

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Assets managed by top 300 pension funds at \$15.4 trillion at end-2014

The aggregate assets managed by the world's largest 300 pension funds reached \$15,361bn at the end of 2014, constituting an increase of 3.4% from \$14,858bn at the end of 2013, and relative to a rise of 6.2% in 2013. They accounted for 42.6% of global pension assets in 2014 compared to a share of 43.7% in 2013. Pension funds in North America had assets of \$6,635bn or 43.2% of the 300 pension funds' total assets at the end of 2014, followed by funds in Europe with assets of \$4,379bn (28.5%), funds in the Asia-Pacific region with \$3,700bn (24.1%) and funds in the remaining parts of the world with assets of \$647bn (4.2%). Japan's Government Pension Investment had the largest assets under management at \$1,144bn, followed by Norway's Government Pension Fund (\$884bn), South Korea's National Pension Fund (\$430bn), China's National Social Security Fund (\$247bn) and the Canada Pension Fund (\$228bn). Further, public sector pension funds managed \$6,046bn or 39% of total assets under management in 2014, followed by sovereign pension funds with \$4,234bn (28%), corporate pension funds with \$2,884bn (19%), and private independent funds with \$2,198bn (14%). In parallel, the 20 largest pension funds invested on average 42.2% of their assets in equities, 39.5% in fixed income securities and 18.3% in alternatives & cash.

Source: Towers Watson

EMERGING MARKETS

Corporate debt maturing in 2015-20 totals \$692bn

Standard & Poor's projected that \$692.3bn in emerging markets' (EM) rated corporate debt would mature between 2015 and 2020, which would account for 7% of the \$9.9 trillion in maturing corporate debt worldwide. It forecast that \$52.4bn are due in 2015, \$105.6bn in 2016, \$148bn in 2017, \$126.8bn in 2018, \$128.1bn in 2019 and \$131.3bn in 2020. It said that EM issuers face risks of lower economic growth, sustained low commodity prices, depreciating currencies, and the expected increase in U.S. interest rates, which would make debt service and/or debt refinancing a challenge, especially for lower-rated issuers. Emerging Asia has \$321.2bn in maturing debt during the 2015-20 period, or 46.4% of the maturing rated EM corporate debt; followed by Latin America with \$218.2bn (31.5%) and Eastern Europe, the Middle East & Africa with \$152.9bn (22.1%). In parallel, investment grade corporate debt in EM totals \$505.7bn or 73% of EM corporate debt that matures during the 2015-20 period; while financial corporate debt totals \$361.7bn and accounts for 52.2% of the total. Maturing corporate debt in the integrated oil and gas sector totals \$79.4bn and accounts for 24% of EM non-financial maturing corporate debt, followed by the telecommunications sector with \$37.9bn (11.5%), the utilities sector with \$36bn (10.9%), and the oil & gas exploration and production sector with \$33.3bn (10.1%).

Source: Standard & Poor's

Local currency debt at 75% of sovereign debt

Moody's Investors Service indicated that the deepening of local sovereign bond markets has allowed governments to shift a growing portion of their funding to local currency instruments. It noted that a decline in inflation, stronger institutional enforcement, improved protection for creditors and better macroeconomic performance have supported the development of domestic debt markets in recent years. It said that local currency debt accounted on average for about 75% of total emerging market sovereign debt in 2014 relative to a 50% share in 2000. It noted that the shift to local currency debt has reduced currency and maturity mismatches on government balance sheets, which has decreased emerging markets' vulnerability to economic shocks and increased the effectiveness of monetary and fiscal policies. It noted that outstanding local currency sovereign debt grew by an annual average rate of 14.4% between 2000 and 2014, well above the annual average growth rate of 2.3% of foreign currency sovereign debt. Also, it indicated that the public debt level did not post similar increases as the average public debt-to-GDP ratio in emerging markets slightly rose from 47.9% in 2000 to 48.3% in 2014. Further, it said that residents in emerging economies held on average 67.8% of sovereign debt relative to a 57.6% share in 2004.

Source: Moody's Investors Service

MENA

Postpaid cellular package rates vary widely across the Arab world

A survey about the cellular markets in the Arab world by telecommunications research firm Arab Advisors Group indicated that the region's postpaid cellular packages cost on average \$56.6 per month, with a median of \$58.50. The survey covered 39 cellular operators and their rates in 15 Arab countries. It ranks countries based on prevailing cellular rates, including applicable taxes as of May 2015, and takes into consideration on-net and off-net local voice minutes and mobile Internet usage. Lebanon had the highest postpaid package cellular rate in the region at \$118.1, followed by the UAE (\$97.4), Libya (\$81.3), Kuwait (\$77.8) and Qatar (\$61.8). In contrast, Morocco (\$14.8), Egypt (\$20.6), Syria (\$24.7) and Bahrain (\$33.4) had the least expensive cellular average package rates. Further, the average package rate in GCC countries was \$64.8, while that in non-GCC Arab countries was \$51.20. The survey also classified each country based on the average cellular package rate compared to the country's GDP per capita and to the average GDP per capita in the Arab world. As such, four Arab countries came in the "high cost" category, 10 economies came in the "fair cost" category and only one country was listed in the "low cost" category.

Source: Arab Advisors Group, Byblos Research

OUTLOOK

SAUDI ARABIA

Banks capable of absorbing sovereign debt issuance

Standard & Poor's considered that banks in Saudi Arabia have the capacity to absorb new government debt in case of sustained low global oil prices. It noted that the government would continue to issue debt on a monthly basis under its local currency program in order to finance the fiscal deficit. It indicated that banks would accommodate government issuance through a gradual shift from low-yielding, short-term liquid assets and private sector credits to higher-yielding, longer-term government exposures. It expected deposit growth to slow down in coming quarters due to low oil prices, and for the banks' ample liquidity buffers to gradually tighten. As such, it anticipated that banks would have to reduce their balance-sheet allocation to other exposures, such as their liquid asset exposure, in order to absorb the sovereign issuance. Also, it expected the banks' appetite for private sector lending to gradually decline due to the attractive yields on sovereign debt instruments. The agency estimated that banks have adequate liquidity through balance-sheet reshuffling to comfortably fund between \$75bn and \$100bn in sovereign issuance during the 2015-16 period without significant effect on their overall balance sheet. It added that banks could absorb additional issuance but this would limit available lending to the private sector and would lead to a level of concentration in lending.

In parallel, S&P expected the shift to higher-yielding government securities to be positive for the banks' net interest margin, revenue generation and capital profiles. It said that the banks' additional exposure to the sovereign would not pressure their capitalization level because government securities carry zero capital charges under Basel standards. It expected the shift to longer-term assets to widen the banking sector's structural asset maturity mismatch.

Source: Standard & Poor's

SUDAN

Economic conditions to remain highly challenging

BMI Research revised upward its forecast for Sudan's real GDP growth to 3.8% in 2015 from 3.5% previously due a sharper-than-expected fall in the inflation rate. It forecast the country's economic growth to average 4.1% annually between 2016 and 2019 compared to an average annual growth rate of 4.8% for Sub-Saharan Africa during the same period. It pointed out that Sudan has been able to restore a degree of economic stability in recent quarters even though it is still feeling the effects of the severe economic disruption that followed the independence of South Sudan in 2011. It noted that the tight fiscal and monetary policies have both contributed to this stabilization and have prevented the worsening of inflationary pressures that followed the September 2013 currency devaluation. It added that the inflation rate fell faster-than-expected from a peak of 46.8% in July 2014 to 11.3% in August 2015. However, BMI indicated that underlying economic conditions remain highly challenging despite the improvement in the near-term growth prospects. It said that persistent insecurity and an uncertain political environment would continue to make Sudan a hostile and unattractive place to do business. It considered the removal of U.S. sanctions to be crucial for achieving a meaningful long-term economic recovery.

BMI forecast private consumption to increase by 3.6% in real terms in 2015 and by 4% in 2016. But it noted that domestic conflicts would continue to disrupt normal economic activity and the ability of households to maintain their income levels. Further, it anticipated government spending to expand by 3% in real terms in 2015 compared to an estimated growth rate of 2% in 2014. It said that spending pressures remain significant due to rising living costs and social dissatisfaction.

In parallel, BMI forecast investment spending to increase by 3.8% annually between 2015 and 2019, which is low relative to historical standards. It said that Western sanctions are unlikely to be removed anytime soon, which would keep most Western companies away from the country, while Sudan's adverse business environment would deter more risk-averse investors. It noted that the government would continue to accommodate investors in the oil, mining and agricultural sectors, mainly from China and the Middle East.

Source: BMI Research

UAE

Banking sector to face challenging environment

Commerzbank anticipated a more challenging outlook for banks in the UAE given that the sharp fall in global oil prices, the softening of Dubai's real estate market and the expected increase in U.S. interest rates would result in tighter liquidity conditions and would weigh on the sector's profitability and growth prospects. However, it noted that a successful completion of Iran's nuclear deal, along with the increase in capital expenditures in the run up to Dubai Expo 2020, should continue to improve investments and support the UAE's banking sector. Commerzbank said the rise in U.S. interest rates, along with reduced government deposits, would result in slower growth in profitability and would limit additional progress in asset quality. It forecast a drop in operating income for the rest of 2015 and in 2016 due to slower economic activity, tighter liquidity and reduced capital markets activity. It anticipated that the banks' post-provision margins would likely stay under pressure, which would offset any benefits from higher interest rates on banks' margins. It considered that overall systemic risks are well contained and that the sector is heading towards a soft landing rather than a sharp deterioration similar to the 2008-09 crisis.

Further, Commerzbank said that loan growth dynamics have outpaced original expectations, with the banking sector's credit expanding by more than 8% annually in July 2015. It considered that credit growth is unlikely to lose momentum anytime soon, as the UAE authorities have not announced major cuts in infrastructure spending. But it noted that lending trends are likely to normalize in the second half of 2015 and to modestly drop in 2016 as liquidity starts to tighten. In addition, it pointed out that UAE banks are not as exposed to the real estate sector as they were at the time of the 2008 crisis. It said that regulations have reduced speculative activity and hedged the banks' exposure to the real estate sector. As such, it noted that a slowdown in real estate activity is not a major concern for UAE banks.

Source: Commerzbank



ECONOMY & TRADE

MENA

Fiscal consolidation to continue in oil-importing economies but at slower pace

Regional investment bank EFG Hermes indicated that oil-importing countries in the Middle East & North Africa region made significant progress on fiscal consolidation in 2014 and 2015 as a result of structural reforms, low commodity prices and financial support from GCC economies. It expected fiscal consolidation to continue in 2016 through more subsidy cuts, additional tax reforms and relatively stable oil prices. But it noted that fiscal consolidation would be slower due to lower external support from GCC countries and subdued global growth. It indicated that Egypt, Morocco and Jordan have directed their structural reforms towards cutting fuel subsidies. It also noted that most oil-importers have widened their tax base and have rationalized their public wage bills. It said that Lebanon remains the only oil-importing country in the region with stalling economic reforms, given the ongoing political deadlock. It added that regional conflicts have prevented Jordan and Lebanon from fully benefiting from fiscal consolidation and low oil prices. As such, it forecast Egypt's fiscal deficit to narrow from 12.8% of GDP in 2014 to 11% of GDP in 2015, and that of Morocco to decrease from 4.8% of GDP last year to 3.5% of GDP in 2015. In contrast, it projected Jordan's fiscal deficit to widen from 2.3% of GDP to 2.5% of GDP in 2015, while it expected Lebanon's fiscal deficit to remain unchanged from the preceding year at 6.5% of GDP in 2015.

Source: EFG Hermes

IRAQ

S&P assigns sovereign ratings

Standard & Poor's assigned to Iraq a long-term foreign and local currency sovereign credit rating of 'B-' with a 'stable' outlook, which is five notches below investment grade. It also assigned a short-term foreign and local currency rating of 'B', and a transfer and convertibility assessment of 'B-'. It said that the ratings are constrained by the ongoing war with Islamic State militants, weak political institutions and sectarian divisions, which make the country's security and institutional risks among the highest of all S&P-rated sovereigns. Also, it noted that the country faces significant fiscal and external pressures in the context of sustained low global oil prices, given that the hydrocarbon sector accounts for over 90% of its public revenues and for more than 95% of export receipts. It forecast Iraq's fiscal deficit to widen from 5.5% of GDP in 2014 to 18% of GDP in 2015 and 12% of GDP in 2016, while it projected the public debt to rise from 39% of GDP in 2014 to an average of 65% of GDP during the 2015-18 period. Also, it expected the current account balance to shift from an average surplus of 10% of GDP during the 2011-14 period to an average deficit of 3% of GDP between 2015 and 2018. However, S&P anticipated that the sustained increase in the country's oil production and exports would support economic growth and help alleviate the fiscal and external pressures in the medium term. Further, the agency expected the Central Bank of Iraq to maintain the Iraqi dinar's peg against the US dollar, but with minor fluctuations. It projected foreign currency reserves to gradually decrease from 9.7 months of current account payments in 2015 to 7.1 months in 2016 and 4.8 months in 2018.

Source: Standard & Poor's

TURKEY

Extended electoral cycle prolongs uncertainties

Fitch Ratings indicated that the new parliamentary elections set to take place in November 2015 could extend political uncertainty in Turkey, which threatens to exacerbate domestic and external policy challenges. It noted that opinion polls point to results similar to the June 2015 elections, which would not be conducive to reforms that would gradually stimulate economic growth, narrow the current account deficit and improve the quality of external funding. It said that an extended electoral cycle could reduce the political will to implement the reform program that the previous government had formulated. It pointed out that the recent sell-off in emerging market currencies, which resulted in a record low exchange rate for the Turkish lira, highlights the country's sustained exposure to shifts in investors' sentiment, and reflects the role of portfolio and short-term capital inflows in financing the current account deficit. In parallel, the agency indicated that the Central Bank of Turkey's "roadmap" to weather global monetary policy normalization includes a narrower interest rate corridor that could facilitate monetary tightening, as well as measures to provide foreign currency liquidity to banks while limiting the impact on reserves. However, it considered that the "roadmap" lacks details and had little impact on the value of the lira. It said that shortcomings in the monetary policy framework are a long-standing sign of Turkey's relatively weak economic policy.

Source: Fitch Ratings

CÔTE D'IVOIRE

Economy benefits from strong growth and rising investments

Moody's Investors Service indicated that Côte d'Ivoire's 'B1' local and foreign currency issuer ratings reflect the country's very high growth prospects, which would support the government's strong budget revenue performance. But it noted that weak institutions pose a key challenge for the country. It forecast the country's real GDP growth at 8.1% in 2015 and at 9% over the next 12 to 18 months, supported mainly by structural reforms and public investment in infrastructure. It said that private investment in the energy sector has increased, while agriculture remains the largest driver of the country's economic activity. But it noted that Côte d'Ivoire is subject to commodity price volatility, especially in cocoa, given its position as a major exporter in Sub-Saharan Africa. Further, it pointed out that authorities have contained the fiscal deficit between 2012 and 2014 despite a rise in public infrastructure investment, which reduced public finance risks. It said that budget revenues have remained relatively strong at about 20% of GDP, in line with the high nominal GDP growth posted during the past four years. It expected the public debt level to remain moderate at about 40% of GDP in the next few years. Further, it indicated that Côte d'Ivoire benefits from relative political stability, and expected the successful presidential elections in October 2015 to further reduce political risks. But it noted that the country is exposed to event risk following years of political unrest prior to 2011.

Source: Moody's Investors Service



BANKING

IRAQ

Currency at risk of devaluation

BMI Research anticipated that the Central Bank of Iraq (CBI) would devalue the Iraqi dinar by 10% in 2016, as the CBI would not be able to defend the currency peg to the US dollar in the context of low global oil prices. It expected the dinar to face depreciating pressures over the coming quarters as oil prices are unlikely to recover until 2018 at the earliest. It said that the CBI's foreign currency reserves fell by \$14.4bn, or 20%, since July 2014, while the CBI sold \$4.6bn of foreign currency in August 2015 in order to protect the exchange rate. It noted that the pace at which the CBI is selling foreign reserves is accelerating, which means that it would take Iraq 12 months to deplete its \$57.9bn reserves based on the current pace of intervention. It estimated that the CBI could proceed with the one-time devaluation of the currency in late 2015 rather than in the first half of 2016, given the pressure on foreign currency reserves. Also, it considered that the CBI could devalue the currency by 15% instead of the anticipated 10%. It noted that devaluing the currency by less than 10% would not sufficiently improve the current account and fiscal deficits and would only delay further devaluation, while devaluing the currency by more than 15% would lead to a surge in inflationary pressure. As such, it expected the currency to trade at IQD1,346 per US dollar at the end of 2017 relative to IQD1,195 against the dollar in 2015.

Source: BMI Research

INDIA

Ratings on nine banks affirmed, outlook 'stable'

Fitch Ratings affirmed at 'BBB-' the long-term Issuer Default Ratings (IDR) of state-owned State Bank of India (SBI), Bank of Baroda (BOB), its subsidiary Bank of Baroda New Zealand (BOB NZ), Punjab National Bank (PNB), Canara Bank (Canara), IDBI Bank (IDBI), as well as the ratings of privately-owned ICICI Bank (ICICI) and Axis Bank (Axis). Also, it maintained the long-term IDR of state-owned Indian Bank at 'BB+'. It noted that all banks' ratings have a 'stable' outlook. Further, the agency affirmed the Viability Ratings (VR) of Axis, ICICI and SBI at 'bbb-'; that of BOB, Canara and Indian Bank at 'bb+' and that of IDBI at 'bb'. It also downgraded the VR of PNB from 'bb+' to 'bb' due to the growing risk on the bank's capital position from the rise in its stock of stressed assets, as well as to the fact that the bank's capital buffers are unlikely to improve significantly despite the government's capital injection. Fitch indicated that the outlook for the banks' credit profile is currently more positive compared to the preceding fiscal year when the banking sector's loans grew by 9.7%, the slowest rate of increase in a decade. But it noted that banks continue to face challenges from stressed sectors such as infrastructure and steel, as well as from high corporate leverage and sustained pressure on asset quality and capital. It added that state-owned banks account for 85% of the total capital shortfall that Indian banks need in order to meet Basel III capital requirements, and for about 90% of the sector's stressed assets. It expected the government's capital injection of \$10.7bn in state banks by the end of March 2019 to provide some support for the state-owned banks' balance sheets.

Source: Fitch Ratings

IRAN

Lifting of sanctions positive for banks' outlook

Moody's Investors Service anticipated that the lifting of sanctions on Iran would be positive for Iranian banks. First, it said that the removal of sanctions would restore the banks' access to the global financial transfer system SWIFT, which would reestablish links with international banks, facilitate trade and enable the repatriation of revenues from exported goods. Second, it expected the lifting of sanctions to generate significant new business opportunities, especially in trade finance, letters of credit and new investments and infrastructure projects. It added that the Iranian banking sector's assets stood at \$558bn at the end of 2014, which makes the sector's size comparable to those of the UAE and Saudi Arabia. Third, it pointed out that the repatriation of assets and the potential interest from foreign investors and financial institutions would allow domestic banks to strengthen their solvency levels through much-needed recapitalization. The agency indicated that the combination of sanctions and economic deterioration has impaired the banks' loan quality, while weak risk management and corporate governance have led to directed lending, especially at state-owned banks. As such, it said that the banks' finances are weak, with a reported non-performing loan ratio of 14.4% in 2014, provisions coverage of about 36% of NPL, and a capital adequacy ratio of 6.8%. It also noted that the sanctions have created a severe shortage of hard currency even though the sector has adequate local currency liquidity.

Source: Moody's Investors Service

NIGERIA

Currency and foreign reserves under pressure

The Institute of International Finance expected the Nigerian naira and the country's foreign currency reserves to remain under pressure in the absence of a rebound in global oil prices and in the context of weak capital inflows, a widening current account deficit and a high inflation rate. It added that confidence in the naira would remain linked to hydrocarbon prices, given that 95% of Nigeria's exports receipts and 60% of its fiscal revenues are derived from the oil & gas sector. Also, it said that the political uncertainty from the long-delayed Cabinet formation is heavily weighing on the currency. It noted that the managed depreciation of the naira, the introduction of foreign exchange restrictions and tighter monetary policy have failed to reduce the pressure on the currency. It added that the black market rate has increasingly diverged from the official exchange rate, given that the amount of foreign currency sales has not fully met the demand for foreign exchange. It noted that the naira is trading at about NGN240 against the US dollar on the black market compared to NGN197 per dollar on the official market. The IIF indicated that the Central Bank of Nigeria (CBN) is resisting further currency devaluation given that the inflation rate is already above its target range of between 6% and 9%, and due to concerns of the pass-through of a weaker currency into inflation. Also, it said that a devaluation could increase speculation on the currency. However, it considered that the CBN could proceed with an additional devaluation as it becomes clear that the pressure on the naira reflects the country's weaker economic fundamentals amid the low oil price environment, and is not just because of currency speculation.

Source: Institute of International Finance



ENERGY / COMMODITIES

Oil prices to remain under \$60 p/b into 2016

ICE Brent crude oil prices have traded between \$40 per barrel (p/b) and \$50 p/b in recent months due in part to uncertainties over China's economic situation and to the sustained US dollar strength; and are forecast to trade between \$50 p/b and \$60 p/b in the fourth quarter of 2015. The oversupply in the oil market is expected to continue to negatively affect prices in the second half of 2015, as crude oil production in the U.S. continues to rise and the Organization of Petroleum Exporting Countries (OPEC) maintains its oil output policy. Also, the potential supply of Iranian crude oil to the market starting in 2016 would further weigh on prices. Brent prices are projected to average \$57 per barrel (p/b) in 2015, above Bloomberg's consensus price of \$53.3 p/b, and to decrease to \$56 p/b in 2016; while WTI crude oil prices are forecast to average \$51 p/b, below Bloomberg's consensus of \$58.7 p/b, and to drop to \$53 p/b next year. Upside risks to the price outlook include OPEC's potential decision to reduce its oil production quota in November 2015 and a stronger-than-expected increase in demand for oil amid low prices. In contrast, downside risks include the return of Libyan oil production to the market.

Source: BMI Research

KRG oil exports down 9% in August 2015

The Kurdistan Regional Government's (KRG) crude oil exports averaged 472,832 barrels per day (b/d) in August 2015, down by 8.5% from 516,745 b/d in the preceding month. About 74.8% of crude oil exports were extracted from fields operated by the KRG, while the remaining 25.2% came from fields operated by Iraq's North Oil Company. The KRG pointed out that it reduced its oil transfers to the Iraq's State Organization for Marketing of Oil by 28.3% to an average of 50,936 b/d in August 2015. The KRG continued its direct oil sales from the port of Ceyhan in August 2015 to compensate for the lack of transfers from the Iraqi federal government and to pay down debts accumulated in 2014 from pre-payments for direct oil sales.

Source: KRG Ministry of Natural Resources, Thomson Reuters

Algeria's energy exports down 9% in first quarter

Algeria's oil and gas exports reached 23.4 million tons of oil equivalent in the first quarter of 2015, reflecting a decrease of 9% from the same quarter last year. The country's energy export receipts dropped by 44% to \$8.7bn in the covered period, and are expected to decrease by 50% to \$34bn in 2015. Algeria aims to increase its natural gas output by 13% by 2019 through investment of \$40bn to meet domestic demand and raise exports. In parallel, natural gas exports dropped by 17% to 27.44 billion cubic meters in 2014, while crude oil and condensate fell by 16% to 28.36 million tons last year. The drop in Algeria's crude oil and natural gas exports in 2014 constitutes the country's ninth annual consecutive decline.

Source: Thomson Reuters

ME&A's crude oil demand to rise by 2% in 2015

Crude oil consumption in the Middle East & Africa region is expected to average 12.2 million barrels per day (b/d) in 2015, which would reflect a rise of 2.4% from 11.9 million b/d in 2014. The region's demand for oil would account for about 13.2% of global consumption this year. Demand for oil in the ME&A region is forecast to reach 12.1 million b/d in the fourth quarter of 2015.

Source: OPEC, Byblos Research

Base Metals: Copper prices to drop by 16% in 2015

The London Metal Exchange three-month copper future prices are expected to trade between \$4,500 per ton to \$5,500 per ton in coming months, given investors' continued concerns over China's economic slowdown. Copper prices decreased by about 15% from the end of 2014 to close at \$5,365 per ton on September 9th, mainly due to lower production costs and rising supply. The recent supply cuts by some copper producers and higher Chinese imports for the metal have led prices to pick up slightly. But this rise in prices is expected to be short-lived, given the solid supply growth in other parts of the world. The metal's average price is forecast to decrease by 15.8% year-on-year to \$5,750 per ton in 2015 and to stabilize at \$5,800 per ton in 2016. The potential of a short-term recovery for copper prices would only materialize in case of a better-than-anticipated economic activity in China, the world's largest consumer of the metal. Downside pressures on copper prices are expected to persist in the long term, mainly due to the oversupply in the market. In parallel, the Bloomberg Industrial Metals Total Return Sub-Index decreased by 19.2% in the first eight months of 2015, while the Copper Total Return Sub-Index regressed by 17.7% in the first eight months of 2015.

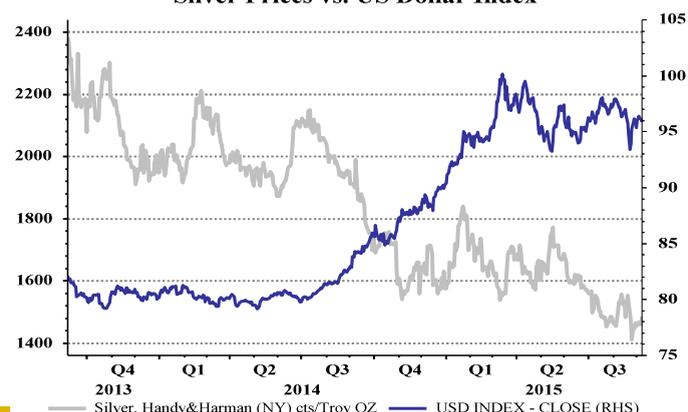
Source: BMI Research, Bloomberg Indexes, Byblos Research

Precious Metals: Silver prices at near six-year low

Silver prices have traded in a narrow range of \$4 per troy ounce over the first eight months of 2015 and averaged \$16.1 a troy ounce during the covered period. Prices reached their lowest level in six years at \$14.1 a troy ounce towards the end of August, given the US dollar continued strength and investors' concerns of a decrease in the metal's industrial demand amid the economic slowdown in China, the world's largest silver consumer. But prices recovered slightly to close at \$14.9 an ounce on September 8th, following easing concerns over China and increased purchases of industrial applications and coins. Silver prices are forecast to average \$14.5 a troy ounce over the coming three months and to decline to \$13.5 a troy ounce on average in the coming 12 months. Upside pressure on silver prices in the near term include easing concerns about China and a postponement of the first interest rate increase by the U.S. Federal Reserves. But the possible recovery in prices would be short lived, as the silver market is forecast to remain oversupplied. In parallel, the Bloomberg Precious Metals Total Return Sub-Index increased by 2.2% in August and decreased by 5.6% in the first eight months of 2015, while the Silver Sub-Index regressed by 7.5% from end-2014.

Source: Julius Baer, Bloomberg Indexes, Byblos Research

Silver Prices vs. US Dollar Index



Source: Thomson Reuters Datastream, Byblos Research



COUNTRY RISK METRICS

| Countries | LT Foreign currency rating | | | | | Central govt. 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 | B- | - | B- | - | 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 | 29-July-15 | No change | 17-Sep-15 |
| Eurozone | Refi Rate | 0.05 | 03-Sep-15 | No change | 22-Oct-15 |
| UK | Bank Rate | 0.50 | 10-Sep-15 | No change | 08-Oct-15 |
| Japan | O/N Call Rate | 0.00-0.10 | 07-Aug-15 | No change | 15-Sep-15 |
| Australia | Cash Rate | 2.00 | 01-Sep-15 | No change | 06-Oct-15 |
| New Zealand | Cash Rate | 2.75 | 10-Sep-15 | Cut 25 bps | 29-Oct-15 |
| Switzerland | 3 month Libor target | -1.25(-0.25) | 18-Jun-15 | No change | 17-Sep-15 |
| Canada | Overnight rate | 0.50 | 09-Sep-15 | No change | 21-Oct-15 |
| Emerging Markets | | | | | |
| China | One-year lending rate | 4.60 | 25-Aug-15 | Cut 25bps | N/A |
| Hong Kong | Base Rate | 0.50 | 30-July-15 | No change | 17-Sep-15 |
| Taiwan | Discount Rate | 1.875 | 25-Jun-15 | No change | 24-Sep-15 |
| South Korea | Base Rate | 1.50 | 13-Aug-15 | Cut 25bps | 11-Sep-15 |
| Malaysia | O/N Policy Rate | 3.25 | 09-July-15 | No change | 11-Sep-15 |
| Thailand | 1D Repo | 1.50 | 05-Aug-15 | No change | 16-Sep-15 |
| India | Reverse repo rate | 7.25 | 04-Aug-15 | Cut 25bps | 29-Sep-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 | 30-July-15 | No change | 17-Sep-15 |
| Turkey | Base Rate | 7.50 | 18-Aug-15 | No change | 22-Sep-15 |
| South Africa | Repo rate | 6.00 | 23-July-15 | Raised 25bps | 23-Sep-15 |
| Kenya | Central Bank Rate | 11.50 | 05-Aug-15 | Raised 150bps | 02-Nov-15 |
| Nigeria | Monetary Policy Rate | 13.00 | 24-July-15 | No change | 21-Sep-15 |
| Ghana | Prime Rate | 22.00 | 15-July-15 | No change | 16-Sep-15 |
| Angola | Base rate | 10.50 | 28-Aug-15 | Raised 25bps | 29-Sep-15 |
| Mexico | Target Rate | 3.00 | 23-July-15 | No change | 21-Sep-15 |
| Brazil | Selic Rate | 14.25 | 02-Sep-15 | No change | 21-Oct-15 |
| Armenia | Refi Rate | 10.25 | 11-Aug-15 | Cut 25bps | 22-Sep-15 |
| Romania | Policy Rate | 1.75 | 04-Aug-15 | Cut 25bps | 30-Sep-15 |
| Bulgaria | Base Interest | 0.01 | 01-Sep-15 | No change | N/A |
| Kazakhstan | Refi Rate | 5.50 | 02-Aug-15 | No change | N/A |
| Ukraine | Discount Rate | 30.0 | 27-Aug-15 | No change | N/A |
| Russia | Refi Rate | 11.00 | 31-July-15 | Cut 50bps | 11-Sep-15 |



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