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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Commercial real estate investments up 50% to $316bn in 2010

Jones Lang LaSalle indicated that global direct commercial real estate transactions totaled $316bn in 2010, constituting an increase of 50% from $209bn in 2009, but still less than half the peak of $759bn reached in 2007. It said investments in the Americas rose by 116% year-on-year to $97bn; transactions in Europe, the Middle East & Africa increased by 39% to $136bn; and activity in Asia Pacific grew by 26% to $66bn in 2010. It added that activity in the fourth quarter of 2010 marked the first time global investment volumes have exceeded $100bn since the onset of the global financial crisis in 2007, representing a significant recovery in real estate activity across all three major regions. Real estate investments in the fourth quarter reached $49bn in the EMEA region, $38bn in the Americas, and $23bn in Asia Pacific. It expected global real estate investments to increase by 20% to 25% to $380bn in 2011, barring further sovereign debt crises or financial shocks. It forecast investments of $150bn in the EMEA region, $135bn in the Americas, and $95bn in Asia Pacific.

Source:Jones Lang LaSalle

Corporate default rate at 2.8% at end-January

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.8% at the end of January compared to 12.6% a year earlier, and down from 3.2% at the end of 2010. The agency said there were no corporate debt defaults in January, constituting a first since June 2007, and relative to eight defaults during the same month last year. It expected defaults rates to be low and stable in the coming months but warned that default rates would increase as a result of funding scarcity, mainly in Europe. It forecast the global speculative-grade default rate to fall to 1.5% in January 2012. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.6% at end-January 2011, unchanged from the previous month, but lower than 16.8% reached at the end of January 2010. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 8.6% at end-January 2011, down from 10.5% at the end of 2010 and 19.4% during the dame period last year.

Source: Moody's Investors Service

EMERGING MARKETS

Private equity investments up 30% 2010

The Emerging Markets Private Equity Association indicated that private equity funds dedicated to emerging markets raised $23.5bn in 2010 compared to $22.6bn raised in 2009. It said Emerging Asia funds raised $14.2bn, with China accounting for $7.51bn and India for $3.3bn. Latin America & the Caribbean accounted for $5.6bn with Brazil receiving $1.1bn, followed by Sub-Saharan Africa funds with $1.5bn, CEE & CIS funds with $1.2bn, multi-regional funds with $0.5bn and MENA funds with $0.45bn. In parallel, private equity investment in emerging markets totaled $28.8bn in 2010, up 30% from $22.1bn in 2009. Also, the number of transactions reached 856 deals in 2010 compared to 674 deals in 2009. The average deal was worth $33.6m relative to $32.8m in the previous year. Emerging Asia markets captured 63.6% of investments by value, followed by Latin America & the Caribbean with 23% of private equity investments, the CEE & CIS region with 8.3%, the MENA region with 2.75%, and Sub-Saharan Africa with 2.2%. Private equity investment in emerging markets accounted for 13.3% of global private equity investments in 2010.

Source: Emerging Markets Private Equity Association

MENA

Regional turmoil to affect economic outlook

The International Monetary Fund expected economic activity in the Middle East and North Africa region to be affected by recent events in Tunisia and Egypt and by protests in other countries. It said authorities across the region have increased fiscal spending, by up to 3% of GDP in some cases, to provide higher food and fuel subsidies, social transfers mainly to unemployed citizens, tax reductions on staple commodities, as well as higher funding for private housing and an expansion of civil service employment or salaries. It added that the region's financial markets have not been immune to the unrest, as the spreads on Credit Default Swaps have widened and equity markets have declined. It attributed the market movements to a contraction of financing conditions for sovereigns as well as to the corporate sector, which would affect activity in 2011. Also, it expected the recovery in domestic bank credit to remain sluggish due to the political turmoil.

Source: International Monetary Fund

AFRICA

Business confidence on the rise

The first edition of the pan African Business Confidence Index covering January 2011 shows index scores of 63.88 and 61.33 for the continent's manufacturing and non-manufacturing sectors, respectively, reflecting confidence and growth. The index measures business confidence in the manufacturing and non-manufacturing private sectors throughout Africa on a monthly basis, with a level of 50 and above indicating expansion. North Africa had the highest levels of confidence in the manufacturing and on-manufacturing sectors, with scores of 69.3 and 61.8, respectively. It was followed by East Africa with scores of 66.1 and 64.1, respectively; West Africa with index scores of 64 and 60.2, respectively; Southern Africa with scores of 60.7 and 60.5, respectively; and Central Africa with index results of 60 and 57.1, respectively. The survey interviewed 955 business professionals from 42 African countries, making the results an early indicator of the underlying economic activity across the African continent.

Source: Africa Business Panel

EGYPT

Political uncertainty to negatively affect economy

The International Monetary Fund expected that the recent popular protests and the associated political uncertainty in Egypt will have a negative impact on the economy in the short run. It forecast real GDP growth to fall below the 5.5% level, reached in the previous two quarters, due a decline in tourism and FDI flows. It anticipated the budget deficit to widen this year as a result of lower economic performance, higher food prices, higher interest rates and new spending initiatives. It also forecast the unemployment rate to increase this year as a result of lower economic activity. It called for greater transparency, improved competition, and a broader ownership of the national economic reform agenda.

In parallel, Capital Economics did not expect significant changes in economic policy over the next six months, as the country's interim leaders are focusing on returning to "business as usual" for the time being. But it noted that the near term economic prospects remain poor, as the impact of a decline in tourism revenues, foreign investments and worker remittances will hit the economy hard. It said these three sectors together accounted for more than 13% of GDP in 2010. As such, it expected overall economic activity to suffer this year and forecast growth at no more than 3%, with the scale depending on political developments that are yet uncertain. Further, the Royal Bank of Scotland expected the economy to suffer from recent unrest. It said the tourism sector should be hard hit in the second half of the fiscal year, but a rapid normalization of security conditions could accelerate the recovery. It added that the fiscal deficit will likely be under increasing pressure and will exceed 9% of GDP in FY2010/11, which could add risks to fiscal sustainability.

Source: International Monetary Fund, Capital Economics, Royal Bank of Scotland

LIBYA

Favorable economic outlook, key challenges are job creation and reform implementation

The International Monetary Fund estimated Libya's real GDP growth at 10.3% in 2010 compared to a contraction of 1.6% in 2009, reflecting a sharp increase in oil production. It said non-hydrocarbon growth reached 7% relative to 6% in the previous year due to large public expenditures, while the hydrocarbon sector grew by 14% in 2010 compared to a contraction of 9% in 2009. It said the outlook for the Libyan economy remains favorable, and welcomed progress on enhancing the role of the private sector and supporting growth in the non-oil economy. The Fund considered that Libya's main challenges are to create jobs for its young and growing labor force, and to implement the necessary reforms to diversify the economy and reduce the high dependence on oil revenues. It added that the fiscal and external balances remain in substantial surplus and are expected to strengthen further over the medium term. It estimated the overall fiscal surplus at 13% of GDP in 2010, up from 7% of GDP in 2009, and the non-oil fiscal deficit at 42% of GDP last year. The Fund encouraged authorities to develop a medium-term fiscal policy in order to minimize the impact of oil price volatility. It noted that the increase in capital spending in 2010 will support private sector development, but emphasized the need to contain the increase in current spending and ensure the quality of spending. It estimated the net foreign assets of the Central Bank of Libya (CBL) and the Libyan Investment Authority at $150bn at end-2010, equivalent of almost 160% of GDP. It welcomed the CBL's introduction of a new 28-day certificate of deposit and its establishment of an overnight facility as steps to enhance the monetary policy framework. It noted the importance of addressing the factors behind the large excess liquidity in the banking system, including establishing the treasury single account and reforming the specialized credit institutions, with a view to reducing their on-lending activities and curtailing budget allocations. The IMF agreed that the dinar's peg to the Special Drawing Rights remains appropriate and provides a strong monetary anchor.

Source: International Monetary Fund

NIGERIA

Real GDP growth at 7% in 2011, key risks are lower oil production and high inflation

The International Monetary Fund estimated Nigeria's real GDP growth at 8.4% in 2010 and projected growth to slow to 7% in 2011 and to moderate gradually in the following years. It said non-oil growth reached 8% in 2010 relative to 8.3% in the previous year, while the oil sector grew by 11% in 2010 from 0.5% in 2009. It attributed the growth in 2010 to a recovery in oil production and continued strong activity in other sectors. It said inflation has averaged 13.8% in 2010 and 12.5% in 2009, but projected it to decline to 9% by the end of 2011. The Fund said Nigeria's economic outlook remains positive and risks are generally balanced. It indicated that the near-term risks to growth mostly relate to domestic factors. It noted that a shift in government spending towards capital formation and planned reforms in the power sector could boost growth, and passage of the Petroleum Industry Bill could unlock additional investments in the oil sector. On the downside, it pointed to the risk of lower oil production and high inflation. It added that inflation risk depends on the 2011 budget, as the National Assembly could pass a more expansionary budget for 2011, undermining the Central Bank of Nigeria's (CBN) ability to deliver on inflation. Further, speculation against the naira could become intense should reserves continue to fall. It estimated the fiscal deficit at 7% of GDP in 2010, down from 10.4% of GDP in 2009; but noted a widening in the non-oil primary deficit to 32.2% of non-oil GDP from 27.3% of GDP in 2009. It said the ECA's funds declined from $20bn at the end of 2008 to $7bn at end-2009 and $3.4bn at end-2010, while the CBN's gross foreign reserves declined from $42.4bn at end-2009 to $34bn at end-2010.

The Fund considered appropriate the CBN's recent increase in policy rates, adding that monetary tightening may be needed should inflation pressures continue. It noted the naira's overvaluation and stressed that greater exchange rate flexibility would prevent one-way bets in the foreign exchange market. It expressed concerns about conflicting objectives of monetary policy and advised that the policy framework should focus more clearly on price stability.

Source: International Monetary Fund

SUDAN

South does not plan to continue with oil revenue-sharing deal

South Sudan's ruling party, the Sudan People Liberation Movement (SPLM), declared that it does not intend to continue to share proceeds from oil revenues with the North after the official independence of the South next July. The Comprehensive Peace Agreement signed in 2005 to end the war in Sudan stipulates that proceeds from oil, which is extracted in the South and shipped to the North for exports, are equally divided between the governments of the North and the South. But the SPLM has challenged the notion of wealth sharing or the continuation of the arrangement in place, and said it will only pay a fee for using the pipelines that transport the oil to Port Sudan. Most of Sudan's proven daily output of 500,000 oil barrel is extracted from oil fields in the South, while the pipelines infrastructure and refineries are based in the North. The SPLM added that it plans to negotiate an agreement to continue exporting its oil through the pipeline in Northern Sudan and to Port Sudan, and to pay transit fees for transportation. It added that oil can be used for a soft landing and for maintaining economic stability and cooperation with the North in the short term, but that this approach may not be viable in the long run.

Source: Thomson Reuters, Financial Times

U.S. and UK looking at possible debt relief

The United Kingdom indicated that the British and U.S. governments have formed a joint committee to look into possible debt relief for Sudan. The country currently has a large external debt burden and significant arrears to international creditors. Total external debt stood at $35.7bn at end-2009 and is estimated at $37.8bn at end-2010, with over $30bn in arrears. Sudan owes $11.2bn to members of the Paris Club, $13.3bn to non-members of the Paris Club, $4.5bn to commercial banks and $1.4bn to international suppliers. The major debtors of Sudan include the International Monetary Fund, World Bank, Kuwait, Saudi Arabia, Austria and the United States. Sudan has been lobbying intensively to have its debt canceled as a reward for allowing the referendum held in the South last month to take place smoothly and for recognizing its outcome.

Source: Thomson Reuters, International Monetary Fund

SYRIA

Government issues SYP2.7bn in Treasury securities

The Finance Ministry indicated that it sold SYP1bn in six-month bills and SYP1.7bn of three-year debt at rates of 1% and 2.72%, respectively. It said bids for the six-month bills ranged from 0.6% to 3.75% and those for the three-year debt between 1.6% and 4.5%. It added that the six-month and three-year issues were 2.5 times and 1.25 times oversubscribed, respectively. The ministry previously announced plans to sell SYP30bn, or $643m, in Treasury securities this year. It said that the securities will include SYP27bn in long-term bonds and SYP3bn in short-term bills. Last December, the ministry launched a debt market in Syria through the issuance of Treasury bills in coordination with the Central Bank of Syria (CBS). It already auctioned SYP1bn in three-month maturities, SYP1bn in six-month and SYP1bn in one-year maturities, as well as SYP0.8bn in 3-year and SYP0.8bn in 5-year bonds in December. The ministry said proceeds from the auctions will finance development and electricity projects. The development of a Treasury bills market is expected to shift the financing of the budget deficit from the CBS to the government, replace administrative tools for conducting monetary policy, and help absorb the large excess liquidity in the banking system.

Source: Central Bank of Syria, Byblos Research

TUNISIA

Sovereign rating downgraded, outlook negative

Capital Intelligence downgraded Tunisia's long-term local currency rating to 'BBB+' from 'A-', while it affirmed the country's long-term foreign currency ratings at 'BBB' as well as its short-term foreign and local currency ratings at 'A3' and 'A2', respectively. It also revised the outlook to 'negative' from 'stable'. It attributed the downgrade to the uncertain political situation and the related risks to economic performance and the government's financial strength. It expected that the uncertain political outlook to disrupt economic activity, lead to a decline in business confidence and cause a sharp reduction in foreign tourists. Consequently, it projected a slowdown in real GDP growth and deterioration in the balance of payments. It warned that it would lower the ratings by more than one notch if political instability amplifies or if the policy orientation of the next government significantly increases the budget deficit and reduces fiscal flexibility. It said that Tunisia's low-to-moderate fiscal deficits and inflation levels, as well as manageable near-term government and external financing needs, and adequate international reserves, are expected to enable the authorities to cope with a temporary economic shock. It considered near-term debt repayment capacity to remain adequate, provided that the political situation does not worsen significantly.

Source: Capital Intelligence

ARMENIA

Brand perception declines in last quarter of 2010

The Nation Brand Perception Index ranked Armenia in 155th place among 200 countries and territories around the world in the fourth quarter of 2010 and in 10th place among the 12 countries that form the Commonwealth of Independent States (CIS). Globally, Armenia ranked ahead of Ecuador, Niger, and Bangladesh and behind Bulgaria, Liberia and Syria. It also ranked ahead of Ukraine and Uzbekistan and behind Tajikistan, Georgia and Belarus in the CIS. Armenia received a score of 47.6 points, below the global and regional averages of 50.1 and 50.2 points, respectively. The index analyzes international perceptions of a country's brand and covers the tone and frequency of mentions in the international media. In parallel, Armenia was the 120th most mentioned country in the international media in the fourth quarter of 2010 and the 7th most mentioned country in the CIS as it was mentioned 1,011 times, well below the global average mentions of 19,270 times. Also, Armenia ranked in 111th place globally and in 8th place regionally for the full year 2010, when it was mentioned 6,495 times, below the global average mentions 81,165 times.

Source: East West Communications, Byblos Research

EMERGING MARKETS

Ratings trend improve in fourth quarter of 2010

Fitch Ratings indicated rating actions for emerging market banks increased to 57 in the fourth quarter of 2010 from 43 in the third quarter and 77 in the same quarter of the previous year. It added that there were 38 positive rating actions in the fourth quarter of 2010, relative to 37 in the third quarter of the year and 48 in the fourth quarter of 2009. In parallel, there were 19 negative rating actions in the last quarter of the year, up from 6 in the preceding quarter and relative to 29 in the fourth quarter of 2009. Further, there were 23 'negative' outlooks on emerging market bank ratings in the fourth quarter of 2010, down from 37 in the third quarter, and 97 in the same quarter last year. In parallel, the number of 'positive' outlooks increased to 43 in the fourth quarter from 26 in the third quarter, and two in the same quarter last year. Fitch said the ratio of 'positive' to 'negative' actions in emerging markets was +2 in the fourth quarter, down from +6.2 in the third quarter, but up from 1.7 in the same quarter last year. It noted that 79% of bank outlooks in emerging markets remain at 'stable', 11% at 'positive' and 6% at 'negative'. In Emerging Europe, 79% of outlooks are 'stable', 14% are 'negative' and 7% are 'positive', while 65% of outlooks in the Middle East & Africa are 'stable' and 12% are 'positive'. Also, 81% of outlooks in Emerging Asia are 'stable', 5% are 'positive' and 2% are 'negative'. It added that there were 16 rating upgrades and 9 downgrades in the fourth quarter, compared to 22 upgrades and 2 downgrades in the previous quarter and to 13 upgrades and 4 downgrades in the same quarter last year.

Source: Fitch Ratings

JORDAN

Private sector lending up 7% in 2010

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD35bn at the end of 2010, constituting a rise of 9.4% from end-2009 and an increase of 6.3% from JD32.9bn in September 2010. Resident private sector deposits reached JD18.34bn, up 12.8% from the end of 2009 and by 3.6% in the last quarter of 2010, while deposits of non-bank financial institutions grew by 36% annually to JD202.7m. Resident private sector loans rose by 7.3% year-on-year to JD13.6bn, while credit facilities to the non-resident private sector grew by 8% to JD1bn. Resident private-sector lending accounted for nearly 39% of total assets, unchanged from a year earlier. In parallel, central government deposits reached JD666m, down 14.7% from end-2009, while those of public non-financial institutions regressed by 35% to JD302m. Claims on the public sector increased by 9.3% to JD5.7bn, with claims on the central government accounting for 91% of lending to the public sector. Claims on the public sector accounted for 16.3% of total assets at end-2010, unchanged from a year earlier. Further, reserves at the Central Bank of Jordan totaled JD6.5bn, up from JD6bn at end-2009; while capital accounts and allowances rose by 13% to JD5bn. Deposits with foreign banks reached JD3.9bn at end-2010, up 22% from end-2009, while the sector's foreign liabilities increased by 5.6% to JD6bn.

Source: Central Bank of Jordan, Byblos Research

Agencies downgrade bank ratings on political instability

Moody's Investors Service downgraded the local-currency (LC) deposit ratings of Arab Bank plc to 'Baa1/P-2' from 'A3/P-2' and Cairo Amman Bank to 'Ba2/NP' from ' Ba1/NP'. It also placed the LC deposit ratings and the standalone financial strength ratings of the two banks, along with those of the Housing Bank for Trade and Finance, under review for possible downgrade. The agency attributed the downgrades to its earlier decision to lower the sovereign LC rating of Jordan by two notches to 'Ba2' as well as the country ceiling for LC deposits to 'Baa1'. It said the review for possible downgrade of the three banks reflects concerns that the current turmoil in the region could have a negative impact on economic activity in Jordan. As such, it warned from a negative impact on FDI inflow, economic activity and main economic sectors such as tourism, exports, real estate and construction projects. In parallel, Standard and Poor's lowered the Arab Bank's long- and short-term credit ratings to 'BB+/B' from 'BBB-/A-3'. It also affirmed Jordan Islamic Bank's long- and short-term credit rating of 'BB/B' and revised both bank's outlook to 'negative' from 'stable'. It attributed its action to its earlier decision to downgrade Jordan's sovereign ratings and to revise the outlook to 'negative' from 'stable'. It said that the ratings of both banks reflect the risks inherent in their fragile operating environment as Jordan's banking sector is highly correlated with the sovereign's creditworthiness. It warned that further deterioration in the operating environment would weaken the banks' asset quality and profitability, and could lead to additional downgrades.

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

ANGOLA

Banks' liquidity declines, NPLs on the rise

The net risk-weighted capital adequacy ratio of banks operating in Angola reached 14.3% at the end of September of 2010 relative to 14.7% at the end of 2009 and 16% at end-2008. The sector's liquid assets reached 24.5% of total assets at end-September 2010 relative to 31.4% at end-2009 and 42.6% at end-2008. Further, the sector's loans-to-deposits ratio increased to 67% at end-September from 55.8% at the end of 2009 and from 53.7% at end-2008. Also, foreign currency liabilities accounted for 53.6% of total liabilities compared to 555% at end-2009, while foreign currency loans accounted for 64.5% of total loans at end-September relative to 65.3% at end-2009. Credit to the private sector accounted for 89.3% of total credit at the end of September 2010. The sector's non-performing loans reached 7.1% of gross loans at end-September 2010, up from 2.6% at end of 2009 and 2.4% at end-2008. Further, the sector's provisions-to-capital ratio reached 21.1% at the end of September of 2010 up from 11.6% at end-2009. In parallel, banks' return on assets reached 2.6% at end-September 2010 on an annualized basis, up from 3.4% in 2009 and 2.4% in 2008; while their return on equity reached 28.5% at end-September 2010 annually, down from 36.5% in 2009 but up from 26.5% in 2008. The sector's interest rate spreads was 12.8% at end-September, increasing from 9% at end-2009, while interest margin-to gross income ratio rose to 68% at end-September from 27% at end-2009.

Source: International Monetary Fund

ENERGY / COMMODITIES

Brent above $100 per barrel on continued tensions in the MENA region

Continued tensions in the Middle East and North Africa, combined with strong macroeconomic data, maintained ICE Brent prices above $100 a barrel this week. Brent is expected to trade between $100 a barrel and $105 a barrel for the rest of this quarter if geopolitical tensions remain significant. The International Energy Agency forecast that oil demand will increase by 1.5 million barrels per day in 2011 from the previous year. OPEC's demand forecasts remain relatively conservative and will provide the backdrop to OPEC's output strategy. Further, with the current drought in northern China, tightness in the gasoil market will continue due to increased demand for transport and heating fuel in the affected areas to aid in relief efforts. China's refinery capacity is expected to expand to 12 million barrels per day by 2015 from the current maximum processing volume of 9.1 million barrels per day.
Source: Standard Chartered

South Sudan search for new export routes

South Sudan is expected to examine alternative outlets for its oil exports if it makes new discoveries, in order to break its reliance on infrastructure that ties it to the North. Currently, around 80% of Sudan's oil output is pumped from the south through two pipelines that connect it to the Northern Port Sudan export terminal. South Sudan is eying the Kenyan coastal city Mombasa as the likeliest alternative export route for the southern oil.
Source: AFP

Armenia and Iran plan to build oil pipeline by 2013

Construction will begin this year on a 365-kilometer oil pipeline from the Iranian city of Tabriz to Eraskh in Armenia, providing the latter with an alternative to Russian energy imports. Such imports were disrupted by the war between Russia and Georgia in 2008. After the pipeline is completed in 2013, Armenia is projected to receive 1.5 million liters of Iranian gasoline and diesel fuel a day for 25 years.
Source: Dow Jones Newswires

Iraq to auction 12 energy fields in 2011

Iraq is expected to offer 12 oil and gas exploration sites in late 2011 in a fourth energy auction since mid-2009. Draft contracts for gas fields auctioned to foreign energy companies by end-2010 are projected to be finalized later this month. Iraq currently produces around 2.5 million barrels per day with around 80% being exported.
Source: AFP

Iraq to increase export capacity by 900,000 barrels per day in 2011

Iraq is expected to raise its crude oil export capacity by 900,000 barrels per day by the end of this year, bringing its total export capacity to around 3 million barrels per day. The Iraqi Oil Ministry extended a closing date for receiving bids for a fourth floating export terminal.
Source: Dow Jones Newswires

Base metals: Prices supported by strong Chinese imports

While most of the economic and fundamental data has been supportive for base metals and latest Chinese imports were strong, the markets faced significant headwinds from a stronger U.S. dollar. Tin remained the market leader due to continued speculative interest and supply problems. Aluminum fell sharply as LME stocks rose, and copper moved above $10,000 a ton at the start of this week. Investor interest in the whole commodities complex remains an important driver, and early results from the launch of new base metal products by ETF securities remain disappointing. Physical exchange traded products (ETPs) were launched last December, which helped to lift base metal prices in late 2010. While good news is already built into prices, the recovery in global demand is becoming widespread and even moderate growth in China should be enough to keep prices on an upward track.
Source: Standard Chartered

Precious metals: Prices remain high by inflation worries

Renewed optimism returned to precious metals in the past week, with silver regaining some lost ground after a poor start to the year. The markets were lifted by increased fears about inflation, as well as the resignation of President Mubarak, and it was notable that a stronger U.S. dollar was largely ignored. Gold continues to underperform other precious metals due to a lack of safe-haven buying. Selling of gold exchange traded products (ETPs) has also halted. For silver, a 3% fall in physical ETPs in January has been followed by a 0.7% drop so far in February. Investors continue to favor gold over silver, as the latter still looks expensive on a ratio basis.

Investor interest in the platinum group metals is robust, with a preference for platinum over palladium. Physical ETFs for platinum rose 1.9% so far in February, compared with a 0.7% increase for palladium. On the demand side, Chinese car sales were up 12% year-on-year in January. Gains in gold and silver are expected to be limited, due to a lack of safe-haven buying and a stronger U.S. dollar. Meanwhile, palladium and platinum prices are projected to benefit from improving automotive demand and continued investor interest.
Source: Standard Chartered

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					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								
	-	-	-	-	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	03-Feb-11	No change	3-Mar-11
UK	Bank Rate	0.50	10-Feb-11	No change	10-Mar-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	08-Feb-11	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	25-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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