The Lebanon Weekly Monitor

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2008

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Lebanese financial markets remained unscathed by the political bickering and the heated escalation in speech that were witnessed on the local front towards the end of this week. On the foreign exchange market, activity was either balanced or in favor of the Lebanese Pound, especially on Tuesday and Friday, which called for the Central Bank's intervention as a buyer of the green currency surpluses at LP 1,512.5. The favorable activity on the FX market translated into abundant local currency liquidity on the money market and kept the overnight rate stable at its low official level of 3.5%. On the equity market, activity remained dull, with the total trading value amounting to US$ 8.2 million this week versus US$ 11.5 million last week. The trading volume index declined by 11% to close at 108.9, while the price index barely moved up by 0.15% to reach 145.06. In fact, the favorable annual financial results recently released by commercial banks contributed to spread a positive mood on the Beirut Stock Exchange and prohibited any decline in prices despite the intense political confrontations and the continuous constitutional void. As to the Eurobond market, both demand and supply were present this week and led to an increase in prices, while the average spread shrank by five basis points to 542 basis points due to a decrease in Lebanese yields and stability in benchmark yields.

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Real GDP growth estimated at 2% in 2007

According to Bank Audi's Research Department, economic activity has managed to end the year with a positive real GDP growth for Lebanon, though modest in magnitude. According to the Bank's preliminary estimates, real growth reported 2% in 2007, much below the growth potential of the Lebanese economy currently characterized by a large output gap and low capacity utilization. The slight improvement relative to the previous year is driven by a tiny amelioration of most economic indicators during the second half of this year and the low base of the 2006 summer months that had witnessed the Israeli war and its adverse repercussions on almost all sectors of activity.

This year's growth was actually triggered by a slight increase in aggregate consumption at large, an improvement in exports to meet strong regional demand, in addition to the registered post-Israeli war reconstruction spending. Domestic and foreign investment levels remained relatively depressed on the overall within the context of a wait-and-see attitude among investors in view of political uncertainties. Touristic spending has also been mild and did not recapture its strong development phase that was witnessed prior to the July-August 2006 events.

A number of real sector indicators suggest a relative improvement in real growth in Lebanon in 2007. Among those, we mention construction permits growing by 21%, the tonnage of merchandise at the Port increasing by 26%, the number of passengers at the Airport growing by 25%, the value of cleared checks surging by 18% and the velocity of money up by 8% year-on-year.

Notwithstanding the relative improvement last year, the various political and security events of the past three years – starting from the assassination of PM Hariri in early 2005, passing through the Israeli war in summer 2006, to this year's ongoing domestic political crisis - have undeniably severely weighed on Lebanon's economy. The output forgone over the past three years is officially estimated at 20% in nominal terms within a Middle Eastern region that has been growing at a very fast pace over the period, which obviously represents a significant lost opportunity for Lebanon's economy at large. It is worth mentioning that real regional growth is estimated at an average of 6% since 2005, a record high in the past two decades, benefiting from surging oil prices, the repatriation of capital to the region and improving competitiveness.

Finally, it might be true that growth has slightly improved in Lebanon over the past year, starting from a low base in 2006 at large. However, there seems to be a long way before the cyclical gap between actual output and potential output starts narrowing down, triggering with it the much weakened social component of growth. The latter was totally depressed over the past three years, leading to rising social pressures on Lebanese households across the board.

Consolidated deposits of commercial banks up by US$ 6.6 billion in 2007

The year 2007 was a very good year for the banking sector, in general. The sector managed to report close to a 30% annual growth in net profits and a 10.7% growth in assets. Further, it added US$ 6.6 billion of customer deposits in a difficult political year, which suggests that the sector is becoming more or less resilient to the domestic political environment.

The Central Bank figures for end-2007 suggest that assets indeed moved from LP 111,964 billion, or US$ 74.3 billion to LP 123,999 billion, or US$ 82.3 billion, triggered by customer deposits which rose from LP 91,494 billion to LP 101,435 billion, the equivalent of US$ 67.2 billion. Customer deposits accordingly reported the most significant growth in volume ever reported in Lebanon, in spite of the difficult politico-economic situation.

The growth in deposits was reported in the different components of deposits, though at different paces. LP deposits grew by LP 1,224 billion, or 5.6% to reach LP 22,987 billion, while foreign currency deposits grew by US$ 5,783 million, or 12.5% to become US$ 52,039 million. As such, the dollarization of deposits rose slightly from 76.2% at December-end 2006 to 77.3% at December-end 2007. Residents' deposits grew by LP 9,614 billion to LP 86,981 billion, while non-residents' deposits rose by a mere LP 327 billion to a much lower LP 14,454 billion over the year. Apparently, deposits growth was driven by residents, as the share of non-resident deposits dropped from 15.4% to 14.2% out of the total.

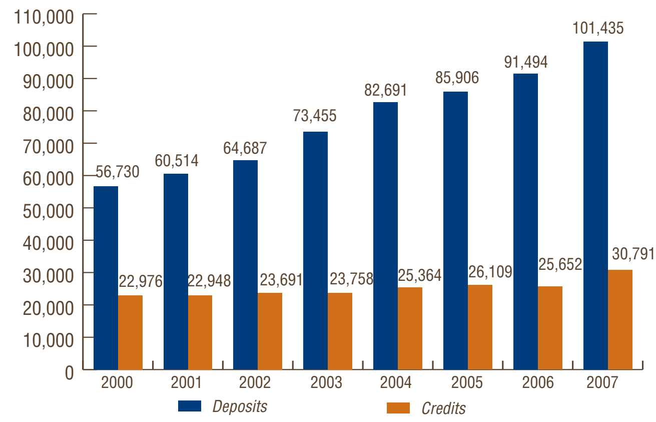
The activity growth was not realized at the detriment of the banks' financial standing, despite a slight contraction of liquidity at hand. The overall liquidity reached 81.0% of customers' deposits, against 84.1% in 2006, sustaining a very high liquidity status by international standards. The slight retreat in liquidity levels relative to end-2006 results from the aggressive growth in loans mainly tied to banking policies addressing corporates within the region. Indeed, private sector loans grew by 20.0% in 2007 to reach LP 30,791 billion, by far the largest growth in those loans ever reported.

Within this environment, banks continued to expand outside Lebanon into the region in order to diversify their markets of presence and secure a more balanced activity and earnings between Lebanon and abroad. This somewhat reduced the reliance of banks on the domestic market.

Indeed, the increase in loans to the non-resident private sector in 2007 surpassed the rise in loans to the resident private sector. The former reached 57.4%, while the latter was at a lower 15.9%. As such, loans to the resident private sector were at LP 26,762 billion, and loans to the non-resident private sector were at LP 4,029 billion.

Finally, distribution of credit by currency indicates that foreign currency credits went up by 21.2% in 2007 to reach US$ 17,642.8 million, while Lebanese pound-denominated loans went up by 13.3% to become LP 4,194.1 billion. This indicates that the dollarization rate of loans increased from 85.6% at end-2006 to 86.4% at end-2007.

Banks' Deposits and Credits in LP billion



Source: Central Bank of Lebanon

Foreign trade activity surges by 28% in the first ten months of 2007

Figures released by the Higher Customs Council show that the aggregate value of imports and exports totaled US$ 11,979 million, the equivalent of 60% of GDP, up by a major 27.9% in the first ten months of 2007 relative to the same period of the previous year, when it amounted to US$ 9,367 million. This rise is significantly higher than the trivial 1.8% witnessed in the same period of 2006, which was adversely affected by the low volume of imports and exports in July and August 2006. However, at the same time, the trade deficit widened by 31.1% from US$ 5,655 million to US$ 7,415 million, due to the fact that the percentage rise in imports was higher than that of exports.

Export activity grew by 23.0%, to reach US$ 2,282 million in the first ten months of the year, versus US$ 1,856 million in the corresponding period of the previous year. Demand for Lebanese products benefited from the strengthening of the Euro and weakening of the US Dollar, but this also had an effect on imports with a country significantly dependant on imports that are close to half the GDP. Imports, on the other hand, went up by a larger 29.1% to reach US$ 9,697 million, as compared to US$ 7,511 million in the corresponding period of the previous year. The increase in imports, within the context of a lower rise in exports, resulted in a drop in the export-to-import coverage ratio to reach 23.5% in the first ten months of 2007, down by 1.2% from 24.7% in the same period of 2006.

The breakdown of Lebanese exports by country of destination for the first ten months of 2007 indicates that the Switzerland was the country with the greater part of Lebanese exports with US$ 236 million, or 10.3% of the total. It was followed by the United Arab Emirates with US$ 195 million (8.5%), then came Syria with US$ 172 million (7.5%), Saudi Arabia with US$ 155 million (6.8%), Iraq with US$ 113 million (5.0%), Egypt with US$ 92 million (4.0%), Turkey with US$ 91 million (4.0%), Kuwait with US$ 87 million (3.8%), Jordan with US$ 82 million (3.6%), and Belgium with US$ 74 million (3.2%). Aggregate exports to these countries accounted for almost 57% of total exports.

As for the breakdown of imports to Lebanon by country of origin, it reveals that Italy continued to retain the largest share of exports to Lebanon with US$ 926 million, or 9.5% of the total. It was followed by the United States with US$ 904 million (9.3%), China with US$ 738 million (8.7%), France with US$ 698 million (7.2%), Germany with US$ 615 million (6.3%), Egypt with US$ 441 million (4.6%), the United Kingdom with US$ 384 million (4.0%), Turkey with US$ 342 million (3.5%), Switzerland with US$ 313 million (3.3%), Japan with US$ 311 million (3.2%), and Saudi Arabia with US$ 234 million (2.4%). Aggregate imports from these countries accounted for around 62% of total imports in the first ten months of 2007.

Lebanon’s primary exports in the ten months of 2007 were base metals, as they accounted for 18.2% of total exports. Jewelry, which comprised 17% of the total, came in second, followed by electrical equipments and products with 15.9%, prepared foodstuffs with 8.7%, chemical products with 8.2%, and paper and paperboard articles with 6.1%. Those six categories accounted for almost 74% of total exports in the first ten months of 2007.

Mineral products, which accounted for 22.4% of total imports, continued to retain the lion’s share of imports during the aforementioned period as they include oil products which are still relatively more expensive than other imports. Electrical equipments and products came in next with 12.2%, followed by chemical products with 9.6%, base metals with 8.3%, transport vehicles with 8.2%, prepared foodstuffs with 6.5%, vegetable products with 4.6%, and textiles with 4.5%. The said categories represented approximately 76% of total imports.

Official GDP in 2005 at LP 32,499 billion as per Lebanon's Economic Accounts

The Lebanese government released Lebanon's 2005 Economic Accounts, part of a series of national accounts' publications launched since 2002. This publication aims at compiling essential data in order to get a more precise analysis of the structure and mechanisms of the Lebanese economy, while using 1997 as the base year for this data.

The report indicates that the economic growth, which recovered in 2003 and continued in 2004, was interrupted in 2005, as a result of the assassination of former Prime Minister Rafic Hariri. Consequently, the growth rate of GDP at prices in the previous year was at a mere 1.1% in 2005, compared to 7.4% in 2004, 4.1% in 2003, and an average of 2% over the period 1997-2002. Lebanon's GDP was at LP 32,499 billion, or US$ 21,558 million in 2005, as compared to LP 32,359 billion, or US$ 21,465 million in 2004.

The decline in economic growth resulted from a drop in national expenditures in real terms (-1.9%), following two consecutive years of important rises in national spending of 6.8% in 2004 and 4.4% in 2003. This drop can also be attributed to a sharp 2.4% fall in household consumption. On the other hand, public expenditure on consumption and investment remained unchanged from 2004, while private investment continued its upward trend, in spite of a decrease in inventories. The decrease in national demand was partially counterbalanced by a 5.0% rise in total exports, thereby leading to a combined result of a decline of 0.9% in total demand. Evidently, local production has failed to meet fluctuations in local and foreign demand, as the decrease in imports was much stronger than that of demand, reaching 5.7%. The same phenomenon was observed in the previous two years, yet in the opposite direction, as back then, imports' growth outperformed that of demand.

As for inflation, it reached 2.1% in 2005, thus flattening out from 3.1% in 2004 and 3.6% in 2003. However, this inflation is significant given the 8.8% rise in the import price level in the said year, compared to 6.7% in 2004 and 5.6% in 2003, while prices related to domestic output were almost steady at -0.6% in 2005, 0.9% in 2004, and 1.6% in 2003.

Looking at the GDP's division into various economic sectors, it is clear that the retreat in economic activity affected most sectors in different degrees. Increases were only witnessed in the areas of construction and non-market services. As for trade, it was more affected by the plunge in imports, as it saw a substantial fall. It is worth noting that the growth or decline in the value added of a certain sector depends on both the real activity in a given sector, and on changes in production and input prices. Therefore, the value added in the energy sector fell to negative figures, albeit in volume, it saw a modest increase. This can be attributed to a considerable rise in prices of oil products used for electricity, which was not accompanied by a matching rise in the selling price of electricity power.

Value added by sector 2004 - 2005

	Value (LP Billion)			Percentage	
Sector	**2004**	**2005**	**2005 at 2004 prices**	**Price Changes**	**Volume Changes**
Agriculture and livestock	1,705	1,690	1,696	-0.4	-0.5
Energy and water supply	73	-188	74	-353.9	1.0
Industry	3,783	3,786	3,793	-0.2	0.3
Construction	2,404	2,669	2,521	5.9	4.9
Transport and communications	2,404	2,360	2,514	-6.1	4.6
Market Services	10,622	10,925	10,952	-0.2	3.1
Trade	7,756	7,534	7,428	1.4	-4.2
Government	3,612	3,722	3,722	0.0	3.1
Total GDP	**32,359**	**32,499**	**32,700**	**-0.6**	**1.1**

Source: Economic Accounts of Lebanon 2005

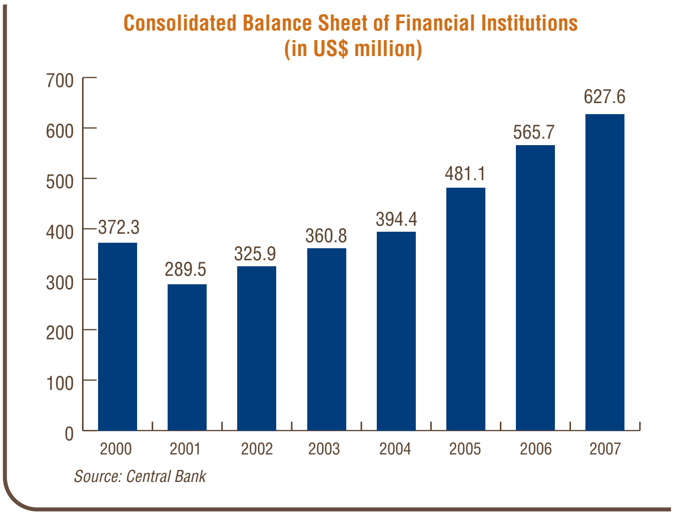
The interpretation of economic accounts allows for the identification of several conclusions, the first being that the slowdown in growth was induced by a decline in consumption. On the investment side, 2005 saw a stagnation as the growth was at a trivial 0.1%, after it reached 11.8% in 2003 and 23.4% in 2004. This stagnation, can be attributed to the drop in public investments and the decline in inventories which more than offset the 9.5% rise in private investment triggered by foreign capital in search of investment. Moreover, there has been a modest rise in the structural discrepancy between national expenditure and domestic output, arising from the disparity in development of the various sectors and between import and production prices. Also, 2005 saw a continuous weakness in the production of goods, illustrated by a drop in the share of agriculture and manufacturing of GDP to 17%. As for the rise in consumer prices, the report suggests that it was affected to a significant extent by the rise in import prices.

Moreover, the conclusions based on the integrated economic data suggested a greater dependency on foreign transfers. This significant current or capital transfers, often in the form of direct investments or subscription to Treasury bills, have more than compensated for the deficit in the trade balance and resulted in a positive balance of payments. Furthermore, the report concluded a drop in national savings compared to 2004 from LP 3,705 billion to LP 4,695 billion in 2005, and attributed this to the fact that political events during 2005 encouraged households to save rather than to consume. Also, there has been a decline in banks' contributions to private investments in 2005 as it reached 11%. This drop followed a recovery in 2004, as banks' participation in financing enterprises reached 18% back then. Finally the report noted that 2005 saw a continuation in the decline of the public deficit, accompanied rising public debt burden.

Balance sheet of financial institutions shows 10.9% yearly growth at year-end 2007

Figures released by the Central Bank show that the consolidated balance sheet of financial institutions in Lebanon reached LP 946.2 billion, or US$ 627.6 million, at year-end 2007, up by 10.9% from US$ 565.7 million at year-end 2006. Liabilities to the private sector decreased by 10.8% from US$ 113.2 million at year-end 2006 to US$ 101.0 million at year-end 2007. Commitments to the financial sector increased by 33.7%, from US$ 196.0 million at year-end 2006 to US$ 262.1 million at year-end 2007.

On the assets' side, financial institutions' operations with commercial banks reached US$ 179.0 million at year-end 2007, down by 8.6% from US$ 195.8 million at year-end 2006. Claims on the private sector amounted to US$ 333.1 million at year-end 2007, up by 27.6% from US$ 261.0 million a year earlier. Investment in government securities stood at US$ 90.9 million, showing an increase of 8.0% from US$ 84.2 million at year-end 2006. Further, the aggregate equity capital of financial institutions reached US$ 193.3 million, growing by 5.7% from US$ 183.0 million a year earlier.



BLOMINVEST Bank launches the BLOM Cedars Balanced Fund

BLOMINVEST Bank, the investment banking arm of the BLOM Bank Group, launched the BLOM Cedars Balanced Fund, an open-ended mutual fund licensed by the Central Bank of Lebanon. The fund would be denominated in US Dollar with a weekly subscription and redemption, while its net asset value would be calculated on a daily basis.

The fund would invest a minimum of 75% of the assets in Lebanese debt instruments issued by the Lebanese government, the Central Bank, and prime Lebanese corporations, and a maximum of 25% of the assets in listed common and preferred shares of Lebanese firms operating in different sectors such as real estate, banking, industry and other sectors.

Units with an issue price of US$ 5,000 each would be issued in two tranches. Tranche A units (accumulation units) shall not be entitled to any dividends but would keep all gains invested in the fund, while Tranche B Units (distribution units) would be entitled to regular dividends payments to the extent of the availability of sufficient net profits for that purpose, according to BLOM Bank's statements.

Alfa and Nokia Siemens Networks sign contract to improve coverage in Beirut

Alfa, one of Lebanon's two mobile operators, has signed a contract with Nokia Siemens Networks, one of the world's leading global providers of communications services, to replace and renew its existing radio base station system, aimed at improving coverage and increasing capacity for Alfa's mobile subscribers in Beirut. The new equipment would support 3G technology in the future and enable Alfa to offer mobile services such as video, internet and audio combined usage. It would also allow the simultaneous use of voice and data at a speed comparable to that of ADSL. The installation is expected to be finalized by mid 2008.

Fal Dete Telecommunications s.a.l. (FDT), majority owned by Germany's Detecon International GmbH (51%), Saudi Arabia's FAL Holdings Arabia Company (45%) and Detecon Al Saudia Company (4%), is the company that manages one of the two GSM networks in Lebanon operated under the brand name Alfa. Finland-based Nokia Siemens Networks is one of the world's largest telecommunications infrastructure companies that offer mobile and fixed network infrastructure solutions in 150 countries.

The Beirut Bourse introduces electronic trading

The Beirut Bourse unveiled plans to introduce electronic trading in listed securities, enabling customers to place buy or sell orders on listed securities exclusively through websites of approved brokerage firms, according to Beirut Bourse statements.

Eleven companies are listed on the Beirut Bourse and operate in sectors such as banking (6), construction and development (1), industry (3), and trading (1). In addition, Eurobonds issued by the Lebanese government and local investment funds are also listed on the Beirut Bourse.

Money Market: Substantial decline in CDs portfolio at end-2007

The overnight rate remained unchanged this week, standing at its low official level of 3.5% set by the Central Bank, within the context of a continuous activity in favor of the Lebanese Pound on the foreign exchange market and ample local currency liquidity on the money market. As to Certificates of Deposits, market players placed another LP 3 billion on the 60-day category this week, with total subscriptions in this category reaching LP 19 billion since the beginning of the year 2008, versus nil subscription in the 45-day category. The latest report released by the Association of Banks in Lebanon showed that the CDs portfolio amounted to LP 4,594 billion at end-2007, dropping by LP 1,504 billion relative to year-end 2006. The decrease is mainly attributed to two Swap operations executed by commercial banks in October and November 2007 and through which they exchanged existing 5-year CDs with 5-year newly issued Tbs, for a total amount of LP 1,532 billion.

On the other hand, the monetary aggregates for the week ending January 31 showed an increase in local currency deposits of LP 258 billion and an increase in foreign currency deposits of US$ 211 million. These weekly variations compare to an average increase of LP 53 billion for LP deposits since the beginning of the year 2008, and an average rise of US$ 38 million in foreign currency deposits. In addition, total money supply in its large sense (M4) expanded by LP 716 billion, versus an average weekly increase of LP 63 billion since the onset of the year 2008.

On a cumulative basis, LP saving deposits rose by LP 466 billion in January 2008 and FX deposits rose by US$ 429 million. The money supply (M4) widened by LP 806 billion, which reflects the flow of capital into the banking system during the said month.

Interest rates	15/02/08	08/02/08	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: Higher average yield on outstanding Tbs at end-2007

The latest results of the long-term Treasury bills auction, released by the Central Bank this week, showed that total subscriptions for value date February 14, 2008 amounted to LP 489 billion, and were distributed as follows: LP 9 billion in the one-year category, LP 7 billion in the two-year category and LP 473 billion in the three-year category. These compare to maturities of LP 210 billion, resulting in a nominal surplus of LP 279 billion. Interest rates remained unchanged since April 2005. In fact, the average yields for the one-year, two-year and three-year categories stood at 7.75%, 8.50% and 9.32% respectively.

A recently released report by the Association of Banks showed that the average yield on outstanding Tbs reached 9.18% at end-2007, rising by a significant 30 basis points since year-end 2006. The rise is triggered by the high-yielding three-year category that captured 70% of the total outstanding Tbs and the two Swap operations executed in October and November 2007 that involved five-year Tbs yielding 11.50%. In addition, the outstanding Tbs portfolio totaled LP 30,253 billion at end-2007, according to the same source, rising by LP 1,095 billion relative to year-end 2006 (LP 29,158 billion). The increase in outstanding Tbs portfolio in 2007 is mainly attributed to an increase in the public sector's outstanding portfolio by LP 1,405 billion over the said period.

T-Bills Yields	15/02/08	08/02/08	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)	489	389	288	↑
Short-term (3&6 mths)	0	389	288	↓
Medium-term (1&2 yrs)	16	0	0	↑
Long-term (3 yrs)	473	0	0	↑
Maturities	210	398	326	↓
Nom. Surplus/Deficit	279	-9	-38	↑

Foreign Exchange Market: Favorable activity prevails

Activity on the foreign exchange market was unscathed by the political bickering and the heated escalation in speech witnessed this week. In fact, currency trading remained either balanced or in favor of the Lebanese Pound, which called for the Central Bank's intervention as a buyer of the green currency surpluses at LP 1,512.5, especially on Tuesday and Friday. Commercial banks traded the US Dollar at a rate hovering between LP 1,512.5 and LP 1,513.5.

Exchange rate	15/02/08	08/02/08	28/12/07	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,961.48	2,939.32	3,011.83	↓
LP/¥	13.94	14.02	13.31	↑
LP/SF	1,376.84	1,364.50	1,330.77	↓
LP/Can$	1,518.28	1,497.17	1,538.89	↓
LP/Euro	2,213.01	2,184.82	2,212.56	↓

Stock Market: Sluggishness reigns over the BSE

Activity on the equity market remained dull this week, within the context of a continuous political bickering and escalation in speech. The total trading value amounted to US$ 8.2 million this week, declining from US$ 11.5 million last week. The average daily trading value retreated from US$ 2.3 million last week to US$ 2.0 million this week, which led to a decrease in the trading index of 11% to reach 108.9. Prices barely changed this week, as reflected by a very tiny increase of 0.15% to 145.06. In fact, the favorable annual financial results recently released by commercial banks contributed to spread a positive mood on the BSE and helped in prohibiting any decline in prices despite the prevailing heated political tension.

In details, Solidere shares captured 56% of the total trading value this week. The Solidere "A" share price rose by a tiny 0.6% to US$ 21.58 and the Solidere "B" share price increased by 0.7% to US$ 21.48. On the other hand, the banking shares accounted for 38% of activity this week. Bank Audi's GDRs prices declined by 0.7% to US$ 73.50. BLOM's GDRs prices retreated by 1.5% to US$ 88.05. Bank of Beirut's "listed shares" prices fell by 4% to US$ 11.57. Byblos Bank's "listed shares" prices gained 2.7% to US$ 2.25.

As to the industrial shares, only Holcim's share traded this week and its price edged down by 0.1% to US$ 19.63. At the level of the investment funds, the Beirut Preferred Fund's share price rose slightly by 0.3% to US$ 100.5, while the Beirut Golden Income's share price tumbled by 6.8% to LP 102,000. On the other hand, it is worth mentioning that Solidere's GDRs, which are listed solely on the London Stock Exchange, decreased by 1.2% to US$ 20.75 this week.

Finally, when compared to peer stock exchanges in emerging markets, Lebanon's performance this week 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 increased by 3.5% and the latter rose by 5.6% over the week.

Audi Indices for BSE	15/02/08	08/02/08	28/12/07
22/1/96=100			
Market Cap. Index	491.13	490.39	504.87 ↑
Trading Vol. Index	108.9	122.4	538.1 ↓
Price Index	145.06	144.85	149.12 ↑
Change %	0.15%	-0.31%	-2.42% ↓
Market Cap. $m	11,651	11,634	11,977 ↑
No. of shares traded	462,151	543,876	3,419,011 ↓
Value Traded $000	8,179	11,484	42,288 ↓
o.w. : Solidere	4,542	6,255	28,355 ↓
Banks	3,121	5,092	11,500 ↓
Others	516	137	2,433 ↑

On a cumulative basis, the total trading value amounted to US$ 75 million in January 2008 versus US$ 174 million in the previous month, thus dropping by 57%. The slowdown in activity comes within the context of continuous political tension and the repeated failure of the Arab mediation efforts to reach a general consensus among market players on the Presidential election. Prices decreased in January relative to end-2007, as reflected by a decline in the price index by 2.63%. The turnover ratio, measured by the annualized total trading value to market capitalization, amounted to 7.75% in January, which ascertains the sluggish mood that governed the BSE.

Bond Market: Tiny increase in prices

Demand and supply from both local and foreign investors were present on the Eurobond market this week and led to an increase in prices. In fact, the average yield declined by four basis points, from 8.11% last week to 8.07% this week, while the average spread shrank by five basis points to 542 basis points, due to a decrease in Lebanese yields and stability in benchmark yields.

For instance, the average yield on the five-year US Treasury bills stood at 2.75% this week after the Federal Reserve has announced that it will support economic growth and provide insurance against downside risks.

In parallel, Eurobond prices in other emerging markets decreased this week, as reflected by an increase in the average yield of eight basis points to reach 4.73% basis points, while the average spread expanded by 20 basis points to reach 243 basis points. The decrease in prices was driven by concerns that the additional monetary easing will generate inflation and require a more aggressive response from the Federal Reserve in the future.

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, edged down by 0.5% week-on-week to close at 433.7.

	15/02/08	08/02/08	28/12/07	
Total tradable size $m	16,686	16,686	16,686	⇔
o.w.: Sovereign bonds	16,056	16,056	16,056	⇔
Average Yield	8.07%	8.11%	8.17%	↓
Average Spread	542	547	461	↓
Average Life	4.74	4.76	4.86	↓
Yield on US 5-year note	2.75%	2.74%	3.58%	↑

ARAB STOCK MARKETS INDICES:

	15-Feb-08	08-Feb-08	01-Jan-08	Weekly change	End-year-to-date change
Beirut stock market	145.1	144.9	149.1	0.1%	-2.7%
Abu Dhabi securities market	135.6	137.9	129.1	-1.6%	5.1%
Amman stock exchange	498.1	508.5	482.6	-2.0%	3.2%
Bahrain stock exchange	267.5	264.7	260.4	1.1%	2.7%
Casablanca stock exchange	344.7	341.7	319.1	0.9%	8.0%
Doha securities market	192.5	198.7	183.6	-3.1%	4.9%
Dubai financial market	154.3	155.7	164.8	-0.9%	-6.4%
Egypt capital market	575.5	573.0	585.2	0.4%	-1.6%
Kuwait stock market	333.2	340.4	302.7	-2.1%	10.1%
Muscat securities market	444.0	437.5	427.5	1.5%	3.9%
Saudi stock market	263.9	272.8	330.3	-3.3%	-20.1%
Tunis Stock Exchange	111.6	112.8	109.3	-1.0%	2.1%
AMF Composite	321.7	328.7	345.4	-2.1%	-6.9%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	15-Feb-08	08-Feb-08	28-Dec-07	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	107.80	106.64	112.06	1.1%	-3.8%
$/£	1.9604	1.9428	1.9980	0.9%	-1.9%
$/Euro	1.4670	1.4563	1.4713	0.7%	-0.3%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	12,348.21	12,182.13	13,365.87	1.4%	-7.6%
S&P 500	1,349.99	1,331.29	1,487.49	1.4%	-9.2%
NASDAQ	2,321.80	2,304.85	2,674.46	0.7%	-13.2%
CAC 40	4,771.79	4,709.65	5,612.41	1.3%	-15.0%
Xetra Dax	6,832.43	6,767.28	8,067.32	1.0%	-15.3%
FT-SE 100	5,787.60	5,772.20	6,476.90	0.3%	-10.6%
NIKKEI 225	13,622.56	13,017.24	15,307.78	4.7%	-11.0%
COMMODITIES					
GOLD OUNCE	902.60	925.40	839.19	-2.5%	7.6%
SILVER OUNCE	17.09	17.28	14.84	-1.1%	15.2%
BRENT CRUDE	96.29	92.10	96.57	4.5%	-0.3%
LEADING INTEREST RATES (%)					
1-month Libor	3.12	3.15	4.63	-0.03	-1.51
US Prime Rate	6.00	6.00	7.25	0.00	-1.25
US Discount Rate	3.50	3.93	4.75	-0.43	-1.25
US 10-year Bond	3.78	3.69	4.14	0.09	-0.36

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