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The LEBANON WEEKLY MONITOR

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The latest foreign trade statistics released by Lebanon's Customs Authority for the first five months of 2020 suggest a net contraction in imports by a yearly 50.4%, alongside a decline of 7.3% in exports (mainly in the aftermath of the state of emergency declaration in March), which generated a tangible reduction in the trade deficit by a yearly 58.8% over the period.

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Moody's downgraded the Government of Lebanon's issuer rating to "C" from "Ca", and has not assigned an outlook to the rating. Moody's also downgraded Lebanon's senior unsecured Medium Term Note (MTN) Program rating to "(P)C" from "(P)Ca", and affirmed the other short-term rating at "(P)NP".

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p.9 RELATIVE STABILITY IN LP/US\$ EXCHANGE RATE IN BLACK FX MARKET

With Lebanon returning to Coronavirus-related lockdowns and along renewed confrontations in the South of Lebanon, a status-quo mood reigned over the black FX market over this three-day week, while the equity and bond markets saw no change in prices. In details, the LP/US\$ exchange rate remained relatively stable over this short week, trading below the LP/US\$ 8,000 threshold to reach LP/US\$ 7,500-LP/US\$ 7,700 on Wednesday against LP/US\$ 7,600-LP/US\$ 7,800 at the end of last week. The relative stability in the LP/US\$ rate is mainly explained by the continuous inflow of cash US dollars from expatriates via airport during the summer season and the BDL's food import subsidy. On the Eurobond market, activity was almost absent with no change in prices across the yield curve. Concurrently, Moody's downgraded Lebanon's credit rating from "Ca" to "C", citing losses incurred by bondholders, which are likely to exceed 65%. Finally, the equity market saw mixed price movements this week, which led to a nil change in the BSE price index, noting that Solidere shares continued to capture the bulk of activity.

LEBANON MARKETS: WEEK OF JULY 27 - AUGUST 02, 2020

Money Market



LP Tbs Market



LP Exchange Market



BSE Equity Market



Eurobond Market



CDS Market



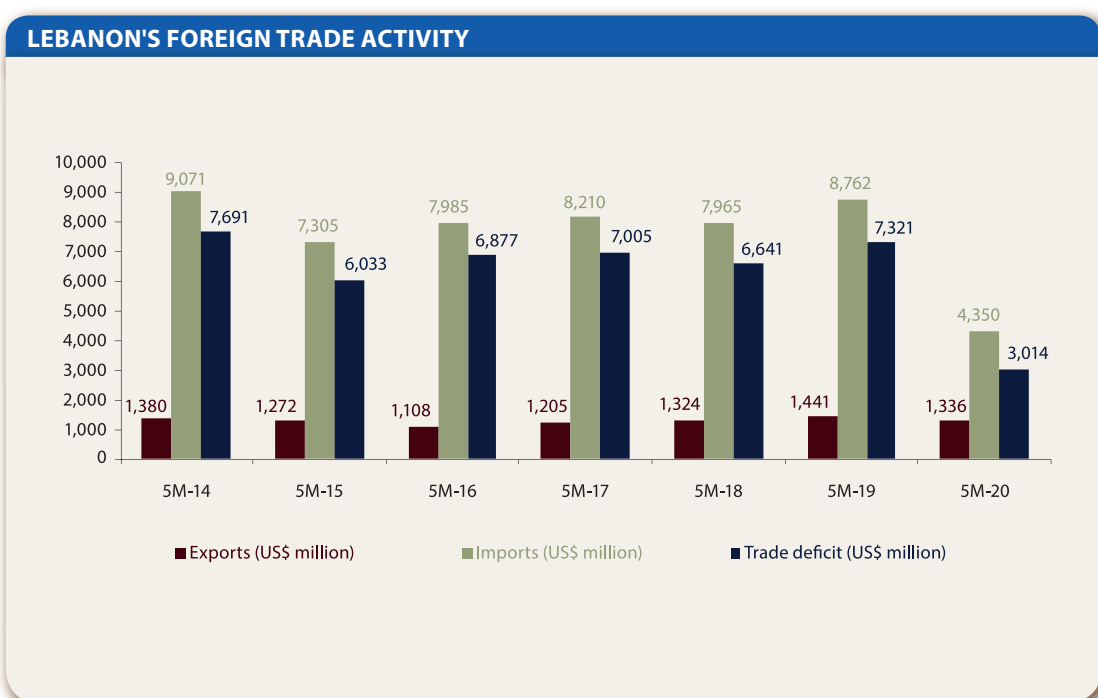
ECONOMY

A 50% DECLINE IN IMPORTS LEADING TO A 59% DROP IN TRADE DEFICIT IN FIRST FIVE MONTHS OF 2020

The latest foreign trade statistics released by Lebanon's Customs Authority for the first five months of 2020 suggest a net contraction in imports by a yearly 50.4%, alongside a decline of 7.3% in exports (mainly in the aftermath of the state of emergency declaration in March), which generated a tangible reduction in the trade deficit by 58.8% over the first five months of 2020 when compared to the first five months of 2019. Accordingly, the sum of exports and imports went down by 44.3% to reach US\$ 5.7 billion over the first five months of the year, while the exports to imports ratio reached a high level of 30.7% over the same period, from 16.4% a year ago. Within this context, and amid contracting trade deficit, the balance of payments recorded a smaller deficit of US\$ 2.2 billion over the first five months of 2020, compared to a large deficit of US\$ 5.2 billion in the previous year's corresponding period.

Going further into details, the breakdown of exports by product suggests that the most significant decline among the major categories was reported by plastic products with 43.1%, followed by paper and paper products with 35.7%, chemical products with 26.1%, metals and metal products with 21.5% and electrical equipments and products with 19.0% over the first five months of 2020 when compared to the first five months of 2019. On the other hand, the main items to have displayed an increase were live animals and animal products with 53.8%, vegetable products with 25.8% and jewelry with 20.0% over the same period.

The breakdown of exports by major countries of destination suggests that exports to Syria reported the most significant decline of 50.5% year-on-year, followed by Germany with 27.3%, Greece with 22.0%, UAE with 21.3%, Jordan with 13.2%, Iraq with 12.1%, Kuwait with 11.1% and Saudi Arabia with 10.2% between the two periods, while exports to Switzerland reported a significant increase of 91.5%, followed by Egypt with 16.7% over the same period. It is worth mentioning that land exports through Syria continued its negative trend to decrease by 38.0%, moving from US\$ 142 million to US\$ 88 million, as all land border crossings into Syria remain closed indefinitely since March 12. In parallel, exports through the Port of Beirut went down by 11.8%, while those through the Hariri International Airport witnessed a relative increase by 9.7% over the same period.



Source: Lebanon's Customs Administration

In parallel, the breakdown of imports by product suggests that the most significant decline was reported by transport vehicle with 70.4%, followed by metals and metal products with 69.1%, electrical equipments and products with 63.5%, textiles and textile products with 62.9%, plastic products with 61.2% and mineral products with 57.7% over the first five months of 2020 relative to 2019 same period. The breakdown of imports by country of origin over the same period shows that, among the major partners, imports from China dropped the most by 64.9%, followed by France with 63.9%, USA with 63.8%, Russia with 62.6%, Germany with 48.8%, Italy with 46.1%, Greece with 40.9% and Egypt with 39.6% between the two periods.

GROSS PUBLIC DEBT AT US\$ 93.1 BILLION AT END-MAY 2020

The data published by the Ministry of Finance in Lebanon showed that the country's gross debt reached US\$ 93.1 billion at end-May 2020, up by 1.6% from the level seen at end-2019.

Domestic debt was higher by 1.1% from end-2019 to reach a total of US\$ 58.5 billion at end-May 2020.

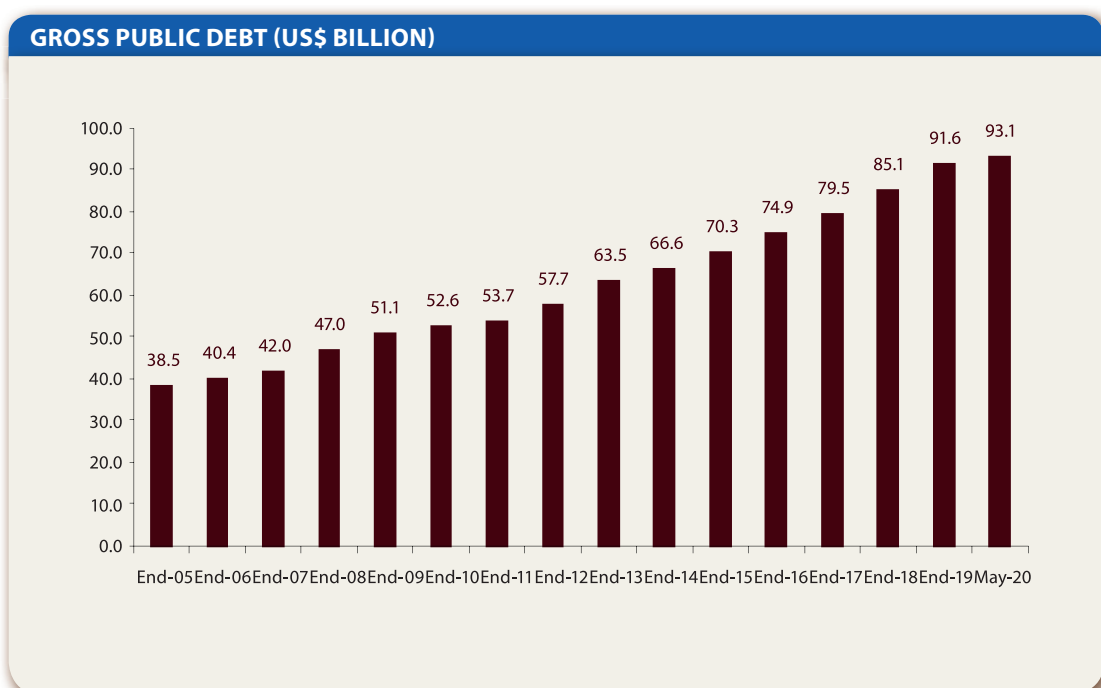
Lebanon's external debt rose by 2.5% from end-2019 to stand at around US\$ 34.6 billion at end-May 2020.

In this context, the public sector deposits at the Central Bank fell by 21.7% from end-2019 to stand at US\$ 4.3 billion at end-May 2020.

The public sector deposits at commercial banks edged down by 1.0% from end-2019 to reach US\$ 4.9 billion at end-May 2020.

As such, net public debt, which excludes the public sector deposits at the Central Bank and commercial banks from overall debt figures, increased by 3.4% from end-2019 to reach a total of US\$ 84.0 billion at end-May 2020.

Net domestic debt amounted to US\$ 49.4 billion at end-May 2020, up by 3.9% from end-2019.



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

NOTICEABLE INCREASE IN THE VALUE OF PROPERTY SALES IN FIRST SIX MONTHS OF 2020

The statistics published by the General Directorate of Land Registry and Cadastre covering the first six months of 2020 showed that realty markets have undergone a decrease in the number of property transactions, but a rise in sales activity and increase in their value.

The number of sales operations rose from 21,957 sales operations in the first six months of 2019 to 27,216 operations in the first six months of 2020.

In parallel, sales to foreigners contracted by 8.0% year-on-year to reach 427 operations in the first six months of 2020.

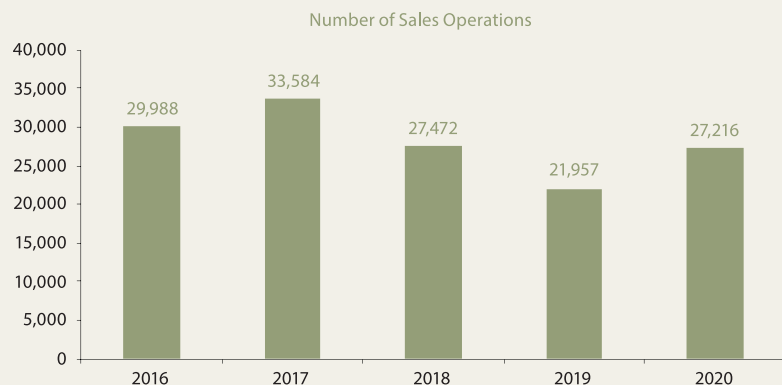
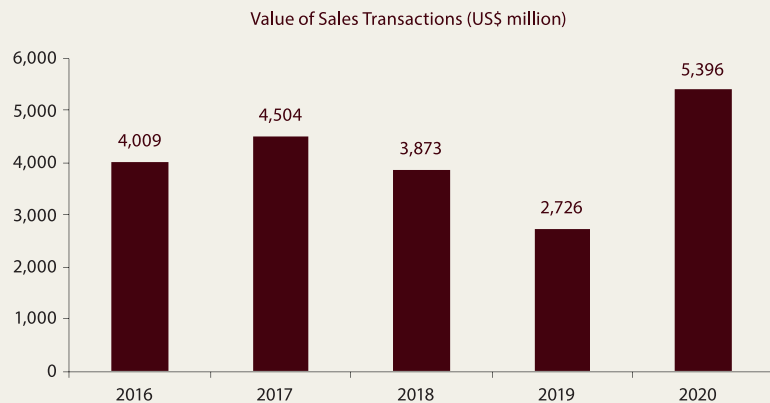
The value of property sales transactions was on an improving path in the first six months of 2020.

It posted a rise of 97.9% year-on-year to attain a total of US\$ 5,396.3 million during the first six months of 2020.

Accordingly, the average sales value increased from US\$ 128,145 in the first six months of 2019 to US\$ 196,994 in the first six months of 2020.

Most of the regions recorded an increase in the value of sales transactions, with the most significant movements coming as follows: Beirut (+141.6%), Kesrouan (+121.5%) and Baabda (+99.0%).

PROPERTY MARKET (FIRST HALF OF THE YEAR)



Sources: Directorate of Land Registry and Cadastre, Bank Audi's Group Research Department

SURVEYS

MOODY'S DOWNGRADES LEBANON'S ISSUER RATING TO "C" FROM "Ca"

Moody's downgraded the Government of Lebanon's issuer rating to "C" from "Ca", and has not assigned an outlook to the rating. Moody's also downgraded Lebanon's senior unsecured Medium Term Note (MTN) Program rating to "(P)C" from "(P)Ca", and affirmed the other short-term rating at "(P)NP". The "C" rating reflects Moody's assessment that the losses incurred by bondholders through Lebanon's current default are likely to exceed 65%.

The country is steeped in an economic, financial and social crisis, which very weak institutions and governance strength appear unable to address. The collapse of the currency in the parallel market and the concomitant surge in inflation fuel a highly unstable environment. In the absence of key steps toward plausible economic and fiscal policy reform, official external funding support to accompany a government debt restructuring is not forthcoming, as per Moody's.

The decision not to assign an outlook to the rating is based on the very high likelihood of significant losses for private creditors and the fact that "C" is the lowest rating in Moody's rating scale. Lebanon's long-term foreign currency bond ceiling remains unchanged at "Ca" while the foreign currency deposit ceiling has been lowered to "C" from "Ca" previously. The long-term local-currency bond and deposit ceilings have been lowered to "Caa2", respectively, from "Caa1" previously. The short-term foreign currency bond and deposit ceilings remain "Not Prime (NP)", as per the same source.

Lebanon is steeped in a severe economic, financial and social crisis, with the level of economic activity plunging at a fast rate, the currency plummeting in the parallel exchange rate market, inflation skyrocketing, and an increasing part of the population without a job or income prospects, according to Moody's. On 16 March, Lebanon defaulted on its international bond due on 9 March after the grace period expired. On 23 March, Lebanon announced it would cease servicing other outstanding foreign-currency debt; four days later, the public debt restructuring commitment was extended to include local-currency debt.

Recurring delays with the implementation of fiscal and economic policy reforms, outlined in the government's reform program presented on 28 April as basis for negotiations with the International Monetary Fund (IMF) for an external support package to accompany a government debt restructuring, have stalled discussions with the IMF and with other international official donors, as per the report.

Limited progress has been achieved in key prerequisites, including a forensic audit of the Banque du Liban (BdL), the adoption of comprehensive capital controls legislation, and a general consensus among domestic stakeholders in favor of the government's debt restructuring and reform plan. In this environment, Moody's expects ultimate losses to private creditors to exceed 65%, prompting positioning of the rating at the lowest level in the rating scale. Exhausted fiscal and monetary policy implementation capacity and diminished governance performance, especially with respect to control of corruption, inhibits the likelihood of a rapid transition to a new and more sustainable growth model once the debt restructuring is implemented.

Over the longer term, a lower growth potential and a weak track record of fiscal discipline reduce the sovereign's ability to carry debt, warranting a deeper debt write-off that is consistent with the "C" rating category, or a higher probability of future redefault in the event of insufficient effective debt relief to restore long-term debt sustainability. The continued drawdown of Lebanon's foreign exchange reserves is reflected in the acute devaluation of the local currency in the parallel market by over 80%. This is fueling significant import compression and contributing to a spike in inflation readings to almost 90% year-over-year as of June 2020 from 6.7% at the end of 2019. The resulting erosion of consumers' purchasing power accompanied by investment contraction deepen the expected double-digit economic slump in 2020 and set the stage for severe social disruptions. Moody's projects the debt/GDP ratio to increase further to about 200% of GDP in 2020, driven by the exchange rate effect assuming an adjustment in the official peg to LBP 3,500 per US dollar as outlined in the government's reform plan.

Looking forward, Moody's projections show that the debt trajectory remains particularly sensitive to adverse growth and foreign exchange dynamics, underscoring the potential for further loss accumulation in the absence of a restructuring agreement with the support of the IMF. Access to previously pledged international investment support is conditional on the implementation of an IMF reform program, neither of which are likely to be secured in the next few months.

LEBANON IS REGIONALLY UNCOMPETITIVE WITH REGARD TO LABOUR MARKET RISKS DUE TO A HOST OF ISSUES, SAYS FITCH SOLUTIONS

Lebanon is regionally uncompetitive with regard to labour market risks due to a host of issues making the process of hiring and maintaining a suitable workforce difficult for investors, as per Fitch Solutions. Among the many key concerns are a small labour force, high employment costs, regionally low school enrolment rates, the influx of refugees, low expenditure on education and a brain drain of talented graduates.

Moreover, recruitment options are limited by very low female labour force participation, a spatial disparity in refugee camps and regulations preventing refugees from entering the labour force, as per the report. The country's overall ranking is slightly uplifted by the lack of onerous regulations and low costs related to hiring and firing local workers. However, this leaves the supply chain vulnerable to legal risks as a result of widespread exploitative labour practices. As such, Lebanon receives a middling overall score of 54.0 out of 100 in our Labour Market Risk Index. This places it in the eighth place out of 18 countries in the MENA region, above Egypt and Iran, but below Jordan and the Gulf states.

As for labour costs, they are regionally high and hold significant risks for Lebanese employers over the medium term. In particular, the high minimum wage and mandatory social security contributions will increase direct operational costs without providing a significant corresponding boost in productivity, given pertinent skills gaps in the market, as per Fitch Solutions.

Additionally, due to significant domestic and regional security challenges, businesses will also have to factor in additional compensation requirements in order to attract foreign skilled workers such as private security measures as well as hardship and danger pay premiums. In terms of labour flexibility, there are few restrictions on the hiring and firing of employees, annual paid leave days are comparatively low and there is no severance pay requirement. Though this relieves employment costs to some extent, it does not offset the high labour cost burden that firms face, as per the report.

Moving on to education, Lebanon's system faces enormous challenges in providing equal access to quality schooling for the domestic population and the large group of Syrian refugees it is hosting. While enrolment rates were higher across the board prior to the outbreak of the Syrian civil war in 2011, the education system already struggled with equality of access due to the predominance of private institutions and underfunding of public schools, as per Fitch Solutions.

The influx of Syrian refugees, many of them young children, has exacerbated these issues, placing an unsustainable strain on the Lebanese education system. While international aid has offered some stabilisation, a reduction in enrolment rates combined with stretched infrastructure and teaching resources will affect education quality and the skills of the labour market for many years to come, according to Fitch Solutions.

Last but not least, Lebanon's limited capacity to effectively integrate the large refugee and swelling youth population groups into the labour market combined with low female labour force participation rates highlight the long-term labour and social stability risks facing the country's small population. Although the availability of labour is bolstered by relatively high life expectancy and urbanisation, as well as a large migrant stock, key labour market risks will likely emanate from poor skills development of disadvantaged groups, such as Syrian migrants. Lebanon's good healthcare system will ensure that businesses face lower rates of absenteeism due to illness and higher productivity, particularly among skilled workers. Nevertheless, healthcare costs remain high with the government only funding around half of the country's healthcare expenditure per capita, highlighting the risk that low-income workers will be unable to afford healthcare, increasing staff turnover and lowering productivity for this sub-group.

CORPORATE NEWS

CEDAR OXYGEN FUND OFFICIALLY LAUNCHED TO PROVIDE SUSTAINABILITY TO THE INDUSTRIAL SECTOR

Cedar Oxygen Fund was launched as expatriates hope to provide a sustainable solution to their homeland's deteriorating industry sector, as per the fund's CEO.

For the national industry to flourish, it certainly needs vital raw materials, which Lebanon regularly imports for an average annual cost of US\$ 3 billion, as per the same source.

However, the economic crisis and its effects have dealt a powerful strike to the industry sector, leaving industrialists to face the inevitability of loss as they watch their national currency crumble.

After securing US\$ 100 million in funding from Banque du Liban, the Cedar Oxygen Fund hopes to soon provide some breathing space for Lebanese industrialists and a chance to revive their ailing businesses.

The Fund was started earlier this year in Luxembourg and involves a number of Lebanese expatriates from around the world, in collaboration with the local Association of Lebanese Industrialists (ALI). Its official launch was only postponed due to the pandemic, until recently.

The initiative revolves around the principle of filling the funding gap that is the US dollar, which is currently inhibiting many Lebanese industrialists' ability to import their required raw materials.

Exporting industrialists will have the option to deposit part of their revenues in the Fund, instead of foreign banks as some of them do, in return for interest, as per the fund's CEO.

Additionally, these industrialists can benefit from the foreign currency that the Fund will provide for their imports in return for a guarantee that they will return a portion of these funds to Lebanon via the Fund's fin-tech platform.

In case the Fund achieves profit, it will distribute it among the industrialists who join its platform, in order to strengthen their production capacity and increase the volume of their exports, as per the same source.

Notably, the Cedar Oxygen Fund intends to attract Lebanese and foreign investors from around the world to boost its funding until it reaches its goal of US\$ 750 million. This would tremendously benefit Lebanon's industries and alleviate the effects of the economic crisis on the Lebanese.

NUCLEUS VENTURES LAUNCHES PROGRAM TO SUPPORT LEBANON STARTUPS

Lebanon-based Nucleus Ventures launched a seed program to support early-stage Lebanese entrepreneurs.

The Nucleus program will offer selected startups and SMEs with cash prizes ranging from US\$ 5,000 up to US\$ 100,000 in seed funding to help them kick start their businesses with the addition of mentorship and access to local and international markets.

Moreover, Nucleus Ventures, through its partnership with Lebanese Enterprise and Employment Program (LEEP), will offer selected startups fresh cash grants to help them increase their exporting opportunities.

The company said that it would accept applications from startups through its online platform or in-person.

AM BEST AFFIRMS RATINGS OF ARABIA INSURANCE COMPANY

AM Best affirmed the Financial Strength Rating of "B++ (Good)" and the Long-Term Issuer Credit Rating of "bbb" of ARABIA Insurance Company s.a.l. (AIC) (Lebanon). The outlook of these ratings is "negative".

The ratings reflect AIC's balance sheet strength, which AM Best categorizes as strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management (ERM).

The negative outlooks reflect pressures on AIC's balance sheet strength assessment stemming from the increased level of financial leverage with a short maturity, which exposes the group to significant refinancing risk.

AIC's balance sheet strength is underpinned by risk-adjusted capitalization at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), which has been supported by solid organic capital generation in recent years.

The assessment factors in the good geographical diversification of AIC's assets, which to some extent insulates the group from the very high political, economic and financial system risks in Lebanon.

Operating performance has been impacted by AIC's weak underwriting performance, with a five-year (2015-2019) weighted average non-life combined ratio of 103.0%. However, AIC underwent a strategic shift in 2017 to enhance profitability through a stricter underwriting approach and cost efficiency program.

The remedial actions have resulted in improved results in 2018 and 2019, with AM Best expecting them to stabilize at an adequate level over the medium to long term. Modest investment returns have supported earnings, and in 2019, the company reported an investment yield (including gains) of 5.8%.

AIC has one of the most geographically diverse underwriting portfolios in the Middle East, although its position in key markets remains relatively small and concentrated by line of business.

Following the implementation of the group's strategy to carve out unprofitable business, which led to a decline in gross written premium (GWP) of 9% in 2018, AIC has focused on the personal lines and small and medium enterprise segments. Consequently, the group's consolidated GWP grew by 5% in 2019 to LP 274 billion (US\$ 181 million) at the official rate.

AM Best considers political and regulatory risks as AIC's greatest threats given the group's operating model, being domiciled in Lebanon and operating in a number of markets across the Middle East with increasing regulatory requirements.

The appropriate ERM assessment takes into account expectations that AIC will continue to develop its risk management framework to adapt to the evolving nature of its markets in a sustainable way.

CAPITAL MARKETS

MONEY MARKET: TOTAL RESIDENT DEPOSITS CONTRACT FOR THIRD CONSECUTIVE WEEK

The overnight rate remained stable at 3% this week amid ample local currency liquidity at hand on the money market, noting that its official rate is quoted at 1.90%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 16th of July 2020 showed that total resident banking deposits contracted for the third consecutive week by LP 541 billion. This is mainly attributed to a LP 339 billion fall in total LP resident deposits amid a LP 366 billion drop in LP saving deposits and a LP 27 billion increase in LP demand deposits, and due to a LP 202 billion contraction in foreign currency resident deposits. Accordingly, the money supply in its largest sense (M4) shrank by LP 285 billion over the covered week amid a LP 217 billion increase in the currency in circulation and a LP 39 billion rise in the non-banking sector Treasury bills portfolio.

Within this context, it is worth mentioning that LP saving deposits accumulated year-to-date contractions of circa LP 16,000 billion, while the money in circulation expanded by LP 9,000 billion and LP demand deposits grew by LP 2,000 billion, as the Lebanese pound has lost its role as a store of value since the start of the civic unrest in October 2019.

INTEREST RATES

	31/07/20	24/07/20	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 69 BILLION

The latest Treasury bills auction results for value date 30th of July 2020 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the six-month category (offering a yield of 4.0%), the 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 23rd of July 2020 showed that total subscriptions amounted to LP 154 billion, distributed as follows: LP 14 billion in the three-month category (offering a yield of 3.50%), LP 30 billion in the one-year category (offering a yield of 4.50 %) and LP 110 billion in the five-year category (offering a coupon of 6.0%). These compare to maturities of LP 85 billion, resulting into a nominal weekly surplus of LP 69 billion.

TREASURY BILLS

	31/07/20	24/07/20	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)		154	120	
Short-term (3&6 mths)		14	-	
Medium-term (1&2 yrs)		30	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		110	100	
Maturities		85	61	
Nom. Surplus/Deficit		69	59	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: RELATIVE STABILITY IN THE LP/US\$ RATE

The black FX market saw relative stability in the LP/US\$ exchange rate over this week that was shortened to three days due to Coronavirus-related lockdowns. The Lebanese pound traded against the US dollar below the LP/US\$ 8,000 threshold, reaching LP/US\$ 7,500-LP/US\$ 7,700 on Wednesday and compared to LP/US\$ 7,600-LP/US\$ 7,800 at the end of last week. The relative stability in the LP/US\$ rate is mainly explained by the continuous inflow of cash US dollars from expatriates during the summer season after the reopening of the airport and as the Central Bank of Lebanon continued to inject US dollars into the FX market to meet import needs. In parallel, the money changers Syndicate kept this week the exchange rate at a minimum buying price of LP/US\$ 3,850 and a maximum selling price of LP/US\$ 3,900.

EXCHANGE RATES

	31/07/20	24/07/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,955.23	1,918.60	1,970.00	↓
LP/¥	14.37	14.16	13.77	↓
LP/SF	1,646.64	1,628.50	1,543.78	↓
LP/Can\$	1,129.64	1,122.24	1,150.59	↓
LP/Euro	1,771.16	1,748.85	1,679.20	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: MIXED PRICE MOVEMENTS ON BSE OVER THIS SHORT WEEK

The BSE total turnover was restricted to US\$ 2.7 million during this three-day week and compared to a total activity of US\$ 7.3 million during the previous five-day week. Solidere shares continued to capture the lion's share of activity, accounting for 71.2% of the total, while the banking shares accounted for the remaining 28.8%.

As far as prices are concerned, the BSE price index remained stable at 58.36 on Wednesday, with no change relative to the closing of last week, amid mixed price movements. A closer look at individual stocks shows that Solidere "A" share price jumped by 8.8% to US\$ 14.0. Solidere "B" share price surged by 4.2% to US\$ 13.57. In contrast, BLOM's GDR price plummeted by 24.5% to US\$ 2.25. Byblos Bank Preferred shares "Class 2008" registered shy price retreats of 0.1% to close at US\$ 49.89. This complies with a trend that was prevailing since the beginning of the year 2020, where market players sought to shift from bank placements to realty stocks.

AUDI INDICES FOR BSE

22/1/96=100	31/07/20	24/07/20	27/12/19	
Market Cap. Index	274.38	274.39	316.37	↓
Trading Vol. Index	39.33	64.28	24.97	↓
Price Index	58.36	58.36	69.36	↔
Change %	0.00%	-4.59%	2.37%	↔
	31/07/20	24/07/20	27/12/19	
Market Cap. \$m	6,509	6,510	7,506	↓
No. of shares traded (Exc. BT)	160,686	687,180	333,997	↓
Value Traded \$000 (Exc. BT)	2,677	7,292	2,294	↓
o.w. : Solidere	1,906	7,082	2,294	↓
Banks	771	144	0	↑
Others	0	66	0	↓

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

BOND MARKET: STABILITY IN BOND PRICES ACROSS THE CURVE

A sluggish mood reigned over the Lebanese Eurobond market over this three-day week, which resulted into stability in prices across the yield curve. Accordingly, prices of sovereigns maturing between 2020 and 2037 continued to range between 15 cents per US dollar and 18 cents per US dollar on Wednesday. This came along a new statement made by the Finance Minister, reiterating that Lebanon's government remains fully committed to engaging in a constructive manner with all stakeholders to restructure public debt.

It is worth mentioning that Moody's downgraded this week the Government of Lebanon's issuer rating to "C" from "Ca", signaling that losses incurred by bondholders through Lebanon's current default are likely to exceed 65%. Also, Moody's didn't assign an outlook to the rating given the very high likelihood of significant losses for private creditors and the fact that "C" is the lowest rating in Moody's rating scale.

EUROBONDS INDICATORS

	31/07/20	24/07/20	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	46%	76%	29.99%	↓
Average Life	7.43	7.44	7.50	↓
Yield on US 5-year note	0.27%	0.27%	1.71%	↔

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	31-July-20	24-July-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	105.85	106.13	108.64	-0.3%	-2.6%
\$/£	1.309	1.279	1.326	2.3%	-1.3%
\$/Euro	1.178	1.166	1.121	1.0%	5.0%
STOCK INDICES					
Dow Jones Industrial Average	26,428.32	26,469.89	28,538.44	-0.2%	-7.4%
S&P 500	3,271.12	3,215.63	3,230.78	1.7%	1.2%
NASDAQ	10,745.27	10,363.18	8,972.60	3.7%	19.8%
CAC 40	4,783.69	4,956.43	5,978.06	-3.5%	-20.0%
Xetra Dax	12,313.36	12,838.06	13,249.01	-4.1%	-7.1%
FT-SE 100	5,897.76	6,123.82	7,542.44	-3.7%	-21.8%
NIKKEI 225	21,710.00	22,751.61	23,656.62	-4.6%	-8.2%
COMMODITIES (in US\$)					
GOLD OUNCE	1,975.86	1,902.02	1,517.27	3.9%	30.2%
SILVER OUNCE	24.39	22.77	17.85	7.1%	36.6%
BRENT CRUDE (per barrel)	43.52	43.34	62.93	0.4%	-30.8%
LEADING INTEREST RATES (%)					
1-month Libor	0.15	0.17	1.76	-0.02	-1.61
US Prime Rate	3.25	3.25	4.75	0.00	-1.50
US Discount Rate	0.25	0.25	2.25	0.00	-2.00
US 10-year Bond	0.53	0.59	1.92	-0.06	-1.39

Sources: Bloomberg, Bank Audi's Group Research Department

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