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The LEBANON WEEKLY MONITOR

Economy

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Customer deposits contracted by an additional US\$ 2.1 billion in April or a cumulative contraction of US\$ 11.3 billion since the beginning of this year, or a total of US\$ 25 billion since end-August, the date when deposits started declining in Lebanon.

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With licensed FX houses resuming their operations after a month-long strike and issuing a daily LP/US\$ rate to unify multiple exchange rates in the parallel market, while all market players await the launching of BDL's electronic platform, and as the Lebanese government is seeking to reconcile financial system loss figures in the purpose of facilitating discussions with the IMF, Lebanon's capital markets witnessed this week a gradual improvement in LP against the US dollar in the parallel FX market, across-the-board price gains on the bond market and expansions in total resident banking deposits on the money market. In details, the LP gradually improved against the US dollar over this week to reach LP/US\$ 3,890-3,940 on Friday, while BDL's foreign assets fell to US\$ 33.5 billion at end-May 2020, accumulating year-to-date contractions of US\$ 3.8 billion. On the Eurobond market, Lebanese sovereigns posted weekly price expansions across the curve. On the money market, money supply (M4) registered its largest weekly growth this year, due to expansions in total LP and FC resident deposits.

LEBANON MARKETS: WEEK OF JUNE 01 - JUNE 07, 2020

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

ECONOMY

DEPOSITS DROP BY US\$ 25 BILLION SINCE END-AUGUST COUPLED WITH A CONTRACTION IN LOANS BY US\$ 11 BILLION

According to banking sector statistics released this week for the month of April 2020, customer deposits contracted by an additional US\$ 2.1 billion in April or a cumulative contraction of US\$ 11.3 billion since the beginning of this year, or a total of US\$ 25 billion since end-August, the date when deposits started declining in Lebanon. Deposits actually contracted from US\$ 172.5 billion at end-August 2019 to US\$ 147.5 billion at end-April 2020.

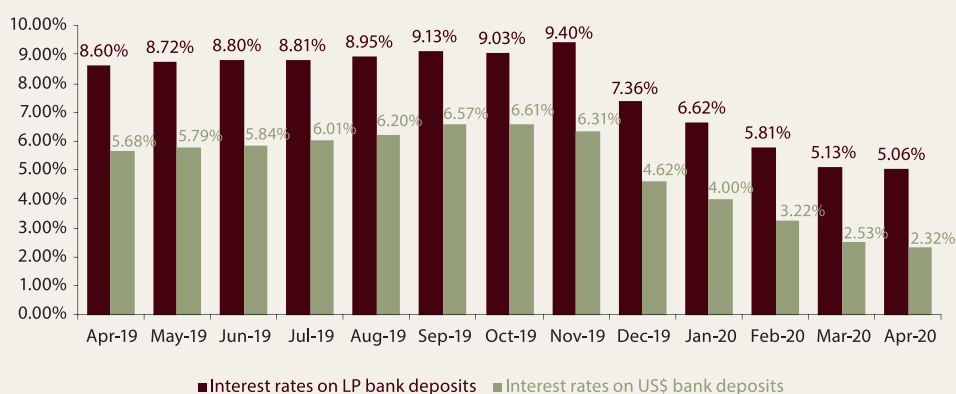
The breakdown of deposits by currency in April shows that all the decline was in Lebanese pounds, while foreign currency deposits barely moved. Since the beginning of the year however, a decline of US\$ 7.0 billion was reported for LP deposits and a drop of US\$ 4.3 billion was reported for FX deposits. This raised the deposit dollarization ratio to a 13-year high of 78.9%. A US\$ 8.1 billion contraction was reported in resident deposits year-to-date, while a US\$ 3.3 billion decrease was reported in non-resident deposits.

The sector's interest rates continued their contraction for the fifth consecutive month. In fact, the average LP deposit interest rate, which had reported a high of 9.40% in November 2019, dropped to 5.06% in April. Likewise, the average US\$ deposit interest rate dropped from 6.31% to 2.32% over the same period. In parallel, the average lending interest rates continued their contraction to reach 9.29% in Lebanese pounds and 7.79% in US\$ at end-April.

Among the reasons for deposits contraction was a parallel contraction in loans within the context of a continuous deleveraging process. In fact, banking sector loans contracted by US\$ 1.1 billion in April, US\$ 5.9 billion year-to-date and US\$ 11.3 billion since end-August. All the loan contraction in April was tied to foreign currency while loans in Lebanese pounds barely moved. As such, loan dollarization reported a record low of 65.5% at end-April. Likewise, almost all the contraction in banking loan portfolios is being tied to resident loans while loans to non-residents are barely changing.

In parallel, banks have seen a significant contraction in their Eurobond portfolio this year. As a matter of fact, the portfolio of Eurobonds held by Lebanese banks contracted by US\$ 3.2 billion year-to-April, moving from US\$ 13.8 billion to US\$ 10.6 billion. As a percentage of FX deposits, banks Eurobond portfolio contracted from 11.4% to 9.1%. Relative to shareholders equity, banks Eurobond portfolio contracted from 0.67 times to 0.51 times, a 20-year low for the sector at large.

EVOLUTION OF KEY INTEREST RATES



Source: BDL

TOTAL NUMBER OF PASSENGERS AT THE AIRPORT DOWN BY A YEARLY 62.2% IN FIRST FIVE MONTHS OF 2020

Figures released by the Rafic Hariri International Airport revealed that the total number of passengers recorded a yearly 62.2% decrease in the first five months of 2020. The number of aircraft fell by 55.1% year-on-year in the aforementioned period.

Alongside, the total freight handled by the airport edged down by 42.8% year-on-year in the aforementioned period.

A detailed look at the activity shows that the number of incoming passengers fell by a yearly 64.1% and that of departing passengers by 60.3% to reach 556,966 and 620,991 respectively in the first five months of 2020.

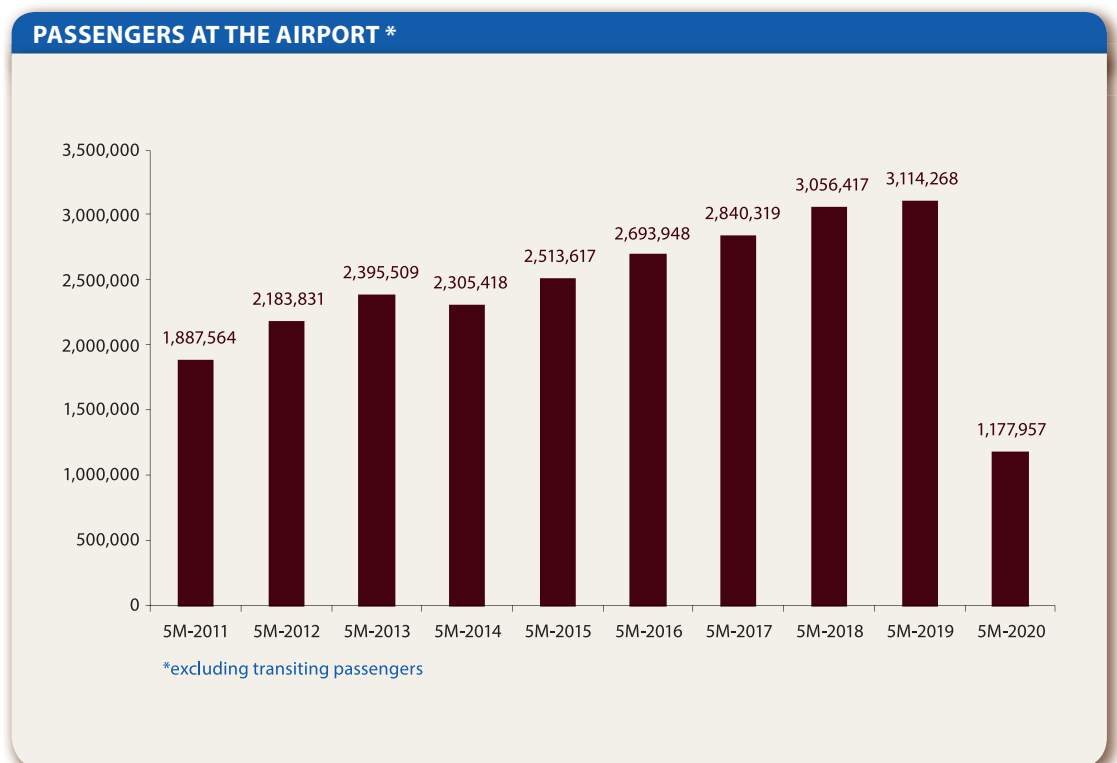
The number of transiting passengers fell from 22,764 passengers in the first five months of 2019 to 13,419 passengers in the corresponding period of this year. When including the latter mentioned category, the total number of passengers using the airport attained 1,191,376, down by a yearly 62.0%.

Excluding transiting passengers, the total would be 1,177,957, i.e. 62.2% lower than the level seen in the first five months of 2019.

Looking at the aircraft activity, landings and take-offs decreased by a yearly 55.0% and 55.1% respectively with the former amounting to 6,028 planes and the latter reporting 6,023 in the first five months of 2020.

Regarding the freight movement within the airport, a total of 10,328 thousand tons were imported and unloaded during the first five months of 2020 while 11,123 thousand tons were loaded and exported.

The first mentioned activity posted a decline of 53.9% and the latter posted a 26.2% fall on a yearly basis in the first five months of 2020.



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

LEBANON'S CREDIT PROFILE REFLECTS THE UNSUSTAINABLE DEBT TRAJECTORY, AS PER MOODY'S

According to a report published by Moody's, Lebanon's credit profile reflects the unsustainable debt trajectory and the agency's expectation that domestic and external private creditors will likely incur substantial losses under the government's debt restructuring plan in light of rapidly deteriorating economic and financial conditions.

According to the report, the global coronavirus outbreak is adding to the ongoing very severe economic fallout on the Lebanese economy, in turn raising further social risks. The "stable" outlook balances Moody's assumption so far that debt restructuring may happen in coordination with creditors and under the umbrella of an economic adjustment program agreed with the IMF that unlocks external funding, with the possibility that external funding is not forthcoming given subsequent governments' extremely weak track record on policy implementation, leading to larger losses for investors, as per the same source.

According to Moody's, the factors that could lead to an upgrade are if financing conditions stabilize and the risk of restructuring involving large losses for private creditors were to diminish. This would likely require a highly credible policy path to persistent primary surpluses, reform implementation in the electricity sector, and an achievable plan to control the public sector wage bill.

However, the agency would possibly downgrade the rating in the event of persistent economic and fiscal policy reform implementation challenges that prevent a disbursement of official external funding support to accompany government debt restructuring, thus increasing the likelihood of significant additional losses accruing to private investors. An even more destabilizing adjustment than the agency currently assumes, possibly accompanied with a sudden de-pegging of the currency, could also be consistent with larger losses than assumed in the "Ca" rating and lead to a downgrade.

Lebanon's "b2" economic strength score balances relatively high wealth levels with the country's small size, subdued growth potential and weak competitiveness. Remittances and transfers from abroad have traditionally fueled activity in the real estate, construction and financial sectors.

The final score is below the initial "b1" score reflecting the credit crunch the economy is facing, and the expected reduction in GDP per capita in light of a potentially protracted economic contraction. In the aftermath of the Arab Spring upheavals in the region starting in 2011, Lebanon's growth performance dropped sharply as a result of the decline in tourism activity, the closure of trade routes to Syria (key trading partner) and the collapse in oil prices, which have dented FDI and remittances especially from the GCC countries. The large influx of Syrian refugees amounting to 25% of the Lebanese population has also weighed on labor markets and on infrastructure provision, as per the same source.

On a side note, the government announced a Health Sector Response Plan and it has been tightening further containment measures over recent weeks while mobilizing resources for public hospitals. The health sector is underequipped in part due to disruptions to supply chains induced by the months long dollar shortage in the economy.

The agency downgraded Lebanon to "Ca" from "Caa2" in February 2020 based on its expectation that domestic and external private creditors would likely incur substantial losses in light of rapidly deteriorating economic and financial conditions. On 16 March, Lebanon defaulted on its international bond after the grace period expired. Before the default, on 7 March it had announced it would defer payment of the US\$ 1.2 billion international bond maturing on 9 March, and would enter good faith negotiations with domestic and external creditors to restructure the government's debt.

On 23 March, Lebanon announced that it would withhold payments on all of its foreign-currency denominated euro-bonds. Furthermore, the government's reform program outlined on 28 April envisions a reduction in the debt/GDP ratio to 103% of GDP at the end of 2020 from 178% in 2019, and a leveling off at that level until 2023 take into account access to external financial support, before declining thereafter within the parameters of a more sustainable macroeconomic framework.

SURVEYS

LEBANON RANKS 108TH OUT OF 117 COUNTRIES IN OPEN BUDGET INDEX IN 2019, SAYS INTERNATIONAL BUDGET PARTNERSHIP

According to a recent report by the International Budget Partnership, Lebanon ranked in the 108th position out of 117 countries in the Open Budget Index in 2019. Amongst Arab countries, it came in seventh position out of 13 countries.

It is worth noting that the open budget index score reflects the timeliness and comprehensiveness of publicly-available budget information in eight key budget documents that countries should make available to the public. The documents include the pre-budget statement, the executive's budget proposal, the enacted budget, the citizens budget, in-year reports, a mid-year review, a year-end report and an audit report. According to the report, a country's score ranges between zero and 100, with zero representing the lowest level of budget transparency.

The score is based on the simple average of the numerical value of responses to 109 questions that assess the public availability of budget information. Accordingly, the index classifies countries based on their provision of "extensive", "substantial", "limited", "minimal", or "scant or no" information. The 2019 index assesses events, activities or developments that occurred throughout 2017 and 2018, and does not cover events that took place in 2019. Regionally, Lebanon ranked higher than Somalia which came in 111th globally and 8th in the Arab world. It also came in above Algeria which ranked 112th globally and 9th in the region. On the other hand, Lebanon was surpassed by Iraq which was placed 105th globally and 6th in the Arab world. The Kingdom of Saudi Arabia also preceded Lebanon in the 99th position globally and 5th rank regionally.

Lebanon's level of budget transparency reached 6% in 2019, against 3% in the 2017 survey, 2% in 2015 and 33% in the 2012 survey. It is worth noting that the latest report by the International Budget Partnership on the open budget index before 2019 was in 2017. Furthermore, Lebanon's open budget score put it in the category of governments that provide "scant or no" budgetary information, joining 19 other countries globally. Lebanon's level of budget transparency came below the global average of 44.6%, and the Arab region's average of 17.1%.

The International Budget Partnership also noted that the availability of budget information in Lebanon moved backwards between the 2012 and 2019 surveys. According to the report, Lebanon failed to issue the executive's budget proposal to the public, and to publish the enacted budget and the in-year reports in a timely manner. Lebanon also did not submit the pre-budget statement, the mid-year review and the audit report, as per the same source. On the other hand, the report added that the government published the citizens budget online starting with the 2018 budget.

REGIONAL OPEN BUDGET INDEX RANKINGS

	Regional Rank	Global Rank
Jordan	1	31
Egypt	2	61
Morocco	3	62
Tunisia	4	82
KSA	5	99
Iraq	6	105
Lebanon	7	108
Somalia	8	111
Algeria	9	112
Sudan	10	113
Qatar	11	114
Comoros	12	115
Yemen	13	115

Sources: International Budget Partnership, Bank Audi's Group Research Department

Last but not least, the International Budget Partnership regarded public participation in the budget process weak. It highlighted that the Ministry of Finance should introduce mechanisms to engage the public during the budget preparation, and to supervise the implementation of the budget law. It also considered that the parliament's oversight during the planning and implementation stages of the budget cycle is weak. As such, it noted that the executive's budget proposal should be submitted to legislators at least two months before the start of the budget year, and that legislative committees should examine the executive's budget proposal and publish their assessment online.

LEBANON'S TRANSPORT SYSTEM RANKS 9TH OUT OF 17 COUNTRIES IN THE ARAB MENA REGION, SAYS FITCH SOLUTIONS

According to a recent report by Fitch Solutions, Lebanon's transport system ranked 9th out of 17 countries in the Arab MENA region, posting a moderate score 50.9 out of 100. This is largely due to the fact that prior to the many decades of war and conflict, its road network was extensive and well connected to its neighboring peers. Lebanon was surpassed by Jordan and Egypt, while it came before Tunisia and Kuwait, as per Fitch Solutions.

Additionally, Lebanese ports are still competitive and serve as a maritime time hub for Jordan, Syria, Iraq and the Persian Gulf States. The problem largely lies in the quality of infrastructure available, which has suffered from a lack of maintenance and investment, as per the report. Moreover, with road quality poor and rail services non-existent, the country's main airport is battling to cope with the number of passenger traffic it is receiving at present. Supply chains, with the exception of maritime, can therefore expect numerous delays when hauling freight in Lebanon, as per Fitch Solutions.

It is worth noting that several promising road projects are being funded by the World Bank, which are expected to improve some of the road networks over the medium term, but the poor fiscal position of the Lebanese government is preventing projects in the rail, port and air sectors from seeing any significant traction. Lebanon lacks commercially viable rail connections and navigable inland waterways, such that firms are entirely road-reliant and the sole airport at Beirut provides only one international access point to the country by air.

In addition, the Syrian conflict prohibits the use of overland regionally connected road routes due to high security risks and insurance costs, while port capacity limitations lead to extended lead times, further inhibiting Lebanon's trade flows with the surrounding region and major economic partners. This limited transport diversification would exacerbate congestion over the medium term as traffic, the population and trade volumes increase, while investment in transport infrastructure remains diminished on the back of political instability and subdued investor interest. Nevertheless, the country boasts strong international air transport links to Europe and the Middle East, while its advantageous location on the Eastern Mediterranean ensures strong connections to maritime trade routes, as per Fitch Solutions.

ARAB MENA TRANSPORT NETWORK INDEX RANKING

	Rank
Qatar	1
Bahrain	2
UAE	3
KSA	4
Oman	5
Morocco	6
Egypt	7
Jordan	8
Lebanon	9
Tunisia	10
Kuwait	11
Algeria	12
Iraq	13
Syria	14
Libya	15
West Bank and Gaza	16
Yemen	17

Sources: Fitch Solutions, Bank Audi's Group Research Department

CORPORATE NEWS

BALANCE SHEET OF FINANCIAL INSTITUTIONS TOTALS US\$ 1,250 MILLION AT END-APRIL 2020

According to the latest statistics issued by the Central Bank of Lebanon, the total balance sheet of financial institutions amounted to US\$ 1,249.8 million at end-April 2020, down by 9.6% from end-2019.

In details, currency and deposits with Central Banks rose from US\$ 54.9 million at end-2019 to US\$ 56.4 million at end-April 2020. Claims on resident customers declined by 8.6% from end-2019 to US\$ 570.3 million at end-April 2020. Claims on non-resident customers fell from US\$ 47.3 million at end-2019 to US\$ 18.8 million at end-April 2020.

Claims on resident financial sector decreased from US\$ 306.7 million at end-2019 to US\$ 287.2 million at end-April 2020. Claims on non-resident financial sector decreased by 54.3% from end-2019 to US\$ 23.4 million at end-April 2020.

Claims on the public sector stood at US\$ 5.0 million at end-April 2020, down by 2.9% from end-2019.

Securities portfolio registered US\$ 85.9 million at end-April 2020, down by 4.4% from its level at end-2019.

Tangible assets reported US\$ 52.9 million at end-April 2020, up by 13.1% from end-2019. Intangible assets declined from US\$ 139.1 million at end-2019 to US\$ 133.9 million at end-April 2020.

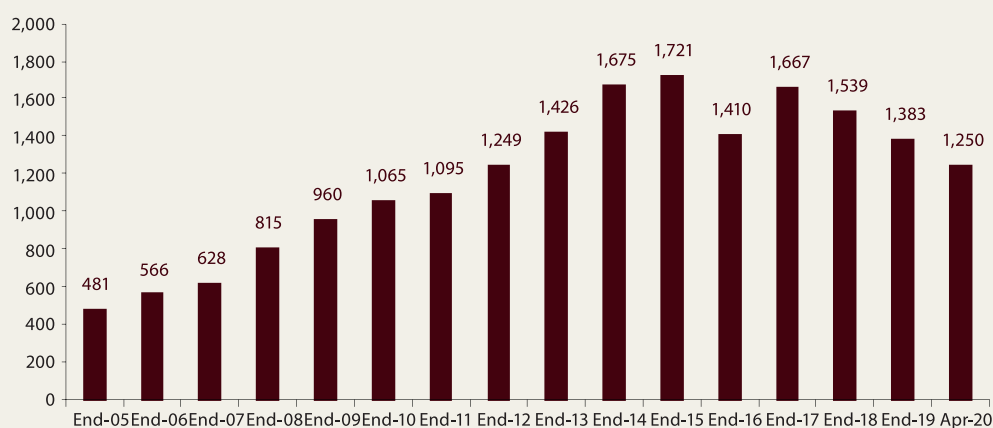
On the liabilities side, resident customer deposits registered US\$ 157.8 million at end-April 2020, down by 7.7% from end-2019. Non-resident customer deposits fell to US\$ 8.4 million at end-April 2020, from US\$ 17.1 million at end-2019.

Resident financial sector liabilities stood at US\$ 175.8 million at end-April 2020, declining by 21.4% from end-2019. Non-resident financial liabilities decreased from US\$ 124.7 million at end-2019 to US\$ 103.2 million at end-April 2020.

Public sector deposits stood at US\$ 4.5 million at end-April 2020, up by 15.5% from end-2019. Debt securities issued stood at US\$ 108.3 million at end-April 2020, down by 3.2% from its level at end-2019.

Capital accounts reported US\$ 466.7 million at end-April 2020, down from US\$ 486.4 million at end-2019.

BALANCE SHEET OF FINANCIAL INSTITUTIONS (US\$ MILLION)



Sources: Central Bank of Lebanon, Bank Audi's Group Research Department

LEBANESE-OWNED CMA CGM GROUP BOLSTERS ITS LIQUIDITY WITH € 1.05 BILLION LOAN GUARANTEED UP TO 70% BY THE FRENCH STATE

The CMA CGM Group announced that it secured a € 1.05 billion syndicated loan from a consortium of three banks: BNP Paribas, HSBC and Société Générale. This loan is part of France's State-guaranteed loan scheme established at the end of March in response to the COVID-19 pandemic.

The State guarantees 70% of the loan, which has an initial one-year maturity and an extension option for up to five additional years. This new funding further strengthens CMA CGM's cash position in order to confront uncertainties in the global economy resulting from the health crisis and lockdown measures in a large number of countries. At this stage, the Group anticipates a limited slowdown in its activity over the near term, with an estimated decrease in market volumes of 10% in the first half of 2020 compared to the first half of 2019, as per a statement by CMA CGM.

As soon as the first wave of the epidemic hit China, the Group implemented several measures, including protecting the health and ensuring the safety of its employees, both on land and at sea, reorganizing and adjusting maritime services to the needs of its customers and stepping up the cost reduction program for both maritime operations (ports and vessels) and logistics operations (adapting warehouse activities), as per the same source.

In addition, the CMA CGM Group is using its expertise to transport essential goods, particularly medical and pharmaceutical products, thereby helping to combat the health crisis in France and around the world, as per a company statement.

It is worth noting that Rothschild&Co and Willkie Farr acted as counsel to CMA CGM and Allen&Overy as counsel to the lenders.

BANKS TO RESCHEDULE EXISTING LOANS OWED BY INDUSTRIALISTS AND MATURING SINCE MARCH 2020

An agreement between the Association of Banks in Lebanon (ABL) and the Ministry of Industry will ease the debt burden of industrial firms and provide them with additional credit facilities.

The banks will reschedule existing loans owed by industrialists and maturing starting from March 2020 over six months when needed. The rescheduling will be for two years or five years depending on each customer's ability to repay.

The banks will set a ceiling consisting of the Beirut Reference Rate (BRR) plus 1% on interest rates on loans provided to manufacturers, according to the agreement.

The ceiling will not include additional margins to cover credit risks, the banks' operating expenses, or provisions. It will be effective for one year and could be renewed depending on the general situation.

The banks will refrain from all legal action against industrialists in default until the end of 2020, according to the agreement.

They will also provide exceptional loans for working capital needs and for payroll, as required by earlier circulars issued by Central Bank (BDL).

The banks also pledged to support any initiative launched by BDL, the government, or any ministry. These decisions target manufacturing firms of all sizes.

The new measures follow BDL's decision that involves providing access to foreign currency for one year for financing imports of basic food products and imports of raw materials used in the industrial sector.

CAPITAL MARKETS

MONEY MARKET: LARGEST WEEKLY EXPANSION IN (M4) SINCE THE BEGINNING OF 2020

The overnight rate initiated the week at 20% following the CNSS' withdrawal of LP deposits from the Lebanese banking sector, yet went back to 3% towards the end of the week with the return of local currency liquidity to the money market after the CNSS has re-deposited its LP funds. Within this context, it is worth mentioning that the official rate remains stable at 1.90%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 21st of May 2020 showed expansions in total resident banking deposits following two consecutive weeks of contractions. This is mainly driven by a LP 198 billion growth in foreign currency resident deposits (the equivalent of US\$ 131 billion), and a LP 20 billion rise in total LP resident deposits amid a LP 563 billion fall in LP saving deposits and a LP 583 billion increase in LP demand deposits. Within this context, the money supply in its largest sense (M4) registered its largest weekly expansion so far this year of LP 521 billion amid a LP 478 billion growth in the currency in circulation and a LP 175 billion decrease in the non-banking sector Treasury bills portfolio.

INTEREST RATES

	05/06/20	29/05/20	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 SURPLUS OF LP 17 BILLION

The latest Treasury bills auction results for value date 4th of June 2020 showed that the Central Bank of Lebanon allowed banks to subscribe in full in 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 28th of May 2020 showed that total subscriptions amounted to LP 92 billion, distributed as follows: LP 8 billion in the three-month category (offering a yield of 3.50%), LP 11 billion in the one-year category (offering a yield of 4.50%) and LP 73 billion in the five-year category (offering a coupon of 6.0%). These compare to maturities of LP 75 billion, resulting into a nominal weekly surplus of LP 17 billion.

On a cumulative basis, total subscriptions amounted to LP 5,355 billion during the first five months of 2020. The ten-year category captured 41.5% of the total (the equivalent of LP 2,225 billion), followed by the five-year category with 18.9% (the equivalent of LP 1,014 billion), the three-year category with 11.8% (the equivalent of LP 634 billion), the one-year category with 10.9% (the equivalent of LP 582 billion), the seven-year categories with 8.6% (the equivalent of LP 461 billion), the two-year with 5.4% (the equivalent of LP 288 billion), while the three-month and six-month categories accounted for the remaining 2.8% (the equivalent of LP 151 billion in total). In parallel, total maturities reached LP 4,505 billion, resulting into a nominal surplus of LP 850 billion during the first five months of 2020.

TREASURY BILLS

	05/06/20	29/05/20	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%	-	10.00%	
Nom. Subs. (LP billion)		92	120	
Short-term (3&6 mths)		8	-	
Medium-term (1&2 yrs)		11	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		73	100	
Maturities		75	61	
Nom. Surplus/Deficit		17	59	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: BDL'S FOREIGN ASSETS DOWN TO US\$ 33.5 BILLION AT END-MAY 2020

Licensed foreign exchange houses resumed their activity on June 3, 2020 after a month-long strike, and issued a daily LP/US\$ exchange rate that all dealers are obliged to fully abide by, signaling that they target to drive the LP/US\$ rate gradually down to LP/US\$ 3,200 in the next couple of weeks. The rate started at LP 3,950-LP 4,000 per US dollar on Wednesday and declined to LP 3,890-LP 3,940 per US dollar on Friday. Meanwhile, all eyes remained focused on the upcoming BDL's electronic platform that would display the daily rates of all foreign currencies against the Lebanese pound, in a move aiming to promote transparency, reduce pressures on the Lebanese pound and contain differences between exchange rates.

The Central Bank of Lebanon's latest bi-monthly balance sheet ending 31st of May 2020 showed that BDL's foreign assets contracted by US\$ 707 million during the second half of May to reach US\$ 33.5 billion at the end of the month. When excluding the Central Bank of Lebanon's Lebanese Eurobond holdings (estimated at US\$ 5 billion at end-May 2020) and the facilities provided by BDL to commercial banks (estimated at about US\$ 8 billion), BDL's liquid FX reserves fall to circa US\$ 20 billion at end-May 2020.

EXCHANGE RATES

	05/06/20	29/05/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,905.33	1,854.07	1,970.00	↓
LP/¥	13.80	14.06	13.77	↑
LP/SF	1,573.92	1,567.37	1,543.78	↓
LP/Can\$	1,118.57	1,094.45	1,150.59	↓
LP/Euro	1,708.30	1,675.59	1,679.20	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: SHY EQUITY PRICE RISES WEEK-ON-WEEK

Five out of 26 listed stocks were traded on the Beirut Stocks Exchange during this five-day week. The total trading value amounted to US\$ 2.0 million this week (excluding block trades of US\$ 562,500 on Solidere "A" shares) and compared to a lower turnover of US\$ 1.4 million in the previous three-day week, noting that Solidere shares continued to capture the bulk of activity.

As far as prices are concerned, the BSE price rose by 0.6% week-on-week, mainly driven by price gains in banking and Solidere shares. BLOM's "listed" shares led the advance, registering price gains of 9.4% to close at US\$ 3.60, followed by Solidere "A" shares with +5.2% to US\$ 10.53 and Solidere "B" shares with +5.1% to US\$ 10.52. In contrast, Byblos Bank's "listed" share price dropped by 6.3% to US\$ 0.60, while Bank Audi's "listed" share price remained stable at US\$ 1.0.

AUDI INDICES FOR BSE

22/1/96=100	05/06/20	29/05/20	27/12/19	
Market Cap. Index	269.20	267.70	316.37	↑
Trading Vol. Index	17.72	21.16	24.97	↓
Price Index	57.26	56.94	69.36	↑
Change %	0.56%	0.95%	2.37%	↑
	05/06/20	29/05/20	27/12/19	
Market Cap. \$m	6,386	6,351	7,506	↑
No. of shares traded (Exc. BT)	217,693	317,569	333,997	↓
Value Traded \$000 (Exc. BT)	2,015	1,445	2,294	↑
o.w. : Solidere	1,978	1,240	2,294	↑
Banks	36	193	0	↓
Others	0	12	0	↓

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

BOND MARKET: WEEKLY BOND PRICE GAINS ACROSS THE BOARD

While the Lebanese government is seeking to reconcile different approaches taken by the Ministry of Finance and the Central Bank of Lebanon and unify financial system loss figures in the aim of facilitating discussions with the IMF, Lebanese Eurobonds maturing between 2020 and 2037 registered price expansions ranging between 0.50 pt and 2.13 pts week-on-week. Within this context, the weighted average bond yield declined from 66% last week to 63% this week. Prices of Lebanese sovereigns hovered between 17.0 cents per US dollar and 19.25 cents per US dollar at the closing of this week, noting that a CDS auction held on April 23, 2020 gave Lebanese Eurobonds a final value of 14.125%.

EUROBONDS INDICATORS

	05/06/20	29/05/20	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	63%	66%	29.99%	↓
Average Life	7.56	7.60	7.50	↓
Yield on US 5-year note	0.48%	0.32%	1.71%	↑

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	05-June-20	29-May-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	109.59	107.82	108.64	1.6%	0.9%
\$/£	1.267	1.234	1.326	2.6%	-4.4%
\$/Euro	1.129	1.110	1.121	1.7%	0.7%
STOCK INDICES					
Dow Jones Industrial Average	27,110.98	25,383.11	28,538.44	6.8%	-5.0%
S&P 500	3,193.93	3,044.31	3,230.78	4.9%	-1.1%
NASDAQ	9,814.08	9,489.87	8,972.60	3.4%	9.4%
CAC 40	5,197.79	4,695.44	5,978.06	10.7%	-13.1%
Xetra Dax	12,847.68	11,586.85	13,249.01	10.9%	-3.0%
FT-SE 100	6,484.30	6,076.60	7,542.44	6.7%	-14.0%
NIKKEI 225	22,863.73	21,877.89	23,656.62	4.5%	-3.4%
COMMODITIES (in US\$)					
GOLD OUNCE	1,685.06	1,730.27	1,517.27	-2.6%	11.1%
SILVER OUNCE	17.42	17.87	17.85	-2.5%	-2.4%
BRENT CRUDE (per barrel)	42.30	37.84	62.93	11.8%	-32.8%
LEADING INTEREST RATES (%)					
1-month Libor	0.18	0.18	1.76	0.00	-1.58
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	0.90	0.65	1.92	0.25	-1.02

Sources: Bloomberg, Bank Audi's Group Research Department

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