The Lebanon Weekly Monitor

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Within the context of growing fears that Greece's debt crisis would expand to other European countries, and in view of sharp drops in prices in international financial markets and rising demand for safe-haven instruments, Lebanese capital markets saw an expansion in the average bond spread and a moderate decline in equity prices, while FC-to-LP conversions continued on the foreign exchange market and the money market posted a weekly decline in resident deposits. In details, the average bond spread widened by 15 basis points week-on-week to reach 231 basis points due to a drop in benchmark yields as fears of Greece's debt crisis spurred demand for safe-haven instruments, while five-year CDS spreads rose to circa 350 basis points. In parallel, the Beirut Stock Exchange saw a decline in prices for the fourth week in a row, with the price index closing 1.4% lower. On the foreign exchange market, depositors continued to convert their FC holdings into LP holdings. A demand for the US Dollar emerged in the interbank market this week, and the volumes of green currency purchased by the Central Bank of Lebanon this week accounted for only third of purchased volumes in the previous week. On the money market, the overnight rate remained stable at 2.75%, while the latest monetary statistics showed a weekly decline in resident deposits of LP 51 billion, which is its second decrease since the beginning of the year 2010.

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Significant expansion in the balance sheet of Lebanese commercial banks in the first quarter of 2010

The Lebanese banking sector continued to post solid performances in this year's first quarter, in line with the healthy economic activity in the country. Measured by the consolidated assets of banks operating in Lebanon, total bank activity grew by 4.0% in the first quarter of 2010, moving from US$ 115.3 billion at end-December 2009 to US$ 119.9 billion at end-March 2010, a progression about three times higher than that of the similar periods of the previous five years.

Banking sector activity remains driven by customer deposits, which account for 82% of total bank balance sheet. Customer deposits grew by US$ 2.4 billion, or 2.5% in the covered period, moving from US$ 95.8 billion at end-December 2009 to US$ 98.1 billion at end-March 2010 within the context of favorable domestic conditions and healthy capital inflows in the first quarter of 2010. The analysis of customer deposits by type reveals that the rise in this year's first quarter is attributed to Lebanese residents, whose deposits at Lebanese banks progressed by US$ 2.9 billion over the period, while those of non-residents retreated slightly by US$ 0.5 billion.

A look at deposit evolution from a currency angle shows that the overall favorable conditions that reigned over the Lebanese economy and its monetary sector, translating into continued currency conversions in favor of the local currency on the forex market, drove LP deposit growth to account for the bulk of total deposit rise in this year's first quarter. Indeed, local currency deposits progressed by US$ 1,995 million over the covered period, thus accounting for 84.2% of the total rise, while those in foreign currencies posted a positive albeit more moderate US$ 374 million progression. As a result, the deposit dollarization ratio continues on its downward path, reaching 63.3% at end-March 2010, its lowest level in nearly a decade.

Within the context of relatively improved global credit conditions in a year of gradual recovery across the region's economies and healthy activity in the domestic market, bank lending activity picked up further this first quarter. Bank loans, consisting of loans to the Lebanese economy or to regional corporates booked in Lebanon, actually posted a US$ 2.3 billion growth in the covered period (equivalent to a healthy 8.2% quarterly growth), moving from US$ 28.4 billion at end-December 2009 to US$ 30.7 billion at end-March 2010.

While LP loans grew by US$ 537 million between December 2009 and March 2010, more than twice higher than during last year's corresponding period, FC loans continued to drive lending activity in Lebanon, accounting for 77.0% of total loan growth during the first quarter (a US$ 1,802 million rise). Consequently, the loan dollarization ratio persisted at previous periods' levels, reaching 83.5% at end-March 2010. Within the context of dynamic corporate banking policies, loans to non-residents booked in Lebanon continued to gain ground this first quarter, rising by US$ 805 million and accounting for about a third of total lending growth against much lower shares in previous years. The remaining bulk was attributed to resident lending (+US$ 1,534 million) within the context of a fast growing economy with rising domestic lending opportunities.

Merchandise trade activity up by 30% in the first quarter of 2010

Favorable economic conditions in Lebanon have left the country's external sector in the first quarter of 2010 in a good position to reap positive spillovers arising in the wake of worldwide recovery from the global financial crisis. Lebanon's merchandise trade activity flourished, with both imports and exports posting significant growth. Figures released by the Higher Customs Council show that aggregate imports and exports totaled US$ 5,414 million in the first quarter of 2010, rising by 30.2% from US$ 4,157 million in the same period of 2009.

In details, total exports amounted to US$ 1,029 million in the first quarter of 2010, up by 12.2% relative to the same period of 2009. External demand for Lebanese products is to a large extent shaped by overall economic conditions in Lebanon's main trade partners which happen to be Arab countries in the first degree and European countries in the second degree. Specifically, Lebanon's exports to Spain quadrupled, while its exports to France and Germany increased by 87% and 83%, respectively. Meanwhile, within Arab countries, higher demand for Lebanese products was observed in Egypt whose imports from Lebanon went up by 113%, the UAE (+16%), Qatar (+8%), and Syria (+7%). Also, Lebanon's exports to Turkey went up by 132% in light of recent efforts to boost bilateral relations between the two countries.

In parallel, imports amounted to US$ 4,385 million in the first quarter of 2010, up by 35.3% when compared to the first quarter of 2009. Although the increase in imports aggravates the country's trade and current account deficits, it bodes well for domestic economic activity in the country, as it mirrors a rise in demand by Lebanese consumers and investors. As a matter of fact, the growth in Lebanon's imports was triggered by a significant upsurge of 53.7% in imports of consumer products as well as a rise of 18.3% in imports of investment products.

It is worth noting that Lebanon's merchandise trade activity in the first quarter of 2010 benefitted from the country' signing of trade agreements with three other countries, namely Turkey, Jordan and Qatar. Indeed, in January 2010, Lebanon and Turkey signed major agreements regarding the exchange of agricultural products, transport equipment, natural gas, and electrical products. Moreover, in March 2010, Lebanon signed 16 bilateral deals with Jordan and 13 bilateral deals with Qatar.

The breakdown of Lebanese exports by country of destination in the first quarter of 2010 indicates that Switzerland was the country with the greater part of Lebanese exports with US$ 132 million, or 12.8% of the total. It was followed by the UAE with US$ 96 million (9.3%), Iraq with US$ 68 million (6.6%) and Turkey with US$ 61 million (5.9%). The breakdown of imports to Lebanon by country of origin reveals that the United States got the largest share with US$ 447 million, or 10.2% of the total. It was followed by China with US$ 374 million (8.5%) and Italy with US$ 340 million (7.8%).

Lebanon's primary export item in the first quarter of 2010 was jewelry, which accounted for 27.1% of total exports. Electrical equipments and products, which comprised 15.8% of the total, came in second, followed by base metals with 12.1% and food products with 7.3%.

Mineral products, which accounted for 23.1% of total imports, retained the lion's share of imports during the aforementioned period. Electrical equipments and products with 11.4% came in next, followed by transport vehicles with 9.9% and chemical products with 9.4%.

The significant growth in imports within the context of a smaller growth in exports has resulted in an important year-on-year increase in the trade deficit of 44.5% to US$ 3,356 million in the first quarter of 2010. Furthermore, the export-to-import coverage ratio regressed from 28.3% in the first quarter of 2009 to 23.5% in the first quarter of 2010.

Balance of payments surplus at a record high of US$ 978 million in the first quarter of 2010

The considerable influx of capital into the country in the first quarter of 2010 resulted in a cumulative balance of payments surplus of US$ 978.1 million, a record high for Lebanon when compared to the same period of previous years. In fact, the surplus in the first quarter of 2010 is more than three times the one registered a year ago, bearing in mind that the continuous improvement in Lebanon's balance of payments is one of the main factors of the sustained economic growth in the country. The cumulative surplus in the first quarter of 2010 is the result of a rise of US$ 1,778 million in net foreign assets of the Central Bank, which more than offset the decline of US$ 800 million in those of banks and financial institutions.

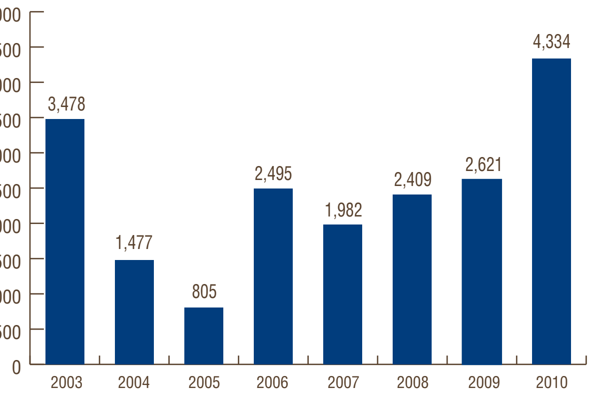
In short, balance of payments developments remain largely favorable in Lebanon in spite of the expected expansion in Lebanon's current account deficit in 2010 to US$ 4.7 billion, or 12.8% of GDP, as per the IMF. The growth in the current account deficit comes in line with the increase in the country's imports, resulting from stronger demand in the country as well as the rebound in oil prices. This likely deterioration in the current account would most likely continue to be compensated for by improvements in the capital account, thereby allowing the Central Bank to keep on building up its base of international reserves, at large.

Capital inflows up by 65% in the first quarter of 2010

Capital flowing into Lebanon in the first quarter of 2010 was at an extraordinary high level, and it managed to more than fully cover Lebanon's structural trade deficit, thereby resulting in an unprecedented substantial balance of payments surplus in the first quarter of 2010. As a matter of fact, capital inflows in the latter period were at a record high when compared to the same period of previous years, reaching US$ 4,334 million, rising by a staggering 65.4% relative to the same quarter of 2009.

Indeed, capital flowing into the country was buoyed by the increased confidence in the Lebanese economy, be it by Lebanese expatriates or by non-Lebanese investing in Lebanon, as capital inflows include remittances, foreign direct investment (FDI), and spending of tourists in Lebanon. No official data on the former two are currently available, yet the IMF anticipated in its latest report on Lebanon that remittances and FDI flowing into the country would increase in 2010 as countries across the region and the globe begin to recover from the global financial crisis.

Capital inflows (First quarter of the year)
(US$ million)



Sources: BDL, Higher Customs Council, Bank Audi's Research Department

The Global Monitoring Report highlights Lebanon as one of the top countries to have weathered the crisis

The World Bank and the International Monetary Fund (IMF) issued a joint document titled "Global Monitoring Report 2010", which measures key evolution outcomes on the Millennium Development Goals subsequent to the onset of the economic crisis. Developing economies, including Lebanon, are projected to grow by 6.3% in 2010 versus 2.4% in 2009, driven by substantial internal demand and the recovery of trade.

In details, the report exposed growth projections of 4.5% in 2010 for the Middle East and North Africa (MENA), up from 2.4% in 2009. Lebanon would grow by 6% and is therefore classified fourth amongst 20 countries in the MENA region, after Qatar, Yemen and Iraq. As to the real GDP growth for the period between 2011 and 2013, it is anticipated to reach an average of 4.8% in the MENA countries, while Lebanon is expected to grow by an average of 4.5% during the aforementioned period.

When looking back at 2009, a highlighted map included the report shows 6 categories of real GDP growth witnessed last year with the first one referring to countries that witnessed a real GDP growth lower than -6%, the second relative to countries with real GDP growth varying between -6% and -3%, the third one between -3% and 0%, the fourth ranging from 3% to 7% and the last one surpassing 7%. The map mainly emphasizes how the crisis undermined GDP growth globally. Lebanon was classified amongst the top category on a global basis as it posted a GDP growth of 9% in 2009, as per the IMF. Lebanon, along with other countries outperformed several economies in the world such as Portugal, France, Greece, Macedonia, Serbia, Norway, and South Africa.

Fiscal deficits in developing and emerging economies would remain high in 2010, as per the study. Therefore, it is recommended that all countries falling within this category adopt credible medium-term fiscal adjustment plans to bolster confidence in macroeconomic policies and undertake policy reforms to secure long-term growth. Moreover, such countries, including Lebanon, are facing financing constraints and should not delay fiscal adjustment. Hence, donors should assist these countries by following up on commitments to increase aid, according to the report.

2010 MENA Growth Outlook

Country	Real GDP growth
Qatar	18.5%
Yemen	7.8%
Iraq	7.3%
Lebanon	**6.0%**
Sudan	5.5%
Libya	5.2%
Egypt	5.0%
Syria	5.0%
Oman	4.7%
Mauritania	4.6%
Algeria	4.6%
Djibouti	4.5%
Jordan	4.1%
Tunisia	4.0%
Saudi Arabia	3.7%
Bahrain	3.5%
Morocco	3.2%
Kuwait	3.1%
Iran	3.0%
UAE	1.3%

Sources: IMF, Bank Audi's Research Department

Standard & Poor's projects Lebanon's GDP growth at 7.3% between 2010 and 2012

Standard & Poor's projects Lebanon's real GDP growth to rise to an annual average rate of 7.3% between 2010 and 2012, up from an estimated 6.5% in 2009. The rating agency expected that the robust performance of the financial services sector and tourism, combined with increased consumer and investor confidence, would continue to support economic activity over the medium term. Lebanon's liberal and open business environment, along with improved stability, should improve prospects for increased investment inflows from the Gulf countries, as per the agency's report.

However, the economy would continue to be impacted by high operating costs such as high social-security contributions, energy prices, and the poor state of the electricity sector, and large fiscal and current-account imbalances would remain a constraint on economic growth over the next few years, according to Standard & Poor's. Progress on structural reforms is deemed critical to improving fiscal flexibility by 2012.

The rating agency noted that debt service payments equivalent to 47% of fiscal revenues and 11% of GDP, civil service wage payments and other current expenditures remained key burdens on public finances. Higher tax revenues from the value-added tax and customs receipts, as well as from gasoline tariffs, have partially offset the fiscal deficit in 2009. Standard & Poor's considered that Lebanon would need to generate large primary surpluses and push ahead with privatization to cut its debt stock, and that the privatization of the electricity sector should be implemented rapidly.

HSBC initiated coverage on Solidere with Overweight rating and US$ 31.5 target price

HSBC recently initiated coverage on Solidere, Lebanon's largest real estate developer, with an Overweight rating and a US$ 31.5 target price, indicating a 37.8% upside potential relative to the current price of US$ 22.9 (as at May 3, 2010 as per HSBC).

HSBC's positive view on Solidere is based on demand fundamentals and political stability. Macro drivers of demand are expected to support land sales and political stability should allow fundamentals to reassert themselves, as per the report.

Solidere has some of the very few large plots of land in central Beirut, and HSBC believes this land would become even more valuable as it sells down its bank.

HSBC expects Solidere would report solid earnings growth that would result in a steadily increasing dividend. Earnings would stem from both land sales (which have seen robust price increases since 2006) and recurring revenues from rental portfolios. It also expects regular dividend and future buybacks driven by high free cash flows (FCF) yield, which would grow with the increase in cash flows from land sales. According to HSBC, the yield is meaningful at 5% and would grow as Solidere scales down capital expenditures and further increases its FCF yield. Moreover, FCF is expected to increase faster than earnings, according to the same source.

Proprietary sensitivity analyses by HSBC show that even with a 20% decline in land prices or a five-year delay in the duration of sales, the stock looks attractive. HSBC uses a discounted cash flow (DFC)-based sum-of-the-parts methodology for valuation and cross-checks with a net asset value. Solidere is trading at a discount of 60%, which is unwarranted given its strong fundamentals and valuable land bank, according to the same source.

Nevertheless, HSBC considers political instability to be a major risk in Lebanon, which historically proved to impact the real estate sector's performance. The financial institution is also concerned that the Lebanese real estate may be too expensive for both owner-occupants and investors. While HSBC does not believe prices would fall, it could see a period of stagnation where there are few unit sales.

However, HSBC believes that Solidere is relatively insulated from this risk given its business model of selling land, not completed residential units, its ability to focus sales on other properties such retail or office space, which may be more demanded, and a well-located land bank that should hold value as long as there is political stability.

Bank of Beirut's net profits up by 46.6% to US$ 20.0 million in the first quarter of 2010

Bank of Beirut announced consolidated net profits of US$ 20.0 million in the first quarter of 2010, up by 46.6% from US$ 13.6 million in the first quarter of 2009. Net interest income stood at US$ 31.3 million in the first quarter of 2010, up by 34.9% from US$ 23.2 million in the first quarter of 2009, while net commission earnings increased from US$ 8.5 million in the first quarter of 2009 to US$ 11.8 million in the first quarter of 2010. Total operating expenses increased by 15.8% to US$ 26.1 million, of which staff expenses amounted to US$ 13.0 million, up by 18.6% year-on-year, and other operating expenses reached US$ 10.6 million, up by a yearly 33.7%.

Total assets reached US$ 7.2 billion at end-March 2010, up by 22.3% from US$ 5.9 billion at end-March 2009, while loans to customers increased by 25.8% to reach US$ 1.8 billion at end-March 2010, from US$ 1.4 billion at end-March 2009. Customer deposits amounted to US$ 5.0 billion at end-March 2010, up by 19.3% from US$ 4.2 billion at end-March 2009. Shareholders' equity amounted to US$ 811.6 million at end-March of 2010, up by 53.1% from US$ 530.0 million at end-March 2009.

Dubai's Coral Hotels & Resorts unveils its first property in Beirut

Dubai-based hospitality chain Coral Hotels & Resorts recently announced the opening of its first hotel in Beirut termed Coral Suites Al Hamra.

The hotel encompasses 100 rooms and suites and is equipped to meet the needs of business travellers with a venue for meetings, conferences and banquets.

According to company officials, the hospitality industry in the city is experiencing a boom. However, there is a significant imbalance between hospitality infrastructure and growth potential in Lebanon, and Coral Hotels & Resorts says it aims to be at the forefront of such developments.

BBAC starts its banking operations in Iraq

Bank of Beirut and Arab Countries (BBAC) announced the beginning of its banking operations in a new branch in Erbil, Iraq. This launching pursues the regional expansion strategy that BBAC adopted with the opening of a branch in Limassol, Cyprus in 1984, followed by the representative office in Abu Dhabi in 2008.

A wide range of banking, commercial and investments products and services would be offered to respond to the demand coming from Lebanese establishments and citizens in Iraq in addition to demand stemming from Iraqi nationals.

Money Market: Second decline in M4 since the beginning of the year 2010

The overnight rate didn't shift its stance during this week, standing at its low official level of 2.75% set by the Central Bank of Lebanon, within the context of continuous favorable activity on the foreign exchange market and adequate local currency liquidity on the money market.

As to short-term Certificates of Deposits, LP 120 billion were placed this week in these papers and were distributed as follows: LP 20 billion in the 45-day category and LP 100 billion in the 60-day category. As a result, total subscriptions in short-term CDs amounted to LP 1,276 billion since the beginning of the year 2010 and were allocated as follows: LP 261 billion in the 45-day category and LP 1,015 billion in the 60-day category. Interest rates remained unchanged, standing at 3.57% and 3.85% on the 45-day and 60-day categories respectively.

On the monetary aggregates level, figures for the week ending 22nd of April 2010 indicated an increase of LP 79 billion in local currency deposits, as a result of a growth of LP 176 billion in LP time deposits and LP 97 billion decline in LP demand deposits week-on-week. Deposits in foreign currencies fell by US$ 86 million. These weekly variations compare to an average weekly increase of LP 213 billion for LP deposits since the beginning of the year 2010, and an average weekly rise of US$ 63 million in foreign currency deposits. Within this context, LP money supply (M2) expanded slightly by LP 5 billion during the week ending 22nd of April 2010, as compared to an average weekly increase of LP 208 billion since the beginning of the year 2010. In addition, total money supply in its large sense (M4) tightened by LP 104 billion week-on-week, as compared to an average weekly increase of LP 327 billion since the beginning of the year 2010, noting that this is its second decline since the beginning of the year 2010.

On a cumulative basis, money supply in its large sense (M4) widened by LP 4,990 billion since the beginning of the year 2010. This is the result of an increase in local currency denominated time deposits of LP 3,559 billion, a rise in foreign currency deposits of LP 1,409 billion (the equivalent of US$ 935 million), a drop in money supply (M1) of LP 347 billion, and a growth in Treasury bills held by the public of LP 369 billion since the beginning of the year 2010.

Interest rates	7/5/10	30/4/10	31/12/09	
Overnight rate	2.75%	2.75%	3.00%	⇔
7 days rate	2.86%	2.86%	3.10%	⇔
1 month rate	3.31%	3.31%	3.52%	⇔
45-day CDs	3.57%	3.57%	3.77%	⇔
60-day CDs	3.85%	3.85%	4.03%	⇔

Treasury Bills Market: Nominal surplus of LP 151 billion

The preliminary results of this week's auction (May 6, 2010) showed that the average yield on the one-year category retreated by three basis points to reach 5.37%, while the average yield on the two-year category fell by eight basis points to hit 5.76%, and the average yield on the three-year category tumbled by 14 basis points to reach 6.40%.

It is worth mentioning that the Central Bank of Lebanon allowed commercial banks to subscribe in full of their bids offering a yield up to 5.05% in the one-year category, while it allowed them to subscribe to 20% of their bids offering a yield ranging between 5.06% and 5.12%. In addition, the Central Bank allowed commercial banks to subscribe in full of their bids offering a yield up to 5.70% in the two-year category, while it allowed them to subscribe to 30% of their bids offering a yield ranging between 5.71% and 5.79%, and it allowed public institutions to subscribe to 50% of their bids. As to the three-year category, the Central Bank allowed commercial banks to subscribe in full of their bids offering a yield up to 6.39%, while it allowed them to subscribe to 10% of their bids offering a yield hovering between 6.40% and 6.49%, and it permitted public institutions to subscribe to 50% of their bids.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date April 29, 2010 which showed that total subscriptions amounted to LP 241 billion, and were distributed as follows: LP 33 billion in the three-month category, LP 87 billion in the six-month category and LP 121 billion in the five-year category. These compare to maturities of LP 90 billion, resulting in a nominal surplus of LP 151 billion.

As to the secondary Treasury bills market, short-term cate-

Treasury bills	7/5/10	30/4/10	31/12/09	
3-month	4.24%	4.24%	4.55%	⇔
6-month	5.23%	5.23%	5.72%	⇔
1-year	5.37%	5.40%	5.73%	↓
2-year	5.76%	5.84%	6.32%	↓
3-year	6.40%	6.54%	7.10%	↓
5-year	6.88%	6.88%	7.74%	⇔
Nom. Subs. (LP billion)		241	500	
Short-term (3&6 mths)		120	-	
Medium-term (1&2 yrs)		-	49	
Long-term (3 yrs)		-	451	
Long-term (5 yrs)		121	-	
Maturities		90	232	
Nom. Surplus/Deficit		151	268	

gories were traded in small volumes.

Foreign Exchange Market: Demand for US Dollar in interbank market

The foreign exchange market continued to register a favorable activity during this week, as depositors continued to convert their FC holdings into LP holdings. On the other hand, there was demand for the US Dollar in the interbank market. The LP/US$ interbank rate stood unchanged at LP 1,501.5-LP 1,502. The Central Bank of Lebanon intervened as a buyer of the green currency surpluses at LP 1,501.00, noting that its purchased volumes during this week accounted for only third of purchased volumes during the previous week, on the back of demand for the green currency in the interbank market.

Exchange rates	7/5/10	30/4/10	31/12/09	
LP/US$	1,507.5	1,507.5	1,507.5	↔
LP/£	2,206.68	2,316.58	2,389.24	↑
LP/¥	16.36	15.97	16.34	↓
LP/SF	1,352.99	1,399.20	1,451.33	↑
LP/Can$	1,431.49	1,502.54	1,436.12	↑
LP/Euro	1,918.29	2,007.24	2,159.95	↑

Stock Market: Further decline in the price index for the fourth consecutive week

Equity prices continued to fall on the Beirut Stock Exchange for the fourth week in a row, as shown by a 1.4% weekly decline in the price index to close at 142.09. Activity remained weak, with the total trading value standing at US$ 11.5 million as compared to a relatively similar value of US$ 11.1 million in the previous week. The average daily trading value rose slightly from US$ 2.2 million last week to US$ 2.3 million this week, which translated into a rise in the trading volume index of 3.7% to reach 85.91.

In details, Solidere shares accounted for 33.9% of activity. Solidere "A" share price declined by 0.8% to close at US$ 22.77 and Solidere "B" share price edged down by 0.1% to US$ 22.72. It is worth mentioning that HSBC initiated this week coverage on Solidere with "outperform" rating and set a target price of US$ 31.5.

Audi Indices for BSE	7/5/10	30/4/10	31/12/09
22/1/96=100			
Market Cap. Index	505.21	512.34	505.10↓
Trading Vol. Index	85.91	82.85	115.58↑
Price Index	142.09	144.10	144.04↓
Change %	-1.39%	-1.09%	0.91%↑
Market Cap. $m	11,985	12,155	11,983↓
No. of shares traded	411,164	455,689	248,012↓
Value Traded $000	11,546	11,137	6,434↑
o.w. : Solidere	3,909	4,330	2,055↓
Banks	7,624	6,762	4,375↑
Others	13	45	4↓

As to the banking shares, they accounted for 66.0% of the total trading value this week. Bank Audi's GDR price retreated slightly by 0.1% to close at US$ 88.50, while Bank Audi's listed share price fell by 3.7% to US$ 82.85. In parallel, BLOM's GDR price dropped by 3.7% to US$ 92.00, while BLOM's listed share price remained unchanged at US$ 92.00. Byblos Bank's "listed" share price fell by 5.0% to US$ 1.90, and Byblos Bank's "priority" share price dropped by 4.5% to US$ 1.92. It is worth mentioning that Bank Audi and BLOM Bank were rated "overweight" in new coverage at HSBC Holdings plc. Among the industrial shares, Holcim's share price declined by 2.7% to US$ 12.60.

All in all, the BSE registered lower decline in prices than other emerging stock markets during this week, as shown by a 9.1% drop in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM). However, the BSE's performance was relatively similar to that of other Arabian and GCC equity markets, as reflected by a 1.6% decline in the Morgan Stanley Capital International Arabian Markets Index (MSCI Arabian Markets) and a 1.1% decrease in the Morgan Stanley Capital International GCC Countries Index (MSCI GCC Countries Index).

Bond Market: Wider average spread on fears of Greece's debt crisis

Greece's debt crisis and worries about its contagious effect on other European countries triggered some foreign selling operations in the Eurobond market during this week that was met by a sufficient local demand. In view of this balanced activity, the average yield remained stable at 4.58%, while the average spread widened by 15 basis points week-on-week to reach 231 basis points, due to stability in Lebanese yields and fall in benchmark yields.

For instance, the average yield on five-year US Treasury bills tumbled from 2.50% last week to 2.26% this week as concerns about Greece's debt crisis spurred demand for safe-haven instruments.

Eurobonds Indicators	7/5/10	30/4/10	31/12/09	
Total tradable size $m	17,851	17,985	17,704	↓
o.w.: Sovereign bonds	17,381	17,415	17,134	↓
Average Yield	4.58%	4.59%	5.31%	↓
Average Spread	231	216	290	↑
Average Life	4.90	4.88	4.57	↑
Yield on US 5-year note	2.26%	2.50%	2.62%	↓

ARAB STOCK MARKETS INDICES:

	7-May-10	30-Apr-10	31-Dec-09	Weekly change	End-year-to-date change
Lebanon	142.1	144.1	144.0	-1.4%	-1.4%
Jordan	139.1	143.1	149.9	-2.8%	-7.2%
Egypt	893.6	942.0	784.9	-5.1%	13.8%
Saudi Arabia	443.0	446.4	389.3	-0.8%	13.8%
Qatar	654.8	669.9	611.1	-2.2%	7.2%
UAE	230.5	234.5	229.3	-1.7%	0.5%
Oman	914.3	918.5	837.2	-0.5%	9.2%
Bahrain	301.2	306.5	331.9	-1.7%	-9.3%
Kuwait	635.6	646.1	554.5	-1.6%	14.6%
Morocco	442.4	465.1	417.0	-4.9%	6.1%
Tunisia	1,179.3	1,204.5	1174.1	-2.1%	0.4%
Arabian Markets	523.7	532.4	470.5	-1.6%	11.3%

Sources: MSCI Barra, Bank Audi's Research Department

INTERNATIONAL MARKET INDICATORS:

	7-May-10	30-Apr-10	31-Dec-09	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	91.16	93.94	92.46	-3.0%	-1.4%
$/£	1.478	1.530	1.589	-3.5%	-7.0%
$/Euro	1.269	1.327	1.432	-4.3%	-11.4%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	10,380.43	11,008.61	10,548.51	-5.7%	-1.6%
S&P 500	1,110.88	1,186.68	1,126.42	-6.4%	-1.4%
NASDAQ	2,265.64	2,461.19	2,291.28	-7.9%	-1.1%
CAC 40	3,367.80	3,816.99	3,935.50	-11.8%	-14.4%
Xetra Dax	5,715.09	6,135.70	5,957.43	-6.9%	-4.1%
FT-SE 100	5,123.02	5,553.29	5,397.90	-7.7%	-5.1%
NIKKEI 225	10,364.59	11,057.40	10,546.44	-6.3%	-1.7%
COMMODITIES					
GOLD OUNCE	1,207.80	1,178.25	1,095.70	2.5%	10.2%
SILVER OUNCE	18.32	18.59	16.83	-1.5%	8.9%
BRENT CRUDE (barrel)	77.35	86.70	77.66	-10.8%	-0.4%
LEADING INTEREST RATES (%)					
1-month Libor	0.35	0.28	0.23	0.07	0.12
US Prime Rate	3.25	3.25	3.25	0.00	0.00
US Discount Rate	0.75	0.75	0.50	0.00	0.25
US 10-year Bond	3.43	3.66	3.84	-0.23	-0.40

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