LONDON FORFAITING COMPANY LTD

COUNTRY COMMENTARY

QUARTERLY INSIGHTS ON GLOBAL MARKETS AND TRENDS

OCTOBER 2026



OPERATING ENVIRONMENT

Emerging Markets Face Renewed Headwinds

The global economic environment remains broadly resilient entering 4Q26, despite continued geopolitical uncertainty and the ongoing impact of the Middle East conflict. However, the outlook has become increasingly uneven across emerging markets, with energy-importing economies facing renewed pressure from elevated fuel and food prices, while commodity exporters and economies benefiting from favourable terms of trade remain comparatively well positioned. Global growth is expected to remain moderate, with downside risks arising from geopolitical tensions, trade disruptions and fiscal vulnerabilities.

A significant change in the operating environment has been the renewed tightening of global monetary policy. The Federal Reserve raised interest rates by 25bps in September, reversing earlier expectations of continued monetary easing, as persistent inflationary pressures prompted a more hawkish policy stance. Further tightening remains possible, with the Fed indicating that additional rate increases may be required if inflation remains elevated. Expectations of tighter monetary conditions in Europe have also increased, with the ECB facing similar pressure to maintain, or potentially further tighten, monetary policy should inflationary pressures persist.

This shift towards a higher-for-longer interest-rate environment represents a renewed headwind for emerging markets. Higher USD and EUR benchmark rates increase funding and refinancing costs for EM sovereigns, banks and corporates, while a stronger US dollar can place additional pressure on countries with significant foreign-currency debt or weaker external positions.

From a trade-finance perspective, the environment remains generally supportive but increasingly selective. Higher benchmark rates may place some upward pressure on trade-finance pricing and funding costs, while elevated energy prices and geopolitical disruptions remain particularly relevant for energy-importing and lower-income countries. Conversely, commodity exporters continue to benefit from comparatively favourable terms of trade. Sovereigns with improving fundamentals, credible IMF-supported programmes and strengthening external buffers should remain relatively well positioned to access international financing, while highly indebted countries and those with significant near-term refinancing requirements are more vulnerable to renewed monetary tightening.

Overall, the 4Q26 emerging-market credit outlook remains cautiously constructive but more challenging than in 3Q26. Resilient economic activity and continued investor appetite for selected higher-yielding markets remain supportive, but these factors are increasingly balanced by persistent inflation, renewed monetary tightening, higher USD and EUR funding costs and elevated geopolitical risks. The possibility of additional rate increases by the Fed, and potentially the ECB, could further tighten global financial conditions and increase refinancing pressures across weaker emerging markets. Consequently, credit selection remains important, favouring sovereigns and financial institutions with strong liquidity, manageable external debt, robust FX buffers and limited near-term refinancing requirements.

ALBANIA

Albania's economy continues to demonstrate solid macroeconomic performance, supported by strong tourism receipts, private investment, resilient domestic consumption and continued progress towards EU accession. Fiscal discipline and sizeable foreign-exchange reserves provide important buffers against external shocks, while the sustained expansion of tourism has materially strengthened the country's external position. Structural constraints remain, notably demographic pressures, emigration, a sizeable informal economy and relatively shallow domestic capital markets. Economic growth is expected to remain above 3% over the medium term.

Albania's sovereign credit profile has strengthened significantly in recent years. S&P rates the sovereign BB/Stable, while Moody's rating is Ba3/Stable. The ratings reflect fiscal discipline, economic resilience and sizeable FX reserve buffers, balanced against institutional weaknesses, refinancing risks associated with the relatively short maturity of government debt and extensive euroisation.

Overall, Albania represents a comparatively strong sub-investment-grade sovereign credit, supported by improving public finances, growing tourism receipts and the institutional anchor provided by the EU accession process. The main downside risks are slower structural reform, adverse demographic trends and deterioration in fiscal or external performance.



CAMEROON

Cameroon's economy benefits from a relatively diversified productive base compared with several regional peers, including hydrocarbons, agriculture, forestry and an expanding mining sector. Economic activity remains resilient, although growth is constrained by infrastructure deficiencies, weak governance and public financial management, security challenges and declining oil production. CEMAC membership provides an important external anchor through pooled foreign-exchange reserves, although it also leaves Cameroon exposed to regional and hydrocarbon-related shocks.

Fitch and S&P rate Cameroon B- with a Stable Outlook, while Moody's rating is Caa1/Stable. In October-26 Fitch downgraded Cameroon's rating to B-, reflecting heightened political risks related to risks of a disorderly transition of power associated with uncertainties surrounding the presidential succession, and heightened financing pressures stemming from tightness in the Economic and Monetary Community of Central Africa (CEMAC) market and increased reliance on external commercial borrowing in the context of higher financing needs. The 'B-' rating balances narrow fiscal deficits, low and declining government debt relative to peers and solid real GDP growth, against weak governance indicators, low GDP per capita, weaknesses in public finance management (PFM) and a significant current account deficit.

Cameroon therefore remains a relatively high-risk sovereign despite reasonable economic resilience.

DEMOCRATIC REPUBLIC OF CONGO (DRC)

DRC's economy is resilient, with GDP growth expected at around 5.5-6.0%, largely driven by the extractive sector, particularly copper and cobalt. Mining accounts for approximately 25% of GDP, 40% of government revenues and over 90% of exports, leaving the economy highly exposed to commodity prices despite providing a strong source of foreign-exchange earnings. Fiscal deficits remain relatively contained at around 2-2.5% of GDP, notwithstanding elevated security-related expenditure.

DRC's sovereign credit profile has continued to improve during 2026. The country is rated B-/Positive by S&P and B-/Stable by Moody's, with S&P reaffirming its Positive Outlook in July 2026. Public debt remains low by sovereign standards at approximately 22-25% of GDP, with the majority of external debt still on concessional terms. Foreign-exchange reserves have also strengthened to around three months of imports, supported by mineral exports, IMF financing and the country's inaugural international bond issuance.

DRC also successfully accessed the Eurobond market for the first time in April 2026, issuing a US$600m April 2032 bond with an 8.75% coupon and a US$650m April 2037 bond with a 9.50% coupon. The 2032 bond is currently trading at approximately S+350bps, compared with an average of S+370bps since issuance, while the 2037 bond trades at around S+450bps, broadly in line with its average since issuance. The successful issuance represents an important step in diversifying the sovereign's funding sources, although the relatively high coupons reflect the country's risk profile.

The principal credit constraints remain the ongoing conflict in eastern DRC, associated security and fiscal pressures, potential political tensions ahead of the 2028 election cycle, and the country's significant dependence on copper and cobalt. Health risks, including Ebola outbreaks, and potential spillovers from renewed Middle East tensions represent additional downside risks.

GUINEA

Guinea's economic outlook has strengthened materially following the development of the Simandou iron ore project, which is transforming the country's mining sector and external accounts. Mining accounts for approximately 20% of the economy and around 90% of exports. Increasing mining output and associated foreign direct investment are supporting rapid reserve accumulation, while government revenues are improving and public debt remains relatively low.

Guinea's sovereign credit profile improved significantly in 2025-2026. S&P rates the sovereign B+ with a Positive Outlook, reflecting rapidly increasing FX reserves, higher non-mining government revenues, strong reform momentum and favourable economic growth prospects. Foreign-exchange reserves have increased significantly, providing greater protection against external shocks.

The major credit weakness is the exceptionally high dependence on mining and therefore exposure to commodity prices and project execution. Institutional capacity and development indicators also remain weak. Nevertheless, the commencement of Simandou production, increasing mineral exports, FDI inflows and improving reserves represent powerful positive credit drivers. Overall, Guinea currently displays one of the more favourable credit trajectories among lower-rated African sovereign.

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TURKMENISTAN

Turkmenistan benefits from substantial hydrocarbon resources, particularly natural gas, which generate significant export and fiscal revenues. The country's external position is consequently supported by energy exports, although the economy remains highly concentrated and developments in international energy markets remain an important determinant of fiscal and external performance.

Turkmenistan's sovereign rating compares favourably with many frontier-market sovereigns. Fitch rates the country BB-/Stable, following the upgrade from B+ to BB- in 2024. The rating is supported by the country's substantial hydrocarbon resource base and external buffers, while economic concentration, weak institutions, limited transparency and a heavily state-controlled economic model constrain the sovereign assessment.

As a hydrocarbon exporter, Turkmenistan has also benefited from periods of elevated international energy prices. However, dependence on natural gas exports and limited economic diversification remain important vulnerabilities.

Overall, Turkmenistan presents a relatively solid sovereign balance sheet for its rating category, but institutional weaknesses, limited transparency and hydrocarbon dependence warrant a degree of caution.

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