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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Stress test effectiveness to depend on robust assumptions and impact on decision making

Moody's Investors Service noted the increasing importance of effective stress testing by banks in light of the current global financial crisis, but cautioned that stress testing should not be regarded as the solution to all risk management issues. The agency said that stress tests, which were usually applied to market risk and more recently to credit risk, were generally not sufficiently rigorous and their results were rarely used to support management decision-making. It added that stress tests were developed and used mainly in a bank's risk management group, with little or no direct involvement of senior managers and board members. Moody's added that the extreme events of the financial crisis and the consequent near collapse of the global financial system, have highlighted the importance of assessing the impact of severe scenarios on banks' portfolios and ultimately on banks' ability to survive. It noted the limitations of statistical measures that rely on recent historical data and highlighted the need to implement effective stress test frameworks. It said a robust stress testing framework is no longer optional for banks, adding that its effectiveness cannot be taken for granted, but depends on the quality of the assumptions and on the use of the results for management decisions. It said that a lack of transparency on banks' stress tests is a challenge for both investors and rating agencies. It added thta greater disclosure of information by banks on the results of their internal stress tests and underlying assumptions is going to be key to evaluating banks' risk management.

Source: Moody's Investors Service

EMERGING MARKETS

New initiative to help clean up financial systems

The International Finance Corporation launched the Debt and Asset Recovery Program, a new initiative to tackle rising levels of troubled assets and corporate debt in developing countries. It noted that the program will help clean up financial systems, get credit flowing, and support recovery from the global financial crisis. The IFC said it will contribute up to $1.55bn to the program over three years and expects to mobilize up to an additional $5bn from other international financial institutions and private sector partners. It added that the program will invest directly in businesses that need to restructure debt and in pools of distressed assets, as well as invest indirectly through investment funds targeting pools of distressed assets and companies. Also, the IFC is currently in discussions with international financial institutions and governments to collaborate on projects focusing on debt restructuring initiatives under DARP, and is working on transactions with private sector partners across developing economies. It noted that up to $1,500bn in emerging market corporate debt is due in 2009, but businesses are facing difficulties refinancing debt and banks have rising levels of non-performing loans.

Source: International Finance Corporation

MENA

Private equity activity to pick up

Deloitte & Touche's Private Equity Confidence Survey indicated that new private equity investment activity is expected to significantly increase in the MENA region in the coming 12 months. It attributed the anticipated rise to lower valuations, an increasing number of distressed opportunities, and an improvement in overall economic conditions. It noted that uncertainty in IPO markets would lead companies needing funds to expand or to refinance bank debt to turn to private equity in the coming year. The survey shows that 78% of respondents expected investment activity to increase in the region in the coming 12 months, but 49% expected deal sizes to stay the same in the coming year while 32% expected them to decrease. In addition, 78% of respondents anticipated that exit activity would decrease in the coming year, while 74% expect returns on such exits to regress. The survey identified the pharmaceuticals, biotechnology and healthcare as the sectors expected to yield the most opportunities in the coming year. Further, respondents cited governance, market regulation and human capital deficiencies as the three top challenges facing the MENA private equity industry in the future.

Source: Deloitte & Touche

IPO activity down 84% in first 9 months of 2009

Companies in the Middle East raised $2.05bn through 13 initial public offerings in the first 9 months of 2009, down 84% from $13.1bn raised in the same period last year. Saudi Arabia accounted for 61.5% of the number of IPOs in the region, followed by Tunisia and Syria with 15.4% each, and Qatar with 7.7%. In value terms, Saudi Arabia accounted for $984m, or 47.8% of the total, followed by Qatar with $952m (46.3%), Tunisia Syria with $80m (3.9%) and Syria with $39.7m (1.9%). Financial services accounted for 46% of all IPOs, followed by telecommunications with 23.1% and manufacturing with 15.4%, and oil & gas and healthcare with 7.7% each. In parallel, telecommunications accounted for 50.3% of raised capital, followed by oil & gas with 31.1%, manufacturing with 9%, financial services with 5.3% and health care with 4.3%. National Petrochemical Company of Saudi Arabia was the largest IPO in the third quarter with $640m raised, while Qatar's Vodafone remained the largest IPO year-to-September with $952m raised in April. Four IPOs raised $841m during the third quarter, compared 7 IPOs that raised $1.13bn in the second quarter of the year. Riyad Capital was top lead managers of IPOs in the region with $640m or 32.2% of the total, followed by HSBC Bank Middle East with $476m or 23.2%.

Source: Zawya.com

OUTLOOK

SYRIA

Non-oil growth to average 4.7% in 2009-10, current account deficit to widen

The International Monetary Fund projected Syria's real GDP growth at 3% in 2009, down from 5.2% in 2008, and compared to growth of 3.6% in the oil importing economies of the Middle East, and to growth of 2.2% in the region this year. It also expected economic growth of 4.2% compared to growth of 3.8% in oil importing economies and 4% in the region in 2010. It projected the country's real non-oil GDP growth at 3.5% in 2009 and 5.8% in 2010, down from 6% in 2008. The IMF forecast Syria's annual average inflation rate at 7.5% in 2009 and 6% in 2010, down from 15.2% in 2008 and compared to inflation of 10.1% in 2009 and 7.2% in 2010 for oil importing economies. Further, it expected the growth of broad money at 11.6% this year and 12.5% next year relative to 12.5% last year. The Fund projected the central government's fiscal balance to post a deficit of 4.6% of GDP in 2009 and 3.6% of GDP in 2010, up from 3.2% of GDP in 2008, and compared to a deficit in oil importing peers of around 5.8% of GDP in 2009 and 2010. It estimated public revenues at 21.6% of GDP this year and 21.5% of GDP next year and total expenditures at 26.2% of GDP in 2009 and 25.2% of GDP in 2010.

The IMF forecast Syria's public debt to reach 32% of GDP at end-2009 and end-2010 up from 30.1% at end-2008, as well as total external debt at 11.7% of GDP at the end of this year and at 11.3% of GDP next year. Further, the Fund estimated exports of goods & services from Syria at $17.6bn in 2009 and $18.9bn in 2010 relative to $18.9bn in 2008, and imports of goods & services at $20.3bn in 2009 and $22.3bn in 2010 relative to $21.7bn in 2008. It forecast the country's current account deficit at $1.7bn or 3.2% of GDP in 2009 and at $2.7bn or 4.3% of GDP in 2010, compared to a deficit of 4.5% of GDP for oil importing countries in 2009-10. The Fund expected the country's gross official reserves to reach $18.4bn at end-2009 and $18.6bn at end-2010, up from $18.1bn at end-2008.

Source: International Monetary Fund

SUDAN

Non-oil growth to average 4%, current account deficit at 10% of GDP in 2009-10

The International Monetary Fund projected economic growth in Sudan at 4% for 2009 and 5.5% for 2010 compared to growth in Middle Eastern oil exporting countries of 1.4% in 2009 and 4.1% in 2010. It forecast the country's real non-oil GDP to grow by 4.1% in 2009 and 3.9% in 2010, down from 8.5% in 2008. It projected Sudan's annual average inflation rate at 11% in 2009 and 9% in 2010, down form 14.3% in 2008, and compared to inflation of 5.3% and 6.2% in oil exporting countries for 2009 and 2010, respectively. Also, it expected broad money to grow by 20% this year and 18% next year, up from 16.3% in 2008. The Fund projected the central government's fiscal balance to post a deficit of 3.8% of GDP in 2009 and 3% of GDP in 2010, up from 1.4% of GDP in 2008. It estimated public revenues at 14.7% of GDP in 2009 and 17% of GDP in 2010, down from 21.3% of GDP in 2008, and total expenditures at 18.8% of GDP this year and 20.6% of GDP next year, down from 23.2% of GDP last year.

The IMF expected Sudan's public debt to reach 81.3% of GDP at end-2009 and 74.1% of GDP at end-2010, up from 69.7% at end-2008. It also forecast total gross external debt at 67.6% of GDP this year and 61.1% of GDP next year, up from 58% of GDP last year and compared to external debt in oil exporting countries of 29.1% of GDP in 2009 and 23.2% of GDP in 2010. Further, the Fund estimated Sudan’s exports of goods & services at $7.5bn in 2009 and $11.6bn in 2010 relative to $13bn in 2008, and imports of goods & services at $9.5bn in 2009 and $10.6bn in 2010, down from $12.5bn in 2008. It forecast the country's current account deficit at $6.1bn or 11.2% of GDP in 2009 and at $5.9bn or 9.1% of GDP in 2010, up from 5.2bn or 9% of GDP in 2008. The Fund expected the country's gross official reserves to reach $1bn at end-2009 and $1.5bn at end-2010, down from $2bn at end-2008.

Source: International Monetary Fund

ARMENIA

Economy to resume growth in 2010, current account to post deficit of 14% of GDP

The International Monetary Fund projected Armenia's real GDP to contract by 15.6% in 2009 relative to a growth of 6.8% in 2008 and compared to growth in the Caucasus & Central Asian (CCA) countries of 1.5% in 2009. It forecast the country's real GDP to grow by 1.2% in 2010, relative to a 5.1% growth in CCA countries. It expected the country's nominal GDP to reach $8.7bn this year and $8.2bn next year, down from $11.9bn in 2008. The Fund forecast Armenia's annual average inflation rate at 3% in 2009 and 3.2% in 2010, down from 9% in 2008 and compared to inflation of 6.5% in 2009 and 2010, respectively, for CCA economies. Also, it expected broad money to grow by 13% this year and 12.5% next year, up from 2.4% last year. The Fund projected the central government's fiscal balance to post a deficit of 7.5% of GDP in 2009 and 5.9% of GDP in 2010, up from 1.3% of GDP in 2008, and compared to surpluses in the region of 0.4% of GDP in 2009 and 3.6% of GDP in 2010. It estimated public revenues at 20% of GDP this year and 20.5% of GDP in 2010 relative to 19.6% of GDP last year, and total expenditures at 31.5% of GDP this year and 28.5% of GDP next year up from 22.5% of GDP last year.

The IMF expected Armenia's public debt to reach 37.4% of GDP at end-2009 and 44.1% of GDP at end-2010, up from 15.9% at end-2008, and compared to a public debt level of 13.8% of GDP in the region for 2009-10. It also forecast total external debt at 31.1% of GDP this year and 38.7% of GDP next year, up from 13.2% of GDP last year, and compared to external debt in the region of 57.2% of GDP in 2009 and 55.1% of GDP in 2010. Further, the Fund estimated exports of goods & services from Armenia at $1.3bn in 2009 and $1.4bn in 2010 compared to $1.7bn in 2008, and imports of goods & services at $3.6bn in 2009 and $3.7bn in 2010, down from $4.7bn in 2008. It forecast the country's current account deficit at $1.2bn or 13.7% of GDP in 2009 and $1.1bn or 13.7% of GDP in 2010, relative to $1.4bn or 11.5% of GDP in 2008. In comparison, CCA countries are forecast to post current account surpluses of 3.4% of GDP this year and 8.5% of GDP next year.

Source: International Monetary Fund

ECONOMY & TRADE

SYRIA

Tourism activity up 10% year-to-September

Figures release by the Ministry of Tourism show that the number of visitors to Syria reached 4.52 million in the first 9 months of 2009, constituting an increase of 10.4% from 4.09 million visitors in the same period last year. The figures include Syrian expatriates but it is not clear if they include one-day visitors from neighboring countries and Iraqi arrivals. The distribution of tourists by source shows that the number of Arab visitors increased by 8.9% to 2.76 million and accounted for 61% of total arrivals. Visitors from other parts of the world totaled 0.96 million, up 14.6% from the same period last year, with European tourists accounting for 28.4% of non-Arab visitors and rising by 24% year-on-year. The number of Syrian expatriates visiting their home country rose by 11.1% to 0.8 million. Spending by visitors totaled about $3.69bn year-to-September, an increase of 12% from $3.3bn in the same period last year. Further, the number of tourist nights booked through local tourism and travel agents increased by 9% to 629,736 nights at the end of September 2009.

Source: Ministry of Tourism

IRAQ

Cabinet endorses draft budget for 2010

The Iraqi Cabinet approved the draft budget for 2010 that sets spending at $66.7bn, constituting an increase of 14% from the 2009 budget of $58.6bn, which was revised downward several times due to a sharp fall in oil prices from last year's record highs. About $49.6bn of the proposed budget has been allocated for operational expenses and $17.8bn for investment spending. The 2010 budget, which projects a deficit of $15bn, is calculated based on an average oil price of $60 per barrel, as well as on expected oil exports of 2.15 million barrels per day, slightly higher than current levels. The government plans to cover the budget deficit by issuing bonds and requesting loans from international institutions, including the International Monetary Fund. Meanwhile, it has imposed a hiring freeze, limited its military spending and plans to make further cutbacks next year. The draft budget still needs to be ratified by Parliament.

Source: Associated Press

UAE

Dubai debt at about $90bn, strategy unclear for short-term dues of $50bn

Standard & Poor's estimated the current total amount of debt owed by the Dubai government and its various government-related entities (GREs) at between $80bn and $90bn, adding that the relatively short-term structure of the debt is more significant than the quantity of debt outstanding. It noted that the debt estimate includes only bonds and syndicated loans announced, and excludes bilateral bank loans, revolving credit facilities and private placements. It said the GREs need to repay about $50bn over the coming three years, which is equivalent to around 70% of Dubai's current estimated GDP, with the majority of this debt due in 2011 and 2012. The agency noted that Dubai has a long track record of 'ongoing' government support to the GREs in the form of land grants and provision of infrastructure to support projects, but that it has a much shorter track record of extraordinary support to GREs to help them avoid financial distress. S&P said the Dubai government will have to provide extraordinary financial support to help at least some of its GREs meet their financial obligations on a timely basis. But it considered that the lack of transparency in the government's strategy in dealing with these financial obligations is creating significant uncertainty. It added that government support will be more costly that in past instances due to changing market conditions and limited resources, and that the government may have to distinguish among potential recipients.

Source: Standard & Poor's

TURKEY

Annual current account deficit narrows to 2.2% of GDP in August

Figures released by the Central Bank of Turkey show that the current deficit account deficit reached $13.3bn, or 2.2% of GDP, year-on-year in August, a decline from $16.5bn, or 2.7% of GDP in July, and from a peak deficit of $49.1bn, or 2.4% of GDP in August 2008. The narrowing in the current account deficit continued to be driven by the decline of imports as domestic demand remains weak. The decline in the 12-month rolling merchandise trade deficit to 4.1% of GDP in August from 4.5% of GDP in July was the main reason behind the narrowing 12-month rolling current account deficit in August. Further, the gap between Turkey's balance of payments financing needs and sources might be around $9.5bn in 2010 under the assumption that the non-bank corporate sector's external debt rollover ratio will increase to 95% next year. The gap is likely to expose the lira to depreciation pressure in the coming period unless Turkey signs a stand-by arrangement with the IMF or private capital inflows pick up.

Source: Credit Suisse

UKRAINE

Sovereign ratings affirmed, outlook negative

Fitch Ratings affirmed Ukraine's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B' with 'negative' outlooks. It also affirmed the short-term foreign currency IDR and Country Ceiling rating at 'B'. It said Ukraine's IMF program is at serious risk of going off-track mainly because policy discipline has eroded even further, risking a delay in disbursement of the next IMF loan tranche. The agency indicated that the government has effectively abandoned policy commitments made at the time of the second IMF review in July 2009, including a hike of retail gas tariffs intended to reduce the budget deficit to 8.6% of GDP in 2009. Fitch projects the consolidated deficit at 11.1% of GDP for this year. It said Ukraine could face difficulties in financing a deficit of this scale if funds form the IMF and other institutions are not forthcoming. It noted that Ukraine's macroeconomic policy framework is inconsistent, as the authorities are aiming to defend the exchange rate while avoiding necessary fiscal tightening. Fitch expressed concern that a delay to the next IMF loan tranche could undermine fragile confidence in the currency and spark another round of financial instability. It added that a further sharp depreciation of the hryvnia would intensify pressure on the banking system, where non-performing loans reached 30% at end-June 2009.

Source: Fitch Ratings

BANKING

UAE

Banks have $11bn liquidity gap, government delays capital injection

Standard Chartered Bank indicated that banks in the UAE are facing a liquidity shortfall of up to $11bn and are suffering from bad debt due to unsecured lending. It added that lenders were coping with a liquidity shortfall of between AED 30bn and AED 40bn, or $8.2bn-$10.9bn, as the performance of banks has been negatively affected hurt an increase in bad debt due to unsecured lending in particular. In parallel, the UAE government has delayed a third and final cash injection of AED 20bn, or $5.5bn, in local banks from a support facility set up last year after it found that banks currently do not need it. It said the injection of the third tranche, part of an AED 70bn rescue package made available to local banks last year to deal with the global financial crisis, is subject to conditions set by a ministerial committee that found that banks don't need further government support. So far, 22 local banks have received AED 50bn in government funds through the facility's first two tranches. The government committee found that liquidity, capital adequacy ratios and other banking sector indicators have improved markedly in recent months and banks don't require another government injection. The committee said it will meet again to review indicators at the end of September as part of continuous monitoring of the conditions of the banking system and to determine the need for support. The first two tranches of the government support facility were injected in October and November 2008, respectively. This followed an AED 50bn facility made available to banks by the UAE's Central Bank.

Source: Al-Bayan, Dow Jones Newswires

ANGOLA

Rise in foreign reserves to help lift capital controls

The Economist Intelligence Unit indicated that Banco Nacional de Angola (BNA), the country's central bank, has relatively succeeded in containing the decline in foreign-exchange reserves through restricting the availability of US dollars in domestic markets. It said the collapse of oil revenues and the drop in foreign direct investment to Angola in 2009 has seriously undermined the BNA's ability to continue to support the currency through market intervention. It considered that the BNA is likely to maintain capital controls in the short term, which has helped to limit the outflow of foreign currencies since April 2009, but at the expense of severely disrupting trade. It said a further strengthening of international oil prices is likely to see the BNA withdraw these controls towards the end of the year, once the level of reserves improves. It expected the BNA to maintain the exchange rate at an average of Kz77.2 and Kz77.5 to the US dollar in 2009 in 2010, respectively. But it warned that the BNA could be forced to depreciate the currency if the drawdown of foreign-exchange reserves accelerates further. The IMF estimated Angola's foreign currency reserves to reach 4.9 month of imports of goods & services at end-2009, below the 7.9 months of coverage for oil exporting countries in Sub-Saharan Africa.

Source: Economist Intelligence Unit

NIGERIA

Central Bank considering setting up 'bad bank'

The Central Bank of Nigeria (CBN) is considering the formation of a 'bad bank', or an Asset Management Company, that could potentially buy troubled assets from banks. The aim would be to improve banking sector liquidity by removing problem loans from bank balance sheets, while protecting bank earnings from further erosion. An earlier audit of 24 banks operating in the country found 10 banks to have liquidity or capitalization problems. As a result, the CBN injected NGN 600bn, or $3.9bn in 9 of those banks for being undercapitalized, and replaced management at 8 of the 10 institutions for extending loans to companies and individuals without adhering to corporate governance and risk management practices. Also, the CBN's objective from establishing an AMC would be to help restore credit to the real sector, as lending is likely to remain sluggish as long as bank balance sheets remain weighed down by problem assets. Another objective of an AMC is to encourage a second wave of banking sector consolidation, as in the absence of a mechanism to deal rapidly with the problem loans, further consolidation may be difficult.

Source: Standard Chartered

RUSSIA

Negative outlook for banking system

Moody's Investors Service expected negative rating pressure on Russian banks in the near- to medium-term, reflecting concerns over the credit fundamentals of domestic banks. It said the first wave of the global financial crisis has been contained by timely and adequate actions by the government and the Central Bank of Russia (CBR). However, the risk of further instability in the banking system remains relatively high due to negative pressure on capitalization and profitability from deteriorating asset quality and liquidity caused by weak depositor confidence and asset-liability mismatches. The agency noted that the state support package to the banking sector reached $170bn or 10% of GDP, which is one of the largest among emerging markets. It said the beneficiaries of this support are state banks, which are taking market share from private sector banks. Moody's estimates that around $70bn, or 11% of loans were problematic at mid-2009, and that an equally high level of loans has been restructured. It expected problem loans to exceed $110bn by end-2009, which would account for 20% of gross loans and to grow to 25% of gross loans by end-2010, largely driven by impairment in restructured loans and moderate new lending. It noted that further pressure on asset quality stems from foreign currency loans, which account for one-third of the total at mid-2009. Moody's estimates that expected losses on foreign currency loans at 70% to 100% higher compared to rouble-denominated loans. It added that this exposes banks to high credit risk as the rouble is expected to depreciate by 20% against the dollar by end-2009.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil rises after hitting one-year high near $76

Oil rose for a sixth straight session on October 15, touching its highest price in a year near $76 a barrel after U.S. industry data showed a modest fall in crude stockpiles and the dollar stayed weak. U.S. crude for November delivery rose 6 cents to $75.24 a barrel, after climbing as high as $75.96 earlier in electronic trading, its highest since October 2008. London Brent crude was up 10 cents at $73.20. U.S. crude stocks fell 172,000 barrels last week against expectations of a 700,000 barrel rise. Further support for crude came as the Dow Jones Industrial Average rose above 10,000 points for the first time in a year on October 14, while the dollar fell to a fresh 14-month low against a basket of currencies. Crude oil, up by 1.8% on the year, is now in positive territory on a year-on-year basis for the first time since October 10, 2008. The six straight days of gains mark its longest winning streak since July. But traders and analysts remained cautious that rising prices based on expectations of a revived economy were out of step with still fragile oil demand.
Source: Thomson Reuters

Syrian Crude Oil exports at $7.9bn in 2008

The Organization of Arab Petroleum Exporting Countries (OAPEC) stated that the value of Syria's crude oil exports stood at $7.9bn in 2008, up 41.5% from $5.6bn in 2007. The increase is mainly due to the surge in the world prices of crude oil. Crude oil exports have represented about 55% of Syria's total exports, which reached $14.4bn in 2008. The organization also said that Syria had 4.15 billion barrels of crude oil in reserves and 300 billion cubic meters in gas reserves at the end of 2008. OAPEC's combined export value stood at $618.2bn in 2008.
Source: OAPEC, Syria Report

Petrobras to invest $3bn in Angola by 2012

The Brazilian oil company Petrobras is planning to invest $3bn in Angola by 2012. Angola is the country in which Petrobras does the most prospecting, after Brazil. Economic and trade relations between Brazil and Angola have increased significantly since 2002. Total exports between the two countries rose from $200m in 2002 to $4.3bn in 2008.
Source: Macauhub

Iraq postpones second oil bidding round

Iraq's Oil ministry has delayed its second oil and gas field bidding round until next January. It said 45 companies are qualified to bid in the auction for work on 10 oilfields, originally scheduled for mid-December. Iraq is seeking to boost its production capacity to between 10 million and 12 million barrels a day through the second bidding round.
Source: Bloomberg

World Bank loan for Egypt power plant

Egypt's Ministry of Electricity said the country will receive a $620m loan from the World Bank to fund its North Giza power plant project. It said Egypt aims to more than triple its installed power capacity by 2027 by adding 58,000 MW at a cost of about $100bn to $120bn. The plant is set to come onstream during the first quarter of 2013.
Source: Thomson Reuters

Basic Metals: Zinc demand set to increase

Zinc prices have appreciated sharply during the past few months. This appreciation has to some extent not been aligned with events on the physical market. The increase in zinc prices could be driven by an anticipation of stronger fundamentals on the back of the fiscal and monetary stimulus packages implemented in many countries. Steel distributors have reduced inventories in many countries and their stocks are now relatively low. Outright re-stocking may further boost consumption and demand for galvanized steel is also set to increase as the global economy rebounds. Zinc demand is expected to expand by 6.7% year-on-year in 2010. China already increased refined zinc imports significantly in the first half of 2009 and there are signs that China's steel production has run ahead of end-user demand, which may prompt some cutbacks in output. As world demand, excluding China, is only starting to pick up, zinc prices have been trading within a range recently. But world zinc demand is expected to expand in 2010 and, coupled with tightness on the concentrates market, is projected to support zinc prices and to be reflected in time spreads.
Source: Merrill Lynch

Precious Metals: Gold may reach $1,200 as weak dollar increases investment demand

Gold is expected to rise to $1,200 an ounce by the end of 2009 as the dollar falls, increasing demand for the metal as a store of value. Economic volatilities are expected to increase and investors perceive gold as an asset class to hedge against these volatilities. Gold prices reached an all-time high of $1,070.80 an ounce on October 14 as the dollar declined to the lowest since August 2008 against a basket of six major currencies. Gold for immediate delivery climbed by $2.72 to $1,065.13 an ounce on October 15, while December-delivery gold on the Comex division of the New York Mercantile Exchange stood at $1,065.50 an ounce. The metal's price has increased by 21% this year, heading for a ninth straight annual gain. Gold is expected to account for 1% to 2% of total assets in global investment portfolios compared with less than 1% currently, as flows into commodity products increase. Commodity-linked products attracted $2.63bn in August and exchange-traded funds products attracted $1.74bn. In addition to retail investors, a large scale of institutional investors is now participating in the gold market.
Source: Bloomberg

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	188.9	184.3	172.3	-1.8	-0.8
LME metals price index	2978.3	2531.2	2208.6	-0.3	14.1
Oil prices USD	71.5	64.8	56.9	0.5	-19.9
Oil prices SDRs	45.0	41.9	37.4	-0.5	-22.8
Gold $/troy oz	1055.5	947.4	900.5	6.0	16.2
Silver cents/troy oz	1780.0	1439.3	1291.0	6.3	52.8
Platinum $/troy oz	1335.0	1208.0	1079.0	4.3	33.0
Copper $/MT	6241.3	5345.4	4469.4	-3.5	13.4
Nickel $/MT	19172.5	15624.6	13046.6	3.3	43.0
Aluminium $/MT	1857.3	1665.8	1609.8	-1.5	-18.3
Zinc $/MT	1977.5	1642.3	1405.8	0.6	31.2

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	Stable	-7.7	74.5	17.8	51.4	5.4	105.9	-1.5	4.1
Ethiopia					CCC								
	-	-	-	-	Stable	-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	-	-	-	-	CC								
	-	-	-	-	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	B+	-	BB-	-	B								
	Stable	-	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	BBB								
	Stable	-	Stable	Stable	Stable	-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	Negative	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-	BB								
	-	-	-	Stable	Stable	16.7	10.6	79.3	125.2	2.3	287.4	11.4	2.4
Yemen	-	-	-	B	CC								
	-	-	-	Stable	Stable	-17.2	-	29.6	161.9	-	-	-16.9	

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

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

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	23-Sep-09	No change	04-Nov-09
Eurozone	Refi Rate	1.00	08-Oct-09	No change	05-Nov-09
UK	Base Rate	0.50	08-Oct-09	No change	05-Nov-09
Japan	O/N Call Rate	0.10	14-Oct-09	No change	30-Oct-09
Australia	Cash Rate	3.25	06-Oct-09	Raise 25bps	03-Nov-09
New Zealand	Cash Rate	2.50	10-Sep-09	No change	29-Oct-09
Switzerland	3 month Libor target	0.25	17-Sep-09	No change	10-Dec-09
Canada	Overnight rate	0.25	10-Sep-09	No change	20-Oct-09
Emerging Markets					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	24-Sep-09	No change	04-Nov-09
Taiwan	Discount Rate	1.25	24-Sep-09	No change	Dec-09
South Korea	Target Rate	2.00	09-Oct-09	No change	12-Nov-09
Malaysia	O/N Policy Rate	2.00	25-Aug-09	No change	28-Oct-09
Thailand	1D Repo	1.25	26-Aug-09	No change	21-Oct-09
India	Reverse repo rate	3.25	28-Jul-09	No change	27-Oct-09
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 50bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	8.25	17-Sep-09	Cut 25bps	05-Nov-09
Turkey	Base Rate	7.25	17-Sep-09	Cut 50bps	15-Oct-09
South Africa	Repo rate	7.00	22-Sep-09	No change	22-Oct-09
Kenya	Central Bank Rate	7.75	23-Sep-09	No change	Nov-09
Nigeria	Monetary Policy Rate	6.00	02-Sep-09	No change	Nov-09
Ghana	Prime Rate	18.50	23-Sep-09	No change	Nov-09
Mexico	Target Rate	4.50	10-Sep-09	No change	16-Oct-09
Brazil	Selic Rate	8.75	02-Sep-09	No change	21-Oct-09
Armenia	Refi Rate	5.00	08-Sep-09	Cut 25bps	N/A
Romania	Policy Rate	8.00	29-Sep-09	Cut 50bps	N/A
Bulgaria	Base Interest	1.46	01-Oct-09	Cut 11bps	N/A
Kazakhstan	Refi Rate	7.00	04-Sep-09	Cut 50bps	N/A
Ukraine	Discount Rate	10.25	11-Aug-09	Cut 75bps	N/A
Russia	Refi Rate	10.00	30-Sep-09	Cut 50bps	N/A

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