The LEBANON WEEKLY MONITOR

CONTACTS

Treasury & Capital Markets

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

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

Private Banking

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

Corporate Banking

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

RESEARCH

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

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

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

Fadi Kanso
(961-1) 977470
fadi.kanso@bankaudi.com.lb

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

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

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p.9 LEBANON'S CAPITAL MARKETS WELCOME THE FRENCH INITIATIVE

Lebanon's capital markets welcomed this week the appointment of a new PM-designate and the French initiative which has outlined a political and economic roadmap for Lebanon amid calls to speed up the formation of a new cabinet that would implement long-overdue reforms to unlock much-needed international aid. In details, the French initiative helped curbing the fall of the local currency on the black FX market, while spreading a cautious positive mood. The LP/US$ rate moved from LP/US$ 7,700-LP/US$ 7,800 at the end of last week to LP/US$ 7,100-LP/US$ 7,200 at the end of this week. BDL's foreign assets remained on the decline, registering a US$ 2.2 billion contraction in August 2020 following the 4th of August devastating Beirut blast that has caused large human and material damages. The bond market posted price gains across the yield curve of up to 2.38 pts amid an international bid, on hopes that the French initiative would draw a new political and economic future for Lebanon in the medium-term. On the equity market, the BSE price index rose by 1.2% week-on-week, while activity remained quite shy.

LEBANON MARKETS: WEEK OF AUGUST 31 - SEPTEMBER 06, 2020

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

Bank Audi sal - Group Research Department - Bank Audi Plaza - Bab Idriss - PO Box 11-2560 - Lebanon - Tel: 961 1 994 000 - email: research@bankaudi.com.lb

ECONOMY

WORLD BANK ESTIMATES PORT EXPLOSION DIRECT DAMAGES AND LOSSES TO THE ECONOMY AT CIRCA US$ 8 BILLION

The World Bank Group in cooperation with the United Nations and the European Union launched a Rapid Damage and Needs Assessment (RDNA) immediately after the explosion, to estimate the impact on the population, physical assets, infrastructure and service delivery in Beirut, utilizing ground data and cutting-edge remote tools and technology. The estimate of the damages and losses to the economy stands at an upper bound of circa US$ 8 billion.

The overall direct damage incurred as a result of the explosion is in the range of US$ 3.8 and 4.6 billion. In the Social Sectors, Housing and Culture are the most affected enduring substantial damage totaling between US$ 1.9–2.3 billion and US$ 1.0–1.2 billion, respectively. Tourism, and Commerce and Industry incurred most of the damage among the Productive and Financial Sectors with damages between US$ 170–205 million and US$ 105–125 million respectively. Damage to Infrastructure Sectors was concentrated on the Transport and Port sector, ranging between US$ 280–345 million. In the Cross-Cutting Sectors, Governance suffered the most damage, between US$ 65–80 million.

The RDNA also estimates economic losses ranging between US$ 2.9 and 3.5 billion. Broken down by sector, estimated losses in the housing sector were highest, between US$ 1.0–1.2 billion, the transport sector and port between US$ 580–710 million, culture sector between US$ 400–490 million. The commerce and industry sector is estimated to have incurred between US$ 285–345 million in losses followed by the Tourism sector, between US$ 190–235 million.

BEIRUT PORT EXPLOSION DAMAGES, LOSSES & PUBLIC SECTOR NEEDS BY SECTOR (US$ MILLION)

Sector	Damages		Losses		Total needs	
	Low	High	Low	High	Low	High
Productive and financial sectors						
Commerce and industry	105	125	285	345	165	205
Tourism	170	205	190	235	170	210
Financial	10	15	-	-	35	45
Productive and financial sectors total	**285**	**345**	**475**	**580**	**370**	**460**
Social sectors						
Social protection and jobs	-	-	-	-	35	40
Housing	1,875	2,290	945	1,155	220	265
Education	15	20	70	85	-	10
Culture	1,010	1,235	400	490	250	310
Health	95	115	200	245	65	80
Social sectors total	**2,995**	**3,660**	**1,615**	**1,975**	**570**	**705**
Infrastructure sectors						
Water supply and sanitation	40	45	-	5	45	60
Energy	40	50	55	70	55	70
Transport and port	280	345	580	710	425	520
Municipal services	30	35	75	90	40	50
Infrastructure sectors total	**390**	**475**	**710**	**875**	**565**	**700**
Cross-cutting sectors						
Governance	65	80	65	80	180	215
Environment	20	25	-	-	75	100
Social sustainability and inclusion	-	-	-	-	25	35
Cross-cutting sectors total	**85**	**105**	**65**	**80**	**280**	**350**
Grand total	**3,755**	**4,585**	**2,865**	**3,510**	**1,785**	**2,215**

Dashes signify a negligible amount

Source: World Bank

The public sector reconstruction and recovery needs for CY2020-2021 are estimated in the range of US$ 1.8 and 2.2 billion, with between US$ 605–760 million needed in the immediate term (September-December 2020) and between US$ 1.18–1.46 billion in the short-term (CY2021). Housing sector recovery and reconstruction needs are estimated between US$ 220–265 million. Other social sectors with high recovery needs include culture and health, which are estimated between US$ 250–310 million and between US$ 65–80 million, respectively. Tourism, and Commerce and Industry have the highest estimates for recovery and reconstruction needs among the Productive and Financial Sectors, between US$ 170–210 million and between US$ 165–205 million, respectively. Transport tops Infrastructure Sectors, with needs in the range of US$ 425–520 million. Meanwhile, recovery and reconstruction needs for the Governance Sector are estimated between US$ 180–215 million.

The explosion worsens further the country's economic conditions, bearing in mind that Lebanon was already caught, prior to the explosion, under an unprecedented macro crisis that drove it into real sector depression, monetary drift and huge socio-economic pressures at large.

VALUE OF CLEARED CHECKS SLIGHTLY DOWN BY A YEARLY 1.0% IN FIRST SEVEN MONTHS OF 2020

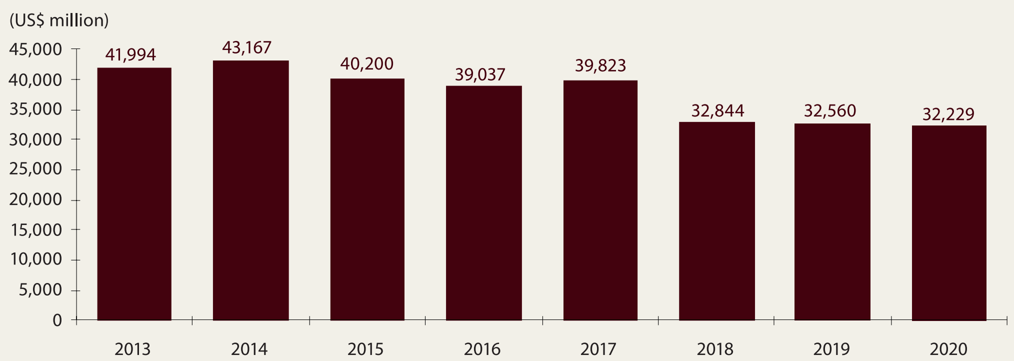
As an indicator of consumption and investment spending in the Lebanese economy, the total value of cleared checks, went down by 1.0% year-on-year in the first seven months of 2020. The value of cleared checks reached US$ 32,229 million in the first seven months of 2020, against US$ 32,560 million in the same period of 2019.

A breakdown by currency shows that the banks' clearings in Lebanese pounds amounted to LP 17,153 billion (-6.8%) in the first seven months of 2020, while those in FC amounted to US$ 20,851 million, up by 2.5% year-on-year.

Furthermore, the number of cleared checks registered 3,576,291 in the first seven months of 2020, down by 40.7% from 6,027,481 in the same period of 2019. The average value per check rose by 105.5% year-on-year to stand at US$ 10,787 in the previously mentioned period of 2020.

On another hand, the value of returned checks reached US$ 647 million in the first seven months of 2020, against US$ 816 million in the same period of 2019, while the number of returned checks registered 86,348 in the first seven months of 2020, down by 43.4% from 152,650 in the same period of 2019.

CLEARING ACTIVITY (FIRST SEVEN MONTHS OF EACH YEAR)



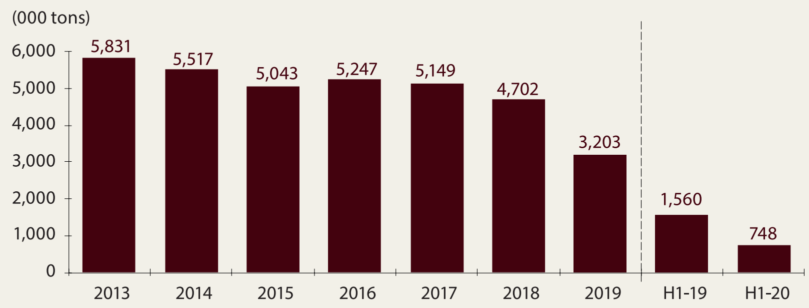
Sources: BDL, Bank Audi's Group Research Department

CEMENT DELIVERIES CONTRACTING BY 52.0% IN FIRST HALF OF 2020

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, declined by a yearly 52.0% in the first half of 2020. Cement deliveries actually reached circa 748,324 tons in the first half of 2020, down from 1,559,797 tons in the corresponding period of 2019, reflecting a weakening construction activity amid acute economic crisis.

In fact, supply trends in the Lebanese real estate market have sharply decelerated and the recent socioeconomic crisis has only exacerbated the trend. On the one hand, the country still has a stock of residential properties for sale that accumulated over the past few years. The latter is declining but remains non-negligible and needs to be absorbed before it makes sense for property developers to think in terms of initiating new projects today.

CEMENT DELIVERIES



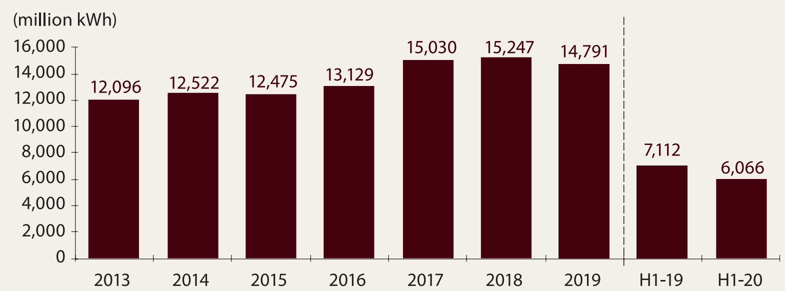
Sources: BDL, Bank Audi's Group Research Department

ELECTRICITY PRODUCTION DOWN BY 14.7% IN FIRST HALF OF 2020

Data published by the Central Bank of Lebanon shows that electricity production fell by 14.7% year-on-year in the first half of 2020. The production totaled 6,066 million Kilowatt Hours (kWh) in the first half of 2020, down from 7,112 million kWh in the first half of 2019.

It is worth noting that Lebanon's power supply has been erratic for years, but the recent economy's meltdown made it a lot worse, as the lack of hard currency to buy fuel oil for State power plants could trigger more outages. As such, electricity reform is one of the key steps to re-equilibrate the economy, by building the required power plants, raising thereafter electricity tariffs and reducing technical and non-technical losses, which altogether would help EDL breakeven in a three-year period.

ELECTRICITY PRODUCTION



Sources: BDL, Bank Audi's Group Research Department

SURVEYS

UNLOCKING IMF AND OTHER EXTERNAL HELP WOULD BE KEY TO INITIAL STABILIZATION IN LEBANON, AS PER CITI

According to a recent report by Citi, Lebanon is running out of time for a solution to its unsustainable macroeconomic situation. Having defaulted earlier this year on its Eurobonds, it is effectively cut off from foreign financing and relies on deficit monetization from the Banque du Liban (BdL). The latter's fx reserves have been dwindling, and as a result, multiple exchange rates have emerged, with the BdL's official (pegged) rate only available for limited institutions and purposes.

In this note, Citi focuses on the scenario in which such a solution is found. Citi is reluctant to call the forecasts published in this note a base case, as it is not clear that it is more likely than not that a solution is achieved. However, there is no telling what the consequences of a severely adverse scenario would look like, although economic history can provide some vague examples and ideas. The focus of Citi in its note is on the assumptions that could shape a more favorable outcome. Even if such an outcome were to materialize, the range of possible outcomes, and hence the set of possible values for each variable, would be large. For this reason, Citi regard the numbers mentioned in this note more as working assumptions than forecasts.

According to Citi, the debt-to-GDP ratio would drop to below 100% by 2025 in this scenario. In the short term, the ratio would almost certainly increase from current levels amidst the collapse in growth, the depreciation of LBP and the addition of IMF and other loans. Although Citi would expect positive growth thereafter, the cumulative effect of growth until 2025 would still be to push up the ratio by 11 percentage points as the initial contraction outweighs the modest recovery afterwards. However, Citi thinks that the ratio would start to fall sharply after the initial rise, as inflation, caused largely by the depreciation of LP, would erode the value of local debt and drag the effective real interest rate deeply into negative territory. In Citi's assumptions, this would outweigh the inflating of FX debt following depreciation cumulatively by 52 pp until 2025. Haircuts on FX and local debt would reduce the debt burden by 59pp over this period and privatizations by another 13 pp.

Citi's assumption is for the primary deficit to widen initially as parts of the external funding would have to be used for reconstruction, assistance to the financial sector, infrastructure spending, among others.

According to the note, unlocking IMF and other external help would be key to initial stabilization and subsequent implementation of a new financing model. In the first phase, these funds would be needed to provide some replacement for the loss of private external financing in order to guarantee imports of basic necessities and, following the explosion in Beirut port, reconstruction. In the second phase, the reforms would be needed not only for unlocking funding but also for setting the economy on a sustainable track.

According to Citi, exchange rate reunification and the end of monetary financing should eventually bring about a reduction in inflation. This is crucial to reduce local borrowing rates to an affordable level. Citi assumes an initial devaluation of the LP to 4,300 versus US$, followed by another period of strong depreciation before the annual percentage loss of value returns to single digits. Citi currently pencil in a rate of 8,300 for US$/LBP by the end of 2024. In the short term, the unification of exchange rates under some sort of float would be a source of further inflation.

However, it is unclear whether inflation would be much higher than under the current regime of multiple exchange rates, which pushes the rate available to many people higher than what it might be under a unified float, as per Citi.

LEBANON RANKS 87TH IN GLOBAL INNOVATION INDEX 2020

The World Intellectual Property Organization (WIPO) in partnership with Cornell University and INSEAD published the 13th edition of the Global Innovation Index (GII) in which Lebanon took over the 87th position globally.

According to the report, the coronavirus disease (COVID-19) pandemic has triggered an unprecedented global economic shutdown. At the time of finalizing the GII 2020 edition, restrictive measures are only starting to be relaxed, while fears of a possible "second wave" remain high.

The current crisis hit the innovation landscape at a time when innovation was flourishing. In 2018, research and development (R&D) spending grew by 5.2%, i.e., significantly faster than global GDP growth, after rebounding strongly from the financial crisis of 2008-2009. Venture capital (VC) and the use of intellectual property (IP) were at an all-time high. In recent years, political determination to foster innovation has been strong, including in developing countries; this is a relatively new and promising trend toward democratizing innovation beyond a select number of top economies and clusters only.

The Global Innovation Index (GII) is a cross-economy performance assessment, compiled on an annual basis, which continuously seeks to update and improve the way innovation is measured. The GII report pays special attention to making the statistics used in the Economy Profiles and Data Tables accessible by providing data sources and definitions, and detailing the computation methodology.

In details, Lebanon was classified as an upper-middle income economy. It reported a score of 26.02 (on a scale of 0-100) and a rank of 87 in the 2020 Global Innovation Index, up from the 88th position in the previous year. It took the 29th of 37 position in the upper-middle income economies and the 16th out of 19 position in the North African and Western Asia territory.

In the Innovation Input sub-index, Lebanon reported a score of 34.96 and a global rank of 93. In the Innovation Output sub-index, the country reported a score of 17.07 and a rank of 80.

Globally, Switzerland, Sweden and the United States of America took over the first three positions in the Global Innovation Index with the respective scores of 66.08, 62.47 and 60.56.

At the lower end came Myanmar, Guinea and Yemen with the respective scores of 17.74, 17.32 and 13.56.

LEBANON'S GII 2020 CRITERIA RANKS AND SCORES

	Score	Rank
Institutions	52.2	103
Human Capital and Research	24.7	85
Infrastructure	31.5	98
Market Sophistication	43.1	90
Business Sophistication	23.3	80
Knowledge and Technology Outputs	17.0	76
Creative Outputs	17.2	85

Source: The Global Innovation Index 2020

CORPORATE NEWS

LEBANESE-OWNED CMA CGM GROUP POSTS NET INCOME OF US$ 136 MILLION IN SECOND QUARTER OF 2020

Lebanese-owned CMA CGM posted results for the second quarter of this year. The Group performed second quarter operations under unprecedented circumstances due to the COVID-19 pandemic. Container traffic volumes decreased for the first time since 2009 as a result of lockdown measures in several countries. This resulted in the shutdown of production units, in particular in China, during the first quarter. This was then followed by a sharp downturn in global consumer demand in March and April, as per a company statement.

All supply chains were able to adapt to avoid disruption and deliver supplies—especially medical equipment. As lockdown measures were gradually lifted, carried volumes bounced back strongly as of May under the combined effect of inventory rebuilding and the sharp recovery in the consumption of goods, notably in the United States.

During the second quarter of 2020, CMA CGM improved profitability in all its business activities. Revenue for the period reached US$ 7.0 billion, down 9.0% compared with the second quarter of 2019, due to a slowdown in volumes related to the impact of the global public health crisis on international trade.

EBITDA improved once again, increasing by 26.3% compared with the second quarter of 2019, and reaching more than US$ 1.2 billion. The EBITDA margin posted impressive gains, reaching 17.2% (vs. 12.4% during the second quarter of 2019). The operating margin was US$ 530 million, i.e. 7.6%, versus US$ 286 million (3.7%) for the second quarter of 2019.

During the second quarter of 2020, the CMA CGM Group posted positive net income, Group share of US$ 136 million, compared with a loss of US$ 109 million during the second quarter of 2019, and a benefit of US$ 48 million during the first quarter of 2020. The Group's operating performance generated operating cash flow in excess of US$ 1.1 billion. Moreover, the Group's liquidity was further strengthened by securing a € 1.05 billion guaranteed bank loan, € 300 million of which was allocated to the CEVA Logistics capital increase. As a result, the Group's liquidity position (available cash and undrawn credit lines) totaled US$ 2.6 billion at June 30, 2020, allowing the Group to comfortably meet future financial obligations.

With regards to shipping, due to the COVID-19 pandemic, volumes carried during the second quarter of 2020 were down by 13.3% compared with the second quarter of 2019, more limited than initially expected. As a result, revenue for the quarter was down 10.9% compared with the second quarter of 2019, totaling US$ 5.3 billion for shipping, thanks to average revenue per TEU (twenty-foot equivalent unit) of US$ 1,112, up 2.8% year-on-year. Shipping EBITDA grew by 30% during the second quarter of 2020 at US$ 1,052 million (vs. US$ 808 million during the second quarter of 2019). The operating margin was up 86% to US$ 497 million, i.e. 9.3%. Unit cost by TEU was down 4.6% compared with the second quarter of 2019, at US$ 892 due to the decline in oil prices, the Group's cost-cutting initiatives and the reduction in the fleet of vessels and containers deployed. CMA CGM demonstrated its ability to rapidly adapt its deployed capacity to demand, in line with the discipline seen more generally across all industry operators, as per a company statement.

As for the logistics unit, CEVA Logistics turnaround plan implementation remained on track despite the challenging environment. The COVID-19 crisis has confirmed the relevance of the company's strategy of offering complementary shipping and logistics services, such as CEVA Logistics' commercial airfreight and warehousing solutions. The second quarter saw the initial signs of the recovery of the CMA CGM Group's logistics subsidiary. The Group's logistics segment demonstrated its resilience during the past quarter, despite revenue being down by 4.7% at US$ 1.7 billion, also affected by adverse FX movements. The operating margin grew strongly by 78% to US$ 40 million.

In a forward look, the recovery in container shipping seen since April should continue during the third quarter of 2020 for most routes, driven by faster recovery in the consumption of goods than of services, the growth of e-commerce, and usual seasonality, as per a CMA CGM statement.

IDM, CISCO AND NETHOPE LAUNCH CSR SUPPORT INITIATIVE AFTER PORT EXPLOSION

The tragic explosion that Beirut witnessed on August 4th has left more than 300,000 people homeless, thousands of injured and hundreds of deceased. Following that, IDM has joined forces with Cisco and Nethope and launched a CSR initiative to support the people, the businesses and the city. Indeed, the initiative focuses on offering a lending hand to fellow citizens by providing them with free Wi-Fi service in Mar Mikhael main street and adjoining buildings, an area that is unfortunately now home for the impacted families, the wrecked businesses and all the volunteers and NGOs that proliferated from every corner of the country to stand with the ones who suffered most and help them regain grounds.

The project's purpose is to provide the victims of the area with partial relief, alleviating some of their worries by allowing them to connect. The idea is also to help the whole area that is today hosting many businesses, on-trade outlets and also has the highest concentration of NGOs, volunteers and heroes who are giving their time and energy to be present day and night on ground to rebuild Beirut by supporting in community and rescue work, as per a statement.

Plans are set to cover the area, starting at the Train Station, Mar Mikhael, and ending at the intersection of Gouraud and Pasteur streets next to EDL's headquarters. Cisco Meraki Access points have been installed in four clusters, along battery backup power in order to operate 24/7. Each cluster is connected to the Internet using an IDM provided link in four locations.

WORLD BANK CANCELS UNDISBURSED FUNDS UNDER THE BISRI DAM PROJECT

The World Bank notified the government of its decision to cancel US$ 244 million in undisbursed funds under the Water Supply Augmentation Project (Bisri Dam Project). The decision, which is of immediate effect, was taken because the tasks that are preconditions for the commencement of construction work at the Bisri Dam were not completed, the World Bank said.

Certain categories of expenditure related to fiduciary, environmental, and social safeguards requirements will remain exempt from cancellation for the time being.

The Bisri Dam project had been under partial suspension since June 26 as the World Bank was, since early January 2020, repeatedly raising concerns about issues adversely affecting its successful implementation. The World Bank had set July 22 as a deadline for the government to meet all the requirements for lifting the partial suspension, in the absence of which the remainder of the loan would be canceled.

The government had asked for a three-month extension of the July 22 deadline in consideration of the constraints imposed by COVID-19. The World Bank agreed to a six-week extension ending on September 4, 2020. It indicated that the suspended portion of the loan would be canceled unless it receives satisfactory evidence that the government has finalized the Ecological Compensation Plan (ECP) following due process and in consultation with key stakeholders by no later than September 4. The government was also required to provide evidence that it has finalized the Operation and Maintenance (O&M) arrangements by no later than August 24, and that the contractor was mobilized at the worksite by no later than September 4.

The government submitted a draft ECP on August 12, and the World Bank provided its comments on August 25.

The government submitted a Memorandum of Understanding (MoU) for the O&M arrangements on August 24. The MoU departs from the requirements of the loan agreement and the World Bank requested further details on the institutional and financial mechanisms put in place between the Ministry of Energy and Water and the Beirut Mount Lebanon Water Establishment. Without this information, the World Bank was not in a position to determine that the loan agreement has been fulfilled.

CAPITAL MARKETS

MONEY MARKET: SHY CONTRACTIONS IN TOTAL RESIDENT DEPOSITS WEEK-ON-WEEK

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

In parallel, total resident banking deposits contracted by a shy LP 54 billion during the week ending 20th of August 2020. This is mainly driven by a LP 80 billion fall in foreign currency resident deposits, while total LP resident deposits expanded by LP 26 billion amid a LP 10 billion rise in LP saving deposits and a LP 16 billion increase in LP demand deposits. The money supply in its largest sense (M4) widened by LP 242 billion week-on-week amid a LP 176 billion rise in the currency in circulation and a LP 120 billion growth in the non-banking sector Treasury bills portfolio.

Within this context, it is worth mentioning that the currency in circulation more than doubled since end-2019, crossing the LP 20,000 billion threshold, while LP saving deposits contracted by 33% to reach circa LP 30,000 billion and foreign currency deposits declined by 2.5% hovering around LP 135,000 billion.

INTEREST RATES

	04/09/20	28/08/20	27/12/19	
Overnight rate (official)	1.90%	1.90%	3.90%	⇔
7 days rate	2.00%	2.00%	4.00%	⇔
1 month rate	2.75%	2.75%	4.75%	⇔
45-day CDs	2.90%	2.90%	4.90%	⇔
60-day CDs	3.08%	3.08%	5.08%	⇔

Source: Bloomberg

TREASURY BILLS MARKET: NOMINAL WEEKLY SURPLUS OF LP 286 BILLION

The latest Treasury bills auction results for value date 3rd of September 2020 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the three-month category (offering a yield of 3.50%), the one-year category (offering a yield of 4.50%) and the five-year category (offering a coupon of 6.0%).

In parallel, the Treasury bills auction results for value date 27th of August 2020 showed that total subscriptions amounted to LP 351 billion, distributed as follows: LP 11 billion in the six-month category (offering a yield of 4.0%), LP 135 billion in the two-year category (offering a coupon of 5.0%) and LP 205 billion in the ten-year category (offering a coupon of 7.0%). These compare to maturities of LP 65 billion, resulting into a nominal weekly surplus of LP 286 billion.

On a cumulative basis, total subscriptions amounted to LP 8,032 billion during the first eight months of the year 2020. The ten-year category captured 33.7% of the total (the equivalent of LP 2,710 billion), followed by the five-year category with 20.7% (the equivalent of LP 1,661 billion), the three-year category with 14.3% (the equivalent of LP 1,153 billion), the seven-year categories with 11.5% (the equivalent of LP 925 billion), the one-year category with 10.1% (the equivalent of LP 812 billion), and the two-year with 6.1% (the equivalent of LP 494 billion), while the three-month and six-month categories accounted for the remaining 3.4% (the equivalent of LP 277 billion in total). In parallel, total maturities reached LP 6,451 billion, resulting into a nominal surplus of LP 1,581 billion during the first eight months of 2020.

TREASURY BILLS

	04/09/20	28/08/20	27/12/19	
3-month	3.50%	3.50%	5.30%	⇔
6-month	4.00%	4.00%	5.85%	⇔
1-year	4.50%	4.50%	6.50%	⇔
2-year	5.00%	7.00%	7.00%	⇔
3-year	5.50%	5.50%	7.50%	⇔
5-year	6.00%	6.00%	8.00%	⇔
10-year	-	7.00%	10.00%	
Nom. Subs. (LP billion)		**351**	**120**	
Short -term (3&6 mths)		11	-	
Medium-term (1&2 yrs)		135	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		-	100	
Long-term (10 yrs)		205	-	
Maturities		**65**	**61**	
Nom. Surplus/Deficit		**286**	**59**	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: IMPROVEMENT IN LP/US$ RATE AFTER NAMING NEW PM-DESIGNATE AND ON FRENCH INITIATIVE

The Lebanese pound gained some ground against the US dollar on the black FX market following the appointment of a new PM-designate and the French initiative, which has drawn a political and economic roadmap for Lebanon amid calls to form a new government that would carry much-needed reforms to unlock CEDRE funds and restart IMF talks. Under these circumstances, the Lebanese pound appreciated against the US dollar on the black market, moving from LP/US$ 7,700-LP/US$ 7,800 at the end of last week to LP/US$ 7,100-LP/US$ 7,200 at the end of this week.

Regarding FX buffers, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 31st of August 2020 showed that BDL's foreign assets contracted significantly by US$ 1.5 billion during the second half of month, accumulating declines of US$ 2.2 billion over the month of August in the wake of the devastating explosion that has rocked Beirut on the 4th of August 2020 causing large human and material damages. This brought total contractions in BDL's foreign assets to US$ 8.8 billion over the first eight months of 2020.

EXCHANGE RATES

	04/09/20	28/08/20	27/12/19	
LP/US$	1,507.50	1,507.50	1,507.50	⇔
LP/£	2,004.67	2,002.71	1,970.00	↓
LP/¥	14.18	14.24	13.77	↑
LP/SF	1,654.96	1,669.25	1,543.78	↑
LP/Can$	1,151.64	1,153.23	1,150.59	↑
LP/Euro	1,782.92	1,795.73	1,679.20	↑

Source: Bank Audi's Group Research Department

STOCK MARKET: BSE PRICE INDEX UP BY 1.2% WEEK-ON-WEEK

The BSE price index rose by 1.2% week-on-week, mainly supported by price gains in Solidere and Bank Audi's "listed" shares. Three out of five traded stocks posted price increases, while one stock registered price falls and one stock saw no price change week-on-week. In details, Solidere "A" share price rose by 2.6% to US$ 14.61. Solidere "B" share price went up by 2.5% to US$ 14.60. As to banking stocks, Bank Audi's "listed" share price surged by 4.0% to US$ 1.05. Bank Audi's GDR price fell by 5.0% to US$ 0.95. Byblos Bank's "listed" share price stood unchanged at US$ 0.39.

As to trading volumes, the BSE total turnover amounted to US$ 2.4 million this week and compared to US$ 2.7 million last week. On a cumulative basis, the BSE total trading value amounted to US$ 159 million during the first eight months of 2020 and compared to US$ 119 million during the same period of 2019, up by 33.2%, noting that Solidere shares capture the lion's share of activity (73%). The total turnover ratio, measured by the annualized trading value to market capitalization, reached 3.6% during the first eight months of 2020, versus 2.3% during the same period of 2019.

AUDI INDICES FOR BSE

22/1/96=100	04/09/20	28/08/20	27/12/19	
Market Cap. Index	279.66	276.46	316.37	↑
Trading Vol. Index	21.10	23.77	24.97	↓
Price Index	59.48	58.80	69.36	↑
Change %	1.16%	-0.56%	2.37%	↑
	04/09/20	28/08/20	27/12/19	
Market Cap. $m	6,635	6,559	7,506	↑
No. of shares traded (Exc. BT)	221,496	269,983	333,997	↓
Value Traded $000 (Exc. BT)	2,388	2,691	2,294	↓
o.w. : Solidere	2,333	2,572	2,294	↓
Banks	55	110	0	↓
Others	0	9	0	↓

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

BOND MARKET: WEEKLY PRICE GAINS ACROSS THE BOND YIELD CURVE AFTER FRENCH INITIATIVE

Lebanon's Eurobond market welcomed the French initiative which has outlined a political and economic roadmap for Lebanon, on hopes that it would lead to a breakthrough in the country's economic and financial crisis. Under these conditions, international institutional investors showed some appetite for Lebanese sovereigns, which resulted into decent price gains across the yield curve, ranging between 1.25 pt and 2.38 pts week-on-week. Accordingly, prices of Lebanese Eurobonds ranged between 17.0 cents per US dollar and 20.38 cents per US dollar at the end of this week. This compared to a range of 14.88-18.38 cents per US dollar at the end of last week.

EUROBONDS INDICATORS

	04/09/20	28/08/20	27/12/19	
Total tradable size $m	32,664	32,664	29,564	↔
o.w.: Sovereign bonds	31,314	31,314	28,314	↔
Average Yield	45%	48%	29.99%	↓
Average Life	7.34	7.36	7.50	↓
Yield on US 5-year note	0.25%	0.30%	1.71%	↓

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	04-Sep-20	28-Aug-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/$	106.24	105.36	108.64	0.8%	-2.2%
$/£	1.328	1.335	1.326	-0.6%	0.2%
$/Euro	1.184	1.190	1.121	-0.5%	5.6%
STOCK INDICES					
Dow Jones Industrial Average	28,133.31	28,653.87	28,538.44	-1.8%	-1.4%
S&P 500	3,426.96	3,508.01	3,230.78	-2.3%	6.1%
NASDAQ	11,313.13	11,695.63	8,972.60	-3.3%	26.1%
CAC 40	4,965.07	5,002.94	5,978.06	-0.8%	-16.9%
Xetra Dax	12,842.66	13,033.20	13,249.01	-1.5%	-3.1%
FT-SE 100	5,799.08	5,963.57	7,542.44	-2.8%	-23.1%
NIKKEI 225	23,205.43	23,178.74	23,656.62	0.1%	-1.9%
COMMODITIES (in US$)					
GOLD OUNCE	1,933.94	1,964.83	1,517.27	-1.6%	27.5%
SILVER OUNCE	26.91	27.50	17.85	-2.2%	50.7%
BRENT CRUDE (per barrel)	42.66	45.81	62.93	-6.9%	-32.2%
LEADING INTEREST RATES (%)					
1-month Libor	0.15	0.16	1.76	-0.01	-1.61
US Prime Rate	3.25	3.25	4.75	0.00	-1.50
US Discount Rate	0.25	0.25	2.25	0.00	-2.00
US 10-year Bond	0.72	0.72	1.92	0.00	-1.20

Sources: Bloomberg, Bank Audi's Group Research Department

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