

The Lebanon Weekly Monitor

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Lebanon's fiscal performance over the first nine months of 2009 improved slightly relative to the same period of the previous year, partly the result of the amelioration of local economic conditions during the said period, although still much below the requirements of a soft landing in public finance conditions.

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Optimism regarding the cabinet formation at the end of the week boosted activity on the Beirut Stock Exchange and stimulated FC-to-LP conversions on the foreign exchange market. In parallel, market players continued to show appetite for Lebanese Eurobonds. In details, the BSE price index managed to close with a positive change of 0.7% this week, after having reported declines during the week. The total trading value climbed from US\$ 16 million last week to US\$ 32 million this week. On the bond market, local and foreign investors continued to show interest in Lebanese debt instruments, while the offer remained modest. Bond prices didn't change week-on-week, and the average spread remained almost steady at 284 basis points. The foreign exchange market witnessed a wave of conversions in favor of the Lebanese Pound at the beginning and the end of the week, while the volumes of conversions stayed moderate during the remaining days of the week. The Central Bank of Lebanon continued to intervene as buyer of the US Dollar surpluses at LP 1,501.00. Within this context, the BDL's latest bi-monthly balance sheet ending October 31, 2009 showed an increase in foreign assets of US\$ 683 million to reach an unprecedented high level of US\$ 26.5 billion at end-October, covering 83.3% of LP money supply.

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► ECONOMY

Slight improvement in Lebanon's fiscal performance in the first nine months of 2009

Lebanon's fiscal performance over the first nine months of 2009 improved slightly relative to the same period of the previous year, partly the result of the amelioration of local economic conditions during the said period, although still much below the requirements of a soft landing in public finance conditions. This slight amelioration is noted at the level of the ratio of total deficit to total expenditures, which reached 26.2% in the covered period, versus a higher 28.5% in 2008.

On the income front, public revenues which include budget and Treasury receipts, increased by 24.1% relative to the same period of 2008, thereby reaching LP 9,448.9 billion. Treasury revenues registered a drop of 15.8% to become LP 487.3 billion, explained by a lower amount of grants received. As to budget revenues, they moved up by a considerable 27.4% to reach LP 8,961.6 billion driven by a rise in both tax revenues and non-tax revenues.

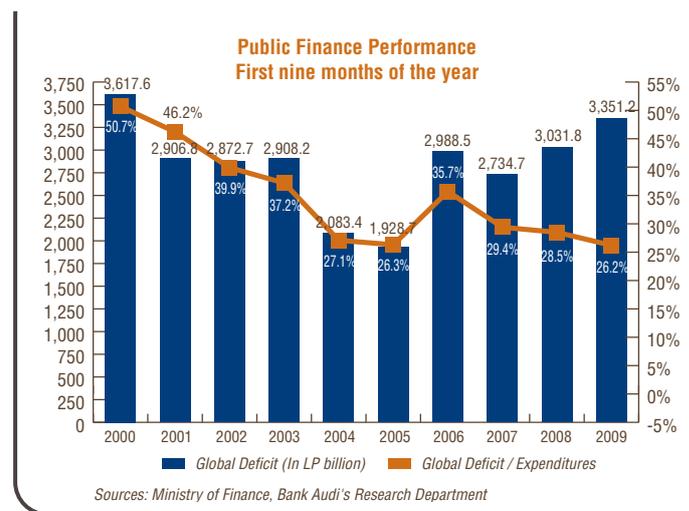
Total tax revenues went up by 30.1%, due to a year-on-year rise of 91.7% in custom revenues, reflecting a significant rise in receipts from increased international trade, as well as a 14.7% increase in VAT revenues, mirroring an amelioration in aggregate private consumption. As for non-tax revenues, they went up by 19.9%, explained mainly by an increase in income from public institutions.

On the spending side, total public expenditures, which include budgetary and Treasury spending, increased by a yearly 20.3% in the first nine months of 2009 to reach LP 12,800.1 billion, caused mainly by a 24.1% surge in Treasury expenditures, as well as a 19.0% rise in budgetary expenditures. Treasury expenditures reached LP 3,319.1 billion in the first nine months of 2009, and a large portion of such expenditures, precisely 52.5%, are transfers to the electricity company. Nonetheless, the latter registered a slight increase of 3.1% in the first nine months of this year, due to the decline in fuel prices worldwide. In parallel, other Treasury expenditures increased significantly in the covered period, namely Treasury guarantees went up by 122.2%, while payments to municipalities increased by 39.5%.

In parallel, budgetary expenditures were at LP 9,481.0 billion, up by 19.0% relative to the first nine months of 2008. Their rise was triggered by an increase in both interest and non-interest expenditures. Interest payments on domestic and foreign debt registered a total of LP 4,180.1 billion in the first nine months of 2009, increasing by 14.6% relative to the same period of 2008. This rise was mostly spurred by a rise of 22.7% in interest payments on local currency debt, as interest payments on foreign debt went up by a mere 3.3%. On the other hand, non-interest budgetary spending went up by 25.8% in the first nine months of 2009 relative

to the same period a year ago to reach LP 5,084.4 billion.

Despite the fact that the percentage increase in revenues was higher than that of expenditures in the first nine months of 2009, in volume, the rise in revenues was short of the rise in spending, and the overall deficit went up by 10.5%, to reach LP 3,351.2 billion. When excluding debt service, the first nine months of the year also witnessed an improvement at the level of the primary balance, which registered a cumulative surplus of LP 1,045.4 billion, compared to a surplus of LP 897.4 billion in the first nine months of 2008, mirroring the decline in non-debt related expenditures.



Construction permits up by 10.5% in the first nine months of 2009

Figures released by the Order of Engineers of Beirut and Tripoli reveal that the first nine of 2009 saw a significant upsurge in construction activity as construction permits totaled 9,073,301 square meters, up by 8.9% from the same period of the previous year and by 42.4% from the same period of 2007.

Within this context, one should note that construction activity in the first nine months of 2009 reached a record high level when compared to the same period of previous years in Lebanon. In fact, previously in the first nine months of 2008, construction activity in Lebanon was at its pinnacle, amidst the real estate boom, as contractors were trying to match the real estate expansion by launching new projects, and now this activity recorded a new peak, which is deemed especially significant as it comes within the context of a downfall in real estate activity across the region.

During the ninth month of the year, construction activity saw an upsurge when compared to August 2009, rising by 60.0%, and it even reached more than double their value registered in July 2009. When compared to the same month of the previous year, construction activity remained almost

unchanged in September 2009, with the area of newly issued construction permits totaling 1,375,958 square meters.

Mount Lebanon accounted for the majority of distributed construction permits in the first nine months of 2009 with 48.3% of the total. It was followed by North Lebanon with 20.3%, South Lebanon with 15.6%, Beirut with 9.4%, and the Bekaa with 6.4%.

Property sales transactions down by 3.0% in the first nine months of 2009

Figures released by the Directorate of Real Estate indicate that property sales transactions reached 7,257 operations during September, down by a monthly 6.2%, yet reaching their highest value in 2009 so far, following August and July. When compared to the same month of the previous year, the number of sales operations is 0.8% lower in September 2009. As such, the year-to-date variation in property sales transactions is still in the negative territory in the first nine months of the year, reaching -3.0%, with property sales transactions totaling 55,482 during the said period.

As to the total value of property sales in Lebanon in the ninth month of the year, it was at LP 920,851 million, down by 7.1% year-on-year, yet reaching its third highest value in 2009 so far, as well, following August and July. Consequently, with the decline in the value of transactions higher than the decline in the number of transactions, the average value per property sale in September 2009 went down by 6.4% year-on-year.

The year-to-date variation in the value of property sales remained in negative territories, bearing in mind that over the past four months, this decline has been gradually contracting to reach -3.7% in the first nine months of 2009. Such a decline is very close to the yearly decline in the number of property sales and thus the average value per property sale transaction decreased by a trivial 0.7% in the first nine months of 2009. Total value of property sales transactions reached LP 6,533.4 billion in the first nine months of the year, while the average value per property transaction reached LP 117.8 million.

On the other hand, in Beirut, total property sales went down by 8.6% in the first nine months of 2009, while the value of such sales decline by 3.6%. This means that in the Lebanese capital, the average value per property sale went up by 5.5% in the first nine months of 2009, and this is probably the reason why Propertywire as well as Cushman and Wakefield, reports indicating a rise of property prices in the country.

Merchandise at the Port of Beirut rise by 8.1% in the first nine months of 2009

Maritime transport services, which mirror the performance

of the trade sector, saw positive variations in the first nine of 2009, as reflected by the main indicators of the Port of Beirut that handles the majority of the country's imports and exports. According to the figures released by the Port, the number of ships totaled 1,812 in the first nine months of 2009, up by 17.4% as compared to 2008's same period. The total tonnage of loaded and unloaded merchandise at the port went up by 8.1% to reach 4,785 thousand tons. It is worth noting that the tonnage of merchandise loaded and unloaded at the port is one of the most important indicators of import and export activity at the port.

In parallel, the number of containers at the Beirut Port, another important indicator of trade activity increased by 17.3% to reach 444,650 containers during the said period. It is worth noting that the mentioned number of containers encompasses all incoming and outgoing containers at the Port, but not transshipments. As a matter of fact, the latter totaled 319,969 containers, up by a yearly 3.2%. As for the revenues generated by the port, they reached US\$ 120.8 million, depicting a 28.5% yearly increase.

In September 2009, figures revealed a mixed year-on-year trend. The number of ships increased by 9.3% to reach 200, and the number of containers went up by 16.1% to reach 49,949. In parallel, merchandise traded went down by 5.7% year-on-year to reach 526 thousand tons, revenues decreased by 1.1% to US\$ 12.5 million, and transshipments decreased by 2.2% to reach 31,715.

Hotel occupancy in Beirut at 71% in the first nine months of 2009, rising by 41% relative to the same period of 2009

Figures released by STR Global indicate that hotel occupancy in the Lebanese capital reached 71% in the first nine months of 2009, rising by 41% relative to the same period of the previous year. As a matter of fact, among Middle Eastern cities examined by STR Global, Beirut witnessed the highest increase in hotel occupancy in the first nine months of 2009. This is mostly attributed to the revival of tourism in Lebanon in 2009, keeping in mind that the country registered the highest increase in tourism globally, as per the United Nations World Tourism Organization. In terms of revenues per available room, hotels in Beirut registered an 82% increase in the first nine months of 2009.

In September 2009, Beirut reported the largest increases in all metrics used to evaluate the hotel industry, namely hotel occupancy, average daily rate, and revenues per available rate. Occupancy rose by 56.2% to 58.1%, average daily rate increased by 57.5% to US\$ 255.7, and revenues per available room jumped 146.0% to US\$ 148.7.

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World Bank estimates remittances into Lebanon at US\$ 7.0 billion in 2009, 22% of MENA's remittances

In an update its 2009 edition of the "Migration and Remittances FactBook", the World Bank included for the first time a numerical estimate for inward remittances into Lebanon in 2009, setting this value at US\$ 7.0 billion, the equivalent of 22% of total remittances to the MENA region. Indeed, contrary to previous expectations by the World Bank and the IMF, which indicated that remittances into Lebanon would probably plummet by around 12% as a result of an economic slowdown in Gulf countries, current evidence, after ten months of the year have elapsed suggest that remittances flowing into Lebanon have in fact remained solid in 2009 and have dropped only marginally, by 2.5%, from the record high of US\$ 7,180 million in 2008.

In fact, all 210 countries examined by the World Bank in this update suffered from a decline in remittance flow, and Lebanon was among the very few countries that witnessed a trivial decline below 3%. The projected decline in Lebanon's remittances compares to a significant decline in remittances into the MENA in 2009, bearing in mind that the report noted that empirical data suggest that remittances flowing into the MENA region in the first half of 2009 have dropped by 20%. It also compares to a decrease of 9.9% in remittances to upper middle income countries and a drop of 5.3% in global remittances.

Among the 12 MENA countries observed in the report, Lebanon ranked second in terms of remittances received, following Egypt, which ranked first with a total of US\$ 7.8 billion in remittances, in 2009. It came in ahead of Morocco (US\$ 5.7 billion), Jordan (US\$ 3.7 billion), Sudan (US\$ 3.1 billion), Algeria (US\$ 2.2 billion), Tunisia (US\$ 1.9 billion), and Yemen (US\$ 1.4 billion). Lebanon's remittances consti-

tuted 21.7% of inward remittances into the MENA region as a whole, with the latter forecasted to reach US\$ 32.2 billion in 2009. Among the 210 countries examined by the World Bank, Lebanon came in the 16th spot, which is quite important for a relatively small country. As a percentage of GDP, Lebanon has the highest share of remittances among its regional peers of 21.4% in 2009. In fact, Lebanon ranked among the top ten recipients of remittances as a share of GDP, coming in the 7th place. This highlights the hefty magnitude of remittance flow into the country especially when looked at within the context of the country's size, its population and the size of its economy.

The report noted that remittances into the MENA region in late 2008 and 2009 were severely affected by the global downturn, and it seems that once again Lebanon has bucked the regional trend, with its remittances rising significantly in 2008 and remaining stable in 2009. Inward remittances into Lebanon in 2008 have been better than expected, at US\$ 7,180 million in 2008, up from a previous World Bank estimate of US\$ 6.0 billion. This means that in 2008, remittances flowing into Lebanon went up by 24.0% from US\$ 5,769 million in 2007, 38.0% from US\$ 5,202 million in 2006, and 45.8% from US\$ 4,924 million in 2005. It is worth noting remittances into Lebanon in 2008 and 2009 surpass the previous peak of US\$ 5,592 million registered in 2004, prior to political downturns in the country.

The significant increase in Lebanon's remittances in 2008 and the fact that they remained solid in 2009, can be attributed to two main factors, the first being the economic buoyancy witnessed in Lebanon in 2008 and 2009 at a time when most other countries saw a contraction in their economies, which encouraged Lebanese expatriates to send money back home, especially that the Lebanese banking sector has demonstrated significant resilience against the global crisis, registering significant growth in all its aggregates. Also, not many Lebanese working abroad lost their jobs as a result of the crisis, mainly because Lebanese citizens working in the Gulf mainly are experienced professionals, and the layoffs in the Gulf mainly targeted unskilled workers.

Within this context, one should note that substantial remittances into Lebanon in 2008 and 2009 have contributed positively to GDP growth in the country, as remittances are an important source of external funding for the Lebanese economy and they constitute a large portion of consumption and investment financing in the country. Previously, these remittances were used to pay for basic necessities such as food, clothing, education and medical examinations. More recently, a large fraction of this money is being channeled to buy land and houses. In other words, remittances contributed to the upsurge in real estate activity in Lebanon in 2008 and have also been a major driver for this activity not witnessing a nosedive in 2009, similar to the trend in the MENA region.

MENA Remittances by Country (2009) (Sorted by Remittances / GDP)

Country	Inward		
	Remittances (US\$ bn)	GDP (US\$ bn)	Remittances / GDP (%)
Lebanon	7.0	32.7	21.4%
Jordan	3.7	22.6	16.2%
Morocco	5.7	90.8	6.3%
Sudan	3.1	54.3	5.6%
Yemen	1.4	26.2	5.4%
Tunisia	1.9	39.6	4.7%
Egypt	7.8	188.0	4.1%
Algeria	2.2	134.8	1.6%
Syria	0.8	54.4	1.5%
Oman	0.04	52.3	0.1%
Libya	0.02	60.7	0.0%
West Bank and Gaza	0.6	—	—
Total MENA	32.2	756.2	4.3%

Source: World Bank, IMF, Bank Audi's Research Department

► CORPORATE NEWS

MEA plans to sell 25% of shares in IPO in 2010

The Lebanese national carrier Middle East Airlines Air Liban, also known as MEA, plans a 25% share sale through initial public offering (IPO) on the Beirut Stock Exchange, according to the Central Bank Governor. It is worth mentioning that Banque du Liban retains a 99.23% stake in the airline.

The Governor indicated that the operation had not been executed because of volatile political conditions in Lebanon in the past few years, followed by the outburst of the global financial crisis towards the end of 2008.

MEA's top executives lately pointed out that net profits are projected to reach approximately US\$ 100 million in 2009. Also, in addition to enhancing the 14 airplane fleet with two new Airbus aircraft, in 2010 and 2011, it was declared that the firm would operate four flights per week to Bagdad, prior to flying to the Iraqi capital, on a daily basis in the near future.

Finally, MEA officials added that the national carrier is examining plans to open a route to Erbil in Iraq as well as negotiating with multiple charter companies to operate one flight to Najaf for the service of the pilgrims.

Bank of Beirut's net profits at US\$ 50.9 million in the first nine months of 2009

Bank of Beirut announced its consolidated net profits which amounted to US\$ 50.9 million in the first nine months of 2009, up by 4.0% from the same period of 2008. Net interest income edged down from US\$ 78.6 million in the first nine months of 2008 to US\$ 75.1 million over the same period of this year. Net commission earnings went up by 2.2% to US\$ 28.6 million in the covered period of 2009.

Total operating charges increased by 9.6% to US\$ 65.6 million in the first nine months of 2009, of which staff expenses amounted to US\$ 32.2 million, up by 8.4% from the same period of 2008.

Total assets reached US\$ 6.4 billion at end-September 2009, up by 15.3% from US\$ 5.6 billion at end-September 2008, while loans to customers increased by 8.8% to reach US\$ 1.6 billion at end-September 2009. Customer deposits totaled US\$ 4.5 billion at end-September 2009, 15.5% higher than US\$ 3.9 billion at end-September 2008.

Shareholders' equity amounted to US\$ 643.6 million at end-September 2009, up by 40.3% from US\$ 458.8 million at end-September 2008.

Banque BEMO's net profits up by 12% to US\$ 6.8 million in the first nine months of 2009

Banque BEMO declared its consolidated net profits for the first nine months of 2009 which totaled US\$ 6.8 million, moving up by 12.3% from the same period of 2008. Net interest income totaled US\$ 10.4 million in the first nine months of 2009 versus US\$ 12.3 million in the same period of 2008. Net fee and commission income dropped by 2.4% to US\$ 3.7 million in the first nine months of 2009.

Total expenses rose by 11.1% to US\$ 13.3 million in the first nine months of 2009, of which staff costs amounted to US\$ 7.3 million, equivalent to a 14% growth relative to the corresponding period of 2008.

At end-September 2009, Banque BEMO's total assets reached US\$ 1.1 billion, progressing by 24.7% from US\$ 0.9 billion at end-December 2008, while loans to customers increased by 11.4% to reach US\$ 401.6 million at end-September 2009. Customer deposits attained US\$ 913.1 million at end-September 2009, up by 23.9% from US\$ 736.9 million at end-December 2008.

Shareholders' equity totaled US\$ 82.6 million at end-September 2009, up by 7.4% from US\$ 76.9 million at end-December 2008.

Librairie Antoine and Hachette Livre group to set up a new joint venture in Lebanon

Hachette Livre group and Librairie Antoine signed an agreement to establish a publishing house in which both would retain a 50% ownership.

Based in Beirut, the joint venture, termed Hachette Antoine sal, would distribute books in the Arabic language. The aim is to publish text books, extracurricular books, general literature, and books dealing with practical matters such as health, crafts, travel and well-being.

According to Librairie Antoine's management, the new corporation is an independent entity without shared resources and capabilities. While activities are due to commence by the end of this year, the joint venture would start full operations as of January 2010 with a target of 70 to 150 publications per annum. The idea of forming this cooperation goes back to 1996 as both parties concluded an agreement for co-editing.

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► CAPITAL MARKETS

Money Market: Net increase in FX and LP deposits

The overnight rate remained unchanged during this week, standing at its low official level of 3.25% within the context of ongoing FC-to-LP conversions on the foreign exchange market and overabundant local currency liquidity on the money market.

As to Certificates of Deposits, the Central Bank of Lebanon sold during this week LP 83 billion that were distributed as follows: LP 53 billion in the 45-day category and LP 30 billion in the 60-day category. Accordingly, total subscriptions in CDs reached LP 1,196 billion since the beginning of the year 2009 and were distributed as follows: LP 197 billion in the 45-day category, and LP 999 billion in the 60-day category.

On the monetary aggregates level, figures for the week ending 22nd of October 2009 indicated an increase of LP 222 billion in local currency deposits, as a result of a LP 283 billion growth in LP time deposits and a LP 61 billion decline in LP demand deposits. In parallel, deposits in foreign currencies increased by US\$ 77 million. These weekly variations compare to an average weekly increase of LP 255 billion for LP deposits since the beginning of the year 2009, and an average rise of US\$ 86 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 134 billion, versus an average weekly increase of LP 258 billion since the beginning of the year 2009. However, total money supply in its large sense (M4) tightened by LP 43 billion week-on-week, compared to an average weekly increase of LP 414 billion since year-end 2008.

Interest rates	06/11/09	30/10/09	26/12/08
Overnight rate	3.25%	3.25%	3.50% ↔
7 days rate	3.36%	3.36%	4.50% ↔
1 month rate	3.79%	3.79%	4.17% ↔
45-day CDs	4.40%	4.40%	4.40% ↔
60-day CDs	4.89%	4.89%	4.89% ↔

Treasury Bills Market: One-way secondary Treasury bills market

The secondary Treasury bills market was still considered a one-way market during this week, as market participants continued to show interest in buying Lebanese debt papers, while the offer remained absent.

As to the primary market, the preliminary results of this week's auction (November 5, 2009) show that the average yield on the one-year category went down by nine basis points to close at 6.08%, while the average yield on the two-year and three-year categories dropped by twelve basis points to reach 6.62% and 7.30% respectively, noting that

the Central Bank of Lebanon allowed commercial banks to subscribe fully in these categories.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date October 29, 2009 which showed that total subscriptions amounted to LP 297 billion, and were distributed as follows: LP 82 billion in the three-month category, LP 88 billion in the six-month category and LP 127 billion in the five-year category. These compare to maturities of LP 11 billion, resulting in a nominal surplus of LP 286 billion. The average yield on the three-month and six-month categories retreated by five basis points to 4.75% and 5.98% respectively, while the average yield on the five-year category fell by four basis points to reach 8.00%.

On a cumulative basis, total subscriptions amounted to LP 15,423 billion during the first ten months of 2009 and were distributed as follows: LP 2,920 billion in the short-term categories (three-month and six-month categories) with 18.9% of the total, LP 3,505 billion in the medium-term categories (one-year and two-year categories) with 22.7% of the total, LP 7,859 billion in the three-year category with 51.0% of the total, and LP 1,138 billion in the five-year category with 7.4% of the total. These compare to maturities of LP 11,047 billion, leading to a nominal surplus of LP 4,376 billion.

Treasury bills	06/11/09	30/10/09	26/12/08
3-month	4.75%	4.75%	5.10% ↔
6-month	5.98%	5.98%	7.10% ↔
1-year	6.08%	6.17%	7.58% ↓
2-year	6.62%	6.74%	8.26% ↓
3-year	7.30%	7.42%	9.00% ↓
5-year	8.00%	8.00%	- ↔
Nom. Subs. (LP billion)		297	242
Short-term (3&6 mths)		170	80
Medium-term (1&2 yrs)		-	13
Long-term (3 yrs)		-	149
Long-term (5 yrs)		127	
Maturities		11	157
Nom. Surplus/Deficit		286	85

Foreign Exchange Market: BDL's foreign assets at an unprecedented high level of US\$ 26.5 billion end-October 2009

A strong wave of FC-to-LP conversions was observed at the beginning and the end of this week, while moderate volumes of conversions appeared during the remaining days of the week. All in all, the volume of conversions during this week fell short of last week's conversions. The Central Bank of Lebanon kept on intervening on a daily basis as a buyer of the green currency surpluses at the lower end of its inter-

vention bracket (LP 1,501), while the inter-bank rate hovered between LP 1501.00 and LP 1,501.25.

Within this context, the Central Bank's latest bi-monthly balance sheet ending October 31, 2009 showed an increase in foreign assets of US\$ 683 million to reach an unprecedented high level of US\$ 26.5 billion. Subsequently, the BDL's foreign assets covered 83.3% of LP money supply with this coverage ratio rising to 113.6% when including gold reserves estimated at US\$ 9.6 billion at end-October 2009. Moreover, the BDL's foreign assets covered 19.6 months of imports. These coverage ratios underscore the strong ability of the Central Bank to meet emerging demand for foreign currencies and maintain the currency peg at its official level.

Exchange rates	06/11/09	30/10/09	26/12/08
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,503.66	2490.69	2,221.60 ↓
LP/¥	16.66	16.57	16.66 ↓
LP/SF	1,485.51	1481.57	1,401.80 ↓
LP/Can\$	1,420.16	1411.78	1,236.37 ↓
LP/Euro	2.246.18	2237.28	2,120.00 ↓

Stock Market: 0.7% increase in the BSE price index

Optimism regarding the cabinet formation gave a boost to the Beirut Stock Exchange at the end of the week, helping the price index to close with a tiny positive variation of 0.7%, after having fallen during the week. The total trading value amounted to US\$ 31.8 million this week versus US\$ 16.1 million last week. The average daily trading value surged from US\$ 3.2 million last week to US\$ 6.3 million this week, resulting in a 96.9% increase in the trading volume index to close at 269.04.

In details, Solidere shares captured 88.6% of activity this week. Solidere "A" and "B" shares prices close at US\$ 26.99, moving up 2.4% and 3.2% respectively. As to the banking

Audi Indices for BSE	06/11/09	30/10/09	26/12/08
<i>22/1/96=100</i>			
Market Cap. Index	500.29	500.93	392.07 ↓
Trading Vol. Index	269.04	136.61	50.43 ↑
Price Index	146.37	145.40	113.40 ↑
Change %	0.7%	0.7%	-1.71% ↔
Market Cap. \$m	11,964	11,884	9,301 ↑
No. of shares traded	1,370,565	1,572,847	372,788 ↓
Value Traded \$000	31,758	16,084	4,550 ↑
o.w. : Solidere	28,138	12,360	3,182 ↑
Banks	3,589	3,692	1,329 ↓
Others	32	32	399 ↔

stocks, they accounted for 11.3% of the total. Bank Audi's GDR price rose by 1.9% to close at US\$ 87.00, while the same bank's "listed" share price increased by 0.3% to reach US\$ 75.00. In parallel, BLOM's GDR price moved up by 0.9% to close at US\$ 88.60, while the same bank's "listed" share price stood at US\$ 85.00. Byblos Bank's "listed" share price declined by 0.5% to US\$ 2.04, and its "priority shares" decreased by 0.5% also to reach US\$ 2.02. Bank of Beirut "listed" share's price nudged up by 0.3% to US\$ 18.60. BLC's share price tumbled by 21.9% to US\$ 1.25. Among the industrial shares, Holcim's share price rose by 3.8% to US\$ 13.50.

All in all, the BSE's performance fell short of other emerging stock markets, as reflected by a 1.7% increase in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM). However, the BSE performed better than other Arabian markets, as reflected by a 1.9% drop in the Morgan Stanley Capital International Arabian Markets Index (MSCI Arabian Markets).

On a cumulative basis, the trading value totaled US\$ 787 million during the first ten months of 2009 as compared to US\$ 1.55 billion during the corresponding period of 2008. The turnover ratio, measured by annualized trading value to market capitalization, reached 7.9% during the first ten months of 2009 against 11.7% during the corresponding period of 2008, which underlines the slowdown in activity during the current year in view of the delay in the cabinet formation and the prevailing wait-and-see mood that governed the BSE for almost five months.

Bond Market: Stable prices coupled with a tight increase in the average spread

Local and foreign investors continued to show demand for Lebanese debt instruments during this week, while the offer remained modest. Bond prices stayed constant as reflected by a stable average yield at 5.04%, and the average spread widened slightly by two basis points to 284 basis points due to stability in Lebanese yields and decline in benchmark yields. For instance, the average yield on the five-year US Treasury bills declined from 2.36% last week to 2.33% this week, after the government said the US unemployment rate jumped in October.

Eurobonds Indicators	06/11/09	30/10/09	26/12/08
Total tradable size \$m	17,525	17,522	17,173 ↑
o.w.: Sovereign bonds	16,955	16,952	16,603 ↑
Average Yield	5.04%	5.05%	8.88% ↓
Average Spread	284	282	755 ↑
Average Life	4.46	4.48	4.65 ↓
Yield on US 5-year note	2.33%	2.36%	1.32% ↓

Week
45
Nov 2 - Nov 8
2009

ARAB STOCK MARKETS INDICES:

	06-Nov-09	30-Oct-09	31-Dec-08	Weekly change	End-year-to-date change
Lebanon	146.4	145.4	113.1	0.7%	29.4%
Jordan	148.3	151.4	162.5	-2.0%	-8.7%
Egypt	824.7	873.0	591.7	-5.5%	39.4%
Saudi Arabia	396.2	403.0	291.5	-1.7%	35.9%
Qatar	613.4	627.1	608.6	-2.2%	0.8%
UAE	257.0	269.4	171.9	-4.6%	49.5%
Oman	836.2	840.2	700.6	-0.5%	19.4%
Bahrain	369.0	373.5	517.0	-1.2%	-28.6%
Kuwait	632.1	632.0	620.4	0.0%	1.9%
Morocco	445.8	450.8	453.6	-1.1%	-1.7%
Tunisia	1,140.6	1,136.0	914.4	0.4%	24.7%
Arabian Markets	495.0	504.4	401.4	-1.9%	23.3%

Source: MSCI Barra, Bank Audi's Research Department

INTERNATIONAL MARKET INDICATORS:

	06-Nov-09	30-Oct-09	31-Dec-08	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/\$	90.04	91.09	90.92	-1.2%	-1.0%
\$/£	1.658	1.652	1.452	0.4%	14.2%
\$/Euro	1.489	1.476	1.395	0.9%	6.7%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	10,023.42	9,712.73	8,776.39	3.2%	14.2%
S&P 500	1,069.30	1,036.19	903.25	3.2%	18.4%
NASDAQ	2,112.44	2,045.11	1,577.03	3.3%	34.0%
CAC 40	3,707.29	3,607.69	3,217.97	2.8%	15.2%
Xetra Dax	5,488.25	5,414.96	4,810.20	1.4%	14.1%
FT-SE 100	5,142.72	5,044.55	4,434.20	1.9%	16.0%
NIKKEI 225	9,789.35	10,034.74	8,859.56	-2.4%	10.5%
COMMODITIES					
GOLD OUNCE	1,094.65	1,044.40	878.20	4.8%	24.6%
SILVER OUNCE	17.36	16.27	11.30	6.7%	53.6%
BRENT CRUDE (barrel)	75.25	74.00	39.83	1.7%	88.9%
LEADING INTEREST RATES (%)					
1-month Libor	0.24	0.24	0.45	0.00	-0.21
US Prime Rate	3.25	3.25	3.25	0.00	0.00
US Discount Rate	0.50	0.50	0.50	0.00	0.00
US 10-year Bond	3.50	3.39	2.22	0.11	1.28

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