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The LEBANON WEEKLY MONITOR

Economy

p.2 DROP IN DEPOSIT AND LOAN DOLLARIZATION THIS YEAR

The first seven months of the current year have witnessed a slowdown in deposit and loan growth when compared to the same period of last year, yet coupled with a drop in deposits and loan dollarization.

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p.9 BOND PRICE FALLS AMID POLITICAL TENSIONS AND EMERGING MARKET WEAKNESS

Amid elevated domestic political bickering regarding the cabinet formation, Lebanon's capital markets witnessed this week a sell-off mood on the Eurobond market, further price retreats on the equity market and shy declines in the LP/US\$ interbank rate. In details, Lebanese Eurobonds posted price declines amid increased local political tensions, while also tracking weakness in emerging markets. This was reflected by a 31 bps rise in the weighted average yield to reach 9.68%, while Lebanon's five-year CDS spreads expanded by 25 bps to 680 bps. On the equity market, the BSE price index retreated further by 1.1%, while the total turnover more than tripled week-on-week to reach US\$ 8 million. At the level of the FX market, FC-to-LP conversions persisted at a slower pace, while the LP/US\$ interbank rate retreated slightly to LP 1,514-LP 1,514.50. Concurrently, BDL's foreign assets reached US\$ 43.6 billion at end-August 2018, covering 81.3% of LP money supply.

LEBANON MARKETS: WEEK OF SEPTEMBER 03 - SEPTEMBER 09, 2018

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

ECONOMY

DROP IN DEPOSIT AND LOAN DOLLARIZATION THIS YEAR

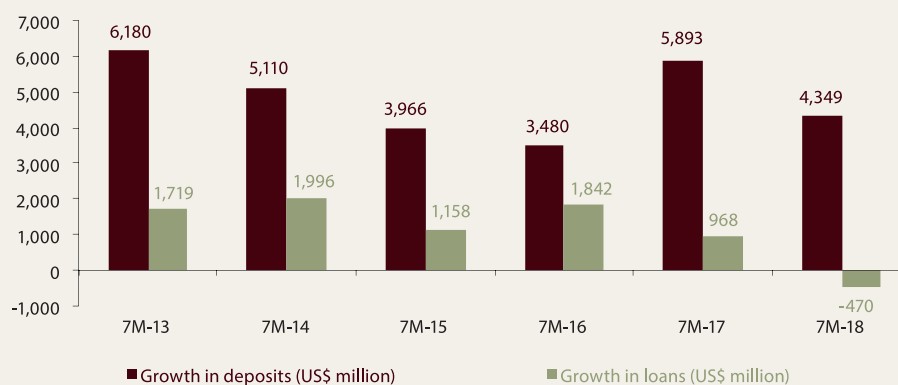
The first seven months of the current year have witnessed a slowdown in deposit and loan growth when compared to the same period of last year. In fact, deposit growth registered US\$ 4.3 billion between December 2017 and July 2018, against US\$ 5.9 billion over last year's corresponding period, suggesting lower growth though still enough to finance the private and public sectors of the economy. Loans to the private sector contracted by US\$ 0.5 billion year-to-date, against a growth of US\$ 1 billion over last year's same period amid scarce lending opportunities in a sluggish domestic economy.

The breakdown of deposit growth by currency suggests that LP deposit growth reported a decent share of 39% out of total deposit growth this year, leaving 61% for foreign currency deposits, bearing in mind that the latter had accounted for the totality of deposit growth last year. This has led to a slight contraction in deposits dollarization from 68.7% in December to 68.5% in July. The breakdown of deposit growth by residence suggests that non-resident deposits accounted for 34% of total deposit growth this year against a share of close to nil over the same period last year.

The breakdown of loan growth by currency suggests that while LP loans increased this year, FX loans declined by US\$ 1.1 billion over the period. This has led to a further contraction in loan dollarization from 68.6% in December to 67.3% in July. The breakdown of loan growth by residence suggests that non-resident loans rose by US\$ 0.4 billion this year against a decline of US\$ 0.9 billion in residents loans, thus reversing the trend that was witnessed over the same period last year.

Latest banking sector interest rate figures suggest a yearly increase in the average LP deposit interest rate by 138 basis points between July 2017 and July 2018 to reach 6.94% and a yearly increase in the average US\$ deposit interest rate by 50 basis point to reach 4.14%. Corrollarily, the spread between LP and FX deposit rate rose from 1.92% at end-July 2017 to 2.80% at end-July 2018. In parallel, the spread between US\$ deposit rate and 3-month Libor rate declined from 2.28% to 1.75% over the same period. As to the spread between LP deposits and LP loans, it declined from 2.73% in July 2017 to 1.79% in July 2018. Inversely, the spread between FX deposits and FX loans rose from 3.61% in July 2017 to 3.82% in July 2018.

EVOLUTION OF MAIN BANKING AGGREGATES



Source: BDL

No significant change in terms of primary liquidity was reported this year. Foreign currency liquidity at foreign banks, the core measure of primary liquidity, has slightly declined from US\$ 11.3 billion in December 2017 to US\$ 9.8 billion in July 2018, the equivalent of 8.2% of FX deposits. When adding FX liquidity at BDL, the total FX primary liquidity reaches the equivalent of 56.8% of FX deposits, highlighting the strongly liquid stance of the banking system in Lebanon. Comparatively, primary liquidity stands at circa 29% for MENA banks, 17% for emerging markets banks and 18% for global banks.

TOTAL NUMBER OF PASSENGERS AT THE AIRPORT UP BY A YEARLY 8.4% IN THE FIRST EIGHT MONTHS OF 2018

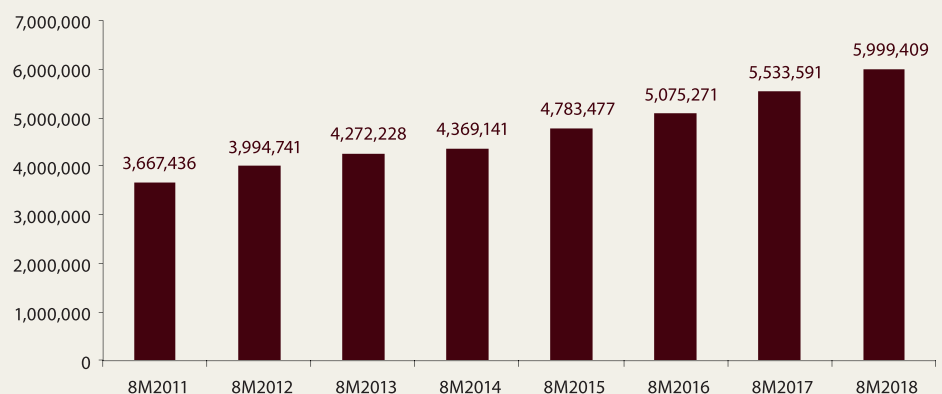
Figures released by the Rafic Hariri International Airport revealed that the total number of passengers recorded a yearly 8.4% increase in the first eight months of 2018. The number of aircraft rose by 4.3% year-on-year in the aforementioned period. In parallel, the total freight handled by the airport surged by 2.2% year-on-year during the same period.

A detailed look at the activity shows that the number of incoming passengers rose by a yearly 8.9% and that of departing passengers by 7.9% to reach 3,055,577 and 2,943,832 respectively in the first eight months of 2018. The number of transiting passengers declined by 21.9% year-on-year to attain 3,067 in the first eight months of 2018. When including the latter mentioned category, the total number of passengers using the airport attained 6,002,476, i.e. 8.4% higher than the level seen in the first eight months of 2017.

Looking at the aircraft activity, landings and take-offs rose by an annual 4.3% and 4.4% respectively, with the former amounting to 24,854 planes and the latter reporting 24,861 in the first eight months of 2018.

Regarding the freight movement within the airport, a total of 37,895 thousand tons were imported and unloaded during the first eight months of 2018, while 26,626 thousand tons were loaded and exported. The first mentioned activity posted an increase of 3.9% while the latter posted a 0.2% fall on a yearly basis in the first eight months of 2018.

PASSENGERS AT THE AIRPORT *



*excluding transiting passengers

Sources: Rafic Hariri International Airport, Bank Audi's Group Research Department

REVENUES AT THE PORT OF BEIRUT RISE BY A YEARLY 0.4% IN THE FIRST SEVEN MONTHS OF 2018

The latest statistics released by the Port of Beirut revealed a yearly 0.4% increase in the Port's revenues in the first seven months of 2018 compared to the same period of the previous year.

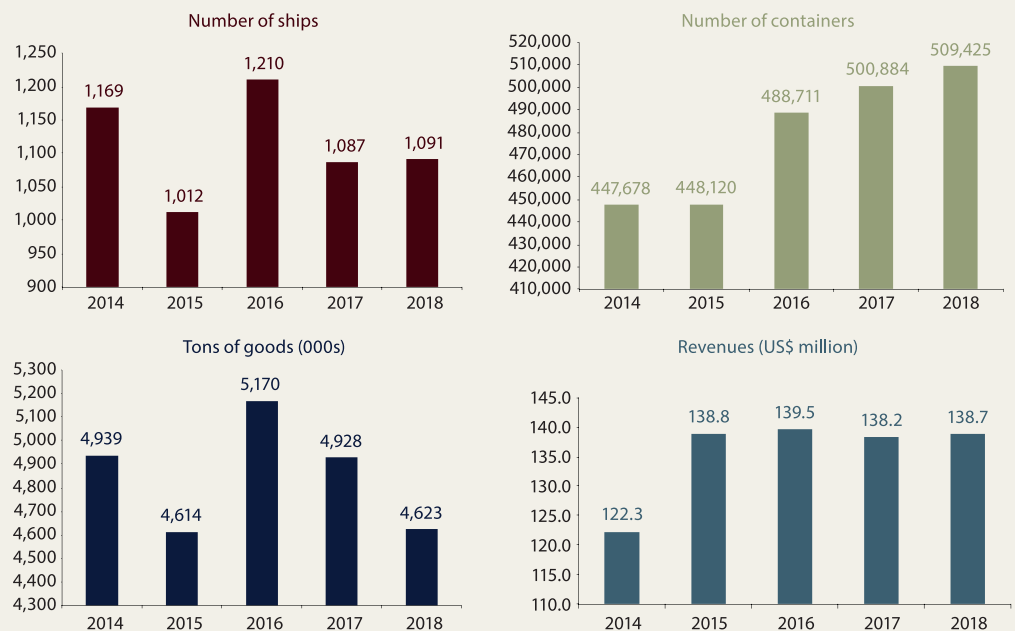
The Port's revenues actually reached US\$ 138.7 million in the first seven months of 2018.

In parallel, the number of containers recorded an annual increase of 1.7% to attain a total of 509,425 in the first seven months of 2018. The number of ships posted a rise of 0.4% year-on-year to reach a total of 1,091 vessels in the first seven months of 2018. During the corresponding period of 2017, the former had registered an increase of 2.5% year-on-year and the latter decreased by 10.2%.

The quantity of goods decreased by a yearly 6.2% to 4,623 thousand tons in the first seven months of 2018, following a fall of 4.7% reported in the first seven months of 2017.

Transshipments rose by 7.1% year-on-year to attain 247,500 containers in the first seven months of 2018, following a rise of 27.2% in the corresponding period of 2017.

ACTIVITY OF THE PORT OF BEIRUT (FIRST SEVEN MONTHS OF THE YEAR)



Sources: Port of Beirut, Bank Audi's Group Research Department

SURVEYS

S&P PROJECTS THE LEBANESE ECONOMY TO GROW BY AN AVERAGE OF 2.1% OVER 2018-2021

Standard & Poor's (S&P) projects the Lebanese economy to grow by an average of 2.1% over 2018-2021.

The rating agency also affirmed the "B-/B" long-term and short-term foreign and local currency sovereign credit ratings on Lebanon. The outlook remains "stable". The outlook reflects the rating agency's expectation that continued deposit inflows to the financial system would remain sufficient to support the government's borrowing requirements and the country's external deficit over the next 12 months.

The rating agency could lower its ratings on Lebanon if it saw the government was unable to access the international debt capital markets for an extended period, perhaps evidenced by further Banque du Liban (BdL) financial engineering transactions.

It could also potentially lower the rating as political and economic situation deteriorated, leading to deposit outflows or slower deposit growth rates and a level of foreign currency (FX) reserves that would challenge the country's ability to meet its debt-servicing requirements. Another reason that could lead Standard & Poor's to lower the country's ratings is if confidence in the monetary financial institutions or currency peg weakened.

On the other hand, the rating agency could raise its ratings if Lebanon's policymaking framework became more predictable and effective, boosting economic activity significantly more than its current forecasts, and improving the fiscal and external imbalances and the sustainability of public finances.

According to S&P, the Lebanese government's debt-servicing capacity depends largely on the domestic financial sector's willingness and ability to add to its holdings of government debt, which in turn relies on bank deposit inflows, particularly from non-residents, and also on financing from the Central Bank.

This structural weakness constrains the ratings, as do Lebanon's divided political environment and regional tensions, as per S&P. Institutional weaknesses have hindered economic outcomes and weakened public finances, as indicated by the consistently large fiscal deficits and the high and rising

LEBANON SELECTED MACROECONOMIC INDICATORS

	2012	2013	2014	2015	2016	2017	2018f	2019f	2020f	2021f
Real GDP Growth (%)	2.8	2.7	2.0	0.2	1.7	1.4	1.4	2.0	2.5	2.5
Current Account Balance/GDP (%)	-21.7	-24.2	-23.9	-16.1	-19.0	-23.1	-22.1	-21.7	-21.4	-20.5
Trade Balance/GDP (%)	-33.4	-33.0	-31.0	-26.2	-26.4	-26.8	-28.0	-28.3	-28.0	-27.7
Fiscal Balance/GDP (%)	-8.9	-9.1	-6.3	-7.9	-9.6	-7.0	-10.7	-11.2	-11.5	-11.7
Debt/GDP (%)	121.2	126.5	126.7	129.7	134.2	137.0	141.8	147.1	151.9	156.2

Sources: Standard & Poor's, Bank Audi's Group Research Department

public debt levels. Lebanon's net general government debt, which Standard & Poor's estimates at 124% of GDP in 2018, is the third highest among all the sovereigns rated, after Japan and Greece.

The ratings are supported by Lebanon's external profile. The country's liquid external assets (that is, FX reserves and financial sector assets held abroad) exceed total external debt. S&P anticipates, however, a gradually worsening profile as non-resident deposit inflows continue to support the country's large twin deficits but also add to the country's external debt levels.

Standard & Poor's projects that the economy to grow by an average of 2.1% over 2018-2021, from an estimated 1.4% in 2017, far below the real GDP growth of 9.2% seen in 2007-2010. S&P believes that Lebanon's traditional growth drivers—tourism, real estate, and construction—would remain weak as long as the Syrian conflict continues. Furthermore, political uncertainty and recently implemented tax measures affecting consumers and several economic sectors, including real estate and construction, would likely subdue investment in 2018. S&P nevertheless expects consumption growth to be partly supported by the increase in public sector wages in mid-2017.

The rating agency's growth forecasts assume some increases in public and private investment for the partial implementation of the government's new Capital Investment Program (CIP), which was developed in conjunction with the World Bank.

The government attracted international donor funding of around US\$ 11 billion from the Cedre conference in April 2018 for infrastructure investment. As funding is contingent on structural reforms, the rating agency expects disbursements to be very gradual and far lower than the pledged amounts. S&P also noted that scaling up of public investment would lead to higher government debt without material fiscal and structural reforms.

LEBANON RANKS 108TH IN THE WORLD IN THE 2018 INTERNATIONAL PROPERTY RIGHTS INDEX

According to a recent report on the International Property Rights Index 2018 (IPRI) issued by the Property Rights Alliance, Lebanon ranked 108th out of 125 countries to evaluate the levels of protection of property rights.

The IPRI's 2018 scores and rankings are based on data obtained from official sources made publicly available by established international organizations. For this reason, data comes in different styles and scales. Consequently, the Property Rights Alliance rescaled the data in order to accurately compare them against each other and to calculate the overall score.

The general grading scale of the IPRI ranges from [0 - 10], where 10 is the highest value and 0 is the lowest value (or most negative) for a property rights system within a country. The same interpretative logic is applied to the three components and to the 10 items or indicators. The average mechanisms applied assume equal importance for each component of the final IPRI score (and of each item of every component); however, if it were of any research interest, weights could be applied to evaluate the relative importance of the different aspects of a property rights system of a country.

The 2018 IPRI uses data from period 2015 to 2018. The 10 items are gathered from different sources, which imply that they have different accessibility times for the most updated data available. The applied logic in the analysis has been to include the latest available data sets for the IPRI. Most of the items present a lag of 1 year, so the time difference among data should not affect our analysis.

Thus, Lebanon ranked 108th in the world out of 125 countries and 12th in the MENA region out of 14 countries, according to the report. It posted an International Property Rights Index global score of 4.342, outperforming only Algeria and Yemen.

Additionally, Lebanon scored 3.028 in the legal and political environment sub-index, 6.625 in physical property rights and 3.374 in the intellectual property rights.

CORPORATE NEWS

BLC BANK'S NET PROFITS AT US\$ 19.6 MILLION IN THE FIRST HALF OF 2018

BLC Bank announced net profits of US\$ 19.6 million in the first half of 2018, according to its latest release.

Recurrent income, which is constituted mainly of net interest and net commissions, reached US\$ 26.4 million in the first half of 2018, up by 3% from US\$ 25.6 million registered in the first half of 2017, as per a statement by the bank.

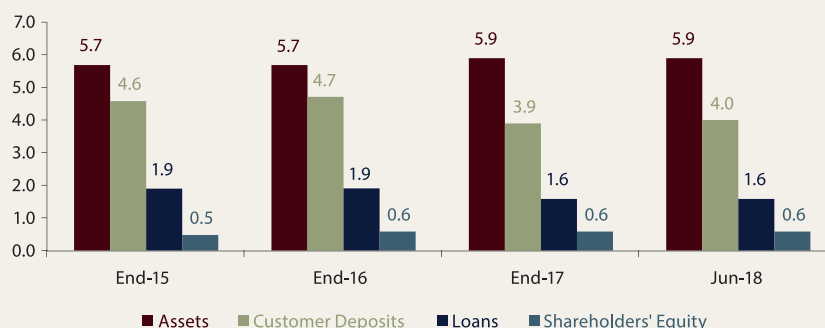
Total expenses reached US\$ 34.1 million in the first six months of 2018, remaining stable compared to the same period of 2017.

Total assets of the bank reached US\$ 5.9 billion at end-June 2018, up by 0.6% from end-2017.

Gross performing loans increased by US\$ 8 million at end-June 2018 when compared to end-2017. Loans to customers edged down by 0.2% from end-2017 to reach US\$ 1.6 billion at end-June 2018. Customers' deposits amounted to US\$ 4.0 billion at end-June 2018, up from US\$ 3.9 billion at end-2017.

The bank's regulatory liquidity ratio in foreign currency stood at 21.5% at end-June 2018 and capital adequacy ratio stood at 18.1% at end-June 2018, as per the same source. Shareholders' equity stood at US\$ 565.7 million at end-June 2018, up from US\$ 561.5 million at end-2017.

BLC BANK'S BALANCE SHEET AGGREGATES (US\$ BILLION)



Sources: BLC Bank, Bank Audi's Group Research Department

TRANSMED ACQUIRES MAJORITY STAKE IN TURKISH FOOD DISTRIBUTOR

Transmed, a distributor of Fast Moving Consumer Goods (FMCG), has acquired an 80% stake in Demak, a Turkish importer and distributor of food products.

Demak's brand name will change to Transmed Turkey.

This deal is in line with Transmed's strategy of broadening its presence across the world, as per company officials.

Founded in 1946, Transmed focuses on the distribution of a range of food, household and personal care products. The company has a presence in ten countries, from which it exports to another ten countries.

Demak Food Ltd. was established in 2001 in Turkey as the exclusive importer and distributor for many worldwide food producers, such as Familia, Alpro, Vegeta, Loacker, Walkers, Arla, St. Dalfour, and Calvé.

LEBANESE-OWNED CMA CGM REPORTS PROFITS OF US\$ 22.7 MILLION IN THE SECOND QUARTER OF 2018

Lebanese-owned CMA CGM Group, a worldwide container shipping company, reported its financial results for the second quarter of 2018, the company reported.

In the second quarter of 2018, the volumes transported by CMA CGM increased by 9.6%, higher than the industry growth. This progress can be explained by the strength of the Transpacific and Asia/Gulf lines within OCEAN Alliance, as well as lines from and to South America. Average revenue per container transported decreased slightly (-2.1%) in the second quarter of 2018 in comparison with the second quarter of 2017. The revenue of the Group in the second quarter of 2018 increased by 7.4% as compared to last year, attaining US\$ 5.70 billion.

Over the course of the second quarter of 2018, CMA CGM recorded a Core EBIT of US\$ 67.1 million, reflecting a core EBIT margin of 1.2%. The Core EBIT margin echoes the rise in unit bunker costs (+27.7% per ton of bunker over the past year).

Furthermore, the consolidated net income Group share amounts to US\$ 22.7 million in the second quarter.

It is worth noting that the acquisition of the Finnish business Containerships, a specialist in the intra-European market, is part of the strategy to strengthen CMA CGM's offering in the intra-regional trades, one year after the acquisition of Mercosul in South America. Containerships offers its customers a complete range of services, with logistics solutions by ship, truck, rail and barges. Containerships will take delivery of four LNG-fueled vessels with a 1,120 TEU capacity later this year.

Moreover, the Group expanded its fleet in the second quarter with the delivery of the CMA CGM Jean Mermoz, a 20,600 TEU capacity container ship designed to operate on the Asia-Europe trades. It also took delivery of another Ice-Class vessel, whose reinforced hulls will enable it to operate on the Baltic routes.

During the second quarter, the Group continued to develop its services, in particular with the launch of Ocean Alliance Day 2 Product. With 41 East-West services (Asia-North America, Asia-North Europe and Asia-Mediterranean), the operational alliance of which CMA CGM is part represents the largest offering on the market. Ocean Alliance is number one on the Transpacific trade, with 20 dedicated services.

In May, CMA CGM acquired a stake of around 25% in CEVA Logistics in the company's initial public offering. With this operation, the Group strengthens its presence in logistics. Commercial cooperation projects between the two groups will allow CMA CGM to offer its customers high added value solutions throughout the logistics chain. CMA CGM's securities were converted into CEVA Logistics common shares on August 13, 2018.

In June, the Group announced the deployment of an innovative container tracking solution: TRAXENS by CMA CGM, a connected box that tracks, amongst others, the location, the opening and closing of container doors, and the temperature variations. This new offering is an important element in the Group's Customer Centricity strategy, enabling the collection and analysis of extensive data to improve customer service.

CAPITAL MARKETS

MONEY MARKET: WEEKLY EXPANSION IN FOREIGN CURRENCY DEPOSITS

The money market continued to enjoy ample local currency liquidity at hand during this week, which kept the overnight stable at 5.00%. As for LP Certificates of Deposits, small subscriptions of LP 20 billion were made in the 45-day category, which brought total subscriptions in shorter-term categories to LP 1,254 billion.

Total resident banking deposits increased by LP 78 billion during the week ending 23rd of August 2018, as per the latest monetary aggregates released by the Central Bank of Lebanon. This was mainly triggered by a LP 184 billion growth in FC resident deposits (the equivalent of US\$ 122 million), while total LP resident deposits contracted by LP 106 billion amid a LP 54 billion fall in LP saving deposits and a LP 52 billion retreat in LP demand deposits. These weekly variations compare to an average weekly growth of US\$ 47 million for FC deposits and an average weekly rise of LP 36 billion for total LP deposits since the beginning of the year 2018. Within this context, the total money supply in its largest sense (M4) expanded by LP 57 billion over the covered week, amid a LP 41 billion drop in the currency in circulation and a LP 20 billion increase in the non-banking sector Treasury bills portfolio.

INTEREST RATES

	07/09/18	31/08/18	29/12/17	
Overnight rate (official)	3.90%	3.90%	2.75%	↔
7 days rate	4.00%	4.00%	2.86%	↔
1 month rate	4.75%	4.75%	3.31%	↔
45-day CDs	4.90%	4.90%	3.57%	↔
60-day CDs	5.08%	5.08%	3.85%	↔

Source: Bloomberg

TREASURY BILLS MARKET: NOMINAL WEEKLY DEFICIT OF LP 652 BILLION

The latest Treasury bills auction results for value date 6th of September 2018 showed that the three-month category had full allocations, while the one-year and five-year categories had an allocation of 31% and 35% respectively.

In parallel, the auction results for value date 30th of August 2018 showed that total subscriptions reached LP 126 billion and were allocated as follows: LP 26 billion in the six-month category, LP 50 billion in the two-year category, and LP 50 billion in the ten-year category. In parallel, total maturities reached LP 778 billion, resulting into a weekly nominal deficit of LP 652 billion.

On a cumulative basis, total subscriptions amounted to LP 18,958 billion during the first eight months of 2018. The five-year category captured 25% of the total (the equivalent of LP 4,754 billion including LP 2,000 billion subscribed by BDL mid-August 2018 at a yield of 1%), followed by the three-year category with 21% (the equivalent of LP 4,043 billion including LP 2,000 billion subscribed by BDL mid-June 2018 at a yield of 1%), the ten-year category with 12% (the equivalent of LP 2,327 billion), the two-year category with 11% (the equivalent of LP 2,167 billion), and the seven-year category with 10% (the equivalent of LP 1,893 billion), while the three-month, six-month and one-year categories accounted for the remaining 20% (the equivalent of LP 3,774 billion). In parallel, total maturities reached LP 12,098 billion, resulting into a nominal surplus of LP 6,860 billion during the first eight months of 2018.

TREASURY BILLS

	07/09/18	31/08/18	29/12/17	
3-month	4.44%	4.44%	4.44%	↔
6-month	4.99%	4.99%	4.99%	↔
1-year	5.35%	5.35%	5.35%	↔
2-year	5.84%	5.84%	5.84%	↔
3-year	6.50%	6.50%	6.50%	↔
5-year	6.74%	6.74%	6.74%	↔
10-year	-	7.46%	7.46%	↔
Nom. Subs. (LP billion)		126	225	
Short-term (3&6 mths)		26	20	
Medium-term (1&2 yrs)		50	105	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		-	100	
Long-term (10 yrs)		50	-	
Maturities		778	197	
Nom. Surplus/Deficit		-652	28	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: BDL'S FOREIGN ASSETS AT US\$ 43.6 BILLION AT END-AUGUST 2018

The foreign exchange market continued to witness conversions in favor of the local currency during this week, yet at slower pace relative to the previous week, while some commercial demand for US dollar continued to float on the surface. Within this context, commercial banks traded the greenback at a rate hovering between LP 1,514 and LP 1,514.50 as compared to LP 1,514-LP 1,514.75 in the previous week amid a shy offer for US dollar.

The Central Bank of Lebanon's latest bi-monthly balance sheet ending 31st of August 2018 showed that foreign assets contracted by US\$ 229 million during the second half of the month to reach US\$ 43.6 billion at end-August, bringing year-to-date increase to US\$ 1.6 billion. Accordingly, BDL's foreign assets covered 81.3% of LP money supply at end-August 2018, with this ratio rising to 102.1% when accounting for gold reserves estimated at US\$ 11.1 billion.

EXCHANGE RATES

	07/09/18	31/08/18	29/12/17	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,951.16	1,961.56	2,035.58	↑
LP/¥	13.62	13.61	13.39	↓
LP/SF	1,561.85	1,557.33	1,545.04	↓
LP/Can\$	1,147.70	1,158.64	1,202.34	↑
LP/Euro	1,755.18	1,759.55	1,806.59	↑

Source: Bank Audi's Group Research Department

STOCK MARKET: INCREASED WEEKLY BSE ACTIVITY, WHILE EQUITY PRICES REMAIN ON THE DECLINE

The Beirut Stock Exchange continued to trace a downward trajectory this week, as reflected by a 1.1% decline in the price index, which brought year-to-date price falls to 12.5% in a market that suffers from a lack of liquidity and efficiency, and amid a prolonged stalemate in the cabinet formation. Nine out of 13 traded stocks registered price drops, while one stock posted price gains and two stocks saw no price change week-on-week.

In details, Solidere "B" shares led the decline with a 4.6% drop in prices to reach US\$ 6.45, followed by Solidere "A" shares with -4.3% to US\$ 6.53, Bank Audi Preferred shares "J" (-4.1% to US\$ 93.90), BLOM's GDRs (-2.7% to US\$ 9.06), Bank Audi Preferred shares (-1.6% to US\$ 93.45), BLOM's "listed" shares (-1.4% to US\$ 9.20), Bank Audi's "listed" shares (-1.0% to US\$ 5.05), Byblos "listed" shares (-0.7% to US\$ 1.40) and BEMO Preferred shares 2013 (-0.6% to US\$ 98.25).

As to trading values, the BSE total turnover rose from US\$ 2.3 million last week to US\$ 7.9 this week, compared to an average weekly trading value of US\$ 5.9 million since the beginning of the year 2018. Banking shares captured the bulk of activity this week, accounting for 93.3% of the total, while Solidere shares accounted for the remaining 6.7%.

The weekly performance of the domestic stock exchange compares to declines in prices in broader regional stock exchanges (-2.2% as per the S&P Pan-Arab Composite Index) and price falls across emerging markets (-3.0% as per the S&P Emerging Frontier Super Composite Index) over the covered week.

AUDI INDICES FOR BSE

22/1/96=100	07/09/18	31/08/18	29/12/17	
Market Cap. Index	390.30	394.60	445.80	↓
Trading Vol. Index	66.59	19.29	64.70	↑
Price Index	85.96	86.91	98.20	↓
Change %	-1.09%	-0.69%	0.35%	↓
	07/09/18	31/08/18	29/12/17	
Market Cap. \$m	9,259	9,361	10,576	↓
No. of shares traded (Exc. BT)	838,452	245,715	626,565	↑
Value Traded \$000 (Exc. BT)	7,849	2,274	6,187	↑
o.w. : Solidere	527	877	527	↓
Banks	7,322	1,324	5,603	↑
Others	0	73	57	↓

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

BOND MARKET: EUROBOND MARKET REMAINS UNDER DOWNWARD PRICE PRESSURES

Lebanese Eurobonds saw downward price movements across the board this week, with international institutional investors offering their papers amid elevated domestic political tensions regarding the cabinet formation, while also tracking weakness in emerging markets amid continued turmoil in some emerging market currencies and fears of an escalating trade war between the US and China and its impact on the global economy.

That being said, the weighted average bond yield increased by 31 bps week-on-week, moving from 9.37% last week to 9.68%. The weighted average bid Z-spread expanded by 34 bps to reach 733 bps. As to the cost of insuring debt, Lebanon's five-year CDS spreads expanded from 645-665 bps last week to 665-695 bps this week.

EUROBONDS INDICATORS

	07/09/18	31/08/18	29/12/17	
Total tradable size \$m	33,757	33,758	27,148	↓
o.w.: Sovereign bonds	32,507	32,508	26,123	↓
Average Yield	9.68%	9.37%	6.54%	↑
Z-Spread (bid in bps)	733	699	464	↑
Average Life	7.75	7.77	6.70	↓
Yield on US 5-year note	2.75%	2.74%	2.22%	↑

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	07-Sep-18	31-Aug-18	29-Dec-17	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	111.05	111.05	112.69	0.0%	-1.5%
\$/£	1.292	1.296	1.351	-0.3%	-4.4%
\$/Euro	1.155	1.160	1.201	-0.4%	-3.8%
STOCK INDICES					
Dow Jones Industrial Average	25,916.54	25,964.82	24,719.22	-0.2%	4.8%
S&P 500	2,871.68	2,901.52	2,673.61	-1.0%	7.4%
NASDAQ	7,902.54	8,109.54	6,903.39	-2.6%	14.5%
CAC 40	5,252.22	5,406.85	5,312.56	-2.9%	-1.1%
Xetra Dax	11,959.63	12,364.06	12,917.64	-3.3%	-7.4%
FT-SE 100	7,277.70	7,432.42	7,687.77	-2.1%	-5.3%
NIKKEI 225	22,307.06	22,865.15	22,764.94	-2.4%	-2.0%
COMMODITIES (in US\$)					
GOLD OUNCE	1,196.93	1,203.62	1,302.80	-0.6%	-8.1%
SILVER OUNCE	14.17	14.54	16.94	-2.5%	-16.3%
BRENT CRUDE (per barrel)	76.83	77.64	66.09	-1.0%	16.3%
LEADING INTEREST RATES (%)					
1-month Libor	2.12	2.11	1.56	0.01	0.56
US Prime Rate	5.00	5.00	4.50	0.00	0.50
US Discount Rate	2.50	2.50	2.00	0.00	0.50
US 10-year Bond	2.94	2.86	2.41	0.08	0.53

Sources: Bloomberg, Bank Audi's Group Research Department

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