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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 5% in August

Moody's Investors Service stated that the rate of global speculative-grade corporate defaults reached 5% at the end of August 2010 compared to 12.3% a year earlier, and down from 5.5% in July, 9.9% at the end of the first quarter of 2010 and 13% at the end of 2009. It said the August decline marks the ninth consecutive monthly decline since the peak of 13.5% in November 2009. The agency forecast the global speculative-grade default rate to fall to 2.7% at the end of the year and to 2% at the end of August 2011. It expected the decline in default rates to continue following the apparent stability in the pricing of high yield corporate debt. Measured on a dollar volume basis, the global speculative-grade bond default rate ended August at 2.3%, down from 2.9% in July and 18.2% 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 15.3% at end-August compared to 15.6% at end-July, but down from 19.3% at the end of 2009 and from 34% at end-August 2009.

Source: Moody's Investors Service

EMERGING MARKETS

Bond and equity inflows at $60.7bn in first 8 months of 2010, AUM at $772bn

Capital inflows to emerging market equity and bonds totaled $60.7bn in the first 8 months of 2010, with bonds receiving $28.7bn and equities $32bn. Latin America accounted for $10.5bn or 36.6% of bond inflows, followed by Emerging Europe, the Middle East & Africa (EMEA) with $9.6bn (33.3%), and Emerging Asia with 30.1%. Further, Emerging Asia accounted for $19.9bn or 62.5% of equity inflows to emerging markets, followed by EMEA with $7.8bn (24.5%), and Latin America with $4.1bn (13%). Brazil was the biggest recipient of bond inflows with $3.26bn, or 11.3% of total inflows into emerging market bonds, while China was the largest recipient of equity funds with $6.6bn, or 20.5% of overall inflows into emerging market equities. In parallel, emerging markets' assets under management (AUM) totaled $771.7bn at the end of August 2010, with bonds accounting for $123.9bn and equities for $647.8bn. The EMEA region had $45.6bn in AUM in bonds, followed by Latin America with $44.6bn and Emerging Asia with $33.7bn. Further, Emerging Asia accounted for $403.5bn in equity-related AUM, followed by Latin America with $131.3bn and EMEA with $113bn. Brazil had $15.1bn in bonds-related AUM, or 12.2% of the total, while China had $133.5bn in equity-related AUM, accounting for 20.6% of overall equities under management in emerging markets.

Source: Barclays Capital

Sovereign and corporate issuance at $174bn in first 8 months of 2010

Merrill Lynch indicated that aggregate sovereign bond issuance in non-G10 emerging markets reached $59bn in the first 8 months of 2010 compared to $74bn for all of 2009 and to a forecast issuance of $82.3bn for all of 2010. It said issuance in Emerging Europe, the Middle East & Africa (EEMEA) reached $37.2bn, or 63% of the total, followed by Latin America with $13.8bn (23.4%), Asia with $6.8bn (11.5%), and the GCC with $1.3bn (2.2%). As such, issuance from the EEMEA region represented 77.8% 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 Latin America and the GCC represented 62.4% and 52%, respectively, of the regions' expected issuance in 2010. In parallel, corporate bond issuance in non-G10 emerging markets reached $114.9bn in the first 8 months of 2010 compared to $126bn for all of 2009. It said issuance in Latin America reached $44.3bn, or 38.6% of the total, followed by Asia with $35.4bn (30.8%), the EEMEA with $26.1bn (22.7%), and the GCC with $9.1bn (7.9%). As such, total sovereign and corporate bond issuance reached $173.9bn year-to-August relative to $200bn in 2009. The EEMEA raised $63.3bn or 36.4% of the total, followed by Latin America with $58.1bn (33.4%), Asia with $42.2bn (24.3%), and the GCC with $10.4bn (6%).

Source: Merrill Lynch

MENA

Region's competitiveness is average, reforms still necessary

The World Economic Forum included 15 Arab countries in its Global Competitiveness Index for 2010-11. Qatar was the region's top-ranked country in 17th place, followed by Saudi Arabia (21), the UAE (25), Tunisia (32), Oman (34), Kuwait (35), Bahrain (37), Jordan (65), Morocco (75), Egypt (81), Algeria (86), Lebanon (92), Syria (97), Libya (100), and Mauritania (135). The rankings of 6 countries in the region improved and 8 declined from the previous survey while Lebanon was included in the index for the first time. Tunis showed the highest improvement with a rise of 8 spots, while Jordan dropped by 15 spots year-on-year, posting the worst decline in the region. The WEF said that the region's competitiveness is average and was somewhat less affected than other emerging markets by the global economic crisis because of its weak linkages with global markets. It added that stimulus packages implemented by many governments have softened the impact of the global recession and improved the local infrastructure. It indicated that initial reform efforts carried out in recent years have contributed to improving the region's competitiveness. It noted, however, that the region is still far from realizing its full productive potential, adding that this will require an acceleration of the reform process to tackle many of the obstacles to competitiveness and productivity.

Source: World Economic Forum

WORLD

Job creation to become key macroeconomic objective

The International Monetary Fund and the International Labor Organization called for a broad international commitment to a jobs-focused policy response to the global economic downturn. They noted the sharp increase in unemployment and underemployment since the 2008 global financial crisis, and added that tackling the jobs crisis is not only critical for a meaningful global economic recovery, but also for social cohesion. They stressed that high levels of employment creation should be a key macroeconomic objective alongside low inflation and sustainable budgets, and on the need to have coherence and balance across policies. The ILO estimates that unemployment is up by more than 30 million worldwide since 2007, especially among the youth who currently represent one-quarter of the world's labor force, adding that youth unemployment has remained high, rising to 13%, or 81 million in 2009. Further, the IMF and ILO emphasized that the global crisis would not be over until unemployment decreases, and stressed that growth alone is not expected to automatically create the jobs needed. They also urged all stakeholders to put job creation as a priority using all the available policy tools, and called for the financial system to be an effective support of the real economy.

Source: International Monetary Fund

MENA

Growth to remain driven by public spending

Fitch Ratings expected economic growth to revive in the MENA region's oil producers in 2010 given the absence of oil output cuts that weighed on growth in 2009. It also forecast non-oil growth to pick up, as governments continue to invest, but to remain below pre-crisis levels. It considered that restricted bank lending and weak private sector confidence to be the main drag on activity. As such, it expected public spending to continue as a key support to domestic demand among oil producing economies. It projected Saudi Arabia to grow by around 4% in real terms in 2010-12, driven by ongoing investment in oil and gas, as well as by the public investment program. It noted that the outlook for Kuwait has improved following the approval of an expenditure-heavy development plan and structural reforms to boost the private sector, and estimated growth at 4% this year. It added that Bahrain's growth trajectory has flattened, with growth averaging 3%-4% over the medium term; while Libya should be able to achieve growth of at least 5% in 2010-12, stimulated by government spending combined with structural reforms. It also estimated real GDP growth in the Emirate of Abu Dhabi at 3.6% this year relative to a contraction of 3.4% last year. The agency said Kuwait will continue to have the biggest budget surplus among oil producers, Libya will record a fiscal surplus of around 10% of GDP, Saudi Arabia will move back into surplus, Bahrain's deficit will decline, while Abu Dhabi will continue to have by far the largest deficit despite spending cutbacks.

In parallel, Fitch indicated that Egypt is less exposed to any slowdown in Europe among non-oil exporters, and in particular is much less exposed to the peripheral EU economies than Morocco and Tunisia. It added that domestic demand has developed a strong dynamic this year, with consumption driving growth and private investment, including FDI, picking up strongly. It noted that this will offset the negative impact of a reduction of fiscal stimulus, so that growth should accelerate to near 6% in FY10/11. Further, it said that a lack of dynamism in the EU has clouded the medium-term outlook for Tunisia and Morocco, and forecast growth of around 4% in 2010-12 for Tunisia, below previous levels of 5%-6%, while Morocco will slow sharply to 3.2% in 2010, weighed down by the agricultural sector.

Source: Fitch Ratings

TUNISIA

Growth to average 4.3% in 2010-11, outlook on the downside given strong links to Europe

The International Monetary Fund projected economic growth in Tunisia at 3.8% in 2010 and 4.8% in 2011 compared to 3.1% in 2009. It said growth this year is supported by a rebound in industrial activity and investment, while the recovery in Tunisia's main partners is expected to be modest and agricultural performance will likely be weaker than last year. It considered that risks to the outlook remain on the downside given the economy's high dependence on trade with Europe and on growth in Tunisia's European trading partners. In turn, this could result in a possible escalation of financial stress and contagion, and a more severe impact than currently expected of the planned fiscal consolidation on still-weak domestic demand. The Fund added that the strength of the recovery in Europe will determine to a large extent the pace of Tunisian exports growth, tourism receipts and remittances. Further, the recent depreciation of the euro could benefit Tunisian exports in sectors such as electrical and mechanical industries. It also indicated that the medium-term outlook is subject to similar risks, with Tunisia's traditional partners expected to be a less significant source of external demand than prior to the crisis. The Fund emphasized, given continued uncertainties in the external environment, the need to maintain macroeconomic policies that support the recovery and to accelerate structural reforms that would enhance competitiveness, diversify exports, and promote job creation.

The IMF noted that the fiscal stance in 2010 strikes the right balance between supporting growth and preserving the significant gains achieved in reducing the level of public debt. It welcomed the authorities' commitment to resume fiscal consolidation, starting with the 2011 budget, and to further bring down the public debt, which will help maintain investors' confidence and retain sufficient fiscal space to mitigate the impact of possible future shocks. It forecast the fiscal balance, excluding grants and privatization receipts, to post a deficit of 3% of GDP in 2010 and 2.8% of GDP in 2010 relative to 3% of GDP in 2009. It also projected the public debt at 43% of GDP at end-2010 and 42.7% of GDP at end-2011.

Source: International Monetary Fund

GCC

Total corporate debt at $212bn

Moody's Investors Service estimated total corporate debt in the GCC at $212bn, including $67bn carried by unrated corporates and $148bn by rated-entities. It added that short-term debt accounts for 28% of the outstanding debt of unrated corporates. It considered that banks' continuing cautious management of their credit exposures would prompt corporates to seek funding in the capital markets. In turn, it estimated that demand for new rating requests from Middle Eastern companies is likely to increase, as firms seek to diversify their funding sources by issuing conventional bonds, sukuks and structured-finance instruments, and to extend their debt maturity profiles. It added that the proportion of bank debt for unrated corporates is high, making such companies more likely to pursue debt funding as an alternative. The agency noted that the greatest need to extend short-term debt maturities is among firms in the telecommunications industry, real estate sector and related industries such as construction, as well as investment holding companies. Moody's added that unrated companies in Kuwait, Saudi Arabia and the UAE carry more short-term debt on their balance sheets than rated firms do, while the proportion of long-term debt is higher than that of short-term debt at Qatari firms. Further, many of the unrated firms in Dubai, Bahrain, Oman and Saudi Arabia carry bank debt exclusively.

Source: Moody's Investors Service

SYRIA

First-time sovereign ratings at speculative level

Capital Intelligence assigned to Syria long- and short-term foreign currency ratings of 'BB-' and 'B', respectively; as well as a long- and short-term local currency ratings of 'BB' and 'B', respectively. The outlook on all ratings is 'stable'. The ratings are one notch below investment-grade level and constitute the first time a ratings agency has assigned sovereign ratings to Syria. The agency said Syria's sovereign credit profile is characterized by comparatively strong solvency and liquidity indicators and a commitment to gradual economic reforms. It noted that political risk is a significant concern, the economic structure and institutional frameworks are relatively weak, and the financial system is underdeveloped. In addition, the government is exposed to potentially high contingent liabilities due to the dominant role of the state in the economy. It added that Syria faces major longer-term risks associated with declining oil production and a fast growing workforce. It indicated that the broad strategy for overcoming these challenges is focused on completing the transition to a market-based and more open economy, but it added that this will require many years of difficult and politically-sensitive changes, with the risk that the reform process might falter. The agency noted that further adjustment efforts are required to safeguard the long-term viability of public finances as oil production, which is the source of 20%-25% of budget revenues, is set to dwindle over the next 10-20 years. Also, the non-oil tax base is narrow and the government relies too much on the surpluses of public enterprises and capital spending restraint to keep what is already a large budget deficit under control. Capital Intelligence said that weaknesses in the country's economic structure are an important rating constraint and will need to be adequately addressed if the private sector is to become the primary driver of growth and job creation.

Source: Capital Intelligence

UAE

Uncertainty remains despite Dubai World's agreement with creditors

Dubai World (DW) indicated that it has reached a formal agreement with 99% of its bank creditors on the restructuring of $24.9bn of debt, higher than the $23.5bn announced in May due to accrued interest and contingent claims. It also confirmed that real estate developer Nakheel has been formally separated from DW and is now owned directly by the Government of Dubai. DW added that it is '"well-positioned" to conclude the restructuring in the coming weeks. Shuaa Capital indicated that DW's announcement was short on details with no insights on the final terms of the restructuring proposal, adding that it is unclear whether the price structure of the final agreement is the same as the one proposed last May, or if terms have been changed to sweeten the deal. It noted that the announcement resolves some of the uncertainty surrounding Dubai's debt issues, but medium-term concerns remain about the size of Dubai Inc.'s debt and the ability of some government-owned entities to service their debt. In parallel, Moody's Investors Service noted that the debt restructuring accord put an end to the uncertainty that the threat of a liquidation had created, adding that the potential liquidation of DW could have seriously increased the impairment costs that banks would have incurred. The agency said that DW's ability to make principal repayments in 5 and 8 years largely depends on expected revenues from future asset sales.

Source: Shuaa Capital, Moody's Investors Service

ALGERIA

New rules to negatively impact business environment

The supplementary budget law for 2010 that went into effect recently imposed new rules on foreign investors and companies considering doing business or currently present in Algeria. It tightened rules on how a price is set when the state buys a foreign-owned firm, as the new rule stipulates 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. It states that the measure will apply to foreign shareholders selling stakes in Algerian firms and to the sale of stakes in Algerian firms to foreign investors. In parallel, the supplementary budget law introduces new procedures for the award of public contracts in the non-hydrocarbon sector. The new rules encourage contracting bodies to organize projects in a way to maximize the participation of Algerian companies, and increase the preference margin for local firms to 25% from 15%, which means that an Algerian firm competing with foreign bidders will win the contract even if its bid is up to 25% more expensive than the lowest price quoted. Also, the rules require foreign bidders to commit to establishing a joint venture with a local firm. In addition, the new law gives the government the right, in certain circumstances, to impose windfall taxes of between 30% and 80% on firms in the non-hydrocarbon sector.

Source: Thomson Reuters, Economist Intelligence Unit

BANKING

WORLD

Basel III raises capital requirements for banks, implementation by 2019

The Basel Committee on Banking Supervision announced new capital requirements for financial institutions, known as Basel III, in order to help banks withstand periods of economic and financial stress. Under the new rules, banks will have to increase their minimum common equity, which is the highest form of loss absorbing capital, from 2% to 4.5% and will be required to hold a capital conservation buffer of 2.5%, resulting in total common equity requirements of 7%. Also, the new rules impose a countercyclical buffer within a range of 0% to 2.5% of common equity, or other fully loss-absorbing capital, according to national circumstances. The Basel Committee said the purpose of the countercyclical buffer is to protect the banking sector from periods of excess aggregate credit growth. Further, banks will have to raise their Tier 1 capital requirement, which includes common equity and other qualifying financial instruments based on stricter criteria, from 4% to 6%. The Basel Committee said the minimum common equity and Tier 1 requirements will be phased in between January 2013 and January 2015, while the total capital requirement remains at the existing level of 8% and does not need to be phased in. It noted that banks can meet the difference between the total capital requirement of 8% and the Tier 1 requirement with Tier 2 and higher forms of capital. It added that the capital conservation buffer will be phased in between January 2016 and the end of 2018, becoming fully effective at the start of January 2019.
Source: Bank for International Settlements

QATAR

High credit risks are main challenge for banks

Fitch Ratings indicated that credit risk constitutes the main risk facing the Qatari banking sector, as the biggest risk to the banks is their direct and indirect exposure to the stressed real estate sector, as well as the retail segment, which could take its toll on future asset quality. It added that weaker credit quality trends continue to pressure banks' standalone risk profiles. It expressed concerns about aggressive loan growth prior to the crisis and banks displaying large balances of renegotiated, watch list and past due loans since then. It expected NPLs to rise further and peak in 2010 before starting to decline the following year. It noted that rising competition and the still challenging business and credit conditions could lead to only moderate profit growth this year. It doubted significant revenue growth at banks despite the likely increase in volumes linked to Qatar's investment drive, as some banks appear to be constrained by balance sheet size and single obligor or sector limits. Fitch expected Qatari banks to continue to experience higher credit costs in the next few quarters, given that the credit and business environments are likely to remain challenging. It noted that the future asset quality of banks is likely to be affected due to the build-up of large sector concentrations, particularly in the real estate and retail segments.
Source: Fitch Ratings

SAUDI ARABIA

Lending stagnates on economic uncertainties

Figures issued by the Saudi Monetary Agency (SAMA) show that total assets reached SAR 1,368bn at the end of July, constituting a decrease of 1% month-on-month and unchanged from end-2009. Lending to the private sector reached SAR 765bn, up by 1% month-on-month and by 4% from end-2009. In parallel, customer deposits totaled SAR 943bn, unchanged month-on-month and from end-2009. The loans-to-deposits ratio was 81% at end-July relative to 78% at the end of 2009. Shuaa Capital attributed the flat deposit growth to the comfortable liquidity position of Saudi banks. It noted that the slow lending activity in the kingdom is in contrast to the ample lending capacity of the banking system. It considered that Saudi banks remain wary of extending new loans to the private sector and prefer to invest in safer but lower-yielding assets such as Treasury bills. It noted that T-bills grew by 42% year-to-July to SAR 111.6bn. Shuaa Capital indicated that Saudi banks' highly cautious approach to lending reflects economic uncertainties as well as lenders' lack of confidence in the private sector.
Source: Shuaa Capital

TURKEY

Banks' capital adequacy solid, NPLs decline

The risk-weighted capital adequacy ratio of banks operating in Turkey reached 20% at the end of March of 2010 relative to 20.6% at the end of 2009 and 18% at end-2008. The capital-to-assets ratio was 13.6% at end-March, up from 13.3% at end-2009 and 11.8% at end-2008, while the sector's liquid assets reached 33.2% of total assets at end-March 2010 relative to 33% at end-2009 and 11.8% at end-2008. Further, the sector's loans-to-deposits ratio increased to 77.3% at end-March from 75.6% at the end of 2009, but down from 80% at end-2008; while loans accounted for 48% of total assets at end-March, relative to 46.6% at end-2009 and 50% at end-2008. Total loans grew by 27% year-on-year compared to an increase of 7% in 2009. Also, foreign currency deposits accounted for 30.3% of total deposits compared to 31.6% at end-2009, while foreign currency loans accounted for 27% of total loans at end-March relative to 26.6% at end-2009.

The sector's non-performing loans reached 5.1% of total loans at end-March 2010, down from 5.6% at end of 2009 but up from 3.8% at end-2008. Further, the sector's provisions-to-NPLs ratio regressed to 83% from 83.6% at end-December but rose from 80% at end-2008. In parallel, banks' return on assets reached 2.8% at end-March 2010 on an annualized basis, up from 2.4% in 2009 and 1.8% in 2008; while their return on equity reached 21.6% at end-March 2010 annually, up from 18.3% in 2009 and 15.5% in 2008. There were 49 banks operating in Turkey at end-March 2010. The 5 largest banks account for 63% of total assets, while the three largest private and the top 3 public banks account for 39% and 31% of the total, respectively. The sector's aggregate assets are equivalent to 78.5% of GDP, while those of state-owned banks represent 25.4% of GDP.
Source: International Monetary Fund

ENERGY / COMMODITIES

Oil falls for third day to $75.7

Oil prices fell for a third day to $75.7 on September 16 after Enbridge Incorporation, a Candian leader company in delivering energy, stated that the U.S. agreed to restart the company's biggest pipeline from Canada. U.S. crude for October fell 68 cents to $75.34 a barrel, having dropped 1% on September 15th. The contract hit a one-month high above $78 earlier this week. The Energy Information Administration stated that U.S. crude oil inventories dropped last week by 2.49 million barrels to 357.37 million barrels and product stocks also fell as much as it was expected. It added that distillate stocks fell 340,000 barrels going against expectations for an increase of 300,000 barrel, while gasoline inventories declined by 694,000 barrels. Also, inventories at the Cushing in Oklahoma fell by 581,000 barrels to 34.95 million barrels. ICE Brent crude for November declined 37 cents to $79.05. The U.S. Pipeline and Hazardous Materials Safety Administration noted that they were forced to close their pipelines last week due to a leak after some reparations. This closure influenced negatively on the U.S. oil market with the decline of the petroleum stockpiles.
Source: Thomson Reuters

Kuwait plans to build four nuclear reactors

Kuwait announced plans to build four nuclear power reactors by 2022 as an alternative for sources of electricity. The country is expected to build four 1,000 mega watt reactors and demand for electricity is projected to grow by as much as 7% annually to 25,000 megawatts by 2030 from 11,000 megawatts this year. Kuwait burns 300,000 barrels a day of oil products, or 12% of its daily oil production in thermal power plants to meet demand. The ratio is projected to increase to as much as 20% by 2025.
Source: Arabian Business

Jordan and Japan sign nuclear cooperation agreement

Jordan and Japan signed a nuclear cooperation agreement on September 10 paving the way for the latter to build a nuclear reactor in the country. The treaty also seeks to create closer bilateral cooperation in mining and extracting uranium, designing, constructing and operating nuclear reactors, and protection of the planned nuclear installations. Jordan currently has nuclear cooperation agreements with eight countries including France, Spain, China, South Korea, Canada, Russia, the UK and Argentina.
Source: Ammon News

Saudi Aramco and Air Liquide sign $450m supply deal

Saudi Aramco signed a $450m deal with Air Liquide Arabia to supply hydrogen to its new refinery. The supply will be for Saudi Aramco's refinery in Yanbu Industrial City on the west coast of the Kingdom. It is expected to process 400,000 barrels of heavy crude per day when it is completed in 2014.
Source: Arabian Business

Base Metals: Copper supply delays to drive prices higher

LME three-month copper prices increased sharply from their lows in early July, and are now trading above $7,500 per ton for the first time since April. Prices are expected to average at $7,850 per ton in the fourth quarter of 2010, up from an earlier forecast of $7,650 per ton. Also, they are projected to rally further in 2011 to average $8,325 per ton. Due to the recent recession, many projects that were due to come onstream in 2010 have been pushed back by several years and 3.5 megatons of capacity has been delayed. For example, the Democratic Republic of Congo delivered only a fraction of its potential two megawatts of copper per year.

Global copper supply and demand tended to track each other fairly closely, with supply lagging demand through the fluctuations of the economic cycle. The rally in copper prices from 2002 to 2008 was associated with scrap supplies to smelters rising by 60%, or just over 800 kilotons. The copper market is expected to remain in deficit in the next few years, and the pace of supply growth is forecast to pick up as new mine projects come through and scrap supply starts to respond to higher prices. Also, economic recovery is expected to lift demand and reported stocks to steadily decline to 549 kilotons by 2014, or 1.3 weeks of consumption. This will help to keep copper prices on an upward trend for most of this period.
Source: Standard Chartered

Global Copper Outlook

(kilo tons)	2008	2009	2010f	2011f	2012f
Total supply	18,140	18,377	18,703	18,971	19,403
(% change)	0.5	1.3	1.8	1.4	2.3
Refined demand	17,741	17,208	18,241	19,244	20,110
(% change)	-2.0	-3.0	6.0	5.5	4.5
Balance	400	1,169	462	-273	-707
Reported stocks (end-period)	939	2,108	2,570	2,297	1,589
Three-month price ($/ton)	6,869	5,207	7,361	8,325	8,500

Source: Standard Chartered

Precious Metals: Gold to remain safe haven

Gold is expected to increase to $1,300 an ounce in the next several weeks, while gold for immediate delivery increased to a record $1,275 an ounce in London on September 14 and seems headed for a 10th annual gain as investors seek protection against financial turmoil in Europe and the prospect of slowing economic growth. The commodity is projected to be a safe investment while global economic uncertainties keeps interest rates low and equity markets volatile. Also, gold mining companies started to take 2,880 tons off the market, which is more than 11% of the annual average mining output. Further, the expansionary monetary environment decreased the opportunity cost of holding gold. Gold is yet again on the threshold of climbing to a new all-time high.
Source: Julius Baer, Bloomberg

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	EIU	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 (%)
	LT Foreign currency rating												
Africa													
Algeria	- -	- -	- -	- -	BB Stable	-7.9	20.0	2.7	5.9	3.0	-	-2.4	0.9
Angola	B+ Stable	B1 Positive	B+ Positive	- -	B Stable	-1.9	20.2	21.2	39.7	9.5	116.6	-9.5	5.0
Egypt	BB+ Stable	Ba1 Stable	BB+ Stable	BBB- Stable	BB Stable	-7.0	73.2	16.8	43.9	10.2	107.7	-2.4	3.6
Ethiopia	-	-	-	-	CCC Stable	-2.3	-	12.2	220.5	-	-	-6.7	-
Ghana	B Stable	- -	B+ Negative	- -	B Stable	-9.8	-	34.5	94.7	-	-	-8.3	
Ivory Coast	- -	- -	- -	- -	CCC Stable	-1.6	-	49.4	107.6	-	-	7.3	-
Libya	A- Stable	- -	BBB+ Stable	- -	BB Stable	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- Stable	Ba1 -	BBB- Stable	BBB- Stable	BB Stable	-3.1	47.2	26.8	95.5	8.6	113.7	-5.0	1.5
Nigeria	B+ Stable	- -	BB- Stable	- -	B Stable	-4.4	12.3	5.5	18.5	0.7	-	12.4	3.1
Sudan	- -	- -	- -	- -	C Stable	-2.6	105.3	66.3	482.4	3.6	-	-5.2	-
Tunisia	BBB Stable	Baa2 -	BBB Stable	BBB Stable	BB Stable	-1.9	46.7	55.4	105.6	15.8	208.3	-2.8	3.9
Middle East													
Bahrain	A Stable	A3 Stable	A Stable	A Stable	BBB Stable	-5.2	24.2	169.6	246.4	7.2	991.9	1.4	0.8
Iran	- -	- -	B+ Stable	BB- Stable	B Stable	-0.9	17.0	3.5	13.4	3.2	-	0.1	0.25
Iraq	- -	- -	- -	- -	CC Stable	-4.6	-	97.7	178.7	2.2	165.3	2.1	1.4
Jordan	BB Stable	Ba2 -	- -	BB Stable	B Stable	-8.9	63.5	63.1	135.2	4.6	133.1	-5.5	10.1
Kuwait	AA- Stable	Aa2 Negative	AA Stable	AA- Stable	A Stable	15.4	6.9	20.7	38.8	4.0	133.0	25.3	-2.6
Lebanon	B Positive	B1	B Stable	B Stable	CCC Stable	-8.6	136.3	100.6	738.9	18.5	135.3	-10.8	8.0
Oman	A Stable	A2 -	- -	A Stable	A Stable	-9.1	6.5	28.1	46.9	-	109.1	0.6	4.3
Qatar	AA- Stable	Aa2 Stable	- -	AA- Stable	A Stable	10.4	32.4	74.9	202.7	15.2	412.0	14.3	8.8
Saudi Arabia	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	BBB Stable	1.1	13.2	22.5	42.7	2.7	20.2	4.9	5.4
Syria	- -	- -	- -	BB- Stable	B Stable	-9.4	30.1	15.0	63.6	1.0	43.3	-0.6	2.6
UAE	- -	Aa2 -	- -	AA- Stable	BB Stable	0.4	21.3	61.8	74.1	7.9	359.0	-2.6	-0.4
Yemen	- -	- -	- -	B Stable	CC Stable	-10.3	-	23.6	113.8	-	-	-8.2	

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	EIU	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 (%)
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-								
	-	-	Stable	-	-	-8.2	40.4	55.7	654.2	-	248.4	-15.4	8.0
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-3.8	14.8	77.3	159.8	19.8	220.1	-9.4	9.8
Kazakhstan	BBB-	Baa2	BBB-	-	BB								
	Stable	-	Negative	-	Stable	-3.9	9.3	94.7	230.8	40.1	553.7	-2.9	8.1
Romania	BB+	Baa3	BB+	BBB-	BB								
	Negative	-	Stable	Negative	Stable	-8.3	23.7	68.1	226.6	29.9	279.7	-4.5	3.8
Russia	BBB	Baa1	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	-5.7	7.1	38.3	136.3	11.6	110.9	4.0	-0.6
Turkey	BB	Ba2	BB+	BB	B								
	Positive	Stable	Stable	Stable	Stable	-5.5	45.5	45.1	194.5	45.1	400.1	-2.8	1.2
Ukraine	B+	B1	B	-	CCC								
	Stable	Positive	Negative	-	Stable	-6.4	30.2	88.6	191.1	43.9	407.9	-1.5	4.0

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	10-Aug-10	No change	21-Sep-10
Eurozone	Refi Rate	1.00	02-Sep-10	No change	07-Oct-10
UK	Bank Rate	0.50	09-Sep-10	No change	07-Oct-10
Japan	O/N Call Rate	0.10	07-Sep-10	No change	05-Oct-10
Australia	Cash Rate	4.50	07-Sep-10	No change	05-Oct-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	1.00	08-Sep-10	Raise 25bps	19-Oct-10
Emerging Markets					
China	One-year lending rate	5.31	23-Dec-08	Cut 27bps	N/A
Hong Kong	Base Rate	0.50	10-Aug-10	No change	21-Sep-10
Taiwan	Discount Rate	1.38	24-Jun-10	Raise 12.5bps	30-Sep-10
South Korea	Base Rate	2.25	09-Sep-10	No change	08-Oct-10
Malaysia	O/N Policy Rate	2.75	02-Sep-10	No change	12-Nov-10
Thailand	1D Repo	1.75	25-Aug-10	Raise 25bps	20-Oct-10
India	Reverse repo rate	5.75	27-Jul-10	Raise 25bps	16-Sep-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	19-Aug-10	No change	16-Sep-10
South Africa	Repo rate	6.50	09-Sep-10	Cut 50bps	18-Nov-10
Kenya	Central Bank Rate	6.00	28-July-10	Cut 75bps	Sep-10
Nigeria	Monetary Policy Rate	6.00	05-Jul-10	No change	21-Sep-10
Ghana	Prime Rate	13.50	18-Jul-10	Cut 150bps	Sep-10
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	20-Aug-10	No change	24-Sep-10
Brazil	Selic Rate	10.75	01-Sep-10	No change	20-Oct-10
Armenia	Refi Rate	7.25	07-Sep-10	No change	N/A
Romania	Policy Rate	6.25	04-Aug-10	No change	N/A
Bulgaria	Base Interest	0.17	01-Sep-10	Cut 1 bps	N/A
Kazakhstan	Refi Rate	7.00	01-Jul-10	No change	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	7.75	01-Jun-10	Cut 25 bps	N/A

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