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NEWS HEADLINES

EMERGING MARKETS

External debt issuance down 16.5% to $394bn in first nine months of 2018

Figures compiled by Citi Research show that emerging markets (EMs) issued $394bn in external sovereign and corporate bonds in the first nine months of 2018, down by 16.5% from $472bn in the same period of 2017. Gross debt issuance in Asia excluding Japan reached $193bn or 49% of the total, followed by the Middle East & Africa (ME&A) with $95bn (24.1%), Latin America with $61bn (15.5%) and Emerging Europe with $46bn (11.7%). Further, EM corporates issued $275bn in bonds in the first nine months of the year, equivalent to 69.8% of total sovereign and corporate bond issuance. Asia ex-Japan issued $182bn, or 66.2% of total corporate issuance, followed by the ME&A region with $37bn (13.5%), Latin America with $34bn (12.4%) and Emerging Europe with $23bn (8.4%). Also, EM sovereigns issued $119bn in bonds, or 30.2% of new sovereign and corporate bonds in the covered period. The ME&A region issued $58bn, or 48.7% of total new sovereign bonds, followed by Latin America with $27bn (22.7%), Emerging Europe with $23bn (19.3%) and Asia ex-Japan with $11bn (9.2%). Further, Citi Research projected upcoming EM's sovereign external debt service payments at $23.6bn in the fourth quarter of 2018, of which $10.6bn, or 44.9% of the total, is from Latin America, $5.9bn (25%) from the ME&A region, $5bn (21.2%) from Emerging Europe and $2.1bn (8.9%) from Asia ex-Japan. It also expected upcoming EM corporate external debt service payments at $30.8bn in the fourth quarter of 2018, of which $13.5bn, or 43.8% of the total, is from Asia ex-Japan, $6.4bn (20.8%) from Emerging Europe, $6.1bn (19.8%) from Latin America and $4.8bn (15.6%) from the ME&A region.
Source: Citi Research, Byblos Research

QATAR

Profits of listed firms up 4% to $5.7bn in first half of 2018

The net income of 44 companies listed on the Qatar Stock Exchange totaled QAR20.9bn, or $5.7bn in the first half of 2018, constituting an increase of 3.6% from QAR20.1bn, or $5.5bn, in the first half of 2017. Listed banking & financial services providers generated net profits of $3.2bn in the first half of 2018 and accounted for 55.8% of the total earnings of publicly-listed firms. Industrial companies followed with $1.3bn, or 23.3% of the total, then real estate firms with $412.8m (7.2%), transportation companies with $235.4m (4.1%), consumer goods & services corporates with $217.9m (3.8%), telecommunication firms with $189.3m (3.3%) and insurers with $143.5m (2.5%). Further, the net earnings of listed industrial companies grew by 28.9% year-on-year in the first half of 2018, followed by consumer goods & services firms (+13.9%), transportation companies (+9.7%) and banking & financial services providers (+7.8%). In contrast, the net profits of listed telecommunication companies regressed by 37.2% in the first half of 2018 from the same period of 2017, followed by real estate firms (-36.4%) and insurers (-17.2%).
Source: KAMCO

MENA

Equity issuance up 101% to $7bn in first nine months of 2018

Equity Capital Markets (ECM) issuance in the Middle East, which includes equity and equity-related issuances, totaled $7bn in the first nine months of 2018, up by 101% from $3.5bn in the first nine months of 2017. ECM issuance in the financial sector reached $2.6bn and accounted for 36.5% of ECM activity in the covered period, followed by the energy & power industry with $937m (13.4%), the telecommunications sector with $866m (12.4%) and the materials sector with $698m (10%). Also, initial public offerings (IPOs) raised $884m in the first nine months of 2018 and accounted for 12.6% of ECM activity. In parallel, debt issuance in the region reached $73.1bn in the first nine months of 2018, down by 11.8% from $82.9bn in the same period of 2017, while sukuk issuance decreased by 24% year-on-year to $31.4bn in the covered period. Further, the value of announced mergers and acquisitions (M&A) in the Middle East, which includes inbound, outbound and intra-regional deals, totaled $45.1bn in the first nine months of 2018, up by 65.2% from $27.3bn in the same period of 2017. In addition, investment banking fees in the region stood at $684m in the first nine months of 2018, down by 7.8% from $742m in the first nine months of 2017. Syndicated lending fees totaled $327m and accounted for 47.8% of the overall fee pool, followed by debt capital market fees at $180.5m (26.4%), fees from M&A deals at $101.6m (14.9%), and fees from equity capital markets transactions at $74.8m (10.9%).
Source: Thomson Reuters

Social progress varies across Arab world

The Social Progress Imperative's Social Progress Index (SPI) for 2018 ranked the UAE in first place among 14 Arab countries and in 45th place among 146 countries worldwide in terms of social progress. Tunisia followed in 48th place globally, then Qatar (57th), Jordan (62nd) and Oman (66th) as the five countries with the highest level of social progress in the Arab world. Mauritania (133rd), Sudan (137th) and Yemen (140th) are the lowest ranked countries in the region. The SPI measures a country's social progress independently of its economic development. It evaluates a society's capacity to meet the basic human needs of its citizens, to establish the bases that would enhance their quality of living, and to create the conditions for all individuals to reach their full potential. The SPI scores range from zero to 100, with 100 reflecting the best performance on the index. The Social Progress Imperative classified countries into six tiers from "Tier 1" to "Tier 6". Eight Arab economies came in the "Tier 3" category, while two Arab countries were classified in each of "Tier 4", "Tier 5" and "Tier 6" categories. The rankings of four Arab countries improved from the 2017 Index, those of four Arab economies regressed, while the rankings of six countries were unchanged year-on-year. In parallel, the UAE (74.34), Tunisia (73.07), Qatar (70.64), Jordan (69.75), Oman (68.16), Lebanon (66.99), Algeria (66.83), Morocco (66.51) and Saudi Arabia (64.75) outperformed the global average score of 63.46.
Source: Social Progress Imperative, Byblos Research

OUTLOOK

EMERGING MARKETS

Market turmoil unlikely to spread across EMs

S&P Global Ratings assessed the resilience to external shocks of 22 emerging market (EM) sovereigns with high levels of government debt, such as a sudden loss of foreign financing due to tightening global liquidity. It noted that rising U.S. interest rates and the recent global trade tensions have raised concerns about potential liquidity challenges spreading across EMs. However, it indicated that EM sovereigns have become more resilient to external risks, and did not expect a high risk of contagion from the recent market turmoil. It considered that EM sovereigns that have fiscal and financial buffers, and that have developed a credible and predictable institutional stance, have the capacity to mitigate adverse shocks. In contrast, it considered that sovereigns that lack such credit qualities and that did not undertake adequate reforms would have to make hard policy adjustments to avoid a crisis or a default in the event of a sudden loss of foreign financing.

In addition, S&P projected that 14 out of the 22 EM sovereigns will run a current account deficit in 2018. But it considered that most EM sovereigns have other credit strengths that provide them with financial and policy flexibility to manage external challenges. It said that countries with a net external debt position and a current account deficit, such as Argentina, Egypt and Turkey, are more vulnerable to adverse external developments; while EM economies with favorable external positions, such as China, Russia and Saudi Arabia, are more insulated against external shocks. Further, it noted that all EM sovereigns with a current account deficit in 2018 have either a floating or a free-floating exchange rate, which would help them absorb external shocks. However, it indicated that any sharp movement in the exchange rate could have significant negative repercussions, especially in economies with a weak or ineffective monetary policy, small domestic capital markets, and high reliance on external debt.

Source: S&P Global Ratings

AFRICA

Growth projected at 3.1% in 2018, outlook subject to downside risks

The International Monetary Fund projected real GDP growth in Sub-Saharan Africa (SSA) at 3.1% in 2018, down from a forecast of 3.4% in July 2018, and relative to a growth rate of 2.7% in 2017. It noted that growth will be mainly supported by domestic policy adjustments, a steady improvement in global economic activity, higher global commodity prices, and improved access to capital markets. It expected the SSA region's average growth rate to increase to 3.8% in 2019 and to about 4% over the medium term under current policies. It forecast real GDP growth to pick up from 1.6% this year to 2.4% in 2019 in SSA's oil exporters, while it projected growth to rise from 4% in 2018 to 4.6% in 2019 in the region's oil-importing economies. Also, it expected growth in the West African Economic and Monetary Union at 6.4% in 2018 and 6.3% in 2019. It noted that downside risks to the region's outlook include escalating global trade tensions, tighter global financial conditions, heightened domestic security risks, and possible domestic policy slippages in the event of higher commodity prices or pressures in the run-up to elections in several countries. Further, it anticipated the region's average inflation rate at 8.6% in 2018 and 8.5% in 2019.

In parallel, the IMF projected the SSA region's fiscal deficit to narrow from 4.8% of GDP in 2017 to 4.2% of GDP in 2018 and 3.9% of GDP in 2019, and to vary across the region. It anticipated the fiscal balance of oil-exporting economies to improve amid sustained fiscal consolidation efforts and higher oil export receipts, to remain unchanged in non-resource-intensive countries, and to widen in other resource-intensive economies. Still, it forecast the SSA region's public debt level to rise from 45.4% of GDP in 2017 to 48.5% of GDP in 2018 and to 48.2% of GDP in 2019, due to increasing debt-servicing costs. In parallel, it projected the aggregate current account deficit of SSA economies to widen from 2.3% of GDP last year to 2.8% of GDP this year, and to vary between a deficit of 4.8% of GDP for SSA oil importers and a surplus of 0.7% of GDP for oil exporters. It expected the region's current account deficit to widen to 3.4% of GDP in 2019. It forecast the SSA region's foreign currency reserves to cover 4.9 months of imports at end-2018 and 4.8 months of imports at end-2019, nearly unchanged from end-2017.

Source: International Monetary Fund

PAKISTAN

IMF program to help address macroeconomic imbalances

The Institute of International Finance expected that Pakistani authorities will reach an agreement with the International Monetary Fund on a three-year $15bn program by the end of 2018, in order to address macroeconomic imbalances, replenish foreign currency reserves and restore economic stability. It considered that fiscal adjustment, monetary tightening, additional flexibility of the exchange rate on top of the 24% depreciation of the Pakistani rupee so far this year, as well as other reforms, would be vital to the new IMF program. It anticipated the State Bank of Pakistan, which raised its policy rate by a cumulative 275 basis points since end-2017, to further tighten monetary policy in order to curb inflation expectations, and to reduce the pressure on the currency. Further, it expected the current account deficit to narrow from 5.8% of GDP in the fiscal year that ended in June 2018 to 5.4% of GDP in FY2018/19 and 3.5% of GDP in FY2020/21, due to a significant improvement in exports from the more competitive exchange rate and a moderate growth of imports. It also projected the fiscal deficit to narrow from 6.6% of GDP in FY2017/18 to 5.3% of GDP in FY2018/19 and 3.8% of GDP in FY2020/21.

The IIF forecast Pakistan's gross external requirements at $26.3bn in FY2018/19, $24.5bn in FY2019/20 and $22.9bn in FY2020/21. It estimated that the $15bn financial support would help meet the annual funding gap of about $5bn between 2018 and 2021, in case authorities successfully manage to roll over about $6.2bn in short-term debt every year during the covered period. It added that the IMF program would help mobilize additional financing from multilateral and bilateral creditors. It cautioned that the size of the financial support from the IMF could be higher in case Pakistan fails to roll over maturing short-term debt or if external official creditors limit their funding. In contrast, it said that rescheduling the external debt, reintroducing U.S. aid, and lower oil prices could reduce Pakistan's net financing needs to around $12bn. It expected foreign currency reserves to increase from $11.3bn, or 1.9 months of imports coverage, to $19.4bn, or 3.1 months of imports coverage by end-June 2021.

Source: Institute of International Finance

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'A-/A-2' Saudi Arabia's long- and short-term sovereign credit ratings, with a 'stable' outlook. It noted that the ratings are supported by the country's strong fiscal and external positions, but are constrained by its limited public sector transparency and low monetary policy flexibility. It projected economic activity to gradually recover in coming years, with real GDP growing by 2.3% in 2018 and 2.2% in 2019 following a contraction of 0.9% in 2017, supported by higher hydrocarbon production and global oil prices, as well as by increased government expenditures. Also, the agency projected the fiscal deficit to narrow from 8.1% of GDP in 2017 to 2.8% of GDP in 2018 and to 2.2 % of GDP in 2019, due to higher hydrocarbon and non-hydrocarbon revenues that would offset the anticipated increase in expenditures. Still, it forecast the public debt level to gradually rise from 17.2% of GDP at end-2017 to 19.3% of GDP at end-2018 and to 30.2% of GDP by end-2021, and for the country's liquid external assets, net of external debt, to decline to an average of 200% of current account payments over the 2018-21 period, following an expected increase in public sector external debt. Further, it projected Saudi Arabia's gross external financing needs to remain below 40% of current account receipts plus usable reserves in the 2018-21 period, reflecting ample external liquidity. It forecast foreign currency reserves to increase from $416bn at end-2017 to $437.3bn at end-2018 and to $443bn at end-2021, supported by higher current account surpluses.

Source: S&P Global Ratings

BAHRAIN

Fiscal reforms and external funding to strengthen sovereign credit profile

Moody's Investors Service indicated that the progress on the Fiscal Balance Program (FBP) and the disbursement of the $10bn in funding from Saudi Arabia, the UAE and Kuwait, would help alleviate Bahrain's intense liquidity and external pressures, which, would ultimately strengthen its credit profile. It indicated that the program targets a balanced budget by 2022 relative to a budget deficit of 9.8% of GDP in 2018, and a public debt level of about 82% of GDP by 2022 compared to 87% of GDP currently. It noted that the FBP aims to increase non-oil revenues by between 2% and 2.5% of non-oil GDP to about 7% of non-oil GDP by 2022, and to cut public spending from 26.6% of GDP in 2018 to 19.5% of GDP by 2022. It estimated that these targets are consistent with a 10% to 15% nominal cut in current spending and a 35% to 40% reduction in capital expenditures. However, it considered that meeting these targets will be challenging, given the country's history of social and political unrest, which has limited the government's ability to formulate and implement policies. Still, it said that the authorities' decision to immediately start the legislative process and to push forward with the proposed reforms demonstrates their commitment to the reform process. Moody's anticipated the $10bn support package to cover most of the government's external debt service between 2019 and 2022. Also, it expected the funding to increase the Central Bank of Bahrain's foreign currency reserves, which fell to below $2bn, or less than one month of imports coverage, raising concerns about the sustainability of the exchange rate peg.

Source: Moody's Investors Service

ETHIOPIA

Ratings affirmed on strong growth prospects

S&P Global Ratings affirmed Ethiopia's long- and short-term foreign and local currency sovereign credit ratings at 'B', with a 'stable' outlook on the long-term ratings. It indicated that the ratings are supported by the government's moderate debt burden and stronger-than-peers growth prospects, while they are constrained by the country's low GDP per capita, weak external position, and limited monetary policy flexibility. It projected real GDP growth to average 8% annually over the next three years, supported mostly by large-scale public investment projects. Further, the agency expected the fiscal deficit to narrow from 3.7% of GDP in the fiscal year that ended on July 7, 2018 to 3% of GDP by FY2020/21, due to tax reforms and the rationalization of public investments. It forecast the gross general government debt level to rise from 33.2% of GDP in FY2017/18 to 34.4% of GDP in FY2020/21. However, it noted that the government's debt level does not incorporate the debt of state-owned enterprises, which stands at about 27% of GDP, posing contingent fiscal liabilities to the government that could materialize in case the projects' returns are lower than anticipated. In parallel, S&P forecast the current account deficit to narrow from 10% of GDP in FY2016/17 to an average of 7.8% of GDP annually between FY2017/18 and FY2020/21, mainly due to higher exports. It anticipated usable reserves to cover around two months of current account payments over the medium term, which would limit the authorities' ability to mitigate external shocks.

Source: S&P Global Ratings

TUNISIA

Outlook on sovereign ratings revised to 'negative'

Moody's Investors Service affirmed Tunisia's issuer ratings at 'B2', and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to an increase in external vulnerability risks due to tightening global financing conditions, as well as to a decline in the country's foreign currency reserves amid higher oil prices and lower net capital inflows. It noted that Tunisia's foreign currency reserves declined to 2.5 months of import cover at end-September 2018 from 3.3 months of imports a year earlier. It added that the trade deficit widened from 11.9% of GDP in the first nine months of 2017 to 13.3% of GDP in the same period of 2018. However, Moody's forecast the current account deficit to narrow gradually from 10.2% of GDP in 2017 to 9.7% of GDP in 2018 and 8.5% of GDP in 2019, supported by higher tourism receipts and improving remittance inflows. Further, it considered that the low level of foreign direct investment inflows of about 2% of GDP would only finance a small part of the current account deficit. As such, it noted that Tunisia could be exposed to confidence-sensitive capital flows at a time when tighter global financial conditions increase the risk of a further deterioration in the country's foreign currency buffer. In parallel, Moody's expected Tunisia's external liabilities maturing in 2019 to grow from 220% of foreign currency reserves at the end of 2018 to over 250% by end-2019. It said that Tunisia's net international liability position of -145% of GDP in 2017 reflects the country's sensitivity to external financing conditions and in particular to the exchange rate, given that over 65% of the government debt is denominated in foreign currency.

Source: Moody's Investors Service

KUWAIT

Banks' ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'AA-' the long-term Issuer Default Rating (IDR) of National Bank of Kuwait (NBK) and at 'A+' the IDRs of Kuwait Finance House, Burgan Bank, Gulf Bank, Commercial Bank of Kuwait (CBK), Al Ahli Bank of Kuwait (ABK), Boubyan Bank, Ahli United Bank Kuwait (AUBK), Kuwait International Bank (KIB), Warba Bank and Industrial Bank of Kuwait (IBK). It noted that all the banks' long-term IDRs have a 'stable' outlook, similar to the outlook on the Kuwaiti sovereign rating. It indicated that the banks' ratings reflect the strong capacity and willingness of Kuwaiti authorities to provide support to domestic banks in case of need, irrespective of their size, franchise, funding structure and level of government ownership. In parallel, the agency affirmed at 'a-' the Viability Rating (VR) of NBK, at 'bbb-' the VRs of Boubyan Bank and AUBK, at 'bb+' those of Kuwait Finance House, Gulf Bank, ABK and IBK, at 'bb' those of Burgan Bank and CBK, and at 'bb-' the VRs of KIB and Warba Bank. It noted that NBK's VR reflects the bank's diversified business model, stable asset quality and profitability, solid capital ratios, steady funding and liquidity, as well as high loan concentration. It added that Kuwaiti banks benefit from a stable operating environment despite the prolonged economic impact of lower oil prices. It expected the government's ongoing capital spending plans to partially offset the pressure on banks from slower economic growth. Further, it noted that the banks' asset quality is resilient and their liquidity is well managed.

Source: Fitch Ratings

OMAN

Negative outlook on banking sector maintained

Moody's Investors Service maintained its 'negative' outlook on Oman's banking system, due to the government's weakening capacity to support banks in case of need, as well as to the banks' deteriorating asset quality and relatively tight funding conditions. First, it indicated that the government continues to show a high willingness to support banks if needed. However, it considered that authorities could become more selective in providing such support, as the sovereign's credit strength is diminishing amid a deteriorating fiscal position. Second, it expected the banks' asset quality to weaken despite the projected recovery in economic activity in 2018 and 2019, as it anticipated borrowers to continue to be affected by the slowdown in economic growth that took place in 2017. Third, it pointed out that Omani banks' significant reliance on government deposits is risky, as the government's ability to finance its expanding debt level is becoming increasingly vulnerable to a change in foreign investors' risk appetite. As such, it expected the risk of deposit withdrawals from banks to increase if the government faces reduced market access. In addition, it projected the banks' profitability to decrease due to higher funding costs. It added that the loan-loss provisioning will increase as problem loans rise, while operating expenses will continue to be stable. In parallel, Moody's anticipated the banks' capital levels to remain sound, which would allow them to absorb losses. It forecast the banking sector's tangible common equity at between 13% and 15% of risk-weighted assets over the next 12 to 18 months, compared to a 14% ratio in 2017.

Source: Moody's Investors Service

EGYPT

Banking sector outlook revised to 'positive' on improving operating environment

Moody's Investors Service revised the outlook on Egypt's banking system from 'stable' to 'positive', as it expected the pickup in economic activity and the improving operating environment to support lending growth, as well as the banks' profitability and internal capital generation. It said that the outlook revision takes into account the sovereign's improving credit profile, given the banks' large investments in government securities and loans, which represented 40% of their aggregate assets at end-June 2018. Moody's anticipated the banks' non-performing loans ratio to be broadly stable in the coming months at around 4.5%. Further, it expected the banks' profitability to remain strong in the near term, as rising fees and commissions on new lending would support the banks' pre-provisioning profits. In addition, it projected the banks' capital buffers to gradually improve in the foreseeable future, as internally generated capital finances lending growth. It added that the banks' capital would become more vulnerable under a high-stress scenario, due to losses assumed on government securities. In parallel, the agency projected the funding and liquidity profiles of Egyptian banks to remain strong. It said that the two largest state-owned banks, National Bank of Egypt and Banque Misr, increased their market funding significantly, but it noted that the two banks' large liquidity buffers offset refinancing risks. It anticipated Egyptian banks to maintain high levels of liquid assets in coming months to ensure the coverage of liquidity needs and deposit movements. It added that banks have stable deposit funding and low loans-to-deposits ratios.

Source: Moody's Investors Service

NIGERIA

State support for banks on case by case basis

Fitch Ratings indicated that Central Bank of Nigeria's (CBN) decision to address the problems at the failed Skye Bank does not imply that Nigerian banks can always rely on state support, considering the sovereign's credit weakness. It noted that Skye Bank's liquidity was weak, that the bank required permanent liquidity support from the CBN, and that its shareholders failed to provide additional capital. Accordingly, the CBN announced that it had revoked Skye Bank's license, and that the bank's assets and liabilities, as well as most of its employees' contracts, were transferred to Polaris Bank, the new bridge bank that was created for this purpose. However, it indicated that the authorities were slow to solve Skye Bank's difficulties and that the bank's problems, partly arising from weak governance, were not recent. It pointed out that the Asset Management Corporation of Nigeria, a state-owned entity established to acquire and eventually sell underperforming banks and selected bank assets, would initially provide NGN786bn, or $2.6bn, to recapitalize Polaris Bank. It added that the Nigeria Deposit Insurance Corporation would operate Polaris Bank and guarantee all of its deposits, which would help preserve depositor confidence and improve the credit profile of the Nigerian banking sector. Fitch assigned a 'No Floor' rating for Nigerian banks on their support rating floors, which means that the banks' ratings do not incorporate any sovereign support and that authorities did not officially convey their willingness to support the banking sector.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $80 p/b in fourth quarter of 2018

ICE Brent crude oil front-month prices fell by 7.2% from a four-year high of $86.3 per barrel (p/b) reached on October 3, 2018, to close at $80.1 p/b on October 17. In comparison, WTI prices fell by 8.9% from $76.4 p/b on October 3, to $69.6 p/b on October 17. As such, the Brent-WTI spread reached a four-month high of $10.4 p/b. Still, prices have been relatively high so far in October 2018, trading above $80 p/b. The recent decline in oil prices was driven by various factors. The European Union's decision to create a special purpose vehicle to facilitate trade with Iran would reduce the impact of U.S. sanctions on Iran's oil exports and on global oil supply. Further, U.S. crude oil inventories rose by 6.5 million barrels in the week to October 12, about three times the analysts' expectations of 2.2 million barrels, and constituting the fourth consecutive weekly rise in U.S. oil stocks. In addition, a weaker forecast for global economic growth stemming from trade tensions and currency depreciation in emerging markets is expected to weigh on global oil demand, which would exert further downward pressure on oil prices. In contrast, the ongoing tensions between the U.S. and Iran have been supporting oil prices. Overall, Deutsche Bank expected Brent oil prices to average $80 p/b in the fourth quarter of 2018 and $75.6 p/b in full year 2018.

Source: Forbes, CNBC, Deutsche Bank, Thomson Reuters, Byblos Research

OPEC's oil output at 33 million b/d in September 2018

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 32.76 million barrels per day (b/d) in September 2018, which constitutes an increase of 0.4% from 32.63 million b/d in the preceding month. Saudi Arabia produced 10.5 million b/d in September 2018, or 32.1% of OPEC's total oil output, followed by Iraq with 4.7 million b/d (14.2%), Iran with 3.4 million b/d (10.5%) and the UAE with 3 million b/d (9.2%).

Source: OPEC, Byblos Research

ME&A's oil demand to rise by 1% in 2018

Crude oil consumption in the Middle East & Africa (ME&A) region is forecast to average 12.49 million barrels per day (b/d) in 2018, which would constitute an increase of 1% from 12.37 million b/d in 2017. The region's demand for oil would represent 38.2% of demand in developing countries and 12.6% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 2.77 million b/d in 2018, up by 1.1% from 2.74 million b/d in 2017.

Source: OPEC, Byblos Research

Nigeria's oil receipts up 95% to $2.2bn in first five months of 2018

Nigeria's crude oil and condensate export receipts totaled $2.2bn in the first five months of 2018, constituting an increase of 95% from $1.1bn in the same period of 2017. Export revenues in the first five months of 2018 consisted of $1.5bn from crude oil exports (69.5%), $565.8m from gas exports (25.6%) and $109m in other receipts (4.9%). The authorities transferred $105.2m of total hydrocarbon revenues in May 2018 to the Federation Account, while they used $237.9m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

Base Metals: Easing supply conditions to weigh on aluminum prices

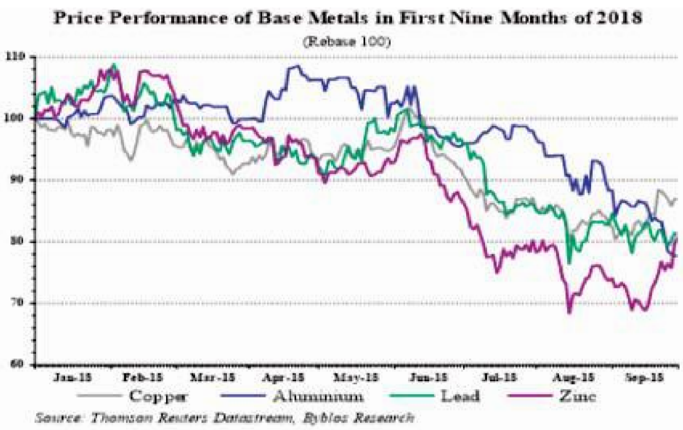
The LME aluminum three-month prices averaged $2,157 per metric ton so far this year, constituting a rise of 10.3% from an average of $1,954 per ton in the first 10 months of 2017. In fact, the imposition of U.S. sanctions on the Russian company Rusal, the world's second largest aluminum producer, has led to a significant deficit in the aluminum market and supported the metal's price. The rally in prices was also driven by U.S. tariffs on aluminum and steel, as well as by a decline in Chinese aluminum output. However, prices reached $2,022 per metric ton on October 17, 2018, down by 8.3% from $2,206 per ton on October 3, the metal price's highest level since June 19, 2018. The recent drop in aluminum prices is driven by easing supply conditions, as concerns over supply disruptions at the world's largest alumina refinery in Brazil are resolved, and as official data points to a surge in aluminum exports from China, the world's largest aluminum producer. Aluminum prices are projected to decrease from an average of $2,169 per ton in 2018 to $2,063 per ton in 2019. The expected drop in the metal's price reflects market expectations that Rusal might benefit from U.S. sanctions relief.

Source: Bank of America Merrill Lynch, Thomson Reuters

Precious Metals: Gold prices at 12-week high on rising geopolitical tensions

Gold prices reached a 12-week high of $1,228 per troy ounce on October 16, 2018, and grew by 3.1% from $1,191.5 an ounce at the end of September 2018, as investors purchased the metal as a hedge against market uncertainties. In fact, the increase in the metal's price incorporates rising tensions between Saudi Arabia and the West, as well as concerns about the pace of global economic growth next year, which fuelled investor demand for the safe haven asset. Further, gold prices are forecast to continue to rise, and to average $1,250 an ounce in the coming 12 months, due to concerns over a widening U.S. budget deficit in 2018, the continued tariff-driven trade dispute between the U.S. and China, as well as uncertainties surrounding the U.S. midterm elections in November 2018. In addition, expectations of renewed emerging market demand for the metal, including a recovery in Chinese and Indian physical demand, as well as lower scrap supply and increasing central bank holdings of gold, especially by Hungary, Poland and Russia, are supportive of gold prices. Downside risks to the price outlook, however, include four anticipated U.S. interest rate hikes by end-2019.

Source: Citi Research, Thomson Reuters, Bank of America Merrill Lynch, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	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 (%)
	LT Foreign currency rating												
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	Positive	Positive	Stable	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-								
	Stable	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								
	Negative	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-								
	-	Negative	Negative	-	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+	B2	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	Negative	Positive	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
Qatar	AA-	Aa3	AA-	AA-	A+								
	Negative	Stable	Stable	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	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 Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	2.00-2.25	26-Sep-18	Raised 25bps	08-Nov-18
Eurozone	Refi Rate	0.00	13-Sep-18	No change	25-Oct-18
UK	Bank Rate	0.75	13-Sep-18	Raised 25bps	25-Oct-18
Japan	O/N Call Rate	-0.10	19-Sep-18	No change	31-Oct-18
Australia	Cash Rate	1.50	02-Oct-18	No change	06-Nov-18
New Zealand	Cash Rate	1.75	26-Sep-18	No change	07-Nov-18
Switzerland	3 month Libor target	-1.25-(-0.25)	20-Sep-18	No change	13-Dec-18
Canada	Overnight rate	1.50	05-Sep-18	No change	24-Oct-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	27-Sep-18	No change	20-Dec-18
South Korea	Base Rate	1.50	18-Oct-18	No change	30-Nov-18
Malaysia	O/N Policy Rate	3.25	05-Sep-18	No change	08-Nov-18
Thailand	1D Repo	1.50	19-Sep-18	No change	14-Nov-18
India	Reverse repo rate	6.50	05-Oct-18	No change	05-Dec-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	27-Sep-18	No change	15-Nov-18
Turkey	Repo Rate	24.0	13-Sep-18	Raised 625bps	25-Oct-18
South Africa	Repo rate	6.50	20-Sep-18	No change	22-Nov-18
Kenya	Central Bank Rate	9.50	28-May-18	No change	N/A
Nigeria	Monetary Policy Rate	14.00	25-Sep-18	No change	20-Nov-18
Ghana	Prime Rate	17.00	24-Sep-18	No change	26-Nov-18
Angola	Base rate	16.50	21-Sep-18	No change	26-Nov-18
Mexico	Target Rate	7.75	04-Oct-18	No change	30-Oct-18
Brazil	Selic Rate	6.50	19-Sep-18	No change	31-Oct-18
Armenia	Refi Rate	6.00	25-Sep-18	No change	13-Nov-18
Romania	Policy Rate	2.50	03-Oct-18	No change	06-Nov-18
Bulgaria	Base Interest	0.00	01-Oct-18	No change	15-Nov-18
Kazakhstan	Repo Rate	9.25	15-Oct-18	Raised 25bps	03-Dec-18
Ukraine	Discount Rate	18.00	06-Sep-18	Raised 50bps	25-Oct-18
Russia	Refi Rate	7.50	14-Sep-18	Raised 25bps	26-Oct-18

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