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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

M&A technology deals up by 22% to $155.5bn in third quarter of 2016

EY indicated that the aggregate amount of global technology merger & acquisition (M&A) deals by technology and non-technology companies reached $155.5bn in the third quarter of 2016, constituting an increase of 22% from $127.2bn in the second quarter of 2016 and of 138% from $65.4bn in the same quarter of 2015. The third-quarter result is the third-highest technology M&A quarter ever by value. EY noted that 35% of the deals were in the semiconductors industry, followed by the software as a service (SaaS) segment with 30%, computers, peripherals and electronics (13%), the Internet of things (13%), IT services (8%) and communications equipment (2%). It said that the surge in deal value is supported by 10 divestiture deals above $1bn each, as well as by deals targeting IT security, the Internet of things, smart mobility, and advertising and marketing. Also, EY noted that 911 technology M&A deals were announced worldwide in the third quarter of 2016, down by 12% from 1,039 transactions in the second quarter of 2016 and by 15% from 1,069 deals in the same quarter last year. It noted that 811 transactions, or 89% of the total, represented corporate deals; while 100 transactions, or 11% of the total, were private equity transactions.

Source: EY

MENA

Ease of paying taxes varies across the Arab world

The PricewaterhouseCoopers/World Bank Paying Taxes survey for 2017 included 20 Arab countries, five of which ranked among the top 15 countries worldwide. The ease of paying taxes rankings are based on the distance-to-frontier score, which measures how far economies have progressed towards the best and worst performing countries around the world on each sub-indicator, rather than simply looking at how they compare to other economies. The UAE tied with Qatar in first place globally, followed by Bahrain (4th), Kuwait (6th) and Oman (12th) as the top ranked Arab countries; while Algeria (155th), Egypt (162nd) and Mauritania (188th) ranked last. The average number of corporate tax payments per year in non-GCC Arab countries is 25.9 times compared to averages of 8.5 times in GCC economies and 25 times globally. Also, it takes a standard medium-size firm in non-GCC Arab countries 305.1 hours to prepare, file and pay its corporate taxes compared to a global average of 250.9 hours, while it takes a standard medium-size firm in GCC economies 52.2 hours on average to prepare, file and pay its corporate taxes. In parallel, the tax rate at a standard firm in non-GCC Arab countries is 14.4% for corporate tax, 18.3% for labor tax and 9.5% for non-corporate tax, compared to averages of 2.2%, 13.1% and 0.3%, respectively, for firms in GCC countries, and to global averages of 16%, 15.9% and 8.6%, respectively.

Source: PricewaterhouseCoopers, Byblos Research

EMERGING MARKETS

Trading in Credit Default Swaps up 32% to $376bn in third quarter of 2016

Trading in emerging markets Credit Default Swaps (CDS) reached $376bn in the third quarter of 2016, unchanged from the same quarter of 2015, and constituting an increase of 31.5% from $286bn in the second quarter of 2016. The quarter-on-quarter increase in CDS trading was primarily due to higher structural and geopolitical risks in Mexico, Turkey and South Africa. The most frequently-traded sovereign CDS contracts in the third quarter of 2016 were those of Turkey at $47bn, followed by Mexico at $41bn and Brazil at $38bn. As such, traded sovereign CDS contracts on Turkey accounted for 12.5% of total trading in emerging markets CDS, followed by CDS contracts on Mexico (10.9%) and Brazil (10.1%). The most frequently-traded corporate CDS contracts in the covered quarter were those of Mexico's Pemex at $1.4bn, which accounted for 0.4% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers as well as from 13 major international banks and broker-dealers.

Source: EMTA

Median corporate rating at 'BB+', speculative-grade ratings account for 53% of total

S&P Global Ratings indicated that it rated 1,552 corporate entities from emerging markets (EMs) as at the end of September 2016, which account for 22.5% of rated corporates worldwide. It said that 815 EM entities have speculative-grade ratings, while 737 entities have investment-grade ratings. It added that speculative-grade ratings accounted for 52.5% of total EM ratings at end-September 2016 compared to a share of 49.1% worldwide. The ratings distribution of EM issuers shows that 30.8% of rated firms are in the 'BBB' range, 30.1% belong to the 'BB' category, 20.3% are in the 'B' range, 13.5% are in the 'A' category, 2.7% are in the 'AA' range and 0.5% belong to the 'AAA' segment, while 2.1% of EM firms are rated 'CCC' or lower. Also, the EM median rating is 'BB+' relative to the global median of 'BBB-'. Further, S&P indicated that non-financial entities represented 55.5% of EM issuers and 59.8% of EM speculative-grade issuers, while financial institutions accounted for 49.1% of investment-grade entities in the region. It said that corporate issuers from each of Brazil and Mexico represented 11% of rated EM issuers at the end of September 2016, followed by those from China (9%), Taiwan (8%), Israel and Russia (7% each), Hong Kong (6%) and South Korea (3%). In parallel, S&P noted that it downgraded 3.7% of EM corporate entities and upgraded 2.5% during the third quarter of 2016, while it withdrew the ratings on 2.2% of EM corporates. It said that the EM corporates' downgrade- to-upgrade ratio stood at 1.48% at the end of September 2016 compared to the global ratio of 1.28%.

Source: S&P Global Ratings

EMERGING MARKETS

Growth to continue to pick up in 2017

Global investment bank Goldman Sachs expected economic activity in emerging markets (EMs) to continue to recover in the near term, as it projected real GDP growth in EMs to pick up from 4.2% in 2015 to 4.5% in 2016 and 5.2% in 2017. It anticipated that improving external balances, easing financial conditions and shifts towards attractive valuations and yields would support EM growth and EM assets in 2017.

Further, Goldman Sachs indicated that four developments point to a pick up in growth in 2017, which consist of an improvement in manufacturing activity, loosening EM policy rates, potential rebound in economic activity in developed markets and the increase in global oil prices. First, it said that manufacturing activity in EMs has improved so far in 2016 due to an easing in financial conditions, which would result in higher growth in coming months. But it noted that manufacturing activity must continue to expand in order to have a significant impact afterwards. Second, it pointed out that most EMs have significantly reduced their policy rates, which would support economic activity in coming quarters. Third, it projected economic activity in developed markets to accelerate in coming months, which would support higher growth in EMs. Fourth, it considered that a lagged increase in oil prices could be a mildly positive indicator of EM growth in early 2017.

In parallel, Goldman Sachs indicated that downside risks to the growth outlook include weakening EM currencies and higher EM sovereign bond yields, as well as higher EM debt levels. It noted that EM currencies have weakened by an average of 3.4%, while EM bond yields have increased dramatically following the U.S. presidential elections. It expected these developments to pose significant challenges to the sustained improvement in EM financial conditions and, in turn, to weigh on EM growth in 2017. Also, it projected the implementation of protectionist trade policies in the U.S. to have negative implications on EMs, mainly on Mexico and the open economies of Emerging Asia.
Source: Goldman Sachs

Non-life insurance premiums to grow by 5.3%, life premiums to rise by 20% in 2016

Global reinsurer Swiss Re projected non-life insurance premiums in emerging markets to post a real growth rate of 5.3% in 2016, up from 4.9% in 2015, but to be significantly lower than the 8% annual average growth rate during the 2010-14 period. It attributed the weak growth in non-life premiums to the sustained economic slowdown in Latin America, to the negative developments in Sub-Saharan Africa's largest markets, and to a deceleration in premium growth in China, which have been partly offset by strong premium growth in Central & Eastern Europe and the Middle East & North Africa (MENA) regions. It expected the growth of non-life premiums in emerging markets to improve gradually to 5.7% in 2017 and 6.7% in 2018 due to stabilizing economic conditions in most regions and to increased demand for insurance products. In comparison, it forecast global non-life insurance premiums to grow by real rates of 2.4% in 2016 and 2.2% in 2017 relative to 3% in 2015, and for non-life premiums in advanced markets to expand by real rates of 1.7% in 2016 and 1.3% in 2017 compared to 2.5% in 2015.

In parallel, Swiss Re expected life insurance premiums in emerging markets to grow by 20.1% in 2016 and by 14.9% in 2017 in real terms, relative to 13.2% in 2015. It noted that the growth in life insurance premiums significantly exceeds non-life premium growth in emerging markets, especially in Asia. It attributed the growth of life premiums in emerging markets to stabilizing economic activity, growing populations, ongoing urbanization and an expanding middle class. In comparison, it forecast premiums from the life insurance segment worldwide to grow by 5.4% in 2016 and by 4.8% in 2017 in real terms relative to 5% in 2015, and for life premiums in advanced markets to increase by 2% this year and 2.1% next year compared to 3.4% last year.

Overall, Swiss Re projected total insurance premiums in emerging markets to grow by 13.6% in 2016 and by about 10% annually in 2017 and 2018. It anticipated the soft prices in the non-life insurance market, as well as the increasing use of online and mobile technologies, to support the insurance industry in emerging economies in coming years. It indicated that downside risks to the outlook include financial market volatility and capital outflows from emerging markets. It expected these risks to translate into more cautious insurance buying behavior by households and corporates.
Source: Swiss Re

CÔTE d'IVOIRE

Economic growth to average 8% in 2016-17

The International Monetary Fund projected Côte d'Ivoire's real GDP to grow by 8% in each of 2016 and 2017 compared to a growth rate of 8.5% in 2015. It expected the country's economic activity in coming years to be driven by large infrastructure projects. In comparison, it forecast growth at 1.4% in 2016 and 2.9% in 2017 for Sub-Saharan Africa (SSA), and at 6.3% in 2016 and 6.5% in 2017 for the West African Economic and Monetary Union, to which Côte d'Ivoire belongs. It projected Côte d'Ivoire's real per capita GDP to grow by 5.2% in each of 2016 and 2017 relative to a growth rate of 5.8% in 2015. It forecast net FDI at 2.9% of GDP in 2016 and 3.3% of GDP in 2017, up from 2.1% of GDP in 2015. Further, it anticipated broad money to expand by 4.9% in 2016 and by 17.2% in 2017.

In parallel, the Fund projected the government's fiscal deficit to widen from 4.5% of GDP in 2015 to 5.7% of GDP in 2016 and 5.2% of GDP in 2017, when excluding grants; and to widen from 3% of GDP in 2015 to 4% of GDP in 2016 and 3.6% of GDP in 2017, when including grants. It forecast government revenues, excluding grants, at 20.1% of GDP in 2016 and 19.9% of GDP in 2017, and total government expenditures at 25.8% of GDP in 2016 and 25.2% of GDP in 2017. The IMF projected the country's external debt to official creditors to reach 29.6% of GDP in 2016 and 28.9% of GDP in 2017. Also, it expected the current account deficit to remain unchanged at 1.8% of GDP in 2016 and to widen to 2.1% of GDP in 2017. It noted that the country's gross official reserves covered 2.7 months of imports at end-2015 and are expected to cover 2.5 and 2.8 months of imports at the end of 2016 and 2017, respectively.
Source: International Monetary Fund

ECONOMY & TRADE

TUNISIA

Outlook revised to 'negative' due to worsening fiscal and external balances

Moody's Investors Service revised the outlook on Tunisia's 'Ba3' government issuer rating to 'negative' from 'stable'. It attributed the outlook revision to delays in fiscal consolidation that have worsened the country's fiscal profile, as well as to increasing external vulnerabilities from persistent current account imbalances and higher external debt. It noted that the government revised upward its fiscal deficits targets to 5.7% of GDP in 2016 and 5.4% of GDP in 2017. It added that the public debt level would rise from 55% of GDP in 2015 to 63.2% of GDP in 2016 and could exceed 65% of GDP during the 2017-18 period. It said that the increase in the debt level reflects slower-than-anticipated economic activity, weaker revenues, and currency depreciation. It pointed out that contingent liabilities from domestic and external guarantees, as well as outstanding net financial liabilities of non-financial public corporations, further weigh on Tunisia's fiscal profile. In parallel, the agency forecast the current account deficit at about 8% to 9% of GDP during the 2016-17 period. It noted that gross external debt increased from 68.7% of GDP in 2015 to 72.7% of GDP at the end of June 2016, while the country's gross external financing needs have exceeded 25% of GDP annually since 2011. It added that Tunisia's net international investment position of -124% of GDP as of end-2015 is among the highest among rated sovereigns.

Source: Moody's Investors Service

RWANDA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Rwanda's long-term foreign and local currency Issuer Default Ratings (IDRs) and the Country Ceiling at 'B+', with a 'stable' outlook. It indicated that the ratings reflect the country's wide current account and fiscal deficits, its strong and stable growth rates, and low inflation levels relative to its regional peers. It noted that the drop in global commodity prices has weighed on the balance of payments. It forecast the current account deficit to widen from 13.5% of GDP in 2015 to 16.9% of GDP in 2016, due the current drought and the purchase of two aircrafts by the national airline Rwanda Air in the second half of 2016. It anticipated the current account deficit to narrow to 11.8% of GDP in 2017 due to the authorities' policy-tightening and import substitution measures. Further, it said that the depreciation of the Rwandan franc has accelerated in 2015 and 2016 due to a stronger US dollar and a slowdown in capital flows, in addition to the wide structural current account deficit. Also, it estimated Rwanda's net external debt to rise significantly from 3.6% of GDP in 2012 to 24.7% of GDP in 2016 due to higher sovereign external borrowing. Further, the agency forecast the budget deficit at 4.7% of GDP in the fiscal year ending in June 2017, and expected it to narrow to 3.7% of GDP in FY2017/18 due to lower capital spending and higher tax revenues. However, it forecast the country's public debt level to rise from 42.3% of GDP in FY2015/16 to 51% of GDP by FY2018/19, as a result of the IMF loans and the sustained replacement of donor grants with concessionary loans.

Source: Fitch Ratings

NIGERIA

Persistent shortages of US dollars is key challenge for corporates

Moody's Investors Service indicated that corporates in Nigeria continue to face challenges from shortages in foreign currency and subdued real GDP growth, as the country adjusts to the low oil price environment. It said that the 60% depreciation of the Nigerian naira in June 2016 has partially cleared accumulated US dollar demand and stabilized foreign currency reserves. But it noted that access to US dollars through official channels remains challenging for some companies. It indicated that foreign currency limitations continue to pose challenges to the firms' day-to-day operations, as well as to their capital expenditures and financing activities. It added that corporates servicing US dollar debt commitments will continue to have priority access to US dollars, but they need to issue requests at least three months in advance. Also, it noted that companies requiring US dollars for their own activities, such as for capital spending outside Nigeria, will continue to face difficulties in obtaining sufficient US dollars. Further, Moody's did not expect a significant rebound in foreign capital inflows to the country due to the presence of a parallel foreign currency market. It said that investors are hesitant to invest in Nigeria due to persistent uncertainty about the possibility of a further devaluation of the naira. The agency expected the supply of US dollars to improve in coming months, in case oil prices recover and economic conditions improve.

Source: Moody's Investors Service

ARMENIA

Lower rates to support activity

Research and analytics provider IHS Markit indicated that the Central Bank of Armenia's (CBA) recent decision to reduce its key refinancing rate by 25 basis points to 6.5% aims to end the deflationary trend and support economic activity. It noted that the CBA has cut its refinancing rate by 25 basis points each month since February 2016, except in April, July and October. It pointed out that the inflation rate reached -0.9% year-on-year in October 2016 compared to -1.9% in the preceding month, and expected it to remain negative in coming months. It said that a slowdown in the global and domestic economy, along with an additional reduction in energy prices in 2017 and planned fiscal tightening next year, would prevent a significant increase in prices. It noted that the 2017 budget does not incorporate a rise in public-sector wages and pensions, while authorities are closing several related agencies, which would affect household expenditures, increase unemployment and affect confidence. Also, it indicated that the downturn in Russia's economy has reduced remittance inflows that support income and consumption in Armenia. As such, it forecast the inflation rate to average -2% in 2016 and 0.5% in 2017. IHS said that weaker consumer prices would allow the CBA to continue its monetary easing. However, it considered that the decline in interest rates is unlikely to stimulate the economy, which continues to face a low level of confidence and structural problems.

Source: IHS Markit

MENA

Tier One capital of top 100 Arab banks up 9% to $283bn at end-2015

The Banker magazine's annual survey of the Top 100 Arab banks by Tier One capital included 20 banks from the UAE, 12 banks from Saudi Arabia, 11 banks from Bahrain, 10 from each of Egypt, Lebanon and Qatar, nine from Kuwait, seven from each of Morocco and Oman, and four from Jordan. Banks in Saudi Arabia accounted for 29% of the aggregate Tier One capital of the top 100 Arab banks. UAE banks followed with 26% of the total, then Qatari banks with 12%, Kuwaiti banks with 8%, Bahraini banks with 6%, Lebanese banks with 5%, Egyptian and Moroccan banks with 4% each, Omani banks with 3% and Jordanian banks with 2%. *The Banker* magazine indicated that the aggregate Tier One capital of the Top 100 Arab banks reached $282.8bn at the end of 2015, reflecting an 8.6% increase from a year earlier. Also, the Arab banks' total assets reached $2,499bn at end-2015, up 5.8% year-on-year. Further, the banks' pre-tax profits grew by 4.7% to $44.3bn in 2015 compared to a 13.5% growth in 2014. Overall, the banks' return on capital stood at 15.67% in 2015, their return on assets was 1.77% and their average capital adequacy ratio was 11.31%. National Commercial Bank of Saudi Arabia retained its top ranking with a Tier One capital of $14.7bn at end-2015, equivalent to 5.2% of the 100 banks' aggregate Tier One capital, as well as pre-tax profits of $2.44bn, which represent 5.5% of the 100 banks' pre-tax profits.

Source: The Banker Magazine

EGYPT

Banks can manage currency devaluation and higher interest rates

Capital Intelligence Ratings (CI) anticipated that the Egyptian banks it rates would be able to manage the devaluation of the exchange rate and the increase in interest rates, due in part to the Central Bank of Egypt's (CBE) prudent policies and regulations, and the banks' improved risk management practices. It estimated that higher interest rates on loans would increase the debt burden for borrowers, which could lead to higher non-performing loans (NPL) and more restructured credits in the near term. In this context, it said that some banks have reinforced their already strong loan-loss reserve coverage for NPLs at the end of September 2016. Further, it anticipated the current higher interest rate environment to increase the net interest margin at some banks over the short term, but it expected margins to normalize once deposits adjust to the higher rates. In parallel, it pointed out that the devaluation of the pound could negatively affect the earnings and equity of banks that have been running short foreign currency positions at the time of the devaluation. It added that the devaluation could lead to an outflow of foreign currency deposits or a higher conversion of foreign currency deposits to Egyptian pounds. However, it said that banks could also experience an increase in foreign currency deposits, as the cash held outside the banking sector could be deposited at banks. In addition, it indicated that the currency devaluation would not affect the banks' foreign currency liquidity in case the CBE eases transfer and convertibility restrictions.

Source: Capital Intelligence Ratings

OMAN

Outlook on banking sector revised to stable

Moody's Investors Service revised the outlook on Oman's banking system from 'negative' to 'stable'. It expected the credit profiles of Omani banks to remain broadly stable in the coming 12 to 18 months, as higher government borrowing and hydrocarbon output would support public spending and, in turn, economic activity. It forecast lending growth to decelerate from 12% in 2015 to about 7% to 9% annually during the 2016-17 period, in line with the slowdown in economic activity. Further, the agency anticipated the banking sector's non-performing loans ratio to rise from 2.1% at the end of June 2016 to 3% at end-2017, as the economic slowdown would weigh on corporate profits and household finances. In parallel, Moody's forecast the banks' capital buffers to remain stable, which would provide them with a stronger capacity to absorb losses. It projected the banking sector's tangible common equity to range between 12% to 14% of risk-weighted assets over the next 12 to 18 months compared to 13.2% at the end of 2015. Further, it expected the banks' net interest margins to decrease from 2.5% in 2015 to between 2.2% and 2.4% over the next 12 to 18 months, in part due to higher provisioning charges. The agency indicated that increased domestic government borrowing and slower growth in deposit flows from the government and government-related entities would weigh on the banking system's liquidity.

Source: Moody's Investors Service

NIGERIA

Agency takes rating actions on Nigerian banks

Fitch Ratings downgraded from 'B' to 'B-' the long-term foreign currency Issuer Default Ratings (IDRs) of First Bank of Nigeria (FBN), FBN Holdings (FBNH), Diamond Bank, Fidelity Bank, First City Monument Bank (FCMB) and Union Bank of Nigeria (UBA). Also, it affirmed at 'B+' the IDRs of Bank of Industry, Guaranty Trust Bank and Zenith Bank, at 'B' those of Access Bank and United Bank for Africa, and at 'B-' the IDR of Wema Bank. It said that its actions follow its reassessment of potential sovereign support for the Nigerian banking sector. It considered that senior creditors can no longer rely on receiving full and timely extraordinary support from the Nigerian sovereign if any of the banks become non-viable. Further, Fitch indicated that the challenging and volatile operating environment, as well as the banks' financial profiles, constrain the banks' Viability Ratings (VRs) to the highly speculative 'b' range. It pointed out that Nigerian banks are facing challenges in refinancing existing obligations or in accessing foreign currency from the Central Bank of Nigeria to meet maturing obligations. Also, it noted that the new foreign exchange regime has provided limited access to foreign currency in the interbank market. In parallel, Fitch considered that asset-quality problems are understated by high levels of restructured loans at many banks, particularly in the oil and gas sector. It cautioned that the non-performing loan ratios could significantly rise because of the low oil price environment and the continuing disruptions to oil production. Further, the agency indicated that banks are exposed to further depreciation of the Nigerian naira, as the latter could reduce regulatory capital ratios.

Source: Fitch Ratings

Rising oil market volatility prior to OPEC meeting

ICE Brent crude oil front-month prices have traded between $28 per barrel (p/b) and $53 p/b so far in 2016. Oil prices closed at $49 p/b on November 23, 2016, constituting a decrease of 0.3% from the preceding day and a rise of 31.3% from the end of 2015. Prices remained highly volatile amid investors' mounting concerns about OPEC's ability to coordinate a planned output cut in their November 30 meeting in an attempt to reduce the current global market oversupply. Also, the US dollar rose to a near 14-year high against a basket of major currencies, which further weighed on oil prices. However, oil prices are expected to reach the $60 p/b level if OPEC members agree to implement production cuts in their upcoming meeting. In addition, the global oil market has entered a period of greater volatility as investment in new production is declining for a third consecutive year. In parallel, global oil demand is forecast to average 96.1 million barrels per day (b/d) in the fourth quarter of 2016 and to decrease to 95.8 million b/d in the first quarter of 2017; while global oil supply is projected to reach 97.3 million b/d this quarter and to decrease to 96.5 million b/d in the next quarter. As such, the market oversupply is expected to decrease from 1.2 million b/d in the fourth quarter of 2016 to 700,000 b/d in the first quarter of 2017, which would place upward pressure on prices. Brent crude oil prices are forecast to remain below the $50 p/b mark in the near term, in case OPEC members fail to reach an output deal.
Source: Bloomberg, U.S. EIA, BNP Paribas, Byblos Research

Middle East's consumer demand for gold down 35% in third quarter of 2016

The Middle East region's consumer demand for gold, which includes demand for jewelry and bars & coins, totaled 44 tons in the third quarter of 2016, down by 35.4% from 68.1 tons in the same quarter of 2015, and equivalent to 6.4% of global consumer demand for the precious metal. Saudi Arabia's demand for gold was 15.1 tons in the third quarter of 2016 and represented 34.3% of the region's total demand. It was followed by the UAE with 8.8 tons (20%) and Iran with 8.3 tons (18.9%).
Source: World Gold Council, Byblos Research

Nigeria's hydrocarbon export receipts down 47% in first nine months of 2016

Nigeria's crude oil and gas export receipts totaled $1.96bn in the first nine months of 2016, constituting a drop of 46.9% from $3.7bn in the same period of 2015. Export revenues in the first nine months consisted of $1.2bn from crude oil exports (61%), $616m from gas exports (31.4%) and $149m in other receipts (7.6%). In parallel, the Nigerian government agreed in November 2016 to pay, within five years, $5.1bn in cash-call arrears owed to multinational oil companies that are joint-venture partners of the state-owned Nigerian National Petroleum Corporation.
Source: Nigerian National Petroleum Corporation, Bloomberg

OPEC's oil output up 0.7% in October 2016

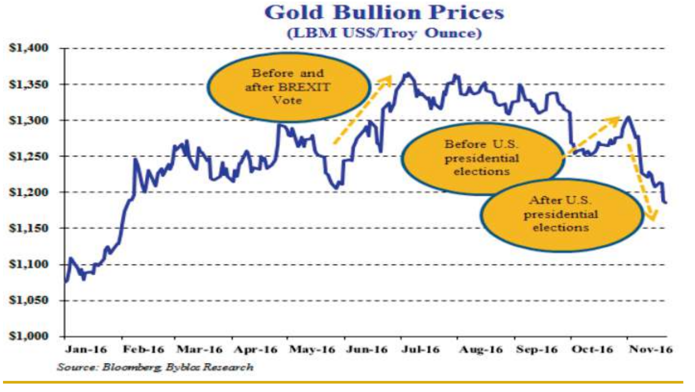
Crude oil production of the Organization of Petroleum Exporting Countries averaged 33.64 million barrels per day (b/d) in October 2016, up by 0.7% from 33.41 million b/d in the preceding month. Saudi Arabia produced 10.53 million b/d in October, equivalent to 31.3% of OPEC's total oil output. It was followed by Iraq with 4.56 million b/d (13.6%) and Iran with 3.69 million b/d (11%).
Source: OPEC, Byblos Research

Base Metals: Copper prices at seven-month high

LME copper three-month future prices traded at a seven-month high of $5,925 per metric ton on November 24, 2016, due to expectations of a pick-up in global manufacturing and infrastructure spending. The rise in the metal's price also reflects a 3% to 5% growth in Chinese demand for the metal in 2017, supported by sustained government stimulus policies. Further, the global copper market is expected to shift from an oversupply in 2016 to a production deficit by 2018, which would support the metal's prices in coming years. Copper prices are forecast to trade between $4,385 a ton and $5,500 a ton in the fourth quarter of 2016, and to average $4,901 a ton in full year 2017. In parallel, global demand for refined copper increased by 3.8% to 15.6 million tons year-on-year in the first eight months of 2016, mainly due to a 7.5% rise in Chinese demand for the metal. Demand for refined copper grew by 6% in Asia and by 2.5% in Europe, while it declined by 11% in Africa and by 4.5% in the Americas, and it was nearly unchanged in Oceania. On the supply side, the metal's global refined production rose by 3.1% to 15.5 million tons in the first eight months of 2016. China was the main contributor to growth in the metal's refined supply during the covered period.
Source: International Copper Study Group, Byblos Research

Precious Metals: Gold prices at nine-month low

The gold Bullion spot price reached a nine-month low on November 23, 2016 to close at $1,188 a troy ounce, down by 7% from $1,278 an ounce reached on November 9 when the results of the U.S. presidential elections were announced. The drop in prices was mainly due to a stronger US dollar that reached a near 14-year high amid the release of positive U.S. economic data. In fact, gold prices have an inverse relationship to the US dollar, given that the metal is priced in US dollars. The decline in gold prices coincided with a 4% rise in the trade-weighted US Dollar Index between November 8 and 24, 2016, which makes gold more expensive for investors. Other factors that contributed to the recent drop in gold prices include higher expectations of an increase in U.S. interest rates in December, higher planned fiscal spending on infrastructure in the U.S., and as investors shift their gold holdings toward equities in anticipation of U.S. President-elect Donald Trump's stimulatory economic policy in the form of reduced regulation and lower corporate taxes. As such, assets in gold-backed ETFs reached in November their lowest level since June 2016. In parallel, upside risks to gold prices include a longer-term inflationary environment, increasing geopolitical risks and further delays in U.S. interest rate hikes. Gold prices are expected to average $1,245 an ounce in the fourth quarter of 2016 and to drop to $1,185 an ounce in the first quarter of 2017.
Source: Bloomberg, BNP Paribas, 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+ Negative	-11.2	24.6	4.2	18.9	2.2	-	-11.1	1.0
Angola	B Negative	B1 Negative	B Negative	- -	B+ Negative	-7.1	70.1	96.8*	85.0**	7.3	14.4	-11.6	2.6
Egypt	B- Stable	B3 Stable	B Stable	B- Stable	B- Stable	-10.1	93.5	21.1	206.8	11.5	302.8	-5.2	2.4
Ethiopia	B Stable	B1 Stable	B Stable	-	B+ Stable	-3.0	55.4	29.0*	159.6	4.3	634.6	-10.7	4.1
Ghana	B- Stable	B3 Stable	B Negative	- -	B+ Negative	-3.9	74.1	44.7	110.4**	10.3	371.8	-7.2	7.7
Ivory Coast	- -	Ba3 Stable	B+ Stable	- -	B+ Stable	-3.1	33.0	34.1	62.9	2.7	169.6	-1.8	3.3
Libya	- -	- -	B Stable	- -	B- Negative	-35.4	83.0	16.5	51.6	-	-	-48.7	-9.6
Dem Rep Congo	B- Negative	B3 Stable	- -	- -	CCC Stable	1.1	19.8	16.6*	41.6	2.1	6.5	-14.2	4.5
Morocco	BBB- Stable	Ba1 Stable	BBB- Stable	- -	BBB Stable	-3.5	56.5	39.2	124.8	19.9	185.6	-0.5	2.6
Nigeria	B Stable	B1 Negative	B+ Stable	- -	BB- Negative	-4.7	13.3	5.5	62.5	0.7	63.2	-3.1	1.2
Sudan	- -	- -	- -	- -	CC Negative	-1.7	58.3	53.2	-	-	-	-6.3	1.3
Tunisia	- -	Ba3 Negative	BB- Negative	- -	BB+ Stable	-5.1	57.8	80.7	165.6	15.7	423.9	-8.7	4.2
Burkina Faso	B- Stable	- -	- -	- -	B+ Stable	-3.0	32.6	23.2*	-	-	-	-5.3	2.3
Rwanda	B Stable	B2 Stable	B Positive	- -	B+ Stable	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
Middle East													
Bahrain	BB Stable	Ba2 Stable	BB+ Stable	BB+ Stable	BBB- Negative	-14.7	73.2	127.6	239.3	24.6	-	-2.1	-0.2
Iran	- -	- -	- -	BB- Stable	BB- Positive	-2.6	17.5	2.2	8.8	-	-	-2.6	-
Iraq	B- Stable	(P)Caa1 Stable	B- Negative	- -	CC+ Stable	-11.3	71.4	59.1	158.8	-	-	-2.8	-
Jordan	BB- Negative	B1 Stable	- -	BB- Stable	BB+ Stable	-3.4	90.4	64.5	141.2**	10.5	177.3	-6.4	5.5
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	AA- Stable	-2.4	12.8	36.1	61.9	10.5	107.6	-2.1	-8.4
Lebanon	B- Stable	B2 Negative	B- Stable	B Negative	B- Stable	-7.8	142.6	175.4	207.2**	23.4	151.1	-21.3	5.9
Oman	BBB Negative	Baa1 Stable	- -	A- Negative	BBB Negative	-15.2	25.6	27.5	48.4	5.6	-	-22.4	-1.0
Qatar	AA Stable	Aa2 Negative	AA Stable	AA- Negative	AA- Stable	-2.9	41.6	110.9	213.8	24.9	-	-2.0	-1.8
Saudi Arabia	A- Stable	A1 Stable	AA- Negative	AA- Negative	AA- Stable	-11.7	17.6	19.7	60.7	4.2	-	-11.0	0.8
Syria	- -	- -	- -	- -	C Negative	-	-	36.5	-	-	-	-	0.6
UAE	- -	Aa2 Negative	- -	AA- Stable	AA- Stable	-6.4	64.9	51.2	54.2	4.0	313.8	-0.3	1.1
Yemen	- -	- -	- -	- -	CCC Negative	-10.0	67.3	17.3	-	-	197.2	-7.0	-0.2

COUNTRY RISK METRICS

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

**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	14-Dec-16
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	23-Nov-16	No change	19-Jan-17
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	14.75	17-Nov-16	No change	29-Dec-16
Turkey	Base Rate	8.00	24-Nov-16	Raised 50bps	20-Dec-16
South Africa	Repo rate	7.00	22-Sep-16	No change	24-Nov-16
Kenya	Central Bank Rate	10.00	20-Sep-16	Cut 50bps	28-Nov-16
Nigeria	Monetary Policy Rate	14.00	22-Nov-16	No change	N/A
Ghana	Prime Rate	25.50	21-Nov-16	Cut 50bps	20-Jan-17
Angola	Base rate	16.00	03-Nov-16	No change	28-Nov-16
Mexico	Target Rate	5.25	17-Nov-16	Raised 50bps	15-Dec-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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