The Lebanon Weekly Monitor

Week 33
Aug 10 - Aug 16
2009

ECONOMY

p.2 ▶ IMF sees Lebanon's real GDP in 2009 growing substantially beyond 4%

According to a study released this week by the International Monetary Fund (IMF), while many emerging market countries are deeply entangled in the global economic crisis, the Lebanese economy could this year grow considerably faster than the IMF's recent conservative projection of 4%.

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SURVEYS

p.4 ▶ Bank Audi explores the factors behind the outstanding Lebanese banking resilience to the global turmoil

In a special report entitled "Lebanese banking sector: A successful story of resilience unscathed by global turmoil", Bank Audi analyzes the sector's activity growth and the evolution of its profitability and risk profile in the aftermath of the Global Financial Crisis.

CORPORATE NEWS

p.5 ▶ Audi Capital KSA initiates coverage of Solidere with "Buy" recommendation and target price of US$ 35.09

Audi Capital KSA, the Saudi investment company affiliated to Bank Audi – Audi Saradar Group, initiated this week coverage of Solidere, with a "Buy" recommendation and a target price of US$ 35.09, implying a 44% upside potential.

Also in this issue:

MARKETS IN BRIEF

p.6 ▶ Central Bank lowers overnight rate for the first time in five years

The status-quo on the local political front during this week dictated a slowdown in activity on the stock market, while the Eurobond market continued to capture strong investors' interest and the foreign exchange market still pursued a favorable trend. On the BSE, activity was shy during this week with the total trading value standing at US$ 11 million, while the price index retreated by 1.30% to close at 133.01. On the Eurobond market, local and foreign investors continued to show a strong appetite for Lebanese debt instruments, while the offer remained almost absent, which translated into a rise in prices. However, the average spread widened by 9 basis points due to a larger drop in benchmark yields. As to the foreign exchange market, FC-to-LP conversions persisted during this week, and the Central Bank continued to intervene as a buyer of the green currency surpluses at LP 1,501. On the money market, the major event this week was the Central Bank's lowering of the overnight rate by 25 basis points for the first time in five years to 3.25%. This reduction came in alignment with the previous declines in LP Tbs interest rates and within the context of ample local currency liquidity on the money market that resulted from the large volumes of conversions in favor of the Lebanese Pound on the FX market.

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ECONOMY

IMF sees Lebanon's real GDP in 2009 growing substantially beyond 4%

According to a study released this week by the International Monetary Fund (IMF), while many emerging market countries are deeply entangled in the global economic crisis, the Lebanese economy could this year grow considerably faster than the IMF's recent conservative projection of 4%.

The study noted that while this resilience is remarkable, it is not the first time in recent years that Lebanon has defied the odds in the face of a severe shock. The study cites the Lebanese economic resistance against the consecutive political shocks that hit the country from February 2005 up until May 2008. Also, at 160% of GDP, Lebanese government debt is staggering, but the government's structural relationship with commercial banks bolsters its financing. Lebanese banks hold the lion's share of the government's debt, and have been able for years to increase their exposure thanks to remarkably stable deposit inflows, mostly from the large Lebanese diaspora and foreign investors—typically from the Persian Gulf.

Deposits are also attractive because of high returns made possible by the banks' portfolio of high-yielding Lebanese government bonds, the professionalism of Lebanese bankers, and Lebanon's excellent debt service record of no default, even during the civil war of 1975–90. In addition, in difficult times, the international community has helped Lebanon financially to avert crises, thereby also bolstering confidence in the Lebanese banking system.

Two additional factors came into play during the current global crisis. First, the crisis coincided with a sustained improvement in domestic security conditions. The second factor that plays relatively in favor of Lebanon lies in its economic structure and policies. The export base (exports of goods and services) is small at 17% of GDP, so the downturn in exports as a result of the slump in global demand has not had a major impact on growth. Remittances have been affected by the global downturn, but so far the negative effect has been small, as relatively few Lebanese expatriates have been laid off and returned home from the Gulf. Also, bank deposits continue to grow given attractive interest rates and the improved perception of Lebanese banks relative to their Western competitors since the Lehman failure.

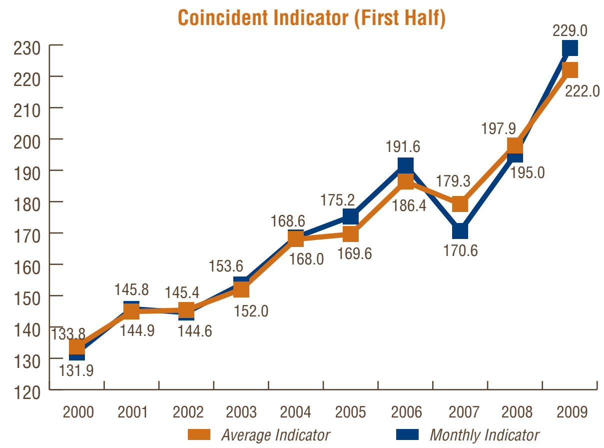
In conclusion, Lebanon has once more escaped what many saw as inevitable. However, in order to guarantee that the country will not fare worse one day if and when the next shock hits, there should be a decisive reduction of Lebanon's large vulnerabilities, mainly its public debt.

Also, to maintain financial stability in the country, it is important to safeguard the health of the large banking sector, by exercising particularly rigorous supervision. This would minimize the likelihood of shocks coming from the banks' portfolio and the possible propagation to the public debt.

Coincident indicator at a record high in the first half of 2009

The coincident indicator, an index developed by the Central Bank, which monitors economic activity in Lebanon, averaged 229.70 in the first half of 2009, up by 13.8% from the same period of the previous year, and reaching a record high when compared to the same periods of previous year. This suggests a significant step up in economic performance in Lebanon in the first half of the year to reach peak levels.

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. It was followed by June, during which the monthly indicator was at its second highest level in 2009, so far, reaching 229 points, up by 15.7% relative to June 2008 and by 0.7% relative to the previous month.



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

Tax-free purchases up by a yearly 24% in the first seven months 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 24% in the first seven months of 2009 relative to the same months of 2008, mirroring the increase in tourism activity in the country.

One should note here that in the first seven months of 2009, the increase in tourism activity in Lebanon has been higher than the increase in the spending of those tourists. However, this does not say anything about tourism in Lebanon; rather it has implications on the spending power of tourists visiting Lebanon. Indeed, the lower growth of tax-free purchases relative to the growth in the number of tourists reflects a possible retreat in the average spending per tourist, probably as a result of the adverse effects generated by the global financial crisis.

The distribution of expenditures of tourists in Lebanon by country of origin shows that the majority of visitors to Lebanon were Arabs as aggregate spending of nationals from Saudi Arabia, Kuwait, the UAE, Egypt, and Syria accounted for 59% of total spending of tourists in Lebanon. In details, Spending of nationals from Saudi Arabia accounted for the majority of overall expenditures of tourists in Lebanon during the first seven month of 2009, as it comprised 20% of the total, followed by spending of nationals from the UAE and Kuwait with 12% each, that of Egyptian citizens with 8%, and that of Syrian citizens with 7%.

As a matter of fact, all Arab citizens registered positive year-on-year variations in their spending in the first seven months of 2009, with the highest increase being that of citizens from Syria, as it was at 78%, followed by that of citizens from Saudi Arabia, which reached 61%, that of citizens from Qatar, which was at 56%, the 46% rise in expenditures of Egyptian citizens, the 36% increase in spending of Kuwaiti citizens, the 17% rise in spending of Jordanian nationals, and the 8% increase in spending of nationals from the UAE. On the other hand, spending of non-Arabs saw declines in the said period, with spending of French and Nigerian citizens decreasing by 23%, and 13%, respectively and that of citizens from the United States dropping by 11%. Again, this is correlated with the negative repercussions of the global financial crisis.

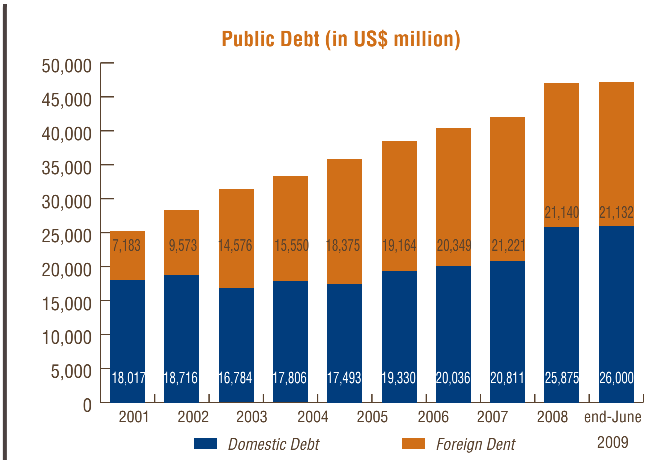
The distribution of tax free spending by category during the first seven months of 2009 indicates that "fashion and clothing" was the category with the highest share of overall spending of 67%, followed by "watches and jewellery " with 11%, "perfumes and cosmetics" and "home and garden" with 5% each , and spending in department stores with 4%.

Gross public debt increases trivially in the first half of 2009

Gross public debt continued its retreat in June 2009 for the third month in a row to reach LP 71,323 billion, the equivalent of USD 47.3 billion, at the end of June 2009, down from LP 71,956 billion in May 2009, LP 72,014 billion in April and LP 72,248 billion in March 2009. This continuous decline has diminished the year-to-date increase to a mere 0.6% in the first half of 2009, as compared to 5.8% in the same period of 2008. This decrease in gross public debt mirrors a decline in investments in Treasury bills, and is due to the fact that during the aforementioned three months banks were investing heavily in 5-year CD's, which yield higher interest than Tb's.

Here, one should note that this decline in gross public debt has been accompanied by a fall of 15.4% in public sector deposits at the Central Bank of Lebanon. This means that the government has been resorting to its deposits at the Central Bank to meet its financing needs. Hence, net public debt, which deducts public sector deposits at commercial banks and the central bank from gross public debt, rose by 3.5% from end December 2008 to end June 2009 to read LP 64,764 billion.

The trivial increase in gross public debt in the first half of 2009 was triggered by a 0.5% growth of local currency debt which reached LP 39,195 billion at end-June 2009, along with a 0.8% rise in foreign currency debt, which was US$ 21,312 million. As for the 0.9% decline in the sixth month of the year, it was the combined result of a 1.2% decline in local currency debt and a 0.5% decrease in foreign currency debt. As such, the shares of the local currency debt and foreign currency debt of the total gross were around 55.0% and 45.0% respectively at the end of June 2009.



Source: Association of banks in Lebanon, Bank Audi's Research Department

Cement deliveries up by a yearly 19.8% in the first half of 2009

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, increased by 19.8% over the first half of 2009 as compared to the same period of 2008 to reach 2,367,947 tons. This increase is in line with the rise in newly issued construction permits during the said period.

Cement deliveries totaled 465,848 tons in June 2009, up by 26.1% when compared to the same month of 2008. In fact, the month of June saw the second highest amount of cement deliveries in 2009, so far, following May during which such deliveries totaled 503,158 tons.

Bank Audi explores the factors behind the outstanding Lebanese banking resilience to the global turmoil

Bank Audi issued today a special report entitled "Lebanese banking sector: A successful story of resilience unscathed by global turmoil", where it analyzed the sector's activity growth and the evolution of its profitability and risk profile in the aftermath of the "Global Financial Crisis". The report was based mainly on the consolidated statistics of Lebanese banks as provided by Bankdata Financial Services.

The report stated that the Lebanese banking sector has demonstrated a significant resilience to the on-going Global Financial Crisis, adding to its successive episodes of noticeable resilience of the past few years. The report said that the growth in banking activity clearly highlights the strong confidence in the Lebanese banking sector within the context of perfect capital mobility across borders and with capital increasingly fleeing to the most immune banks and financial institutions around the World.

With respect to profitability, the report said that net profits reported a considerable growth of 26.7% in 2008, maintaining a 6-year trend of consecutive positive double-digit annual earning growth rates for the banking industry despite the impact of the global financial crisis on the banks earning power around the globe. According to the report however, the major banking challenge for the year ahead is to maintain the positive growth in earnings within the context of an expected drop in Lebanese banks spreads following the significant contraction of international interest rates over the past year.

The report adds that the global financial crisis which had obviously a negative impact on asset quality of banks across the World within the context of the acute economic downturn generating credit defaults, did not leave its imprints on the Lebanese banks asset quality at all in 2008. On the contrary, the ratio of net doubtful loans to gross loans continued its decline, reporting its lowest level in more than a decade, reaching a mere 1.4%, down from 2.1% in 2007.

The reasons why the Lebanese banking industry was relatively insulated from the global financial crisis are actually numerous, of which the regulatory and supervisory regime, the conservative practices of Lebanese banks (highly liquid deposit-rich banks with low leverage) in addition to structural economic factors such as the recurrence and non-speculative nature of capital inflows towards Lebanon supported by a large pool of offshore savings around the Globe.

As a matter of fact, Lebanese banks maintained very high liquidity levels in a period where liquidity is key to comfort depositors at large. Primary liquidity stood at 51.5% at end-2008 according to Bankdata consolidated statistics, against an average of 28% for the MENA region, 34% for emerging markets and 30% globally. While it is true that lending to the private sector represents close to the size of the domestic economy in Lebanon, such a lending is constrained to a small portion of the large bank resources, with deposits to GDP standing at 315.1% in Lebanon, against 62.0% for the region, 74.3% for emerging markets and 93.4% for the global average. As such, loans to deposits stand at a mere 32% in Lebanon, one of the lowest ratios around the Globe, which represents by itself an important buffer in a period of deleveraging across the World. Such a low ratio also provides banks with important flexibility at a time where most banking sectors in the region and in the World have loans to deposits ratios approaching 100% limiting their loan extension capability.

In addition, Lebanese banks continue to enjoy a good capital adequacy level, i.e an acceptable leverage level in a period where the recent crisis has underlined the threat of excessive indebtedness on behalf of banks. The capital adequacy Basle 1 ratio stood at 22.4% in Lebanon, against 14.5% for the region, 15.4% for emerging markets and 14.8% for the global average. While it is true that the Lebanese Basle 1 ratio is overstated as a result of the zero-risk weighting allocated to Lebanese Treasury bills leading to a relatively low ratio of risk weighted assets to total assets of merely 35% at end-2008, it is important to mention that the Basle II average is estimated at circa 12.2% for the Lebanese banking sector, quite above the 8% benchmark.

More importantly, Lebanese banks are all considered deposit-rich banks where the deposit base constitutes 81% of their total funding at large, against 58% for the MENA region, 67% for emerging markets and 66% for the global average at large. It is important to bear in mind that the deposit rich profile of banks pays in tough times such as the one the World is currently passing by as customer deposits represent a much more stable funding franchise than all other sources of market debt funding.

Bank Audi's report said that looking ahead, the continuing diversification of bank activities by geographic location and markets of presence in a MENA region characterized with large pent-up growth potential despite temporary setbacks, should provide an additional support to the Lebanese banking risk diversification profile and reinforce further its immunity against adverse individual market developments.

But the report concludes that for the Lebanese resilience to be reinforced in the long term, structural reforms should take place in the aim of ensuring a soft-landing scenario for Lebanon's public finance conditions that represent the major vulnerability factor for Lebanon. It is then that we can say that Lebanon and its financial sector could be a unique model of immunity serving as a viable example to a number of countries in the region, in the emerging countries arena and across the Globe at large.

Audi Capital KSA initiates coverage of Solidere with "Buy" recommendation and target price of US$ 35.09

Audi Capital KSA, the Saudi investment company affiliated to Bank Audi – Audi Saradar Group, initiated this week coverage of The Lebanese Company for the Development and Reconstruction of Beirut Central District, or Solidere, with a "Buy" recommendation and a price target of US$ 35.09. This implies an upside potential of 44% to the market price of US$ 24.36 as of the date of the finalization of the report, with the stock offering investors a relatively high dividend yield of 4% amid the current low interest rate environment.

According to the report, the company, which is the sole owner of the Beirut Central District (BCD) -and a leading master developer in the MENA region, has successfully capitalized on the surge of real estate prices in Lebanon. Indeed, Solidere acquired its land bank in the early-mid '90s, and took advantage thereafter of the considerable infrastructure developments in the BCD. Solidere's BCD land bank is valued at US$ 62.7 per share, suggesting the company is currently trading at a 61% discount.

A major domestic opportunity for the company lies in the upcoming launch of the Beirut Souks, a large retail district, later this year, scattered across more than 50,000 square meters. Solidere plans to lease all shops, which would, according to Audi Capital, boost revenues by more than US$ 25 million in the first year of operation, with rental revenues anticipated to reach US$ 100 million in five years, securing a steady stream of cash flows for the company.

Overall, Solidere benefits from a healthy liquidity position, and its prospective financial situation looks robust, according to the report. Free cash flows are foreseen to remain positive throughout the forecast period, thus allowing Solidere to match future financing needs. Audi Capital added that the only remaining costs are from building infrastructure on reclaimed land, estimated at a maximum of US$ 100 million.

Such a solid financial position renders Solidere well-placed to take advantage from the downturn in regional property markets, through its recently incorporated subsidiary Solidere International. The report added that the company's cash level is high at a time when funding is a major concern for real estate developers at large, which would allow it to tap into profitable projects in the coming years.

Patchi eyes Initial Public Offering

Lebanese chocolatier Patchi announced it is seeking a speedy flotation of a 49% stake, through an initial public offering (IPO), or a listing, in an aim to finance the company's international expansion. The timing of such a move however hinges on the global markets conditions, according to company sources.

Initial pre-global financial crisis plans drawn up by the firm had been for a primary listing in Dubai and a secondary listing in London.

Established in 1974, Beirut-based Patchi currently has over 140 outlets in more than 35 countries. In addition to chocolates, it makes tableware and artificial flowers and also has printing, porcelain and glass divisions.

Lebanon's Antonios Projects launches 200-meter high Sama Beirut tower

Lebanese developer Antonios Projects recently launched the Sama Beirut project, to be located in the Sodeco area in Achrafieh. The mixed-use project would encompass a 50-floor tower, standing up to 200 meters from ground, the highest tower in the country, according to Antonios Projects.

Residential flats would range between 300 square meters and 1,500 square meters, while the project would also include six commercial units, in addition to large parking facilities, among others. The completion of the project is expected in 2014.

Balance sheet of financial institutions grows by a yearly 7.5% to US$ 832.6 million at end-June 2009

Central Bank statistics show that the consolidated balance sheet of financial institutions in Lebanon reached LP 1,255.1 billion, or US$ 832.6 million, at end-June 2009, up by 7.5% from US$ 774.2 million at end-June 2008. Liabilities to the private sector decreased by 17.6%, from US$ 167.1 million at end-June 2008 to US$ 137.7 million at end-June 2009. On the other hand, liabilities to the financial sector increased by 15.4%, from US$ 316.3 million at end-June 2008 to US$ 365.0 million at end-June 2009.

On the assets' side, financial institutions' cash and banks item reached US$ 262.0 million at end-June 2009, up by 15.9% from US$ 226.0 million at end-June 2008. Claims on the private sector amounted to US$ 412.9 million at end-June 2009, up by 1.1% from US$ 408.2 million a year earlier. Claims on the public sector stood at US$ 127.9 million, showing an increase of 16.2% from US$ 110.1 million at end-June 2008. Further, the aggregate equity capital of financial institutions reached US$ 246.4 million, growing by 16.2% from US$ 212.0 million a year earlier.

CAPITAL MARKETS

Money Market: The Central Bank lowers overnight rate to 3.25%

Stability remained the main feature characterizing the money market this week. The local currency liquidity remained quite available, within the context of continuous conversions in favor of the Lebanese Pound on the foreign exchange market. Under these favorable conditions and in line with previous declines in interest rates on LP Treasury bills, the Central Bank has reduced this week the overnight rate by 25 basis points, from 3.50% to 3.25%.

As to short-term Certificates of Deposits, tiny subscriptions of LP 10 billion were made on the 60-day category this week. Accordingly, total subscriptions in CDs amounted to LP 516 billion since the beginning of the year 2009, and were distributed as follows: LP 134 billion in the 45-day category and LP 382 billion in the 60-day category. Moreover, the latest figures released by the Association of Banks in Lebanon showed that the total outstanding CDs portfolio amounted to LP 18,152 billion at end-June 2009, surging by LP 2,137 billion relative to the previous month, and doubling in value since year-end 2008. In fact, the outstanding CDs portfolio rose by LP 9,117 billion during the first half of 2009, mainly due to the commercial banks' growing demand for the high-yielding 5-year CDs.

On the monetary aggregates level, figures for the week ending July 30 show an increase of LP 475 billion in local currency deposits, as a result of a LP 175 billion growth in time deposits and a LP 300 billion increase in demand deposits. In parallel, deposits in foreign currencies rose by US$ 90 million. These variations compare to an average weekly increase of LP 252 billion for LP deposits since the beginning of the year 2009, and an average rise of US$ 70 million in foreign currency deposits. LP money supply (M2) expanded by LP 489 billion, versus an average weekly increase of LP 254 billion since the beginning of the year 2009. Total money supply in its large sense (M4) expanded by LP 753 billion, compared to an average weekly increase of LP 385 billion since end-2008.

Interest rates	14/08/09	07/08/09	26/12/08	
Overnight rate	3.25%	3.50%	3.50%	↓
7 days rate	3.36%	4.50%	4.50%	↓
1 month rate	3.79%	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: Nominal surplus of LP 1,205 billion during the first seven months of 2009

Activity remained absent on the secondary Treasury bills market this week. As to the primary market, this week's auction (August 13, 2009) took place on the one-year, two-year and three-year maturities that provided an average yield of 6.56%, 7.24% and 8.00% respectively. The auction resulted in a decline in the average yield that ranged between six and twenty basis points.

On the other hand, the Central Bank released this week the auction results for value date August 6th, 2009 which showed that total subscriptions amounted to LP 381 billion, and were distributed as follows: LP 12 billion in the three-month category, LP 189 billion in the six-month category and LP 180 billion in the five-year category. These compare to maturities of LP 145 billion, resulting in a nominal surplus of LP 236 billion. The yield on the three-month category stabilized at 4.94%, while the yields on the six-month and five-year categories dropped by four and 26 basis points to reach 6.38% and 8.74 % respectively.

On a cumulative basis, total subscriptions during the first seven months of the year 2009 amounted to LP 8,706 billion, and were distributed as follows: LP 1,717 billion in the short-term categories (three-month and six-month categories), LP 1,822 billion in the medium-term categories (one-year and two-year categories), LP 5,078 billion in the three-year category and LP 139 billion in the five-year category. These compare to maturities of LP 7,501 billion, which led to a nominal surplus of LP 1,205 billion during the first seven months of 2009. The average yields on Tbs followed a downward slope during the first seven months of 2009, with declines ranging between 16 and 96 basis points.

Treasury bills	14/08/09	07/08/09	26/12/08	
3-month	4.94%	4.94%	5.10%	⇔
6-month	6.38%	6.38%	7.10%	⇔
1-year	6.56%	6.64%	7.58%	↓
2-year	7.24%	7.30%	8.26%	↓
3-year	8.00%	8.20%	9.00%	↓
5-year	8.74%	8.74%	-	⇔
Nom. Subs. (LP billion)		381	242	
Short-term (3&6 mths)		201	80	
Medium-term (1&2 yrs)		0	13	
Long-term (3 yrs)		0	149	
Long-term (5 yrs)		180		
Maturities		145	157	
Nom. Surplus/Deficit		236	85	

Foreign Exchange Market: Continuous conversions in favor of the LP

The foreign exchange market continued this week to pursue the same trend of conversions from FC holdings to LP holdings, in similar volumes relative to the previous week. Within this context, the Central Bank kept on intervening as a buyer of the green currency surpluses at the lower end of its intervention bracket, thus contributing to bolstering its foreign assets. In parallel, commercial banks continued to trade the US Dollar at the same prevailing rate ranging between LP 1,500.75 and LP 1501.25.

Exchange rates	14/08/09	07/08/09	26/12/08	
LP/US$	1,507.5	1,507.5	1,507.5	↔
LP/£	2,495.67	2,520.69	2,221.60	↑
LP/¥	15.84	15.85	16.66	↑
LP/SF	1,407.96	1,415.76	1,401.80	↑
LP/Can$	1,386.84	1,398.42	1,236.37	↑
LP/Euro	2,153.31	2,164.92	2,120.00	↑

Stock Market: Weak activity prevails

The status-quo on the local political front translated into stable prices on the Beirut Stock Exchange this week. The price index closed at 133.01, declining slightly by 1.30% relative to the previous week, while the trading volume index dropped by 62.00% to close at 93.55. The total trading value amounted to US$ 10.9 million this week as compared to US$ 28.7 million last week and an average trading value of US$ 17.8 since the beginning of the year 2009.

In details, Solidere shares captured 83.6% of activity this week. Solidere "A" share price retreated by 0.9% to reach US$ 24.67, and Solidere "B" share price decreased by 1.6% to US$ 24.52. As to the banking stocks, they accounted for 16.3% of the total trading value. Bank Audi's GDR price declined by 1.1% to close at US$ 66.40 and the same bank's "listed" shares moved down by 2.0% to US$ 60.75. BLOM's GDR price lost 1.3% to close at US$ 78.90, while Bank Audi's "listed" share's price rose by 1.4% to US$ 75.00. Byblos Bank's "listed" share's price dropped by 1.6% to US$ 1.85, while its "priority shares" stood at US$ 1.90. Among the industrial shares, Holcim's share changed hands and its price went up by 2.5% to US$ 12.56.

Audi Indices for BSE	14/08/09	07/08/09	26/12/08	
22/1/96=100				
Market Cap. Index	458.15	464.18	393.96	↓
Trading Vol. Index	93.55	246.19	50.43	↓
Price Index	133.01	134.76	116.09	↓
Change %	-1.30%	-1.36%	-1.71%	↓
Market Cap. $m	10,869	11,012	9,346	↓
No. of shares traded	719,873	1,986,935	372,788	↓
Value Traded $000	10,898	28,683	4,550	↓
o.w. : Solidere	9,108	22,634	3,182	↓
Banks	1,776	6,033	1,329	↓
Others	14	16	39	↓

Finally, the BSE followed the same trend characterizing other emerging stock markets, as reflected by a 2.1% decline in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). However, the BSE performed worse than other Arabian markets, as reflected by a 0.8% increase in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets) and a 1.2% rise in the Morgan Stanley Capital International GCC countries Index (MSCI GCC countries).

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On a cumulative basis, the total trading value amounted to US$ 539 million during the first seven months of 2009, with the months of June and July capturing the bulk of 61%. In fact, the BSE witnessed a remarkable activity after the successful completion of the parliamentary elections. The turnover ratio, measured by the annualized total trading value to market capitalization, reached 8.3% during the first seven months of 2009 versus 7.1% during the first six months of the same year, which underscores the rise in activity during the month of July 2009. However, the said turnover ratio compared lower to that registered during the first seven months of 2008 (9.5%).

Bond Market: Higher prices and higher spread

Local and foreign investors continued to show high interest in Lebanese debt instruments, while the offer remained almost absent. Subsequently, bond prices increased, as reflected by a 9 basis points drop in the average yield, from 5.92% last week to 5.83% this week. The average spread widened by 9 basis points to reach 344 basis points, due to a decline in Lebanese yields and a larger drop in benchmark yields. For instance, the five-year US Treasury tumbled from 2.83% last week to 2.55% this week as weaker-than-expected economic data revived investor worries and spurred safe-haven demand for bonds after the Federal Reserve said the economy was leveling out.

Similarly, bond prices improved in other emerging markets as reflected by a 5 basis points decline in the average yield to reach 6.32%, while the average spread widened by 6 basis points to 434 basis points.

Eurobonds Indicators	14/08/09	07/08/09	26/12/08	
Total tradable size $m	17,495	17,588	17,173	↓
o.w.: Sovereign bonds	16,925	17,018	16,603	↓
Average Yield	5.83%	5.92%	8.88%	↓
Average Spread	344	335	755	↑
Average Life	4.68	4.68	4.65	↔
Yield on US 5-year note	2.55%	2.83%	1.32%	↓

ARAB STOCK MARKETS INDICES:

	14-Aug-09	07-Aug-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	133.0	134.8	113.6	-1.3%	17.1%
Abu Dhabi securities market	60.33	59.9	47.0	0.7%	28.4%
Amman stock exchange	312.02	313.87	340.3	-0.6%	-8.3%
Bahrain stock exchange	134.88	134.04	156.5	0.6%	-13.8%
Casablanca stock exchange	228.95	229.81	224.5	-0.4%	2.0%
Doha securities market	140.11	138.88	142.7	0.9%	-1.8%
Dubai financial market	33.76	34.3	60.3	-1.6%	-44.0%
Egypt capital market	344.37	338.44	240.1	1.8%	43.4%
Kuwait stock market	143.37	142.66	147.9	0.5%	-3.1%
Muscat securities market	175.54	170.64	157.3	2.9%	11.6%
Saudi stock market	136.31	133.42	113.2	2.2%	20.4%
Tunis stock exchange	133.85	133.09	114.8	0.6%	16.6%
AMF composite	169.77	167.81	156.3	1.2%	8.6%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	14-Aug-09	07-Aug-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	94.48	97.06	90.92	-2.7%	3.9%
$/£	1.652	1.674	1.4520	-1.3%	13.8%
$/Euro	1.423	1.426	1.3950	-0.2%	2.0%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	9,321.40	9,370.07	8,776.39	-0.5%	6.2%
S&P 500	1,004.09	1,010.48	903.25	-0.6%	11.2%
NASDAQ	1,985.52	2,000.25	1,577.03	-0.7%	25.9%
CAC 40	3,464.43	3,502.46	3,217.97	-1.1%	7.7%
Xetra Dax	5,309.11	5,458.96	4,810.20	-2.7%	10.4%
FT-SE 100	4,713.97	4,731.56	4,434.20	-0.4%	6.3%
NIKKEI 225	10,597.33	10,412.09	8,859.56	1.8%	19.6%
COMMODITIES					
GOLD OUNCE	945.85	953.9	878.20	-0.8%	7.7%
SILVER OUNCE	14.68	14.59	11.30	0.6%	29.9%
BRENT CRUDE (barrel)	70.74	72.98	39.83	-3.1%	77.6%
LEADING INTEREST RATES (%)					
1-month Libor	0.27	0.28	0.45	-0.01	-0.18
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	3.57	3.86	2.22	-0.29	1.34

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