

## Economy

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## Markets In Brief

#### p.9 MARKETS IN BRIEF: MARKET CHAOS ON ELEVATED CONCERNS ABOUT MULTILAYERED POLITICAL VACUUM

Amid international calls to reach a broad-based national consensus to avoid a multilayered political executive vacuum, and amid worsened domestic economic and financial conditions while a wave of anger continued to storm banks, Lebanon's capital markets saw this week a further currency collapse on the black FX market and extended price contractions on the Eurobond market, while the equity market registered shy price gains amid renewed interest in Solidere shares. In details, the LP/US\$ parallel market rate touched the LP/US\$ 40,000 level this week amid a protracted cabinet stalemate while the country is nearing Presidential constitutional deadlines, and as chaos rippled again through Lebanese banks. In parallel, the Eurobond market dipped further into the red on mounting concerns about a domestic political paralysis and as Lebanon is facing tough challenges to meet IMF requirements to unlock much-needed international financial support. Finally, the equity market registered shy price rises of 0.3%, while the total turnover contracted significantly by 70% week-on-week.

### LEBANON MARKETS: OCTOBER 3 - OCTOBER 9, 2022

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

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## ECONOMY

### FITCH SOLUTIONS SAYS BORDER MARITIME AGREEMENT REPRESENTS UPSIDE RISK FOR GAS EXPLORATION AND EXTRACTION IN THE EAST MED

A new report was issued by Fitch Solutions. It says it expects that a maritime border agreement between Israel and Lebanon would facilitate the exploration and extraction of their gas resources.

For Lebanon, an agreement would allow for the exploration of gas resources that could generate economic benefits over the long term. Meanwhile, for Israel, the demarcation of borders would reduce security risks that could threaten the extraction of gas from the Karish field in October 2022.

Israel and Lebanon have been engaged in indirect on and off negotiations to determine their maritime borders since at least 2011. The US-mediated talks resumed in July 2022 as tensions between the two countries escalated following the arrival of the Israeli-contracted Energean Power vessel to begin extracting gas from the Karish field that falls in the disputed area.

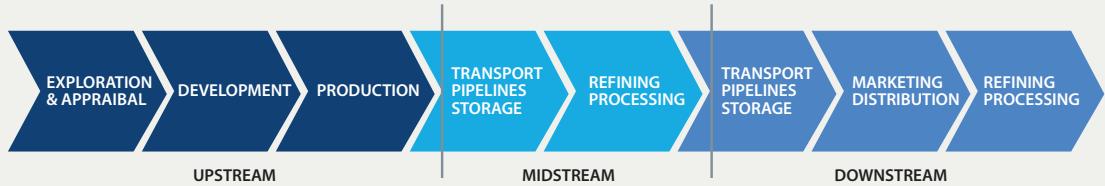
While negotiations are still ongoing, latest reports suggest that Lebanon has accepted Line 23 as its maritime border. In return, Lebanon has demanded full ownership and control over the Qana field, part of which would fall in the Israel's maritime claims should both parties agree on Line 23.

Fitch Solutions believes that an agreement would pave the way for gas exploration for Lebanon, but economic benefits would take years to materialise. Indeed, the French energy and petroleum company TotalEnergies, which Lebanon signed an agreement with for gas exploration and production in block 9 in 2017, had indicated that it will not start operations until Israel and Lebanon resolve their maritime dispute. While an agreement would encourage TotalEnergies to start its gas exploration in block 9 in the short term, the presence of commercially viable gas resources remains uncertain (seismic studies point to promising results).

Fitch Solutions thinks that gas discoveries would generate important economic benefits for Lebanon, first by attracting foreign investment and then by boosting government revenues should the resources prove to be commercially viable. That said, even if the resources are commercially viable, Lebanon will not start to see significant revenues until the production phase starts. Indeed, this is a multiyear process as production will be preceded by several phases, including exploration, appraisal and the development of the necessary infrastructure, which require time (at least 10 years according to the Lebanese Petroleum Administration) to be completed.

#### ECONOMIC BENEFITS WILL TAKE YEARS TO MATERIALIZE

##### Lebanon - Oil and Gas Value Chain



Source: Lebanese Petroleum Administration, Fitch Solutions

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## NUMBER OF PASSENGERS AT THE AIRPORT HIKE BY A YEARLY 57% IN THE FIRST NINE MONTHS

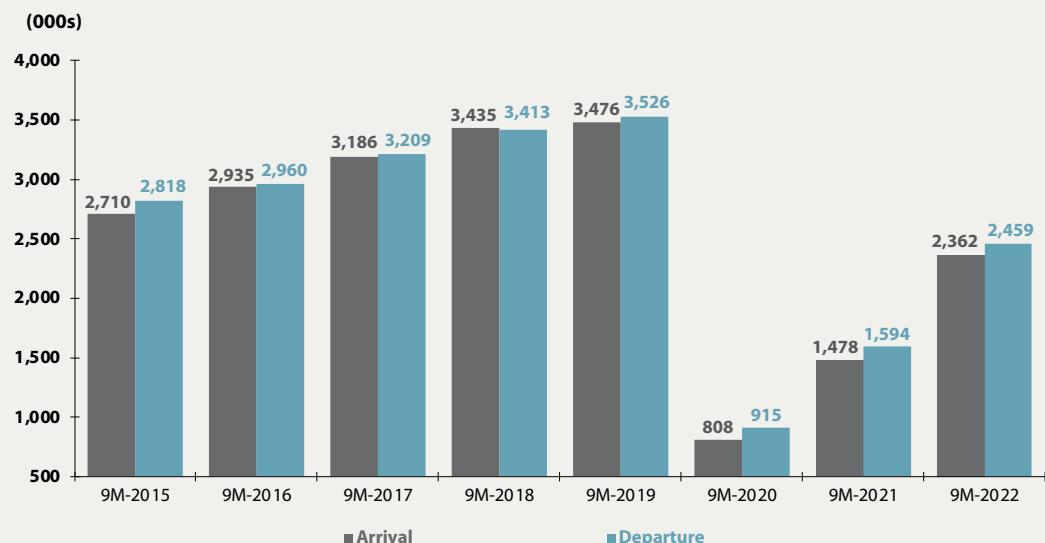
The latest figures released by the Rafic Hariri International Airport revealed that the airport traffic posted a significant performance over the first nine months of 2022 where total number of passengers hiked by 56.9% when compared to same period of 2021 with the opening up of the global travel after lockdown restrictions worldwide. In addition, the number of aircraft increased by 37.9% yearly. However, the total freight handled by the airport dropped by 14.8% yearly over the same period.

A detailed look at the activity shows that the number of incoming passengers jumped by a yearly 59.8% and that of departing passengers by 54.3%, to reach 2,362,111 and 2,458,552 respectively in the first nine months of the current year.

In parallel, the landings and take-offs each rose by 37.9% year-on-year in the aforementioned period, with 19,795 planes and 19,793 planes respectively in the first nine months of 2022.

Regarding the freight movement within the airport, a total of 21,474 thousand tons were imported and unloaded during the first nine months of the year, while 22,287 thousand tons were exported and loaded. The first mentioned activity posted a negligible increase of 9.6% while the latter posted a 29.9% decrease on a yearly basis in the first nine months of 2022.

### NUMBER OF PASSENGERS AT THE AIRPORT



Sources: BIA, Bank Audi's Group Research Department

## NET FISCAL SURPLUS OVER THE YEAR 2021

According to public finance figures just released by the Ministry of Finance for year 2021, the overall fiscal balance reported a net surplus of LL 2,197 billion, against a deficit of LL 4,083 billion in year 2020. When deducting debt service, the primary balance recorded a surplus of LL 5,009 billion in 2021, against a primary deficit of LL 977 million in 2020.

The surplus comes as a result of a 32.1% surge in revenues, against a 7.0% decline in expenditures over year 2021 relative to full year 2020. Public finance revenues moved from LL 15,342 billion to LL 20,263 billion. Public finance expenditures dropped from LL 19,425 billion to LL 18,066 billion.

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## SUMMARY OF FISCAL PERFORMANCE

(LP million)	2020	2021	Var 21/20
Total public revenues	15,341,876	20,262,795	32.1%
Total public expenditures	19,425,187	18,065,962	-7.0%
Total Cash Deficit / Surplus	-4,083,311	2,196,833	
In % of Total Expenditures	-21.0%	12.2%	33.2%
Total Primary Deficit / Surplus	-977,129	5,009,435	-
In % of Total Expenditures	-5.0%	27.7%	

The rise in public finance revenues is the result of a 37.4% rise in budget revenues, while Treasury revenues dropped by 11.8%. In turn, the rise in budget revenues is driven by a 45.5% increase in tax revenues, while non-tax revenues surged by 11.0%. The rise in tax revenues is driven by a 158.0% rise in VAT revenues, a 19.9% rise in customs revenues and 18.0% increase in property taxes, while miscellaneous tax revenues rose by 21.9% over the year 2021. On the other hand, the surge in non-tax revenues is totally due to Telecom revenues that increased by 21.1% between the two mentioned years.

The decline in public finance expenditures is the result of 8.4% drop in budget expenditures, while Treasury expenditures improved negligibly by 3.5%. The drop in budget expenditures comes as a result of the 41.9% decline in Treasury advances to EDL in addition to a 10.6% drop in interest payments. FX interest payment actually fell by 71.1% (mainly tied to the State's default as of March of the previous year), while LL interest payment haven't witnessed any change.

It is within this environment the Parliament passed last week the budget for 2022, which calculates customs tax revenues at an exchange rate of 15,000 Lebanese pounds per U.S. dollar. The budget also calculates public expenditures at 41 trillion Lebanese pounds and revenues at 30 trillion Lebanese pounds.

## PRIVATE GENERATORS KILOWATT-HOUR PRICES SURGE IN SEPTEMBER

The price of a kilowatt-hour (kWh) of private generators during the month of September 2022 is now at LP 16,350, against LP 13,796 in August, the Ministry of Energy and Water announced in a statement.

Accordingly, the price per kilowatt-hour produced by private generators for the month of September increased by 18.5% compared to that of August, as per L'Orient Today.

It is worth noting that September 2022 tariff was calculated based on the average price of fuel oil valued at LP 809,467 per 20 liters representing an increase of 19.2%, when compared to LP 679,241 per 20 liters of fuel oil in August.

Finally, the Ministry of Energy and Water accounts for additional costs incurred by generator operators (change of oil, filters and other parts) on monthly basis, in addition to the depreciation cost of the generator, basing an exchange rate of LP 36,747 to one US dollar for September, against a rate of LP/US\$ 32,220 in August. These rates also include a 10% margin for the benefit of the operators.

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## SURVEYS

### LEBANON RANKS 193RD IN THE WORLD IN THE 2022 BROADBAND SPEED LEAGUE REPORT WITH A MEAN DOWNLOAD SPEED OF 3.86 MBPS

The Worldwide Broadband Speed League 2022 statistics were released this week. It ranks 220 countries across the world according to their mean internet speed and in which Lebanon ranked 193<sup>rd</sup> globally and 16th in the Arab MENA region with a mean download speed of 3.86 Mbps.

Regionally, Kuwait ranked first in the region and 82nd globally with a mean internet speed of 30.87 Mbps, followed by Qatar which ranked 95th globally with a mean internet speed of 25.02 Mbps and UAE which ranked 100th globally with a mean internet speed of 22.75 Mbps. On the other end, there were each of Djibouti (210<sup>th</sup> globally, 2.34 Mbps), Somalia (214th globally, 1.60 Mbps) and Yemen (218th globally, 0.97 Mbps).

The five countries in the world with the slowest network speeds are Turkmenistan (0.77 Mbps), the Democratic Republic of Timor-Leste (0.94 Mbps), Yemen (0.97 Mbps), Guinea-Bissau (0.98 Mbps) and Afghanistan (0.98 Mbps). Two of the bottom five are located in Asia, one in Near East, one in Sub-Saharan Africa and one in CIS (Former USSR). All of these countries suffer from underdeveloped network infrastructure and low uptake of digital services among their populations.

The five countries with the fastest internet in the world are Macau (262.74 Mbps), Jersey (256.59 Mbps), Iceland (216.56 Mbps), Liechtenstein (166.22 Mbps) and Gibraltar (159.90 Mbps).

It will be immediately striking to most that all of these countries share similarities. Four of the five are within Western Europe, with Macau in Asia being the exception. All are either very small or they are island nations. It is much easier to roll out FTTP full fibre broadband and 5G mobile internet to a smaller population and/or across a smaller area.

Tracking broadband speed measurements in 220 countries and territories (224 last year) across multiple 12-month periods has allowed to generate an overall average speed for the globe and to see how this number changes over time. The good news is that the global average speed continues rising fast.

#### ARAB MENA REGION'S WORLDWIDE BROADBAND SPEED LEAGUE 2022

Country	Global Rank	Mean Download Speed ( Mbps)
Kuwait	82	30.87
Qatar	95	25.02
United Arab Emirates	100	22.75
Saudi Arabia	101	22.42
Bahrain	111	18.36
Jordan	112	17.69
Oman	115	16.59
Morocco	133	13.03
Tunisia	167	8.32
Egypt	170	7.81
Iraq	178	6.48
Algeria	179	6.27
Palestine	182	5.36
Libya	183	5.27
Mauritania	191	3.98
<b>Lebanon</b>	<b>193</b>	<b>3.86</b>
South Sudan	196	3.73
Syria	205	2.88
Sudan	209	2.57
Djibouti	210	2.34
Somalia	214	1.60
Yemen	218	0.97

Sources: Cable, Bank Audi's Group Research Department

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The average global broadband speed measured during 2017 was 7.40 Mbps. The average global broadband speed measured during 2018 was 9.10 Mbps – a rise of 23.35%. In 2019, the average speed measured was 11.03 Mbps – a further rise of 20.65% over the previous year. In 2020, the average rose again by another 90% to 24.83 Mbps, though it should be noted that much of this rise can be attributed to upgraded measurement tools. Last year (2021) the global average speed rose again by another 20% to 29.79 Mbps. This year, the average is now 34.79 Mbps – a 15% rise.

## FITCH SOLUTIONS MAINTAINS ITS FORECAST FOR AVERAGE ANNUAL GROWTH OF 2.9% IN NEW VEHICLE SALES ACROSS ITS FORECAST PERIOD TO 2031

According to Fitch Solutions, beyond 2022, the agency maintains its forecast for average annual growth of 2.9% in new vehicle sales across its forecast period to 2031. Fitch Solutions expects slightly stronger average annual growth in Commercial Vehicle sales (3.1%) compared to Passenger Vehicle sales (2.9%) over the forecast period, as the economy grows and local businesses invest more in fleet renewal.

There remain growing indications that Lebanon's new vehicle sales market may have reached a bottom, with a high likelihood that 2022 would represent the first year of positive growth for the sector since 2015. The PV segment remains around one 10th of the size it reached in 2015 (when over 50,000 vehicle units were sold), underlining the very challenging conditions for carmakers operating in Lebanon at present.

A variety of factors have contributed to the near-total collapse of Lebanon's automotive sector in recent years. These include a severe deterioration in the country's political and economic situation, which was exacerbated by the global COVID-19 pandemic and the explosion that destroyed much of Beirut in August 2020. Against this very challenging backdrop, consumer confidence collapsed, and many local car dealerships closed amid a lack of demand and purchasing power from local citizens.

For 2023, however, there is hope that Lebanon can now stabilize its political and economic situations, which could provide for a recovery in the depressed automotive sector. First, in April 2022, Lebanon provisionally agreed on a US\$ 3 billion 46-month Extended Fund Facility (EFF) with the IMF, which should pave the way for a comprehensive program of economic reform.

According to the report, the delay in the IMF deal until at least Q1 23 means that the country will not begin to see the positive impact of the reforms and funding on growth until at least H2 23. In September 2022, media reports suggested that deficiencies in the country's banking secrecy laws remained an impediment to a new deal being signed.

Secondly, the Country Risk team is forecasting GDP growth of 3.5% in 2022 – the country's first positive economic growth in four years. This more supportive backdrop may encourage greater spending on new vehicles from businesses and wealthier citizens over the coming months.

Given these two positive factors, Fitch Solutions believes there remain upside risks to its current forecasts for new vehicle sales growth of 2.1% in 2022, CV sales (2.5%) to outperform PV sales (2.1%). Looking forward, the current forecasts call for a strengthening in growth for Lebanon's automotive sector across 2023 and 2024 and Fitch Solutions would look to make upward revisions to the forecasts should a new IMF deal be signed in early 2023.

For CV sales, the agency maintains its view that any near-term demand for vehicles would come primarily from the construction sector, where large numbers of vehicles are still required to help rebuild vast areas of Beirut, damaged in the August 2020 explosion.

An improving outlook for tourism would also enhance the outlook for PV sales, as demand for new vehicles from the hospitality and car rental sectors improves.

New car ownership remains out-of-reach for most citizens, with unemployment now estimated to be well above 40%. In addition, Lebanese citizens have suffered significant destruction to household wealth in recent years, with real GDP per capita falling sharply.

Sky-high inflation – which we are forecasting to average 178% in 2022 – would also serve to erode already weak real household disposable incomes. A weak Lebanese pound and high auto financing rates also represent two firm brakes on how fast the PV segment can recover from its six-year slump. Overall therefore, Fitch Solutions maintains its view that only wealthier citizens would remain able to purchase cars over the near term.

Despite the challenges facing the country, they retain their view that Lebanon could hold positive long-term potential in the autos market. However, this is only possible if there is a lasting resolution to the country's long-standing political and economic challenges.

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## CORPORATE NEWS

### BALANCE SHEET OF FINANCIAL INSTITUTIONS TOTALS US\$ 1,103 MILLION AT END-AUGUST 2022

According to the latest statistics issued by the Central Bank of Lebanon, the total balance sheet of financial institutions amounted to US\$ 1,102.7 million at end-August 2022, registering a decline of 3.5% against its figure at end-2021.

In details, currency and deposits with Central Banks increased from US\$ 73.1 million at end-2021 to US\$ 85.3 million at end-August 2022.

Claims on resident customers inclined in August 2022 (8.0%) reaching US\$ 506.2 million, with respect to US\$ 468.9 million at end-2021. Claims on non-resident customers at end-August 2022 dropped by 18.4% with respect to end-2021, standing at US\$ 11.5 million.

Claims on resident financial sector stood at US\$ 274.9 million as at end-August 2022 declining by 8.9% from its figure by end-2021. Claims on non-resident financial sector reached US\$ 38.0 million at end-August 2022, revealing an increase of 18.1% when compared to its level at end-2021.

Claims on the public sector recorded US\$ 8.5 million at end-August 2022, maintaining its same level at end-2021.

Securities portfolio declined to US\$ 57.7 million at end-August 2022, down by 16.1% from its registered figure at end-2021.

Tangible assets reported a decline of 8.4% at end-August 2022 with respect to end-2021, reaching US\$ 49.3 million. Similarly, intangible assets dropped from US\$ 108.0 million at end-2021 to US\$ 61.2 million at end-August 2022, shrinking by 43.3%.

On the liabilities side, resident customer deposits contracted by 18.5% registering US\$ 161.5 million at end-August 2022, against US\$ 198.2 million at end-2021. Non-resident customer deposits shrunk by 30.8% at end-August 2022 standing at US\$ 5.9 million, down from US\$ 8.5 million at end-2021.

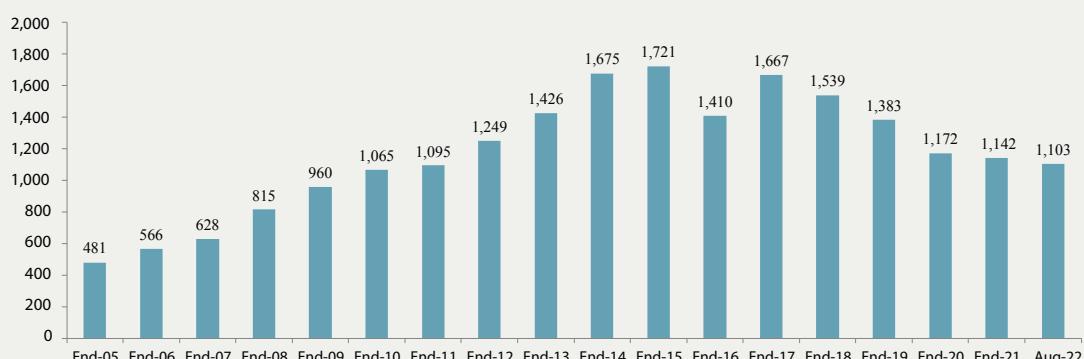
Resident financial sector liabilities stood at US\$ 121.3 million at end-August 2022, representing a decrease of 3.3% from end-2021. Non-resident financial liabilities decreased from US\$ 63.6 million at end-2021 to US\$ 56.8 million at end-August 2022, retreating by 10.7%.

Public sector deposits retreated to US\$ 4.7 million at end-August 2022, a decline of 18.3% from its figure by end-2021.

Debt securities issued as at end-August 2022 were less by 8.8% (US\$ 75.6 million) when compared to their value at end-2021.

Capital accounts reported US\$ 420.6 million at end-August 2022, down from US\$ 447.4 million at end-2021.

#### BALANCE SHEET OF FINANCIAL INSTITUTIONS (US\$ MILLION)



Sources: Central Bank of Lebanon, Bank Audi's Group Research Department

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## THE ROAD TO SHORT AND MEDIUM TERM ECONOMIC GROWTH PROGRAM BY MOET AND ESCWA

The Ministry of Economy and Trade (MoET), in collaboration with the United Nations Economic and Social Commission for Western Asia (ESCWA), initiated the Road to Short and Medium Term Economic Growth Program, a project for the development of an operational plan to reboot the Lebanese economy, as mentioned in a statement.

Subject project was launched at the UN House during an event attended by several ministers, DGs and high-level representatives from Beirut-based embassies, UN agencies and other international and local organizations.

In details, the program aims to identify specific short-term actions in core sectors to initiate recovery by rapidly generating employment opportunities and additional income. The plan is to envisage initiatives and regulatory reforms to enhance the country's competitiveness and international confidence.

Accordingly, three key sectors were highlighted and prioritized by the MoET: agribusiness, tourism and the digital economy, as they show growth potential while currently facing serious challenges, including low productivity, competition and ineffective value chains for agribusiness. Tourism is witnessing weak investments in hospitality infrastructure, while digital economy is suffering from weak virtual and physical infrastructure.

The project initiated is subject to development, improvement and feedback; however, it is feasible, Lebanese Minister of Economy and Trade said in a statement.

ESCWA would support the Ministry in conducting analysis, developing key performance indicators (KPIs), engaging with stakeholders and communicating strategically about the plan, ESCWA Executive Secretary said in a statement.

Although fundamental reforms are crucial, the Lebanese people do not have the luxury to wait for longer-term results; they need quick wins, she added.

## PHOENICIA HOTEL REOPENED ON OCTOBER 3<sup>RD</sup>

The Phoenicia Hotel reopened on the 3rd of October after two years of closing on the back of Beirut Port blast in August 2020 and the ongoing financial and economic crisis that had postponed its rehabilitation and refurbishing project, as mentioned in a statement.

The Phoenicia Hotel is reopening its doors with 193 rooms including three presidential suites, all its services and facilities including three restaurants and room services, Phoenicia SPA for residents and members, the business center, and conference rooms, as well as the Grand Ballroom.

Phoenicia Hotel Beirut is one of Lebanon's most famous landmarks. It first opened in 1961 and hosted through the years royalties, world leaders, and renowned celebrities like Brigitte Bardot, Catherine Deneuve, Marlon Brando, and many more.

## BARBAR RESTAURANT IN EGYPT SOON

Barbar, one of the famous Lebanese street food chain is now opening a new Branch in Egypt after its expansion in Saudi Arabia, UAE and Qatar, as mentioned in a statement.

The new branch will be operating soon in New Cairo, 5th Settlement, Egypt.

Barbar branch in Egypt will be offering all its menu items, such as its classics, including mezze, shawarmas, falafel, mixed grill, sandwiches, and a selection of cocktails.

The F&B industry in Egypt is booming lately and Egypt is considered an important market for the Lebanese restaurants, as Egyptian tourism to Lebanon has increased the brand recognition in the past decade, Barbar's COO said in a statement.

It is worth noting that Barbar was established in 1979 as a small Manouche bakery to serve Beirut's locals, before becoming a popular eater and hosting famous personalities in Beirut.

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## CAPITAL MARKETS

### MONEY MARKET: EXTENDED WEEKLY EXPANSION IN TOTAL RESIDENT DEPOSITS

The cost of LP cash continued to hover around 15%-20% over this week. In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 22nd of September 2022 showed a further expansion in total resident banking deposits of LP 175 billion. This is mainly attributed to a LP 272 billion increase in total LP resident deposits amid a LP 369 billion rise in LP demand deposits and a LP 97 billion decline in LP saving deposits, while foreign currency resident deposits contracted by LP 97 billion (the equivalent of US\$ 65 million as per the rate of LP 1,507.5). However, the money supply in its broadest sense (M4) registered a large weekly expansion of LP 5,818 billion, mainly driven by a significant growth in the money in circulation of LP 5,839 billion. Within this context, it is worth mentioning that the latest bi-monthly statistics released by BDL showed that the "currency in circulation outside BDL" expanded significantly by LP 13 trillion over the first nine months of 2022, mainly due to a large growth in the currency in circulation of LP 20 trillion during the third quarter of the year.

#### MONEY MARKET ACTIVITY



### TREASURY BILLS MARKET: NOMINAL SURPLUS OF CIRCA LP 500 BILLION IN FIRST 9M OF 2022

The latest Treasury bills auction results for value date 6th of October 2022 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the six-month category (offering a yield of 4.0%), 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 29th of September 2022 showed subscriptions of LP 109 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 106 billion in the three-month category, LP 3 billion in the one-year category and LP 322 million in the five-year category. These compare to maturities of LP 401 billion, resulting into a nominal weekly deficit of LP 292 billion.

On a cumulative basis, total subscriptions in Treasury bills amounted to LP 11,066 billion over the first nine months of the year 2022, fully allocated to the Central Bank of Lebanon. The one-year category captured 35.0% of the total, followed by the two-year category with 17.3%, the six-month category with 16.7%, the three-year category with 14.6%, the ten-year category with 7.6%, the three-month category with 5.1% and the five-year category with 3.8%. These compare to maturities of LP 10,578 billion, resulting into a nominal surplus of LP 488 billion during the first nine months of the year 2022.

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## TREASURY BILLS

	07/10/2022	30/09/2022	30/12/2021	
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%	
<b>Nom. Subs. (LP billion)</b>	<b>109</b>		<b>246</b>	
Short-term (3&6 mths)	106		-	
Medium-term (1&2 yrs)	3		-	
Long-term (3 yrs)			200	
Long-term (5 yrs)	0.3		-	
Long-term (7 yrs)			46	
<b>Maturities</b>	<b>401</b>		<b>13</b>	
<b>Nom. Surplus/Deficit</b>	<b>-292</b>		<b>233</b>	

Sources: Central Bank of Lebanon, Ministry of Finance

## FOREIGN EXCHANGE MARKET: LP LOSES MORE GROUND AGAINST US DOLLAR ON PARALLEL MARKET

The Lebanese pound lost more ground against the US dollar on the black FX market this week. The LP/US\$ parallel market rate touched the LP/US\$ 40,000 level on Friday as compared to LP/US\$ 39,000 at the end of last week, amid a protracted cabinet gridlock and elevated concerns about a Presidential vacuum, while BDL's liquid FX reserves are currently estimated below US\$ 10 billion. Within this context, it is worth mentioning that the Central Bank of Lebanon's latest bi-monthly balance sheet ending 30th of September 2022 showed that BDL's foreign assets expanded by US\$ 278 million during the second half of the month to reach US\$ 14.9 billion at end-September 2022 (including BDL's Lebanese Eurobond holdings and FC facilities to banks). This brought total contractions in BDL's foreign assets to US\$ 2.9 billion since the beginning of the year 2022.

Concurrently, the Central Bank of Lebanon announced that foreign currency operations on the "Sayrafa" platform remained executed at an average rate of LP/US\$ 29,800 between October 3 and October 7, 2022, with no change relative to the previous week.

## STOCK MARKET: SHY WEEKLY EQUITY PRICE GAINS AMID REDUCED ACTIVITY

The Beirut Stock Exchange registered shy price gains this week, as reflected by a 0.3% increase in the price index. Five out of six traded stocks posted price rises, while one stock recorded price declines.

## EXCHANGE RATES

	07/10/2022	30/09/2022	30/12/2021	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,687.04	1,691.11	2,022.91	↑
LP/¥	10.41	10.45	13.11	↑
LP/SF	1,522.11	1,543.94	1,639.48	↑
LP/Can\$	1,098.28	1,102.78	1,175.53	↑
LP/Euro	1,477.95	1,482.93	1,701.52	↑

Source: Bank Audi's Group Research Department

# Bank Audi

## AUDI INDICES FOR BSE

	07/10/2022	30/09/2022	30/12/2021	
Market Cap. Index	560.29	558.45	447.87	↑
Trading Vol. Index	25.53	84.78	80.38	↓
Price Index	117.62	117.24	94.02	↑
Change %	0.33%	-6.52%	4.13%	↑
	07/10/2022	30/09/2022	30/12/2021	
Market Cap. \$m	13,292	13,249	10,625	↓
No. of shares traded (Exc. BT)	123,968	4,075,248	171,230	↓
Value Traded \$000 (Exc. BT)	2,818	9,364	5,359	↓
o.w. : Solidere	2,693	6,987	4,614	↓
Banks	79	2,292	732	↓
Others	46	85	13	↓

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

A closer look at individual stocks shows that Holcim Liban's shares led the advance on the BSE this week, posting a price surge of 9.9% to reach US\$ 31.0, followed by Solidere "B" shares with +2.3% to US\$ 53.0, Byblos Bank's "listed" shares with +1.7% to US\$ 0.60, BLOM's "listed" shares with +1.0% to US\$ 2.93 and Solidere "A" shares with +0.8% to US\$ 51.45. In contrast, Bank Audi's GDR price fell by 5.4% to US\$ 1.41.

As to trading volumes, the BSE total turnover contracted by 70% week-on-week, moving from US\$ 9.4 million last week to US\$ 2.8 million, noting that Solidere shares captured 95.6% of activity. On a cumulative basis, the BSE total trading value rose by 5.5% year-on-year during the first nine months of 2022 to reach US\$ 312 million. On the other hand, the BSE market capitalization grew by 29% between end-September 2021 and end-September 2022. Accordingly, the total turnover ratio, measured by the annualized trading value to market capitalization, reached 3.1% during the first nine months of 2022 and compared to 3.8% during the first nine months of 2021.

## BOND MARKET: FURTHER WEEKLY BON PRICE CONTRACTIONS ON CLOUDY POLITICAL OUTLOOK

Lebanon's Eurobond market continued its nosedive this week, mainly on reduced hopes about a cabinet breakthrough, and on growing concerns that Lebanon may fail to elect a new President within the timeframe set by the Constitution, while the country is facing tough challenges to implement reforms required by the IMF to unlock much-needed financial support.

Within this context, prices of Lebanese sovereigns dived further into the red this week, reaching 5.50-6.13 cents per US dollar on Friday as compared to 5.63-6.00 cents per US dollar at the end of last week. On a cumulative basis, Lebanese Eurobonds maturing between 2020 and 2037 posted price falls of 4.0 pts to 4.63 pts since the beginning of the year 2022.

## EUROBONDS INDICATORS

	07/10/2022	30/09/2022	30/12/2021	
Total tradable size \$m	32,364	32,364	32,364	↔
o.w.: Sovereign bonds	31,314	31,314	31,314	↔
Bid price (cents per US dollar)	5.50-6.13	5.63-6.00	9.88-10.63	↓
Average Life	5.51	5.54	6.18	↓
Yield on US 5-year note	4.10%	3.95%	1.26%	↑

Source: Bank Audi's Group Research Department

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## INTERNATIONAL MARKET INDICATORS

	07-Oct-22	30-Sep-22	31-Dec-21	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	145.24	144.74	115.11	0.3%	26.2%
\$/£	1.109	1.117	1.353	-0.8%	-18.1%
\$/Euro	0.974	0.980	1.137	-0.6%	-14.3%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	29,296.79	28,725.51	36,338.30	2.0%	-19.4%
S&P 500	3,639.66	3,585.62	4,766.18	1.5%	-23.6%
NASDAQ	10,652.40	10,575.62	15,644.97	0.7%	-31.9%
CAC 40	5,866.94	5,762.34	7,153.03	1.8%	-18.0%
Xetra Dax	12,273.00	12,114.36	15,884.86	1.3%	-22.7%
FT-SE 100	6,959.31	6,893.81	7,384.54	1.0%	-5.8%
NIKKEI 225	27,116.11	25,937.21	28,791.71	4.5%	-5.8%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,694.82	1,660.61	1,829.20	2.1%	-7.3%
SILVER OUNCE	20.13	19.03	23.31	5.8%	-13.6%
BRENT CRUDE (per barrel)	97.92	85.14	77.78	15.0%	25.9%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	3.31	3.14	0.10	0.17	3.21
US Prime Rate	6.25	6.25	3.25	0.00	3.00
US Discount Rate	3.25	3.25	0.25	0.00	3.00
US 10-year Bond	3.88	3.83	1.51	0.05	2.37

Sources: Bloomberg, Bank Audi's Group Research Department

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