

The Lebanon Weekly Monitor

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Tourism activity in Lebanon has continued its upbeat performance in August 2009, with the number of tourists visiting Lebanon during the month reaching a record high when compared to the eighth month of the previous four years.

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Lebanese capital markets continued to enjoy overabundant local currency liquidity during this week, due to ongoing conversions from FC holdings to LP holdings on the foreign exchange market. Within this context, commercial banks continued to channel their LP liquidity towards Tbs auctions, reinforcing the downside trend of interest rates, with the average yield on the five-year category dropping by 10 basis points to reach 8.28%. It is worth highlighting that given this strong appetite for LP debt instruments, the Central Bank of Lebanon allowed commercial banks this week to subscribe in 20% only of their accepted bids in the five-year category. As to the equity market, the Beirut Stock Exchange saw a significant demand for banking shares this week, with the context of the growing investors' confidence in the Lebanese banking sector's resilience to the global financial crisis and its potential to register healthy growth rates in the coming period. As such, the price index increased by 2.2% week-on-week to close at 132.53. On the Eurobond market, a local and foreign demand floated on the surface while supply remained almost absent. The average spread tightened by five basis points to 356 basis points. It is worth mentioning that the Central Bank governor stated recently that the Lebanese average bond yields are equivalent to yields offered by other countries enjoying higher rating than Lebanon, noting that Standard & Poor's rated Lebanon at B-.

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Number of tourists up by 45.1% in the first eight months of 2009

Tourism activity in Lebanon has continued its upbeat performance in August 2009, with the number of tourists visiting Lebanon during the month reaching a record high when compared to the eighth month of the previous four years.

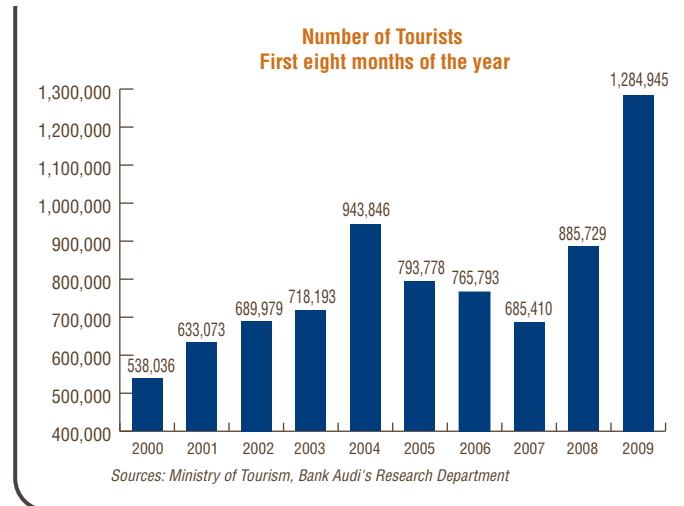
The number of tourists visiting Lebanon during the month of August 2009 was at 199,167, as per figures released by the Ministry of Tourism. This number is 1.9% higher than the number of tourists visiting Lebanon during the same month of the previous year. This year-year increase appears to be significantly lower than that witnessed during previous months of 2009; nevertheless it is worth keeping in mind that tourism activity flourished in August 2008, due to the political stabilization following the Doha agreement. Also, this increase came spite of the beginning of Ramadan in August 2009, whereas last year the latter began in September. This year, tourism activity is expected to bounce back in September as tourists are expected to visit Lebanon during the Fitr holiday.

Throughout 2009 so far, all eight months saw a trend of vigorous tourism activity, marked by year-on-year increases. This has led to a significant surge in the overall tourism activity throughout the year. The number of tourists visiting Lebanon during the first eight months of 2009 went up by a yearly 45.1% to reach 1,284,945 visitors. As a matter of fact, the number of tourists in the first eight months of 2009 recorded a peak relative to the same period of previous years.

This amelioration continues the buoyant performance of the sector witnessed in the second half of 2008, and resulting from the political resolution, which stabilized security and economic conditions in the country. It is worth noting that the survey conducted earlier this year by the New York Times, which ranked Beirut as the primary tourist destination has contributed to boosting tourism activity in Lebanon. One should note that if growth in tourism activity continues along the same pace throughout the year, the number of tourists would surpass the 1.4 million who visited Lebanon during the year 1974, which is the most active touristic year in Lebanon's history, up until now.

As a matter of fact, the two million visitors previously projected by the Ministry of Tourism for the year 2009 seem attainable, especially when considering the forecasted vibrant tourism activity projected during September and by the end of the year, as several holidays approach. Indeed, the Minister of tourism indicated that the size of bookings is promising for a new tourist season in the fourth quarter of the year, with end of Ramadan and the kick-off of the Francophone games in Lebanon.

The distribution of tourists by origin in the first eight months of 2009 shows that the greater part of visitors were from Arab countries with 42.1% of aggregate visitors, followed by visitors from Europe with 24.1%, visitors from Asia with 14.4%, and visitors from the Americas with 13.2%.



Tax-free purchases up by a yearly 14% in the first eight 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 14% in the first eight 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 eight 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 eight month of 2009, as it comprised 21% of the total, followed by spending of nationals from Kuwait and the UAE with respective 13% and 12% each, that of Syrian citizens with 7%, and that of Jordanian citizens with 6%.

As a matter of fact, all Arab citizens registered positive year-on-year variations in their spending in the first eight months of 2009, with the highest increase being that of citizens from Syria, as it was at 71%, followed by that of citizens from Saudi Arabia, which reached 39%, spending of citizens from Egypt, which rose by 38%, expenditures of Qatari citizens with a 25% year-on-year rise, spending of Kuwaiti citizens with a 14% increase, spending of Jordanian nationals with a 5% rise, and spending of nationals from the UAE with an 1% rise. On the other hand, spending of non-Arabs saw declines in the said period, with spending of French, American, and Nigerian citizens decreasing by 16%, 12% and 11%, respectively. Again, this is correlated with the negative repercussions of the global financial crisis.

The distribution of tax free spending by category during the first eight 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”, “home and garden” and spending in department stores with 5% each.

Consumer prices increase slightly in August 2009

Figures released by the Consultation and research Institute (CRI), indicate that the month of August 2009 witnessed a slight inflation, as consumer prices went up by 0.55% during the month. It is worth noting that this monthly increase led to a slight rise in the cumulative rise of consumer prices in the first eight months of 2009 to 3.67%. Inflation in August 2009 relative to August 2008 was at 1.53%, while average inflation in the first eight months of 2009 relative to the first eight months of 2008 was at 3.8%.

The increase in the CPI witnessed in the month of August was due to a 4.26% increase in healthcare prices, a 0.23% rise in prices of food and beverages, a 0.84% increase in prices of other goods and services, a 0.55% increase in prices of housing, a 0.40% increase in prices of durable consumer goods, and a 0.18% rise in prices of transport and telecommunications.

The rise in healthcare prices was to a large extent caused by a 13.83% increase in prices of medications and medical accessories, as well as a 5.87% rise in prices of health insurance. As to inpatient services, they went up by 2.07%, whereas outpatient services edged up by 0.31%.

The increase in prices of food and beverages, the item with the highest weight on the CPI, was due to a rise in several items of the food sub-index. The most notable increase, though, is the 5.84% surge in prices of fruits, followed by the 2.40% rise in prices of sugar and confectioneries. As to beverages, prices of alcoholic beverages went up by 1.22%, while prices of non-alcoholic beverages rose by 2.32%. Lastly, prices of tobacco saw a 0.11% rise during the month.

The increase in the sub-index of other goods and services was caused by a monthly 1.69% increase in prices of Jewelry along with a 0.77% rise in prices of personal care. In parallel, prices of housing increased on account of a 0.83% rise in prices of household energy.

As to the rise in prices of durable consumer goods, it was exclusively caused by a 1.55% rise in prices of cleaning products and services, which more than offset the 2.92% drop in prices of miscellaneous household products. Lastly, within transport and telecommunications, telecommunication prices remained constant, and the increase was solely the result of a 0.19% rise in transport prices, due to the rise in prices of gasoline during the month.

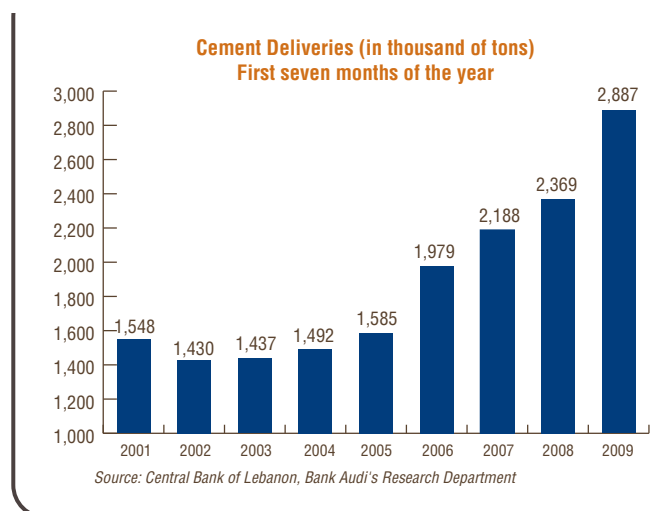
Cement deliveries up by a yearly 32.1% in the first seven months of 2009

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, increased by 32.1% over the first seven months of 2009 as compared to the same period of 2008 to reach 2,887,025 tons. This increase even surpasses the 12.0% rise in newly issued construction permits during the said period.

As a matter of fact, the variation in cement deliveries during a certain period is usually a better indicator of the immediate construction activity during the said period, whereas the variation in newly issued construction permits has a lagged effect, as a certain period of time elapses between the issuance of a construction permit and the commencement of construction. In other words, construction activity during the first seven months of the year has been growing at a healthy rate, which hovers around 30%.

Cement deliveries totaled 519,078 tons in August 2009, up by 21.9% when compared to the same month of 2008. In fact, the month of August saw the highest amount of cement deliveries in 2009, so far.

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Lebanon witnesses significant improvement in terms of creditworthiness as per Institutional Investor

In its semi-annual survey on the creditworthiness of 178 countries, Institutional Investor magazine ranked Lebanon in the 116th place worldwide and 16th among 20 countries in the Middle East and North Africa region in the September 2009 survey. The country's creditworthiness ranking improved significantly from the previous survey conducted six months ago in March 2009, probably due to the fact that Lebanon's creditworthiness is largely backed by the country's banking sector, which has stood resilient amid the global crisis weathering off any ensuing negative repercussions.

Indeed Lebanon's global ranking improved by 12 notches from the 128th in March 2009, while its regional ranking edged one notch upwards from the 17th place six months ago. Among upper middle income countries, Lebanon's placement remained unchanged on a semi-annual basis, as it came in 27th among 30 countries, yet it improved from 28th spot in the September 2008 survey. The survey rates the creditworthiness of countries on a scale of 0 to 100, with 100 representing countries with the least chance of debt default.

Lebanon received a score of 29.4 in September 2009, up by 12.6% or 3.3 points from the previous survey, in line with the improvement in Lebanon's ranking. However, it was still 1.7% or 0.5 points below its score in September 2008, bearing in mind that the survey indicated that in September 2008, the creditworthiness of all countries was at its peak prior to the eruption of the global crisis. Lebanon's score remained below the global average of 45.7 as well as lower than the MENA and Arab averages of 49.8 and 54.0 respectively.

Creditworthiness in MENA Countries

	Credit Rating	Global Rank September 2008	Global Rank March 2009	6-month variation in global rank
Qatar	76.7	29	26	-3
UAE	76.5	30	30	0
Kuwait	75	34	33	-1
Saudi Arabia	72.2	38	37	-1
Oman	69.1	43	40	-3
Bahrain	68.4	45	42	-3
Tunisia	59.2	54	57	3
Algeria	55.9	60	65	5
Morocco	53.3	64	63	-1
Egypt	51.4	70	69	-1
Libya	50.9	71	71	0
Jordan	45.5	80	80	0
Iran	33.1	101	97	-4
Syria	29.5	114	119	5
Lebanon	29.4	116	128	12
Yemen	28.1	128	120	-8
Iraq	22.7	144	157	13
Mauritania	19.9	153	147	-6
Sudan	11.5	175	171	-4

Sources: Institutional Investor, Bank Audi's Research Department

The survey had noted that sovereign creditworthiness has rebounded modestly on a global level over the past six months, yet it remained well below its level a year. This is demonstrated through the trivial increase of 0.7 points or 1.5% in the global average over the past six months, however this average remained 1.3 points lower than it was a year ago. The MENA average also improved from 48.8 points in March 2009, rising by 2.0% or one point.

Here, one should highlight the fact that the increase in Lebanon's score was higher than that of the global average as well as that of the MENA average, reiterating the relatively high resilience of Lebanon's creditworthiness, which was shielded by the country's banking sector. As a matter of fact, Lebanon witnessed the second highest semiannual score increase among its MENA peers, noting that 14 MENA countries saw their score rise over the past six months, one country, Qatar, saw its score remaining constant, while the other five countries saw a decline in their creditworthiness score.

IMF examines detriments of deposit growth in Lebanon

In its most recent working paper on the Lebanese banking sector, the International Monetary Fund (IMF) notes a unique nexus between government debt and the banking system. In Lebanon, debt is largely held by domestic commercial banks, which are funded mainly from deposits. As a result, the banking system has grown very large with its assets to GDP of 324% being among the highest in emerging markets.

The determinants of deposit demand are thus key to the outlook for ongoing financial stability in Lebanon. These include domestic factors such as growth, inflation, interest rates, and domestic shocks. A simple plot of deposit growth and the interest rate differential between bank deposits in LP and U.S. dollar Libor and highlighting periods of domestic shocks, suggests that domestic factors have an important role.

However, given Lebanon's importance as a regional financial center, determinants of deposit growth also include external factors. Evidence points to the importance remittances, which as percent of GDP in Lebanon are among the highest globally. A plot of deposit growth and real GDP growth in the GCC shows some correlation since the early 2000s, when the GCC became a popular destination for Lebanese expatriates, and when oil prices rose. Moreover, global liquidity conditions could affect deposits in Lebanon, as foreign investors might be more inclined to deposit in Lebanese banks in times of abundant liquidity.

In conclusion, the study finds that both domestic and external variables are significant, and impulse response functions and variance decomposition analysis attach a relatively higher weight to the external factors. In addition, panel regressions have pointed to the significance of a number of bank-specific factors, including the banks' perceived riskiness, liquidity buffers, loan exposure and interest margins.

► CORPORATE NEWS

UAE's Deyaar Development plans to build low-cost homes in Beirut suburbs

UAE's Deyaar Development is aiming to build low-cost homes near Beirut with Lebanon's largest developer, Solidere.

According to Deyaar officials, Beirut real estate prices have increased noticeably and building low-cost housing that is close to the city could end up with solid returns over the long term. In summer 2009, Deyaar completed its first development in Lebanon, an AED 365 million (US\$ 100 million) project known as Saifi Village II, in the capital city.

Deyaar would submit a proposal to Solidere. If the two companies agree to cooperate on the project, they would ask the Lebanese government to provide the land and would agree with banks to provide low-income buyers with mortgages.

Established in 2002, Deyaar is one of the largest developers at Dubai's Business Bay. Its real estate ventures span prime locations in Dubai, including Dubai Marina, The Waterfront, Jumeirah Lake Towers, International Media Production Zone, Technology and Media Free Zone, and Downtown Jebel Ali. The company's current project portfolio includes multiple mid-sized community projects as well as residential and commercial tower developments.

The firm's international footprint spreads over Lebanon, Kazakhstan, Turkey, United Kingdom and United States with impending forays into Saudi Arabia, Qatar, and India. Deyaar's operations are divided across four key business units, namely, property development, lease management, asset management, and fund management.

Louis Vuitton to expand to Lebanon

French fashion brand Louis Vuitton, which will open its first Middle East store in Dubai next month, is in the final stages of a planned expansion into Lebanon, according to company officials.

According to the same source, Lebanon has already shown to be a strong market for luxury, while demonstrating relative resilience to the global financial crisis. Louis Vuitton would open its first branch in Lebanon before summer 2010.

The fashion house would officially open its first "global store" at the Dubai Mall in October after a soft launch in August. The company was also eyeing a presence in Egypt, Jordan and Syria, according to company sources.

France's Louis Vuitton is one of the leading luxury brands in the world. In 1987, Louis Vuitton became a subsidiary of LVMH, one of the world's leading luxury goods groups.

The company provides a range of luxury products, namely leather goods, Clothing, shoes and accessories.

Lebanon's SODAMCO Holding and Saint-Gobain Weber to form joint venture agreement

Saint-Gobain Weber, part of Saint-Gobain group and worldwide leader in industrial mortars, has finalized a joint-venture agreement with Société d'Application des Matériaux de Construction (SODAMCO) Holding, mother-company of the Beirut-based SODAMCO group.

This agreement provides Saint-Gobain with a firm and well-established position for developing its whole range of products and services destined to the housing and construction markets in the region.

Established in 1985, Lebanon's SODAMCO manufactures and markets construction chemical products suitable to the building standards and specific climate conditions in the Middle East region. SODAMCO's manufacturing facilities have production capacities exceeding 180,000 tons of mortars and 40 million liters of admixtures spread over seven different manufacturing, blending and distribution locations in Lebanon, Syria, the United Arab Emirates, Qatar, Saudi Arabia, Jordan and recently in Kuwait.

IBL Bank posts net profits of US\$ 25.0 million in 2008

Intercontinental Bank of Lebanon's financials in 2008 show that net profits reached US\$ 25.0 million up by 26.3%, from US\$ 19.8 million in 2007. Non-interest income reached US\$ 6.2 million in 2008, up by 10.5%, from US\$ 5.6 million in 2007.

Net operating income stood at US\$ 49.3 million in 2008, up by 26.7% from US\$ 38.9 million in 2007. Total operating expenses amounted to US\$ 19.3 million, up by 21.3% in 2007, of which staff expenses equaled US\$ 9.5 million, up by 27.3% and general and administrative expenses equaled US\$ 8.5 million, up by 15.8%.

Total assets stood at US\$ 2.1 billion at year-end 2008, up by 17.3% from US\$ 1.8 billion at year-end 2007. Customer deposits reached US\$ 1.9 billion at year-end 2008 up by 17.3%, from US\$ 1.6 billion at year-end 2007. Loans and advances to customers totaled US\$ 315.2 million, against US\$ 205.2 million at year-end 2007.

Shareholders' equity increased by 42.5% in 2008 compared to 12.5% over the corresponding period in 2007. As at year-end 2008, IBL operated 16 branches which along with the Head Office encompassed 275 employees.

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Money Market: CDs portfolio more than doubled during the first seven months of 2009

Within the context of the continuous FC-to-LP conversions on the foreign exchange market, market players remained awash of LP liquidity on the money market. As such, the overnight rate maintained its low official level of 3.25% set by the Central Bank.

As to short-term Certificates of Deposits, the Central Bank of Lebanon sold this week LP 3 billion in the 60-day category. Accordingly, subscriptions in CDs totaled LP 587 billion since the beginning of the year 2009, and were distributed as follows: LP 141 billion in the 45-day category, and LP 446 billion in the 60-day category. The latest figures released by the Association of Bank in Lebanon showed that the total outstanding CDs portfolio amounted to LP 19,201 billion at end-July 2009 against LP 18,152 billion at end-June 2009, moving up by LP 1,049 billion. It is worth noting that the said portfolio more than doubled in value during the first seven months of 2009, moving up by LP 10,166 billion from LP 9,035 billion at end-2008. This remarkable hike in CDs portfolio during the first seven months of 2009 is mainly attributed to the growing demand for the high-yielding 5-year CDs, noting that the Central Bank has suspended the issuance of this category at early-July 2009.

On the monetary aggregates level, figures for the week ending 3rd of September 2009 show an increase of LP 365 billion in local currency deposits, as a result of a LP 309 billion growth in LP time deposits and a LP 56 billion rise in LP demand deposits. In parallel, deposits in foreign currencies progressed by US\$ 113 million. These variations compare to an average weekly increase of LP 261 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 601 billion, versus an average weekly increase of LP 261 billion since the beginning of the year 2009. Total money supply in its large sense (M4) widened by LP 841 billion week-on-week, compared to an average weekly increase of LP 396 billion since year-end 2008.

On a cumulative basis, since the beginning of the year 2009, money supply in its large sense (M4) expanded by LP 14,213 billion. This is the result of an important surge in

Interest rates	18/09/09	11/09/09	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% ↔

local currency denominated time deposits of LP 9,099 billion, an increase in foreign currency deposits of LP 3,859 billion (US\$ 2,560 million), a rise in money supply (M1) of LP 287 billion, and a growth in Treasury bills held by the public of LP 968 billion.

Treasury Bills Market: No activity in the secondary market

The preliminary results of this week's auction (September 17, 2009) show that the average yields on the three-month, six-month and five-year categories went down by 1 to 10 basis points. The Central Bank of Lebanon allowed commercial banks to subscribe in full in the three-month category, while it allowed them to subscribe in 50% of accepted bids in the six-month category and 20% of accepted bids in the five-year category. Within this context, commercial banks resorted to the secondary Tbs market to make use of the ample local currency liquidity available at hand, yet no offer appeared.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date September 10, 2009 which showed that total subscriptions amounted to LP 953 billion, and were distributed as follows: LP 102 billion in the one-year category, LP 65 billion in the two-year category and LP 786 billion in the three-year category. This compared to maturities of LP 791 billion, resulting in a nominal surplus of LP 162 billion. The yield on the one-year category fell by nine basis points to 6.36%, while the yield on the two-year category dropped by 10 basis points to 7.06% and the yield on the three-year category tumbled by 16 basis points to reach 7.70%.

Treasury bills	18/09/09	11/09/09	26/12/08
3-month	4.87%	4.88%	5.10% ↓
6-month	6.16%	6.23%	7.10% ↓
1-year	6.36%	6.36%	7.58% ↔
2-year	7.06%	7.06%	8.26% ↔
3-year	7.70%	7.70%	9.00% ↔
5-year	8.28%	8.38%	- ↓
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 at US\$ 25.5 billion mid-September

The trend of conversions in favor of the Lebanese Pound persisted during this week, yet in lower volumes relative to the previous week. The Central Bank of Lebanon intervened

in the FX market as a buyer of the green 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 1,501.00 and LP 1,501.25.

Within this context, the Central Bank's latest bi-monthly balance sheet ending 15th of September 2009 showed that foreign assets rose by US\$ 199 million during the first half of September to reach an unprecedented high level of US\$ 25.5 billion. Accordingly, the BDL's foreign assets covered 82.3% of LP money supply, with this coverage ratio rising to 112.0% when accounting for gold reserves estimated at US\$ 9.2 billion mid-September due to the surge in gold prices in global markets.

Exchange rates	18/09/09	11/09/09	26/12/08
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,464.46	2,518.88	2,221.60 ↑
LP/¥	16.54	16.59	16.66 ↑
LP/SF	1,459.48	1,451.61	1,401.80 ↓
LP/Can\$	1,402.98	1,399.98	1,236.37 ↓
LP/Euro	2,213.01	2,198.69	2,120.00 ↓

Stock Market: Demand for banking stocks drives the price index higher

The Beirut Stock Exchange witnessed high demand for banking stocks during this week, due to the growing investors' confidence in the Lebanese banking sector's resilience to the global financial crisis and its potential to register healthy growth rates in the coming period. Within this context, the price index rose by 2.2% week-on-week to reach 132.53. The total trading value amounted to US\$ 15.2 million this week versus US\$ 21.8 million last week. The average daily trading value rose from US\$ 4.4 million last week to US\$ 3.0 million this week, which led to a 30.1% drop in the trading volume index to 130.82.

In details, Solidere shares captured 50.9% of activity this

Audi Indices for BSE	18/09/09	11/09/09	26/12/08
<i>22/1/96=100</i>			
Market Cap. Index	456.56	446.73	392.07 ↑
Trading Vol. Index	130.82	187.23	50.43 ↓
Price Index	132.53	129.69	113.40 ↑
Change %	2.19%	0.15%	-1.71% ↑
Market Cap. \$m	10,831	10,598	9,301 ↑
No. of shares traded	890,849	847,957	372,788 ↑
Value Traded \$000	15,255	21,823	4,550 ↓
o.w. : Solidere	7,762	13,500	3,182 ↓
Banks	7,464	8,113	1,329 ↓
Others	29	210	39 ↓

week. Solidere "A" share price moved up by 1.2% to close at US\$ 23.17, and Solidere "B" share price rose by 2.8% to reach US\$ 23.29. As to the banking stocks, they accounted for 48.9% of the total trading value. Bank Audi's GDR price rose by 0.8% to close at US\$ 73.00, and the same bank's "listed" shares surged by 4.4% to reach US\$ 65.95. BLOM's GDR price moved up by 2.1% to close at US\$ 84.00, while BLOM's "listed" shares climbed by 8.3% to US\$ 78.00. In contrast, Byblos Bank's "listed" share's price lost 4.0% to reach US\$ 1.68, while its "priority shares" rose by 4.6% to reach US\$ 1.83. Among the industrial shares, Holcim's share changed hands and its price surged by 10.5% to reach US\$ 14.99. The Beirut Preferred Fund's share price stood at US\$ 105.00.

All in all, the BSE performed similarly to other emerging stock markets, as reflected by a 2.8% surge in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM) Likewise, BSE's performance was similar to other Arabian markets, as reflected by a 2.9% rise in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets).

Bond Market: Tighter average spread

A local and foreign demand for long-term papers surfaced on the Eurobond market during this week, while the offer remained almost absent. Accordingly, bond prices stayed at their last week's levels, as reflected by a stable average yield at 5.81%, while the average spread tightened by five basis points to 356 basis points due to stability in Lebanese yields and an increase in benchmark yields. For instance, the average yield on the five-year US Treasury bills dropped by nine basis points, from 2.28% last week to 2.37% this week, after surprisingly strong data on retail sales sparked hopes for a more robust economic recovery.

Within this context, the Central Bank governor stated recently that the Lebanese average bond yields are equivalent to yields offered by other countries enjoying higher rating than Lebanon, noting that Standard & Poor's rated Lebanon at B- .

In contrast, bond prices increased in other emerging markets, as reflected by a 23 basis points drop in the average yield to reach 5.62%, while the average spread shrank by 29 basis points to reach 372 basis points.

Eurobonds Indicators	18/09/09	11/09/09	26/12/08
Total tradable size \$m	17,517	17,508	17,173 ↑
o.w.: Sovereign bonds	16,947	16,938	16,603 ↑
Average Yield	5.81%	5.81%	8.88% ↔
Average Spread	356	361	755 ↓
Average Life	4.55	4.61	4.65 ↓
Yield on US 5-year note	2.37%	2.28%	1.32% ↑

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2009

ARAB STOCK MARKETS INDICES:

	16-Sep-09	11-Sep-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	129.9	130.1	113.6	-0.2%	14.4%
Abu Dhabi securities market	65.72	65.72	47.0	0.0%	39.8%
Amman stock exchange	309.08	312.94	340.3	-1.2%	-9.2%
Bahrain stock exchange	135.11	135.35	156.5	-0.2%	-13.6%
Casablanca stock exchange	228.48	229.2	224.5	-0.3%	1.8%
Doha securities market	140.94	140.74	142.7	0.1%	-1.2%
Dubai financial market	36.97	36.51	60.3	1.3%	-38.6%
Egypt capital market	359.49	355.49	240.1	1.1%	49.7%
Kuwait stock market	144.11	144.26	147.9	-0.1%	-2.6%
Muscat securities market	187.02	187.33	157.3	-0.2%	18.9%
Saudi stock market	141.25	134.22	113.2	5.2%	24.8%
Tunis stock exchange	146.05	143.33	114.8	1.9%	27.3%
AMF composite	174.33	170.88	156.3	2.0%	11.5%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	18-Sep-09	11-Sep-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/\$	91.28	90.62	90.92	0.7%	0.4%
\$/£	1.632	1.669	1.4520	-2.2%	12.4%
\$/Euro	1.471	1.458	1.3950	0.9%	5.4%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	9,820.20	9,605.41	8,776.39	2.2%	11.9%
S&P 500	1,068.30	1,042.73	903.25	2.5%	18.3%
NASDAQ	2,132.86	2,080.90	1,577.03	2.5%	35.2%
CAC 40	3,827.84	3,734.89	3,217.97	2.5%	19.0%
Xetra Dax	5,703.83	5,624.02	4,810.20	1.4%	18.6%
FT-SE 100	5,172.90	5,011.47	4,434.20	3.2%	16.7%
NIKKEI 225	10,370.54	10,444.33	8,859.56	-0.7%	17.1%
COMMODITIES					
GOLD OUNCE	1006.15	1004.85	878.20	0.1%	14.6%
SILVER OUNCE	16.96	16.74	11.30	1.3%	50.1%
BRENT CRUDE (barrel)	70.62	66.79	39.83	5.7%	77.3%
LEADING INTEREST RATES (%)					
1-month Libor	0.25	0.24	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	3.47	3.35	2.22	0.12	1.25

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