The Lebanon Weekly Monitor

Week 36
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ECONOMY

p.2 ▶ Bank lending activity revived in July 2009

For the seventh month in a row in 2009, Lebanon's banking sector has once again witnessed a solid performance, thereby demonstrating continued resilience to the adverse spillovers of the global financial crisis.

Also in this issue:

SURVEYS

p.4 ▶ Market-issued Eurobonds account for 68% of foreign currency debt according to Ministry of Finance report

"Debt and Debt Markets", a quarterly bulletin released by the Lebanese Ministry of Finance, revealed that up until end-June 2009, commercial banks remained the major holder of local currency Treasury bills (49%), and the lion's share of foreign currency debt (68%) continued to be in the form of market-issued Eurobonds.

Also in this issue:

CORPORATE NEWS

p.5 ▶ BLF posts net profits of US$ 27.7 million in the first half of 2009

Banque Libano-Française's financials for the first half of 2009 show that net profits reached US$ 27.7 million, against US$ 30.0 million in the corresponding period of 2008.

Also in this issue:

MARKETS IN BRIEF

p.6 ▶ The Central Bank's foreign assets hit a new historical high level

In the absence of any favorable news regarding the cabinet formation, the equity and bond markets remained this week overwhelmed with a quiet mood, while the foreign exchange market still witnessed conversions in favor of the Lebanese Pound, and the Treasury bills market continued to see decline in yields across categories. In details, stock prices remained unchanged this week, with the price index moving down by a tiny -0.3%, while the volume of traded shares was limited to 887 thousand shares. As to the Eurobond market, activity improved slightly this week, yet prices didn't change and the average spread widened by 10 basis points to reach 358 basis points due to declines in benchmark yields. On the foreign exchange market, depositors continued to convert their FC holdings into LP holdings, in lower volumes relative to the previous week. The Central Bank intervened on a daily basis as a buyer of the green currency surpluses at LP 1,501. Within this context, the BDL's foreign assets reached a new historical high level of US$ 25.3 billion, covering 82.3% of LP money supply.

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Bank lending activity revived in July 2009

For the seventh month in a row in 2009, Lebanon's banking sector has once again witnessed a solid performance, thereby demonstrating continued resilience to the adverse spillovers of the global financial crisis. Indeed, July 2009 was yet again another month during which all banking activity indicators in Lebanon moved upwards with assets progressing by a monthly LP 2,660 billion, or US$ 1,764 million and deposits increasing by a monthly LP 2,877 billion, or US$ 1,908 million. This monthly growth in deposits is deemed especially significant as it is the second highest monthly deposit growth rate witnessed in over a year now, following that observed in April 2009.

The growth in assets and in deposits are important indicators of the sturdiness of the Lebanese banking system, nonetheless the most notable result in the Lebanese banking sector in July is the revival of lending activity after months of a strict lending policy adopted by Lebanese banks since the eruption of the global financial crisis in September 2008. Indeed, total loans of commercial banks progressed by LP 1,381.3 billion during the month of July alone, surpassing the growth in loans during each and every month since February 2008, bearing in mind that in 2008 prior to the outbreak of the crisis, Lebanese banks were following an aggressive lending strategy. This growth is especially significant as it occurs during a period of deleveraging across the globe and could be attributed to the relatively large flexibility at Lebanese banks characterized by high liquidity and significant operating surpluses.

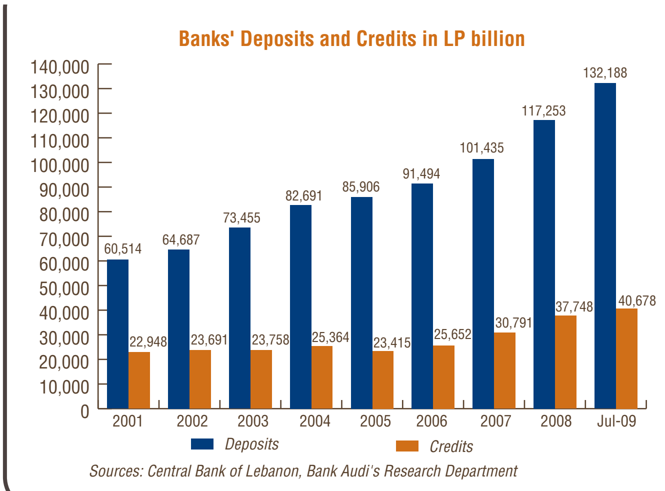
It is worth noting that almost 79% of the total growth in loans during the seventh of the year, the equivalent of LP 1,086 billion, is in the form of loans extended to non-residents. This indicates that Lebanese banks are continuing the path they were following prior to the global crisis, which was characterized by extending vigorous loans to regional corporates in order to make use of the banks' abundant liquidity, bearing in mind that the local market remains relatively small considering the size of the country's banking system and its ensuing liquidity.

The aforementioned upsurge in all three banking activity indicators during the month has kept aggregate activity flourishing in the first seven months of the year. Between December 2008 and July 2009, total bank assets grew by US$ 11.1 billion, the equivalent of 11.8%, higher than the growth of 9.6% reported over the corresponding period of 2008, and nearly three times the average growth recorded over the corresponding period of the previous six years of 4.6%. 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 fleeing to the most immune banks and financial institutions across the world.

Customer deposits remained one of the most important activity drivers in the first seven months of the year. The latter's growth during the said period outpaced the growth reported in the first seven months of 2008 and was more than three times the average growth reported over the previous six years. Bank deposits progressed by a healthy 12.7% this year's first seven months, moving from LP 117,253 billion at end-December 2008 to LP 132,188 billion at end-July 2009.

Within the context of significant conversions from FX holdings to LP holdings as a result of growing confidence in the national currency, the growth in deposits was accounted for to the extent of 58.5% by LP deposits, which actually grew by US$ 5,795 million, while FX deposits rose by US$ 4,112 million over this year's first seven months. This actually favored a further decline in dollarization from 69.6% in December 2008 to 66.4% in July 2009, its lowest level since January 2004. Still, lending is highly dollarized to the extent of 85% in July 2009, with lending dollarization almost unchanged since the start of the decade despite the reported important de-dollarization on the funding side. In parallel, close to 28% of the deposits growth was accounted for by non-residents deposits which rose by LP 4,184 billion, raising their share in aggregate deposits from 14.8% at end-December 2008 to 16.3% at end-July 2009.

As to the year-to-date variation in credit activity, it was pushed upwards by the growth in lending activity in July to reach 7.8% in the first seven months of 2009, up from 4.1% in the first half of the same year. As a matter of fact, growth in loans surpassed the average of the previous six years, as the latter was at 5.7% in the first seven months, and this to the most part due to the expansion in July. Nevertheless, growth in the first seven months of 2009 was still short of the 18.4% registered in the same period of 2008, as previous months of 2009 either witnessed slowdowns or shy growths



Sources: Central Bank of Lebanon, Bank Audi's Research Department in lending activity within the context of tight credit conditions across the globe and banks' increased cautiousness with regards to lending, not to mention the fact that during the first seven months of 2008, lending activity of Lebanese banks was at its pinnacle. In volume, total loans went up by LP 2,930 billion, or US$ 1,943 million in the first seven months of the year.

Capital inflows up by 25.0% in the first seven months of 2009

Capital inflows into Lebanon have managed to more than fully cover the country's structural trade deficit, thereby resulting in a peak balance of payments surplus in the first seven months of 2009. As a matter of fact, capital inflows in the latter period, were at a record high when compared to the same period of previous years, reaching US$ 10,644 million, and rising by a considerable 25.0% year-on-year.

Capital flows into Lebanon through several channels, namely, remittances foreign direct investment (FDI), non-resident deposit flow, as well as cash transfers to tourists visiting Lebanon. The latter channel definitely played in favor of capital inflow into Lebanon, in congruence with the upsurge in tourism activity during the first half of the year. Further, data released by the Central Bank of Lebanon suggests that non-resident deposits have played a significant role in buttressing capital inflows, as they registered a rise of US$ 2,775 million, more than double the increase recorded in last year's first seven months.

As to gross remittances in Lebanon, the IMF pinpointed in its latest report on Lebanon (July 2009) that so far there have not been sizeable returns of Lebanese expatriates from GCC countries, from which around 55% of Lebanon's remittances are generated. Last but not least, FDI did not report a contraction in the first seven months of 2009 as mirrored by the surge in imports of investment goods of 19.3% in the first seven months of 2009.

Capital inflows during the seventh month of the year reached US$ 2,486.4 million, peaking in 2009 so far, yet still down by 13.2% when compared to July 2008, as back then capital inflows were at an all-time monthly zenith. Nevertheless, the healthy inflow of capital during the seventh month of the year is to the most part due to tourism activity reaching its pinnacle during the said month, as well as the continuous step-up in non-resident deposits.

Balance of payment surplus reaches new record high of US$ 3.3 billion in the first seven months of 2009

The sturdy influx of capital into the country over the first seven months of 2009 resulted in a cumulative balance of payments surplus of US$ 3,347.4 million, a record high for Lebanon, and up from a surplus of US$ 1,611.2 million in the first seven months of 2008. The cumulative surplus in the first seven months of 2009 is the result of a rise of US$ 5,033.1 million in net foreign assets of the Central Bank, which more than offset the decline of US$ 1,685.7 million in those of banks and financial institutions.

During the month of July 2009, the balance of payments saw its peak surplus in 2009 so far as the latter reached US$ 1,246.0 million, on account of a rise of US$ 1,391.6 million in net foreign assets of the Central Bank of Lebanon, which offset by far the drop of US$ 145.6 million in net foreign assets of banks and financial institutions. This monthly ascend is due to skyrocketing capital inflows during July 2009, not to mention the contraction in the trade deficit during the said month.

Furthermore, the IMF projected that in spite of the crisis, balance of payments developments shall remain broadly favorable in Lebanon. It even forecasted a contraction in Lebanon's current account deficit, supported 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. Indeed, the likely 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.

Electricity production up by 7.1% and imports of petroleum derivatives rise by 51.8% in the first half of 2009

Figures released by the Central Bank show that electricity production totaled 5,662 million KWh in the first half of 2009, up by 7.1% from 5,287 million KWh in the same period of 2008, and by 11.4% from the same half of 2007. Throughout 2009 so far, electricity production has seen several fluctuations, yet the year was mostly characterized by an increase in production. The highest production in 2009 so far of 1,056 million KWh, has been during the sixth month of the year, during which electricity production went up by a significant 26.6% year-on-year.

In parallel, imports of petroleum derivatives totaled 2.8 million metric tons in the first half of 2009, up by a relatively large 51.8% from 1.8 million metric tons in the same period of 2008, and a larger 77.6% from 1.6 million metric tons in the same half of 2007. Similar to electricity production, imports of petroleum derivatives saw monthly fluctuations throughout 2009, yet each month saw a year-on-year increase. This is mostly due to the decline in petroleum prices worldwide, which has encouraged the country to import larger quantities of petroleum derivatives. Imports of petroleum derivatives totaled 385,068 metric tons in June 2009, thus increasing by 20.4% year-on-year.

Market-issued Eurobonds account for 68% of foreign currency debt according to Ministry of Finance report

"Debt and Debt Markets", a quarterly bulletin released by the Lebanese Ministry of Finance, revealed that up until end-June 2009, commercial banks remained the major holder of local currency T-bill subscriptions, while the lion's share of foreign currency debt continued to be in the form of Market-issued Eurobonds.

The study began with an overview of the gross public debt in Lebanon, which reached LP 71,384 billion at end-June 2009, or US$ 47.4 billion, up by 0.7% from end-2008. In details, at the end of the first half of 2009, local currency debt amounted to LP 39,195 billion, increasing by 0.5% over the end-December 2008 level, while foreign currency debt amounted to LP 32,189 billion, increasing by 1.0% over the end-December 2008 level.

Highlights in the Lebanese debt market in the second quarter include the continuous downward trend in primary market rates on Treasury bills and notes across all maturities (respective drops of 69 basis points and 70 basis points over the first half of 2009 for the 12-month and the 24-month categories). Also, the Arab Monetary Fund (AMF) disbursed a loan of US$ 32 million on June 24, 2009 as part of its pledge at the Paris III conference which totaled US$ 250 million. The proceeds of the loan were used to pay debt servicing in foreign currency. Lastly, the European Commission disbursed €25 million as part of the first trench of the Macro-Financial Assistance (MFA) on June 5, 2009 (a €15 million grant was already received in December 2008). The MFA is a component of the assistance package pledged by the European Union at the Paris III conference and consists of a loan of €50 million and a grant of €30 million.

An in-depth look at foreign currency debt suggests that 67.8% of this debt is in the form of market-issued Eurobonds. 16.2% stems from Paris II debt, 8.4% is in the form of bilateral, multilateral and foreign private sector loans, 6.2% is Paris III related debt, and 1.4% is in the form of special T-bills in foreign currency. The study went on to list outstanding Eurobonds in Lebanon at end-June 2009, which added up to US$ 14.3 billion, with an average maturity of 4.9 years and a weighted average coupon rate of 7.36%.

In parallel, the breakdown of such loans by sector revealed that the majority of those loans are allocated for budgetary support, with a share of 48%, noting that budgetary support loans include the AFD loan and IBRD Paris III loans. 17% of such loans are allocated to the water sector, followed by the transportation sector with a share of 10%, the education sector, which received 8% of those loans, the power sector with 7%, general technical and government services with 4%, the health sector with 3%, and the social sector with 2%.

Finally, regarding local currency debt, the report indicated that commercial banks were the major holder of T-bill subscriptions in the second quarter of the year, with a share of 49%. The second highest share was held by the Central Bank of Lebanon, with a share of 26%, while public institutions had the lowest allocation of 19%.

BDL survey shows 2.1% rise in credit and debit cards in the second quarter of 2009

Figure released by the Central Bank of Lebanon indicated that the total number of debit and credit issued up until June 2009 reached 1.63 million, up by 2.1% from end-March 2009, 4.0% from end-2008, and 8.3% from end-June 2008. 97.3% of cards issued belong to Lebanese residents, whereas the distribution of payment cards by type revealed that resident debit cards accounted for 63.1%, followed by resident credit cards with 22.4%, resident charge cards with 9.9%, non-resident debit cards with 2.1%, resident prepaid cars with 1.9%, non-resident charge cards with 0.4% and non-resident credit cards with 0.2%.

The average monthly domestic payment by residents amounted to US$ 85.2 million in the second quarter of 2009, up by 8.5% from the first quarter of 2009, and 21.8% from the second quarter of 2008, whereas the average monthly payment abroad by residents reached US$ 52.9 million in the second quarter of 2009, up by 14.8% from the previous quarter and by 6.8% from end-June 2008. Moreover, the average monthly value of cash withdrawals by residents using ATMs reached US$ 376.1 million, up by 8.4% on a quarterly basis and by 26.5% on an annual basis, while the average monthly withdrawals by non-residents surged by 10.2% quarter-to-quarter and 23.7% year-on-year to reach US$ 5.4 million. As to the average monthly purchases in Lebanon by non-residents, they went up by 8.6% relative to the first quarter of 2009 and by 23.2% year-on-year to reach US$ 1.74 million. Local card payments in LP accounted for 11.0% of total payments in all currencies in the first half of 2009, up from a share of 10.8% in the same half of 2008, whereas 67.4% of withdrawals were in local currency against a share of 65.0% in the first half of 2008.

In conclusion, it is worth noting that such growth rates in payment card statistics of Lebanese residents mirror an increase in domestic demand in Lebanon and is in fact an indicator that Lebanese consumers have fared off well amidst the global crisis. Moreover, the rise in ATM withdrawals by non-residents is in line with the surge in tourism activity in the country. Lastly, the growing share of LP denominated transactions reflects the currently observed resumed confidence in the Lebanese Pound as a medium of transaction.

BLF posts net profits of US$ 27.7 million in the first half of 2009

Banque Libano-Française's financials for the first half of 2009 show that net profits reached US$ 27.7 million, against US$ 30.0 million in the corresponding period of 2008. Interest margin amounted to US$ 58.5 million while non-interest income reached US$ 22.7 million in the first half of 2009, against US$ 57.7 million and US$ 23.2 million respectively over the same period of 2008.

Net operating income stood at US$ 82.2 million in the first half of 2009, up by 2% from US$ 80.6 million in the first half of 2008. Total operating expenses amounted to US$ 46.6 million, up by 4.1% over the corresponding period of 2008, of which staff expenses equaled US$ 27.1 million, up by 6.4% and general and administrative expenses equaled US$ 15.6 million, down by 0.1%.

Total assets stood at US$ 6.9 billion at end-June 2009, up by 6.1% from US$ 6.5 billion at year-end 2008. Customer deposits reached US$ 5.8 billion at end-June 2009 against US$ 5.4 billion at year-end 2008. Loans and advances to customers totaled US$ 2.1 billion, against US$ 2.0 billion at year-end 2008.

Shareholders' equity amounted to US$ 519.8 million, up by 7.4% from US$ 484.1 million at year-end 2008. As at end-June 2009, BLF operated 38 branches which along with the Head Office encompassed 917 employees.

LCB's first half 2009 net profits up by a yearly 9.6% to US$ 15.9 million

Lebanese Canadian Bank announced consolidated net profits of US$ 15.9 million in the first half of 2009, up by 9.6%, from US$ 14.5 million in the first half of 2008. Interest margin amounted to US$ 41.8 million while non-interest income reached US$ 11.2 million in the first half of 2009, against US$ 29.7 million and US$ 8.1 million respectively over the same period of 2008.

Net operating income stood at US$ 40.7 million in the first half of 2009, up by 7.6%, from US$ 37.8 million in the first half of 2008. Total operating expenses amounted to US$ 22.1 million, up by 6.3% over the corresponding period of 2008, of which staff expenses equaled US$ 13.4 million, up by 12.6% and general and administrative expenses equaled US$ 6.8 million, up by 0.3%.

Total assets stood at US$ 4.5 billion at end-June 2009, up by 9.5% from US$ 4.1 billion at year-end 2008. Customer deposits reached US$ 3.8 billion at end-June 2009 against US$ 3.5 billion at year-end 2008. Loans and advances to customers totaled US$ 1,014.4 million, against US$ 977.8 million at year-end 2008.

Shareholders' equity amounted to US$ 317.1 million, up by 11.5% from US$ 284.4 million at year-end 2008. As at end-June 2009, LCB operated 33 branches which along with the Head Office, encompassed 638 employees.

SGBL posts net profits of US$ 28.1 million in the first half of 2009

SGBL announced consolidated net profits of US$ 28.1 million in the first half of 2009, against US$ 18.4 million in the first half of 2008. Interest margin amounted to US$ 47.7 million while non-interest income reached US$ 20.7 million in the first half of 2009, against US$ 36.1 million and US$ 18.5 million respectively over the same period of 2008.

Net operating income stood at US$ 70.3 million in the first half of 2009, up by 24.6%, from US$ 56.4 million in the first half of 2008. Total operating expenses amounted to US$ 39.2 million up by 24.6%, over the corresponding period of 2008, of which staff expenses equaled US$ 21.7 million, up by 5.1%, and general and administrative expenses equaled US$ 15.8 million, up by 22.3%.

Total assets stood at US$ 3.7 billion at end-June 2009, up by 10.4% from US$ 3.4 billion at year-end 2008. Customer deposits reached US$ 2.9 billion at end-June 2009 against US$ 2.6 billion at year-end 2008. Loans and advances to customers totaled US$ 968.8 million, against US$ 973.9 million at year-end 2008.

Shareholders' equity amounted to US$ 300.6 million, down by 3.1% from US$ 310.6 million at year-end 2008. As at end June 2009, LCB operated 58 branches which along with the Head Office encompassed 1,174 employees.

Amadeus IT Group to establish new subsidiary in Lebanon

Amadeus Lebanon, a wholly-owned subsidiary of Spain-based Amadeus IT Group is due to launch operations as of summer 2010 at the Gefinor Center, Beirut. The affiliate company aims to provide complete solutions and services to the Lebanese travel agency community.

Amadeus Lebanon would enhance the technological standard and services of the tourism and travel sector in Lebanon, through support for travel suppliers and agencies.

Established in 1987 and headquartered in Spain's Madrid, Amadeus IT group specializes in travel technology solutions to facilitate the distribution and sale of airline, train, cruise ship, rental car, hotel and other travel services. Through Amadeus, over 94,000 travel agencies and over 32,000 airline sales offices around the world are able to make bookings with travel providers. Solutions comprise of the following categories: distribution and content, sales and e-commerce, business management, and services and consulting. As for customers, they include travel providers, travel sellers and travel buyers.

Money Market: The overnight rate stable at 3.25%

The overnight rate maintained this week its low official level of 3.25% set by the Central Bank, within the context of ample local currency liquidity available at hand. The LP liquidity remained quite abundant, given the Central Bank's decision to allow commercial banks to subscribe in part of their bids during this week's Treasury bills auction.

As to the short-term Certificates of Deposits, the Central Bank of Lebanon sold this week LP 35 billion that were distributed as follows: LP 5 billion in the LP 45-day category and LP 30 billion in the 60-day category. Accordingly, total subscriptions in CDs reached LP 581 billion since the beginning of the year 2009, with the 45-day category accounting for 24% of the total and the 60-day category capturing 76% of the total.

On the monetary aggregates level, figures for the week ending August 20 showed an increase of LP 299 billion in local currency deposits, as a result of a LP 279 billion growth in LP time deposits and a LP 20 billion rise in LP demand deposits. In parallel, deposits in foreign currencies rose by US$ 140 million. These variations compare to an average weekly increase of LP 258 billion for LP deposits since the beginning of the year 2009, and an average rise of US$ 72 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 217 billion, versus an average weekly increase of LP 263 billion since the beginning of the year 2009. Total money supply in its large sense (M4) expanded by LP 419 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 13,245 billion. This is the result of an important surge in local currency denominated time deposits of LP 8,549 billion, an increase in foreign currency deposits of LP 3,692 billion (US$ 2,449 million), a decline in money supply (M1) of LP 12 billion ,and a growth in Treasury bills held by the public of LP 1,016 billion.

Interest rates	04/09/09	28/08/09	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: The high demand for Tbs drives average yields lower

This week's auction (September 03, 2009) took place on the three-month, six-month and five-year categories that provided an average yield of 4.88%, 6.23% and 8.38% respectively. The auction resulted in a decline in the average yield that ranged between four and 14 basis points. It is worth mentioning that the Central Bank of Lebanon continued to encourage commercial banks to lower interest rates, as it accepted 100% of bids bearing a rate up to 8.25%, while it took 25% only of bids offering a yield ranging between 8.25% and 8.50%.

On the other hand, the Central Bank released this week the auction results for value date August 27, 2009 which showed that total subscriptions amounted to LP 542 billion, and were distributed as follows: LP 156 billion in the one-year category, LP 116 billion in the two-year category and LP 270 billion in the three-year category. This compared to maturities of LP 688 billion, resulting in a nominal deficit of LP 146 billion. The yield on the one-year category fell by 11 basis points to 6.45%, while the yield on the two-year category declined by eight basis points to 7.16% and the yield on the three-year category tumbled by 14 basis points to reach 7.86%.

As to the secondary market, activity remained dull during this week. In fact, while commercial banks continued to show high interest in channeling their LP liquidity towards the LP debt instruments, the offer remained almost absent.

Treasury bills	04/09/09	28/08/09	26/12/08	
3-month	4.88%	4.92%	5.10%	↓
6-month	6.23%	6.33%	7.10%	↓
1-year	6.45%	6.45%	7.58%	⇔
2-year	7.16%	7.16%	8.26%	⇔
3-year	7.86%	7.86%	9.00%	⇔
5-year	8.38%	8.52%	-	↓
Nom. Subs. (LP billion)			242	
Short-term (3&6 mths)			80	
Medium-term (1&2 yrs)			13	
Long-term (3 yrs)			149	
Long-term (5 yrs)				
Maturities			157	
Nom. Surplus/Deficit			85	

Foreign Exchange Market: BDL's foreign assets up by US$ 324 million during the 2nd half of August

Depositors continued to show interest in converting their FC holdings to LP holdings during this week. However, the volume of FC-to-LP conversions was lower this week relative to the previous week. The Central Bank of Lebanon continued to intervene 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 the rate hovering between LP 1,500.75 and LP 1,501.25.

Within this context, the Central Bank's latest bi-monthly balance sheet ending 31st of August 2009 showed that foreign assets rose by US$ 324 million during the second half of August to reach a new historical high level of US$ 25.3 billion at end-August. Accordingly, the BDL's foreign assets covered 83.2% of LP money supply, with this coverage ratio climbing to 112.1% when accounting for gold reserves estimated at US$ 8.8 billion at end-August.

Exchange rates	04/09/09	28/08/09	26/12/08	
LP/US$	1,507.5	1,507.5	1,507.5	↔
LP/£	2,466.27	2,461.45	2,221.60	↓
LP/¥	16.24	16.04	16.66	↓
LP/SF	1,420.16	1,424.32	1,401.80	↑
LP/Can$	1,373.08	1,390.43	1,236.37	↑
LP/Euro	2,153.01	2,164.32	2,120.00	↑

Stock Market: Sluggish mood prevails, awaiting new favorable political developments

The Beirut Stock Exchange was overwhelmed with a sluggish mood this week, in the absence of any favorable news regarding the cabinet formation. Within this context, stock prices remained unchanged this week, as reflected by a tiny change of -0.3% in the price index to close at 129.94. The total trading value amounted to US$ 8.7 million this week versus US$ 11.1 million last week. The average daily trading value fell from US$ 2.2 million last week to US$ 1.7 million this week, which led to a 21.6% decrease in the trading volume index to reach 75.09.

In details, Solidere shares captured 71.9% of activity this week. Solidere "A" and "B" share prices increased by 1.2% to reach US$ 23.84 and US$ 23.79 respectively. As to the banking stocks, they accounted for 25.8% of the total trading value. Bank Audi's GDR price retreated by 1.5% to close at US$ 65.00, while the same bank's "listed" shares stood at US$ 60.50. BLOM's GDR price moved up by 1.2% to close at US$ 79.65. Byblos Bank's "listed" share's price lost 1.1% to reach US$ 1.73, and its "priority shares" dropped by 2.9% to reach US$ 1.70. Among the industrial shares, Holcim changed hands and its share price surged by 4.5% at US$ 12.55. The Beirut Preferred Fund's share price rose by 1.7% to reach US$ 104.70.

Audi Indices for BSE	04/09/09	28/08/09	26/12/08	
22/1/96=100				
Market Cap. Index	447.57	449.12	393.96	↓
Trading Vol. Index	75.09	95.73	50.43	↓
Price Index	129.94	130.39	116.09	↓
Change %	-0.34%	0.14%	-1.71%	↑
Market Cap. $m	10,618	10,655	9,346	↓
No. of shares traded	887,164	509,041	372,788	↑
Value Traded $000	8,740	11,147	4,550	↓
o.w. : Solidere	6,288	10,033	3,182	↓
Banks	2,252	1,101	1,329	↑
Others	200	13	39	↑

Week 36 Aug 31 - Sep 6 2009

The decline in the BSE price index during this week was accompanied with a decrease in prices in the global and Arabian equity markets of 2.6% and 1.2% respectively. Within this context, it is worth mentioning that Beirut Stock Exchange and the global and Arabian markets were positively correlated during a twelve-month period. In details, the correlation coefficient between the BSE and the global equity markets was quoted at 0.22 during the past twelve months, while the correlation was higher between the BSE and the Arabian markets, reaching 0.33.

Bond Market: The spread widens due to drop in benchmark yields

Activity improved slightly on the Eurobond market this week, yet prices remained unchanged relative to the previous week, as reflected by a relatively stable average yield at 5.81%. The average spread widened by 10 basis points to reach 358 basis points due to declines in benchmark yields. For instance, the average yield on the five-year US Treasury bills dropped by 18 basis points, from 2.51% last week to 2.33% this week, as reports on private-sector jobs and US productivity and labor costs highlighted a low inflation environment and uncertainty over the nascent economic recovery.

In contrast, bond prices increased in other emerging markets as reflected by a six basis points drop in the average yield to reach 6.06%, while the average spread expanded by 4 basis points to reach 419 basis points.

Eurobonds Indicators	04/09/09	28/08/09	26/12/08	
Total tradable size $m	17,497	17,499	17,173	↓
o.w.: Sovereign bonds	16,927	16,929	16,603	↓
Average Yield	5.81%	5.83%	8.88%	↓
Average Spread	358	348	755	↑
Average Life	4.63	4.65	4.65	↓
Yield on US 5-year note	2.33%	2.51%	1.32%	↓

ARAB STOCK MARKETS INDICES:

	04-Sep-09	28-Aug-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	129.9	130.4	113.6	-0.3%	14.4%
Abu Dhabi securities market	61.22	60.05	47.0	1.9%	30.3%
Amman stock exchange	319.21	314.72	340.3	1.4%	-6.2%
Bahrain stock exchange	134.77	134.95	156.5	-0.1%	-13.9%
Casablanca stock exchange	229.16	231.25	224.5	-0.9%	2.1%
Doha securities market	141.55	139.42	142.7	1.5%	-0.8%
Dubai financial market	33.83	32.35	60.3	4.6%	-43.9%
Egypt capital market	347.39	347.92	240.1	-0.2%	44.7%
Kuwait stock market	146.47	150.05	147.9	-2.4%	-1.0%
Muscat securities market	180.66	178.58	157.3	1.2%	14.9%
Saudi stock market	131.25	134.39	113.2	-2.3%	16.0%
Tunis stock exchange	138.18	136.73	114.8	1.1%	20.4%
AMF composite	168.57	169.76	156.3	-0.7%	7.9%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	04-Sep-09	28-Aug-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	92.84	93.8	90.92	-1.0%	2.1%
$/£	1.633	1.635	1.4520	-0.1%	12.5%
$/Euro	1.423	1.437	1.3950	-1.0%	2.0%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	9,441.27	9,544.20	8,776.39	-1.1%	7.6%
S&P 500	1,016.40	1,028.93	903.25	-1.2%	12.5%
NASDAQ	2,018.78	2,028.77	1,577.03	-0.5%	28.0%
CAC 40	3,598.76	3,693.14	3,217.97	-2.6%	11.8%
Xetra Dax	5,384.83	5,517.35	4,810.20	-2.4%	11.9%
FT-SE 100	4,851.70	4,908.90	4,434.20	-1.2%	9.4%
NIKKEI 225	10,187.11	10,534.14	8,859.56	-3.3%	15.0%
COMMODITIES					
GOLD OUNCE	993.4	954.95	878.20	4.0%	13.1%
SILVER OUNCE	16.2	14.74	11.30	9.9%	43.4%
BRENT CRUDE (barrel)	66.21	72.57	39.83	-8.8%	66.2%
LEADING INTEREST RATES (%)					
1-month Libor	0.25	0.26	0.45	-0.01	-0.20
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	3.44	3.45	2.22	-0.01	1.21

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