



## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **IMF steps up work on sovereign wealth funds**

The International Monetary Fund indicated that it has stepped up its work across a broad range of issues related to sovereign wealth funds (SWFs), as such funds are rapidly gaining importance in the international monetary and financial system. The IMF estimates that SWFs will rise from \$2-3trn currently to about \$6-10trn within five years. At present, the UAE, Norway, Saudi Arabia, Kuwait, and Russia hold the world's five largest SWFs. The IMF said it is engaging in a dialogue with countries to arrive at a voluntary set of best practices in the management of SWFs. These practices should also help allay some of the prevailing concerns about SWFs, reduce protectionist pressures, and allow the international financial system to remain open.

In addition, the IMF's efforts aim to promote a better understanding of the role and significance of SWFs in their countries' macroeconomic policy framework, as well as help the international community better assess the impact of SWFs' activity on global financial stability and capital flows. The Fund is organizing a survey of SWFs to help identify their investment objectives and risk management practices, as well as institutional frameworks, such as governance structures and accountability arrangements. The IMF is coordinating its work on SWFs with the Organization for Economic Cooperation and Development and is also liaising closely with the European Commission, the World Bank, and others.

Source: *International Monetary Fund*

#### ARMENIA

##### **Political risk rising**

Fitch Ratings indicated that the recent political turmoil in Armenia could threaten the positive outlook on the sovereign's long-term foreign and local currency ratings of 'BB-' if unrest persisted or intensified. The agency said the political unrest of the past two weeks over the outcome of the presidential elections should not derail the country's improving economic fundamentals. But if the situation escalated, it could risk damaging domestic and international confidence, and undermining the authorities' focus on sound economic policy management. Fitch considered that an escalation of violence would be strongly negative for Armenia's basic political stability and sovereign ratings. The turmoil follows steady improvement in the country's economic fundamentals such as rapid growth and improving external liquidity that have supported the positive outlook. The economy grew by 13.7% in 2007, the country's external liquidity position is improving due to foreign capital inflows, and general government debt was low at about 18% of GDP at end-2007. The agency added that there is little prospect that the sovereign itself will face near-term external liquidity difficulties with general government external debt maturities projected at just \$39m in 2008.

Source: *Fitch Ratings*

#### IRAN

##### **UN imposes new sanctions**

The United Nations Security Council imposed a third set of sanctions against Iran, targeting individuals most closely involved with its alleged nuclear weapons program and turning up the heat on banks suspected of financing it. The new measures contained in UN resolution 1803 impose travel restrictions on Iranians suspected of involvement in a nuclear weapons program and demands greater vigilance by UN states over the activities of Iranian banks, including Bank Melli and Bank Saderat. Member states are also encouraged to avoid granting export credit guarantees that could be used to finance the nuclear program and to search ships and planes suspected of carrying banned cargoes. Western diplomats acknowledged that the package was weaker than they wanted but had been watered down to gain maximum support in the council. The Western position was strengthened by evidence presented by the IAEA indicating Iran's continued efforts to develop a nuclear warhead, including designs for a missile re-entry vehicle, and showed other possible undeclared activities with nuclear material. Iran's envoy to the UN said the new sanctions are an "unjust and irrational decision on Iran's peaceful nuclear program".

Source: *Financial Times*

#### LIBYA

##### **Ministries to be abolished**

Libyan leader Muammar Qadhafi announced his intention to dissolve the country's existing administrative structure and disburse oil revenue directly to the people. The plan includes abolishing all ministries, except those of defense, internal security and foreign affairs, and departments implementing strategic projects. He attributed his decision to the fact that ministries have been spending \$37bn annually in recent years but have failed to meet targets and deliver infrastructure projects on time. Qadhafi has made at least three similar announcements in the past, the most recent of which was in March 2000, when he declared the elimination of 12 government ministries.

Source: *MEED*

#### SYRIA

##### **U.S imposes sanctions on four Syrians**

The United States Treasury Department imposed sanctions against four Syrians accused of facilitating the flow of money, weapons and foreign fighters from Syria to Iraq. The action freezes any assets the four individuals may have under U.S. jurisdiction and prohibits American citizens and U.S. firms from engaging in business transactions with the four men. The targets of the action are Iraqi-born Syrian Badran Turki Hishan al-Mazidih, his brother and two cousins.

Source: *Associated Press*

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# FEBRUARY POLITICAL RISK OVERVIEW

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## ALGERIA

Interior Ministry said on February 5 that the security forces killed a rebel leader and arrested 6 associates responsible for the December 11, 2007 twin bombings in Algiers by Al-Qaeda in the Islamic Maghreb (AQIM). Security forces claimed that the rebel leader "emir" Hamza was shot on February 26 during a counter-terror raid. Lakhdar Brahimi will head the UN staff security review following the December attack. The National Security chief Ali Tounsi announced on February 9 that the police force will be expanded to 200,000 by 2010 to create a climate of security. Attacks on security forces continued: eight were killed in a suspected AQIM-led ambush on a military vehicle in El Oued on February 7th. Two were killed in separate attacks on military targets in Boukalfa and Tizi Ouzou on February 7 and 16th.

## ARMENIA

The government violently suppressed the opposition supporters in Yerevan, claiming to respond to a coup threat. Armed forces were mobilized for a broader crackdown. The State of emergency was declared. The response grew progressively stronger during protests following presidential elections on February 19th. PM Sarkisian received 53% of the vote and opposition candidate Ter-Petrosian, 21.5%. The opposition claimed vote rigging and thousands of opposition supporters rallied in Yerevan streets. Thirteen senior government officials resigned on February 23-25, citing election fraud. Ter-Petrosian rejected on February 26 Sarkisian's proposal to form a coalition government. Several opposition leaders were detained on February 23, 24th. OSCE representatives said elections were "mostly in line" with international commitments but reported violations in 16% of polling stations.

## EGYPT

Further Muslim Brotherhood (MB) members were arrested as authorities continued to target the potential candidates for the municipal elections that will take place on April 8th. MB leader Mohammed Mahdi Akef vowed on February 21 that the group would contest the upcoming elections despite the attacks. Several thousand supporters demonstrated in universities on February 26 ahead of the expected military tribunal verdict on trial of 40 senior members. The verdict was postponed to March 25th.

## IRAN

UK and France introduced a UNSC resolution on February 21, backed by the U.S., Russia, China and Germany, seeking to expand the financial sanctions and impose travel bans on certain Iranian officials. The IAEA report, released February 22, noted the improved access for inspectors but said Tehran has yet to adequately respond over questions on nuclear material "weaponization". Moscow expressed concern at a rocket test-fired on February 4th. The Guardian Council continued to reinstate candidates previously disqualified from the running in the March 14 vote. Over 830 of the original 2200 candidates have been re-qualified for the election to the 290-seat parliament.

## IRAQ

Security remained volatile. A suicide bomber targeted Shiite pilgrims in Iskandariya on February 24, killing 40. A car bomb killed 33 in Balad on February 10, coinciding with the U.S. Defense Secretary arrival in Baghdad. A leader of the Sunni Awakening Council, Sheikh Ibrahim Mutayri al-Mohammedi, was killed on February 23 by al-Qaeda in Iraq.

## SUDAN

Darfur witnessed the worst violence in months as the government launched major aerial bombardments and ground attacks on three towns in West Darfur on February 8th. 200 were killed, 10,000 fled to Chad. Airstrikes near Aro Sharow IDP camp, were condemned by the UN Secretary General on February 20th. The signing of the Status of Forces Agreement (SOFA) on operating rules removed on February 9 major barriers to the deployment of UN-AU hybrid peacekeeping force. Renewed fighting broke out in the middle of the month in the contested Abyei region. UN Secretary-General Special Representative for Sudan Ashraf Qazi warned of Abyei risk in his first briefing to the UNSC on February 19 and also stressed the importance of the 2005 North-South Comprehensive Peace Agreement (CPA).

## SYRIA

Syria Hizbollah commander Imad Mughniyeh, in hiding for years, was assassinated in a car bomb in Damascus on February 12th. Syria condemned the killing. Iran and the Hizbollah blamed Israel. The U.S. welcomed the news of death and expanded financial sanctions against senior Syrian officials and associates. German Chancellor Angela Merkel called on Syria on February 22 to play a "constructive part" in Lebanon's crisis and expressed support for Arab League efforts ahead of the March Arab summit in Damascus. Egyptian President Hosni Mubarak echoed criticism of Syria's role in Lebanon on February 26th. The EU agreed on February 17 an additional \$13.2m to Syria (over \$55m total) to fund health aid for some 1.5m Iraqi refugees in the country.

## TURKEY

Turkish troops crossed into northern Iraq on February 21, helped by air and artillery strikes that targeted camps of the separatist Kurdistan Workers Party (PKK) across the border. Turkey says its troops have begun to pullout on February 29th. Iraq and the U.S. had urged Turkey to end its incursion across the border, amid fears of escalating regional tensions.

## UKRAINE

Gazprom threatened on February 26 to cut gas supplies by 25% to Ukraine, after PM Tymoshenko failed to clarify the deal reached by President Yushchenko and the Russian President Putin on February 13th. Kiev agreed to pay off Gazprom debts. The EU started negotiations for free trade agreement on February 18th. Moscow threatened on February 12 to target missiles at Ukraine in the case of NATO accession or deployment of U.S. missile shield. The Verkhovna Rada speaker Yanukovych agreed to hold a roundtable on February 25 to resolve the parliamentary deadlock.

*Source: International Crisis Group*



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# OUTLOOK

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## MENA

### Insurance sector set for rapid growth, capitalization and leverage of insurers to increase

Moody's Investors Service expected that the rates of growth of insurance premiums in the Middle East and North Africa region to exceed global growth rates registered in recent years. It said the region's insurance markets remain small in global terms, with penetration rates markedly lower than in many Western economies. However, recent years have seen rates of growth of insurance premiums in these markets far in excess of those registered globally. It expected this trend to continue for the next few years due to rising GDP per-capita, increasing awareness of the benefits that insurance can bring and government actions to encourage individuals to save for their own retirement. In addition, Sharia compliant insurance, or Takaful, is set to be a strong contributor to overall insurance growth in the region. According to Moody's, one of the key credit challenges for the markets in general is the significant number of smaller, often unsophisticated players. However, most markets also contain a handful of substantial and well-recognized market leaders, and it expects the trend of increasing numbers of larger and higher-profile insurers to continue as insurance markets in the region mature.

The agency noted that non-life insurance remains the dominant line of business, with most Middle Eastern markets showing relatively high levels of concentration on a select few insurance retail lines and sizeable commercial insurance contracts relating to higher-risk infrastructure projects in the region such as oil, gas and construction. But it expected the gradual broadening of insurance products and insurance purchasers to improve non-life product risk and diversification. Also, life insurance is set to expand substantially, leading to a better level of overall insurance risk diversification. In parallel, Moody's considered that the capitalization levels of insurers will be key with individual groups' ambitious growth plans for the region. It said that the ability to source additional capital to support such growth will be a major credit issue for many groups. It added that the virtual absence of material levels of financial leverage is a clear credit positive for the region's insurers, but it anticipates their use of debt to increase in the future.

*Source: Moody's Investors Service*

## RUSSIA

### Rating outlook under President Medvedev

Fitch Ratings stated that President-elect Dmitry Medvedev faces a number of challenges if he is to strengthen Russia's economy and creditworthiness, adding that he faces a tough job to emulate the domestic popularity and economic record of President Vladimir Putin. It considered that Mr. Medvedev's legal and technocratic background and recent speeches advocating greater political and economic liberalism, an independent judiciary, the rule of law, tackling corruption, cutting bureaucracy and improving governance of state-owned companies are encouraging signals. However, it may be difficult for the new president to impose his will over powerful vested interests, and it is uncertain how smoothly his cohabitation with Mr Putin, who is expected to become prime minister, will work. The agency said a renewal of structural reforms that improve the

business climate, diversification and growth prospects of the economy, as well as an easing in political uncertainty after the elections, could exert upward pressure on Russia's ratings. It indicated that Russia's economic and financial situation has staged a remarkable turnaround since Mr Putin became acting President at the beginning of 2000, reflecting upgrades of the country's sovereign rating to 'BBB+' from 'CCC'.

But Fitch noted that macroeconomic uncertainty has increased over the past six months as inflation surged to 12.6% in January, and monetary conditions are also loose as the authorities provide liquidity support to the banking sector. The agency said the general government budget ran a surplus of 7.6% of GDP in 2007, but pressures to cut taxes and increase spending are intensifying and Fitch expects a loosening of fiscal policy to reduce the surplus to around 3.5% of GDP this year. Further, Russia recorded a current account surplus of 6.2% of GDP in 2007, but this could move into deficit by 2009 as imports boom, capacity constraints limit exports and energy prices ease. Also, Russia's public finances and balance of payments remain sensitive to commodity price shocks. Another uncertainty is the impact of the global credit shock on capital inflows, particularly with the Russian private sector facing external amortization of around \$80bn and short-term external debts of around \$100bn in 2008.

*Source: Fitch Ratings*

## IVORY COAST

### Growth forecast at 3% in 2008, reforms to continue

The International Monetary Fund expected economic growth in the Ivory Coast to rise to 3% in 2008 from 1.5% in 2007. It said progress in reunification and the return of calm in most areas of the country helped launch economic activity despite persistent military roadblocks causing large economic costs. It said inflation remained moderate despite a temporary rise in the prices of certain food items, and several other encouraging signs such as a strong upturn in investment and credit to the economy should help growth. The IMF said the government improved relations with its creditors by settling a significant portion of arrears to domestic creditors and staying up-to-date on current debt obligations to almost all multilateral creditors. The authorities have just paid the country's share in the clearance of arrears to the World Bank, and hope it would pave the way for a grant from the Bank to clear remaining arrears and for fresh financing.

According to the IMF, the main objectives of the program for 2008 are to bring the Ivory Coast to its pre-crisis growth rate and relaunch a poverty reduction strategy. The program seeks to achieve peace dividends by mobilizing revenue in the whole country, combating tax evasion and corruption, and reducing non-priority spending to meet education, health, and basic infrastructure needs. The IMF also called for structural reforms to stress transparency in public resource management and to improve public expenditure management through strict adherence to budget allocations. The Fund stressed that it will continue to support the Ivory Coast in its efforts to emerge from the crisis, first with EPCA to be followed in due course by a Poverty Reduction and Growth Facility arrangement and debt relief under the Heavily Indebted Poor Countries Initiative.

*Source: International Monetary Fund*



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# ECONOMY & TRADE

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## SYRIA

### Parliament ratifies new Company Law

The Syrian Parliament ratified the Company Law after amending several aspects of the draft text. The legislature started debating the draft law towards the end of last year. The new Company Law is composed of 228 Articles that cover the main provisions related to the establishment of joint stock and limited liability companies such as a firm's incorporation, name, transfer of shares, management, general meetings, etc. Companies in Syria have been regulated by Articles 55 to 337 of the Commercial Law issued in 1949. Although the new Company Law keeps many of the provisions related to companies contained in the existing Commercial Law, it abandons many other provisions, especially those related to the procedures required to establish companies. Overall, the draft text is much more liberal than the current law and grants the founders of a company more freedom to set the rules of their companies. The new law also regulates holding companies for the first time in Syria. The new Company Law will go into effect starting April 2008 in conjunction with the new Commercial Law.

Source: *Syria News, Syria Report*

## IRAQ

### Iran pledges \$1bn in loans for infrastructure

Iran announced it will extend \$1bn in loans to finance infrastructure projects in Iraq. The loans will be allocated to infrastructure and reconstruction projects carried out by Iranian contractors using Iranian goods and equipment. The loan agreement was signed between the two sides during the visit of Iranian President Ahmadinejad to Baghdad. Ten other economic cooperation agreements were signed between Iran and Iraq during the visit.

Source: *Associated Press*

## LIBYA

### Oil revenues at \$40bn in 2007

The National Oil Company (NOC) stated that Libya's oil revenues totaled \$40bn in 2007. It said that 30% of the oil receipts has been allocated to the state budget and 70% will be channeled into development projects. Libya, which is currently the second-largest oil producer in Africa, looks to double output to about 3 million barrels per day by 2010.

Source: *Reuters*

## IRAN

### Annual inflation at 19.2% in February

The Governor of the Central Bank of Iran Tahmasb Mazaheri said he is determined to reduce inflation and has been taking measures to curb credits to the banking sector. He added that lowering interest rates last year at state-owned banks from 14% to 12%, in the name of social justice, was a crucial step for the Iranian economy. But it also contributed to the rise in annual inflation, which peaked at 19.2% in February. He said the CBI is reviewing monetary policy for the next Iranian year that starts on March 20th. Mazaheri wants the Iranian banking system, which now uses a mixture of interest-based and Islamic profit-sharing accounts, to deal freely in interest and take advantage of a wide variety of modern financial instruments.

Source: *Financial Times*

## SAUDI ARABIA

### Saudi Arabia joins Data Dissemination System

The International Monetary Fund announced that Saudi Arabia began participating in the IMF's General Data Dissemination System (GDDS) in March 2008 in order to develop its statistical system. The decision is part of the kingdom's recognition of the need and importance to improve transparency in data compilation. The IMF said Saudi Arabia's participation in the GDDS should allow it to enhance its statistical capacity and to issue timely statistics needed for economic policy-making and monitoring developments. It added that the kingdom's participation in the GDDS would also encourage other countries in the region to follow the same path. The GDDS was established by the IMF in 1997 and provides a framework to help countries develop their statistical systems. Saudi Arabia is the 91st GDDS participant.

Source: *International Monetary Fund*

## KAZAKHSTAN

### Annual inflation at 18.8% in February

Figures released by the Statistical Agency of Kazakhstan show that annual consumer price inflation was 18.8% in February, unchanged from the two previous months, with goods inflation edging up further and services inflation falling slightly. CPI inflation has been at an annual 18.8% since December 2007, an eight-year high, compared with around 7-8% in the first half of 2007. Food prices were up by 26.7% year-on-year in February, compared with 26.5% annually in both December and January. Non-food goods prices were up 11.3% annually, accelerating modestly from 11% in January, while services sector inflation slowed to 14.3% year-on-year in February from 14.8% in January.

Source: *Credit Suisse*

## RUSSIA

### Surplus funds to invest in U.S. and European mortgage agencies

The Finance Ministry has authorized the investment of Russia's fiscal deposits in securities issued by U.S. and European mortgage and development agencies. The Finance Ministry approved in January 2008 a revised set of restrictions on investing the country's large and growing fiscal deposits, as decrees issued in the second half of January 2008 allow for a material diversification of assets held by the two parts of the former Stabilization Fund, including the Reserve Fund, which holds \$125bn and the National Welfare Fund that has \$32bn. The decrees stipulate that up to 15% of the assets of both funds may be invested in securities issued by 15 US-based or EU-based mortgage or development agencies, including the US's Fannie Mae and Freddie Mac. The local media has reported that the Central Bank recently invested some \$40bn in Fannie Mae and Freddie Mac securities. The approved guidelines represent the first major step towards diversifying the assets of the state funds and achieving some pick-up in yield compared to the Central Bank's conservative policy on investing its own reserves.

Source: *Credit Suisse*



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# BANKING

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## WORLD

### **Supervision to keep pace with financial innovation**

The Basel Committee on Banking Supervision declared that banking regulators must ensure that supervision keeps pace with innovation in order to make the sector more resilient to the next set of shocks. It cited three shortcomings that amplified the sub-prime crisis, that are a lack of sound underwriting, a failure of risk management capabilities to keep up with innovation, and weak practices at banks that failed to reflect market developments. It said the use of historic measures of risk had resulted in a massive understatement of stressed losses and called for greater investment in firm-wide risk management systems. It added that banks need to make sure they perform adequate stress tests and hold capital for exposures coming back to the balance sheet for liquidity reasons. Basel supervisors would supplement current Value at Risk (VAR) frameworks for assessing risk with a capital charge for credit default risk in the trading book. They were also working on a review of existing guidelines developed in 2000 on liquidity risk management.

*Source: Reuters*

## SYRIA

### **Paid up capital of 15 banks at SYP109bn**

The Council for Money and Credit declared that the aggregate paid up capital of public and private banks operating in Syria reached SYP109bn, adding that a total of 15 banks currently operate in the country. The CMC said public banks include the Commercial Bank of Syria with a paid up capital of SYP70bn, followed by the Agricultural Cooperative Bank with SYP9.98bn, the Real Estate Bank, the Popular Credit Bank, and the Savings Bank with SYP1.5bn each, and the Industrial Bank with SYP1.03bn. It added that the private banks are Bank of Syria & Overseas with SYP3bn in paid up capital, the International Bank for Trade & Finance with SYP3bn, Bank of Syria & the Gulf with SYP3bn, Bank Audi-Syria with SYP2.5bn, Byblos Bank Syria with SYP2bn, BEMO Saudi Fransi with SYP1.75bn and Arab Bank-Syria with SYP1.5bn. The CMC said it has approved BEMO Saudi Fransi's request for an increase in capital to SYP2.5bn and the request of Arab Bank – Syria for a capital increase to SYP3bn. Further, it noted that the Islamic banks registered in Syria include Sham Bank with a paid up capital of SYP2.5bn and the Syria International Islamic Bank with SYP5bn.

*Source: Central Bank of Syria, Syria News*

## TUNISIA

### **Central Bank keeps interest rates on hold**

The Central Bank of Tunisia (BCT) kept its benchmark interest rate on hold at 5.25% despite recent acceleration in consumer price inflation. The appreciation of the Tunisian dinar against the US dollar by 0.7% since the beginning of 2008, strong inflow of remittances and a healthy services sector are expected to drive the bank's cautious monetary policy in the short-term. Inflation averaged 3% in 2007 and is firecast at 4% for 2008. The BCT increased reserve requirements for commercial banks by 150 basis points from 3.50% to 5% on January 30 in order to reduce excess liquidity at banks and to help contain inflation.

*Source: Reuters*

## IRAN

### **FATF warns about deals with Iranian financial institutions**

The Financial Action Task Force against Money Laundering and Terrorism Financing urged all countries around the world to advise their financial institutions to pay special attention to financial dealings with Iran, signaling increased concern about legal loopholes that make the Islamic republic a risk. FATF advised its 34 members in October to inspect their dealings with Iran more closely, but is now increasing the pressure on Iran to address urgently its anti-money laundering and terrorist financing deficiencies. But the FATF also welcomed efforts by Iran, acknowledging that Teheran has sought its advice on improving its laws on money laundering and the financing of terrorism. It said Iran has a recent anti-money laundering law, but does not have a law at the moment dealing with terrorist financing.

*Source: Associated Press*

## KAZAKHSTAN

### **Higher margins, but asset quality concerns remain**

Fitch Ratings indicated that the 2007 results of Kazakh banks show higher interest margins but also higher loan impairment charges, driven both by a rise in non-performing loans and changes in local provisioning criteria, therefore canceling out the effect of higher margins on bottom-line results. Fitch said increased reserves provide a cushion to absorb potential future increases in loan impairment, but asset quality deterioration remains the key near-term risk for Kazakh banks and will be the key driver of the banks' performance in 2008. It added that the sector's liquidity should remain manageable unless the current limited access to wholesale funding is compounded by a severe run on deposits, an unlikely scenario at present.

Fitch noted that the sector's average net interest margin improved by 74bps in the second half of 2007 compared to the first half of the year. The main driver was increased loan rates, as banks were able to increase rates on new credit facilities and, in many cases, exercised their contractual right to revise yields on outstanding corporate loans starting in the third quarter of 2007. The increase in overall funding costs was less significant, despite the much tougher funding environment for Kazakh banks in the second half of 2007 due to the large proportion of long-term, fixed-rate borrowings in bank liabilities. However, statutory loan impairment charges increased significantly due to the seasoning of loan books in a more difficult credit environment and also new regulatory loan impairment criteria.

*Source: Fitch Ratings*



# ENERGY / COMMODITIES

## Oil pauses after surge to near \$105 on stocks, OPEC

U.S. light crude for April delivery was down 11 cents at \$104.41 a barrel, having jumped by \$5 on March 5, after weekly U.S. oil data showed a 3.1 million draw in crude stocks. Prices hit a new intra-day high of \$104.95. London Brent crude was down 11 cents. Analysts had expected crude inventories to build by 2.4 million barrels, extending a near two-month streak of rising stocks, one of the factors that stayed OPEC's hand in Vienna. The U.S. Energy Information Administration data also reported a large 4.8 million barrel fall in distillates inventories for the fourth consecutive week as colder weather boosted heating demand in the U.S. Northeast. But gasoline stocks rose again to another 14 year high, suggesting weak demand and healthy supplies in the months leading up to the U.S. summer driving season. Prices also climbed after OPEC decided not to increase its output, as had been largely expected, and blamed high prices on factors outside the cartel's control, including speculators and the "mismanagement" of the U.S. economy. Adding to renewed worries over supplies, OPEC member Venezuela deployed tank and air and sea forces toward the Colombian border on March 5th. The deployment was seen as the first sign of heavy firepower being mobilized after a crisis erupted last weekend when Colombia launched a raid to kill rebels inside another South American neighbor, and OPEC member, Ecuador.

Source: Reuters

## Syria to import crude oil starting 2009

The Syrian Petroleum Company (SPC) declared that Syria will start importing light crude oil in 2009. Syria has been a net exporter of crude oil since the late 1980s. However, Syria's production of crude oil is now expected to fall to 350,000 barrels of oil a day (b/d) at the beginning of 2009, an annual decrease of 7.9%. Syria's production stands currently at 380,000 b/d, out of which 40% is light crude oil and the remaining is heavy crude oil. The fall in the production of light crude accounts almost entirely for the overall decrease.

Source: The Syria Report

## Iraqi Cabinet authorizes Oil Ministry to sign deals with oil firms

The Iraqi Cabinet gave the green light to the Oil Ministry to sign agreements with international oil companies to help increase the nation's crude output. The two-year deals, known as Technical Support Agreements, are designed to develop 5 producing fields to add 500,000bpd to the country's current 2.4mbpd output. More than 70 international firms met the ministry's deadline of February 18 to compete for tenders to help develop Iraq's oil reserves. Last December, Royal Dutch Shell, BP, ExxonMobil Corp. and Chevron Corp. submitted technical and financial proposals for the five oil fields and received counterproposals from the Iraqi side. Iraq's Oil Minister said that Iraq intends to compensate these companies with crude oil rather than in cash, adding that the ministry was still working on the compensation details with the Development Fund of Iraq, controlled by the U.S. and the UN.

Source: Associated Press

## Base metals: Chinese material finally arrives in warehouses - no effect on prices

With the recent increases, aluminum, copper and zinc have exceeded price targets for the end of the second quarter already. From a purely fundamental point of view, there is no reason for the price surge this week. On the contrary, there is even some negative news. Aluminum and copper have seen sharp increases in inventories since the material that has been delayed due to the snowstorms in China has finally arrived in the LME warehouses. Over the last two weeks, copper inventories at the Shanghai Futures exchange have more than doubled, and aluminum inventories have increased almost 50%. However, there was virtually no effect on prices, as the negative news on the fundamental supply and demand sides were more than compensated by the renewed dollar weakness and liquidity inflows into the base metal sector from financial investors.

Source: Credit Suisse

## Precious metals: The rally is becoming more speculative

Precious metals prices continued their remarkable rally as the dollar fell to a record low against the euro. During the course of the week the Euro/U.S.dollar rate crossed the psychologically important \$1.50 mark, which gave the already positive sentiment in precious metals another boost. Buying by financial investors is additionally fuelled by surging inflation rates, which prompts market participants to consider precious metals investments. Platinum and gold prices are still backed by good fundamentals, as the price rally should slow down somewhat after the rapid increases of the last months. Gold is still expected to rise above the \$1,000 mark later this year. Prices of \$900 or below are buying levels. However, concerning silver and palladium, the risk of a correction is very high. After the recent overshooting, such a price decline would probably be triggered by dollar appreciation.

Source: Credit Suisse

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	258.3	220.2	210.4	14.3	34.1
LME metals price index	4297.0	3718.1	3879.3	21.5	16.2
Oil prices USD	102.7	89.6	78.4	13.0	66.3
Oil prices SDRs	63.9	57.1	50.7	11.8	55.7
Gold \$/troy oz	966.6	811.8	739.2	4.6	44.4
Silver cents/troy oz	1924.0	1474.1	1392.5	17.0	34.5
Platinum \$/troy oz	2131.0	1529.4	1403.6	25.9	72.0
Copper \$/MT	8467.5	7350.9	7409.8	22.9	41.7
Nickel \$/MT	30312.5	28812.8	35405.8	14.6	-31.7
Aluminium \$/MT	3045.5	2484.1	2600.3	24.5	5.5
Zinc \$/MT	2665.3	2598.2	3051.9	20.6	-23.1
Steel - HR coil dry \$/MT	605.0	589.2	565.5	0.0	16.3

Source: Credit Suisse



# 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								
<b>Africa</b>													
Algeria	-	-	-	-	BBB	9.4	14.0	3.1	5.4	1.9	3.7	14.4	0.8
	-	-	-	-	Stable								
Angola	-	-	-	-	BB	3.8	10.9	13.8	14.5	5.3	41.2	31.6	2.4
	-	-	-	-	Stable								
Egypt	BB+	Ba1	BB+	BB+	B	-6.9	82.5	21.9	55.2	6.0	109.2	1.4	4.6
	Stable	-	Positive	Stable	Stable								
Ethiopia	-	-	-	-	CCC	-4.8	-	20.5	327.7	2.9	458.7	-8.7	2.2
	-	-	-	-	Stable								
Ghana	B+	-	B+	-	B	-8.0	-	35.3	120.0	3.3	219.3	-9.8	-
	Stable	-	Stable	-	Stable								
Ivory Coast	-	-	-	-	CCC	-3.4	-	47.6	97.4	4.2	339.0	6.9	-
	-	-	-	-	Stable								
Libya	-	-	-	-	BB	31.4	4.3	8.9	11.4	2.8	5.6	16.8	2.4
	-	-	-	-	Stable								
Mauritania	-	-	-	-	-	-2.3	105.9	78.9	123.4	4.5	-	-2.6	-
	-	-	-	-	-								
Morocco	BB+	Ba1	BBB-	BBB-	BB	-1.8	54.3	22.2	115.7	7.9	63.3	1.0	4.0
	Positive	-	Stable	Stable	Stable								
Nigeria	BB-	-	BB-	-	BB	-1.2	14.4	4.2	8.6	0.5	-	9.6	1.2
	Stable	-	Stable	-	Stable								
Sudan	-	-	-	-	CC	-3.1	83.6	51.3	205.9	2.1	-	-5.6	3.8
	-	-	-	-	Negative								
Tunisia	BBB	Baa2	BBB	BBB	BBB	-1.5	49.1	52.7	90.5	12.3	232.1	-1.9	2.8
	Stable	-	Stable	Stable	Stable								
<b>Middle East</b>													
Bahrain	A	A2	A	A-	A	8.3	25.6	112.1	140.2	5.1	680.5	12.6	10.5
	Stable	-	Stable	Stable	Stable								
Iran	-	-	B+	BB-	B	-9.3	22.7	4.4	16.5	2.8	19.2	7.7	2.4
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	C	26.5	-	90.6	137.1	2.9	267.8	18.2	-
	-	-	-	-	Positive								
Jordan	BB	Ba2	-	BB	B	-4.6	72.6	87.6	237.8	6.1	220.6	-13.2	11.5
	Stable	-	-	Stable	Stable								
Kuwait	AA-	Aa2	AA-	AA-	A	33.0	6.9	15.2	3.1	3.5	83.2	47.9	-7.3
	Stable	-	Stable	Stable	Stable								
Lebanon	CCC+	B3	B-	B-	CCC	-13.2	176.1	100.0	767.3	22.8	255.8	-11.2	5.1
	Stable	-	Stable	Negative	Stable								
Oman	A	A2	-	A-	A	10.4	5.6	11.4	20.5	5.9	79.6	13.6	2.0
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	A	12.0	11.4	59.3	104.0	11.0	565.3	35.8	2.2
	Stable	-	-	Stable	Stable								
Saudi Arabia	AA-	A1	A+	AA-	A	17.6	3.8	7.8	15.2	2.0	154.9	29.3	0.2
	Stable	-	Positive	Stable	Stable								
Syria	-	-	-	-	CCC	-5.5	40.3	13.7	39.8	3.2	100.7	2.2	1.6
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	A	28.5	11.8	55.6	64.5	2.5	303.9	20.9	1.8
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	B	-5.2	-	25.8	97.0	3.1	80.6	-3.9	
	-	-	-	Stable	Stable								



# 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								
<b>Central &amp; Eastern Europe</b>													
Armenia	-	Ba2	BB-	-	-	-2.4	14.6	22.2	227.3	2.6	126.2	-4.0	2.8
	-	-	Positive	-	-								
Bulgaria	BBB+	Baa3	BBB	-	BBB	3.1	16.2	106.9	174.3	18.1	299.8	-19.3	13.7
	Stable	-	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB	-	BB	3.4	4.6	88.9	201.9	48.5	578.4	-5.0	5.6
	Stable	-	Stable	-	Stable								
Romania	BBB-	Baa3	BBB	BBB-	BB	-3.4	12.8	45.3	193.5	24.0	238.0	-15.6	6.4
	Stable	-	Stable	Stable	Stable								
Russia	BBB+	Baa2	BBB+	-	BBB	3.5	5.3	29.4	112.5	17.1	82.4	3.7	0.9
	Stable	-	Stable	-	Stable								
Turkey	BB-	Ba3	BB-	BB-	B	-0.7	50.2	44.5	200.2	37.5	249.5	-5.2	3.1
	Stable	-	Stable	Stable	Stable								
Ukraine	BB-	B1	BB-	-	BB	-2.5	14.5	48.4	143.3	16.4	193.4	-4.4	3.8
	Negative	-	Positive	-	Stable								

Sources: Moody's Investors Service; EIU - The above figures are estimated for 2008



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	3.00	30-Jan-08	Cut 50bps	18-Mar-08
Eurozone	Refi Rate	4.00	07-Feb-08	No change	06-Mar-08
UK	Base Rate	5.25	07-Feb-08	Cut 25bps	06-Mar-08
<b>Japan</b>	O/N Call Rate	0.50	15-Feb-08	No change	07-Mar-08
Australia	Cash Rate	7.00	05-Feb-07	Raise 25bps	04-Mar-08
New Zealand	Cash Rate	8.25	23-Jan -08	No change	05-Mar-08
Switzerland	3 month Libor target	2.75	13-Dec-07	No change	13-Mar-08
<b>Emerging Markets</b>					
China	One-year lending rate	7.47	20-Dec-07	Raise 18bps	N/A
Hong Kong	Base Rate	4.50	31-Jan-08	Cut 50bps	N/A
Taiwan	Discount Rate	3.38	20-Dec-07	Raise 12.5bps	End Mar-08
South Korea	O/N Call Rate	5.00	13-Feb-08	No change	07-Mar-08
<b>Malaysia</b>	O/N Policy Rate	3.50	25-Feb-08	No change	29-Apr-08
<b>Thailand</b>	1D Repo	3.25	27-Feb-08	No change	09-Apr-08
India	Reverse repo rate	6.00	29-Jan-08	No change	29-Apr-08
UAE	Overnight repo rate	3.50	23-Jan -08	Cut 75 bps	N/A
Saudi Arabia	Repo rate	5.50	30-Jan-08	No change	N/A
Egypt	overnight lending	11.00	07-Feb-08	Raise 25bps	N/A
Turkey	Base Rate	15.25	14-Feb -08	Cut 25bps	19-Mar-08
South Africa	Repo rate	11.00	31-Jan-08	No change	10-Apr-08
<b>Kenya</b>	Central Bank Rate	8.75	Feb 08	No change	Apr 08
Nigeria	Monetary Policy Rate	9.50	05-Feb-08	No change	Apr 08
Ghana	Prime Rate	13.50	29-Jan-08	No change	Mar 08
<b>Mexico</b>	Target Rate	7.50	15-Feb-08	No change	14-Mar-08
Brazil	Selic Rate	11.25	23-Jan-08	No change	05-Mar-08
Armenia	Repo Rate	6.00	N/A	N/A	N/A
Romania	Policy Rate	9.00	Feb-08	Cut 100bps	N/A
Bulgaria	Overdraft rate	8.40	N/A	N/A	N/A
Kazakhstan	Reverse repo rate	9.00	Oct-07	N/A	N/A

Source: Standard Chartered - Countries in bold updated on March 6, 2008



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