

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Fixed income trading volume down 20% to \$1,266bn in third quarter of 2013

Trading in emerging markets debt instruments totaled \$1,266bn in the third quarter of 2013, constituting a drop of 20% from \$1,587bn in the second quarter of 2013 and a decrease of 2% from \$1,296bn in the third quarter of 2012. Further, local instruments turnover reached \$822bn in the third quarter of 2013, down by 21% from \$1,036bn in the second quarter of 2013 and by 7% from \$882bn in the same quarter of the previous year. They accounted for 65% of total emerging market debt trades in the covered quarter. In parallel, sovereign and corporate Eurobonds' trading volume stood at \$437bn in the third quarter of 2013, dropping by 20% from \$544bn in the second quarter of 2013, but increasing by 7% from \$407bn in the third quarter of 2012. Sovereign Eurobond volumes totaled \$256bn in the covered quarter, while the volume of traded corporate Eurobonds reached \$172bn. Sovereign Eurobonds accounted for 20% of total debt trading, while corporate debt represented 14% of the total. The most frequently traded instruments in the third quarter of 2013 were Mexican assets with \$255bn or 20% of the total, followed by Brazilian instruments with \$201bn (16%), Russian debt securities with \$106bn (8%), Indian instruments with \$93bn (7%) and Turkish assets with \$78bn (6%).

Source: EMTA

Private equity investments down 13% to \$15.6bn in first nine months of 2013

Private equity funds dedicated to emerging markets raised \$21.3bn in the first nine months of 2013 compared to \$40.3bn in full year 2012. Emerging Asia funds raised \$15.1bn, with China accounting for \$3.7bn and India for \$786.7m; followed by Latin America & the Caribbean funds with \$2.7bn, with Brazil accounting for \$837.3m. Also, multi-regional funds raised \$1.2bn, followed by CEE & CIS funds with \$986m, Sub-Saharan Africa funds with \$779m, and MENA funds with \$414m. In parallel, private equity investments in emerging markets totaled \$15.6bn in the first nine months of 2013, down 13.2% from \$17.9bn in the same period of 2012 and compared to \$23.7bn in overall 2012. Also, the number of transactions reached 589 deals in the covered period, down from 658 deals in the first nine months of 2012 and relative to 819 deals in full year 2012. The average deal was worth \$26.5m in the first nine months of 2013, with the median investment size at \$10m. Emerging Asia attracted 65.6% of private equity investments in terms of value, followed by Latin America & the Caribbean with 21%, Sub-Saharan Africa with 8%, the CEE & CIS with 4.3% and the MENA region with 1.1%. China attracted 22.5% of emerging markets private equity investments, followed by Brazil with 16.7% and India with 15.4%.

Source: Emerging Markets Private Equity Association

MENA

Ratings' spread widens between hydrocarbon exporters and importers

Standard & Poor's indicated that the spread between the sovereign ratings of hydrocarbon importers and exporters in the Middle East & North Africa (MENA) region has significantly widened since 2011. It noted that the region's average sovereign ratings declined from close to 'A+' in early 2011 to about 'BBB' as of December 2013 but remained in the investment-grade category. It said that the average sovereign ratings becomes closer to 'A' as of December 2013 when the ratings are weighted by nominal GDP. Further, it said that the average sovereign ratings of the region's hydrocarbon exporters is currently close to 'A+', while that of hydrocarbon importers is below investment-grade and stands closer to 'BB+'. It noted that the average sovereign ratings of hydrocarbon exporters and importers in the region have diverged since the onset of the regional social and political unrest in December 2010. The agency indicated that it has taken 17 rating or outlook actions on MENA sovereigns since May 2012. It added that only Saudi Arabia has a 'positive' outlook among the 13 sovereigns that it rates in the region. It noted that Jordan, Lebanon, Morocco and Tunisia are on 'negative' outlook; while Abu Dhabi, Bahrain, Egypt, Israel, Kuwait, Oman, Qatar and Ras Al Khaimah have a 'stable' outlook.

Source: Standard & Poor's

Equity markets up 21% in 2013

Arab stock markets increased by 21.2% and GCC markets rose by 25.4% in 2013 compared to increases of 4.2% and 4.5%, respectively, in 2012. Activity on the Dubai financial market increased by 107.7% in 2013 and posted the best performance among Arab markets during the year. It was followed by the Abu Dhabi exchange with a 63.1% improvement, the Damascus financial market with a 62.4% increase, the Kuwait bourse with a 27.2% rise, the Saudi Arabia equity market with a 25.5% growth, the Qatar financial market and the Egyptian stock market with a 24.2% improvement each, the Oman stock exchange with an 18.6% expansion, the Bahrain bourse with a 17.2% rise, the Khartoum equity market with a 15.6% appreciation, the Palestine equity market with a 13.4% improvement and the Amman stock market with a 5.5% growth. In parallel, activity on the Libyan stock market dropped by 17.9% and posted the weakest performance among Arab stock markets in 2013. It was followed by the Beirut stock exchange with a decrease of 16.6%, the Iraqi bourse with a 9.5% drop, the Tunis stock market with a 4.3% contraction and the Casablanca stock exchange with a 2.6% decline. In comparison, global equities increased by 20.7% and emerging market equities declined by 3% in 2013.

Source: Local stock markets, Dow Jones Indices, Byblos Research

OUTLOOK

MOROCCO

Economy vulnerable to global conditions

The International Monetary Fund projected Morocco's real GDP growth at 5% in 2013 despite an unfavorable regional and global economic environment. It said that the strong performance of the agriculture sector has supported overall economic activity in 2013, given that non-agricultural sectors have been severely affected by the European crisis. It forecast the current account deficit to significantly narrow and for foreign currency reserves to stabilize around four months of imports in 2013, supported by strong FDI inflows. It anticipated that the fiscal deficit would narrow in 2013, which would keep the public debt at sustainable levels. It expected real GDP to grow by 4% in 2014 as activity in the non-agricultural sectors recover and as cereal output returns to average levels. However, the IMF indicated that the Moroccan economy remains vulnerable to global conditions. As such, it called on authorities to continue implementing reforms to rebalance the fiscal and external accounts, strengthen competitiveness, ensure inclusive and strong growth, and improve social protection.

In parallel, the Fund pointed out that the government's fiscal deficit target of 4.9% of GDP for 2014 is appropriate. But it said that it is crucial that the narrowing of the fiscal deficit leaves sufficient space to strengthen social protection, and invest in infrastructure, education and healthcare. It welcomed the authorities' efforts to reduce tax exemptions, mainly in the agricultural sector, and to cut the cost of subsidies. It urged the government to reform its pension system in order to ensure the latter's viability and to preserve fiscal sustainability. It called on authorities to strengthen and modernize the fiscal framework through a new budget law. Further, it considered that greater flexibility in the exchange rate regime would support competitiveness and enhance the economy's capacity to absorb shocks. It noted that the implementation of reforms to improve the business climate, address the lack of transparency, and develop the legal system that is necessary to stimulate private investment.

Source: International Monetary Fund

IRAN

Economic impact of nuclear agreement to be limited in the short term

The Institute of International Finance anticipated that the recent interim nuclear agreement between Iran and the five permanent members of the UN Security Council plus Germany would have a limited impact on the Iranian economy in fiscal year 2013/14 that ends in March 2014. It noted that the full implementation of the six-month agreement would at best prevent further contractions in economic activity in the current fiscal year, and would stop further increases in inflation rates. It projected Iran's real GDP to grow by 0.4% in FY2013/14 relative to an estimated contraction of 5.6% in FY2012/13. It forecast hydrocarbon output to drop by 3% in FY2013/14 relative to a contraction of 34.1% in the preceding fiscal year, and for the non-hydrocarbon sector to expand by 0.8% in the current fiscal year compared to a contraction of 2.3% in FY2012/13. It forecast the inflation rate to average 34% in FY2013/14 compared to an estimated average rate of 30.6% in FY2012/13.

The IIF indicated that the agreement caps both Iran's nuclear activity and international economic sanctions at current levels and allows the release of about \$7bn in frozen funds. It anticipated that the Iranian authorities would use the unfrozen revenues to ease some of the existing constraints on imports, which would bring some relief to the domestic economy. It noted that recent preliminary discussions with international oil companies on their possible return to Iran would stimulate trade. It added that domestic investment would pick up, which would limit the decline in activity. But it considered that a significant increase in investment is contingent on greater clarity about long-term prospects. It said that the impact of the interim agreement has already been reflected in some recovery of the local stock market, a tightening of the spread between the official and black market exchange rates, and a drop in the inflation level. It noted that the election of President Hassan Rouhani and the signing of the interim agreement have strengthened the black market exchange rate of the US dollar from an average of IR35,675 per dollar in June 2013 to IR29,700 as of December 16th.

Source: Institute of International Finance

TURKEY

Banking sector to face rising challenges in 2014

Fitch Ratings anticipated that Turkish banks would face increased challenges in 2014. It expected the potential increase in local interest rates and the weakening of the Turkish lira to constitute the main threats for banks, as both shocks would feed through to borrowers and would potentially weaken loan quality. It noted that impaired loans were equivalent to 2.7% of total loans at the end of September 2013. But it considered that impaired loan figures are low due to loan sales and write-offs, overstated collateral valuations and unseasoned portfolios. It expected the risks of deterioration in asset quality to be most significant in small business lending and unsecured consumer finance, including credit card and foreign currency lending. It added that other key issues include the banks' ability to control lending growth and to keep funding costs in check. It said that the contraction in margins and the rise in loan impairment charges would lead to a reduction in banks' operating profits.

However, the agency considered that the outlook for the sector remains stable despite the expected challenges, supported by the banks' broadly strong capitalization, stable funding structure, liquid balance sheets and still low non-performing loan ratios. It expected the deterioration in asset quality to be moderate and to not cause a material negative impact on any key credit fundamentals, given the continued positive economic growth, the broad-based nature of lending, limited signs of real estate bubbles, the absence of lending in foreign currency in the retail sector, generally moderate household, and reasonable underwriting standards. But Fitch cautioned from high lending limits for unsecured personal loans, a rise in personal indebtedness and expanding consumer spending. It noted that measures introduced by regulators since early 2012 to decelerate the growth of unsecured retail lending have proved unsuccessful to date. It said that new measures implemented in August 2013 to slow lending growth in risky segments and to stimulate credit to priority segments will take time to feed through.

Source: Fitch Ratings



ECONOMY & TRADE

WORLD

New trade deal to increase transparency

Information provider IHS Global Insight indicated that the recently endorsed World Trade Organization's Bali package aims to enforce new transparency standards on customs administration. It noted that the agreement requires WTO members to publish their import, export and transit procedures online as well as all their tariffs, duties, item classifications, fees, charges and penalties. It said that the direct effects of the package are to lower non-tariff barriers and reduce corruption risks among the WTO's 159 members. It noted that the agreement allows companies to hold customs officials accountable against publicly available regulations. It added that the package would stop governments from using phytosanitary measures to prevent imports from specific countries and to exert diplomatic leverage. It pointed out that the Bali package would indirectly strengthen regional trade agreements that have been impaired by their members' non-adherence to WTO rules or by their heavy use of non-tariff barriers. As such, IHS Global Insight considered that the implementation of the Bali package would reduce taxation, legal, operational and bribery risks among WTO members. It indicated that the agreement will come into force on July 31, 2014, but that developing and least developed countries will have a longer transitional period to implement the agreements.

Source: IHS Global Insight

TUNISIA

S&P affirms and withdraws Tunisia's ratings

Standard & Poor's affirmed and withdrew Tunisia's long- and short-term sovereign credit ratings at 'B' and the Central Bank of Tunisia's long- and short-term issuer credit ratings at 'B'. It also withdrew the country's transfer & convertibility assessment of 'B+'. It noted that all the ratings had a 'negative' outlook at the time of the withdrawal. It said that it withdrew the ratings at the request of the Tunisian authorities. The agency indicated that, at the time of the withdrawal, the sovereign ratings reflected the impact of the ongoing political uncertainty and increased security risks on Tunisia's potential growth and fiscal and external positions. It noted that the ratings were supported by large international donor support. But it cautioned from a decrease in financial support in the context of the uncertain political transition process and the slow progress in structural reforms, mainly related to the banking sector, the investment code, and the tax system. Further, S&P indicated that the 'negative' outlook reflected a more than "one-in-three" likelihood of a sovereign downgrade. It said that it would have downgraded the ratings if political and social instability hampers the establishment of legitimate and stable institutions, and puts at risk the implementation of growth-promoting reforms; or if the much-needed international financial support decreases.

Source: Standard & Poor's

ARMENIA

IMF support likely to be extended

The International Monetary Fund indicated that the Armenian economy continues to face significant challenges that include the slowdown in economic activity in 2013, the low level of private and foreign direct investment in recent years, and the relatively high poverty and unemployment rates. It noted that the current account deficit remains high despite narrowing significantly since 2009. It considered that reforms are needed to improve the business environment and the energy sector, encourage investment, and stimulate exports. In parallel, the IMF indicated that it made significant progress in its discussions with the Armenian authorities on a new Extended Fund Facility (EFF) arrangement for the 2014-17 period. It said that the EFF would aim at consolidating stability and implementing further reforms. It expected the fiscal deficit to widen in 2014 due to higher capital spending, and public wage and pension increases. But it noted that the EFF program would target a continued increase in capital spending, along with a gradual reduction in the fiscal deficit starting in 2015. It considered that addressing tax gaps, improving compliance and strengthening competitiveness would lead to higher public revenues, would support social and investment needs, and would narrow the fiscal deficit. Further, it pointed out that monetary and exchange rate policies under the new program would continue to target low inflation rates and support the narrowing of the current account deficit. It said that the EFF arrangement would help the Central Bank of Armenia maintain its foreign currency reserves at healthy levels and would strengthen its capacity to respond to shocks.

Source: International Monetary Fund

RWANDA

Growth to pick up to 7.5% in 2014

The International Monetary Fund projected Rwanda's real GDP growth at 6.6% in 2013 compared to a growth rate of 8% in 2012, supported by the gradual normalization in public spending following the resumption of aid inflows in February 2013. It forecast real GDP growth at 7.5% in 2014, driven by a recovery in agriculture and a pick-up in services activity. It expected the inflation rate to reach 6.5% by the end of 2013 and 6% at the end of 2014, reflecting rising domestic food prices. Further, the Fund pointed out that balance-of-payments developments have been positive in 2013, reflecting favorable terms-of-trade, rising exports, and the resumption of aid. It estimated the current account deficit including grants to narrow from 11.4% of GDP in 2012 to 10.3% of GDP in 2013, and for foreign currency reserves to rise from 3.6 months of import cover at the end of 2012 to 3.8 months by the end of 2013 and 3.7 months by the end of 2014. It forecast the fiscal deficit including grants to widen to 5% of GDP in 2013 and 4.9% of GDP in 2014 from 1.2% of GDP in 2012. In parallel, the IMF indicated that Rwanda faces some key vulnerabilities that include its high dependence on foreign aid, low government revenues, a narrow export base, deficient infrastructure and the high cost of doing business. It noted that Rwanda's near-term outlook is subject to downside risks, mainly lower-than-projected donor support that would adversely affect public investment and economic growth.

Source: International Monetary Fund



BANKING

EGYPT

Banks' exposure to government debt up 17% year-on-year in September 2013

Figures issued by the Central Bank of Egypt show that total assets of banks operating in Egypt reached EGP1,620bn at the end of September 2013, constituting an increase of 12.4% from end-2012 and a rise of 14.6% from end-September 2012. The private sector's aggregate lending reached EGP507.8bn and rose by 6.3% from end-2012 and by 8.1% year-on-year. Banks' exposure to government securities totaled EGP619.4bn and rose by 12.5% from end-2012 and by 19.3% from a year earlier. Banks' sovereign exposure in local currency stood at EGP561bn and increased by 11.6% from end-2012 and by 17% year-on-year; while their exposure in foreign currency reached the equivalent of EGP58.4bn and grew by 22% from end-2012 and by 47.8% from a year earlier. Further, total deposits reached EGP1,230bn, constituting an increase of 12.8% from end-2012 and of 17.1% from a year earlier, with private sector deposits totaling EGP1,087bn at end-September 2013 and rising by 12.1% from end-2012 and by 16.4% year-on-year. Private sector deposits in foreign currency rose by 13.6% year-on-year to the equivalent of EGP218.4bn at the end of September 2013; while private sector deposits in local currency rose by 17.1% from end-September 2012 to EGP868.1bn. The dollarization rate of private sector deposits reached 20.1% at the end of September 2013 relative to 20.6% a year earlier. The private sector loans-to-deposits ratio was 46.7% at end-September 2013 relative to 50.3% a year earlier.

Source: Central Bank of Egypt, Byblos Research

JORDAN

Capital adequacy ratio at 18%, NPLs at 7.4%

Figures released by the International Monetary Fund indicate that the risk-weighted capital adequacy ratio of banks operating in Jordan reached 17.9% at the end of June 2013, relative to 19% at the end of 2012 and 19.3% at end-2011. The sector's liquidity ratio stood at 144.2% at end-June 2013 compared to 143.5% at end-2012 and 153% at end-2011; while the sector's loans-to-deposits ratio reached 69.3% at end-June 2013 relative to 71.4% at the end of 2012 and 65% at the end of 2011. Also, the loans-to-GDP ratio was 76.5% at the end of June 2013, down from 81.1% at end-2012 and 77.4% at end-2011. In parallel, foreign currency deposits represented 25.8% of total deposits at the end of June 2013 relative to 29.1% at end-2012 and 21.6% at end-2011; while foreign currency loans accounted for 13.4% of total loans at the end of June 2013 and rose from 12.9% at end-2012 and 11.4% at end-2011. Also, the sector's non-performing loans were equivalent to 7.4% of total loans at end-June 2013, relative to 7.7% at end-2012 and 8.5% at end-2011. Further, the sector's provisions-to-NPLs ratio stood at 74.8% at the end of June 2013 compared to 69.4% at end-2012 and 52.3% at end-2011. In parallel, the banks' annualized return on assets reached 1.4% in June 2013 compared to 1.1% in each of 2012 and 2011; while their annualized return on equity reached 10.4% in June 2013 relative to 8.6% in 2012 and 8.3% in 2011.

Source: International Monetary Fund

CÔTE d'IVOIRE

NPL ratio at 17%, provisions at 80%

The risk-weighted capital adequacy ratio (CAR) of banks operating in Côte d'Ivoire reached 9.4% at the end of June 2013 relative to 8.8% at the end of 2012 and 9.7% at end-2011. Also, 60% of banks operating in Côte d'Ivoire had a CAR of at least 10% at the end of June 2013, 16% of banks have a ratio between 8% and 10%, and 24% of banks have a ratio below the minimum requirement of 8%. The sector's liquid assets accounted for 47.9% of total assets at end-June 2013, compared to 47.1% at end-2012 and 50.3% at end-2011; while they represented 60.7% of total deposits at the end of June 2013 relative to 61.6% at end-2012 and 63.2% at end-2011. Also, banks' loans were equivalent to 57.3% of their total assets at the end of June 2013 compared to 57.8% at the end of 2012 and 56.7% at the end of 2011. The sector's loans-to-deposits ratio was 72.7% at the end of June 2013 relative to 75.7% at the end of 2012 and 71.3% at the end of 2011. The sector's NPLs reached 16.6% of total loans at end-June 2013, up from 16.1% at end-2011 and 16.3% at end-2010. Also, banks' provisions-to-NPLs ratio rose to 79.6% at end-June 2013 from 79% at end-2012 and 67.3% at end-2011.

Source: International Monetary Fund

INDIA

State banks facing challenges ahead of Basel III, must raise \$19bn by early 2018

Fitch Ratings indicated that state-owned banks in India continue to face several challenges in raising capital and meeting higher Basel III requirements. It said that many local wholesale investors are restricted from investing in instruments that can be classified as capital under the new Basel III rules. It noted that state-owned banks are struggling to replace their existing Tier One and Tier II Basel II debt following several unsuccessful attempts to issue Basel III-compliant debt instruments. It pointed out that this has increased state-owned banks' dependence on the state-owned Life Insurance Corporation for private placement of Basel III-compliant capital instruments. In parallel, Fitch considered that a pick-up in investor interest is not likely in the near-term, even if the Reserve Bank of India (RBI) allows more local institutional investors to invest in Basel III debt securities. It noted that this reflects the lack of clarity about the "point-of-non-viability" for Tier II debt instruments and the limited risk premium to compensate for the "loss-absorbing" nature of these instruments. Further, it pointed out that the constrained market access highlights state-owned banks' worsening credit fundamentals, mainly the continued pressure on their asset quality and earnings. It noted that state-owned banks need to raise around \$19bn in equity by March 2018 to be fully compliant with the Basel III requirements. It anticipated that banks' capital requirements would further increase if the banking sector's loan growth reaches 20% relative to the current annual growth rate of 14% to 15%. It added that the RBI has not yet required a counter-cyclical capital buffer or set higher requirements for systematically important domestic banks. It estimated that the implementation of both measures would raise overall capital requirements of local banks by an additional 20%.

Source: Fitch Ratings



ENERGY / COMMODITIES

Natural gas prices to increase by 3% in 2014

Global natural gas consumption is forecast to increase by an annual average rate of 2.4% during the 2014-15 period, driven by continued strong growth in Chinese consumption and by a recovery in European demand. In parallel, natural gas supply is projected to grow by an average annual rate of 2.4% during the 2014-15 period, down from an annual average growth rate of 2.5% during the 2011-13 period, as the pace of increase in U.S. gas output slows down. The global gas market is forecast to remain in surplus in 2014 and 2015. The United States is expected to remain the world's largest consumer and producer of natural gas this year. Further, the U.S. natural gas Henry Hub prices are projected to reach \$3.94 per million British thermal units (Btu) on average in the first quarter of 2014, while European natural gas prices are expected to average \$11.75 per million Btu during the same quarter this year. Overall, the U.S. natural gas Henry Hub prices are anticipated to rise by 3.3% year-on-year to \$3.88 per million Btu on average in 2014. In parallel, prices of U.S. Henry Hub natural gas rose by 14.5% month-on-month and by 26.5% year-on-year to \$4.34 per million British thermal unit on December 31, 2013.

Source: Economist Intelligence Unit, Byblos Research

Syria inks first offshore oil & gas exploration deal

The Syrian government signed a contract with Russian-based company Soyuzneftegaz to explore the country's offshore oil and gas resources. The deal allows for drilling, development and production of energy resources. The agreement is reportedly for 25 years and the costs will be covered by the firm. The exploration, which will be carried out in several phases, will cover 2,190 square kilometers in the Mediterranean sea off the Syrian coast. Syria's oil production decreased by about 90% since the civil unrest began in March 2011, while gas production dropped from 30 million cubic meters per day to 16.7 million cubic meters per day.

Source: Agence France Presse, Byblos Research

South Sudan's oil production decreases by 18%

South Sudan's oil production fell by about 18.4%, or by 45,000 barrels per day (b/d), to 200,000 b/d in recent weeks. The decline in output was mainly due to fighting between South Sudanese rebels loyal to former Vice President Riek Machar and government forces in the Unity and Jonglei states. Rebels captured oil wells in the Unity state and caused oil production to stop. In parallel, Sudan expressed its intention to build an oil refinery that will become a base for refining Iraqi oil and marketing oil derivatives across African markets.

Source: Thomson Reuters, AIN

Kurdish oil starts to flow via Turkey

Crude oil from Kurdistan started to flow via the newly-built pipeline in January 2014 to the Turkish export hub of Ceyhan. Kurdish oil is currently being kept in storage, as Turkey indicated that the oil would not be exported to global markets without the consent of Iraq's central government. In parallel, the Iraqi central government and the Kurdistan Regional Government agreed in December 2013 that revenues from exported Kurdish oil would be deposited at the Development Fund of Iraq account in New York instead of at the Turkish state-owned Halkbank.

Source: Thomson Reuters, Hurriyet Daily News

Base Metals: Aluminium prices to drop by 9% in first quarter and to rise by 9.4% in 2014

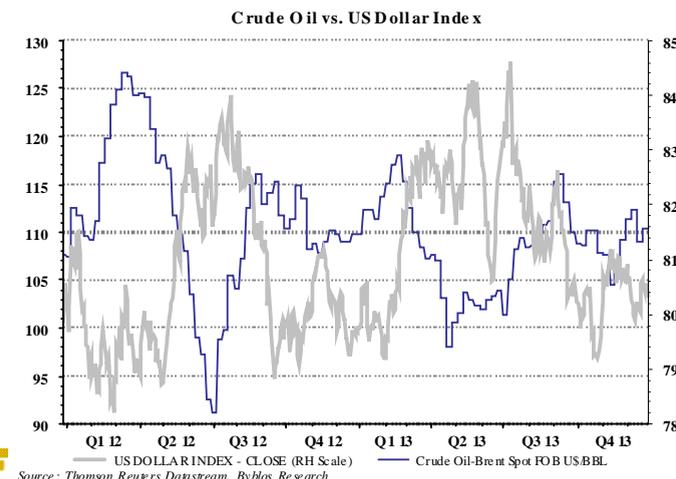
The aluminium market is forecast to post a surplus of 323,000 tons in 2014, down from a surplus of one million tons in 2013. Global aluminium production is expected to rise by 3.5% to 50.1 million tons in 2014, while the metal's global demand is projected to grow by 5.1% to 49.8 million tons this year. China is expected to remain the world's largest producer and consumer of aluminium in 2014. Aluminium prices are forecast to average \$1,825 a metric ton in the first quarter of 2014, constituting a decrease of 8.9% from the same quarter last year. Overall, aluminium prices are projected to rise by 9.4% year-on-year to \$2,025 a metric ton on average in 2014. In parallel, LME Aluminium High grade 3-month future prices increased by 2.6% in December 2013 to \$1,800 a metric ton, Copper Grade A 3-month future prices rose by 4.3%, Nickel 3-month futures prices improved by 2.8%, while prices of Zinc futures increased by 8.9% to \$2,055 a ton in December.

Source: Economist Intelligence Unit, Byblos Research

Precious Metals: Gold prices to rise by 1% in first quarter and to regress by 6% in 2014

Gold prices are expected to further decrease in coming quarters as global speculative outflows offset strong Chinese demand. Also, a continued recovery in the U.S. economy would drive US Treasury yields higher in 2014, which would lead to further liquidation of gold investments, as the opportunity cost of holding gold rises. Gold prices are forecast to average \$1,150 a troy ounce in 2014, below Bloomberg's consensus of \$1,250 a troy ounce, and to decline to \$1,100 a troy ounce on average in 2015. Gold prices are projected to stabilize during the 2015-16 period as speculative selling slow down. In addition, the resurgence in jewelry and retail demand is expected to continue this year, mainly due to the metal's lower prices. China is forecast to remain the key driver of the metal's physical demand growth. Also, gold mine production is projected to grow by an annual average rate of 2.2% during the 2014-17 period compared to 2.8% over the previous five years. In parallel, the price of gold decreased by 3.6% in December to \$1,208 a troy ounce, while that of silver fell by 2.2% to \$19.5 an ounce over the same month. Also, platinum prices regressed by 1.4% to \$1,357 a troy ounce, while palladium prices decreased by 1.1% to \$716 a troy ounce in December 2013.

Source: Business Monitor International, 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	B-	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	B1	B	-	B	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
	Negative	Negative	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	B-	B3	-	-	-	-2.4	36.0	21.0	-	-	-	-12.4	16.3
	Stable	Stable	-	-	-								
Morocco	BBB-	Ba1	BBB-	-	B	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
	Negative	Negative	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	-	Ba3	BB-	-	CCC	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
	-	Negative	Negative	-	Stable								
Burkina Faso	B	-	-	-	-	-3.2	27.3	23.8	-	2.8	-	-2.1	0.4
	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	Stable	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	-	Stable	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	-	-	-	-	CC	-5.7	44.9	17.8	72.4	-	157.5	-2.7	
	-	-	-	-	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+	-	BBB	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BB	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
	Negative	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-	-	B	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
	Stable	-	Stable	-	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-Dec-13	No change	29-Jan-14
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	20-Dec-13	No change	22-Jan-14
Australia	Cash Rate	2.50	03-Dec-13	No change	04-Feb-14
New Zealand	Cash Rate	2.50	12-Dec-13	No change	30-Jan-14
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	18-Dec-13	No change	29-Jan-14
Taiwan	Discount Rate	1.88	19-Dec-13	No change	26-Dec-13
South Korea	Base Rate	2.50	12-Dec-13	No change	09-Jan-14
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	18-Dec-13	Raise 25bps	28-Jan-14
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	17-Dec-13	No change	22-Jan-14
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	06-Dec-13	Cut 25bps	31-Jan-14
Brazil	Selic Rate	10.00	27-Nov-13	Raise 25bps	15-Jan-14
Armenia	Refi Rate	7.75	24-Dec-13	Cut 25bps	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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