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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global investments in fintech at $136bn in 2019

KPMG's 2019 Pulse of Fintech report shows that global investments in financial technology (fintech) companies reached $135.7bn in 2019, constituting a decline of 3.8% from $141bn in 2018, the record year for fintech investments. In comparison, investments in fintech startups totaled $51.2bn in 2014, $65bn in 2015, $73.7bn in 2016 and $54.4bn in 2017. KPMG noted that fintech investments remained strong in 2019 despite the global economic and trade challenges that hindered economic growth worldwide last year. Mergers & acquisitions in fintech companies amounted to $97.3bn and accounted for 71.7% of global fintech activity in 2019, followed by venture capital investments with $35.2bn (26%), and private equity investments with $3.1bn (2.3%). The sectoral breakdown shows that investments in payment startups attracted 57.3% of total investments last year, followed by insurance technology firms (4.8%), blockchain & cryptocurrencies (3.5%), property technology firms (1.9%), regulatory technology startups (1.8%), cybersecurity technologies (0.5%), and wealth management companies (0.3%). The remaining 30% of investments targeted other types of fintech startups last year. In parallel, there were 2,693 investments in fintech companies globally in 2019, down by 14.4% from 3,145 deals in 2018, and relative to 1,628 investments in 2014, 2,123 deals in 2015, 2,173 investments in 2016, and 2,629 deals in 2017.

Source: KPMG

Majority of institutional investors cite overvaluation of firms as main concern

A survey of institutional investors in alternative assets, conducted by research provider Preqin, indicated that 93% of investors said that they have met or exceeded their expectations about their private equity (PE) investments in the 12 months ending November 2019, compared to 90% of respondents who had similar views in the November 2018 survey. It noted that 61% of investors in alternative assets considered that the equity market cycle reached its peak in the covered period, while 18% believed that the equity market was in an expansion phase, and 6% indicated that the market was in recession or in tough conditions. In parallel, it said that 80% of surveyed investors believe that the United States had the best PE investment opportunities among developed markets in the 12 months ending November 2019, while 50% of investors cited Southeast Asia as the region with the most PE investment projects among emerging markets. Further, the survey indicated that 45% of investors plan to invest the same amount of capital in PE funds in 2020 as they did in the previous year, 41% of respondents intend to invest more in such funds, and 14% plan to allocate less capital to PE investments. In parallel, it noted that 72% of surveyed investors considered the rising valuation of companies to be their biggest concern in 2020, while 47% of investors named market competition as their biggest challenge, 34% cited exiting their investment in the prevailing environment, and 25% of respondents believed that geopolitical events pose the main concern for them. Further, it noted that 95% of respondents plan to maintain or increase their PE investments in the long term, while 5% of participants intend to allocate less capital to PE funds.

Source: Preqin

EMEGING MARKETS

Trading in Credit Default Swaps down 2% to $1.8 trillion in 2019

Trading in emerging markets Credit Default Swaps (CDS) reached $434bn in the fourth quarter of 2019, constituting a drop of 11% from $486bn in the third quarter of 2019 and a rise of 22% from $357bn in the fourth quarter of 2018. Trading reached $505bn in the first quarter and $364bn in the second quarter of the year. The most frequently traded sovereign CDS contracts in the fourth quarter of 2019 were those of Brazil at $47bn, followed by Turkey at $41bn, and China and Mexico at $35bn each. As such, traded sovereign CDS contracts on Brazil accounted for about 10.8% of total trading in emerging market CDS in the covered quarter, followed by CDS contracts on Turkey (9.4%), and on China and Mexico (8.1% each). Further, the most frequently traded corporate CDS contracts in the fourth quarter of 2019 were those of Mexico's state-oil company Pemex at around $4.1bn, which accounted for 0.9% of total trading in emerging markets CDS. Overall, CDS trading totaled $1,790bn in 2019, constituting a decrease of 2% from $1,823bn in 2018. 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

Perceived lack of opportunities for graduates discourages youth from seeking work in private sector

A survey conducted by global management consulting company Oliver Wyman and non-profit organization INJAZ Al-Arab about youth perceptions in the Middle East & North Africa region showed that 81% of young males and females in North Africa had a positive opinion about the private sector's contribution to their respective countries' economy, compared to 80% of youth in the Gulf region and 70% of youth in the Levant region who had the same opinion about the private sector in their countries. In addition, 82% of respondents in North Africa expected the private sector in their countries to grow in the next five years, compared to 81% of youth in the Gulf region and 60% of surveyed youth in the Levant who had the same opinion. In parallel, the survey showed that the youth in North Africa are more inclined to work in startups, as 41% of respondents indicated that they see themselves working at such companies in the future. Also, 37% of youth in the Levant said that they are more inclined to work for multinational companies and 36% of the youth in the Gulf area pointed out that they would prefer to work for large local companies. In addition, 63% of youth in North Africa indicated that the main factor that discourages them from working in the private sector is the lack of opportunities for fresh graduates, compared to 61% for respondents in the Levant region and 50% of youth in the Gulf region who shared the same views. Further, 58% of survey participants in the Levant cited the prevalence of personal connections as the main obstacle that they face when applying for work in the private sector, while 51% of the youth in each of North Africa and the Gulf area mentioned that the lack of experience required for the job constitutes their main challenge. The survey was conducted in December 2019 and covered 2,420 respondents in the 16 to 35 year-old bracket from 17 MENA countries.

Source: Oliver Wyman, INJAZ Al-Arab

OUTLOOK

EMRGING MARKETS

Lower oil prices insufficient to ease immediate impact of coronavirus on oil importers

Goldman Sachs forecast global oil prices to remain weak through most of 2020, following the 45% drop in prices since the beginning of the year due to the spread of the coronavirus as well as to the breakdown of OPEC negotiations with Russia on oil supply cuts. It estimated that the 45% decline in oil prices this year would boost economic activity in oil-importing countries of the Central & Eastern Europe, Middle East and Africa (CEEMEA) region by between 1.4 percentage points and 1.8 percentage points over the next two to three years. It projected Turkey to benefit the most from such a decrease in oil prices. However, it noted that the biggest impact on growth usually materializes after three to four quarters from the decline in oil prices. As such, it did not anticipate that lower oil prices will offset the negative economic impact of the coronavirus in the short term. In addition, it considered that the fall in prices will compound the negative effects on growth from the coronavirus on oil-exporting countries, with Saudi Arabia having the highest exposure to lower oil prices in the CEEMEA region, followed by Russia, Nigeria and Ghana.

In parallel, it expected the 45% decrease in oil prices to weigh on the external balance of oil-exporting countries in the CEEMEA region. It said the external sectors of Russia, Saudi Arabia and Nigeria will be the most affected by the current drop in oil prices, as the current account balance of the three countries will register deficits. In contrast, it noted that the current account balance of oil-importing countries would improve, with Turkey benefitting the most. However, it added that these estimates account only for the direct impact of the change in oil prices, and do not take into consideration other factors, such as the change in oil production volumes, which have positive offsetting effects for Saudi Arabia and Russia. Further, it indicated that the 45% decline in oil prices implies a decrease of between 1.3 percentage points and 1.8 percentage points in the inflation rate in most CEEMEA countries in 2020.

Source: Goldman Sachs

SUDAN

Significant downside risks to growth outlook

The International Monetary Fund projected Sudan's real GDP to contract by 1.2% in 2020 following a retreat of 2.5% in 2018, as it expected minimal investments and subdued demand to weigh on near-term growth prospects. It anticipated that elevated inflation rates, the continued depreciation of the exchange rate, as well as the prevalent shortages of food, fuel and cash, will continue to aggravate social tensions. In this context, it forecast the inflation rate to average 66.4% in 2020 relative to an average of 51.3% in 2019. Further, the IMF indicated that downside risks dominate the growth outlook, including delays in implementing reforms, elevated inflation rates, and higher-than-expected global oil prices. In addition, the Fund considered that the gradual liberalization of the exchange rate is critical to eliminate distortions that hinder investment and growth prospects, boost competitiveness and transparency, and remove multiple exchange rates.

In parallel, the IMF projected the fiscal deficit to widen from 10.8% of GDP in 2019 to 15% of GDP in 2020, while it forecast the public debt level to rise from 212% of GDP at the end of 2019 to 228% at end-2020. It indicated that authorities should step up efforts to implement credible fiscal consolidation this year in order to achieve macroeconomic stability and fiscal sustainability. It encouraged authorities to broaden the tax base, and strengthen revenue administration and public financial management. Also, it said that the government should phase out fuel subsidies over the medium term in order to support sustainable fiscal consolidation. The Fund indicated that Sudan's inclusion on the U.S. list of State Sponsors of Terrorism constitutes one of the obstacles to potential debt relief. It encouraged the authorities to continue to engage with international partners to secure comprehensive support for debt relief, respect the Fund's preferred creditor status, as well as avoid selective debt service payments and non-concessional borrowing. Further, it expected the current account deficit to widen from 7.8% of GDP in 2019 to 9.2% of GDP in 2020, while it forecast Sudan's gross international reserves at $1.2bn, or 1.7 months of imports at the end of 2019, and at $1.1bn, or 1.5 months of import coverage at end-2020.

Source: International Monetary Fund

NIGERIA

Pressure on official exchange rate to emerge in second half of 2020

Goldman Sachs anticipated that the recent decline in oil prices to around $35 per barrel would lead to a significant decrease in Nigeria's exports and to a wide current account deficit. It noted that the extent of the deterioration of the external deficit would depend on the authorities' ability and willingness to constrain imports, which have been the largest driver of the current account dynamics since 2018. As such, it projected the current account deficit to widen from 1.5% of GDP in 2019 to 10% of GDP in 2020 if imports of goods and services are similar to the amount reached in the third quarter of 2019. However, it expected the deficit to reach 3% of GDP in case imports reverse back to their historically normal levels. In parallel, it forecast the current account deficit at 1% of GDP in case the government imposes moderate administrative measures to restrict imports, while it anticipated the deficit to shift to a surplus of 1% of GDP in case of extreme import restrictions. However, it noted that the enforcement of extreme measures would weigh significantly on output and confidence, with potential negative political ramifications.

Further, it said that pressure from the financial account would also weigh on the country's balance of payments, as around $3bn worth of foreign-held Naira bills are due in May 2020. It added that the decline in oil prices and the deterioration in global risk sentiment could trigger an acceleration of outflows. As such, it anticipated the authorities to impose some form of foreign exchange restrictions to limit outflows, but it considered that these measures might lead to the re-emergence of a parallel foreign exchange market. As such, in its baseline scenario, it assumed that authorities would impose moderate administrative measures and foreign currency restrictions, along with a tightening of local liquidity conditions. Under this scenario, it expected foreign currency reserves to decline from $35bn currently to about $30bn by mid-2020 and to continue decreasing gradually after. As a result, it anticipated that the pressure on the official Naira rate would emerge in the second half of the year, if oil prices remain around their current level, as foreign currency reserves might fall to very low levels.

Source: Goldman Sachs

WORLD

Spread of coronavirus to slow down economic growth in Group of 20 economies

Moody's Investors Service projected real GDP growth for the Group of 20 major economies to average 2.1% in 2020, down from a previous forecast of 2.4%. It attributed the revision to the spread of the coronavirus outside of China to major economies including France, Germany, Iran, Italy, Japan, Korea, and the United States, which is resulting in simultaneous supply and demand shocks. However, it expected that global efforts to stop the spread of the virus, as well as warmer weather conditions in the Northern Hemisphere, will help economic activity pick up in the second half of 2020. Still, it considered that the evolution of the virus is highly uncertain and that the full extent of the economic cost will be unclear in the near term. It added that the fear of contagion will significantly affect consumer behavior, and that the economic impact will increase with the time needed for households and businesses to resume normal activity. In parallel, the agency noted that synchronized interest rate cuts by central banks will help contain global financial market volatility and partly counter the tightening of financial conditions. However, it considered that monetary policy instruments will be less effective in countering falling demand due to health and contagion concerns. Further, it indicated that several plausible developments could lead to a more negative outlook. It considered that a higher infection rate and a longer contagion period would amplify the demand shock, which could potentially generate downward cyclical dynamics. Under these conditions, the agency projected the real GDP growth of G-20 economies to average 1.4% in 2020.

Source: Moody's Investors Service

MENA

Coronavirus outbreak to affect key indicators

Fitch Ratings expected the disruption from the global outbreak of the coronavirus to affect key rating metrics of several countries in the Middle East & Africa (MEA) region. It anticipated that a sustained period of low global oil prices will have adverse effects on public debt dynamics, external balances and economic growth in oil-exporting MEA economies. It noted that lower-rated oil producers in the region, such as Angola, Gabon, Nigeria and Oman, have little policy space to weather the oil shock. It did not expect the decline in oil prices to add significant pressure on the ratings of Abu Dhabi, Kuwait and Qatar, as they have ample fiscal and external buffers. But it said that Bahrain, Iraq and Oman have weaker balance sheets and reduced policy space, which limits their capacity to respond to this shock. In parallel, Fitch anticipated that the adverse effects of the virus will largely offset the positive impact of the drop in hydrocarbon prices on oil-importers in the region. It projected a sharp contraction in tourism activity, which would constrain economic growth and reduce foreign currency receipts for several MEA economies. Further, it expected the outbreak to generate fiscal pressure in some MEA countries due to temporary higher spending on healthcare. It added that Bahrain, Egypt, Jordan, Nigeria, Oman, Tunisia and South Africa already have limited available fiscal space and high debt burdens. It noted that higher risk aversion among global investors may lead to portfolio outflows and would put pressure on local currencies, especially in Egypt, Ghana, Nigeria and South Africa.

Source: Fitch Ratings

ANGOLA

Sovereign ratings downgraded, outlook 'stable'

Fitch Ratings downgraded Angola's long-term foreign-currency Issuer Default Rating from 'B' to 'B-', with a 'stable' outlook. It attributed the downgrade to the decrease in the country's hydrocarbon production, to lower global oil prices, and to the sharper-than-expected depreciation of the exchange rate. It said that the weak kwanza led to an increase of the public debt level and in the cost of the external debt, as well as to a decline in foreign currency reserves. It noted that Angola's solid progress on reforms under the program with the International Monetary Fund has not been sufficient to stop the deterioration of the country's public and external positions. It added that the kwanza depreciated by 36% against the dollar in 2019. It expected the downward pressure on the currency to persist in 2020, but to be more moderate due to the substantial external adjustment and tighter monetary policy. It projected foreign currency reserves to decline slightly from $17.2bn at the end of 2019 to $16.9bn at end-2020, as the decrease in oil prices and output will erode the current account surplus and lead to a deficit in the external balance this year. Further, the agency said that the public debt increased from 81% of GDP at end-2018 to 100% of GDP at end-2019, mainly due to the depreciation of the kwanza, the clearance of arrears, and the banks' recapitalization. But it expected the debt level to decrease to 87% of GDP at the end of 2020 and to 79% of GDP at end-2021 due to primary fiscal surpluses, a slower depreciation of the kwanza, and lower clearance of arrears. It anticipated the government's external debt servicing at $7.5bn in 2020.

Source: Fitch Ratings

EGYPT

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed at 'B+' Egypt's long-term foreign- and local-currency sovereign ratings, with a 'stable' outlook. It said that the ratings reflect the ongoing decline in external vulnerabilities due to the narrowing of the current account deficit and the strengthening of foreign currency reserves. It added that the ratings are supported by the country's moderate external indebtedness and improving fiscal strength, amid an increase in primary surpluses and a decline in the public debt level. But it said that the ratings are constrained by elevated unemployment and poverty rates, a weak budget structure, significant institutional challenges, and high geopolitical risks. It pointed out that foreign currency reserves increased from $42.6bn at end-2018 to $45.4bn at end-2019, due in part to higher natural gas exports and tourism receipts, increased revenues from the Suez Canal, and better access to international markets. It projected the current account deficit to narrow from 3.1% of GDP in FY2018/19 to 2.8% of GDP in FY2019/20, while it expected the external debt level to regress from 35.7% of GDP at end-June 2019 to 29.6% of GDP at end-June 2020. In addition, it noted that public finances are gradually improving, but that fiscal strength is low given the elevated debt level and still wide fiscal deficit. It projected the fiscal deficit to average 4.3% of GDP in the 2020-23 period amid ongoing fiscal consolidation. It forecast the government's debt level to decline from 85% of GDP at end-June 2019 to 78.7% of GDP at end-June 2022. But it anticipated near-term financing risks to remain elevated given the wide fiscal deficit.

Source: Capital Intelligence Ratings

EMERGING MARKETS

Cost of risk for banks to increase by 15% in 2020

Goldman Sachs assessed the potential impact of weaker economic growth, lower interest rates and a higher cost of risk on banks in the Central Emerging Europe, the Middle East & Africa region. It estimated that the average net income of banks under its coverage would drop by 10% in 2020. It estimated that Saudi banks will be the most negatively affected in the region with a 16% decline in their net income, followed by banks in the UAE with a 14% contraction in their net profits, banks in Kuwait (-12.8%), South Africa (-9%), Qatar (-7.7%), Turkey (-7%), and Egypt (-6%). It indicated that its assessment assumes that the U.S. Federal Reserve will cut interest rates by an additional 50 basis points (bps) this year, on top of the reduction of 50 bps on March 3, 2020 in response to the impact of the coronavirus on the U.S. economy. It added that the assessment factors-in slower growth of the banks' assets to reflect a potential loss in economy activity, as well as an increase in the cost of risk. It considered that Saudi banks are the most vulnerable to lower interest rates. It added that Turkish banks would benefit from lower rates given their negative asset repricing gap over a 12-month period, which could translate into an increase in their net interest margin and an earnings uplift. It noted that its sensitivity analysis showed a 15% increase on average in the cost of risk for banks in 2020, while the cost of risk for Turkish and Egyptian banks grew by 20%. In contrast, it said that the cost of risk increased by 10% for banks in Saudi Arabia, where historical volatility has been lower and the coverage for non-performing loans has been higher.

Source: Goldman Sachs

GCC

Banks to be affected by lower oil prices and slower global growth

S&P Global Ratings anticipated that the slowdown in global economic growth and the drop in hydrocarbon prices, which followed the outbreak of the coronavirus, would weigh on lending activity in Gulf Cooperation Council (GCC) countries and increase the level of problem assets at GCC banks. It also projected the banks' interest margins to narrow after regional central banks reduced their policy rates, in line with the similar cut by the U.S. Federal Reserve. Under these conditions, it expected the banks' cost of risk to increase, while it anticipated their profitability to weaken. It noted that regulators in Bahrain and the UAE have recently allowed banks to implement measures, such as rescheduling loans, granting temporary deferrals on monthly loan payments, and reducing fees and commissions for affected customers, in order to ease the pressure on the banks' earnings. In parallel, it considered that the recent events are unlikely to negatively affect the banks' capitalization and expected the latter to continue to support the banks' ratings. Further, it anticipated that the growth in the banks' deposit base would slow down due to lower deposits by the government and by government-related entities amid the decline in hydrocarbon prices. It added that public sector deposits accounted for 10% to 34% of deposits at rated GCC banks at the end of June 2019. But it noted that the impact of a slowdown in deposit growth on the banks' funding and liquidity positions would be mitigated by slower lending activity.

Source: S&P Global Ratings

KUWAIT

Banks' credit profile to remain stable in 2020

S&P Global Ratings indicated that the overall credit profiles of rated banks in Kuwait will remain stable in 2020, supported by a comfortable capital base and strong government support in case of need. It expected lending to grow by about 4% to 5% in 2020, in line with the annual average growth rates in the past three years, driven mainly by higher corporate lending amid a modest pickup in planned government projects and spending this year. In parallel, it anticipated the banks' asset quality to remain solid due to the lower cost of risk. It expected the cost of risk to decrease below 90 basis points in 2020, due to the strong accumulation of general provisions and to lower non-performing loans (NPLs) ratio in the past few years. It forecast the NPLs ratio at 2% in 2020, similar to the ratio over the past two years. In addition, it noted that the concentration of loans in the commercial real estate segment is a key credit risk. However, it expected the correction in real estate prices to end in the next 12 to 24 months, as the prices of residential units recover. Further, it projected the banks' interest margin to decline by 10 basis points in 2020, mainly due to pressures from asset yields. But it anticipated the decline in the cost of risk to support the banks' profitability and to compensate for lower interest margins. In parallel, it said that the sector's average risk-adjusted capital ratio increased in 2019, as some banks raised their capital. However, it expected the capital ratios at some banks to regress in 2020, but without affecting their ratings.

Source: S&P Global Ratings

PAKISTAN

FATF calls on Islamabad to complete action plan

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Pakistan has made notable improvements in its action plan to address deficiencies in counter-terrorist financing. However, it noted that all deadlines in Pakistan's action plan have expired, and expressed serious concerns about the authorities' failure to complete the action plan on time amid elevated terrorism financing (TF) risks. As such, it called on authorities to demonstrate that they are applying remedial actions and sanctions in cases of AML/CFT violations, to show that they are identifying illegal money transfers and taking enforcement action against them, and to demonstrate that they are implementing controls at all ports of entry. Also, it said that the authorities should demonstrate that law enforcement agencies are identifying and investigating the widest range of TF activities, and should show that prosecutions of TF activities result in effective, proportionate and dissuasive sanctions, among other recommendations. The FATF urged Pakistan to swiftly complete its full action plan by June 2020. It said that, if authorities do not meet the deadline, it will call on its members and urge all jurisdictions to advise their financial institutions to give special attention to business relations and transactions with Pakistan. In parallel, Moody's Investors Service considered that FATF's announcement is credit negative for Pakistani banks as it raises questions about potential additional restrictions related to the banks' foreign-currency clearing services, as well as to their foreign operations.

Source: Financial Action Task Force, Moody's Investors Service

ENERGY / COMMODITIES

Oil prices at lowest level since 2016

ICE Brent crude oil front-month prices closed at $34.4 per barrel (p/b) on March 9, 2020, their lowest level since February 2016, constituting a decrease of 24% from the previous closing and a decline of 48% from $66 p/b at the beginning of 2020. The sharp drop in prices is attributed to the failure of the OPEC and non-OPEC countries to reach an agreement to lower production on March 6, as Russia refused to deepen the output cuts in response to the negative impact of the spread of the coronavirus on global oil demand. Consequently, Saudi Arabia reduced the price of its crude oil exports for April, signaling the beginning of a potential oil price war between Saudi Arabia and Russia. Goldman Sachs considered that the current situation in the oil market is more severe than it was in November 2014, when a similar price war started, as market conditions are compounded by a significant collapse in oil demand. It expected the rise in OPEC production to lead to global oversupply in the near term, which would push oil prices down to an average of $30 p/b in the next two quarters. However, it noted that the current price levels have a large negative impact on high-cost producers, such as U.S. shale producers. As a result, it anticipated a decline in the output of high-cost producers, which would result in a market deficit in the fourth quarter of 2020. It forecast oil prices to rebound to an average of $40 p/b in the fourth quarter of 2020.

Source: Goldman Sachs, Refinitiv, Byblos Research

Iraq's production capacity at 5.2 million b/d in 2025

The Oxford Institute for Energy Studies expected Iraq's oil production capacity to increase marginally from 4.9 million barrels per day (b/d) in 2019 to 5.2 million b/d by 2025. It pointed out that the elevated security and political risks in Iraq limit its capacity to expand output. It noted that the Kurdistan Regional Government (KRG) in northern Iraq has started to consolidate its oil sector in 2019, and made recent progress in talks with the federal government about exports from oilfields under the KRG's control. It considered that the durability of any arrangement between the KRG and the federal government will be key to sustaining the country's output in the medium term.

Source: Oxford Institute for Energy Studies

OPEC oil output down by 2% in February 2020

Oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 27.8 million barrels per day (b/d) in February 2020, down by 1.9% from an average of 28.3 million b/d in January 2020. Saudi Arabia produced 9.7 million b/d in February 2020, or 35% of OPEC's total oil output, followed by Iraq with 4.6 million b/d (16.5%), the UAE with 3 million b/d (10.9%), Kuwait with 2.7 million b/d (9.6%), and Iran with 2.1 million b/d (7.5%).

Source: OPEC, Byblos Research

OPEC's oil basket price down 15% in February

The price of the reference basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $55.5 per barrel (p/b) in February 2020, down by 14.7% from $65.1 p/b in January 2020. Algeria's Sahara Blend posted a price of $57.9 p/b in the covered month, followed by Nigeria's Bonny Light at $57.8 p/b, and Angola's Girassol at $57.3 p/b. In parallel, all prices included in the OPEC reference basket posted monthly decreases of $7.37 p/b to $19.9 p/b in February 2020.

Source: OPEC, Byblos Research

Base Metals: Copper prices decline as coronavirus is declared pandemic

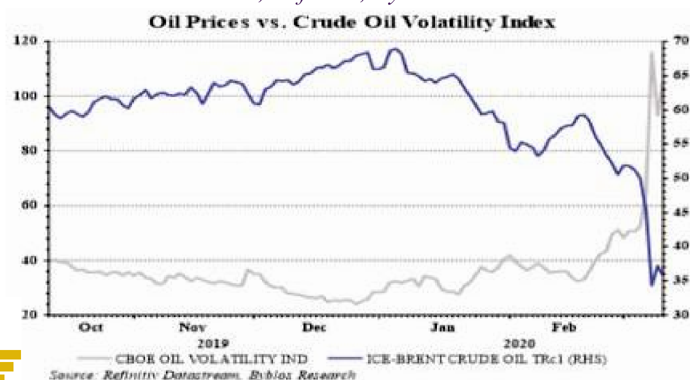
LME copper cash prices averaged $5,604 per metric ton so far in March 2020, down by 1.5% from an average of $5,688 per ton in February, following a decrease of 5.8% from an average of $6,036 per ton in January. The decline in prices is mainly due to the impact of the outbreak of the coronavirus on global economic activity and on the demand for metals from China, the world's largest metals consumer. Further, copper prices closed at $5,521 per ton on March 11, their lowest level since February 3, 2020 and their second lowest level since May 2017, after the World Health Organization declared the new coronavirus as a pandemic and the U.S. imposed curbs on travel from Europe. However, investors were disappointed by the lack of details about the U.S. measures and on plans to cushion its economy from the pandemic. As such, the quick spread of the virus this week and the resulting high uncertainties have offset the impact of the stimulus measures that central banks around the world introduced in order to contain the damage that the virus has inflicted on their economy. Citi Research projected copper prices to average $5,150 per ton in 2020 in case the outbreak of the virus spreads globally, and lasts for a longer period of time.

Source: Citi Research, Refinitiv

Precious Metals: Gold prices projected at $1,650 per ounce at end-2020

Gold prices averaged $1,577 per troy ounce in the first two months of 2020, constituting an increase of 20% from an average of $1,304 an ounce in the same period of 2019, and compared to an average of $1,393 per ounce last year. However, prices declined by 3.7% day-on-day to $1,587 per ounce on February 28, 2020 following the sell-off in global equities amid the outbreak of the coronavirus, as investors were forced to sell their holdings in gold exchange-traded funds (ETFs) to cover their losses in other asset classes. The drop was short-lived and prices gradually recovered, rising by 5.1% from end-February to $1,667 an ounce on March 6, 2020, their second highest level in more than seven years, as the continued spread of the coronavirus worldwide fuelled investor demand for gold ETFs. The metal's price closed at around $1,649 per ounce on March 11, 2020 and is forecast at $1,650 per ounce at the end of 2020, mainly underpinned by expectations of a global economic slowdown as a result of the virus outbreak, which would lead central banks worldwide to reduce their policy rates. Downside risks to the outlook could arise from lower jewelry demand in China. In contrast, upside risks to prices could stem from uncertainties related to the 2020 U.S. presidential elections, which would further drive demand for gold ETFs.

Source: Commerzbank, Refinitiv, 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 (%)
	LT Foreign currency rating												
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	Positive	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-								
	Negative	Negative	Negative	-	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	SD	Ca	C	SD	B-								
	-	Stable	-	-	Negative	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB	Ba2	BB	BBB-	BBB-								
	Negative	Stable	Negative	Negative	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: 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 (%)
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	-	Stable	-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	1.00-1.25	03-Mar-20	Cut 50bps	18-Mar-20
Eurozone	Refi Rate	0.00	12-Mar-20	No change	30-Apr-20
UK	Bank Rate	0.25	11-Mar-20	Cut 50bps	26-Mar-20
Japan	O/N Call Rate	-0.10	21-Jan-20	No change	19-Mar-20
Australia	Cash Rate	0.50	03-Mar-20	Cut 25bps	07-Apr-20
New Zealand	Cash Rate	1.00	12-Feb-20	No change	25-Mar-20
Switzerland	3 month Libor target	-1.25-(-0.25)	12-Dec-19	No change	19-Mar-20
Canada	Overnight rate	1.25	04-Mar-20	Cut 50bps	15-Apr-20
Emerging Markets					
China	One-year Loan Prime Rate	4.05	20-Feb-20	Cut 10bps	20-Mar-20
Hong Kong	Base Rate	1.50	03-Mar-19	Cut 50bps	N/A
Taiwan	Discount Rate	1.375	19-Dec-19	No change	N/A
South Korea	Base Rate	1.25	27-Feb-20	No change	09-Apr-20
Malaysia	O/N Policy Rate	2.50	03-Mar-20	Cut 25bps	05-May-20
Thailand	1D Repo	1.25	18-Dec-19	No change	28-Mar-20
India	Reverse repo rate	5.15	06-Feb-20	No change	03-Apr-20
UAE	Repo rate	1.50	03-Mar-20	Cut 50bps	N/A
Saudi Arabia	Repo rate	1.75	03-Mar-20	Cut 50bps	N/A
Egypt	Overnight Deposit	12.25	20-Feb-20	No change	02-Apr-20
Turkey	Repo Rate	10.75	19-Feb-20	Cut 50bps	19-Mar-20
South Africa	Repo rate	6.25	16-Jan-20	Cut 25bps	19-Mar-20
Kenya	Central Bank Rate	8.25	27-Jan-20	Cut 25bps	N/A
Nigeria	Monetary Policy Rate	13.50	24-Jan-20	No change	23-Mar-20
Ghana	Prime Rate	16.00	31-Jan-20	No change	N/A
Angola	Base rate	15.50	27-Jan-20	No change	27-Mar-20
Mexico	Target Rate	7.00	13-Feb-20	Cut 25bps	26-Mar-20
Brazil	Selic Rate	4.25	05-Feb-20	Cut 25bps	18-Mar-20
Armenia	Refi Rate	5.50	24-Jan-20	No change	17-Mar-20
Romania	Policy Rate	2.50	07-Feb-20	No change	03-Apr-20
Bulgaria	Base Interest	0.00	02-Mar-20	No change	01-Apr-20
Kazakhstan	Repo Rate	12.00	10-Mar-20	raised 275bps	27-Apr-20
Ukraine	Discount Rate	10.00	12-Mar-20	Cut 100bps	23-Apr-20
Russia	Refi Rate	6.00	07-Feb-20	Cut 25bps	20-Mar-20

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