

## The LEBANON WEEKLY MONITOR

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### Economy

#### p.2 FISCAL DEFICIT CONTRACTING BY 16% DURING FIRST FIVE MONTHS OF 2020

Lebanon's public finances statistics for the first five months of this year point to a 16.2% contraction in the government's fiscal deficit as a result of a drop in public expenditures by 15.7%, mainly on the back of the tangible decline in debt service and in EDL transfers over the period.

Also in this issue

**p.3** Total number of passengers at the airport down by a yearly 73.3% in first seven months of 2020

**p.4** Imports of petroleum derivatives down by a yearly 12.9% in first five months of 2020

**p.4** Balance of payments registered a deficit of US\$ 2.5 billion over first half of 2020

### Surveys

#### p.5 BEIRUT PORT'S DISASTER RESULTED IN A FRESH MOMENTUM FOR EXTERNAL SUPPORT, AS PER J.P.MORGAN

According to a recent report by J.P.Morgan, the explosion at the port has caused large scale devastation in Beirut, Lebanon's capital, yet coupled with momentum for external support.

Also in this issue

**p.5** International pledges helpful but with little impact on State finances, as per Morgan Stanley

**p.6** Lebanon's business and trade activity will be hit hard in the remainder of 2020, as per EIU

### Corporate News

#### p.7 BANK AUDI ISSUES ITS FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2020

Bank Audi released its H1 2020 financial statements saying that the effects of the domestic economic crisis were exacerbated by the impact of COVID-19 pandemic in the Group's operations.

Also in this issue

**p.8** Newly registered cars at 4,622 in first seven months of 2020, down by a yearly 71.3%

**p.8** Siemens to provide free electricity to 150,000 Lebanese

**p.8** CCIA-BML to pay for the installation of glass façades of private enterprises

### Markets In Brief

#### p.9 LP/US\$ RATE RECOVERS ON INTERNATIONAL AID AND HOPES OF RESCUE CABINET

Along fast-track emergency humanitarian aid sent to Lebanon in response to the 4th of August 2020 devastating Beirut blast that has caused large human and material damages unseen since the Civil War, and amid hopes that a new government would be formed that would carry out much-needed reforms to access international financial assistance worth billions of US dollars, Lebanon's capital markets saw this week an improvement in the Lebanese pound against the US dollar on the black FX market. The LP/US\$ exchange rate contracted by more than 10% during this week, falling below the LP/US\$ 7,000 threshold for the first time since June 2020, before going up to LP/US\$ 7,000-LP/US\$ 7,100 on Friday. At the level of the equity market, the BSE price index declined by 0.6% week-on-week amid a shy activity. Finally, the bond market saw two-way flows. Prices of sovereigns ranged between 15.13 cents per US dollar and 18.38 cents per US dollar across the yield curve at the end of the week.

### LEBANON MARKETS: WEEK OF AUGUST 10 - AUGUST 16, 2020

Money Market



LP Tbs Market



LP Exchange Market



BSE Equity Market



Eurobond Market



CDS Market



## ECONOMY

### FISCAL DEFICIT CONTRACTING BY 16% DURING FIRST FIVE MONTHS OF 2020

Lebanon's public finances statistics for the first five months of this year point to a 16.2% contraction in the government's fiscal deficit as a result of a drop in public expenditures by 15.7%, mainly on the back of the tangible decline in debt service (in the aftermath of Lebanon's default on foreign debt payment) and in EDL transfers (following the considerable drop in global oil prices) over the period. In parallel, public revenues went down by 15.4% year-on-year, in light of the economic sluggishness amid weak real sector activity and the state of emergency declaration due to coronavirus over that period. As such, and despite the tangible drop in debt service, the primary balance went up from a tiny primary deficit of US\$ 38 million to a large primary deficit of US\$ 716 million between the two periods.

A detailed look at public finance statistics over the same period shows that public revenues went down from US\$ 4.5 billion during the first five months of 2019 to US\$ 3.8 billion during the first five months of 2020, while public expenditures reported a net decline from US\$ 6.9 billion to US\$ 5.8 billion between the two periods. Accordingly, the public finance deficit went down from US\$ 2.4 billion during the first five months of 2019 to US\$ 2.0 billion during the corresponding period of 2020.

Going further into details, the decline in public revenues between the two periods came within the context of a drop in budget revenues by 25.5% coupled with a considerable increase in Treasury revenues. The decline in budget revenues was due to a 40% contraction in non-tax revenues (mainly as a result of a drop in Telecom revenues by 54.5%), while tax revenues reported a tangible decline by 22.6% on the back of a drop in VAT revenues by 51.1% and a decline in custom duties by 37.8%. In parallel, the significant hike in Treasury revenues was triggered by a LP 644 billion refund in April 2020, representing BDL coupons for the months of January, February and March 2020.

In parallel, the net decline in public expenditures over the same period came within the context of a drop in budget expenditures by 17.2% coupled with a 4.0% increase in Treasury expenditures. This drop

#### SUMMARY OF FISCAL PERFORMANCE

(US\$ million)	5M-19	5M-20	Var 5M/5M
<b>1. Budget Transactions</b>			
<b>1.1 Revenues</b>	<b>4,264</b>	<b>3,176</b>	<b>-25.5%</b>
1.1.1 Tax Revenues	3,553	2,749	-22.6%
of which Misc Tax Revenues	2,014	1,926	-4.4%
of which Customs Revenues	528	328	-37.8%
of which VAT Revenues	1,012	495	-51.1%
1.1.2 Non Tax Revenues	710	427	-39.9%
of which Telecom Revenues	291	133	-54.5%
<b>1.2 Expenditures</b>	<b>6,344</b>	<b>5,251</b>	<b>-17.2%</b>
1.2.1 General Expenditures	3,996	3,968	-0.7%
o.w EDL	606	403	-33.5%
1.2.2 Interest payments	2,269	1,230	-45.8%
1.2.3 Foreign Debt Principal Repayment	79	52	-34.0%
<b>2. Treasury Transactions</b>			
<b>2.1 Resources</b>	<b>201</b>	<b>603</b>	<b>200.3%</b>
<b>2.2 Withdrawals</b>	<b>506</b>	<b>527</b>	<b>4.0%</b>
<b>3. Total public revenues</b>	<b>4,464</b>	<b>3,779</b>	<b>-15.4%</b>
<b>4. Total public expenditures</b>	<b>6,850</b>	<b>5,777</b>	<b>-15.7%</b>
<b>5. Total Cash Deficit / Surplus</b>	<b>-2,386</b>	<b>-1,998</b>	<b>-16.2%</b>
<b>6. Total Primary Deficit / Surplus</b>	<b>-38</b>	<b>-716</b>	<b>-</b>

Source: Ministry of Finance

in budget expenditures was tied to a 45.4% drop in debt service and in EDL transfers by 33.5%, and amid a slight decrease in general expenditures by 0.7% over the first five months of 2020, when compared to the previous year’s corresponding period. In parallel, debt servicing totaled US\$ 1.3 billion in the first five months of 2020, down from US\$ 2.3 billion during the first five months of 2019. In fact, interest payments on LP denominated debt went down by 10.6% to reach US\$ 1.1 billion, while debt servicing on FC debt declined by 83.7% to reach US\$ 182 million over the same period.

**TOTAL NUMBER OF PASSENGERS AT THE AIRPORT DOWN BY A YEARLY 73.3% IN FIRST SEVEN MONTHS OF 2020**

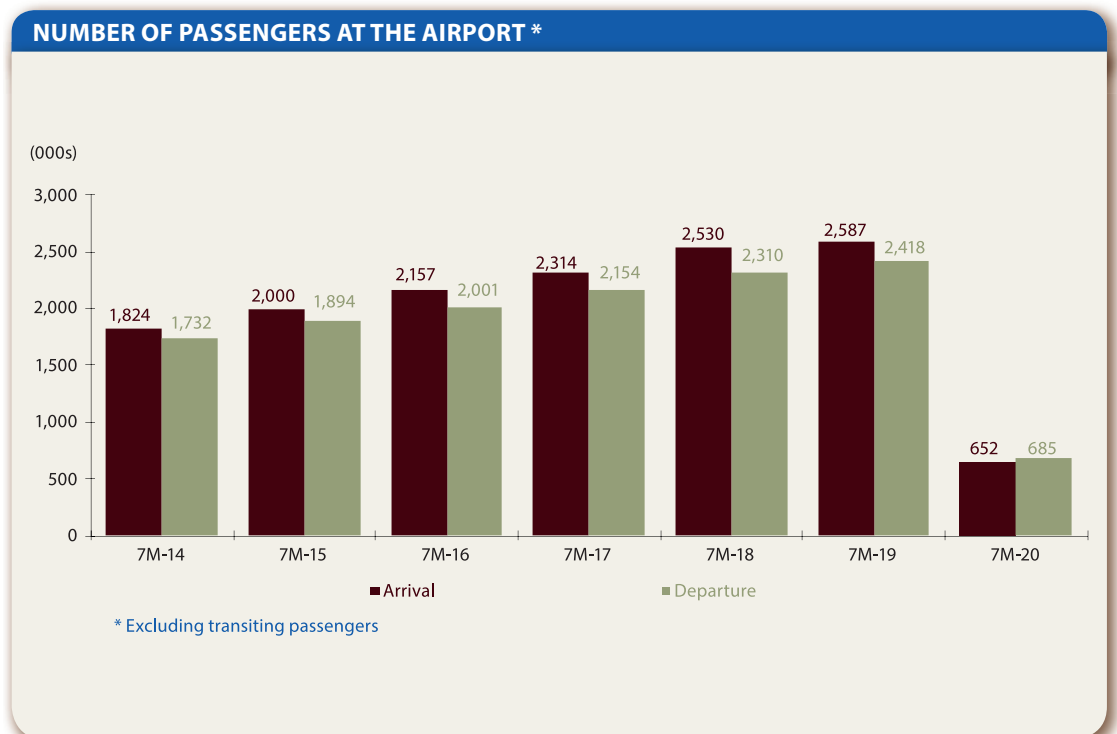
Airport traffic posted a significantly weak performance, exhibiting negative results, all throughout the first seven months of 2020, with the highest contraction registered in the second quarter of the year, as a lockdown was imposed on the country amidst the adverse impact of the COVID-19 pandemic.

Figures released by the Rafic Hariri International Airport revealed that the total number of passengers recorded a yearly 73.3% decrease in the first seven months of 2020. The number of aircraft fell by 64.9% year-on-year in the aforementioned period. Alongside, the total freight handled by the airport edged down by 42.5% year-on-year in the aforementioned period.

A detailed look at the activity shows that the number of incoming passengers fell by a yearly 74.8% and that of departing passengers by 71.7% to reach 651,745 and 684,671 respectively in the first seven months of 2020. The number of transiting passengers fell from 29,804 passengers in the first seven months of 2019 to 20,489 passengers in the corresponding period of this year. When including the latter mentioned category, the total number of passengers using the airport attained 1,336,416, down by a yearly 73.0%.

Looking at the aircraft activity, landings and take-offs decreased by a yearly 64.9% each, with the former amounting to 7,298 planes and the latter reporting 7,290 in the first seven months of 2020.

Regarding the freight movement within the airport, a total of 13,533 thousand tons were imported and unloaded during the first seven months of 2020 while 16,773 thousand tons were loaded and exported. The first mentioned activity posted a decline of 55.7% and the latter posted a 24.2% fall on a yearly basis in the first seven months of 2020.



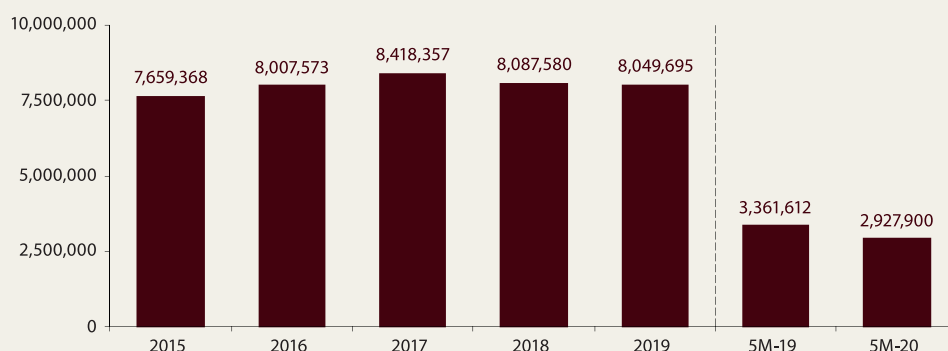
Sources: Rafic Hariri International Airport, Bank Audi’s Group Research Department

## IMPORTS OF PETROLEUM DERIVATIVES DOWN BY A YEARLY 12.9% IN FIRST FIVE MONTHS OF 2020

Figures released by the Central Bank of Lebanon show that imports of petroleum derivatives stood at 2,927,900 metric tons in the first five months of 2020, down by 12.9% from 3,361,612 metric tons in the same period of 2019.

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

### IMPORTS OF PETROLEUM DERIVATIVES (METRIC TONS)



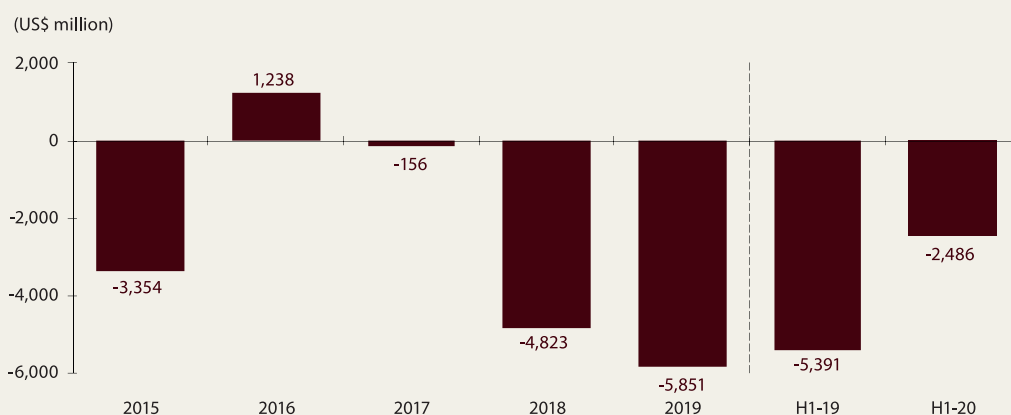
Sources: BDL, Bank Audi's Group Research Department

## BALANCE OF PAYMENTS REGISTERED A DEFICIT OF US\$ 2.5 BILLION OVER FIRST HALF OF 2020

Amid a net contraction in trade deficit over this year, a trend that is likely to continue and develop further over the months to come, the balance of payments recorded a smaller deficit of US\$ 2.5 billion over the first half of 2020, compared to a large deficit of US\$ 5.4 billion in the previous year's corresponding period, as per the latest figures released by the Central Bank of Lebanon.

The latter was triggered by a decline of US\$ 4.4 billion in BDL's net foreign assets, coupled with an increase in banks' net foreign assets by US\$ 1.9 billion over the first six-month period.

### BALANCE OF PAYMENTS



Sources: BDL, Bank Audi's Group Research Department

## SURVEYS

### BEIRUT PORT'S DISASTER RESULTED IN A FRESH MOMENTUM FOR EXTERNAL SUPPORT, AS PER J.P.MORGAN

According to a recent report by J.P.Morgan, the explosion at the port has caused large scale devastation in Beirut, Lebanon's capital. The authorities initially gave a figure of US\$ 3 billion-US\$ 5 billion in damages (5-10% of GDP or more depending what exchange rate one uses), but later raised it to US\$ 15 billion. The Beirut Port, which is important for the flow of goods into the country, was significantly damaged, forcing the authorities to divert some trade to other Ports in the country.

The disaster has resulted in a fresh momentum for external support, but the large scale package sought by the authorities requires steps for economic and likely political reform. Numerous countries have offered assistance, with pledges amounting to US\$ 300 million-US\$ 400 million and shipment of various goods, as per J.P.Morgan. Although the explosion has created goodwill and is expected to lead to some grant inflows, only commitment to reforms will unlock the large external assistance that Lebanon has sought, including US\$ 10 billion-US\$ 15 billion from the IMF. IMF officials have announced the following conditions for Lebanon to secure assistance. The first condition is to restore the solvency of public finances and ensuring debt sustainability. Second, a creditor/shareholder/depositor bail-in to absorb the losses of the banking system to restore the soundness of the financial system. Third, legislation should be passed on official capital controls. Fourth, the multiple exchange rates must be eliminated. Last, but not least, the authorities should take up-front steps to reduce the losses of state enterprises. Although the authorities have announced a plan on these issues, an agreement has not been reached on the size or allocation of losses and up-front steps to eliminate losses at state-owned enterprises have yet to be taken.

According to the report, the disaster has dealt a further blow to the economy. Following the latest disaster, J.P.Morgan expects the economy to contract over 17% in 2020, from 14% previously. The BdL coincident indicator index had fallen to 2015 levels prior to the pandemic, but the index fell to 2006 levels in 2Q due to lockdown measures to limit the spread of the outbreak. While assessment of the impact of the explosion requires more information, the incident is likely to result in an initial drop in activity, followed by a boost due to rebuilding efforts which will undoubtedly extend beyond this year. Even prior to the Beirut port explosion, the economy was struggling under the financial crisis and the impact of the pandemic.

J.P.Morgan believes the current Financial Recovery Plan is consistent with a 70% haircut on Eurobonds, but there could be downside risks. So far, the authorities' strategy has been to address the debt sustainability issue first, in order to be in a position to secure official external support including an IMF program. Against this backdrop, authorities are targeting a debt-to-GDP ratio of 102.8% at the end of 2020, while expecting the official USD/LBP to be unpegged to 3500 from 1508 currently. In particular, the government intends to remain current on its external official obligations (about UD\$ 2 billion) but is planning to require a principal discount on domestic debt.

As such, J.P.Morgan think such targets are likely consistent with an implied 70% haircut on Eurobonds and a 40% haircut on T-bills

Moreover, the current plan should offer little upside for bondholders, but it is uncertain if it will be implemented as is, while the emphasis on debt sustainability could provide lower exit yields.

### INTERNATIONAL PLEDGES HELPFUL BUT WITH LITTLE IMPACT ON STATE FINANCES, AS PER MORGAN STANLEY

A recent report by Morgan Stanley states that the resignation of the government may further complicate or delay debt restructuring. The government resigned and there are calls for early elections.

The IMF's explicit ask for debt sustainability and elimination of multiple exchange rates could also mean an even lower recovery value than our estimate of 20.7. Such low recovery values may also make it

difficult to reach a swift deal with creditors. The alternative would be internal adjustment, which would also be prolonged.

According to the report, Lebanon had fallen off investors' radar a bit as formal talks with creditors are yet to begin post the default in March 2020, and as Argentina and Ecuador restructuring made progress. However, the Beirut port explosion on August 4 has again brought Lebanon back in focus.

Following the catastrophe, the government has also resigned. Morgan Stanley thinks that, *ceteris paribus*, the government resignation may further complicate or delay debt restructuring. The risk that the official rate converges towards the parallel market rate poses significant downside risk to our recovery value estimate of 20.7 cents.

The IMF ask for debt sustainability could also mean that some internal adjustment would be required, which in turn means that investors also need to factor in the time value as the deal would not be as swift as that of Argentina or Ecuador, according to Morgan Stanley.

International pledges should be helpful but should have little impact on State finances. The virtual donor conference saw pledges worth US\$ 300 million extended to Lebanon. These pledges seem to be in addition to the in-kind support which is already under way. However, the communiqué states that the aid would be delivered directly to the Lebanese people, with the highest degree of effectiveness and transparency, as per Morgan Stanley.

#### **LEBANON'S BUSINESS AND TRADE ACTIVITY WILL BE HIT HARD IN THE REMAINDER OF 2020, AS PER EIU**

The massive explosion that erupted in the port of Beirut, the capital, on August 4th has further highlighted the political self-interest of Lebanon's authorities.

In the short term, the Lebanese government will focus on offsetting the pandemic-related disruptions to the economy, as well as on repairing the extensive damage to Beirut's commercial centers. The reconstruction could cost was estimated to stand between US\$ 3 billion and US\$ 5 billion (just under 10% of expected GDP in 2020), but the EIU expects the indirect costs to business activity to be far greater. Policy will also concentrate on resolving immediate debt-sustainability difficulties, reforming the fiscal accounts and restructuring the banking sector, as per EIU.

Lebanon's economy will contract considerably in the first half of the forecast period between 2020 and 2024. Lebanon's main commercial hubs were badly damaged by the port explosion, and as a result business and trade activity will be hit hard in the remainder of 2020. Quarantine measures have meanwhile caused a sharp supply-side shock, hitting working hours and productivity. On the demand side, private consumption will have suffered from the effects of isolation measures on commercial activity. The August 4th disaster has made 300,000 people homeless; alongside rapidly rising prices and a sinking currency, this will further compound the deep decline in consumption. Supply-side disruptions will be short-lived but demand effects will be long-lasting. Households will limit their consumption in response to a loss of income, and businesses will delay investment. As such Lebanon's already dire economic performance will worsen in the second half of 2020, causing GDP to contract by 20.7% over the year as a whole. In 2021 the EIU expects a return of growth, albeit at a meagre 1.1%, as the start of an IMF funded program and greater international support help to stabilize economic conditions. Despite the substantial base effects, growth in 2021 will be constrained by the economic trauma inflicted by the initial phases of the IMF support program.

Inflation will spike to record levels in 2020, averaging 198.1%, owing to the convergence of Lebanon's economic, financial and debt crises. The expected flotation of the Lebanese pound in the second half of 2020, and the effect of this on import prices, will be a major inflationary driver. The August 4th explosion, meanwhile, destroyed the national grain store, as well as the country's main port, which is Lebanon's most important trade artery. The severe supply-side shock will drive up prices for several months. Ongoing currency volatility and supply-chain bottlenecks will sustain inflation in 2021, at an average of 98.8%. Price pressures will ease steadily in 2022-24 as the currency normalizes, tax rates are raised and private consumption growth returns, according to EIU.

## CORPORATE NEWS

### BANK AUDI ISSUES ITS FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2020

Bank Audi released its H1 2020 financial statements saying that the persisting uncertainties characterizing the Lebanese fiscal and economic environment continued to prevent a reliable and accurate reflection of the impact of the crisis on the financial statements, with the effects of the crisis exacerbated by the impact of the COVID-19 pandemic on the Group's operations in all its markets of presence.

The previously allocated impairments for credit losses, and the generated operating income, allowed the absorption of the losses on local financial assets, and the generation of an operating surplus that was fully allocated to provisions, within an adopted policy of allocation of all profits to provisions until the dissipation of uncertainties.

It is worth noting that the bank made a decision to allocate US\$ 1.2 billion in 2019, and all profits before taxes and provisions generated in the first half of 2020 to Expected Credit Loss allowances as a means to withstand the impact of this crisis, as well as those related to the COVID-19 pandemic. The bank maintains its accounts in Lebanese Pounds noting that figures hereafter are stated at US dollar official FX rate.

The bank operates principally in Lebanon, with an increasing contribution being made by its operations outside Lebanon including Europe and the MENA region and, since October 2012, in Turkey. Accordingly, its financial condition, results of operations and business prospects are closely related to the overall political, social and economic situation in Lebanon which, in turn, is tied to the geo-political situation in the region, as well as in the wider MENA region, Turkey and Europe.

In the first half of 2020, the bank's focus in Lebanon was on weathering the repercussions of the severe economic and financial crisis that has befallen Lebanon since October 2019, exacerbated by the impact of the COVID-19 pandemic on the business environment in the country. To that effect, the management devised a number of measures. The first is increasing its capital by US\$ 210 million in March 2020, completing henceforth the first phase of the increase of equity that was requested from all banks by the Central Bank of Lebanon as per Intermediary Circular 532. The bank is currently assessing various capitalization scenarios to secure the remaining regulatory requirements. The second is significantly reducing the bank's exposure to Lebanese Eurobonds portfolio, reaching a zero net exposure in 2020. As at end-June 2020, the consolidated exposure of Bank Audi to Lebanese Eurobonds was limited to US\$ 57 million, held at amortized cost with related ECLs of US\$ 49 million, valued based on an average price for the instrument of US\$ 17.4, implying potential gains should the market exceed this level. The third is firming up the de-risking policy with an active loan deleveraging supported by a centralized and specialized remedial function to tightly follow-up on loan quality.

In line with the bank's firm de-risking policy, the bank's consolidated total assets decreased by US\$ 2.5 billion or 6.3%, to US\$ 37.1 billion as at end-June 2020, from US\$ 39.5 billion as at end-December 2019. Consolidated total assets including fiduciary deposits, security accounts and AuMs, reached US\$ 46.4 billion at the same date, compared to US\$ 50.5 billion as at end-December 2019. An analysis by geography as at end-June 2020 reveals that 39% of consolidated assets are booked in entities outside Lebanon, with 65.7% of consolidated net loans booked in entities abroad.

In the first half of 2020, consolidated customers' deposits (including related-party deposits) decreased by US\$ 3.2 billion or 11%, from US\$ 29.6 billion as at end-December 2019 to US\$ 26.4 billion as at end-June 2020.

Due both to the Lebanese financial crisis and to the COVID-19 outbreak, the bank continues to be faced with challenging credit conditions and an unprecedented economic downturn in all of its markets of presence. Within the selective default of Lebanon and as a result of the continued de-risking efforts, the consolidated loan portfolio decreased by US\$ 1.7 billion in the first half of 2020 relative to end-December 2019 or a contraction by 17%, from US\$ 10.3 billion as at end-December 2019 to US\$ 8.6 billion as at June 2020.

In the first six months of 2020, the bank's shareholders' equity increased by US\$ 120 million or 4%, reaching US\$ 3,089 million compared to US\$ 2,970 million as at end-December 2019, representing 8.3% and 7.5% of total assets respectively. As at end-June 2020, total shareholders' equity comprised US\$ 2,373 million of common equity group share, in addition to US\$ 600 million of preferred equity and US\$ 116 million of minority share. This is compared to US\$ 2,239 million, US\$ 600 million and US\$ 131 million respectively as at end-December 2019.

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### **NEWLY REGISTERED CARS AT 4,622 IN FIRST SEVEN MONTHS OF 2020, DOWN BY A YEARLY 71.3%**

According to data compiled by the Association of Car Importers in Lebanon, the number of newly registered passenger cars stood at 4,622 in the first seven months of 2020, falling by 71.3% from a total of 16,124 in the same period of 2019.

In July 2020, the number of cars registered stood at 624, down by 78.8% from 2,948 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 less than US\$ 33 million in 2020.

According to a recent statement, as a result of the dramatic Beirut Port Explosion, the damages that the importers of new cars incurred in their properties are estimated at tens of millions of dollars. This will lead to the closing down of a number of companies and to the licensing of a large number of their employees and workers.

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### **SIEMENS TO PROVIDE FREE ELECTRICITY TO 150,000 LEBANESE**

Siemens, the German technology conglomerate, is set to deliver two gas turbines to Lebanon which will provide electricity free-of-charge for one year to 150,000 Lebanese, equivalent to around 10% of Beirut's population, as per a statement.

The delivery and installation of the two A45-GT gas turbine units with a total electrical capacity of 80 megawatts (MW) would take place in the next six to twelve weeks, according to a statement from the company.

Normally, the use of these units would cost around US\$ 40 million per year, as per the same source.

Alongside this, Siemens will also provide the country with ultrasound systems and a mobile X-ray unit for use in the city's hospitals, some of which have been badly damaged and seen vital equipment destroyed as a result of the blast.

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### **CCIA-BML TO PAY FOR THE INSTALLATION OF GLASS FAÇADES OF PRIVATE ENTERPRISES**

The Chamber of Commerce, Industry, and Agriculture of Beirut and Mount Lebanon (CCIA-BML) said it will pay for the installation of glass facades of private enterprises damaged by the explosion in the Port of Beirut. The Chamber said in a statement that it will use its own resources to pay for the price of glass and for the installation cost for businesses that cannot afford to pay additional charges.

CCIA-BML will announce the procedures for benefiting from this assistance which targets shops, restaurants, cafés and other private sector businesses.



## CAPITAL MARKETS

### MONEY MARKET: FIRST WEEKLY EXPANSION IN TOTAL RESIDENT DEPOSITS IN FIVE WEEKS

The local currency liquidity remained quite abundant on the money market over this week. This kept the overnight rate stable at its low level of 3.0%, noting that its official level is 1.90%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 30th of July 2020 showed that total resident banking deposits registered their first weekly expansion in five weeks of LP 384 billion. This is mainly attributed to a LP 332 billion growth in total LP resident deposits amid a LP 481 billion rise in LP demand deposits and a LP 149 billion decline in LP saving deposits, in addition to a LP 52 billion increase in foreign currency resident deposits. Accordingly, the money supply in its largest sense (M4) expanded by LP 472 billion over the covered week amid a LP 213 billion rise in the currency in circulation and a LP 125 billion decrease in the non-banking sector Treasury bills portfolio.

On a cumulative basis, total resident deposits contracted by circa LP 16,600 billion over the first seven months of 2020, mainly due to a LP 13,400 billion fall in total LP resident deposits and a LP 3,200 billion decline in foreign currency resident deposits.

### INTEREST RATES

	14/08/20	07/08/20	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 DEFICIT OF LP 70 BILLION

The latest Treasury bills auction results for value date 13th of August 2020 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the six-month category (offering a yield of 4.0%), the three-year category (offering a coupon of 5.50%) and the seven-year category (offering a coupon of 6.50%).

In parallel, the Treasury bills auction results for value date 6th of August 2020 showed that total subscriptions amounted to LP 99 billion, distributed as follows: LP 9 billion in the three-month category (offering a yield of 3.50%), LP 6 billion in the one-year category (offering a yield of 4.50%) and LP 84 billion in the five-year category (offering a coupon of 6.0%). These compare to maturities of LP 169 billion, resulting into a nominal weekly deficit of LP 70 billion.

## TREASURY BILLS

	14/08/20	07/08/20	27/12/19	
3-month	3.50%	3.50%	5.30%	↔
6-month	4.00%	4.00%	5.85%	↔
1-year	4.50%	4.50%	6.50%	↔
2-year	5.00%	7.00%	7.00%	↔
3-year	5.50%	5.50%	7.50%	↔
5-year	6.00%	6.00%	8.00%	↔
7-year	6.50%	-	9.00%	
<b>Nom. Subs. (LP billion)</b>		<b>99</b>	<b>120</b>	
Short-term (3&6 mths)		9	-	
Medium-term (1&2 yrs)		6	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		84	100	
<b>Maturities</b>		<b>169</b>	<b>61</b>	
<b>Nom. Surplus/Deficit</b>		<b>-70</b>	<b>59</b>	

Sources: Central Bank of Lebanon, Bloomberg

## FOREIGN EXCHANGE MARKET: LEBANESE POUND GAINS GROUND AGAINST US DOLLAR

Along emergency humanitarian aid sent to Lebanon in response to the catastrophic explosion that has rocked Beirut on the 4th of August 2020 and caused large human and material damages unseen since the Civil War, and while all eyes are focused on the mandatory Parliamentary consultations amid hopes that a new government would be formed that would respond to people's demands and pave the way for the implementation of long-awaited reforms, the Lebanese pound gained ground against the US dollar on the black foreign exchange market this week. The LP/US\$ exchange rate contracted by 10% during the week, falling below the LP/US\$ 7,000 threshold for the first time since June 2020, before closing at LP/US\$ 7,000-LP/US\$ 7,100 on Friday. This compared to a rate of LP/US\$ 7,400-LP/US\$ 7,700 at the end of last week.

The improvement in the LP/US\$ rate in the parallel market occurred at a time when money transfer houses started paying transfers from abroad in US dollars in compliance with BDL's new intermediate circular issued last week. In parallel, the exchange rate set by the money changers syndicate remained quoted at LP/US\$ 3,850-LP/US\$ 3,900.

## EXCHANGE RATES

	14/08/20	07/08/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,971.36	1,975.73	1,970.00	↑
LP/¥	14.13	14.28	13.77	↑
LP/SF	1,655.50	1,651.15	1,543.78	↓
LP/Can\$	1,137.91	1,129.04	1,150.59	↓
LP/Euro	1,780.66	1,783.98	1,679.20	↑

Source: Bank Audi's Group Research Department

## STOCK MARKET: SHY WEEKLY PRICE DECLINES ON THE BSE

The BSE total turnover amounted to US\$ 4.2 million during this five-day week and compared to US\$ 1.2 million during the one-day previous week, noting that Solidere shares accounted for the lion's share of activity.

Only four out of 26 listed stocks were traded this week. Two stocks posted price contractions, while one stock registered price gains and one stock saw no price change week-on-week. A closer look at individual stocks shows that Solidere "B" share price decreased by 1.7% to US\$ 14.25. BLOM's "listed" share price fell by 11.6% to US\$ 2.81. In contrast, Solidere "A" share price rose by a shy 0.1% to US\$ 14.23, which shows the relative stability in Solidere shares despite the damage that has hit Solidere's assets during the catastrophic Beirut port blast. Bank Audi's "listed" share price remained stable at US\$ 0.96. Within this context, the BSE price index declined by 0.6% week-on-week.

### AUDI INDICES FOR BSE

22/1/96=100	14/08/20	07/08/20	27/12/19	
Market Cap. Index	277.70	279.47	316.37	↓
Trading Vol. Index	36.79	51.38	24.97	↓
Price Index	59.06	59.44	69.36	↓
Change %	-0.63%	1.85%	2.37%	↓
	14/08/20	07/08/20	27/12/19	
Market Cap. \$m	6,588	6,630	7,506	↓
No. of shares traded (Exc. BT)	300,505	82,160	333,997	↑
Value Traded \$000 (Exc. BT)	4,170	1,160	2,294	↑
o.w. : Solidere	4,166	1,160	2,294	↑
Banks	4	0	0	↑
Others	0	0	0	↔

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

## BOND MARKET: TWO-WAY FLOWS IN LEBANON'S EUROBOND MARKET

The Lebanese Eurobond market saw two-way flows this week following the cabinet's resignation, which has scrapped the governmental rescue plan and put the debt restructuring talks on pause, raising questions about the fate of the financial system's loss estimates. Market players showed some appetite for shorter-term papers maturing in 2020 and 2021, which resulted into weekly price gains of up to 0.38 pt. Also, papers maturing in 2033, 2034 and July 2035 registered price rises of 0.25 pt to 0.38 pt. In contrast, sovereigns maturing between 2022 and 2028 saw price declines of 0.13 pt to 0.63 pt. Papers maturing in November 2035 and 2037 saw price decreases of 0.88 pt and 1.0 pt respectively. That being said, prices of Lebanese sovereigns ranged between 15.13 cents per US dollar and 18.38 cents per US dollar across the yield curve at the end of this week.

### EUROBONDS INDICATORS

	14/08/20	07/08/20	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	48%	47%	29.99%	↑
Average Life	7.39	7.41	7.50	↓
Yield on US 5-year note	0.30%	0.20%	1.71%	↑

Source: Bank Audi's Group Research Department

## INTERNATIONAL MARKET INDICATORS

	14-Aug-20	07-Aug-20	31-Dec-19	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	106.60	105.93	108.64	0.6%	-1.9%
\$/£	1.309	1.305	1.326	0.3%	-1.3%
\$/Euro	1.184	1.179	1.121	0.4%	5.6%
<b>STOCK INDICES</b>					
Dow Jones Industrial Average	27,931.02	27,433.48	28,538.44	1.8%	-2.1%
S&P 500	3,372.85	3,351.28	3,230.78	0.6%	4.4%
NASDAQ	11,019.30	11,010.98	8,972.60	0.1%	22.8%
CAC 40	4,962.93	4,889.52	5,978.06	1.5%	-17.0%
Xetra Dax	12,901.34	12,674.88	13,249.01	1.8%	-2.6%
FT-SE 100	6,090.04	6,032.18	7,542.44	1.0%	-19.3%
NIKKEI 225	23,289.36	22,329.94	23,656.62	4.3%	-1.6%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,945.12	2,035.55	1,517.27	-4.4%	28.2%
SILVER OUNCE	26.45	28.30	17.85	-6.6%	48.1%
BRENT CRUDE (per barrel)	44.80	44.40	62.93	0.9%	-28.8%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	0.15	0.16	1.76	-0.01	-1.61
US Prime Rate	3.25	3.25	4.75	0.00	-1.50
US Discount Rate	0.25	0.25	2.25	0.00	-2.00
US 10-year Bond	0.71	0.56	1.92	0.15	-1.21

Sources: Bloomberg, Bank Audi's Group Research Department

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