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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global property investments up 14% to $727bn in 2011

Figures released by property consultants Cushman & Wakefield indicate that global property investments reached $727bn in 2011, constituting an increase of 14% from the preceding year. Global property activity increased by 3% in emerging markets and commercial volumes rose by 21% in mature markets, which allowed the latter to increase their share to 60% of the global market last year from 56% in 2010. Commercial property investment volumes in Asia Pacific reached $364.4bn in 2012, and accounted for 50.2% of global trading last year; followed by the Americas with $182bn (25%) and Europe, the Middle East & Africa (EMEA) with $180bn (24.8%). Commercial property investment volumes rose by 49% in the Americas in 2011, by 17% in the EMEA, and by 0.5% in Asia Pacific. They increased by 57% in North America last year, by 9% in Latin America, and by 8% in Western Europe. China was the largest commercial market for the third consecutive year. Also, global property investments in New York reached $28.2bn last year, overtaking London ($27bn) and Tokyo ($18.6bn), as the largest target for commercial property investments at a city level. Further, global property investments reached $808bn when including multifamily property, of which $373.8bn in Asia Pacific, $235.7bn in the Americas, and $198.5bn in the EMEA. In parallel, global commercial property average prime yields fell by 20 basis points to 7.35% in 2011, with the Americas posting the steepest drop of 31bp, followed by Asia (-19bp), and the EMEA (-8bp).

Source: Cushman & Wakefield

EMERGING MARKETS

Emerging economies remain attractive for private equity investors

Preqin's annual survey of private equity investors indicated that 76% of investors in private equity funds will consider investing in emerging markets this year, compared to 70% in last year's survey. It added that 66% of emerging market investors plan to maintain their allocation to emerging economies over the next 12 months, compared to 33% who expect such allocations to increase during the covered period. Further, it noted that Asia remains the most attractive region for private equity investments in emerging markets for 43% of investors, followed by China with 33% of investors, Brazil with 25%, South America with 23%, Central & Eastern Europe and India with 12% each, and Africa and Russia with 5% each. In parallel, the survey indicated that 40% of investors look to invest directly in private companies. It said that 33% of investors will seek such exposure through co-investing alongside their fund managers in portfolio companies and 22% look to make direct investments on a proprietary basis. It added that 45% of respondents named small- to mid-market buyout funds as presenting good opportunities in the current market, while 49% of respondents are looking to invest in such funds in 2012, 28% will invest in distressed funds, and 19% plan to invest in secondary funds.

Source: Preqin

MENA

Equity markets up by 9% in the first two months of 2012

Arab stock markets increased by 9.2% and GCC markets rose by 8.9% in the first two months of 2012 compared to drops of 9.2% and 8.9%, respectively, in the same period last year. Activity on the Egyptian stock market increased by 45.4% in the first two months of 2012 and posted the best performance among Arab markets year-to-date. It was followed by the Dubai financial market with a 28% increase, the Saudi Arabia equity market with a 12.6% rise, the Abu Dhabi exchange with an 8.7% improvement, the Kuwait bourse with a 5.4% appreciation, the Casablanca stock market with a 3.4% growth, the Muscat equity market with a 2.5% rise, the Beirut stock exchange with a 1.6% increase, the Palestine market with a 1.1% increase, the Tunis equity market with a 1% growth and the Bahrain bourse with a 0.3% improvement. In parallel, the Iraqi stock exchange dropped by 10% in the first two months of 2012 and posted the worst performance among Arab stock markets during the covered period. It was followed by the Damascus financial market with a 2.4% drop, the Amman stock exchange a 1.8% contraction and the Doha equity market with a 0.4% decline. In comparison, emerging market equities rose by 18.5% and global equities increased by 11.2% in the first two months of the year. Arab stock markets increased by 6.9% in February compared to rises of 6% for emerging market equities and 4.8% for global equities.

Source: Local stock markets, Dow Jones Indices, Byblos Research

SYRIA

EU tightens sanctions against Damascus

The European Union imposed new sanctions on the Central Bank of Syria (CBS) and the Syrian government, constituting the 12th round of sanctions on the regime. The sanctions froze the assets of the CBS that are under the jurisdiction of the 27-member EU. They also prohibited the sale, purchase, transportation or brokering of gold, precious metals and diamonds, from and to the government of Syria, its public bodies, corporations, agencies, and related entities including the CBS. The sanctions banned cargo flights operated by Syrian carriers, and designated seven ministers in the Syrian Cabinet as subject to an asset freeze and travel ban. The The CBS previously announced that it had opened correspondent accounts in euro and Russian ruble at Russian banks VTB, VEB and Gazprombank to limit the impact of further sanctions by the EU. Last December, the League of Arab States imposed a set of economic sanctions on Syria that included suspending transactions with the CBS and the Commercial Bank of Syria. Also, last August, the United States froze all assets of the Syrian government, its agencies and related entities under U.S. jurisdiction, and prohibited U.S. nationals and institutions from engaging in commercial or financial transactions with the designated entities.

Source: European Union, Wall Street Journal

OUTLOOK

UAE

Abu Dhabi economy to contract by 1%, Dubai to grow by 2% in 2012

Citigroup forecast Abu Dhabi's real GDP to contract by 0.9% in 2012 relative to growth of 7% in 2011. It expected Abu Dhabi to implement some loosening in its overall fiscal and monetary conditions relative to the previous two years, as a result of the long-running spending review concluded in January. It noted that following the review, the government gave the green light to a number of large development projects that have been delayed by as much as three years. It added that this will improve confidence in the economy and in various local government-related entities (GREs). As such, it projected Abu Dhabi's real non-oil GDP at 5.1% in 2012 relative to 2% in 2011. Citigroup considered that the spending review process reflects the onset of stricter oversight of GRE budgets and development plans for the near future. It noted that Abu Dhabi has the fiscal space to pursue its economic priorities and support direct government debt comfortably. It projected Abu Dhabi's budget surplus at 8% of GDP in 2012.

In parallel, Citigroup projected Dubai's real GDP at 1.9% in 2012 relative to 3.8% in 2011. It said that Dubai's real economy continues to show strong momentum, mainly in its external sector. But it warned that substantial challenges remain in restructuring the GREs' non-public debt, adding that the outlook for all debt that matures in 2013 and beyond is less secure. It considered that the Dubai authorities have yet to articulate a strategy to deal with the sizeable maturities coming due. Further, it expected the continued uncertainties about the global economic outlook to weigh on Dubai's economy. It noted that the impact of a soft global growth on Dubai's real economy will likely come through the external channel, as happened during the global economic downturn in 2008. However, Citigroup pointed out that the Arab unrest last year helped Dubai differentiate itself as a stable business and tourism destination, and that Dubai is benefiting as a hub from increased South-South trade. It forecast the non-oil fiscal balance to post a deficit of 5% of non-oil GDP in 2012.

Source: Citigroup

NIGERIA

Non-oil growth at 7.8% in 2012, outlook subject to external downside risks

The International Monetary Fund projected Nigeria's real GDP growth at 6.9% in 2012 relative to 6.7% in 2011, with hydrocarbon output growing by 1.9% and non-hydrocarbon sector activity expanding by 7.8% this year relative to 8.3% last year. It considered that a further deterioration in the global environment and an exacerbation of current violence in the north of the country constitute the main downside risks to the short-term outlook. It noted that Nigeria's medium-term growth outlook remains favorable, but is subject to external downside risks. As such, the Fund emphasized the continued need for policies to preserve macroeconomic stability, diversify the economy, and make growth more inclusive. It expected Nigeria's inflation to rise as a result of the increase in gasoline prices and to reach 11% at end-2012 relative to 10.3% at end-2011. It noted that authorities tightened monetary policy substantially in 2011 in response to high inflation and strong foreign exchange demand, as the Central Bank of Nigeria gradually increased its overnight deposit rate by 900 basis points since September 2010. It said that a monetary framework better focused on a clear inflation objective should help anchor inflation expectations and support disinflation.

In parallel, the IMF indicated that higher oil prices helped narrow the overall fiscal deficit from 7.7% of GDP in 2010 to 0.2% of GDP in 2011. It projected the fiscal balance to post a surplus of 0.3% of GDP this year. The Fund supported the authorities' strategy to rebuild fiscal buffers through a better prioritization of public expenditures, continued subsidy reform, and improved tax administration. It welcomed the establishment of a Sovereign Wealth Fund (SWF) and considered that a rule-based approach to setting the budget reference oil price would strengthen the budgetary process and the operations of the SWF. It projected Nigeria's current account surplus at 6.4% of GDP this year, marginally down from 6.9% of GDP last year. It forecast gross international reserves to rise from $33bn at end-2011, equivalent to 4.5 months of imports of goods & services, to $39.2bn at the end of this year or 5.1 months of import cover. It also projected the size of the SWF to increase from $4.7bn at end-2011 to $14.8bn at the end of 2012.

Source: International Monetary Fund

GHANA

Real GDP growth to reach 6.6% in 2012, global economic uncertainties are key risk

Business Monitor International expected Ghana's real GDP growth to reach 6.6% in 2012 compared to 14.2% in 2011, to range between 8% and 10% during the 2013-14 period, and to surge to exceed 10% in 2015 on the back of a significant increase in oil production. It said that headline growth in 2012 and 2013 will be lower than that of 2011, as last year's figures were inflated by the onset of oil and gas production. It noted that the current year will be testing for the Ghanaian economy, as the adverse global economic climate will mainly affect Ghana through a drop in cocoa export revenues due to an expected 22% fall in average cocoa prices this year. Other factors include the overheating economy which, in combination with the recent currency weakness, could lead to further tightening of the monetary policy. It added that the December 2011 reduction of fuel subsidies would put strains on consumer and business budgets, while the December 2012 elections carry risks of fiscal slippage.

In parallel, BMI expected government spending to rise by 8% in 2012 and to add 0.9 percentage points to headline growth, as the incumbent government will increase expenditures in order to show voters tangible signs of rising living standards. It forecast real government spending to rise by 6% annually over the 2013-16 period. Also, it projected investment in Ghana to be sustained over the medium term by the strong growth outlook, a stable political scene, a decent business environment, and the available investment opportunities. Further, it said that the outlook for Ghana's exports is positive given strong prospects for Ghana's main exports, namely oil, cocoa and gold.

Source: Business Monitor International

ECONOMY & TRADE

WORLD

SWIFT payment system used by 52% of companies

Gtnews.com annual Payments Survey indicated that 87% of corporations use electronic methods to make payments on a regular basis, 62% of respondents use checks; while 55% and 47% of respondents use automated clearing house credits and debits, respectively, as a method of payment. It noted that 68% of North American companies use purchasing cards as a regular method of payment. It said that check use remains concentrated in some geographic areas such as North America, the Middle East, and Asia-Pacific. It added that check payments are concentrated in companies with a turnover between $10m and $500m as 61% of these companies use checks regularly, but it expected this share to drop to 43% over the next three years. In parallel, the survey pointed out that 52% of respondents use the Society for Worldwide Interbank Financial Telecommunication (SWIFT) services for payment processes. It said that mainly North American companies do not use such services, while fast-growing emerging economies are more actively adopting SWIFT because they lack significant legacy systems and can switch to new solutions. It added that very large organizations use SWIFT as a channel for their payments transactions, while the cost for the SWIFTNet connections and the related operations services is still prohibitive for smaller companies. But it noted that 27% of respondents globally are willing to use SWIFT services for payment processes and 58% said that there is a possibility for them to resort to such services. Gtnews is a global knowledge resource for treasury, finance, payments and the cash management industry.

Source: Gtnews

GCC

Remittance outflows at $270bn in 2006-10

Figures released by Arab Monetary Fund (AMF) indicated that total transfers by the nearly 20 million expatriates living in the Gulf Cooperation Council (GCC) states totaled $269.8bn during the 2006-10 period. The AMF said that remittances from expatriates residing in Saudi Arabia reached $112.2bn and accounted for 41.6% of the total during the covered period, followed by remittances from expatriates in Kuwait with $50.7bn (18.8%), the UAE with $49bn (18.2%), Qatar with $29.5bn (11%), Oman with $20.5bn (7.6%) and Bahrain with $7.7bn (2.8%). It noted that remittances from expatriates in the GCC countries totaled $70bn in 2010, of which $27.9bn were from Saudi Arabia, $12.9bn from Kuwait, $11.2bn from the UAE, $11.1bn from Qatar, $5.3bn from Oman and $1.6bn from Bahrain. It said that Saudi Arabia hosts eight million expatriates, the UAE has more than six million foreigners, and Kuwait has around 2.5 million expatriates. In parallel, the AMF indicated that remittance outflows from the GCC economies to non-GCC Arab countries totaled about $160bn during the 2006-10 period, with Egypt, Lebanon, Morocco, Jordan and Sudan being the largest recipients.

Source: Arab Monetary Fund

TUNISIA

Challenging economic outlook in 2012

Fitch Ratings affirmed Tunisia's long-term foreign currency Issuer Default Rating (IDR) at 'BBB-' and long-term local currency IDR at 'BBB' with 'negative' outlooks. It also affirmed Tunisia's Country Ceiling at 'BBB' and short-term foreign currency IDR at 'F3'. It attributed its actions to the relatively smooth political transition from the former regime to a newly-elected interim government, despite the impact of instability in Libya. It noted, however, that the economy performed worse than expected, and expressed concerns about public and external debt sustainability due to an uncertain global economic environment. It added that downside risks shifted from political to economic factors and that Tunisia faces a challenging economic outlook in 2012. It expected the economic recovery to be affected by the Eurozone crisis, the protests and social demands that would hamper mining output recovery, and the low likelihood that tourism would recover to pre-revolution highs this year. It added that the government will also have to address the high unemployment level, estimated at around 20% at end-2011, and a weak banking sector that is likely to need public sector cash injections in 2012. Further, it indicated that the government intends to adopt an expansionary budgetary policy, which would widen the fiscal deficit to 6% of GDP this year and worsen the public debt level. It expected support from the international community to improve Tunisia's fiscal financing and balance of payments risks, but at the expense of a rising share of foreign currency-denominated public debt.

Source: Fitch Ratings

AFRICA

Stock of Chinese FDI in Africa at $12bn

Standard Chartered indicated that China's foreign direct investment (FDI) in Africa increased from $317m in 2004 to $2.1bn in 2010, and grew at an average annual rate of 115%. It estimated the cumulative Chinese FDI flows to Africa at $11.9bn between 2003 and 2010. It said that Africa's share of China's FDI tripled from a low base of 1% in 2004 to 3.1% in 2010. It noted that the top 10 African recipients of Chinese FDI accounted for 76.3% of its total FDI to Africa in 2010, relative to 90.3% in 2004. But it pointed out that FDI accounts for only a small portion of Chinese capital in Africa and estimated that Chinese loans to Africa outweigh FDI. It said that the state-owned China Development Bank and the Export-Import Bank of China constitute the principal banks that disburse Chinese loans in Africa. It noted that Chinese financing does not involve foreign aid, but rather credit for investment or trade, often at preferential rates. In parallel, Standard Chartered said that the volume of bilateral trade between Africa and China rose from $7.3bn in 2000 to $151.4bn in the first 11 months of 2011, surpassing the 2010 record high of $127bn. It noted that bilateral trade between Africa and China increased at an annual average rate of 33.6% during the 2004-10 period, compared to growth of 11% for EU-Africa trade and 18% for U.S.-Africa trade. It expected China to replace Europe as Africa's largest trading partner by 2016 if Africa's trade with China, the EU and the U.S. post similar annual growth rates to those registered during 2004-10.

Source: Standard Chartered

BANKING

SYRIA

Central Bank reduces interest rates on deposits

The Central Bank of Syria (CBS) announced that it has reduced the interest rates on time deposits in Syrian pounds by up to 2%, after it had raised the rates to between 9% and 11% last December from between 6% and 7% due to increased pressure on the Syrian pound. It attributed its decision to the CBS' efforts to balance the interests of borrowers and those of depositors in terms of maintaining high return on their deposits to refrain them from withdrawing these deposits. It said that preserving the stock of deposits will help banks maintaining their liquidity and extending loans necessary for businesses. Following the decrease, interest rates on demand deposits paid by banks will range from zero to 1%; while rates on term deposits will range from 7% for maturities of three month to a range of 10% to 11% for maturities of over one year. Rates on savings account for deposits of SYP1m remain stable at 9%, while rates on investment certificates were raised from 8% to 10%. But, given the actual rate of inflation of 11%, banks are now paying negative interest rates on their deposits. The CBS decision applies to both state-owned and private sector commercial banks.

Source: SANA, Syria Report

JORDAN

Agencies take rating actions on banks

Capital Intelligence affirmed the long- and short-term foreign currency ratings of Jordan Ahli Bank (JAB), Arab Jordan Investment Bank (AJIB), Jordan Commercial Bank (JCB) and Investbank at 'BB' and 'B', respectively. It also affirmed JAB's Financial Strength Rating (STR) at 'BB' and that of AJIB and Investbank at 'BBB' and 'BB+', respectively; while it lowered JCB's FSR to 'BB' from 'BB+'. It assigned a 'stable' outlook to all banks' ratings. It said that AJB's ratings reflect its strong liquidity, forthcoming capital injection, and improved asset quality and operating profit in 2011. But it noted that the ratings remain constrained by a below peer-average capital adequacy ratio and moderate level of non-performing loans (NPLs), as well as the ongoing elevated credit risk in the market combined with a challenging economic environment. It added that AJIB's ratings are supported by its solid capital adequacy and high liquidity, but are constrained by loan and deposit concentrations, a further increase in NPLs and the challenging operating environment. Further, it attributed the downgrade of JCB's FSR to its continued higher than sector average NPL ratio and low loan-loss reserve coverage for NPLs.

In parallel, Fitch Ratings downgraded the Support Ratings to '4' from '3' of Bank of Jordan (BOJ), Jordan Islamic Bank (JIB), the Housing Bank for Trade & Finance (HBTF), and Cairo Amman Bank's (CABK). It also revised the Support Rating Floor for BOJ and JIB to 'B+' from 'BB-'. It attributed its rating actions to a weakening of Jordan's creditworthiness, as higher domestic borrowing and dependence on foreign grants to meet public expenditure needs have weakened government finances. It added that the uncertainty is exacerbated by the volatile geopolitical situation in the region, mainly in Syria, which is a concern for Jordan's economic growth *Source: Capital Intelligence, Fitch Ratings*

SAUDI ARABIA

Private sector lending up 12% year-on-year

Figures issued by the Saudi Arabian Monetary Agency (SAMA) show that total assets of commercial banks reached SAR 1,507.6bn at the end of January 2012, constituting a rise of 1.7% from the end-2011, and an increase of 10.2% from end-January 2011. Lending to the private sector reached SAR 872.7bn, up by 1.7% month-on-month and 11.7% from a year earlier. Loan growth recovered strongly after it remained flat month-on-month in December 2011. Also, customer deposits totaled SAR 1,113.6bn at end-January, up 0.9% month-on-month; while they increased by 12.7% from a year earlier, driven by low-cost demand deposits that grew by 22% year-on-year. Demand deposits account for 59% of the system's total deposits compared to 40% at end-2008. The sector's non-performing loans-to-total loans ratio is currently at 2.5%, with provisions coverage at 130%. The sector's aggregate net profits reached SAR 3.4bn in January 2012, constituting an increase of 38% year-on-year, a level last reached in January 2009, and a rise of 68% month-on-month. Also, the sector's return on equity stood at 18.5% in January 2012 on an annual basis, posting its highest level in nearly three years. The loans-to-deposits ratio was 78.4% at end-January relative to 79.1% a year earlier.

Source: Saudi Arabian Monetary Agency, EFG Hermes, Deutsche Bank

QATAR

Lending and deposits contract in January

Figures issued by the Central Bank of Qatar (CBQ) show that total assets reached QAR 676.6bn at the end of January 2012, constituting a decrease of 3.8% from end-2011 and an increase of 12% from end-January 2011. Loans reached QAR 393.3bn, constituting a decrease of 2.8% from end-2011, mainly driven by a 7.5% month-on-month contraction in lending to the public sector. But they increased by 24.5% from end-January 2011, driven by public and private sector credit growth of 28% and 22% year-on-year, respectively. Lending to the real estate and consumer sectors constituted the main drivers of private sector credit demand in January. In parallel, aggregate deposits reached QAR 349.6bn at end-January 2012, down 4% month-on-month due to a 10% month-on-month decrease in government deposits. Deposits' growth slowed to 4.5% year-on-year in January 2012 relative to 18.5% in December 2011. The sector's aggregate deposit growth has been below loan growth since October 2011, driving a tightening in liquidity in the banking system. The loans-to-deposits ratio increased to 112.5% at end-January 2012 compared to 94.4% at year earlier. In parallel, the CBQ raised the risk reserve requirements for banks to 2.5 % from 1.5%. It said that banks have two years to meet the requirement, which aims to increase banks' capital and make them more risk-averse. It said that banks will raise their reserve requirement to 2% by the end of 2012, and then to 2.5% in 2013.

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

Brent prices above $122 a barrel on supply concerns

Prices of Brent crude futures held steady above $122 per barrel on March 1, drawing support from a faster-than-expected expansion of the U.S. economy and better factory data from China amid concerns of supply disruptions from the Middle East. Brent prices rose by 8 cents to $112.7 per barrel on March 1, while U.S. oil prices declined by 2 cents to $107 per barrel. Sanctions on Iran are disrupting oil exports and further restrictions could tighten global oil markets. The Energy Information Administration stated that U.S. and European insurance companies are failing to insure deliveries of Iranian oil with soaring oil prices. It noted that, against the backdrop of supply concerns, the outlook for oil demand growth is improving as China's factories grew more than expected in February with new export orders for large firms. Overall, prices of Brent ICE futures increased by 9.6% in February to $122.4 a barrel on February 29th. Also, the prices of WTI NYMEX Futures rose by 7.3% in February to $107.4 a barrel.
Source: Thomson Reuters

Sudan asks China to intervene in resolving oil dispute with South Sudan

The Sudanese government asked China to intervene and try to break the deadlock with South Sudan over the oil dispute, while reaffirming its support for China's investments in the country. South Sudan had started reviewing all oil contracts signed by the government of Sudan before the independence. It accused some oil companies, including Chinese ones, of collaborating with Sudan to steal its oil. China depends on South Sudan for nearly 5% of its oil imports. Also, the Sudanese government signaled a rigid approach to the negotiations on oil with South Sudan by stating that it will not change its previous positions. During the February negotiations, Sudan reportedly asked for $36 per barrel but South Sudan immediately dismissed the figure, stating that a fair charge is at around $1 per barrel.
Source: Sudan Tribune

Iran to accept gold for oil payments

Iran stated that it will accept gold as a payment for its oil exports in response to sanctions by the U.S. and the European Union which made it difficult for foreign oil buyers to use Iranian banks for payments. The Central Bank of Iran stated that the countries importing oil from Iran can also pay using its own currency. It explained that Iran does not plan to limit itself to the U.S. dollar for its oil transactions.
Source: Mehr News

OPEC to maitain its price competitiveness in the oil market

The Institute of International Finance indicated that the members of the Organization of the Petroleum Exporting Countries (OPEC) countries are likely to maintain their price competitiveness in the oil market due to lower costs of extradition, and to their possession of large foreign exchange reserves that can be used in case of price drops. It projected OPEC supply to account for 70% of the increase in supply by 2030 and for 45% of the market.
Source: Institute of International Finance

Base metals: Higher prices on tightening supply

Prices of base metals rose in the past week, led by strong rebounds in lead and aluminum. Lead and aluminum prices increased by 9.6% and 7% week-on-week, respectively. Supply problems surfaced in the aluminum market, as smelters increased output cuts since the beginning of 2012. After sharp increases in LME cancelled warrants from late 2011, the latest data shows LME aluminum inventories declining by 0.2% from the record-high level reported on February 21st.

In parallel, copper prices rose by 3.6% week-on-week on February 28, while the upside was limited by concerns about the global economy and China. Copper prices are projected to increase further in the near term as LME copper stocks extended their declines since October 2011, suggesting a shortage of the metal in the physical market. Copper stocks at LME warehouses were equivalent to around six days of global use on February 28th. Further, zinc prices rose by 5.9% week-on-week due to tightening mine supply. LME zinc stocks increased by 4% since mid-February, suggesting near-term surpluses in the physical market. Aluminum and copper are expected to outperform other base metals in the weeks ahead.
Source: Standard Chartered

Precious metals: Prices on the rise headed by platinum and silver

Precious metal prices rose in the past week, with silver and platinum leading the way and rising by 3.6% and 1% week-on-week respectively, on February 28th. Gold prices increased by 0.7% while palladium prices fell by 0.8% week-on-week after reaching a five-month high of $724 per ounce on February 22nd. Risk appetite for gold rebounded with S&P's downgrade of Greece's long-term ratings. Further, the net long positions in U.S. gold futures held by hedge funds increased by 10% week-on-week to a 23-week high of 179,132 contracts. Physical investors also showed renewed interest in holding gold, where major gold ETFs rose by 0.4% week-on-week to an all-time high on February 28th. Overall, the price of gold increased by 3.2% in February to $1,790 per ounce on February 29, while that of silver rose by 9.8% in February to $37.2 an ounce. Palladium prices increased by 4% in February to $719 per ounce and platinum prices rose by 6.1% to $1,729 per ounce.
Source: Standard Chartered

Global Commodity Outlook

($/ton)	Spot Price	2012f	2013f
Aluminum	2,164	2,275	2,525
Copper	8,176	7,825	8,525
Lead	2,045	2,150	2,400
Nickel	19,625	19,500	22,820
Tin	23,465	22,125	25,700
Zinc	1,945	2,050	2,295
($/ounce)			
Gold	1,725	1,710	1,910
Palladium	688	775	925
Platinum	1,634	1,610	1,675
Silver	33	30	27

Source: Citigroup

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-	Ba3	BB-	-	B								
	Stable	Stable	Stable	-	Negative	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
Egypt	B	B1	BB-	BB+	CCC								
	Negative	Negative	Negative	Negative	Stable	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
Ethiopia					B								
	-	-	-	-	Stable	-1.5	-	-	257.5	-	-	-3.9	0.3
Ghana	B	-	B+	-	BB								
	Stable	-	Stable	-	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	-	B	-	B								
	Negative	-	Stable	-	Stable	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
Mauritania	-	-	-	-	-								
	-	-	-	-	-	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
Morocco	BBB-	Ba1	BBB-	BBB-	BB								
	Stable	-	Stable	Stable	Stable	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
Nigeria	B+	-	BB-	-	B								
	Stable	-	Stable	-	Stable	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
Tunisia	BBB-	Baa3	BBB-	BBB	B								
	Negative	Negative	Negative	Stable	Stable	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
Middle East													
Bahrain	BBB	Baa1	BBB	BBB+	BBB								
	Negative	Negative	Negative	Negative	Stable	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
Iran	-	-	B+	BB-	B								
	-	-	Stable	Stable	Stable	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
Iraq	-	-	-	-	CCC								
	-	-	-	-	Stable	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
Jordan	BB	Ba2	-	BB	B								
	Negative	Negative	-	Stable	Stable	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
Kuwait	AA	Aa2	AA	AA-	A								
	Stable	Negative	Stable	Stable	Stable	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
Lebanon	B	B1	B	B	CCC								
	Positive		Stable	Stable	Stable	-7.2	136.7	160.8	240.3	14.7	212.2	-10.2	10.0
Oman	A	A2	-	A	A								
	Negative	-	-	Stable	Stable	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
Qatar	AA-	Aa2	-	AA-	AA								
	Stable	Stable	-	Stable	Stable	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB								
	Stable	Stable	Stable	Stable	Stable	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
Syria	-	-	-	BB-	CCC								
	-	-	-	Stable	Stable	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
UAE	-	Aa2	-	AA-	BB								
	-	-	-	Stable	Stable	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
Yemen	-	-	-	B-	CC								
	-	-	-	Negative	Stable	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	- -	Ba2 Negative	BB- Stable	- -	- -	-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 Negative	B Stable	- -	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	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	14-Feb-12	No change	13-Mar-12
Australia	Cash Rate	4.25	06-Feb-12	Cut 25bps	06-Mar-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	21-Feb-12	No change	27-Mar-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	06-Mar-12
Nigeria	Monetary Policy Rate	12.00	30-Jan-12	No change	20-Mar-12
Ghana	Prime Rate	13.50	Feb-12	Raise 100 bps	Apr-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	07-Feb-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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