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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Mobile phone and Internet services in 90% of countries face market competition

The International Telecommunication Union stated that the liberalization of mobile and Internet services as well as the creation of independent regulators across the globe increased the penetration of such services. It noted that more than 90% of countries' mobile and Internet services faced competition in 2010 while the number of independent regulatory authorities worldwide reached 157 from 106 in 2000. It added that the number of mobile cellular subscriptions worldwide exceeded five billion subscribers in 2010, up from less than one billion subscribers in 2000; while the number of Internet users worldwide exceeded two billion users in 2010 from less than 400 million users in 2000. Also, it noted that international gateways were open to competition in 78% of countries worldwide in 2010 compared to 38% in 2000l; while basic voice services were open to competition in 67% of countries worldwide in 2010 relative to less than 40% in 2000. Further, it said leased lines open to competition exist in 75% of countries worldwide in 2010 up from under 50% in 2000; while wireless local loop was open to competition in 82% of countries worldwide in 2010, up from 62% ten years ago. In parallel, it stated that 126 countries' main fixed-line operators were partly or fully privatized in 2010 compared to 37 operators in 1991.

Source: International Telecommunication Union

EMERGING MARKETS

Bond and equity inflows at $6.4bn in January, AUM at $996bn

Capital inflows to emerging market equity and bonds totaled $6.44bn in January, with bonds receiving $2.18bn and equities $4.26bn. Latin America accounted for $825m or 37.8% of bond inflows, followed by Emerging Europe, the Middle East & Africa (EMEA) with $802m (36.8%), and Emerging Asia with $552m (25.3%(. Further, EMEA accounted for $1.9bn of equity inflows to emerging markets or 44.5% followed by Emerging Asia with $1.33bn (31.2%) and Latin America with $1.04bn (24.3%). Brazil was the biggest recipient of bond inflows with $320m, or 14.7% of total inflows into emerging market bonds, while China was the largest recipient of equities inflows with $1.2bn, or 28.4% of overall inflows into emerging market equities. In parallel, emerging markets assets under management (AUM) totaled $996.4bn at the end of January 2011, with bonds accounting for $154.55bn and equities for $841.87bn. The EMEA region had $57.3bn in AUM in bonds, followed by Latin America with $54.9bn and Emerging Asia with $42.35bn. Further, Emerging Asia accounted for $528.35bn in equity-related AUM, followed by Latin America with $168.8bn and EMEA with $144.69bn. Brazil had $18.4bn in bonds related AUM, or 12% of the total, while China had $176.45bn in equity-related AUM, accounting for 21% of overall equities under management in emerging markets.

Source: Barclays Capital, Byblos Research

MENA

Region's brand perception improves in fourth quarter of 2010

The Nation Brand Perception Index indicated that the brand perception of the Middle East & North Africa region increased in the fourth quarter of 2010 from the third quarter, as the average index score of the 20 MENA countries included in the index reached 46.4 points, up from 44.5 points in the third quarter of 2010. The index analyzes international perceptions of a country's brand. It covers the tone, whether positive or negative, and frequency of mentions in the international media. It said the number of times a country is mentioned reflects the strength of the brand, but not necessarily its quality. The MENA region continues to have the worst brand perception in the world, as its score was lower than the global average of 50.1 points as well as below the average score of Oceania (53.8 points), South America (52.5 points), Asia (51.9 points), Europe (50.5 points), Africa (48.9 points), Central America (48.4 points), the Caribbean (48.3 points), and the Commonwealth of Independent States (48.3 points). Qatar had the best brand perception in the region and ranked in fourth place globally, followed by Kuwait, the United Arab Emirates and Turkey; while Iran, Yemen and Iraq were the worst perceived countries in the region, ranking in 193rd, 198th and 200th place, respectively.

Source: East West Communications, Byblos Research

GCC

Salaries up by 6% in 2010

GulfTalent.com's 2010 survey of labor market trends across the GCC shows that salaries increased at an average rate of 6.1% last year, compared to 6.2% in 2009 and 11.4% in 2008. It noted that salaries in Qatar rose by 6.8%, followed by Saudi Arabia with 6.7%, Oman with 6.4%, Kuwait with 5.7%, the UAE with 5.2% and Bahrain with 4.9%. It added that salaries increased the most in retail and fast moving consumer goods with an average pay raise of 6.4%, as well as among human resource professionals with raises averaging 7.1%, while lawyers had the lowest average salary increase at 4.3% in 2010. It said that Arab residents received a salary increase of 6.5% in 2010, followed by Asian residents with 6.1%, GCC nationals with 5.3% and Western expatriates with 3.2%. In parallel, the survey shows that 57% of Oman's firms increased recruitment, followed by 55% of Saudi firms, 45% of firms in Qatar, 25% of Kuwaiti companies, 23% of firms in Bahrain, and 22% of companies in the UAE. It added that 80% of total healthcare firms increased employments in the GCC in 2010 compared to only 5% of total hospitality firms. It projected the GCC average pay raise to stand at 6.6% in 2011, led by Qatar with 7.2% in salary increase, followed by Saudi Arabia and Oman with 7% each, the UAE with 6.3%, Kuwait with 5.9% and Bahrain with 5.1%. It also expected 61% of GCC firms to recruit in 2011 compared to 9% that plan to cut staff. The study is based on a survey of 32,000 professionals and 1,400 companies.

Source: GulfTalent.com

OUTLOOK

MENA

North African political unrest unlikely to affect corporate refinancing

Fitch Ratings expected political uncertainties in Tunisia and Egypt to affect investor appetite for North Africa, until concerns about potential further regional contagion recede and a sense of political stability returns. But it added that current events in Egypt are unlikely to spread to the GCC countries, and did not expect the crisis to have a long-term impact on GCC corporates' access to funding. The agency noted that North African markets are not heavy users of internationally-sourced debt. It estimated corporate bond and loan maturities in the region at $1.8bn 2011 and $1.6bn in 2012, most of them concentrated in Egypt.

Fitch stated that maturing bonds and syndicated loan facilities in the larger Middle Eastern market are more substantial. It said bond market redemptions total $3.7bn for 2011 and $8.3bn in 2012, with UAE issuers accounting for 58% of maturities. Also, maturing syndicated loan facilities total $13.3bn in 2011 and $17.2bn in 2012, with UAE borrowers accounting for 65% of 2011 maturities. It noted that 2012 maturities are spread across more countries that include Saudi Arabia with $3.8bn and Turkey with $2.5bn. Fitch indicated that the UAE has been largely successful in addressing investor concerns following high-profile restructurings in the emirate of Dubai, while Abu Dhabi and Saudi Arabia have high levels of sovereign liquidity. It added, however, that the recovery in international financial markets remains fragile and confidence-sensitive. Fitch considered that the availability of external debt funding will continue to be importat in the MENA region, given its expectations of negative free cash flow in 2011 and 2012 for companies it rates.

Source: Fitch Ratings

EGYPT

Economic costs of political instability to increase, real GDP growth forecast reduced to 1.5%

The Institute of International Finance revised downward its projection of economic growth in Egypt to 1.5% in fiscal year 2010/11 that ends in June from an earlier forecast of 6.1%. It attributed the change to the disruption of economic activity from political instability, which will hit output hard. It said the longer the political impasse, the longer it will take for confidence to be restored and activity to return to normal. It expected nearly all sectors to be deeply affected, especially wholesale and retail trade, tourism, financial and business services, transport, telecommunications, and manufacturing. It added that the oil and gas sector and Suez Canal traffic are likely to be less affected, unless the political situation spirals out of control over the coming weeks. The IIF anticipated the tourism sector, an important source of employment and foreign exchange, to be particularly affected, as the unrest coincides with the peak season.

The IIF expected the disruption to exports and drop in tourist arrivals to widen the current account deficit which, together with portfolio outflows and a reduction in foreign direct investment, will put increased pressure on the balance of payments. It forecast the current account deficit to widen to $7.5bn or 3.4% of GDP from an earlier estimate of $4.3bn or 2.1% of GDP; tourism receipts to decline to $9bn from an anticipated $12.2bn; and FDI to drop to $5bn from earlier projections of $7bn. Also, it forecast net portfolio outflows of $5bn compared to an earlier estimate of $2bn in inflows.

The IIF noted that it will be a major challenge to maintain exchange rate stability under these circumstances, but added that the Central Bank of Egypt (CBE) has built up ample official foreign exchange reserves of about $33bn and maintains sizable foreign exchange deposits in the banking system. As such, it did not anticipate a major realignment of the exchange rate, unless the political turmoil deepens and the two sides fail to reach a satisfactory resolution in the coming weeks. However, it suggested that official foreign exchange reserves could fall to about $27bn by the end of the fiscal year, given that the CBE will have to draw from its reserves to reduce currency pressure and volatility. The IIF warned that a prolonged confrontation will result in far greater disruption to economic activity than currently anticipated.

Source: Institute of International Finance

DEM REP CONGO

Economy on right track, fiscal discipline and reforms are key for outlook

The International Monetary Fund indicated that macroeconomic performance in the Democratic Republic of the Congo has improved significantly, after uneven growth and cycles of inflation and exchange rate depreciation. It said economic activity is expanding at a strong pace, inflation has decelerated, the exchange rate has stabilized, and debt relief has reduced the external debt burden that weighed heavily on the economy. It added that these positive developments have been supported by satisfactory policy implementation and progress in structural reforms. It noted the government's resolve to maintain fiscal discipline and contain expenditures, as it kept spending in check and scaled back the budget in 2010 and 2011 in the face of lower external financing.

The IMF called for further fiscal discipline to stay within the budget ceilings in the run-up to the national elections later this year. It encouraged stronger efforts to raise domestic revenues in order to achieve the government's fiscal objectives, as well as stronger public financial management to ensure that debt relief is used to boost social spending and increase foreign currency reserves. It added that continued fiscal discipline will also support the Central Bank's independence and capacity to fight inflation. It noted that the decline in inflation has been accompanied by a fall in interest rates but encouraged the Central Bank to maintain a tight monetary policy until a significant decline in inflation. It also encouraged reforming and recapitalizing the Central Bank. In parallel, the Fund considered that the DRC's wealth and long-term growth potential could be increased through efforts to boost investment and activity in extractive industries. As such, it encouraged a quick implementation of the broad range of the industry-specific reforms that were recently developed with the assistance of multilateral institutions and donors.

Source: International Monetary Fund

JORDAN

Outlook changed to negative

Standard & Poor's affirmed Jordan's 'BB/B' long- and short-term foreign currency ratings and lowered the long- and short-term local currency ratings to 'BB+/B' from 'BBB-/A-3'. It also revised the outlook on the long-term foreign and local currency ratings to 'negative' from 'stable', and maintained the 'BBB-' transfer and convertibility assessment. It attributed the downgrade to the potential impact of the current social and political turmoil in the country on sovereign creditworthiness. It expected higher subsidies to divert spending from public capital investment and to raise fiscal deficits, and doubted the government's ability to implement cuts that would offset new social spending this year of about 1.5% of GDP. It forecast the fiscal deficit to reach 6.8% of GDP compared to the official target of 5.3% of GDP for this year. It added that reducing growth-oriented public expenditures, along with greater political uncertainty, will hurt growth prospects, particularly in the tourism and related sectors.

In parallel, Moody's Investors Service changed the outlook on Jordan's 'Ba2' foreign currency government bond rating to 'negative' from 'stable' on concerns of deteriorating fiscal and economic prospects related to ongoing turmoil in the region. It also downgraded the government's local currency bond rating to 'Ba2' from 'Baa3' with a 'negative' outlook, and the local currency ceilings to 'Baa1' from 'A3' and changed the outlook on Jordan's foreign currency ceilings to 'negative' from 'stable'. Moody's said it may downgrade the ratings in case political turmoil structurally weakens Jordan's credit fundamentals, such as a deterioration in the balance of payments leading to a significant decline in official foreign exchange reserves, or a sustained fiscal slippage that causes a jump in public debt.

Source: Standard & Poor's, Moody's Investors Service, Bloomberg

EGYPT

Agencies downgrade sovereign ratings on political uncertainties

Fitch Ratings downgraded Egypt's long-term foreign currency Issuer Default Rating (IDR) to 'BB' from 'BB+', and its long-term local currency IDR to 'BB+' from 'BBB-'. It also placed the ratings on Rating Watch Negative. Also, it lowered to 'BB' from 'BB+' the Country Ceiling and affirmed the short-term foreign currency IDR at 'B'. It attributed the downgrades to the significant intensification of turmoil in Egypt, which is affecting the country's economic performance as well as its public and external finances. It expected the transition to be volatile and difficult to predict, which would affect the country's GDP growth, unemployment and inflation, and would worsen the country's sovereign credit risk profile. It noted that many investments are likely to be put on hold until the political outlook is clearer. It expected external revenues such as tourism and FDI to decline, and expressed concerns over further pressure on the budget deficit and already high debt-to-GDP ratio. It considered that the crisis' impact on the economy will be more severe in case of material capital outflows or deposit withdrawal from banks.

In parallel, Capital Intelligence downgraded Egypt's long- and short-term local currency ratings as well as the long- and short-term foreign currency rating to 'BB+/B' from 'BBB/A3' and BBB-/A3', respectively. It also changed the outlook to 'negative' from 'stable' reflecting a possible increase in sovereign vulnerabilities from a lack of political stability and policy consensus in the near future. It attributed the downgrade to the deterioration of the political situation in the country and the related risks to economic growth, public finances and international liquidity. It noted that Egypt's credit ratings were under pressure even without the political instability because of the government's slower than expected progress in addressing its large budget deficit and reducing it public debt. It warned that it would lower the ratings by more than one notch if political instability increases further.

Source: Fitch Ratings, Capital Intelligence

IRAQ

Government raises draft 2011 budget

The Iraqi Cabinet increased spending in its draft 2011 budget to IQD96.6trn, or $82.6bn, from IQD94.3trn following a revised oil price assumption of $76.5/bbl versus $73/bbl earlier. Consequently, revenues increased to IQD90trn, or $69bn, from IQD73.4trn, while the projected budget deficit widened modestly to IQD15.7tn from IQD15.6tn previously. The deficit would be covered from savings, and internal and external loans, including loans from the IMF and a possible $2bn loan from the World Bank. The Parliament declined the first version of the budget that was approved by the Cabinet last December because it was based on an oil price of $73 a barrel. The updated budget includes IQD30trn in capital expenditures and IQD66.6trn in operational expenses, with the extra expenditures allocated to current spending. The revenue figures are based on exports of 2.2 million barrels of oil per day, including 100,000 barrels from the northern Kurdish region. The revised budget still needs to be ratified by Parliament.

Source: Merrill Lynch, Bloomberg

NIGERIA

Growth at 7.6% in 2010, non-oil sector to drive growth in 2011

The World Bank estimated economic growth in Nigeria at 7.6% in 2010 compared to a growth of 5.6% in 2009, and relative to growth of 4.7% in Sub-Saharan Africa (SSA) and 5.9% in oil exporters countries. It also projected Nigeria's real GDP growth at 7.1% in 2011, compared to 5.3% in SSA and 6.3% in oil exporting countries this year. Nigeria is projected to have the sixth highest growth rate among 44 Sub-Saharan African economies. The World Bank expected the non-oil sector to be the major growth driver for the year, benefiting from new offshore developments as well as security improvement in the Niger Delta area. Also, it expected the increase in government spending on infrastructure to reinforce the country's growth prospects. It warned, however, that the upcoming elections could delay further investments until a peaceful transition is in place. In parallel, the World Bank estimated Nigeria's current account surplus at 10.7% of GDP in 2010 compared to a deficit of 2% of GDP for SSA. It also forecast the current account surplus at 9.2% of GDP this year.

Source: World Bank

EGYPT

Agencies downgrade bank ratings on political instability

Capital Intelligence downgraded the long- and short-term foreign currency (FC) rating to 'BB+/B' from 'BBB-/A3' of Arab African International Bank, Arab International Bank, Commercial International Bank (CIB), Export Development Bank, National Bank of Egypt (NBE), National Société Générale Bank, and Bank of Alexandria. It also revised to 'negative' from 'stable' the outlooks of the banks' FC ratings and assigned a 'negative' outlook to the banks' financial strength rating. It attributed the downgrades to the earlier downgrade of Egypt's sovereign long- and short-term FC ratings. It expected the current political and social upheavals to disrupt banks' operations, which would further weigh on the financial strength ratings. It said that the weakening of the operating environment would affect the banks' financial condition, including their liquidity, asset quality and financial performance. In parallel, Fitch ratings lowered to 'BB' from 'BB+' the long-term Issuer Default Ratings of NBE and its wholly-owned subsidiary, NBE (UK) Ltd and of CIB. It affirmed the banks' short-term IDR at 'B' while it placed the ratings on Rating Watch Negative (RWN). It also, placed the national and individual ratings of NBE and CIB on RWN. Further, it placed the Suez Canal Bank's long-and short-term national ratings and Crédit Agricole Egypt's long-term national ratings on RNW. It attributed the decision to its earlier downgrade of the country's sovereign ratings following the recent upsurge in political protests, and the increasingly negative consequences on the economy, the public and the external finances. It added that the decision reflects the uncertainties surrounding the impact of the extended closure of banks and businesses on banks' financial standing and the economy.

Source: Capital Intelligence, Fitch Ratings

SAUDI ARABIA

Private sector lending up 6% in 2010

Figures issued by the Saudi Monetary Agency (SAMA) show that total assets of commercial banks reached SAR 1,415bn at the end of 2010, constituting a 3.3% increase from end-2009. Lending to the private sector increased by 5.7% in 2010 and by 3.1% from the previous quarter to SAR 776bn. Lending to the electricity and other utilities sector rose by 44% in 2010, to construction & building by 24%, to the manufacturing sector by 20%, and to the transport & communication sector by 12%. Also, claims on the government grew by 18% from end-2010 to SAR 214bn and accounted for 15.1% of banks' total assets in 2010 relative to 13.3% in 2009; while banks' foreign assets decreased by 8% year-in-year to SAR 192bn and accounted for 13.6% of total assets in 2010 compared to 15.4% in 2009. Further, customer deposits totaled SAR 985bn at end-2010, increasing by 0.3% from the third quarter, the weakest quarter-to-quarter growth in 2010, and by 4.7% from end-2009. Low-cost deposits, such as demand deposits, grew by 22% from 2009 and accounted for 54% of total deposits, reaching a four-year high. The private sector deposits were the main contributor to deposit growth during the year, growing by 7% in 2010 and accounting for 76% of total deposits, while public sector deposits fell by 7% in 2010 and accounted for 21% of overall deposits. The loans-to-deposits ratio was 78.8% at end-December relative to 78.1% at the end of 2009. In parallel, Saudi banks' aggregate net profits reached SAR 26.1bn in 2010, unchanged from 2009.

Source: EFG Hermes, Shuaa Capital

UAE

Loans and deposits post modest increases in 2010

Figures issued by the UAE Central Bank show that total assets reached AED 1,605.6bn at the end of 2010, constituting an increase of 1.3% from the third quarter and a rise of 5.7% from end-2009. Lending reached AED 1,031.3bn, down 0.7% from the previous quarter and slightly up by 1.3% from end-2009. Loan provisioning rose by 9.3% from the previous quarter and by 31.2% in 2010 to AED 56.8bn, with specific provisions up 35.9% to AED 44.3bn and general provisions up by 16.8 % to AED 12.5bn year-on-year. In parallel, customer deposits totaled AED 1,049.6bn, up by 3.6% from the end of September and by 6.8% from end-2009. Last October's rise in customer deposits of AED 40.5bn contributed significantly to raise the banking system's liquidity at the end of the year. The loans-to-deposits ratio was 98.3% at end-2010 relative to 102.5% at the end of the third quarter and 103.6% a year earlier due to flat lending and slow growth in customer deposits.

Source: Shuaa Capital

ALGERIA

Loans at risk represent 44% of sector's portfolio, public banks hold majority

The risk-weighted capital adequacy ratio of banks operating in Algeria reached 18.4% at the end of June of 2010 relative to 21.8% at the end of 2009 and 16.5% at end-2008. The capital adequacy ratio of public banks, which account for 90% of the sector's assets, was 16% at end-June 2010 compared to 19% at end-2009 and 16% at end-2008. Also, the risk-weighted capital adequacy ratio of private banks, which are all foreign-owned, was 29.7% at end-June compared 35.3% at end-2009 and 20.2% at end-2008. Further, the banking sector's classified loans, which are performing loans that are at risk, reached 22.1% of total loans at end-June 2010, up from 21.6% at end-2009 but down from 25.4% at end-2008. Public banks' classified loans reached 25% of total loans at end-June 2010, of which 17.4% were to the private sector; while foreign banks' ratio of classified loans was 4%. Further, the sector's non-performing loans (NPL) reached 15% of total loans at end-June 2010, relative to 14.5% at end of 2009 and 15.7% at end-2008. Public banks' NPLs reached 16.8% of total loans at end-June 2010 compared to 16.5% at end-2009 and 17.6% at end-2008, while foreign banks' NPLs reached 2.6% at by mid-2010, up from 2.4% at end-2009 and 2.2% at end-2008. Further, the sector's provisions-to-classified loans ratio reached 67.8% at end-June 2010 relative to 57.7% at end-2008. Public banks' provisions-to-classified loans ratio reached 67.8% at end-June 2010, up from 57.4% at end-2008; and the foreign bank's ratio reached 70% compared to 79% at end-2009 and 68.7% at end-2008. The public banks' return on equity was 25.5% and that of privately-owned banks at 26.3%.

Source: International Monetary Fund, Banque d'Algérie

ENERGY / COMMODITIES

Brent rises following unrest in North Africa

Crude oil prices retreated from their recent highs as immediate concerns over supply disruptions have eased, but ICE Brent is still trading at above $100 a barrel. Prices have pulled back as supply-risk concerns following unrest in North Africa have eased, but a supply-risk premium is expected to be maintained. Also, investors were concerned that the unrest in Tunisia and Egypt could ignite similar protests in bigger oil producers such as Libya or even Saudi Arabia. ICE Brent rose 55 cents to $102.4 a barrel on February 10, while U.S. crude for March slipped 21 cents to $86.5 a barrel. Overall, the market is expected to tighten in 2011 as demand exceeds non-OPEC liquids supply, raising the call for OPEC crude to balance the market to 30.7 million barrel per day from 29.6 million barrel per day in 2010.

Source: Standard Chartered, Thomson Reuters

Algeria sets renewable energy strategy

Algeria will need to invest up to $120bn in renewable energy between by 2030 to meet the goals of a new energy policy adopted by the Council of Ministers. Both the public and the private sectors are expected to invest in the energy sector, in addition to contributions by foreign partners. The new energy policy will be supported by the development of a local subcontracting industry, which is forecast to create around 100,000 jobs. Investments are planned to take off between 2015 and 2030, with electricity production rising to 22,000 megawatts, double the current generating capacity. Most of this will come from natural gas, saving around 600,000 million cubic meters of gas over 25 years.

Source: Magharebia News

Angola's Endiama targets 9 million carat diamond output in 2011

The Angolan state diamond firm Endiama, the world's fifth largest diamond producer, stated that it is targeting an output of 9 million carats in 2011, up from 8.5 million carats last year. The firm resumed production at three of its mines in 2010 as the diamond market recovered from a fall triggered by the global financial crisis. Revenues of the firm are expected to surpass the $955m generated in 2010. Angola is introducing new laws for diamond companies, stipulating that they use half of their revenues to pay operational costs and the other half to pay taxes and investors, and to enhance the development of the local community.

Source: Thomson Reuters

Jordan using diesel and heavy oil to replace gas

The Ministry of Energy & Mineral Resources confirmed that an explosion targeting gas lines in Al Arish resulted in a complete suspension of the supply of natural gas from Egypt, which the country relies on for 80% of its electricity generation needs. The ministry explained that Jordan is using diesel and heavy oil to continue electricity generation. It added that the country has sufficient reserves of diesel and heavy oil for 30 days.

Source: Dow Jones Newswires

Base metals: Copper falls on concern about inflation curbs

Copper prices fell for a second day in London on concerns that demand might decline as countries, including China, move to counter inflation. China raised interest rates this week for the third time in four months to curb inflation. Also, the Brazilian government pledged on February 9 to cut $30bn from this year's spending plans in a bid to ease pressure for higher borrowing costs. Copper for three-month delivery declined $65 or 0.7% to $9,860 a metric on the London Metal Exchange. Also, copper for March delivery dropped 0.6% to $4.5 a pound on the Comex in New York. Prices also declined as copper stockpiles monitored by the LME gained for a second day and the dollar strengthened. Aluminium for three-month delivery on the LME dropped 0.5% to $2,532 a ton, lead decreased 2.1% to $2,467 a ton and tin rose 0.2% to $31,320 a ton. Also, zinc decreased 1.6% to $2,419 a ton and nickel declined 0.9% to $28,130 a ton.

Source: Bloomberg

Precious metals: Gold starts slow in 2011 with reduced demand

The price of gold has made a slow start in 2011, as reduced safe haven demand has more than offset the increase in inflation fears associated with the rises in many other commodity prices. Both dollar and gold prices weakened as investors are taking a more confident view of the risks of sovereign defaults in the Euro zone. Gold has also been undermined by speculation that the long period of ultra-low interest rates will soon come to an end. The recent increases in real yields have raised the opportunity cost of holding an asset such as gold that does not have an income stream attached to it. These factors have also been reflected in a sharp decline of speculative long positions in gold, which is likely to have accelerated the slide in prices.

Forecasts of further rises in the price of gold to $1,600 per ounce by end-2011 and $2,000 per ounce by end-2012 are based on a renewed decline in risk appetite, as the global recovery falters and new shocks hit the financial system. Prime candidates include a U.S.-China trade war, renewed turmoil in the Euro zone, and a fiscal crisis in Japan. Interest rate expectations and real yields are also likely to fall back again.

Source: Capital Economics

Global Commodity Outlook

(3-months LME, $/ton)	2010	2011f	2012f
Aluminum	2,201	2,363	2,300
Copper	7,570	9,938	10,000
Lead	2,172	2,588	2,650
Nickel	21,913	25,500	23,000
Tin	20,448	31,000	28,000
Zinc	2,188	2,413	2,400
(Spot price, $/ounce)			
Gold	1,227	1,400	1,200
Palladium	529	863	900
Platinum	1,613	1,925	2,050
Silver	20	27	22

Source: Standard Chartered

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 (%)
Africa													
Algeria	-	-	-	-	BB								
	-	-	-	-	Stable	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
Angola	B+	B1	B+	-	B								
	Stable	Positive	Positive	-	Stable	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	BB	Ba2	BB	BB+	BB								
	Negative	Negative	Negative	Negative	Stable	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
Ethiopia					CCC								
	-	-	-	-	Stable	-1.5	-	-	257.5	-	-	-3.9	0.3
Ghana	B	-	B+	-	B								
	Stable	-	Negative	-	Stable	-10.8	-	34.9	50.0	-	-	-11.6	10.9
Ivory Coast	-	-	-	-	CCC								
	-	-	-	-	Stable	-0.2	-	50.1	111.2	-	-	6.8	1.8
Libya	A-	-	BBB+	-	BB								
	Stable	-	Stable	-	Stable	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
Mauritania	-	-	-	-	-								
	-	-	-	-	-	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
Morocco	BBB-	Ba1	BBB-	BBB-	BB								
	Stable	-	Stable	Stable	Stable	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
Nigeria	B+	-	BB-	-	B								
	Stable	-	Negative	-	Stable	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
Tunisia	BBB	Baa3	BBB	BBB	BB								
	Stable	Negative	Stable	Stable	Stable	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
Middle East													
Bahrain	A	A3	A	A	BBB								
	Stable	Stable	Stable	Stable	Stable	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
Iran	-	-	B+	BB-	B								
	-	-	Stable	Stable	Stable	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
Iraq	-	-	-	-	CC								
	-	-	-	-	Stable	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
Jordan	BB	Ba2	-	BB	B								
	Negative	Negative	-	Stable	Stable	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
Kuwait	AA-	Aa2	AA	AA-	A								
	Stable	Negative	Stable	Stable	Stable	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
Lebanon	B	B1	B	B	CCC								
	Positive		Stable	Stable	Stable	-8.7	139.0	160.3	243.4	14.7	212.2	-11.1	10.5
Oman	A	A2	-	A	A								
	Stable	-	-	Stable	Stable	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
Qatar	AA-	Aa2	-	AA-	A								
	Stable	Stable	-	Stable	Stable	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB								
	Stable	Stable	Stable	Stable	Stable	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
Syria	-	-	-	BB-	B								
	-	-	-	Stable	Stable	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
UAE	-	Aa2	-	AA-	BB								
	-	-	-	Stable	Stable	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
Yemen	-	-	-	B	CC								
	-	-	-	Stable	Stable	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3

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-	-	-								
	-	-	Stable	-	-	-4.8	44.8	38.4	402.7	-	194.2	-14.6	9.2
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-1.8	16.2	109.2	122.3	21.2	393.2	-6.2	9.8
Kazakhstan	BBB	Baa2	BBB-	-	BB								
	Stable	-	Stable	-	Stable	-2.8	16.0	86.4	182.9	30.3	350.4	3.2	8.8
Romania	BB+	Baa3	BB+	BBB-	BB								
	Negative	-	Stable	Negative	Stable	-6.8	33.9	77.4	197.5	24.6	-	-5.5	3.8
Russia	BBB	Baa1	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	-5.6	9.3	31.9	124.7	13.4	99.2	4.5	-0.6
Turkey	BB	Ba2	BB+	BB	B								
	Positive	Positive	Stable	Stable	Stable	-4.1	44.4	41.3	187.3	39.7	-	-3.4	1.0
Ukraine	B+	B1	B	-	CCC								
	Stable	Positive	Negative	-	Stable	-5.5	39.2	79.0	164.9	35.9	330.0	-2.0	4.0

Sources: International Monetary Fund; Economist Intelligence Unit - The above figures are estimated for 2010

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	26-Jan-11	No change	15-Mar-11
Eurozone	Refi Rate	1.00	3-Feb-11	No change	3-Mar-11
UK	Bank Rate	0.50	13-Jan-11	No change	10-Feb-11
Japan	O/N Call Rate	0-0.10	25-Jan-11	No change	15-Feb-11
Australia	Cash Rate	4.75	01-Feb-11	No change	01-Mar-11
New Zealand	Cash Rate	3.00	09-Dec-10	No change	10-Mar-11
Switzerland	3 month Libor target	0.25	16-Dec-10	No change	17-Mar-11
Canada	Overnight rate	1.00	18-Jan-11	No change	01-Mar-11
Emerging Markets					
China	One-year lending rate	5.81	25-Dec-10	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	26-Jan-11	No change	15-Mar-11
Taiwan	Discount Rate	1.63	30-Dec-10	Raise 12.5bps	Mar-11
South Korea	Base Rate	2.75	13-Jan-11	Raise 25bps	11-Feb-11
Malaysia	O/N Policy Rate	2.75	27-Jan-11	No change	11-Mar-11
Thailand	1D Repo	2.25	12-Jan-11	Raise 25bps	09-Mar-11
India	Reverse repo rate	6.50	25-Jan-11	Raise 25bps	17-Mar-11
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 50bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	8.25	24-Dec-09	No change	N/A
Turkey	Base Rate	6.25	20-Jan-11	Cut 25 bps	15-Feb-11
South Africa	Repo rate	5.50	20-Jan-11	No change	24-Mar-11
Kenya	Central Bank Rate	5.75	28-Jan-11	Cut 25 bps	Mar-11
Nigeria	Monetary Policy Rate	6.50	25-Jan-11	Raise 25bps	Mar-11
Ghana	Prime Rate	13.50	10-Dec-10	No change	18-Feb-11
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	21-Jan-11	No change	04-Mar-11
Brazil	Selic Rate	11.25	19-Jan-11	Raise 50bps	02-Mar-11
Armenia	Refi Rate	7.75	08-Feb-11	Raise 50bps	N/A
Romania	Policy Rate	6.25	05-May-10	No change	N/A
Bulgaria	Base Interest	0.19	01-Feb-10	Raise 1bps	N/A
Kazakhstan	Refi Rate	7.00	01-Jan-11	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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