

# The Lebanon Weekly Monitor

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While Lebanon's public finances have so far managed to confront a number of internal and external shocks, fiscal vulnerability remains the main weakness factor in the Lebanese economy. Public finance figures for the first quarter of the year show a deficit to expenditures ratio of 37.8%, expanding from the 26.5% figure reported over the same period of the past year, on account of rising expenditures.

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Lebanese capital markets enjoyed a calm week. On the stock market, Solidere shares were subject to a wave of profit taking leading to a drop in prices of around 4% compared to the previous week's closing. Banking shares, in contrast, enjoyed some moderate demand. All in all, the price index gained a small 0.5% over the week while the trading index fell by more than half. This performance compares well relative to other emerging markets that registered a drop in prices, as reflected by an index decline of 2.4%, whereas other Arab markets did better than the Lebanese equity market that saw a 2.9% index growth. The eurobonds market was, likewise, very quiet with steady prices. The average spread on traded papers, nevertheless, widened by 17 basis points to 556 basis points, as a result of steady yields in Lebanese bonds and drop in foreign benchmark yields. On the foreign exchange market, the US dollar was on offer but in smaller volumes than the previous week and, accordingly, the Central Bank was not buying the green currency on a daily basis but kept its intervention rate at LP 1,501. This was reflected on the money market as liquidity was ample and the overnight rate stood at 3.5%. Finally, it is worth mentioning that money supply, in its large sense (M4), registered a LP 1,447 billion growth this week, and this is the largest weekly growth ever. The expansion was triggered by a LP 529 billion growth in LP deposits and a US\$ 464 million increase in foreign currency deposits.

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## ► ECONOMY

### Fiscal Deficit accounts for 38% of total expenditures in the first quarter of 2009

While Lebanon's public finances have so far managed to confront a number of internal and external shocks, fiscal vulnerability remains the main weakness factor in the Lebanese economy. Public finance figures for the first quarter of the year show a deficit to expenditures ratio of 37.8%, expanding from the 26.5% figure reported over the same period of the past year, on account of rising expenditures. It is worth noting that this is the highest ratio of fiscal deficit to expenditures recorded in the first quarter of any year since 2003. Indeed, the overall fiscal performance remains far below acceptable standards, and much more reforms are needed to restore public finances on the right track.

On the income front, public revenues which include budget and Treasury receipts, increased by 14.3% relative to the same period of 2008, thereby reaching LP 2,828.2 billion in the first quarter of 2009. Treasury revenues registered a drop LP 149.2 billion to become LP 142.9 billion, noting that a significant portion of Treasury income is in the form of receipts to the Independent Municipal Fund. The drop in Treasury receipts stems from the high base registered in the first quarter of 2008, as back then, the Treasury received a grant of LP 145 billion from US AID pertaining to a Paris III pledge, and an LP 3.0 billion grant from Iraq to Iraqi refugees in Lebanon.

As to budget revenues, they moved up by a considerable 23.1% to reach LP 2,685.2 billion driven by a rise in both tax revenues and non-tax revenues. Total tax revenues went up by 34.3%, due to a year-on-year rise of 105.6% in custom revenues, reflecting a significant rise in receipts from increased international trade, as well as a 14.2% increase in VAT revenues, mirroring an amelioration in aggregate private consumption. Other tax revenues also went up by 18.5%. The latter incorporate income tax revenues, property registration fees, and excise revenues, with their increase mainly driven by the 22% rise in income tax revenues resulting from the public sector and minimum wage increases implemented in September 2008, as well as the 189% surge in the collection of excises, resulting from the decline in fuel prices worldwide. In parallel, collected property registration fees dropped by a slight 5% year-on-year, and this is most likely attributed to the languishing real estate market following the global financial crisis and the world economic recession.

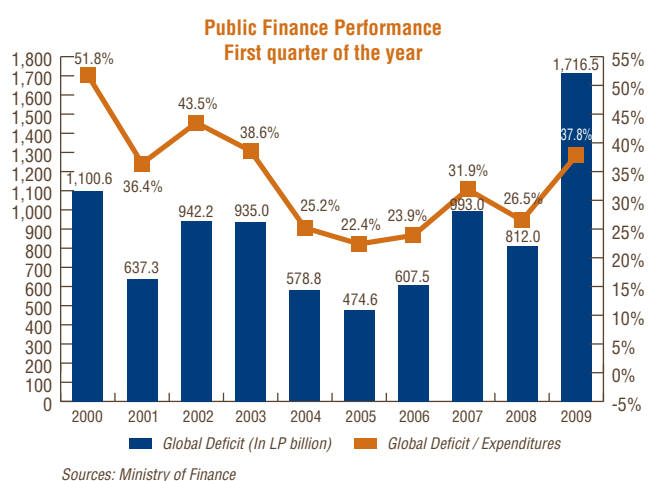
As for non-tax revenues, they went down by 1.5%, explained mainly by a 7.7% drop in government properties' revenues, which more than offset the 27% rise in entrepreneurial income stemming from transfers received from the Port of Beirut, higher transfers from the Telecom Budget

surplus and higher receipts from Casino du Liban.

On the spending side, total public expenditures, which include budgetary and Treasury spending, increased by a yearly 35.1% in the first quarter of 2009 to reach LP 4,544.6 billion, caused mainly by an 86.9% surge in Treasury expenditures, as well as a 17.5% rise in budgetary expenditures. Treasury expenditures reached LP 1,592.7 billion in the first quarter of 2009, and their rise is mostly due to an increase of LP 569.4 billion, or 110.5% in transfers to EDL, which totaled LP 1,084.8 billion. This item constituted the largest share of Treasury expenditures, as it accounted for 68% of the latter. It is worth noting that throughout the year, transfers to EDL would probably ease down, on account of lower oil prices. The aforementioned increase might have been the result of previous commitments made by the government to purchase fuel, back when oil prices were still skyrocketing.

In parallel, budgetary expenditures were at LP 2,951.9 billion. 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 1,377.3 billion in the first quarter of 2009, increasing by 25.3% relative to the same quarter of 2008. This rise was spurred by an equal year-on-year rise of 25.3% in interest payments on both local currency debt and foreign currency debt. As for principal foreign debt repayment, it amounted to LP 39.5 billion in the first quarter of 2009, significantly lower than the LP 178.0 billion recorded in the first quarter of 2008. This decrease is due to the early retirement of three World Bank loans against USAID grant disbursement in January 2008, which led to a significant amount of principal debt repayment in the first quarter of 2008.

Non-interest budgetary spending went up by 24.3% year-on-year, caused by a 24% rise in current primary expenditures and a 14% rise in capital expenditures. The former



resulted mostly from higher spending on salaries and wages and transfers to the Lebanese University, while the latter resulted from higher construction-in-progress spending, as well as a payment to the Export Plus program.

As such, with the growth in revenues short of the rise in spending, the public balance saw a year-on-year drawback in the first quarter of 2009, as the global deficit went up by 92.5%, to reach LP 1,716.5 billion, the highest fiscal deficit recorded in the first quarter of any year since the year 2000. When excluding debt service, the first quarter of the year witnessed a significant deterioration at the level of the primary balance, which registered a cumulative deficit of LP 299.6 billion, compared to a surplus of LP 385.9 billion in the first quarter of 2008, mirroring the hike in non-debt related expenditures.

### Coincident indicator up by 9.2% on average in the first quarter of 2009

The coincident indicator, an index developed by the Central Bank, which monitors economic activity in Lebanon, averaged 212.93 in the first quarter of 2009, up by 9.2% from the same quarter of the previous year. This suggests a significant step up in economic performance in Lebanon in the first quarter of this year. However, it is worth noting that this high increase stems partly from the fact that back in the first quarter of 2008, economic activity in Lebanon was somewhat hampered by local political conditions.

When comparing the average coincident indicator of the first quarter of 2009 to that of the last quarter of 2008, an increase of 3.1% is noticeable in the first quarter of this year. This increase in the coincident indicator does indeed signify an improvement in economic performance in Lebanon, as it compares to a quarter when economic activity was booming in Lebanon. More importantly, it comes within the context of a global economic meltdown, indicating that the Lebanese is still relatively managing well amidst the

global crisis. In fact, this amelioration in economic activity as per Central Bank analysis might be the reason why the Governor of the Central Bank of Lebanon revised his forecast for Lebanon's real GDP growth in 2009 up to 6%.

When looking at the monthly coincident indicator throughout 2009 so far, it seems that economic activity was at its peak in the first month of the year but it started to slide gradually but trivially in the next two months. The indicator was at 215.3 in January, only for it to drop slightly to 212.4 in February and 211.1 in March. Nonetheless, these values remain high and compare well to values registered in earlier months.

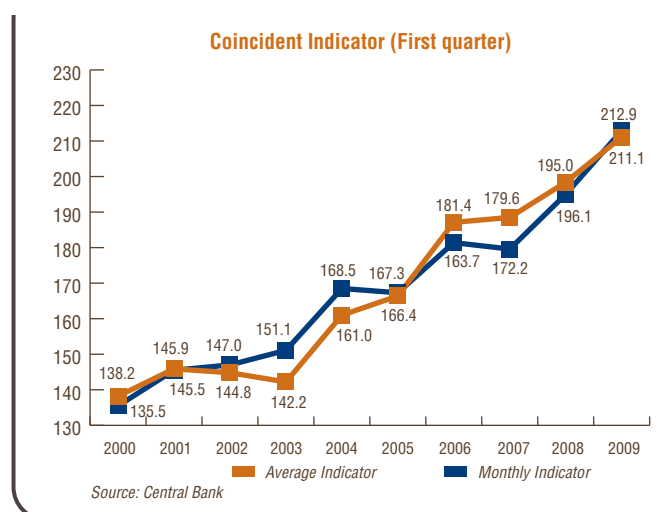
### Imports of industrial machinery up by 51.1% in the first quarter of 2009

According to statistics released by the Ministry of Industry, imports of industrial machinery, which mirror the activity of investments made in the industrial sector, amounted to LP 81.5 billion, or US\$ 54.1 million in the first quarter of 2009, up by 51.1% from their value in the same period of 2008, and by 37.6% from their value in the same period of 2007. As a matter of fact, the value of imports of industrial machinery in the first quarter of this year reached a historical high when compared to the same period of previous years. When compared to the previous quarter, i.e. the last quarter of 2008, imports of industrial machinery displayed a rise of 1.1%.

The yearly rise reflects advancement in industrial projects in the first quarter of this year or in plans to intensify industrial projects in the coming months. It seems that industrial activity in Lebanon has been on the rise May 2008, following the Doha agreement, with the end of the political stalemate bringing back the life to the Lebanese industrial sector. Indeed, this activity has so far shown no signs of a hold back amidst the global economic meltdown. It is worth noting that this has positive spillovers on the country's export activity, with industry currently dominating Lebanon's export trade, accounting for almost 96% of it.

Imports of industrial machinery have been tracing an upward trajectory throughout 2009 so far. They totaled LP 22.6 billion, or US\$ 15.0 million in January 2009 and LP 24.1 billion, or US\$ 16.0 million in February 2009, only for them to rise significantly to reach LP 34.8 billion, or US\$ 23.1 million in March 2009. The value of imported industrial machinery in March 2009 is more than two times the US\$ 11.4 million worth of imported industrial machinery in March 2008, and signifies a record high value when compared to the third month of previous years.

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## ► SURVEYS

### Lebanon's piracy rate at 74% in 2008, 19th highest globally and 5th highest in Middle East and North Africa

The U.S. based Business Software Alliance (BSA), an industry group representing the world's leading computer software developers, ranked Lebanon 19th out of 115 countries worldwide and fifth in the Middle East and North Africa (MENA) region. Its regional ranking regressed by one notch in 2008 after progressing by three notches in 2007. Its global ranking has also dropped in 2008 from the 37th position in 2007 after following an improving path for four consecutive, as the country had the 30th highest piracy rate in the world in 2006 and 2005 and 19th highest piracy rate in 2004.

BSA's annual report on global software piracy indicated that Lebanon's piracy rate increased slightly from 73% in 2007 to 74% in 2008. It is worth noting that Lebanon's piracy rate has been constant at 73% since 2005 after it dropped from 75% and 74% in 2004 and 2003, respectively. In parallel, piracy-related losses in the country totaled US\$ 49 million, up by 11.4% from US\$ 44 million in 2007, by 25.6% from US\$ 39 million in 2006, 44.1% from US\$ 34 million in 2005, 88.5% from US\$ 26 million in 2004 and by a 122.4% from US\$ 22 million in losses in 2003.

Lebanon posted the 8th highest loss among Arab countries in 2008, and the 10th highest loss in the MENA region. Piracy-related losses in Lebanon accounted for 2.2% of piracy-related dollar losses in the Arab world, 1.7% of such losses in the MENA region, 1.6% of losses in the Middle East and Africa region, and 0.09% of global piracy-related losses.

#### Software Piracy in MENA countries in 2008

Country	Piracy rate (%)	Rank	Losses (US\$ million)
Yemen	89	1	14
Libya	87	2	22
Iraq	85	3	205
Algeria	84	4	96
<b>Lebanon</b>	<b>74</b>	<b>5</b>	<b>49</b>
Tunisia	73	6	48
Morocco	66	7	70
Turkey	64	8	468
Oman	62	9	26
Kuwait	61	10	69
Egypt	59	11	158
Jordan	58	12	22
Bahrain	55	13	27
Saudi Arabia	52	14	272
Qatar	51	15	26
UAE	36	16	170
Israel	32	17	172
Other ME	87		438
Other Africa	86		95
Total ME/A	59		2,999

Source: Business Software Alliance

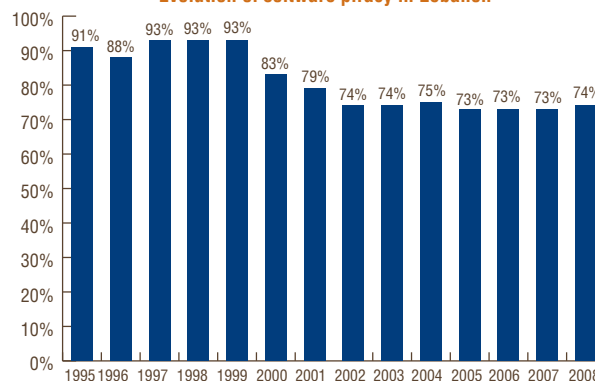
Lebanon's software piracy rate of 74% remained higher than the Arab average of 66%, as well as the MENA average of 64%, and the Middle East and Africa regional average of 59%. Lebanon's piracy rate also remained significantly higher than the worldwide rate of 41%. It is worth mentioning that piracy rate has remained more or less constant in Lebanon while it has increased globally to the fast growth of the PC market in high piracy emerging markets.

The BSA has been waging an anti-piracy campaign in Lebanon since Parliament passed the intellectual property rights law in 1999. It has warned of the negative effects on economic growth in Lebanon if it is perceived as unwilling or unable to fight piracy. The BSA said that a key obstacle to an effective anti-piracy campaign in Lebanon was the small number of sworn investigators, most of whom are computer illiterate, and that intellectual property is not included in the curriculum of law degrees at local universities. However, BSA commended efforts of Lebanese authorities to intensify crackdown on violators of Intellectual Property Rights (IPR). A number of suspects have been arrested for violation of IPR and copyright laws. Lebanese authorities have also strengthened their cooperation with BSA to step up awareness and enforcement efforts in the country. BSA specifically praised the Lebanese government's action of publicly destroying 150,000 CDs and DVDs loaded with pirated software, games, movies and music in January 2007.

The UAE had the lowest piracy rate in the Arab world and the 12th lowest worldwide rate at 34%, rendering it the only Arab country in the top 20 list of low-piracy countries, followed by Qatar (51%), and Saudi Arabia (52%). In parallel, Yemen had the highest piracy rate in the Arab world and the 5th highest worldwide at 89%, followed by Libya (87%), and Iraq (85%).

The annual survey was conducted by International Data Corporation (IDC), the IT industry's leading global market research and forecasting firm. It covered business application software, as well as operating systems, consumer-oriented software and local-language software in the 108 countries.

#### Evolution of software piracy in Lebanon



Source: Business Software Alliance



## ► CORPORATE NEWS

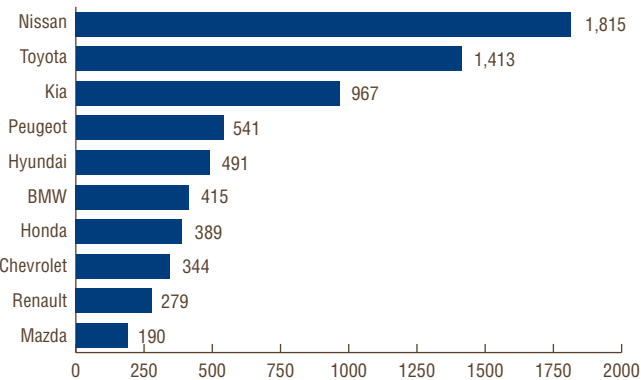
### Nissan tops car sales in Lebanon with 1,815 newly registered car sales in the first four months of 2009

The new cars registration statistics in Lebanon, as compiled by the Association of Car Importers in Lebanon, show that Japan's Nissan cars topped the rankings with sales of 1,815 new cars in the first four months of 2009, against 1,421 cars in the first four months of 2008. Japan's Toyota brand ranked second with 1,413 newly registered cars in the first four months of 2009, against 1,335 cars in the same period of last year.

Korea's Kia cars ranked third with 967 vehicles in the first four months of 2009, against 1,216 cars in the same period of last year. France's Peugeot cars ranked fourth with 541 newly registered cars, against 540 cars in the first four months of 2008. Korea's Hyundai came in the fifth rank with 491 cars in the first four months of the year, against 277 cars in the same period of 2008.

On the overall, new car sales in Lebanon progressed by 6.2% in the first four months of 2009 to reach a total of 8,671 cars, against 8,164 cars in the first four months of 2008. Over the month of April 2009, new car sales in Lebanon totalled 2,408 cars, against 2,890 in April 2008, thus registering a 16.7% decrease.

New cars registration of top 10 brands in the first four months of 2009



Sources: Association of Car Importers in Lebanon, Bank Audi's Research Department

### BLC Bank posts consolidated net profits of US\$ 4.8 million in the first quarter of 2009

BLC Bank announced consolidated net profits of US\$ 4.8 million in the first quarter of 2009, up by 1.5% from the first quarter of 2008. Net interest income increased from US\$ 9.4 million in the first quarter of 2008 to US\$ 12.3 million in the first quarter of 2009, while net commission earnings rose by 74.5% to US\$ 2.1 million in the first quarter of 2009. Total operating charges increased by 24.9% to US\$ 9.4 million, of which staff expenses amounted to US\$ 6.3 million, up by 46.4% year-on-year.

Total assets reached US\$ 2.0 billion at end-March 2009, up by 3.0% from year-end 2008, while loans to customers increased by 14.6% over the same period to reach US\$ 316.0 million at end-March 2009. Customer deposits amounted to US\$ 1.8 billion, up by 3.5% from year-end 2008. Shareholders' equity amounted to US\$ 167.0 million at end-March 2009, up by 6.3% from US\$ 157.1 million at year-end 2008.

### Citigroup reiterates "Buy" recommendation on Solidere

Global financial services firm Citigroup issued a flash note on Solidere, the Lebanese real estate master developer in charge of the reconstruction and development of the Beirut Central District (BCD), in which it reiterated its "Buy" recommendation on the Solidere stock.

Citigroup's recommendation is attributed to company specific, sector and macroeconomic factors: Solidere's unique position as the sole developer granted rights over lands in order to carry on reconstruction and development works in the BCD; its acquisition of land bank in 1994 which it carries at a cost based on 1992 valuations; the positive real estate fundamentals in the capital city and the recent appreciation of land prices; traditionally conservative banking policies that have limited the spillovers of the global financial crisis on the local banking sector (low sector loans to deposits ratio at circa 30%). Citigroup also expects stability in economic policy and another unity government as the most likely outcome of the June parliamentary elections.

The "Buy" recommendation was accompanied by a "High Risk" rating. Citigroup argues that despite the sense of stability following the formation of a national unity cabinet last year, risks of a relapse in political and security conditions in the future cannot be ruled out, and finds it impossible to quantify the probability of such risks or the magnitude of their effects. Yet, since the current price of the Solidere stock is well below Citigroup's target price of US\$ 26 for the Solidere stock (49.8% upside potential), the political risk seems already discounted. Research analysts at Citigroup view the financing risks of Solidere as manageable, but reckon that within the context of tighter credit conditions, sub developers acquiring plots from Solidere may find it difficult to obtain construction funding or meet installment repayment obligations to the company. According to the report, at a business level, risks to the infant international operations include those common to all developers with new overseas operations, such as choice of local partners and unique regulations in specific countries.

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## ► CAPITAL MARKETS

### Money Market: Significant increase in money supply

The money market retained its status quo with LP liquidity still ample. The overnight rate stood at its low official level of 3.5%, within the context of continuous flow of conversions in favor of the Lebanese Pound.

As to short-term Certificates of Deposits (CDs), subscriptions of LP 10 billion were made this week on the 60-day category, with total subscriptions amounting to LP 413 billion since the beginning of the year 2009, and distributed as follows: LP 99 billion in the 45-day category and LP 314 billion in the 60-day category. Total outstanding CDs portfolio reached LP 13,591 billion at end-March 2009, according to the latest report from the Association of Banks of Lebanon. This is an increase of LP 1,298 billion relative to the previous month and an increase of LP 4,556 billion since the end of 2008. This significant growth is the result of the liquidity surpluses at banks driven by a continuous US dollars-to-Lebanese pounds conversions on the foreign exchange market, and pushing banks to look for placements for this ample liquidity and secure good returns, with the five-year CDs offering currently a rate of 10.0%. It is worth highlighting that the average weighted yield on the CDs portfolio reached 10.62% at end-March 2009, according to the latest report from the Association of Banks of Lebanon. This is a 14 basis points retreat from the previous month's yield and a 37 basis point drop since the beginning of the year.

On the monetary aggregates level, figures for the week ending April 30 showed a LP 529 billion increase in local currency deposits, as a result of a LP 293 billion growth in time deposits and a LP 236 billion rise in demand deposits. In parallel, deposits in foreign currencies went up by US\$ 464 million. These variations compare to an average weekly increase of LP 237 billion for LP deposits since the beginning of the year 2009, and an average increase of US\$ 15 million in foreign currency deposits. LP money supply (M2) expanded by LP 686 billion, versus an average weekly increase of LP 232 billion since the beginning of the year 2009. The total money supply in its large sense (M4) expanded by LP 1,447 billion, compared to an average weekly increase of LP 267 billion since end-2008. On a cumulative basis and over the first four months of the year, money supply in the large sense (M4) expanded by LP 5,453 billion. This is the result of an important growth in local

currency denominated time deposits of LP 4,387 billion and an increase of LP 800 billion (US\$ 531 million) in foreign currency deposits. Money supply in its narrow sense (M1) contracted by LP 38 billion over the same period, while Treasury bills held by the public increased by LP 304 billion.

### Treasury Bills Market: Stable positive mood

The Treasury bills secondary market is not witnessing any change with no activity again this week. The latest results of the Treasury bills auction, released by the Central Bank this week, showed that total subscriptions for value date May 7, 2009 amounted to LP 516 billion, and were distributed as follows: LP 59 billion in the three-month category, LP 6 billion in the six-month category, LP 4 billion in the one-year category, LP 8 billion in the two-year category and LP 439 billion in the three-year category. These compare to maturities of LP 444 billion, resulting in a nominal surplus of LP 72 billion. The average yields on all categories, except the three-month, were reduced this week by two basis points. The preliminary results of this week's auction (May 14, 2009) showed that average yields across all categories (except the two-year maturity) fell by two to four basis points.

Recent statistics, released by the latest report of the Association of Banks of Lebanon, show that the total outstanding Treasury bills portfolio stood at LP 38,708 billion at end-March 2009, versus LP 37,644 billion at end-2008, which is a LP 1,064 billion growth. This is driven by a LP 815 billion growth in commercial banks' portfolio (from LP 32,062 billion at end-2008 to LP 32,877 billion at end-March 2009), in addition to a LP 204 billion increase in the public sector's portfolio (from LP 4,852 billion at end-2008 to LP 5,056 billion at end-March 2009) and a LP 45 billion in the portfolio of the public (from LP 730 billion at end-2008 to LP 775 billion at end-March 2009).

Treasury bills	15/05/09	08/05/09	26/12/08
3-month	5.00%	5.02%	5.10% ↓
6-month	6.86%	6.90%	7.10% ↓
1-year	7.13%	7.16%	7.58% ↓
2-year	7.74%	7.74%	8.26% ↔
3-year	8.72%	8.74%	9.00% ↓
Nom. Subs. (LP billion)		516	242
Short-term (3&6 mths)		65	80
Medium-term (1&2 yrs)		13	13
Long-term (3 yrs)		439	149
Maturities		444	157
Nom. Surplus/Deficit		72	85

Interest rates	15/05/09	08/05/09	26/12/08
Overnight rate	3.50%	3.50%	3.50% ↔
7 days rate	4.50%	4.50%	4.50% ↔
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% ↔

### Foreign Exchange Market: Ongoing but smaller volumes of US dollar-to-LP conversions

US dollar-to-LP conversions remained the main feature of foreign exchange activity this week, but the supply of the

green currency was lower in volumes than the previous week. The Central Bank was not intervening every day this week, but kept the exchange rate at the lower end of its set bracket (LP 1,501). Meanwhile, commercial banks continued to trade the US dollar at a rate hovering between LP 1,501 and LP 1,501.25.

Within this context, it is worth highlighting that the foreign exchange market has been characterized by a very favorable performance this year which led to an increase in the Central Bank foreign assets of US\$ 2.6 billion over the first four months of 2009. According to the latest bi-monthly balance sheet of the Central Bank, foreign assets reached a record high at of US\$ 22.3 billion and covered around 20.7 months of imports.

Exchange rates	15/05/09	08/05/09	26/12/08
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,287.78	2,266.07	2,221.60 ↓
LP/¥	15.86	15.16	16.66 ↓
LP/SF	1,359.58	1,336.08	1,401.80 ↓
LP/Can\$	1,285.28	1,291.00	1,236.37 ↑
LP/Euro	2,044.17	2,022.46	2,120.00 ↓

### Stock Market: Profit taking on Solidere

The Beirut Stock Exchange witnessed this week a wave of profit cashing on Solidere shares that had registered the previous week record high prices unseen since six months. In parallel, demand on bank shares continued. Overall, the price index crawled only 0.52% higher to close at 113.25. The number of shares traded this week also went down from 2,353,387 to 1,056,152 shares this week, i.e. a 55% drop and accordingly the trading value slipped from US\$ 36.2 million to US\$ 17.4 million this week. The average trading value also declined from US\$ 7.2 million per day to US\$ 3.5 million per day and the trading index lost as a result 51.5%.

Audi Indices for BSE	15/05/09	08/05/09	26/12/08
22/1/96=100			
Market Cap. Index	386.82	384.83	393.96 ↑
Trading Vol. Index	155.97	321.46	50.43 ↓
Price Index	113.25	112.67	116.09 ↑
Change %	0.52%	7.55%	-1.71% ↓
Market Cap. \$m	9,176	9,129	9,346 ↑
No. of shares traded	1,056,152	2,353,387	372,788 ↓
Value Traded \$000	17,588	36,218	4,550 ↓
o.w. : Solidere	13,488	32,393	3,182 ↓
Banks	3,764	3,742	1,329 ↑
Others	335	82	39 ↑

In details, Solidere that has the largest market capitalization accounted for the lion's share with 77% of activity this week. Solidere "A" share price decreased by 3.8% to US\$ 18.43, and Solidere "B" share price lost 3.9% to US\$ 18.37. On the other hand, banking shares accounted for 21% of the total trading value this week. Bank Audi's GDR price decreased by 2.8% to close at US\$ 48.34, but the same bank's "listed" shares gained 4.4% to close at US\$ 47.03. BLOM's GDR price went slightly higher by 0.5% to close at US\$ 64.55, while BLOM's "listed shares" stood still at US\$ 65. Byblos Bank's "listed" shares price rose by 9.7% to US\$ 1.92, while Byblos Bank "priority shares" increased by 6.2% and closed at US\$ 1.89.

Among the industrial shares, Holcim gained 2.8% to close at US\$ 13.49. Uniceramic bearer "A" shares fell 45.5% to close at US\$ 0.06. As to the investment funds, none was traded this week.

Finally, the BSE performed better than other emerging stock markets, as reflected by a 2.4% drop in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and a 1.6% decline in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). However, the BSE fared worse than other Arabian markets, as reflected by an increase of 2.9% in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets) and a 3.0% growth in the Morgan Stanley Capital International GCC countries Index (MSCI GCC countries).

### Bond Market: Modest domestic demand and unchanged prices

The Eurobonds market is still witnessing a shy domestic demand that failed to move prices again this week, as reflected by a stable average yield on all traded papers standing at 7.31%. The average spread nevertheless widened by 17 basis points to reach 556 basis points, due to a decrease in the benchmark yields and steady yield on Lebanese bonds. For instance, the average yield on the five-year US Treasury bill went down from 2.19% last week to 1.96% this week. US Treasuries' prices crawled higher as soft jobs data in the US highlighted the economy's difficulty in recovering from one of the worst slumps since the Great Depression.

Eurobonds Indicators	15/05/09	08/05/09	26/12/08
Total tradable size \$m	17,542	17,556	17,173 ↓
o.w.: Sovereign bonds	16,972	16,986	16,603 ↓
Average Yield	7.31%	7.32%	8.88% ↓
Average Spread	556	539	755 ↑
Average Life	4.82	4.84	4.65 ↓
Yield on US 5-year note	1.96%	2.19%	1.32% ↓

Week  
**20**  
May 11 - May 17  
2009

## ARAB STOCK MARKETS INDICES:

	15-May-09	08-May-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	113.25	112.67	113.6	0.5%	-0.3%
Abu Dhabi securities market	51.07	51.68	47.0	-1.2%	8.7%
Amman stock exchange	328.46	312.43	340.3	5.1%	-3.5%
Bahrain stock exchange	142.9	136.44	156.5	4.7%	-8.7%
Casablanca stock exchange	218.53	216.19	224.5	1.1%	-2.7%
Doha securities market	131.74	131.41	142.7	0.3%	-7.7%
Dubai financial market	54.45	54.42	60.3	0.1%	-9.6%
Egypt capital market	293.34	291.02	240.1	0.8%	22.2%
Kuwait stock market	129.07	131.6	147.9	-1.9%	-12.7%
Muscat securities market	143.89	147.21	157.3	-2.3%	-8.5%
Saudi stock market	140.13	134.06	113.2	4.5%	23.8%
Tunis stock exchange	129.92	130.42	114.8	-0.4%	13.2%
AMF composite	165.61	162.39	156.3	2.0%	6.0%

Source: Arab Monetary Fund

## INTERNATIONAL MARKET INDICATORS:

	15-May-09	08-May-09	31-Dec-08	Weekly change	End-year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	95.05	99.06	90.92	-4.0%	4.5%
\$/£	1.518	1.505	1.4520	0.9%	4.5%
\$/Euro	1.356	1.348	1.3950	0.6%	-2.8%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	8,268.64	8,574.65	8,776.39	-3.6%	-5.8%
S&P 500	882.88	929.23	903.25	-5.0%	-2.3%
NASDAQ	1,680.14	1,739.00	1,577.03	-3.4%	6.5%
CAC 40	3,169.05	3,312.59	3,217.97	-4.3%	-1.5%
Xetra Dax	4,737.50	4,913.90	4,810.20	-3.6%	-1.5%
FT-SE 100	4,348.11	4,462.09	4,434.20	-2.6%	-1.9%
NIKKEI 225	9,038.69	9,451.98	8,859.56	-4.4%	2.0%
<b>COMMODITIES</b>					
GOLD OUNCE	930.7	916.05	878.20	1.6%	6.0%
SILVER OUNCE	13.93	13.98	11.30	-0.4%	23.3%
BRENT CRUDE (barrel)	54.96	57.12	39.83	-3.8%	38.0%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	0.33	0.37	0.45	(0.04)	-0.12
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	3.13	3.29	2.22	(0.16)	0.91

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