The Lebanon Weekly Monitor

Week 15
Apr 7 - Apr 12
2008

ECONOMY

p.2 ▶ Public debt at US$ 42.9 billion at end-February 2008

Figures released by the Ministry of Finance indicate that by the end of February 2008, gross public debt reached LP 64,643 billion, or US$ 42.9 billion, up by 2.0% from the end-2007 level.

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p.4 ▶ IMF projects for Lebanon a 3% real growth rate in 2008 and 4.5% in 2009

The International Monetary Fund (IMF) released this week the first issue of its bi-annual publication the World Economic Outlook (WEO), which includes economic forecasts for Lebanon.

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p.5 ▶ BLC Bank posts US$ 14.9 million in 2007 net profits

BLC Bank announced consolidated net profits of US$ 14.9 million in 2007, up by 22.5% from US$ 12.2 million in 2006.

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p.6 ▶ Slowdown in activity on the equity market and persisting appetite for Eurobonds

The continuous local political bickering and the ongoing absence of any consensus on the Presidential election led to a slowdown in activity on the equity market this week, while the Eurobond market still witnessed persisting local and foreign interest driven by the Lebanese yield's attractiveness after the recent cut in US interest rates. In details, the total trading value amounted to US$ 11 million this week, versus US$ 21 million last week. The trading volume index fell by 45%, while the price index barely moved up by 0.2% to 156.40. At the level of the Eurobond market, prices rose while the average spread stood at 590 basis points due to a decline in both Lebanese yields and benchmark yields. On the foreign exchange market, the US Dollar continued to be on offer this week, pursuing the same trend that prevailed since the beginning of the year 2008. Subsequently, the Central Bank intervened as a buyer of the green currency surpluses at LP 1,512.5, while commercial banks traded the US Dollar at a rate hovering between LP 1,512.5 and LP 1,513.5. Within this context, it is worth highlighting that the Central Bank enjoys a comfortable level of foreign assets that reached US$ 13.4 billion at end-March 2008, which underlines the Bank's ability to maintain stable monetary situation and to face upcoming challenges.

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Public debt at US$ 42.9 billion at end-February 2008

Figures released by the Ministry of Finance indicate that by the end of February 2008, gross public debt reached LP 64,643 billion, or US$ 42.9 billion, up by 2.0%, the equivalent of LP 1,279 billion, or US$ 848.4 million from the end-2007 level, which was at LP 63,364 billion, or US$ 42.0 billion.

Foreign currency debt underwent an increase of 1.2% in the first two months of the year, thereby reaching US$ 21,474 million. In volume, the said two months witnessed an increase of US$ 252.7 million in foreign currency debt, driven mostly by accrued interest on the prevailing foreign currency debt and Paris III related debt. The former was at US$ 384.7 million, up by 41.5% in the first two months of the year, while the latter recorded a rise of 25.3% to reach US$ 1,127.7 million. In other words, US$ 228.2 million of Paris III related loans were disbursed during January and February. Also, market-issued Eurobonds saw a slight increase of 0.2%. Some components of foreign currency debt, namely Paris II related debt and bilateral, multilateral, and foreign private sector loans registered respective declines of 0.6% and 4.8% in the first two months, as the due date of certain principal repayments in foreign currency debt became near, and the government fulfilled those dues through swaps in different components of foreign debt.

On the other hand, gross domestic debt underwent a higher percentage rise of 2.9% to reach LP 32,271 billion, or US$ 21.4 billion, at end-February 2008. In details, local currency debt held by the Central Bank went down by 0.8% to become LP 8,982 billion, despite a US$ 300 million loan extended to EDL to purchase fuel, yet this was more than offset by a 5.1% rise in local debt held by commercial banks to reach LP 17,698 billion, due to their higher demand for Treasury bills, as well as a rise of 2.1% in other local currency debt in the form of T-bills throughout the first two months of the year to reach LP 5,591 billion.

When deducting public sector deposits at the Central Bank and commercial banks from gross public debt figures, net public debt amounts to LP 59,489 billion, or US$ 39.5 billion at end-February 2008, up by 1.1% since end-2007. Net domestic debt, in parallel, reached LP 27,117 billion, up by 1.0% throughout the month, again indicating that the main stimulant for the rise in gross debt during the said period was domestic debt. Finally, gross market debt, which excludes portfolios of the Central Bank, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt from gross debt figures reached LP 40,302 billion, up by 2.8% since the end of 2007.

Fiscal deficit accounts for 24.8% of overall expenditures in the first two months of 2008

Figures released by the Ministry of Finance reveal that public finances exhibited an improvement in the first two months of 2008 relative to the same period of the previous year, despite a year-on-year deterioration in January 2007, as the ratio of fiscal deficit to total expenditures improved from 28.6% in the first two months of 2007 to reach 24.8% in the first two months of 2008.

This means that February 2008 witnessed significant progress relative to February 2007. Indeed, the overall fiscal deficit of February 2008 which stood at LP 425.9 billion was 15.1% lower than that of the same month of the previous year. Moreover, the primary deficit of February 2008 marks an important decline of 76.5% from LP 140.1 billion in February 2007. This year-on-year amelioration in the global and primary balances comes within the context of a year-on-year rise of 40.0% in total government receipts; which counterbalanced by far by the 9.4% increase in government expenditures.

However, when compared to the previous month, fiscal imbalances were accentuated in February 2008, as the global deficit saw a monthly expansion of 216.3% from LP 134.7 billion in January 2008, while the ratio of this deficit to total expenditures went up by a monthly 27.2% to reach 38.8%. As for the primary account, it moved from a surplus of LP 271.7 billion in January 2008 to the deficit of February 2008. This deterioration was driven by the major monthly drop of 34.6% in total government receipts, accompanied by the lower drop of 5.6% in total expenditures.

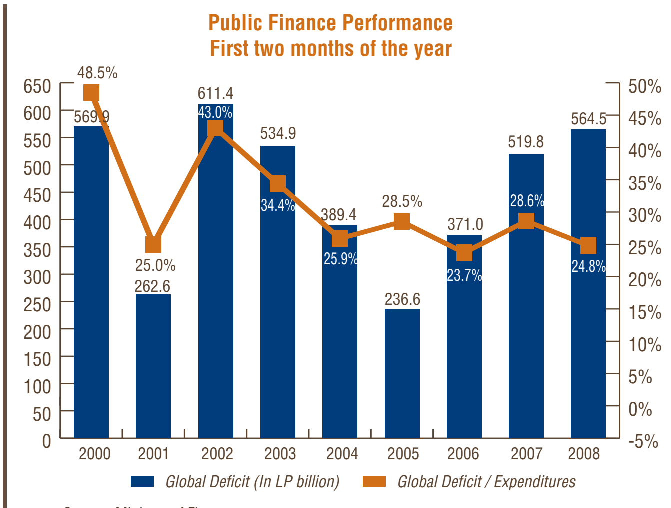
As for detailed budget transactions in the first two months of the year, total public expenditures, which include budgetary and Treasury spending, increased by 24.4% year-on-year to reach LP 2,259 billion in January 2008. Treasury expenditures went up by LP 338.4 billion to LP 618.7 billion, mostly due to an increase of LP 184.8 billion in transfers to EDL, which totaled LP 365.9 billion. This item constituted the largest share of Treasury expenditures, as it accounted for 59% of the latter.

In parallel, budgetary expenditures went up by 6.9% to LP 105.5 billion. This rise was triggered by an increase in interest expenditures as well as expenditures related to foreign debt repayments, which more than offset the decline in non-interest expenditure. Debt service registered a total of LP 698.9 billion in the first two months of the year, increasing by 11.7% from the same period of 2007. This rise was due to a year-on-year rise of 29.9% in interest payments in local currency debt, against a drop of 14.6% in interest payments in foreign currency debt. The latter drop comes as a result of an LP 81.3 billion, or 422.6% rise in foreign debt principal repayment. As for general budget expenditures, they went down by 5.5% to become LP 841.9 billion.

As for public revenues, which include budget and

Treasury receipts, they increased at a faster pace than expenditures thereby reaching LP 1,443.5 billion in January 2008, up by 31.1% year-on-year. Treasury revenues went up by LP 158.7 billion to become LP 255.9 billion, while budget revenues moved up by a considerable 20.4% to reach LP 1,443.5 billion driven mainly by non-tax revenues. Total tax revenues went up by 9.7%, due to a year-on-year rise of 19.5% in VAT revenues and 14.4% increase in miscellaneous tax revenues, which more than offset the drop of 13.5% in custom revenues. As for non-tax revenues, they went up by 57.7%.

Despite the fact that the growth in revenues exceeded the rise in spending, the overall public deficit saw a year-on-year expansion in the first two months of 2008, as it went up by 7.8% from LP 519.8 billion in the first two months of 2007 to LP 560.5 billion in the first two months of the current year. However, when excluding debt service, the first two months of the year witnessed an amelioration at the level of the primary surplus, which went up by a hefty 90.9% from LP 125.1 billion in the first two months of 2007 to LP 238.8 billion in the first two months of 2008. This increase signifies that the weakening in the global deficit was mostly caused by debt servicing.



Source: Ministry of Finance

Capital inflows up by a yearly 76.8% in the first two months of 2008

According to calculations derived from balance of payments and foreign sector results, net capital inflows into Lebanon amounted to US$ 2,028.5 million in the first two months of 2008. Those inflows were robust enough as they not only balanced the wide trade deficit of US$ 1,745 million; rather they managed to result in a significant balance of payments surplus of US$ 283.5 million in the first two months of 2008.

Capital inflows in the first two months of 2008 were 76.8% higher than inflows in the same period of 2007. This increase was more affected by the year-on-year rise of 90.5% during the month of February 2008, when capital inflows totaled US$ 1,442.7 million. As for January 2008, it saw a year-on-year rise of 50.3%, with a total of US$ 585.8 million in net capital inflows. This means that capital inflows in February 2008 were almost three times those of the previous month.

Finally, if we compare the same capital inflows of the first two months of 2008 with the trade balance of the same period of 2007, the result would have been a larger balance of payments surplus of US$ 718.5 million, due to this year's widening in the trade deficit. Whereas if capital inflows totaled the same as the first two months of 2007, the balance of payments would have posted a deficit of US$ 597.9 million, indicating the importance of this year's capital inflows in offsetting the significant external leakage from merchandise trade.

59% of total Paris III commitments signed as at end-March 2008

The Lebanese government released this week the fifth progress report on the Paris III donor's conference, which took place in January 2007. According to the report, by end March 2008, agreements signed between donors and the Lebanese public sector or financial intermediaries reached US$ 4,408 million, the equivalent of 59% of total pledges. Significant progress was attained on the two main pillars of the reform program, namely debt reduction and private sector development, which represented 67% of the agreements signed. Project financing agreements, which accounted for 23% of the total signed, also saw advancements at the level of existing and new projects. The remaining 10% represented aid in-kind pledges, of which 84% were committed and implemented. As for support through Banque du Liban, the full amount of US$ 120 million was committed and disbursed. When it comes to aid channeled through the United Nations system and the civil society organizations, which represent 5% of total aid pledged to Lebanon, commitments for increased development cooperation marked steady progress.

Budget support agreements amounted to US$ 1,390 million by end-March 2008. The main development of the first quarter of 2008 was the signature of a loan agreement with the Agence Française de Développement on behalf of France for a total of €375 million. With this agreement, 77% of the pledged budget support is translated into tangible commitments. An additional US$ 500 million debt transaction led to a total amount of agreements signed greater than that originally pledged at Paris III. Donors worked with local intermediaries and government agencies towards providing private sector support. By March 2008, 80% of the private sector pledges were signed.

IMF projects for Lebanon a 3% growth rate in 2008 and 4.5% in 2009

The International Monetary Fund (IMF) released this week the first issue of its bi-annual publication the World Economic Outlook (WEO). The report presents the IMF staff's analysis and projections of economic developments at the global level, in major country groups, classified by region or by stage of development, and in many individual countries, focusing on major economic policy issues and on the analysis of economic developments and prospects.

The World Economic Outlook estimated that Lebanon's real GDP growth stood at 4% in 2007. In fact, this growth rate is almost twice that forecasted by the IMF for Lebanon in September 2007, which was at 2%. Despite adverse political conditions that prevailed throughout most of the year, this growth rate mirrors an economic rebound from the nil growth in 2006. This growth was mostly driven by the continuation of the reconstruction wave that swept over the country after the July 2006 war and by efforts to recuperate war losses. By 2008, the low base effect of 2007 will wear off, thus leading to a moderation of expected real GDP growth in Lebanon to 3%, according to the IMF. However, by 2009, this growth is expected to bounce back to 4.5%, probably due to the fact that by then, a political resolution might be reached. The IMF expects real GDP growth to continue at a steady pace of 5% over the period 2010-2013.

When looking at Lebanon within a regional context, its real growth was well below the estimated 5.8% average growth of the Middle East, primarily driven by the substantially higher export earnings of oil-exporting countries. Also, growth in the non-oil producing countries of the Middle East has benefited from the expansion in oil exporters and from domestic reforms in certain countries. Indeed, the current oil cycle has been accompanied by a significant increase in money and credit growth, which contributed to surging property and equity prices. Growth in the region has been on a steady pace, as it was at 5.8% in 2006 as well, and it is expected to rise to 6.1% in 2008.

When ranking countries of the region by GDP growth, Lebanon came in 11th out of 13 countries in the Middle East. This indicates that Lebanon did not benefit from the regional oil boom, and thus did not achieve its full growth potential, as it was naturally hindered by the political standstill. One might argue that it is not an accurate benchmark to compare Lebanon to oil exporters, but still when grouping Lebanon with the other three non-oil exporters of the region, namely Egypt Jordan, and Syria, it ranked 3rd out of those four countries in terms of real growth. While the region is expected to continue to benefit from the spillovers of the oil boom in 2008, with its real GDP growth expanding further, Lebanon on the other hand, will probably continue to miss on opportunities as its growth is expected to slow down.

As for inflation, the IMF considers it a growing concern in the Middle East, as most countries of the region have their national currency pegged against the US Dollar, whose value has fallen against other major currencies. Annual average inflation of the Middle East was estimated at 10.4% in 2007, up from 7.0% in 2006. In 2008, this inflation is expected to reach 11.5%. Lebanon has had its share of the inflation predicament, especially since the country relies heavily on imports from non-US countries; however it was hit less severely than other countries in the region. Inflation averaged 4.1% in Lebanon in 2007, according to the IMF, which is the second lowest rate in the Middle East after Bahrain. In 2008, average inflation in Lebanon is expected to grow to 5.5%, according to the IMF.

Middle East key economic indicators

	Real GDP growth		Consumer Prices (change)		Current Account /GDP	
	2007	2008	2007	2008	2007	2008
Middle East	5.8%	6.1%	10.4%	11.5%	23.2%	22.5%
Bahrain	6.6%	6.2%	3.4%	3.3%	19.9%	20.4%
Egypt	7.1%	7.0%	11.0%	8.8%	1.5%	0.8%
Iran	5.8%	5.8%	17.5%	20.7%	10.4%	11.2%
Jordan	5.7%	5.5%	5.4%	10.9%	-17.3%	-15.5%
Kuwait	4.6%	6.0%	5.0%	6.5%	47.4%	45.2%
Lebanon	**4.0%**	**3.0%**	**4.1%**	**5.5%**	**-10.7%**	**-9.8%**
Libya	6.8%	8.8%	6.7%	8.0%	42.5%	42.6%
Oman	6.4%	7.4%	5.5%	6.0%	10.0%	11.7%
Qatar	14.2%	14.1%	13.8%	12.0%	34.6%	44.6%
Saudi Arabia	4.1%	4.8%	4.1%	6.2%	26.8%	31.3%
Syria	3.9%	4.0%	7.0%	7.0%	-5.8%	-6.6%
UAE	7.4%	6.3%	11.0%	9.0%	21.6%	27.5%
Yemen	3.1%	4.1%	12.5%	10.3%	-4.3%	-1.4%

Source: IMF World Economic Outlook - April 2008

A quick glance at the IMF's estimates for certain indicators in Lebanon suggests that the country's GDP was at US$ 24.6 billion in 2007, and is expected to reach US$ 26.8 billion and US$ 29.1 billion in 2008 and 2009, respectively. Its GDP per capita was at US$ 6,569 in 2007, and it is forecasted to reach US$ 7,048 and US$ 7,561 in the next two respective years. Finally, its current account balance was at -10.9% of GDP in 2007, and this ratio is expected to contract to -9.8% in 2008, only for it to spring back up to -10.2% in 2009.

Selected Indicators from the WEO - Lebanon

	2006	2007	2008	2009	2010
GDP, current prices (US$ billion)	22.8	24.6	26.8	29.1	31.8
GDP per capita (US$)	6,147	6,569	7,047	7,561	8,142
GDP deflator (%)	5.6%	4.1%	5.5%	4.0%	3.9%
Current account balance (US$ billion)	-1.4	-2.6	-2.6	-3.0	-2.8
Population (billion)	3,703	3,751	3,799	3,849	3,899

Source: IMF World Economic Oultlook April 2008

CORPORATE NEWS

BLC Bank posts US$ 14.9 million in 2007 net profits

BLC Bank announced consolidated net profits of US$ 14.9 million in 2007, up by 22.5% from US$ 12.2 million in 2006. Net interest income increased by 2.6% to US$ 32.2 million in 2007, while net commission earnings declined by 1.0% to US$ 5.0 million in 2007. Net financial income declined by 3.7% to US$ 41.4 million in 2007. Staff and general operating charges increased by 4.2% to US$ 28.6 million, due to an increase of 3.3% in personnel expenses and a rise of 5.3% in general operating expenses.

Total assets reached US$ 1.7 billion at year-end 2007, down by 21.3% from US$ 2.2 billion at year-end 2006. Loans and advances increased by 0.6% to US$ 190.9 million, while customer deposits rose by 1.1% to US$ 1.5 billion. Shareholders' equity amounted to US$ 128.4 million at year-end 2007, up by 67% from US$ 76.9 million at year-end 2006. Earlier this year, Fransabank acquired 34% of Société Générale de Banque au Liban (SGBL), through a share swap with BLC Bank, a fully owned unit of Fransabank. The latter acquired last year BLC Bank from the Qatar Investment Authority for US$ 153 million.

Libano-Arabe's net profits up by 21.6% to US$ 6.7 million in 2007

Bank Audi's fully owned insurance affiliate, Libano-Arabe sal, posted net profits of US$ 6.7 million in 2007, up by 21.6% from US$ 5.5 million in 2006. Total assets reached US$ 120.3 million, up by 37.6% from US$ 87.4 million at year-end 2006. Shareholders' equity amounted to US$ 26.4 million, posting a 33.8% growth from US$ 19.7 million at year-end 2006.

Technical provisions rose by 53.0% to US$ 81.0 million, compared to US$ 53.0 million in 2006, while reserves for unrealized premiums grew by 10.9% to reach US$ 7.7 million. Provisions for risks and charges increased by 0.7% to US$ 2.0 million in 2007, and reinsurers' share of technical provisions rose by 13.1% to US$ 5.2 million over the same period.

Libano-Arabe generated US$ 51.5 million in total premiums last year, up by 49.3% from US$ 34.5 million in 2006. Its life premiums amounted to US$ 32.4 million in 2007, up by 87.2% from US$ 17.3 million in 2006, while its non-life premiums reached US$ 19.1 million last year, up by 11.2% from US$ 17.2 million in 2006.

Libano-Arabe ranked third in terms of life premiums generated in Lebanon in 2007, up from the fifth place in 2006, and tenth in non-life premiums generated in Lebanon in 2007, down from the ninth rank in 2006. Its share of the life insurance market was 11.6%, while its share of the non-life insurance market was 4.0%.

BLOM Bank to distribute dividends for year 2007 activity

BLOM Bank announced its General Assembly's decision to distribute dividends for the year 2007 for four categories of shares. Holders of Preferred shares 'category 2002' will get US$ 15 per share, while Preferred 'category 2004' shareholders will receive US$ 8.5 per share, and owners of category 2005' Preferred shares will get US$ 9.5 per share. Owners of common stocks and GDRs will receive LP 5,500 per share. These dividends are subject to a 5% tax.

BLOM Bank declared consolidated net profits of US$ 205.0 million in 2007, up by a yearly 13.4%. Its total assets stood at US$ 16.6 billion at year-end 2007, up by a yearly 17.0%. Deposits also increased by 17.0% year-on-year to reach US$ 13.7 billion at year-end 2007, while loans to customers reached US$ 2.8 billion, up by 39.4% year-on-year. Shareholders' equity stood at US$ 1.4 billion at year-end 2007, up from US$ 1.3 billion at year-end 2006.

AROPE Insurance licensed to establish life and non-life insurance companies in Egypt

AROPE Insurance, the insurance affiliate of BLOM Bank, unveiled plans to establish life and non-life insurance companies in Egypt after being granted a license from the Egyptian Insurance Supervisory Authority. AROPE Life Insurance - Egypt and AROPE Property Insurance - Egypt would each have a capital of LE 100 million (around US$ 18.4 million), according to an AROPE Insurance statement.

AROPE Life Insurance - Egypt would be owned by AROPE Insurance (80%), BLOM Bank Egypt (15%), and BLOM Securities (5%). AROPE Property Insurance - Egypt would be owned by AROPE Insurance (60%), BLOM Bank Egypt (35%), and BLOM Securities (5%).

According to Al-Bayan Magazine, AROPE Insurance generated US$ 45.4 million in total premiums last year, up by 12.3% from US$ 40.4 million in 2006. Its life premiums amounted to US$ 24.6 million in 2007, up by a yearly 13.0%, while its non-life premiums reached US$ 20.8 million in 2007, up by a yearly 11.4%. AROPE Insurance ranked 5th and 8th in terms of life and non-life insurance premiums written in Lebanon in 2007, respectively. Its share of the life insurance market was 8.8%, while its share of the non-life insurance market was 4.3%.

CAPITAL MARKETS

Money Market: Tiny subscriptions in CDs

The overnight rate did not shift its stance from its regular low level of 3.5%, within the context of continued favorable activity on the foreign exchange market and abundant local currency liquidity on the money market. As to Certificates of Deposits, tiny subscriptions of LP 4 billion were made this week in the 45-day category, with total subscriptions reaching LP 30 billion since the beginning of the year 2008 and distributed as follows: LP 5 billion in the 45-day category and LP 25 billion in the 60-day category. It is worth mentioning that the latest report of the Association of Banks in Lebanon shows that the CDs portfolio reached LP 4,466 billion at end-February 2008, rising by LP 48 billion relative to the previous month but declining by LP 128 billion since year-end 2007.

On the other hand, the monetary aggregates for the week ending March 27 showed an increase in local currency deposits of LP 151 billion and a rise in foreign currency deposits of US$ 124 million. These weekly variations compare to an average increase of LP 76 billion for LP deposits since the beginning of the year 2008, and an average rise of US$ 70 million in foreign currency deposits. In addition, total money supply in its large sense (M4) widened by LP 346 billion, versus an average weekly increase of LP 188 billion since the onset of the year 2008.

Interest rates	11/04/08	04/04/08	28/12/07	
Overnight rate	3.50%	3.50%	3.50%	⇔
7 days rate	3.63%	3.63%	3.63%	⇔
1 month rate	4.17%	4.17%	4.17%	⇔
45-day CDs	4.40%	4.40%	4.40%	⇔
60-day CDs	4.89%	4.89%	4.89%	⇔

Treasury Bills Market: Nominal surplus during the first quarter of 2008

The latest results of the long-term Treasury bills auction, released by the Central Bank this week, showed that total subscriptions for value date April 10, 2008 amounted to LP 453.3 billion, and were distributed as follows: LP 4.3 billion in the one-year category, LP 59.0 in the two-year category and LP 390.0 billion in the three-year category. These compare to maturities of LP 37.2 billion, resulting in a nominal surplus of LP 416.0 billion. The average yields on the one-year, two-year and three-year categories remained unchanged since April 2005, standing at 7.75%, 8.50% and 9.32% respectively.

On the secondary Treasury bills market, the three-year category was traded this week in small volumes and at prices that correspond to 25 basis points above the yield curve.

On the other hand, a recently released report by the Association of Banks in Lebanon shows that the outstanding Tbs totaled LP 31,157 billion at end-February 2008, rising by LP 558 billion relative to the previous month, and moving up by LP 904 billion since end-December 2007, mainly due to a rise in the banking system's subscriptions. The average yield on outstanding Tbs barely increased by two basis points relative to the previous month, and rose by seven basis points since end-2007 to reach 9.25%.

On a cumulative basis, total subscriptions amounted to LP 4,953 billion during the first quarter of 2008, distributed as follows: LP 612 billion in the short-term categories (three-month and six-month categories), LP 205 billion in the medium-term categories (one-year and two-year categories) and LP 4,136 billion in the three-year category. These compare to maturities of LP 4,416 billion, which led to a nominal surplus of LP 537 billion.

T-Bills Yields	11/04/08	04/04/08	28/12/07	
3-month	5.22%	5.22%	5.22%	⇔
6-month	7.24%	7.24%	7.24%	⇔
1-year	7.75%	7.75%	7.75%	⇔
2-year	8.50%	8.50%	8.50%	⇔
3-year	9.32%	9.32%	9.32%	⇔
Nom. Subs. (LP billion)	453	16	288	↑
Short-term (3&6 mths)	0	16	288	↓
Medium-term (1&2 yrs)	63	0	0	↑
Long-term (3 yrs)	390	0	0	↑
Maturities	37	110	326	↓
Nom. Surplus/Deficit	416	-94	-38	↑

Foreign Exchange Market: BDL's foreign assets rose by US$ 997 million since end-2007

The US Dollar continued to be on offer on the foreign exchange market this week, following the same trend that prevailed since the beginning of the year 2008. The Central Bank intervened as a buyer of the green currency surpluses at a rate of LP 1,512.5, while commercial banks traded the US Dollar at a rate hovering between LP 1,512.5 and LP 1,513.5.

On the other hand, the Central Bank's latest bi-monthly bal-

Exchange rate	11/04/08	04/04/08	28/12/07	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,978.82	3,017.41	3,011.83	↑
LP/¥	14.82	14.72	13.31	↓
LP/SF	1,502.99	1,496.28	1,330.77	↓
LP/Can$	1,487.13	1,498.21	1,538.89	↑
LP/Euro	2,387.28	2,369.04	2,212.56	↓

ance sheet ending March 31, 2008 showed that foreign assets amounted to US$ 13.4 billion, reporting a rise of US$ 997 million since end-2007. It is worth noting that BDL's foreign assets rose by a CAGR of 6% over the previous five years despite the critical security and political conditions that prevailed since the assassination of the former Prime Minister Rafic Hariri in February 2005.

Stock Market: Slowdown in activity

The Beirut Stock Exchange was marked by a slowdown in activity this week driven by the continuous local political bickering and the absence of a consensus on the Presidential election. In details, the total trading value amounted to US$ 11.1 million this week versus US$ 21.3 million last week. The average daily trading value dropped from US$ 4.3 million last week to US$ 2.2 million this week, which resulted in a slump in the trading volume index of 47.8% to 117.8. Prices barely changed, as reflected by a tiny rise in the price index of 0.2% to 156.40.

Solidere shares captured 42% of the total trading value this week. The Solidere "A" share price increased by 1.8% to US$ 22.50, while the Solidere "B" share price declined slightly by 0.3% to US$ 22.11. On the other hand, the banking shares accounted for 57% of activity this week. Bank Audi's "listed shares" price increased by 1.2% relative to last week to close at US$ 90, while Bank Audi's GDRs price dropped by 5.0% to close at US$ 90.25. BLOM's GDRs price nudged down by 0.1% to US$ 94.45, while BLOM's "listed shares" price stood at US$ 83. Byblos Bank's "listed shares" price moved up by 2.7% to US$ 2.30 and Byblos Bank's "priority shares" price rose by 0.9% to close at US$ 2.30. Bank of Beirut's "listed shares" price increased by 1.5% to US$ 13.45.

As to the industrial shares, Holcim's share price retreated by 1.5% to US$ 19.40. At the level of the investment funds, only the Beirut Global Income's share traded and its price stood at US$ 102.80. On the other hand, it is worth mentioning that Solidere's GDRs price, which are listed solely on the London Stock Exchange, declined by 1.6% to close at US$ 21.13 this week.

Finally, Lebanon's performance was lower than that of other emerging markets, as reflected by the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). The first index rose by 1.3% and the latter increased by 1.8% over the week. In addition, Lebanon did not follow other Arabian markets, as reflected by a weekly increase of 2.8% in the Morgan Stanley Capital International Arabian markets index.

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2008

Bond Market: Continuous appetite for Lebanese debt instruments

Bond prices reported some progress this week driven by the continuous local and foreign interest in Lebanese debt instruments for the fourth continuous consecutive week, as Lebanese yields became more attractive to investors after the recent cut in US interest rates. The average yield declined by nine basis points, from 8.38% last week to 8.29% this week, while the average spread stood at 590 basis points due to a decline in benchmark yields. For instance, the average yield on the 5-year US Treasury bills fell by 13 basis points to 2.56%, as recession fears and a bleak corporate profit outlook stoked demand for comparatively safe assets such as government bonds.

In parallel, Eurobond prices in other emerging markets improved this week, as reflected by a drop in the average yield of 15 basis points, from 4.60% last week to 4.45% this week, while the average spread tightened by nine basis points to 234 basis points. In fact, emerging sovereign debt spreads tightened as a Wall Street rally supported demand for high-yielding assets globally.

On the other hand, the J.P. Morgan Emerging Markets Bond Index plus (EMBI+), which is an unmanaged index, tracking total returns for external-currency denominated debt instruments of emerging markets, moved up by 0.9% week-on-week closing at 440.6.

Audi Indices for BSE	11/04/08	04/04/08	28/12/07
22/1/96=100			
Market Cap. Index	529.96	518.54	504.87 ↑
Trading Vol. Index	225.7	202.0	538.1 ↑
Price Index	156.17	152.81	149.12 ↑
Change %	0.20%	1.58%	-2.42% ↓
Market Cap. $m	12,573	12,302	11,977 ↑
No. of shares traded	809,927	687,847	3,419,011 ↑
Value Traded $000	21,298	15,213	42,288 ↑
o.w. : Solidere	10,191	8,844	28,355 ↑
Banks	10,970	6,145	11,500 ↑
Others	138	224	2,433 ↓

Eurobonds Indicators	11/04/08	04/04/08	28/12/07
Total tradable size $m	15,986	15,986	16,686 ⇔
o.w.: Sovereign bonds	15,356	15,356	16,056 ⇔
Average Yield	8.29%	8.38%	8.17% ↓
Average Spread	590	591	461 ↓
Average Life	4.80	4.82	4.86 ↓
Yield on US 5-year note	2.56%	2.69%	3.58% ↓

ARAB STOCK MARKETS INDICES:

	11-Apr-08	04-Apr-08	01-Jan-08	Weekly change	End-year-to-date change
Beirut stock market	156.4	156.2	149.1	0.1%	4.9%
Abu Dhabi securities market	119.7	115.5	129.1	3.6%	-7.3%
Amman stock exchange	573.4	546.0	482.6	5.0%	18.8%
Bahrain stock exchange	242.6	244.5	260.4	-0.8%	-6.9%
Casablanca stock exchange	353.6	353.4	319.1	0.1%	10.8%
Doha securities market	182.6	174.0	183.6	5.0%	-0.5%
Dubai financial market	137.9	142.3	164.8	-3.1%	-16.3%
Egypt capital market	591.2	578.2	585.2	2.2%	1.0%
Kuwait stock market	276.5	273.9	302.7	1.0%	-8.7%
Muscat securities market	418.9	395.8	427.5	5.9%	-2.0%
Saudi stock market	251.3	234.0	330.3	7.4%	-23.9%
Tunis Stock Exchange	120.2	119.5	109.3	0.5%	9.9%
AMF Composite	302.6	290.4	345.4	4.2%	-12.4%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	11-Apr-08	04-Apr-08	28-Dec-07	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	100.88	102.65	112.06	-1.7%	-10.0%
$/£	1.9700	1.9860	1.9980	-0.8%	-1.4%
$/Euro	1.5820	1.5691	1.4713	0.8%	7.5%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	12,325.42	12,609.42	13,365.87	-2.3%	-7.8%
S&P 500	1,332.83	1,370.40	1,487.49	-2.7%	-10.4%
NASDAQ	2,290.24	2,370.98	2,674.46	-3.4%	-14.4%
CAC 40	4,797.93	4,900.88	5,612.41	-2.1%	-14.5%
Xetra Dax	6,603.57	6,763.39	8,067.32	-2.4%	-18.1%
FT-SE 100	5,895.50	5,947.10	6,476.90	-0.9%	-9.0%
NIKKEI 225	13,323.73	13,293.22	15,307.78	0.2%	-13.0%
COMMODITIES					
GOLD OUNCE	925.15	914.69	839.19	1.1%	10.2%
SILVER OUNCE	17.85	17.89	14.84	-0.2%	20.3%
BRENT CRUDE	109.75	102.04	96.57	7.6%	13.6%
LEADING INTEREST RATES (%)					
1-month Libor	2.72	2.74	4.63	-0.02	-1.91
US Prime Rate	5.25	5.25	7.25	0.00	-2.00
US Discount Rate	2.50	2.50	4.75	0.00	-2.25
US 10-year Bond	3.54	3.52	4.14	0.02	-0.60

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