

## Economy

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## Markets In Brief

#### p.9 MARKETS IN BRIEF: STATUS QUO MOOD SWAYS OVER LEBANON'S CAPITAL MARKETS, AWAITING IMPLICATIONS OF BDL VICE GOVERNORS' PLAN OF ACTION

While international investment banks view the comprehensive roadmap proposed by BDL Vice-Governors as a positive step towards improving the domestic monetary regime, implementing long-awaited reforms and preserving FX buffers, and on concerns about the first deputy governor's decision to stop financing the government without a legal framework, and worries about a renewed expansion in the currency in circulation outside BDL should the public employee salaries be paid in LP at end-August, and amid a continuous inflow of hard currency continues during the summer tourist season, Lebanon's capital markets saw this week marginal movements in the LP/US\$ black market rate, while equity and bond prices registered price gains. In details, the LP/US\$ rate stabilized around LP/US\$ 89,000-LP/US\$ 89,500 on Friday as all eyes remained focused on BDL Vice-Governors' plan of action, and on bets that abandoning FX subsidy under the new BDL leadership would stop the FX reserves burn. On the equity market, the BSE price index resumed its upward trajectory (+1.7%), while the total turnover rose three folds week-on-week. Finally, bond prices expanded further this week to reach 7.875 cents per US dollar, following the change in BDL leadership and awaiting reforms.

### LEBANON MARKETS: AUGUST 7 - AUGUST 13, 2023

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

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## ECONOMY

### BANK OF AMERICA BELIEVES NEW CENTRAL BANK GOVERNANCE IS OPPORTUNITY FOR CHANGE

The comprehensive roadmap proposed by the four Banque du Liban (BdL) Vice-Governors following the change in governance is a positive step in the circumstances, in Bank of America's (BoA) view. The roadmap aims to unlock long-awaited reforms, bring light on the political class responsibilities, and obtain political cover for BdL actions. However, we think the political class is likely to allow only limited reform in its attempt to preserve the status quo. As such, the initial enthusiasm of market participants may be misplaced. This potential missed opportunity for controlled change raises the likelihood of uncontrolled change if/once BdL Fx reserves eventually run out.

The roadmap aims to unify the exchange rate onto an internationally recognized platform and usher in a managed floating regime over a six-month transition period. The Fx liberalization would be accompanied by fiscal and financial reforms, as well as measures to support Lebanese Lira (LL) demand. The BdL would solicit explicit parliamentary permission to use up to US\$1.2bn in Fx reserves for an Fx loan to the government and to stabilize the exchange rate regime. This would represent a continued use of banks' mandatory reserves at the BdL (despite internal BdL legal opinion); BdL foreign assets excluding eurobonds and Fx securities stood at US\$9bn in July, down by US\$1.4bn year-to-date. We see room for limited reform. This could include transparency on BdL reserve assets (which we suspect could broadly accurately reflect current disclosures). The ongoing institutional paralysis could hamper political debate. The precedent of requesting a law to allow BdL lending to the government may be exploited by the political class.

In the absence of reform, Fx unification is unlikely to prevent nominal depreciation, but it may help narrow the current account deficit (US\$6.8bn or 31.6% of GDP in 2022, from US\$3.4bn or 16.6% of GDP in 2021). Continued BdL quasi-fiscal operations (c3.5% of GDP in 2022 due to Fx sales at unfavorable exchange rates and lack of interest payments on its domestic debt holdings) could further undermine its capital position. Terms of the proposed Fx loan would be key, as Lebanon reported US\$39.6mn in arrears to bilateral and multilateral creditors at end-22, in addition to the eurobond default.

As per BoA, the political class is likely to exploit the limited BdL leverage, in support of its vested interests. We understand that the initial BdL discussions with the parliament in late July did not result in an agreement. While the four Vice-Governors threatened implicitly to collectively resign, we do not expect this to occur due to potential legal repercussions. The united front shown by the four Vice-Governors could splinter as three of them (including the interim BdL Governor) are politically affiliated. Political pressure could thus force the BdL Central Council to preserve the status quo (through majority vote or unilaterally by the interim Governor). This would allow deficit monetization to remain ongoing post-August, even in the absence of roadmap adoption.

BoA sees the following potential catalysts going forward:

a) Clarity on near-term reform. The standoff between the political class and the BdL could be resolved in one direction or the other in August, given the one-month deadline proposed by the BdL for some reforms in its roadmap.

b) Election of a President. Resolution of the presidential vacuum could restore the functions of the parliament and Cabinet (currently officially in an electoral college and in a caretaker capacity, respectively). The figure of the next President and his reform credentials (or lack thereof) would be key to monitor. The return of the French envoy to Beirut in September augurs of a renewed effort to resolve the political standoff. This could potentially facilitate the election of a compromise candidate. However, this could depend in part on the cohesion of the bloc opposed to the Hezbollah candidate. The forthcoming retirement of the Army Head in January 2024 could mean political parties may wait to use this as a bargaining chip in a potential grand deal.

c) Results from the offshore gas exploration in 4Q23. Drilling in block nine are due to start in August. Positive results could help secure bids for the remaining eight blocks in the second licensing round. The parliamentary budget commission approved in late July a draft law creating a Sovereign Wealth Fund (SWF). Press reports suggest that 75-80% of SWF assets would be invested abroad and the remainder invested in domestic development projects.

d) High Administrative Court (Conseil d'Etat) decisions, possibly by year-end. The High Administrative Court suspended in June 2023 the implementation of the May 2022 Cabinet decision approving the government financial restructuring plan. This follows an appeal for annulment by the Association of Banks in Lebanon (ABL) against the measure aiming to write-off BdL's Fx liabilities to commercial banks. (In turn, this measure implies

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a bail-in of banking sector customers' Fx deposits). A final Court judgement may be expected by year-end, according to press reports. A confirmation of the suspension decision could derail the International Monetary Fund (IMF) talks given the IMF focus on this measure for BdL recapitalization under a program.

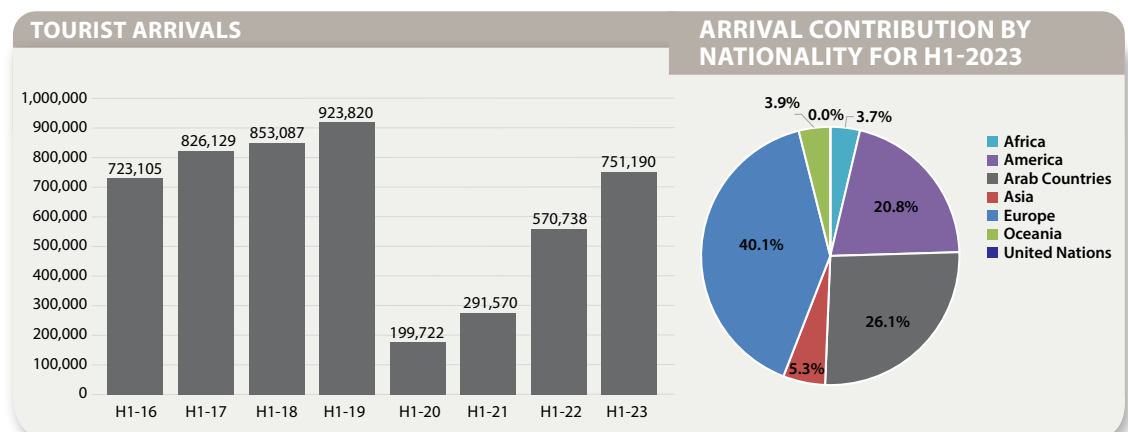
## TOURISM INFLUX INTO LEBANON JUMPS BY 32% IN H1

According to data from the Ministry of Tourism, the number of tourist arrivals into Lebanon reached 751,190 in the first half (H1) of 2023. This figure denotes a year-on-year jump in tourism influx of 31.6%, up from 570,738 during the same period of 2022. The influx of tourists into the country has been the highest recorded since 2019.

In details, looking at the distribution of tourist arrivals by nationality in H1 2023, the highest contributor were Europeans with 40.1% (301,587) of total tourist arrivals into Lebanon. The second and third highest contribution came from Arab countries and America with 26.1% (196,115) and 20.8% (156,449) of total tourist arrivals during the period. Asia, Oceania and Africa followed with 5.3%, 3.9% and 3.7% of total tourist arrivals into Lebanon. United Nations countries had a marginal contribution to the total with 59 tourist arrivals. It is worth noting that between H1 2022 and H1 2023, all nationalities, noticed an increase of influx into Lebanon ranging from 15.7% to 55.9% year-on-year.

The overall Lebanese economy has been relatively stabilizing and even starting to somewhat recover in 2023. This has led to a trend of improvement over the majority of economic indicators, including tourism. Lebanon relies heavily on income from tourism to receive an influx of foreign currency, which is a key driver in overall economic growth within the country. With the summer tourism season (from June to September) starting in Lebanon, the influx of tourists is set to increase.

However, clashes within the Ain-al-helweh camp in South Lebanon, along with other security issues, have somewhat destabilized the perceived security situation in the country. In turn, several embassies in Lebanon have issued guidelines warning against travel to areas affected by the conflict and in some cases, warning against all travel to Lebanon and even some calling for their citizens to leave the country. This development is expected to somewhat impact foreigners' influx into Lebanon which could pose a relative break to tourism prospects.



Source: Ministry of Tourism, Bank Audi Group Research Department

## CEMENT DELIVERIES JUMP BY 61% YEAR-ON-YEAR IN JAN-23

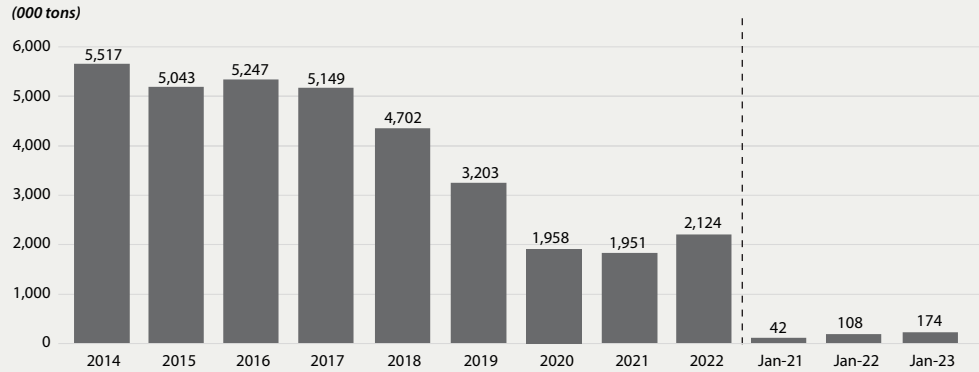
Cement deliveries, a coincident indicator of construction activity, rose by a yearly 60.6% in the first month of 2023 against the same month of 2022, as released by the Central Bank of Lebanon.

Cement deliveries reached circa 174,220 tons in January 2023, up from 108,488 tons in the same month of the year prior, reflecting an improvement in activity from the previous year's figures.

It is worth noting that this increase follows a surge of 156.8% year-on-year between January 2022 and January 2021 with figures reaching 42,252 tons in the latter. This shows a trend of improvement in this component of construction activity within Lebanon.

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## CEMENT DELIVERIES



Sources: BDL, Bank Audi's Group Research Department

## ELECTRICITY PRODUCTION DROPPED BY 73% YEAR-ON-YEAR IN JANUARY

Data published by the Central Bank of Lebanon shows that electricity production declined by 73.0% year-on-year in the first month of 2023. The production totaled 98 million Kilowatt Hours (kWh) during the month, down from 363 million kWh in the same month of the year prior.

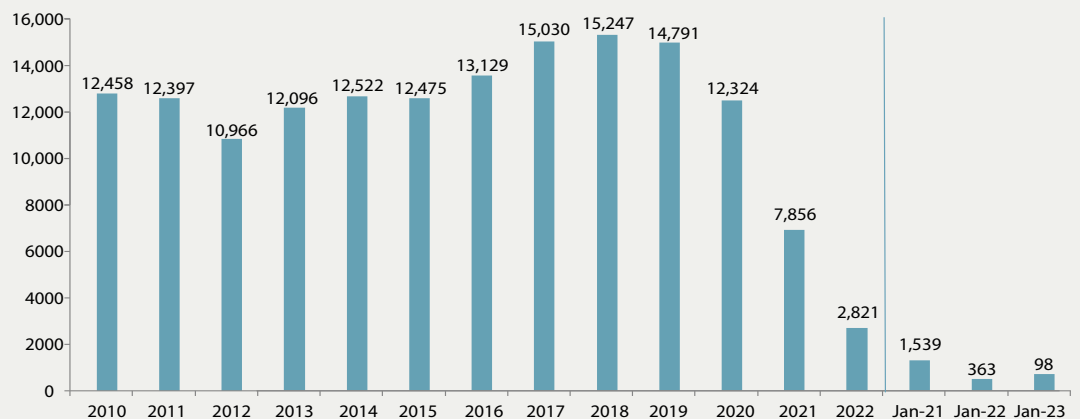
The aforementioned decline follows a noticeable contraction in electricity production between January 2022 and January 2021 with total production being recorded at 1,136 million kWh in the latter.

This displays the continuation of the collapse noticed by the sector during 2022 into 2023 making electricity supply from the public sector almost nonexistent. The main drivers standing behind this fact are multiple fuel shortages stemming from the low level of foreign currency used to purchase it, payments of other shipments of fuel (notably from Iraq) remaining in arrears posing mounting pressure on the Lebanese energy sector as well as shutdowns in power plants which affected the production and supply of electricity. In turn, the Lebanese population had to rely on the more expensive alternative of privately owned generators or relied on the setup of photovoltaic panels for individual solar energy production.

It is worth noting that this drop is due to the scarcity of fuel to operate the power plants stemming from the low level of foreign currency used to purchase it. This problem is still being tackled with tenders opened in late 2022 for fuel purchase that have yet to be resolved. In parallel, the payments of other shipments of fuel, notably from Iraq, are still in arrears posing mounting pressure on the Lebanese energy sector.

However, several deals struck in 2023 which includes the fuel supply deals with Iraq and the production of solar energy which will be added to the national gridline are both expected to have positive impact on electricity production and availability of electricity in the country. The sector is on a relative pathway to recovery but several additional steps have to be taken so that changes are sustainable and reliable.

## ELECTRICITY PRODUCTION (MILLION KWH)



Sources: BDL, Bank Audi's Group Research Department

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## SURVEYS/REPORTS

### LEBANON RANKS 135TH IN THE 2023 GLOBAL PEACE INDEX

The Institute for Economics & Peace issued its 2023 Global Peace Index report in which Lebanon ranked 135th globally with a score of 2.581. In details, Lebanon scored 2.815 at the level of societal Safety and Security. The country scored 2.447 at the extent of Ongoing Domestic and International Conflict and 2.384 on the degree of Militarization. Furthermore, Lebanon ranked 54th at the level of the economic cost of violence rank by GDP.

This is the 17th edition of the Global Peace Index (GPI), which ranks 163 independent states and territories according to their level of peacefulness. Produced by the Institute for Economics and Peace (IEP), the GPI is the world's leading measure of global peacefulness. This report presents the most comprehensive data-driven analysis to-date on trends in peace, its economic value, and how to develop peaceful societies.

The GPI covers 163 countries comprising 99.7% of the world's population, using 23 qualitative and quantitative indicators from highly respected sources, and measures the state of peace across three domains: the level of societal Safety and Security; the extent of Ongoing Domestic and International Conflict; and the degree of Militarisation.

The 2023 GPI finds that the world became less peaceful for the twelfth time in the last 15 years, with the average level of country peacefulness deteriorating by 5 per cent over the past year.

#### MENA ARAB COUNTRIES' GLOBAL PEACE INDEX 2023

Overall Rank	Country	Overall Score	Regional Rank
21	Qatar	1.524	1
35	Kuwait	1.669	2
48	Oman	1.794	3
62	Jordan	1.895	4
75	United Arab Emirates	1.979	5
81	Tunisia	2.010	6
84	Morocco	2.020	7
96	Algeria	2.094	8
108	Bahrain	2.145	9
112	Djibouti	2.196	10
114	Mauritania	2.228	11
119	Saudi Arabia	2.260	12
121	Egypt	2.267	13
134	Palestine	2.538	14
<b>135</b>	<b>Lebanon</b>	<b>2.581</b>	<b>15</b>
137	Libya	2.605	16
154	Iraq	3.006	17
155	Sudan	3.023	18
156	Somalia	3.036	19
160	South Sudan	3.221	20
161	Syria	3.294	21
162	Yemen	3.350	22

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

### FITCH AFFIRMS LEBANON'S LTFC IDR AT 'RD', DOWNGRADES LC IDRS TO 'RD'

Fitch Ratings has affirmed Lebanon's Long-Term Foreign-Currency (LTFC) Issuer Default Rating (IDR) at 'Restricted Default' (RD). Fitch has also downgraded Lebanon's Long-Term Local-Currency (LTLC) IDR to 'RD' from 'CC' and the Short-Term Local-Currency (STLC) IDR to 'RD' from 'C'. Fitch typically does not assign Outlooks to sovereigns with a rating of 'CCC+' or below. A full list of rating actions is at the end of this rating action commentary.

**SG - Governance:** Lebanon has an ESG Relevance Score (RS) of '5' for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption. These scores reflect the high weight that the World Bank Governance Indicators (WBGi) have in our proprietary Sovereign Rating Model. Lebanon has a low WBGi ranking at 15.9, reflecting the absence of a recent track record of peaceful political

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transitions, relatively weak rights for participation in the political process, weak institutional capacity, uneven application of the rule of law and a high level of corruption.

**ESG - Creditor Rights:** Lebanon has an ESG Relevance Score of '5' for Creditor Rights as willingness to service and repay debt is relevant to the rating and is a key rating driver for Lebanon. Lebanon has been in default on its foreign-currency obligations since March 2020.

## **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- In the event that Lebanon reaches an agreement with bondholders on restructuring its long-term foreign-currency debt and completes that restructuring process, Fitch will assign ratings based on a forward-looking analysis of the sovereign's willingness and capacity to honour its new foreign-currency obligations.
- If Lebanon resumes interest payments on BdL's holdings of local-currency debt and continues to service local-currency debt to other creditors, the LTLC IDR and STLC IDR would be upgraded.

## **SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)**

Fitch's proprietary SRM assigns Lebanon a score equivalent to a rating of 'CCC+' on the Long-Term Foreign-Currency IDR scale. However, in accordance with its rating criteria, Fitch's sovereign rating committee has not utilised the SRM and QO to explain the ratings in this instance. Ratings of 'CCC+' and below are instead guided by the rating definitions.

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LT FC IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within Fitch criteria that are not fully quantifiable and/or not fully reflected in the SRM.

## **COUNTRY CEILING**

Fitch has revised the Country Ceiling for Lebanon to 'CCC+' from 'CCC', reflecting Fitch's updated Country Ceiling Criteria published in July 2023. Under its revised criteria, the Country Ceiling floor is 'CCC+', which is applied when transfer and convertibility risks have materialised. In Fitch's view, capital and/or exchange controls that are preventing the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments have been imposed. These are impacting the vast majority of economic sectors and asset classes.

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance.

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## CORPORATE NEWS

### LOAN OF US\$ 165 MILLION FOR BANQUE DE L'HABITAT APPROVED BY THE ARAB FUND FOR ECONOMIC & SOCIAL DEVELOPMENT

According to a statement by the Chairman of the Board of Directors and General Manager of the Banque de L'habitat, an approval was given from the President of the Council for Development and Reconstruction for the final agreement made between the bank and the Arab Fund for Economic & Social Development. The agreement holds a loan of circa KWD 50 million (US\$ 165 million) from the latter to the former.

Following the approval, a signing will take place with the Banque du Liban (BDL) for the fund in order to initiate the transfer of the loan funds towards the appropriate account at BDL following its depletion. In turn, the loan agreement is set to become effective soon.

According to the Chairman of the Board of Directors and General Manager of the Banque de L'habitat, this agreement will enable the loaning of circa 6,000 limited to moderate income households with ceilings of US\$ 40,000 for the former and US\$ 50,000 for the latter.

### LEBANON'S CABINET APPROVES SEVEN-FOLD INCREASE FOR OGERO'S SERVICES

The Lebanese cabinet has approved a seven-fold increase in tariffs for Ogero's internet and communications services. This move came following a proposal by the Lebanese Caretaker Minister of Communication for the price increase in a bid to cover the institution's costs.

The tariff increase will be effective starting September 1st and will be posted on the official gazette. The new prices for Ogero's services are as follows:

- For limited internet: a minimum of 80 Gigabytes (GB) capacity costing LP 420,000 and a maximum of 2 Terabytes (TB) costing LP 6.3 million with prices oscillating in between.
- For limited High-bit-rate Digital Subscriber Line (HDSL) with a 300 GB capacity: LP 1.8 million
- For unlimited internet capacity with a speed of 6 Megabits (Mb): LP 1.3 million
- For unlimited internet capacity with a speed of 8 Megabits (Mb): LP 1.8 million
- For unlimited internet capacity with a speed of 50 Megabits (Mb): LP 2.3 million
- For unlimited internet capacity with a fixed speed (Nx2Mb): LP 4 million
- For unlimited internet capacity with a fixed speed (Nx2Mb Premium): LP 7 million
- For 1,000 minutes of communication through landlines: LP 200,000

According to the Lebanese Caretaker Minister of Communications, the exchange rate adopted for the pricing is set at LP 25,500/US\$, up from a previous LP 3,750/US\$. According to the Ministry's estimates, these new prices will be able to cover Ogero's needs without over-encumbering users. Additionally, this plan is regarded as sustainable for long-term use as long as no drastic changes in the black market exchange rate occur.

### UNHCR RELEASES A DASHBOARD FOR LEBANON'S HEALTHCARE SECTOR FOR Q2 2023

The United Nations High Commissioner for Refugees (UNHCR) released its 2023 2nd quarter (Q2) dashboard for Lebanon's healthcare sector. According to the report, the healthcare sector in Lebanon requires funding of US\$ 317.8 million. However, only 31% of that amount has been funded (18% received since Jan-2022 and 13% in carry-over from 2021). This figure stands significantly below the amount required to meet the healthcare needs of the vulnerable populations within the country.

It is worth noting that the dashboard summarizes progress achieved by healthcare sector partners within the Lebanon Crisis Response Plan (LCRP). Additionally, the report helps identify key priorities and challenges within the healthcare sector in Lebanon while showing trends that affect the population in need. According to the UNHCR report, the Lebanese health sector is working towards four goals: improving the access to comprehensive primary healthcare (PHC), improving hospital and advanced referral care access, improving outbreak & infectious diseases control as well as helping women, men and youth have their fundamental rights respected and access basic services and information.

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In details, looking at the UNHCR's and its sector partners' efforts and its division by nationality, the report denotes the presence of 3,625,403 people in need within Lebanon. The total targeted population was 2,690,000 individuals in need (74.2% of all people in need). The distribution of the targeted population shows 50.7% (1,365,000 individuals) being Syrian refugees, 47.3% (1,273,580 individuals) of Lebanese nationality, 1.2% (31,400 individuals) being Palestinian refugees coming from Syria and 0.8% (20,000 individuals) being Palestinian refugees in Lebanon. However, due to the myriad of challenges that the sector faces, only 29.8% of the targeted population (802,110 individuals) were reached. Out of the individuals reached with support, 54.6% (437,859 individuals) were Lebanese nationals, 43.3% (347,262 individuals) were Syrian refugees, and 1.5% (12,361 individuals) were Palestinian refugees in Lebanon and 0.6% (4,628 individuals) were Palestinian refugees from Syria.

Looking at the three key achievements of the UNHCR in cooperation with sector partners as of June 30th 2023, 1,535,788 primary healthcare consultations were subsidized, 725,867 patients received acute disease medication and 542,393 patients received chronic disease medication, as per the UNHCR 2023 2nd quarter health sector dashboard.

It is worth highlighting that the percentage of Lebanese individuals benefitting from subsidized consultation has reached its highest level since the start of the crisis (57%). This increase reflects the growing vulnerability of the Lebanese community as well as the need to expand and maintain support towards the vulnerable populations. At the level of challenges faced by the UNHCR and sector partners, the current crisis in Lebanon has hindered the meaningful access of vulnerable individuals to primary and secondary healthcare services.

According to the report, three main challenges present themselves: The challenge of accessibility wherein the affordability of services remained the main challenge in accessing healthcare services. System challenges caused by an increase in demand and the scarcity of resources which put a strain on the sector leading to higher mortality rates, worsened health outcomes and higher vulnerability to disease outbreaks. Additionally, Lebanon is struggling in its response to multiple and simultaneous outbreaks which is further affected by a global lack of resources and critical supplies and the overstretching of the workforce. Concurrently, the third challenge is the aforementioned funding challenge, which led to the prioritization of life-saving interventions in high-risk areas and leaving behind less severe underfunded cases.

According to the UNHCR 2023 2nd quarter health sector dashboard, urgent action is required in order to tighten the funding gap for the health sector in Lebanon. This will in turn aid in the country's preparedness in preventing and containing any potential outbreaks. Additionally, this tightening of the gap would aid in ensuring that healthcare services reach those that need it.

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## GOVERNMENT SUBSIDY OF MEDICINE FOR INCURABLE DISEASES SET TO REMAIN

The Lebanese Caretaker Minister of Health said in a statement that the government's subsidy on medicine for cancer and chronic diseases would remain. According to the statement, the government will fund this subsidy either through resorting to the IMF or other resources in US\$ in order to help the circa 4,000 patients that require this medication to survive.

This statement came following the refusal of the First Deputy of The Banque du Liban, which took over the governor's duties after the end of his term, to transfer the needed amounts from the bank's reserve. This refusal stems from a lack of proper legal mechanisms tied to this act.



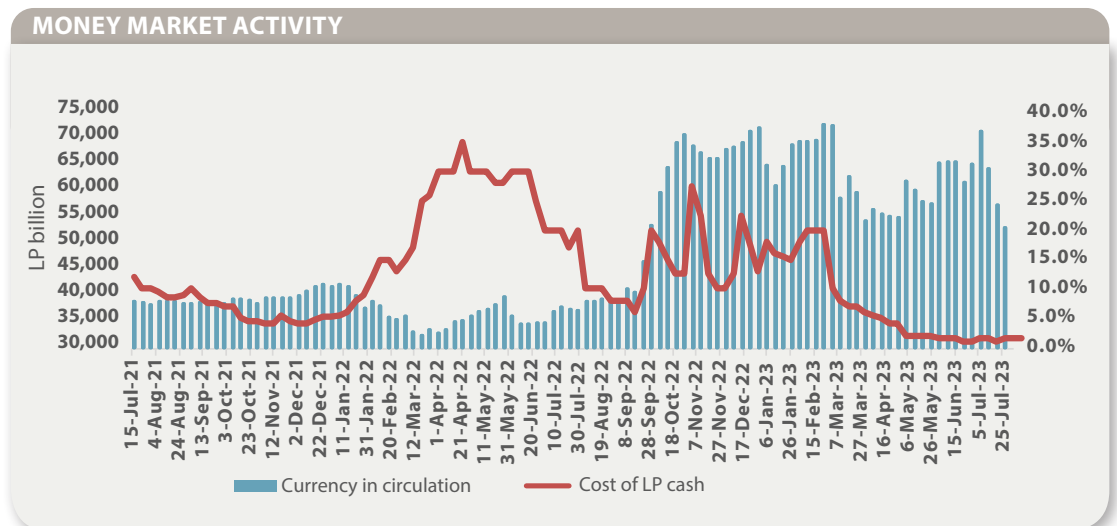
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## CAPITAL MARKETS

### MONEY MARKET: LARGE CONTRACTION IN TOTAL RESIDENT DEPOSITS WEEK-ON-WEEK

The overnight rate, which is a non-cash rate on the money market, remained at a triple-digit level of 100% this week for technical reasons related to LP funds deposited in fresh LP accounts at BDL, which are inaccessible for interbank lending purposes. Concurrently, the cost of LP cash continued to hover between 1% and 2%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 27th of July 2023 showed that total resident banking deposits contracted significantly by LP 24,049 billion. This is mainly driven by a LP 20,434 billion fall in total LP resident deposits amid a significant decrease in LP demand deposits of LP 20,113 billion and a shy retreat in LP saving deposits of LP 321 billion, while foreign currency resident deposits declined by LP 3,615 billion (the equivalent of US\$ 241 million as per the official rate of LP 15,000). Within this context, the money supply in its broadest sense (M4) contracted significantly by LP 28,920 billion over the covered week amid a LP 4,311 billion decline in currency in circulation.



### TREASURY BILLS MARKET: NOMINAL WEEKLY SURPLUS OF LP 762 BILLION

The latest Treasury bills auction results for value date 10th of August 2023 showed that the Central Bank of Lebanon allowed banks to subscribe in full to six-month category (offering a yield of 4.00%), the three-year category (offering a coupon of 5.50%) and the seven-year category (offering a coupon of 6.50%).

The Treasury bills auction results for value date 3rd of August 2023 showed subscriptions of LP 1,844 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 75 billion in the three-month category (offering a yield of 3.50%) and LP 1,769 billion in the one-year category (offering a yield of 4.50%). These compare to maturities of LP 1,072 billion, which resulted into a nominal weekly surplus of LP 762 billion.

### FOREIGN EXCHANGE MARKET: LP/US\$ BLACK MARKET STAYING STABLE THIS WEEK

The parallel FX market saw marginal movements in the LP/US\$ exchange rate over this week, with the latter remaining quoted at LP/US\$ 89,000-LP/US\$ 89,500 on Friday, with no change relative to the previous week, mainly on bets that abandoning FX subsidy under the new BDL leadership would allow the Central Bank's FX reserves to stabilize.

Stability in the LP/US\$ black market rate took place despite frozen activity on the "Sayrafa" platform and worries about the implications of the first deputy governor's decision to stop financing the government without a

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## TREASURY BILLS

	11/08/2023	03/08/2023	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%	↔
7-year	6.50%	-	6.50%	
<b>Nom. Subs. (LP billion)</b>		<b>1,844</b>	<b>1</b>	
Short-term (3&6 mths)		75	-	
Medium-term (1&2 yrs)		1,769	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		0	-	
<b>Maturities</b>		<b>1,082</b>	<b>193</b>	
<b>Nom. Surplus/Deficit</b>		<b>762</b>	<b>-192</b>	

Sources: Central Bank of Lebanon, Ministry of Finance

legislative cover, and despite concerns that the currency in circulation outside BDL may resume its growth should the public employee salaries be paid in Lebanese pound at end-August 2023.

## STOCK MARKET: BSE RESUMES ITS UPWARD TRAJECTORY THIS WEEK

The BSE total turnover rose three folds week-on-week, moving from US\$ 4.9 million last week to US\$ 15.0 million, noting that Solidere shares continued to capture the lion's share of activity (97%).

As far as prices are concerned, the Beirut Stock Exchange resumed its upward trajectory this week, as reflected by a 1.7% rise in the price index. Five out of eight traded stocks posted price gains, while two stocks registered price falls and one stock saw no price change week-on-week.

A glance on individual stocks shows that BLOM's "listed" share price jumped by 14.7% to US\$ 2.88, followed by Byblos Bank's "listed" shares with +9.2% to US\$ 0.83, Holcim Liban's shares with +5.5% to US\$ 58.10, Bank Audi's "listed" shares with +4.2% to US\$ 2.00 and Solidere "A" shares with +2.5% to US\$ 81.75. In contrast, BLOM's GDR price shed 4.0% to US\$ 2.40. Solidere "B" share price declined by 0.6% to US\$ 80.00. Bank Audi's GDR price remained stable at US\$ 1.40.

## EXCHANGE RATES

	11/08/2023	03/08/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	19,059.00	19,006.50	1,813.97	↓
LP/¥	103.72	104.97	11.27	↑
LP/SF	17,113.52	17,111.57	1,628.67	↓
LP/Can\$	11,154.90	11,214.95	1,108.21	↑
LP/Euro	16,497.00	16,392.00	1,603.83	↓

Source: Bank Audi's Group Research Department

# Bank Audi

## AUDI INDICES FOR BSE

	11/08/2023	03/08/2023	30/12/2022	
Market Cap. Index	797.13	783.50	614.50	↑
Trading Vol. Index	136.50	56.08	96.84	↑
Price Index	167.34	164.48	129.00	↑
Change %	1.74%	-0.28%	1.30%	↑

	11/08/2023	03/08/2023	30/12/2022	
Market Cap. \$m	18,911	18,588	14,578	↑
No. of shares traded (Exc. BT)	514,583	211,860	187,711	↑
Value Traded \$000 (Exc. BT)	15,003	4,930	6,415	↑
o.w. : Solidere	14,538	4,681	6,349	↑
Banks	402	248	66	↑
Others	62	0	0	↑

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

## BOND MARKET: EXTENDED BOND PRICE GAINS FOLLOWING CHANGE IN BDL LEADERSHIP

Activity in Lebanon's Eurobond market remained skewed to the upside for the second consecutive week, with prices of sovereigns ranging between 7.750 and 7.875 cents per US dollar on Friday compared to 7.625 cents per US dollar at the end of last week. This followed the change in BDL leadership at the beginning of this month, which has been viewed by international investment banks as a chance of improvements in domestic monetary and FX regimes.

Within this context, Bank of America said in a recent note this week that the comprehensive roadmap proposed by the BDL Vice-Governors following the change in governance is a positive step in the circumstances, adding that the roadmap aims to unlock long-awaited reforms, bring light on the political class responsibilities, and obtain political cover for BDL actions. However, BoA thinks the political class is likely to allow only limited reform.

## EUROBONDS INDICATORS

	11/08/2023	03/08/2023	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)	7.88	7.63	5.50-5.88	↑
Average Life	4.89	4.90	5.34	↓
Yield on US 5-year note	4.29%	4.29%	3.94%	↔

Source: Bank Audi's Group Research Department

# Bank Audi

## INTERNATIONAL MARKET INDICATORS

	11-Aug-23	04-Aug-23	31-Dec-22	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	144.97	141.76	131.11	2.3%	10.6%
\$/£	1.270	1.275	1.208	-0.4%	5.1%
\$/Euro	1.095	1.101	1.071	-0.5%	2.3%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	35,281.40	35,065.62	33,147.25	0.6%	6.4%
S&P 500	4,464.05	4,478.03	3,839.50	-0.3%	16.3%
NASDAQ	13,644.85	13,909.24	10,466.48	-1.9%	30.4%
CAC 40	7,340.19	7,315.07	6,473.76	0.3%	13.4%
Xetra Dax	15,832.17	15,951.86	13,923.59	-0.8%	13.7%
FT-SE 100	7,524.16	7,564.37	7,451.74	-0.5%	1.0%
NIKKEI 225	32,473.65	32,192.75	26,094.50	0.9%	24.4%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,913.76	1,942.91	1,824.02	-1.5%	4.9%
SILVER OUNCE	22.69	23.63	23.95	-4.0%	-5.3%
BRENT CRUDE (per barrel)	86.81	86.24	83.10	0.7%	4.5%
<b>LEADING INTEREST RATES (%)</b>					
Term SOFR 1-month	5.31	5.32	4.36	-0.01	0.95
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	4.15	4.03	3.87	0.12	0.28

Sources: Bloomberg, Bank Audi's Group Research Department

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