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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Trading in Credit Default Swaps down 22% to $364bn in second quarter of 2019

Trading in emerging markets Credit Default Swaps (CDS) reached $364bn in the second quarter of 2019, constituting a decline of 22.2% from $468bn in the second quarter of 2018 and a drop of 28% from $505bn in the first quarter of 2019. The decrease in traded volumes was mainly due to lower market volatility in the second quarter of 2019. The most frequently traded sovereign CDS contracts in the second quarter of 2019 were those of Turkey and Brazil at $34bn each, followed by China at $33bn. As such, traded sovereign CDS contracts on Turkey and Brazil accounted each for about 9.3% of total trading in emerging markets CDS in the covered quarter, followed by CDS contracts on China (9.1%). Further, the most frequently traded corporate CDS contracts in the second quarter of 2019 were those of Mexico's state-oil company Pemex at $2.1bn, which accounted for 0.6% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers, as well as from 12 major international banks and broker-dealers.

Source: EMTA

GCC

Fixed income issuance at $76bn in first seven months of 2019

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $76.2bn in the first seven months of 2019, constituting an increase of 0.4% from $75.9bn in the same period of 2018. Aggregate fixed income in the first seven months of the year consisted of $30.3bn in sovereign bonds, or 39.8% of the total, followed by corporate bonds at $26.1bn (34.3%), sovereign sukuk at $12.5bn (16.4%), and corporate sukuk at $7.3bn (9.6%). Aggregate bonds and sukuk issued by GCC sovereigns reached $42.8bn, or 56.2% of total fixed income issuance in the region in the first seven months of 2019, while bonds and sukuk issued by GCC corporates amounted to $33.4bn or 43.8% of the total. On a monthly basis, GCC sovereigns issued $12.8bn in bonds and sukuk in January, $2.6bn in February, $15.1bn in March, $4.1bn in April, $0.2bn in May, $3.6bn in June, and $4.4bn in July 2019. In parallel, companies in the GCC issued $1.7bn in bonds and sukuk in January, $2.4bn in February, $4.3bn in March, $15.4bn in April, $4.2bn in May, $1.2bn in June, and $4.2bn in July 2019. Sovereign issuance in July 2019 consisted of $3.4bn in sovereign bonds issued by Saudi Arabia, $795.7m in sovereign bonds issued by Bahrain, and $259.7m in bonds issued by Oman. In parallel, corporate issuance in the covered month included $1.6bn in sukuk and $1.1bn in bonds issued by UAE-based companies, $500m in bonds issued by Bahrain-based firms, $266.6m in sukuk issued by Saudi Arabia-based corporates, and $72.1m in bonds issued by Qatar-based companies.

Source: KAMCO

MENA

Arab world trails most regions in connectivity to global shipping networks

The 2019 United Nations Conference on Trade & Development's (UNCTAD) Liner Shipping Connectivity Index (LSCI) ranked the UAE in first place among 19 Arab countries in terms of connectivity to global shipping networks and in 15th place globally. Egypt (17th), Saudi Arabia (19th), Morocco (22nd) and Oman (26th) followed as the five Arab countries with the highest connectivity to global shipping networks; while Syria (105th), Sudan (108th), Mauritania (116th), Tunisia (120th) and Yemen (134th) were the lowest ranked countries regionally. The index is a composite of six components that capture the deployment of container ships by liner shipping firms to a country's ports. A country's score is the average of the six components, with a higher score reflecting a better performance on the index. The Arab region's simple average score stood at 30.7 points and came above the global average of 25.8 points. The average score of Gulf Cooperation Council (GCC) countries stood at 43.4 points, while the average score of non-GCC Arab countries was 24.8 points. In parallel, the Arab region's average score was higher than the scores of Latin America & the Caribbean (18.4 points) and of Sub-Saharan Africa (14.1 points), but it was lower than the score of North America (44.8 points), Europe & Central Asia (35 points), South Asia (34.5 points), and East Asia & the Pacific (32.5 points).

Source: UNCTAD, Byblos Research

Value of M&A deals at $116bn in first half of 2019

Figures issued by EY show that there were 216 merger & acquisition (M&A) deals announced in the Middle East & North Africa region for a total of $115.5bn in the first half of 2019, compared to 242 M&A deals worth a total of $36bn in the first half of 2018. The figures reflect a decline of 10.7% in the volume of deals and an increase of 221% in their amount year-on-year in the first half of the year. There were 111 domestic M&A deals for a total of $79.3bn in the first half of 2019 compared to 96 deals amounting to $5.5bn in the same period last year. The surge in the value of domestic deals is mainly due to Saudi Aramco's acquisition of a 70% stake in petrochemical manufacturer SABIC for a total of $69.1bn, as well as to an M&A deal between three banks in the UAE for a total of $4bn. Further, there were 65 outbound M&A deals amounting to $21bn in the first half of 2019 relative to 77 deals for a total of $18.2bn in the same period of 2018. Also, there were 40 inbound M&A deals amounting to $15.1bn in the covered period compared to 69 deals recorded at a value of $12.3bn in the first half of 2018, with the UAE recording 20 inbound deals for a total of $14.4bn. Also, the value of announced M&A deals in the chemicals sector reached $69.3bn and accounted for 60% of the total value of announced deals in the first half of the year, followed by the oil & gas sector with $14.2bn (12%), the provider care sector with $10.3bn (9%), the banking & capital markets sector with $5.1bn (4%), and the technology sector with $4.3bn (4%). The largest deal in the technology sector was Uber's acquisition of Emirati transportation network Careem for $3.1bn.

Source: EY, Byblos Research

OUTLOOK

SAUDI ARABIA

Growth to average 2.7% in 2021-23 period, balanced risks to the outlook

Samba Financial Group projected Saudi Arabia's real GDP growth to decelerate from 2.2% in 2018 to 0.8% in 2019, as it anticipated hydrocarbon output to contract by 1.9% this year following an increase of 3.2% in 2018. It expected non-hydrocarbon GDP growth to accelerate from 1.6% last year to 2.6% in 2019, supported by strong private consumption, lower interest rates, and rising domestic investments by the Kingdom's Private Investment Fund. Further, it forecast overall economic activity to accelerate to 2% in 2020, with stable hydrocarbon production and non-hydrocarbon growth picking up to 3.1% next year amid the full transmission of interest rate cuts to the economy. It projected real GDP growth to average 2.7% annually in the 2021-23 period, in case domestic and foreign private investments increase and offset the anticipated slowdown in government spending. It said that risks to the growth outlook are balanced, as it considered that higher-than-anticipated foreign investments could mitigate the negative impact of a steeper-than-expected decline in oil prices.

In parallel, Samba forecast the fiscal deficit to widen from 4.7% of GDP in 2018 to 5.8% of GDP in 2019, with capital spending rising by 13% and current expenditures growing by 3.2%. It projected the fiscal deficit at 5.9% of GDP in 2020 and 2021, while it expected it to narrow to 3.5% of GDP by 2023, in case of lower public spending and higher oil output. It forecast the government's domestic debt level to rise from 13.8% of GDP at end-2019 to 20.4% of GDP by end-2023, and for the government's external debt level to increase from 10.8% of GDP at end-2019 to 18% of GDP at end-2023. It did not expect financing pressure to emerge during the 2019-23 period for two main reasons. First, it anticipated the current account balance to remain in surplus of about 7% of GDP annually between 2019 and 2023, which would ease the pressure on foreign currency reserves. Second, it noted that the domestic debt market continues to deepen, and that authorities have access to international debt markets. It forecast the net foreign assets at the Saudi Arabian Monetary Authority to increase from $514.2bn at end-2019 to $657.6bn by end-2023.

Source: Samba Financial Group

EGYPT

Real GDP growth at 5.5% in FY2019/20

The Institute of International Finance indicated that Egypt's reforms program, which has been supported by the International Monetary Fund, helped improve economic growth, narrow the fiscal and current account deficits, as well as reduce the inflation rate and the public debt level. It projected real GDP growth at 5.5% in the fiscal year that ends in June 2020, compared to 5.6% in FY2018/19, supported by rising natural gas production and improved activity in the construction and services sectors, as well as by higher investments and net exports. It noted that downside risks to the outlook are related to a less supportive external environment, including weaker activity in the European Union, the country's main trading partner. Further, it said that the inflation rate regressed from 14.4% at end-June 2018 to 9.4% at end-June 2019, and expected it to further decline to 8.5% at the end of June 2020. It anticipated monetary policy to ease in coming months, given the decline in the inflation rate.

In parallel, the IIF expected the fiscal deficit to narrow from 8.2% of GDP in FY2018/19 to 7.2% of GDP in FY2019/20, mainly due to higher revenues and lower fuel and electricity subsidies. It forecast the public debt level to regress from 92.5% of GDP at end-June 2019 to 91.1% of GDP at end-June 2020, in case of sustained fiscal consolidation and strong real GDP growth. Further, it projected the current account deficit to slightly narrow from 2.8% of GDP in FY2018/19 to 2.5% of GDP in FY2019/20, due to higher exports and limited growth in imports. In parallel, it expected non-resident capital inflows to Egypt to moderate in the medium term due to global trade tensions and slower growth worldwide. But it noted that the country's international official reserves, which currently stand at about $40.3bn, along with the sustained improvement in the fiscal and external imbalances, may help Egypt face global financial volatility and risks of capital outflows.

Source: Institute of International Finance

ANGOLA

Fiscal consolidation to help reduce debt level

S&P Global Ratings projected Angola's real GDP to expand by 0.5% in 2019 following a contraction of 1.7% in 2018, and expected growth to accelerate to 1.5% in 2020 and 3% by 2022, supported by the implementation of reforms in the oil and non-oil sectors. It forecast oil production to average about 1.5 million b/d in 2019, unchanged from the preceding year, due to the production restrictions under the extended OPEC oil agreement and the decline in production from maturing oilfields. However, it anticipated hydrocarbon output to pick up over the medium term, due in part to incentives provided for the development of smaller oilfields. In addition, it expected non-hydrocarbon sector activity to benefit from a more competitive exchange rate and from the implementation of economic reforms. It noted that the Angolan kwanza weakened by 86% in 2018 following the liberalization of the exchange rate in 2018. It expected the exchange rate to depreciate by an additional 13% in 2019, which would keep the inflation rate elevated at 15% this year.

In parallel, S&P projected the fiscal balance to shift from a surplus of 1.7% of GDP in 2018 to an average deficit of 1.3% of GDP annually in the 2019-22 period, in case of lower oil export receipts. It expected the program of the IMF to support the authorities' fiscal reforms, such as the introduction of the value-added tax in October 2019, adjustments to fuel and electricity tariffs, and the continued clearance of arrears to domestic suppliers that it estimated at up to 6% of GDP. Further, the agency indicated that Angola's gross government debt increased from 30% of GDP at end-2014 to 84.4% of GDP at end-2018 due to the depreciation of the currency. But it expected the debt level to regress to 78% of GDP by end-2022 in case the government achieves its fiscal consolidation targets. In parallel, it expected the current account surplus to narrow from 7% of GDP in 2018 to 2.6% of GDP in 2019 and to average 0.6% of GDP annually in the 2019-22 period due to lower oil export receipts. It forecast Angola's gross external financing needs to average 94% of current account receipts and useable reserves annually in the 2019-22 period. It anticipated foreign currency reserves to increase from $16.2bn at the end of 2018 to $17.3bn by end-2022, supported by higher FDI inflows and disbursements from the IMF.

Source: S&P Global Ratings

EMERGING MARKETS

Insurance market for remittance inflows to exceed $1bn in coming decade

Global reinsurer Swiss Re considered that the inflows of expatriate remittances constitute a potential market for insurers, given that only a small portion of remittance payments is currently insured against the death or disability of the sender. It pointed out that, in select markets such as GCC countries, a remitter already has the option to insure the transfer, allowing the recipient to collect a cash payment if the sender dies or becomes disabled. It estimated that the amount of insurance premiums related to remittances could potentially exceed $1bn in the coming 10 years. It noted that the largest recipients of remittances are countries that have large expatriate communities in advanced and other economies, adding that remittance inflows to smaller economies can be equivalent to 20% of GDP. Swiss Re noted that the continued inflow of remittances is critical to maintaining economic resilience in recipient countries, and is a larger source of funding than foreign direct investments for developing economies. It said that the World Bank estimates remittance inflows to developing economies at $530bn in 2018. It pointed out that global trade tensions and recessions in advanced economies could limit migrants' capacity to send payments to their home country, while the current rise of populism in advanced economies could also lead to the repatriation of migrants, putting remittance inflows at risk. As such, it noted that insurance products related to the payment of remittances could play an important role in making remittances more sustainable.

Source: Swiss Re

GCC

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed at 'AA-/A1+' Kuwait's long-term and short-term foreign and local currency ratings, with a 'stable' outlook. It noted that the ratings are supported by the country's strong macroeconomic fundamentals, large net external creditor position, as well as by a sound banking system. However, it said that the ratings are constrained by Kuwait's exposure to the hydrocarbon sector, weak institutions, a difficult policymaking environment, and geopolitical risks. It said that Kuwait's public finances are in a better position than most GCC peers, with a government debt level of 14.8% of GDP in 2018 and foreign assets estimated at between $520bn and $600bn in 2018. It added that Kuwait's fiscal breakeven oil price of $48.8 p/b is the lowest among GCC economies. In parallel, CI affirmed Oman's ratings at 'BBB-/A3' with a 'stable' outlook. It noted that the ratings are supported by the country's "moderately high" fiscal and external buffers, a sound banking sector, as well as by potential financial support from other GCC countries in case of need. It said that the ratings are constrained by the economy's high reliance on the hydrocarbon sector and the slow pace of reform implementation. It also projected the fiscal deficit to average 9.3% of GDP annually during the 2019-20 period, and for the current account deficit to average 6.8% of GDP in the same period. It expected the government's debt level to rise from 52.8% of GDP in 2018 to 70.4% of GDP in 2020, while it forecast the gross external debt level to increase from 94% of GDP last year to 108% of GDP in 2020.

Source: Capital Intelligence Ratings

ARMENIA

Economic growth to pick up to 6% in 2019

The Institute of International Finance projected Armenia's economic growth to accelerate from 5.2% in 2018 to 6% in 2019, relative to a growth rate of 4.4% in the Caucasus and Central Asia (CCA) region this year. It attributed Armenia's strong growth to improved private sector confidence and to the government's increased social and capital spending, despite weak agricultural and mining sector activity. It added that the new government is committed to fight corruption, end import monopolies and reduce unemployment. Still, it considered that the outlook points to multiple challenges, including subdued growth in Russia, as well as investor concerns about the rule of law and elevated geopolitical risks. Further, it projected the fiscal deficit at about 2% of GDP in 2019 and 2020. It expected tax receipts to increase due to the implementation of measures to fight tax evasion and to a pick-up in non-agricultural economic activity, which would offset the projected rise in public spending. It anticipated the public debt level to decline from 55.7% of GDP at end-2018 to 52.1% of GDP by end-2020, given a stable fiscal deficit and rising nominal GDP. In parallel, the IIF said that the current account deficit widened from 2.4% of GDP in 2017 to 9.1% of GDP in 2018, mostly due to rising capital imports. It projected the deficit to narrow to 7.1% of GDP in 2019 and 6% of GDP in 2020, if the growth in imports decelerates, compared to deficits of 7.6% of GDP in 2019 and of 6.8% of GDP in 2020 in the CCA region's non-hydrocarbon importers. It expected foreign currency reserves to rise from $2.26bn at end-2018 to $2.49bn by the end of 2020, supported by a surplus in the financial account balance.

Source: Institute of International Finance

GHANA

Fiscal slippages constitute key risk to public finance stability

Moody's Investors Service considered that the Ghanaian government's revision of its 2019 fiscal deficit to 4.5% of GDP from 4.2% of GDP in the original budget is credit negative. It said that the wider deficit is driven by the underperformance of public revenues by 1.2% of GDP in the first half of 2019, despite cuts in public spending equivalent to 1.1% of GDP. It noted that the underperformance of revenues is one of Ghana's key credit constraints that has required authorities to reduce investment spending and resort to borrowing in order to fund current expenditures. It anticipated that authorities would miss their new fiscal target, and projected the deficit at 4.8% of GDP in 2019 due to the upcoming general elections in 2020 and higher security-related spending, and in case the government does not implement additional cuts to capital expenditures. Still, it expected the primary balance to post a surplus in 2019, which would help contain the rise in the public debt level from the materialization of contingent liabilities. It anticipated that contingent liabilities in the energy sector could reach about 4.2% of GDP in 2019, while contingent liabilities from additional support measures to the financial sector would amount to 1.5% of GDP over the next two years. It added that the materialization of these liabilities would worsen debt dynamics and weigh on the sovereign's credit profile. It projected the public debt to rise from 60% of GDP at end-2018 to over 63% of GDP by end-2019.

Source: Moody's Investors Service

JORDAN

Lending to resident private sector up 3% in first half of 2019

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD52bn or $73.3bn at the end of June 2019, constituting increases of 2% from the end of 2018 and of 4.2% from end-June 2018. Claims on the resident private sector grew by 3.2% from end-2018 to JD24.4bn, while credit facilities to the non-resident private sector declined by 6% to JD615.8m, leading to an increase of 2.9% in overall private sector credit facilities in the first half of 2019. Lending to the resident private sector accounted for 47% of total assets at the end of June 2019 compared to 46.7% a year earlier. In parallel, resident private sector deposits reached JD27.4bn at the end of June 2019, up by 1.8% from JD26.9bn at end-2018 and by 1.3% from JD27.1bn at end-June 2018, while non-resident private sector deposits grew by 3.5% from the end of 2018 and by 5.6% from end-June 2018 to JD4bn. The government's deposits totaled JD928m and those of public non-financial institutions reached JD206m. Claims on the public sector accounted for 23% of total assets at end-June 2019 compared to 21.7% a year earlier. Also, the banks' reserves at the Central Bank of Jordan totaled JD4.7bn, or $6.6bn at end-June 2019, down by 13.8% from end-June 2018; while capital accounts and allowances increased by 4.1% from end-June 2018 to JD7.8bn. Also, deposits at foreign banks reached JD3.7bn, or $5.2bn, at the end of June 2019, down by 4.4% from end-2018; while the sector's foreign liabilities increased by 8.3% from end-2018 to JD7.9bn.

Source: Central Bank of Jordan

SAUDI ARABIA

Ratings underpinned by government support

In its periodic review of the ratings of 10 Saudi banks, Moody's Investors Service indicated that most banks are facing downside risks to their asset quality amid subdued economic growth, and have high concentration levels on both sides of their balance sheets. Also, it noted that the banks' ratings benefit from a very high probability of government support in case of need, resulting in a rating uplift of between one to three notches. The agency said that the 'A1' long-term local and foreign currency deposit ratings of National Commercial Bank, Al Rajhi Bank, Saudi British Bank, Banque Saudi Fransi and Samba Financial Group, are supported by the banks' strong solvency amid sound profitability and capital buffers, as well as by healthy funding and liquidity profiles. Further, it pointed out that the 'A2' deposit ratings of Riyad Bank and Arab National Bank reflect the banks' strong capital and profitability metrics, and solid franchise. In addition, it indicated that the 'A3' deposit ratings of the Saudi Investment Bank are supported by its strong liquidity buffers and solid capitalization, but are constrained by the bank's relatively smaller franchise, deposit base and earnings generation capacity. Also, it noted that Bank AlBilad's 'A3' deposit ratings reflect its fast growing Islamic banking franchise, strong asset quality and provision coverage, and high liquidity. In parallel, the agency said that Bank AlJazira's 'Baa1' deposit ratings are supported by the bank's strong loan-loss absorption capacity, sound but weakening asset quality, and high liquidity, but that they are constrained by the bank's relatively low profitability.

Source: Moody's Investors Service

OMAN

Profits of banks up 3% in second quarter of 2019

Regional investment bank EFG Hermes indicated that the aggregate net profits of the National Bank of Oman, Bank Muscat, Bank Sofar and Bank Dhofar reached OMR76.2m, or $207m, in the second quarter of 2019, up by 2.8% from the same quarter of 2018. It said that the banks' interest income increased by 5.8% to OMR143m in the second quarter of the year, while their non-interest income rose by 6.3% to OMR62m driven by a 14% growth in fee income in the covered quarter. In parallel, it indicated that the aggregate assets of the four listed banks stood at OMR23bn, or $59.8bn, at the end of June 2019 relative to OMR22.2bn a year earlier, while loans extended to customers reached OMR17.4bn, or $45.3bn, at the end of June 2019, up by 5.1% from end-June 2018. Further, it said that the banks' customer deposits grew by 2% from end-June 2018 to OMR15.3bn, or $39.8bn, at the end of June 2019. As such, the banks' loans-to-deposits ratio stood at 113.5% at end-June 2019 compared to 110.2% at end-June 2018. Also, the banks' aggregate non-performing loans (NPLs) ratio reached 3.7% at end-June 2019 compared to 3.4% a year earlier, while the NPLs coverage ratio stood at 105.7% relative to 107.1% at end-June 2018. Further, it pointed out that Omani banks are not affected by changes in the U.S. Federal Fund rates, given that Oman does not have benchmark rates and that the Central Bank of Oman does not follow the direction of the U.S. Federal Fund rates. It noted that domestic market dynamics drive interest rate spreads in the country, and expected the spreads to remain stable.

Source: EFG Hermes

TURKEY

Banking sector has extremely high funding risks

S&P Global Ratings maintained Turkey's Banking Industry Country Risk Assessment (BICRA) in 'Group 9', and its economic and industry risk scores at '8' and '9', respectively. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' consisting of the riskiest banking sectors. Other countries in 'Group 9' include Egypt, Kenya, Tunisia, Uzbekistan and Vietnam. The agency indicated that Turkey's economic risk score reflects its "very high risks" in economic imbalances and credit risks in the economy, as well as its "high risk" in economic resilience. It expected economic risks to remain elevated in the coming two years given weak domestic demand, currency volatility, political uncertainties, and elevated maturing short-term foreign debt. It expected the banks' asset quality to weaken in the coming 12 months, due mainly to the depreciation of the Turkish lira that reduced the repayment capacity of borrowers in foreign currency. It said that the trend for economic risk is 'negative' due to the uncertain length and implications of the country's economic recession. It anticipated that the problem loans ratio, which includes restructured loans, could rise from about 10% currently to 20% by 2020. In parallel, S&P noted that the industry score reflects the country's "extremely high risk" in its system-wide funding, "very high risk" in its institutional framework, and "high risk" in its competitive dynamics. It said that the high industry risk reflects the banks' elevated reliance on short-term external debt, which leaves them vulnerable to changes in investor sentiment. It noted that the trend for the industry risk is 'stable'.

Source: S&P Global Ratings

Oil prices to average $65 p/b in 2019

The Institute of International Finance indicated that rising concerns about the slowdown in global demand for oil have contained the recent increase in oil prices. It expected the growth in global oil demand to decelerate from 1.4 million b/d in 2018 to one million b/d in 2019 and 0.9 million b/d in 2020. On the supply side, it expected OPEC's oil output to decline by 2.1 million b/d in 2019 and to stabilize in 2020, due to the extended OPEC production cut agreement and restrained output in Iran and Venezuela. But it anticipated non-OPEC supply to increase by 1.6 million b/d this year and by 1.8 million b/d next year. Also, it forecast the growth in U.S. crude oil output to decrease from 1.6 million b/d in 2018 to 1.3 million b/d in 2019 and 0.9 million b/d in 2020, as U.S. oil companies face challenges to maintain output growth amid cuts in their capital expenditures. As such, the IIF projected Brent oil prices to average $65 per barrel (p/b) in 2019 and $62 p/b in 2020, relative to an average of $65.3 p/b so far in 2019. It considered that the oil market's medium-term outlook is highly uncertain. It noted that downside risks to oil prices include an increase in OPEC oil output in case the production cut agreement is not extended beyond March 2020, a significant recovery in Venezuela's oil production, as well as a higher-than-expected increase in U.S. oil output. But it noted that upside risks to prices consist of supply disruptions in Iran, Venezuela and Libya, a resolution of U.S.-China trade tensions, as well as further cuts in U.S. interest rates.
Source: Institute of International Finance

OPEC's oil basket price up by 3% in July 2019

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $64.71 per barrel (p/b) in July 2019, constituting an increase of 2.8% from $62.92 p/b in the preceding month. Angola's Girassol posted a price of $65.98 p/b, followed by Nigeria's Bonny Light at $65.95 p/b and Saudi Arabia's Arab light at $65.61 p/b. In parallel, 10 out of the 14 prices included in the OPEC reference basket posted monthly increases between $0.2 p/b and $14.6 p/b in July 2019.
Source: OPEC, Byblos Research

Consumer demand for gold in Middle East down 2% in first half of 2019

The Middle East region's consumer demand for gold, which includes demand for jewelry and bars & coins, totaled 123.6 tons in the first half of 2019, constituting a decline of 2.3% from 126.5 tons in the same period of 2018. It was equivalent to 8% of global consumer demand for the precious metal. Consumer demand for gold in Iran was 37.5 tons in the first half of 2019 and represented 30.3% of the region's total demand, followed by Saudi Arabia with 24.4 tons (19.8%) and the UAE with 22.8 tons (18.5%).
Source: World Gold Council, Byblos Research

OPEC oil output down by 1% in July 2019

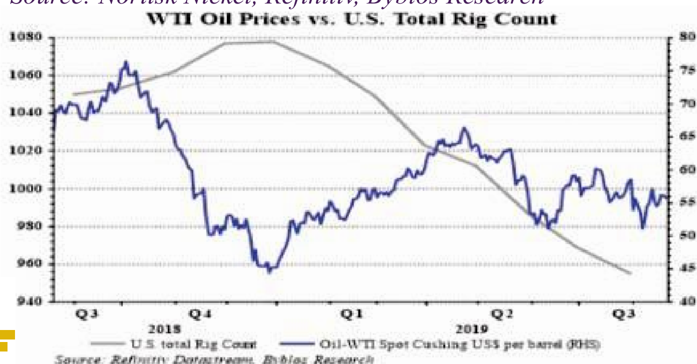
Oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 29.6 million barrels per day (b/d) in July 2019, down by 0.8% from an average of 29.9 million b/d in the preceding month. Saudi Arabia produced 9.7 million b/d in July 2019, or 32.8% of OPEC's total oil output, followed by Iraq with 4.75 million b/d (16%), the UAE with 3.07 million b/d (10.4%), Kuwait with 2.68 million b/d (9%) and Iran with 2.21 million b/d (7.5%).
Source: OPEC, Byblos Research

Base Metals: Copper prices decrease due to ongoing trade tensions

LME copper cash prices averaged $5,728 per metric ton so far in August 2019, constituting a decrease of 3.6% from an average of $5,941 per ton in July. Prices closed at $5,707 per ton on August 21, 2019, which is 5.8% lower than a recent peak of $6,055 per ton reached on July 19, 2019. The decline in copper prices was mainly due to the re-escalation of the trade dispute between the U.S. and China in early August, which has raised concerns about demand for metals. However, China's announcement of new measures that aim to support its economy could potentially improve demand for copper and support prices. In parallel, the latest available figures show that global demand for refined copper was 10 million tons in the first five months of 2019, nearly unchanged from the same period of 2018, as Chinese demand grew by about 3.5% while demand in the rest of the world declined by around 3% from the first five months of 2018. On the supply side, global refined copper production declined by 1% annually to 9.8 million tons in the first five months of 2019, driven by lower output from Chili, India, Japan, Peru, the U.S., Zambia, and some European countries, which was largely offset by higher production in Australia, Brazil, China, Iran and Poland. Refined output grew by 15% in Oceania and by 2.5% in Asia, while it declined by 10% in the Americas, by 9% in Africa, and by 0.5% in Europe.
Source: International Copper Study Group, Refinitiv

Precious Metals: Palladium prices to increase by 41% in 2019 on persistent production deficit

Palladium prices averaged $1,429 per troy ounce in the first seven months of 2019, up by 43.5% from an average of $995.8 an ounce in the same period of 2018. The price increase was supported by a rise in automotive demand for the metal amid an expansion in the usage of catalytic converters. The metal's price averaged $1,430 an ounce in the first quarter of 2019 and $1,385 an ounce in the second quarter of the year, and is anticipated to average $1,478 an ounce in the third quarter and $1,465 an ounce in the four quarter of 2019. Overall, prices are forecast to increase by 40.6% to $1,448 an ounce in 2019, and to average $1,440 an ounce in 2020, reflecting expectations of continued production deficits in the palladium market. In fact, Russia's Norilsk Nickel, the world's largest palladium producer, projected the production deficit in the global palladium market at 600,000 troy ounces in 2019. Further, the palladium market is anticipated to remain in deficit in coming years, due to expectations of limited supply growth despite record-high prices, and to persisting automotive demand for the metal. Downside risks to the price outlook include a lower-than-anticipated growth in Chinese automotive demand in case of ongoing trade tensions between the U.S. and China.
Source: Norilsk Nickel, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	B-	B3	B	-	B-								
	Negative	Stable	Negative	-	Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B	B1	B		B+								
	Stable	Stable	Stable	-	Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B	B3	B	-	BB-								
	Stable	Stable	Stable	-	Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Ivory Coast	-	Ba3	B+	-	B+								
	-	Stable	Stable	-	Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	-	-	B	-	B-								
	-	-	Stable	-	Stable	-7.4	-	-	-	-	-	2	-
Dem Rep	CCC+	Caa1	-	-	CCC								
Congo	Stable	Stable	-	-	Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Negative	Stable	Stable	-	Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B	B2	B+	-	BB-								
	Stable	Stable	Stable	-	Stable	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-8.5	163.2	161.2	-	-	-	-11.5	-
Tunisia	-	B2	B+	-	BB-								
	-	Negative	Negative	-	Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B	B2	B+	-	B+								
	Positive	Stable	Stable	-	Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+	B2	BB-	BB	BB+								
	Stable	Stable	Stable	Stable	Stable	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	-	-	-	B	BB-								
	-	-	-	Stable	Negative	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Stable	-	Stable	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+	B1	BB-	B+	A								
	Stable	Stable	Stable	Stable	Stable	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA	Aa2	AA	AA-	AA-								
	Stable	Stable	Stable	Stable	Stable	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	B-	Caa1	B-	B	B-								
	Negative	Stable	Negative	Negative	Stable	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB	Ba1	BB+	BBB-	BBB								
	Negative	Negative	Stable	Stable	Stable	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Stable	Stable	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A-	A1	A+	A+	AA-								
	Stable	Stable	Stable	Stable	Stable	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-								
	-	Stable	-	Stable	Stable	-0.8	19.2	68.7	-	-	-	5.9	-0.8
Yemen	-	-	-	-	CC								
	-	-	-	-	Negative	-5.1	54.7	18.1	-	-	-	0.7	

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Asia													
Armenia	-	B1	B+	-	B-								
	-	Positive	Positive	-	Stable	-1.8	48.5	81.7	-	-	-	-6.2	-
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-4.8	50.5	-	40.0	2.1	64.2	0.4	0.8
India	BBB-	Baa2	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-6.6	69.8	-	39.5	19.4	90.7	-2.5	1.6
Kazakhstan	BBB-	Baa3	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	0.5	21.9	-	25.7	4.7	87.4	0.6	1.5
Pakistan	B-	B3	B-	-	CCC								
	Stable	Negative	Stable	-	Negative	-6.5	72.1	30.4	50.1	28.3	144.3	-6.1	0.87
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB								
	Positive	Stable	Stable	-	Stable	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Stable	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
Russia	BBB-	Ba1	BBB-	-	BBB-								
	Stable	Positive	Positive	-	Stable	2.8	14.0	-	17.2	2.6	57.4	7.0	-1.3
Turkey	B+	B1	BB-	BB-	B+								
	Stable	Negative	Negative	Negative	Negative	-3.6	29.1	-	84.3	5.9	176.4	-3.6	1.0
Ukraine	B-	Caa2	B-	-	B-								
	Stable	Positive	Stable	-	Stable	-2.3	63.9	-	59.3	9.3	129.2	-3.7	1.0

** Central Government*
*** External debt, official debt, debtor based*
Source: International Monetary Fund; IHS Markit; S&P Global Ratings; Byblos Research - The above figures are estimates for 2018

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.00-2.25	31-Jul-19	Cut 25bps	18-Sep-19
Eurozone	Refi Rate	0.00	25-Jul-19	No change	12-Sep-19
UK	Bank Rate	0.75	01-Aug-19	No change	19-Sep-19
Japan	O/N Call Rate	-0.10	30-Jul-19	No change	19-Sep-19
Australia	Cash Rate	1.00	06-Aug-19	No change	03-Sep-19
New Zealand	Cash Rate	1.00	07-Aug-19	Cut 50bps	25-Sep-19
Switzerland	3 month Libor target	-1.25-(-0.25)	13-Jun-19	No change	19-Sep-19
Canada	Overnight rate	1.75	10-Jul-19	No change	04-Sep-19
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	2.75	20-Dec-18	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	20-Jun-19	No change	19-Sep-19
South Korea	Base Rate	1.50	18-Jul-19	Cut 25bps	30-Aug-19
Malaysia	O/N Policy Rate	3.00	09-Jul-19	No change	12-Sep-19
Thailand	1D Repo	1.50	07-Aug-19	Cut 25bps	18-Sep-19
India	Reverse repo rate	5.40	07-Aug-19	Cut 35bps	04-Oct-19
UAE	Repo rate	2.50	31-Jul-19	Cut 25bps	N/A
Saudi Arabia	Repo rate	2.75	31-Jul-18	Cut 25bps	N/A
Egypt	Overnight Deposit	15.75	11-Jul-19	No change	22-Aug-19
Turkey	Repo Rate	24.0	25-Jul-19	No change	12-Sep-19
South Africa	Repo rate	6.50	18-Jul-19	Cut 25bps	19-Sep-19
Kenya	Central Bank Rate	9.00	27-Mar-19	No change	N/A
Nigeria	Monetary Policy Rate	13.50	23-Jul-19	No change	24-Sep-19
Ghana	Prime Rate	16.00	22-Jul-19	No change	20-Sep-19
Angola	Base rate	15.50	26-Jul-19	No change	27-Sep-19
Mexico	Target Rate	8.00	15-Aug-19	Cut 25bps	26-Sep-19
Brazil	Selic Rate	6.00	31-Jul-19	Cut 50bps	18-Sep-19
Armenia	Refi Rate	5.75	30-Jul-19	No change	10-Sep-19
Romania	Policy Rate	2.50	05-Aug-19	No change	03-Oct-19
Bulgaria	Base Interest	0.00	01-Aug-19	No change	02-Sep-19
Kazakhstan	Repo Rate	9.00	15-Jul-19	No change	09-Sep-19
Ukraine	Discount Rate	17.00	18-Jul-19	Cut 50bps	05-Sep-19
Russia	Refi Rate	7.25	26-Jul-19	Cut 25bps	6-Sep-19

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