Issue 204
March 24, 2011

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade grows by 21% in 2010

The World Trade Organization indicated that global merchandise trade reached $30,386bn in 2010, constituting an increase of 21.3% from 2009. Also, world merchandise trade rose by 17% in the fourth quarter of the year from the same period last year, and by 18% in the third quarter of 2010, 26% in the second quarter and 28% in the first quarter. It said that world exports rose by 21.7% year-on-year to $15,082bn and global imports reached $15,304bn in 2010, up 21% from last year. It noted that exports from Europe totaled $5,624bn, up 12% year-on-year. Exports from the 27-member European Union totaled $5,145bn, with intra-EU trade rising 9.7% to $3,361bn and extra-EU trade increasing by 16.5% to $1,785bn. Further, exports from Asia totaled $5,054bn, up 30.3% year-on-year, and exports from North America grew by 22.5% to $1,964bn. Also, exports from South & Central America increased by 25% to $579bn, and those from the Commonwealth of Independent States rose by 30.2% to $571bn. In parallel, Imports to Europe totaled $5,846bn in 2010, up 13% from 2009, as imports to the EU reached $5,336bn, up 12.5% year-on-year. Asian imports rose 31.5% to $4,827bn, those to North America increased by 23.1% to $2,670bn, while imports to South & Central America improved by 31% to $576bn and those to the CIS increased by 23.3% to $409bn.

Source: World Trade Organization

EMERGING MARKETS

Fixed income trading volume up 52% to $6,765bn in 2010

Trading in emerging markets debt instruments stood at $6,765bn in 2010, constituting an increase of 52% from $4,445bn in the previous year, and exceeding the record high of $6,500bn reached in 2006 and 2007. Trading reached $1,860bn in the fourth quarter of 2010, compared to $1,950bn in the third quarter, $1,551bn in the second quarter, and $1,402bn in the first quarter of the year. The volume of trades in local markets instruments stood at $4,743bn in 2010, up 65.3% from $2,870bn in the previous year. Local instruments turnover accounted for 70% of total emerging markets debt trades compared to 64% in 2009. In parallel, sovereign and corporate Eurobonds' trading volume stood at $1,960bn, an increase of 30% from $1,510bn in 2009. The survey said uncertainties in developed credit markets solidified the attractiveness of emerging markets. Sovereign Eurobond volumes increased by 17.5% year-on-year to $1,087bn; while the volume of traded corporate Eurobonds rose by 57% annually to $805bn. Sovereign Eurobonds accounted for 16% of total debt trading, relative to 21% in 2009, and corporate debt represented 12% of the survey's volume, unchanged from the previous year. The most frequently traded instruments were Brazilian debt securities at 14.2% of the total, followed by Mexican debt securities at 10%, and Hong Kong instruments at 9%.633%, and in Hong Kong debt by 27%.

Source: EMTA, Byblos Research

MENA

Region's creditworthiness declines

Institutional Investor magazine's annual survey on global creditworthiness shows that creditworthiness in the Arab region declined in the past 6 months. The average rating score of 19 Arab countries reached 49.1 points in March 2011, down 1% from 49.6 points in September 2010. The rankings of 4 Arab countries improved, 4 regressed and 11 remained unchanged; while the scores of 11 countries improved and 8 declined from September 2010. Also, the score of three Arab countries improved by one or more points, the amount considered statistically significant for a country. Qatar is the country with the best creditworthiness in the region while, Sudan has the highest probability of default in the Arab world. *Institutional Investor* said voting for the survey was conducted in November and December, before the uprisings in the Arab world broke out. Therefore, the scores and rankings in the region reflect the level of sovereign credit worthiness at the end of 2010. But it conducted a snap poll of survey respondents in late February that shows a sharp drop in ratings across the region. It indicated that half of the respondents considered that political change in the region will have a very negative or somewhat negative impact on the countries' creditworthiness over the next three to five years, while the other half said the impact will be neutral or somewhat positive.

Source: Institutional Investor, Byblos Research

M&A activity increases by 65% to $56bn in 2010

Figures released by Ernst & Young show that a total of 402 merger & acquisition deals were announced in the Middle East & North Africa (MENA) in 2010, up 14% from 353 deals in 2009. In parallel, the aggregate value of M&A deals in the region grew by 65% to $56bn in 2010. The number of domestic deals in the region accounted for 54% of total M&A deals, followed by outbound deals with 29% and inbound deals with 17%. Also, the value of domestic deals accounted for 47% of total deal value in 2010, followed by outbound transactions with 45%, and inbound transactions with 8%. E&Y said that Egypt led the region with 47 domestic deals in 2010, followed by Jordan with 31 deals, and Saudi Arabia with 30 deals. In parallel, the UAE accounted 42 outbound deals, followed by Qatar with 14 deals and Saudi Arabia with 13 deals. Kuwait posted $13bn in domestic deals, while the UAE was the top acquirer by value with $10.8bn worth of deals. The survey said that the most active sectors for M&A deals were diversified industrial products with 15 deals, banking & capital markets with 14 deals and consumer products with 13 deals. Banking and capital markets attracted approximately $9.4bn or 38% of total announced deal value, followed by consumer products with $3.9bn (16%) and diversified industrial products with $2.9bn (12%).

Source: Ernst & Young

OUTLOOK

WORLD

Emerging economies to account for 55% of global construction by 2020

Oxford Economics projected the size of the global construction market at $12 trillion in 2020, constituting a growth of 67% from $7.2 trillion in 2010. It forecast the market to be equivalent to 13.2% of global GDP by 2020 relative to 11% of GDP currently, and estimated total construction spending at $97.7bn during the next decade. It expected the global construction market to grow by of 5.6% between 2010 and 2015 and by 3.7% during the 2015-2020 period, mainly driven by growth in emerging economies. It estimated construction to grow by 7.6% in emerging markets and by 3.7% in developed economies during the 2010-15 period, and to expand by 6.6% in emerging markets and 2.6% in advanced economies in the 2015-2020 period. It projected the construction market in emerging economies to account for 16.5% of GDP by 2020 relative to 14.7% in 2010. As a result, emerging markets will account for 55% of the global construction market by the end of the decade, up from 46% in 2010.

Oxford Economics expected China, India, the U.S., Indonesia, Canada, Russia and Australia to account for 65% of the growth in global construction during the decade, with China contributing 28%, the U.S. 16% and India 10%. It said that China overtook the U.S. as the largest construction market in 2010, and expected it to remain the world's largest market over the 2010-2020 period. It estimated that China will account for 21% of the global construction market in 2020, followed by the U.S. with 15%, India with 7% and Japan with 6%. It said the residential sector accounts for 40% of global construction, followed by infrastructure with 32% and the non-residential sector with 28%. It forecast the residential market to grow by 5.6% in the 2010-15 period and by 4.4% between 2015 and 2020. Also, it projected the non-residential sector to grow by 5.6% between 2010 and 2015, and by 4.3% during the 2015-2020 period; while it estimated growth in infrastructure at 5.7% during the 2010-2015 period and at 5.4% in the 2015-2020 years.

Source: Oxford Economics, Global Construction Perspectives

SAUDI ARABIA

Non oil growth at 5.3% in 2011, fiscal surplus could reach 18% of GDP with rising oil prices

Credit Suisse projected Saudi Arabia's real GDP growth at 5.7% in 2011, up from 3.8% in 2010, despite the ongoing regional turmoil. It based its forecast on expectations that oil output will increase and domestic drivers of economic activity will fully rebound. It said government spending and exports, key drivers of the 2010 recovery, will continue to bolster overall economic activity in the kingdom this year. It added that growth in consumer spending and investment will help balance out this year's growth profile. It noted that stronger oil prices should support business and consumer sentiment, although concerns over the regional unrest could dampen confidence somewhat over the short term. It indicated that the Saudi economy will benefit from the surge in global oil prices and higher oil output, and saw limited direct effects on the economy of the Saudi financial markets' volatility at this stage. It said the oil sector will make a bigger contribution to the kingdom's overall economic growth, and forecast oil GDP growth at 7.1% in 2011 and 4.6% in 2012. In parallel, Credit Suisse expected that the massive spending push by the government to bolster activity in the non-oil sector of the economy, and forecast non-oil GDP growth at 5.3% in 2011 and at about 5% in 2012.

Credit Suisse noted that the kingdom's fiscal balance will get a lift from surging oil prices. It forecast the fiscal surplus to increase to SAR339bn, or 15.7% of GDP, in 2011. It estimated that the fiscal balance would post a slightly lower surplus of SAR267.3bn, or 13.1% of GDP if oil prices averaged $100/bbl in 2011; and a surplus of SAR410.8bn, or 18% of GDP, if oil prices average a higher $120/bbl. It added that Saudi Arabia may tap its huge foreign-asset holdings to cover part of the near-term spending increases.

Source: Credit Suisse

EGYPT

Real GDP growth to decline to 2.3% in 2010/11, political risks to impact confidence

Barclays Capital projected real GDP growth in Egypt at 2.3% in fiscal year 2010/11, down from a December forecast of 5.7% and implying a period of almost negative growth in the second half of the fiscal year ending June. It estimated real GDP to contract by 1% in the first quarter of 2011 and by 0.5% In the second quarter of the year, and to grow by 1.2% and 3.4% in the third and fourth quarter of 2011, respectively. It expected macroeconomic prospects to weaken over the coming 6 to 9 months against the backdrop of increasingly complicated local and regional politics, especially the spillovers from Libya. It said growth drivers have been hit as private consumption and investments, as well as net exports, seem to be slowing down. Also, uncertainty about the political transition and any continued incidents, which could make the security situation more fragile, are encouraging people to reduce their consumption, slowing down the return of tourists, and holding down FDI and local investment. It noted that even if the government manages to increase spending significantly during the second half of the fiscal year, its ability to implement effectively any large-scale capital-intensive fiscal stimulus package will likely be difficult.

Barclays estimated that the slowdown in tourism and FDI flows will weaken Egypt's external position. It said the decline in tourism receipts, which account for almost 20% of total current account proceeds, and the slowdown in Egypt's oil and non-oil exports will put pressure on the current account. It added that solid results in the first half of the year up until December, along with a sustained increase in Suez Canal receipts and a decline in Egypt's import bill as a result of domestic demand slowdown, will likely result in a current account deficit of 2.5% of GDP for this fiscal year, before improving gradually to 2.2% of GDP in 2011-12. It warned, however, that the impact would be much more negative on the capital account as the ongoing transition, and lack of visibility with respect to the medium-term political outlook in a worse-case scenario, could almost completely erode FDI inflows into Egypt and possibly cause additional portfolio outflows.

Source: Barclays Capital

ECONOMY & TRADE

BAHRAIN

Sovereign ratings downgraded on worsening political situation

Standard & Poor's lowered Bahrain's long- and short-term local and foreign currency sovereign credit ratings to 'BBB/A-3' from 'A-/A-2' and kept the ratings on CreditWatch with negative implications. It also revised the country's Transfer and Convertibility assessment to 'BBB' from 'A'. It attributed the two-notch downgrades to the increase in political uncertainties from the renewal of protests and the declaration of martial law. It considered that the military intervention by Gulf nations and the imposition of a state of emergency could polarize the country instead of stabilizing the current highly-charged political situation. It added that the current strife would damage Bahrain's economic model and image as a tourist destination as well as an offshore financial center relative to other competing cities in the Gulf. S&P said it would further downgrade the ratings if the political turmoil destabilizes the country's financial system or escalates into greater violence. In parallel, S&P downgraded the ratings on the Central Bank of Bahrain and the country's sovereign wealth fund, Bahrain Mumtalakat Holdings Co.

Source: Standard & Poor's

IRAQ

Public Investment and improving governance are key for private sector development

The International Monetary Fund approved the disbursement of $471.1m to Iraq under the current Stand-By Arrangement, bringing total disbursement to about $1.7bn. The IMF approved the $3.77bn SBA in February 2010 for. The Fund indicated that Iraq has maintained macroeconomic stability under difficult external and internal circumstances, while making efforts to rebuild key economic institutions. It said inflation has remained subdued and the exchange rate stable. It noted that the 2011 budget aims to accelerate investment in public services and infrastructure, and accommodates higher social safety net provisions. It stressed the need to improve the quality of public spending and to strengthen public financial management. The Fund said Iraq's rehabilitation needs remain large and the higher investment spending is essential to support the private sector, adding that efforts to rebuild key economic institutions and improve governance will be critical for private sector development. In parallel, it noted that the financial and operational restructuring of the two largest state-owned banks and enhancing the Central Bank of Iraq's supervision capacity will contribute to creating a financial sector that can provide essential services to the private sector. It added that Iraq continues to make progress to conclude debt agreements and resolve outstanding claims under terms comparable to the 2004 Paris Club Agreement.

Source: International Monetary Fund

ARMENIA

Tourism to account for 7% of GDP in 2011, supports 60,000 jobs

The World Travel & Tourism Council expected the direct contribution of the travel and tourism (T&T) sector to generate demand of $179m, equivalent to 1.3% of GDP, in 2011, and to reach AMD79.3bn in constant 2011 prices, or 1.3% of GDP, in 2021. It added that the broad T&T economy would generate demand of $720m in 2011, equivalent to 7.1% of GDP, and to reach 5.4% of GDP in 2021. It estimated investment in the T&T economy at $81.3m in 2011 and to grow by 1.8% in real terms over the 2011-21 period. It forecast investment in the T&T economy to account for 2.5% of total investment in 2011, but to reach 1.8% in 2021. Further, it forecast the T&T visitor exports to generate $374.5m this year and to post a real annual growth of 3.3% over the 2011-20 period. It expected T&T exports to generate 20% of Armenia's total export revenues in 2011 but to decline 12.4% in 2021. It estimated the total contribution of travel and tourism to employment, including jobs indirectly supported by the industry, at 70,000 jobs, or 6.3% of employment this year; with the figure declining to 53,000 jobs or 4.8% of total employment by 2021. Armenia ranked in 138th globally in the absolute size of its T&T economy, in 113th place relative to its contribution to the economy, and in 165th place in terms of growth.

Source: World Travel & Tourism Council

AFRICA

Ivory Coast political crisis threatens regional recovery

The International Monetary Fund indicated that the ongoing political crisis in the Ivory Coast poses serious risks to the economic recovery in the West African Economic and Monetary Union (WAEMU) through trade and financial sector linkages. It said the unresolved crisis in the Ivory Coast, which has intensified in recent weeks, poses considerable risks through various transmission channels such as trade and transport links, remittances and migration, and financial sector linkages. It noted that neighboring countries have established alternate transport routes and, combined with low intra-regional trade, the growth linkages have declined somewhat compared with the political crisis in Ivory Coast a decade ago. But it added that financial linkages are now closer through the regional bond market. It expected economic activity across the WAEMU region to improve to 4.5% in 2011 from 4% in 2010 and 3% in 2009, but warned that regional political stability is a necessary condition for this benign scenario to unfold.

The Fund warned that economic spillovers for the region will be significant if the crisis persists, with a severe human and financial cost. It noted that a drop in economic output in the Ivory Coast could push average regional growth below 3%, reducing per capita income and increasing poverty in the Ivory Coast and possibly the region. The Fund emphasized the importance of an increased focus on contingency planning and crisis management to limit the impact of the crisis, and underscored the need to closely monitor the economic and financial situation in WAEMU member countries.

Source: International Monetary Fund

BANKING

EGYPT

Banks downgraded on sovereign action, outlook negative

Moody's Investors Service downgraded the foreign-currency (FC) deposit ratings by one notch to 'Ba1' from 'Ba3' of National Bank of Egypt, Banque Misr, Banque du Caire, Commercial International Bank and Bank of Alexandria. It also lowered the local-currency (LC) deposit ratings of the first three banks by tow notches to 'Ba3', and those of CIB by one notch to 'Ba2'. Further, it affirmed the LC deposit rating of Bank of Alexandria at 'Ba1' and assigned a 'negative' outlook to all five banks' ratings. It attributed the FC deposit ratings downgrades to its earlier downgrade of the country's FC deposit ceiling. It also attributed the LC deposit ratings downgrades to its reassessment of banks' standalone credit strength, mainly due to the deteriorating economic conditions. It added that the intrinsic financial health of banks in Egypt weakened from the impact of political developments on the country's economic conditions and the negative consequences for the banks' financial position. It noted that political-event risks remain high in Egypt, constituting a contingent liquidity risk for the local banks. It noted that asset-quality deterioration would force the banks to raise their loan-loss provisioning levels, impairing their profitability and exerting further negative pressure on their capital positions.

Source: Moody's Investors Service

BAHRAIN

Banks downgraded on deteriorating operating environment

Fitch Ratings downgraded the long-term Issuer Default Rating (IDR) of Bank Bahrain & Kuwait (BBK) from 'BBB-' to 'BBB+', of the National Bank of Bahrain (NBB) to 'BBB' from 'A-' as well as of Ahli United Bank (AUB) and its wholly-owned subsidiary AUB (UK) to 'BBB+' from 'A-'. It also placed the banks' ratings on Rating Watch Negative, reflecting the impact of the ongoing political and economic uncertainties on the banks' profitability, asset quality, funding and liquidity. It attributed the downgrades to its earlier decision to downgrade Bahrain's sovereign ratings. It considered that the ratings highlight the high probability that BBK and NBB would receive support from Bahraini authorities in case of need, as the latter own 32% and 49% respectively of both banks. It added also that AUB would receive support from the government of Kuwait in case of need, as it owns an 18.8% stake in the bank. In parallel, Standard & Poor's lowered the long- and short-term counterparty ratings of AUB and Arab Bank Plc (Bahrain) to 'BBB/A-3' from 'A/A-2', and those of the Bahrain-based Arab Banking Corp (ABC) to 'BBB/A-3' from 'BBB/A-2', and placed all ratings on CreditWatch with negative implications. It attributed the AUB and Arab Bank downgrades to its earlier decision to downgrade Bahrain's sovereign ratings. It considered that ABC's ratings reflect the downgrade and suspension of Libya's sovereign ratings as the Libya Investment Authority owns 59% of the bank, as well as to the lowering of Bahrain's sovereign ratings where the bank is based. It expected banks with activities in Bahrain to suffer from the deterioration of the economic and operating environment.

Source: Fitch Ratings, Standard & Poor's

QATAR

Lending slows down, provisioning on the rise

Figures issued by the Central Bank of Qatar show that total assets reached QAR 580bn at the end of February 2011, down by 3.2% month-on-month, but up 1.5% from end-2010. Lending reached QAR 316.2bn, constituting a marginal increase of 0.1% month-on-month and 0.3% from end-2010. The slowdown in lending is due to the 7.8% month-on-month decrease in public sector lending despite a 5.2% increase in private sector loans. Loan loss provisions reached QAR 3.9bn at the end of February, constituting a 2.8% rise from January and a 2.9% growth from end-2010. The rise in provisions is due to an increase in specific provisions, which may reflect further deterioration in asset quality. In parallel, customer deposits totaled QAR 326.2bn at end-February, growing by 6.3% from end-2010 but decreasing by 2.5% month-on-month, as public sector deposits contracted by 3.1% and private sector deposits declined by 1.1% month-on-month. The February decline is due to a reduction in deposit rates paid by Qatari banks since the beginning of the year, which has narrowed significantly the interest rate differential with the rest of the GCC. The loans-to-deposits ratio reached 97% at end-February compared to 107% a year earlier.

Source: EFG Hermes, Shuaa Capital

TUNISIA

Negative outlook on banks

Standard & Poor's affirmed the long- and short-term counterparty credit ratings of Arab Tunisian Bank and Banque de l'Habitat at 'BB+/B' and of Banque de Tunisie et des Emirats at 'BB/B'. It also affirmed Banque Tunisio-Koweitienne's long-term counterparty credit rating at 'BB+' and Société Tunisienne de Banque's unsolicited public information at 'BB'. It assigned a 'negative' outlook to the banks' long-term ratings. It attributed its actions to its earlier downgrade of Tunisia's sovereign ratings and to the anticipated pressure on the banks' financial profiles in 2011 and 2012. It considered the five banks to be relatively well prepared to face the short-term financial pressure on their financial profiles, mainly on asset quality, profitability and capitalization. It expected, however, the 2011 crisis to eradicate the improvements that banks achieved between 2008 and 2010.

Source: Standard & Poor's

ARMENIA

Mortgage market at AMD97bn in 2010, secondary market to boost lending

The Association of Participants in the Mortgage Market of Armenia estimated the mortgage market in Armenia at AMD 97bn in 2010 and projected it to increase to AMD 120bn in 2012, AMD 150bn at end-2013 and AMD 180bn at end-2014. The association expected the development of a secondary mortgage market through the issuance of mortgage bonds in late 2011. It considered that the development of the mortgage market requires standardization of mortgage lending processes such as the evaluation of a borrower's solvency, the collateral and the insurance aspects. It said that the development of a secondary mortgage market would reduce the down payment of borrowers by up to 50% and the insurance rates by 15% over the mortgage period.

Source: ArmInfo

ENERGY / COMMODITIES

Brent crude reaches $115 on tensions in the Middle East

Continued supply disruptions in Libya of at least 1.1 million barrels per day and concerns that disruptions might spread to other oil-producing countries, pushed Brent oil prices to about $115 per barrel for the first time since August 2008. However, the focus of oil markets has shifted to the short-term demand decline in Japan. It is difficult to asses how long the geopolitical tensions in the MENA region will persist, but disruptions can have long-lasting impacts due to personnel shortages, changes in the investment environment, reservoir deterioration and equipment damage. ICE Brent is expected to trade mostly between $110 per barrel and $120 per barrel until the end of the third quarter of 2011, before moderating to an average of $110 per barrel in the fourth quarter of the year. Supply is projected to rise to compensate for the refinery shutdowns in Japan, and the eventual relief effort in the country is expected to be oil-intensive. Also, fuel substitution to compensate for the loss of nuclear capacity is likely to boost demand for oil, as well as coal and gas.
Source: Standard Chartered

Iraq to auction 12 exploration blocks in November 2011

Iraq plans to auction 12 exploration blocks in November, perceived to contain mostly gas reserves, as part of the country's efforts to capture natural gas for electricity generation. Iraq has held three bidding rounds in the last few years to auction off 15 oil and gas fields. The country's power output is currently at 6,500 megawatts, which is less than half the country's needs. Iraq's natural gas reserves total 126.7 trillion cubic feet and produce around 1.6 billion cubic feet a day.
Source: Dow Jones Newswires

Iraq plans to raise oil production volume to 6.5 million barrels per day in 2014

The Iraqi Oil Ministry stated that it is planning to raise oil production volumes to 6.5 million barrels per day in the coming four years. The ministry expectes the volume to increase to 2.75 million barrels per day in 2011, 3.3 million barrels per day in 2012, 4.5 million barrels per day in 2013 and 6.5 million barrels per day in 2014.
Source: AK News

Ghana plans 13 additional oil shipments

Ghana is expected to ship 13 additional cargos of crude oil from its offshore Jubilee field by August 1st. Four shipments totaling 3.6 million barrels have been shipped since the offshore field began testing production in November 2010. Tullow Oil is scheduled to ship five cargos of 950,000 barrels each by end-July, while Anadarko Petroleum Corp. will ship three cargos of 950,000 barrels each, Ghana National Corporation will lift three shipments of 950,000 barrels and Kosmos Energy to ship two cargos totaling 1.9 million barrels. Also, the National Gas Development Taskforce indicated that gas from the Jubilee oil field should be available for national use in the next 16 months, especially for power generation.
Source: Bloomberg, Joy Business Ghana

Base metals: Aluminum on the rise on tensions in the Middle East

Aluminum prices rose in recent months as increasing tensions in the Middle East and rising oil prices have pushed up operating costs. Aluminum is unique in the base metals sector for having significant exposure to the Middle East. Also, it is the most energy-intensive base metal to convert into metal. Demand for the metal is expected to grow further in the second quarter of 2011 in the U.S. and Europe, while in Japan reconstruction activity should boost demand once the country recovers.

Aluminum supply was weak in early 2011 where China remains the key driver, as its supply showed an 8% drop in the first two months of the year. This was more than offset, however, by rapid growth in Europe, Russia and the Middle East. The aluminum market is bullish from a short-term perspective but bearish on a long-term view. LME stocks increased by 325 kilo tons, or 8% so far this year, where they are expected to increase further in the year ahead.
Source: Standard Chartered

Global Aluminum Outlook

(kilo tons)	2010	2011f	2012f	2013f	2014f
Primary supply	42,053	45,417	48,824	52,241	55,376
(% change)	12.0	8.0	7.5	7.0	6.0
Primary demand	41,065	44,555	47,674	51,488	56,122
(% change)	18.0	8.5	7.0	8.0	9.0
Balance	989	862	1,150	753	(746)
Reported stocks (end-period)	10,153	11,015	12,165	12,918	12,172
Three-month price ($/ton)	2,201	2,463	2,400	2,200	2,350

Source: Standard Chartered

Precious metals: Platinum and palladium prices to increase

In the first quarter of 2011, prices for the platinum group (PGMs) strengthened after sharp gains in late 2010. All precious metals have benefited from geopolitical tensions and increasing inflation concerns, but worries about a potential slowdown in China created some bearish headwinds. Globally, most of the news from the car sector has been bullish, pointing to improving auto catalyst demand. In February, car sales reached a six-month high of 13.4 million cars. Further, Chinese PGM imports remained high in January, with platinum reaching 7.4 tons, up 23% year-on-year and palladium reaching 2.7 tons, up 57% year-on-year. The temporary closure of auto plants in Japan following the earthquake is negative for PGM demand, but vehicle replacement should be a net positive over the medium term.

Investors are favoring platinum over palladium, where major physical ETFs for platinum has increased by 12% since the start of 2011, while palladium has risen by a more modest 5%. Platinum prices are expected to increase in 2011, but further volatility seems likely, while palladium is also expected to strengthen due to improving fundamentals and low shipments from Russia. Also, a strong auto-sector recovery in China and the U.S. is crucial to keep prices moving higher.
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+ Stable	B1 Positive	B+ Positive	- -	B Stable	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	BB Negative	Ba3 Negative	BB Negative	BB+ Negative	BB 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 Stable	- -	B+ Negative	- -	B 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	BB Negative	- -	BB Negative	- -	BB 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- Stable	Ba1 -	BBB- Stable	BBB- Stable	BB Stable	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
Nigeria	B+ Stable	- -	BB- Negative	- -	B 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- Stable	Baa3 Negative	BBB- Negative	BBB Stable	BB Stable	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
Middle East													
Bahrain	BBB Negative	A3 Stable	A- Negative	A Stable	BBB Stable	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
Iran	- -	- -	B+ Stable	BB- Stable	B 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 Negative	Ba2 Negative	- -	BB Stable	B Stable	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
Kuwait	AA- Stable	Aa2 Negative	AA Stable	AA- Stable	A Stable	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
Lebanon	B Positive	B1	B Stable	B Stable	CCC Stable	-8.7	139.0	160.3	243.4	14.7	212.2	-11.1	10.5
Oman	A Stable	A2 -	- -	A Stable	A Stable	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
Qatar	AA- Stable	Aa2 Stable	- -	AA- Stable	A Stable	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
Saudi Arabia	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	BBB Stable	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
Syria	- -	- -	- -	BB- Stable	B Stable	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
UAE	- -	Aa2 -	- -	AA- Stable	BB Stable	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
Yemen	- -	- -	- -	B Stable	CC Stable	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	EIU	Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-								
	-	-	Stable	-	-	-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	15-Mar-11	No change	27-Apr-11
Eurozone	Refi Rate	1.00	3-Mar-11	No change	07-Apr-11
UK	Bank Rate	0.50	10-Mar-11	No change	07-Apr-11
Japan	O/N Call Rate	0-0.10	15-Feb-11	No change	07-Apr-11
Australia	Cash Rate	4.75	01-Mar-11	No change	05-Apr-11
New Zealand	Cash Rate	2.50	10-Mar-11	No change	28-Apr-11
Switzerland	3 month Libor target	0.25	17-Mar-11	No change	16-Jun-11
Canada	Overnight rate	1.00	01-Mar-11	No change	12-Apr-11
Emerging Markets					
China	One-year lending rate	6.06	08-Feb-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	15-Mar-11	No change	27-Apr-11
Taiwan	Discount Rate	1.63	30-Dec-10	Raise 12.5bps	31-Mar-11
South Korea	Base Rate	3.00	10-Mar-11	Raise 25bps	12-Apr-11
Malaysia	O/N Policy Rate	2.75	11-Mar-11	No change	05-May-11
Thailand	1D Repo	2.50	09-Mar-11	Raise 25bps	20-Apr-11
India	Reverse repo rate	6.75	17-Mar-11	Raise 25bps	03-May-11
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	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	23-Mar-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	22-Mar-11
Ghana	Prime Rate	13.50	10-Dec-10	No change	Apr-11
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	04-Mar-11	No change	15-Apr-11
Brazil	Selic Rate	11.75	09-Mar-11	Raise 50bps	20-Apr-11
Armenia	Refi Rate	8.25	04-Mar-11	Raise 50bps	N/A
Romania	Policy Rate	6.25	05-May-10	No change	N/A
Bulgaria	Base Interest	0.18	01-Mar-11	Cut 1bps	N/A
Kazakhstan	Refi Rate	7.50	09-Mar-11	Raise 50bps	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	8.00	28-Feb-11	Raise 25 bps	N/A

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 338 100
Fax: (961) 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605
Riad El Solh - Beirut 1107 2811 - Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A
Abu Roummaneh Head Office
Al Chaalan - Amine Loutfi Hafez Str.
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240 / 1 / 2 / 3 / 4
Fax: (+ 963) 11 3348207
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60,
Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457 / 9
Fax: (+ 964) 66 2233458
E-mail: iraqbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Karada - Salman Faeq Street
Facing Al Sheruk Building
P.O.Box: 3085 Al Elweyah - Iraq
Phone: (+ 964) 1 7177493
(+ 964) 1 7177294
E-mail: aabdelkader@byblosbank.com

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336400
Fax: (+ 971) 2 6338400
E-mail: byblosbankuae@byblosbank.com

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street
Yerevan, 37500 - Republic of Armenia
Phone: (+ 374) 10 530 362
Fax: (+ 374) 10 535 296

CYPRUS

Limassol Branch
1, Arch. Kyprianou / St. Andrew Street
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433 / 4 / 5
Fax: (+ 357) 25 367139
E-mail: bybloscyprus@byblosbank.com

BELGIUM

Byblos Bank Europe S.A
Bussels Head Office
10, Rue Montoyer
B-1000 Brussels - Belgium
Phone: (+32) 2 551 00 20
Fax: (+32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

ENGLAND

London Branch
Berkeley Square House - Suite 5
Berkeley Sq.
GB - London W1J 6BS - United Kingdom
Phone: (+44) 207 493 35 37
Fax: (+44) 207 493 12 33
E-mail: byblos.europe@byblosbankeur.com

FRANCE

Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa Ltd.
Khartoum - Sudan
El Amarat -Street 21
P.O.Box: 8121 El Amarat - Khartoum - Sudan
Phone: (+249) 183 566 444
Fax: (+249) 183 566 454
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
10-14 Bourdillon Road
Ikoyi, Lagos - Nigeria
Phone: (+ 234) 1 6653633
(+ 234) 1 8990799
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC
4, Avenue du Marche
C/Gombe, Kinshasa, Democratic Republic of Congo
Phone: (+ 243) 817 070701
(+ 243) 991 009001
E-mail: melamm@byblosbank.com.lb