600 ISSUES+
Issue 605 | November 14, 2019

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private debt funds raise $22bn in third quarter of 2019

Research provider Preqin indicated that 24 private debt funds secured $22.1bn in capital commitments in the third quarter of 2019, constituting the lowest amount raised since the first quarter of 2018. In comparison, 45 private debt funds raised $29.4bn in capital commitments in the second quarter of 2019 and 48 similar funds secured $29.6bn in the third quarter of 2018. On a regional basis, eight private debt funds with a primary focus on Europe secured $13.9bn in the third quarter of 2019, or 63% of total capital commitments, followed by 11 funds with a primary focus on North America with $6.5bn (29.6%), and three Asia-focused funds with $1.5bn (7%). In parallel, the survey also indicated that there were 417 private debt funds worldwide seeking to raise $177bn in capital as at the start of the fourth quarter of 2019, compared to 391 funds that were seeking to raise an aggregate of $168bn in capital as of January 2019. It added that direct lending funds accounted for 46.5% of total number of private debt funds in the market at the start of the fourth quarter of 2019, followed by mezzanine funds (18.7%), special situations funds (13.2%), distressed debt funds (11.5%), venture debt funds (7.2%), and funds of funds (2.9%). Further, direct lending funds are seeking to raise $90bn, or 50.6% of the aggregate targeted capital, followed by mezzanine funds with $31bn (17.4%), distressed debt funds $27bn (15.4%), special situations funds with $25bn (14.2%), venture debt funds $2.4bn (1.3%), and funds of funds $2.1bn (1.2%).

Source: Preqin

International maritime trade to rise by 3% in 2019

The United Nations Conference on Trade & Development (UNCTAD) indicated that the volume of international maritime trade totaled 11 billion tons in 2018, constituting an increase of 2.7% from 10.7 billion tons in 2017, compared to a rise of 4.1% in 2017 and an annual average expansion of 3% during the 1970-2017 period. It attributed the slowdown in maritime trade growth in 2018 to weaker global economic activity, trade tensions between the U.S. and China, and geopolitical uncertainties. Also, it noted that "main bulks", which consist of iron ore, grain, coal, alumina and phosphate, represented 29.2% of international maritime trade in 2018; while "tanker" trade, which consists of crude oil, refined petroleum products, gas and chemicals, accounted for 29% of the total. It added that "other dry cargo", which includes containerized cargo and minor bulks such as steel and forest products, represented the remaining 41.8% of total maritime trade in 2018. Further, it said that developing economies accounted for 58.8% of international maritime trade in 2018, followed by developed countries with 34.7% of the total, and transition economies with 6.5% of the total. In parallel, the UNCTAD projected the volume of international maritime trade to increase by 2.6% in 2019, and to expand by an annual average of 3.4% over the 2019-24 period. It pointed out that risks to maritime trade are tilted to the downside, and include heightened trade tensions, international sanctions on Iran and Venezuela, and OPEC-related oil production cuts.

Source: UNCTAD

EMERGING MARKETS

Sovereigns to issue $130bn in Eurobonds in 2020

Barclays Capital projected emerging market (EM) sovereigns to issue $130bn in foreign currency-denominated bonds in 2020, relative to an expected $150bn in 2019. It attributed the anticipated decline to lower debt issuance by Abu Dhabi and Qatar and to the sustained downward trend in Latin America's sovereign debt issuance. However, it expected sovereign debt issuance in frontier markets to increase in 2020, driven by Sub-Saharan Africa and Frontier Asia. It forecast Eastern Europe, the Middle East & Africa (EEMEA) to issue $71bn worth of Eurobonds, equivalent to 54.6% of total EM foreign currency-denominated bond issuance in 2020, and relative to $96bn in 2019. Emerging Asia follows with $35bn, or 27% of the total, compared to $24bn in 2019, then Latin America with $24bn (18.5%), relative to $30bn in 2019. On a country basis, it expected Indonesia and Saudi Arabia to issue $10bn in sovereign Eurobonds each, or 7.7% of total EM issuance each in 2020. Turkey follows with $9.5bn (7.3%); then India with $6bn (4.6%); Poland with $5.5bn (4.2%); China, Mexico and Qatar with $5bn each (3.8% each); Egypt and Sri Lanka with $4.5bn each (3.5% each); Russia with $4bn (3.1%); and Nigeria, Romania and South Africa with $3bn each (2.3% each). In parallel, it projected interest payments and maturities to reach $90bn next year. As such, it forecast EM currency-denominated issuance, net of interest payments and maturities, at $40bn in 2020.

Sources: Barclays Capital

MENA

IPOs down 45% to $190m in third quarter of 2019

Figures released by EY indicate that capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled $190m in the third quarter of 2019, down by 45.3% from $347.3m in the same quarter of 2018. There were two IPOs in the MENA region in the third quarter of 2019 relative to four public listings in the same quarter of 2018. In comparison, there was one IPO that raised $57.6m in the first quarter of 2019, and six deals that raised $2.8bn in the second quarter of the year. Capital raised through IPOs in the MENA region accounted for 0.5% of total capital raised through IPOs worldwide in the third quarter of 2019, while the number of IPO deals in the region represented 0.8% of the number of global listings. There was one IPO in Egypt that raised $97m in the covered quarter, equivalent to 51% of the MENA region's total deal value, and one deal in Saudi Arabia that raised $93m, or 49% of the total. Further, the IPO in Egypt was in the technology sector, while the deal in Saudi Arabia was in the professional services sector. EY expected activity in the MENA region to pick up in the fourth quarter of 2019 and in 2020, supported by several companies that are preparing to list their shares in the next 12 months, as well as by the low interest rate environment.

Source: EY

OUTLOOK

MENA

Growth of oil-importing economies at 3.9% in 2019 and 4.4% in 2020

The International Monetary Fund projected real GDP growth in the oil-importing economies of the Middle East & North Africa (MENA) region to pick up from 3.8% in 2018 to 3.9% in 2019 and to 4.4% in 2020. But it said that the region's economic activity continues to be constrained by persistent structural rigidities, elevated public debt levels that limit fiscal policy space, a weak external environment, ongoing security concerns and regional conflicts, as well as by high unemployment rates. It added that low private investment and delays in the implementation of reforms are weighing on the development of the private sector. It anticipated activity to vary across the MENA region's oil importers during the 2019-20 period, as it expected average growth rates to exceed 5% in each of Djibouti, Egypt and Mauritania and to range between 3.2% and -2.1% in the remaining countries. It noted that downside risks to the region's economic outlook include heightened global trade tensions, financial market uncertainties, rising social tensions, worsening security conditions, as well as weaker-than-anticipated public investments.

Further, the Fund forecast the aggregate fiscal deficit of oil importers to narrow from 7.4% of GDP in 2018 to 6.3% of GDP in 2019 and 6.4% of GDP in 2020, amid ongoing fiscal consolidation. It expected the region's public debt level to be stable at around 94% of GDP in the 2019-20 period, which would leave some countries with limited fiscal space to offset the impact of weaker external demand on near-term growth. Further, it expected the aggregate current account deficit of oil importers to narrow from 6.7% of GDP this year to 6.4% of GDP in 2020, mainly due to lower oil prices. It noted that risks to the external account include slower export growth, lower remittance inflows, higher oil prices and the escalation of global trade tensions. It forecast the region's foreign currency reserves at $124.8bn at end-2019 and $123.2bn at end-2020. The Fund called on authorities in oil-importing economies to focus on growth-friendly fiscal consolidation efforts in order to rebuild buffers and enhance resilience. It urged authorities to make progress on structural reforms to improve competitiveness and boost private investment.

Source: International Monetary Fund

SAUDI ARABIA

Non-hydrocarbon sector growth to average 2.9% in 2019-20

The Institute of International Finance projected Saudi Arabia's real GDP growth to decelerate from 2.4% in 2018 to 0.5% in 2019, mainly due to lower hydrocarbon output under the extended OPEC agreement. But it expected non-hydrocarbon growth to rise from 2.2% in 2018 to 3% in 2019 as private sector confidence improves and the monetary stance eases. In this context, it indicated that the Saudi Arabian Monetary Authority cut its key policy rate by 25 basis points for the third time this year, and that further monetary easing would make borrowing cheaper and boost private sector activity. In addition, it forecast economic growth at 1.9% in 2020, with hydrocarbon output rising by 0.8% and non-hydrocarbon sector growth reaching 2.7%. It said that economic growth could accelerate in the medium term if authorities implement megaprojects and improve the business environment, and in case regional and geopolitical tensions recede.

In parallel, the IIF expected the fiscal deficit to widen from 6.2% of GDP in 2018 to 6.5% of GDP in 2019 and to 6.9% of GDP in 2020, mainly due to lower global oil prices. It forecast Saudi Arabia's fiscal breakeven oil price at $80 per barrel (p/b) in 2020 relative to an average global oil price of $58 p/b next year. It indicated that the government needs to further restrain its expenditures in order to reach its target of a balanced budget by 2023, given the low oil price environment. It anticipated that the government would continue to tap domestic and foreign debt sources to finance its fiscal deficit. It projected the public debt level at about 25% of GDP at the end of 2019 compared to 19% of GDP at end-2018. It noted that the authorities' target to keep the public debt level at below 30% of GDP in the medium term could be challenging if oil prices fall well below $60 p/b.

In addition, the IIF expected the current account surplus to decline from 9% of GDP in 2018 to 5.7% of GDP in 2019 and to 2.7% of GDP in 2020, due to lower hydrocarbon export receipts. It projected public foreign assets, which include international reserves and sovereign wealth funds, at $819bn or 108% of GDP at end-2019 and $849bn or 112% of GDP at end-2020. It considered that the listing of a 5% stake of Saudi Aramco will boost the Public Investment Fund's assets and provide adequate funding for megaprojects that aim to diversify the economy.

Source: Institute of International Finance

QATAR

Economic activity to be supported by infrastructure projects and increase in gas exports

BNP Paribas projected Qatar's real GDP growth at 1% in 2019, its weakest level in 20 years, as it expected hydrocarbon sector output to expand by 0.5% this year and growth in the non-hydrocarbon sector to slow down from 3% in 2018 to 1.5% in 2019. It attributed the weak performance of the non-hydrocarbon sector to the completion of main infrastructure projects and to slowing real estate activity. It noted that the economy remains largely dependent on the hydrocarbon sector, as the authorities' attempts at economic diversification did not generate sustainable and significant growth. In parallel, it forecast economic activity to expand by 2.3% in 2020, supported by a 2% rise in hydrocarbon sector output, as a new gas project at the Barzan field comes on stream. It also expected non-hydrocarbon sector activity to expand by 2.5% in 2020, largely driven by higher investment spending.

In addition, it anticipated Qatar's economic activity over the medium term to be supported by the 2020 World Cup, which will boost the services sector, and by higher infrastructure and real estate investment under the Qatar National Vision 2030 plan. It forecast economic growth to be also driven by a planned increase of 40% in Qatar's LNG export capacity by 2023-24. However, it noted that the outlook is subject to downside risks stemming from increasing geopolitical tensions.

Further, it projected the government's fiscal surplus to increase from 0.5% of GDP in 2018 to 1% of GDP in 2019 and 2.3% of GDP in 2020, due to ongoing restraints on public spending. It anticipated the public debt level to gradually decline from 48% of GDP in 2018 to 47% of GDP in 2019 and 46% of GDP in 2020. In addition, it forecast the current account deficit at 5.1% of GDP in 2019 and 3.9% of GDP in 2020.

Source: BNP Paribas

IRAQ

Recent measures insufficient to improve government effectiveness

S&P Global Ratings indicated that the large protests that started in Iraq in early October 2019 would not have an immediate impact on the agency's assessment of the country's sovereign creditworthiness. It noted that the protests erupted as a result of widespread dissatisfaction with the government's ineffectiveness, and about frustration over alleged corruption. It said that the government responded by unveiling a welfare package, which is partially funded by a cut in the salaries of high-ranking public officials. But S&P did not expect the announced measures to significantly improve the effectiveness of government institutions in the near term. Further, the agency pointed out that the government could increase public spending in order to appease protesters. But it considered that higher government spending would not significantly impact Iraq's fiscal metrics, given that the agency's forecasts already incorporate an increase in public expenditures. Overall, it expected the growth in spending to be manageable, but it cautioned that public revenues remain vulnerable to oil price shocks. Still, it noted that the government's balance sheet strengthened in 2018 due to higher oil prices, with useable foreign currency reserves estimated at $8.8bn at end-2019, which would support Iraq's debt-servicing capacity. In parallel, it said that the severity of the recent social unrest is increasing risks to the country's outlook. However, it still projected non-hydrocarbon sector activity to gradually improve. S&P currently rates Iraq's long- and short-term sovereign ratings at 'B-/B', with a 'stable' outlook.

Source: S&P Global Ratings

ANGOLA

Exchange rate adjustment raises public debt level

Barclays Capital anticipated that the Banco Nacional de Angola's (BNA) measures to allow the Angolan kwanza to depreciate will increase the public debt level and modestly exert upward pressure on the inflation rate. The kwanza depreciated from AOA308 against the US dollar in January 2019 to AOA360 per dollar in August 2019 and reached nearly AOA463 per dollar on November 14, 2019. It said that businesses have been sourcing scarce foreign currency from the black market at an exchange rate that exceeded AOA400 per dollar since the beginning of the year, which contained inflationary pressure when the official rate depreciated. It noted that the BNA's measures have allowed the official exchange rate to gradually depreciate in an attempt to converge it to the black market rate that reached a high of AOA610 on October 24, 2019. It anticipated that authorities would be able to continue monetary easing once the currency stabilizes and the inflation rate resumes its downward trend. In parallel, it estimated that the public debt level increased from 88% of GDP in May 2019 to more than 100% of GDP, following the depreciation of the kwanza, given the large share of debt denominated in foreign currency. But it considered that the deterioration in the debt ratio is temporary, as the adjustment of the exchange rate would support economic activity and expand nominal GDP, which would help reduce the debt-to-GDP ratio. Barclays considered that the authorities' measures should facilitate continued cooperation with the International Monetary Fund and help address the remaining imbalances in the economy.

Source: Barclays Capital

PAKISTAN

Policy measures starting to reverse vulnerabilities

The International Monetary Fund considered that the Pakistani government's recent policy measures have started to restore economic stability and reverse the buildup of vulnerabilities. It noted that the country's fiscal and external deficits have been narrowing, while the economy continues to grow at a slow pace. It also anticipated that the inflation rate would decelerate to 11.8% in the fiscal year that ends in June 2020, reflecting the authorities' appropriate monetary stance. The Fund indicated that Pakistan's external position is improving due to the State Bank of Pakistan's (SBP) orderly transition to a flexible and market-determined exchange rate, as well as to a larger-than-expected increase in the SBP's net international reserves. It also pointed out that the government has made progress in strengthening revenue collection, despite lower import-related taxes. Still, the Fund called on authorities to carefully execute the FY2019/20 budget, and to continue to broaden the tax base by removing preferential tax treatments and exemptions. It also stressed the importance of implementing electricity sector reforms, which would reduce recurrent arrears and contain debt accumulation. Further, the IMF encouraged authorities to strengthen the governance of state-owned enterprises, to implement anti-corruption reforms, and improve the business climate, which are key to mobilizing investments and supporting economic growth. Also, the Fund considered that authorities have made significant progress in implementing the framework for fighting money laundering and terrorist financing, but it stressed that additional work is still needed.

Source: International Monetary Fund

CÔTE d'IVOIRE

Outlook revised to 'positive' on strong growth prospects and improving public finances

Fitch Ratings affirmed Côte d'Ivoire's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+', and its short-term foreign and local currency IDRs at 'B'. It also revised the outlook on the country's long-term ratings from 'stable' to 'positive', due to improving public finances and to the country's resilient economic growth despite a worsening external environment. The agency projected real GDP growth to average 7.1% annually in the 2019-21 period, which is more than twice the median rate of 3.4% among 'B'-rated sovereigns, driven by stronger domestic demand. It also anticipated that the country's ongoing infrastructure projects under the 2016-20 National Development Plan would support investment and construction activity. Further, the agency forecast the fiscal deficit to narrow from 4% of GDP in 2018 to 3% of GDP in 2019, in line with the authorities' target, mainly due to higher taxes on key agricultural commodity exports, as well as to an increase in excise taxes and a reduction in capital spending. It also anticipated the public debt level to regress from 48.6% of GDP at end-2018 to 47% of GDP at the end of 2021, supported by narrower fiscal deficits. In parallel, Fitch considered that Côte d'Ivoire's external finances have deteriorated largely due to higher capital imports related to the country's large infrastructure projects. Still, it projected the current account deficit to narrow from 4.7% of GDP in 2018 to 3.9% of GDP in 2021, mainly supported by an expected increase in mining exports and in domestic refining activity.

Source: Fitch Ratings

JORDAN

Lending to resident private sector up 3.7% in first nine months of 2019

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD52.9bn, or $74.5bn at the end of September 2019, constituting increases of 3.8% from the end of 2018 and of 5.2% from end-September 2018. Claims on the resident private sector grew by 3.9% from end-2018 to JD24.6bn, while credit facilities to the non-resident private sector declined by 6% to JD616.6m, leading to an increase of 3.7% in overall private sector credit facilities in the first nine months of 2019. Lending to the resident private sector accounted for 46.6% of total assets at the end of September 2019 compared to 46.8% a year earlier. In parallel, resident private sector deposits reached JD27.9bn at the end of September 2019, up by 3.5% from JD26.9bn at end-2018 and by 2.9% from JD27.1bn at end-September 2018, while non-resident private sector deposits grew by 4.6% from the end of 2018 and by 3.9% from end-September 2018 to JD4bn. The government's deposits totaled JD952m and those of public non-financial institutions reached JD232m. Claims on the public sector accounted for 23.4% of total assets at end-September 2019 compared to 22.3% a year earlier. Also, the banks' reserves at the Central Bank of Jordan totaled JD5.1bn, or $7.2bn at end-September 2019, up by 6% from end-September 2018; while capital accounts and allowances increased by 3.8% from end-September 2018 to JD8bn. Also, deposits at foreign banks reached JD3.7bn, or $5.3bn, at the end of September 2019, down by 2.6% from end-2018; while the sector's foreign liabilities increased by 9% from end-2018 to JD8bn, or $11.3bn.

Source: Central Bank of Jordan

UAE

Agency maintains stable outlook on banking sector

Moody's Investors Service maintained the 'stable' outlook on the UAE banking system for the next 12 to 18 months. It indicated that the outlook balances the banks' strong capitalization, stable funding and healthy liquidity, with weakening asset quality and declining profitability metrics. It projected the system-wide Tangible Common Equity ratio to increase from 14.7% at end-2018 to 16% at end-2020, mainly supported by higher pre-provisioning income. It also expected funding and liquidity conditions to remain stable, as it anticipated moderate global oil prices to support the revenue stream of large depositors such as corporates and government-related entities. It indicated that the banks' deposits grew by 5.3% in the first half of 2019, and outperformed the 1.7% rise in lending in the first six months of the year. As such, it said that the net loans-to-deposits ratio remained at 88% at end-June 2019. Further, it expected the banks' profitability to slightly decline in the coming 12 to 18 months, as it anticipated lower interest rates to reduce the banks' net interest margins. It forecast the sector's net income at between 1.5% and 1.6% of tangible assets in the next 12 to 18 months, compared to a ratio of 1.7% in 2018. In addition, it projected the sector's non-performing loans ratio to increase from 4.6% at end-June 2019 to between 4.8% and 5.3% in the coming 12 to 18 months, due to weaker activity in the construction and real estate sectors. The agency anticipated that the authorities' willingness and capacity to support banks, if needed, will remain elevated in the next 12 to 18 months.

Source: Moody's Investors Service

OMAN

Profits of banks up 5% in third 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 OMR73m, or $190m, in the third quarter of 2019, down by 3.6% from the previous quarter and by 4.8% from the third quarter of 2018. It attributed the annual decrease in the banks' earnings to a 4.1% decline in their non-interest income and a 22.5% rise in their loan-loss provisions, which were partly offset by a 3.6% increase in their interest income. In parallel, it said that the aggregate assets of the four listed banks stood at OMR23.3bn, or $60.4bn, at the end of September 2019, up by 1.1% from end-June 2019 and by 3.5% from a year earlier. Also, it noted that loans extended to customers reached OMR17.3bn, or $44.8bn, at the end of September 2019, and regressed by 0.6% from end-June 2019 amid lower corporate loans, while they increased by 2.2% from a year earlier. In parallel, it indicated that customer deposits at the four banks grew by 2.8% from end-September 2018 and by 0.7% from end-June 2019 to OMR15.4bn, or $40bn, at the end of September 2019. As such, it said that the banks' loans-to-deposits ratio regressed from 112.7% at end-September 2018 to 112% at end-September 2019. Further, it pointed out that the banks' aggregate non-performing loans (NPLs) ratio reached 3.9% at end-September 2019 compared to 3.5% a year earlier, while the NPLs coverage ratio stood at 105.5% relative to 108.6% at end-September 2018. It noted that the deterioration in the banks' asset quality was driven in part by weaker activity in the real estate and construction sectors amid delays in government payments to contractors.

Source: EFG Hermes

MOROCCO

Agency takes rating actions on six banks

Capital Intelligence Ratings affirmed at 'BBB-' the long-term foreign currency ratings (FCRs) of Attijariwafa Bank (AWB), Banque Centrale Populaire (BCP), Société Générale Marocaine des Banques (SGMA), Banque Marocaine pour le Commerce et l'Industrie (BMCI) and Crédit du Maroc (CdM). It maintained the 'stable' outlook on the banks' ratings. In addition, it downgraded the long-term FCR of BMCE Bank of Africa (BMCE) from 'BBB-' to 'BB+', with a 'stable' outlook. It attributed the downgrade mainly to the bank's modest capital position, weaker-than-peers metrics, including profitability, as well as to a higher risk profile amid significant exposure to low-rated African countries. Further, it pointed out that the six banks' FCRs take into account the high likelihood of receiving support from the Moroccan government or from the banks' major shareholders, in case of need. In parallel, CI assigned a Bank Standalone Rating (BSR) of 'bb+' to AWB, BCP, SGMA and CdM, a rating of 'bb' to BMCI, and a BSR of 'bb-' to BMCE, with a 'stable' outlook. It noted that the BSRs take into consideration the banks' core financial strength and risks stemming from the operating environment. As such, it said that AWB's BSR is supported by the bank's strong domestic franchise, solid customer deposit base and profitability, as well as good funding and earnings diversification. However, it noted that the bank's rating is constrained by a moderately high level of non-performing loans, modest capital ratios, and risks related to AWB's exposure to low-rated African countries.

Source: Capital Intelligence Ratings

ENERGY / COMMODITIES

Brent oil prices at below $60 p/b in medium term

ICE Brent crude oil front-month prices have been trading at around $62 per barrel (p/b) since the beginning of November 2019, up from an average of $59.6 p/b in October 2019. The increase in oil prices is partly due to expectations of lower U.S. production next year as well as to a drop in U.S. oil inventories. However, the rise in prices has been capped by the uncertainties about the growth in oil demand in China. In parallel, Citi Research expected oil prices to trade at below $60 p/b in the medium term. It added that, under an oil price assumption of between $55 p/b and $65 p/b, global oil supply would meet the expected global growth in demand during the next five years, in case exploration and production costs remain relatively constant. In this context, it noted that oil production costs have been stabilizing, following a long period of cost reduction. However, it pointed out that several factors could potentially increase production costs. First, it considered that technological innovation and capital efficiency gains could decline, as capital expenditures and spending on research and development are under pressure amid low oil prices, which would make it more difficult to further reduce costs. Second, it said that environmental, social and corporate governance issues are exerting upward pressure on costs in the oil sector, due to tighter regulations, stricter conditions to approve exploration projects, and stringent criteria by banks to extend loans to oil companies. Third, it considered that mounting pressures on firms to increase returns are diverting capital away from new projects at the expense of increasing oil production, which would potentially lead to a tighter global oil market.

Source: Citi Research, Refinitiv, Byblos Research

OPEC's oil basket price down 4% in October 2019

The price of the reference basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $59.91 per barrel (p/b) in October 2019, constituting a decrease of 4% from $62.36 p/b in the preceding month. Nigeria's Bonny Light posted a price of $61.45 p/b, followed by Angola's Girassol at $61.34 p/b, and Saudi Arabia's Arab light at $61 p/b. In parallel, the 14 prices included in the OPEC reference basket posted monthly decreases between $1.51 p/b and $16.1 p/b in October 2019.

Source: OPEC, Byblos Research

Middle East demand for gold bars and coins down 22% in first nine months of 2019

Net demand for gold bars and coins in the Middle East totaled 50.6 tons in the first nine months of 2019, constituting a decline of 22.2% from 65.1 tons in the same period of 2018. It accounted for 8.1% of global demand for bars and coins in the covered period. Gold demand in Iran reached 34.2 tons, representing 67.5% of the region's total demand. Saudi Arabia followed with 6.7 tons (13.3%), then the UAE with 3.9 tons (7.7%), Kuwait with 1.9 tons (3.8%), and Egypt with 1.6 tons (3.2%).

Source: World Gold Council, Byblos Research

Iraq's oil supply to grow by 3% in 2019

The International Monetary Fund expected Iraq's crude oil production to reach 4.54 million barrels per day (b/d) in 2019, which would constitute a rise of 3% from 4.41 million b/d in 2018. It projected the country's crude oil exports to average 3.97 million b/d in 2019 compared to 3.86 million b/d last year. Iraq is currently OPEC's second largest oil producer.

Source: International Monetary Fund, Byblos Research

Base Metals: Nickel prices up by 2% in first 10 months of 2019

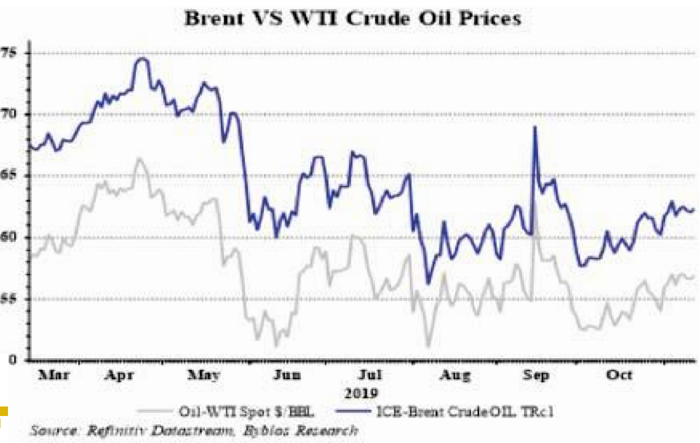
The LME cash price of nickel averaged $13,801 per metric ton in the first 10 months of 2019, constituting an increase of 2.1% from an average of $13,519 per ton in the same period of 2018. Nickel was the only base metal to register an increase in its price this year, despite ongoing global trade tensions that have been weighing on the prices of other base metals. In fact, the metal's price increased by 71.2% from end-2018 to $18,153 per ton on September 12, 2019, its highest level in five years. The surge in nickel prices was driven by heightened concerns about supply disruptions from Indonesia, the world's largest nickel producer. However, prices gradually decreased by 13.6% from $17,811 per ton on October 10, 2019 to $15,384 a ton on November 13, mainly due to easing supply concerns, as nickel inventories increased and as Indonesia allowed nine companies to resume exports of nickel ore until the end of the year. In addition, prices regressed due to signs of slowing demand from China, the main purchaser of Indonesian nickel ore. Further, the price of nickel and other base metals decreased after the U.S. President threatened to significantly raise tariffs on Chinese goods if the two countries fail to reach a trade deal, which weighed on investors' sentiment and increased uncertainty.

Source: Refinitiv, Byblos Research

Precious Metals: Palladium prices to average $2,000 per ounce in fourth quarter of 2019

Palladium prices averaged $1,480 per troy ounce in the first 10 months of 2019, constituting an increase of 48.2% from an average of $998.5 an ounce in the same period of 2018. They also rose by 10.6% quarter-on-quarter to an average of $1,533 per ounce in the third quarter of 2019 and are expected to average $2,000 an ounce in the fourth quarter of the year, supported by the narrowing of the production deficit in the palladium market amid supply-side disruptions. However, the metal's price is projected to decline to an average of $1,850 per ounce in the first quarter of 2020 and to $1,800 an ounce in the second quarter of next year, mainly due to a significant rise in the supply of the metal's scrap. Citi Research projected global palladium demand to increase by 5% to 10.9 million ounces in 2020, while it forecast global supply of palladium to expand by 2.5% to 10.5 million ounces next year, supported by higher autocatalysis scrap supply. As such, it anticipated the production deficit in the palladium market to widen from 212,000 ounces in 2019 to 475,000 ounces in 2020.

Source: Citi Research, Byblos Research



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 (%)
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	Negative	Negative	-	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
Côte d'Ivoire	-	B3	B+	-	B+								
	-	Stable	Positive	-	Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	-	-	-	-	B-								
	-	-	-	-	Stable	-7.4	-	-	-	-	-	2	-
Dem Rep	CCC+	Caa1	-	-	CCC								
Congo	Positive	Stable	-	-	Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Stable	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+								
	Stable	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	Negative	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+	BB+								
	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-	Caa2	CCC	B-	B-								
	CWN***	UR****	-	Negative	Negative	-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	Negative	-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								
	-	-	-	-	Stable	-5.1	54.7	18.1	-	-	-	0.7	-

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								
Asia													
Armenia	-	Ba3	B+	-	B-								
	-	Stable	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	Positive	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	Positive	-	Stable	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Negative	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
Russia	BBB-	Baa3	BBB	-	BBB-								
	Stable	Stable	Stable	-	Stable	2.8	14.0	-	17.2	2.6	57.4	7.0	-1.3
Turkey	B+	B1	BB-	BB-	B+								
	Stable	Negative	Stable	Negative	Negative	-3.6	29.1	-	84.3	5.9	176.4	-3.6	1.0
Ukraine	B	Caa1	B-	-	B-								
	Stable	Stable	Stable	-	Stable	-2.3	63.9	-	59.3	9.3	129.2	-3.7	1.0

** Central Government*
*** External debt, official debt, debtor based*
**** CreditWatch negative*
***** Under Review for Downgrade*
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	1.50-1.75	30-Oct-19	Cut 25bps	11-Dec-19
Eurozone	Refi Rate	0.00	24-Oct-19	No change	12-Dec-19
UK	Bank Rate	0.75	07-Nov-19	No change	19-Dec-19
Japan	O/N Call Rate	-0.10	31-Oct-19	No change	19-Dec-19
Australia	Cash Rate	0.75	05-Nov-19	No change	03-Dec-19
New Zealand	Cash Rate	1.00	13-Nov-19	No change	12-Feb-20
Switzerland	3 month Libor target	-1.25-(-0.25)	19-Sep-19	No change	12-Dec-19
Canada	Overnight rate	1.75	30-Oct-19	No change	04-Dec-19
Emerging Markets					
China	One-year Loan Prime Rate	4.20	21-Oct-19	No change	20-Nov-19
Hong Kong	Base Rate	2.00	31-Oct-19	Cut 25bps	N/A
Taiwan	Discount Rate	1.375	19-Sep-19	No change	19-Dec-19
South Korea	Base Rate	1.25	16-Oct-19	Cut 25bps	29-Nov-19
Malaysia	O/N Policy Rate	3.00	05-Nov-19	No change	22-Jan-20
Thailand	1D Repo	1.25	06-Nov-19	Cut 25bps	18-Dec-19
India	Reverse repo rate	5.15	04-Oct-19	Cut 25bps	05-Dec-19
UAE	Repo rate	2.00	31-Oct-19	Cut 25bps	11-Dec-19
Saudi Arabia	Repo rate	2.25	30-Oct-19	Cut 25bps	11-Dec-19
Egypt	Overnight Deposit	13.25	26-Sep-19	Cut 100bps	14-Nov-19
Turkey	Repo Rate	14.00	24-Oct-19	Cut 250bps	12-Dec-19
South Africa	Repo rate	6.50	19-Sep-19	No change	21-Nov-19
Kenya	Central Bank Rate	9.00	23-Sep-19	No change	N/A
Nigeria	Monetary Policy Rate	13.50	20-Sep-19	No change	26-Nov-19
Ghana	Prime Rate	16.00	20-Sep-19	No change	25-Nov-19
Angola	Base rate	15.50	01-Oct-19	No change	25-Nov-19
Mexico	Target Rate	7.75	26-Sep-19	Cut 25bps	14-Nov-19
Brazil	Selic Rate	5.00	30-Oct-19	Cut 50bps	11-Dec-19
Armenia	Refi Rate	5.50	29-Oct-19	No change	10-Dec-19
Romania	Policy Rate	2.50	06-Nov-19	No change	08-Jan-20
Bulgaria	Base Interest	0.00	01-Nov-19	No change	02-Dec-19
Kazakhstan	Repo Rate	9.25	28-Oct-19	No change	09-Dec-19
Ukraine	Discount Rate	15.50	24-Oct-19	Cut 100bps	12-Dec-19
Russia	Refi Rate	6.50	25-Oct-19	Cut 50bps	13-Dec-19

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON
Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ
Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES
Byblos Bank Abu Dhabi Representative Office
Al Reem Island – Sky Tower – Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA
Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM
Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM
Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE
Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS
Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

NIGERIA
Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE
Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293