



COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Lending to emerging markets drops by 3% in second quarter

Figures issued by the Bank for International Settlements show that international bank lending to emerging markets reached \$4,437bn at the end of the second quarter of 2010, constituting a contraction of 2.6% from the end of the first quarter of this year and an increase of 5.4% from the same period last year. The contraction in global banking flows is attributed to the European sovereign debt crisis that forced European banks to reduce their exposure to emerging markets. Lending to Asia-Pacific totaled \$1,541bn and accounted for 34.7% of the total. It was followed by lending to Russia & Central Europe with \$1,254bn (28.3%), Latin America with \$623bn (14%), and the Middle East & Africa with \$591bn (13.3%). Lending to Asia-Pacific increased by 1% from the previous quarter and by 21.3% year-on-year; while lending to Russia & Central Europe declined by 8.2% from the first quarter of this year and by 11% from the same quarter last year. Further, lending to Latin America was unchanged quarter-to-quarter but rose by 10.6% from the second quarter last year; while lending to the Middle East & Africa dropped by 3.7% from the first quarter of 2010 and grew by 1.7% year-on-year. European banks accounted for 50% of lending to emerging markets at end-June 2010. Lending to the non-bank private sector reached \$1,414bn, followed by banks with \$671.6bn and the public sector with \$390.3bn at end-June. Maturities of one year or less reached \$1,248bn, followed by maturities of over one year and up to two years with \$164bn, and maturities of over two years with \$876bn.

Source: Bank for International Settlements

MENA

Corruption perception unchanged in Arab countries

Global non-governmental organization Transparency International included 20 Arab countries in its 2010 Corruption Perceptions Index (CPI), which reflects perceptions of the degree of corruption as seen by business people and country analysts. The rankings are based on scores that range between 10, representing highly clean countries, and zero, reflecting highly corrupt economies. The Arab countries received an average score of 3.5 points in 2010, unchanged from 2009 and 2008 and below the global average of 4 points. The rankings of 14 countries improved and 6 regressed, while the scores of 10 countries improved, 3 were unchanged and 14 declined from the previous year. Djibouti's rank improved the most in the region and rose by 20 spots, while its score increased by 14.3% year-on-year, the highest rise in the region. Qatar was perceived as the least corrupt in the region and ranked in 19th place globally, while Somalia was perceived as the most corrupt Arab country and ranked last among 178 countries worldwide.

Source: Transparency International, Byblos Research

Prosperity improves in most Arab countries

The Legatum Institute included 12 Arab countries in its Prosperity Index for 2010, up from 11 countries last year. The index uses a holistic definition of prosperity to include both material wealth and quality of life. It finds that the most prosperous nations in the world are not necessarily those that have only a high level of GDP, but are those that also have healthy and free citizens. The UAE was the top ranked Arab country and came in 30th place globally among 110 countries. It was followed by Kuwait (31), Tunisia (48), Saudi Arabia (49), Morocco (62), Jordan (74), Algeria (79), Syria (83), Lebanon (84), Egypt (89), Sudan (100) and Yemen (105). The rankings of nine Arab countries improved and two declined year-on-year, while Syria was included for the first time in the index. Kuwait ranked first on the Economic Fundamentals, Personal Freedom, and Governance sub-indices. Also, the UAE ranked first on the Entrepreneurship & Innovation, Health, and the Education and Safety & Security sub-indices. Further, Morocco ranked first on the Social Capital sub-index. The survey suggests that many Arab countries would benefit from adopting more open and tolerant institutions that allow for citizens to freely choose the course of their lives.

Source: Legatum Institute, Byblos Research

IRAN

Tehran urged to address its anti-money laundering deficiencies

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), called again on its members and other jurisdictions to apply counter measures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing risks originating from Iran. It welcomed the recent steps that Iran took to engage with the FATF, but expressed concerns about Iran's failure to meaningfully address the ongoing and substantial deficiencies in its AML/CFT regime. The FATF urged Iran to immediately address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements.

The FATF reiterated its call to all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. It also asked jurisdictions to protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices, and to take into account money laundering and terrorism financing risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. The FATF warned that, if Iran fails to take concrete steps to improve its AML/CFT regime, it will consider calling on all countries and jurisdictions to strengthen counter-measures in February 2011.

Source: Financial Action Task Force

OUTLOOK

SUDAN

Non-oil growth to average 5.9%, non-oil fiscal deficit at 14.8% of GDP in 2010-11

The International Monetary Fund projected economic growth in Sudan at 5.5% for 2010 and 6.2% for 2011 compared to growth in Middle Eastern oil exporting countries of 3.8% in 2010 and 5% in 2011. It forecast the country's real non-oil GDP to grow by 6.2% in 2010 and 5.7% in 2011, up from 4.8% in 2009, and compared to non-oil growth of 3.8% for oil exporters in the MENA region. It expected Sudan's annual average inflation rate at 10% in 2010 and 9% in 2011, down from 11.3% in 2009, and compared to inflation of 5.9% and 6.4% in oil exporting countries for 2010 and 2011, respectively. Also, it forecast broad money to grow by 21% this year and 18% next year, down from 23.5% in 2009. The Fund projected the central government's fiscal balance to post a deficit of 3.7% of GDP in 2010 and 4.6% of GDP in 2011, down from 4.7% of GDP in 2009. It estimated public revenues at 17.1% of GDP in 2010 and 16.3% of GDP in 2011, up from 15.2% of GDP in 2009, and total expenditures at 21.6% of GDP this year and 21.4% of GDP next year, up from 20.4% of GDP last year. Also, it expected the central government's non-oil fiscal balance to post a deficit of 14.5% of GDP in 2010 and 15% of GDP in 2011, compared to a non-oil fiscal deficit in oil exporting countries of 49.1% in 2010 and 46.1% in 2011.

The IMF expected Sudan's public debt to reach 71.4% of GDP at end-2010 and 70% of GDP at end-2011, down from 80.6% at end-2009. It also forecast total gross external debt at 57.4% of GDP in 2010 and 54.4% in 2011, down from 65.3% of GDP in 2009 and compared to external debt in oil exporting countries of 30.2% of GDP in 2010 and 28.9% of GDP in 2011. Further, the Fund estimated Sudan's exports of goods & services at \$11bn in 2010 and \$12.3bn in 2011 up from \$8.2bn in 2009, and imports of goods & services at \$12.3bn in 2010 and \$12.7bn in 2011, up from \$11.4bn in 2009. It forecast the country's current account deficit at \$5.8bn or 8.9% of GDP in 2010 and at \$5.3bn or 7.1% of GDP in 2011, down from \$7bn or 12.9% of GDP in 2009. The Fund expected the country's gross official reserves to reach \$1bn at end-2010, up from \$0.9bn at end-2009.

Source: International Monetary Fund

ARMENIA

Real GDP growth to average 4.3%, fiscal deficit at 4.4% of GDP in 2010-11

The International Monetary Fund projected economic growth in Armenia at 4% for 2010 and 4.6% for 2011 compared to growth in oil importing countries in Caucasia & Central Asia (CCA) of 3.4% in 2010 and 5% in 2011 and growth in CCA countries of 5.7% in 2010 and 5.4% in 2011. It expected Armenia's annual average inflation rate at 7.8% in 2010 and 5.5% in 2011, up from 3.5% in 2009, and compared to inflation of 7.3% in CCA countries for 2010 and 2011. Also, it forecast broad money to grow by 13.1% this year and 13.5% next year, down from 16.4% in 2009. The Fund projected the central government's fiscal balance to post a deficit of 4.8% of GDP in 2010 and 3.9% of GDP in 2011, down from 7.8% of GDP in 2009. It estimated

public revenues at 20.5% of GDP in 2010 and 21% of GDP in 2011, up from 20.4% of GDP in 2009, and total expenditures at 27.9% of GDP this year and 27.4% of GDP next year, down from 32.4% of GDP last year.

The IMF expected Armenia's public debt to reach 44.8% of GDP at end-2010 and 52% of GDP at end-2011, up from 40.6% at end-2009. It also forecast total gross external debt at 38.4% of GDP in 2010 and 44.8% in 2011, up from 34.7% of GDP in 2009 and compared to external debt CCA countries of 52.3% of GDP in 2010 and 54% of GDP in 2011. Further, the Fund estimated Armenia's exports of goods & services at \$1.5bn in 2010 and \$1.7bn in 2011 up from \$1.3bn in 2009, and imports of goods & services at \$3.9bn in 2010 and \$4.1bn in 2011, up from \$3.7bn in 2009. It forecast the country's current account deficit at \$1.3bn or 14.6% of GDP in 2010 and at \$1.1bn or 12.6% of GDP in 2011, down from \$1.4bn or 16% of GDP in 2009. The Fund expected the country's gross official reserves to reach \$1.7bn at end-2010, down from \$2bn at end-2009.

Source: International Monetary Fund

DEM REP CONGO

Economic growth to average 6.2% in 2010-11, inflation is key challenge

The International Monetary Fund projected the Democratic Republic of Congo's real GDP growth at 5.4% for 2010 and 7% in 2011, up from 2.8% in 2009. In parallel, it forecast growth of 4.9% in 2010 and 5.5% in 2011 for Sub-Saharan Africa (SSA), and at 5.2% in 2010 and 6.3% in 2011 for the Common Market for Eastern and Southern Africa (COMESA). It forecast the country's annual average inflation rate at 26.2% in 2010, down from 46.2% a year earlier, compared to average inflation of 7.5% in SSA and 6.7% in COMESA. It also forecast the country's average inflation to decline to 13.5% in 2011 relative to 7% for SSA and 7.3% for COMESA. Further, it expected broad money to grow by 40.5% this year and 27.2% next year relative to 50.4% last year. It added that claims on the non-financial private sector accounted for 47.6% and 45.7% of broad money in 2008 and 2009, respectively, relative to 70.4% and 66.6% for COMESA.

The Fund projected the central government's fiscal balance to post a deficit of 15.4% of GDP in 2010 and 19.4% of GDP in 2011, up from 11.7% of GDP in 2009. It estimated public revenues at 19.2% of GDP in 2010 and 19.4% in 2011, and total expenditures at 34.5% of GDP in 2010 and 38.8% of GDP in 2011. The IMF added that the country's external debt to official creditors reached 116.7% of GDP at end-2008 and 123.4% of GDP at end-2009. It estimated total investment at 30.5% of GDP in 2010 and 40.3% in 2011, up from 19.4% of GDP in 2009. Further, it projected the country's current account deficit at 20.7% of GDP in 2010 and at 21.5% of GDP in 2011, compared to 10.1% of GDP in 2009. The Fund expected the country's gross official reserves to reach 1.7 months of imports of goods and services at end-2010 and 1.8 months at end-2011, compared to 1.7 months at end-2009.

Source: International Monetary Fund



ECONOMY & TRADE

MENA

Water scarcity, energy security and low infrastructure investment are key risks

The World Economic Forum identified water scarcity, energy security and underinvestment in infrastructure as the three key risks facing the Middle East & North Africa region over the long term. It said the amount of water available per person in the region is expected to fall by more than half by 2050 due to growth and climate change trends. It added that the region needs integrated approaches to water management, particularly in linking water scarcity to food and energy security. Further, the WEF noted that the region holds 56% of the world's proven oil reserves, but that it is on a downward trend in terms of energy security. It said MENA countries are approximately 60% more energy-intensive than OECD countries, while resource depletion, limited conversion capacities and unbalanced regional distribution of fossil fuel resources have strong constraining effects on MENA economies. Finally, it indicated that underinvestment in infrastructure poses direct barriers to regional growth, as the legal and regulatory environment often contains significant barriers for private sector participation in infrastructure projects, making it difficult to match supply with the requisite levels of demand.

Source: World Economic Forum

SYRIA

Insurance premiums up 40% to \$315m in first 9 months of 2010

Figures released by the Syrian Insurance Supervisory Commission (SISC) show that total insurance premiums reached \$314.6m in the first 9 months of 2010, constituting an increase of 40% from the same period last year. Premiums collected from third-party car insurance grew by 7.3% year-on-year to \$102m and accounted for 32.4% of the market. They were followed by health insurance with premiums of \$68.5m, up 650.5% and accounting for 21.8% of total premiums. All-risk car insurance came in third place with premiums of \$59.6m, up 31% and accounting for 19% of the market. It was followed by fire with \$43.5m, up 33% and representing for 13.8% of the market; marine with \$17.5m, down 16.3% and accounting for 5.6% of the total, and engineering with \$6.8m, down 14.3% and representing 2.2% of total premiums, while other categories accounted for the remaining 5.4% of the market. Premiums generated from life insurance jumped by 48% year-on-year and accounted for 1.3% of total premiums. The SISC attributed the growth in health premiums to the enforcement of a health insurance system for civil servants. It noted that civil servants are exclusively insured by the Syrian Insurance Company (SIC), the only state-owned company. Insurance premiums generated in the third quarter of this year totaled \$104.4m, up 24.7% from the same quarter last year.

Source: Syria Report

NIGERIA

Ratings affirmed, outlook revised to negative

Fitch Ratings revised the outlook on Nigeria's ratings to 'negative' from 'stable', while it affirmed the Long-term foreign cur-

rency Issuer Default (IDR) at 'BB-', the Long-term local currency IDR at 'BB', the short term foreign currency IDR at 'B' and the Country Ceiling 'BB-'. It attributed the change in outlook to the weakening in the fiscal management of oil revenues through the continuous withdrawals from the Excess Crude Account (ECA). It expressed concerns about the depletion of the ECA and the gradual fall in international reserves at a time of high oil prices and record high oil production. It said that any renewed fall in oil prices would increase vulnerabilities and threatens macroeconomic stability. The agency noted plans to establish a sovereign wealth fund that will be governed by more robust prudential guidelines and the removal of the ECA-funded fuel subsidy, but added that implementing these measures will be challenging before next April's elections. It added that political risks have increased due to the upcoming elections. Fitch indicated that the Nigerian authorities will have to implement key institutional and structural reforms for the outlook to return to 'stable'. Such reforms include a fully operational SWF with safeguards shielding it from political pressures; removal of the fuel subsidy, which would assist in rebuilding the stabilization fund and encourage investment in downstream petroleum; and reforms that would encourage infrastructure investment necessary for economic diversification and sustaining non-oil sector growth.

Source: Fitch Ratings

SAUDI ARABIA

Long-term fiscal sustainability requires significant adjustment and new taxes

The Institute of International Finance indicated that the increase in fiscal spending in Saudi Arabia has raised the breakeven oil price for a balanced budget from \$25 per barrel in the late 1990s to \$68 per barrel in 2010. It noted that the kingdom needs to make fundamental adjustments in government spending and the tax structure over the medium- to long terms to ensure fiscal sustainability. It added that the kingdom's fiscal deficit could start widening from 2015 onwards if oil prices stagnate and if spending growth is not reduced significantly.

It said government spending rose by an annual average of 12.5% since 2000, and is likely to account for 80% of non-hydrocarbon GDP in 2010. It said under a scenario where government spending would decline steadily from 80% of non-oil GDP in 2010 to 72% in 2015 and 64% by 2020, the projected overall fiscal surplus of about 3.5% of GDP in 2010 will gradually narrow and shift to a deficit of 1% of GDP by 2015 and 3.3% of GDP by 2020. In this case, the oil price required to balance the budget by 2020 would have to rise to \$108 per barrel. Further, under a reform scenario where VAT is introduced and growth in domestic consumption of oil products declines, the fiscal balance will post small surpluses throughout 2020. In parallel, under a scenario of weaker adjustment in government spending, stagnant oil prices, and in the absence of tax revenue reforms, the fiscal situation would deteriorate steadily, with the fiscal surplus shifting to a deficit of 1.3% of GDP in 2012 and would widen gradually to 18.5% of GDP by 2020.

Source: Institute of International Finance



BANKING

WORLD

Financial reforms may affect corporate credit

Standard & Poor's indicated the regulatory reforms of the global financial system might have a damaging effect on corporate profitability and liquidity, and may present unintended potential risks. It said the approaches regulators around the world are pursuing will heighten certain risks for corporate borrowers, including increased credit costs and potentially lower returns for banks, diminished access to credit for small or comparatively risky companies, higher costs for and uncertainty about the use of derivatives for hedging, and potential disparities in effect between different financial systems.

Source: Standard & Poor's

SYRIA

Bank branches reach 471, conventional private banks have 159 branches at end-June 2010

Figures released by the Central Bank of Syria indicate that the number of branches of commercial banks operating in Syria reached 471 at the end of June 2010, constituting an increase of 6.3% from 443 branches at end-2009. State-owned banks had 292 branches, accounting for 62% of the total; followed by private commercial banks with 159 branches, or 33.8% of the total; and Islamic banks with 20 branches, representing 4.2% of overall branches. The branches of state-owned banks increased by 7 branches and those of private banks rose by 11 branches year-on-year; while Islamic banks' branches grew by 7 branches from end-2009. Bank Bemo Saudi Fransi had 32 branches, the largest branch network among private banks in the country. It was followed by the International Bank for Trade & Finance with 28 branches, Bank Syria & Overseas with 22 branches, Bank Audi-Syria with 21 branches, Arab Bank with 20 branches, Syria Gulf Bank with 10 branches, Byblos Bank-Syria with 9 branches, Bank of Jordan-Syria with 7 branches, Fransabank-Syria with 5 branches, Al-Sharq Bank with 4 branches, and Qatar National Bank Syria with one branch. Also, Syria International Islamic Bank had 13 branches, Cham Bank had 6 branches and Al-Baraka Bank Syria had one branch. In parallel, the Agricultural Cooperative Bank had 106 branches, the largest branch network among state-owned banks in the country; followed by the Commercial Bank of Syria with 69 branches; the Popular Credit Bank with 65 branches; the Real Estate Bank with 22 branches; the Industrial Bank with 17 branches; and the Savings Bank with 13 branches.

Source: Central Bank of Syria, Byblos Research

UAE

Lending slightly increases in first 9 months of 2010, banks continue risk aversion trend

Figures issued by the UAE Central Bank show that total assets reached AED 1,584bn at the end of September, constituting an increase of 0.6% month-on-month and a rise of 4.3% from end-2009. Lending reached AED 1,038bn, up by 0.4% from the previous month and by 2% from end-2009. Loan provisioning rose by 1.6% from August and by 20.1% in the first 9 months of the year to AED 52bn, with specific provisions up 16% to AED 37.8bn and general provisions up by 32.7% to AED 14.2bn

from the end of last year. Specific provisioning represented 5% and general provisions were equivalent to 1.4% of total loans. In parallel, customer deposits grew by 0.8% month-on-month and by 2.8% from end-2009 to AED 1,013bn. The loans-to-deposits ratio was 102.5% at end-September relative to 104.5% a year earlier, while the liquidity gap reached AED 25bn compared to AED 44bn in September 2009. Shuaa Capital said that despite the positive performance of banks during the third quarter, a high sequential cost of risk is expected to put pressure on banks' profitability. It noted that provisions are expected to increase in the fourth quarter because of the coverage requirements on Dubai World's account as well as the precautionary measures implemented by UAE banks.

Source: Shuaa Capital

NIGERIA

Outlook on five banks revised to negative

Fitch Ratings revised the outlook on the Long-term foreign currency Issuer Default Ratings (IDRs) of Diamond Bank, First Bank of Nigeria, Oceanic Bank International, Union Bank of Nigeria and United Bank for Africa to 'negative' from 'stable'. It attributed the change in outlook to its earlier decision to downgrade the outlook on Nigeria's sovereign ratings to 'negative'. It said the outlook revision on Nigeria's ratings reflects the potential deterioration in the credit quality of the sovereign and consequently its ability to provide support to Nigerian banks. Fitch noted that the ratings on the five banks are solely based on support from the Nigerian regulatory authorities and, accordingly, these ratings are on their support floors. The agency expected that negative pressure on Nigeria's sovereign ratings may translate into lower ratings and support rating floors for the banks.

Source: Fitch Ratings

RUSSIA

Banking system outlook changed to stable

Moody's Investors Service changed the outlook on the Russian banking system to 'stable' from 'negative', reflecting the improving operating environment, the sector's sizeable capital and loan-loss provisioning buffers, and its improved liquidity profile. It expected slow but positive economic growth to continue in the near to medium term, which would improve the outlook for the banks' asset quality and profitability. It noted that substantial state and Central Bank support were crucial to stabilize the banking system during the crisis. It added that support measures will likely be withdrawn gradually, with several programs remaining in place through 2010-11 to safeguard the recovery. In parallel, Moody's said that Russian authorities announced a range of initiatives to tighten bank regulation and strengthen the banking system, adding that the measures address the key weaknesses displayed by some of the 28 Russian banks that defaulted during the financial crisis. It said the measures have the potential to strengthen banks' credit fundamentals through improving the capital framework; stricter control of single- and related-party concentrations; the introduction of consolidated group supervision; facilitation of bank mergers; and more prudent regulation of securities trading. It noted that the banking system will need time to adapt to the higher standards.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Oil supported by a weaker dollar and lower U.S. gasoline stocks

Oil prices gained on October 28 as the dollar weakened and U.S. gasoline stockpiles declined, while doubts emerged about the size of expected monetary stimulus by the Federal Reserve. U.S. crude for December increased by 16 cents to \$82.10 a barrel, after falling nearly 1% on October 27. ICE Brent increased by 2 cents only to \$83.25. The Energy Information Agency stated that U.S. gasoline inventories fell by 4.4 million barrels last week, reducing the effect of greater-than-expected gains in crude stockpiles of more than five million barrels.

Despite the fact that U.S. oil demand increased on a week-to-week basis, total U.S. product demand fell 0.3% in the four weeks to October 22nd. Oil is expected to average over \$83 a barrel in 2011 with expectations that a new round of U.S. monetary stimulus would support the economy. Most French oil refineries were set to start outbound deliveries of fuel as work stoppages ended at two plants on October 27, further easing a strike movement that has led to pump shortages across France.

Source: Thomson Reuters

Construction on Armenia-Iran pipeline project to start by end-2010

Energy and Natural Resources Ministry indicated that the construction of a new Iran-Armenia oil pipeline will begin later in 2010. It added that the project was postponed due to the global economic and financial crisis but was not cancelled. The length of the Tabriz-Aragats oil pipeline will be 375 km, with 110 km on the Iranian side and 265 km on Armenian territory. The pipeline is expected to supply petrol and diesel fuel to Armenia.

Source: PanArmenian.Net

Iran exports gasoline to neighboring countries

Iran announced it has exported 32 million liters of gasoline, worth about \$36m, to Iraq, Afghanistan and Armenia. The exported gasoline was 75 research octane number (RON), known as "Iraq grade" by oil traders, which is much lower in octane than the 95 RON used in many European countries. Iran, which was long dependent on imported gasoline for 30% to 40% of its consumption, said last month that it had started exporting the fuel. Under an emergency plan to counter U.S. and European sanctions which target Iran's need to import refined fuel, Iran has increased its refining capacity, mostly by converting petrochemical plants to making gasoline.

Source: Thomson Reuters

Joint Iranian-British company closed by EU sanctions

The Scottish gas field Rhum, jointly-owned by the Iranian Oil Company and British Petroleum is expected to close as a result of European Union sanctions imposed on Iran. The sanctions are unlikely to have an impact on other BP joint ventures with the Iranian company. The forced closure of the Scottish gas field, whose production exceeded 6 million cubic meters of gas a day in the first half of 2010, is not expected to affect United Kingdom's energy supply or energy market.

Source: Thomson Reuters

Base Metals: Market to launch new ETFs

Copper prices traded at \$8,312 a metric ton on October 28 while they fell by 2.9% to \$8,266.5 a ton on October 27th. Aluminum also rose by 0.5% to trade at \$2,334 a ton, nickel gained 0.5% to \$22,920, while lead fell 0.2% to \$2,538. There has been speculation for at least a year about the potential launch of new physical ETFs for base metals. These investment vehicles have not yet taken off in the LME complex and anticipation of extra investment demand has helped to lift prices. The contracts are expected to create an extra channel for investors in metals, either diverting metal from existing vehicles or creating fresh demand for those looking for protection against U.S. dollar weakness or for exposure to the Asia-China growth links.

While aluminum has performed in line with the global equity index, copper has significantly outperformed. However, industrial metals as a whole include a range of strong and weak markets from a fundamental perspective. A strong performance by copper has been offset by weakness elsewhere in the complex, and so an investment in precious metals or agricultural commodities would have been preferable.

Source: Standard Chartered, Bloomberg

Precious Metals: Spot gold fluctuating, palladium at nine-year high

Gold traded at \$1,326.85 on October 28, 4.4%, below the record of \$1,324.97 an ounce reached on October 14, and increasing by \$1.5 from the previous day. Gold prices are fluctuating in London, between a 0.2% drop and 0.4% rise, over concerns that the projected Federal Reserve asset purchases are not expected to be met. Gold prices averaged \$1,228 an ounce in the third quarter, up 28% from the same period last year. Prices increased 21% since December 2009, heading to the 10th annual gain and the longest gain period since 1920.

Gold trading has outperformed global equities, Treasuries and most industrial metals which stimulated investment in gold-backed exchange-traded products. Gold futures for December delivery increased by 0.3% to \$1,326.6 at the Comex in New York. Silver for immediate delivery increased by 0.3% to \$23.6625 an ounce, Platinum rose by 0.2% to \$1,684.25 an ounce while Palladium increased by 1% to \$622.5 after reaching a nine-year high record on October 27 of \$637.75.

Source: Bloomberg

Global Commodity Outlook					
(3-months LME, \$/ton)	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Aluminum	2,300	2,000	1,900	1,875	1,825
Copper	8,200	8,100	8,300	8,400	8,500
Lead	2,300	2,400	2,450	2,550	2,600
Nickel	23,000	21,500	21,500	22,500	22,500
Tin	21,000	21,000	22,000	23,000	23,000
Zinc	2,250	2,250	2,300	2,300	2,350
(Spot price, \$/ounce)					
Gold	1,350	1,300	1,375	1,475	1,450
Palladium	580	550	600	625	625
Platinum	1,700	1,800	1,900	1,900	1,900
Silver	22.0	20.0	19.0	17.5	16.5

Source: Bloomberg, Platts, CRU, 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	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	Positive	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	21-Sep-10	No change	03-Nov-10
Eurozone	Refi Rate	1.00	02-Sep-10	No change	04-Nov-10
UK	Bank Rate	0.50	09-Sep-10	No change	04-Nov-10
Japan	O/N Call Rate	0-0.10	05-Oct-10	Cut to range	28-Oct-10
Australia	Cash Rate	4.50	05-Oct-10	No change	02-Nov-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	19-Oct-10	Raise 25bps	07-Dec-10
Emerging Markets					
China	One-year lending rate	5.56	19-Oct-10	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	21-Sep-10	No change	03-Nov-10
Taiwan	Discount Rate	1.50	30-Sep-10	Raise 12.5bps	12-Dec-10
South Korea	Base Rate	2.25	14-Oct-10	No change	16-Nov-10
Malaysia	O/N Policy Rate	2.75	02-Sep-10	No change	12-Nov-10
Thailand	1D Repo	1.75	20-Oct-10	Raise 25bps	01-Dec-10
India	Reverse repo rate	6.00	16-Sep-10	Raise 25bps	02-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	14-Oct-10	No change	11-Nov-10
South Africa	Repo rate	6.00	09-Sep-10	Cut 50bps	18-Nov-10
Kenya	Central Bank Rate	6.00	23-Sep-10	No change	Nov-10
Nigeria	Monetary Policy Rate	6.00	21-Sep-10	Raise 25bps	Nov-10
Ghana	Prime Rate	13.50	24-Sep-10	No change	01-Nov-10
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	15-Oct-10	No change	25-Nov-10
Brazil	Selic Rate	10.75	20-Oct-10	No change	08-Dec-10
Armenia	Refi Rate	7.25	12-Oct-10	No change	N/A
Romania	Policy Rate	6.25	04-Aug-10	No change	N/A
Bulgaria	Base Interest	0.17	01-Oct-10	No change	N/A
Kazakhstan	Refi Rate	7.00	01-Oct-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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