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Weekly Market Watch

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TABLE OF CONTENTS

LEBANON NEWS

ECONOMIC INSIGHTS

- Real Estate Sale Transactions up by 2.20% in 2014 1
- World Bank Publishes "Global Economic Prospects - January 2015" Report 2
- Lebanon Ranks Last on a Regional Basis in Terms of Spreads on CDS 3
- Industrial Exports Shed 8.85% Y-O-Y to $2,388 Million up to September 4
- Cleared Checks' Volume Contracts by 2.07% y-o-y to 12.96 Million in 2014 5
- New Car Sales Notch 4.73% Higher in 2014 6
- ABL Amends the BRR on LBP and USD Lending 7

MONETARY PERFORMANCE

- Monetary Aggregates 8
- Money Markets 8

FIXED INCOME

- Fixed Income 9

LEBANESE EQUITIES

- Lebanese Equities & Credit Libanais Indices 10

Lebanon's Economic & Financial Sector Indicators 12

Lebanon's Ratings 13

REAL ESTATE SALE TRANSACTIONS UP BY 2.20% IN 2014

The number of real estate transactions in Lebanon came in 2.20% higher y-o-y at 70,721 during the year 2014, from 69,198 transactions in 2013.

WORLD BANK PUBLISHES "GLOBAL ECONOMIC PROSPECTS - JANUARY 2015" REPORT

The World Bank released its "*Global Economic Prospects - January 2015 – Having Fiscal Space and Using It*" report, in which it expects Lebanon's real GDP growth to increase during the upcoming couple of years and reach 2.0% in 2015, 3.4% in 2016 and 3.6% in the year 2017.

LEBANON RANKS LAST ON A REGIONAL BASIS IN TERMS OF SPREADS ON CDS

According to S&P Capital IQ, Lebanon occupied the last position in the region in terms of 5-year Cumulative Probability of Default (CPD) and spreads on 5-year Credit Default Swaps (CDS) in the fourth quarter of 2014.

INDUSTRIAL EXPORTS SHED 8.85% Y-O-Y TO $2,388 MILLION UP TO SEPTEMBER

Lebanon's industrial exports came in 8.85% lower y-o-y at $2,388 million as at the end of the first nine months of 2014, down from $2,620 million during that same period in 2013.

CLEARED CHECKS' VOLUME CONTRACTS BY 2.07% Y-O-Y TO 12.96 MILLION IN 2014

According to ABL statistics, the value of cleared checks increased to LBP 112,296 billion (distributed over 12,963,873 checks) during the year 2014, up from LBP 109,093 billion (allocated over 13,237,845 checks) in 2013.

SYNOPSIS OF TERMS

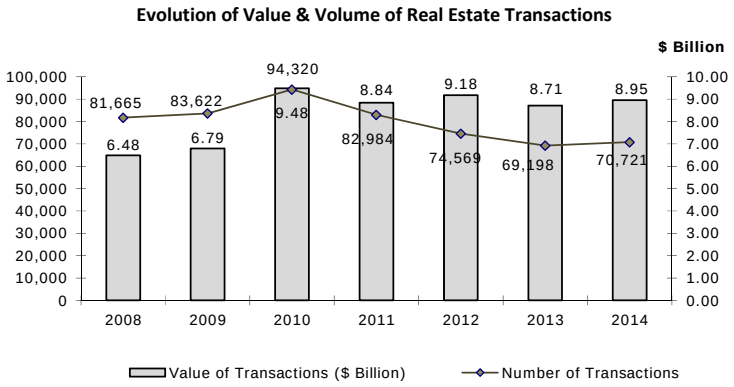
"BDL"	Banque Du Liban
"ABL"	Association of Banks in Lebanon
"MOF"	The Lebanese Ministry of Finance
"BOP"	Balance of Payment
"IMF"	The International Monetary Fund
"Moody's"	Moody's Investors Service
"BSE"	Beirut Stock Exchange
"GDRs"	Global Depositary Receipts
"M1"	Currency in Circulation + Demand Deposits in LBP
"M2"	M1 + Other Deposits in LBP
"M3"	M2 + Deposits in Foreign Currencies
"M4"	M3+ Treasury Bills Held By Non Banking System, Including Accrued Interests
"CPI"	Consumer Price Index
"PPI"	Producer Price Index
"CLASI"	Credit Libanais Aggregate Stock Index
"CLFI"	Credit Libanais Financial Sector Stock Index
"CLCI"	Credit Libanais Construction Sector Stock Index
"EIU"	Economist Intelligence Unit
"EOY"	End of Year
"P/E"	Price to Earnings Multiple
"P/BV"	Price to Book Multiple
"YTD"	Year To Date
"YTD Price Performance"	Yield to Date Price Appreciation
"Forex"	Foreign Exchange
"LBP"	The Lebanese Pound
"USD"	The United States Dollar
"Yen"	The Japanese Yen
"GBP"	The British Pound/ Sterling Pound
"CHF"	The Swiss Franc
"Y-O-Y"	Year-On-Year
"GDP"	Gross Domestic Product
"MENA"	Middle East and North Africa
"LE"	Livre Egyptienne – Egyptian Pound
"SAR"	Saudi Arabian Riyal
"AED"	United Arab Emirates Dirham
"BD"	Bahraini Dinar

REAL ESTATE SALE TRANSACTIONS UP BY 2.20% IN 2014

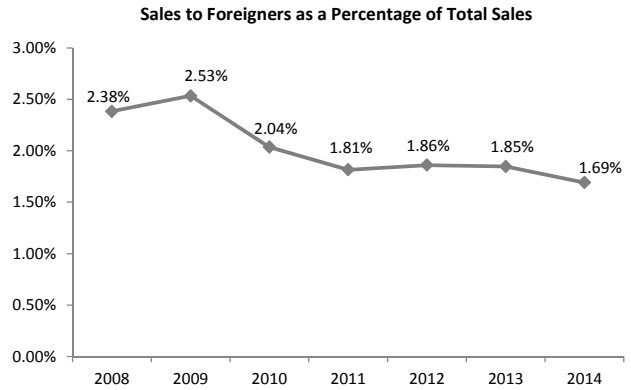
Real estate activity regained momentum during the month of December 2014, with the number of transactions soaring to 7,141, up from 5,571 transactions in November. This owes to investors' flocking to register their properties before year-end in fear of an appreciation in their properties' rental values and possibly higher registration fees in the subsequent year. On a cumulative basis, the number of real estate transactions came in 2.20% higher y-o-y at 70,721 during the year 2014, from 69,198 transactions in 2013. The value of real estate transactions rallied to $903.13 million in December alone, up from $640.08 million in November. Concurrently, the aggregate value of real estate transactions burgeoned by 2.77% y-o-y to $8.95 billion during the year 2014, from $8.71 billion in the year 2013. Consequently, the average value per transaction rose shyly to $126,575, from $125,841 a year before, with the share of foreigners of total real estate sales transactions receding to 1.69% as at end of year 2014, from 1.85% as at end of year 2013.

Real Estate Transactions	For the Year		Y-O-Y
	2013	2014	% Change
Number of Sale Transactions	69,198	70,721	**2.20%**
Value of Transactions (USD Billion)	8.71	8.95	**2.77%**
Average Value per Transaction (USD)	**125,841**	**126,575**	**0.58%**

Source: General Directorate of Land Registry and Cadastre, Credit Libanais Economic Research Unit

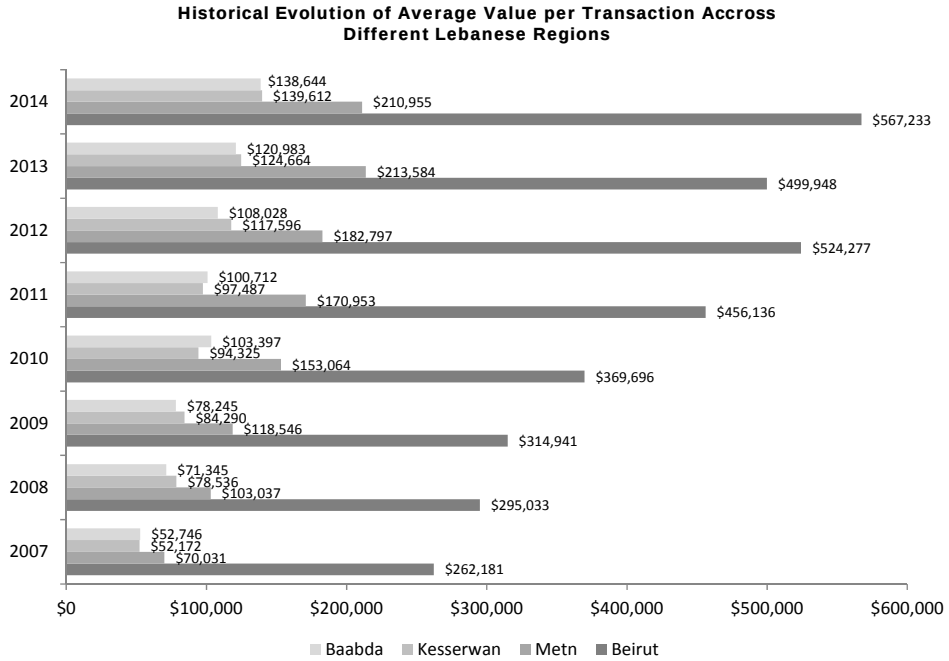


Source: General Directorate of Land Registry and Cadastre, Credit Libanais Economic Research Unit



Source:GDLRC, Credit Libanais Economic Research Unit

The average value per real estate transaction in Beirut increased to $567,233 as at end of year 2014, up from $499,948 in 2013, with the average value per transaction in the Kesserwan region increasing to $139,612, from $124,664 in the year 2013. On the other hand, the average value per transaction in the Metn region eased to $210,955, from $213,584 in the year 2013.



Source: General Directorate of Land Registry and Cadastre, Credit Libanais Economic Research Unit

WORLD BANK PUBLISHES "GLOBAL ECONOMIC PROSPECTS - JANUARY 2015" REPORT

The World Bank released this week its "*Global Economic Prospects - January 2015 – Having Fiscal Space and Using It*" report, in which it anticipates world economic growth to moderately improve during the 2015-2017 period. More specifically, the report projects the world's real GDP growth to reach 3.0% in the year 2015 and 3.3% in the year 2016, before marginally slowing to 3.2% in the year 2017. The World Bank based its assumptions on a wide set of factors, mainly the sluggish commodity prices, frail international trade, and the prevailing low interest rate environment, which is being accompanied by growingly divergent monetary policies across major economies. In fact, the report points to a diverging pace of economic activity between the United States and the United Kingdom on the one hand, and the Euro Area and Japan on the other. More specifically, economic activity in the U.S. and U.K. gained momentum during the year 2014, fueled by a recovery in their respective labor markets and an accommodative monetary policy. On the other hand, the Euro Area and Japan continued to endure the scraps of the latest financial crisis, with the possibility of a prolonged period of stagnation or deflation still lingering. The report also cites the significant slump in international oil prices witnessed since mid-2014 as an important trigger to global economic activity, and considered that said drop would alleviate, to some extent, the constraints hampering economic growth in oil-importing developing countries, while hindering the growth outlook for oil-exporting countries. In this context, the World Bank expects economic growth in developing countries to remain slightly below the 5% mark this year, and to gradually increase to 5.3% in 2016 and 5.4% in 2017. Nevertheless, the report warns that the swelling geopolitical turmoil, the increasing volatility on financial markets and some commodity markets, and the "financial stress" in many emerging markets may lead to a reassessment of risk assets and a deterioration in borrowing costs and liquidity conditions in the related countries. Conversely, high-income economies' real GDP is expected to grow at an average rate of around 2.2% in the 2015-2017 period, compared to 1.8% in the year 2014, and this amid the steady improvement in the related countries' labor markets and low financing costs, coupled with a reduced fiscal consolidation.

On the regional front, the World Bank expects real GDP in the Middle East & North Africa (MENA) region to grow at around 2.5% in 2015, and to further accelerate to 3.0% in 2016 and 3.5% in 2017. In fact, the report sheds light on the solid recovery witnessed in oil-importing countries in the MENA region, owing, in part, to the sizeable official assistance granted from GCC countries, which contributed to enhancing consumption, investment, and confidence in many of the related countries. The report notes, however, that said recovery remains rather uneven. As far as MENA oil-exporting nations are concerned, the World Bank foresees a rather slothful economic performance amid the impact of the declining oil prices on their respective fiscal and external balances, in addition to the sustained political and security instabilities in countries such as Iraq, Libya, and Yemen.

On a local basis, the World Bank expects Lebanon's real GDP growth to increase during the upcoming couple of years and reach 2.0% in 2015, 3.4% in 2016 and 3.6% in the year 2017. On the other hand, the World Bank anticipates Lebanon's current account balance to GDP ratio to remain in negative grounds throughout the upcoming period, yet to slightly improve to -8.0% in 2015, -7.3% in 2016, and -7.1% in 2017. In fact, and according to the report, Lebanon continues to suffer from the spillover of the Syrian conflict and the ongoing inflow of Syrian refugees to its territories, which currently represent 25% of the country's population. This can be mirrored through a dampened economic activity, reduced exports, and deteriorating sentiment. The report also uncovered that local political and security uncertainties have landed a hefty blow on Lebanon's business activity, tourism sector, and wholesale and hospitality industries. Nonetheless, the report mentions that Lebanon is one of only four countries in the region to raise funds in international bond markets.

	Projected Real GDP Growth Rates at Market Prices			Projected Current Account Balance / GDP		
Country	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
MENA Region	2.5%	3.0%	3.5%	-4.3%	-4.1%	-3.9%
Lebanon	**2.0%**	**3.4%**	**3.6%**	**-8.0%**	**-7.3%**	**-7.1%**
Algeria	3.3%	3.5%	3.5%	-9.1%	-9.3%	-9.5%
Egypt	3.6%	3.9%	4.0%	-1.7%	-1.8%	-2.0%
Iran	0.9%	1.0%	2.2%	-2.6%	-2.2%	-1.9%
Iraq	0.9%	7.0%	5.9%	-5.3%	-2.2%	-1.5%
Jordan	3.4%	3.9%	4.0%	-9.4%	-7.9%	-6.0%
Libya	4.3%	4.4%	6.5%	-12.5%	-11.2%	-9.8%
Morocco	4.6%	4.0%	4.5%	-4.2%	-3.6%	-2.9%
Tunisia	2.7%	3.5%	4.0%	-8.6%	-7.3%	-6.6%
Yemen	3.7%	3.8%	5.2%	-6.5%	-6.1%	-5.5%
West Bank & Gaza	4.4%	4.0%	4.0%	-39.7%	-36.9%	-34.1%

Source: World Bank, Credit Libanais Economic Research Unit

LEBANON RANKS LAST ON A REGIONAL BASIS IN TERMS OF SPREADS ON CDS

According to the "Fourth Quarter 2014 Global Sovereign Debt Credit Risk Report" published by S&P Capital IQ on January 15, 2015, Lebanon's spreads on five-year credit default swaps (CDS) widened by 9.18% in the fourth quarter of 2014 to 397.0 basis points, up from 363.6 basis points as at the end of the third quarter of 2014. This implies that the annual cost of insuring some $10 million in 5-year government bonds against default has risen from $363,600 as at end of September 2014 to $397,000 as at end of December. On a yearly basis, Lebanon's spreads on five-year CDS came in 0.51% higher, from 395.0 bps in the fourth quarter of 2013. Globally, Switzerland posted the best quarterly performance, with spreads on its 5-year CDS dipping markedly by 20.0% in the fourth quarter of 2014 to 24.0 bps, followed by Turkey (-11.0%, 182 bps), Pakistan (-9.0%, 632.0 bps), Philippines (-8.0%, 90.0 bps), and Korea (-7.0%, 55.0 bps). On the other hand, Venezuela topped the list of worst quarterly performers, with spreads on its 5-year CDS rising significantly by 169.0% followed by Greece (+136.0%) and Russia (+93.0%) only to name a few. This is further elaborated in the following section:

Best Quarterly Performers

Country	Spreads on 5-year CDS on September 30, 2014 (in bps)	Spreads on 5-year CDS on December 31,2014 (in bps)	Quarterly % Change	Annual Cost of Insuring $10 Million in Government Debt Against Default on December 31, 2014
Switzerland	30.0	24.0	-20.0%	$24,000
Turkey	205.0	182.0	-11.0%	$182,000
Pakistan	698.0	632.0	-9.0%	$632,000
Philippines	98.0	90.0	-8.0%	$90,000
Korea	59.0	55.0	-7.0%	$55,000

Source: S&P Capital IQ, Credit Libanais Economic Research Unit

Worst Quarterly Performers

Country	Spreads on 5-year CDS on September 30, 2014 (in bps)	Spreads on 5-year CDS on December 31,2014 (in bps)	Quarterly % Change	Annual Cost of Insuring $10 Million in Government Debt Against Default on December 31, 2014
Venezuela	1,675.0	4505.0	169.0%	$4,505,000
Greece	542.0	1281.0	136.0%	$1,281,000
Russia	248.0	476.0	93.0%	$476,000
Ukraine	1363.0	2578.0	89.0%	$2,578,000
Kazakhstan	161.0	287.0	78.0%	$287,000

Source: S&P Capital IQ, Credit Libanais Economic Research Unit

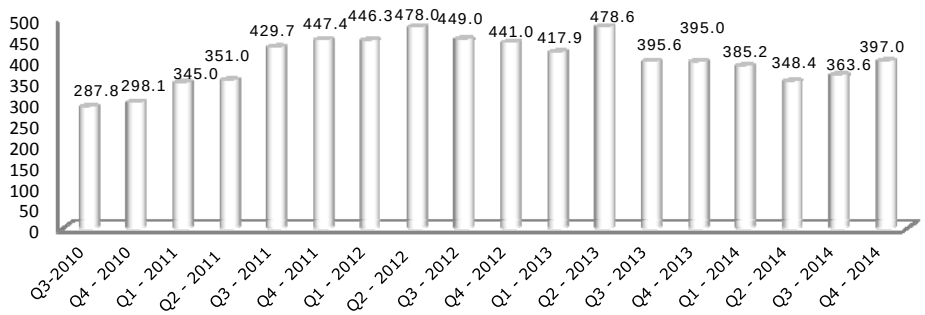
As far as Lebanon is concerned, the 5-year Cumulative Probability of Default (CPD), a measurement tool of the probability of a country failing to honor its debt obligations over a five-year period, increased to 25.3% as at year end 2014, from 23.4% as at end of September 2014.

Consequently, Lebanon occupied the last position in the region in terms of 5-year CPD and spreads on 5-year CDS, being outperformed by Iraq (rank: 10), Egypt (rank: 9), Tunisia (rank: 8), Bahrain (rank: 7), Dubai (rank: 6), Morocco (rank: 5), Algeria (rank: 4) Qatar (rank: 3), Saudi Arabia (rank: 2) and Abu Dhabi (rank: 1) in terms of spreads on 5-year Credit Default Swaps.

Country / Region	5-year Cumulative Probability of Default as at the End of the Fourth Quarter of 2014	Regional Ranking	Spreads on 5-year CDS as at the End of the Fourth Quarter of 2014 (bps)	Regional Ranking
Abu Dhabi	4.5%	1	64	1
Saudi Arabia	4.7%	2	67	2
Qatar	5.8%	3	82	3
Algeria	11.8%	4	175	4
Morocco	12.0%	5	178	5
Dubai	15.5%	6	231	6
Bahrain	16.0%	7	239	7
Tunisia	17.1%	8	260	8
Egypt	18.2%	9	280	9
Iraq	22.9%	10	368	10
Lebanon	**25.3%**	11	**397**	11

Source: S&P Capital IQ, Credit Libanais Economic Research Unit

Evolution of Lebanon's five-year spreads on CDS (bps)



INDUSTRIAL EXPORTS SHED 8.85% Y-O-Y TO $2,388 MILLION UP TO SEPTEMBER

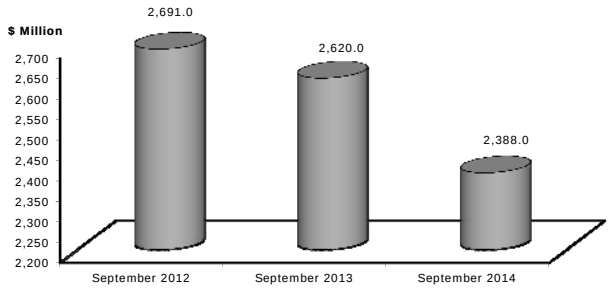
The Lebanese Ministry of Industry released the industrial statistics for the first nine months of the year 2014 uncovering a 2.5% monthly contraction in Lebanon's industrial exports during the month of September to $269 million, down from $275.9 million in August. On a cumulative basis, industrial exports came in 8.85% lower y-o-y at $2,388 million as at the end of the first nine months of 2014, down from $2,620 million during that same period in 2013. More specifically, exports of base metals and articles of base metal fell by 31.44% ($135.1 million) annually to $294.6 million until the month of September, accompanied by a 24.22% ($176.5 million) decline in exports of machinery and mechanical appliances to $552 million.

Concurrently, industrial imports shed 12.88% y-o-y to $212.4 million at the end of Q3 2014, compared to $243.8 million a year earlier. This contraction can be primarily attributed to the 14.50% drop in imports of industrial equipment from Italy to $47.5 million together with some 13.89% decline in imports of industrial equipment from Germany to $34.5 million.

	For the Nine-Month Period Ended		Y-O-Y
(USD Million)	**September 2013**	**September 2014**	**% Change**
Industrial Exports	2,620.0	2,388.0	-8.85%
Industrial Imports of Equipment & Machinery	243.8	212.4	-12.88%

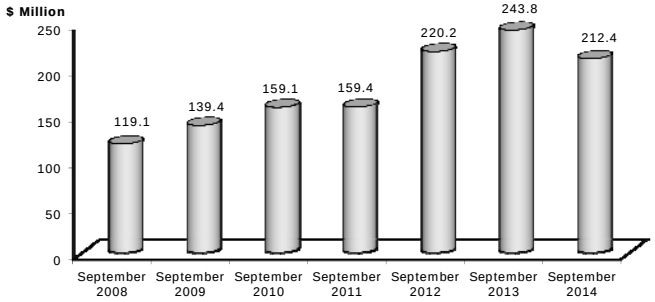
Source: Lebanese Ministry of Industry, Credit Libanais Economic Research Unit

Evolution of Cumulative Industrial Exports



Source: Ministry of Industry, Credit Libanais Economic Research Unit

Evolution of Cumulative Industrial Imports of Equipment & Machinery



Source: Ministry of Industry, Credit Libanais Economic Research Unit

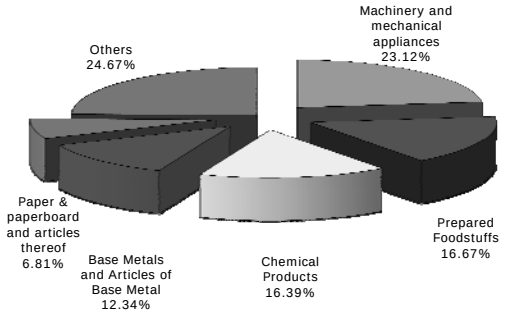
Exports of "machinery and mechanical appliances" topped the list of Lebanon's industrial exports, accounting for 23.12% ($552 million) of the total exports' bill up to Q3 2014, followed by "prepared foodstuffs" ($398.1 million <16.67%>) only to name a few. On the imports front, Italy led the list of countries exporting to Lebanon ($47.5 million <22.38%>), followed by China ($38.9 million <18.30%>) and Germany ($34.5 million <16.26%>) as elaborated in the section below:

Breakdown of Industrial Exports by Product During the First Nine Months of the Year 2014

Product	Value ($ Million)
Machinery and mechanical appliances	552.0
Prepared Foodstuffs	398.1
Chemical Products	391.5
Base Metals and Articles of Base Metal	294.6
Paper & paperboard and articles thereof	162.7
Others	589.1
Total Industrial Exports	**2,388.0**

Source: Lebanese Ministry of Industry, Credit Libanais Economic Research Unit

Breakdown of Industrial Exports During the First Nine Months of the Year 2014

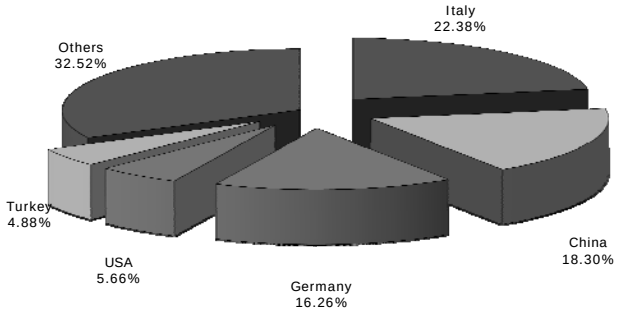


Breakdown of Imports of Equipment & Machinery by Country of Origin During The First Nine Months of the Year 2014

Country	Value ($ Million)
Italy	47.5
China	38.9
Germany	34.5
USA	12.0
Turkey	10.4
Others	69.1
Total Industrial Imports	**212.4**

Source: Lebanese Ministry of Industry, Credit Libanais Economic Research Unit

Breakdown of Imports of Equipment & Machinery by Country of Origin During the First Nine Months of the Year 2014



CLEARED CHECKS' VOLUME CONTRACTS BY 2.07% Y-O-Y TO 12.96 MILLION IN 2014

According to ABL statistics, the value of cleared checks increased to LBP 112,296 billion (distributed over 12,963,873 checks) during the year 2014, up from LBP 109,093 billion (allocated over 13,237,845 checks) in 2013. Of the total value of cleared checks, 75.65% was denominated in foreign currencies, versus 76.45% during the year 2013. The value of returned checks, moreover, added LBP 91 billion (3.91%) on an annual basis to LBP 2,419 billion, with the number of returned checks narrowing by 4.43% y-o-y to 256,653. This is further illustrated in the section below:

Check Clearing Activity

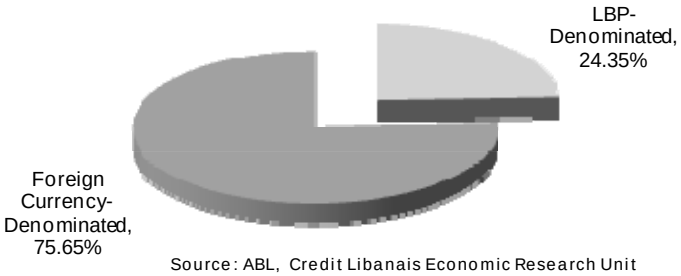
	2013		2014		Y-o-Y % Change	
	Billion	Number	Billion	Number	Value	Volume
Cleared Checks-LBP Denominated	LBP 25,694	3,917,159	LBP 27,349	4,020,731	6.44%	2.64%
Returned Checks-LBP Denominated	*LBP 365*	*64,035*	LBP 405	*67,260*	10.96%	5.04%
Cleared Checks-Foreign Currency Denominated	$55.304	9,320,686	$56.331	8,943,142	1.86%	-4.05%
Returned Checks-Foreign Currency Denominated	*$1.301*	*204,522*	$1.377	*189,393*	5.84%	-7.40%
Total Cleared Checks	**LBP 109,093**	**13,237,845**	**LBP 112,296**	**12,963,873**	**2.94%**	**-2.07%**
Total Returned Checks	**LBP 2,328**	**268,557**	**LBP 2,419**	**256,653**	**3.91%**	**-4.43%**

Source: Association of Banks in Lebanon, Credit Libanais Economic Research Unit

Breakdown of Clearing Activity By Volume

Source: ABL, Credit Libanais Economic Research Unit

Breakdown of Clearing Activity By Value

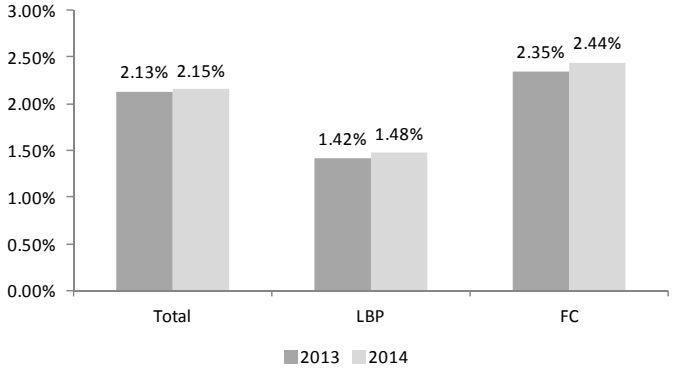


Source: ABL, Credit Libanais Economic Research Unit

On a monthly basis, the value of cleared checks rose by 8.80% to LBP 9,483 billion in December from LBP 8,716 billion in November. Concurrently, the value of returned checks came in 4.64% higher month-on-month at LBP 248 billion in December from LBP 237 billion in November.

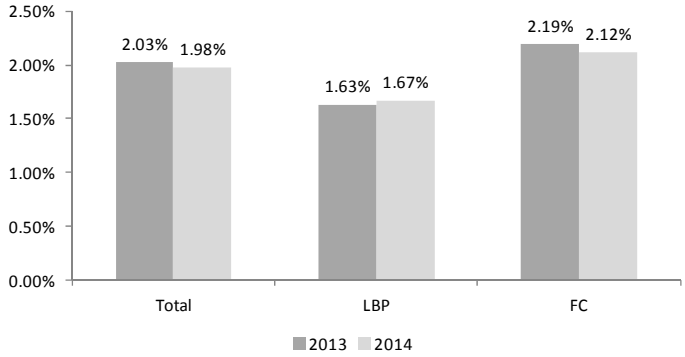
The number of returned checks expressed as a percentage of the total number of cleared checks fell to 1.98% as at end of year 2014 from 2.03% a year earlier. On the other hand, the value of returned checks calculated as a percentage of the total cleared checks' value widened to 2.15% in the year 2014 up from 2.13% in 2013.

Returned Checks as a Percentage of Cleared Checks (Value)



Source: ABL, Credit Libanais Economic Research Unit

Returned Checks as a Percentage of Cleared Checks (Number)



Source: ABL, Credit Libanais Economic Research Unit

NEW CAR SALES NOTCH 4.73% HIGHER IN 2014

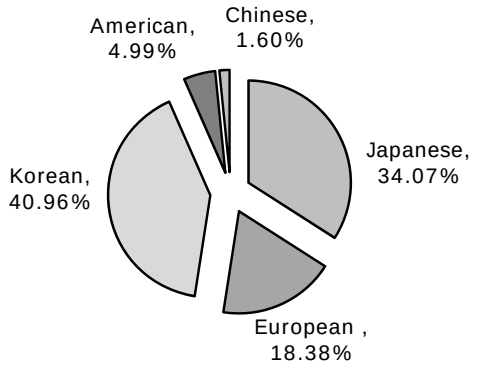
According to the latest statistics published by the Automobile Importers' Association (AIA), new car sales in Lebanon stood at 3,294 vehicles during the month of December 2014, compared to 2,438 vehicles in November and 3,414 vehicles in December 2013. On a cumulative basis, new car sales came in 4.73% higher y-o-y at 37,816 cars as at year end 2014, up from 36,109 vehicles in 2013. Sales of Japanese cars soared by 27.76% y-o-y to 12,883 cars, while the sales of European, Korean, American, and Chinese cars fell by 1.35%, 4.54%, 5.17%, and 20.63% on a respective basis to 6,951 cars, 15,490 cars, 1,888 cars, and 604 cars on a respective basis. Nevertheless, Korean cars continued to control the lion's share of new car sales, amassing alone 40.96% of total new car sales during the year 2014, followed by Japanese (34.07%), European (18.38%), American (4.99%), and Chinese (1.60%) cars.

New Car Sales During the Year

	2013	2014	% Change
Japanese	10,084	12,883	27.76%
European	7,046	6,951	-1.35%
Korean	16,227	15,490	-4.54%
American	1,991	1,888	-5.17%
Chinese	761	604	-20.63%
Total	**36,109**	**37,816**	**4.73%**

Source: AIA, Credit Libanais Economic Research Unit

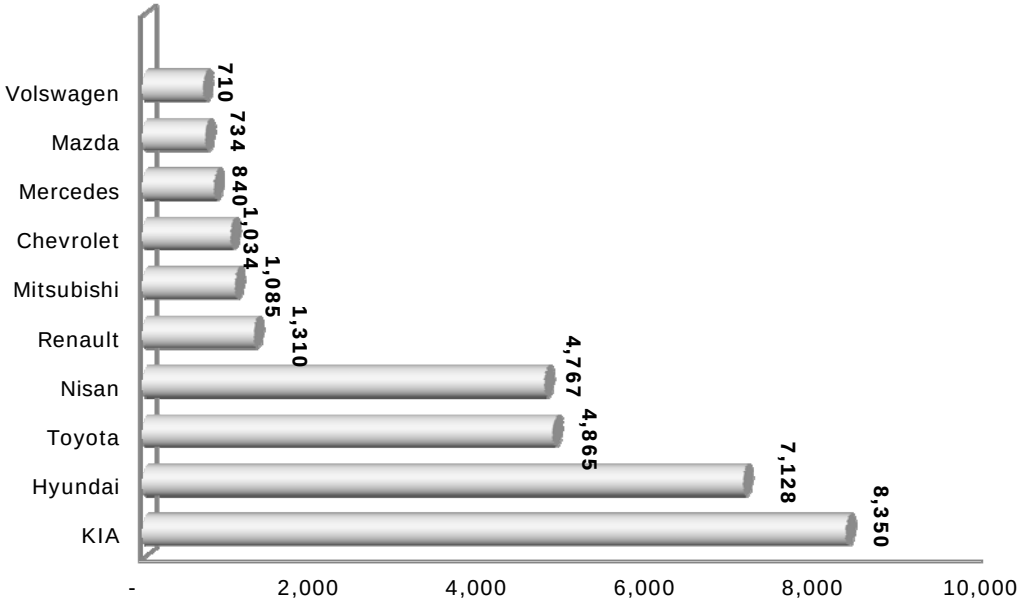
Breakdown of New Car Sales In 2014



Source: AIA, Credit Libanais Economic Research Unit

The Korean "KIA" brand topped the list of new car sales in Lebanon (8,350 cars <22.08%>), followed by the Korean "Hyundai" (7,128 cars <18.85%>) and the Japanese "Toyota" (4,865 cars <12.86%>) brands, as sketched in the chart below:

Top 10 New Car Sales Brands In 2014



Source: AIA, Credit Libanais Economic Research Unit

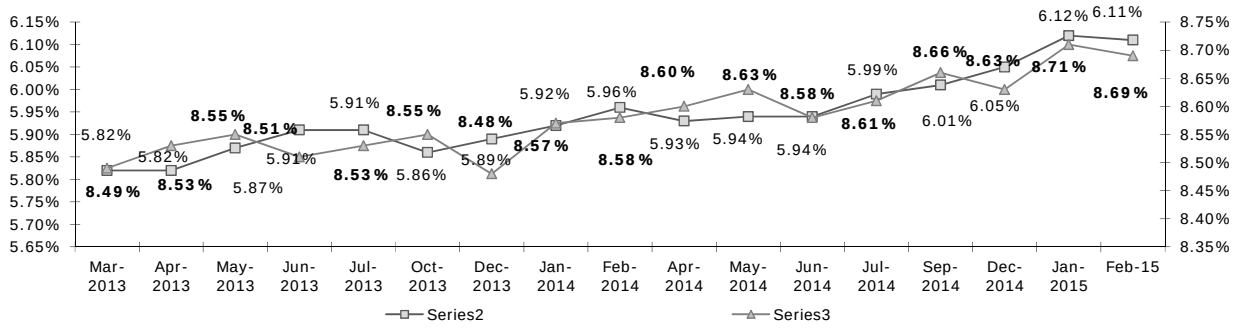
ABL AMENDS THE BRR ON LBP AND USD LENDING

According to the Association of Banks in Lebanon (ABL)'s circular number 008/2014 dated January 14, 2015, the ABL's Board of Directors advocated Lebanese banks to lift the Beirut Reference Rate on lending in Lebanese Pounds (LBP/BRR) up by 2 basis points (bps) to 8.69% effective as of the 1st of February 2015. Concurrently, the ABL's Board of Directors recommended lowering the Beirut Reference Rate on lending in U.S. Dollar (BRR/USD) by 1 basis point to 6.11%. It is worth noting that the aforementioned rates are not to be confused with the Beirut Prime Lending Rate (BPLR), yet constitute the basis for the calculation of the BPLR after factoring in liquidity cost, credit risk cost, and some profitability factor.

	Rates as of January 1, 2015	Rates as of February 1, 2015	Change (bps)
BRR on LBP Lending	8.71%	8.69%	2
BRR on USD Lending	6.12%	6.11%	-1

Source: ABL, Credit Libanais Economic Research Unit

Evolution of Beirut Reference Rate on LBP & USD Lending



Source: ABL, Credit Libanais Economic Research Unit

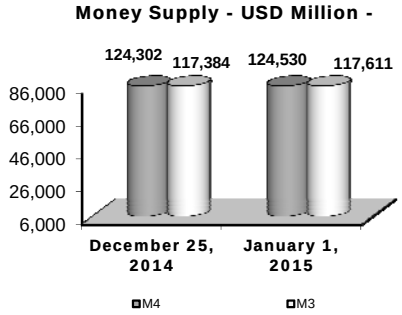
MONETARY AGGREGATES

The overall money supply, "M4", widened by $228.47 million on a weekly basis to $124.53 billion during the week of January 1, 2015, with the non-banking sector's treasury bills' portfolio increasing by a shy $1.33 million.

On the other hand, Lebanese-pound denominated deposits and currency in circulation, "M1", shed $56.22 million week-on-week to around $5.35 billion, dragged by some $113.43 million contraction in demand deposits which outweighed the $57.05 million expansion in money in circulation. Similarly, local currency term deposits, "M2", gained some $70.64 million on a weekly basis and rose by 6.59% year-on-year to just over $48.61 billion. Consequently, private sector term and saving deposits denominated in LBP ("M2- M1") notched slightly higher to nearly $43.27 billion during the concerned week, with deposits denominated in foreign currencies ("M3–M2") firming at around $69 billion.

Money Supply USD Million	December 25, 2014	January 1, 2015	% Change
M1	5,404	5,348	-1.04%
M2	48,543	48,613	0.15%
M3	117,384	117,611	0.19%
M4	124,302	124,530	0.18%
M2-M1	43,139	43,266	0.29%
M3-M2	68,841	68,997	0.23%

Source: Banque Du Liban, Credit Libanais Economic Research Unit



Source: BDL, Credit Libanais Economic Research Unit

MONEY MARKETS

The January 8th Treasury bill auction raised around LBP 260.10 billion ($172.54 million) compared to LBP 181.56 billion ($120.44 million) in the previous auction.

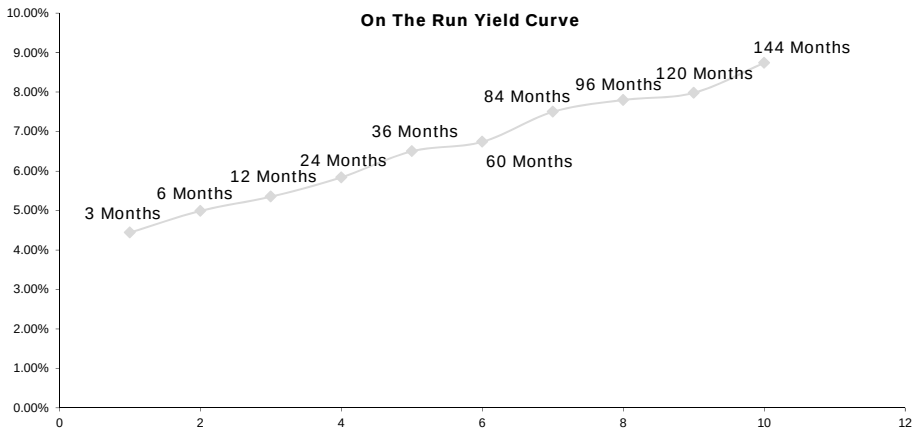
Subscriptions were majority (90%) concentrated in the three-year to maturity T-bonds, followed by the six-month (10%) tenure bills.

The weighted average yield on Lebanese Pound Treasury bills stood at 6.35% during the auction of January 8 compared to 5.47% in the auction of the preceding week. The yields on the six-month and three-year treasury securities remained unchanged at 4.99%, and 6.50% respectively.

	January 8, 2015		
Lebanese Treasury Bills	Yield (%)	Face Value (in billions of LBP)	% of Total Face Value
6 Months	4.99%	26.009	10.00%
36 Months	6.50%	234.090	90.00%
Total		**260.099**	**100.00%**

Source: Reuters, Credit Libanais Economic Research Unit

Lebanese Treasury Bills	3 Months	6 Months	12 Months	24 Months	36 Months	60 Months	84 Months	96 Months	120 Months	144 Months
Treasury Yield	4.44%	4.99%	5.35%	5.84%	6.50%	6.74%	7.50%	7.80%	7.98%	8.74%



FIXED INCOME

Activity in the Lebanese Eurobond market was calm this week with Lebanon's five-year spreads on credit default swap hovering between 380 and 400 basis points and static spreads increasing to 374.86 bps, from 328.92 bps last week.

LEBANESE EUROBONDS							
Lebanese Eurobonds	**Currency**	**Coupon**	**Maturity**	**Bid**	**Ask**	**Bid Yield**	**Bid Static Spread**
Government Eurobonds							
Banque Du Liban	USD	10.000%	Apr-15	101.68	102.02	3.500%	326
Republic of Lebanon	USD	8.500%	Aug-15	102.62	103.19	3.600%	332
Republic of Lebanon	USD	8.500%	Jan-16	104.59	105.35	3.750%	336
Republic of Lebanon	USD	4.000%	Dec-17	100.00	101.00	4.000%	296
Republic of Lebanon	USD	4.500%	Apr-16	100.86	101.80	3.800%	333
Republic of Lebanon	USD	11.625%	May-16	109.82	110.63	3.850%	336
Republic of Lebanon	USD	4.750%	Nov-16	101.27	102.21	4.000%	334
Republic of Lebanon	USD	9.000%	Mar-17	109.25	110.25	4.470%	369
Republic of Lebanon	USD	5.000%	Oct-17	101.00	102.00	4.600%	363
Republic of Lebanon	USD	5.150%	Dec-18	100.50	101.50	4.990%	384
Republic of Lebanon	USD	5.500%	Apr-19	101.25	102.25	5.170%	385
Republic of Lebanon	USD	6.000%	May-19	103.00	104.00	5.220%	388
Republic of Lebanon	USD	6.375%	Mar-20	104.38	105.38	5.390%	392
Republic of Lebanon	USD	5.800%	Apr-20	101.50	103.00	5.460%	398
Republic of Lebanon	USD	6.150%	Jun-20	103.00	104.00	5.500%	399
Republic of Lebanon	USD	8.250%	Apr-21	114.00	115.00	5.560%	397
Republic of Lebanon	USD	6.100%	Oct-22	102.25	103.25	5.730%	398
Republic of Lebanon	USD	6.000%	Jan-23	100.75	101.75	5.880%	410
Republic of Lebanon	USD	7.000%	Dec-24	106.75	107.75	6.080%	419
Republic of Lebanon	USD	6.250%	Jun-25	101.00	102.00	6.120%	419
Republic of Lebanon	USD	6.600%	Nov-26	103.75	104.75	6.150%	415
Republic of Lebanon	USD	6.750%	Nov-27	104.75	105.75	6.210%	418

Source: Credit Libanais Capital Markets

LEBANESE EQUITIES

Activity on the Beirut Stock Exchange remained sluggish for yet another week amid the strained political and security environment, and in the absence of block trades. In fact, the number of shares changing hands plunged to 755,118 shares this week, down from 977,698 shares last week, with value traded slipping to around $5.63 million, from just over $6.13 million a week before. The bulk of weekly trades (41.45%) mainly revolved around Byblos Bank's listed shares, with a shy turnover ratio of 0.06%.

In this perspective, this week's average daily trading value narrowed to around $1.13 million, down from $1.53 million last week, with the average daily trading volume receding to 151,024 shares, from 244,425 shares a week before.

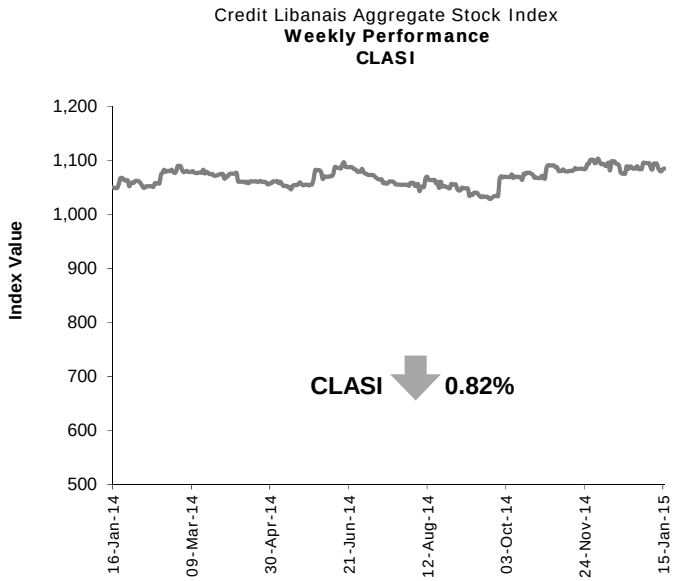
Three losers and five gainers were spotted this week, dragging the BSE's market capitalization down to $11.23 billion. In this context, the Credit Libanais Aggregate Stock Index ("CLASI") maintained its downturn this week, closing 0.82% lower at 1,084.63.

In the real estate sector, the price of Solidere "A" shares added 0.27% this week to $11.25, with that of Solidere "B" remaining unchanged at $11.11. On the other hand, the price of the Ciments Blancs Bearer shares shed 6.67% to $3.50, with that of Holcim Liban shares depreciating by 3.23% to $15.00. Consequently, the Credit Libanais Construction Sector Stock Index ("CLCI") ended its week on a negative note, down by 0.38% to a market close of 623.17.

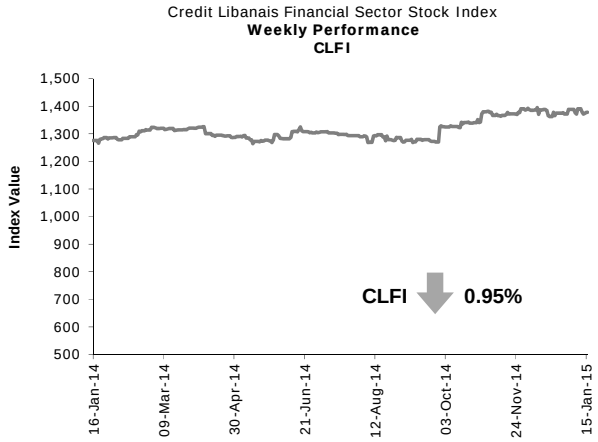
In the banking sector, the Credit Libanais Financial Sector Stock Index ("CLFI") notched 0.95% lower this week to close at 1,378.02. This primarily owes to the 3.51% drop in the price of Bank Audi's listed shares to $6.04, which outweighed the 1.25% appreciation in the price of Byblos Bank's listed shares to $1.62, the 0.60% increase in that of BLOM Bank's GDRs to $9.98, and the 0.11% rise in the price of BLOM Bank's listed shares to $8.81.

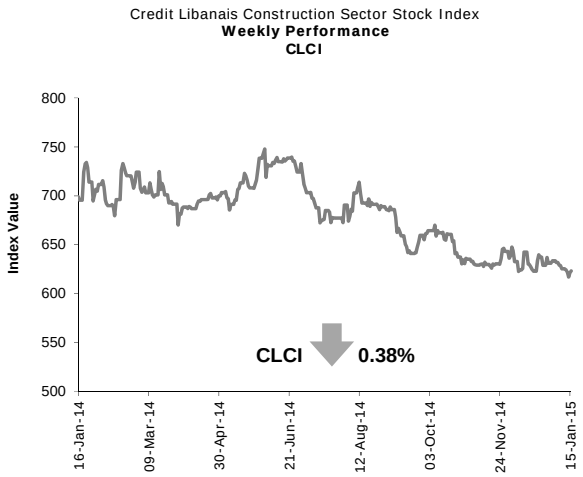
Credit Libanais Indices	Previous 9-Jan-15	Closing 16-Jan-15	Weekly % Change
Credit Libanais Aggregate Stock Index **<.CLASI>**	1,093.56	1,084.63	-0.82%
Credit Libanais Financial Sector Stock Index **<.CLFI>**	1,391.24	1,378.02	-0.95%
Credit Libanais Construction Sector Stock Index **<.CLCI>**	625.54	623.17	-0.38%

Source: Credit Libanais Economic Research Unit



.CLASI	Credit Libanais Aggregate Stock Index		
	Friday, January 16, 2015		
Value	**Daily % Chng**	**Daily Net Chng**	
1,084.63	0.089%	0.96	
Yr.High	**Year Hi.Date**	**Yr.Low**	**Year.Lo.Date**
1,095.11	2-Jan-15	1,079.66	8-Jan-15
Life High	**Life Hi.Date**	**Life Low**	**Life.Lo.Date**
1,801.01	7-Jul-08	836.11	25-Mar-09





Lebanese Equities

BEIRUT STOCK EXCHANGE	Closing	Weekly %Change	Weekly Volume Traded	Weekly Value Traded	Total Listed Shares	Market Capitalisation ($000)	P/E	P/BV	YTD Price Perf.
Solidere A	$11.25	0.27%	49,772	$553,193	100,000,000	$1,125,000	10.19	1.07	-1.92%
Solidere B	$11.11	0.00%	17,509	$193,505	65,000,000	$722,150	10.06	1.06	-1.07%
BLC Bank	$1.70	0.00%	-	-	51,033,333	$86,757	7.73	1.13	0.00%
BLC Bank Preferred Class "A"	$100.00	0.00%	-	-	400,000	$40,000	n.a	n.a	-2.91%
BLC Bank Preferred Class "B"	$100.00	0.00%	-	-	550,000	$55,000	n.a	n.a	0.00%
BLC Bank Preferred Class "C"	$100.00	0.00%	-	-	350,000	$35,000	n.a	n.a	0.00%
Bank Audi - Listed Shares	$6.04	-3.51%	87,649	$527,701	399,749,204	$2,414,485	5.98	0.94	-0.98%
Bank Audi GDR	$6.50	0.00%	15,350	$99,775	115,515,853	$750,853	6.44	1.02	-3.42%
Bank Audi Preferred "E"	$102.20	0.00%	-	-	1,250,000	$127,750	n.a	n.a	0.00%
Bank Audi Preferred "F"	$102.80	0.00%	620	$63,736	1,500,000	$154,200	n.a	n.a	0.59%
Bank Audi Preferred "G"	$101.50	0.00%	-	-	1,500,000	$152,250	n.a	n.a	0.00%
Bank Audi Preferred "H"	$102.80	0.49%	554	$56,951	750,000	$77,100	n.a	n.a	0.49%
Bank Of Beirut - Listed Shares	$18.40	0.00%	226	$4,158	16,822,467	$309,533	7.83	0.85	0.00%
Bank Of Beirut Priority Shares 2014	$21.00	0.00%	-	-	4,762,000	$100,002	8.94	0.97	0.00%
Bank Of Beirut Preferred "E"	$26.25	0.00%	-	-	2,400,000	$63,000	n.a	n.a	0.00%
Bank Of Beirut Preferred "H"	$26.25	0.00%	-	-	5,400,000	$141,750	n.a	n.a	0.00%
Bank Of Beirut Preferred "I"	$25.90	0.00%	-	-	5,000,000	$129,500	n.a	n.a	0.00%
Byblos Bank - Listed Shares	$1.62	1.25%	313,020	$502,869	565,515,040	$916,134	8.53	0.76	1.25%
Byblos Bank Preferred Class 2008	$102.00	0.00%	11,710	$1,194,420	2,000,000	$204,000	n.a	n.a	0.00%
Byblos Bank Preferred Class 2009	$101.20	0.00%	1,563	$158,176	2,000,000	$202,400	n.a	n.a	-0.88%
Byblos Bank GDR	$76.00	0.00%	-	-	1,309,078	$99,490	8.00	0.72	0.00%
BEMO Bank - Listed Shares	$1.79	0.00%	-	-	51,400,000	$92,006	10.53	1.64	2.29%
BEMO Bank Preferred Class 2013	$101.00	0.00%	-	-	350,000	$35,350	n.a	n.a	1.00%
BLOM Bank GDR	$9.98	0.60%	11,685	$116,816	73,896,010	$737,482	6.24	0.88	1.84%
BLOM Bank Listed Shares	$8.81	0.11%	244,677	$2,154,666	215,000,000	$1,894,150	5.51	0.77	0.11%
BLOM Bank Preferred Class 2011	$10.20	0.00%	-	-	20,000,000	$204,000	n.a	n.a	0.00%
RYMCO Class "B"	$3.23	0.00%	-	-	10,920,000	$35,272	26.50	1.66	0.00%
Holcim Liban	$15.00	-3.23%	333	$4,995	19,516,040	$292,741	16.3	1.42	-1.64%
Ciment Blancs Bearer	$3.50	-6.67%	450	$1,575	6,000,000	$21,000	12.50	1.97	-6.67%
Ciment Blancs Nominal	$2.75	0.00%	-	-	3,000,000	$8,250	9.82	1.54	0.00%

Note: n.a stands for not applicable

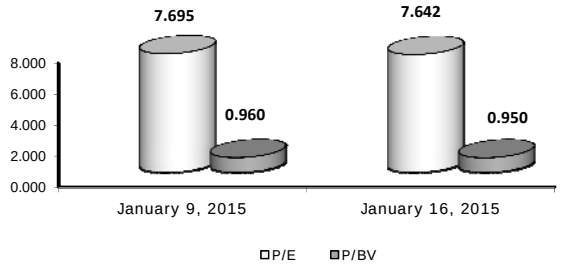
Source: Beirut Stock Exchange, Credit Libanais Economic Research Unit

Activity Analysis

	Previous	Last	% Change
Value Traded ($)	6,134,863	5,632,536	-8.19%
Volume Traded	977,698	755,118	-22.77%
Average Daily Trading Value ($)	1,533,716	1,126,507	-26.55%
Average Daily Trading Volume	244,425	151,024	-38.21%
Market Cap - BSE ($)	11,304,538,752	11,226,604,968	-0.69%
Weighted Average P/E	7.695	7.642	-0.68%
Weighted Average P/BV	0.960	0.950	-1.02%

Source: Beirut Stock Exchange, Credit Libanais Economic Research Unit

Evolution of Beirut Bourse Comparable Benchmarks



Source: BSE, Credit Libanais Economic Research Unit

The weighted average price to earnings (P/E) and price to book (P/BV) multiples of the Beirut Bourse ended their week lower at 7.642x and 0.950x on a respective basis.

LEBANON'S MAIN INDICATORS

Recap of Lebanon's Major Indicators

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MACROECONOMIC INDICATORS											
GDP ($ Billion)	21.29	21.80	24.58	28.83	35.14	38.01	40.08	42.96*	45.02*	47.50*	50.82*
Real GDP Growth Rate	2.70%	1.60%	9.40%	9.10%	10.30%	8.00%	2.00%	1.50%	1.50%	1.80%*	2.50%*
GDP Per Capita ($)	5,339	5,343	5,937	6,888	8,274	8,756	9,145	9,709*	10,077*	10,531*	11,159*
Net Foreign Direct Investment ($ Billion)	2.79	2.68	3.38	4.33	4.84	4.96	3.40	2.30	3.79		
FDI/GDP Ratio	13.11%	12.30%	13.74%	15.02%	13.77%	13.05%	11.79%	7.86%	12.71%		
INDUSTRY											
Industrial Exports ($ Million)	1,667	1,737	2,353	2,978	2,595	3,291	3,530	2,952	3,076	2,388 (5)	
Import of Industrial Machinery ($ Million)	137	130	163	188	199	227	239	288	300	212 (5)	
TOURISM											
Total Number of Tourists	1,139,524	1,062,635	1,017,072	1,332,551	1,851,081	2,167,989	1,655,051	1,365,845	1,274,362	1,132,607 (6)	
Growth in Tax- Free Spending	2%	- 15%	17%	56%	13%	21%	10%	- 6%	4%	8% (8)	
REAL ESTATE											
Value of Real Estate Transactions ($ Million)	3,295.9	3,120.3	4,174.8	6,443.7	6,958.4	9,478.8	8,841.0	9,175	8,708	8,952 (8)	
Number of Real Estate Sales Transactions	50,057	49,051	65,681	80,018	83,465	94,202	82,984	74,569	69,198	70,721 (8)	
Construction Permits (000 sqm)	7,928	7,532	7,919	14,281	11,509	15,187	13,980	12,362	10,527	10,456 (7)	
Cement Delivery (000 tons)	3,040	3,423	3,945	4,219	4,897	5,227	5,550	5,309	5,831	3,693 (4)	
TRANSPORTATION											
Beirut Port: Freight Activity (000 Tons)	4,476	4,226	5,318	5,746	5,769	6,469	6,677	7,225	8,268	6,568 (8)	
Beirut Airport: Number of Passengers (million)	3.18	2.74	3.41	3.87	4.74	5.55	5.65	5.96	6.26	5.99 (7)	
FOREIGN TRADE											
Imports ($ Million)	9,340	9,398	11,815	16,137	16,242	17,964	20,158	21,280	21,228	18,845 (7)	
Exports ($ Million)	1,880	2,283	2,816	3,478	3,484	4,253	4,265	4,483	3,936	3,040 (7)	
Trade Balance ($ Million)	(7,460)	(7,115)	(8,999)	(12,658)	(12,758)	(13,711)	(15,893)	(16,797)	(17,292)	(15,805) (7)	
BALANCE OF PAYMENTS											
Net Foreign Assets at the Financial Sector ($ Million)	747	2,792	2,037	3,460.60	7,899.00	3,325.20	(1,996)	(1,537)	(1,127)	(867.4) (6)	
Foreign Assets ($ Billion)	11.66	12.97	12.39	19.73	28.30	30.85	32.24	35.74	35.29	37.86 (8)	
PUBLIC FINANCE											
Government Expenditures ($ Million)	6,768	7,880	8,350	9,922	11,388	11,336	11,675	13,321	13,640	8,899 (4)	
Government Revenues ($ Million)	4,912	4,853	5,804	7,000	8,428	8,414	9,333	9,396	9,420	7,242 (4)	
Budget Primary Deficit / Surplus ($ Million)	1,802	1,335	1,787	2,730	3,380	1,203	1,662	(110)	(240)	951 (4)	
Total Deficit ($ Million)	(1,856)	(3,027)	(2,546)	(2,921)	(2,960)	(2,894)	(2,342)	(3,925)	(4,220)	(1,658) (4)	
Deficit / GDP Ratio	8.72%	13.89%	10.36%	10.13%	8.42%	7.61%	5.65%	9.23%	9.52%		
Debt Service / GDP Ratio	10.88%	13.47%	13.08%	12.16%	11.49%	10.85%	9.99%	8.51%	8.55%		
Net Public Debt ($ Billion)	34.76	37.42	39.02	41.50	44.11	45.01	46.35	49.12	53.18	56.70 (7)	
Gross Public Debt/GDP Ratio	180.70%	185.19%	171.02%	163.09%	145.57%	138.39%	133.88%	135.67%	139.68%		
MONETARY AGGREGATES & INFLATION											
M4 ($ Billion)	51.59	56.08	63.56	72.58	87.08	97.31	103.5	110.0	117.4	124.53 (9)	124.53 (9)
(M2- M1) ($ Billion)	14.27	13.37	14.11	21.93	31.14	35.66	35.82	39.32	40.56	43.27 (9)	43.27 (9)
Monetization Level (M2/GDP Ratio)	74.24%	69.39%	65.76%	85.55%	97.35%	103.46%	99.31%	103.14%	102.75%		
Change in CPI (%)	- 2.60%	5.60%	9.30%	6.36%	4.20%	6.19%	4.27%	4.68%	2.05%	0.48% (7)	
BANKING SYSTEM											
Number of Commercial Banks	54	54	54	53	53	54	54	54	56	56 (1)	
Number of Branches	825	830	847	860	885	912	948	962	985	986 (1)	
Total Assets ($ Million)	70,325	76,179	82,255	94,255	115,250	128,925	140,576	151,883	164,821	172,210 (7)	
Total Deposits ($ Million)	58,117	61,541	68,059	78,663	96,821	108,601	117,703	127,657	139,166	145,863 (7)	
Loans to the Private Sector ($ Million)	16,230	17,201	20,425	25,039	28,374	34,929	39,375	43,452	47,381	50,511 (7)	
Customer Loans/ Deposits	27.93%	27.95%	30.01%	31.83%	29.31%	32.16%	33.45%	34.04%	34.05%	34.63%	
Dollarization Rate	71.71%	75.16%	77.34%	69.57%	64.46%	63.24%	65.92%	64.82%	66.10%	65.68%	
Net Profit - After Tax ($ Million)	580	754	962	1,215	1,429	1,838	1,743	1,620	2,246 (1)		
Exchange Rate (LBP to USD)	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50

** Figures Reflect IMF Estimates*

(1) As at End of March, 2014, **(2)** As at End of June, 2014, **(3)** As at End of July, 2014, **(4)** As at End of August, 2014, **(5)** As at End of September, 2014, **(6)** As at End of October, 2014, **(7)** As at End of November, 2014, **(8)** As at End of December, 2014, **(9)** As at January 1, 2015

Republic Of Lebanon Sovereign Ratings			
Rating Agency	**Tenor**	**Rating**	**Outlook**
Standard & Poor's	Long-Term Short-Term	B- B	Stable
Moody's Investors Service Ltd.	Long-Term	B2	Negative
Fitch IBCA Ltd.	Long-Term Short-Term	B B	Negative

Source: Moody's Investors Service, Standard & Poor's, Fitch Ratings

Lebanese Banks' Latest Ratings										
Rated Banks	Moody's Investors Service			Capital Intelligence		Fitch Ratings		S&P Ratings		
	Long Term Foreign Currency	Financial Strength	Outlook	Long Term Foreign Currency	Outlook	Long Term IDR	Outlook	Long-Term Counterparty Credit Rating	Short-Term Counterparty Credit Rating	Outlook
Bank Audi	B2	E+	Negative	B	Stable	B	Stable	B-	C	Stable
BLOM Bank	B2	E+	Negative	B	Stable	-	-	B-	-	Stable
Credit Libanais	-	-	-	B	Stable	-	-	-	-	-
Byblos Bank	B2	E+	Negative	B	Stable	B	Stable	-	-	-
BBAC	-	-	-	B	Stable	-	-	-	-	-
Fransabank	-	-	-	B	Stable	-	-	-	-	-
BankMed	-	-	-	-	-	-	-	B-	C	Stable

Sources: Moody's Investors Service, Capital Intelligence, Fitch Ratings, S&P Ratings

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