

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Basel III unlikely to return banks' standalone credit strength to pre-crisis levels

Moody's Investor Services indicated that the implementation of Basel III proposals will strengthen banks' credit profiles, given that additional sizeable capital and liquidity buffers will improve the resilience of the global banking system. It noted, however, that credit profiles remain constrained by the fragile economic recovery in developed markets, unpredictable financial markets and new global risks. It said that the standalone financial strength of banks, which was weakened by the financial crisis, is unlikely to return to pre-crisis levels in the short term. It added that Basel III proposals fail to provide solutions for structural challenges faced by banks, such as illiquidity and high leverage. Further, it noted that the impact of stricter regulatory standards and investors' elevated focus on risks will vary across banks. As such, it noted that institutions that can raise additional capital and strengthen liquidity to meet Basel III requirements would improve their credit strength, while weaker banks that face challenges to comply could witness a potential deterioration in their credit profiles. It noted that the credit strength of banks that are already compliant with Basel III will remain stable. It expected the new rules stipulated by Basel III to act as a catalyst for change, as weaker banks would seek acquirers or government support, or would reduce part or all of their operations. Moody's noted that the long transition period to implement the new rules, and the likelihood of change in the proposed framework, would considerably increase uncertainty related to the effects of Basel III.

Source: Moody's Investors Service

Corporate default rate at 2.3% at end-April 2011

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.3% at the end of April compared to 9% a year earlier, and down from 2.6% at the end of March. The agency said there were no corporate debt defaults in April, relative to five defaults during the same month last year. It expected default rates to be low and stable in the coming months as issuers are able to obtain the required financing. But it warned from changes in funding availability as a result of a second economic contraction. It forecast the global speculative-grade default rate to fall to 1.5% at end-2011. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.5% at end-April 2011, down from 1.6% at the end of March and 8.4% at the end of April 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 6% at end-April 2011, down from 7.7% at end-March and 14.1% at end-April 2010.

Source: Moody's Investors Service

EMERGING MARKETS

Private equity investments at \$10bn in the first quarter

The Emerging Markets Private Equity Association indicated that private equity funds dedicated to emerging markets raised \$10.43bn in the first quarter of 2011 compared to \$23.5bn raised in 2010 overall. It said that Emerging Asia funds raised \$9.73bn, with China accounting for \$5.7bn and India for \$858m. Latin America & the Caribbean raised \$397m with Brazil receiving \$150m, followed by Sub-Saharan Africa funds with \$156m, MENA funds with \$60m, CEE & CIS funds with \$51m and multi-regional funds with \$32m. In parallel, private equity investment in emerging markets totaled \$6bn in the first quarter of 2011, compared to \$28.8bn during 2010. Also, the number of transactions reached 199 deals in the first quarter, down 10.4% from 222 deals in previous quarter and 23.2% from 210 deals in the first quarter last year. The average deal was worth around \$29.6m relative to \$35.5m in the previous quarter and \$18.5m in the first quarter last year. Emerging Asia markets captured 66.7% of investments by value, followed by the CEE & CIS region with 20.4% of private equity investments, Latin America & the Caribbean with 8.7%, Sub-Saharan Africa with 3% and the MENA region with 1.3%. India and China captured 60% of emerging markets private equity investment.

Source: Emerging Markets Private Equity Association

MENA

Region's brand perception retreats in first quarter of 2011

The Nation Brand Perception Index indicated that the brand perception of the Middle East & North Africa region regressed in the first quarter of 2011 from the fourth quarter of 2010, as the average index score of the 20 MENA countries included in the index reached 39.6 points, down from 46.4 points in the fourth 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 points as well as below the average score of North America (53.8), South America (52.6 points), Europe (52.4 points), Oceania (52.3 points), Central America (51.4 points), Asia (51.2 points), Africa (47.5 points) and the Commonwealth of Independent States (47.2 points). Kuwait had the best brand perception in the region and ranked in fourth place globally, followed by Qatar, the UAE and Turkey; while Yemen, Iraq and Libya were the worst perceived countries in the region, ranking in the 197th, 199th and 200th place worldwide, respectively. The rankings and scores of 7 MENA countries improved and 13 regressed. Bahrain posted the worst decline in the regional rankings, dropping by 158 spots, while Libya posted the steepest drop in the regional scores, falling by 40.7 points.

Source: East West Communications, Byblos Research

OUTLOOK

SYRIA

Growth forecast reduced, ratings downgraded on political turmoil

The Economist Intelligence Unit downgraded Syria's Sovereign Risk rating to 'CCC' from 'B', the Political Risk rating to 'C' from 'CC' and the overall Country Risk rating to 'CCC' from 'B'. But it maintained the Currency Risk rating at 'B' and the Banking Sector Risk rating at 'CCC'. It attributed the downgrades to the deteriorating political and security situation in the country, and to the likelihood of additional international sanctions. It also reduced its real GDP growth forecast to 3% in 2011 from an earlier forecast of 4.8%, adding that any growth will be driven primarily by increased government spending. It expected foreign investment to drop and for the tourism sector to be negatively affected. It said business activity will be curtailed by disruptions caused by the unrest, while the uncertainty will also limit the growth of private consumption despite the recently announced public-sector pay raises. The EIU noted that the recent policy of gradually liberalizing and reforming Syria's centrally-planned economy appears to have stalled in the wake of the political turmoil. It added that the unrest halted many of the ongoing reforms and diversification efforts away from oil, with plans to cut government subsidies delayed indefinitely.

The EIU revised upwards its forecast for the deficit to 6.9% of GDP in 2011 from an earlier forecast of 5.2% of GDP due to new spending commitments, including possible new subsidies on oil, and revenue losses from the postponement of the auction of a third mobile-phone license. It expected the deficit to further widen to 7.5% of GDP in 2012 from continued strong growth in government spending and lower oil prices. It said recent unrest prompted an unexpected black-market devaluation of the Syrian pound, from the official rate of SYP47 per US dollar to SYP55, but added that the market stabilized at SYP50 after the Central Bank of Syria took several measures. It expected the authorities to be able to defend the currency, as the CBS has an estimated \$17.4bn in foreign reserves, equivalent to 12 months worth of import cover.

In parallel, the Institute of International Finance expected the Syrian economy to contract by 3% in 2011 and to grow by 2% in 2012, after growing by 3.5% in 2010. It forecast the fiscal deficit to widen to 5% of GDP from 2% of GDP last year, and for the current account deficit to widen from 4.5% of GDP in 2010 to 5.4% of GDP in 2011.

Source: Economist Intelligence Unit, Institute of International Finance

DEM REP CONGO

Economic growth to average 6.3% in 2011-12, inflation is key challenge

The International Monetary Fund projected the Democratic Republic of Congo's real GDP growth at 6.5% for 2011 and 6% in 2012, up from 7.2% in 2010. In parallel, it forecast growth of 5.5% in 2011 and 5.9% in 2012 for Sub-Saharan Africa (SSA), and at 6.2% in 2011 and 6.5% in 2012 for the Common Market for Eastern and Southern Africa (COMESA). It forecast the country's annual average inflation rate at 12% in 2011, down

from 23.5% a year earlier, and compared to average inflation of 7.8% in SSA and 9% in COMESA. It also forecast the country's average inflation to decline to 11% in 2012 relative to 7.3% for SSA and 8.6% for COMESA. Further, it expected broad money to grow by 22.5% this year and 16.5% next year relative to 30.7% last year.

The Fund projected the central government's fiscal balance to post a deficit of 15.8% of GDP in 2011 and 14.2% of GDP in 2012, up from 11.7% of GDP in 2010. It estimated public revenues at 20.6% of GDP in 2011 and 20.3% in 2012, and total expenditures at 36.4% of GDP in 2011 and 34.5% of GDP in 2012. It estimated total investment at 29.5% of GDP in 2011 and 34.8% in 2012, up from 27% of GDP in 2010. Further, it projected the country's current account deficit at 7.9% of GDP in 2011 and at 5.5% of GDP in 2012, compared to 13.5% of GDP in 2010. The Fund expected the country's gross official reserves to reach 1.8 months of imports of goods and services at end-2011 and 1.9 months at end-2012, compared to 1.7 months at end-2009.

Source: International Monetary Fund

NIGERIA

Non-oil growth to average 7.6%, fiscal surplus at 2% of GDP in 2011-12

The International Monetary Fund projected Nigeria's real GDP growth at 6.9% for 2011 and 6.6% for 2012, down from 8.4% in 2010. In parallel, it forecast growth of 5.5% in 2011 and 5.9% in 2012 for Sub-Saharan Africa and at 6.7% in 2011 and 6.9% in 2012 for the region's oil exporting countries. It expected the country's real non-oil GDP to grow by 7.7% in 2011 and 7.4% in 2012, down from 7.9% in 2010 and relative to a growth of 7.8% in oil exporting countries this year and 7.5% next year. The IMF forecast Nigeria's annual average inflation rate at 11.1% in 2011, and 9.5% in 2012, relative to 13.7% a year earlier and compared to average inflation of 10.3% in 2011 and 8.9% in 2012 for oil exporting economies. Also, it estimated the growth of broad money at 24.8% this year and 16.2% next year compared to 6.7% last year. The Fund forecast the central government's fiscal balance to post a surplus of 1% of GDP in 2011 and 3.1% of GDP in 2012, compared to a deficit of 7.2% of GDP in 2010. It estimated public revenues at 29.5% of GDP in 2011 and 29.1% of GDP in 2012, and total expenditures at 28.5% of GDP in 2011 and 26% of GDP in 2012.

The IMF projected total investment at 22.6% of GDP in 2011 and 21.9% of GDP in 2012, down from 24.7% of GDP in 2010. Further, it expected the country's current account to post a surplus of 14.6% of GDP in 2011 and of 13.3% of GDP in 2012, up from 6.4% of GDP in 2010. In comparison, oil exporting countries are forecast to post current account surpluses of 10.2% of GDP this year and 10.3% of GDP next year. The Fund expected the country's gross official reserves to reach 8.3 months of imports of goods & services at end-2011 and 9.5 months at end-2012, up from 6.5 months of imports of goods & services at end-2010.

Source: International Monetary Fund



ECONOMY & TRADE

EGYPT

Real GDP contracts by 7% in first quarter, fiscal deficit at 9% of GDP

Merrill Lynch said that high-frequency data for Egypt indicated a sharp macroeconomic disruption due to the political unrest. It noted that preliminary estimates of Egypt's real GDP in the first quarter indicated a 7% contraction from the previous quarter and a 2.5% drop from the same period last year. It said that the fiscal deficit stood at 9.1% of GDP in the first quarter with total revenues down 26% quarter-on-quarter and total expenditures up 3% quarter-on-quarter; while the trade deficit narrowed due to lower imports in the first quarter of the year. It expected the fiscal deficit to remain high over the 2011/12 fiscal year and the balance of payments to come under pressure from a weak tourism sector and capital outflows. It added that foreign exchange reserves, including unofficial deposits in the banking sector, declined by \$14.5bn between November 2010 and March 2011. It said that government efforts to secure concessional external financing were due to the rapid depletion of foreign exchange reserves. It noted that headline inflation increased to 11.5% year-on-year due to higher food prices, while core inflation eased. In parallel, it said that bank lending increased due to higher government borrowing, as gross claims on the government accounted for around 91% of new credit allocated in March. Further, it noted that deposit dollarization increased, as the dollarization rate of resident private sector deposits grew by 2.8 percentage points from end-2010 to 21.8%.

Source: Merrill Lynch

BAHRAIN

Political unrest to reduce growth by two percentage points this year

The Institute of International Finance indicated that political and social unrest in Bahrain earlier this year interrupted the recovery in the country's economic activity. As such, it reduced its growth estimate to 2.9% for 2011 from an earlier forecast of 5%, compared to growth of 4.5% in 2010. It noted that the new growth forecast for this year is similar to the growth rate that Bahrain experienced during the global economic downturn in 2008. It expected sectors such as retail trade, tourism, banking, transport and communications, and business services to suffer the most. It said financial services, the largest sector with a contribution of about 25% to GDP, will likely be moderately affected and growth may slow to about 3%. It added that other sectors, such as oil & gas and manufacturing, have been largely unaffected and will help offset the downturn in trade and tourism. In parallel, it said that higher oil prices mean that the current account will be in large surplus in 2011 and the budget, which has recorded substantial deficits for the past two years, could swing back into surplus. It noted, however, that the rapid growth in government spending has increased the breakeven oil price that balances the budget to over \$100 per barrel, making the economy even more vulnerable to oil price volatility.

Source: Institute of International Finance

GHANA

April inflation at 9% year-on-year

Figures released by the Bank of Ghana show that the inflation rate reached 9% in April year-on-year, declining from 9.13% in March. The April inflation rate was lower than expected and fell for the second consecutive month in annual terms. This is in marked contrast to most other frontier African markets, where rising food- and fuel-related price pressures have caused significant gains in inflation. Food-price inflation remains in the low single digits on an annual basis, reflecting both the relative strength of the Ghanaian cedi and favorable domestic food harvests. This component of the CPI has recorded single-digit increases since January 2010. In contrast, non-food inflation, with a weighting of 55.1% in the CPI basket, remains in double digits, with the transport component particularly under pressure as it rose from 2.6% year-on-year in December 2010 to 19.4% in January 2011 and 21.7% in April after the 2011 fuel-price adjustment. Also, despite foreign currency volatility earlier this year related to delays in the announcement of a three-year bond auction date, the currency has since firmed, playing a key role in containing inflationary pressure. Inflation reached a multi-decade low of 8.6% year-year in December 2010.

Source: Standard Chartered

MAURITANIA

Government targets real non-oil growth of 5.3% in 2011

The International Monetary Fund indicated that it has agreed with Mauritanian authorities on the objectives for 2011 under the Extended Credit Facility, which are to achieve real non-oil GDP growth of 5.3%, contain inflation at 7.5%, raise foreign exchange reserves to 2.7 months of imports, and consolidate the improved fiscal and current account balance. It said real GDP grew by 5.2% in 2010, inflation was contained at 6.1% despite higher commodities prices, and exports helped to improve the current account balance and to consolidate international reserves at \$287m, or 2.1 months of imports. The IMF added that two sides also agreed on the need to continue fiscal consolidation efforts and deepen structural reforms in public financial management, public enterprises, the financial sector and the civil service, as well as to improve the business environment.

Source: International Monetary Fund

BULGARIA

Economy is moderately susceptible to event risk

Moody's Investor Services expected Bulgaria's fiscal deficit to drop below the European Union's Maastricht criteria of 3% of GDP in 2011 and to balance in the years ahead due to a prudent fiscal management and a robust economic recovery. It cautioned that low debt and fiscal deficit levels are important for the country's long-term fiscal and monetary stability, given the pressures exerted by an ageing population and a fixed exchange rate system. It expected that the reduction in the current account deficit from 23% of GDP in 2008 to 1% of GDP last year to be sustainable. It added that the economy has a 'moderate' susceptibility to event risk due to the extensive use of the euro, still elevated external debt and weak external liquidity position.

Source: Moody's Investor Services



BANKING

JORDAN

Banks downgraded on sovereign action, regional exposure and increased economic risks

Moody's Investors Services downgraded the bank financial strength rating (BFSR) of Arab Bank to 'C-' from 'C' and Housing Bank for Trade and Finance (HBTF) to 'D+' from 'C-' while it confirmed Cairo Amman Bank's BFSR at 'D-'. It also confirmed the local-currency (LC) deposit ratings of Arab Bank at 'Baa1/P-2' and the long-term LC deposit rating of Cairo Amman Bank at 'Ba2', while it lowered that of HBTF to 'Baa2' from 'Baa1'. It assigned a 'negative' outlook to all the banks' ratings. It attributed the downgrades to the earlier downgrade of Jordan's LC sovereign rating as well as the banks' sizeable exposure to sovereign risk. The agency added that its actions reflect the current political turmoil in the region that could potentially have a negative impact on economic activity in Jordan and on the banks' financial performance. It estimated Arab Bank's regional exposure to countries facing increased political and economic risks at around 36.5% of its total assets. It said that HBTF's exposure to Syria through a 49%-owned affiliate represented 17.3% of the bank's total assets, 21% of its net loans and 18.3% of its total deposits. It added that HBTF's exposure to Jordanian government securities accounted for 150% of the bank's Tier 1 capital and 18% of its total assets, while Cairo Amman Bank's exposure accounted for 200% of the bank's Tier 1 capital.

Source: Moody's Investor Services

SAUDI ARABIA

Ratings on major banks affirmed, outlook stable

Capital Intelligence affirmed the long- and short-term foreign currency ratings of Al Rajhi Banking & Investment Corporation (ARB) and Samba Financial Group (SAMBA) at 'AA-/A1' and the ratings of National Commercial Bank (NCB) and Riyadh Bank (RB) at 'AA-/A1+'. It assigned a 'stable' outlook to the banks' foreign currency ratings. Further, it upgraded RB's financial strength rating to 'AA-' from 'A+' and affirmed the other banks' financial strength ratings at 'AA-'. It also upgraded SAMBA's and NCB's financial strength ratings to 'positive' from 'stable' and confirmed the 'stable' outlook for the other two banks. It said that ARB's sound asset quality, strong capital ratios and robust profitability underpinned the ratings. It noted that the bank has the best operating profitability among peers, based on a financing income differential far above rivals. It added that SAMBA has the best capital ratios in the sector, second-best overall liquidity and an average non-performing loan (NPL) portfolio. It noted, however, that the continuous contraction in SAMBA's operating and net profits constituted a constraint for the ratings. Further, it noted that RB's ratings were supported by significant improvement in the bank's asset quality, mainly the level of NPLs and their coverage by loan-loss reserves, as well as the bank's strong capital adequacy ratio. It indicated that the bank had little, if any, new NPLs in 2010. It added that NCB showed continuous deposit growth and that the bank's capital ratios and liquidity are very strong, while its profit profile supplements its balance sheet strength.

Source: Capital Intelligence

SUDAN

U.S. lifts sanctions on Bank of Khartoum

The United States Department of the Treasury's Office of Foreign Assets Control (OFAC) removed Bank of Khartoum and its 50 branches from the list of Specially Designated Nationals (SDNs). The bank has been placed on the list since the U.S. imposed sanctions on Sudan in 1997. The blacklisting bars any American entities and individuals from doing business with the designated entities and individuals, and freezes their assets in U.S. jurisdictions. OFAC attributed its decision to the fact that the bank is no longer under the control of the Sudanese government due to the bank's privatization in 2002, as the Dubai Islamic Group has held 60% of the bank's shares since 2005. In parallel, OFAC stated that upon the official declaration of the South Sudan Republic in July 2011, the new country will be exempt from the sanctions imposed on Sudan for the past two decades. OFAC's SDN still includes 163 Sudanese entities.

Source: United States Department of the Treasury

TUNISIA

Possible asset quality deterioration and limited asset expansion

Capital Intelligence affirmed the long- and short-term foreign currency ratings of Amen Bank at 'BB-/B', Banque Nationale Agricole (BNA) at 'BB+/A3', Banque Internationale Arabe de Tunisie (BIAT) at 'BB+/B' and Attijari Bank (AB) at 'B/B'. It also affirmed the financial strength rating of Amen Bank and BNA at 'B+', BIAT at 'BB+' and AB at 'B'. It assigned a 'negative' outlook to the ratings of first three banks and a 'stable' outlook to AB's ratings. The agency said that its actions reflect the uncertain political situation and the related risks to the economic and financial performance. It expected the recent political unrest in Tunisia to have negative implications on the economy, at least over the next 12 months, as growth will be lower than previously forecast. It anticipated that political instability will affect key economic sectors, which will likely generate new non-performing loans. As such, it expected the Tunisian banking sector to come under pressure from possible asset quality deterioration and limited asset expansion.

Source: Capital Intelligence

UAE

Banks benefiting from regional turmoil

The Institute of International Finance indicated that the current upheaval in the MENA region may have benefited the UAE banking system because of a diversion of capital from troubled countries in the region to the UAE. It said resident and non-resident deposits rose significantly in recent months, up by 12.6% in the year to February 2011, with more than half of the increase in time and savings deposits in local and foreign currencies. It considered that the increase in longer term deposits reflects improved confidence in the UAE economy following the resolution of the Dubai World debt restructuring and the subsequent successful bond issues by Dubai and a number of government-related entities. It noted that the loan-to-deposit ratio has declined from 108% at end-2008 to 97% at end-February 2011, the lowest level since 2006. It expected credit growth to improve to 6% in 2011 compared to less than 2% in 2010.

Source: Institute of International Finance



ENERGY / COMMODITIES

Oil declines to \$112 a barrel on demand concerns

Oil prices declined to around \$112 a barrel on May 12 after a report from the International Energy Agency (IEA) added to concerns about high oil prices and demand reduction. The IEA cut its 2011 global oil demand growth forecast to 1.29 million barrels per day from 1.43 million barrels per day, citing high prices and a weaker economic outlook for developed economies. Brent crude fell 68 cents to \$111.9 a barrel on May 12, adding to the previous day's \$5 drop which resulted from rising U.S. gasoline inventories and falling domestic demand for the fuel. Overall, Brent crude rose 18% on May 12 from the same period last year, where it increased to a 32-month high above \$127 in April, driven in part by the Libya's turmoil and the loss of its crude exports. Also, U.S. crude prices fell \$1.1 to \$97.2 a barrel. Oil demand in China reached its third-highest level on record last month, but year-on-year growth declined to 8.8% after six consecutive months of double-digit gains.

Source: Thomson Reuters

Iraq's oil sector's losses at \$493bn since 2003

A study by the U.S. DTI Company for Energy Affairs stated that Iraq's total losses from the oil sector from 2003 to 2011 reached about \$439bn due to bad administration, poor planning and the postponement of projects. In added that the country lost 8.5 million possible employment opportunities that could have raised the annual income per capita from \$3,500 per year to \$18,000 per year. It expected Iraq's oil losses to reach \$538bn between 2012 and 2016 if oil prices average \$80 per barrel.

Source: U.S. DTI Company for Energy Affairs

Diamond exports from Armenia decline and gold exports increase in the first quarter

Diamond exports from Armenia declined 37% in the first quarter of 2011 to 65,000 carats compared to 103,000 carats in the same period last year. The customs cost of diamonds exported from Armenia in the first quarter of 2011 totaled to \$17.5m compared to \$20.2m in the in the same period last year. Almost all the diamonds produced in Armenia are exported to the U.S. and Europe. Also, Armenia exported 484 kg of gold in the first quarter of 2011, where the customs value of the exported gold totaled \$9.9m, up 86.8% from \$5.3m for the first quarter of 2010.

Source: Arminfo Daily News

Fourth round of drilling licensing in Iraq to target gas reserves

The Iraqi Oil Ministry announced that the fourth round of contracts for drilling is aimed at increasing the country's gas reserves and not an increase in oil production. It added that the next round of licensing would pave the way for 12 new sites. Iraq has 112 trillion cubic feet of discovered natural gas. Also, the country intends to raise its oil production to 12 million barrels per day within the next six years.

Source: Kurdistan News Agency

Base metals: Nickel is worst performer, copper hits five-month low

Base metal prices fell last week, where the LME Metals Index declined 6% week-on-week. Nickel prices experienced the greatest drop, declining by 9% week-on-week, while copper broke its previous trading range of \$9,200-\$9,980 per ton to reach its lowest level in five months. Prices fell mainly due to the deteriorating sentiment about the macroeconomic picture, while metal market fundamentals have been largely unchanged.

Three-months copper prices fell 4.6% week-on-week to a five-month low of \$8,745 per ton on May 6, before moderate buying lifted it back towards \$9,000 per ton in the early part of this week. Further, LME copper stocks rose another 1% week-on-week on May 5, indicating a continued surplus in the physical market. Market volatility is projected to remain high in the coming weeks, with worries about a potential default by Greece. Metals with rising inventories, such as copper, zinc, lead and tin, are expected to face more headwinds than those with falling inventories, like aluminum and nickel.

Source: Standard Chartered

Precious metals: Silver posts steep decline, gold shows resilience

The precious metals complex was significantly affected by wider market developments last week, with spot silver falling sharply on significant investor outflows. Silver dropped 9.2% week-on-week to \$37.8 per ounce on May 10, making it the worst performer of the whole metals complex. Silver holdings by major physical ETFs dropped 7.5% from their most recent peak in early April. The decline in silver prices helped support a rebound in the gold-to-silver ratio to 40 as of May 10, but it remains below the 2000-2010 average ratio of 60.

Spot gold fell 1.6% week-on-week, platinum declined 2.9% week-on-week to \$1,800 per ounce, and palladium fell 5.6% week-on-week to \$731 per ounce on May 10th. Platinum continued to benefit from its lower exposure to the industrial sector and investors' preference for it as an investment tool.

Source: Standard Chartered

Global Commodity Outlook			
(3-months LME, \$/ton)	2010	2011f	2012f
Aluminum	2,201	2,620	2,400
Copper	7,570	9,722	10,000
Lead	2,172	2,631	2,650
Nickel	21,913	26,217	23,000
Tin	20,448	31,456	30,000
Zinc	2,188	2,416	2,400
(Spot price, \$/ounce)			
Gold	1,227	1,491	1,650
Palladium	529	795	900
Platinum	1,613	1,873	2,050
Silver	20	37	38

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	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
	-	-	-	-	Stable								
Angola	B+	B1	B+	-	B	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
	Stable	Positive	Positive	-	Negative								
Egypt	BB	Ba3	BB	BB+	B	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
	Negative	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-1.5	-	-	257.5	-	-	-3.9	0.3
	-	-	-	-	Stable								
Ghana	B	-	B+	-	B	-10.8	-	34.9	50.0	-	-	-11.6	10.9
	Stable	-	Negative	-	Positive								
Ivory Coast	-	-	-	-	CCC	-0.2	-	50.1	111.2	-	-	6.8	1.8
	-	-	-	-	Stable								
Libya	BB	-	B	-	BB	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
	Negative	-	Stable	-	Stable								
Mauritania	-	-	-	-	-	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
	-	-	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	BB	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
	Stable	-	Stable	Stable	Stable								
Nigeria	B+	-	BB-	-	B	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
	Stable	-	Negative	-	Stable								
Sudan	-	-	-	-	CC	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
	-	-	-	-	Stable								
Tunisia	BBB-	Baa3	BBB-	BBB	B	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
	Stable	Negative	Negative	Stable	Stable								
Middle East													
Bahrain	BBB	A3	A-	BBB+	BBB	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
	Negative	Stable	Negative	Negative	Stable								
Iran	-	-	B+	BB-	B	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	CC	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
	Negative	Negative	-	Stable	Stable								
Kuwait	AA-	Aa2	AA	AA-	BBB	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	B	-7.2	136.7	160.8	240.3	14.7	212.2	-10.2	10.0
	Positive	-	Stable	Stable	Stable								
Oman	A	A2	-	A	A	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	A	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	BB-	CCC	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
	-	-	-	Stable	Stable								
UAE	-	Aa2	-	AA-	BB	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3
	-	-	-	Negative	Stable								

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

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	22-Apr-11	No change	22-Jun-11
Eurozone	Refi Rate	1.25	05-May-11	No change	09-Jun-11
UK	Bank Rate	0.50	05-May-11	No change	09-Jun-11
Japan	O/N Call Rate	0-0.10	28-Apr-11	No change	20-May-11
Australia	Cash Rate	4.75	31-May-11	No change	07-Jun-11
New Zealand	Cash Rate	2.50	28-Apr-11	No change	09-Jun-11
Switzerland	3 month Libor target	0.25	17-Mar-11	No change	16-Jun-11
Canada	Overnight rate	1.00	12-Apr-11	No change	31-May-11
Emerging Markets					
China	One-year lending rate	6.31	06-Apr-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	22-Apr-11	No change	22-Jun-11
Taiwan	Discount Rate	1.75	31-Mar-11	Raise 12bps	24-Jun-11
South Korea	Base Rate	3.00	10-Mar-11	Raise 25bps	13-May-11
Malaysia	O/N Policy Rate	3.00	05-May-11	Raise 25bps	Jul-11
Thailand	1D Repo	2.75	20-Apr-11	Raise 25bps	01-Jun-11
India	Reverse repo rate	7.25	03-May-11	Raise 50bps	16-Jun-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	21-Apr-11	No change	25-May-11
South Africa	Repo rate	5.50	24-Mar-11	No change	12-May-11
Kenya	Central Bank Rate	6.00	22-Mar-11	Raise 25 bps	May-11
Nigeria	Monetary Policy Rate	7.50	22-Mar-11	Raise 100 bps	May-11
Ghana	Prime Rate	13.50	Apr-11	No change	May-11
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	15-Apr-11	No change	27-May-11
Brazil	Selic Rate	12.00	20-Apr-11	Raise 25bps	08-Jun-11
Armenia	Refi Rate	8.50	Apr-11	Raise 25bps	N/A
Romania	Policy Rate	6.25	05-May-10	Raise 25bps	N/A
Bulgaria	Base Interest	0.21	01-May-11	Raise 2bps	N/A
Kazakhstan	Refi Rate	7.50	01-Apr-11	No change	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	8.25	03-May-11	Raise 25bps	N/A



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