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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

External debt issuance up 30% to $639bn in first 11 months of 2019

Figures compiled by Citi Research show that emerging markets (EMs) issued $639bn in external sovereign and corporate bonds in the first 11 months of 2019, constituting an increase of 30% from $491bn in the same period of 2018. The debt issued in Asia excluding Japan reached $328bn or 51.3% of the total, followed by bond issuance in the Middle East & Africa (ME&A) with $130bn (20.3%), Latin America with $104bn (16.3%), and Emerging Europe with $76bn (12%). Further, EM corporates issued $470bn in bonds, or 73.6% of total sovereign and corporate bond issuance, in the covered period. Asia ex-Japan issued $302bn, or 64.3% of total corporate issuance in the first 11 months of 2019, followed by Latin America with $71bn (15.1%), the ME&A region with $59bn (12.5%), and Emerging Europe with $38bn (8.1%). EM sovereigns issued $169bn in bonds, or 26.4% of new sovereign and corporate bonds, in the covered period. The ME&A region issued $71bn, or 42% of new sovereign bonds, followed by Emerging Europe with $38bn (22.5%), Latin America with $33bn (19.5%), and Asia ex-Japan with $26bn (15.4%). In parallel, Citi projected the EMs' sovereign external debt service payments at $4.5bn in December 2019. It forecast sovereign external debt service payments from Latin America at $3.2bn, or 71% of the total, followed by the ME&A region with $0.8bn (17.8%), Emerging Europe with $0.5bn (11%), and Asia ex-Japan with $0.1bn (2.2%). It expected external debt service payments of EM corporates at $7.5bn in the same month, of which $5.8bn is from Asia ex-Japan.

Source: Citi Research, Byblos Research

Trading in Credit Default Swaps down 4% to $486bn in third quarter of 2019

Trading in emerging markets Credit Default Swaps (CDS) reached $486bn in the third quarter of 2019, constituting a decline of 4% from $509bn in the third quarter of 2018 and an increase of 34% from $364bn in the second quarter of 2019. The most frequently traded sovereign CDS contracts in the third quarter of 2019 were those of China at $50bn, followed by Turkey at $44bn and Brazil at $40bn. As such, traded sovereign CDS contracts on China accounted for about 10.3% of total trading in emerging markets CDS in the covered quarter, followed by CDS contracts on Turkey (9.1%) and on Brazil (8.2%). Further, the most frequently traded corporate CDS contracts in the third quarter of 2019 were those of Mexico's state-oil company Pemex at about $2.3bn, which accounted for 0.5% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 23 emerging economies and nine emerging market corporate issuers, as well as from 12 major international banks and broker-dealers.

Source: EMTA

MENA

Ease of paying taxes varies across Arab world

The PwC/World Bank Paying Taxes survey for 2020 ranked Bahrain in first place globally, followed by Qatar (3rd), Kuwait (6th), Oman (11th) and Morocco (24th) as the top ranked Arab countries in terms of ease of paying taxes; while Djibouti (133rd), Egypt (156th), Algeria (158th), Sudan (164th) and Mauritania (177th) were the lowest ranked Arab countries. The survey measures the direct impact on a medium-sized firm of the mandatory taxes and contributions it has to pay, and reflects the government-mandated tax burden that a standard business incurs. The average number of corporate tax payments per year in Arab countries is 18.8 times relative to 23.1 times globally. Specifically, the average number of corporate tax payments per year is 23.8 times in non-GCC Arab countries and 7.2 times in GCC economies. Further, it takes a standard medium-sized firm in the region 207.3 hours to prepare, file and pay its taxes relative to a global average of 234 hours. In comparison, it takes a standard medium-sized firm 264 hours in non-GCC Arab countries and 75 hours in GCC economies to prepare, file and pay its taxes. In parallel, the corporate income tax rate at a standard Arab firm is 10.5%, the labor tax is at 16.3% and the non-corporate tax is at 6.9% relative to global averages of 16.1%, 16.3% and 8.1%, respectively. The corporate income tax rate at a standard non-GCC Arab firm is 13.8%, the labor tax is at 17.7% and the non-corporate tax is at 9.7% compared to averages of 2.8%, 13.1% and 0.3%, respectively, for firms in GCC economies.

Source: PwC, Byblos Research

GCC

Corporate earnings down 10% to $17bn in third quarter of 2019

The net income of listed companies in Gulf Cooperation Council countries reached $16.8bn in the third quarter of 2019, constituting a decline of 10.1% from $18.75bn in the same quarter of 2018 and an increase of 6.6% from $15.8bn in the second quarter of 2019. Listed companies in Saudi Arabia accounted for $6.4bn, or 38% of total corporate earnings, followed by listed firms in Dubai with $2.8bn (16.8%), Qatar with $2.7bn (16%), Abu Dhabi with $2.5bn (14.5%), Kuwait with $1.5bn (9%), Bahrain with $0.48bn (3%), and Oman with $0.46bn (2.7%). Further, the earnings of listed firms in Dubai increased by 20% and the profits of listed corporates in Kuwait grew by 4% year-on-year. In contrast, the earnings of listed companies in Saudi Arabia decreased by 25.4%, followed by Oman (-10%), Bahrain (-6.5%), Qatar (-3.4%), and Abu Dhabi (-2.7%). In parallel, the earnings of listed banks in GCC countries reached $10.2bn and accounted for 60.6% of total corporate earnings, followed by telecom firms with $2bn (11.7%), real estate companies with $1bn (6.2%), utilities firms with $0.9bn (5.4%), and materials companies with $0.8bn (5%). The income of listed transportation firms increased by 23% year-on-year, followed by food, beverages & tobacco companies (+13.6%), energy firms (+13%), banks (+11%), retailers (+3.8%), and telecom firms (+3.7%). In contrast, the profits of capital goods firms dropped by 73.7%, followed by companies in the materials sector (-70%), diversified financials (-69.2%), utilities firms (-41.3%), insurers (-13.8%), and real estate firms (-6.3%).

Source: KAMCO

OUTLOOK

EMERGING MARKETS

Fiscal expansion to support economic growth in 2020

Goldman Sachs projected economic activity in Emerging Markets (EMs) to pick up in 2020, driven mainly by looser financial conditions and an easing of global trade tensions that would support a recovery in global industrial activity. It anticipated central banks in several EM countries, such as Argentina, Russia and Turkey, to further reduce their policy rates in coming months. But it noted that local obstacles on monetary easing are increasing. As such, it considered that, if economic activity recovers as expected in 2020, a number of EM countries would end their monetary easing cycle and would instead resort to expansionary fiscal policies in order to stimulate demand and, in turn, economic growth.

It indicated that the acceleration in growth next year would vary across EMs, as it expected some countries to post a significant improvement in their economic activity and for other export-driven economies to register a modest recovery in their activity. It projected India to contribute the most to the economic recovery in EMs with a real GDP growth of 6.6% in 2020, supported by large corporate tax cuts and potential personal tax reductions next year. In addition, it expected China's economy to expand by 5.8% in 2020, despite the authorities' decision to limit the fiscal stimulus to the minimum necessary. In Central & Eastern Europe, Middle East and Africa, it forecast Turkey's economy to recover substantially, with growth accelerating to 4% in 2020 following a contraction in 2019, driven by fiscal expansion. It also anticipated economic activity to improve significantly in Saudi Arabia and moderately in South Africa next year. Further, it projected real GDP growth in Latin America to accelerate from 0.7% in 2019 to 1.7% in 2020, mainly due to a lower contraction in Argentina and higher growth rates in Brazil and Mexico. In parallel, Goldman Sachs indicated that the EM growth outlook is subject to high uncertainties related to the ongoing trade tensions, as well as to social and political frictions that would constrain policymaking in some EM countries.

Source: Goldman Sachs

GCC

Macroeconomic imbalances to emerge in 2020

Deutsche Bank expected economic growth to pick up in the Gulf Cooperation Council (GCC) economies in 2020, driven by slight increases in oil production, improved credit conditions, and fiscal stimuli. It considered that pressures on OPEC countries, such as Nigeria and Iraq, who are currently producing above their quotas, along with the slowing pace of U.S. oil production growth would allow major GCC producers to raise their oil output in 2020. It added that continued investor appetite for portfolio investment in GCC assets, combined with easing monetary conditions, should improve liquidity in GCC banking sectors. Further, it anticipated that higher capital expenditures and the promotion of public-private partnership projects would continue to support non-hydrocarbon growth in GCC countries. It added that key drivers of non-hydrocarbon activity in the coming years include the 2020 Gulf Expo in Kuwait City, the 2020 Expo in Dubai, the five-year development plan in Kuwait, the 2022 World Cup in Qatar, the GCC Development Fund in Bahrain, and major infrastructure projects in Oman and Saudi Arabia.

It projected real GDP growth at 2.1% in 2020 in Bahrain, at 2.3% in Kuwait, at 3% in Oman, at 3.2% in Qatar, at 2.3% in Saudi Arabia and at 2.4% in the UAE. Still, it anticipated that labor market reforms and the slow pace of structural reforms would constrain economic activity in the region. It indicated that a slowdown in global growth that would weigh on the demand for hydrocarbons, especially from Asian countries, could pose severe risks to the growth dynamics of GCC economies.

In parallel, Deutsche Bank expected macroeconomic imbalances in GCC countries to emerge in 2020, with further downside risks, as it forecast oil prices to average $54 per barrel during the year, and for capital imports related to infrastructure projects to increase. It pointed out that Oman and Saudi Arabia are the most vulnerable to further credit rating downgrades next year. Further, it forecast FDI inflows to remain subdued, especially in Qatar and Saudi Arabia, while it expected the UAE to attract more than half of the region's FDI inflows, mostly to Dubai. It estimated that geopolitical tensions slightly eased in the region, due in part to peace talks related to the conflict in Yemen.

Source: Deutsche Bank

ALGERIA

Low prospects for structural reforms amid political uncertainties

The Institute of International Finance projected Algeria's real GDP growth at 0.3% in 2019 and 1.3% in 2020, amid weak activity in the hydrocarbon and non-hydrocarbon sectors. It forecast the hydrocarbon sector to contract by 5.6% in 2019, and then to recover by 1.3% in 2020. It attributed the contraction in the hydrocarbon sector's activity this year to the decline in natural gas output amid delays in starting new projects, underinvestment, and a difficult regulatory environment. Further, it said that the ongoing decrease in hydrocarbon export receipts and the political vacuum have weighed on the non-hydrocarbon sector's activity this year. As such, it expected non-hydrocarbon growth to decelerate form 3.2% in 2018 to 1.5% in 2019 and to reach 1.3% in 2020 in case fiscal adjustments resume next year. It considered that the prospects for the implementation of much-needed structural reforms are unclear amid high political uncertainties.

In parallel, the IIF projected the fiscal deficit at 11.2% of GDP in 2019 and 7.1% of GDP in 2020, despite fiscal consolidation measures under the 2020 budget, mainly due to lower hydrocarbon revenues and high subsidies on fuel, food and basic goods. It did not anticipate any attempt to lift subsidies, as such a decision would fuel additional protests. It added that the government has officially endorsed multilateral external borrowing for the first time in 15 years. As such, it expected the public debt level to increase from 33.1% of GDP in 2018 to 43.2% of GDP in 2019 and to 48.4% of GDP in 2020. Further, it forecast the current account deficit to widen from 9.6% of GDP in 2018 to 13.7% of GDP in 2019 and 14.3% of GDP in 2020, due to lower hydrocarbon export receipts and extremely limited non-hydrocarbon export revenues. It expected foreign currency reserves to decline at a rapid pace from $80.2bn at the end of 2018 to $60bn at end-2019 and $39bn at end-2020. It said that increased exchange rate flexibility could help stabilize foreign currency reserves, and improve the external and fiscal balances.

Source: Institute of International Finance

SAUDI ARABIA

Saudi Aramco's IPO to support non-hydrocarbon sector activity

Fitch Ratings expected that Saudi Aramco's Initial Public Offering (IPO) may help offset in coming years the economic impact of the government's renewed austerity measures. It noted that the IPO proceeds will flow to the Public Investment Fund (PIF), which would allow the latter to increase domestic investments and, in turn, support non-hydrocarbon sector growth. It expected the IPO to have a limited direct effect on the Kingdom's fiscal balance. However, it pointed out that there is some risk that the private sector would invest in the IPO at the expense of other domestic projects. In addition, it said that the timeline and the economic impact of some projects that will be financed by the PIF are uncertain. In parallel, it considered that the effect of the IPO on the Kingdom's external balance sheet will depend on the nature of the PIF investments and the sources of financing for the IPO. It noted that Saudi Arabia's official foreign currency reserves would come under pressure in case the proceeds of the IPO are invested abroad or in local projects with high import content. It noted that the Kingdom's foreign currency reserves have increased marginally in the past two years despite large current account surpluses and debt issuance, partly due to the PIF's foreign investments. It forecast foreign currency reserves at $500bn at end-2019. Saudi Aramco's IPO, which was launched on December 11, raised $25.6bn in capital, the largest IPO in the world. Saudi Aramco listed 1.5% of its shares on the Saudi Tadawul, with a current valuation of the firm at about $2 trillion.

Source: Fitch Ratings, Byblos Research

CÔTE d'IVOIRE

Economic growth to average 7.4% in 2019-20

The International Monetary Fund indicated that Côte d'Ivoire's performance under the IMF-supported program has been strong. It projected real GDP growth at 7.4% in the 2019-20 period, if authorities continue to implement prudent macroeconomic policies, and enforce additional structural and financial sector reforms that would support private sector growth. In addition, it forecast the fiscal deficit at 3% of GDP in the 2019-20 period, as authorities reiterated their commitment to converge the deficit to the regional target deficit of the Western Africa Economic and Monetary Union. It noted that the convergence of the deficit to the regional target is crucial to sustain Côte d'Ivoire's macroeconomic stability and should be supported by broadening the tax base, curtailing tax exemptions, and containing current expenditures, among other measures. In addition, it considered that the government needs to balance external and domestic sources of financing and to continue its prudent debt management in order to preserve debt sustainability. It projected the public debt level to decline slightly from 52.6% of GDP at end-2019 to 50% of GDP at end-2020. Further, the IMF indicated that accelerating the restructuring of state-owned banks is essential to strengthen the resilience of the banking sector. In parallel, the Fund allowed the immediate disbursement of $133.4m to Côte d'Ivoire, bringing total disbursements under the two IMF arrangements to around $897m. It also approved the country's request to extend the IMF program until the end of 2020 and to increase financial support to Côte d'Ivoire to about $1.2bn.

Source: International Monetary Fund

ANGOLA

IMF calls for measures to reduce debt vulnerabilities

The International Monetary Fund indicated that the Angolan authorities have maintained their commitment to the IMF-supported program, despite the deteriorating external environment that is weighing on the economy and the challenging domestic environment. It noted that the government outperformed its target for the non-hydrocarbon primary fiscal deficit at end-June 2019, reflecting its commitment to fiscal consolidation. It expected this conservative fiscal stance to continue in 2020, and considered that sustained fiscal discipline is crucial to addressing debt vulnerabilities. It called on the government to implement measures to mitigate the elevated risks to debt sustainability. It said that these measures should mobilize non-oil revenues, strengthen public financial management, improve debt management, and promote the transparency and accountability of state-owned enterprises. Further, the Fund indicated that the Banco Nacional de Angola (BNA) took steps to eliminate the remaining imbalances in the foreign currency market and has adjusted its monetary stance to address the excessive depreciation pressures on the kwanza. It called on the BNA to maintain a tight monetary policy stance and to adjust it, in case of need, in order to continue reducing the inflation rate. In parallel, it noted that the recapitalization and the restructuring of the banking sector is essential to address financial sector risks. It indicated that the continued implementation of structural reforms is critical to diversify the economy and to lay the foundations for private sector-led economic growth.

Source: International Monetary Fund

NIGERIA

Outlook revised to 'negative' on rising risks to public finances and external position

Moody's Investors Service affirmed at 'B2' Nigeria's long-term local and foreign currency issuer ratings and senior unsecured ratings, and revised the outlook on the ratings from 'stable' to 'negative'. It indicated that the outlook revision reflects increased risks to the government's fiscal strength and external position. First, it expected government finances to further weaken amid an extremely narrow revenue base and persistent subdued growth. It said that the government has been relying on the Central Bank of Nigeria (CBN) to finance the fiscal deficit, which reflects the increasing fragility of public finances. In addition, it anticipated debt servicing costs to absorb about 25% of revenues in the next few years, which indicates weak debt affordability. Also, it considered that the authorities' focus on raising infrastructure spending will further exert pressure on the fiscal deficit. Overall, it projected the fiscal deficit to remain at about 4% of GDP and for the public debt level to grow from 23.2% of GDP in 2019 to 27% of GDP by end-2021. Second, Moody's indicated that Nigeria's vulnerability to an adverse change in external capital flows is rising, amid the country's increasing reliance on foreign investors to help accumulate foreign currency reserves. It added that foreign investors hold a large share of certificates issued by the CBN to absorb naira liquidity, as part of its open market operations. It said that the CBN's foreign currency reserves reached $40bn, equivalent to about five to six months of import coverage at end-October 2019.

Source: Moody's Investors Service

BANKING

SAUDI ARABIA

Lower interest rates to affect banks' profitability

Moody's Investors Service expected the profitability of the National Commercial Bank (NCB), Al Rajhi Bank and the Saudi British Bank (SABB), the largest banks in Saudi Arabia, to remain strong despite lower interest rates. It pointed out that the interest income from loans is the largest contributor to the banks' profitability. It indicated that SABB will be the most affected bank from lower interest rates, given that it relies heavily on corporate banking, where loans have variable rates that quickly adjust to changes in rates. In contrast, it expected Al Rajhi Bank to be the least affected, as about 70% of its operating revenues are generated from its retail business, where loans have largely fixed rates and are less sensitive to rate volatility than corporate loans. Further, it anticipated the profitability of SABB to be affected by higher operating costs due to its merger with Alawwal Bank. It added that NCB's profits could face the same pressures if its planned merger with Riyad Bank is completed by 2020. In parallel, it projected the three banks' lending growth at between 4% and 5% in the 2019-20 period, driven by increasing demand for mortgages, which would partially offset the pressure on the banks' net interest income. Also, it expected the banks' non-interest income to stabilize after years of deterioration. It forecast the fees related to rising consumer lending and mortgages to offset lower trade and foreign-exchange income. It anticipated the banks' capital position to be solid in the next 12 to 18 months, supported by moderate loan growth, strong profitability, and profit retention.

Source: Moody's Investors Service

EGYPT

Banking sector faces very high credit risks

S&P Global Ratings maintained Egypt's banking sector in 'Group 9' under its Banking Industry Country Risk Assessment (BICRA), with the economic risk score at '9' and the industry risk score at '8'. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest sectors. Other countries in the BICRA 'Group 9' are Azerbaijan, Kazakhstan, Tunisia and Turkey. The agency said that Egypt's economic risk score reflects "extremely high risks" in its economic resilience, "very high" credit risks in the economy, and "high risks" in its economic imbalances. It indicated that the banks' large holdings of domestic government debt expose them to the sovereign's weak creditworthiness. However, it noted that the high yields paid on government debt have supported the banks' profitability and have compensated for subdued lending growth in previous years. It projected the banks' lending portfolios to continue expanding, as it forecast lending to increase by about 10% to 15% per year between 2019 and 2021. It also expected Egyptian banks to face high credit losses in the next few years, mainly due to inflationary pressures and an expanding loan book. In parallel, it said that the industry score reflects the country's "extremely high risks" in its institutional framework, and "high risks" in its system-wide funding and competitive dynamics. It indicated that the banking sector's regulatory framework has improved, but it considered that transparency is weaker than in peer banking systems. It noted that the trend is 'stable' for the industry and economic risks.

Source: S&P Global Ratings

NIGERIA

Agency takes rating actions on banks

Moody's Investors Service affirmed at 'B2' the long-term local currency deposit and issuer ratings of Zenith Bank, First Bank of Nigeria, Access Bank, United Bank for Africa, Guaranty Trust Bank, Fidelity Bank, Union Bank of Nigeria, First City Monument Bank (FCMB) and Sterling Bank. It revised the outlook on the banks' ratings from 'stable' to 'negative' following a similar rating action on the sovereign's ratings. It said that the banks' substantial exposure to the government's debt securities and loans links their credit profiles to that of the sovereign. In addition, the agency expected the banks to face challenges in maintaining the recent improvement in their asset quality due to the increase in lending activity and to Nigeria's weak operating environment. It noted that the country's subdued real GDP growth, projected at about 2% in the next few years, would be insufficient to create good quality lending opportunities for the banks and to improve the borrowers' credit strength. It also indicated that banks need to monitor the risk emanating from their high exposure to the hydrocarbon sector. In parallel, Moody's noted that the ratings' affirmation reflects the banks' resilient financial profiles despite the difficult operating environment. It added that the banks have good pre-provisioning profitability and capital metrics, as well as improving foreign currency funding positions. Further, the agency pointed out that the affirmation of the ratings takes into consideration its expectations that the profitability of the banks will remain resilient and their capital metrics will be stable in the next 12 to 18 months.

Source: Moody's Investors Service

GHANA

Additional measures required to address strategic AML/CFT deficiencies

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), stated that Ghanaian authorities have taken several steps since October 2018 to improve the country's AML/CFT regime. It noted that authorities conducted a risk assessment on legal persons, and developed a framework for adequate and effective investigation and prosecution of terrorism financing (TF). The FATF considered that the government should continue working on the implementation of its action plan in order to address its strategic deficiencies. As such, it called on authorities to implement a comprehensive national AML/CFT policy that is based on the risks identified in the National Risk Assessment (NRA), including measures to mitigate money laundering and TF risks associated with legal persons. It also encouraged authorities to improve risk-based supervision by enhancing the capacity of the regulators and by increasing the awareness of the private sector, as well as to allow for the timely access to adequate, accurate and current basic and beneficial ownership information. Further, the FATF called on authorities to ensure that the actions of the Financial Intelligence Unit (FIU) are in accordance with the risks identified in the NRA, and to secure adequate resource allocation to the FIU. In addition, it recommended that authorities apply a risk-based approach in monitoring non-profit organizations in the country.

Source: Financial Action Task Force

ENERGY / COMMODITIES

Brent oil prices projected at $63p/b in 2020

ICE Brent crude oil front-month prices reached $64.4 per barrel (p/b) on December 6, 2019, their highest level since September 23, 2019. The increase in oil prices was due to OPEC's decision to deepen its oil production cuts by 500,000 barrels per day (b/d) until March 2020, bringing total production cuts to 1.7 million b/d. However, oil prices were capped by continuous trade tensions between the U.S. and China, as the December 15 deadline for the next round of U.S. tariffs on Chinese imports approaches. Also, an unexpected increase in U.S. oil inventories exerted downward pressure on oil prices. In parallel, Goldman Sachs indicated that OPEC shifted its strategy from adjusting long-term balances to managing short-term physical imbalances, as it did not extend the duration of the cuts. It expected OPEC to extend the agreement in March, leading to a tighter and balanced global oil market in the first half of 2020. As such, it revised upwards its forecast for Brent oil spot prices to $63 p/b in 2020, relative to $60 p/b previously. However, it noted that the higher price forecast would not trigger an increase in U.S. oil production, as the cost of capital of shale oil producers has significantly increased due in part to their poor financial performance and excess leverage. It indicated that downside risks to the oil price outlook include the uncertain global macroeconomic prospects and lower compliance to the cuts by Iraq, Nigeria and Russia.

Source: Goldman Sachs, Refinitiv, Byblos Research

Iraq's oil exports down 2% in November 2019

Preliminary figures show that Iraq's crude oil exports totaled 105 million barrels in November 2019, down by 1.7% from 106.9 million barrels in October 2019. They averaged 3.5 million barrels per day (b/d) in November 2019 compared to an average of 3.45 million b/d in the previous month. Oil exports from the central and southern fields reached 102 million barrels in November, while shipments from the Kirkuk fields totaled 2.4 million barrels. Oil export receipts stood at $6.3bn in November 2019, up by 2.6% from $6.1bn in October of this year.

Source: Iraq Ministry of Oil, Byblos Research

Libya's oil & gas receipts at $2.2bn in October 2019

Libya's oil and gas revenues reached $18.5bn in the first 10 months of 2019, constituting a decrease of 6.3% from $19.8bn in the same period last year. Oil and gas receipts amounted to $2.2bn in October 2019, relative to $1.8bn in September 2019 and $2.9bn in October 2018. Crude oil receipts increased by 20.4% month-on-month to $2.1bn in October, while gas revenues grew by 49.5% to $51.3m. The rise in hydrocarbon receipts in October was mainly due to crude oil shipments that were made at end-September and registered in October's revenue statement.

Source: National Oil Corporation, Byblos Research

OPEC's oil basket price up 5% in November 2019

The price of the reference basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $62.94 per barrel (p/b) in November 2019, up by 5.1% from $59.91 p/b in the preceding month. Angola's Girassol posted a price of $65.65 p/b, followed by Equatorial Guinea's Zafiro at $65.36 p/b, and Saudi Arabia's Arab light at $64.01 p/b. In parallel, 13 out of the 14 prices included in the OPEC reference basket posted monthly increases between $2.24 p/b and $8.42 p/b in November 2019.

Source: OPEC, Byblos Research

Base Metals: Copper prices down 9% in first 11 months of 2019

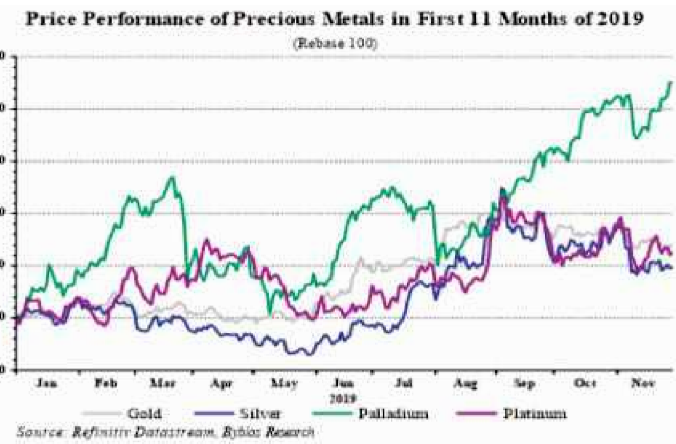
LME copper cash prices averaged $6,001 per metric ton in the first 11 months of 2019, constituting a decrease of 8.6% from an average of $6,568 per ton in the same period of 2018. The year-on-year decline in prices is due to the prolonged U.S.-China trade war that has been weighing on global economic growth and demand for metals. In fact, copper prices grew by 5% from $5,843 per ton at the end of November 2019 to $6,127 per ton on December 11, their highest level since May 8, 2019. The increase in the metal's price was mainly driven by rising hopes that the U.S. would postpone the latest round of tariffs on Chinese goods, which are due on December 15. In addition, prices grew as recent positive data from China showed an expansion in the country's manufacturing activity and an increase in copper imports to 483,000 tons in November, their highest level in more than a year. Further, prices were supported by the ongoing decline in LME-registered copper inventories. In parallel, the International Copper Study Group expected the production deficit in the copper market to reach about 320,000 tons in 2019, compared to a previous forecast of a deficit of 190,000 tons in April 2019. It also projected the supply deficit to shift to a surplus of 280,000 tons in 2020, instead of the 250,000 ton deficit that it anticipated in April.

Source: International Copper Study Group, Refinitiv

Precious Metals: Gold prices projected at $1,450 per ounce in first quarter of 2020

Gold prices averaged $1,385 per troy ounce in the first 11 months of 2019, constituting an increase of 9% from an average of $1,271 an ounce in the same period of 2018. Prices traded at a low of $1,268 per ounce and a high of $1,549 an ounce so far this year. Bank of America Merrill Lynch (BofAML) considered that the increase in prices is mainly driven by lower U.S. interest rates, an increase in the volume of assets that have negative yields, as well as by the purchase of the metal by central banks worldwide. In parallel, gold prices averaged $1,470 per ounce in November 2019, down by 1.7% from an average of $1,495 per ounce in the previous month, as several central banks globally have opted to limit the easing of their monetary policy. BofAML anticipated that the materialization of a trade deal between the United States and China could lead to higher global economic growth, a rise in inflation rates and tighter monetary policies, which would cap the prices of the precious metal. It projected gold prices to decline from an average of $1,480 per ounce in the fourth quarter of 2019 to $1,450 an ounce in the first quarter of 2020.

Source: Bank of America Merrill Lynch, Refinitiv



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	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	Negative	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+								
	Positive	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	CCC	Caa2	CC	C+	B-								
	Negative	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	BB-	-	B-								
	-	Stable	Stable	-	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	Stable	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	11-Dec-19	No change	29-Jan-20
Eurozone	Refi Rate	0.00	12-Dec-19	No change	23-Jan-20
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	03-Dec-19	No change	04-Feb-20
New Zealand	Cash Rate	1.00	13-Nov-19	No change	12-Feb-20
Switzerland	3 month Libor target	-1.25-(-0.25)	12-Dec-19	No change	19-Mar-20
Canada	Overnight rate	1.75	04-Dec-19	No change	22-Jan-20
Emerging Markets					
China	One-year Loan Prime Rate	4.15	20-Nov-19	Cut 5bps	20-Dec-19
Hong Kong	Base Rate	2.00	31-Oct-19	Cut 25bps	15-Dec-19
Taiwan	Discount Rate	1.375	19-Sep-19	No change	19-Dec-19
South Korea	Base Rate	1.25	29-Nov-19	No change	17-Jan-20
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	05-Dec-19	No change	06-Feb-20
UAE	Repo rate	2.00	31-Oct-19	Cut 25bps	N/A
Saudi Arabia	Repo rate	2.25	30-Oct-19	Cut 25bps	N/A
Egypt	Overnight Deposit	12.25	14-Nov-19	Cut 100bps	26-Dec-19
Turkey	Repo Rate	12.00	12-Dec-19	Cut 200bps	16-Jan-20
South Africa	Repo rate	6.50	21-Nov-19	No change	16-Jan-20
Kenya	Central Bank Rate	8.50	25-Nov-19	Cut 50bps	27-Jan-20
Nigeria	Monetary Policy Rate	13.50	26-Nov-19	No change	24-Feb-20
Ghana	Prime Rate	16.00	25-Nov-19	No change	27-Jan-20
Angola	Base rate	15.50	29-Nov-19	No change	27-Jan-20
Mexico	Target Rate	7.50	14-Nov-19	Cut 25bps	19-Dec-19
Brazil	Selic Rate	4.50	11-Dec-19	Cut 50bps	05-Feb-20
Armenia	Refi Rate	5.50	10-Dec-19	No change	07-Jan-20
Romania	Policy Rate	2.50	06-Nov-19	No change	08-Jan-20
Bulgaria	Base Interest	0.00	02-Dec-19	No change	N/A
Kazakhstan	Repo Rate	9.25	09-Dec-19	No change	03-Feb-20
Ukraine	Discount Rate	13.50	12-Dec-19	Cut 200bps	30-Jan-20
Russia	Refi Rate	6.50	25-Oct-19	Cut 50bps	13-Dec-19

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