

Economy

CONTACTS

Treasury & Capital Markets

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

Corporate Banking

Carol Ayat
(961-1) 959675
carol.ayat@bankaudi.com.lb

Mohamad Baydoun
(961-1) 959703
mohamad.baydoun@bankaudi.com.lb

Marketing and Communications

Marion Abou Jaoudé
(961-1) 977356
marion.abou-jaoude@bankaudi.com.lb

RESEARCH

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

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

Michèle Khoury Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Stephanie Bou Sleiman
(961-1) 952397
stephanie.bousleiman@bankaudi.com.lb

Elias Missi
(961-1) 959747
elias.missi@bankaudi.com.lb

p.2 LPA SAYS DATA AND SAMPLES OBTAINED FROM INSIDE THE WELL WILL CONSTITUTE NEW HOPE AND POSITIVE DATA FOR THE CONTINUATION OF EXPLORATION OPERATIONS

The Lebanese Petroleum Administration (LPA) - Ministry of Energy and Water issued a statement last week regarding gas exploration.

Also in this issue

p.3 Value of cleared checks in LP hikes by 78% in the first nine months of 2023

p.4 EDL extends the deadline for the settlement of arrears from public administrations for one month

p.4 Germany pledges to provide US\$ 2.1 million in fuel and medical supplies to the LAF

Surveys/Reports

p.5 LEBANON RANKS 33RD GLOBALLY IN AGILITY'S EMERGING MARKETS LOGISTICS INDEX 2023

Agility, a global logistics company with extensive expertise in emerging markets, in collaboration with the logistics research firm Transport Intelligence, released its "Agility Emerging Markets Logistics Index 2023" report in which Lebanon ranked 33rd globally and 11th in the Arab MENA region.

Also in this issue

p.6 Lebanon third in the arab MENA region and 42nd globally as per freedom on the net 2023.

Corporate News

p.7 HEC ALUMNI DIGITAL HUB HOSTED A CONFERENCE ON AI IN LEBANON

A hybrid conference was held in Lebanon highlighting global advancements in Artificial Intelligence (AI) and opportunities it could offer the Lebanese tech environment.

Also in this issue

p.8 Lebanon's Importers Syndicate aiming to stock up on medicine

Markets In Brief

p.9 MARKETS IN BRIEF: LEBANESE EQUITIES ON FALL ON WORRIES ABOUT SNOWBALL DEVELOPMENTS IN ISRAEL-HAMAS CONFLICT

Despite mounting concerns about the military escalation in the Southern border and worries that the Israel-Hamas conflict may broaden to the Lebanese territory, while the country has entered its second year of Presidential void amid worsened economic and living conditions, Lebanon's capital markets continued to witness this week stability in the LP/US\$ black market rate, while market players remained net sellers on the equity market, and Eurobond prices nosedived deeper into the red. In details, the LP/US\$ parallel market rate continued to range between LP/US\$ 89,400 and LP/US\$ 89,700 this week despite deepened Middle East woes and fears that Lebanon may be dragged towards war. Within this context, the Lebanese Finance Ministry unveiled that it has drawn up an emergency plan in case of war, which has highlighted the importance of coordination with the monetary authorities in order to secure liquidity management and avoid pressures on the LP/US\$ exchange rate. On the equity market, the BSE extended its losing streak (-2.3%) amid continuous net selling operations, bringing total price falls since October 7 to 11.5%, while the total turnover almost doubled week-on-week, reaching US\$ 37 million. At the level of the bond market, prices of sovereigns drifted lower to 6 cents per US dollar amid elevated geopolitical risks and fears that Israel-Hamas conflict would ignite into a broader war in the region.

LEBANON MARKETS: OCTOBER 30 - NOVEMBER 5, 2023

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

Bank Audi

ECONOMY

LPA SAYS DATA AND SAMPLES OBTAINED FROM INSIDE THE WELL WILL CONSTITUTE NEW HOPE AND POSITIVE DATA FOR THE CONTINUATION OF EXPLORATION OPERATIONS

The Lebanese Petroleum Administration (LPA) - Ministry of Energy and Water issued the following statement:

After the completion of the drilling activities related to the Exploration Well Qana 31/1 at the drilling site in Block no. 9 Offshore Lebanon by the operator Total Energies, and after the completion of the data acquisition and collection of samples resulting from the drilling activities on Sunday night – Monday (15-16 October 2023), and while waiting for the detailed technical report being prepared by Total Energies, and in compliance with the principles of transparency that the Ministry and the Petroleum Administration have always followed, clarifying the following is a must :

The choice of the well location in the unexplored Qana Basin aimed to provide answers to two essential questions for the future of exploration operations in the Lebanese offshore:

- 1- Confirmation or denial of the existence of reservoirs and their quality, specific to the Lebanese offshore, in a geological layer where reservoirs have not yet been discovered in the Levantine Basin.
- 2- The extent of similarity and extension of the geological layers in which gas discoveries have been recorded in the Sea of occupied Palestine with their counterparts in the Lebanese offshore and the confirmation or denial of the existence of gas reservoirs and their quality.

Through drilling, the targeted layers were penetrated and the presence of a reservoir of good quality containing gas was confirmed in the geological layer where reservoirs have not yet been discovered in the Levantine Basin. The discovery of this reservoir in the Qana Basin requires an extensive study for a deeper understanding that allows the mapping of this type of reservoir in the Qana Basin, along Block 9 and the surrounding blocks in order to determine the locations of reservoirs that can contain hydrocarbons in commercial quantities.

The extension of the geological layers in which gas discoveries were recorded in the Sea of occupied Palestine to the Lebanese offshore was also confirmed, and the presence of reservoirs of very good quality, which contained traces of gas at the site where the well was drilled, was confirmed. In the coming months, the focus would be on using the data acquired and samples collected from inside the well for more accurate modeling of the Qana Basin in order to determine the geographical extent of the reservoirs discovered within it and in the surrounding areas and raise the success rate to achieve future gas discoveries in the Qana Basin and the surrounding areas, which extend over several marine blocks.

Although there was no hydrocarbons discovery as a result of the drilling of this well, the data and samples obtained from inside the well will constitute new hope and positive data for the continuation of exploration operations in Block 9 and other blocks, especially those surrounding Block 9, as it gives additional impetus to exploration in the Lebanese offshore.

Bank Audi

VALUE OF CLEARED CHECKS IN LP HIKES BY 78% IN THE FIRST NINE MONTHS OF 2023

Value of cleared checks in Lebanese Pounds hiked by 77.9% year-on-year in the first nine months of 2023 mirroring an increase in spending in LP during the above-mentioned period. Checks cleared in LP were recorded at LP 45,669 billion in the first nine months of 2023 up from LP 25,682 billion in the same period of 2022.

On the other hand, total value of cleared checks in foreign currency (US\$), reported a 64.4% drop year-on-year, as many businesses are cashing fresh dollars only. Cleared checks in US\$ for in the first nine months of 2023 were recorded at US\$ 2,848 million down from US\$ 8,003 million in the first nine months of the year prior.

The total value of cleared checks, an indicator of consumption and investment spending in the Lebanese economy, reached US\$ 9,966 million in the first nine months of 2023 down by 60.2% from US\$ 25,039 million in the first nine months of the previous year.

It is worth noting that, effective February 1st 2023, the Lebanese Pound underwent a re-peg and was set at LP 15,000/US\$ (up from LP 1,507.5/US\$ prior). In turn, this change in exchange rates has affected the total valuation of cleared checks as checks cleared in LP have to be turned into US\$ for a total valuation.

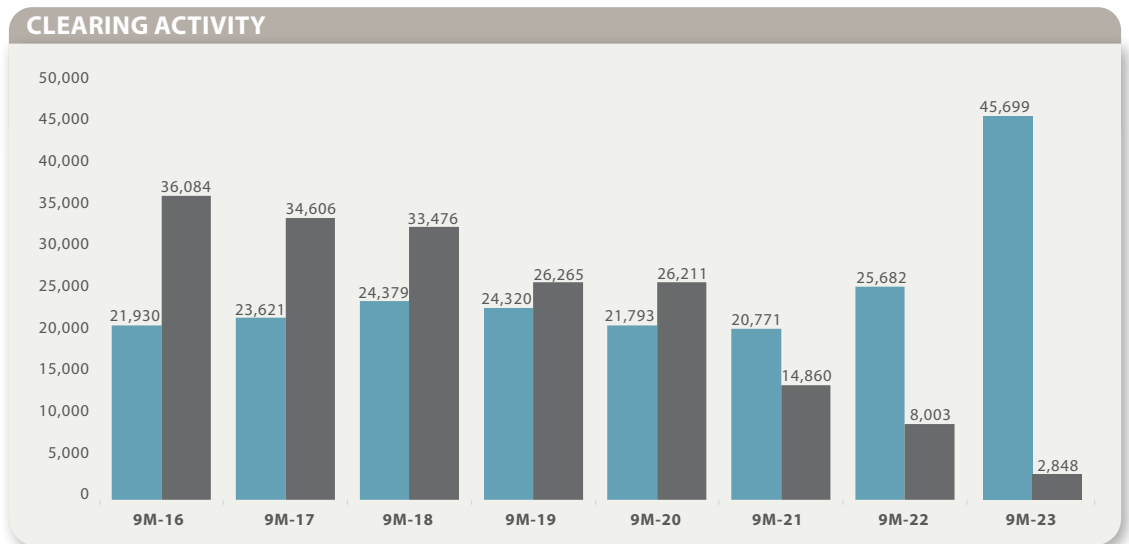
Moreover, the number of cleared checks registered 353,183 in the first nine months of 2023, down by 73.0% from 1,306,237 checks in the same period of 2022.

During the first nine months of 2023, 76.7% of cleared checks were in LP while 23.3% were in US\$.

On the other hand, during the same period of the prior year, 53.4% of all cleared checks were in LP while 46.6% were in US\$ which reflects a decline in the number of cleared checks in US\$.

The average value per check reached US\$ 28,217 in the first nine months of 2023, up by 47.2% from US\$ 19,169 in the same period of 2022.

It is worth noting that the value of returned checks registered US\$ 323 million in the first nine months of 2023 up from US\$ 224 million in the first nine months of 2022, showing an increase of 44.1% year-on-year. The number of returned checks stood at 2,916 in the first nine months of 2023 (57.6% of which are in LP) noting a year-on-year drop of 67.7% down from 9,016 in the first nine months of 2022 (59.3% of which are in US\$).



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

Bank Audi

EDL EXTENDS THE DEADLINE FOR THE SETTLEMENT OF AREARS FROM PUBLIC ADMINISTRATIONS FOR ONE MONTH

The Électricité du Liban (EDL) announced that it will restore electricity supply to public administrations and institutions (including water departments) as was usual before 10/24/2023. This will be done in exchange with a promise from the institutions to settle their arrears with the company within a period of maximum one month. These settlements are to be paid in Fresh Lebanese Pounds cash and sent towards EDL's account in Banque du Liban (BDL). If the institutions fail to settle their arrears again within that period, EDL will return to cutting off supply from those who default on their payments in accordance with applicable laws and regulation. This move comes in order to preserve public revenue, the financial balance of EDL's budget and to ensure the continuity of the positive results achieved by the corporation while implementing the National Emergency Plan for the electricity sector.

According to EDL, electricity is a commodity that needs to be paid for by all consumers. It is not acceptable that citizens and the organization incur losses incurred by defaulting consumers and those who do not pay their dues.

It is worth noting that EDL has issued a myriad of prior warnings to public institutions who do not pay their bills the latest of which was issued on 10/19/2023 with the corporation implementing the cut off of supply for those who continued to not pay their bills effective 10/24/2023. Following the cut-off of supply, the Lebanese Caretaker Prime Minister called for a meeting with the Lebanese Caretaker Minister of Finance, the Lebanese Caretaker Minister of Energy and Water, the Director General of the EDL and the Director General of the Ministry of Finance. The meeting tackled the scheduling of settlement for electricity bills and arrears with promises made to find effective solutions to the payment of bills. Part of these bills comes from the issuance of Medium Tension (MT), by the 11th and 12th months of 2022, with a value of circa US\$ 14 million.

GERMANY PLEDGES TO PROVIDE US\$ 2.1 MILLION IN FUEL AND MEDICAL SUPPLIES TO THE LAF

According to the Lebanese Armed Forces (LAF), an agreement was signed between the Lebanese Army Commander and the German Ambassador to Lebanon in which the latter pledged EUR 2.0 million (circa US\$ 2.1 million) to the LAF.

The US\$ 2.1 million pledge will provide the LAF with fuel and medical equipment.

Additionally, the prospects of boosting the cooperation between the Lebanese and German Armies.

This pledge comes as tensions on the Lebanese-Israeli border have been escalating. In parallel, the LAF has been heavily impacted by the economic crisis, which started in 2019 and has eroded service members' salaries amid currency depreciation.

Bank Audi

SURVEYS/REPORTS

LEBANON RANKS 33RD GLOBALLY IN AGILITY'S EMERGING MARKETS LOGISTICS INDEX 2023

Agility, a global logistics company with extensive expertise in emerging markets, in collaboration with the logistics research firm Transport Intelligence, released its "Agility Emerging Markets Logistics Index 2023" report in which Lebanon ranked 33rd globally and 11th in the Arab MENA region.

In fact, the Agility Emerging Markets Logistics Index 2023 examines four key areas for logistics market development: Domestic Logistics Opportunities, International Logistics Opportunities, Business Fundamentals and Digital Readiness.

Lebanon reported an overall score of 4.58, broken down as follows: 4.48 for domestic Logistics Opportunities, 4.61 for International Logistics Opportunities, 3.79 for Business Fundamentals and 4.80 for Digital Readiness.

The 2023 Agility Emerging Markets Logistics Index presents a data-driven analysis of 50 of the world's most promising emerging logistics markets, reflecting the complexity, connectedness and opportunities each market provides.

Domestic Logistics Opportunities – measures the performance of each emerging market and its potential to sustain and develop domestic demand that requires competitive logistics markets: Domestic logistics markets – size & growth, Economy – size & growth, Population – size & growth, Income equality, Urbanisation, and Development of business clusters.

International Logistics Opportunities – measures internal and external demand for trade intensive logistics services and the capacity of individual emerging markets to facilitate cross-border logistics operations: International logistics markets – size & growth, Logistics intensive trade – size & growth, Infrastructure quality and connectedness, and Border procedures – time & cost.

Business Fundamentals – measures the openness, robustness, fairness and strength of each emerging market's business environment, rule of law and market independence: Regulatory environment, Credit and debt dynamics, Contract enforcement & anti-corruption frameworks, Inflation & price stability, Cost of crime & violence, and Market accessibility & domestic stability.

ARAB MENA COUNTRIES AGILITY MARKETS LOGISTICS INDEX 2023 RANKINGS

Country	Rankings	Overall Scores	Domestic Logistics Opportunities	International Logistics Opportunities	Business Fundamentals	Digital Readiness
UAE	3	6.59	5.60	5.89	9.10	7.37
Saudi Arabia	6	6.07	5.38	5.74	7.86	6.30
Qatar	7	6.02	5.91	4.96	7.92	6.38
Oman	12	5.46	4.95	4.88	7.24	5.81
Bahrain	14	5.31	4.99	4.70	7.15	5.34
Kuwait	15	5.25	5.07	4.64	6.23	5.76
Jordan	16	5.19	4.88	4.75	6.72	5.14
Morocco	20	5.08	4.64	5.09	6.45	4.69
Egypt	21	5.06	5.15	4.72	5.62	5.00
Tunisia	32	4.60	4.61	4.48	5.06	4.39
Lebanon	33	4.58	4.81	4.61	3.79	4.80
Algeria	41	4.45	4.88	4.24	4.61	3.91
Libya	50	3.35	4.48	3.81	1.96	1.84

Sources: Agility, Bank Audi's Group Research Department

Bank Audi

Digital Readiness – measures the potential and progress of an emerging market in becoming a digitally-led, skills rich, innovation-oriented and sustainable economy for the future: Emissions intensity, Renewable energy mix, Digital business models & online commerce, Entrepreneurial risk, Digital skills & human capital, and Availability of enterprise financing.

LEBANON THIRD IN THE ARAB MENA REGION AND 42ND GLOBALLY AS PER FREEDOM ON THE NET 2023

Freedom House released their report “Freedom on the Net 2023” in which Lebanon took over the third position in the Arab MENA region and 42nd globally.

Freedom on the Net measures the level of internet freedom in 70 countries (11 in the Arab MENA region). Each country receives a numerical score from 100 (the most free) to 0 (the least free), which serves as the basis for an internet freedom status designation of “Free” (100-70 points), “Partly Free” (69-40 points), or “Not Free” (39-0 points).

Ratings are determined through an examination of three broad categories. The first is obstacles to access which assesses infrastructural, economic, and political barriers to access, government decisions to shut off connectivity or block specific applications or technologies, legal, regulatory, and ownership control over internet service providers and independence of regulatory bodies. The second is limits on content which examines legal regulations on content, technical filtering and blocking of websites, other forms of censorship and self-censorship; the vibrancy and diversity of the online environment; and the use of digital tools for civic mobilization. The third is violations of user rights which details legal protections and restrictions on free expression; surveillance and privacy; and legal and extralegal repercussions for online activities, such as prosecution, extralegal harassment and physical attacks, or cyberattacks.

In details, six out of eleven countries in the Arab MENA region were classified as “Partly Free” while the other five were considered “Not Free”. Lebanon was considered among the “Partly Free” countries with a score of 50.

It is noteworthy that in the Arab MENA region, Tunisia topped the list with a score of 59, Morocco came second with a score of 53, while Saudi Arabia came last on the regional list with a score of 25. Following Lebanon were Jordan and Iraq that scored 47 and 43 respectively. Libya comes next with a score of 42. All other regional countries are classified as “Not free”.

ARAB MENA REGION'S FREEDOM ON THE NET 2023 INDEX

Countries	Score (0-100)	Status
Tunisia	59	Partly Free
Morocco	53	Partly Free
Lebanon	50	Partly Free
Jordan	47	Partly Free
Iraq	43	Partly Free
Libya	42	Partly Free
Sudan	30	Not Free
United Arab Emirates	30	Not Free
Bahrain	28	Not Free
Egypt	28	Not Free
Saudi Arabia	25	Not Free

Sources: Freedom House, Bank Audi's Group Research Department

Bank Audi

CORPORATE NEWS

HEC ALUMNI DIGITAL HUB HOSTED A CONFERENCE ON AI IN LEBANON

A hybrid conference was held in Lebanon highlighting global advancements in Artificial Intelligence (AI) and opportunities it could offer the Lebanese tech environment. HEC Alumni Lebanon, HEC Alumni Digital Hub Paris, Berytech, SmartESA and CMA CGM organized the conference. This conference was set up as a response to the surging worldwide interest in AI technology and as companies lean towards the implementation of AI in their daily operations.

The conference hosted a diverse lineup of speakers from various industries among them were representatives from McKinsey, Meta, Alstom, Aive and EI Technologies. The secondary goal of the conference is also to foster connections between local organizations such as the event organizers and startups contributing to innovative solutions within Lebanon's tech and AI sectors.

According to the Representative of McKinsey, the impact of generative AI can be seen from different lenses such as value creation or accelerated time lens. At the level of value creation the impact of generative AI on productivity is not minimal with the McKinsey Quarterly Report estimating its value creation across 63 used cases analyzed at between US\$ 2.6 trillion to US\$ 4.4 trillion annually.

The impact of generative AI will span across all industry sectors by 75% of its value will fall across four areas, which are Customer Operations, Marketing & Sales, Software Engineering and Research & Development.

From the time perspective, the pace of workforce transformation is likely to pick-up pace so that half of today's work activities can be automated in circa 10 years.

According to the representative of Alstom, the company has used AI for simulation purposes in order to optimize the design and operations of their trains.

Based on their experience, the use of AI in business can bring multiple success factors. These include the clarification of the clients' requirements, driving a "think big and act small" strategy, creating a target operating model with vertical organization, developing and maintaining an in-house skillset on AI, data and emerging tech as well as mobilizing AI champions on operational programs and projects at an early stage.

As for Meta, the company started using AI in 2006 with an AI-powered Newsfeed. The usage of AI tech in the company continues to this day with Meta's diversified investment in the field focusing on strengthening the discovery engine, detecting and mitigating harmful content, automating meaningful chat interactions and advancing the development of dynamic and interactive 3D environments.

For Aive and EI Technologies, the use of generative AI is making significant inroads in Customer Relations Management (CRM).

This comes as a result of Salesforce launching Einstein GPT, Sales GPT, Service GPT, Commerce GPT, Slack GPT and AI Cloud among other GPT-powered applications. This in turn signifies a transformation in the landscape of CRM.

Additionally, Aive leverages AI to simplify and speed up video editing. This is done by offering designers a broader array of choices while channeling their creative energy toward designing cutting-edge videos.

The conference can be summarized by saying that the era of generative AI is positioned in a way that can revolutionize industries. This would be done as it offers substantial Returns on Investment (ROI).

However, investors and CEOs must strike a balance between potential rewards and inherent risks through prioritizing ethics, data privacy and regulation. While time is needed for the full materialization of the full benefits from AI, history shows that tech advances often exceed people's expectations.

Bank Audi

Through wise investment in understanding, harnessing and responsibly using generative AI we have the opportunity to enter a transformative era sooner than expected.

LEBANON'S IMPORTERS SYNDICATE AIMING TO STOCK UP ON MEDICINE

Amid the ongoing conflict between Israel and Hamas, which could spill into Lebanon, fears of a siege arose in Lebanon especially towards primary and necessary goods. Between them are medicine, which is a major need during any hostilities.

It is worth noting that Lebanon locally manufactures half of the local market's consumption for medicine. This manufacture is especially for Over-The-Counter (OTC) medications that do not require a doctor's prescription as well as medication for chronic diseases (a small percentage of which is cancer medication and kidney dialysis materials).

As for the other half of market supply, Lebanon relies on its import from abroad. Regarding imported medicine, the statistics of the Lebanese Syndicate of Importers (Pharmaceutical Importers and Warehouses Syndicate) show that no shortage is expected in the current period.

According to the statistics, stocks for OTC medication, medication for chronic illnesses and drugs administered in hospital for pain relief and surgeries can last for between two and four months.

In parallel, stocks of medication for cancer treatment and materials used for kidney dialysis are sufficient for a period of one and a half months at most.

In turn, the syndicate has contacted foreign manufacturers in order to reinforce their stocks as soon as possible.

In the case of a siege on Lebanon, the syndicate has set up a plan in order to consolidate shipments. This plan ensures the shipment through air corridors from the United Arab Emirates or by sea from Cyprus with the collaboration of the Ministry of Health, the government and international organizations.

It is worth noting that according to the Acting Governor of the Central Bank of Lebanon, the central bank forecasts that it could secure a monthly sum of US\$ 270 million from the market without affecting reserves and destabilizing the exchange rate. The government, according to priorities, will in turn use this amount.

However, in the event that citizens hoard the medicine and traders exploit the situation these measures may become ineffective.

Bank Audi

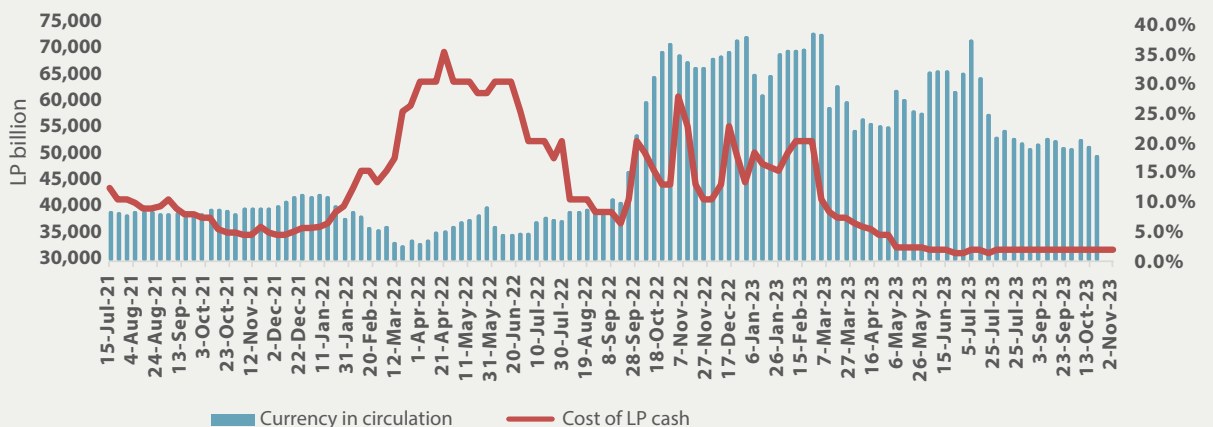
CAPITAL MARKETS

MONEY MARKET: WEEKLY CONTRACTIONS IN TOTAL RESIDENT DEPOSITS, ON FC DEPOSIT DECLINES

The overnight rate, which is a non-cash rate on the money market, rose from 50% at the end of last week to 100% on Friday, while the cost of LP cash remained quoted at 1%-2%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 19th of October 2023 showed that total resident banking deposits contracted by LP 3,538 billion. This is mainly attributed to a LP 2,805 billion fall in foreign currency resident deposits (the equivalent of US\$ 187 million as per the official rate of LP 15,000), while total LP resident deposits declined by LP 732 billion amid a LP 940 billion decrease in LP demand deposits and a LP 208 billion rise in LP saving deposits. Within this context, the money supply in its broadest sense (M4) contracted by LP 5,329 billion over the covered week amid a LP 1,687 billion fall in the currency in circulation and a LP 104 billion retreat in the non-banking sector Treasury bills portfolio.

MONEY MARKET ACTIVITY



TREASURY BILLS MARKET: NOMINAL DEFICIT OF LP 1,291 BILLION OVER FIRST 10M 2023

The latest Treasury bills auction results for value date 2nd of November 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 three-year category (offering a coupon of 5.50%) and the seven-year category (offering a coupon of 6.50%).

The Treasury bills auction results for value date 26th of October 2023 showed subscriptions of LP 609 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 35 billion in the three-month category (offering a yield of 3.50%) and LP 574 billion in the one-year category (offering a yield of 4.50%). These compare to maturities of LP 89 billion, which resulted into a nominal weekly surplus of LP 520 billion.

On a cumulative basis, total subscriptions amounted to LP 15,415 billion over the first ten months of 2023, fully allocated to the Central Bank of Lebanon. The one-year category captured 51.0% of the total, followed by the two-year category with 18.8%, the six-month category with 13.7%, the three-month category with 8.0%, the three-year category with 7.8% and the seven-year category with 0.7%, while the five-year category accounted for the remaining 0.01%. These compare to maturities of LP 16,705 billion, resulting into a nominal deficit of LP 1,291 billion over the first ten months of 2023.

Bank Audi

TREASURY BILLS

	03/11/2023	27/10/2023	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)		609	1	
Short-term (3&6 mths)		35	-	
Medium-term (1&2 yrs)		574	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		-	-	
Maturities		89	193	
Nom. Surplus/Deficit		520	-192	

Sources: Central Bank of Lebanon, Ministry of Finance

FOREIGN EXCHANGE MARKET: LP/US\$ BLACK MARKET RATE AT A STANDSTILL

Despite elevated worries that the Israel-Hamas conflict could ignite into a broader war in the region and escalating tensions on the Southern Lebanese border, while Lebanon has entered its second year of Presidential vacuum and the cabinet continues to function in a caretaker mode, the LP/US\$ black market rate stayed quoted at LP/US\$ 89,400-LP/US\$ 89,700 over this week.

Stability in the LP/US\$ parallel market rate occurred despite concerns that any broadening of the conflict to the Lebanese territory could imply significant adverse effects on financial and monetary conditions, noting that latest BDL figures showed that the Central Bank's net liquid foreign assets reached US\$ 7.1 billion at end-September 2023.

EXCHANGE RATES

	03/11/2023	27/10/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	18,322.50	18,193.50	1,813.97	↓
LP/¥	99.79	99.93	11.27	↑
LP/SF	16,585.58	16,657.41	1,628.67	↑
LP/Can\$	10,913.06	10,867.20	1,108.21	↓
LP/Euro	15,969.00	15,843.00	1,603.83	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: 12% FALL IN LEBANESE EQUITY PRICES SINCE ERUPTION OF ISRAEL-HAMAS CONFLICT

Investors remained net sellers on the Beirut Stock Exchange over this week, which resulted into a 2.3% contraction in the price index, bringing total price contractions to 11.5% since the eruption of security drifts in the region on October 7. Two out of five traded stocks registered price falls, while two stocks posted price gains and one stock saw no price change week-on-week.

Bank Audi

A closer look at individual stocks shows that Solidere "A" and "B" share prices shed 2.9% and 4.7% respectively to close at US\$ 66.00 each. As to banking stocks, Bank Audi's GDR price jumped by 18.8% to US\$ 1.39, while Byblos Bank's "listed" share price stood unchanged at US\$ 0.71. Amongst industrials, Holcim Liban's share price surged by 7.1% to US\$ 61.05.

As to trading volumes, the BSE total trading value almost doubled week-on-week, moving from US\$ 18.9 million last week to US\$ 37.0 million, noting that Solidere shares captured the lion's share of activity. On a cumulative basis, the BSE total trading value expanded by 12.6% year-on-year during the first ten months of 2023 to reach US\$ 382 million. In parallel, the BSE market capitalization grew by 22.1% between end-October 2022 and end-October 2023. Accordingly, the total turnover ratio, measured by the annualized trading value to market capitalization, reached 2.8% during the first ten months of 2023 compared to 3.0% a year earlier.

AUDI INDICES FOR BSE

	03/11/2023	27/10/2023	30/12/2022	
Market Cap. Index	695.67	711.70	614.50	↓
Trading Vol. Index	336.09	172.00	96.84	↑
Price Index	146.04	149.41	129.00	↓
Change %	-2.25%	-5.66%	1.30%	↓

	03/11/2023	27/10/2023	30/12/2022	
Market Cap. \$m	16,504	16,884	14,578	↓
No. of shares traded (Exc. BT)	553,260	362,766	187,711	↑
Value Traded \$000 (Exc. BT)	37,070	18,937	6,415	↑
o.w. : Solidere	36,968	18,729	6,349	↑
Banks	7	131	66	↓
Others	96	77	0	↑

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

BOND MARKET: FURTHER NOSEDIVE IN LEBANESE BOND PRICES ON DEEPENED GEOPOLITICAL CRISIS

The Eurobond market remained in freefall since the eruption of an unprecedented military conflict between Israelis and Hamas on October 7, 2023, and amid mounting fears that the conflict could escalate into a wider war in the region. Amid rising geopolitical risks, while Lebanon embarked into its second year of Presidential void amid a lack of political will to implement much-needed reforms, prices of Lebanese sovereigns continued their nosedive, reaching 6 cents per US dollar on Friday, which marks a 0.13 pt contraction week-on-week. This compares to prices of 7.875 cents per US dollar on the eve of the regional conflict. Accordingly, year-to-date bond price gains lessened to 0.25 pt-0.38 pt, compared to year-to-date gains of 2.13 pts-2.25 pts prior to conflict.

EUROBONDS INDICATORS

	03/11/2023	27/10/2023	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)	6.000	6.000-6.250	5.50-5.88	↓
Yield on US 5-year note	4.64%	4.81%	3.94%	↓

Source: Bank Audi's Group Research Department

Bank Audi

INTERNATIONAL MARKET INDICATORS

	03-Nov-23	27-Oct-23	31-Dec-22	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	149.39	149.66	131.11	-0.2%	13.9%
\$/£	1.238	1.212	1.208	2.1%	2.5%
\$/Euro	1.073	1.057	1.071	1.6%	0.2%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	34,061.32	32,417.59	33,147.25	5.1%	2.8%
S&P 500	4,358.34	4,117.37	3,839.50	5.9%	13.5%
NASDAQ	13,478.28	12,643.01	10,466.48	6.6%	28.8%
CAC 40	7,047.50	6,795.38	6,473.76	3.7%	8.9%
Xetra Dax	15,189.25	14,687.41	13,923.59	3.4%	9.1%
FT-SE 100	7,417.73	7,291.28	7,451.74	1.7%	-0.5%
NIKKEI 225	31,949.89	30,991.69	26,094.50	3.1%	22.4%
COMMODITIES (in US\$)					
GOLD OUNCE	1,992.65	2,006.37	1,824.02	-0.7%	9.2%
SILVER OUNCE	23.21	23.12	23.95	0.4%	-3.1%
BRENT CRUDE (per barrel)	84.89	90.48	83.10	-6.2%	2.2%
LEADING INTEREST RATES (%)					
Term SOFR 1-month	5.32	5.32	4.36	0.00	0.96
US Prime Rate	8.50	8.50	7.50	0.00	1.00
US Discount Rate	5.50	5.50	4.50	0.00	1.00
US 10-year Bond	4.57	4.83	3.87	-0.26	0.70

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER

The content of this publication is provided as general information only and should not be taken as an advice to invest or engage in any form of financial or commercial activity. Any action that you may take as a result of information in this publication remains your sole responsibility. None of the materials herein constitute offers or solicitations to purchase or sell securities, your investment decisions should not be made based upon the information herein.

Although Bank Audi sal considers the content of this publication reliable, it shall have no liability for its content and makes no warranty, representation or guarantee as to its accuracy or completeness.