

# The Lebanon Weekly Monitor

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Talks about an agreement on the shape of a coalition cabinet and the move towards the next step of the allocation of ministerial portfolios spurred activity on Lebanese capital markets during this week. On the equity market, the trading volume index increased by 42%, with the total trading value moving up from US\$ 30 million last week to US\$ 43 million this week, noting that Solidere and Bank Audi shares captured 94% of the total weekly activity. As far as prices are concerned, the rising appetite for stocks translated into an increase in the price index of 2% to reach 136.63. As to the Eurobond market, the local and foreign demand persisted during this week while the offer remained absent, as investors were very reluctant to sell their holdings in the absence of other luring investment opportunities after the sharp drop in interest rates on FX deposits. Under these conditions, the average spread shrank by 59 basis points week-on-week to reach 348 basis points due to a drop in Lebanese yields and a rise in benchmark yields. On the Treasury bills market, the auction's results dated 23rd of July 2009 showed that total subscriptions amounted to LP 331 billion and were distributed as follows: 58% on the short-term categories (three-month and six-month categories) and 42% on the five-year category.

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## ► ECONOMY

### Foreign trade activity up by 5.0% in the first half of 2009

Despite the global economic turmoil, Lebanon's external trade activity managed to grow in the first half of 2009 relative to the same period of 2008, with import activity registering a healthy growth during the said period

Aggregate imports and exports totaled US\$ 9,519 million in the first half of 2009, up by 5.0% from the same period of last year. Imports amounted to US\$ 7,831 million, up by 7.1% from their value in the first half of 2008. This growth in imports is the result of a solid year-on-year growth in the fourth and sixth month of the year, as each of the first three months of 2009 as well as the fifth month of the year witnessed a year-on-year decline in imports. Indeed, the 37.1% year-on-year growth in import activity in April 2009 and the 29.1% year-on-year growth in June were strong enough to boost import activity in the first half of the year, whose growth signifies strong domestic demand in Lebanon during the first half of 2009. In particular, imports of investment goods witnessed an upsurge of 22.7% in the first half of 2009, which reflects positively on investment activity in Lebanon amidst the global economic crisis.

It is worth noting that such a nominal increase in import activity in the first half 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 half 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. Thus, if one were to account for the aforesaid two declines, the real value of imports would record a 19.4% escalation.

Export activity, in parallel, had been on the rise up until June 2009, when it registered a monthly plummet of 23.6%, thus leading to a decline of 3.4% in export activity in the first half of 2009 to reach US\$ 1,688, versus US\$ 1,747 million in the same half of 2008. Such a decline in export activity signifies dwindling external demand, and is due to negative spillovers of the global economic meltdown on Arab countries, the main importers of Lebanese products.

The strong growth in imports within the context of a decline in exports has resulted in a widening of the trade deficit, which expanded significantly in the sixth month of the year. The trade deficit was at US\$ 1,389 million in June 2009, up by 58.7% from the same month of 2009. As a result, the yearly expansion in the trade deficit swelled significantly from 1.3% in the first five months of the year to 10.3% in the first half, leading to a trade deficit of US\$ 6,143 million. Furthermore, the export-to-import coverage ratio regressed from 23.9% in the first half of 2008 to 24.2% in

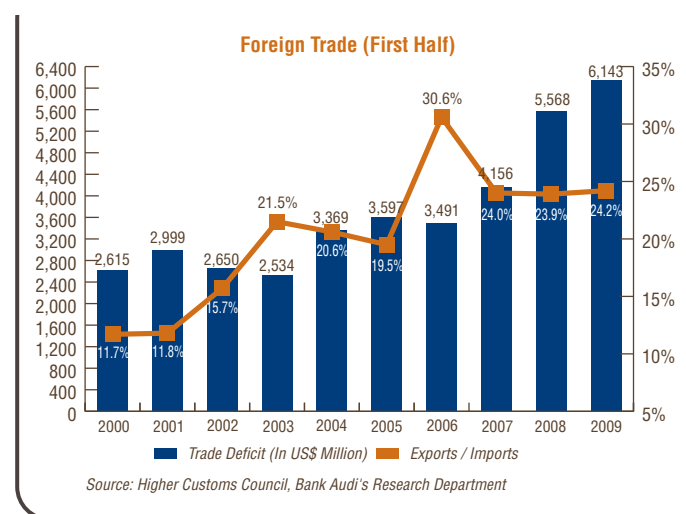
the same period of this year.

The breakdown of Lebanese exports by country of destination for the first half of 2009 indicates that Switzerland was the country with the greater part of Lebanese exports with US\$ 395 million, or 23.4% of the total. It was followed by the UAE with US\$ 160 million (9.5%), Iraq with US\$ 154 million (9.1%), and Saudi Arabia with US\$ 127 million (7.5%). Aggregate exports to these countries constituted around half of total exports and total almost 50%.

As for the breakdown of imports to Lebanon by country of origin, it reveals that France got the largest share with US\$ 974 million, or 12.4% of the total. It was followed by the USA with US\$ 720 million (9.2%), China with US\$ 692 million (8.4%), Germany with US\$ 594 million (7.6%), and Italy with US\$ 559 million (7.1%). Aggregate imports from these countries accounted for around 45% of total imports in the first half of this year.

Lebanon's primary export item in the first half of this year was jewelry, which accounted for 30.9% of total exports. Electrical equipments and products, which comprised 14.7% of the total, came in second, followed by base metals with 8.2%, food products with 8.1%, and paper and paper products with 6.8%. Those five categories accounted for more than 68.7% of total exports.

Mineral products, which accounted for 19.7% of total imports, retained the lion's share of imports during the aforementioned period. Transport vehicles came in next with 17.9%, followed by electrical equipments and products with 12.4% and chemical products with 8.5%. The said categories represented approximately 58% of total imports.



### Construction permits climb significantly in June 2009

Figures released by the Order of Engineers of Beirut and

Tripoli reveal that the month of June 2009 saw a significant upsurge in construction activity as construction permits totaled 2,024,839 million square meters, up by 92.3% from the same month of the previous year and more than doubling from the previous month.

Indeed, June's buoyant activity has been a major boost for the overall construction activity in the first half of 2009. The area of newly issued construction permits reached 6,266,912 million square meters in the first half of 2009, up by 22.5% from 5,115,151 million square meters in the same period of the previous year.

Within this context, one should note that construction activity in the first half of 2009 reached a record high level in the first half of 2009 when compared to the same period of previous years in Lebanon. In fact, previously in the first half of 2008, construction activity in Lebanon was at its pinnacle, as contractors were trying to match the real estate boom by launching new projects, and now this activity recorded a new peak, which is deemed especially significant as it comes within the context of a downfall in real estate activity across the region. In short, it seems that Lebanon has once again successfully countered the global economic crisis, this time at the level of construction activity.

### Foreign direct investment in Lebanon up by 12.4% in 2008

According to the inter-Arab investment guarantee corporation, foreign direct investment in Lebanon (FDI) totaled US\$ 3,198 million in 2008, up by 12.4% from 2007's official figure of total FDI inflow into Lebanon released by the UNCTAD last year, which was at US\$ 2,845 million. Furthermore, it signifies an increase of 13.2% from US\$ 2,739 million in 2006 and a rise of 12.9% from US\$ 2,791 million in 2005.

As per the IAIGC, Lebanon came in as the 7th recipient of FDI among 17 Arab countries, with its FDI accounting for

3.6% of total FDI of Arab countries. Lebanon followed Morocco with US\$ 3,483 million, Sudan with US\$ 6,350 million, Egypt with US\$ 9,495 million, Algeria with US\$ 12,554 million, the UAE with US\$ 13,700 million, and Saudi Arabia with US\$ 29,625 million. Meanwhile, it came in ahead of Tunisia with US\$ 3,127 million, Libya with US\$ 2,765 million, Jordan with US\$ 1,954 million, Syria with US\$ 1,187 million, and Bahrain with US\$ 675 million.

### Customs duties up by 50.1% in the first half of 2009

Figures released by the Higher Customs Council show that customs collection (customs revenue and VAT) totaled 2,307.9 billion in the first half of 2009; that is an increase of 50.1% from the previous year. This increase is driven by a 14.8% yearly rise in revenues from the value added tax (VAT), which reached 988.5 billion, coupled with a much higher 95.0% rise in receipts from custom duties, which totaled LP 1,319.5 billion. On a monthly basis, total customs collection amounted to LP 401.7 billion in June 2009; thus registering an increase of 36.5% from the corresponding month of the previous year, while decreasing by a trivial 0.6% relative to May 2009.

### Kafalat guarantees down by 2.8% in the first half of 2009

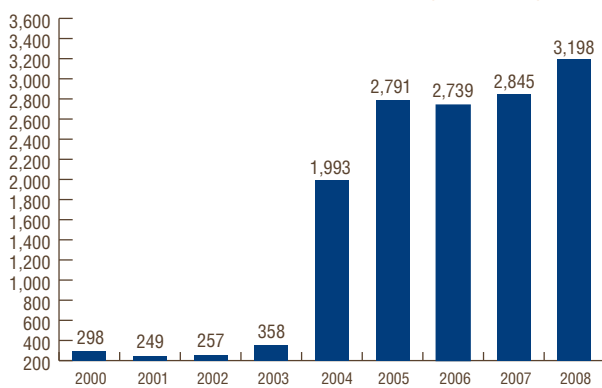
Figures released by the Kafalat Corporation indicate that loans extended to small and medium sized companies under the guarantee of Kafalat totaled LP 97.5 billion, or US\$ 64.7 million in the first half of 2009, down by 2.8% from the same period of the previous year. The aggregate number of guarantees amounted to 499, up by a yearly 4.8%. Therefore, the average value per guarantee naturally decreased by 7.2%, to reach LP 195.3 million, or US\$ 129,503. It is worth noting that such a decline in the value of guarantees is only a natural in such a strict lending environment prevailing following the crisis.

Agriculture captured the lion's share in extended guarantees in the first half of 2009, with 47.5% of total guarantees, followed by industry (36.3%), tourism (10.8%), handicrafts (2.8%), and specialized technologies (2.6%). As for the distribution of guarantees by area, Mount Lebanon (45.9%), followed by the Bekaa (18.0%), the South (17.8%), the North (13.0%), and Beirut (5.2%).

Kafalat is a state-sponsored organization that provides financial guarantees for loans up to US\$ 200,000 earmarked for the set up and expansion of small and medium-sized companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during that grace period.

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Foreign direct investment in Lebanon (US\$ million)



Source: IAIGC, UNCTAD, Bank Audi's Research Department

## ► SURVEYS

### **Eight Lebanese banks among The Banker's Top 1000 banks**

In its 2008 annual survey of the world's top 1000 commercial banks, the Banker Magazine included eight Lebanese banks on the list, with Bank Audi-Audi Saradar group ranking first, unchanged from last year. The Banker's ranking is by Tier I capital as at year-end 2008. However, for some banks, Tier I capital figures for end-2008 were not available, and thus the survey considered latest available figures for Tier I capital.

Audi Saradar Group, the highest ranked Lebanese bank this year, came in the 354th place worldwide and 16th in the MENA region. It was followed by BLOM Bank, which came in the 415th position globally and 20th regionally, Byblos (482nd globally and 24th regionally), Bank of Beirut (736th globally and 37th regionally), Banque Libano-Française (750th globally and 39th regionally), Fransabank (756th and 40th regionally), BankMed (758th worldwide and 41th (regionally), and Credit Libanias (917th and 48th regionally).

Byblos Bank posted the biggest increase in Tier I capital among Lebanese banks with a 40.4% jump year on-year, followed by Bank of Beirut with a 22.2% rise, Credit Libanias with a 12.7% increase, Fransabank with a 12.0% rise, BLOM Bank with a 7.1% increase, Banque-Libano Francaise with a 6.0% rise, and Audi Saradar Group with a 1.0% rise.

In terms of the number of banks that made the Banker's top 1,000 list, Lebanon came in third among its regional peers with eight banks, just like Kuwait and the UAE and following Bahrain and Saudi Arabia with 11 banks each, and Iran with 12 banks. Directly after Lebanon, Egypt followed with 7 banks, Morocco and Qatar (6 banks each), Jordan and Tunisia (4 banks each), Oman (3 banks), and Libya and Syria with 1 bank each.

It is worth noting that when comparing Lebanese banks included in the Banker's survey to their Middle Eastern peers, the former group displayed a healthier performance when it comes to several indicators cited by the magazine. For example, total Tier I capital of Lebanese banks that made the list was at US\$ 6,196 million in 2008, up by 11.0% from US\$ 5,582 million in 2007, whereas Middle Eastern banks reported a 16.2% yearly drop in their Tier I capital from US\$ 144.8 billion in 2007 to US\$ 121.4 billion in 2008. Total Tier I capital of Lebanese banks that were included in the Bankers list accounted for 6.0% of Tier I capital of Arab banks that made the same list, up from a ratio of 4.5% in the previous year. Total assets of the eight Lebanese banks were at US\$ 80,183 million, up by a yearly 13.1%, whereas total assets of Middle Eastern banks reached US\$ 977 billion, down by 19.4% relative to the previous year. Finally, in

terms of pre-tax profits, Lebanon also bucked the declining regional trend, as such profits of the eight Lebanese banks summed up to US\$ 1,085 million in 2008, up by a yearly 26.6% from US\$ 857 million in 2007, while pre-tax profits of Middle Eastern banks amounted to US\$ 23.3 billion, falling by a whopping 20.7% from US\$ 29.4 billion in the year before.

In short, the Banker noted that while the Middle Eastern banking sector remained relatively isolated from the worst of the crisis in the financial markets, its banks were indirectly hit by the wider global economic downturn and plunging commodity prices, in particular oil. Lebanese banks on the other hand, seem to have buffered this downturn, owing to prudent regulations of the Central Bank and have therefore registered positive growth rates in the indicators cited by the Banker, contrary to the regional trend.

### **Spending of Lebanese consumers undeterred by the crisis**

According to MasterCard's survey on consumer purchasing priorities, 61% of Lebanese consumers plan to maintain the same level of discretionary spending in the second half of 2009, as they did in the first half. 28% intend to decrease their spending, while 11% plan to increase their spending. However, overall, the survey noted that spending patterns of Lebanese consumers seem to be somewhat undeterred by the global financial crisis, whereas in the Middle East region as a whole, the impact of the crisis is more tangible when it comes to consumer spending.

Indeed, consumers in Saudi Arabia, Kuwait, Qatar, and the UAE indicated that they plan to save more in the upcoming six months, and 73% of those consumers specified that they are saving for precautionary purposes, a direct effect of the crisis. Lebanon and Egypt in parallel were the only two Arab countries in which consumers indicated that they plan to save less in the upcoming six months. As a matter of fact, only 31% of Lebanese consumers stated that the plan to save more. Still the study indicated that precautionary saving continues to be important in Lebanon as it was on the rise, noting that 66% of consumers who save in Lebanon do so for precautionary purposes.

Finally, when it comes to saving priorities in Lebanon precluding precautionary saving, 44% of those who do actually put some money aside stated that they do so for retirement, 42% said that they do so for short-term purchases such as a car, and 37% stated that they do so in order to purchase property. As to purchasing priorities of Lebanese consumers, dining and entertainment came in first, followed by purchase of car or motorcycle, fashion and accessories, fitness and wellness, buying/renovating property, purchase of consumer electronics, spending on children's education, personal travel, and lastly continuing personal education.

## ► CORPORATE NEWS

### Lebanese banks manage to report slight positive profit growth over the first half of 2009

Financial statements of the top three Lebanese banks for the first half of 2009 released last week show that top three Lebanese banks manage to report a net profit growth of 3.8% in the first half-year. Bank Audi – Audi Saradar Group ranked first in terms of assets, deposits, loans and shareholders' equity, whereas BLOM Bank ranked first in net profits. Bank Audi - Audi Saradar Group registered the highest growth in assets and deposits, thereby widening the gap between the bank and its peers.

Bank Audi's total assets reached US\$ 22.4 billion at end-June 2009, showing an increase of 9.9% from US\$ 20.4 billion at year-end 2008. BLOM Bank came in the second rank with US\$ 19.4 billion in total assets, and an increase of 8.5% from US\$ 17.9 billion at year-end 2008. Byblos Bank came in the third place with total assets of US\$ 12.3 billion at end-June 2009, up by 9.5% from US\$ 11.2 billion at year-end 2008.

In terms of deposits, Bank Audi also ranked first, while BLOM Bank ranked second and Byblos Bank third. Bank Audi's customer deposits reached US\$ 19.2 billion at end-June 2009, up by 11.6% from US\$ 17.2 billion at year-end 2008. BLOM Bank's customer deposits amounted to US\$ 16.7 billion at end-June 2009, up by 10.5% from US\$ 15.1 billion at year-end 2008. Byblos Bank's customer deposits reached US\$ 9.3 billion at end-June 2009, up by 11.7% from US\$ 8.4 billion at year-end 2008.

As such, Bank Audi added US\$ 2.0 billion in deposits in the first half of 2009, followed by BLOM Bank which added US\$ 1.6 billion, and Byblos Bank with US\$ 0.9 billion.

In terms of loans to customers, Bank Audi came in the first place with US\$ 6.3 billion and a growth of 3.4% in the first

#### Major aggregates of the top three Lebanese banks at end-June 2009

US\$ million	Assets	Deposits	Loans	Sh. Equity	Net profits
Bank Audi - Audi Saradar Group	22,429	19,224	6,338	1,912	132.9
BLOM Bank	19,420	16,691	3,598	1,513	138.3
Byblos Bank	12,299	9,344	2,864	991	62.7

#### Rankings

Bank Audi - Audi Saradar Group	1	1	1	1	2
BLOM Bank	2	2	2	2	1
Byblos Bank	3	3	3	3	3

#### Evolution of the deposit base in the first half of 2009

	2008	Jun-09	Change in Value	Change in %
Bank Audi - Audi Saradar Group	17,230	19,224	1,994	11.6%
BLOM Bank	15,108	16,691	1,583	10.5%
Byblos Bank	8,363	9,344	981	11.7%

Sources: Banks' Financial Statements, Bank Audi's Research Department

half, while BLOM Bank ranked second with US\$ 3.6 billion and a half-yearly growth of 3.6%. Byblos Bank ranked third with US\$ 2.9 billion and a half-yearly growth of 2.6%.

In terms of shareholders' equity, Bank Audi also topped the rankings with US\$ 1.9 billion at end-June 2009. It was followed by BLOM Bank in the second rank with US\$ 1.5 billion. Byblos Bank came in the third place with US\$ 1.0 billion in shareholders' equity at end-June 2009.

In terms of net profits, BLOM Bank posted US\$ 138.3 million in the first half of 2009, up by 5.8% from US\$ 130.7 million in the first half of 2008. Bank Audi posted US\$ 132.9 million in net profits in the first half of 2009, up by 1.9% from US\$ 130.5 million in the corresponding period of the previous year. Byblos Bank reported US\$ 62.7 million in net profits for the first half of 2009, up by 3.0% from US\$ 60.9 million in the same period of 2008.

BLOM Bank's net interest income increased by a yearly 7.6% to reach US\$ 201.6 million in the first half of 2009, while net commission earnings amounted to US\$ 32.5 million against US\$ 35.7 million in the first half of 2008. Operating charges increased by 17.0% to reach US\$ 122.0 million, of which staff expenses reached US\$ 63.1 million, up by a yearly 16.4%.

Bank Audi's net interest income increased by a yearly 1.5% to reach US\$ 203.5 million, while net commission earnings stood at US\$ 68.0 million in the first half of 2009 against US\$ 72.3 million in the first half of 2008. Operating charges decreased by 7.5% to US\$ 171.9 million in the first half of 2009, of which staff expenses amounted to US\$ 94.9 million, down by 6.3% year-on-year.

Byblos Bank's net interest income increased by 20.5% to US\$ 120.8 million, while net commission earnings rose by 6.9% to US\$ 37.3 million in the first half of 2009. Operating charges increased by 10.2% to US\$ 89.1 million, of which staff expenses amounted to US\$ 43.4 million, up by a yearly 11.1%.

### Renaissance Holding to start work on US\$ 800 million BeitMisk housing project

Renaissance Holdings announced its US\$ 800 million project in Lebanon, BeitMisk, a residential community spread over 655,000 square meters in the Northern Metn region.

The project includes private villas as well as three-floor buildings. The project, which can accommodate up to 15,000 residents, is mostly financed by Renaissance Holding's owner, while 40% is financed by Banque Libano-Française.

BeitMisk project will meet the demand for world-class residences in Lebanon, supported by expatriates' remittances willing to settle again in Lebanon, according to Renaissance Holding's owner.

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## ► CAPITAL MARKETS

### Money Market: Renewed interest in short-term CDs

The overnight rate remained stable at 3.5% this week, except for Monday when it rose slightly to 3.75%. The stability in the overnight rate came within the context of ongoing conversions in favor of the Lebanese Pound on the foreign exchange market and the availability of the local currency liquidity on the money market.

As to Certificates of Deposits (CDs), the Central Bank of Lebanon sold this week LP 30 billion that were equally divided between the 45-day and 60-day categories. These subscriptions were observed after more than a month of absence. Accordingly, total subscriptions in short-term CDs amounted to LP 501 billion since the beginning of the year 2009, with LP 134 billion placed in the 45-day category and LP 367 billion placed in the 60-day category.

On the monetary aggregates level, figures for the week ending July 16 show an increase of LP 415 billion in local currency deposits, as a result of a LP 361 billion growth in time deposits and a LP 54 billion increase in demand deposits. In parallel, deposits in foreign currencies rose by US\$ 163 million. These variations compare to an average weekly increase of LP 250 billion for LP deposits since the beginning of the year 2009, and an average rise of US\$ 64 million in foreign currency deposits.

LP money supply (M2) expanded by LP 319 billion, versus an average weekly increase of LP 258 billion since the beginning of the year 2009. Total money supply in its large sense (M4) expanded by LP 568 billion, compared to an average weekly increase of LP 378 billion since end-2008.

On a cumulative basis since the beginning of the year, money supply in the large sense (M4) expanded by LP 10,678 billion. This is the result of an important growth in local currency denominated time deposits of LP 7,130 billion and an increase of LP 2,883 billion (US\$ 1,912 million) in foreign currency deposits. Money supply in its narrow sense (M1) grew by LP 65 billion over the same period, while Treasury bills held by the public increased by LP 600 billion.

Interest rates	31/07/09	24/07/09	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: The newly launched five-year category captures 42% of subscriptions

No activity was observed on the secondary market during

this week. As to the primary market, this week's auction (July 30, 2009) took place on the one-year, two-year and three-year maturities that provided an average yield of 6.64%, 7.30% and 8.20% respectively. The auction resulted in a decline in the average yield that ranged between four and eight basis points.

In parallel, the latest figures on subscriptions volumes, released by the Central Bank this week showed that total subscriptions for value date July 23, 2009 amounted to LP 331 billion, and were distributed as follows: LP 3 billion in the three-month category (0.9%), LP 189 billion in the six-month category (57.1%) and LP 139 billion in the five-year category (42.0%). These compare to maturities of LP 7 billion, resulting in a nominal surplus of LP 324 billion. The yield on the three-month category remained unchanged relative to the previous auction standing at 4.94%, while the yield on the six month category retreated by six basis points to 6.42%. In addition, the newly issued five-year category provided a high yield of 9.00%.

Treasury bills	31/07/09	24/07/09	26/12/08
3-month	4.94%	4.94%	5.10% ↔
6-month	6.42%	6.42%	7.10% ↓
1-year	6.64%	6.72%	7.58% ↓
2-year	7.30%	7.34%	8.26% ↓
3-year	8.20%	8.28%	9.00% ↔
5-year	9.00%	9.00%	-
Nom. Subs. (LP billion)		331	242
Short-term (3&6 mths)		192	80
Medium-term (1&2 yrs)		-	13
Long-term (3 yrs)		-	149 ↔
Long-term (5 yrs)		139	-
Maturities		7	157
Nom. Surplus/Deficit		324	85

### Foreign Exchange Market: Continuous trend of conversions in favor of the LP

The wave of US\$-to-LP conversions continued during 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 (1,501). Meanwhile, commercial banks continued to

Exchange rates	31/07/09	24/07/09	26/12/08
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,493.56	2,480.14	2,221.60 ↓
LP/¥	15.77	15.89	16.66 ↑
LP/SF	1,385.32	1,406.64	1,401.80 ↑
LP/Can\$	1,394.41	1,388.25	1,236.37 ↓
LP/Euro	2,124.37	2,142.16	2,120.00 ↑

trade the US Dollar at a rate hovering between LP 1,500.75 and LP 1,501.25.

Within this context, the Central Bank's latest bi-monthly balance-sheet ending July 31, 2009 showed an increase in foreign assets of US\$ 240 million to reach an unprecedented high level of US\$ 24.5 billion at end-July 2009. Accordingly, the BDL's foreign assets covered 82.9% of the LP money supply, with this coverage ratio rising to 112.1% when accounting for gold reserves. In addition, the BDL's foreign assets covered 18.0 months of imports. These coverage ratios reiterate the Central Bank's ability to defend the currency peg and to meet demand for foreign currencies.

### Stock Market: 2% increase in the price index

Talks about an agreement on the shape of the new cabinet boosted activity on the Beirut Stock Exchange during this week. In fact, the bourse saw a growing demand for solidere shares that are considered to be the most vulnerable stocks to political developments. The total trading value for this week amounted to US\$ 42.6 million as compared to US\$ 29.8 million last week. The average daily trading value surged from US\$ 6.0 million last week to US\$ 8.5 million this week, which resulted in rise of 42.4% in the trading volume index to reach 366.29.

Solidere shares captured the lion's share of activity this week, with 72.6% of the total. The banking stocks accounted for 27.3% of the total trading value, noting that Bank Audi alone captured 21.5% of activity with the remaining percentage (5.8%) being distributed among Bank Byblos, BLOM, BOB, BLOM and BEMO. As far as prices are concerned, the price index increased by 2.12% this week to close at 136.63.

In details, Solidere "A" share price increased by 4.8% to reach US\$ 25.99, and Solidere "B" share price rose by 4.4% to US\$ 25.90. As to the banking stocks, Bank Audi's GDR price moved up by 1.7% to close at US\$ 67.10, while the same bank's "listed" shares edged up by 0.1% to US\$ 61.05.

#### Audi Indices for BSE 31/07/09 24/07/09 26/12/08

22/1/96=100

Market Cap. Index	470.60	460.85	393.96 ↑
Trading Vol. Index	366.29	257.27	50.43 ↑
Price Index	136.63	133.80	116.09 ↑
Change %	2.12%	0.58%	-1.71% ↑
Market Cap. \$m	11,164	10,933	9,346 ↑
No. of shares traded	1,941,209	1,227,718	372,788 ↑
Value Traded \$000	42,579	29,783	4,550 ↑
o.w. : Solidere	30,907	27,231	3,182 ↑
Banks	11,619	2,536	1,329 ↑
Others	53	16	39 ↑

BLOM's GDR price surged by 3.4% to close at US\$ 80.20. Byblos Bank's "listed" share's price stood at US\$ 1.95, while its "priority shares" gained 2.1% to US\$ 1.98. BEMO listed share's price dropped by 6.7% to close at US\$ 4.20. Bank of Beirut "listed" share's price retreated slightly by 0.5% to US\$ 18.40. Among the industrial shares, Holcim changed hands and went down by 5.7% to US\$ 12.36.

Finally, BSE's performance was similar to other emerging stock markets, as reflected by a 2.5% increase in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and a 2.1% rise in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). Similarly, BSE's performance went in line with other Arabian markets, as reflected by an increase of 2.5% in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets) and a rise of 2.6% in the Morgan Stanley Capital International GCC countries Index (MSCI GCC countries).

### Bond Market: No offer for Lebanese debt instruments

The Eurobond market was still characterized by a continuous demand coming from local and foreign investors, while supply remained absent during this week as investors remained very reluctant to sell their holdings in the absence of other luring investment opportunities. Under these conditions, bond prices improved significantly, as reflected by a 37 basis points decline in the average yield to reach 5.73%. The average spread shrank by 59 basis points to reach 348 basis points, mainly due to a drop in Lebanese yields and a rise in benchmark yields. For instance, the average yield on the five-year US Treasury rose by 10 basis points, from 2.55% last week to 2.65% this week, taking cues from surging stocks that have eroded the safe-heaven appeal of lower-risk securities like government debt.

Likewise, bond prices on other emerging markets increased during this week, as reflected by a 14 basis points decrease in the average yield to reach 6.87%, while the average spread tightened by 13 basis points to 484 basis points. In fact, the recent signs of improvement in US economic data raised investors' hopes for recovery and appetite for risk.

#### Eurobonds Indicators 31/07/09 24/07/09 26/12/08

Total tradable size \$m	17,574	17,579	17,173 ↓
o.w.: Sovereign bonds	17,004	17,009	16,603 ↓
Average Yield	5.73%	6.10%	8.88% ↓
Average Spread	348	407	755 ↓
Average Life	4.69	4.66	4.65 ↑
Yield on US 5-year note	2.65%	2.55%	1.32% ↑

Week  
**31**  
Jul 27 - Aug 2  
2009

**ARAB STOCK MARKETS INDICES:**

	31-Jul-09	24-Jul-09	31-Dec-08	Weekly change	End-year-to-date change
Beirut stock market	136.6	133.8	113.6	2.1%	20.3%
Abu Dhabi securities market	59.71	56.74	47.0	5.2%	27.0%
Amman stock exchange	320.03	310.32	340.3	3.1%	-5.9%
Bahrain stock exchange	127.3	128.12	156.5	-0.6%	-18.6%
Casablanca stock exchange	229.71	227.39	224.5	1.0%	2.3%
Doha securities market	138.22	134.82	142.7	2.5%	-3.1%
Dubai financial market	32.3	31.28	60.3	3.3%	-46.4%
Egypt capital market	326.61	307.74	240.1	6.1%	36.0%
Kuwait stock market	140.61	139.11	147.9	1.1%	-4.9%
Muscat securities market	162.39	161.08	157.3	0.8%	3.2%
Saudi stock market	133.41	128.56	113.2	3.8%	17.9%
Tunis stock exchange	132.08	132.42	114.8	-0.3%	15.1%
AMF composite	166.64	161.71	156.3	3.0%	6.6%

Source: Arab Monetary Fund

**INTERNATIONAL MARKET INDICATORS:**

	31-Jul-09	24-Jul-09	31-Dec-08	Weekly change	End-year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	95.15	94.93	90.92	0.2%	4.7%
\$/£	1.656	1.642	1.4520	0.9%	14.0%
\$/Euro	1.417	1.421	1.3950	-0.3%	1.6%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	9,171.61	9,093.24	8,776.39	0.9%	4.5%
S&P 500	987.48	979.26	903.25	0.8%	9.3%
NASDAQ	1,978.50	1,965.96	1,577.03	0.6%	25.5%
CAC 40	3,426.27	3,366.45	3,217.97	1.8%	6.5%
Xetra Dax	5,332.14	5,229.36	4,810.20	2.0%	10.9%
FT-SE 100	4,608.36	4,576.61	4,434.20	0.7%	3.9%
NIKKEI 225	10,356.83	9,944.55	8,859.56	4.1%	16.9%
<b>COMMODITIES</b>					
GOLD OUNCE	952.75	950.35	878.20	0.3%	8.5%
SILVER OUNCE	13.89	13.86	11.30	0.2%	22.9%
BRENT CRUDE (barrel)	71.47	69.52	39.83	2.8%	79.4%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	0.28	0.29	0.45	-0.01	-0.17
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	3.48	3.66	2.22	-0.18	1.26

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