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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Assets of sovereign wealth funds at $5.8 trillion at end-August 2013

Figures released by the Sovereign Wealth Fund Institute show that assets under management (AUM) of sovereign wealth funds (SWFs) totaled $5.8 trillion at the end of August 2013, constituting an increase of 11.8% from $5.2 trillion at end-2012. It indicated that SWFs funded by oil & gas totaled $3.4 trillion at end-August and accounted for 59% of overall SWFs' assets; while non-hydrocarbon SWFs totaled $2.4 trillion (41%). It noted that assets of SWFs in Asia accounted for 40% of total SWFs' assets at the end of August 2013, followed by assets of SWFs in the Middle East (35%), Europe (17%), the Americas and Africa (3% each), and others (2%). In parallel, the world's 10 largest SWFs accounted for 77.3% of total AUM at end-August 2013. Norway's Government Pension Fund had the largest AUM globally with $737.7bn, or 12.7% of the total at end-August 2013, followed by Saudi Arabia's SAMA Foreign Holdings with $675.9bn (11.6%), the Abu Dhabi Investment Authority with $627bn (10.8%), China Investment Corporation with $575.2bn (9.9%), China's SAFE Investment Company with $567.9bn (9.8%), the Kuwait Investment Authority with $386bn (6.6%), the Hong Kong Monetary Authority Investment Portfolio with $326.7bn (5.6%), the Government of Singapore Investment Corporation with $247.5bn (4.3%), Russia's National Welfare Fund with $175.5bn (3%) and Singapore's Temasek Holdings with $173.3bn (3%).

Source: Sovereign Wealth Fund Institute

EMERGING MARKETS

Fixed income trading volume up 12% to $1,587bn in second quarter of 2013

Trading in emerging markets debt instruments totaled $1,587bn in the second quarter of 2013, constituting an increase of 12.3% from $1,413bn in the same quarter last year and a rise of 13.4% from $1,399bn in the first quarter of this year. Further, local instruments turnover reached $1,036bn in the second quarter of 2013, up by 5% from $987bn in the same quarter last year, and by 10.3% from $939bn in the first quarter of 2013. They accounted for 65.3% of total emerging market debt trades in the covered quarter. In parallel, sovereign and corporate Eurobonds' trading volume stood at $544bn in the second quarter of 2013, increasing by 29.8% from $419bn in the second quarter of 2012 and by 20.3% from $452bn in the first quarter of 2013. Sovereign Eurobond volumes totaled $307bn in the covered quarter, while the volume of traded corporate Eurobonds reached $225bn. Sovereign Eurobonds accounted for 19.3% of total debt trading while corporate debt represented 14.2% of the total. The most frequently traded instruments in the second quarter of the year were Brazilian instruments with $225bn or 14.2% of the total, followed by Mexican assets with $195bn (12.3%), Russian debt securities with $177bn (11.2%), Turkish assets with $143bn (9%) and Polish instruments with $111bn (7%).

Source: EMTA

MENA

Economic growth environment unchanged in Arab world in 2012

Goldman Sachs' Growth Environment Scores Index shows that the growth environment in the Arab world was almost unchanged, as the region's average numerical score reached 5.2 points compared to 5.1 points in 2011 and 4.1 points in 1997. The GCC countries' average score improved to 6.7 points from 6.5 points in 2011 and from 5.2 points in 1997, while the average score of non-GCC Arab countries remained unchanged year-on-year at 4.5 points but improved from 3.7 points in 1997. The GES is a composite measure of economic growth conditions in 183 countries that summarizes the overall growth environment and that ranks countries according to their ability to achieve their growth potential. The GES consists of six broad categories of growth criteria that are Macroeconomic Stability; Macroeconomic Conditions; Political Conditions; Human Capital; Technological Capabilities and the Microeconomic Environment. The scores of 11 countries in the region improved year-on-year and nine declined, while the ranks of five countries improved and 15 regressed. Iraq's score improved by 0.74 points and its rank improved by 23 spots, constituting the largest improvements in the region; while Libya's score declined by 0.38 points and its rank regressed by 25 spots, the steepest declines in the region. Qatar ranked in first place among Arab countries and in 13th place globally, followed by the UAE (15th) and Bahrain (25th); while Egypt (144th), Sudan (176th) and Yemen (179th) came last. Further, two Arab countries ranked among the top 20 globally, while Sudan and Yemen came among the bottom 20 countries worldwide.

Source: Goldman Sachs, Byblos Research

Greenfield FDI projects down 31% to $51bn in 2012

Figures released by the United Nations Conference on Trade and Development (UNCTAD) and fDi Marktets show that the value of inward Greenfield foreign direct investment (FDI) projects in Arab economies totaled $51.1bn in 2012, constituting a decline of 30.7% from $73.7bn in 2011. The value of inward Greenfield FDI projects to the 19 Arab countries in the region accounted for 13.2% of total Greenfield FDI projects in developing countries and for 8.3% of global foreign direct investment. Nine Arab countries saw an increase in the value of inward Greenfield FDI projects in 2012, 10 posted a decline in inflows. The UAE was the largest recipient of Greenfield FDI in the region with $12.1bn and Syria was the smallest with $10m. Yemen posted the highest increase in Greenfield FDI inflows in 2012 of 3171%, followed by Kuwait with 113% and Libya with 98.8%; while Syria registered the steepest year-on-year decline of 99.2%, followed by Iraq with 90.8% and Morocco with 74.2%. In parallel, there were 980 Greenfield FDI projects in Arab economies in 2012, down 13.2% from 1,129 projects in 2011. The UAE attracted the highest number of projects at 328, while Syria had only one project in 2012.

Source: fDi Markets, UNCTAD, Byblos Research

JORDAN

GCC support, political stability and reforms to drive economic recovery

The Institute of International Finance projected Jordan's real GDP growth to improve from 2.7% in 2012 to 3% in 2013 and 4.2% in 2014 due to sizable bilateral support from GCC countries and reduced political uncertainty. It noted that bilateral loans and grants would increase public investments, while an improving political environment would support the recovery of private investments. It considered that the net impact of the massive influx of Syrian refugees is positive on the economy in terms of consumption, investment and easing of wage pressures. It noted that some Syrian businesses have moved their entire operations to Jordan in recent months due to the country's relatively stable political environment, and forecast Syrian investments to rise to around 1% of GDP in 2013.

Also, it forecast the average inflation rate at 5.8% in 2013 compared to 4.8% in 2012, mainly as a result of the liberalization of fuel prices in November 2012 and higher rents. It anticipated that private consumption growth would decelerate from 7% in 2012 to 2% in 2013 due to base effect and higher fuel and electricity prices. Further, it expected economic growth to return to its potential level of between 4.5% and 5% by 2015, supported mainly by the implementation of deeper structural reforms and infrastructure investments. It said that risks to the outlook are tilted to the downside due to spillovers from the Syrian crisis and a rise in political uncertainty.

In parallel, the IIF forecast the fiscal deficit to narrow to 6.1% of GDP in 2013 and 5.1% of GDP in 2014 from 8.2% of GDP in 2012, when including grants; and to reach 10.2% of GDP in 2013 and 8.4 % of GDP in 2014 compared to 9.7% of GDP in 2012 when excluding grants. It also projected the current account deficit to narrow to 10.2% of GDP in 2013 and 8.6% of GDP in 2014 from 18.4% of GDP in 2012. It said that official reserves have recovered significantly in recent months due to sizable grants, appropriate monetary policy and reduced political uncertainty. It projected foreign currency reserves at $10.6bn, equivalent to 5.3 months of imports in 2013, and at $12.1bn or 5.9 months of imports in 2014.

Source: Institute of International Finance

ANGOLA

Economic growth to average 7% in 2013-14

The Economist Intelligence Unit projected Angola's real GDP growth at 6.8% in 2013 and 6.9% in 2014 compared to 6.8% in 2012, supported mainly by the hydrocarbon sector. It forecast oil production to rise from 1.75 million barrels per day (b/d) in 2012 to 1.8 million b/d in 2013 and 1.9 million b/d in 2014, and to reach to 2.1 million barrels per day by 2017. It expected economic growth to remain robust and to average 6.6% between 2013 and 2017, supported by a steady rise in oil output and favorable global oil prices. It anticipated economic activity to remain capital-intensive and import-dependent, with few linkages to economic sectors that are not dominated by a heavy state presence, such as the construction and finance sectors. But it cautioned that the overvalued exchange rate would result in an adverse business climate that would restrain investments outside the hydrocarbon and construction sectors. It considered that the development of a dynamic private sector will be further held up by a flawed judicial system, poor regulation, corruption and the crowding-out of private investment by the public sector.

The EIU considered that the full implementation of the new foreign exchange law, which requires oil-related transactions to be carried out in Angolan kwanza, would exert upward pressure on prices in the second half of the year. But it expected the Banco Nacional de Angola (BNA) to be cautious in loosening monetary policy in order to avoid a significant rise in prices. It forecast the average inflation level at 9% in 2013 and 8.5% in 2014 relative to 10.3% in 2012. It anticipated inflation rates to further decline by 2017, but it noted that a single-digit forecast for inflation between 2013 and 2017 is contingent on the ability of the BNA to resist political pressure for a more accommodative monetary policy. In parallel, the EIU projected the fiscal surplus to narrow to 3.1% of GDP in 2013 and 2.4% of GDP in 2014 from 6.1% of GDP in 2012. It forecast the current account surplus at 5.2% of GDP in 2013 and 3.7% of GDP in 2014 relative to 9.6% of GDP in 2012, and expected it to shift to a deficit of 2.5% of GDP in 2017 due to rapid import growth driven by capital spending.

Source: Economist Intelligence Unit

GHANA

Economic outlook to remain positive

Business Monitor International revised downward its projection for Ghana's real GDP growth to 7.4% in 2013 and 6.5% of GDP in 2014 from a previous forecast of 8.5% in 2013 and 7.1% in 2014. It attributed the change to the slowdown in China's economic activity, moderating global commodity prices, difficulties in the domestic cocoa sector and power shortages. But it expected Ghana to be a regional and global outperformer over the coming years, with annual real GDP growth averaging 7.2% during the 2015-17 period due to strong growth in several sectors that include oil & gas, infrastructure and retail.

In parallel, BMI anticipated that private consumption, investment and exports would strongly support overall economic activity. It forecast private consumption to expand by 7.5% in real terms in 2013 and by 6% in 2014, and to average 6% between 2014 and 2017 as the rapid growth in the hydrocarbon sector and infrastructure would improve consumer spending. Further, it expected private investment to grow by an annual average of 13.6% between 2013 and 2017, supported by a stable domestic political climate, strong economic growth and abundant natural resources that will continue to attract investors. But it noted that the high interest rate environment will adversely affect domestic private investment, while the government's low execution rate on capital spending will delay government-led investment. It forecast the government's recurrent spending to grow by 9% annually during the 2013-17 period, and for spending on foreign-financed capital projects to be sluggish. Further, it said that the country's exports have a positive outlook given the strong prospects for oil and gold production.

Source: Business Monitor International

WORLD

IMF support does not prevent sovereign defaults

Moody's Investors Service indicated that countries that signed participation programs with the International Monetary Fund face significant default risk because of their long-term vulnerabilities. It said that 16.4% of sovereigns that signed such programs between 1983 and 2012 defaulted in the five years that followed the agreement. It noted that half of sovereign defaults since 1983 had been preceded by an IMF program in the two years prior to their default, while 70% of sovereign defaults since 2000 were preceded by an IMF program in the two years prior to their default. Moody's pointed out that many countries enter support programs when they are in distress and when they face significant credit challenges such as banking crisis, a very high debt burden, chronic economic stagnation, or institutional weaknesses. It considered that support programs are not always sufficient to eliminate the elevated risk of default. However, it pointed out that the vast majority of sovereigns with IMF programs did not default, even though many of them entered programs when they were in severe distress and without access to private capital, which indicates that IMF programs have often been effective in reducing the risk of default. It noted that IMF programs have been frequently effective in reducing the macroeconomic impact of defaults when such defaults took place. It added that in such situations, the IMF provided interim financing and supported a more orderly restructuring process.

Source: Moody's Investors Service

GCC

Market pressure to drive small insurers to consolidate

Standard & Poor's indicated that a small number of well-established insurers are benefiting from the fast-growing insurance markets in Gulf Cooperation Council (GCC) countries. It considered that many small insurers lack economies of scale, as they don't have sufficient business volume to cover their operating expenses. It noted that the lack of profitability over a prolonged period of time erodes capital, which would leave insurance firms with little prospects of finding a profitable niche and would increase their risk of default. It considered that consolidation would improve small insurers' economies of scale and offer them cost efficiencies. But it pointed out that several factors prevent companies from consolidating such as inflated valuations, a reluctance to relinquish control and a significant risk of losing clients. S&P anticipated the creditworthiness of some smaller companies at the lower end of the market to diminish, as continued losses would hurt their capital base. It noted that this could encourage some insurers to abandon sensible underwriting in an attempt to bring in much-needed revenues to cover their expenses. It considered that such strategy would further erode these companies' profitability and distort overall market pricing. It added that pricing developments as well as a failure to consolidate would increase overall insurance industry risks across the region.

Source: Standard & Poor's

UAE

Abu Dhabi ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Abu Dhabi's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'AA' respectively, with a 'stable' outlook. It also maintained the short-term foreign currency IDR at 'F1+' and the UAE Country Ceiling at 'AA+'. It said that the ratings are supported by a strong sovereign balance sheet, solid fiscal position, relatively robust economic growth, stabilizing debt of government-related entities (GREs) and sovereign-owned entities (SOEs), and improving banking sector performance. It estimated Abu Dhabi's sovereign net foreign assets at 153% of GDP in 2012, the second highest such ratio in the world after Kuwait. It expected Abu Dhabi's sovereign net foreign assets to further rise in the next two years, supported by double-digit current account surpluses. Also, it estimated that the fiscal surplus returned to double-digits in 2012 as government spending fell by 7.2% of GDP, mainly due to lower net lending and equity injections to SOEs. It expected the fiscal surplus to remain in double-digits during the 2013-15 period. Further, it said that the debt of GREs and SOEs stabilized at 32.9% of GDP at end-2012. It noted that explicit contingent liabilities are clearly delineated and the supervision of the borrowing plans of GREs and SOEs has been tightened. It added that the government has mandated GREs and SOEs to deleverage.

Source: Fitch Ratings

YEMEN

Economic recovery faces significant challenges

The International Monetary Fund projected Yemen's real GDP growth at 6% in 2013 compared to 2.4% in 2012 and relative to a contraction of more than 12% in 2011. It noted that oil production declined to 321,000 barrels per day (b/d) in 2012 from 364,000 b/d in 2011 due to continued sabotage of oil pipelines, but projected it to rise to 406,000 b/d this year. It forecast activity in the hydrocarbon sector to expand by 26.2% in 2013 compared to a contraction of 11.5% in 2012, and expected real non-hydrocarbon output to grow by 4% this year, similar to the preceding year. In parallel, the IMF considered that the domestic macroeconomic situation stabilized last year, but it noted that the overall recovery remains fragile and faces substantial challenges. It said that structural reforms such as improving the infrastructure, enhancing the business climate, expanding access to financial services and strengthening public institutions and governance would support high and inclusive economic growth and diversification. It noted that further concessional donor assistance will be needed to support reforms, and urged authorities to secure timely disbursement of such assistance. In parallel, it urged the authorities to contain the fiscal deficit to 5.8% of GDP this year and to continue fiscal consolidation. Further, it said that Yemen's external position strengthened substantially last year, mainly due to exceptional support from Saudi Arabia. It forecast the current account deficit at 2.7% of GDP and foreign exchange reserves at $4.7bn, or 4.6 months of imports cover in 2013.

Source: International Monetary Fund

JORDAN

Trade and construction account for 41.3% of overall lending at end-June 2013

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD18.4bn at the end of June 2013, constituting an increase of 3% from JD17.8bn at end-2012 and a rise of 7.4% from JD17.1bn at end-June 2012. The resident private sector accounted for 87% of total credit relative to 87.3% at end-June 2012, followed by the central government with 6.9%, the non-resident private sector with 4.3%, public entities with 1.8%, and financial institutions with 0.1%. Foreign currency lending accounted for 13.4% of total lending, up from 10.8% of aggregate lending at end-June 2012. The distribution of lending by sector shows that construction represented JD3.8bn or 20.9% of overall lending, relative to 21% a year earlier; while general trade represented JD3.7bn or 20.4% of the total, relative to 22.3% a year earlier. They were followed by industry with JD2.6bn, or 14.2% of overall lending; public services & utilities with JD2.2bn, or 12.1% of the total; transportation services with JD538m, or 2.9% of credit; tourism, hotels & restaurants with JD509.4m, or 2.8% of the total; financial services with JD500m, or 2.7% of credit; agriculture with JD249.2m, or 1.4% of overall lending; and mining with JD147.1m or 0.8% of the total. Further, other lending accounted for JD4bn, or 21.8% of total credit, of which JD255.7m were extended to buy shares. In parallel, loans & advances totaled JD15.8bn of overall credit at end-June 2013, followed by overdrafts with JD2.2bn, and discounted bills with JD293.6m.

Source: Central Bank of Jordan, Byblos Research

MOROCCO

Banks' ratings affirmed

Capital Intelligence affirmed the long- and short-term foreign currency ratings on Banque Marocaine du Commerce Extérieur (BMCE), Crédit du Maroc (CdM), and Attijariwafa Bank (AWB) at 'BBB-' and 'A3', respectively, and those of Banque Marocaine pour le Commerce et l'Industrie (BMCI) at 'bbb-' and 'a3', respectively. It also reduced the Financial Strength Rating (FSR) of BMCE to 'BBB-' from 'BBB', adjusted that of CdM to 'BB+' from 'BBB-' and affirmed that of BMCI and AWB at 'bbb-' and 'BBB', respectively. It noted that each bank's foreign currency ratings and FSR have a 'stable' outlook. It attributed the downgrade of BMCE's FSR to continued low returns and tighter liquidity. But it noted that the bank's FSR remains supported by improved asset quality and capital. It said that its action on CdM's FSR reflects lower and weak profitability, high level of non-performing loans (NPLs), and subdued asset growth. It noted that BMCI's FSR is supported by a solid level of capitalization, good loan-loss provisioning and adequate profitability, but is constrained by a high level of NPLs, low deposit growth and lower returns. It pointed out that AWB's FSR is supported by high asset quality, strong loan-loss coverage and steady profitability, but is constrained by a tightening liquidity.

Source: Capital Intelligence

TUNISIA

Bank ratings downgraded on high political uncertainties

Standard & Poor's lowered the long-term counterparty credit ratings of Arab Tunisian Bank (ATB) and Banque Tuniso-Koweitienne (BTK) to 'B' from 'BB-' and that of Banque de l'Habitat (BH) to 'B' from 'B+' and kept the 'negative' outlook on the ratings. It affirmed the short-term counterparty credit ratings on BH and ATB at 'B'. It attributed its action to its earlier downgrade of Tunisia's sovereign ratings due to high political uncertainties that would further delay approving a new constitution and implementing the transitional government's comprehensive reform agenda. It considered that delays would constrain economic growth and negatively affect the banks' financial profiles. It said that ATB's long-term rating is capped at the level of the sovereign rating and reflects the bank's vulnerability to further economic slowdown as it only operates in Tunisia. It added that ATB faces heightened sovereign risks because of its large holding of government debt. Further, it pointed out that BTK's earnings generation is constrained by the domestic economic slowdown and higher provisioning requirements. It expected the bank's capital and earnings to deteriorate to weak levels by the end of 2014 due to weak earnings and high cost of risk. As a result, the agency lowered the standalone credit profile of ATB to 'b' from 'b+' and that of BTK to 'b-' from 'b'. Further, it said that BH is a government-related entity given the government's 58.1% stake in the bank. It noted that the bank's long-term rating reflects its standalone credit profile of 'b' and does not incorporate any uplift for extraordinary government support.

Source: Standard & Poor's

KUWAIT

Lending up 6.2% year-on-year in June 2013, liquidity level increases

Figures issued by the Central Bank of Kuwait show that total assets of commercial banks reached KD50.3bn at the end of June 2013, constituting an increase of 6.5% from the end of 2012 and a growth of 8.2% from end-June 2012. Lending to the private sector reached KD28bn at end-June 2013, up by 4.4% from end-2012 and by 6.2% from a year earlier. Lending to the private sector grew by 0.7% month-on-month in June compared to a monthly growth of 1.1% in May. Retail lending remains the main driver of loan growth as it grew by 13.4% year-on-year, while corporate lending growth continues to be in single digits and rose by 4.1% annually, while loans to financial institutions fell by 19% year-on-year. Further, the sector's aggregate deposits totaled KD35.4bn at end-June 2013, constituting a growth of 5% from the end of 2012. Total deposits slowed to 9% year-on-year in June 2013 due to slower growth in public sector deposits. The loans-to-deposits ratio stood at 79% at the end of June 2013, down from 80.3% at end-2012 and 81.2% a year earlier.

Source: Central Bank of Kuwait, EFG Hermes

Natural gas prices to rise by 42% in 2013

Global natural gas production is forecast to grow by an annual average of 2.8% during the 2013-14 period, nearly unchanged from a growth rate of 2.7% in 2012. The modest rise in output is mainly due to new fields coming on stream in the Caspian region, particularly in Turkmenistan. The Middle East's natural gas supply is expected to rise this year, mainly driven by Saudi Arabia, Qatar and Iran. In parallel, global natural gas consumption is projected to grow by an annual average of 2.5% during the 2013-14 period, mainly due to strong demand growth in Asia. Further, the U.S. natural gas Henry Hub prices are forecast to reach $3.92 per million British thermal units (Btu) on average in the third quarter of 2013, while European natural gas prices are projected to average $11.9 per million Btu during the same quarter this year. Overall, the U.S. natural gas Henry Hub prices are anticipated to rise by 42.1% year-on-year to average $3.91 per million Btu in 2013.

Source: Economist Intelligence Unit, Byblos Research

Sudan receives $236m in oil transit fees

South Sudan paid $236m to the Central Bank of Sudan in fees for the export of its oil via the Sudanese pipeline since the restart of transit this year. Sudan is expected to shut down its oil export pipeline on September 6 due to the South's alleged support for rebels operating on Sudanese territory. Landlocked South Sudan is reliant on Sudan to transfer its oil exports to international markets. Sudan and South Sudan are highly dependent on oil-related revenues and on the resulting foreign currency receipts to finance their imports. In parallel, South Sudan's Parliament passed the Petroleum Revenue Management Bill, which regulates the government's expenditures from oil proceeds. The bill still awaits President Salva Kiir's approval.

Source: Agence France Presse, Thomson Reuters, Sudan Tribune, Byblos Research

M&A transactions up 232% in MENA region's oil & gas sector

The total number of completed mergers & acquisition deals that targeted the MENA region's oil & gas sector reached 6 in the first seven months of 2013, up from 3 deals in the same period last year. The aggregate value of M&A transactions totaled $41.7m in the first seven months of 2013, constituting an increase of 232% from $12.5m a year earlier. In parallel, the average value per M&A transaction rose by 66.2% year-on-year to $6.95m in the first seven months of this year.

Source: Zawya Investor

Renewable energy investments in MENA region up 39% to $2.9bn in 2012

The Middle East & North Africa region's aggregate investments in renewable energy were estimated at $2.87bn in 2012, constituting a rise of 39.2% from $2.1bn in 2011. Morocco's new investments in renewable energy reached $1.9bn in 2012, or 66.1% of the region's total. It was followed by Israel with $814m, equivalent to 28.4% of the total, Iran with $136m (4.7%) and Saudi Arabia with $22m (0.8%). In parallel, the World Bank estimated that the MENA region's total investment needs in the energy sector would exceed $30bn a year by 2040.

Source: International Renewable Energy Agency, Renewable Energy Policy Network for the 21st Century, Byblos Research

Base Metals: Copper prices to decrease by 7% in third quarter and by 6% in 2013

The copper market is expected to post a modest surplus of 135,000 tons in 2013 as the metal's supply outweighs demand. But the anticipated surplus would likely not affect price movements due to the large size of the market, which is estimated at about 21 million tons in 2013. Global copper demand is forecast to grow by 2.8% in 2013 relative to an annual growth rate of 4.3% a year earlier. China is projected to remain the world's largest copper consumer in 2013, followed by European Union countries and the United States. In parallel, global copper production is expected to grow by 3.3% this year relative to a growth rate of 2.8% in 2012. China is anticipated to remain the world's largest refined copper producer in 2013, followed by Chile and European Union countries. Global copper prices are projected to decline by 6.6% year-on-year to $7,200 a metric ton on average in the third quarter of 2013. Overall, copper prices are forecast to average $7,468 a metric ton in 2013, constituting a drop of 6% from $7,947 a metric ton 2012.

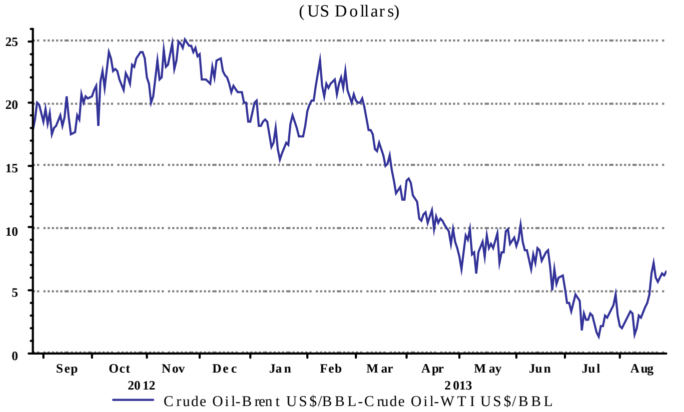
Source: Economist Intelligence Unit, Byblos Research

Precious Metals: Gold prices to drop over the next 12 months as U.S. Fed tightens monetary policy

Gold prices are expected to remain on a downward trend over the next 12 months. The metal's price is projected to face downward pressures during the fourth quarter of 2013 as expectations of the U.S. Federal Reserve narrowing its asset purchases program materializes. In addition, the continued liquidation of gold investments, such as ETF holdings, would put further pressure on prices in coming quarters. Net gold ETF outflows rose by 0.6% in the first two weeks of August, while this trend is anticipated to continue over the second half of 2013. As such, gold prices are forecast to average $1,425 a troy ounce in 2013 and to decrease by about 12.3% to $1,250 a troy ounce on average in 2014. In parallel, the metal's lower prices would likely increase the demand for gold jewelry, as consumption in this segment was restrained in recent years due to record-high prices. Also, Chinese gold imports are expected to keep growing in coming quarters. In parallel, gold supply is expected to grow at a slower pace in coming periods. Gold mine production is projected to grow by an annual average rate of 2.6% during the 2013-17 period relative to a 2.7% growth rate in the previous five years.

Source: Business Monitor International, Citigroup, Byblos Research

BRENT-WTI Price Spread
(US Dollars)



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	EIU	Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	-	-	-	-	BB								
	-	-	-	-	Stable	-3.9	8.6	3.2	8.1	1.1	2.6	6.2	2.0
Angola	BB-	Ba3	BB-	-	BB								
	Stable	Stable	Positive	-	Stable	7.0	28.0	15.9	32.4	3.0	49.1	8.5	0.3
Egypt	CCC+	Caa1	B-	B-	CCC								
	Stable	Negative	Negative	Negative	Stable	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
Ethiopia					B								
	-	-	-	-	Stable	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
Ghana	B	-	B+	-	B								
	Stable	-	Negative	-	Stable	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
Ivory Coast	-	-	-	-	B								
	-	-	-	-	Stable	-3.7	62.6	18.8	33.4	-	-	-3.1	0.3
Libya	-	-	B	-	B								
	-	-	Stable	-	Stable	19.4	-	6.5	16.5	2.5	-	21.8	-
Mauritania	-	-	-	-	-								
	-	-	-	-	-	-2.4	85.1	84.6	91.9	2.8	560.0	-23.6	0.01
Morocco	BBB-	Ba1	BBB-	BBB-	B								
	Negative	Negative	Stable	Stable	Stable	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
Nigeria	BB-	Ba3	BB-	-	B								
	Stable	Stable	Stable	-	Stable	-0.4	14.7	4.8	6.9	0.5	-	3.5	1.9
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-4.0	112.1	84.8	159.6	-	-	-7.8	-
Tunisia	B	Ba2	BB+	BBB	CCC								
	Negative	Negative	Negative	Stable	Stable	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
Middle East													
Bahrain	BBB	Baa1	BBB	BBB+	BB								
	Stable	Negative	Stable	Negative	Stable	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
Iran	-	-	B+	BB-	CCC								
	-	-	Stable	Negative	Stable	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
Iraq	-	-	-	-	CCC								
	-	-	-	-	Stable	-1.9	76.2	70.9	94.9	-	83.1	23.1	1.5
Jordan	BB-	B1	-	BB	CCC								
	Negative	Stable	-	Negative	Stable	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
Kuwait	AA	Aa2	AA	AA-	A								
	Stable	Negative	Stable	Stable	Stable	28.2	6.9	19.0	16.7	12.4	142.9	40.5	-4.4
Lebanon	B	B1	B	B	CCC								
	Negative	Stable	Stable	Stable	Stable	-9.7	140.7	102.1	131.1	19.2	118.0	-12.6	1.1
Oman	A	A2	-	A	A								
	Negative	-	-	Stable	Stable	7.0	4.9	18.2	23.5	3.4	101.7	11.3	3.8
Qatar	AA	Aa2	-	AA-	AA								
	Stable	Stable	-	Stable	Stable	6.5	35.6	69.7	94.4	11.6	704.8	32.9	0.2
Saudi Arabia	AA-	Aa3	AA-	AA-	A								
	Positive	Stable	Positive	Stable	Stable	15.5	5.7	13.7	21.8	2.1	13.3	28.3	2.1
Syria	-	-	-	-	CC								
	-	-	-	-	Negative	-16.3	48.5	-	87.7	-	-	-13.3	0.3
UAE	-	Aa2	-	AA-	BB								
	-	-	-	Stable	Stable	4.4	22.4	51.1	36.6	4.4	476.9	16.4	1.0
Yemen	-	-	-	B-	CC								
	-	-	-	Negative	Stable	-5.7	44.9	17.8	72.4	-	157.5	-2.7	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Asia													
Armenia	-	Ba2	BB-	-	-								
	-	Stable	Stable	-	-	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
China	AA-	Aa3	A+	A	BBB								
	Stable	Stable	Stable	Stable	Stable	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
India	BBB-	Baa2	BBB-	BBB-	BB								
	Negative	Stable	Stable	Stable	Stable	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
Kazakhstan	BBB+	Baa2	BBB-	-	BB								
	Stable	-	Stable	-	Stable	3.5	12.4	66.8	131.8	17.5	611.8	6.2	5.7
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-0.5	18.9	86.2	141.0	22.8	285.4	1.1	3.6
Romania	BB+	Baa3	BBB-	BBB-	B								
	Stable	-	Stable	Negative	Stable	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
Russia	BBB	Baa1	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	0.5	11.0	29.5	90.6	11.8	123.1	5.2	-0.1
Turkey	BB+	Baa3	BBB-	BB+	B								
	Stable	Stable	Stable	Stable	Stable	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
Ukraine	B	B3	B	-	CC								
	Negative	Negative	Negative	-	Stable	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are estimated for 2012

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	31-Jul-13	No change	18-Sep-13
Eurozone	Refi Rate	0.50	01-Aug-13	No change	05-Sep-13
UK	Bank Rate	0.50	01-Aug-13	No change	05-Sep-13
Japan	O/N Call Rate	0-0.10	08-Aug-13	No change	05-Sep-13
Australia	Cash Rate	2.50	06-Aug-13	Cut 25bps	03-Sep-13
New Zealand	Cash Rate	2.50	25-Jul-13	No change	12-Sep-13
Switzerland	3 month Libor target	0.00-0.25	20-Jun-13	No change	19-Sep-13
Canada	Overnight rate	1.00	17-Jul-13	No change	04-Sep-13
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	31-Jul-13	No change	18-Sep-13
Taiwan	Discount Rate	1.88	27-Jun-13	No change	18-Sep-13
South Korea	Base Rate	2.50	08-Aug-13	No change	12-Sep-13
Malaysia	O/N Policy Rate	3.00	11-Jul-13	No change	05-Sep-13
Thailand	1D Repo	2.50	21-Aug-13	No change	16-Oct-13
India	Reverse repo rate	7.25	30-Jul-13	No change	18-Sep-13
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	9.25	24-Nov-11	Raise 100bps	N/A
Turkey	Base Rate	4.50	20-Aug-13	No change	17-Sep-13
South Africa	Repo rate	5.00	18-Jul-13	No change	19-Sep-13
Kenya	Central Bank Rate	8.50	09-Jul-13	Cut 100bps	01-Sep-13
Nigeria	Monetary Policy Rate	12.00	23-Jul-13	No change	24-Sep-13
Ghana	Prime Rate	16.00	31-Jul-13	No change	13-Sep-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	4.00	12-Jul-13	No change	06-Sep-13
Brazil	Selic Rate	8.50	10-Jul-13	Raise 50bps	28-Aug-13
Armenia	Refi Rate	8.50	13-Aug-13	Raise 50bps	N/A
Romania	Policy Rate	4.50	06-Aug-13	Cut 50bps	N/A
Bulgaria	Base Interest	0.02	01-Aug-13	No change	N/A
Kazakhstan	Refi Rate	5.50	06-Aug-12	Cut 50bps	N/A
Ukraine	Discount Rate	6.50	13-Aug-13	Cut 50bps	N/A
Russia	Refi Rate	8.25	10-Jun-13	No change	N/A

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