

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Fixed income trading volume up 10% to \$1,704bn in second quarter 2011

Trading in emerging markets debt instruments stood at \$1,704bn in the second quarter of 2011, constituting an increase of 10% from \$1,551bn in the same quarter last year, but a decrease of 2% from \$1,739bn in the first quarter of 2011. The volume of trade in local market instruments stood at \$1,213bn in the second quarter of 2011, up 13% from \$1,076bn in the same quarter last year and 8% from \$1,125bn in the first quarter of 2011. Local instruments' turnover accounted for 71% of total emerging markets debt trades. In parallel, sovereign and corporate Eurobonds' trading volume stood at \$481bn in the second quarter, constituting an increase of 3% from \$465bn in the second quarter of 2010, but down 18% from \$589bn in the first quarter of 2011. The volume of traded sovereign Eurobonds decreased by 7% year-on-year to \$228bn; while the volume of traded local corporate bonds reached \$221bn, up 10% from the same period last year. Sovereign Eurobonds accounted for 47% of total debt trading and corporate debt represented 46% of the survey's volume. The most frequently traded instruments were Hong Kong instruments with 20% of the total, followed by Mexican assets with 14%, Brazilian debt securities with 10% and Russian instruments with 7%. Trading in Hong Kong instruments rose by 141% year-on-year and in Mexican assets increased by 30%, while those in Brazilian instruments decreased by 26%.

Source: EMTA

Private equity funds under management at \$2,400bn

TheCityUK indicated that private equity funds under management reached \$2,400bn at the end of 2010, slightly down from a year earlier due to increased exit activity. It said that funds available for investments accounted for 41% of overall assets under management at end-2010 compared to 43% at end-2009, while unrealized capital represented the remaining 59% relative to 57% at end-2009. It indicated that around 50% of funds available were allocated for use in buyouts, 15% for venture capital investments and the remainder for use in acquiring real estate. It added that buyouts' share of the value of private equity investments totaled 69% in 2010 relative to 11% in 2000, while global venture capital investments totaled 31% in 2010 down from 89% at in 2000. Further, it said that North America attracted 45% of private equity investments in 2010, followed by Europe with 32% and Asia/Pacific with 17%; while 53% of new funds were raised in North America, followed by Asia/Pacific with 22% and Europe with 18%. Other markets accounted for 6% of investments and 7% of new funds raised. It noted that family offices & foundations allocated 9% of their assets to private equity funds, followed by endowment plans with 8.3%, asset managers with 6.3%, public pension funds with 5%, private sector pension funds with 4.3%, sovereign wealth funds with 3.5%, and insurance firms with 2.6%.

Source: TheCityUK

MENA

Region offers prospects to emerging market firms

A survey of 618 executives from emerging markets and developing economies indicated that most companies with recent experience in the Middle East & North Africa (MENA) plan to expand significantly within the region, especially in the Gulf Cooperation Council states. It said that executives from all emerging market regions expect the MENA region to feature more strongly in their global business plans over the next five years. It noted that 52% of respondents believe that the current unrest in the region is unlikely to negatively affect their business in the short term compared to 43% who think they will be impacted. It indicated that firms from Latin America are less worried about the impact of political turmoil on their business in the region than respondents from any other region in the world. Further, 63% of respondents cited the UAE as the most popular investment and trading location, while executive from Latin America showed strong interest in Egypt and Morocco. In parallel the survey's results indicate that most investors identified political risks, bureaucratic red tape and a perceived lack of transparency as their main concerns when doing business in the region. It noted that corruption constitutes a lesser concern for emerging-market investors in the region, as it was only cited by around 30% of Asian and Latin American companies compared to 51% and 42% for European and North American firms, respectively. It said that investors considered that political conflicts, trade and regulatory barriers, cultural differences and the level of economic development constituted the main obstacles to doing business in the region.

Source: The Economist Intelligence Unit

SYRIA

U.S. tightens sanctions on Damascus

The United States Administration imposed new sanctions on the Syrian government and energy sector. The sanctions freeze all assets of the Syrian government, its agencies and related entities under U.S. jurisdiction, and prohibit U.S. nationals and institutions from engaging in commercial or financial transactions with the designated entities. It also banned the import of Syrian petroleum or petroleum products, and prohibited any U.S. persons from engaging in any transactions or dealings related to petroleum originating from Syria. Further, the sanctions prohibited new investments in Syria by U.S. individuals and entities, and banned the export of U.S. services to Syria. The U.S. Department of the Treasury said the sanctions are meant to deny the Syrian government access to the U.S. financial system. Earlier this month, the U.S. Treasury froze the assets under U.S. jurisdiction of the state-owned Commercial Bank of Syria and of Syriatel, the largest mobile phone operator in Syria, and prohibited U.S. nationals and institutions from engaging in commercial or financial transactions with the two entities.

Source: U.S. Department of the Treasury

OUTLOOK

WORLD

Global economic prospects worsen, growth projected at 3.1% in 2011 and 3.2% in 2012

Citigroup reduced its real GDP growth projections for the global economy to 3.1% in 2011 and 3.2% in 2012 from a forecast last month of 3.4% for this year and 3.7% for next year. It expected activity in both years to represent a significant slowdown from the 4% growth achieved in 2010. It said global economic prospects continue to worsen sharply, especially for many advanced economies. It noted that it cut its forecasts for advanced economies far more sharply than for emerging markets, implying a persistently high and possibly widening gap between low-growth advanced economies and high-growth emerging markets. As such, it reduced its growth forecast for advanced economies from 1.8% to 1.4% in 2011 and from 2.2% to 1.7% for 2012; while it cut its growth projections for emerging markets to 6% from 6.3% for this year, and to 5.8% from 6.2% for next year. Citigroup expected growth to be even more concentrated in emerging markets and a very small number of advanced economies. It estimated that emerging markets will account for about 70% of global growth in both 2011 and 2012, and for countries with high growth rates to account for only about 40% of global GDP. It also expected that most advanced economies will suffer below-average growth or negative growth rates in either 2011 or 2012 or in both years.

Citigroup did not expect recessions across industrial countries, even though the outlook has deteriorated markedly, because banks, companies and households have already de-leveraged and reduced spending sharply. But it anticipated growth in advanced economies to remain sluggish till the end of 2012 at the earliest, with rising unemployment. It believed that there is a lower risk of a repeat of the sudden economic collapse seen in late 2008, but it warned from risks amid high debt levels and the ongoing euro area sovereign crisis. It said below-trend growth may be a 'stall speed', at which further adverse shocks would trigger a painful feedback between weak financial markets and soft growth, which would undermine the outlook further. It added that the viciousness of this circle could be expanded by fears that if a sharp plunge in economic activity occurs, aggressive policy stimulus is less likely than in 2008 and 2009.

Source: Citigroup

EMERGING MARKETS

U.S. downgrade to reverberate across emerging economies

Deutsche Bank indicated that the recent downgrade of the United States' sovereign ratings should not have a corresponding impact on the ratings of emerging market sovereigns, but added that it may have an indirect and severe impact through other channels depending on the effect of the downgrade on the growth of the U.S. economy and the degree of financial or economic integration of each region with the U.S. It expected international trade flows to be the main transmission channel for emerging markets, and for financing vulnerabilities to play a critical role in the magnitude of the contagion. It noted that the two channels combined make countries in Emerging Europe, the Middle East & Africa (EMEA) more vulnerable than other

regions. It said that the U.S. and euro area represent relatively more important export markets for the EMEA region. Also, despite the de-leveraging that took place over the past few years, balance sheets in EMEA are typically much weaker than in Latin America and Asia, leaving countries not as well placed to respond to a downturn. It added that growth in EMEA is more correlated with that of G7 economies compared to Asian and Latin American economies. As such, it estimated that a 200bps drop in U.S. and Euro area growth rate would reduce growth in EMEA to 1.4% from 4.7% currently, with the Baltics, Bulgaria, Hungary, Romania and Ukraine most at risk of falling back into recession.

In parallel, Deutsche Bank noted that growth rates in emerging Asia are at considerable risk in the short term, particularly for the small and most open economies, given their strong export linkage to U.S. and EU demand. It said that reduced fiscal room to maneuver across the board is likely to limit any fiscal expansionary correction in emerging economies, with the exception of China. It added that a low global growth scenario could trigger a continued process of exchange rate appreciation in many emerging markets. In turn, this will result in a real policy dilemma to the major economies in Emerging Asia and Latin America, which would lead to increased intervention in the exchange rate market.

Source: Deutsche Bank

NIGERIA

Growth to remain strong at 7.6% in 2012

Business Monitor International projected real GDP growth in Nigeria at 7.8% in 2011 and 7.6% in 2012 compared to 7.9% in 2010. It expected growth to be driven by high oil prices and improving oil and gas production, a rapidly rising middle class, and elevated government expenditures. It added that the non-oil sectors have shown great promise, with the telecommunication sector leading the way and the agriculture sector beginning to gather positive momentum. It anticipated private consumption to perform well, as incomes rise and domestic demand for goods and services continues to increase. It expected Nigeria's consumer price inflation to remain elevated and to reach 11.4% at end-2011 and 10% at end-2012. It also noted that investor sentiment is improving, given that serious efforts at reforming the banking industry, oil sector, and capital markets would signal meaningful improvements to the business climate in the years ahead. It projected the current account balance to shift to a surplus of 1.6% of GDP in 2011 and 1.5% of GDP in 2012 from a deficit of 0.4% of GDP in 2010 on the strength of high oil revenues.

In parallel, BMI considered that Nigeria's growth outlook is subject to several risks, such as fluctuations in oil prices and weather conditions, given its high dependency on natural resources. It added that subsequent violence in the north of the country threatens to damage its international reputation and constrain investment. It noted that such events may disrupt some economic activity, divert funds away from productive alternatives, and give pause to international investors. It also noted that legislative deadlock may delay crucial reforms and delay investments.

Source: Business Monitor International

ECONOMY & TRADE

GCC

Profits of cement producers down 4.7% in first half of 2011

The aggregate net profits of cement companies operating in the GCC economies reached \$786m in the first half of 2011, representing a 4.7% decrease from the same period of 2010, as operating profits increased by 3.5% year-on-year to \$777.8m and sales rose 6.3% to \$2.3bn in the first half of the year. Profits of Saudi Arabia's cement sector posted a 13.5% rise in the first half, while the cement sectors in the rest of the GCC posted declines in profitability. The aggregate debt of cement companies decreased marginally by 0.1% year-on-year to \$2.2bn in the first half of 2011, with the debt-to-assets ratio stood at 15.7% and the equity-to-assets ratio at 72.6%. In parallel, cement prices in the GCC averaged around \$66 per ton in the first half of 2011, posting a 3.8% decline from \$68.6 ton in the same period of last year, due mainly to demand weakness in the region. Further, the sector's total capacity reached 101.9 million tons per year at end-2010, constituting a 10.3% rise from 92.4 million tons at end-2009. The sector's capacity is expected to reach 105.8 million tons per year at end-2011, 112.7 million tons per year at end-2012 and 116 million tons per year at end-2013. Saudi Arabia's cement capacity is expected to reach 53.8 million tons per year at end-2011 which represents 51% of the GCC's total capacity. It was followed by the UAE with 32%, Oman and Qatar with 6% each, Kuwait with 5% and Bahrain with 0.5%.

Source: *Global Investment House*

SYRIA

Damascus ratifies trade agreement with Iran

President Bashar Assad signed a presidential decree about a Preferential Trade Agreement (PTA) with Iran that aims to gradually lower customs tariffs between the two countries to a standard rate of 4% in the next five years. The PTA was signed in March 2011 after several years of negotiations, but the decree does not specify when the PTA will enter into force. The PTA stipulates the cancellation of all forms of trade barriers including quotas; while existing tariffs will continue to apply on certain categories such as agricultural, cement and chemical products. Customs tariffs will drop to 48.8% in the first year for products currently subject to tariffs of 60% or above, and will decline to 37.6% in the second year, 26.4% in the third year, 15.2% in the fourth year and 4% in the fifth year. Bilateral trade between Iran and Syria is estimated at \$100m per year.

Source: *Syria Report*

EGYPT

Economy starts to stabilize

Merrill Lynch indicated that the macroeconomic deterioration in Egypt has come to an end and that activity has started to improve gradually. It said the rebound in industrial production, a lower pace of foreign exchange reserve loss, and talks of subsidy rationalization support the gradual recovery. It added that banking sector data show that deposit drawdown has halted and reversed, credit is increasing on the back of higher government borrowing, and the dollarization rate has stabilized. It projected that a 12% year-on-year deposit growth in FY2012 would be sufficient to absorb a projected EGP100bn in new government

debt. It noted that this would allow for a moderate 6-7% rise in the banking sector's loan balances and keep the loan-to-deposit ratio close to the 50% mark. It said, however, that external-driven sectors and a wider fiscal deficit still weigh on the economy, with transport and tourism continuing to be a drag as they contracted by 14% and 37% year-on-year, respectively, in June.

Source: *Merrill Lynch*

KUWAIT

Investment companies still at risk

Figures issued by the International Monetary Fund show that the consolidated balance sheet of conventional investment companies (ICs) in Kuwait reached KWD7.3bn, or \$26.3bn, at the end of March 2011, constituting a decrease of 1.3% from end-2010; while that of Islamic ICs totaled KWD6.2bn, or \$22.2bn at end-March, down 5.4% from end-2010. It added that foreign liabilities of conventional and Islamic ICs accounted for 27% and 22% of their liabilities at end-March, respectively, indicating that several ICs remain highly dependent on foreign financing despite significant recent de-leveraging. The Fund said that the financial situation of many ICs remains precarious, as several companies posted significant losses in 2010, mostly from investment in equities and real estate, while the sector's debt restructuring is facing setbacks. It added that stress tests point to their limited capacity to withstand adverse shocks. It warned that balance sheet and liquidity pressures might escalate if regional real estate and equity prices continue to be negatively affected by the regional political unrest, and if access to external financing tightens.

Source: *International Monetary Fund*

ARMENIA

Mobile cellular penetration rises rapidly, fixed line penetration still low

Armenia ranked in 43rd place among 210 countries at the end of 2010 in terms of mobile cellular penetration, which is the number of subscribers to the service per 100 inhabitants. Its rank improved by 66 spots from 2009. Armenia also came in second place among 12 Commonwealth of Independent States (CIS) included in the survey, up 5 spots from the previous year. Armenia had 125 mobile subscriptions per 100 inhabitants in 2010, above the global average of 78 subscriptions per 100 inhabitants but below the CIS average of 135 subscriptions per 100 inhabitants. Mobile cellular penetration in Armenia grew by a CAGR of 32% during the 2006-2010 period compared to a CAGR of 23.4% for developing economies and 13.3% for CIS. In parallel, Armenia ranked in 100th place among 218 countries in terms of fixed telephone lines penetration last year, which represents the number of subscriptions to fixed telephone lines per 100 inhabitants constituting an improvement of 42 spots from 2009. It also ranked in 6th place among CIS countries, unchanged year-on-year. Armenia had 19.1 fixed telephone lines subscription per 100 inhabitants in 2010, above the global average of 17.2 subscriptions but below the CIS average of 26.2 subscribers per 100 inhabitants. Fixed telephone lines penetration in Armenia had a CAGR of -0.8% during the 2006-2010 period, compared to a CAGR of 1.5% for CIS and -2.2% in developing economies.

Source: *International Telecommunication Union*

BANKING

BAHRAIN

Bank ratings affirmed

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of National Bank of Bahrain (NBB) at 'BBB', that of BBK at 'BBB-' and the ratings of Ahli United Bank (AUB) and its wholly-owned subsidiary AUB (UK) at 'BBB+'. It also assigned a 'stable' outlook to the ratings. Fitch also affirmed the Viability Ratings of NBB at 'bbb', BBK at 'bb+' and AUB at 'bbb+', reflecting the negligible impact of the unrest on the banks' profitability and balance sheet. It said that NBB's and BBK's ratings reflect the high probability of support from the Bahraini authorities if needed, given their importance to the banking sector and the government's 49% and 32% ownership in NBB and BBK, respectively. It added that AUB's ratings are driven by the high probability of support in case of need from the government of Kuwait that holds a 19% stake in the bank.

Source: Fitch Ratings

SUDAN

Banking sector and currency ratings downgraded

The Economist Intelligence Unit downgraded its rating on Sudan's banking sector from 'CC' to 'C'. It attributed the downgrade to the difficult domestic economic and political climate following the South's independence, as well as to concerns about the quality of banking sector assets. It expected the Central Bank of Sudan to struggle to improve financial sector indicators due to slow progress on reforms and the likely increase in the government's domestic arrears in 2011-12 from widening fiscal deficits. It warned of another downgrade in case fresh conflict and the general economic downturn push up the NPL ratio and undermine banks' operations. In parallel, the EIU downgraded Sudan's currency rating to 'C' from 'CC'. It considered that the decline in oil revenues after the South's secession will cut foreign exchange earnings, which have been crucial for the CBoS to defend the pound. It added that political uncertainty and high inflation of 14.2% on average in 2011-12 will continue to weigh on the Sudanese pound's prospects. It noted that calls for Sudan and South Sudan to establish an interim monetary union after southern independence have been dismissed by the South, which has launched its own currency, prompting Sudan to plan to introduce its own new currency.

Source: Economist Intelligence Unit

QATAR

Private sector drives lending growth

Figures issued by the Central Bank of Qatar (CBQ) show that total assets reached QAR 624.2bn at the end of July 2011, up by 0.5% from end-June and 9.2% from end-2010. Loans reached QAR 342.8bn, constituting an increase of 1.1% month-on-month, and a rise of 8.7% from end-2010 and of 13.5% from end-July 2010, driven by private and public sector credit growth of 16% and 8% year-on-year, respectively. Trade and real estate constituted the main drivers of private sector credit growth, growing by 28% and 56% year-on-year, respectively. Further, consumer loans increased by 18% year-on-year and are expected to grow further after the CBQ cut its policy rate by 50 bps to 5% earlier this month. In parallel, customer deposits reached QAR 372.3bn at end-July, up 28% year-on-year due to a strong

growth in public sector deposits of 63% year-on-year, while deposits grew by 21.3% from end-2010. Resident deposits increased 35% year-on-year, while non-resident deposits declined sharply by 31% following the reduction in deposit rates earlier this year that narrowed the interest rates differential between Qatari banks and the rest of the GCC region. The loans-to-deposits ratio reached 92.1% at end-July compared to 104% a year earlier.

Source: Central Bank of Qatar, EFG Hermes, Byblos Research

RWANDA

Banking risks remain despite recovery from restructuring period

The International Monetary Fund indicated that the banking system in Rwanda has recovered from a period of restructuring in 2007 and 2008, but is still exposed to several risks. It said banks are sufficiently capitalized to absorb a shock to their credit portfolio, but some banks are more vulnerable than others from large exposure risks and in case of an extreme drop in deposits. It noted, however, that the Banque Nationale du Rwanda's (BNR) track record of dealing with emerging problems suggests that these vulnerabilities are manageable, and that the BNR has an adequate lender-of-last-resort facility. It added that foreign exchange risk and interest rate risk are not a major concern. In parallel, it warned that concentration risks are high, as the three largest banks account for over 60% of assets, loans and deposits; both loans and deposits are concentrated in a few corporate and institutional clients; and corporate lending is concentrated in construction and mortgage sectors, while a large share of retail lending also goes to mortgage as well as salary-backed loans. The Fund added that the BNR's resources are stretched and lacks capacity, as authorities approved 416 savings and credit cooperatives across the country, which created a significant supervisory challenge for the BNR.

Source: International Monetary Fund

BELARUS

Bank ratings downgraded, outlook negative

Fitch Ratings downgraded the long-term Issuer Default Ratings (IDRs) of Belarusbank (BBK), Belinvestbank (BIB), BPS-Bank (BPS), Belgazprombank (BGPB), Belvnesheconombank (BVEB) and VTB Bank (Belarus) (VTBB) to 'B-' from 'B' and assigned a 'negative' outlook to the ratings. It also affirmed the long-term IDR of BTA Bank (Belarus) at 'B-' and revised the outlook to 'negative' from 'stable'. It attributed the downgrades to severe challenges facing the banking system, a likely deterioration of asset quality and capital, and vulnerable foreign currency liquidity. Further, it expected the sector's asset quality to deteriorate as a result of the abrupt credit slowdown, disruptions in economic activity, high inflation, and likely more selective support of the corporate sector. It added that reported asset quality metrics will probably be slow to worsen in light of the significant proportion of long-term exposures, government subsidies on interest payments as well as state-owned banks' readiness to restructure and roll over problem exposures. It also noted that foreign currency liquidity is currently limited in the sector, while liquidity risk is likely to increase if foreign exchange outflows pick up.

Source: Fitch Ratings



ENERGY / COMMODITIES

Brent crude up on lower U.S. stocks

Brent crude increased 58 cents to \$110.7 a barrel on August 25, supported by lower U.S. crude stocks despite world economic growth uncertainties. Also, U.S. crude rose 32 cents to \$85.5 a barrel on August 25 and the WTI-Brent crude spread was slightly above \$25 a barrel on the same day. The Energy Information Administration showed that U.S. crude stockpiles fell 2.2 million barrels to 351.8 million barrels in the week to August 19th.

Further, the speed of Libya's return to oil production, which stood at 1.6 million barrels per day before the conflict, will be critical for oil markets. A quick return of Libyan oil production would be bearish for Brent prices and is expected to have a downward effect on the WTI-Brent crude spread.

Source: Thomson Reuters

U.S. bans Syrian oil imports and sanctions five energy companies

The United States banned Syrian oil imports to the U.S. and imposed sanctions on five Syrian energy companies that are the General Petroleum Corporation, Syrian Company for Oil Transport, Syrian Gas Company, Syrian Petroleum Company and Sytrol. The U.S. also prohibited U.S. citizens from engaging in any transactions or dealings related to Syrian oil. The seven largest crude oil destinations for Syria in 2009 were EU countries, accounting for 82% of total Syrian oil exports. The country's oil production reached 387,000 barrels per day and exports reached 154,000 barrels per day in the first half of 2011.

Source: AFP

Jordan's fuel bill up 73% in first half of 2011

Jordan's fuel bill increased by 73% year-on-year in the first half of 2011 due to the rise in international fuel prices and its increased dependency on diesel and heavy fuel. The country imported JD1.8bn worth of fuel in the first half of 2011, compared to JD1bn in the same period last year. Also, Jordan's electricity imports increased by 650% in the first half of 2011 to JD105m, compared to JD13.8m in the same period last year.

Source: Jordan Times

Iraqi oil exports reach \$48bn in first seven months of 2011

Iraq earned more than \$48bn in revenue from crude oil exports in the first seven months of 2011. The country's oil exports are forecast to exceed \$80bn in 2011, which will help reduce the budget deficit and carry out several projects. Crude oil exports reached 67.2 million barrels in July 2011, for a total revenue of \$7.3bn. The exports from Basrah reached 53 million barrels with revenue of \$5.7bn and those from Kirkuk reached 14.2 million barrels with revenue of \$1.6bn. Further, the average selling price reached \$108.8 per barrel.

Source: Qatar News Agency

Base metals: Markets under pressure on worries about Europe and the U.S.

Base metal prices continued to fall in recent weeks, as risk aversion returned and intensified worries about global demand. Copper and aluminum prices were down 9% month-on-month on August 23 but have held up relatively well compared to other base metals. Nickel and zinc prices both fell 12% month-on-month, while lead and tin prices declined 15% month-on-month and 17% month-on-month, respectively. The low performance of base metals was not that severe given the wider financial turmoil, resulting in a 13% decline in global equity markets in August 2011. Further, the U.S. dollar weakened 1% against the Euro during this period, alleviating the decline in base metals' prices.

China remains the largest consumer of base metals in the world accounting for 35% of global demand. However, demand for base metals in general declined in other countries, and a recovery is not expected especially if the volatile financial market conditions in August damage business confidence. Physical premiums for copper softened in Europe in August to \$72.5 per ton, down from \$82.5 per ton in the previous month. A mildly bullish view is emerging for base metals despite the ongoing problems in Europe and the U.S., where risks appear to favor a continuing rally in commodities in the months ahead.

Source: Standard Chartered

Precious metals: Gold extends biggest decline in 18 months

Gold fell for a third day, extending its biggest drop since February 2010 after the CME Group raised futures margins for a second time this month, prompting some investors to sell the metal. Gold prices declined 9.1% from the record high on August 23 of \$1,914 an ounce to \$1,740 an ounce on August 25th. Gold is in the 11th year of a bull market and has gained 22% this year as investors seek to diversify their holdings away from equities and some currencies. Increased global risk, growing inflationary fears, the U.S. debt downgrade and continuing sovereign debt risks in Europe have increased investor appetite for gold. Also, this has been supported by Central Banks reversing from being sellers for most of the past 15 years to net buyers more recently and supported by the low U.S. interest rates.

Source: Citigroup, Bloomberg

Global Commodity Outlook			
(3-months LME, \$/ton)	2010	2011f	2012f
Aluminum	2,201	2,577	2,400
Copper	7,570	9,581	10,000
Lead	2,172	2,602	2,650
Nickel	21,913	25,301	23,000
Tin	20,448	30,168	30,000
Zinc	2,188	2,384	2,400
(Spot price, \$/ounce)			
Gold	1,227	1,606	1,700
Palladium	529	798	900
Platinum	1,613	1,845	2,050
Silver	20	38	40

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
Angola	BB- Stable	Ba3 Stable	BB- Stable	-	B Negative	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	BB Negative	Ba3 Negative	BB Negative	BB+	CCC 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 Stable	-	B+ Negative	-	BB Positive	-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	-	B Stable	-	B 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- Negative	Baa3 Negative	BBB- Negative	BBB Stable	B Stable	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
Middle East													
Bahrain	BBB Negative	BBa1 Negative	A- Negative	BBB+	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	-	-	-	-	CCC 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	-7.2	136.7	160.8	240.3	14.7	212.2	-10.2	10.0
Oman	A Negative	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	AA 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	CCC 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- Negative	CC 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-	-	-	-4.8	44.8	38.4	402.7	-	194.2	-14.6	9.2
Bulgaria	BBB Stable	Baa3 Stable	BBB- Stable	-	BB Stable	-1.8	16.2	109.2	122.3	21.2	393.2	-6.2	9.8
Kazakhstan	BBB Stable	Baa2 -	BBB- Stable	-	BB Stable	-2.8	16.0	86.4	182.9	30.3	350.4	3.2	8.8
Romania	BB+ Stable	Baa3 -	BBB- Stable	BBB- Negative	BB Stable	-6.8	33.9	77.4	197.5	24.6	-	-5.5	3.8
Russia	BBB Stable	Baa1 Positive	BBB Stable	-	BBB Stable	-5.6	9.3	31.9	124.7	13.4	99.2	4.5	-0.6
Turkey	BB Positive	Ba2 Positive	BB+ Stable	BB Stable	B Stable	-4.1	44.4	41.3	187.3	39.7	-	-3.4	1.0
Ukraine	B+ Positive	B1 Positive	B Negative	-	CCC 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	09-Aug-11	No change	20-Sep-11
Eurozone	Refi Rate	1.50	04-Aug-11	No change	08-Sep-11
UK	Bank Rate	0.50	04-Aug-11	No change	08-Sep-11
Japan	O/N Call Rate	0-0.10	05-Aug-11	No change	07-Sep-11
Australia	Cash Rate	4.75	02-Aug-11	No change	06-Sep-11
New Zealand	Cash Rate	2.50	28-Jul-11	No change	15-Sep-11
Switzerland	3 month Libor target	0.00	16-Jun-11	Cut 25 bps	Sep-11
Canada	Overnight rate	1.00	19-Jul-11	No change	07-Sep-11
Emerging Markets					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	09-Aug-11	No change	20-Sep-11
Taiwan	Discount Rate	1.88	24-Jun-11	No change	Sep-11
South Korea	Base Rate	3.25	11-Aug-11	No change	Sep-11
Malaysia	O/N Policy Rate	3.00	07-Jul-11	No change	08-Sep-11
Thailand	1D Repo	3.25	13-Jul-11	Raise 25bps	24-Aug-11
India	Reverse repo rate	8.00	26-Jul-11	Raise 50bps	16-Sep-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	5.75	04-Aug-11	Cut 50 bps	23-Aug-11
South Africa	Repo rate	5.50	21-Jul-11	No change	22-Sep-11
Kenya	Central Bank Rate	6.25	27-Jul-11	No change	01-Sep-11
Nigeria	Monetary Policy Rate	8.75	26-Jul-11	Raise 75 bps	20-Sep-11
Ghana	Prime Rate	13.00	06-Jul-11	Cut 50 bps	Sep-11
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	08-Jul-11	No change	26-Aug-11
Brazil	Selic Rate	12.50	20-Jul-11	Raise 25bps	31-Aug-11
Armenia	Refi Rate	8.50	13-Jul-11	No change	N/A
Romania	Policy Rate	6.25	01-Jul-11	Raise 25bps	N/A
Bulgaria	Base Interest	0.18	01-Aug-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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