

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

SUDAN

Sudanese president rejects U.N. peacekeeping plan for Darfur

Sudanese President Omar Hassan al-Bashir refused to accept an interim U.N. plan to bolster African troops in Darfur, calling for more negotiations despite an earlier agreement in principle. Responding to a letter from U.N. Secretary-General Ban Ki-moon, Bashir said it was still unclear whether the African Union, which has 7,000 under-financed troops in Darfur, would retain total control. The letter dashed hopes U.N. peacekeepers could be deployed soon, even in auxiliary functions. Ban's letter spelled out plans for an interim U.N. force with some 3,000 personnel, mainly engineers, logistics and medical units as well as helicopter pilots. That group would plan for a far larger African Union-U.N. operation of more than 22,000 troops and police. The UN, which has been asked to pay for the entire operation, plans to use mainly African troops on the ground and supplement them with Asian forces if enough Africans cannot be recruited.

In parallel, a UN human rights mission accused the government of Sudan of orchestrating and taking part in international crimes in Darfur. The mission was sent by the U.N. Human Rights Council to investigate allegations of widespread abuse in the vast western region of the country. Also, the U.S. State Department declared that the United States and others will consider imposing punitive measures on Sudan for its refusal to allow an international force into the Darfur region.

Source: Reuters, Associated Press

UAE

Halliburton to open new headquarters in Dubai

U.S. oil servicing firm Halliburton Co. announced moving its headquarters and chief executive to Dubai in a move that immediately sparked criticism from some U.S. politicians. The company said it was making the moves to position itself better to gain contracts in the oil-rich Middle East. Texas-based Halliburton, which was led by Vice President Dick Cheney from 1995-2000, did not specify what, if any, tax implications the move might entail. It plans to list on a stock exchange in the Middle East once it moves to Dubai.

Source: Reuters

MENA

Middle East facing water crisis

The World Bank has warned the countries in the Middle East and North Africa region that they face a crisis in water availability unless they develop more efficient and transparent policies. The Bank's estimates show that by 2050 per capita water availability in the region will fall by 50%.

Source: Financial Times

LIBYA

U.S. and Libya to start cooperation in nuclear medicine

Libya and the United States are close to reaching an agreement for cooperation on a nuclear medicine center. Nuclear medicine uses internally administered radioactive materials, called radioisotopes, to help diagnose and treat a wide variety of diseases. Exact details about the center's cost and specific projects were not immediately available. Libya also plans to negotiate an agreement with the U.S. on the peaceful use of nuclear energy. The agreement is expected to be signed by Libyan authorities soon.

Source: Reuters

MAURITANIA

Elections runoff for March 25

A runoff election was scheduled for March 25 in Mauritania after none of the 19 candidates for president won a majority of the ballots in last week's voting. The Interior Ministry said former government official Sidi Ould Cheikh Abdallahi led with 25% of the vote. Opposition leader Ahmed Ould Daddah was second, with 21%. Turn-out for the nation's first free election since achieving independence in 1960 was 70%. The election will transfer authority from military rule to civilian rule for the first time in the country's history.

Source: Christian Science Monitor

IRAN

Big powers reach tentative deal on Iran

Members of the United Nations Security Council (UNSC) plus Germany have reached a broad agreement on the next round of sanctions against Iran. Suggested sanctions include an embargo on Iranian arms exports and wider asset freeze on individuals and companies associated with Iran's nuclear and ballistic missile programs. The draft resolution also calls on governments to make no new commitments of grants, financial assistance, or concessional loans to the Iranian government. The measure would penalize Tehran for refusing to suspend uranium enrichment, which can be used in nuclear bombs or for peaceful ends. The draft resolution has gone to the respective governments for approval and the major powers are hoping for a UNSC vote on the resolution next week.

Source: Reuters

SYRIA

EU urges Syria to cooperate on Iraq and Lebanon

The European Union's foreign policy chief urged Syria on Wednesday to do more to help stabilize Lebanon and Iraq during a visit that ended a two-year freeze on high-level EU contacts with Damascus. Damascus has set a price for cooperation, including seeking the support of Washington for its campaign to regain the Golan Heights occupied by Israel in 1967.

Source: AFP

FEBRUARY POLITICAL RISK OVERVIEW

ALGERIA

In its first operation under a new name, al-Qaeda in the Islamic Maghreb, Salafi Group for Preaching and Combat (GSPC) carried out 7 simultaneous attacks on February 13, mainly targeting police stations in Kabylia region where 6 were killed. Security forces responded with sweeps in Kabylia and eastern Algeria. A military officer was killed in the same area by suspected Islamist gunmen on February 28. Parliamentary elections are set for May 17.

EGYPT

40 Muslim Brothers were arrested on February 10 during protests against Israeli renovation work on Temple Mount/al-Aqsa; further 73, many potential candidates for upcoming parliamentary elections, were arrested on February 15. Court cases of 40 Brothers, including senior figure Khayrat al-Shatir, were transferred to military courts, the first such referrals since 2001.

ETHIOPIA

The Federal High Court again adjourned the trial of opposition activists on charges of instigating November 2005 unrest to overthrow the government in which 193 protesters were killed by security forces. U.S. officials said Pentagon secretly used airstrip in eastern Ethiopia to carry out attacks on Somalia during Ethiopian invasion: Ethiopia denied claims. Ethiopian PM Zenawi called for border demarcation issue with Eritrea to be resolved through dialogue. Zenawi criticised UN Security Council for not taking measures when Eritrean troops crossed Temporary Security Zone in 2006.

IRAN

UN Security Council P5 and Germany met on February 26 after Tehran ignored IAEA deadline to suspend its nuclear activities. Report by IAEA head Mohamed ElBaradei said Iran expanding scale of uranium enrichment program to "industrial-scale production" and constructing heavy water reactor in defiance of UNSC. Tehran dismissed U.S. accusations Iran responsible for supplying sophisticated roadside bombs to insurgents in Iraq. Bomb aimed at Revolutionary Guard bus in majority Sunni city of Zahedan, killed 11, on February 14; member of Sunni militant group Jundallah reportedly confessed and executed.

IRAQ

PM Nouri Maliki launched new U.S./Iraqi security plan for Baghdad on February 13 amidst daily car bombs and continued sectarian violence. Anniversary of Samara Shiite shrine bombing on February 12 saw 3 bombs detonated in Baghdad markets killing 60; followed deadliest single suicide bombing since war began on February 4, hitting Shiite market and killing 135. UK PM Blair announced 1,600 of total 7,100 troops to withdraw from south in "coming months". U.S. House of Representatives passed non-binding resolution on February 16 against President Bush's plans to send extra 21,500 troops: Senate Democrats drafting legislation to revoke broad authority granted to president in run up to war. U.S. accused Iran of supplying sophisticated roadside bombs to Shiite insurgents that killed over 170 U.S. soldiers since June 2004; denied by Tehran. Cabinet finally approved draft of new hydrocarbons law on February 27. Significant shift in U.S. policy as Secretary State Rice announced "new component" in U.S. diplomacy with high-level talks on Iraq security crisis to include Syria and Iran.

NIGERIA

Tension intensified ahead of April general elections with more violence feared. President Obasanjo claimed VP Abubakar planned to destabilize country. Government barred politicians identified by anti-graft agency from contesting April elections in move widely seen as unconstitutional; list of 135 included opposition presidential candidates Abubakar and Kalu. Court ruled against Obasanjo's bid to nullify Abubakar's VP status after December defection from ruling People's Democratic Party; Obasanjo expected to challenge ruling in Supreme Court, but Abubakar then accused in Senate report of tapping public funds to private interests. Niger Delta militants freed 35 foreigners seized in January, but captured 3 others.

SAUDI ARABIA

4 French expatriates killed by suspected Islamic militants near Medina on February 26 in first such attack since Sept 2004.

SUDAN

Khartoum continued to increase forces in Darfur and block progress beyond phase one of 3-phase plan for hybrid AU/UN deployment. Thousands displaced and up to 100 killed, after tribal clashes mid-February between 2 Arab tribes in south Darfur. AU/UN envoys stated rebel groups ready to abide by May 2006 peace deal, but factionalism remained barrier to effective negotiations: February 19 conference to unite disparate rebel groups postponed again with no set date to reconvene. UNSG Ban Ki-moon condemned Bashir's block on UN human rights Darfur mission, and EU resolution called for cessation of Chinese arms trade to Sudan, UN deployment in absence of Sudanese government agreement, no-fly zone, and sanctions including possible oil embargo. ICC Prosecutor presented evidence on February 27 against current Sudanese state minister for humanitarian affairs, Ahmad Muhammad Harun, formerly minister for interior, and militia/Janjaweed leader Ali Kushayb, for war crimes and crimes against humanity carried out against civilian population in West Darfur 2003-2004.

SYRIA

U.S. Secretary State Rice reportedly warned Israel against peace talks with Syria after offers by President Bashar Assad. Rice allowed U.S. embassy to start dialogue with Damascus over Iraqi refugees before late-month policy shift to attend conference, including Syria, to discuss Iraq security crisis.

TURKEY

FM Gul and Chief of Staff Buyukanit made separate visits to U.S. to voice Ankara's concerns over Kurdistan Workers' Party presence in Northern Iraq, urge delay to planned Kirkuk referendum, and protest proposed U.S. Congress resolution recognizing Armenian genocide. Istanbul court sentenced 7 suspected al-Qaeda members to life for 2003 suicide attacks on synagogues, British consulate and HSBC bank. 4 former MPs imprisoned during 1994-2004 for pro-Kurdish activities marked return to politics at February 28 DTP congress.

Source: International Crisis Group



OUTLOOK

IRAN

IMF encourages Iran to strengthen prudential framework

The IMF concluded the Article IV consultation with the Islamic Republic of Iran. It commended the progress made in developing a risk-based prudential framework and broadening the supervisory powers of the Central Bank. The Fund encouraged the authorities to continue strengthening prudential supervision and regulation. It also urged that the impact of ongoing rapid credit expansion on the quality of banks' portfolios should be monitored closely. It welcomed the fact that the authorities have recognized that the current anti-money laundering framework needs strengthening, and encouraged them to reinforce and quickly adopt the draft laws against money laundering and terrorism financing. The IMF welcomed the renewed momentum to privatize state-owned enterprises. The Fund welcomed recent improvements in the timeliness of macroeconomic data dissemination. It encouraged further progress on enhancing the availability of data, extending the coverage of the fiscal accounts, and bringing the dissemination practices for some key macroeconomic indicators in line with the IMF's Special Data Dissemination Standards.

Source: IMF

TURKEY

Strong financial system to boost growth

The IMF published its concluding statement of the 2007 Article IV Consultation for Turkey. It said a strong financial system is a pre-condition to boost growth. The Fund sees scope for measures to develop further the capital markets, such as through increasing the availability of long-term lira financing and reducing its costs. Priorities are to abolish financial transaction taxes as budgetary conditions permit, and carry forward decisively the privatization of state banks. As the financial sector develops, a key challenge will be to ensure that institutional and supervisory frameworks are upgraded in tandem. Building on recent progress in modernizing the institutional framework for bank supervision, the priority is to further enhance supervisory practices to meet the high standards enshrined in the new banking law. As the financial system becomes more complex, supervisors should ensure that risks are assessed on a consolidated basis. Early passage of the Commercial Code, which among other things requires companies to prepare financial statements in line with International Financial Accounting Standards, would help in this regard. Discussions also suggest significant scope to continue improving the investment climate.

IMF tells Turkey to keep primary surplus stable

The IMF told Turkey to maintain its 6.5% primary surplus until the end of 2008. The international lender expects Turkey's current account deficit growth to slow in 2007 due to weaker local demand, easing oil prices and strength in its export markets. But Turkey's foreign borrowing requirement remains high and this leaves its economy vulnerable to fluctuations in financial markets.

Source: IMF

ANGOLA

Rise in oil production to drive growth rates in 2007

Developments in the oil sector will continue to dominate Angola's economic growth prospects during 2007. The rise in oil production will drive high growth rates of 12.8% this year. However, the energy-driven expansion will be capital intensive and import dependent. There are also concerns about the benefits that deepening the domestic peace process will bring for the economy. Although this should boost internal mobility and trade, allow greater investment in infrastructure, and increase commercial and investment interest in the non-oil sector, the economic environment will be characterised by weak physical and human infrastructure, a flawed judicial system, poor economic and regulatory policy, and rampant corruption, all of which will be a major drag on overall economic activity.

Massive government spending is expected to keep inflation high, averaging 16.6% in 2007 as the full effects of increased spending feed through into the economy. Export earnings are expected to increase to \$45.2bn in 2007 on the back of rising oil production. However, imports will also rise rapidly to \$12.5bn in 2007, owing to strong economic growth, rising government spending and oil-related imports, the greater availability of foreign-exchange revenue, the stability of the kwanza, and the contracting of new debt. Despite this growth, a large trade surplus is expected. Inflows of net transfers are projected to remain small throughout 2007, reflecting Angola's limited access to donor support. Overall, the current-account surplus is forecast to reach 21.3% of GDP in 2007.

Source: Economist Intelligence Unit

ETHIOPIA

Real GDP growth to slow in 2007/08

Real GDP growth in fiscal year 2006/07 (ending July 7th) is estimated at 7%, but is forecast to slow to 5.8% in 2007/08 as the margins for gains in agriculture become smaller following four years of large harvests. The rate of inflation is expected to fall to 8% in 2007 as both food and oil prices begin to come down, and to 7.5% in 2008 as oil prices fall further. The current-account deficit is expected to remain large, owing mainly to high imports growth and a move into deficit on the services account. As a result, the current-account deficit is forecast to remain substantial, at around 16.5% of GDP in 2007 and 2008.

Despite the government's lack of an IMF program, Ethiopia will generally stick to an IMF-style policy framework in order to win donor backing for its plan for accelerated and sustained development to end poverty (PASDEP), which runs from 2006/07 to 2010/11. The PASDEP is based on Ethiopia's strategy of agriculture-led industrialization, but plans for massive investment of \$39.3bn, especially on infrastructure, are unlikely to be realised in full. It is possible but unlikely that Ethiopia will negotiate a new IMF program, as funding from key bilateral and multinational donors remains secure, while Ethiopia and the IMF do not agree on some issues, such as allowing the entry of foreign banks.

Source: Economist Intelligence Unit



ECONOMY & TRADE

IRAQ

IMF extends stand-by agreement to September 2007

The IMF Executive Board has completed its third and fourth reviews of its standby arrangement with Iraq and has approved a six-month extension to September 2007. The IMF praised Iraq's economic performance, saying, "Despite very difficult political and security circumstances, the Iraqi authorities have taken important measures to keep their economic program on track". The Fund added that corruption and violence need to be brought under control in order to unlock Iraq's oil wealth.

Source: Merrill Lynch

CYPRUS

Cyprus applies to join Eurozone

Cyprus applied to join Europe's common currency, the euro, the European Commission confirmed. If Cyprus is cleared to join next year, it would become the 14th of the EU's 27 nations to start using the currency. The EU executive and the European Central Bank are expected to report whether Cyprus met EU rules for euro economies by mid-May. A final decision from EU leaders could be made in June. Nicosia said that it fully meets euro standards, since its inflation at 2.2% in 2006, is close to the euro average. Cyprus joined the EU in May 2004, a month after the southern Greek Cypriot government voted against a United Nations plan that would have called for reunification with the breakaway Turkish-Cypriot state in the north of the Mediterranean island.

Source: AP

LIBYA

Libya opens stock exchange

Libya has inaugurated a stock market in the capital Tripoli. Economy & Trade Minister Tayeb Essafi said it "became necessary to establish cooperation with world markets, and to reinforce investors' confidence in the Libyan economy." The stock exchange will have its headquarters in Benghazi, 1,000 kilometers east of the capital. In June 2003, Libyan leader Moamer Kadhafi called for the abolition of public enterprises in the country and the privatization of the oil and banking sectors. The authorities have decided to privatize 375 public companies.

Source: AFP

NIGERIA

Fitch maintains its BB- rating

Fitch Ratings has reaffirmed its rating for Nigeria on the basis that the economic and financial position has strengthened considerably in recent years. At the same time, the rating agency underscored short-term risks related to the April election. The country's rating may be put at risk if the presidential election process is not smooth and there are signs that the prudent stance of economic and financial policies will not be sustained.

Source: Fitch Ratings

ACCOUNTING

IASB publishes international financial reporting for SMEs

The International Accounting Standards Board (IASB) published on February 14 for public comment the Exposure Draft of its International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). The aim of the proposed standard is to provide a simplified, self-contained set of accounting principles that are appropriate for smaller, nonlisted companies and are based on full International Financial Reporting Standards (IFRSs), developed primarily for listed companies. The Exposure Draft offers a workable, self-contained set of accounting standards that would allow investors for the first time to compare SMEs' financial performance across international boundaries on a like for like basis.

Source: IASB

SYRIA

Joint Iranian-Syrian car to be assembled in Syria

The Syrian-Iranian Automobile Manufacturing Company (SIAMCO), a \$60 million joint-venture between Syria and Iran, launched operations on March 8. The state-owned General Organization of Engineering Industries owns 35% of the shares, Iran Khodro, a state-owned Iranian car manufacturer, owns 40%, and Sultan Trading, the official agent of Iran Khodro in Syria since 2001, owns 25%. The venture is Syria's first car assembly plant. Initially, SIAMCO will assemble imported components from Iran. Some of the components, in particular those that do not rely on very-developed and sensitive technology should be produced locally, while other components such as engines and gear boxes will need more time before they are manufactured locally.

In the first few years of activity SIAMCO will produce only one model, the Cham Samand sedan, which is the equivalent of the Peugeot 405 model. New models could be manufactured, but not before at least two years. Production capacity stands currently at an average of four cars a day. Within six months, production should grow to its maximum capacity of 40 cars a day. The launch of Cham was scheduled at the beginning of 2006, but it was postponed several times due to a delay in the import of equipment and components.

Source: Syria Report

ANGOLA

Angola declines IMF support

Angola announced it has cancelled all negotiations with the IMF, on the grounds that it is quite able to maintain economic stability on its own. Finance Minister Jose Pedro de Moraes said the government had successfully implemented its own economic stabilization program while relying exclusively on its resources, adding that GDP growth reached 13% in the past three years. During the past few years, the Angolan economy grew significantly and inflation has been brought under control.

Source: BBC News



BANKING

SYRIA

Dubai Islamic Bank to establish Islamic bank in Syria

Dubai Islamic Bank (DIB) announced plans to open an Islamic bank with a capital of \$200 million in Syria. DIB plans to set its Syrian affiliate in joint-venture with state institutions including the Real Estate Bank and the Social Security Fund. The minimum capital for Islamic banks operating in Syria is expected to rise to \$200 million from its current level of \$100 million after amendments brought to banking regulations are formally approved by the Syrian Parliament.

A total of four Islamic ventures have received preliminary licenses to operate in Syria. Two of these, Cham bank and Syria International Islamic Bank (SIIB) have been fully licensed and should start operations in the coming few weeks, while two others, Noor Financial Investment Company from Kuwait and Baraka Bank from Bahrain are still in the early stages of the application process.

In parallel, SIIB closed its initial public offering involving the sale of 5.1 million shares representing 51% of the banks' capital. The IPO was oversubscribed more than three times, as a total of 15,383 Syrian investors applied for a total number of 17.15 million shares valued at SYP 8.575 billion or \$171.5 million.

Source: Syria Report

OMAN

Bank Muscat signs agreement with International Finance Corporation

BankMuscat SAOG, the nation's leading bank, recently signed an agreement with International Finance Corporation, under its Global Trade Finance (GTF) Program. The agreement would enable BankMuscat's customers to obtain confirmation / guarantees on Letters of Credit received by them for their exports to various emerging market countries such as Argentina, Armenia, Bangladesh, Bolivia, Brazil, Kenya, Lebanon, Malta, Mauritania, Nigeria, Mozambique, Russia, Pakistan, Uganda and others. This facility would support efforts to export to countries with riskier credit profiles, for which confirmation/guarantees are not available from traditional banking/export guarantee channels.

Source: Al Bawaba

SAUDI ARABIA

Mobily takes out \$2.8bn loan

Saudi telco Mobily has signed a \$2.875bn Islamic financing agreement to fund its expansion in the kingdom before a third operator is licenced. The syndicated loan has been placed with banks including Samba, Banque Saudi Fransi with Calyon, Saudi Hollandi Bank with ABN Amro, National Commercial Bank and National Bank of Abu Dhabi. The deal is said to be the largest-ever syndicated Islamic loan.

Source: Arab News

UAE

Ratings of NBD & EBI merger

The proposed merger between National Bank of Dubai and Emirates Bank International would not immediately alter the ratings of either institution. Capital Intelligence's (CI) foreign currency long-term and short-term ratings for both banks are A+ and A1 respectively; this is similar to the ratings assigned to the sovereign. The financial strength ratings of both banks are among the highest in the country at A+.

In parallel, Standard & Poor's said it revised its outlook on Dubai-based banks Emirates Bank International PJSC (EBI) and National Bank of Dubai (NBD) to positive from stable, following the announcement of their planned merger. At the same time, Standard & Poor's affirmed its 'A/A-1' ratings on both banks.

Source: Capital Intelligence, Standard & Poor's

BAHRAIN

GIB increases capital by \$500m

Bahrain-based Gulf International Bank (GIB) has increased its paid up capital by \$500 million to \$1.5 billion. This represents 50 per cent of the bank's authorized capital of \$3 billion. Following the increase in capital and the payment of a 50 per cent dividend in respect of 2006 profits, GIB's total equity will increase to in excess of \$2.2 billion.

Source: Trade Arabia

IIB to more than double its paid-up capital

International Investment Bank (IIB) yesterday announced that it has received shareholder approval to more than double its issued and paid-up capital from \$43 million to \$100 million. With the associated share premium, this will increase IIB's total shareholder funds from \$61.4 million to \$170 million. This capital increase follows the ongoing rapid growth of the bank and its strong financial performance since its establishment in October 2003.

Source: Khaleej Times



ENERGY/ COMMODITIES

Oil prices waver after inventories data

Oil prices wavered during the week, as traders digested the latest U.S. government oil inventories data. Light, sweet crude for April delivery was up 23 cents to \$58.16 in trading on the New York Mercantile Exchange. The Energy Department said stockpiles of gasoline and distillates fell for a fourth straight week last week. Gasoline supplies were down 2.5 million barrels - a little more than expected, while distillates, which include heating oil warned that oil stocks in industrialized countries were falling at an usually high rate so far this year and could be the biggest first-quarter decline in crude oil inventories in 10 years. The IEA report helped support prices against the impact of falling Asian stock markets Wednesday, which came in the wake of declines in U.S. stocks. A meeting of the Organization of Petroleum Exporting Countries set for Thursday appeared to have minimal sway on prices because of expectations that oil ministers would opt to keep output steady. On a longer-term basis, the forecast remains \$62.5per barrel of WTI crude oil for 2007.

Source: Associated Press

Syria oil exports to reach SYP112bn in the first 9 months of 2006

Data published by the Central Bureau of Statistics indicate that crude oil exports reached SYP112 billion in the first 9 months of 2006, accounting for 35% of total exports. Oil exports stood at SYP178 billion in 2005, equivalent to 42% of total exports in 2005. The volume of crude oil exports appear to have declined last year for the fourth year running. The volume of crude oil exports reached 6.2 million tons in the nine months ending September 2006, only 60% of the full year figure of 2005 (10.2 million tons).

Source: Syria Report

Iraq to protect oil industry from terrorist acts

The Iraqi Oil Ministry announced that the government will construct new pipelines in Iraq's north to protect its oil industry from terrorist acts that have disrupted the flow of oil in recent years. The official said that also aims to expand Iraq's export pipelines. The new pipelines will run through the northern areas of Kirkuk, Irbil and Zakho.

Source: Iraq Directory

Angola warned on oil expansion

Saudi Arabia, the most powerful member of the Organisation of the Petroleum Exporting Countries, has told Angola, its newest entrant, not to assume it will be able to expand production past 2m barrels a day. This is a blow to the world's biggest oil companies, which have already paid Angola billions of dollars for the right to explore and produce its oil.

Source: Financial Times

Oil Market		Closing of March 14	Previous Price	Daily Δ
OPEC Basket	▼	57.25	57.22	-0.03
Brent	▲	61.38	61.18	0.3
Dubai	▼	57.53	58.69	-2.0
WTI	▼	57.95	58.02	-0.1

Source: SHUACapital

Base metals: First indications of a renewed increase in demand growth

Base metal prices have withstood the correction on the stock markets quite well until now. The fundamental outlook for base metals prices has brightened considerably in recent weeks. The slowdown in worldwide industrial production growth will likely come to an end in the coming months. We expect global economic growth to re-accelerate in the second half of the year, which should also spur on the demand for base metals. Initial signs of a renewed spurt in demand are already emerging. Inventory levels for copper and zinc are currently declining again. Moreover, the latest foreign-trade data emanating from Chinapoint to a boost in demand for base metals. Copper prices, in particular, should reap benefits from the trade figures. According to the data, Chinese copper exports dropped to almost zero in January 2007. At the same time, copper imports surged by more than 80%yoy. China is the world's largest consumer of copper, with a 23%share of overall demand; therefore, the sharp surge in imports plays an especially significant role for the copper market.

Source: Credit Suisse

Precious metals: Fund liquidation weighs on prices

Precious metals are trading on the weaker side this week too, although most of the lost ground in prices occurred already in the week ended 4 March. The retreat in precious metal prices was attributable primarily to the liquidation of speculative positions on the futures markets. Robust inflows of funds streamed into the precious metal sector during the rally of recent weeks. As a consequence, the level of speculative long positions has increased significantly. We have anticipated a certain amount of turbulence on the precious metal markets for some time, also due to negative seasonal effects in the first quarter. However, the drop in gold prices will probably be merely short-lived and should present a good buying opportunity for longer-term-oriented investors. New data released on the physical demand for gold continue to paint a favorable picture for the precious metal. So the overall demand for gold grew further in the fourth quarter, while the physical supply of gold stagnated. This should support prices in the coming months.

Source: Credit Suisse

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	187.6	182.8	176.7	2.6	21.2
LME metals price index	3749.7	3686.8	3568.9	11.6	46.5
Oil prices USD	61.6	59.3	65.0	3.3	2.8
Oil prices SDRs	41.0	39.8	43.9	2.9	-1.8
Gold \$/troy oz	652.3	623.8	621.9	-0.4	20.4
Silver cents/troy oz	1309.0	1270.2	1229.2	-3.3	31.6
Platinum \$/troy oz	1195.0	1150.3	1168.1	0.7	18.3
Copper \$/MT	6275.5	6610.8	6882.0	20.1	30.7
Nickel \$/MT	45542.5	35124.4	28872.1	20.2	213.6
Aluminium \$/MT	2730.5	2724.9	2643.5	0.1	20.0
Zinc \$/MT	3361.3	3849.9	3530.3	10.3	54.9
Steel - HR coil dry \$/MT	600.0	600.0	546.2	0.0	55.8

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								
Africa													
Algeria	-	-	-	-	BBB	10.3	17.4	12.0	9.1	8.4	19.4	18.0	0.8
	-	-	-	-	Positive								
Angola	-	-	-	-	CCC	2.3	43.7	49.5	22.3	4.6	216.9	21.1	7.3
	-	-	-	-	Stable								
Egypt	BB+	Baa2	BB+	BB+	B	-6.9	99.0	29.7	68.0	6.6	150.3	1.6	5.6
	Stable	-	-	Stable	Stable								
Libya	-	-	-	-	BB	26.6	6.0	9.7	-130.9	2.7	7.8	31.4	2.8
	-	-	-	-	Stable								
Morocco	BB+	Baa2	-	BB	BB	-4.1	67.1	29.8	68.1	8.0	91.2	1.7	2.0
	Stable	-	-	Stable	Stable								
Nigeria	BB-	-	BB-	-	BB	-1.0	10.7	5.2	9.7	1.9	14.18	9.7	1.6
	Stable	-	-	-	Stable								
Tunisia	BBB	A3	BBB	BBB	BB	-3.3	59.6	57.7	77.1	15.3	275.3	-2.6	6.6
	Stable	-	-	Stable	Stable								
Sudan	-	-	-	-	CC	-3.8	58.7	71.2	355.0	4.0	-	-13.8	5.8
	-	-	-	-	Stable								
Middle East													
Bahrain	A	A1	A-	BBB+	A	10.1	28.8	58.7	23.9	13.4	343.5	13.9	0.1
	Stable	-	-	Stable	Stable								
Iran	-	-	B+	-	BB	7.3	26.2	9.9	31.0	4.5	25.4	5.7	0.0
	-	-	-	-	Negative								
Iraq	-	-	-	-	D	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
Jordan	BBB	Baa3	-	BB	B	-4.8	73.4	91.1	18.5	13.7	266.6	-21.5	10.7
	Stable	-	-	Stable	Stable								
Kuwait	A+	Aa2	AA-	A+	A	38.8	10.8	13.7	8.9	2.7	129.3	44.5	-4.5
	Stable	-	-	Stable	Stable								
Oman	BBB+	A1	-	BBB+	A	16.0	6.5	14.1	18.0	5.0	101.6	19.4	1.9
	Stable	-	-	Stable	Stable								
Lebanon	B-	B2	B-	B-	CCC	-12.5	178.1	105.2	179.5	30.4	209.2	-15.6	4.5
	Negative	-	-	Negative	Stable								
Qatar	A+	Aa2	-	A+	A	17.6	19.1	46.5	55.3	8.4	440.6	35.8	4.3
	Stable	-	-	Stable	Stable								
Saudi Arabia	A+	Aa3	A+	A+	A	18.0	10.8	8.4	21.1	3.7	130.0	30.8	0.3
	Stable	-	-	Stable	Stable								
Syria	-	-	-	-	CCC	-3.6	41.9	30.8	68.0	5.6	146.9	2.0	1.6
	-	-	-	-	Stable								
UAE	-	Aa2	-	A+	A	30.4	10.7	38.2	10.0	1.8	248.7	25.8	5.1
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	B	-	38.8	28.9	69.2	2.8	73.9	-5.2	-
	-	-	-	Stable	Stable								
Central & Eastern Europe													
Ukraine	BB-	Ba3	BB-	-	BB	-2.5	19.6	42.8	58.7	2.8	188.4	-0.9	5.5
	Stable	-	-	-	Stable								
Russia	BBB+	A2	BBB+	-	BBB	7.2	10.9	30.4	81.3	3.6	96.9	14.4	0.8
	Stable	-	-	-	Stable								
Turkey	BB-	Ba1	BB-	BB-	B	-1.6	64.9	49.2	117.5	25.2	343.5	-8.2	4.5
	Stable	-	-	Stable	Stable								
Latin America													
Brazil	BB	Ba1	BB	-	BB	-3.2	72.7	17.2	56.3	29.3	205.1	1.2	1.6
	Stable	-	-	-	Stable								

Sources: Moody's; EIU



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	5.25	31-Jan-07	No change	21-Mar-07
Eurozone	Refi Rate	3.75	08-Mar-07	No change	12-Apr-07
UK	Base Rate	5.25	08-Mar-07	No change	05-Apr-07
Japan	O/N Call Rate	0.50	21-Feb-07	Raise 25bps	20-Mar-07
Australia	Cash Rate	6.25	06-Mar-07	No change	03-Apr-07
New Zealand	Cash Rate	7.50	07-Mar-07	Raise 25bps	25-Apr-07
Switzerland	3 month Libor target	2.00	14-Dec-06	Raise 25bps	15-Mar-07
Emerging Markets					
China	One-year lending rate	6.12	18-Aug-06	Raise 27bps	N/A
Hong Kong	Base Rate	6.75	08-Aug-06	No change	N/A
Taiwan	Discount Rate	2.75	28-Dec-06	Raise 12.5bps	end Q1-07
South Korea	O/N Call Rate	4.50	08-Mar-07	No change	12-Apr-07
Malaysia	O/N Policy Rate	3.50	26-Feb-07	No change	27-Apr-07
Thailand	1D Repo	4.50	28-Feb-07	Cut 25bps	11-Apr-07
India	Reverse repo rate	6.00	31-Jan-07	No change	24-Apr-07
UAE	3M EBOR	5.50	N/A	N/A	N/A
Saudi Arabia	Repo Rate	5.20	29-Jun-06	Raise 20bps	N/A
Egypt	overnight lending	10.75	01-Feb-07	No change	N/A
Turkey	Base Rate	17.50	15-Feb-07	No change	15-Mar-07
South Africa	Repo rate	9.00	15-Feb-07	No change	12-Apr-07
Kenya	Central Bank Rate	10.00	Feb-07	No change	Apr-07
Nigeria	Monetary Policy Rate	10.00	22-Feb-07	New Policy rate	Apr-07
Ghana	Prime Rate	12.50	Feb-07	No change	May-07
Mexico	Target Rate	7.00	23-Feb-07	No change	23-Mar-07
Brazil	Selic Rate	13.00	07-Mar-07	Cut 25bps	08-Apr-07

Source: Standard Chartered - Countries in bold updated on March 15, 2007