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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global growth revised downward to 2.2% due to financial crisis

The International Monetary Fund revised downward its forecast for global economic growth to 3.7% for 2008 and 2.2% for 2009 compared to projections in October of 3.9% in 2008 and 3% in 2009. The Fund said prospects for global growth have deteriorated sharply over the past month, as financial sector de-leveraging has continued and producer and consumer confidence declined. It expected activity in advanced economies to contract by 0.3% on an annual basis in 2009, down from a growth forecast of 0.5% last month, making it the first annual contraction during the post-war period. The IMF also revised downward is GDP growth forecast for emerging and developing economies to 5.1% in 2009, down from last month's forecast of 6.1%, constituting a sharper drop than the forecasts of advanced economies. It noted that the cyclical downturn in emerging economies is of a similar magnitude to that in advanced economies when measured relative to higher trend growth rates, in line with past cycles. It added that downward revisions vary considerably across emerging markets, with commodity exporters among the most affected, given that commodity price projections have been marked down sharply, while countries with acute external financing and liquidity problems will be among the most impacted.

Source: International Monetary Fund

EMERGING MARKETS

Sharia-compliant equities lose $5,600bn in market sell-off

Standard and Poor's said the global financial market collapse led to the loss of $5,600bn in the value of Sharia-compliant equities in the third quarter of 2008. The agency said the fall shows that Sharia investors are not immune to the global financial crisis, but that investors in equities that comply with Islamic law have benefited from their lack of exposure to financial stocks, which have been the focus of the market sell-off. It noted that while equity markets around the world have experienced a tumultuous quarter, Sharia investors continue to be shielded to some extent by the exclusion from their portfolios of financial stocks and other highly leveraged companies, which do not satisfy the strict compliance criteria associated with Islamic law. S&P said Sharia stocks lost 23.4% of their value on a total return basis in the first 9 months of the year, while non-Sharia stocks fell by 25.3% over the same period. It added that Sharia compliant stocks in emerging markets suffered the most, plunging 37% compared to a 35.4% loss for non-Sharia stocks.

Source: Standard & Poor's

MENA

Short term outlook for IPOs not favorable

Ernst & Young indicated that Initial Public Offerings (IPOs) in Middle East markets raised $3.61bn in the third quarter of 2008 from 12 IPOs, compared to $4.72bn from 13 IPOs in the second quarter of 2008. It added that a total of 159 IPOs worldwide raised $13.1bn in capital, constituting the lowest level of quarterly activity both by number of deals and capital raised since the second quarter of 2003, which recorded 130 IPOs and $6.8bn in cumulative capital. It said the figures suggest better performance in the region relative to the rest of the world. Also, there were 17 IPOs in the Middle East during the fourth quarter of last year, raising $7.54bn, while three IPOs have raised $22.41m in October this year, suggesting a poor start to the quarter with very low expectations for rest of the year. Saudi Arabia came second globally in terms of funds raised with $3bn, equaling 23% of the global IPO market in the third quarter of 2008. The UAE came in second in the MENA region with $600m, equivalent to 5% of global capital raised.

Source: Ernst & Young, Zawya Invest

Management of natural resources slightly declines in region

The 2008 Natural Resources Management Index indicates that natural resources management in the MENA region slightly declined in 2008. The value of the index for the region reached 78.7 points in 2008, down from 78.9 points in 2007, but up from 78.6 points in 2006. The index is based on four sub-indices that cover eco-region protection, access to improved water, access to improved sanitation, and child mortality. The rankings all of the countries in the MENA region declined, while the scores of 5 countries improved, and those of 5 countries regressed and the scores of the 5 remaining countries were unchanged. Egypt and Qatar posted the worst decline in the regional rankings, dropping each by 12 spots from 2007, while Iraq's score regressed by 2.3%, the steepest drop in the region. The United Arab Emirates had the best Natural Resource Management in the Arab world and ranked in 17th place globally.

Source: Columbia and Yale universities, Byblos Research

TURKEY

EU progress report calls for new impetus for reforms

The European Commission's latest progress report on Turkey's EU accession held authorities accountable for sluggishness in the implementation of EU-related reforms, the absence of a new civil constitution and the lack of judicial reforms. The report benchmarks the country's progress in the last 12 months with respect to the EU's political and economic criteria. It stated that despite its strong political mandate, the government did not put forward a consistent and comprehensive program of political reforms.

Source: Citigroup, Deutsche Bank

POLITICAL RISK OVERVIEW - OCTOBER 2008

ALGERIA

Algerian opposition parties attacked a plan by President Abdelaziz Bouteflika to change the constitution in order to stay in power for a third term. More than 1,000 people gathered in Ghardaia's center asking more aid and additional equipment to search for victims killed by the devastating flash floods in early October.

ARMENIA

Russian President Medvedev made his first visit to Yerevan on October 20-21st. The opposition decided on October 17 to call a temporary halt to rallies in order to support the government in talks with Azerbaijan over the disputed territory of Nagorno-Karabakh. Georgia closed its airspace to Russian military transport planes supplying a Russian base in Armenia. Under increased domestic and international pressure, President Sargisian established on October 23 an independent commission to investigate post-election violence in March.

EGYPT

More than 30 members of the Muslim Brotherhood were arrested on October 22 during protests against the Gaza blockade. Muslim and Coptic Christian tensions continued over the month.

IRAN

Foreign Minister Mottaki said on October 5 that Iran will not stop uranium enrichment even if the West guarantees a supply of nuclear fuel to the country. Positioning started for presidential polls due on June 19, with former president Khatami speaking of his possible candidacy. President Ahmadi-Nejad is widely expected to run and has backing from the Supreme Leader Ayatollah Khamenei. Shopkeepers, known as bazaaris, staged strikes to protest against the introduction of a value added tax, the first bazaari strike since the 1979 revolution. The U.S. announced further sanctions on the Revolutionary Guard Corps and on the Export Development Bank of Iran.

IRAQ

The Parliament approved a new election law, clearing the way for provincial elections to take place early next year in 14 governorates, excluding Kirkuk. Assassinations and threats against Christians in East Mosul triggered the evacuation of over 2,200 families to Christian towns in Ninewa plain. Local security forces reportedly failed to intervene and accused al-Qaeda in Iraq. Al-Qaeda not only denied but also denounced the attacks. U.S. and Iraqi forces started new offensive in Mosul. Security in Babil and Wasit provinces was handed over to Iraqis. The government asked for changes in the draft long-term security deal with the U.S. on October 29, including a ban on using Iraqi territory to attack neighbors and clarity on Iraqi jurisdiction over crimes committed off-base by U.S. troops. Bombings continued, including at least 20 people dead in a Shiite mosque attack in Baghdad on October 2nd.

KAZAKHSTAN

Defense Minister Akhmetov signaled a possible greater support to the NATO-led International Security Assistance Force operation in Afganistan, following a meeting with the Alliance’s Secretary General on October 15th. Kazakhstan pulled out its 30 mine-clearing troops from Iraq after five years of operations. The U.S. Secretary of State Rice came to Almaty early October for talks on energy and security.

MOROCCO

Around 50 suspects were convicted for involvement in the 2007 Casablanca suicide bombings, while 30 others began trial for links to Al-Qaeda in the Islamic Maghreb. After nine years of diplomatic effort from Rabat, EU leaders announced plans on October 13 to grant Morocco an "advanced status" and to deepen economic and political ties.

SUDAN

President Omar al-Bashir launched on October 16 a new peace initiative for Darfur in a conference boycotted by all rebel groups from the region. The Justice and Equality Movement announced on October 8 it has not decided yet to participate in Qatar peace talks and underscored the need to involve the international community through the UN and the AU in order to guarantee any agreement with Khartoum. The rebel movement also announced it would not commit itself to any ceasefire before the signing of a peace deal. The SLM and Sudan National Liberation Movement (SNLM) announced their reunification on October 15th. Two UNAMID peacekeepers were killed in October. UN Secretary General Ban Ki-moon said further UNAMID deployment was delayed due to the security situation. The ICC pre-trial chamber held its first meeting on October 1 with ICC prosecutor Luis Moreno-Ocampo on application for President Bashir arrest warrant. UNSG Ban Ki-moon called on October 28 for more UNMIS peacekeepers for South Sudan. Nine Chinese oil workers were taken hostage on October 19 in the Kordofan region. Five of them were killed, two are still missing and two others escaped alive.

SYRIA

President Assad signed a decree on October 15 establishing diplomatic relations with Lebanon. Syria has accused the U.S. of killing at least eight people on October 26 in a helicopter raid in the country's east, close to the border with Iraq. The government condemned the act as a serious aggression and called the senior U.S. and Iraqi envoys to Damascus to protest against the raid. U.S. officials said the raid was targeting al-Qaeda-linked foreign fighters moving through Syria into Iraq. Thousands of Syrians protested in Damascus on October 30th.

TURKEY

The trial of 86 members of the ultra-nationalist Ergenekon network accused of plotting a coup to topple the government started on October 20th. Parliament extended the government's mandate to order strikes against Kurdish rebels in northern Iraq on October 8th. The army reported at least 21 soldiers and 78 PKK rebels dead in clashes throughout the month.U.S. State Secretary Rice met with President Barzani on October 28 and discussed a controversial draft Iraq-US military pact. Turkey won a seat on UNSC on October 25th.

UKRAINE

President Viktor Yushchenko dissolved Parliament on October 9 and called for snap elections in December, the second such move in two years. The president temporarily reconvened to consider the IMF $16.5bn financial rescue package that was adopted during a Parliament session on October 31st. President Yushchenko rejected on October 24 the Russian proposal to extend the Black Sea Fleet lease in Crimea beyond its expiration date in 2017.

Source: International Crisis Group

OUTLOOK

EMERGING MARKETS

Most sovereign ratings unaffected by temporary global funding shortage

Moody's Investors Services indicated that most emerging market economies are unlikely to experience sovereign rating pressures over the short term, and considered that the current shortage of foreign currency funding in the world economy is temporary and that international financial integration is not unraveling. It said the turmoil in the financial markets evolved in October from a crisis that was initially confined to sophisticated western financial systems, to a sudden halt in international funding, reminiscent of the emerging market crises of the 1990s. As a result, banking systems in many emerging markets have been facing limited access to a level of foreign currency funding that was once assumed to be the natural counterparty of global trade and financial integration. It warned that sovereign ratings could be broadly reassessed if the current scarcity of international bank lending and the panic-driven capital outflows persist during the first quarter of 2009.

Moody's stated that the most emerging market economies are not likely to experience rating pressures over the short term due to three possible reasons. First, they have accumulated sufficient foreign currency reserves; second they have access to a level of non-market funding such as bilateral, regional or multilateral assistance, which is expected to remain temporarily on their balance sheet; or third, they have not reached a sufficient level of integration within the world economy to be affected. It noted that some countries have faced and will continue to face rating pressures, especially in countries where the current crisis magnifies underlying vulnerabilities and alters relative creditworthiness in a durable way; or where the governments' funding of the private sector is significant and unlikely to be reversed soon.

Source: Moody's Investors Services

EGYPT

Banks' operating environment increasingly challenging, global crisis could affect sector

Moody's Investors Service indicated that the operating environment for Egyptian banks remains challenging, characterized by low per-capita GDP, high unemployment and soaring consumer price inflation. It said the global financial crisis and economic slowdown has had a limited impact on the Egyptian economy so far, but the crisis could pose challenges for the country's banks if its impact on the local economy increases. The agency added that the implementation of reforms has resulted in a more resilient Egyptian banking system that is better positioned to withstand pressures. It noted that the impact of the global crisis could delay the completion of certain aspects of the banking sector reform program, including the repayment of all public sector non-performing loans and the recapitalization of the state-owned banks with core capital. It also considered that the Central Bank of Egypt needs to expand enforcement of the relatively new regulations, as well as implement Basel II and additional regulations.

Moody's noted that the Egyptian banking system continues to be dominated by the large state-owned banks that have high market shares and solid funding franchises, but still generally display weak financial fundamentals, primarily because of the high non-performing loans. It said implementation of their financial and operational restructuring is improving financials, risk management, processes and systems, but the shedding of their bureaucratic habits will take some time. In parallel, the leading private-sector banks are smaller in size, but still have good franchises with good management and better systems than the state-owned banks, which translate into stronger financial fundamentals. However, excessive loan concentrations are a key weakness for most private banks. According to Moody's, the Egyptian banking system has a high-support environment, with the country's authorities having historically demonstrated both their willingness and their ability to intervene and prevent a banking default by any of the Egyptian banks, irrespective of their size or relative importance to the system.

Source: Moody's Investors Service

SYRIA

Non-oil GDP growth to reach 5.5% in 2008-09

In its semi-annual economic outlook for the Middle East and Central Asia region, the International Monetary Fund projected Syria's real GDP growth at 4.2% for 2008, up from 3.9% last year, and at 5.2% in 2009 compared to an average of 6% in 2008-09 for the MENA region. Non-oil GDP growth is forecast at 5.5% this year and next year, down from 5.8% in 2007, and compared to an average growth of 6.5% for oil-exporting countries. It expected the country's nominal GDP to reach $44.5bn this year and $45.7bn in 2008, up from $39bn in 2007. The IMF forecast Syria's annual average inflation rate at 8% in 2008 and 7% in 2009, up from 4.7% a year earlier. Also, it expected the growth of broad money to be at 13.9% this year and 12.9% in 2009, after rising by 9.7% in 2007.

The Fund projected the central government's overall fiscal balance to post a deficit of 4% of GDP this year and 3% of GDP in 2009 down from 4.3% of GDP in 2007; and to post a non-oil fiscal deficit of 11.9% of GDP this year and 10.1% of GDP in 2009. It estimated public revenues at 22.5% of GDP in 2008 and at 23.4% next year, and total expenditures at 26.6% of GDP this year and 26.3% of GDP in 2009. The IMF expected Syria's public debt to slightly decrease to 40.7% of GDP at end-2008 and 40.5% of GDP at end-2009, from 44.4% of GDP in 2007. It also forecast total gross external debt at 15.2% of GDP this year and 15.6% of GDP next year, down from 16.3% of GDP in 2007. Further, the country's current account balance is projected to post a deficit of 2.7% of GDP this year and 2.9% of GDP in 2009 compared to an average surplus of 18.8% of GDP in 2008-09 for the MENA region. The Fund expects the country's gross official reserves to reach $18.2bn at end-2008 and $18.5bn at end-2009.

Source: International Monetary Fund

WORLD

Infrastructure credit holding up despite market conditions, expected to tighten up

Moody's Investors Service said the underlying credit fundamentals of infrastructure projects across the globe remain solid despite the credit and liquidity crisis that may eventually affect demand growth and the availability of credit facilities and liquidity. It said credit standards will likely tighten over the near term for corporate borrowers, severely limiting access to new financing. It added that capital-constrained financial institutions will be more reluctant to make loans, especially at a time when the number of defaulting companies is rising. It warned that no region is immune from the global slowdown and expressed concerns for businesses that rely heavily on developed countries where the pace of economic activity is visibly slowing. Also, countries with high-growth rates may feel the drag of the mature markets. The agency said affected infrastructure sectors include power and energy, airports, pipelines, public-private partnerships and toll roads. It considered that views on many performance factors have been taken for granted for too long, and expressed the need to adjust some of them to reflect the new economic realities. Moody’s noted that the dominant sector has traditionally been power, but with the drying-up of bank funding for power projects this year, toll roads have become the most active sector.

Source: Moody's Investors Service

EMERGING MARKETS

Annual inflation at 12.4% in September

Consumer price inflation in the Emerging Europe, the Middle East and Africa region (EMEA) declined to 12.4% year-on-year in September after rising to a four-year peak of 12.8% in July from 12.5% in June and 12.3% in May 2008. Aggregate EMEA headline inflation has been increasing steadily since reaching a low of 6.8% in May 2007. Food inflation, the primary driver of the surge in aggregate headline inflation, fell to 15.9% year-on-year in September from 17.3% in August, 18.1% in July and from its peak of 18.6% in May after 12 months of steady and sharp increases. Non-food inflation is keeping headline inflation for the region elevated, rising for the sixth consecutive month to an annual 9.9% in September from 9.7% in August, 9.1% in July and 8.7% in June. The significant weakening of growth in both the EMEA and the Eurozone supports further disinflation in the medium term. However, the sharp fall in oil prices in October will be offset relatively by the weaker exchange rates in the EMEA countries that are running high current account deficits.

Source: Credit Suisse

MENA

Region vulnerable to credit crisis

The Economist Intelligence Unit estimated that the Middle East and North Africa region seemed to be relatively immune to the tightening of global credit conditions due to abundant oil liquidity. But the region’s vulnerabilities have recently been exposed, particularly in the GCC states, which have been growing strongly on the back of rapid expansion of private sector credit that had been rising by around 40-50% year on year. It noted that if credit conditions do not improve, business activity will contract, particularly in real estate and infrastructure development, and put some financial institutions at risk. It added that the tightening of credit will also have a knock-on effect on foreign direct investment inflows to the non-oil economies in the region, particularly in North Africa, as intra-regional investment flows have increased strongly in recent years. The EIU said interbank rates in the region fell towards the end of 2007 in response to speculation about a possible revaluation of a number of Gulf currencies that are pegged to the US dollar. The subsequent rise in interbank rates reflected the draining of liquidity out of local currencies, as it has become apparent that the region’s central banks had no intention of revaluing at least in the medium term. It noted that the growth of loans has continued to outstrip that of deposits, leading the aggregate loan-to-deposit ratio to reach record highs by June 2008.

Source: Economist Intelligence Unit

UAE

Long-term impact of liquidity crunch unclear

Standard & Poor's indicated that liquidity in the UAE would remain tight in the medium term, resulting in a slowdown of economic growth as funding for future projects becomes more difficult. It added that the economic slowdown can be positive for the UAE, as it could alleviate infrastructure and resource bottlenecks that had been driving inflationary pressures, and will also reduce the risk of a significant oversupply in the real estate market. The agency noted that the accumulation of oil wealth in the UAE did not shield the economy from the effects of the global credit crunch. It said a number of UAE-specific factors have contributed to the liquidity squeeze, including speculative outflows relating to the dirham peg to the dollar, the rapid growth in lending which has outpaced deposit growth in recent years, and concerns over the real estate sector. S&P noted that the immediate credit risks of the liquidity squeeze were limited, as refinancing requirements for the economy as a whole and for individual entities remain manageable in the near term. However, the longer-term effects of the liquidity crunch were less clear. The agency stated that while financing will be made available to meet existing obligations, it is uncertain whether the authorities will ease liquidity conditions to the point of facilitating credit growth back to previous high levels.

Source: Standard & Poor's

RUSSIA

Strategic fiscal reserves reach nearly $200bn

The Ministry of Finance declared that the total size of Russia's two sovereign wealth funds reached $197.4bn at the start of November. The Reserve Fund reached RUR3.57tr or $134.6bn, while the National Well-being Fund reached RUR1.67tr or $62.8bn. The country’s strategic reserves are expected to further increase at the beginning of next year by the transfer of the 2008 fiscal surplus into the National Well-being Fund. All of the resources of the Reserve Fund are stored in foreign currencies, including $64.6bn, €43.8bn and GBP7.3bn. However, part of the resources of the National Well-being Fund is stored in roubles, with RUR358bn at the Central Bank and RUR170bn at Vnesheconombank (VEB).

Source: Citigroup, Deutsche Bank

BANKING

WORLD

Changes to IFRS to help banks avoid Fair Value Accounting

Standard & Poor's indicated that the changes to International Financial Reporting Standards (IFRS) to allow certain reclassifications of assets in order to avoid Fair Value Accounting represent a path of least resistance to quickly address capital and earnings concerns. It said the fact that the flexibility introduced was already available to U.S. banks made it an easy choice to apply for European banks. The International Accounting Standards Board (IASB) has introduced changes that give banks the option to reclassify certain assets as early as the reporting of results for the already completed third quarter of this year. S&P said that the permitted reclassifications will render the balance sheet carrying amounts of transferred assets less significant in terms of financial analysis and will generally not facilitate meaningful comparisons. It added that the result will be neither fair value nor a typical amortized cost. Instead, it will be fair value as of a somewhat arbitrary reclassification date that has then been amortized. S&P expected a trade-off of potentially higher capital requirements in exchange for more predictable reported earnings and capital that should be less of a moving target for banks. Also, assets transferred to the banking book may on average require capital that is several times the level required if they had been left in the trading book.

Source: Standard & Poor's

GCC

Outlooks on six banks revised due to weakening operating conditions

Standard & Poor's revised its outlook to ‘stable’ from ‘positive’ on Emirates Bank International PJSC, National Bank of Dubai, Kuwait Finance House, Burgan Bank, Bank Muscat, and BMI Bank. It attributed the outlook revisions to the less supportive environment in which the banks operate. The agency said the impact of the global market turmoil, plunging oil prices, falling stock markets, and the liquidity dry-up is creating fresh challenges for GCC banks in terms of business growth, profitability, asset quality, and liquidity. It added that these developments, combined with specific factors at each bank, reduce the likelihood of near-term upgrades for the banks. S&P's believes the macroeconomic fundamentals of the GCC countries remain sound, expected that the economic slowdown and tighter liquidity in the region's financial markets to dampen the performance of GCC banking systems for the rest of 2008 and throughout 2009.

Source: Standard & Poor's

SAUDI ARABIA

No plans for more bank support

The Saudi Monetary Agency (SAMA) declared that it will probably not inject additional funds to the financial system after it placed almost $3bn in deposits with Saudi banks last month. It said liquidity in the financial system has been very good and very sufficient, adding that some international banks that were involved in some lending in the domestic market pulled out because of their problems, resulting in the need to replenish some of the banks' deposit base. It noted that Saudi Arabia did not have liquidity problems similar to what exists in the United States. Last Month, SAMA guaranteed all interbank facilities as well as bank deposits in the Saudi banking sector in an effort to improve liquidity. SAMA also injected between $2bn and $3bn in deposits in the banking system to ease liquidity pressures, and provided liquidity in local currency. SAMA reportedly deposited between $200m and $350m at each bank. Bank lending grew by annually 33% in September, while the growth of broad money supply slowed to 19% in September from 22% in August. Annual inflation was 10.4% in September, down from 10.9% in August.

Source: SAMA

JORDAN

Bank assets reach JD30bn at end-September 2008

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD29.9bn at the end of the first 9 months of 2008, constituting an increase of 11.6% from JD26.8bn at year-end 2007 and a rise of 10.6% from end-September 2007. Resident private sector deposits reached JD14.4bn, up 14.8% from end-2007 and 14.4% year-on-year, while deposits of non-financial institutions rose by 39.3% to JD123.8m annually. Resident private sector loans rose by 16.6% in the first 9 months of 2008 and by 16.8% year-on-year to JD12.8bn, while credit facilities to the non-resident private sector rose by 113% year-to-September of the year and by 112% annually to JD659m. Resident private-sector lending accounted for 42.8% of total assets. In parallel, public sector deposits reached JD838m, up 8.1% year-on-year, while claims on the public sector rose by 52% annually to JD3.6bn, with claims on the central government accounting for 84.2% of lending to the public sector compared to 79.7% at the end of 2007. Claims on the public sector accounted for 12.2% of total assets compared to 8.9% a year earlier. Further, deposits at the Central Bank of Jordan totaled JD4.25bn, up from JD3.78bn a year earlier and accounted for 14.2% of total assets. Capital accounts and allowances rose by 8% in the first 9 months of the year and by 11.8% year-on-year to JD3.8bn.

Source: Central Bank of Jordan, Byblos Research

ARMENIA

EBRD to acquire strategic stake in Araratbank

The European Bank for Reconstruction and Development (EBRD) announced it is acquiring a 25% plus one stake in the privately-owned Araratbank. The ERBD said it will actively support Arartbank’s expansion plans through the development of the bank's retail, medium, small and microfinance lending program, as well as through the diversification of its product range, increasing regional branch network and further improving its service culture. The EBRD will also be strengthening the bank's internal policies and procedures, corporate governance and existing management structure and will be represented on its board. The EBRD already extended a $5m credit-line for lending to micro, small and medium-sized enterprises and a $1m credit-line for trade financing in 2007. Araratbank is the 11th largest bank in Armenia in terms of assets. The EBRD is one of the largest investors in Armenia and has committed to-date more than €200m in 50 projects.

Source: EBRD

Oil extends loss below $64 after UK rate cut

Oil fell below $64 a barrel on November 6 after the Bank of England cut interest rates by an unprecedented 150 basis points. U.S. light crude for December delivery fell $1.60 to $63.70 a barrel. London Brent Crude dropped $1.60 to $60.27, having earlier fallen to a low of $60 a barrel. The falls extended a 7% drop in U.S. crude oil the previous session, as fears of economic slowdown across the world weighed on sentiment. Crude oil fell by $5.23 to settle at $65.30 a barrel on November 5th. Growing U.S. fuel stockpiles, which underscored decreasing oil demand, dollar strength and a sharp slide in global equities also helped pull oil prices lower. U.S. gasoline stocks rose by 1.1 million barrels last week, as demand for the fuel fell 2.3% over a four-week period to October 31st.

The Energy Information Administration said it expected OPEC production to be cut by 1.1 million barrels a day (bpd) by January, which would represent about 70% of the cut of 1.5 million bpd agreed by OPEC last month and would be higher than the usual 50% compliance with previous cuts. However, many analysts think OPEC could move to cut output further if prices fall below $60 a barrel, as member nations struggle to balance their budgets following the near 60% collapse in oil prices since July.
Source: Reuters

ADNOC, Shell sign gas deal

Abu Dhabi National Oil Company (ADNOC) and Royal Dutch Shell have signed a preliminary deal to jointly explore, develop and produce offshore gas fields in Abu Dhabi. The United Arab Emirates hold the world's fifth-largest gas reserves at nearly 214 trillion cubic feet, much of it sour. Shell is already in a joint venture with Abu Dhabi Onshore Company (ADCO) with a 9.5% interest and with Abu Dhabi Gas Industries (GASCO) with a 15% stake.
Source: Reuters

Sudan reveals intention to pursue nuclear energy

The Sudanese minister for Science and Technology Ibrahim Ahmed Omer announced that his country is planning to develop a nuclear power program for scientific research. He said that the government received approval for the plans from the International Atomic Energy Agency (IAEA). He added that despite Sudan's diverse energy sources it needs to make use of the available technology in different aspects, now that the world is moving towards using nuclear energy to produce electricity. The IAEA will fund the program jointly with the Sudanese government. Sudan is a signatory to the Nuclear Non-Proliferation Treaty, which allows countries to build nuclear power stations under international supervision.
Source: Sudan Tribune

Oil industry faces investment crunch

In its World Energy Outlook for 2008, the International Energy Agency (IEA) said that the immediate risk to oil supply is not one of a lack of global resources, but rather a lack of investment where it is needed. It added that the current financial crisis is not expected to affect long-term investment, but could lead to delays in bringing current projects to completion. The agency's benchmark estimates showed that world primary energy demand would grow by 1.6% a year from 2006 to 2030, or an overall increase of 45%. China and India account for just over half of the increase. Middle East demand would account for 11% of the increase, and non-OECD countries for 87%. The IEA also estimated the need for cumulative investment of over $26,000bn in 2007-2030. The power sector accounts for 52% of the total. Most of the rest would go to oil and gas, mainly for exploration and development and mostly in non-OECD regions. The agency noted that production costs continued to surge last year and that the increase outweighs the slower projected expansion of the world energy system.
Source: AFP

Base metals: Copper falls for second day in London on signs of demand slump

Copper, aluminum and nickel prices fell for a second day in London on speculation that a deepening economic slowdown will reduce global demand for metals. Copper on November 5 erased all of the gains of November 4, the day of the U.S. presidential elections. Copper for delivery in three months dropped $89, or 2.2%, to $3,981 a metric ton on the London Metal Exchange. Copper has dropped 41% this year. Aluminum dropped $21 to $2,070 a ton. Lead for three-month delivery fell $21.25 to $1,489.75 a ton and nickel declined $395 to $11,905 a ton. Zinc fell $38 to $1,142 and tin dropped $175 to $14,725 a ton.
Source: Bloomberg

Precious metals: Gold falls on concern U.S. slowdown may reduce commodity demand

Gold fell after declining 3% on November 5 on concern that a deepening economic slowdownin the U.S. may decrease demand for commodities. Silver also fell. Gold for immediate delivery was down 0.4% at $737.65 an ounce on November 6th. Silver for immediate delivery fell 0.4% to $10.28 an ounce. Price decline on November 5 followed a 5.5% jump the day of the U.S. presidential elections. Gold, together with other commodities, is also under pressure from the rallying dollar. The higher dollar, while offering some relief to producers, has been noticeably affecting consumers. Indian gold imports for example fell by 27% in October from a year earlier. December-delivery gold fell 0.7% to $737.4 an ounce in after-hours electronic trading on the Comex division of the New York Mercantile Exchange. Gold for October delivery in Tokyo declined 3.1% to $737 an ounce. Gold has dropped 11% this year.
Source: Bloomberg

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	164.7	238.8	237.9	-21.5	-23.4
LME metals price index	2232.5	3508.9	3660.9	-26.7	-42.8
Oil prices USD	65.2	115.2	107.0	-35.6	-27.6
Oil prices SDRs	43.6	72.6	67.2	-33.6	-23.9
Gold $/troy oz	739.6	866.1	874.2	-15.7	-5.7
Silver cents/troy oz	1002.0	1493.8	1572.7	-22.7	-29.3
Platinum $/troy oz	841.0	1603.5	1677.1	-16.2	-41.7
Copper $/MT	4496.0	7443.1	7516.2	-30.0	-41.6
Nickel $/MT	12622.5	19548.5	24117.4	--19.9	-59.2
Aluminium $/MT	2035.5	2724.6	2697.4	-15.0	-16.8
Zinc $/MT	1165.5	1782.4	2094.8	-29.3	-58.6
Steel - HR coil dry $/MT	605.0	605.0	604.4	0.0	7.1

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 Stable	13.9	15.1	2.3	4.0	2.3	2.7	14.4	0.7
Angola	- -	- -	- -	- -	BB Stable	10.7	8.6	13.9	14.8	4.0	41.2	47.5	3.1
Egypt	BB+ Stable	Ba1 -	BB+ Stable	BBB- Stable	BB Stable	-7.0	84.5	20.9	53.4	4.0	98.9	1.3	6.0
Ethiopia	-	-	-	-	B Stable	-4.4	-	13.6	217.5	2.9	458.7	-6.6	2.2
Ghana	B+ Stable	- -	B+ Stable	- -	B Stable	-10.5	-	38.0	1.0	3.3	219.3	-12.7	-
Ivory Coast	- -	- -	- -	- -	CCC Stable	-3.4	-	47.6	97.4	4.2	339.0	6.9	-
Libya	- -	- -	- -	- -	BBB Stable	34.9	3.3	6.6	7.9	1.6	5.6	55.5	2.4
Mauritania	- -	- -	- -	- -	- -	-2.3	105.9	78.9	123.4	4.5	-	-5.6	-
Morocco	BB+ Stable	Ba1 -	BBB- Stable	BBB- Stable	BB Stable	-2.9	54.3	23.9	74.7	7.6	77.4	-1.2	3.4
Nigeria	BB- Stable	- -	BB- Stable	- -	BB Stable	-0.6	11.3	4.6	7.3	0.5	-	10.7	0.9
Sudan	- -	- -	- -	- -	C Stable	-0.8	84.2	49.6	183.9	2.5	-	-3.7	3.1
Tunisia	BBB Stable	Baa2 -	BBB Stable	BBB Stable	BBB Stable	-3.4	53.3	53.6	95.9	11.1	261.8	-2.7	3.5
Middle East													
Bahrain	A Stable	A2 -	A Stable	A Stable	A Stable	8.6	17.3	150.1	151.4	3.4	635.0	20.1	0.4
Iran	- -	- -	B+ Stable	BB- Stable	B Stable	-4.2	24.7	6.3	24.0	2.3	19.2	13.4	0.3
Iraq	- -	- -	- -	- -	CC Stable	26.0	-	80.9	94.4	1.3	194.7	29.6	-
Jordan	BB Stable	Ba2 -	- -	BB Stable	B Stable	-6.5	70.9	86.2	143.0	16.2	295.6	-19.9	16.7
Kuwait	AA- Stable	Aa2 -	AA- Stable	AA- Stable	A Stable	28.0	5.5	27.8	39.8	2.4	227.3	48.6	-4.9
Lebanon	B- Stable	B3 -	B- Stable	B- Stable	CCC Stable	-9.4	154.6	103.8	545.1	18.6	283.8	-9.9	10.0
Oman	A Stable	A2 -	- -	A Stable	A Stable	21.3	4.7	22.4	28.9	5.9	91.7	14.5	2.1
Qatar	AA- Stable	Aa2 -	- -	AA- Stable	A Stable	8.3	8.3	57.0	77.0	5.2	450.6	38.7	6.6
Saudi Arabia	AA- Stable	A1 -	AA- Stable	AA- Stable	A Stable	25.7	8.8	7.6	10.9	1.8	96.3	33.0	0.2
Syria	- -	- -	- -	- -	CCC Stable	-1.3	30.4	24.8	52.6	2.2	85.0	-0.4	4.2
UAE	- -	Aa2 -	- -	AA- Stable	A Stable	32.1	10.4	65.4	71.4	1.8	167.0	25.6	1.6
Yemen	- -	- -	- -	B- Stable	B Stable	-1.9	30.4	24.8	66.3	2.2	84.5	-0.9	

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	-	Ba2	BB	-	-								
	-	-	Stable	-	-	-1.6	14.1	26.8	288.7	2.6	220.4	-6.8	5.4
Bulgaria	BBB+	Baa3	BBB	-	BBB								
	Stable	-	Stable	-	Stable	3.2	14.1	100.2	141.2	15.7	278.5	-21.1	16.2
Kazakhstan	BBB-	Baa2	BBB	-	BB								
	Negative	-	Stable	-	Stable	3.3	4.9	84.4	149.5	33.8	578.4	-5.0	5.3
Romania	BBB-	Baa3	BBB	BBB-	BB								
	Negative	-	Stable	Stable	Stable	-2.9	13.6	60.2	158.4	17.9	251.2	-16.1	5.4
Russia	BBB+	Baa1	BBB+	-	BBB								
	Positive	Positive	Stable	-	Stable	2.8	6.2	33.3	97.4	13.1	92.1	3.0	0.4
Turkey	BB-	Ba3	BB-	BB-	BB								
	Stable	-	Stable	Stable	Stable	-1.9	39.1	35.8	144.6	36.8	408.7	-5.7	2.0
Ukraine	BB-	B1	B+	-	BB								
	Negative	Positive	Negative	-	Stable	-2.5	13.2	60.1	98.2	26.0	263.0	-5.8	5.1

Sources: Moody's Investors Service; Economist Intelligence Unit - The above figures are estimated for 2008
** Figures last updated in September 2008*

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.00	29-Oct-08	Cut 50bps	16-Dec-08
Eurozone	Refi Rate	3.25	06-Nov-08	Cut 50bps	04-Dec-04
UK	Base Rate	3.00	06-Nov-08	Cut 150bps	04-Dec-04
Japan	O/N Call Rate	0.30	31-Oct-08	Cut 20bps	31-Dec-08
Australia	Cash Rate	5.25	04-Nov-08	Cut 75bps	03-Dec-08
New Zealand	Cash Rate	6.50	23-Oct-08	Cut 100bps	04-Dec-08
Switzerland	3 month Libor target	2.25	08-Oct-08	Cut 50bps	11-Dec-08
Canada	Overnight rate	2.25	21-Oct-08	Cut 25bps	09-Dec-08
Emerging Markets					
China	One-year lending rate	6.66	29-Oct-08	Cut 27bps	N/A
Hong Kong	Base Rate	1.50	29-Oct-08	Cut 50bps	16-Dec-08
Taiwan	Discount Rate	3.00	30-Oct-08	Cut 25bps	Dec-08
South Korea	Target Rate	4.25	27-Oct-08	Cut 75bps	07-Nov-08
Malaysia	O/N Policy Rate	3.50	24-Oct-08	No change	24-Nov-08
Thailand	1D Repo	3.75	08-Oct-08	No change	03-Dec-08
India	Repo rate	8.00	24-Oct-08	No change	27-Jan-09
UAE	Overnight repo rate	1.50	Oct-08	No change	N/A
Saudi Arabia	Repo rate	4.00	Oct-08	Cut 100bps	N/A
Egypt	Overnight Deposit	11.50	22-Sep-08	Raise 50bps	N/A
Turkey	Base Rate	16.75	22-Oct-08	No change	19-Nov-08
South Africa	Repo rate	12.00	09-Oct-08	No change	Dec-08
Kenya	Central Bank Rate	9.00	30-Sep-08	No change	Dec-08
Nigeria	Monetary Policy Rate	9.75	18-Sep-08	Cut 50bps	Dec-08
Ghana	Prime Rate	17.00	28-Oct-08	No change	Dec-08
Mexico	Target Rate	8.25	17-Oct-08	No change	28-Nov-08
Brazil	Selic Rate	13.75	29-Oct-08	No change	10-Dec-08
Armenia	Refi Rate	7.75	Sep-08	Raise 25bps	N/A
Romania	Policy Rate	10.25	01-Aug-08	Raise 25bps	N/A
Bulgaria	Base Interest	5.25	01-Sep-08	No change	N/A
Kazakhstan	Refi Rate	10.50	01-Oct-08	No change	N/A

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