

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **ETFs and ETPs assets at \$3 trillion at end-June 2015**

Assets of global Exchange Traded Funds (ETFs) and Exchange Traded Products (ETPs) reached \$2,971bn at the end of June 2015, constituting an increase of 6.7% from \$2,784bn at the end of 2014. ETFs are marketable securities that track an index, a commodity, bonds or a basket of assets. Net inflows in ETFs and ETPs reached \$152bn in the first half of 2015. The ETFs and ETPs industry attracted \$101.7bn to equity ETFs and ETPs investments, followed by \$35.4bn to fixed income ETFs and ETPs, and \$4.2bn to commodity ETFs and ETPs. Global ETF assets stood at \$2,828bn and those of ETPs totaled \$143bn at end-June 2015. Also, assets invested in ETFs grew by 7% and those in ETPs increased by 1.4% in the first half of 2015. The U.S. ETF and ETP industry had assets of \$2,114bn and accounted for 71.2% of assets invested in both ETFs and ETPs worldwide, followed by the European industry with \$499bn (16.8%), Asia-Pacific excluding Japan with \$123bn (4.1%), Japanese ETFs and ETPs with \$120bn (4%), the Canadian ETF industry with \$68bn (2.3%) and Latin American ETFs with \$6bn (0.2%). The U.S. ETF industry accounted for 71.8% of global ETFs at end-June 2015, while European ETFs represented 16.9% of the total. The global ETF and ETP industry has assets invested in 5,823 ETFs and ETPs listed on 62 exchanges in 51 countries.

Source: *ETFGI, Byblos Research*

##### **Demand for corporate debt at \$57.4 trillion between 2015 and 2019**

Standard & Poor's anticipated that corporates worldwide would seek \$57.4 trillion in debt between 2015 and 2019, down 4% from its estimate of \$60 trillion for the 2014-18 period. It projected demand for debt refinancing at \$37 trillion during the 2015-19 period, while it noted that the remaining \$20.4 trillion would be in new debt. It expected firms in China to account for \$22.9 trillion or 40% of total debt demand during the 2015-19 period, followed by corporates in the U.S. and Canada with \$13.1 trillion (22.8%), European firms with \$8.9 trillion (15.5%), firms in other countries in the Asia-Pacific region with \$7.3 trillion (12.7%), Japanese corporates with \$3.6 trillion (6.3%) and firms in Latin America with \$1.5 trillion (2.6%). S&P indicated that the overall risk to global corporate credit is moderate, but it noted that China's rising corporate debt and the rapid increase in the U.S. leveraged finance debt could weigh on credit performance and destabilize financial markets. In parallel, the agency projected corporate debt to reach \$71.4 trillion at the end of 2019, which would constitute an increase of 41.4% from \$50.5 trillion at end-2014. Firms in the Asia-Pacific region would account for 58.7% of total outstanding debt at end-2019, followed by North American corporates (22.8%), European firms (16.1%) and corporates in Latin America (2.4%).

Source: *Standard & Poor's*

##### **Investment banking fees down 8% to \$45bn in first half of 2015**

Global investment banking fees totaled \$45.2bn in the first half of 2015 and constituted a decrease of 7.6% from \$48.9bn in the same period of 2014. Fees generated from the financial sector reached \$13.4bn and accounted for 29.6% of the overall fee pool in the covered period. It was followed by the healthcare and energy & power sectors with \$5.1bn each (11.4% each), the industrial sector with \$3.9bn (8.7%) and the high technology sector with \$3.4bn (7.5%). On a regional basis, the Americas accounted for 56.9% of total investment banking fees generated in the first half of 2015, followed by Europe (23%), the Asia-Pacific region excluding Japan (14.8%), Japan (3.8%) and the Middle East & Africa region (1.4%). In parallel, fees from equity capital markets totaled \$12.6bn in the first half of the year, down by 3.9% from the same period of 2014. Fees from follow-on offerings reached \$7.8bn in the covered period and represented 62.7% of total equity markets' fees, followed by those from IPOs at \$3.7bn (29.3%) and fees from convertibles at \$1bn (8.1%). Also, fees from follow-on offerings increased by 6.4% year-on-year in the first half of 2015; while fees from IPOs dropped by 18.3% and those from convertibles declined by 14.4%. In addition, debt capital markets' fees decreased by 10.3% to \$12.2bn, mergers and acquisitions advisory fees rose by 5.7% to \$12bn, while syndicated lending fees declined by 22.6% to \$8.4bn in the first half of 2015.

Source: *Thomson Reuters*

#### MENA

##### **Private equity fundraising up 65% to \$1.2bn in 2014, investments up 118% to \$1.5bn**

The MENA Private Equity Association indicated that private equity funds in the MENA region raised \$1.2bn in 2014, constituting an increase of 65.2% from \$744m in 2013 and compared to \$863m raised in 2012. A total of 12 funds raised capital in 2014 compared to 10 funds in 2013, with the average close per fund rising to \$103m last year from \$74m in 2013. In parallel, private equity funds invested a total of \$1.5bn in 2014 through 72 disclosed investments, compared to \$710m in 2013 through 66 deals in 2013. As such, the average investment size increased to \$32m in 2014 from \$15m in 2013. The services & education sectors attracted 44% of the total amount invested in 2014, followed by the oil & gas sector with 27%, manufacturing with 11%, food & beverages with 8%, healthcare with 4%, retail with 2% and the information technology sector with 1% of the total. On a country basis, the UAE attracted 55% of the total amount invested in 2014, followed by Saudi Arabia with 21%, Turkey and Egypt with 6% each, Jordan with 3%, Tunisia with 2%, and Morocco and Lebanon with 1% each. In addition, there were 20 exits from private equity investments for a total value of \$1bn in 2014, compared to 16 exits worth \$1.2bn in 2013.

Source: *MENA Private Equity Association, Byblos Research*

# OUTLOOK

## MENA

### Low oil prices increase risk of exchange rate adjustment

Goldman Sachs indicated that the currencies of oil-exporters in the Middle East & North Africa have remained broadly stable in the context of lower oil prices, with the exception of Algeria and Iran that have allowed some exchange rate adjustments. It estimated that the probability of a more than 20% currency adjustment for all oil-exporting economies in the MENA region ranges between 0% and 4% over the short term, well below the estimates for other emerging market peers. It noted that it based its assessment on several macroeconomic variables, including the current account balance, short-term external debt, foreign currency reserves at central banks and GDP growth, while it excluded the assets of sovereign wealth funds when they are not included in the reported foreign currency reserves. It noted that the low probability of currency adjustments in the region's oil-exporters reflects their strong current account balances and large reserve buffers, among other factors.

In parallel, Goldman Sachs anticipated that the likelihood of a major currency adjustment for oil-exporting economies in the MENA region could increase over time. It said that the current account balance would shift to a deficit in Bahrain, Oman and Iran, and would remain in deficit in Iraq, Libya and Algeria over the coming five years. It noted that this could lead to a drawdown of foreign currency reserves. In contrast, it indicated that Kuwait, Qatar, Saudi Arabia and the UAE would preserve their current account surplus despite the low oil price environment, and would continue to accumulate foreign currency reserves. As such, it estimated that the probability of a currency adjustment in Libya, Iraq and Oman would exceed 70% after five years, while it would increase to between 15% and 30% for Bahrain, Algeria and Iran. It noted that such probability remains very low at about 0% to 5% for Saudi Arabia, Kuwait, Qatar and the UAE. Further, Goldman Sachs pointed out that MENA policy makers could decide to use SWFs' assets to absorb the pressure on the exchange rate. It noted that, in this case, the need for currency adjustment would be further reduced, especially for Saudi Arabia, Kuwait, Qatar and the UAE. It added that higher fiscal breakeven oil prices in Iraq and Libya, and to a lesser extent in Algeria and Oman, could still require some adjustment.

Source: Goldman Sachs

## IRAN

### Outlook dependent on the smooth implementation of nuclear deal

The Institute of International Finance projected Iran's real GDP growth to accelerate from about 3% in the fiscal year ending in March 2016 to 6% in fiscal years 2016/17 and 2017/18, assuming that the recently reached nuclear deal between Iran and the international community would be smoothly implemented. It noted that the rebound in economic activity would be supported by a surge in exports and private investment. It expected international sanctions on Iran to be lifted in the coming months, if the International Atomic Energy Agency confirms that Iran has taken the necessary steps to curb its nuclear program. It noted that lifting the sanctions would result in a sharp economic recovery with a

rise in oil exports, the release of frozen assets and the inflows of foreign direct investment. But it pointed out that Iran would not feel the main benefits of sanction removals until next year. Instead, it said that Iran would benefit over the short term from an improvement in private sector confidence and the appreciation of the black market exchange rate. It anticipated that the fiscal deficit could narrow as hydrocarbon revenues increase, while the spread between the official and black market exchange rates could disappear by the end of 2015. It considered that authorities would have greater incentives to press ahead with reforms to improve the business environment in order to attract new foreign investors.

Further, the IIF indicated that lifting economic sanctions, along with the return of foreign investment in the hydrocarbon sector, would allow for a rebound in crude oil exports to their pre-sanction levels by mid-2016, and would continue to increase afterwards to around 4 million barrels a day by the end of 2017. It added that lifting the sanctions would open Iran's stock market to foreign participation.

Source: Institute of International Finance

## NIGERIA

### Policy uncertainty clouds economic outlook

The Institute of International Finance projected Nigeria's real GDP to decelerate from 6.3% in 2014 to 4.3% in 2015. It said that growth slowed to 4% in the first quarter of the year, and considered that prospects are slim for a significant rebound in activity this year. It noted that fuel shortages from delays in payments to fuel importers have disrupted transportation and have reduced diesel-generated power that businesses rely on in the absence of a steady electric supply from the grid. It pointed out that the country is still without a Cabinet and a clear sense of economic policy direction. It added that authorities are struggling to deal with the aftermath of a 40% drop in global oil prices, which has sharply reduced export receipts and government revenues. It indicated that lower government revenues have resulted in the buildup of arrears, delays in payments to fuel importers, and delays in payments to companies involved in government contracts. In turn, this has resulted in the scaling back of planned investments. It anticipated the inflation rate to exceed the upper limit of the Central Bank of Nigeria's (CBN) target range over the coming months, and to exceed 10% by the end of 2015.

The IIF considered that the CBN is determined to avoid further currency devaluation despite shortages in the foreign exchange market. It noted that the CBN has introduced measures aimed to reduce foreign currency demand and is injecting about \$200m per week in the market. It said that these measures would ease the pressure on the naira, but could lead to inflationary pressure. It pointed out that the CBN considers these measures to be temporary as it assumes that capital inflows would pick up once the new government's economic policy becomes clearer. However, the IIF considered that foreign capital flows would not resume anytime soon, given the widening gap between the bureau de change and the official exchange rates. It added that the market views the naira as overvalued by about 5% to 10%, and that a further depreciation is inevitable. As such, the IIF anticipated that the naira would remain under pressure.

Source: Institute of International Finance



# ECONOMY & TRADE

## MENA

### **Sovereign creditworthiness stable**

Standard & Poor's indicated that overall sovereign creditworthiness in the Middle East & North Africa (MENA) region has been unchanged since February 2015. It noted that it has incorporated the sharp drop in global oil prices since June 2014 in the ratings and that it did not downgrade any sovereign ratings since it downgraded Bahrain and Oman in February 2015. It pointed out that the region's average sovereign rating is currently close to 'BBB+', with nine out of the 12 rated sovereigns in the MENA region having a rating in the 'BBB' category or above. It said that the average sovereign rating becomes closer to 'A' when the ratings are weighted by nominal GDP, indicating that larger MENA economies have higher ratings than the smaller ones. It pointed out that the average rating for the region mask clear differences between hydrocarbon and non-hydrocarbon economies. It noted that the average sovereign rating of the region's hydrocarbon exporters is currently close to 'A+', while the average rating of hydrocarbon importers is below investment grade and stands close to 'BB+'. The agency indicated that nine out of the 12 rated sovereigns have a 'stable' outlook despite the challenging political and economic environments in the region. It added that Bahrain and Saudi Arabia have 'negative' outlooks, while Egypt has a 'positive' outlook on its sovereign ratings.

*Source: Standard & Poor's*

## ARMENIA

### **Sovereign ratings affirmed, outlook 'stable'**

Fitch Ratings affirmed Armenia's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+', its short-term foreign currency IDR at 'B' and the Country Ceiling at 'BB-'. It maintained the 'stable' outlook on the long-term IDRs. It said that the ratings are supported by Armenia's relatively stable fiscal position and better governance indicators than its similarly-rated peers. It forecast Armenia's real GDP to grow by 1.5% in 2015 relative to an earlier projection of a 0.5% contraction, due to better-than-expected economic performance. But it noted that the country's high exposure to the severe economic downturn in Russia would heavily weigh on its balance-of-payments and growth prospects. It said that economic activity would be constrained by weak private consumption in the context of lower remittance inflows. It added that remittances, which were equivalent to 13% of GDP in 2014, fell by 40% year-on-year in the first five months of 2015. Further, the agency pointed out that Armenia's fiscal deficit and public debt level are better than its similarly-rated peers. It added that the country's debt profile benefits from a lower interest-to-revenue ratio than its peers. But it said that these positive factors are offset by the large issuance of foreign currency debt. It projected the country's fiscal deficit to widen from 2% of GDP in 2014 to 3.5% of GDP in 2015, reflecting the weak state of the economy. In parallel, Fitch indicated that Armenia's external finances are weaker than those of 'B'-rated peers, but it noted that pressures on external finances have receded in recent months. It said that foreign currency reserves rose by 22.6% between February and June 2015, supported by the issuance of a \$500m Eurobond in March 2015. Also, it noted that the Armenian dram has stabilized against the US dollar following a 17% depreciation between October 2014 and February 2015.

*Source: Fitch Ratings*

## UAE

### **Energy reforms to have limited impact on inflation level and fiscal position**

Merrill Lynch anticipated that the UAE's decision to deregulate gasoline and diesel prices would have a moderate fiscal and inflationary impact when it goes into effect on August 1, 2015. It noted that the new pricing policy would link the domestic prices of gasoline and diesel to average global prices, with the addition of operating costs. It considered that the timing of the announced fuel subsidy reform is well chosen, as lower global oil prices reduce the differential between market and subsidized prices. In turn, this would make the size of the initial one-off adjustments more manageable. It added that linking domestic fuel prices to international benchmarks would set the way for near-automatic price increases in the future, which eliminates the subsidy costs that would have been incurred when oil prices increase in the future. Merrill Lynch considered that the impact of price deregulation on headline inflation would depend on the new prices, but could be modest apart from the one-off initial changes. It said that deregulated diesel prices are likely to decline initially, which could slightly reduce operating costs for industrial users and the transport sector. But it noted that deregulated gasoline prices could initially slightly increase, as the deregulation process could be gradual. Further, Merrill Lynch estimated the indirect impact of the reforms on fiscal accounts at up to 0.7% of GDP, as the pre-tax fuel subsidies in the UAE could drop to \$3bn from \$12.6bn prior to the reforms.

*Source: Merrill Lynch*

## IRAN

### **Ratings affirmed, outlook revised to 'positive'**

Capital Intelligence affirmed Iran's long and short-term local and foreign currency sovereign ratings at 'B', while it revised the outlook from 'stable' to 'positive'. It indicated that the outlook revision reflects CI's expectation that the economic sanctions imposed on Iran will be gradually lifted over the short to intermediate term following the international agreement on the country's nuclear program. It expected the full implementation of the Joint Comprehensive Plan of Action (JCPA) to improve the country's medium term economic growth prospects and to reduce sovereign risks. It noted that the JCPA would pave the way for the release of frozen financial assets, the restoration of Iran's access to cross-border funding, and a significant improvement in trade and investment. However, it pointed out that risks remain significant given the uncertainty surrounding the implementation timeline, as well as the opposition to the agreement from local and external parties. It expected Iran's growth rate to accelerate from 1% in the fiscal year that ended in March 2015 to at least 2.6% annually over the medium term if sanctions are eased. It noted that the depreciation of the Iranian rial slowed down after two years of substantial losses, while it projected the inflation rate to remain at about 16.5% in FY2015/16. CI expected the fiscal deficit to average 1% of GDP in the next two fiscal years, assuming that sanctions are lifted. But it noted that the country's budgetary flexibility is limited. Further, it estimated Iran's official foreign assets at 15.6 months of imports, but it noted the uncertainty about the liquidity and usability of these assets.

*Source: Capital Intelligence*



# BANKING

## EMERGING MARKETS

### Outlook 'stable' on 75% of bank ratings

Fitch Ratings indicated that it upgraded 12 banks globally in the second quarter of 2015, of which 50% were in emerging markets; while it downgraded 60 banks worldwide, of which 22% were in emerging economies. It noted that European banks accounted for 95% of total downgrades and 59% of the upgrades. It said that there were 69 'negative' outlooks on the ratings of emerging market banks in the second quarter of 2015 compared to 70 in each of the first quarter of 2015 and the fourth quarter of 2014, and to 57 in the third quarter of last year. In parallel, there were 10 banks in developing countries with a 'positive' outlook in the second quarter of 2015, down from 12 in the first quarter of the year, 14 in the fourth quarter of 2014 and 12 in the third quarter of 2014. Also, the number of 'stable' outlooks increased to 266 in the second quarter of 2015 from 255 in the preceding quarter, 253 in the fourth quarter of 2014 and 275 in the third quarter last year. Overall, 75.1% of bank outlooks in emerging markets are 'stable', 19.5% are 'negative' and 2.8% are 'positive'. In parallel, 91.5% of bank outlooks in Emerging Asia are 'stable', 6.8% are 'negative' and 1.7% are 'positive'; while 91.7% of outlooks in the Middle East & Africa are 'stable' and 7.4% are 'negative'. Also, 69.4% of bank outlooks in Emerging Americas are 'stable', 20.8% are 'negative' and 9.7% are 'positive'; while 54.8% of outlooks in Emerging Europe are 'stable', 36.5% are 'negative' and 1.7% are 'positive'. Further, Fitch has 1.7% of bank ratings in emerging markets on 'negative watch' and 0.8% on 'positive watch'.

Source: Fitch Ratings

## MENA

### Region lags developing economies in borrowing money from financial institutions

Figures issued by the World Bank show that 5.6% of adults above 15 years old in the developing countries of the Middle East & North Africa (MENA) region borrowed money from a bank or another type of financial institution in 2014, up from 4.4% of adults in 2011, but lower than the global average of 10.7%. Borrowing from financial institutions excludes the use of credit cards. The Bank defines a formal financial institution as a commercial bank, credit union, cooperative, post office or microfinance institution. The developing MENA region's share of adults who borrowed money in 2014 was lower than that of the Eurozone (15.8%), the developing countries of Europe & Central Asia (12.4%), the developing countries of Latin America & the Caribbean (11.3%), the developing countries of East Asia & the Pacific (11%), South Asia (6.4%) and the developing countries of Sub-Saharan Africa (6.3%). On a country basis, 31.6% of adults in Iran borrowed money from banks or financial institutions last year, reflecting the highest share among nine developing countries in the MENA region. It was followed by Lebanon (15.6%), Jordan (13.6%), Tunisia (8%), Egypt (6.3%), the West Bank & Gaza and Iraq (4.2% each), Algeria (2.2%) and Yemen (0.4%). On a gender basis, 7.1% of males and 4.1% of females in the developing countries of the MENA region who are 15 years or older borrowed money from a bank or another type of financial institution at the end of 2014 relative to 5.8% and 3.1%, respectively, at the end of 2011.

Source: World Bank

## IRAQ

### Anti-money laundering deficiencies remain

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), considered that Iraq did not make sufficient progress in improving its AML/CFT regime, despite its high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to address its AML/CFT deficiencies. It noted that certain strategic AML/CFT deficiencies remain. The FATF called on Iraqi authorities to continue implementing their action plan in order to address the remaining deficiencies, including by adequately criminalizing money laundering and terrorist financing; by establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; by introducing effective customer due diligence measures; by ensuring a fully operational and effectively functioning Financial Intelligence Unit; by introducing suspicious transaction reporting requirements; and by establishing and implementing an adequate AML/CFT supervisory and oversight program for the financial sector. The FATF cautioned that it will identify Iraq as being out of compliance with its agreed action plan and will call on its members to consider the risks arising from the deficiencies associated with Iraq, if the latter does not take sufficient action to implement significant components of its plan by October 2015.

Source: Financial Action Task Force

## TUNISIA

### Banking sector risk assessment maintained

Standard & Poor's maintained Tunisia's Banking Industry Country Risk Assessment (BICRA) in 'Group 9', its industry risk score at '9' and its economic risk score at '8'. 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 banking sectors. S&P noted that other countries in BICRA's 'Group 9' include Argentina, Cambodia, Kenya and Vietnam. The agency indicated that Tunisia's economic risk score reflects its "very high risks" in economic resilience and in credit risks in the economy, as well as "high risks" in economic imbalances. It noted that post-turmoil instability and the slowdown in Europe's economic activity have negatively affected the banks' financial performance and asset quality. It said that economic imbalances have increased in Tunisia over the past three years, with a significant rise in real estate prices, a substantial widening of the current account deficit and a rise in external borrowing. Further, S&P pointed out that the industry score reflects the country's "extremely high risks" in its institutional framework, "very high risks" in its system-wide funding and "high risks" in its competitive dynamics. It forecast lending to grow by about 8% in the next 12 to 18 months, reflecting the protracted economic recovery and a squeeze on banks' liquidity. It projected the banking sector's NPL ratio to stabilize at about 15% to 16% in the covered period. It said that banking regulation and supervision and the regulatory track record remain weak, with delays in the recapitalization of the public sector banks. S&P indicated that the trend for economic and industry risks is 'stable'.

Source: Standard & Poor's



# ENERGY / COMMODITIES

## Oil market balance unaffected by additional Iranian supply until 2016

Goldman Sachs indicated that the agreement reached between Iran and the UN Security Council's permanent members plus Germany about Tehran's nuclear program would not lead to an immediate rise in oil supply on the global market. It said that the agreement would lift various international sanctions on Iran, including those imposed on its oil exports, once the agreement gets the necessary approvals and its terms are fulfilled. As such, it noted that Iranian oil supply will remain limited until early 2016. Goldman indicated that the initial impact of sanctions relief on Iran's oil exports would be the shipment of 20 to 40 million barrels stockpiled in its tankers. Also, it projected Iran's oil exports to rise by 200,000 to 400,000 barrels per day (b/d) in 2016. But it noted that a larger increase in Iranian oil production and exports would occur gradually from 2017 onwards. This is due to the required investment to reverse the field output restrictions and decline rates, as well as to the time required to redraft more favorable contracts and to signs that the lifting of sanctions is sustainable. Goldman noted that higher output from the Organization of the Petroleum Exporting Countries, including those from Iran, constitute the main downside pressure on oil prices in 2016.

Source: Goldman Sachs, Byblos Research

## Energy firms defer \$200bn in capital investment due to drop in oil prices

Several multinational oil and gas companies have discontinued or put on hold \$200bn in investment on projects in a round of cost cutting following the drop in oil prices. Indeed, oil prices decreased by about 50% since June 2014 and have resulted in the deferment of 46 major oil and gas projects with 20 billion barrels of oil equivalent in reserves. Companies that postponed production plans include BP, Royal Dutch Shell, and Chevron.

Source: Financial Times

## Hydrocarbon earnings of MENA energy exporters at \$8.1 trillion between 2002 and 2013

Goldman Sachs estimated the hydrocarbon revenues of 10 net energy exporters in the Middle East & North Africa region at \$8.1 trillion between 2002 and 2013. The net energy exporters of the MENA region are Saudi Arabia, the UAE, Qatar, Kuwait, Oman, Bahrain, Iran, Iraq, Algeria and Libya. Goldman noted that Saudi Arabia, the UAE, Qatar and Kuwait had an aggregate hydrocarbon income of \$5.3 trillion, or about 65% of the total during the 11-year period.

Source: Goldman Sachs

## Angola's oil output to significantly rise by 2019

Angola's crude oil production is expected to average 1.84 million barrels per day (b/d) in 2015 and to rise by 22.8% to 2.26 million b/d in 2019. The rise in oil output would be driven by a number of major new projects coming online and by an increase in companies' investment into maintenance operations and into curtailing decline rates at maturing oilfields. As such, the country's oil supply is projected to increase by an aggregate of 680,000 b/d during the 2015-17 period. Angola held an estimated 8.42 billion barrels of proven oil reserves as at the end of 2014.

Source: BMI Research, OPEC

## Base Metals: Copper prices to drop by 17% in 2015

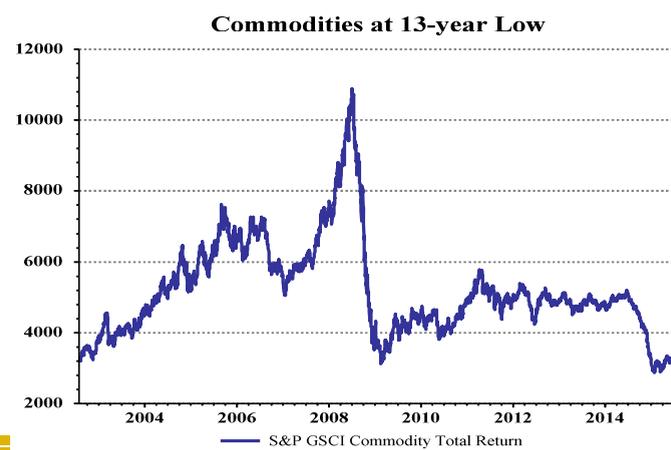
Goldman Sachs expected copper prices to drop by 17.4% to an average of \$5,670 per ton in 2015 and to further decrease to \$4,500 per ton by the end of 2016. It attributed the projected decline to lower consumption for the metal from China, previously the main growth driver of global copper demand, and to an expected oversupply in the market. In parallel, copper prices averaged \$5,928.7 per ton in the first half of 2015, trading at a low of \$5,390.5 per ton and at a high of \$6,448 per ton. The LME cash price of copper averaged \$5,833.6 per ton in June 2015, down by 7.4% from \$6,300.6 in May 2015 and by 15% from \$6,862 per ton in full year 2014. Global refined copper demand is estimated to have decreased by 3.8% year-on-year to 7.3 million metric tons in the first four months of 2015. Russia's refined copper demand regressed by 43% in the covered period, contributing the most to the overall drop in global copper consumption. In addition, the metal's refined production increased by 2.9% year-on-year to 7.4 million tons in the first four months of 2015, with China contributing most to the growth in refined copper supply. The refined copper balance posted a production surplus of 62,000 tons in the first four months of 2015.

Source: International Copper Study Group, Goldman Sachs

## Precious Metals: Gold prices reach five-year low

Gold prices averaged \$1,192 a troy ounce in the second quarter of 2015, constituting a decrease of 2.1% from \$1,218 a troy ounce in the preceding quarter. The drop in prices was mainly due to investors' expectations of an increase in U.S. interest rates in the coming months. The metal's average price is forecast to reach \$1,135 a troy ounce in the third quarter, its lowest level this year, and to slightly pick up to \$1,175 an ounce in the fourth quarter of 2015. Upside pressure on gold prices could be triggered after the rise in U.S. rates materializes, given that the event has mostly been priced into the market. Overall, the average price of gold is projected to decrease by 6.8% in 2015 to \$1,180 a troy ounce and to reach \$1,250 a troy ounce in 2016. The metal's global physical demand regressed by 14.2% year-on-year to 858 tons in the second quarter of 2015, constituting its weakest level since 2009. Jewelry consumption declined by 9% to 444 tons in the second quarter, mainly due to weaker Chinese economic activity and to a stronger Chinese equity market in the first five months of 2015. In parallel, global gold production decreased by 2.9% to 1,054 tons in the second quarter, with mine production rising by 1.8% and supply of gold from scrap increasing by 1% year-on-year.

Source: Thomson Reuters GFMS, 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								
<b>Africa</b>													
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
<b>Middle East</b>													
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								
<b>Asia</b>													
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								
<b>Central &amp; Eastern Europe</b>													
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	29-July-15	No change	17-Sep-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	3.00	23-July-15	Cut 25 bps	10-Sep-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
<b>Emerging Markets</b>					
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-July-15	No change	18-Aug-15
South Africa	Repo rate	6.00	23-July-15	Raised 25bps	23-Sep-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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