

## COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

## WORLD

**Global infrastructure deals at \$322bn in 2018**

Research provider Preqin indicated that there were 2,454 infrastructure deals completed globally in 2018 for a total value of \$321.5bn. In comparison, there were 3,165 infrastructure transactions worth \$386.7bn in 2017. The figures show declines of 22.5% in the volume of deals and of 16.8% in their aggregate value in 2018. The deals cover the acquisition of infrastructure assets by global investors. On a regional level, Europe attracted 859 infrastructure deals for a total value of \$151.8bn in 2018, or 47.2% of total infrastructure investments, followed by North America with 801 infrastructure transactions worth a total of \$77.6bn (24.1%), and Asia with 342 deals for a value of \$38.7bn (12%). In addition, the renewable energy sector represented 57% of the total number of infrastructure deals completed in 2018, followed by the energy and utilities sectors (12.1% each), transportation (7.4%), social infrastructure (5.7%), and the telecommunications sector (3.4%). Preqin added that 45.4% of global infrastructure deals completed in 2018 had an average size of less than \$100m, while 33.1% of transactions had an average size of \$100m to \$499m, 13.2% had an average size of more than \$1bn, and the remaining 8.4% had an average value between \$500m and \$999m. Also, it said that secondary stage deals accounted for 63.8% of infrastructure deals in 2018, while greenfield deals represented 32.6% of total transactions, and brownfield projects accounted for 3.6% of the total. Secondary stage deals involve a fully operational asset that requires no investment for development, while brownfield deals involve an existing asset that requires improvements.

Source: Preqin

## EMERGING MARKETS

**Sovereign downgrades outpace upgrades in 2018**

S&P downgraded 12 Emerging Market (EM) sovereigns and upgraded seven others in 2018, representing \$399bn and \$123bn in rated debt, respectively. It downgraded one EM sovereign in the first quarter of 2018, with \$230bn in affected bonds, four EM sovereigns in each of the second and the third quarters (\$3bn each), and three sovereigns in the fourth quarter (\$163bn). It added that Latin America accounted for 58.3% of the number of EM sovereign downgrades, followed by Eastern Europe, the Middle East & Africa (EEMEA) region with 25% of downgrades, and Asia excluding Japan with 16.7% of total EM downgrades last year. In parallel, S&P upgraded one EM sovereign in each of the first and the second quarters of 2018, with amounts of \$73bn and \$11bn affected, respectively. It also upgraded three sovereigns in the third quarter (\$29bn) and two others in the fourth quarter (\$10bn) of 2018. It indicated that the EEMEA region accounted for 71.4% of EM sovereign upgrades, while Asia excluding Japan and Latin America represented 14.3% each of the total last year. It considered that several risks threaten the stability of EM sovereign ratings this year, including tensions surrounding global trade, volatility in the financial markets, as well as the potential impact of higher global interest rates and a stronger US dollar on EM capital flows.

Source: S&P Global Ratings

## MENA

**M&A deals at \$14bn in January 2019**

Figures issued by Bureau Van Dijk and Zephyr show that there were 30 merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region for a total of \$14.3bn in January 2019, constituting the highest monthly value since July 2016 when deals reached \$17.7bn. In comparison, there were 71 M&A deals worth \$1.5bn in January 2018. The figures show a year-on-year increase of 9.6 times in the aggregate amount of deals in January 2019, despite a decline of 57.7% in the number of transaction. The significant rise in the value of M&A deals in January 2019 was driven by the acquisition of the UAE-based Abu Dhabi Oil Refining for \$6.8bn by the Italian energy company Eni and the Austrian oil & gas firm OMV, as well as by the acquisition of the Bahrain-based Ahli United Bank for \$6.7bn by Kuwait Finance House. As such, the value of M&A transactions in the UAE reached \$7.3bn in January 2019 and accounted for 50.7% of the region's aggregate deal value. Bahrain followed with M&A deals of \$6.7bn (46.9%), then Saudi Arabia with \$255m (1.8%), Kuwait with \$61m (0.4%), Egypt with \$20m (0.1%), and Iran with \$7m. In volume terms, Egypt had seven M&A deals in January 2019, followed by Saudi Arabia and the UAE with six transactions each, Kuwait and Oman with three deals each, Iran and Bahrain with two transactions each, and Jordan with one deal.

Source: Zephyr; Bureau Van Dijk, Byblos Research

## GCC

**Fixed income issuance down 5% to \$13bn in January 2019**

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached \$13bn in January 2019, down by 5.1% from \$13.7bn in January 2018, and relative to \$2bn in December 2018. Aggregate fixed income in January 2019 included \$8.9bn in sovereign bonds, or 68.5% of the total, followed by sovereign sukuk at \$2.5bn (19.2%), corporate sukuk at \$0.9bn (6.9%), and corporate bond issuance at \$0.7bn (5.4%). Further, aggregate bonds and sukuk issued by GCC sovereigns reached \$11.4bn in January 2019, or 87.7% of total fixed income issuance in the region, while bonds and sukuk issued by corporates in the GCC amounted to \$1.6bn or 12.3% of the total. Saudi Arabia and Qatar were the only sovereigns to issue fixed income securities in the first month of the year. Saudi Arabia issued \$7.5bn in sovereign bonds and \$1.4bn in sovereign sukuk in January 2019, equivalent to 68.7% of total fixed income issuance in the GCC region. Also, Qatar issued \$1.4bn in sovereign bonds and \$1.1bn in sovereign sukuk, accounting for 19% of total fixed income issuance in the region in the covered month. In parallel, UAE firms accounted for the bulk of corporate bond issuances in the covered month. The five largest corporate bond issuers included two issuances by Abu Dhabi Commercial Bank with a total value of \$225m, two issuances by Qatar National Bank for an aggregate \$174.3m and one issuance by First Abu Dhabi Bank for \$50m. Also, First Abu Dhabi Bank accounted for all corporate sukuk issued in January 2019.

Source: KAMCO

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# OUTLOOK

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## AFRICA

### African economies need to address fundamental issues to manage currency volatility

Citi Research considered that central banks in Africa are aiming for some volatility in the exchange rate of their respective currencies, but added that they are unwilling to free-float their currencies due to fears of significant depreciation. It noted that central banks in Africa have generally insufficient levels of foreign currency reserves to defend a partial peg in case of a build-up of pressures on exchange rates. It considered that currency stability over a prolonged period of time becomes embedded, even if it is unsustainable, and that a potential shock could lead to significant currency devaluation. It pointed out that the materialization of such risks would shift the exchange rates from an extended period of stability to increased instability, and even to a crisis, which could be damaging to investors' confidence.

In parallel, Citi Research considered that African central banks would need to address a number of fundamental issues in order to manage currency volatility and to be able to operate in a more free floating exchange rate regime. First, it said that central banks have to develop their foreign exchange markets and provide different financial instruments for investors to manage currency volatility. Second, it pointed out that the linkage between African currencies and the US dollar should be eliminated due to the diversification of Africa's external trade that includes trade with the Eurozone, China and India. As a result, it considered that benchmarking African exchange rates to a basket of currencies based on trading partners would help induce long-term confidence in the region's currencies. Third, it noted that African authorities should keep interest rates on domestic savings positive in real terms to improve long-term confidence in the currencies as a store of value. Finally, Citi pointed out that African governments should maintain favorable macroeconomic fundamentals and fiscal balances, and contain inflation, in order to reduce macroeconomic pressure on their currencies.

*Source: Citi Research*

## EGYPT

### Economy's medium-term dynamics to shift to investment-led growth

Regional investment bank EFG Hermes indicated that Egypt's short-term outlook is supported by a recovery in the tourism and gas sectors, robust current account dynamics, strong and stable foreign currency reserves, as well as a manageable external debt-servicing schedule. As such, it projected real GDP growth to increase from 5.3% in the fiscal year that ended in June 2018 to 5.5% in FY2018/19 and 5.8% in FY2019/20. It expected the economy's medium-term dynamics to shift from external sector-led growth towards a more investment-led growth, due to the start of the monetary easing cycle in the current fiscal year. Also, it anticipated that private consumption will not be sufficient to substantially support growth in the absence of increased private investments that create jobs and boost disposable incomes. It considered that maintaining a growth rate of 5% or higher in the medium term could be challenging in the context of less favorable external and regional conditions, which increases the need for economic policies that boost private investments. It indicated that downside risks to the outlook include higher-than-expected

oil prices, additional global monetary tightening, uncertainty about the government's ability to extensively reduce interest rates, as well as a rise in the external debt level.

Further, EFG Hermes expected the average inflation rate to decrease from 21.6% in FY2017/18 to 13.5% in FY2018/19 and 8.7% in FY2019/20, supported by a significant base effect and favorable global oil prices, despite the planned liberalization of fuel prices by mid-2019. It anticipated that the Central Bank of Egypt will not have room to cut interest rates more than once in the first half of 2019, mainly due to the lifting of fuel subsidies.

In parallel, the bank forecast the fiscal deficit to narrow from 8.8% of GDP in FY2018/19 to 7.3% of GDP in FY2019/20, mainly due to improved revenues and the revocation of energy subsidies to domestic oil prices. It considered that the fuel price liberalization will provide the budget with an additional 1% of GDP in fiscal savings, which will improve the budget's ability to support investment and social spending. Further, it projected the current account deficit to narrow from 1.4% of GDP in FY2018/19 to 1% of GDP in FY2019/20, due to a sustained recovery in tourism activity and a narrowing of the external trade deficit for energy products.

*Source: EFG Hermes*

## ALGERIA

### Economy at risk of painful adjustment

BNP Paribas projected Algeria's real GDP growth to accelerate from 2.5% in 2018 to 2.8% in 2019 and to reach 2.2% in 2020. It considered that the government's policy aims to stabilize the country's macroeconomic situation that significantly deteriorated in 2017, instead of supporting domestic demand. It added that the authorities' prudent monetary policy and administered prices have contained inflationary pressure from the monetization of the fiscal deficit that started in late 2017, following the depletion of assets in the oil stabilization fund. It said that the government is facing the risk of a "painful" medium-term macroeconomic adjustment, either through the depreciation of the exchange rate or import controls, which would have a severe impact on inflation. It forecast the average inflation rate to increase from 4.4% in 2018 to 5% annually during the 2019-20 period.

Further, BNP Paribas indicated that the budget for 2019 maintains the current subsidy system and does not incorporate any additional taxes. It noted that the fiscal breakeven oil price stands at more than \$90 p/b, which it considered as unreachable amid the current fundamentals in the oil market. It projected the fiscal deficit to widen from 5.2% of GDP in 2018 to 7.7% of GDP in 2019, while it forecast the government's debt level to rise from 43% of GDP at the end of 2018 to 48% of GDP at end-2019.

In parallel, BNP Paribas expected the current account deficit to widen from 7.6% of GDP in 2018 to an average of 11% of GDP annually in the 2019-20 period, due to lower hydrocarbon prices. It anticipated Algeria's external liquidity to remain under pressure in the near term due to lower hydrocarbon export receipts, the authorities' refusal to borrow externally and the country's unattractive business climate. In this context, it forecast foreign currency reserves to decline from \$83bn, or 16.2 months of import cover, in 2018 to \$48bn, or 9.2 months of imports, in 2020.

*Source: BNP Paribas*



# ECONOMY & TRADE

## ANGOLA

### Outlook on ratings revised to 'negative' on deteriorating debt metrics

S&P Global Ratings affirmed at 'B-' Angola's long-term foreign and local currency sovereign ratings, and revised the outlook on the ratings from 'stable' to 'negative'. It attributed the outlook revision to the increase in the gross government debt level, due in part to the impact of the sharp depreciation of the Angolan kwanza on the government's foreign currency-denominated debt stock. The agency indicated that the kwanza depreciated by 46% in 2018 following the liberalization of the exchange rate and the partial correction of misalignments in the foreign exchange market. It estimated the debt level to have risen from 63.8% of GDP at the end of 2017 to 87% of GDP at end-2018, but expected it to gradually regress to 78.1% of GDP by end-2022, in case the government continues with its fiscal consolidation plan. It expected Angola's program with the IMF to support the authorities' fiscal reforms, such as efforts to increase non-oil revenues, subsidy reforms and the sustained clearance of arrears to domestic suppliers. Still, it anticipated the fiscal and external surpluses to shift to deficits starting in 2019, amid lower oil prices and higher import demand. It projected Angola's gross external financing needs to increase from 85% of current account receipts plus usable reserves in 2018 to an average of 101% over the 2019-22 period. The agency indicated that it would downgrade the ratings in case Angola's high government debt burden leads to unsustainable financing needs, or if fiscal and/or external pressures result in wider-than-expected fiscal and current account deficits.

Source: S&P Global Ratings

## SAUDI ARABIA

### Higher oil prices support external portfolio and foreign direct investments in 2018

Global investment bank JPMorgan Chase indicated that the increase in Saudi Arabia's hydrocarbon revenues in 2018 supported a rise in the Kingdom's resident capital outflows. It noted that foreign direct investment outflows reached \$17bn in the first nine months of 2018, while portfolio investment outflows stood at \$9bn and other investment outflows, including deposits, reached \$39bn. It added that the Saudi Arabian Monetary Authority's foreign currency reserves declined by \$10.6bn in the fourth quarter of 2018, despite an average oil price of \$69 p/b. It pointed out that the decline in foreign currency reserves was partly due to the foreign investments of quasi-sovereign entities. Also, it considered that resident capital outflows have been equivalent to between 9% of GDP and 14% of GDP over the past years, as Saudi entities accumulated foreign assets abroad, supported by wide current account surpluses that averaged 13% of GDP annually since 2000. In parallel, it estimated the Kingdom's current account receipts at \$327bn in 2018, with exports, mostly of oil and petroleum products, accounting for 88% of the total, while it said that current account payments stood at \$254bn. As such, it noted that the current account surplus reached \$73bn, or 9.3% of GDP, in 2018, and expected it at 9% of GDP in 2019 in case oil prices average \$73 p/b. It considered that a \$10 p/b decline in oil prices could lead to a deterioration of 4.8% of GDP in the current account balance.

Source: JPMorgan Chase

## JORDAN

### Outlook on short-term rating revised to 'stable'

IHS Markit affirmed Jordan's short-term sovereign credit risk rating at 20, equivalent to 'A' on the generic scale, and revised the outlook from 'positive' to 'stable' due to weak economic activity and public finances. It projected real GDP growth at 2.3% in 2019, which would constitute the 10th consecutive year of subdued economic activity. It noted that the fiscal deficit widened in 2018, as the decline in public spending was not enough to offset the shortfall in public revenues. It anticipated that the enactment of the income tax law in 2019 would boost revenues, but it noted that the effectiveness of the new law is contingent on its enforcement. It also pointed out that Jordan's public debt level continued to rise and reached an estimated 99% of GDP at end-2018 compared to 95% of GDP at the end of 2017. Further, IHS forecast the current account deficit at between 9% of GDP and 10% of GDP in 2019. It noted that the Central Bank of Jordan's foreign currency reserves declined for a third consecutive year, but remain at comfortable levels, equivalent to 29% of GDP at the end of 2018. It added that the tourism sector has started to recover, with tourism receipts growing by 8% in 2018, but that it remains constrained by the ongoing Syrian conflict. It said that Jordan continues to benefit from significant international support, including U.S. guarantees of some Jordanian debt, which has helped Jordan meet its debt obligations.

Source: IHS Markit

## TUNISIA

### Higher public-sector wages increase risk of fiscal slippage

Fitch Ratings indicated that the decision of the Tunisian government to raise public-sector wages amid delays in reforming the pension system increases risks of fiscal slippage in 2019 and 2020. It noted that the government intends to increase the monthly wages by between \$45 and \$60. It added that the adjustment will be implemented in three stages in March and July 2019, and in January 2020, with the last tranche paid as a tax credit. It anticipated that the budget cost of the adjustment could exceed 1% of GDP in 2020, compared to an estimated cost of 0.5% of GDP in 2019. It noted that the public-sector wage bill, including tax credits, reached 15.5% of GDP in 2017 compared to 10.7% of GDP in 2010, while it absorbed 60% of budget revenues in 2017, up from 47% in 2010. Fitch considered that the increase in wages could put at risk the targets under Tunisia's arrangement with the IMF. It said that the government had committed to reduce the public-sector wage bill to 14% of GDP in 2019 and 12.4% in 2020 by refraining from wage increases, among other measures. It expected that authorities will attempt to finance the wage increase by reallocating spending on hydrocarbon subsidies, and by using unforeseen spending lines in the 2019 budget. However, it did not anticipate that spending reallocations will completely offset the budget impact of wage increases, and that the upcoming parliamentary and presidential elections in 2019 could complicate the adoption of any offsetting measures. It said that a significant breach of fiscal targets under the IMF program would delay financial disbursements from the Fund, which would increase financing pressure on Tunisia.

Source: Fitch Ratings



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# BANKING

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## UAE

### Agency take rating actions on seven banks

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDRs) of First Abu Dhabi Bank (FAB) and HSBC Bank Middle East at 'AA-', the ratings of Emirates NBD, Abu Dhabi Commercial Bank (ADCB), Union National Bank (UNB) and Al Hilal Bank (AHB) at 'A+', and the IDRs of Dubai Islamic Bank (DIB) at 'A'. It added that the outlook on all the banks' ratings is 'stable'. It said that the IDRs of HSBC Bank Middle East reflect a strong probability of institutional support from its parent, HSBC Holdings, if needed. It indicated that the ratings on the remaining banks are driven by the government's strong capacity and willingness to support banks. It noted that the high probability of support is underpinned by the UAE's sovereign wealth funds and sustained revenues from hydrocarbon output, as well as by the moderate size of the banking sector relative to the country's GDP. It added that the planned merger of ADCB with UNB and the acquisition of AHB will be credit neutral for the three entities, as the transaction will not affect their IDRs. However, Fitch noted that it will change its support assessment for the government owned AHB from sovereign to institutional, once the acquisition is completed. In parallel, the agency maintained the Viability Ratings (VRs) of FAB at 'a-', of HSBC Bank Middle East at 'bbb', of DIB, Emirates NBD and ADCB at 'bb+', and the VR of AHB at 'b+'. Also, it placed the 'bbb-' VR of UNB on Rating Watch Negative following the announcement of the merger with ADCB that has a lower VR.

Source: Fitch Ratings

## GHANA

### Currency to gradually depreciate over short term

Goldman Sachs considered that the Bank of Ghana (BoG) faced a dilemma at the end of 2018 between easing domestic financial conditions and stabilizing external conditions. On one hand, it said that domestic conditions supported a gradual easing of monetary policy, as the inflation rate was contained within the target band, real interest rates were high, and credit growth remained stagnant. On the other hand, it pointed out that risks related to uncertain external financing conditions were elevated, and that the depreciation of the Ghanaian cedi would cause inflationary pressure, and weigh on public finances. In this context, it indicated that the BoG's decision to cut its policy rate by 100 basis points to 16% in January 2019 was unexpected and resulted in a 5.5% depreciation of the Ghanaian cedi, as well as in higher yields on domestic long-term securities in early February 2019. Further, it noted that the BoG's decision came as an incentive for banks to shift their resources out of short-term securities, in which they are heavily invested, towards lending to the private sector. It added that the BoG will allow yields on long-term securities to remain high with an attractive risk premium, in order to maintain foreign participation in the domestic bond market and limit the external cost of the reduction in short-term rates. In parallel, Goldman Sachs expected the cedi to gradually depreciate in the short term and to stabilize at weaker levels in the medium term. It also anticipated the extent of the authorities' monetary policy easing to be contingent mainly on the inflation outlook, which primarily depends on the pace of the depreciation of the cedi.

Source: Goldman Sachs

## ARMENIA

### IMF encourages Central Bank to refine risk-based supervision framework

The International Monetary Fund indicated that the Central Bank of Armenia (CBA) has made significant progress in its banking supervision through the adoption of the Risk-Based Supervision (RBS) framework. It noted that the RBS framework, which was adopted in 2017, aims to provide a more forward-looking assessment of banking risks and their impact on capital and liquidity, and seeks to focus resources more proportionately on emerging risks and on firms with a systemic impact. The IMF encouraged the CBA to further refine the RBS framework for a more detailed assessment of the banks' capital needs. It called on the CBA to enforce limits on banks that have large exposures to single counterparties. Also, it stressed the importance of developing a non-discretionary framework in response to a bank's deteriorating capital or liquidity position, which would include submitting remediation plans, suspending dividend distribution and limiting funding sources. In addition, it noted that banks are adapting to the expected credit loss methodologies of the new international accounting standard IFRS 9, and will be basing more of their credit risk management activities about measuring, monitoring and reporting risk on IFRS 9 techniques. As such, it encouraged authorities to enhance their review and understanding of IFRS 9 methodologies, in order to make an accurate assessment of a bank's credit risk management capabilities. The Fund also called on the CBA to adopt Basel III requirements for buffers and liquidity, as well as to amend the definition of non-performing loans and restructured loans to reflect international best practices.

Source: International Monetary Fund

## PAKISTAN

### Outlook on banking sector revised to 'negative'

Moody's Investors Service revised its outlook on Pakistan's banking system from 'stable' to 'negative', as it expected the banks' large holdings of government debt instruments and the slowdown in economic activity to weigh on their credit profiles over the next 12 to 18 months. It indicated that the 'negative' outlook reflects the deterioration in asset quality, in the operating environment and in government support. However, the banks' capital, profitability, funding and liquidity metrics remained stable. The agency anticipated a difficult operating environment for banks amid slowing economic growth, the 30% depreciation of the Pakistani rupee and the 450 basis points rise in interest rates between December 2017 and February 2019, as well as the upward trend in the inflation rate. It said that these factors will affect business and consumer confidence, as well as the private sector's capacity to honor its debt payments. It expected the slowdown in economic growth to contain business opportunities for banks and delay improvements in problem loans. It pointed out that Pakistani banks face the risk of macroeconomic contagion through several channels. It indicated that the banks' large exposure to the government caps their credit profiles to the low-rated sovereign. It also considered that the authorities' capacity to support the banks in case of need has weakened, as reflected by the 'negative' outlook on the sovereign rating. In parallel, it expected banks to continue to benefit from stable customer deposits and high liquidity levels.

Source: Moody's Investors Service



## Brent oil prices to average \$67.5 p/b in second quarter of 2019

ICE Brent crude oil front-month prices have been relatively stable, trading at between \$60 per barrel (p/b) and \$63 p/b since mid-January 2019. Oil prices have been supported by OPEC production cuts, but remained constrained by concerns about global economic growth in 2019, as well as by rising U.S. oil output. Recently, oil traders adopted a wait-and-see approach ahead of several events that include the outcome of the trade talks between the U.S. and China, as well as the expiry of the U.S. waivers that allowed several countries to continue to import Iranian oil. In parallel, Goldman Sachs forecast Brent oil prices to average \$62 p/b and \$67.5 p/b in the first and second quarters of 2019, respectively, driven by a combination of higher-than-expected demand growth and larger-than-anticipated supply cuts. It indicated that production losses are already higher-than-anticipated, as several OPEC producers exceeded their cut commitments, as well as due to signs of restrained shale production growth and to increased risks of declines in Venezuela's output. It added that OPEC has modified its production cut strategy from the 2017 reduction, when it signaled that it would continue to support prices, which led shale producers to invest on overly optimistic price expectations. It noted that OPEC made effective but less visible cuts, and guided the market towards higher production in the future following its meeting in December 2018. As such, it noted that the U.S. oil rig count declined by 2% since the December meeting, relative to a 23% rise during the previous cut.

Source: Goldman Sachs, Thomson Reuters, Byblos Research

## OPEC's oil basket price up 3.2% in January 2019

The oil reference basket price of the Organization of Petroleum Exporting Countries averaged \$58.74 per barrel (p/b) in January 2019, up by 3.2% from \$56.94 p/b in the preceding month. The UAE's Murban posted a price of \$60.81 p/b, followed by Nigeria's Bonny Light at \$60.51 p/b, and Equatorial Guinea's Zafiro at \$60.09 p/b. All prices included in the reference basket posted monthly rises between \$1.01 p/b and \$3.84 p/b in January 2019.

Source: OPEC, Byblos Research

## South Sudan's oil production to reach around 350,000 b/d by mid-2020

South Sudan's Ministry of Petroleum and Mining expected oil production to increase from current levels of just over 140,000 barrels per day (b/d) to 270,000 b/d by end-2019 and to reach its pre-war level of between 350,000 b/d and 400,000 b/d by mid-2020. The country lost many of its oilfields to a civil war that started two years after its independence in 2011. South Sudan signed an agreement with Russian firm Zarubezhneft in late 2018, a state-owned oil & gas company, to explore several blocks.

Source: Thomson Reuters

## Middle East's jewelry demand down 15% in 2018

Demand for jewelry in the Middle East totaled 168.2 tons in 2018, constituting a decline of 14.6% from 196.9 tons in 2017, and accounting for 7.6% of global jewelry demand. Consumption of gold jewelry in Saudi Arabia reached 39.4 tons, equivalent to 23.4% of the region's demand. The UAE followed with 36.2 tons (21.5%), then Iran with 29.5 tons (17.5%), Egypt with 24.6 tons (14.6%) and Kuwait with 14 tons (8.4%).

Source: World Gold Council, Byblos Research

## Base Metals: Nickel prices reach five-month high

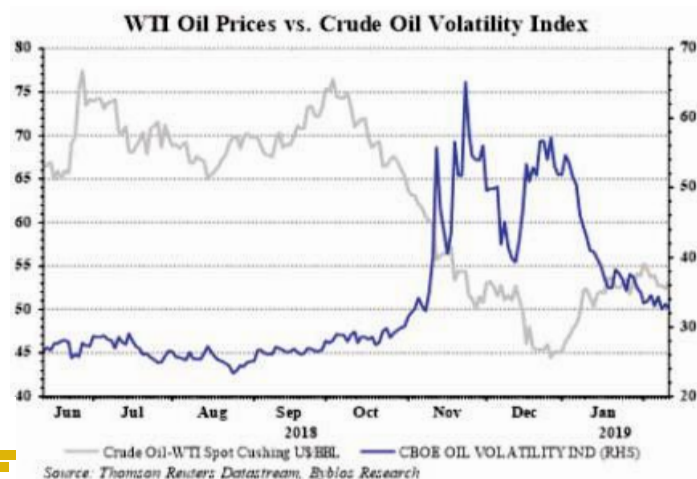
LME nickel three-month future prices reached a five-month high of \$13,260 per metric ton on February 4, 2019, constituting an increase of 24% from \$10,690 per ton at the end of 2018. The surge in the metal's price was driven by concerns about major supply disruptions following the collapse of a tailings dam at the Brumadinho iron ore mine in Brazil. In addition, prices were supported by a weaker US dollar, as well as by easing U.S.-China trade tensions amid signs of progress in the talks between the two countries at the beginning of the year. But the rise in prices has reversed since February 4, following a recovery in the US dollar and receding concerns about potential supply disruptions, which led prices to regress by 6.4% to \$12,410 per ton on February 12, 2019. Still, the metal's price increased by 16.1% so far this year despite the current unfavorable macroeconomic environment, reflecting investors' continued expectations of a potential boost in nickel demand for electric vehicles. However, Citi projected nickel prices to decrease from \$13,140 per ton in 2018 to \$12,000 per ton in 2019, as it forecast the deficit in the nickel market to narrow from 41,000 tons in 2018 to 12,000 tons in 2019.

Source: Citi Research, Thomson Reuters

## Precious Metals: Gold prices to rise on investor demand amid slowdown in global economic growth

Gold prices are projected to rise by 1.8% to \$1,292 an ounce in 2019, mainly supported by increased investment demand amid slowing global economic growth. On the demand side, concerns about a widening U.S. fiscal deficit, the tariff-driven dispute between the U.S. and China, as well as weaknesses in emerging market currencies, are expected to drive demand for the safe haven asset this year. Further, the U.S. Federal Reserve's decision to keep interest rates unchanged in January, as well as rising inflationary pressures in the U.S., would also reignite interest in gold in 2019. However, physical consumption of gold is anticipated to be subdued in coming months, especially in India, as consumers postpone jewelry purchases due to the metal's relatively higher price level. On the supply side, global mine production of gold is forecast to increase by 1.2% to 38.1 tons in 2019, supported by new projects in Argentina, Canada and Ghana. However, a continued decline in Chinese gold output, along with rising global production costs, as well as tighter government regulation and environmental policies in Asia and South America, are expected to limit the growth in the metal's mine supply.

Source: Refinitiv, Byblos Research



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Govt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
<b>Africa</b>													
Algeria	-	-	-	-	BB+	-6.1	32.9*	2.1	-	-	-	-9	-
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	-0.8	80.5	42.1**	50.5	26.7	102.2	-2.1	1
	Negative	Stable	Stable	-	Stable								
Egypt	B	B3	B	B+	B+	-9.3	92.5	35.8	51.8	45	115.4	-2.6	3
	Stable	Positive	Positive	Stable	Positive								
Ethiopia	B	B1	B	-	B+	-3.7	59.5	30.5**	27.2	3.6	146.2	-6.2	4.1
	Stable	Stable	Stable	-	Stable								
Ghana	B	B3	B	-	BB-	-6	71.2	34.5**	38.9	31.9	121.8	-4.1	6
	Stable	Stable	Stable	-	Stable								
Ivory Coast	-	Ba3	B+	-	B+	-3.8	48.8	33.5**	-	-	-	-4.6	-
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-25.1	112.1	-	-	-	-	-1.5	-
	-	-	Stable	-	Stable								
Dem Rep Congo	CCC+	B3	-	-	CCC	-0.6	16.2	12.9**	4.4	3	104.1	0	2.8
	Stable	Negative	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.2	64.4*	34.6	30.6	7.4	93	-4.3	2.1
	Negative	Stable	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-5.1	24.8	8.2**	67.6	22.8	104.2	2	0.7
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	CC	-4.1	167.5	166.6	-	-	-	-14.2	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-5.2	70.5	82.6	-	-	-	-9.6	-
	-	Negative	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-5.1	41.2	23.7**	21	4.6	145.4	-8.6	2.8
	Stable	-	-	-	Stable								
Rwanda	B	B2	B+	-	B+	-2	42.6	38.4**	13.2	5.1	102.8	-8.9	2.9
	Positive	Stable	Stable	-	Stable								
<b>Middle East</b>													
Bahrain	B+	B2	BB-	BB	BB+	-8.9	88.4	169.4	201.7	22.3	327.6	-2.5	0.4
	Stable	Stable	Stable	Stable	Stable								
Iran	-	-	-	B+	BB-	-3.2	44.2	2.1	-	-	-	1.3	-
	-	-	-	Negative	Negative								
Iraq	B-	Caa1	B-	-	CC+	5.6	51.8	32.5	3.7	2.2	100.9	6.9	1.0
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	A	-2.9	96.0	70.1	63.6	9.4	151.0	-9.6	4.5
	Stable	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	11.6	18.8	41.3	32.8	0.55	87.9	11.3	-5.5
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	Caa1	B-	B	B-	-9.7	150.0	183.3	136.8	50.1	136.2	-25.6	2.8
	Stable	Stable	Negative	Negative	Stable								
Oman	BB	Baa3	BB+	BBB	BBB	-2.0	48.7	80.7	44.9	4.5	140.3	-3.3	1.5
	Stable	Negative	Stable	Negative	Stable								
Qatar	AA-	Aa3	AA-	AA-	A+	3.6	53.4	84.6	60.9	3.4	173.9	4.8	-1.0
	Stable	Stable	Stable	Stable	Stable								
Saudi Arabia	A-	A1	A+	A+	AA-	-4.6	19.4	27.6	8.0	1.2	36.9	8.4	0.3
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	0.6	17.8	54.9	-	-	-	7.2	-0.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-10.7	62.5	19.4	-	-	-	-9.3	-
	-	-	-	-	Negative								



# 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								
<b>Asia</b>													
Armenia	-	B1	B+	-	B-	-2.7	52.5	82.8	-	-	-	-3.8	-
	-	Positive	Positive	-	Stable								
China	A+	A1	A+	-	A	-4.1	50.1	-	40.0	2.1	64.2	0.7	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.6	-	39.5	19.4	90.7	-3.0	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	1.4	17.8	-	25.7	4.7	87.4	-0.2	1.5
	Stable	Stable	Stable	-	Stable								
Pakistan	B-	B3	B-	-	CCC	-6.5	72.5	31.5	50.1	28.3	144.3	-5.9	0.87
	Stable	Negative	Stable	-	Negative								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB-	Baa2	BBB	-	BBB	-0.9	23.3	-	26.0	2.0	100.8	2.4	1.9
	Positive	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.6	37.2	-	25.8	4.2	95.1	-3.5	2.4
	Stable	Stable	Stable	-	Stable								
Russia	BBB-	Ba1	BBB-	-	BBB-	1.6	15.3	-	17.2	2.6	57.4	6.2	-1.3
	Stable	Positive	Positive	-	Stable								
Turkey	B+	Ba3	BB	BB-	B+	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
	Stable	Negative	Negative	Negative	Negative								
Ukraine	B-	Caa2	B-	-	B-	-2.5	70.5	-	59.3	9.3	129.2	-3.1	1.0
	Stable	Positive	Stable	-	Stable								

\* Central Government

\*\* External debt, official debt, debtor based

Source: International Monetary Fund; IHS Markit; S&P Global Ratings; Byblos Research - The above figures are projections for 2018



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	30-Jan-19	No change	20-Mar-19
Eurozone	Refi Rate	0.00	24-Jan-19	No change	07-Mar-19
UK	Bank Rate	0.75	07-Feb-19	No change	21-Mar-19
Japan	O/N Call Rate	-0.10	23-Jan-19	No change	15-Mar-19
Australia	Cash Rate	1.50	05-Feb-18	No change	05-Mar-19
New Zealand	Cash Rate	1.75	13-Feb-19	No change	27-Mar-19
Switzerland	3 month Libor target	-1.25-(-0.25)	13-Dec-18	No change	21-Mar-19
Canada	Overnight rate	1.75	09-Jan-19	No change	06-Mar-19
<b>Emerging Markets</b>					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	2.75	20-Dec-18	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	20-Dec-18	No change	21-Mar-19
South Korea	Base Rate	1.75	24-Jan-19	No change	28-Feb-19
Malaysia	O/N Policy Rate	3.25	24-Jan-19	No change	05-Mar-19
Thailand	1D Repo	1.75	06-Feb-19	No change	20-Mar-19
India	Reverse repo rate	6.25	07-Feb-19	Cut 25bps	04-Apr-19
UAE	Repo rate	2.75	19-Dec-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	3.00	19-Dec-18	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	27-Dec-18	No change	14-Feb-19
Turkey	Repo Rate	24.0	16-Jan-19	No change	06-Mar-19
South Africa	Repo rate	6.75	17-Jan-19	No change	28-Mar-19
Kenya	Central Bank Rate	9.00	28-Jan-19	No change	27-Mar-19
Nigeria	Monetary Policy Rate	14.00	22-Jan-19	No change	26-Mar-19
Ghana	Prime Rate	16.00	28-Jan-19	Cut 100bps	25-Mar-19
Angola	Base rate	15.75	28-Jan-19	Cut 75bps	28-Mar-19
Mexico	Target Rate	8.25	07-Feb-19	No change	28-Mar-19
Brazil	Selic Rate	6.50	06-Feb-19	No change	20-Mar-19
Armenia	Refi Rate	5.75	29-Jan-19	Cut 25bps	12-Mar-19
Romania	Policy Rate	2.50	07-Feb-19	No change	N/A
Bulgaria	Base Interest	0.00	01-Feb-19	No change	01-Mar-19
Kazakhstan	Repo Rate	9.25	14-Jan-19	No change	04-Mar-19
Ukraine	Discount Rate	18.00	31-Jan-19	No change	14-Mar-19
Russia	Refi Rate	7.75	08-Feb-19	No change	22-Mar-19





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