

Economy

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After the Security Council has failed to adopt a resolution demanding an immediate humanitarian ceasefire in the Gaza strip and amid military escalation on the Southern Lebanese border, and despite expectations of a very unstable domestic economic environment persisting as a result of recurrent political deadlock and weak institutions, Lebanon's capital markets continued to witness this week stability in the LP/US\$ black market rate, while equities extended their upward trajectory and bond prices remained at their lows. In details, the LP/US\$ parallel market rate remained unchanged at LP/US\$ 89,400-LP/US\$ 89,700 amid the new BDL policy refraining from financing the government in foreign currencies, a move that has allowed BDL to somewhat replenish its liquid FX reserves since July 2023. On the equity market, the BSE price index surged by 5.4%, while the total turnover expanded by more than six folds week-on-week. At the level of the bond market, prices of sovereigns stood at 5.875 cents per US dollar amid low recovery bets and lack of political will to implement much-needed reforms, along with lingering geopolitical risks.

LEBANON MARKETS: DECEMBER 11 - DECEMBER 17, 2023

Money Market	↑	BSE Equity Market	↑
LP Tbs Market	↑	Eurobond Market	↔
LP Exchange Market	↔	CDS Market	↔

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ECONOMY

HARVARD UNIVERSITY PROPOSES TRANSITIONING TO A MONETARY SYSTEM BASED ON FULL DOLLARIZATION

According to a paper published by its "Growth Lab", Harvard University proposes transitioning to a monetary system in Lebanon based on full dollarization.

The report says that given the increasing cost of delaying a resolution, authors propose a strategy for Lebanon's economic recovery that addresses all the dimensions of the crisis while recognizing the need to rapidly kick-start the economic recovery.

The report's authors propose transitioning as soon as practical to a monetary system based on full dollarization. In a context of weak policy credibility and recognizing that the economy and the financial system are already highly de facto dollarized, they deem official dollarization the superior alternative. A flexible exchange rate system with inflation targeting, in an already highly dollarized economy, would lead to high and volatile interest rates and an unstable and fragile macroeconomic setting, that will slow down the recovery.

They suggest a bank restructuring that is informed by the understanding of the origins of the crisis. The insolvency of the commercial banking system is caused by the fact that the main asset of banks – dollar deposits at the BdL – has lost the bulk of its value because of BdL's own insolvency. In turn, the BdL is insolvent because its dollar liabilities, accumulated mostly in the process of funding the public sector, are multiples of its dollar assets, courtesy of a massive currency mismatch. With the depreciation of the currency, the mismatch has translated into a large negative equity position. Despite its seigniorage power (i.e., its ability to issue currency in Lebanese lira), the magnitude of its net dollar liabilities makes the BdL insolvent.

They propose to resolve the insolvency of the banking system by converting, as soon as practical, US\$ 76 billion in commercial bank dollar deposits at the BdL into interim restructuring certificates. These certificates will consist of new local-law instruments that will represent a claim on the government (as opposed to the BdL). 90% of those certificates will be distributed to bank clients in exchange for their commercial bank deposits above a threshold, which we tentatively estimate at around US\$ 100,000-150,000. These numbers imply that the remaining deposits at the BdL and banks will be more than fully backed by international reserves.

As a consequence of these operations, commercial banks' balance sheets will represent a small fraction of their pre-crisis size. This will also mean that the statutory equity required will also have diminished. Still, it is likely that the equity position of a large proportion of banks will stand below the advisable capital-asset ratio in a dollarized economy, which they estimate at about 15%.

Authors propose that the BdL provide capital injections in the form of subordinated debt to ensure that all banks have sufficient capital. Bank shareholders will have to buy out BdL's loan at book value within two years if they wish to retain control of their institutions. This will leave the country with a solvent, although much smaller banking system. BdL will also emerge from this operation with a solvent, though a smaller balance sheet, given the reduction in its dollar liabilities to banks. As a result, the Lebanese economy will be in a position to start its recovery process and, in particular, will regain access to its remaining deposit base. This will allow the banking system to resume domestic credit operations, even if the public debt restructuring takes more time.

Through the mechanism of the interim certificates, the bulk of the insolvency will have moved to the government. The certificates will be restructured together with the Eurobonds and other claims on the government, in accordance with an IMF program. The haircut will need to be large enough to make the debt sustainable, after taking into account of the new borrowing that will be needed to finance the recovery of the economy. Through this sequence of operations, the economy will have solved the over-indebtedness problem in the banking system, the BdL, and the government.

NUMBER OF PASSENGERS AT THE AIRPORT INCREASED BY 14% YEAR-ON-YEAR IN THE FIRST 11 MONTHS OF 2023

The latest figures released by the Rafic Hariri International Airport (BIA) revealed that the airport traffic posted an improving performance in the first 11 months of 2023 against the first 11 months of the year prior. However, this improvement has followed a downwards movement since October as compared to the trend noticed before in 2023 due to the start of the Israel-Hamas conflict.

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In details, total number of passengers increased by 14.4% in the first 11 months of 2023 when compared to the same period of 2022, reaching 6,613,068 passengers in the former period, up from 5,782,033 in the latter. In addition, the number of aircraft increased by 11.5% year-on-year. In parallel, the total freight handled by the airport decreased by 2.6% year-on-year during the aforementioned period. The improvement in the number of passengers noted 3.4 percentage point slowdown on a year-to-date basis in November as compared to the month prior and a 5.4 percentage point slowdown as compared to September. Additionally, the number of aircraft slowed down by 3.3 percentage point on a year-to date basis between November and October while total freight handled continued its worsening trend.

The number of incoming passengers increased by 14.2% year-on-year reaching 3,215,909 in the first 11 months of 2023, up from 2,816,425 in the first 11 months of 2022. Passengers departing from BIA during the first 11 months of 2023 reached 3,397,159 recording an increase of 14.6%, up from 2,965,608 departing passengers in the same period of the year prior.

In parallel, landings and take-offs increased by 11.5% year-on-year in the first 11 months of 2023 with 26,696 planes landing and 26,708 planes taking-off during the period. In turn, the number of aircraft coming in and out of BIA during the first 11 months of 2023 reached 53,404 planes registering an 11.5% year-on-year increase up from 47,890 in the same period of 2022.

Regarding the freight movement within the airport, a total of 30,238 tons were imported and unloaded during the first 11 months of 2023, while 23,008 tons were exported and loaded. The first mentioned activity posted an increase of 11.9% while the latter posted a 16.8% decrease on a yearly basis in the first 11 months of 2023 against the same period of 2022.

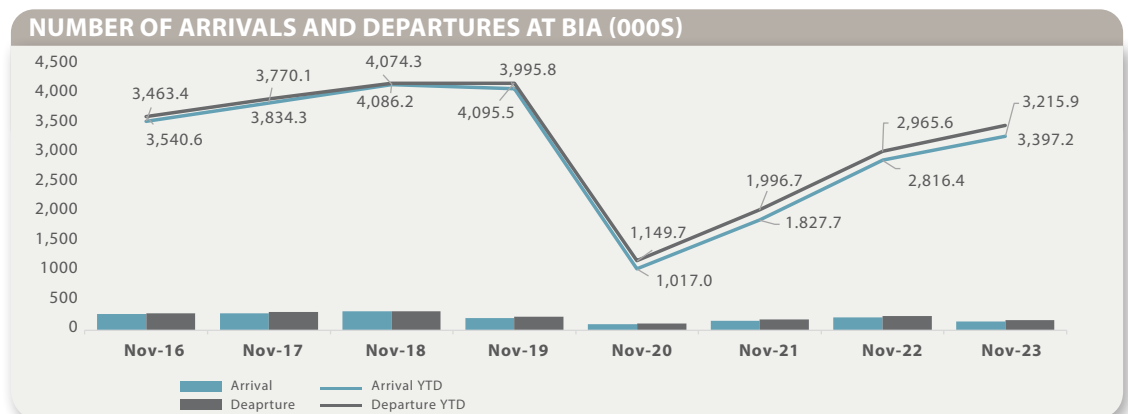
Looking at the recovery rate in arriving passenger activity at BIA between the first 11 months of 2023 and the same period of 2019, an indicator of recovery in incoming passengers' activity against pre-crisis and pre-COVID levels, we note a recovery rate of 80.5%. While this shows a 10.0% improvement in recovery against the same period of the year prior, the recovery rate for BIA's arrivals in the first nine months of 2023 was recorded at 82.2%. In turn, while the sector can still be considered as recovering, the rate of recovery has slowed down decreasing by 1.7 percentage points on a year-to-date basis between September and November. It is worth noting that incoming passengers at BIA in the first 11 months of 2019 were recorded at 3,995,842 individuals.

This softer performance in BIA activity can be explained through multiple factors of which:

- The end of the summer season.
- The start of the Israel-Hamas war.
- The outbreak of violence on Lebanon's border with Israel.

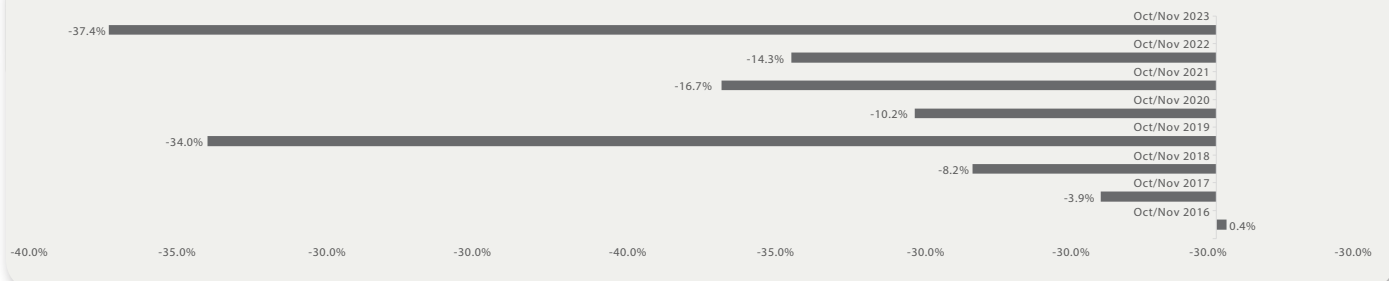
The continuation of the war in Gaza and the skirmishes in Southern Lebanon have so far affected BIA activity by circa 25.0% as of end-November. These negative effects are expected to continue as skirmishes continue in Gaza and in Southern Lebanon with activity at BIA slowing down further with time. However, the start of the festive season in December will potentially offset this downturn as expatriates return to Lebanon to celebrate with their relatives.

It is worth noting that the number of passengers at BIA has decreased by 27.1% year-on-year in November 2023 against November 2022 reaching 323,407 passengers in the former. Additionally, the number of aircraft landing and taking-off at BIA decreased by 24.7% during that period to reach 3,008 aircrafts in November 2023.



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CHANGE IN BIA ACTIVITY BETWEEN OCTOBER AND NOVEMBER



Source: BIA, Bank Audi Group Research Department

ATFL RELEASES PUBLICATION ON LEBANON'S EDUCATION SECTOR

The American Task Force on Lebanon (ATFL) has released a publication on Lebanon's education sector titled "How to Prevent Lebanon from Experiencing a Lost Generation" highlighting the sector's challenges and how to move forward.

In details, there are an estimated 1 million Lebanese children currently without access to quality education. Public school teachers have been on strike throughout the year over low salaries which have not been adjusted to the depreciating local currency. Their salaries have been recorded at circa US\$ 90/month.

Additionally, public school students have only completed one-third of an academic term per year over the last four years. Concurrently, advocates for Lebanese students note poor or absent levels of state support for the country's schools as education is regarded as either politically irrelevant or, when relevant, is exploited for political agendas, as per the ATFL.

It is worth noting that an estimated 20.9% of the Lebanese population is comprised of children.

In turn, a recent study found that 73% of teachers struggle to pay their bills leading to 66% of them to work second jobs. 99% of teachers have reported that the current crisis has limited their access to healthcare. 73% of teachers are planning to leave the education sector and 75% of teachers are planning to leave the country. Challenges within the sector are seen as related to other challenges in the country such as electricity, which can comprise 40% of a school's budget, as per the ATFL.

As a result, the ATFL has set recommendations for both the Lebanese government and the international community. At the level of the Lebanese government, the publication recommends resolving the ongoing crises to begin with needed reforms, establishing a national vision for education, distributing domestic financing more equitably, guaranteeing accessible and inclusive education, modernizing instruction in schools and reforming the education sector. When it comes to the international community, the publication recommends an increase in international support for the country's education system, channeling assistance directly to schools (both private and public), balancing support between refugee students and Lebanese host community students, engaging the Lebanese diaspora in responding to the education crisis, support efforts to modernize the education system, solarizing schools and understanding the value of private education as part of the solution to the current crisis.

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SURVEYS/REPORTS

LEBANON RANKED 119TH GLOBALLY WITH A SCORE OF 50.46 IN THE WORLD PRESS FREEDOM INDEX 2023

According to the 2023 edition of the World Press Freedom Index, Lebanon ranked 119th globally with a score of 50.46. The country ranked fifth in the Arab MENA region, after Qatar (score of 55.28 and global rank of 105th) and South Sudan (score of 50.62 and global rank of 118th) and preceding Tunisia (score of 50.11 and global rank of 1021st) and Algeria (score of 45.74 and global rank of 136th).

In details, Lebanon scored 51.63 at the level of the political indicator ranking 108 globally. As for the legislative indicator, Lebanon ranked 130th with a score of 48.11. Looking at the economic indicator, the country scored 35.69 with a rank of 147. At the level of social indicator, Lebanon scored 58.86 and ranked 106th. On security indicator, Lebanon scored 58.00 and ranked 108th.

As per the 2023 World Press Freedom Index – which evaluates the environment for journalism in 180 countries and territories and is published on World Press Freedom Day (3 May) – the situation is “very serious” in 31 countries, “difficult” in 42, “problematic” in 55, and “good” or “satisfactory” in 52 countries. In other words, the environment for journalism is “bad” in seven out of ten countries, and satisfactory in only three out of ten.

Norway is ranked first for the seventh year running. But – unusually – a non-Nordic country is ranked second, namely Ireland (up 4 places at 2nd), ahead of Denmark (down 1 place at 3rd). The Netherlands (6th) has risen 22 places, recovering the position it had in 2021.

There are changes at the bottom of the Index, too. The last three places are occupied solely by Asian countries: Vietnam (178th), which has almost completed its hunt of independent reporters and commentators; China (down 4 at 179th), the world’s biggest jailer of journalists and one of the biggest exporters of propaganda content; and finally North Korea (180th) according to the report.

ARAB MENA REGION'S RSF 2023 WORLD PRESS FREEDOM INDEX

Countries	Global Rank	Global Score	Situation
Comoros	75	62.25	Problematic
Mauritania	86	59.45	Problematic
Qatar	105	55.28	Problematic
South Sudan	118	50.62	Difficult
Lebanon	119	50.46	Difficult
Tunisia	121	50.11	Difficult
Algeria	136	45.74	Difficult
Somalia	141	44.24	Difficult
Morocco	144	43.69	Difficult
UAE	145	42.99	Difficult
Jordan	146	42.79	Difficult
Sudan	148	40.83	Difficult
Libya	149	40.22	Difficult
Kuwait	154	38.84	Very serious
Oman	155	37.87	Very serious
Palestine	156	37.86	Very serious
Djibouti	162	35.87	Very serious
Egypt	166	33.37	Very serious
Iraq	167	32.94	Very serious
Yemen	168	32.78	Very serious
Saudi Arabia	170	32.43	Very serious
Bahrain	171	30.59	Very serious
Syria	175	27.22	Very serious

Sources: Reporters without Borders, Bank Audi's Group Research Department

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LEBANON RANKED 11TH REGIONALLY AND 52ND GLOBALLY ACCORDING TO THE GLOBAL TERRORISM INDEX

Lebanon ranked 11th regionally out of 22 Arab MENA countries and 52nd globally out of 163 countries in the World according to the Global Terrorism Index published by the Institute of Economics and Peace, whereby Lebanon got a score of 3.400.

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Regionally, Lebanon was preceded by Tunisia (score of 3.989 and global rank of 40) and Djibouti (score of 3.800 and global rank of 44) and was followed by Saudi Arabia (score of 2.387 and global rank of 63) and Jordan (score of 2.033 and global rank of 68).

The Global Terrorism Index (GTI) is a comprehensive study analysing the impact of terrorism for 163 countries which covers 99.7 per cent of the world's population.

The GTI is based on data from Dragonfly's TerrorismTracker database and uses 31 December, 2022 as the cut-off date. Incidents are only included in the dataset if they are consistent with TerrorismTracker's definition of terrorism, which means recorded incidents may vary from other databases.

Defining terrorism is not a straightforward matter. There is no single, internationally-accepted definition of what constitutes terrorism and terrorism literature abounds with competing definitions and typologies. IEP accepts the terminology and definitions used by TerrorismTracker.

The GTI therefore defines terrorism as "the systematic threat or use of violence, by non-state actors, whether for or in opposition to established authority, with the intention of communicating a political, religious or ideological message to a group larger than the victim group, by generating fear and so altering (or attempting to alter) the behaviour of the larger group."

ARAB MENA COUNTRIES' GLOBAL TERRORISM INDEX 2023

Countries	Global Rank	Score	Impact of Terrorism
Somalia	3	8.463	very high
Syria	5	8.161	very high
Iraq	7	8.139	very high
Egypt	16	6.632	high
Yemen	22	5.616	medium
Libya	32	4.730	medium
Palestine	33	4.611	medium
Algeria	37	4.083	medium
Tunisia	40	3.989	low
Djibouti	44	3.800	low
Lebanon	52	3.400	low
Saudi Arabia	63	2.387	low
Jordan	68	2.033	low
UAE	76	1.241	very low
Bahrain	79	0.826	very low
Morocco	83	0.757	very low
Mauritania	87	0.291	very low
Kuwait	93	0.000	no impact
Oman	93	0.000	no impact
Qatar	93	0.000	no impact
South Sudan	93	0.000	no impact
Sudan	93	0.000	no impact

Sources: Institute for Economics and Peace, Bank Audi's Group Research Department

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CORPORATE NEWS

BALANCE SHEET OF FINANCIAL INSTITUTIONS TOTALS US\$ 535 MILLION AT END-OCTOBER 2023

According to the latest statistics issued by the Central Bank of Lebanon, the total balance sheet of financial institutions amounted to US\$ 534.6 million at end-September 2023, registering a drop of 52.4% against its figure at end-2022.

It is worth noting that effective February 1st 2023, the Lebanese Pound was re-pegged at the rate of LP 15,000/US\$ from a prior LP 1,507.5/US\$. This in turn affects the total valuation of assets and liabilities as they are initially given in local currency.

In details, currency and deposits with Central Banks registered US\$ 25.7 million at end-October 2023 down from US\$ 95.7 million at end-2022 showing a decrease of 73.2% during the period.

Claims on resident customers dropped as at end-October 2023 by 42.9% reaching US\$ 305.5 million, with respect to US\$ 534.8 million at end-2022. Claims on non-resident customers at end-October 2023 dropped by 15.2% with respect to end-2022, standing at US\$ 10.3 million in the former.

Claims on resident financial sector stood at US\$ 134.3 million as at end-October 2023 decreasing by 51.7% from its figure by end-2022. Claims on non-resident financial sector reached US\$ 15.4 million at end-October 2023, revealing a drop of 64.3% when compared to its level at end-2022.

Claims on the public sector recorded US\$ 0.7 million at end-October 2023, registering a drop of 92.1% from its figure at end-2022.

Securities portfolio dropped to US\$ 12.5 million at end-October 2023, down by 65.2% from its registered figure at end-2022. Tangible assets reported a decrease by 65.3% at end-October 2023 with respect to end-2022, reaching US\$ 16.7 million. Similarly, intangible assets decreased drastically from US\$ 56.0 million at end-2022 to US\$ 7.3 million at end-October 2023, showing a drop of 87.0%.

On the liabilities side, resident customer deposits contracted by 29.7% registering US\$ 134.6 million at end-October 2023, against US\$ 191.3 million at end-2022. Non-resident customer deposits contracted by 19.0% over the period to stand at US\$ 4.8 million at end-October 2023.

Resident financial sector liabilities stood at US\$ 113.3 million at end-October 2023, representing an increase of 7.6% from end-2022. Non-resident financial liabilities showed an increase of 4.7% registering US\$ 58.9 million at end-October 2023.

Public sector deposits hiked to US\$ 5.9 million at end-October 2023, witnessing an increase of 145.9% from its figure by end-2022.

Debt securities issued were recorded at US\$ 3.6 million at end-October 2023 against US\$ 0.6 million at end-2022.

Capital accounts reported US\$ 69.0 million at end-October 2023, dropping down from US\$ 502.5 million at end-2022, which shows a decrease of 86.3%.

FITCH REVISES ODEA BANK A.S.'S LTFC AND LTLC IDRS TO "B-"

Fitch Ratings has revised the outlook on Odea Bank A.S.'s Long Term Foreign-Currency (LTFC) and Long Term Local-Currency (LTLC) Issuer Default Ratings (IDRs) to Stable, up from Negative and affirmed the IDRs at "B-".

Additionally, the bank's Viability Rating (VR) was affirmed at "b-". This revision shows Fitch's view that risks to the bank's standalone credit profile are manageable due to increased profitability and sufficient Foreign Currency (FC) liquidity buffers.

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According to Fitch Ratings, near-term operating environment risks have somewhat subsided following Turkey's return to a more conventional and consistent policy mix. However, risks remain due to challenging market conditions and expected pressures on asset quality amid higher lira interest rate and slower growth environment.

It is worth noting that Odea Bank A.S. is a small Turkish bank with market shares of sector assets, deposits and loans below 1% as at end-Q3 2023. The bank's operations are concentrated in Turkey where it has negligible competitive advantage. The bank also stands as a subsidiary of Bank Audi S.A.L.

Odea Bank A.S.'s IDRs are driven by its standalone strength as reflected by its VR. The VR reflects the bank's focus on the challenging Turkish operating environment, limited franchise, weak but improving asset quality and tight capitalization. Additionally, the recent shift towards normalization of the monetary policy has reduced near-term macro-financial stability risks and decreased external financing pressures.

Odea Bank A.S. has tightened its underwriting standards in recent years and deleveraged legacy lumpy exposures. The bank's non-performing loan (NPL) ratio improved to 3.9% at end-Q3 2023, down from 4.6% at end-2022 supported by limited impaired loans generation, in addition to collections. However, the NPL ratio remains above the sector average and the Stage 2 loans ratio is still elevated.

The bank's profitability improved in the first nine months of 2023, with operating profit/risk-weighted assets (RWA) increasing to 5.3% at end-Q3 2023. This was mainly driven by substantial free provision reversals and fee and trading income, which offset margin contraction. Odea Bank A.S.'s common equity Tier 1 (CET1) ratio declined to 8.9% net of forbearance (10.3% including forbearance) at end-Q3 2023 from 9.1% at end-2022 (10.5% including forbearance), driven by lira depreciation and market-to-market losses despite improved internal capital generation. The bank's capitalization is below sector average and tight, given its sensitivity to lira depreciation and the small absolute size of the capital base. In addition, support in the form of capital injections from Odea Bank A.S.'s parent Bank Audi S.A.L. cannot be relied on given the financial crisis in Lebanon.

It is worth mentioning that the bank is mainly customer-deposit funded (end- Q3 2023: 87% of non-equity funding). FC wholesale funding (13%) largely comprises subordinated debt due in 2027 (11%).

LEBANON ESTABLISHES A GREEN INVESTMENT FACILITY

During the United Nations Climate Change Conference (COP28), the Lebanese Caretaker Minister of Environment revealed proactive steps taken by Lebanon in confronting the risks of climate change. Among them is the creation of a Green Investment Facility in the country as per of collaborative efforts between the Ministry of Environment (MoE), the United Nations Development Program (UNDP) and other partners. This move comes as part of Lebanon's efforts to strengthen its environmental strategies in line with the Fourth National Report on Climate Change and the Nationally Determined Contribution (NDC).

The Green Investment Facility will strategically direct its investments into vital sectors such as renewable energy, sustainable transportation, solid waste management, agriculture and irrigation. Additionally, an agreement was reached to launch the first report on climate change and development in Lebanon at the beginning of 2024.

It is worth noting that Lebanon has recently released its fourth national report on climate change as part of a cooperation with the UNDP and financed through the Global Environment Fund (GEF). The report analyzes the impact of the country's carbon emissions, its vulnerabilities and climate projections. This report serves as a compass which highlights necessary calls for immediate climate change interventions and the formulation of policies that strengthen resilience and adaptation in the face of climate change and natural disasters. In turn and as part of Lebanon's NDC, the country aims to reduce emissions by 20% by 2030.

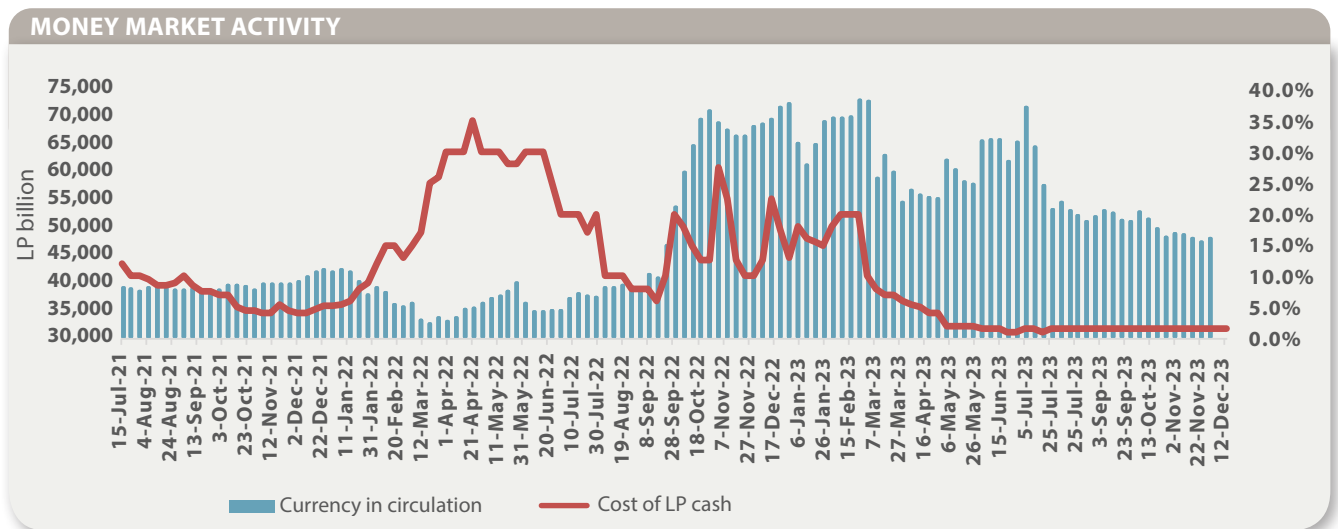
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CAPITAL MARKETS

MONEY MARKET: TOTAL RESIDENT DEPOSITS EXPANDING FURTHER WEEK-ON-WEEK

The overnight rate, which is a non-cash rate on the money market, rose from 25% at the end of last week to 40% on Friday, while the cost of LP cash remained quoted around 1%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 30th of November 2023 showed that total resident banking deposits expanded further by LP 4,236 billion. This is mainly attributed to a LP 3,374 billion rise in total LP resident deposits amid a LP 2,658 billion increase in LP demand deposits and a LP 716 billion growth in LP saving deposits, while foreign currency resident deposits rose by LP 861 billion (the equivalent of US\$ 57 million as per the official rate of LP 15,000). Within this context, the money supply in its broadest sense (M4) expanded by LP 5,569 billion over the covered week amid a LP 740 billion rise in the currency in circulation and a LP 593 billion increase in the non-banking sector Treasury bills portfolio.



TREASURY BILLS MARKET: WEEKLY NOMINAL SURPLUS OF LP 62 BILLION

The latest Treasury bills auction results for value date 14th of December 2023 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the six-month category (offering a yield of 4.00%), the two-year category (offering a coupon of 5.00%) and the ten-year category (offering a coupon of 7.00%).

The Treasury bills auction results for value date 7th of December 2023 showed subscriptions of LP 111 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 33 billion in the three-month category (offering a yield of 3.50%) and LP 78 billion in the one-year category (offering a yield of 4.50%). These compare to maturities of LP 49 billion, which resulted into a weekly nominal surplus of LP 62 billion.

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TREASURY BILLS

	15/12/2023	08/12/2023	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)		111	1	
Short-term (3&6 mths)		33	-	
Medium-term (1&2 yrs)		78	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		0	-	
Maturities		49	193	
Nom. Surplus/Deficit		62	-192	

Sources: Central Bank of Lebanon, Ministry of Finance

FOREIGN EXCHANGE MARKET: CONTINUOUS STABILITY IN LP/US\$ BLACK MARKET RATE

Amid a continuous fighting in Gaza after a UN Security Council resolution demanding immediate ceasefire has been vetoed last week, and despite military escalation on the Southern Lebanese border, the LP/US\$ black market rate remained stable at LP/US\$ 89,400-LP/US\$ 89,700 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.

Within this context, it is worth mentioning that the Central Bank of Lebanon's liquid foreign reserve assets expanded by circa US\$ 490 million since end-July 2023. This comes within the context of the new BDL policy refraining from financing the government, especially in foreign currencies, and preserving what remains from the FX reserves at the Central Bank. The increase in BDL's liquid FX reserves would allow the Central Bank to meet demand for foreign currencies in the coming few months, while awaiting a breakthrough in the long-simmering political and economic crisis.

EXCHANGE RATES

	15/12/2023	08/12/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	19,164.00	18,837.00	1,813.97	↓
LP/¥	105.79	103.95	11.27	↓
LP/SF	17,305.03	17,135.02	1,628.67	↓
LP/Can\$	11,214.11	11,044.84	1,108.21	↓
LP/Euro	16,440.00	16,165.50	1,603.83	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: STRONG EQUITY PRICE GAINS WEEK-ON-WEEK

The Beirut Stock Exchange was marked this week by extended price gains and increased activity. The price index surged by 5.4% week-on-week. Four out of five traded stocks registered price rises, while one stock posted price falls.

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A glance on individual stocks shows that BLOM's GDR price skyrocketed by 20.0% to US\$ 3.00, followed by BLOM's "listed" shares with +16.3% to US\$ 3.50, Solidere "A" shares with +7.4% to US\$ 75.05 and Solidere "B" shares with +6.3% to US\$ 74.80. Solidere released its separate audited financial results for the year 2022, which showed a narrowing net loss of US\$ 11.1 million compared to a net loss of US\$ 21.5 million in 2021. In contrast, Ciments Blancs Nominal's share price shed 4.3% to US\$ 22.00.

As to trading volumes, the BSE total trading value expanded by more than six folds, moving from US\$ 11.0 million last week to US\$ 21.5 million this week, noting that Solidere shares captured almost all activity.

AUDI INDICES FOR BSE

	15/12/2023	08/12/2023	30/12/2022	
Market Cap. Index	768.36	728.94	614.50	↑
Trading Vol. Index	797.62	99.91	96.84	↑
Price Index	161.30	153.03	129.00	↑
Change %	5.41%	2.86%	1.30%	↑
	15/12/2023	08/12/2023	30/12/2022	
Market Cap. \$m	18,228	17,293	14,578	↑
No. of shares traded (Exc. BT)	1,028,964	178,924	187,711	↑
Value Traded \$000 (Exc. BT)	70,529	10,997	6,415	↑
o.w. : Solidere	70,176	10,960	6,349	↑
Banks	266	14	66	↑
Others	88	23	0	↑

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

BOND MARKET: PRICES OF LEBANESE SOVEREIGNS STAYING AT THEIR LOWS

Lebanese Eurobond prices remained at their lows this week, standing at 5.875 cents per US dollar across the yield curve on Friday. Concomitantly, Moody's affirmed this week the government of Lebanon's issuer rating at "C" and has changed the outlook to "stable" from "no outlook". The "stable" outlook reflects Moody's expectation that the rating would remain "C" for the foreseeable future, 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 0.13 pt to 0.25 pt since the beginning of the year 2023.

EUROBONDS INDICATORS

	15/12/2023	08/12/2023	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)	5.875	5.875	5.50-5.88	↔
Yield on US 5-year note	3.90%	4.17%	3.94%	↓

Source: Bank Audi's Group Research Department

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INTERNATIONAL MARKET INDICATORS

	15-Dec-23	08-Dec-23	31-Dec-22	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	142.15	144.95	131.11	-1.9%	8.4%
\$/£	1.268	1.255	1.208	1.1%	5.0%
\$/Euro	1.090	1.076	1.071	1.2%	1.8%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	37,305.16	36,247.87	33,147.25	2.9%	12.5%
S&P 500	4,719.19	4,604.37	3,839.50	2.5%	22.9%
NASDAQ	14,813.92	14,403.97	10,466.48	2.8%	41.5%
CAC 40	7,596.91	7,526.55	6,473.76	0.9%	17.3%
Xetra Dax	16,751.44	16,759.22	13,923.59	0.0%	20.3%
FT-SE 100	7,576.36	7,554.47	7,451.74	0.3%	1.7%
NIKKEI 225	32,970.55	32,307.86	26,094.50	2.1%	26.4%
COMMODITIES (in US\$)					
GOLD OUNCE	2,019.62	2,004.67	1,824.02	0.7%	10.7%
SILVER OUNCE	23.86	23.00	23.95	3.7%	-0.4%
BRENT CRUDE (per barrel)	76.55	75.84	83.10	0.9%	-7.9%
LEADING INTEREST RATES (%)					
Term SOFR 1-month	5.36	5.35	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	3.91	4.23	3.87	-0.31	0.04

Sources: Bloomberg, Bank Audi's Group Research Department

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