

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### EMERGING MARKETS

##### Trading in Credit Default Swaps up 103% to \$487bn in first quarter

Trading in emerging markets Credit Default Swaps (CDS) reached \$487bn in the first quarter of 2010, constituting an increase of 103% from \$239bn in the same period last year, and a 40% rise from \$349bn in the fourth quarter of 2009. The most frequently traded sovereign CDS contracts were those of Turkey at \$84bn, followed by Brazil at \$74bn, and Mexico at \$57bn. The most frequently traded corporate CDS contracts were those on Gazprom at \$25bn, followed by Pemex at \$12bn and Cemex at \$2bn in CDS trades. The survey covered data on CDS contracts for 19 emerging economies and 10 emerging market corporate issuers from 12 major international banks and broker-dealers. It noted that the growth rate of emerging markets CDS trading volume is much faster than hard currency Eurobonds, and that the trading volume of emerging markets CDS in the first quarter surpassed that of foreign currency bonds. It added that the recovery in CDS trading volume provides investors with a hedging tool and the ability to increase exposure to emerging markets when bonds are in short supply. Trading in emerging markets CDS stood at \$1,191bn in 2009. The most frequently traded sovereign CDS contracts were those of Brazil at \$159bn and the most frequently traded corporate CDS contracts were those on Gazprom at \$144bn.

Source: EMTA

#### MENA

##### Private equity fundraising down 80% to \$1.1bn in 2009

The Gulf Venture Capital Association indicated that private equity funds in the Middle East & North Africa raised \$1.1bn in 2009, constituting a decrease of 80% from \$5.4bn raised in 2008 and compared to \$6.3bn in 2007. It said the average fund size was \$177m compared to \$316.5m in 2008, \$224m in 2007 adding that only six funds raised capital last year compared to 17 funds in 2008 and 28 funds in 2007. It noted that the \$1.1bn raised last year represented only 40% of their total intended target size, as a further \$1.2bn were announced by four other funds that failed to close. Further, three funds that together raised \$850m in 2008 have since been liquidated. Private equity funds invested a total of \$561m last year compared to \$2.7bn in 2008, with the average transaction size declining to \$30m in 2009 from \$49m in 2008, while there was one exit for \$49m in 2009 compared to 11 exits totaling \$3.32bn in 2008.

Consumer goods accounted for 49% of private equity investments last year, followed by transport with 12%, power & utilities and healthcare with 10% each, oil & gas with 6% and education with 3%. Egypt accounted for 33% of cumulative private equity investments during the 2005-09 period, as it received \$3.5bn from 30 transactions during the covered period. It was

followed by Saudi Arabia with 17%, the UAE with 14%, Turkey with 8%, and Kuwait and Jordan with 5% each, while the other markets in the region accounted for the remaining 18%. The GVCA said 84% of the funds raised in the last decade, or \$17.6bn, were raised between 2005 and 2008. It added that cumulative funds under management peaked at \$20.2bn at end-2009 from \$4.7bn in 2005 despite the decrease in fundraising activity last year.

Source: Gulf Venture Capital Association

#### SAUDI ARABIA

##### Business optimism in non-hydrocarbon sector declines

The D&B Business Optimism Index for Saudi Arabia covering the third quarter of 2010 shows a weakening of optimism in the non-hydrocarbon sector, as the composite business optimism index for the non-hydrocarbon sector stood at 49 compared to 61 in the previous quarter and 62 in the first quarter. The index for expected sales declined to 55 from 72 in the second quarter, and the profits index regressed to 64 from 74 quarter-on-quarter. Also, non-hydrocarbon firms expect new orders to decline and inventory levels to decrease, as the index for new orders regressed to 60 from 69 and the inventory index declined to 46 from 53, while they expect selling prices to decrease as the related index regressed to 23 from 42. Also, firms do not plan to increase their workforce, as the number of employees index regressed to 44 from 47.

The decline in optimism was across the board, as the manufacturing index dropped to 53 from 62 quarter-to-quarter, the construction index declined to 56 from 65, the trade & hospitality index retreated to 39 from 56, the transport & communication index dropped to 48 from 56, and the finance, real estate & business services index fell to 48 from 64. Further, 40% of non-hydrocarbon firms plan to expand their business compared to 47% who do not have such plans. In parallel, the price of raw materials was the main concern of 44% of businesses, with 79% of firms in the manufacturing and 41% in trade citing this issue as a major factor affecting their operations. The availability of finance continues to be the main concern of 32% of firms, with 47% of construction firms, 46% of firms in transport & communications, and 40% of businesses in trade & hospitality expect it to be a business hurdle; while 19% of businesses considered that the availability of skilled labor is a concern, especially in finance, insurance & real estate, and for construction firms.

Source: Dun & Bradstreet

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# OUTLOOK

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## WORLD

### **Policy framework to improve cross-border collaboration in cases related to financial institutions**

The International Monetary Fund indicated that the tension between global financial institutions and national resolution frameworks has led to difficulties in coordinating resolution actions and procedures across borders. It noted that, in some jurisdictions, legal barriers prevent cross-border collaboration while, more generally, a lack of international legal harmonization of resolution regimes impedes effective coordination of cross-border resolution. It called for robust resolution mechanisms to be employed effectively in cross-border scenarios, adding that important features of a policy framework should include several elements. First, it said countries should amend their national laws to remove legal or practical barriers to cross-border cooperation, a significant first step towards coordinated cross-border resolution. Second, countries would ensure that their national resolution regimes met core coordination standards, including the harmonization of resolution regimes in key areas on such issues as the non-discrimination against foreign creditors, and would ensure that countries adhere to robust standards of supervision, and have the institutional capacity to implement an international solution. Third, countries would establish criteria for ex ante burden-sharing agreements that would minimize the need for public funding. Fourth, countries would agree to procedural mechanisms for the coordination of cross-border resolution actions, which would cover procedures for information sharing as well as rules to determine which jurisdiction's competent authorities would assume a lead role in resolving a particular case. The IMF noted that countries sharing specific cross-border banks should enhance cooperation and work to meet these criteria. It said that improved cooperation on the proposed framework would represent a step forward, but cautioned not to underestimate the challenge of creating and implementing this mechanism.

*Source: International Monetary Fund*

## GCC

### **Non-oil growth at 4.3% in 2010, short-term priority is strengthening of financial sector**

The International Monetary Fund projected non-oil growth in the GCC at 4.3% in 2010, supported by fiscal stimulus in Saudi Arabia, the UAE and Kuwait, as well as the global recovery and a 4.8% rise in oil output. It forecast inflation to 4% in 2010 due to an increase in imported food prices. It considered that the major risk to the outlook continues to be a protracted period of low oil prices, which may arise in connection with a slow global recovery. It said the Dubai debt crisis has had minimal spillovers to the rest of the GCC countries, and the fallout from the sovereign debt crisis in Greece has had a limited financial impact on the region so far. It added that challenges in the financial sector may restrain growth in the short term, but they remain manageable and should not undermine long term prospects.

The IMF considered that the GCC's short-term priority should be the strengthening of the financial sector without constraining the availability of credit. It said this would require a continued

forward-looking approach to monitoring bank capital adequacy through periodic reviews of bank asset quality and regular stress testing, including against tail risk. Further, authorities should ensure that a prompt corrective-action framework, with well-specified criteria for intervention, is in place to encourage banks to quickly address emerging problems. It encouraged authorities to continue facilitating the restructuring of viable entities in the non-bank financial sector and to gradually exit from non-viable institutions. It added that macroprudential policies should be used effectively to protect financial stability and manage liquidity conditions in light of the constraints of the dollar peg on monetary policy and the sensitivity of liquidity conditions to the oil cycle. Further, it called on governments to prepare an exit strategy from current high spending levels in order to ensure long-term fiscal sustainability.

*Source: International Monetary Fund*

## JORDAN

### **Fiscal consolidation is key policy challenge**

The Institute of International Finance indicated that fiscal consolidation is by far the biggest policy challenge in Jordan. It said the country's budget deficit widened to 8.9% of GDP in 2009 from 2.2% in 2008, reflecting increased expenditures, slow revenue growth and a sharp drop in foreign grants. As a result, the gross public debt-to-GDP ratio rose by nearly by 5 percentage points to 67.3% at end-2009, the first increase in six years. It noted, however, that the new government made progress in spending cuts and tax increases, as capital expenditure dropped by 46.4% in the first five months of this year and growth in current expenditures has been well contained. In parallel, the International Monetary Fund considered that Jordan's already difficult fiscal position in 2009 was made worse by a significant deterioration in external grants. It said that an increase in capital spending to support domestic activity was largely offset by lower commodity subsidies, but a cyclical weakening in domestic revenues and a dramatic downturn in external grants widened the overall deficit last year. It expected the 2010 overall deficit to narrow to about 6% of GDP in 2010, adding that the consolidation will come mainly from the spending side. The Fund indicated that macroeconomic stability will continue to hinge upon a prudent fiscal policy. It stated that without substantial consolidation, the fiscal deficit would remain sizable and the public debt-to-GDP ratio would continue to increase. It added that fiscal consolidation will also help contain the external current account deficit and free up domestic resources to support private sector-led growth, which can be achieved only by further fiscal adjustment in 2011 and beyond.

The IMF expressed support for the authorities' policy proposals that would reduce the deficit by between 1%-1.5% of GDP per year, and help achieve an overall deficit of about 3% of GDP over the medium term. It said such proposals include removing remaining tax exemptions on commodities, moderate growth in the wage bill, improving the efficiency of current spending, and prioritization of capital spending. It said the adjustment will be crucial to maintain investor confidence, preserve macroeconomic stability, and create scope for potential future counter-cyclical fiscal policy.

*Source: Institute of International Finance, International Monetary Fund*

## ECONOMY & TRADE

### SYRIA

#### Tourism activity up 63% in first half of 2010

Figures release by the Ministry of Tourism show that the number of visitors to Syria reached 3.93 million in the first half of 2010, an increase of 63% from 2.4 million visitors in the same period last year. It said the figures include Syrian expatriates and exclude one-day visitors from neighboring countries and people in transit. The distribution of tourists by source shows that the number of Arab visitors increased by 49% to 2.1 million and accounted for 54% of total arrivals, with the number of visitors from Jordan and Lebanon rising by 93% and 89% year-on-year, respectively. Visitors from other parts of the world totaled 1.1 million, up 98% from the same period last year, with European tourists accounting for 53% of non-Arab visitors and rising by 96% year-on-year. It added that the number of visitors from Turkey and Iran rose by 175% and 141%, respectively. The number of Syrian expatriates visiting their home country rose by 62% to nearly 700,000. The ministry said hotel nights booked through tourism and travel agencies rose by 45% to 654,293 nights, while spending by visitors totaled about \$3.64bn in the covered period. Damascus and its suburbs accounted for 45%, or 1.77 million, of total visitors.

Source: Ministry of Tourism

### UAE

#### Dubai real estate firms face refinancing risks

Fitch Ratings indicated that the Dubai real-estate market is likely to remain under pressure until at least 2012-13, and that corporates may face significant refinancing risks given upcoming debt maturities in 2011-12. It said the sector's credit outlook remains negative despite signs that conditions may be stabilizing, and the recent round of debt restructurings and extensions. It estimated that developers will not be able to deleverage quickly enough to repay their upcoming 2011-12 maturities without a significant improvement in market conditions, sizeable disposals or additional equity raising, and significant government support. It expected the sector to see a period of stagnant growth at best, and a 'double-dip' contraction at worst. It anticipated Dubai's real estate and construction fundamentals to continue weakening, with increasing customer delinquencies, limited liquidity, and a continued historical reliance on short-term maturities. It added that oversupply, limited mortgage availability and rising interest rates will also pose significant constraints for real estate companies and buyers. Fitch said a weak residential, office and retail environment has caused developers to reduce rents to prevent tenant defaults; while weak demand has led to a substantial decrease in developer earnings, cash flows and asset values, therefore created covenant problems and liquidity pressures. It noted that the availability and the cost of debt for Dubai, and subsequently the corporate sector, is likely to deteriorate and result in investors demanding higher risk premiums.

Source: Fitch Ratings

### SUDAN

#### Khartoum considering debt sale

The Central Bank of Sudan (CBoS) declared that it has received offers from unspecified parties to buy the country's \$35bn debt, and that the debt would be paid back in Sudanese pounds. It said

it is reviewing the offer with the Ministry of Finance & National Economy, adding that other countries in a situation similar to Sudan sold their debt and paid it off in local currency. The country's external debt, which was accumulated by successive governments, is mostly in arrears. The Ministry of Finance & National Economy estimated Sudan's external debt stood at about \$35.7bn at end-2009, including \$15.4bn in original debt, \$3.8bn in interest arrears, and \$16.5bn in late payment penalties. It added that Sudan owes \$11.2bn to members of the Paris Club, \$13.3bn to non-members of the Paris Club, \$4.5bn to commercial banks and \$1.4bn to international suppliers. The major debtors of Sudan include the IMF, World Bank, Kuwait, Saudi Arabia, Austria and the United States.

Source: Thomson Reuters, Al-Sahafa

### ALGERIA

#### Rules to tighten on foreigners' asset sales

The Algerian Parliament is considering a draft law that would tighten rules on how a price is set when the state buys a foreign-owned firm. The draft states that an expert valuation, instead of a market value, will be used to determine the selling price of foreigners' stakes in Algerian firms to the state. The draft law is part of the supplementary budget law for 2010. It states that the measure will apply to foreign shareholders selling stakes in Algerian firms where the state has exercised its right of first refusal, and to the sale of stakes in Algerian firms to foreigners. The draft law also says that the government will issue a separate order to determine how the evaluation is conducted.

Source: Thomson Reuters

### ANGOLA

#### Strong growth prospects, fiscal transparency is key

Moody's Investors Service indicated that Angola's ratings reflect the country's strong growth prospects and the anticipated improvements in both the government's and the country's external debt metrics. It said Angola's rapid growth has significantly expanded its economy over the past decade due to the development of its sizeable oil reserves. It added that resources have allowed the government to fund an ambitious strategy to diversify the economic base beyond petroleum, but such efforts will take considerable time to yield results. The agency noted that the government faces serious challenges to improve fiscal transparency, accountability and economic policy implementation. It said that increased accountability for oil income and its disbursement will improve budgetary resilience, adding that the main concern on fiscal transparency relates to the large quasi-fiscal operations of state-oil company Sonangol. It expected the establishment of a more robust policy framework that would include the formulation of a strict fiscal rule, as well as various upgrades in fiscal institutions and transparency, including the establishment of a sovereign wealth fund. Last May, Moody's assigned first-time issuer ratings of 'B1/Not-Prime' to the country's local and foreign-currency debt with a 'positive' outlook. The ratings are four notches below investment grade.

Source: Moody's Investors Service



# BANKING

## SYRIA

### Central Bank encourages lending to SMEs

The Central Bank of Syria (CBS) issued a decision to encourage local banks to extend loans and other credit facilities to small- and medium-size enterprises (SMEs), as well as to firms in productive sectors. Decision 666 issued last May reduces the compulsory reserve requirements for commercial banks based on the volume of lending they extend to SMEs, to industrial and tourism projects, and to micro-finance institutions. The level of the discount on the reserves depends on the share of bank lending to such firms out of their total loan portfolio. As such, banks whose credit facilities to companies covered by the decision represent between 16% and 25% of their total lending portfolio will benefit from a reduction of 1% in their reserve requirements; while they will qualify for a 2% reduction in reserves if credit facilities to SMEs account for 26% to 36% of their loan portfolio. The discount increases on a gradual scale to reach 5% for an SMEs lending ratio of more than 45%. The decision went into effect earlier this month and replaced a similar decision by the CBS in May 2009 to encourage lending to the manufacturing sector, but the latter had a limited impact.

Source: *Syria Report*

## SAUDI ARABIA

### Agencies take rating actions on banks

Capital Intelligence upgraded the credit ratings of Al Rajhi Banking & Investment Corporation's (ARB) Long-term Foreign Currency rating and its Financial Strength rating at 'AA-' from 'A+', and maintained the Short-term Foreign Currency rating at 'A1' with a 'stable' outlook. The agency attributed the upgrade to the bank's sound asset quality, strong capitalization and consistently exceptional profitability. It said ARB has traditionally posted the sector's highest profits in absolute value, its highest special commission differential, operating profitability and ROAA, as well as its lowest cost-to-income ratio. It noted that ARB's liquidity is tighter than that of the other Saudi banks, but it is offset by the bank's strong capitalization and the stability of its deposit base. In parallel, Fitch Ratings affirmed Arab National Bank's Long-term foreign currency Issuer Default Rating (IDR) at 'A' with a 'stable' outlook, as well as the bank's other ratings. It said ANB's profitability has been affected by a sluggish domestic economy and some large borrowers' defaults in 2009. It noted that the ratings are constrained by concentrations on both sides of the balance sheet and potential further deterioration in asset quality, albeit from a strong base.

Source: *Capital Intelligence, Fitch Ratings*

## UAE

### Banking sector feels impact of Dubai debt issues

The Institute of International Finance indicated that Dubai's debt issues have further aggravated the challenges of the UAE banking system. It said domestic banks are estimated to hold around half of Dubai World's debt, or about \$12bn, and may have to further increase provisions and write downs as the restructuring spreads to other government-related entities. It noted that credit growth in the UAE continues to be slow, as banks remain reluctant to lend amid weakening balance sheets

and a marked increase in NPLs, which are expected to rise to 9% of total loans by year-end, up from 4.3% at end-2009. It said the loans-to-deposits ratios have declined from the 2008 peak but remain above the 100% limit set by the UAE Central Bank. Further, mounting concerns over bank exposure have raised funding costs.

Source: *Institute of International Finance*

## YEMEN

### Anti-money laundering regime needs to improve

The Financial Action Task Force (FATF), the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Yemen made a high-level political commitment in February 2010 to work with the FATF to address its strategic deficiencies in its AML/CFT regime, and has demonstrated some progress since that time. But it considered that certain strategic AML/CFT deficiencies remain and encouraged Yemen to address its remaining deficiencies and continue implementing its action plan by adequately criminalizing money laundering; establishing and implementing adequate procedures for identifying, tracing and freezing terrorist assets; ensuring a fully operational and effectively functioning Financial Intelligence Unit (FIU); issuing substantive guidance and instructions to reporting institutions with respect to their AML/CFT obligations; and developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the FIU to ensure compliance by financial institutions with their Suspicious Transaction Reporting obligations, especially in relation to the financing of terrorism.

Source: *Financial Action Task Force*

## ARMENIA

### NPLs still elevated, high capital and liquidity ratios provide buffer to adverse developments

The risk-weighted capital adequacy ratio of banks operating in Armenia reached 28.6% at end-March 2010 up from 26.1% a year earlier and from 28.3% at the end of 2009. The capital-to-assets ratio was 20.6% at end-March 2010, up from 21.2% at end-March 2009 and from 21% at end-2009, while the sector's liquid assets reached 33.9% of total assets at end-March, up from 29.1% a year earlier but down from 34.2% at end-2009. The sector's deposits-to-loans ratio increased to 96.5% at end-March from 92.1% at end-March 2009 and from 96.4% at end-2009. Further, the sectoral distribution of loans shows that trade accounted for 21.6% of total loans, followed by industry with 16.2%, construction with 7.7%, agriculture with 6.4%, energy with 4.3%, and transport & communication with 2.4%. Also, foreign currency loans accounted for 54.3% of total loans at the end of March 2010 compared to 48.7% at the end of March 2009 and 54% at end-2009. The sector's non-performing loans-to-total loans reached 5.6% at end-March, down from 7.6% in March 2009 but up from 4.8% at year-end 2009. Further, the ratio of provisions to NPLs for the sector increased to 36.2% from 26.9% at end March 2009 but fell from 46.7% at end-2009. In parallel, banks' return on average assets reached 0% at end-March 2010 relative to -0.1% at end-March 2009 and 0.7% at end-2009, while the return on average equity reached 0.1% up from -0.7% at end-March 2009.

Source: *International Monetary Fund*



# ENERGY / COMMODITIES

## Oil falls on economic worries and rising U.S. inventories

Oil prices fell to nearly \$76 on July 22 after the U.S. Federal Reserve noted a downturn across financial markets over the pace of the economic recovery. Also, rising U.S. inventories put downward pressure on oil prices. U.S. crude for September declined 11 cents to \$76.45, while ICE Brent fell 8 cents to \$75.29. Asian stocks declined on July 22 as the Yen rose. The Energy Information Administration stated that U.S. crude stockpiles rose 360,000 barrels last week, defying the forecast of a 1.4 million barrel drop. Higher refinery use increased gasoline inventories by 1.1 million barrels, as opposed to the forecast of a 900,000 barrels gain. Distillate stocks increased by 3.9 million barrels, more than double the amount expected to rise. A weather forecast reducing the chances of a hurricane forming near the Caribbean lowered crude prices.

Source: Thomson Reuters

## BP to drill 40 to 50 new wells in Rumaila in 2010-11

BP Plc and its partners, China's CNPC and Iraq's South Oil Company, expect to drill 40 to 50 new wells in the giant Rumaila oil field in southern Iraq in 2010, and a similar amount in 2011. International companies such as Weatherford International Ltd have already been awarded contracts earlier this year worth \$500m to drill 49 new wells in the Rumaila oil field. This will make it the second largest oil field in the world, after Saudi Arabia's Ghawar oil field. The Rumaila oil field already contributes to almost half of Iraq's total output of 2.5 million barrels a day.

Source: Saudi Gazette

## Oman plans for \$3.5bn increase in oil output

Oman plans to spend \$3.5bn in the next five years to increase oil output by 18% to extend previous increases and to generate cash for infrastructure projects. Production is expected to reach one million barrels per day by 2015. Oman is currently producing 850,000 barrels per day, and expects to raise output to 870,000 barrels per day by end-2010. Since the price decline of nearly \$150 a barrel in July 2008, government oil revenues fell to \$11.67bn in 2009. The investment is aimed at drilling new wells, primarily in the Al Ghubar South field, which contains reserves of one billion barrels.

Source: Gulf Daily News

## Kuwait gives initial approval for oil border with Iraq

Kuwait approved to open a special border crossing with Iraq for international oil firms working there. The border point would help facilitate the inflow of equipment for oil companies that have secured contracts to pursue oil development projects in Iraq. The companies include Royal Dutch Shell and BP, where Iraq hopes that these contracts will be able to quadruple the country's oil output capacity to 12 million barrels per day within seven years. The proposal for the special border point is being reviewed by Iraq's oil, finance, and interior ministries, as well as awaits the approval of the Kuwaiti government.

Source: Thomson Reuters

## Base Metals: Demand to depend on growth in developed economies

Base metals demand is expected to fall starting in the third quarter of 2010, as it is projected to be more dependant on growth in developed economies. Prices rose unexpectedly in the fourth quarter of 2009 and in the first quarter of 2010 but fell with China's efforts to control property speculation, the onset of the Greek sovereign debt crisis and the strengthening of the U.S. dollar. Also, prices are projected to be volatile but to improve over the next 12-18 months.

Key sectors to base metals consumption, such as the construction, automotive and capital goods sectors remain weak in most industrialized regions. Construction spending is forecast to deteriorate further if the sovereign debt crisis persists, and high unemployment is expected to affect further the automotive and durable goods sectors. Downside risks to the metals' market include tightening monetary or fiscal policy, reassertion of financial risk avoidance, or return to recession. Upsides include supply disruptions, weakening of the U.S. dollar, or a strong recovery in consumer durables. The Aluminum market remains a concern due to its excess capacity, persistent surplus production, and high stock levels.

Source: Fitch Ratings

## Precious Metals: Gold declines on equity losses

Gold prices declined by \$7.6 to \$1,184 an ounce on July 22 and are expected to reach its weakest level in two months as investors are selling gold to cover losses in equities ahead of Europe's bank stress test results. Gold fell more than 6% since hitting an all-time high around \$1,264 an ounce in late June on worries that the debt crisis in Europe would spread. Dealers expected more losses if the results of the European Union examination of banks due on July 23 show generally positive results for Greece, Italy and Ireland. U.S. gold futures for August delivery fell 0.55% to \$1,185 an ounce. The world's largest gold-backed exchange-traded fund, SPDR Gold Trust stated that holdings were unchanged at 1,308 tons, after hitting a record of 1,320 tons on June 29th.

Source: Thomson Reuters

Commodity Prices Forecast (\$US)				
	Spot	2H10	2011	2012
<b>Copper</b>	3.03			
Median		3.12	3.47	3.51
Mean		3.09	3.43	3.47
Forward		3.03	3.04	3.00
<b>Aluminum</b>	0.90			
Median		0.95	1.00	1.06
Mean		0.94	0.99	1.05
Forward		0.91	0.94	0.97
<b>Nickel</b>	8.87			
Median		8.77	9.50	10.45
Mean		8.63	9.52	10.14
Forward		8.86	8.88	8.64
<b>Zinc</b>	0.85			
Median		0.99	1.16	1.10
Mean		0.99	1.15	1.15
Forward		0.85	0.87	0.87

Source: Bloomberg



# 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								
<b>Africa</b>													
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
<b>Middle East</b>													
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	Stable	-	Stable	Stable	Stable	0.7	12.7	63.8	74.1	3.9	420.3	-5.3	0.7
Yemen	AA-	Aa3	AA-	AA-	BBB	-11.2	-	22.5	112.7	-	-	-9.7	-
	Stable	Stable	Stable	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								
<b>Central &amp; Eastern Europe</b>													
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	08-Jul-10	No change	05-Aug-10
UK	Bank Rate	0.50	08-Jul-10	No change	05-Aug-10
Japan	O/N Call Rate	0.10	15-Jun-10	No change	15-Jul-10
Australia	Cash Rate	4.50	06-Jul-10	No change	03-Aug-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	0.75	01-Jun-10	Raise 25bps	20-Jul-10
<b>Emerging Markets</b>					
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	2.25	09-Jul-10	Raise 25bps	N/A
Malaysia	O/N Policy Rate	2.75	08-Jul-10	Raise 25bps	02-Sep-10
Thailand	1D Repo	1.50	14-Jul-10	Raise 25bps	25-Aug-10
India	Reverse repo rate	4.00	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	15-Jul-10	No change	N/A
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	13.50	16-Jul-10	Cut 150bps	N/A
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	16-Jul-10	No change	N/A
Brazil	Selic Rate	10.75	21-Jul-10	Raise 50bps	21-Jul-10
Armenia	Refi Rate	7.25	21-Jul-10	No change	N/A
Romania	Policy Rate	6.25	06-Jun-10	No change	N/A
Bulgaria	Base Interest	0.18	01-Jul-10	Raise 2 bps	N/A
Kazakhstan	Refi Rate	7.00	01-Jul-10	No change	N/A
Ukraine	Discount Rate	8.50	08-Jul-10	Cut 100bps	N/A
Russia	Refi Rate	7.75	23-Jun-10	Cut 25 bps	N/A



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