The Lebanon Weekly Monitor

Week 29
Jul 13 - Jul 18
2009

ECONOMY

p.2 ▶ Tourism activity up by 60.8% in the first half of 2009

Tourism activity in Lebanon has continued its upbeat performance for the sixth month in a row this year, with the number of tourists visiting Lebanon in June 2009 registering a monthly record high since the summer months of 2004, prior to the political instabilities in Lebanon.

Also in this issue:

SURVEYS

p.4 ▶ Lebanese real estate resilient amidst regional turmoil

According to a recent study released by Bank Audi's Research Department, the real estate sector in Lebanon has persistently shown resilience to adverse political and security conditions on the local scene and adverse external factors at the regional and global levels.

Also in this issue:

CORPORATE NEWS

p.5 ▶ EFG-Hermes initiates coverage on Solidere with a target price of US$ 33.3 per share and a LT "Buy" recommendation

EFG-Hermes initiated coverage on Solidere, the Lebanese company in charge of the reconstruction and development of the Beirut Central District (BCD), with a Short-Term (ST) "Accumulate" and Long-Term (LT) "Buy" recommendation and assigned a Long-Term Fair Value of US$ 33.3 per share.

Also in this issue:

MARKETS IN BRIEF

p.6 ▶ Positive signals on the Cabinet formation lift equity prices again

The favorable signals emerging on the political front this week, regarding the formation of a new Cabinet, left some positive traces on the performance of Lebanese capital markets, and specifically, the Beirut bourse. In fact, Solidere shares hit back the US$ 25 level and the price index of all listed equities gained 2.4% to close at 133.03. The trading index only slipped 1.5% to close at 231.04. Likewise, the Eurobonds market enjoyed a week of strong domestic and foreign demand while no offer presented. The average spread on traded Eurobonds lost 24 basis points to reach 418 basis points as a result of lower Lebanese yields and higher benchmark yields. The US dollar continued to be on offer this week, while demand was modest. The conversions' volume to the benefit of the local currency increased notably, on favorable political signals. On the foreign exchange market, the same positive trend of US$-to-LP conversions went on and commercial banks traded the US dollar amongst themselves at a rate hovering between LP 1,500.75 and LP 1,501.25, which is lower than the previous week's band of LP 1,501-LP 1,501.25. The Central Bank continued to buy the green currency surpluses at the lower end of its intervention bracket (LP 1,501) and accumulating foreign reserves. This drove its foreign assets to a new record high of US$ 24.3 billion, as at mid-July 2009, up by US$ 752 million over the first half of the month. Accordingly, the monetary authority's foreign assets covered 83.1% of the LP money supply at mid-July 2009.

Research Department
Bank Audi sal - Audi Saradar Group
Bank Audi Plaza, Bab Idriss, Riad El Solh - Beirut - Lebanon
P.O.Box : 11 - 2560 / Tel : (01) 994000 / Telefax : (01) 985622
Swift : AUDBLBBX - http://www.banqueaudi.com

Bank Audi sal
Audi Saradar Group

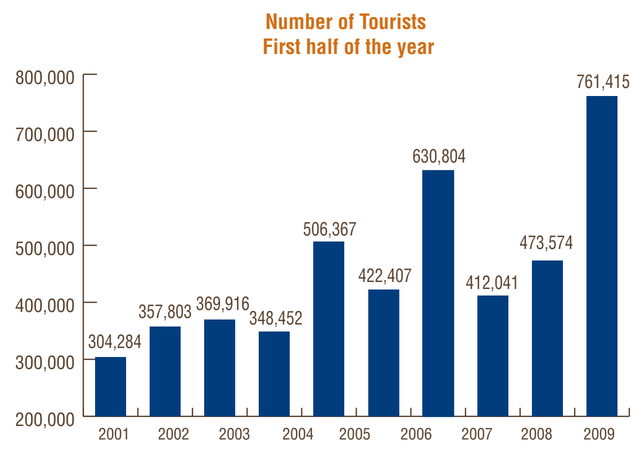
Tourism activity up by 60.8% in the first half of 2009

Tourism activity in Lebanon has continued its upbeat performance for the sixth month in a row this year, with the number of tourists visiting Lebanon in June 2009 registering a monthly record high since the summer months of 2004, prior to the political instabilities in Lebanon. This has led to a significant upsurge when comparing tourism activity in the first half of 2009 to the same period a year ago, with the number of tourists visiting Lebanon rising by 60.8% relative to the same period of 2008 to reach 761,415.

As a matter of fact, the number of tourists in the first half of 2009 recorded an all-time high when compared to the number visiting Lebanon in the first four half of previous years. When compared to the first five months of 2006, the period which was previously marked by the highest number of tourists, this year's first four months saw a 20.7% rise in the number of tourists.

This amelioration continues the buoyant performance of the sector witnessed in the second half of 2008, and resulting from the political resolution, which stabilized security and economic conditions in the country. It is worth noting that the survey conducted earlier this year by the New York Times, which ranked Beirut as the primary tourist destination has contributed to boosting tourism activity in Lebanon. One should note that if growth in tourism activity continues along the same pace throughout the year, the number of tourists would surpass the two million previously projected by the Ministry and 2009 would be the year with the most vibrant tourism activity in Lebanon so far.

On a monthly basis in 2009, all six months saw favorable performances in the tourism sector. The month of May 2009 continued the previously prevailing trend of vigorous activity and tourists totaled 191,691, up by 40.1% relative to the same month of the previous year. In 2009, so far, June has been the most active touristic month in Lebanon.



Source: Ministry of Tourism

The distribution of tourists by origin in the first half of 2009 shows that the greater part of visitors were from Arab countries with 37.8% of aggregate visitors, followed by visitors from Europe with 24.3%, visitors from Asia with 16.2%, visitors from the Americas with 14.3%, visitors from Oceania with 3.8%, and visitors from Africa with 2.4%. In terms of individual countries, the greater part of visitors was from Jordan with 92,097 visitors, or 12.1%, followed by Iran with 71,060 visitors (9.3%), the United States with 51,130 visitors (6.7%), Saud Arabia with 50,969(6.7%), and France with 48,459 (6.4%).

Tax-free purchases up by a yearly 28% in the first half of 2009

Figures released by Global Refund, the firm that reimburses VAT to tourists at the Lebanese border points, reveal that tax-free purchases reported an increase of 28% in the first half of 2009 relative to the same months of 2008, mirroring the increase in tourism activity in the country.

One should note, however, that in the first half of 2009, the increase in tourism activity in Lebanon has been higher than the increase in the spending of those tourists. Indeed, tourism activity rose by 60.8%, around 33% higher than the rise in tourists' spending. However, this does not mean that negative symptoms are appearing on the tourism sector in Lebanon; rather it has implications on the spending power of tourists visiting Lebanon. It is a well know fact that the primary tourists who visit Lebanon are Arabs, mostly Gulf citizens, and Europeans in the second degree. Since both categories have been negatively affected by the global crisis, their spending power has weakened, and although they are travelling for tourism, they are spending less on such travels. As a matter of fact, the month of June 2009 saw a year-on-year decline of 12% in tax-free spending, in spite of the fact that it witnessed a buoyancy in tourism activity that has not been seen in Lebanon since the summer of 2004.

The distribution of expenditures of tourists in Lebanon by country of origin shows spending of nationals from Saudi Arabia accounted for the majority of overall expenditures of tourists in Lebanon during the first half of 2009, as it comprised 20% of total tourists' spending during the said period, up by a yearly 73%. It was followed by spending of nationals from the UAE and Kuwait with 12% each, with the former registering a 9% growth and the latter recording a 43% growth. Spending of Egyptian citizens went up by 54% and accounted for 8% of total tourists' spending, while spending of Jordanian citizens went up 18% and comprised 7% of total spending of tourists in Lebanon.

Coincident indicator up by 13.5% on average in the first five months of 2009

The coincident indicator, an index developed by the Central Bank, which monitors economic activity in Lebanon, averaged 220.56 in the first five months of 2009, up by 13.5% from the same period of the previous year. This suggests a significant step up in economic performance in Lebanon in the first five months of this year. When compared to the first five months of 2007, the average coincident indicator went up by 21.8%.

When looking at the monthly coincident indicator throughout 2009 so far, it seems that economic activity was at its peak in the fourth month of the year, as the coincident indicator stood at 236.5 points in April 2009. In May, economic activity was also higher than in January, February, and March, as the coincident indicator during the former month was higher than the indicator of each of the latter three months, however, it did not surpass that of April. With the coincident indicator at 227.5 points in May 2009, it registered a year-on-year rise of 21.6%.

Consumer prices up by 1.9% in June 2009

According to figures released by the Consultation and Research Institute (CRI), the month of June 2009 saw a relatively high level of inflation, as consumer prices went up by 1.87% during the month. It is worth noting that this monthly increase surpasses the cumulative rise of 1.56% witnessed in the first five months of 2009, and is therefore the major driver behind the 3.47% rise in consumer prices in the first half of 2009.

When comparing the CPI in June 2009 relative to that of June 2008, the year-on-year variation fell to 3.33% after reaching double-digit growth rates throughout the year 2008. Similarly, the 12-months moving average fell to 6.69% in June 2009, after ending the year 2008 at 10.54%. As to the average inflation in the first half of 2009 relative to the first half of 2008, it was at 4.1%.

The increase in the CPI witnessed in the month of June was due to a 7.67% rise in prices of apparel, a 2.42% rise in prices of food and beverages, a 2.88% increase in prices of transport and communications, a 1.3% increase in prices of durable consumer goods, and a 0.05% rise in prices of other goods and services.

The rise in the sub-index for food and beverages is considered important as the said item has the highest weight on the index. It is mostly due to an increase in some items of the food sub-index such as, the respective rises of 17.57% and 8.77% in prices of fruits and vegetables, as well as the rise of 0.92% in prices of alcoholic beverages and the rise of 1.27% in prices of tobacco.

As for the rise in prices of apparel, it was mostly driven by a 23.77% increase in prices of footwear, nonetheless the 2.32% in prices of clothes also contributed to some extent to the rise of the sub-index. Within transport and telecommunications, telecommunication prices remained constant, and the increase was solely the result of a 3.16% rise in transport prices, due to the rise in prices of gasoline during the month.

The rise in prices of durable consumer goods is the combined effect of several price fluctuations, most notably a 14.4% rise in prices of glassware and a 6.84% rise in prices of appliances. Lastly, the trivial rise in the sub-index of other goods and services was caused by a 0.26% rise in prices of Jewelry.

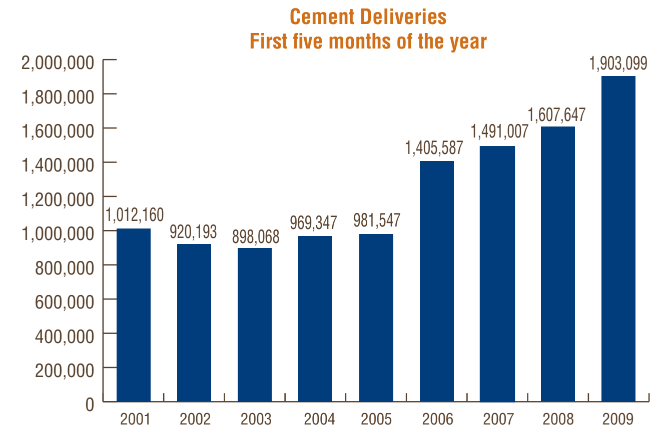
It is worth noting that the only item of the CPI that saw a decline during the month was the sub-index for housing as it dropped by 1.09%, due to a 1.63 %drop in prices of household energy. As for other sub-indices of the CPI, they remained constant during the month of June.

Cement deliveries up by a yearly 18.4% in the first five months of 2009

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, increased by 18.4% over the first five months of 2009 as compared to the same period of 2008 to reach 1,903,099 tons

As a matter of fact, the rise in cement deliveries is in line with the rise in newly issued construction permits during the said period. Nonetheless, the former was higher as the latter was at 4.3%. This could partly be the result of the fact that cement deliveries incorporate deliveries in Lebanon as well as smuggling into neighboring Arab countries.

Cement deliveries totaled 503,158 tons in May 2009, up by 31.3% when compared to the same month of 2008. When compared to the previous month, i.e. April 2009, cement deliveries saw a rise of 10.0%. In fact, the month of May saw the highest amount of cement deliveries in 2009, so far.



Source: Central Bank of Lebanon, Bank Audi's Research Department

Lebanese real estate resilient amidst regional turmoil

According to a recent study released by Bank Audi's Research Department, the real estate sector in Lebanon, an open and liberal market, has persistently shown resilience to adverse political and security conditions on the local scene and adverse external factors at the regional and global levels. Over the past five years, real estate sales value and construction permits posted average growth per annum of 17.6% and 12.6%, respectively.

Demand has been quasi-continuous, stemming from local residents growing steadily in number, expatriates returning to their home country either permanently or for visiting purposes, and foreigners, mainly Arab nationals, that have been increasingly investing in the local realty market.

Real estate prices consequently witnessed a steady and gradual appreciation (three-year average estimated at 25%-30% per annum by Ramco Real Estate Advisers), and shot up all throughout last year (average of 50%-60%) especially post-Doha agreement.

The sector has been relatively shielded from the spillovers of the global financial crisis that hit peer Arab realty markets. First five months 2009 figures show that real estate sales transactions in Lebanon almost stabilized, while construction permits registered a satisfactory 4.3% yearly rise.

Real estate prices are almost sticky on the downside, posting a comparatively moderate 10%-15% decline in the utmost since the onset of the crisis that brought local realty closer to appealing value.

The comparative resilience of the local realty market to the crisis is mostly owed to the persistence of demand drivers post-crisis showing genuine needs for realty, and stringent regulations related to bank lending to the sector limiting the impact of speculators on market activity, within the context of the absence of a real estate bubble in the country such as the one witnessed in prime Gulf markets.

A likely rise in post-election demand amid favorable political and security conditions would ensure a more balanced equilibrium between supply and demand in coming months. Demand could progressively resume an upward trajectory and increase the attractiveness and visibility of Lebanese real estate in the period ahead.

IMF revises Lebanon's 2009 real GDP forecast up from 3% to 4%

The IMF released this week its periodic report on Lebanon's performance under the program supported by the Emergency-Post Conflict Assistance, in which it revised the country's real GDP forecast up from a previously projected 3% to 4%, with a significant upside potential should domestic, political, and security conditions remain favorable.

Indeed, cyclical indicators point to a soft landing of the Lebanese economy in spite of the global financial crisis and recession. Economic activity has continued to expand robustly through the first quarter of 2009. Merchandise exports, which account for only a small share of the economy, have been negatively affected by lower external demand, but construction activity appears to hold up well, and tourism and financial services continue to expand. So far, there have not been sizeable returns of Lebanese expatriates from the Gulf, and the limited data available do not suggest a sharp drop in remittances inflows. As a result, the expected decline in economic growth will likely be milder than projected at the time of the 2009 Article IV consultations.

The report reiterated that so far the impact of the global crisis on Lebanon has been muted. Commercial bank deposit inflows, which are the main financing source for the large government deficit, have remained strong. Deposit dollarization has fallen, helped by stable security conditions, favorable economic developments, and a substantial interest differential between local currency and U.S. dollar denominated deposits. There have been no pressures on the peg, and the Central Bank has accumulated international reserves at a fast pace. Eurobond and Credit Default Swap spreads have moderated, and move in line with the emerging markets average.

The large banking sector has had virtually no direct impact from the global financial crisis, given limited exposure to failed foreign financial institutions or wholesale funding markets. Banks have remained liquid and well-capitalized, and there has been no need for emergency liquidity provision or other public intervention.

Furthermore, despite the global crisis, balance of payments developments remain broadly favorable. The current account deficit will likely shrink this year, helped by the drop in oil import prices and by strong tourism inflows, which together more than compensate for a projected decline in exports (1%) and remittances (12%) in light of the global recession. Despite lower projected foreign direct investment (down 26%), the projected improvement in the current account, together with strong non-resident deposit flows, should allow the Central Bank to continue accumulating international reserves at a comfortable pace, even in the absence of government market financing from abroad. In line with the authorities' projections, donor support has further moderated in the first quarter of 2009, but could resume once a new government is in place in the second half of the year.

EFG-Hermes initiates coverage on Solidere with a target price of US$ 33.3 per share and a LT "Buy" recommendation

EFG-Hermes initiated coverage on Solidere, the Lebanese company in charge of the reconstruction and development of the Beirut Central District (BCD), with a Short-Term (ST) "Accumulate" and Long-Term (LT) "Buy" recommendation and assigned a Long-Term Fair Value of US$ 33.3 per share.

EFG-Hermes believes that Solidere shares would benefit from renewed political stability after the June 2009 elections, a robust underlying Lebanese business and a solid dividend yield of 4%. Solidere's operations in the BCD should provide stable and recurring revenue that is expected to increase significantly as rental properties are added. However, EFG-Hermes is cautious about land sales, which have been a major driver of revenue, but believes that continued slow asset turnover is underpinned by scarcity of land and a resilient economy.

On the other hand, growth from Solidere International, which is 38.2%-owned by Solidere, is at risk given a challenging business environment over the medium term, within the context of a weak global economy. Solidere International has four major projects in the works, one in Ajman, one in Jeddah and two in Cairo in conjunction with SODIC.

Nissan tops car sales in Lebanon with 3,465 newly registered cars in the first half 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 3,465 new cars in the first half of 2009, against 2,274 cars in the first half of 2008. Japan's Toyota brand ranked second with 2,160 newly registered cars in the first half of 2009, against 2,353 cars in the same period of last year. Korea's Kia cars ranked third with 1,711 vehicles in the first half of 2009, against 1884 cars in the same period of last year. Korea's Hyundai came in the fourth rank with 974 cars in the first half of the year, against 815 cars in the same period of 2008. France's Peugeot cars ranked fifth with 795 newly registered cars, against 1,027 cars in the first half of 2008.

On the overall, new car sales in Lebanon progressed by a yearly 3.26% in the first half of 2009 to reach a total of 14,691 cars. Over the month of June 2009, new car sales in Lebanon totalled 3,023 cars, against 3,668 in May 2008.

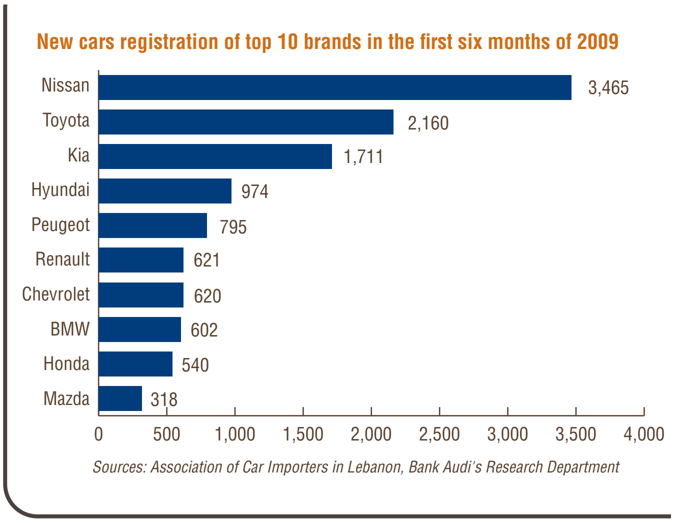
Corporate Finance House to launch US$ 100 million real estate firm

Lebanon's Corporate Finance House (CFH) received approval from the Dubai International Financial Center Authority to launch GFH International Real Estate, a US$ 100 million property firm in Dubai, to invest in European real estate markets, specifically in London and Paris.

The company's launch is part of CFH's strategy to take advantage of low real-estate prices after the global financial crisis and before the expected rebound in European real-estate markets which is predicted to happen soon, according to CFH's executive director.

CFH would hold a 5% stake of GFH International Real Estate and the balance will be raised through a private placement, according to the same source. CFH is also planning to open an office in Saudi Arabia later this year after receiving approval from Saudi authorities.

Established in 1998, Corporate Finance House is a private firm based in Lebanon with headquarters in Dubai. It offers investment banking services including fund management, corporate finance and investment advisory. CFH is currently developing the US$ 60 million West Wharf residential project in Dubai expected to be completed next September, in addition to a US$ 100 million residential and commercial project in the Abdali region in Jordan.



Solidere distributes 2008 dividends

Solidere announced the distribution of US$ 176.5 million in dividends in light of its 2008 profits. Shareholders would get US$ 1.15 per share starting September 28. Solidere announced audited consolidated net profits of US$ 214.3 million in 2008, against US$ 224.2 million in 2007.

Money Market: Currency conversions continue to raise LP liquidity

In view of the continuous and strong wave of conversions from US dollars to Lebanese Pounds, the local currency liquidity remained ample and the overnight rate stood at its low official level of 3.5% set by the Central Bank. 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 July 2nd show an increase of LP 411 billion in local currency deposits, as a result of a LP 313 billion growth in time deposits and a LP 98 billion growth in demand deposits. In parallel, deposits in foreign currencies went down US$ 46 million. These variations compare to an average weekly increase of LP 244 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 614 billion, versus an average weekly increase of LP 246 billion since the beginning of the year 2009. Total money supply in its large sense (M4) expanded by LP 569 billion, compared to an average weekly increase of LP 373 billion since end-2008.

On a cumulative basis since the beginning of the year, money supply in the large sense (M4) expanded by LP 9,809 billion. This is the result of an important growth in local currency denominated time deposits of LP 6,382 billion and an increase of LP 2,649 billion (US$ 1,757 million) in foreign currency deposits. Money supply in its narrow sense (M1) contracted by LP 300 billion over the same period, while Treasury bills held by the public increased by LP 478 billion.

Interest rates	17/07/09	10/07/09	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: Average yields continue to slide

No activity was reported on the secondary market. As to primary market, this week's auction (July 16, 2009) took place on the one-year, two-year and three-year maturities, and resulted in a decline in the average yield of eight, twelve and ten basis points in each respective category. The three-month, six-month and the new five-year Treasuries will be issued the following week.

In parallel, the latest figures on subscriptions volumes, released by the Central Bank this week showed that total issuance for value date July 9, 2009 amounted to LP 309 billion, and were distributed as follows: LP 3 billion in the three-month category, LP 38 billion in the six-month category, LP 42 billion in the one-year category, LP 2 billion in the two-year category and LP 194 billion in the three-year category. These compare to maturities of LP 50 billion, resulting in a nominal surplus of LP 259 billion. The yields for that auction were lower than those of the previous week by two to ten basis points depending on each maturity.

Treasury bills	17/07/09	10/07/09	26/12/08	
3-month	4.94%	4.94%	5.10%	⇔
6-month	6.48%	6.48%	7.10%	↓
1-year	6.72%	6.80%	7.58%	↓
2-year	7.34%	7.46%	8.26%	↓
3-year	8.28%	8.38%	9.00%	↓
Nom. Subs. (LP billion)		309	242	
Short-term (3&6 mths)		41	80	
Medium-term (1&2 yrs)		74	13	
Long-term (3 yrs)		194	149	
Maturities		50	157	
Nom. Surplus/Deficit		209	85	

Foreign Exchange Market: New record high of Central Bank's foreign assets

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. Commercial banks traded the US dollar amongst themselves at a rate hovering between LP 1,500.75 and LP 1,501.25, which is lower than the previous week's band of LP 1,501-LP 1,501.25. The Central Bank continued to buy the green currency surpluses at the lower end of its intervention bracket (LP 1,501) and accumulating foreign reserves.

Within this context, the Central Bank's foreign assets reached a record high level of US$ 24.3 billion, according to the latest balance sheet as at mid-July 2009, up by US$ 752 million over the first half of the month, as a result of the strong US dollar-to-LP conversions. Accordingly, the monetary authority's foreign assets covered 83.1% of the LP money supply at mid-July 2009, which reflects the Central Bank' strong ability to meet demand for foreign currencies and to defend the currency peg.

As a result of this overall favorable trading mood prevailing over the past year, the process of deposits de-dollarization continued. The most recent banking statistics released by the Central Bank of Lebanon reflected this trend, especially compared to last year. The recently released data shows that by the end of May 2009 deposits' dollarization reached 67.4%, barely changing over the month (67.5% at end-April), in line with a slower trend of conversions during May, but notably lower (2.2%) than the end of 2008 (69.6%).

Exchange rates	17/07/09	10/07/09	26/12/08	
LP/US$	1,507.5	1,507.5	1,507.5	↔
LP/£	2,458.73	2,455.11	2,221.60	↓
LP/¥	16.08	16.26	16.66	↑
LP/SF	1,398.94	1,383.54	1,401.80	↓
LP/Can$	1,348.63	1,295.33	1,236.37	↓
LP/Euro	2,125.58	2,096.93	2,120.00	↑

Stock Market: Solidere resurges on positive political signals

The domestic positive signals of this week were welcomed on the Beirut Stock Exchange, and in particular on Solidere's share performance that enjoyed good demand. The price index thus gained 2.4% to close at 133.03, yet the total trading value was US$ 26.7 million this week versus US$ 27.0 million last week. The trading index went down 1.5% to 231.0.

In details, Solidere accounted for 95.4% the weekly turnover. Solidere "A" share price increased by 10.8% to US$ 25.09, and Solidere "B" share price gained 9.7% to US$ 25.12. On the other hand, banking shares accounted for only 3.9% of the total trading value this week. Bank Audi's GDR price edged down by 0.9% to close at US$ 65.0, while the same bank's "listed" shares barely nudged up 0.7% to US$ 60.40. BLOM's GDR price moved slightly higher to close at US$ 77.4 (+0.4%) and BLOM's "listed" stock stood still at US$ 72.65. Byblos Bank's "listed" shares were also unchanged at US$ 1.85, and its "priority shares" lost 3.2% to US$ 1.80. Among the industrial shares, Holcim changed hands and went down 1.4% to US$ 13.05. As to the investment funds, the Beirut Preferred Fund gained 0.4% to close at US$ 104.50.

Audi Indices for BSE	17/07/09	10/07/09	26/12/08	
22/1/96=100				
Market Cap. Index	458.21	447.68	393.96	↑
Trading Vol. Index	231.04	234.44	50.43	↓
Price Index	133.03	129.97	116.09	↑
Change %	2.4%	-5.60%	-1.71%	↓
Market Cap. $m	10,870	10,620	9,346	↑
No. of shares traded	1,084,980	1,104,089	372,788	↓
Value Traded $000	26,694	27,027	4,550	↑
o.w. : Solidere	25,464	24,696	3,182	↑
Banks	1,042	2,315	1,329	↓
Others	174	7	39	↑

Finally, BSE's performance was not better than similar to other emerging stock markets, as reflected by a notable increase of 6.3% in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and an 8.1% surge in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). Similarly, BSE was fared worse than other Arabian markets, as reflected by an increase of 4.9% in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets) and a 5.5% rise in the Morgan Stanley Capital International GCC countries Index (MSCI GCC countries).

Week 29
Jul 13 - Jul 18
2009

Bond Market: Solid upward demand trend

The Eurobond market saw another week of strong local and foreign demand this week across all categories, especially the long-term categories, yet this demand was not met by adequate offer. Lebanese bonds were not being put on offer which led to a price increase.

The average yield thus lost a good 13 basis points to reach 6.16%, while the average spread contracted by 24 basis points to reach 418 basis points due to a decrease in Lebanese yields and an increase in benchmark yields. For instance, the average yield on the five-year US Treasury bill climbed from 2.24% to 2.41% this week because prices slipped. The US Treasuries were down after a US weekly jobless claims' report joined a series of positive economic news dampened demand for safe-haven government debt.

On emerging markets, bond prices slipped as reflected by a six basis points increase in the average yield to reach 7.58%, while the average spread stood still at 575 basis points.

Eurobonds Indicators	17/07/09	10/07/09	26/12/08	
Total tradable size $m	17,574	17,563	17,173	↑
o.w.: Sovereign bonds	17,004	16,993	16,603	↑
Average Yield	6.16%	6.29%	8.88%	↓
Average Spread	418	442	755	↓
Average Life	4.66	4.68	4.65	↓
Yield on US 5-year note	2.42%	2.24%	1.32%	↑

ARAB STOCK MARKETS INDICES:

	17-Jul-09	10-Jul-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	133.03	129.97	113.6	2.4%	17.2%
Abu Dhabi securities market	55.27	52.45	47.0	5.4%	17.6%
Amman stock exchange	309.77	312.2	340.3	-0.8%	-9.0%
Bahrain stock exchange	127.72	132.52	156.5	-3.6%	-18.4%
Casablanca stock exchange	225.17	229.86	224.5	-2.0%	0.3%
Doha securities market	133.34	131.01	142.7	1.8%	-6.6%
Dubai financial market	30.89	29.63	60.3	4.3%	-48.7%
Egypt capital market	299.33	291.09	240.1	2.8%	24.7%
Kuwait stock market	136.13	132.05	147.9	3.1%	-8.0%
Muscat securities market	152.83	150.49	157.3	1.6%	-2.8%
Saudi stock market	127.48	119.63	113.2	6.6%	12.6%
Tunis stock exchange	132.07	131.42	114.8	0.5%	15.1%
AMF composite	159.64	154.07	156.3	3.6%	2.1%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	17-Jul-09	10-Jul-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	94.02	92.39	90.92	1.8%	3.4%
$/£	1.633	1.619	1.4520	0.9%	12.5%
$/Euro	1.411	1.392	1.3950	1.4%	1.1%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	8,743.94	8,146.52	8,776.39	7.3%	-0.4%
S&P 500	940.38	879.13	903.25	7.0%	4.1%
NASDAQ	1,886.61	1,756.03	1,577.03	7.4%	19.6%
CAC 40	3,218.46	2,983.10	3,217.97	7.9%	0.0%
Xetra Dax	4,978.40	4,576.31	4,810.20	8.8%	3.5%
FT-SE 100	4,388.75	4,127.17	4,434.20	6.3%	-1.0%
NIKKEI 225	9,395.32	9,287.28	8,859.56	1.2%	6.0%
COMMODITIES					
GOLD OUNCE	936.7	912.15	878.20	2.7%	6.7%
SILVER OUNCE	13.39	12.66	11.30	5.8%	18.5%
BRENT CRUDE (barrel)	63.87	59.16	39.83	8.0%	60.4%
LEADING INTEREST RATES (%)					
1-month Libor	0.29	0.29	0.45	0.00	-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	3.66	3.30	2.22	0.36	1.43

CONTACTS

Treasury and Capital Markets
Nabil Chaya (01) 977422 nabil.chaya@banqueaudi.com
Emile Shalala (01) 977622 emile.shalala@banqueaudi.com

Private Banking
Toufic Aouad (01) 329328 toufic.aouad@audisaradarpb.com

Corporate Banking
Khalil Debs (01) 977229 khalil.debs@asib.com

Research
Marwan Barakat (01) 977409 marwan.barakat@banqueaudi.com
Zeina Abla (01) 977407 zeina.abla@banqueaudi.com
Jamil Naayem (01) 977406 jamil.naayem@banqueaudi.com
Salma Saad Baba (01) 977346 salma.baba@banqueaudi.com
Rita Daher (01) 977575 rita.daher@banqueaudi.com
Rana Helou (01) 964763 rana.helou@banqueaudi.com
Lea Korkmaz (01) 964904 lea.korkmaz@banqueaudi.com
Fadi Kanso (01) 977470 fadi.kanso@banqueaudi.com