

The Lebanon Weekly Monitor

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The repeated failure of the Arab mediation efforts to resolve the Lebanese conundrum before the Arab summit is held at end-March, in addition to the persisting constitutional void and the absence of any positive outlook in the near future left negative spillovers on the market players' sentiments. In fact, local interest in Lebanese equities lessened this week, while both local and foreign investors show no appetite to trade the Lebanese Eurobonds. In details, the Beirut Stock Exchange reported a weak activity this week, with the total trading value amounting to US\$ 9 million versus US\$ 13 million last week. The trading volume index fell by 35.7% week-on-week, while the price index retreated slightly by 0.8% to 145.20. On the Eurobond market, the average yield surged by 43 basis points due to the cancellation of a US\$ 700 million sovereign bond maturing on March 12, and the total bond portfolio declined to US\$ 15,986 million. The average spread widened by 65 basis points to 591 basis points due to the relevant increase in Lebanese yields and the drop in benchmark yields. On the other hand, a favorable mood continued to reign over the foreign exchange market. The US Dollar remained on offer at higher volumes relative to the previous week, which called for the Central Bank's intervention as a buyer of the green currency surpluses at LP 1,512.5. It is worth mentioning that the Central Bank's foreign assets rose by a CAGR of 3.66% from mid-February 2005 to mid-February 2008, which reflects the strong immunity of the monetary conditions against adverse local political and security developments.

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► ECONOMY

Consumer prices up by a monthly 3.5% in January 2008

The month of January 2008 saw a somewhat significant rise in inflation in Lebanon, as figures released by the Consultation and Research Institute (CRI) indicate that the Consumer Price Index (CPI) went up by an important 3.46% in January 2008 relative to December 2007. The last five months of 2007 witnessed positive variations in the CPI, thereby putting the year-to-date CPI on a continuously rising trajectory; however, the monthly increase in the index did not go beyond 2% until the first month of this year. The rise in the overall cost of living in Lebanon can be attributed to external factors, as by nature, the country relies heavily on imports, which are becoming more expensive due to the appreciation of the Euro, high oil prices, and other external factors. On a yearly basis, the CPI increased by 5.69% between January 2008 and January 2007.

The monthly increase in the CPI witnessed in January 2008 was mostly due to a leap of 7.71% in prices of personal care and other products, a surge of 7.46% in prices of food and beverages, whose weight from the overall index is at an important 35.4%, and a rise of 4.22% in housing prices. Also, prices of clothes and shoes and leisure prices increased, but by a lower 0.60% and 0.35%, respectively.

The rise in the sub-index for personal care and other products was mostly due to the rise in the prices two items, the first being jewellery, mostly gold, which went up by 19.68%, and the second is the personal care, which includes hair salons and perfumes with an increase of 5.83%. Next comes the increase in the index for food and beverages, which has had the most significant effect on the rise of the index, due to its high weight. Food prices went up by 7.46%, caused by an increase in all components of the food sub-index; however, the most significant were the respective rises of 45.74% and 19.80% in prices of vegetables and fish and seafood. Within Beverages, prices of soft beverages went up by 3.98%, which offset by far the drop of 0.22% in prices of alcoholic beverages. As for prices of cigarettes and tobacco, they went up 1.07%.

Within housing, prices of repairs and renovation went down by 0.45%, while water prices and municipality fees and taxes remained constant; however, fuel and electricity prices went up by 6.34%, thus leading to the increase in the housing index. The trivial rise in the sub-index for clothes and shoes was caused by a 2.56% increase in prices of clothes and sewing materials, while the increase in the sub-index for leisure was due to a 1.72% rise in prices of books, dailies, and film development.

During the month of January, prices of healthcare, which

include healthcare inside and outside hospital, medical insurance and medications, remained constant, as none of the aforesaid items witnessed price fluctuations. Also, prices of education remained constant, due to the fact that changes in this index are only measured once a year in November.

Finally, the index for durable consumer goods went down by a minor 0.19%, while that for transport and telecommunication dropped by an even smaller 0.06%. The former drop was caused by several fluctuations within the index including a 5.29% rise in prices of linen goods and a 16.31% decline in glassware prices, while the latter was caused by a 0.07% fall in transport prices.

The CPI uses 2004 as the base year and is composed of 215 expenditures items with collected prices covering about 900 products. Food and beverages have a weight of 35.40%, followed by transport and telecommunication with 14.39%, education with 12.45%, health care with 9.82%, durable consumer goods with 8.18%, clothes and shoes with 6.55%, housing with 6.49%, personal care and other products with 4.02% and leisure with 2.70%.

Property transactions up by 21.4% in 2007

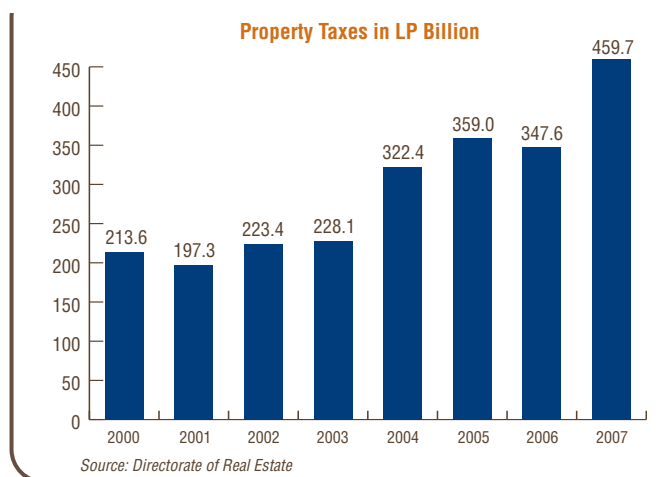
Although Lebanon witnessed an economic slowdown in 2007, real estate activity during the year has proved to be quite resilient to the said trend prevailing in the country. The rise in real estate activity can be attributed to several reasons such as the increase in population, higher demand by expatriate Lebanese, the relatively low taxes in Lebanon, the improvement made in terms of property transfer operations, and the facilitation of foreign ownership. According to the Directorate of Real Estate, the number of property transactions reached 154,158 in 2007, up by 21.4% relative to 2006. Nevertheless, although the first half of the year saw a good 7% growth, the cumulative yearly double digit rate is mainly coming from a 38% increase in the second half of 2007 in comparison with the same period of 2006.

This half-year rise, in turn, mainly stems from an 82% surge in the third quarter of 2007 relative to the same quarter of 2006 that witnessed a freeze in real estate operations during the severe Israeli war, and to a smaller extent, from the 14% year-on-year increase in the fourth quarter of 2007, noting that in the last quarter of 2006, the number of property transactions more or less resumed its pre-war level.

Property taxes' receipts increased by a significant 32.2% during 2007 to LP 459.7 billion, but this is again the impact of the 95.3% growth reported in the second half of the year that compares to the odd second half of 2006, which was largely shaped by the summer 2006 war and following

events, whereas during the previous six months the receipts went down 16.4%. The effect of this second half also changed the trend in the value of property sales which was down by 12% in the first half only to become 33.7% higher when comparing full year 2007 to 2006 and reach LP 6,329,056 million. As for the average value of property transactions, it went up by 10.2% during 2007 to LP 41.1 million per transaction, driven by a 55.2% year-on-year increase in the average value of property transactions during the last quarter of 2007, thereby reversing the trend of demand for less expensive real estate that has been consistent throughout the first nine months of 2007 and resulted in a year-on-year drop of 8.1% in the average value of transaction during the said period.

The majority of collected property taxes in 2007 were in Beirut with 42.2% of the total amount. It was followed by Baabda with 19.0%, the Metn area with 15.8%, the Keserouan area with 9.3%, the South with 5.4%, the North with 4.8%, and the Bekaa area with 3.0%.



Imports of industrial machinery up by 25.1% in 2007

According to statistics released by the Ministry of Industry, imports of industrial machinery, which mirror the activity of investments made in the industrial sector, registered a rise of 25.1% in 2007 relative to the previous year. These imports amounted US\$ 162.6 million, in comparison to US\$ 129.9 million in the previous year. This rise is mostly attributed to the fact that every month of 2007 recorded a year-on-year increase in imports of industrial machinery, except for February, April, and December 2007.

On a monthly basis, in December 2007, imports of industrial machinery amounted US\$ 10.1 million, as compared to a higher US\$ 18.3 million in the same month of the previous year. This 44.7% decline is caused by both the drop in imports in December 2007, and the exceptionally high level

of imports in December 2006. In fact, in both December 2006 and January 2007, imports of industrial machinery were at a high US\$ 18.3 million, probably because factories were trying to recuperate activity following the summer war of 2006. Still, this does not mean that figures of December 2007 were not lower than the usual trend of 2007, as they underwent a significant 29.7% monthly drop, and they represent the lowest monthly value of imports of industrial machinery in the second half of 2007.

The distribution of imported industrial machinery by country of origin for 2007 reveals that Germany was the largest exporter of industrial machinery to Lebanon with exports worth US\$ 39.9 million, and accounting for about 24.5% of the total. It was followed by Italy with US\$ 38.3 million (23.5%), China with US\$ 17.9 million (11.0%), the United States with US\$ 11.6 million (7.2%), France with US\$ 6.4 million (3.9%), the United Kingdom with US\$ 6.0 million (3.7%), Taiwan with US\$ 5.4 million (3.3%), Switzerland US\$ 5.1 million (3.1%), and Turkey with US\$ 5.0 million (3.1%).

Construction permits up by 4.0% in 2007

Figures released by the Order of Engineers of Beirut and Tripoli reveal that construction permits totaled 9,037,609 square meters in 2007, up by 4.0% from 8,692,834 square meters in the previous year. Indeed, the second half of the year reported a 53% growth, triggered not only by the comparison with the very weak performance of the war-ridden two months of 2006, but also by a strong performance of the last quarter of the year. During the latter period construction permits totaled 2,664,775 square meters, up by 35% from the corresponding period of 2006, as a result of a hike in real estate demand that motivated contractors to launch projects and benefit at the beginning of a potential boom.

This uprising trend accelerated during the last months despite the rising building materials' prices. Construction materials costs continued to climb, mainly as a result of an imported inflation from other regions of the world, the appreciation of the Euro and the depreciation of the US dollar; that the local currency is pegged to. In fact, this was clearly demonstrated during the month of December 2007, as construction permits totaled 1,095,304 square meters during the said month, registering a significant year-on-year increase of 28.9%, and an even higher monthly increase of 48.6%.

Mount Lebanon accounted for the majority of distributed construction permits in 2007 with 48.1% of the total. It was followed by Beirut with 17.8%, North Lebanon with 14.1%, South Lebanon with 13.6%, and the Bekaa with 6.4%.

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► SURVEYS

MasterIndex displays stagnation in Lebanese consumers' confidence

MasterCard Worldwide released the results of its biannual consumer confidence index survey, MasterIndex, for the second half of 2007, along with forecasts for the first half of 2008. The survey, which started in 2004, was conducted in early 2008, thereby analyzing consumers' perceptions of economic conditions, over the half-year that elapsed and the six months ahead, in selected markets in South Asia, Middle East and Africa (SAMEA). The objective is to detect changes in the perceptions of consumers, i.e. how do they assess the situation over the past six months and will it improve, remain stable or worsen. When referring to consumers, the survey aimed at gauging the perceptions of people who have the experience and means of engaging in a wide spectrum of activities, which dictate the performance of a national economy. Thus, respondents were among the population which deals with a bank in at least one way, i.e. they at least have one of the following: a savings account, a home or auto loan, or a plastic or ATM card.

The MasterIndex has a range of 0 to 100 with 50 as the midpoint. A score above 50 reflects consumers' optimism about the economic climate, while a score below 50 indicates pessimism about the economic situation. The overall index is the mean score of five relative indices, which measure the relative optimism of consumers on employment, economy, regular income, stock market and quality of life. In addition to assessing consumer sentiments in each of the selected countries, the survey provides a critical economic link among financial institutions, businesses, cardholders, and merchants worldwide. It examines seven selected markets in the SAMEA region, which are: Kuwait, Lebanon, Saudi Arabia, South Africa, United Arab Emirates, India and Egypt.

Lebanon's MasterIndex scored 38.6 in the second half of 2007, representing a sharp decline from 67.6 in the first half of the said year. An overall gloomy sentiment on all the five MasterIndex economic factors was reported. The only barometer that displayed positive expectations and was not severely affected by the political tensions was regular income, which only dropped slightly. Overall, Lebanese consumers reported a drop in their confidence over the second half of 2007, shifting from a surprisingly optimistic mood in the first half of the said year. In fact, the positive sentiment that reigned then can be explained by the fact the summer war had ended, and the only way to go from there was up again. Besides, at that time, people were optimistic about the wave of reconstruction that swept over the country, and were hoping for Presidential elections to end whatever political bickering was taking place.

However, by the end of the year, with all attempts to select a new President for the country failing, and with the political stagnation leading to economic stagnation, consumer's sentiments became more pessimistic, as the overall index fell by

42.8%. The most significant drop was recorded in the index for stock market, which fell by 63.2% in the second half of 2007 relative to the previous half-year. It was followed by quality of life (-58.7%), employment (-56%), and economy (-38.3%). Regular income fell by a mere 2.0%, and it was the only index whose score was in the optimistic zone.

Moreover, forecasts for the first half of 2008 indicate a continuation of the overall pessimism, as the overall index is forecasted to improve slightly by 0.2% to reach 38.7. However, when looking at individual indices, unlike their performance in the second half of 2007, which demonstrated a drop in all five indices, three of them are expected to improve in the first half of 2008. Quality of life is expected to improve by 62.4% to attain a score 36.7, while confidence in the stock market is also expected to rise by 57.1% to reach 32.2, and finally, the Lebanese seem to be more confident when it comes to employment, as this score is expected to hit 56.4, reaching the optimistic zone, and up by 47.3%. On the other hand, the index for economy is expected to drop further to reach 30.0, down by 31.7%, while that for regular income is expected to decline by 44.2% to reach 37.9.

Historically, consumer confidence in Lebanon has displayed a moderate advancement in the second half of 2004, as compared to the results of the first half of 2004, when the survey was first conducted. In the first half of 2005, Lebanon's score on the overall index saw a significant fall, as it was affected by the assassination of the former Prime Minister Rafic Hariri; however, it went back up in the second half of the year and continued to rise over the first half of 2006. The drop in the second half of 2006 was only expected, given the summer 2006 war.

Lebanon's MasterIndex of Consumer Confidence

	1H2008(f)	2H 2007	1H 2007	2H 2006	1H 2006
Economy	30.0	43.9	71.1	41.2	63.6
Quality of Life	36.7	22.6	54.7	46.5	56.7
Employment	56.4	38.3	87	69.3	60.2
Regular income	37.9	67.9	69.3	58.5	62.6
Stock market	32.2	20.5	55.7	41.3	52.8
Master Index	38.7	38.6	67.6	51.4	59.2

Source: MasterCard worldwide

The survey was very much influenced by geo-political, economic, and social factors that characterized the period and shaped consumer sentiments. These include: the oil boom in several surveyed countries, on-going political bottleneck in Lebanon, and the continued instability and heavy fighting in Iraq, which continues to affect the whole region. Despite unfavorable backdrops, overall confidence across the Middle East and Levant remained more or less stable in the second half of 2007; however, it is expected to fall in the first half of 2008. Similarly, the MasterIndex for the overall SAMEA region remained almost unchanged in the second half 2007, and is also expected to fall to 73.6 in the first half of 2008.

► CORPORATE NEWS

Matelec builds € 68 million power station in Senegal

Matelec, in charge of the Doumet Group's electricity sector related activities, lately inaugurated a 67.5 MW capacity power station in Kounoune, Senegal. Matelec, an Independent Power Producer, will produce electricity on a build own and operate basis, and should manage the power station for 15 years, and possibly more.

Matelec, after having won the tender in 2004, took in charge the € 68 million project's financial engineering. Matelec financed around € 48 million through securing 12-year debt from various institutional investors such as the International Finance Corporation, the World Bank's private arm, Proparco, the French Development Agency's private arm, and the African Development Bank. The remainder was financed through a combination of equity and a long-term loan from the Japanese giant Mitsubishi, co-builder of the said plant.

Matelec, established in 1974 and headquartered in Amchit, Lebanon, has three main branches of activities; an industrial division, involved in the production of distribution transformers, switchgears, panel boards and package substations, an engineering and contracting division, in charge of the design and execution of projects, including Medium Voltage (MV) and High Voltage (HV) substations, cable pulling, and industrial solutions, and an international business development division that spots, explores, and sets up businesses and ventures in new markets. According to the company's international division manager, Matelec's consolidated turnover is estimated at more than US\$ 200 million for 2007.

The Doumet Group is a diversified industrial and services group that holds investments across numerous sectors such as cement, lime, chemicals, textiles, electric equipments, hotels, distribution, aircraft servicing, information technology, contracting, and services.

Roadster Diner to expand into the UAE

Lebanese restaurant chain Roadster Diner has signed a franchise agreement with the UAE-based United Restaurant Development (URD), to open 10 outlets of the Lebanese brand in the United Arab Emirates over the next five years. The first outlet, to be located in Jumeirah, should be operational starting May/June 2008. URD's CEO asserted that the company will open outlets in leading shopping malls and other busy commercial areas in the Emirates. This is the first time that the Lebanese chain is tapping international markets.

URD, incorporated in 2001, specializes in restaurants and

franchise development, and holds the franchise for reputed brands such as Cinnabon, Seattle's Best Coffee, and Zaatar W Zeit. Roadster Diner, created in the late nineties, is one of Lebanon's successful casual dining chains and operates through about eight outlets locally.

Arope Insurance doubles its capital to LP 43.2 billion

Arope Insurance, member of the BLOM Bank group and one of Lebanon's leading insurers, approved through its extraordinary general assembly the increase of its capital. Arope's capital actually doubled, moving from LP 21.6 billion to LP 43.2 billion. New shares were fully subscribed by current shareholders. The capital increase is aimed at supporting the insurance company's regional expansion and activity growth and development.

Arope Insurance, established in 1974, offers both life and non-life insurance to its customers. Products include life insurance and personal accidents, medical insurance, motor insurance, cargo insurance, property insurance, and travel insurance, amongst others.

Zain Saudi Arabia's SR 7 billion IPO oversubscribed by 2.7 times

Zain Saudi Arabia's IPO, closed on February 18 2008, triggered a notable interest with subscription standing at 269% of the 630 million shares offered to individual investors. Zain was seeking to raise SR 7.0 billion by selling 700 million shares to the public at SR 10 each, with a minimum subscription of 50 shares. The total shares offered represent 50% of the company's share capital. The wide majority (90%) of the shares offered were allocated to Saudi investors, while the remaining 70 million shares were allocated to the Public Pension Agency.

Zain Saudi Arabia signed an agreement with Banque Saudi Fransi (BSF) appointing the bank as the lead manager of the IPO. Zain Saudi Arabia is 25% owned by Kuwait-based Zain, a leading telecommunications firm in the region formerly known as MTC, and manager of one of Lebanon's mobile phone networks as MTC Touch.

Zain Saudi Arabia plans to start operations in Saudi Arabia during the first half of this year and to offer traditional and value-added voice messaging and data services, multimedia applications, such as video calling and content services, including ring tones, sports updates, news quotes, games and facilities, according to Zawya Investor.

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► CAPITAL MARKETS

Money Market: The overnight rate remains stable at 3.5%

No change in the overnight rate was observed this week, as it stood at its low official level set by the Central Bank of 3.5%, within the context of a continuous offer for the US Dollar on the foreign exchange market and abundant local currency liquidity on the money market. As to Certificates of Deposits, very small subscriptions of LP 1 billion were made this week on the 45-day category, with total subscriptions reaching LP 23 billion since the beginning of the year 2008.

On the other hand, the monetary aggregates for the week ending February 14 showed an increase in local currency deposits of LP 52 billion and a rise in foreign currency deposits of US\$ 230 million. These weekly variations compare to an average increase of LP 72 billion for LP deposits since the beginning of the year 2008, and an average rise of US\$ 59 million in foreign currency deposits. In addition, total money supply in its large sense (M4) expanded by LP 360 billion, versus an average weekly increase of LP 169 billion since the onset of the year 2008.

Interest rates	29/02/08	22/02/08	28/12/07
Overnight rate	3.50%	3.50%	3.50% ↔
7 days rate	3.63%	3.63%	3.63% ↔
1 month rate	4.17%	4.17%	4.17% ↔
45-day CDs	4.40%	4.40%	4.40% ↔
60-day CDs	4.89%	4.89%	4.89% ↔

Treasury Bills Market: Nominal surplus during the first two months of 2008

The latest results of the long-term Treasury bills auction, released by the Central Bank this week, showed that total subscriptions for value date February 28, 2008 amounted to LP 339 billion, and were distributed as follows: LP 14 billion in the one-year category, LP 9 billion in the two-year category and LP 316 billion in the three-year category. These compare to maturities of LP 45 billion, resulting in a nominal surplus of LP 294 billion. Interest rates remained unchanged since April 2005. In fact, the average yields on the one-year, two-year and three-year categories stood at 7.75%, 8.50% and 9.32% respectively.

On a cumulative basis, total subscriptions amounted to LP 3,379 billion during the first two months of the year 2008 and were distributed as follows: LP 571 billion in the short-term categories (three-month and six-month categories), LP 180 billion in the medium-term categories (one-year and two-year categories) and LP 2,628 billion in the three-year long-term category. These compare to maturities of LP 3,093 billion during the first two months of 2008, which

resulted in a nominal surplus of LP 286 billion.

On the secondary Treasury bills market, the three-year category was traded in modest volumes at prices corresponding to 20 basis points above the yield curve.

T-Bills Yields	29/02/08	22/02/08	28/12/07
3-month	5.22%	5.22%	5.22% ↔
6-month	7.24%	7.24%	7.24% ↔
1-year	7.75%	7.75%	7.75% ↔
2-year	8.50%	8.50%	8.50% ↔
3-year	9.32%	9.32%	9.32% ↔
Nom. Subs. (LP billion)	339	1,250	288 ↓
Short-term (3&6 mths)	0	119	288 ↓
Medium-term (1&2 yrs)	23	0	0 ↑
Long-term (3 yrs)	316	1,131	0 ↓
Maturities	45	1,240	326 ↓
Nom. Surplus/Deficit	294	10	-38 ↑

Foreign Exchange Market: BDL's foreign assets up by a CAGR of 3.7% during the past three years

Market players continued to offer the US Dollar this week at higher volumes relative to the previous week, which called for the Central Bank's intervention as a buyer of the green currency surpluses at LP 1,512.5. Likewise, commercial banks traded the US Dollar at LP 1,512.5.

The BDL's foreign assets rose by a CAGR of 3.66% from mid-February 2005 to mid-February 2008, which reflects the resilience of the local monetary conditions against the adverse local political and security developments that governed the country since the assassination of the former Prime Minister Rafic Hariri, reaching the Israeli hostilities in summer 2006 and the current constitutional void. Many factors contributed to boost the Central Bank's foreign assets, namely the prudent monetary policy adopted by the Central Bank during crisis, the Arab support provided to Lebanon in July-August war 2006 and that is still present until now in addition to the rising market players' confidence.

Exchange rate	29/02/08	22/02/08	28/12/07
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,988.17	2,963.29	3,011.83 ↓
LP/¥	14.44	14.09	13.31 ↓
LP/SF	1,437.22	1,386.33	1,330.77 ↓
LP/Can\$	1,540.78	1,490.80	1,538.89 ↓
LP/Euro	2,291.25	2,235.92	2,212.56 ↓

Stock Market: Week activity observed

The Beirut Stock Exchange reported a weak activity this week due to the lessened interest of local investors in Lebanese equities, within the context of a continuous political stalemate and the repeated failure of the Arab mediation efforts to resolve the Lebanese crisis. The total trading value was limited to US\$ 8.6 million this week versus US\$ 13.4 million last week, and the average daily trading value declined from US\$ 2.7 million last week to US\$ 1.7 million this week, which translated into a decrease in the trading volume index of 35.7% to 91.8. As far as prices are concerned, the price index edged down by 0.84% week-on-week to close at 145.20.

In details, Solidere shares captured 72% of the total trading value this week. The Solidere "A" share price dropped by 4.5% to US\$ 20.54 and the Solidere "B" share price decreased by 2.1% to US\$ 20.87. On the other hand, the banking shares accounted for 23% of activity this week. Bank Audi's GDRs prices declined by 2.0% to US\$ 72.00. BLOM's GDRs prices moved down by 0.6% to US\$ 88.00. Byblos Bank's "listed shares" prices edged down by 0.4% to US\$ 2.24, and Byblos Bank's "priority shares" decreased by 0.9% to US\$ 2.25. In contrast, Bank of Beirut's "listed shares" prices increased by 8.5% to US\$ 12.83.

As to the industrial shares, only Holcim's share traded this week and its price declined by 0.9% to US\$ 19.42. At the level of the investment funds, the Beirut Golden Income's share price increased by 0.5% to LP 102,500, while the Beirut Preferred Fund's share price stood at US\$ 100.5 and the Beirut Global Income's share price remained unchanged at US\$ 102. The Beirut Lira Fund's share price stood at LP 101,700. On the other hand, it is worth mentioning that Solidere's GDRs, which are listed solely on the London Stock Exchange, decreased by 2.1% to US\$ 20.75 this week.

Finally, when compared to peer stock exchanges in emerg-

ing markets, Lebanon's performance this week was relatively similar to that of other emerging markets, as reflected by the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). The first index increased by 1.5% and the latter rose by 0.4% over the week. Likewise, Lebanon's performance proved to be in line with that of other Arabian markets, as reflected by an increase of 2.0% in the Morgan Stanley Capital International Arabian markets index week-on-week.

Bond Market: Wider spread after cancellation of a sovereign bond maturing in March

The Eurobond market remained calm this week, within the context of absent local and foreign investors' interest in Lebanese debt instruments. However, the average yield reported a relevant increase of 43 basis points, from 7.97% last week to 8.40% this week, due to the cancellation of a US\$ 700 million sovereign Eurobond maturing on March 12. Accordingly, the Eurobond portfolio declined from US\$ 16,686 million last week to US\$ 15,986 million this week. It is worth noting that according to the Ministry of Finance, the remaining maturities for the year 2008 are estimated at US\$ 1,730 million (excluding coupon rates).

At the level of the average spread, it widened by 65 basis points this week due to the important increase in Lebanese yields and the decrease in benchmark yields. For instance, the average yield on five-year US Treasury bills fell from 2.83% last week to 2.59% this week, after jobless data hinted at recession and the Federal Reserve's chief predicted that the credit crisis will end in bankruptcy for some banks.

In parallel, Eurobond prices in other emerging markets reported some progress this week, as reflected by a decrease in the average yield of 12 basis points to reach 4.63% basis points, while the average spread stood at 238 basis points. In fact, Eurobond prices in other emerging markets moved higher, driven by the improved risk appetite as regional stock markets gained and after the Federal Reserve lifted expectations of more interest rate cuts.

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Audi Indices for BSE 29/02/08 22/02/08 28/12/07

22/1/96=100

	29/02/08	22/02/08	28/12/07
Market Cap. Index	492.72	496.87	504.87 ↓
Trading Vol. Index	91.8	142.9	538.1 ↓
Price Index	145.20	146.42	149.12 ↓
Change %	0.84%	0.08%	-2.42% ↑

	29/02/08	22/02/08	28/12/07
Market Cap. \$m	11,689	11,788	11,977 ↓
No. of shares traded	535,067	768,837	3,419,011 ↓
Value Traded \$000	8,625	13,424	42,288 ↓
o.w. : Solidere	6,237	8,140	28,355 ↓
Banks	2,007	4,281	11,500 ↓
Others	381	1,003	2,433 ↓

29/02/08 22/02/08 28/12/07

	29/02/08	22/02/08	28/12/07
Total tradable size \$m	15,986	16,686	16,686 ↓
o.w.: Sovereign bonds	15,356	16,056	16,056 ↓
Average Yield	8.40%	7.97%	8.17% ↑
Average Spread	591	526	461 ↑
Average Life	4.90	4.72	4.86 ↑
Yield on US 5-year note	2.59%	2.83%	3.58% ↓

ARAB STOCK MARKETS INDICES:

	29-Feb-08	22-Feb-08	01-Jan-08	Weekly change	End-year-to-date change
Beirut stock market	145.2	146.4	149.1	-0.8%	-2.6%
Abu Dhabi securities market	134.9	134.5	129.1	0.2%	4.5%
Amman stock exchange	558.6	528.7	482.6	5.7%	15.7%
Bahrain stock exchange	255.0	269.9	260.4	-5.5%	-2.1%
Casablanca stock exchange	349.3	351.5	319.1	-0.6%	9.5%
Doha securities market	197.3	192.5	183.6	2.5%	7.5%
Dubai financial market	160.6	157.7	164.8	1.8%	-2.5%
Egypt capital market	639.4	610.6	585.2	4.7%	9.3%
Kuwait stock market	337.3	331.2	302.7	1.8%	11.4%
Muscat securities market	479.2	462.1	427.5	3.7%	12.1%
Saudi stock market	297.0	296.3	330.3	0.2%	-10.1%
Tunis Stock Exchange	112.7	113.2	109.3	-0.4%	3.1%
AMF Composite	343.4	339.8	345.4	1.1%	-0.6%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	29-Feb-08	22-Feb-08	28-Dec-07	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/\$	103.09	107.31	112.06	-3.9%	-8.0%
\$/£	1.9838	1.9687	1.9980	0.8%	-0.7%
\$/Euro	1.5199	1.4830	1.4713	2.5%	3.3%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	12,266.39	12,381.02	13,365.87	-0.9%	-8.2%
S&P 500	1,330.63	1,353.11	1,487.49	-1.7%	-10.5%
NASDAQ	2,271.48	2,303.35	2,674.46	-1.4%	-15.1%
CAC 40	4,790.66	4,824.55	5,612.41	-0.7%	-14.6%
Xetra Dax	6,748.13	6,806.29	8,067.32	-0.9%	-16.4%
FT-SE 100	5,884.30	5,888.50	6,476.90	-0.1%	-9.1%
NIKKEI 225	12,992.18	13,914.57	15,307.78	-6.6%	-15.1%
COMMODITIES					
GOLD OUNCE	981.95	951.80	839.19	3.2%	17.0%
SILVER OUNCE	20.16	18.155	14.84	11.0%	35.9%
BRENT CRUDE	101.65	96.82	96.57	5.0%	5.3%
LEADING INTEREST RATES (%)					
1-month Libor	3.11	3.12	4.63	-0.01	-1.52
US Prime Rate	6.00	6.00	7.25	0.00	-1.25
US Discount Rate	3.50	3.50	4.75	0.00	-1.25
US 10-year Bond	3.60	3.77	4.14	-0.17	-0.54

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