Bank Audi
APRIL 13 - APRIL 19, 2020
WEEK 16

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

Gerard Arabian
(961-1) 964047
gerard.arabian@bankaudi.com.lb

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

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

The LEBANON WEEKLY MONITOR

Economy

p.2 A US$ 3.3 BILLION DEPOSIT CONTRACTION IN FEBRUARY, US$ 20.8 BILLION IN SIX MONTHS

Customer deposits continued their contraction in the month of February, reporting a monthly drop of US$ 3.3 billion or a cumulative contraction of US$ 20.8 billion over the past six months.

Also in this issue

Surveys

p.5 LEBANON'S DRAFT REFORM PROGRAM TO TACKLE LONG-STANDING ECONOMIC, FINANCIAL AND INSTITUTIONAL VULNERABILITIES, SAYS BofA

According to a recent note by Bank of America (BofA), Lebanon's draft reform program of the authorities is a comprehensive plan to tackle the long-standing economic, financial and institutional vulnerabilities of the country.

Also in this issue

Corporate News

p.7 MONEY TRANSFER COMPANIES TO PAY WIRES IN LP AT MARKET RATE

The Central Bank of Lebanon (BdL) issued a circular instructing non-banking electronic money transfer companies to convert foreign currency funds electronically transferred from abroad into Lebanese pounds at prevailing market rates, and pay it out in the local currency.

Also in this issue

Markets In Brief

p.9 LP SINKS IN PARALLEL MARKET ON TALKS ABOUT GRADUAL CHANGE IN PEG

Amid a nationwide opposition to the cabinet's draft economic and financial rescue plan, and while the Association of Banks in Lebanon has reiterated that it would protect all banking deposits, signaling that a deposit is shielded by the Lebanese Constitution, and along many economic calls to form a sovereign fund that would include real estate assets and public institutions eligible for privatization with the aim of reducing the public debt and cutting BDL's and banks' debts, Lebanon's capital markets saw this week a further depreciation in the Lebanese pound against the US dollar amid talks about a gradual change in the currency peg starting 2021, while BDL's foreign assets contracted further to reach US$ 34.7 billion mid-April 2020. On the Eurobond market, internationals continued to show a shy bid for Lebanese sovereigns, while Bank of America Merrill Lynch estimated the Eurobond recovery rate implied by the government draft plans to be below 20c. At the level of the equity market, the BSE total trading value almost doubled week-on-week, while the price index retreated by 0.2%.

LEBANON MARKETS: WEEK OF APRIL 13 - APRIL 19, 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

A US$ 3.3 BILLION DEPOSIT CONTRACTION IN FEBRUARY, US$ 20.8 BILLION IN SIX MONTHS

According to banking sector statistics released this week, customer deposits continued their contraction in the month of February, reporting a monthly drop of US$ 3.3 billion or a cumulative contraction of US$ 20.8 billion over the past six months. Customer deposits reached US$ 151.7 billion in February, against US$ 155.1 billion in January and US$ 172.5 billion at end-August.

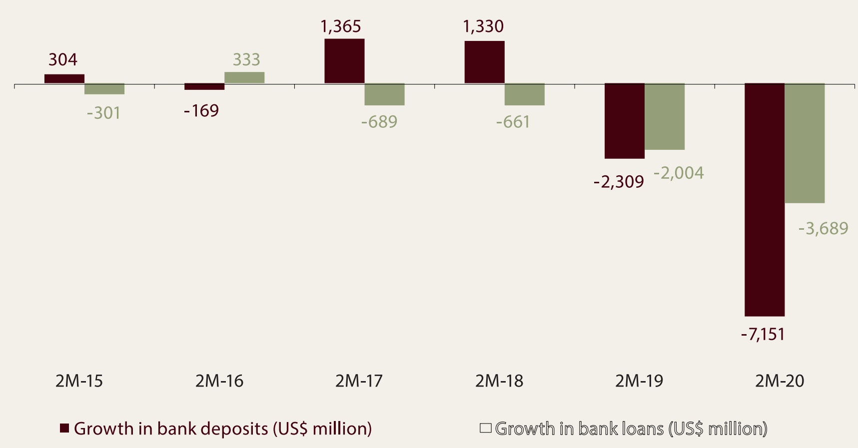
Similar to previous months, the contraction in LP deposits was more significant than that of FX deposits, thus raising deposit dollarization. In fact, LP deposits fell by US$ 2.2 billion, while FX deposits dropped by US$ 1.1 billion in February. The deposit dollarization ratio subsequently rose to 77.6% at end-February, a new 12-year high.

A part of the contraction in deposit was tied to loan contraction. In fact, bank loans to the private sector dropped by US$ 1.8 billion in February, the equivalent of US$ 9.1 billion in the past six months, almost equivalent to half the deposits contraction. With almost the totality of loan contraction being in FX, loan dollarization reported a significant drop to 66.9%, an all time low for the sector.

The sector's interest rates continued their contraction for the third month. In fact, the average LP deposit interest rate, which had reported a recent high of 9.40% in November 2019, dropped to 5.81% in February. Likewise, the average US$ deposit interest rate, dropped from 6.31% to 3.22% over the same period. In parallel, the average lending interest rates continued their contraction to reach 9.33% in Lebanese Pounds and 9.11% in US$.

Lebanese banks continued their significant Eurobond sales prior to the Government default in March. Their Eurobond portfolio held by Lebanese banks shrank by US$ 1.1 billion in February to US$ 11.6 billion at the end of the month. As such, the banks contracted their portfolio by almost US$ 5 billion over the past year. As a percentage of FX deposits, the banks Eurobond portfolio reached 9.9% in February, a 22-year low. As a percentage of shareholders' equity, the banks Eurobond portfolio reached 0.56 times in February, the lowest since 1998.

EVOLUTION OF MAIN BANKING AGGREGATES



Source: BDL

Finally, the balance of payments continued its streak of deficits, reporting a deficit of US$ 347 million in February, a cumulative deficit of US$ 505 million over the first two months of this year, following a yearly deficit of US$ 4.4 billion in 2019.

SLOWDOWN IN THE PERFORMANCE OF THE PORT OF BEIRUT IN THE FIRST TWO MONTHS OF 2020

The latest statistics released by the Port of Beirut revealed a decline in most of the Port's indicators in the first two months of 2020 compared to the same period of the previous year.

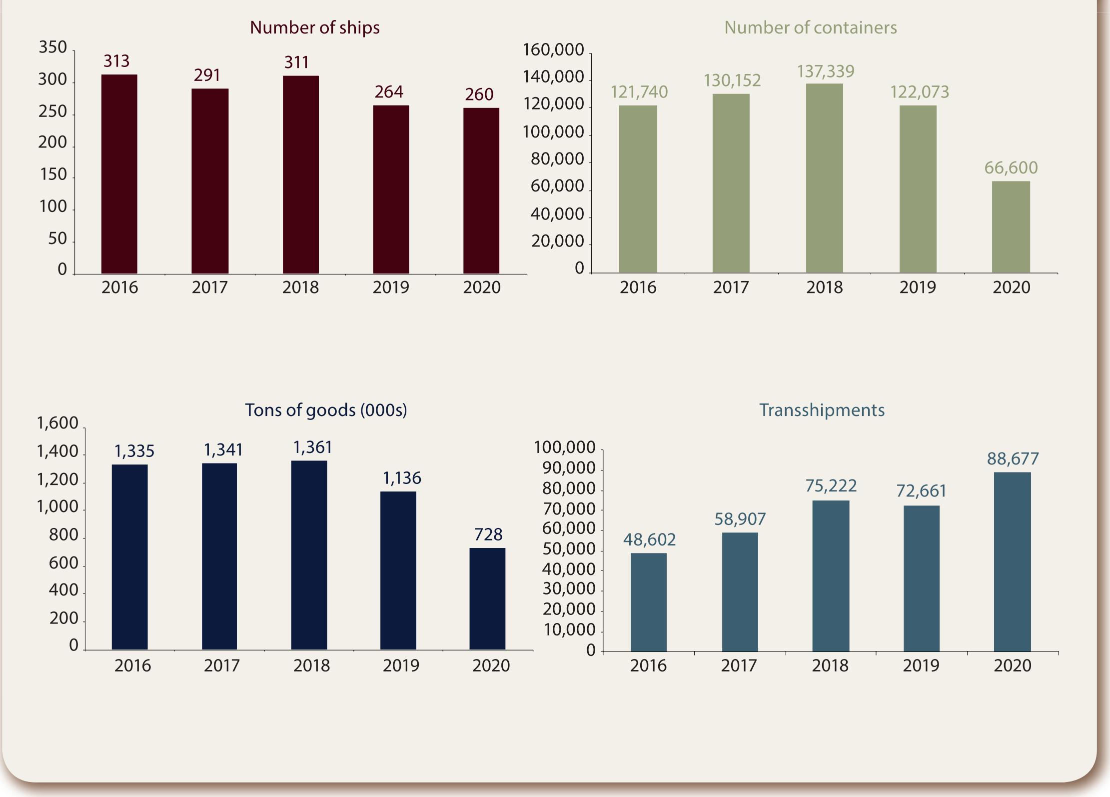
The number of containers recorded an annual decrease of 45.4% to attain a total of 66,600 in the first two months of 2020, compared to 122,073 containers in the same period of the previous year.

The number of ships posted a fall of 1.5% year-on-year to reach a total of 260 vessels in the first two months of 2020. During the corresponding period of 2019, the former had registered a decrease of 11.1% year-on-year and the latter fell by 15.1%.

The quantity of goods fell by a yearly 35.9% to 728 thousand tons in the first two months of 2020, following a fall of 16.5% reported in the first two months of 2019.

Transshipments expanded by 22.0% year-on-year to attain 88,677 containers in the first two months of 2020, following a decline of 3.4% in the corresponding period of 2019.

ACTIVITY OF THE PORT OF BEIRUT (FIRST TWO MONTHS OF THE YEAR)



Sources: Port of Beirut, Bank Audi's Group Research Department

LEBANESE GOVERNMENT IS COMMITTED TO A FREE MARKET AND NON-INTERVENTIONIST APPROACH IN THE ECONOMY, AS PER FITCH SOLUTIONS

According to Fitch Solutions latest report on Trade and Investment Risks in Lebanon, despite offering one of the most welcoming policies for international trade and foreign investment in the MENA region, Lebanon is becoming an increasingly high-risk location for FDI. The economy is vulnerable to domestic and regional volatility relating to the unstable domestic and regional environments as well as capital outflows, especially given that the country depends highly on risk sensitive sectors such banking, tourism and real estate.

Furthermore, the ongoing civil war in neighboring Syria is having a negative impact on the functioning of Lebanon's political system, demand for key exports and economic growth while the weak rule of law and high corruption means that protection of physical and intellectual property is lacking, and judicial dispute resolution is beset with delays.

On the positive side, the country provides a number of incentives in certain targeted sectors and a low corporate tax rate for all firms and is highly open both to trade and foreign direct investment. Consequently, Lebanon receives a moderate score of 51.9 out of 100 on our Trade and Investment Risk Index, which ranks it in the middle of the pack regionally, in ninth place out of 18 MENA states.

At the level of government intervention, the Lebanese government is committed to a free market and non-interventionist approach in the economy, however, inherent risks threaten the economic structure in the medium term. The tax burden on businesses is low in terms of costs incurred and time lost to administrative procedures, while the banking sector is well-developed and offers strong access to international financial markets compared to other states in the region.

However, the availability of credit remains somewhat restricted by the lack of liquidity and limited risk appetite in the market. The country's macroeconomic balance is also at risk in light of the high public debt levels and subdued GDP growth, both increasing sovereignty risks. Investors are further deterred by the weak protection of minority investors, the prevalence of graft, among other things.

In terms of economic openness, Lebanon has a long tradition of domestic free trade and investment policies, with a combination of free market pricing for most goods and services, an unrestricted exchange and trade system, and extensive links with the developed world in nearly all economic activities boosting its competitiveness against regional peers.

The government continues to favor a strong role for the private sector in a liberal policy environment. That said, the crisis in neighboring Syria has negatively affected Lebanon’s operating environment, with the influx of a large number of refugees straining public finances for the government, which is one of the most indebted in the world, and the conflict has obstructed Lebanon’s access to major markets and a transport corridor through the Levant.

Meanwhile, the government has been slow in implementing some of the much needed reforms to put the economy on long term sustainability, with much of public spending being directed towards nonproductive activities such as debt servicing, electricity subsidies and employees’ salaries, which will continue to undermine Lebanon's economic competitiveness over the short-to-medium term.

SURVEYS

LEBANON'S DRAFT REFORM PROGRAM TO TACKLE LONG-STANDING ECONOMIC, FINANCIAL AND INSTITUTIONAL VULNERABILITIES, SAYS BofA

According to a recent note by Bank of America (BofA), Lebanon's draft reform program of the authorities is a comprehensive plan to tackle the long-standing economic, financial and institutional vulnerabilities of the country.

It assesses the scale of the losses and attempts to distribute them equitably across stakeholders. BofA thinks it is an adequate starting point to possible program negotiations with the IMF. The bank estimates the plan could likely bring the banking sector and the Banque du Liban (BdL) to a small net FX long position. The parameters and losses of the draft reform plan are broadly consistent with the report's estimates.

The main risks to the draft plan are popular opposition to the draft plan, execution, still high government debt levels post-restructuring, macro performance, optimistic projections or estimates, fiscal slippage, lack of engagement with the IMF and still low net FX reserves level post-restructuring.

The government appears to be targeting a 55% face-value cut to total government debt, according to BofA. For eurobonds, the illustrative government scenario suggests this could be coupled with a 5-year extension and a low (1.2%) coupon rate stepping up to 3% afterwards. BdL and banks appear to be broadly treated in the same way as other bondholders. Face-value cuts are most sensitive to the exchange rate and real GDP growth, all else being equal.

In the absence of any additional sources of capital, BofA estimates the illustrative restructuring scenario in the government draft plan (post-devaluation of USD/LL to 2,979) is consistent with a bail-in of 63.5% of post-devaluation unguaranteed deposits of the top 10% depositors by value in the banking sector.

BofA estimates every 1 ppt increase in the nominal reduction of government debt held by banks increases by 0.2 ppt the bail-in requirement. The report estimates every US$ 1 billion injection from other sources of external capital into the banking sector reduces the bail-in requirement by c 1ppt.

BofA estimates the eurobond recovery rate implied by the government draft plans to be below 20c, below current market pricing. This is mainly driven by an increase in exit yields and by a possible low coupon rate over 2021-24 (stepping up afterwards). The government reform plan as well as economic and legal challenges confirms BofA's view that it could be difficult for bondholders to preserve value in the restructuring.

BofA are not including any Past Due Interest (PDI) consideration. The report expects PDI (which could be haircut) could be worth 1-4 pt for most bonds. Delays to cashflows would hurt value, down 2-3pt for a year delay. PDI negotiations may compensate for this. The report estimates using a flat 3% coupon throughout would improve recovery value by c5pt.

LEBANON DRAFT REFORM PLAN BOLD STEP BUT OPPOSITION FROM BANKS STRONG, SAYS ARQAAM CAPITAL

According to a recent note by Arqaam Capital, Lebanon's draft reform plan represents a bold step, but opposition from banks is strong.

The draft plan presents the government's current thinking on bringing the country's debt/GDP ratio to more sustainable levels, details the country's external funding needs over the next five years, and presents an array of fiscal reforms.

However, the plan also appears to require the banks (and the large deposit holders) to shoulder the cost of restructuring the government's debt including the losses of the central bank, in a move that has already garnered staunch opposition from the banking sectors, the political parties, and the general population. The banks prefer bolder fiscal austerity and accountability and smaller haircuts.

Arqaam Capital added that Lebanon's economy is expected to collapse in FY 20e. It forecasts a contraction of real GDP to the tune of 16% in 2020, above the Ministry of Finance's 12% after accounting for the impact of COVID-19 on the economy.

The government also targets a primary fiscal surplus of 1.6% of GDP by 2024 with debt/GDP at 103%. This comes from both rationalizing spending and enhancing revenues, though remains somewhat optimistic in Arqaam's view as some of the proposed measures will remain difficult to implement.

The government aims to reduce spending by 0.8% of GDP in 2021 while introducing new safety nets worth 1.3% of GDP, bringing total expenditure to 20.8% of GDP from 22.4% in 2019 and falling to 17.1% in 2024, with savings reaching 3.3% of GDP, mostly coming from the reform of the electricity sector (2.5% of GDP).

On the revenue side, the government is looking to increase its revenues by 2.4% of GDP in 2021 and up to 4.2% by 2024 with the increase coming from a combination of a broader tax base with improved collection, coupled with increased tax rates.

The economy has already come to a stop following the outbreak of the virus with a formal lockdown starting on the 15th of March (schools since the 29th of February), significantly hurting Lebanon's predominantly service-based industry and tourism sector.

This has been amplified by the recent liquidity crunch that has put pressure on the banking sector. Harsh restrictions on FX withdrawals and transfers have already pushed many businesses to either close their doors or slash salaries, while rising inflation to more than 25% is likely to put pressure on disposable incomes.

Furthermore, the government sees an IMF program as a key part of the puzzle. The IMF program would both help shore up the country's external deficit, while also giving credibility to the reform plan, which would help the country go back to capital markets in three years' time if needed.

The government estimates an external funding need of US$ 25-30 billion BoP shortfall, however, the delay of the Eurobond debt repayments and their coupons (US$ 19-20 billion) would bring the funding needs closer to US$ 10-15 billion over the next five years.

A recent BdL circular officially creates a secondary FX window. The BdL circular aims to protect very small deposit holders (60% of total accounts) by allowing anyone with less than US$ 3k (and no debt) to fully withdraw their money in LBP at a secondary rate that will be set by the CB/banks following the 40-50% depreciation on the parallel market.

It also allows small LBP account holders to have their money adjusted for the new secondary rate. This creates a secondary FX window that should help make it easier to do business.

Moreover, shareholders of banks are wiped out under the reform plan. The draft reform proposes that bank capital is fully bailed in, while deposit holders will need to shoulder US$ 62 billion.

Even though some banks shied away from directly lending to the government, they would have to shoulder the losses created by financial engineering by the Central Bank, which only delayed the inevitable.

This means that banks will need to raise additional capital to avoid nationalization, or alternatively large deposit holders will have to swap their deposits into equity. While interest income on sovereign debt and central bank exposure should fall to c.3%, the report expects banks to lower the deposit remuneration.
As a result, Arqaam Capital continues to expect capital controls (for deposits > 3k) to remain in place until the system has been put on a more sustainable footing, which will take at least three years.

CORPORATE NEWS

MONEY TRANSFER COMPANIES TO PAY WIRES IN LP AT MARKET RATE

The Central Bank of Lebanon (BdL) issued a circular instructing non-banking electronic money transfer companies to convert foreign currency funds electronically transferred from abroad into Lebanese pounds at prevailing market rates, and pay it out in the local currency.

In this context, the money transfer companies will also have to sell the foreign currency proceeds of these transfers back to the Central Bank through the newly-established special unit of the Directorate of Currency Operations at BdL.

USAID AND BLOM BANK LAUNCH SAVINGS PROGRAM FOR RURAL AREAS

The USAID-funded Livelihood and Inclusive Finance Expansion (LIFE) project launched, in collaboration with BLOM Bank, an initiative under the theme "Bringing Peace of Mind to LIFE" to bring rural clients into the bank's financial inclusion strategy.

As part of this initiative, BLOM Bank introduced "START", a special savings account without a minimum balance.

START offers a preferential interest rate on amounts as low as LP 40,000 to encourage low-income individuals to save money.

The bank will carry out visits to the targeted regions to encourage people to open a savings account.

BANQUE BEMO LAUNCHES "DIGITAL INTERNSHIP PROGRAM"

Banque BEMO is launching the "Digital Internship Program", to assist university students in completing their educational curriculum requirement, as per a statement by the bank.

According to the statement, this comes as a step aimed at preparing for the future, facilitating youth work integration and providing additional income for deserving students.

Based on the belief "Learning is Empowering", the purpose of the Digital Internship initiative is to foster education and making it accessible to students in a remote working environment, a creative approach for learning and training while staying safe and positive in the present times of uncertainty.

Banque BEMO is offering students a platform through which they can develop new skills.

LEBANESE-OWNDED CMA CGM LAUNCHES "BUSINESS CONTINUITY PACK"

As the COVID-19 pandemic affects all sectors of the world economy, the Lebanese-ownded CMA CGM Group is taking action by launching the "Business Continuity Pack" a range of solutions to adapt and protect the supply chains of its customers.

With the "Business Continuity Pack", the CMA CGM Group provides comprehensive and customized solutions to do the following.

The first is to adjust the pace of shipments by prioritizing the fast transportation of urgent shipments, in particular for food, medical or pharmaceutical products, and slowing non-urgent shipments (delay in transit, sea-priority go, Landspeed, solutions offered by CEVA Logistics, a subsidiary of the CMA CGM Group), second is support business activity and protect cargo (Networking Inter-mediation Services, SHIP-FIN Trade Finance, SERENITY Cargo Value Guarantee, PHARMA Reefer Division and BAR LOCK Security Device), pursue business activity remotely with My CMA CGM, the online platform developed by the Group to manage the entire transport cycle.

The delay in transit is a new, flexible solution to temporarily store containers in a dedicated hub.

CMA CGM offers delay in transit, a new solution to provide enhanced flexibility and help alleviate current pressures experienced by customers during the COVID-19 pandemic affecting the world.

Delay in transit allows them to temporarily store their containers in a dedicated hub until the recipient is ready for them to arrive at the final destination shown on the bill of lading.

With this new solution, clients can control and reduce costs related to warehousing and storage, as well as other expenses that can add up while their cargo is being transported.

It is worth noting that the Group's full year 2019 revenues were up 29% to US$ 30.3 billion compared with 2018, driven by the acquisition of CEVA, which contributed US$ 7.1 billion.

Excluding CEVA, revenues were down slightly by 0.8% mainly due to the trend in geographic mix and the transfer of CMA CGM LOG's business to CEVA Logistics.

The Group incurred a net loss of US$ 229 million, mainly due to the negative impact from implementations of IFRS 16 impact of US$ 329 million, which will gradually decline over the years, and the US$ 140 million negative contribution from CEVA Logistics.

LEBANESE START-UP ASHGHALI RAISES FUNDS FOR THE FIRST TIME

Lebanese start-up Ashghali, which connects the self-employed with potential employers, just raised an undisclosed amount of money from the German-Lebanese incubator, MGM Incubator.

The platform, available on iOS and Android, connects freelancers (graphic designers, photographers, developers, DJs or even sports coaches) with companies and individuals looking for services.

The application offers an interface for job seekers, and another for recruiters allowing them to consult profiles corresponding to their needs.

The user can then choose the service provider of their choice, notably by using the opinions left by other customers. The application now has more than 5,000 users.

In a backward look, Ashghali is the story of the graduation project of two engineering students who are looking for a way to help young self-employed workers. In a context of massive unemployment, many young Lebanese are turning to freelance work, according to one of the developers.

In April 2019, the two developers won the competition for graduation projects organized by the Maroun Semaan Faculty of Engineering and Architecture at AUB.

This was an opportunity to pocket a sum of US$ 5,000, but above all to be noticed by MGM Incubator, a network of Lebanese and German investors, as per one of the developers.

The deal has just been concluded.

The Lebanese start-up is going to set up in Germany in May, in the Innovation Center of the city of Hamm, partner of the incubator.

CAPITAL MARKETS

MONEY MARKET: REDUCED PACE OF DEPOSIT WITHDRAWALS IN BANKING SECTOR

The money market continued to enjoy ample local currency liquidity during this three-day week, following discount operations of LP long-term deposits at the Central Bank of Lebanon in the previous few weeks. This allowed the overnight rate to remain stable at its low level of 3%, noting that the official rate is quoted at 1.90%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 2nd of April 2020 showed a reduced pace of deposit withdrawals in the Lebanese banking sector. Contractions in total resident banking deposits were limited to LP 174 billion over the covered week and compared to an average weekly fall of LP 856 billion since the beginning of the year 2020. This was mainly driven by a LP 316 billion drop in total LP resident deposits amid a LP 436 billion fall in LP saving deposits and a LP 120 billion rise in LP demand deposits, while foreign currency resident deposits increased by LP 142 billion (the equivalent of US$ 94 million). Within this context, the money supply in its largest sense (M4) registered its first weekly expansion this year of LP 517 billion amid a LP 590 billion growth in the currency in circulation and a LP 102 rise in the non-banking sector Treasury bills portfolio.

INTEREST RATES

	17/04/20	10/04/20	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: NOMINAL WEEKLY DEFICIT OF LP 113 BILLION

The latest Treasury bills auction results for value date 16th of April 2020 showed that the Central Bank of Lebanon has 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 9th of April 2020 showed that total subscriptions amounted to LP 544 billion. The ten-year category (offering a coupon of 7.0%) accounted for the bulk (LP 543 billion), while the six-month category (offering a yield of 4.0%) and the two-year category (offering a coupon of 5.0%) attracted subscriptions of LP 1 billion and LP 12 million respectively. These compare to maturities of LP 657 billion, resulting into a nominal weekly deficit of LP 113 billion.

TREASURY BILLS

	17/04/20	10/04/20	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)		**544**	**120**
Short -term (3&6 mths)		1	-
Medium-term (1&2 yrs)		0.01	20
Long-term (3 yrs)		-	-
Long-term (5 yrs)		-	100
Long-term (10 yrs)		543	-
Maturities		**657**	**61**
Nom. Surplus/Deficit		**-113**	**59**

Sources: Central Bank of Lebanon, Bloomberg

FOREIGN EXCHANGE MARKET: BDL'S FOREIGN ASSETS DOWN TO US$ 34.7 BILLION MID-APRIL

The Central Bank of Lebanon issued on April 9, 2020 the basic circular No. 150, which has exempted banks operating in Lebanon from placing mandatory reserve requirements at BDL against fresh inflows from abroad or money received in cash in Lebanese pound or in foreign currencies. In parallel, the Association of Banks in Lebanon said this week that it would allow withdrawals of small deposits of up to US$ 3,000 or LP 5 million at an exchange rate of LP 2,600/US$, in implementation of BDL circular No. 148 issued on April 3, 2020.

At the level of the parallel market, the Lebanese pound saw this week further depreciation against the US dollar, with the "buying rate" crossing above the LP 3,000/US$ for the first time ever, hovering around LP 3,030/US$, while the "selling rate" was quoted at LP 2,970/US$. This came along talks about a gradual change in the currency peg starting 2021. On the other hand, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 15th of April 2020 showed that BDL's foreign assets contracted by US$ 559 million during the first half of the month to reach US$ 34.7 billion mid-April.

EXCHANGE RATES

	17/04/20	10/04/20	27/12/19
LP/US$	1,507.50	1,507.50	1,507.50
LP/£	1,878.35	1,871.26	1,970.00
LP/¥	13.98	13.85	13.77
LP/SF	1,556.53	1,553.32	1,543.78
LP/Can$	1,067.33	1,073.64	1,150.59
LP/Euro	1,637.15	1,638.95	1,679.20

Source: Bank Audi's Group Research Department

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

The BSE total turnover rose from US$ 1.6 million in the previous four-day week to US$ 2.8 million during this three-day week. Solidere shares captured 59.5% of activity, while the banking shares accounted for the remaining 35.5%.

As far as prices are concerned, the BSE price index retreated by a tiny 0.2% week-on-week. Two out of five traded stocks posted price falls, while one stock registered price gains and two stocks saw no rice change week-on-week. A closer look at individual stocks shows that Solidere "B" share price declined by 1.1% to close at US$ 9.97. Bank Audi's "listed" share price shed 3.7% to reach US$ 1.30. In contrast, Solidere "A" share price increased by 2.4% to close at US$ 10.15. BLOM's "listed" share price remained stable at US$ 3.0. Bank of Beirut's "Preferred K" share price stood unchanged at US$ 25.

AUDI INDICES FOR BSE

22/1/96=100	17/04/20	10/04/20	27/12/19	
Market Cap. Index	263.81	264.26	316.37	↓
Trading Vol. Index	41.06	17.08	24.97	↑
Price Index	57.84	57.93	69.36	↓
Change %	-0.17%	0.58%	2.37%	↓
	17/04/20	**10/04/20**	**27/12/19**	
Market Cap. $m	6,259	6,269	7,506	↓
No. of shares traded (Exc. BT)	538,358	245,394	333,997	↑
Value Traded $000 (Exc. BT)	2,808	1,558	2,294	↑
o.w. : Solidere	1,671	1,399	2,294	↑
Banks	1,137	141	0	↑
Others	0	18	0	↓

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

BOND MARKET: EXTENDED SHY INTERNATIONAL BID FOR LEBANESE SOVEREIGNS

Amid a nationwide opposition to the cabinet's draft economic and financial rescue plan, and as Bank of America Merrill Lynch said in a recent note issued on April 14, 2020 that it estimates the Eurobond recovery rate implied by the government draft plans to be below 20c, a slow mood governed Lebanon's Eurobond market over this week. International institutional investors remained buyers of Lebanese sovereigns, yet in very small volumes, mainly on bets over restructuring outcomes.

Under these conditions, sovereigns maturing between 2022 and 2037 registered weekly price gains ranging between 0.25 pt and 1.0 pt, thus hovering between 16.25 cents per US dollar and 19.50 cents per US dollar. As to yields, the weighted average bond yield fell from 96% at the end of last week to 58% at the end of this week when excluding yields on papers maturing in 2020.

EUROBONDS INDICATORS

	17/04/20	10/04/20	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	58%	96%	29.99%	↓
Average Life	7.70	8.02	7.50	↓
Yield on US 5-year note	0.35%	0.44%	1.71%	↓

Source: Bank Audi's Group Research Department

INTERNATIONAL MARKET INDICATORS

	17-Apr-20	10-Apr-20	31-Dec-19	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/$	107.54	108.44	109.61	-0.8%	-1.9%
$/£	1.250	1.246	1.275	0.4%	-2.0%
$/Euro	1.088	1.094	1.147	-0.6%	-5.2%
STOCK INDICES					
Dow Jones Industrial Average	24,242.49	23,719.37	28,538.44	2.2%	-15.1%
S&P 500	2,874.56	2,789.82	3,230.78	3.0%	-11.0%
NASDAQ	8,650.14	8,153.38	8,972.60	6.1%	-3.6%
CAC 40	4,499.01	4,506.85	5,978.06	-0.2%	-24.7%
Xetra Dax	10,625.78	10,564.74	13,249.01	0.6%	-19.8%
FT-SE 100	5,786.96	5,842.66	7,542.44	-1.0%	-23.3%
NIKKEI 225	19,897.26	19,498.50	23,656.62	2.0%	-15.9%
COMMODITIES (in US$)					
GOLD OUNCE	1,682.82	1,696.65	1,517.27	-0.8%	10.9%
SILVER OUNCE	15.18	15.57	17.85	-2.5%	-15.0%
BRENT CRUDE (per barrel)	28.08	31.48	66.00	-10.8%	-57.5%
LEADING INTEREST RATES (%)					
1-month Libor	0.67	0.81	1.71	-0.14	-1.04
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	0.64	0.72	1.92	-0.08	-1.28

Sources: Bloomberg, Bank Audi's Group Research Department