The Lebanon Weekly Monitor

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ECONOMY

p.2 ▶ IDAL expects a 20% increase in FDI in Lebanon in 2009

The Investment Development Authority in Lebanon (IDAL) recently said it expected foreign direct investment (FDI) in Lebanon to increase by 20% in 2009 to reach US$ 4.32 billion.

Also in this issue:

SURVEYS

p.4 ▶ Cushman and Wakefield sees steady expansion in Beirut's retail market

The 2009 edition of property consultants Cushman & Wakefield's "Main Streets Across The World" indicated that Beirut ranked 33rd worldwide in 2009 in retail location prices while it ranked 43rd in 2008.

Also in this issue:

CORPORATE NEWS

p.5 ▶ FFA Private Bank report expects Bank Audi to witness solid growth and outperform the industry

FFA Private Bank has initiated coverage on Bank Audi in a report titled "A first class bank… made in Lebanon", expecting the bank to witness a solid growth in its balance sheet and bottom line figure, and outperform the industry, over the forecast period (from end 2008 till 2013).

Also in this issue:

MARKETS IN BRIEF

p.6 ▶ Cautious optimism boosts equity and bond prices

Lebanese capital markets were marked by cautious optimism during this week, in view of the major political developments on the local and regional fronts, which translated into a rise in equity and bond prices, while the foreign exchange market continued to witness a favorable activity. In details, the Beirut Stock Exchange saw a 1.5% increase in the price index, in line with other Arabian markets that closed 1.6% higher week-on-week. As to the bond market, a local and foreign demand appeared this week while the offer was very shy, which resulted in a surge in bond prices and a 31 basis points drop in the average spread to reach 331 basis points, its lowest level in two years. On the foreign exchange market, FC-to-LP conversions continued during this week. This resulted in a stable overnight rate at 3.25% on the money market. It is worth mentioning that the latest weekly statistics released by the Central Bank of Lebanon show a LP 221 billion increase in the Tbs portfolio held by the public, the highest week-on-week variation in more than two years, which underscores the public's tendency to take advantage of the relatively lucrative yields offered by Tbs, in anticipation of further declines.

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ECONOMY

IDAL expects a 20% increase in FDI in Lebanon in 2009

The Investment Development Authority in Lebanon (IDAL) recently expected foreign direct investment (FDI) in Lebanon to increase by 20% in 2009 to reach US$ 4.32 billion, bearing in mind that in 2008, FDI in Lebanon registered an increase of 32% to reach US$ 3.6 billion. According to the chairman of IDAL, this growth is in line with the growth in Lebanese banking deposits from July 2008 to July 2009, despite the shortage in cash flow in the global market, further showcasing the growing stability and strength of the Lebanese economy.

IDAL indicated that Lebanon is on track to achieve a 7% growth in GDP in 2009, highlighting the country's continued economic surge and transformation into one of the region's most attractive investment hubs. The country's improving economic conditions are manifested through various key economic indictors, including a sustained increase in FDI, a rise in bank deposits, growing tourist arrivals and expanding real estate developments among others. IDAL's chairman noted that several new business opportunities have opened in vital industries such as health tourism, conference tourism, ICT, and the services sector.

Tourism has achieved one of the biggest gains the past two years and IDAL pointed out that Beirut was even acknowledged by the New York Times as one of the top tourist destinations in the world in 2009. With the rising tourist footfall, hotels have witnessed soaring occupancy rate since March 2009. Also, real estate demand for business, investment and residential use has also sharply increased resulting in new investment opportunities in infrastructure, business spaces, and shopping centers. According to recent real estate industry figures in Lebanon, the total number of building licenses issued increased by 19% during the period January to August 2009 compared with the same period last year. Licensed built-up areas also increased by 5.3%, while transactions involving foreign owners grew by 8.5%. Cement consumption was also up 22% from June-July 2009 compared with the same period in 2008.

IDAL concluded that Lebanon has benefited greatly from its free-market economy, open economic policies and its strategic location. The country is also fortunate to have a strong private sector, liberal financial environment and developed legal environment. These and several other strategic advantages give business organizations and investors in Lebanon easy access to markets, raw materials, finance, and qualified human resources.

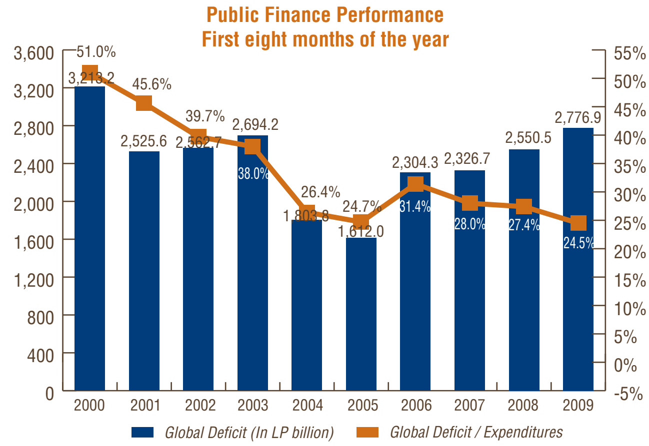
Fiscal deficit to expenditures ratio decreases in the first eight months of 2009

Lebanon's fiscal performance over the first eight months of 2009 improved slightly relative to the same period of the previous year, partly the result of the amelioration of local economic conditions during the said period, although still much below the requirements of a soft landing in public finance conditions. This slight amelioration is noted at the level of the ratio of total deficit to total expenditures, which reached 24.5% in the covered period, versus a higher 27.4% in 2008.

On the income front, public revenues which include budget and Treasury receipts, increased by 26.5% relative to the same period of 2008, thereby reaching LP 8,569.7 billion. Treasury revenues registered a drop of LP 95.1 billion to become LP 451.0 billion, explained by a lower amount of grants received. As to budget revenues, they moved up by a considerable 30.3% to reach LP 8,118.6 billion driven by a rise in both tax revenues and non-tax revenues.

Total tax revenues went up by 30.6%, due to a year-on-year rise of 96.2% in custom revenues, reflecting a significant rise in receipts from increased international trade, as well as a 15.2% increase in VAT revenues, mirroring an amelioration in aggregate private consumption. As for non-tax revenues, they went up by 29.6%, explained mainly by an increase in income from public institutions.

On the spending side, total public expenditures, which include budgetary and Treasury spending, increased by a yearly 21.7% in the first eight months of 2009 to reach LP 11,346.6 billion, caused mainly by a 31.7% surge in Treasury expenditures, as well as an 18.2% rise in budgetary expenditures. Treasury expenditures reached LP 3,161.8 billion in the first eight months of 2009, and their rise is mostly due to an increase of LP 176.4 billion, or 11.5% in transfers to EDL, which totaled LP 1,712.7 billion. It is worth noting that the rise in transfers to EDL has eased down from soaring levels in the previous year on account of lower oil prices.



Sources: Ministry of Finance

In parallel, budgetary expenditures were at LP 8,184.8 billion, up by 18.2% relative to the first eight months of 2008. Their rise was triggered by an increase in both interest and non-interest expenditures. Interest payments on domestic and foreign debt registered a total of LP 3,577.2 billion in the first eight months of 2009, increasing by 13.3% relative to the same period of 2008. This rise was spurred by a rise of 24.3% in interest payments on local currency debt, as interest payments on foreign debt decreased by 2.5%. On the other hand, non-interest budgetary spending went up by 25.7% in the first eight months of 2009 relative to the same period a year ago to reach LP 4,432.9 billion.

The rise in revenues was short of the rise in spending in the first eight months of 2009, as the overall deficit went up by 8.9%, to reach LP 2,776.9 billion. When excluding debt service, the first eight months of the year also witnessed an improvement at the level of the primary balance, which registered a cumulative surplus of LP 975.0 billion, compared to a surplus of LP 848.1 billion in the first eight months of 2008, mirroring the decline in non-debt related expenditures.

Gross public debt up by 1.9% in the first eight months of 2009

Figures released by the Ministry of Finance indicate that gross public debt continued its increase for the second month in a row in August 2009 after it retreated on a monthly basis for three months a row in April, May and June 2009. Gross public debt reached LP 73,136 billion, the equivalent of US$ 48.5 billion, at the end of August 2009, up by 1.2% from LP 72,234 billion in July 2009, 2.5% from 71,323 billion in June 2009, 1.6% from LP 71,956 billion in May 2009, and 1.5% from LP 72,014 billion in April.

This has resulted in year-to-date increase of 3.2% in gross public debt in the first eight months of 2009, as compared to 8.0% in the same period of 2008. It is worth noting that the decrease in gross public debt in April, May and June 2009 mirrors a decline in investments in Treasury bills, and is due to the fact that during the aforementioned three months banks were investing heavily in 5-year CDs, which yield higher interest than Tbs. Nevertheless, at end-June 2009, the Central Bank stopped the issuance of 5-year CDs, and thus, banks went back to investing in Tbs, which explains the resumption of growth in gross public debt in July and August 2009.

Net public debt, which deducts public sector deposits at commercial banks and the central bank from gross public debt, rose by 5.8% from end-December 2008 to end-August 2009 to reach LP 66,185 billion. Net public debt increased by 2.0% during the month of August.

The increase in gross public debt in the first eight months of 2009 was triggered by a 5.0% growth in local currency debt which reached LP 40,950 billion at end-August 2009, along with a 1.0% rise in foreign currency debt, which was US$ 21,351 million.

Property sales transactions down by 3.4% in the first eight months of 2009

Figures released by the Directorate of Real Estate indicate that property sales transactions reached 7,740 operations during August, up by 3.9% relative to July 2009, 28.9% relative to June 2009, and reaching their highest value in 2009, so far. Nonetheless this number is still 2.3% lower than the number of sales operations during August 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 eight months of the year, reaching -3.4%, with property sales transactions totaling 48,225 during the said period.

As to the total value of property sales in Lebanon in the eighth month of the year, it was at LP 957,843 million, down by 2.5% year-on-year, yet peaking in 2009, so far. Consequently, the average value per property sale in August 2009 went up by a trivial 0.1% year-on-year.

The year-to-date variation in the value of property sales remained in negative territories, bearing in mind that over the past four months, this decline has been gradually contracting to reach -3.1% in the first eight months of 2009. Such a decline is very close to the yearly decline in the number of property sales and thus the average value per property sale transaction increased by a trivial 0.3% in the first eight months of 2009 relative to the same eight months of 2008. Total value of property sales transactions reached LP 5,612.5 billion in the first eight months of the year, while the average value per property transaction reached LP 116.4 million, during the said period.

Cement deliveries up by a yearly 20.5% in the first eight months of 2009

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, increased by 20.5% over the first eight months of 2009 as compared to the same period of 2008 to reach 3,343,721 tons.

Cement deliveries totaled 456,696 tons in August 2009, up by 12.6% when compared to the same month of 2008. Both increases in fact mirror increased investments in Lebanon in infrastructure and real estate, contrary to the regional trend, characterized by dwindling construction activity, and once again reemphasizing the fact that Lebanon has escaped the regional real estate downturn.

Cushman and Wakefield sees steady expansion in Beirut's retail market

The 2009 edition of property consultants Cushman & Wakefield's "Main Streets Across The World" indicated that Beirut ranked 33rd worldwide in 2009 in retail location prices while it ranked 43rd in 2008.

The survey provides a detailed analysis of retail property rental performance of 236 locations across 60 countries around the world over the twelve months-to-June 2009 period, with rankings according to the most expensive retail location per city. Forty two countries have witnessed rental declines; six countries saw their rents remain stable relative to a year ago, while twelve countries observed an increase in rents. The trend of declining rents is naturally due to the global downturn, which had a significant impact on the retail property sector.

In the Middle East, whilst the region as a whole saw a marginal increase in rental values of 0.8%, rental growth has turned negative across many markets in the region, with the shopping center format being particularly vulnerable to the downturn. With most countries reporting an annual decrease in rental values, Lebanon bucked the general trend, delivering positive growth of 26.0% in rental growth. The only other country in the region which witnessed a growth in rental prices was Bahrain with a 50% positive growth.

The top ten locations in the Middle East and Africa (MEA) region included four locations in Lebanon, namely Beirut Central District, ABC Center Achrafieh, Verdun Street, and Kaslik Street. Beirut had the second, fourth, fifth, and seventh most expensive retail spots among the MEA region's prime 10 locations. Within Beirut, Beirut Central District was reported to be the most expensive retail location with a rental cost of € 1,281 per square meter per year, growing by an annual 80%. ABC Achrafieh came as the second most expensive location with €997 per square meter per year and a growth rate of 12%. It was followed by Verdun Street and Kaslik Street with respective rental costs of €925 per square meter per year and €854 per square meter per year, and growth rates of 8.3% and 20%, respectively. Hamra Street came in the fifth place in Lebanon with €605 and an annual growth rate of 13.3%.

In fact, all five locations in Lebanon were among the ten strongest growing countries in the MEA region, with Beirut Central District ranking first regionally, whereas Kaslik Street had the third highest rental growth regionally, Hamra had the fourth, ABC Achrafieh had the fifth and Verdun Street had the sixth highest rental growth in the region.

According to the report, Beirut's retail market has enjoyed a period of steady expansion. Retail sales growth has been positive, which has put rents under upward pressure. Prime locations are all showing rental values of around US$ 1,400/sq.m/year. Also, Beirut souks, which opened in September 2009, may yet set higher benchmark rents.

Among the ten Arab countries included in the survey, Lebanon came in first in terms of rental prices per year with €1,281, followed by Kuwaiti markets with €886, Syrian markets with € 854, UAE markets with €834, and Bahraini markets with € 748. On a global basis, Beirut's most expensive retail location came immediately behind that of Stockholm (32nd) and Luxembourg (31st), and was considered more expensive than that of Budapest (34th) and Venezuela (35th).

EFG-Hermes sees Lebanon's banking sector resilient within a volatile regional environment

A recent study released by EFG-Hermes on banking sectors in the MENA region indicated that Lebanese banks' earnings performance in both 2008 and the first half of 2009 has been resilient, with loan loss provisioning charges rising only moderately. Deposit growth has been well ahead of expectations so far this year, and this is particularly important as it will enable the banks to continue acting as the main source of funding for the government's deficit. In particular, LP deposits have been strong, highlighting confidence in the stability of the LP versus the US Dollar as well as high interest rates in LP vis-à-vis global interest rates.

In addition, EFG expects provisioning charges will remain low this year, with banks traditionally having been fairly conservative in their lending practices. Growth opportunities for banks in Lebanon are somewhat limited, considering the already high lending penetration, and dependence on political stability. Lebanese banks have been expanding into neighboring markets, especially into those countries with either low penetration levels and/or low competition, such as Egypt, Syria, and Sudan. This has been an increasingly important source of earnings growth over the past two years, and EFG expects earnings to become increasingly diversified and less dependant on domestic politics.

The report expected Lebanese banks' earnings to show moderate growth in 2009, with cost control and deposit driven asset growth compensating for spread pressure. Lebanese banks' conservative lending policies and low loan-to-deposit ratios make credit quality risks less of an issue versus some of their regional peers.

Loan growth rates for Lebanon appear to have seen a slight recovery in the second quarter of 2008, driven by strong retail lending, with economic growth aided by strong tourism. As a matter of fact, the study noted that retail lending growth in Lebanon is being driven by the robust economic performance in 2009. However, this will not likely be enough to compensate for the slowdown in regional corporate loan growth. EFG nevertheless believes that Lebanese banks are well-positioned to post a recovery in loan growth once wider MENA economic growth picks up.

FFA Private Bank report expects Bank Audi to witness solid growth and outperform the industry

FFA Private Bank has initiated coverage on Bank Audi in a report titled "A first class bank… made in Lebanon", expecting the bank to witness a solid growth in its balance sheet and bottom line figure, and outperform the industry, over the forecast period (from end 2008 till 2013).

The report stated that despite the global financial crisis that surged during the last quarter of 2008, Bank Audi has demonstrated a robust performance in 2008 as a whole as witnessed by a year-on-year growth of 17.9% in assets, 21% in customer deposits and 19% in earnings while maintaining an adequate capitalization and liquidity level in that same year. With regard to H109 results, loans and advances grew by 3.4% between December 2008 and June 2009, while total deposits expanded by 11.6% over the same period. Net profits of US$ 132.9 million were posted for the first half of the year, indicating a 1.9% year-on-year increase in the bottom line result.

FFA believes Bank Audi's capitalization levels would remain sound and no liquidity constraint could curtail future balance sheet growth. Over the forecast period (end 2008-2013), the Bank would continue to expand its deposit base and lending activities substantially, as highlighted by a CAGR of 12.7% and 12.4% for customer deposits and loans respectively over the forecast period.

Assuming a strong growth in the Bank's balance sheet, a tighter cost control policy and higher interest spreads as downward pressures on Libor ease, Bank Audi's bottom line figure is expected to witness a substantial growth as reflected by a CAGR of 15.9% over the forecast period. This solid growth in earnings would directly impact the return ratios as highlighted by the ROAA moving from 1.24% in 2008 to 1.38% in 2013 and the ROAE gradually increasing from 12.9% in 2008 to 16.8% by the end of 2013.

The report emphasized that, in the context of a rapid surge in the Bank's loan portfolio, the risk of asset quality deterioration would be mitigated by Bank Audi's current superior asset quality and strict management policy in this regard. FFA Private Bank gave Bank Audi a "Hold" recommendation and fair value estimate of US$ 73.9 per share.

Lebanon and Gulf Bank posts net profits of US$ 8.5 million in 2008

Lebanon and Gulf Bank's financials for 2008 show that net profits reached US$ 8.5 million, against US$ 4.8 million in 2007. Net interest income amounted to US$ 17.7 million in 2008, up by 30.5% from US$ 13.6 million in 2007.

Net operating income reached US$ 24.1 million in 2008, up by 20.4% from US$ 20.0 million in 2007. Total operating expenses amounted to US$ 14.3 million, up by 3.9% from US$ 13.8 million in 2007, of which staff expenses equaled US$ 8.2 million, up by 11.7% and other operating expenses equaled US$ 4.5 million, down by 10.1%.

Total assets totaled US$ 1.2 billion at year-end 2008, up by 14.6% from US$ 1.0 billion at year-end 2007. Customer deposits reached US$ 1.1 billion at year-end 2008, up by 14.4% from US$ 931.8 million at year-end 2007. Loans and advances to customers totaled US$ 378.7 million, up by 13.6% from US$ 333.3 million at year-end 2007.

Shareholders' equity increased by 24.7% in 2008 to US$ 77.2 million from US$ 61.9 million in 2007. As at year-end 2008, Lebanon & Gulf Bank operated 11 branches which along with the Head Office encompassed 317 employees.

Credit Bank posts net profits of US$ 5.7 million in 2008

Credit Bank's financials for 2008 show that net profits reached US$ 5.7 million against US$ 6.1 million in 2007. Net interest income amounted to US$ 17.1 million in 2008, up by 16.9% from US$ 14.7 million in 2007.

Net operating income reached US$ 24.3 million in 2008, up by 13.9% from US$ 21.3 million in 2007. Total operating expenses amounted to US$ 18.2 million, up by 24.1% from US$ 14.7 million in 2007, of which staff expenses equaled US$ 10.2 million, up by 29.1% and other operating expenses equaled US$ 6.7 million, up by 19.0%.

Total assets totaled US$ 905.5 million at year-end 2008, up by 19.3% from US$ 759.0 million at year-end 2007. Customer deposits reached US$ 762.1 million at year-end 2008, up by 20.2% from US$ 633.8 million at year-end 2007. Loans and advances to customers totaled US$ 419.4 million, up by 22.9% from US$ 341.2 million at year-end 2007.

Shareholders' equity increased by 9.5% in 2008 to US$ 61.0 million from US$ 55.7 million in 2007. As at year-end 2008, Credit Bank operated 15 branches which along with the Head Office encompassed 323 employees.

CAPITAL MARKETS

Money Market: High weekly increase in Tbs portfolio held by the public

A quiet mood continued to govern the money market during this week, within the context of ample LP liquidity available at hand and the absence of need for borrowing in local currency, which dictated stability in the overnight rate at its low official level of 3.25% set by the Central Bank of Lebanon. As to short-term Certificates of Deposits, the Central Bank of Lebanon sold this week LP 34 billion in the 60-day category, with total subscriptions in CDs reaching LP 811 billion since the beginning of the year 2009 and distributed as follows: LP 141 billion in the 45-day category, and LP 670 billion in the 60-day category.

On the monetary aggregates level, figures for the week ending 24th of September 2009 indicated an increase of LP 123 billion in local currency deposits, as a result of a LP 159 billion growth in LP time deposits and a LP 36 billion decline in LP demand deposits. In parallel, deposits in foreign currencies regressed by LP 223 billion (the equivalent of US$ 148 million). All in all, total deposits declined by LP 100 billion week-on-week, while the Treasury bills portfolio held by the public rose by LP 221 billion, underscoring a weekly variation that was unseen for more than two years. The weekly variations in LP and FX deposits compare to an average weekly increase of LP 267 billion for LP deposits since the beginning of the year 2009, and an average rise of US$ 88 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 124 billion, versus an average weekly increase of LP 272 billion since the beginning of the year 2009. Total money supply in its large sense (M4) widened by LP 122 billion week-on-week, compared to an average weekly increase of LP 429 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 15,898 billion. This is the result of an important surge in local currency denominated time deposits of LP 9,793 billion, an increase in foreign currency deposits of LP 4,717 billion (US$ 3,129 million), a rise in money supply (M1) of LP 299 billion, and a growth in Treasury bills held by the public of LP 1,089 billion.

Interest rates	09/10/09	02/10/09	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: Further declines across the curve

Market players continued to head for the secondary Treasury bills market to place their LP liquidity, yet demand was not met by any offer. In parallel, commercial banks executed during this week swap operations for different maturities in the secondary market in the aim of restructuring their portfolios.

As to the primary market, the preliminary results of this week's auction (October 8, 2009) show that the average yields on the one-year, two-year and three-year categories went down by seven to 12 basis points. The Central Bank of Lebanon allowed commercial banks to subscribe in 100% of their bids in the one-year and two-year categories, while it allowed them to subscribe in 40% of accepted bids in the three-year category.

On the other hand, the Central Bank released this week the auction results for value date October 1, 2009 which showed that total subscriptions amounted to LP 297 billion, and were distributed as follows: LP 80 billion in the three-month category, LP 131 billion in the six-month category and LP 86 billion in the five-year category. These compare to maturities of LP 23 billion, resulting in a nominal surplus of LP 274 billion. The yield on the three-month and six-month categories retreated by four basis points to 4.83% and 6.12% respectively, while the yield on the five-year category dropped by eight basis points to 8.00%.

On a cumulative basis, total subscriptions amounted to LP 12,774 billion during the first nine months of 2009 and were distributed as follows: LP 2,406 billion in short-term categories (three-month and six-month), LP 2,762 billion in medium-term categories (one-year and two-year), LP 6,847 billion in the three-year category, and LP 759 billion in the five-year category. These compare to maturities of LP 9,739 billion during the first nine months of 2009, resulting in a nominal surplus of LP 3,035 billion.

Treasury bills	09/10/09	02/10/09	26/12/08	
3-month	4.83%	4.83%	5.10%	⇔
6-month	6.12%	6.12%	7.10%	⇔
1-year	6.27%	6.34%	7.58%	↓
2-year	6.86%	6.98%	8.26%	↓
3-year	7.52%	7.64%	9.00%	↓
5-year	8.20%	8.20%	-	⇔
Nom. Subs. (LP billion)		297	242	
Short-term (3&6 mths)		211	80	
Medium-term (1&2 yrs)		0	13	
Long-term (3 yrs)		0	149	
Long-term (5 yrs)		86		
Maturities		23	157	
Nom. Surplus/Deficit		274	85	

Foreign Exchange Market: Continuous offer for the green currency

The US Dollar remained on offer on the foreign exchange market during this week, in similar volumes relative to the previous week. This called for the Central Bank's intervention on a daily basis as a buyer of the green currency surpluses at the lower end of its intervention bracket (1,501.00), while commercial banks traded the US Dollar at a rate hovering between LP 1,501.00 and LP 1,501.25.

Within the context of this favorable trend of US$-to-LP conversions, the Central Bank's foreign assets hit a new historical high level of US$ 25.7 billion at end-September 2009, according to the Bank's latest bi-monthly balance sheet. It is worth mentioning that the BDL's foreign assets grew by a CAGR of 19.3% from year-end 2004 to end-September 2009.

Exchange rates	09/10/09	02/10/09	26/12/08	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,405.52	2,397.53	2,221.60	↓
LP/¥	16.90	16.87	16.66	↓
LP/SF	1,461.89	1,450.36	1,401.80	↓
LP/Can$	1.429.05	1,385.06	1,236.37	↓
LP/Euro	2,219.79	2,193.56	2,120.00	↓

Stock Market: 1.5% increase in the price index

Market players awaited with cautious optimism the consequences of the major regional political developments on the local front, especially regarding the cabinet formation. Stock prices reported a moderate increase, as reflected by a 1.5% increase in the price index relative to the previous week to close at 138.41. The total trading value amounted to US$ 19.1 million this week versus US$ 20.6 million last week. The average daily trading value fell from US$ 4.1 million last week to US$ 3.8 million this week, which resulted in a 7.2% decline in the trading volume index to close at 163.23.

Audi Indices for BSE	09/10/09	02/10/09	26/12/08	
22/1/96=100				
Market Cap. Index	476.87	469.57	392.07	↑
Trading Vol. Index	163.23	175.90	50.43	↓
Price Index	138.41	136.32	113.40	↑
Change %	1.53%	-0.22%	-1.71%	↑
Market Cap. $m	11,313	11,140	9,301	↑
No. of shares traded	922,034	964,437	372,788	↓
Value Traded $000	19,114	20,577	4,550	↓
o.w. : Solidere	16,575	19,062	3,182	↓
Banks	2,487	1,437	1,329	↑
Others	52	78	39	↓

In details, Solidere shares captured 86.7% of activity this week. Solidere "A" share price increased by 2.8% to close at US$ 25.90, and Solidere "B" share price rose by 3.0% to reach US$ 25.72. As to the banking stocks, they accounted for 13.0% of the total. Bank Audi's GDR price rose by 2.6% to close at US$ 73.40, and the same bank's "listed" share price increased by 4.5% to reach US$ 64.80. In contrast, BLOM's GDR price moved down by 1.4% to close at US$ 83.05, while BLOM's "listed" share price rose by 1.2% to US$ 82.00. Byblos Bank's "listed" shareprice remained unchanged at US$ 1.90, while its "priority shares" rose by 2.2% to reach US$ 1.90. Among the industrial shares, Holcim's share price tumbled by 10.9% to US$ 14.25.

All in all, the BSE's performance was lower than other emerging stock markets, as reflected by a 2.8% rise in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM). However, the BSE performed similarly to other Arabian markets, as reflected by a 1.6% rise in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets).

Bond Market: The average spread to its lowest level in two years

A local and foreign demand for long-term maturities floated on the surface during this week, while the offer was very shy. This translated into a surge in bond prices, as reflected by a 21 basis points drop in the average yield to 5.49%, while the average spread shrank by 31 basis points to 331 basis points due to a drop in Lebanese yields and a rise in benchmark yields. For instance, the average yield on the five-year US Treasury bills rose from 2.15% last week to 2.26% this week, as a weak auction of 30-year bonds sparked concern that demand for government debt is decreasing.

Likewise, bond prices jumped in other emerging markets, as reflected by a 26 basis points decline in the average yield to reach 5.32%, while the average spread shrank by 31 basis points to reach 353 basis points.

Eurobonds Indicators	09/10/09	02/10/09	26/12/08	
Total tradable size $m	17,520	17,506	17,173	↑
o.w.: Sovereign bonds	16,950	16,936	16,603	↑
Average Yield	5.49%	5.70%	8.88%	↓
Average Spread	331	362	755	↓
Average Life	4.53	4.55	4.65	↓
Yield on US 5-year note	2.26%	2.15%	1.32%	↑

ARAB STOCK MARKETS INDICES:

	09-Oct-09	02-Oct-09	31-Dec-08	Weekly change	End-year-to-date change
Lebanon	138.4	136.3	113.1	1.5%	22.4%
Jordan	154.6	152.6	162.5	1.3%	-4.9%
Egypt	832.2	843.2	591.7	-1.3%	40.6%
Saudi Arabia	396.5	393.2	291.5	0.8%	36.0%
Qatar	653.5	648.4	608.6	0.8%	7.4%
UAE	286.9	276.2	171.9	3.9%	67.0%
Oman	882.6	877.5	700.6	0.6%	26.0%
Bahrain	397.0	385.9	517.0	2.9%	-23.2%
Kuwait	711.7	685.6	620.4	3.8%	14.7%
Morocco	458.4	448.4	453.6	2.2%	1.1%
Tunisia	1,199.6	1,153.0	914.4	4.0%	31.2%
Arabian Markets	515.4	507.1	401.4	1.6%	28.4%

Source: MSCI Barra, Bank Audi's Research Department

INTERNATIONAL MARKET INDICATORS:

	09-Oct-09	02-Oct-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	89.41	88.86	90.92	0.6%	-1.7%
$/£	1.592	1.590	1.4520	0.1%	9.6%
$/Euro	1.475	1.462	1.3950	0.9%	5.7%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	9,864.94	9,487.67	8,776.39	4.0%	12.4%
S&P 500	1,071.49	1,025.21	903.25	4.5%	18.6%
NASDAQ	2,139.28	2,048.11	1,577.03	4.5%	35.7%
CAC 40	3,799.61	3,649.90	3,217.97	4.1%	18.1%
Xetra Dax	5,711.88	5,467.90	4,810.20	4.5%	18.7%
FT-SE 100	5,161.87	4,988.70	4,434.20	3.5%	16.4%
NIKKEI 225	10,016.39	9,731.87	8,859.56	2.9%	13.1%
COMMODITIES					
GOLD OUNCE	1,048.25	1,001.35	878.20	4.7%	19.4%
SILVER OUNCE	17.67	16.12	11.30	9.6%	56.4%
BRENT CRUDE (barrel)	70.06	66.83	39.83	4.8%	75.9%
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	3.39	3.22	2.22	0.17	1.17

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