

# The Lebanon Weekly Monitor

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According to calculations derived from balance of payments and trade deficit results, capital inflows into Lebanon amounted to US\$ 2,403.1 million in April 2009, up by 117% when compared to the same month of 2008.

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While a wait-and-see mood remained the main feature characterizing the Beirut Stock Exchange this week, the Eurobond market was marked by a strong local and foreign demand, and the foreign exchange market witnessed a remarkable wave of conversions in favor of the Lebanese Pound. In details, the BSE was overwhelmed by a cautious mood this week in view of the forthcoming political challenges. This resulted in stable prices with the price index barely moving down by 0.14% to close at 128.90. In contrast, the Eurobond market saw a strong local and foreign demand on all categories this week, especially the long-term categories, which led to a decline in the average yield of 11 basis points to 6.72%, while the average spread tightened by 11 basis points to reach 443 basis points due to a decline in Lebanese yields and a rise in benchmark yields. On the foreign exchange market, the wave of US\$-to-LP conversions continued this week in higher volumes relative to the previous week, which called for the Central Bank's intervention as a buyer of the green currency surpluses at the lower end of its intervention bracket (LP 1,501). Within this context, the latest bi-monthly balance sheet ending 15 June, 2009 showed an increase in foreign assets of US\$ 338 million during the first half of the month to reach a new historical high level of US\$ 23.4 billion.

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Week  
**25**  
Jun 15 - Jun 20  
2009

## ► ECONOMY

### Capital inflows more than doubled in April 2009

According to calculations derived from balance of payments and trade deficit results, net capital inflows into Lebanon amounted to US\$ 2,403.1 million in April 2009, up by more than two times (117%) when compared to the same month of 2008. Furthermore, when compared to March 2009, the inflow of capital in the fourth month of this year more than quadrupled from US\$ 501.3 million.

This considerable increase in April boosted the yearly increase in capital inflows to 40.6% in the first four months of 2009, up from 5.3% in the first quarter of the year. Capital inflows totaled US\$ 4,940.8 million in the first four months of 2009, versus US\$ 3,514.2 million in the first four months of 2008. In fact, the inflow of capital so far this year is deemed especially significant as it signifies a record high relative to the same months of previous years.

Furthermore, the increase in capital inflows into Lebanon does mirror significant confidence by foreigners in the Lebanese economy, especially in light of the global financial crisis, which resulted in tightened liquidity conditions across the globe, and more importantly in Gulf countries, the main source for capital inflow into Lebanon.

Capital inflows into Lebanon in the first four months of 2009 were strong enough not only to buffer the expanding trade deficit but it also resulted in a record high balance of payments during the said period. The high amount of capital inflows during this year's first four months is largely due a rise in spending of tourists in Lebanon, as well as increased inflow of non-residents' deposits into Lebanese commercial banks. Those two items have mitigated negative repercussions associated with the global financial crisis.

If we compare the same capital inflows of the first four months of this year with the trade balance of the first four months of 2008, the result would have increased the balance of payments surplus to US\$ 1,285.8 million. Whereas if capital inflows totaled the same as in the first four months of last year (US\$ 3,514.2 million), the balance of payments would have posted a deficit US\$ 289.8 million, reiterating the importance of capital inflows in boosting the balance of payments during the first four months of this year.

### Tourism activity up by 69.2% in the first five months of 2009

Tourism activity in Lebanon has continued its upbeat performance for the fifth month in a row this year, with the number of tourists visiting Lebanon in May almost maintaining the record high level registered a month earlier. When comparing tourism activity in the first five months of 2009 to the same period a year ago, a rise 69.2% is notice-

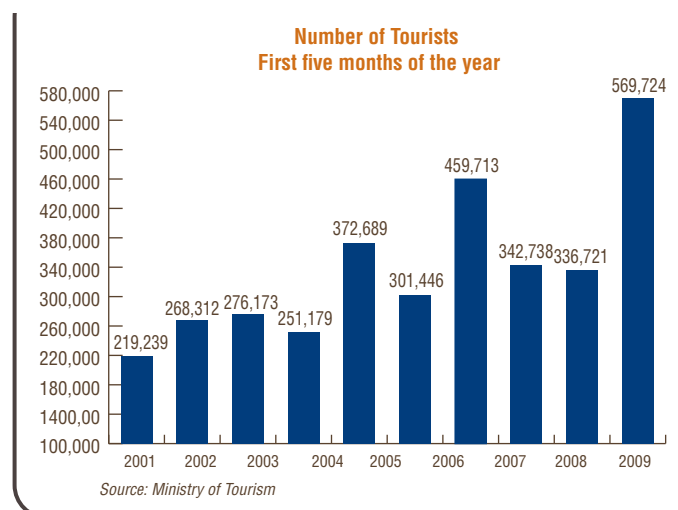
able with tourists reaching 569,724.

The number of tourists in the first five months of 2009 recorded an all-time high when compared to the number visiting Lebanon in the first four months of previous years. When compared to the first five months of 2006, the four months which were previously marked by the highest number of tourists, this year's first four months saw a 24.0%.

One should note that if growth in tourism activity continues along the same pace throughout the year, the number of tourists would surpass the two million previously projected by the Ministry and 2009 would be the year with the most vibrant tourism activity in Lebanon so far.

During May 2009 tourism continued the previously prevailing trend of vigorous activity with tourists totaling 135,306, up by 126.8% relative to the same month of the previous year. However, this very high year-on-year increase is attributed to some extent to the low base of May 2008, as back then Lebanon witnessed a short outbreak of violence. Still, May 2009 saw the second highest number of tourists in 2009 so far, following April when tourists totaled 136,739.

The distribution of tourists by origin in the first five months of 2009 shows that the greater part of visitors were from Arab countries with 40.5% of aggregate visitors, followed by visitors from Europe with 24.1%, visitors from Asia with 17.2%, visitors from the Americas with 11.5%, visitors from Oceania with 3.3%, and visitors from Africa with 2.3%. In terms of individual countries, the greater part of visitors was from Jordan with 72,271 visitors, or 12.7%, followed by Iran with 58,439 visitors (11.3%), Saud Arabia with 43,262 (7.6%), France with 38,350(6.7%), and Iraq with 29,824 (5.2%).



## Foreign trade activity up by 5.2% in the first four months of 2009

Despite the global economic turmoil, Lebanon's external trade activity managed to grow in the first four months of 2009 relative to the same period of 2008, with both imports and exports registering increases during the said period.

Aggregate imports and exports totaled US\$ 6,270 million in the first four months of 2009, up by 5.2% from the same period of last year. Imports amounted to US\$ 5,037 million, up by 4.7% from their value in the first four months of 2008. This growth in imports is the result of a solid year-on-year growth in the fourth month of the year, as each of the first three months of 2009 witnessed a year-on-year decline in imports. Indeed, the 37.1% year-on-year growth in import activity in April 2009 signifies strong consumption and investment during the month. Imports totaled US\$ 1,797 in April 2009, up by 57.9% relative to March 2009.

Such an increase in import activity in the first four months of the year comes in spite the fact that oil prices were 54% than they were in the same period of 2008, and the exchange rate of the Euro against the dollar is 16% lower than it was in the first four months of 2008, noting that oil imports constitute 20.5% of total imports, while imports from the Euro area account for around 31% of total imports.

Export activity, in parallel, grew by a yearly 6.8%, to reach US\$ 1,233 billion in the first four months of 2009. This yearly growth was significantly higher in the first quarter of the year (14.3%), as it was pulled down by a year-on-year retreat of 17.2% in exports in April 2009 which totaled US\$ 231 million. April is the second month in a row to witness a year-on-year decline in export activity this, and this could be the result in a slowdown in a demand from Arab countries, which were adversely affected by the crisis.

The strong growth in imports has resulted in a widening of the trade deficit, which, this year went up for the first time

in April 2009. The trade deficit was at US\$ 1,566 million in April 2009, up by 51% from the same month of 2009. As a result, the yearly variation in the trade deficit shifted from a contraction to an expansion, of precisely 4.1%, leading to a deficit of US\$ 3,804 in the first four months of the year. Furthermore, in light of the growth in exports being higher than that of imports, the export-to-import coverage ratio improved from 23.9% in the first four months of 2008 to 24.4% in the same period of this year.

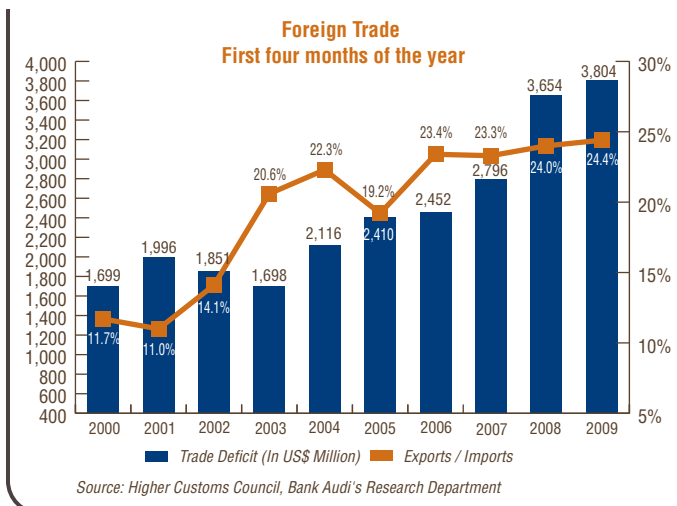
The breakdown of Lebanese exports by country of destination for the first four months of 2009 indicates that Switzerland was the country with the greater part of Lebanese exports with 23.6%, followed by Syria (12.2%), Iraq (9.1%), and the UAE (8.3%). As for the breakdown of imports to Lebanon by country of origin, it reveals that France got the largest share with 10.4% of the total, followed by the USA (9.2%), China (8.8%), Germany (7.3), and Italy (7.4%).

Lebanon's primary export item in the first four months of this year was jewelry that accounted for 50.7% of total exports, followed by electrical equipments and products (13.1%), mineral products (10.3%), and paper products (6.4%). In parallel, mineral products, which accounted for 20.5% of total imports, retained the lion's share of imports during the aforementioned period, followed by transport vehicles (16.0%), electrical products (13.1%), and metals and metal products (8.7%).

## Tax-free purchases up by a yearly 40% in the first five months of 2009

Figures released by Global Refund, the firm that reimburses VAT to tourists at the Lebanese border points, reveal that tax-free purchases reported an increase of 40% in the first five months of 2009 relative to the same months of 2008, mirroring the increase in tourism activity in the country.

All Arab citizens registered positive year-on-year variations in their spending in the first five months 2009, with the highest increase being that of citizens from Syria, as it was at 112%, followed by that of citizens from Saudi Arabia with 95%, expenditures of Kuwaiti, Qatari, and Egyptian citizens with a 76% year-on-year rise each, spending of Jordanian citizens with a 28% increase, and spending of nationals from the UAE with a 17% rise. On the other hand, spending of non-Arabs saw declines in the first five months of 2009, with spending of French and Nigerian citizens decreasing by 16%, and 15%, respectively and that of citizens from the United Kingdom dropping by 5%. Again, this is correlated with the global financial crisis, as those citizens were more affected by the crisis than Arab citizens.



## ► SURVEYS

### **Lebanon displays the strongest consumer confidence in the region in the first half of 2009 according to MasterCard Worldwide**

MasterCard Worldwide released the results of its biannual consumer confidence index survey, MasterIndex, which indicated that among surveyed countries in the Middle East and Africa region (MEA), Lebanon proved to be the strongest performing market in terms of consumer confidence in the first half of 2009.

The MasterIndex has a range of 0 to 100 with 50 as the midpoint. A score above 50 reflects consumers' optimism about the economic climate, while a score below 50 indicates pessimism about the economic situation. The overall index is the mean score of five relative indices, which measure the relative optimism of consumers on five key economic barometers, which are employment, economy, regular income, stock market and quality of life

Lebanon's MasterIndex scored 64.4 points in the first half of 2009. Although it has fallen slightly below the score of a high 69.1 points registered in the prior survey, which covered the second half of 2008, the report ranked Lebanon as the best performer in the region during the first half of this year, due to the substantial unprecedented year-on-year growth in Lebanon's score. Indeed, when compared to the first half of 2008, Lebanon's consumer confidence score more than doubled as it was at 32.0 in the first half of 2008. Furthermore, in the current survey, Lebanon's score was 19.5% higher than the regional average of 53.9 points.

It is worth noting that Lebanon was the only country in the MEA region to see a yearly surge in its consumer confidence in the first half of 2009, as all countries were significantly affected by the global financial crisis and thus witnessed a nosedive in their consumer confidence level. Once again, Lebanon seems to have benefitted from the stabilization in its political conditions which resulted in an economic recovery strong enough to buffer repercussions of the global economic meltdown.

An overall optimistic sentiment on all the five MasterIndex economic factors was reported in Lebanon in the first half of 2009, as the country scored above 50 and saw a significant year-on-year ascend in all five categories. Lebanon's score was below 50 on all five categories a year ago, which means that back then consumers were less optimistic when it came to each barometer, a trend which has utterly reversed in the current survey. Lebanese consumers reported reasonably positive expectations about regular income (72.1) points, stock market (69.6 points), employment (62.5 points), and are somewhat optimistic when it comes to quality of life (59.3 points), and economy (58.6 points).

Three barometers, namely regular income, stock market, and employment saw their score more than double in Lebanon in the first half of 2009 relative to the same period a year ago. The highest increase was reported at the level of regular income, as Lebanon's score more than tripled from 27.8 points a year ago. Also, when it comes to stock market, Lebanon's score increased by 144.2% from 28.5 points. As to consumer sentiment regarding the job situation, it has moved from negative territories to positive ones as Lebanon's score on the employment barometer shot upwards by 137.6% from 26.3 points in the first half of 2008.

As for the remaining two barometers, Lebanese consumers displayed a lower yet still solid growth in confidence levels. When it comes to economy, Lebanon's score improved by 68.9% from 34.7 points, while its score on quality of life witnessed the lowest yearly rise of 39.2%.

Lastly, Lebanon's consumer confidence score in the first half of 2009 is at one of its highest reported historical levels with its present score well surpassing the country's historical average score of 46.5 points recorded so far.

### **Moody's sees increased confidence and stability in Lebanon following elections**

In a recent note released by Moody's Investor Services on Lebanon following the Parliamentary elections, the agency indicated that the stability that accompanied those elections resulted in an overall increased confidence in the Lebanese economy.

Moody's maintained Lebanon's ratings at B2 with a stable outlook and reiterated its confidence in the ability of the Lebanese banking system in facing all kinds of crises. As a matter of fact, the primary challenge for Lebanon for the time being lies in the new government's efforts to attract new investments into the country, in order to face the significant fiscal deficit, which in turn is accumulating the already huge debt burden.

Moody's added that a stable political environment like the one currently prevailing contributes positively to attracting investments. Now, the upcoming government should focus on gearing investments into the right sectors, such as infrastructure, which is indeed short of investments. Also, the government should re-tackle its privatization programs, now that political conditions are relatively stable.

Finally, the report noted that with the slight current improvement in economic conditions in the Gulf, the inflow of capital from those countries into Lebanon shall resume, and Moody's forecasts that they shall primarily target the real estate sector. Thus, Moody's anticipates a forthcoming real estate upsurge in Lebanon.

## ► CORPORATE NEWS

### **Solidere posts US\$ 182.7 million in consolidated 2008 net profits**

Solidere, the real estate company in charge of the development and reconstruction of the Beirut Central District, announced its audited consolidated financial statements for 2008, posting net profits of US\$ 182.7 million, against US\$ 224.2 million in 2007. Solidere operates in the Lebanese market as Solidere sal and in the Middle East as Solidere International.

Total revenues from land and real estate sales reached US\$ 256.6 million in 2008, against US\$ 288.5 million in 2007. Revenues from rented properties reached US\$ 21.7 million in 2008, against US\$ 20.8 million in 2007. Solidere's total assets amounted to US\$ 2.5 billion at year-end 2008.

The Lebanon operations stand-alone net profits figure of Solidere stood at US\$ 184.5 million, up by 18.2% from US\$ 156.2 million in 2007. These positive results reflect the company's ability to generate increasing profits, which result mainly from increasing land sales revenues as well as from its property rental income, according to company statements. New land sales agreements were signed in the previous six months for a total value of around US\$ 294 million. Further, negotiations are underway with other investors to sell other land sections in Solidere's inventory, according to Solidere statements. The operations of Solidere International, established in 2007, resulted in a net loss of US\$ 1.8 million.

According to Solidere, a combination of several factors helped the company weather the global financial crisis, most importantly its policy to keep high levels of liquidity, the lack of leverage, and a strong asset base together with a sound cash placement policy, in addition to the solid fundamentals of the company and the project. In light of its 2008 results, the company's Board of Directors is recommending to the General Meeting of Shareholders to distribute a dividend equivalent to US\$ 1 per share.

### **BBAC posts net profits of US\$ 6.8 million in the first quarter of 2009**

BBAC reported net profits of US\$ 6.8 million in the first quarter of 2009, up by 23.8% from the first quarter of 2008. Interest margin increased from US\$ 11.4 million in the first quarter of 2008 to US\$ 14.3 million in the first quarter of 2009, while non-interest income amounted to US\$ 1.1 million, against US\$ 2.7 million in the first quarter of 2008. Total operating expenses increased by 15.1% to US\$ 9.2 million in the first quarter of 2009.

Total assets amounted to US\$ 3.3 billion at end-March 2009, up by 9.4% from end-March 2008. Customer deposits totaled US\$ 2.9 billion, posting a 13.0% yearly increase.

Loans increased by 14.8% year-on-year to reach US\$ 625.7 million at end-March 2009. The bank's shareholders' equity amounted to US\$ 255.8 million at end-March 2009, up by an annual 12.4%. The bank's net return on average assets amounted to 0.83% in the first quarter of 2009, while its net return on average equity reached 10.0%.

### **Société Générale de Banque au Liban posts net profits of US\$ 12.5 million in the first quarter of 2009**

Société Générale de Banque au Liban reported net profits of US\$ 12.5 million in the first quarter of 2009, against US\$ 4.9 million in the first quarter of 2008. Interest margin increased from US\$ 17.4 million in the first quarter of 2008 to US\$ 24.7 million in the first quarter of 2009, while non-interest income rose from US\$ 6.9 million in the first quarter of 2008 to US\$ 9.5 million in the first quarter of 2009. Total operating expenses increased by 17.2% to US\$ 19.4 million in the first quarter of 2009.

Total assets amounted to US\$ 3.5 billion at end-March 2009, up by 16.7% from end-March 2008. Customer deposits totalled US\$ 2.6 billion, posting a 10.1% increase from end-March 2008. Loans increased by 8.4% year-on-year to reach US\$ 968.3 million at end-March 2009. The bank's shareholders' equity amounted to US\$ 325.9 million at end-March 2009. The bank's net return on average assets amounted to 1.5% in the first quarter of 2009, while its net return on average equity reached 14.9%.

### **BLC Bank's net profits up by 54.2% to US\$ 23.0 million in 2008**

BLC Bank announced consolidated audited net profits of US\$ 23.0 million in 2008, up by 54.2% from US\$ 14.9 million in 2007. Net interest income increased by 35.4% to US\$ 43.7 million in 2008, while net commission earnings rose by 17.4% to US\$ 6.5 million in 2008. Staff expenses increased by 20.2% to US\$ 20.6 million, while administrative charges declined by 3.9% to reach US\$ 11.0 million in 2008.

Total assets reached US\$ 2.0 billion at year-end 2008, up by a yearly 13.8%. Loans and advances increased by 44.3% to US\$ 275.5 million, while customer deposits rose by 17.0% to US\$ 1.7 billion at year-end 2008. Shareholders' equity amounted to US\$ 157.1 million at year-end 2008, up by 22.4% over the year.

### **Banque BEMO to distribute 2008 dividends**

Banque BEMO announced the distribution of year 2008 dividends amounting to LP 2.4 billion for preferred shareholders and LP 3.6 billion for common shareholders. Banque BEMO had announced consolidated net profits of US\$ 7.6 million in 2008.

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## ► CAPITAL MARKETS

### Money Market: M4 registers impressive weekly expansion of LP 1,071 billion

In view of the continuous wave of conversions from US Dollars to Lebanese Pounds, the local currency liquidity remained quite available and the overnight rate stood at its low official level of 3.5% set by the Central Bank. As to Certificates of Deposits (CDs), no subscriptions were made this week in the 45-day and 60-day categories. It is worth mentioning that the latest monthly report released by the Association of Banks in Lebanon showed that the outstanding portfolio of Certificates of Deposits stood at LP 14,754 billion at end-April 2009, versus LP 13,591 billion at end-March, up by LP 1,163 billion, accumulating an increase of LP 5,719 billion during the first four months of 2009. This significant rise is mainly attributed to commercial banks' interest in subscribing in five-year CDs that provide a high yield of 9.75%.

On the monetary aggregates level, figures for the week ending June 4 show a decrease of LP 40 billion in local currency deposits, as a result of a LP 54 billion decline in time deposits and a LP 14 billion increase in demand deposits. In parallel, deposits in foreign currencies went up by US\$ 499 million. These variations compare to an average weekly increase of LP 245 billion for LP deposits since the beginning of the year 2009, and an average increase of US\$ 68 million in foreign currency deposits.

LP money supply (M2) expanded by LP 321 billion, versus an average weekly increase of LP 244 billion since the beginning of the year 2009. The total money supply in its large sense (M4) expanded by LP 1,071 billion, compared to an average weekly increase of LP 362 billion since end-2008. On a cumulative basis since the beginning of the year, money supply in the large sense (M4) expanded by LP 8,512 billion. This is the result of an important growth in local currency denominated time deposits of LP 5,170 billion and an increase of LP 2,736 billion (US\$ 1,815 million) in foreign currency deposits. Money supply in its narrow sense (M1) widened by LP 247 billion over the same period, while Treasury bills held by the public increased by LP 359 billion.

Interest rates	19/06/09	12/06/09	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: Weighted average yield on Tbs stood at 9.05% in April

The secondary market saw this week a modest trading activ-

ity on the short-term Treasury bills. As to the primary, the latest results of the Treasury bills auction, released by the Central Bank this week showed that total subscriptions for value date June 11, 2009 amounted to LP 64 billion, and were distributed as follows: LP 0.1 billion in the three-month category, LP 7 billion in the six-month category, LP 5 billion in the one-year category, LP 2 billion in the two-year category and LP 50 billion in the three-year category. These compare to maturities of LP 72 billion, resulting in a nominal deficit of LP 8 billion. The average yields on all categories were reduced again this week by three to six basis points with the one-year standing still. The preliminary results of this week's auction (June 18, 2009) showed that average yields across all categories – except for the three-month category- went down by another two to four basis points.

The latest figures released by the Association of Banks in Lebanon showed that the weighted average yield on Treasury bills stood at 9.05% at end-April 2009, with no change relative to the previous month, yet declining by 12 basis points since year-end 2008.

Treasury bills	19/06/09	12/06/09	26/12/08
3-month	4.94%	4.94%	5.10% ↔
6-month	6.69%	6.72%	7.10% ↓
1-year	6.94%	6.98%	7.58% ↓
2-year	7.62%	7.66%	8.26% ↓
3-year	8.62%	8.64%	9.00% ↓
Nom. Subs. (LP billion)		64	242
Short-term (3&6 mths)		7	80
Medium-term (1&2 yrs)		7	13
Long-term (3 yrs)		50	149
Maturities		72	157
Nom. Surplus/Deficit		-8	85

### Foreign Exchange Market: Continuous rise in BDL's foreign assets to hit US\$ 23.4 billion

US\$-to-LP conversions persisted this week in higher volumes relative to the previous week, which called for the Central Bank's intervention as a buyer of the green currency surpluses at the lower end of its intervention bracket (LP 1,501). In parallel, commercial banks traded the green cur-

Exchange rates	19/06/09	12/06/09	26/12/08
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,468.68	2,483.46	2,221.60 ↑
LP/¥	15.53	15.37	16.66 ↓
LP/SF	1,384.81	1,401.93	1,401.80 ↑
LP/Can\$	1,333.72	1,355.06	1,236.37 ↑
LP/Euro	2,094.37	2,118.04	2,120.00 ↑

rency at a rate hovering between LP 1,501 and LP 1,501.25, with no change relative to the previous week.

Within this context, the Central Bank's latest bi-monthly balance sheet ending June 15, 2009 showed an increase in foreign assets of US\$ 338 million during the first half of June to reach a record high level of US\$ 23.4 billion. The rise is mainly attributed to a surge in commercial banks deposits at the Central Bank of US\$ 587 million during the said period. Accordingly, the BDL's foreign assets covered 82.7% of the LP money supply at mid-June 2009, with this coverage ratio rising to 113.0% when accounting for gold reserves estimated at US\$ 8.6 billion, which reflects the Central Bank's strong ability to meet demand for foreign currencies and to defend the currency peg.

### Stock Market: Wait-and-see mood prevails with no change in prices

The stock market was overwhelmed by a wait-and-see mood this week in view of the forthcoming political challenges. As such, prices remained almost unchanged as reflected by a tiny change of -0.14% in the price index to reach 128.90. The total trading value amounted to US\$ 21.4 million this week versus US\$ 98.8 million last week. The average daily trading value fell from US\$ 24.7 million last week to US\$ 4.3 million this week, which led to a drop in the trading volume index of 82.7% to 187.16.

In details, Solidere accounted for 83% the weekly turnover. Solidere "A" share price increased by 0.4% to US\$ 23.79, and Solidere "B" share price rose 1.2% to US\$ 23.86. On the other hand, banking shares accounted for only 17% of the total trading value this week. Bank Audi's GDR price edged up by 0.2% to close at US\$ 65.05, while the same bank's "listed" shares decreased by 3.1% to close at US\$ 57.70. BLOM's GDR price moved up by 0.5% to close at US\$ 72.25. Byblos Bank's "listed" shares lost 3.2% to US\$ 1.80, and its "priority shares" increased by 4.9% to US\$ 1.76.

Among the industrial shares, Holcim changed hands and went down 4.7% to US\$ 13.05, while Uniceramic C's share price stood at US\$ 0.1. As to the investment funds, none was traded this week.

Finally, the BSE's performance was better than other emerging stock markets, as reflected by a 5.0% drop in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and a 5.3% fall in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). In contrast, the BSE performed relatively similarly to other Arabian markets, as reflected by a small decrease of 0.6% in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets) and a 0.8% decline in the Morgan Stanley Capital International GCC countries Index (MSCI GCC countries).

### Bond Market: Strong local and foreign demand for Lebanese debt instruments

The Eurobond market saw a strong local and foreign demand this week across all categories, especially the long-term categories, yet this demand was not met by adequate offer. Within this context, bond prices moved up as reflected by an 11 basis points decline in the average yield to reach 6.72%, while the average spread tightened by 11 basis points to reach 443 basis points due to a decrease in Lebanese yields and a rise in benchmark yields. For instance, the average yield on the five-year US Treasury bill increased from 2.79% last week to 2.86% this week, as gains in global equity markets cut safety bids for bonds. On a cumulative, the average spread reached this week has lost 285 basis points since the beginning of the year and is the lowest since mid 2008.

On the emerging markets, bond prices improved slightly as reflected by a five basis points decrease in the average yield, while the average spread tightened by a slight three basis points to reach 579 basis points.

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**25**  
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#### Audi Indices for BSE 19/06/09 12/06/09 26/12/08

22/1/96=100

Market Cap. Index	443.97	444.58	393.96↓
Trading Vol. Index	187.16	1080.76	50.43↓
Price Index	128.90	129.07	116.09↓
Change %	-0.14%	8.90%	-1.71%↓
Market Cap. \$m	10,533	10,547	9,346↓
No. of shares traded	1,518,760	4,589,898	372,788↓
Value Traded \$000	21,414	98,790	4,550↓
o.w. : Solidere	17,710	93,032	3,182↓
Banks	3,567	5,675	1,329↓
Others	137	83	39↑

#### Eurobonds Indicators 19/06/09 12/06/09 26/12/08

Total tradable size \$m	17,563	17,569	17,173 ↓
o.w.: Sovereign bonds	16,993	16,999	16,603 ↓
Average Yield	6.72%	6.83%	8.88% ↓
Average Spread	443	454	755 ↓
Average Life	4.73	4.75	4.65 ↓
Yield on US 5-year note	2.86%	2.79%	1.32% ↑

**ARAB STOCK MARKETS INDICES:**

	19-Jun-09	12-Jun-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	128.9	129.07	113.6	-0.1%	13.5%
Abu Dhabi securities market	55.22	56.7	47.0	-2.6%	17.5%
Amman stock exchange	344.73	363.64	340.3	-5.2%	1.3%
Bahrain stock exchange	139.87	136.08	156.5	2.8%	-10.6%
Casablanca stock exchange	231.92	230.73	224.5	0.5%	3.3%
Doha securities market	132.97	138.01	142.7	-3.7%	-6.8%
Dubai financial market	60.33	62.42	60.3	-3.3%	0.1%
Egypt capital market	311.27	316.54	240.1	-1.7%	29.6%
Kuwait stock market	149.87	149.95	147.9	-0.1%	1.3%
Muscat securities market	157.94	159.01	157.3	-0.7%	0.4%
Saudi stock market	136.96	137.32	113.2	-0.3%	21.0%
Tunis stock exchange	131.75	131.36	114.8	0.3%	14.8%
AMF composite	171.03	173.18	156.3	-1.7%	9.4%

Source: Arab Monetary Fund

**INTERNATIONAL MARKET INDICATORS:**

	19-Jun-09	12-Jun-09	31-Dec-08	Weekly change	End-year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	96.74	98.13	90.92	-1.4%	6.4%
\$/£	1.645	1.64	1.4520	0.3%	13.3%
\$/Euro	1.392	1.398	1.3950	-0.4%	-0.2%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	8,593.73	8,799.26	8,776.39	-2.3%	-2.1%
S&P 500	921.23	946.21	903.25	-2.6%	2.0%
NASDAQ	1,827.47	1,858.80	1,577.03	-1.7%	15.9%
CAC 40	3,221.27	3,326.14	3,217.97	-3.2%	0.1%
Xetra Dax	4,839.46	5,069.24	4,810.20	-4.5%	0.6%
FT-SE 100	4,345.93	4,441.95	4,434.20	-2.2%	-2.0%
NIKKEI 225	9,786.26	10,135.82	8,859.56	-3.4%	10.5%
<b>COMMODITIES</b>					
GOLD OUNCE	933.3	937.9	878.20	-0.5%	6.3%
SILVER OUNCE	14.19	14.79	11.30	-4.1%	25.6%
BRENT CRUDE (barrel)	68.4	71	39.83	-3.7%	71.7%
<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	3.77	3.79	2.22	-0.02	1.55

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