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The LEBANON WEEKLY MONITOR

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Following the 4th of August devastating Beirut Port blast, which left hundreds dead, thousands injured and hundreds of thousands with damaged houses, the Central Bank of Lebanon and the Association of Banks in Lebanon have gathered their efforts to support the blast victims. BDL issued a new circular instructing banks and financial institutions to extend exceptional US dollar loans at zero interest to individuals and firms impacted by the explosion, while the ABL said that it is studying specific mechanisms to support employees and customers, whose homes, stores and establishments were damaged in the blast. Concurrently, the black FX market saw some fluctuations in the LP/US\$ exchange rate over this week. After crossing the LP/US\$ 8,000 threshold after the blast, the LP/US\$ rate fell to LP/US\$ 7,400-LP/US\$ 7,700 on Friday. On the Eurobond market, prices of longer-term sovereigns saw some contractions, hovering between 15.0 cents per US dollar and 17.125 cents per US dollar.

LEBANON MARKETS: WEEK OF AUGUST 03 - AUGUST 09, 2020

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

ECONOMY

BEIRUT ROCKED BY AN ENORMOUS EXPLOSION IN ITS PORT, DESTROYING A SIGNIFICANT PART OF THE CAPITAL

On the 4th of August at 6 pm, a very large explosion has hit the Port of Beirut, with spillovers reaching almost all around the capital. The catastrophe that struck Lebanon through the explosion of 2,750 tons of Ammonium Nitrate at Beirut Port is apt to further exacerbate the economic woes of the country at large.

The Beirut explosion actually inflicted huge human and material damages unseen in Lebanon since the Civil War, with a significant part of the Capital being destroyed. The damages exceed the capacity of Lebanon to sustain in the short to medium term. Losses of the Beirut explosion are estimated at no less than US\$ 5 billion according to most conservative estimates.

This entails the collapse of the Beirut Port with its silos and containers, the collapse of the medical system and the collapse of the shelter system, with more than 20% of the houses and buildings in the vicinity of Beirut Port not repairable, in addition to the 60% of the housing units in Beirut that are repairable but that will cost a fortune amid the fluctuation of the US\$ exchange rate in the midst of its economic crisis. Notwithstanding the indirect spillovers on the summer season that Lebanon was counting on to lessen the effects of its crisis.

Lebanon was already caught under an unprecedented macro crisis that drove it into real sector depression, monetary drift and huge socio-economic pressures. The explosion is set to worsen further the economic conditions, disregarding any foreign assistance that Lebanon is receiving or is apt to receive. BDL liquid FX reserves are already at a low of US\$ 16 billion and are getting depleted at a fast pace.

What is needed in these critical times is a firm sense of national responsibility and unity among Lebanese, an imminent call for an international investigation on the causes of the explosion, an immediate mobilization of domestic and foreign aid and the launch of an immense reconstruction site similar to the one that prevailed in the early 1990s in the aftermath of Lebanon's civil war.

On August 9th, World powers pledged € 252.7 million (US\$ 298 million) in short-term aid for Lebanon at an international donor conference, held in the wake of the catastrophic blast at Beirut's Port. The "assistance should be timely, sufficient and consistent with the needs of the Lebanese people," the conference's closing statement said, adding that the money would go "directly" to the Lebanese population. The statement also affirmed that world leaders were committed to supporting Lebanon's long-term economic recovery, and urged the country's leaders to commit fully to the reforms which Lebanese have been calling for since protests erupted in October.

BLAST'S CONSEQUENCES TO FURTHER CLOUD LEBANON'S ALREADY DIFFICULT ECONOMIC OUTLOOK, AS PER GOLDMAN SACHS

According to a recent report by Goldman Sachs, the immediate economic consequences of the blast will be severe. As per the Governor of Beirut, repairs would cost between US\$ 3 billion and US\$ 5 billion, which is beyond the fiscal capacity of the Lebanese government, which in March defaulted on its sovereign debt. Meanwhile, trade will be diverted to the northern port of Tripoli which according to Bloomberg was working at 40% capacity before the blast. This suggests that trade flows may be accommodated, particularly as these have declined substantially in recent months due to the collapse of the Lebanese Pound.

Lebanon has grain reserves of less than a month, and flour stores of up to six weeks, according to the government. The destroyed wheat silos usually house 85% of Lebanon's supply, but were only around 10% full at the time of the blast as flour demand surged amid the currency crisis. Additional grain is en route to Lebanon at the moment, but it is not clear whether the country has the necessary residual handling and storage capacity to avoid a supply squeeze in the medium term.

According to the report by Goldman Sachs, it is too early to assess the impact on local commerce from the blast, but given the reports of destruction to buildings and commercial premises in the city of Beirut, Goldman Sachs believes this is likely to be substantial in the near term.

All of these factors will further cloud Lebanon's already difficult economic outlook. In recent months the currency has depreciated by over 80%, pushing inflation to 90%yoy in June (with food inflation running at 250%), as per Goldman Sachs. Access to hard currency savings has been severely restricted since October, while unemployment rose to 35%, and nearly 50% of the population are below the poverty line on the World Bank's estimate.

The economic crisis has been exacerbated by a collapse in the delivery of public services, with electricity shortages resulting in daily blackouts in excess of 20 hours a day in the height of summer. Popular frustration with the political class has fueled anti-government protests since last Autumn, although these have diminished somewhat in recent weeks as a result of worries related to the spread of coronavirus. Goldman Sachs believes yesterday's events will likely add to this frustration and could increase social and political instability, as recriminations and accusations of incompetence and corruption leading to the explosion have begun to surface. Much will depend on the international response to the crisis. Lebanon has been seeking international support for its economic recovery program, including an IMF package of US\$ 10 billion and the release of over US\$ 11 billion in pledge CEDRE financing.

WORLD BANK CALLS FOR PROFOUND REFORMS THAT ADDRESS THE CORE PROBLEMS AND PROVIDE A REAL POSSIBILITY FOR IMPROVING

According to a statement released by the World Bank, ensuring an efficient and coordinated response in the aftermath of this catastrophic explosion is critical.

The World Bank Group stands firmly committed to work with the international community and all stakeholders in Lebanon to support these efforts.

The challenges facing Lebanon are enormous. Tuesday's massive explosion comes on top of the deep ongoing economic, financial and social crisis that was exacerbated by the COVID-19 pandemic.

Even prior to the explosions Lebanon was experiencing severe economic crises alongside a rapidly worsening social situation. As a result, 45% of Lebanese citizens live in poverty, as per the World Bank.

With so many left behind, it comes as no surprise that people in Lebanon are calling for profound reforms that will address the core problems of these crises and provide a real possibility for improving the daily lives of the average Lebanese citizen.

The World Bank Group began to undertake a Rapid Damage and Needs Assessment. The assessment could serve as a basis for an economic and social reconstruction plan that addresses short- and medium-term needs. In doing so, the World Bank is working closely with the World Bank's counterparts, the IMF, the UN, the EU and other partners with a view to finalize the assessment by August 20, 2020.

Engaging all stakeholders in recovery and reconstruction is critical. The ultimate objective of this effort is to promote sustainable economic and social recovery with a rapid reduction of poverty levels. Guiding principles for conducting this engagement will be transparency, inclusion and good governance, as per the World Bank.

Lebanon is a founding member of the World Bank, with the partnership going back 75 years. As a long-term partner, the World Bank is committed to Lebanon in good and hard times. The World Bank is ready to support the urgent demands of the crisis. In the short term, and if the Government is willing to move quickly, the World Bank can finalize preparation of an emergency social protection program of over US\$ 200 million that could benefit over half a million of poor people.

VALUE OF CLEARED CHECKS DOWN BY A YEARLY 3.8% IN FIRST HALF OF 2020

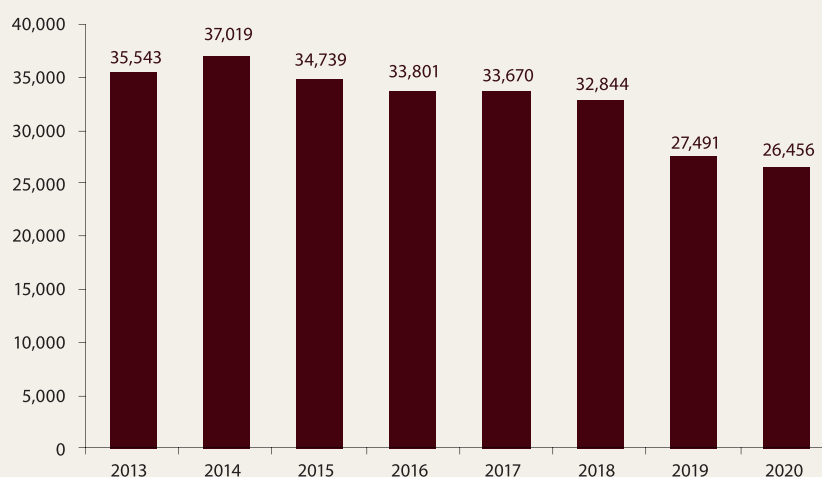
The total value of cleared checks, an indicator of consumption and investment spending in the Lebanese economy, decreased by 3.8% year-on-year in the first half of 2020. The value of cleared checks reached US\$ 26,456 million in the first half of 2020, against US\$ 27,491 million in the same period of 2019. A breakdown by currency shows that the banks' clearings in Lebanese pounds amounted to LP 14,342 billion (-7.8%) in the first half of 2020 while those in FC amounted to US\$ 16,942 million (-1.4%).

Furthermore, the number of cleared checks registered 3,041,067 in the first half of 2020, down by 39.9% from 5,061,968 in the same period of 2019.

The average value per check rose by 60.2% year-on-year to stand at US\$ 8,700 in the previously mentioned period of 2020.

The value of returned checks reached US\$ 568 million in the first half of 2020, against US\$ 699 million in the same period of 2019.

CLEARING ACTIVITY (FIRST SIX MONTHS OF THE YEAR, US\$ MILLION)



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

CEMENT DELIVERIES DOWN BY 56.6% IN FIRST FIVE MONTHS OF 2020

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, declined by a yearly 56.6% in the first five months of 2020.

Cement deliveries actually reached circa 555,822 tons in the first five months of 2020, down from 1,280,167 tons in the corresponding period of 2019, reflecting a continued slowdown in the construction activity in the country.

Cement deliveries actually reached circa 3,203,396 tons in 2019. It is worth also recalling that cement deliveries had reached 4,702,315 tons in 2018, down from 5,148,615 tons in 2017.

SURVEYS

ECONOMIC REFORM AND LIMITING FURTHER DETERIORATION REQUIRE ADDRESSING LEBANON'S CORRUPTION, AS PER THE IIF

According to a recently released report by the IIF, the recent massive explosion in Beirut is calling additional attention to a pervasive culture of negligence, corruption and complacency of the ruling class, which sunk the country into its worst economic and financial crisis. The direct cause of the explosion has not been determined.

This happened in an environment of deteriorating basic public services, including electricity blackouts and uncollected garbage. The Port of Beirut, where more than 75% of Lebanon's imports pass through, is no longer operational, and as a result, Lebanon will now be forced to depend entirely on the two much smaller ports.

According to the IIF, the blast will deepen the contraction in the economy from -15% already envisioned for 2020 to -24%. Lebanon was already suffering from its worst financial and economic crisis since its independence in 1943. Given the large contraction in output and the massive depreciation of the parallel exchange rate, GDP could shrink from US\$ 52 billion in 2019 to US\$ 33 billion in 2020, as per the same source. Wages are falling sharply in real terms as the pass-through effect from the large parallel exchange rate depreciation led prices to rise rapidly. The 12-month CPI inflation rate may have exceeded 110% last month. Consequently, unemployment and poverty rates have reached new heights.

The report highlights that the explosion may lead to a new political era and real economic reforms. French President Emmanuel Macron's recent visit to Beirut and the current mass protests may lead to a new political pact and implementation of much-needed economic reforms that will unlock international financial support. There is little trust between most Lebanese and the ruling political parties, and anti-government and political establishment protests have resumed.

Economic reform and limiting further deterioration will require addressing Lebanon's endemic corruption head-on. Doing so will require strong political will to create effective institutions that promote integrity and accountability throughout the public sector.

The report proposes two scenarios for Lebanon. Scenario A assumes significant political change and real economic reforms. The political change includes the formation of a new government, independent of sectarian allegiances, which meets the aspirations of its people, followed by early parliamentary elections to defuse an escalating political crisis.

Scenario A also assumes the implementation of the reforms highlighted by the IMF and included in the government's economic program, which so far have faced strong resistance from vested interest groups in the government and parliament. The State also needs to re-duce its footprint in the economy by adopting a hands-off approach to managing vital sectors such as electricity and telecommunications and allowing private sector participation (domestic and foreign), including in the reconstruction of the Beirut port. In this scenario, the parallel exchange rate could appreciate to below LL 6,500 per U.S. dollars by early 2021, CPI inflation gradually declines, enabling the Central Banks to unify the multiple exchange rates by mid-2021.

The new authorities' discipline would improve domestic and for-reign investor confidence, pave the way for strong official capital inflows, including the US\$ 11 billion financial package negotiated at the CEDRE conference in Paris in 2018, US\$ 8.5 billion from the IMF, and possibly several billions from GCC countries. Such an outcome would replenish reserves, support a strong recovery in the economy, narrow the twin deficits significantly, and bring government debt on a firmly downward trajectory to less than 80% of GDP by 2024.

Scenario B highlights that without political change and real economic reforms, the country will continue to sink. In this scenario, the IIF assumes no major political change and limited economic reforms. As a result, external financing would be limited to emergency aid from France/UN conference held on August 9th.

Given the magnitude of the problems, the limited reforms will cause confidence to continue to deteriorate. With no concrete reasons for optimism, the parallel rate is likely to depreciate even more, keeping inflation at high levels and depleting liquid foreign assets by end-2022. With these headwinds, the economy will continue to contract, and debt will remain well above 120% of GDP by 2024.

RECONSTRUCTION COULD TAKE A TOLL ON ALREADY DWINDLING BDL FX RESERVES IN THE ABSENCE OF EXTERNAL SUPPORT, AS PER BOFA

Lebanon's capital city, Beirut, was heavily devastated by a massive explosion in the early evening of Tuesday 4 August, as per BofA. The explosion adds to the country's ongoing woes, which include a severe economic crisis and the COVID-19 pandemic. According to the government's official account of the incident, the explosion was accidental and caused by the blowing up of 2,750 tons of ammonium nitrate stored "without preventive measures" since 2013 in a warehouse at the Port of Beirut. The combustion may have been ignited by a fire to firecrackers stored nearby, according to government officials. Ammonium nitrate is a dual use good that can be used in fertilizers and in explosives.

According to the report, the explosion does not appear to be linked to regional geopolitical tensions, according to press reports. Indeed, protestors' anger is directed instead at corruption and poor governance of the entire political class. This could mean that this incident is unlikely to lead to regional retaliation or an increase in the regional geopolitical risk premium.

According to BofA, the Traders' Association of Beirut estimated private and public sector losses at US\$ 3-3.5 billion (5.6-6.6% of 2019 GDP). In the absence of rapid external support, some of the losses could prove permanent. Some corporates may not be able to trade again, as the wealth shock to the private sector is large and the capital stock could be impaired for a period of time. Potential growth could thus be reduced in the absence of timely external financing support. The shock is also likely to reduce customs and tax revenues, widen the fiscal deficit and reduce the government's ability to service external debt in a restructuring proposal, as per the same source. Reconstruction could take a toll on already dwindling BDL Fx reserves in the absence of external support.

According to the report, the restart of mass protests could have important positive political and economic implications if it succeeds in leading to improvements in political governance. Mass protests have restarted on 8 August, after their momentum post-October was interrupted by COVID-19. According to press reports, the political class still does not appear to accede to reform demands and may be instead waiting out protestors while responding in an authoritarian way. This is in line with the ongoing socially inequitable economic adjustment process. A two-week state of emergency is in place.

BofA says that two ministers in the 20-member Cabinet resigned. A number of Cabinet ministers have indicated they may announce their resignation. This could generate the critical mass for a full Cabinet resignation. Article 69 of the Constitution suggests that the Cabinet would be considered resigned if it loses a third of its members (7 members altogether in this case). If the Cabinet resigns, it would be key to monitor whether a new reform-oriented technocratic and independent Cabinet can be put in place, with a mandate to mobilize international aid to address the humanitarian crisis, negotiate an IMF program to address the economic crisis, and organize early elections to reflect the changing political dynamics.

CORPORATE NEWS

BYBLOS BANK'S TOTAL ASSETS AT US\$ 21.9 BILLION AT END-2019

Byblos Bank recorded in 2019 a total of US\$ 122 million in losses for the first time since its inception around 60 years ago.

These losses are mainly due to the allocation of "collective provisions" for the bank's expected credit losses on its portfolio of Lebanese Eurobonds, on its foreign-currency placements with the Central Bank of Lebanon and on its customer loan portfolio, as per a statement by the bank.

Total assets dropped in 2019 by 12% to US\$ 21.9 billion. Customer deposits declined by 5.9% to US\$ 17.4 billion. Furthermore, net customer loans dropped by 18% to US\$ 4.5 billion, due to the deterioration of the economic and financial conditions in the country.

Total equity dropped by 13% to US\$ 1.95 billion, resulting from the losses incurred in that year.

Offshore liquidity was sustained at an acceptable level in light of the prevailing situation, which validates the board's conservative strategy throughout the last years always favoring liquidity and asset quality over short-term profit, as per the statement.

The bank's general provisions stood at approximately US\$ 93 million as at end-2019.

According to the statement, Byblos Bank will maintain its policy of prudence in anticipation of additional challenges, and its teams will continue to look for ways to protect as much as possible its customers, its employees and its shareholders.

BANQUE BEMO ALLOCATES US\$ 100 MILLION LOAN PORTFOLIO FOR RECONSTRUCTION

Banque BEMO allocated US\$ 100 million to provide fast-track loans to people hurt by the port explosion and who want to rebuild their house, office or restore their equipment.

Cars and home appliances are among the items that maybe considered as "equipment".

The loans will be provided with minimal collateral and administrative paperwork. The program, which targets both clients and non-clients, will begin immediately.

The loan ceiling is set at US\$ 25,000 in order to reach a large number of borrowers, as per a bank official.

The loan tenure will range from three to five years. It will be repaid in Lebanese pounds according to the exchange rate set by the Central Bank (BDL) which is currently at around LP 1,515.

This loan program mainly targets those who urgently need liquidity. Borrowers could also secure zero-interest loans according a new BDL circular.

According to the circular, banks are required to grant zero-interest loans in dollars and without charging any fees to individuals and businesses affected by the explosion in the Port of Beirut in order to rebuild their homes and company premises.

All types of businesses can benefit from the loans including sole proprietorships, small and medium-sized enterprises (SMEs) and corporations.

The proceeds must be used for basic restoration work. Real estate development projects cannot benefit from the facilities.

LEBANESE-OWNED CMA CGM TO ESTABLISH LOGISTICS HUB IN TRIPOLI FOLLOWING THE EXPLOSION AT THE PORT OF BEIRUT

Lebanese-owned CMA CGM will establish a logistics hub in Tripoli following the explosion at the Port of Beirut.

The Group is ensuring everything is in place to guarantee business continuity and to maintain the supply of primary necessities to the country, according to a press release by the company.

An operational organization has been put in place to establish a logistics hub in Tripoli. All ships are diverted to Tripoli or other terminals in the region until further notice.

In order to maintain business continuity, the Group has organized three recovery sites, of which two are in Beirut and one in Tripoli.

CMA CGM's Beirut headquarters were severely damaged in the explosion.

The Cabinet has decided to use the Port of Tripoli (PoT) and the smaller ports of Sidon and Tyre. Tripoli, as the second-largest logistics hub in the country, is expected to handle the majority of the redirected shipping.

The Port of Beirut was a transshipment hub for CMA CGM and MSC. CMA CGM transshipped 71,432 twenty-foot equivalent units (TEUs) in the first half of 2020.

ESA LAUNCHES COMPUTER CODING SCHOOL

ESA Business School launched a computer coding school "ESA Coding Lab" that will open next January. ESA teamed up with ITESCIA, a French information technology school which operates a "Coding Factory", in order to benefit from their expertise on how to develop and manage a coding school, said the General Director of ESA Business School.

It will be a tailored-made short program of three months. Students get a certificate recognized by ESA, and an official certificate recognized by ITESCIA and consequently by France. There will be a general certificate and another for mobile applications.

The program mainly targets young people holding Bachelor of Computer Science degrees or similar degrees. The courses will be given for free then the graduates will pay back their tuitions when they start working.

The project aims to fill a technological gap because there is a lack of coding skills in Lebanon despite the existence of general computer skills, as per the same source.

The investment in the development of the coding school totals € 1 million (US\$ 1.2 million). The French Development Agency (AFD) will contribute € 500,000, the Central Bank contributed by US\$ 250,000 at the beginning of the project two years ago to help in its launch, and the remainder will be provided by ESA, as per the same source.

The financial assistance provided by the AFD aims to help ESA develop the program over four years such as to buy computers and pay other expenses, as per the Deputy Director of the AFD for Lebanon.

ESA aims to have a self-sustainable coding school after four years from now that caters to 300 students, the General Director of ESA Business School said.

The "ESA Coding Lab" will open in January in the premises of l'Institut Français in Nabatieh, then after a couple of months it will open in the ESA campus in Beirut.

CAPITAL MARKETS

MONEY MARKET: FURTHER WEEKLY CONTRACTIONS IN TOTAL RESIDENT DEPOSITS

Ample local currency liquidity remained the main feature characterizing the money market over this week. This kept the overnight rate stable at 3%, noting that its official rate is quoted at 1.90%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 23rd of July 2020 showed that total resident banking deposits contracted by LP 225 billion. This is mainly attributed to a LP 289 billion fall in total LP resident deposits amid a LP 273 billion drop in LP saving deposits and a LP 16 billion decrease in LP demand deposits, while foreign currency resident deposits increased by LP 64 billion. Accordingly, the money supply in its largest sense (M4) contracted by LP 146 billion over the covered week amid a LP 13 billion rise in the currency in circulation and a LP 66 billion increase in the non-banking sector Treasury bills portfolio.

Within this context, it is worth mentioning that LP saving deposits accumulated year-to-date contractions of circa LP 16,250 billion, while the money in circulation expanded by LP 9,400 billion and LP demand deposits grew by LP 1,800 billion, in a sign that the Lebanese pound has lost its role as a store of value.

INTEREST RATES

	07/08/20	31/07/20	27/12/19	
Overnight rate (official)	1.90%	1.90%	3.90%	↔
7 days rate	2.00%	2.00%	4.00%	↔
1 month rate	2.75%	2.75%	4.75%	↔
45-day CDs	2.90%	2.90%	4.90%	↔
60-day CDs	3.08%	3.08%	5.08%	↔

Source: Bloomberg

TREASURY BILLS MARKET: NOMINAL WEEKLY SURPLUS OF LP 8 BILLION

The latest Treasury bills auction results for value date 6th of August 2020 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the three-month category (offering a yield of 3.50%), the one-year category (offering a yield of 4.50%) and the five-year category (offering a coupon of 6.0%).

In parallel, the Treasury bills auction results for value date 30th of July 2020 showed that total subscriptions amounted to LP 106 billion, distributed as follows: LP 10 billion in the six-month category (offering a yield of 4.0%), LP 30 billion in the two-year category (offering a coupon of 5.0%) and LP 66 billion in the ten-year category (offering a coupon of 7.0%). These compare to maturities of LP 98 billion, resulting into a nominal weekly surplus of LP 8 billion.

On a cumulative basis, total subscriptions amounted to LP 6,886 billion during the first seven months of the year 2020. The ten-year category captured 36.4% of the total (the equivalent of LP 2,505 billion), followed by the five-year category with 20.0% (the equivalent of LP 1,376 billion), the three-year category with 15.2% (the equivalent of LP 1,044 billion), the seven-year categories with 10.0% (the equivalent of LP 688 billion), the one-year category with 9.9% (the equivalent of LP 684 billion), and the two-year with 5.2% (the equivalent of LP 359 billion), while the three-month and six-month categories accounted for the remaining 3.3% (the equivalent of LP 229 billion in total). In parallel, total maturities reached LP 5,652 billion, resulting into a nominal surplus of LP 1,264 billion during the first seven months of 2020.

TREASURY BILLS

	07/08/20	31/07/20	27/12/19	
3-month	3.50%	3.50%	5.30%	↔
6-month	4.00%	4.00%	5.85%	↔
1-year	4.50%	4.50%	6.50%	↔
2-year	5.00%	7.00%	7.00%	↔
3-year	5.50%	5.50%	7.50%	↔
5-year	6.00%	6.00%	8.00%	↔
10-year	-	7.00%	10.00%	
Nom. Subs. (LP billion)		106	120	
Short -term (3&6 mths)		10	-	
Medium-term (1&2 yrs)		30	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		-	100	
Long-term (10 yrs)		66	-	
Maturities		98	61	
Nom. Surplus/Deficit		8	59	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: BDL OFFERS INTEREST-FREE US DOLLAR LOANS FOR BLAST VICTIMS

In the wake of the devastating blast in Beirut Port on August 4, 2020, the Central Bank of Lebanon issued on August 6, 2020 the basic circular No. 152, instructing banks and financial institutions to extend exceptional US dollar loans at zero interest to individuals and firms impacted by the explosion. The loans can be repaid over five years and settled in Lebanese pound based on an interbank rate of LP 1,515 per US dollar. Within this context, the Association of Banks in Lebanon said that it is studying specific mechanisms to support employees and customers whose homes, stores and establishments were damaged in the blast and would cooperate with the Central Bank of Lebanon to assist them in rebuilding.

In parallel, in the aim of facilitating access to cash US dollars, the Central Bank of Lebanon issued on August 6, 2020 the intermediate circular No. 566, allowing money transfer houses to pay transfers from abroad in US dollars.

At the level of the black FX market, the LP/US\$ exchange saw some fluctuations over this week. After crossing above the LP/US\$ 8,000 threshold after the blast, the LP/US\$ rate fell to LP/US\$ 7,400-LP/US\$ 7,700 on Friday. Concurrently, the exchange rate set by the money changers syndicate remained quoted at LP/US\$ 3,850-LP/US\$ 3,900.

EXCHANGE RATES

	07/08/20	31/07/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,975.73	1,955.23	1,970.00	↓
LP/¥	14.28	14.37	13.77	↑
LP/SF	1,651.15	1,646.64	1,543.78	↓
LP/Can\$	1,129.04	1,129.64	1,150.59	↑
LP/Euro	1,783.98	1,771.16	1,679.20	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: WEEKLY PRICE GAINS IN SOLIDERE SHARES

Activity on the Beirut Stock Exchange was limited to one trading day this week due to the Beirut port deadly explosion. The total trading value amounted to US\$ 1.2 million, fully allocated to Solidere shares. Solidere "A" share price increased by 1.5% to reach US\$ 14.21. Solidere "B" share price jumped by 6.9% to US\$ 14.50. This is mainly explained by the recent shift to realty stocks, and on improved sentiment after Solidere announced in June 2020 strong unaudited sales that would be realized over the year 2020. Accordingly, the BSE price index rose by 1.9% week-on-week.

On a cumulative basis, the BSE total trading value amounted to US\$ 149 million during the first seven months of 2020 and compared to US\$ 113 million during the same period of 2019, up by 31.7%. Accordingly, the total turnover ratio, measured by the annualized trading value to market capitalization, reached 3.9% during the first seven months of 2020 versus 2.4% during the same period of 2019.

AUDI INDICES FOR BSE

22/1/96=100	07/08/20	31/07/20	27/12/19	
Market Cap. Index	279.47	274.38	316.37	↑
Trading Vol. Index	51.38	39.33	24.97	↑
Price Index	59.44	58.36	69.36	↑
Change %	1.85%	0.00%	2.37%	↑
	07/08/20	31/07/20	27/12/19	
Market Cap. \$m	6,630	6,509	7,506	↑
No. of shares traded (Exc. BT)	82,160	160,686	333,997	↓
Value Traded \$000 (Exc. BT)	1,160	2,677	2,294	↓
o.w. : Solidere	1,160	1,906	2,294	↓
Banks	0	771	0	↓
Others	0	0	0	↔

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

BOND MARKET: BOND PRICE CONTRACTIONS AT LONGER-END OF CURVE

Lebanese Eurobonds saw some price contractions after the Beirut Port blast, especially at the longer-end of the curve. Prices of sovereigns maturing between 2028 and 2037 ranged between 15.0 cents per US dollar and 17.125 cents per US dollar at the end of this week. Concurrently, shorter-term papers maturing in 2020 and 2021 attracted some bid, which brought prices to around 18.0 cents per US dollar.

EUROBONDS INDICATORS

	07/08/20	31/07/20	27/12/19	
Total tradable size \$m	32,664	32,664	29,564	↔
o.w.: Sovereign bonds	31,314	31,314	28,314	↔
Average Yield	47%	46%	29.99%	↑
Average Life	7.41	7.43	7.50	↓
Yield on US 5-year note	0.20%	0.27%	1.71%	↓

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	07-Aug-20	31-July-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	105.93	105.85	108.64	0.1%	-2.5%
\$/£	1.305	1.309	1.326	-0.3%	-1.5%
\$/Euro	1.179	1.178	1.121	0.1%	5.1%
STOCK INDICES					
Dow Jones Industrial Average	27,433.48	26,428.32	28,538.44	3.8%	-3.9%
S&P 500	3,351.28	3,271.12	3,230.78	2.5%	3.7%
NASDAQ	11,010.98	10,745.27	8,972.60	2.5%	22.7%
CAC 40	4,889.52	4,783.69	5,978.06	2.2%	-18.2%
Xetra Dax	12,674.88	12,313.36	13,249.01	2.9%	-4.3%
FT-SE 100	6,032.18	5,897.76	7,542.44	2.3%	-20.0%
NIKKEI 225	22,329.94	21,710.00	23,656.62	2.9%	-5.6%
COMMODITIES (in US\$)					
GOLD OUNCE	2,035.55	1,975.86	1,517.27	3.0%	34.2%
SILVER OUNCE	28.30	24.39	17.85	16.0%	58.5%
BRENT CRUDE (per barrel)	44.40	43.52	62.93	2.0%	-29.4%
LEADING INTEREST RATES (%)					
1-month Libor	0.16	0.15	1.76	0.01	-1.60
US Prime Rate	3.25	3.25	4.75	0.00	-1.50
US Discount Rate	0.25	0.25	2.25	0.00	-2.00
US 10-year Bond	0.56	0.53	1.92	0.03	-1.36

Sources: Bloomberg, Bank Audi's Group Research Department

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