

The Lebanon Weekly Monitor

► ECONOMY

p.2 ► Airport activity in June reaches a peak in 2009

Figures released by the Harriri International Airport (HIA) reveal that air transport activity indicators in June recorded a peak in 2009 so far, with the number of passengers using the airport at 458,221 up by 32.7% compared to May and by 27.6% rise relative to the same month of the previous year.

Also in this issue:

- p.2 ► Property sales transactions down by 2.0% in the first half of 2009
- p.3 ► Clearing activity up by 3.1% in the first half of 2009
- p.3 ► Containers at the Port of Beirut rise by 18.2% in the first half of 2009
- p.3 ► Imports of industrial machinery up by 26.7% in the first five months of 2009
- p.3 ► Beirut's Hotel Occupancy at 70% in the first five months of 2009

► SURVEYS

p.4 ► Lebanon ranks as the fourth highest recipient of inter-Arab investments in 2008

The Inter-Arab Investment Guarantee Corporation released its annual report titled Investment Climate in the Arab Countries for 2008, where it estimated Arab investments in Lebanon at US\$ 2,661 million in 2008, reporting a decline of 20.4% from US\$ 3,343 million in 2007.

► CORPORATE NEWS

p.5 ► Zain's net profits at US\$ 533.5 million in the first half of 2009

Zain, a leading mobile telecommunications operator in the region, and manager of one of Lebanon's mobile phone networks under the name of mtc-touch, announced its consolidated financial results for the first half of 2009. Zain's consolidated net profits reached US\$ 533.5 million in the first half of 2009, up by 4.4% on a yearly basis.

Also in this issue:

- p.5 ► BLC Bank posts net profits of US\$ 16.4 million in the first half of 2009
- p.5 ► Holcim Liban to distribute 2008 dividends
- p.5 ► Tele Liban to open new transmission station

► MARKETS IN BRIEF

p.6 ► Strong demand on new issued 5-year Tbs

The domestic political status quo, despite the erratic waves of optimism every now and then regarding the formation of a new Cabinet, left its imprints on capital markets this week. At the level of the stock market, prices moved within narrow margins, ending the week with a small rise of 0.6% in the price index, while global, emerging and regional markets reported weekly increases varying between 2% and 7%. As to the Eurobond market, domestic and foreign demand on Lebanese fixed income paper within the context of a quasi-absence of supply, raised prices and contracted spreads by 11 basis points to 407 basis points by Friday. The most important development remains at the level of the Tbs market, with the launch of new 5-year Tbs with 9.00% yield and which witnessed a strong demand on behalf of subscribers, mainly commercial banks which wanted to get advantage of the prevailing rates prior to its plausible decline. It is important to bear in mind that the new 5-year Tbs issuance comes in parallel to the suspension of 5-year CDs issues on behalf of the Central Bank. The strong demand on 5-year Tbs had its relative impact in the money market where the overnight rate rose to 4% in the past couple of days before closing at 3.5% on Friday.

Research Department

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

Week
30
Jul 20 - Jul 26
2009

► ECONOMY

Airport activity in June reaches a peak in 2009

Figures released by the Hariri International Airport (HIA) reveal that air transport activity indicators in June recorded a peak in 2009 so far, with the number of passengers using the airport at 458,221 up by 32.7% compared to 345,278 passengers in May, 389,480 passengers in April, 299,803 passengers in March, 274,503 passengers in February, and 303,534 passengers in January. When compared to the same month of the previous year, the number of passengers at the airport saw a 27.6% rise.

Incoming passengers were significantly higher than outgoing passengers in June 2009 with the former at 284,799 and the latter at 173,422. Arriving passengers saw a monthly rise of 51.6% and a year-on-year increase of 26.6%, while departing passengers witnessed a monthly increase of 10.1% and a year-on-year rise of 29.3%. Aircraft activity was also on the upsurge in the sixth month of the year, going up by 14.2% relative to the previous month and 30.6% year-on-year.

Here, one should note that this exceptionally high level of activity in June 2009 is to the most part due to the fact that many Lebanese came to Lebanon in the said month to participate in the Parliamentary elections, not to mention the buoyant tourism activity that has been booming since the beginning of 2009 and peaked in June. As for transit passengers, they totaled 3,232, up by 6.9% year-on-year.

As such, year-to-date activity, which was already soaring in the first five months of the year, continued to flourish in the first half of the year, leading to record high levels in the number of passengers at the airport, the number of planes, and more importantly the rate of increase of such activity indicators. Airline traffic saw a yearly rise of 32.3% in the first half months of the year, while passengers at the airport increased by 30.2% in the said period. Total planes using the airport in the first half of 2009 amounted to 25,344,

while passengers at the airport totaled 2,070,819.

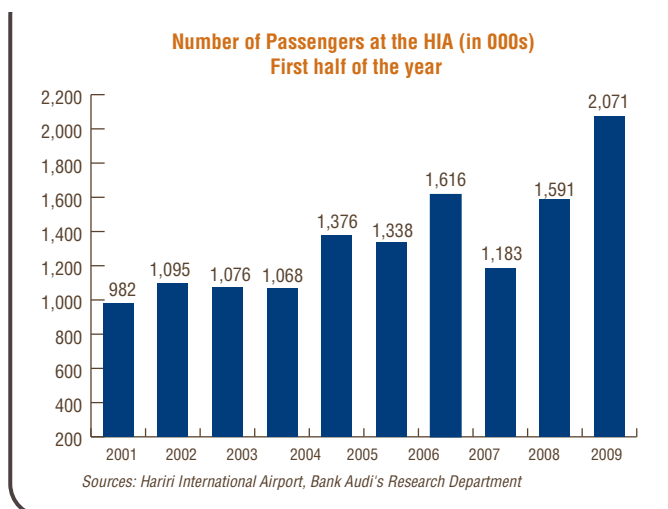
In-depth passengers' activity at the HIA, one can notice that the prevailing norm throughout 2009 so far is one of an almost equal number of arrivals and departures, with the former at 979,066 passengers and the latter at 1,091,753. This reflects that most people coming to Lebanon during the said period, whether tourists or Lebanese expatriates have been coming for visits or vacations. It seems that there has not been a significant activity of people leaving Lebanon permanently or coming to Lebanon for good during the said period. In other words, the effect of the global crisis on the jobs of Lebanese working abroad has been more or less contained. As a matter of fact, the only month that saw a higher activity of arrivals was June, yet another indicator of the substantial number of Lebanese, who came to participate in the elections.

Property sales transactions down by 2.0% in the first half of 2009

The property sector collapse that has been occurring in several countries across the world, and especially in the MENA region, has to a small extent spread its contagion to the sector's activity in Lebanon, as it placed a downward pressure on prices of property in Lebanon. Also, the sixth month of the year, similar to the fourth month saw a plunge in the demand for property, contrary to the first quarter of the year and the month of May. The number of property sales transactions went down by a 10.6% year-on-year in June 2009, which more than offset the growth in demand witnessed in the first quarter of the year and in May, thereby leading to a yearly decline of 3.3% in property sales transactions in the first half of the year to reach 33,830.

Figures released by the Directorate of Real Estate indicate that the total value of property sales in Lebanon in the first half of 2009 was at LP 3,703.3 billion, down by 5.2% from the value of property sales registered in the first half of 2008. 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 109.5 million in the first half of 2009, down by 2.0% from the same period of the previous year. Nonetheless, such a decline is trivial when compared to the plummet in real estate prices witnessed across the region.

The increase in the number of property sales transactions to foreigners slowed down to reach 9.6% in the first half of 2009, relative to 18.5% in 2008, which is natural, as Arabs and Gulf citizens, which are the majority of foreign investors in Lebanon, have been adversely affected by the crisis. But still, the mere fact that foreigners are still purchasing property in Lebanon, in spite of the crisis, is an indicator of the attractiveness of the Lebanese real estate



sector to Arabs and foreigners.

Clearing activity up by 3.1% in the first half of 2009

According to figures released by the Association of Banks in Lebanon, total cleared checks in the banking system, a coincident indicator of overall spending patterns in the economy, amounted to US\$ 25,176 million in the first half of 2009, up by a 3.1% from the corresponding period of the previous year. This increase is mostly the result of a 15.8% increase in local currency denominated checks that totaled LP 7,905 billion, as well as a trifling increase of 0.2% in foreign currency denominated checks. The latter amounted to US\$ 19,932 million in the first half of 2009.

The rise in LP denominated cleared checks within the context of a smaller increase in foreign currency denominated cleared checks has led to a fall in the dollarization of cleared checks to 79.2% in the first half of the year, down from 81.4% in the same period of the previous year. This decline in the dollarization rate is in line with the recent trend of increased confidence in the Lebanese pound as a medium of transaction in the country, which has led to a continuous decline in deposit dollarization, as well.

On a monthly basis, the total value of cleared checks amounted to US\$ 4,531 million in June 2009, down by 5.1% from the same month of the previous year. However, when compared to the previous month, the total value of cleared checks saw a 2.4% increase.

Containers at the Port of Beirut rise by 18.2% in the first half of 2009

Maritime transport services, which mirror the performance of the trade sector, saw positive variations in the first half of 2009, as reflected by the main indicators of the Port of Beirut that handles the majority of the country's imports and exports. According to the figures released by the Port, the number of ships totaled 1,200 in the first half of 2009, up by 17.5% as compared to 2008's same period.

The total tonnage of loaded and unloaded merchandise at the port went up by 8.4% to reach 1,979 thousand tons. It is worth noting that the tonnage of merchandise loaded and unloaded at the port is one of the most important indicators of import and export activity at the port. In parallel, the number of containers at the Beirut Port, another important indicator of trade activity increased by 18.2% to reach 287,593 containers during the said period.

Imports of industrial machinery up by 26.7% in the first five months of 2009

According to statistics released by the Ministry of Industry,

imports of industrial machinery, which mirror the activity of investments made in the industrial sector, amounted to LP 108.4 billion, or US\$ 71.9 million in the first half of 2009, up by 26.7% from their value in the same period of 2008. As a matter of fact, the value of imports of industrial machinery in the first half of this year reached a historical high when compared to the same period of previous years. Imports of industrial machinery have so far shown no signs of a hold back amidst the global economic meltdown.

Imports of industrial machinery have registered year-on-year increases in each and every month of 2009 so far, except for May 2009, as in the same month of 2008, imports of industrial machinery were at an exceptionally high level. Indeed, imported industrial machinery, which were at US\$ 15.6 million in May 2008, witnessed a year-on-year decline of 34.0%.

Beirut's Hotel Occupancy at 70% in the first five months of 2009

The hotel benchmark survey by Ernst & Young indicated that Beirut's occupancy rate was at 70% in the first five months of 2009, up from 36% in the same period of the previous year. Beirut had the 13th highest occupancy rate among 22 markets in the region, compared to the lowest rate in the same period of 2008. Moreover, the Lebanese capital posted that the highest increase in occupancy of 34%, but this mostly due to the low base of 2008.

The average rate per room at hotels in Beirut saw a yearly rise of 46% in the first five months of the year, which is the highest increase among the city's regional peers, to reach US\$ 189, thereby placing Beirut in the 12th position when ranking the 22 cities according to the highest rate per room. As to revenues per available room (RevPar), it was US\$ 133 in Beirut in the first five months of 2009, up by US\$ 48 year-on-year, thereby placing Beirut as the city with 11th highest RevPar in the region. Percentage-wise, Beirut posted the highest increase in RevPar of 178.3%, compared to an average regional decline of 2.3%.

In 2009 so far, Beirut's hotel occupancy was at 57% in January, 68% in February, 74% in March, 81% in April, 70% in May, relative to respective occupancy rates of 43%, 32%, 34%, 44% and 29% in the same months of 2008. As to the city's RevPar, it was US\$ 108, US\$ 136, US\$ 135, US\$ 159, and US\$ 129, in January, February, March, April, and May of the year 2009, in that order, compared to US\$ 59, US\$ 40, US\$ 38, US\$ 59, and US\$ 44 in the respective same months of 2008.

Week
30
Jul 20 - Jul 26
2009

► SURVEYS

Lebanon ranks as the fourth highest recipient of inter-Arab investments in 2008

The Inter-Arab Investment Guarantee Corporation released its annual report titled Investment Climate in the Arab Countries for 2008. The report estimated that Arab investments in Lebanon reached US\$ 2,661 million in 2008, reporting a decline of 20.4% from US\$ 3,343 million in 2007, but still growing by 17.4% from US\$ 2,267 million in 2006, and 49.5% from US\$ 1,780 million in 2005. Lebanon's share of aggregate inter-Arab investments in 2008 reached 7.8% in 2008 versus a higher 16.2% in 2007, 13.7% in 2006, 4.8% in 2005, and 17.6% in 2004.

Lebanon was the fourth largest recipient of Arab capital in nominal terms among twelve Arab countries covered in the report, after coming in the second place in 2007, fourth place in 2006 and third place in 2005, second place in 2004 and first place in 2003.

It is worth mentioning that since 1995, Lebanon has been consistently among the top five recipients of inter-Arab investments, noting that such investments in Lebanon exceeded US\$ one billion in 2004 and reached a peak of US\$ 3.343 billion in 2007.

As a matter of fact, the inflow of inter-Arab investments into Lebanon in 2008 is the second highest for the country historically, and the yearly drop during 2008 could be the result of the fact that in the first nine months of the year up until the eruption of the crisis, inter-Arab investments were geared toward oil-rich countries, not to mention the political stalemate in Lebanon in the first half of 2008.

Arab investments in that sector. This particular interest in the sector in Lebanon can be attributed to the market attractiveness as the increase in property prices in Lebanon was at a slower pace than the surge on property prices in other Arab countries during the oil boom.

At the level of investing countries, the UAE was the primary investor in Lebanon with investments worth US\$ 1,115 million, or 41.9%, of total Arab investment in Lebanon in 2008, followed by Kuwait with US\$ 649.3 million (54.4%), Saudi Arabia with US\$ 616.2 million (23.1%), Qatar with US\$ 117.3 million (3.3%), Bahrain with US\$ 99.8 million (3.8%), and Syria with US\$ 63.3 million (2.4%).

Historically and on a cumulative basis, Arab investments in Lebanon totaled US\$ 14,795 million during the 1995-2008 period, accounting for 10.9% of aggregate inter-Arab investments in the covered period, averaging US\$ 1,057 million per year and growing at a compound annual growth rate (CAGR) of 24.3%.

Overall, Lebanon was the third largest recipient of Arab investments during the 1995-2008 period, after Saudi Arabia which captured some US\$ 52.8 billion over the said 14 years accounting for 39.1% the region's investment flows and Sudan with US\$ 16.4 billion (12.1%). Egypt came in fourth with US\$ 11.0 billion (8.2%), then Algeria with US\$ 7.7 billion (5.6%).

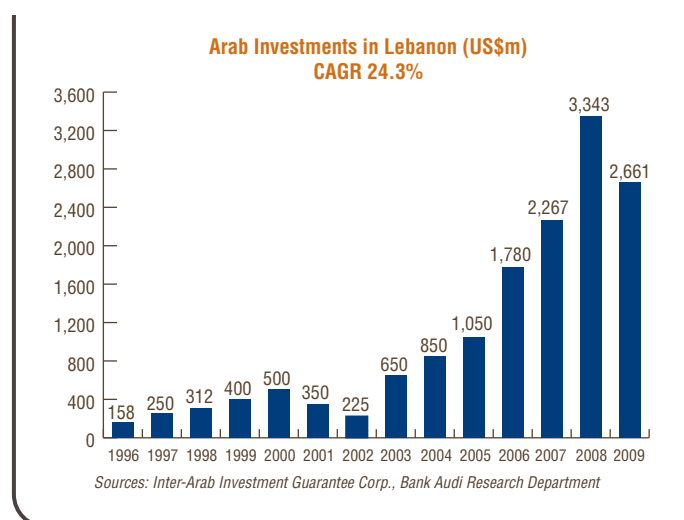
In parallel, Lebanese investments in Arab countries totaled US\$ 2,297 million in 2008 surging significantly from US\$ 465.1 million in 2007, US\$ 498.3 million in 2006, and US\$ 489.2 million in 2005. They accounted for 6.7% of aggregate inter-Arab investments, up from 3.3% in 2007 and 2.8% in 2006. Lebanon was the 5th largest Arab investor in the region in 2008, out of 20 Arab countries, up from the 6th largest investor in 2007, 15th largest investor in 2006, and 8th largest investor in 2005 and 2004.

Inter-Arab Private Investments 2007-08 (US\$m)

Recipients	Rank	Amount	Change	
Saudi Arabia	1	12,952	6,388	102.8%
Algeria	2	5,666	476	1090.3%
Sudan	3	4,807	3,340	43.9%
Lebanon	4	2,661	3,343	-20.4%
Egypt	5	2,324	1,875	24.0%
Libya	6	2,080	302	588.7%
Syria	7	1,540	370	316.1%
Morocco	8	849	833	1.9%
Jordan	9	434	817	-46.9%
Yemen	10	393	92	327.3%
Tunisia	11	321	166	93.8%
Djibouti	12	5	7	-29.2%
Oman	-	-	2,653	-
Total		34,031	20,661	64.7%

Source: Inter-Arab Investment Guarantee Corp., Bank Audi Research

Arab investments in Lebanon were mainly channeled to the real estate sector, which represented 82.5% of total investments in the country, noting that in the Arab region as a whole, investments mostly targeted services and industry. Lebanon's real estate sector was the primary recipient of all



► CORPORATE NEWS

Zain's net profits at US\$ 533.5 million in the first half of 2009

Zain, a leading mobile telecommunications operator in the region, and manager of one of Lebanon's mobile phone networks under the name of mtc-touch, announced its consolidated financial results for the first half of 2009. Zain's consolidated net profits reached US\$ 533.5 million in the first half of 2009, up by 4.4% on a yearly basis.

Consolidated revenues amounted to US\$ 4.0 billion in the first half of 2009, up by 24.1%, on a yearly basis. The company's consolidated EBITDA reached US\$ 1.8 billion in the first half of 2009 up by a yearly 46.3%.

Earnings per share stood at US\$ 0.14 in the first half of 2009. The Zain Group served 69.5 million active customers at end-June 2009, up by 37%, on a yearly basis.

Established in 1983 in Kuwait, Zain (known as MTC prior to September 2007) is currently one of the largest telecommunications company in the world in terms of geographic presence.

Zain operates in the following countries: Bahrain, Burkina Faso, Chad, the Republic of the Congo, the Democratic Republic of the Congo, Gabon, Ghana, Iraq, Jordan, Kenya, Kuwait, Malawi, Madagascar, Niger, Nigeria, Palestine

(currently operating as Paltel Group), Saudi Arabia, Sierra Leone, Sudan, Tanzania, Uganda and Zambia.

In Lebanon, the company manages 'mtc-touch' on behalf of the government. In Morocco, Zain owns 31% of Wana Telecom through a joint venture.

Further to the merger agreement signed on 18 May 2009 between Zain Jordan and Paltel group, Paltel became the 24th country to join Zain's global footprint.

BLC Bank posts net profits of US\$ 16.4 million in the first half of 2009

BLC Bank recently announced consolidated net profits of US\$ 16.4 million in the first half of 2009. Total assets stood at US\$ 2.2 billion at end-June 2009, up by 12.7% from year-end 2008. Customer deposits reached US\$ 1.9 billion at end-June 2009, up by 13.7% from year-end 2008. Loans and advances to customers totaled US\$ 339.0 million, up by 40.1% from year-end 2008.

The Return On Average Equity ratio (ROAE) reached 19.8% in the first half of 2009, against 16.1 % in 2008, while the Return on Assets ratio (ROA) stood at 1.5% in the first half of 2009, compared to 1.2% in 2008, according to company releases.

Holcim Liban to distribute 2008 dividends

Holcim Liban, one of Lebanon's leading cement producers, unveiled plans to distribute LP 26.4 billion in 2008 dividends. Common stock owners would get LP 1,353 per share, starting September 2009.

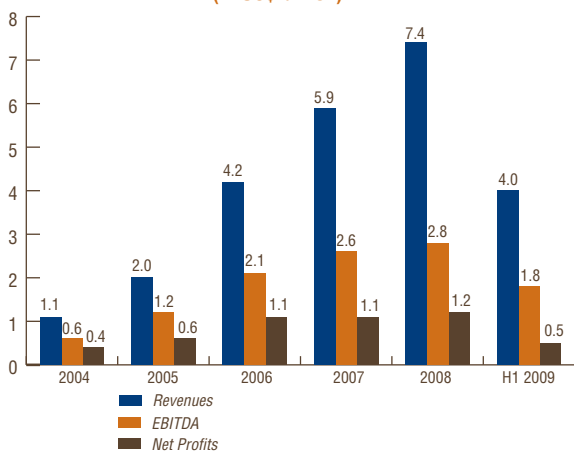
Holcim Liban declared audited net profits of US\$ 19.5 million in 2008, against US\$ 15.5 million in 2007.

Tele Liban to open new transmission station

Tele Liban will inaugurate a new transmission station in the country. The station, Terbul-North, was completely destroyed in an Israeli attack during the July-August 2006 war on Lebanon. Its reconstruction was sponsored by the Germany Embassy in Beirut and the Lebanese authorities according to local newswires.

Week
30
Jul 20 - Jul 26
2009

Zain Group's Selected Financial Indicators
(in US\$ billion)



Sources: Zain Financial Releases, Bank Audi's Research Department

► CAPITAL MARKETS

Money Market: Liquidity contracts on subscriptions in new long term Tbs

The overnight rate started the week at 3.5%, its official rate set by the Central Bank, but increased to 4% by Wednesday and Thursday because of a shortage in liquidity as commercial banks hustled to subscribe in the newly issued five-year Treasury bills. The latter are considered to be quite interesting instruments offering high yields. As to Certificates of Deposits (CDs), no subscriptions were made this week in the 45-day and 60-day categories.

On the monetary aggregates level, figures for the week ending July 9 show an increase of LP 226 billion in local currency deposits, as a result of a LP 387 billion growth in time deposits and a LP 161 billion decline in demand deposits. In parallel, deposits in foreign currencies went down US\$ 7 million. These variations compare to an average weekly increase of LP 251 billion for LP deposits since the beginning of the year 2009, and an average increase of US\$ 67 million in foreign currency deposits.

LP money supply (M2) expanded by LP 194 billion, versus an average weekly increase of LP 260 billion since the beginning of the year 2009. Total money supply in its large sense (M4) expanded by LP 301 billion, compared to an average weekly increase of LP 381 billion since end-2008.

On a cumulative basis since the beginning of the year, money supply in the large sense (M4) expanded by LP 10,110 billion. This is the result of an important growth in local currency denominated time deposits of LP 6,769 billion and an increase of LP 2,638 billion (US\$ 1,750 million) in foreign currency deposits. Money supply in its narrow sense (M1) grew by LP 107 billion over the same period, while Treasury bills held by the public increased by LP 596

reduction later on. This week's auction (July 23, 2009) took place on the three-month, six-month and five-year maturities that provided an average yield of 4.94%, 6.42% and 9.00% respectively. The auction resulted in a decline of six basis points in the six-month category. As to the secondary market, this week activity was mild and concentrated on the short term papers.

In parallel, the latest figures on subscriptions volumes, released by the Central Bank this week showed that total subscriptions for value date July 16, 2009 amounted to LP 326 billion, and were distributed as follows: LP 31 billion in the one-year category, LP 13 billion in the two-year category and LP 282 billion in the three-year category. These compare to maturities of LP 100 billion, resulting in a nominal surplus of LP 226 billion. The yields for that auction were lower than those of the previous week by eight to twelve basis points depending on each maturity.

Treasury bills	24/07/09	17/07/09	26/12/08
3-month	4.94%	4.94%	5.10% ↔
6-month	6.42%	6.48%	7.10% ↓
1-year	6.72%	6.72%	7.58% ↔
2-year	7.34%	7.34%	8.26% ↔
3-year	8.28%	8.28%	9.00% ↔
5-year	9.00%	-	-
Nom. Subs. (LP billion)		326	242
Short-term (3&6 mths)		0	80
Medium-term (1&2 yrs)		44	13
Long-term (3 yrs)		282	149
Maturities		100	157
Nom. Surplus/Deficit		226	85

Foreign Exchange Market: Same trend of conversions in favor of LP

Depositors continued this week to convert their FX holdings into Lebanese Pounds, yet in lower volumes relative to the previous week. Within this context, the Central Bank of Lebanon kept on intervening as a buyer of the green currency surpluses at the lower end of its intervention bracket (LP 1,501), while commercial banks traded the US Dollar at a

Exchange rates	24/07/09	17/07/09	26/12/08
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,480.14	2,458.73	2,221.60 ↓
LP/¥	15.89	16.08	16.66 ↑
LP/SF	1,406.64	1,398.94	1,401.80 ↓
LP/Can\$	1,388.25	1,348.63	1,236.37 ↓
LP/Euro	2,142.16	2,125.58	2,120.00 ↓

Interest rates	24/07/09	17/07/09	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: A strong welcome for the new five-year Tbs

The main development this week was the issuance of the five year Treasury bills that attracted a good volume of subscriptions, as market participants wanted to benefit from its relatively high yield in anticipation of the possibility of its

rate hovering between LP 1,500.75 and LP 1,501.25.

This continuous trend of conversions in favor of the local currency has helped the Central Bank to bolster its foreign assets, with the latter reaching a historical high level of US\$ 24.3 billion mid-July, according to the BDL's latest bi-monthly balance sheet. Subsequently, the Central Bank's foreign assets managed to cover 18 months of imports, which underscores the Bank's ability to meet demand for foreign currencies for a relatively long period.

Stock Market: Quiet activity amidst political status quo

As local politics remained in a standstill, prices on the stock market also did not report major changes. The price index thus barely nudged up by 0.6% to close at 133.8. The total trading value was US\$ 29.8 million this week, versus US\$ 26.7 million last week and the daily average trading value went up from US\$ 5.3 million to US\$ 5.9 million. So the trading index went up 11.4%.

In details, Solidere accounted for 91.4% of the weekly turnover. Solidere "A" share price decreased by 1.1% to US\$ 24.81, and Solidere "B" share price dropped by 1.3% to US\$ 24.80. On the other hand, banking shares accounted for only 8.5% of the total trading value this week. Bank Audi's GDR price edged up by 1.5% to close at US\$ 66.0, while the same bank's "listed" shares increased by 1.0% to US\$ 61. BLOM's GDR price moved slightly higher (0.2%) to close at US\$ 77.55 and BLOM's "listed" stock gained 1.9% at US\$ 74. Byblos Bank's "listed" shares also increased by 5.4% to US\$ 1.95, and its "priority shares" gained 7.8% to US\$ 1.94. Among the industrial shares, Holcim changed hands and went up by 0.5% to US\$ 13.11.

Finally, BSE's performance was not similar to other emerging stock markets, as reflected by a notable increase of 5.2%

in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and a 6.4% surge in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). Similarly, BSE fared slightly worse than other Arabian markets, as reflected by an increase of 2.0% in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets) and a 1.4% rise in the Morgan Stanley Capital International GCC countries Index (MSCI GCC countries).

Bond Market: Strong demand and upward prices

Demand continued to be strong this week, coming from local and foreign investors. The offer, in contrast, was almost absent. Prices accordingly pursued their upward trend as reflected by lower yields. The average yield on traded bonds went down six basis points this week to reach 6.10%, whereas the average spread lost eleven basis points to 407 basis points as a result of lower Lebanese yields and higher benchmark yields.

For instance, the average yield on the five-year US Treasury bill climbed from 2.41% to 2.55% this week because prices slipped. US Treasuries prices were down as stock markets gained ground and impending supply fears combined to make government debt less attractive to investors.

On emerging markets, bond prices increased as reflected by a 45 basis points decrease in the average yield to reach 7.13%, while the average spread tightened by 52 basis points to 523 basis points. In fact, appetite for emerging market assets has been growing rapidly as investors bet developing economies, supported by counter-cyclical policies, will exit the crisis faster than the developed world.

On a cumulative basis, the average spread shrank by 320 basis points since year-end 2008 in view of the growing demand for Lebanese debt instruments following the sharp cuts in benchmark yields, the successful swap operation in March 2009 and Moody's upgrade for Lebanon's sovereign credit ratings from B3 and B2.

Week
30
Jul 20 - Jul 26
2009

Audi Indices for BSE 24/07/09 17/07/09 26/12/08

22/1/96=100

Market Cap. Index	460.85	458.21	393.96 ↑
Trading Vol. Index	257.27	231.04	50.43 ↑
Price Index	133.80	133.03	116.09 ↑
Change %	0.6%	2.4%	-1.71% ↓
Market Cap. \$m	10,933	10,870	9,346 ↑
No. of shares traded	1,227,718	1,084,980	372,788 ↑
Value Traded \$000	29,783	26,694	4,550 ↑
o.w. : Solidere	27,231	25,464	3,182 ↑
Banks	2,536	1,042	1,329 ↑
Others	16	174	39 ↓

Eurobonds Indicators 24/07/09 17/07/09 26/12/08

Total tradable size \$m	17,579	17,574	17,173 ↑
o.w.: Sovereign bonds	17,009	17,004	16,603 ↑
Average Yield	6.10%	6.16%	8.88% ↓
Average Spread	407	418	755 ↓
Average Life	4.66	4.66	4.65 ↔
Yield on US 5-year note	2.55%	2.42%	1.32% ↑

ARAB STOCK MARKETS INDICES:

	24-Jul-09	17-Jul-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	133.8	133.03	113.6	0.6%	17.8%
Abu Dhabi securities market	56.74	55.27	47.0	2.7%	20.7%
Amman stock exchange	310.32	309.77	340.3	0.2%	-8.8%
Bahrain stock exchange	128.12	127.72	156.5	0.3%	-18.1%
Casablanca stock exchange	227.39	225.17	224.5	1.0%	1.3%
Doha securities market	134.82	133.34	142.7	1.1%	-5.5%
Dubai financial market	31.28	30.89	60.3	1.3%	-48.1%
Egypt capital market	307.74	299.33	240.1	2.8%	28.2%
Kuwait stock market	139.11	136.13	147.9	2.2%	-6.0%
Muscat securities market	161.08	152.83	157.3	5.4%	2.4%
Saudi stock market	128.56	127.48	113.2	0.8%	13.6%
Tunis stock exchange	132.42	132.07	114.8	0.3%	15.4%
AMF composite	161.71	159.64	156.3	1.3%	3.5%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	24-Jul-09	17-Jul-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/\$	94.93	94.02	90.92	1.0%	4.4%
\$/£	1.642	1.633	1.4520	0.6%	13.1%
\$/Euro	1.421	1.411	1.3950	0.7%	1.9%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	9,093.24	8,743.94	8,776.39	4.0%	3.6%
S&P 500	979.26	940.38	903.25	4.1%	8.4%
NASDAQ	1,965.96	1,886.61	1,577.03	4.2%	24.7%
CAC 40	3,366.45	3,218.46	3,217.97	4.6%	4.6%
Xetra Dax	5,229.36	4,978.40	4,810.20	5.0%	8.7%
FT-SE 100	4,576.61	4,388.75	4,434.20	4.3%	3.2%
NIKKEI 225	9,944.55	9,395.32	8,859.56	5.8%	12.2%
COMMODITIES					
GOLD OUNCE	950.35	936.7	878.20	1.5%	8.2%
SILVER OUNCE	13.86	13.39	11.30	3.5%	22.7%
BRENT CRUDE (barrel)	69.52	63.87	39.83	8.8%	74.5%
LEADING INTEREST RATES (%)					
1-month Libor	0.29	0.29	0.45	0.00	-0.16
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	3.66	3.66	2.22	0.00	1.43

CONTACTS**Treasury and Capital Markets**

Nabil Chaya (01) 977422 nabil.chaya@banqueaudi.com
Emile Shalala (01) 977622 emile.shalala@banqueaudi.com

Private Banking

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

Corporate Banking

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

Research

Marwan Barakat (01) 977409 marwan.barakat@banqueaudi.com
Zeina Abla (01) 977407 zeina.abla@banqueaudi.com
Jamil Naayem (01) 977406 jamil.naayem@banqueaudi.com
Salma Saad Baba (01) 977346 salma.baba@banqueaudi.com
Rita Daher (01) 977575 rita.daher@banqueaudi.com
Rana Helou (01) 964763 rana.helou@banqueaudi.com
Lea Korkmaz (01) 964904 lea.korkmaz@banqueaudi.com
Fadi Kansa (01) 977470 fadi.kansa@banqueaudi.com