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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 2% at end-January 2012

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2% at the end of January 2012 relative to 1.8% at the end of 2011 and 2.8% at end-January 2011. It said that seven corporate issuers defaulted in January this year compared to one default in the same month last year. The agency indicated that default rates remain low by historic standards but that they are increasing, mainly in Europe. It expected the number of defaults to increase in the coming months, but projected default rates to remain below their long-term average. It forecast the global speculative-grade default rate to increase to 2.7% by January 2013, well below the 5% historical average. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.5% at end-January 2012, relative to 1.8% at end-December 2011 and 1.6% at end-January 2011. 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 21.4% at the end of January 2011, compared to 24.1% at end-2011 and 8.6% a year earlier.

Source: Moody's Investors Service

EMERGING MARKETS

Trading in Credit Default Swaps down 28% to $1,053bn in 2011

Trading in emerging markets Credit Default Swaps (CDS) reached $1,053bn in 2011, constituting a decrease of 28% from $1,452bn in 2010. Trading in CDS reached $234bn in the fourth quarter of 2011, constituting an increase of 13% from $207bn in the same period of the previous year, but a 15% drop from $274bn in the third quarter of 2011. The most frequently traded sovereign CDS contracts in the fourth quarter were those of Brazil at $43bn, followed by Turkey and Mexico at $25bn each. The most frequently traded corporate CDS contracts were those on Gazprom at $7bn, followed by Pemex at $3bn. The survey covered data on CDS contracts for 19 emerging economies and 10 emerging market corporate issuers from 13 major international banks and broker-dealers. The drop in market liquidity may reflect the impact of a number of regulatory, legal and other factors on the CDS market, expected ban by the EU on "naked" short risk positions in CDS, and higher counter-party risk from the Eurozone crisis. More specifically, the drop in the annual volume of trading in emerging markets CDS confirm the collapse of secondary market liquidity across all credit products, as broker-dealers are cutting limits in preparation for the implementation of the new Basel III and Dodd-Frank regulations. The decline in volume also reflects the loss of market faith in CDS due to the debt restructuring approach in Greece, as some market participants are questioning the value of CDS protection in the case of sovereign restructurings.

Source: EMTA, Deutsche Bank

Sovereign and corporate issuance at $270bn in 2011

Merrill Lynch indicated that aggregate sovereign and corporate bond issuance in non-G10 emerging markets reached $270bn in 2011, constituting a decrease of 4.6% from $283bn in 2010. Issuance in Emerging Europe, the Middle East & Africa (EEMEA) reached $105.7bn, or 39.2% of the total, followed by Latin America with $91.1bn (33.8%) and Asia with $73bn (27%). Further, sovereign issuance reached $70.7bn, down 8.5% from $77.3bn in 2010. Sovereign issuance in the EEMEA region reached $42.4bn, or 60% of the total, followed by Latin America with $18.7bn (26.5%) and Asia with $9.5bn (13.5%). In parallel, corporate bond issuance in non-G10 emerging markets reached $199.2bn in 2011, constituting a decrease of 2.8% from $205bn in 2010. Issuance in Latin America reached $72.4bn, or 36.3% of the total, followed by Asia with $63.5bn (31.9%) and the EEMEA with $63.3bn (31.8%). Merrill Lynch projected sovereign bond issuance in non-G10 emerging markets at $69.5bn in 2012, and expected Latin America to issue $28.1bn, followed by Emerging Europe with $25.7bn, the Middle East & Africa with $10.5bn and Asia Pacific with $5.3bn.

Source: Merrill Lynch

MENA

M&A activity retreats by 28% to $32bn in 2011

Figures released by Ernst & Young show that a total of 416 merger & acquisition deals were announced in the Middle East & North Africa (MENA) in 2011, up 4% from 401 deals in 2010. The aggregate value of M&A deals in the region fell by 28% to $31.7bn in 2011 from $44.1bn in 2010. The number of domestic deals in the region reached 224 and accounted for 54% of the region's total M&A deals, followed by outbound deals with 104 (25%) and inbound deals with 88 (21%). Also, the value of outbound deals stood at $16.3bn and accounted for 51% of the region's total announced deal value in 2011, followed by domestic deals with $9.8bn (31%), and inbound transactions with $5.6bn (18%). E&Y said that the UAE had the largest number and aggregate value of domestic transactions in 2011 with $3.9bn through 44 deals, followed by Saudi Arabia with $2.8bn through 44 deals. The UAE accounted for 40% of total disclosed domestic deals value in 2011, followed by Saudi Arabia with 29% and Kuwait with 11%. Further, the survey said that the most active sectors for domestic M&A deals were diversified industrial products with 15 deals worth $680m and the real estate sector with 28 deals ($3.6bn); while diversified industrial products was the most active sector for inbound M&A deals with 21 deals ($1.3bn), followed by the oil & gas sector with 12 deals ($1.3bn). It added that the oil & gas sector had the largest value and volume among outbound M&A deals with 13 deals worth around $9bn, followed by consumer products with 11 deals ($31m) and diversified industrial products 10 deals ($156m). E&Y attributed the drop in inbound deals to the decreasing levels of FDI inflows to the region.

Source: Ernst & Young

MENA

Countries in transition to face near-term economic challenges

The Institute of International Finance expected Egypt, Tunisia and Libya to post a modest recovery in the coming 12 to 18 months, with overall economic conditions remaining weak over the near term. It projected real GDP growth in Egypt at 2%, in Tunisia at 3.2% and in Libya at 44.8% this year. It said that the transition period will prove significantly challenging for these countries as growth will be insufficient to address the high unemployment rates and to improve living standards. It considered that rehabilitating the economy as well as stimulating investments and implementing inclusive growth constitute the most urgent issues that governments need to address. It expected external financial pressures for Egypt and Tunisia to ease due to support from multilateral sources. But it said that such support will be mostly in the form of official and budget help to governments, with only a fraction coming from the private sector in the form of FDI or equity investments. As such, it expected external assistance to likely favor consumption over investment in the short-term, which would induce a temporary rebound in demand but would not necessarily stimulate long-term investment or sustainable growth.

In parallel, the IIF expected the economic policymaking process in the three countries to be hindered by the authorities' preoccupation with political issues; by the lack of clarity surrounding the economic policy framework to be proposed by new governments; and by the difficulty of forging political consensus given the diversity of political parties in the new governing coalitions. It warned that Egypt and, to a lesser extent, Tunisia would face an economic and potentially a political crisis if growth rates do not improve substantially and unemployment does not begin to show significant declines. As such, it said that the policy actions taken by the authorities in the coming six to 12 months will be critical. It pointed out that Tunisia and Libya are better positioned to rehabilitate their economies through fundamental structural reforms and to establish a market-friendly business environment that would stimulate innovation, entrepreneurship and dynamic growth. It added that Egypt's situation is far more complex, difficult and demanding because of an inflated public sector and state-dominated economy, as well as because of the uncertainties surrounding the role of new governments in shaping economic policy in the future.

Source: Institute of International Finance

IRAQ

Economic growth to average 12% annually in coming five years, large-scale investments and oil production to drive activity

Business Monitor International projected Iraq's real GDP growth at 14.1% in 2012 relative to 10.6% in 2011, driven by a surge in oil production and large-scale investments into housing and energy infrastructure. It also expected economic growth to average 11.9% over the next five years, making Iraq the fastest-growing economy in the MENA region during the covered period with growth reaching 13.7% in 2013 and 12.1% in 2014. It said that foreign investors' increased interest in the Iraqi economy indicates that confidence in the country's longer-term outlook is beginning to return. However, BMI pointed out that the economic outlook varies widely across the country, with northern Iraq looking significantly more attractive to foreign investors than the capital and Southern Iraq. It also expected private consumption to lag behind due to the increasingly weak security environment. As such, it expected household spending to under-perform in 2012 as the oil sector, which accounts for about 98% of exports and 90% of fiscal revenues, employs only 1% of the workforce, thereby limiting the direct boost to household spending from increased oil production.

In parallel, BMI expected fixed investment to expand rapidly over the medium term, given the country's infrastructure deficit. It expected the construction sector to support fixed investment activity and expand by an annual average of 8.7% between 2012 and 2016. It also forecast government spending to grow by 15% in 2012, below the government's projections of 21%, as political infighting and bureaucratic bottlenecks are likely to delay project implementation. But it said that government consumption remains essential to boosting Iraq's near-term economic outlook. It added that Iraq's expansionary fiscal policy will help support consumption levels over the coming quarters as the public sector provides approximately 60% of full-time jobs in the country.

Source: Business Monitor International

GCC

Countercyclical fiscal policies to continue

Barclays Capital projected economic growth in the GCC at 5.4% in 2012 compared to an earlier forecast of 4.1%, but down from a growth rate of 7.7% in 2011. It attributed the upward growth revision to a higher hydrocarbon growth forecast of 6.2% in 2012. It said that the GCC hydrocarbon sector is likely to be directly affected by the international sanctions on Iran as the GCC countries, mainly Saudi Arabia, Kuwait and the UAE, would raise their oil production by 1.4 million barrel per day to partially meet the demand gap. It expected the increase in production to translate into better growth and macroeconomic outcomes. As such, Barclays Capital revised upwards its real hydrocarbon GDP forecast for Saudi Arabia, Kuwait and the UAE by 4, 1.5 and 0.85 percentage points, respectively; bringing their hydrocarbon growth estimates to 6.3%, 5.3% and 5.4%, respectively, in 2012. But it noted that this scenario is not without risks, mainly in light of Iran's threats to close the Strait of Hormuz; as well as due to the limitations of other alternative routes that can only accommodate around 46% of the 15 million b/d in GCC oil exports that go through the strait. It projected non-oil growth at 9% in Qatar, 5.3% in Saudi Arabia and 3.9% in the UAE this year.

In parallel, Barclays Capital expected GCC governments to continue their countercyclical fiscal policies aimed at mitigating the effect of slower global growth on their domestic economies. As such, it expected total government expenditures to increase by 3% in 2012 after rising by 22% in 2011. But it forecast the GCC's fiscal balance to post a surplus of 11.6% of GDP in 2012 relative to 11% of GDP last year, driven by oil prices and higher production.

Source: Barclays Capital

ECONOMY & TRADE

WORLD

Top 30 cities attract 62% of real estate investment

Jones Lang LaSalle indicated that real estate investments in the top 300 cities by GDP worldwide totaled $820bn between 2008 and the third quarter of 2011. It said that top 30 cities by GDP accounted for $509bn or 62% of real estate investments during the covered period, the following 70 cities by GDP represented $194bn or 24% and the next 200 cities accounted for $116bn or 14% of the total. It added that office stock in the top 300 cities by GDP worldwide reached 1.2 billion square meters during the covered period, with the top 30 cities by GDP accounting for 462 million square meters or 39% of the total, the following 70 cities representing 374 million square meters (32%), and the next 200 cities accounting for 348 million square meters (29%). It expected investors to start targeting cities beyond the top 300 cities by GDP, such as emerging markets cities as well as secondary and tertiary cities in mature economies. It added that better real estate transparency, faster economic growth rates, and the improving quality of the real estate stock in emerging and non-top 30 cities will help attract such investments.

Source: Jones Lang LaSalle

EGYPT

Sovereign ratings downgraded on weaker policy flexibility

Standard & Poor's downgraded Egypt's long-term foreign and local currency sovereign credit ratings to 'B' from 'B+' with a 'negative' outlook. It also affirmed the short-term sovereign credit ratings at 'B' and revised the transfer and convertibility assessment to 'B', in line with the sovereign ratings. It attributed the downgrade to the deterioration in Egypt's external position as well as to domestic political instability and the lack of external financial support. It indicated that the sharp decline in Egypt's foreign exchange reserves and the ongoing political uncertainties are weakening the authorities' policy flexibility. It said that Egypt's external financing risks rose significantly, with FDI declining sharply and net portfolio flows turning negative. It added that the Central Bank of Egypt's interventions to support the currency, combined with significant capital outflows and double-digit annual inflation, have resulted in a sharp decline in net international reserves. It noted that foreign exchange reserves stood at $16bn at end-January and covered less than three months of goods and services imports, down from $36bn at the start of 2011 that covered more than six months of goods and services imports. It warned that it would further downgrade Egypt's sovereign ratings if the government fails to stop the decline in reserves, or if an uncertain policy environment and weak institutions emerge from the ongoing political transition.

Source: Standard & Poor's

JORDAN

Insurance premiums up 6% to $613m in 2011

Figures issued by the Insurance Commission of Jordan (ICJ) show that gross premiums generated in the local market reached $612.6m in 2011, constituting an increase of 6.3% from $576.3m in 2010. General insurance premiums rose annually by 6.2% to $555m, while life premiums increased year-on-year by 7.4% to $57.5m. Also, gross paid claims grew by 17.2% to $466.1m from $397.9m in 2010. The ICJ indicated that insurance services providers operating in Jordan totaled 870 at end-2011, up by 12.8% from 2010 and included 15 insurance companies and 10 firms providing bancassurance services, as well as 583 insurance agents, 114 insurance brokers, 56 loss adjusters, 29 consultants, 15 actuaries and 15 reinsurance brokers. Also, the commission granted permits to 32 foreign reinsurance brokers to conduct business in the country.

Source: Insurance Commission of Jordan

KUWAIT

Political friction to affect reforms

Fitch Ratings considered that marked frictions between the recently-elected Parliament and the appointed Cabinet will continue to weigh on the reform agenda and to hamper political effectiveness. It expected political tensions to affect economic reforms and the implementation of the four-year Development Plan that aims to boost the country's infrastructure and diversify the economy away from oil, and which is equivalent to 80% of GDP through fiscal year 2013/14. It noted that Kuwait's low government effectiveness relative to rating peers, and the political frictions, constitute a weakness for its sovereign ratings. In parallel, EFG Hermes expected the limited progress on Kuwait's investment program to lead to a subdued domestic demand environment and limited opportunities for the private sector, including lending opportunities for the banking sector. It projected Kuwait's non-oil GDP growth at 3.2% in 2012, down from 4% in 2011. It indicated that Kuwait's political environment continues to impact its economic performance, as Parliament is blocking government measures, including key investments, and as the government's time is spent on dealing with political crises.

Source: Fitch Ratings, EFG Hermes

ARMENIA

Brand perception retreats in fourth quarter

The Nation Brand Perception Index ranked Armenia in 160th place among 200 countries and territories around the world in the fourth quarter of 2011, and in 11th place among the 12 countries that form the Commonwealth of Independent States (CIS). Armenia's rank regressed from 77th position in the third quarter of 2011, 134th place in the second quarter and from the 137th spot in the first quarter of last year. In parallel, Armenia ranked in 148th place globally for the full year 2011 compared to 160th place in 2010, and ranked ahead of Iceland and behind Eritrea; while it came in ninth place regionally last year, ahead of Georgia and behind Russia. Armenia received a score of 47.2 points for the full year 2011, up from 44.2 in 2010, but below the global and regional averages of 50 and 48.3 points, respectively. Globally, Armenia ranked ahead of Panama, Vietnam, and Bosnia & Herzegovina, and came behind Venezuela, Colombia and Jordan. It also ranked ahead of only Ukraine in the CIS. Also, it received a score of 47.2 points in the fourth quarter of 2011, down from 51.8 points in the preceding quarter, and below the global and regional averages of 49.9 points and 50.3 points, respectively.

Source: East West Communications, Byblos Research

EGYPT

Banks' ratings downgraded on sovereign action

Standard & Poor's lowered its long-term counterparty credit ratings on National Bank of Egypt (NBE), Banque Misr (BM) and Commercial International Bank (CIB) to 'B' from 'B+' and affirmed the banks' short-term counterparty credit ratings at 'B', with a 'negative' outlook on all the ratings. It also affirmed the public information rating on National Société Générale Bank (NSGB) at 'Bpi'. It attributed the downgrades to its earlier decision to reduce Egypt's sovereign credit ratings. It said that its rating actions on NBE, BM and CIB reflect the risk of further deterioration of the sovereign's creditworthiness. It noted that the sharp decline in Egypt's foreign exchange reserves, combined with ongoing political uncertainties, is weakening the sovereign's policy flexibility. It added that the uncertainties surrounding the outcome of the political transition and security issues will hamper Egypt's economic growth and hurt the banks' financial profiles, mainly their asset quality and profitability. Further, it said that the ratings reflect the risk that public-sector banks, such as NBE and BM, would use part of their liquidity to invest in local government debt as a result of widening government borrowing requirements. It said that it would further downgrade the banks' ratings if the ratings on the sovereign were lowered. In parallel, S&P pointed out that NSGB's ratings reflect the risks involved in operating in Egypt, and its exposure to sovereign risk as it holds a significant amount of local government debt.

Source: Standard & Poor's

GHANA

Banks' capital adequacy solid, NPLs still elevated

The risk-weighted capital adequacy ratio of banks operating in Ghana reached 17% at the end of August 2011 relative to 19% at the end of 2010 and 18.2% at end-2009. Also, the banks' Tier One capital ratio was 15.4% at end-August 2011, declining from 18.6% at end-2010 and 17% at end-2009. The sector's core liquid assets reached 25.1% of total assets at end-August 2011 relative to 25.3% at end-2010 and 26.3% at end-2009; while they accounted for 32% of short-term liabilities at end-August relative to 33% at end-2010 and 34.5% at end-2009. Total credit accounted for 36.5% of total assets at end-August 2011, down from 40.1% at end-2010 and 43.8% at end-2009. Also, foreign currency deposits accounted for 29.4% of total deposits compared to 25.4% at end-2010 and 32.7% at end-2009; while foreign currency liabilities represented 3.8% of total liabilities at end-August 2011 compared to 4.7% at end-2010 and 6.2% at end-2009. Further, the sector's non-performing loans reached 16% of gross loans at end-August 2011, down from 17.6% at end-2010 and 16.2% at end-2009. Also, the sector's provisions-to-NPLs ratio increased to 75% from 70.6% at end-2010 and 68.7% at end-2009; while loan-loss provisions reached 8.6% of gross loans at end-August 2011 relative to 9.4% at end-2010 and 11.1% at end-2009. In parallel, banks' return on assets reached 3.5% in August on an annualized basis, relative to 3.8% in 2010 and 2.8% in 2009; while their return on equity was 17.7% on an annualized basis, compared to 20.4% in 2010 and 17.5% in 2009.

Source: International Monetary Fund

NIGERIA

Foreign reserves on the rise, currency stabilizes

Citigroup indicated that Nigeria's foreign exchange reserves reached $34.6bn at end-January 2012, their highest level since September 2010, as they increased by $1.7bn in January and posted the largest monthly increase since September 2008. It attributed the increase to the authorities' three-point strategy to reduce capital flight and rebuild the reserves that were depleted in recent years. It said that the government aimed at increasing the attractiveness of naira assets by raising interest rates. As such, it noted that the Central Bank of Nigeria (CBN) increased the Monetary Policy Rate (MPR) from 6.25% in December 2010 to 12% in October 2011. It said that the CBN would further increase the MPR if inflation rises, and forecast inflation to pick up to around 13% to 15% in the first half of the year. But it noted that the CBN's exact response will depend on its commitment to maintain positive real interest rates. It added that the government aimed at reducing demand for foreign exchange at the CBN's twice weekly auctions, and reduced claims by petroleum product importers, in part through the partial reduction of fuel price subsidies. Further, it pointed out that the government plans to reduce spending, but the 2012 budget is still being debated in the National Assembly. Citigroup expected the continued increase in foreign exchange reserves in the coming months to support a stable exchange rate in 2012, with the US dollar trading at 160 naira. But it noted that a drop in global oil prices is the most important concern to the naira's stability.

Source: Citigroup

INDIA

Capital account liberalization helps reverse currency depreciation

Citigroup indicated that the Indian rupee shifted from being the worst performing Asian currency in 2011, with a depreciation of 15.7% against the US dollar, to the best performing currency so far this year with a 7.5% appreciation against the dollar. It attributed the rupee's appreciation to the implementation of capital account liberalization measures last December, which opened up the Indian high yield market to yield-seeking foreign investors. It said that measures included widening the debt market quota for foreign institutional investors, as well as allowing foreign individuals to purchase single name equities, and non-resident Indians to invest in on-shore fixed deposits without any withholding tax. It noted that the attractiveness of this investment channel rose significantly as yields increased from around 6% to over 9%, attracting non-resident interest and supporting the exchange rate. However, Citigroup warned that the short term overseas deposits that have pushed up the currency constitute potential liabilities to the capital account. It said that they should be matched by liquid contingencies on the balance sheet of the Central Bank of India (CBI). It added that the CBI should also restore the $15bn in foreign reserves it has lost during the fourth quarter of last year, in order to enhance its risk management rather than to defend the currency from further appreciation as the US dollar is trading currently at under 50 rupees. It noted that there may not be much more room for the exchange rate to appreciate if the CBI implements such strategy.

Source: Citigroup

ENERGY / COMMODITIES

Brent prices decline on worries about Greece, but settles above $118 on supply fears

Brent crude prices declined on fears of a delay of a second bailout package for Greece, although worries of supply disruptions from Iran limited the drop. Prices rose to a six-month high in the previous session on supply worries as Iran declared progress on its nuclear capabilities, triggering concerns of rising tensions with the West. Brent crude prices declined by 36 cents to $118.6 a barrel on February 16th. Also, U.S. crude prices declined by 29 cents to $101.5 a barrel, while the premium of the European benchmark over U.S. crude remained below $17. Further, data from the U.S. showed a drop of 171,000 barrels of crude oil stockpiles in the week to February 10, against a forecast for a 1.5 million barrel increase, providing support for prices. Crude stocks held at Cushing in Oklahoma rose to their highest level since September, posting a rise of two million barrels of oil. Non-OPEC supply is expected to increase by just 0.37 million barrels per day in 2012.

Source: Thomson Reuters

OPEC produces 30.87 million barrels per day of crude oil in January

Crude oil output from the Organization of the Petroleum Exporting Countries (OPEC) increased to 30.87 million barrels per day in January from 30.8 million barrels per day in December. Therefore, OPEC is overproducing its production ceiling by 870,000 barrels per day. An increase in Libyan production by 200,000 barrels per day more than offset reductions totaling 170,000 barrels per day from Angola, Iran, Nigeria and Venezuela. OPEC reduced its demand forecast for crude from its 12 members for 2012 to 30.04 million barrels per day from 30.15 million barrels per day.

Source: Platts Survey

South Sudan signs oil pipeline deal

South Sudan signed an agreement to build an oil pipeline to the port of Djibouti through Ethiopia. The three countries signed a Memorandum of Understanding earlier this month; while Chinese, American and European companies showed interest in carrying out feasibility studies for the pipeline's construction. Industry experts noted that building a pipeline would take at least three years and cost up to $4bn. South Sudan also signed a deal with Kenya aiming to build an oil pipeline to the Kenyan port of Lamu.

Source: AFP

Jordan's self-sufficient energy plan requires large amounts of funding

The Institute of International Finance stated that Jordanian authorities developed a long-term plan for energy sustainability, which relies on shale oil-fueled power plants, nuclear power generation and renewable energy. It noted that this plan requires large amounts of funding, aside from the technical, environmental and political challenges. It added that funding of the development projects requires private sector participation, which would in turn call for minimal levels of guaranteed returns from the government.

Source: Institute of International Finance

Base metals: Prices decline slightly after a strong performance

Prices of base metals declined slightly in the past week, as markets consolidated after a strong performance through January and early February. Nickel prices declined the most, down by 6% week-on-week on February 14, reflecting its weak fundamentals. Lead and zinc prices both fell by 3% week-on-week and aluminum prices decreased by 2% week-on-week. Copper prices held up relatively well, but were still down by 1% week-on-week. While imports of copper and copper products in China fell from a record high of 508,900 tons in December to 413,900 tons in January, they still rose by 14% annually. China's copper imports are expected to remain at high levels in February. Further, the majority of Chinese copper imports in January were for financing purposes from commercial banks, while imports for consumption were only 30% to 40% of the total. Also, Chinese imports of aluminum and aluminum products reached 92,100 tons in January, down by 4.3% year-on-year and by 11.2% month-on-month.

Source: Standard Chartered

Precious metals: Prices of gold and silver decline on stronger dollar

Palladium prices declined by 3% week-on-week, while platinum prices decreased by 1%, reflecting the ongoing problems in South Africa. Gold and silver prices both declined by 2% week-on-week, due to a stronger U.S. dollar. While Greece's parliament passed a bill to introduce severe austerity measures, most of this news was already anticipated and priced in. Also, the net long managed-money position in gold increased by 9% week-on-week to 173,000 contracts on February 14, while that of silver rose by 34% to 25,000 contracts. Also, major physical ETFs for gold rose by 1.3% and that of silver increased by 2.4% so far this year.

Platinum and palladium prices continue to get support from government safety inspections in South Africa, which is hampering supply. Anglo Platinum, which produces around 40% of global platinum supply, was forced to close 81 times last year due to government action. The net long managed money position in platinum rose by 10% week-on-week to 19,000 contracts, while that for palladium rose by 20% week-on-week to 8,000 contracts.

Source: Standard Chartered

Global Commodity Outlook

(3-months LME, $/ton)	2011	2012f	2013f
Aluminum	2,434	2,225	2,500
Copper	8,814	8,750	10,750
Lead	2,377	2,250	2,600
Nickel	22,940	21,375	21,000
Tin	26,347	26,000	25,500
Zinc	2,209	2,200	2,450
(Spot price, $/ounce)			
Gold	1,588	1,863	2,000
Palladium	732	700	850
Platinum	1,725	1,750	2,050
Silver	36	34	37

Source: Standard Chartered

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	EIU	Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	- -	- -	- -	- -	BB Stable	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
Angola	BB- Stable	Ba3 Stable	BB- Stable	- -	B Negative	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	B Negative	B1 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+ Stable	- -	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- Stable	- -	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	Baa1 Negative	BBB 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: S&P	Moody's	Fitch	CI	EIU	Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-								
	-	Negative	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	Negative	Stable	-	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	25-Jan-12	No change	13-Mar-12
Eurozone	Refi Rate	1.00	09-Feb-12	No change	08-Mar-12
UK	Bank Rate	0.50	09-Feb-12	No change	08-Mar-12
Japan	O/N Call Rate	0-0.10	24-Jan-12	No change	14-Feb-12
Australia	Cash Rate	4.25	06-Dec-11	Cut 25bps	06-Feb-12
New Zealand	Cash Rate	2.50	26-Jan-12	No change	08-Mar-12
Switzerland	3 month Libor target	0.00	15-Dec-11	No change	15-Mar-12
Canada	Overnight rate	1.00	17-Jan-12	No change	08-Mar-12
Emerging Markets					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	Jan-12	No change	Mar-12
Taiwan	Discount Rate	1.88	13-Jan-12	No change	29-Mar-12
South Korea	Base Rate	3.25	09-Feb-12	No change	08-Mar-12
Malaysia	O/N Policy Rate	3.00	31-Jan-12	No change	09-Mar-12
Thailand	1D Repo	3.00	25-Jan-12	Cut 25bps	21-Mar-12
India	Reverse repo rate	8.50	24-Jan-12	No change	15-Mar-12
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	9.25	24-Nov-11	Raise 100 bps	N/A
Turkey	Base Rate	5.75	24-Jan-12	No change	21-Feb-12
South Africa	Repo rate	5.50	Jan-12	No change	29-Mar-12
Kenya	Central Bank Rate	18.00	01-Feb-12	No change	01-Mar-12
Nigeria	Monetary Policy Rate	12.00	30-Jan-12	No change	20-Mar-12
Ghana	Prime Rate	12.50	Dec-11	No change	Feb-12
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	20-Jan-12	No change	16-Mar-12
Brazil	Selic Rate	10.50	18-Jan-12	Cut 50bps	07-Mar-12
Armenia	Refi Rate	8.00	10-Jan-12	No change	N/A
Romania	Policy Rate	5.50	03-Feb-12	Cut 25bps	N/A
Bulgaria	Base Interest	0.18	01-Feb-12	Cut 4bps	N/A
Kazakhstan	Refi Rate	7.00	14-Feb-12	Cut 50bps	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	8.00	26-Dec-11	Cut 25bps	N/A

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