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## The LEBANON WEEKLY MONITOR

## Economy

**p.2 BDL COINCIDENT INDICATOR DOWN BY 12.5% IN JANUARY**

According to BDL statistics released this week, BDL's coincident indicator, a weighted average of a number of real sector indicators released by the Central Bank of Lebanon, reported 259 in January, contracting by 12.5% year-on-year and suggesting the economy fell in a recessionary trap.

Also in this issue

**p.3** Value of cleared checks up by a yearly 8.5% in first quarter of 2020

**p.4** Lebanon's banking and financial services sector is relatively well developed despite liquidity problems, as per Fitch Solutions

## Surveys

**p.5 BANK OF AMERICA EXPECTS THE IMF TO STRENGTHEN THE LEBANON REFORM PROGRAM**

According to a recent report by Bank of America (BoFA), Lebanon's finalized government reform plan is expected to be strengthened along with the process of negotiations on an IMF program.

Also in this issue

**p.6** Lebanon's hospitality sector comes under pressure in 3M 2020, as per EY

## Corporate News

**p.7 LEBANESE START-UP DIM WON THE FIRST EDITION OF THE "HEC ENTREPRENEUR PRIZE"**

The startup Dim, which provides a real-time construction site monitoring platform, won the first edition of the "HEC Entrepreneur Prize".

Also in this issue

**p.8** Technica introduces its first "AmbuVent" respirator

**p.8** AM Best reveals that the Financial Strength Rating and the Long-Term Issuer Credit Rating of ARABIA Insurance Company with a "negative" outlook remains unchanged

## Markets In Brief

**p.9 BDL'S LIQUID FX RESERVES DROP TO US\$ 21 BILLION**

While the government's economic rescue plan was met with reservations on the local front, and with the IMF unveiling that it would start soon discussions with the Lebanese government on much-needed reforms to restore sustainability and growth, the country's capital markets saw this week a net foreign demand for Lebanese Eurobonds that has resulted into price gains across the curve, while the equity market registered shy price retreats, and the black market saw a dramatic fall in the Lebanese pound against the US dollar to new low levels, while exchange dealers remained on strike for the second consecutive week. In details, Lebanese bonds posted weekly price rises of up to 2.50 pts. Accordingly, prices of Lebanese sovereigns hovered between 17.0 cents per US dollar and 18.0 cents per US dollar. On the equity market, the BSE total turnover doubled week-on-week, while the price index declined by a shy 0.6%. On the currency trading market, the Lebanese pound fell further against the US dollar to reach a new low level of LP/US\$ 4,310 in the black market, while BDL's liquid FX reserves declined to US\$ 21 billion.

## LEBANON MARKETS: WEEK OF MAY 04 - MAY 10, 2020

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

**ECONOMY**

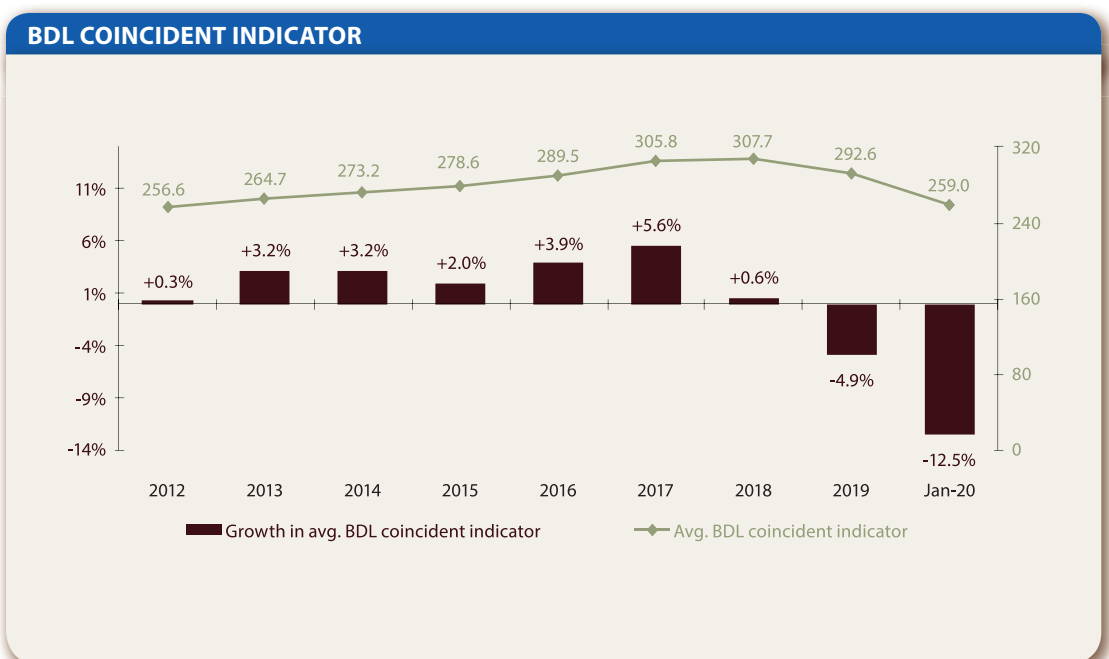
**BDL COINCIDENT INDICATOR DOWN BY 12.5% IN JANUARY**

According to BDL statistics released this week, BDL's coincident indicator, a weighted average of a number of real sector indicators released by the Central Bank of Lebanon, reported 259 in January, contracting by 12.5% year-on-year and suggesting the economy fell in a recessionary trap. The average growth of the indicator in the previous three years was positive at 2.0%.

Out of 10 real sector indicators, 7 were down and 3 were up over the first two months of this year. Among indicators with negative growth, we mention construction permits with a fall of 64.6%, cement deliveries with a decrease of 60.8%, merchandise at the Port with a fall of 35.9%, total imports with a contraction of 24.1%, electricity production with a decrease of 17.1%, car sales with a decrease of 49.9%, and the number of passengers at the Airport with a slight decline of 13.9%. The indicators with positive growth were value of property sales with a hike of 67.9%, cleared checks with an increase of 28.4% and exports with a growth of 26.1%.

The Coronavirus crisis and the State default on its FX debt are indeed having a noticeable impact on the Lebanese economy in general and subsequently the financial sector. The IMF has estimated output growth to be significantly contractionary this year as a result of the decline in confidence in the Lebanese financial environment, in addition to the impact of the Coronavirus crisis on a large number of domestic economic sectors. As a result, real GDP is likely to contract by 12% in 2020, which, coupled with a double-digit inflation as a result of the deviation between official and parallel market exchange rates, is leading to a severe stagflation in the Lebanese economy at large.

The real economy has actually witnessed net contractions of a number of sectors of economic activity, whereby the so-called defensive sectors of Lebanon's economy now start to lose steam, while the vulnerable sectors went further in the red. While private consumption is still witnessing somehow positive growth, its performance is way weaker than previous years. But what is weighing most on growth is the weakness in private investment, with delay or cancellation of most private investment decisions. In parallel, unemployment has hit unprecedented levels, along with a surge in inflation to double-digit levels.



Source: BDL

## VALUE OF CLEARED CHECKS UP BY A YEARLY 8.5% IN FIRST QUARTER OF 2020

The total value of cleared checks, an indicator of consumption and investment spending in the Lebanese economy, increased by 8.5% year-on-year in the first three months of 2020.

The value of cleared checks reached US\$ 16,075 million in the first three months of 2020, against US\$ 14,822 million in the same period of 2019.

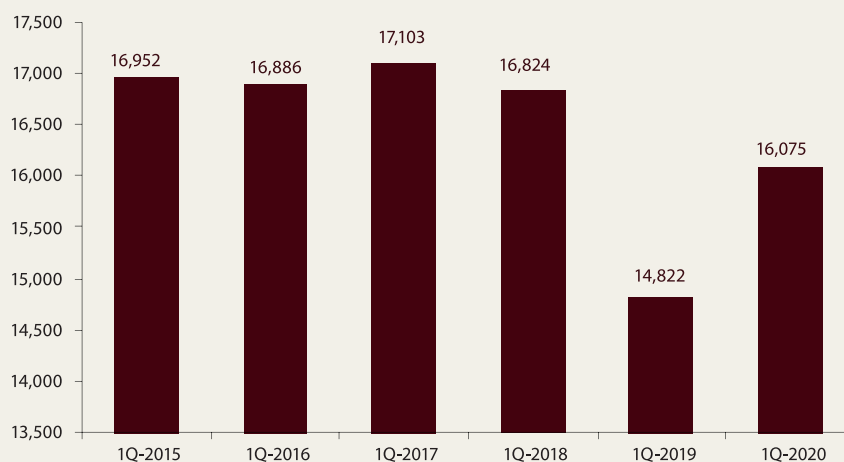
A breakdown by currency shows that the banks' clearings in Lebanese pounds amounted to LP 8,510 billion (+3.1%) in the first three months of 2020 while those in FC amounted to US\$ 10,430 million (+11.6%).

Furthermore, the number of cleared checks registered 1,855,380 in the first three months of 2020, down by 30.0% from 2,651,962 in the same period of 2019.

The average value per check rose by 55.0% year-on-year to stand at US\$ 8,664 in the previously mentioned period of 2020.

The value of returned checks reached US\$ 329 million in the first three months of 2020, against US\$ 371 million in the same period of 2019.

### CLEARING ACTIVITY



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

## LEBANON'S BANKING AND FINANCIAL SERVICES SECTOR IS RELATIVELY WELL DEVELOPED DESPITE LIQUIDITY PROBLEMS, AS PER FITCH SOLUTIONS

According to a report by Fitch Solutions, Lebanon's banking and financial services sector is relatively well developed, and growth prospects in the market are gradually improving.

The banking sector, however, is expected to suffer from liquidity problems, and profits are anticipated to go down. Loan growth is also recording contractions, which is forecast to continue in 2020.

The insurance market has attracted some major multinationals to compete alongside domestic providers, and both the life and non-life sectors are growing at a healthy rate in the mid-single rates, with the non-life segment outperforming the smaller life market.

Investors face a range of challenges, including a weak regulatory environment and limited political and economic stability. The impact of the coronavirus outbreak is still unclear, but if the virus spreads in the country in line with countries such as China and Italy, economic activity will suffer even more and the financial sectors will follow.

The Lebanese banking sector has remained stable over recent years despite the turmoil that has intermittently engulfed the country. However, the government's announcement that it isn't planning on paying its debt in full has caused uncertainty level to elevate.

Informal capital control as well as rate cuts are expected, the consequences of which are yet unknown. In addition, the sector is expected to suffer from liquidity issues and low profits.

The insurance market, while small in absolute terms, is well established in its own right, particularly the large non-life sector. Demand for key basic lines such as health insurance, motor and property continues to rise, supported by gradual improvements to average household income rates. Cover is currently limited in the life insurance sector, particularly in terms of investment linked products.

Written premiums are expected to grow as understanding of the benefits of cover is improved and as providers expand distribution channels and product ranges, with the non-life insurance sector expected to grow faster.

On a side note, Lebanon's large diaspora continues to send remittances to the country. However, the Lebanese banking sector does not have the requisite financial market infrastructure to support this growth sustainably in the long term.

According to the report, the asset management sector is currently receiving high levels of attention, with several of the leading banks setting up investment management subsidiaries. While volumes of assets under management are currently small, they are expected to rise steadily over the coming years, as per Fitch Solutions.

One factor that will hinder the development of the investment sector is the country's very small stock exchange. There are currently only 10 companies listed on Lebanon's only stock exchange (the Beirut Stock Exchange - BSE), with banks accounting for over 77% of its market capitalization. While some companies have multiple listings - particularly the banks that have several securities listings - the range of investment opportunities is very limited. Privatizing the stock exchange, strengthening market regulations and attracting more listings will be key if the BSE is to become a more competitive trading platform in the region, as per the same source.

## SURVEYS

### BANK OF AMERICA EXPECTS THE IMF TO STRENGTHEN THE LEBANON REFORM PROGRAM

According to a recent report by Bank of America (BofA), Lebanon's finalized government reform plan launched the process of negotiations on an IMF program. Bank of America expects the IMF to strengthen the reform program and to require prior actions before Executive Board program approval. These could include a supplementary 2020 budget and structural reforms, possibly including FX and Electricite du Liban (EdL) measures. A safeguards assessment on the Banque du Liban (BdL) would need to be completed prior to the first program review.

This is a standard measure for countries with arrangements for use of IMF resources to ensure the Central Bank meets the standards required for processing IMF disbursements. It covers five areas of control and governance: a) external audit mechanism; b) legal structure and independence; c) financial reporting framework; d) internal audit mechanism; and, e) internal controls system.

The report added that the final reform plan incorporates a nominal face-value cut to Eurobonds of 75%, keeping recovery value below 20c, as per BofA. Bank of America also understands that the nominal face value cut to domestic debt would be 40%, 10ppt below the draft plan. This reduces the losses to be incurred by the domestic banking sector, but keeps the government debt level higher than otherwise. The government debt target of 102.8% of GDP post-restructuring in 2020 is consistent with cUS\$ 3 billion in foreign-currency borrowing by year-end from the IMF and other partners. Authorities now project government debt at 99.2% of GDP in 2024.

Furthermore, a gradual capital controls relaxation from 2021 onwards would lead to US\$ 8.8 billion in outflows of currency and deposits that year. Bank of America expects capital controls to persist instead for a much longer period. The USD/LL exchange rate is now targeted to be unified at a rate of 3,500 in 2020. The current account deficit is now assumed to shrink in nominal and % of GDP terms to 7.1% of GDP in 2024. This is due to a narrower trade deficit and an improved services balance, the latter's drivers remaining unclear, as per BofA.

Also, real GDP growth assumptions are now more optimistic than the earlier draft program, particularly in the short-term, and are assumed to rebound to positive territory from 2022 onwards. Some government planned measures may partially offset the impact of the large ongoing deleveraging process and subsequent fiscal consolidation. However, the financing of these measures has not yet been mobilized and will require discussions with international partners.

The measures would cost an annual US\$ 2.1 billion (8.2% of 2020 GDP) over 2020-24 and include: a) sectorial strategies; and, b) government and donor guarantees to support essential imports, exports and subsidized loans. In addition, five new commercial banking licenses with combined equity of US\$ 1 billion to finance the real economy are to be considered.

At the fiscal level, the government fiscal targets for 2024 are broadly similar to those in the draft program, and stand at 1.6% and -0.7% of GDP for the primary and fiscal balance respectively, according to BofA. The revenue and expenditure yields of the proposed fiscal consolidation measures are also broadly similar to those in the draft reform plan despite the higher nominal GDP base. However, the projected primary and fiscal balance for 2020 are now seen at -1.5% and -5.3% of GDP respectively, about 2-2.5 ppt of GDP smaller than the projections in the draft target.

The government reform plan implies a 15ppt lower deposit bail-in requirement, on Bank of America's estimates, excluding further measures to raise capital. Bank of America estimates the deposit bail-in requirement would represent 45.1% of post-devaluation total deposits of the top 10% depositors (or 47.3% of post-devaluation unguaranteed deposits of the top 10% depositors by value in the banking sector). This compares to BofA's estimates of 60.3% and 63.5% for post-devaluation total deposits and of post-devaluation unguaranteed deposits of the top 10% depositors by value in the banking sector, respectively, in the earlier draft reform program.

## LEBANON'S HOSPITALITY SECTOR COMES UNDER PRESSURE IN 3M 2020, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East in the first three months of 2020 (four and five star hotels), in which it showed that the performance of Lebanon's hospitality sector witnessed a deceleration in occupancy rates, while seeing slight contractions in average room rates and room yields.

As a matter of fact, the occupancy rate of four and five-star hotels within the capital reached 22.0% in the first three months of 2020, against 70% in the same period of 2019.

The occupancy rate within Beirut was ranked last among 14 cities included in the survey. It was directly surpassed by Manama (43%) and Jeddah (46%).

Beirut's room rate notably moved down from 3M 2019 to attain US\$ 130 in 3M 2020 from US\$ 189 in the same period of the past year. It is worth noting that the city's growth rate ranked last out of 14 surveyed cities, contracting by 31.2%.

The rate of the capital's hotels was the ninth highest in the region. It exceeded that of Madina (US\$ 116) and Doha (US\$ 112), while being surpassed by Amman (US\$ 134) and Muscat (US\$ 135).

The rooms' yield contracted by 78.8% annually to reach US\$ 28 in 3M 2020 compared to US\$ 132 in the previous year. Beirut ranked last in terms of variation in the region when assessing this indicator.

The room yield in Beirut was last at US\$ 28, surpassed by Manama (US\$ 59) and Makkah (US\$ 61).

### ERNST & YOUNG MIDDLE EAST HOTEL BENCHMARK SURVEY

	Occupancy %		Average Room Rate (US\$)		Room Yield (US\$)	
	3M 2020	3M 2019	3M 2020	3M 2019	3M 2020	3M 2019
Dubai	65	86	234	271	152	233
Riyadh	62	67	169	165	105	110
Ras al Khaimah	60	75	157	164	94	124
Kuwait City	55	61	145	169	80	103
Doha	66	71	112	111	74	78
Jeddah	46	49	162	164	74	80
Abu Dhabi	77	84	96	120	74	101
Muscat	52	72	135	151	71	108
Cairo	62	78	107	119	66	93
Madinah	56	64	116	119	64	76
Amman	47	57	134	146	62	84
Makkah	56	73	109	96	61	70
Manama	43	57	139	161	59	91
<b>Beirut</b>	<b>22</b>	<b>70</b>	<b>130</b>	<b>189</b>	<b>28</b>	<b>132</b>

Sources Ernst & Young, Bank Audi's Group Research Department

## CORPORATE NEWS

### LEBANESE START-UP DIM WON THE FIRST EDITION OF THE "HEC ENTREPRENEUR PRIZE"

The startup Dim, which provides a real-time construction site monitoring platform, won the first edition of the "HEC Entrepreneur Prize".

This award came with a check for US\$ 10,000 offered by the Chamber of Commerce Industry and Agriculture of Beirut and Mount Lebanon (CCIA-BML), in addition to a three-month incubation at Station F, the largest startup incubator in the world, provided by HEC starting next October.

Travel and accommodation expenses in Paris will be covered by the French Embassy in Lebanon. This competition, born from a collaboration between L'Orient-Le Jour and ESA Business School in partnership with HEC Paris, CCIA-BML, Smart ESA incubator and HEC Alumni Lebanon Chapter, was open to young Lebanese entrepreneurs based in Lebanon or abroad whose startups were created less than two years ago, with a product under development and a turnover of less than US\$ 500,000.

In line with the Coronavirus safety measures, it is via video conference that the 10 finalists defended their projects before a jury.

The projects were assessed based on the creativity, innovation, long-term viability and profitability of the product, as well as its ability to create jobs in Lebanon.

The above-mentioned criteria were fulfilled by Dim - formerly Maj solution- a Lebanon-based startup that has developed a construction site management optimization tool, capitalizing on the long experience in the building sector of its founder.

On a construction site, the person navigates by sight most of the time: it is difficult to assess the immediate impact of the tasks being carried out on a daily basis, and it is only when a person accumulates delays that he becomes aware of the problem, as per Dim's founder.

With Dim's technique, everything is digitized: the works supervisor gathers information related to the construction sites, using his tablet or mobile phone: descriptions of tasks, time spent on them, the person in charge, the percentage of what has been achieved.

Based on this data, the platform provides an immediate detailed analysis, which allows the project manager to have at his disposal reliable data, in order to implement necessary corrective measures and anticipate the next steps, allowing him to keep his budget and schedule commitments.

Another project has also grabbed the jury's attention; a project of another two Lebanese who were also offered a three month-incubation at F station in Paris, with all costs of their stay to be covered by the French Embassy.

The two developers created Myceleum, a software aimed at making life easier for their peers. In IT, environment configuration can take several days. This is a significant waste of time and money, especially in large companies, which are the main targets, even though the software also targets self-employed professionals, as per one of the two developers. Therefore, Myceleum software offers one-click configuration of the appropriate tools.

It also helps harmonizing practices within companies, added the entrepreneur. Last November, the startup signed a contract with a Lebanese IT group, and is counting on its incubation experience in Paris to attract new customers.

The other finalists won a scholarship covering half the costs of the Master's Degree in Innovation and Entrepreneurship (MENT) program at ESA, implemented in partnership with HEC Paris.

Launched on June 13, 2019, the "HEC Entrepreneur Prize" was to be awarded after three selection phases which facilitated the decision of choosing among the hundred participating startups.

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## TECHNICA INTRODUCES ITS FIRST "AMBUVENT" RESPIRATOR

Technica, the manufacturer of industrial conveyors, in collaboration with the Holy Spirit University of Kaslik and the Notre-Dame des Secours Hospital, managed in 20 days to finalize a prototype artificial respirator intended for patients with Covid-19.

It is worth noting that only a minority of patients infected with Covid-19 develop severe cases of the disease. But in the face of severe breathing difficulties, the use of an artificial respirator significantly increases the chances of survival. However, global demand explodes for this type of device, causing supply problems. Furthermore, Lebanon has only 263 units in working order and available for coronavirus patients, according to an estimate in early April from the Ministry of Health.

Hence, the gap between the inventory of these machines, so far imported, and the potential needs in the event of a sharp increase in the number of contaminations has motivated several local initiatives, including that of Technica.

From the start of the epidemic, the manufacturer of industrial conveyors embarked on the design of a prototype respirator to be made in Lebanon.

To develop the knowledge and the know-how, the industrialist established a collaboration with the Holy Spirit University of Kaslik (Usek) and its associated university hospital center (CHU), the private hospital Notre-Dame des Secours.

The final version of the prototype, called "AmbuVent", was finally presented towards the end of April to the Ministry of Industry. After this demonstration, the manufacturer hopes to quickly request certification from the Industrial Research Institute, on the basis of the standards and technical specifications set by the Lebanese Standardization Institution (Libnor), before launching large-scale production.

The manufacturer estimates that Lebanon needs around 200 new artificial respirators, but the company will not necessarily serve the whole demand, as per the company's CEO.

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## AM BEST REVEALS THAT THE FINANCIAL STRENGTH RATING AND THE LONG-TERM ISSUER CREDIT RATING OF ARABIA INSURANCE COMPANY WITH A "NEGATIVE" OUTLOOK REMAINS UNCHANGED

AM Best commented that the Financial Strength Rating of "B++ (Good)" and the Long-Term Issuer Credit Rating (Long-Term ICR) of "bbb" of ARABIA Insurance Company s.a.l. (AIC) (Lebanon), both with a "negative" outlook, remain unchanged despite the weakening social, political and economic conditions in Lebanon.

In October 2019, demonstrations spread across Lebanon, rapidly leading to the resignation of the government. Since then, political uncertainty has increased and economic and financial conditions have deteriorated, compounded by the country's default in March 2020 on its US\$ 1.2 billion Eurobond and by the global spread of the COVID-19 pandemic, as per an AM Best statement.

Although AIC is domiciled in Lebanon, it is somewhat insulated from the heightened political and economic risk in the country, as per the same source.

It operates through a network of branches and subsidiaries across nine countries in the Middle East, providing the group with good geographic diversification. Less than 20% of AIC's gross written premium are generated in Lebanon, whilst the proportion of the group's cash and deposits held domestically amounted to just 16% at year-end 2018. Furthermore, throughout 2019, in response to increasing political and economic uncertainty in Lebanon, AIC implemented several risk management measures.

AM Best will continue to monitor how events unfold in Lebanon and any impact the heightened social, political and economic risks have on AIC.



## CAPITAL MARKETS

### MONEY MARKET: SIGNIFICANT YEAR-TO-DATE EXPANSION IN MONEY IN CIRCULATION

The money market continued to enjoy ample local currency liquidity in the aftermath of discount operations of LP long-term deposits at the Central Bank of Lebanon. Accordingly, the overnight rate remained quoted at 3% and compared to a lower official rate of 1.90%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 23rd of April 2020 showed that resident banking deposits contracted by LP 483 billion week-on-week. This is mainly driven by a LP 444 billion fall in total LP resident deposits amid a LP 397 billion drop in LP saving deposits and a LP 47 billion decline in LP demand deposits, while foreign currency resident deposits dropped by LP 39 billion (the equivalent of US\$ 26 billion). Within this context, the money supply in its largest sense (M4) contracted by LP 81 billion week-on-week amid a LP 207 billion growth in the currency in circulation and a LP 195 billion increase in the non-banking sector Treasury bills portfolio.

Within this context, it is worth mentioning that the currency in circulation registered a significant year-to-date expansion of 51.2%, while LP resident saving deposits shrank by 22.0% and foreign currency resident deposits contracted by 1.9% over the period.

#### INTEREST RATES

	08/05/20	01/05/20	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 24 BILLION

The latest Treasury bills auction results for value date 7th of May 2020 showed that the Central Bank of Lebanon has allowed banks to subscribe in full to the six-month category (offering a yield of 4.0%), the two-year category (offering a coupon of 5.0%) and the ten-year category (offering a coupon of 7.0%).

In parallel, the Treasury bills auction results for value date 30th of April 2020 showed that total subscriptions amounted to LP 114 billion, distributed as follows: LP 15 billion in the three-month category (offering a yield of 3.50%), LP 8 billion in the one-year category (offering a yield of 4.50%) and LP 91 billion in the five-year category (offering a coupon of 6.0%). These compare to maturities of LP 138 billion, resulting into a nominal weekly deficit of LP 24 billion.

On a cumulative basis, total subscriptions amounted to LP 4,642 billion during the first four months of 2020. The ten-year category captured 36.3% of the total (the equivalent of LP 1,687 billion), followed by the five-year category with 19.7% (the equivalent of LP 914 billion), the three-year category with 13.7% (the equivalent of LP 634 billion), the one-year category with 12.2% (the equivalent of LP 566 billion), the seven-year categories with 9.2% (the equivalent of LP 425 billion), the two-year with 6.1% (the equivalent of LP 282 billion), while the three-month and six-month categories accounted for the remaining 2.9% (the equivalent of LP 134 billion in total). In parallel, total maturities reached LP 3,910 billion, resulting into a nominal surplus of LP 733 billion during the first four months of 2020.

## TREASURY BILLS

	08/05/20	01/05/20	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%	-	9.00%	
<b>Nom. Subs. (LP billion)</b>		<b>114</b>	<b>120</b>	
Short-term (3&6 mths)		15	-	
Medium-term (1&2 yrs)		8	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		91	100	
<b>Maturities</b>		<b>138</b>	<b>61</b>	
<b>Nom. Surplus/Deficit</b>		<b>-24</b>	<b>59</b>	

Sources: Central Bank of Lebanon, Bloomberg

## FOREIGN EXCHANGE MARKET: FURTHER CONTRACTION IN BDL'S FOREIGN ASSETS

Lebanese banks started this week implementing BDL's circular No. 151 issued on April 21, 2020, which has allowed depositors in US dollars to withdraw their deposits in Lebanese pounds at the market exchange rate, noting that Lebanese banks have set an exchange rate of LP/US\$ 3,000 for withdrawals from US dollar accounts. Concurrently, foreign exchange dealers remained on strike for the second consecutive week, while the "Sell Rate" of US dollar reached a new record high level of LP/US\$ 4,310 in the black market.

The Central Bank of Lebanon's latest bi-monthly balance sheet ending 30th of April 2020 showed that BDL's foreign assets contracted by US\$ 251 million during the second half of April to reach US\$ 34.4 billion at the end of the month. When excluding the Central Bank of Lebanon's Lebanese Eurobond holdings (estimated at US\$ 5.03 billion at end-April 2020) and the facilities provided by BDL to commercial banks (estimated at about US\$ 8 billion), BDL's liquid FX buffers fall to reach circa US\$ 21 billion at end-April 2020.

## EXCHANGE RATES

	08/05/20	01/05/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,868.70	1,883.32	1,970.00	↑
LP/¥	14.18	14.14	13.77	↓
LP/SF	1,551.25	1,552.52	1,543.78	↑
LP/Can\$	1,080.49	1,086.25	1,150.59	↑
LP/Euro	1,633.38	1,640.61	1,679.20	↑

Source: Bank Audi's Group Research Department

## STOCK MARKET: BSE ACTIVITY DOUBLES WEEK-ON-WEEK AMID SHY PRICE DECLINES

Solidere shares continued this week to capture the lion's share of activity on the Beirut Stock Exchange, accounting for 71.3% of the total, while the banking shares accounted for the remaining 28.7%. The BSE total trading value doubled week-on-week, moving from US\$ 2.7 million last week to US\$ 5.6 million this week.

As far as prices are concerned, the BSE price index retreated by a shy 0.6% week-on-week, mainly driven by price falls in Solidere and some banking shares. Solidere "A" and "B" share prices dropped by 2.0% and 3.2% respectively to reach US\$ 11.93 and US\$ 11.86, as some market players sought to book profits after Solidere's share prices crossed last week the US\$ 12 threshold for the first time since October 2016. Bank Audi's "listed" share price shed 7.7% to US\$ 1.20. Bank Audi's "Preferred share I" registered a 1.5% decrease in its price to close at US\$ 49.95. BLOM's "listed" share price went up by 0.9% to US\$ 3.28.

On a cumulative basis, the BSE total trading value amounted to US\$ 67 million during the first four months of 2020 and compared to US\$ 84 million during the same period of 2019, down by 19.7%. Accordingly, the total turnover ratio, measured by the annualized trading value to market capitalization, reached 3.0% during the first four months of 2020 versus 2.9% during the same period of 2019.

#### AUDI INDICES FOR BSE

22/1/96=100	08/05/20	01/05/20	27/12/19	
Market Cap. Index	277.48	279.10	316.37	↓
Trading Vol. Index	49.56	29.78	24.97	↑
Price Index	60.83	61.19	69.36	↓
Change %	-0.58%	4.54%	2.37%	↓
	08/05/20	01/05/20	27/12/19	
Market Cap. \$m	6,583	6,621	7,506	↓
No. of shares traded (Exc. BT)	1,254,352	267,986	333,997	↑
Value Traded \$000 (Exc. BT)	5,641	2,713	2,294	↑
o.w. : Solidere	4,022	2,644	2,294	↑
Banks	1,619	52	0	↑
Others	0	17	0	↓

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

#### BOND MARKET: INTERNATIONALS REMAIN NET BUYERS OF LEBANESE BONDS THIS WEEK

International institutional investors remained net buyers of Lebanese Eurobonds this week. This was reflected by weekly price gains across the yield curve of 1.88 pt to 2.50 pts. Within this context, prices of Lebanese sovereigns maturing between 2020 and 2037 hovered between 17.0 cents per US dollar and 18.0 cents per US dollar, noting that this followed a CDS auction that has given Lebanese Eurobonds a final value of 14.125%. As far as yields are concerned, the weighted average bond yield declined from 70% at the end of last week to 69% at the end of this week (after excluding yields on Lebanese sovereigns maturing in 2020).

#### EUROBONDS INDICATORS

	08/05/20	01/05/20	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	69%	70%	29.99%	↓
Average Life	7.63	7.66	7.50	↓
Yield on US 5-year note	0.28%	0.35%	1.71%	↓

Source: Bank Audi's Group Research Department

## INTERNATIONAL MARKET INDICATORS

	08-May-20	01-May-20	31-Dec-19	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	106.63	106.91	109.61	-0.3%	-2.7%
\$/£	1.240	1.250	1.275	-0.8%	-2.7%
\$/Euro	1.080	1.100	1.147	-1.3%	-5.5%
<b>STOCK INDICES</b>					
Dow Jones Industrial Average	24,331.32	23,723.69	28,538.44	2.6%	-14.7%
S&P 500	2,929.80	2,830.71	3,230.78	3.5%	-9.3%
NASDAQ	9,121.32	8,604.95	8,972.60	6.0%	-1.7%
CAC 40	4,549.64	4,572.18	5,978.06	-0.5%	-23.9%
Xetra Dax	10,904.48	10,861.64	13,249.01	0.4%	-17.7%
FT-SE 100	5,935.98	5,763.06	7,542.44	3.0%	-21.3%
NIKKEI 225	20,179.09	19,619.35	23,656.62	2.9%	-14.7%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,702.70	1,700.42	1,517.27	0.1%	12.2%
SILVER OUNCE	15.48	14.98	17.85	3.4%	-13.3%
BRENT CRUDE (per barrel)	30.97	26.44	66.00	17.1%	-53.1%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	0.20	0.33	1.71	-0.13	-1.51
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	0.68	0.61	1.92	0.07	-1.24

Sources: Bloomberg, Bank Audi's Group Research Department

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