

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

ETFs and ETPs assets at \$2.9 trillion at end-March 2015

Assets of global Exchange Traded Funds (ETFs) and Exchange Traded Products (ETPs) reached \$2,926bn at the end of March 2015, constituting an increase of 5.1% from \$2,785bn at the end of 2014. ETFs are open-ended index-based funds. Net inflows in ETFs and ETPs reached \$96bn in the first quarter of 2015 relative to inflows of \$33bn in the same quarter last year. The ETFs and ETPs industry attracted \$49.3bn in equity ETFs and ETPs investments, followed by \$31.4bn in fixed income ETFs and ETPs, and \$6.7bn in commodity ETFs and ETPs. Global ETF assets stood at \$2,781bn and those of ETPs totaled \$145bn at end-March 2015. Also, assets invested in ETFs grew by 5.2% and those in ETPs increased by 2.1% in the first quarter of 2015. The U.S. ETF and ETP industry had assets of \$2,094bn and accounted for 71.6% of assets invested in both ETFs and ETPs worldwide, followed by the European industry with \$492bn (16.8%), Asia-Pacific excluding Japan with \$119.6bn (4.1%), Japanese ETFs and ETPs with \$109.3bn (3.7%), the Canadian ETF industry with \$66bn (2.3%) and Latin American ETFs with \$7bn (0.2%). The U.S. ETF industry accounted for 72.2% of global ETFs at end-March 2015, while European ETFs represented 17% of the total. The global ETF and ETP industry has assets invested in 5,669 ETFs and ETPs listed on 63 exchanges in 51 countries.

Source: *ETFGI, Byblos Research*

EMERGING MARKETS

Reserves in US dollar at \$1.7 trillion at end-2014, equivalent to 21.4% of total reserves

Figures released by the International Monetary Fund show that official holdings of foreign currencies in emerging countries and jurisdictions reached \$7.7 trillion at the end of 2014, constituting a drop of 1.5% from \$7.9 trillion at end-2013. Unallocated reserves, for which no information on the currency composition is available, reached \$5.09 trillion, or 65.7% of total official holdings of foreign currencies, while allocated reserves stood at \$2.66 trillion, or 34.3% of the total at end-2014. Reserves in US dollars totaled \$1.7 trillion and accounted for 21.4% of total holdings in foreign currencies, followed by holdings in euros at \$571.1bn (7.4%), the British pound at \$129.7bn (1.7%), the Japanese Yen at \$83.9bn (1.1%), the Canadian dollar at \$59.2bn (0.8%), the Australian dollar at \$55.1bn (0.7%) and the Swiss franc at \$3.2bn (0.04%); while holdings in other currencies represented the balance of \$101.3bn, or 1.3% of the total. In parallel, reserves in the Japanese yen rose by 1% year-on-year; while holdings in the Swiss franc dropped by 26% from end-2013, those in Euro fell by 15.7%, those in British pounds declined by 11%, those in Australian dollars decreased by 6.9%, those in US dollars regressed by 2.9% and reserves in the Canadian dollar dropped by 2.8%. In addition, reserves in other currencies rose by 6.7% in 2014.

Source: *International Monetary Fund*

Remittance inflows to increase by 1% to \$440bn in 2015

The World Bank projected remittance inflows to developing economies at \$440bn in 2015, which would constitute an increase of 0.9% from \$436bn in 2014. It expected remittance inflows to developing economies to increase by 4.3% to \$459bn in 2016 and by 4.4% to \$479bn in 2017. It said that the inflows would account for 75.1% of global remittance flows in 2015, up from 74.8% in 2014. It forecast inflows to the East Asia & Pacific region to reach \$125bn in 2015 and to account for 28.4% of remittance flows to developing economies, followed by South Asia with \$120bn (27.3%), Latin America & the Caribbean with \$66bn (15%), the Middle East & North Africa with \$53bn (12%), Europe & Central Asia with \$42bn (9.5%), and Sub-Saharan Africa with \$33bn (7.5%). Also, it forecast the growth rate of remittance inflows to South Asia at 3.7% in 2015, followed by East Asia & Pacific at 2.8%, Latin America & the Caribbean at 2.3%, the Middle-East & North Africa at 1.1% and Sub-Saharan Africa at 0.9%; while it projected remittance flows to Europe & Central Asia to drop by 12.7% from 2014. In parallel, the World Bank projected remittance inflows to middle-income countries at \$405bn in 2015, up 1% from \$401bn in the previous year, and those to low-income countries at \$35bn in 2015, unchanged from 2014. Inflows to middle-income countries would account for 92% of remittances to developing economies in 2015.

Source: *World Bank, Byblos Research*

MENA

Equity issuance up 179% to \$2.5bn in first quarter of 2015

Equity Capital Markets' (ECM) issuance in the Middle East reached \$2.5bn in the first quarter of 2015, constituting a rise of 179% from \$1bn the same quarter of 2014. Initial public offerings accounted for 9% of ECM activity in the region. The financial sector had a total issuance of \$2.3bn and accounted for 91.1% of ECM activity, followed by the industrial sector with \$185m (7.3%), constituting the two most active sectors in the covered quarter. Also, debt issuance in the region reached \$6.5bn in the first quarter of 2015, and decreased by 15% from the same quarter of 2014. Islamic debt issuance reached \$8.9bn in the covered period and declined by 13% year-on-year. Further, the volume of mergers and acquisitions (M&A) reached \$9.5bn in the first quarter of 2015, up 152% from the same quarter of 2014. M&A deals in the Middle East region include inbound, outbound and inter-regional deals. In parallel, investment banking and advisory fees in the region stood at \$182m in the first quarter of 2015, constituting a rise of 20% from \$120.3m in the same quarter of 2014. Fees from M&A deals totaled \$73.8m and accounted for 40.5% of the overall fee pool, followed by syndicated lending fees with \$52.2m (28.7%), fees from equity capital markets with \$37m (20.3%), and debt capital markets fees with \$19.1m (10.5%).

Source: *Thomson Reuters*

OUTLOOK

MENA

Oil price volatility and conflicts are main risks

The International Monetary Fund projected economic growth in the Middle East & North Africa at 2.7% in 2015, down from an October forecast of 3.8%. In comparison, it forecast real GDP growth at 4.3% for emerging and developing economies and at 3.5% for the global economy this year. It attributed the downward revision to subdued growth in oil-exporting economies. It expected the growth rate of the region's oil-exporting economies to be at 2.4% in 2015, down from an October forecast of 3.9%. It added that lower global oil prices have resulted in large losses of export and fiscal revenues for oil-exporters. It noted that most of the region's oil-exporters would avoid sharp cuts in spending through their large buffers and available financing. It cautioned that volatility in oil production and prices, as well as continued conflicts in the region, constitute important risks to oil-exporters. It added that deeper-than-expected fiscal adjustments or declining private-sector confidence are downside risks to non-hydrocarbon activity. It projected the aggregate current account balance of oil-exporters to shift from a surplus of 10% of GDP in 2014 to a deficit of 1.9% of GDP in 2015.

Further, the Fund forecast real GDP growth in oil-importing economies to accelerate from 3% in 2014 to 4% in 2015. It expected domestic demand to strengthen due to improved confidence, monetary easing and reduced fiscal drag. It noted that the expected economic recovery in Europe would support oil importers' export growth. It considered that lower oil prices are reducing oil-importers' vulnerabilities, but that the impact of low prices on economic activity is limited. It expected the aggregate current account deficit of oil-importers to slightly widen from 4% of GDP in 2014 to 4.2% of GDP in 2015.

Source: International Monetary Fund

IRAN

Lifting of sanctions to improve economic growth

The Institute of International Finance expected the economic and financial sanctions on Iran to be lifted four months, at the earliest, if and after a final nuclear deal is signed in June 2015, and once the International Atomic Energy Agency confirms that Iran took the necessary steps to curb its nuclear advances. It considered the economic implications of lifting the sanctions to be substantial, but it noted that such impact would take about a year to be fully felt.

It projected Iran's real GDP growth to accelerate from 3.2% in the fiscal year that ends in March 2016 to 6% in FY2016/17 and 5.8% in FY2017/18, driven by a strong recovery in oil exports and private investment. It said that lifting economic sanctions would allow oil exports to reach their pre-sanctions levels by mid-2017 and would restore access to the global financial system. It added that Iran would have access to about \$45bn in frozen assets abroad, while business opportunities for foreign investors would be significant. It forecast hydrocarbon output to increase by 4.5% in FY2016/17 and by an additional 4.8% in FY2017/18, and for the non-hydrocarbon sector to expand by 12% in FY2016/17 and by 10% in FY2017/18. However, it indicated that authorities need to implement structural reforms

and improve the business environment in order to encourage investment and sustain high growth rates. Further, it expected the fiscal deficit to narrow to 0.4% by FY2017/18 due to rising hydrocarbon and non-hydrocarbon revenues. It forecast the fiscal breakeven oil price to decrease from \$123.5 per barrel (p/b) in FY2015/16 to \$98.1 p/b in FY2016/17 and \$78.6 p/b in FY2017/18. It estimated that the spread between the official and black market exchange rates could be eliminated by mid-2016. It added that the nuclear deal could fall apart if the current Iranian leadership is not in place to implement the agreement.

The IIF indicated that sound economic policy and improved private sector sentiment would support economic activity over the short-term. It anticipated that tight monetary policy and a modest appreciation of the black market exchange rate in coming months would reduce the average inflation rate from 15.5% in FY2014/15 to 10.1% in FY2016/17.

Source: Institute of International Finance

ANGOLA

Low oil prices taking toll on economy

BNP Paribas projected Angola's real GDP growth to decelerate from 3.9% in 2014 to 3% in 2015 due to austerity measures and delays in the implementation of the 2013-17 National Development Plan for infrastructure modernization. It added that several pre-salt exploration projects have been postponed since they were profitable with oil prices at between \$80 and \$90 per barrel (p/b). It noted that the sharp drop in global oil prices poses a real threat to the implementation of economic policies in the short- to medium-term. However, it forecast real GDP growth to accelerate to 5.7% in 2016, supported by the expected rebound in oil prices and solid public spending during an electoral period.

BNP Paribas indicated that authorities revised the 2015 budget as they reduced capital and current spending by 50% and 30%, respectively, and based it on an average oil price of \$40 p/b for the year instead of the \$81 p/b in the initial budget. However, it expected the fiscal deficit to widen from 2.3% of GDP in 2014 to 6.2% of GDP in 2015 despite the fiscal adjustment plan, as the fiscal breakeven oil price of \$60 p/b exceeds by \$20 p/b the oil price assumed in the budget. It considered that authorities would finance the deficit through the issuance of domestic and international bonds and through loans and credit lines. It noted that the sharp drop in oil prices has significantly increased the country's borrowing costs. As such, it expected the government debt level to rise from 36.6% of GDP in 2014 to 38.8% of GDP in 2015 and cautioned from the accumulation of debt arrears.

In parallel, BNP Paribas projected the current account balance to shift from a surplus of 2.9% of GDP in 2014 to a deficit of 5.8% of GDP in 2015. It noted that foreign currency reserves fell from \$33bn at the end of 2013 to \$27bn at end-2014, and expected them to further decline to \$20bn at the end of 2015. It added that the Angolan kwanza lost about 8% of its value against the US dollar in the past six months, and expected it to trade at kz105 per dollar at the end of the year. It cautioned that the Banco Nacional de Angola could reintroduce currency controls if the currency comes under extensive pressure.

Source: BNP Paribas



ECONOMY & TRADE

WORLD

Fiscal breakeven oil prices to rise the most in GCC countries in 2015

The Institute of International Finance projected the fiscal breakeven oil price in Libya at \$165 per barrel (p/b) in 2015, the highest among oil-exporting economies in the Middle East & North Africa (MENA) region. It noted that Iran would have the second highest breakeven oil price at \$137.2 p/b in 2015, followed by Algeria (\$132.6 p/b), Bahrain (\$130.2 p/b), Oman (\$113.2 p/b), Saudi Arabia (\$104.6 p/b), Iraq (\$97.7 p/b), the UAE (\$78.2 p/b), Qatar (\$65.3 p/b) and Kuwait (\$62.8 p/b). The IIF indicated that the fiscal breakeven oil price would drop by \$20.6 p/b or 11.1% this year in Libya and by \$10.6 p/b or 9.8% in Iraq, constituting the only decreases in the breakeven oil price in the region. In contrast, it projected the fiscal breakeven oil price to rise the most in Qatar (+11.6%) and Kuwait (+11.3%), and the least in Bahrain (+3%) and Iran (+0.7%). In parallel, the IIF estimated that the fiscal breakeven oil price in Libya would rise by a compound annual growth rate of 24.8% during the 2009-15 period, followed by Qatar (+14.2%), Kuwait (+13.5%), Iran (+12.7%), Oman (+9.5%), Algeria (+8.5%), Saudi Arabia (8.2%), Bahrain (+7.8%), Iraq (+3.8%) and the UAE (+2.8%).

Source: Institute of International Finance

BAHRAIN

Sovereign ratings downgraded on deteriorating public finances and low buffers

Moody's Investors Service downgraded Bahrain's government issuer rating by one notch to 'Baa3' from 'Baa2' and maintained the 'negative' outlook on the rating. It also lowered Bahrain's foreign currency bond ceiling to 'Baa1' from 'A3' and the foreign currency deposit ceiling to 'Baa3' from 'Baa2'. It affirmed the short-term foreign currency bond ceiling at 'Prime-2' and lowered the short-term foreign currency deposit ceiling to 'Prime-3' from 'Prime-2', while it maintained the local-currency country risk ceilings at 'A3'. It attributed the downgrades to the expected deterioration in the government's finances from lower global oil prices. It said that the 'negative' outlook reflects the uncertainty about the government's response to the fiscal challenges related to a prolonged period of lower oil prices. The agency indicated that Bahrain was the only GCC country to post continuous fiscal deficits since 2009, with an annual average deficit of about 4% of GDP during the 2009-14 period. It noted that this led to a rise in the government's debt level from 13% of GDP in 2008 to 48% of GDP in 2014. It forecast the fiscal deficit to widen to about 14% of GDP in 2015 and 10% of GDP in 2016, given that hydrocarbon receipts account for 90% of government revenues, which would increase the debt level to about 70% of GDP by 2016. Further, the agency indicated that Bahrain has a relatively small cushion, with the sovereign wealth fund's assets of about 20% of GDP at the end of 2013. It noted that the fund's managers stated that they do not intend to divest any of their investments to support the budget. However, it did not expect authorities to face difficulties in financing the fiscal deficit.

Source: Moody's Investors Service

IRAQ

Economy faces challenging near term prospects

The World Bank projected Iraq's real GDP to contract by 1% in 2015 following a 0.5% contraction in 2014. It said that the economy has been negatively affected by the Islamic State insurgency, as well as by the sharp decline in global oil prices. It estimated non-hydrocarbon sector activity to have contracted by 5.2% in 2014 due to the prevailing insecurity that degraded infrastructure, impeded access to fuel and electricity, weakened business confidence and disrupted internal trade and transport. It said that Iraq's near-term prospects are challenging and expected the ongoing insurgency to continue to disrupt economic activity and to divert resources to military spending. It added that the high dependence on hydrocarbon revenues makes the economy vulnerable to low oil prices. Further, it estimated that the current account balance shifted from a surplus of 2.1% of GDP in 2013 to a deficit of 2.8% of GDP in 2014 due to lower oil prices. It said that the country's foreign currency reserves fell from over \$78bn at the end of 2013 to about \$65bn at the end of 2014. It projected the current account deficit to further widen to 8.3% of GDP in 2015 as oil prices would remain at low levels. In parallel, the Bank expected the fiscal deficit to widen from 4.9% of GDP in 2014 to 10.6% of GDP in 2015. In parallel, the Bank pointed out that Iraq faces a humanitarian crisis in addition to economic and security challenges. It noted that the standard of living has deteriorated and a significant share of the population has fallen into poverty.

Source: World Bank

ETHIOPIA

Ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Ethiopia's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B' with a 'stable' outlook. It also maintained the Country Ceiling and the short-term foreign currency IDR at 'B'. It said that the ratings reflect the country's higher vulnerability to shocks compared to similarly-rated peers, its macroeconomic performance that is broadly in line with similarly-rated countries, its favorable fiscal metrics relative to peers, as well as a sound banking sector. But the agency indicated that the high vulnerability to shocks is balanced by a strong economic performance and improved public and external debt ratios. It projected real GDP growth at between 9% and 10% in the fiscal year that ends on July 7, 2015, similar to the average growth rate of 10.2% over the past five years. It expected authorities to meet their fiscal deficit target of 2.9% of GDP for the current fiscal year, and forecast the debt level at 27.1% of GDP in FY2014/15. However, Fitch pointed out that public finances are exposed to rising contingent liabilities, as authorities outsourced part of their investments to state-owned enterprises (SOEs). It indicated that the SOEs' debt level rose from 12.1% of GDP in FY2009/10 to about 22% of GDP in FY2013/14. Further, it noted that a current account deficit of 7.6% of GDP in FY2014/15, along with limited signs of export diversification and a pickup in FDI, would keep foreign currency reserves vulnerable and the external debt on an upward trend. It added that foreign reserves stood at about 1.8 months of current account payments at end-June 2014.

Source: Fitch Ratings



BANKING

EGYPT

Bank ratings upgraded, outlook 'stable'

Moody's Investors Service upgraded to 'B3' from 'Caa1' the local-currency deposit ratings of National Bank of Egypt (NBE), Banque Misr (BM), Banque du Caire (BdC), and Commercial International Bank (CIB), and those of Bank of Alexandria (BoA) to 'B2' from 'B3'. It also upgraded the five banks' foreign-currency deposit ratings to 'Caa1' from 'Caa2' to reflect the similar action on the country ceiling for foreign currency bank deposits. It maintained the 'stable' outlook on the banks' deposit ratings. It attributed the upgrade of the five banks' local-currency deposit ratings to the improved domestic operating environment, the better quality of the banks' liquidity buffers and to the government's improved capacity to support the banks in case of need. The agency expected Egypt's improving macroeconomic performance and reduced external vulnerabilities to promote lending opportunities, and projected lending growth at about 15% in 2015. It anticipated higher economic activity in the country to improve local borrowers' repayment capacity, which would benefit the banks' asset quality. Further, it pointed out that the government's reduced credit risks have improved the quality of the banks' government-related assets, including their liquidity reserves. It said that the five banks are highly exposed to government risk, as their holdings of government debt range between 2.3-times tangible common equity at BoA and 11.2-times for NBE. In parallel, it upgraded the stand-alone baseline credit assessment of state-owned banks NBE, BM and BdC to 'caa1' from 'caa2', and that of the privately-owned banks CIB and BoA to 'b3' from 'caa1'.

Source: Moody's Investors Service

INDIA

Outlook on major banks' ratings revised to 'positive'

Moody's Investors Service revised the outlook to 'positive' from 'stable' on the 'Baa3' long-term ratings of the state-owned Bank of Baroda, Bank of India, Canara Bank, Export-Import Bank of India, Oriental Bank of Commerce, Punjab National Bank, State Bank of India, Syndicate Bank and Union Bank of India. The agency indicated that the rating actions are in line with its earlier action on India's 'Baa3' government bond ratings. It noted that the outlook revision on the sovereign ratings reflects the agency's expectations that the government's policy framework would allow the economy to outperform its peers over the medium term. It said that the positive outlook on the sovereign and bank ratings signals a higher probability of sovereign support to financial institutions in times of stress. In parallel, Moody's downgraded the local-currency bank deposit and senior unsecured ratings to 'Baa3/P-3' from 'Baa2/P-2' of the privately-owned Axis Bank, HDFC Bank and ICICI Bank. It attributed the downgrade to the change in the agency's view that the capacity for government support is limited to the government's bond rating rather than to a previous expectation that the banks' ratings could benefit from additional support through their policy tools. The agency revised the outlook on the three banks' long-term ratings to 'positive' from 'stable' to mirror the outlook on the sovereign ratings.

Source: International Monetary Fund

YEMEN

Outlook on banks' ratings revised to 'negative' on challenging operating environment

Capital Intelligence downgraded the Financial Strength Rating (FSR) of the National Bank of Yemen and the Yemen Bank for Reconstruction and Development to 'B+' from 'BB', and that of Tadamon International Islamic Bank to 'B' from 'B+', while it affirmed the FSR of the International Bank of Yemen at 'B'. Also, it maintained the four banks' long-term foreign currency ratings at 'C+'. It revised the outlook on all banks' ratings to 'negative' from 'stable'. The agency indicated that the rating actions on the four banks reflect the severe deterioration in the domestic operating environment and the rapidly weakening economic conditions, as well as the attendant risks to the banks' financials. It said that the prevailing volatile operating environment places severe pressure on the government and on the normal and timely receipt of income from government sources. It added that the withdrawal of customer deposits has increased, which would weigh on banks' liquidity. It pointed out that the economy could weaken significantly to a point that the financial sector would not have access to foreign currency. Also, it expressed serious concerns about the government's ability to pay salaries in the coming two to three months. It estimated the public-sector wage bill at about \$390m per month for 1.2 million civil servants and military personnel.

Source: Capital Intelligence

TURKEY

Banks face declining access to foreign markets

Fitch Ratings indicated that Turkish banks' external debt grew by \$17bn in 2014 to \$173bn, relative to increases of \$39bn in 2013 and \$27bn in 2012. It attributed the slowdown in the external debt growth to the depreciation of the Turkish lira during the year rather than to fundamental changes. It noted that banks accounted for 40% of Turkey's gross external debt at the end of 2014, up from 37% at end-2013. Further, it noted that the banks' short-term foreign currency debt borrowing accounted for 22% of total external borrowing in 2014, while long-term foreign currency represented the balance of 78%. It added that long-term external borrowing exceeded short-term borrowing for the first time in the past few years. But it noted that the \$14bn increase in long-term debt in 2014 was broadly in line with the average increase in the preceding two years. It said that the slowdown in the growth of short-term external debt reflects the exhaustion of available repo limits, the moderate remaining stock of unpledged foreign-currency securities, regulatory incentives that aim to extend borrowing maturities, and a strong US dollar. In parallel, Fitch estimated that Turkish banks would continue to benefit from good, but declining, access to international markets and would be able to roll over their foreign debt. It considered that Turkish banks benefit from available foreign currency liquidity that allow them to cope with stress over a short-period of time. However, it indicated that banks' vulnerability to a more prolonged loss of market access is significant. It noted that the narrowing of the current account deficit has eased near-term pressures, but it pointed out that the expected increase in U.S. interest rates would test investors' risk appetite.

Source: Fitch Ratings



ENERGY / COMMODITIES

Oversupply in oil market to persist in 2015

North Sea Brent crude oil prices reached their highest level so far in 2015 at above \$63 per barrel (p/b) on April 16 on evidence that oil production in the U.S. is peaking. The oil market is projected to remain well-supplied in 2015, with a market surplus of 860,000 barrels per day as the U.S. and Saudi Arabia maintain high production levels. The oversupply in the market is projected to curtail a significant price recovery this year, while prices are anticipated to be highly volatile in 2015. Brent oil prices are expected to rise more consistently in the second half of the year, due to some unofficial production adjustments from members of the Organization of the Petroleum Exporting Countries and to stronger evidence of a slowdown in the growth rate of U.S. shale oil production. Brent prices are forecast to drop from an average of \$54 p/b in the first quarter to \$52 p/b in the second quarter, and to pick up to \$59 p/b in the third quarter and to \$67 p/b in the fourth quarter of 2015. The average WTI oil price is projected at \$46.3 p/b in the second quarter, \$52.5 p/b in the third quarter and \$60.3 p/b in the fourth quarter of the year.

Source: *Economist Intelligence Unit, Thomson Reuters*

United States to shift from net importer of natural gas to net exporter by 2017

The Energy Information Administration (EIA) indicated that the U.S. would transition from a net importer of 1.3 trillion cubic feet (Tcf) of natural gas in 2013 to a net exporter in 2017 for the first time since the 1950s. It expected net exports to grow from 2017 onwards to a range between 3 Tcf and 13.1 Tcf by 2040, depending on the effects of gas resource levels and oil prices. It expected U.S. LNG exports to reach 3.4 Tcf in 2030 and to remain at that level through 2040, when they would account for 46% of total U.S. natural gas exports. The EIA indicated that the growth in U.S. LNG exports is supported by differences between international and U.S. natural gas prices. It noted that the outlook for natural gas prices is influenced by a number of factors, including oil prices, resource availability and demand for natural gas.

Source: *U.S. Energy Information Administration*

Iranian oil production to recover at a strong pace in three to five years after sanctions are lifted

The International Energy Agency indicated that the global oil market would see a significant rise in Iranian supplies in three to five years after a final nuclear deal is reached between Iran and the UN Security Council's permanent members plus Germany. It said that Tehran's vast and geological fields have not been well maintained due to the sanctions. Iran's oil exports regressed by more than 50% to about 1.1 million barrels per day (b/d) currently from an average of 2.5 million b/d prior to 2012.

Source: *International Energy Agency, Thomson Reuters*

Iraqi oil exports to rise by 4% in April 2015

Iraqi authorities expected the country's oil exports to reach about 3.1 million barrels per day in April 2015, which would reflect a rise of 4% from the previous month, due to strong output from the country's southern fields. But it noted that the output level is still below the country's 3.3 million b/d target level for 2015. Iraq has the world's fifth largest proven reserves of crude oil.

Source: *Thomson Reuters, U.S. EIA*

Base Metals: Aluminium prices to drop by 3% in 2015

Global aluminium consumption is forecast to reach 56 million tons in 2015, which would constitute an increase of 5.1% from 2014. Demand for the metal in China, the world's largest consumer of aluminium, is projected to rise by 7.5% in 2015; while that in developing economies excluding China would grow by 2.4% this year. In parallel, the metal's global production is expected to reach 56.3 million tons in 2015, which would reflect a rise of 5.7% from 2014. China would supply about 53% of the world's aluminium output in 2015. The metal's cash price is projected to average \$1,780 per metric ton in the second quarter, \$1,820 per ton in the third quarter and \$1,950 per metric ton in the fourth quarter of 2015. Overall, aluminium prices are forecast to average \$1,838 a ton in 2015, which would reflect a decrease of 2.9% from \$1,893 a ton in 2014. In parallel, the Bloomberg Industrial Metals Total Return Sub-Index decreased by 1.1% in March and by 5.3% in the first quarter of 2015, while the Aluminum Sub-Index dropped by 1.9% in March and by 4.2% from end-2014.

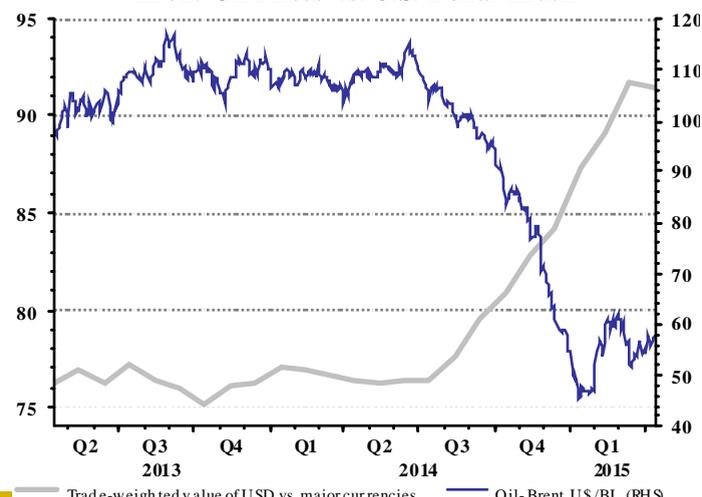
Source: *Deutsche Bank, Bloomberg Indexes*

Precious Metals: Gold prices to average \$1,196 an ounce in second quarter of 2015

The price of gold bullion rose by more than 1% from end-2014 to above \$1,200 a troy ounce on April 16th, supported by geopolitical events, among other factors. Gold prices increased in recent days due to investors' renewed concerns about Greece's financial problems. In general, investors purchase the precious metal in times of political or economic uncertainty, with a belief that gold would outperform other assets in turbulent times. Prices are expected to rise gradually in 2015, trading at between a low of \$1,100 a troy ounce and a high of \$1,280 an ounce. Gold prices are forecast to average \$1,196 a troy ounce in the second quarter, \$1,198 an ounce in the third quarter and \$1,212 a troy ounce in the fourth quarter of 2015. According to the International Monetary Fund, the probability of the 12-month forward gold prices dropping below \$1,100 a troy ounce is 43.2%, while the probability of gold prices rising above \$1,500 a troy ounce decreased to 4.3% from 7% in February, reflecting a drop in investor demand and US dollar appreciation.

Source: *Wall Street Journal, Thomson Reuters, IMF*

Brent Oil Prices vs. U.S. Dollar Index



Trade-weighted value of USD vs. major currencies — Oil-Brent US/BL (RHS)
Source: *Thomson Reuters Datastream, 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								
	-	-	-	-	Stable	-9.5	9.0	1.4	5.7	1.2	-	-7.7	-
Angola	B+	Ba2	BB-	-	BB								
	Stable	Negative	Negative	-	Stable	-4.2	38.8	27.0	56.0	15.4	57.6	2.0	-4.7
Egypt	B-	B3	B	B-	CCC								
	Stable	Stable	Stable	Stable	Stable	-8.5	92.6	17.3	124.6	8.2	467.5	-1.1	-1.3
Ethiopia	B	B1	B	-	CCC								
	Stable	Stable	Stable	-	Stable	-2.9	54.3	28.9	135.9	4.4	591.0	-4.07	-3.1
Ghana	B-	B3	B	-	B								
	Stable	Negative	Negative	-	Stable	-9.2	67.2	33.8	77.3	4.5	376.2	-7.8	7.5
Ivory Coast	-	B1	B	-	B								
	-	Positive	Positive	-	Stable	-2.7	50.3	29.2	-	9.4	198.2	-5.3	2.6
Libya	-	-	B	-	B								
	-	-	Stable	-	Stable	-14.9	6.2	9.9	-	7.5	-	-20.5	-
Dem Rep Congo	B-	B3	-	-	-								
	Stable	Stable	-	-	-	-1.7	21.7	29.2	32.0	2.3	5.5	-8.8	6.9
Morocco	BBB-	Ba1	BBB-	-	B								
	Stable	Stable	Stable	-	Stable	-4.3	68.0	32.9	96.6	11.7	249.1	-3.7	2.7
Nigeria	B+	Ba3	BB-	-	B								
	Stable	Stable	Negative	-	Stable	-2.8	20.2	3.4	11.1	0.4	43.8	0.2	2.0
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-1.2	87.6	77.9	-	-	-	-6.3	3.3
Tunisia	-	Ba3	BB-	-	CCC								
	-	Negative	Stable	-	Stable	-3.3	49.9	55.1	100.9	8.5	367.9	-5.5	3.7
Burkina Faso	B	-	-	-	-								
	Stable	-	-	-	-	-3.1	21.9	21.9	-	-	-	-7.0	-
Rwanda	B+	-	B	-	-								
	Stable	-	Positive	-	-	-4.2	33.5	30.9	-	11.8	-	-11.0	2.9
Middle East													
Bahrain	BBB-	Baa3	BBB	BBB	BB								
	Negative	Negative	Stable	Negative	Stable	-12.5	60.8	118.6	-	17.5	721.6	0.1	0.4
Iran	-	-	-	B	CCC								
	-	-	-	Stable	Stable	-3.1	12.5	1.7	-	-	-	2.2	-
Iraq	-	-	-	-	CCC								
	-	-	-	-	Stable	-8.7	-	-	-	-	-	-6.5	-
Jordan	BB-	B1	-	BB-	CCC								
	Stable	Stable	-	Stable	Stable	-3.2	90.7	73.3	-	9.6	205.3	-4.1	5.3
Kuwait	AA	Aa2	AA	AA-	A								
	Stable	Stable	Stable	Stable	Stable	8.8	8.4	20.0	-	1.2	87.5	15.2	-6.1
Lebanon	B-	B2	B	B	CCC								
	Stable	Negative	Negative	Stable	Stable	-8.1	143.2	110.7	-	17.7	160.8	-15.3	7.7
Oman	A-	A1	-	A	A								
	Stable	Negative	-	Stable	Stable	-13.1	9.5	17.6	-	3.7	81.8	-3.7	0.4
Qatar	AA	Aa2	AA	AA-	AA								
	Stable	Stable	Stable	Stable	Stable	1.4	24.4	64.2	-	18.0	360.3	3.6	-2.4
Saudi Arabia	AA-	Aa3	AA	AA-	A								
	Negative	Stable	Stable	Stable	Stable	-14.2	8.9	12.4	-	4.7	13.7	-1.4	1.0
Syria	-	-	-	-	C								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	BB								
	-	Stable	-	Stable	Stable	-4.3	25.0	26.8	-	4.2	488.6	4.0	1.8
Yemen	-	-	-	-	CC								
	-	-	-	-	Stable	-5.0	47.4	13.2	-	-	-	-1.1	2.3

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	-	Ba3	B+	-	-	-2.3	44.8	81.8	298.8	21.9	431.8	-7.3	4.1
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-2.0	41.9	10.2	-	2.7	25.1	2.0	1.5
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-4.1	62.6	23.6	101.9	5.6	158.2	-1.7	1.1
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	4.1	14.3	74.3	195.4	17.3	787.9	-0.6	3.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-1.1	20.5	87.3	122.3	20.2	261.1	-1.9	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-1.8	40.5	54.3	132.5	19.4	249.2	-1.1	2.1
	Stable	Negative	Stable	-	Stable								
Russia	BB+	Baa3	BBB-	-	BBB	-1.9	16.2	39.0	133.7	29.1	195.0	2.4	-1.2
	Negative	-	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.7	32.4	49.0	181.2	23.2	376.5	-6.0	1.7
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-7.5	70.6	114.6	189.9	32.0	978.3	0.9	2.5
	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 2015



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	18-Mar-15	No change	29-Apr-15
Eurozone	Refi Rate	0.05	15-Apr-15	No change	03-Jun-15
UK	Bank Rate	0.50	09-Apr-15	No change	11-May-15
Japan	O/N Call Rate	0.00-0.10	08-Apr-15	No change	30-Apr-15
Australia	Cash Rate	2.25	07-Apr-15	No change	05-May-15
New Zealand	Cash Rate	3.50	12-Mar-15	No change	30-Apr-15
Switzerland	3 month Libor target	-1.25-(-0.25)	19-Mar-15	No change	18-Jun-15
Canada	Overnight rate	0.75	15-Apr-15	Cut 25bps	N/A
Emerging Markets					
China	One-year lending rate	5.35	01-Mar-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.50	18-Mar-15	No change	29-Apr-15
Taiwan	Discount Rate	1.875	26-Mar-15	No change	30-Jun-15
South Korea	Base Rate	1.75	09-Apr-15	No change	15-May-15
Malaysia	O/N Policy Rate	3.25	05-Mar-15	No change	07-May-15
Thailand	1D Repo	1.75	11-Mar-15	Cut 25bps	29-Apr-15
India	Reverse repo rate	7.50	07-Apr-15	No change	02-Jun-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	8.75	26-Feb-15	No change	23-Apr-15
Turkey	Base Rate	7.50	17-Mar-15	No change	22-Apr-15
South Africa	Repo rate	5.75	26-Mar-15	No change	21-May-15
Kenya	Central Bank Rate	8.50	04-Feb-15	No change	01-May-15
Nigeria	Monetary Policy Rate	13.00	24-Mar-15	No change	19-May-15
Ghana	Prime Rate	21.00	18-Feb-15	Raised 200bps	13-May-15
Angola	Base rate	9.25	30-Mar-15	Raised 25bps	N/A
Mexico	Target Rate	3.00	26-Mar-15	No change	30-Apr-15
Brazil	Selic Rate	12.75	04-Mar-15	Raised 50bps	29-Apr-15
Armenia	Refi Rate	10.50	10-Feb-15	Raised 100bps	N/A
Romania	Policy Rate	2.00	01-Apr-15	Cut 25bps	N/A
Bulgaria	Base Interest	0.01	01-Apr-15	No change	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	30.0	03-Mar-15	Raised 1050bps	N/A
Russia	Refi Rate	14.0	13-Mar-15	Cut 100bps	30-Apr-15



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