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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity fundraising up 12% to $133bn in first quarter of 2020

Research provider Preqin indicated that 267 private equity (PE) funds raised a total of $133bn in capital commitments worldwide in the first quarter of 2020, compared to 395 PE funds that secured $188.3bn in the fourth quarter of 2019 and to 366 PE funds that raised $118.6bn in the first quarter of 2019. It noted that the outbreak of the coronavirus had a limited impact on global PE fundraising, as the decline in activity from the fourth quarter of 2019 is broadly in line with historical trends. Also, it said that 152 PE funds with a primary focus on North America secured $101bn in the first quarter of 2020, followed by 57 European-focused funds ($16.8bn), and 36 Asian-focused funds ($10bn). In parallel, Preqin indicated that there were 1,211 PE-backed buyout deals in the first quarter of 2020 for an aggregate amount of $93.6bn, compared to 1,161 deals worth $96.2bn in the fourth quarter of 2019 and to 1,372 deals totaling $112.5bn in the first quarter of 2019. It said that North America accounted for 58% of the total number of closed deals in the covered quarter, followed by Europe (30.5%), and Asia (7.4%). Further, it pointed out that there were 2,851 venture capital deals in the first quarter of 2020 for an aggregate amount of $49.6bn, down from 3,694 deals worth $60.6bn in the fourth quarter of 2019 and from 3,703 deals that totaled $56.5bn in the first quarter of 2019. It noted that deal activity in Greater China declined by 38.7% to 495 deals in the first quarter of 2020, while it regressed by 21.2% to 1,006 deals in North America and by 10.4% to 602 deals in Europe due to the coronavirus outbreak.

Source: Preqin

M&A deals down 28% to $882bn in first quarter of 2020

Figures issued by Bureau Van Dijk and Zephyr show that there were 21,157 merger & acquisition (M&A) deals targeting companies globally for a total of $882.3bn in the first quarter of 2020. In comparison, there were 26,086 M&A deals worldwide worth $1.22 trillion in the first quarter of 2019, while there were 26,679 M&A deals globally worth $1.2 trillion in the fourth quarter of 2019. The figures show a decline of 19% in the number of deals and a drop of 27.8% in their amount year-on-year, as well as a decrease of 20.7% in the number of deals and a decline of 26.2% in their amount quarter-on-quarter. The decline in both the number and value of M&A deals is due to the impact of the coronavirus pandemic on M&A activity. On a country level, the amount of M&A transactions in the United States reached $227.4bn and accounted for 25.8% of the aggregate deal value worldwide in the first quarter of 2020. China followed with M&A deals of $124.7bn (14.1%), then Germany with $68.4bn (7.7%), France with $51bn (5.8%), the United Kingdom with $49bn (5.6%), Ireland with $34.6bn (3.9%), and India with $26.5bn and Japan with $26.2bn (3% each). In parallel, the United States had 5,226 M&A deals in the covered quarter, followed by China with 2,877 transactions, the United Kingdom with 1,776 deals, Japan with 1,079 transactions, Germany with 934 deals, Canada with 846 transactions, Australia with 761 deals, and France with 636 transactions.

Source: Zephyr, Bureau Van Dijk, Byblos Research

Insurers' losses from disasters at $60bn in 2019

Reinsurer Swiss Re estimated the global economic losses from natural catastrophes and man-made disasters at $146bn in 2019, constituting a decline of 17% from $176bn in 2018, and below the 10-year annual average losses of $212bn. Total economic losses include insured and uninsured catastrophe losses. Losses from natural catastrophes reached $137bn and represented 93.8% of overall losses in 2019, while those from man-made disasters reached $9bn and accounted for 6.2% of the total last year. Economic losses in Asia amounted to $66bn and were equivalent to 0.21% of the region's GDP, followed by North America with $45bn (0.19% of GDP), Europe with $14bn (0.06% of GDP), Latin America & the Caribbean (LAC) with $12bn (0.23% of GDP), Africa with $5bn (0.22% of GDP), and Oceania & Australia with $4bn (0.25% of GDP). In parallel, the losses of insurers declined by 35.5% from $93bn in 2018 to $60bn in 2019, and accounted for 41% of total economic losses last year. Insurers' losses from natural catastrophes and man-made disasters in North America reached $27.2bn in 2019 and represented 45.6% of the total, followed by losses in Asia with $18.3bn (30.6%), in Europe with $5.4bn (9%), in LAC with $5.2bn (8.7%), in Oceania & Australia with $2.5bn (4.1%), and in Africa with $800m (1.4%), while losses of insurers from seas and space catastrophes amounted to $400m, or 0.7% of the total. Also, insurers' losses from natural catastrophes stood at $52bn, or 86.7% of total insured losses in 2019, while those from man-made disasters reached $8bn.

Source: Swiss Re

GCC

Corporate earnings down 15% to $149bn in 2019

The net income of listed companies in Gulf Cooperation Council (GCC) countries reached $149.3bn in 2019, constituting a decline of 15.4% from $176.3bn in 2018. The firms' net earnings totaled $39.3bn in the first quarter, $40.6bn in the second quarter, $38.4bn in the third quarter and $31bn in the fourth quarter of 2019. Listed companies in Saudi Arabia generated $108.6bn, or 72.8% of total corporate earnings in 2019, followed by listed firms in Qatar with $10.6bn (7.1%), Dubai with $10.3bn (7%), Abu Dhabi with $10bn (6.7%), Kuwait with $6.2bn (4.2%), Bahrain with $1.9bn (1.3%), and Oman with $1.7bn (1.1%). Further, the earnings of listed firms in Dubai increased by 13.5% from 2018, followed by the income of corporates in Oman (+6.3%), Kuwait (+3.3%), and Abu Dhabi (+3.1%). In contrast, the earnings of listed companies in Saudi Arabia decreased by 20.5% last year, followed by Bahrain (-7.1%), and Qatar (-5.5%). In parallel, the earnings of listed firms in the GCC energy sector reached $89.2bn and accounted for 59.7% of total corporate earnings in 2019, followed by listed banks with $37.2bn (25%), telecom firms with $7.7bn (5.2%), real estate companies with $4.5bn (3%), and materials firms with $3.2bn (2.1%). The income of listed transportation firms increased by 50% from 2018, followed by insurers (+37.5%), banks and retailers (+10% each), and telecom firms (+1.3%). In contrast, the profits of listed companies in the materials sector dropped by 68.6% in 2019, followed by the income of capital goods firms (-41%), of energy companies (-20.3%), of real estate corporates (-20%), and of utilities firms (-9.1%).

Source: KAMCO

OUTLOOK

MENA

Multiple shocks to weigh on macroeconomic outlook of oil exporters in 2020

The International Monetary Fund indicated that the onset of the coronavirus outbreak and the sharp drop in global oil prices have significantly weakened the outlook of oil-exporting economies in the Middle East & North Africa (MENA) region in 2020. It noted that measures to contain the spread of the virus have severely affected the region's job-intensive sectors, non-hydrocarbon sector activity, as well as confidence levels. It estimated that MENA oil exporters could lose more than $230bn in export revenues this year in case oil prices remain at their current low levels, which would put additional strains on fiscal and external buffers in these countries and leave them with limited space to counter the effects of the pandemic. It forecast real GDP in MENA oil exporters to contract by 4.2% in 2020 relative to a growth forecast of 2.1% in October 2019. Also, it expected economic activity to contract by 2.7% in Gulf Cooperation Council (GCC) countries and to shrink by 6.1% in non-GCC oil exporters this year. It noted that its projections do not take into account the April 9 agreement to reduce OPEC's oil production, which could pose additional downside risks to hydrocarbon sector activity in these economies.

In parallel, the Fund projected the aggregate fiscal deficit of MENA oil exporters to widen from 3% of GDP in 2019 to 11.8% of GDP in 2020, due to lower hydrocarbon export receipts and to crisis-related spending. It forecast GCC countries to post a fiscal deficit of 10.4% of GDP, while it anticipated the deficit of non-GCC oil exporters at 14.3% of GDP this year. Further, it projected the aggregate current account balance of MENA oil exporters to shift from a surplus of 2.7% of GDP in 2019 to a deficit of 5.8% of GDP in 2020. It expected the current account deficit of GCC economies at 3.1% of GDP in 2020, while it forecast the deficit of the region's non-GCC oil exporters at 10.5% of GDP this year.

The Fund said that downside risks to the outlook of the region's oil exporters include a deeper and more protracted spread of the virus, a longer-than-anticipated period of low oil prices, deepening regional conflicts that could further weigh on confidence and investments, as well as lower growth in trading partners that could reduce trade and tourism flows to the region.

Source: International Monetary Fund

SAUDI ARABIA

Economy to contract by 6.5% in 2020

Goldman Sachs projected Saudi Arabia's real GDP to shrink by 6.5% in 2020 relative to a previous growth forecast of 2.7%, following a contraction of about 1.5% in 2019. It attributed the downward revision to an anticipated contraction in the Kingdom's oil output by nearly 10% this year, following the OPEC agreement to cut oil production starting in May 2020. It forecast real hydrocarbon GDP to retreat by about 8.5% compared to a contraction of around 5% last year, while it projected real non-hydrocarbon activity to shrink by 5% this year relative to a growth of about 1% in 2019.

In parallel, it anticipated the cut in oil output and the low oil price environment to negatively affect Saudi Arabia's fiscal and external balances. It forecast the fiscal deficit to widen from 4.4% of GDP in 2019 to 21.6% of GDP in 2020, despite an anticipated reduction in government spending of just under 7% in nominal terms. It considered that authorities have fiscal room for steeper cuts, despite the detrimental impact on economic growth. Also, it anticipated government borrowing requirements at about $140bn this year. As such, it expected the government's net debt level to rise from 7.4% of GDP at end-2019 to 30.6% of GDP at end-2020. It also projected the current account balance to shift from a surplus of 6.3% of GDP in 2019 to a deficit of 9.2% of GDP in 2020. In addition, it forecast the Kingdom's reserves, net of government deposits at the Saudi Arabian Monetary Authority (SAMA), to drop from $358bn at end-2019 to $298bn at end-2020, as authorities are expected to finance the fiscal deficit from government deposits at SAMA. Further, it anticipated the government to take additional measures, such as higher dividend payments by state-owned enterprises, as well as use bank deposits and cash balances at state funds, in order to reduce the impact of lower hydrocarbon revenues on the fiscal balance and on foreign currency reserves.

Source: Goldman Sachs

AFRICA

Real GDP to contract by 1.6% in 2020

The International Monetary Fund projected Sub-Saharan Africa's (SSA) real GDP to contract by 1.6% in 2020, down from its growth forecast of 3.6% last October and following an expansion of 3.1% in 2019. It attributed the anticipated contraction to the adverse impact on production and demand of the measures that governments imposed to contain the spread of the coronavirus, to the spillovers from subdued economic activity worldwide, to tighter global financial conditions, and to the sharp decline in commodity prices. Further, it forecast the SSA region's real GDP to grow by 4.1% in 2021, but it considered that the speed of the recovery would depend on the efforts of the local authorities to contain the virus and on the strength of international support to the region. It projected real GDP in the region's oil exporters to contract by 2.8% this year, while it anticipated activity in oil-importing economies to shrink by 0.8% in 2020. In addition, it expected economic activity in the West African Economic and Monetary Union to grow by 2.5%, while it forecast real GDP in the Central African Economic and Monetary Community to contract by 1.7% in 2020.

In parallel, the IMF projected the fiscal deficit of the SSA region's oil exporters to widen from 3.4% of GDP in 2019 to 5.8% of GDP in 2020 amid persistently low global oil prices. It also forecast the deficit of SSA oil importers to widen from 4.9% of GDP in 2019 to 7.7% of GDP in 2020, due to fiscal easing to support economic growth. In turn, it projected the public debt level of the region's oil-exporting countries to reach 48.7% of GDP at end-2020, and to stand at 60.2% of GDP at end-2020 in oil importing economies. In parallel, it expected the aggregate current account deficit of SSA oil exporters to widen from 2.6% of GDP in 2019 to 4.2% of GDP in 2020 due to lower oil export receipts, while it projected the deficit of oil importers to slightly widen from 4.8% of GDP in 2019 to 5% of GDP in 2020. As such, it anticipated foreign currency reserves of SSA oil exporters to decline from 6.5 months of import coverage at end-2019 to 3.9 months of imports at end-2021, while it forecast the reserves of SSA oil importers to regress from 5.5 months of imports at end-2019 to 4.4 months of imports at end-2021.

Source: International Monetary Fund

ECONOMY & TRADE

IRAQ

Outlook revised to 'negative' on lower oil prices

Fitch Ratings affirmed Iraq's long-term foreign-currency Issuer Default Rating at 'B-', and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to the adverse impact of lower global oil prices on Iraq's public and external finances, as well as to increased uncertainties about the sovereign's financing plan and the ability of policymakers to respond to the fiscal crisis. It added that the current caretaker status of the government amid widespread protests, worsening security conditions and political divisions, could complicate policy responses to the oil price shock. It forecast the fiscal deficit at 19% of GDP in 2020, due to an anticipated decline of 60% in oil revenues, before narrowing to 9% of GDP in 2021. It also projected the public debt level to increase from 47% of GDP at the end of 2019 to an average of 80% of GDP annually in the 2020-21 period, as a result of a wider fiscal deficit and an expected 30% contraction in nominal GDP. It anticipated authorities to resort to financing from the Central Bank of Iraq (CBI) to meet most of the government's funding needs in 2020. Further, it said that Iraq could seek a new funding program with the IMF, but noted that this would require having a government and an appropriate budget in place. In parallel, it projected Iraq's current account deficit at 16% of GDP in 2020 and at 6% of GDP next year, while it projected foreign currency reserves to drop from $66.7bn at end-2019 to $25bn by end-2021. It added that further declines in foreign currency reserves and sustained reliance on the CBI for fiscal financing increases sustainability risks to the currency peg to the US dollar.

Source: Fitch Ratings

EGYPT

Sovereign ratings affirmed with 'stable' outlook

S&P Global Ratings affirmed Egypt's 'B' long- and short-term foreign and local currency ratings, with a 'stable' outlook. It indicated that the rating affirmation reflects the country's ability to withstand the temporary shock from the coronavirus pandemic, given its adequate external buffers. Still, it projected the current account receipts to significantly decline between April and end-2020, due to a decrease in tourism and export receipts and to lower remittance inflows from GCC countries. It added that global financial market volatility has led to portfolio outflows of $13bn from Egypt in March, which resulted in a decline of $5.4bn in foreign currency reserves to $40.1bn. It noted that the exchange rate has remained largely stable amid the intervention of the Central Bank of Egypt (CBE). It anticipated the CBE's reserves to decrease to $37bn by end-June, and to remain broadly stable in the fiscal year that ends in June 2021. Further, S&P indicated that the near-term external debt maturities of the government and of the CBE total $6.5bn in the second half of FY2019/20 and $12.7bn in FY2020/21. It expected the government to roll over a large portion of its bilateral loans. It anticipated Egypt to approach the International Monetary Fund for additional funding in order to support foreign currency reserves and fiscal spending. It projected the fiscal deficit to widen from 8.3% of GDP in FY2019/20 to 8.5% of GDP in FY2020/21, and for the government's debt to rise from 86% of GDP at end-June 2020 to 89% of GDP by end-June 2021. It expected growth to decelerate from 2.8% in FY2019/20 to 0.1% in FY2020/21.

Source: S&P Global Ratings

SUDAN

Macroeconomic imbalances and coronavirus pandemic to weigh on growth prospects

The International Monetary Fund projected Sudan's real GDP to retreat by 7.2% in 2020, following an estimated contraction of 2.5% in 2019. It attributed the steeper retrenchment in activity to continued macroeconomic imbalances and, more recently, to the coronavirus pandemic that is expected to significantly weigh on the country's weak healthcare infrastructure. Also, the Fund forecast the inflation rate to surge from an average of 51% in 2019 to 81.3% in 2020, and anticipated authorities to tighten monetary policy in order to ease inflationary pressure. In parallel, it projected Sudan's fiscal deficit to widen from 10.8% of GDP in 2019 to 16.9% of GDP in 2020, with public revenues, excluding grants, at 6.4% of GDP this year relative to 7.4% of GDP in 2019, and public spending at 23.3% of GDP in 2020, up from 18.2% of GDP in 2019. It estimated the Sudanese authorities' response to the pandemic, including higher spending on healthcare, only at about 0.2% of GDP due to stretched public finances. In addition, it expected the public debt level to rise from 200% of GDP at end-2019 to 295% of GDP at the end of 2020. In parallel, the IMF forecast Sudan's exports of goods & services at $4.9bn in 2020 relative to $5.3bn last year, and its imports at $7.7bn this year compared to $9.8bn in 2019. Still, it projected the current account deficit to widen from 14.9% of GDP in 2019 to 15.2% of GDP in 2020. It anticipated the country's gross external debt to rise from 199% of GDP at the end of last year to 299% of GDP at end-2020. Also, it forecast Sudan's gross foreign currency reserves at $1.3bn or two months of import coverage at the end of 2020, relative to $3.1bn or 4.9 months of imports at end-2019.

Source: International Monetary Fund

ARMENIA

Growth to slow to 1.7% in 2020 on pandemic impact

The World Bank indicated that the COVID-19 pandemic and the drop in global commodity prices will significantly weaken Armenia's macroeconomic outlook in 2020. As such, it forecast real GDP growth to decelerate from 7.6% in 2019 to 1.7% in 2020, due to lower exports and domestic demand, and in case the pandemic recedes in the third quarter of 2020. It added that a prolonged outbreak of the virus would result in stagnant GDP or an economic contraction this year. It anticipated authorities to increase fiscal spending in order to mitigate the impact of the dual shocks on the economy. Consequently, it projected the fiscal deficit to widen from 0.8% in 2019 to about 4.7% of GDP this year due in part to a fiscal stimulus package worth 2.7% of GDP to cope with the impact of the virus on the economy. It expected the public debt level to increase from 53.6% of GDP at end-2019 to 57.2% of GDP at end-2020. Further, it forecast the current account deficit at 9% of GDP in 2020 due to lower external demand and reduced remittance inflows from Russia, which could put pressure on the exchange rate. In addition, it anticipated the inflation rate at 3% in 2020, amid low global commodity prices and moderating demand, but it noted that a weaker currency could increase inflationary pressure this year. It said that growth could recover to about 4.5% annually over the medium term, as external conditions stabilize and activity resumes.

Source: World Bank

BANKING

GCC

Low global oil prices and coronavirus pandemic to weigh on banks' earnings in 2020

EFG Hermes considered that reduced economic activity in the Gulf Cooperation Council (GCC) countries as a result of the coronavirus pandemic and significantly lower global oil prices will weigh on the earnings of banks in the region. It also anticipated that the banks' net interest margins will narrow by a median of 23 basis points (bps) following large cuts in policy rates by the region's central banks, which, along with low single-digit growth of the banks' balance sheets, a decline of 6% in the banks' fee income, and an increase of about 40% in provisioning costs for most banks, will further constrain the profits of GCC banks. As such, it projected the banks' earnings in 2020 to decline by a median of 20.5%, with banks in the UAE posting a 60.8% contraction in earnings, followed by banks in Kuwait (-24%), in Saudi Arabia (-14.5%), and in Qatar (-11%). It expected lower earnings to leave GCC banks with limited space for dividend payouts. Further, it indicated that GCC banks are generally well capitalized, and pointed out that authorities in Kuwait and the UAE reduced the minimum capital requirements for banks to ease the pressure on banking sector liquidity. In parallel, it considered a worse-case scenario whereby net interest margins narrow by an additional 10 bps, fee income and interest-earning assets decline by an additional 5%, and the cost of risk increases by an additional 15bps. In such a scenario, it anticipated that the aggregate earnings of GCC banks will fall by 45% annually in 2020, with UAE banks registering a contraction of 79.2%, followed by banks in Kuwait (-49.5%), Qatar (-32.7%), and Saudi Arabia (-31.1%).

Source: EFG Hermes

EGYPT

Earnings of five banks to decline by 21% in 2020

Regional investment bank EFG Hermes projected the aggregate earnings of the five Egyptian banks that it covers to decline by 21.2% to EGP18.5bn in 2020, compared to a growth rate of 20% in 2019. The five banks are Commercial International Bank, Qatar National Bank ALAHLI, Crédit Agricole Egypt, Abu Dhabi Islamic Bank-Egypt, and Housing & Development Bank. EFG attributed the anticipated decline in the banks' aggregate net income this year to a narrower interest margin after the Central Bank of Egypt cut interest rates by 300 basis points in March, as well as to weaker lending growth and higher provisioning costs. It forecast aggregate lending to expand by mid-single digits in 2020, relative to a 14% growth in 2019, due to lower demand for loans amid the coronavirus outbreak, with local currency loans rising by mid-single digits and foreign currency loans expanding by low single digits. It considered that upside potential to lending growth could come from an easing of the containment measures in the second half of 2020, given that the borrowing rates are currently at very attractive levels. In addition, it anticipated provisioning costs this year to be close to their 2016 peak levels that followed the 60% devaluation of the Egyptian pound at the time, as it expected banks to be fairly conservative amid the current crisis. It projected the banks' earnings to grow by 33% in 2021 in case the impact of the virus dissipates, while it forecast lending to increase by about 14% next year.

Source: EFG Hermes

TUNISIA

Difficult operating conditions to weaken banks' performance in 2020

Moody's Investors Service indicated that the challenging operating conditions in Tunisia, exacerbated by the outbreak of the coronavirus, will significantly impact the banking sector's asset quality, profitability and solvency in 2020. It added that the historically weak regulations, regulatory forbearance and poor governance continue to pose risks for Tunisian banks. It anticipated the banks' credit growth to slow down from 5% in 2019 to between 3% and 4% this year, and to be constrained by the regulatory cap of 120% on the loans-to-deposits ratio in local currency. It added that lending growth could further weaken in case inflationary pressures re-emerge. It expected the banks' problem loans to remain elevated in 2020, amid slow credit growth and higher interest rates, and to be concentrated in the tourism, manufacturing, retail and real estate sectors. In parallel, it projected the banks' capital buffers to be stable this year. But it considered that, under a stress scenario, the capital buffers of most banks would fall below the minimum regulatory requirements, reflecting the banks' modest loan-loss provisioning levels. In addition, it expected the banking sector's profitability to come under pressure in 2020 amid high provisioning needs, slow lending growth, strong competition for deposits, as well as lower investment revenues due to reduced Treasury issuances. Further, it noted that the banks' reliance on short-term collateralized central bank funding is gradually declining, which will reduce asset risks and provide some financial flexibility in times of stress.

Source: Moody's Investors Service

NIGERIA

Pressure on currency intensifies

Citi Research indicated that the pressure on the naira intensified in early March 2020 following the sharp decline in global oil prices. It noted that the Central Bank of Nigeria (CBN) devaluated on March 20 the official exchange rate from NGN306.5 per US dollar to NGN360.5 against the dollar. It added that the exchange rate on the NAFEX market weakened from about NGN365 per dollar in late February to about NGN388 per dollar currently. It noted that, despite the currency adjustment, the parallel market exchange rate is already trading above NGN400 per dollar. As such, it anticipated that the CBN may have to further devalue the currency in case oil prices remain at their current low levels. It said that the pressure to further adjust the currency could increase, given that the government is currently seeking about $7bn in external financial support from multilateral financial institutions, including $3.4bn under the IMF's Rapid Financing Instrument, in order to cope with the COVID-19 outbreak and low oil prices. Further, it said that the probability of a more significant currency devaluation in the next six months could significantly increase if foreign currency reserves drop from about $33.8bn currently to below $30bn. But it considered that the exact timing and extent of this adjustment is difficult to predict and will depend on oil price developments and current account dynamics in the coming 12 months. It expected authorities to gradually adjust the naira to between NGN450 per dollar and NGN500 per dollar this year, depending on the pace of decline in foreign currency reserves.

Source: Citi Research

ENERGY / COMMODITIES

Brent oil prices to average $35.2 p/b for 2020

ICE Brent crude oil front-month prices closed at $19.3 barrel (p/b) on April 21, 2020, their lowest level since 2001. They constituted a decline of 24.4% from a day earlier and a drop of 30% from the previous week due to the contraction in oil demand and to the increase in global supply. The recent fall in Brent prices followed a plunge in the West Texas Intermediate (WTI) oil prices to negative territory for the first time in history, which closed at -$37.6 p/b on April 20. In fact, U.S. producers paid buyers to take oil barrels before the expiry of May's future contracts on that day, amid a lack of demand and concerns that inventories reached their full capacity. Also, global oil supply has remained robust, despite the OPEC and non-OPEC agreement to cut production, as complying by the new limits is technically complex and expensive. In parallel, Goldman Sachs considered that the OPEC and G20 agreement to cut oil production will be insufficient to balance the physical global oil markets, as it expected the 20 million barrels per day (b/d) cuts to translate into an effective voluntary cut of only 5 million b/d. As such, it expected prices to remain volatile, and projected Brent oil prices to bottom at about $20 p/b in the second quarter of 2020, as storage capacity becomes saturated. However, it noted that the limited storage capacity will significantly put downward pressure on production, which would balance the market and create prospects for higher oil prices. Consequently, it expected oil prices to average $35.2 p/b in 2020.
Source: Goldman Sachs, Oilprice, refinitiv, Byblos Research

OPEC's oil basket price down 39% in March

The price of the reference basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $33.9 per barrel (p/b) in March 2020, the lowest monthly average since September 2003. It fell by 39% from $55.5 p/b in February 2020, constituting the third consecutive monthly decline and the largest monthly drop since October 2008. The OPEC indicated that all crude benchmarks moved to a "super contango" in March, which means that spot prices became lower than longer-dated future prices due to the collapse in oil demand and rising global supply.
Source: OPEC

OPEC oil output up 3% in March 2020

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 28.6 million barrels per day (b/d) in March 2020, up by 3% from 27.8 million b/d in February 2020. Saudi Arabia produced 10.1 million b/d in March 2020, or 35.2% of OPEC's total output, followed by Iraq with 4.6 million b/d (16%), the UAE with 3.5 million b/d (12.1%), Kuwait with 2.8 million b/d (9.9%), and Iran with 2 million b/d (7.1%).
Source: OPEC, Byblos Research

MENA's natural gas exports to drop by 9% in 2020

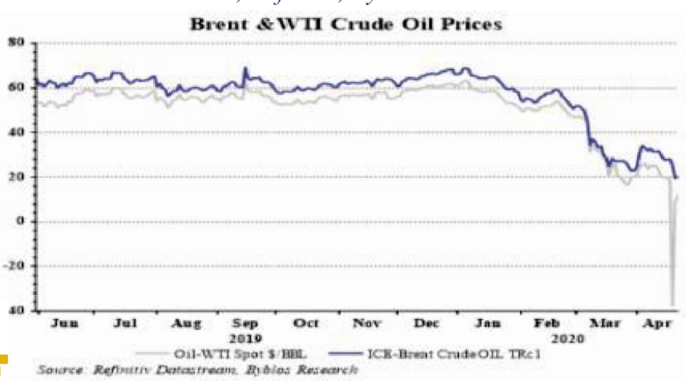
Natural gas exports from the MENA region are forecast to average 4.32 million barrels of oil equivalent per day (boe/d) in 2020, which would constitute a drop of 9.4% from 4.77 million boe/d in 2019. The GCC countries' natural gas exports would account for 79.4% of the region's gas exports this year, while non-GCC exporters would represent the balance of 20.6%. Qatar's natural gas exports are projected at 2.53 million boe/d in 2020, equivalent to 58.6% of the region's gas exports, followed by Algeria at 0.69 million boe/d (16%), and the UAE at 0.5 million boe/d (11.6%).
Source: International Monetary Fund, Byblos Research

Base Metals: Copper prices down by 9% in first quarter of 2020

LME copper cash prices averaged $5,640 per metric ton in the first quarter of 2020, constituting a decrease of 4.4% from the fourth quarter of 2019 and a decline of 9.3% from the first quarter of last year. Prices averaged $6,036 per ton in January, $5,688 per ton in February and $5,183 per ton in March 2020. The decrease in the metal's prices was mainly due to the slowdown in global economic activity and in the demand for metals, notably from China, amid worldwide lockdowns to curb the coronavirus outbreak. However, copper prices recovered to $5,194 per ton on April 17, their highest level in four weeks, largely driven by supply disruptions amid shutdowns in mining countries, the reopening of China, as well as by stimulus measures announced by global central banks. Further, copper prices steadied at $5,109 per ton on April 22, after consecutive declines in the past two days, as major miners warned that the coronavirus will reduce their output and as the turmoil in financial markets that was caused by the collapse in global oil prices eased. In parallel, Fitch Ratings revised downward its 2020 price projections for copper from $5,900 per ton to $5,700 per ton in March, then further to $5,300 in April, as it expected global demand for copper to decline by 6% this year. In addition, it anticipated the oversupply in the market to be significant, despite supply disruptions in major producers.
Source: Fitch Ratings, Refinitiv

Precious Metals: Platinum prices to decline by 12.5% to $758 per ounce in 2020

Platinum prices averaged $746.4 per troy ounce so far in April 2020, down from an average of $759 an ounce in March 2020, $961 per ounce in February and $987 an ounce in January 2020. They closed at $764 per ounce on April 22, 2020, down by 21.3% from end-2019. Prices have been declining amid high volatility from the adverse impact of the coronavirus pandemic on demand for jewelry and automobiles. Platinum prices are projected to further decrease to an average of $600 per ounce in the second quarter of 2020, but to recover to $750 per ounce in the third quarter and $800 an ounce in the fourth quarter of 2020, in case the virus is contained in the near term. Overall, prices are forecast to drop by 12.5% to an average of $758 per ounce in 2020. In parallel, global platinum demand is expected to decline by 16.7% to 6.3 million ounces in 2020, mainly due to a 28% drop in jewelry consumption and a 17.4% decrease in automotive demand. Further, global platinum supply is projected to contract by 15% to 7.2 million ounces in 2020, mainly due to a 17.3% drop in South African output. As such, the production surplus in the platinum market is anticipated to be nearly unchanged at 917,000 ounces in 2020.
Source: Citi Research, 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 (%)
Africa													
Algeria	- -	- -	- -	- -	BB+ Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	CCC+ Stable	B3 Stable	B Negative	- -	B- Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B Stable	B2 Stable	B+ Stable	B+ Stable	B+ Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B Negative	B1 Negative	B Negative	-	B+ Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B Stable	B3 Positive	B Stable	- -	BB- Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Côte d'Ivoire	- -	B3 Stable	B+ Positive	- -	B+ Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	- -	- -	- -	- -	B- Stable	-7.4	-	-	-	-	-	2	-
Dem Rep Congo	CCC+ Positive	Caa1 Stable	- -	- -	CCC Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB- Stable	Ba1 Stable	BBB- Stable	- -	BBB Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B- Stable	B2 Negative	B Negative	- -	BB- 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 URD***	B+ Negative	- -	BB- Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B+ Stable	B2 Stable	B+ Stable	- -	B+ Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+ Stable	B2 Stable	BB- Stable	BB- Negative	BB+ Stable	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	- -	- -	- -	B Stable	BB- Negative	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B- Stable	Caa1 Stable	B- Negative	- -	CC+ Stable	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+ Stable	B1 Stable	BB- Stable	B+ Stable	BB+ Stable	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA- Stable	Aa2 URD***	AA Stable	AA- Stable	AA- Stable	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	SD -	Ca Stable	C -	SD -	B- Negative	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB- Negative	Ba2 URD***	BB Negative	BBB- Negative	BBB- Negative	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	A+ Stable	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A- Stable	A1 Stable	A Stable	A+ Stable	AA- Stable	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	- -	AA- Stable	AA- 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	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Asia													
Armenia	-	Ba3	BB-	-	B-								
	-	Stable	Negative	-	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*
**** 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	0.00-0.25	15-Mar-20	Cut 100bps	29-Apr-20
Eurozone	Refi Rate	0.00	12-Mar-20	No change	30-Apr-20
UK	Bank Rate	0.10	26-Mar-20	No change	07-May-20
Japan	O/N Call Rate	-0.10	16-Mar-20	No change	28-Apr-20
Australia	Cash Rate	0.25	07-Apr-20	No change	05-May-20
New Zealand	Cash Rate	0.25	16-Mar-20	Cut 75bps	13-May-20
Switzerland	SNB Policy Rate	-0.75	19-Mar-20	No change	18-Jun-20
Canada	Overnight rate	0.25	15-Apr-20	No change	03-Jun-20
Emerging Markets					
China	One-year Loan Prime Rate	3.85	20-Apr-20	Cut 20bps	20-May-20
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	19-Mar-20	Cut 25bps	N/A
South Korea	Base Rate	0.75	09-Apr-20	No change	28-May-20
Malaysia	O/N Policy Rate	2.50	03-Mar-20	Cut 25bps	05-May-20
Thailand	1D Repo	0.75	25-Mar-20	No change	20-May-20
India	Reverse repo rate	4.40	27-Mar-20	Cut 75bps	N/A
UAE	Repo rate	1.50	16-Mar-20	No change	N/A
Saudi Arabia	Repo rate	1.00	16-Mar-20	Cut 75bps	N/A
Egypt	Overnight Deposit	9.25	02-Apr-20	No change	14-May-20
Turkey	Repo Rate	8.75	22-Apr-20	Cut 100bps	21-May-20
South Africa	Repo rate	4.25	14-Apr-20	Cut 100bps	21-May-20
Kenya	Central Bank Rate	7.25	23-Mar-20	Cut 100bps	29-Apr-20
Nigeria	Monetary Policy Rate	13.50	24-Mar-20	No change	25-May-20
Ghana	Prime Rate	14.50	18-Mar-20	Cut 150bps	22-May-20
Angola	Base rate	15.50	30-Mar-20	No change	27-May-20
Mexico	Target Rate	6.0	21-Apr-20	Cut 50bps	14-May-20
Brazil	Selic Rate	3.75	18-Mar-20	Cut 50bps	06-May-20
Armenia	Refi Rate	5.25	17-Mar-20	Cut 25bps	28-Apr-20
Romania	Policy Rate	2.00	20-Mar-20	Cut 50bps	12-May-20
Bulgaria	Base Interest	0.00	01-Apr-20	No change	01-May-20
Kazakhstan	Repo Rate	9.50	03-Apr-20	Cut 250bps	27-Apr-20
Ukraine	Discount Rate	8.00	23-Apr-20	Cut 200bps	11-Jun-20
Russia	Refi Rate	6.00	20-Mar-20	No change	24-Apr-20

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