The Lebanon Weekly Monitor

Week 26
Jun 22 - Jun 27
2009

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Public finance figures for the first four months of the year, as released by the Ministry of Finance, show a deficit to expenditures ratio of 30.4%, contracting slightly from the 31.4% figure reported over the same period of the past year.

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The World Bank released this week an update on its Global Economic Prospects (GEP) report, where it forecasted a slowdown in the Lebanon's real GDP growth to 2.5% in 2009, followed by a slight recovery in 2010 with this growth rate reaching 4.5%.

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U.S-based financial services giant Citigroup issued an update report on Solidere in which it raised its target price to US$ 34, from its previous target price of US$ 26, with an upside potential of 51.1%.

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Lebanese capital markets welcomed this week, positive signals on the domestic political front. On the foreign exchange market, the volume of US$-to-LP conversions increased notably, and exceeded the volumes reported in the weeks after the Doha agreement in May 2008. The Central Bank was buying the green currency at the lower end of its intervention bracket (LP 1,501) and commercial banks were trading the US dollar at a rate hovering between LP 1,501 and LP 1,501.25. The Beirut Stock Exchange likewise cheered the political developments as prices of equities reflected. Most stocks climbed higher and the price index gained more than 4% this week to reach 134.2. The Eurobond market was also marked by a strong local and foreign demand, amidst little offer and so prices went up as well. The average spread on all traded papers widened by four basis points to end the week at 447 basis points. Finally, Treasury bills were also in demand and particularly the short-tem maturities. Foreign buyers showed interest in these Lebanese pound denominated debt papers on the secondary market, after four years of almost no trading of these securities.

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Fiscal Deficit accounts for 30% of total expenditures in the first four months of 2009

Public finance figures for the first four months of the year, as released by the Ministry of Finance, show a deficit to expenditures ratio of 30.4%, contracting slightly from the 31.4% figure reported over the same period of the past yea. This slight improvement is due to the fact that the percentage rise in revenues was vaguely higher than the percentage rise in expenditures.

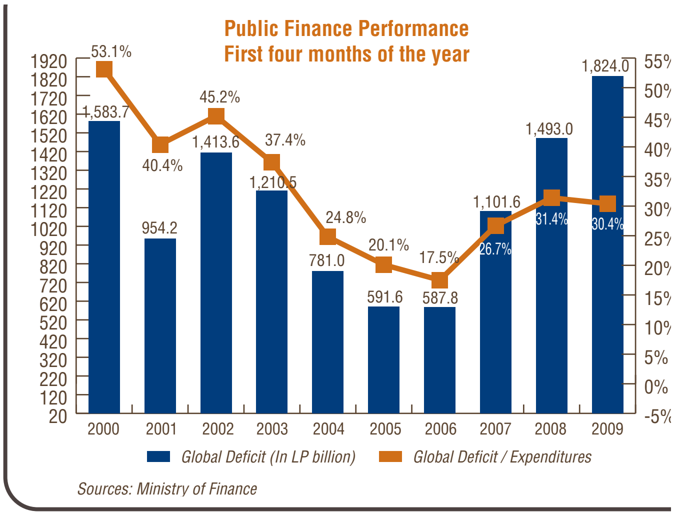
On the income front, public revenues which include budget and Treasury receipts, increased by 27.9% relative to the same period of 2008, thereby reaching LP 4,177.5 billion in the first four months of 2009. Treasury revenues registered a drop LP 151.5 billion to become LP 186.9 billion. The drop in Treasury receipts stems from the high base registered in the first four months 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 36.3%, thus more than offsetting the drop in treasury revenues, to reach LP 3,990.5, billion driven by a rise in both tax revenues and non-tax revenues. Total tax revenues went up by 35.9%, due to a year-on-year rise of 108.5% in custom revenues, reflecting a significant rise in receipts from increased international trade, as well as a 15.9% increase in VAT revenues, mirroring an amelioration in aggregate private consumption. Other tax revenues also went up by 35.9%. As for non-tax revenues, they went up by 37.2%.

On the spending side, total public expenditures, which include budgetary and Treasury spending, increased by a yearly 26.1% in the first four months of 2009 to reach LP 6,001.5 billion, caused mainly by a 59.3% surge in Treasury expenditures, as well as a 17.9% rise in budgetary expenditures. Treasury expenditures reached LP 1,869.8 billion in the first four months of 2009, and their rise is mostly due to an increase of LP 446.4 billion, or 59.2% in transfers to EDL, which totaled LP 1,200 billion. This item constituted the largest share of Treasury expenditures, as it accounted for 64%. Here, it is worth noting that transfers to EDL were at LP 115.2 billion in March 2009, down by 51.7% year-on-year, as a result of the plunge in oil prices.

In parallel, budgetary expenditures were at LP 4,131.7 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 2,028.7 billion in the first four months of 2009, increasing by 21.2% relative to the same period of 2008. This rise was spurred by a year-on-year rise of 26.9% in interest payments both local currency debt and a 13.3% rise on interest on foreign currency debt. As for principal foreign debt repayment, it amounted to LP 43.0 billion in the first four months of 2009, significantly lower than the LP 185.6 billion recorded in the first four months 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 25.2% year-on-year.

Although the percentage rise in revenues was higher than that of expenditures, the latter remained at a considerably higher amount, thereby leading to a 22.2% rise in the overall fiscal deficit, which totaled LP 1,824.1 billion in the first four months of 2009. When excluding debt service, the first four months of the year witnessed a descent at the level of the primary balance, which registered a cumulative surplus of LP 247.7 billion, compared to a surplus of LP 366.6 billion in the same period of 2008, mirroring the hike in non-debt related expenditures.

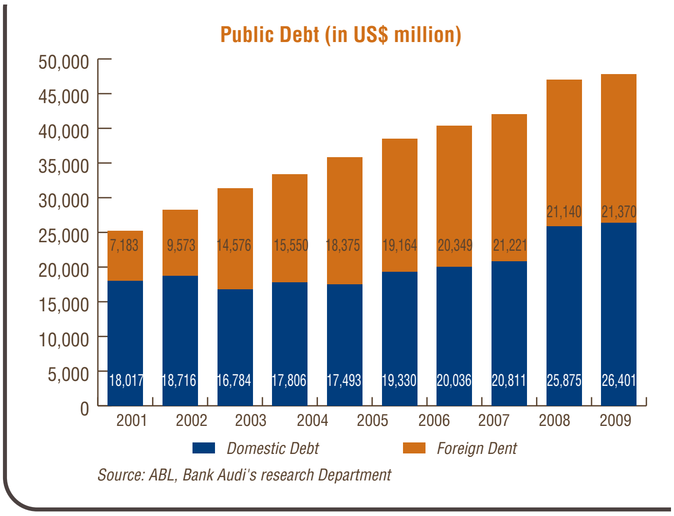


Gross public debt retreats slightly in April 2009

Although gross public debt slightly retreated to LP 72,014 billion, the equivalent of USD 47.8 billion, at the end of April 2009, down from LP 72,248 billion at the end of the previous month, it increased, however, in the first four months of 2009 by 1.6%, compared to a growth of 3.6% in the same period of 2008. The monthly decline during April is the result of a 0.2% drop in foreign currency debt and a 0.4% decrease in local currency debt, due to a debt repayment transaction made during the month. As for the increase during the first four months of the year, it was the combined result of a 1.1% rise in foreign currency debt and a 2.0% rise in local currency debt. It is clearly the case that the Lebanese government is trying to contain the rise in public debt.

Net public debt, which deducts public sector deposits at commercial banks and the central bank from gross public debt, rose by 2.9% from end December 2008 to end April 2009 to read LP 64,349 billion.

The shares of the local currency debt and foreign currency debt of the total gross were around 55.3% and 44.7% respectively at the end of April 2009. The distribution of local currency debt by type of holder was as follows: 59.1% for banks (59.5% end of March 2009), 25.3% for the Central bank (25.1% in the previous month) and 15.6% for the non-banking sector. The breakdown of the foreign currency debt was as such: Eurobonds (85.0%), Multilateral (7.0%), Paris II loans (2.0%), Bilateral (4.5%), and others (1.5%).



Kafalat guarantees remain somewhat constant in the first five months of 2009

Figures released by the Kafalat Corporation indicate that loans extended to small and medium sized companies under the guarantee of Kafalat totaled LP 83.3 billion, or US$ 55.3 million in the first five months of 2009, down by a negligible 0.1% from the same period of the previous year. The aggregate number of guarantees amounted to 417, down by a yearly 3.7%. Within the context of a somewhat constant value of guarantees, the average value per guarantee also decreased by 3.7% in the said period of 2009 to reach LP 199.9 million, or US$132,609.

Agriculture captured the lion's share in extended guarantees in the first five months of 2009, with 46.5% of total guarantees. Industry came in next (37.9%) followed by tourism (10.3%), handicrafts (2.9%), and specialized technologies (2.4%). As for the distribution of guarantees by area, Mount Lebanon (45.1%), followed by the Bekaa (18.9%), the South (17.7%), the North (12.7%), and Beirut (5.5%).

Kafalat is a state-sponsored organization that provides financial guarantees for loans up to US$ 200,000 earmarked for the set up and expansion of small and medium-sized companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during that grace period.

Imports of industrial machinery up by 58.5% in the first four months 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 108.4 billion, or US$ 71.9 million in the first four months of 2009, up by 58.5% from the their value in the same period of 2008. As a matter of fact, the value of imports of industrial machinery in the first four months of this year reached a historical high when compared to the same period of previous years.

The yearly rise reflects advancement in industrial projects in the first four months of this year or in plans to intensify industrial projects in the coming months. Imports of industrial machinery have so far shown no signs of a hold back amidst the global economic meltdown.

Imports of industrial machinery have registered year-on-year increases in each and every month of 2009 so far. This rise was at 85.9% in April 2009, as imports of industrial machinery totaled US$ 17.9 million during the month, noting that those imports are the second highest monthly imports during 2009 so far, following those imported in March. Also, one should note that the increase in the value of imported industrial machinery, which are imported primarily from Europe, comes within the context of the depreciation of the Euro, indicating a rise in the number of imported machinery.

Customs duties up by 52.5% in the first four months of 2009

Figures released by the Higher Customs Council show that customs collection (customs revenue and VAT) totaled 1,502.0 billion in the first four months of 2009; that is an increase of 52.5% from the previous year. This increase is driven by a 15.2% yearly rise in revenues from the value added tax (VAT), which reached 641.8 billion, coupled with a much higher 101.3% rise in receipts from custom duties, which totaled LP 860.2 billion.

On a monthly basis, total customs collection amounted to LP 394.4 billion in April 2009; thus registering an increase of 54.5% from the corresponding month of the previous year, while decreasing by a trivial 1.2% relative to March 2009.

World Bank projects Lebanon's real GDP growth at 2.5% in 2009 and 4.5% in 2010

The World Bank released this week an update on its Global Economic Prospects (GEP) report, which examines the impact of dawdling capital flows resulting from the global financial crisis on GDP growth across the world. In Lebanon, in particular, the report forecasted a slowdown in the country's real GDP growth to 2.5% in 2009, followed by a slight recovery in 2010 with this growth rate reaching 4.5%.

It is worth noting that such a growth rate is equal to that forecasted by the Economist Intelligence Unit, and very close to the 3% anticipated by the International Monetary Fund. Nonetheless, one should state here that authorities in Lebanon, like the Central Bank governor and the Minister of Finance have projected a higher growth rate in 2009, which could reach 6%, on the back of strong tourism activity, high capital inflows, and the continued resilience of the banking system.

The World Bank, however, saw a slightly more difficult scenario for Lebanon. As per the report, countries such as Egypt, Morocco, Tunisia, Jordan and Lebanon derive both balance of payments support and needed domestic income through exports of services, notably tourism and business services, remittance receipts from workers abroad (largely from Europe and the GCC countries), and more recently, strong FDI flows, which have helped to underpin and catalyze domestic private and public capital expenditures. Such flows amount to substantial proportions of GDP for these countries.

Prospects for Lebanon are dependent on remittances, FDI flows, tourism, and foreign aid, and therefore its prospects will depend on those of the Gulf States and those of the international donor community. Thus, growth in the country is projected to decline from a relatively robust 6.5% in 2008 to 2.5% in 2009

The report highlighted that although Lebanon entered the crisis at a time of an internal political resolution in the country, a fact which has acted as a sort of buffer for Lebanon against the crisis, the country sill suffers weak macroeconomic positions—high debt, and current account and fiscal deficits. Such positions do add to the difficulties of the crisis. The country's growth rate is projected to slow by more than 3 percentage points in 2009.

Although the country has been witnessing a strong tourism activity in 2009 so far, the World Bank does anticipate reduced remittances and FDI throughout the year which in turn is expected to weigh heavily on the country's external position. Current account deficit in Lebanon in 2008 represented 15% of GDP. Lower oil prices and a forced reduction in imports caused by the lack of available external financing are expected to bring this deficit down by more than 10% in 2009, that is one positive result from the crisis.

In conclusion, the report states that Lebanon has so far escaped any plunge in macroeconomic fundamentals as a result of the crisis. Moreover, the World Bank forecasts that Lebanon shall continue in the same path that has prevailed in 2009 so far, a path deemed positive and the driver behind the positive real GDP growth forecasts in Lebanon, at a time when several countries across the world and the region are expected to witness negative growth rates.

MENA GDP growth forecasts

	1995-2005	2006	2007	2008	2009f	2010f	2011f
Algeria	4.0	1.8	3.0	3.0	2.2	3.5	4.0
Egypt	4.4	6.8	7.1	7.2	3.8	4.2	5.0
Iran	4.8	5.7	6.2	6.9	2.5	3.0	4.0
Jordan	4.7	6.3	6.6	5.5	2.5	3.5	4.5
Lebanon	3.3	-0.6	7.5	6.5	2.5	4.5	5.0
Morocco	4.4	8.0	2.2	6.4	3.2	4.5	5.5
Syria	3.2	5.1	4.2	5.2	3.0	3.5	4.5
Tunisia	5.0	5.5	6.3	4.5	3.0	4.0	5.0
Yemen	4.9	3.2	3.0	4.0	7.7	5.0	4.0

Sources: World Bank, Bank Audi's Research Department

Fitch places Lebanese banks in the category of low vulnerability

In its risk assessment of 86 banking systems in advanced and emerging economies, Fitch Ratings placed Lebanon among the top thirty banking systems with a "low level of potential vulnerability", thereby coming in the highest category on Fitch's Macro-prudential Indicator (MPI).

The MPI highlights the repercussions of a set of macroeconomic circumstances on banking systems, noting that such circumstances have been chosen based on past episodes of banking system problems and in some cases full-scale systemic crises. An MPI score of '1' denotes low potential vulnerability, while a score of '3' denotes a high level of vulnerability to possible systemic pressures. Lebanon received a score of '1', along with Egypt, Oman and Tunisia in the MENA region.

As to Lebanon's ranking on Fitch's Banking System indicator (BSI), which is a measure of intrinsic banking system quality or strength, derived from Fitch's long-standing and current Individual Ratings for banks, Lebanon along with 25 other banking systems came in the low strength country, since Lebanese banks have a high exposure to the country's large public debt, since they are the government's major lenders. The BSI measures system quality on a scale ranging from 'A' representing very high quality through to 'E' Lebanon came in the 'D' category along with Tunisia, and Morocco in the region.

Citigroup raises Solidere's target price to US$ 34

U.S-based financial services giant Citigroup issued an update report on Solidere, the Lebanese company in charge of the reconstruction and development of the Beirut Central District subsequent to the civil war of 1975-1990, in which it raised its target price to US$ 34, from its previous target price of US$ 26, with an upside potential of 51.1% from the current price of US$ 22.5 as at June 17.

Citigoup maintained its "Buy" recommendation on Solidere. With greater political stability and prospects of liquidity improvement, Citigroup increased assumed achievable unit pricing for the Beirut Central District and the Waterfront District to US$ 2,500 / US$ 4,000, respectively, from 2007 levels previously used. It is worth noting that the NAV incorporates a 20% writedown to Investments in Associates to reflect risks to Solidere International's Ajman (UAE) project.

Solidere shares went up by 20% since the June 7 elections which went by without major unrest, according to the report issued. The next milestone would be the formation of a government faced with the challenges of high government debt, current fiscal deficits, risk to remittances, and economic slowdown.

Citigroup rated Solidere "High Risk". According to the report, the financing risks of the company are manageable, however there is a risk that in an environment of tight credit, sub developers who purchase plot from Solidere may find it difficult to obtain construction financing or meet installment repayment obligations to the company. At a business level, there are risks to the newly established Solidere International which include the choice of local partners and unique regulations in each country, according to the report. On the political level, despite the absence of instability during the recent elections, uncertainty and possibility of tension still exist during the pending formation of government and distribution of power in the post-election period.

Nissan tops car sales in Lebanon with 2,692 newly registered car sales in the first five 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 2,692 new cars in the first five months of 2009, against 1,736 cars in the first five months of 2008. Japan's Toyota brand ranked second with 1,813 newly registered cars in the first five months of 2009, against 1,851 cars in the same period of last year. Korea's Kia cars ranked third with 1,310 vehicles in the first five months of 2009, against 1,480 cars in the same period of last year. Korea's Hyundai came in the fourth rank with 752 cars in the first five months of the year, against 527 cars in the same period of 2008. France's Peugeot cars ranked fifth with 675 newly registered cars, against 730 cars in the first five months of 2008.

On the overall, new car sales in Lebanon progressed by a yearly 10.5% in the first five months of 2009 to reach a total of 11,667 cars. Over the month of May 2009, new car sales in Lebanon totalled 2,996 cars, against 2,395 in May 2008, thus registering a 25.1% increase.

CFC posts US$ 4.1 million in 2008 net profits

Consumer finance firm Capital Finance Company sal (CFC) announced its 2008 results, posting a net profit of US$ 4.1 million, up by 19.2% from US$ 3.5 million in 2007. Total assets reached US$ 80.4 million at year-end 2008, posting a 23.5% rise from US$ 65.1 million at year-end 2007. Net loans amounted to US$ 70.4 million, up by 19.3% from US$ 59.0 million at year-end 2007. Cash and deposits with banks amounted to US$ 6.9 million at year-end 2008, up from US$ 3.7 million at year-end 2007. Shareholders' equity increased by 12.8% to reach US$ 36.3 million at year-end 2008.

CMC granted 'Best Sustainable Hospital Design' and 'Best Facilities Management Services Strategy' at the Hospital Build Awards 2009

Lebanon's Clemenceau Medical Center (CMC), a medical institution which works in affiliation with Johns Hopkins Medicine International and is accredited by Joint Commission International (USA), was granted two awards at the inaugural Hospital Build Awards 2009 held in Dubai on June 15, and organized by the Institute for International Research (IIR) Middle East, one of the world's leading international providers of specialist information and services for the academic and scientific, professional and commercial business communities that has been operating in the Middle East since 1993.

The 'Best Sustainable Hospital Design' award was granted to CMC as it demonstrated an outstanding commitment to sustainability in terms of its design, development and construction, while the 'Best Facilities Management Services Strategy' regional excellence was awarded for CMC's recognized excellence in the provision of facilities management strategy that meets the need of clinical teams and improves patient safety.

The Hospital Build Awards identify excellence in the design, operation and management of healthcare facilities in the Middle East. The event acts as a platform for organizations to showcase their achievements, and be recognized by healthcare professionals both regionally and globally for contributions to the healthcare industry.

CAPITAL MARKETS

Money Market: FX conversions keep LP liquidity ample

The overnight rate was still being quoted at 3.5%, the low official level as a result of the abundant liquidity at hand and the continuous wave of conversions from US Dollars to Lebanese Pound holdings on the foreign exchange market. As to Certificates of Deposits (CDs), no subscriptions were made this week in the 45-day and 60-day categories.

On the monetary aggregates level, figures for the week ending June 11 show a decrease of LP 220 billion in local currency deposits, as a result of a LP 288 billion growth in time deposits and a LP 68 billion decrease in demand deposits. In parallel, deposits in foreign currencies went up by US$ 58 million. These variations compare to an average weekly increase of LP 233 billion for LP deposits since the beginning of the year 2009, and an average increase of US$ 86 million in foreign currency deposits.

LP money supply (M2) expanded by LP 187 billion, versus an average weekly increase of LP 247 billion since the beginning of the year 2009. The total money supply in its large sense (M4) expanded by LP 308 billion, compared to an average weekly increase of LP 393 billion since end-2008.

On a cumulative basis since the beginning of the year, money supply in the large sense (M4) expanded by LP 8,820 billion. This is the result of an important growth in local currency denominated time deposits of LP 5,458 billion and an increase of LP 2,824 billion (US$ 1,873 million) in foreign currency deposits. Money supply in its narrow sense (M1) widened by LP 146 billion over the same period, while Treasury bills held by the public increased by LP 392 billion.

Interest rates	26/06/09	19/06/09	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%	⇔

Treasury Bills Market: Primary market yields go further down

This is the second consecutive week that the secondary market is active. This week was characterized by a foreign demand showing up, whereas last week activity was rather modest and was focused on short-term Treasury bills.

As to the primary market, the latest results of the Treasury bills auction, released by the Central Bank this week showed that total subscriptions for value date June 18, 2009 amounted to LP 262 billion, and were distributed as follows: LP 0.02 billion in the three-month category, LP 35 billion in the six-month category, LP 29 billion in the one-year category, LP 6 billion in the two-year category and LP 192 billion in the three-year category. These compare to maturities of LP 529 billion, resulting in a nominal deficit of LP 267 billion.

The average yields on all categories were reduced again this week by two to four basis points with the three-month yield standing still. The preliminary results of this week's auction (June 25, 2009) showed that average yields across all categories - except for the three-month category- were reduced notably when considering the previous weekly cuts, since the downward trend started towards the end of last year. Overall, yields were down by five to ten basis points this week.

On a cumulative basis and since the beginning of the year, the decline was most important in the medium term categories: 70 basis points in the two-year yield and 69 basis points in the one-year yield. The three-month and six-month yield were down by 16 and 49 basis points respectively. The three-year yield, finally, fell by 48 basis points.

Treasury bills	26/06/09	19/06/09	26/12/08	
3-month	4.94%	4.94%	5.10%	⇔
6-month	6.61%	6.69%	7.10%	↓
1-year	6.89%	6.94%	7.58%	↓
2-year	7.56%	7.62%	8.26%	↓
3-year	8.52%	8.62%	9.00%	↓
Nom. Subs. (LP billion)		262	242	
Short-term (3&6 mths)		35	80	
Medium-term (1&2 yrs)		35	13	
Long-term (3 yrs)		192	149	
Maturities		529	157	
Nom. Surplus/Deficit		-267	85	

Foreign Exchange Market: US$-to-LP volume conversions increase notably

The US dollar continued to be on offer this week, while demand was modest. The conversions volumes to the benefit of the local currency increased notably, on favorable political signals. The recent domestic developments bringing closer the various Lebanese political factions were welcomed

Exchange rates	26/06/09	19/06/09	26/12/08	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,483.46	2,468.68	2,221.60	↓
LP/¥	15.71	15.53	16.66	↓
LP/SF	1,384.17	1,384.81	1,401.80	↑
LP/Can$	1,312.12	1,333.72	1,236.37	↑
LP/Euro	2,117.13	2,094.37	2,120.00	↓

by the foreign exchange market. As a matter of fact, currency trading volumes this week exceeded their size reported in the weeks after the Doha Agreement in May 2008.

Under such conditions, the Central Bank intervened again, buying the green currency surpluses at the lower end of its intervention bracket (LP 1,501). Commercial banks were trading the US dollar at a rate hovering between LP 1,501 and LP 1,501.25.

Within this context and with the long lasting trend of US dollar-to-LP conversions (interrupted only sporadically), the Central Bank has been stocking up its foreign assets that reached a record high level of US$ 23.4 billion (mid-June 2009) and increased by almost 60% in a year's time when they stood at US$ 14.7 billion (mid-June 2008). This follows a much lower average annual growth rate of 12.8% over the previous three years, i.e. since the prime minister Hariri's assassination; a period characterized by a difficult political situation and adverse security conditions that affected currency trading and drove the Central Bank, many times, to draw on its reserves and defend the exchange rate peg.

Stock Market: Positive political signals drive up prices

Equity prices improved this week on domestic political developments. The relatively more optimistic and relaxed political discourse improved confidence and triggered a demand and price surge for real estate and financial stocks. The price index gained 4.13% and closed at 134.2.

The total trading value was US$ 25.2 million this week versus US$ 21.4 million last week. The average daily trading value was US$ 4.5 million this week, versus US$ 4.3 million last week, which led to an improvement in the trading volume index of 17.3% to 219.6.

In details, Solidere accounted for 90% the weekly turnover. Solidere "A" share price increased by 7.7% to US$ 25.62, and Solidere "B" share price rose 6.1% to US$ 25.32. On the other hand, banking shares accounted for only 9.3% of the total trading value this week. Bank Audi's GDR price edged up by 6.1% to close at US$ 69, while the same bank's "listed" shares increased by 5.1% to close at US$ 60.6. BLOM's GDR price moved up by 1.0% to close at US$ 73.0. Byblos Bank's "listed" shares increased 3.3% to US$ 1.86, and its "priority shares" gained 3.4% to US$ 1.82.

Among the industrial shares, only Holcim changed hands and went up 1.5% to US$ 13.24. As to the investment funds, none was traded this week.

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Finally, BSE's performance was better than other emerging stock markets, as reflected by 1.5% increase in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and a 1% fall in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). Similarly, BSE performed relatively better than other Arabian markets, as reflected by an decrease of 4.3% in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets) and a 4.2% decline in the Morgan Stanley Capital International GCC countries Index (MSCI GCC countries).

Audi Indices for BSE	26/06/09	19/06/09	26/12/08
22/1/96=100			
Market Cap. Index	462.30	443.97	393.96↑
Trading Vol. Index	219.60	187.16	50.43↑
Price Index	134.22	128.90	116.09↑
Change %	4.13%	-0.14%	-1.71%↑
Market Cap. $m	10,967	10,533	9,346↑
No. of shares traded	1,165,629	1,518,760	372,788↑
Value Traded $000	25,172	21,414	4,550↑
o.w. : Solidere	22,693	17,710	3,182↑
Banks	2,341	3,567	1,329↑
Others	137	137	39↔

Bond Market: Local and foreign demand persists

The strong local and foreign demand on Eurobonds continued this week again across all categories, driving up bond prices. The average yield thus lost another 17 basis points to reach 6.55%, while the average spread widened by four basis points to reach 447 basis points due to a decrease in Lebanese yields and in benchmark yields.

For instance, the average yield on the five-year US Treasury bill declined notably from 2.86% last week to 2.56% this week, which is a strong 30 basis points drop. US Treasury prices rose during the week after an unexpected jump in jobless claims revived economic worries, supporting the view Federal Reserve will need to keep interest rates near zero for the foreseeable future.

On emerging markets, bond prices improved slightly as reflected by a seven basis points decrease in the average yield, while the average spread widened by a ten basis points to reach 589 basis points.

Eurobonds Indicators	26/06/09	19/06/09	26/12/08
Total tradable size $m	17,562	17,563	17,173 ↓
o.w.: Sovereign bonds	16,992	16,993	16,603 ↓
Average Yield	6.55%	6.72%	8.88% ↓
Average Spread	447	443	755 ↑
Average Life	4.71	4.73	4.65 ↓
Yield on US 5-year note	2.56%	2.86%	1.32% ↓

ARAB STOCK MARKETS INDICES:

	26-Jun-09	19-Jun-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	134.22	128.9	113.6	4.1%	18.2%
Abu Dhabi securities market	52.5	55.22	47.0	-4.9%	11.7%
Amman stock exchange	317.97	344.73	340.3	-7.8%	-6.5%
Bahrain stock exchange	138	139.87	156.5	-1.3%	-11.8%
Casablanca stock exchange	231.13	231.92	224.5	-0.3%	2.9%
Doha securities market	134.41	132.97	142.7	1.1%	-5.8%
Dubai financial market	58.61	60.33	60.3	-2.9%	-2.7%
Egypt capital market	286.86	311.27	240.1	-7.8%	19.5%
Kuwait stock market	148.45	149.87	147.9	-0.9%	0.4%
Muscat securities market	159.55	157.94	157.3	1.0%	1.4%
Saudi stock market	128.19	136.96	113.2	-6.4%	13.3%
Tunis stock exchange	133.37	131.75	114.8	1.2%	16.2%
AMF composite	164.72	171.03	156.3	-3.7%	5.4%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	26-Jun-09	19-Jun-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	95.21	96.74	90.92	-1.6%	4.7%
$/£	1.648	1.645	1.4520	0.2%	13.5%
$/Euro	1.406	1.392	1.3950	1.0%	0.8%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	8,438.39	8,593.73	8,776.39	-1.8%	-3.9%
S&P 500	918.90	921.23	903.25	-0.3%	1.7%
NASDAQ	1,838.22	1,827.47	1,577.03	0.6%	16.6%
CAC 40	3,129.73	3,221.27	3,217.97	-2.8%	-2.7%
Xetra Dax	4,776.47	4,839.46	4,810.20	-1.3%	-0.7%
FT-SE 100	4,241.01	4,345.93	4,434.20	-2.4%	-4.4%
NIKKEI 225	9,877.39	9,786.26	8,859.56	0.9%	11.5%
COMMODITIES					
GOLD OUNCE	938.55	933.3	878.20	0.6%	6.9%
SILVER OUNCE	14.07	14.19	11.30	-0.8%	24.5%
BRENT CRUDE (barrel)	68.3	68.4	39.83	-0.1%	71.5%
LEADING INTEREST RATES (%)					
1-month Libor	0.31	0.32	0.45	-0.01	-0.14
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	3.53	3.77	2.22	-0.24	1.30

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