

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 5.5% in July

Moody's Investors Service stated that the rate of global speculative-grade corporate defaults reached 5.5% at the end of July 2010 compared to 11.7% a year earlier, and down from 6.2% in June, 9.9% at the end of the first quarter of 2010 and 13% at the end of 2009. It said the July decline marks the eighth consecutive monthly decline since the peak of 13.5% in November 2009. The agency forecast the global speculative-grade default rate to fall to 2.6% at the end of the year and to 1.8% at the end of July 2011. It expected the decline in default rates to continue despite the apparent softness of the global economic recovery. Measured on a dollar volume basis, the global speculative-grade bond default rate ended July at 2.9%, down from 3.1% in June and 17.6% last year. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 15.6% at end-July compared to 16% at end-June, but down from 19.3% at the end of 2009 and from 36.7% at end-July 2009.

Source: Moody's Investors Service

EMERGING MARKETS

Private equity fundraising up 24%, investments rise 58% in first half of 2010

The Emerging Markets Private Equity Association indicated that private equity funds dedicated to emerging markets raised \$11.2bn in the first half of 2010, constituting an increase of 24.4% from \$9bn raised in the same period last year, and compared to \$22.6bn raised in 2009. It said Emerging Asia funds raised \$6.2bn, followed by funds focused on Latin America & the Caribbean with \$2.3bn, Sub-Saharan Africa funds with \$1bn, MENA funds with \$0.8bn, CEE & CIS funds with \$0.6bn, and multi-regional funds with \$0.3bn. In parallel, private equity investment in emerging markets totaled \$13.1bn in the first half of 2010, up 58% from \$8.3bn in the same period last year, while the number of transactions reached 402 deals compared to 280 deals in the same period last year. It noted that 28 deals totaling \$8.4bn exceeded \$100m each in the first half of the year compared to 17 such deals totaling \$4.6bn in the first half of 2009. It added that Emerging Asia markets captured 72.5% of investments by value, with China accounting for \$4.6bn and India for \$3bn in investments. Latin America & the Caribbean accounted for 16% of private equity investments, with Brazil receiving \$1.5bn in investment flows; followed by the CEE & CIS region with 6%; the MENA region with 3.8%; and Sub-Saharan Africa with 1.5%. It said that investment conditions in emerging markets private equity are revitalizing, with a larger number and better quality deals in the pipeline. Further, the continued easing of price expectations among sellers, lower valuations and stabilizing markets are leading to more transactions being closed.

Source: Emerging Markets Private Equity Association

Sovereign and corporate issuance at \$162bn in first 7 months of 2010

Merrill Lynch indicated that aggregate sovereign bond issuance in non-G10 emerging markets reached \$55.6bn in the first 7 months of 2010 compared to \$74bn for all of 2009 and to a forecast issuance of \$80.3bn for all of 2010. It said issuance in Emerging Europe, the Middle East & Africa (EEMEA) reached \$36.8bn, or 66.2% of the total, followed by Latin America with \$10.8bn (19.4%), Asia with \$6.8bn (12.2%), and the GCC with \$1.3bn (2.3%). As such, issuance from the EEMEA region represented 78.6% of the area's projected issuance this year, while issuance from Asia accounted for 69.4% of forecast issues, and year-to-date sovereign issues from the GCC and Latin America represented 52% and 51%, respectively, of the regions' expected issuance in 2010. In parallel, corporate bond issuance in non-G10 emerging markets reached \$107bn in the first 7 months of 2010 compared to \$126bn for all of 2009. It said issuance in Latin America reached \$41.3bn, or 38.7% of the total, followed by Asia with \$31.1bn (29%), the EEMEA with \$25.3bn (23.7%), and the GCC with \$9.1bn (8.5%). As such, total sovereign and corporate bond issuance reached \$162.4bn year-to-July relative to \$200bn in 2009. The EEMEA raised \$62bn or 38.2% of the total, followed by Latin America with \$52.1bn (32.1%), Asia with \$38bn (23.4%), and the GCC with \$10.4bn (6.4%).

Source: Merrill Lynch

Trading in Credit Default Swaps up 85% to \$685bn in second quarter

Trading in emerging markets Credit Default Swaps (CDS) reached \$685bn in the second quarter of 2010, constituting an increase 85% from \$355bn in the same period last year, and a 41% rise from \$487bn in the first quarter of 2010. The most frequently traded sovereign CDS contracts were those of Turkey at \$118bn, followed by Russia at \$92bn, and Brazil at \$69bn. The most frequently traded corporate CDS contracts were those on Gazprom at \$54bn, followed by Pemex at \$10bn and Petrobras at \$1bn 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 reflects increased liquidity in the CDS markets. It attributed this liquidity to standardization efforts in 2009, as well as to hedging needs caused by the rise in the Eurozone's sovereign risks in the second quarter of the year. 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 of Gazprom at \$144bn.

Source: EMTA

OUTLOOK

EGYPT

Growth prospects depend on confidence, capital inflows and fiscal stimulus

Deutsche Bank projected Egypt's real GDP growth at about 5.5% in 2009/10 and 6% in 2010/11, relative to 4.7% in 2008/09. It said economic growth has been resilient throughout the global downturn, but noted that the country's future economic growth prospects depend on five issues. First, it said monetary and fiscal stimulus is likely to remain in place but at a somewhat decelerating pace for the latter. It said government policies will continue to be growth supportive, as the Central Bank of Egypt is comfortable on balance with its monetary stance and the fiscal deficit will remain broadly stable next year. Second, Suez Canal traffic is recovering very rapidly as well as its contribution to GDP growth, which was 0.4% in the third quarter of 2009/10. Third, credit growth has regained pace after a brief period of deceleration and is unlikely to be an obstacle to the ongoing recovery going forward. Fourth, it expected FDI flows, which are crucial to investment recovery, to remain strong at about \$7bn in 2010/11. Fifth, it considered that the political calendar is likely to play a significant role in shaping local confidence, therefore affecting the pace of recovery in private sector spending, with international investor sentiment mainly affecting portfolio flows. Further, Deutsche Bank noted that fiscal stimulus measures, which mainly consisted of government infrastructure spending, sales tax cuts on various capital goods and increases in export subsidies and public sector wages, widened the deficit to about 8% of GDP. It expected large deficits to persist for at least two more years, adding that financing is unlikely to be a major issue and the debt ratio can be contained at current levels with GDP growth in place and relatively low real borrowing costs.

Source: Deutsche Bank

LIBYA

Reforms to change economic profile substantially

Standard & Poor's projected economic growth in Libya at 3.5% in 2010 and 4.2% in 2011 compared to a contraction of 1% in 2009. It expected that the recent recovery in oil prices, an increase in Libyan output, and continued expansion of the non-oil sector to support activity this year. It noted that non-oil growth has averaged less than 9% annually over the past five years compared to about 2% in the hydrocarbons sector, and expected this trend to continue over the medium term. It expected future growth to come from the expansion and upgrade of infrastructure and services, with telecommunications, banking, real estate, and transport likely candidates for substantial investment, as Libya accesses foreign expertise, inputs and capital after years of economic isolation.

It said that the resilience of Libya's public finances in recent years gives it significant scope to offset most shocks to economic activity, and estimated the general government's net asset position at 148% of GDP in 2010, compared with a median net debt position of 24.8% of GDP among similarly-rated peers. It added that Libya has limited contingent liabilities compared to its peers, mainly because of its low financial intermediation from historical state ownership of the banking sector and state

dominance of the non-oil economy. It forecast the fiscal balance to post a surplus of 11.5% of GDP in 2010 and 12% of GDP in 2011, and for the current account to register a surplus of 20% of GDP this year and 21% of GDP in 2011.

S&P considered that Libya's economic profile is likely to change because of the liberalization of the banking sector, spearheaded by the management transfer of two major state-owned banks, the launch of a program of privatization elsewhere in the non-oil economy, and efforts to attract non-oil foreign direct investment and promote economic diversification. However, it expressed concerns about the uncertainties related to the effectiveness of recent reforms that aim to promote private-sector development, which are at an early stage of implementation. S&P indicated expected that Libya's economic prospects will mainly be determined by the energy sector in the foreseeable future despite attempts at diversification, as oil accounts for about 90% of budget revenues, almost all merchandise exports, and the majority of FDI. It noted that economic development will depend on the government's willingness and capacity to ensure an attractive investment environment. As such, it expected oil price volatility and changes in output dictated by OPEC quotas to expose Libya's nominal GDP to substantial swings.

Source: Standard & Poor's

QATAR

Credit growth to be driven by government entities

The Institute of International Finance expected the performance of Qatari banks to improve through 2010. It noted, however, that high margin lending opportunities will diminish with the near completion of the hydrocarbon mega projects and related facilities, which, along with fragile market confidence, will weigh on bank performance. It said that the underlying strength of banks' balance sheets prior to the crisis, recent improvements in risk management, and a robust deposit base are likely to offset this trend. It added that the true state of banks' balance sheets remains masked by the extensive level of government support, despite low NPLs levels. It said the authorities' support to the banking sector reached \$7.22bn, or 6.1% of GDP during the global crisis, which helped credit to the economy to recover gradually and to rise by 14% in May 2010 from a year earlier. It attributed most of the credit growth to the sharp increase in lending to non-financial public enterprises, which account for around 18% of credit to the economy. It forecast growth in public non-financial enterprise credit to remain high given the level of spending by government and quasi-government entities on infrastructure, real estate, and related activities.

In parallel, the IIF said private sector demand for credit remains weak due to a fall in the expatriate population last year, an oversupply of commercial real estate, and reduced local investor confidence. It expected the sector to have a handful of strong core banks over the medium term, with the rest in a weaker and peripheral position. It noted that banks established over recent years are more likely to see their market share erode, as they have based their lending to sectors subject to vulnerabilities such as real estate and expatriate consumer credit.

Source: Institute of International Finance



ECONOMY & TRADE

GCC

Region has 137 equity funds with AUM of \$10.8bn

Figures released by the Kuwait Financial Center show that there were a total of 137 equity funds in the GCC at the end of June 2010, including 82 conventional funds and 55 Islamic funds. The funds' assets under management (AUMs) reached \$10.84bn at end-June, constituting a decline of 12% from end-March, with conventional funds accounting for \$6.53bn and Islamic funds for \$4.32bn. Saudi Arabia accounted for 43% of total AUM, followed by Kuwait with 33%, the UAE with 5%, Qatar with 1.4%, Oman with 0.5%, Bahrain with 0.2%, while the GCC/MENA funds accounted for 17% of AUM. Further, the funds' institutionalization rate, or AUM relative to market capitalization, was 1.5% for the GCC. Kuwait had a rate of 3.2%, followed by Saudi Arabia with 1.4%, the UAE with 0.4%, Oman with 0.3%, and Bahrain and Qatar with 0.1% each. Also, Saudi Arabia attracted 45% of allocations in the second quarter, up from 36% at end-June 2009; followed by Qatar with 15% relative to 17% a year earlier; the UAE with 13%, down from 15% in the second quarter of last year; Kuwait with 12% relative to 20% a year-earlier; Oman with 4%, and Bahrain with 2%, while other MENA funds received 8%. Fund managers held 89% of assets in equities and 11% in cash on a weighted average basis.

Source: Kuwait Financial Center

SYRIA

EU to provide €129m in assistance during 2011-13

The European Union indicated that it will allocate €129m in bilateral assistance to Syria during the 2011-13 period within the framework of the European Neighborhood Policy Instrument. It said the annual average of €43m represents a 23.5% increase from support provided during the 2007-10 period. The EU plans to allocate the funds to support the competitiveness of Syrian businesses and promote entrepreneurship, to promote renewable energy and energy savings, to increase the capacity of Syrian authorities to implement the EU-Syria Association Agreement when it is signed, as well as on educational and cultural activities. The EU added that it is the largest donor to Syria when including contributions from EU states and the European Investment Bank, as aggregate support reaches about €10m per year in grants and loans.

Source: European Union

ANGOLA

Macroeconomic conditions improving, additional measures needed

The International Monetary Fund indicated that policy implementation by Angolan authorities under the Stand-By Arrangement has been broadly satisfactory, contributing to a steady improvement in macroeconomic conditions. It said data for the first half of 2010 show signs of a solid economic recovery, reflecting higher oil prices and production that boosted government revenues and international reserves, while foreign exchange market pressures have eased considerably. It noted, however, that government payment arrears are weighing on output and employment in the non-oil sector, especially in construction and services, while inflation is still at around 14%. It added that the exchange rate depreciated gradually during the

first four months of this year but appreciated modestly in May-June on stronger oil revenues, while the fiscal position also improved in the first half of 2010 due to expenditure restraint and higher oil revenues. The Fund considered that further steps are needed to create a sustainable fiscal position, reduce inflation, and fully rebuild foreign reserves. It said such measures include a further decline in the non-oil primary fiscal deficit during the remainder of 2010 and in 2011 to bring it closer to its medium-term sustainable level, supporting further reserve accumulation, improve public financial management, as well as strengthening liquidity management by the National Bank of Angola and improving the foreign exchange market system.

Source: International Monetary Fund

ROMANIA

Sovereign ratings affirmed, outlook stable

Fitch Ratings affirmed Romania's long-term and short-term foreign and local currency Issuer Default Ratings (IDRs) at 'BB+' and 'B', respectively, with a 'stable' outlook. It also affirmed the country's local currency Issuer at 'BBB-', and the Country Ceiling at 'BBB'. It said Romania's external position has improved considerably over the past 18 months due to official balance-of-payments support and a sharp adjustment in the current account, and expected foreign liquid assets to cover 150% of maturing external debt in 2010. The agency considered that the main risk to sovereign creditworthiness has shifted to public finances from external finances, as Romania faces significant challenges in cutting its large budget deficit in the midst of a recession. It said the fiscal deficit reached 8.3% in 2009, adding that the government has consolidated its finances sufficiently to limit the deficit in to 7.3% of GDP in 2010. But it noted that policy risks remain significant given the unpredictable nature of Romanian politics and the need for further tightening in 2011 and beyond to stabilize the debt stock. Fitch also noted that the consolidation has had a negative impact on the wider economy and revised downward its GDP forecast to a 2% contraction in 2010. It said the depth of the recession worsens the risk profile through adverse debt dynamics and pressure on the banking system.

Source: Fitch Ratings

RUSSIA

Launch of privatization drive

The Ministry of Finance announced plans to raise \$30bn through the privatization of some of the country's largest companies. The partial privatization plan, Russia's biggest since the 1990s, will see the government sell minority stakes in 11 state-run companies before 2013, including VTB Bank and Sberbank, shipping group Sovcomflot, oil pipeline group Transneft, oil company Rosneft and hydropower utility RusHydro. The process is being run concurrently with a broader privatization drive where hundreds of small and medium-sized state-owned businesses will be sold off or part-privatized, as the government seeks to address Russia's rising budget deficit. The government said that it will maintain a minimum stake of 51% in all of the companies under consideration. The privatization program is part of a broader liberalization of Russian capital markets and aims to make the country a global financial center.

Source: Institutional Investor

BANKING

JORDAN

Trade and construction account for 46% of overall lending at end-June

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD13.9bn at the end of June 2010, constituting an increase of 4.3% from end-2009 and a rise of 6.2% year-on-year. The resident private sector accounted for 90.5% of the total relative to 90% a year earlier, followed by the non-resident private sector with 9.5% compared to 10% at end-June 2009, public entities with 2.2%, the central government with 0.3%, and financial institutions with 0.04%. Foreign currency lending accounted for 11.7% of total lending, down from 14% at the end of June 2009. The distribution of lending by sector shows that general trade represented JD3.25bn, or 23.4% of the total, up from 22.6% a year earlier. It was followed by construction with JD3.2bn, or 22.7% of the total, up from 18.6% at end-June 2009; industry with JD1.86bn, or 13.4% of overall lending; public services & utilities with JD1bn or 7.5% of the total; transportation services with JD479m or 3.4% of credits; financial services with JD355m or 2.6%; tourism, hotels & restaurants with JD445m, or 3.2% of the total; and agriculture with JD216m, or 1.6% of overall lending. Further, other lending accounted for JD3bn, or 21.7% of total credits, of which JD443m were extended to buy shares. In parallel, loans & advances totaled JD11.9bn of overall credit, followed by overdrafts with JD1.7bn, and discounted bills & bonds with JD290m.

Source: Central Bank of Jordan, Byblos Research

SUDAN

IMF urges restructuring and privatization of largest bank

The International Monetary Fund indicated that the financial position of state-owned Omdurman National Bank (ONB) remains difficult and urged authorities to fully implement the bank's restructuring plan. It said the bank, which is the largest bank in Sudan, accounts for 25% of bank lending in the country and for nearly 50% of the sector's NPLs, as 40% of its loan portfolio in non-performing. It noted that the restructuring plan, which was developed last February based on an independent audit, aims to prevent any further deterioration of ONB's financial position and to prepare for its eventual privatization. The plan stipulates the closure of the bank's loss-making branches, the liquidation of loss-making companies that are fully-owned by the bank, its recapitalization by existing shareholders other than the Central Bank of Sudan, and beginning the privatization process by end-2011. ONB, which operates under Islamic banking principles, announced net profits of SDG 51m, or \$22.7m in 2009, up 11.4% from the previous year. Revenues from sales receivables increased by 45.8% to SDG 382.8m, while short-term investment revenues decreased by 39.4% to SDG 65.5m year-on-year. Net operating revenues increased by 21.8% to SDG 192.4m, while total expenditures increased by 22% to SDG 112m. Total assets reached SDG 7.37bn at the end of 2009, or about \$3.3bn, constituting a 17.8% rise from end-2008, while sales receivables increased by 17.1% to SDG 3.66bn and short-term investments increased by 3.6% to SDG 693m.

Further, ONB's current & saving deposits rose by 22.7% year-on-year to SDG 1.44bn. The bank's equity increased by 3.3% to SDG 691.1m year-on-year.

Source: International Monetary Fund, Omdurman National Bank

UAE

Banks to withstand significant deterioration in asset quality

Regional investment bank Shuaa Capital indicated that its stress test on eight UAE banks, which account for 70% of the banking sector's assets, shows that the sector is sufficiently capitalized to withstand significant deterioration in asset quality. It said that under a base case scenario, the average capital adequacy ratio of the eight banks reaches 14.9%, above the minimum 12% for the UAE; while the average Tier One capital ratio reaches 9.8%, above the UAE minimum of 8%. Further, under a worse case scenario, the average capital adequacy ratio of the banks declines 11.8%, while the average Tier One capital ratio decreases to 9.8%, both above the Basel II international standards. Shuaa added that all scenarios would require additional capital injections, ranging from \$669m under the base case scenario to up to \$4.3bn in the worse case scenario.

Source: Shuaa Capital

UKRAINE

Banking sector indicators still weak, NPLs remain elevated

The risk-weighted capital adequacy ratio of banks operating in Ukraine reached 20.8% at end-March 2010, up from 15.4% a year earlier and from 18.1% at the end of 2009. The capital-to-assets ratio was 14.5% at end-March 2010, up from 13.4% at end-March 2009 and from 13.1% at end-2009, while the sector's liquid assets reached 10% of total assets at end-March, up from 7.9% a year earlier. Further, the sector's deposits-to-loans ratio increased to 47.7% at end-March from 43.7% a year earlier and from 45.3% at end-2009. Foreign currency deposits accounted for 46.4% of total deposits and foreign currency loans represented 227% of foreign currency deposits, while foreign currency loans accounted for 50.3% of total loans at the end of March 2010 compared to 56.8% at end-March 2009. The sector's non-performing loans, including loans that are classified as substandard, doubtful and loss, reached 41.6% of total loans at end-March, up from 24% in March 2009; while NPLs in their narrow definition were at 15%. Further, the ratio of provisions to NPLs for the sector regressed to 64.2% from 65.1% at end-2009. In parallel, banks' return on assets reached -2.1% at end-March 2010 relative to -3.2% at end-March 2009 and -4.4% at end-2009, while their return on equity reached -14.8% relative to -23.4% at end-March 2009 and -32.5% at end-2009. There were 175 banks operating in Ukraine at end-March 2010, including two state-owned banks. The 173 private banks include 122 domestic banks and 51 banks with foreign majority ownership. The 10 largest banks accounted for 53.5% of total assets while the 25 largest banks accounted for 77.1% of the total. Foreign-owned banks accounted for 34% of the sector's statutory capital at end-March.

Source: International Monetary Fund

ENERGY / COMMODITIES

World oil demand to exceed earlier estimates

The International Energy Agency stated that world oil demand is expected to exceed earlier estimates even as the economic recovery slows in 2011. It noted that the global economy is expected to grow by 4.5% in 2010 and by 4.3% in 2011. Crude demand is projected to average 87.9 million barrels a day in 2011, higher by 50,000 barrels a day than the forecast of last month. Prices fell as China's industrial output grew the least in 11 months and the productivity of U.S. workers fell in the second quarter. Crude oil for September fell by 0.6% to \$79.80 a barrel, leaving prices unchanged this year. The IEA said rising oil consumption will be more than offset by greater production from countries outside the OPEC, reducing the world's need for the group's oil. Further, OPEC will need to provide an average of 29.1 million barrels a day in 2011 to balance world supply and demand. The 11 OPEC members bound by production quotas raised supply last month by 190,000 barrels to 26.8 million barrels a day. Supplies from all 12 nations, including Iraq, grew by 220,000 barrels a day to average 29.2 million barrels per day. *Source: Bloomberg, International Energy Agency*

ERC signs \$2.6bn debt package for refinery building in Cairo

Citadel Capital Corporation, an Egyptian private equity firm, stated that one of its units, the Egyptian Refining Company (ERC) obtained a \$2.6bn loan to finance the construction of a \$3.7bn second-stage oil refinery in the Greater Cairo Area. The refinery is expected to produce over 4 million tons of refined products per year when completed. The debt package includes \$2.35bn of senior debt and \$225m of subordinated debt. ERC is forecast to improve the environment of Greater Cairo by preventing approximately 93,000 tons of Sulfur from being released into the atmosphere per year. *Source: African Business Review*

Exxon quits new \$6bn Qatar petrochemical project

Exxon Mobil has formally ended a deal with state-funded Qatar Petroleum (QP) to develop a new \$6bn petrochemicals facility in Ras Laffan city in north Qatar. Exxon and QP have been negotiating since signing an initial deal in 2005, and a final deal was expected in 2006 but was not implemented. The plant, to be built in the industrial city of Ras Laffan, was estimated in 2006 to cost around \$3bn and was slated to start up in 2012. It was expected to produce around 1.6 million ton per year of ethylene products. *Source: Bloomberg*

KUFPEC to export gas oil and aircraft fuel to Egypt

Kuwait Foreign Petroleum Exploration Company (KUFPEC) signed a deal to export gas oil and aircraft fuel to Egypt for a period of three years. KUFPEC noted that the deal will be put into activation starting January 2011. *Source: Qatar News Agency*

Base Metals: Nickel market in deficit due to supply weakness

Three-month LME nickel prices ranged between \$18,000 per ton and \$20,000 per ton for the past two months before rising by 16% in late July. While global demand has weakened on cut-backs in stainless steel production, supply disruptions have kept prices stable. As a result, LME inventory fell to 29 days of use in early August from 40 days in early May. The fall in stainless steel demand has led to a fall in nickel demand, as stainless steel accounts for roughly 65% of nickel consumption.

The physical premium for nickel in the U.S. has fallen by 6% from its peak in late July, indicating that North American consumers have reduced orders. World nickel supply declined in the first quarter of 2010 due to production disruptions at major mines that represent around 30% of global output. Some of these disruptions will likely continue, leading to an estimated loss in world primary nickel output of around 52 kilo tons in 2010, equivalent to 4% of global output in 2009. LME stocks have been falling recently, helping to tighten the nickel market and encouraging higher prices. While an underlying demand recovery is slowly coming through, LME stocks are expected to remain high. *Source: Standard Chartered*

Global Nickel Outlook					
(kilo tons)	2007	2008	2009	2010f	2011f
Refined supply	1,436	1,379	1,310	1,395	1,465
(% change)	6.0	-4.0	-5.0	6.0	5.0
Refined demand	1,336	1,283	1,257	1,383	1,494
(% change)	-4.0	-4.0	-2.0	10.0	8.0
Balance	100	96	53	12	-29
Reported stocks (end-period)	255	351	404	416	387
Three-month price (\$/ton)	36,124	21,309	14,762	21,172	22,000

Source: CRU, Standard Chartered

Precious Metals: Gold prices decline as safe-haven inflows pull back

Gold prices reached record highs above \$1,250 an ounce in June, but have declined after due to investors paring back their long positions in Europe. Also, prices fell after the decrease in net speculative position by 25% month-on-month in the U.S. in late July. Similarly, the SPDR physical exchange-traded fund fell by 3% in July to 1,282 tons. Gold was marked lower after news emerged that the Bank for International Settlements had entered a gold swap for 346 tons. Premiums in Singapore reached a four-month high of \$1.20 an ounce in late July. Investor buying is also expected to rise due to increased portfolio flows. Over the next three months, gold is forecast to outperform silver since it remains favored by fund managers and is entering a strong period for physical demand. Silver prices started to fall before gold and have also trended lower in recent weeks. Sales of silver coins from the U.S. Mint fell from 3.6 million coins in May to 3 million in June and 2.98 million in July. The net speculative position on U.S. exchanges also fell by 28% in July. The gold-silver price ratio rose to 65.5 from the 2000-09 average of 61.5. *Source: Standard Chartered*



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	-7.9	20.0	2.7	5.9	3.0	-	-2.4	0.9
Angola	B+	B1	B+	-	B	-1.9	20.2	21.2	39.7	9.5	116.6	-9.5	5.0
Egypt	BB+	Ba1	BB+	BBB-	BB	-7.0	73.2	16.8	43.9	10.2	107.7	-2.4	3.6
Ethiopia	-	-	-	-	CCC	-2.3	-	12.2	220.5	-	-	-6.7	-
Ghana	B+	-	B+	-	B	-9.8	-	34.5	94.7	-	-	-8.3	-
Ivory Coast	-	-	-	-	CCC	-1.6	-	49.4	107.6	-	-	7.3	-
Libya	A-	-	BBB+	-	BB	1.8	3.9	8.6	16.0	3.4	-	13.9	2.2
Mauritania	-	-	-	-	-	-5.1	-	6.7	149.3	-	-	-12.7	-
Morocco	BBB-	Ba1	BBB-	BBB-	BB	-3.1	47.2	26.8	95.5	8.6	113.7	-5.0	1.5
Nigeria	B+	-	BB-	-	B	-4.4	12.3	5.5	18.5	0.7	-	12.4	3.1
Sudan	-	-	-	-	C	-2.6	105.3	66.3	482.4	3.6	-	-5.2	-
Tunisia	BBB	Baa2	BBB	BBB	BB	-1.9	46.7	55.4	105.6	15.8	208.3	-2.8	3.9
Middle East													
Bahrain	A	A2	A	A	BBB	-5.2	24.2	169.6	246.4	7.2	991.9	1.4	0.8
Iran	-	-	B+	BB-	B	-0.9	17.0	3.5	13.4	3.2	-	0.1	0.25
Iraq	-	-	-	-	CC	-4.6	-	97.7	178.7	2.2	165.3	2.1	1.4
Jordan	BB	Ba2	-	BB	B	-8.9	63.5	63.1	135.2	4.6	133.1	-5.5	10.1
Kuwait	AA-	Aa2	AA	AA-	A	15.4	6.9	20.7	38.8	4.0	133.0	25.3	-2.6
Lebanon	B	B1	B	B	CCC	-8.6	136.3	100.6	738.9	18.5	135.3	-10.8	8.0
Oman	A	A2	-	A	A	-9.1	6.5	28.1	46.9	-	109.1	0.6	4.3
Qatar	AA-	Aa2	-	AA-	A	10.4	32.4	74.9	202.7	15.2	412.0	14.3	8.8
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	1.1	13.2	22.5	42.7	2.7	20.2	4.9	5.4
Syria	-	-	-	-	B	-9.4	30.1	15.0	63.6	1.0	43.3	-0.6	2.6
UAE	-	Aa2	-	AA-	BB	0.4	21.3	61.8	74.1	7.9	359.0	-2.6	-0.4
Yemen	-	-	-	B	CC	-10.3	-	23.6	113.8	-	-	-8.2	-



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-	-	-	-8.2	40.4	55.7	654.2	-	248.4	-15.4	8.0
	-	-	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-3.8	14.8	77.3	159.8	19.8	220.1	-9.4	9.8
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB-	-	BB	-3.9	9.3	94.7	230.8	40.1	553.7	-2.9	8.1
	Stable	-	Negative	-	Stable								
Romania	BB+	Baa3	BB+	BBB-	BB	-8.3	23.7	68.1	226.6	29.9	279.7	-4.5	3.8
	Negative	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-5.7	7.1	38.3	136.3	11.6	110.9	4.0	-0.6
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-5.5	45.5	45.1	194.5	45.1	400.1	-2.8	1.2
	Positive	Stable	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-6.4	30.2	88.6	191.1	43.9	407.9	-1.5	4.0
	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	02-Sep-10
UK	Bank Rate	0.50	08-Jul-10	No change	09-Sep-10
Japan	O/N Call Rate	0.10	15-Jul-10	No change	10-Aug-10
Australia	Cash Rate	4.50	06-Jul-10	No change	07-Sep-10
New Zealand	Cash Rate	3.00	29-Jul-10	Raise 25bps	16-Sep-10
Switzerland	3 month Libor target	0.25	17-Jun-10	No change	16-Sep-10
Canada	Overnight rate	0.50	20-Jul-10	Cut 25bps	08-Sep-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	2.25	09-Jul-10	Raise 25bps	12-Aug-10
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	5.75	27-Jul-10	Raise 25bps	Sept-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	7.00	15-Jul-10	Raise 50bps	19-Aug-10
South Africa	Repo rate	6.50	22-Jul-10	No change	09-Sep-10
Kenya	Central Bank Rate	6.00	28-July-10	Cut 75bps	Sept-10
Nigeria	Monetary Policy Rate	6.00	02-May-10	No change	Sept-10
Ghana	Prime Rate	13.50	16-Jul-10	Cut 150bps	Sept-10
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	01-Sep-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	0.17	01-Aug-10	Cut 1 bps	N/A
Kazakhstan	Refi Rate	7.00	01-Jul-10	No change	N/A
Ukraine	Discount Rate	7.75	08-Jul-10	Cut 75bps	N/A
Russia	Refi Rate	7.75	23-Jun-10	Cut 25 bps	N/A



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