

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate bond issuance at \$2.5 trillion in first nine months of 2013

Standard & Poor's indicated that global corporate bond issuance totaled \$2.5 trillion in the first nine months of 2013, constituting an increase of 8.7% from \$2.3 trillion in the same period last year. The issuance included \$1,374bn in investment grade, \$397bn in speculative grade, and \$702bn in unrated bonds. Bond issuance in Europe totaled \$847bn in the covered period and accounted for 34.2% of global bond issues, followed by the U.S. with \$812bn (32.8%), emerging markets with \$546bn (22.1%), and other developed markets with \$269bn (10.9%). Speculative grade issuance in the U.S. reached \$219bn and represented 55.2% of global speculative grade issues, followed by Europe with \$112bn (28.2%), emerging markets with \$52bn (13.1%) and other developed markets with \$14bn (3.5%). Issuance by non-financial institutions totaled \$1,322bn and accounted for 53.5% of global corporate bond issuance, while issuance by financial firms represented the remaining \$1,151bn (46.5%). Investment-grade issuance in the non-financial sector totaled \$606bn and accounted for 44.1% of global investment grade issues, while speculative grade issuance in the non-financial sector reached \$319bn and represented 80.4% of global speculative grade issues.

Source: Standard & Poor's

EMERGING MARKETS

Bond and equity inflows at \$3.5bn in first nine months of 2013, AUM at \$1,289bn

Capital flows to emerging market equity and bond funds posted net inflows of \$3.5bn in the first nine months of 2013, with bond inflows at \$0.2bn and equity inflows at \$3.3bn. Emerging Asia attracted \$1.5bn in inflows to bond funds and Emerging Europe, the Middle East & Africa (EMEA) attracted inflows of \$335m; while Latin America posted outflows of \$1.6bn in the first nine months of the year. Emerging Asia attracted \$6.1bn in inflows to equity funds in the first nine months of the year; while Latin America posted \$2.3bn in outflows from equity funds and the EMEA region posted outflows of \$446m. China was the biggest recipient of bond inflows with \$1.3bn, while South Korea was the largest recipient of equity inflows with \$4.9bn in the covered period. Also, Brazil was the largest source of bond outflows of \$2.2bn, while it was the largest source of equity outflows of \$4.7bn, followed by China with \$3.5bn and Russia with \$2.7bn in the first nine months of the year. In parallel, assets under management (AUM) in emerging markets totaled \$1,289bn at the end of September 2013, with bonds reaching \$336.2bn and equities totaling \$952.9bn. The EMEA region had \$132.3bn in bond-related AUM, followed by Latin America with \$124.3bn and Emerging Asia with \$79.5bn. Further, Emerging Asia had \$640.3bn in equity-related AUM, followed by the EMEA region with \$166.4bn and Latin America with \$146.2bn.

Source: Barclays Capital

Downgrades outpace upgrades in first nine months of 2013

Standard & Poor's indicated that it downgraded 82 issuers worth \$1,030bn in rated debt and upgraded 52 issuers worth \$170bn in rated debt in emerging markets (EM) in the first nine months of 2013. It added that downgrades accounted for 61.2% of total rating actions while upgrades represented the balance of 38.8% during the covered period. The agency downgraded 16 issuers representing \$17bn in rated debt in the first quarter, 32 issuers that total \$977bn in the second quarter, and 34 issuers that represent debt of \$36bn in the third quarter of 2013. Also, it upgraded five issuers worth \$13bn of rated debt in the first quarter, 24 issuers with \$89bn in the second quarter, and 23 issuers worth \$68bn in the third quarter of the year. In parallel, S&P downgraded 70 corporate issuers, representing \$75bn in rated debt, and upgraded 46 issuers worth \$92bn in the covered period. It also downgraded 12 sovereigns for a total of \$955bn, while it upgraded six sovereigns for a total of \$78bn in the first three quarters of the year. Latin America had 43 downgrades worth a total of \$960bn and 21 upgrades representing \$82bn; followed by Eastern Europe, the Middle East & Africa with 22 downgrades (\$53bn) and 17 upgrades (\$39bn); and Emerging Asia with 17 downgrades (\$17bn) and 14 upgrades (\$48bn).

Source: Standard & Poor's

MENA

Optimism for growth in private equity activity continues

The 2013 Deloitte MENA Private Equity Confidence Survey indicated that General Partners (GPs) in private equity (PE) funds across the Middle East & North Africa continue to be optimistic about finding the right opportunities in the market and maintained their positive outlook for the long-term prospects of PE in the region. The survey revealed that 65% of GPs expect PE investment activity to increase in the next 12 months, 35% of them forecast activity to remain at current level, while none of the respondents anticipate a fall in deal activity. Respondents expect the consumer & retail segment to attract the largest share of deal activity in the region over the next 12 months; followed by the pharmaceutical, biotech & healthcare sector; the power, oil, gas & mining sector; and the real estate & construction sector. It added that Saudi Arabia, Turkey and Egypt will attract the largest share of deal activity over the next 12 months. Further, it noted that 59% of GPs expect exit activity in the MENA region to increase compared to 41% of respondents who think that it will stay the same. In parallel, the survey said that respondents identified the shortage of quality investment opportunities, the over-supply of capital and high competition, and difficulties in finding exit opportunities as the biggest challenges and barriers to PE growth in the region. It identified the rules governing foreign ownership and capital market listing regulations as the biggest legislative issues in the region. Further, the survey indicated that GP's confidence in the long-term growth prospects of the region's PE industry marginally decreased compared to previous years, mainly due to funding uncertainties.

Source: Deloitte

OUTLOOK

EMERGING MARKETS

Reforms are key to regain growth momentum

The Institute of International Finance projected the annual average real GDP growth rate in emerging markets at 4.6% between 2012 and 2013 and at just under 5% in 2014, compared to an annual average growth rate of 6.1% during the 2000-07 period. It expected the slowdown in economic activity to affect most emerging economies, but at varying degrees. It attributed the slowdown to cyclical factors such as the growth of domestic credit and terms of trade gains from high global commodity prices, as well as to structural factors. It noted that authorities in emerging economies failed to implement structural reforms during years of strong economic activity in order to improve the business environment, infrastructure, education and the financial system, and to address the rising imbalances. It added that the drivers of rapid growth have been gradually exhausted. As such, the IIF said that authorities need to implement structural reforms to develop new and sustainable growth drivers.

First, the IIF indicated that countries with an export-led growth model need a more balanced and sustained growth model to address the economic and financial imbalances that have accumulated during years of strong activity. Second, it said that countries with a heavy reliance on commodity exports have to diversify their economies and reduce their reliance on commodity markets in order to achieve a more stable and sustainable growth, and to avoid "boom-bust" cycles. Third, it pointed out that countries where economic activity was driven by very strong credit expansion over a long period of time face significant challenges such as the declining contribution of credit to overall GDP growth and rising indebtedness. It cautioned that long periods of rapid credit growth eventually end in financial distress as non-performing loans increase. It added that many countries are now at high levels of indebtedness, which would constrain the accumulation of new debt and eventually constrain real GDP growth.

Source: Institute of International Finance

JORDAN

Macroeconomic policies on track to reduce external and fiscal imbalances

The International Monetary Fund projected Jordan's real GDP growth to average 3% to 3.5% during the 2013-14 period, driven by higher spending on infrastructure projects, continued improvement in the construction sector, higher consumption, and solid tourism seasons. It expected the inflation rate to maintain its downward trend during the covered period, supported by a moderation in international food prices.

In parallel, the IMF noted that the authorities have been implementing strong macroeconomic policies to reduce external and fiscal imbalances. It expected the authorities to continue to gradually implement their fiscal consolidation program in 2013 and 2014 in order to avoid putting at risk the country's growth prospects. It forecast the government's program to be broadly on track, with the exception of higher-than-anticipated losses from the electricity sector. It expected the authorities to reform fuel and food subsidies next year and to complete their income tax

reform initiative to strengthen public revenues. It forecast the external current account deficit, including grants, to significantly narrow to between 11% of GDP and 13% of GDP in 2013 and 2014, supported by lower energy imports and continued prudent macroeconomic policies. Further, it expected foreign reserves to further increase this year supported by improved confidence and continued de-dollarization.

In parallel, the Fund anticipated that the authorities would continue to implement their medium-term energy strategy to diversify domestic energy sources, to return the electricity company to cost recovery and to reform electricity subsidies. It added that the authorities are working on enhancing access to finance and on drafting a new investment law that would significantly raise the transparency of the rules governing investments.

Source: International Monetary Fund

ANGOLA

Economy to remain dependent on hydrocarbon sector

Standard & Poor's projected Angola's real GDP growth at 6.3% in 2013 and 6.9% in 2014 compared to a growth rate of 6.8% in 2012 and an annual average growth rate of 3.2% in the 2009-11 period. It forecast growth to average at least 6% between 2013 and 2016, supported by higher production in the hydrocarbon sector and continuing strong growth in the non-oil economy. But the agency said that the economy's structure is limited by its heavy reliance on the hydrocarbon sector, which generates more than 95% of export receipts and 80% of public revenues, and which accounts for about 50% of GDP. It noted that the country's dependence on oil has partially delayed the development of the non-oil economy, as the high inflation level resulting from hydrocarbon activity has appreciated the currency to a level that undermines the competitiveness of non-oil exports. It added that the current business environment weighs on the development of the non-oil sector through high transportation costs, corruption and red tape.

In parallel, S&P projected Angola's fiscal surplus to narrow to 3% of GDP in 2013 and 3.5% of GDP in 2014 from 7.8% of GDP in 2012, and to average at least 4% of GDP between 2013 and 2016. It noted that the narrowing of the deficit reflects increased spending on infrastructure and development-related projects, as well as spending by state-owned oil company Sonangol. It said that the authorities are in the process of setting up a fiscal buffer to accommodate any potential shocks through a sovereign wealth fund that currently has a capital of \$5bn.

Further, S&P indicated that Angola's external finances are a key strength, with usable reserves and current account receipts (CARs) entirely covering gross financing needs. It expected the country's current account to remain in surplus through 2016, supported by higher oil production and the start of Liquid Natural Gas exports. But it forecast the current account surplus to narrow from 11.4% of GDP in 2013 to 5.6% of GDP in 2016 due to rising imports and the softening of global oil prices.

Source: Standard & Poor's



ECONOMY & TRADE

MENA

Output loss from Arab Spring at \$800bn between 2011 and 2014

HSBC Bank projected the aggregate output loss from the impact of the Arab Spring on Bahrain, Egypt, Jordan, Lebanon, Libya, Tunisia and Syria at around \$320bn in 2014. It forecast the aggregate nominal GDP of the seven economies at \$580bn in 2014, which is 35% below the estimated cumulative GDP of \$900bn in the absence of the Arab Spring. Further, it estimated the aggregate output loss of the seven economies at more than \$800bn between 2011 and 2014. As such, it anticipated that the cumulative nominal GDP would reach \$2 trillion during the 2011-14 period relative to an estimated nominal GDP of \$2.9 trillion in the absence of the Arab Spring. It pointed out that the deterioration of public finances in the seven economies as well as the decline in government effectiveness, the security situation and the rule of law would weigh heavily on policymakers' efforts to bring the employment rate back to pre-turmoil levels. In parallel, it considered that Gulf countries, excluding Bahrain, were able to weather the impact of the Arab Spring through higher public spending. It added that the direct economic impact of the Arab Spring on GCC economies has been broadly positive, partly due to their "safe haven" status. However, it noted that the indirect impact has been deeper and has yet to fully materialize. It pointed out that the increase in public spending has worsened Gulf economies' dependence on oil revenues and has delayed the implementation of reforms.

Source: HSBC Bank

IRAN

Sovereign ratings downgraded on rising default risk, outlook 'negative'

Capital Intelligence lowered Iran's long-term local and foreign currency sovereign ratings to 'B' from 'BB-' and maintained the 'negative' outlook on the rating. It affirmed the short-term foreign and local currency ratings at 'B'. It attributed the downgrade to the further decline in the government's capacity to honor its financial obligations on time due to the adverse effect of international sanctions on its oil exports and on its ability to complete international payments on time. It said that Iran failed to meet its debt service payments to the World Bank of \$81m between February and September 2013. It pointed out that Iran has recently settled the overdue amount. But it noted that this incident reflects the payment difficulties that authorities are facing as a result of their loss of access to international payment and settlement systems. It said that the downgrade takes into account the weakening in Iran's macroeconomic fundamentals and the deterioration in its public finances, as well as its rising vulnerability to a decrease in global oil prices and its higher financing risks. It noted that the increase in current spending and the weak public revenue mobilization limit the government's ability to widen its tax base to offset the loss in oil revenues and to stimulate the contracting economy. It pointed out that Iran's foreign currency reserves remain under pressure in the context of weak macroeconomic management, falling oil exports, shrinking current account surplus and concerns about the repatriation of oil receipts.

Source: Capital Intelligence

NIGERIA

Agencies affirm sovereign ratings and maintain 'stable' outlook

Standard & Poor's affirmed Nigeria's long-term foreign and local currency sovereign credit ratings at 'BB-' with a 'stable' outlook. It also affirmed the short-term foreign and local currency sovereign ratings at 'B' and the transfer and convertibility assessment at 'BB-'. It said that the ratings are constrained by Nigeria's low GDP per capita, less developed non-hydrocarbon sectors, very poor infrastructure, internal political tensions, and weak public institutions. But it noted that the ratings are supported by the country's low fiscal and external debt burdens, substantial oil reserves, strong non-hydrocarbon GDP growth, and sustained exports and government revenues. Overall, it considered that Nigeria is vulnerable to potential oil-price and production shocks, and called on authorities to further develop their capacity to adequately respond to such shocks. In parallel, Fitch Ratings affirmed Nigeria's long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB-' and 'BB', respectively, with a 'stable' outlook. It maintained the short-term foreign currency IDR at 'B' and the country ceiling at 'BB-'. It said the ratings' affirmation reflects the economy's resilience to exogenous shocks, the downward trend in the inflation rate and the relatively strong public finances and external account. It pointed out that the progress in the implementation of reforms remains mixed as authorities endorsed the privatization of the electricity sector and are on track with the reforms of the agricultural sector, but they have yet to pass the Petroleum Industry Bill.

Source: Standard & Poor's, Fitch Ratings

GHANA

Sovereign ratings downgraded on weaker creditworthiness and rising external imbalances

Fitch Ratings downgraded Ghana's long-term foreign and local currency Issuer Default Ratings (IDRs) and its senior unsecured ratings to 'B' from 'B+' with a 'stable' outlook. It also lowered the Country Ceiling to 'B' from 'B+' and affirmed the short-term foreign currency IDR at 'B'. It attributed the downgrade to a weakening in the country's creditworthiness, the further rise in its external vulnerability, and the significant weakening in policy credibility following two years of larger-than-expected budget deficits. It said that the government failed to implement its fiscal consolidation plan in 2013 following a sharp widening of the fiscal deficit from 4% of GDP in 2011 to 11.8% of GDP in 2012, and the significant increase in the debt level from 38.3% of GDP in 2011 to 48.8% of GDP in 2012. It anticipated that the government would not meet its fiscal deficit target of 9% of GDP this year due to higher-than-budgeted spending on wages, interest costs and debt arrears. But it considered that the authorities' decision to sharply increase utility tariffs and to reform fuel subsidies would reduce the risk of higher-than-targeted spending in the coming years. Further, it forecast the current account deficit to widen from 12% of GDP in 2012 to 13.1% of GDP in 2013 due to lower global gold prices and sustained strong import demand. It projected foreign currency reserves at 2.9 months of import cover this year, a level that leaves the economy exposed to external shocks.

Source: Fitch Ratings



BANKING

TUNISIA

Economic weakness to continue to affect banks' performance

Standard & Poor's maintained Tunisia's Banking Industry Country Assessment (BICRA) in 'Group 8', and its industry and economic risk scores at '8' each. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors and 'Group 10' the riskiest ones. S&P noted that other countries in BICRA's 'Group 8' include Lebanon, Georgia, Kazakhstan, and Nigeria. Further, it indicated that Tunisia's economic risk score reflects its "extremely high risks" in credit risk in the economy, its "very high risks" in economic resilience and its "high risks" in economic imbalances. Further, it noted that its industry score indicates that the country faces "very high risks" in its institutional framework and in its system-wide funding, and "high risks" in its competitive dynamics. It noted that the slowdown in economic activity has caused a deterioration in banks' loan portfolios and profitability as a result of higher credit costs. It forecast asset quality to further weaken this year. It anticipated that lending growth would continue to be moderate over the next 12 to 18 months due to the economic slowdown and the liquidity squeeze in the banking sector. It pointed out that poor governance and the lack of transparency at public banks worsened as a result of political turmoil, while the progress in the implementation of Basel II requirements is still very slow.

Source: Standard & Poor's

MOROCCO

Banking sector faces intermediate economic risks

Standard & Poor's maintained Morocco's Banking Industry Country Assessment (BICRA) in 'Group 7', and its industry and economic risk scores at '6' and '7', respectively. S&P noted that other countries in BICRA's 'Group 7' include Indonesia, Jordan, Ireland, Portugal, El Salvador and Russia. Further, it said that Morocco's economic risk score indicates that its economic resilience and credit risk in the economy are at "very high risk" and its economic imbalances at "intermediate risk". It pointed out that the economic risks for Morocco's banking sector remain high compared to global risks. It noted that economic risks include the country's low-middle GDP per capita and the concentration of the economy in some cyclical sectors such as agriculture, tourism and real estate, which leaves the economy vulnerable to external factors. It expected banks' credit growth and asset quality to weaken in the next 12 months given the banks' exposure to these sectors. In parallel, it pointed out that its industry score indicates that the country faces "high risks" in its institutional framework and in its system-wide funding, and "intermediate risks" in its competitive dynamics. It noted that industry risks significantly increased since 2012 due to banks' risk appetite and system-wide funding. It considered that banks' risk appetite is above average given their rapid expansion, mainly in riskier African countries. It added that banks' increasing funding needs and heavy reliance on funding from Bank Al-Maghrib is a weakness.

Source: Standard & Poor's

EGYPT

Foreign currency reserves still insufficient

Merrill Lynch indicated that Egypt's stock of foreign currency reserves remains inadequate despite the financial support from Arab Gulf countries. It said that foreign reserves totaled \$18.7bn at the end of September 2013, were equivalent to 6.9% of GDP and covered 3.5 months of 12-month trailing imports as well as 2.8 times the short-term external debt by remaining maturity. It noted that the ratios remain at historical lows and well below their level prior to the 2003 devaluation, despite the rebound in foreign reserves since June this year. It considered that the foreign currency reserves remain most inadequate when compared to M2, with the latter being a proxy to potential outflows of domestic resident deposits. Further, it expected Egypt's stock of foreign reserves to remain inadequate through the political transition period, given the ongoing repayment of Qatari support and the large financing needs in coming years. It estimated Egypt's gross external financing needs at \$23.4bn in the current fiscal year ending in June 2014, up from \$16.5bn in the last fiscal year. Overall, it considered that financial support from GCC countries remains crucial to the stability of the Egyptian pound, given that \$1bn will be repaid to Qatar in two tranches by the end of 2013 and that \$2.5bn in Qatari bond holding would not be rolled over in November 2014.

Source: Merrill Lynch

ARMENIA

Deposits up 25% year-on-year in August 2013

Figures released by the Central Bank of Armenia show that the banking sector's total assets reached AMD2,638bn, equivalent to \$6.5bn at the end of August 2013, up 6.8% from the end of 2012 and rose by 16.4% from end-August 2012. Total loans stood at AMD1,699bn, equivalent to \$4.2bn, at end-August 2013, up by 5.8% from end-2012 and by 12.8% from a year earlier. Loans in foreign currency accounted for 63.5% of total loans at end-August 2013 relative to 64.3% at end-2012 and 64% a year earlier; while loans to non-residents amounted to 3.7% of total loans at end-August 2013. Deposits totaled AMD1,402bn, equivalent to \$3.45bn at end-August 2013, constituting an increase of 15.7% from end-2012 and a rise of 24.8% from a year earlier. Deposits in foreign currency accounted for 71% of total deposits at end-August 2013 compared to 69.7% at end-2012 and 70.8% a year earlier. Non-resident deposits represented 24.8% of total deposits at end-August 2013 relative to 21.6% at end-2012 and 22.8% at end-August 2012. In parallel, the risk-weighted capital adequacy ratio of banks operating in Armenia reached 16.4% at the end of August 2013, constituting a decline from 17.1% a year earlier and from 18.3% at the end of 2011. The sector's liquid assets were equivalent to 26.4% of total assets at end-August 2013 relative to 25.2% a year earlier and 27.9% at end-2011; while they represented 129.3% of total short-term liabilities at the end of August 2013 compared to 124.2% a year earlier and 120.8% at end-2011. The loans-to-deposits ratio in foreign currency stood at 108.2%, down from 121.2% at end-August 2012, while the same ratio in local currency was 152.8% relative to 165.4% at end-August 2012.

Source: Central Bank of Armenia, Byblos Research



ENERGY / COMMODITIES

WTI-Brent price spread to narrow in 2013

Brent prices are forecast to average \$108.5 a barrel in 2013, while WTI oil prices are expected to reach \$99.5 a barrel this year. As such, the WTI-Brent price differential is anticipated at an average of \$9 a barrel in 2013, down from an average spread of \$17.8 a barrel last year. Brent oil prices are projected to trade around current levels, or above \$100 a barrel, in the near term as geopolitical risks outweigh the oil market's weak fundamentals. Also, the probability of Eastern Libyan oil supply returning to the market is diminishing as the country becomes more fractured, while a nuclear deal with Iran is still unlikely in the near-term and sectarian violence continue to rise in the Middle East & North Africa region. As such, supply-led disruptions are expected to keep oil prices supported, while weak fundamentals would likely cap price rises. In parallel, global oil demand is projected to average 90.9 million b/d in 2013, up by 1% from the previous year, while global oil supply is forecast to increase by 0.7% year-on-year to 90.7 million b/d on average this year.
Source: Economist Intelligence Unit, Citigroup, Byblos Research

Iraq to raise oil production by 17% by end-2013

Iraq expects oil production to rise by 16.6%, or 500,000 b/d to 3.5 million b/d on average by end-2013 as production at several oilfields increase. Iraqi oil export proceeds reached \$61bn in the first eight months of 2013 relative to \$94bn in 2012. Iraq is projected to expand its oil export capacity by offering easier payment terms, and by countering infrastructure and security issues. In parallel, China is projected to raise its purchases of Iraqi oil by 75% to 850,000 b/d in 2014. Iraq is the second-largest crude oil producer among OPEC countries.
Source: Thomson Reuters, Byblos Research

U.S. to become world's largest energy producer in 2013

The U.S. is projected to become the world's largest oil producer with an average production of 12.1 million b/d in 2013, surpassing Russia and Saudi Arabia, mainly due to a substantial growth in shale oil production. The U.S. total output is expected to be larger than that of Saudi Arabia by 0.3 million b/d and ahead of Russia by 1.6 million b/d this year. The U.S. crude oil production is projected to reach 7.4 million b/d in 2013, or 61.2% of the country's total energy output, followed by natural gas liquids (NGLs) at 2.5 million b/d (20.7%), and biofuels at one million b/d (8.3%).
Source: PIRA Energy Group, Byblos Research

Libya's oil supply still at about 38% of normal output level

Libya's oil production averaged about 600,000 b/d in recent weeks, equivalent to about 37.5% of the country's normal output level. Libya's oil output decreased in recent months following labor strikes at major petroleum facilities, as well as due to political protests that led to the closure of many oilfields. The restored level of oil supply, from record low levels of 200,000 b/d on average, was due to the resumption of production in some Western oilfields in the middle of September following a deal with some protesters. Libyan authorities intend to resolve current disruptions and reach normal crude oil production of 1.6 million b/d by the end of 2013.
Source: Thomson Reuters, Byblos Research

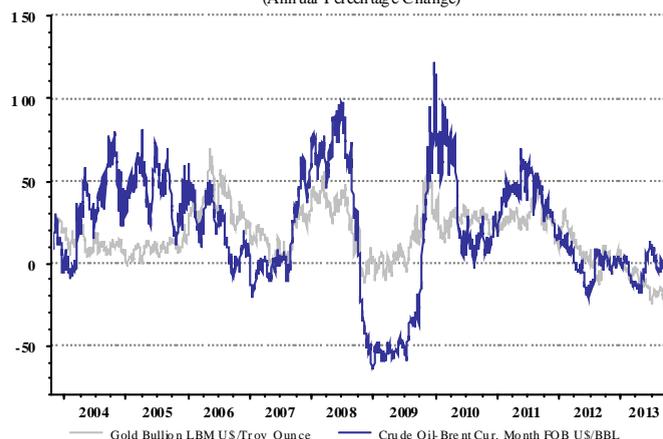
Base Metals: Steel prices to decline by 6% in 2013 mainly due to market oversupply

Steel prices are forecast to modestly rise in coming months as demand improves in several key consumer markets. Eurozone economies are projected to gradually emerge from a recession in coming months, while the temporary resolution to the U.S. fiscal standoff did not derail U.S. economic recovery. Also, Chinese stimulus measures are forecast to further improve the metal's downstream demand, which would support prices in the near term. China is expected to have a significant impact on the steel industry as it is the world's largest steel producer and consumer. The global steel market is projected to remain oversupplied in coming years, with global production surplus gradually declining from 100 million tons in 2013 to 57.4 million tons by 2017. In addition, a rise in China's steel production would likely lead the overcapacity problem to worsen over coming quarters. In parallel, cheaper Chinese steel exports would likely continue to pressure producers around the world and undermine steel prices on the international arena. Steel prices are forecast to drop by 6.2% year-on-year to \$710 a ton on average and to decline to \$695 a ton in 2014.
Source: Business Monitor International, Byblos Research

Precious Metals: Platinum supply to remain weak due to labor strikes and government intervention

Global platinum supply is expected to remain weak in coming months as labor strikes continue in South Africa's platinum sector. The protests erupted as the world's largest platinum producer, Anglo American Platinum, decided to cut over 3,000 jobs by the end of the year. The strike has resulted in an average production loss of 3,100 ounce per day. Further, the South African government announced in October 2013 that it will limit the quantity of water available to platinum mines to alleviate drought conditions, in an effort to reduce environmental degradation. These industry developments are projected to have a negative impact on platinum supply as South Africa accounts for over 70% of global platinum production. In parallel, platinum prices are projected to remain on a downward trend. But, the supply-led disruptions and strong automotive production in the U.S. and China would likely provide support for the metal's prices over the long run. Platinum prices are forecast to drop by 5.4% to \$1,470 an ounce on average in 2013.
Source: Business Monitor International, Byblos Research

Gold prices vs. Brent oil prices
(Annual Percentage Change)



Source: Thomson Reuters Datastream, Byblos Research



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								
Africa													
Algeria	-	-	-	-	BB	-3.9	8.6	3.2	8.1	1.1	2.6	6.2	2.0
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	7.0	28.0	15.9	32.4	3.0	49.1	8.5	0.3
	Stable	Stable	Positive	-	Stable								
Egypt	CCC+	Caa1	B-	B-	CCC	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
	Stable	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
	-	-	-	-	Stable								
Ghana	B	-	B	-	B	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
	Stable	-	Stable	-	Stable								
Ivory Coast	-	-	-	-	B	-3.7	62.6	18.8	33.4	-	-	-3.1	0.3
	-	-	-	-	Stable								
Libya	-	-	B	-	B	19.4	-	6.5	16.5	2.5	-	21.8	-
	-	-	Stable	-	Stable								
Dem Rep Congo	-	B3	-	-	-	-2.4	36.0	21.0	-	-	-	-12.4	16.3
	-	Stable	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	B	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
	Negative	Negative	Stable	Stable	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-0.4	14.7	4.8	6.9	0.5	-	3.5	1.9
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	C	-4.0	112.1	84.8	159.6	-	-	-7.8	-
	-	-	-	-	Stable								
Tunisia	B	Ba2	BB+	BBB	CCC	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
	Negative	Negative	Negative	Stable	Stable								
Middle East													
Bahrain	BBB	Baa2	BBB	BBB+	BB	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
	Stable	Negative	Stable	Negative	Stable								
Iran	-	-	-	B	CCC	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
	-	-	-	Negative	Stable								
Iraq	-	-	-	-	CCC	-1.9	76.2	70.9	94.9	-	83.1	23.1	1.5
	-	-	-	-	Stable								
Jordan	BB-	B1	-	BB	CCC	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
	Negative	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	A	28.2	6.9	19.0	16.7	12.4	142.9	40.5	-4.4
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	CCC	-9.7	140.7	102.1	131.1	19.2	118.0	-12.6	1.1
	Negative	Stable	Stable	Stable	Stable								
Oman	A	A2	-	A	A	7.0	4.9	18.2	23.5	3.4	101.7	11.3	3.8
	Negative	-	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	6.5	35.6	69.7	94.4	11.6	704.8	32.9	0.2
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	A	15.5	5.7	13.7	21.8	2.1	13.3	28.3	2.1
	Positive	Stable	Positive	Stable	Stable								
Syria	-	-	-	-	CC	-16.3	48.5	-	87.7	-	-	-13.3	0.3
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	4.4	22.4	51.1	36.6	4.4	476.9	16.4	1.0
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	CC	-5.7	44.9	17.8	72.4	-	157.5	-2.7	
	-	-	-	Negative	Stable								



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-	-	-	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	A	BBB	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
	Stable	Stable	Stable	Stable	Stable								
India	BBB-	Baa2	BBB-	BBB-	BB	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
	Negative	Stable	Stable	Stable	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BB	3.5	12.4	66.8	131.8	17.5	611.8	6.2	5.7
	Stable	-	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa3	BBB-	-	BB	-0.5	18.9	86.2	141.0	22.8	285.4	1.1	3.6
	Stable	Stable	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	BBB-	B	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
	Stable	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	0.5	11.0	29.5	90.6	11.8	123.1	5.2	-0.1
	Stable	Positive	Stable	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
	Stable	Stable	Stable	Stable	Stable								
Ukraine	B	B3	B	-	CC	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9
	Negative	Negative	Negative	-	Stable								

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	18-Sep-13	No change	30-Oct-13
Eurozone	Refi Rate	0.50	02-Oct-13	No change	07-Nov-13
UK	Bank Rate	0.50	10-Oct-13	No change	07-Nov-13
Japan	O/N Call Rate	0-0.10	04-Oct-13	No change	31-Oct-13
Australia	Cash Rate	2.50	01-Oct-13	Cut 25bps	05-Nov-13
New Zealand	Cash Rate	2.50	12-Sep-13	No change	31-Oct-13
Switzerland	3 month Libor target	0.00-0.25	19-Sep-13	No change	12-Dec-13
Canada	Overnight rate	1.00	04-Sep-13	No change	23-Oct-13
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	18-Sep-13	No change	30-Oct-13
Taiwan	Discount Rate	1.88	26-Sep-13	No change	Dec-13
South Korea	Base Rate	2.50	10-Oct-13	No change	14-Nov-13
Malaysia	O/N Policy Rate	3.00	05-Sep-13	No change	07-Nov-13
Thailand	1D Repo	2.50	16-Oct-13	No change	27-Nov-13
India	Reverse repo rate	7.50	20-Sep-13	Raise 25bps	29-Oct-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	8.75	22-Sep-13	Cut 50bps	N/A
Turkey	Base Rate	4.50	17-Sep-13	No change	23-Oct-13
South Africa	Repo rate	5.00	19-Sep-13	No change	21-Nov-13
Kenya	Central Bank Rate	8.50	01-Sep-13	Cut 100bps	05-Nov-13
Nigeria	Monetary Policy Rate	12.00	24-Sep-13	No change	18-Nov-13
Ghana	Prime Rate	16.00	13-Sep-13	No change	20-Nov-13
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	3.75	06-Sep-13	Cut 25bps	25-Oct-13
Brazil	Selic Rate	9.50	09-Oct-13	Raise 50bps	27-Nov-13
Armenia	Refi Rate	8.50	13-Aug-13	Raise 50bps	N/A
Romania	Policy Rate	4.25	01-Oct-13	Cut 25bps	N/A
Bulgaria	Base Interest	0.03	01-Oct-13	Raise 1bps	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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