

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

GLOBAL

G-20 economies continue to adopt restrictive trade measures

The World Trade Organization indicated that the Group of 20 major economies has put in place 85 new trade-restrictive measures between mid-May 2016 and mid-October 2016, down by 41.4% from 145 new restrictive measures applied between mid-October 2015 and mid-May 2016. It noted that G-20 members introduced on average 17 trade-restrictive measures per month during the covered period, the lowest monthly level since mid-2013, compared to almost 21 measures between mid-October 2015 and mid-May 2016. The distribution of new trade-restrictive measures shows that trade remedies accounted for 71.8% of total measures during the five-month period, followed by import-related restrictions (17.6%), export-related measures (5.9%) and other restrictions (4.7%). Further, the WTO indicated that G-20 members imposed 1,671 restrictive measures since October 2008, of which 408 measures, or 24.4% of the total, were removed by mid-October 2016. As such, a total of 1,263 trade-restrictive measures remain in place as of mid-October 2016. It estimated that the current import-restrictive measures cover around 5% of world merchandise imports and about 6.5% of G-20 imports. In parallel, the WTO indicated that G-20 members introduced 66 new trade liberalizing or facilitating measures during the five-month period, equivalent to just over 13 measures per month. Trade remedies accounted for 54.5% of total trade-facilitating measures during the covered period, followed by import-related measures (39.4%) and export-related measures (6.1%).

Source: World Trade Organization, Byblos Research

Number of corporate defaults reaches 139 in first 10 months of 2016

S&P Global Ratings indicated that 139 rated corporate issuers defaulted globally in the first 10 months of 2016 compared to 92 defaults in the same period of 2015. It noted that the number of defaults during the covered period was the highest since the 241 defaults in the first 10 months of 2009. On a regional basis, 90 companies defaulted in the United States during the first 10 months of 2016, equivalent to 64.7% of total defaults, followed by firms in emerging markets with 27 defaults (19.4%), and Europe and other developed nations, including Australia, Canada, Japan and New Zealand with 11 defaults each (7.9%). Further, the agency indicated that 52 corporates defaulted in the first 10 months of 2016 because of missed interest or principal payments, 37 firms defaulted due to distressed exchanges, 16 corporates filed for bankruptcy, seven firms defaulted because of debt exchange and six corporates defaulted due to de facto restructuring. Also, the agency noted that deferred interest payment and regulatory intervention caused two corporate defaults each, while debt acceleration, distressed restructuring, judicial reorganization and a debt moratorium resulted in one corporate default each. The agency added that 13 corporates did not disclose the reason for their default. It also noted that the trailing 12-month rate of global speculative-grade corporate defaults reached 4.2% in the covered period.

Source: S&P Global Ratings

EMERGING MARKETS

Emerging markets to issue \$133bn in Eurobonds in 2017

Barclays Capital projected emerging market (EM) sovereigns to issue \$133bn in foreign currency-denominated bonds in 2017, relative to total issuance of \$132bn in the first 10 months of 2016 and to an expected record high issuance of \$140bn in full year 2016. It forecast Eastern Europe, the Middle East & Africa (EEMEA) to issue \$76bn worth of Eurobonds, equivalent to 57.1% of the total in 2017, followed by Latin America with \$41bn (30.8%) and Asia with \$17bn (12.8%). On a country basis, it expected Argentina to issue \$14bn in sovereign Eurobonds, or 10.5% of the total in 2017, followed by Indonesia and Saudi Arabia with \$10bn each (7.5% each), Turkey with \$8bn (6%), Kuwait with \$7.5bn (5.6%), Poland with \$7bn (5.3%), Brazil, Mexico and Qatar with \$5bn each (3.8% each), and Lebanon with \$3.5bn (2.6%). In parallel, Barclays Capital anticipated redemptions to be higher in 2017 than in 2016, and estimated that sovereign issuance net of interest payments and principal redemptions would be lower in 2017 than the net issuance in 2016. It forecast net issuance in the EEMEA region at \$34bn, or 59.6% of total in 2017, followed by Latin America at \$14bn (24.6%) and Asia at \$9bn (15.8%). Saudi Arabia would be the largest sovereign issuer on a net basis, followed by Kuwait and Indonesia.

Source: Barclays Capital

MENA

Arab technology startups attract \$759m in equity-based funding between 2013 and 2015

Figures released by ArabNet, a hub for Arab digital professionals and entrepreneurs, show that about \$222.4m were invested in 172 technology startups in 14 Arab countries in 2015. The UAE attracted 55 investments worth \$139m in 2015, followed by Lebanon with 34 deals (\$31m), Jordan with 24 investments (\$23m), Saudi Arabia with 18 deals (\$13m), Tunisia with 15 investments and Palestine with eight deals (\$1m each), and Egypt with six investments (\$6m). Further, more than 480 technology startups in 14 Arab countries have raised about \$759m in equity-based funding between 2013 and 2015. Overall, the UAE attracted 137 deals worth \$286m in the covered period, followed by Jordan with 74 deals (\$45m), Lebanon with 65 investments (\$66m), Egypt with 63 deals (\$235m), Saudi Arabia with 59 investments (\$105m), Tunisia with 26 deals (\$2.6m) and Palestine with 24 investments (\$2.7m). ArabNet indicated that about 51% of the investor community in the MENA region consist of early stage investors that include accelerators (22%), seed funds (16%) and angel networks (13%). It added that the majority of deals executed over the past three years have been early stage deals worth less than \$500,000 each. It noted that the MENA region has witnessed a proliferation of new funding institutions in the past five years, with the number of investors increasing ten-fold since 2010. The findings are based on data collected from 48 investors and accelerators in the UAE, Egypt, Lebanon, Jordan, Saudi Arabia, Morocco, Kuwait, Palestine, Tunisia and Bahrain.

Source: ArabNet

OUTLOOK

EGYPT

Growth prospects improve under IMF program

The International Monetary Fund (IMF) indicated that the three-year \$12bn Extended Fund Facility (EFF) for Egypt aims to restore macroeconomic stability and promote inclusive growth. It added that the program aims to correct the country's external imbalances, reduce the inflation rate, strengthen public finances, enhance economic activity and create jobs. As such, it projected Egypt's real GDP growth to pick up from 3.8% in the fiscal year that ended in June 2016 to 4% in FY2016/17. Further, it noted that the Central Bank of Egypt liberalized the foreign exchange system and adopted a flexible exchange regime in November 2016. It considered that a flexible exchange rate regime would improve the country's external competitiveness, support exports and tourism, attract foreign investment and allow for the accumulation of foreign currency reserves. As such, it projected foreign currency reserves to rise from \$17.1bn, or 3.1 months of imports, at the end of June 2016, to \$22bn, or 3.7 months of imports, at end-June 2017. Further, it forecast the inflation rate at 18.2% at the end of June 2017 relative to 10.2% a year earlier. But it noted that monetary policy would help contain the inflation rate over the medium-term by controlling credit to the government and banks, as well as by strengthening the CBE's capacity to manage liquidity.

In parallel, the Fund forecast the fiscal deficit to narrow from 12% of GDP in FY2015/16 to 10% of GDP in FY2016/17, and for the public debt level to decline from 94.6% of GDP in FY2015/16 to 93.8% of GDP in FY2016/17 and to reach about 84.6% of GDP by the end of the program. It attributed the improvement in public finances to the introduction of the value-added tax and to the reduction of energy subsidies, among other fiscal measures. Further, it projected the current account deficit to narrow from 5.5% of GDP in FY2015/16 to 5.2% of GDP in FY2016/17. In addition, the Fund considered that structural reforms are critical for the success of the program and should include business licensing and insolvency frameworks, public financial management, energy sector and subsidy reforms, as well as labor market reforms.

Source: International Monetary Fund

IRAQ

Non-oil economy to stagnate in 2017, foreign currency reserves to decline to \$41.3bn

The International Monetary Fund projected Iraq's real GDP to grow by 10.3% in 2016 and by 0.5% in 2017, relative to a contraction of 2.4% in 2015, and compared to growth of 3.3% in 2016 and 2.9% in 2017 for Middle Eastern oil-exporters. It forecast the country's real non-oil GDP to contract by 5% in 2016 and to post flat growth in 2017. It also projected Iraq's oil GDP to grow by 20.6% this year and by 0.7% next year. It forecast the average inflation rate at 2% in each of 2016 and 2017.

In parallel, the Fund projected Iraq's fiscal deficit at 14.1% of GDP in 2016 and 5.1% of GDP in 2017, relative to a deficit of 13.7% of GDP in 2015. It forecast the fiscal breakeven oil price at \$58.3 per barrel (p/b) in 2016 and at \$54 p/b in 2017 relative to \$64.7 p/b in 2015. It estimated government revenues, exclud-

ing grants, at 34.7% of GDP in 2016 and 38.9% of GDP in 2017, and total expenditures & net lending at 97.6% of GDP in 2016 and 87.9% of GDP in 2017. It expected the public debt level to rise from 61.4% of GDP at end-2015 to 75.8% of GDP at end-2016 and 73.4% of GDP at end-2017. It also forecast the gross external debt to increase from 40.6% of GDP at the end of 2015 to 45.5% of GDP at end-2016 and 43.6% of GDP at end-2017.

Further, the IMF forecast Iraq's exports of goods & services at \$48.4bn in 2016 and \$60.9bn in 2017, and for imports of goods & services to reach \$65.1bn this year and \$67.4bn next year. It projected the country's current account to post deficits of \$16.9bn, or 10.8% of GDP, in 2016, and of \$6.2bn, or 3.6% of GDP, next year. It forecast the country's gross official reserves to drop from \$53.4bn at end-2015 to \$42.3bn at end-2016 and \$41.3bn at end-2017. The Fund anticipated Iraq's oil production at 4.25 million b/d next year, and for oil exports to stay at 3.6 million b/d in 2017.

Source: International Monetary Fund

ANGOLA

Economic stagnation to persist in 2017

The International Monetary Fund projected Angola's real GDP growth rate at 1.25% in 2017, compared to no growth in 2016, supported by the planned increase in public spending that would strengthen the non-oil economy, as well as by improved terms of trade. Also, it forecast the inflation rate to reach 45% at the end of 2016 and to regress to 20% by the end of 2017 as a result of tighter monetary conditions and a stable Angolan kwanza. It expected the recovery in economic activity to be gradual over the medium-term. It added that risks to the outlook include lower-than-anticipated oil prices and delays in the implementation of needed structural reforms. It noted that authorities have taken steps to mitigate the impact of the decline in oil prices on the country, including a significant improvement in the non-oil primary fiscal balance and the devaluation of the kwanza. But it called for additional policy actions in order to continue adjusting to the low oil price environment. It cautioned that delaying such measures would increase the cost of adjustment and defer its benefits.

In parallel, the Fund projected Angola's fiscal deficit at about 4% of GDP in 2016, as the government's actions to control public spending have partially offset the impact of lower oil prices on public finances. It forecast the public debt level to exceed 70% of GDP by the end of 2016 due to the depreciation of the currency and the wide fiscal deficit. The IMF considered that the fiscal deficit target in the 2017 draft budget would leave the economy vulnerable to lower-than-anticipated oil prices and would increase concerns about public debt sustainability. It estimated that authorities should target a maximum fiscal deficit of 2.25% of GDP in 2017, which would be consistent with a moderate improvement in the non-oil primary fiscal balance and with continued gradual fiscal adjustment. It called on authorities to further widen the tax base by introducing a value-added tax in 2019, to control the public-sector wage bill, and to improve the quality of public investment.

Source: International Monetary Fund



ECONOMY & TRADE

MENA

Output losses from conflicts at 6% of region's GDP

The United Nations' Economic and Social Commission for Western Asia (ESCWA) estimated the aggregate output loss of Arab countries affected directly or indirectly by conflicts since 2011 at about \$613.8bn between 2011 and 2015, equivalent to 6% of the Arab region's total GDP during the covered period. It noted that Libya, Syria and Egypt account for the bulk of the losses. Further, it indicated that higher-than-expected spending needs during conflicts, along with reduced revenues from subdued economic activity, have worsened the fiscal balances of countries in conflict since 2011. It estimated the aggregate fiscal deficit of Arab countries in conflict since 2011, along with those experiencing spillovers, at \$243.1bn between 2011 and 2015. It added that Arab countries that were in conflict prior to 2011 posted a cumulative fiscal deficit of \$43.7bn between 2011 and 2015, while they were expected to post surpluses during the covered period in the absence of unrest. Further, the ESCWA pointed out that conflicts in Arab countries have led to the deterioration of other economic and social indicators, such as debt, unemployment, corruption and poverty levels, while they have caused an increase in the number of refugees and displaced persons. Also, it indicated that the conflict led to the disintegration of trade between countries in the Arab region, as exports from Arab countries that are directly or indirectly affected by conflict to other Arab countries account for a significant share of their trade.

Source: ESCWA

GCC

Agencies take rating actions on sovereigns

S&P Global Ratings revised the outlook on Oman's 'BBB-/A-3' foreign and local currency sovereign credit ratings from 'stable' to 'negative'. It attributed the outlook revision to the slower-than-expected progress in the country's fiscal consolidation. It projected the fiscal deficit to widen from 15.9% of GDP in 2015 to 19% of GDP in 2016 compared to an earlier forecast of 13% of GDP for 2016. Further, it expected the current account deficit to widen from 15.5% of GDP in 2015 to 18.8% of GDP in 2016 due to a sharp decline in oil export receipts. It noted that the government would finance its needs from external sources in the coming years, given the country's narrow domestic capital markets. As such, it forecast Oman's external financing needs at 124% of current account receipts and usable reserves during the 2017-19 period. In parallel, Fitch Ratings affirmed at 'AA' Kuwait's long-term Issuer Default Rating, with a 'stable' outlook. It noted that the ratings are supported by the sovereign's exceptionally strong fiscal and external metrics, but are constrained by a heavily oil-dependent economy, weak governance and business climate as well as geopolitical risks. It estimated the assets managed by the Kuwait Investment Authority to have exceeded \$500bn or 444% of GDP at end-2015. It projected Kuwait's fiscal balance to shift from a surplus of 0.3% of GDP in the fiscal year ending in March 2016 to a deficit of 3% of GDP in FY2016/17. It noted that Kuwait would post its first-ever current account deficit in 2016 due to the robust growth in domestic demand and low oil export receipts.

Source: S&P Global Ratings, Fitch Ratings

EGYPT

Outlook revised to 'stable' on financial assistance from IMF

S&P Global Ratings affirmed Egypt's 'B-/B' long- and short-term sovereign credit ratings, and revised the outlook on the long-term ratings from 'negative' to 'stable' because of the \$12bn financial support from the International Monetary Fund under the Extended Fund Facility (EFF). It indicated that the 'stable' outlook balances Egypt's external and fiscal vulnerabilities with the financial support from the IMF that would help the country meet its foreign currency requirements over the coming 12 months. It considered that the shift to a more flexible exchange rate would help alleviate the country's significant foreign currency shortages, narrow the gap between the official and black market exchange rates, and improve export competitiveness. Further, S&P projected Egypt's real GDP growth to decelerate from 2.6% in 2016 to 2.2% in 2017 due to the anticipated fiscal and monetary tightening, elevated dollar backlog and the significant drop in tourism activity. In parallel, the agency indicated that Egypt's ratings continue to be constrained by a wide fiscal deficit, elevated public debt level, low income levels, and fragile institutions and social conditions. It forecast the fiscal deficit to narrow from 12.2% of GDP in 2016 to 10.5% of GDP in 2017 and 10% of GDP by 2019, mainly due to the cut in subsidies and the introduction of the value-added tax. It projected the public debt level to regress from 97.2% of GDP in 2016 to 91.3% of GDP in 2017 and 87.5% of GDP in 2019. Further, it expected Egypt's gross external financing needs to gradually regress from 116.3% of current account receipts and usable reserves in 2016 to 101.1% by 2019.

Source: S&P Global Ratings

JORDAN

Ratings affirmed, outlook 'stable'

Moody's Investors Service affirmed Jordan's government issuer and senior unsecured debt ratings at 'B1' and kept the 'stable' outlook on the ratings, as it expected the country's main debt and external vulnerability metrics to stabilize. The agency indicated that the ratings are supported by a debt structure that reduces rollover risks, a history of external support, and a relatively strong institutional framework. It forecast Jordan's government debt, which grew from 70% of GDP in 2011 to 89% of GDP in 2014, to stabilize at 94% of GDP in 2016 and to be at similar or lower levels in 2017 and 2018. It added that, despite the high debt level, Jordan benefits from significant mitigating factors such as low debt servicing costs. Further, Moody's expected real GDP growth to average 3% during the 2016-17 period, which would help the government stabilize the debt level. It pointed out that the rating affirmation also reflects a stable external position and lower external liquidity constraints, supported by higher foreign currency reserves and the low oil price environment. It expected Jordan's foreign currency reserves to grow from \$8bn in 2012 to more than \$14bn in 2016. In parallel, Moody's indicated that the ratings are constrained by geopolitical risks, including the spillover from the conflicts in Syria and Iraq, but it said that the country has been successful in mitigating these shocks. It indicated that it would downgrade the ratings in case of a deterioration in Jordan's credit metrics.

Source: Moody's Investors Service



BANKING

WORLD

Basel modeling proposals to impact risk-weighted assets for large banks

Moody's Investors Service considered that the Basel Committee on Banking Supervision's (BCBS) recent proposal about the use of models in calculating risk-weighted capital ratios among medium- to large-sized banks would make minimum capital requirements more consistent across banks. It indicated that the BCBS' recommendations would replace the internal modeling with a standardized approach to calculating capital. It also noted that the proposed changes would have the largest impact on the risk-weighted asset calculations for large U.S. and European banks, given the prevalence of modeled approaches across risk areas in these banks. It added that large banks are most likely to use advanced approaches to calculate their capital. It pointed out that, in case the proposals are implemented in their current form, capital requirements could increase for many banks. However, it noted that the changes in the current proposal aim to reduce variability in risk-weighted assets for similar exposures across banks rather than increase capital requirements. As such, it considered that the final rules about the computing of risk-weighted capital ratios could change in order to avoid any increase in capital requirements. The agency also said that recent comments from European Union officials suggest that the proposals would not be adopted by European authorities unless modified, while U.S. and Swiss officials are reportedly more supportive of the current proposals. Further, Moody's considered that the breakdown of the international agreement on capital rules could lead to the further fragmentation of capital standards.

Source: *Moody's Investors Service*

SYRIA

FATF unable to assess anti-money laundering measures

In its October 2016 periodic review, the Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Syria has made progress to improve its AML/CFT regime since February 2010. It added that Syrian authorities made a high-level political commitment in February 2010 to work with the FATF and the FATF-style regional body, MENAFATF, to address Syria's strategic AML/CFT deficiencies. In addition, the FATF determined in June 2014 that Syria has substantially addressed its action plan at a technical level, including by criminalizing terrorist financing and by establishing procedures for freezing terrorist assets. It considered that Syria has completed the action plan that it agreed upon with the FATF. However, due to the prevailing security conditions, the FATF has not been able to conduct an on-site visit to assess if the implementation of the required reforms has addressed Syria's strategic AML/CFT deficiencies. The FATF reiterated that it will continue to monitor the situation in Syria, and will conduct an on-site visit at the earliest possible date.

Source: *Financial Action Task Force*

EGYPT

Outlook on banks' ratings revised to 'stable'

S&P Global Ratings affirmed the 'B-/C' short- and long-term counterparty credit rating of National Bank of Egypt (NBE), Banque Misr (BM) and Commercial International Bank (CIB), and revised the outlook on the long-term ratings from 'negative' to 'stable'. It attributed the outlook revision to its similar action on Egypt's long-term sovereign ratings, following the IMF's approval of the three-year \$12bn Extended Fund Facility. It indicated that the three banks face significant sovereign risk due to their substantial holdings of government bonds compared to their equity base and earnings capacity. It noted that NBE's holdings of government debt was equivalent to 8.9 times its total equity at the end of December 2015, BM's exposure to the sovereign was at eight times its equity base at the end of June 2015, and CIB's holding of government securities was equivalent to 4.3 times its total equity at the end of June 2015. It considered that the banks are unlikely to withstand a scenario where the sovereign defaults on its debt obligations. Further, S&P noted that the ratings reflect the three banks' "strong" business position, "moderate" risk position, "average" funding and "adequate" liquidity. It added that the capital and earnings of NBE and BM are "very weak", while those of CIB are "weak". The agency maintained at 'b-' the standalone credit profile of BM and NBE and at 'b' that of CIB.

Source: *S&P Global Ratings*

BAHRAIN

Ratings affirmed on five banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Gulf International Bank (GIB) at 'A-', that of Ahli United Bank (AUB) at 'BBB+', the IDR of Arab Banking Corporation (ABC) at 'BBB-' and that of National Bank of Bahrain (NBB) and BBK Bank (BBK) at 'BB+'. Also, it kept the 'negative' outlook on GIB's long-term IDR, while it maintained the 'stable' outlook on the remaining banks' ratings. It noted that the long-term IDRs of NBB, BBK and ABC are driven by the banks' standalone strength, while those of GIB and AUB reflect the probability of support from their shareholders. In parallel, the agency affirmed the Viability Rating (VR) of AUB at 'bbb-', that of ABC and GIB at 'bbb-', and that of NBB and BBK at 'bb+'. It indicated that AUB's VR reflects the bank's diversified franchise, sound asset quality, as well as its solid operating profitability and adequate capitalization. It noted that ABC's VR takes into consideration the bank's geographic diversification, strong capitalization, sound liquidity, as well as its exposure to volatile markets in the MENA region. Further, it considered that GIB's VR reflects the bank's sound asset quality, comfortable liquidity, solid capitalization, low operating profitability and relatively more conservative risk appetite than domestic peers. It added that NBB's VR takes into account the bank's solid capitalization, consistent and solid profitability, adequate asset quality, and sound liquidity. Finally, it pointed out that BBK's VR is supported by its satisfactory funding profile and resilient financial performance, as well as solid margins and profitability, sound asset quality and adequate capitalization.

Source: *Fitch Ratings*



ENERGY / COMMODITIES

High uncertainty grips oil market ahead of OPEC meeting

ICE Brent crude oil front-month prices closed at \$46.6 per barrel (p/b) on November 16, 2016, constituting a decrease of 3.5% from the end of October 2016 and a rise of 25.1% from the end of 2015; while WTI oil prices regressed by 2.7% from end-October and grew by 22.7% from end-2015 to close at \$45.6 p/b. Prices declined despite renewed optimism that an OPEC output freeze is back on track, and as recent data released by the U.S. Energy Information Administration showed a larger-than-expected increase of 5.3 million barrels in U.S. crude oil inventories. Also, the International Energy Agency anticipated the market oversupply to persist in 2017 due to higher growth in non-OPEC output. It expected the oil market to quickly shift from a production surplus to a deficit in 2017, in case OPEC members agree to implement production cuts on November 30. Downside risks to the price outlook include OPEC's failure to agree on a production cut in late November, higher U.S. crude oil inventories, a stronger US dollar, and a warmer-than-anticipated winter season. According to the International Monetary Fund, the probability of WTI and Brent oil prices rising above \$50 p/b in the next 12 months decreased to 24.5% and 28.7%, respectively, in November 2016.

Source: Wall Street Journal, U.S. EIA, IEA, IMF

Kurdish oil exports down 1% in October 2016

Crude oil exports from the Kurdistan Regional Government totaled 16.77 million barrels in October 2016, down by 1% from 16.94 million barrels in the preceding month. Further, Kurdish oil exports through the Turkish Port of Ceyhan decreased by 4.2% month-on-month to an average of 540,857 barrels per day in October. The KRG's net income from crude oil exports in October totaled \$416.5m after paying producers and receiving advance payments against the future lifting of crude oil, compared to \$327.6m a month earlier. The KRG used this amount, in addition to other income generated by the Ministry of Natural Resources, to fund the salaries of public sector employees for October.

Source: KRG Ministry of Natural Resources

Middle East's jewelry demand down 24% in third quarter of 2016

The Middle East region's demand for jewelry totaled 42.1 tons in the third quarter of 2016, constituting a decrease of 23.5% from 55 tons in the same quarter of 2015, and accounted for 8.5% of global jewelry demand. Consumption of gold jewelry in Saudi Arabia reached 12.7 tons in the third quarter of 2016 and accounted for 30.2% of the region's total demand. It was followed by Iran with 11 tons (26.2%) and the UAE with 7.8 tons (18.4%).

Source: World Gold Council, Byblos Research

OPEC's oil basket price up 12% in October 2016

The oil reference basket price of the Organization of the Petroleum Exporting Countries reached \$47.9 per barrel (p/b) in October 2016, up by 11.6% from \$42.9 p/b in September. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$51.2 p/b in October, followed by Nigeria's Bonny Light at \$50.8 p/b, Algeria's Saharan Blend at \$49.8 p/b and Angola's Girassol at \$49.4 p/b. All 14 prices included in the OPEC reference basket posted increases of \$2.6 p/b to \$5.9 p/b in October 2016.

Source: OPEC, Byblos Research

Base Metals: Copper prices to end 2016 lower

LME copper three-month future prices traded at a low of \$4,331 per ton and a high of \$5,601 per ton so far in 2016. Copper prices declined for the fifth consecutive day to close at \$5,433 per metric ton on November 16, 2016, its fifth highest level since the start of 2016, after it reached its highest level this year on November 10 after U.S. President-elect Donald Trump pledged to pursue an ambitious plan for infrastructure spending. Prices surged by about 15% since the end of 2015, led by stronger economic indicators in China, the world's largest consumer of the metal. However, copper prices are expected to slightly decline and remain flat in the near term, with the metal's stocks in LME rising to a one year high. Global demand for refined copper is projected to total 25.3 million tons in 2016, up 4.4% from 2015. Overall, copper prices are forecast to average \$4,850 per ton in 2016, which would reflect a drop of 13.4% from an average of \$5,600 per ton in 2015. In parallel, the copper market is expected to post a substantial supply deficit from 2021 onwards, supported by the anticipation of a recovery in demand in China and other emerging countries, which, in turn, would lead copper prices to trend higher. Copper prices reached an all-time peak of \$10,160 per ton in February 2011 but decreased after that as inventories in China grew significantly.

Source: IMF, Thomson Reuters, fastmarkets, Byblos Research

Precious Metals: Gold prices decrease as US dollar strengthens to one-year high

Gold prices closed at \$1,226 a troy ounce on November 16, 2016, down by 3.8% from end-October, due in part to a stronger US dollar that reached a one-year high on the same day. In fact, the drop in prices coincided with a 1.8% rise in the trade-weighted US Dollar Index. Gold prices are forecast to remain under pressure over the coming months, as analysts expected a 94% probability of a 25 basis point interest rate hike in December, up from 67% before the outcome of the U.S. presidential elections. However, political uncertainty in the European Union, which includes Italy's constitutional referendum on December 4, 2016 as well as presidential elections in France, Germany and the Netherlands, could lead to a surge in demand for the safe-haven metal and, in turn, would support prices. Overall, gold prices are expected to increase from an average of \$1,160 an ounce in 2015 to \$1,250 an ounce in 2016 and \$1,300 an ounce in 2017. According to the International Monetary Fund, the probability of the 12-month forward gold price rising above \$1,400 a troy ounce regressed to 27.4% from 33.4% previously.

Source: IMF, BMI Research, 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	IHS								
Africa													
Algeria	-	-	-	-	BB+	-11.2	24.6	4.2	18.9	2.2	-	-11.1	1.0
Angola	B	B1	B	-	B+	-7.1	70.1	96.8*	85.0**	7.3	14.4	-11.6	2.6
Egypt	B-	B3	B	B-	B-	-10.1	93.5	21.1	206.8	11.5	302.8	-5.2	2.4
Ethiopia	B	B1	B	-	B+	-3.0	55.4	29.0*	159.6	4.3	634.6	-10.7	4.1
Ghana	B-	B3	B	-	B+	-3.9	74.1	44.7	110.4**	10.3	371.8	-7.2	7.7
Ivory Coast	-	Ba3	B+	-	B+	-3.1	33.0	34.1	62.9	2.7	169.6	-1.8	3.3
Libya	-	-	B	-	B-	-35.4	83.0	16.5	51.6	-	-	-48.7	-9.6
Dem Rep Congo	B-	B3	-	-	CCC	1.1	19.8	16.6*	41.6	2.1	6.5	-14.2	4.5
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	56.5	39.2	124.8	19.9	185.6	-0.5	2.6
Nigeria	B	B1	B+	-	BB-	-4.7	13.3	5.5	62.5	0.7	63.2	-3.1	1.2
Sudan	-	-	-	-	CC	-1.7	58.3	53.2	-	-	-	-6.3	1.3
Tunisia	-	Ba3	BB-	-	BB+	-5.1	57.8	80.7	165.6	15.7	423.9	-8.7	4.2
Burkina Faso	B-	-	-	-	B+	-3.0	32.6	23.2*	-	-	-	-5.3	2.3
Rwanda	B	B2	B	-	B+	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
Middle East													
Bahrain	BB	Ba2	BB+	BB+	BBB-	-14.7	73.2	127.6	239.3	24.6	-	-2.1	-0.2
Iran	-	-	-	BB-	BB-	-2.6	17.5	2.2	8.8	-	-	-2.6	-
Iraq	B-	(P)Caa1	B-	-	CC+	-11.3	71.4	59.1	158.8	-	-	-2.8	-
Jordan	BB-	B1	-	BB-	BB+	-3.4	90.4	64.5	141.2**	10.5	177.3	-6.4	5.5
Kuwait	AA	Aa2	AA	AA-	AA-	-2.4	12.8	36.1	61.9	10.5	107.6	-2.1	-8.4
Lebanon	B-	B2	B-	B	B-	-7.8	142.6	175.4	207.2**	23.4	151.1	-21.3	5.9
Oman	BBB	Baa1	-	A-	BBB	-15.2	25.6	27.5	48.4	5.6	-	-22.4	-1.0
Qatar	AA	Aa2	AA	AA-	AA-	-2.9	41.6	110.9	213.8	24.9	-	-2.0	-1.8
Saudi Arabia	A-	A1	AA-	AA-	AA-	-11.7	17.6	19.7	60.7	4.2	-	-11.0	0.8
Syria	-	-	-	-	C	-	-	36.5	-	-	-	-	0.6
UAE	-	Aa2	-	AA-	AA-	-6.4	64.9	51.2	54.2	4.0	313.8	-0.3	1.1
Yemen	-	-	-	-	CCC	-10.0	67.3	17.3	-	-	197.2	-7.0	-0.2

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	IHS								
Asia													
Armenia	-	B1	B+	-	B-	-4.1	48.5	78.6	168.2	23.6	612.8	-4.3	3.8
	-	Stable	Stable	-	Stable								
China	AA-	Aa3	A+	-	A	-2.6	41.0	5.1	21.5	3.9	53.5	2.6	1.7
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BBB	-6.2	47.5	22.4	111.9	7.3	156.2	-0.6	1.0
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-	-4.0	22.1	151.2	325.8	33.6	824.6	-4.0	3.5
	Negative	CWN***	Stable	-	Negative								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB	-1.5	33.5	88.9	117.6	28.0	236.3	3.4	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.9	42.9	53.0	121.9	14.4	224.0	1.1	1.7
	Stable	Negative	Stable	-	Positive								
Russia	BB+	Baa3	BBB-	-	BB+	-3.1	13.6	37.9	114.5	19.6	150.3	4.9	-1.7
	Negative	CWN***	Negative	-	Negative								
Turkey	BB	Ba1	BBB-	BB+	BB-	-2.4	33.5	57.3	215.0	19.8	405.8	-4.1	0.7
	Negative	Stable	Negative	Stable	Negative								
Ukraine	CCC	Caa3	CCC	-	B-	-4.2	69.9	127.1	235.3	22.4	663.6	0.4	1.1
	Negative	Negative	-	-	Stable								

*to official creditors

** external debt/current account receipts

***Credit Watch Negative

Source: Institute of International Finance; International Monetary Fund; IHS Global Insight; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2016



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25-0.50	02-Nov-16	No change	14-Dec-16
Eurozone	Refi Rate	0.00	20-Oct-16	No change	08-Dec-16
UK	Bank Rate	0.25	03-Nov-16	No change	15-Dec-16
Japan	O/N Call Rate	-0.10	01-Nov-16	No change	20-Dec-16
Australia	Cash Rate	1.5	01-Nov-16	No change	06-Dec-16
New Zealand	Cash Rate	1.75	09-Nov-16	Cut 25bps	08-Feb-17
Switzerland	3 month Libor target	-1.25(-0.25)	15-Sep-16	No change	15-Dec-16
Canada	Overnight rate	0.50	19-Oct-16	No change	07-Dec-16
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.75	02-Nov-16	No change	N/A
Taiwan	Discount Rate	1.375	29-Sep-16	No change	18-Dec-16
South Korea	Base Rate	1.25	11-Nov-16	No change	15-Dec-16
Malaysia	O/N Policy Rate	3.00	07-Sep-16	No change	23-Nov-16
Thailand	1D Repo	1.50	09-Nov-16	No change	21-Dec-16
India	Reverse repo rate	6.25	04-Oct-16	Cut 25bps	07-Dec-16
UAE	Overnight repo rate	1.25	17-Dec-15	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	0.50	16-Dec-15	Raised 25bps	N/A
Egypt	Overnight Deposit	12.25	22-Sep-16	No change	17-Nov-16
Turkey	Base Rate	7.50	20-Oct-16	No change	24-Nov-16
South Africa	Repo rate	7.00	22-Sep-16	No change	23-Nov-16
Kenya	Central Bank Rate	10.00	20-Sep-16	Cut 50bps	21-Nov-16
Nigeria	Monetary Policy Rate	14.00	20-Sep-16	No change	22-Nov-16
Ghana	Prime Rate	26.00	19-Sep-16	No change	21-Nov-16
Angola	Base rate	16.00	03-Nov-16	No change	28-Nov-16
Mexico	Target Rate	4.75	29-Sep-16	Raised 50bps	17-Nov-16
Brazil	Selic Rate	14.00	19-Oct-16	Cut 25bps	30-Nov-16
Armenia	Refi Rate	6.50	15-Nov-16	Cut 25bps	27-Dec-16
Romania	Policy Rate	1.75	04-Nov-16	No change	06-Jan-17
Bulgaria	Base Interest	0.00	01-Nov-16	No change	01-Dec-16
Kazakhstan	Repo Rate	12.00	14-Nov-16	Cut 50bps	09-Jan-17
Ukraine	Discount Rate	14.00	27-Oct-16	Cut 100bps	08-Dec-16
Russia	Refi Rate	10.00	28-Oct-16	No change	16-Dec-16



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