real estate turnaround. It said that Saudi Arabia introduced affordable housing programs, authorities in the UAE intend to relax regulations on foreign ownership of local property, while Abu Dhabi announced a \$13.6bn economic stimulus package that may boost the real estate and tourism sectors. It added that a sustained increase in global oil prices would raise government revenues and support non-oil economic activity, including in the real estate sector. It indicated that the development of lower-priced projects is picking up despite subdued demand for higher-priced real estate. It noted that developers are slowing the pace of new projects in favor of marketing their existing inventory.

Source: Institute of International Finance

NIGERIA

Easing of monetary policy could destabilize currency

Citi Research projected Nigeria's real GDP growth at 2.4% in 2019 and 3.6% in 2020, mainly supported by a recovery in business confidence and a normalization of agricultural output levels, and in the absence of foreign currency shortages. It also indicated that the start of oil production at Total's Engina field could have a positive impact on the short-term growth outlook, but it pointed out that the government would need to pass the Petroleum Industry Bill to maintain or raise hydrocarbon output levels for a prolonged period. Further, it considered that the scope of Nigeria's fiscal policy to support economic recovery is very limited. In this context, it noted that the potential non-oil revenues from the current government's planned reforms would take time to materialize and, consequently, expected the country's fiscal space to remain constrained in the absence of a significant rise in global oil prices and in local hydrocarbon production.

Instead, Citi anticipated that political pressure may increase on the Central Bank of Nigeria to ease monetary policy, especially

if economic activity continues to be subdued. It noted that the Monetary Policy Committee already reduced the monetary policy rate by 50 basis points to 13.5% in March 2019. It pointed out the CBN has in recent years used a combination of alternative measures, such as aggressive open market operations and changes in the cash reserve ratio, instead of the policy rates, to keep a tight monetary policy and maintain the stability of the Nigerian naira. It considered that reducing the cash reserve ratio would have a positive impact on economic growth, as it would encourage commercial banks to increase lending. But it said that lowering the ratio and easing open market operations could potentially put pressure on the Nigerian naira. Specifically, it noted that the funds that would be released from reducing the cash reserves ratio could be used by market players that engage in foreign exchange trading, which may lead to speculation and currency depreciation pressures. Further, it said that easing open market operations could encourage the outflow of portfolio investments, which have been an important factor in supporting currency stability.

Source: Citi Research

BAHRAIN

Additional fiscal and structural reforms needed to maintain financial stability

The International Monetary Fund projected Bahrain's real GDP growth at 1.8% in 2019 and expected it to accelerate to 2.1% in 2020. It noted that fiscal and external vulnerabilities have increased significantly as a result of the drop in global oil prices since mid-2014. It added that authorities responded by introducing the Fiscal Balance Program (FBP) in late 2018, which provides a roadmap to address Bahrain's fiscal challenges over the medium term and which, along with the \$10bn in regional support, has led to a decline in borrowing costs. It anticipated hydrocarbon sector output to grow by 0.2% this year and in 2020 following a contraction of 1.7% in 2018, while it forecast growth in non-hydrocarbon sector activity to decelerate from 2.5% in 2018 to 2.2% in 2019 and to rebound to 2.5% next year. It indicated that downside risks to the outlook include delays in fiscal adjustment, lower global oil prices and the potential tightening in global financial conditions.

Further, the IMF forecast Bahrain's fiscal deficit to narrow from 11.7% of GDP in 2018 to 8.4% of GDP in 2019 and 7.7% of GDP in 2020. It commended the authorities on the FBP and welcomed the introduction of the value-added tax (VAT) and the Voluntary Retirement Scheme that will help contain the wage bill. But it pointed out that authorities need to monitor the potential materialization of any contingent liabilities. It expected the public debt level to increase from 98% of GDP at the end of 2018 to about 114% of GDP over the medium term. In parallel, the Fund projected the current account deficit to average 1.4% of GDP annually in the 2019-20 period. It expected foreign currency reserves to decline from \$2bn, or 1.1 months of non-oil imports at the end of 2019, to \$1.9bn, or one month of non-oil import coverage at end-2020. Further, the IMF considered that additional fiscal consolidation measures, including introducing direct taxes, reducing VAT exemptions, and phasing out untargeted subsidies would further ensure fiscal and external sustainability. It called on authorities to step up efforts for additional fiscal and structural reforms to strengthen the fiscal and external positions.

Source: International Monetary Fund

ECONOMY & TRADE

WORLD

'Intermediate' industry and country risks for trade credit insurance market

S&P Global Ratings assessed as 'intermediate' the industry and country risks in the global trade credit insurance market, reflecting the sector's stable and strong profits, as well as its increased resilience to a global recession similar to the one that followed the 2008 financial crisis. Trade credit insurance is a coverage policy offered by private insurers to firms that wish to protect their account receivables from losses resulting from default, insolvency or bankruptcy. Also, it pointed out that most of the exposure of the global trade credit insurance market is in Western Europe and North America, which have low country risk levels, while it noted that some trade credit insurers operating in emerging markets bear the risk of increased volatility. It added that Euler Hermes, Atradius and Coface account for over 80% of the sector's premiums, which highlights the market's concentration. In parallel, the agency considered the sector's legal and regulatory barriers to be low. It said that the licensing procedures are generally extensive and stringent in the trade credit insurance market, but are not stricter than those in other insurance segments. Further, S&P projected the sector's return on equity (ROE) at around 9.5% in 2019 compared to an average ROE of -8% in the 2008-09 period; while it forecast the industry's combined ratio, which is the ratio of incurred losses and expenses to earned premiums, to stabilize at 80.5% in 2019.

Source: S&P Global Ratings

IRAN

Sovereign ratings downgraded on expectations of further economic downturn

Capital Intelligence Ratings downgraded Iran's long-term foreign and local currency ratings from 'B+' to 'B', and revised the outlook from 'negative' to 'stable'. It attributed the ratings downgrade to its expectation that the recent tightening of U.S. sanctions on Iran would worsen Iran's economic downturn, as it would weigh on Iran's oil production and would constrain the country's non-oil growth dynamics. As such, it projected the economy to contract by 7.8% in 2019 relative to a previous projection of a 6.6% retreat, and revised downwards its forecast for Iran's oil production from 2.1 million barrels per day (b/d) for the fiscal year that ended in March 2019 to 2 million b/d in FY2019/20. Also, it considered that the U.S. secondary sanctions on Iranian banks, which have reduced the latter's access to the global banking system and disrupted external trade flows, would further weigh on economic activity. In parallel, CI considered that Iran's ratings are supported by the country's very low external debt level, but it indicated that the U.S. financial sanctions have weakened the country's external debt repayment capacity in two ways. First, it pointed out that Iran's cross-border payments through the international banking system have become more difficult with the decline in the country's correspondent banking relationships. Second, it noted that the sanctions have restricted the access of the Central Bank of Iran and of commercial banks to large external assets held abroad. It considered the government's debt level to be moderate, but it noted that substantial risks to fiscal sustainability stem from the government's large contingent liabilities.

Source: Capital Intelligence Ratings

CÔTE d'IVOIRE

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'B+/B' Côte d'Ivoire's long- and short-term foreign currency Issuer Default Ratings, with a 'stable' outlook. It indicated that the ratings balance strong economic growth, sustained macroeconomic stability and low inflation rates, with low governance and development indicators, two debt defaults since 1999, and high dependence on agriculture. It added that problematic transitions of power since the early 1990s, the recent history of civil conflict and regional divisions point to increased political uncertainties ahead of the 2020 presidential elections. Still, it expected the elections to take place smoothly, given the progress achieved towards political normalization and institutional reforms. In parallel, Fitch expected real GDP growth to average 7.2% annually in the 2019-20 period, more than twice the median of 3.4% for 'B'-rated sovereigns, driven by stronger domestic demand, agricultural sector activity and investments under the 2016-20 National Development Plan. Further, it projected the fiscal deficit to narrow from 4% of GDP in 2018 to 3% of GDP in 2019, in line with the authorities' target, supported by sustained declines in operational and capital spending. But it expected the deficit to widen to 3.3% of GDP in 2020 due to increased election-related spending. It anticipated the public debt level to regress from 48.6% of GDP at end-2018 to 47.7% of GDP at end-2020. In parallel, it projected the current account deficit to narrow from 4.7% of GDP in 2018 to 3.9% of GDP in 2020, in case of lower oil prices, the gradual completion of major infrastructure projects and a pickup in exports.

Source: Fitch Ratings

PAKISTAN

Agreement with IMF to reduce macroeconomic imbalances

The International Monetary Fund indicated that it reached a staff-level agreement on economic policies with Pakistan, supported by a three-year \$6bn Extended Fund Facility (EFF). It noted that Pakistan is facing a challenging economic environment, with subdued real GDP growth, elevated inflation rates, high indebtedness and a weak external position. It considered that the pro-cyclical economic policies in recent years have come at the expense of rising vulnerabilities, and amid sustained structural and institutional weaknesses. As such, it said that authorities need to address these challenges and to tackle the large informal economy, the low spending level on human capital, and poverty. It noted that the government has started a difficult adjustment to stabilize the economy that includes support from the State Bank of Pakistan. It added that decisive policies and reforms, as well as significant external financing, are necessary to reduce the country's vulnerabilities, increase confidence and put the economy on a sustainable growth path. In this context, the Fund indicated that the EFF aims to support the authorities' macroeconomic and structural reforms agenda in the next three years, mainly by reducing domestic and external imbalances, improving the business environment, strengthening institutions and improving social spending. Further, it said that the State Bank of Pakistan will focus on reducing inflation, while it noted that a market-determined exchange rate will help the functioning of the financial sector.

Source: International Monetary Fund



BANKING

MENA

Lending conditions tighten in first quarter of 2019

The Emerging Markets Lending Conditions Index for the Middle East & North Africa (MENA) region increased from 40.2 in the fourth quarter of 2018 to 42.7 in the first quarter of 2019, which reflects tightening lending conditions at a slower pace. However, the MENA region had the least favorable lending conditions among emerging markets in the covered quarter, behind Sub-Saharan Africa (52.5), Emerging Europe (51), Emerging Asia (50.8), and Latin America (49.3). The increase in the MENA region's Index was mainly due to an improvement in the Credit Standards Index from 38.8 in the fourth quarter of 2018 to 42.8 in the first quarter of 2019, as the region experienced less tightening in credit standards for corporate loans, commercial real estate credit and consumer loans. Further, the Non-Performing Loans Index improved from a record low of 32.5 in the fourth quarter of 2018 to 43.8 in the first quarter of 2019. Also, the Funding Conditions Index reached 41.9 in the covered quarter, up from 38.1 in the fourth of 2018, due to the tightening of international and domestic funding conditions, though at a slower pace. In contrast, the MENA region's Demand for Loans Index decreased slightly from 40.3 in the fourth quarter of 2018 to 40 in the first quarter of 2019 due to a steeper decline in the demand for commercial and industrial loans, as well as for commercial real estate loans. Also, the Trade Finance Index declined from 48.8 in the fourth quarter of 2018 to 48.1 in the covered quarter due to a decrease in the demand for international trade finance.

Source: *Institute of International Finance*

RWANDA

Higher capital buffers improve banks' resilience to shocks

Moody's Investors Service considered that the increase in the total capital adequacy ratio of Rwanda's banking sector from 23.7% at the end of March 2018 to 25.5% at end-March 2019 will strengthen the banks' resilience to potential shocks and provide them with greater capacity to absorb losses. It noted that the sector's non-performing loans ratio reached 6.4% at end-2018 and that the provision for these loans is around 68%, which exposes the banks' capital to unexpected loan losses. Further, it said that higher capital buffers will protect the banks from tail risks arising from the property market, given that mortgages account for 37% of the banks' total loans as of June 2018. In parallel, it indicated that the system's liquidity coverage ratio (LCR) stood at 215% and the net stable funding ratio (NSFR) reached 174% at end-March 2019, both above the Basel III liquidity standards minimum requirement of 100%. It considered that the healthy LCR and NSFR ratios reflect the banks' sufficient stock of high-quality liquid assets to withstand a 30-day liquidity stress scenario. Further, Moody's pointed out that the system's interest spread regressed from 12.4% in March 2015 to 10.8% at end-2018, as the decline in deposit rates was lower than the decrease in lending rates. It added that the banks' loans-to-deposits ratio grew from 87% in March 2015 to 95% at end-2018, while their reliance on the domestic interbank market has increased. It noted that the banks' funding profiles remain constrained, as about 98.5% of their deposits have maturities of less than one year.

Source: *Moody's Investors Service*

JORDAN

Lending to resident private sector up 1.3% in first quarter of 2019

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD51.4bn or \$72.5bn at the end of March 2019, constituting increases of 0.9% from the end of 2018 and of 3.2% from end-March 2018. Claims on the resident private sector grew by 1.3% from end-2018 to JD24bn, while credit facilities to the non-resident private sector rose by 0.8% to JD660.4m, leading to an increase of 1.3% in overall private sector credit facilities in the first quarter of 2019. Lending to the resident private sector accounted for 46.7% of total assets at the end of March 2019 compared to 46% a year earlier. In parallel, resident private sector deposits reached JD27.2bn at the end of March 2019, up by 0.8% from JD26.9bn at end-2018 and almost unchanged from JD27.1bn at end-March 2018, while non-resident private sector deposits grew by 0.8% from the end of 2018 and by 3.4% from end-March 2018 to JD3.9bn. The government's deposits totaled JD945.1m and those of public non-financial institutions reached JD226.5m. Claims on the public sector accounted for 22.3% of total assets at end-March 2019 compared to 21.1% a year earlier. Also, the banks' reserves at the Central Bank of Jordan totaled JD4.9bn, or \$6.9bn at end-March 2019, down by 15.4% from end-March 2018; while capital accounts and allowances increased by 4.4% from end-March 2018 to JD7.9bn. Deposits at foreign banks reached JD3.9bn, or \$5.5bn, at the end of March 2019, up by 0.8% from end-2018; while the sector's foreign liabilities increased by 4% from end-2018 to JD7.6bn.

Source: *Central Bank of Jordan*

TURKEY

Monetary policy to tighten in near term

Goldman Sachs indicated that a significant loosening of fiscal and financial conditions in Turkey in the first quarter of 2019 led to better-than-expected economic activity. However, it said that pressure began to rise on interest rates, and that the Central Bank of the Republic of Turkey (CBT) stepped up efforts to mitigate this pressure by introducing a foreign exchange swap lending window, in addition to the existing windows, which increased lending in the economy. It anticipated this measure to be unsustainable due to falling demand for the Turkish lira, and expected the CBT to tighten its monetary policy amid the depreciation of the exchange rate and rising global interest rates. In parallel, Goldman Sachs anticipated domestic policy rates to increase due to the highly-dollarized Turkish economy. It considered that the high level of deposits in foreign currency at Turkish banks suggests that locals have resorted to holding their savings in foreign currency, and that the dollarization rate of deposits has been the key source of pressure on the lira and on foreign currency reserves. However, it noted that further hikes of the official policy rate would not be necessary in case authorities increase interest rates on local currency deposits and implement effective measures that raise confidence in the lira. It anticipated that a delayed tightening of monetary policy would result in faster economic growth in the short run, but that it could lead to higher inflationary pressure and more lira volatility going forward.

Source: *Goldman Sachs*



ENERGY / COMMODITIES

Geopolitical risks put upward pressure on oil prices

ICE Brent crude oil front-month prices have been trading at between \$69 per barrel (p/b) and \$71 p/b in the last two weeks. Oil prices have been mainly supported by heightened tensions between the U.S. and Iran, as well as by the recent terrorist attacks on the Saudi oil tankers and on Saudi oil pumping stations. Also, the expiry of U.S. waivers for Iranian oil importers has exerted upward pressure on oil prices towards the end of April 2019. However, J.P. Morgan Chase considered that it is difficult to completely eliminate Iran's oil exports, and expected the latter at 0.5 million barrels per day (b/d) to 0.7 million b/d on the black market, albeit at discounted rates. It pointed out that geopolitical risks remain high, especially from Iran, Venezuela and Russia, which will likely keep the upside pressure on oil prices during the second quarter of 2019. But it noted that the risk of blocking the Strait of Hormuz is low, given that Iran needs the Strait to export its oil. Further, it considered that Saudi Arabia is waiting for the real impact of the waivers' expiry on Iranian oil exports before increasing its output. It anticipated the U.S. to count on Saudi Arabia and the UAE to fill the supply gap. Overall, J.P. Morgan expected Brent oil prices to average \$74.3 p/b in the second quarter of 2019, \$73.3 p/b in the third quarter of the year and \$71.3 p/b in the fourth quarter of 2019.

Source: J.P. Morgan Chase, Thomson Reuters, Byblos Research

OPEC's oil basket price up 7% in April 2019

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged \$70.78 per barrel (p/b) in April 2019, up by 6.6% from \$66.37 p/b in the preceding month. Angola's Girassol posted a price of \$72.88 p/b, followed by Nigeria's Bonny Light at \$72.81 p/b, and Equatorial Guinea's Zafiro at \$72.65 p/b. All prices included in the reference basket posted monthly rises between \$1.2 p/b and \$5.72 p/b in April 2019.

Source: OPEC, Byblos Research

Middle East's demand for gold bars and coins up 10% in first quarter of 2019

Net demand for gold bars and coins in the Middle East totaled 17.2 tons in the first quarter of 2019, up by 10% from 15.6 tons in the same quarter of 2018. Demand in the region accounted for 6.7% of global demand for bars and coins. Demand from Iran for gold bars and coins reached 11.2 tons in the covered quarter, representing 65% of the region's total demand. Saudi Arabia followed with 2.3 tons (13.6%), then the UAE with 1.6 tons (9.5%), Kuwait with 0.8 tons (4.6%), and Egypt with 0.6 tons (3.2%).

Source: World Gold Council, Byblos Research

Nigeria's oil receipts up 10% to \$382m in January 2019

Nigeria's crude oil and condensate export receipts totaled \$381.7m in January 2019, up by 10.4% from \$345.7m in December 2018 but down by 12.1% from \$434.1m in the same month of 2018. Export revenues in January 2019 consisted of \$269.4m from crude oil exports (70.6%), \$111.7m from gas exports (29.3%) and \$0.5m in other receipts (0.1%). The authorities transferred \$156.1m in hydrocarbon revenues to the Federation Account, while they used \$225.6m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

Base Metals: Copper prices reach 17-week low amid heightened trade tensions

LME copper cash prices reached a 17-week low of \$5,987 per metric ton on May 13, 2019, constituting a decline of 7% from the end of April 2019. The decline in copper prices was mainly due to growing concerns about the global economy and expectations of subdued demand for the metal amid the re-escalation of trade tensions between the U.S. and China. In fact, the U.S. increased tariffs on \$200bn worth of Chinese imported goods, as it accused China of renegeing on substantial commitments it made during negotiations between the two countries. Further, Moody's Investors Service expected the higher tariffs to have a significant negative effect on Chinese exports, and that additional policy easing by Chinese authorities will partly mitigate such an impact. In parallel, the International Copper Study Group projected the global demand for refined copper to increase from 24.5 million tons in 2018 to 25 million tons in 2019, while it forecast global refined copper production to expand from 24.1 million tons in 2018 to 24.9 million tons in 2019. As such, it expected the deficit in the copper market deficit to narrow from 399,000 tons in 2018 to 189,000 tons this year.

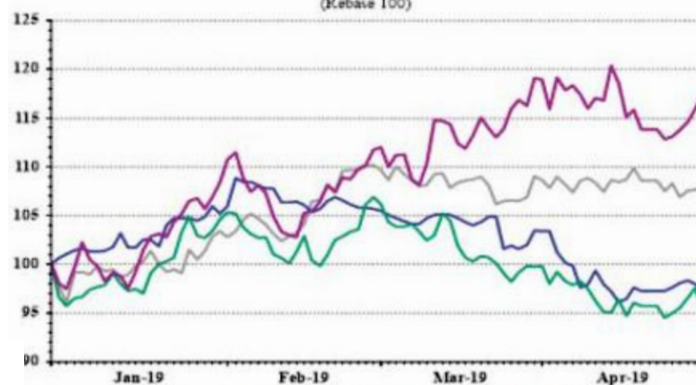
Source: International Copper Study Group, Moody's Investors Service, Thomson Reuters

Precious Metals: Production surplus in platinum market to narrow in 2019

Platinum prices recovered so far in 2019, as they increased from an average of \$806.2 per troy ounce in January 2019 to \$818.2 an ounce in February, \$842.8 per ounce in March and to \$886.6 an ounce in April 2019. The rise in the metal's price is due mainly to a sharp increase in investments in platinum Exchange Traded Funds (ETFs). Further, the platinum market's production surplus is projected to decrease from 670,000 ounces in 2018 to 375,000 ounces in 2019, as the anticipated rise in the metal's demand would exceed the increase in platinum supply. On the consumption side, global platinum demand is forecast to increase by 8% to about 8 million ounces in 2019 due to a significant rise in investments in platinum ETFs and an expansion in bar and coin demand. This would more than offset the decline in the metal's demand in the automotive and industrial sectors, as well as in jewelry consumption. On the production side, global platinum supply is expected to rise by 4% to 8.4 million ounces in 2019. Also, global refined output of platinum is forecast to increase by 5% to 6.4 million ounces this year, mainly supported by a 13% growth in North American supply, and a 5% rise in South African output.

Source: World Platinum Investment Council, Thomson Reuters

Price Performance of Base Metals in First Four Months of 2019
(Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-5.2	36.9*	2.2	-	-	-	-9.1	-
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
	Negative	Stable	Stable	-	Stable								
Egypt	B	B2	B+	B+	B+	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
	Stable	Stable	Stable	Stable	Positive								
Ethiopia	B	B1	B	-	B+	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
	Stable	Stable	Stable	-	Stable								
Ghana	B	B3	B	-	BB-	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
	Stable	Stable	Stable	-	Stable								
Ivory Coast	-	Ba3	B+	-	B+	-4	52.2	35.9**	-	-	-	-3.4	-
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-7.4	-	-	-	-	-	2	-
	-	-	Stable	-	Stable								
Dem Rep Congo	CCC+	B3	-	-	CCC	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
	Stable	Negative	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
	Negative	Stable	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	CC	-8.5	163.2	161.2	-	-	-	-11.5	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-4.6	77	83.1	-	-	-	-11.2	-
	-	Negative	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
	Stable	-	-	-	Stable								
Rwanda	B	B2	B+	-	B+	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
	Positive	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B2	BB-	BB	BB+	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
	Stable	Stable	Stable	Stable	Stable								
Iran	-	-	-	B	BB-	-4.1	30.0	2.0	-	-	-	-0.4	-
	-	-	-	Stable	Negative								
Iraq	B-	Caa1	B-	-	CC+	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	A	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
	Stable	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	Caa1	B-	B	B-	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
	Negative	Stable	Negative	Negative	Stable								
Oman	BB	Ba1	BB+	BBB-	BBB	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
	Negative	Negative	Stable	Stable	Stable								
Qatar	AA-	Aa3	AA-	AA-	A+	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
	Stable	Stable	Stable	Stable	Stable								
Saudi Arabia	A-	A1	A+	A+	AA-	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	-0.8	19.2	68.7	-	-	-	5.9	-0.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-5.1	54.7	18.1	-	-	-	0.7	-
	-	-	-	-	Negative								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-	-1.8	48.5	81.7	-	-	-	-6.2	-
	-	Positive	Positive	-	Stable								
China	A+	A1	A+	-	A	-4.8	50.5	-	40.0	2.1	64.2	0.4	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.8	-	39.5	19.4	90.7	-2.5	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	0.5	21.9	-	25.7	4.7	87.4	0.6	1.5
	Stable	Stable	Stable	-	Stable								
Pakistan	B-	B3	B-	-	CCC	-6.5	72.1	30.4	50.1	28.3	144.3	-6.1	0.87
	Stable	Negative	Stable	-	Negative								
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
	Positive	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
	Stable	Stable	Stable	-	Stable								
Russia	BBB-	Ba1	BBB-	-	BBB-	2.8	14.0	-	17.2	2.6	57.4	7.0	-1.3
	Stable	Positive	Positive	-	Stable								
Turkey	B+	Ba3	BB	BB-	B+	-3.6	29.1	-	84.3	5.9	176.4	-3.6	1.0
	Stable	Negative	Negative	Negative	Negative								
Ukraine	B-	Caa2	B-	-	B-	-2.3	63.9	-	59.3	9.3	129.2	-3.7	1.0
	Stable	Positive	Stable	-	Stable								

* Central Government

** External debt, official debt, debtor based

Source: International Monetary Fund; IHS Markit; S&P Global Ratings; Byblos Research - The above figures are estimates for 2018



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	01-May-19	No change	19-Jun-19
Eurozone	Refi Rate	0.00	10-Apr-19	No change	06-Jun-19
UK	Bank Rate	0.75	02-May-19	No change	20-Jun-19
Japan	O/N Call Rate	-0.10	25-Apr-19	No change	20-Jun-19
Australia	Cash Rate	1.50	07-May-19	No change	04-Jun-19
New Zealand	Cash Rate	1.50	08-May-19	Cut 25bps	26-Jun-19
Switzerland	3 month Libor target	-1.25-(-0.25)	21-Mar-19	No change	13-Jun-19
Canada	Overnight rate	1.75	24-Apr-19	No change	29-May-19
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	2.75	20-Dec-18	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	21-Mar-19	No change	20-Jun-19
South Korea	Base Rate	1.75	18-Apr-19	No change	31-May-19
Malaysia	O/N Policy Rate	3.00	07-May-19	Cut 25bps	09-Jul-19
Thailand	1D Repo	1.75	08-May-19	No change	19-Jun-19
India	Reverse repo rate	6.00	04-Apr-19	Cut 25bps	06-Jun-19
UAE	Repo rate	2.75	19-Dec-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	3.00	19-Dec-18	Raised 25bps	N/A
Egypt	Overnight Deposit	15.75	28-Mar-19	No change	23-May-19
Turkey	Repo Rate	24.0	25-Apr-19	No change	12-Jun-19
South Africa	Repo rate	6.75	28-Mar-19	No change	23-May-19
Kenya	Central Bank Rate	9.00	27-Mar-19	No change	N/A
Nigeria	Monetary Policy Rate	13.50	26-Mar-19	Cut 50bps	21-May-19
Ghana	Prime Rate	16.00	01-Apr-19	No change	27-May-19
Angola	Base rate	15.75	01-Apr-19	No change	30-May-19
Mexico	Target Rate	8.25	28-Mar-19	No change	16-May-19
Brazil	Selic Rate	6.50	08-May-19	No change	19-Jun-19
Armenia	Refi Rate	5.75	30-Apr-19	No change	11-Jun-19
Romania	Policy Rate	2.50	15-May-19	No change	04-Jul-19
Bulgaria	Base Interest	0.00	01-May-19	No change	03-Jun-19
Kazakhstan	Repo Rate	9.00	15-Apr-19	Cut 25bps	03-Jun-19
Ukraine	Discount Rate	17.50	25-Apr-19	Cut 50bps	06-Jun-19
Russia	Refi Rate	7.75	26-Apr-19	No change	14-Jun-19



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