The Lebanon Weekly Monitor

Week 28
Jul 6 - Jul 11
2009

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Lebanon's fiscal performance through the end of May showed a decline in the deficit as a percentage of expenditures to 29.14% compared to 33.56% during the same period of 2008.

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A recent note released by Barclays Capital subsequent to the Parliamentary elections in Lebanon indicated that the country witnessed a record growth in banking deposits as well as a peak level of reserves, in spite of the uncertainties that surrounded the elections.

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Holcim Liban, one of Lebanon's leading cement producers, issued year 2008 financial statements, posting net profits of US$ 19.5 million in 2008, up by 26.1% from US$ 15.5 million in 2007.

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p.6 ▶ Equities fall on lack of political clarity while Eurobonds demand goes on

The ambiguous domestic political conditions, as a result of the difficulties related to the new Cabinet's formation, coupled with a wave of profit taking have reversed the mood on the Beirut Stock Exchange. After a regular weekly increase in prices, since the parliamentary elections that took place last June, equities tumbled this week. The price index lost 5.6% week-on-week mainly because of a 15% dive in Solidere's shares. In contrast, the Eurobonds market enjoyed a week of strong domestic and foreign demand while no offer presented. Accordingly, the average yield on traded bonds lost 23 basis points and the average spread contracted by eleven basis points. As to the foreign exchange market, the US$-to-LP conversions continued, but the volumes of the green currency supply was somewhat smaller than in the previous weeks. Overall, the Central Bank was still buying the US dollar at the lower end of its intervention bracket (LP 1,501) while commercial banks were trading the US dollar at a rate hovering between LP 1,501 and LP 1,501.25.

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Fiscal Deficit as a percentage of expenditures witnesses a decline in the first five months of 2009

Lebanon's fiscal performance report through the end of May showed a decline in the deficit as a percentage of expenditures to 29.14% compared to 33.56% during the same period in 2008. The decrease in the deficit comes on the back of a solid 173% year-on-year increase in fuel-tax revenue in May, and a 38.8% year-on-year decline in spending on the country's electricity company, Electricite du Liban (EDL).

However, the gross deficit in 2009 through the end of May reached LP 2,122 billion (US$ 1.41 billion), up by 3.5% from the same period in 2008. Although this marks an improvement from April when the deficit rose 22.7% to LP 1,824 billion, the country still suffers from weak public finances.

Lebanon's strong revenue growth of 70.2% in April appeared to slow to a still healthy 24.2% in May as fluctuations in oil prices in 2008 continue to drive the growth of revenues from the fuel tax. Total government revenues reached LP 983.7 billion in May, posting an increase of 27.2% in the first five months of 2009 to LP 5,161 billion.

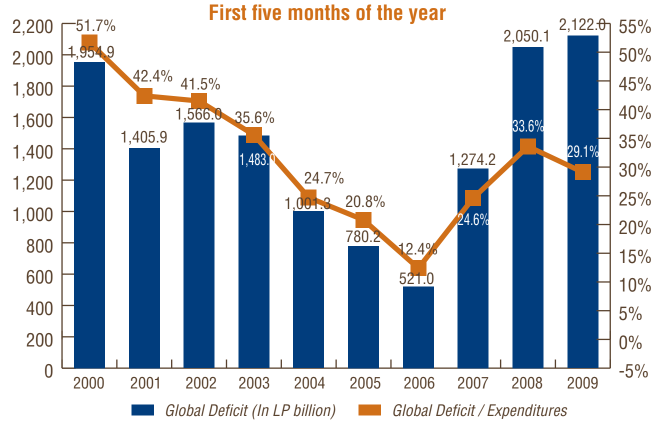
Furthermore, a decline in the rate of growth of revenues from income taxes and telecommunication services curtailed total revenue growth. Income tax revenues grew 4.3% to US$ 118.2 million in May, down from 44% in April, but still sustaining a healthy 21% growth to US$ 472.3 million in the first five months of the year. Revenues from telecommunication services saw a decline in growth to 9.2% compared to a 306% increase seen in April. The increase in April was not expected to be sustainable as it resulted from a one-time cut in cell-phone fees that led to a spike in usage time and the number of subscribers.

Despite the patterned slowdown in growth of some financial statement items, some items showed strong gains. The value-added tax, up 33.9% year-on-year to US$ 126 million, reflected a massive increase in spending in May as tourists flocked into the country ahead of elections. The number brings growth in the first five months of the year to 18.4% and can be expected to post strong gains in the month of June as the number of tourists peaked at the onset of the parliamentary elections. Two other items to post steady gains are the taxes on wages and salaries in addition to the recently introduced 5% tax on interest, which rose 53.5% and 18.1% respectively in May.

On the spending side, lower global oil prices in May 2009 compared to 2008 drove down the government's contribution to one of its biggest revenue drains, EDL. Spending on EDL dropped 38.8% to US$ 98.1 million bringing total spending for the first five months of the year to US$ 898.1 million, still up 35.5% year-on-year as a result of higher spending in the first three months of 2009. Interest payments supported the government in May, falling 10% to reach US$ 262.8 million. However, at US$ 1.61 billion, the number for first five months still represents a 14.8% rise compared to the same period in 2008.

The positive side in May's public finances showed a 38% year-on-year increase in the first five months in the primary surplus which excludes interest payments. The number indeed marks an improvement from the 32% decline in the first four months.

Public Finance Performance
First five months of the year



Sources: Ministry of Finance

Gross public debt continues its retreat in May 2009

Although gross public debt continued its retreat to LP 71,956 billion, the equivalent of USD 47.7 billion, at the end of May 2009, down from LP 72,014 in April 2009, and LP 72,248 billion in March 2009, it increased, however, in the first five months of 2009 by 1.5%, compared to a growth of 3.8% in the same period of 2008. The decline in May was the result of a fall of 0.3% in local currency debt, which more than offset the 0.2% rise in foreign currency debt. As for the increase during the first fiver months of the year, it was the combined result of a 1.3% rise in foreign currency debt and a 1.7% 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 3.1% in the first five months of 2009 to reach LP 63,700 billion.

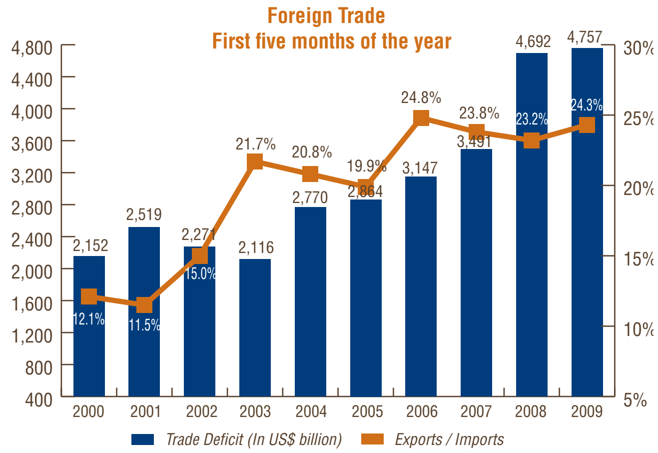
The shares of the local currency debt and foreign currency debt of the total gross were around 55.1% and 44.9% respectively at end-May. The distribution of local currency debt by type of holder was as follows: 57.8% for banks (59.1% end of April 2009), 26.4% for the Central bank (25.3% in the previous month) and 15.8% for the non-banking sector. The breakdown of the foreign currency debt was as such: Eurobonds (84.7%), Multilateral (7.1%), Paris II loans (2.1%), Bilateral (4.6%), and others (1.5%).

Foreign trade activity up by 3.6% in the first five months of 2009

Lebanon's external trade activity witnessed a growth in the first five months of 2009 relative to the same period of 2008, with both imports and exports growing during the said period. Aggregate imports and exports totaled US$ 7,804 million in the first five months of 2009, up by 3.6% from the same period of last year. Imports amounted to US$ 6,279 million, up by 2.7% from their value in the first five months of 2008. This growth in imports is the result of a solid year-on-year growth in the fourth month of the year, as each of the first three months of 2009 and the fifth month saw year-on-year decline in the value of imports.

It is worth noting that this increase in import activity in the first five months of the year comes in spite the fact that oil prices were 54% than they were in the same period of 2008, and the exchange rate of the Euro against the dollar is 14% lower, noting that oil imports constitute 20.5% of total imports, while imports from the Euro area account for around 31% of total imports. When adjusting the value of imports by accommodating for the fall in oil prices and the depreciation of the Euro, the real value of imports would reach US$ 8,077 million, 32.1% higher than the same period of 2008.

Export activity, in parallel, grew by a yearly 7.3%, to reach US$ 1,525 billion in the first five months of 2009, versus US$ 1,154 million in the same months of the previous year. This yearly growth was significantly higher in the first two months of the year (27.4%), and it was pulled down by



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

respective year-on-year retreats of 17.2% and 10.6% in April and March 2009. Those declines in export activity could be the result of a slowdown in a demand from Arab countries, the major importers of Lebanese products, which were adversely affected by the crisis. In May 2009, exports bounce back to rise by 9.4% year-on-year, probably due to hampered activity in May 2008 by the internal conflict in Lebanon.

Although the trade deficit of US$ 950 million went down by 8.5% in May 2009 relative to May 2008, the yearly variation in the trade deficit remained expansionary, of precisely a slight 1.3% leading to a trade deficit of US$ 4,754 million in the first five months of the year. This increase in the trade deficit is the result of a year-on-year rise in the deficit in April 2009, which managed to offset year-on-year drops in the deficit in January, February, March, and May 2009. Furthermore, in light of the year-on-year growth in exports being higher than that of imports, the export-to-import coverage ratio improved from 23.2% in the first five months of 2008 to 24.3% in the same period of this year.

Construction permits up by 4.3% in the first five months of 2009

Figures released by the Order of Engineers of Beirut and Tripoli reveal that construction permits totaled 4,235,117 million square meters in the first five months of 2009, up by 4.3% from 4,662,217 square meters in the same period of the previous year. In May 2009, Construction permits totaled 1,005,832 square meters, up by 15.4% year-on-year, 26.1% relative to May 2007 and 3.5% relative to the previous month.

Within this context, one should note that back in the first five months of 2008, the real estate boom was at its pinnacle, and contractors were trying to match the high demand for real estate by launching new projects. Now, however, construction activity is dwindling across the MENA region, as result of the global economic turmoil. Corporates across the region are not initiating new construction projects and they are even putting some of their existing projects on hold. Therefore, the mere fact that construction activity in Lebanon is rising is deemed significant for the sector in Lebanon, especially since the increase is relative to a period when activity was booming.

Mount Lebanon accounted for the majority of distributed construction permits in the first five months of 2009 with 45.9% of the total. It was followed by North Lebanon with 24.7%, South Lebanon with 16.1%, Beirut with 7.3%, and the Bekaa with 6.1%.

Barclays Capital commends record reserves and bank deposit growth in Lebanon

A recent note released by Barclays Capital subsequent to the Parliamentary elections in Lebanon indicated that the country witnessed a record growth in banking deposits as well as a peak level of reserves, in spite of the uncertainties that surrounded the elections. Indeed, the noted cited Central Bank figures which reflect the overall positive momentum underpinned by a sustained inflow of capital over the first half of 2009. Besides a cumulative balance of payments surplus, deposits growth reached historic levels in May, while Central Bank FX reserves continued to break their record of FX accumulation.

Barclays expects the balance of payments to remain in surplus during the third quarter largely on account of an expected surplus in the services balance, and continued capital inflows in the form of remittances, FDI and portfolio flows. While Barclays expects remittances to slow compared with last year, the improved economic outlook in the GCC states due to an expected rally in oil prices is likely to put a floor on the remittances slowing. Moreover, improved sentiment following the June elections and prospects of a national united government in the next few weeks is likely to support a growing interest in Lebanese-based assets.

Regarding the growth in banking sector deposits the May data release also confirmed the signs of growing confidence in the resilience of the Lebanese banking system and its ability to withstand external shocks and a high level of political uncertainty surrounding the elections. Banks' deposits continued their fast-paced growth and registered a 17.2% year-on-year increase in May, bringing the cumulative increase of deposits since December 2008 to US4 7.1 billion. Barclays noted that the widening US$/LP spread underpinned a sustained conversion from foreign currencies to LP deposits, prompting a rapid fall in the dollarization rate from 69.57% in December 2008, to 67.38% at end-May 2009. Barclays expects this trend to continue in the coming months, increasing banks' liquidity significantly. The Central Bank is likely to continue to mop up excess liquidity of the banks' into certificates of deposit. The latter registered an all-time high amounting to about LP 16 trillion (US$ 10.6 billion), up from LP 9 trillion at the end-2008.

As to the record high level of reserves of US$ 23.5 billion at end-June 2009, rising by US$ 1.3 billion since March 2009, it was supported by continued capital inflows and conversions to LP. As per Barclays, this reserve accumulation provides considerable cushion to withstand possible shocks in the short to medium term and pressures on the currency should political tensions exacerbate amidst the government formation. It also attends to the public and private FX financing needs in 2009 and early 2010.

In conclusion, Barclays sees a rather positive outlook for Lebanon and particularly its banking sector over the coming two quarters of 2009, which could only be overshadowed by a stalemate in the formation of the new government.

Beirut ranks 41st worldwide and 6th in the MENA region in cost of living

According to the cost of living survey by Mercer Human Resource Consulting, Beirut ranked as the 41st most expensive city worldwide in 2009, climbing significantly in the ranking, by 39 places from the 80th place last year. Beirut ranked 6th most expensive among 14 surveyed MENA cities, unchanged from its regional positioning in 2008.

Beirut had a score of 81.6 in 2009, above the average of 77.6 of the MENA cities. Beirut's 2009 score increased slightly from a score of 80.8 in 2008, but it regressed from a score of 82.6 in 2007. Here, it is noticeable that the yearly increase in Beirut's score is of a significantly lower magnitude than the surge in the city's rank. Within this context, one should that the climb in the city's global positioning is due to the fact that Beirut's ranking fell sharply in 2008, as a result of a important surge in cost of living across the world, which was to a certain extent moderately felt in Beirut. Now in 2009, as commodity prices eased across the world, each city reassumed its position in the cost of living ranking prior to the oil boom which began in 2007. As a matter of fact in 2006, Beirut's rank was higher than its current placement in the 32nd spot.

In the region, Beirut ranked ahead of Amman, Cairo, and Kuwait, and directly after Algiers, Tehran, and Abu Dhabi. Among the 143 global cities covered in the survey, Beirut came in the same position as Brussels and Honolulu, directly behind Algiers, Barcelona, and Luxembourg and ahead of Almaty in Kazakhstan, Miami, and St. Petersburg.

Cost of Living Rankings and Indices in MENA Cities

City	MENA Rank 2009	MENA Rank 2008	World Rank 2009	World Rank 2008	COL Index 2009
Tel Aviv	1	1	17	14	91.9
Dubai	2	2	20	52	90.1
Abu Dhabi	3	4	26	65	86.7
Teheran	4	5	33	74	84.1
Algiers	5	3	40	57	81.7
Beirut	**6**	**6**	**41**	**80**	**81.6**
Amman	7	8	52	88	79.8
Cairo	8	10	57	101	78.5
Kuwait City	9	9	77	94	73.2
Casablanca	10	7	80	81	72.1
Manama	11	11	82	112	71.8
Riyadh	12	12	90	119	70.5
Jeddah	13	13	109	126	66.1
Tunis	14	14	134	133	58.4

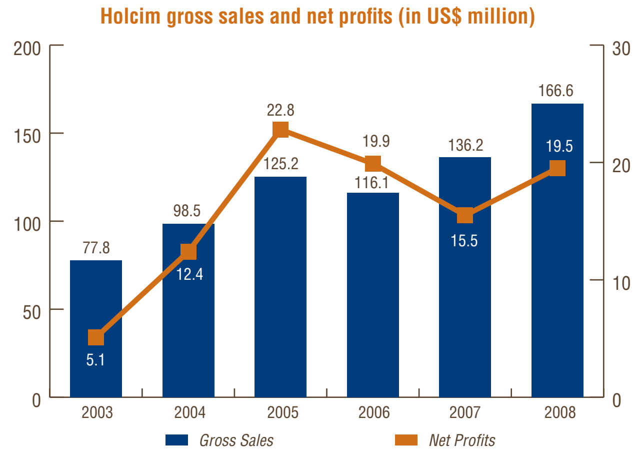
Sources: Mercer Human Resource Consulting 2009, Bank Audi's Research Department

CORPORATE NEWS

Holcim Liban declares net profits of US$ 19.5 million in 2008

Holcim Liban, one of Lebanon's leading cement producers, declared net profits of US$ 19.5 million in 2008, up by 26.1% from US$ 15.5 million in 2007. Sales reached US$ 166.6 million in 2008, up by 22.3% from US$ 136.2 million in 2007. Gross profits amounted to US$ 51.9 million in 2008, up by a yearly 15.6%.

Total assets stood at US$ 312.7 million in 2008, up by 1.0% year-on-year. Shareholders' equity stood at US$ 197.8 million at year-end 2008, up by 3.1% from US$ 191.9 million at year-end 2007.



Sources: Holcim annual reports, Bank Audi's Research Department

Société Libanaise des Ciments Blancs posts net profits of US$ 3.2 million in 2008

Lebanese cement company Société Libanaise des Ciments Blancs sal, majority owned by Holcim Liban, posted net profits of US$ 3.2 million in 2008, against US$ 2.7 million in 2007. Sales amounted to US$ 13.2 million in 2008, up by 24.2% from US$ 10.7 million in 2007. Gross profits amounted to US$ 4.4 million in 2008, up by a yearly 16.5%.

Total assets reached US$ 19.4 million at end-year 2008, up by 2.6% from US$ 18.9 million at year-end 2007. Shareholders' equity stood at US$ 15.5 million, up by 5.8% from US$ 14.7 million at year-end 2007.

AUB and CMC sign memorandum of understanding

The American University of Beirut Medical Center (AUBMC) and Clemenceau Medical Center (CMC) signed a memorandum of understanding (MOU) today to establish a new collaborative effort that sets the principles of cooperation between the two medical institutions.

The cooperation would focus on several clinical and academic aspects that will help AUBMC and CMC enhance their delivery of the highest quality care possible. AUBMC and CMC would team up on several levels, including the creation of centers of excellence, developing quality standards in healthcare, and collaborating on medical and educational activities.

The Clemenceau Medical Center (CMC) is a medical institution which works in affiliation with Johns Hopkins Medicine International and is accredited by Joint Commission International (USA).

AUBMC is the private, not-for-profit teaching center of the Faculty of Medicine at the American Universtity of Beirut. It provides all medical, surgical, pediatrics, obstetrics/gynecological and psychiatric services. The Medical Center also offers comprehensive healthcare services, extensive tertiary/quaternary resources, medical, nursing and paramedical training.

Balance sheet of financial institutions grows by a yearly 13.6% to US$ 851.7 million at end-May 2009

Central Bank statistics show that the consolidated balance sheet of financial institutions in Lebanon reached LP 1,283.9 billion, or US$ 851.7 million, at end-May 2009, up by 13.6% from US$ 749.4 million at end-May 2008. Liabilities to the private sector decreased by 7.0%, from US$ 147.4 million at end-May 2008 to US$ 137.0 million at end-May 2009. On the other hand, liabilities to the financial sector increased by 16.6%, from US$ 323.1 million at end-May 2008 to US$ 376.8 million at end-May 2009.

On the assets' side, financial institutions' cash and banks item reached US$ 273.6 million at end-May 2009, up by 17.9% from US$ 232.1 million at end-May 2008. Claims on the private sector amounted to US$ 424.5 million at end-May 2009, up by 11.7% from US$ 380.1 million a year earlier. Claims on the public sector stood at US$ 122.9 million, showing an increase of 17.9% from US$ 104.2 million at end-May 2008. Further, the aggregate equity capital of financial institutions reached US$ 261.6 million, growing by 24.5% from US$ 210.1 million a year earlier.

Money Market: Five years CDs halted

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 in the foreign exchange market. As to Certificates of Deposits (CDs), no subscriptions were made this week in the 45-day and 60-day categories. It is worth highlighting that the Central Bank stopped issuing the long term high yielding five years CDs as the Ministry of Finance decided to resume issuance of the Treasury bills of the same maturity.

On the monetary aggregates level, figures for the week ending June 25 show an increase of LP 299 billion in local currency deposits, as a result of a LP 232 billion growth in time deposits and a LP 67 billion growth in demand deposits. In parallel, deposits in foreign currencies went up by US$ 65 million. These variations compare to an average weekly increase of LP 242 billion for LP deposits since the beginning of the year 2009, and an average increase of US$ 72 million in foreign currency deposits.

LP money supply (M2) expanded by LP 219 billion, versus an average weekly increase of LP 247 billion since the beginning of the year 2009. Total money supply in its large sense (M4) expanded by LP 351 billion, compared to an average weekly increase of LP 351 billion since end-2008.

On a cumulative basis since the beginning of the year, money supply in the large sense (M4) expanded by LP 9,240 billion. This is the result of an important growth in local currency denominated time deposits of LP 6,069 billion and an increase of LP 2,718 billion (US$ 1,803 million) in foreign currency deposits. Money supply in its narrow sense (M1) contracted by LP 1 billion over the same period, while Treasury bills held by the public increased by LP 454 billion.

Interest rates	10/07/09	03/07/09	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: Five years Tbs issuance resumed

The most important event this week on the Treasury bills market is the decision of the Central Bank to resume the issuance of the long term five year maturity during the current month. The auction on this category of government bonds will take place every other week. This decision was coupled with the Central Bank discontinuation of five years CDs issuance.

This week's auction (July 9, 2009) revealed another reduction of the average yields on all categories from two to ten basis points. Only the three-month yield was unchanged. Subscriptions results were not disclosed yet. The secondary market activity was also very slow with some trades taking place on short-term papers.

In parallel, the latest results of the Treasury bills auction, released by the Central Bank this week showed that total subscriptions for value date July 2, 2009 amounted to LP 298 billion, and were distributed as follows: LP 3 billion in the three-month category, LP 20 billion in the six-month category, LP 42 billion in the one-year category, LP 11 billion in the two-year category and LP 222 billion in the three-year category. These compare to maturities of LP 197 billion, resulting in a small nominal surplus of LP 101 billion. The yields for that auction were lower than those of the previous week by four to eleven basis points depending on each maturity.

Finally, the latest report of the Association of Banks of Lebanon revealed that the Treasury bills outstanding portfolio reached LP 38,344 billion at end-May 2009, versus LP 37,644 billion at end-2008, which is an increase of LP 700 billion. This is mainly the result of a LP 356 billion growth in the banking sector's portfolio and a LP 255 billion in the public sector's portfolio. However, the outstanding Treasuries portfolio at end-May was lower by LP 201 billion, mainly on account of a decrease in the banking sector's subscriptions. Lately, banks have been actually channeling their liquidity towards placements in the high yielding CDs.

Treasury bills	10/07/09	03/07/09	26/12/08	
3-month	4.94%	4.94%	5.10%	⇔
6-month	6.48%	6.50%	7.10%	↓
1-year	6.80%	6.85%	7.58%	↓
2-year	7.46%	7.50%	8.26%	↓
3-year	8.38%	8.48%	9.00%	↓
Nom. Subs. (LP billion)		298	242	
Short-term (3&6 mths)		23	80	
Medium-term (1&2 yrs)		53	13	
Long-term (3 yrs)		222	149	
Maturities		197	157	
Nom. Surplus/Deficit		101	85	

Foreign Exchange Market: Same conversions trend

The foreign exchange market has been still witnessing conversions from US dollar holdings to LP holdings, reflecting market participants' confidence in the local currency. However, currency trading volumes this week were somewhat smaller than the previous week's. The Central Bank continued to buy the green currency surpluses at the lower end of its intervention bracket (LP 1,501), while commercial banks traded the US dollar amongst themselves at a rate hovering between LP 1,501 and LP 1,501.25.

Exchange rates	10/07/09	03/07/09	26/12/08	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,455.11	2,465.06	2,221.60	↑
LP/¥	16.26	15.71	16.66	↓
LP/SF	1,383.54	1,387.38	1,401.80	↑
LP/Can$	1,295.33	1,301.93	1,236.37	↑
LP/Euro	2,096.93	2,109.60	2,120.00	↑

Stock Market: Lower prices on profit taking and political ambiguity

Equity prices slipped as a result of wave of profit taking and as the political conditions are still lacking clarity on the formation of a new Cabinet. The price index thus lost 5.6% to close at 129.97. The total trading value was US$ 27 million this week versus US$ 35.6 million last week. The average daily trading value was US$ 5.4 million this week, versus US$ 7.1 million last week, which led to a decline in the trading volume index of 24.2% to 234.44.

In details, Solidere accounted for 91% the weekly turnover as many investors wanted to sell the stocks after the deadline for receiving dividends expires. Solidere "A" share price decreased by 15.1% to US$ 22.64, and Solidere "B" share price fell 14% to US$ 22.9. On the other hand, banking shares accounted for only 8.6% of the total trading value this week. Bank Audi's GDR price edged down by 5.9% to close at US$ 65.6, while the same bank's "listed" shares stood still at US$ 60. BLOM's GDR price moved slightly higher to close at US$ 77.1 (+0.1%) and BLOM's "listed" stock gained 0.9% and closed at US$ 72.64. Byblos Bank's "listed" shares decreased 1.1% to US$ 1.85, and its "priority shares" lost 2.1% to US$ 1.86.

Audi Indices for BSE	10/07/09	03/07/09	26/12/08	
22/1/96=100				
Market Cap. Index	447.68	474.48	393.96	↓
Trading Vol. Index	234.44	309.24	50.43	↓
Price Index	129.97	137.75	116.09	↓
Change %	-5.60%	2.64%	-1.71%	↓
Market Cap. $m	10,620	11,256	9,346	↓
No. of shares traded	1,104,089	1,493,816	372,788	↓
Value Traded $000	27,027	35,586	4,550	↓
o.w. : Solidere	24,696	30,163	3,182	↓
Banks	2,315	5,325	1,329	↓
Others	7	77	39	↓

Among the industrial shares, only Holcim changed hands and went up 1.3% to US$ 13.24. As to the investment funds, none was traded this week. It is worth highlighting that this week the Beirut Golden Income share was de-listed from the Beirut Stock Exchange as the Fund matured having after five years of its issuance.

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Finally, BSE's performance was relatively similar to other emerging stock markets, as reflected by 3.4% decrease in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and a 6.3% fall in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). Similarly, BSE was in line with other Arabian markets, as reflected by a decrease of 6.6% in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets) and a 6.8% decline in the Morgan Stanley Capital International GCC countries Index (MSCI GCC countries).

Bond Market: Ongoing demand momentum

The Eurobonds market was driven this week by a strong local and foreign demand across all categories. This momentum has been going on since the parliamentary elections took place in June. Lebanese bonds were not being put on offer which led to a price increase.

The average yield thus lost a good 23 basis points to reach 6.29%, while the average spread contracted by 11 basis points to reach 442 basis points due to a decrease in Lebanese yields and a lower decline in benchmark yields. For instance, the average yield on the five-year US Treasury bill climbed on the view of a distant sluggish economic recovery. Investors in the US also jumped back into Treasuries on worries over second quarter earnings.

On emerging markets, bond prices slipped as reflected by a 11 basis points increase in the average yield to reach 7.52%, while the average spread widened by 18 basis points to reach 576 basis points.

Eurobonds Indicators	10/07/09	03/07/09	26/12/08	
Total tradable size $m	17,563	17,566	17,173	↓
o.w.: Sovereign bonds	16,993	16,996	16,603	↓
Average Yield	6.29%	6.52%	8.88%	↓
Average Spread	442	453	755	↓
Average Life	4.68	4.70	4.65	↓
Yield on US 5-year note	2.24%	2.42%	1.32%	↓

ARAB STOCK MARKETS INDICES:

	10-Jul-09	03-Jul-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	129.97	137.75	113.6	-5.6%	14.5%
Abu Dhabi securities market	52.45	53.25	47.0	-1.5%	11.6%
Amman stock exchange	312.2	330.72	340.3	-5.6%	-8.2%
Bahrain stock exchange	132.52	133.84	156.5	-1.0%	-15.3%
Casablanca stock exchange	229.86	229.61	224.5	0.1%	2.4%
Doha securities market	131.01	133.45	142.7	-1.8%	-8.2%
Dubai financial market	29.63	32.22	60.3	-8.0%	-50.8%
Egypt capital market	291.09	305.65	240.1	-4.8%	21.2%
Kuwait stock market	132.05	149.12	147.9	-11.4%	-10.7%
Muscat securities market	150.49	158.92	157.3	-5.3%	-4.3%
Saudi stock market	119.63	125.92	113.2	-5.0%	5.7%
Tunis stock exchange	131.42	133.12	114.8	-1.3%	14.5%
AMF composite	154.07	162.03	156.3	-4.9%	-1.4%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	10-Jul-09	03-Jul-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	92.39	95.94	90.92	-3.7%	1.6%
$/£	1.619	1.632	1.4520	-0.8%	11.5%
$/Euro	1.392	1.398	1.3950	-0.4%	-0.2%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	8,146.52	8,280.74	8,776.39	-1.6%	-7.2%
S&P 500	879.13	896.42	903.25	-1.9%	-2.7%
NASDAQ	1,756.03	1,796.52	1,577.03	-2.3%	11.4%
CAC 40	2,983.10	3,119.51	3,217.97	-4.4%	-7.3%
Xetra Dax	4,576.31	4,708.21	4,810.20	-2.8%	-4.9%
FT-SE 100	4,127.17	4,236.28	4,434.20	-2.6%	-6.9%
NIKKEI 225	9,287.28	9,676.37	8,859.56	-4.0%	4.8%
COMMODITIES					
GOLD OUNCE	912.15	931.5	878.20	-2.1%	3.9%
SILVER OUNCE	12.66	13.39	11.30	-5.5%	12.0%
BRENT CRUDE (barrel)	59.16	65.04	39.83	-9.0%	48.5%
LEADING INTEREST RATES (%)					
1-month Libor	0.29	0.30	0.45	-0.01	-0.16
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	3.30	3.49	2.22	-0.19	1.07

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