

The LEBANON WEEKLY MONITOR

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With Lebanon running out of time to form a new government and along new sanctions imposed by the US Treasury Department on two former Ministers, while BDL unveiled plans to transfer the subsidy from importers to citizens, Lebanon's capital markets saw this week a deterioration in the LP/US\$ exchange rate on the black FX market and price contractions on the bond market, while the equity market pursued its upward trajectory. In details, the Lebanese pound lost ground against the US dollar, hovering between LP/US\$ 7,650-LP/US\$ 7,750 on Friday versus LP/US\$ 7,100-LP/US\$ 7,200 at the end of the previous week amid lingering cabinet formation uncertainties. Concurrently, BDL governor announced plans to transfer the subsidy from importers to citizens amid dwindling liquid FX reserves, as only US\$ 2 billion of the Central Bank's liquid FX reserves can be used to finance trade. In parallel, the bond market saw weekly price contractions of up to 1.0 pt, on worries that new US sanctions may deter the cabinet formation process. Finally, the equity market saw extended price gains for the second consecutive week, with Solidere shares still capturing the bulk of activity.

LEBANON MARKETS: WEEK OF SEPTEMBER 07 - SEPTEMBER 13, 2020

Money Market



LP Tbs Market



LP Exchange Market



BSE Equity Market



Eurobond Market



CDS Market



ECONOMY

A US\$ 15.6 BILLION CONTRACTION IN DEPOSITS IN 7 MONTHS OF 2020, EQUIVALENT TO THE 2019 FULL-YEAR DECLINE

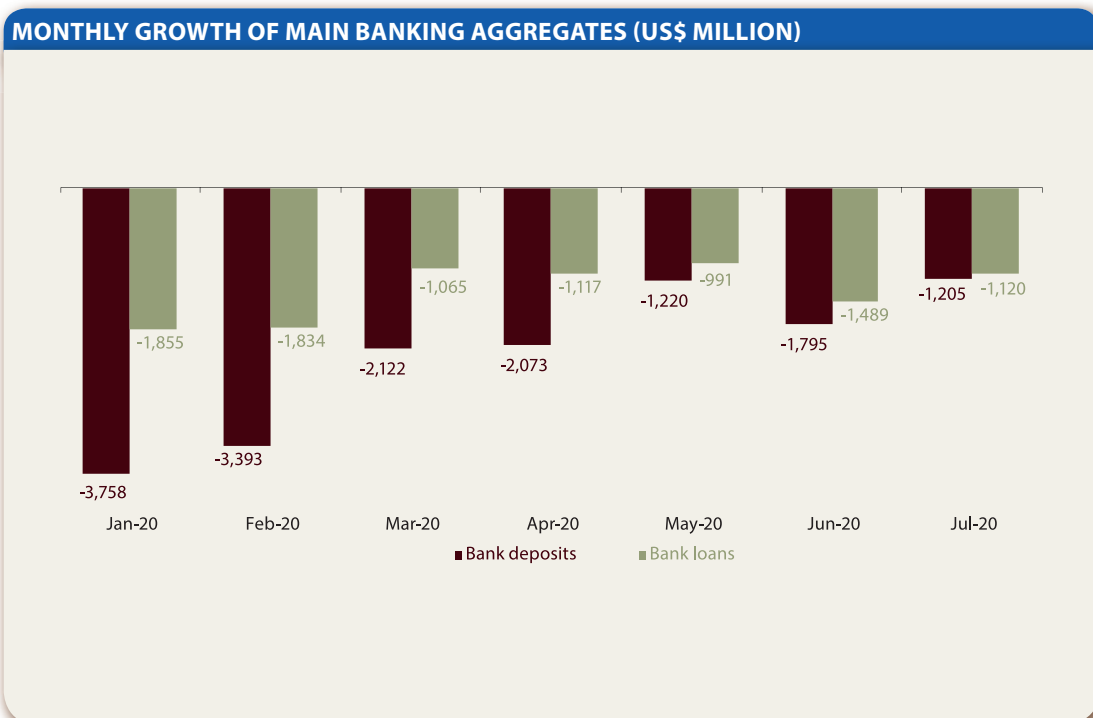
Banking sector statistics for the first seven months of 2020 were released this week. They suggest a significant year-to date contraction in deposits of US\$ 15.6 billion, almost equivalent to the 2019 full-year contraction (US\$ 15.4 billion). As such, banking sector deposits lost more than US\$ 30 billion since beginning 2019, to move from US\$ 174.3 billion at end-December 2018 to US\$ 158.9 billion in December 2019 and to US\$ 143.3 billion in July 2020.

The analysis of deposits by residence suggests that 71.3% of the deposit contraction over the 2020 7-month period was due to the contraction in resident deposits (-US\$ 11.1 billion), while the remaining was driven by non-resident deposits (-US\$ 4.5 billion). As a matter of fact, resident deposits contracted from US\$ 126.4 billion in December 2019 to US\$ 115.3 billion in July 2020, while non-resident deposits contracted from US\$ 32.5 billion to US\$ 28.0 billion over the same period.

The analysis of deposits by currency suggests that 62.1% of the deposit contraction over the 2020 7-month period was due to the contraction in LP deposits (-US\$ 9.7 billion), while the remaining was driven by FX deposits (-US\$ 5.9 billion). As a matter of fact, LP deposits contracted from US\$ 38.1 billion in December 2019 to US\$ 28.4 billion in July 2020, while FX deposits contracted from US\$ 120.8 billion to US\$ 114.9 billion over the same period.

In parallel, a significant year-to-date contraction in loans of US\$ 9.5 billion was reported over the first seven months of 2020, almost equivalent to the 2019 full year contraction (US\$ 9.6 billion). As such, banking sector loans lost more than US\$ 19 billion since beginning 2019, to move from US\$ 59.4 billion at end-December 2018 to US\$ 49.8 billion in December 2019 and to US\$ 40.3 billion in July 2020.

The analysis of loans by residence suggests that 90.3% of the loan contraction over the 2020 7-month period was due to the contraction in resident loans (-US\$ 8.6 billion), while the remaining was driven by non-resident loans (-US\$ 0.9 billion). As a matter of fact, resident loans contracted from US\$ 44.2 billion in



Sources: BDL, Bank Audi's Group Research Department

December 2019 to US\$ 35.6 billion in July 2020, while non-resident loans contracted from US\$ 5.6 billion to US\$ 4.7 billion over the same period.

The analysis of loans by currency suggests that 96% of the loan contraction over the 2020 7-month period was due to the contraction in FX loans (-US\$ 9.1 billion), while the remaining was driven by LP loans (-US\$ 0.4 billion). As a matter of fact, FX loans contracted from US\$ 34.2 billion in December 2019 to US\$ 25.1 billion in July 2020, while LP loans contracted from US\$ 15.6 billion to US\$ 15.2 billion over the same period.

As such, the respective dollarization of deposits and loans moved in opposite directions this year. While the deposit dollarization ratio increased by 4.2%, moving from 76.0% in December 2019 to 80.2% in July 2020, loan dollarization declined by 6.4% to move from 68.7% to 62.3% over the same period.

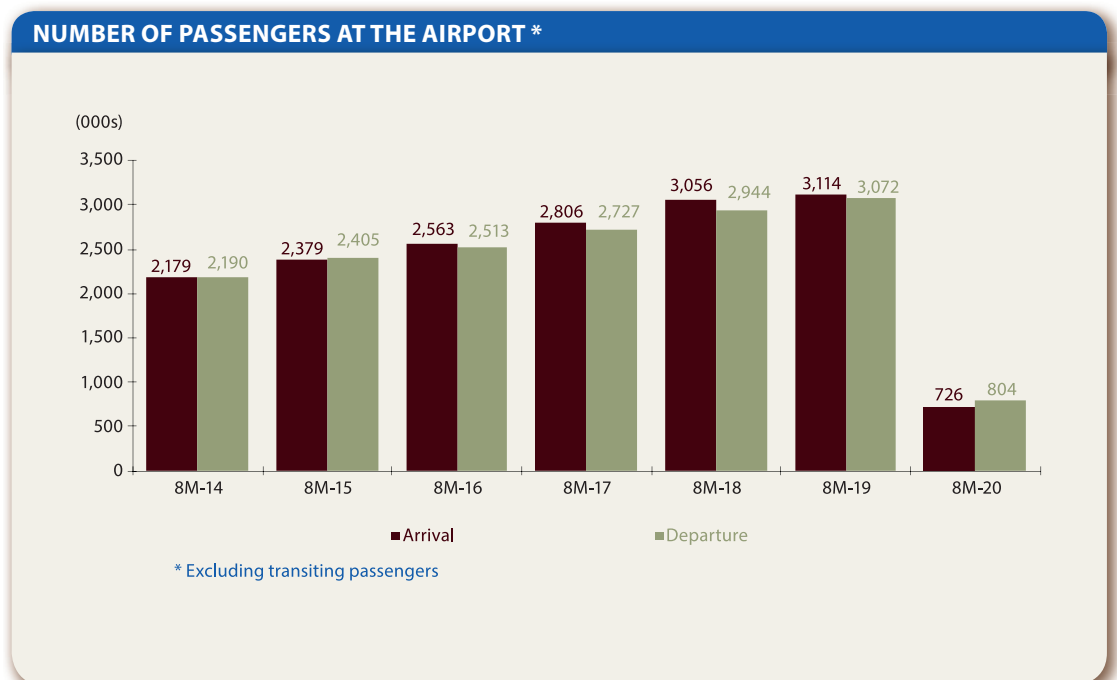
Finally, driven by a significant US\$ 3 billion deficit in BOP in July 2020, the year-to-date balance of payment reported a deficit of US\$ 5.5 billion, almost equivalent to the 2019 full-year deficit (US\$ 5.8 billion). The 2020 7-month balance of payment deficit was driven by a decline in the net foreign assets of BDL by US\$ 7.2 billion, while banks' net foreign assets rose by US\$ 1.7 billion over the period.

TOTAL NUMBER OF AIRPORT PASSENGERS DROPPING BY A YEARLY 75.3% IN FIRST EIGHT MONTHS OF 2020

The total number of passengers recorded a yearly 75.3% decrease in the first eight months of 2020, as released by the Rafic Hariri International Airport. The number of aircraft fell by 65.5% year-on-year in the aforementioned period. Alongside, the total freight handled by the airport edged down by 35.5% year-on-year in the aforementioned period.

A detailed look at the activity shows that the number of incoming passengers fell by a yearly 76.7% and that of departing passengers by 73.8% to reach 726,021 and 803,573 respectively in the first eight months of 2020. The number of transiting passengers fell from 34,819 passengers in the first eight months of 2019 to 27,679 passengers in the corresponding period of this year. When including the latter mentioned category, the total number of passengers using the airport attained 1,529,594 down by a yearly 75.3%.

Looking at the aircraft activity, landings and take-offs decreased by a yearly 65.5% each, with the former amounting to 8,684 planes and the latter reporting 8,674 in the first eight months of 2020.



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

Regarding the freight movement within the airport, a total of 18,968 thousand tons were imported and unloaded during the first eight months of 2020 while 19,885 thousand tons were exported and loaded. The first mentioned activity posted a decline of 45.0% and the latter posted a 22.9% fall on a yearly basis in the first eight months of 2020.

A TANGIBLE CONTRACTION IN THE ACTIVITY OF THE PORT OF BEIRUT IN FIRST EIGHT MONTHS OF 2020

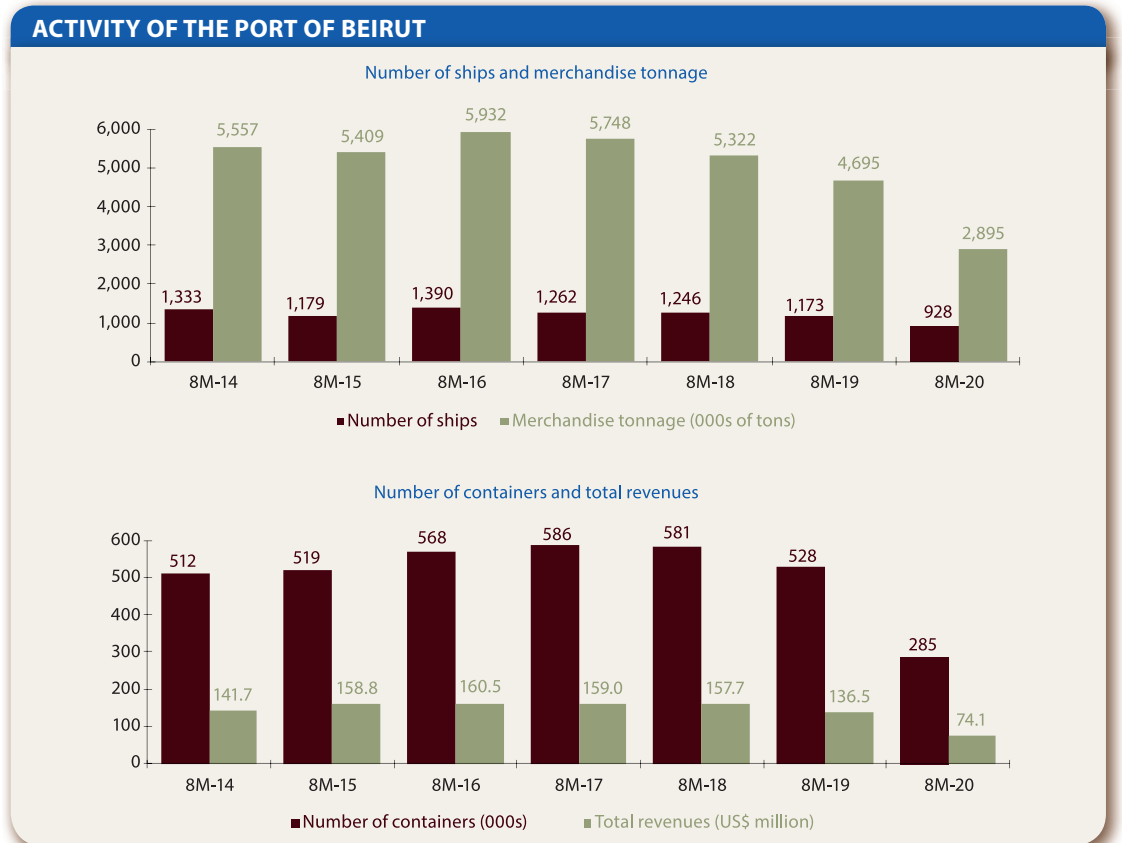
The latest statistics released by the Port of Beirut revealed a tangible drop in the activity of the Port of Beirut in the first eight months of 2020. A trend that is likely to exacerbate in the coming months, following the enormous explosion in the Port on the 4th of August, which inflicted huge damages with its silos and containers, and worsened further the sharp slowdown in the activity of the Port of Beirut since the beginning of the year.

In fact, the number of containers recorded an annual decrease of 46.1% to attain a total of 285,046 in the first eight months of 2020. The number of ships posted a fall of 20.9% year-on-year to reach a total of 928 vessels over the same period. During the corresponding period of 2019, the former had registered a decrease of 9.0% year-on-year and the latter fell by 5.9%.

The quantity of goods fell by a yearly 38.5% to 2,895 thousand tons in the first eight months of 2020, on the back of a net decline in importing activity by almost 50% over the first half of the year.

Transshipments contracted by 27.4% year-on-year to attain 239,120 containers in the first eight months of 2020, following a rise of 11.9% in the corresponding period of 2019.

As such, the Port’s revenues actually reached US\$ 74.1 million in the first eight months of 2020, which reveals a net decline of a yearly 45.7% in the first eight months of 2020 compared to the same period of the previous year.



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

SURVEYS

SUCCESSFUL IMPLEMENTATION OF THE FRENCH INITIATIVE COULD AUGUR OF AN INFLECTION POINT IN THE LOCAL SOCIO-POLITICAL AND ECONOMIC BACKDROP, AS PER BofA

According to a recent report by Bank of America, recent diplomatic or sanctions interventions by France and the US now bring a third stakeholder into the picture, which has been characterized so far by a standoff between two opposing actors: the political class and the protest movement. A successful implementation of the French initiative could augur of an inflection point in the local socio-political and economic backdrop, and open the door for international assistance. The threat of sanctions on key political leaders may generate a change in domestic political dynamics that could lead to reform implementation. Still, it is yet unclear if intervention can successfully break the impasse and launch a process of governance and economic reform, given entrenched vested interests of the political class.

While high in symbolism, French President suggested a reform program was agreed with heads of major political blocs during his visit on 1 September. All points of the reform program reportedly generated consensus. However, a clause for early elections and a change to the electoral law did not generate consensus among the heads of major political blocs and appears to have been subsequently dropped for the next 3-month period, as per the report.

The French reform initiative includes a) rapid resumption of IMF negotiations, b) audit of the Banque du Liban (BdL), c) passage of electricity sector reforms within one month, d) passage of capital controls law within one month, e) passage of a number of structural governance, judicial, financial, anti-corruption reforms within a month, f) passage of border control reforms within three months and g) passage of a revised 2020 budget within a month and of a 2021 budget by year-end.

According to BofA, a successful implementation of the French initiative could augur of an inflection point in the local socio-political and economic backdrop, and open the door for international assistance. The developments over 1H20 call for caution. The experience of outgoing PM Diab's Cabinet of affiliated technocrats suggests that vested interests of the political class could still derail reform implementation, even if the Cabinet is formed of experts.

One possible outcome could be the political class implementing the minimum number of reforms that would be enough to deflate pressure from the international community for now, in our view. This may temporarily satisfy the international community and buy time ahead of US elections.

As per BofA, the recent BdL Basic Circular 154 attempts to a) inject back up to US\$ 4 billion in FX liquidity to banks through a claw back of large depositors and import surrender requirements, b) start a process of depositor bail-in and c) increase banking sector capital by 20% (US\$ 4 billion) by 1Q2021. The three targets are mutually reinforcing, although banks may raise capital through other means too (selling foreign subsidiaries, for instance, which we estimate had equity of US\$ 2.2 billion).

The Circular appears to attempt to achieve its objectives through moral suasion and discretion rather than an elaborate legal framework. This may mean compliance on the part of banks or depositors with the Circular may be partial. The process appears to lack transparency and involve a large amount of discretion by policy-makers. The banking sector likely still requires more capital to restore financial health and intermediation than BdL's announced target, despite ongoing regulatory forbearance, as per the same source.

LEBANON RANKS 83RD IN ECONOMIC FREEDOM OF THE WORLD, SAYS FRASER INSTITUTE

According to the Fraser Institute report titled "Economic Freedom of the World – 2020 Annual Report" in which it uncovers economic freedom scores for the year 2018, Lebanon was assigned a score of 6.88 in the 2017 index of economic freedom, compared to a score of 6.97 in the 2017 index, ranking as such 83rd in the world, down from the 75th place it occupied a year before.

The index published in Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom.

The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to enter markets and compete, and security of the person and privately owned property. Forty-two data points are used to construct a summary index, along with a Gender Legal Rights Adjustment to measure the extent to which women have the same level of economic freedom as men.

The degree of economic freedom is measured in five broad areas. The report uncovers economic freedom scores for the year 2018 and measures the extent to which policies and institutions in 162 countries and territories across the globe foster this freedom.

In fact, Fraser Institute's index of economic freedom pivots around five major pillars, namely: size of government, legal system and property rights, sound money, freedom to trade internationally, and regulation.

More specifically, the report showed a deterioration in most of Lebanon's sub-indices, with scores of 8.29 in the size of government sub-index, 8.99 in the sound money sub-index, and 6.74 in the freedom to trade internationally sub-index.

Lebanon, however, showed some improvement on the regulation front, scoring 6.47 in the concerned metric in 2017 and 3.89 in the legal system and property rights sub-index.

Regionally, Lebanon ranked above Oman (6.79) and Morocco (6.70), while being preceded by the UAE (7.05) and ranking at the same level with Qatar (6.88).

BDL PROVIDES US\$ 400 MILLION TO BANKS FOLLOWING CIRCULAR NO. 552

The Lebanese Central Bank previously issued basic decision number 13,222 under intermediate circular no. 552 addressed to banks and financial institutions.

In order to implement the Central Bank's decision related to the facilities that could be provided to banks and financial institutions in order to provide loans in Lebanese pounds or US dollars at 0% interest rate to clients who cannot settle their obligations for the months of March, April, May and June or to cover the need of its clients (companies) in settling the salaries of their employees and covering their operating costs for the covered period, the Central Bank provided exceptional loans amounting to US\$ 400 million to banks and financial institutions (18% against loans in Lebanese pounds and 82% against loans in US dollars). The beneficiaries reached 29,000 between individuals and corporates.

These were divided as follows: 74% settling outstanding bonds, 11% settling salaries, 9% operating costs and 6% working capital and other costs, according to BDL.

CORPORATE NEWS

BYBLOS BANK'S TOTAL ASSETS DOWN TO US\$ 20.1 BILLION AT END-JUNE 2020

Byblos Bank published its results for the first half of 2020. The bank announced in its latest financial releases null net profits in the first half of 2020, due to a surge in net impairment on financial assets, compared to US\$ 59.9 million in the same period of 2019.

Net interest income rose by a yearly 81.8% to stand at US\$ 224.2 million (at the official FX rate) in the first half of 2020. Net fee and commission income reached US\$ 43.5 million in the first half of 2020, down by 6.1% from US\$ 46.3 million registered in the first half of 2019, as per a statement by the bank.

Total expenses reached US\$ 101.6 million in the first six months of 2020, down by 15.7% compared to the same period of 2019. Personnel expenses reported US\$ 60.7 million in the first half of 2020, down from US\$ 70.1 million in the same period of last year. Other operating expenses stood at US\$ 32.1 million in the first six months of 2020, down from US\$ 43.1 million in the same period of 2019.

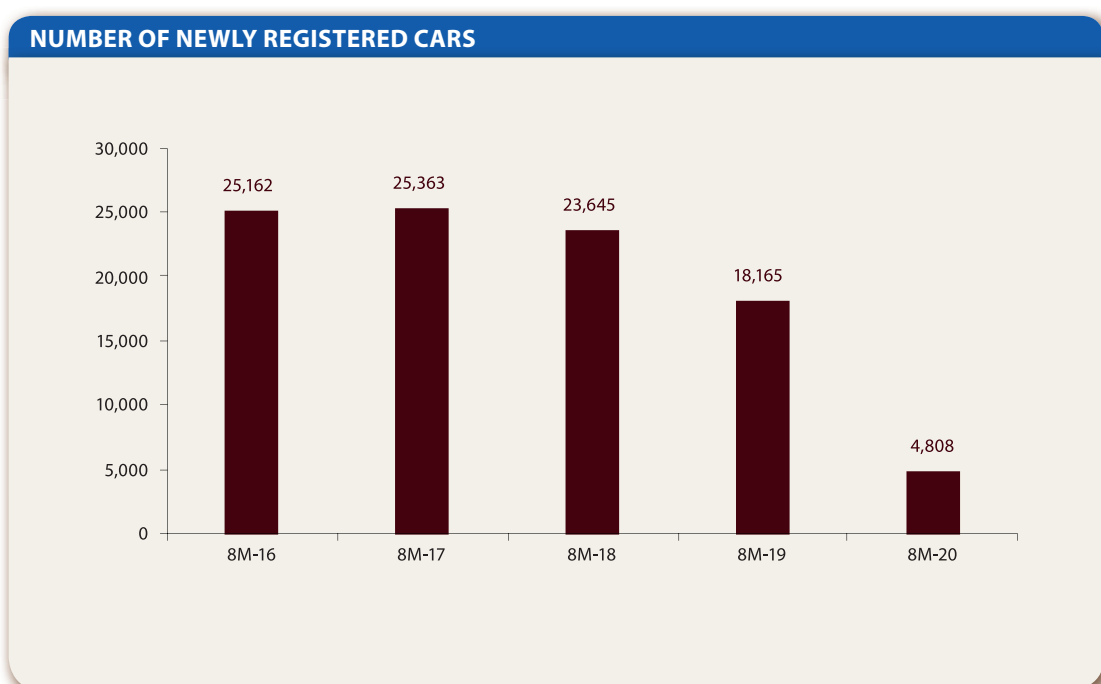
Total assets of the bank reached US\$ 20.1 billion at end-June 2020, down by 8.2% from end-2019. Loans to customers edged down by 26.4% from end-2019 to reach US\$ 3.3 billion at end-June 2020.

Customers' deposits amounted to US\$ 16.1 billion at end-June 2020, down from US\$ 17.4 billion at end-2019.

NEWLY REGISTERED CARS AT 4,808 IN FIRST EIGHT MONTHS OF 2020, DOWN BY A YEARLY 73.5%

According to data compiled by the Association of Car Importers in Lebanon, the number of newly registered passenger cars stood at 4,808 in the first eight months of 2020, falling by 73.5% from a total of 18,165 in the same period of 2019.

In August 2020, the number of cars registered stood at 186, down by 90.9% from 2,041 cars registered in the same month of 2019.



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

The taxes paid by car importer companies to the State Treasury declined from US\$ 265 million in 2018 to US\$ 178 million in 2019. These are estimated by the Association of Car Importers in Lebanon to stand at less than US\$ 33 million in 2020.

According to a recent statement, as a result of the dramatic Beirut Port Explosion, the damages that the importers of new cars incurred in their properties are estimated at tens of millions of dollars.

CHEDID CAPITAL AND ASCOMA GROUP JOIN FORCES TO CREATE LEADER IN MIDDLE EAST INSURANCE BROKING

The Husson family and Chedid Capital entered into exclusive negotiations for the transfer of control of Ascoma Assureurs Conseils (Ascoma). The Husson family will maintain a sizeable stake in Ascoma and will participate in the transition and development of the new group.

Completion of the transaction will only be subject to the condition precedent of obtaining regulatory authorizations.

This transfer of control pertains to the African activities of the Ascoma group, noting that the Husson family will maintain its insurance brokerage activities in Monaco and France.

Ascoma is a major broker in Africa with a network of 23 subsidiaries in 21 countries. It has also an office for international affairs in Paris. The group's activities revolve around insurance broking (Property and Casualty and Healthcare) and the management of healthcare costs on behalf of companies and insurers.

This transaction translates Chedid Capital's strategic vision of being a leader in insurance broking, serving companies in the Middle East and Africa. These markets represent strong development potential.

The acquisition of Ascoma is part of Chedid Capital's global strategy to create an insurance broking leader in Africa and the Middle East and to develop a complete range of insurance solutions in these markets, as per founder and Chairman of Chedid Capital.

Ascoma is an international insurance brokerage group with more than 780 employees. Its head office is based in Monaco where it is also the leading broker in the Principality. The Group has been present on the African continent for 70 years. It has become the leading independent insurance brokerage network and is a partner of the world's largest brokers, which enables it to support its clients wherever their practice.

Each subsidiary of the Ascoma group has in-depth knowledge of the regulatory and legal environment of the insurance and reinsurance market, and of the local socio-economic structures.

Ascoma, as an independent advisor and broker, defends the interests of its clients in the insurance market. Its teams of experts carry out risk audits, negotiate the best coverage conditions (tariffs and contracts) with insurers and manage claims and their compensation as quickly as possible.

A financial holding company, Chedid Capital's aspiration and intention are to invest in the fields of insurance and reinsurance and to ensure the development of its subsidiaries on the three continents where they operate.

The Group, well anchored in the Middle East, operates in 45 countries in Europe, the Middle East, Africa, and the South-East of the Indian continent via its offices in Beirut, Casablanca, Jeddah, Doha, Dubai, Istanbul, Khobar, Limassol, London, Port Louis, Riyadh and Sharjah. Its subsidiary, Chedid Re, Lloyd's official broker, is among the 20 largest reinsurance brokers in the world.

CAPITAL MARKETS

MONEY MARKET: EXPANSION IN TOTAL RESIDENT DEPOSITS AFTER TWO WEEKS OF CONTRACTIONS

The overnight rate didn't shift its stance this week, standing at 3% as the local currency liquidity remained quite abundant on the money market, noting that its official level stayed quoted at 1.90%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 27th of August 2020 showed that total resident banking deposits expanded by LP 299 billion following two weeks of contractions. This is mainly driven by a LP 350 billion rise in total LP resident deposits amid a LP 555 billion growth in LP demand deposits and a LP 205 billion decline in LP saving deposits. Within this context, the money supply in its largest sense (M4) widened by LP 416 billion week-on-week amid a shy decline in the currency in circulation of LP 11 billion and an increase in the non-banking sector Treasury bills portfolio of LP 127 billion.

On a cumulative basis, total resident deposits contracted by circa LP 16,900 billion over the first eight months of 2020, mainly due to a LP 13,500 billion fall in total LP resident deposits and a LP 3,400 billion decline in foreign currency resident deposits.

INTEREST RATES

	11/09/20	04/09/20	27/12/19	
Overnight rate (official)	1.90%	1.90%	3.90%	↔
7 days rate	2.00%	2.00%	4.00%	↔
1 month rate	2.75%	2.75%	4.75%	↔
45-day CDs	2.90%	2.90%	4.90%	↔
60-day CDs	3.08%	3.08%	5.08%	↔

Source: Bloomberg

TREASURY BILLS MARKET: NOMINAL WEEKLY SURPLUS OF LP 177 BILLION

The latest Treasury bills auction results for value date 10th of September 2020 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the six-month category (offering a yield of 4.0%), the three-year category (offering a coupon of 5.50%) and the seven-year category (offering a coupon of 6.50%).

In parallel, the Treasury bills auction results for value date 3rd of August 2020 showed that total subscriptions amounted to LP 251 billion, distributed as follows: LP 10 billion in the three-month category (offering a yield of 3.50%), LP 19 billion in the one-year category (offering a yield of 4.50%) and LP 222 billion in the five-year category (offering a coupon of 6.0%). These compare to maturities of LP 74 billion, resulting into a nominal weekly surplus of LP 177 billion.

TREASURY BILLS

	11/09/20	04/09/20	27/12/19	
3-month	3.50%	3.50%	5.30%	↔
6-month	4.00%	4.00%	5.85%	↔
1-year	4.50%	4.50%	6.50%	↔
2-year	5.00%	7.00%	7.00%	↔
3-year	5.50%	5.50%	7.50%	↔
5-year	6.00%	6.00%	8.00%	↔
7-year	6.50%	-	9.00%	
Nom. Subs. (LP billion)		251	120	
Short-term (3&6 mths)		10	-	
Medium-term (1&2 yrs)		19	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		222	100	
Maturities		74	61	
Nom. Surplus/Deficit		177	59	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: LEBANESE POUND DOWN AGAINST THE US DOLLAR THIS WEEK

The black foreign exchange market saw a drop in the Lebanese pound against the US dollar over this week, as Lebanon is pressing ahead to meet a two-week deadline for forming a new government, while the Central Bank governor unveiled plans to transfer the subsidy from importers to citizens through the distribution of subsidy cards that would allow every citizen to buy basic products at a rate of LP/US\$ 1,515.

This came after the Central Bank governor said recently that BDL's liquid FX reserves are at US\$ 19.5 billion and its mandatory foreign currency reserves are at US\$ 17.5 billion, signaling that BDL can't use its mandatory FC reserves to finance imports. Under these conditions, the LP/US\$ exchange rate hovered between LP/US\$ 7,650 and LP/US\$ 7,750 on Friday as compared to LP/US\$ 7,100-LP/US\$ 7,200 at the end of last week. In parallel, the money changers syndicate kept the exchange rate at LP/US\$ 3,850-LP/US\$ 3,900.

EXCHANGE RATES

	11/09/20	04/09/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,926.89	2,004.67	1,970.00	↑
LP/¥	14.19	14.18	13.77	↓
LP/SF	1,658.96	1,654.96	1,543.78	↓
LP/Can\$	1,144.13	1,151.64	1,150.59	↑
LP/Euro	1,787.44	1,782.92	1,679.20	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: BSE PRICE INDEX UP BY 2.4% WEEK-ON-WEEK

The Beirut Stock Exchange continued to trace an upward trajectory for the second consecutive week, as reflected by a 2.4% rise in the price index. Four out of eight traded stocks registered price gains, while three stocks posted price falls and one stock saw no price change week-on-week.

A closer look at individual stocks shows that BLOM's GDR price jumped by 63.9% to US\$ 2.95 in a cross trade, followed by Bank Audi's GDRs with +5.3% to US\$ 1.0, Solidere "A" shares with +4.4% to US\$ 15.25 and Solidere "B" shares with +4.1% to US\$ 15.20. In contrast, Bank Audi's "listed" share price shed 1.9% to US\$ 1.03. BLOM Bank's share price retreated by 0.4% to US\$ 2.80. Byblos Bank's "listed" share price remained unchanged at US\$ 0.39. Amongst industrials, Ciments Blancs Nominal's share price declined by 1.3% to US\$ 4.50. As to trading volumes, the BSE total turnover more than doubled week-on-week, moving from US\$ 2.4 million last week to US\$ 6.5 million, noting that Solidere shares continued to capture the lion's share of activity (92.3%).

AUDI INDICES FOR BSE

22/1/96=100	11/09/20	04/09/20	27/12/19	
Market Cap. Index	286.49	279.66	316.37	↑
Trading Vol. Index	57.59	21.10	24.97	↑
Price Index	60.94	59.48	69.36	↑
Change %	2.44%	1.16%	2.37%	↑
	11/09/20	04/09/20	27/12/19	
Market Cap. \$m	6,797	6,635	7,506	↑
No. of shares traded (Exc. BT)	871,724	221,496	333,997	↑
Value Traded \$000 (Exc. BT)	6,513	2,388	2,294	↑
o.w. : Solidere	6,012	2,333	2,294	↑
Banks	497	55	0	↑
Others	4	0	0	↑

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

BOND MARKET: WEEKLY PRICE CONTRACTIONS ACROSS THE YIELD CURVE FOLLOWING NEW US SANCTIONS

Lebanon's Eurobond market saw this week price contractions across the yield curve, mainly on concerns that new sanctions imposed by the US Treasury Department on two former Lebanese Ministers may put the cabinet formation process on hold. Sovereigns maturing between 2020 and 2037 registered price falls ranging between 0.63 pt and 1.0 pt week-on-week. Accordingly, prices of Lebanese Eurobonds ranged between 16.5 cents per US dollar and 19.5 cents per US dollar at the end of this week. This compares to a range of 17.0 -20.38 cents per US dollar at the end of the previous week.

In parallel, a recent report issued by Citigroup said that Lebanon's Eurobond holders may have to write off 65% of the value of their foreign currency debt and about 20% of local currency borrowing. These haircuts would also have to be accompanied by a renegotiation of the terms of the remaining debt in order to increase maturities, reduce coupons and introduce grace periods, as per Citi, signaling that lowering of the interest payment burden is crucial as the high real interest rate burden in what lead to debt spiraling out of control in the first place.

EUROBONDS INDICATORS

	11/09/20	04/09/20	27/12/19	
Total tradable size \$m	32,664	32,664	29,564	↔
o.w.: Sovereign bonds	31,314	31,314	28,314	↔
Average Yield	46%	45%	29.99%	↑
Average Life	7.32	7.34	7.50	↓
Yield on US 5-year note	0.27%	0.25%	1.71%	↑

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	11-Sep-20	04-Sep-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	106.17	106.24	108.64	-0.1%	-2.3%
\$/£	1.280	1.328	1.326	-3.6%	-3.5%
\$/Euro	1.185	1.184	1.121	0.1%	5.6%
STOCK INDICES					
Dow Jones Industrial Average	27,665.64	28,133.31	28,538.44	-1.7%	-3.1%
S&P 500	3,340.97	3,426.96	3,230.78	-2.5%	3.4%
NASDAQ	10,853.54	11,313.13	8,972.60	-4.1%	21.0%
CAC 40	5,034.14	4,965.07	5,978.06	1.4%	-15.8%
Xetra Dax	13,202.84	12,842.66	13,249.01	2.8%	-0.3%
FT-SE 100	6,032.09	5,799.08	7,542.44	4.0%	-20.0%
NIKKEI 225	23,406.49	23,205.43	23,656.62	0.9%	-1.1%
COMMODITIES (in US\$)					
GOLD OUNCE	1,940.55	1,933.94	1,517.27	0.3%	27.9%
SILVER OUNCE	26.73	26.91	17.85	-0.7%	49.7%
BRENT CRUDE (per barrel)	39.83	42.66	62.93	-6.6%	-36.7%
LEADING INTEREST RATES (%)					
1-month Libor	0.15	0.15	1.76	0.00	-1.61
US Prime Rate	3.25	3.25	4.75	0.00	-1.50
US Discount Rate	0.25	0.25	2.25	0.00	-2.00
US 10-year Bond	0.67	0.72	1.92	-0.05	-1.25

Sources: Bloomberg, Bank Audi's Group Research Department

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