The Lebanon Weekly Monitor

Week 46
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The Beirut Stock Exchange saw active profit-taking operations following the cabinet formation, after the price index reached a one-year high level of 149.03 at the beginning of the week. Accordingly, the price index dropped significantly in few days to close at 143.13 on Friday, moving down by 2.2% relative to the previous week, while the trading volume index surged by 47.1% week-on-week driven by a rise in the average daily trading value. The Eurobond market witnessed tiny local supply, yet prices remained unchanged week-on-week, while the average spread widened by five basis points to reach 289 basis points due to stability in Lebanese yields and a decline in benchmark yields. As to the Treasury bills market, commercial banks continued to show high interest in channeling their LP liquidity towards LP Tbs, which translated into a further eight basis points decline in the average yield on the five-year category to reach 7.92%, noting that the Central Bank of Lebanon allowed commercial banks this week to subscribe fully in their bids. Within this context, it is worth mentioning that since the suspension of five-year CDs in July 2009, the outstanding Tbs portfolio grew by LP 1,832 billion during the months of August and September, accounting for a relevant 60% of the overall increase in Tbs portfolio during the first nine months of 2009, which underscores the rising demand for Lebanese debt instruments after LP investment channels become limited to LP Tbs and LP lending activities.

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IMF report says Lebanon is reaping the benefits of prudent policies

The International Monetary Fund issued its latest report on Lebanon under the Emergency Post Conflict Assistance (EPCA) Program. The IMF stated that prudent macroeconomic policies have indeed started to benefit the current Lebanese economic environment.

According to the IMF, the two key objectives of the program, which tackled a lower debt-to-GDP ratio and stronger financial reserves, were clearly met, thus enhancing confidence and economic activity regardless of the international turmoil and delays in the Cabinet formation. Accordingly, the debt-to-GDP ratio edged down by 27.0 percentage points since end-2006 and international reserves doubled over the past 18 months to attain US$ 25.0 billion. However, the said ratio remains high at 150% of GDP as per the estimations of the fund and large financing requirements imply a substantial exposure to market conditions.

The fund added that the global recession has had only a limited impact on the economy, with real GDP growth revised at 7.0% this year versus earlier staff projection of 4.0%. Inflation has dropped and, under the peg, is likely to remain subdued in the coming months. The IMF projects a GDP deflator of 4.0% and a consumer price index of 2.9% in 2009.

The publication signaled to the strength of the banking sector. As a matter of fact, commercial bank deposits progressed by 20.0% on a yearly basis and deposit dollarization went down in consequence of ongoing confidence and attractive domestic interest rates. Amidst the financial crisis, the resilient Lebanese banks remained profitable and well capitalized, a performance partially owed to prudent banking sector supervision.

In terms of the structural reforms measures fixed by the EPCA Program, the IMF mission viewed a limited progress: the Banque du Liban adopted formal policies for the selection, appointment, and rotation of the bank's external auditors. However, the introduction of a Treasury Single Account was postponed as the corresponding legislation was not passed by the parliament. Also, there was a minor progress on the revision of energy tariffs and the Global Income Tax law due to the difficult political environment in the run-up to the election. Furthermore, privatization of the mobile telephone companies, which had been postponed due to market conditions, would require a renewed political decision by the newly formed government.

Selected Economic Indicators, 2006-2009

	2006	2007	2008e	2009f
Output & Prices (annual growth)				
Real GDP	0.6%	7.5%	8.5%	7.0%
GDP deflator	2.1%	3.8%	8.0%	4.0%
CPI (end of period)	7.2%	6.0%	6.4%	2.9%
Investment & Savings (in % of GDP)				
Gross Capital Formation	22.7%	27.4%	28.5%	27.7%
Gross National Savings	17.4%	20.6%	17.0%	16.5%
Central Government Finances (in % of GDP)				
Revenue (including grants)	25.1%	24.4%	24.4%	26.2%
Expenditure	35.5%	35.3%	34.2%	36.7%
Budget Balance (including grants)	-10.4%	-10.8%	-9.8%	-10.5%
Total Government Debt	180.0%	168.0%	160.0%	151.0%
Money Sector (annual growth)				
Credit to the Private Sector	-5.7%	15.8%	18.5%	10.4%
Reserve Money	-1.9%	9.6%	19.1%	11.5%
Broad Money	6.4%	10.9%	15.5%	15.0%
External Sector (annual growth)				
Export of goods	40.8%	26.8%	25.3%	-8.0%
Import of goods	11.3%	27.6%	36.7%	-0.5%
Balance of goods and services	-13.5%	-18.2%	-18.7%	-16.0%
Current Account including official transfers	-5.3%	-6.8%	-11.6%	-11.3%
Foreign Direct Investment	11.9%	7.5%	8.9%	8.0%
Gross Reserves	11.4%	11.5%	18.8%	25.2%

Sources: IMF, Bank Audi's Research Department

Standard Chartered sees government formation further strengthening economic conditions in Lebanon

Standard Chartered Bank issued a report this week on Lebanon on the day subsequent to the formation of a national unity government in which it noted that this development will strengthen sentiment and further improve the economic environment. As per the report, political stability in Lebanon is particularly crucial to GDP growth, as domestic consumption, confidence in the banking sector, investments by overseas Lebanese, and tourism are the largest contributors to GDP.

Standard Chartered also indicated in its report that this government formation will pave the way for a new Eurobond issuance. The report refereed to the announced by the Finance Ministry last week, as political knots were gradually resolving, which stated that Lebanon would soon issue a new US$ 0.5 billion Eurobond. The most recent event on Lebanon's public debt calendar was in March 2009, a US$ 2.3 billion debt swap of foreign-currency paper maturing this year. The report highlighted that following the May 2008 Doha accord, the country's economic indicators have improved, domestic consumption has resumed, and tourism figures have reached record highs.

Furthermore, Standard Chartered praised Lebanon in the report, for proving to be "extremely resilient" to the latest global crisis. This has allowed the government to gradually decrease its huge debt to GDP ratio, one of the highest in the world. The report pinpointed that the debt-to-GDP ratio has steadily declined from around 178% at end-2006, to 172% at end-2007, 163% at end-2008, only for it to decline further and hover around 153% at end-June 2009. Given the improved political outlook and the downward trend in the debt-to-GDP ratio, the new bond issue should not put undue strain on public debt, according to Standard Chartered. But the government's room for maneuver is limited, and access to international financing, through pledged loans and grants from the Paris conference, will be conditional on progress in long-awaited reforms, notably in the telecom and power sectors.

Gross public debt up by 4.6% in the first nine months of 2009

Figures released by the Ministry of Finance indicate that gross public debt continued its increase for the third month in a row in August 2009 after it retreated on a monthly basis for three months a row in April, May and June 2009. Gross public debt reached LP 74,144 billion, the equivalent of US$ 48.5 billion, at end-September 2009, up by 1.2% from LP 73,246 billion at end-August 2009.

This has resulted in year-to-date increase of 4.6% in gross public debt in the first nine months of 2009, as compared to 8.7% in the same period of 2008. It is worth noting that the decrease in gross public debt in April, May and June 2009 mirrors a decline in investments in Treasury bills, and is due to the fact that during the aforementioned three months banks were investing heavily in 5-year CDs, which yield higher interest than Tbs. Nevertheless, at end-June 2009, the Central Bank stopped the issuance of 5-year CDs, and thus, banks went back to investing in Tbs, which explains the resumption of growth in gross public debt in July, August, and September 2009.

Net public debt, which deducts public sector deposits at commercial banks and the Central Bank from gross public debt, rose by 5.1% from end-December 2008 to end-September 2009 to reach LP 65,753 billion. Net public debt increased by 2.2% during the month of August.

The increase in gross public debt in the first nine months of 2009 was triggered by a 7.6% growth in local currency debt which reached LP 41,974 billion at end-September 2009, along with a 0.9% rise in foreign currency debt, which was US$ 21,340 million.

Public debt outstanding by holder (end-September 2009)

(LP billion)	Dec-06	Dec-07	Dec-08	Sep-09	% Change Sep-09/Dec-08
Local currency debt	**30,204**	**31,373**	**39,007**	**41,974**	**7.6%**
Central Bank	9,588	9,052	8,781	10,407	18.5%
Commercial banks	16,487	16,847	24,320	24,568	1.0%
Other local currency debt	4,129	5,474	5,906	6,999	18.5%
Foreign currency debt	**30,647**	**31,977**	**31,881**	**32,170**	**0.9%**
Bilateral, Multilateral and foreign private sector loans	2,855	2,953	2,802	2,762	-1.4%
Paris II Eurobonds and loans	6,540	6,063	5,456	5,038	-7.7%
Paris III Eurobonds and loans		1,357	1,849	1,973	6.7%
Market issued Eurobonds	20,399	20,776	20,925	21,462	2.6%
accrued interest on Eurobonds	434	410	430	487	13.3%
Gross Public debt	**60,851**	**63,350**	**70,888**	**74,144**	**4.6%**
Public sector deposits	4,444	4,527	8,326	8,391	0.8%
Net debt	**56,407**	**58,823**	**62,562**	**65,753**	**5.1%**
Gross Market Debt	**38,670**	**39,216**	**46,992**	**48,177**	**2.5%**

Sources: Ministry of Finance, BDL, Bank Audi's Research Department

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Cement deliveries up by a yearly 17.8% in the first nine months of 2009

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, increased by 17.8% over the first nine months of 2009 as compared to the same period of 2008 and by 23.8% relative to the same period of 2007 to reach 3,674,746 tons. This rise in fact mirrors increased investments in Lebanon in infrastructure and real estate, contrary to the regional trend, characterized by dwindling construction, and once again reemphasizing the fact that Lebanon has escaped the regional real estate downturn.

Coincident indicator up by 13.2% on average in the first nine months of 2009

The coincident indicator, an index developed by the Central Bank, which monitors economic activity in Lebanon, averaged 221.52 in the first nine months of 2009, up by 13.2% from the same period of the previous year, and reaching a record high when compared to the same periods of previous year. This suggests a significant step up in economic performance in Lebanon in the first nine months of the year to reach peak levels.

When looking at the monthly coincident indicator throughout 2009 so far, it seems that improving economic activity was at its peak in the fourth month of the year, as the coincident indicator stood at 236.5 points in April 2009. It was followed by July, during which the monthly indicator was at its second highest level in 2009, so far, reaching 230.2 points, then May, during which the coincident indicator recorded 227.5 points, August with its coincident indicator of 220.6 points, and then September, during which the coincident indicator stood at 211.1 points. In September, the coincident indicator went up by 10.52% relative to the same month of the previous year.

Alpha banks profits up by 9.2% in the first nine months of 2009

The first nine months results of top Lebanese banks reflect significant growth in activity coupled with profit expansion in a period where the majority of regional and global banks are reporting contractions in profitability. This is evident in the results of the Alpha report for the first nine months of 2009, issued by Bankdata Financial Services which shows the performances and positioning of the first 12 banks operating in Lebanon, i.e those banks with deposits above US$ 2 billion. The report suggests that the aggregate profits of alpha banks reported US$ 912.8 million in the first nine months of 2009, up by a yearly 9.2%.

This growth rate is definitely lower than the 44.6% year-on-year augmentation registered in the first nine months of 2008, but it is deemed quite significant as it comes amidst the current global financial crisis, which is weighing heavily on earnings of banks worldwide and in the MENA region at large. In effect, the mere fact of Alpha banks attaining a positive growth in profitability in such turbulent financial times is yet another indicator of Lebanese banks have insulated themselves from negative repercussions of the crisis. The first nine months of 2009 was marked by a significant discrepancy between the net earnings growth of the best performer and that of the least performer, as the former was at 51.3% while the latter was at -17.8% over the period.

The 9.2% net income growth was driven by a healthy 9.3% rise year-on-year in net operating income, against a very close 9.8% rise in total operating expenses and a 6.8% increase in income tax. Moreover, these positive results were achieved, despite a huge 145.8% increase in net allocation to provisions to maintain good asset quality.

Going further in details, the growth in net operating income was driven by a 6.4% growth in net interest income, along with an important 21.9% growth in non-interest income. Non-interest income incorporates income from commissions on LCs and LGs, credit card fees, income from FX trading and income from capital markets activities, and thus, a growth on earnings received from the aforementioned operations is clearly is clearly at the mirror image of overall economic growth witnessed in Lebanon in 2009. The Alpha banks' balance sheet also expanded by almost 17.8% in the first nine months of 2009 relative to the first nine months of 2008. At the same time, the overall net spread went down by 17 basis points, moving from 2.13% at end-September 2008 to 1.96% at end-September 2009. This contraction in interest margins is due to significant interest rate cuts that took place across the globe and yielding low return on Treasury uses of Lebanese banks.

Lebanese Banks benefited from the growth of fees' income, or non-interest income that went up by 21.9%. This steady source of income is becoming increasingly significant as it reduces the vulnerability to adverse interest rate evolutions, keeping in mind that its share out of operating income went up by 2.9%, moving to 33.0% in the first nine months of 2009, from 30.1% in the first nine months of 2008.

Looking at the geographic growth of Alpha banks, it is clear that the expansion is ongoing, in spite of such banks implementing cautious measures amidst the crisis. The number of branches totaled 873 branches at end-September 2009, up by 40 branches from end-2008 and by 47 branches from end-September 2008. Moreover, the number of staff employed by those banks increased in line with the wider coverage as it reached 19,842 employees, up by 8.8% relative to end-2008 and 10.2% relative to end-September 2008. This is being reported despite the fact that banks are trying to control their expenses within significant cost control measures. Within the context of cost cutting efforts, the cost-to-income ratio declined by 0.59% in the first nine months of 2009 relative to the same months of 2008, rising from 50.6% to 50.01%, bearing witness to a slight improvement in efficiency. Indeed, this contraction is due to the fact that the year-on-year rise in net operating income of Alpha banks surpassed that of total expenses.

It is worth finally noting that the positive growth in net profits in the first nine months of 2009 was not coupled with an improvement in return ratios. Specifically, the net return on average equity moved down by 0.61% from 14.07% in the first nine months of 2008 to 13.46% in the first nine months of 2009. As for the net return on average assets, it went down by 0.07%, moving from 1.23% in the first nine months of 2008 to 1.16% in the first nine months of 2009. Still it is worth mentioning that while the absolute levels of Lebanese bank return ratios remain below international benchmarks, the 2008 and 2009 dynamics were definitely to the advantage of the Lebanese banking sector, as almost all global and regional return ratios narrowed significantly during the year as a result of repercussions of the financial crisis.

Alpha Banks' Rankings as at end-September 2009 (in US$ million)

Bank	Assets		Deposits		Loans		Equity		Net Profits	
	Rank	Volume	Rank	Volume	Rank	Volume	Rank	Volume	Rank	Volume
Bank Audi - Audi Saradar Group	1	24,666	1	21,332	1	6,717	1	2,095	1	212.8
BLOM Bank	2	20,258	2	17,519	2	3,808	2	1,606	2	205.0
Byblos Bank	3	13,038	3	9,912	4	2,949	3	1,056	3	95.9
BankMed	4	10,597	5	8,100	3	3,344	4	1,032	4	76.5
Fransabank	5	9,921	4	8,320	6	2,124	5	927	5	74.8
Banque Libano-Francaise	6	7,182	6	5,969	5	2,237	7	564	9	41.1
Bank of Beirut	7	6,422	8	4,472	7	1,623	6	644	6	50.9
Crédit Libanais	8	5,184	7	4,546	8	1,188	8	409	8	41.3
Lebanese Canadian Bank	9	4,747	9	4,166	9	1,152	9	338	11	21.8
SGBL	10	3,950	11	3,079	10	1,020	10	325	7	47.1
BBAC	11	3,622	10	3,189	11	659	11	272	10	26.3
IBL Bank	12	2,409	12	2,147	12	271	12	186	12	19.4

Sources: Bankdata Financial Services wll, Bank Audi's Research Department

CORPORATE NEWS

Bankmed posts net profits of US$ 76.5 million in the first nine months of 2009

Bankmed reported net profits of US$ 76.5 million in the first nine months of 2009, up by 8.6%, from US$ 70.4 million in the first nine months of 2008. Interest margin increased by 10.9% from US$ 121.8 million in the first nine months of 2008 to US$ 135.1 million, while non-interest income rose from US$ 75.2 million to US$ 107.0 million, in the same period of 2008.

Net operating income amounted to US$ 209.5 million, up by 7.2%, from US$ 195.5 million. Total operating expenses increased by 5.6% to US$ 124.5 million, of which a decrease of 1.2% in staff expenses and a rise of 14.6% in other operating expenses. The bank's cost-to-income ratio stood at 51.4% in the first nine months of 2009.

Total assets amounted to US$ 10.6 billion at end-September 2009, up by 11.0% from US$ 9.5 billion at year-end 2008. Customer deposits totaled US$ 8.1 billion, posting a 9.7% increase from US$ 7.4 billion at year-end 2008. Loans increased by 8.4% in the first nine months of 2009 to reach US$ 3.3 billion at end- September 2009. The ratio of loans to deposits was 41.3% at end-September 2009.

The bank's shareholders' equity amounted to US$ 1.0 billion at end-September 2009, up by 43.1% from US$ 721.5 million at year-end 2008. Bankmed operated 77 branches and employed a staff of 1,643 people at end-September 2009.

Fransabank's total assets up by 17.0% to US$ 9.9 billion at end-September 2009

Fransabank reported net profits of US$ 74.8 million in the first nine months of 2009, up by 12.5%, from US$ 66.5 million in the first nine months of 2008. Interest margin increased by 11.1% from US$ 131.5 million in the first nine months of 2008 to US$ 146.0 million, while non-interest income stood at US$ 48.5 million against US$ 51.4 million, in the same period of 2008.

Net operating income amounted to US$ 196.8 million, up by 13.9%, from US$ 172.8 million. Total operating expenses increased by 18.5% to US$ 107.4 million, of which an increase of 23.9% in staff expenses and a rise of 10.2% in other operating expenses. The bank's cost-to-income ratio stood at 55.2% in the first nine months of 2009.

Total assets amounted to US$ 9.9 billion at end-September 2009, up by 17.0% from US$ 8.5 billion at year-end 2008. Customer deposits totaled US$ 8.3 billion, posting a 16.4% increase from US$ 7.2 billion at year-end 2008. Loans increased by 23.8% in the first nine months of 2009 to reach US$ 2.1 billion at end- September 2009. The ratio of loans to deposits was 25.5% at end-September 2009.

The bank's shareholders' equity amounted to US$ 927.5 million at end-September 2009, up by 24.9% from US$ 742.7 million at year-end 2008. Fransabank operated 110 branches and employed a staff of 2,103 people at end-September 2009.

Chedid Reinsurers granted a license to operate in Qatar

Chedid and Associates Qatar LLC has been granted in October 2009 a license to operate in Qatar by the Qatar Financial Centre Regulatory Authority, according to company sources.

Chedid & Associates Qatar LLC would offer a full range of insurance and re-insurance products in both life and non life including technical advice, risk analysis and management, as well as product solutions and development.

Chedid & Associates Qatar LLC represents a strategic expansion of the Chedid brand as the Beirut-based provider of insurance and reinsurance solutions looks to extend its services across the Middle East North Africa region.

Founded in 1998, Chedid & Associates operates five regional offices in Cyprus, Greece, United Arab Emirates, Lebanon, Qatar and soon in Saudi Arabia, according to the company's website. Chedid & Associates offers comprehensive insurance and reinsurance solutions to over 170 insurance companies and corporations in the Middle East, Africa, Europe and Asia.

Rotana announces the opening of Raouché Arjaan

Rotana, one of the leading hotel management companies in the Middle East and North Africa, announced yesterday the opening of its third hotel in Lebanon, Raouché Arjaan by Rotana.

This new Hotel is the first to open under the newly launched brand Arjaan Hotel Apartments by Rotana. Raouché Arjaan by Rotana is a first-class property, which has been developed targeting both long-term guests and families.

The hotel, which targets both, the leisure and business sector, is comprised of 176 studios and suites with amenities and recreational facilities, including a rooftop swimming pool and a Bodylines Health and Fitness centre.

Rotana currently manages a portfolio of 68 properties throughout the Middle East. Rotana's product brands include Rotana Hotels & Resorts, Centro Hotels, Rayhaan Hotels & Resorts and Arjaan Hotel Apartments.

Money Market: Modest increase in CDs portfolio after suspension of the five-year category

Commercial banks resorted to LP borrowings at an overnight rate of 3.25% after the Central Bank of Lebanon allowed them surprisingly this week to subscribe in their full bids in the Treasury bills market.

As to short-term Certificates of Deposits, small subscriptions of LP 75 billion were made this week and were distributed as follows: LP 25 billion in the 45-day category and LP 50 billion in the 60-day category. Accordingly, total subscriptions in CDs reached LP 1,271 billion since the beginning of the year 2009 and were distributed as follows: LP 222 billion in the 45-day category, and LP 1,049 billion in the 60-day category. The latest figures released by the Association of Banks in Lebanon showed that the total outstanding CDs portfolio amounted to LP 19,308 billion at end-September 2009, moving up by LP 71 billion relative to the previous month. This modest increase compared to a similarly tiny monthly rise of LP 36 billion in August 2009, after the Central Bank decided to suspend issuance of the five-year CDs in July 2009.

On the monetary aggregates level, figures for the week ending 29th of October 2009 indicated an increase of LP 561 billion in local currency deposits, as a result of a LP 362 billion growth in LP time deposits and a LP 199 billion decline in LP demand deposits. In parallel, deposits in foreign currencies increased by US$ 124 million. These weekly variations compare to an average weekly increase of LP 254 billion for LP deposits since the beginning of the year 2009, and an average rise of US$ 82 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 534 billion, versus an average weekly increase of LP 255 billion since the beginning of the year 2009. In addition, total money supply in its large sense (M4) widened by LP 799 billion week-on-week, compared to an average weekly increase of LP 403 billion since year-end 2008.

On a cumulative basis, since the beginning of the year 2009, money supply in its large sense (M4) expanded by LP 17,599 billion. This is the result of an important surge in local currency denominated time deposits of LP 11,103 billion, an increase in foreign currency deposits of LP 5,222 billion (US$ 3,464 million), a rise in money supply (M1) of LP 140 billion, and a growth in Treasury bills held by the public of LP 1,134 billion.

Interest rates	13/11/09	06/11/09	26/12/08	
Overnight rate	3.25%	3.25%	3.50%	⇔
7 days rate	3.36%	3.36%	4.50%	⇔
1 month rate	3.79%	3.79%	4.17%	⇔
45-day CDs	4.40%	4.40%	4.40%	⇔
60-day CDs	4.89%	4.89%	4.89%	⇔

Treasury Bills Market: Impressive growth in Tbs portfolio in September

The secondary Treasury bills market witnessed a two-way activity during this week, with demand for long-term maturities being matched with some offer, as investors noticed that interest rates are in the process of stabilization.

As to the primary market, the preliminary results of this week's auction (November 12, 2009) show that the average yields on the three-month and six-month categories went down by six basis points to close at 4.69% and 5.92% respectively, while the average yield on the five-year category dropped by eight basis points to reach 7.92%, noting that the Central Bank of Lebanon allowed commercial banks this week to subscribe fully in these categories.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date November 5, 2009 which showed that total subscriptions amounted to LP 450 billion, and were distributed as follows: LP 72 billion in the one-year category, LP 57 billion in the two-year category and LP 321 billion in the three-year category. These compare to maturities of LP 373 billion, resulting in a nominal surplus of LP 76 billion. The average yield on the one-year category fell by nine basis points to hit 6.08%, and the average yields on the two-year and three-year categories dropped by 12 basis points to reach 6.62% and 7.30% respectively.

Within this context, the latest monthly report released by the Association of Banks in Lebanon showed that the weighted average yield on outstanding Treasury bills reached 8.92% at end-September 2009, down by nine basis points relative to the previous month and down by 25 basis points since year-end 2008. In addition, the total Tbs portfolio amounted to LP 40,679 billion in September 2009, up by LP 1,004 billion relative to the previous month and up by LP 3,035 billion since year-end 2008. Accordingly, September's growth share

Treasury bills	13/11/09	06/11/09	26/12/08	
3-month	4.69%	4.75%	5.10%	↓
6-month	5.92%	5.98%	7.10%	↓
1-year	6.08%	6.08%	7.58%	⇔
2-year	6.62%	6.62%	8.26%	⇔
3-year	7.30%	7.30%	9.00%	⇔
5-year	7.92%	8.00%	-	↓
Nom. Subs. (LP billion)		450	242	
Short-term (3&6 mths)		-	80	
Medium-term (1&2 yrs)		129	13	
Long-term (3 yrs)		321	149	
Long-term (5 yrs)		-		
Maturities		373	157	
Nom. Surplus/Deficit		76	85	

stood at 33% of the growth during the first nine months of 2009, underlining the appetite for Tbs after the suspension of issuance for five-year CDs.

Foreign Exchange Market: Continuous healthy conversions in favor of the Lebanese Pound

The foreign exchange market continued to see FC-to-LP conversions during this week, as relatively attractive LP interest rates kept on capturing all depositors' attention. The volume of conversions were similar this week relative to the previous week, and the Central Bank of Lebanon continued to intervene as a buyer of the green currency surpluses at the lower end of its intervention bracket (LP 1,501.00). In parallel, commercial banks traded the US Dollar at a rate hovering between LP 1,501.00 and LP 1,501.15, which is lower than last week's bracket of LP 1,501.00- LP 1,501.25.

Exchange rates	13/11/09	06/11/09	26/12/08	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,515.26	2,503.66	2,221.60	↓
LP/¥	16.79	16.66	16.66	↓
LP/SF	1,485.22	1,485.51	1,401.80	↑
LP/Can$	1,430.27	1,420.16	1,236.37	↓
LP/Euro	2,243.31	2237.28	2,120.00	↓

Stock Market: Profit taking operations bring the price index down

The Beirut Stock Exchange saw some profit taking operations during this week after the price index reached a one-year high level of 149.03 at the beginning of the week, as it seems that the rise in prices was already discounted in the market. Accordingly, the price index fell steadily to close at 143.13, down by 2.2% relative to the previous week. The total trading value amounted to US$ 46.9 million this week versus US$ 31.8 million last week. The average daily trading value surged from US$ 6.4 million last week to US$ 9.4 million this week, resulting in a 47.1% increase in the trading volume index to close at 395.62.

Audi Indices for BSE	13/11/09	06/11/09	26/12/08	
22/1/96=100				
Market Cap. Index	493.11	504.29	392.07	↓
Trading Vol. Index	272.71	439.12	50.43	↓
Price Index	143.13	146.37	113.40	↓
Change %	-2.2%	0.7%	-1.71%	↓
Market Cap. $m	11,698	11,964	9,301	↓
No. of shares traded	1,780,207	1,370,565	372,788	↑
Value Traded $000	46,911	31,758	4,550	↑
o.w. : Solidere	31,574	28,138	3,182	↑
Banks	15,284	3,589	1,329	↑
Others	53	32	39	↑

In details, Solidere shares captured 67.3% of activity this week. Solidere "A" share price fell by 5.6% to close at US$ 25.48, and Solidere "B" share price tumbled by 6.4% to close at US$ 25.25. As to the banking stocks, they accounted for 32.6% of the total. Bank Audi's GDR price declined by 2.8% to close at US$ 84.60, while the same bank's "listed" share price stood at US$ 75.00. In parallel, BLOM's GDR price moved up by 0.3% to close at US$ 88.85. Byblos Bank's "listed" share price declined by 1.5% to US$ 2.01, while its "priority shares" stood at US$ 2.02. Bank of Beirut "listed" share's price moved up by 0.8% to US$ 18.75. BEMO's share price declined by 1.1% to US$ 4.50. Among the industrial shares, Holcim's share price dropped by 3.6% to US$ 13.02.

All in all, the BSE's performance fell short of other emerging stock markets, as reflected by a 2.8% increase in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM). However, the BSE performed similarly to other Arabian markets, as reflected by a 1.3% drop in the Morgan Stanley Capital International Arabian markets Index (MSCI Arabian Markets).

Bond Market: Modest local offer observed

The Eurobond market saw a modest local offer during this week. However, prices remained unchanged relative to the previous week, as reflected by a stable average yield at 5.04%. The average spread widened by five basis points to reach 289 basis points due to stability in Lebanese yields and decline in benchmark yields. For instance, the average yield on the five-year US Treasury bills declined from 2.33% last week to 2.26% this week, as weakness in US stocks spurred some safe-haven buying and sentiment on bonds also got a boost from economic data that supported the view of a slow US economic recovery and bets that the US Federal Reserve will stick to its near-zero rate policy.

In contrast, bond prices in other emerging markets improved week-on-week, as reflected by a ten basis points drop in the average yield to reach 3.84%, while the average spread tightened by six basis points to reach 198 basis points.

Eurobonds Indicators	13/11/09	06/11/09	26/12/08	
Total tradable size $m	17,526	17,525	17,173	↑
o.w.: Sovereign bonds	16,956	16,955	16,603	↑
Average Yield	5.04%	5.04%	8.88%	⇔
Average Spread	289	284	755	↑
Average Life	4.44	4.46	4.65	↓
Yield on US 5-year note	2.26%	2.33%	1.32%	↓

ARAB STOCK MARKETS INDICES:

	13-Nov-09	06-Nov-09	31-Dec-08	Weekly change	End-year-to-date change
Lebanon	143.1	146.4	113.1	-2.2%	26.5%
Jordan	151.7	148.3	162.5	2.3%	-6.6%
Egypt	842.6	824.7	591.7	2.2%	42.4%
Saudi Arabia	393.3	396.2	291.5	-0.7%	34.9%
Qatar	602.3	613.4	608.6	-1.8%	-1.0%
UAE	267.6	257.0	171.9	4.1%	55.7%
Oman	827.5	836.2	700.6	-1.0%	18.1%
Bahrain	356.1	369.0	517.0	-3.5%	-31.1%
Kuwait	592.6	632.1	620.4	-6.3%	-4.5%
Morocco	430.1	445.8	453.6	-3.5%	-5.2%
Tunisia	1,161.9	1,140.6	914.4	1.9%	27.1%
Arabian Markets	488.4	495.0	401.4	-1.3%	21.7%

Source: MSCI Barra, Bank Audi's Research Department

INTERNATIONAL MARKET INDICATORS:

	13-Nov-09	06-Nov-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	89.78	90.04	90.92	-0.3%	-1.3%
$/£	1.668	1.658	1.452	0.6%	14.9%
$/Euro	1.488	1.489	1.395	-0.1%	6.7%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	10,270.47	10,023.42	8,776.39	2.5%	17.0%
S&P 500	1,093.48	1,069.30	903.25	2.3%	21.1%
NASDAQ	2,167.88	2,112.44	1,577.03	2.6%	37.5%
CAC 40	3,806.01	3,707.29	3,217.97	2.7%	18.3%
Xetra Dax	5,686.83	5,488.25	4,810.20	3.6%	18.2%
FT-SE 100	5,296.38	5,142.72	4,434.20	3.0%	19.4%
NIKKEI 225	9,770.31	9,789.35	8,859.56	-0.2%	10.3%
COMMODITIES					
GOLD OUNCE	1,118.80	1,094.65	878.20	2.2%	27.4%
SILVER OUNCE	17.4	17.36	11.30	0.2%	54.0%
BRENT CRUDE (barrel)	75.06	75.25	39.83	-0.3%	88.5%
LEADING INTEREST RATES (%)					
1-month Libor	0.24	0.24	0.45	0.00	-0.21
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	3.42	3.50	2.22	-0.08	1.20

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