

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Investor confidence improves

Barclays Capital's Global Macro Survey for March shows that global investor confidence has increased significantly since the December survey, with a pick-up in confidence across investors in different classes. It said that 37% of respondents consider that equities will be the best performing asset class in the next three months relative to 19% in the December survey; while 12% of respondents expect bonds to outperform, down from 34% in the previous survey. It noted that the relative attractiveness of equities and bonds serves as a useful barometer for the global economy. It added that confidence increased significantly among equity market investors, as 71% of them expect equity prices to increase by 5% or more by the end of 2012 compared to only 25% of respondents in December who had the same opinion; while only 10% of investors expect a fall of at least 5% in equity prices this year. Further, it pointed out that 75% of respondents expect capital inflows to emerging economies to continue in the next 12 months, with 46% anticipating the flows to remain strong. It added that respondents cited a slowdown in the Chinese economy as the biggest downside risk to assets in emerging markets in the next 12 months, followed by a commodity price shock and inflation, a double-dip recession in the global economy, and Europe's debt crisis.

In parallel, Barclays said that investors consider the Eurozone problems to be far from over, but that these problems have become a significantly less dominant theme. It added that 38% of respondents expect at least one country to leave the Eurozone this year, relative to almost 50% of respondents who shared this view in the December survey. It pointed out that 66% of respondents expect further restructuring of sovereign bonds in the Eurozone's periphery this year.

Source: Barclays Capital

Sovereign upgrades outpace downgrades in 2011, emerging markets' credit quality improves

Fitch Ratings indicated that it downgraded 10 sovereigns in 2011 compared to 8 in 2010, and upgraded 19 sovereigns last year relative to 14 upgrades in the preceding year. It said Europe accounted for five downgrades, followed by the Middle East & Africa with four, and Asia-Pacific with one downgrade each. It added that Latin America & the Caribbean had eight upgrades last year, followed by Asia-Pacific with five, Europe with four, and the Middle East & Africa with two upgrades. In parallel, the agency downgraded 9.8% of sovereign issuers in 2011 compared to 8% in 2010, while it upgraded 18.6% of issuers last year relative to 12% in the preceding year. It said that advanced economies accounted for 70% of downgrades and a single upgrade, or a 7-to-1 ratio of downgrades to upgrades in 2011, with Eurozone members leading regional downgrades; while emerging economies represented just 30% of downgrades and 95% of upgrades in 2011 for a ratio of 0.2 to 1. Fitch noted that 10 sovereigns carried a 'negative' rating outlook and six were on

Rating Watch Negative, all in the Eurozone, at the end of 2011; while five sovereigns had 'positive' outlooks at year-end, all in emerging markets.

Source: Fitch Ratings

GCC

European banks' retrenchment from the region to generate funding challenge over the long term

Moody's Investors Service expected that European banks' gradual retrenchment from the Gulf Cooperation Council (GCC) countries to have a limited impact on most of the region's corporates over the near-term despite the latter's sizeable funding requirements. It said the decrease in lending from European banks has potential implications for GCC banking systems and, by extension, for local corporates that rely heavily on bank financing and face significant maturity redemptions over the next few years. It said a retrenchment of European banks will not lead to a liquidity shock over the medium term, but warned that a more sustained withdrawal could generate long-term structural funding shortfalls. It expected funding to become more costly and to come with stricter conditions. It noted that potentially negative factors include the impact of higher lending costs on cash flows and profitability, and the increase in secured or collateralized forms of lending. It noted that this would likely encourage corporates to diversify their funding sources through increased capital market issuance.

Source: Moody's Investors Service

IRAN

SWIFT suspends services for Iranian financial institutions

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) announced that it discontinued its communications services to EU-sanctioned Iranian banks after the European Union prohibited the supply of specialized financial messaging services, which are used to exchange financial data, to Iranian financial institutions that are subject to European sanctions. It said that SWIFT is incorporated under Belgian law and has to comply with this decision as confirmed by its home country government. It noted that disconnecting banks to the system constitutes an unprecedented step for SWIFT. It stated that the measure is a direct result of international and multilateral actions to tighten financial sanctions on Iran. SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect more than 10,000 financial institutions and corporations in 210 countries. The list of sanctioned Iranian entities includes the Central Bank of Iran, Bank Tejarat, Bank Mellat and its subsidiaries, Bank Melli Iran and its subsidiaries, Bank Saderat Iran and its subsidiaries, and the Export Development Bank of Iran and its subsidiaries.

Source: European Union, SWIFT

OUTLOOK

JORDAN

Growth to remain limited by regional turmoil, gross financing needs at 24% of GDP

Barclays Capital projected Jordan's real GDP growth at 2.6% in 2012 relative to 2.7% in 2011, and attributed the low growth rate to regional instability that is weighing on foreign and domestic investment, worsening the trade balance, reducing tourism and services receipts, and affecting consumer confidence. It said that political instability in the region, mainly in Syria, exacerbated pressures on Jordan's external and fiscal balances and increased its reliance on external support to finance its twin deficits. It projected Jordan's fiscal deficit to narrow to 5.9% of GDP this year from 6.1% of GDP in 2011. It said that, when excluding grants, the deficit would reach 9.8% of GDP in 2012 compared to 11.6% of GDP last year. Further, it forecast Jordan's net debt-to-GDP ratio to reach 66.6% of GDP from 66.4% of GDP at end-2011, and to remain above the legislated debt ceiling. As such, Barclays pointed out that Jordan's key fiscal challenge remains generating enough domestic revenues and restructuring spending to reduce its public debt level.

In parallel, Barclays Capital estimated Jordan's gross financing needs to reach the equivalent of 24% of GDP by end-2012, with the bulk consisting of debt service repayments falling due next year, of which 53% is held by banks. It said that securing resources to meet Jordan's large and growing external financing requirements constitutes another key challenge, given a worsening trade balance and falling services receipts. It projected the current account deficit to widen to 9.4% of GDP in 2012 relative to 7.2% of GDP in 2011, and to reach 13.3% of GDP in 2012 compared to 12.7% of GDP last year when excluding grants. It attributed the widening of the deficit to high energy imports, slow exports, and lower net services receipts. It noted that weak capital inflows are likely to maintain pressure on Jordan's foreign currency reserves, which dropped by nearly 10% in 2011. It forecast official flows at \$1.2bn in 2012 as regional and international donors continue to support Jordan. But it expected foreign exchange reserves to decline by 13.3% to \$11.2bn in 2012.

Source: Barclays Capital

ALGERIA

Non-hydrocarbon sector to grow by 4.7% in 2012

The Institute of International Finance projected real GDP growth in Algeria at 3.2% in 2012 compared to an estimated growth of 4.2% in 2011, with non-hydrocarbon growth at 4.7% in 2012 relative to 6.4% in 2011 and hydrocarbon output contracting by 2% in 2012 compared to a contraction of 2.5% last year. It attributed the solid non-hydrocarbon growth to public spending, mainly an increase in minimum wage and pensions, and a strong rebound in capital expenditures during the final two years of the 2010-14 Public Investment Program. It forecast hydrocarbon output to contract further over the coming years given the lack of new large oil or gas field discoveries in recent years. It said that Algeria's oil reserves would last about 19 years, while gas reserves would last 55 years at respective current production levels, which highlights the need to diversify Algeria's energy sector and its broad economy. Further, it

expected the average inflation rate to increase to 6.4% in 2012 relative to 4.5% last year.

The IIF forecast Algeria's budget balance to post a deficit of 2.2% of GDP this year compared to a surplus of 0.4% of GDP in 2011 given the anticipated increase in public spending this year. It estimated that the breakeven price of oil that balances the budget will increase further to \$124 per barrel in 2012 from \$108 per barrel in 2011. Further, it projected the current account to post a surplus of 8.4% of GDP in 2012 and 3.3% of GDP in 2013 based on the assumption of an average Brent oil price of \$114 p/b in 2012 and \$105 p/b in 2013. It said that the large external current account surpluses will help raise official reserves to \$208bn by end-2012, equivalent to 103% of GDP. In parallel, the IIF considered that the economy's medium-term challenge consists of achieving sustained high growth and ensuring that hydrocarbon wealth benefits the entire economy. It stressed the need for broad-based structural reforms to improve the economy's competitiveness, stimulate the private sector, create jobs, and reduce youth unemployment.

Source: Institute of International Finance

AFRICA

WAEMU economies to grow by 7% in 2012, Eurozone crisis to affect outlook

The International Monetary Fund projected real GDP growth in member countries of the West African Economic and Monetary Union (WAEMU) at 7% in 2012 compared to 0.8% in 2011; and at 6.5% in 2012 from 3.2% in 2011 when excluding Côte d'Ivoire. It said that regional growth last year was affected by the political crisis in Côte d'Ivoire and the drought in the Sahel countries. It expected annual consumer price inflation in WAEMU economies to average 3.6% in 2012 relative to 3.8% in 2011. Further, it noted that the region's overall fiscal deficit, excluding grants, widened to 7.9% of GDP in 2011 due to the impact of the Côte d'Ivoire crisis; and projected the overall fiscal deficit to narrow to 6.6% of GDP in 2012. The Fund pointed out that the Union's current account deficit rose to 5.7% of GDP in 2011 from about 5% of GDP in 2010, partly reflecting less favorable terms of trade, lower worker remittances, higher food and fuel prices, and larger imports related to the reconstruction in Côte d'Ivoire. Also, it said that the Union's foreign exchange reserves increased to about six months of imports, excluding intra-WAEMU trade, at end-2011 due to strong capital inflows; and projected similar levels at end-2012.

In parallel, the IMF said that downside risks to the region's outlook remain in light of the crisis in Europe and the ongoing drought in the Sahel. As such, it said that macroeconomic policies will need to respond appropriately if these risks materialize. It noted that governments need to improve the macroeconomic policy framework, address structural weaknesses, enhance the stability of the union, and strengthen regional surveillance over the medium-term. The Fund stressed the need to reduce the Union's fiscal deficit over the medium-term to maintain fiscal sustainability. It urged authorities to accelerate regional integration through the removal of barriers to intra-regional trade and labor and capital mobility, improve of the business environment, and develop regional infrastructure.

Source: International Monetary Fund



ECONOMY & TRADE

MENA

M&A deals up 45% so far in 2012

Figures released by Standard & Poor's show that there were 61 merger & acquisition deals in the Middle East & North Africa region, including Turkey, as of March 2012, constituting an increase of 45.2% from 42 deals in the same period last year. S&P indicated that if this trend continues, it would represent the largest increase since 2007. Also, the aggregate value of M&A deals in the region reached \$4.4bn in the covered period, down 60.5% from \$11.1bn in the same period last year, of which \$8.8bn or around 80% was from a single transaction. As such, the aggregate value of M&A deals would increase by more than 90% year-on-year when excluding this deal. In parallel, the aggregate value of M&A deals in the region reached \$34.9bn in 2011, constituting an increase of 10% from \$31.7bn in 2010 but posting the slowest increase since 2001 when M&A value increased by about 8% year-on-year. Also, M&A activity in the region dropped by 44% to \$24.2bn in 2009 from \$43.3bn in 2008, and posted the lowest value since 2004. The aggregate value of M&A deals peaked in 2007 at \$86.9bn, just before petroleum prices exceeded \$145 per barrel in July 2008. The number of transactions increased to 317 in 2011 from 277 in 2010. The number of transactions fell by 50% to 226 in 2009 from a peak of 452 in 2008. S&P said that M&A activity rebounded in 2010 after petroleum prices jumped to more than \$80 per barrel in early 2010 from less than \$40 per barrel in early 2009.

Source: Standard & Poor's

GCC

Profits of cement producers up 2% in 2011

The aggregate net profits of cement companies operating in the GCC economies reached \$1.5bn in 2011, representing a 2.3% increase from \$1.4bn in 2010, as operating profits increased by 12.4% year-on-year to \$1.5bn and sales rose by 14.2% to \$4.6bn in 2011. Profits of Saudi Arabia's cement sector posted a 25.2% rise in 2011, while the cement sectors in the rest of the GCC posted declines in profitability. Cement demand in Saudi Arabia rose from less than 20 million tons in 2005 to 49 million tons in 2011, which pushed the government to impose a conditional ban on cement exports and to lift the ban on cement imports. The cement companies' aggregate debt increased by 3.8% year-on-year to \$2.2bn at end-2011; while their debt-to-assets ratio stood at 17% and the equity-to-assets ratio at 74.8%. In parallel, cement prices in the GCC averaged around \$64.9 per ton in 2011, down 5% from \$68.3 ton in 2010, due mainly to price declines in Kuwait, the UAE and Oman where companies slashed prices to win contracts. Further, the sector's total capacity reached 102.9 million tons per year at end-2011, constituting a 1% rise from 101.9 million tons at end-2010. The sector's capacity is expected to reach 112.7 million tons per year at end-2012, 116 million tons per year at end-2013, and 118.4 million tons per year at end-2014. Also, Saudi Arabia's cement capacity reached 56.2 million tons per year at end-2011, representing 50% of the GCC's total capacity.

Source: Global Investment House

EGYPT

Risks of balance-of-payments crisis on the rise

Business Monitor International expected the risks of a balance of payments crisis over the coming quarters to remain high without a fundamental improvement in investor sentiment to help reverse capital outflows. It said that the current account posted a deficit of \$1.8bn and the capital and financial account registered a deficit of \$2.9bn in the last quarter of 2011, constituting the fourth consecutive quarter with insufficient financial account inflows to cover the current account deficit. It added that net FDI posted a deficit of \$858m in the fourth quarter of 2011, significantly wider than the \$163m deficit in the first quarter of 2011 at the height of the political crisis. It noted that these deficits constituted Egypt's only net quarterly FDI deficits since 1994. It pointed out that the deficits indicate that investors have become increasingly bearish on the economy's underlying growth potential, as FDI is a more stable form of financing and generally highlights a degree of confidence in a country's long-term outlook. Further, it expected the Egyptian pound to remain under pressure over the coming months, which would lead to a devaluation of 15% by the end of 2012. It said that the goods trade balance posted a deficit of \$7.7bn in the last quarter of 2011, slightly below the \$7.8bn record deficit posted in the third quarter last year; while the services trade surplus contracted by 49.3% year-on-year to \$1.5bn, posting the steepest year-on-year deterioration since 2011. In parallel, BMI pointed out that Egypt can only avoid a balance of payments crisis without currency devaluation either through a fundamental reversal in capital outflows or by securing a large amount of foreign assistance.

Source: Business Monitor International

ARMENIA

Economy to grow by 3.8% in 2012, public finance imbalances declining

The International Monetary Fund projected Armenia's real GDP growth at 3.8% in 2012 relative to growth of 4.4% in 2011, and warned that risks to the outlook are tilted to the downside given the weak external environment. It said that overall macroeconomic conditions improved last year despite a less supportive external environment, with growth driven by strong expansion in the industry and services sectors. It also expected inflation to remain around the Central Bank's target of 4%, with an upward or downward margin of 1.5% this year, given the absence of further pressure from international prices. Further, it said that external imbalances moderated last year through continuing fiscal adjustment as well as from strong growth of exports and remittances. The Fund expected Armenia's current account deficit to continue to narrow mainly due to the authorities' focus on export growth and other business environment improvements, strong remittance inflows, and exchange rate flexibility. In parallel, the IMF pointed out that the government is on track to achieve a substantial increase in tax collection this year, which would help create fiscal space to address the urgent need of supporting private sector-led growth and reducing poverty. It added that the government also made progress in strengthening the inflation targeting framework, in consolidating financial stability, and in improving the provision of social services.

Source: International Monetary Fund



BANKING

EGYPT

Rising sovereign risks affecting banks

Standard & Poor's maintained Egypt's Banking Industry Country Assessment (BICRA) at Group '8' and its industry risk score of '7', but reduced its economic risk score to '9' from '8'. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors and 'Group 10' the riskiest ones. The agency noted that other countries in BICRA's 'Group 8' include Argentina, Kazakhstan, Lebanon, Nigeria, Tunisia and Uruguay. Further, it indicated that Egypt's economic risk score reflects the downgrade of its credit risk in the economy to "extremely high risk" from "very high risk", as well as its assessment of economic resilience at "very high risk" and economic imbalances at "high risk". It added that its industry score indicates that the country faces "very high risks" in its institutional framework, "high risks" in its competitive dynamics, and "intermediate risks" in system-wide funding. S&P attributed its actions to the increased sovereign risks on Egypt's banking sector. It said that the economic deterioration will weigh on the banking sector by increasing credit costs and reducing banks' revenue generating capacity. It noted that sovereign risks increased significantly, as banks' direct and indirect exposure to the sovereign rose to about 50% of the sector's assets. Further, the agency considered that banks operating in Egypt have structural credit exposures to cyclical or vulnerable sectors.

Source: Standard & Poor's

UAE

Differing outlooks for Abu Dhabi and Dubai banking sectors

Deutsche Bank expected Abu Dhabi's and Dubai's banking systems to grow at different paces over the foreseeable future. It forecast lending by UAE banks to grow at a yearly average rate of 6% in 2012 and 2013, with average loan growth of 9% per year in Abu Dhabi and 1% per year in Dubai during the 2012-13 period. It attributed the wide disparity to a divergence in the growth prospects of the banking sectors of each of the two emirates, as well as the differences in their funding and capital strength, and risk appetite. Further, it forecast the UAE's banking sector's total revenues to grow by 4% in each of 2012 and 2013, significantly lower than the 9% posted in 2011. It anticipated Abu Dhabi banks to continue gaining market share, with their growth supported by public spending; while it expected Dubai banks to remain focused on balance sheet de-leveraging. As such, it forecast revenue growth of 6% per year for Abu Dhabi banks and 0.5% annually for Dubai banks during the 2012-13 period. In parallel, it expected banks' loan impairment charges to remain elevated during the covered period, given the significant uncertainty in the asset quality outlook and the low existing coverage ratios. It forecast the average impaired loans-to-net loans ratio for Abu Dhabi banks at 5.9% and that of Dubai banks at 14.8% during the 2012-13 period. Further, it expected provisions coverage of 61% for Abu Dhabi banks and 45% for Dubai banks.

Source: Deutsche Bank

GHANA

Banking sector to expand by 30% in 2012

Business Monitor International projected the assets of banks operating in Ghana to expand by 30% in 2012 due to a supportive macroeconomic environment. It indicated that aggregate assets grew by 26.8% to GHS22.1bn, or \$13.5bn, in 2011, equivalent to 38.8% GDP and compared to growth of 24% in 2010. It added that domestic assets increased at an annual rate of 25.1%, while foreign assets posted a much faster growth rate of 47.2% last year. It said that Ghana's banking sector remains relatively stable, and is benefiting from high capitalization levels and sound liquidity and profitability. It indicated that the capital adequacy ratio of banks operating in Ghana stood at 17.4% at end-2011, well above the 10% level considered to be prudent, but down from 19.1% at end-2010. It added that the Bank of Ghana is currently pushing all banks to meet the GH¢60m minimum capital requirement by the end of 2012. Further, BMI noted that loans extended to private enterprises accounted for 76.2% of gross loans at end-2011 relative to 67.6% at end-2009, while credits to state-owned enterprises represented just 3.4% of the total compared to 14.5% at end-2009. It said the sector's net loans and advances grew by 19.7% last year compared to growth of 13.4% in 2010; while credit to the private sector increased by 14% in real terms in 2011 from 10.9% in 2010. In parallel, BMI pointed out that banks' high level of NPLs constituted the key concern for Ghana's banking sector, as NPLs accounted 14.1% of total outstanding loans at end-2011. It said the manufacturing sector had the highest level of NPLs at 22.1% at end-2011, followed by the mining & quarrying sector at 19.4%, commerce & finance at 18.4%, and agriculture, forestry & fishing at 16.5%.

Source: Business Monitor International

TURKEY

Banks' financial strength ratings placed on review for possible downgrade

Moody's Investors service placed on review for possible downgrade the standalone bank financial strength ratings (BFSRs) of 12 banks operating in Turkey that have BFSRs above the sovereign rating, as well as the global local currency (GLC) long-term issuer and deposit ratings of seven banks. It affirmed the 'Baa3/Prime-3' deposit ratings of state-owned *Turkiye Halk Bankasi*, *Turkiye Vakiflar Bankasi* and *T.C. Ziraat Bankasi* with a 'stable' outlook to their GLC long-term ratings. It also placed on review for possible downgrade the short-term deposit ratings of six banks. Moody's actions cover some of Turkey's largest private banks such as *Turkiye Is Bankasi*, *Turkiye Garanti Bankasi*, *Akbank*, and *Yapi ve Kredi Bankasi*. Moody's said that its decision reflects its revised assessment of the linkage between the credit profiles of sovereigns and financial institutions. It noted that the creditworthiness of financial institutions with low cross-border operational diversification and/or with high balance sheet exposure to sovereign debt is closely linked to the country's credit strength, which is the case of Turkey's. Therefore they are unlikely to have standalone credit assessments above the sovereign rating.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Brent prices at \$124 a barrel on rising U.S. crude stocks

Brent crude prices remained steady at \$124 a barrel on March 29 after news of higher U.S. crude inventories and the potential release of strategic oil reserves offset supply disruptions from Iran. France, Britain and the United States are planning to release strategic oil stocks to push fuel prices lower. Brent crude prices declined 3 cents to \$124.1 a barrel on March 29 after a fall of 1.1% in the previous session. Also, U.S. crude prices decreased by 3 cents to \$105.4 a barrel. U.S. crude inventories increased by 7.1 million barrels during the past week, the largest build since July 2010, pushing stockpiles to the highest level since August 2010. Further, Brent crude prices are expected to post a second straight quarterly rise of more than 15% by the end of this week on support from rising tensions between Iran and the West, and on reported attacks on oil-producing areas in South Sudan. Overall, prices of Brent ICE futures increased by 1.5% in March to \$124.1 a barrel on March 29th. Prices of WTI NYMEX Futures declined by 1.5% in March to \$105.8 a barrel.

Source: Thomson Reuters

Libya's exports to rise to 1.4 million barrels per day in April 2012

Libya's crude oil exports are expected to reach 1.4 million barrels per day in April 2012, a near full recovery from levels reached before the start of the turmoil in 2011. European refiners increased their demand for Libyan crude oil as they seek alternatives to Iranian crude. Also, the level of exports was held back by the shipments delays during March and the continued trouble with the country's largest refinery, Ras Lanuf. Exports may decline below 1.4 million barrels per day in May and June.

Source: Business Monitor International

Iraqi oil production at highest level since 2003

Iraqi oil production has been increasing steadily and reached 2.7 million barrels per day in February 2012 due to several Iraqi mega-fields entering the cost recovery phase. Iraqi oil exports are expected to increase in the near term with the opening of the first of four planned offshore facilities in the south in March, each with an export capacity of 850,000 barrels per day. Exports are forecast at 2.25 million barrels per day in March and 2.3 million barrels per day in April, up from 2.2 million barrels per day at end-2011. The fourth oil and gas licensing round is expected to take place in May 2012.

Source: Merrill Lynch

BRICS agree not to abide by unilateral sanctions on Iran

The BRICS group of countries composed of Brazil, Russia, India, China and South Africa agreed not to abide by unilateral sanctions on Iran, as they considered that the sanctions would lead to higher oil prices and supply shortages. China and India are the largest buyers of Iran crude oil. Further, EU diplomats are debating whether to exempt some insurers from a ban on dealing with Iranian oil shipments after Asian oil importers lobbied for exceptions to ensure oil deliveries.

Source: Thomson Reuters

Base metals: Weak performance on bearish data

Base metal prices declined during the past week after China and the euro area released bearish manufacturing data for March. Prices are expected to continue to decline in the coming days. Three-month aluminum prices are expected to be supported by high oil prices through 2012, given that energy costs account for around 30% of aluminum production costs. Prices are projected to remain at around \$2,000 per ton in 2012, due to persistent oversupply and lower-than-expected Chinese growth. Also, three-month lead prices are forecast to average \$2,200 per ton in 2012 and \$2,100 per ton in 2013. High inventories are the key factor that will weigh on lead prices in the near future, where stocks at the London Metal Exchange recently exceeded their 1994 highs. In parallel, tin prices are expected to average \$22,000 per ton in 2012, down from \$25,995 per ton in 2011 despite falling LME inventories. Three-month zinc prices are projected to underperform other base metals due to the persistent oversupply in the market. The global stocks-to-use ratio for zinc is expected to increase from 14.8% in 2011 to 18.7% in 2013.

Source: Business Monitor International, Standard Chartered

Precious metals: Gold and silver prices rebound

Precious metals prices were mixed in the past week, with gold and silver prices rebounding and the platinum group metals falling further. The weakness in the U.S. dollar was ignored by investors, and stable oil prices in the past week failed to provide any direction for gold. Gold was the best performer, rising by 2.2% week-on-week, while silver prices rose by 2%. Also, the net long positions for gold held by hedge funds in the U.S. fell by 18% week-on-week to 113,284 contracts, while physical ETFs also fell by 0.9% from their record high reached on March 13th.

Despite the sharp fall in palladium prices, investors remained interested in holding the metal. Physical ETFs for palladium rose by 0.5% week-on-week as of March 23, suggesting the market is now oversold. Investors further reduced their positions in platinum in the past week, where physical ETFs fell by 1.2% during the same period. Overall, the price of gold decreased by 7.1% in March to \$1,663 per ounce on March 29, while that of silver declined by 14% in March to \$32 an ounce. Palladium prices decreased by 10.1% in March to \$647 per ounce and platinum prices declined by 5% to \$1,642 per ounce.

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					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	-2.6	10.7	1.9	4.8	1.7	2.1	13.7	1.3
Angola	BB- Stable	Ba3 Stable	BB- Stable	-	B Negative	7.9	29.9	17.4	28.2	8.9	-	12.0	10.7
Egypt	B Negative	B1 Negative	BB- Negative	BB+	CCC Stable	-9.9	76.2	13.8	73.4	7.8	128.6	-1.9	2.4
Ethiopia	-	-	-	-	B Stable	-2.1	39.4	-	165.9	-	-	-6.3	0.7
Ghana	B Stable	-	B+ Stable	-	BB Positive	-4.2	38.1	19.4	50.1	-	-	-6.5	7.7
Ivory Coast	-	-	-	-	CCC Stable	-6.4	93.3	48.7	108.3	-	-	1.0	1.7
Libya	BB Negative	-	B Stable	-	B Stable	-	-	8.6	-	2.0	-	-	3.6
Mauritania	-	-	-	-	-	-2.8	62.0	70.0	96.6	-	700.0	-7.5	0.3
Morocco	BBB- Stable	Ba1	BBB- Stable	BBB-	BB Stable	-5.8	54.2	28.4	75.7	9.1	120.1	-5.2	0.8
Nigeria	B+ Stable	-	BB- Stable	-	B Stable	0.4	15.7	5.0	12.4	0.4	-	13.5	2.6
Sudan	-	-	-	-	C Stable	-2.8	78.2	61.0	301.6	-	4,825	-7.3	2.3
Tunisia	BBB- Negative	Baa3 Negative	BBB- Negative	BBB	B Stable	-4.1	41.7	58.2	111.3	8.4	285.6	-5.7	3.2
Middle East													
Bahrain	BBB Negative	Baa1 Negative	BBB Negative	BBB+	BBB Stable	-7.7	34.2	75.3	66.1	8.2	340.9	12.6	-0.9
Iran	-	-	B+ Stable	BB- Stable	B Stable	2.4	9.2	3.0	10.9	2.1	14.3	7.8	0.8
Iraq	-	-	-	-	CCC Stable	-8.7	42.3	37.1	53.2	-	72.4	-0.9	1.7
Jordan	BB Negative	Ba2 Negative	-	BB Stable	B Stable	-6.1	68.5	23.8	53.4	5.1	59.8	-6.7	6.4
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA-	A Stable	23.6	4.5	26.0	41.7	7.0	184.3	33.5	-1.5
Lebanon	B Positive	B1	B Stable	B Stable	CCC Stable	-8.3	134.0	158.0	264.7	14.7	208.5	-14.1	11.2
Oman	A Negative	A2	-	A Stable	A Stable	10.9	4.0	12.3	17.2	-	59.0	14.5	2.9
Qatar	AA- Stable	Aa2 Stable	-	AA- Stable	AA Stable	7.7	38.2	70.1	115.5	7.8	703.9	32.6	2.9
Saudi Arabia	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	BBB Stable	9.4	7.1	18.0	30.1	2.1	19.7	20.6	5.4
Syria	-	-	-	BB- Stable	CCC Stable	-11.0	27.5	11.0	36.8	-	43.6	-6.1	2.4
UAE	-	Aa2	-	AA- Stable	BB Stable	5.8	18.5	44.4	53.5	7.2	293.3	10.3	0.6
Yemen	-	-	-	B- Negative	CC Stable	-7.1	42.9	18.0	58.4	-	244.4	-5.3	-1.3

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-	-	-	-3.8	41.5	65.5	304.5	-	352.6	-11.7	6.4
	-	Negative	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-2.1	17.8	84.7	90.3	19.3	240.1	1.6	4.0
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB	Baa2	BBB-	-	BB	1.7	12.9	67.7	138.4	40.5	312.9	5.9	1.5
	Stable	-	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	BBB-	BB	-4.4	34.4	72.3	189.9	24.6	256.0	-4.5	2.1
	Stable	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	1.9	11.7	22.5	73.7	9.7	75.4	5.5	-0.7
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-0.8	40.3	44.2	184.9	28.6	361.8	-10.3	1.0
	Positive	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-4.1	39.3	79.0	145.9	36.5	316.4	-3.9	4.2
	Negative	Negative	Stable	-	Positive								

Sources: International Monetary Fund; Economist Intelligence Unit - The above figures are estimated for 2011



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	13-Mar-12	No change	24-Apr-12
Eurozone	Refi Rate	1.00	08-Mar-12	No change	04-Apr-12
UK	Bank Rate	0.50	08-Mar-12	No change	05-Apr-12
Japan	O/N Call Rate	0-0.10	13-Mar-12	No change	10-Apr-12
Australia	Cash Rate	4.25	06-Mar-12	Cut 25bps	03-Apr-12
New Zealand	Cash Rate	2.50	08-Mar-12	No change	26-Apr-12
Switzerland	3 month Libor target	0.00	15-Mar-12	No change	14-Jun-12
Canada	Overnight rate	1.00	08-Mar-12	No change	17-Apr-12
Emerging Markets					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	Mar-12	No change	24-Apr-12
Taiwan	Discount Rate	1.88	22-Mar-12	No change	28-Jun-12
South Korea	Base Rate	3.25	08-Mar-12	No change	13-Apr-12
Malaysia	O/N Policy Rate	3.00	09-Mar-12	No change	03-May-12
Thailand	1D Repo	3.00	21-Mar-12	No change	02-May-12
India	Reverse repo rate	8.50	15-Mar-12	No change	17-Apr-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	Apr-12
Nigeria	Monetary Policy Rate	12.00	20-Mar-12	No change	21-May-12
Ghana	Prime Rate	13.50	Feb-12	Raise 100 bps	01-Apr-12
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	16-Mar-12	No change	27-Apr-12
Brazil	Selic Rate	9.75	07-Mar-12	Cut 75bps	18-Apr-12
Armenia	Refi Rate	8.00	07-Mar-12	No change	N/A
Romania	Policy Rate	5.50	03-Feb-12	Cut 25bps	N/A
Bulgaria	Base Interest	0.15	14-Mar-12	Cut 3bps	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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