

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate downgrades outpace upgrades in third quarter of 2014

Fitch Ratings downgraded 2% of global corporate issuers in the third quarter of 2014 relative to 2.2% in the preceding quarter, while it upgraded 1.8% of the issuers it rates in the covered quarter compared to 2.4% in the second quarter of the year. It noted that the cumulative downgrade rate stood at 7% in the first nine months of 2014, while the upgrade rate reached 6.1% in the covered period. The agency downgraded 4.9% of Latin American issuers, 2.3% of corporate issuers in Europe, 1.5% of issuers in North America, 0.9% of issuers in the Middle East & Africa and 0.5% of issuers in Asia-Pacific in the covered quarter. Also, it upgraded 2.6% of corporate issuers in Latin America, 1.8% of issuers in each of North America and Asia-Pacific, 1.6% of issuers in Europe and 0.9% of corporate issuers in the Middle East & Africa region. In parallel, Fitch downgraded 2.5% of industrial issuers, 1.4% of rated banks & securities firms, 1.3% of non-bank financial institutions and 1.2% of insurance firms. It upgraded 4.9% of insurance firms, 2.1% of non-bank financial institutions, 1.6% of industrial issuers and 1.4% of banks & securities firms. In parallel, the agency indicated that one corporate issuer defaulted in the third quarter of 2014 and 11 corporate issuers defaulted in the first nine months of the year.

Source: Fitch Ratings

Real estate funds raise \$63bn in first nine months of 2014

Figures released by research provider Preqin indicate that private real estate investment funds raised \$63bn in the first nine months of 2014, constituting a rise of 12.5% from \$56bn in the same period last year. Also, 43 private real estate funds raised \$24bn in the first quarter 2014, 48 funds raised \$21bn in the second quarter and 30 funds raised \$18bn in the third quarter of the year, the lowest quarterly amount raised since the first quarter of 2013. A total of 121 funds closed during the first nine months of 2014 compared to 166 in the same period last year. Further, seven Europe-focused funds secured \$10.1bn in the third quarter of 2014, followed by North American funds with \$6.5bn in capital raised through 15 vehicles, and Asian funds with \$1.5bn in capital raised through six vehicles. In parallel, 464 private real estate funds are seeking to raise \$157bn as of the fourth quarter of 2014, which reflects intense competition among managers to attract capital. However, Preqin indicated that 29% of investors plan to commit more capital to real estate funds next year than they did over the previous 12 months, compared to 18% of investors who stated the same in December 2013. It added that 55% of investors are planning to commit more than \$100m each to private real estate investment funds in the next 12 months.

Source: Preqin

ETFs and ETPs assets at \$2.76 trillion at end-November 2014

Assets of global Exchange Traded Funds (ETFs) and Exchange Traded Products (ETPs) reached \$2,761bn at the end of November 2014, constituting an increase of 15.1% from \$2,398bn at end-2013. ETFs are open-ended, index-based equity funds. The ETFs and ETPs industry attracted \$38.8bn in equity ETFs and ETPs investments, and \$4.9bn in fixed income ETFs and ETPs in November 2014, which were offset by outflows of \$221m from commodity ETFs and ETPs. Global ETFs' assets stood at \$2,617bn, while those of ETPs totaled \$144bn at end-November 2014. Also, ETFs' assets grew by 16.1%, while those of ETPs remained unchanged from end-2013. The U.S. ETF and ETP industry had assets of \$1,983bn and accounted for 71.8% of total assets invested in both ETFs and ETPs, followed by the European industry with \$472bn (17.1%), Asia-Pacific excluding Japan with \$106bn (3.8%), Japanese ETFs and ETPs with \$85bn (3.1%), the Canadian industry with \$65bn (2.4%), and Latin American ETFs and ETPs with \$9bn (0.3%). The U.S. ETF industry represented 72.5% of global ETFs, followed by European ETFs with 17.2%, Asia-Pacific ex-Japan with 4% and the Japanese ETF industry with 3.2% of the total. Further, the number of ETFs and ETPs reached 5,556 at the end of November, with ETFs accounting for 71% of the total.

Source: ETFGI, Byblos Research

MENA

Corruption perception varies across region

Global non-governmental organization Transparency International included 19 countries from the Middle East & North Africa region (MENA) on its 2014 Corruption Perception Index (CPI), which measures the perceived level of public sector corruption in 175 countries worldwide. The rankings are based on scores that range between zero and 100, with zero reflecting economies perceived as highly corrupt. The UAE was perceived as the least corrupt country in the region and ranked in 25th place globally. It was followed by Qatar (26th), Israel (37th), Bahrain, Jordan and Saudi Arabia (55th each); while Syria (159th), Yemen (161st), Libya (166th), Iraq (170th) and Sudan (173rd) were perceived as the most corrupt MENA countries. MENA countries received an average score of 38 points in 2014, lower than the global average of 43 points. The MENA region's average score was better than the scores of Sub-Saharan Africa and of Eastern Europe & Central Asia (33 points each), but was lower than the average scores of Asia Pacific (43 points), the Americas (45 points) and the EU & Western Europe (66 points). In comparison, GCC countries received an average score of 54.3 points in the 2014 survey compared to 53.5 points in last year's survey, while non-GCC Arab countries had an average score of 27.4 points in the 2014 survey relative to 26.4 points in the 2013 survey. Transparency International indicated that political corruption is the main challenge in the MENA region.

Source: Transparency International, Byblos Research

OUTLOOK

EGYPT

Lower global oil prices pose downside risks to public finances and external account

Citigroup indicated that the positive direct impact of lower global oil prices on Egypt's public finances and trade balance would be more than offset by the indirect impact from rising government contingent liabilities and a potential reduction in support for Gulf countries.

Citigroup estimated that a \$10 per barrel (p/b) drop in the price of Brent oil would reduce government revenues by about 0.5% of GDP through a drop in oil export receipts, and by 0.1% of GDP through a 3% fall in Suez Canal revenues. But it pointed out that a drop in global oil prices would reduce the subsidies bill. It anticipated that a \$10 p/b decrease in the price of Brent would result in a drop of 1.3% of GDP in government spending. As such, it said that a \$10 p/b fall in oil prices would generate net benefits to the budget equivalent to 0.7% of GDP. It noted that Egypt's fiscal deficit would narrow by 1.4% of GDP at oil prices of about \$85 p/b. However, it considered that the recent decline in oil prices would further reduce the state-owned Egyptian General Petroleum Corporation's revenues and worsen its already weak financial position. It added that this would have a broader negative impact on public finances, as the government would have to increase its oil-related spending, which would more than offset the narrowing of the deficit.

In parallel, Citigroup indicated that fluctuations in oil prices would not have a significant effect on the overall oil and trade balance. But it noted that the country's external position would be impacted, given that other substantial sources of external financing would be potentially at risk in the context of falling oil prices. It said that remittance inflows would stagnate in nominal terms and would fall relative to GDP in a low oil price environment, which would reduce support to the current account balance. It noted that GCC support to the Egyptian government is unlikely to be sensitive to oil prices over the near- to medium-term. But it considered that lower oil prices would constitute a challenge to the Egyptian government's plan to replace official aid with FDI inflows from Gulf countries.

Source: Citigroup

IRAN

Growth prospects depend on reaching permanent agreement on domestic nuclear program

The Institute of International Finance projected real GDP in Iran to grow by 2.2% in the fiscal year that ends in March 2015 compared to a contraction of 1.9% in FY2013/14, reflecting better economic policy-making and the easing of international sanctions. It forecast economic output to range between a contraction of 0.6% and a growth of 5% in FY2015/16, and between a contraction of 0.9% and an expansion of 6% in FY2016/17, depending on the unfolding scenarios.

The IIF's first scenario projects economic activity to contract by 0.6% in FY2015/16 and by another 0.9% in FY2016/17 in case Iran and the five permanent members of the UN Security Council plus Germany (P5+1) fail to reach a permanent agree-

ment on the nuclear program by June 2015. Under this scenario, it assumes that the Iranian economy would suffer from more sanctions, a further reduction in oil exports, an additional weakening in economic activity, mass unemployment, a sharp exchange rate depreciation, higher inflation levels and wider fiscal deficits. As such, it forecast the fiscal deficit to widen from 3.2% of GDP in FY2014/15 to 4.2% of GDP in FY2015/16 and to 5.3% in FY2016/17. It projected the rial to trade at IRR29,664 against the US dollar in the official market and at IRR33,741 on the black market in FY2015/16.

The IIF's second scenario projects real GDP growth at 5% in FY2015/16 and at 6% in FY2016/17 if Iran and the P5+1 countries reach an agreement. Under this scenario, it considered that existing sanctions would be gradually lifted starting in July 2015, which would allow a rebound in oil exports to pre-sanction levels by the end of 2017 and would restore Iran's access to the global financial system. Under this scenario, it forecast Iran's fiscal deficit to narrow to 2.9% of GDP in FY2015/16 and to 1.5% of GDP in FY2016/17.

Source: Institute of International Finance

ANGOLA

Economic activity to slow down from lower oil prices, fiscal and external accounts to deteriorate

Barclays Capital projected Angola's real GDP growth to decelerate from 6.8% in 2013 to 4.1% in 2014, reflecting lower hydrocarbon production. It anticipated that subdued global oil prices over an extended period of time would have substantial adverse implications on the economy in 2015. It forecast real GDP growth to further decelerate to 3.3% in 2015, as lower oil prices would offset the rise in output. It projected oil production to rise to an average of 1.8 million barrels per day (b/d) in 2015, as output from new fields comes on stream. It noted that oil production's medium-term prospects are favorable with an additional 200,000 b/d at several blocks in each of 2016 and 2017. However, it considered that lower oil prices over a prolonged period of time constitute downside risks to production prospects. It noted that reduced margins could limit new investments, while production at high-cost fields could be lowered. It added that ongoing production losses from aging fields and recurrent shutdowns for maintenance could weaken production.

In parallel, Barclays projected the fiscal deficit to widen from 1% of GDP in 2014 to 7.6% of GDP in 2015, as authorities aim to maintain spending on capital projects and on social sectors. It forecast the fiscal breakeven oil price at \$113 per barrel in 2015. It considered that lower oil prices in 2015 require increased fiscal discipline. Further, it expected the current account surplus at 5.3% of GDP in 2014, as the decline in imports would offset the drop in oil prices. But it anticipated the current account surplus to shift to a deficit of 7.6% of GDP in 2015, reflecting rising imports, an average oil price of \$72 p/b and slightly stronger oil production. It estimated that a \$10 p/b drop in oil prices would weaken the country's trade balance by 4.6 percentage points of GDP. It expected foreign currency reserves to remain under pressure in 2015 and to decline from \$25.6bn or 6.2 months of imports in 2014 to \$17.5bn or 4.7 months of imports in 2015.

Source: Barclays Capital

ECONOMY & TRADE

AFRICA

Links to China pose downside risks to sovereigns' credit quality

Moody's Investors Service anticipated that Sub-Saharan Africa's (SSA) links to the Chinese economy constitute downside risks to sovereign creditworthiness for SSA in 2015. It said that a slower-than-expected slowdown in China's economic activity or a further deterioration in commodity prices would negatively affect the SSA region through the strong trade linkages of the region's commodity exporters with China, as well as through the latter's significant FDI inflows to SSA. It noted that sovereigns with strong regional trade links face lower risks than those that rely on commodity exports to or on FDI from China. It indicated that SSA's exports to China increased in recent years and are almost equivalent to the region's total exports to traditional European partners. The agency considered that the Democratic Republic of Congo, Angola, Zambia, the Republic of Congo and South Africa are the most exposed to downside risks through the trade channel. It pointed out that Angola, Zambia, Nigeria and South Africa rely heavily on FDI inflows from China, but it noted that these flows are less volatile than trade or portfolio inflows. In contrast, it said that countries with strong intra-regional trade linkages such as Uganda, Senegal, Kenya, Namibia, as well as those with trade linkages with Europe such as Botswana, Ghana and Mozambique are less directly exposed to China-related events.

Source: Moody's Investors Service

IRAQ

Economic activity to contract by 0.5% in 2014

The International Monetary Fund projected Iraq's real GDP to contract by 0.5% in 2014, mainly because of the adverse impact of the Islamic State's insurgency on economic activity. It estimated that non-hydrocarbon growth has deteriorated, reflecting the destruction of infrastructure, the limited access to fuel and electricity, low business confidence and the disruption to trade. But it anticipated that oil production would rise from an average of 3.1 million barrels per day (b/d) in 2013 to 3.3 million b/d in 2014, and that oil exports would remain at their 2013 level of 2.5 million b/d as most oil infrastructure is outside conflict areas, and given the Kurdistan region's ongoing oil production. It forecast real GDP to grow by about 2% in 2015, as oil production and exports would further increase as a result of the newly reached oil agreement between the central government and the Kurdistan Regional Government. Further, the IMF projected the fiscal deficit to narrow from about 5% of GDP in 2014 to less than 2% of GDP in 2015, as the 2015 draft budget intends to address spending pressures and the strong decline in global oil prices. In parallel, the Fund indicated that the spread between the official and parallel exchange rates narrowed to 2.6% in September due to the Central Bank of Iraq's (CBI) efforts to liberalize the foreign exchange market. But it noted that foreign currency reserves fell from over \$77bn at the end of 2013 to about \$67bn at end-November 2014, reflecting high imports, declining oil revenues and lower government sales of foreign currency to the CBI. It added that the government tapped the Development Fund for Iraq and transferred the remaining balance of \$4bn to the CBI in November 2014.

Source: International Monetary Fund

SAUDI ARABIA

Outlook revised to 'stable' on lower oil prices

Standard & Poor's revised the outlook to 'stable' from 'positive' on Saudi Arabia's 'AA-' long-term foreign and local currency sovereign credit ratings. The agency attributed the revision to the fact that lower global oil prices in coming years would prevent Saudi Arabia from achieving income levels that would support a ratings' upgrade, despite relatively strong domestic economic activity. It pointed out that the economy is undiversified and vulnerable to a sharp and sustained decline in global prices, despite the government's policy to promote non-hydrocarbon private sector growth. However, S&P indicated that the ratings are supported by the kingdom's very strong fiscal and external positions, which would provide an ample buffer to withstand external shocks, including a drop in global oil prices. It estimated the government's net asset position of 118% of GDP on average during the 2014-17 period, which supports the current ratings. Further, it expected the deterioration in the fiscal balance to be contained, as the government would adjust its fiscal policy to lower oil prices and as the large public investment program provides it with a large fiscal flexibility to react to a drop in public revenues. It forecast Saudi Arabia to post a largely balanced fiscal position during the 2014-17 period following an average surplus of 10% of GDP in previous years. Also, it expected the current account surplus to narrow from 13.6% of GDP in 2014 to 8.4% of GDP in 2017.

Source: Standard & Poor's

CÔTE d'IVOIRE

Positive near-term economic prospects, reforms needed

The International Monetary Fund indicated that Côte d'Ivoire's near-term macroeconomic prospects are positive, supported by continued high public investment and rising private investment. It said that the authorities' commitment to policies and structural reforms are necessary to stimulate private sector activity and sustain high growth rates. It considered that a cautious approach to the accumulation of non-concessional debt and a further strengthening of debt management are crucial to maintain macroeconomic stability. Further, the Fund pointed out that the 2015 draft budget forecasts a limited widening of the fiscal deficit to accommodate growth-friendly investment in key economically viable infrastructure projects. It called on authorities to mobilize tax and customs revenues, and to eliminate tax exemptions in order to create the fiscal space needed for infrastructure and social spending. It indicated that the government is taking steps to normalize domestic arrears and to pay delayed budget subsidies to the electricity sector, among other measures. It considered that the implementation of additional structural reforms would improve the business climate and governance, which would promote private sector investment and reduce the reliance on the public sector to stimulate growth. In parallel, the IMF approved the disbursement of \$94.7m to Côte d'Ivoire under the Extended Credit Facility arrangement, bringing total disbursements under the arrangement to about \$616m.

Source: International Monetary Fund



BANKING

MENA

Divergent outlooks on banking sectors across region

Moody's Investors Service indicated that the outlook is stable for banks in the Gulf Cooperation Council countries, and is negative for banks in other countries of the Middle East & North Africa region. It attributed the stable outlook on GCC banks to strong operating conditions, expansionary fiscal policies and continued infrastructure spending, which support lending activity. But it cautioned that a drop in Brent oil prices to below \$80 per barrel in 2015 would weaken the overall supportive environment. It considered that public spending, as well as improved consumer and business activity in GCC countries, would support credit growth at GCC banks at about 10% in 2015. It added that the stabilization of local real estate markets would continue to be a key driver for lower provisioning and higher profitability, and would help improve asset quality. In parallel, the agency indicated that the negative outlook on banks in non-GCC MENA countries reflects subdued credit growth and uncertain domestic environments, which would result in high credit risks. It expected the operating conditions for banks in non-GCC countries to remain challenging, with subdued business growth and weak domestic confidence leading to slow credit demand. Further, it pointed out that non-GCC MENA banks continue to provide financing to their government's needs, which maintains high exposure to low-rated sovereigns.

Source: Moody's Investors Service

JORDAN

Construction and trade account for 41% of overall lending at end-September 2014

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD19.4bn or \$27.3bn at the end of September 2014, constituting an increase of 2.4% from JD18.9bn at end-2013 and a rise of 4.1% from end-September 2013. The resident private sector accounted for 90.1% of total credit relative to 87.3% at end-September 2013; followed by the central government with 5.5%, down from 6.7% a year earlier; the non-resident private sector with 2.5% relative to 4.3% at end-September 2013 and public entities with 1.8%, relative to 1.7% a year earlier. Foreign currency lending accounted for 14.4% of total lending, up from 13.8% at end-September 2013. The distribution of lending by sector shows that construction represented JD4.2bn or 21.9% of overall lending, up from 21.1% at the end of September 2013; while general trade represented JD3.6bn or 18.8% of the total relative to 20.6% a year earlier. They were followed by industry with JD2.9bn, or 14.9% of overall lending; public services & utilities with JD2bn (10.3%); transportation services with JD566m (2.9%); tourism, hotels & restaurants with JD551m (2.8%); financial services with JD462m (2.4%); agriculture with JD247m (1.3%) and mining with JD171m (0.9%). Further, other lending accounted for JD4.6bn, or 23.8% of total credit, of which JD288m were extended to buy shares. In parallel, loans & advances totaled JD16.6bn at the end of September 2014, followed by overdrafts with JD2.6bn and discounted bills with JD258m.

Source: Central Bank of Jordan, Byblos Research

TUNISIA

Ratings on five banks affirmed

Capital Intelligence affirmed at 'BB+' the long-term foreign currency rating and the Financial Strength Rating (FSR) of Arab Tunisian Bank (ATB) and Banque de Tunisie (BT), and at 'BB' those of Banque Internationale Arabe de Tunisie (BIAT) and Attajiri Bank (AB). It also maintained the long-term foreign currency rating of Banque Nationale Agricole (BNA) at 'B+' and its FSR at 'B'. It noted that the outlook on all banks' ratings is 'stable', except for the long-term foreign currency ratings of ATB and BT that have a 'negative' outlook. The agency indicated that BIAT's FSR is supported by its good liquidity profile, sound base of liquid assets, improved profitability and increased loan loss coverage, but is constrained by a low capital position and a high non-performing loans (NPL) ratio. It said that BNA's foreign currency ratings are supported by the government's 66% stake in the bank. But it noted that the ratings are constrained by the bank's weak financial profile, poor asset quality, insufficient coverage and low levels of liquidity and capital. Further, it noted that AB's FSR reflects its better-than-sector average liquidity, sound profitability and adequate capital, but is constrained by low provisioning coverage. Further, it pointed out that ATB's FSR is supported by good liquidity ratios, adequate capital position, improved loan-loss coverage and reasonable profitability, but is constrained by a high NPL ratio and very difficult operating conditions.

Source: Capital Intelligence

RUSSIA

Adequate foreign currency reserves to meet external obligations

Moody's Investors Service indicated that the Central Bank of Russia's (CBR) foreign currency reserves are sufficient to cover the country's external debt obligations in 2015, provided that global oil prices do not fall substantially. It noted that the CBR's foreign currency reserves stood at \$361bn as at December 1, 2014 relative to external debt payments of about \$130bn in 2015. It added that reserves at the CBR include \$150bn from the government's two special savings funds, the National Wealth Fund and the Reserve Fund, which are unlikely to be used for intervention in the foreign exchange market or for financing debt payments. But it considered that the government could use the reserves in the two funds for paying external debt or for other urgent priorities if oil prices drop further and erode the current account surplus, or if international sanctions generate capital flight that would further weigh on the Russian ruble. The agency pointed out that the CBR's decision to cap its intervention in the foreign exchange market to \$350m per day would help preserve foreign currency reserves for debt servicing. But it noted that severe pressure on the ruble from the recent steep fall in global oil prices poses a significant challenge to the new exchange rate policy. It considered that the CBR would intervene more aggressively to support the ruble if financial stability is threatened. In parallel, it pointed out that private and public companies' reliance on the CBR for the supply of foreign currency would increase as a result of international sanctions.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Downward pressure on crude oil prices to remain in coming six months

The Bloomberg WTI Crude Oil Total Return Sub-Index decreased by 17.7% month-on-month in November and by 27.7% in the first 11 months of 2014, while the Brent Crude Oil Sub-Index dropped by 18.9% last month and by 36% from end-2013. Crude oil prices have declined in recent months due to long term factors, such as an increase in U.S. energy supply and a rise of fuel efficiency in countries of the Organization for Economic Cooperation and Development. In addition, the drop in prices reflect short term factors, such as weaker-than-expected global economic growth, no further increase in geopolitical risks and a stronger US dollar. Downward pressure on oil prices would remain in the coming six to seven months, partly due to oversupply expectations in the oil markets. But Brent oil prices are forecast to average about \$85 per barrel in 2015 in case global economic activity recuperates due to stronger growth from emerging markets, mainly from China, and if improvements in the EU and Japanese economies materialize. However, oil prices would average \$79 per barrel in 2015 in case of a limited recovery in the global economy and no increase in geopolitical risks. In parallel, the Organization of the Petroleum Exporting Countries expected global oil demand to rise by about 1.12 million barrels per day (b/d) or 1.2% year-on-year to 92.26 million b/d in 2015, reflecting a downward revision of 70,000 b/d from a previous forecast.

Source: *Jadwa Investment, OPEC, Bloomberg Indexes*

OPEC's oil output to drop by 1.5% in 2015

The Organization of the Petroleum Exporting Countries' (OPEC) crude oil production is expected to average 28.92 million barrels per day (b/d) in 2015, reflecting a decrease of 1.5% from an average of 29.36 million b/d in 2014. In parallel, OPEC's oil output averaged 30.1 million b/d in November 2014, constituting a decrease of 1.3% from 30.44 million b/d in the preceding month. Saudi Arabia's oil output reached 9.6 million b/d in November, or 32% of OPEC's oil output.

Source: *Organization of the Petroleum Exporting Countries*

BP to invest \$12bn in Egypt over five years

BP, a British multinational oil and gas company, plans to invest more than \$12bn in Egypt over the coming five years, and to gradually double its gas supply to the local market during the decade. In parallel, Egypt plans to launch a tender for a second liquefied natural gas import terminal in the coming weeks in an attempt to address the country's ongoing energy crisis. The crisis resulted from a decline in the country's gas production and a rise in local consumption. BP is one of the largest foreign investors in Egypt.

Source: *Thomson Reuters*

OPEC's basket price down 11% in November

The Organization of the Petroleum Exporting Countries' oil reference basket price reached \$75.57 per barrel (p/b) in November 2014, constituting a decrease of 11.2% from \$85.06 p/b in the preceding month. Nigeria's Bonny Light crude oil posted the highest price among the basket's components as it reached \$80.1 p/b in November, followed by Algeria's Saharan Blend at \$79.6 p/b. All prices included in the basket posted decreases of 7.3% to 11.3% in November 2014.

Source: *OPEC, Byblos Research*

Base Metals: Copper market to post surplus in 2015 for first time in five years

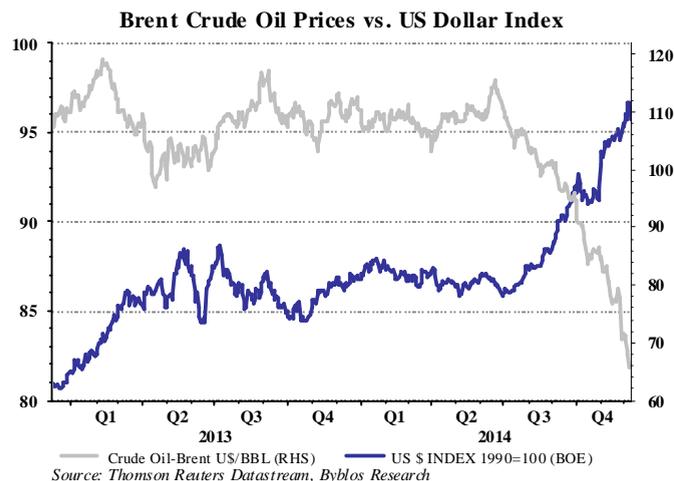
Global refined copper demand is expected to grow by about 5% to 22.4 million tons in 2014 and by an additional 1% to 22.7 million tons in 2015. In parallel, global refined copper production is projected to rise by about 5% to 22.1 million tons in 2014, mainly driven by an increase in capacity at electrolytic refining plants in China; and it would grow by an additional 4% to 23.1 million tons in 2015. The metal's global mine production is expected to increase by around 3% to 18.6 million tons in 2014 relative to a growth rate of 8% in 2013, mainly due to operational failures, as well as to delays in ramp-up production and start-up of new mines. But global mine production would post a growth rate of 7% in 2015, driven by a rise in output from new mine projects and the expansion of existing ones. Most of the new production is expected to be in the form of copper concentrate. The copper market is anticipated to shift to a production surplus of 390,000 tons in 2015 following five consecutive years of deficits, as growth in refined output outweighs that of demand. Copper prices are forecast to average \$6,600 a ton over the coming three months and to drop to \$6,500 a ton during the next 12 months.

Source: *International Copper Study Group, Julius Baer*

Precious Metals: Gold prices to average \$1,150 an ounce in coming three months

Gold prices reached their lowest levels in more than four years at \$1,146 a troy ounce in early November due to an increasingly bearish sentiment in the futures market, to a stronger US dollar and to rising outflows from physically-backed products. But prices have recovered to a two months high of \$1,229 an ounce on December 10, 2014 as the US dollar weakened. Downward pressure on gold prices would remain in the short term as expectations of higher U.S. interest rates in 2015 and a muted inflation outlook weigh on investors' willingness to pay for gold as insurance. The economic recovery in the U.S. could lead investors to reduce their demand for safe haven assets such as gold. China and India are projected to remain major buyers of gold in 2015 but they would fail to offset lower investment demand in the Western world. Gold prices are forecast to average \$1,150 a troy ounce over the coming three months and to decline to \$1,100 a troy ounce on average in the coming 12 months. The Bloomberg Gold Total Return Sub-Index rose by 0.3% month-on-month in November and regressed by 2.5% in the first 11 months of 2014.

Source: *Julius Baer, Bloomberg Indexes, Byblos Research*



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-1.9	9.7	1.5	9.4	1.1	-	0.5	-
	-	-	-	-	Stable								
Angola	BB-	Ba2	BB-	-	BB	-2.0	29.2	9.4	-	1.9	79.0	2.2	-1.4
	Stable	Stable	Stable	-	Stable								
Egypt	B-	Caa1	B-	B-	CCC	-11.1	91.3	16.4	127.5	7.5	286.8	-1.3	1.3
	Stable	Stable	Stable	Stable	Stable								
Ethiopia	B	B1	B	-	CCC	-3.0	23.5	21.1	116.3	-	-	-5.4	2.8
	Stable	Stable	Stable	-	Stable								
Ghana	B-	B2	B	-	B	-7.5	66.5	32.3	73.4	3.4	239.1	-10.6	7.5
	Stable	Negative	Negative	-	Stable								
Ivory Coast	-	B1	B	-	B	-2.8	40.4	15.8	62.7	6.3	-	-2.2	2.9
	-	Positive	Positive	-	Stable								
Libya	-	-	B	-	B	-30.4	1.6	9.5	10.9	3.4	-	-27.7	-
	-	-	Stable	-	Stable								
Dem Rep Congo	B-	B3	-	-	-	-2.1	23.4	12.3	45.1	1.4	5.4	-7.9	6.9
	Stable	Stable	-	-	-								
Morocco	BBB-	Ba1	BBB-	-	B	-4.9	62.7	31.5	115.4	17.2	270.2	-6.6	2.9
	Stable	Stable	Stable	-	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-1.8	2.0	3.2	42.0	0.3	34.3	4.9	2.7
	Negative	Stable	Stable	-	Stable								
Sudan	-	-	-	-	C	-1.3	89.3	74.0	-	-	-	-8.2	-
	-	-	-	-	Stable								
Tunisia	-	Ba3	BB-	-	CCC	-6.8	50.9	59.1	127.6	10.9	360.6	-6.7	3.0
	-	Negative	Negative	-	Stable								
Burkina Faso	B	-	-	-	-	-3.9	32.1	25.9	143.5	-	-	-7.3	0.4
	Stable	-	-	-	-								
Rwanda	B	-	B	-	-	-3.1	28.8	21.5	253.7	-	153.6	-11.5	3.5
	Positive	-	Positive	-	-								
Middle East													
Bahrain	BBB	Baa2	BBB	BBB	BB	-4.3	45.8	134.4	423.5	16.6	506.6	10.4	0.2
	Stable	Negative	Stable	Stable	Stable								
Iran	-	-	-	B	CCC	-2.5	10.8	1.8	13.9	1.3	15.4	5.2	-
	-	-	-	Stable	Stable								
Iraq	-	-	-	-	CCC	-2.0	16.3	10.7	69.5	-	-	1.0	-
	-	-	-	-	Stable								
Jordan	BB-	B1	-	BB-	CCC	-8.3	91.3	26.0	154.2	14.9	225.4	-12.9	6.3
	Stable	Stable	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	25.2	2.4	20.4	25.5	7.0	108.4	37.4	-4.7
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	B1	B	B	CCC	-11.5	147.6	179.6	162.8	16.4	126.8	-15.8	6.0
	Stable	Negative	Negative	Stable	Stable								
Oman	A	A1	-	A	A	0.6	8.0	12.0	25.0	3.8	105.3	7.8	0.6
	Stable	Stable	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	7.7	25.7	75.6	123.9	14.3	477.0	25.4	-0.4
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA	AA-	A	7.1	2.6	11.8	24.3	1.9	11.4	15.8	0.6
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-12.0	65.0	27.4	-	-	-	-3.7	-
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	7.9	12.3	38.0	38.0	4.0	330.2	13.3	2.1
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-6.7	51.4	15.0	51.8	-	-	-1.5	-
	-	-	-	-	Stable								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Asia													
Armenia	-	Ba2	BB-	-	-	-2.3	42.1	77.0	109.2	17.9	543.0	-7.2	4.0
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-2.1	27.2	7.9	29.8	1.5	21.1	2.2	1.0
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-4.5	67.8	21.3	83.6	5.2	188.9	-2.1	1.2
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	4.2	13.3	70.7	131.2	13.7	544.2	1.9	5.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-2.6	17.6	89.0	131.2	23.2	272.4	-0.4	3.0
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-2.9	39.7	66.5	153.9	20.0	257.6	-1.7	1.4
	Stable	Negative	Stable	-	Stable								
Russia	BBB-	Baa1	BBB	-	BBB	-0.5	11.6	36.7	109.4	15.0	134.9	3.0	-0.9
	Negative	Negative	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-2.0	35.9	47.2	107.5	25.1	343.0	-6.3	1.3
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-5.2	48.3	85.4	138.4	20.5	957.4	-6.7	2.2
	Negative	Negative	-	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2014



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	29-Oct-14	No change	17-Dec-14
Eurozone	Refi Rate	0.05	04-Dec-14	No change	22-Jan-15
UK	Bank Rate	0.50	04-Dec-14	No change	08-Jan-15
Japan	O/N Call Rate	0-0.10	19-Nov-14	No change	19-Dec-14
Australia	Cash Rate	2.50	02-Dec-14	No change	03-Feb-15
New Zealand	Cash Rate	3.50	30-Oct-14	No change	11-Dec-14
Switzerland	3 month Libor target	0.00-0.25	18-Sept-14	No change	11-Dec-14
Canada	Overnight rate	1.00	03-Dec-14	No change	21-Jan-15
Emerging Markets					
China	One-year lending rate	5.60	21-Nov-14	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	29-Oct-14	No change	17-Dec-14
Taiwan	Discount Rate	1.875	25-Sept-14	No change	18-Dec-14
South Korea	Base Rate	2.00	13-Nov-14	No change	11-Dec-14
Malaysia	O/N Policy Rate	3.25	06-Nov-14	No change	28-Jan-15
Thailand	1D Repo	2.00	05-Nov-14	No change	17-Dec-14
India	Reverse repo rate	8.00	02-Dec-14	No change	03-Feb-15
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-June-09	Cut 25bps	N/A
Egypt	Overnight Deposit	9.25	20-July-14	Raised 100bps	N/A
Turkey	Base Rate	8.25	20-Nov-14	No change	24-Dec-14
South Africa	Repo rate	5.75	19-Nov-14	No change	27-Jan-15
Kenya	Central Bank Rate	8.50	04-Nov-14	No change	04-Feb-15
Nigeria	Monetary Policy Rate	13.00	25-Nov-14	Raised 100bps	13-Jan-15
Ghana	Prime Rate	21.00	12-Nov-14	Raised 200bps	9-Jan-15
Angola	Base rate	9.00	24-Nov-14	No change	22-Dec-14
Mexico	Target Rate	3.00	05-Sept-14	No change	19-Dec-14
Brazil	Selic Rate	11.75	03-Dec-14	Raised 50bps	21-Jan-15
Armenia	Refi Rate	6.75	23-Sept-14	No change	N/A
Romania	Policy Rate	2.75	05-Nov-14	Cut 25bps	07-Jan-15
Bulgaria	Base Interest	0.02	01-Nov-14	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	14.0	13-Nov-14	Raised 150bps	N/A
Russia	Refi Rate	8.25	13-Dec-13	No change	N/A



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 338 100
Fax: (961) 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya - Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra - Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryman Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 8518 8100
Fax: (+ 44) 20 8518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293

