

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate defaults at record high in 2009

Standard & Poor's indicated that 265 companies defaulted on their debt obligations in 2009, surpassing the previous high of 229 defaults in 2001. It said 40 firms defaulted on their debt in the third quarter of the year compared to 57 firms in the third quarter, 116 companies in the second quarter and 62 firms in the first quarter. The U.S. led default activity with 193 defaults, followed by emerging markets with 36, Europe with 19, and other developed markets with 17 defaults. It noted that this constitutes twice the number of regional defaults in 2008. The agency said distressed exchanges accounted for 103 defaults, followed by missed interest or principal payments with 88 defaults, bankruptcy with 69 defaults, and other reasons, including regulatory or government takeovers, with 5 defaults. S&P said that 87% of the issuers that defaulted in 2009 were rated speculative grade ('BB+' and lower) prior to default, reflecting the ability of corporate credit ratings to serve as an effective measure of relative default risk. It added that the majority of defaults in 2009 were from the weakest end of the credit spectrum, or entities rated 'B-' and lower with a 'negative' outlook or ratings on CreditWatch negative. S&P indicated that 40% of issues that defaulted in 2009 had negligible recovery expectations of 0%-10%, 15% of issues had modest recovery prospects of 10%-30%, 12% had average recovery prospects of 30%-50%, 11% had meaningful recovery prospects of 50%-70%, 12% of issues had substantial recovery prospects of 70%-90%, and 10% had very high recovery prospects of 90%-100%.

Source: Standard & Poor's

Energy and financials to lead M&A activity in 2010

A Bloomberg survey on the outlook for global mergers and acquisitions (M&A) in 2010 shows that 92% of respondents expect activity to improve this year compared to 2009. One third of survey participants expect the Asia-Pacific region to be the most active in M&As, followed by North America with 31% of respondents, Western Europe with 13%, Central & South America with 10%, Central Asia with 7%, Eastern Europe with 3% and the Middle East & Africa with 2%. In addition, 21% of respondents expect energy to be the most active sector for M&As, followed by financials with 17% of participants, industrials with 11%, and healthcare and materials with 8.5% each. Also, 45% of participants expect equity financing to be the main source of M&A financing in 2010, 34% chose debt issuance, while 21% expected cash reserves to finance M&As. Further, 68% of participants expected 2010 to present a favorable environment for the fair valuation of acquisition targets, while 68% considered that cross-border deals will be the most attractive this year. In parallel, 37% considered that distressed companies will be the most frequent acquisition target this year, 19% chose corporate divestiture, 15% said mid cap public firms, 11% selected infrastructure, 10% thought state-owned firms and 8%

considered family-owned companies as the most frequent acquisition targets. Further, 21% of respondents said that target valuations will be the primary driver of M&A this year, followed by market stability with 17% of respondents, 16% chose financing, 15% selected foreign competitors and another 15% considered domestic competitors as the primary drivers of M&A activity.

Source: Bloomberg

MENA

E-government readiness slightly improves in Arab world

The United Nations' Electronic Government Readiness Index for 2010 shows that overall e-government readiness slightly improved in the MENA region this year, as the region's average score increased by 0.8% to 0.4395 points, while the Arab world's average score improved by 1.9% to 0.4278 points from the previous survey. The global average for e-government readiness was 0.440 points. The index provides a quantitative appraisal of the use of e-government as a tool in the delivery of services to the public at large. It is a composite index based on website assessment, telecommunication infrastructure and human resources. The rankings of 10 MENA countries improved, 8 declined and one remained the same, while the scores of 10 countries improved and 9 regressed. Bahrain is the highest ranked Arab country, coming in 13th place and is the only Arab country among the top 30 countries globally in terms of electronic readiness. Yemen ranked last in the region, coming in 164th place globally. The survey assessed e-government online facilities as an indicator of the pro-active stand of a government in its capacity to deploy high quality information through electronic means. The United Nations said the concept of connected government looks towards technology as a strategic tool and as an enabler for public service innovation and productivity growth.

Source: United Nations

IPOs down 84% in 2009

Ernst & Young indicated that initial public offerings (IPOs) in the Middle East raised \$2.06bn in 2009, constituting a decline of 83.5% from \$12.5bn in 2008. It said IPO activity was limited to three countries last year, as IPOs in Saudi Arabia raised \$1.03bn, those in Qatar raised \$952m, while IPOs in Syria raised \$77m. It noted that Al Baraka Bank Syria was the biggest IPOs in the fourth quarter and raised \$37.23m, followed by Saudi Arabia's Gulf General Cooperative Insurance Company with \$21.3m, Al Alamiya Cooperative Insurance Company with \$16m and Buruj Cooperative Insurance Company with \$13.8m. Ernst & Young said the annual decline in IPOs reflects investor sentiment in the region and the impact of the global economic downturn on the Middle East.

Source: Ernst & Young

OUTLOOK

UAE

Rising NPLs, lower asset growth, and difficult access to funding are key challenges of banking sector

Barclays Capital indicated that UAE banks face the challenges of rising non-performing loans and provisioning, lower asset growth, and more difficult access to external funding in the wake of the Dubai World restructuring announcement. It said banks are operating in a context of heightened uncertainty with respect to the scope, timing and terms of the restructuring package. It noted that banks expect corporate bankruptcies and unemployment to rise, and for NPLs to increase significantly, forcing them to make higher provisions. In turn, this will affect profitability and dividends for shareholders.

Barclays Capital said Dubai banks and some of the Abu Dhabi banks with significant exposure to Dubai World could see their balance sheets shrink, as the credit environment will not improve anytime soon. It considered that lending to some of the Dubai Inc. entities will be curtailed significantly in the short to medium term, and uncertainty about the creditworthiness of local companies and individuals will make banks even more reluctant to extend credit. It noted that an orderly restructuring of Dubai World is likely to encourage companies to be less leveraged and to rely more on their own resources.

In parallel, it expressed concern about the banks' costlier and more difficult access to external funding following the rating agencies' actions, notably for interbank funding and bilateral facilities from international banks. According to Barclays, the Central Bank will play a critical role in influencing the restructuring process and shaping accompanying policies to minimize the impact on the banking system. Further, the Central Bank is prepared for all scenarios and is ready to stand behind banks, and can access enough liquid resources to cover banks' liabilities in case of need.

Source: Barclays Capital

QATAR

Non-oil growth at 6.7% in 2010, economy driven by rise in natural gas production

Credit Suisse estimated Qatar's real GDP growth at 7.3% in 2009, down from nearly 10% in 2007-08, as the sharp fall in crude-oil output and a downturn in the non-energy sector affected the economy's overall performance last year. It expected non-hydrocarbon GDP to slow to 2.2% in 2009, as activity in financial services, manufacturing, trade and tourism, slowed down significantly given the impact of the credit crunch and the property market downturn on domestic demand. Further, reduced access to capital and weak aggregate demand have limited business investment, particularly in the construction and real estate sectors. Also, households have scaled down spending due to tighter credit and difficult conditions in the labor market. As a result, it estimated real private consumption growth at 9.4% and real fixed investment at 2.5% in 2009.

It projected growth at 14.2% in 2010 driven by the natural-gas sector, as additional LNG output capacity is scheduled to come

online this year. It also forecast non-hydrocarbon growth at 6.7% this year, as the government's unfolding emergency anti-crisis measures, strong public spending and investment, high oil prices, and strengthening external demand would lead to a recovery in the non-hydrocarbon sector. It noted, however, that the construction and real estate sectors would see a slower recovery as market conditions are likely to remain difficult for the next six to nine months. It forecast real private consumption growth at 16% and real fixed investment at 4.9% in 2010.

Credit Suisse expected the fiscal balance to post a surplus of 1.4% of GDP in fiscal year 2009/10 due to a 19% drop in oil and gas receipts and a 14% fall in on-energy revenues, but to post a surplus of 6.4% in 2010/11 based on an oil price average of \$80 per barrel and higher growth in LNG production. It forecast the trade and current account surpluses to rebound this year, as external conditions improve and oil prices strengthen. It forecast the foreign trade surplus to rise to \$31bn, or 28% of GDP, and for the current account surplus to edge up to \$17bn, or 15% of GDP in 2010.

Source: Credit Suisse

NIGERIA

Real GDP growth at 4.6% in 2010 as oil production recovers

Citigroup expected Nigeria's real GDP to grow by 4.6% in 2010 as oil production starts recovering in the first half of the year due to the recent efforts made to conclude an amnesty in the Delta region. It also expected the agricultural and government sectors to grow in 2010, but warned that the rest of the non-oil sectors, mainly the financial and retail sector, will not grow as robustly as in recent years. Further, it expected the recovery in oil production and higher oil prices to reduce the fiscal deficit from 5.6% of GDP in 2009 to 3.8% of GDP in 2010. It also projected the current account surplus to widen from 6.2% of GDP to 11.9% of GDP in 2010, supported by increasing oil exports.

Citigroup noted that the naira has been extremely volatile since late July with the market unable to find a direction. It expected the currency to stabilize at levels of around N151-152:US\$1 in the first half of 2010 as foreign exchange earnings increase, but warned that the risks are to the downside with elections approaching and the amnesty in the Delta remaining fragile. It expected the monetary policy in 2010 to focus on the problem of rising inflation, as the banking sector's crisis ends. Consequently, it projected the monetary policy to tighten and interest rates to increase. It said excess liquidity in the economy will emerge in 2010 given the high levels of government spending and the recovery in oil production. It forecast inflation to average 8.8% in 2010, down from an estimated 12.3% in 2009.

Citigroup noted that under the current administration, progress on economic reforms have been limited, including resolving the long-standing problem of the country's electricity supply and addressing the major infrastructure deficit. It expected, however, some progress with liberalization and privatization prior to the elections that are scheduled to be held in May 2011, as both the new Minister of Finance and the Governor of the Central Bank of Nigeria are committed reformers.

Source: Citigroup

ECONOMY & TRADE

JORDAN

Budget deficit to widen to 6% of GDP this year

The 2010 budget projected total revenues at JD 4.8bn, down 13% from the 2009 budget, and total expenditures at JD 5.5bn, down 11.3% from the previous year's budgeted spending. It also expected foreign grants to contract by 52% to JD 330m this year, resulting in a fiscal deficit of JD 890m, or 5.8% of GDP when including grants relative to 3.9% of GDP last year. The deficit is projected at JD 1.03bn before grants, equivalent to 8.9% of GDP compared to 5.2% of GDP for last year. The budget assumes real GDP growth of 4.5% in 2010, and expects exports to increase by 11% and imports to decline by 11% this year. The government said the budget will try to curb the country's deficit to help the economy recover from the impact of the global crisis. It plans to reduce dependence on grants and vulnerability to high oil prices.

Source: *Cairo-Amman Bank*

SAUDI ARABIA

Sovereign ratings affirmed

Fitch Ratings affirmed Saudi Arabia's long-term local and foreign currency Issuer Default ratings (IDRs) at 'AA-', with a 'stable' outlook. It also affirmed the Country Ceiling at 'AA' and the short-term foreign currency IDR at 'F1+'. It said Saudi Arabia's financial flexibility, based on its oil revenues savings, has allowed it to maintain spending plans without raising borrowing. It noted that a key support for the ratings is the strong government balance sheet, as the sovereign's net foreign assets reached about 132% of GDP at end-2009 and are conservatively-managed, while consolidated general government debt was just 6% of GDP. It said net foreign assets are among the strongest relative to GDP and current account receipts in the 'AA' category, and fell by \$65bn, or 17.6% of GDP, between their peak in November 2008 and September 2009, but have resumed growth since then. It noted that the central government posted an estimated deficit of 3.3% of GDP in 2009, the first since 2002, and plans to raise spending by 13.7% in 2010. It forecast a fiscal surplus of at least 5% of GDP if oil prices average \$70 per barrel in 2010. Fitch estimated that lower oil prices could still compel the government to curb spending to preserve its balance sheet, although under most conceivable oil price scenarios, the government's net foreign assets position will remain comfortable.

Source: *Fitch Ratings*

UAE

Sovereign wealth fund refines strategy

The Abu Dhabi Investment Authority (ADIA), the world's largest sovereign wealth fund, indicated it plans to refine its investment approach to cope with downturns, as it still sees big risks to the global economy. ADIA said that it would focus on a highly diversified investing strategy and exercise great caution before making long-term adjustments in the midst of a major downturn. It noted that U.S. treasuries were still the most liquid benchmark, and will remain an important diversification tool. It added that it has switched its weightings across asset classes to reduce the impact of economic downturns over the past 18 months, adding that its allocation to global equities had aver-

aged 40%-60%, with 60% of that indexed. Regionally, the wealth fund has its largest allocation in the US, with 35%-50%, followed by Europe at up to 35% and Asia at up to 20%. ADIA's assets are estimated at between \$500bn and \$700bn.

Source: *Thomson Reuters*

DEM REP CONGO

Agriculture and mining account for 51% of GDP, trade at 21% of GDP

Figures released by the International Monetary Fund show that the Democratic Republic of Congo's primary sector accounts for 50.7% of GDP, down from 57% of GDP in 2003. Agriculture, forestry, livestock, hunting & fishing account for 37.4% of GDP, down from 45% of GDP in 2003, while mining accounts for 13.4% of GDP, up from 12% of GDP in 2003. The economy's tertiary sector accounts for 34.7% of GDP, up from 30.6% of GDP in 2003, with wholesale and retail trade representing 20.8% of GDP, transport & communications accounting for 6.1% of GDP, trade & commerce for 6% of GDP, and public administration & other services for 1.9% of GDP. The share of wholesale & retail trade rose annually from 17.8% of GDP in 2003, and the share of transport & communications improved from 5% in 2003, while the share of trade & commerce was nearly unchanged. Also, the secondary sector represented 12.6% of GDP, constituting an increase of 10.5% of GDP in 2003, with manufacturing declining to 4% of GDP from 4.5% of GDP in 2003, construction & public works rising from 5.8% of GDP in 2003 to 8% of GDP, and electricity & water slightly regressing to 0.6% of GDP from 0.9% of GDP in 2003. Further, import duties & taxes rose from 2% of GDP in 2003 to 2.9% of GDP in 2008.

Source: *International Monetary Fund*

TURKEY

Sovereign ratings upgraded on public finance resiliency

Moody's Investors Service upgraded Turkey's government bond rating to 'Ba2' from 'Ba3', and changed the outlook to 'stable' from 'positive'. It also raised the foreign currency bank deposit ceiling from 'B1' to 'Ba3' and the local currency bank deposit ceiling to 'A2' from 'A3' with a 'stable' outlook. It attributed the upgrade to the government's increasing capacity to absorb financial shocks. It said the Turkish economy's ability to rebound from external or domestic shocks is due to a significant improvement in the policy credibility over the last decade, and considered the recent financial crisis a 'stress test' for the policy reforms. It noted that the government has proven access to foreign capital as reflected by its new \$2bn 30-year Eurobond issue, the largest-ever emerging market sovereign transaction of that maturity. The agency said that the foundations for Turkey's long-term growth are also looking robust, although growth is not likely to resume at the pace achieved in the mid-2000s due to global and local factors. Moody's cautioned, however, that Turkey continues to face a range of downside risks, as its debt affordability metrics are still poor by international standards, with interest payments accounting for 27% of revenues and debt for 219% of revenues in 2009. It also lacks policy rules that would instill additional discipline to the budget process. Source:

Moody's *Investors Service*

BANKING

SYRIA

Government allows foreign majority ownership of banks

Presidential Decree 3/2010 authorized foreign financial institutions to own a majority stake in the capital share of local banks, therefore raising the foreign ownership ceiling from 49% to 60%, in a step to encourage global players into the Syrian banking industry. Still, the decree stipulates that authorities must grant a formal approval on a case-by-case basis for any majority ownership. Also, companies have been allowed to own a total of 60% of the shares of a bank from 49% previously, and it can be raised to 75% provided the additional 15% is held by state-affiliated companies and institutions. There are 12 private commercial and Islamic banks operating in Syria, with 6 of them affiliated to Lebanese banks.

Source: *Syria Report*

Loan guarantee institution to start operations in March

The non-profit Loan Guarantee Institution of Syria (LGIS) announced plans to officially launch operations in early March. The institution was set up to provide guarantees on loans granted by local banks to small and medium enterprises. The LGIS signed a cooperation agreement with one of the local banks to provide such guarantees and intends to sign similar agreements with all banks operating in Syria. The LGIS plans to start operations gradually until it raises in full the €20m needed to finance its operations. The Syrian government and international donors are expected to provide the funds.

Source: *Syria Steps, Dow Jones Newswires*

NIGERIA

Launch of first credit bureau

The first credit bureau in Nigeria, CRC Credit Bureau, officially launched its operations in the country. The bureau is a partnership between Dun & Bradstreet and 12 Nigerian banks that are Diamond Bank, Access Bank, Bank PHB, First Bank, First City Monument Bank, Guaranty Trust Bank, Intercontinental Bank, Oceanic Bank, Stanbic IBTC, Standard Chartered Bank, Union Bank and United Bank for Africa. The International Finance Corporation and consulting firm Accenture helped establish the bureau. The Central Bank of Nigeria said the setting up of the bureau was in line with its initiative to implement reporting, regulation and risk management in the Nigerian financial system. The bureau will help banks and other lenders assess the creditworthiness of individuals and businesses and their ability to pay back a loan, which reduces the risk of NPLs. It will also increase access to finance for individuals and businesses by providing transparent and detailed customer credit information and allow for risk-based pricing. The CRC said it has signed 15 of the 24 banks in the country, with 11 of the 15 banks already submitting data to the firm and using its services, while others are in various stages of implementation. Also, the company has signed on 10 microfinance and 5 primary mortgage institutions.

Source: *The Guardian*

TURKEY

Banks upgraded following sovereign upgrade

Moody's Investors Service upgraded the foreign currency deposit ratings of 16 Turkish banks to 'Ba3' from 'B1' with a 'stable' outlook, and affirmed the banks' local currency deposit ratings and national scale ratings. The upgraded banks include Akbank, Bankpozitif Kredit ve Kalkinma Bankasi, Denizbank, Finansbank, T.C. Ziraat Bankasi, Turk Ekonomi Bankasi, Turkiye Garanti Bankasi, Turkiye Halk Bankasi, Turkiye Is Bankasi and Yapi ve Kredi Bankasi. It attributed the upgrades to its earlier upgrade of the government bond rating and its country ceiling for foreign currency deposits. Moody's considered that the Turkish government has a strong willingness and ability to support its banks, if needed, and set the new systemic support indicator for Turkey at 'Baa3', up two notches from the government's 'Ba2' local currency bond rating. It said this two-notch difference reflects the government's ability and willingness to support the banking system, its broad array of financial and non-financial tools and the system's intrinsic strength.

Source: *Moody's Investors Service*

ARMENIA

Loans at \$1.8bn, deposits at \$1.7bn at end-November

Commercial banks' total loans, excluding overdue loans, reached \$1.84bn at the end of November 2009, constituting an increase of 10.4% from the end of 2008. Loans in local currency decreased by 13.5% from year-end 2008 and loans in foreign currency grew by 48.6% over the same period. Foreign currency loans accounted for 51.8% of overall lending excluding overdue loans, and loans in Armenian drams represented 48.2% of the total. Long-term local currency loans, which represented 78.2% of total local currency loans, declined by 8.8% from year-end 2008, while short-term local currency loans decreased by 27% over the same period. In parallel, the sector's total deposits grew by 37.4% in the first 11 months of 2009 to nearly \$1.7bn. Deposits in local currency reached \$460m at the end of November and constituted 27.3% of total deposits, while deposits in foreign currency reached \$1.2bn and accounted for 72.7% of the total. Non-resident deposits reached \$340m at the end of November, representing 20.1% of total deposits.

Source: *Central Bank of Armenia*

KAZAKHSTAN

Central Bank widens exchange rate band

The National Bank of Kazakhstan widened the exchange rate band for the tenge to a range of KZT/USD 127.5-165, preserving the central parity rate at KZT/USD 150. The NBK widened the band to +10% and -15%, which is in line with earlier comments that the corridor may be changed asymmetrically. The new band takes effect from Feb 5, 2010 and will be in effect till March 20, 2011, while the current band of KZT/USD 145-155 will apply till then. The NBK said that the exchange rate dynamics will depend on fluctuations of the US dollar rates relative to the euro, as well as on the ruble exchange rate, prices of major Kazakh export commodities, and the country's balance of payments position.

Source: *CEEMarketWatch*



ENERGY / COMMODITIES

Oil tops \$80 in rebound from 2010 lows

Oil rose to \$80 a barrel on January 14 as traders moved to cover short positions, taking advantage of a drop to 2010 lows the previous day on surprise gains in U.S. distillates and crude stocks. The U.S. government Energy Information Administration (EIA) said crude inventories in the United States climbed by a larger-than-expected 3.7 million barrels last week, while distillates posted an increase of 1.4 million barrels, against expectations for a decline. U.S. crude for February rose by 50 cents to \$80.15 a barrel after trading at \$78.37 on January 13, the lowest intraday price this year, following the release of the EIA data. Prices had reached a 15-month intraday high of \$83.95 a barrel on January 11th. London Brent crude for February increased by 52 cents to \$78.83 a barrel, after having touched a 2010 low of \$77.04 on January 13th. U.S. oil stockpiles have increased over the past 18 months as the economic crisis has cut energy demand.

Recent icy weather over much of the U.S. drained heating oil stocks by 1.1 million barrels in the week ended January 8th. But that was insufficient to generate a drop for the whole distillates category, which groups heating oil with diesel and jet fuel. Heating fuel demand is expected to remain lower than normal as forecasts show higher-than-normal temperatures in the U.S. Northeast over the coming week. However, cold weather conditions across Europe are expected to hold heating demand well above average levels.

Source: Thomson Reuters

French-Syrian oil venture to drill 5 wells in 2010

Deir Ez Zor Petroleum Co., a joint venture between France's Total SA and the state-run Syrian Petroleum Co., plans to drill five wells in 2010. The wells, located in the Al Tabia field, are expected to start production in the second half of the year with a production capacity of 7,000 barrels a day.

Source: Dow Jones Newswires

Sudan seeks Egyptian gas supply deal

Egypt's Petroleum Ministry indicated that Sudan has made a formal request to Egypt for a gas supply agreement. The ministry said the government is considering supplying Sudan with gas to help it meet growing domestic energy demand. It added that Sudan's request to import Egyptian gas had been prompted by the completion of the extension of the Upper Egypt Gas Pipeline to Aswan, which is 320km north of the Sudanese border. The Egyptian government said in June 2008 that it would not sign any new gas export deals until the end of 2010 or until it considers prices to have stabilized.

Source: Al-Yom Al-Sabe', Sudan Tribune

Libya launches its national nuclear program

The Libyan Nuclear Energy Board announced that authorities have activated agreements and international treaties with France, Argentina, Ukraine, Russia and Canada in the field of peaceful nuclear energy production. The board said the national nuclear energy program targets power generation and water desalination, adding that a specialized commission will identify sites for the construction of nuclear power stations.

Source: JANA

Precious metals: Gold may rise as weaker dollar increase demand

Gold, little changed on January 14, is expected to rise as a weaker dollar increases demand for gold as a store of value, as prices increased for a ninth year in 2009. Gold for immediate delivery reached \$1,138.07 an ounce in London. Gold for February delivery increased by 0.1% to \$1,137.90 on the New York Mercantile Exchange's Comex division. The metal increased by 24% last year as the U.S. Dollar Index fell by 4.2%. Gold climbed to an all-time high of \$1,226.56 an ounce on December 3 and is expected to reach \$1,275 within six months and \$1,365 in a year. The metal is projected to top \$1,200 in this year's first half on demand for a hedge against inflation. Among other precious metals for immediate delivery in London, silver lost 0.6% to \$18.52 an ounce, platinum fell by 0.1% to \$1,577.75 an ounce and palladium was little changed at \$424.92 an ounce.

Source: Bloomberg

Base metals: Restocking to support metals demand through end-2010

Changes to inventories at manufacturers can have a significant impact on metal demand and prices. The weakness of metal prices especially in the fourth quarter of 2008 and early-2009 was partly due to production cuts well in excess of declines in shipments. This measure was aimed at reducing stocks and releasing funds tied up in working capital. Inventory cycles evolve in the four stages downturn, recession, recovery and boom. As the global economy has strengthened, market participants have increasingly focused on when the recovery and boom phases of the inventory cycle will start.

Through the second half of 2009, market participants questioned the sustainability of the economic recovery and the incentive to rebuild excess stocks was generally limited. An improvement in business confidence is a good leading indicator that destocking could decrease. The Conference Board's expectations survey for the manufacturing sector has rebounded recently and this may be one indicator suggesting that some restocking of durable goods is possible in the U.S. in 2010. A rebuild of durable goods stocks is expected to come with an increase in both raw material inventories and consumption. Therefore metals demand is expected to recover gradually through end-2010.

Source: Merrill Lynch

Commodity Price Forecasts		
	2010F	2011F
Aluminium, \$/t	2,025	2,000
Copper, \$/t	7,125	8,000
Lead, \$/t	2,125	2,500
Nickel, \$/t	20,000	18,000
Zinc, \$/t	2,125	2,750
Gold, \$/oz	1,110	1,150
Silver, \$/oz	17.60	19.00
Platinum, \$/oz	1,440	1,750
Palladium, \$/oz	370	500

Source: Merrill Lynch



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	-11.5	7.8	1.9	3.4	1.7	1.9	-3.0	0.8
	-	-	-	-	Stable								
Angola	-	-	-	-	B	4.6	19.1	17.4	25.4	9.4	-	7.6	7.2
	-	-	-	-	Stable								
Egypt	BB+	Ba1	BB+	BBB-	BB	-7.9	73.8	17.0	47.0	5.8	100.6	-2.9	3.2
	Stable	Stable	Stable	Stable	Stable								
Ethiopia	-	-	-	-	CCC	-2.3	-	14.1	263.0	-	-	-7.2	-
	-	-	-	-	Stable								
Ghana	B+	-	B+	-	CCC	-10.1	-	35.6	-101.7	-	-	-17.0	-
	Negative	-	Negative	-	Stable								
Ivory Coast	-	-	-	-	CC	-1.4	-	55.7	134.4	-	556.0	0.3	-
	-	-	-	-	Stable								
Libya	A-	-	BBB+	-	BB	-2.0	6.5	15.5	20.0	3.3	-	15.5	2.8
	Stable	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-3.1	-	47.6	92.7	-	-	-4.7	-
	-	-	-	-	-								
Morocco	BB+	Ba1	BBB-	BBB-	BB	-3.6	52.8	24.2	79.5	0.5	95.6	-2.1	3.3
	Stable	-	Stable	Stable	Stable								
Nigeria	B+	-	BB-	-	B	-3.0	12.3	5.0	16.5	0.3	-	-5.6	1.6
	Stable	-	Stable	-	Stable								
Sudan	-	-	-	-	C	-3.3	104.5	67.2	428.5	3.2	-	-5.1	2.4
	-	-	-	-	Stable								
Tunisia	BBB	Baa2	BBB	BBB	BB	-4.0	51.0	53.0	114.6	9.7	232.0	-2.6	3.8
	Stable	-	Stable	Stable	Stable								
Middle East													
Bahrain	A	A2	A	A	BBB	-6.4	22.7	178.0	220.3	15.9	934.9	-2.9	0.9
	Stable	-	Stable	Stable	Stable								
Iran	-	-	B+	BB-	B	-4.8	19.3	5.2	20.1	2.8	23.1	0.6	0.2
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	CC	-12.7	-	67.3	128.4	2.3	112.8	-0.1	0.9
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	-1.2	59.0	65.4	131.2	8.1	183.0	-10.7	6.9
	Stable	-	-	Stable	Stable								
Kuwait	AA-	Aa2	AA	AA-	A	12.9	7.5	31.7	57.7	2.8	221.2	25.8	-2.0
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B2	B-	B	CCC	-12.6	154.3	96.3	631.1	15.0	168.6	-10.4	5.5
	Positive	Positive	Stable	Stable	Stable								
Oman	A	A2	-	A	A	-5.1	6.0	30.9	45.9	5.4	117.1	-0.3	2.0
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	A	4.2	10.4	72.8	157.3	8.4	603.4	8.7	7.9
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	A1	AA-	AA-	BBB	-4.7	11.3	9.7	18.8	2.0	89.1	-6.1	0.3
	Stable	-	Stable	Stable	Stable								
Syria	-	-	-	-	CCC	-7.9	32.3	14.6	75.3	1.0	151.1	-2.9	1.4
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	BB	0.7	12.7	63.8	74.1	3.9	420.3	-5.3	0.7
	-	-	-	Stable	Stable								
Yemen	-	-	-	B	CC	-11.2	-	22.5	112.7	-	-	-9.7	-
	-	-	-	Stable	Stable								



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-	-	-	-3.1	23.6	42.5	579.3	1.5	344.9	-0.8	0.9
	-	-	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-2.7	17.5	102.0	200.0	35.3	283.9	-8.0	8.2
	Stable	-	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB-	-	BB	-3.5	6.6	95.9	231.5	48.0	426.6	-7.6	9.2
	Stable	-	Negative	-	Stable								
Romania	BB+	Baa3	BB+	BBB-	BB	-5.1	20.8	61.5	202.5	15.9	348.0	-7.1	3.3
	Negative	-	Negative	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-6.5	7.0	38.0	133.6	33.7	139.1	1.3	0.4
	Stable	Positive	Negative	-	Negative								
Turkey	BB-	Ba2	BB+	BB-	B	-6.0	47.6	47.3	198.3	31.2	434.4	-1.3	1.4
	Stable	Stable	Stable	Stable	Stable								
Ukraine	CCC+	B1	B	-	CCC	-4.0	22.1	86.6	223.7	20.1	407.1	-0.1	4.5
	Stable	Positive	Negative	-	Stable								

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	16-Dec-09	No change	27-Jan-10
Eurozone	Refi Rate	1.00	14-Jan-10	No change	N/A
UK	Base Rate	0.50	07-Jan-10	No change	04-Feb-10
Japan	O/N Call Rate	0.10	18-Dec-09	No change	22-Jan-10
Australia	Cash Rate	3.50	01-Dec-09	Raise 25bps	02-Feb-10
New Zealand	Cash Rate	2.50	10-Dec-09	No change	28-Jan-10
Switzerland	3 month Libor target	0.25	10-Dec-09	No change	11-Mar-10
Canada	Overnight rate	0.25	08-Dec-09	No change	19-Jan-10
Emerging Markets					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	16-Dec-09	No change	27-Jan-10
Taiwan	Discount Rate	1.25	24-Dec-09	No change	Mar 2010
South Korea	Target Rate	2.00	08-Jan-10	No change	N/A
Malaysia	O/N Policy Rate	2.00	24-Nov-09	No change	26-Jan-10
Thailand	1D Repo	1.25	13-Jan-10	No change	N/A
India	Reverse repo rate	3.25	27-Oct-09	No change	29-Jan-10
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	24-Dec-09	No change	N/A
Turkey	Base Rate	6.50	14-Jan-10	No change	N/A
South Africa	Repo rate	7.00	17-Nov-09	No change	26-Jan-10
Kenya	Central Bank Rate	7.00	24-Nov-09	Cut 75bps	Jan-10
Nigeria	Monetary Policy Rate	6.00	05-Jan-10	No change	Mar-10
Ghana	Prime Rate	18.00	23-Nov-09	Cut 50bps	Jan-10
Mexico	Target Rate	4.50	27-Nov-09	No change	15-Jan-10
Brazil	Selic Rate	8.75	09-Dec-09	No change	27-Jan-10
Armenia	Refi Rate	5.00	08-Dec-09	No change	N/A
Romania	Policy Rate	7.50	06-Jan-10	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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