// The Lebanon Weekly Monitor

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The Lebanon Weekly Monitor

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p.5 ▶ Alfa subscribers up by 29.3% in the second quarter of 2009

Orascom Telecom, a leading mobile telecommunications operator in the region, and manager of one of Lebanon's mobile phone networks under the name of Alfa, announced in its consolidated financial results for the first half of 2009, that the number of Alfa subscribers in Lebanon increased by 29.3% in the second quarter of 2009, rising from 661,047 at end-March 2009 to 854,500 at end-June 2009.

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MARKETS IN BRIEF

p.6 ▶ Equity prices unchanged, awaiting favorable news regarding the cabinet formation

In view of the overwhelming status-quo mood that governed the local political front and the ambiguity that continued to surround the cabinet formation's issue, market participants maintained a wait-and-see attitude during this week, looking forward for favorable news that may drive the BSE activity upward. On the equity market, stock prices remained unchanged week-on-week, as reflected by a very tiny change of +0.1% in the price index, while the trading volume index increased by 27.0%. As to the Eurobond market, activity was slow, with both demand and supply taking place in relatively low volumes. Within this context, bond prices maintained their previous levels, while the average spread tightened by seven basis points to reach 348 basis points due to an increase in benchmark yields. At the level of the foreign exchange market, depositors continued this week to convert their FC holdings into LP holdings, in similar volumes relative to the previous week, supported by the interest rate differential and the growing confidence in stable monetary conditions, noting that this wave of conversions has helped the local currency to regain gradually its role as a store of value. On the money market, the overnight rate stood this week at its low official level of 3.25% set by the Central Bank, due to the overabundance of the LP liquidity, as the Central Bank of Lebanon allowed commercial banks to subscribe in 30% of their bids only on the primary Tbs market.

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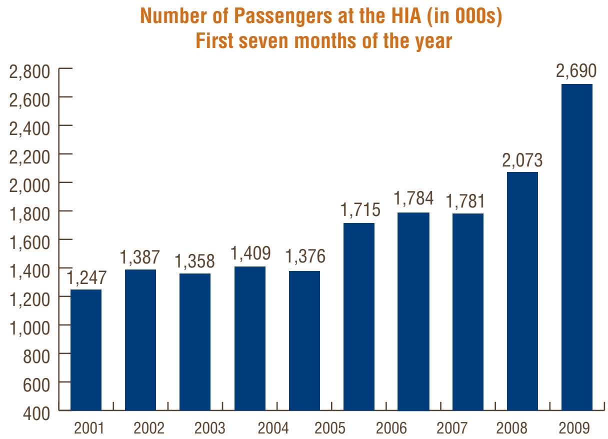
Airport activity at a historical monthly peak in July 2009

Figures released by the Harriri International Airport (HIA) reveal that air transport activity indicators in July 2009 reached a historical record high level. This means that in 2009 so far, air transport activity also peaked in July with the number of passengers using the airport at 619,076 up by 35.1% compared to 458,221 in June, 345,278 passengers in May, 389,480 passengers in April, 299,803 passengers in March, 274,503 passengers in February, and 303,534 passengers in January. When compared to the same month of the previous year, the month previously marked by the highest air transport activity in Lebanon, the number of passengers at the airport saw a 28.5% rise.

Incoming passengers were significantly higher than outgoing passengers in June 2009 with the former at 361,626 and the latter at 257,450. Arriving passengers saw a monthly rise of 27.0% and a year-on-year increase of 27.4%, while departing passengers witnessed a monthly increase of 48.5% and a year-on-year rise of 30.1%. Aircraft activity was also on the upsurge in the seventh month of the year, going up by 12.7% relative to the previous month and 27.6% year-on-year. This exceptionally high level of activity in July 2009 is due to the buoyant tourism activity that has been booming since the beginning of 2009 and peaked during the summer months, not to mention the large of number of Lebanese residing abroad who came to spend their summer vacation in Lebanon. As for transit passengers, they totaled 2,446, down by 39.3% year-on-year.

As such, year-to-date activity, which was already soaring in the first half of the year, continued to flourish in the first seven months of the year, leading to record high levels in the number of passengers at the airport, the number of planes, and more importantly the rate of increase of such activity indicators. Airline traffic saw a yearly rise of 31.4% in the first seven months of the year, while passengers at the airport increased by 29.8% in the said period. Total planes using the airport in the first seven months of 2009 amounted to 31,118, while passengers at the airport totaled 2,689,815.

In-depth passengers' activity at the HIA suggests that the prevailing norm throughout 2009 up until May 2009 has been one of almost equal arrivals and departures. In the sixth and seventh months of the year, the former slightly surpassed the latter, which is natural during the touristic booming months of the summer. Arrivals reached 1,453,379 passengers in the first seven months of the year, rising by 31.3%, whereas departures were at 1,236,516, up by 28.1%. Lastly, transit passengers reached 19,263 passengers in the first seven months of the year, down by 36.1% relative to the same period of 2008.



Sources: Hariri International Airport, Bank Audi's Research Department

Foreign trade activity up by 2.6% in the first seven months of 2009

Despite the global economic turmoil, Lebanon's external trade activity managed to grow in the first seven months of 2009 relative to the same period of 2008, with import activity mainly remaining on solid grounds during the said year.

Aggregate imports and exports totaled US$ 11,303 million in the first seven months of 2009, up by 2.6% from the same period of last year. Imports amounted to US$ 9,300 million, up by 3.8% from their value in the first seven months of 2008. It is worth noting that this growth in imports signifies strong domestic demand in Lebanon during the first seven months of 2009. In particular, imports of investment goods witnessed an upsurge of 19.3% in the first seven months of 2009, which reflects positively on investment activity in Lebanon amidst the global economic crisis.

It is worth noting that such a nominal increase in import activity in the first seven months of the year comes in spite the fact that oil prices were 60% lower than they were in the same period of 2008, and the exchange rate of the Euro against the Dollar is 12.5% lower than it was in the first seven months of 2008, bearing in mind that oil imports constitute 20.5% of total imports, while imports from the Euro area account for around 31% of total imports Thus, if one were to account for the aforesaid two declines, the real value of imports would record a 38.6% escalation.

Export activity, in parallel, had been on the rise up until July 2009, when it registered a monthly plummet of 25.3%, thus leading to a decline of 2.5% in export activity in the first seven months of 2009 to reach US$ 2,003, versus US$ 2,054 million in the same half of 2008. Such a decline in export activity signifies dwindling external demand, and is due to negative spillovers of the global economic meltdown on Arab countries, the main importers of Lebanese products.

In the first seven months of the year, the strong growth in imports within the context of a decline in exports has resulted in a widening of the trade deficit, in spite of the fact that this deficit contracted in the seventh of the year, on account of a decline in imports during the said month. The trade deficit was at US$ 1,240 million in July 2009, down by 7.1% from the same month of 2008. As a result, the yearly expansion in the trade deficit contracted from 8.8% in the first half of the year to 5.7% in the first seven months, leading to a trade deficit of US$ 6,904 million. Furthermore, the export-to-import coverage ratio regressed from 22.9% in the first seven months of 2008 to 21.5% in the same period of this year.

The breakdown of Lebanese exports by country of destination for the first seven months of 2009 indicates that Switzerland was the country with the greater part of Lebanese exports with US$ 413 million, or 20.6% of the total. It was followed by the UAE with US$ 187 million (9.4%), Iraq with US$ 173 million (8.6%), and Saudi Arabia with US$ 149 million (7.4%). Aggregate exports to these countries constituted around 46% of total exports.

As for the breakdown of imports to Lebanon by country of origin, it reveals that France got the largest share with US$ 1,006 million, or 10.8% of the total. It was followed by the USA with US$ 887 million (9.5%), China with US$ 813 million (8.7%), Germany with US$ 712 million (7.8%), and Italy with US$ 675 million (7.3%). Aggregate imports from these countries accounted for around 44% of total imports.

Lebanon's primary export item in the first seven months of this year was jewelry, which accounted for 27.9% of total exports. Electrical equipments and products, which comprised 14.3% of the total, came in second, followed by food products with 8.3%, base metals with 8.2%, and mineral products with 7.1%. Those five categories accounted for 65.8% of total exports.

Mineral products, which accounted for 19.8% of total imports, retained the lion's share of imports during the aforementioned period. Transport vehicles came in next with 17.2%, followed by electrical equipments and products with 12.1% and chemical products with 8.4%. The said categories represented approximately 58% of total imports.

Property sales witness partial recovery during July 2009

The property sector collapse that has been occurring in several countries across the world, and especially in the MENA region, has to a small extent spread its contagion to the sector's activity in Lebanon, as it placed a downward pressure on prices of property in Lebanon in the first half of 2009. Nonetheless, the seventh month of the year witnessed a partial recovery, as property sales transactions underwent a monthly increase, while the value of such transactions witnessed a year-on-year rise.

Indeed, figures released by the Directorate of Real Estate indicate that property sales transactions reached 7,683 operations during July, up by 24.1% relative to June 2009. Nonetheless, this number is still 3.0% lower than the number of sales operations during July 2008, as back then the real estate boom was at its peak. As such, the year-to-date variation in property sales transactions is still in the negative territory in the first seven months of the year, reaching -3.3%, with property sales transactions totaling 41,513 during the said month. Here, it is worth highlighting the upsurge in property sales operations to foreigners in the seventh month of the year, which coincides with the large number of Arab visitors coming to Lebanon. Such sales operations totaled 238 in July 2009, up by a monthly 66.4% and by 15.5% year-on-year.

As to the total value of property sales in Lebanon in the seventh month of the year, it was at LP 951,415 million, rising by monthly 5.7% and by 5.3% year-on-year. Such an increase is in line with the surge in sales to foreigners, which in Lebanon's case, are primarily Gulf and Arab citizens, targeting upper-scale property. Consequently, the average value per property sale in July 2009 went up by 8.5% relative to the same month of the previous year.

Lastly, it is worth noting that in spite of the rise in the value of property sales during July 2009, this did not push the year-to-date variation in the value of property sales back into positive territories, nonetheless it fell from 5.3% in the first half of 2009 to 3.3% in the first seven months of the year. Total value of property sales transactions reached LP 4,654.6 billion in the first seven months of the year, while the average value per property sale reached LP 112.1 million, during the said period, almost unchanged from last year.

Imports of industrial machinery up by 23.7% in the first half of 2009

According to statistics released by the Ministry of Industry, imports of industrial machinery, which mirror the activity of investments made in the industrial sector, amounted to LP 26.0 billion, or US$ 17.2 million in June 2009, up by a monthly 10.2% and by 10.4% year-on-year. This pushed the value of imported industrial machinery up to LP 157.9 billion, or US$ 104.8 million in the first half of 2009, up by 23.7% from the their value in the same period of 2008. As a matter of fact, the value of imports of industrial machinery in the first half of this year reached a historical high when compared to the same period of previous years. This signifies vigorous industrial activity in the country in 2009, so far, despite the global economic meltdown.

Alpha banks profits up by 6.6% in the first half of 2009

The first half results of top Lebanese banks reflect very good activity growth performance coupled with profit expansion in a period where the majority of regional and global banks are reporting contractions in net earnings. This is evident in the results of the Alpha report for the first half of 2009, issued by Bankdata Financial Services which shows the performances and positioning of the first 11 banks operating in Lebanon, i.e those banks with deposits above US$ 2 billion. The report suggests that the aggregate profits of alpha banks reported US$ 576.4 million in the first half of 2009, growing by 6.6% relative to the first half of 2008.

This growth rate is definitely lower than the 43.4% year-on-year augmentation registered in the first half of 2008, but it is deemed quite significant as it comes amidst the current global financial crisis, which is weighing heavily on the profitability of banks worldwide and in the MENA region at large. In reality, the mere fact of Alpha banks attaining a positive growth in profitability in such turbulent financial times is yet another indicator of Lebanese banks weathering off the repercussions of the crisis. The first half of 2009 was marked by a significant discrepancy between the net earnings growth of the best performer and that of the least performer, as the former was at 52.9% while the latter was at -7.4% over the period.

The 6.6% net income growth was driven by a healthy 6.2% rise year-on-year in net operating income, against a lower 5.6% rise in total operating expenses and a 8.2% increase in income tax. Moreover, these positive results were achieved, despite a huge 118.1% year-on-year increase in net allocation to provisions to maintain the good asset quality of Lebanese banks.

Going further in details, the growth in net operating income was driven by a 11.7% growth in net interest income, along with a 1.3% growth in non-interest income. The solid banking position in the first half of 2009 was underlined by a quantity effect along with a negative price effect. In fact, the Alpha banks' balance sheet expanded by almost 8.1% in the first half of 2009 relative to the first half of 2008. At the same time, the overall net spread went down by 17 basis points, moving from 2.18% at end-2008 to 2.01% at end-June 2009. This contraction in interest margins is due to significant interest rate cuts that took place across the globe and yielding low return on Treasury uses of Lebanese banks.

Lebanese Banks benefited from the growth of fees' income, or non-interest income that went up by 1.3%. This steady source of income is becoming increasingly significant as it somehow reduces the vulnerability to adverse interest rate evolutions. However, its share out of operating income went slightly down by 2.2%, moving to 32.7% in the first half of 2009, from 34.9% in the first half of 2008.

Looking at the geographic distribution of Alpha banks, it is clear that the expansion is ongoing, in spite of such banks implementing cautious measures amidst the crisis. The number of branches totaled 841 branches at end-June 2009, versus 831 at end-2008 and 785 at end-June 2008. Moreover, the number of staff employed by those banks increased in line with the wider coverage as it went up by 0.8% from 18,900 employees at the end of 2008 to 19,049 employees six months later. This is being reported despite the fact that banks are trying to control their expenses as much as possible within significant cost control measures.

Within the context of cost cutting efforts, the cost-to-income ratio declined by 1.2% in the first half of 2009, from 51.3% to 50.1%, bearing witness to a slight improvement in efficiency. This contraction is due to the fact that the year-on-year rise in net operating income of Alpha banks surpassed that of total expenses. This comes within the context of significant cost control policies adopted by Lebanese banks in the aim of optimizing management efficiency at large.

It is worth finally noting that the positive growth in net profits in the first half of 2009 was not coupled with an improvement in return ratios. Specifically, the net return on average equity moved down by 0.64% from 14.02% in the first half of 2008 to 13.38% in the first half of 2009. As for the net return on average assets, it went down by 0.08%, moving from 1.24% in the first half of 2008 to 1.17% in the first half of 2009. While the absolute levels of Lebanese bank return ratios remain below international benchmarks, the 2008 and 2009 dynamics were definitely to the advantage of the Lebanese Banking Sector, as all almost global and regional return ratios had reported significant net contractions during the year as a result of the financial crisis impact on banks bottom lines across the globe.

The Alpha Group's ranking by total assets, one of the most important criteria for ranking banks in Lebanon, suggest that Bank Audi sal-Audi Saradar Group leads with US$ 22429 million, followed by BLOM Bank sal with US$ 19420 million, and Byblos Bank with US$ 12299 million. Full rankings are detailed in the table below.

Alpha Banks' Rankings as at end-June 2009 (in US$ million)

Bank	Assets		Deposits		Loans		Equity		Net Profits	
	Rank	Volume	Rank	Volume	Rank	Volume	Rank	Volume	Rank	Volume
Bank Audi - Audi Saradar Group	1	22,429	1	19,224	1	6,338	1	1,912	2	132.9
BLOM Bank	2	19,420	2	16,691	2	3,598	2	1,518	1	138.3
Byblos Bank	3	12,299	3	9,344	3	2,864	3	992	3	62.7
BankMed	4	9,788	5	7,356	4	2,658	4	933	4	50.9
Fransabank	5	9,093	4	7,669	6	2,006	5	817	5	44.8
Banque Libano-Francaise	6	6,904	6	5,754	5	2,142	7	520	9	27.7
Bank of Beirut	7	6,198	7	4,468	7	1,456	6	531	6	29.4
Crédit Libanais	8	4,903	8	4,270	8	1,110	8	393	8	27.9
Lebanese Canadian Bank	9	4,520	9	3,789	9	1,014	9	317	11	15.9
SGBL	10	3,721	11	2,878	10	969	10	301	7	28.1
BBAC	11	3,460	10	2,992	11	642	11	253	10	17.8

Sources: Bankdata Financial Services wll, Bank Audi's Research Department

CORPORATE NEWS

Alfa subscribers up by 29.3% in the second quarter of 2009

Orascom Telecom, a leading mobile telecommunications operator in the region, and manager of one of Lebanon's mobile phone networks under the name of Alfa, announced in its consolidated financial results for the first half of 2009, that the number of Alfa subscribers in Lebanon increased by 29.3% in the second quarter of 2009, rising from 661,047 at end-March 2009 to 854,500 at end-June 2009.

In parallel, Orascom Telecom's consolidated net profits reached US$ 213.9 million in the first half of 2009 (of which net profit attributed to the parent company amounted to US$ 183.6), against US$ 307.0 million in the first half of 2008. Net profits were mainly impacted by unrealized foreign exchange losses and hedge losses in Pakistan for a total of approximately US$ 65 million, according to company releases.

Consolidated revenues amounted to US$ 2.5 billion in the first half of 2009, against US$ 2.7 billion in the same period of 2008. The company's consolidated EBIDTA reached US$ 1.1 billion in the first half of 2009 against US$ 1.2 billion in the first half of 2008. Earnings per share stood at US$ 1.05 in the first half of 2009, compared to US$ 1.39 in the first half of 2008.

Orascom Telecom served 84.1 million active customers at end-June 2009, up by 8.7% from 77.3 million at end-June 2008.

Established in 1997 and listed on the Cairo and London stock exchanges since 2000, Orascom Telecom Holding (OTH) provides telecommunications and internet services in the Middle East, Africa, Asia and Europe. The group provides Internet service through subsidiaries, Egypt-based Linkdotnet and Belgium-based M-link, which provides gateway services to the company's worldwide operations.

OTH also owns Medcable and Trans World Associates, both involved in building and operating undersea fiber optic cables, to transmit international voice and data traffic between the group's Europe and Middle East operations. Egyptian based Ring offers GSM telecommunication services, such as retail franchise, product customization, logistics and supply chain management; and Orasinvest provides telecommunication and business services.

Bankmed posts net profits of US$ 50.9 million in the first half of 2009

Bankmed announced consolidated net profits of US$ 50.9 million in the first half of 2009. Interest margin amounted to US$ 98.2 million, while non interest income reached US$ 72.4 million over the same period.

Net operating income stood at US$ 141.4 million in the first half of 2009, while total operating expenses amounted to US$ 84.8 million up by 11.5%, of which staff expenses equalled US$ 38.9 million, up by 5.7%, and general and administrative expenses equalled US$ 40.2 million, up by 19.3%.

Total assets stood at US$ 9.8 billion at end-June 2009, up by 2.5% from US$ 9.5 billion at year-end 2008. Customer deposits reached US$ 7.38 billion at end-June 2009, against US$ 7.36 billion at year-end 2008. Loans and advances to customers totaled US$ 2.7 billion, against US$ 3.1 billion at year-end 2008.

Shareholders' equity amounted to US$ 933.0 million, up by 29.3% from US$ 721.5 million at year-end 2008. As at end-June 2009, Bankmed operated 77 branches, which along with the Head Office, encompassed 1,613 employees.

Fransabank posts net profits of US$ 44.8 million in the first half of 2009

Fransabank announced consolidated net profits of US$ 44.8 million in the first half of 2009. Interest margin amounted to US$ 95.7 million, while non interest income reached US$ 26.3 million over the same period.

Net operating income stood at US$ 124.6 million in the first half of 2009, while total operating expenses amounted to US$ 70.0 million up by 22.7%, of which staff expenses equalled US$ 42.7 million up by 29.9%, and general and administrative expenses equalled US$ 21.7 million up by 12.2%.

Total assets stood at US$ 9.1 billion at end-June 2009, up by 7.2% from US$ 8.5 billion at year-end 2008. Customer deposits reached US$ 7.7 billion at end-June 2009, up by 7.3% from US$ 7.2 billion at year-end 2008. Loans and advances to customers totaled US$ 2.0 billion, up by 17.0% from US$ 1.7 billion at year-end 2008.

Shareholders' equity amounted to US$ 816.6 million, up by 10.0% from US$ 742.7 million at year-end 2008 As at end-June 2009, Fransabank operated 107 branches, which along with the Head Office, encompassed 2,011 employees.

Money Market: Overabundance of local currency liquidity

The overnight rate stood at its low official level of 3.25% set by the Central Bank, within the context of overabundant local currency liquidity on the money market. The said overabundance followed the Central Bank's decision to allow commercial banks to subscribe in 30% only of their bids in this week's Treasury bills auction. As to the short-term Certificates of Deposits, LP 20 billion were placed this week in the 60-day category. This brings total subscriptions in CDs since the beginning of the year 2009 to LP 546 billion, distributed as follows: LP 136 billion in the 45-day category and LP 410 billion in the 60-day category.

On the monetary aggregates level, figures for the week ending August 13 show an increase of LP 287 billion in local currency deposits, as a result of a LP 300 billion growth in LP time deposits and a LP 13 billion decrease in LP demand deposits. In parallel, deposits in foreign currencies rose by US$ 40 million. These variations compare to an average weekly increase of LP 257 billion for LP deposits since the beginning of the year 2009, and an average rise of US$ 73 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 199 billion, versus an average weekly increase of LP 265 billion since the beginning of the year 2009. Total money supply in its large sense (M4) expanded by LP 395 billion week-on-week, compared to an average weekly increase of LP 404 billion since year-end 2008.

On a cumulative basis since the beginning of the year, money supply in its large sense (M4) expanded by LP 12,826 billion. This is the result of an important surge in local currency denominated time deposits of LP 8,269 billion, an increase in foreign currency deposits of LP 3,481 billion (US$ 2,309 million), a rise in money supply (M1) of LP 51 billion ,and a growth in Treasury bills held by the public of LP 1025 billion.

Interest rates	28/08/09	21/08/09	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 232 billion

This week's auction (August 27, 2009) took place on the one-year, two-year and three-year maturities that provided an average yield of 6.06%, 7.16% and 7.86% respectively. The auction resulted in a decline in the average yield that ranged between eight and 50 basis points. Within this context, it is worth mentioning that the Central Bank of Lebanon allowed commercial banks to subscribe in 30% only of all accepted bids.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date August 20, 2009 which showed that total subscriptions amounted to LP 299 billion, and were distributed as follows: LP 17 billion in the three-month category, LP 151 billion in the six-month category and LP 131 billion in the five-year category. This compared to maturities of LP 67 billion, resulting in a nominal surplus of LP 232 billion. The yield on the three-month category retreated by two basis points to 4.92%, while the yield on the six-month category declined by five basis points to 6.33% and the yield on the five-year category tumbled by 22 basis points to reach 8.52%.

On the secondary market, there was demand for the three-year category, while the offer remained absent, leaving the activity dull. In fact, commercial banks showed this week more interest in placing their LP liquidity on the secondary market after the Central Bank limited their subscriptions on the primary market to 30% of their bids only.

Treasury bills	28/08/09	21/08/09	26/12/08	
3-month	4.92%	4.92%	5.10%	⇔
6-month	6.33%	6.33%	7.10%	⇔
1-year	6.06%	6.56%	7.58%	↓
2-year	7.16%	7.24%	8.26%	↓
3-year	7.86%	8.00%	9.00%	↓
5-year	8.52%	8.52%	-	⇔
Nom. Subs. (LP billion)		299	242	
Short-term (3&6 mths)		168	80	
Medium-term (1&2 yrs)		-	13	
Long-term (3 yrs)		-	149	
Long-term (5 yrs)		131		
Maturities		67	157	
Nom. Surplus/Deficit		232	85	

Foreign Exchange Market: Ongoing conversions in favor of the Lebanese Pound

The interest rate differential between LP and FC deposits and the growing confidence in stable monetary conditions remained the major drivers of conversions in favor of the Lebanese Pound on the foreign exchange market this week. In fact, depositors continued to convert their FC holdings into LP holdings, in similar volumes relative to the previous week. Within this context, the Central Bank of Lebanon intervened on a daily basis as a buyer of the green currency surpluses at the lower end of its intervention bracket (LP 1,501), while commercial banks traded the US Dollar at a rate hovering between LP 1,500.75 and LP 1,501.25.

Within the context of the continuous wave of conversions in favor of the Lebanese Pound on the foreign exchange market, the BDL's foreign assets grew by a staggering 26.6% since year-end 2008, the equivalent of US$ 5.2 billion, to reach a new historical high level of US$ 25.0 billion at mid-August 2009. Such high level of foreign assets provide the Central Bank of Lebanon with a comfortable cushion, allowing it to defend the currency peg and satisfy potential demand for foreign currencies should pressures arise.

Exchange rates	28/08/09	21/08/09	26/12/08	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,461.45	2,486.47	2,221.60	↑
LP/¥	16.04	16.07	16.66	↑
LP/SF	1,424.32	1,423.11	1,401.80	↓
LP/Can$	1,390.43	1,388.51	1,236.37	↓
LP/Euro	2,164.32	2,155.27	2,120.00	↓

Stock Market: No change in prices

The local political status-quo translated into stable equity prices and weak activity during this week. The price index stood at 130.39, rising by a tiny 0.14% week-on-week. The total trading value amounted to US$ 11.1 million this week versus US$ 8.8 million last week. The average daily trading value rose from US$ 1.8 million last week to US$ 2.2 million this week, which led to a 27.0% increase in the trading volume index to reach 95.73.

In details, Solidere shares captured the lion's share with 90.0% of activity this week. Solidere "A" share price increased by a tiny 0.1% to reach US$ 23.56, while Solidere "B" share price retreated by 0.3% to US$ 23.51. As to the banking stocks, they accounted for 10.0% of the total trading value. Bank Audi's GDR price rose by 2.4% to close at US$ 66.00, and the same bank's "listed" shares moved up by 0.8% to US$ 60.50. BLOM's GDR price edged up by 0.1% to close at US$ 78.70. Byblos Bank's "listed" share's price stood at US$ 1.75, while its "priority shares" dropped by 3.8% to reach US$ 1.75. Among the industrial shares, Holcim changed hands and its price tumbled by 4.4% at US$ 12.01.

Audi Indices for BSE	28/08/09	21/08/09	26/12/08	
22/1/96=100				
Market Cap. Index	448.50	458.15	393.96	↑
Trading Vol. Index	75.38	93.55	50.43	↑
Price Index	130.21	133.01	116.09	↑
Change %	-2.11%	-1.30%	-1.71%	↓
Market Cap. $m	10,655	10,640	9,346	↑
No. of shares traded	509,041	525,587	372,788	↓
Value Traded $000	11,147	8,778	4,550	↑
o.w. : Solidere	10,033	7,227	3,182	↑
Banks	1,101	1,546	1,329	↓
Others	13	5	39	↑

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Finally, BSE fared worse than other emerging stock markets, as reflected by a 0.7% increase in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and a 1.5% rise in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). Similarly, BSE performed lower than other Arabian markets, as reflected by a 3.8% rise in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets) and a 3.9% increase in the Morgan Stanley Capital International GCC countries Index (MSCI GCC countries).

On a cumulative basis, the BSE price index rose by 14.8% since year-end 2008, trailing behind other equity markets in Egypt (+39.9%), the UAE (+36.4%), Saudi Arabia (+24.4%), Tunisia (+21.2%), Oman (+19.6%) and Kuwait (+15.4%), yet coming ahead of other stock markets in Morocco (+0.5%), Qatar (-0.7%), Jordan (-8.4%) and Bahrain (-25.3%), according to the MSCI Arabian Markets Index.

Bond Market: Slow activity governs

Slowness remains the main feature characterizing the Eurobond market this week, with both demand and supply taking place in relatively low volumes. Bond prices stayed constant week-on-week, as reflected by a stable average yield of 5.83%. The average spread tightened by seven basis points to reach 348 basis points, due to stability in Lebanese yields and an increase in benchmark yields. For instance, the five-year US Treasury bills rose by ten basis points, from 2.41% last week to 2.51% this week, under the pressure of solid US economic data.

In contrast, bond prices increased in other emerging markets as reflected by an 11 basis points drop in the average yield to reach 6.01%, while the average spread shrank by 20 basis points to reach 403 basis points.

Eurobonds Indicators	28/08/09	21/08/09	26/12/08	
Total tradable size $m	17,499	17,497	17,173	↑
o.w.: Sovereign bonds	16,929	16,927	16,603	↑
Average Yield	5.83%	5.83%	8.88%	⇔
Average Spread	348	355	755	↓
Average Life	4.65	4.67	4.65	↓
Yield on US 5-year note	2.51%	2.41%	1.32%	↑

ARAB STOCK MARKETS INDICES:

	28-Aug-09	21-Aug-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	130.4	130.3	113.6	0.1%	14.8%
Abu Dhabi securities market	60.05	59.23	47.0	1.4%	27.8%
Amman stock exchange	314.72	307.78	340.3	2.3%	-7.5%
Bahrain stock exchange	134.95	133.73	156.5	0.9%	-13.7%
Casablanca stock exchange	231.25	229.06	224.5	1.0%	3.0%
Doha securities market	139.42	137.68	142.7	1.3%	-2.3%
Dubai financial market	32.35	31.04	60.3	4.2%	-46.3%
Egypt capital market	347.92	340.39	240.1	2.2%	44.9%
Kuwait stock market	150.05	144.82	147.9	3.6%	1.4%
Muscat securities market	178.58	174.84	157.3	2.1%	13.5%
Saudi stock market	134.39	129.83	113.2	3.5%	18.8%
Tunis stock exchange	136.73	134.46	114.8	1.7%	19.1%
AMF composite	169.76	165.54	156.3	2.5%	8.6%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	28-Aug-09	21-Aug-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	93.8	93.47	90.92	0.4%	3.2%
$/£	1.635	1.658	1.4520	-1.4%	12.6%
$/Euro	1.437	1.433	1.3950	0.3%	3.0%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	9,544.20	9,505.96	8,776.39	0.4%	8.7%
S&P 500	1,028.93	1,026.13	903.25	0.3%	13.9%
NASDAQ	2,028.77	2,020.90	1,577.03	0.4%	28.6%
CAC 40	3,693.14	3,626.24	3,217.97	1.8%	14.8%
Xetra Dax	5,517.35	5,462.74	4,810.20	1.0%	14.7%
FT-SE 100	4,908.90	4,887.92	4,434.20	0.4%	10.7%
NIKKEI 225	10,534.14	10,238.20	8,859.56	2.9%	18.9%
COMMODITIES					
GOLD OUNCE	954.95	953.35	878.20	0.2%	8.7%
SILVER OUNCE	14.74	14.15	11.30	4.2%	30.4%
BRENT CRUDE (barrel)	72.57	73.9	39.83	-1.8%	82.2%
LEADING INTEREST RATES (%)					
1-month Libor	0.26	0.27	0.45	-0.01	-0.19
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	3.45	3.56	2.22	-0.11	1.22

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