The LEBANON WEEKLY MONITOR

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p.9 BOND PRICES FALL WITHOUT FINDING A FLOOR AS DEBT RESTRUCTURING LOOMS

Along an IMF team's visit to Lebanon to provide "technical assistance" on economic and financial policies, and as the government started examining proposals of financial advisory companies on ways to handle maturing bonds, while Fitch said that "debt sustainability depends on restructuring", Lebanon's capital markets saw this week sharp price drops on the Eurobond market, extended price declines on the equity market and continuous LP-to-FC conversions on the FX market. In details, Lebanese bond prices reached record low levels. Prices of sovereigns ranged between 25 cents for papers maturing in March 2028 and 56 cents for papers maturing on March 9, 2020. The weighted average bond yield hit a new historical high level of 130% this week versus 64% last week. Lebanon's five-year CDS spreads expanded to 12,000 bps. At the level of FX market, LP-to-FC conversions persisted at a reduced pace, while BDL's foreign assets contracted further to reach US$ 36.2 billion mid-February 2020.

LEBANON MARKETS: WEEK OF FEBRUARY 17 - FEBRUARY 23, 2020

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

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ECONOMY

A YEAR-ON-YEAR INFLATION OF 8.6% IN JANUARY

The Consultation & Research Institute's index of consumer prices had started to witness growing inflationary trends since the last month of 2019, after several months of economic slowdown that reversely impacted the CPI. In fact the deep economic, financial and monetary crisis, i.e. the economic contraction due to the debt crisis, the downgrade of Lebanon's sovereign rating and the ratings of its commercial banks on fears of default, the shattered confidence in its financial system, in addition to the weakened Lebanese pound and restricted access to foreign currencies, have started to affect product and services prices in the market. This January the year-on-year index has significantly risen by 8.63% compared to results of January 2019.

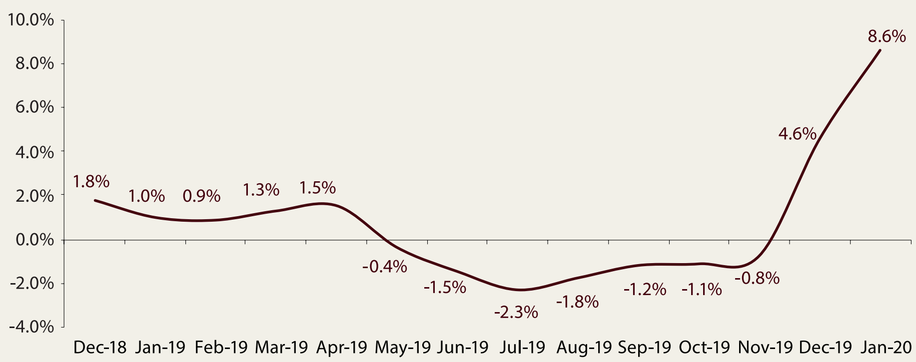
All of the nine main indices registered increases this January. The highest increase was registered by the "Apparel" category (27.7%), followed by the "Transportation and Telecommunications" category (16.7%), the "Food and Beverages" category (10.0%) and the "Other Goods and Services" category (5.5%).

The January 2020 year-on-year "Food and Beverages" index has significantly increased by 10.0% since January 2019. Three of the four main indices registered increases this month. The highest surge was recorded by the "Tobacco Products" category (40.8%), followed by the "Nonalcoholic Beverages" category (8.5%) and the "Food" category (8.4%). On the other hand, a sole main index witnessed a decrease, namely that of the "Alcoholic Beverages" category (-7.0%).

The index for "Food" increased by 8.4% compared to its level last year, as nine of the food group indices have witnessed increases this January. The most significant increase was registered in the "Sugar and Confectioneries" category (50.7%), followed by the "Fish and Seafood" category (30.8%), the "Meat and Poultry" category (26.9%) and the "Grains and Nuts" category (23.8%). On the other hand, three categories witnessed decreases this January, namely those of the "Fruits" category (-16.3%), followed by the "Food Away from Home" category (-12.5%) and the "Vegetables" category (-3.5%).

Apparel year-on-year prices registered 27.7% surge in January 2020. This was the result of the huge increases in the "Footwear" category (44.1%) and the "Clothing and Sewing Materials" category (22.4%).

CONSUMER PRICE INDEX (YEAR-ON-YEAR)



Sources: Consultation & Research Institute, Bank Audi's Group Research Department

The index for "Housing" has increased by 3.8% in January 2020 from its level last year. This was due to the increases in the "Household Maintenance" category (11.8%) and the "Household Energy" category (2.3%).

The "Durable Consumer Goods" index has increased by 3.7% since January 2019. Five indices have witnessed increases this January, most significantly those of the "Glassware" category (24.1%), followed by the "Miscellaneous Household Products" category (16.9%) and the "Cleaning Products and Services" category (8.8%). Two other categories recorded decreases in January 2020, namely those of the "Household Furnishings" category (-1.9%) and the "Appliances" category (-0.1%). The category of "Housekeeping Services" kept stable.

The healthcare index has increased by 2.0% since January 2019. This is due to the increases registered in the "Inpatient Services" category (8.6%) and the "Outpatient Services" category (0.1%), whereas, the "Medications and Medical Accessories" category (-2.3%) witnessed a decrease in January 2020.

The CPI component for "Transportation and Telecommunications" has significantly increased by 16.66% (year-on-year) in January 2020, due to the considerable increase in the "Transportation" category (18.0%), while the "Telephone Services" category remained unchanged this month.

The index for education has slightly increased by 1% from the previous year, due to the increase in all the three categories, as follows: the "Educational Books and Supplies" category (6.5%), followed by the "School Transportation" category (4.7%) and the "Tuition Fees" category (0.1%).

The index for recreation has increased by 2.3% compared to its results in January 2019, as both of its main categories increased: the "Reading Materials and Photography" category (3.9%) and the "Movies and Restaurants" category (2.0%).

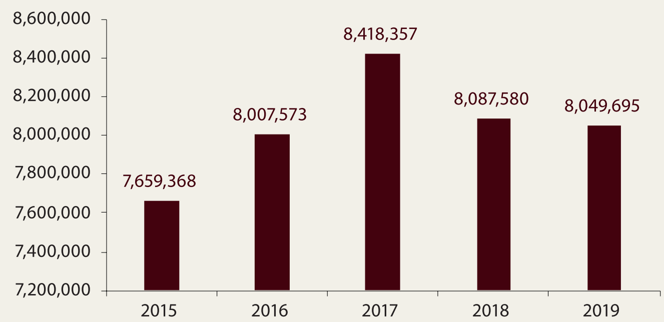
The index of "Other Goods and Services" has increased by 5.5% since January 2019. This was basically due to the increase registered in the "Jewelry" category (21.3%). On the other, a sole category recorded a decrease, namely that of "Personal Care" category (-1.4%). The "Travel" and the "Financial Services" categories remained unchanged this January.

IMPORTS OF PETROLEUM DERIVATIVES DOWN BY A YEARLY 0.5% IN 2019

The imports of petroleum derivatives to Lebanon stood at 8,049,695 metric tons in 2019, down by a yearly 0.5% from 8,087,580 metric tons in the previous year.

In December 2019, the country reported 531,025 metric tons worth of imports of petroleum derivatives, down from 647,154 metric tons reported in the same month of 2018.

IMPORTS OF PETROLEUM DERIVATIVES (METRIC TONS)



Sources: BdL, Bank Audi's Group Research Department

IMPROVEMENT IN THE ACTIVITY OF THE PROPERTY MARKET IN JANUARY 2020

The statistics published by the Directorate of Land Registry and Cadastre covering the first month of 2020 showed that realty markets have undergone an increase in property transactions and sales activity, extending the improvement seen in the last quarter of 2019.

The number of sales operations improved by a yearly 27.3% from 3,667 sales operations in the first month of 2019 to 4,668 operations in the first month of 2020.

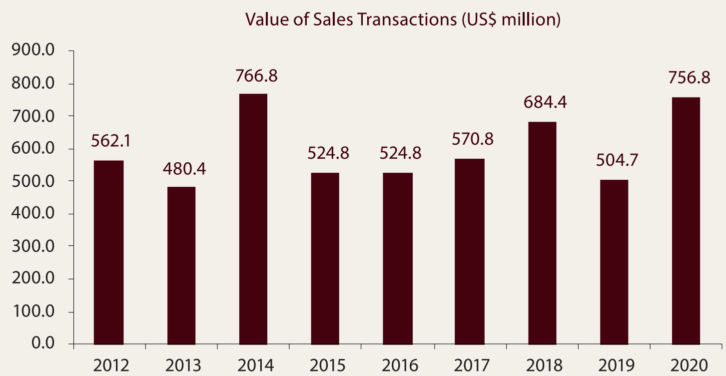
In parallel, sales to foreigners contracted by 4.3% year-on-year to reach 72 operations in the first month of 2020.

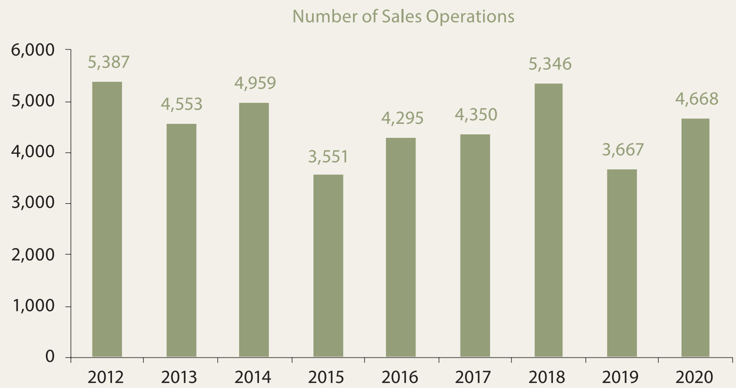
The value of property sales transactions was also on an improving path in the first month of 2020. It posted a rise of 49.9% year-on-year to attain a total of US$ 756.8 million during the first month of 2020.

Accordingly, the average sales value increased from US$ 137,642 in the first month of 2019 to US$ 162,134 in the first month of 2020.

All the regions recorded an increase in the value of sales transactions, with the most significant movements coming as follows: Bekaa (+70.7%), Kesrouan (+63.1%) and Metn (+60.1%).

PROPERTY MARKET (FIRST MONTH OF EACH YEAR)





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

SURVEYS

FITCH REGARDS EXTERNAL FINANCIAL SUPPORT VIA IMF MOST LIKELY SOLUTION TO LEBANON UPCOMING DEBT OBLIGATIONS

According to Fitch, although Lebanon technically retains foreign exchange reserves sufficient to service its sovereign debt repayment obligations in 2020-21, the costs of meeting its obligations would be so high that this outcome appears politically unrealistic. The rating agency believes that some form of government debt restructuring is probable, as reflected in its decision to downgrade the sovereign's rating to "CC" in December 2019.

The rating agency estimates Lebanon's gross external financing requirement in 2020 at around US$ 10 billion, moderating close to US$ 9 billion in 2021. Fitch assumes that the main financing item would be the foreign currency (FC) assets of the central bank (Banque du Liban; BdL).

BdL had around US$ 29 billion in gross FC reserves at its disposal as of end-January 2020, with reserves continuing their decline in February. However, the overall net FC position of BdL is negative, according to Fitch's estimates.

As part of its efforts to limit the drain on its FC reserves, BdL in January raised the idea of a debt exchange with Lebanese banks under which their holdings of Eurobonds maturing in March 2020 would be swapped for longer-dated Eurobonds in its portfolio. While the government suspended this idea, it may still be considering it. Such a transaction might be considered a Distressed Debt Exchange (DDE).

If so, the rating agency would likely downgrade the rating to "C". When the exchange was complete, the rating would likely be downgraded to Restricted Default "RD". Fitch would make such a determination at the time of announcement of such a debt swap. In Fitch's view, to be considered a DDE there would need to be a material reduction in terms, which could include a maturity extension, and the exercise would be undertaken to avoid a default.

The prioritization of available FC for debt service implies an ongoing and severe recession, accompanied by higher rates of inflation and unemployment and prolonged crisis in the financial sector. The difficulty of enacting fiscal and structural reforms against this background makes it unlikely that this strategy will ultimately lead to the government achieving a more sustainable financial position, or to a renewal of confidence in the financial and monetary system. Fitch regards the most likely scenario for external financial support as an agreement with the IMF, which would open up other sources of external finance, including from the World Bank and bilateral partners in the Gulf.

An IMF deal would almost certainly require some restructuring of government debt. Government debt restructuring could take different forms and negotiations with bondholders could prove complicated. Some restructuring of FC debt appears likely given Lebanon's unsustainable FC position.

Nonetheless, more than 60% of government debt is denominated in Lebanese pounds. Even if Eurobonds were restructured with a 60% nominal haircut, this would reduce government debt by only 33% of GDP (assuming the current official exchange rate). This would leave total government debt at roughly 120% of GDP, still exceptionally high. Restructuring of domestic debt, which is all held locally, would help to address this.

Government debt restructuring will be only part of the challenge. To achieve economic stabilisation the authorities may also have to address the Central Bank's liabilities and the intertwined balance sheets of the BdL and the commercial banks, which could have implications for depositors. Fundamentally, debt sustainability will be contingent on a meaningful fiscal and structural reform process.

S&P LOWERS LEBANON'S RATING TO "CC"

Standard & Poor's (S&P) lowered its long-term foreign and local currency sovereign credit ratings on Lebanon to "CC" from "CCC". The outlook is "negative". The rating agency also revised its transfer and convertibility (T&C) assessment on Lebanon to "CC" from "CCC". The rating agency affirmed the "C" short-term foreign and local currency sovereign credit ratings.

The "negative" outlook reflects the risk to near-term debt repayment in the context of ongoing political, financial, and monetary pressures. S&P could lower the ratings to "SD" if the government signals that it will undertake a distressed exchange offer or if it misses its next interest or principal payment.

S&P could affirm or raise the ratings if it perceived that the likelihood of a distressed exchange of Lebanon's commercial debt had decreased. This could be the case if, for example, significant donor funding support were to materialize, allowing the government a small window to implement immediate and transformative reforms.

The rating agency is lowering its ratings because it believes restructuring or nonpayment of Lebanon's government debt is virtually certain, regardless of the specific time to default. A potential restructuring could, for example, include an exchange offer swapping 2020 bonds for longer-dated securities, as was proposed by the Banque du Liban (BdL) in early January (but later withdrawn). It would view this exchange offer as distressed and tantamount to default as investors who choose to participate would likely receive less than the original promise of the securities.

Lebanon's upcoming Eurobond maturities comprise US$1.2 billion in March, US$ 700 million in April, and US$ 600 million in June. While S&P still expects that the Banque Du Liban's (BdL) gross FX reserves will remain sufficient to service government debt in the near term, funding pressures have risen, along with growing social and political opposition to debt repayment.

The new government has decided to engage the IMF for technical assistance, including an update on Lebanon's debt sustainability analysis. S&P believes that this exercise will enable the government to study the potential scope and form of debt restructuring and its impact on different stakeholders. Authorities have stated that they have not approached the IMF for a funded program so far, possibly because of the political unwillingness to accept harsh adjustment policies such as exchange rate liberalization.

MOODY'S DOWNGRADES THE GOVERNMENT OF LEBANON'S ISSUER RATING TO "CA" FROM "CAA2"

Moody's downgraded the Government of Lebanon's issuer rating to "Ca" from "Caa2" and changed the outlook to "stable". The "Ca" rating reflects Moody's expectation that domestic and external private creditors will likely incur substantial losses in what seems to be an all but inevitable near-term government debt restructuring in light of rapidly deteriorating economic and financial conditions that increasingly threaten the sustainability of the government's debt and currency peg.

The outlook balances Moody's assumption so far that a debt restructuring may happen in coordination with creditors and under the umbrella of an economic adjustment program agreed with the IMF that unlocks external funding, with the possibility that external funding is not forthcoming given subsequent governments' extremely weak track record on policy implementation, leading to larger losses for investors. Moody's also downgraded Lebanon's senior unsecured Medium Term Note (MTN) Program rating to "(P)Ca" from "(P)Caa2", and affirmed the other short-term rating at (P)NP. The senior unsecured MTN program rating was also on review for downgrade.

Lebanon's long-term foreign currency bond and deposit ceilings have both been lowered to "Ca" from "Caa1" and "Caa3", respectively. The long-term local-currency bond and deposit ceilings have been lowered to "Caa1" from "B2". The short-term foreign currency bond and deposit ceilings remain "Not Prime".

CORPORATE NEWS

BANK AUDI INCREASES ITS EQUITY BY US$ 210 MILLION

The Extraordinary General Assembly of Shareholders of Bank Audi sal approved US$ denominated cash contributions, from the bank's shareholders, in an amount of US$ 210 million.

The General Assembly also resolved to convert said cash contributions into ordinary shares of the bank. The aforementioned actions remain subject to the approval of the Central Bank of Lebanon and fall within the first phase of the increase of equity that was requested from all banks by the Central Bank of Lebanon.

TOTAL ASSETS OF CSCBANK DOWN TO US$ 215.4 MILLION AT END-2018

CSCBank reported net profits of US$ 3.0 million in 2018, up from US$ 2.2 million reported in 2017, as per Bankdata Financial Services.

The bank's net interest income attained US$ 7.1 million in 2018, falling by 0.6% from its level in 2017. Net fee income rose by 9.8% year-on-year to stand at US$ 11.5 million in 2018.

Net operating income increased by a yearly 7.9% from US$ 17.9 million in 2017 to US$ 19.4 million in 2018.

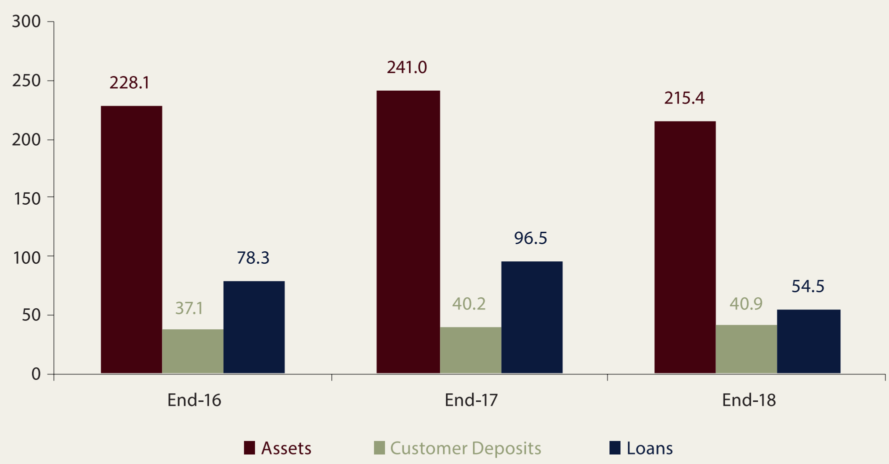
This was accompanied by a 4.1% yearly rise in total operating expenses, which amounted to US$ 16.4 million in 2018, up from US$ 15.7 million in 2017. Among the latter category, staff expenses increased by 4.5% year-on-year to reach US$ 10.7 million in 2018 and administrative and other operating expenses edged up by a yearly 0.3% to register US$ 3.5 million in 2018.

The bank's total assets amounted to US$ 215.4 million at end-2018, down by 10.6% from US$ 241.0 million at end-2017.

Deposits from customers stood at US$ 40.9 million at end-2018, up from US$ 40.2 million at end-2017. Loans to customers registered US$ 54.5 million at end-2018, down from US$ 96.5 million at end-2017.

Shareholders' equity totaled US$ 73.5 million at end-2018, down by 3.2% from end-2017.

CSCBANK'S MAJOR BALANCE SHEET AGGREGATES (US$ MILLION)



Sources: Bankdata Financial Services, Bank Audi's Group Research Department

MOODY'S AFFIRMS RATINGS AND CHANGES OUTLOOK ON LEBANESE-OWNED CMA CGM'S RATINGS TO "NEGATIVE" FROM "STABLE"

Moody's changed the outlook on Lebanese-owned CMA CGM's ratings to "negative" from "stable". Concurrently, Moody's affirmed the "B2" corporate family rating (CFR), the "B2-PD" probability of default rating (PDR) and the "Caa1" instrument ratings on the company's outstanding senior unsecured bonds.

The rating affirmation reflects CMA CGM's solid business profile as one of largest providers of global container shipping services, a robust profitability in its core shipping divisions, the recent and planned measures to strengthen the company's liquidity profile and the expectation that the company will continue to proactively address upcoming debt maturities. At the same time, the "B2" rating continues to factor in a supportive shareholder base, as reflected in only limited dividend pay-outs over the last years. The "negative" outlook reflects the challenges linked to the preservation of CMA CGM's operating performance in the company's container shipping segment but also in its recently acquired logistics operations of CEVA Logistics AG ("B3/Stable"), with both industries highly sensitive to changing global macroeconomic conditions. Consequently, a weakening of operating performance with negative free cash flow generation or the inability to adequately and timely address the upcoming maturities of credit facilities and bonds could prompt a negative rating action.

Moody's expects that the divestment of terminals to Terminal Link to a value of around US$ 1.0 billion will be finalized by spring 2020, which should add some cushion to the company's liquidity profile. The outlook also incorporates the risk of further support needed by CEVA.

A stabilization of the outlook would first and foremost require a successful management of upcoming maturities within the next 3 to 6 months, ensuring that the group has sufficient flexibility to navigate potential adverse market conditions for the container shipping industry. Positive ratings pressure could build if CMA CGM's leverage, measured as debt/EBITDA, would be sustainably below 5.0x through the cycle and its coverage measured as funds from operations plus interest expense over interest expense would be comfortably above 3.0x on a sustained basis.

"7 MANAGEMENT" TO EXPAND ITS CONCEPT IN THE GULF

Street food concept Super Snack El Kbeer and café Kahwet Beirut will expand to the UAE in 2020.

"7 Management", a creator of restaurant and bar concepts, signed a franchise partnership with Food Quest, a UAE restaurant operator. They plan to open four branches for each concept (eight outlets) in Dubai and Abu Dhabi, according to the CEO of "7 Management".

"7 Management" has an equity of 20% in these new branches. The company took Antika Bar to Dubai in 2019 and "7 Sisters" restaurant in 2018. Antika bar will also expand to Doha in September 2020 through a partnership with Alfardan Group, a hospitality services provider in Qatar and the region.

"7 Management" is also in the process of expanding its concepts Kahwet Beirut and Antika bar to Jeddah, Riyadh and Cairo, starting in the middle of 2020. Four outlets are planned for Saudi Arabia and two for Cairo. The company is in the process of establishing subsidiaries in Egypt and Saudi Arabia, similar to that of UAE market, as per the same source.

The local market will continue to be a test field for new brands. Concept experimentation is less costly compared to other countries, as per the company's CEO.

The company will continue with its previous plans for the local market and will open "Studio 30" bar in Mar Mikhael, and Beit, a Greek Mediterranean restaurant, in Gemmayze this year. In December 2019, the company opened "Feb 30", a pub in Mar Mikhael, as per the same source.

"7 Management" that was founded by a group of young entrepreneurs is also the company behind Latifa Bar, Sayf, and Raii.

CAPITAL MARKETS

MONEY MARKET: OVERNIGHT UP TO 100% DUE TO TECHNICAL REASONS

The overnight rate initiated the week at 25%, yet rose gradually to reach 100% on Friday due to technical reasons related to the CNSS' withdrawal of LP deposits from the Lebanese banking sector, which resulted into a lack of local currency liquidity on the money market.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 6th of February 2020 showed that total resident banking deposits contracted by LP 1,210 billion. This is mainly attributed to a LP 1,363 billion fall in total LP resident deposits amid a LP 759 billion drop in LP saving deposits and a LP 604 billion decrease in LP demand deposits, while foreign currency resident deposits rose by LP 153 billion (the equivalent of US$ 101 million). Within this context, the money supply in its largest sense (M4) contracted by LP 733 billion amid a LP 568 billion growth in the currency in circulation and a LP 92 decline in the non-banking sector Treasury bills portfolio.

INTEREST RATES

	21/02/20	13/02/20	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 149 BILLION

The latest Treasury bills auction results for value date 20th of February 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 coupon of 6.50%) and the five-year category (offering a coupon of 8.0%).

In parallel, the Treasury bills auction results for value date 13th of February 2020 showed that total subscriptions amounted to LP 508 billion and were distributed as follows: LP 12 billion in the six-month category (offering a yield of 5.85%), LP 111 billion in the two-year category (offering a coupon of 7.0%) and LP 385 billion in the ten-year category (offering a coupon of 10.0%). These compare to maturities of LP 359 billion, resulting into a nominal weekly surplus of LP 149 billion.

TREASURY BILLS

	21/02/20	13/02/20	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)		**508**	**120**	
Short -term (3&6 mths)		12	-	
Medium-term (1&2 yrs)		111	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		-	100	
Long-term (10 yrs)		385	-	
Maturities		**359**	**61**	
Nom. Surplus/Deficit		**149**	**59**	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: BDL'S FOREIGN ASSETS DOWN TO US$ 36.2 BILLION

Market players continued to convert their LP holdings into FC holdings over this week, while Lebanese banks continued to play the role of an intermediary between the importers of wheat, medications and gasoline and the Central Bank of Lebanon.

In parallel, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 15th of February 2020 showed that BDL's foreign assets contracted by US$ 474 million during the first half of the month to reach US$ 36.2 billion mid-February (including Lebanese Eurobonds' holdings of US$ 5.7 billion). This brought total year-to-date contractions in BDL's foreign assets to US$ 1.1 billion.

EXCHANGE RATES

	21/02/20	13/02/20	27/12/19	
LP/US$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,947.39	1,957.34	1,970.00	↑
LP/¥	13.49	13.74	13.77	↑
LP/SF	1,535.76	1,539.99	1,543.78	↑
LP/Can$	1,136.88	1,136.19	1,150.59	↓
LP/Euro	1,629.61	1,636.69	1,679.20	↑

Source: Bank Audi's Group Research Department

STOCK MARKET: EXTENDED EQUITY PRICE FALLS WEEK-ON-WEEK

Activity on the Beirut Stock Exchange remained quite sluggish this week. The total turnover was limited to US$ 2.0 million during this five-day week and compared to US$ 1.9 million during the previous three-day week. Solidere shares captured 87.3% of activity, while the banking shares accounted for the remaining 12.7%. As far as prices are concerned, the BSE price index retreated by 0.6% to close at 58.65, noting that it is its lowest level in 15 years. Four out of seven traded stocks registered price drops, while two stocks posted price gains and one stock saw no price change week-on-week.

A further look at individual stocks shows that Solidere "A" share price retreated by 0.2% to US$ 8.58, while Solidere "B" share price increased by 1.4% to US$ 8.57. At the level of the banking stocks, BLOM's "listed" share price jumped by 12.3% to US$ 3.83, while BLOM's GDR price decreased by 2.6% to US$ 3.0. Bank Audi's "listed" share price shed 8.8% to US$ 1.66. Byblos Bank's share price fell by 8.3% to US$ 1.0. BEMO's "listed" shares traded with no change in prices, with the latter standing at US$ 1.2.

AUDI INDICES FOR BSE

22/1/96=100	21/02/20	13/02/20	27/12/19	
Market Cap. Index	267.53	269.05	316.37	↓
Trading Vol. Index	17.71	27.96	24.97	↓
Price Index	58.65	58.98	69.36	↓
Change %	-0.56%	-0.13%	2.37%	↓
	21/02/20	**13/02/20**	**27/12/19**	
Market Cap. $m	6,347	6,383	7,506	↓
No. of shares traded (Exc. BT)	438,025	257,122	333,997	↑
Value Traded $000 (Exc. BT)	2,025	1,920	2,294	↑
o.w. : Solidere	1,769	1,821	2,294	↓
Banks	256	93	0	↑
Others	0	5	0	↓

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

BOND MARKET: SKYROCKETING LEBANESE BOND YIELDS ON RISING DEBT UNCERTAINTIES

Along an IMF team's visit to Lebanon to help draw up a comprehensive economic and financial rescue plan, and as the Lebanese government started examining proposals of financial advisory firms on how to handle maturing Eurobonds, while Fitch said that debt sustainability depends on "debt restructuring, reform and external financial support" and "negotiations with bondholders could be complicated", Lebanon's Eurobond market registered this week sharp price drops across the curve at a range hovering between 2.38 pts and 18.50 pts. Within this context, the weighted average bond yield hit an unprecedented high level of 130% at the end of the week, noting that the yield on sovereigns maturing on March 9, 2020 reached 1,783%.

As to the cost of insuring debt, Lebanon's five-year CDS spreads more than doubled week-on-week to cross above the 12,000 bps threshold, in a sign of a severe deterioration in market perception of sovereign risks at large.

EUROBONDS INDICATORS

	21/02/20	13/02/20	27/12/19	
Total tradable size $m	32,564	32,564	29,564	↔
o.w.: Sovereign bonds	31,314	31,314	28,314	↔
Average Yield	130.00%	64.36%	29.99%	↑
Z-Spread (bid in bps)	5,074	5,764	3,045	↓
Average Life	7.85	7.87	7.50	↓
Yield on US 5-year note	1.34%	1.42%	1.71%	↓

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	21-Feb-20	14-Feb-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/$	111.56	109.78	109.61	1.6%	1.8%
$/£	1.296	1.305	1.275	-0.7%	1.6%
$/Euro	1.084	1.083	1.147	0.1%	-5.5%
STOCK INDICES					
Dow Jones Industrial Average	28,992.41	29,398.08	28,538.44	-1.4%	1.6%
S&P 500	3,337.75	3,380.16	3,230.78	-1.3%	3.3%
NASDAQ	9,576.59	9,731.18	8,972.60	-1.6%	6.7%
CAC 40	6,029.72	6,069.35	5,978.06	-0.7%	0.9%
Xetra Dax	13,579.33	13,744.21	13,249.01	-1.2%	2.5%
FT-SE 100	7,266.17	7,409.13	7,542.44	-1.9%	-3.7%
NIKKEI 225	23,386.74	23,687.59	23,656.62	-1.3%	-1.1%
COMMODITIES (in US$)					
GOLD OUNCE	1,643.41	1,584.06	1,517.27	3.7%	8.3%
SILVER OUNCE	18.49	17.74	17.85	4.2%	3.6%
BRENT CRUDE (per barrel)	58.50	57.32	66.00	2.1%	-11.4%
LEADING INTEREST RATES (%)					
1-month Libor	1.63	1.66	1.71	-0.03	-0.08
US Prime Rate	4.75	4.75	4.75	0.00	0.00
US Discount Rate	2.25	2.25	2.25	0.00	0.00
US 10-year Bond	1.47	1.58	1.92	-0.11	-0.45

Sources: Bloomberg, Bank Audi's Group Research Department