

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Saudi Arabia is largest recipient of inter-Arab investment, Kuwait is biggest investor in the region

Figures released by the Arab Investment & Export Guarantee Corporation show that inter-Arab investments totaled \$19.3bn in 2009, constituting a decrease of 46.5% from \$36bn in 2008. The figures for 2009 cover 8 Arab countries only compared to 12 countries for the 2008 figures. However, the figures for the 8 countries that had figures for both 2008 and 2009 show that total inter-Arab investments declined by 7% year-on-year. Saudi Arabia received \$11.6bn in Arab investments, making it the largest recipient of such capital flows and accounting for 60.4% of the total. It was followed by the UAE with \$3.7bn or 19% of the total, Egypt with \$1.7bn (9%), Jordan with \$756m (4%), Yemen with \$652m (3.4%), Morocco with \$6432m (3.3%), Tunisia with \$164m (0.9%), and Libya with \$47.5m (0.2%). Inter-Arab investments increased in four countries and regressed in the other four economies. In parallel, Kuwait was the largest source of inter-Arab investments with \$6.1bn or 31% of the total, followed by the UAE with \$5bn, Bahrain with \$1.7bn. Qatar with \$1.25bn, Jordan with \$1.1bn, and Saudi Arabia with \$1bn as the six economies accounted for 85% of inter-Arab investments.

Source: Arab Investment & Export Guarantee Corporation

OPIC approves \$455m to establish regional private equity funds

The Overseas Private Investment Corporation (OPIC) approved \$455m in financing to support the establishment of five private equity investment funds designed to invest in companies in the Middle East and North Africa region. OPIC approved up to \$150m in financing to support the Riyadh Enterprise Development Growth Capital Fund, which will invest in small and medium-sized enterprises (SMEs) throughout the MENA region, particularly companies that stand to benefit from investment in technology. The fund has a target capitalization of \$500m. It also approved up to \$25m to support the Accelerator Technology & Innovation Capital Partners Fund, which will provide growth-stage financing to MENA companies in the digital content, Internet services, mobile applications, mobile financial services, technology services & platforms, next generation media, and entertainment & software development sectors. The fund has a target capitalization of \$75m. Further, it approved up to \$150m to the KIPCO Opportunity Fund, which expects to invest primarily in companies that are positioned to benefit from rapid economic growth in the region, including in the financial services, media, infrastructure and information technology sectors. The fund has a target capitalization of \$1bn. Also, OPIC approved up to \$30m to the Siraj Palestine Fund I, which will invest in start-ups and SMEs in the Palestinian Territories, and potentially in larger companies with growth potential.

Source: Overseas Private Investment Corporation

Equity markets flat in first half of 2010

Arab stock markets were flat in the first half of 2010 compared to a rise of 12.5% in same period last year. The Damascus stock exchange increased by 41.6% during the covered period, posting the best performance among Arab markets due to strict limits on share price movement. It was followed by the Tunis equity market with a 14.4% increase, the Casablanca stock market with a 12.7% improvement, and the Palestine equity market with a 4.6% rise. In parallel, the Dubai financial market dropped by 19%, posting the worst performance among Arab stock markets year-to-June. It was followed by the Abu Dhabi market with an 8.4% contraction, the Amman stock exchange with a 7.3% decline, the Iraqi stock exchange with a 7.2% downturn, the Kuwait bourse with a 6.6% decrease, the Muscat exchange with a 4.9% retreat, the Bahrain stock market with a 4.3% contraction, the Beirut Stock exchange with a 3.6% decrease, the Egyptian stock exchange with a 2.8% drop, the Doha equity market with a 0.9% retreat, and Saudi exchange with a 0.5% contraction. In comparison, emerging market equities declined by 6.5% and global equities decreased by 9.8% in the first half of the year.

Source: Local stock markets, Byblos Research

IRAN

New U.S. sanctions create ultimatum for foreign firms

The United States Congress passed by overwhelming majorities a new round of sanctions against Iran over its nuclear program. The U.S. Senate voted 99-0 and the House of Representative 408-8 for sanctions that aim to increase the financial tightening around Iran's banking system as well as limit its access to internationally-supplied refined petroleum products. Further, the new legislation reduces the number of goods exempted from the U.S.'s trade embargo with Iran. The new legislation includes provisions that reduce exceptions to existing U.S. sanctions on Iran, and threaten stiff consequences for firms doing business in the U.S. that are caught investing in, trading with, or servicing Iran's oil and gas sector. The measure's importance lies mainly in the provision that makes the U.S. market off-limits for international companies investing in Iran's oil and gas industry, providing insurance for the country's trade or investments, or supplying refined petroleum products to the country. The legislation also includes a provision giving the U.S. the power to blacklist international banks that are caught doing business with Iran's Revolutionary Guard from the U.S. financial system. For the first time, the new sanctions also require companies bidding on U.S. government projects to certify that they do not have any business dealings with Iran. The significant tightening of sanctions passed by Congress will make it increasingly difficult for large multinational corporations with ties to the U.S. to maintain business interests in Iran.

Source: IHS Global Insight

OUTLOOK

WORLD

BIS calls for reducing fiscal deficits and tightening monetary policy

The Bank for International Settlements (BIS) cited reducing budget deficits, strengthening the balance sheets of financial institutions, and finalizing international agreements on financial regulation reforms as the three key policy challenges for the global economy. It said the level of public debt in many industrial countries is on an unsustainable path, as current budget deficits are large relative to GDP. It noted that recent events in Greece and other southern European countries have shown how quickly investors' doubts about the sustainability of public finances in one country can spill over to others. In addition, high levels of public debt may lower long-term economic growth and ultimately endanger monetary stability. It pointed out that these risks underscore the urgent need for credible measures to reduce current fiscal deficits in several industrial countries through fiscal consolidation and structural reforms.

The BIS indicated that the second challenge is to continue strengthening the balance sheets and implement necessary behavioral changes in the financial industry. It said official support was intended to facilitate orderly adjustment, but it warned that if such support is maintained for too long, it will create moral hazard, undermine private sector financial intermediation and generate new hidden risks. It encouraged higher-quality capital, lower leverage and more stable funding in order to support the sector's future resilience. It also called on policy-makers to tighten monetary policy irrespective of macroeconomic prospects, as low interest rates can distort investment decisions. It noted that financial stability risks could arise from a prolonged period of extremely low policy rates, as this can encourage borrowers to shorten the duration of their debts, facilitate the increased leverage of risky positions and delay necessary balance sheet adjustments. In addition, the BIS stressed the need to complete financial regulation reforms and to incorporate systemic risk awareness in all aspects of regulation and supervision. It said reforms should produce more effective regulatory and supervisory policies as part of an integrated policy framework. It noted that a new global framework for financial stability should bring together contributions from regulatory, supervisory and macroeconomic policies.

Source: Bank for International Settlements

EGYPT

Economy faces moderate external financing challenges

Credit Suisse indicated that the medium-term outlook for Egypt's current account deficit and risks to the sustainability of the global recovery suggest moderate external financing challenges for the country. It said the current account deficit deteriorated slightly to 1.7% of GDP in the first quarter of 2010 on a four-quarter rolling basis from 1.6% of GDP in the fourth quarter of 2009, but remained lower than the 2.3% of GDP recorded in FY2008/09. It anticipated the four-quarter rolling current account deficit to widen somewhat in the second quarter of this year, which would leave the current account deficit at 1.9% of GDP in FY2009/10. It also expected a renewed deterioration in

the trade deficit in FY2010/11 because of Egypt's domestic demand-led recovery, continued weakness in the Eurozone periphery, and the ongoing appreciation of the Egyptian pound's real exchange rate. It forecast service exports to be boosted by an ongoing recovery in global trade that would increase Suez Canal receipts; and an accompanying recovery in global growth, which would support tourism revenues and remittance flows, both of which rose sharply in four-quarter rolling terms in the first quarter of 2010. It noted, however, that the increase in service exports should marginally offset the trade balance deterioration. As such, it projected the current account deficit to widen slightly to 2.3% of GDP in FY 2010/11.

In parallel, Credit Suisse said net FDI inflows were broadly unchanged at 3% GDP the first quarter of 2010 on a four-quarter rolling basis, but down from 3.6% of GDP in FY2008/09. It noted that the Central Bank's total foreign reserves have risen to \$35.1bn in May, in line with its pre-crisis peak reached in October 2008, as foreign investors returned to the T-bill market and net FDI inflows stopped falling. It expected net FDI inflows to improve in FY2010/11 as Egypt's main investment partners, the United Kingdom, the Middle East and Belgium, recover somewhat. It also expected the Egyptian pound to be supported by further portfolio inflows in FY2010/11 due to attractive carry, although this will likely be lower than in FY2009/10.

Source: Credit Suisse

IRAQ

Growth to average 6.1% in 2010-11, twin deficits manageable

Merrill Lynch projected economic growth in Iraq at 5.8% in 2010 and 6.5% in 2011 compared to 4.2% in 2009. It expected GDP per capita to rise from \$2,108 in 2009 to \$2,857 in 2010 and \$3,204 in 2011. It said Iraq has large infrastructure and investment needs, but much of it hinges on the stability of the political and security situation. It noted that the formation of a new government is likely to be still months away despite the fact that some roadblocks have been cleared. It indicated that Iraq's underlying macroeconomic story remains positive and supported by its sizeable oil reserves and its large domestic population. It expected the fiscal and current account deficits to remain high in 2010-12, but added that they should be bridged appropriately through a combination of IMF loans and local borrowing. It forecast the fiscal deficit to contract from 22.6% of GDP in 2009 to 11% of GDP in 2010 and 6.4% of GDP in 2011, and for the current account deficit to decline from 19.4% of GDP in 2009 to 7.7% of GDP in 2010 and 8.5% of GDP in 2011. It said the Finance Ministry received \$910m in loans so far from the IMF's \$3.64bn Stand By Arrangement, with the rest expected by August 2011. It considered that concession awards aimed at increasing oil capacity to 12 million bpd in less than a decade are likely to suffer from delays as well as from the obsolete state of local infrastructure. But it noted that even a more achievable target of 3.5 million bpd to 4 million bpd by 2015 would still double current oil output. It projected the gross external debt at 49% of GDP at end-2009 and 43% of GDP at end-2011. It also forecast foreign currency reserves at \$43bn at end-2010 and \$40bn at end-2011, equivalent to 11.1 and 9.2 months of import cover, respectively.

Source: Merrill Lynch



ECONOMY & TRADE

EMERGING MARKETS

Insurance premiums up 4% to \$533bn in 2009

Figures issued by global reinsurer Swiss Re indicate that total insurance premiums generated in emerging markets (EMs) reached \$533bn in 2009, constituting a 3.9% nominal increase from \$513bn in 2008 and compared to premium contraction of 4.7% in industrialized economies. Also, EM premiums rose by 3.5% in real terms year-on-year compared to a contraction of 1.8% for industrialized countries. Emerging market premiums accounted for 13% of global premiums in 2009, up from 12.2% in the previous year. Life insurance premiums grew by 4.9% nominally to \$285bn, while non-life premiums increased by 2.8% to \$249bn. EM life premiums grew by 4.2% in real terms relative to a contraction of 2.8% in industrialized nations, while non-life business rose by 2.9% in EMs compared to a decline of 0.6% in advanced economies. Insurance penetration in EMs, or premiums relative to the economy, was equivalent to 2.9% of GDP last year compared to 8.6% for advanced economies; while EMs' insurance density was \$91.5 per capita relative to \$3,405 in industrialized countries. EM life premiums were equivalent to 1.54% of GDP, while non-life premiums reached 1.35% of GDP. Also, EM life premiums reached \$48.8 per capita and non-life premiums totaled \$42.7 per capital in 2009.

Source: Swiss Re, Byblos Research

MAURITANIA

Donors pledge \$3.2bn in development support

The European Commission, the World Bank, the United Nations Development Program (UNDP) and other international donors pledged about €2.5bn, or \$3.2bn, in development support for Mauritania. The international community froze development cooperation with Mauritania after a military coup in 2008, but gradually resumed cooperation since the return of a constitutional order in 2009. The multilateral institutions noted the country's renewed commitments to improve governance and reforms in various sectors, such as public finances, transport, energy, education and private investment. The European Commission said the National Indicative Program for Mauritania, which was adopted before the coup d'état of August 2008, will be implemented and possibly adjusted on the basis of the priorities of the new government and an analysis of effectiveness and needs.

Source: European Commission

DEM REP CONGO

Kinshasa to get additional debt relief

The International Monetary Fund indicated that the Democratic Republic of Congo has met the conditions for reaching the completion point under the Enhanced Heavily Indebted Poor Countries Initiative and qualifies for additional debt relief under the Multilateral Debt Relief Initiative (MDRI). It added that debt relief will significantly reduce the country's debt burden and create fiscal space for poverty reduction programs. It said the DRC authorities implemented satisfactorily their economic program despite difficult economic, social, and security conditions. It noted that a prudent and credible fiscal policy will be key to strengthen macroeconomic stability and make progress towards fiscal sustainability. The Fund cautioned that safe-

guarding debt sustainability after relief requires prudent debt management, adding that authorities are committed to meeting their external financing needs through grants and highly concessional loans, and reducing government recourse to central bank financing. The IMF urged authorities to improve revenue-enhancing measures and to strictly meet the expenditure commitment and treasury plans in order to achieve the fiscal objectives.

Source: International Monetary Fund

ARMENIA

IMF approves \$395m program to focus on fiscal sustainability

The International Monetary Fund approved a three-year arrangement under the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) that would give Armenia access to \$394.8m and would cover the period through June 2013. Armenia had asked the Fund to cancel the Stand-By Arrangement that was approved in March 2009 and to replace it with the new arrangement. The Fund said the new program's objectives are to restore fiscal and external sustainability, preserve financial stability, and support growth. It added that, as the economy recovers, authorities are renewing their focus on these medium-term challenges. It said the new program reflects a strong commitment to a sustainable fiscal position, in light of rising public debt and the weak external position. It added that the authorities aim to reduce the deficit by 3% of GDP in 2010 and by 1% of GDP annually during the 2011-03 period, by improving revenues collection and limiting the growth of nominal expenditures. It noted that the fiscal targets will still allow Armenia to increase spending on needed capital expenditures. It added that exchange rate flexibility will remain a cornerstone of the program, while monetary policy will remain neutral as inflation is expected to recede.

Source: International Monetary Fund

LIBERIA

IMF and World Bank approve \$4.6bn in debt relief

The International Monetary Fund and the World Bank approved \$4.6bn in debt relief for Liberia, of which \$1.5bn to be delivered by multilateral creditors and the remainder by bilateral and commercial creditors. The IMF said the decision was reached after the country met the requirements for achieving the final step, or completion point, under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The Fund estimated Liberia's debt relief from all of its creditors under the HIPC initiative at \$2.7bn in end-June 2007 present value terms. Debt relief from the IMF would total \$730m, the Fund's biggest ever HIPC contribution for a single country, while relief from the World Bank would total \$374m. Liberia also becomes eligible for further nominal debt reduction of about \$260m from other multilateral institutions. The IMF said debt relief reduces Liberia's external debt stock by more than 90% to about 15% of GDP, adding that the country no longer faces a heavy debt service burden relative to its revenues and foreign exchange resources. It noted that over 100 members of the IMF made exceptional contributions beyond the normal terms granted to heavily indebted poor countries.

Source: International Monetary Fund



BANKING

EMERGING MARKETS

Banks in CIS and CEE continue to face extra risk from foreign currency lending

Moody's Investors Service indicated that high levels of foreign currency (FX) lending will remain a constraint on many bank ratings in the Commonwealth of Independent States (CIS) and in Central & Eastern Europe (CEE). The agency estimated the additional FX lending-related loan losses for Russia at 2.4%, Ukraine at 4.6% and Kazakhstan at 5% of loan portfolios. It expected additional loan losses to be at 0.5% in Hungary and 0.3% in Poland, adding that an extra credit risk exists in mortgage and home equity loans. Moody's noted that the main contributors to the rapid growth of FX lending in CIS and CEE countries were the attractive interest rate differentials between loans denominated in local and foreign currencies, availability of cheap foreign funding, and underestimation of credit risk associated with FX lending. It said the bulk of the loans were provided to unhedged borrowers, adding that the global financial crisis and the subsequent sharp depreciation of local currencies towards the end of 2008 and early 2009, have left many unhedged borrowers unable to pay their loans, putting additional pressure on banks' profitability. Moody's considered that the majority of FX lending-related losses and the related loan-loss provisions in most countries will have materialized by the end of 2010, and expected provision requirements and pressure on capitalization and earnings to ease in 2011. It noted, however, that the complete work-out of losses will take several years as banks will need to cover remaining losses from earnings.

Source: Moody's Investors Service

GCC

Investment firms' business model unsustainable

Standard & Poor's indicated that some investment companies in the GCC will likely find it difficult to pursue their operations without significant changes in the wake of the global financial crisis. It attributed this to the generally high maturity mismatches that firms carry in their funding profiles and the resulting weakened liquidity, weak business profiles, high leverage, and high exposure to real estate for some of them. It noted that investment firms' attempts to raise capital in the wake of the crisis met with far higher obstacles than in the past, which has called into question the sustainability of their business models. The agency said funding profiles are the cause of vulnerability, as Gulf investment companies typically carry a high proportion of short-term wholesale funding and run sizable maturity mismatches. It considered that raising long-term funding is key for these firms, as it would allow them to reduce mismatches and operate in an environment where access to wholesale funding sources is difficult, and because they tend to carry a large portion of illiquid assets on their balance sheets. It noted, however, that investment firms have implemented recently various measures to improve their funding profiles, such as renegotiating original terms and conditions of their interbank deposits and other liabilities; requesting capital injections from their shareholders; and divesting massively from certain asset classes in order to unlock liquidity and be able to face debt maturities as they come due.

Source: Standard & Poor's

QATAR

Private sector lending to remain tight

Credit Suisse indicated that bank lending to the private sector is likely to remain moderate over the next 12 months before picking up more strongly in the second half of 2011. It said private sector credit grew at a slower pace of 8% year-on-year in the first quarter as banks remain cautious about lending, given their exposure to the slumping property market and regional conglomerates such as Dubai World. It added that provisioning by Qatari banks rose by more than 60% from a year ago, but it remains comparatively small in absolute terms. It noted that the banking sector's liquidity position is healthy, with deposit growth outpacing lending growth in the first quarter, resulting in an improvement in the loan-to-deposit ratio to 74% from 79% at end-2009. It expected banks to be more stringent in their lending activities because of the tighter liquidity conditions, while higher funding costs will also put upward pressure on deposit and lending rates in the near term.

Source: Credit Suisse

NIGERIA

Central Bank expecting offers by mid-July for distressed banks

The Central Bank of Nigeria (CBN) indicated that it expects to receive offers by mid-July from three international banks, a number of private equity firms and local banks for the distressed banks it bailed out last year. Last summer, an 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. The CBN said it expects to have a decision by mid-August on at least five of the bailout banks. It added that its priority is to secure buyers for Afribank Nigeria, Bank PHB, Intercontinental Bank, Oceanic Bank International and Union Bank of Nigeria, as they are the most systematically important banks. The distressed banks are estimated to have \$8bn in negative equity, and may need \$14bn to meet the capital-adequacy ratio required by regulators and to pay back the CBN.

Source: Bloomberg, Renaissance Capital

ETHIOPIA

Financial soundness indicators improve in 2009

The risk-weighted capital adequacy ratio of banks operating in Ethiopia reached 18.3% in 2009, up from 15.9% in 2008; while the capital-to-loans ratio was 23% at end-2009, up from 22.8% at end-2008. The sector's liquidity improved year-on-year, with liquid assets reaching 30% of total assets at the end of 2009, up from 29% in 2008, while the loans-to-deposits ratio decreased to 51.4% at end-2009 from 53.4% a year earlier. The sector's non-performing loans (NPLs) were equivalent to 5.7% of total loans at end-2009, down from 6.3% at end-2008. Further, the ratio of provisions-to-NPLs for the sector fell to 68.5% at end-2009 from 70.5% at end-2008, while the ratio of provisions to total loans decreased to 4% in 2009 from 4.7% a year earlier. In parallel, banks' profitability slightly improved, as the sector's return on average assets reached 3.4% in 2009 up from 3.2% in 2008, and the return on average equity increased to 36.6% from 32.5% in 2008.

Source: International Monetary Fund



ENERGY / COMMODITIES

Oil continues to fall on concerns China, U.S. growth is slowing

Crude oil prices fell for a fourth day in New York, the longest losing streak in seven weeks, amid concerns that the economic recovery in the U.S. and China will slow and about energy demand in the world's two largest energy consumers. U.S. crude for August fell \$1.23 to 74.42 a barrel on June 30, the first quarterly decline since 2008, after reports showed a slowdown in U.S. private payrolls last month and an unexpected increase in weekly gasoline supplies. China's manufacturing expanded at a reduced pace for a second month in June, adding to signs the fastest-growing major economy is cooling. ICE Brent dropped \$1.43 on June 30 to \$73.58. In addition to negative sentiment about demand, U.S. fuel stockpiles posted unexpectedly large gains last week, further raising doubts about the speed of consumption recovery for the U.S. economy. Crude stockpiles fell by 2 million barrels, as opposed to expectations for a decrease of 900,000 barrels. Crude supplies declined by 795,000 barrels to 36 million barrels in Cushing, Oklahoma.

Source: Bloomberg, Thomson Reuters

Syria plans to buy gas from Azerbaijan

Syria plans to import between one billion to 1.5 billion cubic meters of natural gas each year from Azerbaijan starting mid-2011. The supply to Syria is expected to allow the Azerbaijani gas to go through the pan-Arab gas pipeline to other Arab countries and further through the ports of the Mediterranean to Europe.

Source: Trade News Agency

Morocco unveiled \$3.5bn wind energy project

Morocco announced a wind energy project worth \$3.5bn on June 28, which aims to increase the country's wind generation capacity to 2,000 megawatts by 2020, from 280 megawatts currently. Morocco plans to increase the country's electricity consumption from renewable sources to 42%. The project will be funded by state, private capital and foreign investments.

Source: Thomson Reuters

IFC invests in Egyptian Refining Company

The International Finance Corporation agreed to invest \$120m in the Egyptian Refining Company. The project aims at promoting improved environmental standards and cleaner domestic fuel sources in the country. The investment will be used to build a \$3.7bn hydro-cracking and coking refinery, an infrastructure that will allow the transformation of fuel oil into lighter fuel products for the domestic market.

Source: International Finance Corporation

Iraq's Cabinet approves gas deal with Shell

Iraq's Cabinet ratified the deal with Royal Dutch Shell, stating that the project is crucial for Iraq's oil-expansion policies as well as for having a source for electricity generation. Iraq's deal with Shell is expected to produce 2.5 billion cubic-feet of gas per day. The project will lead to the construction of a liquefied natural gas (LNG) terminal, capable of handling 600 million cubic-feet of gas exports a day. With 110 trillion cubic feet of natural gas reserves, Iraq hopes to be one of the world's leading LNG exporters.

Source: Dow Jones Newswires

Base Metals: Global steel in recovery but challenges remain

Steel demand continues to increase on a slow and steady recovery pace and is expected to do so over the next 12 to 18 months but not to peak in developed nations before 2012. Prices will be constrained by excess capacity, and below-cost production is projected to decline. Production of raw materials is forecast to increase with a rebound in raw materials prices. Also, producers with relatively high exposure to value-added steel products are benefiting from premium pricing. However, producers with relatively high exposure to construction in some developed countries are disadvantaged due to tightening fiscal spending over the next 18 to 24 months. Most steel producers in Europe and North America are taking a cautious approach to capacity restarts and are expected to profit in a slow growth environment.

China accounted for 47% of global steel production and 48% of global steel consumption in 2009. Recent monetary tightening in response to property speculation in China is forecast to push down domestic demand and excess supply. Also, the cancellation of the 9% added tax rebate on some steel exports starting July 15 and the expected appreciation of the Yuan could constrain China's steel exports. Excess production is expected to pressure the recovery in Europe and North America and exports from Russia and Brazil.

Source: Fitch Ratings

Precious Metals: Gold and Silver prices increase with financial market uncertainty

Investor cash flows into gold ETFs increased, leading to calls at \$1,350 an ounce due to vagueness on issues such as the European banks' "stress tests" and the U.S. financial regulation reform bill. Gold prices reached \$1,265 an ounce on June 27 which resulted in profits for short-term investors, while it tumbled in its comfort zone between \$1,220 and \$1,260 an ounce for the rest of the week. Gold held steady near \$1,240 an ounce on July 1, supported by concerns over weak global growth which are weighing on more economically sensitive assets like stocks and industrial commodities. Silver rallied to \$19.47 an ounce on June 27 before declining to \$18.25 an ounce on June 30 after the release of U.S. durable goods data.

Source: Credit Suisse, Thomson Reuters

Commodity Price Forecasts

	2010F	2011F
Aluminium, \$/t	2,275	2,100
Copper, \$/t	7,275	8,000
Lead, \$/t	2,300	2,650
Nickel, \$/t	20,950	20,000
Zinc, \$/t	2,325	2,750
Gold, \$/oz	1,200	1,350
Platinum, \$/oz	1,750	2,000
Palladium, \$/oz	500	650

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	-	-	-	-	BB	-11.5	7.8	1.9	3.4	1.7	1.9	-3.0	0.8
Angola	B+	B1	B+	-	B	4.6	19.1	17.4	25.4	9.4	-	7.6	7.2
Egypt	BB+	Ba1	BB+	BBB-	BB	-7.9	73.8	17.0	47.0	5.8	100.6	-2.9	3.2
Ethiopia	-	-	-	-	CCC	-2.3	-	14.1	263.0	-	-	-7.2	-
Ghana	B+	-	B+	-	B	-10.1	-	35.6	-101.7	-	-	-17.0	-
Ivory Coast	Negative	-	Negative	-	CCC	-1.4	-	55.7	134.4	-	556.0	0.3	-
Libya	A-	-	BBB+	-	BB	-2.0	6.5	15.5	20.0	3.3	-	15.5	2.8
Mauritania	Stable	-	Stable	-	Stable	-3.1	-	47.6	92.7	-	-	-4.7	-
Morocco	BBB-	Ba1	BBB-	BBB-	BB	-3.6	52.8	24.2	79.5	0.5	95.6	-2.1	3.3
Nigeria	Stable	-	Stable	Stable	Stable	-3.0	12.3	5.0	16.5	0.3	-	-5.6	1.6
Sudan	B+	-	BB-	-	B	-3.3	104.5	67.2	428.5	3.2	-	-5.1	2.4
Tunisia	Stable	-	Stable	Stable	Stable	-4.0	51.0	53.0	114.6	9.7	232.0	-2.6	3.8
Middle East													
Bahrain	A	A2	A	A	BBB	-6.4	22.7	178.0	220.3	15.9	934.9	-2.9	0.9
Iran	Stable	-	Stable	Stable	Stable	-4.8	19.3	5.2	20.1	2.8	23.1	0.6	0.2
Iraq	-	-	B+	BB-	B	-12.7	-	67.3	128.4	2.3	112.8	-0.1	0.9
Jordan	-	-	Stable	Stable	Stable	-1.2	59.0	65.4	131.2	8.1	183.0	-10.7	6.9
Kuwait	BB	Ba2	-	BB	B	12.9	7.5	31.7	57.7	2.8	221.2	25.8	-2.0
Lebanon	AA-	Aa2	AA	AA-	A	-12.6	154.3	96.3	631.1	15.0	168.6	-10.4	5.5
Oman	Stable	Negative	Stable	Stable	Stable	-5.1	6.0	30.9	45.9	5.4	117.1	-0.3	2.0
Qatar	B	B1	B	B	CCC	4.2	10.4	72.8	157.3	8.4	603.4	8.7	7.9
Saudi Arabia	Positive	-	Stable	Stable	Stable	-4.7	11.3	9.7	18.8	2.0	89.1	-6.1	0.3
Syria	A	A2	-	A	A	-7.9	32.3	14.6	75.3	1.0	151.1	-2.9	1.4
UAE	AA-	Aa2	-	AA-	A	0.7	12.7	63.8	74.1	3.9	420.3	-5.3	0.7
Yemen	Stable	Stable	Stable	Stable	Stable	-11.2	-	22.5	112.7	-	-	-9.7	-



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	-	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	-	Stable	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	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-6.0	47.6	47.3	198.3	31.2	434.4	-1.3	1.4
	Positive	Stable	Stable	Stable	Stable								
Ukraine	B	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	23-Jun-10	No change	10-Aug-10
Eurozone	Refi Rate	1.00	10-Jun-10	No change	08-Jul-10
UK	Bank Rate	0.50	10-Jun-10	No change	08-Jul-10
Japan	O/N Call Rate	0.10	15-Jun-10	No change	15-Jul-10
Australia	Cash Rate	4.50	01-Jun-10	No change	06-Jul-10
New Zealand	Cash Rate	2.75	10-Jun-10	Raise 25bps	29-Jul-10
Switzerland	3 month Libor target	0.25	17-Jun-10	No change	16-Sep-10
Canada	Overnight rate	0.50	01-Jun-10	Raise 25bps	20-Jul-10
Emerging Markets					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	23-Jun-10	No change	10-Aug-10
Taiwan	Discount Rate	1.38	24-Jun-10	Raise 12.5bps	Sept-10
South Korea	Base Rate	2.00	10-Jun-10	No change	09-Jul-10
Malaysia	O/N Policy Rate	2.50	13-May-10	Raise 25bps	08-Jul-10
Thailand	1D Repo	1.25	02-Jun-10	No change	14-Jul-10
India	Reverse repo rate	3.75	20-Apr-10	No change	27-Jul-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	17-Jun-10	No change	15-Jul-10
South Africa	Repo rate	6.50	13-May-10	No change	22-Jul-10
Kenya	Central Bank Rate	6.75	20-May-10	Cut 25bps	July-10
Nigeria	Monetary Policy Rate	6.00	02-May-10	No change	July-10
Ghana	Prime Rate	15.00	16-Apr-10	Cut 100bps	July-10
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	18-June-10	No change	16-July-10
Brazil	Selic Rate	10.25	09-Jun-10	Raise 75bps	21-Jul-10
Armenia	Refi Rate	7.25	08-Jun-10	No change	N/A
Romania	Policy Rate	6.25	06-Jun-10	No change	N/A
Bulgaria	Base Interest	0.17	30-Jun-10	Raise 2 bps	N/A
Kazakhstan	Refi Rate	7.00	01-Apr-10	No change	N/A
Ukraine	Discount Rate	9.50	08-Jun-10	Cut 75bps	N/A
Russia	Refi Rate	7.75	23-Jun-10	Cut 25 bps	N/A



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