

The LEBANON WEEKLY MONITOR

CONTACTS

Treasury & Capital Markets

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

Nadine Akkawi
(961-1) 977401
nadine.akkawi@bankaudi.com.lb

Private Banking

Toufic Aouad
(961-1) 954922
toufic.aouad@bankaudipb.com

Corporate Banking

Khalil Debs
(961-1) 977229
khalil.debs@bankaudi.com.lb

RESEARCH

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

Jamil Naayem
(961-1) 977406
jamil.naayem@bankaudi.com.lb

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

Fadi Kalso
(961-1) 977470
fadi.kalso@bankaudi.com.lb

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

Nivine Turyaki
(961-1) 959615
nivine.turyaki@bankaudi.com.lb

Economy

p.2 A US\$ 7.5 BILLION BALANCE OF PAYMENTS DEFICIT YEAR-TO-DATE, OF WHICH TWO THIRDS IN JULY AND AUGUST

The first eight months of the year 2020 were underlined by a record high balance of payments deficit of US\$ 7.5 billion which was due, despite the noticeable 59% contraction in the foreign trade deficit, to the more significant decline in financial inflows towards Lebanon over the period.

Also in this issue

p.3 Yearly inflation at 94% in August as per CRI

p.4 Imports of petroleum derivatives down by a yearly 13.8% in first half of 2020

Surveys

p.5 LEBANESE LABOR MARKET BESET BY FRAGILITY, AS PER THE ILO

According to a recent report by the International Labour Organization (ILO), Lebanon has been in a state of emergency since mid-March 2020 in response to the COVID-19 pandemic.

Also in this issue

p.6 Port explosion left a devastating crater in Lebanon's already-crumbling economy, as per Strategy&.

Corporate News

p.7 BANK OF BEIRUT'S TOTAL ASSETS AT US\$ 14.6 BILLION AT END-JUNE 2020

Bank of Beirut posted unaudited net losses of US\$ 0.6 million in the first half of 2020, against net profits of US\$ 65.9 million in the corresponding period of the previous year.

Also in this issue

p.8 Lebanese start-up Synkers raises US\$ 1.8 million

p.8 Berytech to invest in Lebanese green startups

Markets In Brief

p.9 DETERIORATION IN LP/US\$ EXCHANGE RATE AS CABINET FORMATION STALLS

After failing to make a breakthrough in the cabinet formation impasse and on increased uncertainties following the resignation of the PM-designate while subsidy cuts are looming, Lebanon's capital markets saw this week a further deterioration in the Lebanese pound against the US dollar on the back FX market, and price contractions on the bond and equity markets. In details, the US dollar crossed above the LP/US\$ 8,000 threshold in response to the PM-designate resignation, reaching LP/US\$ 8,450-LP/US\$ 8,600 on Friday versus LP/US\$ 7,650-LP/US\$ 7,750 at the end of last week, up by 11%. Concurrently, BDL's foreign assets contracted further during the second half of September 2020 to reach US\$ 21 billion after excluding BDL's Eurobond holdings (less than US\$ 20 billion when excluding BDL domestic FX loans to Lebanese banks). In parallel, the bond market saw further price contractions amid stalled cabinet formation process, with prices hovering between 14.75 and 17.13 cents per US dollar. On the equity market, the BSE price index fell by 2.1%, while activity remained quite shy.

LEBANON MARKETS: WEEK OF SEPTEMBER 28 - OCTOBER 04, 2020

Money Market



LP Tbs Market



LP Exchange Market



BSE Equity Market



Eurobond Market



CDS Market



ECONOMY

A US\$ 7.5 BILLION BALANCE OF PAYMENTS DEFICIT YEAR-TO-DATE, OF WHICH TWO THIRDS IN JULY AND AUGUST

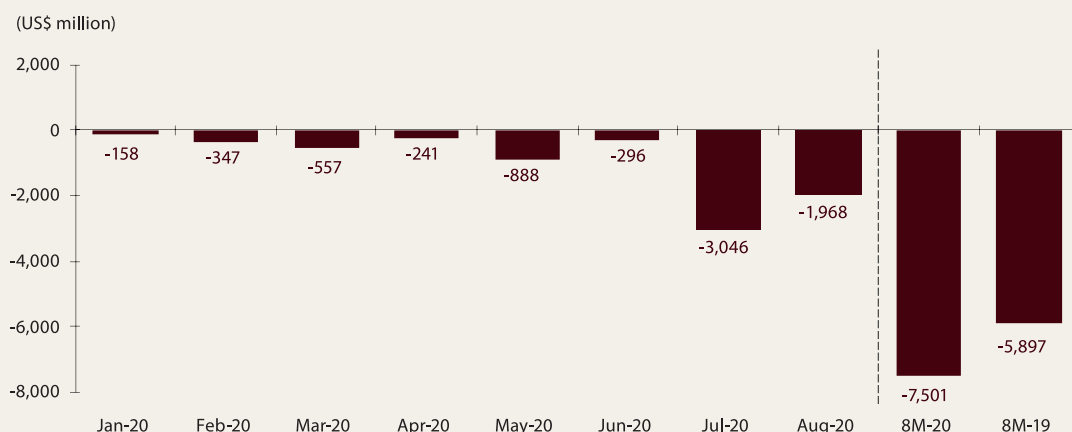
The first eight months of the year 2020 were underlined by a record high balance of payments deficit which was due, despite the noticeable 59% contraction in the foreign trade deficit, to the more significant decline in financial inflows towards Lebanon over the period. As a matter of fact, Lebanon's balance of payments reported a deficit of US\$ 7.5 billion over the first 8 months of 2020, against a deficit of US\$ 5.9 billion over the same period of 2019. This year's balance of payments deficit was driven by the decline in the net foreign assets of BDL by US\$ 9.4 billion, while banks' net foreign assets rose by US\$ 1.9 billion year-to-date. It is also worth mentioning that two thirds of the balance of payments deficit (i.e circa US\$ 5 billion) was recorded in the months of July and August (US\$ 3 billion and US\$ 2 billion respectively).

Within this environment, Lebanon's banking activity was characterized by negative deposit growth, continuous loan deleveraging, significant contraction in creditor and debtor interest rates and further pressure on banks operating conditions. Measured by the aggregation of bank assets in the sector, banking activity reported US\$ 195.7 billion at end-August, contracting by 9.7% since the beginning of the year.

Customer deposits, which account for 73% of bank assets, reported a contraction of US\$ 15.8 billion over the first eight months of 2020 to amount to US\$ 143.0 billion at end-August. This contraction in deposits is mainly tied to a contraction in LL deposits by US\$ 9.7 billion year-to-date, along with a decline in FX deposits by US\$ 6.1 billion over the period. It is also tied to a contraction in resident deposits by US\$ 11.1 billion, while non-resident deposits contracted by US\$ 4.7 billion over the 8-month period.

It is important to note that around half of the deposit contraction over the first eight months of 2020 was driven by loan contraction. In fact, loans to the private sector lost US\$ 10.1 billion year-to-August to reach US\$ 39.6 billion. This contraction in loans is mainly tied to a contraction in FX loans by US\$ 9.6 billion year-to-date, along with a decline in LL loans by US\$ 0.5 billion over the period. It is also tied to a contraction in resident loans by US\$ 9.1 billion, while non-resident loans contracted by US\$ 1.1 billion over the 8-month period.

BALANCE OF PAYMENTS



Sources: BDL, Bank Audi's Group Research Department

With respect to Lebanese banks FX liquidity in foreign banks, it contracted by US\$ 2.4 billion since the beginning of the year, mainly driven by the considerable drop in the early months of 2020, while its relative stability since the month of May was quite noticeable. As to the Lebanese banks Eurobond portfolio, it reported a contraction of US\$ 3.7 billion since the beginning of the year to move from US\$ 13.8 billion at end-December 2019 to US\$ 10.1 billion at end-August 2020, mainly accounted for by noticeable bond sales on behalf of Lebanese banks prior to the State's default in April of this year. Finally, banks' shareholder equity reported US\$ 18.7 billion at end-August, against a previous peak of US\$ 20.7 billion recorded last year, with the US\$ 2 billion contraction being driven by cumulative net losses incurred by the sector at the level of its income statement in the aftermath of the recent crisis in Lebanon.

YEARLY INFLATION AT 94% IN AUGUST AS PER CRI

The Consultation & Research Institute's index of consumer prices had started to witness growing inflationary trends since end 2019, after several months of economic slowdown that negatively impacted the CPI. In fact, the deep economic, financial and monetary crisis has started to affect product and services prices in the market. This August, the year-on-year index has surged by 94.0% compared to results of August 2019.

All nine main indices registered increases this August. The highest increase was registered by the "Durable Consumer Goods" category (215.9%), followed by the "Transportation and Telecommunications" category (129.7%), then by the "Food and Beverages" category (127.1%) and the "Apparel" category (114.3%).

The "Durable Consumer Goods" index has surged by 215.9% since August 2019. All eight indices have witnessed increases this August, most significantly those of the "Household Furnishings" category (368.1%), followed by the "Linens" category (318.5%), the "Appliances" category (240.7%) and the "Glassware" category (177.3%).

The CPI component for "Transportation and Telecommunications" has significantly increased by 129.7% (year-on-year) in August 2020, due to the considerable increase in the "Transportation" category (140.0%), while the "Telephone Services" category remained unchanged this month.

CONSUMER PRICE INDEX

	Weights	Variation
CPI (Aug-20/Aug-19)		+94.0%
Food and beverages	35.4%	+127.1%
Apparel	6.6%	+114.3%
Housing	6.5%	+7.5%
Durable consumer goods	8.2%	+215.9%
Healthcare	9.8%	+35.0%
Transportation and telecommunications	14.4%	+129.7%
Education	12.5%	+1.0%
Recreation	2.7%	+59.7%
Other goods and services	4.0%	+55.7%
CPI (12-month moving average)		+28.0%

Source: Consultation and Research Institute

The August 2020 year-on-year "Food and Beverages" index has significantly increased by 127.1% since August 2019. All of its four sub-indices registered increases as follows: the "Tobacco Products" category (183.9%), the "Nonalcoholic Beverages" category (134.9%), the "Alcoholic Beverages" category (134.3%) and the "Food" category (123.3%).

Apparel year-on-year prices registered 114.3% increase in August 2020. This was the result of the surge in the "Clothing and Sewing Materials" category (125.4%), and in the "Footwear" category (83.9%) this month.

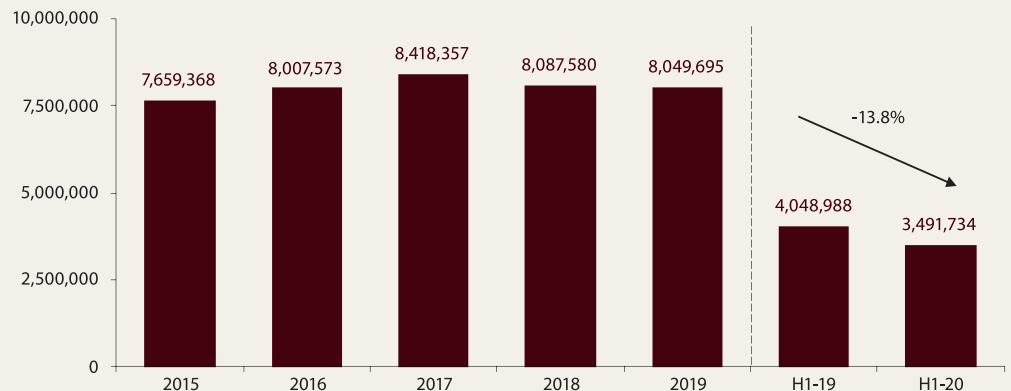
IMPORTS OF PETROLEUM DERIVATIVES DOWN BY A YEARLY 13.8% IN FIRST HALF OF 2020

Figures released by the Central Bank of Lebanon show that imports of petroleum derivatives stood at 3,941,734 metric tons in the first half of 2020, down by 13.8% from 4,048,988 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.

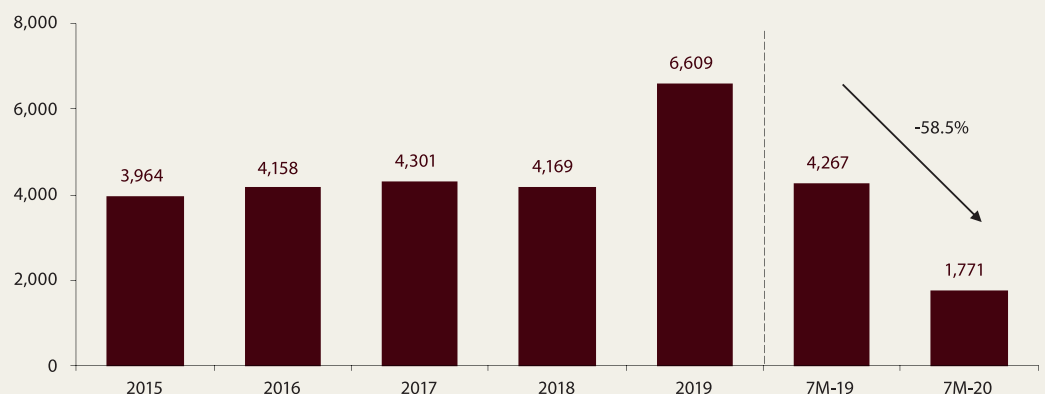
In fact, this trend came within the context of a net contraction in imports of mineral products, mainly mineral fuels and oils, by a yearly 58.5% over the first seven months of 2020, from US\$ 4.3 billion to US\$ 1.8 billion between the two periods, as per the Customs Administration.

IMPORTS OF PETROLEUM DERIVATIVES (METRIC TONS)



Sources: BDL, Bank Audi's Group Research Department

IMPORTS OF MINERAL FUELS (US\$ MILLION)



Sources: Customs Administration, Bank Audi's Group Research Department

SURVEYS

LEBANESE LABOR MARKET BESET BY FRAGILITY, AS PER THE ILO

According to a recent report by the International Labour Organization (ILO), Lebanon has been in a state of emergency since mid-March 2020 in response to the COVID-19 pandemic.

The situation is compounded by the fact that the pandemic emerged during Lebanon's worst economic and financial crisis in decades, which has also induced a deep social and political crisis. Even prior to these crises, the Lebanese labor market was beset by fragility, as per the report.

According to the latest Labor Force and Household Living Conditions Survey (LFHLCS) conducted in Lebanon in 2018–19, 1.59 million individuals work in Lebanon, of whom 78.1% are Lebanese and 21.9% are non-Lebanese, comprised mainly of refugees in addition to migrant workers. The employment-to-population ratio, used as a proxy to measure the performance of the national economy in providing employment, stood at 43.3%, with 54.9% of workers informally employed. The composite measure of labor underutilization (LU4), taking into account unemployment, time-related underemployment and the potential labor force, stood at 16.2%, with women and young people registering particularly high rates, at 21.3% and 29.5%, respectively.

Prior to the spread of COVID-19 and increasingly so since October 2019, the country's dire economic and financial situation had already impacted people's lives, leaving thousands of additional workers either unemployed or under-employed, with reduced wages and working hours, soaring inflation, decreased purchasing power and highly restricted access to their dollar-denominated deposit accounts, as per the same source.

While the state of "general mobilization" in response to the COVID-19 pandemic was last extended until 2 August 2020, the lockdown has been eased, as the Lebanese government has implemented a five-phase plan to allow the gradual resumption of economic activity over recent weeks. The plan prioritized the re-opening of economic sectors and other activities based on the need for the services and goods of a given sector, the risks associated with resuming activities and the financial impact of closure, as per the ILO.

For instance, agro-food and agricultural activities were resumed in phase 1, whereas shopping malls were re-opened in phase 4 and the airport in phase 5.

The economic contraction and reduction in global supply and demand as a result of the pandemic is likely to affect Lebanon's ability to overcome and recover from the multiple crises it is grappling with, not only in the short term but in the medium term as well. This will put at risk the jobs and livelihoods of an increasingly vulnerable and poor population that has the largest number of refugees per capita in the world and hosts a large number of migrant workers. Radical change will be required to lift the economy out of recession, save jobs, and put the country on a recovery path towards a new and better normal. A shift from the current rentier-based economy towards more productive sectors and the development of a robust vision for the country – including a comprehensive national employment policy that is based on concerted efforts from all relevant tripartite stakeholders – will be needed to tackle the multiple crises and the challenges facing Lebanon.

It is worth noting that Some 819,000 workers in Lebanon are employed in the six high-risk sectors: accommodation and food services, manufacturing, construction, wholesale and retail trade, real estate and business activities, and arts and entertainment. Furthermore, high-risk sectors employ almost half of the Lebanese workforce (610,000 workers) and 60% of non-Lebanese workers (208,000 workers), according to ILO.

PORT EXPLOSION LEFT A DEVASTATING CRATER IN LEBANON'S ALREADY-CRUMBLING ECONOMY, AS PER STRATEGY&.

According to a new study by Strategy&, formerly Booz & Company and the strategy consulting subsidiary of PwC, on top of the immediate devastation of the explosions, the event has also left a devastating crater in Lebanon's already-crumbling economy.

Totting up the damage to infrastructure, businesses, housing, cultural and social costs of the blasts, Strategy& has estimated that the bill stands at around US\$ 5 billion.

This figure is excluding public infrastructure damages such as the port, and indirect economic impacts, such as export and supply chain disruptions, which according to an estimate by the Lebanese government amounts to some US\$ 15 billion.

With the national unemployment rate surging past the 30% mark, the country's people fuming and willing to overturn the political elite, and the embattled central bank facing an internal audit to try and foster trust with the IMF, the explosions could arguably have not come at a worse time for Lebanon.

Breaking down Strategy&'s US\$ 5 billion estimate, the damages to infrastructure will cost more than US\$ 3.1 billion. This includes over US\$ 1.8 billion to help rebuild and repair housing, and US\$ 865 million to help the 30,000 businesses which suffered damages recover.

While these repairs go on, the social impact of the disaster will also rack up a cost of US\$ 555 million. This included that with an estimated 31,000 houses now uninhabitable, around 13,000 households will need shelter – something which comes with a funding requirement of US\$ 30 million for 18 months.

As mentioned, the destruction of the country's food supply has also left 300,000 people in moderate to urgent need of food assistance – something which will cost US\$ 215 million for one year.

Around US\$ 920 million in revenues will be lost by businesses in the aftermath of the port blast (based on a 1-year window), with Lebanon's retail scene to face the hardest hit. Around 38% of the total will come from shopping, while with eight damaged universities, the lucrative education sector will be the next worst hit, at 17%. Due to the effects of the explosion had on food supplies, food and drink will also see an 11% loss.

The Medawar, Rmeil, Saifi and Marfaa districts are most in need of urgent help. According to Strategy&, Rmeil alone has suffered US\$ 489 million in property damage, including 14,000 impacted households, and 1,100 buildings.

While Strategy&'s analysis echoes that of the World Bank to some extent – with the Bank's Rapid Damage and Needs Assessment report having also focused on damage to infrastructure and physical assets in Beirut – the report does go further in analyzing the funding of Beirut's recovery. This includes the fact that there is a significant shortfall in the donations needed to help Beirut recover.

It is worth noting that the past year had already seen Lebanon's government and economy crippled by a series of severe crises, before this latest blow. By the summer, the country's economy was already in its worst state since a fifteen-year civil war, which had ruptured the country in the 70s and 80s.

CORPORATE NEWS

BANK OF BEIRUT'S TOTAL ASSETS AT US\$ 14.6 BILLION AT END-JUNE 2020

Bank of Beirut posted unaudited net losses of US\$ 0.6 million in the first half of 2020, against net profits of US\$ 65.9 million in the corresponding period of the previous year.

Net interest income amounted to US\$ 169.3 million in the first six months of 2020, up by 44.7% from the same period of 2019. Net commission income declined from US\$ 52.0 million in the first half of 2019 to US\$ 17.9 million in the corresponding period of 2020.

Net operating income retreated by 39.1% year-on-year to attain US\$ 115.6 million in the first half of 2020.

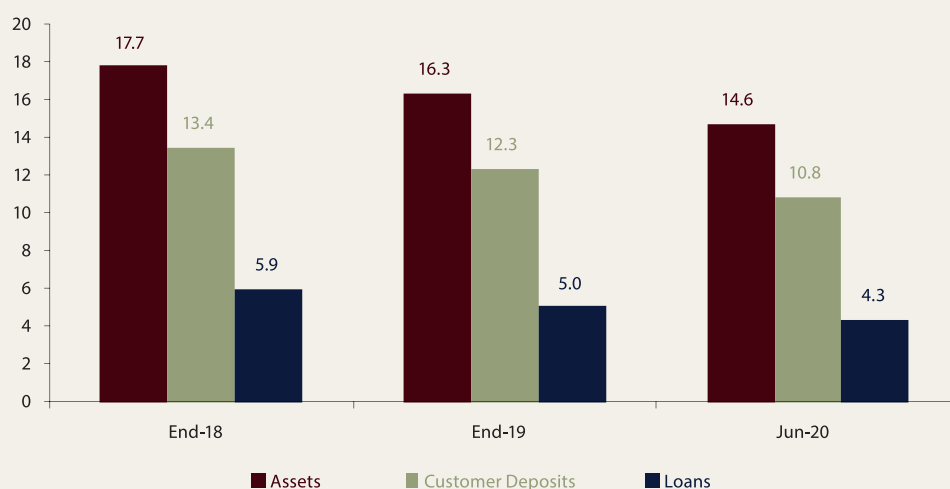
Total operating expenses decreased by 3.9% year-on-year to US\$ 105.6 million in the first half of 2020, of which staff costs reached US\$ 57.4 million, 5.8% lower than those reported in the same period of 2019, and other general operating expenses totaled US\$ 39.1 million, 3.8% lower than those recorded in the same period of 2019.

Bank of Beirut's assets totaled US\$ 14.6 billion at end-June 2020, down from US\$ 16.3 billion at end-2019. Net loans and advances stood at US\$ 4.3 billion at end-June 2020, down from the total of US\$ 5.0 billion at end-2019.

Customers' deposits amounted to US\$ 10.8 billion at end-June 2020, down from US\$ 12.3 billion at end-2019.

Shareholders' equity totaled US\$ 1.6 billion at end-June 2020, up by 0.8% from end-2019.

BANK OF BEIRUT'S BALANCE SHEET AGGREGATES (US\$ BILLION)



Sources: Bank of Beirut

LEBANESE START-UP SYNKERS RAISES US\$ 1.8 MILLION

The Lebanese start-up, Synkers, an online tutoring platform based in the Beirut Digital District, with branches in Dubai and Abu Dhabi, just raised US\$ 1.8 million in pre-series A.

Among the investors are “ Saudi business angels ”, the investment fund and incubator of 500 Startups, the Lebanese Phoenician Funds and ISME Kafalat, Mulcan Investment, the Lebanese business angel community Seeders and the international funds Crescent Capital and Dubai Angel Investors. The funds, negotiated before the Lebanese crisis, come from a mixture of international and local financing, part of which was mobilized through the mechanism of Circular 331 of the Banque du Liban.

Launched in 2016, the start-up connects private tutors and learners at all levels, from school to vocational training. The tutors, selected and certified by the platform, set their rates themselves and provide 20% of their monthly income to Synkers.

Passed by the Seed incubator in 2016, the young growth carried out a first fundraising in 2017 with Phoenician Funds, and has 12 employees, a thousand teachers and more than 60,000 learners, half in Lebanon and the other in the United Arab Emirates. This new injection of capital should enable it to improve its product, develop its presence in existing markets and launch into Saudi Arabia. The objective is to target 200,000 students in the region within one year.

In the midst of the COVID-19 pandemic and economic crisis in Lebanon, Synkers sees the challenges posed by distance education and the devaluation of the pound as an opportunity. The start-up developed an online course platform that allows Lebanese teachers to offer their services around the world. This is particularly interesting for the Lebanese in the current context of depreciation of the currency, as per one of the founders.

BERYTECH TO INVEST IN LEBANESE GREEN STARTUPS

Lebanon-based Berytech, in partnership with the EU-funded Green Impact MED Project (GIMED), launched a green applied research and innovations support program to support impact entrepreneurs working on green research and help them transform their ideas into market-ready products.

The program will initially select 20 startups to participate in its capacity building programs, of which ten will be selected by a jury to qualify to the acceleration phase where they will receive coaching and mentorship sessions as well as an opportunity to access finance and market, among other benefits.

The ten projects will compete in a pitching event where four only will be qualified to partake in a three-month incubation. These startups will be eligible for a grant of € 7,500 and to attend the scheduled regional and international events to secure B2B meetings, trade deals and potential investments.

Selected projects must offer products, processes, or technologies that drive positive environmental and social impact such as energy-saving, pollution-prevention, waste recycling, green product designs, or corporate environmental management.

The program will begin accepting applications from startups 30 October 2020, with young women particularly being encouraged to apply.

CAPITAL MARKETS

MONEY MARKET: CURRENCY IN CIRCULATION MORE THAN DOUBLES SINCE END-2019

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

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 17th of September 2020 showed that total resident banking deposits contracted further by LP 341 billion for the third consecutive week. This is mainly attributed to a LP 241 billion fall in total LP resident deposits amid a LP 71 billion decline in LP demand deposits and a LP 170 billion decrease in LP saving deposits, in addition to a LP 100 billion contraction in foreign currency resident deposits. Accordingly, the money supply in its largest sense (M4) contracted by LP 84 billion week-on-week amid a LP 143 billion expansion in the currency in circulation and a LP 114 billion rise in the non-banking sector Treasury bills portfolio.

Within this context, it is worth mentioning that the currency in circulation more than doubled since end-2019, reaching circa LP 21,600 billion, while LP saving deposits contracted by 33% to reach circa LP 29,000 billion, and foreign currency deposits declined by 2.5% hovering around LP 135,000 billion.

INTEREST RATES

	02/10/20	25/09/20	27/12/19	
Overnight rate (official)	1.90%	1.90%	3.90%	↔
7 days rate	2.00%	2.00%	4.00%	↔
1 month rate	2.75%	2.75%	4.75%	↔
45-day CDs	2.90%	2.90%	4.90%	↔
60-day CDs	3.08%	3.08%	5.08%	↔

Source: Bloomberg

TREASURY BILLS MARKET: NOMINAL SURPLUS OF LP 2,000 BILLION DURING THE FIRST 9M OF 2020

The latest Treasury bills auction results for value date 1st of October 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 24th of September 2020 showed that total subscriptions amounted to LP 255 billion, distributed as follows: LP 14 billion in the six-month category (offering a yield of 4.0%), LP 123 billion in the two-year category (offering a coupon of 5.0%) and LP 118 billion in the ten-year category (offering a coupon of 7.0%). These compare to maturities of LP 58 billion, resulting into a nominal weekly surplus of LP 197 billion.

On a cumulative basis, total subscriptions amounted to LP 9,032 billion during the first nine months of 2020. The ten-year category captured 31.3% of the total (the equivalent of LP 2,829 billion), followed by the five-year category with 23.1% (the equivalent of LP 2,091 billion), the three-year category with 12.9% (the equivalent of LP 1,168 billion), the seven-year categories with 11.8% (the equivalent of LP 1,066 billion), the one-year category with 10.4% (the equivalent of LP 937 billion), and the two-year with 6.8% (the equivalent of LP 617 billion), while the three-month and six-month categories accounted for the remaining 3.6% (the equivalent of LP 325 billion in total). In parallel, total maturities reached LP 6,977 billion, resulting into a nominal surplus of LP 2,056 billion during the first nine months of 2020.

TREASURY BILLS

	02/10/20	25/09/20	27/12/19	
3-month	3.50%	3.50%	5.30%	↔
6-month	4.00%	4.00%	5.85%	↔
1-year	4.50%	4.50%	6.50%	↔
2-year	5.00%	7.00%	7.00%	↔
3-year	5.50%	5.50%	7.50%	↔
5-year	6.00%	6.00%	8.00%	↔
10-year	-	7.00%	10.00%	
Nom. Subs. (LP billion)		255	120	
Short-term (3&6 mths)		14	-	
Medium-term (1&2 yrs)		123	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		-	100	
Long-term (10 yrs)		118	-	
Maturities		58	61	
Nom. Surplus/Deficit		197	59	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: BDL'S FOREIGN ASSETS DOWN TO US\$ 26 BILLION AT END-SEPTEMBER

After the resignation of the PM-designate amid a deadlocked cabinet formation process, and on talks about imminent subsidy reductions, the black foreign exchange market saw this week a deterioration in the Lebanese pound against the US dollar, moving from LP/US\$ 7,650-LP/US\$ 7,750 at the end of the previous week to LP/US\$ 8,450-LP/US\$ 8,600 on Friday, up by 11%, while the money changers syndicate kept the exchange rate at LP/US\$ 3,850-LP/US\$ 3,900.

In parallel, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 30th of September 2020 showed that BDL's foreign assets contracted significantly by US\$ 2.2 billion during the second half of the month to reach US\$ 25.9 billion at end-September, and fell to US\$ 20.9 billion when excluding BDL's Eurobond holdings estimated at US\$ 5.03 billion. On a cumulative basis, BDL's foreign assets accumulated contractions of US\$ 11.3 billion since the beginning of the year 2020.

EXCHANGE RATES

	02/10/20	25/09/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,951.16	1,924.32	1,970.00	↓
LP/¥	14.33	14.30	13.77	↓
LP/SF	1,636.10	1,625.69	1,543.78	↓
LP/Can\$	1,132.61	1,128.96	1,150.59	↓
LP/Euro	1,765.58	1,757.14	1,679.20	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: BSE PRICE INDEX DOWN BY 2% WEEK-ON-WEEK

The BSE price index declined by 2.1% week-on-week. Four out of six traded stocks registered price contractions, while one stock posted price gains and one stock saw no price change week-on-week. A closer look at individual stocks shows that Solidere "A" and "B" share prices plunged by 5.3% and 5.2% respectively week-on-week to reach US\$ 14.97 and US\$ 14.99 respectively. As to banking stocks, BLOM's GDR price shed 3.3% to US\$ 2.90. BEMO's "listed" share price stood unchanged at US\$ 1.20. Amongst industrials, Ciments blancs's share price plummeted by 15.6% to US\$ 3.80. Holcim Liban's share price surged by 5.8% to US\$ 12.70.

As to trading volumes, the BSE total turnover contracted by 5.9% week-on-week, moving from US\$ 6.3 million last week to US\$ 5.9 million, noting that Solidere continued to capture the lion's share of activity (96%). On a cumulative basis, the BSE total turnover amounted to US\$ 185 million during the first nine months of 2020, up by 32.3% relative to the same period of 2019, noting that Solidere shares captured 57% of activity amid increased investor appetite for realty stocks.

AUDI INDICES FOR BSE

22/1/96=100	02/10/20	25/09/20	27/12/19	
Market Cap. Index	280.37	286.32	316.37	↓
Trading Vol. Index	52.36	55.59	24.97	↓
Price Index	59.63	60.90	69.36	↓
Change %	-2.08%	0.01%	2.37%	↓
	02/10/20	25/09/20	27/12/19	
Market Cap. \$m	6,651	6,793	7,506	↓
No. of shares traded (Exc. BT)	409,019	379,251	333,997	↑
Value Traded \$000 (Exc. BT)	5,914	6,282	2,294	↓
o.w. : Solidere	5,686	5,642	2,294	↑
Banks	17	640	0	↓
Others	211	0	0	↑

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

BOND MARKET: FURTHER BOND PRICE FALLS AS CABINET FORMATION EFFORTS REACH DEADLOCK

With the cabinet formation efforts reaching a deadlock and following the resignation of the PM-designate which has left Lebanon exposed to different scenarios, the country's Eurobond market saw this week extended price contractions across the yield curve at a range hovering between 0.88 pt and 1.75 pt. Accordingly, prices of Lebanese Eurobonds ranged between 14.75 cents per US dollar and 17.13 cents per US dollar at the end of this week. This compared to a range of 15.75 -18.63 cents per US dollar at the end of last week. That being said, the weighted average bond yield rose from 48% last week to 50% this week.

EUROBONDS INDICATORS

	02/10/20	25/09/20	27/12/19	
Total tradable size \$m	32,664	32,664	29,564	↔
o.w.: Sovereign bonds	31,314	31,314	28,314	↔
Average Yield	50%	48%	29.99%	↑
Average Life	7.26	7.29	7.50	↓
Yield on US 5-year note	0.26%	0.27%	1.71%	↓

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	02-Oct-20	25-Sep-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	105.30	105.57	108.64	-0.3%	-3.1%
\$/£	1.294	1.275	1.326	1.5%	-2.4%
\$/Euro	1.172	1.163	1.121	0.7%	4.5%
STOCK INDICES					
Dow Jones Industrial Average	27,682.81	27,173.96	28,538.44	1.9%	-3.0%
S&P 500	3,348.44	3,298.46	3,230.78	1.5%	3.6%
NASDAQ	11,075.02	10,913.56	8,972.60	1.5%	23.4%
CAC 40	4,824.88	4,729.66	5,978.06	2.0%	-19.3%
Xetra Dax	12,689.04	12,469.20	13,249.01	1.8%	-4.2%
FT-SE 100	5,902.12	5,842.67	7,542.44	1.0%	-21.7%
NIKKEI 225	23,029.90	23,204.62	23,656.62	-0.8%	-2.6%
COMMODITIES (in US\$)					
GOLD OUNCE	1,899.80	1,861.58	1,517.27	2.1%	25.2%
SILVER OUNCE	23.74	22.89	17.85	3.7%	33.0%
BRENT CRUDE (per barrel)	39.27	41.92	62.93	-6.3%	-37.6%
LEADING INTEREST RATES (%)					
1-month Libor	0.14	0.15	1.76	-0.01	-1.62
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	0.66	1.92	0.04	-1.22

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER

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

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