

## CONTACTS

## Treasury &amp; Capital Markets

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

**Nadine Akkawi**  
(961-1) 977401  
nadine.akkawi@bankaudi.com.lb

## Private Banking

**Toufic Aouad**  
(961-1) 954922  
toufic.aouad@bankaudipb.com

## Corporate Banking

**Khalil Debs**  
(961-1) 977229  
khalil.debs@bankaudi.com.lb

## RESEARCH

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

**Jamil Naayem**  
(961-1) 977406  
jamil.naayem@bankaudi.com.lb

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

**Fadi Kanso**  
(961-1) 977470  
fadi.kanso@bankaudi.com.lb

**Gerard Arabian**  
(961-1) 964047  
gerard.arabian@bankaudi.com.lb

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

**Nivine Turyaki**  
(961-1) 959615  
nivine.turyaki@bankaudi.com.lb

## The LEBANON WEEKLY MONITOR

## Economy

**p.2 FOREIGN TRADE DEFICIT DOWN BY A YEARLY 14% IN THE FIRST TWO MONTHS OF THE YEAR**

Lebanon's external sector witnessed a net decline in trade deficit by 14.4% in the first two months of 2019 compared to 2018 corresponding period, moving from US\$ 2.6 billion to US\$ 2.2 billion, according to the latest trade statistics released by Lebanon's Customs Authority.

Also in this issue

**p.3** Total number of passengers at the airport up by a yearly 3.6% in first four months of 2019

**p.4** Weak trend of Lebanon's construction sector continues in 2019, as per MEED

## Surveys

**p.5 ELECTRICITY REFORM PLAN APPROVAL CONSIDERABLE ACHIEVEMENT, SAYS GOLDMAN SACHS**

According to a recent report by Goldman Sachs (GS), Lebanon's electricity reform plan approval is a considerable achievement.

Also in this issue

**p.6** Despite strong opportunities and continued positive growth, Fitch retains a negative outlook for the Lebanese telecommunications market

## Corporate News

**p.7 TOTAL ASSETS OF IBL BANK UP BY A YEARLY 12.6% TO US\$ 8.1 BILLION AT END-2018**

IBL Bank posted net profits of US\$ 110.3 million in 2018, edging up by 8.5% from US\$ 101.7 million in 2017, as per Bankdata Financial Services.

Also in this issue

**p.8** Lebanon and Gulf Bank's net profits down to US\$ 26.7 million in 2018

## Markets In Brief

**p.9 ANTI-AUSTERITY PROTESTS WEIGH ON LEBANON'S CAPITAL MARKETS**

Amid continuous cabinet's discussions on draft State budget and given anti-austerity protests in some public institutions and independent establishments, Lebanon's capital markets witnessed this week an increased demand for US dollar on the foreign exchange market, which has possibly prompted the Central bank of Lebanon to intervene as a seller of the greenback. Also, Lebanese Eurobonds came under downward price pressures amid rising domestic tensions. Within this context, internationals were net sellers in relatively light volumes, while the demand was almost absent. This led to a 36 bps expansion in the weighted average bond yield to reach 9.76%. Also, Lebanon's five-year CDS spreads expanded by 45 bps week-on-week to reach 845 bps. On the equity market, the BSE continued to trace a downward trajectory. The price index fell by 3% week-on-week to reach 75.57, its lowest level in 14 years, while the total turnover remained quite shy.

## LEBANON MARKETS: WEEK OF MAY 06 - MAY 12, 2019

Money Market	↓	BSE Equity Market	↓
Certificates of Deposits Market	↔	GDR Market	↓
LP Tbs Market	↓	Eurobond Market	↓
LP Exchange Market	↓	CDS Market	↓

## ECONOMY

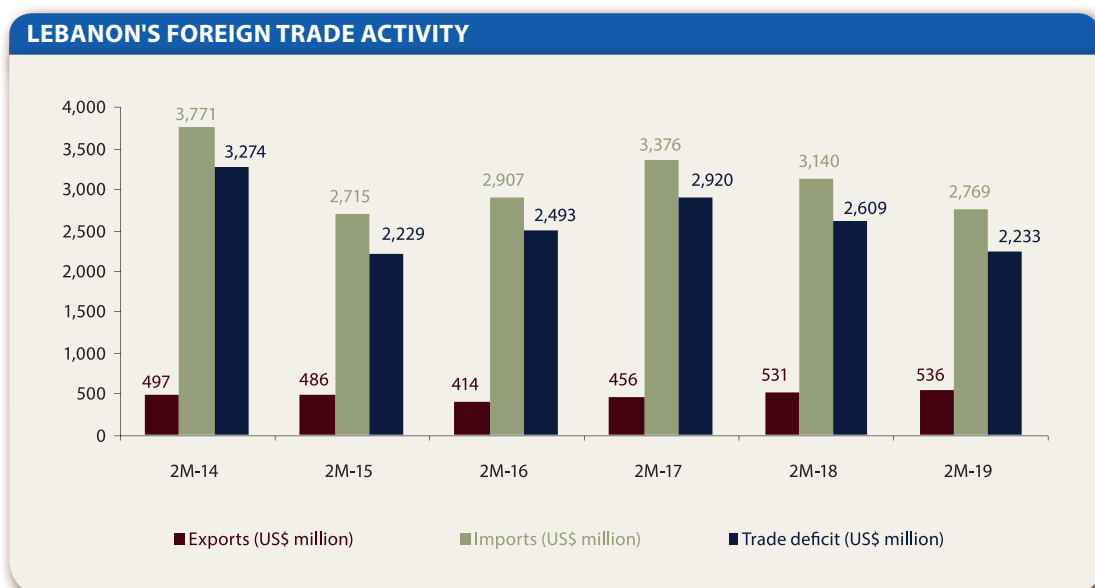
### FOREIGN TRADE DEFICIT DOWN BY A YEARLY 14% IN THE FIRST TWO MONTHS OF THE YEAR

Lebanon's external sector witnessed a net decline in trade deficit by 14.4% in the first two months of 2019 compared to 2018 corresponding period, moving from US\$ 2.6 billion to US\$ 2.2 billion, according to the latest trade statistics released by Lebanon's Customs Authority. This drop in trade deficit was the result of retreating imports by 11.8% and slightly increasing exports by 0.9% over the first two months of this year. Accordingly, the sum of exports and imports went down by 10.0% to reach US\$ 3.3 billion over the period, while the exports to imports ratio reached 19.4% over the period, up from 16.9% over the same period of 2018. It is worth mentioning that the balance of payments recorded a rising deficit of US\$ 1.9 billion in the first two months of 2019, despite the drop in trade deficit, as it was impacted by weakening inflows over this period.

Going further into details, imports reached US\$ 2.8 billion over the first two months of 2019, compared to US\$ 3.1 billion over the same period of the previous year. The breakdown of imports by major product suggests that almost all products witnessed a decline over the period when compared to the same period 2018. The main items to have displayed the most significant retreat were jewelry with 32.6%, followed by metals and metal products with 30.2%, cement and stone products with 29.6%, transport vehicles with 19.5% and textiles and textile products with 18.3% during the first two months of 2019 relative to the first two months of 2018. The breakdown of imports by country of origin in the first two months of the year shows that most of the inward merchandise came from China with 11.3% of total imports, followed by Greece with 7.4%, Italy with 7.3%, Germany with 5.6%, USA with 5.2%, Russia with 4.9%, Turkey with 4.1% and France with 3.9% of total imports over the period.

Total exports reached US\$ 536 million in the first two months of 2019, from US\$ 531 million in the first two months of 2018. It is worth mentioning that exports through the Port of Beirut witnessed a decline by 8.4% over the same period, while those through the Hariri international Airport went up by 13.0%, and Land exports through Syria went up significantly moving from US\$ 26 million to US\$ 53 million, supported by the gradual reopening of trade routes through conflict countries in the region.

The analysis of exports by major products suggests that exports of papers and paper products reported a 16.7% increase over the same period, followed by vegetable products with 16.0%, jewelry with 13.7%, and electrical equipments with 13.6%. In parallel, exports of metals and metal products decreased the



Source: Lebanese customs

most among the major categories with a drop of 46.7%, followed by chemical products with 25.4%, and textiles and textile products with 14.3% over the first two months of 2019 relative to the same period of 2018. The geographic distribution of domestic exports indicates that 17.5% of total exports went to Switzerland, followed by UAE with 14.4% of the total, South Africa and Syria with 7.6% each, Saudi Arabia with 6.2%, Qatar with 4.7%, and Iraq with 3.4% of the total, with Arab countries taking over the lion's share with almost 50% of total exports over the first two months of the year.

## TOTAL NUMBER OF PASSENGERS AT THE AIRPORT UP BY A YEARLY 3.6% IN FIRST FOUR MONTHS OF 2019

Figures released by the Rafic Hariri International Airport revealed that the total number of passengers recorded a yearly 3.6% increase in the first four months of 2019. The number of aircraft rose by 1.3% year-on-year in the aforementioned period. In contrast, the total freight handled by the airport edged down by 6.0% year-on-year in the aforementioned period.

A detailed look at the activity shows that the number of incoming passengers rose by a yearly 1.9% and that of departing passengers increased by 5.3% to reach 1,238,256 and 1,309,126 respectively in the first four months of 2019.

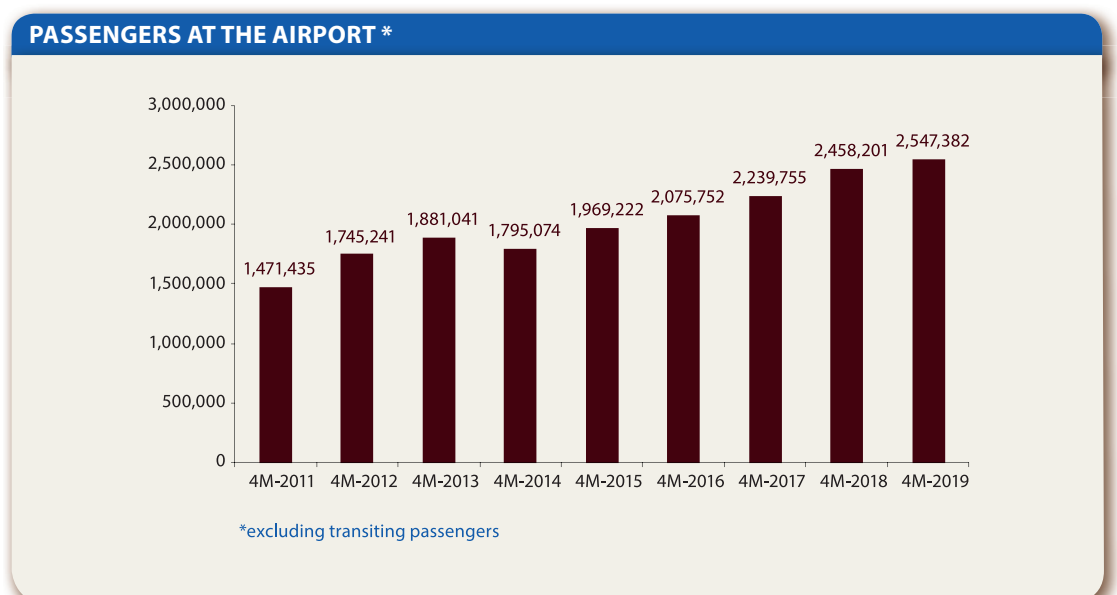
The number of transiting passengers rose from 1,354 passengers in the first four months of 2018 to 19,294 passengers in the corresponding period of this year. When including the latter mentioned category, the total number of passengers using the airport attained 2,566,676, up by a yearly 4.4%.

Excluding transiting passengers, the total would be 2,547,382, i.e. 3.6% higher than the level seen in the first four months of 2018.

Looking at the aircraft activity, landings and take-offs increased by a yearly 1.3% each with the former amounting to 10,737 planes and the latter reporting 10,735 in the first four months of 2019.

Regarding the freight movement within the airport, a total of 17,940 thousand tons were imported and unloaded during the first four months of 2019 while 10,252 thousand tons were loaded and exported.

The first mentioned activity posted a decline of 7.4% while the latter posted a 3.5% fall on a yearly basis in the first four months of 2019.



Sources: Rafic Hariri International Airport, Bank Audi's Group Research Department

## WEAK TREND OF LEBANON'S CONSTRUCTION SECTOR CONTINUES IN 2019, AS PER MEED

Lebanon's construction market weakened considerably in 2018 and that trend has continued into 2019, as per MEED.

According to regional projects tracker MEED Projects, the total value of construction contract awards dropped to US\$ 378 million during 2018, substantially less than the average of US\$ 1.1 billion of awards each year for the previous five years. For 2019, there have been no major construction contract awards to date.

According to the report, other indicators also point to a marked slowdown in construction activity. Most pointedly, data from the Central Bank shows that cement deliveries declined by 31.3% during the first two months of this year compared with the same period of 2018.

The report highlights that the key reason for the slowdown is the poor performance of the property market. Transaction volumes, sales activity and average prices have all fallen substantially over the past year. With the outlook remaining challenging, real estate developers are not moving forward with new projects.

The hope is that public works will fill the void left by private sector property developers. However, Lebanon's stretched finances mean it has to largely rely on foreign funding for many of its projects.

The biggest boost came in 2018 when pledges of US\$ 11 billion of aid were made at a conference in Paris in 2018. This included US\$ 10.2 billion in loans and US\$ 860 million in grants, as per the same source. The commitments have produced little in the way of contract awards to date, but the plan is for the money to be spent over a five-year period to overhaul Lebanon's infrastructure and support economic growth.

In the meantime, other funding is coming through. The Washington-based International Bank for Reconstruction & Development, a division of World Bank Group, is providing US\$ 295 million of funding for the northern corridor of the Greater Beirut Public Transport Project. Lebanon's Council for Development & Reconstruction (CDR) is managing the project, which covers the alignment of the highway from Beirut to Tabarja – part of the planned bus rapid transit (BRT) network in Lebanon, as per the same source.

According to MEED, regional funding is also being tapped. The government has sought US\$ 86 million in financing from Jeddah-based Islamic Development Bank for the expansion and development of the Port of Tripoli, located in the country's northern region. The project is expected to be tendered before the end of the year.

Furthermore, public-private partnerships (PPP) are another option and the High Council for Privatisation & PPP (HCP) is progressing with three projects.

The first is the estimated US\$ 500 million expansion of Beirut's Rafic Hariri International airport. The scheme is expected to be tendered by September this year, with an award in mid-2020, as per MEED.

The project covers the development of a new terminal with the capacity to handle 6 million passengers annually, as well as improvements to the aprons, taxiway and access roads, as per MEED.

Another project being developed as a PPP is the US\$ 2.9 billion Khaldeh-Nahr Expressway project. The 38-kilometre route will include a 12 km tunnel and a 20 km three-to-four-lane dual expressway. The rest will comprise interchanges, service roads and bridges.

It will start at the town of Khaldeh to the south of Beirut and head north through the towns of Choueifat, Hadath, Hazmieh and then through Dikwaneh, Baouchrieh, Jal el-dib and Antelias, before connecting with the existing Northern Highway at Dbayeh, north of Beirut.

Additionally, the HCP also plans to deliver two data centers with the Telecommunications Ministry that will be owned, managed and operated by the private sector, as per the same source.

## SURVEYS

### ELECTRICITY REFORM PLAN APPROVAL CONSIDERABLE ACHIEVEMENT, SAYS GOLDMAN SACHS

According to a recent report by Goldman Sachs (GS), Lebanon's electricity reform plan approval is a considerable achievement.

According to the report, the approved plan could chop as much as 4% of GDP off the fiscal deficit by end of 2022, stabilizing the deficit at around 8% of GDP. This would be an unprecedented fiscal effort for Lebanon, but the extent of the fiscal imbalance is such that, unless growth picks up substantially, government debt/GDP will still continue to rise sharply in this scenario.

The country's power sector suffers from poor service levels, regular power outages of up to 12 hours a day, and losses at the state-owned power company, Electricité du Liban (EdL) amounting to as much as 4% of GDP and contributing over one-third of the budget deficit last year, as per the report.

It is worth noting that successive governments have failed to address these issues over the past two decades. GS consider the approval of the plan in itself a significant achievement and an important step forward in addressing the long-term sustainability of the public finances.

That said, it is important to put the plan into perspective. To begin with, implementation risks are high as the plan depends on a sustained effort by the government over a period of at least six years.

Given Lebanon's history of political instability and its fractious government, Goldman Sachs believes such a sustained effort would be an extraordinary achievement. Certainly, the bank finds no precedent in the country's recent past, and the experience of previous reform programs.

Moreover, the plan includes elements that would take considerable political will to carry through. One example of this is the intention to raise electricity tariffs. Although restoration of 24-hour electricity under the plan should lower costs to consumers (who will no longer need to rely on expensive private generators) and facilitate the raising of tariffs, this is not a given and would require an affirmative political decision to do so next year.

Another example is the plan to cut off illegal connections to the grid, which are responsible for 20%-25% of EdL's electricity losses. Such connections date back to the days of the civil war. In addition to implementation risks, Goldman Sachs believes that electricity reform alone is not likely to be enough to put public finances on a sustainable footing.

Furthermore, a second item on the government's economic agenda, the 2019 budget, is an important aspect currently being discussed by the cabinet amid growing disquiet among the Lebanese population. The proposed budget contains significant austerity measures to support the government's target of cutting the budget deficit by 1% of GDP per year over the next five years. Although no official details have been released and messaging on the contents of the proposed budget has been contradictory, it is difficult to see where the government can make deep and meaningful spending cuts without addressing wage bill and debt servicing costs, as per Goldman Sachs.

The report believes that the electricity sector reforms and implemented budget measures will together reduce the budget deficit in 2019 to around 9.5% of GDP (from over 11% in 2018). The latter would be enough to see CEDRE donor funds begin to materialize, probably from next year onwards, lifting longer-term economic growth prospects.

## DESPITE STRONG OPPORTUNITIES AND CONTINUED POSITIVE GROWTH, FITCH RETAINS A NEGATIVE OUTLOOK FOR THE LEBANESE TELECOMMUNICATIONS MARKET

Despite strong opportunities and continued positive growth, Fitch retains a negative outlook for the Lebanese telecommunications market.

More specifically, lack of competition in the Lebanese mobile market, regulatory constraints, macroeconomic concerns and the presence of State-run Ogero as the only fixed service providers are among the concerns raised by Fitch.

Nonetheless, the rating agency believes operators would continue to invest in expanding their 4G networks in order to upsell advanced services to consumers, while fixed-line service growth would continue to decline as fixed-to-mobile substitution plays out. In the broadband sector, recent developments point to much needed expansion.

Fitch estimates the Lebanese telecoms market ended 2018 with approximately 4.5 million subscribers. With a penetration rate still under 80%, the market has strong growth opportunities, but is limited by the lack of competition in what is effectively a duopoly.

The rating agency also holds a positive view of mobile broadband growth, with 4G reaching 3.4 million subscribers, or 65% of total mobile subscribers. In February 2019, the Lebanese Parliament's Media and Communications Committee agreed on the need for multiple reforms in the telecommunications sector.

The newly launched 4G networks are expected to be a larger focus for the operators. High costs has kept most subscribers on 3G, but 4G is catching up, accounting for 32% of all subscribers at the end of 2017, as per the report.

Nevertheless, Fitch expects existing subscribers to be increasingly interested in data offerings, boosting the share of 3G subscriptions on the network rather than expanding the total number of subscribers in the market. Operators are reporting healthy growth in mobile data demand.

There were talks of reviving the plans to convert state-owned fixed-line operator Ogero into a new company named Liban Telecom, to be licensed for a full range of fixed and mobile communications services. The formation of Liban Telecom is also a pre-requisite for future plans to privatize the country's two mobile networks.

Furthermore, in 2018, the government approved an ambitious program for fibre deployment and there has been some participation of private companies in the sector. Fitch is cautious, nonetheless, and forecasts a total of almost 3 million fixed broadband subscriptions in 2028, while the majority of Internet accesses will be done via mobile add-on packages.

## CORPORATE NEWS

### TOTAL ASSETS OF IBL BANK UP BY A YEARLY 12.6% TO US\$ 8.1 BILLION AT END-2018

IBL Bank posted net profits of US\$ 110.3 million in 2018, edging up by 8.5% from US\$ 101.7 million in 2017, as per Bankdata Financial Services.

Net interest income amounted to US\$ 183.8 million in 2018, up by 84.8% from US\$ 99.5 million recorded in 2017. Net fee and commission income fell by 0.6% year-on-year to US\$ 5.6 million in 2018.

Net operating income rose by 12.3% yearly to attain US\$ 185.6 million in 2018.

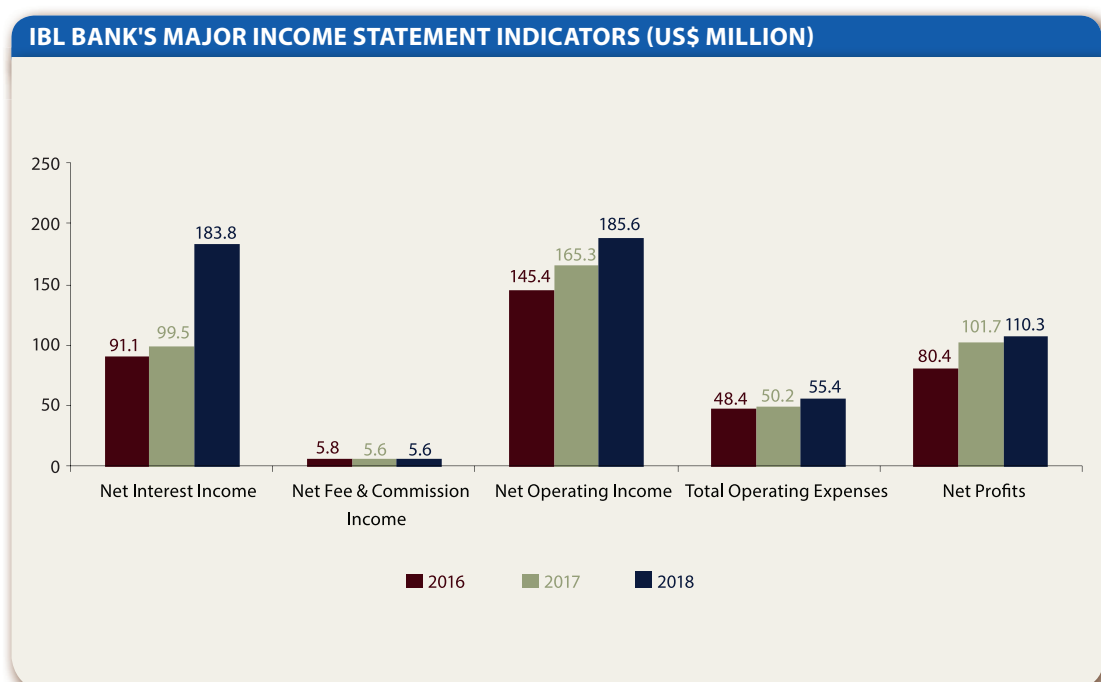
Total operating expenses rose by a yearly 10.3% to US\$ 55.4 million in 2018, of which staff expenses reached US\$ 28.8 million in 2018, 18.7% higher than those reported in the previous year, and administrative and other operating expenses recorded US\$ 24.0 million, 3.6% higher than those in 2017.

Cost-to-income ratio fell from 28.1% in 2017 to 25.8% in 2018.

IBL Bank's assets totaled US\$ 8.1 billion at end-2018, up by 12.6% from US\$ 7.2 billion at end-2017. Net loans and advances stood at US\$ 885.8 million at end-2018, contracting by 7.1% from end-2017. Customers' deposits amounted to US\$ 5.9 billion at end-2018, up by 2.3% from end-2017.

The bank's gross NPLs to gross loans ratio rose from 7.3% at end-2017 to 9.5% at end-2018, while the loan loss reserves on NPLs to NPLs ratio increased from 60.7% at end-2017 to 63.5% at end-2018.

The return-on-average assets ratio (ROAA) remained nearly unchanged at 1.44% in 2018, and the return-on-average equity ratio (ROAE) fell from 18.99% in 2017 to 18.47% in 2018.



Sources: Bankdata Financial Services, Bank Audi's Group Research Department

## LEBANON AND GULF BANK'S NET PROFITS DOWN TO US\$ 26.7 MILLION IN 2018

Lebanon and Gulf Bank's consolidated net profits amounted to US\$ 26.7 million in 2018, down by a yearly 33.2% from US\$ 40.0 million in 2017, as per Bankdata Financial Services.

Net interest income rose by 9.8% annually from US\$ 48.2 million in 2017 to US\$ 53.0 million last year, while net fee and commission income decreased by 1.7% year-on-year to attain US\$ 9.0 million in 2018. Net gains on financial assets declined by a yearly 13.0% to US\$ 4.4 million last year.

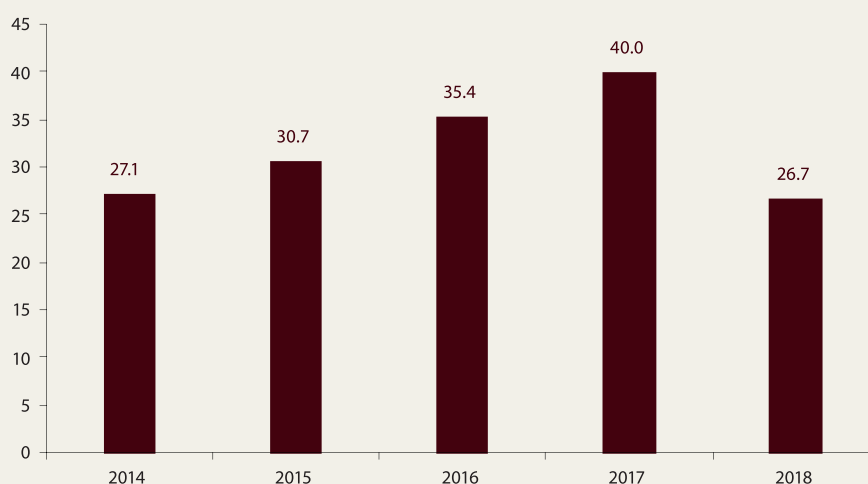
Total operating income declined by a yearly 30.7% to register US\$ 66.9 million last year.

Total operating expenses increased by 1.5% annually, from US\$ 36.5 million in 2017 to US\$ 37.0 million in 2018. Among the latter category, staff expenses declined by 1.5% year-on-year to reach US\$ 22.0 million in 2018, and administrative and other operating expenses edged up by 5.8% from US\$ 11.6 million in 2017 to US\$ 12.3 million in 2018.

The bank's total assets stood at US\$ 5.6 billion at end-2018, up by 19.0% from US\$ 4.7 billion at end-2017. Deposits from customers amounted to US\$ 4.3 billion at end-2018, progressing by 9.4% from US\$ 3.9 billion at end-2017. Loans to customers registered US\$ 1.3 billion at end-2018, down by a yearly 3.0% from end-2017.

Shareholders' equity totaled US\$ 430.4 million at end-2018, up by 12.2% from US\$ 383.5 million at end-2017.

### LEBANON AND GULF BANK'S NET PROFITS (US\$ MILLION)



Sources: Bankdata Financial Services, Bank Audi's Group Research Department

## CAPITAL MARKETS

### MONEY MARKET: OVERNIGHT RATE BACK TO DOUBLE-DIGIT LEVEL

The overnight rate rose from 6% last week to a double-digit level of 25% this week amid a lack of local currency liquidity on the money market and an increased demand for foreign currencies on the foreign exchange market.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 18th of April and 25th of April 2019 showed that total resident banking deposits expanded by a cumulative LP 409 billion, reducing declines observed so far over the month of April. Total resident banking deposit growth over the covered period resulted from a LP 217 billion rise in total LP resident deposits amid a LP 585 billion increase in LP demand deposits and a LP 368 billion fall in LP saving deposits, in addition to a LP 192 billion expansion in foreign currency resident deposits (the equivalent of US\$ 127 million).

#### INTEREST RATES

	10/05/19	03/05/19	28/12/18	
Overnight rate (official)	3.90%	3.90%	3.90%	↔
7 days rate	4.00%	4.00%	4.00%	↔
1 month rate	4.75%	4.75%	4.75%	↔
45-day CDs	4.90%	4.90%	4.90%	↔
60-day CDs	5.08%	5.08%	5.08%	↔

Source: Bloomberg

### TREASURY BILLS MARKET: NOMINAL WEEKLY DEFICIT OF LP 155 BILLION

The latest Treasury bills auction results for value date 9th of May 2019 showed that the Central Bank of Lebanon has allowed banks to subscribe in full to the six-month category (offering a yield of 5.85%), the two-year category (offering a yield of 7.0%) and the ten-year category (offering a coupon of 10.0%).

In parallel, the Treasury bills auction results for value date 2nd of May 2019 showed that total subscriptions reached LP 69 billion and were distributed as follows: LP 6 billion in the three-month category (offering a yield of 5.30%), LP 8 billion in the one-year category (offering a yield of 6.50%) and LP 55 billion in the five-year category (offering a coupon of 8.0%). These compare to maturities of LP 224 billion, resulting into a nominal weekly deficit of LP 155 billion.

The latest "Lebanese Treasury Securities" report released by the Association of Banks in Lebanon showed that the total outstanding LP Tbs portfolio reached LP 77,686 billion at end-March 2019. The ten-year category captured 28.0% of the total, followed by the five-year category with 23.1%, the seven-year category with 16.7%, the three-year category with 13.2%, the two-year category with 8.1%, while all other categories accounted for the remaining 11.0%.

## TREASURY BILLS

	10/05/19	03/05/19	28/12/18	
3-month	5.30%	5.30%	4.44%	↔
6-month	5.85%	5.85%	4.99%	↔
1-year	6.50%	6.50%	5.35%	↔
2-year	7.00%	7.00%	5.84%	↔
3-year	7.50%	7.50%	6.50%	↔
5-year	8.00%	8.00%	6.74%	↔
10-year	10.00%	-	10.00%	
<b>Nom. Subs. (LP billion)</b>		<b>69</b>	<b>98</b>	
Short-term (3&6 mths)		6	4	
Medium-term (1&2 yrs)		8	11	
Long-term (3 yrs)		-	-	
Long-term (5 yrs)		55	83	
<b>Maturities</b>		<b>224</b>	<b>124</b>	
<b>Nom. Surplus/Deficit</b>		<b>-155</b>	<b>-26</b>	

Sources: Central Bank of Lebanon, Bloomberg

## FOREIGN EXCHANGE MARKET: INCREASED DEMAND FOR US DOLLAR ON RISING DOMESTIC TENSIONS

The foreign exchange market witnessed this week an increased demand for US dollar within the context of rising domestic tensions and protests over an austerity draft budget. Under these circumstances, the Central Bank of Lebanon might have intervened on the currency trading market as a seller of US dollar in order to meet conversion needs. It is worth highlighting that Central Bank of Lebanon's foreign assets reached US\$ 38.0 billion at end-April 2019, covering 75% of LP money supply, which shows BDL's strong ability to safeguard the currency peg amid currently increased domestic tensions.

## EXCHANGE RATES

	10/05/19	03/05/19	28/12/18	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,961.11	1,968.80	1,905.78	↑
LP/¥	13.72	13.52	13.66	↓
LP/SF	1,487.42	1,479.25	1,529.68	↓
LP/Can\$	1,120.40	1,121.74	1,107.48	↑
LP/Euro	1,693.37	1,689.15	1,724.73	↓

Source: Bank Audi's Group Research Department

## STOCK MARKET: ACTIVITY SKEWED TO THE DOWNSIDE OVER THIS WEEK

Activity on the Beirut Stock Exchange was skewed to the downside during this week that was shortened to three working days due to a compulsory suspension of trading that has followed a strike declared by BDL's employees. The BSE price index shed 3.1% week-on-week to close at 75.57, which is its lowest level in 14 years.

Eight out of 10 traded stocks posted price falls this week, while two stocks registered price increases. Solidere "A" and "B" shares led the decline, posting an 11.5% and 9.8% plunge in prices respectively to close at US\$ 5.0 and US\$ 4.96 respectively. As to banking stocks, Byblos Bank Preferred 2009 share price shed 8.8% to reach US\$ 72.0, followed by Bank Audi's "listed" shares (-5.5% to US\$ 4.44), BLOM's "listed"

shares (-4.7% to US\$ 8.10), Bank Audi's GDRs (-4.0% to US\$ 4.30), BLOM's GDRs (-3.5% to US\$ 8.0) and Bank Audi Preferred shares "J" (-1.2% to US\$ 82.0).

The weekly performance of the domestic stock exchange compares to price declines in broader regional stock exchanges (-3.8% as per the S&P Pan-Arab Composite Index) and to falls in prices across emerging markets (-4.2% as per the S&P Emerging Frontier Super Composite Index).

As to trading activity, the BSE total turnover was restricted to US\$ 2.2 million during this three-day week as compared to US\$ 1.4 million in the previous three-day week and an average weekly trading value of US\$ 4.9 million since the beginning of the year 2019. Banking shares captured 75.3% of the total, followed by Solidere shares with 24.1% of it, and the industrial shares with 0.7% of it.

#### AUDI INDICES FOR BSE

22/1/96=100	10/05/19	03/05/19	28/12/18	
Market Cap. Index	346.28	357.43	384.30	↓
Trading Vol. Index	31.82	19.96	227.09	↑
Price Index	75.57	78.01	83.87	↓
Change %	-3.12%	-0.44%	-0.70%	↓
	10/05/19	03/05/19	28/12/18	
Market Cap. \$m	8,215	8,480	9,117	↓
No. of shares traded (Exc. BT)	463,454	230,251	4,241,140	↑
Value Traded \$000 (Exc. BT)	2,230	1,399	21,393	↑
o.w. : Solidere	536	543	1,208	↓
Banks	1,679	752	20,107	↑
Others	15	104	78	↓

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

#### BOND MARKET: LEBANESE BONDS UNDER DOWNWARD PRICE PRESSURES AMID INCREASED TENSIONS

Lebanon's Eurobond market traced a downward trajectory during this week, as international institutional investors were net sellers in relatively small volumes and demand was almost absent amid increased domestic tensions and widespread protests against austerity measures.

That being said, Lebanese sovereigns registered weekly price declines that have ranged between 0.15 pt and 1.88 pt. Accordingly, the weighted average bond yield moved from 9.40% at the end of last week to 9.76% at the end of this week, up by 36 bps. Also, the weighted average bid Z-spread expanded significantly by 50 bps week-on-week to reach 781 bps. As to the cost of insuring debt, Lebanon's five-year CDS spreads expanded from 790-810 bps last week to 830-860 bps this week, in a sign of reduced market perception of sovereign risks at large.

#### EUROBONDS INDICATORS

	10/05/19	03/05/19	28/12/18	
Total tradable size \$m	31,714	31,714	32,214	↔
o.w.: Sovereign bonds	30,464	30,464	30,964	↔
Average Yield	9.76%	9.40%	9.95%	↑
Z-Spread (bid in bps)	781	731	764	↑
Average Life	7.57	7.60	7.83	↓
Yield on US 5-year note	2.24%	2.36%	2.61%	↓

Source: Bank Audi's Group Research Department

## INTERNATIONAL MARKET INDICATORS

	10-May-19	03-May-19	31-Dec-18	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	109.95	111.10	109.61	-1.0%	0.3%
\$/£	1.300	1.317	1.275	-1.3%	1.9%
\$/Euro	1.123	1.120	1.147	0.3%	-2.0%
<b>STOCK INDICES</b>					
Dow Jones Industrial Average	25,942.37	26,504.95	23,327.46	-2.1%	11.2%
S&P 500	2,881.40	2,945.64	2,506.85	-2.2%	14.9%
NASDAQ	7,916.94	8,164.00	6,635.28	-3.0%	19.3%
CAC 40	5,327.44	5,548.84	4,730.69	-4.0%	12.6%
Xetra Dax	12,059.83	12,412.75	10,558.96	-2.8%	14.2%
FT-SE 100	7,203.29	7,380.64	6,728.13	-2.4%	7.1%
NIKKEI 225	21,344.92	22,258.73	20,014.77	-4.1%	6.6%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,286.05	1,279.11	1,282.49	0.5%	0.3%
SILVER OUNCE	14.79	14.94	15.50	-1.0%	-4.6%
BRENT CRUDE (per barrel)	70.62	70.85	53.80	-0.3%	31.3%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	2.44	2.47	2.50	-0.03	-0.06
US Prime Rate	5.50	5.50	5.50	0.00	0.00
US Discount Rate	3.00	3.00	3.00	0.00	0.00
US 10-year Bond	2.47	2.53	2.68	-0.06	-0.21

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.