

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Record-high 1,028 issuers are poised for downgrades

Standard & Poor's indicated that the number of issuers poised for downgrades reached 1,028 at the end of April, the highest level ever. It said this new level is in line with the ongoing trend of record monthly increases of issuers poised for downgrades since January 2008. It noted that the number of issuers for potential downgrades increased by 315 issuers year-on-year and is higher by 200 than the trailing-12-month average of potential downgrades. The agency defines potential downgrades as entities that have either a negative outlook or ratings on CreditWatch with negative implications across ratings 'AAA' to 'B-'. It said the global ratio of potential downgrades to potential upgrades increased to 7 to 1 at the end of the first quarter of 2009, compared with 2 to 1 in the first quarter of 2008. Also, 136 entities are poised to benefit from upgrades across the rating designations 'AA+' to 'B-', 892 fewer than the number of issuers poised for downgrades. S&P said banks continue to display the highest downgrade propensity, closely followed by media & entertainment, consumer products, insurance, and forest products & building materials. The agency noted that 31% of issuers it rates were either on 'negative' outlook or on CreditWatch negative at end-April 2009, up from 26% at the end of 2008 and 14% at the end of 2007.

Source: Standard & Poor's

EMERGING MARKETS

Sovereign funds set up permanent representative forum

Sovereign wealth funds (SWFs) announced the establishment of the International Forum of Sovereign Wealth Funds, a standing global forum to discuss issues central to SWFs and the broader international financial community. It will also keep under review issues related to the Santiago Principles, which are designed to ensure an open international investment environment. The Forum, which is a voluntary group, intends to meet at least once a year to exchange views on issues of common interest. Following the Santiago Principles objectives, the Forum intends to contribute to the development and maintenance of an open and stable investment environment, and facilitate communication among SWFs, as well as with recipient country officials, representatives of multilateral organizations such as the European Commission and the Organization for Economic Cooperation and Development, and the private sector. The Forum will also help members exchange views on SWF activities, risk management, investment regimes, market and institutional conditions affecting investment operations, and interactions with the economic and financial stability framework.

Source: International Monetary Fund

MENA

Region's brand perception relatively low

The Nation Brand Index for the first quarter of 2009 indicated that the international branding perception for the MENA region is worse than the global branding perception. The index ranks countries based on the tone, whether positive or negative, and frequency of mentions in the international media. It said the number of times a country is mentioned reflects the strength of the brand, but not necessarily its quality. The MENA region's average score was 45.8 points, below the global average of 49.8 points, as well as below the average of every other region in the world. Also, the number of mentions of the MENA region in the global media represented 11.1% of global mentions. The index shows that the UAE has the best nation brand perception in the region with a score of 76.8 points, followed by Qatar with 63.9 points, while the worst nation brands in the region were Yemen with 33.5 points, Iraq with 13.2 points and Palestine with 11 points. The top 5 countries from the region that were most mentioned in the media were Palestine with 19.5% of the region's overall mentions, followed by Iraq with 11.2%, Iran with 9.4%, Egypt with 6.3% and UAE with 4.3%. Tunisia was the least mentioned country in the region in the first quarter of 2009.

Source: East West Communications

Press freedom declines in Arab countries

In its annual report on press freedoms around the world, independent think tank Freedom House showed that press freedom in the Arab world regressed year on year, as the region's average level of press freedom reached 70.9 points in 2009, worsening from 70.4 points in 2008, and significantly lower than the global level of 47.1 points. The survey assesses the degree of print, broadcast and Internet freedom across the world. The 2009 ratings are based on an assessment of the legal, political and economic environments in which journalists worked in 2008. Kuwait, Lebanon, Mauritania and Egypt were the only Arab countries classified in the 'Partly Free' category, while the rest were classified as 'Not Free'. Among the 20 Arab countries covered by the survey, the rankings of 5 countries improved, 13 declined and 2 were unchanged, while the level of press freedoms improved in Iraq, declined in 12 countries and was unchanged in 7 countries. Kuwait had the highest press freedom level in the Arab world, ranking as the 115th freest press globally, while Libya had the lowest level of press freedom in the region.

Source: Freedom House

POLITICAL RISK OVERVIEW - APRIL 2009

ALGERIA

Abdelaziz Bouteflika was re-elected as president for a third term on April 9, gaining 90% of the votes. Key opposition parties boycotted the poll and claimed that the official turnout figure of 75% was inflated. During armed attacks in the East of the capital, three guards were killed in Jijel on April 8, two in Bejaia area on April 15 and one near Tizi Ouzou on April 25th. Security forces arrested 9 al-Qaeda suspects on April 25th.

ARMENIA

Armenia and Turkey have agreed with Swiss mediation on a "roadmap" for the normalization of their bilateral relations on April 22, despite the conflict between Armenia and Turkey's ally, Azerbaijan, over Nagorno-Karabakh. The implementation of the roadmap is still on hold, awaiting progress on Nagorno-Karabakh talks. The Armenian Revolutionary Federation, Dashnaksutiun, withdrew from the four-party governing coalition on April 27, condemning the agreement reached between Armenia and Turkey on April 22nd.

EGYPT

The authorities claimed on April 8 they discovered a 49-member Hezbollah cell allegedly planning hostile operations in Egypt. The officials denounced the Hezbollah cell as a threat to the national security. Hezbollah leader Nasrallah denied on April 10 that the organization was planning attacks in Egypt. Around 17 MB members were arrested in Fayyum on April 16, following clashes between students and the police. More than 25 people were detained during a protest against the arrest of anti-government activists on April 4th.

IRAN

The five permanent members of the U.N. Security Council and Germany offered Iran a new round of talks on its nuclear program on April 8th. The U.S. said it would directly participate in the talks. Tehran said on April 22 it was ready for a constructive dialogue on the issue, but insisted it would continue with its nuclear activities. U.S. Secretary of State Hillary Clinton has warned that Iran would face very tough sanctions if it rejects the offer of engagement over its nuclear program. European diplomats walked out of a UN anti-racism conference on April 20 during a speech by president Ahmadi-Nejad in which he described Israel as totally racist. The former commander of the Revolutionary Guard Corps Mohsen Rezaei officially announced his candidacy for the presidential elections.

IRAQ

More than 40 people were killed in six car bombs in the Shiite districts of Baghdad on April 6th. Another 16 were killed in bombings in the Kadhimiya district on April 7 and 8th. At least 150 people were killed in three suicide bombings on April 23 and 24th. Another suicide bombing in southeastern Baghdad on April 23 killed around 30 people, including several policemen. Around 57 Iranian pilgrims were killed in a restaurant bombing in the Diyala province on April 23rd. Also, 71 Shiite pilgrims were killed in the Kadhimiya shrine on April 24th. Two car bombs killed at least 50 people in Sadr City on April 29th. The authorities announced the arrest of al-Qaeda (AQ) leader Abu Omar al-Baghdadi on April 23rd. U.S. military said 7 AQ members were killed in the North of Baghdad on April 25th. Two people were killed in a U.S. raid on the Shiite militia in Kut on

April 26th. Prime Minister Maliki said the raid was unauthorized, and that it was a violation of the U.S.-Iraq security agreement. The Parliament elected on April 20 the Islamic Party member al-Samarrai as speaker after months of deadlock.

SUDAN

President Bashir continued his diplomatic drive to gain support by visiting Ethiopia on April 21 and 22nd. A Sudanese delegation met with UK and French Foreign Ministers in Paris but no progress was made on the ICC indictment stand-off. U.S. envoy Gratton and U.S. Senator Kerry traveled to Sudan on April 2 and 15, in order to secure an agreement for the return of a small number of aid organizations after March expulsions, and to ease the U.S.-Khartoum relations. The Khartoum court sentenced to death 21 members of Darfur's JEM rebels for treason. The electoral commission decided to delay general elections for more than seven months to February 2010, requiring an extension of the deadline set by the Comprehensive Peace Agreement (CPA). North-South tensions increased, with the SPLM publicly accusing the NCP of slowing down the CPA and of mishandling the ICC. More than 177 people were reported dead in armed raids led by rivals Lou Nuer and Merle ethnic groups in the South in late March and on April 20 and 21st. The UNSC renewed the UNMIS mandate to April 2010.

SYRIA

Israeli Foreign Minister Lieberman rejected on April 26 his country's commitment to return the Golan as a precondition for the renewed peace talks with Syria. Syrian Muslim Brotherhood (MB) announced on April 4 its withdrawal from the exile opposition alliance with former vice president Khaddam, following a disagreement over the MB contacts with the regime.

TURKEY

Turkish authorities arrested more than 40 people from the Kurdistan Workers' Party (PKK) and from the pro-Kurdish Democratic Society Party (DTP) in a simultaneous operation against both parties. The armed wing of the PKK killed 17 Turkish soldiers on April 8th in retaliation for the killing of 2 Kurdish civilians by Turkish security forces on April 4th. Two soldiers and seven PKK members were killed in the region of Sirnak on April 11th. Turkish warplanes bombed PKK bases in northern Iraq on April 30th. Turkish police have detained at least 12 people, including a university head, in connection with an alleged plot to overthrow the government on April 13th. Turkish authorities arrested over 60 suspected al-Qaeda members during the month. A far-left bomber was arrested in Ankara on April 29 after failing to assassinate the former justice minister. The EU and Ankara agreed on April 21 to open two new chapters on social policy, employment and taxation, within Turkey's accession negotiation process by the end of June.

UKRAINE

Up to 20,000 people protested in Kiev on April 3 asking for the resignation of the country's leaders for failing to deal with the economic crisis. The Parliament agreed to schedule the presidential elections on October 25, ahead of the previously expected date of January 2010. The IMF approved on April 17 to release the 2nd tranche of its loan package following the parliamentary resolution to reduce the budget deficit to 4% of GDP.

Source: International Crisis Group



OUTLOOK

SAUDI ARABIA

Banks well-positioned to weather downturn

Fitch Ratings indicated that Saudi banks are well-positioned to face a more challenging operating environment due to their strong fundamentals and government support. It expected Saudi banks to be highly reliant on government-related projects and on re-pricing their lending to maintain their good performance due to lower business volumes in 2009. It said loan impairment charges will be one of the main risks in 2009, as they are expected to increase with a worsening of the credit cycle and the maturing of loans. The agency expected Saudi banks to remain profitable this year, with first-quarter 2009 results already showing a significant improvement from the fourth quarter of 2008 when domestic and international financial markets fell sharply. It noted that additional impairments on financial assets, if markets do not improve, will add pressure on profitability in the upcoming year.

Fitch considered the funding and liquidity base of Saudi banks to be a key strength, as none of the banks significantly relies on funding from wholesale or debt capital markets, which have virtually dried up. It also noted the continuous actions taken by the authorities, such as injecting liquidity into the banks, lowering reserve requirements and repo rates, adding that the Saudi Arabian Monetary Agency is one of the better regulators in the region. Fitch expected Saudi banks to rely on retained earnings as a primary source of capital, and considered that there is an extremely high probability that authorities will provide support in case of need. It said the sector's assets quality has been sound so far, with non-performing loans (NPLs) averaging 1.4% of gross loans in 2008 compared to 1.8% in 2007. However, this ratio has been undermined by recent rapid loan growth and the large write-offs of 180 days past-due retail exposures. It noted that borrower concentration remains one of the main risks in Saudi Arabia and the region as a whole, but that such exposure tends to be to lower-risk major corporates and government-related entities.

Source: Fitch Ratings

ARMENIA

Economy to contract by 4% in 2009, external financing is key risk

Global Insight considered that Armenia's economy underwent a turnaround over the past quarters and expected it to contract by around 4% this year, with only a modest recovery to around flat growth in 2010. It said the economy expanded by 6.8% in 2008, with deceleration in growth becoming clearer towards the end of the year, following double-digit annual growth rates over the previous six years that reached 13.8% in 2007. It indicated that the economy seemed to be relatively isolated from the current international financial crisis at its start in September due to the underdeveloped nature of the Armenian financial sector and correspondingly low exposure to high-risk assets. But the economy is now clearly feeling the indirect negative impact of the crisis, as it remains very dependent on inflows of foreign investment and remittances for growth and for covering its wide current-account deficit without having to extensively increase its borrowing. It noted that the economic crisis in Russia has sig-

nificantly harmed inflows of workers' remittances, a key factor that weakened Armenia's external position.

Global Insight noted that a gradual slowing down of growth would have been a welcome development, as weaker domestic demand helps to safeguard macroeconomic stability. However, the current downturn comes with added risks for Armenia, given its timing and the sharply deteriorating external environment. It said given the tightness of global liquidity, finding external financing for covering the still-deep current-account gap currently represents a significant source of risks and external vulnerability.

It expected the economy to continue receiving some investment support, with some large investment projects in infrastructure and the energy sector continuing. It said risks exist regarding the investment outlook, as financing of projects partly relies on private funding. It encouraged the continuation of economic reforms in Armenia, which would help maintain the country's access to concessional credits from international financial institutions. It noted that the reform programs include considerable challenges related to restructuring and stabilization, as demonstrated by the recent floatation of the dram exchange rate.

Source: Global Insight

NIGERIA

Economic growth at 2.9% in 2009

The International Monetary Fund projected Nigeria's real GDP growth at 2.9% in 2009 relative to 5.3% in 2008 and compared to growth in oil exporting countries of 1.4% in 2009. It expected the country's real non-oil GDP to grow by 4% in 2009, down from 7.6% in 2008, and compared to non-oil GDP growth of 4.5% in 2009 in oil exporting countries. The IMF forecast Nigeria's annual average inflation rate at 14.2% in 2009, up from 11.2% a year earlier and compared to inflation of 11.5% in 2009 for oil exporting economies. It estimated total investment at 28.9% of GDP in 2009 up from 24.7% of GDP in 2008. Also, it expected the growth of broad money at 18.6% this year down from 58% last year. The Fund projected the central government's fiscal balance to post a deficit of 8.4% of GDP in 2009, compared to a surplus of 4.9% of GDP in 2008, and compared to a deficit in oil exporting peers of 7.6% in 2009. It estimated public revenues at 11.4% of GDP and total expenditures at 19.8% of GDP in 2009.

The IMF expected Nigeria's external debt to official creditors to increase to 2.8% of GDP at end-2009, from 1.7% of GDP at end-2008. It forecast the trade balance to post a surplus of 0.3% of GDP in 2009, down from 13.6% of GDP a year earlier and compared to a surplus of 9.6% of GDP in 2009 for oil exporting economies. Further, the country's current account deficit is projected at 9% of GDP in 2009, compared to a surplus of 4.5% of GDP in 2008. In comparison, oil exporting countries are forecast to post current account deficits of 8.4% of GDP this year compared to surpluses of 8% of GDP last year. The Fund expects the country's gross official reserves to reach 8.4 months of imports of goods and services at end-2009 down from 10.2 months of imports of goods and services at end-2008.

Source: International Monetary Fund



ECONOMY & TRADE

WORLD

Anti-dumping measures increase by 29%, investigations rise by 27% in 2008

The World Trade Organization reported a total of 208 initiations of new anti-dumping investigations in 2008 compared to 163 in 2007 and 202 in 2006. It added that total of 120 new investigations were initiated in the second half of 2008, up 17% from 103 initiations reported in the same period of the previous year. It the most frequent products cited in the investigations during the second half of 2008 were in the base metals sector with 43 initiations, followed by chemicals with 22 initiations, textile with 19 initiations, and plastic & rubber with 14 initiations. The WTO said countries applied 138 final anti-dumping measures in 2008 compared to 107 in 2007 and 137 in 2006. New anti-dumping measures totaled 81 in the second half of 2008, up 45% higher from 56 new measures in the same period of 2007.

Source: World Trade Organization

EMERGING MARKETS

Launch of first financing facility of Union for the Mediterranean

France's Caisse des Dépôts, Italy's Cassa depositi e prestiti, Morocco's Caisse de Dépôt et de Gestion, and Cairo-based investment bank EFG Hermes announced the launch of the first financing facility of the Union for the Mediterranean, a long-term investment fund to be named InfraMed. The fund intends to be an equity investor in primarily greenfield projects to build urban, energy and transport infrastructure in the Southern and Eastern Mediterranean region. The founding members have approved a joint commitment of up to €400m for InfraMed, which will be open to other long-term investors from Europe, the Middle East and North Africa with the aim of raising more than €1bn over the coming months. InfraMed will invest in infrastructure projects compliant with social and environmental responsibility criteria of the United Nation's sponsored Principles for Responsible Investment as well as the principles set forth in the Long-Term Investors Club charter. The founders also plan to boost the fund's financial resources by raising long-term debt. The fund aims to be a landmark facility for the financing of new urban, energy and transport infrastructure in the countries and territories on the Southern and Eastern shores of the Mediterranean.

Source: EFG Hermes

GCC

Government assets are valuable cushion against global downturn

Standard & Poor's indicated that the fall in the valuation of assets globally and in GCC capital and real estate markets had a negative impact on the value of the GCC's assets, resulting in lower net asset positions and higher contingent liabilities for GCC sovereigns. It added that a combination of low oil prices and a decline in oil production is likely to have a significant impact on government revenues across the region. It noted, however, that GCC countries are well placed to shield their economies from market turbulence due to their capacity to pursue counter-cyclical expansionary fiscal policy due to their exceptional fiscal flexibility. S&P considered that Saudi Arabia,

Abu Dhabi and Kuwait have the greatest amount of fiscal flexibility to pursue such policies, with each able to sustain a 10% deficit without resorting to debt finance for at least 25 years. Also, Bahrain and Oman are in the least comfortable positions, as their oil resources are more limited than other GCC states and they have therefore benefited relatively less from the windfall in high oil prices in terms of accumulation of assets.

Source: Standard & Poor's

UAE

Ratings on Dubai government-related entities put on CreditWatch negative

Standard & Poor's placed the ratings of the Dubai government-related entities (GREs) DIFC Investments, DP World, Jebel Ali Free Zone, the Dubai Multi Commodities Center Authority, Dubai Holding Commercial Operations Group, and Emaar Properties on CreditWatch with negative implications. The agency attributed its decision to the likelihood of downgrading the GREs if the government of Dubai does not affirm the potential for extraordinary government support in view of deteriorating fundamentals for some of the GREs. It added that the action resulted from learning that a review of debt strategy at Nakheel, a key Dubai-based GRE, may include the possibility of a debt exchange of its \$3.5bn sukuk due in December 2009, with a view to restructuring the debt. It said all of the rated GREs reflect government creditworthiness more than stand-alone credit profiles, though this may shift should the government's support commitment change. S&P noted that the consideration of a debt restructuring in any key GRE, particularly if it were deemed to be distressed, increases the uncertainty as to Dubai's intention to provide adequate support in times of stress.

Source: Standard & Poor's

LIBYA

Sovereign rating of 'BBB+' assigned, outlook stable

Fitch Ratings assigned Libya a long-term foreign currency Issuer Default Rating (IDR) of 'BBB+', a long-term local currency IDR and Country Ceiling of 'BBB+' each, and a short-term foreign currency IDR of 'F2'. It also assigned a 'stable' outlook to the long-term ratings. It said Libya's 'BBB+' rating balances the lack of government debt and a formidable external balance sheet against economic reliance on oil, the challenges of modernizing the country's economy, and political-institutional factors. The agency considered that Libya's re-engagement with the international community will be permanent, adding that concerns about the consistency and predictability of government decision-making weigh on the country's rating. It said fiscal discipline, growing oil production and soaring energy prices have helped Libya accumulate very large fiscal surpluses and external assets. Also, the country's strong external balance sheet helps mitigate its high dependence on oil and is a support to its ratings. Fitch considered that Libya's ratings could benefit from a further strengthening of the external balance sheet and successful handling of the challenges posed by lower oil prices. Also, progress on economic reforms and development of the private sector could support the ratings. Downside rating risks would include a prolonged period of lower oil prices, a significant relaxation of the fiscal stance, or a political shock.

Source: Fitch Ratings



BANKING

WORLD

Negative bank rating action remain high

Fitch Ratings indicated that negative rating actions on banks remained high in the first quarter of 2009, but lower than the peak in the fourth quarter of last year. The agency took 188 negative rating actions in the first quarter of the year compared to 266 in the last quarter of 2008. It said there were no positive rating actions in emerging markets and only a small number of positive actions in developed markets in the first quarter. It added that the number of downgrades increased to 109 in the first quarter from 105 in the previous quarter, even though Negative Watch and outlook changes to 'negative' were lower than in fourth quarter. Fitch noted that the number of global 'negative' outlooks exceeded the number of 'positive' outlooks since the end of the second quarter of 2008, with the global ratio of 'negative' to 'positive' outlooks deteriorating significantly to -16.2 at end-March 2009 from -9.6 at end-2008. It said this ratio stood at -11.3 in developed markets and -24 in emerging markets, with significant differences within regions both developed and emerging markets. It said the ratio ranged from -2.4 in emerging Americas to -75 in emerging Europe, while it varied from -3.7 in the developed Americas to -25 in developed Europe.

Source: Fitch Ratings

SYRIA

Deposits increase by 16% in 2008, private sector accounts for 74% of total

Figures released by the Central Bank of Syria indicate that total deposits at commercial banks reached SYP1,069bn at end-2008, or about \$22.9bn, constituting an increase of 15.7% from SYP924bn at end-2007. Deposits in Syrian pounds accounted for 80% of the total, and foreign currency deposits accounted for the remaining 20%. Private sector deposits accounted for 73.6% of total deposits at end-2008, unchanged from end-2007, while public sector deposits accounted for 26.4%. Also, resident private sector deposits accounted for 73% of aggregate deposits, followed by deposits of non-financial public enterprises with 22.3%, while the central government accounted for 2.7% of the total. Households accounted for 85.1% of resident private sector deposits, followed by businesses with 13.9%, and other financial institutions with 1%. Households and businesses represented 87.3% and 12%, respectively, of resident private sector deposits at end-2007. Further, demand deposits accounted for 45.6% of the total, up from 45.3% at end-2007, time deposits accounted for 32.2%, up from 29.4% a year earlier, while saving deposits accounted for the remaining 22.2%, down from 25.3% at end-2007.

Source: Central Bank of Syria, Byblos Research

SUDAN

Central Bank issues regulations for letters of guarantee

The Central Bank of Sudan (CBS) set a list of regulations that aim to protect local banks and limit the risks related to the issuance of letters of guarantees. Most importantly, it banned the issuance of such letters that guarantee funding extended by

other banks or financial institutions, with the exception of some prime foreign banks. The CBS also prohibited banks to issue or accept letters of guarantee for the financing of all imports and domestic trade operations, for foreign currency acquisition operations, for legal and judiciary activities, for custom clearance and production fees and taxes, and for the refund of export proceeds.

Source: Central Bank of Sudan, Byblos Research

TUNISIA

Financial soundness improves

Figures released by the Institute of International Finance show that the performance of banks operating in Tunisia improved significantly in recent years. The risk-weighted capital adequacy ratio of the banks reached an estimated 10.4% in 2008 compared to 9.8% in 2007, and 11.3% in 2006. The sector's non-performing loans remain high but have fallen steadily as a share of total assets, reaching 15.2% at year-end 2008, down from 17.7% at year-end 2007 and 19.2% at year-end 2006. The ratio of provisions to NPLs increased to 58% in 2008 from 53.4% in 2007 and 49.2% in 2006. The objective of the Central Bank is to increase further the ratio of provisions to NPLs to 70% by end-2009. In parallel, the banks' profitability improved, as the return on average assets reached 0.9% at the end of 2008, up from 0.8% at the end of 2007, and 0.7% at the end of 2006, while return on average equity was 12.7%, up from 10.5% at year-end 2007 and 7.7% at year-end 2006.

Source: Institute of International Finance

ARMENIA

Ratings on two banks affirmed

Fitch Ratings affirmed the Long-term Issuer Default (IDR) of VTB Bank Armenia (VTBA) and ACBA-Credit Agricole Bank (ACBA) at 'BB+' and 'BB', respectively, with 'stable' outlooks. It also affirmed the Individual Ratings of VTBA and ACBA at 'D/E' and 'D', respectively. It said the ratings reflect the moderate probability of support, if required, from the banks' owners. It noted that Russia's VTB Bank would have a strong incentive to support VTBA due to its 100% ownership, the strategic importance of CIS markets for VTB and the small size of VTBA relative to its parent. In parallel, the probability of support from Credit Agricole is undermined by CA's minority stake and the fact that the Armenian market does not appear to be of high importance for CA. It added that support is factored into the ratings of ACBA due to brand association, the close involvement of CA in establishing and supervising ACBA, and ACBA's relatively small size. Fitch said the Individual Ratings of both banks reflect rapid loan growth in recent years, the high proportion of foreign currency loans and the high-risk operating environment, but also take into account the solid capitalization of both banks and their broad domestic franchises.

Source: Fitch Ratings



ENERGY / COMMODITIES

Oil rises towards \$58, equities lend support

Oil rose towards \$58 a barrel on April 7 as a surge in global stock markets raised expectations of economic recovery. U.S. light crude for June delivery rose \$1.54 cents a barrel to \$57.88, adding to \$2.50 gains on April 6 when it settled at \$56.34, its highest close since November 14, 2008. London Brent crude rose \$1.54 cents to \$57.69. Oil has tracked a recovery in the equity markets over the past month, with the U.S. Standard & Poor's 500 Index up some 36% from March lows and rising nearly 2% on April 6 after better-than-expected jobs data. The market is now watching out for the results of the U.S. government stress tests on the ability of banks to weather a deep recession. Expectations for rising oil demand as summer approaches were fueled by disclosure of the test results that suggested most banks were healthier than earlier thought.

U.S. crude inventories have gained again, but by a lower-than-expected 600,000 barrels against forecasts for a 2.2 million barrels build, while U.S. gasoline stocks fell last week by 200,000 barrels to 212.4 million. A slowdown in U.S. private sector job losses in April was seen as a sign that the economy may be on its way to recovery, and helped oil higher. Saudi Arabia said it would not raise supplies for the time being as it attempts to increase prices. The kingdom is pumping below 8 million bpd and is unlikely to increase production as world supply continues to outpace demand.

Source: Thomson Reuters

Heritage announces major oil discovery in Iraq

Canadian oil exploration firm Heritage Oil has announced a major oil discovery in the Kurdistan region of northern Iraq, estimated to contain up to 4.2 billion barrels. The company said the Miran West field holds between 2.3 to 4.2 billion barrels of oil, but the highly fractured nature of the reservoir means only 50% to 70% of it is recoverable.

Source: AFP

Kuwait to invest \$11bn to boost Neutral Zone output

Kuwait Gulf Oil plans to invest around \$11bn in the next 20 years to boost oil output capacity to 900,000 barrels per day from the Neutral Zone it shares with Saudi Arabia. Current average output capacity from the Neutral Zone is around 538,000 bpd. Kuwait also plans to invest about \$4-5bn to develop the massive Dorra gas field, a point of dispute with Iran, from which it aims to start production by 2017.

Source: Thomson Reuters

Algeria ends Naftal monopoly

The government of Algeria announced it will end the monopoly of Sonatrach subsidiary Naftal, the country's sole distributor of refined petroleum products, allowing the distribution of oil products in the country by international oil companies. The government hopes that customers will benefit from lower prices and more competitiveness, and will set up a monitoring agency to control the sector.

Source: Thomson Reuters

Base metals: Copper nears three-week High on recovery optimism

Copper climbed to the highest in almost three weeks on speculation an easing of the global recession may be near, signaling a recovery in raw material demand. Tin rose above \$14,000 a metric ton for the first time since November. Stocks rose after Treasury Secretary Timothy Geithner said that government testing of bank balance sheets in the U.S. should reassure investors. Copper for three-month delivery on the London Metal Exchange rose as much as 1.3% to \$4,810 a metric ton, the highest since April 17, and traded at \$4,770. Copper for August delivery on the Shanghai Futures Exchange gained as much as 3.5% to \$5,760 a ton, up 5.6% this week. Among other LME-traded metals, aluminum rose 0.5% to \$1,578 a ton, lead gained 1.1% to \$1,468.50 a ton, zinc was little changed at \$1,595 a ton. Nickel climbed to \$13,210 a ton, the highest since January 7, and tin surged as much as 5.6% to \$14,150 a ton, a level not seen since November 14th.

Source: Bloomberg

Precious metals: Gold may fall on equity investment

Gold may fall as investors turn to equities on speculation that the worst of the global recession might be over. The MSCI World Index of shares gained for a seventh day on speculation banks need less capital than had been projected. Gold for immediate delivery increased \$1.93, or 0.2%, to \$913.15 an ounce. June futures rose 0.3% to \$913.80 on the New York Mercantile Exchange's Comex division. Positive results on the U.S. banking system could depress safe-haven demand, which may weigh on gold. Investment in the SPDR Gold Trust, the biggest exchange-traded fund backed by gold, fell to 1,104.09 metric tons on April 6 from 1,104.45 tons on May 5. The fund last attracted new flows on April 9th.

Among other metals for immediate delivery in London, silver gained 1.1% to \$13.88 an ounce. Platinum rose 2.2% to \$1,164.75 an ounce, and palladium increased 2.7% to \$235.25 an ounce. An economic recovery may increase demand for metals with industrial uses. The auto industry employs platinum and palladium in pollution-control gear and accounts for about half of their use. Silver, often associated with photography and jewelry, also is used in products from ball bearings to industrial catalysts.

Source: Bloomberg

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	166.9	158.9	199.4	3.2	-35.3
LME metals price index	2066.5	1857.7	2693.7	7.7	-50.1
Oil prices USD	51.1	46.3	81.1	-2.0	-55.8
Oil prices SDRs	34.1	31.0	52.6	-2.2	-52.0
Gold \$/troy oz	898.0	864.8	866.0	-2.8	2.3
Silver cents/troy oz	1250.0	1169.1	1334.5	-5.5	-25.5
Platinum \$/troy oz	1088.0	981.8	1298.0	-4.9	-44.2
Copper \$/MT	4300.3	3572.0	5530.9	9.0	-50.8
Nickel \$/MT	11087.5	10483.4	15095.7	16.7	-61.0
Aluminium \$/MT	1418.5	1479.3	2107.6	2.7	-51.7
Zinc \$/MT	1361.8	1188.5	1490.5	6.2	-38.9

Source: Credit Suisse



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	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	-	-	-	-	BBB								
	-	-	-	-	Stable	7.0	13.8	1.5	4.1	1.9	1.6	15.4	0.6
Angola	-	-	-	-	BB								
	-	-	-	-	Stable	3.2	8.8	8.4	9.0	12.6	-	-3.0	1.2
Egypt	BB+	Ba1	BB+	BBB-	BB								
	Stable	-	Stable	Stable	Stable	-7.7	74.5	17.8	51.4	5.4	105.9	-1.5	4.1
Ethiopia					B								
	-	-	-	-	Negative	-3.5	-	10.9	250.0	-	-	-6.1	-
Ghana	B+	-	B+	-	B								
	Stable	-	Negative	-	Negative	-10.8	-	39.0	103.6	-	-	-13.7	-
Ivory Coast	-	-	-	-	CCC								
	-	-	-	-	Stable	-1.7	-	57.9	175.9	-	556.0	-1.8	-
Libya	A-	-	BBB+	-	BB								
	Stable	-	Stable	-	Stable	-17.3	7.8	17.5	31.1	4.9	-	-15.8	3.1
Mauritania	-	-	-	-	-								
	-	-	-	-	-	-5.1	-	73.8	183.3	-	-	-13.4	-
Morocco	BB+	Ba1	BBB-	BBB-	BB								
	Stable	-	Stable	Stable	Stable	-2.6	51.8	24.1	73.9	5.7	74.1	-0.1	3.3
Nigeria	BB-	-	BB-	-	BB								
	Negative	-	Stable	-	Stable	-5.7	23.6	6.1	20.6	0.6	-	-13.2	2.4
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-6.8	107.5	62.7	532.4	6.3	-	-10.1	2.7
Tunisia	BBB	Baa2	BBB	BBB	BB								
	Stable	-	Stable	Stable	Stable	-3.1	49.8	50.6	105.6	12.3	235.5	-3.3	3.8
Middle East													
Bahrain	A	A2	A	A	A								
	Stable	-	Stable	Stable	Negative	-3.4	18.2	187.7	321.7	4.6	63.8	6.2	0.4
Iran	-	-	B+	BB-	B								
	-	-	Stable	Stable	Stable	-3.7	19.1	5.5	35.1	4.3	22.9	-4.6	0.2
Iraq	-	-	-	-	CC								
	-	-	-	-	Stable	-34.4	-	71.8	214.4	3.8	157.7	-22.4	0.9
Jordan	BB	Ba2	-	BB	B								
	Stable	-	-	Stable	Stable	1.3	51.4	65.6	122.2	4.8	198.6	-10.0	11.4
Kuwait	AA-	Aa2	AA-	AA-	A								
	Stable	-	Stable	Stable	Stable	22.6	4.9	40.4	134.2	6.2	229.7	23.6	-9.9
Lebanon	B-	B2	B-	B-	CCC								
	Stable	-	Stable	Stable	Stable	-10.8	145.6	97.5	614.9	20.4	199.0	-12.0	9.0
Oman	A	A2	-	A	A								
	Stable	-	-	Stable	Stable	-1.9	3.5	21.4	68.7	-	113.0	-4.0	4.0
Qatar	AA-	Aa2	-	AA-	A								
	Stable	Stable	-	Stable	Stable	1.7	4.1	52.5	189.8	7.3	359.3	24.3	7.8
Saudi Arabia	AA-	A1	AA-	AA-	BBB								
	Stable	-	Stable	Stable	Stable	9.8	9.9	8.5	28.3	4.0	89.1	6.1	0.2
Syria	-	-	-	-	CCC								
	-	-	-	-	Stable	-8.3	38.5	13.0	71.4	1.0	162.7	-5.1	1.9
UAE	-	Aa2	-	AA-	A								
	-	-	-	Stable	Negative	16.7	10.6	79.3	125.2	2.3	287.4	11.4	2.4
Yemen	-	-	-	B	CCC								
	-	-	-	Stable	Stable	-17.2	-	29.6	161.9	-	-	-16.9	-



COUNTRY RISK METRICS

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	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	-	Ba2	BB	-	-	-2.2	13.9	32.5	496.8	1.2	311.3	-9.0	5.9
	-	-	Stable	-	-								
Bulgaria	BBB+	Baa3	BBB-	-	BBB	-0.4	13.7	101.8	159.2	22.5	250.5	-15.3	9.8
	Stable	-	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB-	-	BB	1.7	6.0	86.4	267.8	56.6	528.0	-3.1	1.5
	Negative	-	Negative	-	Stable								
Romania	BBB-	Baa3	BB+	BBB-	BB	-4.9	16.2	61.9	171.7	21.8	319.6	-8.2	5.1
	Negative	-	Stable	Negative	Stable								
Russia	BBB+	Baa1	BBB	-	BBB	1.5	7.4	40.1	155.9	17.4	193.3	-0.7	0.4
	Negative	Positive	Negative	-	Negative								
Turkey	BB-	Ba3	BB-	BB-	BB	-3.9	43.5	56.0	238.4	41.2	587.4	-5.0	2.4
	Stable	-	Stable	Stable	Stable								
Ukraine	CCC+	B1	B	-	B	-1.1	20.7	80.4	202.3	28.5	411.6	-2.8	2.1
	Negative	Positive	Negative	-	Negative								

Sources: Moody's Investors Service; Economist Intelligence Unit - The above figures are estimated for 2009

* Figures last updated in February 2009



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	29-Apr-09	No change	24-Jun-09
Eurozone	Refi Rate	1.00	07-May-09	Cut 25bps	04-Jun-09
UK	Base Rate	0.50	07-May-09	No change	04-Jun-09
Japan	O/N Call Rate	0.10	30-Apr-09	No change	22-May-09
Australia	Cash Rate	3.00	05-May-09	No change	02-Jun-09
New Zealand	Cash Rate	2.50	30-Apr-09	Cut 50bps	11-Jun-09
Switzerland	3 month Libor target	0.25	12-Mar-09	Cut 25bps	18-Jun-09
Canada	Overnight rate	0.25	21-Apr-09	Cut 25bps	04-Jun-09
Emerging Markets					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	30-Apr-09	No change	24-Jun-09
Taiwan	Discount Rate	1.25	26-Mar-09	No change	June 09
South Korea	Target Rate	2.00	09-Apr-09	No change	12-May-09
Malaysia	O/N Policy Rate	2.00	29-Apr-09	No change	26-May-09
Thailand	1D Repo	1.25	08-Apr-09	Cut 25bps	20-May-09
India	Repo rate	3.50	21-Apr-09	Cut 25bps	24-Jul-09
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 50bps	N/A
Saudi Arabia	Repo rate	0.50	14-Apr-09	Cut 25bps	N/A
Egypt	Overnight Deposit	10.00	27-Mar-09	Cut 50bps	N/A
Turkey	Base Rate	9.75	16-Apr-09	Cut 75bps	14-May-09
South Africa	Repo rate	9.50	30-Apr-09	Cut 100bps	28-May-09
Kenya	Central Bank Rate	8.25	20-Mar-09	Cut 25bps	June 09
Nigeria	Monetary Policy Rate	8.00	08-Apr-09	Cut 175bps	June 09
Ghana	Prime Rate	18.50	24-Feb-09	Raise 150bps	May 09
Mexico	Target Rate	6.00	17-Apr-09	Cut 75bps	15-May-09
Brazil	Selic Rate	10.25	29-Apr-09	Cut 100bps	10-Jun-09
Armenia	Refi Rate	7.50	07-Apr-09	Cut 25bps	N/A
Romania	Policy Rate	10.25	06-Jan-09	No change	N/A
Bulgaria	Base Interest	5.25	01-Sep-08	No change	N/A
Kazakhstan	Refi Rate	9.50	05-Feb-09	No change	N/A



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