



COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade to increase by 14% in 2010

The World Trade Organization revised upwards its projection for world trade growth to 13.5% in 2010 from its March forecast of a 10% expansion in trade volumes. It said this would be the fastest year-on-year expansion of trade since 1950, but cautioned that such a large growth rate is due to a severely depressed level of trade in 2009, when world exports dropped by 12.2%. It expected the volume of merchandise exports from developing economies to increase by 16.5% this year compared to a contraction of 8% in 2009, while it forecast that exports from developed economies would rise by 11.5% compared to a drop of 15.3% last year. It added that the strong recovery of trade signals improved economic activity worldwide. It noted that risks to the forecast are mostly on the downside, particularly if an unforeseen financial or macroeconomic shock triggers another economic downturn. It added, however, some upside potential exists as well if growth is better than expected in the second half of the year. Global merchandise trade reached \$14,352bn in the first half of 2010, constituting an increase of 26% from the same period last year, as world exports rose by 26.7% year-on-year to \$7,122bn and global imports reached \$7,230bn in the first half of this year, up 25% from the same period last year.

Source: World Trade Organization

MENA

Assets under management of Arab SWFs at \$1.527bn, ADIA is largest fund in the world

Institutional Investor magazine's inaugural ranking of the world's biggest sovereign wealth funds (SWFs) in 2010 indicates that the assets under management (AUM) of Arab SWFs totaled \$1,527bn at the end of March, accounting for 40% of the AUM of the largest 38 SWFs in the world. The rankings included 7 Arab funds, with the Abu Dhabi Investment Authority ranked as the largest SWF in the world with AUM of \$627bn. It was followed by the Saudi Monetary Agency in third place globally with \$429bn in AUM, the Kuwait Investment Authority in 6th place (\$277bn), the Libyan Investment Authority and the Qatar Investment Authority in 12th place each (\$65bn each), Algeria's Fond de Regulation des Recettes in 14th place (\$53.8bn), the Bahrain Mumtalakat Holding Co. in 31st place (\$9bn), and the Palestine Investment Fund in 37th place (\$800m). In addition, Iran's Oil Stabilization Fund came in 24th place with \$20bn in AUM. The survey said the rankings were compiled from questionnaires filed out by the institutions themselves and from information drawn from fund websites and annual reports. The figures reflect the AUM of funds as at the end of March 2010. It added that it used the International Working Group of SWFs' definition to identify the 38 ranked funds.

Source: *Institutional Investor*, Byblos Research

Creditworthiness improves marginally

Institutional Investor magazine's annual survey on global creditworthiness shows that creditworthiness in the Arab region improved marginally in the past 12 months. The average rating score of 19 Arab countries reached 49.6 points in September 2010, up 2.5% from 48.4 points a year earlier. The rankings of 12 Arab countries improved and 7 regressed, while the scores of 14 countries improved and 5 declined from September 2009. Also, the score of 9 Arab countries improved by one or more points, the amount considered statistically significant for a country. It added that firm oil prices helped boost the ratings of most of the region's big producers, as the rating scores of Qatar, Oman and Kuwait increased; while Dubai's debt crisis and restructuring affected the UAE's ratings year-on-year. Further, Bahrain's ratings score increased by 14% year-on-year and posted the biggest rise in the region, as its banking system had less exposure to Dubai's debt problems than investors originally feared. Bahrain registered the biggest rise in the rankings in the region, jumping by 19 spots to 25th place, while Syria posted the steepest drop with a decline of 17 spots to 131st place. The UAE posted the steepest decline numerically with a drop of 5.5 points and Yemen the steepest decline in percentage points with a 12% slide, while Bahrain posted the highest improvement numerically with a rise of 9.5 points. Qatar is the country with the best creditworthiness in the region while Sudan has the highest probability of default in the Arab world. Globally, the average rating improved to 46.2 points from 45.7 points.

Source: *Institutional Investor*, Byblos Research

AFRICA

Multilaterals extend up to \$300m to finance trade

The International Finance Corporation and the African Development Bank agreed to provide up to \$300m in trade financing for exporters and importers in Africa to help boost economic growth. Under the transaction, Citigroup will originate a portfolio of up to \$300m in trade finance transactions from banks across Africa, focusing on low-income countries. In turn, the local banks will extend trade financing to importers and exporters. The IFC and AfDB will jointly fund up to 40% of the portfolio to provide Citigroup with additional liquidity. The IFC said the transaction aims to increase the supply of trade finance in Africa, at a time when the region is still facing a severe credit shortage. It will particularly address the trade finance needs of low income and weak economies in Africa. The transaction, part of a larger strategy to transform trade finance in Africa, addresses increased demand in the region. It added that the short-term, revolving nature of the assets financed could mean a total impact of up to \$1.5bn in trade financing.

Source: *International Finance Corporation*

OUTLOOK

LIBYA

Non-oil growth at 4% in 2010, reforms are key to achieve potential

Standard Chartered Bank forecast Libya's economic growth at 5% in each of 2010 and 2011, up from 2% in 2009, with non-oil growth at 4% this year compared to 6% last year. It indicated that Libya's economy has considerable potential for growth, with nascent sectors, as well as with official commitment to increase investor appeal, diversify the economy, and increase private-sector involvement. But it noted that achieving sustainable growth requires a continued effort in terms of economic reform, and the transformation of a volatile environment to one of greater stability and consistency. It expected growth over the short to medium-term to be underpinned by higher oil prices, as the economy continues to rely heavily on oil and gas, which account for 55% of GDP, 80% of government revenues and 90% of export receipts. It noted, however, that reforms in the non-oil sector have been slow, while announced reforms in the hydrocarbon sector have yet to materialize in full.

In parallel, Standard Chartered forecast inflation at 3% in 2010 and added that inflation has become less of a challenge for the government, easing from a high of 10.4% in 2008 to 2.4% in 2009. It said a pick-up in food prices this year will lead to higher rates, but inflation should remain under control due to reduced, but still significant, public spending. It noted that high unemployment rate continues to be a major concern for authorities, with around 65% of the population at a working age and unemployment estimated unofficially at up to 35%. It noted that the oil sector has limited ability to generate jobs and, despite the government's commitment to promote private investment, the stickiness of the labor market remains an obstacle. It noted that high foreign currency reserves, equivalent to at 144% of GDP, and current account surpluses put Libya in a healthy structural position. But it added that this does not reduce the need and urgency for reforms. It cited transparency, governance and slow decision-making as key challenges, while political succession is also a source of opaqueness in the country.

Source: Standard Chartered

DEM REP CONGO

Short-term outlook improves significantly

The International Monetary Fund projected real GDP growth in the Democratic Republic of Congo at about 6% in 2010, adding that the short-term macroeconomic outlook has significantly improved despite the challenging global economic environment in recent years and the fragile security situation. It said the budget remains on track and financing from the Central Bank of Congo has been curtailed, while the external sector is stronger than in 2009 from buoyant mining activity and debt relief. It encouraged authorities to maintain the thrust of macroeconomic policies, and particularly to align the 2011 budget expenditures with expected domestic revenues and available foreign financing in an effort to avoid any need for Central Bank financing. It noted that the risks to the outlook include a faltering of the global economic recovery that could weaken growth prospects; the loss of fiscal control due to security concerns and

slippages in the lead up to the presidential and parliamentary elections next year that could destabilize the economy; and failure to address weaknesses in the business environment and governance that could lead to lower foreign direct investment and financing, and hamper private sector development. The Fund said it intends to work closely with the authorities to maintain, and possibly accelerate, reforms in several areas that include public financial management, the financial sector, independence and effectiveness of the Central Bank, and the extractive industries. It added reforms in the extractive industries aim to establish a policy framework and measures that could strengthen the business environment and governance and transparency, which is important for the DRC's export-led growth prospects.

Source: International Monetary Fund

NIGERIA

Rising political risks to affect growth, pressure currency

Barclays Capital projected Nigeria's real GDP growth at 7.4% in 2010 and 7.5% in 2011 compared to 7% in 2009, with non-oil GDP growing at 8% and oil output at 4% this year. It indicated that Nigeria's economy is currently growing at a fast pace, driven by stronger activity in the agriculture, oil, wholesale and retail sectors. But it expressed concerns about economic performance during the coming few quarters, as political risks may increase ahead of the 2011, while the fiscal situation is alarming and has the potential to deteriorate further. It noted that Nigeria's macroeconomic outlook is clouded by investor uncertainty related to the upcoming elections, and anticipated uncertainty to rise further on signs of increased instability. It expected financial markets to reflect the increased political risk in the fourth quarter, with the currency likely to come under severe pressure. It said the Central Bank of Nigeria (CBN) has kept the currency at around NGN 150 to the US dollar since September 2009, but this has led to a decline in its foreign currency reserves from \$43bn at end-2009 to \$36bn in August 2010 after peaking at \$62bn in 2008. It noted that it may be difficult for the CBN to continue defending the currency should it respond to a change in investor sentiment.

Barclays added that Nigeria's fiscal position continues to deteriorate amid a surge in spending in 2010, resulting in the near depletion of the excess crude account (ECA), which was reduced from \$7bn in January 2010 to about \$500m in August. It did not express excessive concerns about fiscal sustainability, as manageable public debt levels continue to provide flexibility in financing deficits, with external and domestic debt at 2.5% and 13% of projected 2010 GDP, respectively, in June. It considered that, after the near depletion of oil savings, more prudent fiscal management is vital to ensure fiscal consolidation. It forecast the fiscal deficit at 6% of GDP this year, up from 3.3% of GDP last year. It noted that the rise in spending so far into 2010 has forced a commitment to fiscal consolidation in the medium term, while the government is making headway in forming a National Sovereign Wealth Fund, which would replace the ECA and help Nigeria manage its oil earnings more effectively.

Source: Barclays Capital



ECONOMY & TRADE

MENA

M&A activity down 15% to \$19bn in first half of 2010

Figures released by Ernst & Young show that a total of 67 merger & acquisition deals were announced in the Middle East & North Africa in the first half of 2010, down 30% from 95 deals in the same period last year. Also, the aggregate value of M&A deals in the region reached \$18.5bn in the first half of this year, down 15% from \$21.7bn in the same period last year. The value of deals reached \$12bn in the second quarter of 2010, up 84.6% from \$6.5bn in the first quarter of 2010. In terms of domestic deals announced, defined as MENA investors doing deals in the region, E&Y said that Kuwait led the region with 7 deals in the second quarter, followed by Jordan with 5 deals, and Egypt, Saudi Arabia, and the United Arab Emirates with 3 deals each. Egypt had \$624m in deal value and accounted for 28% of the total, followed by Oman with \$525m (23%) and the UAE with \$372m (16%). It added that the most attractive sectors for domestic transactions were diversified industrial products with 3 deals, and consumer products with 2 deals; while mining attracted \$464m, followed by diversified industrial products with \$57.5m, and banking & capital markets with \$30m. E&Y said that the number of domestic transactions accounted for 45% of total deals in the second quarter, while outbound deals represented 76% of announced deals by value.

Source: Ernst & Young

GCC

Investments of government entities account for 29% of the region's market capitalization

Figures issued by the Kuwait Financial Center show that the number of government-owned entities (GOEs) in the GCC totaled 51 as of July 2010, with Oman having 14 GOEs, followed by Saudi Arabia, Kuwait and the UAE with 10 each, Bahrain with 9, and Qatar with 8 such entities. The 51 GOEs had investments in 179 publicly-traded companies that represented \$182bn, or 29% of the region's market capitalization. Further, the top 10 GOEs held \$162bn, accounting for 89% of total GOEs' investments. Saudi Arabia's GOEs accounted for 60% of the region's GOEs' investments, followed by the UAE with 16%, Qatar with 14%, Kuwait with 6%, and Bahrain and Oman with 2% each. The GCC's largest GOE is Saudi Arabia's Public Investment Fund with \$72bn in investments, followed by the kingdom's General Organization for Social Insurance with \$18bn, the UAE's Emirates Investment Authority with \$13.4bn, the Qatar Investment Authority with \$11.8bn, and Qatar Petroleum with \$10.6bn. Further, Saudi Arabia's GOEs hold 35% of the kingdom's market capitalization, while their UAE counterparts control 29% of the UAE market capitalization. Further, the penetration of Qatar's GOEs was 27% of the local stock market, while Kuwait's GOEs controlled 13% of the local bourse, Bahrain's entities held 21% of local market capitalization, and Oman's GOEs' controlled 16% of the country's equity market.

Source: Kuwait Financial Center

ARMENIA

Competitiveness stagnates, key obstacles are corruption and tax regulations

The World Economic Forum's Global Competitiveness Index for 2010-11 ranked Armenia in 98th place among 139 countries worldwide, down from 97th place in the previous survey. Armenia also ranked in 29th place among 41 lower-middle income countries (LMICs) included in the survey. Globally, it ranked ahead of Mongolia and Libya and came behind Serbia and Syria. It received a score of 3.76 points relative to 3.7 in the previous survey, lower than the global average of 4.18 points and the LMIC average of 3.93 points. Globally, Armenia ranked in 94th place on the Basic Requirements Sub-Index, which covers institutions, infrastructure, macroeconomic stability and health & primary education, while it ranked in 25th place among LMICs. It also ranked in 106th place on the Efficiency Sub-Index that covers higher education, labor market efficiency, financial market development, and overall market efficiency; while it ranked 29th among LMICs. Also, Armenia came in 114th place on the Innovation & Sophistication Sub-Index, and ranked 29th among LMICs. The survey indicates that corruption was the most problematic factor for doing business in Armenia, followed by tax regulations, low access to finance, an inefficient government bureaucracy, and an inadequate supply of infrastructure.

Source: World Economic Forum, Byblos Research

UKRAINE

Sovereign ratings affirmed, short-term risks remain

Fitch Ratings affirmed Ukraine's Long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B' with a 'stable' outlook. It also affirmed the country's Short-term IDR and the Country Ceiling at 'B'. It said that despite a strong start in implementing policies under the new IMF loan arrangement, risks to financial and economic stability have not sufficiently declined to warrant a ratings upgrade of the ratings, adding that a longer track record of consistent policy implementation would provide greater confidence in the medium-term outlook. The agency noted that short-term risks remain concerning the still stressed banking system, high gross external debt stock and debt rollover requirements, and large budget deficit and government financing needs. It forecast real GDP growth of 5% in 2010, following a contraction of 15.1% in 2009, adding that further evidence is needed that the growth outlook is secure. It noted that Ukraine remains vulnerable to an external demand and commodity price shock, while the growth outlook in its main European export markets is uncertain. Fitch estimated the government's current financing needs at 9.8% of GDP in 2010 relative to 11.2% in 2009. It noted that further measures may be needed to meet the IMF-agreed general government deficit target of 5.5% of GDP and reduce the quasi-fiscal deficit of Naftogaz to 1% in 2010. The agency upgraded Ukraine's ratings last July following the signing of a new IMF lending agreement.

Source: Fitch Ratings



BANKING

MENA

Region's bank penetration slowed by global crisis

Figures issued by the World Bank indicate that 42% of households in the Middle East & North Africa region have a deposit account in a formal financial institution, similar to East Asia & Pacific, and compared to 12% of households in Sub-Saharan Africa, 22% in South Asia, 40% in Latin America, 50% in Europe & Central Asia, and 91% in high-income OECD and non-OECD countries. Further, the MENA region has a median of 818 deposit accounts per 1,000 adults compared to 737 accounts per 1,000 adults in developing countries and 2,022 accounts per 1,000 persons in high-income economies. It noted that the number of deposit accounts rose by 3% in the MENA region in 2009, compared to increases of 8% in each of Latin America and Sub-Saharan Africa, 4% in high-income countries and 1% in South Asia, and to declines of 3% in East Asia & Pacific and 1% in Europe & Central Asia. Further, the ratio of commercial bank deposits-to-GDP declined by 18% in the MENA region in 2009 from the previous year compared to a global average decline of 11.2% and declines of 22% Europe & Central Asia, 12% in high-income economies, 12% in Sub-Saharan Africa, 10% in Latin America, and 8% in East Asia & Pacific.

In parallel, the MENA region had a median of 201 loan accounts per 1,000 adults at end-2009 compared to a median of 258 loan accounts in developing economies and 701 such accounts per 1,000 adults in high-income countries. The number of loan accounts per 1,000 adults rose by 12% in the region year-on-year, compared to an increase of 10% in high-income countries and declines of 10% in South Asia, 6% in Europe & Central Asia, 2% in Sub-Saharan Africa, and 1% in each of Latin America and East Asia & Pacific. Further, the ratio of commercial bank loans-to-GDP declined by 18% in the MENA region in 2009, similar to Latin America, and compared to a global average decline of 15.2% and declines of 27% Europe & Central Asia, 13% in Sub-Saharan Africa, 11% in South Asia, and 9% in each of the high-income economies and East Asia & Pacific.

Source: World Bank

JORDAN

Non-performing loans on the rise

Figures released by the International Monetary Fund indicated that the risk-weighted capital adequacy ratio of banks operating in Jordan reached 19.6% at the end of 2009 relative to 18.4% at the end of 2008 and 20.8% at end-2007. Further, the sector's capital-to-assets ratio was 13% at end-2009, nearly unchanged from a year earlier, while banks liquidity ratio reached 159% at end-2009 from 141.2% at end-2008. Credit to private sector grew by 0.5% year-on-year, compared to an increase of 14.8% in 2008 and 15.3% in 2007, while it reached 71.2% of GDP at end-2009 relative to 78.4% of GDP at-end-2008 and 91.3% in 2007. Also, the sector's non-performing loans reached 6.7% of total loans at end-2009, up from 4.2% at end-2008 and 4.1% at end-2007; while they reached 18% of capital and reserves at the end of 2009 compared to 17.5% at the end of 2008 and 16% and end-2007. Further, the sector's provisions-to-NPLs ratio

regressed to 52% from 63.4% at end-2008. In parallel, banks' return on assets was 1.1% in 2009, down from 1.4% in 2008 and 1.6% in 2007; while their return on equity was 8.8% in 2009, down from 11.5% in 2008 and 12.6% in 2007. The IMF said bank regulation and supervision should continue to focus on preventing excessive risk taking, as Jordanian banks could be exposed to higher non-performing loans and provision requirements in the coming years, with economic growth likely to remain below potential until 2012.

Source: International Monetary Fund

SUDAN

Government to restrict imports to boost reserves

The Ministry of Finance & National Economy announced a series of measures aimed at reducing imports in order to contain the depletion of foreign currency reserves. It said Sudan would reduce imports by 15% to 20% through increasing customs tariffs on a range of goods. The ministry said imports totaled \$4bn in the first 5 months of the year and expected them to reach \$11bn by year-end. It stated that the government will increase customs on all imported goods, with the exception of food items, wheat, sugar and capital goods used by local manufacturers. The ministry also declared a countrywide ban on imports of used cars, which reached \$958m in 2009. Further, customs on imported cement will increase from 25% to 40%, the development tax on imported goods will rise from 5% to 10%, while customs on chocolate and ceramics will increase from 15% to 25%. It disclosed that 84% of consumption goods will not be impacted by the hikes in customs and duties. It added that the Central Bank of Sudan is expected to undertake other measures related to the banking sector in order to support the national currency and boost reserves. The Sudanese pound reached a new low of SDG 3 to the US dollar on the black market amid rumors that the CBOS may resort to currency devaluation. The International Monetary Fund expects net foreign currency reserves to reach \$950m at end-2010, equivalent to one month of import cover, compared to \$390m at end-2009, or 0.4 months or import cover.

Source: Sudan News Agency

GHANA

IFC investment to support smaller businesses

The International Finance Corporation announced it will invest in microfinance institution Advans Ghana Savings & Loans to help it expand lending to thousands of micro, small and medium sized enterprises in the country, supporting broad economic growth. The five-year loan of 1.58m Ghanaian cedis, equivalent to \$1.1m, is intended to help Advans Ghana expand its activities, initially in Accra, and later to other urban areas of the country, where the majority of the working population is employed by small and medium-sized businesses. Advans Ghana is expected to serve at least 40,000 microfinance clients and to create about 200 jobs over the next three years. The long-term cedi financing will help Ghanaian companies avoid foreign exchange risks and protect themselves against currency fluctuations. Small and medium-sized businesses will also benefit from an expanded range of services offered by Advans and many will be able to join the formal sector.

Source: International Finance Corporation



ENERGY / COMMODITIES

Oil falls to \$74 a barrel with falling inventories

Oil prices fell to around \$74 a barrel on September 23 due to falling inventories and after U.S. data showed continued labor market weakness. ICE Brent prices fluctuated last week while NYMEX WTI was on a downward trend because of demand concerns and restoration of crude oil flows through the Enbridge pipeline in the U.S. The change in prices reflected pessimism over short-term stock price levels. Further, the Commodity Futures Trading Commission (CFTC) noted a reduction of non-commercial short positions as a result of the closing of the pipeline and expected a decline in the net position. The market has been driven by macroeconomic developments, reflected by high correlation between equity market and macroeconomic situation. The CFTC noted that uncertainty is expected to maintain prices range-bound near term until seasonal demand takes effect during the last quarter of 2010 and pushes prices upwards.

Source: Standard Chartered, Thomson Reuters

Iraq and Kuwait to start joint investments at oil fields along common border

Iraq and Kuwait announced plans to start a joint investment in common border oil fields. The plan is expected to end remaining differences related to the 1990 Iraqi invasion of Kuwait when Iraq accused Kuwait of draining common border oil fields, and to avoid similar problems in the future. Iraq, the holder of the world's fourth-largest oil reserves, distributes 5% of its annual oil revenue to Kuwait in compensation for the 1990 invasion.

Source: Bloomberg

Iraq and Turkey extend accord for Iraqi oil exports from Kirkuk to Ceyhan

Iraq and Turkey agreed to extend by 15 years the export of Iraqi crude oil from Kirkuk using Ceyhan terminal. The extended agreement is expected to protect Iraqi oil shipments against seizures from Iraq's creditors as reimbursement for the Arab country's debt. Further, only Iraq's Central Government will be allowed to use the Turkish terminal to export oil and natural gas as an effort to block oil exports from Kurdistan. Also, the agreement noted an increase in prices of exported oil towards Turkey. A quarter of Iraq's 2.4 million barrels of crude oil is exported using Ceyhan's pipelines.

Source: Bloomberg

Iraq delays gas auctions until October 20th

Iraq delayed the bidding for exploration at three gas auctions until October 20 after the Ministry of Oil amended the agreement contracts. This is the third time the auction is delayed. Two of the gas fields to be tendered, Akkas and Mansuriyah, had been included in the first oil bidding and failed to attract any interest. This is partly due to Iraq driving a broad hard bargain at the last minute regarding remuneration fees.

Source: Meryll Lynch

Base Metals: Copper on the rise with a further drop in stockpiles

Copper prices rose to a five-month high in London as stockpiles headed to the 31st weekly drop in a row, signaling steady demand. London Metal Exchange Copper inventories declined to near the lowest level since November, and cash discount to the three-month contract declined on September 22nd. Copper for delivery in three months rose to \$7,906.25 a metric ton, the highest price since April 16 on the LME. Copper for delivery in December climbed 0.4% to \$3.58 a pound on the Comex in New York.

LME copper stockpiles fell 0.5% to 380,125 tons. Among other LME-traded metals, Tin added 0.9% to \$23,500 a ton, becoming this year's best LME performer ahead of Nickel. Aluminum gained 1.1% to \$2,260, Zinc rose 1.8% to \$2,230 a ton and Nickel increased by 0.8% to \$22,765. Overall, prices gained despite the dollar rebound from a five-month low against the Euro. Home resales rose to 4.1 million annual pace in August from July's 3.83 million.

Source: Thomson Reuters

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 held steady after touching record highs for the fifth consecutive session

Gold prices are expected to rise above \$1,300 per ounce as market sentiment increases despite that the gold market has been overbought. Spot gold increased by 0.2% to \$1,291.8 on September 23, below the all-time high of \$1,296.1. It is expected to rise to \$1,310 an ounce as it moves away from a lower channel to an identical upper channel. The Relative Strength Index in gold increased to \$77.34, the highest price since December 1, 2009 suggesting a technically well overbought market and potential correction ahead. Holdings in the SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, remained unchanged at 1,304.168 tons. Silver reached a two-year high of \$21.21 on September 23, before easing to \$21.10. Indian gold demand remained weak for a second day as prices traded near all-time highs, but dealers said underlying buying was strong on expectations of higher festive demand.

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								
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	A3	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	-	-	-	BB-	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	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	16-Sep-10	No change	28-Oct-10
Switzerland	3 month Libor target	0.25	16-Sep-10	No change	16-Dec-10
Canada	Overnight rate	1.00	08-Sep-10	Raise 25bps	16-Dec-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	14-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	6	16-Sep-10	Raise 25bps	20-Nov-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	23-Sep-10
Nigeria	Monetary Policy Rate	6.25	21-Sep-10	Raise 25bps	N/A
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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