

# The Lebanon Weekly Monitor

## ▶ ECONOMY

### p.2 ▶ Deposit growth in April reaches its highest level in 2009 so far

Banking performance during the month of April 2009 saw a favorable performance with deposit growth reaching its highest level in 2009 so far, of LP 3,200 billion, or US\$ 2,123 million.

Also in this issue:

p.3 ▶ Property sales transactions down by 2.0% in the first four months of 2009

p.3 ▶ Construction permits up by 1.5% in the first four months of 2009

## ▶ SURVEYS

### p.4 ▶ Alpha banks profits up by 16.2% in the first quarter of 2009

Lebanese banks have stood solid against the wave of global financial distress that has spread its contagion to several banking systems in neighboring Arab countries.

## ▶ CORPORATE NEWS

### p.5 ▶ Bankmed posts net profits of US\$ 17.8 million in the first quarter of 2009

Bankmed reported net profits of US\$ 17.8 million in the first quarter of 2009, against US\$ 11.4 million in the first quarter of 2008.

Also in this issue:

p.5 ▶ Crédit Libanais registers US\$ 13.8 million in first quarter of 2009 net profits

p.5 ▶ Noor International Holding to establish a real estate factory

## ▶ MARKETS IN BRIEF

### p.6 ▶ Strong demand on equities ahead of parliamentary elections

Equity prices rallied this week on a demand momentum preceding the parliamentary elections in Lebanon and taking lead from regional Arab markets that were also upbeat. The price index went up 6% week-on-week and closed at 118.56, registering the second highest price growth since the onset of the financial crisis. Price gains ranged between 9% and 12% depending on the stock. The trading value went also up from US\$ 8.2 million the previous week to US\$ 20.5 million. This compares to an average weekly trading value of US\$ 9.7 million since the beginning of this year. On the Eurobonds market, demand and supply were weak while spreads contracted by 31 basis points, as a result of a slight retreat in Lebanese yields and a hike in benchmark yields. On the foreign exchange market, the US dollar demand was modest but was met by supply keeping the Central Bank on the sidelines. Within this context, the Central Bank foreign assets registered an increase of US\$ 262 million over the second half of May to total US\$ 23.1 billion, covering 82.4% of total money supply in local currency and reflecting the strong capabilities of the monetary authority to defend the peg during pressure times. On the money market, LP liquidity remained ample and the overnight rate was still quoted at 3.5%, its low official level.

Week  
**23**  
Jun 1 - Jun 6  
2009

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## ► ECONOMY

### Deposit growth in April reaches its highest level in 2009 so far

Banking performance during the month of April 2009 saw a favorable performance with deposit growth reaching its highest level in 2009 so far, of LP 3,200 billion, or US\$ 2,123 million. Indeed, this confirms a continued resilience against the global financial crisis, and has led to a significant activity growth in the first four months of the year, significantly outpacing the growth registered in the similar period of last year as well as recent historical figures in a period where funding is targeting the relatively immune banking sectors around the globe. Of equal importance is a trend of resumed confidence in the Lebanese Pound as a medium exchange and store of value, as deposit dollarization has been on a declining trend for over a year now, reaching a five-year low of 67.5% in the first four months of 2009, relative to the same quarter of previous years.

In figures, bank activity in the first four months of 2009, measured by aggregate domestic assets, grew by US\$ 5,366 million in the first four months of 2009, against US\$ 3,376 million in the first quarter of 2008 and US\$ 1,200 million in the similar period of the past five years. Activity growth remains triggered by customer deposits which rose by US\$ 4,846 million in the first four months of 2009, 71% above the growth of last year's first four months growth (US\$ 2,839 million) and 6.0 times the average growth during the similar period of the past five years.

Such an outstanding performance confirms the high confidence level during such tough banking times on behalf of the three main depositor groups in Lebanon, i.e the Lebanese residents, the Arab depositors and the Lebanese non-residents. It is worth noting that more than half of this growth in deposits, precisely 77% of it, which amounts to US\$ 3,749 million, occurred during the month of April 2009. It is worth noting that the growth in deposits in the first four months of 2009 was accompanied by a balance of payments surplus of US\$ 1,136.8 million, which accounts for 23% of deposits growth, thereby indicating that such a percentage, i.e. around a quarter, represents the growth in deposits resulting from inflow of money from abroad, while around three quarters of deposit growth in the first four months of the year results from domestic money creation.

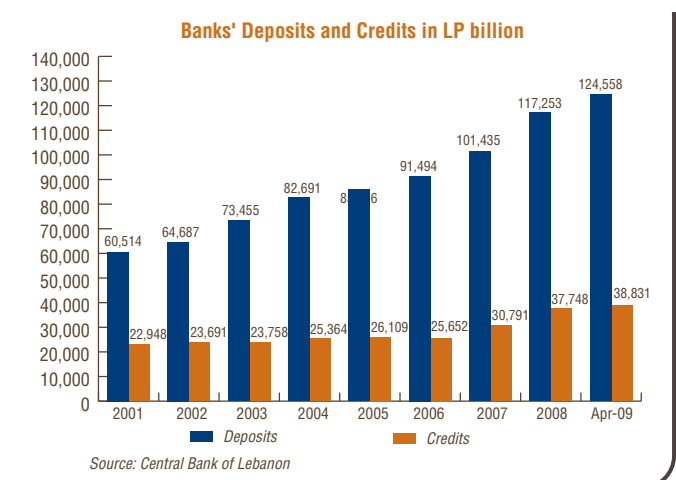
It was yet normal that lending to the private sector loses somehow its pre-crisis momentum within the context of huge deleveraging around the world. But with large flexibility at Lebanese banks characterized with high liquidity and significant operating surpluses, lending portfolios did not contract and managed to display a positive growth of US\$ 719, significantly lower than the one reported in the past year's first four months (US\$ 2,557 million) but in line with

the average growth reported over the similar period of the past five years (US\$ 620 million). Nonetheless, here one should note that the mere fact that Lebanese banks a positive variation in lending in the first four months of the year is deemed significant, especially as it comes within the context of very strict lending policies adopted by banks across the globe and in the MENA region.

The analysis of deposit growth by currency and residence shows that growth was mainly driven by the LP side on one hand along with a rising share of non-residents on the other hand. Indeed, 65% of total deposits growth was accounted for by LP deposits which rose by LP 4,761.5 billion, while foreign currency deposits rose by a mere US\$1,687 million. In parallel, close to 30% of the deposits growth was accounted for by non-residents which rose by LP 1,213 billion, raising their share in aggregate deposits from 14.7% at end-December 2008 to 15.6% at end-April 2009.

The significant conversions from foreign currency holdings to LP holdings lead to the abovementioned considerable drop in deposit dollarization which reached almost a five-year low. As a matter of fact, the deposit dollarization ratio decreased from 69.6% at end December 2008 to 67.5% at end-April 2009, a drop of 2.1% in the first four months, following the 7.7% decline of the year 2008. It is yet worth mentioning that the dedollarization of deposits is still not being coupled with a similar dedollarization at the lending side, as foreign currency loans continue to account for a large 85% of total loans, a phenomenon that is leading monetary and banking authorities to search for new mechanisms to stimulate lending in national currency.

The analysis of loan growth by currency and residence shows that growth was mainly driven by the foreign currency side on one hand along with a rising share of residents on the other hand. Indeed, 86% of total loan growth was accounted for by FC loans which rose by US\$ 86.9 billion, while LP loans rose by a mere LP 5.5 billion. In parallel,



close to 84% of the loans' growth was accounted for by residents which rose by LP 128.2 billion. It is worth noting that is contrary to the trend prevailing prior to the crisis, as banks were lending extensively to regional corporates; however, following the crisis, banks have shifted their focus back to the domestic market.

### **Property sales transactions down by 2.0% in the first four months of 2009**

The property sector collapse that has been occurring in several countries across the world, and especially in the MENA region, has spread its contagion to the sector's activity in Lebanon, as it placed a downward pressure on prices of property in Lebanon. Also, the fourth month of the year saw a plunge in the demand for property, contrary to the previous three months. The number of property sales transactions went down by a significant 19.6% year-on-year in April 2009, which more than offset the growth in demand witnessed in the first quarter of the year, thereby leading to a yearly decline of 2.0% in property sales transactions in the first four months of the year.

Figures released by the Directorate of Real estate indicate that the total value of property sales in Lebanon in the first four months of 2009 was at LP 2,071.8 billion, down by 9.9% from the value of property sales registered in the first four months of 2008. This plunge in the value of property sales was coupled with a decrease of 2.0% in the number of sales operations, which reached 21,369 transactions in the first four months of the year. The decline in the value of property transactions along with a smaller decrease in the number of transactions has naturally led to a fall in the average value per property sale, which was at LP 97.0 million in the first four months of 2009, down by 8.1% from the same period of the previous year.

It is worth noting that the increase in the number of property sales transactions to foreigners slowed down to reach a mere 8.0% in the first four months of 2009, relative to 23.1% in the same period of 2008 and double-digit growth rates throughout the year 2008. Clearly demand for property by foreigners, which are mostly Arabs and Gulf residents in the case of Lebanon, has been adversely affected by deteriorating economic conditions in the Arab world, and especially the Gulf. However, within the context of a rise in sales to foreigners, here one should note that the decline in the number of property sales transactions was spurred by lower sales transactions to the Lebanese, indicating that in the fourth month of the year, the latter group have adopted a cautious attitude towards investing in real estate.

### **Construction permits up by 1.5% in the first four months of 2009**

Figures released by the Order of Engineers of Beirut and

Tripoli reveal that construction permits totaled 3,238,274 million square meters in the first four months of 2009, up by 1.5% from 3,190,287 square meters in the same period of the previous year. This increase signifies a trivial acceleration in construction activity in the first four months of 2009, especially when compared to the yearly rise witnessed in the first four months of 2008, which was at 33.1%.

Within this context, one should note that back in the first four months of 2008, the real estate boom was at its pinnacle, and contractors were trying to match the high demand for real estate by launching new projects. Now, however, construction activity is dwindling across the MENA region, as result of the global economic turmoil. Corporates across the region are not initiating new construction projects and they are even putting some of their existing projects on hold. Therefore, the mere fact that construction activity in Lebanon has not slowed down, is deemed significant for the sector in Lebanon, especially since the increase is relative to a period when activity was booming.

However, here one should note that construction activity during the month of April 2009 has showed signs of slow-down, as newly issued construction permits went down by 4.9% year-on-year to reach 970,349 square meters. This decline follows successive year-on-year increases of 1.9% and 4.5% in newly issued construction permits in February and March 2009. Still, when comparing construction activity in April 2009 to April 2007, a 23.3% increase is observable. This means that although construction activity in Lebanon is no longer witnessing upsurges, which is only natural considering the fact that real estate markets across the globe have deteriorated in light of the financial crisis, it has more or less maintained high levels which were prevailing during the real estate escalation, and which represent significant increases from activity levels during 2007, prior to the boom.

When comparing the months of 2009 to each other, the most buoyant activity was registered in the second month of the year, as newly issued construction permits totaled 1,040,782 square meters during the said month, followed by April, during which newly issued construction permits reported a slight 0.4% from those issued in March.

Mount Lebanon accounted for the majority of distributed construction permits in the first four months of 2009 with 43.6% of the total. It was followed by North Lebanon with 27.8%, South Lebanon with 14.9%, Beirut with 9.2%, and the Bekaa with 5.7%.

Week  
**23**  
Jun 1 - Jun 6  
2009

## ► SURVEYS

### Alpha banks profits up by 16.2% in the first quarter of 2009

Lebanese banks have stood solid against the wave of global financial distress that has spread its contagion to several banking systems in neighboring Arab countries. This is clear in the results of the Alpha report for the first quarter of 2009, which shows the performances and positioning of the Alpha banks operating in Lebanon, i.e those banks with deposits above US\$ two billion. The report suggests that the aggregate profits of alpha banks reported LP 380,146 million, or US\$ 252.2 million in the first quarter of 2009, growing by 16.2% relative to the first quarter of 2008.

This growth rate is lower than the 20.3% year-on-year augmentation registered in the first quarter of 2008, nevertheless it is deemed quite significant as it comes amidst a global financial crisis, which is weighing heavily on the profitability of banks worldwide and in the MENA region, at large. In reality, the mere fact of Alpha banks attaining a positive growth in profitability, let alone a double-digit growth, in such turbulent financial times is yet another indicator of Lebanese banks weathering off the repercussions of the crisis. The first quarter of 2009 was marked by a significant discrepancy between the net earnings growth of the best performer and that of the least performer, as the former was at 155.1%, while the latter was at -18.6%.

The 16.2% net income growth was driven by a healthy 16.6% rise year-on-year in net operating income, against a lower 15.4% rise in total operating expenses and a 27.0% increase in income tax. Moreover, these positive results were achieved, despite a huge 308.1% year-on-year increase in net allocation to provisions to maintain the good asset quality of Lebanese banks.

Going further in details, the growth in net operating income was driven by a 19.6% growth in net interest income, along with a 17.6% growth in non-interest income. The latter growth indicates that the sector in Lebanon is moving opposite the trend of sluggish financial institutions' activity and earnings' growth in different areas around the globe.

The solid banking performance in the first quarter of 2009 was underlined by a quantity effect along with a positive price effect. In fact, the Alpha banks' balance sheet expanded by almost 12.7% in the first quarter of 2009 relative to the first quarter of 2008. At the same time, the overall net spread went up by 12 basis points, moving from 1.94% in the first quarter of 2008 to 2.06% in the same quarter of this year. This favorable growth in interest margins is despite significant rate cuts taking place across the globe under various financial stimulus programs and are yielding low return on Treasury uses of Lebanese banks.

Banks, likewise, benefited from the growth of fees' income, or non-interest income that went up by 17.6%. This source of income is important as it reduces the exposure the vulnerability to the adverse interest rate evolutions. However, its share out of net financial income went slightly down to 28.7% in the first quarter of 2009, from 29.1% the first quarter of 2008 and 31.4% in full-year 2008.

Looking at the geographic distribution of Alpha banks, it is clear that the expansion is ongoing, in spite of such banks implementing cautious measures amidst the crisis. The number of branches totaled 831 branches at end-March 2009, versus 814 at end-2008 and 776 at end-March 2008. Moreover, the number of staff employed by those banks increased, in line with the wider territory coverage, as it went up by 1.7% from 18,584 employees at the end of 2008 to 18,900 employees three months later. This is being reported despite the fact that banks are trying to control their expenses as much as possible and that for the time being, their expansion policy are somewhat less aggressive.

Within the context of cost cutting efforts, the cost-to-income ratio declined by 1.65% in the first quarter of 2009, from 54.51% to 52.86%, bearing witness to a slight improvement in efficiency. Indeed, this contraction is due to the fact that the 16.6% year-on-year rise in net operating income of Alpha banks surpassed that of total expenses (15.8%). Again, this signifies that not only did Alpha banks counter the crisis, but these banks also made sure that revenue growth was more than ample to counterbalance the growing costs of allocations to provisions.

The healthy growth in net profits in the first quarter of 2009 led to an improvement in return ratios. Specifically, the net return on average equity moved up by 0.21% from 11.44% in the first quarter of 2008 to 11.65% in the first quarter of 2009. As for the net return on average assets, it went up by 0.03%, moving from 1.02% in the first quarter of 2008 to 1.05% in the first quarter of 2009.

#### Alpha Banks' Rankings as at end-March 2009 (in US\$ million)

Bank	Assets Rank Volume	Deposits Rank Volume	Loans Rank Volume	Equity Rank Volume	Net Profits Rank Volume
Bank Audi - Audi Saradar Group	1 20,703	1 17,636	1 6,030	1 1,979	2 61.0
BLOM Bank	2 18,511	2 15,807	2 3,491	2 1,475	1 63.3
Byblos Bank	3 11,617	3 8,748	4 2,754	3 1,104	3 25.0
BankMed	4 9,512	4 7,384	3 3,277	5 702	4 17.8
Fransabank	5 8,456	5 7,134	6 1,769	4 785	5 16.9
Banque Libano-Francaise	6 6,609	6 5,478	5 1,994	7 485	6 13.8
Bank of Beirut	7 5,857	7 4,175	7 1,418	6 530	8 13.6
Crédit Libanais	8 4,682	8 4,056	8 1,058	8 397	7 13.8
Lebanese Canadian Bank	9 4,199	9 3,626	10 942	10 302	10 7.9
BBAC	10 3,472	10 2,884	11 626	11 256	11 6.8
SGBL	11 3,287	11 2,622	9 968	9 326	9 12.5

Sources: Bankdata Financial Services wll

## ► CORPORATE NEWS

### **Bankmed posts net profits of US\$ 17.8 million in the first quarter of 2009**

Bankmed reported net profits of US\$ 17.8 million in the first quarter of 2009, against US\$ 11.4 million in the first quarter of 2008. Interest margin increased from US\$ 32.4 million in the first quarter of 2008 to US\$ 50.5 million in the first quarter of 2009, while non-interest income rose from US\$ 10.3 million in the first quarter of 2008 to US\$ 11.4 million in the first quarter of 2009. Subsequently, operating income increased by 45.0% to reach US\$ 61.9 million in the first quarter of 2009.

Total operating expenses increased by a yearly 20.6% to US\$ 38.6 million in the first quarter of 2009, of which staff expenses reached US\$ 19.4 million, up by 10.1% from the first quarter of 2008. The bank's cost-to-income ratio stood at 62.3% in the first quarter of 2009.

Total assets amounted to US\$ 9.5 billion at end-March 2009, up by 8.6% from US\$ 8.8 billion at end-March 2008. Customer deposits totaled US\$ 7.4 billion, posting a 15.0% increase from US\$ 6.4 billion at end-March 2008. Loans increased by 21.9% year-on-year to reach US\$ 3.3 billion at end-March 2009. The ratio of loans to deposits was 44.4% at end-March 2009, compared to 41.9% a year earlier.

The bank's shareholders' equity amounted to US\$ 702.2 million at end-March 2009, down by an annual 6.2%. Subsequently, the bank's equity to assets ratio stood at 7.4% at end-March 2009, compared to 8.6% a year earlier. The bank's net return on average assets amounted to 0.74% in the first quarter of 2009, while its net return on average equity reached 9.6%. Bankmed operated 77 branches and employed a staff of 1,597 people at end-March 2009.

### **Crédit Libanais registers US\$ 13.8 million in first quarter of 2009 net profits**

Crédit Libanais announced consolidated net profits of US\$ 13.8 million in the first quarter of 2009, up by 37.2% from US\$ 10.0 million in the first quarter of 2008. Interest margin increased from US\$ 20.0 million in the first quarter of 2008 to US\$ 25.4 million in the first quarter of 2009, while non-interest income rose by 9.9% to US\$ 7.8 million in the first quarter of 2009.

Total operating expenses increased by 12.7% to US\$ 16.4 million, of which staff expenses amounted to US\$ 10.2 million in the first quarter of 2009, up by 16.4% year-on-year. The bank's cost-to-income ratio stood at 49.4% in the first quarter of 2009.

Total assets reached US\$ 4.7 billion at end-March 2009, up by 19.7% from US\$ 3.9 billion at end-March 2008, while loans to customers increased by 32.0% to reach US\$ 1.1 bil-

lion at end-March 2009. Customer deposits amounted to US\$ 4.1 billion at end-March 2009, up by 23.3% from US\$ 3.3 billion at end-March 2008. Shareholders' equity amounted to US\$ 397.2 million at end-March 2009, up by 7.3% from US\$ 370.2 million at end-March 2008.

The bank's net return on average assets amounted to 1.2% in the first quarter of 2009, while its net return on average equity reached 13.4%. Crédit Libanais operated 62 branches and employed a staff of 1,234 people at end-March 2009.

### **Noor International Holding to establish a real estate factory**

Beirut-based Noor International Holding unveiled plans to establish a real estate factory for the development of high-standard real estate projects in Lebanon and the region. The company would bring together international companies operating within a consortium of alliances and partnerships to transform real estate concepts into physical projects. Noor International Holding started preparing the designs of projects that are ready for immediate execution in Arab and foreign countries.

Noor International Holding would tie global alliances in the fields of engineering, construction, marketing, management, economic, and environmental studies, aimed at launching real estate projects worldwide, according to the company's chairman. The company would be the main developer of the said projects, according to the same source.

Earlier this year, Noor International Holding unveiled a universal investment project called the "Lebanon Cedar Island", an artificial island taking the shape of the Cedar tree to be built in the sea facing the Lebanese coast. The "Lebanon Cedar Island" project would include service, entertainment, touristic, commercial and residential compounds, and would provide 50,000 job opportunities. The accomplishment of this project is expected to take three to four years after getting the specific authorizations and decrees from the concerned Lebanese authorities.

Established in 1995, Noor International Holding is specialized in real estate development, media, marketing and sales. The company has contributed to the development of many projects in the Middle East, the Gulf Region, Iraq, Yemen, Vietnam and Algeria. It has a dozen projects including residential townships, commercial complexes, and a series of distinctive hospitality and institutional projects.

Noor International Holding has international partnership agreements and affiliations with BA, Panasonic, Westech, Philips, Feasibility, Barbera Café, Turkish Giant IHLAS, Emerson LP, Concierge, Five Continents, LG International, Nivi Group International, Huawei, and others.

Week  
**23**  
Jun 1 - Jun 6  
2009

## ► CAPITAL MARKETS

### Money Market: Deposits & money supply continue to increase

The overnight rate was still being quoted at 3.5%, the low official level amidst abundant liquidity at hand. As to Certificates of Deposits (CDs), the Central Bank sold this week LP 10 billion in the 60-day category and none was sold in the 45-day category with total subscriptions since the beginning of the year 2009 reaching LP 461 billion (LP 119 billion in the 45-day papers and LP 342 billion in the 60-day papers).

On the monetary aggregates level, figures for the week ending May 21 show an increase of LP 236 billion in local currency deposits, as a result of a LP 152 billion growth in time deposits and a LP 84 billion increase in demand deposits. In parallel, deposits in foreign currencies went up by US\$ 259 million. These variations compare to an average weekly increase of LP 249 billion for LP deposits since the beginning of the year 2009, and an average increase of US\$ 51 million in foreign currency deposits.

LP money supply (M2) expanded by LP 175 billion, versus an average weekly increase of LP 251 billion since the beginning of the year 2009. The total money supply in its large sense (M4) expanded by LP 571 billion, compared to an average weekly increase of LP 343 billion since end-2008. On a cumulative basis since the beginning of the year, money supply in the large sense (M4) expanded by LP 6,908 billion. This is the result of an important growth in local currency denominated time deposits of LP 5,144 billion and an increase of LP 1,657 billion (US\$ 1,099 million) in foreign currency deposits. Money supply in its narrow sense (M1) contracted by LP 214 billion over the same period, while Treasury bills held by the public increased by LP 321 billion.

Interest rates	05/06/09	29/05/09	26/12/08
Overnight rate	3.50%	3.50%	3.50% ↔
7 days rate	4.50%	4.50%	4.50% ↔
1 month rate	4.17%	4.17%	4.17% ↔
45-day CDs	4.40%	4.40%	4.40% ↔
60-day CDs	4.89%	4.89%	4.89% ↔

### Treasury Bills Market: Subscriptions slow down

The Treasury bills secondary market did not witness any activity this week. In contrast, LP placements, though relatively slower this week, were being channeled mainly to the primary market. The latest results of the Treasury bills auction, released by the Central Bank this week showed that total subscriptions for value date May 28, 2009 amounted to LP 79 billion, and were distributed as follows: LP 9 billion in the three-month category, LP 7 billion in the six-month

category, LP 33 billion in the one-year category, LP 1 billion in the two-year category and LP 29 billion in the three-year category. These compare to maturities of LP 176 billion, resulting in a nominal deficit of LP 97 billion. The average yields on all categories were reduced again this week by two to four basis points. The preliminary results of this week's auction (June 4, 2009) showed that average yields across all categories went down by another two to four basis points.

On a cumulative basis, total subscriptions in the month of May amounted to LP 1,016 billion versus maturities of LP 1,216 billion which resulted in a nominal deficit of LP 200 billion. The average yields on Treasury bills were also cut by six to thirteen basis points during the said month.

Treasury bills	05/06/09	29/05/09	26/12/08
3-month	4.94%	4.96%	5.10% ↓
6-month	6.75%	6.79%	7.10% ↓
1-year	7.04%	7.08%	7.58% ↓
2-year	7.70%	7.70%	8.26% ↔
3-year	8.68%	8.68%	9.00% ↔
Nom. Subs. (LP billion)		79	242
Short-term (3&6 mths)		16	80
Medium-term (1&2 yrs)		34	13
Long-term (3 yrs)		29	149
Maturities		176	157
Nom. Surplus/Deficit		-97	85

### Foreign Exchange Market: Conversions keep Central Bank foreign assets climbing to new peaks

The US dollar continued to be on offer this week, while demand was modest. Commercial banks were trading the US Dollar at a rate hovering between LP 1,501 and LP 1,501.5 which is slightly higher than last week's. Under such conditions, the Central Bank remained on the sidelines and did not intervene as it used to during the previous weeks, buying the green currency surpluses at the lower end of its intervention bracket (LP 1,501).

Within this context, the trends governing the foreign exchange market continued to reflect on the Central Bank's balance sheet. Over the second half of May, the Central Bank foreign assets registered an increase of US\$ 262 million to

Exchange rates	05/06/09	29/05/09	26/12/08
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,418.03	2,422.85	2,221.60 ↑
LP/¥	15.59	15.63	16.66 ↑
LP/SF	1,408.88	1,394.41	1,401.80 ↓
LP/Can\$	1,367.84	1,366.11	1,236.37 ↓
LP/Euro	2,138.54	2,112.61	2,120.00 ↓

total US\$ 23.1 billion. This notable increase has been mainly driven by an increase in commercial banks' foreign currency deposits placed at the Central Bank. Indeed, over the said period, commercial banks' total deposits with the monetary authority went up US\$ 587 million.

Accordingly, the Central Bank's foreign assets cover 82.4% of total money supply in local currency. The coverage ratio increases to 114.4% when accounting for gold reserves estimated at US\$ 9 billion at end-May 2009. In terms of imports, the coverage ratio is 21.4 months also a good level that mirrors the strong capability of the Central Bank to maintain a stable currency peg and respond for any demand of foreign currencies under pressure.

### Stock Market: Prices rally ahead of parliamentary elections

The Beirut Stock Exchange performance this week followed Arab markets and registered good increases in prices indices, with the former recording a 6.03% rise and the latter up by 7.1% according to MSCI Arabian markets Index (MSCI Arabian Markets). In Lebanon, ahead of the parliamentary elections, a strong demand momentum pushed Solidere and banking shares' prices up and so this week's rally was considered the second highest since the international financial crisis erupted.

The weekly trading value reached US\$ 20.5 million, versus US\$ 8.2 million the previous week, and versus an average weekly value of US\$ 9.7 million since the beginning of 2009. The daily trading value went up from US\$ 4.1 million compared to US\$ 2.1 million the previous week driving the trading index of this week to almost double and register 181.63.

In details, Solidere that has the largest market capitalization accounted for the lion's share with 74% of activity this week. Solidere "A" share price increased by 9.5% to US\$ 20.01, and Solidere "B" share price climbed 8.9% to US\$ 20.03. On the other hand, banking shares accounted for

26% of the total trading value this week. Bank Audi's GDR price gained 12% to close at US\$ 60, and the same bank's "listed" shares increased by 9.5% to close at US\$ 54.55. BLOM's GDR price went also higher by 6.6% to close at US\$ 68. Byblos Bank's "listed" shares likewise gained 3.4% to US\$ 1.80 whereas its "priority shares" increased by 7.1% to US\$ 1.82.

Among the industrial shares, Holcim changed hands and went up 6.7% to US\$ 13.40. As to the investment funds, none was traded this week.

Finally, the BSE's performance was in line than other emerging stock markets, as reflected by a 5.4% increase in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and a 4.4% rise in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA).

### Bond Market: Modest activity while spreads contract

The Eurobonds market saw again this week a modest domestic and foreign demand, slowing down from previous weeks. Prices, thus, barely changed as reflected by a minor change in yields.

The average yield on all traded papers barely nudged down three basis points to 6.93%. The average spread, nevertheless, tightened by 31 basis points to reach 467 basis points, due to an increase in the benchmark yields and a limited change in yields on Lebanese bonds.

For instance, the average yield on the five-year US Treasury bill increased from 2.30% last week to 2.77% this week. US government debt prices fell as investors favored stocks over Treasuries on an upbeat outlook on banks and less dire readings on jobless claims.

#### Eurobonds Indicators 05/06/09 29/05/09 26/12/08

Total tradable size \$m	17,573	17,563	17,173	↑
o.w.: Sovereign bonds	17,003	16,993	16,603	↑
Average Yield	6.93%	6.96%	8.88%	↓
Average Spread	467	498	755	↓
Average Life	4.76	4.79	4.65	↓
Yield on US 5-year note	2.77%	2.30%	1.32%	↑

#### Audi Indices for BSE 05/06/09 29/05/09 26/12/08

22/1/96=100

Market Cap. Index	408.37	385.14	393.96	↑
Trading Vol. Index	181.63	91.17	50.43	↑
Price Index	118.56	111.82	116.09	↑
Change %	6.03%	-1.93%	-1.71%	↑
Market Cap. \$m	9,688	9,137	9,346	↑
No. of shares traded	1,042,745	520,586	372,788	↑
Value Traded \$000	20,498	8,221	4,550	↑
o.w. : Solidere	15,141	5,504	3,182	↑
Banks	5,337	2,697	1,329	↑
Others	19	18	39	↑

Week  
**23**  
Jun 1 - Jun 6  
2009

**ARAB STOCK MARKETS INDICES:**

	05-Jun-09	29-May-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	118.56	111.82	113.6	6.0%	4.4%
Abu Dhabi securities market	54.69	51.33	47.0	6.5%	16.4%
Amman stock exchange	379.76	350.86	340.3	8.2%	11.6%
Bahrain stock exchange	140.34	139.72	156.5	0.4%	-10.3%
Casablanca stock exchange	229.92	227	224.5	1.3%	2.4%
Doha securities market	138.21	131.33	142.7	5.2%	-3.2%
Dubai financial market	62.32	57.35	60.3	8.7%	3.4%
Egypt capital market	320.54	294.73	240.1	8.8%	33.5%
Kuwait stock market	149.4	139.48	147.9	7.1%	1.0%
Muscat securities market	161.09	150.29	157.3	7.2%	2.4%
Saudi stock market	139.21	132.38	113.2	5.2%	23.0%
Tunis stock exchange	133.51	131.27	114.8	1.7%	16.3%
AMF composite	173.99	164.69	156.3	5.6%	11.3%

Source: Arab Monetary Fund

**INTERNATIONAL MARKET INDICATORS:**

	05-Jun-09	29-May-09	31-Dec-08	Weekly change	End-year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	96.69	95.39	90.92	1.4%	6.3%
\$/£	1.604	1.612	1.4520	-0.5%	10.5%
\$/Euro	1.418	1.414	1.3950	0.3%	1.6%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	8,763.13	8,500.33	8,776.39	3.1%	-0.2%
S&P 500	940.09	919.14	903.25	2.3%	4.1%
NASDAQ	1,849.42	1,774.33	1,577.03	4.2%	17.3%
CAC 40	3,339.05	3,277.65	3,217.97	1.9%	3.8%
Xetra Dax	5,077.03	4,940.82	4,810.20	2.8%	5.5%
FT-SE 100	4,438.60	4,417.92	4,434.20	0.5%	0.1%
NIKKEI 225	9,768.01	9,677.75	8,859.56	0.9%	10.3%
<b>COMMODITIES</b>					
GOLD OUNCE	955.3	979	878.20	-2.4%	8.8%
SILVER OUNCE	15.24	15.74	11.30	-3.2%	34.9%
BRENT CRUDE (barrel)	67.61	65.4	39.83	3.4%	69.7%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	0.32	0.32	0.45	0.00	-0.13
US Prime Rate	3.25	3.25	3.25	0.00	0.00
US Discount Rate	0.50	0.50	0.50	0.00	0.00
US 10-year Bond	3.84	3.46	2.22	0.38	1.62

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