

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

ETFs and ETPs assets at \$2.68 trillion at end-October 2014

Assets of global Exchange Traded Funds (ETFs) and Exchange Traded Products (ETPs) reached \$2,681bn at the end of October 2014, constituting an increase of 11.8% from \$2,398bn at end-2013. ETFs are open-ended, index-based equity funds. The ETFs and ETPs industry attracted \$20.3bn in new fixed income ETFs and ETPs investments, and \$12.7bn in equity ETFs and ETPs in October 2014, which were offset by outflows of \$833m from commodity ETFs and ETPs. Global ETFs' assets stood at \$2,537bn, while those of ETPs totaled \$144bn at end-October 2014. Also, ETFs' assets grew by 12.6%, while those of ETPs remained unchanged from end-2013. The U.S. ETF and ETP industry had assets of \$1,916bn and accounted for 71.5% of total assets invested in both ETFs and ETPs, followed by the European industry with \$459bn (17.1%), Asia-Pacific excluding Japan with \$104bn (3.9%), Japanese ETFs and ETPs with \$89bn (3.3%), the Canadian industry with \$65bn (2.4%), and Latin American ETFs and ETPs with \$9bn (0.3%). The U.S. ETF industry represented 72.1% of global ETFs, followed by European ETFs with 17.2%, Asia-Pacific ex-Japan with 4.1% and the Japanese ETF industry with 3.5% of the total. Further, the number of ETFs and ETPs reached 5,516 at the end of October, with ETFs accounting for 70.8% of the total.

Source : *ETFGI, Byblos Research*

G-20 economies continue to adopt restrictive trade measures

The World Trade Organization indicated that the Group of 20 economies have continued to introduce trade restrictions between mid-May 2014 and mid-October 2014. It said that G-20 members have put in place 93 new trade-restrictive measures during the covered period, down 17% from 112 new restrictive measures introduced between mid-November 2013 and mid-May 2014. The distribution of new trade-restrictive measures shows that trade remedies accounted for 58.1% of total restrictive measures during the five-month period, followed by import-related restrictions (26.9%), export-related restrictions (9.7%) and other restrictions (5.4%). The WTO noted that new import-restrictive measures applied by G-20 members during the covered period affect 0.6% of world merchandise imports, and 0.8% of G-20 merchandise imports. Further, it indicated that G-20 members imposed 1,244 trade-restrictive measures since October 2008, of which 282 measures, or 22.7% of the total, were removed by mid-October 2014. As such, a total of 962 trade-restrictive measures that were introduced since October 2008 remain in place as of October 2014. It estimated that import-restrictive measures cover around 4.1% of world merchandise imports and about 5.2% of G-20 imports. In parallel, the WTO indicated that G-20 members introduced 79 trade liberalizing or facilitating measures between mid-May 2014 and mid-October 2014.

Source: *World Trade Organization, Byblos Research*

MENA

Initial public offerings up 80% to \$4.1bn in first nine months of 2014

EY indicated that new capital raised through initial public offerings (IPOs) in the Middle East & North Africa region totaled \$4.1bn in the first nine months of 2014, constituting an increase of 80.1% from \$2.3bn in the same period last year; while the number of IPOs stood at 19 in the first nine months of the year, up 18.8% year-on-year. Companies in the MENA region raised \$1.3bn of new capital through five IPOs in the first quarter, \$1.1bn through 11 transactions in the second quarter and \$1.7bn through three deals in the third quarter of 2014. EY indicated that IPO activity in the MENA region has been driven by improved economic conditions and investor confidence in the region, mainly in Gulf countries, as well as by better liquidity and higher valuations. It pointed out that the largest IPO in the covered period was the UAE's Emaar Malls Group with \$1.6bn in raised capital. It noted that the latter was oversubscribed by more than 30 times, reflecting growing investor confidence and appetite to deploy capital. The UAE led the MENA region with total proceeds of \$1.8bn in the first nine months of 2014, followed by Qatar (\$905.3m) and Oman (\$194.5m). The real estate sector was the most active with \$1.7bn in capital raised through two IPOs. EY indicated that more inbound IPOs are in the pipeline due to regulatory reforms and exemptions, which would further strengthen investor sentiment. It noted that challenges include the need for more liquidity in the market and mapping of sellers' valuation expectations.

Source: *EY*

Vast disparities in region's prosperity levels

The Legatum Institute's Prosperity Index for 2014 indicated that one Arab country has a high level of prosperity, seven states have an average prosperity level, and seven countries have a weak level of prosperity. The UAE is the highest ranked Arab country and came in 28th place globally among 142 countries. It was followed by Kuwait (36th), Saudi Arabia (47th), Jordan (82nd) and Morocco (85th) as the most prosperous Arab countries; while Syria (129th), Sudan (130th) and Yemen (138th) were the least prosperous ones. The index uses a broad definition of prosperity to include both material wealth and quality of life and covers 89 variables grouped into eight sub-indices. The rankings of eight Arab countries regressed year-on-year with Egypt posting the steepest decline of 8 spots, followed by Syria (-7 spots), Lebanon, Morocco and Kuwait (-3 spots each), Sudan and Yemen (-2 spots each), and Tunisia (-1 spot). Also, the rankings of six countries improved with Jordan posting the largest jump in the rankings (+6 spots), followed by Saudi Arabia (+3 spots), Iraq and Algeria (+2 spots each), and Djibouti and Mauritania (+1 spot each); while the ranking of the UAE remained unchanged year-on-year. The UAE ranked first on the Entrepreneurship & Opportunity, Governance, Economy, Health, Personal Freedom and Safety & Security sub-indices; and Saudi Arabia ranked first on the Social Capital and Education sub-indices.

Source: *Legatum Institute, Byblos Research*

OUTLOOK

EGYPT

Growth rate to pick up to 6% in case of reforms

The Institute of International Finance projected Egypt's real GDP growth rate to stay at 4% between the fiscal year that ends in June 2015 and FY2017/18. Under this baseline scenario, the IIF assumes a failure to reach an agreement with the International Monetary Fund, a modest fiscal adjustment and some progress in structural reforms. It considered that the projected pace of growth in economic activity would not prevent a further rise in the employment rate that is forecast at 13.4% in FY2014/15. It expected the government to miss by one percentage point its fiscal deficit target of 8% of GDP by FY2017/18. It added that the public debt level would slightly decline from 91% of GDP in FY2014/15 to 89% of GDP in FY2017/18. Further, it expected foreign currency reserves to rise from \$16.9bn in FY2014/15 to \$18.8bn in FY2017/18 in the absence of foreign financing, and to cover 2.7 months of imports per year between FY2015/16 and FY2017/18.

In parallel, the IIF expected real GDP growth, under a deeper reforms scenario, to accelerate to 4.5% in FY2015/16, 5.2% in FY2016/17 and 6% in FY2017/18. This scenario assumes reaching an agreement with the IMF by July 2015, as well as implementing stronger fiscal consolidation and deeper structural reforms. It expected private investment by residents and foreign direct investment to rebound. It said that the availability of adequate external financing would reduce Egypt's cost of borrowing. Further, it forecast the fiscal deficit to narrow from 11% of GDP in FY2014/15 to 7% of GDP by FY2017/18. It also projected the primary deficit to decline from 2.8% of GDP in FY2014/15 to 0.4% of GDP in FY2016/17 and to shift to a surplus of 0.4% of GDP in the following fiscal year. It considered that the additional cuts in energy subsidies and the expected decline in global oil prices would reduce fuel subsidies from 6.3% of GDP in FY2013/14 to 1.4% of GDP by FY2017/18. As such, it attributed the narrowing of the fiscal deficit to the gradual elimination of the fuel subsidy, the slower growth in public-sector wages and the improvement in tax revenues following the strengthening of economic activity and the introduction of the value-added tax in early 2015. It forecast the public debt level to reach 81.6% of GDP by FY2017/18.

Source: *Institute of International Finance*

NIGERIA

Non-hydrocarbon growth at 7.1% in 2014-15

The Institute of International Finance projected Nigeria's real GDP growth at 6.3% in 2014 and 6.5% in 2015, supported by strong credit growth and ongoing structural reforms. It noted that a decline in oil production due to theft and to underinvestment in the hydrocarbon sector mask a more rapid growth in the non-hydrocarbon sector. It forecast the non-hydrocarbon sector to expand by 7.2% in 2014 and by 7% in 2015, and for hydrocarbon output to grow by 0.4% in 2014 and 2% in 2015. It projected the inflation rate at 8.2% at the end of 2014 and 7.7% at end-2015. It considered that easing monetary policy in Nigeria would depend on the inflation outlook, the level of foreign currency reserves and the prospects of rebuilding fiscal buffers.

The IIF forecast the current account surplus to narrow from 4% of GDP in 2013 to 2.8% of GDP in 2014 and 2.6% of GDP in 2015, mainly due to lower global oil prices and declining oil production. It added that the capital account has been under pressure from sharp capital outflows, which is weighing on foreign currency reserves. It said that risks to the current account balance are to the downside. It pointed out that if global oil prices averaged \$80 per barrel in 2015 instead of the expected average of \$94 p/b, Nigeria's current account surplus would narrow by one percentage point of GDP. It expected foreign exchange reserves to decrease from \$45.6bn in 2013, equivalent to 5.5 months of imports, to \$37.6bn or 4.5 months of imports in 2014, and to \$33.7bn or 4 months of imports in 2015.

Further, the IIF projected the fiscal deficit to narrow from 2.6% of GDP in 2013 to 2.2% of GDP in 2014 and 1.8% of GDP in 2015. It cautioned that lower hydrocarbon revenues would add to fiscal pressures that are likely to intensify as a result of elections-related spending, and would hold back efforts to build fiscal buffers in coming years.

Source: *Institute of International Finance*

IRAN

Economic activity to grow by 2.2%, inflation to reach 20% in FY2014/15

The International Monetary Fund projected economic growth in Iran at 2.2% in the fiscal year ending in March 2015, relative to a growth rate of 1.5% in FY2013/14 and to a contraction of 1.9% in FY2012/13. It forecast non-oil real GDP to grow by 2.5% in FY2014/15, relative to a growth rate of 1.6% in FY2013/14 and a contraction of 1.1% in FY2012/13. It anticipated the annual average inflation rate at 20% in FY2014/15, relative to 19.8% in FY2013/14 and 34.7% in FY2012/13. Also, it expected broad money to grow by 23% in FY2014/15, compared to 22.2% in FY2013/14. The Fund projected the fiscal deficit to marginally widen from 2.1% of GDP in FY2013/14 to 2.2% of GDP in FY2014/15. It also forecast the government's non-oil fiscal deficit to narrow from 8.7% of non-oil GDP in FY2013/14 to 7.7% of non-oil GDP in FY2014/15. It estimated overall government revenues at 12.3% of GDP in FY2014/15 and total expenditures at 14.6% of GDP in FY2014/15.

The IMF projected Iran's public debt to decrease from 11.2% of GDP in FY2013/14 to 11.1% of GDP in FY2014/15. It also forecast total gross external debt to drop from 1.6% of GDP in FY2013/14 to 1.4% of GDP in FY2014/15. Further, the Fund estimated Iran's exports of goods & services at \$93.9bn in FY2014/15, down from \$97.9bn in FY2013/14; and imports of goods & services at \$87.9bn in FY2014/15, up from \$81.6bn in FY2013/14. It forecast the country's current account surpluses to narrow to \$6.9bn or 1.7% of GDP in FY2014/15 from \$17bn, or 4.2% of GDP in FY2013/14, and \$27.4bn or 7.5% of GDP in FY2012/13. It expected the country's gross official reserves to regress from \$120.7bn at end-March 2014 to \$116.1bn at end-March 2015. The Fund anticipated Iran's oil production to drop from 2.49 million barrels per day in FY2013/14 to 2.42 million b/d in FY2014/15, and for oil exports to regress from 0.96 million b/d in FY2013/14 to 0.87 million b/d in FY2014/15.

Source: *International Monetary Fund*



ECONOMY & TRADE

EGYPT

Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Egypt's long- and short-term foreign and local currency sovereign credit ratings at 'B-/B' with a 'stable' outlook. It said that the ratings reflect more stable domestic political and security conditions, a slight rebound in economic activity and the implementation of a series of fiscal and economic reforms. It added that the ratings take into account sustained donor support, which would provide the government with sufficient foreign funds and oil supplies to manage the country's short-term fiscal and external financing needs and to prevent a balance-of-payments crisis. It forecast real GDP growth to accelerate from 2.2% in the fiscal year that ended in June 2014 to 3.3% annually during the 2015-17 period, supported by the government's investment program and by the recovery in the hydrocarbon sector. However, the agency indicated that the ratings are constrained by the country's wide fiscal deficits, elevated debt levels, large borrowing needs and weak growth rates. It forecast the fiscal deficit to narrow from 12.8% of GDP in FY2013/14 to 11.5% of GDP in FY2014/15. It considered that the government's ability to significantly cut spending is limited, especially given the shortfall in basic services and the constitutionally mandated expenditures. It noted that the public debt level is elevated and its servicing is high, and forecast the net public debt level to rise from 80.6% of GDP at end-June 2014 to 81.3% of GDP at end-June 2015. It projected the country's gross external financing needs at 99.6% of current account receipts plus usable reserves in the current fiscal year and at 100.3% in the next fiscal year.

Source: Standard & Poor's

MOROCCO

Growth to pick up in 2015, external risks significant

The International Monetary Fund projected Morocco's real GDP growth at 3% in 2014, reflecting the slowdown in agricultural output from high levels in 2013. It forecast growth to accelerate to 4.5% in 2015, as non-agricultural sectors would continue to improve and as agricultural output normalizes. However, it considered that the economy still faces important downside external risks, including the negative impact of subdued activity in Europe. Further, the IMF welcomed the continued narrowing of the current account deficit to about 6% of GDP in 2014, the improvement in foreign currency reserves and the higher resilience of the economy to external shocks. It attributed the improvement in the external sector to new export industries, which have mitigated the impact of shocks to traditional exports. It considered that increased efforts to improve the business climate, transparency, competition and governance are important for better competitiveness and higher potential growth. It added that greater exchange rate flexibility along with other macroeconomic and structural policies would enhance the economy's capacity to absorb shocks. In parallel, the Fund welcomed the reforms to the subsidy system. It noted that the government targets a fiscal deficit of 4.3% of GDP in the 2015 draft budget. It called on authorities to reform the pension system in order to maintain its viability. It pointed out that the public debt has increased in recent years but remains at sustainable levels.

Source: International Monetary Fund

TURKEY

External vulnerabilities weigh on credit profiles of the sovereign and of banks

Moody's Investors Service indicated that external vulnerabilities continue to weigh on Turkey's sovereign creditworthiness as well as on the credit profiles of the banking and corporate sectors. It noted that Turkey's external vulnerabilities increased due to heightened geopolitical risks, continued domestic policy uncertainties and the expected reduction in global liquidity from the increase in U.S. interest rates next year. First, it pointed out that Turkey's economic growth has been driven by externally-financed domestic demand over the past four years. It expected the cost of securing foreign capital inflows to increase, with the country's external financing needs at about 25% of GDP during the 2014-15 period. It anticipated that the slowdown in domestic economic activity and weak investor confidence would adversely affect public finances. Second, Moody's indicated that the banking sector's funding structure exposes it to volatility in foreign demand for Turkish assets, which would weigh on banks' growth opportunities and profitability. It noted that this vulnerability is exacerbated by the banks' rising leverage in recent years and by the higher refinancing risks. However, it said that banks' robust capital cushions mitigate these risks. Third, it considered that the slowdown in economic activity would negatively affect Turkish corporates, despite that export-focused companies are benefitting from the depreciation of the Turkish lira.

Source: Moody's Investors Service

ETHIOPIA

Ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Ethiopia's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B' with a 'stable' outlook. It also maintained the Country Ceiling and the short-term foreign currency IDR at 'B'. It said that the ratings reflect the country's higher vulnerability to shocks compared to similarly-rated peers, its macroeconomic performance that is broadly in line with similarly-rated countries, and its better public finances relative to peers. But the agency indicated that the country's higher vulnerability to shocks is balanced by a strong economic performance and improved public and external debt ratios since the debt reliefs of the 2005-07 period. Further, it noted that economic activity, supported by large investments in infrastructure, has been strong over the past years. In parallel, it said that the government's debt level has been stable over the past four years and reached 26% of GDP in the fiscal year ending on July 7, 2014, while interest payments are low at about 2.1% of budget revenues. But it noted that public finances are exposed to rising contingent liabilities, as authorities outsourced part of their investments to state-owned enterprises (SOEs). It indicated that the SOEs' debt level rose from 12% of GDP in FY2009/10 to about 22% of GDP in FY2013/14. Further, it said that the current account deficit widened from 5.9% in FY2012/13 to 8.6% of GDP in FY2013/14. It added that the net external debt was equivalent to 100% of current account receipts, and that foreign currency reserves stood at about 1.8 months of current account payments at the end of FY2013/14.

Source: Fitch Ratings



BANKING

MENA

Bank lending conditions regress in third quarter of 2014

The Emerging Markets Lending Conditions Index for the Middle East & North Africa (MENA) region declined to 53.9 in the third quarter of 2014 from 55.1 in the second quarter of the year. The index remained above the 50 mark in the third quarter, reflecting a moderate improvement in overall bank lending conditions. The MENA region continues to have the most favorable lending conditions compared to other emerging markets. The region's Demand for Loans Index reached 57.1 in the third quarter of 2014 compared to 58.5 in the previous quarter, as demand for residential real estate loans as well as for commercial, industrial and consumer loans regressed. Also, the Trade Finance Index dropped to 55.6 from 56.5 in the preceding quarter, reflecting a decrease in the supply of trade finance. Further, the Funding Conditions Index regressed to 54.2 in the third quarter of the year from 56.4 in the previous quarter due to a slowdown in domestic and international funding conditions. The Credit Standards Index declined to 50.8 in the third quarter of 2014 from 51.9 in the preceding quarter, as banks in the MENA region continued to tighten their credit standards for commercial real estate loans, while they continued to ease those for other loan categories but at a significantly slower pace. The Non-Performing Loans Index declined to 51.5 in the third quarter of 2014 from 51.8 in the second quarter, reflecting a gradual improvement in banks' loan quality.

Source: *Institute of International Finance*

RUSSIA

Central Bank takes measures to ease pressure on foreign currency reserves

Fitch Ratings anticipated that the Central Bank of Russia's (CBR) decision to limit its daily intervention on the foreign exchange market to \$350m and to widen the Russian ruble's exchange rate corridor would ease immediate pressure on foreign currency reserves and would offset the negative fiscal impact of lower global oil prices. It added that this decision followed the CBR's increase of the main interest rate by 150 basis points to 9.5% towards the end of October. The agency considered that an accelerated transition to a floating exchange rate system would stop the depletion of foreign currency reserves that reached \$428.6bn at the end of October 2014, and would reduce the risk of a currency crisis. It said that the sharp decline in foreign reserves has been partly offset by a similar fall in external debt, which means that Russia's net external creditor position is eroding less quickly than suggested by the decline in foreign reserves. Further, Fitch indicated that the move towards greater exchange rate flexibility is in line with the CBR's aim to free-float the ruble in 2015, which would cushion public finances against falling global oil prices and other external shocks. It cautioned that capital outflows may be driven by concerns about economic and geopolitical risks, which means that the increase in interest rates might not stop the decline in foreign currency reserves. As such, it noted that the CBR might need to further tighten monetary policy to stabilize the ruble and to restore confidence in its inflation target of 4.5% for end-2015.

Source: *Fitch Ratings*

INDIA

Weak corporate sector to continue to affect state-owned banks' asset quality

Moody's Investors Service anticipated that the weak financial health of the Indian corporate sector would continue to weigh on the asset quality of state-owned banks. It considered that the deterioration in state-owned banks' asset quality have bottomed out. However, it considered that the improvement in asset quality will be U-shaped rather than V-shaped, with only a gradual decline in the new NPL formation rates over the next two years. It expected the recovery in corporate credit quality to be slow, adding that the lagging recognition of credit costs associated to NPLs will continue to act as a drag on the banks' credit quality. It anticipated that about 25% to 30% of standard restructured loans would become NPLs, which is much higher than historical averages. It added that the health of corporates in India continues to be fragile with high debt levels and weak debt-servicing metrics. It anticipated that Indian corporates would increase their deleveraging efforts, as conducive market conditions make it easier to raise equity and sell assets. However, it noted that despite the favorable market conditions, it will take at least two to three years for a meaningful reduction in leverage due to the high debt levels. It expected state-owned banks to continue to have a high level of credit costs, which would constrain their internal capital generation and make them dependent on external capital infusion to increase their low capital levels.

Source: *Moody's Investors Service*

CHINA

Banking sector assessment maintained

Standard & Poor's maintained China's Banking Industry Country Risk Assessment (BICRA) in 'Group 5', and its industry and economic risk scores at '5' and '6', respectively. 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 BICRA's 'Group 5' also include Bermuda, Brazil, Colombia, India, Italy, Panama, Poland, South Africa, Trinidad & Tobago and the UAE. Further, it said that China's economic risk score indicates that economic resilience is at "intermediate risks", while its credit risk in the economy and assessment of economic imbalances are both at "high risks". It noted that China's low level of GDP per capita constrains its economic resilience, despite its consistently high GDP growth and good fiscal flexibility. It added that the high risks in economic imbalances and credit risks in the economy reflect the rapid credit expansion from both regular and shadow banking systems. Further, it pointed out that its industry score indicates that the country faces "high risks" in its institutional framework and in its competitive dynamics, and "very low risks" in its system-wide funding. It noted that state ownership and administrative control of deposit rates challenge the banking sector's competitive dynamics, while the rapidly growing shadow banking reveals market distortions and compromises the transparency of banks. It indicated that the trend for economic and industry risks is "stable".

Source: *Standard & Poor's*



ENERGY / COMMODITIES

Crude oil prices to remain subdued in near term

Crude oil prices have dropped by about 30% to below \$80 per barrel since June 2014 due to a stronger U.S. dollar and rising U.S. light oil output. The decline in prices has largely ignored the impact of supply disruptions in Libya. Oil is expected to remain in a bear market over the near term due in part to lower Chinese economic growth and market oversupply. Crude oil prices could decline further in the first half of 2015 in the absence of new supply disruptions. Also, there are mounting pressures on members of the Organization of the Petroleum Exporting Countries (OPEC) to reduce production ahead of the 12-member group's meeting on November 27th. But some OPEC members, including Saudi Arabia, have resisted calls to decrease supply, while others are seeking action to support oil prices. OPEC's crude oil production remained above the 30 million b/d production target for the sixth consecutive month in October 2014. In parallel, the Bloomberg WTI Crude Oil Total Return Sub-Index decreased by 10.6% month-on-month in October and by 12.1% in the first 10 months of 2014, while the Brent Crude Oil Sub-Index dropped by 9.9% last month and by 21.1% from end-2013.

Source: International Energy Agency, Byblos Research

KRG and Iraq implement deal to ease tensions

The Kurdistan Regional Government (KRG) and the central government of Iraq began implementing a deal, whereby Baghdad transfers the funds earmarked for the payment of Kurdish civil servant salaries in return for a share of Kurdish oil exports. The central government of Iraq transferred \$500m to meet Kurdish salaries, while the KRG began pumping 150,000 barrels per day of oil, or about 50% of its overall exports, to the State Oil Marketing Organization export tanks in the Turkish port of Ceyhan. The KRG indicated that it will not hand over control of its oil exports to Baghdad. The accord aims to reduce friction between Baghdad and Kurdish authorities as they face a common threat from Islamic State militants.

Source: Thomson Reuters

Algeria's oil & gas exports down 1% in first half

Algeria's hydrocarbon exports totaled \$31.8bn in the first half of 2014, constituting a decrease of 1.4% from \$32.27bn in the same period last year. The country's crude oil exports decreased by 22.1% to \$9.9bn in the first half, natural gas exports dropped by 24.2%, while petroleum products increased by 58.7% during the covered period. Crude oil export receipts represented 31.1% of total earnings from hydrocarbon sales during the first half of the year, followed by petroleum products (23.5%) and natural gas (17.6%). Algeria expects its energy receipts to drop by 5.4% year-on-year to \$60bn in 2014. The country's oil & gas production has been stagnating since 2010 due to a drop in exploration activity and a lack of investment from foreign companies.

Source: Banque d'Algérie, Byblos Research

OPEC's basket price down 11% in October 2014

OPEC's oil reference basket price reached \$85.06 per barrel (p/b) in October 2014, reflecting a drop of 11% from \$95.98 p/b in the preceding month. Abu Dhabi's Murban crude oil posted the highest price among the basket's components as it reached \$89.1 p/b last month. All 12 prices included in the basket posted decreases of between 9.5% and 12.4% in October 2014.

Source: Organization of the Petroleum Exporting Countries

Base Metals: Aluminium Prices to rise in 2015-16

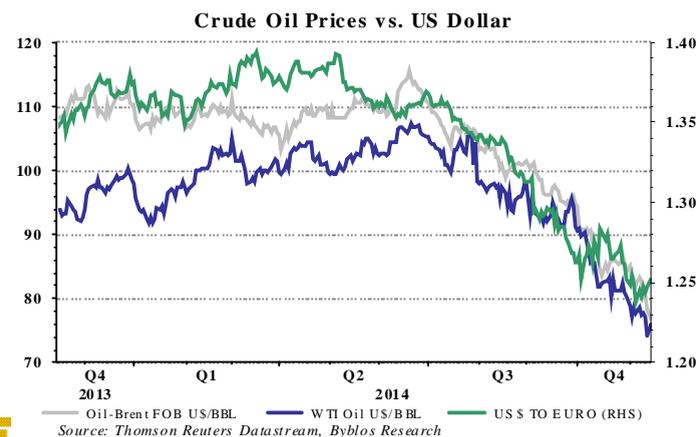
Aluminium has been one of the top performers among base metals so far this year, rising by about 12% to \$2,011 a ton on November 18, due in part to the metal's strong demand from the United States. Prices could increase further by about \$100 to \$150 a ton, provided that demand indicators from the U.S. remain positive. But a further increase in the metal's price may lead some Chinese smelters to abandon production cutbacks and move towards capacity restarts, which could trigger a correction in pricing as investors' bullish sentiment towards the metal fades. The average aluminium cash price is forecast at \$1,988 a ton in 2015, reflecting a rise of 5.6% from \$1,883 a ton in 2014, and would grow by 10.7% to \$2,200 a ton in 2016. In parallel, the global aluminium market is projected to remain in surplus during the 2014-15 period but to shift to a deficit in 2016. The Bloomberg Industrial Metals Total Return Sub-Index increased by 0.8% in the first 10 months of 2014, while the Aluminium Total Return Sub-Index grew by 8% from end-2013.

Source: Deutsche Bank, Bloomberg Indexes, Byblos Research

Precious Metals: Gold prices down 3% in third quarter of 2014, global consumption at \$38bn

Gold prices averaged \$1,282 a troy ounce in the third quarter of 2014, down by 0.5% from the preceding quarter and by 3.4% from the same quarter of 2013. The quarterly volatility in gold prices was among the lowest levels seen during the past 20 years. The lack of a clear price signal discouraged investors from buying gold, which in turn diminished price movements. In parallel, global gold consumption reached 929.3 tons in the third quarter of 2014, equivalent to \$38.3bn, and constituted a decrease of 2.5% from 952.8 tons in the same quarter last year. Gold jewelry demand totaled 534.2 tons in the third quarter, equivalent to \$22bn, and reflected a decrease of 4% from the same quarter of 2013. It was followed by gold bar and coin investments with 245.6 tons (\$10.1bn) and demand in the technology sector with 97.9 tons (\$4bn). In addition, central banks continued to be net purchasers of gold for the 15th consecutive quarter. In parallel, global gold supply decreased by 7.2% in the third quarter of 2014 to 1,047.5 tons, of which mine production accounted for 77.5% of the total. The Bloomberg Precious Metals Total Return Sub-Index declined by 3.8% month-on-month in October and by 6.7% in the first 10 months of 2014, while the Gold Sub-Index fell by 3.3% last month and by 2.7% from end-2013.

Source: World Gold Council, Bloomberg, 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	-1.9	9.7	1.5	9.4	1.1	-	0.5	-
	-	-	-	-	Stable								
Angola	BB-	Ba2	BB-	-	BB	-2.0	29.2	9.4	-	1.9	79.0	2.2	-1.4
	Stable	Stable	Stable	-	Stable								
Egypt	B-	Caa1	B-	B-	CCC	-11.1	91.3	16.4	127.5	7.5	286.8	-1.3	1.3
	Stable	Stable	Stable	Stable	Stable								
Ethiopia	B	B1	B	-	CCC	-3.0	23.5	21.1	116.3	-	-	-5.4	2.8
	Stable	Stable	Stable	-	Stable								
Ghana	B-	B2	B	-	B	-7.5	66.5	32.3	73.4	3.4	239.1	-10.6	7.5
	Stable	Negative	Negative	-	Stable								
Ivory Coast	-	B1	B	-	B	-2.8	40.4	15.8	62.7	6.3	-	-2.2	2.9
	-	Positive	Positive	-	Stable								
Libya	-	-	B	-	B	-30.4	1.6	9.5	10.9	3.4	-	-27.7	-
	-	-	Stable	-	Stable								
Dem Rep Congo	B-	B3	-	-	-	-2.1	23.4	12.3	45.1	1.4	5.4	-7.9	6.9
	Stable	Stable	-	-	-								
Morocco	BBB-	Ba1	BBB-	-	B	-4.9	62.7	31.5	115.4	17.2	270.2	-6.6	2.9
	Stable	Stable	Stable	-	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-1.8	2.0	3.2	42.0	0.3	34.3	4.9	2.7
	Negative	Stable	Stable	-	Stable								
Sudan	-	-	-	-	C	-1.3	89.3	74.0	-	-	-	-8.2	-
	-	-	-	-	Stable								
Tunisia	-	Ba3	BB-	-	CCC	-6.8	50.9	59.1	127.6	10.9	360.6	-6.7	3.0
	-	Negative	Negative	-	Stable								
Burkina Faso	B	-	-	-	-	-3.9	32.1	25.9	143.5	-	-	-7.3	0.4
	Stable	-	-	-	-								
Rwanda	B	-	B	-	-	-3.1	28.8	21.5	253.7	-	153.6	-11.5	3.5
	Positive	-	Positive	-	-								
Middle East													
Bahrain	BBB	Baa2	BBB	BBB	BB	-4.3	45.8	134.4	423.5	16.6	506.6	10.4	0.2
	Stable	Negative	Stable	Stable	Stable								
Iran	-	-	-	B	CCC	-2.5	10.8	1.8	13.9	1.3	15.4	5.2	-
	-	-	-	Stable	Stable								
Iraq	-	-	-	-	CCC	-2.0	16.3	10.7	69.5	-	-	1.0	-
	-	-	-	-	Stable								
Jordan	BB-	B1	-	BB-	CCC	-8.3	91.3	26.0	154.2	14.9	225.4	-12.9	6.3
	Stable	Stable	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	25.2	2.4	20.4	25.5	7.0	108.4	37.4	-4.7
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	B1	B	B	CCC	-11.5	147.6	179.6	162.8	16.4	126.8	-15.8	6.0
	Stable	Negative	Negative	Stable	Stable								
Oman	A	A1	-	A	A	0.6	8.0	12.0	25.0	3.8	105.3	7.8	0.6
	Stable	Stable	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	7.7	25.7	75.6	123.9	14.3	477.0	25.4	-0.4
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA	AA-	A	7.1	2.6	11.8	24.3	1.9	11.4	15.8	0.6
	Positive	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-12.0	65.0	27.4	-	-	-	-3.7	-
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	7.9	12.3	38.0	38.0	4.0	330.2	13.3	2.1
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-6.7	51.4	15.0	51.8	-	-	-1.5	-
	-	-	-	-	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-	-	-	-2.3	42.1	77.0	109.2	17.9	543.0	-7.2	4.0
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-2.1	27.2	7.9	29.8	1.5	21.1	2.2	1.0
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-4.5	67.8	21.3	83.6	5.2	188.9	-2.1	1.2
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	4.2	13.3	70.7	131.2	13.7	544.2	1.9	5.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-2.6	17.6	89.0	131.2	23.2	272.4	-0.4	3.0
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-2.9	39.7	66.5	153.9	20.0	257.6	-1.7	1.4
	Stable	Negative	Stable	-	Stable								
Russia	BBB-	Baa1	BBB	-	BBB	-0.5	11.6	36.7	109.4	15.0	134.9	3.0	-0.9
	Negative	Negative	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-2.0	35.9	47.2	107.5	25.1	343.0	-6.3	1.3
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-5.2	48.3	85.4	138.4	20.5	957.4	-6.7	2.2
	Negative	Negative	-	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2014



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	29-Oct-14	No change	17-Dec-14
Eurozone	Refi Rate	0.05	06-Nov-14	No change	04-Dec-14
UK	Bank Rate	0.50	06-Nov-14	No change	04-Dec-14
Japan	O/N Call Rate	0-0.10	31-Oct-14	No change	19-Nov-14
Australia	Cash Rate	2.50	04-Nov-14	No change	02-Dec-14
New Zealand	Cash Rate	3.50	30-Oct-14	No change	11-Dec-14
Switzerland	3 month Libor target	0.00-0.25	18-Sept-14	No change	11-Dec-14
Canada	Overnight rate	1.00	22-Oct-14	No change	03-Dec-14
Emerging Markets					
China	One-year lending rate	6.00	06-July-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	29-Oct-14	No change	17-Dec-14
Taiwan	Discount Rate	1.875	25-Sept-14	No change	25-Dec-14
South Korea	Base Rate	2.00	13-Nov-14	No change	11-Dec-14
Malaysia	O/N Policy Rate	3.25	06-Nov-14	No change	28-Jan-15
Thailand	1D Repo	2.00	05-Nov-14	No change	17-Dec-14
India	Reverse repo rate	8.00	30-Sep-14	No change	02-Dec-14
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-June-09	Cut 25bps	N/A
Egypt	Overnight Deposit	9.25	20-July-14	Raised 100bps	N/A
Turkey	Base Rate	8.25	23-Oct-14	No change	20-Nov-14
South Africa	Repo rate	5.75	17-Sept-14	No change	19-Nov-14
Kenya	Central Bank Rate	8.50	04-Nov-14	No change	04-Feb-15
Nigeria	Monetary Policy Rate	12.00	19-Sept-14	No change	25-Nov-14
Ghana	Prime Rate	21.00	12-Nov-14	Raised 200bps	12-Feb-15
Angola	Base rate	9.00	27-Oct-14	Raised 25bps	24-Nov-14
Mexico	Target Rate	3.00	05-Sept-14	No change	05-Dec-14
Brazil	Selic Rate	11.25	06-Nov-14	No change	03-Dec-14
Armenia	Refi Rate	6.75	23-Sept-14	No change	N/A
Romania	Policy Rate	2.75	05-Nov-14	Cut 25bps	07-Jan-15
Bulgaria	Base Interest	0.02	01-Nov-14	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	14.0	13-Nov-14	Raised 150bps	N/A
Russia	Refi Rate	8.25	13-Dec-13	No change	N/A



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