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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Volume of commercial payments up 7% in first nine months of 2013

The aggregate volume of commercial payments sent through SWIFT totaled 526.6 million in the first nine months of 2013, constituting a 7% increase from the same period last year. Commercial payments sent from non-Eurozone European countries stood at 163.6 million and accounted for 31.1% of the global volume, followed by the Eurozone with 135.3 million (25.7%), North America with 102.8 million (19.5%), Asia-Pacific with 75.8 million (14.4%), the Middle East with 19.9 million (3.8%), Africa with 17 million (3.2%), and Latin America with 12.2 million (2.3%). Also, the aggregate number of commercial payments sent from non-Eurozone European countries increased by 15.4% annually in the first nine months of 2013, followed by Africa with a 13.3% rise, North America with an 8.4% increase, Asia-Pacific with a 7.7% growth and Latin America with a 4.7% increase; while commercial payments sent from the Middle East declined by 4.7% annually in the covered period and those from the Eurozone fell by 2%. In parallel, the total number of bank-to-bank payments sent through SWIFT stood at 173.6 million in the first nine months of 2013, constituting a 5.8% increase from the same period of 2012. The volume of bank-to-bank payments in non-Eurozone European countries reached 53.2 million in the covered period and accounted for 30.6% of the global volume, followed by the Eurozone with 48.8 million (28.1%), Asia-Pacific with 33.3 million (19.2%), North America with 28.7 million (16.5%), Africa with 3.9 million (2.3%), the Middle East with 3.6 million (2.1%) and Latin America with 2 million (1.2%).

Source: Citigroup

MENA

Total private net wealth in Arab world at $3.2 trillion at end-June 2013

Global investment bank Credit Suisse estimated the aggregate net wealth of Arab citizens at $3,189bn at the end of June 2013, constituting an increase of 2.4% from $3,115bn a year earlier. The aggregate net wealth of Arab nationals accounted for 1.3% of the global net wealth, higher than only Africa (1.1%). Credit Suisse defined a country's net wealth as the sum of its population's marketable value of financial and non-financial assets, with the latter including mainly real estate holdings, less aggregate personal debt. It excluded a country's stock of human capital as well as its stock of public assets and liabilities, such as the public debt. Arab nationals' aggregate net wealth included $1,462bn in financial wealth, $2,194bn in non-financial wealth and $468bn in personal debt at the end of June 2013. Citizens of Saudi Arabia accumulated the most wealth in the Arab world at $623.5bn as at June 2013, followed by those of the UAE ($478.9bn) and Egypt ($384bn). In contrast, citizens of Djibouti accumulated the lowest wealth of $1.8bn in the Arab world as at June 2013, higher than only those of Mauritania ($3.6bn) and the West Bank & Gaza ($15.6bn).

Source: Credit Suisse

War, terrorism and breach of contract are main risks for multinationals

The 2013 MIGA-EIU Political Risk Survey indicates that only 25% of multinational enterprises investing in developing countries are currently investing in the Middle East & North Africa region, the smallest share among all developing regions. The survey indicated that Saudi Arabia accounts for 11% of multinationals' investments, followed by Egypt (7%), Morocco (5%), and Bahrain, Tunisia, Kuwait and Jordan (3% each). Further, 59% of respondent firms noted that the developments in the MENA region last year did not have an impact on their current investments in the Middle East region, relative to 53% of participants that shared similar views about their current investments in North Africa. But 10% of participants indicated that they withdrew their investments from the Middle East, relative to 14% of firms that did the same from North Africa. In comparison, 13% of companies said that the developments in the MENA region last year led to an increase in their investments in the GCC region. In parallel, 55% of respondents cited war & civil disturbance as the main political risk in the Middle East, followed by terrorism (11%), breach of contract (10%), adverse regulatory changes (9%), failure to honor financial obligations (6%), transfer & convertibility restrictions (5%) and expropriation (4%). Also, 51% of respondents cited war & civil disturbance as the main political risk in North Africa, followed by terrorism (14%), breach of contract (13%), expropriation (7%), adverse regulatory changes (6%), failure to honor financial obligations (5%) and transfer & convertibility restrictions (4%). Further, 73% of respondents indicated that the risk of breach of contract in North Africa increased, while 63% of participants shared similar views about the Middle East.

Source: Multilateral Investment Guarantee Agency

Private equity investments in oil & gas to rise

Ernst & Young indicated that 32% of private equity (PE) firms are currently active in the Middle East's oil & gas sector, behind only North America with a share of 49%. Also, 64% of respondents expect PE activity to increase in the region's oil & gas sector over the next 12 to 24 months. Further, 18% of participants expect PE activity to decrease in the region's oil & gas sector over the next 12 to 24 months, the highest share globally; while 18% of firms forecast PE activity in the region to remain unchanged during the covered period. PE firms identified operational and macroeconomic risks as the main risks they face in the region, followed by political risks, governance risks & shareholder rights, and fiscal & tax risks. On a global level, 54% of respondents cited regulatory issues as the most significant challenge facing their company when investing in the oil & gas sector, followed by competition from cash-rich corporates (39%) and overvalued targets (31%). In parallel, 65% of respondents said that they will be actively raising funds next year. Also, 42% of participants project the accessibility of PE debt financing to ease over the next 12 months, 47% of firms expect it to remain the same and 11% of companies forecast it to become more difficult.

Source: Ernst & Young

OUTLOOK

GCC

Iran deal, rapid rise in non-OPEC oil supply to affect macroeconomic outlook

Barclays Capital anticipated that the recent nuclear agreement between Iran and the five permanent members of the UN Security Council plus Germany, and the rapid increase in oil supply by countries that are not members of the Organization of Petroleum Exporting Countries (OPEC) would have significant implications on the macroeconomic outlook of Gulf Cooperation Council (GCC) economies in 2014 and beyond. Barclays forecast rising pressure on OPEC, mainly Saudi Arabia, to reduce its output in order to help the market accommodate supply growth from non-OPEC members. It expected geopolitical developments and the rapid supply growth to have limited downside pressure on crude oil prices due to constrains in OPEC's production capacity and robust oil demand from emerging markets. It forecast OPEC's production capacity to remain broadly unchanged at least in the first half of 2014, as Iran's oil exports are not likely to fully return to the market soon, instability affecting the oil sector in Libya is not likely to recede over the near-term, and as the rise in political risks in Iraq would weigh on its oil production. Further, it anticipated that, under a scenario where global oil prices significantly fall, Saudi Arabia would be proactive in cutting its production level to support global prices, mainly if prices fall below its fiscal breakeven price level of around $85 per barrel.

In parallel, Barclays expected Saudi Arabia's oil production to remain at steady levels in the first half of 2014 and to decline in the second half of the year, mainly if OPEC supply is revised upwards in light of future discussions with Iran. It revised downward its projections for real GDP growth in Saudi Arabia to 3.6% in 2013 from a previous forecast of 3.8%, due to a decrease in oil production in October and November, and a deceleration in non-hydrocarbon growth. It also reduced its forecast for GDP growth to 4% in 2014 from an earlier figure of 4.2%. It said that risks to Saudi Arabia's outlook are to the downside. It noted that the UAE and Kuwait may have to reduce their oil production, but with very limited impact on their overall real GDP growth next year. It forecast real GDP growth in the UAE at 5.1% in 2014 and that of Kuwait at 2.6%.

Source: Barclays Capital

EGYPT

Balancing fiscal consolidation with economic recovery is key challenge

Barclays Capital projected Egypt's real GDP growth at 3.1% in fiscal year 2013/14 that ends in June 2014 compared to a growth rate of 2.1% in FY2012/13. It noted that that the government has increased its efforts to revive the economy through a stimulus plan equivalent to 1.4% of GDP focused on infrastructure, a second stimulus package that would be implemented in the first quarter of 2014 and through the increase in public-sector wages that will come into effect in January 2014. It considered that both stimulus plans would encourage private investment, while the increase in public-sector wages would stimulate consumption and support domestic demand. It noted that large FDI inflows to Egypt are contingent on further reduction of security and political risks. It said that risks to the outlook remain to the downside, mainly if the current volatile political situation worsens in the first half of 2014. It projected real GDP growth at 4.1% in FY2014/15 as private investment and FDI inflows recover and as tourism inflows gradually resume.

In parallel, Barclays indicated that balancing fiscal consolidation with economic recovery remains a challenge for authorities. It noted that the government has avoided tax increases or fuel price hikes in its current budget, and is using grants from GCC countries to contain the fiscal deficit and debt accumulation. It projected the fiscal deficit to narrow to 11.5% of GDP in FY2013/14 from 13.7% of GDP in FY2012/13, but to miss the government's target deficit of 10% of GDP. It forecast the public debt level to rise from 88.3% of GDP in FY2012/13 to 90.8% of GDP in FY2013/14 and 92.4% of GDP in FY2014/15. Barclays pointed out that the government is making progress on revenue-generating and expenditure-enhancing measures that will be implemented by the new government after the elections. It forecast the current account deficit at 2.1% of GDP in FY2013/14 and to marginally narrow to 2% of GDP in FY2014/15.

Source: Barclays Capital

TUNISIA

Reforms needed to address vulnerabilities

The International Monetary Fund projected Tunisia's real GDP growth at 2.7% in 2013, as the economic recovery continues to be slower-than-expected. It said that major external and internal shocks in recent months have caused serious challenges to the Tunisian economy. It noted that the prolonged political transition period as well as domestic insecurity resulted in slower economic growth, delayed the implementation of reforms and encouraged investors to maintain their wait-and-see attitude. It expected the inflation rate to fall to 5.5% at the end of the year following a slowdown in the rise of food prices and a cautious monetary policy. The Fund forecast the current account deficit to widen to 8.2% of GDP this year, reflecting low tourism revenues and weak external demand for Tunisian products and services. It expected the budget deficit, excluding grants and privatization revenues, to widen to 8.8% of GDP in 2013 following the increase in energy subsidies, higher-than-anticipated arrears payments, and outlays from 2012.

In parallel, the IMF considered that short-term risks to the outlook are tilted to the downside. It considered that greater fiscal consolidation, a more restrictive monetary policy and a more flexible exchange rate policy are essential to preserve macroeconomic stability. It urged the authorities to implement measures in order to address the main vulnerabilities facing the economy. It noted that these measures would include controlling the external and budget deficits, reducing the banking sector's vulnerabilities, and generating a more rapid and inclusive growth that can reduce the high unemployment rate. It called on the government to accelerate the implementation of its reform program that includes reforms to the domestic banking sector, a new investment code, and a household support program for the most vulnerable segments of the population.

Source: International Monetary Fund

ECONOMY & TRADE

SAUDI ARABIA

Ratings affirmed, outlook 'positive'

Standard & Poor's affirmed Saudi Arabia's long- and short-term foreign and local currency sovereign credit ratings at 'AA-' and 'A-1+', respectively, and with a 'positive' outlook. It revised the transfer & convertibility assessment to 'AA'. The agency said that the ratings are supported by the kingdom's very strong fiscal and external positions. It added that prudent management of high oil revenues allowed the government to eliminate its debt and generate additional fiscal space for countercyclical policies. But it considered that Saudi Arabia's growth prospects remain contingent on high oil prices and production level, as well as on continued strong investment and consumption. It projected the fiscal surplus to narrow from 14.7% of GDP in 2012 to 8.8% of GDP this year and to average 3.7% of GDP during the 2014-16 period as a result of lower global oil prices. It pointed out that sustained high global oil prices over the past few years have significantly strengthened the country's financial buffer. It noted that SAMA's foreign assets totaled $704bn at the end of September, equivalent to 100% of 2012 GDP. It expected the current account surplus to narrow from 23.2% of GDP last year to 17.9% of GDP this year and to average 12% of GDP during the 2014-16 period. It forecast the country's net external liabilities to average 213% of current account receipts during the 2013-16 period. S&P noted that there is at least a one-in-three probability that it would raise the ratings over the next 18 months if economic growth remains strong.

Source: Standard & Poor's

GHANA

Agencies revise ratings' outlook to 'negative' on weakening public finances

Standard & Poor's affirmed Ghana's long- and short-term foreign and local currency sovereign credit ratings at 'B', and revised the outlook on the long-term ratings to 'negative' from 'stable'. It attributed the outlook revision to the deterioration in Ghana's fiscal balance and external position. It noted that the ratings are mainly constrained by wide fiscal deficits, high public debt stocks and debt servicing, rising external vulnerabilities, and low level of economic development. But it said that the ratings are supported by Ghana's track record of political stability, strong GDP growth, and favorable oil & gas production prospects. It anticipated that the fiscal adjustment would be very gradual over the next three years and forecast the fiscal deficit to narrow from 11.8% of GDP in 2012 to 10.4% of GDP this year and to 7% of GDP by 2016. It estimated Ghana's gross external financing needs to average 122% of current account receipts and usable reserves during the 2013-16 period, and for its foreign currency reserves to cover less than three months of current account payments during the covered period. It said that it would lower the ratings if Ghana's ability to fund its external financing requirement or to control public spending are lower-than-expected; or in the event of an adverse terms-of-trade shock or unexpected delays in the start of domestic offshore oil production. In parallel, Moody's Investors Service changed the outlook on Ghana's 'B1' government bond rating to 'negative' from 'stable' due to ongoing weak fiscal and external positions.

Source: Standard & Poor's, Moody's Investors Service

TURKEY

Limited impact from tighter U.S. monetary conditions

Moody's Investors Service anticipated that a reduction of the U.S. government's quantitative easing (QE) program would have a limited impact on the Turkish economy. It noted that a reduction in the QE program would result in higher funding costs, larger capital outflows and a reduced availability of credit across global financial markets. It expected Turkey to face challenges in meeting its current account financing needs. But it considered that the authorities have introduced a range of tools since the 2009 recession that have strengthened their ability to withstand volatility in capital flows. It anticipated that Turkish banks will be able to handle challenges related to tighter funding conditions, despite their increasing reliance on foreign market funding and rising vulnerability to volatile wholesale market conditions. It considered that the Turkish banking system's exposure to the adverse effects of a reduction in the QE program is moderate and its liquidity resources are sufficient. Further, it said that the tightening of the QE program would moderately weigh on Turkish corporates due to the latter's dependency on bank funding, mostly with short maturities, in foreign currencies and at floating interest rates. Moody's pointed out that the Turkish covered bonds will be more resilient in the face of a reduction in the QE program compared to banks and corporates.

Source: Moody's Investors Service

ARMENIA

Ratings supported by progress in fiscal and external adjustment

Moody's Investors Service indicated that Armenia's 'Ba2' government bond rating is supported by its prudent fiscal policy and the significant reduction in its current account deficit from its 2010 peak. It noted that the fiscal deficit narrowed from 7.5% of GDP in 2009 to 1.5% of GDP in 2012, partly reflecting cuts in capital spending and a gradual rise in public revenues. It added that the current account deficit narrowed from 11.2% of GDP in 2012 to 8.7% of GDP in the second quarter of 2013 due to stronger exports, flat import growth and high remittance inflows. It expected the country's external adjustment to continue over the medium-term but at a slower pace due to an expected increase in imports and to economic uncertainties in Russia, its main trading partner. However, the agency pointed out that Armenia's credit challenges include the small size of its economy and its reliance on commodity exports and remittance inflows. It expected Armenia's economic and financial exposure to Russia to further rise following its accession to the Customs Union of Russia, Belarus and Kazakhstan. Further, it noted that the economy remains highly dollarized despite the significant narrowing of the current account deficit and adequate foreign currency reserves. Moody's cautioned that it would downgrade the ratings in the event of a sustained deterioration in fiscal and external buffers, or if the ongoing economic slowdown in Russia lasts for a long period of time and leads to a sharp decrease in remittance inflows.

Source: Moody's Investors Service

BANKING

LIBYA

Banking sector's profits up 4% in first nine months of 2013

Figures issued by the Central Bank of Libya show that the total assets of commercial banks reached LYD85.2bn, or $67.6bn, at the end of September 2013, constituting an increase of 2.9% from end-2012 and a rise of 11.8% from end-September 2012. Commercial banks' lending reached LYD17.5bn, or $13.9bn at end-September 2013, up by 11.1% from end-2012 and compared to a growth rate of 17% from end-September 2012. Total loans accounted for 20.6% of total assets at end-September 2013, up from 19.7% from a year earlier. In parallel, commercial banks' aggregate deposits totaled LYD69.6bn, or $55.3bn at end-June 2013, constituting an increase of 4.2% from the end of 2012 and a growth of 14.6% from end-September 2012. Demand deposits accounted for 82.5% of total deposits at end-September 2013, followed by time deposits (16.5%), and saving deposits (1%). Total deposits accounted for 81.7% of total liabilities at end-September relative to 80.8% at end-2012 and 79.8% at end-September 2012. The loans-to-deposits ratio reached 25.2% at end-September 2013 compared to 23.6% at the end of 2012 and 24.6% at end-September 2012. In parallel, commercial banks' pre-tax profits reached LYD408m, or $324m, in the first nine months of 2013, constituting a rise of 4.1% from LYD392.1m in the same period last year, and relative to pre-tax earnings of LYD572.3m in 2012.

Source: Central Bank of Libya, Byblos Research

SAUDI ARABIA

Ratings on 11 banks affirmed, outlook on three banks revised upward to 'stable'

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDR) of Al Rajhi Bank, National Commercial Bank (NCB), Riyad Bank and SAMBA Financial Group (SAMBA) at 'A+', that of Arab National Bank (ANB), Banque Saudi Fransi (BSF) and Saudi British Bank (SABB) at 'A', and that of Saudi Hollandi Bank (SHB), Saudi Investment Bank (SIB), Alinma Bank and Bank Aljazira at 'A-'. It also affirmed the viability rating of Al Rajhi Bank, NCB, Riyad Bank, SAMBA, ANB, BSF and SABB at 'a', that of SHB at 'bbb', that of SIB and Alinma Bank at 'bbb-' and that of Bank Aljazira at 'bb+'. It revised the outlook on the long-term IDRs of BSF, ANB and SABB to 'stable' from 'negative', while it kept the 'stable' outlook on the remaining banks' ratings. It attributed the outlook revision on the three banks' ratings to their low non-performing loan ratios, high loan-loss reserve coverage, strong profitability, and lower risk investment portfolios compared to peers. But it noted that the three banks have significantly lower capital ratios compared with larger domestic banks, while SABB and BSF have higher customer exposures relative to their equity base. However, the agency did not anticipate that the three banks will have to absorb losses in the foreseeable future. Further, Fitch indicated that the 11 banks benefit from a favorable operating environment, a conservative and hands-on regulator, and high barriers to entry into the Saudi Arabian banking market.

Source: Fitch Ratings

KUWAIT

Stable and supportive operating environment drives bank ratings

Fitch Ratings upgraded the long-term Issuer Default Rating (IDR) and Support Rating Floor (SRF) of Al Ahli Bank of Kuwait (ABK), Ahli United Bank (Kuwait) (AUBK) and Kuwait International Bank (KIB) to 'A+' from 'A-', and affirmed those of Kuwait Finance House (KFH), Gulf Bank (GB), Commercial Bank of Kuwait (CB) and Industrial Bank of Kuwait (IBK) at 'A+'. It said that all banks' ratings have a 'stable' outlook. Fitch attributed the upgrades to the revision of drivers of government support for domestic banks. It considered that any Kuwaiti bank that requires government support would receive it, irrespective of the size of its franchise and the level of government ownership. Further, the agency upgraded the Viability Rating (VR) of IBK to 'bb+' from 'bb' and affirmed that of KFH at 'bb', GB and CBK at 'bb-', ABK at 'bb+', AUBK at 'bbb-' and KIB at 'b+'. It said that the upgrade of IBK's VR reflects the strength of its capitalization, its secure and low cost funding that would allow it to withstand large shocks, and its improving asset quality metrics since 2009. It pointed out that all Kuwaiti banks' VRs benefit from a stable and supportive operating environment, despite slow economic growth and a lack of opportunities to extend credit. It cautioned from the extent of banks' direct or indirect exposure to the Kuwaiti stock market and to the commercial real estate sector as well as from high loan concentrations and low underwriting standards.

Source: Fitch Ratings

CHINA

Outlook on banking sector remains stable

Moody's Investors Service maintained its 'stable' outlook on the Chinese banking system, despite the expected weakening in banks' asset quality and profitability. It expected the domestic economic rebalancing, rising financial leverage, increasing interest rate liberalization, large shift towards higher-risk loan segments and continued large fluctuations in deposit growth to weigh on banks' asset quality. But it considered that Chinese banks have strong-absorbing cushions, such as provisioning and earnings, that they would use against the potential rise in credit costs. It anticipated that the worsening in banks' asset quality and profitability would not significantly affect their credit metrics, and in turn their ratings. It considered that banks' overall performance will remain in line with their current rating levels, supported by a stable annual real GDP growth of between 7% and 8% during the 2014-15 period and by measures to mitigate the effects of rising non-performing loans. It cautioned from the weak ability of many local government financing vehicles and some state-owned enterprises to service their debt. Further, the agency indicated that banks would face a more challenging regulatory environment in the coming 12 to 18 months. It noted that authorities are increasingly focused on reforming the financial system to allow for a more competitive banking environment. It anticipated that authorities would introduce a deposit insurance scheme and a bankruptcy law for financial institutions in the coming 12 to 18 months.

Source: Moody's Investors Service

Oil prices to ease in 2014

Oil prices increased during the second half of 2013 due to a series of supply-led disruptions, particularly in Libya. But oil prices are projected to decline towards the end of the year as demand weakens in the winter season and as Libya's supply bottom out. The oil market is expected to remain well-supplied as the emergence of new technology exploits previously untapped vast resources, such as shale oil, and as the ongoing innovation leads to lower costs of supply. Oil prices are projected to decrease next year, partly due to expectations of a partial rebound in Iranian oil supply. Brent oil prices are forecast to average $103 a barrel during the coming three months and $95 a barrel in 2014; while WTI oil prices are expected to average $95 a barrel over the next three months and decline to $88 a barrel on average next year. In parallel, the Dow Jones-UBS Petroleum Sub-Index decreased by 0.7% during the month and rose by 1.4% from end-2012. Also, the Dow Jones-UBS WTI Crude Oil Sub-Index declined by 4.1% in November and increased by 0.8% in the first 11 months of the year, the Brent Crude Sub-Index improved by 0.9% last month and by 5.8% from end-2012, while that of Natural Gas rose by 8% in November and regressed by 1.8% in the first 11 months.

Source: Julius Baer, Dow Jones Indices, Byblos Research

Middle East's coffee demand to rise in 2014

The Middle East region’s coffee consumption is expected to rise during the 2014-15 period, but there will be different trends within the region. As such, the political and economic instability in Syria and Egypt, among others, would negatively affect the demand for coffee. However, economic growth and politically stability would drive the commodity’s demand, paticularly in Saudi Arabia, the region's largest coffee consumer. Arabica coffee prices are forecast to rise by 12% quarter-on-quarter to $140 cents per pound on average in the first quarter of 2014, while Robusta prices are projected to increase by 11.8% to $95 cents per pound in the covered quarter.

Source: Economist Intelligence Unit, Byblos Research

Nigeria's oil output down by 5% in November

Nigeria’s crude oil production declined by 5.4% to 1.82 million b/d in November 2013 from 1.93 million b/d in the preceding month. In parallel, the Central Bank of Nigeria indicated that the Nigerian National Petroleum Corporation (NNPC) did not deposit $50bn in crude oil export revenues into government accounts. The NNPC earned $65.3bn from crude oil sales between January 2012 and July 2013 but only remitted 24% of the total into the federation account and the remaining balance remained outstanding. Nigeria is Africa's largest oil producer.

Source: OPEC, Thomson Reuters, Byblos Research

Qatar is world's largest exporter of helium

Qatar became the world's largest exporter and second-largest producer of helium as it started operating its QR1.8bn Helium II Plant. The plant is currently the world's largest helium refining facility and was the first to produce liquid helium for delivery to contracted customers. The Helium II plant has doubled the production capacity of its predecessor, Helium I. The two plants are expected to meet about 25% of liquid helium’s current global demand with their combined annual production of 1.96 billion standard cubic feet.

Source: Gulf Times

Base Metals: Copper mine supply to improve in 2014 as new mines become operational

Global copper mine supply is projected to rise in 2014 as new mines and expansion projects come online. In parallel, China is expected to remain the world's largest consumer of copper in 2014, while its consumption of the metal is projected to increase next year despite its recent economic slowdown. The metal's upside price risks include stronger growth dynamics in Chinese demand as well as lower-than-expected mine supply growth. But any rise in prices caused by the latter factors would likely be short-lived. Copper prices are forecast to average $6,900 a metric ton over the coming three months and to decline to $6,500 a ton on average in 2014. In parallel, the Dow Jones-UBS Industrial Metals Sub-Index declined by 4.8% in November and by 17.7% in the first 11 months of 2013, while the Dow Jones-UBS Aluminium Sub-Index decreased by 6.5% last month and by 22.1% from end-2012. The Dow Jones-UBS Copper Sub-Index regressed by 3.2% in November and by 13.9% in the first 11 months of the year, while the Nickel Sub-Index decreased by 7.7% last month and by 22.2% in the covered period.

Source: Julius Baer, Dow Jones Indices, Byblos Research

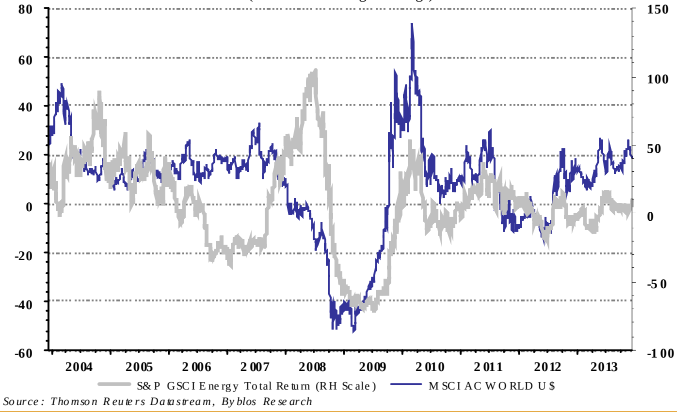
Precious Metals: Gold prices to decrease in the coming year partly due to subdued inflation

Gold prices are forecast to further regress in 2014 as higher interest rates, subdued inflation and reduced tail risks weigh on Western investors' demand for gold. As such, investors are projected to divest away from gold into other asset classes as the metal's role as a safe haven diminishes. Also, China's gold consumption is expected to decline next year as it loses its importance among Chinese investors. In addition, the U.S. Federal Reserve's delayed tightening of its monetary easing program failed to revive the metal's historical role of a safe haven asset. Gold prices are forecast to average $1,200 a troy ounce over the coming three months and to decline to $1,100 a troy ounce on average in 2014. In parallel, the Dow Jones-UBS Precious Metals Sub-Index regressed by 6.4% in November 2013 and by 28.1% in the first 11 months of the year, while the Gold Sub-Index declined by 5.6% during the month and by 25.8% from end-2012. Also, the Dow Jones-UBS Silver Sub-Index fell by 8.6% last month and by 34.5% in the first 11 months of 2013, while the Platinum Sub-Index decreased by 5.5% in November and by 11.9% from end-2012.

Source: Julius Baer, Dow Jones Indices, Byblos Research

Global Equity Index vs. Energy Index

(Annual Percentage Change)



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Africa

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 (%)
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	B-	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	B1	B	-	B								
	Negative	Negative	Stable	-	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	-
Dem Rep	-	B3	-	-	-								
Congo	-	Stable	-	-	-	-2.4	36.0	21.0	-	-	-	-12.4	16.3
Morocco	BBB-	Ba1	BBB-	-	B								
	Negative	Negative	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	Ba3	BB-	-	CCC								
	Negative	Negative	Negative	-	Stable	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4

Middle East

Countries	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 (%)
Bahrain	BBB	Baa2	BBB	BBB	BB								
	Stable	Negative	Stable	Stable	Stable	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
Iran	-	-	-	B	CCC								
	-	-	-	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	-	-	-	-	CC								
	-	-	-	-	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+	-	BBB								
	Stable	Stable	Stable	-	Stable	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
India	BBB-	Baa2	BBB-	-	BB								
	Negative	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-	-	B								
	Stable	-	Stable	-	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	30-Oct-13	No change	18-Dec-13
Eurozone	Refi Rate	0.25	05-Dec-13	No change	09-Jan-14
UK	Bank Rate	0.50	05-Dec-13	No change	09-Jan-14
Japan	O/N Call Rate	0-0.10	21-Nov-13	No change	20-Dec-13
Australia	Cash Rate	2.50	03-Dec-13	No change	04-Feb-14
New Zealand	Cash Rate	2.50	31-Oct-13	No change	12-Dec-13
Switzerland	3 month Libor target	0.00-0.25	12-Dec-13	No change	20-Mar-14
Canada	Overnight rate	1.00	04-Dec-13	No change	22-Jan-14
Emerging Markets					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	30-Oct-13	No change	18-Dec-13
Taiwan	Discount Rate	1.88	26-Sep-13	No change	19-Dec-13
South Korea	Base Rate	2.50	14-Nov-13	No change	12-Dec-13
Malaysia	O/N Policy Rate	3.00	07-Nov-13	No change	29-Jan-14
Thailand	1D Repo	2.25	27-Nov-13	Cut 25bps	22-Jan-14
India	Reverse repo rate	7.75	29-Oct-13	Raise 25bps	18-Dec-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	8.25	08-Dec-13	Cut 50bps	N/A
Turkey	Base Rate	4.50	19-Nov-13	No change	17-Dec-13
South Africa	Repo rate	5.00	03-Dec-13	No change	29-Jan-14
Kenya	Central Bank Rate	8.50	05-Dec-13	No change	Jan-14
Nigeria	Monetary Policy Rate	12.00	19-Nov-13	No change	13-Jan-14
Ghana	Prime Rate	16.00	27-Nov-13	No change	19-Feb-14
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	3.50	25-Oct-13	Cut 25bps	06-Dec-13
Brazil	Selic Rate	10.00	27-Nov-13	Raise 25bps	15-Jan-14
Armenia	Refi Rate	8.00	12-Nov-13	Cut 50bps	N/A
Romania	Policy Rate	4.00	06-Nov-13	Cut 25bps	N/A
Bulgaria	Base Interest	0.02	01-Nov-13	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	6.50	13-Aug-13	No change	N/A
Russia	Refi Rate	8.25	10-Jun-13	No change	N/A

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