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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 2.2% at end-June 2011

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.2% at the end of June 2011 relative to 2.5% at the end of March and to 6.2% at end-June 2010. The agency said there were four defaults in the second quarter of the year, raising to 12 the number of defaults in 2011, down from 10 defaults in the same quarter last year. It said that spreads are widening in Europe and expressed concerns about the continued softness in the global economy. It added, however, that corporate fundamentals remain fairly solid, spreads remain near typical levels despite the upward trend, and defaults continue to be few and far between. It forecast the global speculative-grade default rate to fall to 1.5% at end-2011 and to reach 1.7% at end-June 2012. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.5% at end-June 2011, slightly down from 1.6% at the end of the first quarter and compared to 3.5% at end-June 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 9.5% % at end-June 2011, up from 7.7% at end-March but down from 16% at end-June 2010.

Source: Moody's Investors Service

MENA

Investment climate improves in Arab world

The investment climate in the Arab world improved in 2010, according to the Composite Investment Climate Index issued by the Arab Investment and Export & Guarantee Corporation (AIEGC). The value of the index reached 1.3 points in 2010 compared to 0.7 points in 2009, and 1.05 points in 2008. The index is composed of three sub-indices that reflect public finances, the external balance, and inflation rates, with real GDP growth figures used for comparative purposes. The AIEGC attributed the increase in the composite index to growth in two of its sub-indices, as the External Balance Sub-Index increased to 2 points in 2010 from one point in 2009 and 1.42 points in 2008 and the Internal Balance Sub-Index grew to 1.84 points compared to -0.37 points in 2009 and 1.53 points in 2008, while the Monetary Policy Sub-Index contracted to 0.05 points from 1.47 in 2009 and 0.21 points in 2008. It added that aggregate GDP growth improved to 3.8% in 2010 from 1.8% in 2009, but down from 5.1% in 2008. It indicated that the fiscal deficit-to-GDP ratio improved in 13 Arab economies and regressed in 6 countries, while the current account balance-to- GDP ratio improved in 17 countries and regressed in 2 economies; and the inflation rate declined in 6 countries and rose in 13 others. Also, real GDP growth increased in 13 Arab countries.

Source: AIEGC, Byblos Research

SAUDI ARABIA

Optimism retreats in non-hydrocarbon sector

The D&B Business Optimism Index for Saudi Arabia for the third quarter of 2011 indicated that the composite business optimism index for the non-hydrocarbon sector dropped to 52 compared to 68 in the previous quarter, but was up from 49 in the same quarter last year. It said that the drop in index values reflects the impact of new stresses on business sentiments in the short-term from developments in the global economy, despite the fact that the Saudi economy remains robust. The index for expected sales dropped to 61 from 78, while the expected profits index contracted to 57 from 82 in the preceding quarter. Also, the index for expected new orders fell to 62 from 78 at the end of the second quarter, while that for inventory levels regressed to 36 from 51 in the preceding quarter.

The decline in optimism was across the board as the manufacturing index decreased to 56 from 70 at the end of the previous quarter, the construction index dropped to 57 from 71, the trade & hospitality index fell to 32 from 61, the transport & communication index contracted to 59 from 66, and the finance, real estate & business services index declined to 54 from 70. Further, 48% of non-hydrocarbon firms plan to expand their business compared to 53% in the previous quarter. Inflationary factors were the main concern for 15% of businesses, with 20% of firms in the manufacturing and 15% in the finance, real estate & business services citing this issue as a major factor affecting their operations. Further, 13% of businesses considered that the availability of finance is a major concern especially for trade, construction, and transport firms.

Source: Dun & Bradstreet

SYRIA

Currency rating downgraded

The Economist Intelligence Unit downgraded Syria's Currency Rating to 'CCC' from 'B', with a 'stable' outlook. It attributed the downgrade to the deteriorating political and security situation in the country, and to the likelihood of additional international sanctions. Last May, the EIU 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 left unchanged the Currency Risk rating at the time. It said the Syrian pound's nominal exchange rate came under pressure in late March and early April, with a temporary 15% depreciation of the currency against the dollar on the black market. The Central Bank of Syria (CBS) announced in early May a series of measures to support the Syrian pound and to diminish the flight of foreign currency deposits. Prior to the unrest, the CBS had foreign exchange reserves equivalent to about 12 months of import cover, leaving it relatively well placed to defend the currency. The pound is officially trading at 47.7 to the dollar.

Source: Economist Intelligence Unit, Central Bank of Syria

SOUTH SUDAN

Real GDP growth at 5.8%, current account surplus at 2.5% of GDP in 2012

The Economist Intelligence Unit forecast real GDP growth in the newly independent South Sudan at 5.8% in 2012. It noted that the South's economy relies almost entirely on oil, which accounts for 98% of government revenues. It forecast oil production in the South at 189,000 barrels per day in 2011 and at 318,000 barrels per day in 2012, provided that output is not affected by instability. It forecast a fiscal surplus of 6.4% of GDP in 2011 and of 5% of GDP in 2012, assuming the South will have to pay 20% of its oil earnings to the North under the oil-sharing deal still under negotiation. It noted, however, that the North is likely to push for a more favorable deal by exerting pressure, such as threatening to shut oil pipelines. The EIU forecast exports at $6.2bn in 2011 and $9bn in 2012 compared to imports of $1.4bn in 2011 and 3.6bn in 2012. It said that the majority of imports will come from the North, which currently supplies most of South Sudan's agricultural and manufactured products. It expected imports from the North to decline with time if investments are made in the South's agricultural sector and the country becomes more self-sufficient. Also, it forecast the current account to post a surplus of 7.4% of GDP in 2011 and of 2.5% of GDP in 2012, and expected repatriation costs to foreign oil companies to rise. The EIU indicated that foreign firms are likely to be attracted by the opportunity of gaining a first-mover advantage into South Sudan, and that the government may benefit from new international loans and grants as well as development aid.

In parallel, the EIU projected real GDP in North Sudan to contract by 1.7% in 2012 due to the loss of between 70% and 85% of its producing oilfields. It said the North will try to offset this loss by expanding production in the oilfields it retains, by charging the South for using the North's oil pipeline, and by trying to diversify its economy away from oil. It anticipated an increase in gold mining as well as foreign direct investment from the GCC, particularly in real estate and agriculture. But it expected the principal area of growth to be trade with the South. Further, it estimated that the government will try to increase tax revenues and cut spending, which will reduce public expenditures and affect private consumption. It forecast the current account deficit to widen to 7.5% of GDP in 2011 and 2012.

Source: Economist Intelligence Unit

DEM REP CONGO

Economic growth projected at 6.5% in 2011, financial sector reforms proceeding

The Ministry of Finance projected real GDP growth at 6.5% in 2011 relative to 7% in 2010, driven by activity in mining, construction and services. It warned, however, that high world food and fuel prices since the end of last year threaten to accelerate inflation and undermine efforts to consolidate macroeconomic stability. It said the government will allow for a partial pass through of the increase in world oil prices, which will entail revenue losses of about 0.6% of GDP this year, and will increase spending on health and education by the equivalent of about 0.3% of GDP. It added that it will accommodate the measures through a projected revenue increase of about 0.3% of GDP from better prospects for mining and petroleum activities and higher than programmed budget support from Belgium; a drawdown of projected government savings; and the use of the unallocated budgetary reserve. It stressed that the government's objective is to avoid any financing requirement from the Banque Centrale du Congo (BCC).

In parallel, it said the BCC will make sure that the second-round effects of the recent rise in food and fuel prices do not undermine the inflation target of below 10% over the medium term. It forecast the inflation rate at 13% at the end of the year, and for broad money to grow by about 23% this year. It added that the BCC will limit its intervention in the foreign exchange rate market to smooth exchange rate volatility. It added that reforms to the financial sector are progressing, with extensive technical assistance from the IMF. It said the BCC will review by end-September the central bank law, commercial bank law, and banking sector regulations, and prepare appropriate draft amendments to strengthen crisis management and resolution of the banking sector.

Source: International Monetary Fund

EGYPT

Refusal of multilateral support to raise risks, fiscal deficit to widen to 11% of GDP in 2011/12

Barclays Capital projected Egypt's fiscal deficit at 10.5% of GDP and the primary deficit at 3.1% of GDP in fiscal year 2011/12, after the Egyptian authorities declined offers of budgetary support of $5.2bn from the IMF and the World Bank. It did not expect the authorities' new deficit target of 8.6% of GDP to be met, given the track record of budget execution, as well as the risk of revenue underperformance and overspending on wages and subsidies in an election year. Barclays considered that the rejection of the IMF and World Bank funding is a miscalculation, and that it would have resulted in significant interest cost savings. It added that this has significantly increased the perception of risks, especially fiscal risks, now that Egypt has no particular agreement with the IMF that can serve as a policy anchor. It warned that the lack of policy anchor makes investors nervous and could accelerate portfolio outflows from the equity market or discourage new entrants into both the equity and local debt markets.

In parallel, Barclays revised Egypt's gross fiscal financing needs to EGP505bn until June 2012 from a previous estimate of EGP427bn due to over-reliance on domestic borrowing. It assumed that banks would roll over all of their holdings of government papers, while foreign investors will roll over 75% of their holdings. This would leave EGP153.9bn of the deficit that needs funding from local banks and financial institutions. It indicated that banks could accommodate about 87%, or EGP133bn, of the public sector funding gap if customer deposits posted a 5% year-on-year increase. It considered that relying on the banks to secure the bulk of Egypt's financial gap would raise banks' exposure to sovereign risk, diminish their core liquidity and restrict their lending operations.

Source: Barclays Capital

ECONOMY & TRADE

EMERGING MARKETS

Insurance premiums up 20% to $6510bn in 2010

Figures issued by global re-insurer Swiss Re indicate that total insurance premiums generated in emerging markets (EMs) reached $650.2bn in 2010, constituting a 20.2% nominal increase from $541bn in 2009 and compared to premiums increase of 3.4% in industrialized economies. Life insurance premiums grew by 24.8% nominally to $363.8bn, while non-life premiums increased by 14.8% to $286.4bn. Emerging market premiums accounted for 15% of global premiums in 2010, up from 13.2% in the previous year. Also, EM premiums rose by 11% in real terms year-on-year compared to growth of 1.4% for industrialized countries. EM life premiums grew by 13.1% in real terms relative to growth of 1.8% in industrialized nations, while non-life business rose by 8.5% in EMs compared to an increase of 16% in advanced economies. Insurance penetration in EMs, or premiums relative to the economy, was equivalent to 3% of GDP last year compared to 8.7% for advanced economies; while EMs' insurance density was $110.1 per capita relative to $3,527 in industrialized countries. EM life premiums were equivalent to 1.67% of GDP, while non-life premiums reached 1.32% of GDP. Also, EM life premiums reached $61.6 per capita and non-life premiums totaled $48.5 per capital in 2010. Global insurance premiums reached $4.3 trillion in 2010, rising by 5.6% nominally and by 2.7% in real terms year-on-year; with life premiums growing by 6.4% nominally and 3.2% in real terms to $2.5 trillion and non-life premiums increasing by 4.4% nominally and by 2.1% in real terms to $1.8 trillion last year.

Source: Swiss Re, Byblos Research

MENA

FDI in Arab world down 23% to $60bn in 2010

Figures issued by the Arab Investment and Export & Guarantee Corporation (AIEGC) show that aggregate foreign direct investment (FDI) in 18 Arab economies reached $60.3bn in 2010, constituting a decline of 23.4% from $86.3bn in 2009. FDI in Saudi Arabia totaled $21.6bn, accounting for 33.5% of the total and making the kingdom the largest destination of FDI in the region last year. It was followed by Qatar with $6.6bn, representing 10.3% of the total; Egypt with $6.4bn (9.9%), Lebanon with $4.96bn (7.7%) and Morocco with $4.4bn (6.8%) as the top destination of FDI last year. The top 5 destinations accounted for 68% of aggregate FDI in the region last year, while the top 10 destinations represented 91% of the total. FDI in Morocco increased by 39% year-on-year, the highest such growth in the region. It was followed by Iraq with a jump of 34%, Libya with 16% and Lebanon with 3%. In parallel, FDI in Kuwait declined by 93% in 2010, followed by Yemen with a drop of 70%, Djibouti (-60%), Saudi Arabia (-41%), Bahrain (-39%), Jordan (-30%), Syria (-28%), Qatar (-24%), Sudan (-20%), Algeria (-19%), Tunisia (-6%), Egypt (-5%) and the UAE (-1%), while Mauritania posted a shift from $3m in FDI outflows to $57m in inflows in 2010.

Source: Arab Investment and Export & Guarantee Corporation

MOROCCO

Local currency rating downgraded, outlook stable

Standard & Poor's affirmed Morocco's long-term foreign currency rating at 'BBB-' and downgraded the long-term local currency rating to 'BBB' from 'BBB+'. It also affirmed the foreign- and local-currency short-term ratings at 'A-3' and 'A-2', respectively, and the convertibility assessment at 'BBB+'. It assigned a 'stable' outlook to the ratings. It attributed the downgrade to a change in methodology and assumptions for sovereign ratings, which narrows the gap between the local and foreign currency ratings. It said the rating reflect the country's independent monetary policy and Morocco's transition to a more flexible exchange rate regime in the medium-term. It added that Morocco's overall ratings are supported by the government's track record of prudent fiscal management and its commitment to pursuing credible policies to reduce its fiscal deficit and debt. It projected the central government's fiscal deficit to reach at least 5% of GDP in 2011, mainly due to the doubling of subsidies for basic goods to 4.8% of GDP. It expected external indicators to stabilize in the medium-term despite the deterioration of the current account balance on higher fuel imports in 2011. It said that it could downgrade the ratings if the deterioration in external accounts persists or if fiscal consolidation is delayed, which would put at risk medium-term fiscal sustainability. It added that it could reduce the local currency ratings if the transition to a more flexible exchange rate became less likely.

Source: Standard & Poor's

ANGOLA

Sovereign ratings upgraded on improved fiscal and external positions

Standard & Poor's upgraded Angola's long-term foreign and local sovereign credit ratings to 'BB-' from 'B+' with a 'stable' outlook, and affirmed its foreign- and local-currency short-term sovereign credit ratings at 'B+'. It also revised the country's Transfer & Convertibility assessment to 'BB-' from 'B+'. It attributed the upgrades to robust improvement in Angola's fiscal and external balances. It said that the strong rebound in oil prices last year returned the fiscal and current account balances to surpluses, estimated at 8.7% of GDP and 8.2% of GDP in 2010, respectively. It added that the ratings are supported by the country's large natural resources, strong growth prospects, as well as low government and external debt levels. The agency expected the oil and gas sector to keep growing in the medium-term, which should continue to maintain Angola's fiscal and external surpluses. It noted that Angola strengthened its macroeconomic and monetary management in line with the country's Stand-By Arrangement with the IMF. It indicated that such reforms remain critical to mitigate the risks associated with the country's overwhelming economic dependence on the oil sector and to address weaknesses in its macroeconomic management and institutional quality. It added that the government recently settled the majority of trade arrears accumulated in 2008 and 2009 and implemented changes to budgetary procedures to prevent future accumulation of large arrears. It noted, however, that the ratings remain constrained by weak institutions, a low level of development of the non-oil economy, political succession risk and underlying political tensions.

Source: Standard & Poor's

BANKING

IRAQ

Government approves state-run Islamic bank

The Iraqi government announced that it has approved the establishment of a state-owned Islamic bank with capital of up to IQD250bn, equivalent to $214m. It said the new bank will be administratively linked to the Ministry of Finance and supervised by Central Bank of Iraq (CBI). It expected the new bank to attract significant capital and to contribute to domestic banking operations, as the existing 9 private Islamic banks are not contributing to economic development. It added that the 36 private commercial banks do not possess the required support from the state, as the largest state-owned bank does not accept transfers from private banks and the Finance Ministry does not deal with private commercial or Islamic banks. The government also approved the opening of an Islamic banking window at state-owned banks. In parallel, the CBI announced that it will grant new licenses to establish private banks. It estimated the aggregate capital of private banks operating in Iraq at $2.7bn after most of them raised their capital to IQD 100bn by end-June.
Source: Al Hayat

KUWAIT

Loan concentration remains key banking risk

Fitch Ratings expected the profitability of banks operating in Kuwait to improve in 2011 as economic growth resumes and banks continue to benefit from declining impairment charges. It indicated, however, that key risks persist despite the improving operating environment. It expressed concerns about the large loan book concentration, as higher-risk sectors such as construction, real estate and investment companies, as well as speculative stock market lending accounted for 54% of the system's aggregate lending at end-2010. Further, it said that most banks posted a contraction in their net interest income in 2010, which account on average for around 70% of the banks' revenues, driven by a combination of declining loan balances and weaker margins. It added that average NPL ratios improved slightly to 9.4% in 2010 but noted that individual performance differs widely, ranging from 1.7% to 18.8%. Fitch expected a modest increase in loan growth in 2011. It did not anticipate a material deterioration in asset quality in 2011 and 2012, adding that solid regulatory ratios would mitigate such risks.
Source: Fitch Ratings

SOUTH SUDAN

Juba to launch new currency and adopt managed float

The Central Bank of South Sudan (CBSS) declared that it will launch its new currency, the South Sudan pound, on July 19th and that the banknotes will be in circulation starting on that date. It added that it will take three months to completely replace the northern currency. The CBSS said it plans to operate a managed float system, and would set the exchange rate based on the price of oil and the value of regional currencies. It indicated that the value of the currency will be decided by a committee that includes officials from the CBSS, the Ministry of Energy & Mining, and the Ministry of Finance. But initially, the South Sudan pound will be pegged at a one-to-one value to the existing Sudanese pound. The CBSS did not give a date when the South might remove the peg with the existing North Sudan pound. It noted that negotiations are ongoing with North Sudan to redeem the value of the Sudanese pounds currently in circulation in the South.
Source: Bloomberg, Associated Press, Thomson Reuters

NIGERIA

Anti-money laundering shortcomings remain

The Financial Action Task Force, the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Nigeria made in February 2010 a high-level political commitment to work with the FATF and the FATF-style regional body GIABA to address its strategic AML/CFT deficiencies. It said that, since then, Nigeria has taken steps towards improving its AML/CFT regime, including by enacting legislation to criminalize money laundering and terrorism financing. The FATF noted, however, that it has not yet assessed this law due to its very recent nature, and that it will review it in the near future. It encouraged Nigeria to address its remaining deficiencies, including by adequately criminalizing money laundering and terrorist financing; implementing adequate procedures to identify and freeze terrorist assets; ensuring that relevant laws or regulations address deficiencies in customer due diligence requirements and that they apply to all financial institutions; and demonstrating that AML/CFT supervision is undertaken effectively across the financial sector.
Source: Financial Action Task Force

ARMENIA

Capital adequacy ratio at 21%, NPLs at 3.5%

The risk-weighted capital adequacy ratio of banks operating in Armenia reached 21.3% at the end of March 2011 relative to 28.6% a year earlier, and the sector's net capital-to-assets ratio was 20.2% at end-March compared to 20.6% in March 2010. Also, the sector's liquid assets accounted for 29% of total assets at end-March 2011 relative to 34% a year earlier and 29% at end-March 2009, while they reached 137.2% of total liabilities at the end of March 2011 compared to 140.4% in March 2010. Further, the sector's customer deposits-to-loans ratio decreased to 87.1% at end-March from 96.5% a year earlier. Also, foreign exchange liabilities reached 65.3% of total liabilities at end-March 2011 relative to 70.3% at end-March 2010 and 69.4% at end-March 2009; while foreign exchange loans represented 59.6% of total loans compared to 54.3% at end-March 2010 and 48.7% at end-March 2009. The sector's non-performing loans reached 3.5% of total loans at the end of March 2011, down from 5.6% at the end of March 2010 and 7.6% at end-March 2009. Further, the sector's provisions-to-NPLs ratio increased to 51% from 36.2% at end-March 2010 and 27% at end-March 2009. In parallel, banks' return on assets reached 2% at end-March 2011 on an annualized basis, up from 1.3% at end-March 2010; while their return on equity reached 10% at end-March 2011 annually, up from 6.1% at end-March 2010. The sector's interest margin-to-gross income was unchanged 43.6% at end-March 2011 from 43.5% at end-March 2010; while the interest spread in foreign currency reached 2% at end-March 2011 compared to 4% at end-March 2010.
Source: Central Bank of Armenia

ENERGY / COMMODITIES

Brent rises on further supply issues

U.S. crude prices for August increased 40 cents to $97.5 a barrel on July 14, while ICE Brent declined 22 cents to $118.6 a barrel. The rise in prices was largely supported by better-than-expected macroeconomic data from China and supply tightness in the Atlantic Basin. Crude stocks declined by 3.1 million barrels this week, but they are still 6% above the five-year average. U.S. domestic demand remains weak, as products supplied to the domestic market declined 1.4% year-on-year. The International Energy Agency forecast global demand growth of 1.5 million barrels per day in 2012. Further, OPEC output exceeded 30 million barrels per day for the first time since January 2011, as Saudi Arabia lifted output by 0.7 million barrels per day in June. Supplies from Algeria, Kuwait, Nigeria, the UAE and Venezuela also rose, despite the lack of agreement at the latest OPEC meeting.

Source: Standard Chartered, Thomson Reuters

South Sudan to form joint venture to develop oil sector

The government of South Sudan announced a joint venture with Glencore to develop the country's oil market. It expected the joint venture to help the country develop its national oil company through skills transfer and training, as well as to be responsible for marketing the crude oil after the country's secession from the north on July 9th. South Sudan oil production accounts for about 75% of the aggregate oil production of North Sudan and South Sudan, and is estimated at 500,000 barrels per day.

Source: Thomson Reuters

Iraq signs $12bn gas deal with Royal Dutch Shell

The Iraqi government signed a $12bn gas deal with Royal Dutch Shell to exploit and refine associated gas from southern Iraq oil fields. The agreement is expected to help alleviate the recurrent power blackouts and electricity shortages in Iraq, support the large planned increases in crude oil production and export gas surpluses. The joint venture, which will be named Basra Gas Company, will be formed by Iraq's South Gas Company with a 51% stake, Shell with a 44% share, and Mitsubishi Corporation with a 5% stake. Flared gas from southern oil fields are estimated at between 700 million cubic feet and 1,000 million cubic feet, due to insufficient infrastructure.

Source: Merrill Lynch

Angola needs $17bn to invest in power production by 2016

The Angola Electricity Company, ENE, estimated Angola's investments in the construction of new electricity facilities to reach $17bn by 2016. It said that investments will include the construction of power plants, transmission and distribution grids across the country. It noted that the investments will enable generation capacity of 7,000 megawatts from hydroelectric facilities and thermal plants. It added that Angola has a very low electrification rate, as 88% of its electricity production is consumed by the capital.

Source: Thomson Reuters

Base metals: Prices fall on European worries

Base metal prices fell during the past week due to weak U.S. non-farm payrolls figures and renewed doubts about the euro-area outlook, as Italy's bond yields soared. Copper prices declined 0.4% week-on-week on July 12, while tin prices were down 1.5% week-on-week. Also, aluminum prices fell sharply and were down 5% week-on-week. Despite falling prices, base metals showed some resilience after the U.S. dollar strengthened by 6% against the euro. Overall, base metal prices are forecast to increase despite the latest unresolved tensions in the euro area. Sentiment around China is slowly turning around as the market anticipates the end of monetary tightening. Further, demand for industrial metals is expected to rise with improved reconstruction activity in Japan. Copper and zinc demand should particularly benefit from increased Japanese demand, while lead should be boosted by rising auto sales.

Source: Standard Chartered

Precious metals: Safe-haven flows lift gold, but not silver

Precious metals prices showed a mixed performance in the past week, with gold rallying on renewed worries about the euro area and risk aversion, while other markets retreated. Palladium prices declined by 2.8% week-on-week, while platinum prices were down 1.7% week-on-week. Silver prices also fell by 0.9% week-on-week, continuing its recent weak performance against gold. Silver is currently down 2.8% month-on-month, while gold is up 1% month-on-month.

Safe-haven buying has started to push gold prices, with physical ETFs up 1.5% from their lows in mid-May 2011. However, silver prices are projected to decline in August. Silver physical ETFs declined 2.1% since the start of June, while the net speculative position on U.S. exchanges rose by 25% from early June. Platinum and palladium prices are expected to be affected by the strike action in South Africa, where the National Union of Mineworkers rejected a 5% wage offer from two of the major platinum producers. Physical ETFs for palladium fell by 1.5% since the start of June, while platinum ETFs increased slightly by 0.2% in early July.

Source: Standard Chartered

Global Commodity Outlook

(3-months LME, $/ton)	2010	2011f	2012f
Aluminum	2,201	2,602	2,400
Copper	7,570	9,580	10,000
Lead	2,172	2,601	2,650
Nickel	21,913	25,317	23,000
Tin	20,448	30,191	30,000
Zinc	2,188	2,384	2,400
(Spot price, $/ounce)			
Gold	1,227	1,493	1,650
Palladium	529	798	900
Platinum	1,613	1,871	2,050
Silver	20	35	38

Source: Standard Chartered

COUNTRY RISK METRICS

Countries	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	BB-	Ba3	BB-	-	B								
	Stable	Stable	Stable	-	Negative	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	BB	Ba3	BB	BB+	CCC								
	Negative	Negative	Negative	Negative	Stable	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
Ethiopia					B								
	-	-	-	-	Stable	-1.5	-	-	257.5	-	-	-3.9	0.3
Ghana	B	-	B+	-	BB								
	Stable	-	Negative	-	Positive	-10.8	-	34.9	50.0	-	-	-11.6	10.9
Ivory Coast	-	-	-	-	CC								
	-	-	-	-	Stable	-0.2	-	50.1	111.2	-	-	6.8	1.8
Libya	BB	-	B	-	B								
	Negative	-	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	B								
	Stable	Negative	Negative	Stable	Stable	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
Middle East													
Bahrain	BBB	BBa1	A-	BBB+	BBB								
	Negative	Negative	Negative	Negative	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	-7.2	136.7	160.8	240.3	14.7	212.2	-10.2	10.0
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-	AA								
	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-	CCC								
	-	-	-	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								
	-	-	-	Negative	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	BBB-	BBB-	BB								
	Stable	-	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	-	Positive	-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	22-Jun-11	No change	09-Aug-11
Eurozone	Refi Rate	1.50	07-Jul-11	Raise 25bps	04-Aug-11
UK	Bank Rate	0.50	07-Jul-11	No change	04-Aug-11
Japan	O/N Call Rate	0-0.10	14-Jun-11	No change	12-Jul-11
Australia	Cash Rate	4.75	05-Jul-11	No change	09-Aug-11
New Zealand	Cash Rate	2.50	09-Jun-11	No change	28-Jul-11
Switzerland	3 month Libor target	0.25	16-Jun-11	No change	Sep-11
Canada	Overnight rate	1.00	31-May-11	No change	19-Jul-11
Emerging Markets					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	22-Jun-11	No change	Sep-11
Taiwan	Discount Rate	1.88	24-Jun-11	Raise 13bps	Sep-11
South Korea	Base Rate	3.25	10-Jun-11	Raise 25bps	14-Jul-11
Malaysia	O/N Policy Rate	3.00	07-Jul-11	Raise 25bps	08-Sep-11
Thailand	1D Repo	3.00	01-Jun-11	Raise 25bps	13-Jul-11
India	Reverse repo rate	7.50	16-Jun-11	Raise 25bps	26-Jul-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	23-Jun-11	No change	Sep-11
South Africa	Repo rate	5.50	12-May-11	No change	21-Jul-11
Kenya	Central Bank Rate	6.25	31-May-11	Raise 25 bps	Jul-11
Nigeria	Monetary Policy Rate	8.00	25-May-11	Raise 50 bps	Jul-11
Ghana	Prime Rate	12.50	Jul-11	Cut 50 bps	Dec-11
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	08-Jul-11	No change	N/A
Brazil	Selic Rate	12.25	08-Jun-11	Raise 25bps	20-Jul-11
Armenia	Refi Rate	8.50	07-Jun-11	No change	N/A
Romania	Policy Rate	6.25	01-Jul-11	Raise 25bps	N/A
Bulgaria	Base Interest	0.17	01-Jul-11	Raise 5bps	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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