

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

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

Zeina Labban
(961-1) 952426
zeina.labban@bankaudi.com.lb

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

p.2 DEPOSITS CONTRACT BY US\$ 40 BILLION AND LOANS DROP BY US\$ 28 BILLION SINCE OCTOBER 2019

Our banking sector analysis since the onset of Lebanon's financial crisis, i.e between October 2019 and March 2022 suggests a number of activity trends.

Also in this issue

p.3 Number of passengers at the airport hiked by a yearly 99% in the first four months

p.3 Gross public debt at US\$ 99 billion end-January 2022

p.4 Distribution of utilized credits shows 33% in trade and services and 75% for Beirut and suburbs as at September-2021

Surveys

p.5 LEBANON RANKED 130TH GLOBALLY WITH A SCORE OF 46.58 IN THE WORLD PRESS FREEDOM INDEX 2022

According to the 2022 edition of the World Press Freedom Index, Lebanon ranked 130th globally with a score of 46.58 compared to a rank of 107 and a score of 65.07 in the previous year. In 2022, the country ranked seventh in the Arab MENA region.

Also in this issue

p.6 Lebanon ranks 88th on Bertelsmann Stiftung's Transformation Index (BTI) 2022

Corporate News

p.7 US\$ 30 MILLION AID AND DEVELOPMENT FROM FRANCE AND SAUDI ARABIA

France and Saudi Arabia unveiled a joint US\$ 30 million development fund for Lebanon's crisis aiming to support food security and health sector, as mentioned in a statement.

Also in this issue

p.7 Canada offers 232+ Scholarships, Fellowships & Grants for Lebanese students

p.7 Berytech & Agrytech Program were Among Top 5 Agtech Players In the MENA Region

p.7 New One Online Clinic by Embrace Lebanon

p.8 Wasil, the newest eco-friendly bicycle courier service in Lebanon

p.8 Sayrafa transacted a daily average of US\$ 61 million last week

Markets In Brief

p.9 MARKETS IN BRIEF: BDL'S EXCEPTIONAL MEASURES CURB CURRENCY SWINGS DESPITE A RISING REFORM UNCERTAINTY

While Lebanon is nearing Parliamentary elections, and on growing uncertainties about economic and financial prospects especially after failing to meet IMF requirements before elections, and as BDL's exceptional measures are remaining in place till end-May 2022, Lebanon's capital markets saw this week marginal fluctuations in the LP/US\$ exchange rate on the parallel market, while bond prices fell further without finding a floor and the equity market posted shy price gains. In details, the LP/US\$ rate moved within tight brackets during this two-day week, reaching LP/US\$ 26,850-LP/US\$ 26,900 on Friday, as BDL's exceptional measures continued to help curbing strong currency swings, while BDL's liquid FX reserves continued their nosedive, falling below the US\$ 11 billion level at end-April 2022. Concurrently, bond prices fell to 10.50-11.13 cents per US dollar amid rising reform uncertainty and on reduced hopes about Lebanon's ability to reach a final agreement with the IMF in the near term. Finally, the equity market posted shy price rises of 0.8%. The BSE total turnover was restricted to US\$ 1.4 million during this two-day week and compared to an average weekly value of US\$ 4.9 million since the beginning of 2022.

LEBANON MARKETS: MAY 2 - MAY 8, 2022

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

Bank Audi

ECONOMY

DEPOSITS CONTRACT BY US\$ 40 BILLION AND LOANS DROP BY US\$ 28 BILLION SINCE OCTOBER 2019

Our banking sector analysis since the onset of Lebanon's financial crisis, i.e between October 2019 and March 2022, shows the following trends:

- A cumulative decline in total deposits by US\$ 40.3 billion amid noticeable withdrawals and loan redemption: Customer deposits contracted from US\$ 168.4 billion at end-October 2019 to US\$ 128.1 billion at end-March 2022, the equivalent of 23.9%. Resident deposits contracted by US\$ 28.8 billion, while non-resident deposits dropped by US\$ 11.5 billion. FX Deposits contracted by US\$ 22.8 billion over the two and a half year period to reach US\$ 100.8 billion, while LL deposits dropped by LL 26.1 trillion to reach LL 41.1 trillion as at end-March 2022. As a result, deposit dollarization went up from 73.4% in October 2019 to 78.7% in March 2022.
- A cumulative decline in total loans by US\$ 28.2 billion amid bank deleveraging efforts: Lebanese banks have been deleveraging significantly since the onset of the crisis. Their loan portfolio dropped from US\$ 54.2 billion to US\$ 26.0 billion, the equivalent of 52.0%. The loan redemption represents 70% of the deposit contraction over the past two and a half years. FX loans contracted by US\$ 23.7 billion, while LL loans dropped by LL 6.7 trillion over the two and a half year period. As a result, loan dollarization went down from 70.4% in October 2019 to 55.4% in March 2022.
- A cumulative decline in LL deposit interest rate by 816 basis points and in US\$ deposit interest rate by 645 basis points: The average LL deposit interest rate dropped from 9.03% at end-October 2019 to 0.87% at end-March 2022, while the average US\$ deposit interest rate declined from 6.61% to 0.16% over the same period. The spread between US\$ deposit rate and 3-month Libor reached close to nil in March 2022, against 4.71% in October 2019.
- A cumulative decline in banks FX liquidity abroad by US\$ 4.3 billion: Lebanese banks' claims on non-resident financial sector dropped from US\$ 8.4 billion at end-October 2019 to US\$ 4.1 billion at end-March 2022. This comes as a result of the significant foreign liquidity usage by Lebanese banks to pay in cash for customers withdrawals at the beginning of the crisis period and more recently under BDL Article 158.
- A cumulative decline of US\$ 10.3 billion in banks Eurobonds portfolio amid net domestic sales and provisioning: Lebanese banks Eurobond portfolio reached US\$ 4.5 billion at end-March 2022, against US\$ 14.8 billion at end-October 2019. The portfolio contraction is tied to banks net sales of Eurobonds at loss, mainly at the early months of the crisis, in addition to high provisioning requirements imposed by monetary authorities on bond portfolios.
- A cumulative decline in shareholders' equity by US\$ 4.4 billion amid banks' net losses: Shareholders' equity contracted from US\$ 20.6 billion at end-October 2019 to US\$ 16.2 billion at end-March 2022 as a result of net bank losses over the period. The losses incurred by Lebanese banks come as a result of noticeable FX costs (rate differential between the BDL circular 151 rate and the official exchange rate), the rising operating expenses tied to the surging inflation, in addition to significant provisions to face private and sovereign risks at large.

MAJOR ACTIVITY INDICATORS OF BANKS

| <i>In millions of US\$</i> | Oct-19 | Mar-22 | <i>In millions of US\$</i> | Oct-19 | Mar-22 |
|--|---------------|---------------|--|----------------|----------------|
| Total assets | 262,804 | 172,697 | Customers' deposits in L.L. | 44,727 | 27,308 |
| Total shareholders' equity | 20,602 | 16,212 | Customers' deposits in FX | 123,637 | 100,793 |
| Shareholders' equity/Total assets | 7.8% | 9.4% | Total Customers' deposits | 168,364 | 128,101 |
| Loans to the private sector in L.L. | 16,029 | 11,579 | Deposits in FX / Total Deposits | 73.4% | 78.7% |
| Loans to the private sector in FX | 38,136 | 14,383 | Loans in L.L./Deposits in L.L. | 35.8% | 42.4% |
| Total loans to the private sector | 54,166 | 25,962 | Loans in FX/Deposits in FX | 30.8% | 14.3% |
| Loans in FX / Total Loans | 70.4% | 55.4% | Loans/Deposits | 32.2% | 20.3% |

Bank Audi

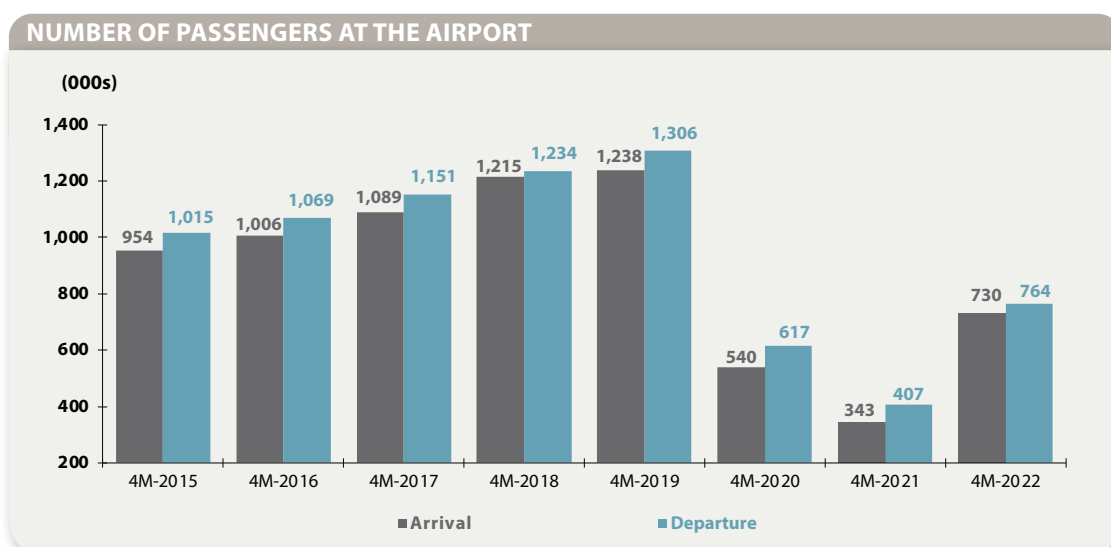
NUMBER OF PASSENGERS AT THE AIRPORT HIKED BY A YEARLY 99% IN THE FIRST FOUR MONTHS

The latest figures released by the Rafic Hariri International Airport revealed that the airport traffic posted a significant performance over the first four months of 2022 where total number of passengers hiked by 99.1% when compared to same period of 2021 with the opening up of the global travel amid softened lockdown restrictions worldwide. In addition, the number of aircraft increased by 55.7% yearly. However, the total freight handled by the airport dropped by 27.2% yearly over the same period.

A detailed look at the activity shows that the number of incoming passengers jumped by a yearly 87.5% and that of departing passengers by 112.9%, to reach 729,965 and 763,619 respectively in the first four months of the current year.

In parallel, the landings and take-offs rose by 55.6% and 55.7% year-on-year respectively in the aforementioned period, with the former amounting to 6,934 planes and the latter reporting 6,936 in the first four months of 2022.

Regarding the freight movement within the airport, a total of 9,006 thousand tons were imported and unloaded during the first four months of the year, while 9,060 thousand tons were exported and loaded. The first mentioned activity posted a negligible increase of 0.8% while the latter posted a 43.0% decrease on a yearly basis in the first four months of 2022.



Sources: BIA, Bank Audi's Group Research Department

GROSS PUBLIC DEBT AT US\$ 99 BILLION AT END-JANUARY 2022

The data published by the Ministry of Finance in Lebanon showed that the country's gross debt reached US\$ 99.2 billion at end-January 2022, up by 3.5% from the level seen at end-January 2021.

Domestic debt increased by 1.4% from end-January 2021 to reach a total of LP 91.3 billion at end-January 2022.

Lebanon's external debt rose by 6.8% from end-January 2021 to stand at around US\$ 38.7 billion at end-January 2021.

In this context, the public sector deposits at the Central Bank rose by 70.7% from end-January 2021 to register US\$ 6.9 billion at end-January 2022.

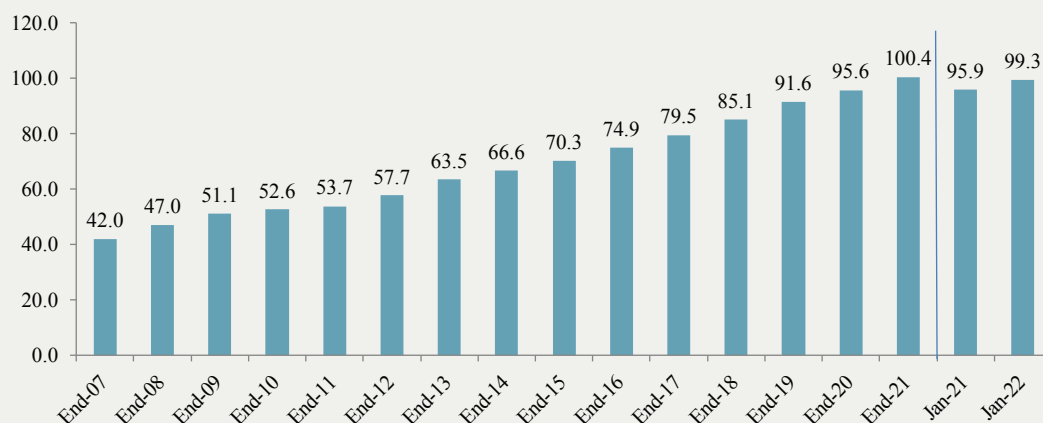
The public sector deposits at commercial banks contracted by 10.7% from end-January 2021 to end-January 2022 registering US\$ 5.0 billion.

As such, net public debt, which excludes the public sector deposits at the Central Bank and commercial banks from overall debt figures, increased by 1.2% from end-January 2021 to reach a total of US\$ 87.4 billion at end-January 2022.

Net domestic debt amounted to US\$ 48.6 billion at end-January 2022, down by 2.9% from end-January 2021.

Bank Audi

GROSS PUBLIC DEBT (US\$ BILLION)



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

DISTRIBUTION OF UTILIZED CREDITS SHOWS 33% IN TRADE AND SERVICES AND 75% FOR BEIRUT AND SUBURBS AS AT SEPTEMBER-2021

As per the Central Bank of Lebanon, the total direct utilized credits as at Sep-2021 contracted by 13.5% against Dec-2020 reaching LP 55.7 trillion. Loans are distributed over six categories, namely Trade and Services loans, Individual loans, Construction loans, Industrial loans, financial intermediation loans, agricultural loans and other loans.

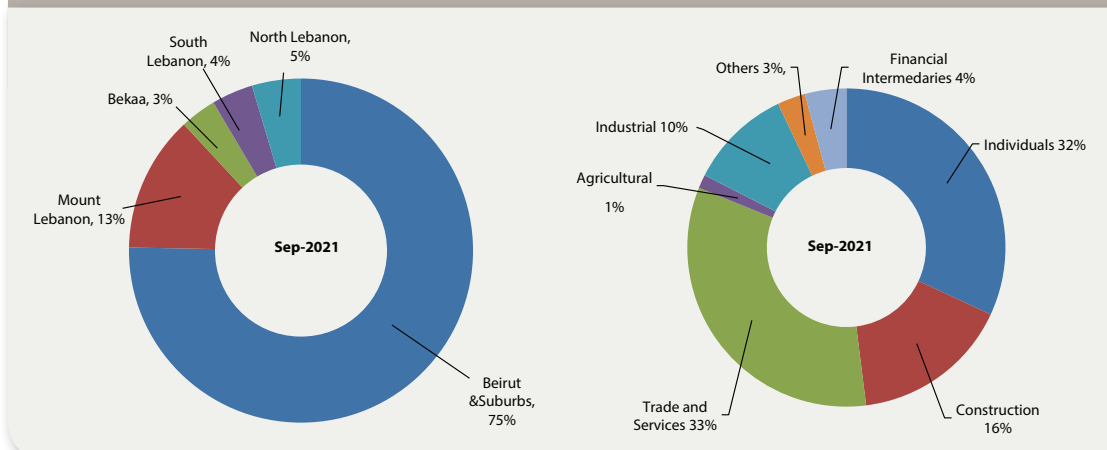
In details, Trade and Services loans represented the biggest share of 33.1% in Sep-2021 versus 31.4% in Dec-2020. Individual loans constituted 31.9% of the total loans in Sep-2021 versus 35.5% in Dec-2020. In particular, Housing Loans accounted for 23.1% of total loans in Sep-2021 versus 23.9% in Dec-2020.

Construction loans represented 16.1% in Sep-21, followed by industrial loans representing 10.4% in Sep-21 and financial intermediation constituting 4.2% in the respective period of the year.

As for the regional distribution of the banks utilized credits, Beirut and the suburbs constitute the biggest share of total loans for 75.2% in Sep-21, followed by Mount Lebanon region with 12.8%, North Lebanon region with 4.6%, South Lebanon region with 3.9% and Bekaa region with 3.4%.

It is worth mentioning that beneficiaries in Beirut benefited from the highest loans share for 54.9% of total loans as in Sep-21, followed by beneficiaries in Mount Lebanon with 17.8%, beneficiaries in North Lebanon for 11.2%, beneficiaries in South Lebanon with 8.8% and beneficiaries in Bekaa with 7.3%.

DISTRIBUTION OF UTILIZED CREDITS



Sources: BDL, Bank Audi's Group Research Department

Bank Audi

SURVEYS

LEBANON RANKED 130TH GLOBALLY WITH A SCORE OF 46.58 IN THE WORLD PRESS FREEDOM INDEX 2022

According to the 2022 edition of the World Press Freedom Index, Lebanon ranked 130th globally with a score of 46.58 compared to a rank of 107 and a score of 65.07 in the previous year. In 2022, the country ranked seventh in the Arab MENA region.

In details, Lebanon scored 50.91 at the level of political context ranking 111 globally. As for the legal framework, Lebanon ranked 137th with a score of 50.22. Looking at the economic context, the country scored 38.27 with a rank of 111. At the level of sociocultural context, Lebanon scored 60.50 and ranked 117th. On safety, Lebanon scored 33.02 and ranked 148th.

The World Press Freedom Index which assesses the state of journalism in 180 countries and territories, highlights the disastrous effects of news and information chaos – the effects of a globalized and unregulated online information space that encourages fake news and propaganda. Within democratic societies, divisions are growing as a result of the spread of opinion media following the “Fox News model” and the spread of disinformation circuits that are amplified by the way social media functions. At the international level, democracies are being weakened by the asymmetry between open societies and despotic regimes that control their media and online platforms while waging propaganda wars against democracies. Polarization on these two levels is fueling increased tension.

It is worth noting that working with a committee of seven experts from the academic and media sectors, RSF developed a new methodology to compile the 20th World Press Freedom Index. The new methodology defines press freedom as “the effective possibility for journalists, as individuals and as groups, to select, produce and disseminate news and information in the public interest, independently from political, economic, legal and social interference, and without threats to their physical and mental safety”.

ARAB MENA REGION'S RSF 2022 WORLD PRESS FREEDOM INDEX

| | Global Rank | Score |
|----------------------|-------------|--------------|
| Comoros | 83 | 60.16 |
| Tunisia | 94 | 58.49 |
| Mauritania | 97 | 58.10 |
| Qatar | 119 | 49.03 |
| Jordan | 120 | 48.66 |
| South Sudan | 128 | 47.06 |
| Lebanon | 130 | 46.58 |
| Algeria | 134 | 45.53 |
| Morocco | 135 | 45.42 |
| United Arab Emirates | 138 | 44.46 |
| Somalia | 140 | 44.01 |
| Libya | 143 | 43.16 |
| Sudan | 151 | 40.96 |
| Kuwait | 158 | 37.87 |
| Oman | 163 | 35.99 |
| Djibouti | 164 | 35.75 |
| Saudi Arabia | 166 | 33.71 |
| Bahrain | 167 | 30.97 |
| Egypt | 168 | 30.23 |
| Yemen | 169 | 29.14 |
| Palestine | 170 | 28.98 |
| Syria | 171 | 28.94 |
| Iraq | 172 | 28.59 |

Sources: Reporters Without Borders, Bank Audi's Group Research Department

Bank Audi

Each country or territory's score is evaluated using five contextual indicators that reflect the press freedom situation in all of its complexity: political context, legal framework, economic context, sociocultural context and safety.

A subsidiary score ranging from 0 to 100 is calculated for each indicator. All of the subsidiary scores contribute equally to the global score. And within each indicator, all the questions and sub-questions have equal weight.

LEBANON RANKS 88TH ON BERTELSMANN STIFTUNG'S TRANSFORMATION INDEX (BTI) 2022

BTI 2022 country report was issued for Lebanon. The report gives Lebanon a Status Index of 4.68 ranking it 88 out of 137. At the level of political transformation, Lebanon ranked 67 with a score of 5.35. As for economic transformation, Lebanon scored 4.0 and ranked 107th. As for the governance index, Lebanon scored 3.05 and ranked 118th.

The report highlights that contrary to other public entities, the Lebanese central bank – Banque du Liban (BDL) – enjoys financial and administrative autonomy. As a result of the fixation of an artificially high exchange rate, Lebanon showed strong Dutch Disease symptoms: Productive sectors of the economy were weakened as exports became expensive and imports cheap.

However, the Lebanese financial sector greatly benefited from the dollarization of the economy. By continuously raising the interest rate far above international average levels and by encouraging Lebanese banks to offer their customers even higher interest rates on their private accounts, BDL managed to attract high amounts of fresh US dollars.

According to the report, the two major socioeconomic and political developments between February 2019 and January 2021 that shaped Lebanon's transformation were the breakdown of the economy spearheaded by the fall of the financial sector and the emergence of a social opposition movement to the sectarian regime. Both developments gained momentum in the second half of 2019 but deeply shaped affairs throughout 2020 and beyond.

The Lebanese financial sector, whose performance rests on the complex interplay of the central state, the Lebanese Central Bank, Banque du Liban, and the private banks affiliated with the Association of the Banks in Lebanon, has been the backbone of Lebanon's dollarized economy for decades.

As a result of massive capital flight of major depositors, which was inter alia triggered by decreased capital inflows to Lebanon, a bank rush occurred in the second half of 2019. The banking sector responded with an unregulated capital control on dollar cash flow. Parallel to the economic crisis, nationwide mass protests of unprecedented magnitude challenged the ruling regime and with it the legitimacy of Lebanon's sectarian system based on rent-seeking, crony capitalism, and a corruptive nexus between the closely tied political and economic upper echelons of the society. Some of the most pertinent slogans of the protest movement such as "All of them means all of them" and "Revolution" clearly indicated the conviction that the entire political class is incapable of launching structural reforms.

The depletion of foreign currency reserves and the de-dollarization of the economy had devastating effects on the socioeconomic system. The highly import-dependent economy showed supply shortages, and inflation increased strongly after October 2019.

Bank Audi

CORPORATE NEWS

US\$ 30 MILLION AID AND DEVELOPMENT FROM FRANCE AND SAUDI ARABIA

France and Saudi Arabia unveiled a joint US\$ 30 million development fund for Lebanon's crisis aiming to support food security and health sector, as mentioned in a statement.

The initial funds will be distributed equally between the French Development Agency and Saudi Arabia's King Salman Humanitarian Aid and Relief Center.

The funds will be routed to humanitarian projects to provide cash aid for 7,500 people, emergency aid covering food to the most needy and unfortunate populations in Lebanon, improve access to primary healthcare and to support the main public hospital in the impoverished northern city of Tripoli.

CANADA OFFERS 232+ SCHOLARSHIPS, FELLOWSHIPS & GRANTS FOR LEBANESE STUDENTS

Several Canadian institutions are offering more than 232 Scholarships, fellowships and grants for Lebanese students to study in Canada at the back of the social-economic crisis hitting Lebanon since 2019.

The education sector in Lebanon is suffering enormously; around 80% of students are now unable to pay their tuition fees, according to the King Baudouin Foundation (KBF) Canada.

It is worth mentioning that KBF launched a long-term fundraising project called LIFE to support Lebanese scholars, both in Lebanon and abroad. In Lebanon, they support eligible students at American University of Beirut (AUB), Lebanese American University (LAU) and University of Saint Joseph (USJ).

KBF supports eligible students enrolled in top tier academic institution in Europe or America with a yearly scholarship of US\$12,000 to cover part of their tuition fees.

BERYTECH & AGRYTECH PROGRAM WERE AMONG TOP 5 AGTECH PLAYERS IN THE MENA REGION

Berytech and its Agrytech Program were named among the top Agtech players in the MENA region, as per a report published by Startup Genome, one of the world-leading policy advisory and research organization for public and private organizations.

The Startup Genome report emphasizes the urgency of tackling food security focusing on services and technologies that help improve the efficiency and efficacy of agri-food systems.

Berytech designed and developed the Agrytech program to make sure Lebanon offers competitive companies that are sourcing, solving, growing and transforming food, as well as feeding the world from Lebanon.

The Agrytech Accelerator Program is under the ACT Smart Innovation Hub, a new out-of-the-box approach by Berytech, co-funded by the Kingdom of The Netherlands, that aims at strengthening business advancement and job creation in the Agri-food and Cleantech sectors in Lebanon.

Finally, Berytech supports innovations across these sectors by offering startups the resources, knowledge, support and funding worth around US\$ 100K, necessary to scale their ideas and grow them to penetrate international markets.

NEW ONE ONLINE CLINIC BY EMBRACE LEBANON

Embrace Lebanon introduced its latest services "The One For One Online Clinic" for therapy and/or covering a session for less fortunate patients in Lebanon.

The online clinic was launched to help Lebanese and Arabic-speaking people outside Lebanon, providing psychiatry and psychotherapy services for those who find it hard to interact with non-Arabic-speaking therapists around the world.

Bank Audi

The therapy fees via Embrace online clinic are US\$ 120 for the first session and US\$ 100 for follow-up sessions, paid through an online payment gateway.

It is worth noting that the paid fees for sessions would simultaneously cover sessions of other patients who cannot afford it in Lebanon, Embrace explained in a statement.

Embrace's Mental Health Center was initially introduced as a low-fee clinic, in which the consultation fees are paid by beneficiaries to cover the operational costs only, allowing the clinic to provide more affordable mental health services to patients who cannot afford them.

WASIL, THE NEWEST ECO-FRIENDLY BICYCLE COURIER SERVICE IN LEBANON

Wasil is the newest initiative launched to provide bicycle courier business in the Lebanese northern capital, Tripoli, targeting local businesses, online shops and companies for delivering packages up to 1 kg. Wasil strives to provide its delivery services from Monday to Friday, 11 am till 3 pm.

This initiative aims to offer an eco-friendly and sustainable delivery service with cheapest costs, as cyclists do not have to pay for the high prices of diesel. Moreover, it reduces the pollution rates in the city, contributing to an eco-friendly environment and secures job opportunities for the Lebanese.

Wasil assures the bicycle courier can deliver its services amid all unprecedented circumstances and without delays, during storms and winter, roads blocked and other impediments of the Lebanese daily life, as mentioned in a statement.

It is worth noting that Wasil first launched its operations in November 2021 upon receiving its first seed fund from INJAZ Lebanon, a non-profit organization aiming to help Lebanese youth gain the required skills and mindset to become future entrepreneurs and qualified professionals.

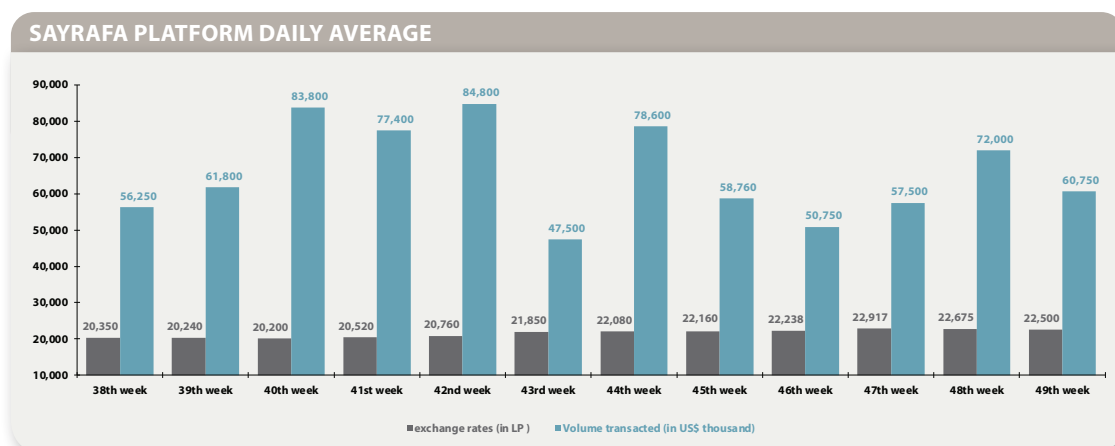
Wasil initiative was created by the Bicycle Mayor of Tripoli; run and managed by a group of cyclists of men and women from Tripoli.

SAYRAFA TRANSACTED A DAILY AVERAGE OF US\$ 61 MILLION LAST WEEK

The daily average volume of transactions on Sayrafa foreign exchange platform during the 49th week was US\$ 60.8 million, compared to previous week's daily average transacted volume of US\$ 72.0 million (against a cumulative daily average volume since the launch of Sayrafa of US\$ 22.9 million).

The daily average conversion rate for week 49 is LP 22,500 when compared to daily average conversion rate of previous week of LP 22,675 and the cumulative daily average conversion rate since the launch of Sayrafa of LP 19,497.

The Central Bank (BDL) announced that the conversion rate at end of week 49 was LP 22,500, while the conversion rate reported by end of week 48 was LP 22,600.



Sources: BDL, Bank Audi's Group Research Department

Bank Audi

CAPITAL MARKETS

MONEY MARKET: COST OF LP CASH ABOVE 30% ON SEVERE SHORTAGE IN LP LIQUIDITY

The cost of LP cash remained above 30% during this two-day week given a severe shortage in local currency liquidity on the money market, caused by BDL's exceptional measures.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 21st of April 2022 showed that total resident banking deposits expanded LP 717 billion. This is mainly attributed to a LP 315 billion rise in total LP resident deposits amid a LP 463 billion increase in LP demand deposits and a LP 148 billion retreat in LP saving deposits, while foreign currency resident deposits rose by LP 402 billion (the equivalent of US\$ 267 million as per the official rate of LP 1,507.5). Within this context, the money supply in its broadest sense (M4) expanded by LP 1,078 billion over the covered week, which marks its largest weekly expansion since early-February 2022. This came within the context of a LP 308 billion rise in the money in circulation and a LP 53 billion increase in the non-banking sector Treasury bills portfolio.

INTEREST RATES

| | 06/05/2022 | 29/04/2022 | 30/12/2021 | |
|---------------------------|------------|------------|------------|---|
| Overnight rate (official) | 1.90% | 1.90% | 1.90% | ↔ |
| 7 days rate | 2.00% | 2.00% | 2.00% | ↔ |
| 1 month rate | 2.75% | 2.75% | 2.75% | ↔ |
| 45-day CDs | 2.90% | 2.90% | 2.90% | ↔ |
| 60-day CDs | 3.08% | 3.08% | 3.08% | ↔ |

Source: Bloomberg

TREASURY BILLS MARKET: NOMINAL DEFICIT OF LP 646 BILLION OVER FIRST FOUR MONTHS OF 2022

The latest Treasury bills auction results for value date 5th of May 2022 showed subscriptions in the six-month category (offering a yield of 4.0%), the two-year category (offering a coupon of 5.0%) and the ten-year category (offering a coupon of 7.0%).

In parallel, the Treasury bills auction results for value date 28th of April 2022 showed that total subscriptions amounted to LP 110 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 23 billion in the three-month category (offering a yield of 3.50%), LP 71 billion in the one-year category (offering a yield of 4.50%) and LP 16 billion in the five-year category (offering a yield of 6.0%). These compare to maturities of LP 66 billion, resulting into a nominal weekly surplus of LP 44 billion.

On a cumulative basis, total subscriptions amounted to LP 4,554 billion during the first four months of the year 2022, fully allocated to the Central Bank of Lebanon. The three-year category captured 24.4% of the total, followed by the six-month category with 23.3%, the one-year category with 17.6%, the ten-year category with 11.4%, the two-year and five-year categories with 9.1% each, and the three-month category with 5.1%. These compare to maturities of LP 5,200 billion, resulting into a nominal deficit of LP 646 billion during the first four months of 2022.

FOREIGN EXCHANGE MARKET: BDL'S FX RESERVES CONTINUE THEIR NOSEDIVE

The black FX market saw marginal fluctuations in the LP/US\$ exchange rate during this two-day week. The LP reached 26,850-26,900 against the US dollar on Friday and compared to LP/US\$ 26,600-LP/US\$ 26,700 at the end of last week. Currency stability on parallel market is mainly explained by BDL's exceptional measures, which allow ceiling-free US dollars purchases from the Central Bank of Lebanon, as they continued to play a major role in curbing strong currency swings. Concurrently, the Central Bank of Lebanon announced this week that FX operations on the "Sayrafa" platform were executed at an average rate of LP/US\$ 22,500 on May 5 and 6, 2022.

Bank Audi

TREASURY BILLS

| | 06/05/2022 | 29/04/2022 | 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% | |
| 10-year | 7.00% | - | 7.00% | |
| Nom. Subs. (LP billion) | | 110 | 246 | |
| Short-term (3&6 mths) | | 23 | - | |
| Medium-term (1&2 yrs) | | 71 | - | |
| Long-term (3 yrs) | | - | 200 | |
| Long-term (5 yrs) | | 16 | - | |
| Long-term (7 yrs) | | - | 46 | |
| Maturities | | 66 | 13 | |
| Nom. Surplus/Deficit | | 44 | 233 | |

Sources: Central Bank of Lebanon, Ministry of Finance

In parallel, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 30th of April 2022 showed that BDL's foreign assets contracted by US\$ 94 million during the second half of the month to reach US\$ 16.25 billion at end-April 2022, bringing year-to-date contractions to US\$ 1.6 billion. When excluding BDL's Eurobond holdings estimated at US\$ 5.0 billion and facilities provided to Lebanese banks, the Central Bank of Lebanon's liquid FX reserves fell below US\$ 11 billion at end-April 2022.

STOCK MARKET: ACTIVITY ON BSE REMAIN SKEWED TO UPSIDE THIS WEEK

The Beirut Stock Exchange registered shy price gains during this two-day week, as reflected by a 0.8% increase in the price index. Five out of six traded stocks posted price rises, while one stock saw no price change week-on-week.

A closer look at individual stocks shows that Byblos Bank's "listed" shares led the advance on the BSE this week, posting a price surge of 5.0% to reach US\$ 0.84, followed by BLOM's GDRs with +2.4% to US\$ 3.0, Solidere "B" shares with +2.3% to US\$ 37.08, Solidere "A" shares with +0.7% to US\$ 37.06 and Bank Audi's "listed" shares with +0.6% to US\$ 1.69.

EXCHANGE RATES

| | 06/05/2022 | 29/04/2022 | 30/12/2021 | |
|----------|------------|------------|------------|---|
| LP/US\$ | 1,507.50 | 1,507.50 | 1,507.50 | ↔ |
| LP/£ | 1,860.26 | 1,892.36 | 2,022.91 | ↑ |
| LP/¥ | 11.56 | 11.58 | 13.11 | ↑ |
| LP/SF | 1,531.08 | 1,556.37 | 1,639.48 | ↑ |
| LP/Can\$ | 1,173.70 | 1,182.35 | 1,175.53 | ↑ |
| LP/Euro | 1,591.32 | 1,593.13 | 1,701.52 | ↑ |

Source: Bank Audi's Group Research Department

Bank Audi

AUDI INDICES FOR BSE

| | 06/05/2022 | 29/04/2022 | 30/12/2021 | |
|--------------------------------|------------|------------|------------|---|
| Market Cap. Index | 464.24 | 460.57 | 447.87 | ↑ |
| Trading Vol. Index | 32.75 | 116.52 | 80.38 | ↓ |
| Price Index | 97.46 | 96.69 | 94.02 | ↑ |
| Change % | 0.80% | 3.05% | 4.13% | ↑ |
| | 06/05/2022 | 29/04/2022 | 30/12/2021 | |
| Market Cap. \$m | 11,014 | 10,927 | 10,625 | ↑ |
| No. of shares traded (Exc. BT) | 69,003 | 979,541 | 171,230 | ↓ |
| Value Traded \$000 (Exc. BT) | 1,446 | 10,291 | 5,359 | ↓ |
| o.w. : Solidere | 1,368 | 8,974 | 4,614 | ↓ |
| Banks | 78 | 1,317 | 732 | ↓ |
| Others | 0 | 0 | 13 | ↔ |

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

As to trading volumes, the BSE total turnover was restricted to US\$ 1.4 million during this two-day week, noting that Solidere shares captured 94.6% of activity. This compared to an average weekly trading value of US\$ 4.9 million since the beginning of the year 2022. On a cumulative basis, the BSE total trading value contracted by 17% year-on-year during the first four months of 2022 to reach US\$ 82 million. Concurrently, the BSE market capitalization increased by 14% between end-April 2021 and end-April 2022. Within this context, the total turnover ratio, measured by the annualized trading value to market capitalization, fell from 3.1% during the first four months of 2021 to 2.2% during the same period of 2022.

BOND MARKET: LEBANESE BONDS FALL WITHOUT FINDING FLOOR ON REFORM UNCERTAINTY

After failing to meet IMF requirements before May 2022 Parliamentary elections and given the country's poor reform track record, Lebanese Eurobonds fell without finding a floor during this short week. In details, Lebanese sovereigns maturing between 2020 and 2037 registered price contractions ranging between 0.25 pt and 0.63 pt week-on-week. This brought bond prices to a range of 10.5-11.13 cents per US dollar on Friday as compared to 11.0-11.63 cents at the end of last week. On a cumulative basis, Lebanese Eurobonds maturing between 2020 and 2037 posted price gains of 0.50 pt to 1.13 pt since the beginning of the year 2022.

EUROBONDS INDICATORS

| | 06/05/2022 | 29/04/2022 | 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) | 10.50-11.13 | 11.00-11.63 | 9.88-10.63 | ↓ |
| Average Life | 5.87 | 5.90 | 6.18 | ↓ |
| Yield on US 5-year note | 3.04% | 2.96% | 1.26% | ↑ |

Source: Bank Audi's Group Research Department

Bank Audi

INTERNATIONAL MARKET INDICATORS

| | 06-May-22 | 29-Apr-22 | 31-Dec-21 | Weekly change | Year-to-date change |
|-----------------------------------|-----------|-----------|-----------|---------------|---------------------|
| EXCHANGE RATES | | | | | |
| YEN/\$ | 130.53 | 129.77 | 115.11 | 0.6% | 13.4% |
| \$/£ | 1.235 | 1.257 | 1.353 | -1.8% | -8.7% |
| \$/Euro | 1.055 | 1.055 | 1.137 | 0.1% | -7.2% |
| STOCK INDICES | | | | | |
| DOW JONES INDUSTRIAL AVERAGE | 32,899.37 | 32,977.21 | 36,338.30 | -0.2% | -9.5% |
| S&P 500 | 4,123.34 | 4,131.93 | 4,766.18 | -0.2% | -13.5% |
| NASDAQ | 12,144.66 | 12,334.64 | 15,644.97 | -1.5% | -22.4% |
| CAC 40 | 6,258.36 | 6,533.77 | 7,153.03 | -4.2% | -12.5% |
| Xetra Dax | 13,674.29 | 14,097.88 | 15,884.86 | -3.0% | -13.9% |
| FT-SE 100 | 7,387.94 | 7,544.55 | 7,384.54 | -2.1% | 0.0% |
| NIKKEI 225 | 27,003.56 | 26,847.90 | 28,791.71 | 0.6% | -6.2% |
| COMMODITIES (in US\$) | | | | | |
| GOLD OUNCE | 1,883.81 | 1,896.93 | 1,829.20 | -0.7% | 3.0% |
| SILVER OUNCE | 22.36 | 22.78 | 23.31 | -1.8% | -4.1% |
| BRENT CRUDE (per barrel) | 112.39 | 107.14 | 77.78 | 4.9% | 44.5% |
| LEADING INTEREST RATES (%) | | | | | |
| 1-month Libor | 0.84 | 0.80 | 0.10 | 0.04 | 0.74 |
| US Prime Rate | 4.00 | 3.50 | 3.25 | 0.50 | 0.75 |
| US Discount Rate | 1.00 | 0.50 | 0.25 | 0.50 | 0.75 |
| US 10-year Bond | 3.13 | 2.93 | 1.51 | 0.19 | 1.62 |

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.