

## Economy

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### p.9 MARKETS IN BRIEF: LP/US\$ BLACK MARKET RATE PIERCING LP 90,000 LEVEL DOWNWARD FOR FIRST TIME SINCE EARLY-MARCH

Few days before the end of the Central Bank governor's term on July 31 and in the absence of a political consensus for appointing a new governor, while Lebanon is reeling under the weight of an open-ended Presidential crisis, a lack of legislative activity and a caretaker government, the LP/US\$ parallel market rate pierced for the first time since early-March 2023 the 90,000 level downward, while equities registered further price gains and Eurobond prices remained at historical lows. In details, the LP/US\$ black market rate declined for the first time since March 10, 2023 to LP/US\$ 88,200-LP/US\$ 88,700 despite lingering concerns about "Sayrafa" platform decommissioning after July 31. This came amid belief that the Central Bank is able to absorb fully the currency in circulation outside BDL estimated at circa LP 79 trillion, by injecting US\$ 900 million on the FX market, drawing on its liquid FX buffers estimated at US\$ 9.4 billion. On the equity market, the BSE price index jumped by 5.4% amid increased bid for Solidere shares, while the total turnover more than tripled week-on-week. Finally, prices of sovereigns reached 6.750 cents per US dollar on Friday amid darkened domestic political outlook and lingering reform uncertainties.

### LEBANON MARKETS: JULY 24 - JULY 30, 2023

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

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## ECONOMY

### IMF ARTICLE IV CONSULTATION MISSION REPORT FOR LEBANON: A PROMISING WAY OUT FOR LEBANON'S CRISIS

The just issued IMF Article IV Consultation Mission report for Lebanon looks quite constructive. On one hand, it describes well the crisis and its outcomes, while fairly outlining responsibilities and challenges. On the other hand, it draws the requirements of a promising way out of the crisis, especially in its recommendations for fiscal policy, monetary policy and banking reforms.

The IMF report stated that output contracted by an estimated 40 percent over 2019–22, the lira lost about 98 percent of its value in the parallel market, triple digit inflation has decimated real incomes, unemployment increased sharply to 30%, all exacerbating poverty. After three years, the public sector is failing, the provision of public services is almost nonexistent, and the banking sector has buckled. Informality and the shadow economy have increased sharply. Uncertainty is very high and the outlook hinges on the authorities' willingness to implement overdue reforms. Without reforms, the economy will remain depressed with irreversible consequences for the country.

With respect to fiscal strategy, the IMF says that a restructuring of Eurobonds together with an ambitious but feasible improvement in the primary balance should aim to reduce the debt-to-GDP ratio and the gross financing needs to sustainable levels. The tax base should be broadened to create space for higher social and reconstruction spending, while expenditure policy reforms should create a more efficient public administration. Strong international donor financing on concessional terms would be needed to support the authorities' efforts. Wide-ranging SOEs reforms are needed to improve their governance, operational viability and limit fiscal risks, particularly, the energy sector to provide better and fairly priced services without draining public resources.

As to monetary policy, the IMF says that unification of the exchange rate and tight monetary policy are needed to rebuild credibility and improve the external position of the economy. Unification would remove harmful distortions, eliminate rent-seeking opportunities, reduce pressures on FX reserves, and pave the way for a market-determined exchange rate. The process should be accompanied by temporary capital controls to help guard the limited FX resources in the financial system needed to ensure an equitable solution for depositors. To help reduce inflation following unification, tight monetary policy would need to make use of all the available tools, and central bank financing to the government should be strictly prohibited. Foreign exchange interventions will need to be very limited and only for disorderly market conditions.

The IMF says upfront actions needed to address the exceptionally large financial sector losses that are due to systemic rather than individual crisis. While the precise formulation of measures should be decided by the authorities, the broader objectives should aim to restore banks profitability and solvency and ensure compliance with prudential requirements according to the Fund. These are essential for confidence in the banking system to return and for banks to be able to play their institutional role in safely intermediating resources in the economy. In this context, the roadmap ahead could include:

- Writing off capital, subordinated debt instruments, and related-party deposits.
- Internal recapitalization through a reduction of the overall deposits by a combination of: (i) write-offs; (ii) conversion into equity or long-term bonds in banks; and (iii) lirafication of deposits at non-market rates.
- Protection of small FX depositors up to a certain amount in viable banks that will undergo restructuring and recapitalization based on a forward-looking analysis of their business plans.
- Fresh capital from current and/or new shareholders for viable banks to recapitalize and restructure these banks under credible and time-bound plans for each bank.
- The exit of unviable banks (by liquidation or a merger with stronger banks).

Having said that, the IMF says that any recourse to public resources should be limited and consistent with the debt sustainability objective. The IMF, which looked somewhat open to the concept of the Deposit Recovery Fund, was supportive of limited use of public resources to improve the BdL's capital position, subject to strict preconditions on BdL's governance according to the report.

Finally, we, at Bank Audi's research department, believe there is no way out for Lebanon's crisis without a full-fledge agreement with the IMF. Lebanon is in dire need of international assistance that would be directly ensured by an IMF program. Moreover, the IMF agreement represents a necessary condition for donor countries and institutions to financially support as a fulfillment of previous pledges that did yet not concretize in the absence of

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a credible watchdog for Lebanon's needed reforms which is the International Monetary Fund.

As such, fingers are crossed so that an agreement between the IMF and Lebanon materializes and succeeds to put an end to the atypical economic and financial crisis that Lebanon fell into over the past four years and to reestablish a positive economic growth momentum and to reach a trend reversal in the huge socioeconomic pressures on Lebanese households. There is a wide conviction in Lebanon that if no IMF agreement takes place, more deterioration is yet to come at the macro level, at the financial level, at the monetary level and at the social level. So Lebanon needs to be fully committed from its side to anything it can do to ensure compliance in the critical negotiation process that we consider as a historical opportunity for Lebanon at large.

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## COOPERATION AGREEMENT BETWEEN MOET AND WFP FOR PRICE MONITORING IN LEBANON

An agreement of cooperation was signed between the Lebanese Ministry of Economy and Trade (MoET) and the United Nations World Food Program (WFP) for the monitoring of prices and the protection of consumers in the country.

The agreement states that the WFP will offer the MoET technical assistance for the implementation of a market price information system as well as the issuance of a monthly report on food prices in the Lebanese market. The aim of these steps is to increase transparency in pricing throughout the country's market and strengthen consumer protection efforts.

According to the Lebanese Caretaker Minister of Economy and Trade, the WFP has continuously helped the ministry with matters of price monitoring and consumer protection through the country's economic challenges. The General Directorate of Economy and Trade and the Consumer Protection Directorate (CPD) have both benefited from the expertise brought by the WFP in the local market.

The agreement will in turn integrate the CPD's work with the capabilities of the WFP especially in matters of reporting, price monitoring and the utilization of accumulated data and information from years of work which will ensure transparency, accuracy and the stability of prices.

According to the Lebanese Caretaker Minister of Economy and Trade, combating violations & corruption and price monitoring is majorly reliant of technology. In turn, the provision of the WFP with the modern and advanced platform to the MoET will assist supervisors and the ministry's management in producing regular reports on the situation of the market and the monitoring of prices for essential products. The ministry was in dire need for such a program to better execute its duties and protect the consumer. As a result, this cooperation agreement will be positive to the ministry and the citizens as it helps provide a clear view of price inflation and in making clearer and more detailed reports.

According to a statement by the Country Director and Representative of the WFP, this mechanism will allow the MoET to have access to date on prices following a weekly and monthly basis which will enable the production of accurate reports on the topic. Additionally, the monitoring of a wide range of products with the ability to add more according to the ministry's needs will be enabled through the agreement.

Concurrently, the WFP is ready to provide the ministry with indicators, prices and field teams on the ground in case it does not have them, otherwise the continuity of price monitoring would not be possible.

It is worth noting that according to the Country Director and Representative of the WFP, the program has gathered experience through collaboration with all partners in Lebanon since 2012. The WFP is present throughout the country's territories, especially in points of essential commodities distribution where regular and continuous price monitoring is ongoing.

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## EDL INCREASES ELECTRICITY SUPPLY BY TWO HOURS FOR CERTAIN AREAS

An increase of power supply by two additional hours per day from Lebanon's Électricité du Liban (EDL) to certain areas in the country. This decision comes following positive developments in the implementation of the national emergency plan in the electricity sector. This increase will remain in effect even if overall hours of supply increase later on. However, the risk of a general blackout throughout the country exists if the stability of

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the national gridline is compromised as a result of limited production capacity.

In details, the increase in power supply applies to the outlets that have been inspected and cleared in the first phase of the network encroachment removal plan. According to a statement by EDL, this plan was carried out with the assistance of the security forces and the inspected outlets held 10% of all violations in the country. The first phase of the plan covered 216 out of 800 medium-voltage outlets. The outlets that were inspected during the first phase include those in the administrative area of Beirut and regions supplied by the Litani River Authority facility and all distribution outlets that power public facilities in the country.

It is worth noting that as per EDL's statement, these are the areas that will benefit from the increase: Ras Beirut, Manara, Kouraytem, part of Hamra, Raoucheh, UNESCO, Sadat, Ain El-Tineh, Solidere, Sioufi, Ashrafieh, Geitawi, Karm el Zeytoun, Hotel Dieu, Nahr, Mar Mikhael, Mar Mitr, Adlieh, Al-Nasra, Badaro, Karantina and Ras Al-Nabaa. In parallel, the EDL is set to activate an additional unit at the Deir Ammar power plant during summer in a bid to increase its production capacity and the stability of its power supply to the network.

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## WFP RELEASES ITS LEBANON SITUATION REPORT FOR THE FIRST FOUR MONTHS OF 2023

According to the United Nations World Food Program (WFP), Lebanon is currently in its fourth year of economic, political and social crisis. In parallel, driven mainly by the depreciation of the local currency, Lebanon's cost of the Survival Minimum Expenditure Basket (SMEB) has reached LP 27.2 million per month for a family of five in April 2023. This figure denotes a 350% increase year-on-year and a 10% increase against March 2023. The cost of Lebanon's food basket alone was registered at a monthly LP 2.7 million per person, up by 5% against March 2023.

It is worth noting that at the level of funding requirements, WFP has set the total funding required for Lebanon in 2023 at US\$ 1.8 billion, 22% of which was received.

Looking at WFP's crisis response through cash assistance towards refugees, the program has reached its 2023 target in May to reach a million people through its refugee crisis response. The program has given 1,029,000 refugees cash-based assistance following three modalities: Multipurpose cash, cash-for-food and food e-cards. In parallel, the WFP has supported 74,000 vulnerable Lebanese households (279,000 individuals) with food parcels, 75,800 public school students with meals and snacks as well as 372,000 Lebanese citizens through the National Poverty Targeting Program.

The situation at assistance redemption points has improved in May with less transaction & waiting times, less crowding and less tension. A 70% decrease in the number of ATMs without cash was observed along with a 33 percentage point decrease in reported crowding at ATMs during May against the month prior. In turn, average waiting time at redemption points decreased from 41 minutes in April 2023 down to 12 minutes in May 2023, as per WFP's Lebanon Situation Report.

It is worth mentioning that in April 2023, WFP in cooperation with 24 sector partners has reached 1.9 million refugees and Lebanese through cash and food assistance. Additionally, the program has supported 500 farmers and 27 agricultural cooperatives, associations and small businesses.

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## SURVEYS/REPORTS

### HOTEL OCCUPANCY DOWN TO 36% IN FIRST FOUR MONTHS 2023, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for the first four months 2023 (four and five star hotels), in which it showed that the performance of Lebanon's hospitality sector witnessed a relative contraction in occupancy rate coupled with a net decline 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 36% in the first four months 2023, against 39% in the same period of the previous year, down by 3%, as per EY.

The occupancy rate within Beirut was ranked 13th among 13 regional cities included in the survey. It was directly surpassed by Jeddah and Amman (55% and 46% respectively).

Madinah ranked first in the Middle East, with an 88% occupancy rate, followed by Dubai (82%), while Beirut came last.

Beirut's room rate moved down to US\$ 52 in the first four months of 2023 from US\$ 56 in the same period of the previous year.

The rooms' yield declined to reach US\$ 19 in the first four months of 2023, compared to US\$ 22 in the same period of 2022 as a result of the decline in both room rate and occupancy.

#### ERNST & YOUNG MIDDLE EAST HOTEL BENCHMARK SURVEY

	Occupancy %		Average Room Rate (US\$)		Room Yield (US\$)	
	4M 2023	4M 2022	4M 2023	4M 2022	4M 2023	4M 2022
Madinah	88	80	197	142	174	113
Dubai	82	77	383	405	314	311
Makkah	82	65	262	209	214	135
Abu Dhabi	80	79	110	82	87	65
Cairo	69	64	138	61	95	39
Riyadh	64	66	197	177	126	116
Muscat	62	47	139	129	86	61
Doha	58	59	116	107	67	63
Manama	57	41	162	157	92	65
Kuwait City	55	38	185	241	102	91
Jeddah	55	48	227	211	125	101
Amman	46	36	139	141	64	51
<b>Beirut</b>	<b>36</b>	<b>39</b>	<b>52</b>	<b>56</b>	<b>19</b>	<b>22</b>

Sources: Ernst & Young, Bank Audi's Group Research Department

### NEW WORLD BANK PROGRAM PROVIDES LIFELINE TO LEBANON'S POOR BY BOLSTERING SUSTAINABLE FOOD SYSTEMS

The World Bank Group's Board of Executive Directors approved a US\$ 200 million financing to improve the resilience of farmers and small and medium enterprises (SMEs) in the Lebanese agri-food sector in the face of the multiple crises facing the country. The Green-Agri Food Transformation for Economic Recovery (GATE) Project will support productive investments that improve the agriculture sector productivity and enhance access to markets.

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The agri-food sector is a lifeline for a large share of the Lebanese poor, providing livelihoods to approximately 20% of the population and contributing to food security. Over the past years, the sector has been severely impacted by the compounded crises in the country. The global rise in the prices of fertilizers and fuel, compounded by the foreign exchange crisis in Lebanon, has severely impacted agricultural production. Farmers and agri-food SMEs have totally lost access to finance due to the financial and banking crisis. The sector's viability has been further threatened by the breakdown in public service provision, with water and soil quality or basic rural road connectivity rapidly deteriorating. Historically, the sector is characterized by weak integration of value chains, lack of aggregation and poor food safety which limit economies of scale and reduce its competitiveness. All these challenges are further compounded by the impact of climate change and the increasingly scarce water and land resources implying an urgency to adopt climate smart practices and regulations.

The new financing provides an integrated support package that aims to address the challenges farmers and agri-food SMEs are facing as a result of the multiple crises. The project will support climate smart investments in agri-food value chains by restoring access to finance for farmers and agri-food SMEs. The project will also support climate smart infrastructure and services for agri-food development in rural areas through the rehabilitation and upgrading of selected irrigation schemes, wastewater and solid waste management facilities, farmers exhibition centers, and through the rehabilitation of rural feeder roads and construction of hill lakes. Project activities will also help improve the enabling environment and restore support services for agri-food development by supporting the digitalization of various practices and functions (agri-census, land productivity map...), strengthening food security and safety management processes and improving agri-food export promotion and marketing systems.

Approximately 80,000 farmers (almost 50% of the total number of farmers), in rural areas across the country are estimated to directly benefit from various project activities including financing, capacity building, improved services and infrastructure. Special attention will be devoted to ensure equal access to opportunities for vulnerable groups, including women and youth. Furthermore, approximately 110 municipalities will benefit from improved services and infrastructure. The project will also preserve livelihood opportunities to more than 22,000 farmers and workers and create around 2200 new job opportunities through improved production capacity at beneficiary SMEs and through public works/rehabilitation of agriculture related infrastructure. A broader range of stakeholders, such as aggregators, traders and exporters and other ecosystem stakeholders, will also benefit from the increased efficiency of marketing, the development of innovations in digital agriculture, improved food safety and quality and export opportunities. The Project will also help improve the overall food safety through safer and better-quality products. Finally, through system building and digitization programs, government implementing agencies will benefit from increased capacity to implement their mandates and to monitor and evaluate the results of their respective programs.

A Project Steering Committee, chaired by the Minister of Agriculture, Minister of Energy and Water and Minister Economy and Trade, will be established to oversee the implementation of project activities, and address issues of a policy nature that might arise during project execution. Overall project implementation will be led by the Council for Development and Reconstruction (CDR). The administration of loans to agri-food SMEs will be implemented by Kafalat S.A.L, while the implementation of infrastructure works in rural communities will be implemented by the Green Plan in close coordination with the respective municipalities and unions of municipalities. The project will strengthen the management of the agri-food sector and cooperation across all relevant institutions to ensure a coordinated approach to achieve sector objectives and provide a path towards broader reforms.

The GATE Project has in place multiple layers of mitigation measures to ensure efficient and transparent implementation of activities under World Bank supervision and following the Bank's procurement and financial management regulations and procedures. A third-party monitoring agent will ensure all contracts implemented under the Project are effectively processed and implemented, via regular verification missions and reporting processes. An independent external auditor will audit all project operations including cross-verification of the data between the third-party monitoring agent reports and the reports produced by the implementing parties.

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## CORPORATE NEWS

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### THE USA AND UNDP BEGIN CASH DISTRIBUTION TO SUPPORT LAF MEMBERS

The United States of America (USA) in cooperation with the United Nations (UN) have begun the distribution of cash assistance for personnel in the Lebanese Armed Forces (LAF). The cash assistance comes under the Livelihood Support Program and will distribute temporary financial support to 70,000 individuals within the LAF.

The program is valued at US\$ 55.5 million and will provide eligible members of the LAF to receive US\$ 100 in cash per month for a period of six months. This move comes as an effort to help alleviate some of the hardships faced by the LAF personnel amid the current crisis.

According to a statement by the US Embassy in Beirut, the financial aid comes in a bid to assist LAF personnel in facing economic hardships. This comes amid the personnel's efforts to serve Lebanon and ultimately contributing to the stability and security of the country and the region.

This program, funded by the USA, assigned the UN Development Program (UNDP) for the disbursement of the funds through a financial service provider.

It is worth noting that in April, a similar and equivalent program was started for the support of Lebanon's Internal Security Forces (ISF) personnel. This program was valued at US\$ 16.5 million and distributes temporary cash assistance to ISF personnel for a period of six months.

According to the US Embassy in Lebanon, the issuance of cash disbursements to the LAF and the ISF comes as part of the USA's commitment to strengthening key institutions in Lebanon which are crucial for the security and stability of the country.

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### EU ALLOCATES EUR 4 MILLION TO SUPPORT LEBANON'S CIRCULAR ECONOMY

Funding valued at EUR 3.7 million (US\$ 4.0 million) was allocated by the European Union (EU) towards 2Circular. This project, implemented by the United Nations Industrial Development Organization (UNIDO), aims to support Lebanon's green and circular economy.

According to UNIDO, 2Circular has the goal of partnering with over 50 companies in the food and beverage sector in order to create momentum for Lebanon's green and circular production. Additionally, the project will award 10 companies that are regarded as resource-efficient and circular friendly with EUR 280,000.0 (US\$ 305,303.6) of in-kind grants.

The project was launched as a partnership from UNIDO with the Lebanese Ministries of Industry, Economy & Trade, Environment and Finance as well as the Association of the Lebanese Industrialists and the Federation of the Chambers of Commerce, Industry and Agriculture.

It is worth noting that the concept of circular economy stands as an alternative to the traditional form of linear economy. This economic model aims to maximize the use of resources through keeping them in use for as long as possible and the relocation of waste standing at the end of the supply chain back to the top of the chain.

A country or sector's transition into a circular economic model aims to create a cleaner and more resource efficient production system. In turn, this increases companies' competitiveness without compromising the environment. This is done through the lowering of production costs (through the re-use of resources), the reduction in waste production and, in turn, the optimization of production, as per the UNIDO.

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## GERMANY DONATES SCANNERS FOR LEBANON'S BIA AMID EFFORTS TO INCREASE SECURITY

Germany has donated scanners to Lebanon's Beirut International Airport (BIA) which have been installed in the airport's cargo shipment, goods export and DHL freight building. The scanners are used for the detection of drugs and explosives.

During a visit to inspect the new scanners, Lebanon's Caretaker Prime Minister stated that the aim of this integration is for the BIA to reflect the bright side of the country. Lebanon cannot be a route for the trade of substances and objects that can be harmful to it and other countries, therefore efforts are underway to ensure the safety and security of exports.

Concurrently, the Lebanese Caretaker Prime Minister announced that Lebanon's BIA is safe thanks to the new scanners. The devices allow the screening rate within the airport to increase by 140.0% from 500 bags per hour previously to 1,200 bags per hour now. Additionally, the Head of the Airport Security Service was notified of the installation of 800 new cameras in and around operations rooms in a bid to detect any suspicious activity.

This move coincided with measures by Lebanon's various security forces to increase internal security and stability.

In details, the Lebanese Internal Security Forces (ISF) have busted a major drug-trafficking network in Mount Lebanon. The network was targeting large segments of Lebanon's youth and were described as a major threat to social security in the country.

Additionally, according to the General Directorate of the ISF, a significant decline in crimes (such as murders, robberies, car thefts, pickpocketing among others) was recorded in the first quarter (Q1) of 2023. In Q1 2023, 1,633 crimes were recorded in Lebanon, down from 2,444 in Q1 2022. This figure denotes a year-on-year decline of 33.2% during the period. This comes as a result of the ISF arresting 1,065 wanted persons throughout the country within the first three months of the year. This decrease in crimes follows a surge noticed in 2022.

These efforts to reduce crime and increase security and monitoring on exports come amid hopes of the tourism sector's revival and the thawing of relations with the international community.

A major component contributing to the diplomatic crisis between Lebanon and Arab states came as the former became somewhat of a hub for drug exports, especially hashish and captagon. However, following the Saudi-Iranian rapprochement, Arab countries have been working to thaw relations with Lebanon. In turn, guarantees to increase monitoring of exports to thwart the smuggling of drugs and other illicit products were agreed upon and the setting up of scanners is one step in that direction.

Looking at the tourism component, security and stability play a big role in attracting foreign tourists. As Lebanon's summer season comes, coordination between multiple fronts took place in order to prove the security forces' capability in retaining law and order within the country. An event that showcased that capability was the swiftness in action from the Lebanese Armed Forces to recover a kidnapped Saudi citizen and bust the criminal organization that perpetrated the crime.

In turn, these moves can be seen as a sort of redemption and a show of seriousness to external partners to build trust with Lebanon's establishments inevitably boosting trade, tourism and investment.



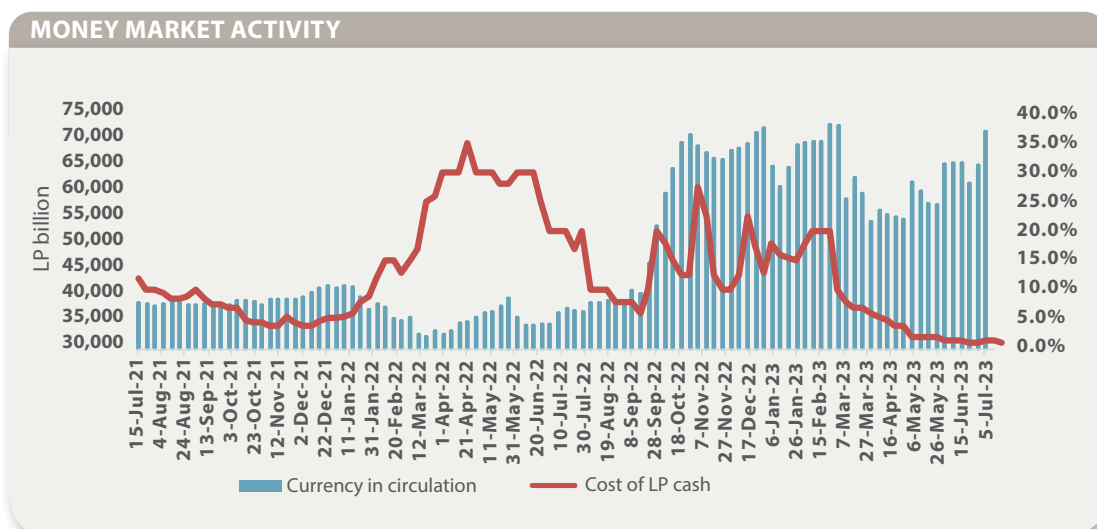
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## CAPITAL MARKETS

### MONEY MARKET: SHY EXPANSION IN TOTAL RESIDENT DEPOSITS WEEK-ON-WEEK

The overnight rate, which is a non-cash rate on the money market, remained quoted at 100% this week, mainly due to technical reasons related to LP funds deposited in fresh LP accounts at BDL, which are inaccessible for interbank lending purposes. Concurrently, the cost of LP cash continued to hover around 1%-2%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 13th of July 2023 showed a shy expansion in total resident banking deposits of LP 76 billion week-on-week. This is mainly attributed to an increase in foreign currency resident deposits of LP 863 billion (the equivalent of US\$ 58 million as per the official rate of LP 15,000), while total LP resident deposits contracted by LP 787 billion amid a decrease in LP demand deposits of LP 535 billion and a retreat in LP saving deposits of LP 252 billion. However, the money supply in its broadest sense (M4) contracted significantly by LP 7,718 billion over the covered week amid a LP 7,347 billion decline in currency in circulation.



### TREASURY BILLS MARKET: LARGE WEEKLY NOMINAL SURPLUS OF LP 673 BILLION

The latest Treasury bills auction results for value date 27th of July 2023 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the six-month category (offering a yield of 4.00%), the two-year category (offering a coupon of 5.00%) and the ten-year category (offering a coupon of 7.00%).

The Treasury bills auction results for value date 20th of July 2023 showed subscriptions of LP 760 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 74 billion in the three-month category (offering a yield of 3.50%), LP 686 billion in the one-year category (offering a yield of 4.50%) and LP 9.5 million in the five-year category (offering a coupon of 6.00%). These compare to maturities of LP 87 billion, which resulted into a large nominal weekly surplus of LP 673 billion.

### FOREIGN EXCHANGE MARKET: LP GAINING SOME GROUND AGAINST US DOLLAR

As the countdown for the end of the current Central Bank governor's term has started amid lingering concerns about "Sayrafa" platform decommissioning, and on bets that BDL would be able to curb currency swings in the coming period, the LP/US\$ black market rate declined to LP/US\$ 88,200-LP/US\$ 88,700 on Friday compared to LP/US\$ 92,200-LP/US\$ 92,500 at the end of last week, noting that this is the first time that the LP/US\$ parallel market rate pierces the 90,000 level downward since March 10, 2023.

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## TREASURY BILLS

	28/07/2023	21/07/2023	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%	↔
10-year	7.00%	-	7.00%	
<b>Nom. Subs. (LP billion)</b>		<b>760</b>	<b>1</b>	
Short-term (3&6 mths)		74	-	
Medium-term (1&2 yrs)		686	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		0.01	-	
<b>Maturities</b>		<b>87</b>	<b>193</b>	
<b>Nom. Surplus/Deficit</b>		<b>673</b>	<b>-192</b>	

Sources: Central Bank of Lebanon, Ministry of Finance

This came amid belief that the Central Bank is able to absorb the currency in circulation outside BDL estimated at circa LP 79 trillion, by injecting around US\$ 900 million into the FX market, drawing on its liquid FX reserves currently estimated at US\$ 9.4 billion.

Concurrently, the Central Bank of Lebanon maintained the LP/US\$ Sayrafa rate at LP/US\$ 85,500 this week. Within this context, the spread between the LP/US\$ Sayrafa rate and the LP/US\$ black market rate reached LP 3,200 compared to LP 7,000 last week.

## EXCHANGE RATES

	28/07/2023	21/07/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	19,212.00	19,287.00	1,813.97	↑
LP/¥	107.40	105.75	11.27	↓
LP/SF	17,217.63	17,317.02	1,628.67	↑
LP/Can\$	11,327.59	11,380.88	1,108.21	↑
LP/Euro	16,441.50	16,692.00	1,603.83	↑

Source: Bank Audi's Group Research Department

## STOCK MARKET: EXTENDED WEEKLY EQUITY PRICE GAINS

The BSE price index surged further by 5.4% this week, mainly supported by price gains in Solidere shares. Six out eight traded stocks registered price increases, while one stock posted price falls and another stock saw no price change week-on-week.

In details, Solidere "A" and "B" share prices jumped by 7.0% and 7.8% respectively this week to reach US\$ 79.95 and US\$ 80.00 respectively. As to banking stocks, Bank Audi's "listed" share price climbed by 8.0% to US\$ 1.89. BEMO's "listed" share price surged by 8.7% to US\$ 1.25. BLOM's "listed" share price edged up by 0.4% to US\$ 2.51. In contrast, BLOM's GDR price shed 9.9% to US\$ 2.00. Bank Audi's GDR price stood unchanged at US\$ 1.40. Amongst industrials, Ciments Blancs Nominal's share price nudged up by 0.2% to US\$ 22.05.

As to trading volumes, the BSE total turnover more than tripled week-on-week to reach US\$ 8.3 million, noting that Solidere shares continued to capture the lion's share of activity (96.34%).

# Bank Audi

## AUDI INDICES FOR BSE

	28/07/2023	21/07/2023	30/12/2022	
Market Cap. Index	785.71	745.25	614.50	↑
Trading Vol. Index	28.85	32.84	96.84	↓
Price Index	164.95	156.45	129.00	↑
Change %	5.43%	1.82%	1.30%	↑

	28/07/2023	21/07/2023	30/12/2022	
Market Cap. \$m	18,640	17,680	14,578	↑
No. of shares traded (Exc. BT)	262,531	118,461	187,711	↑
Value Traded \$000 (Exc. BT)	8,345	2,590	6,415	↑
o.w. : Solidere	8,040	2,416	6,349	↑
Banks	303	174	66	↑
Others	2	0	0	↑

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

## BOND MARKET: EUROBOND PRICES AT THEIR LOWS AMID MULTIFACETED CRISIS

As Lebanon is reeling under the weight of a deepened multifaceted crisis, and amid uncertainties surrounding the Central Bank governor's departure, which compounded with bets about low recovery rates given the very slow progress in implementing reforms, Lebanese Eurobond prices remained at their historical lows this week, closing at 6.750 cents per US dollar compared to 6.625 cents per US dollar last week. On a cumulative basis, the bond market registered year-to-date price gains of about 1.00 pt.

## EUROBONDS INDICATORS

	28/07/2023	21/07/2023	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)	6.75	6.63	5.50-5.88	↑
Average Life	4.90	4.92	5.34	↓
Yield on US 5-year note	4.18%	4.07%	3.94%	↑

Source: Bank Audi's Group Research Department

# Bank Audi

## INTERNATIONAL MARKET INDICATORS

	28-Jul-23	21-Jul-23	31-Dec-22	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	141.16	141.72	131.11	-0.4%	7.7%
\$/£	1.285	1.285	1.208	0.0%	6.4%
\$/Euro	1.102	1.112	1.071	-1.0%	2.9%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	35,459.29	35,227.69	33,147.25	0.7%	7.0%
S&P 500	4,582.23	4,536.34	3,839.50	1.0%	19.3%
NASDAQ	14,316.66	14,032.81	10,466.48	2.0%	36.8%
CAC 40	7,476.47	7,432.77	6,473.76	0.6%	15.5%
Xetra Dax	16,469.75	16,177.22	13,923.59	1.8%	18.3%
FT-SE 100	7,694.27	7,663.73	7,451.74	0.4%	3.3%
NIKKEI 225	32,759.23	32,304.25	26,094.50	1.4%	25.5%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,959.49	1,961.94	1,824.02	-0.1%	7.4%
SILVER OUNCE	24.34	24.61	23.95	-1.1%	1.6%
BRENT CRUDE (per barrel)	84.99	81.07	83.10	4.8%	2.3%
<b>LEADING INTEREST RATES (%)</b>					
Term SOFR 1-month	5.32	5.30	4.36	0.02	0.96
US Prime Rate	8.50	8.25	7.50	0.25	1.00
US Discount Rate	5.50	5.25	4.50	0.25	1.00
US 10-year Bond	3.95	3.83	3.87	0.12	0.08

Sources: Bloomberg, Bank Audi's Group Research Department

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