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The LEBANON WEEKLY MONITOR

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Along ongoing cabinet discussions on Lebanon's rescue plan, and while all eyes are focused on the new exceptional measures that would be adopted by banks to allow withdrawals of small deposits in implementation of BDL's new circulars, the country's capital markets witnessed this week some international bid for Lebanese Eurobonds, a further depreciation of the Lebanese pound against the US dollar and shy equity price gains. In details, Lebanese Eurobonds remained on international's radar screen, given their attractiveness relative to the estimated recovery rate. Accordingly, Lebanese sovereigns registered weekly price gains of up to 0.63 pt. On the FX market, market players await the new measures that would be adopted by banks in implementation of BDL's circular No.148, allowing withdrawals of deposits of up to LP 5 million or US\$ 3,000 at the market exchange rate, noting that banks have agreed to apply an exchange rate of LP 2,600/US\$. Concurrently, the Lebanese pound depreciated further against the US dollar in the parallel market, with the "buying rate" reaching a new high of LP 2,900/US\$.

LEBANON MARKETS: WEEK OF APRIL 06 - APRIL 12, 2020

Money Market



LP Tbs Market



LP Exchange Market



BSE Equity Market



Eurobond Market



CDS Market



ECONOMY

LEBANESE GOVERNMENT INITIATES DISCUSSION OF ITS ECONOMIC REFORM PROGRAM

The Lebanese Government started discussing its reform program. The draft program aims to address forcefully financial and fiscal imbalances, bring down the current account deficit, put the public debt on a firm downward path, restore the stability of the financial sector and restore confidence including by strengthening governance and fighting corruption.

The program rests on eight central and interrelated pillars:

- A comprehensive debt restructuring strategy that decisively addresses the debt overhang
- A comprehensive restructuring of the financial system to address decisively accumulated FX mismatches at the central bank and in the banking sector
- A strong phased fiscal adjustment, focused on improving tax compliance, streamlining expenditure and reforming the public sector, including reforming Electricite du Liban (EdL)
- Moving to a more flexible exchange rate policy beyond the near term to lessen the strains on the balance of payments and improve competitiveness
- Growth-enhancing reforms that include measures and laws that would increase productivity and reduce costs, which would enhance the competitiveness of the Lebanese economy
- A social sector reform agenda to improve social indicators and strengthen or develop social safety nets to protect the most vulnerable segments of the population
- An ambitious national anti-corruption strategy, addressing the roots of a major impediment to growth and social justice
- International financial assistance at favorable terms to close the large external financing gap and finance the development of new infrastructures

According to the program, overall government deficit is projected to narrow from 11.3% of GDP in 2019 to 7.2% in 2020 and further to 1.3% by 2024, under a set of illustrative debt restructuring assumptions. Debt-to-GDP will decline steadily from an estimated 176% in 2019 to 103.1% by 2024 and further to 90.2% by 2027.

MEDIUM-TERM OUTLOOK UNDER THE GOVERNMENT'S MACROECONOMIC FRAMEWORK

	2019e	2020f	2021f	2022f	2023f	2024f
Official exchange rate (USD/LBP)	1,508	1,508	2,607	2,771	2,891	2,979
Real GDP growth	-6.9%	-12.0%	-7.0%	-3.0%	0.0%	2.0%
Nominal GDP (US\$ billion)	49.0	34.2	30.3	29.5	29.3	30.4
CPI inflation	2.9%	25.1%	12.6%	8.8%	6.6%	5.2%
Budget primary balance/GDP	-0.9%	-3.9%	-3.2%	-1.9%	-0.1%	1.6%
Overall budget balance/GDP	-11.3%	-7.2%	-6.2%	-5.0%	-3.2%	-1.3%
General government debt/GDP	175.6%	91.9%	101.9%	106.5%	106.6%	103.1%

Net External financing needs over the next five years are projected in the US\$ 10-15 billion range under an optimistic economic scenario of gradual recovery. In this baseline scenario, which embeds a large and rapid international support, the Government assumes that the contraction of the current account is limited in size, allowing the economic recovery to materialize within a reasonable timeframe.

The overall debt restructuring strategy of the government contemplates a three-pronged approach: (i) Suspending principal and interest payments on Eurobonds to prevent further depletion of the official FX reserves and engage good faith discussions with Eurobonds holders; (ii) The rollover of domestic debt principal maturities and the ongoing payment of interest due (except for BdL), albeit at a reduced rate, until a negotiated solution is achieved. (iii) Remaining current on debt service payments to multilateral partners and bilateral partners.

At the financial sector level, the program focuses on (i) a phased restructuring of the banks' balance sheets, including the management of impaired assets, (ii) the introduction of the necessary support elements of the bank restructuring strategy into the legal framework ; (iii) the design and implementation of a strategy for an orderly consolidation of the banking sector and its recapitalization (iv) a full assessment of the financial position of the Banque du Liban and the identification of potential measures aiming at addressing foreign currency mismatches accumulated in its balance sheet, including an appropriate contribution from the banking sector to this restructuring; and (v) strengthening the governance of financial sector supervision and control, including BdL to prevent any new build-up of financial risks.

Finally, the government intends to move to a more flexible exchange rate. Monetary policy will seek to control and gradually reduce inflation to lower single digits over the medium term.

TOTAL NUMBER OF PASSENGERS AT THE AIRPORT DOWN BY 33.6% IN FIRST QUARTER OF 2020

Figures released by the Rafic Hariri International Airport revealed that the total number of passengers recorded a yearly 33.6% decrease in the first three months of 2020, amidst country lockdown due to Coronavirus spread. The number of aircraft fell by 29.9% year-on-year in the aforementioned period. Alongside, the total freight handled by the airport edged down by 29.9% year-on-year in the aforementioned period.



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

A detailed look at the activity shows that the number of incoming passengers fell by a yearly 36.1% and that of departing passengers decreased by 31.2% to reach 535,609 and 616,495 respectively in the first quarter of 2020.

The number of transiting passengers fell from 13,636 passengers in the first three months of 2019 to 12,990 passengers in the corresponding period of this year. When including the latter mentioned category, the total number of passengers using the airport attained 1,165,094, down by a yearly 33.4%. Excluding transiting passengers, the total would be 1,152,104, i.e. 33.6% lower than the level seen in the first three months of 2019.

Looking at the aircraft activity, landings and take-offs decreased by a yearly 29.9% each with the former amounting to 5,404 planes and the latter reporting 5,401 in the first quarter of 2020. Regarding the freight movement within the airport, a total of 7,651 thousand tons were imported and unloaded during the first three months of 2020 while 6,514 thousand tons were loaded and exported.

The first mentioned activity posted a decline of 42.3% while the latter posted a 6.3% fall on a yearly basis in the first three months of 2020.

VALUE OF CLEARED CHECKS UP BY A YEARLY 28.4% IN FIRST TWO MONTHS OF 2020

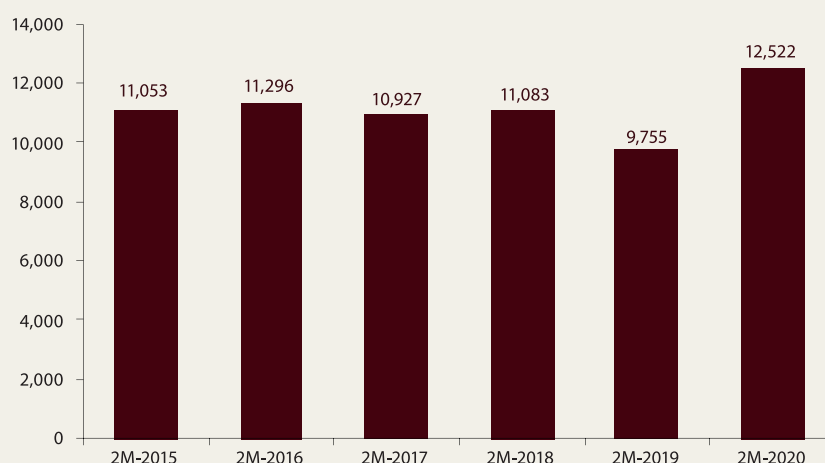
Total value of cleared checks, an indicator of consumption and investment spending in the Lebanese economy, rose by 28.4% year-on-year in the first two months of 2020. The value of cleared checks reached US\$ 12,522 million in the first two months of 2020, against US\$ 9,755 million in the same period of 2019.

A breakdown by currency shows that the banks' clearings in Lebanese pounds amounted to LP 6,786 billion (+23.7%) in the first two months of 2020 while those in FC amounted to US\$ 8,021 million (+31.1%). Furthermore, the number of cleared checks registered 1,466,336 in the first two months of 2020, down by 14.3% from 1,711,520 in the same period of 2019.

The average value per check rose by 49.8% year-on-year to stand at US\$ 8,540 in the previously mentioned period of 2020.

The value of returned checks reached US\$ 266 million in the first two months of 2020, against US\$ 245 million in the same period of 2019. On the other hand, the number of returned checks registered 41,193 in the first two months of 2020, down by 7.9% from 44,710 in the aforementioned period of 2019.

CLEARING ACTIVITY (US\$ MILLION)



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

SURVEYS

OUTLOOK ON LEBANON'S BANKING SYSTEM CHANGES TO "NEGATIVE"

According to a recent report by Moody's, the outlook on Lebanon's banking system changed to "negative" to reflect deteriorating economic and financial conditions as business activity stalls and the economy slides into paralysis following also a government default on its foreign debt payments last month.

The rating agency expects banks to face large losses in light of their heavy exposure to the Lebanese sovereign, which amounted to the equivalent of US\$ 143 billion or 68% of total assets as of February 2020.

The spread of the coronavirus is a further burden for the country at a time when the State has few resources to provide support for vulnerable businesses and individuals. The economy will continue to contract, and the rating agency expects the recession to continue and unemployment to rise. Real GDP likely contracted by around 6.5% in 2019, as per the same source.

Widespread dollar shortages, and banks' restrictions on transfers abroad and cash withdrawals are placing administrative burdens on businesses and individuals, while a widening parallel exchange rate is inflating the price of goods. The coronavirus outbreak has led to a partial lockdown, causing a further supply and demand shock, which is affecting the tourism sector. Credit conditions in Lebanon will remain highly challenging as Lebanese banks are highly interlinked with the Ca-rated sovereign and the Banque du Liban (BdL). The government is looking to restructure its debt, which the rating agency expects to entail significant losses for private creditors, including the banks.

Capital outflows, which have accelerated following social protests that started in October and led to the resignation of the government, and a widening parallel exchange rate, have been threatening the sustainability of the currency peg with the dollar. Moody's therefore anticipates large economic adjustment costs that may in part be borne by the banks. A new government, installed in January, will need to implement wide-reaching economic and fiscal reforms to access a package of financial aid committed by the Conférence économique pour le développement, par les réformes et avec les entreprises (CEDRE) worth US\$ 11 billion.

However, a weak institutional framework and geopolitical risk may hamper policy implementation. Without access to external financial support, a disorderly de-pegging of the currency is a tail risk that could unleash sharp currency depreciation and would further pressure the banks. Loan performance will weaken substantially, as per the report. The rating agency expects lending to the private sector to contract further as banks deleverage.

Furthermore, capital may come under severe pressure, as per Moody's. Sector-wide shareholder's equity-to-total assets was 9.6% at the end of 2019. Capital is at risk because of the banks' very large sovereign exposure and the harsh domestic operating environment.

Regulatory capital ratios will also decline due to higher risk weights of 150% on a number of the banks' assets, including their foreign-currency exposure to the BdL. The BdL has requested banks to raise capital in the form of US dollar-denominated cash contributions equivalent to a total of 20% of their end-2018 Common Equity Tier 1 capital by end-June 2020. Most banks are proceeding with these capital increases but with some delay.

Profitability will weaken due to increased provisions and stalled new businesses generation, according to the rating agency. Notwithstanding actual losses on government debt, the BdL has mandated an increase in IFRS expected credit losses for banks' including for resident loan portfolios and Lebanese sovereign exposures. Banks' revenues have also been heavily reliant on interest income from their sovereign exposure, which may be significantly reduced in the future.

Positively, the rating agency expects the banks' high deposit costs to decline further following successive interest rate caps imposed by the BdL on Lebanese pound and dollar deposits; on the back of these reductions, banks in Lebanon have also reduced lending rates.

Last but not least, Moody's expects funding and liquidity pressures to continue. Private-sector deposits declined by US\$ 7.2 billion in the first two months of 2020 and in aggregate by US\$ 15.7 billion, or 9.1% in 2019, despite informal capital controls implemented by the banks.

Measures on deposits by both the BdL and the banks will likely diminish depositor confidence and stifle future foreign-currency inflows for some time.

Foreign currency liquidity has been centralized at the central bank and the BdL's foreign assets declined to US\$ 30.2 billion as of mid-March 2020 (excluding gold worth US\$ 14.8 billion and Lebanese Sovereign Eurobonds of US\$ 5.0 billion) from US\$ 34.8 billion at the end of 2018.

LEBANON'S HOSPITALITY WITNESSES ADVERSE PERFORMANCE IN FIRST TWO MONTHS OF 2020, AS PER EY

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

As a matter of fact, the occupancy rate of four and five star hotels within the capital reached 28% in the first two months 2020, against 65% in the same period of 2019.

The occupancy rate within Beirut was the lowest among 12 cities included in the survey. It was directly surpassed Jeddah (57%), Manama and Amman (53% each).

Beirut's room rate notably moved down from the first two months of 2019 to attain US\$ 130 in 2M 2020 from US\$ 192 in the past year. It is worth noting that 11 out of the 14 cities in the survey reported declines in room rate.

The rate of the capital's hotels was the ninth highest in the region. It exceeded that of Madinah (US\$ 118), Makkah, Doha and Cairo-City (US\$ 111) each.

The rooms' yield retreated by 71.2% annually to reach US\$ 36 in 2M 2020 compared to US\$ 125 in the same period of 2019. Beirut posted the highest decline in terms of variation in the region when assessing this indicator. The rooms' yield in Beirut was the lowest.

The report highlights that Beirut's hospitality sector performance is intertwined with several economic and political concerns, such as a dollar shortage, bearing one of world's highest levels of public debt, and a dearth of private sector investments since early 2020.

Moreover, the recent outbreak of the COVID-19 epidemic has greatly contributed to this downward trend and is anticipated to impact demand in the short to medium-term.

In addressing long term challenges, the potential rescue deal with the International Monetary Fund (IMF) may help to develop a sustainable economic plan for the country. However, the sector may continue grappling with the ongoing pandemic, as more borders close and travel restrictions mount globally.

CORPORATE NEWS

LEBANESE INSURANCE COMPANIES' LIFE PREMIUMS DOWN BY 9.2% TO US\$ 492 MILLION IN 2019

Total life premiums generated by Lebanese insurance companies reached US\$ 491.7 million in 2019, constituting a decline of 9.2% from US\$ 541.5 million in 2018, according to data compiled by Al Bayan Magazine.

Metlife maintained its market lead with US\$ 84.5 million in life premiums, falling by 3.5% year-on-year. It was followed by Bancassurance with US\$ 73.6 million (-11.8%), Allianz SNA with US\$ 71.2 million (+4.9%), ADIR with US\$ 47.4 million (-9.6%) and SGBL Insurance with US\$ 38.2 million (-5.4%).

A total of 20 out of 32 providers of life insurance posted decreases in their life premiums, while 10 registered a rise and two remained constant.

Al Bayan Magazine also took a look at the top 20 companies in terms of life and non-life premiums.

Allianz SNA retained the first spot with a total of US\$ 153.8 million, up by 4.5% from 2018. It was followed by Bankers with US\$ 123.6 million, slightly up from 2018, Metlife with US\$ 120.7 million, down by 3.3%, Fidelity with US\$ 102.1 million, down by 4.6% and AXA M.E. with US\$ 99.3 million, down by 9.0%.

Also, Al Bayan mentioned that the top ten companies within life and non-life captured a market share of 62.3%, while the top 20 attained 86.3% of the total.

TOP TEN COMPANIES BY LIFE INSURANCE PREMIUMS

Rank	Company	Life Insurance Premiums 2019 (US\$)	Life Insurance Premiums 2018 (US\$)	Growth	Market Share
1	Metlife	84,470,000	87,570,000	-3.54%	17.18%
2	Bancassurance	73,550,000	83,410,000	-11.82%	14.96%
3	Allianz Sna	71,220,000	67,920,000	4.86%	14.49%
4	ADIR	47,370,000	52,410,000	-9.62%	9.63%
5	SGBL INS	38,180,000	40,360,000	-5.40%	7.77%
6	Arope	36,100,000	36,200,000	-0.28%	7.34%
7	LIA	35,400,000	54,990,000	-35.62%	7.20%
8	AXA M.E.	18,020,000	24,070,000	-25.14%	3.67%
9	Beirut Life	15,500,000	16,640,000	-6.85%	3.15%
10	Bankers	13,700,000	13,700,000	0.00%	2.79%

Source: Al Bayan Magazine

EUROPEAN UNION APPROVES AID PACKAGE OF US\$ 182 MILLION TO HELP REFUGEES IN LEBANON

The European Union (EU) approved an aid package of € 239 million (US\$ 258 million) to help refugees from Syria and vulnerable persons in Iraq, Jordan and Lebanon.

The largest share of this aid, amounting to US\$ 182 million, is allocated to Lebanon.

Lebanon's package includes US\$ 108 million to support vulnerable local households and Syrian refugees and to contribute to the establishment of sustainable social safety nets.

The country's aid package also includes US\$ 62.1 million to strengthen the public education system and US\$ 11.3 million to support child and women protection policies and services.

The new support comes in the context of the current coronavirus pandemic and will provide additional help for the most vulnerable persons in the region and assist hosting countries to better face public health challenges, amongst others.

This package raises the total assistance through the EU Regional Trust Fund in Response to the Syrian Crisis to more than US\$ 2.1 billion.

The Fund has allocated over € 900 million (US\$ 972 million) for Lebanon since 2014.

LEBANESE-OWNED CMA CGM SELLS ITS STAKE IN EIGHT TERMINALS

The CMA CGM Group announced the first closing of its agreement with China Merchants Port (CMPort), with the sale of its stakes in eight port terminals to Terminal Link.

The Terminal Link joint venture was created in 2013 and is 51% owned by CMA CGM and 49% by CMPort. The transaction, first announced in December 2019 is valued at US\$ 815 million.

This initial disposal includes the following terminals, namely Odessa Terminal (Ukraine), CMA CGM PSA Lion Terminal (CPLT) in Singapore, Kingston Freeport Terminal (Jamaica), Rotterdam World Gateway (Netherlands), Qingdao Qianwan United Advance Container Terminal (China), Vietnam International Container Terminal, Ho Chi Minh City (Vietnam), Laem Chabang International Terminal (Thailand) and Umm Qasr Terminal (Iraq).

The sale of the last two terminals covered by the agreement between CMA CGM and CMPort is expected to be completed by the end of first-half 2020 for an all-cash consideration of over US\$ 150 million, pending approval by the competent regulatory agencies.

With this transaction, CMA CGM is proceeding with the delivery of its US\$ 2.1 billion liquidity plan announced in November 2019.

This plan, among others, reduces CMA CGM consolidated debt by more than US\$ 1.3 billion by the end of first-half 2020.

The CMA CGM Group says it is strengthening its balance sheet amidst the high uncertainty created by the global Covid-19 health crisis. While the crisis has had a limited impact in the first quarter of 2020, the Group expects a decline in volumes, particularly outbound to Europe and the US, as per a company statement.

CAPITAL MARKETS

MONEY MARKET: REDUCED CONTRACTIONS IN TOTAL RESIDENT DEPOSITS

The money market remained underpinned this week by ample local currency liquidity at hand, as commercial banks continued to discount their LP Certificates of Deposits at the Central Bank of Lebanon. Within this context, the overnight rate remained quoted at a low level of 3% after having crossed above the 100% threshold at the beginning of the year 2020.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 26th of March 2020 showed attenuated deposit withdrawals in the Lebanese banking sector. Contractions in total resident banking deposits were limited to LP 237 billion over the covered week and compared to an average weekly fall of LP 912 billion since the beginning of the year 2020. This was mainly driven by a LP 132 fall in foreign currency resident deposits (the equivalent of US\$ 88 million), while total LP resident deposits retreated by LP 105 billion amid a LP 393 billion fall in LP saving deposits and a LP 288 billion increase in LP demand deposits. Within this context, the money supply in its largest sense (M4) contracted by LP 228 billion amid a LP 20 billion growth in the currency in circulation and a LP 11 decline in the non-banking sector Treasury bills portfolio.

INTEREST RATES

	10/04/20	03/04/20	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: FURTHER RATE CUTS ON TBS

Lebanon's Ministry of Finance slashed this week interest rates on the two-year and ten-year categories by 2.0% and 3.0% respectively to reach 5.0% and 7.0% respectively. This followed previous rate cuts of up to 2.50% in the previous week.

The Treasury bills auction results for value date 2nd of April 2020 showed that total subscriptions amounted to LP 137 billion and were distributed as follows: LP 2 billion in the three-month category (offering a yield of 3.50%), LP 101 billion in the one-year category (offering a yield of 4.50%) and LP 34 billion in the five-year category (offering a coupon of 6.0%). These compare to maturities of LP 99 billion, resulting into a nominal weekly surplus of LP 38 billion.

TREASURY BILLS

	10/04/20	03/04/20	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)		137	120	
Short-term (3&6 mths)		2	-	
Medium-term (1&2 yrs)		101	20	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		34	100	
Maturities		99	61	
Nom. Surplus/Deficit		38	59	

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: NEW BDL CIRCULAR ALLOWING WITHDRAWALS OF SMALL DEPOSITS

The Central Bank of Lebanon issued on April 3, 2020 two basic circulars No. 148 and 149. The first circular encompasses exceptional measures to withdraw small deposits of up to US\$ 3,000 or LP 5 million at the market exchange rate. The second circular unveils that the Central Bank of Lebanon would launch a new foreign exchange trading platform that would unify the parallel market rate for money changers. Within this context, Lebanese banks said that they have agreed to apply an exchange rate of LP 2,600 per US dollar for the aforementioned small deposits.

At the level of the parallel market, the Lebanese pound depreciated further against the US dollar this week, with the "buying rate" hitting a new high level of LP 2,900/US\$, while the "selling rate" reaching LP 2,850/US\$.

EXCHANGE RATES

	10/04/20	03/04/20	27/12/19	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,871.26	1,854.23	1,970.00	↓
LP/¥	13.85	13.92	13.77	↑
LP/SF	1,553.32	1,542.83	1,543.78	↓
LP/Can\$	1,073.64	1,064.92	1,150.59	↓
LP/Euro	1,638.95	1,627.80	1,679.20	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: EXTENDED SHY WEEKLY EQUITY PRICE GAINS, SUPPORTED BY SOLIDERE SHARES

The BSE total turnover was restricted to US\$ 1.6 million during this four-day week as compared to a much higher value of US\$ 16.4 million in the previous five-day week. Solidere shares accounted for the bulk of activity this week (89.8%), followed by the banking shares with 9.0% and the industrial shares with 1.2%.

As far as prices are concerned, the BSE price index increased further by 0.6% this week, mainly supported by noticeable price gains in Solidere "B" shares of 9.0% to reach US\$ 10.08, while Solidere "A" share price retreated by 0.8% to close at US\$ 9.91. At the level of the banking shares, Byblos Bank's "listed" share price stood unchanged at US\$ 0.75. Bank Audi's "listed" share price remained stable at US\$ 1.35. Bank Audi's GDR price plunged by 16.3% to US\$ 2.0. BLOM's "listed" share price stood unchanged at US\$ 3.0. BLOM's GDR price stayed stable at US\$ 3.50. Among industrials, Ciments Blancs Nominal's share price surged by 6.9% to close at US\$ 3.10.

AUDI INDICES FOR BSE

22/1/96=100	10/04/20	03/04/20	27/12/19	
Market Cap. Index	264.26	262.74	316.37	↑
Trading Vol. Index	17.08	143.73	24.97	↓
Price Index	57.93	57.60	69.36	↑
Change %	0.58%	0.42%	2.37%	↑
	10/04/20	03/04/20	27/12/19	
Market Cap. \$m	6,269	6,233	7,506	↑
No. of shares traded (Exc. BT)	245,394	12,098,916	333,997	↓
Value Traded \$000 (Exc. BT)	1,558	16,397	2,294	↓
o.w. : Solidere	1,399	1,753	2,294	↓
Banks	141	14,635	0	↓
Others	18	9	0	↑

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

BOND MARKET: SHY FOREIGN BID FOR LEBANESE BONDS

While the overall debt restructuring strategy of the government contemplates suspending principal and interest payments on Eurobonds to prevent further depletion of the official FX reserves and engage good faith discussions with Eurobonds holders, while reiterating that any debt discussions with bondholders would be facilitated in the context of an IMF program as it would provide an anchor for negotiations with clear sustainability targets and a methodological framework to rely on, and given that Morgan Stanley expected a recovery rate of 30.08% and 20.71% in the medium and harsh restructuring scenarios respectively, Lebanese Eurobonds remained on international institutional investors' radar screen this week, given their relatively attractive prices.

Within this context, Lebanese bond prices ranged between 15.75 cents per dollar and 20.0 cents per dollar, registering weekly price gains of 0.25 pt to 0.63 pt. At the level of yields, the weighted average bond yield fell from 496% at the end of last week to 96% at the end of this week after excluding the April 14, 2020 bond, whose yield hovered around 17,000%.

EUROBONDS INDICATORS

	10/04/20	03/04/20	27/12/19	
Total tradable size \$m	31,364	31,364	29,564	↔
o.w.: Sovereign bonds	30,114	30,114	28,314	↔
Average Yield	96%	496%	29.99%	↓
Average Life	8.02	8.04	7.50	↓
Yield on US 5-year note	0.44%	0.38%	1.71%	↑

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	10-Apr-20	03-Apr-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	108.44	108.53	109.61	-0.1%	-1.1%
\$/£	1.246	1.227	1.275	1.5%	-2.3%
\$/Euro	1.094	1.080	1.147	1.3%	-4.6%
STOCK INDICES					
Dow Jones Industrial Average	23,719.37	21,052.53	28,538.44	12.7%	-16.9%
S&P 500	2,789.82	2,488.65	3,230.78	12.1%	-13.6%
NASDAQ	8,153.38	7,373.08	8,972.60	10.6%	-9.1%
CAC 40	4,506.85	4,154.58	5,978.06	8.5%	-24.6%
Xetra Dax	10,564.74	9,525.77	13,249.01	10.9%	-20.3%
FT-SE 100	5,842.66	5,415.50	7,542.44	7.9%	-22.5%
NIKKEI 225	19,498.50	17,820.19	23,656.62	9.4%	-17.6%
COMMODITIES (in US\$)					
GOLD OUNCE	1,696.65	1,620.81	1,517.27	4.7%	11.8%
SILVER OUNCE	15.57	14.39	17.85	8.2%	-12.8%
BRENT CRUDE (per barrel)	31.48	34.11	66.00	-7.7%	-52.3%
LEADING INTEREST RATES (%)					
1-month Libor	0.81	0.99	1.71	-0.18	-0.90
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	0.59	1.92	0.13	-1.20

Sources: Bloomberg, Bank Audi's Group Research Department

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