

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate bond issuance at \$1.8 trillion in first half of 2015

Standard & Poor's indicated that global new corporate bond issuance totaled \$1.8 trillion in the first half of 2015. Issuance by non-financial institutions amounted to \$914bn or 50.2% of total issuance in the first half of 2015, while financial firms represented the remaining \$905bn (49.7%). The issuance included \$1.17 trillion in investment grade bonds that accounted for 64.3% of total issuance, \$258bn (14.2%) in speculative grade bonds and \$391bn (21.5%) in unrated bonds. Bond issuance in the U.S. reached \$762bn in the first half of the year and represented 41.9% of global bond issues, followed by Europe with \$658bn (36.2%), emerging markets (EM) with \$230bn (12.6%) and other developed economies with \$170bn (9.3%). Further, issuance by non-financial firms in the U.S. totaled \$509bn and accounted for 55.7% of global corporate bond issuance, followed by those in Europe with \$224bn (24.5%), issuance in EM with \$121bn (13.2%) and those in other developed economies with \$60bn (6.6%). Financial companies in Europe issued \$434bn and represented 48% of global financial institutions' issuance in the first half of 2015, followed by those in the U.S. with \$253bn (28%), those in other developed economies with \$110bn (12.2%) and those in EM with \$109bn (12%). S&P noted that the Greek crisis, the expected increase in U.S. interest rates, and the slowdown in China's economy could constrain bond issuance this year.

Source: Standard & Poor's

MENA

Country risk level in Arab world unchanged in second quarter of 2015

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world remained nearly unchanged in the second quarter of 2015, as the average score of 19 Arab economies reached 40.8 points in the covered quarter compared to 40.9 points in the first quarter of 2015. The region's risk level remains higher than the global risk level that averaged 42.5 points in the second quarter of the year. The GCC countries' average score regressed marginally to 65.21 points from 65.45 points in the preceding quarter, which reflects a slight rise in the country risk level, while the average score of non-GCC Arab countries marginally dropped to 29.48 points from 29.55 points in the first quarter of 2015. The Arab world's Political Risks level stood at 11.90 points, which was riskier than the global average of 13.77 points; while the Economic Performance score was 13.38 points, close to the global average of 13.41 points. Further, the region's Credit Ratings averaged 2.98 points relative to the global average of 3.13 points; while the Access to Bank Finance & Capital Markets score reached 3.11 points, worse than the global average of 3.59 points. Qatar has the best country risk rating in the Arab world and the 18th best globally, followed by the UAE (25th), Kuwait (26th), and Oman (32nd); while the lowest-ranked countries in the region are Sudan that came in 159th place, Mauritania (163rd), Syria (167th) and Djibouti (183rd).

Source: Euromoney, Byblos Research

Equity issuance up 62% to \$5bn in first half of 2015

Equity Capital Markets' (ECM) issuance in the Middle East reached \$5.3bn in the first half of 2015, constituting a rise of 62% from \$3.3bn in the same period of 2014 and representing the highest level since the first half of 2008. Initial public offerings raised \$2.5bn in the covered period and accounted for 46% of ECM activity in the region. The financial sector had a total issuance of \$2.4bn and accounted for 45.4% of ECM activity, followed by the industrial sector with \$1.1bn (20.1%), which were the two most active sectors in the covered period. Also, debt issuance in the region reached \$14.5bn in the first half of 2015 and decreased by 46% from \$26.9bn in the same period of 2014. Islamic debt issuance reached \$17.6bn in the covered half and declined by 3.8% year-on-year. Further, the volume of mergers and acquisitions (M&A) reached \$27.3bn in the first half of 2015, up 51% from the same period 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 \$337.2m in the first half of 2015, constituting a drop of 26% from the same half of 2014. Syndicated lending fees totaled \$113m and accounted for 33.5% of the overall fee pool, followed by fees from M&A deals with \$103.5m (30.7%), fees from equity capital markets with \$83.6m (24.8%) and debt capital market fees with \$37m (11%).

Source: Thomson Reuters

IRAN

FATF urges Tehran to address anti-money laundering deficiencies

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), declared that it remains "particularly and exceptionally" concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system, despite Iran's previous engagement with the FATF. It reiterated its call to all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. It also repeated its call to its members and other jurisdictions to apply counter measures to protect their financial sectors and the international financial system from the money laundering and terrorist financing (ML/FT) risks originating from Iran. The FATF also urged jurisdictions to protect against correspondent relationships being used to bypass or to evade counter measures and risk mitigation practices, and to take into account ML/FT risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. The FATF urged Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements. The FATF warned that, if Iran fails to take concrete steps to improve its AML/CFT regime, it will consider calling on all countries and jurisdictions in October 2015 to strengthen counter measures.

Source: Financial Action Task Force

OUTLOOK

ALGERIA

Growth outlook dependent on the implementation of reforms

The Institute of International Finance indicated that the Algerian economy is highly vulnerable to prolonged lower oil and gas prices and to declining hydrocarbon exports. It noted that the rapid growth in consumption of petroleum products, along with lower global oil prices, are weighing on exports, while imports continue to grow at a strong pace due to robust public spending. It considered that Algeria's outlook depends on the implementation of structural reforms.

The IIF's baseline scenario for the 2016-25 period assumes the lack of major progress on structural reforms and no adjustment in domestic fuel prices. As such, it estimated that hydrocarbon production would increase by 1.2% annually, public spending would expand by 5% and consumption of petroleum products would continue to increase by 5.3% per year during the covered period. Under this scenario, it expected hydrocarbon exports to decrease from 93 million tons of oil equivalent in 2014 to 78 million tons by 2025. It forecast the fiscal breakeven oil price to rise from \$116 per barrel in 2015 to \$182 per barrel by 2025. As such, it projected the fiscal deficit to remain at about 12% of GDP between 2016 and 2025, and for the government debt level to rise from 21% of GDP in 2015 to about 100% of GDP by 2025. Also, it projected the current account deficit at about 12% of GDP during the covered period, which would lead to a drop in foreign currency reserves to \$1.3bn, or two months of imports, by 2025.

In contrast, the IIF considered that, in case of reforms, hydrocarbon production would increase by 2.5% annually, public spending would expand by 3% and the growth in consumption of petroleum products would decelerate to 4% per year in the covered period. Under this scenario, it forecast the fiscal breakeven oil price drop to \$83 per barrel by 2025, which would gradually narrow the fiscal deficit to 1% of GDP by 2025. It anticipated the debt ratios to increase but to remain manageable, and for official reserves to drop but to cover 10.4 months of imports.

Source: Institute of International Finance

MOROCCO

Favorable economic trends for 2015, downside risks persist

Barclays Capital projected Morocco's real GDP growth to accelerate from 2.4% in 2014 to 4.6% in 2015 supported by strong domestic and external demand. It expected private consumption to increase given the low inflationary environment, and for export growth to accelerate. It noted that the key risk to the outlook consists of a potential reversal in the Eurozone's economic recovery on the back of the unfolding Greek crisis. In parallel, Barclays indicated that lower global oil prices, favorable external demand and continued fiscal reforms are strengthening the country's fiscal and external positions. It projected the fiscal deficit to narrow from 5.5% of GDP in 2014 to 4.3% of GDP in 2015 due to a drop in the subsidy bill and a rise in non-tax revenues. It noted that the government would finance its deficit through the domestic market and bilateral and multilateral donors, including about \$1.3bn from the GCC countries. It did not expect authorities to

resort to international debt markets to finance the fiscal deficit this year. It said that the key risk to the outlook consists of a potential slowdown of reform momentum ahead of the local and legislative elections in 2015 and 2016, respectively.

Further, Barclays projected the current account deficit to narrow from 5.8% of GDP in 2014 to 3.2% of GDP in 2015, as it expects the trade deficit to decrease from 22.2% of GDP in 2014 to 17.1% of GDP this year. It noted that Morocco secured its external financing needs for 2015 through higher-than-expected FDI inflows and international financial support. It projected foreign currency reserves to increase from \$19.6bn at the end of 2014 to \$21.4bn or six months of import cover at end-2015.

Source: Barclays Capital

IRAN

Nuclear deal changes outlook on economy

Merrill Lynch indicated that the successful implementation of the Joint Comprehensive Plan of Action between Iran and the five permanent members of the UN Security Council plus Germany (P5+1) would bring macroeconomic benefits to Iran in terms of cash, trade and investment. First, it said that the release of foreign currency reserves over the near term would provide the economy with much-needed hard currency. It noted that Iran has about \$110bn in international reserves, but most of them are not accessible as they are deposited in foreign banks and are subject to sanctions. As such, it considered that the injection of foreign currency in the economy would help converge the official and black market exchange rates, but it noted that the pace would depend on the pace of foreign currency inflows and government policies. It added that a stronger Iranian rial would strengthen domestic confidence, which would ease inflationary pressure and support purchasing power in the short term.

Second, Merrill Lynch said that the phasing out of sanctions would help Iran's foreign trade to rebound rapidly, especially if oil exports return to pre-2012 sanction levels. It anticipated that the injection of cash and the rebound in exports would also have positive spillovers on Iran's trading partners, especially the UAE and Turkey. It estimated that Iran's real GDP growth could accelerate to about 6% to 7% in the short term, while the return to pre-2012 sanction production levels could add two percentage points to real GDP. Third, it pointed out that Western companies are unlikely to return quickly to Iran given the uncertainties and geopolitical risks. It considered that sustaining any rebound in activity and attracting foreign investors would require the implementation of reforms to improve the business environment, strengthen and recapitalize the financial sector, and liberalize interest rates.

In parallel, Merrill Lynch cautioned that reaching a comprehensive agreement on Iran's nuclear program does not guarantee the lifting of the complex set of sanctions by the U.S., the EU and the United Nations. It noted that risks to the deal consist of non-compliance with the agreed terms; backtracking or derailing the deal by Iran's Supreme Leader, Parliament or hardliners; blocking the deal or its implementation by the U.S. Congress or future U.S. presidents; and opposition from regional actors.

Source: Merrill Lynch



ECONOMY & TRADE

MENA

Construction disputes up 87.5% to \$77m in 2014

Natural and built asset design & consultancy firm ARCADIS indicated that the aggregate US dollar amount of disputes in the construction sector of the Middle East region totaled \$76.7m in 2014, constituting an increase of 87.5% from \$40.9m in 2013 and accounting for the highest level since 2011. It noted that the region's construction disputes were the second highest among all regions globally, behind only Asia (\$85.6m). It attributed the increase in the amount of disputes to the initiations of claims for projects that were undertaken in 2008-09, given that the financial means are currently available to pursue those claims. It noted that the complex nature of infrastructure projects, limited human resources and the extensive use of joint ventures have raised the likelihood of disputes in the region. It noted that the time required to solve a construction dispute in the Middle East averaged 15.1 months in 2014, up from 13.9 months in 2013 and 14.6 months in 2012, and was longer than the global average of 13.2 months last year. It added that the time required to solve a dispute in the region is the third longest, behind only Europe (18 months) and North America (16.4 months). It said that the failure to properly administer contracts is the main cause of disputes in Middle East construction projects, followed by poorly drafted or incomplete and unsubstantiated claims, a biased project manager or engineer, the failure to make interim awards on extensions of time and compensation, and an unrealistic contract completion date defined at the tender stage. Further, it pointed out that arbitration is the most common method to solve disputes in the Middle East, followed by party-to-party negotiations and mediation.

Source: ARCADIS

UAE

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence affirmed the UAE's long-term foreign and local currency sovereign ratings at 'AA-' and its short-term foreign and local currency sovereign ratings at 'A1+', with a 'stable' outlook on the long-term ratings. It said that the ratings reflect the strength of the country's public and external finances, which support the authorities' ability to absorb economic shocks. It added that the ratings take into account the country's moderate public debt level, generally favorable macroeconomic performance, substantial hydrocarbon reserves, as well as Abu Dhabi's ample financial assets with the assets managed by the Abu Dhabi Investment Authority at about 160% of GDP. It forecast the UAE's real GDP growth to average 3.2% during the 2015-17 period, supported by services and trade. CI expected the consolidated fiscal balance to shift from a surplus of 2.2% of GDP in 2014 to deficits of 8.6% of GDP in 2015 and 7.5% of GDP in 2016, based on an average oil price of \$60 per barrel during the covered period. It estimated the public debt level at 58% of GDP in 2015, reflecting mainly the borrowing of government-related entities (GREs), as it projected the consolidated government debt at about 14.7% of GDP this year. It noted that most GREs have been able to rollover or repay maturing debt obligations. Further, it expected the current account surplus to narrow from 12.1% of GDP in 2014 to 5.3% of GDP in 2015, given that the robust growth in the non-oil sectors would in part offset the adverse impact of lower oil prices on the external position.

Source: Capital Intelligence

TURKEY

Political uncertainties cloud economic outlook

The Institute of International Finance maintained its projections for Turkey's real GDP at 3.2% in 2015 relative to a growth rate of 2.9% in 2014, despite a stronger-than-expected economic growth in the first quarter of the year. It considered the strong performance in the first quarter to be unsustainable, given that it was mainly driven by a temporary surge in private consumption. It added that the ongoing geopolitical tensions in the region dampen export prospects. It anticipated that the political uncertainties following the July 7 parliamentary elections would continue to weigh on economic activity until a stable coalition government is formed. It noted that the durability of any coalition government and its ability to provide an effective administration is uncertain. It added that diverging views between coalition partners could shift the political balance away from fiscal discipline, Central Bank independence and inflation targeting. Further, it forecast the current account balance to narrow from 5.7% of GDP in 2014 to 4.2% of GDP in 2015, reflecting the lagged effect of lower oil prices on energy imports and the moderation in private consumption. In parallel, the IIF revised downward its growth projections for 2016 to 3% from 4% previously due to the uncertain political outlook and an expected gradual tightening of global financial conditions. It anticipated that the Central Bank of Turkey would need to tighten monetary policy in order to keep the lira from depreciating further, given the country's excessive reliance on foreign financing and the expected increase in U.S. interest rates. It cautioned that further lira depreciation would lead to inflationary pressure and would weigh on confidence.

Source: Institute of International Finance

RWANDA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Rwanda's long-term foreign and local currency Issuer Default Ratings and the Country Ceiling at 'B+', with a 'stable' outlook. It said that the ratings reflect the implementation of prudent fiscal policies that help support the shift in the structure of foreign aid from grants to loans, in addition to strong economic growth, a good business environment and sustained FDI inflows. It noted that grants fell to 7.2% of GDP in the fiscal year that ended in June 2015, which forced the government to rationalize current expenditures and improve the efficiency of infrastructure spending. It added that the authorities' efforts to increase tax revenues have yielded modest results due to implementation challenges and lower receipts from international trade. It projected the fiscal deficit to gradually narrow in coming years despite the fall in grants, which would slow down the rise in the government debt level that reached 31.5% of GDP at the end of June 2015. Further, it expected real GDP growth to remain above 7% annually between 2015 and 2017, but it cautioned that a sharp fall in external demand or in commodity prices is a key risk to the outlook. It added that uncertainties about the 2017 presidential elections increases political risks and would adversely affect aid inflows. Fitch said that the current account deficit reached a record high of 12% of GDP in 2014 and expected it to remain wide due to increased imports and falling grants. But it noted that sustained FDI inflows and rising external borrowing would maintain foreign reserve coverage at a comfortable level.

Source: Fitch Ratings



BANKING

EGYPT

Outlook on banking sector revised to stable

Moody's Investors Service revised the outlook on Egypt's banking system to stable from negative, as it expected the banks' funding and liquidity positions to remain strong over the next 12 to 18 months. It anticipated the banking system to benefit from an improved operating environment, especially better economic conditions, which would strengthen consumer confidence and business investments and, in turn, would support loan growth and asset quality. It projected the banks' problem loans to decline to around 8% of total loans in the coming 12 to 18 months from 8.6% at the end of 2014. It forecast banks to maintain robust cash provisions against troubled exposures, with loan loss reserves accounting for 98% of non-performing loans. However, it said that the banks' large holdings of government bonds, which are zero risk-weighted under the domestic regulatory framework, would continue to weigh on the banks' capital buffers. Further, Moody's expected the banks' funding and liquidity profiles to continue to improve in coming months. It noted that the banks' deposit-based funding structure is a credit strength and forecast deposits to continue to grow, supported by a rise in remittance inflows and better bank penetration. It estimated that banks would deploy some of their large pool of core liquid assets to fund part of their growth, given the strong credit demand from the private and public sectors. But it considered the erosion in core liquidity to be relatively modest, which would allow the banks to maintain a strong liquidity position over the coming 12 to 18 months.

Source: *Moody's Investors Service*

KUWAIT

Banking sector risk assessment unchanged

Standard & Poor's maintained Kuwait's Banking Industry Country Risk Assessment (BICRA) in 'Group 4', its economic score at '4' and its industry risk score at '5'. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky ones. S&P noted that other countries in BICRA's 'Group 4' include Qatar, Oman, Malaysia, Mexico, the Czech Republic, Slovakia and Taiwan. The agency indicated that Kuwait's economic risk score reflects its "low risks" in economic resilience, "intermediate risks" in economic imbalances and "high risks" in credit risks in the economy. It said that Kuwaiti banks are highly exposed to cyclical sectors such as real estate and construction, but that they operate with healthy capital buffers that would enable them to absorb potential losses from these sectors. It noted that credit growth has remained subdued over the past four years, and projected it at about 6% in 2015 and 2016. Also, it said that the high credit risks reflect relaxed underwriting standards and a relatively limited legal infrastructure. Further, it pointed out that the industry score reflects the country's "very high risks" in its institutional framework, "intermediate risks" in its competitive dynamics and "low risks" in its system-wide funding. It said that overall regulation and supervision of the financial services market will remain a challenge despite positive actions by authorities over the past four years. It indicated that the trend for economic and industry risks is "stable".

Source: *Standard & Poor's*

SUDAN

Significant progress in improving AML/CFT regime

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Sudan has made significant progress since February 2010 to improve its AML/CFT regime. FATF said that Sudan has substantially addressed its action plan, including by adequately criminalizing money laundering and terrorist financing, introducing adequate procedures for identifying and freezing terrorist assets, ensuring a fully operational and effectively functioning Financial Intelligence Unit and by introducing an effective supervisory program for AML/CFT compliance. Also, it noted that Sudan improved customer due diligence measures, increased financial institutions' awareness of and compliance with their obligations to file suspicious transaction reports in relation to money laundering and terrorist financing, and endorsed laws and procedures about international cooperation and mutual legal assistance. The FATF indicated that it will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address the deficiencies that it previously identified.

Source: *Financial Action Task Force*

INDIA

Capital needs remain substantial

Fitch Ratings indicated that state-owned banks in India continued to face challenges in the fiscal year that ended in March 2015, with weak credit demand, sustained pressure on asset quality, falling profitability and weak capitalization. It noted that the banking sector's lending growth stood at 9.7% in FY2014/15, the lowest growth rate over the past decade, and was concentrated mainly in retail. It added that the sector's non-performing loans (NPLs) were equivalent to 4.6% of aggregate assets in FY2014/15, up from 4.1% in FY2013/14, reflecting mostly restructured loans. It noted that NPLs and stressed assets ratios at state-owned banks are higher than the sector's average. As such, it pointed out that the banks' capital buffers have consequently deteriorated with the continued rise in NPLs and low provisioning. It noted that Indian banks' Tier-One capital adequacy ratio rose to 9.7% in FY2014/15 from 9.3% in FY2013/14, while the gap between private and state-owned banks' Tier-One capital ratio widened to 440 basis points. The agency indicated that the banking sector's capital requirements are substantial, with state-owned banks accounting for the bulk. It considered that the government's recent announcement to provide state-owned banks higher-than-budgeted core equity would be positive for stability. But it noted that the banks' reliance on external capital would remain high, given the Basel III requirements, low equity market valuations and the banks' weak internal capital generation. However, Fitch anticipated the outlook for Indian banks to be more positive in FY2015/16, with falling NPL formation and accelerating economic activity. It noted that better economic activity would be positive for credit growth as interest rates would come down. But it said that corporate leverage remains high, and the large stock of stressed assets would continue to weigh on the banks' profitability.

Source: *Fitch Ratings*



ENERGY / COMMODITIES

Oil market volatility to persist in near term

Brent oil prices dropped by 6.2% from the end of June 2015 to \$57.4 per barrel (p/b) on July 14 after Iran and the UN Security Council's permanent members plus Germany agreed on the Joint Comprehensive Plan of Action about Tehran's nuclear program. But oil prices rebounded slightly on July 15 and remained stagnant until July 23rd, when it became clear that the Iranian nuclear deal would not immediately remove sanctions. The international sanctions on Iran, including those imposed on its oil exports, will be removed once the agreement gets the necessary approvals and its terms are fulfilled. The potential return to the market of up to 0.7 million b/d in Iranian oil exports in early 2016 could add downside pressure of \$5 p/b to \$10 p/b on forward oil prices. Also, about 0.25 million b/d could enter an oversupplied market by the end of 2015. In addition, the lifting of sanctions will allow Iran to ship about 20 million barrels of oil stockpiled in its tankers. As such, oil prices are expected to remain highly volatile in the coming months, pending the removal of sanctions, and are forecast to trade at between \$60 p/b and \$80 p/b in the medium term. They are forecast to average \$59 p/b in 2015 and \$61 p/b in 2016.
Source: BMI Research, Merrill Lynch, Byblos Research

KRG oil exports down 1% in June 2015

The Kurdistan Regional Government (KRG) indicated that its crude oil exports averaged 571,021 barrels per day (b/d) in June 2015, down by 1.1% from 577,621 b/d in the previous month. About 74.4% of crude oil exports were extracted from fields operated by the KRG, while the remaining 25.6% came from fields operated by Iraq's North Oil Company. The KRG noted that all of its oil exports were shipped through the Kurdistan pipeline to the port of Ceyhan in Turkey. It pointed out that it supplied Iraq's State Organization for Marketing of Oil (SOMO) in Ceyhan an average of 149,778 b/d in June.
Source: KRG Ministry of Natural Resources, Byblos Research

OPEC's oil basket price down 3% in June 2015

The Organization of the Petroleum Exporting Countries' oil reference basket price reached \$60.2 per barrel (p/b) in June 2015, constituting a drop of 3.1% from \$62.2 p/b in the preceding month. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$64.59 p/b in June, followed by Angola's Girassol at \$63.28 p/b and Nigeria's Bonny Light at \$62.19 p/b. All prices included in the OPEC reference basket posted monthly decreases between 2.3% and 6.1% in June 2015.
Source: OPEC, Byblos Research

Middle East accounts for 32% of world's oil production in 2014

The Middle East region's crude oil production averaged 28.6 million barrels per day (b/d) in 2014, up by 1.1% from 28.2 million b/d in the previous year, and equivalent to 31.7% of the world's oil supply. Saudi Arabia's production averaged 11.5 million b/d, or 40.3% of the region's total output last year, followed by the UAE with 3.7 million b/d (13%), Iran with 3.6 million b/d (12.7%), Iraq with 3.3 million b/d (11.5%), Kuwait with 3.1 million b/d (10.9%), Qatar with 2 million b/d (6.9%), Oman with 0.9 million b/d (3.3%), Yemen with 0.1 million b/d (0.5%) and Syria with 33,000 b/d (0.1%).
Source: BP, Byblos Research

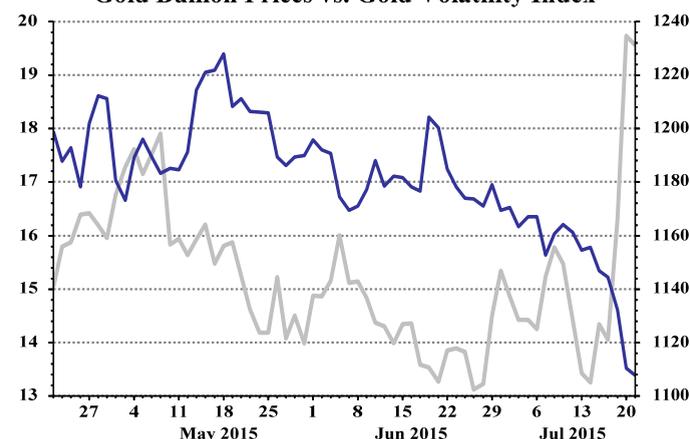
Base Metals: Copper prices reach six-year low

Copper prices reached their lowest level in six years at \$5,341 per metric ton on July 22, 2015 following the turmoil over Greece and the sharp decline in the Chinese stock market. Prices are projected to reach their highest level in the third quarter this year, as demand in China would be supported by stimulus measures and by a pick-up in grid and power cable production. China is forecast to remain the world's largest copper consumer in 2015 with a 47% share of global demand, up from 46.4% of the total in 2014. The metal's average price was \$5,837 per metric ton in the first quarter and \$6,055 per ton in the second quarter, and is expected to average \$6,350 per ton in the third quarter and \$6,250 per metric ton in the fourth quarter of 2015. Overall, copper prices are forecast to drop by 10.8% to an average of \$6,123 a ton in 2015 and to rise to \$6,200 a ton in 2016. In parallel, global copper demand is projected to grow by 2.8% to 23 million tons in 2015, while the metal's supply is expected to rise by 3.3% to 23.2 million tons. As such, the oversupply in the copper market is projected to widen to 179,000 tons this year from 62,000 tons in 2014.
Source: Barclays, Byblos Research

Precious Metals: Gold prices reach five-year low

Gold prices reached their lowest level in five years at \$1,093 a troy ounce on July 22nd, following 10 consecutive days of declines, which is the metal's longest losing streak since 1996. The drop in prices was due to investors' concerns of continued US dollar strength and to signs of a rate increase from the U.S. Federal Reserve in coming months. Also, Greece's new agreement with its European creditors reduced uncertainty and led investors to shift positions away from the safe haven asset. The metal had only experienced modest upside pressure from the turmoil in Greece, although gold is generally viewed as a hedge against political and financial uncertainties. Indeed, prices have not exceeded \$1,300 a troy ounce so far this year and have mainly fluctuated between \$1,100 an ounce and \$1,220 an ounce. The metal's average price is forecast to reach \$1,150 a troy ounce in the third quarter, its weakest level this year, and to rise to \$1,170 a troy ounce in the fourth quarter of 2015. Overall, the average price of gold is projected to drop by 6.6% to \$1,183 a troy ounce in 2015. Prices are expected to be supported at about \$1,000 an ounce, a level close to the metal's marginal cost of production. Upside pressures to the price outlook include the prospect of supply disruptions, mainly in South Africa.
Source: Barclays, Wall Street Journal, Byblos Research

Gold Bullion Prices vs. Gold Volatility Index



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	-12.9	13.6	2.0	5.7	1.2	-	-15.7	-
Angola	B+	Ba2	BB-	-	BB	-4.7	47.5	27.0*	56.0	15.4	57.6	-6.3	-0.2
Egypt	B-	B3	B	B-	CCC	-11.8	90.5	14.6	124.6	8.2	467.5	-3.3	-1.3
Ethiopia	B	B1	B	-	CCC	-2.9	21.7	25.4*	135.9	4.4	591.0	-6.6	2.4
Ghana	B-	B3	B	-	B	-6.3	69.6	36.4*	77.3	4.5	376.2	-7.0	7.5
Ivory Coast	-	B1	B	-	B	-3.2	37.4	12.6*	-	9.4	198.2	-2.3	2.9
Libya	-	-	B	-	B	-68.2	43.9	16.3	-	7.5	-	-52.8	-
Dem Rep Congo	B-	B3	-	-	-	1.6	20.5	12.4*	32.0	2.3	5.5	-10.7	4.5
Morocco	BBB-	Ba1	BBB-	-	B	-4.3	65.5	33.2	96.6	11.7	249.1	-4.2	2.7
Nigeria	B+	Ba3	BB-	-	B	-2.0	11.5	2.0*	11.1	0.4	43.8	0.7	0.4
Sudan	-	-	-	-	C	-1.5	78.5	63.2	-	-	-	-4.0	3.3
Tunisia	-	Ba3	BB-	-	CCC	-5.1	53.8	61.3	100.9	8.5	367.9	-6.4	3.7
Burkina Faso	B	-	-	-	-	-2.6	30.6	21.6*	-	-	-	-8.1	1.1
Rwanda	B+	-	B	-	-	-2.0	29.1	23.5*	-	11.8	-	-10.5	2.9
Middle East													
Bahrain	BBB-	Baa3	BBB-	BBB	BB	-9.9	54.0	158.3	-	17.5	721.6	-2.1	0.4
Iran	-	-	-	B	CCC	-2.7	11.9	2.5	-	-	-	0.8	-
Iraq	-	-	-	-	CCC	-10.0	55.6	33.6	-	-	-	-9.6	-
Jordan	BB-	B1	-	BB-	CCC	-2.9	90.7	32.7	-	9.6	205.3	-7.6	5.3
Kuwait	AA	Aa2	AA	AA-	A	6.2	4.4	26.2	-	1.2	87.5	15.7	-6.1
Lebanon	B-	B2	B	B	CCC	-9.1	131.8	161.4	-	17.7	160.8	-22.2	7.7
Oman	A-	A1	-	A	A	-14.8	8.6	13.6	-	3.7	81.8	-15.0	0.4
Qatar	AA	Aa2	AA	AA-	AA	5.6	28.9	79.1	-	18.0	360.3	8.4	-2.4
Saudi Arabia	AA-	Aa3	AA	AA-	A	-14.2	1.8	13.0	-	4.7	13.7	-1.0	1.0
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	BB	-3.0	14.7	51.5	-	4.2	488.6	5.3	1.8
Yemen	-	-	-	-	CC	-5.3	53.7	14.6	-	-	-	-2.2	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+	-	-	-4.5	53.1	92.6	298.8	21.9	431.8	-8.6	4.1
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-1.9	43.5	10.2	-	2.7	25.1	3.2	1.5
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-7.2	62.6	23.6	101.9	5.6	158.2	-1.3	1.1
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	-3.3	14.3	72.9	195.4	17.3	787.9	-4.1	3.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-3.0	28.9	90.0	122.3	20.2	261.1	0.2	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-1.8	40.5	54.7	132.5	19.4	249.2	-1.1	2.1
	Stable	Negative	Stable	-	Stable								
Russia	BB+	Baa3	BBB-	-	BBB	-3.7	18.8	52.7	133.7	29.1	195.0	5.4	-1.2
	Negative	-	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.8	33.4	55.8	181.2	23.2	376.5	-4.2	1.7
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-4.2	94.1	158.4	189.9	32.0	978.3	-1.4	2.5
	Negative	Negative	-	-	Stable								

*to official creditors

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	17-Jun-15	No change	29-July-15
Eurozone	Refi Rate	0.05	16-July-15	No change	02-Sep-15
UK	Bank Rate	0.50	09-July-15	No change	06-Aug-15
Japan	O/N Call Rate	0.00-0.10	15-July-15	No change	07-Aug-15
Australia	Cash Rate	2.00	21-July-15	No change	04-Aug-15
New Zealand	Cash Rate	3.25	11-Jun-15	Cut 25 bps	23-July-15
Switzerland	3 month Libor target	-1.25(-0.25)	18-Jun-15	No change	17-Sep-15
Canada	Overnight rate	0.50	15-July-15	Cut 25 bps	09-Sep-15
Emerging Markets					
China	One-year lending rate	4.85	27-Jun-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.50	17-Jun-15	No change	29-July-15
Taiwan	Discount Rate	1.875	25-Jun-15	No change	24-Sep-15
South Korea	Base Rate	1.50	09-July-15	Cut 25bps	13-Aug-15
Malaysia	O/N Policy Rate	3.25	09-July-15	No change	11-Sep-15
Thailand	1D Repo	1.50	10-Jun-15	No change	05-Aug-15
India	Reverse repo rate	7.25	02-Jun-15	Cut 25bps	04-Aug-15
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	2.00	16-June-09	No change	N/A
Egypt	Overnight Deposit	8.75	11-Jun-15	No change	30-July-15
Turkey	Base Rate	7.50	23-Jun-15	No change	23-July-15
South Africa	Repo rate	5.75	21-May-15	No change	23-July-15
Kenya	Central Bank Rate	11.50	07-July-15	Raised 150bps	15-Sep-15
Nigeria	Monetary Policy Rate	13.00	19-May-15	No change	24-July-15
Ghana	Prime Rate	22.00	15-July-15	No change	16-Sep-15
Angola	Base rate	9.75	29-Jun-15	Raised 50bps	28-July-15
Mexico	Target Rate	3.00	04-Jun-15	No change	23-July-15
Brazil	Selic Rate	13.75	03-Jun-15	Raised 50bps	29-July-15
Armenia	Refi Rate	10.50	10-Feb-15	Raised 100bps	11-Aug-15
Romania	Policy Rate	1.75	06-May-15	Cut 25bps	04-Aug-15
Bulgaria	Base Interest	0.02	01-July-15	Raised 1bp	31-July-15
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	02-Aug-15
Ukraine	Discount Rate	30.0	25-Jun-15	No change	30-July-15
Russia	Refi Rate	11.50	15-Jun-15	Cut 100bps	31-July-15



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