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## The LEBANON WEEKLY MONITOR

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The year 2018 has witnessed so far a surge in inflation to the highest levels in five years, though the inflation rate remains in single digits. The Central Administration of Statistics has estimated the annual inflation up to end-July 2018 at 7.6%. In parallel, the Consultation & Research Institute's index of consumer prices has risen by 7.7% compared to results of July 2017.

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#### p.9 CONTINUOUS FC-TO-LP CONVERSIONS TO BENEFIT FROM ATTRACTIVE LP RATES

Amid continuous efforts to find a breakthrough in the cabinet formation deadlock, Lebanon's capital markets witnessed this week net international selling on the bond market, further price declines on the equity market, and continuous FC-to-LP conversions on the FX market. In details, the bond market remained under downward price pressures amid net international selling and a shy local bid, while tracking declines in emerging markets. This was reflected by a 22 bps weekly expansion in the weighted average bid Z-spread to reach 699 bps. On the equity market, the BSE turnover was restricted to US\$ 2.3 million as compared to an average weekly trading value of US\$ 6.0 million since the beginning of 2018, while the price index retreated further by 0.7%. At the level of the FX market, depositors continued to convert their FC holdings into LP holdings to benefit from attractive LP rates, while the LP/US\$ interbank rate rose to LP 1,514-LP 1,514.75.

### LEBANON MARKETS: WEEK OF AUGUST 27 - SEPTEMBER 02, 2018

Money Market	↔	BSE Equity Market	↓
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## ECONOMY

### SURGE IN INFLATION TO SLIGHTLY BELOW 8% THIS YEAR

The year 2018 has witnessed so far a surge in inflation to the highest levels in five years, though the inflation rate remains in single digits. The Central Administration of Statistics has estimated the annual inflation up to end-July 2018 at 7.6%. In parallel, the Consultation & Research Institute's index of consumer prices has risen by 7.7% compared to results of July 2017.

Eight of the nine main indices registered yearly increases this July as per CRI. The highest increase was registered by the "Apparel" category (25.3%), followed by the "Other Goods and Services" category (10.9%) and the "Transportation and Telecommunications" category (9.2%). On the other hand, a sole index decreased, namely that of the "Recreation" category (-2.4%) this July.

The July 2018 year-on-year "Food and Beverages" index increased by 7.5% since July 2017. Two of the four main indices registered increases this month, namely those of the "Food" category (8.6%) and the "Nonalcoholic Beverages" category (3.9%). On the other hand, the other two main indices registered decreases, namely those of the "Tobacco Products" category (-5.6%) and the "Alcoholic Beverages" category (-3.2%).

The index for "Food" increased by 8.6% compared to its level last year, as seven of the food group indices have witnessed increases this July. The most significant increase was registered in the "Vegetables" category (39.8%), followed by the "Fruits" category (22.1%) and the "Fats and Oils" category (7.2%). On the other hand, the other five categories witnessed decreases, most significantly that of the "Grains and Nuts" category (-5.1%), followed by the "Fish and Seafood" category (-5.0%) and the "Sugar and Confectioneries" category (-3.9%).

Apparel year-on-year prices registered 25.3% surge in July 2018. This was the result of the increases in its two main indices: the "Clothing and Sewing Materials" category (33.6%) and the "Footwear" category (5.6%).

The index for "Housing" has increased by 3.8% in July 2018 from its level last year. This was due to the increases in the "Household Energy" category (5.6%), the "Public Water Subscription" category (1.4%) and the "Municipal Fees" category (1.1%). The "Household Maintenance" category registered no change this month.

#### CONSUMER PRICE INDEX (JUL-18/JUL-17)

	Weights	Variation
Food and beverages	35.4%	+7.5%
Apparel	6.6%	+25.3%
Housing	6.5%	+3.8%
Durable consumer goods	8.2%	+4.3%
Healthcare	9.8%	+3.2%
Transportation and telecommunications	14.4%	+9.2%
Education	12.5%	+6.7%
Recreation	2.7%	-2.4%
Other goods and services	4.0%	+10.9%
<b>CPI (Jul-18/Jul-17)</b>		<b>+7.7%</b>

Source: Consultation & Research Institute

The “Durable Consumer Goods” index increased by 4.3% since July 2017. Two categories have witnessed increases this July, namely those of the “Household Furnishings” category (33.3%) and the “Miscellaneous Household Products” category (0.9%). Five categories recorded decreases in July 2018, most significantly the “Appliances” category (-6.2%), followed by the “Glassware” category (-6.1%) and the “Kitchenware” category (-1.9%).

The CPI component for “Transportation and Telecommunications” has considerably increased by 9.2% (year-on-year) in July 2018, due to the increases in both of its main indices: the “Transportation” category (9.3%) and the “Telephone Services” category (7.4%).

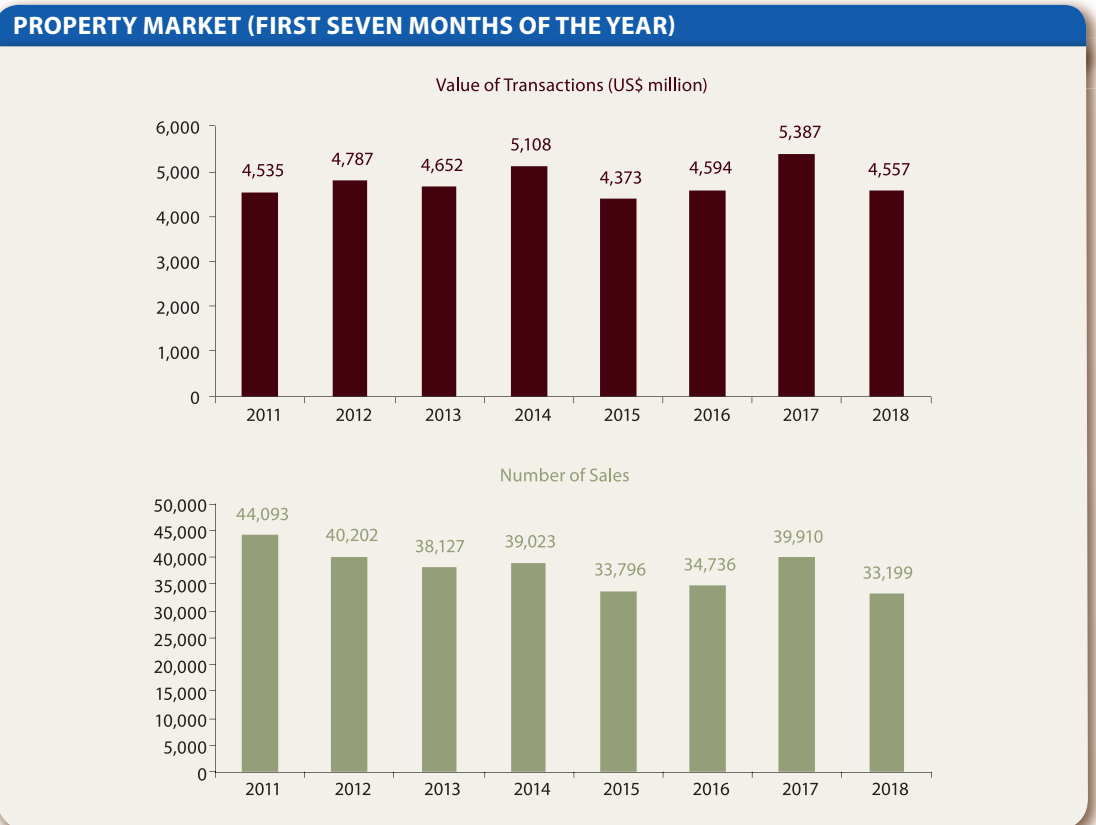
The index for education has significantly increased by 6.7% from the previous year, due to the increases in all of its three categories; namely those of “Educational Books and Supplies” category (7.9%), “Tuition Fees” category (7.3%) and “School Transportation” category (2.7%) this July. The index for recreation decreased by 2.4% compared to its results in July 2017, due to an equivalent decrease in the “Movies and Restaurants” category (-2.9%).

The index of “Other Goods and Services” sharply increased by 10.9% since July 2017. This was basically due to the increases registered in three of its main categories, namely those of the “Financial Services” category (54.3%), the “Personal Care” category (10.3%) and the “Jewelry” category (2.1%).

## SLOWDOWN IN THE ACTIVITY OF THE PROPERTY MARKET IN FIRST SEVEN MONTHS OF 2018

The statistics published by the Directorate of Land Registry and Cadastre covering the first seven months of 2018 showed that realty markets have undergone a decrease in property transactions and sales activity.

The number of sales operations retreated by a yearly 16.8% from 39,910 sales operations in the first seven months of 2017 to 33,199 operations in the first seven months of 2018.



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

Sales to foreigners fell by 5.4% year-on-year to reach 669 operations in the first seven months of 2018.

The value of property sales transactions was also on a downward path in the first seven months of 2018. It posted a decline of 15.4% year-on-year to attain a total of US\$ 4,557 million during the first seven months of 2018.

Most of the regions recorded declines in the value of sales transactions, with the most significant movements coming as follows: North (-33.1%), Baabda (-24.7%) and Metn (-18.5%).

With the number of sales operations retreating more than the value of property sales transactions, the average sales value rose from US\$ 134,988 in the first seven months of 2017 to US\$ 137,267 in the first seven months of 2018.

### GROSS PUBLIC DEBT AT US\$ 82.9 BILLION AT END-JUNE 2018

The data published by the Ministry of Finance in Lebanon showed that the country's gross debt reached US\$ 82.9 billion at end-June 2018, up by 4.3% from the level seen at end-2017.

Domestic debt was lower by 2.6% from end-2017 to reach a total of US\$ 47.8 billion at end-June 2018.

Lebanon's external debt grew by 15.5% from end-2017 to stand at around US\$ 35.1 billion at end-June 2018.

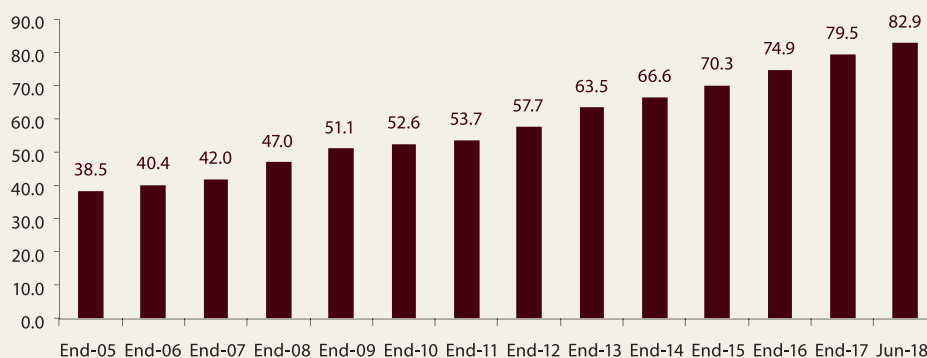
In this context, the public sector deposits at the Central Bank rose by 10.8% from end-2017 to stand at US\$ 6.5 billion at end-June 2018.

The public sector deposits at commercial banks edged down by 3.1% from end-2017 to reach US\$ 4.2 billion at end-June 2018.

As such, net public debt, which excludes the public sector deposits at the Central Bank and commercial banks from overall debt figures, increased by 4.2% from end-2017 to reach a total of US\$ 72.2 billion at end-June 2018.

Net domestic debt amounted to US\$ 37.1 billion at end-June 2018, down by 4.6% from end-2017.

### GROSS PUBLIC DEBT (US\$ BILLION)



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

## SURVEYS

### LEBANON'S HOSPITALITY SECTOR SEES SLIGHT CONTRACTION IN OCCUPANCY RATES AND ROOM YIELDS IN 7M 2018, SAYS EY

Lebanon's hospitality sector sees slight contraction in occupancy rates and room yields in 7M 2018, says EY.

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for the first seven months of 2018 (four and five star hotels), in which it showed that the performance of Lebanon's hospitality sector witnessed a slowdown in occupancy rates and room yields.

As a matter of fact, the occupancy rate of four and five star hotels within the capital reached 61.0% in the first seven months of 2018, against 63.7% in the aforementioned period of 2017.

The occupancy rate within Beirut was the ninth highest among 14 cities included in the survey. It was directly surpassed by that of Doha (61.4%) and Makkah (62.3%), while it came before that of Jeddah (60.5%) and Kuwait (59.2%).

Beirut's room rate rose from an average of US\$ 182 in the first seven months of 2017 to US\$ 185 in the corresponding period of 2018, equivalent to a yearly increase of 1.6%.

The city's growth rate ranked 5th out of 14 surveyed cities. The rate of the capital's hotels was the sixth highest in the region. It exceeded that of Riyadh (US\$ 175) and Makkah (US\$ 169), while being equal to that of Madina (US\$ 185) and surpassed by Manama (US\$ 189).

The rooms' yield fell by 2.6% annually to reach US\$ 113 in the first seven months of 2018 compared to US\$ 116 in the same period of 2017. Beirut ranked eighth in terms of variation in the region when assessing this indicator. The room yield in Beirut was the sixth highest, surpassed by Kuwait (US\$ 114) and Ras Al Khaimah (US\$ 118), and higher than Makkah (US\$ 106) and Muscat (US\$ 103).

#### ERNST & YOUNG MIDDLE EAST BENCHMARK SURVEY

	Occupancy (%)		Average Room Rate (US\$)		Room Yield (US\$)	
	7M 2018	7M 2017	7M 2018	7M 2017	7M 2018	7M 2017
Abu Dhabi	79.4	71.3	101	114	80	82
Dubai	76.1	76.4	232	243	176	186
Ras al Khaimah	72.5	72.4	163	154	118	112
Muscat	70.0	66.2	148	151	103	100
Cairo	70.0	63.0	103	95	72	60
Madina	69.5	68.6	185	203	129	140
Makkah	62.3	61.2	169	192	106	118
Doha	61.4	66.0	144	157	88	103
<b>Beirut</b>	<b>61.0</b>	<b>63.7</b>	<b>185</b>	<b>182</b>	<b>113</b>	<b>116</b>
Jeddah	60.5	62.3	284	254	172	158
Kuwait	59.2	58.3	193	189	114	110
Riyadh	54.8	53.0	175	186	96	99
Manama	53.9	48.6	189	205	102	100
Amman	53.7	54.0	136	142	73	77

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

## LEBANESE PHARMACEUTICAL MARKET TO GROW MODERATELY OVER THE NEXT FEW YEARS, SAYS BMI RESEARCH

According to a recent report by BMI Research, the Lebanese pharmaceutical market would continue to grow moderately over the next few years.

Investments in strengthening the country's overall healthcare infrastructure, following international support given in responses to the Syrian refugee crisis, has seen noticeable improvements in healthcare and medicine access. Furthermore, medicine demand would be supported by a growing chronic disease burden and high per capita spending by regional standards, as per the report.

However, looking forward, Lebanon's small population size, heavy price cuts on medicines and ongoing regional unrest would continue to deter multinational drugmakers.

Moreover, Lebanon's status as a destination for innovative medicine launches in the Middle East and North Africa region is overshadowed by larger regional players with higher pharmaceutical expenditure, as reflected in the country's score of 48.4 out of 100 in our Innovative Pharmaceuticals Risk/Reward Index. Nonetheless, despite high per capita expenditure on medicines, prospects for innovative drugmakers are weighed down by a range of market access barriers, a small population and elevated political risks, as per BMI Research.

Due to its reliance on imported pharmaceuticals, the Lebanese medicines market will continue to be dominated by foreign drugmakers. Market growth would be driven by relatively high per-capita spending on pharmaceuticals, a largely urbanized population, an increasing burden of non-communicable diseases and the expansion of the healthcare sector, as per the same source. However, the government will continue to implement cost containment measures by targeting drug prices, reducing profit margins for multinational drugmakers.

BMI Research calculates that Lebanon's pharmaceutical sales represented 3.5% of GDP and 44% of healthcare expenditure in 2017. The report also forecasts pharmaceutical sales to increase from US\$ 1.82 billion in 2017 to US\$ 1.91 billion in 2018, representing year-on-year growth of 5.8%.

By 2022, BMI Research expects total medicines consumption to reach US\$ 2.32 billion, equating to a compound annual growth rate (CAGR) of 6.0% and 5.0% in local currency and US dollar terms respectively. It also projects per capita pharmaceutical spending to increase from US\$ 299 in 2017 to US\$ 395 in 2022, remaining one of the highest in the region.

Furthermore, Lebanon's total expenditure on pharmaceuticals, including prescription and over-the-counter medicines, would increase to US\$ 3.0 billion over the 2017-2027 period. By the end of the forecast period, pharmaceutical sales would represent 47% of healthcare expenditure.

Key drivers of overall market growth include a rise in healthcare expenditure, coupled with population and socioeconomic expansion, and modernization of the healthcare industry. Economic recovery would also boost private sector coverage, resulting in rising pharmaceutical spending. Economic conditions are expected to improve over the longer term, positively affecting the spending capacity of the public and the government, and also attracting more medical tourists, as per BMI Research.

## CORPORATE NEWS

### BALANCE SHEET OF FINANCIAL INSTITUTIONS TOTALS US\$ 1,592 MILLION AT END-JUNE 2018

According to the latest statistics issued by the Central Bank of Lebanon, the total balance sheet of financial institutions amounted to US\$ 1,592.0 million at end-June 2018, down by 4.5% from end-2017.

In February 2018, the Banque du Liban has implemented the IFRS 9 accounting standards and therefore, some items have been reclassified. The balance sheet components have been compiled backwards till January 2017.

In details, currency and deposits with Central Banks rose from US\$ 23.2 million at end-2017 to US\$ 24.8 million at end-June 2018. Claims on resident customers declined by 7.3% from end-2017 to US\$ 667.9 million at end-June 2018.

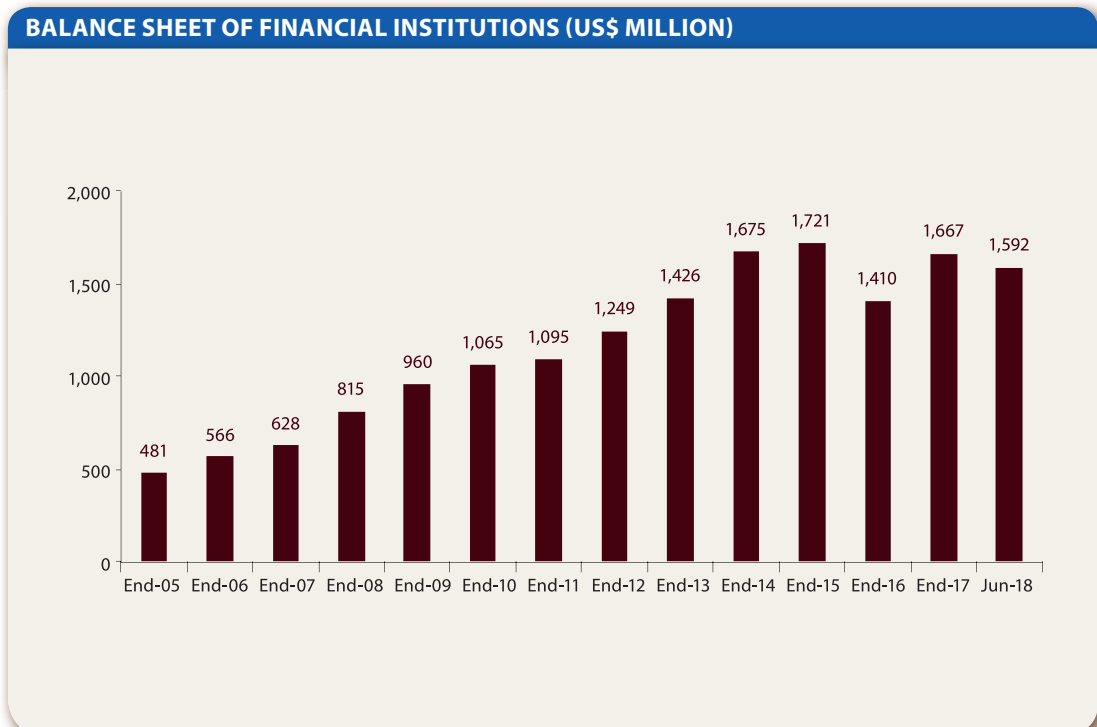
Claims on non-resident customers rose by 73.8% from end-2017 to US\$ 67.2 million at end-June 2018.

Claims on resident financial sector fell from US\$ 437.9 million at end-2017 to US\$ 365.8 million at end-June 2018. Claims on non-resident financial sector rose by 39.0% from end-2017 to US\$ 114.9 million at end-June 2018.

Claims on the public sector stood at US\$ 4.9 million at end-June 2018, down by 18.0% from end-2017.

Securities portfolio registered US\$ 139.0 million at end-June 2018, up by 2.0% from end-2017.

Tangible assets reported US\$ 32.6 million at end-June 2018, down by 13.9% from end-2017. Intangible assets declined from US\$ 170.5 million at end-2017 to US\$ 161.4 million at end-June 2018.



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

On the liabilities side, resident customer deposits registered US\$ 171.9 million at end-June 2018, up by 22.1% from end-2017. Non-resident customer deposits improved to US\$ 36.0 million at end-June 2018, from US\$ 25.8 million at end-2017.

Resident financial sector liabilities stood at US\$ 376.0 million at end-June 2018, declining by 12.9% from end-2017.

Non-resident financial liabilities rose from US\$ 105.7 million at end-2017 to US\$ 142.5 million at end-June 2018.

Public sector deposits stood at US\$ 4.2 million at end-June 2018, down from US\$ 14.5 million at end-2017.

Debt securities issued fell from US\$ 207.1 million at end-2017 to US\$ 170.0 million at end-June 2018.

Capital accounts reported US\$ 479.4 million at end-2018, down from US\$ 484.9 million at end-2017..

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### **LEBANESE GROUP SETS WINS SAUDI KAFD PROJECT CONTRACT**

Lebanon-based engineering company Sets was awarded a major contract by Saudi Arabia's Public Investment Fund (PIF) to provide traffic and transport consultancy services for the King Abdullah Financial District (KAFD) project in Riyadh.

The scope of work includes the preparation of a baseline traffic impact study for the original master plan and an updated traffic impact study to support the delivery of a new master plan for the project.

The work also covers the provision of technical support during the construction phases of the new master plan, it stated.

Construction work at KAFD resumed earlier this year. The PIF plans to complete the project by October 2020 in time for the G20 summit to be held in Riyadh later that year.

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### **MADA HOSPITAL PLANNED FOR MINIYEH IN 2022**

Excavation for Mada Hospital in Miniyeh-Danniyeh will start in the summer of 2019, and is expected to be completed in three years.

The four-story hospital will have a built-up area of 37,000 square meters.

The area currently has around 120 hospital beds in Miniyeh between a private and a public hospital.

Mada Hospital will have 215 beds, six surgery rooms, a cancer treatment center, a dialysis center, intensive care rooms and a neonatal intensive care room.

Mada Hospital Company, established by the project's owners, is the hospital's contractor. The company received a license from the Ministry of Public Health for construction and operation. Around US\$ 25 million will be invested in the hospital.

The owners will assign a specialized team for hospital management.



## CAPITAL MARKETS

### MONEY MARKET: WEEKLY EXPANSION IN TOTAL LP RESIDENT DEPOSITS, DRIVEN BY FC DEPOSIT GROWTH

The money market continued to enjoy ample local currency liquidity at hand during this week, which kept the overnight rate stable at 5.00%. As to LP Certificates of Deposits, no subscriptions were made in shorter-term 45-day and 60-day categories.

Total resident banking deposits expanded by LP 167 billion during the week ending 16th of August 2018, as per the latest monetary aggregates released by the Central Bank of Lebanon. This was mainly triggered by a LP 189 billion growth in foreign currency resident deposits (the equivalent of US\$ 125 million), while total LP resident deposits contracted by LP 22 billion amid a LP 60 billion fall in LP saving deposits and a LP 38 billion rise in LP demand deposits. These weekly variations compare to an average weekly growth of US\$ 44 million for foreign currency deposits and an average weekly increase of LP 38 billion for total LP deposits since the beginning of the year 2018. Within this context, the total money supply in its largest sense (M4) contracted by LP 47 billion over the covered week, amid a LP 242 billion drop in the currency in circulation and a LP 29 billion increase in the non-banking sector Tbs portfolio.

On a cumulative basis, total resident deposits grew by LP 3,518 billion since the beginning of the year 2018, with foreign currency deposits growth capturing 66.0% of the total growth (the equivalent of US\$ 1,541 million), and total LP deposits growth accounting for the remaining 34.0% (the equivalent of LP 1,195 billion).

### INTEREST RATES

	31/08/18	24/08/18	29/12/17	
Overnight rate (official)	3.90%	3.90%	2.75%	↔
7 days rate	4.00%	4.00%	2.86%	↔
1 month rate	4.75%	4.75%	3.31%	↔
45-day CDs	4.90%	4.90%	3.57%	↔
60-day CDs	5.08%	5.08%	3.85%	↔

Source: Bloomberg

### TREASURY BILLS MARKET: NOMINAL WEEKLY SURPLUS OF LP 11 BILLION

The latest Treasury bills auction results for value date 30th of August 2018 showed that the six-month category (offering a yield of 4.99%) and the two-year category (offering a coupon of 5.84%) had full allocations, while the ten-year category (offering a coupon of 7.46%) had an allocation of 37.3%.

In parallel, the auction results for value date 23rd of August 2018 showed that total subscriptions reached LP 101 billion and were allocated as follows: LP 25 billion in the three-month category (offering a yield of 4.44%), LP 26 billion in the one-year category (offering a yield of 5.35%), and LP 50 billion in the five-year category (offering a coupon of 6.74%). In parallel, total maturities reached LP 90 billion, resulting into a shy weekly nominal surplus of LP 11 billion.

## TREASURY BILLS

	31/08/18	24/08/18	29/12/17	
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>101</b>	<b>225</b>	
Short-term (3&6 mths)		25	20	
Medium-term (1&2 yrs)		26	105	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		50	100	
<b>Maturities</b>		<b>90</b>	<b>197</b>	
<b>Nom. Surplus/Deficit</b>		<b>11</b>	<b>28</b>	

Sources: Central Bank of Lebanon, Bloomberg

## FOREIGN EXCHANGE MARKET: CONTINUOUS FC-TO-LP CONVERSIONS

FC-to-LP conversions remained the main feature characterizing the foreign exchange market during this week. Depositors continued to convert their foreign currency holdings into local currency holdings to benefit from lucrative rates offered by some commercial banks on their LP saving products. At the level of the interbank market, commercial banks traded the US dollar at a rate hovering between LP 1,514 and LP 1,514.75 as compared to LP 1,514-LP 1,514.25 in the previous week, amid a lack of offer for the greenback.

## EXCHANGE RATES

	31/08/18	24/08/18	29/12/17	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,961.56	1,934.88	2,035.58	↓
LP/¥	13.61	13.53	13.39	↓
LP/SF	1,557.33	1,531.08	1,545.04	↓
LP/Can\$	1,158.64	1,152.43	1,202.34	↓
LP/Euro	1,759.55	1,743.12	1,806.59	↓

Source: Bank Audi's Group Research Department

## STOCK MARKET: SLUGGISH BSE ACTIVITY ALONG WITH FURTHER PRICE RETREATS

Activity remained sluggish on the Beirut Stock Exchange over this week. The total turnover was limited to US\$ 2.3 million as compared to US\$ 2.1 million during the previous two-day week and an average weekly trading value of US\$ 6.0 million since the beginning of the year 2018. The average daily trading value fell from US\$ 1,051 thousand last week to US\$ 455 thousand this week, which resulted into a 56.7% drop in the trading volume index to reach 19.29.

As far as prices are concerned, the BSE price index continued to trace a downward trajectory, retreating by 0.7% to close at 86.91, mainly dragged by price falls in some banking stocks. Four out of ten traded stocks registered price drops, while five stocks posted price gains and one stock saw no price change week-on-week. BLOM's listed shares led the decline, dropping by 5.3% to close at US\$ 9.33, followed by

"Bank Audi Preferred shares I" with -2.2% to close at US\$ 92.90, BLOM's GDRs with -2.0% to reach US\$ 9.31 and Byblos Bank's "Preferred shares 2008" with -0.5% to US\$ 78.60.

On a cumulative basis, the BSE total trading value amounted to US\$ 204 million during the first eight months of 2018 as compared to US\$ 432 million a year earlier, moving down by 52.8%. Accordingly, the total turnover ratio, measured by the annualized trading value to market capitalization, fell from 6.1% during the first eight months of 2017 to 3.3% during the first eight months of 2018, which spots light on the lack of liquidity on the Beirut Stock Exchange.

#### AUDI INDICES FOR BSE

22/1/96=100	31/08/18	24/08/18	29/12/17	
Market Cap. Index	394.60	397.36	445.80	↓
Trading Vol. Index	19.29	44.54	64.70	↓
Price Index	86.91	87.51	98.20	↓
Change %	-0.69%	-0.21%	0.35%	↓
	31/08/18	24/08/18	29/12/17	
Market Cap. \$m	9,361	9,427	10,576	↓
No. of shares traded (Exc. BT)	245,715	328,528	626,565	↓
Value Traded \$000 (Exc. BT)	2,274	2,102	6,187	↑
o.w. : Solidere	877	457	527	↑
Banks	1,324	1,629	5,603	↓
Others	73	17	57	↑

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

#### BOND MARKET: FURTHER PRICE DECLINES ON THE EUROBOND MARKET

Lebanese Eurobonds remained under downward price pressures this week, tracking declines in emerging markets amid a net international selling for longer-term papers, while domestic market players showed a shy bid for shorter-term sovereigns. In details, international institutional investors offered their Lebanese debt papers maturing between 2026 and 2037 in relatively decent volumes, while locals showed a mere demand for papers maturing between 2018 and 2021.

Under these conditions, the weighted average yield increased by 23 bps week-on-week, moving from 9.14% last week to 9.37%. Concurrently, the weighted average bid Z-spread expanded by 22 bps to reach 699 bps amid increases in US Treasuries yields. For instance, the ten-year US Treasuries benchmark yield rose from 2.81% last week to 2.85% this week after the US Consumer Confidence Index rose unexpectedly in August 2018 to its highest level since October 2000 on improved assessments of the US economy and its outlook. As to the cost of insuring debt, Lebanon's five-year CDS spreads, which is a measure of market perception of sovereign risk, expanded from 610-630 bps last week to 645-665 bps this week.

#### EUROBONDS INDICATORS

	31/08/18	24/08/18	29/12/17	
Total tradable size \$m	33,758	33,755	27,148	↑
o.w.: Sovereign bonds	32,508	32,505	26,123	↑
Average Yield	9.37%	9.14%	6.54%	↑
Z-Spread (bid in bps)	699	677	464	↑
Average Life	7.77	7.79	6.70	↓
Yield on US 5-year note	2.74%	2.73%	2.22%	↑

Source: Bank Audi's Group Research Department

## INTERNATIONAL MARKET INDICATORS

	31-Aug-18	24-Aug-18	29-Dec-17	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	111.05	111.22	112.69	-0.2%	-1.5%
\$/£	1.296	1.285	1.351	0.9%	-4.1%
\$/Euro	1.160	1.162	1.201	-0.2%	-3.4%
<b>STOCK INDICES</b>					
Dow Jones Industrial Average	25,964.82	25,790.35	24,719.22	0.7%	5.0%
S&P 500	2,901.52	2,874.69	2,673.61	0.9%	8.5%
NASDAQ	8,109.54	7,945.98	6,903.39	2.1%	17.5%
CAC 40	5,406.85	5,432.50	5,312.56	-0.5%	1.8%
Xetra Dax	12,364.06	12,394.52	12,917.64	-0.2%	-4.3%
FT-SE 100	7,432.42	7,577.49	7,687.77	-1.9%	-3.3%
NIKKEI 225	22,865.15	22,601.77	22,764.94	1.2%	0.4%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,203.62	1,205.35	1,302.80	-0.1%	-7.6%
SILVER OUNCE	14.54	14.82	16.94	-1.9%	-14.2%
BRENT CRUDE (per barrel)	77.64	75.82	66.09	2.4%	17.5%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	2.11	2.07	1.56	0.04	0.55
US Prime Rate	5.00	5.00	4.50	0.00	0.50
US Discount Rate	2.50	2.50	2.00	0.00	0.50
US 10-year Bond	2.86	2.81	2.41	0.05	0.45

Sources: Bloomberg, Bank Audi's Group Research Department

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