

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Trade-restrictive measures increase by May 2018

The World Trade Organization indicated that WTO members have put in place 75 new trade-restrictive measures between mid-October 2017 and mid-May 2018, compared to 108 new restrictive measures applied between mid-October 2016 and mid-October 2017. WTO members introduced on average 11 trade-restrictive measures per month during the covered period, up from nine measures per month between mid-October 2016 and mid-October 2017 due to increasing trade tensions. The distribution of new trade-restrictive measures shows that import-related restrictions accounted for 86.7% of total measures, while export-related restrictions represented 9.3% of the total during the covered seven-month period. Current trade-restrictive measures cover about 0.53% of world merchandise imports. In parallel, the WTO said that its members introduced 89 new trade-liberalizing or facilitating measures during the covered period, relative to 128 new trade-facilitating measures between mid-October 2016 and mid-October 2017. As such, WTO members introduced on average 13 new trade-facilitating measures per month during the covered period, up from 11 monthly measures between mid-October 2016 and mid-October 2017. Import-related measures accounted for 83% of trade-facilitating procedures, while export-related measures represented the remaining 17%. Import-facilitating measures covered an estimated \$107.3bn of trade merchandise, while import-restrictive measures covered \$84.5bn of global trade.

Source: World Trade Organization

MENA

Logistics environment regresses in Arab world

The World Bank's Logistics Performance Index (LPI) for 2018 showed that the overall logistics environment in the Arab world regressed over the past two years and remained less favorable than the logistics climate worldwide. The region received an average score of 2.71 points in 2018 compared to 2.77 points in 2016, and was lower than the global average score of 2.87 points. The logistics environment varies among Arab countries, as the Gulf Cooperation Council (GCC) countries' average score stood at 3.24 points, and was significantly higher than the average score of non-GCC Arab countries of 2.46 points. The LPI provides a cross-country assessment of the logistics gap among countries. It aims to help countries identify the challenges and opportunities they face in the quality and development of trade-related logistics. It is based on a survey of operators on the ground who provided feedback on the logistics friendliness of the countries in which they operate and those with which they trade. Based on the same set of countries, the rankings of eight Arab countries improved and those of eight declined, while Qatar's ranking was unchanged from the previous survey in 2016. The UAE and Qatar remained the highest ranked Arab countries at 11th and 30th place globally, respectively, and were the only Arab countries among the top 30 countries worldwide in terms of logistics readiness. They were followed by Oman in 43rd place globally, Saudi Arabia (55th) and Bahrain (59th). In contrast, Yemen (140th), Iraq (147th) and Libya (154th) were the lowest-ranked Arab economies.

Source: World Bank, Byblos Research

GCC

Hospitality market to reach \$32.5bn by 2022

Alpen Capital projected the size of the hospitality industry in the Gulf Cooperation Council (GCC) countries to grow from \$22.9bn in 2017 to \$25.6bn in 2018, \$29.7bn in 2020 and \$32.5bn in 2022, and to post a compound annual growth rate (CAGR) of 7.2% between 2017 and 2022. The market size covers hotel room revenues and income from serviced apartments. It anticipated revenues from the hotel room market in the GCC region to reach \$25.4bn in 2022 and to grow at a CAGR of 7.25% during the 2017-22 period, while it forecast receipts from the serviced apartments market to total \$7.1bn by 2022 and to expand at a CAGR of 6.6% during the covered period. It expected the hotel room market revenues to account for about 78.1% of the total hospitality market in 2022, unchanged from 2017. It anticipated the sector's long-term outlook to remain strong and to be underpinned by the governments' efforts to support tourism, large infrastructure development projects and upcoming mega events in the region, such as Expo 2020 in Dubai and the 2022 FIFA World Cup in Qatar. Further, it forecast the hospitality industry in Qatar to post a CAGR of 12.1% during the 2017-22 period, followed by Bahrain (+9.6%), the UAE (+8.5%), Oman (+7.5%), Saudi Arabia (+6.5%) and Kuwait (+6.1%). It projected Saudi Arabia's hospitality sector to account for 65.6% of the GCC's hospitality industry in 2022 compared to a share of 68.1% in 2017, the UAE's market share to rise to 23.4% from 22.3%, Qatar's share to grow to 4.3% from 3.5%, Oman's share to remain stable at 3.1%, Bahrain's share to expand to 2.2% from 1.7% and Kuwait's share to increase to 1.4% from 1.3%.

Source: Alpen Capital

Fixed income issuance at \$69.4bn in first seven months of 2018

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached \$69.4bn in the first seven months of 2018, compared to \$122.6bn in full year 2017. Aggregate fixed income in the first seven months of 2018 included \$33.2bn in sovereign bonds, or 47.8% of the total, followed by corporate bond issuance at \$20.9bn (30.1%), sovereign sukuk at \$9.6bn (13.8%) and corporate sukuk at \$5.7bn (8.2%). Overall, bonds and sukuk issued by GCC sovereigns totaled \$42.8bn, or 61.7% of total fixed income issuance in the region, while bonds and sukuk issued by corporates in the GCC amounted to \$26.6bn or 38.3% of the total. On a monthly basis, GCC sovereigns issued \$10.3bn in bonds and sukuk in January, \$300m in February, \$1.6bn in March, \$25.3bn in April, \$800m in May, \$3.6bn in June and \$900m in July 2018. In parallel, corporates in the GCC issued \$2.2bn in bonds and sukuk in January, \$7.7bn in February, \$6.4bn in March, \$5.7bn in April, \$3.4m in May, \$800m in June and \$400m in July 2018.

Source: KAMCO

OUTLOOK

EMERGING MARKETS

Debt rollover risks increase in economies with elevated gross financing needs

The Institute of International Finance assessed the fiscal vulnerability of emerging markets (EMs) based on solvency, debt rollover and foreign-currency risks. It noted that its solvency risk assessment takes into account a country's current and future public debt level under current policies and macroeconomic environment. It said that the public debt level is generally moderate in EMs but is elevated at above 60% of GDP in Brazil, Egypt, Hungary, India and Ukraine. It expected the public debt levels of Argentina and Brazil to grow rapidly from already high levels, while it anticipated Saudi Arabia's debt level to increase at a fast pace but from a very low level. In contrast, it projected the public debt level to decrease significantly in Egypt, while it expected the debt levels of Hungary and Ukraine to decline at a slow pace.

In parallel, the IIF pointed out that countries with moderate debt levels could face debt rollover risks if their gross financing needs are large, as they would have to borrow substantially in adverse market conditions. It noted that rollover risks are highest in Egypt, Hungary and Brazil due to their very large gross financing needs. It considered that resident holders of public debt often include banks and pension funds that are less prone than foreigners to reduce their exposure during difficult market conditions. It said that Hungary, Indonesia, Poland and Ukraine have the highest rollover risks based on this metric. Further, the IIF indicated that foreign currency as a share of total public debt is generally low in EMs, which makes the impact of potential exchange rate depreciations on debt ratios more manageable. But it considered that foreign-currency risks are very high in Argentina and Ukraine, with foreign-currency debt accounting for more than 70% of their public debt.

Further, the IIF said that Argentina, Brazil and Ukraine have the highest overall fiscal vulnerability among EMs, which reflects the countries' high debt and dollarization levels. It noted that Argentina and Ukraine have IMF programs that could reduce their vulnerability, while fiscal vulnerability remains elevated in Egypt and Hungary, despite the expected decline in their debt levels.

Source: Institute of International Finance

UAE

Non-oil GDP to grow by 2.7% in 2019

Regional investment bank EFG Hermes projected the UAE's real GDP growth to accelerate from 0.8% in 2017 to 1.7% in 2018 and 2.4% in 2019, supported by the normalization of oil output following production cuts under the OPEC agreement. However, it forecast non-oil real GDP to decelerate from 2.5% in 2017 to 2.4% in 2018, but to rebound to 2.7% in 2019 from the impact of the announced expansionary fiscal policy. It indicated that the UAE announced the adoption of an expansionary fiscal stance in the near term amid the recovery in oil prices. It noted that Dubai announced a strong expansionary budget for 2018, which includes a 20% increase in total expenditures, mainly driven by a 47% growth in infrastructure spending, with almost 50% of such spending earmarked towards Expo 2020-related projects. Also, it said that Abu Dhabi announced a AED50bn stimulus package that would be deployed over three years with spending of

AED17bn, or 1.4% of non-oil GDP, annually. As such, it forecast the UAE's fiscal deficit to narrow from 4% of GDP in 2017 to 2.2% of GDP in 2018, and to shift to a small surplus of 0.4% of GDP in 2019.

Further, EFG Hermes indicated that authorities have announced a series of initiatives to promote growth, which include more lenient visa rules, the relaxation of foreign ownership limits, as well as lower government fees. It noted that these measures aim to reduce the cost of doing business and stimulate demand. It considered that downside risks to the growth outlook include higher U.S. interest rates and a stronger US dollar, given the UAE dirham's peg to the dollar. It added that a stronger US dollar would weigh on the UAE's competitiveness, especially in emirates that are less reliant on oil receipts, which could negatively impact the tourism and property sectors. However, it considered that the recent recovery in oil prices would gradually alleviate such downside pressures.

Source: EFG Hermes

TURKEY

Adverse economic and monetary developments to challenge growth prospects

Goldman Sachs indicated that challenges to Turkey's near-term outlook have increased amid tightening domestic financial conditions, the sharp depreciation of the Turkish lira, the slowdown in growth, and a persistently high inflation rate and wide current account deficit. It noted that financial conditions have tightened since mid-April 2018 due to higher interest rates on Turkish government bonds, increased credit spreads and weaker equities. It added that higher global oil prices and a moderation in global economic activity will weigh on the country's growth prospects in coming quarters. It indicated that the lira has depreciated by about 25% in previous weeks, and that the currency crisis has been driven by political factors, such as the escalation of Turkish-U.S. tensions and the announcement of tariffs on Turkish steel and aluminum imports to the U.S. But it considered that the vulnerability of the lira has deeper economic roots, and that the authorities' failure to address the accumulated internal and external imbalances over the previous years has eroded the country's policy credibility and increased the risks of a currency crisis. It expected the currency crisis to put further pressure on Turkey's already high inflation rate, and to weigh on business and consumer confidence. It said that growth prospects depend on changes in domestic financial conditions, oil prices, fiscal policy and global activity.

Further, Goldman Sachs indicated that Turkish policymakers have three options to stabilize the currency. First, it noted that authorities could seek conventional means, which consist of a combination of monetary and fiscal measures, but it said that the government could fail to take sufficient measures to address the economic imbalances amid challenging funding conditions. Second, it indicated that authorities could seek external assistance, most likely from the International Monetary Fund. It noted that authorities have so far rejected the possibility of external assistance, but that they might need to resort to this option in case pressures increase. Third, it said that the government could impose capital controls, but that this would deter foreign capital inflows on which Turkey relies to fund its current account deficit.

Source: Goldman Sachs

ECONOMY & TRADE

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B-' Angola's long-term foreign and local currency sovereign ratings, with a 'stable' outlook. It indicated that the ratings balance the country's relatively low economic wealth and the sustained increase in the public debt level, with the expected implementation of macroeconomic reforms to support economic growth and reduce debt levels. It projected real GDP to grow by an average of 2.8% annually in the 2018-21 period relative to a contraction of 2.5% in 2017, mainly due to higher oil prices and output, as well as improved non-hydrocarbon sector activity amid the new administration's economic and governance reforms. It forecast the average inflation rate to reach 20% in 2018 amid an expected depreciation of 30% in the Angolan kwanza this year, and to moderate in coming years as the currency stabilizes. Further, it anticipated the fiscal deficit to narrow from 5.2% of GDP in 2017 to 3.4% of GDP in 2018 and to average 2.1% of GDP annually in the 2019-21 period, due to lower investment spending and higher non-oil revenues. It projected the public debt level to rise from 67.7% of GDP at the end of 2017 to a peak of 72% of GDP at end-2018, but to decline to 64.7% by end-2021 in case of fiscal consolidation measures. In addition, it forecast the current account balance to shift from a deficit of 1.2% of GDP in 2017 to a surplus of 1.5% of GDP in 2018 due to higher oil export receipts. Further, it expected Angola's gross external financing needs to exceed 100% of current account receipts plus usable reserves during the 2018-21 period.

Source: S&P Global Ratings

EGYPT

Economy still facing major challenges

The International Monetary Fund indicated that Egypt's main challenges in coming years are related to its rapidly growing population, the modernization of its economy, and ensuring a modern social safety net that protects the most vulnerable in society. It expected an additional 3.5 million young Egyptians to join the labor market over the next five years, which would increase pressure in the labor market. However, it noted that a growing labor force could translate into faster economic growth if the private sector efficiently absorbs the emerging labor force. As such, it pointed out that authorities are implementing structural reforms that support private sector development, such as improving the efficiency of land allocation, strengthening competition and public procurement, as well as raising the transparency of state-owned enterprises. Further, it said that Egypt's economic performance has been constrained by the government's inward-oriented economic policies, weak governance and the state's large role in economic activity, which resulted in significant misallocation of resources. As such, the IMF called on authorities to improve the allocation of resources in order to generate higher growth rates and remove price distortions, such as energy subsidies, which impede markets from functioning efficiently. It noted that the proper pricing of energy would improve economic efficiency, while the reduction of energy subsidies would create space for spending on healthcare and education. It added that the 2018-19 budget aims to replace energy subsidies with programs that directly support the poorest households through expanded cash transfer and food subsidy programs.

Source: International Monetary Fund

TURKEY

Agencies downgrade sovereign ratings

S&P Global Ratings downgraded Turkey's long-term foreign-currency sovereign credit rating from 'BB-' to 'B+', and its local currency rating from 'BB' to 'BB-', with a 'stable' outlook. It attributed the downgrades to its expectation that the extreme volatility of the Turkish lira and the resulting balance-of-payments adjustment will weaken Turkey's economic prospects. It noted that the lira has depreciated by 38% against the US dollar since the beginning of the year, following a long period of accumulating macroeconomic imbalances and overheating. As such, it forecast real GDP to contract by 0.5% in 2019 from a growth rate of 3.9% in 2018 as a result of lower consumption and investment, sustained currency volatility and reduced foreign financing inflows. It forecast the inflation rate to peak at 22% over the next four months, and to decline to below 20% by mid-2019. Further, it said that a weaker lira is putting pressure on the indebted corporate sector and is significantly increased the banking sector's funding risks. In addition, it projected the current account deficit to narrow from 5.6% of GDP in 2018 to 2.6% of GDP in 2019, due to the weaker currency and tighter financing conditions. In parallel, Moody's Investors Service downgraded Turkey's long-term issuer ratings from 'Ba2' to 'Ba3', and revised the outlook from 'stable' to 'negative'. It attributed the downgrade to the sustained weakening of Turkey's public institutions and to reduced policy credibility and effectiveness, as reflected by heightened concerns about the independence of the Central Bank of the Republic of Turkey, and by the absence of a clear and credible economic plan to address the underlying causes of the recent financial distress.

Source: S&P Global Ratings, Moody's Investors Service

OMAN

Outlook on sovereign ratings revised to 'negative'

Capital Intelligence Ratings (CI) affirmed at 'BBB' Oman's long-term foreign and local currency sovereign ratings, and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to sustained wide fiscal and external deficits, and to delays in implementing fiscal measures to raise non-hydrocarbon revenues and reduce the high reliance of public finances on hydrocarbon export receipts. It said that heightened geopolitical risks continue to weigh on the country's ratings. It projected Oman's fiscal and current account deficits to remain wide at 7.5% of GDP and 7.4% of GDP, respectively, in 2018, despite the modest increase in hydrocarbon revenues. As such, it expected the public debt level to rise from 44.2% of GDP at the end of 2017 to 57.5% of GDP at end-2020, as it anticipated the government to continue to post wide fiscal deficits during the 2018-20 period. Also, it forecast the public debt to increase from 150% of budget revenues in 2017 to 191% of revenues in 2020. In addition, it anticipated total external debt to increase by about nine percentage points of GDP between 2017 and 2020 amid the wide current account deficits. In parallel, CI noted that Oman's ratings are supported by the potential external support from other Gulf Cooperation Council (GCC) countries in the event of financial distress. But it said that the likelihood of support might be lower than in previous years, as the decrease in hydrocarbon prices has weighed on the public and external finances of GCC economies.

Source: Capital Intelligence Ratings



BANKING

TURKEY

Risks to banking sector increase amid currency depreciation

Citi Research indicated that the sustained depreciation of the Turkish lira is raising concerns about the stability of the Turkish banking sector. It noted that the widening current account deficit, elevated inflation rate and credibility gap from the Central Bank of the Republic of Turkey (CBT) have pressured the lira over the previous months. It considered that the CBT's current policies could not defend the Turkish lira from further depreciation, despite the recent injection of \$2.2bn by the CBT into the banking sector. Further, it indicated that increased concerns about foreign-currency mismatches, corporate restructuring and heightened geopolitical risks have all weighed on the banks' credit profiles. It said that the banks' lending activity is heavily concentrated in the manufacturing, wholesale & retail and construction sectors, which together account for 61% of total loans. It anticipated the banks' non-performing loans ratio to reach 4% to 5% in 2018, and to increase to 6% to 8% under more severe conditions. In parallel, Citi pointed out that the high corporate restructurings have raised doubts about the hedging practices of major Turkish companies. Also, it indicated that sustained currency depreciation could weaken the banks' capital adequacy ratios. But it said that the banks have comfortable capital buffers to weather an extraordinarily severe currency shock. It added that the banks have sufficient foreign-currency liquidity to meet their wholesale liabilities over the next 12 months. In parallel, Citi indicated that the ability of Turkish banks to borrow in external markets has come under question amid rising regional and domestic political tensions.

Source: Citi Research

MOROCCO

Implementation of IFRS 9 weighing on banks' capital position

Fitch Ratings indicated that the implementation of international accounting standard IFRS 9 in January 2018 has weighed on Moroccan banks' already weak capital positions. However, it did not expect the banks to breach the minimum regulatory capital ratios, as Bank Al-Maghrib has allowed a five-year transition period for the banks to strengthen their balance sheets and make up for the shortfalls in their reserves. It indicated that Groupe Banque Centrale Populaire was the most affected with a decrease of 13.8% in its equity, followed by BMCE Bank with a 10.5% decline and Attijariwafa Bank with a 9.1% drop in its equity, all of which are domestic systemically-important banks. It noted that BMCE and Attijariwafa Bank operate with core capital ratios that are only slightly higher than the minimum requirements, and that their buffers to absorb moderate shocks are limited. It added that the three banks would have breached minimum Tier one capital ratios in January 2018 in the absence of Bank Al-Maghrib's forbearance. Further, it said that other banks were less affected, such as Crédit Immobilier et Hôtelier whose equity declined by 4.3% and Crédit du Maroc, a subsidiary of Crédit Agricole, whose equity dropped by 3.2%. Further, it considered that Banque Marocaine pour le Commerce et l'Industrie and Société Générale Marocaine de Banques have the best loan classification and provisioning policies in Morocco.

Source: Fitch Ratings

SAUDI ARABIA

Ratings on 11 banks affirmed on favorable operating environment

Fitch Ratings affirmed at 'A-' the long-term Issuer Default Ratings (IDRs) of National Commercial Bank (NCB), Al Rajhi Bank, Samba Financial Group (SAMBA), Riyad Bank, Banque Saudi Fransi (BSF) and Saudi British Bank. It also affirmed at 'BBB+' the IDRs of Arab National Bank (ANB), Alinma Bank, Alawwal Bank, Saudi Investment Bank (SAIB) and Bank Al-jazira (BAJ). Further, it affirmed the 'stable' outlook on 10 banks' long-term IDRs, while it maintained Alawwal Bank's IDR on Rating Watch Positive to reflect the bank's non-binding agreement to merge with Saudi British Bank, which would create a large systemic bank in Saudi Arabia. It noted that the banks' credit profiles are supported by the favorable operating environment in Saudi Arabia, as well as by an extremely high probability of government support in case of need. But it said that the sector's asset quality remains under pressure and could further deteriorate in case of heightened internal or external political shocks, and given the economic concentration of the country. It indicated that domestic lending contracted in 2017, while it expected lending growth to be muted this year. Further, it affirmed at 'a-' the Viability Rating (VR) of NCB, Al Rajhi Bank, Saudi British Bank and SAMBA; at 'bbb+' that of BSF, Riyad Bank and ANB; at 'bbb' the VR of Alinma Bank and Alawwal Bank; at 'bbb-' that of SAIB and at 'bb+' the VR of BAJ. It noted that NCB's VR is supported by the bank's strong company profile, diversified earnings and sound retail funding base. It added that Al Rajhi Bank's VR reflects the bank's leading retail business model, strong earnings, exceptional funding base and substantial capital buffers.

Source: Fitch Ratings

BAHRAIN

Ratings on four banks downgraded

Moody's Investors Service downgraded from 'B1' to 'B2' the long-term local currency deposit ratings of Bank of Bahrain and Kuwait (BBK) and National Bank of Bahrain (NBB), and from 'B1' to 'B2' the long-term local currency issuer ratings of Bahrain Islamic Bank (BISB) and Khaleeji Commercial Bank (KHCB). Also, it downgraded from 'B2' to 'B3' the long-term foreign currency deposit ratings of BBK and NBB, as well as the long-term foreign currency issuer ratings of BISB and KHCB. It maintained a 'negative' outlook on all the banks' ratings. The agency noted that the downgrade of the four banks' ratings follows its similar action on the sovereign ratings and reflects the government's reduced capacity to support banks in case of need. It added that the government's weakening creditworthiness weighs on the stand-alone credit profile of the banks, given the banks' high exposure to government securities. Still, it considered that Bahrain's banking sector is resilient, with strong capital ratios, sound profitability and healthy liquidity buffers. But, it expected the weakening operating environment and lower non-oil GDP growth to weigh on the banks' asset quality. In parallel, Moody's downgraded the baseline credit assessments (BCAs) of NBB, BBK and KHCB from 'b1' to 'b2' and affirmed the BCA of BISB at 'b2'. It attributed the downgrade of BBK and NBB's BCAs to their large direct holdings of Bahraini government securities.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Oil prices decline on concerns about global economic slowdown

ICE Brent crude oil front-month prices reached a four-month low of \$70.8 per barrel (p/b) on August 15, 2018, reflecting mounting concerns in the oil market about a slowdown in global economic growth amid growing trade tensions between the U.S and China, weaker industrial data from China, as well as weaknesses in several other emerging economies. In this context, oil traders are factoring-in the risks of a financial contagion from Turkey's currency crisis to other large emerging markets, such as South Africa, Argentina, Mexico and Russia. In fact, imported oil prices are becoming more expensive in countries where currencies are depreciating against the dollar. As such, imported oil prices in Turkey have become 60% more expensive, given the depreciation of the lira. In addition, the large build-up in US inventories reflected concerns about the outlook for fuel demand, as U.S. crude oil inventories increased by 6.8 million barrels in the week to August 10 and represented the largest weekly rise since March 2017. Also, the U.S. rig count, which is an early indicator of future output, reached 869 rigs in the week to August 17, its highest level since March 2015, reflecting strong growth potential for U.S. oil output. However, the introduction of additional U.S. sanctions on Iran's oil output in November 2018 remains a major upside risk for oil prices. Overall, Bank of America Merrill Lynch forecast Brent oil prices to average \$71 p/b in the third quarter of 2018, \$69 p/b in the fourth quarter of the year, and \$70.3 p/b in 2018.

Source: Thomson Reuters, Bank of America Merrill Lynch

OPEC's oil output at 32.3 million b/d in July 2018

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 32.32 million barrels per day (b/d) in July 2018, nearly unchanged from 32.28 million b/d in the preceding month. Saudi Arabia produced 10.4 million b/d in July 2018, or 32.1% of OPEC's total oil output, followed by Iraq with 4.56 million b/d (14.1%), Iran with 3.74 million b/d (11.6%) and the UAE with 2.96 million b/d (9.2%).

Source: OPEC, Byblos Research

Consumer demand for gold in the Middle East up 8% in second quarter of 2018

The Middle East region's consumer demand for gold, which includes demand for jewelry and bars & coins, totaled 63.7 tons in the second quarter of 2018, up by 8.2% from 58.9 tons in the same quarter of 2017. It was equivalent to 8.4% of global consumer demand for the precious metal. Consumer demand for gold in Iran was 21.7 tons in the second quarter of 2018 and represented 34.1% of the region's total demand, followed by Saudi Arabia with 13.3 tons (20.8%) and the UAE with 10.3 tons (16.2%).

Source: World Gold Council, Byblos Research

OPEC's oil basket price unchanged in July 2018

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) averaged \$73.27 per barrel (p/b) in July 2018, almost unchanged from \$73.22 p/b in the preceding month. The UAE's Murban posted a price of \$76 p/b, followed by Nigeria's Bonny Light at \$75.06 p/b and Angola's Girassol at \$74.4 p/b. In parallel, six out of the 15 prices included in the OPEC reference basket posted monthly decreases between \$0.04 p/b and \$0.94 p/b in July 2018.

Source: OPEC, Byblos Research

Base Metals: Copper prices reach one-year low amid easing supply concerns

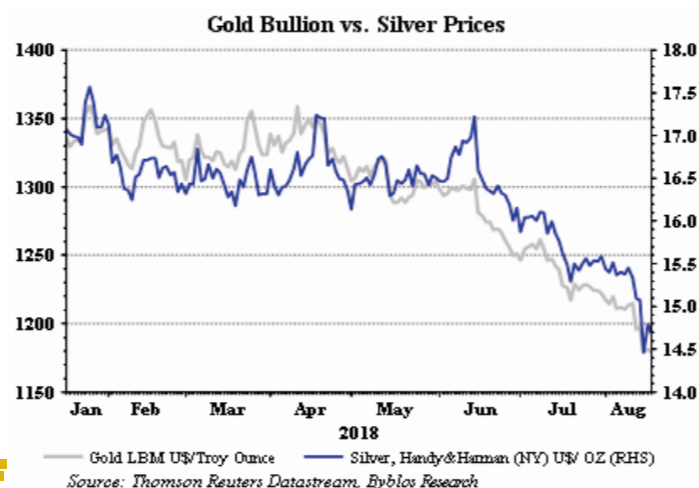
LME copper three-month future prices averaged \$6,269 per ton in July 2018, which constitutes a decline of 10% from an average of \$6,967.9 per ton in June of this year, mainly due to concerns about the potential adverse impact of the trade dispute between the United States and China on global economic growth and on copper demand. The metal's price further decreased to a near one-year low of \$5,801 per ton on August 15, 2018, as concerns about supply disruptions eased following the success of the last round of the negotiations at the Escondida mine, the world's largest copper mine in Chile. In this context, the union that represents the Chilean workers at the mine signed a new collective labor contract, which ended the risk of a strike at the mine and averted a repeat of last year's 44-day strike that weighed heavily on global copper production. Still, prices are expected to slightly recover from an average of \$6,790.5 per ton so far this year to \$7,250 per ton by end-2018, and to rise further to an average of \$7,350 per ton in 2019, amid increasing optimism over easing U.S.-China trade tensions as both countries recently decided to hold lower-level trade negotiations.

Source: ABN Amro, Thomson Reuters, Byblos Research

Precious Metals: Silver prices to start recovering in fourth quarter of 2018

Silver prices averaged \$16.5 per troy ounce in the first seven months of 2018, which represents a decline of 3.8% from an average of \$17.2 an ounce in the same period of 2017. Further, prices decreased from an average of \$16.6 an ounce in April 2018 to \$15.7 an ounce in July and to a 31-month low of \$14.5 an ounce on August 15, 2018. The decline in silver prices so far this year reflects subdued investor demand for the metal, and a stronger US dollar. Further, prices are forecast to decline by 3% to \$16.5 an ounce in 2018 due to expectations of additional U.S. interest rate hikes in the remainder of 2018, a recovery in silver mine production, and a continued production surplus in the silver market. Upside risks to the metal's price outlook this year include expectations of higher Chinese and Indian imports of silver this year. In addition, prices are projected to recover in the fourth quarter of the year and to increase to an average of \$16.8 an ounce in 2019, mainly supported by declining mine supply and rising industrial demand, which would tighten the production surplus in the silver market next year.

Source: Bank of America Merrill Lynch, Thomson Reuters



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



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	B+	Ba3	BB	BB+	BB-								
	Stable	Negative	Negative	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	1.75-2.00	01-Aug-18	No change	26-Sep-18
Eurozone	Refi Rate	0.00	26-Jul-18	No change	13-Sep-18
UK	Bank Rate	0.75	02-Aug-18	Raised 25bps	13-Sep-18
Japan	O/N Call Rate	-0.10	31-Jul-18	No change	19-Sep-18
Australia	Cash Rate	1.50	07-Aug-18	No change	04-Sep-18
New Zealand	Cash Rate	1.75	08-Aug-18	No change	26-Sep-18
Switzerland	3 month Libor target	-1.25-(-0.25)	21-Jun-18	No change	20-Sep-18
Canada	Overnight rate	1.50	11-Jul-18	Raised 25bps	05-Sep-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	21-Jun-18	No change	27-Sep-18
South Korea	Base Rate	1.50	12-Jul-18	No change	31-Aug-18
Malaysia	O/N Policy Rate	3.25	11-Jul-18	No change	05-Sep-18
Thailand	1D Repo	1.50	08-Aug-18	No change	19-Sep-18
India	Reverse repo rate	6.50	01-Aug-18	Raised 25bps	05-Oct-18
UAE	Repo rate	2.25	14-Jun-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	2.50	14-Jun-18	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	16-Aug-18	No change	27-Sep-18
Turkey	Repo Rate	17.75	24-Jul-18	No change	25-Sep-18
South Africa	Repo rate	6.50	19-Jul-18	No change	20-Sep-18
Kenya	Central Bank Rate	9.50	28-May-18	No change	N/A
Nigeria	Monetary Policy Rate	14.00	24-Jul-18	No change	25-Sep-18
Ghana	Prime Rate	17.00	23-Jul-18	Cut 100bps	24-Sep-18
Angola	Base rate	16.50	17-Jul-18	Cut 150bps	24-Sep-18
Mexico	Target Rate	7.75	02-Aug-18	No change	04-Oct-18
Brazil	Selic Rate	6.50	01-Aug-18	No change	19-Sep-18
Armenia	Refi Rate	6.00	14-Aug-18	No change	25-Sep-18
Romania	Policy Rate	2.50	06-Aug-18	No change	03-Oct-18
Bulgaria	Base Interest	0.00	31-Jul-18	No change	31-Aug-18
Kazakhstan	Repo Rate	9.00	09-Jul-18	No change	03-Sep-18
Ukraine	Discount Rate	17.50	12-Jul-18	Raised 50bps	06-Sep-18
Russia	Refi Rate	7.25	27-Jul-18	No change	14-Sep-18



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