

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global downgrades outpace upgrades in first quarter of 2012

Standard & Poor's indicated that it downgraded 185 issuers and upgraded 112 issuers globally in the first quarter of 2012, with the downgrades representing \$3,219bn and the upgrades \$316bn in rated debt. It expected credit quality to continue to stabilize globally, but without improving considerably in any region over the short term. The agency said that it downgraded 170 corporate issuers in the first quarter, representing \$1,483bn in rated debt, and upgraded 112 issuers worth \$316bn in rated debt. It added that it downgraded 15 sovereigns in the first quarter for a total of \$1,736bn in rated debt; while it did not upgrade any sovereign issuer. Further, it said that it downgraded 18 corporate issuers in emerging markets worth a total of \$12bn and upgraded 11 issuers representing \$14bn; while it downgraded 7 sovereign issuers that totaled \$65bn in debt. In parallel, it said that the global banking sector had 48 rating actions in the first quarter, including 44 downgrades and 4 upgrades. The media & entertainment sector followed with 35 rating actions, consisting of 20 upgrades and 15 downgrades; while the utilities sector had 15 downgrades and 6 upgrades for a total of 2 rating actions.

Source: Standard & Poor's

EMERGING MARKETS

Bond and equity inflows at \$34bn in the first four months of 2012, AUM at \$992bn

Capital flows to emerging market equity and bond funds posted net inflows of \$33.9bn in the first four months of 2012, with bond inflows at \$13.8bn and equity inflows at \$20.1bn. Latin America accounted for \$5.75bn or 41.6% of inflows to bond funds; Emerging Europe, the Middle East & Africa (EMEA) for \$4.8bn, or 34.6%; and Emerging Asia with \$3.3bn or 23.8% of the total. Further, Emerging Asia posted \$11.4bn in inflows to equity funds in the first four months of the year and accounted for 56.6% of equity inflows to emerging markets, followed by the EMEA region with \$4.4bn (22%), and Latin America with \$4.3bn (21.4%). Mexico was the biggest recipient of bond inflows with \$1.5bn, or 11% of total inflows into emerging market bond funds in the first four months of the year; while China was the largest recipient of equity inflows with \$4.4bn or 22.1% total inflows into emerging market equity funds. In parallel, assets under management (AUM) in emerging markets totaled \$992.2bn at the end of April 2012, with bonds accounting for \$191.1bn and equities for \$801.1bn. The EMEA region had \$70.8bn in AUM in bonds, followed by Latin America with \$69.4bn, and Emerging Asia with \$50.9bn. Further, Emerging Asia had \$510.5bn in equity-related AUM, followed by Latin America with \$152.2bn and EMEA with \$138.4bn. Mexico had \$21.8bn in bonds-related AUM, or 11.4% of the total; and China had \$166.8bn in equity-related AUM, or 20.8% of the total.

Source: Barclays Capital, Byblos Research

MENA

Arab youth's optimism rises with Arab Spring, economic concerns remain

The ASDA'A Burson-Marsteller 2012 Arab Youth Survey indicated that 72% of Arabs between 18 and 24 year-old consider that their governments have become more trustworthy and transparent since the Arab Spring. It also revealed that 62% of Arab youth consider that things in their countries are going in the right direction, up from 58% who had a similar view in the 2011 survey. It added that 66% of Arab youth feel optimistic about their country's future, 60% of Arab respondents consider that they have more opportunities presently than they did 12 months earlier, while 72% of young Arabs consider that their best days are ahead of them. In parallel, 82% of Arabs between 18 and 24 year-old consider that being paid a fair wage is very important, 65% of Arab youth cite owning their own home as very important, and 58% of them acknowledge that living in a democratic country is very important. Also, the survey's results showed that 63% of Arab youth are very concerned about the rising cost of living, 48% are worried about the economy, and 44% are anxious about unemployment. ASDA'A Burson-Marsteller conducted the survey through face-to-face interviews between December 2011 and January 2012 on a sample size of 200 respondents between 18 and 24 year-old in each of the UAE, Oman, Qatar, Bahrain, Saudi Arabia, Kuwait, Egypt, Jordan, Lebanon, Iraq, Tunisia and Libya.

Source: ASDA'A, Burson-Marsteller

Press freedom improves in the region

In its annual survey of press freedoms in 196 countries, think tank Freedom House indicated that press freedom improved in Arab countries in 2012. The value of the index for the region reached 68.8 points in 2012 compared to 71.6 points in 2011 and 71.05 points in 2010. The ratings are based on an assessment of the legal, political and economic environments in which journalists worked in 2011. It provides a numerical rating from zero as most free to 100 as least free for each country, and categorizes each country's level of press freedom as 'Free,' 'Partly Free,' or 'Not Free' based on its numerical rating. The rankings of six Arab countries improved and 14 regressed, while the scores of five countries improved, seven regressed and eight remained unchanged. Bahrain posted the worst declines in the regional rankings and scores, dropping by 23 spots and regressing by 12 points, respectively. Lebanon had the highest level of press freedom among Arab countries and ranked in 107th place globally, while Syria had the lowest level of press freedom and ranked in 189th place worldwide. Six Arab countries came in the 'Partly Free' category while the rest fell in the 'Not Free' segment. Freedom House upgraded the level of freedom in Libya, Tunisia and Egypt to 'Partly Free' from 'Not Free' due to regime change. It noted that only 2% of the MENA region's population lives in states with a 'Free' media environment, 27% live in countries with a 'Partly Free' media, and 71% live in countries or territories with a 'Not Free' media.

Source: Freedom House

OUTLOOK

GCC

Rising oil prices in coming years to benefit economic activity

Standard & Poor's considered that the economic prospects of oil-exporting economies in the Gulf Cooperation Council (GCC) look healthier over the next few years than they did in the initial phase of the global financial crisis in 2008-2009. It attributed this outlook to the geographic distribution of growth between developed and emerging markets, with the latter outperforming the former, which should keep oil prices firmly on an upward trajectory in the next three to five years. It expected global oil demand to rise by about 1.75% over the next decade; adding that strong demand from emerging markets will benefit the GCC economies as more than 70% of GCC exports, mainly crude oil, are destined for Japan and the developing Asian countries. As such, it expected the GCC's strong current account position to further improve, constituting a key strength at a time when demand for funding on international debt markets becomes more competitive.

S&P projected real GDP growth in the GCC economies to moderate from 7% in 2011 to 5% in 2012 and 4% in 2013, given that oil production will expand less rapidly in percentage terms than in 2011 when shortages in Libya lifted production in the GCC economies. It expected inflation to remain moderate overall at about 3% due to the declining global non-oil commodity prices. But it noted that the GCC economies face important demographic challenges that would only be met through continuous efforts to diversify their structure away from hydrocarbons, as the oil sector is more capital-intensive than labor-intensive. It said that most of the GCC governments have recognized the necessity to encourage the shift of the national workforce from the public sector to the private non-oil sector and to foster the expansion of the latter. As such, it considered that achieving these objectives will be important to position the GCC economies on a long-term sustainable growth path.

Source: Standard & Poor's

IRAN

Economic activity to slow down to 0.4%, inflation to reach 22% in 2012

The International Monetary Fund projected economic growth in Iran at 0.4% in 2012 and 1.3% in 2013 relative to 2% last year, and compared to growth in Middle Eastern oil exporting countries of 4.8% in 2012 and 3.7% in 2013. It forecast the country's non-oil real GDP to grow by 1.4% in 2012 and 1.7% in 2013, up from 2.2% in 2011. It anticipated Iran's annual average inflation rate at 21.8% in 2012 and 18.2% in 2013, compared to inflation of 10.6% and 9.1% in oil-exporting countries for 2012 and 2013, respectively. Also, it expected broad money to grow by 21.8% this year and 15.7% next year, relative to 19.7% in 2011. The Fund projected the government's fiscal balance to post deficits of 0.3% of GDP in 2012 and 1% of GDP in 2013, compared to a surplus of 0.2% of GDP in 2011. It also forecast the government's non-oil fiscal deficit at 15.7% of non-oil GDP this year and 14.9% of non-oil GDP in 2013, down from 17.1% of non-oil GDP last year. It estimated overall government rev-

enues at 23.5% of GDP in 2012 and non-oil revenues at 11.4% of non-oil GDP in 2012 compared to 25.7% of GDP and 11.9% of non-oil GDP, respectively, in 2011; and total expenditures at 23.9% of GDP this year relative to 25.5% of GDP last year.

The IMF projected Iran's public debt to reach 7.7% of GDP at end-2012 and 6.8% of GDP at end-2013, down from 9% of GDP at end-2011. It also forecast total gross external debt at 2.5% of GDP this year and 2.2% of GDP next year relative to 3.4% of GDP last year. Further, the Fund estimated Iran's exports of goods & services at \$124.2bn in 2012 and \$113.3bn in 2013, down from \$146.7bn in 2011; and imports of goods & services at \$91.7bn in 2012 and \$87.5bn in 2013, down from \$95.9bn in 2011. It forecast the country's current account to post surpluses of \$32.7bn, or 6.6% of GDP, in 2012 and \$26.3bn or 5.1% of GDP in 2013 relative to \$51.4bn or 10.7% of GDP in 2011. It expected the country's gross official reserves to grow from \$106.3bn at end-2011 to \$113.1bn at end-2012 and \$115.9bn by end-2013. The Fund anticipated Iran's oil production to decrease from 4.1 million barrels per day in 2011 to 3.6 million b/d this year, and for oil exports to drop from 2.5 million b/d last year to 2 million b/d in 2012.

Source: International Monetary Fund

AFRICA

Sub-Saharan Africa's economies to continue solid growth

Standard & Poor's expected rated economies in Sub-Saharan Africa (SSA) to continue to grow solidly over the coming two years, supported by high public investment spending, strong commodity exports, and increasingly diversified trade with growing emerging economies such as China. It noted that high infrastructure spending kept government deficits higher than at pre-crisis levels in many countries, as several governments are implementing large public investment programs. But it pointed out that most governments have some flexibility and would delay part of their capital spending programs if budgetary financing pressures materialize. It expected the continuing high oil prices to help sustain solid current-account surpluses for the region's oil-exporters in 2012, such as Nigeria and Angola. But it noted that the fiscal benefits of oil revenues have, in some cases, been offset by increases in spending that are faster than revenues. It added that this is mainly due to subsidies on imported refined oil products such as diesel.

In parallel, S&P anticipated that the continued high oil prices will keep the pressure on fiscal balances of oil-importing economies, as governments attempt to maintain subsidies or reduce taxes on fuel products. It said that sovereigns with a high dependence on a few commodities, such as diamond, copper, cotton and gold, are likely to remain exposed to volatile commodity prices. In parallel, S&P warned that a drop in global risk appetite would erode the confidence that foreign investors have shown in Sub-Saharan African markets since 2009, which would mainly lead to a decrease in foreign direct investment inflows. It added that budgetary pressures in Europe and the U.S. would also slowdown official aid flows that are critical to sustain public investment in many countries.

Source: Standard & Poor's



ECONOMY & TRADE

MENA

IPOs down 64% to \$82m in first quarter of 2012

Ernst & Young indicated that initial public offerings (IPOs) in the Middle East raised \$81.8m in the first quarter of 2012, constituting a rise of 281.6% from \$21.7m in the same quarter last year, and a drop of 63.8% from \$226.1m raised in the fourth quarter of 2011. It noted that four regional IPOs came to market in the first quarter of this year, unchanged from the preceding quarter. Saudi Arabia raised \$78.4m in the first quarter through two IPOs and accounted for 94.7% of the funds raised across the region. It was followed by Morocco with \$3.1m (3.8%) and Tunisia with \$1.3m (1.6) that were raised through one IPO in each market. The largest IPO in the region was the Saudi Takween Advanced Industries which raised US\$62.38m, followed by Tokio Marine Saudi Arabia with \$16m, Afric Industries with \$3.11m and Hexabyte with \$1.31m. Ernst & Young said that the improvement in the performance of regional bourses has yet to translate into a consistent increase in regional IPO activity. It added that the IPO markets have been very quiet since 2009 mainly due to lower-than-acceptable valuations by private and family businesses. It expected an increase in fund-raising in specific markets this year, despite that the money raised in the first quarter was still low by historical standards. But it noted that the anticipated increase would depend on the absence of major regional unrest.

Source: Ernst & Young

SYRIA

Hospitality sector hit hard by instability

Global hotel consulting firm HVS estimated the average occupancy rate at Damascus hotels at 21% in 2011, posting the fourth lowest rate in the Middle East among 45 cities covered by the firm. It estimated the average occupancy rate at Latakia hotels at 17% and at Aleppo hotels at 15% last year, posting the third and second lowest rates, respectively, in the region. Also, the occupancy rate at Damascus hotels decreased by 53 percentage points in 2011, followed by Aleppo with a drop of 41 percentage points and Latakia with a fall of 27 percentage points. In parallel, the average rate per room at Damascus hotels reached \$168 in 2011, down 28% year-on-year and posted the third steepest decline in region. Also, the average rate per room at Aleppo hotels was \$115 down 4% year-on-year; and that at Latakia hotels was \$70, down 32% year-on-year and posting the steepest contraction in the region. Further, revenues per available room (RevPAR) at Damascus hotels were \$35 in 2011, down 79% year-on-year, and posted the steepest decline in the region. RevPAR at Aleppo hotels reached \$17 and those at Latakia hotels stood at \$12, with RevPAR in each city dropping by 74% and posting the second steepest decrease in the Middle East. HVS said that Syria's hotel performance declined significantly last year due to the continued unrest, which constituted a major setback to the growth levels achieved previously in average rates and hotel occupancies. It expected hotel projects to be delayed and, in certain cases, to be cancelled until stability returns to the country. It anticipated that investor confidence will take time to recover to previous levels.

Source: HVS

QATAR

Business optimism retreats on global uncertainties

The D&B Business Optimism Index shows that the level of optimism in the Qatari non-hydrocarbon sector reached 36 points in the second quarter of 2012, down from 40 points in the previous quarter and from 42 points in the same quarter last year, as four of the six categories forming the index retreated. D&B indicated that the non-hydrocarbon sector's outlook moderated slightly due to the fragile state of the global economic recovery. The Volume of Sales sub-index increased by 4 points to 49 points, as 60% of the non-hydrocarbon sector firms is anticipating an increase in their sales. The Net Profits sub-index fell by 5 points to 35, the New Orders sub-index remained unchanged at 50, and the Level of Stocks sub-index increased by 9 points to 31 points. The survey indicated that 58% of firms expect an improvement in their order book status; and 41% of the respondents are expecting their inventory levels to improve relative to 49% that are expecting it to remain unchanged. Also, the Level of Selling Prices sub-index dropped by 8 points to 6 points, as 24% of the respondents anticipate their selling price to increase, while 18% expect a reduction. In parallel, 31% of the respondents do not anticipate any negative factors to impact their businesses in the second quarter. Finding skilled labor for business is a concern for 20% of non-hydrocarbon sector firms while 15% of the firms expect that securing finance for business operations might prove to be difficult in the second quarter of 2012.

Source: Dun & Bradstreet

KUWAIT

Investment firms continue to struggle

The Kuwait Financial Center indicated that investment companies in Kuwait face significant challenges that include a reduction in their overall assets under management (AUM), difficulties to recapitalize, subdued stock market activity, and increased regulatory pressures. It said that most investment companies are distressed, with only five companies able to restructure since 2009. It added that the sector manages far fewer assets with AUM dropping by 27% in 2011 compared to a fall of 24% in 2008, indicating that the decrease was not a one-off event from the global financial crisis. It pointed out that the sector posted losses every year since 2008, with such losses totaling KD1.8bn during the 2008-10 period. It said that the debt-to-equity ratio of firms declined from 1.6 in 2008 to 1.45 in 2011 mainly through liquidation of liquid assets, which left illiquid assets on the books. It added that high bank spreads kept borrowing rates elevated, which crowded out distressed companies and prolonged the crisis period. Further, it noted that the judicial system in Kuwait is not tailored for the speedy processing of bankruptcies or financial distress. It noted that the government should facilitate an orderly consolidation process whereby distressed companies merge with stronger ones, which can accelerate the sector's recovery process.

Source: Kuwait Financial Center



BANKING

JORDAN

Trade and construction account for 44% of overall lending at end-March 2012

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD16.6bn at the end of the first quarter of 2012, constituting an increase of 10.3% from JD15.1bn at the end of the first quarter of 2011 and a rise of 5% from JD15.8bn at end-2011. The resident private sector accounted for 87.8% of the total, slightly down from 90% at end-March 2011, followed by the non-resident private sector with 6%, the central government with 4.1%, public entities with 2.1%, and financial institutions with 0.1%. Foreign currency lending accounted for 11% of total lending, down from 12% at the end of the first quarter last year. The distribution of lending by sector shows that general trade represented JD3.8bn, or 23% of the total relative to 25% at end-March 2011. It was followed by construction with JD3.5bn, or 21% of the total, down from 21.6% at end-March 2011; industry with JD2.4bn, or 14.2% of overall lending; public services & utilities with JD1.7bn or 10% of the total; transportation services with JD543.3m or 3.3% of credits; tourism, hotels & restaurants with JD496.2m, or 3% of the total; financial services with JD378.2m or 2.3% of credits; and agriculture with JD256.3m, or 1.5% of overall lending. Further, other lending accounted for JD3.5bn, or 21% of total credits, of which JD409m were extended to buy shares. In parallel, loans & advances totaled JD14.1bn of overall credit, followed by overdrafts with JD2.2bn, and discounted bills with JD310.4m.

Source: Central Bank of Jordan, Byblos Research

SAUDI ARABIA

Banking sector to withstand external shocks

The Institute of International Finance indicated that the banking system in Saudi Arabia is sound and will be able to withstand external shocks and a temporary fall in oil prices given the banks' high levels of capital and liquidity. It added that the average capital adequacy ratio stood at 17% and the NPL ratio reached 2.7% at end-2011, while the loan-loss provision of 110% is one of the highest among emerging economies. Further it pointed out that the stability of the banking system is underpinned by an effective regulatory and supervisory structure that proactively contains risk-taking through the articulation of lending limits, caps on individual and corporate indebtedness, and pre-approval requirements on foreign lending. It said that the Saudi Arabian Monetary Agency (SAMA) has already introduced Basel II and used Pillar 2 requirements to foster improvements in banks' risk management and capital planning, and that preparations are underway for a move to Basel III. It noted that private sector credit growth continues to accelerate from a low of 5.7% in 2010 to 15% year-on-year in March 2012. In parallel, Fitch Ratings indicated that banks operating in Saudi Arabia have plenty of scope to fund loan growth in 2012, as the sector relaxes the cautious approach to lending that has dominated in the last few years. It said that rising deposits and several years of subdued loan growth have allowed banks to build up substantial liquidity surplus in the form of government securities and deposits at SAMA.

Source: Institute of International Finance, Fitch Ratings

ARMENIA

New loan penetration at 19% in 2011, 13th highest globally

Figures issued by the World Bank show that 17% of Armenians above 15 years old had an individual or a joint account at the end of 2011 at a formal financial institution, which is defined as a commercial bank, credit union, cooperative, post office or microfinance institution. Armenia's account penetration rate ranks in 116th place among 148 countries globally and in eighth place among 12 Commonwealth of Independent States (CIS). Armenia's bank account penetration is lower than the global penetration rate of 50% and the Europe & Central Asia's (ECA) penetration rate of 45%. Also, 1% of Armenian adults had a savings account at a formal financial institution, compared to 22% globally and 7% in ECA countries. In parallel, 19% of Armenian adults took out a new loan from a formal financial institution last year, which ranks Armenia in 13th place globally and in first place among CIS economies in terms of new loans penetration. In comparison, the global figure was 9% and the ECA's share was 8%. Also, 32% of Armenian adults took a new loan from family or friends last year, which ranks Armenia in 38th place globally and in fourth place in the CIS. In parallel, 1% of Armenians had an outstanding mortgage, constituting the 104th largest share globally and the third highest in the CIS.

Source: World Bank

TURKEY

Credit risks at intermediate level

Standard & Poor's maintained Turkey's Banking Industry Country Assessment (BICRA) at Group '5', its industry risk score of '5', and its economic risk score at '6'. 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 '5' include China, India, Poland, Slovenia, Spain, Thailand, and the UAE. It indicated that Turkey's economic risk score reflects its "high risks" in economic resilience and economic imbalances, and "intermediate risks" related to credit risks in the economy. It said that Turkey has a large and well-diversified economy, but that growth has historically been volatile. It pointed out that Turkey's high net external debt and recurring large current account deficits increase the economy's dependence on portfolio flows, foreign direct investment and cross-border bank borrowings. In parallel, it said that its industry score indicates that the country faces "intermediate risks" in its institutional framework and in its competitive dynamics, and "high risks" in system-wide funding. It noted that the banking sector's institutional framework improved significantly, which resulted in better transparency and corporate governance practices. It added that earnings benefit from strong margins, particularly in the retail segment, and the cost of risk remained manageable in the recent downturn. But it pointed out that banks are mainly funded by customer deposits, which results in asset-liability mismatches because of deposits' short-term nature.

Source: Standard & Poor's



ENERGY / COMMODITIES

Brent drops below \$113 on trade data from China

Brent crude prices declined to below \$113 a barrel on May 10, amid weaker-than-expected Chinese trade data that raised concerns over Chinese energy demand. Prices were also pressured by signs of rising U.S. crude inventories, although this was tempered by falling U.S. refined fuel stocks. Brent crude prices decreased by 24 cents to \$113 a barrel on May 10, while U.S. crude prices declined 5 cents to \$96.8 a barrel.

China imported 22.3 million metric tons of crude oil in April 2012, down 5.5% from 23.6 million tons in the previous month. Also, signs of rising supplies globally weighed on oil prices, where U.S. crude oil inventories rose by 3.7 million barrels last week. Gasoline stocks fell by 2.6 million barrels and distillate stocks fell by 3.3 million barrels last week. Also, higher production from Saudi Arabia has partly filled a supply gap caused by lower imports from Iran.

Source: Thomson Reuters

Iran accepts Chinese Yuan in exchange for oil

Iran is reportedly accepting Chinese Yuan in exchange for around \$20bn worth of crude oil supplied to China annually, as the two countries are trying to maintain trade ties despite Western sanctions on Iran. U.S. sanctions against Iran have made paying for its crude oil in U.S. dollars or in euros difficult for top oil consumers including China and India. Also, Iran has been using the Yuan to spend on goods and services imported from China for several months. China's two major Iranian oil buyers, Sinopec Corporation and Zhuhai Zhenrong used to pay for around 520,000 barrels per day of oil supply from Iran in the euro currency since 2006 before switching to the Yuan in 2010.

Source: Thomson Reuters

Western oil sanctions cost Syria \$3bn

The Syrian Petroleum Ministry stated that Western sanctions on Syrian oil exports have cost the country around \$3bn in lost revenues. It said that production has been reduced by a total of 35 million barrels since the European Union and the United States imposed sanctions on Syria in April 2011. Syria previously produced 380,000 barrels per day of oil and exported around 150,000 barrels per day. Oil firms such as Shell, Total, and Petro Canada, suspended operations in Syria.

Source: AFP

High annual declines of coltan and cassiterite production in the DRC

The production of coltan and cassiterite in the Democratic Republic of Congo declined on an annual basis by 62% and 77%, respectively, in February 2012. Also, wolframite production remained unchanged year-on-year. Annual production of all three minerals has been falling since 2009, especially in the eastern provinces of North and South Kivu. The decline in mineral production is largely due to American legislation forcing importers to prove that the production of minerals did not help fund armed groups in the DRC, which discouraged investment in the sector. However, the legislation did not have an impact on the DRC's production of major minerals such as copper, cobalt and zinc.

Source: Business Monitor International

Base metals: Higher price volatility for copper

Prices of base metals fell in the past week, with greater volatility for the three-month copper prices. A negative response to elections in France and Greece encouraged selling, while a stronger U.S. dollar also put downward pressure on prices. Also, China's copper imports declined in April, reflecting weak demand. Net long positions for copper reported by the U.S. Commodity Futures Trading Commission increased to a four-week high of 15,582 contracts on May 1 due to high cuts by short-position holders.

Further, the extent to which LME stocks will decline in the coming weeks remains questionable, particularly given an expected 100 kilo tons delivery from a major smelter in China to LME warehouses in Asia. Also, China's expected large inventory decline in the next two months will represent a challenge for copper prices.

Source: Standard Chartered

Precious metals: Prices decline on higher U.S. dollar

Precious metals prices declined in the past week due to a stronger U.S. dollar. Gold prices declined by 1.4% week-on-week, where net long positions in U.S. gold futures rose by 7.9% week-on-week to a four-week high as of May 1st. Also, China's gold imports increased by 59% month-on-month in March 2012. Gold has been the best performer among precious metals since mid-2011 and is expected to continue its safe-haven status. If gold prices continue to weaken, then silver will decline to around \$25 per ounce, marking a 12% loss from current levels.

Further, major ETF holdings of palladium increased by 2.45% to 1.96 million on May 4 from end-April 2012, the highest level in seven months. Platinum prices are projected to be broadly supported by supply disruptions at major mines in South Africa, which should partly offset demand concerns. The European autos market is of primary relevance for platinum due to the metal's application in diesel catalytic converters, whereas palladium is chiefly reliant on auto production in Asian emerging markets such as China, given the metal's application in gasoline catalytic converters.

Source: Business Monitor International, Standard Chartered

Global Commodity Outlook			
(3-months LME, \$/ton)	2011	2012f	2013f
Aluminum	2,424	2,254	2,500
Copper	8,833	8,829	10,750
Lead	2,391	2,279	2,600
Nickel	22,896	21,298	21,000
Tin	26,042	25,734	25,500
Zinc	2,212	2,210	2,450
(Spot price, \$/ounce)			
Gold	1,573	1,810	2,000
Palladium	733	721	850
Platinum	1,720	1,752	2,050
Silver	35	33	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	-	BB 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+	-	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- Stable	B 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 Stable	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+	BB Stable	-7.7	34.2	75.3	66.1	8.2	340.9	12.6	-0.9
Iran	-	-	B+	BB-	CCC 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	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	CCC Stable	-8.3	134.0	158.0	264.7	14.7	208.5	-14.1	11.2
Oman	A Negative	A2	-	A	A Stable	10.9	4.0	12.3	17.2	-	59.0	14.5	2.9
Qatar	AA- Stable	Aa2 Stable	-	AA-	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-	BBB Stable	9.4	7.1	18.0	30.1	2.1	19.7	20.6	5.4
Syria	-	-	-	BB-	CCC Stable	-11.0	27.5	11.0	36.8	-	43.6	-6.1	2.4
UAE	-	Aa2	-	AA-	BB Stable	5.8	18.5	44.4	53.5	7.2	293.3	10.3	0.6
Yemen	-	-	-	B-	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								
Asia													
Armenia	-	Ba2	BB-	-	-	-3.8	41.5	65.5	304.5	-	352.6	-11.7	6.4
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	A	BB	-1.1	25.8	8.5	29.3	1.9	-	2.8	0.6
	Stable	-	-	Stable	Stable								
India	BBB-	Baa2	BBB-	BBB-	BB	-5.9	68.1	17.8	62.2	11.1	-	-2.8	0.6
	Stable	-	-	Stable	Stable								
Kazakhstan	BBB	Baa2	BBB-	-	BBB	1.7	12.9	67.7	138.4	40.5	312.9	5.9	1.5
	Stable	-	Stable	-	Stable								
Central & Eastern Europe													
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								
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	24-Apr-12	No change	20-Jun-12
Eurozone	Refi Rate	1.00	03-May-12	No change	06-Jun-12
UK	Bank Rate	0.50	05-Apr-12	No change	09-May-12
Japan	O/N Call Rate	0-0.10	27-Apr-12	No change	23-May-12
Australia	Cash Rate	3.75	01-May-12	Cut 50bps	05-Jun-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	17-Apr-12	No change	05-Jun-12
Emerging Markets					
China	One-year lending rate	6.56	06-Jul-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	24-Apr-12	No change	20-Jun-12
Taiwan	Discount Rate	1.88	22-Mar-12	No change	28-Jun-12
South Korea	Base Rate	3.25	13-Apr-12	No change	10-May-12
Malaysia	O/N Policy Rate	3.00	09-Mar-12	No change	11-May-12
Thailand	1D Repo	3.00	02-May-12	No change	13-Jun-12
India	Reverse repo rate	8.00	17-Apr-12	Cut 50bps	18-Jun-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 100bps	N/A
Turkey	Base Rate	5.75	18-Apr-12	No change	29-May-12
South Africa	Repo rate	5.50	29-Mar-12	No change	24-May-12
Kenya	Central Bank Rate	18.00	May-12	No change	01-Jun-12
Nigeria	Monetary Policy Rate	12.00	20-Mar-12	No change	21-May-12
Ghana	Prime Rate	14.50	Apr-12	Raise 100bps	Jun-12
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.50	27-Apr-12	No change	08-Jun-12
Brazil	Selic Rate	9.00	18-Apr-12	Cut 75bps	30-May-12
Armenia	Refi Rate	8.00	08-May-12	No change	N/A
Romania	Policy Rate	5.25	30-Mar-12	Raise 25bps	N/A
Bulgaria	Base Interest	0.14	01-May-12	Cut 1bps	N/A
Kazakhstan	Refi Rate	6.5	02-Apr-12	Cut 50bps	N/A
Ukraine	Discount Rate	7.50	May-12	Cut 25bps	N/A
Russia	Refi Rate	8.00	26-Dec-11	Cut 25bps	N/A



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