



COUNTRY RISK

Breaking news by
Cassandre Rigaud & Diego Olave
Group 1 – 16/10/2017

FRONT BURNERS

I. Kurdistan Referendum

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2. Opposition from Iran, Irak and Turkey
3. Will Kurdish Oil be blocked ? Potential impact on Kurdish economy

II. Venezuela

1. Venezuela latest news
2. Key risk and economic factors

1. The purpose of the Referendum

- Overwhelming vote last week in favour of independence in Iraq's Kurdish region
- **93%** voted in favour of independence = 3.3 million people
- Provide a mandate for Kurdish leaders to negotiate a new relationship with Baghdad



2. Opposition from Iran, Iraq and Turkey

- Iran, Iraq and Turkey have stopped flights into Kurdish areas, suppressed trade, and threatened military action
- Iran has closed border crossings
- Baghdad imposed banking restrictions
- Turkey has threatened to shut the pipeline from Kurdistan to its Mediterranean oil terminal at Ceyhan



Mr Erdogan said:
"We have the tap... the moment we close the tap, then it's done"

3. Will Kurdish Oil be blocked ? Potential impact on Kurdish economy

- The Kurds produce around:
600,000 bpd of crude oil = **15%** of Iraq's total output
- Kurdistan is in a weak position :
 - dependent on revenues from oil
 - entirely dependent on transit across Turkey
- Main economic benefits from Kurdish projects are received precisely by Ankara
- Turkey wants to improve its initial negotiating positions



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Kurdistan Referendum

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1. Venezuela latest news

- Trump imposes new sanctions against Venezuela's government and PDVSA
- Goldman Buys \$2.8 Billion Worth of Venezuelan Bonds at 70 % discount (30 cents on a dollar)
- New Constitution? Referendum and ANC



2. Key Risks and Economic Factors – Quick Overview

- Venezuela's oil revenues account for about 95 % of total exports and 50 % of the GDP
- Oil production decreased in June 2017 to its lowest since 1998 to 2.1 M b/d
- Oil prices declined over the past years
- Budget deficit 2016 estimated at -20 % to GDP
- 550* or 274 % inflation 2016 / 700 % estimated inflation 2017
- GDP growth rate (estimated) 2016 was about -10 % / 2017 estimated at -4.5% (IMF world economic Outlook)
- Socio-political unrest
- There is not enough reliable information available anymore since 2014
- Bonds are rated CCC and Caa3

Venezuela's Bond Yield Overview last 6 months

5 -Year Bond →



15 -Year Bond →

