

Economy

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BLOM Bank has released its audited financial statements for the year ended 31 December 2022. The bank's financial statements were audited by Ernst & Young and BDO Semaan, Gholam & Co. and were released with a resolution from the bank's Board of Directors.

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As the end of the Central Bank governor's term is approaching on July 31, while the country is reeling under a multifaceted crisis and an unprecedented institutional vacuum, and on speculation that "Sayrafa" platform may be decommissioned after the current Central Bank governor's term ends, and amid calls from vice governors either to set up a new electronic platform for foreign exchanges and move to a managed floating system or to issue a new legislation allowing the use of mandatory reserves, Lebanon's capital markets saw this week marginal movements in the LP/US\$ exchange rate on the black FX market, while equities posted price rebounds and Eurobond prices remained at their lows. In details, the LP/US\$ parallel market rate reached LP/US\$ 92,200-LP/US\$ 92,500 this week compared to LP/US\$ 91,000-LP/US\$ 91,300 last week, while all eyes remained focused on the succession plans for the Central Bank governor. In parallel, the BSE bounced back during this five-day week (+1.8%), amid increased appetite for Solidere shares. Finally, Lebanese bond prices remained at their lows (6.625 cents per US dollar) amid darkened domestic political outlook and lingering reform uncertainties.

LEBANON MARKETS: JULY 17 - JULY 23, 2023

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

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ECONOMY

BDL VICE GOVERNORS PRESENT CONSTRUCTIVE COMPREHENSIVE PLAN

Almost ten days before the end of BDL Governor's term, and in an effort to address the economic crisis in Lebanon, BDL four Vice Governors have submitted a comprehensive and constructive financial plan to the Administration and Justice Committee of the Parliament. The plan focuses on revising the budget, implementing capital controls, restructuring banks, addressing the fiscal gap, protecting deposits, and enhancing cooperation between BDL, the Parliament, and the government to regulate the dollar market.

The preliminary comprehensive plan (detailed below) aims to correct the monetary policy and initiate the process of economic recovery. Its main objective is to float the exchange rate in a managed manner on an internationally recognized exchange platform, reflecting the true value of the Lebanese Pound. The plan is expected to be implemented over a six-month period while ensuring social stability and safeguarding the purchasing power of public sector employees and the most vulnerable segments of society.

The plan constitutes a high level plan to enable the correction of the monetary policy and start the recovery process. Its major objective is to float the exchange rate in a "managed" manner on an internationally recognized exchange platform, so that it reflects the real value of the Lebanese Pound. The expected timeline of this plan is over six months, while ensuring social stability and protecting the purchasing power of public sector servants and the most vulnerable population.

At the fiscal level, the plan says that the proposed budget 2023 is balanced with revenues and expenditures reaching 181.9TLL, at an average revenue of 15 TLL per month. At the current exchange rate of 92,000 LL/US\$, this represents around of US\$ 2 bn per year, US\$ 164 mil. per month.

Given that the government is currently collecting on a monthly basis 20 to 24TLL and around US\$ 20 million., on an annual level starting July 2023, the government should be able to collect 240TLL to 288 TLL and US\$ 240 mil. It is important to note that currently around 40% of collected LL are in Cash and the remaining are in bank transfers.

According to the World Bank, tax revenues above 15% of a country's gross domestic product (GDP) are a key ingredient for economic growth and, ultimately, poverty reduction. At an average GDP of US\$ 20 bn (Source: IIF May 2023), the tax revenues should at least represent US\$ 3 Bn. In an effort to control the Cash Economy and take the necessary reforms, which could reach 50% of the current GDP, the tax revenues could exceed US\$ 4.5 bn.

The government will need to strengthen its budget revenue framework through deeper reforms according to the Vice Governors Plan.

A major review of tax, fees and excises at the level of various ministries should be done. Several Examples can be provided that present low hanging fruits that will have direct and major impact on the revenues, and help the government enhance its revenues.

The plan asks the Parliament to approve the proposed 2023 Budget before end of August, asks the Government to prepare the 2024 budget with the required adjustments and submit it before end of October 2023. The 2024 Budget shall be approved prior to end of November 2023 according to the Plan's requirements.

In parallel, the Government shall submit a Capital Control Law to the Parliament in the coming two weeks and it shall be approved by end of August 2023. The Capital Control law shall contain an article imposing on all importers to buy the dollars of their imports from authorized BFIs. This will create depth (bigger volume) at the exchange platform, thus helping in better price discovery. Detailed procedures shall be set for that between authorized BFIs, Ministry of Finance and Customs Administration.

The Government will also need to review and approve the Gap Resolution and Capital Restructuring Law by end of September 2023, while finding ways to protect eligible depositors (using DRF or other securities).

At the foreign exchange level, BDL will adopt a floating-system with the ability to intervene when necessary (Managed Floating). BDL will continue buying USD in the market when possible, according to articles 75 & 83 of the code of money and credit, to lesser the pressure on his foreign reserves. BDL will commit to intervene in the market using the part of the approved envelope by the parliament (refer to point -) during the coming few months to stabilize as much as possible a "unified exchange rate" on Sayrafa. BDL will use the Auction mechanism

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on the International Provider Platform to respond to speculative attacks on the LL within clear policies and procedures to create a smooth transition into a floating market mechanism.

Not less importantly, the Parliament shall approve a law amending article 5 of Law of Money and credit, for BDL to issue bank notes bigger than L.L. 100,000. Finally, the Parliament shall pass a law that allows the Central Bank to lend the government, from the Mandatory Placements up to US\$ 200 mil. per month on average over a six-month period with a total sum not exceeding US\$ 1.2 billion over this period.

OPENED L/Cs FOR IMPORTS WITNESSED A DECREASE OF 16% IN THE FIRST FOUR MONTHS OF 2023

Figures released by the Central Bank of Lebanon show that documentary letters of credits opened to finance imports activities in the first four months of 2023 recorded a 15.9% decrease year-on-year standing at US\$ 69.0 million, against US\$ 82.0 million during the same period of the previous year. Moreover, Utilized credits increased slightly by 1.4% in the first four months of 2023 to reach US\$ 66.2 million, up from US\$ 65.3 million during the first four months of 2022.

Concurrently, outstanding credits for import financing increased significantly by 31.3% year-on-year to reach US\$ 268.9 million in the first four months of 2023, up from US\$ 204.8 during the same period of 2022.

On the other hand, inward bills for collection, another documentary credit form of financing, declined by 4.7% in the first four months of 2023 to reach US\$ 65.2 million, versus US\$ 68.4 million in the same period of 2022.

On the side of outstanding bills for collection a significant drop of 39.4% was recorded to reach US\$ 111.9 million in the first four months of 2023, down from US\$ 184.7 million in the first four months of 2022. Documentary letters of credits opened to finance exports activities worsened significantly and retreated by 81.2% in the first four months of 2023 recording US\$ 6.3 million, down from US\$ 33.5 million during the same period of the previous year.

Similarly, utilized credits for exports for the first four months of 2023 decreased by 33.1% standing at US\$ 20.0 million against US\$ 29.9 million during same period of 2022. Outstanding credits for exports registered a year-on-year decrease of 4.2% to reach US\$ 363.3 million in the first four months of 2023, down from US\$ 379.2 million in the first four months of 2022.

Outward bills for collection, another documentary credit form of financing contracted by 30.0% in the first four months of 2023 to reach US\$ 49.7 million, versus US\$ 71.0 million over the same period of the previous year.

Outstanding bills for collection recorded a contraction of 18.7% in the first four months of 2023 to reach US\$ 602.3 million, down from US\$ 741.2 million in the first four months of 2022.

It is worth noting that effective February 1st 2023, as decreed by the Banque du Liban (BDL), the Lebanese Pound (LP) was re-pegged to the US Dollar (US\$) at the FX rate of LP 15,000/US\$, almost up ten-fold from the prior peg of LP 1,507.5/US\$. In turn, as the original data for documentary credits is in LP, the re-peg affects the valuation and the comparative study.

DOCUMENTARY CREDITS FOR IMPORTS' FINANCING

(US\$ million)	2020	2021	2022	4M-2022	4M-2023	4M-23/4M-22
Documentary L/Cs						
Opened credits	342.9	112.6	268.3	82.0	69.0	-15.9%
Utilized credits	443.7	115.5	223.2	65.3	66.2	1.4%
Outstanding credits	2,017.9	602.3	684.8	204.8	268.9	31.3%

DOCUMENTARY CREDITS FOR EXPORTS' FINANCING

(US\$ million)	2020	2021	2022	4M-2022	4M-2023	4M-23/4M-22
Documentary L/Cs						
Opened credits	188.5	108.6	100.8	33.5	6.3	-81.2%
Utilized credits	408.6	68.9	77.2	29.9	20.0	-33.1%
Outstanding credits	3,403.3	1,520.3	1,092.4	379.2	363.3	-4.2%

Sources: BDL, Bank Audi's Group Research Department

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LEBANON'S RENEWABLE ENERGY SECTOR HOLDS POTENTIAL AMID AN ENERGY CRISIS

The renewable energy sector in Lebanon holds significant potential moving forward, especially in the areas of solar and wind energy creation.

Lebanon has been dealing with an energy crisis for decades which has been exacerbated by the current economic crisis effectively dissolving the sector. The energy infrastructure in the country is severely outdated and the power supplied is not enough to meet the demand of the population. This has pushed citizens towards the usage of the more expensive diesel generators which are heavily polluting in order to meet their needs.

However, recently the Lebanese population has been giving renewable energy sources more attention as a cheaper and more sustainable power source that does not rely on the national gridline. Additionally, the Lebanese government has started to tap into the potential of the sector as well in a bid to diversify its energy mix and to reform the energy sector. It is worth noting that Lebanon is a signatory country in the Paris Agreement which holds the commitment to reduce Greenhouse Gas emissions by 15% by 2030. In turn, the government has developed a plan to generate 30% of its electricity from renewable sources.

Lebanon holds the potential for renewable energy creation from multiple sources with the two major ones are solar and wind energy creation. However, Hydropower and biomass electricity production could also hold potential.

In details, looking at the solar energy creation subsector, Lebanon holds 300 days of sunshine per annum which is ideal for the proliferation this form of renewable energy creation. Additionally, Lebanon holds one of the highest levels of solar irradiation in the Mediterranean region with 5.4 Kilowatt-hours/m² per day. In turn, solar photovoltaic systems hold great potential for energy creation in the country both at the scale of utility and distributed generation.

At the level of wind power, Lebanon's geographical location and its climate pose upside risk for the wind energy creation subsector. The country notices high wind speeds at the coastal and mountainous regions especially in the Bekaa valley and the North which makes them ideal places for wind farms. According to the Lebanese Center for Energy Conservation (LCEC), Lebanon's wind energy potential is estimated at circa 6,000 Megawatts which would be a major contribution to market supply and in reducing the country's dependence on fossil fuels. Hydropower comes as another potential form of sustainable energy creation. Lebanon holds a myriad of rivers, receives ample rainfall in the majority of its years and holds large reservoirs of underground water which all hold positive impacts on the prospects of the hydropower subsector. However, the seasonal nature of Lebanon's rivers, the need to balance water resources for multiple uses and the seismic nature of Lebanon could hold potential risks for Hydropower generation in the country.

However, the development of the renewable energy sector in Lebanon faces multiple challenges which are hindering its growth which are:

- The lack of a comprehensive regulatory framework and clear policies in order to guide the sector's development. Some efforts were made by the government to fix this issue but further efforts are needed to establish a transparent pricing mechanism, streamline the permitting process and create a fair and equal playing field for foreign investors.
- An outdated and inefficient power grid which poses challenges in integrating renewable energy sources into the national electricity system. In turn, the improvement of the grid and its capacity to accommodate renewable energy sources which are not constant (for example wind power) are crucial steps to ensure the deployment and integration of renewable energy production projects.
- Limited financing options. However, more and more international organizations and development partners are supporting Lebanon's renewable energy sector.

Therefore, if the right reforms and regulations are made and more investment is pulled into the Lebanese renewable energy sector, the country will be able to capitalize on its vast potential, diversify its energy mix and set the foundation for the creation of a robust and sustainable future for the energy sector. Additionally, as the sources for renewable energy in Lebanon is vast, tapping into the sector's potential could possibly help in resolving the energy crisis and in meeting Lebanon's climate change commitments.

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SURVEYS

LEBANON RANKED 11TH REGIONALLY IN EMPLOYEE ENGAGEMENT WITH 9% ENGAGED AS PER GALLUP

The State of the Global Workplace 2023 Report was issued by Gallup this week.

Gallup is committed to bringing the voice of the employee to the decision-making table as they help global leaders solve their most pressing problems. In this year's report, they feature annual findings from the world's largest, ongoing study of the employee experience. They examine how employees feel about their work and their lives, an important predictor of organizational resilience and performance.

In 2022, employee engagement and job opportunities surged globally, coming back in line with pre-pandemic historical trends on economic development and growth. The United States and Canada region saw no gain in engagement or job opportunities, having experienced its recovery in 2021. The 2022 data show the rest of the world closing the gap with the U.S./Canada in positive aspects for workers.

At the same time, global worker stress remained at a historic high — even as other negative emotions related to the COVID-19 pandemic subsided. This high level of stress may be due to the recovery itself, as many regions of the world struggle to control high inflation.

As organizational leaders endeavor to navigate an uncertain economic outlook, their employees' stress is impacting productivity and performance. Addressing these wellbeing concerns and improving engagement should be top priorities for the world's political and business leaders who seek to make the most of the recovery.

Regionally, Lebanon ranked number 11th (out of 13 countries) in employee engagement with 9% engaged. It ranked number 1 in Daily stress with 67% yes, 2nd in Daily anger with 41% yes, and 13th in job climate with 7% good time.

The MENA region in general reported the second lowest regional percentage of engaged employees, the second highest regional percentage of daily anger and the lowest regional percentage of employees who say now is a good time to find a job.

MENA REGION'S STATE OF THE GLOBAL WORKPLACE 2023

Country	Employee Engagement		Daily Stress		Daily Anger		Job Climate	
	Rank	% Engaged	Rank	% Yes	Rank	% Yes	Rank	% Good time
United Arab Emirates	1	27	11	33	11	21	3	59
Iraq	2	26	3	52	1	47	7	30
Saudi Arabia	3	24	12	29	12	21	2	60
Bahrain	4	19	9	37	10	22	5	36
Kuwait	5	17	13	26	13	12	1	84
Jordan	6	17	4	52	5	39	10	18
Morocco	7	14	8	38	9	30	6	35
Libya	8	12	5	49	3	39	4	55
Egypt	9	12	6	49	8	30	9	23
Tunisia	10	11	2	56	4	39	11	13
Lebanon	11	9	1	67	2	41	13	7
Iran	12	9	7	48	6	38	12	12
Algeria	13	8	10	33	7	36	8	25

Sources: Gallup, Bank Audi's Group Research Department

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UNICEF TALKS OF DETERIORATING LEVELS OF PSYCHOLOGICAL DISTRESS AND MENTAL HEALTH CONCERN

Amidst the multi-faceted and fast-changing crisis in Lebanon, the Child Protection Working Group (CPWG) led by UNICEF is monitoring key indicators that could provide important information on the impact of the evolving crisis on children. The information collected through monthly surveys with members of various Organizations working within the CPWG helps inform the CPWG's planning and response efforts. This short survey, which is carried out monthly across Lebanon, gathers information from organizations working in Child Protection, on key issues that may be faced by children and families. From January to March 2023, a total of 130 respondents from 33 Organizations have contributed, with varying participation levels across the Governorates, as shown on the bar graph on the right.

In Quarter 1 of this year, most Organizations (around 84% on average) affirmed that no CP services were inaccessible, however this percentage is lower than in Quarter 1 of 2022 (90%). The Organizations who identified accessibility issues for children and their families mentioned services related to focused psychosocial support (38% of respondents), followed by community-based activities (24%) and caregivers' programs (18%). Transportation was considered the most prominent reason for the inaccessibility to CP services.

Concerns of accessibility for non-CP services were even higher, with on average, over 55% of Organizations confirming having identified problems for children and their families accessing non-CP services.

This rate is much higher than what it has been for the same period in 2022 (36% of the Organizations). These concern mainly Education (44%) and Health services (32%), due to their unavailability, followed by transportation difficulties.

Parents/caregivers diminished economic and psychosocial capacity to support children, high rates of drop out and out of school children, with frequent disruption to education lead to an increase in the overall child protection needs, particularly among vulnerable and marginalized groups.

The political instability has also impacted the social services available to address these risks, pushing families deeper into poverty and leading to increasing negative coping mechanisms, such as child labor, child marriage and violent discipline.

Deteriorating levels of psychological distress and mental health concerns have also been reported and in particular a higher number of cases involved in substance abuse that is also a contributing factor to increasing risks of different forms of violence.

Women, girls and boys of all ages and diverse backgrounds are more frequently exposed and susceptible to the damaging effects of shocks, increased levels of deprivation, exploitation, including sexual exploitation and abuse and resorting to record rates of harmful coping strategies, compromising their ability to live in dignity and to recover safely.

From January to March 2023, around 55% of participating Organizations have received referrals for child protection-related matters from other Organizations, with a total of 2,158 referrals.

Around 56% of the Organizations have accepted all referrals received with no exceptions, while the remaining have accepted only about half of the referrals (52.1%) they had received in Quarter 1.

Among the reasons for not accepting referrals were the limited capacity of the Organization, the unavailability of the required service within the Organization, the geographic coverage of the Organization, as well as various other reasons.

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CORPORATE NEWS

BLOM BANK RELEASES ITS AUDITED FINANCIAL STATEMENTS FOR YEAR-END 2022

BLOM Bank has released its audited financial statements for the year ended 31 December 2022. The bank's financial statements were audited by Ernst & Young and BDO Semaan, Gholam & Co. and were released with a resolution from the bank's Board of Directors.

In details, looking at the audited consolidated statement of comprehensive income, BLOM bank has recorded a total net of tax comprehensive loss of LP 25.8 billion for the year ended 31 December 2022. This loss shows an 11.6% increase in losses against figures from the year prior recorded at LP 23.1 billion for the year ended 31 December 2021.

The total net of tax comprehensive loss is constituted of an LP 26.0 billion loss attributed to equity holders of the parent and an LP 205 million gain from non-controlling assets. The former recorded a decrease of 18.6% in losses against the year prior while the latter showed a 97.7% decrease in gains against the year prior.

At the level of the audited consolidated statement of cash flows, BLOM bank has recorded net cash from operating activities at LP 1,952.5 billion for the year ended 31 December 2022, up by 22.4% from LP 1,594.8 billion in the year prior. Additionally, net cash from investing activities increased slightly more than three-folds to reach LP 1,431.0 billion for the year ended 31 December 2022, up from LP 472.9 billion in the year prior.

On the other hand, net cash used in financing activities and net foreign exchange difference in respect of cash and cash equivalents both recorded losses of LP 10.9 billion and LP 70.5 billion respectively for the year ended 31 December 2022.

In turn, BLOM bank has recorded an increase in cash and cash equivalents of LP 3,302.0 billion for the year ended 31 December 2022. This figure shows a 59.4% increase up from LP 2,072.1 billion for the year ended 31 December 2021.

It is worth noting that the increase/decrease in cash and cash equivalent is calculated through the summation of all net cash flows.

BLOM bank's cash and cash equivalents as of 1 January 2022 was recorded at LP 6,389.5 billion. In turn, cash and cash equivalents for the year ended 31 December 2022, a sum between cash and cash equivalents at the start of the year and the increase in cash and cash equivalents during the year, was recorded at LP 9,700.5 billion.

At the level of the audited consolidated statement of financial position, BLOM bank's total assets were recorded at LP 38.9 trillion for the year ended 31 December 2022 showing a decrease of 2.6% down from LP 39.9 trillion for the year ended 31 December 2021. In parallel, total liabilities were recorded at LP 34.2 trillion for the year ended 31 December 2022 showing a decrease of 2.7% down from LP 35.1 trillion for the year ended 31 December 2021.

BLOM Bank's total equity was recorded at LP 4.7 trillion for the year ended 31 December 2022, showing a 1.6% decrease against figures from the year prior. In details, equity attributable to equity holders of the parent decreased by 1.6% year-on-year to reach LP 4.6 trillion for the year ended 31 December 2022. In parallel, non-controlling interests recorded a year-on-year decrease of 3.2% to reach LP 99.4 billion for the year ended 31 December 2022.

US\$ 3.3 BILLION IN TOTAL ASSISTANCE FROM THE EU TO LEBANON SINCE 2011

The European Civil Protection and Humanitarian Aid Operations (ECHO) has published a factsheet on the response to the Syrian crisis and the European Union's (EU) support to Lebanon.

According to ECHO's factsheet, as of April 2023, Lebanon has received circa EUR 3.0 billion (US\$ 3.3 billion) since 2011.

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In details, EUR 1.5 billion (US\$ 1.7 billion) were given as resilience assistance by the EU to Lebanon since 2011 as of April 2023. This form of assistance aims to facilitate access to crucial basic services for both Lebanese citizens and Syrian refugees. This goal is achieved through the promotion of economic resilience & stability, job creation & social cohesion, supporting Lebanon in delivering access to crucial basic services (for example social protection, education, healthcare, water & sanitation services) as well as increasing food security in the country.

The value of bilateral assistance from the EU to Lebanon was recorded at EUR 612.0 million (US\$ 673.2 million) since 2011 as of April 2023. Bilateral assistance aims to support reforms, enhance good governance, strengthen a resilient & inclusive economy as well as promote a sustainable and green recovery, as per ECHO's factsheet.

Concurrently, humanitarian assistance received by Lebanon from the EU since 2011 as of April 2023 reached EUR 860.0 million (US\$ 946.0 million). Humanitarian assistance comprises of the EU's response to the direst needs of the Lebanese citizens and Syrian refugees. This form of assistance covers basic humanitarian needs, access to crucial basic services, legal assistance and access to education.

Looking at the spread of assistance to beneficiaries, circa 5.7 million individuals, both Lebanese citizens and Syrian refugees, received primary healthcare consultations and essential medicines since 2015 as of April 2023. As of April 2023, circa 945,000 Lebanese citizens and Syrian refugees have benefited from services tied to protection and social cohesion since 2015. In parallel, as of April 2023, 633,000 and 482,000 Lebanese citizens and Syrian refugees have benefited from access to education and livelihood support respectively since 2015, as per ECHO's factsheet.

UN WOMEN AND WFP SIGN MOU TO STRENGTHEN COOPERATION IN LEBANON

A Memorandum of Understanding (MoU) was signed between the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the United Nations World Food Program (WFP) to strengthen cooperation in Lebanon. The cooperation will take place in matters of advancing gender equality, women's empowerment and social inclusion in the country.

According to the UN Women Representative in Lebanon, the cooperation's goal is to enhance women's access to resources. UN Women will provide WFP with technical assistance with the aim of strengthening the dimensions of gender and social inclusion in the program's priority areas. This is done through the generation of gender analysis and the mainstreaming of gender in WFP's social assistance and livelihood programs with the aim of improving its operational effectiveness and advancing a more equal and inclusive society.

The MoU includes conducting regular research in order to assess gender equality and social inclusion aspects within assistance programs. The integration of a gender perspective in the WFP's programming will be done with the support of UN Women. The findings of the research will in turn inform and influence the policy support and technical assistance given to Lebanon's government.

It is worth noting that the MoU comes as UN Women and the WFP focus on the implementation of Sustainable Development Goals (SDGs) in line with Agenda 2030. The SDGs in question particularly focus on areas of gender, social inclusion, nutrition and food security.

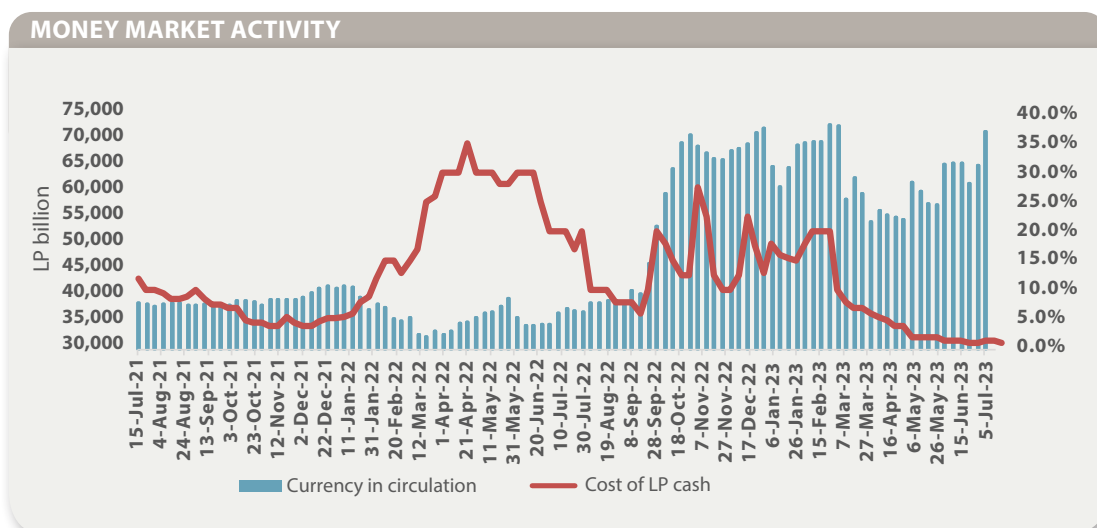
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CAPITAL MARKETS

MONEY MARKET: SIGNIFICANT WEEKLY EXPANSION IN TOTAL RESIDENT DEPOSITS, ON LP DEPOSIT GROWTH

The overnight rate, which is a non-cash rate on the money market, remained quoted at 100% this week, and the cost of LP cash continued to hover around 1%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 6th of July 2023 showed that total resident banking deposits expanded significantly by LP 17,088 billion week-on-week. This is mainly attributed to an important rise in total LP resident deposits of LP 17,304 billion amid an increase in LP demand deposits of LP 16,645 billion and a shy rise in LP saving deposits of LP 659 billion, while foreign currency resident deposits decreased slightly by LP 217 billion (the equivalent of US\$ 14 million as per the official rate of LP 15,000). Within this context, the money supply in its broadest sense (M4) expanded significantly by LP 23,601 billion over the covered week amid a LP 6,495 billion increase in currency in circulation.



TREASURY BILLS MARKET: LARGE WEEKLY NOMINAL DEFICIT OF LP 552 BILLION

The latest Treasury bills auction results for value date 20th of July 2023 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 6.00%).

The Treasury bills auction results for value date 13th of July 2023 showed subscriptions of LP 90 billion, fully allocated to the Central Bank of Lebanon and concentrated in the six-month category (offering a yield of 4.00%). These compare to maturities of LP 642 billion, which resulted into a shy nominal weekly deficit of LP 552 billion.

FOREIGN EXCHANGE MARKET: MARGINAL MOVEMENTS IN LP/US\$ BLACK MARKET RATE THIS WEEK

As the expiration of the Central Bank governor’s term is nearing on July 31, 2023, and amid continuous US dollar injection via the “Sayrafa” platform (though at reduced volumes), while Central Bank vice governors are proposing to lift the longtime peg and move to a managed float system, the parallel FX market recorded marginal movements in the LP/US\$ rate over this week. In fact, the latter reached LP/US\$ 92,200-LP/US\$ 92,500 on Friday against LP/US\$ 91,000-LP/US\$ 91,300 at the end of last week, noting that it has touched the LP/US\$ 100,000 level last weekend on concerns that the Central Bank vice governors may resign after the current governor’s term ends.

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TREASURY BILLS

	21/07/2023	14/07/2023	30/12/2022	
3-month	3.50%	3.50%	3.50%	↔
6-month	4.00%	4.00%	4.00%	↔
1-year	4.50%	4.50%	4.50%	↔
2-year	5.00%	5.00%	5.00%	↔
3-year	5.50%	5.50%	5.50%	↔
5-year	6.00%	6.00%	6.00%	↔
7-year	-	6.50%	6.50%	
Nom. Subs. (LP billion)		90	1	
Short-term (3&6 mths)		90	-	
Medium-term (1&2 yrs)		-	-	
Long-term (3 yrs)		0.01	1	
Long-term (5 yrs)		-	-	
Long-term (7 yrs)		0		
Maturities		642	193	
Nom. Surplus/Deficit		-552	-192	

Sources: Central Bank of Lebanon, Ministry of Finance

In parallel, the Central Bank of Lebanon maintained the LP/US\$ Sayrafa rate at LP/US\$ 85,500 this week, while the average daily trading volume dropped from US\$ 163 million last week to US\$ 111 million this week. Within this context, the spread between the LP/US\$ Sayrafa rate and the LP/US\$ black market rate reached LP 7,000 this week against LP 5,500 last week.

On another note, the Central Bank of Lebanon released its latest bi-monthly balance sheet ending 15th of July 2023, which showed that BDL's liquid FX reserves increased by US\$ 91 million over the first half of the month to reach circa US\$ 9.4 billion mid-July, after excluding BDL's Eurobond holdings.

EXCHANGE RATES

	21/07/2023	14/07/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	19,287.00	19,683.00	1,813.97	↑
LP/¥	105.75	108.46	11.27	↑
LP/SF	17,317.02	17,492.71	1,628.67	↑
LP/Can\$	11,380.88	11,432.93	1,108.21	↑
LP/Euro	16,692.00	16,849.50	1,603.83	↑

Source: Bank Audi's Group Research Department

STOCK MARKET: LEBANESE EQUITY MARKET SHIFTS TO POSITIVE TERRITORY

The Beirut Stock Exchange shifted into a positive territory during this four-day week, registering price gains of 1.8%, as market players showed appetite for Solidere shares, noting that the latter accounted for more than 93% of total activity.

In details, Solidere "A" share price increased by 2.3% to US\$ 74.70. Solidere "B" share price closed 2.9% higher at US\$ 74.20. As to banking stocks, BLOM's GDR price jumped by 11.0% to US\$ 2.22, followed by Byblos Bank's "listed" shares with +7.1% to US\$ 0.75 and Bank Audi's GDRs with +0.7% to US\$ 1.40. In contrast, BLOM's "listed" share price shed 2.3% to US\$ 2.50. Bank Audi's "listed" share price stood unchanged at US\$ 1.75.

As to trading volumes, the BSE total turnover reached US\$ 2.6 million during this four-day week versus US\$ 12.5 million over the past five-day week.

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AUDI INDICES FOR BSE

	21/07/2023	14/07/2023	30/12/2022	
Market Cap. Index	745.25	731.95	614.50	↑
Trading Vol. Index	32.84	44.67	96.84	↓
Price Index	156.45	153.66	129.00	↑
Change %	1.82%	-3.30%	1.30%	↑

	21/07/2023	14/07/2023	30/12/2022	
Market Cap. \$m	17,680	17,365	14,578	↑
No. of shares traded (Exc. BT)	118,461	269,719	187,711	↓
Value Traded \$000 (Exc. BT)	2,590	12,489	6,415	↓
o.w. : Solidere	2,416	12,316	6,349	↓
Banks	174	151	66	↑
Others	0	22	0	↓

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

BOND MARKET: LEBANESE EUROBOND PRICES AT RECORD LOWS AMID MULTIFACETED CRISIS

While all eyes remained focused on the transition in Central Bank leadership when the current governor's term ends on July 31, and amid a deepened multifaceted crisis and delays in implementing long-overdue reforms, and in the absence of the legislative activity, Lebanese Eurobond prices remained at their historical lows of 6.625 cents per US dollar this week. On a cumulative basis, the bond market registered year-to-date price gains of 0.88 pt to 1.00 pt.

EUROBONDS INDICATORS

	21/07/2023	14/07/2023	30/12/2022	
Total tradable size \$m	31,793	31,793	31,793	↔
o.w.: Sovereign bonds	31,314	31,314	31,314	↔
Bid price (cents per US dollar)	6.63	6.63	5.50-5.88	↔
Average Life	4.92	4.94	5.34	↓
Yield on US 5-year note	4.07%	3.96%	3.94%	↑

Source: Bank Audi's Group Research Department

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INTERNATIONAL MARKET INDICATORS

	21-Jul-23	14-Jul-23	31-Dec-22	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	141.72	138.79	131.11	2.1%	8.1%
\$/£	1.285	1.309	1.208	-1.8%	6.4%
\$/Euro	1.112	1.123	1.071	-0.9%	3.9%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	35,227.69	34,509.03	33,147.25	2.1%	6.3%
S&P 500	4,536.34	4,505.42	3,839.50	0.7%	18.1%
NASDAQ	14,032.81	14,113.70	10,466.48	-0.6%	34.1%
CAC 40	7,432.77	7,374.54	6,473.76	0.8%	14.8%
Xetra Dax	16,177.22	16,105.07	13,923.59	0.4%	16.2%
FT-SE 100	7,663.73	7,434.57	7,451.74	3.1%	2.8%
NIKKEI 225	32,304.25	32,391.26	26,094.50	-0.3%	23.8%
COMMODITIES (in US\$)					
GOLD OUNCE	1,961.94	1,955.21	1,824.02	0.3%	7.6%
SILVER OUNCE	24.61	24.95	23.95	-1.3%	2.8%
BRENT CRUDE (per barrel)	81.07	79.87	83.10	1.5%	-2.4%
LEADING INTEREST RATES (%)					
Term SOFR 1-month	5.30	5.23	4.36	0.07	0.94
US Prime Rate	8.25	8.25	7.50	0.00	0.75
US Discount Rate	5.25	5.25	4.50	0.00	0.75
US 10-year Bond	3.83	3.83	3.87	0.00	-0.04

Sources: Bloomberg, Bank Audi's Group Research Department

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