The Lebanon Weekly Monitor

Week 21
May 17 - May 23
2010

ECONOMY

The first quarter of 2010 was characterized by a significant contraction in the overall fiscal deficit, as the Lebanese government managed to keep its expenditures in check, while enhancing its sources of revenues.

Also in this issue:

SURVEYS

In its latest survey on the Middle East Hotel Sector termed "Reshuffling the Deck", HVS noted that the Lebanese hotel and tourism industry witnessed an unprecedented year in 2009 on the grounds of a flourishing economy, and expects this trend to persist in 2010.

Also in this issue:

CORPORATE NEWS

Automobile dealer Rasamny Younis Motor Company sal (RYMCO), distributor of the Nissan, GMC, and Infiniti brands, declared unaudited net profits of US$ 1.2 million in the first quarter of 2010, up by 26.8% from the first quarter of 2009.

Also in this issue:

MARKETS IN BRIEF

Lebanese capital markets remained relatively stable during this week, noting that the rising demand for international safe-haven investments weighed on the Eurobond market's performance. In fact, at the level of the Eurobond market, local investors continued to show interest in Lebanese papers while foreign investors continued to offer their holdings, yet in small volumes. The average bond spread widened by 24 basis points to 255 basis points, its highest level since year-end 2009, as a result of an important drop in benchmark yields as the slide in global equity prices, the unexpected jump in new US jobless claims and the European leaders' failure to reassure investors regarding Greece's debt crisis drove bid for safe-haven US government debt. On the equity market, the BSE price index rose slightly by 0.8% to 143.11, supported by the rising demand for Solidere shares. It is worth mentioning that Bank Audi announced this week the effectiveness of the split of the Bank's outstanding share capital. As to the foreign exchange market, depositors continued to convert their FC holdings into LP holdings during this week, in similar volumes relative to the previous week. The Central Bank intervened as a buyer of the US Dollar surpluses in higher volumes relative to the previous week, due to lower demand for the green currency in the interbank market.

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

Bank Audi sal
Audi Saradar Group

Public finances improve considerably in the first quarter of 2010

The first quarter of 2010 was characterized by an improvement at the fiscal front, in spite of the latter being the main vulnerability of the country's economy.

Indeed, the Lebanese government managed to keep its expenditures in check, while enhancing its sources of revenues, with the combined outcomes being a significant contraction in the overall fiscal deficit, along with a notable improvement at the level of the primary surplus. Such improved public finance figures, accompanied by buoyant local economic conditions, have stimulated an improvement at the level of the ratio of public deficit to GDP.

Indeed, the public finance deficit-to-GDP ratio dropped significantly from 3.1% in the first quarter of 2009 to 1.7% in the same period of 2010. Along the same line, the ratio of total deficit to total expenditures dropped considerably to reach 21.8% in the first quarter of 2010, versus 37.7% in the same period of 2009.

On the income front, public revenues which include budget and Treasury receipts, increased by 9.0% in the first quarter of 2010 relative to the same quarter months of 2009 to LP 3,084 billion. Treasury revenues registered a rise of LP 27.0 billion to become LP 170.0 billion, explained by a 55% growth in grants received. As to budget revenues, they edged up by 8.5% to reach LP 2,914 billion driven by a rise in tax revenues.

Total tax revenues went up by 17.3%, due to a year-on-year rise of 13.7% in VAT revenues, an increase of 6.9% in custom revenues, as well as a 29.9% increase in miscellaneous tax revenues. The increase in customs revenues was driven by the stable performance of most of its components, and most especially by the steady inflow of taxes on international trade.

In parallel, the rise in VAT revenues mirrors rising domestic demand nourished by rapid capital flows, a strong tourism season and import growth. Meanwhile, the growth in miscellaneous tax revenues incorporated an 88.2% hike in real estate registration fees, in line with the upbeat activity in the real estate market, a 20.3% rise in tax on interest income, as well as 15.5% upsurge in income tax on capital gains and dividends.

As for non-tax revenues, they went down by 17.7%, with the slash in this item being led by the decrease of 22.1% in income from public institutions and government properties such as the Casino du Liban and the Port of Beirut, as well as the 2.2% drop in administration fees and charges, including vehicle control fees.

On the spending side, total public expenditures, which include budgetary and Treasury spending, decreased by a yearly 13.0% in the first quarter of 2010 to reach LP 3,945 billion, triggered mainly by a 49.6% decline in Treasury expenditures which more than offset the rise of 6.7% in budgetary expenditures.

Rationalization in Treasury expenditures was tangible in the 53.5% plummet in transfers to the electricity company, as well as the drop of 69.0% in government payments to the high relief committee. Such cuts in government payments are deemed significant and reflect positively on the progress regarding the section of fiscal reforms that aims at controlling spending.

Treasury expenditures were at LP 790 billion in the first quarter of 2010, and around 72% of the cut in Treasury expenditures was accounted for by the drop in transfers to the electricity company, highlighting the importance of consolidation in transfers to the electricity company on overall government expenditures.

As to budgetary expenditures, they amounted to LP 3,142 billion, up by 6.7% relative to the first quarter of 2009. Their rise was triggered by a 15.3% expansion in capital spending on equipment and construction in progress, as well a rise of 6.7% in current expenditures. The latter went up on account of a 7.9% increase in personnel cost, a 1.9% rise in retirement payments, a 75.5% increase in transfers to the NSSF and subsidies, as well as a 1.8% rise in interest payments. This last was driven by a 3.1% increase on interest payments on local currency debt as interest payments on foreign currency debt remained almost unchanged. Finally, principal repayment of foreign debt went up by 19.3%, caused by the debt swap operation that took place during March, and reflecting government intentions to roll over foreign debt.

The increase in revenues accompanied by a decline in expenditures has resulted in a 49.6% nosedive in the fiscal deficit to LP 861 billion in the first quarter of 2010. When excluding debt service, the first quarter of 2010 also witnessed a superfluous primary surplus of LP 582 billion, an amount deemed significant, especially when compared to the deficit of LP 300 billion registered in the same period of 2009.

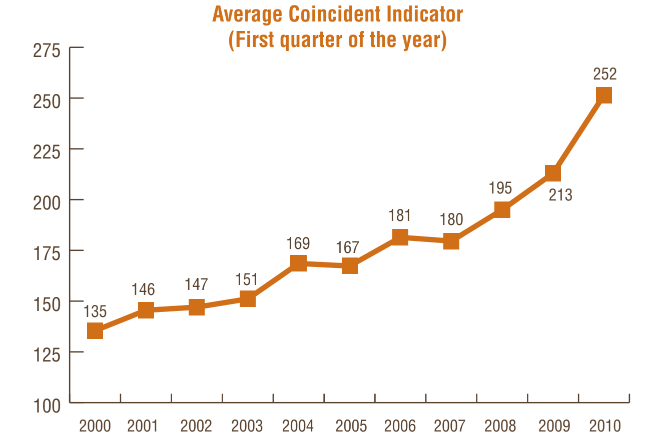
Coincident indicator up by 18% in the first quarter of 2010

The coincident indicator, a composite indicator of economic activity developed by the Central Bank to monitor

Lebanon's macroeconomic performance, reached an average of 251.5 points in the first quarter of 2010, an all-time record high, and up by 18.1% when compared to the first quarter of 2009. This mirrors an unprecedented buoyant economic activity in the country in the first quarter of 2010 that even tops the prosperity witnessed in the same period of 2009. A step-up in the coincident indicator in fact mirrors continuous improvements at the level of tourism, capital inflows, financial services, real estate and construction, as well as consumer spending.

On a monthly basis, the coincident indicator reached 264.5 points during March 2010, up by 7.6% relative to February 2010 and by 25.3% relative to the same month of the previous year. It is worth noting that throughout 2010 so far, the coincident indicator increased progressively to reach a peak in March. As a matter of fact, this trajectory in 2010 continued the trend prevailing in the last quarter of 2009 characterized by successive monthly improvements in the coincident indicator, and hence economic activity.

The coincident indicator has been published by the Central Bank since 1993 on a monthly basis, and it is based on a linear combination of indirect indicators. These indirect indicators are: imports of petroleum, electricity production, value of compensated banks' checks deflated by the consumer price index, cement deliveries, number of foreign passengers, sum of imports and exports deflated by the consumer price index, and money supply (M3) deflated by the consumer price index.



Sources: Central Bank of Lebanon, Bank Audi's Research

Construction activity expands significantly in the first four months of 2010

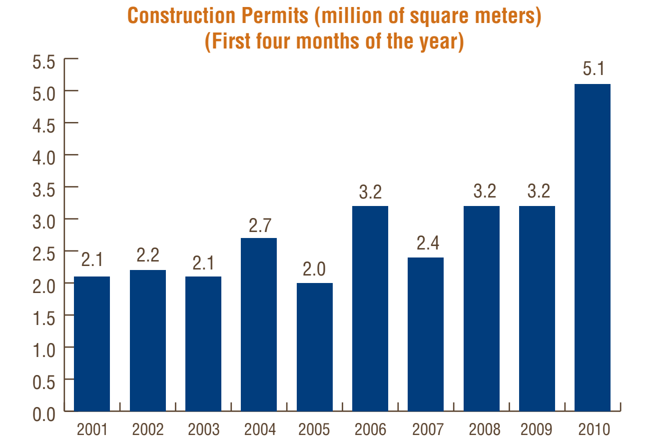
Figures released by the Orders of Engineers of Beirut and Tripoli indicate that the area of newly issued construction permits reached 5.1 million square meters in the first four months of 2010, up by 56.5% from the same period of 2009.

Not only does this significant growth in construction activity constitute an important driver of economic activity in the country, it also prolongs the real estate boom currently witnessed in the country, as it suggests that contractors are indeed launching new projects to cater for the high demand for real estate in the country.

On a monthly basis during April 2010, the area of newly issued construction permits was at its second highest level in 2010 so far, following March, at 1.3 million square meters. When compared to April 2009, the area of newly issued construction permits went up by 34.8%.

Week 21
May 17 - May 23
2010

The statistics for the first four months of 2010 showed that the majority of those construction permits (55%) were issued in Mount Lebanon, where real estate projects are usually medium-scale, targeting the majority of Lebanese residents. The area was followed by the North, which captured 15.2% of newly issued construction permits, the South (14.6%), Beirut (8.6%), and the Bekaa (6.3%).



Sources: Orders of Engineers of Beirut and Tripoli, Bank Audi's Research Department

Cement deliveries up by 18% in the first quarter of 2010

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, increased by 17.7% over the first quarter of 2010 as compared to the same period of 2009 and by 28.4% relative to the same period of 2008 to reach 1,109,553 tons. This rise in fact mirrors increased investments in Lebanon in infrastructure and real estate and once again reemphasizes the fact that the real estate boom in Lebanon is likely to persist.

In March 2010, cement deliveries reached a peak during the year so far of 465 thousand tons, and up by a monthly 46.2%. When compared to the third month of last year, cement deliveries went up by 36.3%.

HVS forecasts persisting growth in Lebanon's tourism and hospitality industry in 2010

In its latest survey on the Middle East Hotel Sector termed "Reshuffling the Deck", HVS noted that the Lebanese hotel and tourism industry witnessed an unprecedented year in 2009 on the grounds of a flourishing economy. In 2010, growth in the tourism sector is expected to persist, as per HVS, which should in turn generate a growth in tourism revenues and in the hotel and hospitality sectors, at large.

According to HVS, the ongoing stability witnessed in the country has pushed the hotel and tourism sector to record a historical performance in 2009. The number of passengers at the airport grew at a compound annual rate of 9% over the last 14 years and was just below 5 million by the end of 2009. Arabs were the main foreign visitors with Jordanians, Saudis and Kuwaitis leading the way. Iraqis were also contributing to the surge in demand for leisure and business. For example, HVS indicated that as Lebanese companies expand into Syria, Jordan and Iraq, they are holding several training sessions for their staff in the local hotels. As to visitors from the Americas and Europe, they are projected to continue growing due to the improvement of Lebanon's image abroad, as per the study. In fact, HVS went on to state that more companies are eying Beirut as a regional base due to mounting awareness of Lebanon's liberal economy, lower business costs, vibrant culture and favorable climate.

Marketwide hotel occupancy rate in Beirut reached 70% in 2009 versus 57% in 2008, up by 13% with this increase being the highest increase compared to regional peers. Lebanon's hotel sector also surpassed other Middle Eastern countries in terms of average room rate increase, with the latter rising from US$143 in 2008 to US$281 in 2009, equivalent to a yearly rise of 97%. The substantial rise in average room rate has resulted in a regional record increase of Revenue per Available Room (RevPar) by 143% to reach US$ 197.

HVS indicated that in 2009, the industry generated revenues of US$ 7 billion, in line with figures published by the Ministry of Tourism. For 2010, should political stability persist, the hotel and tourism sector should engender US$ 12.4 billion as per HVS. Undeniably, the year would witness an exceptional investment activity in Beirut as well as in other parts of Lebanon. From 2010 onwards, total confirmed branded hotel room supply would exceed 2,000 and might peak in 2013. The central district is likely to contain the majority with 4% out of the total built-up area (4.7 million m2) earmarked for hotel development.

Nevertheless, Beirut is increasingly turning into a difficult market to access as prime land is becoming scarce. Therefore, one would notice a rush in developing strategic properties, according to the study. Also, the country's current infrastructure cannot cope with mounting tourist inflows since the airport is on the verge of attaining its maximum capacity. Improvements are deemed crucial in the following aspects: airport expansion, road improvements, tourism attractions and business facilities.

Lebanese Hotel Sector Historical Performance

(in US$)	Average Annual Occupancy	Average Rate	RevPar
1996	45%	166	75
1997	61%	173	105
1998	61%	143	88
1999	56%	129	73
2000	57%	110	62
2001	55%	101	56
2002	57%	110	63
2003	59%	154	91
2004	71%	168	119
2005	52%	116	61
2006	48%	110	53
2007	39%	78	30
2008	57%	143	81
2009	70%	281	197

Sources: HVS, Bank Audi's Research Department

The World Bank projects Lebanon's real GDP growth at 6% in 2010

The World Bank issued a report titled "Recovering from the crisis" in which it indicated that real GDP in Lebanon would grow by 6% in 2010. Still, the publication highlighted the need to trim fiscal deficits in the coming years as they could impact long term growth prospects.

Subsequent to the onset of the crisis, Lebanon was commended for its economic performance in 2009 as it grew at a much faster pace than other countries in the Middle East and Northern Africa region aided by strength in tourism, real estate, and vibrant investment. Lebanon's financial sector remained relatively unscathed by the developments in the global markets, as Lebanese banks, similarly to banks in other oil importing countries, were less exposed to toxic assets than banks in the Gulf region. In the fall of 2009, the average loan-to-deposit ratio for oil importers countries was somewhat below 80%, versus 100% in the GCC, a fact which bodes well for the former group of countries. Lebanon, in particular, had one of the lowest ratios in the region, of around 30%. This indeed kept the Lebanese credit market shielded from the global deleveraging process.

Still, the World Bank noted that Lebanon is still vulnerable to external shocks regardless of high economic growth. In spite of fiscal adjustments, sustained donor aid, and anticipated growth of 6%, the debt remains a burden and it would remain above 100% of GDP in the next few years. This outcome is largely attributed to the high cost of servicing the existing large debt stock. However, the World Bank did commend the government of Lebanon for changing its debt financing strategy, which increased net financing from domestic sources in domestic currency.

RYMCO's net profits at US$ 1.2 million in the first quarter of 2010

Automobile dealer Rasamny-Younis Motor Co. sal (RYMCO), distributor of the Nissan, GMC, and Infiniti brands, declared unaudited net profits of US$ 1.2 million in the first quarter of 2010, up by 26.8% from US$ 0.9 million in the first quarter of 2009. Sales revenues (net of discounts) totaled US$ 42.2 million in the first quarter of 2010, up by 19.4% from US$ 35.4 million in the first quarter of 2009. Net earnings from servicing and repairs, or "garage income", increased by a yearly 39.7% to reach US$ 1.3 million in the first quarter of 2010.

Total operating charges reached US$ 3.4 million in the first quarter of 2010, up by 15.6% from US$ 3.0 million in the first quarter of 2009. General and administrative expenses amounted to US$ 0.94 million in the first quarter of 2010, against US$ 0.96 million in the first quarter of 2009, while staff charges rose by a mere 0.3% to reach US$ 1.5 million over the same period.

RYMCO's total assets amounted to US$ 139.5 million at end-March 2010, against US$ 165.8 million at end-March 2009. Receivables totaled US$ 52.9 million, up by 24.6% from US$ 42.4 million a year earlier. Shareholders' equity increased by 1.9%, from US$ 52.8 million at end-March 2009 to reach US$ 53.8 million at end-March 2010.

BankMed's net profits up by 30% to US$ 23.0 million in the first quarter of 2010

Bankmed reported net profits of US$ 23.0 million in the first quarter of 2010, against US$ 17.8 million in the first quarter of 2009. Interest margin decreased from US$ 50.5 million in the first quarter of 2009 to US$ 43.6 million in the first quarter of 2010, while non-interest income rose from US$ 11.4 million in the first quarter of 2009 to US$ 34.7 million in the first quarter of 2010. Subsequently, operating income increased by 26.5% to reach US$ 78.3 million in the first quarter of 2010.

Total operating expenses increased by a yearly 21.1% to US$ 46.7 million in the first quarter of 2010, of which staff expenses reached US$ 20.5 million, up by 5.7% from the first quarter of 2009. The bank's cost-to-income ratio stood at 59.6% in the first quarter of 2010.

Total assets amounted to US$ 11.3 billion at end-March 2010, up by 6.9% from US$ 10.6 billion at year-end 2009. Customer deposits totaled US$ 8.8 billion, posting a 7.1% increase from US$ 8.2 billion at year-end 2009. Loans increased by 15.0% to reach US$ 3.6 billion at end-March 2010. The ratio of loans to deposits was 41.1% at end-March 2010, compared to 38.3% at year-end 2009.

The bank's shareholders' equity amounted to US$ 1.09 billion at end-March 2010, against US$ 1.14 billion at year-end 2009. Subsequently, the bank's equity to assets ratio stood at 9.7% at end-March 2010, compared to 10.8% at year-end 2009. The bank's net return on average assets amounted to 0.8% in the first quarter of 2010, while its net return on average equity reached 8.0%. Bankmed operated 83 branches and employed a staff of 1,683 people at end-March 2010.

BlomInvest Bank initiates coverage on Solidere with "Buy" recommendation and US$ 31.0 target price

BlomInvest Bank initiated coverage on Solidere with a "Buy" recommendation on Solidere shares and a fair value of US$ 31.0, indicating an upside potential of 36% relative to the current price of US$ 22.9 (as at May 3, 2010 as per BlomInvest).

According to BlomInvest Bank, Solidere holds a monopolistic position in a very attractive and highly appreciating real estate market located in Beirut Central District (BCD). Its revenue is mainly driven by land and real estate sales in BCD but is evolving to recurring revenue through an expansion in rental properties. Solidere is aiming to leverage its strong brand and expertise in real estate development and master planning through its associate, Solidere International, which operates regionally, according to the same source.

Profit margins are considerably high at Solidere when compared to its regional peers, as per the report. This is due to having booked its entire land bank in 1994 which allows it to hold its costs steady as real estate prices continue to rise. Solidere enjoys high liquidity and low leverage on its balance sheet as part of its strategy to withstand economic and political threats in the country. Its interest coverage ratio has never declined below 8 which in the bank's view, leaves Solidere as a safe equity investment.

Nevertheless, BlomInvest Bank has major concerns related to investing in Solidere with the most significant being the deterioration in political conditions in Lebanon. The exploding real estate price growth over the last three years is also a concern. However, after analyzing the historical prices and comparing them to regional real estate markets, the bank sees that the real estate market is undervalued and is going through a correction to reach its fair value. Another visible risk that is affecting Solidere's expansion strategy is the sluggish real estate market outside Lebanon, as per BlomInvest Bank.

Money Market: Tangible hike in CDs in March

The overnight rate remained stable at its low official level of 2.75% set by the Central Bank of Lebanon, within the context of ample local currency liquidity available at hand. As to short-term Certificates of Deposits, the Central Bank of Lebanon sold during this week LP 84 billion in the 60-day category. Accordingly, total subscriptions amounted to LP 1,360 billion since the beginning of the year 2010, and were distributed as follows: LP 261 billion in the 45-day category and LP 1,099 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.

Within this context, the latest figures released by the Association of Banks in Lebanon showed that the total outstanding CDs portfolio amounted to LP 23,791 billion at end-March 2010 versus LP 21,768 billion at end-February 2010 and LP 21,456 billion at end-December 2009. The tangible hike in CDs portfolio of LP 2,023 billion in March 2010 is mainly attributed to heavy subscriptions in five-year and seven-year CDs following the suspension of issuance of LP Treasury bills during the said month. The weighted average rate on CDs stood at 9.45% at end-March 2010, as compared to 9.62% at end-February 2010 and 9.63% at end-December 2009.

On the monetary aggregates level, figures for the week ending 6th of May 2010 indicated an increase of LP 68 billion in local currency deposits, as a result of a growth of LP 211 billion in LP time deposits and a LP 143 billion decline in LP demand deposits week-on-week. Deposits in foreign currencies fell by US$ 178 million. These weekly variations compare to an average weekly increase of LP 216 billion for LP deposits since the beginning of the year 2010, and an average weekly rise of US$ 62 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 251 billion during the week ending 6th of May 2010, as compared to an average weekly increase of LP 209 billion since the beginning of the year 2010. In addition, total money supply in its large sense (M4) widened by LP 9 billion week-on-week, as compared to an average weekly increase of LP 324 billion since the beginning of the year 2010.

Interest rates	21/5/10	14/5/10	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: Stable weighted average yield on Tbs in March

On the secondary Treasury bills market, short-term to medium-term categories were traded in moderate volumes during this week.

As to the primary market, the preliminary results of this week's auction (May 20, 2010) showed that the average yield on the one-year category dropped by 19 basis points to reach 5.18%, while the average yield on the two-year category fell by 18 basis points to hit 5.58%, and the average yield on the three-year category tumbled by 20 basis points to reach 6.20%. It is worth mentioning that the Central Bank of Lebanon allowed commercial banks to subscribe in full of their bids in the one-year category. Moreover, it allowed them to subscribe in full of their bids offering a yield up to 5.58% in the two-year category, while it allowed them to subscribe to 10% of their bids offering a yield of 5.59% and to 5% of their bids offering a yield ranging between 5.60% and 5.64% in the same category. As to the three-year category, it allowed commercial banks to subscribe to 30% of their accepted bids.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date May 13, 2010 which showed that total subscriptions amounted to LP 24 billion, and were distributed as follows: LP 4 billion in the three-month category, LP 4 billion in the six-month category and LP 16 billion in the five-year category. These compare to maturities of LP 20 billion, resulting in a nominal surplus of LP 4 billion.

Treasury bills	21/5/10	14/5/10	31/12/09	
3-month	4.10%	4.10%	4.55%	⇔
6-month	5.02%	5.02%	5.72%	⇔
1-year	5.18%	5.37%	5.73%	↓
2-year	5.58%	5.76%	6.32%	↓
3-year	6.20%	6.40%	7.10%	↓
5-year	6.66%	6.66%	7.74%	⇔
Nom. Subs. (LP billion)		24	500	
Short-term (3&6 mths)		8	-	
Medium-term (1&2 yrs)		-	49	
Long-term (3 yrs)		-	451	
Long-term (5 yrs)		16	-	
Maturities		20	232	
Nom. Surplus/Deficit		4	268	

Foreign Exchange Market: Slight decline in BDL's foreign assets

Depositors continued to convert their FC holdings into LP holdings during this week, in similar volumes relative to the previous week. In parallel, the interbank market saw little demand for the US Dollar this week, which contributed to driving the interbank rate lower from LP 1,501.5-LP 1,502.5 last week to LP 1,501.0-LP 1,502.0 this week. In view of lower demand for the green currency in the interbank market, commercial banks sold their surpluses in US Dollar to the Central Bank of Lebanon in higher volumes relative to the previous week.

On the other hand, the Central Bank's latest bi-monthly balance sheet ending May 15, 2010 showed a decline in foreign assets of US$ 129 million during the first half of May to hit US$ 30.1 billion mid-May 2010. Accordingly, BDL's foreign assets covered 82.0% of LP money supply mid-May 2010, with this coverage ratio rising to 113.1% when accounting for gold reserves estimated at US$ 11.4 billion.

Exchange rates	21/5/10	14/5/10	31/12/09	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,172.91	2,194.32	2,389.24	↑
LP/¥	16.75	16.29	16.34	↓
LP/SF	1,308.37	1,342.51	1,451.33	↑
LP/Can$	1,414.30	1,471.02	1,436.12	↑
LP/Euro	1,884.98	1,881.81	2,159.95	↓

Stock Market: BSE price index up by 0.8%

The equity market saw demand for Solidere shares during this week that contributed to driving Solidere "A" and "B" share prices up by 2.3% and 2.1% respectively to close at US$ 23.40 and US$ 23.17 respectively. Solidere shares captured the lion's share of the BSE's activity during this week, accounting for US$ 11.2 million out of a total of US$ 14.8 million (around 75.9%).

As to banking stocks, they accounted for 23.9% of activity this week, registering a total trading value of US$ 3.5 million. In details, Bank Audi's GDR price declined by 1.4% to close at US$ 86.50, while Bank Audi's listed share price remained stable at US$ 82.00. It is worth mentioning that Bank Audi announced this week the effectiveness of the split of the Bank's outstanding share capital, including the Bank's common shares and series D preferred shares, as well as the GDRs representing common shares, in each case, at a ratio of 10 to 1, noting that the split will become effective as of 24 May 2010. BLOM's GDR price rose by 0.7% this week to close at US$ 92.75, while BLOM's listed share price decreased by 0.3% to US$ 93.50. Byblos Bank's "listed" share price rose by 0.5% to US$ 1.86, while Byblos Bank's "priority" share price remained stable at US$ 1.88. Bank of Beirut's share price remained unchanged at US$ 18.40. Among the industrial shares, Holcim's share price declined by 1.9% to US$ 12.51.

Audi Indices for BSE	21/5/10	14/5/10	31/12/09	
22/1/96=100				
Market Cap. Index	508.82	504.89	505.10	↑
Trading Vol. Index	110.09	67.00	115.58	↑
Price Index	143.11	142.00	144.04	↑
Change %	0.78%	-0.06%	0.91%	↑
Market Cap. $m	12,071	11,978	11,983	↑
No. of shares traded	691,145	387,559	248,012	↑
Value Traded $000	14,792	9,001	6,434	↑
o.w. : Solidere	11,220	4,811	2,055	↑
Banks	3,539	4,165	4,375	↓
Others	33	25	4	↑

Week 21
May 17 - May 23
2010

All in all, the BSE price index rose by 0.8% week-on-week to close at 143.11, while the trading volume index surged by 64.3% to reach 110.09.

As compared to other emerging stock markets, the BSE fared better this week, as shown by an 8.1% drop in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM). Likewise, the BSE performed better than other Arabian markets, as reflected by a 4.2% decline in the Morgan Stanley Capital International Arabian Markets Index (MSCI Arabian Markets).

Bond Market: The average spread widens by 24 bps

Local investors continued to show appetite for Lebanese debt instruments during this week, while foreign investors continued to offer their papers, yet in small volumes. In general, bond prices retreated slightly week-on-week, as shown by a four basis points increase in the average yield to close at 4.61%. The average spread widened by 24 basis points to hit 255 basis points, its highest level since year-end 2009, mainly as a result of an important drop in benchmark yields.

For instance, the average yield on five-year US Treasury bills tumbled from 2.22% last week to 1.96% this week, down by 26 basis points, as the slide in global equity prices, the unexpected jump in new jobless claims and the European Leaders' failure to reassure investors regarding Greece's debt crisis, drove bid for safe-haven US government debt.

Eurobonds Indicators	21/5/10	14/5/10	31/12/09	
Total tradable size $m	17,841	17,841	17,704	⇔
o.w.: Sovereign bonds	17,371	17,371	17,134	⇔
Average Yield	4.61%	4.57%	5.31%	↑
Average Spread	255	231	290	↑
Average Life	4.86	4.88	4.57	↓
Yield on US 5-year note	1.96%	2.22%	2.62%	↓

ARAB STOCK MARKETS INDICES:

	21-May-10	14-May-10	31-Dec-09	Weekly change	End-year-to-date change
Lebanon	143.1	142.0	144.0	0.8%	-0.6%
Jordan	138.7	141.5	149.9	-2.0%	-7.5%
Egypt	801.8	866.5	784.9	-7.5%	2.2%
Saudi Arabia	410.2	434.4	389.3	-5.6%	5.4%
Qatar	628.5	651.0	611.1	-3.5%	2.8%
UAE	224.1	230.6	229.3	-2.8%	-2.3%
Oman	868.1	899.0	837.2	-3.4%	3.7%
Bahrain	301.2	305.9	331.9	-1.5%	-9.3%
Kuwait	637.7	646.3	554.5	-1.3%	15.0%
Morocco	444.8	439.7	417.0	1.2%	6.7%
Tunisia	1,192.7	1,146.6	1174.1	4.0%	1.6%
Arabian Markets	497.1	518.4	470.5	-4.1%	5.6%

Sources: MSCI Barra, Bank Audi's Research Department

INTERNATIONAL MARKET INDICATORS:

	21-May-10	14-May-10	31-Dec-09	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	90.19	92.56	92.46	-2.6%	-2.5%
$/£	1.436	1.466	1.589	-2.1%	-9.6%
$/Euro	1.249	1.244	1.432	0.4%	-12.8%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	10,193.39	10,620.16	10,548.51	-4.0%	-3.4%
S&P 500	1,087.69	1,135.68	1,126.42	-4.2%	-3.4%
NASDAQ	2,229.04	2,346.85	2,291.28	-5.0%	-2.7%
CAC 40	3,430.74	3,560.36	3,935.50	-3.6%	-12.8%
Xetra Dax	5,829.25	6,056.71	5,957.43	-3.8%	-2.2%
FT-SE 100	5,062.93	5,262.85	5,397.90	-3.8%	-6.2%
NIKKEI 225	9,784.54	10,462.51	10,546.44	-6.5%	-7.2%
COMMODITIES					
GOLD OUNCE	1,175.15	1,232.55	1,095.70	-4.7%	7.3%
SILVER OUNCE	17.59	19.25	16.83	-8.6%	4.5%
BRENT CRUDE (barrel)	70.63	75.69	77.66	-6.7%	-9.1%
LEADING INTEREST RATES (%)					
1-month Libor	0.34	0.34	0.23	0.00	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	3.23	3.46	3.84	-0.23	-0.61

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@audisaradarpb.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 Kanso (01) 977470 fadi.kanso@banqueaudi.com
Nathalie Ghorayeb (01) 964047 nathalie.ghorayeb@banqueaudi.com