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Along new measures implemented by Lebanese banks to process necessary and urgent corporate business transactions in line with the Council of Ministers' decision and the recommendations of the Association of Banks in Lebanon, and given a credit rating cut by Fitch to "RD" that has followed a previous downgrade by S&P to "SD", and a plunge in emerging debt prices on rising fears over the impact of coronavirus on the global economy, Lebanon's capital markets witnessed this week further price contractions on the bond market, extended price declines on the equity market, and a fall in the Lebanese pound against the US dollar in the parallel market. In details, Lebanese Eurobonds continued to follow a downward slope this week, with the curve converging below 20. On the equity market, the BSE price index declined by 2.4% amid low trading volumes. In the parallel market, the LP/US\$ exchange rate was quoted at LP 2,650-LP 2,750 amid continuous cabinet discussions on a draft law on capital control.

LEBANON MARKETS: WEEK OF MARCH 16 - MARCH 22, 2020

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

ECONOMY

FISCAL DEFICIT AT 10% OF GDP IN 2019, DERAILING FROM ITS 7.6% BUDGET TARGET

Lebanon's fiscal performance showed a significant expansion in fiscal deficit by 29% over the fourth quarter of 2019 in the aftermath of the recent socio-political developments, but the annual fiscal deficit declined in full-year 2019, from its record high in 2018. It actually fell by 6.6% year-on-year, reaching US\$ 5.8 billion in 2019 or the equivalent of 10.0% of GDP, when compared to a deficit of US\$ 6.2 billion or the equivalent of 11.1% of GDP in 2018. Still, it derailed noticeably from its budgeted target of 7.6% in 2019. The decline in public finance deficit came within the context of a net contraction in public expenditures by 5.0% coupled with a lower decline in revenues by 4.2% in full-year 2019, amid atypical macro conditions.

Going further into details, the decline in public revenues from US\$ 11.5 billion in 2018 to US\$ 11.1 billion in 2019, came within the context of a moderate decrease in budget revenues by 1.8% coupled with a 35.1% drop in Treasury revenues. The decline in budget revenues was due to a 2.0% contraction in non-tax budget revenues (mainly as a result of the drop in Telecom revenues by 11.5%), while tax revenues reported a moderate decline by 1.8% on the back of a drop in VAT revenues by 15.2% and a decline in custom duties by 11.1%, while miscellaneous tax revenues went up by 8.4% between the two periods, mainly on the back of a 21.0% increase in receipts from taxes on income, profits and capital gains, yet coupled with a 24.6% drop in property taxes and 10.8% decline in proceeds from stamp fees in full-year 2019 when compared to full-year 2018.

In parallel, the net decline in public expenditures from US\$ 17.8 billion in 2018 to US\$ 16.9 billion in 2019 came within the context of a 4.3% drop in budget expenditures coupled with a 13.0% contraction in Treasury expenditures. The decline in budget expenditures was tied to a 6.0% decrease in general expenditures amid a contraction in transfers to EDL by 14.3%. In addition, debt servicing totaled US\$ 5.5 billion in 2019, declining by 1.1% from 2018. In fact, interest payments on LP denominated debt grew by 1.4% to US\$ 3.2 billion, while debt servicing on FC debt declined by 4.6% to US\$ 2.1 billion over the same period. As such, the overall primary balance registered a deficit of US\$ 287 million in 2019 (or 1.7% of total expenditures), from a higher deficit of US\$ 636 million in 2018 (or 3.6% of total expenditures).

SUMMARY OF FISCAL PERFORMANCE

(US\$ million)	2018	2019	Var 2019/2018
Public revenues	11,546	11,065	-4.2%
Tax revenues	8,468	8,315	-1.8%
Non-Tax Revenues	3,078	2,750	-10.7%
Public expenditures	17,792	16,901	-5.0%
General Expenditures	10,751	10,107	-6.0%
o.w EDL	1,756	1,505	-14.3%
Debt service	5,610	5,549	-1.1%
Other expenditures	1,431	1,245	-13.0%
Fiscal deficit	6,246	5,837	-6.6%
Fiscal deficit (% of GDP)	11.1%	10.0%	-1.1%
Primary deficit	636	287	-54.9%

Source: Ministry of Finance

Within the context, and given that public finances represent the most significant vulnerability of the Lebanese economy of nowadays, fiscal adjustment is critically needed to maintain overall economic stability. In fact, Lebanon cannot sustain its monetary and financial stability with a 157% debt to GDP ratio, the third highest worldwide and a fiscal deficit to GDP of 10% among the Top decile worldwide, especially that the deposit growth reliant fiscal deficit financing model is now at stake. The State has no choice but reducing its fiscal financing needs looking ahead. As such, Lebanon needs first and foremost an imminent debt restructuring plan within the context of a comprehensive plan for debt management and macro softlanding including gradual cuts in public debt and deficits. The best is to have such a plan under the umbrella of the IMF for international financial assistance to materialize. The Plan should entail, in addition to debt management measures utmost spending austerity, reinforcement of resource mobilization, improvement of tax collection, cut in debt servicing, reforming the electricity sector and privatization of some government assets, all apt to put indebtedness ratio on a decreasing trajectory.

LEBANON'S DEBT RESTRUCTURING TO BE IMPLEMENTED UNDER SEVERAL CONSTRAINTS, AS PER JP MORGAN

According to JP Morgan, after several weeks of political debates around potentially defaulting on its hard currency bonds, Lebanese Prime Minister announced that authorities will not repay the US\$ 1.2 billion that matured March 9, 2020 Eurobond. In addition, the Prime Minister also announced the intention to restructure the rest of the outstanding Eurobonds (a US\$ 31 billion bond stock).

Lebanon has been able to defy gravity for more than a decade, sustaining significant external financing needs and large fiscal imbalances, thanks to the continuation of capital inflows through the banking system, and the implementation of unorthodox arrangements between commercial banks, the central bank and the government. While the country has been able to build and maintain a seemingly high stock of FX reserves, the collapse in capital inflows seen in the context of massive popular protests and much delayed governmental actions has put the spotlight on Lebanon's short-term liquidity constraints, as per the same source.

Over the last few months, the Central Bank has been able to maintain the usability of FX reserves only at the increasing cost of strict capital controls, which have brought the economy to a standstill and forced the government into an untenable political dilemma: paying for imports or paying Eurobonds. The government has finally decided in favor of the former, as per JP Morgan.

According to the report, Lebanon's debt restructuring will have to be implemented under several binding constraints. The restructuring will have to meet several constraints in order to be implemented successfully. These are debt sustainability: Lebanon's debt (un)sustainability profile is largely driven by the real interest rate and it is likely that government will have to implement some sort of stock reduction, on both LBP and FX debt, as well as a reduction in coupons in order to reach a sustainable debt path. It also requires external financing and conditionality: despite the ongoing pushback by some part of the government against the involvement of some official creditors, including the IMF, the country is very likely to need some BoP support over the medium term. Such a support will most likely come with attached conditionality, notably with fiscal adjustments as the Fund deemed the country's debt unsustainable. Moreover, this requires bond ownership and local banks' large sovereign exposure, given commercial banks' large holdings of Eurobonds, the restructuring will have to be designed in order to manage banks' already ailing balance sheets. At the same time, an increased foreign ownership across the curve and a lack of an aggregation clause in collective action are set to add to the negotiation time.

Despite having hired financial and legal advisors, it is still unclear how the government intends to conduct the restructuring. No details have been presented about the type of restructuring authorities are willing to seek.

FITCH DOWNGRADES LEBANON'S LONG-TERM FOREIGN-CURRENCY IDR TO "RD" FROM "C"

Fitch Ratings downgraded Lebanon's Long-Term Foreign-Currency Issuer Default Rating (IDR) to "RD" from "C". The issue rating on the US\$ 1.2 billion Eurobond on which the government has defaulted was downgraded to "D" and withdrawn. The downgrade of the IDR follows the end of the grace period for payment of the US\$ 1.2 billion Eurobond that matured on 9 March. This means the sovereign is in "Restricted Default" and the 9 March bond has been downgraded to "D" and simultaneously withdrawn as it has defaulted and is now past its maturity date.

Fitch affirmed and withdrew the ratings (at "C") for the remaining Eurobonds, which have not yet defaulted.

According to the rating agency, the government statement is not explicit on whether debt restructuring will involve local-currency debt (just over 100% of GDP), as well as the stock of Eurobonds (US\$ 31 billion, approaching 60% of GDP). Nonetheless, the government's reference to making overall debt sustainable suggests that there will be some restructuring of local-currency debt and Fitch believes this is highly probable (along with broader restructuring of financial sector balance sheets). However, as yet, a timeline for this is unclear. Therefore, for now, the agency maintains the Local-Currency IDR at "CC". This would move to "C" as and when a timeline and plan emerges for restructuring. Until then the government is likely to remain current with its local currency debt obligations.

In accordance with its rating criteria, for ratings of "CCC" and below, Fitch's sovereign rating committee has not utilized the SRM and QO to explain the ratings, which are guided instead by our ratings definitions. Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centered 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 our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

The main factor that could lead to positive rating action is that once Lebanon reaches an agreement with bondholders on restructuring its long-term foreign currency debt and completes that restructuring process (for example, by issuing new bonds to replace the existing stock of bonds), Fitch will assign ratings based on a forward-looking analysis of the sovereign's willingness and capacity to honor its new foreign currency debt obligations.

The main factor that could lead to negative rating action is that the Long-Term Local-Currency IDR would be downgraded to "C" if the government clearly announces plans to restructure its Lebanese pound-denominated debt. The rating would be downgraded to "RD" in the event that the government defaults on the Lebanese pound debt before any restructuring announcement.

Furthermore, Lebanon has an ESG Relevance Score of 5 for Creditors' Rights as willingness to service and repay debt is highly relevant to the rating and a key rating driver with a high weight. Lebanon has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch's SRM and is therefore highly relevant to the rating and a key rating driver with a high weight. Lebanon has an ESG Relevance Score of 5 for Rule of Law, Institutional & Regulatory Quality and Control of Corruption as World Bank Governance Indicators (for which Lebanon scores well below peers) have the highest weight in Fitch's SRM and is therefore highly relevant to the rating and a key rating driver with a high weight. Lebanon has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as scores for the Voice and Accountability pillar of the World Bank Governance Indicators are relevant to the rating and a rating driver.

SURVEYS

LEBANON RANKS 96TH GLOBALLY IN RULE OF LAW INDEX

According to the recently released Rule of Law Index 2020 issued by the World Justice Program, Lebanon ranked 96th globally out of 113 countries in the Rule of Law index with a score of 0.45, and it also came in sixth among seven covered Middle East and North African countries.

The World Justice Program, an independent organization working to advance the rule of law around the world, ranks 128 countries worldwide by measuring a nation's adherence to the rule of law from the perspective of how ordinary people experience it.

More particularly, the Rule of Law Index is the average of eight factors. The latter comprises constraints on government powers, which measures the extent to which those who govern are bound by law. It also includes the absence of corruption, which measures the absence of corruption in a number of government agencies.

Next comes open government, which assesses the openness of a government and to the extent to which it shares information with the public. The rule of law index also includes fundamental rights, which measures the protection of fundamental human rights.

Furthermore, the index comprises order and security, which measures how well the society assures the security of persons and property. Regulatory Enforcement is also part of the index, which measures the extent to which regulations are fairly and effectively implemented and enforced. Civil Justice as well which measures whether ordinary people can resolve their grievances peacefully and effectively through the civil justice system. The final element of the index is criminal justice, which evaluates the criminal justice system.

It is worth noting that Lebanon scored highest in the order & security factor with a 0.66, followed by constraints on government powers factor (0.50) and the fundamental rights factor (0.50). On the other hand, Lebanon fared worst in the criminal justice factor with a score of 0.35 and the absence of corruption factor with a score of 0.36, as per the World Justice Program.

ARAB MENA REGION'S RULE OF LAW INDEX 2020 RANKINGS

	Overall Score	Global Rank
United Arab Emirates	0.65	30
Jordan	0.57	50
Tunisia	0.54	56
Morocco	0.50	79
Algeria	0.49	83
Lebanon	0.45	96
Egypt	0.36	125

Sources: World Justice Project, Bank Audi's Group Research Department

Regionally, the UAE ranked top with a Rule of Law index score of 0.65, followed by Jordan (0.57) and Tunisia (0.54). Egypt, on the other hand, ranked last in the region, with a score of 0.36.

At the global scale, Northern European countries ranked top, with Denmark coming in first in the world in the Rule of Law 2020 index with a score of 0.90, followed by Norway (0.89) and Finland (0.87).

LEBANESE FOOD AND DRINK MARKET OFFERS INVESTORS HEALTHY SCOPE FOR FUTURE GROWTH, SAYS FITCH SOLUTIONS

Lebanon's underdeveloped logistics network and regional instability remain the country's main downside risks for investors, but potentially improving economic growth prospects would translate to higher household income and consumption rates which will boost total food and drink spending across our medium-term forecast period, as per Fitch Solutions. As a result, the report maintains its position that the Lebanese food and drink market offers investors healthy scope for future growth.

Total food and non-alcoholic drinks spending in Lebanon is forecast to grow by 5.6% year-on-year (in local currency terms) in 2020, to reach LBP 9,861 million, as per the report. Across the forecast period, total food and non-alcoholic drinks spending will deliver annual average growth of 6.4%, to reach 12,704 million in 2024.

The hot drinks sub-segment (coffee, tea and other hot drinks) will account for more than 50% of non-alcoholic drinks sales in 2020. However, rising health consciousness will drive sales growth by 7.3% in the fruit and vegetable juices segment in 2020, giving this segment a sizeable market share of 37%, as per the same source.

The food sales market in Lebanon is relatively well developed, with per capita consumption estimated at just under US\$ 1,088 in 2020, rising to US\$ 1,165 in 2021. Total food sales are forecast to increase in local currency terms by 6.7% in 2020.

Growth in the Lebanese food industry will be driven mainly by spending on food and drink essentials. However, Fitch Solutions expects economic growth to be higher in 2020 than in the previous year and inflation to moderate from 6.1% in 2018 to 4.5% in 2020.

Consumer confidence in Lebanon may, therefore, improve slightly in response to the lessening of those downward pressures on household purchasing power. By 2024, per capita food spending is forecast to reach US\$ 1,430. The Lebanese food sector benefits from the upper middle-income group being the dominant income level in the economy, as per the report.

It is worth mentioned that Lebanese consumers are more resilient amid economic fluctuations and help to compensate for a significant number of households, which have limited incomes. Private consumption growth is expected to remain fairly steady over the coming years through to the end of the report's forecast period, maintaining around 6.1% year-on-year growth over 2020 to 2024, keeping it ahead of real GDP growth and slightly ahead of consumer price inflation.

Moving on to the drinks segment, total alcohol consumption in Lebanon is comparatively low at around 60.8 million liters in 2020, which equates to per capita consumption of 12.3 liters. Non-alcoholic drinks sales are expected to increase by 6.7% (in local currency terms) in 2020, supported by continued healthy increases in household spending rates, as per Fitch Solutions.

CORPORATE NEWS

SOLIDERE'S TOTAL VALUE OF SALES CONTRACTS AT US\$ 250.1 MILLION IN 2019

Solidere, the Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l, announced the total sales contracts reached US\$ 250.1 million for the year 2019, to be fully or partially achieved during 2019.

As for the year 2020, total sales contract reached US\$ 112,789,400 until the end of February.

The company assured that it will publish periodically the amounts of signed sale contracts in order to confirm the accuracy of the information circulated.

It is worth noting that the company achieved revenues from land sales of US\$ 1.3 million in 2018, US\$ 94,500 in 2017 and US\$ 203.3 million in 2016.

On a side note, the real estate sector has reported an improvement in the last month of 2019, when compared to the same month of 2018. This extended to the first two months of this year on both the level of sales of operations and the value of sales transactions.

This showed that people kind of regained interest in the market amidst the current liquidity problems.

BERYTECH OFFERS UP TO US\$ 50,000 IN GRANTS TO FIGHT CORONAVIRUS

Berytech said it earmarked up to US\$ 50,000 in grants for developers of technological solutions to meet emergency needs in facing the coronavirus pandemic. It is ready to provide grants to five projects at the rate of up to US\$ 10,000 per project to cover the used materials.

The incubator and accelerator said it puts the expert team and equipment of the Berytech Fab Lab at the disposal of developers to help them create their prototypes.

The health tech solutions that will be supported could include test kits, respiratory equipment, or mobile applications.

OXYGEN FUND ESTABLISHED BY CENTRAL BANK OF LEBANON TO IMPORT INDUSTRIAL RAW MATERIAL

The Central Bank (BDL) said a fund will be created to raise US\$ 750 million and a sustainable and scalable lending program of US\$ 3 billion per year will be set up to help small and medium sized industrialists finance raw material imports.

The "Lebanese Economy Oxygen Fund" will be launched in April. It will be a Europe-based platform with a mix of fin-tech and credit facilities.

This mechanism offers a permanent solution for manufacturers to import raw materials.

The fund will operate from Europe with the sole purpose of providing short term facilities to importers and exporters. This will be done in partnership with Lebanese banks and in coordination with the Association of Lebanese Industrialists and the Ministry of Industry.

The platform will be managed by a fintech expert and Paris-based asset manager, in collaboration with senior members of the Lebanese International Finance Executives (LIFE).

An experienced team with over 15 years of track record in emerging and MENA markets will be formed. The team is specialized in credit, trade finance, and financial technology. It will start work in the coming weeks, with the help of local and international trade finance experts.

Last week, BDL freed US\$ 100 million of the manufacturers' own foreign currency funds deposited at the banking sector to finance imports of raw materials. That temporary measure only covers two weeks-worth of raw material imports.

EMERGING INVESTMENT PARTNERS FUND RAISES US\$ 35 MILLION

Emerging Investment Partners (EIP), a private equity investment firm, said it completed the first closing of fundraising for its EIP Levant Fund whose target capital is US\$ 60 million.

The fund has raised around US\$ 35 million, according to the Managing Director at EIP. EIP is seeking to complete subscription in the entire capital of the fund.

The investors who have subscribed to the fundraising include the International Finance Corporation (IFC), Dutch Good Growth Fund (DGGF), Obegi Group, Capital pe and Alfadel Group.

The fund aims to provide equity and debt finance solutions to small and medium-sized enterprises (SMEs) in Lebanon, Jordan, Iraq, and Egypt. It will focus on SMEs with a turnover of less than US\$ 50 million and a financing need ranging between US\$ 1 million and US\$ 6 million.

The fund plans to invest US\$ 25 million to US\$ 40 million in Lebanon over the coming four years. These investments will mainly target export-oriented industrial companies that at the same time have strong foothold on the local market.

EIP is currently considering investing in two to three local SMEs in the fast-moving consumer goods sector. EIP was established in 2015.

WORLD BANK AND PARTNERS TO FUND TRAINING FOR WOMEN ENTREPRENEURS

The World Bank Group (WBG) said it teamed up with two partners to provide access to startup financing and to e-commerce training for women entrepreneurs in the region, including Lebanon.

Access to financing will be provided through the ScaleX program which was launched by the International Finance Corporation (IFC), the WBG's private sector investment arm, and Women Entrepreneurs Finance Initiative (We-Fi). ScaleX aims to incentivize accelerators to support startups led by women by providing performance-based payments of US\$ 25,000 for every woman entrepreneur that raises US\$ 1 million from investors in startup funding.

E-commerce training will be provided to an estimated 750 women entrepreneurs in the MENA region through a new partnership between the WBG and UPS.

UPS will provide e-learning modules on different e-commerce topics to help women-owned and women-led small and medium enterprises seeking to expand their businesses across borders, the WBG said. UPS will also train local e-commerce advisors who provide coaching to businesses.

Besides Lebanon, the WBG-UPS partnership will work with entrepreneurs in Algeria, Djibouti, Egypt, Jordan, Morocco and Tunisia.

By making e-commerce platforms more accessible, this partnership addresses a key constraint faced by women business leaders in reaching new markets, as per the World Bank MENA Vice President.

CAPITAL MARKETS

MONEY MARKET: FURTHER WEEKLY CONTRACTION IN TOTAL RESIDENT BANKING DEPOSITS

The overnight rate reached 30% on Friday after hitting 100% mid-week, mainly on reduced demand for local currency liquidity on the money market.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 5th of March 2020 showed that total resident banking deposits contracted by LP 1,242 billion. This is mainly attributed to a LP 996 billion fall in total LP resident deposits amid a LP 856 billion drop in LP saving deposits and a LP 140 billion decline in LP demand deposits, while foreign currency resident deposits decreased by LP 246 billion (the equivalent of US\$ 163 million). Within this context, the money supply in its largest sense (M4) contracted by LP 571 billion amid a LP 644 billion growth in the currency in circulation and a LP 27 billion rise in the non-banking sector Tbs portfolio.

INTEREST RATES

	20/03/20	13/03/20	27/12/19	
Overnight rate (official)	3.90%	3.90%	3.90%	↔
7 days rate	4.00%	4.00%	4.00%	↔
1 month rate	4.75%	4.75%	4.75%	↔
45-day CDs	4.90%	4.90%	4.90%	↔
60-day CDs	5.08%	5.08%	5.08%	↔

Source: Bloomberg

TREASURY BILLS MARKET: NOMINAL WEEKLY SURPLUS OF LP 102 BILLION

The latest Treasury bills auction results for value date 19th of March 2020 showed that the Central Bank of Lebanon has allowed banks to subscribe in full to the three-month category (offering a yield of 5.30%), the one-year category (offering a yield of 6.50%) and the five-year category (offering a coupon of 8.0%).

In parallel, the Treasury bills auction results for value date 12th of March 2020 showed that total subscriptions amounted to LP 462 billion and were distributed as follows: LP 7 billion in the six-month category (offering a yield of 5.85%), LP 7 billion in the two-year category (offering a coupon of 7.0%) and LP 448 billion in the ten-year category (offering a coupon of 10.0%). These compare to maturities of LP 360 billion, resulting into a nominal weekly surplus of LP 102 billion.

TREASURY BILLS

	20/03/20	13/03/20	27/12/19	
3-month	5.30%	5.30%	5.30%	↔
6-month	5.85%	5.85%	5.85%	↔
1-year	6.50%	6.50%	6.50%	↔
2-year	7.00%	7.00%	7.00%	↔
3-year	7.50%	7.50%	7.50%	↔
5-year	8.00%	8.00%	8.00%	↔
10-year	-	10.00%	10.00%	
Nom. Subs. (LP billion)		462	120	
Short-term (3&6 mths)		7	-	
Medium-term (1&2 yrs)		7	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		-	100	
Long-term (10 yrs)		448	-	
Maturities		360	61	
Nom. Surplus/Deficit		102	59	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: BDL'S FOREIGN ASSETS AT US\$ 22 BILLION MID-MARCH 2020

While Lebanese banks have restricted their operations to process necessary and urgent corporate business transactions in line with the Council of Ministers' decision and the recommendations of the Association of Banks in Lebanon to prevent the spread of COVID-19, the LP/US\$ exchange rate ranged between LP 2,650 and LP 2,750 in the parallel market this week amid continuous cabinet discussions on a draft law on capital control. The official rate remains at 1,507.5.

In parallel, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 15th of March 2020 showed that BDL's foreign assets contracted slightly by US\$ 42 million during the first half of the month to reach US\$ 35.75 billion mid-March. When excluding the Central Bank of Lebanon's Lebanese Eurobond holdings estimated at US\$ 5.35 billion and the facilities provided by BDL to commercial banks and estimated at US\$ 8.5 billion, BDL's foreign assets would drop to circa US\$ 22 billion mid-March 2020.

EXCHANGE RATES

	20/03/20	13/03/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,739.81	1,897.94	1,970.00	↑
LP/¥	13.72	14.19	13.77	↑
LP/SF	1,537.95	1,593.89	1,543.78	↑
LP/Can\$	1,033.88	1,093.34	1,150.59	↑
LP/Euro	1,620.41	1,683.27	1,679.20	↑

Source: Bank Audi's Group Research Department

STOCK MARKET: EQUITY PRICES DOWN BY 2.4% WEEK-ON-WEEK

The Beirut Stock Exchange continued to trace a downward trajectory this week, as reflected by a 2.4% drop in the price index. Five out of six traded stocks registered price falls, while one stock saw no price change week-on-week. BLOM's "listed" share price led the decline, plunging by 17.8% week-on-week to reach US\$ 3.15. Bank Audi's "listed" share price shed 9.6% to US\$ 1.50. Byblos Bank's "listed" share price

traded with no price change, with the latter standing at US\$ 0.90. As to Solidere shares, Solidere "A" and "B" share prices declined by 0.1% each to reach US\$ 8.99 each. At the level of industrial shares, Ciments Blancs Nominal's share price went down by 5.2% to reach US\$ 2.75.

As to trading volumes, the BSE total turnover was restricted to US\$ 2.5 million versus US\$ 7.2 million in the previous week, noting that Solidere shares captured 80.0% of activity, followed by banking shares with 19.8% and industrial shares with 0.2%.

AUDI INDICES FOR BSE

22/1/96=100	20/03/20	13/03/20	27/12/19	
Market Cap. Index	263.08	269.63	316.37	↓
Trading Vol. Index	27.75	62.68	24.97	↓
Price Index	57.68	59.11	69.36	↓
Change %	-2.43%	-0.08%	2.37%	↓
	20/03/20	13/03/20	27/12/19	
Market Cap. \$m	6,241	6,397	7,506	↓
No. of shares traded (Exc. BT)	496,871	909,470	333,997	↓
Value Traded \$000 (Exc. BT)	2,533	7,157	2,294	↓
o.w. : Solidere	2,025	7,053	2,294	↓
Banks	502	89	0	↑
Others	6	15	0	↓

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

BOND MARKET: BOND PRICES DOWN AFTER DEBT PAYMENT SUSPENSION, AND TRACKING EMERGING MARKET DECLINES

Lebanese Eurobonds pursued a downward trajectory this week following the Lebanese government's decision to suspend debt payment and after two credit rating cuts by Standard and Poor's to "Selective Default" and by Fitch to "RD", while also tracking price falls in emerging debt markets on growing fears over the impact of coronavirus on the global economy and capital markets (as reflected by a 30% expansion in JP Morgan EMBIG Z-spread).

Under these conditions, prices of Lebanese sovereigns maturing between 2020 and 2037 ranged between 12.0 cents per dollar and 15.5 cents per dollar this week. Accordingly, the weighted average bond yield jumped from 153% at the end of last week to 275% at the end of this week, noting that the yield of the US\$ 700 million April 14, 2020 bond reached 7,372% at the end of this week.

EUROBONDS INDICATORS

	20/03/20	13/03/20	27/12/19	
Total tradable size \$m	31,364	31,364	29,564	↔
o.w.: Sovereign bonds	30,114	30,114	28,314	↔
Average Yield	275%	153%	29.99%	↑
Z-Spread (bid in bps)	9,991	6,450	3,045	↑
Average Life	8.08	8.10	7.50	↓
Yield on US 5-year note	0.58%	0.69%	1.71%	↓

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	20-Mar-20	13-Mar-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	110.78	107.84	109.61	2.7%	1.1%
\$/£	1.163	1.228	1.275	-5.3%	-8.8%
\$/Euro	1.069	1.111	1.147	-3.8%	-6.8%
STOCK INDICES					
Dow Jones Industrial Average	19,173.98	23,185.62	28,538.44	-17.3%	-32.8%
S&P 500	2,304.92	2,711.02	3,230.78	-15.0%	-28.7%
NASDAQ	6,879.52	7,874.88	8,972.60	-12.6%	-23.3%
CAC 40	4,048.80	4,118.36	5,978.06	-1.7%	-32.3%
Xetra Dax	8,928.95	9,232.08	13,249.01	-3.3%	-32.6%
FT-SE 100	5,190.78	5,366.11	7,542.44	-3.3%	-31.2%
NIKKEI 225	16,552.83	17,431.05	23,656.62	-5.0%	-30.0%
COMMODITIES (in US\$)					
GOLD OUNCE	1,498.65	1,529.83	1,517.27	-2.0%	-1.2%
SILVER OUNCE	12.62	14.72	17.85	-14.3%	-29.3%
BRENT CRUDE (per barrel)	26.98	33.85	66.00	-20.3%	-59.1%
LEADING INTEREST RATES (%)					
1-month Libor	0.93	0.80	1.71	0.13	-0.78
US Prime Rate	3.25	4.25	4.75	-1.00	-1.50
US Discount Rate	0.25	1.75	2.25	-1.50	-2.00
US 10-year Bond	0.85	0.96	1.92	-0.11	-1.07

Sources: Bloomberg, Bank Audi's Group Research Department

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