

The Lebanon Weekly Monitor

▶ ECONOMY

p.2 ▶ IMF revised Lebanon's real GDP growth up to 8% in 2010

Lebanon's economy is expected to grow at least 8% this year owing to improved domestic stability and prudent policies, according to the International Monetary Fund (IMF).

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Beirut hotels witnessed the highest year-on-year growth rate in revenue per available room in the Middle East region in the first quarter of 2010, as per Ernst & Young's survey.

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Lebanese Canadian Bank reported net profits of US\$ 13.3 million in the first quarter of 2010, up by 69.2% from US\$ 7.9 million in the first quarter of 2009.

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Stability was the main feature characterizing Lebanese capital markets during this week. On the Treasury bills market, interest rates continued their downward journey, supported by a high level of BDL's international reserves, with the five-year category falling by 20 basis points to 6.28%. Within this context, the IMF recommended, in its latest report released this week, a cautious approach to further policy rate reductions, as interest rates reached a breakeven point. On the foreign exchange market, there was a stronger flow of conversions in favor of Lebanese Pound. 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). On the equity market, the BSE price index retreated slightly by 0.3% to 142.68. The total trading value amounted to US\$ 13 million this week, with Solidere shares capturing 43% of the total followed by Bank Audi shares and GDRs that accounted for 32% of the total. As to the Eurobond market, modest local demand for medium-term and long-term categories appeared this week that was met by foreign offer. Within this context, bond prices remained stable week-on-week, and the average spread stood at 247 basis points.

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24
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► ECONOMY

IMF revised Lebanon's real GDP growth up to 8% in 2010

Lebanon's economy is expected to grow at least 8% this year owing to improved domestic stability and prudent policies, the International Monetary Fund (IMF) said this in its Article IV Consultation Mission Concluding Statement. According to the IMF, Lebanon is reaping the benefits of improved domestic stability and prudent policies, and the strong momentum witnessed in 2009 has carried over into 2010.

The statement also included several policy recommendations for Lebanon, the most important of which was the need to aggress fiscal vulnerabilities in the country. The IMF noted that despite the resilience of its banking sector, Lebanon's national debt currently tops US\$ 50 billion, some 153% of GDP, accumulated since the end of the 1975-1990 civil war. However, the fund commended the reduction in the debt-to-GDP ratio and noted that a combination of high growth and rising primary surpluses have resulted in a 30% drop in the government's debt-to-GDP ratio from a peak of 180% in 2006.

The statement also noted that the favorable financing environment should allow further progress toward a safer public debt structure. The Ministry of Finance is strengthening its debt management capacity and seeking to reduce financing costs by mobilizing the disbursement of remaining Paris III pledges. Looking forward, the government could continue, in coordination with the Banque du Liban (BdL), funding in local currency some of its foreign currency debt service, while safeguarding an adequate level of international reserves.

The IMF also recommended a gradual and moderate increase in both the VAT and corporate income tax rate. It also indicated that the BdL's balance sheet should be strengthened as lower interest rates and a slower pace of

reserve accumulation are helping to ease the drain of sterilization operations on the BdL's finances. Phasing out exemptions from reserve requirements would also be beneficial. Also of key importance to the Lebanese economy, according to the IMF, is maintaining the focus of monetary policy on moderating the pace of deposit inflows, given the comfortable level that international reserves have reached. To ensure a smooth adjustment, a cautious approach to further policy interest rate reductions seems warranted.

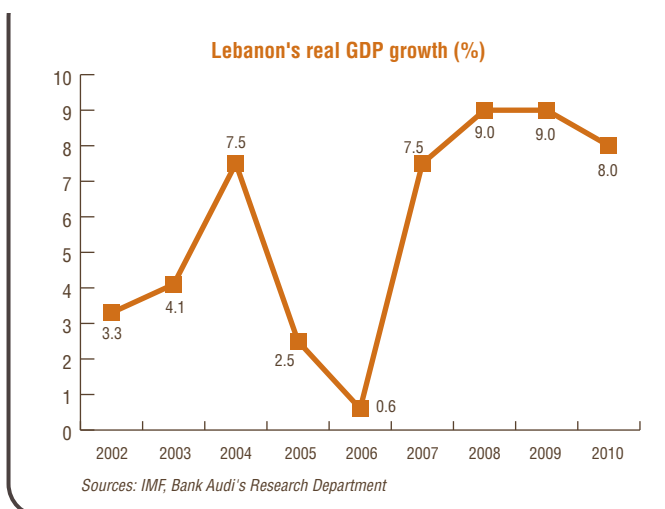
In conclusion, looking ahead, the fund noted that the key challenges are managing the buoyant economy to avoid overheating risks, and seizing the momentum to implement reforms that will promote sustained medium-term growth and macrofinancial stability.

Capital inflows up by 16% in the first four months of 2010

Capital flowing into Lebanon in the first four months of 2010 remained solid, and it managed to more than fully cover Lebanon's structural trade deficit, thereby resulting in a substantial balance of payments surplus in the said period. 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\$ 5.8 billion, rising by a healthy 15.6% relative to the same period of 2009.

It is worth noting, however, that the pace of growth of capital inflows has somewhat moderated especially when compared to the growth of 43.3% witnessed in the first four months of 2009. This could be attributed to the already high base recorded in 2009 and to the current global recovery, which has left other countries in the region attracting capital inflows, contrary to the situation in 2009 when Lebanon was one of the few countries that escaped the ravages of the crisis. As a matter of fact, the growth in capital inflows in the first four months of 2010 is in line with the growth of deposits in the same period, which was at 3.5%, moderating from the 6.2% witnessed in the first four months of 2009.

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.



Merchandise trade activity up by 15% in the first four months of 2010

Favorable economic conditions in Lebanon have left the country's external sector in the first four months 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\$ 7,119 million in the first four months of 2010, rising by 15.1% from US\$ 6,185 million in the same period of 2009.

In details, total exports amounted to US\$ 1,357 million in the first four months of 2010, up by 18.2% 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. Those countries are currently witnessing a recovery from the global financial crisis, and this is positively affecting demand for Lebanese products.

In parallel, imports amounted to US\$ 5,762 million in the first four months of 2010, up by 14.4% when compared to the first four months 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 32.4% in imports of consumer products as well as a rise of 12.3% in imports of investment products.

The significant growth in exports within the context of a smaller growth in imports has resulted in a moderation in the growth of the trade deficit from 44.5% in the first quarter of 2010 to 13.3% in the first four months of the year. The trade deficit was at US\$ 4,405 million in the first four months of 2010, compared to US\$ 3,889 million in the same period of 2009. Furthermore, the export-to-import coverage ratio improved from 22.8% in the first four months of 2009 to 23.6% in the first four months of 2010.

Consumer prices up by 2% in the first five months of 2010

According to the figures released by the Consultation and Research Institute (CRI), the month of May 2010 witnessed a relatively weak inflation, as consumer prices went up by a mere 0.23% during the month. This left the overall increase in the CPI since end-2009 at 1.89%. As to the year-on-year variation in the index in May 2010 relative to May 2009, it reached 4.56%, while the 12-month moving average was at 3.73%.

The minor increase in the CPI witnessed in the first five months of 2010 was due to price increases in the following sub-indices: 9.65% for miscellaneous goods and services, 3.73% for housing services, 3.32% for food and beverages, 0.53% for transportation and telecommunications, 0.22% for recreational services, and 0.05% for healthcare.

Within miscellaneous goods and services, the price increase was chiefly attributed to a considerable rise of 21.99% in costs of Jewelry and 6.30% in tariffs for personal care. The rise in the sub-index for housing services was attributed to the 5.68% cost increase of household energy which was not offset by the deflation of 0.45% seen in household maintenance. With respect to the remaining components, public water subscription as well as municipal fees, they did not exhibit a price movement during the first five months of 2010.

Within food and beverages, which weigh a substantial 35.40% from the overall average, the first mentioned component recorded a 3.45% rise in prices in May 2010 relative to December 2009. With respect to the second component, prices of alcoholic beverages deflated by 0.50% compared to the index increase of 1.88% posted by non-alcoholic beverages. Regarding tobacco products, their prices rose by 2.02% during the first five months of 2010.

The rise in prices of transportation and telecommunications was solely driven by the upward movement of 0.58% in costs of transportation. With respect to recreational services, their prices were pushed by a rise of 1.20% in costs of reading materials and photography while those of movies and restaurants remained unchanged in the first five months of 2010.

The final contributors to the inflation in the first five months of 2010 were healthcare services. Their prices went up on the back of a 3.75% rise in fees for medications and medical accessories. Concerning tariffs for outpatient and inpatient services, the first increased by 0.01% while the latter dropped by 3.58% in the first five months of 2010. Prices of health insurance remained constant in the aforementioned period of 2010.

As for prices of other items of the CPI, which are apparel and durable consumer goods, they went down during the first five months of the year. Those of durable consumer goods diminished by 0.76% due to several price fluctuations including a fall of 20.86% in prices of glassware and a decline of 5.89% in prices of kitchenware. Prices of apparel decreased by 0.86% on account of drop of 2.31% in prices of footwear as well as a decline of 0.36% in prices of clothing and sewing material.

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► SURVEYS

Beirut records highest year-on-year growth in hotel rooms' yield in the Middle East region in the first quarter of 2010

The Middle East Hotel Benchmark survey released by Ernst & Young for the first quarter of 2010 indicated that Beirut hotels witnessed the highest year-on-year growth rate in revenue per available room in the Middle East region. This bodes well for the hotel sector in the Lebanese capital, which, as a result of the continuously booming tourism sector in the country, is witnessing increased profitability.

Rooms' yield in the Lebanese capital, which captures the revenue generated from each hotel room, reached US\$ 174 in the first quarter of 2010, up by 22.4% relative to the same period of the previous year. Following Beirut, the second highest rise in rooms' yield was observed in Sharm El Shaikh, of precisely 21.3%, then Hurghada (17.9%), Madina and Makkah (17.4% each), Amman (16.2%), Riyadh (12.2%), Cairo (9.5%) and Jeddah (8.1%). The rise in Beirut's revenue per available room has left the Lebanese capital with the 4th highest revenue per available room in the Middle East, after Doha (US\$ 219), Abu Dhabi (US\$ 210) and Dubai (US\$ 204).

The increase in Beirut's rooms' yield is the result of a rise in the average room rate in the city's hotels, as the average hotel occupancy rate remained unchanged year-on-year. As a matter of fact, Beirut's average room rate went up by 22.7% to reach US\$ 249 in the first three months of 2010. This rise came second only to the one witnessed in Riyadh of 23.6%. Meanwhile, other cities in the region that witnessed an increase in their average room rate were Amman (10.2%), Sharm El Shaikh (10.0%), Madina (4.6%), Jeddah (3.9%), Al Ain (2.1%), Hurghada (1.9%) and Cairo (0.8%). The significant increase in Beirut's average room rate has left the Lebanese capital with the 4th highest room rate in

Middle East Hotel Performance (First Quarter 2010)

City	Occupancy (%)	Average Room Rate (US\$)	Room Yield (US\$)
Sharm El Shaikh	87	57	50
Hurghada	85	40	34
Dubai	82	247	204
Cairo	78	114	89
Muscat	75	228	172
Makkah	75	190	144
Abu Dhabi	75	279	210
Jeddah	73	206	151
Doha	71	305	219
Al Ain	70	178	126
Beirut	69	249	174
Madina	62	141	88
Riyadh	61	242	150
Amman	58	146	85
Kuwait	58	269	156

Sources: Ernst & Young, Bank Audi's Research Department

the Middle East, at US\$ 249, following Doha (US\$ 305), Abu Dhabi (US\$ 279) and Kuwait (US\$ 263).

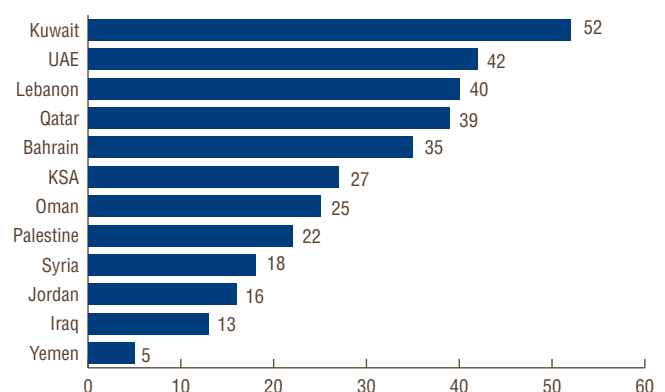
As to Beirut's hotel occupancy, it remained unchanged in the first quarter of 2010, at 69%, compared to the same period last year, where occupancy was at a relatively high base. Beirut ranked eleventh in terms of hotel occupancy in the Middle East region following Sharm El Shaikh (87%), Hurghada (85%), Dubai (82%), Cairo (78%), Muscat (75%), Makkah (75%), Abu Dhabi (75%), Jeddah (73%), Doha (71%) and Al Ain (70%). All in all, Beirut's hotel sector thrived in the first quarter of 2010, in line with the booming tourism in the country. The hotel sector is likely to continue growing along with the rise in tourism activity in the country, albeit at a slower pace than before, given that it stems from an already flourishing performance in 2009.

Lebanon's average revenue per mobile user stood at US\$ 40 per month in the fourth quarter of 2009

France's Dataxis Intelligence, a market research and statistical intelligence company, issued its latest market analysis on the Middle East in which it noted that mobile users in Lebanon spend up to US\$ 40 a month in the last quarter of 2009. Out of 12 countries within the region, Lebanon ranked third as it surpassed Qatar (US\$ 39), Bahrain (US\$ 35) and Saudi Arabia (US\$ 27) while it came after Kuwait (US\$ 52) and the United Arab Emirates (US\$ 42).

With a closer look at the figures, one would notice the important gap between the spending per mobile user in Lebanon in the last quarter of last year and the one in Yemen (US\$ 5), which ranked at the lower end of the scale, as per Dataxis. Also interesting to emphasize on is the fact that Lebanon's average revenue per mobile user exceeded the one witnessed in Europe, at US\$ 23, and the worldwide average of US\$ 16 per month over the aforementioned period.

Average Revenue per Mobile User in the fourth quarter of 2009



Sources: Dataxis Intelligence, Bank Audi's Research Department

► CORPORATE NEWS

Lebanese Canadian Bank's net profits at US\$ 13.3 million in the first quarter of 2010

Lebanese Canadian Bank reported net profits of US\$ 13.3 million in the first quarter of 2010, up by 69.2% from US\$ 7.9 million in the first quarter of 2009.

Interest margin rose by 7.7% from US\$ 20.4 million in the first quarter of 2009 to US\$ 22.0 million in the first quarter of 2010, while non-interest income remained practically unchanged at US\$ 5.6 million in the first quarter of 2010. Subsequently, operating income increased by 6.0% to reach US\$ 27.6 million in the first quarter of 2010, from US\$ 26.0 million in the first quarter of 2009.

Total operating expenses increased by a yearly 8.3% to US\$ 11.9 million in the first quarter of 2010, from US\$ 11.0 million a year earlier, of which staff expenses reached US\$ 7.6 million, up by 10.7% from the first quarter of 2009. The bank's cost-to-income ratio stood at 43.2% in the first quarter of 2010.

Total assets amounted to US\$ 5.3 billion at end-March 2010, up by 1.9% from US\$ 5.2 billion at year-end 2009. Customer deposits totaled US\$ 4.6 billion, up by 3.4% from US\$ 4.4 billion at year-end 2009. Loans increased by 17.5% to reach US\$ 1.5 billion at end-March 2010. The ratio of loans to deposits was 32.5% at end-March 2010, compared to 28.6% at year-end 2009.

The bank's shareholders' equity amounted to US\$ 381.5 million at end-March 2010, up by 6.8% from US\$ 357.2 million at year-end 2009. Subsequently, the bank's equity to assets ratio stood at 7.2% at end-March 2010, compared to 6.9% at year-end 2009.

The bank's net return on average assets amounted to 1.0% in the first quarter of 2010, while its net return on average equity reached 13.7%.

SGBL's total assets up by 8.1% in the first quarter of 2010 to reach US\$ 5.2 billion

Société Générale de Banque du Liban (SGBL) reported net profits of US\$ 20.2 million in the first quarter of 2010, against US\$ 12.5 million in the first quarter of 2009.

Interest margin reached US\$ 28.0 million in the first quarter of 2010, up by 13.0% from US\$ 24.8 million in the first quarter of 2009, while non-interest income rose from US\$ 9.5 million in the first quarter of 2009 to US\$ 23.8 million in the first quarter of 2010. Consequently, operating income increased by 51.3% to reach US\$ 51.8 million in the first

quarter of 2010.

Total operating expenses amounted to US\$ 24.8 million in the first quarter of 2010, up by a yearly 27.9%, of which staff expenses reached US\$ 14.3 million, up by 37.3% from the first quarter of 2009. The bank's cost-to-income ratio stood at 47.9% in the first quarter of 2010.

Total assets rose by 8.1% to attain US\$ 5.2 billion at end-March 2010, from US\$ 4.8 billion at year-end 2009. Customer deposits totaled US\$ 3.6 billion, remaining practically unchanged from year-end 2009. Loans increased by 4.0% to reach US\$ 1.4 billion at end-March 2010. The ratio of loans to deposits was 38.6% at end-March 2010.

The bank's shareholders' equity amounted to US\$ 395.4 million at end-March 2010, up by 9.5% from US\$ 361.1 million at year-end 2009. Subsequently, the bank's equity to assets ratio stood at 7.7% at end-March 2010.

The bank's net return on average assets amounted to 1.6% in the first quarter of 2010, while its net return on average equity reached 19.8%.

MTC Lebanon's net profits up by 49.8% to US\$ 19.0 million in 2009

Mobile Telecommunication Company Lebanon (MTC), one of the two mobile telecommunications operators in Lebanon, managed by Kuwait's Zain, announced its audited financial results for 2009.

MTC Lebanon's net profits reached US\$ 19.0 million in 2009, up by 49.8% from US\$ 12.7 million in 2008. Revenues amounted to US\$ 89.7 million in 2009, up by 30.5% from US\$ 68.7 million in 2008.

Total operating expenses totaled US\$ 67.2 million in 2009, up by 23.9% from US\$ 54.2 million in 2008, of which network operating expenses rose by 19.5%, from US\$ 30.8 million in 2008 to US\$ 36.8 million in 2009, and administrative expenses increased by 25.8%, from US\$ 13.7 million in 2008 to US\$ 17.2 million in 2009.

Total assets amounted to US\$ 37.2 million in 2009, up by 67.1% from US\$ 22.3 million in 2008. Receivables and prepayments reached US\$ 25.6 million in 2009, against US\$ 7.4 million a year earlier. Inventories stood at US\$ 828.1 thousands in 2009, up by 40.7% from US\$ 558.4 thousands in 2008.

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► CAPITAL MARKETS

Money Market: Weekly decline in money supply (M4)

In view of continuous conversions in favor of the Lebanese Pound on the foreign exchange market, the overnight rate remained stable this week at its low official level of 2.75% set by the Central Bank of Lebanon.

As to short-term Certificates of Deposits, the 60-day category attracted this week subscriptions of LP 100 billion, while no subscriptions were made in the 45-day category. Accordingly, subscriptions totaled LP 1,823 billion since the beginning of the year 2010, and were distributed as follows: LP 336 billion in the 45-day category and LP 1,487 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 27th of May 2010 indicated an increase of LP 210 billion in local currency deposits, as a result of a growth of LP 94 billion in LP time deposits and a LP 116 billion rise in LP demand deposits week-on-week. Deposits in foreign currencies dropped by US\$ 166 million. These weekly variations compare to an average weekly increase of LP 199 billion for LP deposits since the beginning of the year 2010, and an average weekly rise of US\$ 37 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 158 billion during the week ending 27th of May 2010, as compared to an average weekly increase of LP 194 billion since the beginning of the year 2010. In addition, total money supply in its large sense (M4) tightened by LP 129 billion week-on-week, as compared to an average weekly increase of LP 266 billion since the beginning of the year 2010.

On a cumulative basis, money supply in its large sense (M4) widened by LP 5,372 billion since the beginning of the year 2010. This is the result of an increase in local currency denominated time deposits of LP 4,301 billion, a rise in foreign currency deposits of LP 962 billion (the equivalent of US\$ 638 million), a decline in money supply (M1) of LP 175 billion, and a growth in Treasury bills held by the public of LP 284 billion since the beginning of the year 2010.

Interest rates	11/6/10	4/6/10	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: Yield on five-year category reaches 6.28%

On the secondary Treasury bills market, medium-term papers were traded in very low volumes during this week.

As to the primary market, the preliminary results of this week's auction (June 10, 2010) showed that the average yield on the three-month category declined by nine basis points to reach 3.91%, while the average yield on the six-month category fell by 19 basis points to hit 4.62%, and the average yield on the five-year category tumbled by 20 basis points to reach 6.28%. It is worth mentioning that the Central Bank of Lebanon allowed commercial banks to subscribe to 50% of their accepted bids in the three-month category, and to 15% of their accepted bids in the six-month category. As to the five-year category, the Central Bank allowed commercial banks to subscribe to 20% of their accepted bids and it allowed public institutions to subscribe to 15% of their bids in the same category.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date June 3, 2010 which showed that total subscriptions amounted to LP 134 billion, and were distributed as follows: LP 29 billion in the one-year category, LP 20 billion in the two-year category and LP 85 billion in the three-year category. These compare to maturities of LP 126 billion, resulting in a nominal surplus of LP 8 billion.

On a cumulative basis, total subscriptions amounted to LP 5,654 billion during the first five months of 2010, and were distributed as follows: LP 1,100 billion in short-term categories (three-month and six-month categories), LP 1,060 billion in medium-term categories (one-year and two-year categories), LP 1,771 billion in the three-year categories, LP 1,723 billion in the five-year category. These compare to

Treasury bills	11/6/10	4/6/10	31/12/09
3-month	3.91%	4.00%	4.55% ↓
6-month	4.62%	4.81%	5.72% ↓
1-year	5.00%	5.00%	5.73% ↔
2-year	5.46%	5.46%	6.32% ↔
3-year	6.06%	6.06%	7.10% ↔
5-year	6.28%	6.48%	7.74% ↓
Nom. Subs. (LP billion)		134	500
Short-term (3&6 mths)		49	-
Medium-term (1&2 yrs)		-	49
Long-term (3 yrs)		-	451
Long-term (5 yrs)		85	-
Maturities		126	232
Nom. Surplus/Deficit		8	268

maturities of LP 5,256 billion, which resulted in a nominal surplus of LP 398 billion.

Foreign Exchange Market: Stronger flow of conversions in favor of the Lebanese Pound

The foreign exchange market saw this week a stronger flow of conversions from FC holdings to LP holdings as compared to the previous week. The interbank market saw a tiny demand for the US Dollar, while the LP/US\$ interbank rate hovered this week between LP 1,501.00- LP 1,502.00. Within this context, commercial banks resorted to the Central Bank of Lebanon to sell their green currency surpluses. The BDL bought US Dollar surpluses, in larger volumes relative to the previous week, at the lower end of its intervention bracket (LP1,501).

Exchange rates	11/6/10	4/6/10	31/12/09
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,210.30	2,211.95	2,389.24 ↑
LP/¥	16.45	16.25	16.34 ↓
LP/SF	1,319.47	1,307.80	1,451.33 ↓
LP/Can\$	1,460.05	1,453.15	1,436.12 ↓
LP/Euro	1,825.73	1,840.21	2,159.95 ↑

Stock Market: Tiny decline in prices week-on-week

The Beirut Stock Exchange was still characterized by a shy activity during this week. The total trading value amounted to US\$ 13.3 million this week as compared to US\$ 10.4 million last week. The average daily trading value rose from US\$ 2.1 million last week to US\$ 2.7 million this week, which resulted in a 28.0% increase in the trading volume index. As far as prices are concerned, equity prices declined slightly this week, as shown by a 0.3% decrease in the BSE price index to reach 142.68.

In details, Solidere shares accounted for 43% of activity this

Audi Indices for BSE	11/6/10	4/6/10	31/12/09
<i>22/1/96=100</i>			
Market Cap. Index	507.28	508.57	505.10 ↓
Trading Vol. Index	98.07	76.62	115.58 ↑
Price Index	142.68	143.04	144.04 ↓
Change %	-0.25%	-0.02%	0.91% ↑
Market Cap. \$m	12,035	12,065	11,983 ↓
No. of shares traded	923,559	601,461	248,012 ↑
Value Traded \$000	13,312	10,401	6,434 ↑
o.w. : Solidere	5,757	6,483	2,055 ↓
Banks	7,457	3,862	4,375 ↑
Others	98	56	4 ↑

week, with a trading value of US\$ 5.8 million. Solidere "A" share price edged down by 0.8% to US\$ 23.06, and Solidere "B" share price declined by 1.2% to US\$ 23.00.

As to banking stocks, they accounted for 56% of activity this week, registering a total trading value of US\$ 7.5 million. In details, Bank Audi's "listed" share price decreased by 0.6% to US\$ 8.30, and Bank Audi's GDR price fell by 2.1% to close at US\$ 8.55. BLOM's "listed" share price decreased by 1.0% to US\$ 91.95. Byblos Bank's "listed" share price dropped by 3.2% to US\$ 1.80, while Byblos Bank's "priority" share price rose by 1.1% to US\$ 1.83. Bank of Beirut's share price increased by 1.7% to US\$ 18.72. Among the industrial shares, Holcim's share price surged by 6.8% to US\$ 14.00.

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As compared to other emerging stock markets, the BSE reported similar performance this week, as shown by a 0.7% decrease in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM). Likewise, the BSE performed similarly to other Arabian and GCC equity markets, as reflected by a 0.2% decline in the Morgan Stanley Capital International Arabian Markets Index (MSCI Arabian Markets).

Bond Market: Stable average spread at 247 basis points

The Eurobond market was marked by a local demand for medium-term and long-term papers that was met by a foreign offer. However, trading volumes remained weak during this week. Within this context, bond prices didn't change week-on-week, as shown by a stable average yield at 4.63%. Likewise, the average bond spread stood at 247 basis points this week, due to stability in Lebanese yields and benchmark yields.

For instance, the average yield on five-year US Treasury bills retreated slightly from 2.13% last week to 2.11% this week as strong data on China's exports bolstered hopes for global growth and diminished the safety appeal of US Treasury debt.

Eurobonds Indicators	11/6/10	4/6/10	31/12/09
Total tradable size \$m	17,821	17,817	17,704 ↑
o.w.: Sovereign bonds	17,351	17,347	17,134 ↑
Average Yield	4.63%	4.63%	5.31% ↔
Average Spread	247	246	290 ↑
Average Life	4.81	4.82	4.57 ↓
Yield on US 5-year note	2.11%	2.13%	2.62% ↓

ARAB STOCK MARKETS INDICES:

	11-Jun-10	4-Jun-10	31-Dec-09	Weekly change	End-year-to-date change
Lebanon	142.7	143.0	144.0	-0.3%	-0.9%
Jordan	132.0	133.5	149.9	-1.1%	-12.0%
Egypt	770.6	808.8	784.9	-4.7%	-1.8%
Saudi Arabia	392.9	383.0	389.3	2.6%	0.9%
Qatar	607.8	605.1	611.1	0.4%	-0.5%
UAE	193.5	199.4	229.3	-2.9%	-15.6%
Oman	834.3	837.7	837.2	-0.4%	-0.4%
Bahrain	263.8	282.0	331.9	-6.4%	-20.5%
Kuwait	575.5	611.6	554.5	-5.9%	3.8%
Morocco	425.1	417.2	417.0	1.9%	1.9%
Tunisia	1,162.8	1,158.2	1174.1	0.4%	-1.0%
Arabian Markets	469.0	470.7	470.5	-0.3%	-0.3%

Sources: MSCI Barra, Bank Audi's Research Department

INTERNATIONAL MARKET INDICATORS:

	11-Jun-10	4-Jun-10	31-Dec-09	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/\$	91.51	92.37	92.46	-0.9%	-1.0%
\$/£	1.462	1.448	1.589	1.0%	-8.0%
\$/Euro	1.211	1.192	1.432	1.6%	-15.4%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	10,211.07	9,931.97	10,548.51	2.8%	-3.2%
S&P 500	1,091.60	1,064.88	1,126.42	2.5%	-3.1%
NASDAQ	2,243.60	2,219.17	2,291.28	1.1%	-2.1%
CAC 40	3,555.52	3,455.61	3,935.50	2.9%	-9.7%
Xetra Dax	6,047.83	5,938.88	5,957.43	1.8%	1.5%
FT-SE 100	5,163.68	5,126.00	5,397.90	0.7%	-4.3%
NIKKEI 225	9,705.25	9,901.19	10,546.44	-2.0%	-8.0%
COMMODITIES					
GOLD OUNCE	1,225.90	1,219.00	1,095.70	0.6%	11.9%
SILVER OUNCE	18.18	17.37	16.83	4.7%	8.0%
BRENT CRUDE (barrel)	74.06	70.99	77.66	4.3%	-4.6%
LEADING INTEREST RATES (%)					
1-month Libor	0.35	0.35	0.23	0.00	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	3.23	3.21	3.84	0.02	-0.60

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