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BYBLOS BANK SAL
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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity real estate investment funds raise $33bn in first quarter of 2018

Research provider Preqin indicated that 47 closed-end private equity (PE) real estate investment funds raised $32.6bn in capital commitments in the first quarter of 2018, compared to 67 PE real estate investment funds that raised $37.1bn in the previous quarter and to 82 funds that secured $23.8bn in the first quarter of 2017. Also, it said that 30 PE real estate funds with a primary focus on North America secured $20.2bn in the first quarter of 2018, or 62.1% of total capital commitments, followed by five Asian-focused fund ($7.4bn), and 12 European-focused funds ($5bn). It pointed out that 16 funds with a primary focus on opportunistic investments raised a total of $20.6bn during the first quarter of 2018, or 63% of total capital commitments, followed by seven debt funds with $6.4bn in commitments (19.6%), 17 value-added funds with $4.2bn in raised capital (12.8%), three core funds with $0.6bn (1.9%), two distressed property funds with $0.5bn (1.6%), and two core-plus funds with $0.4bn (1.1%). Also, the survey indicated that a record-high of 642 closed-end PE real estate funds are currently seeking to raise an all-time high of $205.6bn in the second quarter of 2018, up 7.7% from $191bn in capital targeted in the previous quarter. It added that 401 out of the 642 funds, or 62.5% of the total, are seeking to raise a total of $127bn in capital in the second quarter of the year that will be invested in North America.

Source: Preqin

BAHRAIN

Aggregate earnings of listed firms down 2% to $2.1bn in 2017

The net income of 40 companies listed on the Bahrain Stock Exchange totaled BHD775.8m, or $2.06bn in 2017, which constitutes a decrease of 1.8% from BHD790m, or $2.1bn, in 2016. Listed commercial banks generated net profits of $1bn in 2017 and accounted for 49.4% of the total earnings of publicly-listed firms. Investment firms followed with $530.2m, or 25.7% of the total, then industrial corporates with $258.4m (12.5%), services firms with $207.1m (10%), hotels and tourism companies with $28.2m (1.4%), and insurers with $20.2m (1%). Further, the net earnings of industrial companies grew by 102% in 2017, while those of listed commercial banks increased by 6.6% last year. In contrast, the net profits of listed insurers regressed by 28.5% in 2017 from the previous year, followed by hotels & tourism companies (-27.9%), investment firms (-27.4%), and services corporates (-5.7%).

Source: KAMCO

MENA

Capital inflows to decline by 6% to $139bn in 2018

The Institute of International Finance projected total non-resident capital inflows to the Middle East & Africa (ME&A) region at $138.6bn in 2018, which would constitute a decrease of 6% from $147.4bn in 2017. It attributed the anticipated decline in capital inflows this year mainly to an 18.1% drop in portfolio investment inflows and a 13.3% decrease in other investment inflows, that would be partly offset by a 39.8% rise in foreign direct investment (FDI). It forecast non-resident private capital inflows to the ME&A region to account for 11.4% of total net private inflows to emerging markets in 2018 relative to a share of 12.2% in 2017. Further, it projected portfolio investments to drop from $77.5bn in 2017 to $63.4bn this year, and for other investments to regress from $42.7bn last year to $37bn in 2018. It also expected FDI inflows to grow from $27.2bn in 2017 to $38.1bn this year. In parallel, the IIF forecast resident capital outflows from the ME&A region at $155.4bn in 2018, nearly unchanged from $155.7bn in 2017. Overall, the IIF expected net capital outflows from the ME&A region, when excluding errors and omissions, to increase from $8.6bn last year to $16.8bn in 2018. Also, it forecast net capital outflows, when including errors and omissions, to rise from $19.7bn in 2017 to $32.6bn this year.

Source: Institute of International Finance

IPOs raise $630m in first quarter of 2018

Figures released by EY indicated that capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled $629.6m in the first quarter of 2018, up by 57.1% from $400.8m in the same quarter of 2017, and accounted for 1.5% of the total capital raised through IPOs worldwide. There were six IPOs in the MENA region in the first quarter of 2018 relative to 11 IPOs in the same period of 2017, equivalent to 2.1% of the global volume. On a country basis, five IPOs in Saudi Arabia raised $603.2m in the first quarter of 2018, or 95.8% of the MENA region's total, while one IPO in Egypt secured $26.4m, or 4.2% of the total. In parallel, five IPOs in the real estate sector raised $603.2m, or 95.8% of the MENA region's total, while one IPO in the financial services sector secured $26.4m, or 4.2% of the total. In parallel, financial information provider Bureau Van Dijk indicated that there were five IPO deals in the MENA region in the first quarter of 2018 that raised $481m, compared to eight IPOs that secured $165m in the same quarter of 2017. The largest IPO transaction was in Saudi Arabia and raised $421m, or 87.5% of the aggregate value of deals in the MENA region, followed by one deal in Egypt with $26m (5.4%), two IPO transactions in Iran with $20m (4.2%) and one IPO deal in Oman with $13m (2.7%).

Source: EY, Bureau Van Dijk

OUTLOOK

AFRICA

Growth projected at 3.4% in 2018, outlook subject to downside risks

The International Monetary Fund projected real GDP growth in Sub-Saharan Africa (SSA) to accelerate from 2.8% in 2017 to 3.4% in 2018, mainly due to stronger global economic activity, higher global commodity prices and improved market access. It forecast real GDP growth to pick up from 0.5% in 2017 to 2% this year in SSA's oil exporters, while it expected growth to reach 4.3% this year compared to 4.4% in 2017 for the region's oil importers. It projected the SSA region's average growth rate to remain below 4% over the medium term under current policies, well below the historical growth trend. It noted that economic activity continues to vary significantly across SSA economies. It said that SSA's oil exporters are still implementing fiscal adjustment measures that led to subdued growth rates and rising debt levels, while other economies continue to grow at 6% or higher. Further, it noted that risks to the outlook include a tightening in global financial conditions, weaker-than-expected growth in key advanced and emerging economies, regional political and policy uncertainties, as well as domestic security challenges. Further, it anticipated the SSA region's inflation rate at 9.6% at end-2018 compared to 10.3% at the end of 2017, due to lower food prices and monetary policy tightening in oil-exporting economies.

Further, the IMF projected the SSA region's fiscal deficit to narrow from 5% of GDP in 2017 to 4% of GDP this year, mainly due to sustained fiscal consolidation efforts. Still, it expected the region's median debt ratio to rise from 45.9% of GDP in 2017 to 48.1% of GDP in 2018, amid increasing debt servicing costs and subdued economic activity. It anticipated the region's debt dynamics to remain vulnerable to fiscal slippages, subdued growth rates, exchange rate depreciations and tighter financial conditions. In parallel, it projected the aggregate current account deficit of SSA economies to widen from 2.6% of GDP last year to 2.9% of GDP this year, and to vary between a deficit of 4.5% of GDP for SSA oil importers and a deficit of 0.4% of GDP for the region's oil exporters. It forecast the region's foreign currency reserves to cover 5.3 months of imports at end-2018.

Source: International Monetary Fund

IRAN

Growth to decelerate on adverse impact of U.S. sanctions

The Institute of International Finance projected Iran's real GDP growth to decelerate from 3.4% in the fiscal year that ended in March 2018 to 1.1% in FY2018/19, due to lower oil exports following the U.S. withdrawal from the nuclear deal with Iran and the reimposition of sanctions on the country, as well as to slower private consumption and capital investment. It forecast hydrocarbon output to contract by 2% in FY2018/19 compared to a growth rate of 2.8% in FY2017/18, while it expected growth in the non-hydrocarbon sector to slow down from 3.6% in FY2017/18 to 2% in FY2018/19. Also, it forecast the country's nominal GDP to decrease from $419bn in FY2017/18 to $370bn in FY2018/19, reflecting the sharp depreciation of the official and parallel market rates in recent months. It expected the reimposition of U.S. sanctions and the uncertain developments related to the nuclear deal to weigh heavily on investments and to limit Iran's growth prospects. However, it considered that the impact could be muted if Iran's main energy trading partners find an alternative way to pay for their oil purchases from Iran without relying on banks that deal with U.S. correspondent banks. Further, it projected the average inflation rate to increase from 10% in FY2017/18 to 16.8% in FY2018/19, due to the sharp currency depreciation and the increase in the cost of imported goods.

In parallel, the IIF considered that higher oil prices would ease the pressure on Iran's fiscal and external balances. It projected the fiscal deficit to narrow from 3% of GDP in FY2017/18 to 2.7% of GDP in FY2018/19, in case of higher oil revenues amid an increase in global oil prices. It expected the public debt level to rise from 41% of GDP at the end of March 2018 to 48.5% of GDP at end-March 2019. In parallel, it forecast Iran's current account surplus to increase from 5.2% of GDP in FY2017/18 to 8.1% of GDP in FY2018/19, as higher oil export receipts would more than offset the impact of lower volume of exports. But it anticipated Iran's foreign currency reserves to decline from $113.3bn at end-March 2018 to $109.8bn at end-March 2019, and to cover about 15 months of imports, amid the expected acceleration in capital outflows and difficulty in accessing export earnings amid U.S. sanctions.

Source: Institute of International Finance

IRAQ

Non-hydrocarbon activity to grow by 4.7% in 2018-19 period

The International Monetary Fund projected Iraq's real GDP to grow by 3.1% in 2018 and by 4.9% in 2019, compared to a contraction of 0.8% in 2017. It forecast non-hydrocarbon sector activity to grow by 4.4% in 2018 and by 5% in 2019, while it expected the country's hydrocarbon real GDP growth to reach 2.4% and 4.9% in 2018 and 2019, respectively, compared to a contraction of 3.5% in 2017. It said that the new reconstruction phase following the defeat of Islamic State militants would support the country's non-oil activity. Further, it forecast Iraq's average inflation rate at 2% in each of 2018 and 2019, compared to 0.4% in 2017.

The Fund indicated that Iraqi authorities continued to implement fiscal adjustment in 2017 under the IMF-supported program, and expected the government to proceed with its fiscal consolidation efforts in 2018, mainly through the introduction of sales and excise taxes, and through other measures to contain the public sector wage bill. In this context, the IMF expected the fiscal deficit to shift from a deficit of 2.3% of GDP in 2017 to a marginal surplus of 0.3% of GDP in 2018, but to post a small deficit of 0.6% of GDP in 2019. It projected the public debt level to decline from 58% of GDP at the end of 2017 to 54.7% of GDP at end-2018 and 54.4% of GDP at end-2019. Further, it forecast the current account balance to post a surplus of 0.2% of GDP in 2018 relative to a surplus of 0.7% of GDP in 2017, but to shift to a deficit of 1.6% of GDP in 2019. It forecast Iraq's foreign currency reserves to increase from $48.1bn, or 6.7 months of import cover, at end-2017 to $59.4bn, or 8.1 months of imports, at end-2018 and $64.4bn, or 8.6 months of imports, at end-2019.

Source: International Monetary Fund

EMERGING MARKETS

African economies using IMF programs amid significant external and fiscal imbalances

Barclays Capital indicated that countries in the Eastern Europe, the Middle East & Africa (EEMEA) region account for 26 out of 34 economies with IMF programs worldwide, but it said that the number of countries with IMF programs varies across the region. It noted that 17 Sub-Saharan African (SSA) countries have active IMF programs, the highest in the EEMEA region, while only six countries in the Middle East & North Africa (MENA) have an IMF program in place. Also, it expected 12 out of 15 Eurobond issuers in the SSA region to have active IMF programs by the end of 2018, which would help them address their balance-of-payments financing challenges. It said that the high number of SSA issuers with IMF programs reflects their persistent vulnerabilities, including sizable external and fiscal imbalances and low foreign currency reserve buffers. For instance, it noted that IMF programs in Gabon and Ghana, which are under balance-of-payments pressure, support the countries' capacity to repay debt through accelerating external financing and minimizing liquidity risks. In parallel, Barclays pointed out that the stance of MENA issuers towards IMF programs varies across the region. It said that Morocco successfully implemented IMF-supported programs, while it considered Tunisia's two successive IMF programs to have been challenging, especially ahead of the upcoming parliamentary and presidential elections in 2019. It added that Egypt recently adopted an IMF program following two failed attempts to adopt such a plan.

Source: Barclays Capital

EGYPT

Sovereign ratings upgraded on improving macroeconomic fundamentals

S&P Global Ratings upgraded from 'B-' to 'B' Egypt's long-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It attributed the ratings' upgrade to stronger economic growth prospects and rising foreign currency reserves amid ongoing reforms under the IMF-supported Extended Fund Facility program. It projected real GDP growth to accelerate from 4.2% in the fiscal year that ended in June 2017 to an annual average rate of 5.4% between FY2017/18 and FY2020/21, supported by a strong rebound in the natural gas, tourism, construction and manufacturing sectors, as well as by sustained remittance inflows. In parallel, it indicated that the liberalization of the exchange rate has improved the country's external position, raised investor confidence and increased foreign currency reserves. As such, it forecast the current account deficit to narrow from 6.5% of GDP in FY2016/17 to 4% of GDP in FY2017/18 and 2.7% of GDP by FY2020/21, on the back of higher tourism receipts and private remittance inflows. Also, it said that Egypt's foreign currency reserves increased from $28.6bn at end-April 2017 to $44bn at the end of April 2018. In parallel, S&P anticipated the government's fiscal deficit to narrow from 10.1% of GDP in FY2017/18 to 6.8% of GDP by FY2020/21 amid ongoing fuel subsidy cuts, electricity tariff hikes and the containment of the civil service wage bill, as well as higher tax receipts. As such, it projected the government's debt level to regress from 94.7% of GDP in FY2017/18 to 87.4% of GDP by FY2020/21.

Source: S&P Global Ratings

OMAN

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'BB/B' Oman's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It noted that the ratings are mainly supported by its expectations that the government will maintain a modest net asset position in 2018, and that the fiscal and current account deficits will gradually narrow. But it said that the ratings are constrained by the country's high reliance on the oil sector, still wide fiscal deficits with limited domestic market funding, and reduced monetary policy flexibility. It expected real GDP to grow by an annual average rate of 3.8% in the 2018-21 period, relative to a contraction of 0.3% in 2017, supported by stable oil production, rising global oil prices, and stronger growth in the non-oil economy. In parallel, S&P expected the current account deficit to narrow from 14.4% of GDP in 2017 to 8.8% of GDP in 2018, mainly due to higher oil export receipts, but to stay elevated at about 10.4% of GDP in the 2019-21 period. It anticipated the country's gross external financing needs to remain substantial at an average of 142% of current account receipts and usable reserves in the 2018-21 period. In parallel, S&P projected the fiscal deficit to narrow from 13.1% of GDP in 2017 to an average of 6.9% of GDP annually during the 2018-21 period, due to the government's fiscal consolidation measures. It expected authorities to finance the deficits through external debt issuance and a drawdown of foreign assets. As such, it forecast the government debt level to rise from 41.7% of GDP at end-2017 to 49.8% of GDP by the end of 2021.

Source: S&P Global Ratings

SAUDI ARABIA

Fiscal deficit widens in first quarter of 2018

Jadwa Investment indicated that Saudi Arabia's fiscal deficit widened by 31% year-on-year to SAR34.3bn, or $9.1bn, in the first quarter of 2018, as a result of higher expenditures. It pointed out that government expenditures increased by 17.8% annually to reach SAR200.6bn in the covered quarter, mainly due to a 24% rise in current expenditures, which was partly offset by a decline of 10.8% in capital expenditures in the first quarter of 2018. It attributed the current expenditures growth mainly to a 20% increase in the compensation of employees and a rise of 2.8 times in social benefits payments. In parallel, it noted that government revenues grew by 15% year-on-year to SAR166.3bn in the first quarter of 2018. It said that non-hydrocarbon receipts expanded by 63% annually to SAR52.3bn in the covered quarter, partly due to a rise of four times in receipts from taxes on goods & services, which include the VAT and the excise tax on products such as tobacco and soft drinks. It added that the significant increase in taxes on goods & services reflects the government's continued efforts to raise non-oil receipts through reforms. In parallel, it said that oil revenues grew by 1.7% year-on-year to SAR113.9bn in the first quarter of 2018. Overall, Jadwa anticipated income from tax to continue to rise in coming quarters and to generate SAR42bn in revenues this year, while it expected higher global oil prices to support hydrocarbon receipts in the second quarter of 2018. It forecast the government's fiscal position to improve significantly in 2018 in case oil prices remain at their current average for the rest of the year.

Source: Jadwa Investment

JORDAN

Lending to resident private sector up 2% in first quarter of 2018

The consolidated balance sheet of commercial banks in Jordan indicated that total assets reached JD49.8bn or $70.2bn at the end of March 2018, constituting increases of 1.4% from the end of 2017 and of 4.5% from end-March 2017. Resident private sector claims grew by 1.8% from end-2017 to JD22.9bn, while credit facilities to the non-resident private sector rose by 6.8% to JD534m, leading to an increase of 1.9% in overall private sector credit facilities in the first quarter of 2018. Lending to the resident private sector accounted for 46% of total assets at the end of March 2018 compared to 44.5% a year earlier. In parallel, resident private sector deposits reached JD27.1bn at the end of March 2018, up by 0.8% from JD26.9bn at end-2017 and by 3.9% from JD26.1bn at end-March 2017, while non-resident private sector deposits grew by 3% from the end of 2017 and by 9.9% from end-March 2017 to JD3.75bn. The government's deposits totaled JD967m, up by 1.1% from end-2017, while those of public non-financial institutions regressed by 2.2% to JD244.8m. In parallel, claims on the public sector accounted for 21.1% of total assets at end-March 2018 compared to 23.5% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD5.8bn, or $8.2bn at end-March 2018, up by 9.7% from JD5.3bn at end-March 2017; while capital accounts and allowances increased by 4.4% from end-March 2017 to JD7.6bn. Also, deposits at foreign banks reached JD3.9bn, or $5.5bn, at the end of March 2018, down by 3.9% from end-2017; while the sector's foreign liabilities were almost unchanged from end-2017 at about JD6.8bn.

Source: Central Bank of Jordan, Byblos Research

NIGERIA

Outlook on banking sector stable amid easing foreign currency liquidity risks

Moody's Investors Service maintained a stable outlook on the Nigerian banking sector, due to a moderation in the banks' foreign currency liquidity risks amid the government's rising oil export receipts and a more liberal foreign exchange policy. However, it expected the banks' earnings to come under pressure and for capital metrics to decline marginally in the next 18 months, despite the stabilization of the banks' foreign currency funding and liquidity profiles. It forecast asset quality to remain weak, but it did not anticipate a further deterioration in loan performance, as operating conditions would gradually improve in the next 12 to 18 months. Further, Moody's noted that economic growth in Nigeria remains vulnerable to fluctuations in global oil prices, given that oil constitutes the country's largest export commodity and the main source of foreign currency earnings. It forecast lending to grow by about 10% in the next two years, following a 15.4% contraction in 2017, supported by an anticipated recovery in economic activity. In parallel, the agency expected the profitability of Nigerian banks to decline due to lower yields on government securities and reduced income from derivatives. But it said that this will be partly offset by higher credit growth and revenues from the expansion of digital platforms. It anticipated the banking sector's non-performing loans and associated provisions at 15.5% to 18% of gross loans over the next 18 months, reflecting the banks' delayed response to last year's subdued economic growth.

Source: Moody's Investors Service

QATAR

Profits of banks up 14% in first quarter of 2018

The aggregate earnings of the listed Qatar National Bank, Qatar Islamic Bank, Commercial Bank of Qatar, Masraf Al Rayan and Doha Bank reached QAR5.4bn, equivalent to $1.5bn, in the first quarter of 2018, constituting an increase of 13.7% from the same period last year. The growth in the aggregate profits is due to a 10% increase in the banks' net interest income amid strong lending growth. The aggregate lending of the five banks reached QAR927.4bn, or $244.5bn, at the end of March 2018, up by 10% from end-March 2017, driven by public sector lending. In addition, the banks' aggregate deposits grew by 9% year-on-year to about QAR909bn, or $249bn, at the end of March 2018, supported by strong public sector deposits. Further, the banks' loans-to-deposits ratio was nearly unchanged at 102% at the end of March 2018 from a year earlier, as the increase in deposits was broadly in line with the annual lending growth. In addition, higher global oil prices are expected to support the banks' liquidity, but rising interest rates are anticipated to weigh on the banks' interest margins this year. Also, the banks' non-performing loans ratio stood at 2.1% at the end of March 2018, up from 1.9% at end-March 2017, mainly reflecting a strong deterioration in Doha Bank's asset quality.

Source: EFG Hermes, Byblos Research

TURKEY

Negative outlook maintained on banking sector

Moody's Investors Service maintained its negative outlook on the Turkish banking sector, as it expected the banks' financial metrics to deteriorate over the next 12 to 18 months amid a weaker operating environment. It considered that Turkish banks have become more vulnerable to shifts in investors' confidence, as a result of the increasing likelihood of a re-evaluation by foreign investors of the Turkish economy and banking risks. It anticipated the sector's reliance on external funding to remain high in the coming 12 to 18 months. Also, the agency anticipated the sector's non-performing loans ratio to increase from 3% at end-2017 to 4% in the next 12 to 18 months due to subdued economic activity, sustained currency depreciation, as well as high inflation and unemployment rates. In addition, it said that the banks' return on assets reached 1.7% in 2017, supported by the government stimulus measures. It expected the banks' profitability to deteriorate slightly in the coming 12 to 18 months amid subdued lending growth, higher domestic funding costs and increasing loan-loss provisions. In parallel, the agency noted that Turkish banks have adequate capital buffers, but expected the sector's common equity tier one capital ratio, which stood at 14% at the end of 2017, to decline in the coming 12 to 18 months, in case of further currency depreciation and higher-than-expected lending growth. It anticipated the authorities' capacity to support banks to weaken, as reflected by the sovereign downgrade, and said that the government's limited foreign-currency buffers would lead to a more selective provision of foreign-currency support to banks if needed.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices hit $80 p/b on supply concerns

ICE Brent crude oil front-month prices rose by 8.4% since the beginning of May 2018 to reach a three-year high of $79.3 per barrel (p/b) on May 16, 2018, while WTI oil prices grew by 6.2% from May 1 to reach $71.4 p/b on May 16, 2018. Also, Brent oil prices hit $80 p/b in intra-day trading on May 17, 2018, the highest level since November 2014. The recent surge in prices mainly reflects stronger global demand, sustained production cuts by OPEC and non-OPEC members, as well as heightened geopolitical tensions in the Middle East. In fact, the prospects of a sharp decrease in Iranian oil exports in coming months, due to the withdrawal of the U.S. from the nuclear deal with Iran and the re-imposition of sanctions on the country, have lifted oil prices in recent days. In addition, the ongoing economic crisis and political uncertainties in Venezuela ahead of its upcoming presidential elections increased investors' doubts that the country's hydrocarbon output and exports will drop significantly in the next months, which have raised oil prices. Further, the summer driving season in the U.S. is expected to provide some support to oil prices in coming months. In contrast, the sustained increase in U.S. hydrocarbon production and rig counts is exerting downward pressure on prices, specifically on WTI prices, which is widening the Brent-WTI spread. Overall, Brent oil prices are expected to average $75 p/b in the second quarter of 2018 compared to $67.3 p/b in the first quarter of the year, while WTI prices are projected to average $71.8 p/b in the second quarter relative to $62.9 p/b in the preceding quarter.

Source: Thomson Reuters, Byblos Research

Iraq's oil supply to grow by 2.2% in 2018

The International Monetary Fund expected Iraq's crude oil production to reach 4.57 million barrels per day (b/d) in 2018, which would constitute an increase of 2.2% from 4.47 million b/d in 2017. Also, it projected the country's crude oil exports to average 3.89 million b/d in 2018, up by 2.4% from 3.8 million b/d last year. Iraq is currently OPEC's second largest oil producer.

Source: International Monetary Fund, Byblos Research

OPEC's oil basket price up 7.3% in April 2018

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) averaged $68.43 per barrel (p/b) in April 2018, constituting an increase of 7.3% from $63.76 p/b in the preceding month. Nigeria's Bonny Light posted a price of $72.75 p/b, followed by Algeria's Saharan blend at $72.13 p/b and Angola's Girassol crude oil at $71.8 p/b. In parallel, all 14 prices included in the OPEC reference basket posted monthly increases that ranged from $3.32 p/b to $5.7 p/b in April 2018.

Source: OPEC, Byblos Research

Iran's oil production to decline on renewed sanctions

S&P Global Platts, the energy analytics arm of S&P Global Ratings, revised Iran's oil production for 2019 to 3.74 million barrels per day (b/d) from 3.91 million b/d previously, due to the reimposition of U.S. sanctions on the country. It expected the renewal of U.S. sanctions to weaken Iran's ability to attract foreign investment in the hydrocarbon sector in the medium term, which would keep the country's output flat or lower through 2025.

Source: Barclays Capital, S&P Global Platts

Base Metals: Aluminum prices to rise on wider production deficit

The LME aluminum three-month prices averaged $2,178 per metric ton in the first four months of 2018, up by 10% from an average of $1,980 per ton in 2017, amid concerns that the U.S. Administration will impose new sanctions on several Russian entities. However, the metal's price decreased from a seven-year high of $2,537 per metric ton in mid-April 2018 to close at $2,315.5 per metric ton on May 16, 2018, following an announcement by the U.S. that it might lift sanctions on Russian company Rusal, the world's second largest aluminum producer. Still, aluminum prices are projected to increase from an average of $1,980 per ton in 2017 to $2,210 per ton in 2018. The expected rise in the metal's price this year would reflect a widening of the production deficit in the aluminum market, due to an anticipated year-on-year growth of 7% to 9% in Chinese demand in 2018. Downside risks to prices include higher Chinese aluminum production, which has already increased to a 10-month high in April 2018. They also include higher production in the U.S. amid the latter's policies to reduce aluminum imports and encourage domestic production.

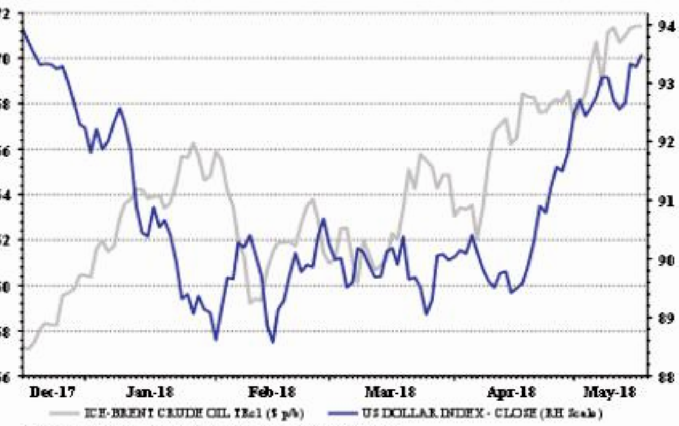
Source: ABN AMRO, Thomson Reuters, Byblos Research

Precious Metals: Gold prices to rise on higher investment demand and global geopolitical tensions

Gold prices decreased by 1.9% day-to-day to close at $1,294 per troy ounce on May 15, 2018, their lowest level so far in 2018. The day-to-day decline in prices also constitutes the steepest daily decrease in over a year and half. The drop in gold prices is due to increased expectations of a US interest rate hike in June 2018, a growth in U.S. bond yields to their highest levels since 2011 and a stronger US dollar. Still, the metal's price is forecast to increase by 8.2% to $1,360 an ounce in 2018, mainly supported by heightened geopolitical risks in the Middle East, as well as higher investment demand, mainly in bar demand. In addition, the Central Bank of the Republic of China is anticipated to purchase around 400 tons of gold in 2018, which will support the metal's price. However, expectations of slower growth in jewelry consumption, mainly as a result of weak Indian demand, are forecast to limit a further rise in prices this year. In addition, the metal's mine production is projected to post strong growth in 2018 following a contraction in 2017, supported by higher Russian supply and stable Chinese output.

Source: Thomson Reuters, Byblos Research

Crude Oil Prices vs. US Dollar Index



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	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	-2.5	17.3	2.5	-	-	-	-12.3	-
Angola	B-	B3	B	-	B-								
	Stable	Stable	Stable	-	Stable	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
Egypt	B	B3	B	B	B+								
	Stable	Stable	Positive	Positive	Positive	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
Ethiopia	B	B1	B		B+								
	Stable	Stable	Stable	-	Stable	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
Ghana	B-	B3	B	-	BB-								
	Positive	Stable	Stable	-	Stable	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
Ivory Coast	-	Ba3	B+	-	B+								
	-	Stable	Stable	-	Stable	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
Libya	-	-	B	-	B-								
	-	-	Stable	-	Stable	-16.4	78.2	-	-	-	-	-10.6	-
Dem Rep	CCC+	B3	-	-	CCC								
Congo	Stable	Negative	-	-	Stable	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Stable	Positive	Stable	-	Stable	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
Nigeria	B	B2	B+	-	BB-								
	Stable	Stable	Negative	-	Stable	-4.5*	15.7	7.4	29.5	1.2	69.4	1.4	1.4
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-2.5	55.2	47.5	-	-	-	-4.7	-
Tunisia	-	B2	B+	-	BB-								
	-	Stable	Stable	-	Negative	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-3.6*	33.3	23.1**	-	-	-	-7.2	-
Rwanda	B	B2	B+	-	B+								
	Stable	Stable	Stable	-	Stable	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
Middle East													
Bahrain	B+	B1	BB-	BB	BB+								
	Stable	Negative	Stable	Stable	Negative	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
Iran	-	-	-	BB-	BB-								
	-	-	-	Negative	Positive	0.7	29.2	2.0	-	-	-	5.3	-
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Stable	-	Stable	-4.2	60.0	38.8	-	-	-	-4.4	-
Jordan	B+	B1	-	BB-	BB+								
	Stable	Stable	-	Negative	Stable	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
Kuwait	AA	Aa2	AA	AA-	AA-								
	Stable	Stable	Stable	Stable	Stable	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
Lebanon	B-	B3	B-	B	B-								
	Stable	Stable	Stable	Stable	Stable	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
Oman	BB	Baa3	BBB-	BBB	BBB-								
	Stable	Negative	Negative	Stable	Negative	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
Qatar	AA-	Aa3	AA-	AA-	A+								
	Negative	Negative	Negative	Negative	Negative	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
Saudi Arabia	A-	A1	A+	A+	AA-								
	Stable	Stable	Stable	Stable	Stable	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-								
	-	Stable	-	Stable	Stable	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
Yemen	-	-	-	-	CC								
	-	-	-	-	Negative	-6.0	77.4	20.3	-	-	-	-4.2	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	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-								
	-	Positive	Positive	-	Stable	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB-	Baa2	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB-	Baa3	BBB	-	BBB								
	Negative	Stable	Stable	-	Stable	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Stable	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BBB-	Ba1	BBB-	-	BBB-								
	Stable	Positive	Positive	-	Stable	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	BB-	Ba2	BB+	BB+	BB-								
	Stable	Stable	Stable	Negative	Stable	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	B-	Caa2	B-	-	B-								
	Stable	Positive	Stable	-	Stable	-3.0	89.8	144.5	226.4	32.1	827.4	-3.6	1.7

** including grants for Sub-Saharan African countries*
*** to official creditors*
****Credit Watch Negative*
Source: Institute of International Finance; International Monetary Fund; IHS Global Insight; Moody's Investors Service; Byblos Research - The above figures are estimates for 2017

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.50-1.75	02-May-18	Raised 25bps	13-Jun-18
Eurozone	Refi Rate	0.00	26-Apr-18	No change	14-Jun-18
UK	Bank Rate	0.50	10-May-18	No change	21-Jun-18
Japan	O/N Call Rate	-0.10	26-Apr-18	No change	15-Jun-18
Australia	Cash Rate	1.50	01-May-18	No change	05-Jun-18
New Zealand	Cash Rate	1.75	10-May-18	No change	28-Jun-18
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Mar-18	No change	21-Jun-18
Canada	Overnight rate	1.25	18-Apr-18	No change	30-May-18
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.75	14-Jun-17	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	22-Mar-18	No change	21-Jun-18
South Korea	Base Rate	1.50	12-Apr-18	No change	24-May-18
Malaysia	O/N Policy Rate	3.25	10-May-18	No change	11-Jul-18
Thailand	1D Repo	1.50	16-May-18	No change	20-Jun-18
India	Reverse repo rate	6.00	05-Apr-18	No change	06-Jun-18
UAE	Repo rate	2.00	22-Mar-18	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	2.25	15-Mar-18	Raised 75bps	N/A
Egypt	Overnight Deposit	16.75	29-Mar-18	Cut 100bps	17-May-18
Turkey	Base Rate	8.00	25-Apr-18	No change	07-Jun-18
South Africa	Repo rate	6.50	28-Mar-18	Cut 25bps	24-May-18
Kenya	Central Bank Rate	9.50	19-Mar-18	Cut 50bps	28-May-18
Nigeria	Monetary Policy Rate	14.00	04-Apr-18	No change	22-May-18
Ghana	Prime Rate	18.00	26-Mar-18	Cut 200bps	21-May-18
Angola	Base rate	18.00	30-Apr-18	No change	28-May-18
Mexico	Target Rate	7.50	12-Apr-18	No change	17-May-18
Brazil	Selic Rate	6.50	17-May-18	No change	21-Jun-18
Armenia	Refi Rate	6.00	15-May-18	No change	27-Jun-18
Romania	Policy Rate	2.50	07-May-18	Raised 25bps	04-Jul-18
Bulgaria	Base Interest	0.00	30-Apr-18	No change	31-May-18
Kazakhstan	Repo Rate	9.25	16-Apr-18	Cut 25bps	04-Jun-18
Ukraine	Discount Rate	17.00	12-Apr-18	No change	24-May-18
Russia	Refi Rate	7.25	27-Apr-18	Cut 25bps	15-Jun-18

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