

Economy

CONTACTS

Treasury & Capital Markets

Bechara Serhal
(961-1) 977421
bechara.serhal@bankaudi.com.lb

Corporate Banking

Carol Ayat
(961-1) 959675
carol.ayat@bankaudi.com.lb

Mohamad Baydoun
(961-1) 959703
mohamad.baydoun@bankaudi.com.lb

Marketing and Communications

Marion Abou Jaoudé
(961-1) 977356
marion.abou-jaoude@bankaudi.com.lb

p.2 A 222% ANNUAL INFLATION RATE IN APRIL AS PER CRI

This April the year-on-year index has surged by 221.9% compared to results of April 2021. All nine main indices registered increases this April. The highest increase was registered by the "Apparel" category (308.2%), followed by the "Transportation and Telecommunications" category (271.3%), then by the "Housing" category (243.0%), the "Food and Beverages" category (234.0%) and the "Recreation" category (190.1%).

Also in this issue

p.3 All tourism sector allowed to dollarization during summer season

p.3 LP 100,000 category represented 83.4% of total banknotes currency issuance as at Dec-21

p.3 Distribution of utilized credits shows 32% in trade and services, 75% for Beirut and suburbs as at December-2021

p.4 Beirut and Suburbs account for 66% of private sector deposits and 50% by beneficiary as at end-2021

Surveys

p.5 LEBANON RANKS 71ST GLOBALLY IN 2021 KOF INDEX OF GLOBALIZATION

KOF Swiss Economic Institute released its 2021 KOF Index of Globalization in which Lebanon ranked 71st globally and tenth in the region with a score of 67.60.

Also in this issue

p.6 Lebanon's consumables market is projected to grow at a 2021-2026 CAGR of 40.0% in local currency terms, as per Fitch Solutions

Corporate News

p.7 NET PROFITS OF BLOM BANK REPORTED TO US\$ 1.4 MILLION IN THE FIRST QUARTER 2022

BLOM bank issued its consolidated financial statements for first quarter 2022 calculated at the official rate. The bank reported net profits of US\$ 1.4 million in Q1 2022, versus US\$ 1.1 million in the same period of 2021.

Also in this issue

p.7 Byblos bank's total assets down to UD\$ 17 billion at end-March 2022

p.8 A new Circular of the Association of Banks regarding checks

p.8 Sayrafa transacted a daily average of US\$ 128 million last week

Markets In Brief

p.9 MARKETS IN BRIEF: SIGNIFICANT DROP IN LP/US\$ RATE FOLLOWING BDL'S HEAVY INTERVENTION

Following BDL's request to banks to keep their branches and funds open till 6 pm for three consecutive days to meet demand for cash US dollars at "Sayrafa" rate with no commission, and amid lingering concerns about the new Parliament's ability to deliver much-needed reform laws and on growing fears about a political paralysis that could derail the conclusion of an IMF deal, Lebanon's capital markets saw this week the LP/US\$ rate plummet from record highs on the black FX market, a continuous free-fall on the bond market and shy price gains on the equity market. In details, the LP/US\$ rate hovered around LP/US\$ 28,000 on Friday, falling from an unprecedented high level of LP/US\$ 38,000 last week. This occurred despite persistent dire domestic economic and financial fundamentals and lingering reform uncertainty, and is mainly explained by BDL's heavy intervention on the FX market via the Sayrafa platform to meet demand for cash US dollars. On the bond market, sovereign prices reached new depths of 7.25-8.50 cents per US dollar, mainly weighed by rising concerns over a political vacuum and on worries about the new fragmented Parliament's ability to deliver reform laws needed to unlock IMF financial aid. On the equity market, the BSE price index rose by a shy 0.9% following a strong price rally over the past couple of weeks.

LEBANON MARKETS: MAY 30 - JUNE 5, 2022

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

RESEARCH

Dr. Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Farah Nahlawi Shaar
(961-1) 959747
farah.nahlawi@bankaudi.com.lb

Zeina Labban
(961-1) 952426
zeina.labban@bankaudi.com.lb

Michele Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Bank Audi

ECONOMY

A 222% ANNUAL INFLATION RATE IN APRIL AS PER CRI

This April the year-on-year CPI index has surged by 221.9% compared to results of April 2021 as per the Consultation and Research Institute. All nine main indices registered increases this April. The highest increase was registered by the "Apparel" category (308.2%), followed by the "Transportation and Telecommunications" category (271.3%), then by the "Housing" category (243.0%), the "Food and Beverages" category (234.0%) and the "Recreation" category (190.1%).

The April 2022 year-on-year "Food and Beverages" index has significantly increased by 234.0% since April 2021. All of the four main indices registered increases this month, as follows: the "Food" category (244.5%), the "Nonalcoholic Beverages" category (135.4%), the "Tobacco Products" category (131.5%) and the "Alcoholic Beverages" category (106.1%).

The index for "Food" increased by 244.5% compared to its level last year, as all of the twelve food group indices have witnessed increases this April. The most significant increase was registered in the "Vegetables" category (360.4%), followed by the "Food Away from Home" category (356.1%), the "Eggs and Dairy Products" category (320.4%), the "Other Food Products" category (270.1%) and the "Meat and Poultry" category (250.7%).

Apparel year-on-year prices registered 308.2% increase in April 2022. This was the result of the surge in the "Footwear" category (334.1%), and in the "Clothing and Sewing Materials" category (302.2%) this month.

The index for "Housing" has significantly increased by 243.0% in April 2022 from its level last year. This was mainly due to the increase in the "Household Energy" category (547.0%) and the "Household Maintenance" category (67.7%).

The "Durable Consumer Goods" index has increased by 163.0% since April 2021. All eight indices have witnessed increases this April, most significantly those of the "Linens" category (384.2%), followed by the "Glassware" category (222.9%), the "Kitchenware" category (219.9%) and the "Housekeeping Services" category (205.1%).

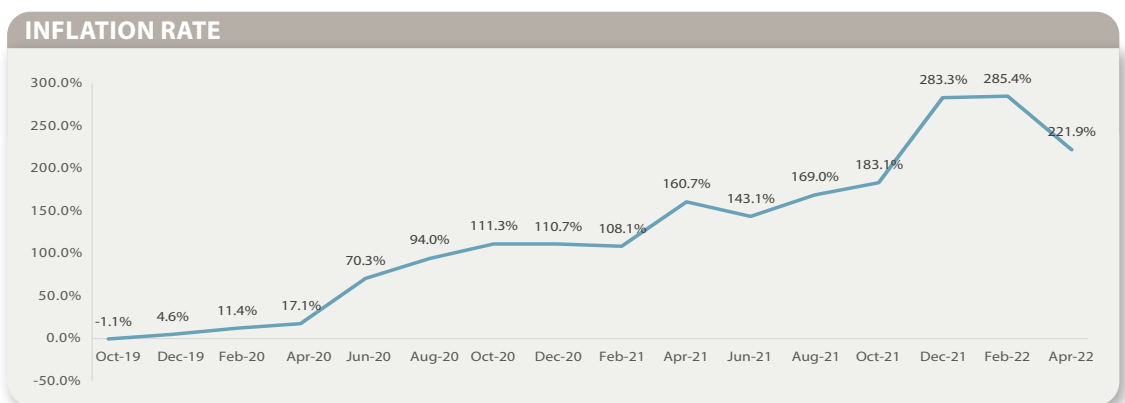
The healthcare index has increased by 99.3% since April 2021. This is due to the increases registered in the "Medications and Medical Accessories" category (344.2%) followed by the "Outpatient Services" category (92.4%) and the "Inpatient Services" category (41.9%). The "Health Insurance" category kept stable in April 2022.

The CPI component for "Transportation and Telecommunications" has increased by 271.3% (year-on-year) in April 2022, due to the increase in the "Transportation" category (277.8%); while the "Telephone Services" category remained unchanged this month.

The index for education has increased by 146.6% from the previous year, due to the increase in the "School Transportation" category (525.4%), followed by the "Educational Books and Supplies" category (253.3%) and the "Tuition Fees" category (49.3%).

The index for recreation has increased by 190.1% compared to its results in April 2021, as both of its main categories increased: the "Movies and Restaurants" category (240.6%) and the "Reading Materials and Photography" category (29.3%).

The index of "Other Goods and Services" has increased by 122.6% since April 2021. This was basically due to the increases registered in the "Personal Care" category (174.2%) and the "Jewelry" category (5.5%).



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

Bank Audi

ALL TOURISM SECTOR ALLOWED TO DOLLARIZATION DURING SUMMER SEASON

All bars, restaurants and retailers are authorized to dollarize their prices during summer season 2022, extending between June 2 and September 30, as per the Lebanese Ministry of Tourism.

This decision aims to allow tourism establishments to make the shift to USD pricing "exceptionally and optionally" due to extreme currency depreciation and inexplicable volatility in the parallel market, as mentioned in a statement.

All establishments should abide by market prices taking into consideration the purchasing power of customers. It is worth noting that the bills can be settled by the local currency, however it would be up to the restaurant or mall to set the exchange rate, said the Lebanese Minister of Tourism in a statement.

LP 100,000 CATEGORY REPRESENTED 83.4% OF TOTAL BANKNOTES CURRENCY ISSUANCE AS AT DEC-21

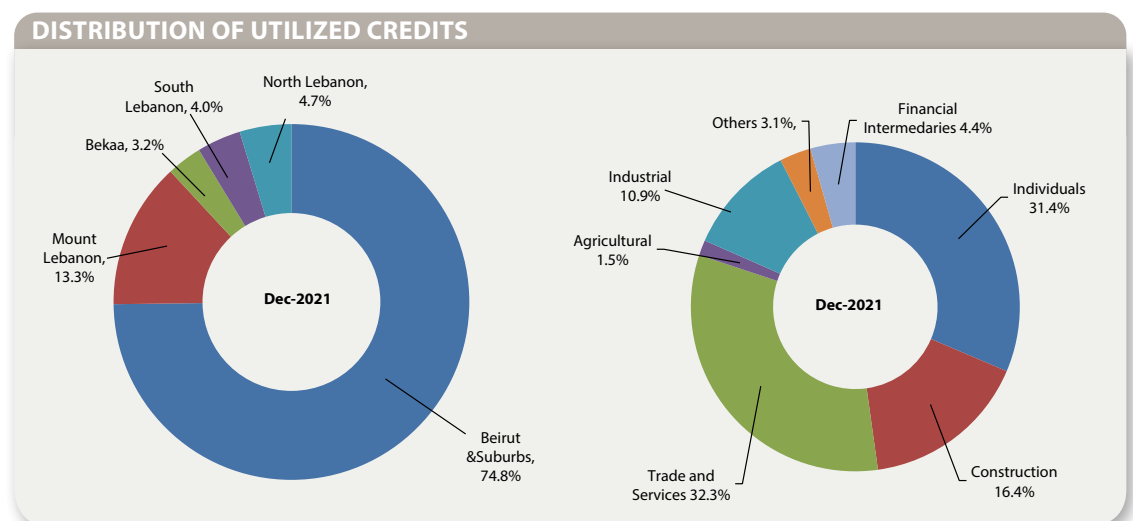
As per the Central Bank of Lebanon, total currency issuance as at Dec-21 reached LP 49.2 trillion.

Banknotes figures was LP 49.1 trillion at end-2021. In details, LP 100,000 banknote represented the highest constitution of total banknotes outstanding at Dec-21 for 83.4%, followed by LP 50,000 banknote for 13.3%, LP 20,000 for 2.1% and LP 10,000 for 0.4%. While LP 5,000 and LP 1,000 issuance volume was negligible.

As for the coins level, 500 coin category represented 59.6% of total coins issued at Dec-21, followed by 250 coin category for 35.3%.

DISTRIBUTION OF UTILIZED CREDITS SHOWS 32% IN TRADE AND SERVICES, 75% FOR BEIRUT AND SUBURBS AS AT END-2021

As per the Central Bank of Lebanon, the total direct utilized credits as at end-December 2021 contracted by 18.9% against end-December 2020 reaching LP 52.2 trillion. Loans are distributed over seven categories, namely trade and services loans, individual loans, construction loans, industrial loans, financial intermediation loans, agricultural loans and other loans.



Sources: BDL, Bank Audi's Group Research Department

Bank Audi

In details, trade and services loans represented the biggest share of 32.3% at end-December 2021 versus 31.4% at end-December 2020. Individual loans constituted 31.4% of the total loans at end-December 2021 versus 35.5% at end-December 2020. Of which, housing loans accounted for 22.7% of total loans at end-Dec 2021 versus 23.9% at end-December 2020.

Construction loans represented 16.4% of total loans as at end-December 2021, followed by industrial loans with 10.9% and financial intermediation loans with 4.4%.

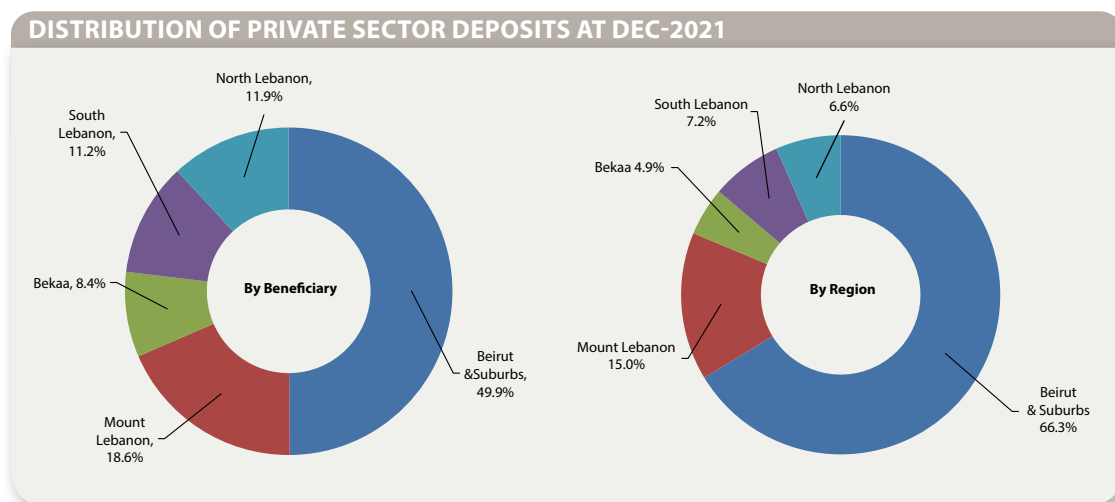
As for the regional distribution of the banks utilized credits, Beirut and the suburbs constitute the biggest share of total loans for 74.8% at end-December 2021, followed by Mount Lebanon region with 13.3%, North Lebanon region with 4.7%, South Lebanon region with 4.0% and Bekaa region with 3.2%.

It is worth mentioning that beneficiaries in Beirut benefited from the highest loans share for 55.1% of total loans as at end-December 2021, followed by beneficiaries in Mount Lebanon with 17.8%, beneficiaries in North Lebanon for 11.2%, beneficiaries in South Lebanon with 8.6% and beneficiaries in Bekaa with 7.3%.

BEIRUT AND SUBURBS ACCOUNT FOR 66% OF PRIVATE SECTOR DEPOSITS AND 50% BY BENEFICIARY AS AT END-2021

As per the Central Bank of Lebanon, the distribution of private sector deposits as at end-2021 by region revealed that Beirut and Suburbs represented the highest constitution of 66.3%, followed by Mount Lebanon with 15.0%, South Lebanon with 7.2%, North Lebanon with 6.6% and Bekaa with 4.9%.

On the beneficiary level, the distribution of private sector deposits as at end-2021 illustrated that the biggest share depositors is in Beirut and Suburbs with a constitution of 49.9%, followed by Mount Lebanon with 18.6%, North Lebanon with 11.9%, South Lebanon with 11.2% and Bekaa with 8.4%.



Sources: BDL, Bank Audi's Group Research Department

Bank Audi

SURVEYS

LEBANON RANKS 71ST GLOBALLY IN 2021 KOF INDEX OF GLOBALIZATION

KOF Swiss Economic Institute released its 2021 KOF Index of Globalization in which Lebanon ranked 71st globally and tenth in the region with a score of 67.60.

The index ranks 208 nations based on three main dimensions of globalization, namely economic, social and political. In details, economic globalization covers both trade flows as well as financial flows, whereas social globalization comprises interpersonal contact, flows of information and cultural proximity.

It is noteworthy that these are the rankings of year 2019.

While the weights of individual variables can change over the years, the weights of the sub-indices are held fixed over the time horizon. The sub-indices themselves are aggregated to higher ranked indices using equal weights. Economic globalization is composed of trade globalization and financial globalization, of which each gets a weight of 50%. Social globalization consists of personal contact, information flows and cultural proximity where each contributes one third. Economic, social and political globalization are aggregated to the Globalization Index using again equal weights. The overall KOF Globalization Index is calculated as the average of the de facto and the de jure Globalization Index.

In details, Lebanon ranked 55th globally and scored 69 in economic globalization. At the level of social globalization, the country score 65.99 and ranked 109th globally. Lebanon score 67.60 in political globalization and ranked 101st globally.

Regionally, the United Arab Emirates topped the list ranking 42nd globally with a score of 75.78, followed by Qatar which ranked 43rd with a score of 75.73. Jordan came in the third position in the region and 47th globally with a score of 73.49.

Globally, Switzerland ranked first with a score of 90.91, Netherlands came second with a score of 90.45 and Belgium came third with a score of 90.33.

ARAB COUNTRIES KOF INDEX OF GLOBALIZATION 2021 RANKINGS

Country	Overall Globalisation Index	Global Rank
United Arab Emirates	75.78	42
Qatar	75.73	43
Jordan	73.49	47
Morocco	70.47	59
Kuwait	69.74	64
Bahrain	68.83	65
Egypt	68.05	69
Tunisia	67.80	70
Lebanon	67.60	71
Saudi Arabia	67.60	72
Oman	63.45	88
Djibouti	56.78	116
Algeria	55.57	120
Libya	55.06	125
Mauritania	51.12	150
Syria	50.20	156
Yemen	48.33	167
Iraq	46.38	175
Sudan	45.46	177
Comoros	40.55	201
West Bank and Gaza	39.54	204
Somalia	30.49	208

Sources: Swiss Economic Institute, Bank Audi's Group Research Department

Bank Audi

LEBANON'S CONSUMABLES MARKET IS PROJECTED TO GROW AT A 2021-2026 CAGR OF 40.0% IN LOCAL CURRENCY TERMS, AS PER FITCH SOLUTIONS

According to a recent report by Fitch Solutions, Lebanon's consumables market is projected to grow at a 2021-2026 CAGR of 40.0% in local currency terms and 20.7% in US dollar terms, which will take the value to LP 1.5 trillion (US\$ 60.1 million) by 2026.

Results of the resident parliament elections uphold the view that the elections will yield a more polarized parliament and weigh on political consensus. This will maintain the obstacles to policymaking and contain medical device market growth due to Lebanon's stifled healthcare system. Lebanon's economy will continue to shrink as consumption falls amid soaring inflation, weakening parallel-market exchange and policy inaction. The market will register erratic growth over 2022-2026. After contracting by 26.1% in 2021, Lebanon's economy will continue to shrink as consumption falls amid soaring inflation, weakening parallel-market exchange and policy inaction. In 2022, however, the agency expects output to rise by 3.9%, largely due to base effects following four years of annual contractions.

Fitch Solutions maintained its forecast CAGR in US dollar terms and project that the market will record a 2021-2026 CAGR of 20.7%, which will take the value to US\$ 60.1 million by 2026. Ongoing currency depreciation and problems with the exchange rate under the US dollar peg will continue to cause large fluctuations for medical device market growth in US dollar terms.

Imports supply most of the market. The US and China were the leading suppliers in 2020, with around 22% and 20% of the total. Germany, Mexico and Ireland were smaller suppliers. Overall, the EU accounted for less than 30% of total imports.

Fitch Solutions projects that the bandages & dressings market will grow by a 2021-2026 CAGR of 11.5% in US dollar terms, which will take expenditure to US\$ 6.2 million by 2026. Adhesive dressings will grow at a higher CAGR than non-adhesive dressings.

Imports supply most of the market. China was the leading supplier in 2020, with around 50% of the total, followed by the Germany with over 16%. Overall, the EU accounted for over one-third of total imports.

The agency forecasts that the suturing market will register a 2021-2026 CAGR of -0.6% in US dollar terms, which will take the value to US\$ 2.9 million by 2026. It will remain the second smallest market within consumables. Imports supply most of the market. Japan was the leading supplier in 2020, with 34% of the total, followed by Thailand and Mexico, each with around 11%. The US and Spain were smaller suppliers. Overall, the EU accounted for nearly 40% of total imports.

Fitch Solutions projects that syringes, needles & catheters will remain the largest market. It will grow at a 2021-2026 CAGR of 24.7% in US dollar terms, which will take the value to US\$ 48.0 million by 2026. Tubular metal needles will be the most dynamic product area.

Imports supply most of the market. The US was the leading supplier in 2020, with around one quarter of the total, followed by China with over 17%. Mexico, Costa Rica and Ireland were smaller suppliers. Overall, the EU represented one quarter of total imports.

Fitch Solutions forecasts that the other consumables market will grow by a 2021-2026 CAGR of 24.4% in US dollar terms, which will take expenditure to US\$ 3.0 million by 2026. Other consumables will remain the second smallest market within consumables. Surgical gloves will register a contraction.

Imports supply most of the market. Malaysia was the leading supplier in 2020, with 47.2% of the total, due to its dominant position in surgical gloves. Smaller suppliers included the US, the Dominican Republic and Thailand. The EU accounted for less than 15% of total imports.

Bank Audi

CORPORATE NEWS

NET PROFITS OF BLOM BANK REPORTED TO US\$ 1.4 MILLION IN THE FIRST QUARTER 2022

BLOM bank issued its consolidated financial statements for first quarter 2022 calculated at the official rate.

The bank reported net profit of US\$ 1.4 million in Q1 2022, versus US\$ 1.1 million in the same period of 2021.

The bank's net interest income attained US\$ 369 million in Q1 2022 up from US\$ 364 million in Q1 2021. Net fees and commission income declined, moving from US\$ 16.2 million in the first quarter of 2021 to US\$ -11.6 million during first quarter of 2022.

Total operating income in Q1 2022 dropped by 56.1% reaching US\$ 147.6 million with respect to US\$ 336.7 million in Q1 2021.

This was accompanied by 66.4% increase in total operating expenses, which amounted to US\$ 119.1 million in Q1 2022, up from US\$ 71.6 million in Q1 2021.

Among the latter category, personnel expenses edged up by 21.5% quarter-on-quarter standing at US\$ 50.5 million in Q1 2022. Other operating expenses witnessed a 157.4% hike to register US\$ 63.6 million in Q1 2022.

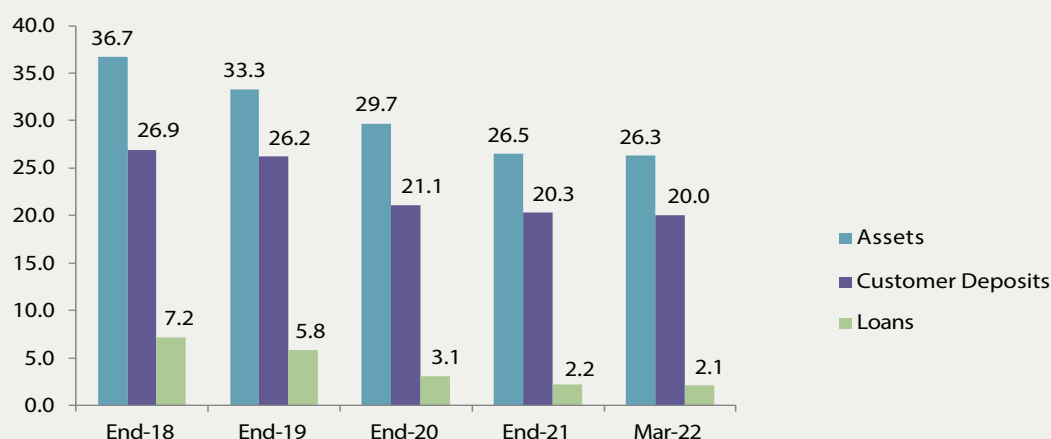
The bank's total assets reached US\$ 26.3 billion at end-March 2022, nearly unchanged from end-2021.

Loans to customers registered US\$ 2.1 billion at end-March 2022, down from US\$ 2.2 billion at end-2021.

At the liability side, deposits from customers stood at US\$ 20.0 billion at end-March 2022 revealing a minor decrease from end-2021.

Shareholder's equity totaled US\$ 3.2 billion at end-March 2022, almost unchanged from end-2021.

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



Sources: BLOM Bank

BYBLOS BANK'S TOTAL ASSETS DOWN TO US\$ 17 BILLION AT END-MARCH 2022

Byblos Bank published its consolidated unaudited financial statements for the Q1 2022 calculated at the official rate.

The bank's comprehensive net loss of US\$ 43.5 million in the first quarter of 2022, slumped from net profit of US\$ 883 thousand in the same quarter of 2021.

Net interest income amounted to US\$ 184.8 million in the first quarter of 2022, up by 3.9% from US\$ 177.8 million recorded in the same period of the previous year.

Bank Audi

Net fees and commissions expenses reported US\$ -43.4 million in Q1 2022, against net fees and commissions income for US\$ 16.5 million in Q1 2021.

Net operating income retreated by 39.6% in the first quarter of 2022 to reach US\$ 47.4 million, against US\$ 78.5 million in the same quarter of previous year.

Total operating expenses witnessed a 42.5% increase in Q1 2022 reaching US\$ 74.7 million, of which personnel charges reached US\$ 26.7 million, 9.0% lower than those reported in the first quarter of 2021, and other operating expenses recorded US\$ 44.0 million in the first quarter of 2022, a 131.4% hike than those in the same period of the previous year.

The bank's total assets as at Mar-22 reached US\$ 17.1 billion, almost unchanged from its figure at end-2021. Loans and advances declined from US\$ 1.9 billion at end-2021 to US\$ 1.8 billion at Mar-22.

At the liabilities side, customers' deposits declined from US\$ 13.2 billion at-end 2021, down from US\$ 13.1 billion at Mar-22.

Finally, shareholders' equity totaled US\$ 1.7 billion at Mar-22, down by 2.6% from end-2021.

PROFIT AND LOSS ITEMS

Figures in US\$ million

	Q1-2021	Q1-2022
Net Interest Income	177.8	184.8
Net Fees & Commissions Income	16.5	(43.4)
Net Operating Income	78.5	47.4
Total Operating Expenses	(52.4)	(74.7)
Net Profits	0.9	(43.50)

Source: Byblos Bank

A NEW CIRCULAR OF THE ASSOCIATION OF BANKS REGARDING CHECKS

The Association of Banks issued circular No. 140/2022 on 18th of May following its board of directors' meeting recommending the Lebanese banks to accept checks not exceeding US\$ 15,000.

This circular is conditioned that these checks would not be requested to be cashed or transferred outside Lebanon once cleared. Moreover, the deposited check should comply by the nature activity of the account.

It is worth noting that this applies to all beneficiaries including self-employed and retired from union's mutual fund.

The Secretary-General of the Association is assigned to handle exceptional cases related to some special accounts in coordination with the concerned bank and the representative of the liberal professions unions specifically authorized for this purpose.

SAYRAFA TRANSACTED A DAILY AVERAGE OF US\$ 128 MILLION LAST WEEK

The daily average volume of transactions on Sayrafa foreign exchange platform during the 53rd week was US\$ 127.5 million, compared to previous week's daily average transacted volume of US\$ 53.5 million (against a cumulative daily average volume since the launch of Sayrafa of US\$ 26.3 million). This more double fold volume came at the back of BDL's last week announcement requesting from all banks to optimize their operational capacity over the week to transact on sayrafa platform all amounts presented by individual or corporate clients.

The daily average conversion rate for week 53 is LP 24,460 when compared to daily average conversion rate of previous week of LP 24,525 and the cumulative daily average conversion rate since the launch of Sayrafa of LP 19,829.

The Central Bank (BDL) announced that the conversion rate at end of week 53 was LP 24,400, while the conversion rate reported by end of week 52 was LP 24,600.

Bank Audi

CAPITAL MARKETS

MONEY MARKET: LARGE WEEKLY CONTRACTIONS IN TOTAL RESIDENT DEPOSITS

The cost of LP cash ranged between 25% and 30% during this week, as the money market continues to suffer from a shortage in local currency liquidity.

Concurrently, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 19th of May 2022 showed that total resident banking deposits contracted significantly by LP 1,046 billion. This is mainly driven by a LP 738 billion fall in total LP resident deposits amid a LP 752 billion decrease in LP demand deposits and a LP 14 billion rise in LP saving deposits, while foreign currency resident deposits fell by LP 308 billion (the equivalent of US\$ 205 million as per the official rate of LP 1,507.5). Within this context, the money supply in its broadest sense (M4) contracted by LP 165 billion over the covered week, given a large expansion in the money in circulation of LP 1,008 billion and a LP 126 billion retreat in the non-banking sector Treasury bills portfolio.

INTEREST RATES

	03/06/2022	27/05/2022	30/12/2021	
Overnight rate (official)	1.90%	1.90%	1.90%	↔
7 days rate	2.00%	2.00%	2.00%	↔
1 month rate	2.75%	2.75%	2.75%	↔
45-day CDs	2.90%	2.90%	2.90%	↔
60-day CDs	3.08%	3.08%	3.08%	↔

Source: Bloomberg

TREASURY BILLS MARKET: NOMINAL WEEKLY SURPLUS OF LP 105 BILLION

The latest Treasury bills auction results for value date 2nd of June 2022 showed subscriptions in the six-month category (offering a yield of 4.0%), the two-year category (offering a yield of 5.0%) and the ten-year category (offering a coupon of 7.0%).

In parallel, the Treasury bills auction results for value date 26th of May 2022 showed that total subscriptions amounted to LP 330 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 28 billion in the three-month category (offering a yield of 3.50%) and LP 302 billion in the one-year category (offering a yield of 4.50%). These compare to maturities of LP 225 billion, resulting into a nominal weekly surplus of LP 105 billion.

On a cumulative basis, total subscriptions in Treasury bills amounted to LP 5,814 billion over the first five months of the year 2022, fully allocated to the Central Bank of Lebanon. The six-month category captured 24.4% of the total, followed by one-year category with 19.7%, the three-year category with 19.1%, the two-year and ten-year categories with 12.3% each, the five-year category with 7.2% and the three-month category with 4.9%. These compare to maturities of LP 5,695 billion, resulting into a nominal surplus of LP 119 billion during the first five months of 2022.

FOREIGN EXCHANGE MARKET: LP IMPROVES BY 26% AGAINST US DOLLAR ON BLACK FX MARKET FOLLOWING BDL'S INITIATIVE

After touching a record high level of LP/US\$ 38,000 at the end of last week, the LP/US\$ exchange rate dropped to LP/US\$ 28,150-LP/US\$ 28,200 on Friday, down by 26%, after the Central Bank of Lebanon asked banks to open their branches and funds till 6 pm for three consecutive days to meet customers' demand for US dollar banknotes at the "Sayrafa" rate without earning any commission. Concurrently, the Central Bank of Lebanon unveiled this week that foreign currency operations on the "Sayrafa" platform were executed at an average rate of LP/US\$ 24,400 to LP/US\$ 24,500 between May 30 and June 3, 2022.

Bank Audi

TREASURY BILLS

	03/06/2022	27/05/2022	30/12/2021	
3-month	3.50%	3.50%	3.50%	↔
6-month	4.00%	4.00%	4.00%	↔
1-year	4.50%	4.50%	4.50%	↔
2-year	5.00%	5.00%	5.00%	↔
3-year	5.50%	5.50%	5.50%	↔
5-year	6.00%	6.00%	6.00%	↔
7-year	-	-	6.50%	
10-year	7.00%	-	7.00%	
Nom. Subs. (LP billion)		330	246	
Short-term (3&6 mths)		28	-	
Medium-term (1&2 yrs)		302	-	
Long-term (3 yrs)		-	200	
Long-term (5 yrs)		-	-	
Long-term (7 yrs)		-	46	
Maturities		225	13	
Nom. Surplus/Deficit		105	233	

Sources: Central Bank of Lebanon, Ministry of Finance

In parallel, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 31st of May 2022 showed that BDL's foreign assets contracted slightly by US\$ 43 million during the second half of the month to reach US\$ 16.0 billion at end-May 2022. When excluding BDL's Eurobond holdings estimated at US\$ 5.0 billion and facilities provided to Lebanese banks, the Central Bank of Lebanon's liquid FX reserves fell below US\$ 11 billion at end-May 2022.

EXCHANGE RATES

	03/06/2022	27/05/2022	30/12/2021	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,895.08	1,902.16	2,022.91	↑
LP/¥	11.60	11.87	13.11	↑
LP/SF	1,571.95	1,572.11	1,639.48	↑
LP/Can\$	1,199.47	1,183.28	1,175.53	↓
LP/Euro	1,620.26	1,617.55	1,701.52	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: SHY WEEKLY PRICE GAINS ON LEBANON'S EQUITY MARKET

The Beirut Stock Exchange posted shy price rises of 0.9% this week, following a strong price rally over the past couple of weeks. Two out of 10 traded stocks registered price gains, while five stocks recorded price falls and three stocks saw no price change week-on-week.

In details, Solidere "A" share price fell by 3.9% to US\$ 62.75, while Solidere "B" share price increased by 2.1% to US\$ 65.0. As to banking stocks, Bank Audi's "listed" share price declined by 1.2% to US\$ 1.68. Bank Audi's GDR price shed 15.1% to US\$ 1.57. Byblos Bank's "listed" share price retreated by 3.8% to US\$ 0.75. Byblos Bank's "Preferred shares 2008" plunged by 16.7% to US\$ 24.99. Byblos Bank's "Preferred shares 2009" stood unchanged at US\$ 37.98. BLOM's "listed" share price remained stable at US\$ 2.85. BLOM's GDR price stood stable at US\$ 2.60. Amongst industrials, Holcim Liban's share price rose by 0.5% to US\$ 23.80.

As to trading volumes, the BSE total turnover contracted from US\$ 25.6 million last week to US\$ 20.4 million this week, down by 20.5%, noting that Solidere shares continued to capture the lion's share of activity (98%).

Bank Audi

AUDI INDICES FOR BSE

	03/06/2022	27/05/2022	30/12/2021	
Market Cap. Index	651.24	645.31	447.87	↑
Trading Vol. Index	184.31	289.93	80.38	↓
Price Index	136.72	135.47	94.02	↑
Change %	0.92%	18.86%	4.13%	↑

	03/06/2022	27/05/2022	30/12/2021	
Market Cap. \$m	15,450	15,309	10,625	↑
No. of shares traded (Exc. BT)	558,119	597,790	171,230	↓
Value Traded \$000 (Exc. BT)	20,376	25,624	5,359	↓
o.w. : Solidere	19,901	25,120	4,614	↓
Banks	468	303	732	↑
Others	7	201	13	↓

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

BOND MARKET: LEBANESE BOND MARKET CONTINUES TO DRIFT LOWER

Lebanese Eurobond prices hit new depths this week, reaching 7.25-8.50 cents per US dollar on Friday as compared to 8.75-9.50 cents per US dollar at the end of last week, as the new fragmented Parliament cast doubts about Lebanon's ability to deliver much-needed reform laws and agree on major political issues. Within this context, Fitch Ratings said in a recent report that the inconclusive outcome of Lebanon's elections on 15 May will make it challenging for any camp to form a stable governing majority in Parliament, further complicating the country's ability to implement financial and economic reforms, adding that such reforms would be preconditions for support from the IMF and other international partners, which in turn could pave the way for Lebanon's exit from default on its sovereign obligations.

EUROBONDS INDICATORS

	03/06/2022	27/05/2022	30/12/2021	
Total tradable size \$m	32,364	32,364	32,364	↔
o.w.: Sovereign bonds	31,314	31,314	31,314	↔
Bid price (cents per US dollar)	7.25-8.50	8.75-9.50	9.88-10.63	↓
Average Life	5.81	5.83	6.18	↓
Yield on US 5-year note	2.93%	2.69%	1.26%	↑

Source: Bank Audi's Group Research Department

Bank Audi

INTERNATIONAL MARKET INDICATORS

	03-Jun-22	27-May-22	31-Dec-21	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	130.82	127.10	115.11	2.9%	13.6%
\$/£	1.249	1.263	1.353	-1.1%	-7.7%
\$/Euro	1.072	1.074	1.137	-0.1%	-5.7%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	32,899.70	33,212.96	36,338.30	-0.9%	-9.5%
S&P 500	4,108.54	4,158.24	4,766.18	-1.2%	-13.8%
NASDAQ	12,012.73	12,131.13	15,644.97	-1.0%	-23.2%
CAC 40	6,485.30	6,515.75	7,153.03	-0.5%	-9.3%
Xetra Dax	14,460.09	14,462.19	15,884.86	0.0%	-9.0%
FT-SE 100	7,532.95	7,585.46	7,384.54	-0.7%	2.0%
NIKKEI 225	27,761.57	26,781.68	28,791.71	3.7%	-3.6%
COMMODITIES (in US\$)					
GOLD OUNCE	1,851.19	1,853.72	1,829.20	-0.1%	1.2%
SILVER OUNCE	21.93	22.11	23.31	-0.8%	-5.9%
BRENT CRUDE (per barrel)	119.72	115.56	77.78	3.6%	53.9%
LEADING INTEREST RATES (%)					
1-month Libor	1.12	1.06	0.10	0.06	1.02
US Prime Rate	4.00	4.00	3.25	0.00	0.75
US Discount Rate	1.00	1.00	0.25	0.00	0.75
US 10-year Bond	2.93	2.74	1.51	0.20	1.42

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER

The content of this publication is provided as general information only and should not be taken as an advice to invest or engage in any form of financial or commercial activity. Any action that you may take as a result of information in this publication remains your sole responsibility. None of the materials herein constitute offers or solicitations to purchase or sell securities, your investment decisions should not be made based upon the information herein.

Although Bank Audi sal considers the content of this publication reliable, it shall have no liability for its content and makes no warranty, representation or guarantee as to its accuracy or completeness.