LONDON FORFAITING

Country List & Commentary

4th Quarter 2018

CONTENTS:

- Lebanon
- Mexico
- Nigeria
- Turkey

Best Alternative Trade Finance Provider

Contact Us

www.forfaiting.com
lfc@forfaiting.com

Click on map for Country List

LEBANON

The long-term weakness of the public finances-with the fiscal deficit averaging around 8% of GDP in 2017-18-coupled with a prolonged political stalemate is unsettling financial markets. Aside from fears that the protracted political vacuum caused by

the failure so far to form a government after May's parliamentary election will lead to further backtracking on fiscal tightening, investors are factoring in Lebanon's weakening economic position as rising global interest rates and emerging-market jitters inflate the cost of its external financing.

Despite this, Moody's views the Lebanese banking system outlook as stable, reflecting the expectation of a modest pick-up in economic activity and continued inflows of foreign deposits, helping banks to finance the government and the economy.

MEXICO

After more than one year of negotiations, the Mexican, Canadian and U.S. governments finalized a revised trilateral free trade agreement, rebranding it USMCA. According to Fitch, the deal significantly reduces a key near-term macroeconomic risk for Mexico. . The U.S. is Mexico's main international trade partner and represents more than 90 percent of the trade Mexico conducts within North America

Lingering trade disputes between the U.S. and other countries could create opportunities for Mexico, as long as they do not derail positive U.S. and global economic growth.

In July, the leftist Andreas Manuel Lopez Obrador was elected new President, winning in his third try with a resounding 53 percent of the votes.

NIGERIA

The steady recovery of the Nigerian recovery remains driven by increasing oil prices. The current oil market narrative is favourable for the overall economy; however, fiscal discipline on the part of the government remains a priority, especially as excess funds might be channelled toward election spending.

The collapse of Skye Bank Plc is darkening the outlook for Nigeria's small lenders struggling to recover from the economy's contraction two years ago, while the country's biggest lenders now have strong capital buffers as well as solid assets and earnings. Moody's commented that "Central Bank's decision to revoke the operating license of Skye Bank Plc., and establish Polaris as a bridge bank to take over its assets and liabilities is credit positive in that it will contain systemic risks for the Nigerian banking system as a whole."

In September, S&P affirmed Nigeria sovereign rating at B, outlook stable.

Country List & Commentary

3rd Quarter 2018

Turkey

The escalation of the tensions with the US, resulting in sanctions against Turkish officials and doubling of the tariff on import of Turkish steel and aluminium, drove a strong depreciation of the TRY and heavy sell off on all the Turkish markets. Investors' confidence was partially restored in September supported by 625bps rate hike by the Central Bank, announcement of public spending cuts and reduced growth targets, support expressed by the main European governments (Germany in particular).

Despite a series of downgrades by the three main rating agencies, our view is that that Turkey's banking sector has the buffers (both in terms of capital adequacy and available FX liquidity to cover its external liabilities maturing in the next 12 months) to absorb the recent shock. It remains important that Turkey eases the tension with the US and restores credibility.

Publication Date:
8th November 2018