

# The Lebanon Weekly Monitor

## ▶ ECONOMY

### p.2 ▶ Lebanon's property market continues its thrive in the first quarter of 2010

Lebanon's property sector flourished in the first quarter of 2010, benefiting from strong economic growth, continued large remittances from Lebanese working abroad, large inflows of foreign capital, population growth and robust tourism.

Also in this issue:

- p.2 ▶ Public debt up by a minor 0.7% in the first quarter of 2010
- p.3 ▶ Passengers at the airport up by 18% in the first four months of 2010
- p.3 ▶ Consumer prices up by 1.7% in the first four months of 2010

## ▶ SURVEYS

### p.4 ▶ Beirut witnesses the highest increase in hotel rooms' yield in the Middle East in the first two months of 2010

The Middle East Hotel Benchmark survey released by Ernst & Young for the first two months of 2010 indicated that Beirut saw the highest increase in hotel rooms' yield when compared to its regional peers.

Also in this issue:

- p.4 ▶ Lebanon exhibits a high potential for recruitment in the second quarter of 2010 as per Bayt.com

## ▶ CORPORATE NEWS

### p.5 ▶ BLC Bank's net profits up by 72% to US\$ 8.2 million in the first quarter of 2010

BLC Bank announced consolidated unaudited net profits of US\$ 8.2 million in the first quarter of 2010, up by 72% from US\$ 4.8 million posted in the first quarter of 2009.

Also in this issue:

- p.5 ▶ Kia tops car sales in Lebanon with 1,712 newly registered car sales in the first four months of 2010
- p.5 ▶ Lebanon's Blominvest to launch Egyptian investment fund
- p.5 ▶ Byblos Bank signs US\$ 25 million line of credit contract with ATPF

## ▶ MARKETS IN BRIEF

### p.6 ▶ Important weekly increase in money supply

Lebanese capital markets remained calm and stable this week. On the equity market, trading volume weakness remained the main prevailing feature. The total trading value was limited to US\$ 9 million, and share prices remained stable as shown by a very tiny decline in the price index of 0.1% to reach 142.00, noting that this stability compares to a 1% drop in Arabian and GCC markets. As to the Eurobond market, the foreign offer persisted this week on the back of continuous concerns about Greece's debt crisis, yet demand was relatively sufficient to match this offer. All in all, bond prices didn't change week-on-week, and the average spread stood at 231 basis points due to stability in Lebanese yields and slight decline in benchmark yields. On the foreign exchange market, depositors continued to convert their FC holdings into LP holdings, while there was a demand for the US Dollar on the interbank market that lifted the interbank rate to LP 1,501.5-LP 1,502.5. Within this context, the Central Bank purchased the green currency surpluses in moderate volumes at LP1,501. On the money market, the overnight rate didn't shift its stance, standing at 2.75%. In addition, the latest figures released by the Central Bank of Lebanon showed an important weekly rise in total deposits of LP 688 billion.

#### Research Department

Bank Audi sal - Audi Saradar Group  
Bank Audi Plaza, Bab Idriss, Riad El Solh - Beirut - Lebanon  
P.O.Box : 11 - 2560 / Tel : (01) 994000 / Telefax : (01) 985622  
Swift : AUDBLBBX - <http://www.banqueaudi.com>

Week  
**20**  
May 10 - May 16  
2010

## ► ECONOMY

### Lebanon's property market continues its thrive in the first quarter of 2010

Lebanon's property sector flourished in the first quarter of 2010, benefiting from strong economic growth, continued large remittances from Lebanese working abroad, large inflows of foreign capital, population growth and robust tourism. According to figures released by the Directorate of Real Estate, the first quarter of the year 2010 witnessed a significant increase in the number of property sales transactions, coupled with an even higher rise in the value of such transactions.

Indeed, the number of property sales transactions went up by 41% in the first quarter of 2010 to reach 22,059 transactions, a record high compared to previous years. Of particular importance is the surge of 19% in sales transactions to foreigners, which pursue an upward trend, proving the continued interest by foreigners, mostly Gulf Arabs, to purchase properties in Lebanon. Arabs from the Gulf countries tend to invest in real estate properties in Lebanon as they like to have a home in the country during their vacations. Despite the rise in property prices in Lebanon, such prices remain quite competitive relative to comparative property prices in the Arab region at large.

As to the value of property sales, it reached a record high LP 3,188 billion in the first quarter of 2010, up by 110.3% compared to the same period of last year. The significant increase in the value of property sales transactions relative to a lower rise in the number of such transactions has resulted in a rise of 49.3% in the average value per property sale, which attained LP 144.5 million in the first quarter of 2010. This increase in the average value per property sale is most likely driven by the strong increase in prices in the high-end segment. The surge in property prices does not raise concerns about a potential overheating of Lebanon's real estate market as there is not a lot of speculation and high prices are supported by a relatively strong demand

coming from Lebanese residents and expatriates and Gulf Arabs.

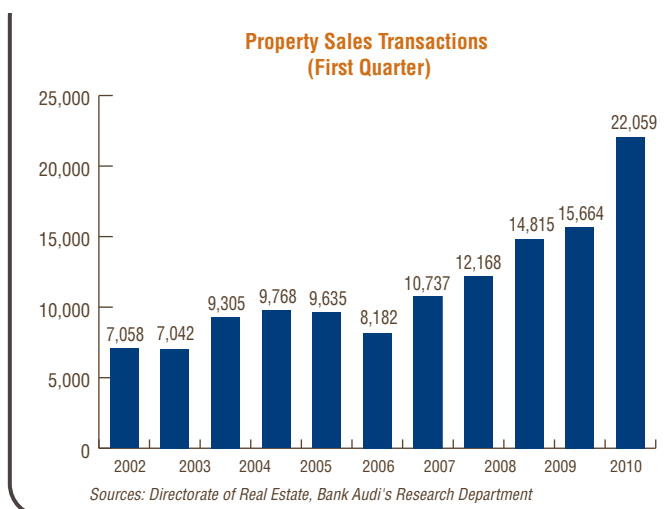
As a matter of fact, Beirut witnessed the highest increase in property prices in Lebanon, attributed to the increasing scarcity of empty plots in the capital and the fact that the capital is home to high-end property projects. The value of property sales in Beirut grew by a significant 87% in the first quarter of the year, mainly due to the surge in prices, as the number of property sales in the Lebanese capital registered a rise of 27.7% during that period. As such, average value per property sales in Beirut registered a 46.5% rise in the first quarter of 2010 relative to the same period of 2009. This steady increase in prices in Beirut has made it out of reach to a majority of locals seeking housing, which incited them to move out of the city to purchase property in the suburbs.

### Public debt up by a minor 0.7% in the first quarter of 2010

Figures released by the association of Banks in Lebanon indicate that up until end-March 2010 gross public debt was LP 77,582 billion, or US\$ 51.5 billion, up by a trivial 0.7% from end-2009. Net public debt, which deducts public sector deposits at commercial banks and the central bank from gross public debt, rose by 0.6% from end-2009 to reach LP 66,927 billion, or US\$ 44.4 billion by end-March 2010.

It is worth noting that the increase in Lebanon's public debt in the first quarter of 2010 was dampened by a contraction in the overall public debt during the month of March. Indeed, up until end-February 2010, the increase in Lebanon's public debt was at 1.7%, and during the third month of the year, gross public debt fell by US\$ 513 million, or 1.0%. The latter decline was triggered by a new swap operation undertaken by the Lebanese government for US\$ 1.2 billion, which was successfully concluded in early March 2010. The new voluntary debt exchange aimed at alleviating the country's short-term financing needs through exchanging a sovereign bond maturing on March 05, 2010 for a new bond maturing in 2020. The new bond issue, which was three times oversubscribed, attracted both local and foreign investors and it provided a yield of 6.375%.

An overview of the evolution of Lebanon's public debt by currency in the first quarter of 2010 indicates that local currency debt went up by 1.5% to reach LP 45,652 billion as at end-March 2010, whereas foreign currency debt edged slightly downwards, by 0.4% to US\$ 21,181 million. Here, one should note that Lebanon's debt profile has improved in terms of currency structure over the past few years. The foreign currency portion of total debt has dropped from more than 50% in 2006 to circa 42% today, bearing in mind



that this bodes well for the redemption capacity on behalf of the Lebanese government, as it has full control over its local currency.

### **Passengers at the airport up by 18% in the first four months of 2010**

Figures released by the Hariri International Airport (HIA) indicate a strong growth in air transport activity indicators in the first four months of 2010, as all indicators, namely the number of passengers at the airport, the number of planes, and loaded and unloaded freight, grew significantly during the said period.

Airline traffic witnessed a yearly rise of 24.5% in the first four months of the year while passengers at the airport progressed by 18.2%. Total planes using the airport amounted to 19,599 while passengers at the airport totaled 1,498,199.

Detailed aircraft activity suggests almost equal increases of 24.5% and 24.6% in landings and take-offs, with the former attaining 9,796 and the latter 9,803. As for in-depth passengers' activity at the HIA, it is noticeable that during the first four months of 2010, year-on-year growth sustained the same stance viewed during 2009, which mirrors a continuously booming tourism activity in the country, as well as an ongoing large number of Lebanese expatriates visiting their home country. Departing passengers increased by 18.3%, whereas arrivals went up by an almost equal 18.2%. Arriving passengers totaled 731,387 in the first four months of the year, whereas departing passengers reached 766,812. As to the transit passengers, they increased by 18.2% relative to the first four months of 2009 to become 13,340.

Finally, with respect to freight movement within the airport, a total of 13,884 thousands tons were imported during the first four months of 2010 whilst 10,043 thousand tons were exported. The first mentioned activity grew by 5.6% year-on-year and the latter by 9.7%. As such, total freight loaded and unloaded at the airport amounted to 23,927 thousand tons in the first four months of 2010, up by 7.3% year-on-year.

### **Consumer prices up by 1.7% in the first four months of 2010**

The Consumer Price Index (CPI) measured by the Consultation and Research Institute (CRI), rose by a slight 1.66% in April 2010 relative to December 2009. When comparing the CPI in April 2010 relative to that of April 2009, the year-on-year variation stood at 4.47%. As to the 12-month moving average, it edged up to 3.51% after ending 2009 at 2.82%.

The minor increase in the CPI witnessed in the first four months of 2010 was mostly due to a monthly rise in prices

of the following sub-indices: 5.62% for miscellaneous goods and services, 4.27% for housing services, 2.92% for food and beverages, 0.78% for transportation and telecommunications, 0.55% for healthcare, and 0.35% for recreational services.

Regarding miscellaneous goods and services, whose weight from the overall average is 4.02%, the price increase was chiefly attributed to a rise of 9.56% in costs of jewelry and 6.12% in tariffs for healthcare. The rise in the sub-index for housing services, whose weight from the overall average is 6.49%, was attributed to the 6.48% cost increase of household energy which more than offset the deflation of 0.45% seen in prices of household maintenance.

Within food and beverages, which weigh a substantial 35.40% from the overall average, the first mentioned component recorded a 3.05% rise in prices in April 2010 relative to December 2009. Within beverages, prices of alcoholic beverages dropped by 0.33%, while those of non-alcoholic beverages went up by 0.90%. Regarding tobacco products, their prices progressed by 1.85% during the first four months of 2010. The rise in prices of transportation and telecommunications, which account for 14.39% of the total, was solely driven by the upward movement of 0.84% in costs of transportation.

Healthcare prices, which weigh 9.82% of the overall average, went up on the back of a 3.29% rise in fees for medications and medical accessories. Concerning tariffs for inpatient and outpatient services, they decreased by a corresponding 0.80% and 0.06% in the first four months of 2010. Last but not least, recreational services which weigh 2.70% of the overall average, also contributed to the overall increase in the CPI in the first four months of 2010. Within this category, prices were pushed up by a rise of 1.85% in costs of reading materials and photography.

As for prices of apparel and durable consumer goods, they went down during the first four months of the year. Prices of the former went down by 0.98% while prices of the latter dropped by 0.86%. Finally, prices of education remained constant, due to the fact that changes in this sub-index are only measured once a year in November.

The CPI uses 2004 as the base year, and is composed of 231 categories with collected prices covering about 720 items. Within the CPI, food and beverages have a weight of 35.40%, followed by transport and telecommunication with 14.39%, education with 12.45%, healthcare 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%.

Week  
**20**  
May 10 - May 16  
2010

## ► SURVEYS

### Beirut witnesses the highest increase in hotel rooms' yield in the Middle East in the first two months of 2010

The Middle East Hotel Benchmark survey released by Ernst & Young for the first two months of 2010 indicated that when compared to its regional peers, Beirut saw the highest increase in hotel rooms' yield, which in turn reflects increased profitability for hotels in the Lebanese capital.

Rooms' yield in the Lebanese capital, which captures the revenue generated from each hotel room, was at US\$ 184 in the first two months of 2010, up by a staggering increase of 33.0% relative to the same period of the previous year. Following Beirut, the second highest rise in rooms' yield was observed in Sharm el Sheikh, of precisely 21.1%, then Riyadh (19.7%), Amman (19.3%), Makkah (18.9%), and Madina (18.4%).

The increase in Beirut's rooms' yield is the result of rises in both the average room rate in the city's hotels, as well as the average hotel occupancy rate. Indeed, Beirut's average room rate went up by 27.8% to reach US\$ 261 in the first two months of 2010. This rise came second only to the one witnessed in Riyadh of 34.2%. Meanwhile, other cities in the region that witnessed an increase in their average room rate were Amman (16.7%), Sharm el Sheikh (6.5%), Madina (4.6%), Makkah (2.4%), and Jeddah (2.3%).

As to Beirut's hotel occupancy, it went up by 3.0% in the first two months of 2010 to reach 70%. This increase may seem modest; however one should note that it comes from a high base in the same period of 2009. Moreover, the increase in Beirut's hotel occupancy was the seventh highest in the Middle East region following Hurghada (13.0%), Sharm el Sheikh (10.0%), Makkah (9.0%), Madina (7.0%), and Dubai (6.0%), and Cairo (5.0%). All in all Beirut's hotel sector flourished in the first two months of 2010, in line with the booming tourism in the country. As tourism continues to prosper in Beirut, the hotel sector is likely to continue growing, albeit at a slower pace than before, as current growth springs from a high base.

### Lebanon exhibits a high potential for recruitment in the second quarter of 2010 as per Bayt.com

In the latest "Middle East Jobs Index Survey" issued in April 2010 by Bayt.com, Lebanon showed a high potential for hiring within the next three months. In fact, 30% of companies will definitely be hiring in the said period of 2010 and 37% divulged a probability in doing so. Lebanon surpasses other surrounding countries concerning potential recruitment in the next three months, with the exception of Qatar.

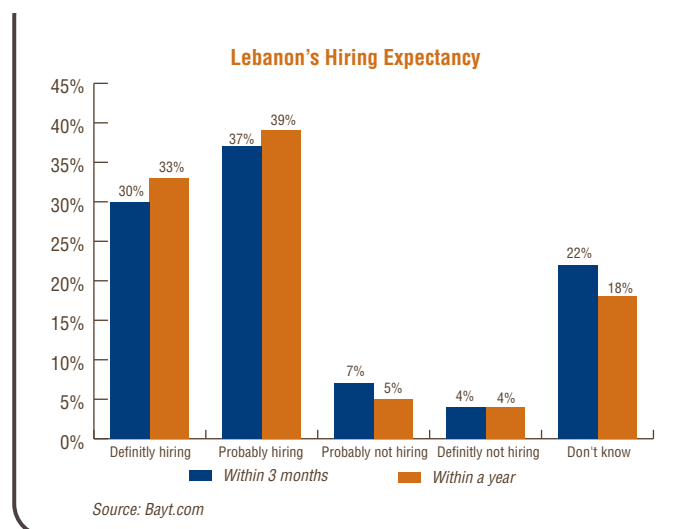
In a year's time, 72% of the surveyed firms in Lebanon post-

ed an inclination towards additional staffing. Indeed, 33% of respondents assured that they will undertake this step and 39% revealed a possibility of hiring in one year. Regionally, Lebanon was placed fifth out of 13 countries in the Middle East with respect to hiring in a year's time as both Saudi Arabia and Bahrain came first, while Oman came second, Syria third, and Qatar fourth.

When asked about the attractiveness of Lebanon's job market in comparison to other Middle Eastern countries, 33% of firms claimed that it is much more attractive, 13% indicated that it is slightly more attractive, 14% stated that it is equally attractive, 23% found it slightly less attractive, 11% said that it is much less attractive and 8% did not have an answer on the subject.

When classifying industries which are attracting the top talents, 48% mentioned the banking and financial sector, 35% and 34% opted respectively for the construction sector and the advertising industry, 31% chose the tourism and hospitality sector, 26%, 21% and 20% chose telecommunications, business consultancy and IT correspondingly, while 18% chose the consumer goods industry, and 13% selected electronics. Finally, the oil, gas and petrochemicals industry came in last with only 9% of recruiters picking it as a sector preserving top talents.

With respect to the experience that recruiters are looking for, choices came as follows: 43% for managerial skills or the capacity to manage a team, 32% for sales and marketing, 26% for computer skills, 25% for mid-level experience (3 to 7 years of progressive working record), 24% for administrative, 22% for junior level experience (less than 3 years), 20% for senior level experience (7 to 10 year of progressive working record), 12% for each of public speaking or giving presentations and engineering, and 11% for secretarial.



## ► CORPORATE NEWS

### **BLC Bank's net profits up by 72% to US\$ 8.2 million in the first quarter of 2010**

BLC Bank announced consolidated unaudited net profits of US\$ 8.2 million in the first three months of 2010, up by 72.0% from US\$ 4.8 million posted in the first quarter of 2009. Net interest income increased by 13.4% to US\$ 13.9 million during the aforementioned period of 2010, while net commission earnings rose by 16.9% to US\$ 2.5 million in the first three months of this year. As to the gross income, it rose by 28.0% to US\$ 19.4 million.

On a yearly basis, total expenses edged up by 6.3% to US\$ 10.0 million in the first quarter of 2010, of which staff expenses which regressed by 0.4% to US\$ 6.2 million, and other operating expenses which progressed 31.2% to US\$ 3.2 million.

Total assets reached US\$ 2.6 billion at end-March 2010, practically unchanged from year-end 2009. Loans and advances to customers increased by 2.4% to US\$ 486.9 million while customer deposits diminished by 2.1% to US\$ 2.2 billion at end-March 2010. Shareholders' equity amounted to US\$ 245.7 million at end-March 2010, up by 7.5% from US\$ 228.4 million at year-end 2009.

### **Kia tops car sales in Lebanon with 1,712 newly registered car sales in the first four months of 2010**

The new cars registration statistics in Lebanon, as compiled by the Association of Car Importers in Lebanon, show that Korea's Kia cars topped the rankings with sales of 1,712 new cars in the first four months of 2010, against 967 cars in the first four months of 2009. Japan's Nissan brand ranked second with 1,322 newly registered cars in the first four months of 2010 against 1,815 in the same period of last year.

Korea's Hyundai cars ranked third with 991 vehicles in the first four months of 2010 versus 491 cars in the same period of 2009. Japan's Toyota came fourth with a total of 714

cars sold during the aforementioned period of 2010 against 1,413 vehicles in the first four months of 2009. As to Japan's Mitsubishi, it ranked fifth with 449 cars sold in the first four months of 2010 against 79 cars in the first four months of 2009.

On the overall, new car sales in Lebanon progressed by 6.3% in the first four months of 2010 to reach a total of 9,221 cars, against 8,671 cars in the first four months of 2009. Over the month of April 2009, new car sales in Lebanon totaled 3,182 cars, against 2,408 in April 2009, thus registering a 32.1% increase.

### **Lebanon's Blominvest to launch Egyptian investment fund**

Lebanon's Blominvest, the investment arm of BLOM Bank, announced its plan to launch and manage a mutual fund termed BLOM Pyramids Balanced Fund. The entity aims at investing in Egyptian fixed-income instruments as well as equities.

The asset allocation of the fund would be based on a minimum of 50% of investment in fixed income and a maximum of 50% in equities.

The Pyramids fund will be open for subscription at a nominal value of US\$ 5,000 during the initial build up period between the 10th and the 24th of May, 2010, after which it can be subscribed for or redeemed on a weekly basis at the net asset value of the respective dealing day.

### **Byblos Bank signs US\$ 25 million line of credit contract with ATPF**

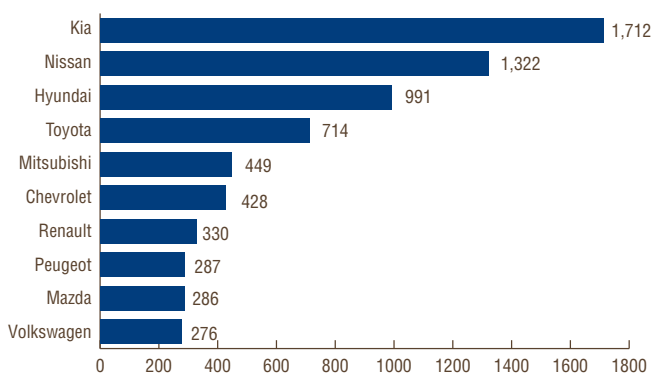
Byblos Bank and the Arab Trade Financing Program (ATFP), based in Abu Dhabi, concluded a US\$ 25 million line of credit agreement. The total amount granted to Byblos Bank would be utilized to help fund foreign trade activity.

The number of lines of credits, including this line, provided by ATPF to national agencies in Lebanon would reach 125 with a total value of US\$ 1.4 billion.

It is worth noting that ATPF provides credit facilities, trade information and trade promotion services which contribute to support Arab countries in promoting trade exchange. In addition, the program's services are in line with the objective of forming an Arab free trade area.

Week  
**20**  
May 10 - May 16  
**2010**

**News Cars Registration of top 10 brands in the first four months of 2010**



Sources: Association of Car Importers in Lebanon, Bank Audi's Research Department

## ► CAPITAL MARKETS

### Money Market: M4 widens by LP 695 billion

In view of continuous conversions in favor of the Lebanese Pound on the foreign exchange market, local currency liquidity remained quite abundant on the money market and the overnight rate stood at its low official level of 2.75% set by the Central Bank of Lebanon.

As to short-term Certificates of Deposits, no subscriptions were made this week. As such, total subscriptions remained stable at LP 1,276 billion since the beginning of the year 2010. Interest rates saw no change week-on-week, 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 29th of April 2010 indicated an increase of LP 401 billion in local currency deposits, as a result of a growth of LP 176 billion in LP time deposits and a LP 225 billion rise in LP demand deposits week-on-week. Deposits in foreign currencies grew by US\$ 190 million. These weekly variations compare to an average weekly increase of LP 205 billion for LP deposits since the beginning of the year 2010, and an average weekly rise of US\$ 54 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 427 billion during the week ending 29th of April 2010, as compared to an average weekly increase of LP 196 billion since the beginning of the year 2010. In addition, total money supply in its large sense (M4) widened by LP 695 billion week-on-week, as compared to an average weekly increase of LP 300 billion since the beginning of the year 2010.

On a cumulative basis, money supply in its large sense (M4) widened by LP 5,685 billion since the beginning of the year 2010. This is the result of an increase in local currency denominated time deposits of LP 3,735 billion, a rise in foreign currency deposits of LP 1,696 billion (the equivalent of US\$ 1,125 million), a decline in money supply (M1) of LP 96 billion, and a growth in Treasury bills held by the public of LP 350 billion since the beginning of the year 2010.

Interest rates	14/5/10	7/5/10	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: Central Bank provides small allocations to commercial banks in the primary market

On the secondary Treasury bills market, three-year and

five-year categories were traded in moderate volumes during this week.

As to the primary market, the preliminary results of this week's auction (May 13, 2010) showed that the average yield on the three-month category declined by 14 basis points to reach 4.10%, while the average yield on the six-month category fell by 21 basis points to hit 5.02%, and the average yield on the five-year category tumbled by 22 basis points to reach 6.66%. It is worth mentioning that the Central Bank of Lebanon allowed commercial banks to subscribe to 5% of their accepted bids in the three-month category, while it allowed public institutions to subscribe in full of their bids in this category. In addition, the Central Bank allowed commercial banks to subscribe to 5% of their accepted bids in the six-month category, while it allowed public institutions to subscribe to 10% of their bids in this category. As to the five-year category, the Central Bank allowed commercial banks to subscribe to 20% of their accepted bids, while it allowed public institutions to subscribe to 10% of their bids.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date May 6, 2010 which showed that total subscriptions amounted to LP 230 billion, and were distributed as follows: LP 32 billion in the one-year category, LP 50 billion in the two-year category and LP 148 billion in the three-year category. These compare to maturities of LP 142 billion, resulting in a nominal surplus of LP 88 billion.

On a cumulative basis, total subscriptions amounted to LP 4,866 billion during the first four months of 2010 and were allocated as follows: LP 1,021 billion in the short-term categories (three-month and six-month categories), LP 924 billion in the medium-term categories (one-year and two-year categories), LP 1,338 billion in the three-year category and LP 1,583 billion in the five-year category. These compare to

Treasury bills	14/5/10	7/5/10	31/12/09
3-month	4.10%	4.24%	4.55% ↓
6-month	5.02%	5.23%	5.72% ↓
1-year	5.37%	5.37%	5.73% ↔
2-year	5.76%	5.76%	6.32% ↔
3-year	6.40%	6.40%	7.10% ↔
5-year	6.66%	6.88%	7.74% ↓
Nom. Subs. (LP billion)		230	500
Short-term (3&6 mths)		-	-
Medium-term (1&2 yrs)		82	49
Long-term (3 yrs)		148	451
Long-term (5 yrs)		-	-
Maturities		142	232
Nom. Surplus/Deficit		88	268

maturities of LP 4,038 billion, which led to a nominal surplus of LP 828 billion during the first four months of 2010.

### Foreign Exchange Market: Higher interbank rate

The foreign exchange market continued to follow its normal stance during this week, with depositors still converting their FC holdings into LP holdings in relatively similar volumes to last week. On the other hand, commercial banks continued to show demand for the US Dollar, which ended up lifting the LP/US\$ interbank rate from LP 1,501.5-LP 1,502 last week to LP 1,501.5-LP 1,502.5 this week. The Central Bank of Lebanon intervened as a buyer of the green currency surpluses at the lower end of its intervention bracket (LP 1,501.00), noting that its purchased volumes remained relatively weak on the back of consistent demand for the green currency in the interbank market.

Exchange rates	14/5/10	7/5/10	31/12/09
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,194.32	2,206.68	2,389.24 ↑
LP/¥	16.29	16.36	16.34 ↑
LP/SF	1,342.51	1,352.99	1,451.33 ↑
LP/Can\$	1,471.02	1,431.49	1,436.12 ↓
LP/Euro	1,881.81	1,918.29	2,159.95 ↑

### Stock Market: No change in the price index week-on-week

A calm mood swayed over the Beirut Stock Exchange during this week, with equity prices remaining almost stable and trading volumes staying weak. In fact, the BSE price index retreated very slightly by 0.1% week-on-week to close at 142.00. The total trading value was limited to US\$ 9.0 million this week as compared to US\$ 11.5 million last week. The average daily trading value fell from US\$ 2.3 million last week to US\$ 1.8 million this week, which translated into a drop in the trading volume index of 22.0% to reach 67.00.

Audi Indices for BSE	14/5/10	7/5/10	31/12/09
<i>22/1/96=100</i>			
Market Cap. Index	504.89	505.21	505.10 ↓
Trading Vol. Index	67.00	85.91	115.58 ↓
Price Index	142.00	142.09	144.04 ↓
Change %	-0.06%	-1.39%	0.91% ↓
Market Cap. \$m	11,978	11,985	11,983 ↓
No. of shares traded	387,559	411,164	248,012 ↓
Value Traded \$000	9,001	11,546	6,434 ↓
o.w. : Solidere	4,811	3,909	2,055 ↑
Banks	4,165	7,624	4,375 ↓
Others	25	13	4 ↑

In details, Solidere shares accounted for 53.5% of activity. Solidere "A" share price edged up by 0.4% to close at US\$ 22.87 while Solidere "B" share price retreated by a tiny 0.1% to US\$ 22.70. As to the banking shares, they accounted for 46.3% of the total trading value this week. Bank Audi's GDR price declined by 0.9% to close at US\$ 87.70, while Bank Audi's listed share price fell by 1.0% to US\$ 82.00. In contrast, BLOM's GDR price rose slightly by 0.1% to US\$ 92.10, and BLOM's listed share price increased by 2.0% to US\$ 93.80. Byblos Bank's "listed" share price dropped by 2.6% to US\$ 1.85, and Byblos Bank's "priority" share price lost 2.1% to US\$ 1.88. Among the industrial shares, Holcim's share price rose by 1.2% to US\$ 12.75.

In the OTC market, Byblos Bank rights 2010 stopped trading at the end of this week, closing at US\$ 0.03.

All in all, the BSE performance fell short of other emerging stock markets during this week, as shown by a 5.2% rise in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM). However, the BSE reported lower decline in prices than other Arabian and GCC equity markets, as reflected by a 1.0% drop in the Morgan Stanley Capital International Arabian Markets Index (MSCI Arabian Markets) and a 0.8% decrease in the Morgan Stanley Capital International GCC Countries Index (MSCI GCC Countries Index).

### Bond Market: Stable average spread at 231 basis points

In view of continuous concerns about Greece's debt crisis, the foreign offer continued this week, noting that it was met by almost sufficient local demand. Overall, bond prices remained stable week-on-week, as shown by stable average yield at 4.57%. The average spread remained relatively unchanged at 231 basis points within the context of stable Lebanese yields and slight decline in benchmark yields.

For instance, the average yield on five-year US Treasury bills tumbled from 2.26% last week to 2.22% this week as investors bid for the safety of government bonds with fears over growth prospects in the Euro zone driving sentiment.

Eurobonds Indicators	14/5/10	7/5/10	31/12/09
Total tradable size \$m	17,841	17,851	17,704 ↓
o.w.: Sovereign bonds	17,371	17,381	17,134 ↓
Average Yield	4.57%	4.58%	5.31% ↓
Average Spread	231	231	290 ↔
Average Life	4.88	4.90	4.57 ↓
Yield on US 5-year note	2.22%	2.26%	2.62% ↓

Week  
**20**  
May 10 - May 16  
2010

**ARAB STOCK MARKETS INDICES:**

	14-May-10	7-May-10	31-Dec-09	Weekly change	End-year-to-date change
Lebanon	142.0	142.1	144.0	-0.1%	-1.4%
Jordan	141.5	139.1	149.9	1.7%	-5.6%
Egypt	866.5	893.6	784.9	-3.0%	10.4%
Saudi Arabia	434.4	443.0	389.3	-2.0%	11.6%
Qatar	651.0	654.8	611.1	-0.6%	6.5%
UAE	230.6	230.5	229.3	0.1%	0.6%
Oman	899.0	914.3	837.2	-1.7%	7.4%
Bahrain	305.9	301.2	331.9	1.5%	-7.9%
Kuwait	646.3	635.6	554.5	1.7%	16.6%
Morocco	439.7	442.4	417.0	-0.6%	5.4%
Tunisia	1,146.6	1,179.3	1174.1	-2.8%	-2.3%
Arabian Markets	518.4	523.7	470.5	-1.0%	10.2%

Sources: MSCI Barra, Bank Audi's Research Department

**INTERNATIONAL MARKET INDICATORS:**

	14-May-10	7-May-10	31-Dec-09	Weekly change	End-year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	92.56	91.16	92.46	1.5%	0.1%
\$/£	1.466	1.478	1.589	-0.8%	-7.7%
\$/Euro	1.244	1.269	1.432	-2.0%	-13.1%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	10,620.16	10,380.43	10,548.51	2.3%	0.7%
S&P 500	1,135.68	1,110.88	1,126.42	2.2%	0.8%
NASDAQ	2,346.85	2,265.64	2,291.28	3.6%	2.4%
CAC 40	3,560.36	3,367.80	3,935.50	5.7%	-9.5%
Xetra Dax	6,056.71	5,715.09	5,957.43	6.0%	1.7%
FT-SE 100	5,262.85	5,123.02	5,397.90	2.7%	-2.5%
NIKKEI 225	10,462.51	10,364.59	10,546.44	0.9%	-0.8%
<b>COMMODITIES</b>					
GOLD OUNCE	1,232.55	1,207.80	1,095.70	2.0%	12.5%
SILVER OUNCE	19.25	18.32	16.83	5.1%	14.4%
BRENT CRUDE (barrel)	75.69	77.35	77.66	-2.1%	-2.5%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	0.34	0.35	0.23	-0.01	0.11
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	3.46	3.43	3.84	0.02	-0.38

The content of this publication is provided as general information only and should not be taken as an advice to invest or engage in any form of financial or commercial activity. Any action that you may take as a result of information in this publication remains your sole responsibility. None of the materials herein constitute offers or solicitations to purchase or sell securities, your investment decisions should not be made based upon the information herein.

Although Bank Audi Sal Audi Saradar Group considers the content of this publication reliable, it shall have no liability for its content and makes no warranty, representation or guarantee as to its accuracy or completeness.

**CONTACTS****Treasury and Capital Markets**

Micky Chebli (01) 977419 micky.chebli@banqueaudi.com  
Emile Shalala (01) 977622 emile.shalala@banqueaudi.com

**Private Banking**

Toufic Aouad (01) 329328 toufic.aouad@audisardarpb.com

**Corporate Banking**

Khalil Debs (01) 977229 khalil.debs@asib.com

**Research**

Marwan Barakat (01) 977409 marwan.barakat@banqueaudi.com  
Jamil Naayem (01) 977406 jamil.naayem@banqueaudi.com  
Salma Saad Baba (01) 977346 salma.baba@banqueaudi.com  
Rana Helou (01) 964763 rana.helou@banqueaudi.com  
Lea Korkmaz (01) 964904 lea.korkmaz@banqueaudi.com  
Fadi Kansa (01) 977470 fadi.kansa@banqueaudi.com  
Nathalie Ghorayeb (01) 964047 nathalie.ghorayeb@banqueaudi.com