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The LEBANON WEEKLY MONITOR

Economy

p.2 ALPHA BANKS MAINTAINING POSITIVE GROWTH IN A RELATIVELY TOUGH YEAR

The Alpha Report, outlining the performance and positioning of the first 16 banks in Lebanon with deposits exceeding US\$ 2 billion, was issued by Bankdata Financial Services WLL for the fourth quarter of 2018, whereby Alpha banks showed positive growth in a relatively of tough operating environment.

Also in this issue

- p.3** Slowdown in the activity of the property market in first two months of 2019
- p.4** Electricity production up by 7.0% in first month of 2019

Surveys

p.5 "STABLE" OUTLOOK ON LEBANON'S BANKING SYSTEM REFLECTS EXPECTATION THAT DEPOSIT GROWTH AND ECONOMIC ACTIVITY WOULD PICK UP SLIGHTLY, SAYS MOODY'S

According to a recent report on Moody's, the "stable" outlook for Lebanon's banking system reflects the expectation that economic growth would pick up slightly, and deposit growth would be sufficient to allow banks to finance the government and the economy, despite a recent slowdown in deposit inflows.

Also in this issue

- p.5** Lebanese economy to expand by 1.5% in 2019, says Bloomberg
- p.6** Lebanon's hospitality sector sees rise in occupancy rates, room yields and average room rate in first month of 2019, says EY

Corporate News

p.7 LEBANESE INSURANCE COMPANIES' LIFE PREMIUMS UP BY 4.2% TO US\$ 543 MILLION IN 2018

Total life premiums generated by Lebanese insurance companies reached US\$ 542.7 million in 2018, constituting an increase of 4.2% from US\$ 520.9 million in 2017, according to data compiled by Al Bayan Magazine.

Also in this issue

- p.8** Pearl Brands to merge with Chalhoub Group's two retail operations in Lebanon
- p.8** Fransabank's total assets up by a yearly 7.6% to US\$ 23.7 billion at end-2018

Markets In Brief

p.9 BOND PRICE RECOVERY FOLLOWING US FEDERAL RESERVE'S DECISION

Amid calls to move forward with the government's agenda and following the US Fed's decision not to raise interest rates in 2019, Lebanon's capital markets witnessed this week price gains on the Eurobond market, a balanced activity on the FX market, and a slow mood on the equity market. In details, the bond market benefited from a decent international bid, tracking US Treasuries move after the FOMC decided to keep interest rates unchanged in 2019 amid global economic and financial developments. This led to bond price increases of up to two pts week-on-week. At the level of the FX market, demand and supply forces remained balanced, while BDL's foreign assets remained relatively stable at US\$ 38.8 billion mid-March 2019, covering 78% of LP money supply. On the equity market, activity remained shy, while the BSE price index rose slightly by 0.4%, driven by price increases in some banking stocks.

LEBANON MARKETS: WEEK OF MARCH 18 - MARCH 24, 2019

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

ECONOMY

ALPHA BANKS MAINTAINING POSITIVE GROWTH IN A RELATIVELY TOUGH YEAR

The Alpha Report, outlining the performance and positioning of the first 16 banks in Lebanon with deposits exceeding US\$ 2 billion, was issued by Bankdata Financial Services WLL for the fourth quarter of 2018.

The year 2018 saw an 11.3% growth in the consolidated activity of Alpha banks, almost double their growth in the previous year, mainly driven by BDL financial engineering operations, with their total assets reaching US\$ 261.5 billion at end-December 2018. It also saw a rise in their branch network by 7 branches to 1,223 branches at end-2018, along with a contraction in their staff count by 199 employees, translating noticeable efficiency measures introduced.

Deposits from customers managed to report a positive growth of 2.1% over the year 2018, with domestic deposits rising by 2.8% while deposits of foreign entities contracted by 1.9% mainly due to FX translation impact in foreign markets that witnessed exchange rate depreciation relative to the US dollar. The breakdown of domestic deposits by currency suggests that there were net conversions from LL deposits to FX deposits, raising deposit dollarization to a 10-year high at 69.2%. As a matter of fact, LL deposits contracted by 3.1% in 2018, while domestic FX deposits rose by 5.6% over the year.

Amid a persistently challenging environment in Lebanon and foreign markets of presence, Alpha banks adopted a policy focusing on improving efficiency and de-risking, resulting mainly in net loan settlements and a reduction of loan exposures. As such, loans to customers contracted by 4.6% in 2018, with a 3.2% reduction in domestic loans and an 8.8% decrease in loans in foreign entities that were also affected by a certain FX translation impact. The reduction in domestic loans to the private sector was especially due to a contraction in the LP loan portfolio of 5.7%, noting that the BDL requested banks during 2018 to reduce the LP loans to LP deposits ratio to a maximum of 25% by end-2019.

ALPHA BANKS RANKING BY MAJOR AGGREGATES AS AT DECEMBER 2018

(In US\$ million)	Total assets		Customers' deposits		Loans & advances		Shareholders' equity		Net profits	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
Bank Audi Sal	47,225	1	31,956	1	13,289	1	3,884	1	501	2
BLOM Bank Sal	36,745	2	26,917	2	7,163	2	3,268	2	510	1
Société Générale de Banque au Liban Sal - SGBL	25,952	3	18,705	3	5,823	4	1,918	6	198	4
Byblos Bank Sal	25,001	4	18,467	4	5,443	6	1,921	5	165	6
Fransabank Sal	23,738	5	17,023	5	6,745	3	2,188	4	174	5
Bankmed Sal	19,061	6	13,329	7	3,619	8	1,302	8	32	12
Bank of Beirut Sal	18,900	7	13,412	6	5,738	5	2,353	3	210	3
Banque Libano-Française Sal	15,280	8	11,312	8	4,347	7	1,315	7	121	7
Crédit Libanais Sal	12,460	9	9,340	9	3,303	9	888	9	83	9
BBAC Sal	8,126	10	6,315	10	1,771	11	639	10	52	10
IBL Bank Sal	8,102	11	5,887	11	886	14	624	11	110	8
Lebanon and Gulf Bank Sal	5,591	12	4,264	12	1,316	12	430	12	27	13
First National Bank Sal	5,205	13	3,873	13	954	13	422	13	36	11
Creditbank Sal	4,247	14	3,338	14	1,952	10	415	14	23	14
Saradar Bank Sal	3,193	15	2,187	15	884	15	236	15	2	16
Lebanese Swiss Bank Sal	2,714	16	2,070	16	659	16	203	16	21	15

Source: Bankdata Financial Services

The year 2018 also portrayed a continuation of the Bank's good financial standing in terms of liquidity, capital adequacy, financial flexibility and asset quality, suggesting a sound risk coverage in a tough operating environment. With respect to liquidity, net primary liquidity represented 58.4% of customers' deposits at year-end 2018, against 46.8% at end-2017. As to financial flexibility, the Alpha banks' shareholders' equity rose as well (+2.2% year-on-year to reach US\$ 22.0 billion in December 2018), thus reinforcing banks' cushions against potential pressure on capital.

At the level of asset quality, gross NPLs represented 8.93% of gross loans at year-end 2018 post adoption of IFRS 9 as compared to 7.63% as at end-December 2017. In parallel however, provisioning slightly increased, as loan loss reserves on NPLs to total NPLs expanded from 60.80% at end-2017 to 62.14% at end-2018, exceeding 100% when including real guarantees. Collective provisions on loans amounted to 1.33% of net loans.

Rising interest rates were offered by banks on both local and foreign currency deposits amid the prevailing market conditions in the covered period. As a matter of fact, the cost of funds in US dollars rose by 32 basis points, from 4.11% in 2017 to 4.43% in 2018. The cost of funds in LL increased by 46 basis points, from 5.41% in 2017 to 5.87% in 2018. The rise in the cost of funds in Lebanon's Alpha banks comes along with rising international rates, bearing in mind that the US Fed effectuated four consecutive hikes over the past year.

Despite cost control efforts on behalf of Alpha banks, the overall tough operating conditions, as reflected by the net contraction in lending portfolios last year and the adverse effects of domestic tax hikes, lead to a 5.5% contraction in net profits in 2018. As such, Alpha banks posted declining profitability ratios, with an annualized return on assets ratio of 0.91% and an annualized return on equity ratio of 10.31%, declining respectively by 14 bps and 95 bps relative to 2017. The components of return ratios suggest that asset utilization declined noticeably by 39 bps to 2.45%, driven mainly by the decrease in non-interest income to average assets by 34 bps to 0.58%, while spreads and net interest margins almost stabilized (rising in Lebanese Pounds and contracting in FX), while the net operating margin slightly increased in parallel by 20 bps to 37.30% in 2018.

In sum, there is no doubt that Lebanese banks in general and Alpha banks in particular have gone through a difficult year in 2018, amid domestic political tensions and the lack of a government formation for the better part of the year, in addition to market pressures in foreign markets of presence. Nonetheless, confidence in the banking system and the sticky deposit base, coupled with banks' sound liquidity at hand, have allowed the sector to withstand difficult times and post a growth -albeit more modest than in previous years- in deposits, its traditional engine of growth, while keeping overall profitability at relatively acceptable standards.

SLOWDOWN IN THE ACTIVITY OF THE PROPERTY MARKET IN FIRST TWO MONTHS OF 2019

The statistics published by the Directorate of Land Registry and Cadastre covering the first two months of 2019 showed that realty markets have undergone a decrease in property transactions and sales activity, extending the sluggishness that the sector has been going through over the past couple of years.

The number of sales operations declined by a yearly 20.0% from 9,819 sales operations in the first two months of 2018 to 7,859 operations in the first two months of 2019.

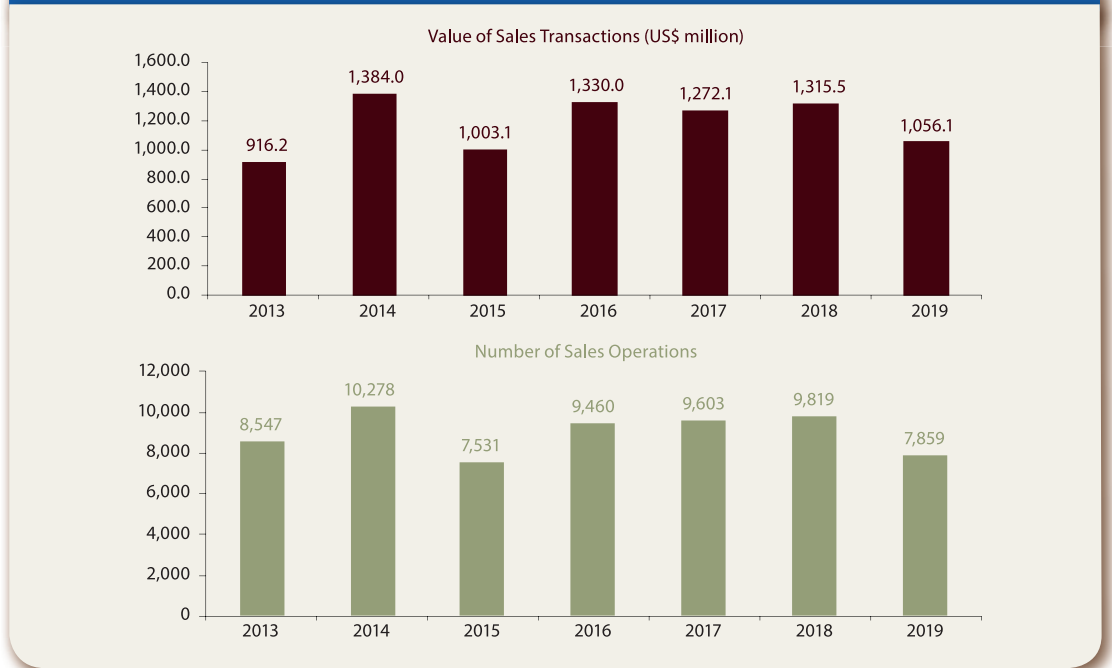
Moreover, sales to foreigners contracted by 10.8% year-on-year to reach 149 operations in the first two months of 2019.

The value of property sales transactions was also on a deteriorating path in the first two months of 2019. It posted a fall of 19.7% year-on-year to attain a total of US\$ 1,056.1 million during the first two months of 2019.

Accordingly, the average sales value increased from US\$ 133,979 in the first two months of 2018 to US\$ 134,375 in the first two months of 2019.

Most of the regions recorded an decrease in the value of sales transactions, with the most significant movements coming as follows: Kesrouan (-54.7%), Baabda (-33.7%) and Bekaa (-33.0%).

PROPERTY MARKET (FIRST TWO MONTHS OF EACH YEAR)



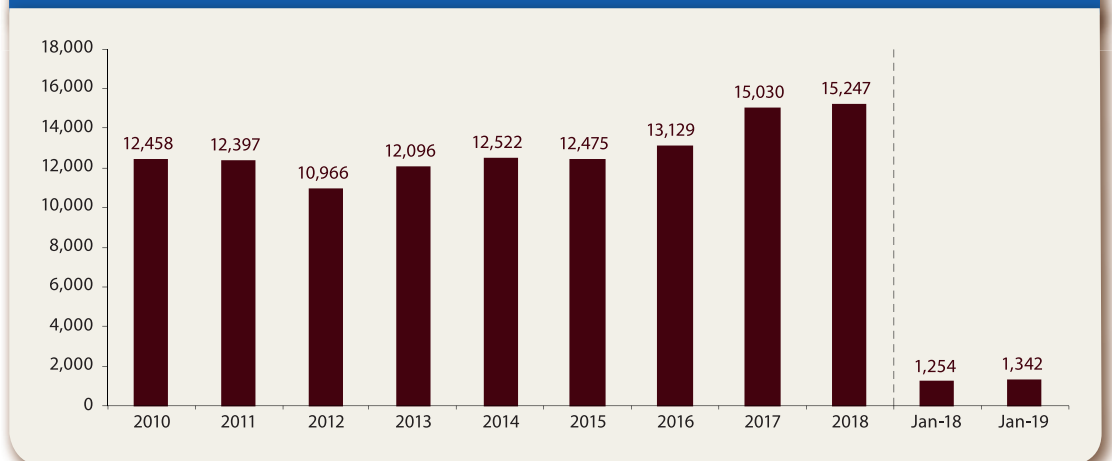
Sources: Directorate of Land Registry and Cadastre, Bank Audi's Group Research Department

ELECTRICITY PRODUCTION UP BY 7.0% IN FIRST MONTH OF 2019

Data published by the Central Bank of Lebanon shows that electricity production rose by 7.0% year-on-year in the first month of 2019. The production totaled 1,342 million Kilowatt Hour (kWh) in the first month of 2019, up from 1,254 million kWh in the first month of 2018.

In a backward look, electricity production rose by a yearly 1.4% last year from 15,030 million kWh in 2017 to 15,247 million kWh in 2018.

ELECTRICITY PRODUCTION (MILLION KWH)



Sources: Central Bank of Lebanon, Bank Audi's Group Research Department

SURVEYS

"STABLE" OUTLOOK ON LEBANON'S BANKING SYSTEM REFLECTS EXPECTATION THAT DEPOSIT GROWTH AND ECONOMIC ACTIVITY WOULD PICK UP SLIGHTLY, SAYS MOODY'S

According to a recent report on Moody's, the "stable" outlook for Lebanon's banking system reflects the expectation that economic growth would pick up slightly, and deposit growth would be sufficient to allow banks to finance the government and the economy, despite a recent slowdown in deposit inflows.

The formation of a new government in January provides the country's financial sector and economy with some respite from months of investor and depositor uncertainty. However, the incoming government would need to implement significant reforms to achieve long-term fiscal sustainability and to rebuild confidence. Political developments affecting the pace of economic reform and depositor confidence are a key risk for Lebanese banks, as per the report.

The report added that the next 12-18 months would be a transition period for Lebanon. During this period, operating conditions for banks would remain challenging and dependent on the new government's ability to fully implement highly anticipated fiscal and economic reforms.

Failure to implement reforms would further compound recent pressures, and wide fiscal and current account deficits would be key structural issues in the interim, as per Moody's.

Successful delivery on major reforms by the new government would ultimately lift the US\$ 57 billion economy's growth outlook and narrow the government's fiscal deficit. This would help to stabilise banks' very large and growing exposure to the heavily indebted sovereign. Evidence that reforms and fiscal consolidation are underway would also shore up investor and depositor confidence, raising the prospect of higher financial inflows and helping reduce the risk premiums that banks pay for deposit, as per the rating agency.

Moreover, deposit inflows to fund the country's twin deficits depend on confidence. Moody's expects annual deposit inflows to pick up to around US\$ 6.5 billion in 2019, from US\$ 5.6 billion in 2018, provided the new government is able to implement reforms to shore up confidence.

Capital flight remains a key risk for banks and the sovereign. Lebanon's financial system maintains substantial foreign liquidity against this risk, which has been centralized at the Central Bank, as per Moody's.

LEBANESE ECONOMY TO EXPAND BY 1.5% IN 2019, SAYS BLOOMBERG

The Lebanese economy is estimated to expand by 1.5% in 2019, and is forecast to grow by 2.0% in 2020, according to a survey conducted by Bloomberg.

Moreover, according to the survey, the country's CPI is expected to hit 3.5% year-on-year in 2019, and is forecast to grow by 2.5% year-on-year in 2020.

As for Lebanon's current account deficit, it is estimated to reach 22.6% this year, and is anticipated to post a deficit of 22.1% next year.

Last but not least, the budget deficit is expected at 10.0% in 2019, and forecast to stabilize at 10.0% in 2020.

LEBANON'S HOSPITALITY SECTOR SEES RISE IN OCCUPANCY RATES, ROOM YIELDS AND AVERAGE ROOM RATE IN FIRST MONTH OF 2019, SAYS EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East in 2019 (four and five star hotels), in which it showed that the performance of Lebanon's hospitality sector witnessed an improvement in occupancy rates, alongside an improvement in average room rates and room yields, significantly benefiting, among others, from the holding of the Arab Economic Summit in Beirut.

As a matter of fact, the occupancy rate of four and five star hotels within the capital reached 59.8% in January 2019, against 49.1% in the same period of 2018.

The occupancy rate within Beirut was the ninth highest among 14 cities included in the survey. It directly surpassed Muscat (57.0%) and Madinah (49.1%), while Kuwait (61.1%) and Doha (62.1%) came directly before Beirut.

Beirut's room rate notably moved up from the first month of 2018 to attain US\$ 197 in 1M 2019 from US\$ 177 in the past year. It is worth noting that the city's growth rate ranked first out of 14 surveyed cities.

The rate of the capital's hotels was the second highest in the region. It exceeded that of Kuwait (US\$ 188) and Jeddah (US\$ 181), while being surpassed by only Dubai (US\$ 280).

The rooms' yield rose by 35.6% annually to reach US\$ 118 in 1M 2019 compared to US\$ 87 in the same period of 2018. Beirut ranked first in terms of variation in the region when assessing this indicator. The room yield in Beirut was the second highest, surpassed by only Dubai (US\$ 235), and higher than Kuwait (US\$ 115) and Ras Al Khaimah (US\$ 112), as per EY.

ERNST & YOUNG MIDDLE EAST BENCHMARK SURVEY

	Occupancy (%)		Average Room Rate (US\$)		Room Yield (US\$)	
	1M-2019	1M-2018	1M-2019	1M-2018	1M-2019	1M-2018
Dubai	83.8	86.0	280	319	235	274
Abu Dhabi	83.3	82.7	110	105	92	87
Cairo	75.9	74.0	111	103	84	76
Makkah	70.9	64.1	106	120	75	77
Ras al Khaimah	67.2	71.2	166	168	112	119
Riyadh	62.2	63.1	165	214	102	135
Doha	62.1	52.8	112	131	69	69
Kuwait	61.1	72.2	188	199	115	144
Beirut	59.8	49.1	197	177	118	87
Muscat	57.0	49.1	150	170	86	83
Madinah	56.6	74	123	132	69	98
Amman	54.6	52.7	140	142	76	75
Manama	52.3	51.3	156	166	82	85
Jeddah	49.8	49.9	181	195	90	97

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

CORPORATE NEWS

LEBANESE INSURANCE COMPANIES' LIFE PREMIUMS UP BY 4.2% TO US\$ 543 MILLION IN 2018

Total life premiums generated by Lebanese insurance companies reached US\$ 542.7 million in 2018, constituting an increase of 4.2% from US\$ 520.9 million in 2017, according to data compiled by Al Bayan Magazine.

Metlife maintained its market lead with US\$ 87.6 million in life premiums, falling by 0.7% year-on-year.

It was followed by Bancassurance with US\$ 83.4 million (+6.1%), Allianz SNA with US\$ 67.9 million (-3.1%), LIA with US\$ 55.0 million (+8.3%) and ADIR with US\$ 52.4 million (+5.9%).

A total of 19 out of 34 providers of life insurance posted increases in their life premiums, while 14 registered a decline and one remained constant.

Al Bayan Magazine also took a look at the top 20 companies in terms of life and non-life premiums. Allianz SNA retained the first spot with a total of US\$ 147.2 million, up by 4.1% from 2017. It was followed by Metlife with US\$ 124.8 million, up by 1.7% from 2017, Bankers with US\$ 123.5 million, up by 4.1%, LIA with US\$ 114.9 million, down by 1.6% and AXA M.E. with US\$ 109.1 million, up by 9.0%.

Also, Al Bayan mentioned that the top ten companies within life and non-life captured a market share of 62.8%, while the top 20 attained 85.5% of the total.

TOP TEN COMPANIES BY LIFE INSURANCE PREMIUMS

Rank	Company	Life Insurance Premiums 2018 (US\$)	Life Insurance Premiums 2017 (US\$)	Growth	Market Share
1	Metlife	87,570,000	88,140,000	-0.65%	16.14%
2	Bancassurance	83,410,000	78,610,000	6.11%	15.37%
3	Allianz Sna	67,920,000	70,080,000	-3.08%	12.52%
4	LIA	54,990,000	50,760,000	8.33%	10.13%
5	ADIR	52,410,000	49,475,000	5.93%	9.66%
6	Arope	40,360,000	36,060,000	11.92%	7.44%
7	SGBL INS	36,200,000	38,710,000	-6.48%	6.67%
8	AXA M.E.	24,070,000	16,750,000	43.70%	4.44%
9	Beirut Life	16,640,000	15,100,000	10.20%	3.07%
10	Bankers	13,700,000	12,460,000	9.95%	2.52%

Source: Al Bayan Economic Magazine

PEARL BRANDS TO MERGE WITH CHALHOUB GROUP'S TWO RETAIL OPERATIONS IN LEBANON

The Chalhoub Group and Pearl Brands SAL agreed to merge Chalhoub Group's two retail operations in Lebanon, Luxury development Company SAL (LDC) and Beauty Retail Company SAL (BRC) with Pearl Brands SAL.

The combined entity which will continue under the banner of Pearl Brands, will emerge as a major retail player in the Lebanese market with operations spanning 35 points of sale, and holding a diversified portfolio of leading international brands in fashion, jewellery, gifts and beauty products, as per a company statement.

Pearl Brands will continue under the same leadership with previous LDC and BRC personnel joining to take key positions. The company aims to grow and solidify its presence in the Lebanese Market representing major international brands and bringing the latest trends in fashion, beauty, gifts and jewelry to the Lebanese consumers, as per a company statement.

Broadgate Advisers has acted as exclusive financial advisor to Pearl Brands SAL on this merger.

FRANSABANK'S TOTAL ASSETS UP BY A YEARLY 7.6% TO US\$ 23.7 BILLION AT END-2018

Fransabank posted net profits of US\$ 174.2 million in 2018, down from US\$ 179.3 million in 2017, as per Bankdata Financial Services.

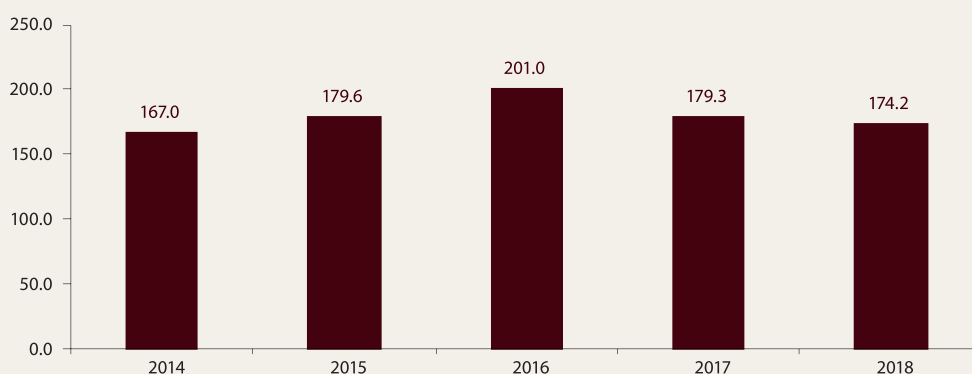
Net interest income amounted to US\$ 362.0 million in 2018, down by 0.5% from US\$ 363.7 million recorded in 2017. Net fee and commission income decreased from US\$ 70.8 million in 2017 to US\$ 63.4 million in 2018.

Total operating income edged down by 0.9% to attain US\$ 463.9 million in 2018, compared to US\$ 467.9 million in 2017. Total operating expenses rose by 3.3% to US\$ 264.1 million in 2018, of which staff expenses reaching US\$ 168.3 million, 4.2% higher than those reported in 2017, and administrative and other operating expenses reaching US\$ 76.1 million, 2.1% higher than those of 2017.

Fransabank's assets totaled US\$ 23.7 billion at end-2018, up by 7.6% from US\$ 22.1 billion at end-2017. Net loans and advances stood at US\$ 6.7 billion at end-2018, up by 4.0% from end-2017.

Customers' deposits amounted to US\$ 17.0 billion at end-2018, rising from US\$ 16.6 billion at end-2017. Shareholders' equity totaled US\$ 2.2 billion at end-2018, up by 1.7% from end-2017.

FRANSABANK'S NET PROFITS (US\$ MILLION)



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

CAPITAL MARKETS

MONEY MARKET: LOCAL CURRENCY LIQUIDITY REMAINS QUITE ABUNDANT

Ample local currency liquidity remained the main feature characterizing the money market this week, amid a favorable momentum reigning over the foreign exchange market. This kept the overnight rate stable at a low level of 4.0%. As to Certificates of Deposits, no subscriptions were made in shorter-term 45-day and 60-day categories.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 7th of March 2019 showed that total resident banking deposits contracted by LP 487 billion, following a significant expansion of LP 1,251 billion in the previous week (the equivalent of US\$ 830 million). The contraction in total resident banking deposits over the covered week is driven by a LP 365 billion fall in total LP resident deposits amid a LP 579 billion drop in LP demand deposits and a LP 214 billion rise in LP saving deposits, in addition to a LP 122 billion weekly decline in foreign currency resident deposits (the equivalent of US\$ 81 million). Within this context, the money supply in its largest sense (M4) contracted by LP 137 billion during the covered week amid a LP 118 billion rise in the non-banking sector Treasury bills portfolio and a LP 233 billion increase in the currency in circulation.

INTEREST RATES

	22/03/19	15/03/19	28/12/18	
Overnight rate (official)	3.90%	3.90%	3.90%	↔
7 days rate	4.00%	4.00%	4.00%	↔
1 month rate	4.75%	4.75%	4.75%	↔
45-day CDs	4.90%	4.90%	4.90%	↔
60-day CDs	5.08%	5.08%	5.08%	↔

Source: Bloomberg

TREASURY BILLS MARKET: NOMINAL WEEKLY DEFICIT OF LP 42 BILLION

The latest Treasury bills auction results for value date 21st of March 2019 showed that the Central Bank of Lebanon has allowed banks to subscribe in full to the three-month category (offering a yield of 5.30%), the one-year category (offering a yield of 6.50%) and the five-year category (offering a coupon of 8.0%).

In parallel, the Treasury bills auction results for value date 14th of March 2019 showed that total subscriptions reached LP 390 billion and were distributed as follows: LP 3 billion in the six-month category (offering a yield of 5.85%), LP 105 billion in the two-year category (offering a coupon of 7.0%) and LP 282 billion in the ten-year category (offering a coupon of 10.0%). In parallel, maturities totaled LP 432 billion, resulting into a nominal weekly deficit of LP 42 billion.

TREASURY BILLS

	22/03/19	15/03/19	28/12/18	
3-month	5.30%	5.30%	4.44%	↔
6-month	5.85%	5.85%	4.99%	↔
1-year	6.50%	6.50%	5.35%	↔
2-year	7.00%	7.00%	5.84%	↔
3-year	7.50%	7.50%	6.50%	↔
5-year	8.00%	8.00%	6.74%	↔
10-year	-	10.00%	10.00%	
Nom. Subs. (LP billion)		390	98	
Short-term (3&6 mths)		3	4	
Medium-term (1&2 yrs)		105	11	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		-	83	
Long-term (10 yrs)		282	-	
Maturities		432	124	
Nom. Surplus/Deficit		-42	-26	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: BALANCED FX ACTIVITY

A favorable mood continued to sway over the foreign exchange market this week, amid a reduced demand for US dollar and continuous conversions in favor of the Lebanese pound to benefit from attractive LP rates offered by banks. Accordingly, demand and supply forces were relatively balanced this week, while activity in the interbank market was almost absent and the Central Bank of Lebanon remained on the sidelines.

In parallel, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 15th of March 2019 showed that BDL's foreign assets contracted slightly by US\$ 123 million during the first half of the month to reach US\$ 38.8 billion mid-March. Accordingly, the Central Bank's foreign assets covered 77.8% of LP money supply and 23.6 months of imports mid-March 2019.

EXCHANGE RATES

	22/03/19	15/03/19	28/12/18	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,974.98	1,999.10	1,905.78	↑
LP/¥	13.64	13.50	13.66	↓
LP/SF	1,512.95	1,501.64	1,529.68	↓
LP/Can\$	1,127.19	1,132.44	1,107.48	↑
LP/Euro	1,704.23	1,706.94	1,724.73	↑

Source: Bank Audi's Group Research Department

STOCK MARKET: SHY WEEKLY PRICE GAINS ON THE BSE, SUPPORTED BY BANKING STOCKS

The Beirut Stock Exchange registered shy price gains this week, as reflected by a 0.4% rise in the BSE price index, mainly supported by price increases in some banking stocks. Two out of ten traded stocks posted price rises, while five stocks registered price declines and three stocks saw no price change week-on-week. In details, BLOM's "listed" share price went up by 3.4% to US\$ 9.20. BLOM's GDR price closed 3.6% higher at US\$ 9.45. Byblos Bank's Preferred shares 2009 saw price falls of 6.4% to close at US\$ 72.0. Bank Audi's GDR price edged down by 0.4% to US\$ 4.98. In parallel, Solidere "A" share price shed 3.1% to US\$

5.88. Solidere "B" share price declined by 0.7% to US\$ 5.98. Amongst industrials, Ciments Blancs Nominal's share price dropped by 5.1% to US\$ 2.61.

The weekly performance of the domestic stock exchange compares to increases in prices in broader regional stock exchanges (+1.5% as per the S&P Pan-Arab Composite Index) and shy rises in prices across emerging markets (+0.1% as per the S&P Emerging Frontier Super Composite Index).

As to trading activity, a slow mood continued to sway over the Beirut Stock Exchange. The total turnover was restricted to US\$ 1.05 million this week (excluding block trades on Bank Audi's "listed" shares for an amount of US\$ 40 million) and compared to a total activity of US\$ 905 thousand in the previous week and an average weekly trading value of US\$ 7.1 million since the beginning of the year 2019. The banking shares captured 70.5% of activity, followed by Solidere shares with 23.6%, and the industrial and trading shares with 5.9%.

AUDI INDICES FOR BSE

22/1/96=100	22/03/19	15/03/19	28/12/18	
Market Cap. Index	377.41	376.03	384.30	↑
Trading Vol. Index	9.00	7.71	227.09	↑
Price Index	82.37	82.07	83.87	↑
Change %	0.37%	-1.52%	-0.70%	↑
	22/03/19	15/03/19	21/12/18	
Market Cap. \$m	8,954	8,921	9,117	↑
No. of shares traded (Exc. BT)	243,095	114,065	4,241,140	↑
Value Traded \$000 (Exc. BT)	1,055	905	21,393	↑
o.w. : Solidere	249	479	1,208	↓
Banks	744	425	20,107	↑
Others	62	1	78	↑

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

BOND MARKET: WEEKLY BOND PRICE GAINS, TRACKING US TREASURIES MOVE

Lebanese Eurobonds saw upward price movements across the board this week, mainly tracking US Treasuries move after the US Federal Reserve decided in its latest FOMC meeting to maintain the target range for the federal funds rate at 2.25% to 2.50% in 2019, and lowered its forecast for the US real GDP growth from 2.3% previously to 2.1% in light of current global economic and financial developments.

Under these conditions, international institutional investors showed a decent bid for Lebanese sovereigns this week. Papers maturing between 2021 and 2024 posted the largest price improvements of 1.50 pt to 2.13 pts. Accordingly, the weighted average bond yield declined from 9.96% at the end of last week to 9.58% at the end of this week, down by 38 bps. Also, the weighted average bid Z-spread contracted by 24 bps week-on-week, moving from 786 bps last week to 762 bps. As to the cost of insuring debt, Lebanon's five-year CDS spreads hovered between 795 bps and 815 bps at the end of this week as compared to 760-790 bps at the end of last week.

EUROBONDS INDICATORS

	22/03/19	15/03/19	28/12/18	
Total tradable size \$m	32,214	32,214	32,214	↔
o.w.: Sovereign bonds	30,964	30,964	30,964	↔
Average Yield	9.58%	9.96%	9.95%	↓
Z-Spread (bid in bps)	762	786	764	↓
Average Life	7.59	7.61	7.83	↓
Yield on US 5-year note	2.28%	2.42%	2.61%	↓

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	22-Mar-19	15-Mar-19	31-Dec-18	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	109.93	111.48	109.61	-1.4%	0.3%
\$/£	1.321	1.329	1.275	-0.6%	3.6%
\$/Euro	1.130	1.133	1.147	-0.2%	-1.4%
STOCK INDICES					
Dow Jones Industrial Average	25,502.32	25,848.87	23,327.46	-1.3%	9.3%
S&P 500	2,800.71	2,822.48	2,506.85	-0.8%	11.7%
NASDAQ	7,642.67	7,688.53	6,635.28	-0.6%	15.2%
CAC 40	5,269.92	5,405.32	4,730.69	-2.5%	11.4%
Xetra Dax	11,364.17	11,685.69	10,558.96	-2.8%	7.6%
FT-SE 100	7,207.59	7,228.28	6,728.13	-0.3%	7.1%
NIKKEI 225	21,627.34	21,450.85	20,014.77	0.8%	8.1%
COMMODITIES (in US\$)					
GOLD OUNCE	1,313.68	1,302.40	1,282.49	0.9%	2.4%
SILVER OUNCE	15.42	15.29	15.50	0.9%	-0.5%
BRENT CRUDE (per barrel)	67.03	67.16	53.80	-0.2%	24.6%
LEADING INTEREST RATES (%)					
1-month Libor	2.50	2.48	2.50	0.02	0.00
US Prime Rate	5.50	5.50	5.50	0.00	0.00
US Discount Rate	3.00	3.00	3.00	0.00	0.00
US 10-year Bond	2.44	2.59	2.68	-0.15	-0.24

Sources: Bloomberg, Bank Audi's Group Research Department

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