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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 1.8% at end-August 2011

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 1.8% at the end of August 2011 relative to 1.9% at the end of July 2011, 3% at the end of 2010 and 5.1% at end-August 2010. The agency said the number of defaults stood at 16 in the first 8 months of the year relative to 38 defaults in the same period last year. Moody's said that corporate defaults remain few and far between despite continued weakness in the broader economy. It forecast the global speculative-grade default rate to remain low, reaching 1.5% at end-2011 and rising to 1.9% at end-August 2012. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 0.8% at end-August 2011, down from July's rate of 1.2% and compared to 2.7% at end-August 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 19.3% at end-August 2011, more than double July's level of 8.9% and up from 15.5% at end-August 2010.

Source: Moody's Investors Service

MENA

Region's competitiveness affected by ongoing turmoil

The World Economic Forum included 15 Arab countries in its Global Competitiveness Index for 2011-12. Qatar came in 14th place globally and was the region's top-ranked country, followed by Saudi Arabia in 17th place, the UAE (27th), Oman (32nd), Kuwait (34th), Bahrain (37th), Tunisia (40th), Jordan (71st), Morocco (73rd), Algeria (87th), Lebanon (89th), Egypt (94th), Syria (98th), Mauritania (137th) and Yemen (138th). The rankings of 7 countries in the region regressed, 6 improved year-on-year and one remained unchanged; while Yemen was included in the index for the first time and Libya was dropped from the rankings this year. Saudi Arabia posted the highest improvement in the regional rankings with a rise of 4 spots, while Egypt dropped by 13 spots year-on-year, constituting the worst decline in the region. Also the scores of 8 Arab countries increased, 3 declined and 3 remained unchanged from last year's survey, with Saudi Arabia posting the highest increase in competitiveness and Tunisia showing the steepest decline. The WEF expected regional turmoil to further widen the competitiveness gap between the Gulf economies and the rest of the region. It said that this trend is reflected in this year's results as most GCC countries continue to move up in the rankings, while the competitiveness of many countries from North Africa and the Levant stagnates or deteriorates. It attributed the shift in the competitiveness performance of Tunisia and Egypt to increased uncertainty regarding the future direction of economic policy as well as higher public awareness of the countries' structural weaknesses. It noted that the full extent of the impact of the Arab Spring could not be captured this year due to lags in data.

Source: World Economic Forum

GCC

Assets under management at $29bn

The aggregate value of assets under management (AUM) in the Gulf Cooperation Council (GCC) countries stood at $28.9bn, and the GCC asset management industry included about 100 asset management companies and 325 funds at end-March 2011. Capital managed by Saudi Arabia country funds accounted for 62% of total AUM, followed by Kuwait country funds with 19% and GCC/MENA-mandated funds with 15%, while funds in the UAE, Qatar, Oman and Bahrain accounted for the remaining 5%. Also, money market funds accounted for 50% of total AUMs in the GCC region, followed by equity funds with 44%, while the remaining 6% is divided between specialized funds and fixed income funds. Further, Islamic funds managed $17.6bn, or 61%, in assets at end-March; while conventional funds managed $11.3bn or 39% of the total. In parallel, there were 131 GCC/MENA-mandated funds, accounting for 40% of the region's total funds, at end-March; followed by Saudi Arabia country funds with 109 funds (34%) and Kuwait country funds with 51 funds (16%). The number of equity funds stood at 200 at end-March, followed by money market funds with 60, fixed income funds with 21, and specialized funds with 44. Also, there were 176 conventional funds and 149 Islamic funds at end-March.

Source: Kuwait Financial Center

UAE

Up to 50% of ADIA's portfolio invested in North America, 20-year returns at 7.6%

The Abu Dhabi Investment Authority (ADIA), the emirate's sovereign wealth fund, indicated that its global investment portfolio is diversified across more than 24 asset classes and subcategories that include listed equities, fixed income, real estate, private equity, alternatives and infrastructure. It said that approximately 80% of its assets are managed by external fund managers whose activities are monitored daily, and that nearly 60% of its assets are invested in index-replicating strategies. ADIA noted that the 20-year and 30-year annualized rates of return in US dollar terms for its portfolio were 7.6% and 8.1%, respectively, at end-2010 compared to 6.5% and 8%, respectively at end-2009. It said that North America represents between 35% and 50% of its portfolio, followed by Europe with a 25% to 35% range, emerging markets with a range of 15% to 25%, and Developed Asia with a 10%-20% range. Further, developed markets' equities account for 35% to 45% of its portfolio, followed by emerging markets equities and government bonds (10%-20% each), credit, alternatives and real estate (5%-10% each), private equity (2%-8%) and infrastructure and small cap equities (1%-5% each). In parallel, ADIA stated that it carries out its investments independently and without reference to the government of the Emirate of Abu Dhabi or other entities that also invest on the government's behalf. It added that it is not involved with, nor has any visibility on matters relating to the spending requirements of the Abu Dhabi government.

Source: Abu Dhabi Investment Authority

OUTLOOK

SYRIA

Real GDP to contract by at least 4% in 2011, fiscal and current account deficits to widen

The Institute of International Finance projected economic activity in Syria to contract by at least 4% in 2011 compared to growth of 5.1% in 2010, despite the recovery of the agriculture sector this year. It considered that the domestic turmoil and foreign sanctions have taken a heavy toll on the economy. It attributed the contraction in activity to the sharp fall in private investment and to a drop in the exports of goods & services, especially in tourism. It also forecast real GDP to contract by 3% in 2012, as it expected the turbulence and uncertainty to continue and to have a negative impact on the economy. The IIF also forecast the fiscal deficit to widen from 3.8% of GDP in 2010 to 6.5% of GDP in 2011 due largely to the government's decision earlier this year to increase allowances for public sector employees, raise cash transfers to poor households, reduce taxes on some food products, and cut income tax rates. In parallel, it projected foreign exchange earnings from exports of goods, tourism, FDI, and workers' remittances to decline to $13bn in 2011 from an estimated $20.5bn in 2010. As such, it expected the current account deficit to widen from 3.5% of GDP in 2010 to 6.1% of GDP in 2011, as the sharp decline in exports of goods & services would exceed the decline in imports associated with weaker domestic demand. As a result, it projected official foreign exchange reserves to decline to around $15bn at end-2011 from $19.5bn at end-2010. But, it noted that this level of reserves would still cover more than 12 months of projected imports of goods & services.

Further, the IIF considered that the European Union's sanctions on Syria's energy sector may have limited effect on the economy due to the open borders with the country's neighbors. It added that the government could divert its crude oil exports to other markets, but would incur significant losses due to higher insurance and transportation costs. But it forecast oil exports to decline from 145,000 barrels per day in 2010 to 135,000 bpd in 2011 and 130,000 bpd in 2012. It noted, however, that economic difficulties could multiply if some Arab countries also imposed sanctions on Syrian products.

Source: Institute of International Finance

NIGERIA

Weak global economy and domestic tensions to pressure currency

Citigroup indicated that the combination of international economic events and domestic political tensions have created a temporary loss of confidence that is putting pressure on the naira. It said that the decline in world oil prices since April constitutes the main international economic factor that contributed to underlying pressure on the currency. But it considered that domestic politics, mainly the emergence of a new political threat from the north of the country, and the lack of any significant policy announcements, are weighing more heavily on the naira. It noted that current oil prices of around $100 per barrel do not pose an immediate threat to the naira, as it estimated the budget's breakeven oil price at around $85 per barrel. But, it said that the current oil price levels have negatively affected local sentiment about the Central Bank of Nigeria's (CBN) ability to meet demand for foreign exchange in the future. It added that global economic uncertainty led to few investors investing into either the Nigerian fixed income or equity markets. As such, it noted that Nigeria's reserves have been largely stuck at just over $32bn since end-2010. It said that a more substantial decrease of oil prices going into 2012 would be the most negative scenario, depending on the budget presented in late 2011. It noted that concerns about oil prices reflect the need for structural reforms and a reduction in political tensions in order for confidence in the currency to increase and for the naira to stabilize.

In parallel, Merrill Lynch indicated that the elevated import bill remains a key obstacle to the CBN's effort to curb continued depreciation of the currency. It expected the import bill to remain high, given the country's limited capacity to refine and process crude oil products domestically. It projected the current account surplus to decline to 10% of GDP in 2012 compared to an estimated surplus of 11.8% of GDP in 2011; and for the trend of lower surpluses to increase downside pressure on the naira. Further, it noted that the CBN's foreign reserves stayed in the range of $32bn to $33bn so far this year due to high oil prices, down from $36bn at the end of August 2010. But, it expected continued stress on reserves in the short-term due to a likely decline in oil prices in the fourth quarter of the year and little improvement in capital inflows.

Source: Citigroup, Merrill Lynch

GHANA

Economic growth to exceed 13% in 2011, inflation is key challenge

The International Monetary Fund expected Ghana's real GDP growth to exceed 13% in 2011, driven by the start of oil production as well as by strong activity in other sectors of the economy. It added that inflation is now in single digits and that the cedi remains broadly stable against the US dollar due to the improved external position. It expected the fiscal targets for 2011 to be achievable, as tax revenues improved significantly in the first half of the year and with continued control over expenditures. It said that the prospects of a major increase in infrastructure spending would put pressure on expenditures in other areas. It added that the government cleared a sizeable part of its previous arrears, which had contributed to high non-performing loans in the banking sector. It encouraged the government to strengthen the management of public expenditures, ensure that energy and other regulated prices are set at cost-recovery levels, and keep overall spending at a sustainable level to avoid the reemergence of arrears.

In parallel, the Fund considered that maintaining low inflation constitutes a key challenge for the Bank of Ghana, given the sizeable inflows of foreign currency. It encouraged the Bank of Ghana to further build up its foreign reserve buffer, while carefully managing the impact on domestic liquidity and allowing some adjustments in the exchange rate in response to market forces. It said that close coordination between fiscal and monetary policy is important in order to avoid a reemergence of high inflation and an associated erosion of real incomes.

Source: International Monetary Fund

ECONOMY & TRADE

GCC

Insurance premiums to reach $37bn in 2015

Alpen Capital projected total insurance premiums generated in the Gulf Cooperation Council (GCC) countries to reach $37bn in 2015 and to post a compound annual growth rate (CAGR) of 20% during the 2011-15 period. It also forecast aggregate insurance premiums in the GCC at $17.8bn in 2011, $21.35bn in 2012, $25.4bn in 2013 and $30.5bn in 2014. It projected premiums generated in Qatar to post a CAGR of 29.5% during the 2011-15 period, followed by the UAE with 19%, Saudi Arabia with 18%, Oman with 17.6%, Kuwait with 17.4% and Bahrain with a 15.7% growth rate. It forecast life insurance premiums in the GCC to grow at a CAGR of 25% and for non-life premiums to expand at a CAGR of 19% in the 2011-15 period. Further, it expected the non-life segment to account for about 86% of total premiums in 2015 compared to 88% in 2010. It projected the penetration of non-life insurance to increase from 1.12% of GDP in 2011 to 1.8% of GDP in 2015, and for life insurance penetration to rise from 0.15% of GDP in 2011 to 0.3% of GDP in 2015. Also, it expected life insurance density to increase from $50.8 in 2011 to $113.5 in 2015, growing at a CAGR of 22.2% in the 2011-15 period; and that of non-life to rise from $378.7 in 2011 to $690.5 in 2015, growing at a CAGR of 16.2% in the same period.

Source: Alpen Capital

DEM REP CONGO

Asian nations to play increasing role in the DRC's economy

Business Monitor International expected investments from China, India and other Asian nations to play an increasingly important role in the Democratic Republic of Congo's (DRC) economic growth. It indicated that the DRC increased its ties with several Asian economies in recent months and expected this trend to continue in the foreseeable future, as Asian economies seek more natural resources and as Western nations place restrictions on trade in 'conflict minerals'. It added that the move to boost ties between the DRC and Asian economies is being pursued with equal vigor from both sides due to the convergence of interests. It noted that the DRC is keen to develop its infrastructure and economy with the help of Asian expertise, while Asian economies have identified the DRC as a potentially very significant source of raw materials. BMI projected real GDP growth in the DRC at 7% in 2011 and 7.3% in 2012.

Source: Business Monitor International

UKRAINE

Sovereign ratings downgraded on methodology change

Standard & Poor's affirmed Ukraine's long-term foreign-currency sovereign ratings at 'B+' and lowered its long-term local-currency sovereign rating to 'B+' from 'BB-'. It also affirmed Ukraine's short-term local- and foreign-currency ratings at 'B', long-term national scale rating at 'uaAA-' and transfer and convertibility assessment at 'B+'. The agency attributed the downgrade to its recently revised sovereign rating methodology, which puts more weight on the exchange rate regime. It said that Ukraine's reliance on a managed exchange rate, combined with limited monetary flexibility, requires an equalization of the local and foreign currency ratings. It indicated that the ratings are supported by a large commodity endowment and strong growth potential; but that they remain constrained by persistent double-digit inflation, unsustainably high pension spending, political constraints to fiscal consolidation, and a highly-leveraged financial sector with considerable non-performing loans. Further, it expected the recent ban on foreign-currency denominated consumer loans to help reduce foreign currency loans, which accounted for 47% of total loans at end-July. S&P warned that deterioration in political stability, a sharp drop in investor sentiment from capital outflows, and a significant rise in external and fiscal financing could put downward pressure on the ratings.

Source: Standard & Poor's

RWANDA

Sovereign ratings affirmed

Fitch Ratings affirmed Rwanda's long-term foreign and local currency Issuer Default Ratings, Country Ceiling and short-term currency rating at 'B', with a 'stable' outlook. It said that Rwanda's ratings reflect its low GDP per capita, poorly diversified economy and high reliance on international aid that accounts for 44% of its total budget revenues. But, it noted that strong political and economic leadership favored pro-growth structural reforms and delivered a strong macroeconomic performance. It added that authorities need to increase economic diversification and reduce reliance on international aid, despite that GDP per capita almost doubled over the past five years. The agency considered that the deterioration in the external environment, including higher imported inflation, constitutes Rwanda's biggest near-term downside risk. It noted that the 2011/12 budget includes fiscal tightening through higher tax receipts and lower spending. As such, it expected the budget deficit to decline to 2.4% of GDP in 2011/12 and 0.3% of GDP in 2013/14 from an estimated 4.8% of GDP in 2010/11. It added that government debt reached 20.2% of GDP in 2010/11, but remains much lower than the 'B' median's 40% of GDP. In parallel, Fitch said it may downgrade the ratings in case of a threat to political stability or deterioration in donor inflows, given Rwanda's dependence on international aid.

Source: Fitch Ratings

JORDAN

Government looking for debt swaps and foreign grants to address debt and deficit

Germany announced that it will write off €27m of Jordan's debt under a debt swap agreement. The deal involves a 50% discount on the original debt, and the amount will go to finance the budget deficit and educational projects. The Finance Ministry indicated that the government is seeking similar debt swap agreements with other creditor countries in order to address the country's growing fiscal deficit and reduce its foreign debt. In parallel, Parliament passed the 2011 budget supplement that totals $824m, leading to total spending of $9bn this year. Grants will largely help cover the substantial rise in current spending, as the country received $1.4bn in grants between May and July.

Source: JP Morgan, Saudi Press Agency

BANKING

SYRIA

Banks' assets down 4.3%, deposits drop 9% year-to-May

Figures released by the Central Bank of Syria (CBS) indicate that the banking sector's aggregate assets reached SYP2,097bn, or $44.2bn, at the end of May 2011, constituting a decline of 4.3% from year-end 2010. The sectors' foreign assets totaled SYP416bn, or $8.8bn, increasing by 2.5% in the first five months of 2011. The banking sector's total loans, including financing under Islamic methods for Islamic banks, increased by 1.3% to SYP1,329bn, or $28bn, with credit to the resident private sector rising by 5.4% to SYP656bn, or $13.8bn, at end-May. The sector's total deposits reached SYP1,278bn, or around $27bn, at end-May, constituting a drop of 8.7%, or $2.6bn, in the first five months of the year. Foreign currency deposits totaled SYP182bn, or $3.8bn at end-May, and declined by 5% from end-2010. Also, resident private sector deposits reached SYP939bn, or $19.8bn, at end-May, down 10.8% from end-2010; while non-resident private sector deposits regressed by 17.6% to SYP11bn, or $231m, in the first five months of the year. The dollar figures are based on the official exchange rate of 47.45 to the dollar at end-May.

In parallel, the total assets of private commercial banks operating in Syria reached SYP491bn, or $10.4bn, at the end of May 2011, constituting a decline of 7.6% from end-2010. The banks' foreign assets contracted by 1.9% to SYP122bn, their domestic assets regressed by 9.3% to SYP369bn, and their reserves dropped by 29.3% to SYP90bn during the first five months of the year. The drop in foreign assets was caused by a decrease of 3.1% in the balances with foreign correspondents to SYP88.5bn and a decline of 15.2% in cash in vault to SYP4.6bn. Also, the decline in reserves was caused by a 34.4% drop in deposits at the CBS due to a 36.6% contraction in Syrian pound deposits and a 21.5% drop in foreign currency deposits at the CBS. Claims on the resident private sector totaled SYP211bn, up 6.8% from end-2010.

On the liabilities side, deposits, excluding non-resident private sector deposits, reached SYP385bn, or about $8.1bn, dropping by 10.8% or $1bn in the first five months of the year. Time deposits regressed by 7.2% to SYP157bn, demand deposits decreased by 21% to SYP86.5bn, and savings deposits dropped by 18.2% to SYP16.5bn. Foreign currency deposits reached SYP125bn, or $2.6bn, constituting a decline of 5.7%, or $160m year-to-May. The private banks' loan-to-deposit ratio was 62.9% at-end-May, up from 44.1% a year earlier.

Source: Central Bank of Syria, Byblos Research

KUWAIT

Banks' recapitalization needs at 2% of GDP under worst case scenario

The International Monetary Fund indicated that stress tests conducted on the Kuwaiti banking sector showed that the system could reasonably withstand significant credit and liquidity shocks, but that banks' liquidity should continue to be monitored closely. It noted that under the most adverse scenario no bank will lose its entire capital despite a marked deterioration in the loan portfolio. It said that the most adverse scenario assumes a significant drop in oil and asset prices, protracted low economic growth, a rise in the NPL ratio to 17.7% compared to 11.3% under the baseline scenario, credit would contract by 4% relative to growth of 6% under the baseline scenario, and provisions-to-loans would double. It added that the maximum recapitalization need to restore the capital adequacy ratio to the statutory 12% requirement under the most adverse scenario would not exceed 2% of GDP. It noted that the single-factor stress test results still underscore the vulnerability of the banking sector to exposure to the real estate and equity markets. But, it noted that the recapitalization needs under severe scenarios appear manageable. Further, it said that liquidity stress test results showed that banks can broadly withstand a liquidity shock, but that the authorities should continue to ensure that banks hold adequate liquid assets to cushion against stressful events.

Source: International Monetary Fund

SAUDI ARABIA

Private sector lending up 9% year-on-year

Figures issued by the Saudi Arabian Monetary Agency (SAMA) show that total assets of commercial banks reached SAR 1,504bn at the end of July 2011, unchanged month-on-month, but constituting a 6.2% rise from end-2010 and a 10% increase from July 2010. Lending to the private sector reached SAR 831.5bn, up 1.5% month-on-month and posting the highest monthly increase this year, while lending grew by 8.7% from a year earlier. The growth in lending was driven by a 10.7% year-on-year increase in retail credit at end-June and to growth of 8.1% year-on-year in corporate lending. Also, customer deposits totaled SAR 1,053bn at end-July, unchanged month-on-month, but increasing by 11.7% from a year earlier. The loans-to-deposits ratio was 79% at end-July relative to 81.1% a year earlier. The sector's aggregate net profits reached SAR 3bn in July, up 16.7% month-to-month, and posting the highest monthly profit figure since April 2009. In parallel, SAMA's stock of foreign assets reached a record high of $502bn at end-July and increased by $9bn in July due to rising oil production and high oil prices. SAMA's foreign assets include $360bn in foreign securities.

Source: EFG Hermes, Saudi Arabian Monetary Agency

ARMENIA

Central Bank cuts refinancing rate by 50bps

The Central Bank of Armenia (CBA) cut its refinancing rate by 50bps from 8.5% to 8%, citing a decline in inflation. It said the inflation rate reached 4.8% in August on annualized basis, and returned to the target inflation band. It added that recent inflation developments are in line with the directions outlined by the monetary programs for 2011. It considered that the easing of monetary conditions will help stimulate economic activity. It said that domestic demand is not creating inflationary pressures; while developments in the external sector remain neutral on the inflationary environment. The CBA previously raised its refinancing rate by 25bps to 8.50% in April this year.

Source: Central Bank of Armenia

ENERGY / COMMODITIES

Brent crude down on lower U.S. stocks and demand

Oil prices fell on September 15 as rising fuel stocks and falling demand in the U.S. reinforced fears that slowing economic growth and Europe's debt crisis would dent energy use. Further, the debt crisis in Europe is hurting confidence and capping any oil rally. Prices of Brent crude for November dropped by 8 cents to $109.57 a barrel while prices of U.S. crude decreased by 38 cents to $88.53 a barrel. The Energy Information Administration indicated that gasoline stocks rose 1.9 million barrels last week relative to a projected 500,000 barrel decline; while distillates, which include heating oil and diesel, rose by 1.7 million barrels compared to an anticipated increase of 700,000 barrel. Brent's premium over U.S. crude benchmark West Texas Intermediate remained almost unchanged at about $23.50 a barrel, down from a record above $27 a barrel on September 6 on prospects of increasing production from Libya after Muammar Gaddafi's government was overthrown.

Source: Thomson Reuters

Iraq to build 5 oil refineries for $30bn

The Iraqi government announced that it is seeking foreign investors to build five oil refineries to increase its fuel-processing capacity and avoid importing gasoline and diesel. It said that the $30bn investment would increase its capacity to transform crude into fuels by 900,000 barrels a day. Further, the government noted that it aims to increase the capacity of an existing refinery in Basra by 70,000 barrels a day next year. It added that Iraq imports an estimated 10 million liters of gasoline per day and is the only member of the Organization of Petroleum Exporting Countries with no production quota.

Source: Bloomberg

Syria to maintain oil production

The International Energy Agency expected Syria to maintain oil production and find alternative buyers after the European Union banned its member states from purchasing Syrian crude. It estimated Syria's oil production at 332,000 barrels a day in August 2011.

Source: Bloomberg

Kurdish oil exports halted on technical problems

The Kurdistan Regional Government stated that oil exports on the main pipeline that carries about 100,000 barrels of crude per day from the Kurdish region were halted due to technical problems and malpractice. It expected oil exports to resume soon. Kurdish exports dropped sharply in the last two weeks to about 50,000 barrel a day from 160,000 barrel a day.

Source: Thomson Reuters

Egypt to increase gas prices to Jordan

Egypt's Ministry of Oil stated that the Cabinet is expected to review a draft agreement that would raise the price of natural gas exported to Jordan. It added that the increase in prices would apply retroactively to gas sold to Jordan from January 2011.

Source: Bloomberg

Base metals: Prices resilient through a period of economic uncertainty

Base metal prices fell in the past week due to stronger US dollar and falling equity market. But prices proved to be resilient through a period of economic uncertainty, supported by good macroeconomic data for China, with import demand unexpectedly strong in August. The drop in aluminum, copper, lead and zinc prices ranged between 2% and 3% week-on-week, while tin underperformed and posed a 4% week-on-week drop. Nickel prices increased by a marginal 0.1% on a weekly basis. Base metals demand remains biased towards sectors that posted high growth such as construction and transportation, as well as countries such as China and India that should prove to be well insulated from the economic problems in Europe.

In parallel, early warning signals indicate that the turmoil in financial markets is starting to feed through into the industrial economy. Further, downside risks remain high for the base metal complex. A further bout of contagion in Europe is likely in the next few weeks, which will probably help to reduce prices lower once againe. However, pullbacks in base metal prices are expected to be short-lived.

Source: Standard Chartered

Precious metals: Prices down on higher exposure to the US dollar

Precious metals dropped more sharply than base metals prices in the past week, reflecting higher exposure to the US dollar that rebounded strongly. Gold prices retreated by 3.3% week-on-week while silver prices dropped by 4.4% week-on-week. The platinum group metals were dragged down by the drop in the precious metals complex. Platinum prices decreased by 3.6% week-on-week while palladium prices contracted by 4.1% week-on-week, reflecting its greater exposure to the industrial cycle.

Worries about the euro, the global economic slowdown and renewed tensions in the banking sector constitute the main drivers for gold prices. Also, continuous worries about a breakup of the euro area remain a supportive factor for gold and silver prices, as investors seek to diversify away from currency risk.

Source: Standard Chartered

Global Commodity Outlook

(3-months LME, $/ton)	2010	2011f	2012f
Aluminum	2,201	2,539	2,450
Copper	7,570	9,281	10,000
Lead	2,172	2,577	2,700
Nickel	21,913	24,551	23,000
Tin	20,448	28,168	30,000
Zinc	2,188	2,384	2,400
(Spot price, $/ounce)			
Gold	1,227	1,643	1,900
Palladium	529	793	900
Platinum	1,613	1,832	2,050
Silver	20	38	41

Source: Standard Chartered

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	- -	- -	- -	- -	BB Stable	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
Angola	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+ Negative	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+ Negative	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-	-	-								
	-	-	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								
	Positive	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	09-Aug-11	No change	20-Sep-11
Eurozone	Refi Rate	1.50	08-Sep-11	No change	06-Oct-11
UK	Bank Rate	0.50	08-Sep-11	No change	06-Oct-11
Japan	O/N Call Rate	0-0.10	07-Sep-11	No change	06-Oct-11
Australia	Cash Rate	4.75	06-Sep-11	No change	04-Oct-11
New Zealand	Cash Rate	2.50	28-Jul-11	No change	15-Sep-11
Switzerland	3 month Libor target	0.00	03-Aug-11	Cut 25bps	15-Sep-11
Canada	Overnight rate	1.00	07-Sep-11	No change	25-Oct-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	29-Sep-11
South Korea	Base Rate	3.25	08-Sep-11	No change	13-Oct-11
Malaysia	O/N Policy Rate	3.00	08-Sep-11	No change	11-Nov-11
Thailand	1D Repo	3.50	24-Aug-11	Raise 25bps	19-Oct-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	20-sep-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	14-Sep-11
Nigeria	Monetary Policy Rate	8.75	26-Jul-11	Raise 75 bps	20-Sep-11
Ghana	Prime Rate	13.00	20-Sep-11	No change	Nov-11
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	26-Aug-11	No change	14-Oct-11
Brazil	Selic Rate	12.00	31-Aug-11	Cut 50bps	18-Oct-11
Armenia	Refi Rate	8.00	06-Sep-11	Cut 50bps	N/A
Romania	Policy Rate	6.25	01-Sep-11	No change	N/A
Bulgaria	Base Interest	0.18	01-Sep-11	No change	N/A
Kazakhstan	Refi Rate	7.50	01-Jul-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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