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## The LEBANON WEEKLY MONITOR

### Economy

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The banking sector activity almost maintained its mild rhythm of the previous couple of years, with total assets of banks operating in Lebanon rising by 2.3% over the first half of 2016, or US\$ 4.4 billion, to reach US\$ 190.4 billion at end-June amid slow economic growth in a tough domestic operating environment characterized by ongoing political tensions and fears of spillovers from the regional security conditions.

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### Markets In Brief

#### **p.9 FURTHER EXPANSION IN BOND SPREADS AFTER BANK OF ENGLAND'S DECISION**

Lebanese capital markets witnessed this week an expansion in bond spreads and a slight rise in equity prices, while the LP/US\$ interbank rate continued to hover around the upper bound of the BDL's intervention bracket. In details, activity was sluggish on the Eurobond market, with locals and internationals showing a small demand for medium to long-term papers. The average bond spread expanded by 6 bps to 473 bps amid rises in Lebanese yields and declines in US Treasuries yields following the Bank of England stimulus measures. At the level of the equity market, the total trading value fell from US\$ 4.4 million last week to US\$ 2.4 million this week, while the price index edged up by 0.3% to close at 103.44. On the FX market, the LP/US\$ interbank rate retreated from LP 1,513.20-LP 1,514 last week to LP 1,513-LP 1,514 this week amid some conversions in favor of the local currency.

### LEBANON MARKETS: WEEK OF AUGUST 01 - AUGUST 07, 2016

Money Market	↔	BSE Equity Market	↑
Certificates of Deposits Market	↑	GDR Market	↑
LP Tbs Market	↑	Eurobond Market	↓
LP Exchange Market	↔	CDS Market	↔

## ECONOMY

### BANK DEPOSIT GROWTH SLOWDOWN COUPLED WITH HIGHER LENDING GROWTH

The banking sector activity almost maintained its mild rhythm of the previous couple of years, with total assets of banks operating in Lebanon rising by 2.3% over the first half of 2016, or US\$ 4.4 billion, to reach US\$ 190.4 billion at end-June amid slow economic growth in a tough domestic operating environment characterized by ongoing political tensions and fears of spillovers from the regional security conditions.

Traditionally a major activity driver, customer deposits witnessed a slowdown relative to the first half of 2015. They rose by 2.0%, or US\$ 3.1 billion, since the start of this year. This compares to a higher US\$ 4.2 billion between December 2014 and June 2015. The slowdown in deposits is attributed to lower deposit growth on behalf of non-residents, who accounted for 10% of total deposit growth over the covered period (against 33% over the corresponding period of last year). The bulk of deposit growth is thus attributed to residents, with a slight advantage to foreign currency deposits (which accounted for 64% of total deposit growth).

Another driver of activity, lending to the private sector, yet somewhat picked up over the covered period, amidst the BDL's stimulus package aimed at giving a boost to lending to the slowly growing economy. Lending activity grew by 3.1% or US\$ 1.7 billion, twice the growth in volumes of the low base realized during the 2015 similar period. Lending activity in local currency accounted for nearly 40% of total growth in lending, the bulk of which was attributed to the resident sector.

The relative pick up in lending activity contributed to a slight rise in the loan-to-deposit ratio to 36.1%, though this level remains low by global standards and allows banks to further extend loans once conditions improve markedly. On top of such a large financial flexibility, Lebanese banks remain quite liquid with their primary liquidity at 47% of FX deposits, a level well above regional and global averages.

The continued lending activity growth in recent times has not come at the expense of the lending portfolio quality, with the NPLs/Total loans ratio remaining almost unchanged at a low 3.7% at end-June 2016, which is twice lower than the emerging markets and global averages. The stock of NPLs is well provisioned for, with the coverage ratio close to the 70% threshold. In parallel, capital adequacy is healthy, reaching 15.1% at end-2015 as per the latest BDL figures. Such an adequate capitalization ratio remains apt to shield Lebanese banks from potential pressures on their capital base.

### BANKING ACTIVITY

in millions of US\$	2015			2016		
	Q1	Q2	H1	Q1	Q2	H1
<b>Var: Total assets</b>	<b>1,257</b>	<b>3,130</b>	<b>4,387</b>	<b>1,670</b>	<b>2,697</b>	<b>4,367</b>
% change in assets	0.7%	1.8%	2.5%	0.9%	1.4%	2.3%
<b>Var: Total deposits</b>	<b>1,036</b>	<b>3,119</b>	<b>4,155</b>	<b>857</b>	<b>2,214</b>	<b>3,071</b>
o.w. LP deposits	1,024	1,340	2,364	396	700	1,096
o.w. FC deposits	12	1,779	1,791	461	1,514	1,975
% change in total deposits	0.7%	2.1%	2.9%	0.6%	1.5%	2.0%
<b>Var: Total credits</b>	<b>245</b>	<b>598</b>	<b>843</b>	<b>830</b>	<b>828</b>	<b>1,658</b>
o.w. LP credits	259	336	595	238	419	657
o.w. FC credits	-13	262	249	591	410	1,001
% change in total credits	0.5%	1.2%	1.7%	1.5%	1.5%	3.1%

Source: BDL

Last but not least, the pick up in lending activity triggered a positive quantity effect that counterbalanced the still tight interest rate margins on the overall and the spillovers of slow economic growth on banks' fee income generation and lead to a mild 6.2% increase in their bottom lines on a yearly basis in the first half of 2016. Return ratios nonetheless remain constrained relative to regional standards, with the annualized ROAA at 1.0% and the annualized ROAE at 11.2%.

## AIRPORT PASSENGERS' NUMBERS UP BY A YEARLY 6.8% IN THE FIRST SEVEN MONTHS OF 2016

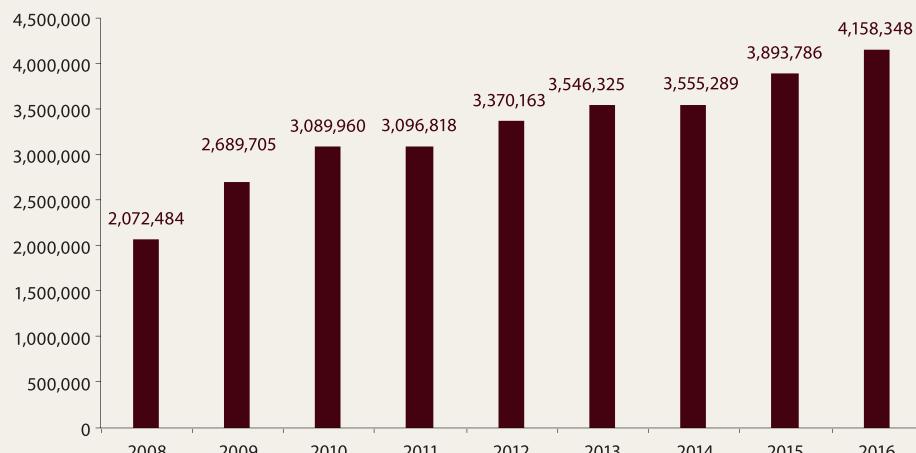
Figures released by the Hariri International Airport revealed that the number of passengers (excluding the transiting ones) displayed a 6.8% rise in the first seven months of 2016 to reach 4,158,348 passengers. The number of aircraft posted an increase of 6.2% year-on-year in the aforementioned period of this year. In contrast, the total freight handled by the airport decreased by an annual 7.2% in the first seven months of 2016.

A detailed look at the activity shows that the number of incoming passengers increased by a yearly 7.9% and that of departing passengers by 5.7% to reach 2,157,240 and 2,001,108 respectively. The number of transiting passengers edged down by 32.3% year-on-year to attain 6,649 passengers. When including the latter mentioned category, the total number of passengers using the airport attained 4,164,997, up by a yearly 6.7%. Excluding transiting passengers, the total would be 4,158,348, up by a yearly 6.8%.

Pertaining to aircraft activity, landing and take-offs recorded yearly increases of 6.2% each with the former amounting to 20,051 planes and the latter reporting 20,029 planes.

As to the freight movement within the airport, a total of 29,752 thousand tons were imported and unloaded during the first seven months of 2016 while 19,856 thousand tons were loaded and exported. The first mentioned activity posted a decrease of 3.7% and the latter posted a 12.1% decrease on a yearly basis.

### PASSENGERS AT THE AIRPORT \* (FIRST SEVEN MONTHS OF THE YEAR)



\*Excluding Transiting Passengers

Sources: Rafic Hariri International Airport, Bank Audi's Group Research Department

## NUMBER OF TOURISTS UP BY 7.7% YEAR-ON-YEAR IN THE FIRST HALF OF 2016

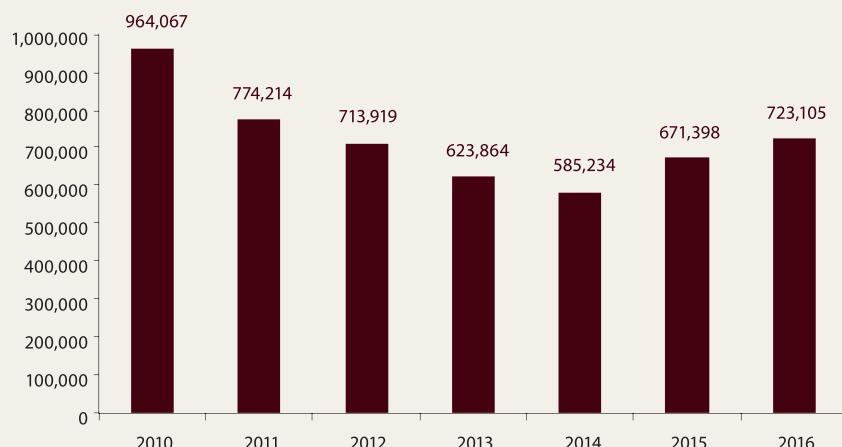
The latest figures released by the Ministry of Tourism showed that the tourism sector posted a 7.7% yearly increase in the first half of 2016 in terms of the number of tourists following an increase of 14.7% posted in the same period of the previous year.

In fact, the number of tourists registered 723,105 in the first six months of 2016, compared to 671,398 tourists posted in the corresponding period of 2015.

In details, Europe and Arab Countries had the lion's share in the contribution to the number of tourists with 33.0% (238,345 tourists) and 30.2% (218,432 tourists) respectively.

It is worth noting that tourists from most continents registered a positive performance with the highest coming from the African tourists that grew by a yearly 29.6% to stand at 48,740 tourists in the first half of 2016. This was followed by an increase in Oceanian tourists by 16.2% (27,756 tourists) and American tourists by 12.7%.

### NUMBER OF TOURISTS (FIRST SIX MONTHS OF THE YEAR)



Sources: Ministry of Tourism, Bank Audi's Group Research Department

## SURVEYS

### CITI TO REVISE LEBANON'S FISCAL FORECASTS TO REFLECT WEAKER THAN EXPECTED REVENUES AND HIGHER THAN EXPECTED EXPENDITURE GROWTH

Lebanon's fiscal slippage continued, prompting Citi to revise its fiscal forecasts to reflect weaker than expected revenues and higher than expected expenditure growth, as per the bank's Middle East Economic Outlook. The bank calculated that in March, the 12-month rolling fiscal deficit hit 9.3% of GDP, compared to 7.0% of GDP a year earlier.

Citi added that the latter came at a time when oil prices were providing expenditure relief to the budget, with transfers to EdL (the loss-making state electric company) falling from 4% of GDP to 2.1% of GDP in the 12 months to March. The underlying deficit (excluding transfers to EdL) thus widened from 3.0% of GDP to 7.2% during this period, as per the report.

This reinforces Citi's view that the benefits to Lebanon from low oil prices have peaked. Typically, oil price movements are reflected in the Lebanese budget with a six-month lag, so Citi expects transfers to EdL to continue declining somewhat for the next month or two, before rising sharply in September (reflecting the rally in oil prices that began in March). This implies a widening in the budget deficit in the last quarter of the year, all else equal, compelling the bank to revise its year-end fiscal deficit to 9.4% of GDP.

The report's negative outlook for Lebanese public finances is being compounded by rising concerns regarding the financing of the deficit, particularly with regards to bank liquidity. In the spotlight are banking sector deposits, whose growth slowed in recent months.

Non-resident deposits, in particular, grew by just 1.5% in the year to April 2016, compared to a growth rate of 11.7% a year earlier. This dragged down the overall deposit growth rate to 3.7%, from 6.9% a year earlier. Citi maintains its view that the slowdown in deposit growth is not an imminent threat to bank solvency and most probably reflects sluggishness in the global and domestic economy. However, Citi added that the slowdown created liquidity pressures in the Lebanese banking system, with the widening deficit implying that bank deposits require a growth rate close to 3% in order fully to absorb rising government issuance.

Pressure on Lebanese banks also rose as a result of the implementation of the Hezbollah International Financing Prevention Act (2015), as per Citi. In May, the Banque du Liban issued a circular warning banks to abide by the US regulations, which proscribe dealings with members of Hezbollah. Citi added the possibility of US sanctions against Lebanese banks was a significant risk to financial stability, and could quickly undermine the sovereign. In this light, the Bdl's intervention is aimed at reinforcing systemic stability by avoiding such an outcome, as per the report.

Last but not least, Citi does expect the controversy to escalate and maintains its view that Lebanese banks are unlikely to be targeted by US sanctions in the foreseeable future. However, the bank notes that the politicization of this issue could have a further negative impact on deposit growth and fiscal sustainability in the medium term.

## LEBANON'S RANK SLIGHTLY DETERIORATES IN THE 2016 GLOBAL PEACE INDEX

The Institute for Economics and Peace, in conjunction with the Economist Intelligence Unit, released its 2016 Global Peace Index (GPI) in which Lebanon was ranked 146th among 163 countries on an international scale and 13th among 19 countries on a regional one (compared to 12th out of 16 countries in 2015). Lebanon's global rank declined by one notch from the 2015 survey (145th among 162 countries).

The GPI, which ranks countries according to their absence of violence, is developed by the Institute for Economics and Peace. It is composed of 22 indicators, ranging from a nation's level of military expenditure to its relations with neighboring countries. Countries with the lowest scores are considered to be the most peaceful ones while those with the highest scores are the least peaceful ones.

With a score of 2.75, Lebanon was placed amongst countries with a low level of peace. It is more peaceful than Columbia, Palestine, and Nigeria while it is less peaceful than Venezuela, Egypt, and Turkey. Lebanon is less peaceful than the MENA region at large which recorded an average score of 2.55. On a regional basis, Lebanon's level of peace is lower than that of Bahrain, Iran and Egypt while it exceeds that of Palestine, Libya and Sudan, according to the Institute.

### MIDDLE EAST AND NORTH AFRICA RANKINGS

Country	Overall Rank	Overall Score	Change in score	Regional Rank
Qatar	34	1.716	-0.024	1
Kuwait	51	1.842	0.061	2
United Arab Emirates	61	1.931	0.017	3
Tunisia	64	1.949	-0.024	4
Oman	74	2.016	-0.028	5
Morocco	91	2.086	0.017	6
Jordan	96	2.127	0.024	7
Algeria	108	2.213	-0.024	8
Saudi Arabia	129	2.338	0.042	9
Bahrain	132	2.398	0.072	10
Iran	133	2.411	-0.032	11
Egypt	142	2.574	0.047	12
<b>Lebanon</b>	<b>146</b>	<b>2.752</b>	<b>-0.002</b>	<b>13</b>
Palestine	148	2.832	-	14
Libya	154	3.200	0.065	15
Sudan	155	3.269	-0.024	16
Yemen	158	3.399	0.151	17
Iraq	161	3.570	0.006	18
Syria	163	3.806	0.011	19

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

## CORPORATE NEWS

### NET PROFITS OF BANK OF BEIRUT UP BY 2.2% TO US\$ 90.9 MILLION IN THE FIRST HALF OF 2016

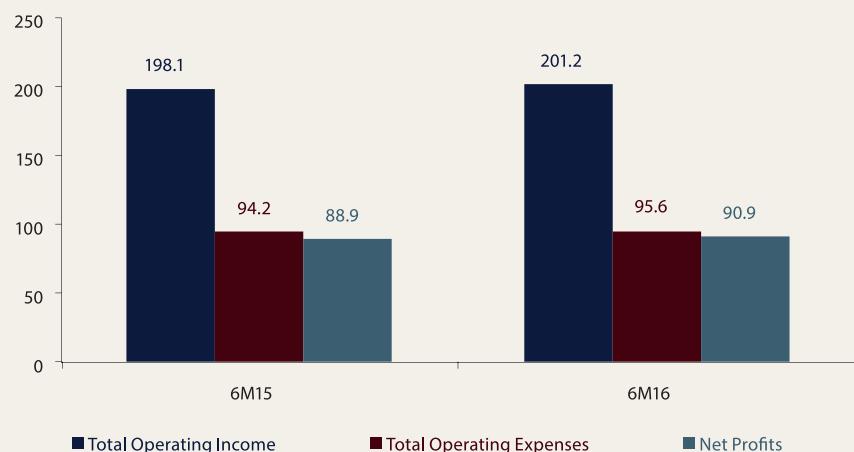
Bank of Beirut posted net profits of US\$ 90.9 million in the first half of 2016, up by a yearly 2.2% from US\$ 88.9 million in the corresponding period of 2015.

The bank's net interest income attained US\$ 122.1 million in the first half of 2016, up by 7.0% from US\$ 114.1 million in the first half of 2015. Net fees and commissions income fell by 1.6% year-on-year, from US\$ 38.3 million in the first half of 2015 to US\$ 37.7 million in the corresponding period of this year. Net operating income rose by an annual 2.1% to stand at US\$ 199.8 million in the first half of 2016.

This was accompanied by a 1.4% yearly increase in total operating expenses, which amounted to US\$ 95.6 million in the first half of 2016, up from US\$ 94.2 million in the same period of last year. Among the latter category, staff costs increased by 9.3% year-on-year to reach US\$ 55.9 million in the first half of 2016, and other general operating expenses fell by a yearly 8.7% to US\$ 33.4 million in the first half of 2016.

The bank's total assets amounted to US\$ 16.1 billion at end-June 2016, up by 5.3% from US\$ 15.3 billion at end-June 2015. Customers' deposits stood at US\$ 12.2 billion at end-June 2016, progressing by 6.2% from US\$ 11.5 billion at end-June 2015. Loans to customers registered US\$ 4.5 billion at end-June 2016, up by 10.4% from end-June 2015. Shareholders' equity attained US\$ 2.1 billion at end-June 2016, up by 11.3% from end-June 2015.

#### BANK OF BEIRUT'S SELECTED INCOME STATEMENT AGGREGATES (US\$ MILLION)



Sources: Bank of Beirut, Bank Audi's Group Research Department

## NET PROFITS OF BANQUE BEMO DOWN TO US\$ 7.3 MILLION IN THE FIRST HALF OF 2016

Banque BEMO released its latest consolidated financial results which showed that the bank's assets totaled US\$ 1.7 billion at end-June 2016, up from US\$ 1.6 billion at end-2015. Net loans and advances totaled US\$ 715.6 million at end-June 2016, up from US\$ 675.4 million at end-2015. Customers' deposits registered US\$ 1.3 billion at end-June 2016, down from US\$ 1.4 billion at end-2015. Shareholders' equity totaled US\$ 136.1 million at end-June 2016, up from US\$ 134.6 million at end-2015.

Banque BEMO posted net profits of US\$ 7.3 million in the first two quarters of 2016, down by 8.4% from US\$ 8.0 million in the corresponding period of 2015.

Net interest income amounted US\$ 13.2 million in the first half of 2016, up by 8.6% year-on year from US\$ 12.1 million in the first half of 2015. Net fees and commissions income increased from US\$ 2.4 million in the first six months of 2015 to US\$ 2.6 million in the same period of 2016.

Net financial revenues increased from US\$ 19.7 million in the first two quarters of 2015 to US\$ 21.4 million in the same period of 2016. This was accompanied by a 1.4% increase in total expenses to reach US\$ 12.8 million in the first six months of 2016, of which staff costs reaching US\$ 7.4 million, 0.5% lower than those reported in the first two quarters of 2015 and administrative expenses reaching US\$ 4.7 million, 2.3% higher than those of the first six months of 2015.

## ALFA LAUNCHES 4G LTE-ADVANCED NETWORK IN COLLABORATION WITH NOKIA

Alfa launched the country's first 4G LTE-Advanced network in collaboration with Nokia.

The new network enables Alfa to offer significantly higher download speeds of up to 262.5 megabits per second for accessing high-definition video and other data-intensive applications.

The deployment of Nokia's carrier aggregation (CA) technology would allow Alfa to provide innovative and high-definition services to data subscribers who currently exceed 74% of its subscriber base. It would also help Alfa capitalize on opportunities arising from 5G and the "Internet of Things" technology.

In 2015, the Ministry of Telecommunications set out a vision for 2020 whereby it aims to develop the sector in a five-year plan at an estimated cost of US\$ 700 million.

With an unprecedented surge in data traffic over the Alfa network reaching to 15,000 terabytes per year, the deployment of 4G LTE-A would not only advance the quality of its 4G network but would also help the company quickly move toward next-generation technologies such as 5G, as per Alfa's CEO.

## EGD TO OPEN WEATHER STRIPS ALUMINUM ACCESSORIES FACTORY IN BEKAA THIS MONTH

Establishment George Dib (EGD) would open a weather strips aluminum accessories factory in Bekaa this month.

Investment in the factory is estimated at US\$ 3 million. It would have a total built-area of 1,200 square meters. Currently, weather strips are presently imported to Lebanon from China and Europe.

The fully automated machines that would be used in the manufacturing process were imported from Korea. Production capacity would be 1.5 million linear meters per month.

The entire production can fulfill the market's needs. The company would export part of the production to Cyprus and Turkey.

EGD was the owner of Alutex, which used to manufacture aluminum profiles but closed down. The company also owns a factory that assembles and installs aluminum windows and doors.

## CAPITAL MARKETS

### MONEY MARKET: SHY GROWTH IN BANKING DEPOSITS WEEK-ON-WEEK

The local currency liquidity remained quite abundant on the money market during this week, which maintained the overnight rate stable at 3.00%. As to Certificates of Deposits, small subscriptions of LP 3 billion were made in the 60-day category. Accordingly, total subscriptions in the 45-day and 60-day categories reached LP 260 billion since the beginning of the year 2016 and were distributed as follows: LP 60 billion in the 45-day category and LP 200 billion in the 60-day category.

In parallel, the latest monetary statistics released by the Central Bank of Lebanon showed that banking deposits grew by a shy LP 14 billion during the week ending 21st of July 2016. A closer look at deposits shows that deposits in foreign currencies went up by US\$ 123 million. LP deposits dropped by LP 171 billion, as a result of a fall of LP 159 billion in LP demand deposits and a retreat of LP 12 billion in LP time deposits week-on-week. These weekly variations compare to an average weekly rise of US\$ 48 million for FC deposits and an average weekly growth of LP 53 billion for LP deposits since the beginning of the year 2016. Total money supply in its large sense (M4) expanded by LP 36 billion. This compared to an average weekly growth of LP 125 billion since the beginning of the year 2016.

On a cumulative basis, money supply (M4) expanded by LP 3,895 billion since the beginning of the year 2016. This is the result of a growth in FC deposits of LP 2,576 billion (the equivalent of US\$ 1,709 million), an increase in LP time deposits of LP 1,560 billion, a contraction in money supply (M1) of LP 286 billion, and an expansion in Tbs held by the public of LP 45 billion since the beginning of the year 2016.

### INTEREST RATES

	05/08/16	29/07/16	30/12/15	
Overnight rate	2.75%	2.75%	2.75%	↔
7 days rate	2.86%	2.86%	2.86%	↔
1 month rate	3.31%	3.31%	3.31%	↔
45- day CDs	3.57%	3.57%	3.57%	↔
60- day CDs	3.85%	3.85%	3.85%	↔

Source: Bloomberg

### TREASURY BILLS MARKET: WEEKLY NOMINAL SURPLUS OF LP 24 BILLION

The secondary Tbs market saw some demand for papers maturing in 2018 and 2019, 30-35 bps below the yield curve, as some banks aimed to form a basket of Tbs holdings with an average maturity of eight years that is eligible to be exchanged with FC Certificates of Deposits or Eurobonds held by the Central Bank of Lebanon.

At the level of the primary market, the auction results for value date 28th of July 2016 released by the Central Bank of Lebanon showed that total subscriptions amounted to LP 355 billion and were distributed as follows: LP 51 billion in the three-month category, LP 160 billion in the one-year category and LP 144 billion in the five-year category. These compare to maturities of LP 331 billion, resulting in a nominal surplus of LP 24 billion. In parallel, the latest auction's results dated August 4, 2016 showed that the six-month and two-year categories had full allocations, while the ten-year category had an allocation of 4.40%.

## TREASURY BILLS

	05/08/16	29/07/16	30/12/15	
3-month	4.44%	4.44%	4.44%	↔
6-month	4.99%	4.99%	4.99%	↔
1-year	5.35%	5.35%	5.35%	↔
2-year	5.84%	5.84%	5.84%	↔
3-year	6.50%	6.50%	6.50%	↔
5-year	6.74%	6.74%	6.74%	↔
10-year		7.46%	7.46%	↔
<b>Nom. Subs. (LP billion)</b>	<b>355</b>	<b>145</b>		
Short -term (3&6 mths)	51	11		
Medium-term (1&2 yrs)	160	35		
Long-term (3 yrs)	-	-		
Long-term (5 yrs)	144	99		
<b>Maturities</b>	<b>331</b>	<b>24</b>		
<b>Nom. Surplus/Deficit</b>	<b>24</b>	<b>121</b>		

Sources: Central Bank of Lebanon, Bloomberg

## FOREIGN EXCHANGE MARKET: BDL'S FOREIGN ASSETS BACK ON THE RISE

The foreign exchange market continued to see some conversions in favor of the local currency at the beginning of the week in the purpose of paying employees' salaries. This brought the LP/US\$ interbank rate down from LP 1,513.20-LP 1,514 last week to LP 1,513-LP 1,514 this week, while the BDL remained on the sidelines.

The Central Bank of Lebanon's foreign assets rose by US\$ 536 million during the second half of July 2016 to reach US\$ 36.8 billion at end-July, as per the BDL's latest bi-monthly balance sheet ending 31st of July 2016. That being said, the Central Bank's foreign assets covered 69.0% of LP money supply, with this coverage ratio rising to 92.1% when accounting for gold reserves estimated at US\$ 12.3 billion at end-July. In addition, the BDL's foreign assets covered 23.5 months of imports. These ratios reflect the Central Bank's strong ability to defend the currency peg and meet demand for foreign currencies in time of pressures.

## EXCHANGE RATES

	05/08/16	29/07/16	30/12/15	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,980.86	1,983.87	2,232.46	↑
LP/¥	14.93	14.53	12.51	↓
LP/SF	1,548.54	1,542.20	1,520.88	↓
LP/Can\$	1,158.28	1,144.04	1,086.88	↓
LP/Euro	1,680.86	1,673.48	1,646.64	↓

Source: Bank Audi's Group Research Department

## STOCK MARKET: REDUCED BSE ACTIVITY AMID SHY PRICE RISES

The Beirut Stock Exchange saw declines in activity over this week. The total trading value fell by 44.9%, moving from US\$ 4.4 million last week to US\$ 2.4 million this week. This compared to a much higher average weekly trading value of US\$ 12.9 million since the beginning of the year 2016. The total number of traded shares fell from 418,222 last week to 252,654 this week, down by 39.6%. As far as prices are concerned, the BSE price index increased by a tiny 0.3% week-on-week to close at 103.44.

Banking stocks accounted for 65.1% of the total. Bank Audi's "listed" share price declined by 1.5% to close at US\$ 6.10. Bank Audi's GDR price edged up by 0.3% to US\$ 6.22. BLOM's "listed" share price increased by 0.9% to US\$ 10.04. BLOM's GDR price nudged down by 0.1% to close at US\$ 10.04. Byblos Bank's "listed" share price rose by 1.9% to US\$ 1.65. Solidere shares accounted for the remaining of 34.9%. Solidere "A" share price stood stable at US\$ 9.56, while Solidere "B" share price shed 2.9% to US\$ 9.31.

The BSE's weekly performance compared to a 0.7% decline in broader Arabian markets' share prices (as per S&P Pan-Arab Composite Index) and a 1.3% rise in broader emerging markets' share prices (as per S&P Emerging Frontier Super Composite Index).

#### AUDI INDICES FOR BSE

22/1/96=100	05/08/16	29/07/16	30/12/15	
Market Cap. Index	437.32	436.23	442.41	↑
Trading Vol. Index	20.66	37.46	21.03	↓
Price Index	103.44	103.18	104.64	↑
Change %	0.25%	-0.26%	0.63%	↑
05/08/16	29/07/16	30/12/15		
Market Cap. \$m	10,375	10,349	10,496	↑
No. of shares traded	252,654	418,222	363,656	↓
Value Traded \$000 (Exc. BT)	2,408	4,368	1,466	↓
o.w. : Solidere	840	802	906	↑
Banks	1,568	3,578	560	↓
Others	0	6	0	↓

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

#### BOND MARKET: FURTHER EXPANSION IN SPREADS

Activity remained sluggish on the Eurobond market over this week. Internationals showed some demand for papers maturing in October 2022, January 2023 and November 2026, which was met by a local offer. Also, a shy domestic activity was observed on papers maturing in 2029.

The weighted average yield increased slightly by three basis points to 5.83%, while the weighted average spread expanded further by 6 basis points to 473 basis points amid declines in US Treasuries yields. For instance, the five-year US Treasuries yields dropped from 1.10% last week to 1.03% this week after the Bank of England cut interest rates for the first time since 2009 and announced stimulus measures, pushing gilt yields to a record low and subsequently increasing the attractiveness of US yields.

#### EUROBONDS INDICATORS

	05/08/16	29/07/16	30/12/15	
Total tradable size \$m	27,586	27,585	25,777	↑
o.w.: Sovereign bonds	26,061	26,060	24,252	↑
Average Yield	5.85%	5.82%	5.48%	↑
Average Spread	473	467	368	↑
Average Life	6.49	6.52	6.13	↓
Yield on US 5-year note	1.03%	1.10%	1.82%	↓

Source: Bank Audi's Group Research Department

## INTERNATIONAL MARKET INDICATORS

	05-Aug-16	29-Jul-16	31-Dec-15	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	101.80	102.06	120.25	-0.3%	-15.3%
\$/£	1.307	1.323	1.474	-1.2%	-11.3%
\$/Euro	1.109	1.117	1.086	-0.8%	2.1%
<b>STOCK INDICES</b>					
Dow Jones Industrial Average	18,543.53	18,432.24	17,425.03	0.6%	6.4%
S&P 500	2,182.87	2,173.60	2,043.94	0.4%	6.8%
NASDAQ	5,221.12	5,162.13	5,007.41	1.1%	4.3%
CAC 40	4,410.55	4,439.80	4,637.06	-0.7%	-4.9%
Xetra Dax	10,367.21	10,337.50	10,743.01	0.3%	-3.5%
FT-SE 100	6,793.47	6,724.43	6,242.32	1.0%	8.8%
NIKKEI 225	16,254.45	16,569.27	19,033.71	-1.9%	-14.6%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,336.00	1,351.30	1,061.10	-1.1%	25.9%
SILVER OUNCE	19.71	20.30	13.85	-2.9%	42.3%
BRENT CRUDE (per barrel)	44.27	43.53	37.28	1.7%	18.8%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	0.50	0.50	0.42	0.00	0.08
US Prime Rate	3.50	3.50	3.50	0.00	0.00
US Discount Rate	1.00	1.00	1.00	0.00	0.00
US 10-year Bond	1.59	1.45	2.27	0.14	-0.68

Sources: Bloomberg, Bank Audi's Group Research Department

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