The Lebanon Weekly Monitor

Week 5
Jan 25 - Jan 31
2010

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Activity was more or less weak in Lebanese capital markets during this week. The stock market was underpinned by a sluggish mood and the Eurobond market was marked by a slow demand, while the foreign exchange market continued to see favorable conversions and the Treasury bills market continued to observe local and foreign demand. In details, trading was very thin on the BSE during this week, with the total trading value limited to US$ 12 million, while the BSE price index dropped by 3.0% relative to the previous week, tracking the 2.5% decline in emerging markets and the 2.3% decrease in Arabian and GCC markets. As to the bond market, the strong local demand observed last week shifted to a moderate demand for short-term and medium-term categories during this week, while the long-term categories were on offer. Within this context, bond prices retreated week-on-week, while the average spread barely widened by three basis points to 229 basis points due to a rise in both Lebanese and benchmark yields. On the foreign exchange market, FC-to-LP conversions remained the main feature characterizing the market. Commercial banks continued to sell their daily surpluses in US Dollar to the Central Bank of Lebanon at the lower rate of its intervention bracket (LP 1,501.00). At the level of the Treasury bills market, foreign demand persisted across all categories on the secondary market, while a local institutional and individual demand appeared on long-term categories. In parallel, interest rates on LP Treasury bills pursued their downward slope due to heavy demand for LP placements.

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Fiscal deficit-to-GDP-ratio on a downward trend in 2009

Lebanon's fiscal performance in 2009 improved on account of the percentage growth in total fiscal revenues exceeding that of total expenditures. This progress is noted at the level of the almost steady fiscal deficit in 2009, which, within the context of a rising GDP in the same year, has generated a significant decline in the deficit-to-GDP ratio.

Indeed, the annual result of the fiscal deficit to GDP indicated a drop from a ratio of 10.0% in 2008, 10.9% in 2007 and 13.5% in 2006 to 9.1% in 2009. Also, the ratio of total deficit to total expenditures dropped significantly reaching 26.0% in the covered period, versus a higher 29.4% in 2008.

On the income front, public revenues which include budget and Treasury receipts, increased by 20.3% relative to the same period of 2008, thereby reaching LP 12,705.3 billion. Treasury revenues registered a drop of 11.8% to become LP 668.8 billion, explained by a lower amount of grants received. As to budget revenues, they moved up by a considerable 22.9% to reach LP 12,036.5 billion driven by a rise in both tax revenues and non-tax revenues.

Total tax revenues went up by 24.9%, due to a year-on-year rise of 67.8% in custom revenues, reflecting a significant rise in gasoline excise revenues, as well as a 11.8% increase in VAT revenues, mirroring an amelioration in aggregate private consumption. As for non-tax revenues, they went up by 17.5%, explained mainly by an increase in income from public institutions.

On the spending side, total public expenditures, which include budgetary and Treasury spending, increased by a yearly 14.8% in 2009 to reach LP 17,167.3 billion, caused by a 18.6% rise in budgetary expenditures, as well as 4.2% rise in Treasury expenditures. The latter reached LP 4,138.8 billion in 2009, and a large portion of such expenditures, precisely 54.6%, are transfers to the electricity company, nonetheless the latter registered a decrease of 7.1% in 2009, due to the decline in global fuel prices worldwide. In parallel, other Treasury expenditures, except for municipalities, witnessed a significant increase in the covered period, namely Treasury guarantees went up by 69.7%.

In parallel, budgetary expenditures were at LP 13,028.4 billion, up by 18.6% relative to 2008. Their rise was triggered by an increase in both interest and non-interest expenditures. Interest payments on domestic and foreign debt registered a total of LP 5,784.1 billion in 2009, increasing by 16.7% relative to 2008. This rise was mostly spurred by an increase of 28.7% in interest payments on local currency debt, as interest payments on foreign debt went up by a mere 0.5%. On the other hand, general budgetary spending went up by 22.2% 2009 relative to the same period a year ago to reach LP 6,941.632 billion.

The fact that the percentage rise in revenues exceeded that of expenditures has resulted in a steady fiscal deficit of LP 4,462 billion in 2009, which is only 1.3% higher than the deficit of LP 4,404 billion registered in 2008. When excluding debt service, 2009 also witnessed an important improvement at the level of the primary balance, which registered a cumulative surplus of LP 1,624.8 billion, up by 80.5% from a surplus of LP 900,435 million in 2008.

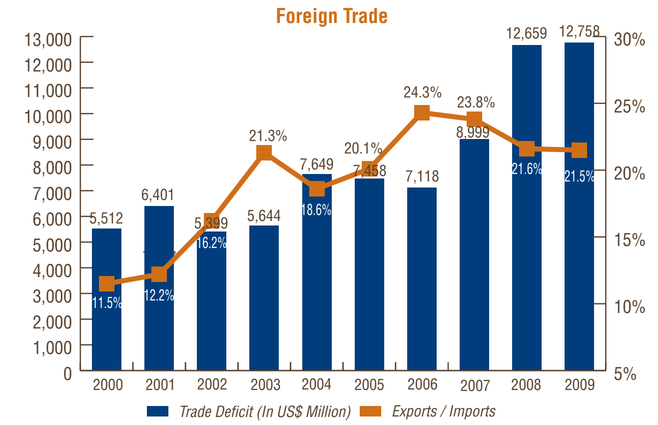
External trade activity in Lebanon remains stable in 2009 amid global holdup

While the global financial crisis led to a slump in worldwide international trade activity at large, Lebanon's merchandise trade activity improved slightly in 2009, with both imports and exports posting trivial increases by year-end. Figures released by the Higher Customs Council show that aggregate imports and exports totaled US$ 19,726 million in 2009, rising by a slight 0.6% from US$ 19,615 million in 2008.

In details, total exports ended the year at US$3,484 million, rising by 0.17% relative to 2008. As a matter of fact, total exports have been on the rise up until the end of the first half of 2009, however, they registered a year-on-year plummet of 25.3% in the third quarter of the year, thereby leading to a decline of 7.1% in total exports in the first nine months of 2009 relative to the same period of 2008. However, in October 2009, export activity saw a revival, as the value of exports went up by 28.7% year-on-year, followed by a year-on-year rise of 2.7% during November 2009, and an important year-on-year increase of 45.0% in December 2009, thereby leading to the aforementioned yearly rise in exports. Indeed, the last quarter of 2009 saw a revival in demand for Lebanese products, which could be attributed to some extent to the fact that during the said quarter, repercussions of the global crisis began to dissipate, and Arab countries and Switzerland, the major importers o Lebanese products began to see their economies recover.

Imports on the other hand amounted to US$ 16,242 million, up by a yearly 0.7%. Still, such a nominal increase in import activity in 2009 comes in spite the fact that oil prices were 36% than they were in 2008, and the exchange rate of the Euro against the dollar was 3.5% lower than it was in 2008, noting that oil imports constitute 20% of total imports, while imports from the Euro area account for around 30% of total imports Thus, if one were to account for the aforesaid two declines, the real value of imports would record a 13.5% escalation.
In 2009, the trifling growth in imports within the context of an even smaller growth in exports has resulted in a minor increase in the trade deficit of 0.8%, bearing in mind that the trade deficit expanded by 40.8% in 2008. Still, the trade

deficit reached a notable US$ 12,758 million in 2009. Furthermore, the export-to-import coverage ratio regressed trivially from 21.6% in 2008 to 21.5% in 2009.



Sources: Higher Customs Council, Bank Audi's Research Department

Clearing activity up by 7.4% during 2009

The value of cleared checks in the banking system, a coincident indicator of overall spending patterns in the economy, showed an improved performance on the monetary front. According to figures released by the Association of Banks in Lebanon, total cleared checks amounted to US$ 56,387 million in 2009, up by 7.4% from 2008.

This increase is mostly the result of an 18.9% increase in local currency denominated checks that totaled LP 16,763 billion, which was higher than the increase of 4.8% in foreign currency denominated checks to US$ 45,267 million. The rise in LP denominated cleared checks within the context of a smaller increase in foreign currency denominated cleared checks has led to a fall in the dollarization of cleared checks to 80.3%, down from 82.2% in the same period of the previous year.

On a monthly basis, the total value of cleared checks amounted to US$ 5,817 million in December 2009, up by 45.0% from the same month of the previous year. This increase was driven by increased foreign currency and LP denominated transactions. The latter amounted to LP 1,599 billion in December 2009, up by 27.5% year-on-year. On the other hand, the value of US Dollar denominated cleared checks was at US$ 4,756 million in December 2009, up by 49.5% from the same month of the previous year. When compared to November 2009, the total value of cleared checks saw a 26.5% increase, which is to a certain extent the result of a seasonal effect, as by nature the month of December witnesses higher spending as a result of the holidays.

US Department of Commerce sees Lebanon buffering repercussions from the global crisis on its investment climate

The United States Department of Commerce released its 2010 Country Commercial Guide for Lebanon (CCG), which provides prospects and developments for doing business in Lebanon, leading sectors for investment, the overall current investment climate in the country, trade regulations and trade project financing, and means of selling products in the country.

This year, the report signaled that a limited impact of the global financial crisis was felt on the economy and its investment climate. Indeed, the cautious regulation along with efficient supervision shielded the domestic financial sector from exposure to the global financial turmoil. This aided in reinforcing confidence in the exchange rate peg to the dollar as well as the financial system. Still, Lebanon still bares the brunt of the substantial public debt level and large external financial needs.

Further, the report dedicated a section to evaluate the market challenges of the Lebanese economy. It indicated that initiating a business is relatively simple in Lebanon but corruption remains a challenge. In reference to the World Bank's Doing Business 2010, opening a business in Lebanon requires 9 days versus 11 days in the previous report and 13 days in OECD countries. Moreover, the World Bank noted an improvement in the mechanisms of paying taxes and business start-ups. In 2007, the United States Trade Representative noticed developments in intellectual property enforcement efforts by the police and more recently, it praised Lebanon's efforts in dealing with cable piracy.

The report went on to look at the most fruitful sectors which were mainly information and communication technology (ICT), pharmaceuticals and insurance. With respect to ICT, the report signalled that Lebanon holds an educated and multilingual workforce, a tough private sector, and a multilingual media content providers and web portals. Those are three strong pillars to help become a regional centre for technology. On pharmaceuticals, Lebanon is a leading importer of pharmaceutical drugs in the Levant region with over 50 pharmaceutical importing firms. Market access for innovative pharmaceutical products has improved since the implementation of a new registration and importation process at the Ministry of Health in 2008. On insurance, the market has always been open and liberal. The Lebanese government has never owned insurers, and private companies do not have to compete with government monopolies. This characteristic has helped the sector to respond to market forces and avoid the distortions associated with state ownership of insurers. Insurers predict that the market for all types of policies, especially health and life, will increase. Moreover, due to a large number of reconstruction projects that are already underway, policies covering construction work are also in great demand.

Global Property Guide sees Lebanon's housing market thriving amid Arab woes

The latest note released by Global Property Guide on the property market in Lebanon indicated that the housing market in the country seems to be benefitting from its Arab neighbors' troubles. Despite the crisis engulfing Dubai and other GCC countries, Arab investors and wealthy Lebanese expatriates have been moving money into Lebanon's property market. Furthermore, the study noted that it doesn't hurt that the country has relatively good climate and liberal society. As a result, Global Property Guide signaled that property prices are now rising strongly, fuelled by firm demand and a very strong economy.

In the second quarter of 2009, the average residential property price in the Beirut Central District (BCD) soared 40.7% to LP 8.85 million (US$ 6,000) per square meter from the same period last year, or 37.4% after inflation. The study noted that Lebanon has showed impressive results in the construction and real estate sectors during 2009. These positive developments underline the country's resiliency amid an ongoing global recession, and have further enhanced Lebanon's reputation as a very attractive investment destination. This was Lebanon's second boom year. In 2008, the average property sales price was up 26.8% to LP 116.3 million (US$ 77,500).

The turning-point was when peace broke out, with the May 2008 Doha Accord. Even before then Lebanon's tragic politics had affected house prices surprisingly little. The Israel-Hezbollah War from July 2006 to September 2006 caused Lebanese house prices to fall only 2.3% (-7.5% in real terms) during 2006. Similarly, although in May 2007 the violent Nahr al-Bared conflict erupted, house prices fell only 2.4% (-6.2% in real terms) during the year 2007.

Global Property Guide indicated that Beirut Central District (BCD) has the most expensive properties in the country, with prices around 33% higher than Beirut's outer districts. Residential property prices in the BCD have risen by about 24% annually in recent years, according to Ramco Real Estate Advisers. High-end properties located in Beirut's posh neighborhoods are still in demand with asking sales prices ranging from LP 1.2 million (US$ 3,500) per sq. m to LP 5.9 million (US$ 4,000) per sq. m. On the other hand, prices have dropped by about 10% to 15% in the mid- to low-income segment since the onset of the global crisis, partly due to the sharp decline in construction costs and the developers' willingness to accept lower profit margins to secure a sale.

The study highlighted that demand for Lebanese real estate come from three main groups, namely local residents, whose appetite grows apace, wealthy Lebanese expatriates, and foreign investors, mainly Arab nationals. Most buyers pay cash, or benefit from pre-selling schemes. Homebuyers purchase an apartment unit during the construction phase, put a down payment and make monthly installments until the project is completed.

Global Property Guide indicated that Housing loans have traditionally only been available to the developers of new properties. However, today, several banks have begun offering mortgage loans directly to homebuyers. In 2008, the Lebanese mortgage market grew to 6% of GDP, from an average of 4.9% from 2004 to 2007. Outstanding housing loans totaled LP 2.66 trillion (US$ 1.77 billion) in 2008, up 34% from a year earlier, according to the Central Bank.

The study noted that the growth in the property market was fueled by the resilient banking sector and robust economic growth. The former is mainly attributed to conservative bank lending practices, excellent regulation and supervision by the Central Bank and the Banking Control Commission, limited exposure to derivatives and structured products, as prior to the eruption of the global crisis, the central bank issued a directive preventing banks from investing freely in structured financial products, and the fact that banks cannot lend property investors more than 60% of the real estate project cost. As to the strong economic growth, which is estimated at 7.0% in 2009, accompanied by a low inflation of around 2.5% in 2009 relative to 10.8% in 2008, a record high balance of payments and tourism activity, they were also major levers behind the booming property market in the country.

Lastly the report indicated that the biggest risk remains falling rental yields. Gross rental yields in residential housing have fallen from over 11% five years ago, to under 4% in 2009. Larger apartments are on especially unattractive valuations, with rental yields lower than 3%. In Beirut, the average monthly rent ranges from LP 2.23 million (US$ 1,488) for a 150 sq. m apartment to LP 13.75 million (US$ 9,158) for a 750 sq. m apartment.

Beirut Real estate Prices (US$ /sqm)

Area	Land	Apartments
Ain El Mreisseh	8,000	3,500
Ashrafieh	4,500	2,100
Gemayze	3,500	2,000
Kaskas	3,250	2,000
Jnah	4,500	1,600
Mar Elias	5,250	2,000
Ramlet El Baida	7,133	4,733
Sanayeh	4,650	2,800
Verdun	7,500	2,825
Clemenceau	9,500	3,575
Qoreitem	7,000	2,880
Raoucheh	11,500	6,325
Ras El Nabeh	3,447	1,867
Sodeco	3,000	2,000
Kantari	5,834	1,950

Sources: Global Propert Guide, Lebanon Opportunities, Bank Audi's Research Department

Top three Lebanese banks report net profit growth of 19% over 2009

Financial statements of the top three Lebanese banks in 2009 released this week show that net profits grew by 19% in the aforementioned year relative to 2008, in a period where most regional and global banks are witnessing net contractions in earnings. Bank Audi sal – Audi Saradar Group ranked first in terms of major criteria, namely assets, deposits, loans, and shareholders' equity, while BLOM Bank ranked first in terms of net profits.

Bank Audi's total assets reached US$ 26.5 billion at year-end 2009, showing an increase of 29.9% from US$ 20.4 billion at year-end 2008. BLOM Bank came in the second rank with US$ 20.7 billion in total assets, and an increase of 15.8% from US$ 17.9 billion at year-end 2008. Byblos Bank came in the third place with total assets of US$ 13.6 billion at year-end 2009, up by 20.9% from US$ 11.2 billion at year-end 2008.

In terms of deposits, Bank Audi also ranked first, while BLOM Bank ranked second and Byblos Bank third. Bank Audi's customer deposits reached US$ 23.0 billion at year-end 2009, up by 32.6% from US$ 17.3 billion at year-end 2008. BLOM Bank's customer deposits amounted to US$ 18.0 billion at year-end 2009, up by 18.9% from US$ 15.1 billion at year-end 2008. Byblos Bank's customer deposits reached US$ 10.3 billion at year-end 2009, up by 23.0% from US$ 8.4 billion at year-end 2008.

In terms of loans to customers, Bank Audi came in the first place with US$ 6.7 billion and a growth of 10.1% in 2009, while BLOM Bank ranked second with US$ 4.0 billion and a growth of 15.7%. Byblos Bank ranked third with US$ 3.2 billion and a growth of 14.5%.

Major aggregates of top three Lebanese banks at year-end 2009

US$ million	Assets	Deposits	Loans	Sh. Equity	Net profits
Bank Audi - Audi Saradar Group	26,489	22,986	6,747	2,185	289
BLOM Bank	20,719	17,968	4,021	1,699	293
Byblos Bank	13,577	10,285	3,196	1,296	146

Rankings	Assets	Deposits	Loans	Sh. Equity	Net profits
Bank Audi - Audi Saradar Group	1	1	1	1	2
BLOM Bank	2	2	2	2	1
Byblos Bank	3	3	3	3	3

Evolution of the deposits base in 2009	2008	2009	Change in %
Bank Audi - Audi Saradar Group	17,337	22,986	32.6%
BLOM Bank	15,109	17,968	18.9%
Byblos Bank	8,363	10,285	23.0%

Sources: Banks' Financial Statements, Bank Audi's Research Department

In terms of shareholders' equity, Bank Audi also topped the rankings with US$ 2.2 billion at year-end 2009. It was followed by BLOM Bank in the second rank with US$ 1.7 billion. Byblos Bank came in the third place with US$ 1.3 billion in shareholders' equity at year-end 2009.

In terms of net profits, Bank Audi posted US$ 289.0 million in net profits in 2009, up by 21.4% from US$ 238.1 million in 2008. BLOM Bank posted US$ 293.2 million in 2009, up by 16.5% from US$ 251.6 million in 2008. Byblos Bank reported US$ 146.1 million in net profits in 2009, up by 19.8% from US$ 122.0 million in 2008.

BLOM Bank's net interest income increased by a yearly 2.4% to reach US$ 419.8 million in 2009, while net commission earnings amounted to US$ 68.2 million against US$ 74.1 million in 2008. Operating charges increased by 5.5% to reach US$ 253.9 million, of which staff expenses reached US$ 128.4 million, up by a yearly 11.1%.

Bank Audi's net interest income reached US$ 414.4 million in 2009, against US$ 423.0 million a year earlier, while net commission earnings stood at US$ 160.1 million in 2009 compared to US$ 141.1 million in 2008. Total operating charges amounted to US$ 362.6 million in 2009, of which staff expenses amounted to US$ 201.9 million, up by 1.7% year-on-year.

Byblos Bank's net interest income reached US$ 256.7 million, against US$ 236.0 million in 2008, while net commission earnings rose by 10.7% to US$ 78.5 million in 2009. Total operating charges amounted to US$ 177.0 million, compared to US$ 158.2 million in 2008, of which staff expenses amounted to US$ 87.0 million, up by a yearly 6.5%.

Bank of Beirut's net profits up by 15% to US$ 76.3 million in 2009

Bank of Beirut announced consolidated net profits of US$ 76.3 million in 2009, up by 15.0% from US$ 66.4 million in 2008. Net interest income edged down by 6.1% to US$ 105.8 million in 2009, while net commission earnings rose by 12.6% to US$ 42.5 million in 2009. Total operating expenses progressed by 11.8% to US$ 91.5 million in 2009, of which staff expenses amounted to US$ 45.6 million, up by 12.7% year-on-year, and other operating expenses totaled US$ 32.5 million in 2009, up by a yearly 14.5%.

Total assets reached US$ 7.0 billion at year-end 2009, up by 21.5% from year-end 2008, while loans to customers went up by 25.5% to attain US$ 1.8 billion in 2009. Customer deposits amounted to US$ 4.9 billion at year-end 2009, up by 24.6%. Shareholders' equity amounted to US$ 787.0 million at year-end 2009, up by a yearly 54.1%.

CAPITAL MARKETS

Money Market: 60-day LP CDs capture all subscriptions since the beginning of the year 2010

Regular norms governed the money market during this week, as local currency liquidity remained quite abundant in view of continuous conversions in favor of the Lebanese Pound on the foreign exchange market. Within this context, the overnight rate remained steady at its low official level of 3.00% set by the Central Bank.

As to short-term LP Certificates of Deposits, small subscriptions of LP 40 billion were made this week in the 60-day category that offers a yield of 4.03%, while market players continued to show no interest in placing their LP funds in the 45-day category that provides a lower yield of 3.77%. In total, subscriptions in LP short-term CDs amounted to LP 280 billion since the beginning of 2010 and were concentrated in full in the 60-day category.

On the monetary aggregates level, figures for the week ending 14th of January 2010 indicated an increase of LP 298 billion in local currency deposits, as a result of a LP 355 billion growth in LP time deposits and a LP 57 billion decline in LP demand deposits. In parallel, deposits in foreign currencies dropped by US$ 100 million. These weekly variations compare to an average weekly increase of LP 270 billion for LP deposits in 2009, and an average rise of US$ 81 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 195 billion during the week ending 14th of January 2010, versus an average weekly increase of LP 274 billion in 2009. In addition, total money supply in its large sense (M4) widened by a LP 132 billion week-on-week, as compared to an average weekly increase of LP 422 billion in 2009.

Interest rates	29/1/10	22/1/10	31/12/09	
Overnight rate	3.00%	3.00%	3.00%	⇔
7 days rate	3.10%	3.10%	3.10%	⇔
1 month rate	3.52%	3.52%	3.52%	⇔
45-day CDs	3.77%	3.77%	3.77%	⇔
60-day CDs	4.03%	4.03%	4.03%	⇔

Treasury Bills Market: Continuous foreign and local demand

The secondary Treasury bills market was still marked by continuous foreign demand across all categories, in addition to a local institutional and individual demand for long-term categories. However, the aforesaid demand was not matched by any noticeable offer, which kept activity dull on the secondary market.

As to the primary market, the preliminary results of this week's auction (January 28, 2010) showed that the average yield on the one-year and two-year categories retreated by six basis points to 5.57% and 6.18% respectively, while the average yield on the three-year category edged down by four basis points to close at 6.98%. It is worth mentioning that the Central Bank of Lebanon allowed commercial banks to subscribe to 20% only of their bids in the one-year and three-year categories and to 50% of their bids in the two-year category.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date January 21, 2010 which showed that total subscriptions amounted to LP 531 billion, and were distributed as follows: LP 6 billion in the three-month category, LP 84 billion in the six-month category and LP 441 billion in the five-year category. These compare to maturities of LP 244 billion, resulting in a nominal surplus of LP 287 billion.

It is worth mentioning that since year-end 2009, the average yield on the three-month category declined by four basis points, while it dropped by 11 basis points on the six-month category, 16 basis points on the one-year category, 14 basis points on the two-year category, 12 basis points on the three-year category and 20 basis points on the five-year category. Interest rates on LP Tbs continued to pursue their downward slope due to the ongoing interest in LP placements.

Treasury bills	29/1/10	22/1/10	31/12/09	
3-month	4.51%	4.51%	4.55%	⇔
6-month	5.61%	5.61%	5.72%	⇔
1-year	5.57%	5.63%	5.73%	↓
2-year	6.18%	6.24%	6.32%	↓
3-year	6.98%	7.02%	7.10%	↓
5-year	7.54%	7.54%	7.74%	⇔
Nom. Subs. (LP billion)		531	500	
Short-term (3&6 mths)		90	-	
Medium-term (1&2 yrs)		-	49	
Long-term (3 yrs)		-	451	
Long-term (5 yrs)		441	-	
Maturities		244	232	
Nom. Surplus/Deficit		287	268	

Foreign Exchange Market: The Central Bank intervenes daily as a buyer of the green currency

The continuous FC-to-LP conversions remained the main feature characterizing the foreign exchange market during this week, noting that the volume of conversions observed this week was similar to that of the previous week. Within this context, commercial banks continued to sell their US Dollar surpluses on a daily basis to the Central Bank of Lebanon at the lower end of its intervention bracket (LP

1,501.00). In parallel, they traded the US Dollar among themselves at a rate hovering between LP 1,501.00 and LP 1,501.15.

Within this context, the Central Bank's latest bi-monthly balance sheet ending January 31, 2010 showed an increase in foreign assets of US$ 616 million during the second half of January to reach an unprecedented high level of US$ 29.3 billion at end-January 2010. Subsequently, the BDL's foreign assets covered 85.3% of LP money supply with this coverage ratio rising to 114.4% when including gold reserves estimated at US$ 10.0 billion at end-January 2010. Moreover, the BDL's foreign assets covered 21.5 months of imports. These ratios underscore the strong ability of the Central Bank to meet demand for foreign currencies and defend the currency peg. On a cumulative basis, the Central Bank's foreign assets grew by US$ 1.0 billion during the first month of 2010 due to the continuous strong flow of conversions from FC holdings to LP holdings, and the Bank's ongoing intervention on the FX market as a buyer of the green currency surpluses.

Exchange rates	29/1/10	22/1/10	31/12/09	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,434.31	2,445.62	2,389.24	↑
LP/¥	16.72	16.68	16.34	↓
LP/SF	1,434.21	1,452.03	1,451.33	↑
LP/Can$	1,416.29	1,440.24	1,436.12	↑
LP/Euro	2,105.22	2,134.62	2,159.95	↑

Stock Market: Sluggish mood governs

The Beirut Stock Exchange was still underpinned by a sluggish mood, as mirrored by a weak trading activity and a drop in prices. In fact, the total trading value was limited to US$ 12.3 million this week, and the BSE price index dropped by 3.0% to reach 140.49.

Audi Indices for BSE	29/1/10	22/1/10	31/12/09	
22/1/96=100				
Market Cap. Index	495.10	510.37	505.10	↓
Trading Vol. Index	93.30	7,014.72	115.58	↓
Price Index	140.49	144.82	144.04	↓
Change %	-2.99%	-0.87%	0.91%	↑
Market Cap. $m	11,746	12,108	11,983	↓
No. of shares traded	622,262	10,396,462	248,012	↓
Value Traded $000	12,349	928,613	6,434	↓
o.w. : Solidere	10,968	5,455	2,055	↑
Banks	1,343	923,153	4,375	↓
Others	38	5	4	↑

In details, Solidere shares captured 88.8% of activity this week. Solidere "A" share price tumbled by 6.3% to close at US$ 21.70, and Solidere "B" share price dropped by 6.8% to close at US$ 21.48. The banking shares accounted for 10.9% of the total trading value. Bank Audi's GDR price declined by 1.3% to close at US$ 88.10, while the same bank's "listed" share price remained unchanged at US$ 88.00. In parallel, BLOM's GDR price moved down by 1.6% to close at US$ 88.25. Byblos Bank's "listed" share price decreased by 1.4% to US$ 2.12. Among the industrial shares, Holcim's share price fell by 4.3% to US$ 12.06.

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All in all, the BSE performed almost similarly to other emerging stock markets during this week, as reflected by a 2.5% decline in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM). Likewise, the BSE's performance went in line with that of other Arabian markets, as reflected by a 2.3% decrease in the Morgan Stanley Capital International Arabian Markets Index (MSCI Arabian Markets) and the Morgan Stanley Capital International GCC Countries Index (MSCI GCC Countries Index).

Bond Market: Slowdown in activity

The Eurobond market witnessed a slowdown in activity during this week. In fact, the strong local demand that was observed across all categories during the previous weeks shifted to a moderate demand on short-term and medium-term categories during this week, while the long-term categories were on offer.

Within this context, bond prices declined week-on-week, as reflected by a six basis points increase in the average yield to reach 4.49%, while the average spread expanded slightly by three basis points to 229 basis points due to an increase in both Lebanese and benchmark yields. For instance, the yield on the five-year US Treasury rose from 2.35% last week to 2.42% this week after the US government data showed stronger-than-expected fourth-quarter GDP data, which fanned worries that the Federal Reserve may raise rates sooner than previously thought.

Eurobonds Indicators	29/1/10	22/1/10	31/12/09	
Total tradable size $m	17,884	17,893	17,704	↓
o.w.: Sovereign bonds	17,314	17,323	17,134	↓
Average Yield	4.49%	4.43%	5.31%	↑
Average Spread	229	226	290	↑
Average Life	4.48	4.49	4.57	↓
Yield on US 5-year note	2.42%	2.35%	2.62%	↑

ARAB STOCK MARKETS INDICES:

	29-Jan-10	22-Jan-10	31-Dec-09	Weekly change	End-year-to-date change
Lebanon	140.5	144.8	144.0	-3.0%	-2.5%
Jordan	148.2	149.9	149.9	-1.1%	-1.1%
Egypt	843.0	868.7	784.9	-3.0%	7.4%
Saudi Arabia	399.1	406.5	389.3	-1.8%	2.5%
Qatar	582.2	595.3	611.1	-2.2%	-4.7%
UAE	206.4	213.9	229.3	-3.5%	-10.0%
Oman	868.3	846.1	837.2	2.6%	3.7%
Bahrain	323.8	335.1	331.9	-3.3%	-2.4%
Kuwait	526.1	549.8	554.5	-4.3%	-5.1%
Morocco	434.1	441.5	417.0	-1.7%	4.1%
Tunisia	1,238.0	1,246.4	1174.1	-0.7%	5.4%
Arabian Markets	470.8	482.4	470.5	-2.4%	0.1%

Sources: MSCI Barra, Bank Audi's Research Department

INTERNATIONAL MARKET INDICATORS:

	29-Jan-10	22-Jan-10	31-Dec-09	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	90.76	90.19	92.46	0.6%	-1.8%
$/£	1.604	1.606	1.589	-0.2%	0.9%
$/Euro	1.391	1.408	1.432	-1.2%	-2.8%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	10,067.33	10,172.98	10,548.51	-1.0%	-4.6%
S&P 500	1,073.87	1,091.76	1,126.42	-1.6%	-4.7%
NASDAQ	2,147.35	2,205.29	2,291.28	-2.6%	-6.3%
CAC 40	3,739.46	3,820.78	3,935.50	-2.1%	-5.0%
Xetra Dax	5,608.79	5,695.32	5,957.43	-1.5%	-5.9%
FT-SE 100	5,188.52	5,302.99	5,397.90	-2.2%	-3.9%
NIKKEI 225	10,205.02	10,524.61	10,546.44	-3.0%	-3.2%
COMMODITIES					
GOLD OUNCE	1,081.05	1,092.60	1,095.70	-1.1%	-1.3%
SILVER OUNCE	16.16	17.05	16.83	-5.2%	-4.0%
BRENT CRUDE (barrel)	70.20	71.36	77.66	-1.6%	-9.6%
LEADING INTEREST RATES (%)					
1-month Libor	0.23	0.23	0.23	0.00	0.00
US Prime Rate	3.25	3.25	3.25	0.00	0.00
US Discount Rate	0.50	0.50	0.50	0.00	0.00
US 10-year Bond	3.59	3.60	3.84	-0.01	-0.25

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