

Economy

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p.9 MARKETS IN BRIEF: SOLIDERE SHARE PRICES HIT THEIR HIGHEST SINCE APRIL 2023

Despite the continuous military escalation on the Southern border and as a leadership vacuum in the army has been avoided after the Parliament has approved a one-year term extension for the Lebanese army Commander-in-Chief, and while Lebanon is bracing for a challenging holiday season amid the ongoing Israeli war, the country's capital markets continued to witness this week stability in the LP/US\$ exchange rate on the parallel FX market, while equities posted strong price gains and Eurobond prices remained at their lows. In details, the LP/US\$ black market rate remained stable at LP/US\$ 89,500 on average this week, while BDL lifted, for the first time since the "Sayrafa" decommissioning last August, the LP/US\$ Sayrafa rate by 4,000 to reach 89,500 amid continuous efforts to unify multiple exchange rates. At the level of the equity market, the BSE price index jumped by 10%, while the total turnover contracted by 22% week-on-week amid increased demand for realty stocks. On the Eurobond market, prices of sovereigns edged slightly up to 6.00 cents per US dollar amid a protracted political stalemate and lingering reform uncertainties.

LEBANON MARKETS: DECEMBER 18 - DECEMBER 24, 2023

Money Market	↓	BSE Equity Market	↑
LP Tbs Market	↓	Eurobond Market	↑
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ECONOMY

IMF SAYS A REAL CONCERN EXISTS THAT OPERATIONS IN LEBANON'S TAX AND CUSTOMS ADMINISTRATIONS COULD COLLAPSE

Four years into the ongoing economic crisis, a real and immediate concern exists that operations in Lebanon's tax and customs administrations could collapse according to a new technical assistance report by the IMF. Staffing levels in the Value-Added Tax (VAT) Directorate, Revenue Directorate, and Lebanese Customs Administration (LCA) are dangerously low. Among the challenges now faced, information technology (IT) is in a dire state – with one member of regular IT staff remaining in the LCA and none in the tax directorates. The Ministry of Finance's (MOF) IT Center, providing back-office IT support to the tax directorates, has lost nearly half of its staff. Without the support of qualified IT workers, the eventual loss of the revenue agencies' core IT systems or data is likely to occur, bringing operations to a halt and inflicting further economic and fiscal damage.

Making use of emergency powers, if necessary, the authorities are encouraged to intervene to protect the continuity of critical functions. Starting with IT operations, a project needs to be organized focused on (1) retaining existing experienced staff and recruitment of a small number of key technical specialists at market salary rates (e.g., in addition to IT staff – data analysts, risk analysts and large taxpayer specialists including auditors); (2) acquiring essential resources for critical functions (e.g., key IT hardware and software); and (3) securing training for specialists, from development partners if required.

Recognizing a downward trajectory, national dialogue on the future of Lebanon's tax and customs administrations is urgently needed. Since 2018, total revenues have collapsed catastrophically from 21 percent of GDP to 6.3 percent in 2022.¹ In that time, despite high levels of inflation and a dramatic reduction in real wages, the public servants that remain in their posts have done so with high workloads and, particularly in tax administration, in unsuitable, poorly maintained facilities. Due to many factors, including a need to prioritize maintenance of basic services, badly needed reforms have not been made – and Lebanon's revenue agencies remain operating out of antiquated, inefficient organizational models, with antiquated digital tools in tax administration and poor use of the tools that do exist in customs.

Options to help reverse the decline in revenue administration exist, and structural mechanisms for financing reform and modernization need to be explored. In addition to prioritizing both tax and customs administration in the existing budget, the authorities are encouraged to consider (1) expediting the introduction of a semi-autonomous tax administration (providing increased flexibility to improve staff salaries); and (2) reviewing the use of customs service charges for their potential to support tax and customs modernization, of which successful regional examples exist.

An immediate intervention is required to stabilize IT operations and ensure the continuity of the VAT and Revenue Directorates' core operations. This intervention must begin by focusing on retaining qualified IT workers to provide basic administration of systems (e.g., backup of critical databases). Among these workers is a need for specialists capable to administer the SIGTAS platforms specifically, along with the collection of custom-developed IT systems that it depends on (e.g., the MOF's collection gateway). The investments required to reliably operate key IT services, including e-filing services for large taxpayers, are essential and ongoing outages likely have a direct, negative impact on revenues.

Having addressed immediate needs, "quick wins" in tax administration should be pursued while consensus on more substantive reforms is achieved. With international capacity development (CD) support, quick wins are possible in the areas of data analytics, data matching, and compliance strategy for large taxpayers. These topics are best sequenced and pursued jointly. Separately, staff remuneration and working conditions are essential enablers of all major reforms and must be addressed. As circumstances permit, integration of the tax directorates, which is included in the two directorates' joint strategic plan (2022 – 2026), remains a high priority, as does replacement of SIGTAS with a more modern IT system as per the IMF.

CONSTRUCTION PERMITS FROM OEAB DROP BY 42% IN THE FIRST 11 MONTHS

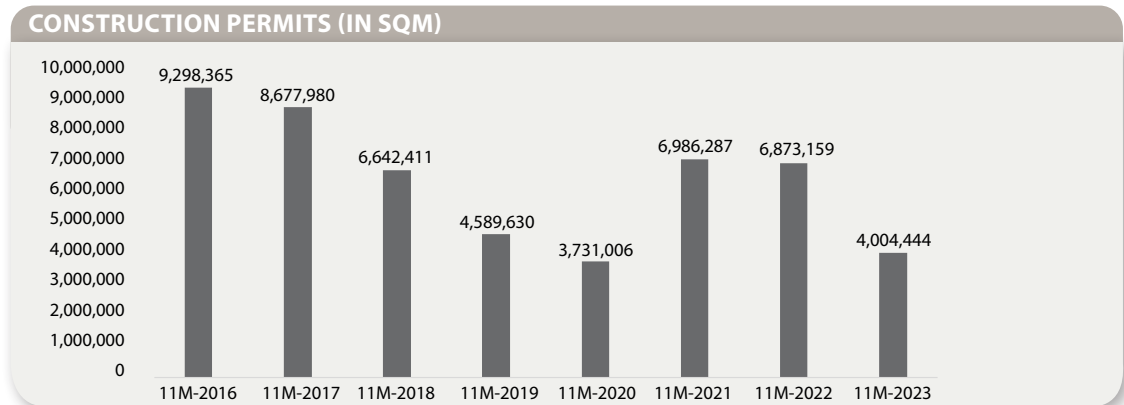
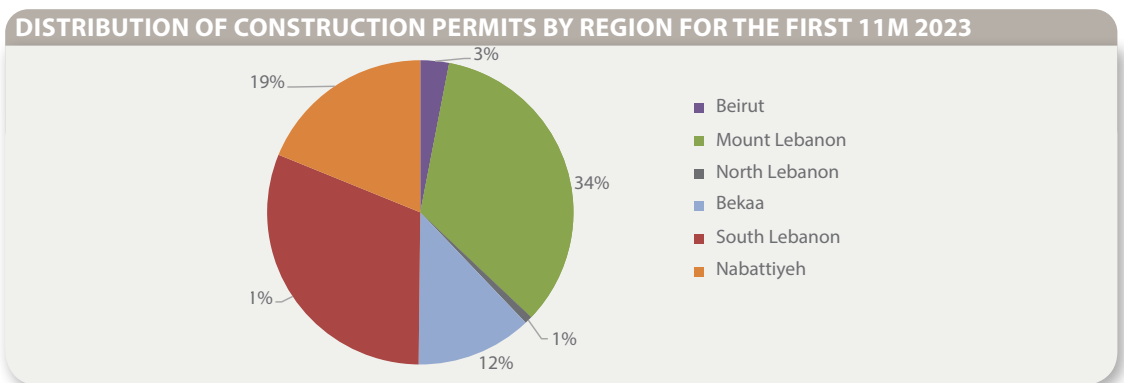
According to data from the Order of Engineers and Architects of Beirut (OEAB), construction permits in the first 11 months of 2023 dropped by 41.7% against figures from the same period of the year prior.

Construction permits for the first 11 months of 2023 decrease to 4,004,444 m², down from 6,873,159 m² in the first 11 months of 2022. This shows a significant stunting of construction activity and comes following an upwards trend from 2020 to 2022 with growth during the period totaling 160.5%.

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In details, looking at the regional distribution of construction permits in the first 11 months of 2023, Mount Lebanon took the lion's share with 34.1% of the total reaching 1,364,344 m2 in the first 11 months of 2023, though recording a 54.0% drop against the same period of the year prior. South Lebanon and Nabattiyeh followed Mount Lebanon with 31.0% of the total, reaching 1,241,667 m2 and 18.8% of total, reaching 753,650 m2 in the first 11 months of 2023 respectively. The Bekaa region came in fourth with 12.3% (490,627 m2) of the total construction permits. The region of Beirut had a contribution of 3.0% (121,272 m2) of the total followed by North Lebanon with a marginal contribution of 0.8% (32,884 m2) of the total.

It is worth noting that building permits stand as an economic indicator for forthcoming construction activity in the real estate market, thus reflecting a decrease in future realty supply in 2023.



Source: Bank Audi Group Research Department, Order of Engineers and Architects Beirut

VALUE OF CLEARED CHECKS IN LP HIKES BY 69% IN THE FIRST 11 MONTHS OF 2023

Value of cleared checks in Lebanese Pounds hiked by 69.3% year-on-year in the first 11 months of 2023 mirroring an increase in spending in LP during the above-mentioned period. Checks cleared in LP were recorded at LP 59,878 billion in in the first 11 months of 2023 up from LP 35,367 billion in the same period of 2022.

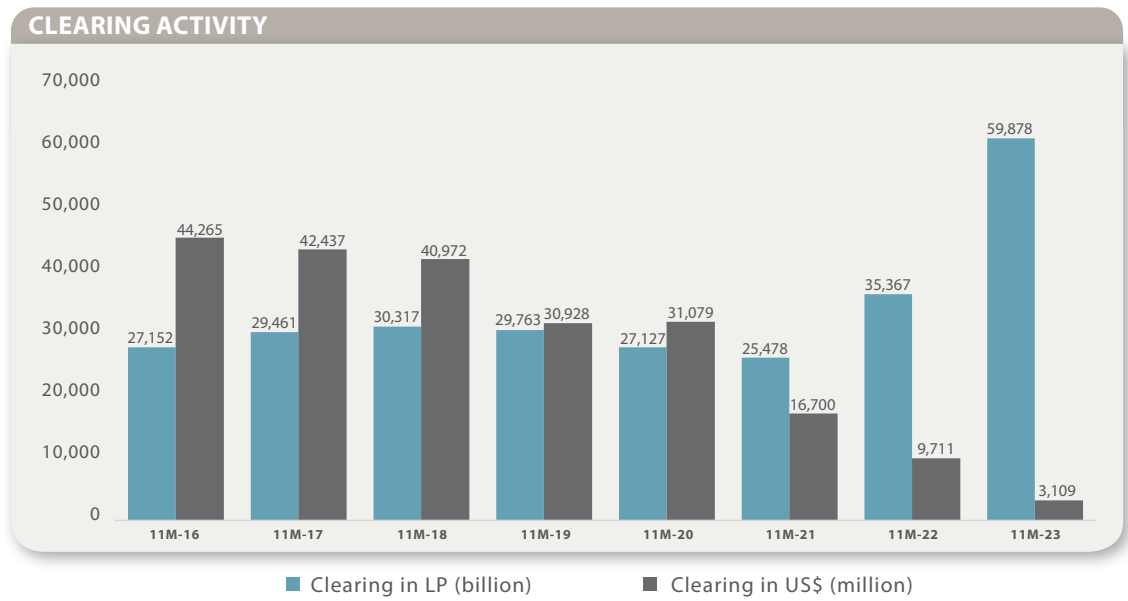
On the other hand, total value of cleared checks in foreign currency (US\$), noticed a 68.0% drop year-on-year, this comes as many businesses are cashing fresh dollars only. Cleared checks in US\$ for in the first 11 months of 2023 were recorded at US\$ 3,109 million down from US\$ 9,711 million in the first 11 months of the year prior.

The total value of cleared checks, an indicator of consumption and investment spending in the Lebanese economy, reached US\$ 11,172 million in the first 11 months of 2023 down by 66.3% from US\$ 33,172 million in the first 11 months of the previous year.

It is worth noting that, effective February 1st 2023, the Lebanese Pound noticed a re-peg and was set at LP 15,000/US\$ (up from LP 1,507.5/US\$ prior). In turn, this change in exchange rates has affected the total valuation of cleared checks as checks cleared in LP have to be turned into US\$ for a total valuation.

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Moreover, the number of cleared checks registered 411,335 in the first 11 months of 2023, down by 72.2% from 1,480,354 checks in the same period of 2022. In turn, the average value per check reached US\$ 27,160 in the first 11 months of 2023, up by 21.2% from US\$ 22,408 in the same period of 2022.



Sources: Association of Banks in Lebanon, Bank Audi's Group Research Department.

LEBANON'S FOREIGN TRADE HEAVILY AFFECTED BY BAB AL-MANDAB STRAIGHT ATTACKS

According to the Vice President of the Arab Federation of Chambers for shipping, Lebanon's foreign trade sector will be heavily affected by international shipping companies' decision to suspend their passage through the Suez Canal.

This decision comes following a myriad of attacks by the Houthis in Yemen on ships passing through the Bab al-Mandab straight, which endangers the vessels and the crew on board.

The effect on Lebanon comes from the fact that the majority of sea shipping from gulf countries and Asian countries to and from Lebanon have to sail through Bab al-Mandab towards the Suez Canal. Among those countries are China, the UAE, India, Qatar and South Korea among others, which all are major contributors in Lebanon's foreign trade.

Some shipping companies have opted to circle around Africa towards the Cape of Good Hope to reach the Mediterranean and Europe. This will drastically increase fuel consumption and shipping time leading to increases in shipping costs. In turn, shipping companies will have to increase shipping prices leading to inflation in products coming from the Arabian Gulf and Asia.

MOEW AND IRENA TO START WORKING ON US\$ 4 BILLION ENERGY DEVELOPMENT FUND

The Lebanese Minister of Energy and Water met with the General Director of the International Renewable Energy Agency (IRENA) whereby the start of work towards an energy development fund was discussed. This fund is set to be worth US\$ 4 billion with work required from Lebanon to start preparing the necessary files to benefit from the fund. The fund will be in support of the private sector to build electricity production stations based on solar energy.

It is worth noting that this meeting came following the call by the Lebanese Minister of Energy and Water for international parties to invest in Lebanon's renewable energy sector as consumption is straying away from fossil fuel. This comes as renewable energy is seen as a more reliable and cheap energy source for Lebanese people amid lackluster government supply and high prices of private generators.

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SURVEYS/REPORTS

LEBANON RANKS 132ND GLOBALLY IN GENDER GAP INDEX 2023

The World Economic Forum issued its Global Gender Gap Report 2023 in which Lebanon ranked 132nd out of 146 countries with a score of 0.628. In details, the country scored 0.54 on Economic Participation and Opportunity, taking over a global rank of 127. At the level of educational attainment, Lebanon scored 0.98 and ranked 90th. Lebanon ranked 68th in health and survival scoring 0.97. The country scored 0.02 at the level of political empowerment, ranking 144th globally.

In comparison to other regions, Middle East and North Africa remains the furthest away from parity, with a 62.6% parity score. This is a 0.9 percentage point decline in parity since the last edition for this region, based on the constant sample of countries covered since 2006. The United Arab Emirates, Israel and Bahrain have achieved the highest parity in the region, while Morocco, Oman and Algeria rank the lowest. The three most populous countries – Egypt, Algeria and Morocco – register declines in their parity scores since the last edition. On the other hand, five countries, led by Bahrain, Kuwait and Qatar, have increased their parity by 0.5% or more. At the current rate of progress, full regional parity will be attained in 152 years.

When it comes to Economic Participation and Opportunity, 44% of the gender gap has been closed, ranking the region 7th out of eight regions, just above Southern Asia. There is highly uneven progress in parity on this subindex among different countries. Algeria's level of parity, 31.7%, is less than half of that of Israel which has closed 68.9% of the gender gap. The United Arab Emirates and Egypt have registered increases in both the share of women senior officer positions and the share of women in technical positions. Further 10 out of 13 countries in the region have advanced towards parity in estimated earned income by at least 0.5 percentage points.

The Middle East and North Africa is at 95.9% parity on the Educational Attainment subindex, and Israel is the only country in the region to have full parity. Kuwait, Bahrain and Jordan come close, with more than 99% gender parity. Relatively more populous countries such as Morocco, Algeria, Tunisia and Egypt have the lowest parity on this subindex, and they also have the lowest parity in literacy rate. Only four countries (Israel, Bahrain, Qatar and Jordan) have more than 99% parity in literacy rate. Seven countries achieve parity in secondary education and 10 countries in tertiary education. The region records 96.4% parity in Health and Survival, and all countries except Qatar have achieved more than 95% parity, while all countries have attained perfect parity in sex ratio at birth. However, in five countries healthy life expectancy for women is lower than that of men.

The Middle East and North Africa also has the second-lowest regional parity in political empowerment at 14%. Based on the sample of countries covered continuously since 2006, parity on the Political Empowerment subindex has regressed by 1 percentage point since last year. Parity has declined in seven out of 13 countries, including the region's most populous countries – Egypt, Algeria and Tunisia – and increased in six other countries, led by Bahrain, Qatar and Kuwait. Bahrain, Kuwait and Lebanon have also seen significant increases in the share of parliamentary positions held by women, while Israel and Tunisia have seen a drop on this indicator since 2022. In terms of ministerial positions held by women, only Tunisia, Bahrain and Morocco have more than 20% female ministers, while Saudi Arabia and Lebanon continue to have an all-male cabinet. Apart from Tunisia and Israel, no country in this region has had a female head of state in the last 50 years.

ARAB MENA COUNTRIES' GLOBAL GENDER GAP INDEX 2023 RANKINGS

Countries	Global Rank	Score
UAE	71	0.712
Bahrain	113	0.666
Comoros	114	0.664
Kuwait	120	0.691
Jordan	126	0.646
Tunisia	128	0.642
Saudi arabia	131	0.637
Lebanon	132	0.628
Qatar	133	0.627
Egypt	134	0.626
Morocco	136	0.621
Oman	139	0.614
Algeria	144	0.573

Sources: World Economic Forum, Bank Audi's Group Research Department

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ARAB MENA COUNTRIES' GLOBAL GENDER GAP BY SUBINDEX 2023

	Rank	Score
Economic participation and opportunity	127	0.54
Educational Attainment	90	0.98
Health and Survival	68	0.97
Political Empowerment	144	0.02

Sources: World Economic forum , Bank Audi's Research Department

HOTEL ROOM RATE MORE THAN DOUBLING YEAR-ON-YEAR IN FIRST NINE MONTHS 2023, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for the first nine months 2023 (four and five star hotels), in which it showed that the performance of Lebanon's hospitality sector witnessed a slight contraction in occupancy rate coupled with a net rise in average room rates and room yields.

As a matter of fact, the occupancy rate of four and five-star hotels within the capital reached 48% in the first nine months 2023, against 53% in the same period of the previous year, down by 5%, as per EY.

The occupancy rate within Beirut was ranked 13th among 13 regional cities included in the survey. It was directly surpassed by Manama, Kuwait City and Amman (56%, 56% and 54% respectively).

Dubai and Abu Dhabi ranked at the top in the Middle East, with 79% and 78% occupancy rate respectively, while Beirut came last.

Beirut's room rate moved up to US\$ 148 in the first nine months of 2023 from US\$ 61 in the same period of the previous year, up by 143% year-on-year.

The rooms' yield rose to reach US\$ 71 in the first nine months of 2023, compared to US\$ 32 in the same period of 2022 as a result of the net rise in room rate, yet coupled with a slight decline in occupancy.

ERNST & YOUNG MIDDLE EAST HOTEL BENCHMARK SURVEY

	Occupancy %		Average Room Rate (US\$)		Room Yield (US\$)	
	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022
Dubai	79	70	277	295	218	207
Abu Dhabi	78	73	94	78	74	57
Madinah	75	70	205	147	155	102
Makkah	71	62	239	177	171	110
Cairo	71	69	141	73	100	50
Riyadh	63	59	185	167	116	98
Jeddah	59	54	250	244	148	133
Muscat	58	48	123	116	71	32
Doha	56	59	109	111	61	65
Manama	56	49	153	161	85	78
Kuwait City	56	44	169	229	94	101
Amman	54	48	146	148	79	71
Beirut	48	53	148	61	71	32

Sources: Ernst & Young, Bank Audi's Group Research Department.

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CORPORATE NEWS

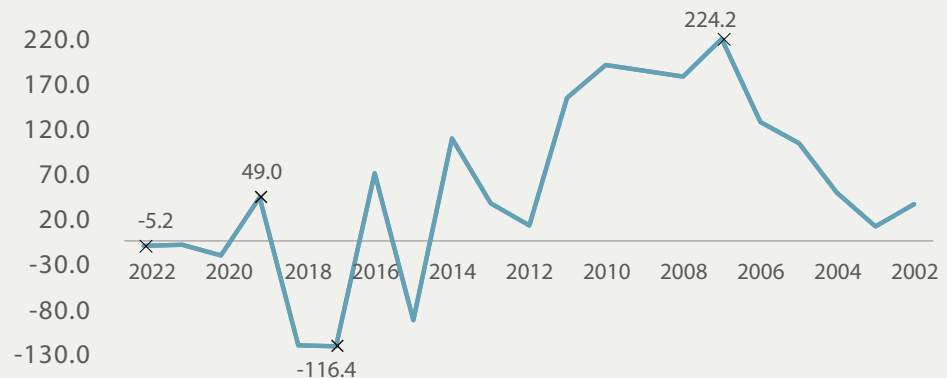
SOLIDERE POSTS A NET LOSS OF US\$ 5.2 MILLION IN 2022

Solidere has posted its financial statements noting a net loss of US\$ 5.2 million in 2022, down by 20.9% year-on-year from a net loss of US\$ 4.3 million in 2021. Additionally, Solidere's assets were recorded at US\$ 1,945.4 million at end-2022, down from US\$ 1,982.1 million at end-2021 showing a decrease of 1.9% year-on-year during the period.

In details, looking at Solidere's income statement, revenues recorded during 2022 reached US\$ 69.5 million, down from US\$ 114.9 million in 2021 noting a decrease of 39.5% year-on-year. This decline was due to a 65.3% decrease in revenue from land sales and partially offset by increases in revenue from rented lands and other services provided by the company between 2022 and 2021. Expenditures for the year 2022 were recorded at US\$ 71.8 million, noting a decrease of 18.3% down from US\$ 87.9 million in 2021. This amelioration was due to decreases in expenditures tied to land sales. Net gains from the sale of real estate investments grew more than two-folds during the period to reach US\$ 1.0 million in 2022, up from US\$ 0.4 million in 2021. In turn, a net operating loss of US\$ 1.3 million was recorded in 2022 having drastically worsened from US\$ 27.4 million net operating profit in 2021. A negative Net Operating Income (NOI) entails that the business' core operations are not profitable as the expenses paid to operate exceed the gains received from operations.

Looking at Solidere's balance sheet, the company's assets was recorded US\$ 1,945.4 million in 2022, down by 1.9% against levels recorded in 2021. This decrease was mainly driven by decreases in Cash and in Accounts & Notes Receivable. Liabilities were recorded at US\$ 200.9 million in 2022, down by 10.8% year-on-year from US\$ 222.6 million in 2021. Additionally, shareholders equity decreased by 0.9% year-on-year to reach US\$ 1,744.5 million in 2022.

NET PROFITS/LOSSES OF SOLIDERE (IN US\$ MILLION)



Sources: Association of Banks in Lebanon, Bank Audi's Group Research Department.

AL-HABTOOR GROUP MULLS LEBANON EXIT SANS GOVERNMENT PROTECTION OF INVESTMENTS

Al-Habtoor Group has recently announced its preparedness to pull out of Lebanon entirely if the Lebanese government fails to take action in order to protect its investments.

According to Al-Habtoor Group's Chairman, the economic decline has caused frustration to the group as its funds within Lebanese banks became inaccessible. The Group has previously sent a letter to the Lebanese Caretaker Prime Minister urging him to protect foreign investments and expressing deep concern over the security of Gulf investments within Lebanon.

Additionally, the enlistment of overseas law firms in order to free up the Group's funds is a step that has been prepared for by the firm in case all other options fail.

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It is worth noting that Al-Habtoor Group's direct investment in Lebanon had an initial value of US\$ 1.0 billion with an additional US\$ 500 million in indirect investment. The firm also currently employs circa 500 individuals within Lebanon.

MAJID AL FUTTAIM AND ENGAZAAT SIGN SOLAR POWER AGREEMENT FOR PROPERTIES IN LEBANON AND EGYPT

Majid Al Futtaim has signed a solar power agreement protocol with Engazaat to provide circa 20 Megawatts of solar power capacity in four of the former's properties in Lebanon and Egypt.

It is worth noting that these properties are City Center Beirut (Lebanon), Mall of Egypt (Egypt), City Center Maadi (Egypt) and City Center Alexandria (Egypt).

The aforementioned solar plants are expected to generate 737 million kilowatt-hours of clean energy over the project's lifetime and offset 3 million metric tons of carbon dioxide emission over a span of 25 years.

BDL INCREASES SAYRAFA RATE TO LP 89,500/US\$

Banque Du Liban (BDL) has announced the increase of the Sayrafa platform's exchange rate to LP 89,500/US\$, up by LP 4,000/US\$ against the exchange rate set in June 2023. This increase entails an increase in the pricing of mobile data, internet and electricity. Additionally, this move is expected to restore partial order to the treasury's accounts and increase the volume of its revenues. This comes as profit taxes and VAT between entrepreneurs are calculated at the Sayrafa exchange rate.

In parallel, as civil servants receive financial incentives at the start of 2024 in addition to the exceptional allowances paid each month since 2021 as the pound depreciated, this is set to increase LP money supply in circulation at circa LP 2 trillion. In turn, in order to avoid excessive exchange rate losses, BDL decided to take a preventive decision to raise the exchange rate.

PARLIAMENT AND MOF TAKE ACTION ON SEVERAL CRUCIAL ISSUES

The Parliament has recently convened in order to vote on laws deemed necessary. The first decision, which has previously been delayed for circa 30 years, is the creation of a comprehensive pension system. This system was created with the technical support of the International Labor Organization (ILO) and in coordination with relevant Lebanese parliamentary committees and the National Social Security Fund (NSSF). This new pension will have benefits calculated while taking into consideration two guaranteed minimum amounts: 80% of the minimum wage after 30 years of contribution and 1.3% for each year of the insured's revalorized average wage. Benefits will be paid in the case of disability and in the case of the death of the insured member; the benefits will be transferred to their family. The pension's value is set to be indexed to inflation through a yearly adjustment process.

Additionally, the Parliament has extended the tenure of the Chief of the Lebanese Armed Forces for an additional year. This step is regarded as crucial as multiple international partners regard the LAF as a backbone to Lebanon's stability.

As for the Ministry of Finance (MoF), two major decisions were taken. The first is the reinstatement of circa 55 employees from the General Directorate of Finance to the General Directorate of Real Estate Affairs. These employees will be distributed to six Land Registry Departments in Jbeil, Keserwan, Metn, Baabda, Aley and Chouf to manage citizen's affairs. 32 employees previously suspended that were deemed able to return to their positions awaiting decisions made in their cases by the Civil Service Council will assist these employees with their tasks. The real estate departments are also expected to open in January 2024. The reopening of the offices will primarily focus on transactions pending since the closure of the registries and then later on will tackle new transactions when the backlog is cleared.

Additionally, the MoF announced new procedures tied to the deadline for objection to issues taxes on built property and the mechanism of payment.

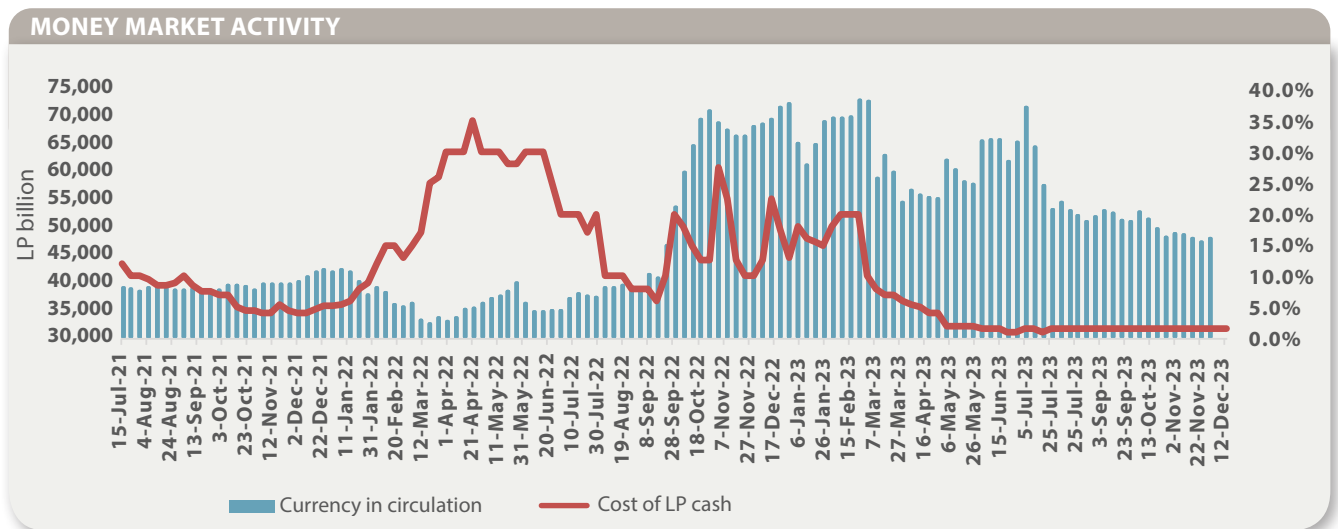
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CAPITAL MARKETS

MONEY MARKET: FIRST WEEKLY CONTRACTION IN TOTAL RESIDENT DEPOSITS IN FOUR WEEKS

The overnight rate, which is a non-cash rate on the money market, remained stable at 40% this week, while the cost of LP cash stayed quoted around 1%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 7th of December 2023 showed that total resident banking deposits registered their first weekly contraction in four weeks of LP 4,811 billion. This is mainly attributed to a LP 2,378 billion fall in total LP resident deposits amid a LP 2,354 billion decrease in LP demand deposits and a shy retreat in LP saving deposits of LP 24 billion, while foreign currency resident deposits contracted by LP 2,432 billion (the equivalent of US\$ 162 million as per the official rate of LP 15,000). Within this context, the money supply in its broadest sense (M4) contracted by LP 2,715 billion over the covered week amid a LP 2,050 billion rise in the currency in circulation and a LP 46 billion increase in the non-banking sector Treasury bills portfolio.



TREASURY BILLS MARKET: WEEKLY NOMINAL DEFICIT OF LP 66 BILLION

The latest Treasury bills auction results for value date 21st of December 2023 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the two-year category (offering a coupon of 5.00%) and the five-year category (offering a coupon of 6.00%).

The Treasury bills auction results for value date 14th of December 2023 showed subscriptions of LP 99 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 51 billion in the six-month category (offering a yield of 4.00%) and LP 48 billion in the two-year category (offering a coupon of 5.00%). These compare to maturities of LP 165 billion, which resulted into a weekly nominal deficit of LP 66 billion.

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TREASURY BILLS

	22/12/2023	15/12/2023	30/12/2022	
3-month	3.50%	3.50%	3.50%	↔
6-month	4.00%	4.00%	4.00%	↔
1-year	4.50%	4.50%	4.50%	↔
2-year	5.00%	5.00%	5.00%	↔
3-year	5.50%	5.50%	5.50%	↔
5-year	6.00%	6.00%	6.00%	↔
10-year	-	7.00%	7.00%	
Nom. Subs. (LP billion)		99	1	
Short-term (3&6 mths)		51	-	
Medium-term (1&2 yrs)		48	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		-	-	
Long-term (10 yrs)		0	-	
Maturities		165	193	
Nom. Surplus/Deficit		-66	-192	

Sources: Central Bank of Lebanon, Ministry of Finance

FOREIGN EXCHANGE MARKET: LP/US\$ SAYRAFA RATE ALIGNING WITH BLACK MARKET RATE

The LP/US\$ black market rate continued to average 89,500 this week, with no change since the first deputy governor of the Central Bank took over as interim Chief after governor's term ended in July 2023.

Concurrently, the Central Bank of Lebanon announced this week that it has lifted the LP/US\$ Sayrafa rate by 4,000 to 89,500, in alignment with the parallel market rate, noting that this is the first time that BDL changes the Sayrafa rate since the decommissioning of the platform last August. This came amid continuous efforts to unify multiple exchange rates, which would help eliminate opportunities for arbitrage and rent-seeking that place a burden on public finances, and while market players await the launching of "Bloomberg" platform early next year.

EXCHANGE RATES

	22/12/2023	15/12/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	19,029.00	19,164.00	1,813.97	↑
LP/¥	105.51	105.79	11.27	↑
LP/SF	17,529.51	17,305.03	1,628.67	↓
LP/Can\$	11,296.03	11,214.11	1,108.21	↓
LP/Euro	16,506.00	16,440.00	1,603.83	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: EXTENDED STRONG EQUITY PRICE RALLY THIS WEEK

The Beirut Stock Exchange remained on the rise this week. The price index jumped by 10.4% relative to the closing of the previous week, mainly driven by strong price gains in Solidere shares. In fact, Solidere shares attracted a decent demand before BDL circular No. 151 expires on December 31, 2023, and on bets about a possible change in the US dollar banking deposit withdrawal rate.

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A glance on individual stocks shows that Solidere "A" share price jumped by 14.7% to US\$ 86.10. Solidere "B" share price climbed by 15.4% to US\$ 86.35, the highest since April 2023. As to banking stocks, BLOM's GDR price stood unchanged at US\$ 3.00. Amongst industrials, Holcim Liban's share price rose by 3.3% to US\$ 59.50.

As to trading volumes, the BSE total trading value contracted by 22.4%, moving from US\$ 70.5 million last week to US\$ 54.7 million this week, noting that Solidere shares captured almost all activity.

AUDI INDICES FOR BSE

	22/12/2023	15/12/2023	30/12/2022	
Market Cap. Index	848.32	768.36	614.50	↑
Trading Vol. Index	493.40	797.62	96.84	↓
Price Index	178.09	161.30	129.00	↑
Change %	10.41%	5.41%	1.30%	↑
	22/12/2023	15/12/2023	30/12/2022	
Market Cap. \$m	20,125	18,228	14,578	↑
No. of shares traded (Exc. BT)	674,696	1,028,964	187,711	↓
Value Traded \$000 (Exc. BT)	54,697	70,529	6,415	↓
o.w. : Solidere	54,563	70,176	6,349	↓
Banks	134	266	66	↓
Others	1	88	0	↓

Sources: Beirut Stock Exchange, Bank Audi's Group Research Department

BOND MARKET: PRICES OF LEBANESE SOVEREIGNS EDGING SLIGHTLY UP

Lebanese Eurobonds registered shy price rises of 0.13 pt across the yield curve this week, reaching 6.000 cents per US dollar on Friday, against 5.875 cents per US dollar at the end of last week. Prices of Lebanese sovereigns remain at their lows amid low recovery bets, noting that Moody's has recently affirmed the government of Lebanon's issuer rating at "C" and changed the outlook to "stable" from "no outlook", given the very high likelihood of significant losses for private creditors and Moody's expectation of a very unstable economic environment persisting as a result of recurrent political deadlock and weak institutions. On a cumulative basis, Lebanese Eurobonds accumulated price expansions of 0.25 pt to 0.38 pt since the beginning of the year 2023.

EUROBONDS INDICATORS

	22/12/2023	15/12/2023	30/12/2022	
Total tradable size \$m	31,793	31,793	31,793	↔
o.w.: Sovereign bonds	31,314	31,314	31,314	↔
Bid price (cents per US dollar)	6.000	5.875	5.50-5.88	↑
Yield on US 5-year note	3.85%	3.90%	3.94%	↓

Source: Bank Audi's Group Research Department

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INTERNATIONAL MARKET INDICATORS

	22-Dec-23	15-Dec-23	31-Dec-22	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	142.41	142.15	131.11	0.2%	8.6%
\$/£	1.270	1.268	1.208	0.2%	5.1%
\$/Euro	1.101	1.090	1.071	1.1%	2.9%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	37,385.97	37,305.16	33,147.25	0.2%	12.8%
S&P 500	4,754.63	4,719.19	3,839.50	0.8%	23.8%
NASDAQ	14,992.97	14,813.92	10,466.48	1.2%	43.2%
CAC 40	7,568.82	7,596.91	6,473.76	-0.4%	16.9%
Xetra Dax	16,706.18	16,751.44	13,923.59	-0.3%	20.0%
FT-SE 100	7,697.51	7,576.36	7,451.74	1.6%	3.3%
NIKKEI 225	33,169.05	32,970.55	26,094.50	0.6%	27.1%
COMMODITIES (in US\$)					
GOLD OUNCE	2,053.08	2,019.62	1,824.02	1.7%	12.6%
SILVER OUNCE	24.19	23.86	23.95	1.4%	1.0%
BRENT CRUDE (per barrel)	79.07	76.55	83.10	3.3%	-4.8%
LEADING INTEREST RATES (%)					
Term SOFR 1-month	5.36	5.36	4.36	0.00	1.00
US Prime Rate	8.50	8.50	7.50	0.00	1.00
US Discount Rate	5.50	5.50	4.50	0.00	1.00
US 10-year Bond	3.90	3.91	3.87	-0.02	0.02

Sources: Bloomberg, Bank Audi's Group Research Department

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