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The LEBANON WEEKLY MONITOR

Economy

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According to data compiled by the Association of Car Importers in Lebanon, the number of newly registered passenger cars stood at 3,183 in the first five months of 2020, falling by 69.9% from a total of 10,560 in the same period of 2019.

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p.9 LEBANESE POUND SINKS TO NEW RECORD LOWS IN BLACK MARKET

Amid a complete loss of the confidence factor and while the IMF talks remained frown with hurdles, obstacles and risks, the Lebanese lira sank to an all-time low against the US dollar in the black market this week, sparking mass street protests. Under these conditions and in the aim of curbing FX moves, the Central Bank of Lebanon issued on June 10, 2020 a new basic circular No.5, covering the electronic foreign exchange platform that would be launched on June 23, 2020 and aiming to unify LP/US\$ rates in the parallel market and promoting transparency in foreign currency transactions. At the level of the equity market, the BSE price index retreated slightly by 0.2% week-on-week amid mixed price movements, while activity remained quite shy. On the Eurobond market, international institutional investors were net buyers of Lebanese sovereigns across the yield curve. This resulted into across-the-board price gains ranging between 0.38 pt and 2.38 pts week-on-week.

LEBANON MARKETS: WEEK OF JUNE 08 - JUNE 14, 2020

Money Market



LP Tbs Market



LP Exchange Market



BSE Equity Market



Eurobond Market



CDS Market



ECONOMY

A NET DETERIORATION IN FISCAL POSITION OVER THE FIRST QUARTER OF 2020

In light of the economic recession and amid the ongoing coronavirus pandemic that reached Lebanon in late February, the first quarter of 2020 witnessed a net deterioration in Lebanon's public finances as per the recent figures released by Lebanon's Ministry of Finance. In fact, Lebanon's public finance deficit reported a significant rise of 70.9% when compared to last year's corresponding period. This resulted from a tangible drop of 13.6% in public revenues (mainly tied to the weak real sector activity and in the aftermath of the state of emergency declaration due to coronavirus), in conjunction with a growth in public expenditures of an annual 9.5% over the first quarter of 2020. As such, the primary balance shifted from a small surplus of US\$ 30 million to a primary deficit of US\$ 676 million between the two periods.

A detailed look at public finance statistics over the same period shows that public revenues went down from US\$ 2.6 billion during the first quarter of 2019 to US\$ 2.2 billion during the first quarter of 2020, while public expenditures reported a growth from US\$ 3.5 billion to US\$ 3.9 billion between the two periods. Accordingly, the public finance deficit expanded significantly from US\$ 969 million during the first quarter of 2019 to US\$ 1,655 million during the corresponding period of 2020. It is expected to exceed 15% of GDP in 2020, compared to 11% of GDP in 2019, as per the IMF.

Going further into details, the decline in public revenues between the two periods came within the context of a drop in budget revenues by 13.9% coupled with an 8.5% decline in Treasury revenues. The decline in budget revenues was due to a 19.9% contraction in non-tax revenues (mainly as a result of a drop in Telecom revenues by 38.7%). Tax revenues reported a tangible decline by 12.5% on the back of a drop in VAT revenues by 42.3% and a decline in custom duties by 38.6%, while miscellaneous tax revenues went up by 10.0% between the two periods, mainly on the back of a 27.1% increase in receipts from taxes on income, profits and capital gains, due to an increase in tax on interest by 68.6%, yet coupled with a 24.9% drop in property taxes and a 38.1% decline in proceeds from stamp fees.

SUMMARY OF FISCAL PERFORMANCE

(US\$ million)	Q1-19	Q1-20	Var Q1/Q1
1. Budget Transactions			
1.1 Revenues	2,436	2,098	-13.9%
1.1.1 Tax Revenues	1,979	1,732	-12.5%
of which Misc Tax Revenues	1,107	1,218	10.0%
of which Customs Revenues	302	185	-38.6%
of which VAT Revenues	569	329	-42.3%
1.1.2 Non Tax Revenues	457	366	-19.9%
of which Telecom Revenues	216	133	-38.7%
1.2 Expenditures	3,305	3,702	12.0%
1.2.1 General Expenditures	2,307	2,723	18.0%
o.w. EDL	294	302	2.8%
1.2.2 Interest payments	970	948	-2.2%
1.2.3 Foreign Debt Principal Repayment	28	31	8.9%
2. Treasury Transactions			
2.1 Resources	141	129	-8.5%
2.2 Withdrawals	240	180	-25.0%
3. Total public revenues	2,577	2,227	-13.6%
4. Total public expenditures	3,545	3,882	9.5%
5. Total Cash Deficit / Surplus	-969	-1,655	70.9%
6. Total Primary Deficit / Surplus	30	-676	-

Source: Ministry of Finance

In parallel, the net increase in public expenditures over the same period came within the context of a 12.0% rise in budget expenditures coupled with a 25.0% contraction in Treasury expenditures. The decline in budget expenditures was tied to an 18.0% expansion in general expenditures amid a hike in budget expenditures from previous years by 60.1% over the first quarter of 2020, when compared to the previous year's corresponding period. In addition, debt servicing totaled US\$ 979 million in the first quarter of 2020, declining by 1.9% from the first quarter of 2019. In fact, interest payments on LP denominated debt grew by 17.4% to US\$ 829 million, while debt servicing on FC debt declined by 48.6% to US\$ 150 million over the same period.

GROSS PUBLIC DEBT AT US\$ 92.4 BILLION AT END-MARCH 2020

The data published by the Ministry of Finance in Lebanon showed that the country's gross debt reached US\$ 92.4 billion at end-March 2020, up by 0.9% from the level seen at end-2019.

Domestic debt was higher by 0.8% from end-2019 to reach a total of US\$ 58.3 billion at end-March 2020.

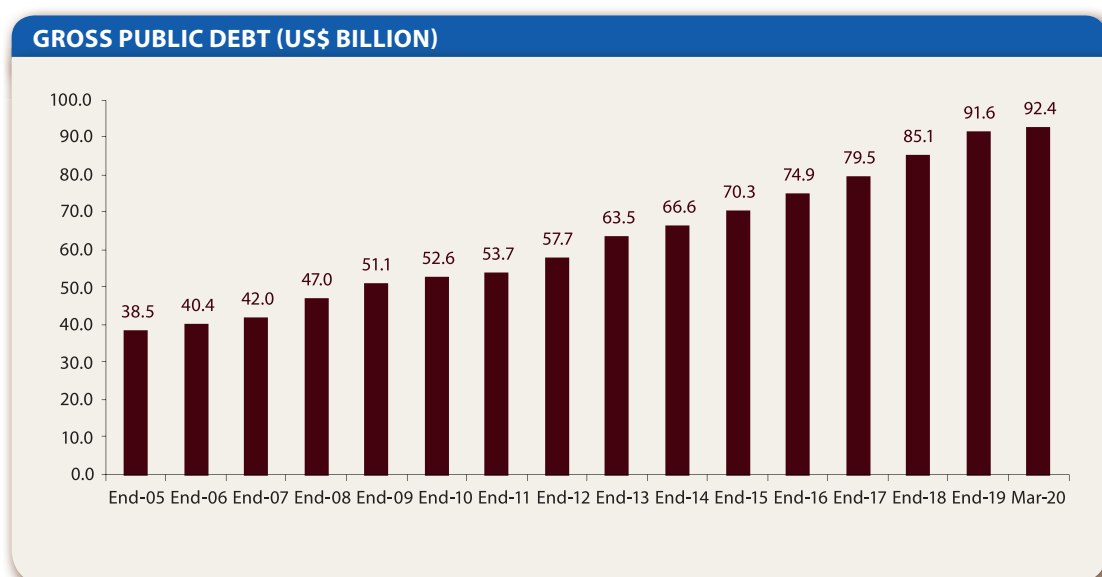
Lebanon's external debt rose by 1.0% from end-2019 to stand at around US\$ 34.1 billion at end-March 2020.

In this context, the public sector deposits at the Central Bank fell by 17.8% from end-2019 to stand at US\$ 4.5 billion at end-March 2020.

The public sector deposits at commercial banks edged down by 4.4% from end-2019 to reach US\$ 4.7 billion at end-March 2020.

As such, net public debt, which excludes the public sector deposits at the Central Bank and commercial banks from overall debt figures, increased by 2.4% from end-2019 to reach a total of US\$ 83.2 billion at end-March 2020.

Net domestic debt amounted to US\$ 49.1 billion at end-March 2020, up by 3.4% from end-2019.



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

FINANCIAL ENGINEERING OPERATIONS BOUGHT SOME TIME FOR THE COUNTRY IN A BACKDROP OF SLOWING DEPOSIT GROWTH , AS PER BOFA

The BofA issued a recent note under the title "Lebanon – untangling financial engineering operations" in which they present the impact on BdL profitability of each financial engineering operation over the period of its implementation, and an illustrative recurrent annualized profitability impact.

According to this note, Financial engineering (FE) operations conducted between the second half of 2016 and the first three quarters of 2019 period are a critical element to understand to better evaluate the Banque du Liban (BdL) balance sheet, its capital position and embedded losses. In turn, a better understanding could instruct in devising a recapitalization plan and dealing with the associated implications. The BdL launched financial engineering operations in mid-2016 and likely discontinued them in October 2019 following the start of mass protests. The operations were meant to buy time in a backdrop of slowing deposit growth, political uncertainty and growing strains on the growth model, according to BofA.

According to the same source, the success of BdL financial engineering operations depended on the ability of banks to generate hard currency by liquidating foreign-currency assets and attracting non-resident deposits, until a reform program led to a sustainable decline in twin imbalances. The common goal of the financial engineering operations is to support deposit growth and external financing requirements in the context of the US\$ peg. Simplistically, BdL gave domestic banks the incentive to subscribe to long-dated FX deposits/CDs, supporting its gross FX reserves position. Banks repatriated foreign assets and attracted higher-cost deposits to participate in these operations. BdL in turn subsidized the cost of these deposits for banks to prevent a material re-pricing of the domestic yield curves, as per BofA. The ultimate cost of the operations was likely accumulated and carried forward by the BdL on its balance sheet as part of "other assets".

It is worth noting that the financial engineering operations bought some time for the country but increased markedly the banking sector gross sovereign (government + BdL) exposure from 59% of bank assets in May 2016 to an all-time high of 72% of bank assets in April 2020. The increase in gross exposure has been mainly tilted towards the FX side. However, the banking sector net total claims on the BdL remained relatively flat at 35-40% of bank assets over the period due to LP loans being extended to banks with leverage.

According to the note, the effectiveness of BdL's financial engineering operations may have decreased over time due to an increase in risk premium and likely exposure limits from the expatriate High Net Worth Individuals (HNWI) approached by wealth management branches of Lebanese banks, in our view. This was accompanied by increasing BdL costs. BofA estimates the cumulative cost of financial engineering operations on BdL totaled US\$ 6.6 billion (13.4% of 2019 GDP) over the second half of 2016 and the first three quarters of 2019, all else being equal. The losses stem from the higher cost of BdL incurred liabilities versus the earnings on BdL acquired assets. It is worth noting that the recurrent annual impact of financial engineering operations beyond their period of implementation assumes no change in the stock or yield of BdL foreign assets. The high cost of liabilities reflects partly risk premium and market pricing, and implies a need to attract even more funding to service the existing stock, as per the BofA.

According to the note, to minimize bail-in requirements, authorities suggested among other measures a) a clawback on 2016-2020 dividends of bank owners, b) a claw back on excessive interest income serviced by banks to depositors and c) a claw back of FE proceeds. Prospects for material recovery on these measures appear uncertain, in BofA's view. Banks paid out common and preferred dividends of LP 4.8 trillion (US\$ 3.2 billion at the official Fx rate) over 2016-2018, but only a portion of that would have gone to bank owners and could thus be clawed back. Uses of the proceeds of FE operations included boosting banking sector capital and indirectly government tax revenues, which can't be clawed back. A claw back on excessive interest income paid out to depositors and generated through the 2016 FE operations could raise US \$ 3 billion on BofA's estimates. However, it is unclear how much of these deposits were retained. Furthermore, these deposits may already have been included in the government target for bail-in and thus do not generate savings.

SURVEYS

LEBANON COMES IN 6TH POSITION REGIONALLY AND RANKS 78TH GLOBALLY IN 2020 ENVIRONMENTAL PERFORMANCE INDEX

According to a recent report by Yale University and Columbia University titled the "2020 Environmental Performance Index", Lebanon ranked 6th on a regional basis and 78th in the world, scoring 45.40 in the 2020 Environmental Performance Index.

Yale and Columbia University, in collaboration with the World Economic Forum, released a report the 2020 Environmental Performance Index (2020 EPI) report which employs environmental metrics to track countries' progress when it comes to meeting their environmental policy targets outlined in the United Nations 2015 Sustainable Development Goals and the Paris Climate Agreement.

As a matter of fact, the report evaluates the performance of 180 countries across 32 performance indicators as part of eleven main categories that are classified within two fundamental dimensions of sustainable development which are environmental health and ecosystem vitality.

It is worth noting that the report does not reflect the most recent developments in the world, namely the significant drop in air pollution in 2020, the COVID-19 pandemic, and the green-house gas emissions from the heavy Amazonian fires in 2019. The index supports countries in spotting problems, setting targets, tracking trends, understanding outcomes, and identifying best policy practices. A score of 0 refers to worst performance while a score of 100 refers to best.

As mentioned previously, Lebanon ranked 6th on a regional basis and 78th in the world, attaining a score of 45.40 in the 2020 Environmental Performance Index. Lebanon ranked higher than Algeria (7th position and Saudi Arabia (8th position), while being surpassed by Tunisia (5th position) and Bahrain (4th position). The country performed strongly in the pollution emissions metric where it posted a score of 67.10 and waste management (61.40) sub-indicators. On the other hand, it did not perform well on fisheries (14.20) and the biodiversity & habitat (21.80) fronts.

Regionally, the United Arab Emirates performed the strongest in the 2020 EPI with an overall score of 55.60 and a global rank of 42. Kuwait came in second regionally, attaining a score of 53.60 with a global rank of 47. Jordan ranked third in the region with a score of 53.40.

At the global scale, Denmark topped the rankings with an overall score of 82.50. The latter was followed by Luxembourg (82.30) and Switzerland (score: 81.50).

2020 ENVIRONMENTAL PERFORMANCE INDEX RATINGS

	Score	Regional Rank
United Arab Emirates	55.6	1
Kuwait	53.6	2
Jordan	53.4	3
Bahrain	51.0	4
Tunisia	46.7	5
Lebanon	45.4	6
Algeria	44.8	7
Saudi Arabia	44.0	8
Egypt	43.3	9
Morocco	42.3	10
Iraq	39.5	11
Oman	38.5	12
Qatar	37.1	13
Comoros	32.1	14
Djibouti	28.1	15
Mauritania	27.7	16

Sources: Yale University, Bank Audi's Group Research Department

COVID-19 RELATED LOCKDOWNS HAVE TANGIBLE IMPACT ON LEBANON, SAYS J.P.MORGAN

After months of protests, political standstill, a run on the banks, default on sovereign FX debt, COVID-19 related lockdowns has had a tangible impact on Lebanon, as per a recent report by J.P.Morgan (JPM).

After two years of recession, Lebanon's economy is expected to contract again this year. The economy contracted by an estimated -6.9% in 2019 after the -1.9% reported in 2018. Given the prolonged banking/ debt crisis and the recent COVID-19 outbreak, which affected the crucial tourism and hospitality sector, JPM expects the economy to contract -14% in 2020 and -4% in 2021, with risks to the downside.

Reflecting the dire situation, BdL coincident indicator index was down 12% year-on-year in January, claims on the private sector are down by a fifth in April from a year earlier, and construction permits were down by a massive 65% year-on-year, as per the same source.

The authorities have announced a five-year plan which seeks to start with a clean slate, but a near term recovery will be an uphill task. After restructuring, the plan envisages public debt to decline by about a third in absolute terms from levels at the end of last year, as per the report. The plan identifies losses of the banking system and the Central Bank and allocates these losses to creditors, large depositors, and bank shareholders.

The plan seeks to improve the primary balance from a 3% of GDP deficit next year to a surplus of 1.6% of GDP, through expenditure restraint and revenue raising measures. Since the program involves a gradual improvement in the primary balance, an obvious critique could be that five years is a long time in politics and reforms may not be completed, as per JPM. The program does not focus much on privatization beyond stating that asset sales to cover losses would not be fair for future generations.

According to J.P.Morgan, the plan does touch on other key issues such as pension and subsidy reform. Under the plan, the authorities are planning to abandon the peg and effectively unify the exchange rate at a level closer to the parallel market rate. Given the large losses and the sharp deleveraging underway in the economy, the near-term outlook is extremely difficult, with rising unemployment and possibly further political volatility.

The authorities are seeking to tap IMF funds, but IMF officials have indicated talks may be lengthy. The authorities have requested IMF funds under the RFI of up to US\$ 900 million as well as a larger package possibly under an EFF of up to US\$ 10 billion. The report does not expect a quick agreement to be reached with the IMF in the midst of the uncertainty given the debt restructuring plans and differences in the timeline for fiscal reform and the scope of structural reforms, let alone political issues such as Hezbollah representation in the cabinet, as per JPM.

J.P.Morgan expects the fiscal deficit to be somewhat lower than a year ago due to factors such as the decision by the Central Bank to reimburse the MoF of LBP debt interest payments, but the pandemic has caused a further setback. There is a great deal of uncertainty over the fiscal outlook amidst the pandemic, the crash in activity, and debt restructuring. The authorities are aiming for a deficit equivalent to 5.3% of GDP under their plan. Given the high uncertainty and pandemic impact, JPM expects a sharp slowdown in revenues which could keep the deficit high at 9.2% of GDP.

The Lira and FX reserves would likely remain under pressure. Liquid FX reserves of the central bank have declined to about twelve months of imports just over US\$ 20 billion. J.P.Morgan expects capital controls to continue. The contraction in imports and low oil prices helped to improve the current account picture, but the pandemic has devastated tourism and is expected to cause a drop in remittances. The report expects the current account deficit to improve to a still large 11.6% of GDP in 2020. With the lira dollar exchange rate at LBP 4,000 on the parallel market compared to the official rate of 1.507, which is now only applicable to key imports approved by the BdL, JPM expects the authorities to officially devalue the lira at the end of this year or early 2021.

CORPORATE NEWS

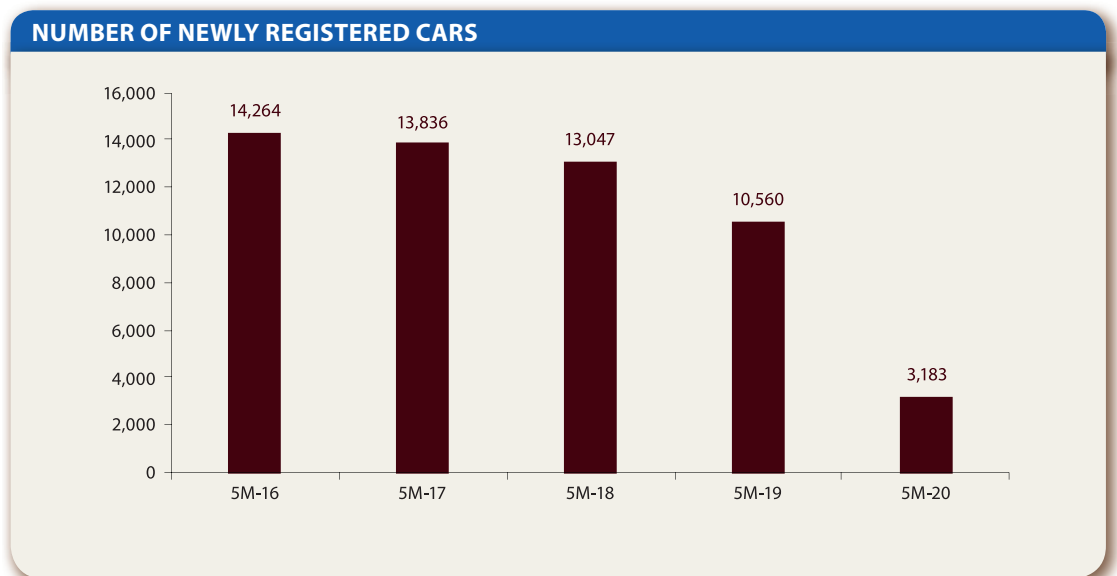
NEWLY REGISTERED CARS AT 3,183 IN FIRST FIVE MONTHS OF 2020, DOWN BY A YEARLY 69.9%

According to data compiled by the Association of Car Importers in Lebanon, the number of newly registered passenger cars stood at 3,183 in the first five months of 2020, falling by 69.9% from a total of 10,560 in the same period of 2019.

In May 2020, the number of cars registered stood at 651, down by 73.5% from 2,458 cars registered in the same month of 2019.

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 US\$ 33 million in 2020.

According to a recent statement, the major reasons that have led to this drop in sales are the latest banking procedures which are the impossibility of opening Documentary Credits to import new cars and spare parts and the impossibility of converting cash collected in Lebanese pounds into US dollars in the banks to pay the suppliers.



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

FRANCE'S TOTAL EXPECTED TO SPECIFY WITHIN SIX WEEKS THE LOCATION OF THE WELL IN BLOCK 9

French oil company Total is expected to specify within six weeks the location of the well to be drilled by its subcontractors in Block 9 of Lebanon's waters, as per a board member at the Lebanese Petroleum Administration (LPA) and head of LPA's Geology and Geophysics Unit.

Total should complete its drilling of the well in Block 9 before the end of May 2021, as per the same source. Total drilled a well in Block 4 earlier this year but it did not find sandstone reservoirs such as those found in Palestine and Cyprus.

The lithology Total found in Block 4 exploration well had carbonated formation which could be a reservoir rock but these types of rocks need to be further evaluated since the drilling focused only on sandstone reservoirs, as per the same source.

The commercial hydrocarbon accumulations may be present in Block 4 but in different locations of the block.

The block's size is around 1,900 square kms while the drilling targeted an anticlinal trap about 35 square kms to find that there is no sandstone reservoir. But drilling in other areas of the same block or if going deeper in the same well location can allow finding both sandstone and carbonate reservoirs that have similar geologic age encountered in Tamar gas field, as per as per the board member at the Lebanese Petroleum Administration (LPA) and head of LPA's Geology and Geophysics Unit.

A consortium comprising the energy companies Total, Eni and Novatek was awarded contracts to drill in Block 4 and Block 9 by the Ministry of Energy and Water (MoEW) in 2018.

The first oil and gas exploration period extends from 2018 to 2021 for both Blocks 4 and 9, and Lebanon is working according to the approved exploration plan. Total intends to continue its exploration activities in Lebanon for the time being and is preparing for drilling in Block 9, as per the same source.

The company will finish its environmental impact assessment which will require an approval by the LPA, the Ministry of Environment and the MoEW while completing other required procedures and meeting with the energy ministry's officials and LPA representatives, as per the same source

Subcontractors working with Total may demobilize their equipment and personnel for the time being since they may have to work in other fields until the time for drilling in Block 9 arrives.

Total may choose to relinquish part or all the acreage of any of the two blocks at the end of the first exploration period (ending May 2021) after drilling the two wells or they may wish to continue drilling other wells in the same blocks by issuing another bank guarantee to cover the minimum work commitment for the second exploration period (three years) in each block, as per the same source.

In February 2018, Lebanon signed its first offshore oil and gas exploration and production contracts for Blocks 4 and 9 and began drilling for oil and gas in its territorial waters on February 26, 2020.

The country launched in April 2019 the second licensing round for offshore oil and gas exploration in five blocks. However, it postponed on May 31 the deadline for submitting offers for the second licensing round amid the COVID-19 outbreak.

The outbreak of COVID-19 all over the world has devastating effects on the petroleum sector, leading to low demand for oil and gas and a sharp decline in the prices of these two commodities prompting oil-mining companies to reduce their investments in such projects.

LEBANON AND GULF FOR MEDICAL SERVICES BUYS AND RENOVATES HOSPITAL IN TRIPOLI

Lebanon and Gulf for Medical Services bought and renovated Hussein Hospital, in Tripoli, El Mina area.

The revamped hospital is scheduled to open by the end of 2020 following a six-year break, according to the co-owner of the hospital.

Renovation and equipping work was recently completed.

The company invested US\$ 15 million in the project including the prices of the land and premises. It has not yet decided on the new name of the hospital.

The hospital, whose total built-up area is 4,600 square meters, will provide different medical services. It will include 94 beds and five operating rooms. The hospital will serve 100,000 inhabitants in the area and the Miniyeh region at large, as per the same source.

Lebanon and Gulf for Medical Services was established in 2012.

CAPITAL MARKETS

MONEY MARKET: OVERNIGHT RATE STABLE AT 3% ON AMPLE LP LIQUIDITY

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, while its official rate remained quoted at 1.90%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 28th of May 2020 showed that total resident banking deposits contracted by LP 392 billion. This is mainly driven by a LP 408 billion fall in total LP resident deposits amid a LP 359 billion drop in LP saving deposits and a LP 49 billion decrease in LP demand deposits, while foreign currency resident deposits expanded by LP 16 billion (the equivalent of US\$ 11 billion). This brought total contractions in total resident deposits to circa LP 13,717 billion over the first five months of 2020 (the equivalent of US\$ 9.1 billion), noting that contractions in total LP resident deposits represent circa 84% of total resident deposit fall.

INTEREST RATES

	12/06/20	05/06/20	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 103 BILLION

The latest Treasury bills auction results for value date 11th of June 2020 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the three-month category (offering a yield of 3.50%), the one-year category (offering a yield of 4.50%) and the five-year category (offering a coupon of 6.0%).

In parallel, the Treasury bills auction results for value date 4th of June 2020 showed that total subscriptions amounted to LP 175 billion, distributed as follows: LP 7 billion in the six-month category (offering a yield of 4.0%), LP 15 billion in the two-year category (offering a coupon of 5.0%) and LP 153 billion in the ten-year category (offering a coupon of 7.0%). These compare to maturities of LP 72 billion, resulting into a nominal weekly surplus of LP 103 billion.

TREASURY BILLS

	12/06/20	05/06/20	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%	↔
10-year	-	7.00%	10.00%	
Nom. Subs. (LP billion)		175	120	
Short-term (3&6 mths)		7	-	
Medium-term (1&2 yrs)		15	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		-	100	
Long-term (10 yrs)		153	-	
Maturities		72	61	
Nom. Surplus/Deficit		103	59	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: FURTHER COLLAPSE OF LEBANESE POUND AGAINST US DOLLAR IN BLACK MARKET

This week was marked by a further collapse of the Lebanese pound against the US dollar in the black market, amid a deterioration of the confidence factor and as negotiations with the IMF are fraught with hurdles, obstacles and risks. In details, the Lebanese pound sank to a new historical low level against the US dollar that has exceeded LP/US\$ 5,000, hitting sometimes LP/US\$ 6,500 or more. Concurrently, the money changers syndicate kept the LP/US\$ rate at a minimum buying price of LP 3,890 and a maximum selling price of LP 3,940 throughout this week, while the Central Bank of Lebanon ordered money transfer services operating outside commercial banks to pay incoming transfers in local currency at LP/US\$ 3,840 on Friday, up from a previous rate of LP/US\$ 3,200.

Under these conditions and as part of monetary authorities' efforts to unify LP/US\$ exchange rate and promote transparency in the parallel FX market, the Central Bank of Lebanon issued on June 10, 2020 the basic circular No.5, which covers the electronic foreign currency trading platform that is set to be launched on June 23, 2020, requesting licensed money changers to input data related to FX transactions into a digital application.

EXCHANGE RATES

	12/06/20	05/06/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,904.73	1,905.33	1,970.00	↑
LP/¥	14.05	13.80	13.77	↓
LP/SF	1,593.38	1,573.92	1,543.78	↓
LP/Can\$	1,112.14	1,118.57	1,150.59	↑
LP/Euro	1,707.24	1,708.30	1,679.20	↑

Source: Bank Audi's Group Research Department

STOCK MARKET: BSE PRICE INDEX SLIGHTLY DOWN BY 0.2% WEEK-ON-WEEK

The BSE total turnover was restricted to US\$ 2.3 million this week (excluding block trades on Bank Audi's "listed" shares for US\$ 900,900) and compared to a total value of US\$ 2.0 million in the previous week, noting that Solidere shares captured the bulk of activity.

As far as prices are concerned, the BSE price index declined by a tiny 0.2% this week amid mixed price movements. Three out of seven stocks traded this week registered price gains, while two stocks posted price falls and two stocks saw no price change week-on-week. A closer look at individual stocks shows that Solidere "A" and "B" share prices increased by 4.3% and 3.4% respectively to close at US\$ 10.98 and US\$ 10.88 respectively. Holcim Liban's share price went up by 2.0% to US\$ 10.20. In contrast, Bank Audi's GDR price fell by 30.5% to US\$ 1.39. BLOM's "listed" share price declined by 3.1% to US\$ 3.49. Bank Audi's "listed" share price remained stable at US\$ 1.0. BLOM's GDR price stayed quoted at US\$ 3.50.

AUDI INDICES FOR BSE

22/1/96=100	12/06/20	05/06/20	27/12/19	
Market Cap. Index	268.62	269.20	316.37	↓
Trading Vol. Index	20.42	17.72	24.97	↑
Price Index	57.13	57.26	69.36	↓
Change %	-0.21%	0.56%	2.37%	↓
	12/06/20	05/06/20	27/12/19	
Market Cap. \$m	6,373	6,386	7,506	↓
No. of shares traded (Exc. BT)	223,518	217,693	333,997	↑
Value Traded \$000 (Exc. BT)	2,320	2,015	2,294	↑
o.w. : Solidere	2,257	1,978	2,294	↑
Banks	21	36	0	↓
Others	42	0	0	↑

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

BOND MARKET: LEBANESE SOVEREIGNS ON INTERNATIONALS' RADAR SCREENS

Amid continuous IMF talks aiming to reach a rescue plan that would give credibility to government reforms and enhance Lebanon's ability to attract foreign funding, Lebanon's Eurobond market witnessed this week net buying operations from international institutional investors. This was reflected by weekly price gains across the yield curve at a range hovering between 0.38 pt and 2.38 pts. Accordingly, prices of Lebanese sovereigns maturing between 2020 and 2037 hovered between 17.88 cents per US dollar and 21.25 cents per US dollar this week, noting that it is above the final value of 14.125% given for Lebanese Eurobonds at a CDS auction held on April 23, 2020.

EUROBONDS INDICATORS

	12/06/20	05/06/20	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	60%	63%	29.99%	↓
Average Life	7.55	7.56	7.50	↓
Yield on US 5-year note	0.32%	0.48%	1.71%	↓

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	12-June-20	05-June-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	107.38	109.59	108.64	-2.0%	-1.2%
\$/£	1.254	1.267	1.326	-1.0%	-5.4%
\$/Euro	1.126	1.129	1.121	-0.3%	0.4%
STOCK INDICES					
Dow Jones Industrial Average	25,605.54	27,110.98	28,538.44	-5.6%	-10.3%
S&P 500	3,041.31	3,193.93	3,230.78	-4.8%	-5.9%
NASDAQ	9,588.81	9,814.08	8,972.60	-2.3%	6.9%
CAC 40	4,839.26	5,197.79	5,978.06	-6.9%	-19.0%
Xetra Dax	11,949.28	12,847.68	13,249.01	-7.0%	-9.8%
FT-SE 100	6,105.18	6,484.30	7,542.44	-5.8%	-19.1%
NIKKEI 225	22,305.48	22,863.73	23,656.62	-2.4%	-5.7%
COMMODITIES (in US\$)					
GOLD OUNCE	1,730.75	1,685.06	1,517.27	2.7%	14.1%
SILVER OUNCE	17.49	17.42	17.85	0.4%	-2.0%
BRENT CRUDE (per barrel)	38.73	42.30	62.93	-8.4%	-38.5%
LEADING INTEREST RATES (%)					
1-month Libor	0.19	0.18	1.76	0.01	-1.57
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	0.70	0.90	1.92	-0.20	-1.22

Sources: Bloomberg, Bank Audi's Group Research Department

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