

The Lebanon Weekly Monitor

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Figures released by the Finance Ministry show that budget and Treasury expenditure totaled LP 7,342.9 billion and revenues reached LP 5,414.2 billion in the first nine months of 2005, resulting in an overall fiscal deficit of LP 1,928.7 billion, or 26.3% of expenditures.

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Lebanese financial markets held to steady grounds, unscathed by the findings of the UN Investigation Committee report and its repercussions. On the foreign exchange market, the Central Bank continued to intervene buying the same volumes of the green currency at a constant rate. This positive trend, to the benefit of the local currency, prevailing since last April, has been driving down the deposits dollarization rate, which is estimated to have reached 73%, drawing near its end-2004 level of 70% after it had reached a peak of 80% at the height of pressures this year. Accordingly, local currency liquidity remained ample this week again and the overnight rate quoted around the low official level. Within this context, commercial banks have been channeling their LP liquidity to Treasury bills auctions, and more specifically the three-year paper which has been capturing more than half subscriptions. Shorter LP placements were considered less attractive, particularly the short term Certificates of Deposits that have not been subscribed at all lately due to their low interest rates. On the other hand, the Beirut listed stocks witnessed a surge in trading activity. The trading volume index rose by 86% while prices barely changed. In contrast, GDRs, especially banking GDRs, rallied and lifted the price index by 3.1%.

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► ECONOMY

Fiscal deficit at 26.3% of expenditures in first 9 months of 2005

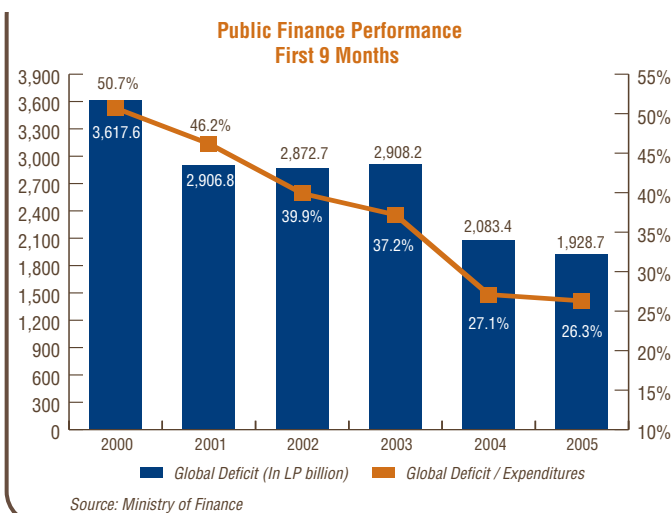
Figures released by the Finance Ministry show that budget and Treasury expenditures totaled LP 7,342.9 billion and revenues reached LP 5,414.2 billion in the first 9 months of 2005, resulting in an overall fiscal deficit of LP 1,928.7 billion, or 26.3% of expenditures compared to a deficit of 27.1% in the same period last year.

Revenues decreased by 3.1% due to a significant decline in customs revenues, which dropped by 21.7% to LP 952.6 billion year-on-year. Such revenues fell primarily because of shrinking excise taxes on gasoline prices, as the government continued to adopt a fixed pricing system for gasoline and absorbing losses from the hike in international oil prices.

Tax receipts regressed by 5.1% to LP 3,657.6 billion, as VAT revenues decreased by 0.5% to LP 1,234.6 billion in the year-to-September period. Non-tax receipts increased by 2.3% to 1,456.1 billion, while Treasury revenues regressed by about 4.7% relative to the same period in 2004.

In parallel, aggregate expenditures declined by 4.4% as budgetary spending regressed by 8.4% to LP 5,574.8 billion while Treasury payments increased by 11.1% to LP 1,768.2 billion. The drop in expenditures is mainly due to the absence of a budget law for 2005 as a result of the prevailing political conditions.

Debt servicing fell by 17.3% to LP 2,353.8 billion in the first 9 months of the year as a result of the continuing impact of debt restructuring measures post-Paris II. Domestic debt service dropped by 40.4% to LP 994.7 billion, against an increase in foreign debt services by 15.5% to LP 1,359.2 billion over the period. Debt servicing accounted for 32.1% of budget and Treasury expenditures and for 42.2% of budgetary spending, and absorbed 46% of budgetary receipts and 43.5% of overall revenues. Excluding debt servicing, the



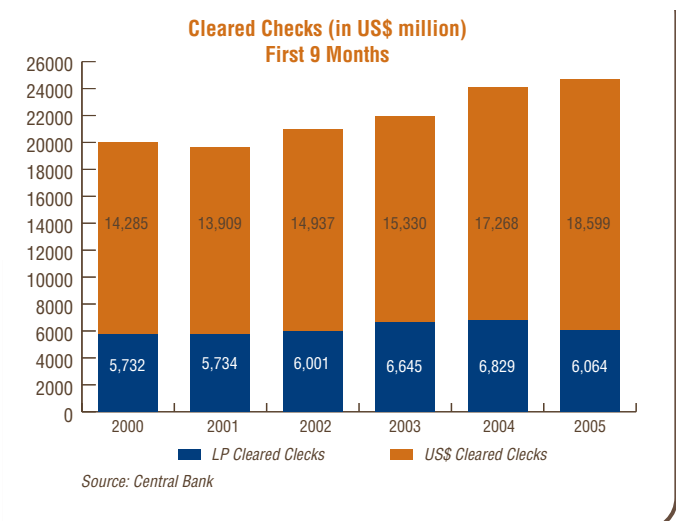
primary surplus reached LP 1,892.8 billion, or 34% of budgetary expenditures compared to a surplus of 33.5% in the first 9 months of 2004. The overall primary budget and Treasury surplus reached 5.8% of total spending compared to a surplus of 9.9% in the same period last year.

The overall fiscal deficit reached LP 316.7 million in September compared to a deficit of LP 279.7 billion in the same month last year. The global deficit was equivalent to 38.9% of expenditures in September 2005 compared to 32.8% in September 2004.

Clearing activity improves by 2.4% to US\$ 24.7 billion in first 9 months of 2005

The value of cleared checks, an important indicator of both consumption and investment demand, totaled US\$ 24.7 billion in the first 9 months of 2005, up by 2.4% from the corresponding period of 2004. LP-denominated checks dropped by 11.2% to LP 9,142 billion, while foreign currency checks increased by 7.7% to US\$ 18.6 billion. Accordingly, the dollarization of cleared checks increased to 75.4% from 71.7% in the corresponding period of 2004.

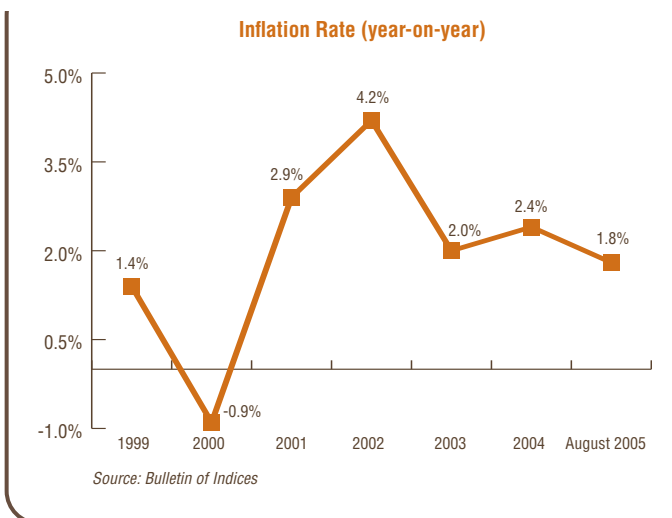
The total value of cleared checks amounted to US\$ 3.0 billion in September 2005, up by 2.3% from US\$ 2.9 billion in September 2004, and up by 1.7% compared to the previous month. The improvement in clearing activity in September year-on-year was largely due to a 10.6% rise in foreign currency denominated checks to US\$ 2.3 billion, against a 19.6% drop in local currency denominated checks to LP 968 billion.



Annual inflation rate at 1.8% in August 2005

Figures released by the Bulletin of Indices show that prices increased by 0.10% year-to-August, as measured by the Consumer Price Index (CPI), and by 1.83% in August 2005 relative to the corresponding month of the previous year. On a monthly basis, prices went up by 0.10%.

Prices of health care increased by 7.81% in August year-on-year, followed by education (5.63%), miscellaneous expenses (5.27%), lodging (2.17%), transport (1.81%), services (1.09%), and food and beverages (0.79%). Durable goods' prices were unaltered while prices of clothing decreased by 0.07%.



Port activity down by 7% in first 9 months of 2005

Figures released by the Port of Beirut show that the number of ships using the port totaled 1,657 vessels in the first 9 months of 2005, down 6.1% from 1,765 vessels in the same period last year. Also, the number of containers amounted to 93,972 down 7% from 101,020 year-to-September, while the tonnage of merchandise declined by a more substantial 11.7% to approximately 3.3 million tons.

In parallel, the number of ships using the Beirut Port totaled 205 vessels in September 2005, down 3.3% from the same month last year. The number of containers regressed by 1.5% to 11,796 containers, while the tonnage of merchandise increased by 8.9% to 448,283 tons over the same period.

Electricity production stagnant at 7 billion kWh in first 8 months of 2005

Figures released by the Central Bank show that electricity production totaled 7,043 million kWh in the first 8 months of 2005, increasing by a mere 0.01% from 7,042 million kWh in the same period last year. Electricity production totaled 1.04 billion kWh in August 2005, up by 3.5% from

the corresponding month of the previous year. On a monthly basis however, electricity production posted a significant 12.1% increase from 928 million kWh in July 2005.

In parallel, imports of petroleum derivatives totaled 2.88 million metric tons in the first 8 months of 2005, down by 12.7% from 3.30 million metric tons in the same period last year. Imports of petroleum derivatives totaled nearly 344,245 metric tons in August 2005, down by 17.9% over the same month of the previous year and by 37.4% on a monthly basis.

Overdrafts account for 30.6% of bank credits, term savings attract 86.4% of customer deposits at end of March 2005

Figures issued by the Central Bank about the distribution of bank credits by type show that overdrafts totaled US\$ 5.42 billion, equivalent to 30.6% of total private sector credits as at March 2005. They were followed by advances against real estate US\$ 5.06 billion (28.6%), advances against personal guarantees US\$ 3.27 billion (18.5%), advances against cash collateral or government securities US\$ 2.6 billion (14.9%), advances against other real guarantees US\$ 0.87 billion (4.9%), and advances against financial values US\$ 0.46 billion (2.6%).

In parallel, the distribution of private sector deposits indicates that term saving and deposits were the preferred type of account for resident and non-resident bank clients in Lebanese pounds as well as in foreign currencies as they accounted for 86.4% of total private sector deposits, equivalent to US\$ 45.4 billion. Term savings accounts constituted 86.3% of resident deposits in foreign currency, equivalent to US\$ 29.2 billion, and were followed by checking and current accounts US\$ 3.39 billion (10%), sight saving accounts US\$ 1.1 billion (3.2%) and other creditor accounts US\$ 0.14 billion (0.4%).

Further, term saving accounts attracted US\$ 9.2 billion, or 88.8% of resident deposits in Lebanese pounds, followed by checking and current accounts with US\$ 0.8 billion (7.9%), sight saving accounts US\$ 0.3 billion (3.2%), and other accounts with US\$ 0.01 billion. Non-residents also favored term saving accounts, which accounted for US\$ 6.5 billion, or 83% of their foreign currency deposits, and for US\$ 0.6 billion, or 94.3% of their Lebanese pound deposits.

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Rating agency issues ratings for 9 Lebanese insurers

i.e. Muhanna & Co., the only Arab rating agency for insurance companies in the Arab world, issued its fourth set of ratings covering 88 insurance and reinsurance firms operating in the Arab world, up from 77 companies in the 2004 edition. The ratings provide opinions on the financial strength of Arab insurers and are supported by a detailed rationale describing key issues.

The agency's rating methodology falls under the categories of 'secure' and 'uncertain' ratings. Rating categories from 'AAA' to 'BBB' are classified as 'secure' whereas rating categories from 'BB' to 'CC' are classified as 'uncertain'. The 'secure' category includes insurers with a sound and balanced financial capacity to meet policyholders' obligations, while the 'uncertain' category is for insurers whose capacity to meet those obligations is viewed as vulnerable to adverse economic and underwriting conditions. The agency based its rating opinion on the analysis of 20 financial ratios and 10 non-financial items for each insurer for 2004 and incorporated them into its model.

The Beirut-based agency approached 40 Lebanese firms, but only 9 insurers and one reinsurer responded to its initiative. The rated firms accounted for 47% of premiums generated in the Lebanese market in 2004. The rated firms are ADIR, Arabia, Assurex, Bankers, Cumberland, Libano-Arabe, MEGULF Lebanon, United Commercial, Victoire as well as reinsurer Arab Re. Nine Lebanese firms came in the 'secure' category, while three firms went through an interactive rating and the other six were rated non-interactively.

The ratings of the 88 Arab insurers are published in the Digest of Arab Insurance Rating (DAIR), which also includes industry summary and benchmarks. The rated firms represent 45% of the US\$ 8.5 billion in aggregate premium generated in the Arab world last year.

Key Financial Data of Rated Lebanese Firms for 2004 (US\$m)

	Rating	Gross Premiums	Net Profits	Shareholder Equity	Liquidity Ratio (%)	ROE (%)
Arabia*	A+	62.35	11.90	89.60	56.7	14.2
Assurex	A	9.88	0.84	10.10	106.4	10.7
ADIR	A-	13.13	2.13	11.90	66.5	18.8
MEDGULF*	A-	29.03	2.82	21.20	104.5	15.9
Libano-Arabe	A-	59.67	2.70	10.17	77.4	30.6
UCA*	A-	8.51	0.80	6.21	71.3	14.8
Bankers	BBB+	29.6	1.61	10.00	102.9	24.8
Arab Re	BBB+	45.25	2.81	25.37	61.0	1.1
Victoire	BBB	2.39	0.23	2.61	85.1	9.8
Cumberland	BB+	13.43	0.54	5.08	87.3	15.6

* rated interactively

Source: i.e. Muhanna & Co. Rating Services 2005

Lebanon ranks 83rd globally, 15th in MENA region on Corruption Perception Index

Transparency International (TI), a leading non-governmental organization devoted to fighting corruption worldwide, released its annual Corruption Perception Index for 2005 (CPI) that ranked Lebanon in 83rd place among 159 countries worldwide and 15th among 22 countries in the Middle East and North Africa region. Lebanon came in 97th place globally and in 17th place regionally in the previous survey.

The CPI reflects the perceptions of the degree of corruption in each country as seen by business people, academics and risk analysts, and assigns scores ranging from a perfect 10 points for highly clean countries to zero for the most corrupt ones. The CPI is a rolling survey of polls and draws on 16 surveys from 10 independent institutions. At least three surveys were required for a country to be included in the CPI.

Corruption Perception Index 2005

Country	Score	MENA Rank	World Rank
Israel	6.3	1	28
Oman	6.3	1	28
United Arab Emirates	6.2	3	30
Qatar	5.9	4	32
Bahrain	5.8	5	36
Cyprus	5.7	6	37
Jordan	5.7	6	37
Tunisia	4.9	8	43
Kuwait	4.7	9	45
Turkey	3.5	10	65
Egypt	3.4	11	70
Saudi Arabia	3.4	11	70
Syria	3.3	11	70
Morocco	3.2	14	78
Lebanon	3.1	15	83
Iran	2.9	16	88
Algeria	2.8	17	97
Yemen	2.7	18	103
Palestine	2.6	19	107
Libya	2.5	20	117
Iraq	2.2	21	137
Sudan	2.1	22	144

Source: Transparency International

On a global basis, Lebanon was tied with Rwanda, while it ranked ahead of the Dominican Republic, Mongolia and Romania, and came immediately behind Sri Lanka, Suriname and Senegal. Lebanon received a score of 3.1 points, up from 2.7 points in 2004, but below the MENA and Arab averages of 4.1 and 3.9 points respectively.

Despite the improvement in Lebanon's ranking, its score continues to reflect the impact of numerous corruption cases on domestic and international public opinions such as red tape and bribery in the public administration, mismanagement and waste at state-run Electricité du Liban, and unresolved embezzlement and corruption cases. The scores of 13 MENA countries improved, 5 were unchanged and 4 regressed.

► CORPORATE NEWS

Banque Libano-Française to raise US\$ 50 million in share offering

Banque Libano-Française sal (BLF) plans to increase its capital by raising a minimum of US\$ 50 million through the issuance in January 2006 of 500,000 'Series I' preferred shares expected to constitute Tier One capital. The issue consists of non-cumulative redeemable shares with an open-ended maturity subject to a call option by the bank after the fourth year of issuance. The issue price was set at US\$ 100 per share with a par value of LP 10,000. Holders of 'Series I' shares will receive annual dividends equivalent to 8% of the issue price.

Earlier this year, BLF acquired the Paris-based Société Bancaire Arabe and its branches in Switzerland, Cyprus and Damascus' free trade zone. The bank also received preliminary approval from Syrian authorities to start onshore operations in the country. It intends to set up a new bank in Syria with a capital of US\$ 30 million.

BLF posted net income of US\$ 9.4 million in the first half of 2005, up by 29.1% from the same period last year. Total assets reached US\$ 3.5 billion and customer deposits totaled US\$ 3 billion at the end of June. Shareholders' equity stood at US\$ 270.2 million, increasing by 7.3% over the corresponding period of the previous year. France's Crédit Agricole owns 9% of total BLF shares.

Fransabank establishes Islamic bank in Sudan

Fransabank sal announced its participation in the establishment of a new Islamic bank in Sudan named Capital Bank. The bank, an Islamic investment bank with a capital of around US\$ 26.3 million, is expected to start operations in early 2006 and would offer a range of Islamic investment banking services. Fransabank and the AREF Investment Group, an affiliate of the Kuwait Finance House, will each have a 20% stake in the bank. Other shareholders include the International Leasing and Investment Company, al-Wathiq Holding, Capital Holding, Faihaa national Trading Company, and al-Maliya for Investment & Development.

The establishment of the new entity in Sudan falls within the context of Fransabank's expansion strategy in the Middle East and North Africa. The bank recently received a banking license from the Central Bank of Algeria in order to set up a bank in the country under the name of Fransabank Algeria. The new bank is expected to have a paid-in capital of US\$ 35 million and plans to begin operations by the end of the current year. Fransabank also retains an offshore branch in Syria and received a permit to start onshore banking activities.

Fransabank declared net profit of US\$ 42.7 million in 2004, down by 0.8% from the previous year. Total assets reached US\$ 4.6 billion at year-end 2004 and customer deposits totaled US\$ 3.8 billion, a 14.5% at year-end 2004.

Bank of Beirut opens Lebanese Desk in Qatar

Bank of Beirut, one of Lebanon's listed banks, and Doha Bank opened a Lebanese Desk in Qatar. The desk, located at the premises of Doha Bank, is earmarked to serve the Lebanese Diaspora in Qatar as well as Qatari citizens traveling to Lebanon for business or leisure purposes. The Lebanese Desk would offer various banking services such as housing loans, e-remittances and a range of private banking services.

Doha Bank is one of Qatar's leading banks and has more than 20 branches and 10 electronic branches. It retains a branch in New York and a representative office in the UAE and has been awarded best bank in Qatar for 2005 from Euromoney.

Beirut of Beirut has four branches abroad, namely two representative offices in the UAE and Nigeria, an international banking unit in Cyprus and a subsidiary bank in the United Kingdom. It posted net income of US\$ 11.2 million in the first half of 2005, up by 6.1% from last year's corresponding period. Total assets amounted to US\$ 3.95 billion and customer deposits reached US\$ 2.7 billion at year-end 2005.

Cumberland Insurance's assets at US\$ 16.6 million in 2004

Cumberland Insurance and Reinsurance Company sal published its balance sheet showing that total assets reached US\$ 16.6 million at the end of 2004, down by 5.6% from US\$ 17.5 million at the end of the previous year. Shareholders' equity totaled US\$ 3.9 million, rising by 11.9% from US\$ 3.5 million in 2003. Technical reserves amounted to US\$ 5.6 million, down 14.5% year-on-year, while reserves for unrealized premiums dropped by 25% to US\$ 3.9 million in 2004. Provisions for risks and charges stood at US\$ 80,217, progressing by 2.5% from US\$ 78,287 at year-end 2003. Further, reinsurers' share of technical provisions increased by 16.5% to US\$ 2.7 million in 2004.

Cumberland Insurance came in 11th place in terms of non-life premiums generated in Lebanon in 2004. The firm's non-life premiums amounted to about US\$ 13.6 million, decreasing by 1.3% from US\$ 13.8 million in 2003. It had a 2.4% market share of the general insurance market in 2004. The firm issued 35,032 policies last year.

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Money Market: Overnight rate keeps low levels

The money market was characterized by a status quo. Local currency liquidity has been easily available and the overnight rate was being quoted at 4% throughout the week again and closed at 3.75%. This stability has been prevailing since last April, only to be interrupted occasionally due to technical reasons. Subscriptions in CDs were nil again this week as has been the case for the past eight months.

The monetary aggregates for the week ending October 6 showed a decrease in local currency deposits by LP 29 billion, along with an increase in foreign currency deposits of US\$ 298 million over the week. These weekly variations compare to an average growth of LP 240 billion for LP deposits since mid-April and an average decline of US\$ 68 million in foreign currency deposits over the period. In contrast, local currency deposits have been declining by an average weekly volume of LP 57 billion while foreign currency deposits have been growing on average by US\$ 64 million each week since the beginning of the year.

Treasury bills held by the public increased by LP 73 billion compared to a LP 6 billion average weekly drop since the beginning of the year. Currency in circulation increased by LP 122 billion over the week. Overall, total money supply in its large sense (M4) expanded by LP 616 billion, compared to a weekly average increase of LP 29 billion since the beginning of 2005.

Interest rates	21/10/05	14/10/05	31/12/04
Overnight rate	3.50%	3.50%	3.50% ↔
7 days rate	3.63%	3.63%	3.63% ↔
1 month rate	4.17%	4.17%	4.17% ↔
45-day CDs	4.40%	4.40%	4.40% ↔
60-day CDs	4.89%	4.89%	4.89% ↔

Treasury Bills Market: Regular norms prevail

There was moderate activity on the Treasury bills' primary market while the secondary market remained dull. This trend, which has prevailed since mid-year and is characterized by demand in weekly auctions, has been reflected in commercial banks balance sheets through a growth in their LP Tbs. portfolio relative to LP customers deposits. According to the latest available figures, the ratio stood at 52.8% at end-August 2005, up from 43.8% at end-2004.

The auction took place this week on short-term categories with the interest rates constant at 5.22% and 7.34% for the three-month and six-month categories respectively. In terms of volumes, subscriptions amounted to LP 179 billion and were distributed as follows: LP 27 billion in the three-month and LP 152 billion in the six-month paper. These

T-Bills Yields	21/10/05	14/10/05	31/12/04
3-month	5.22%	5.22%	5.22% ↔
6-month	7.24%	7.24%	6.31% ↔
1-year	7.75%	7.75%	6.69% ↔
2-year	8.50%	8.50%	7.74% ↔
3-year	9.34%	9.34%	8.68% ↔
Nom. Subs. (LP billion)	179	294	321 ↓
Short-term (3&6 mths)	179	0	102 ↑
Medium-term (1&2 yrs)	0	86	49 ↓
Long-term (3 yrs)	0	208	169 ↓
Maturities	240	62	183 ↑
Nom. Surplus/Deficit	-61	232	138 ↓

compare to maturities of LP 240 billion leading to a nominal deficit of LP 61 billion.

Foreign Exchange Market: Currency trading unaffected by the UN Investigation report

The release of the UN International Investigation Committee report on the assassination of Prime Minister Hariri did not impact the foreign exchange market. Regular trends prevailed, and the week ended with a natural flow of demand and supply of the Lebanese pound and the US dollar. Overall, the Central Bank continued to buy the same volumes of US dollar surpluses at an LP/US\$ exchange rate of LP 1,503, close to its lower bound of intervention of LP 1,501. The inter-bank exchange rate is still fluctuating between LP 1,502.5 and LP 1,503.5.

In fact, according to a public declaration by the Central Bank governor, the monetary authorities have been well equipped to defend the currency peg even if tensions materialized. The Central Bank governor referred to the significant stock of foreign exchange assets close to US\$ 10.4 billion and covering around 66.5% of LP money supply, as well as the positive financial and monetary indicators that started improving during the summer months, to highlight sound monetary conditions.

Exchange rate	21/10/05	14/10/05	31/12/04
LP/US\$	1507.5	1507.5	1,507.5 ↔
LP/£	2,680.80	2646.27	2,894.8 ↓
LP/¥	13.09	13.16	14.5 ↑
LP/SF	1,174.52	1168.79	1,326.9 ↓
LP/Can\$	1,283.09	1275.16	1,245.7 ↓
LP/Euro	1,816.24	1811.56	2,051.1 ↓

Stock Market: Significant activity but steady prices

Lebanese equities enjoyed quite an active week but with little price change. The domestic political conditions had no impact on the Beirut bourse. Demand came from local, Arab, and international investors. The trading index grew by 86.5% to reach 364.6. The trading value amounted to US\$ 16.8 million, versus US\$ 9 million the previous week. The price index, nevertheless, slipped by a slight -0.4% week-on-week to reach 99.2.

Solidere accounted for 56.8% of the week's turnover. It exchanged almost 720,000 shares for a value of US\$ 9.6 million, versus 298,000 shares for a value of US\$ 3.8 million the previous week. The "A" share gained 1.1% to close at US\$ 13.23 yet the "B" share barely changed, nudging down by 0.2% closing at US\$ 13.

The banking sector accounted for 41.7% of trading value with most listings changing hands. Aud's GDR moved up 2.9% and closed at US\$ 47.86. BLOM's GDR increased by 3.2% to close at US\$ 50. Byblos Bank 'listed shares' sliced 17.5% to close at US\$ 1.60, and Byblos Bank 'preferred shares' declined by 1% to end the week at US\$ 100.6. Bank of Beirut 'listed shares' and BEMO shares traded at unchanged prices of US\$ 9.35 and US\$ 3.5 respectively.

Among the other listed securities, HOLCIM changed hands but kept a price of US\$ 1.34. Beirut Golden Income and Beirut Global Income were also traded this week reporting gains of 2.85 and 0.8% respectively and closing at LP 112,000 US\$ 103.

The performance of the Beirut bourse was better than that of peer stock exchanges in emerging markets, as reflected by the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and the MSCI East Europe, Middle East, and Africa Index (MSCI EMEA). The first index decreased by 2.7% and the latter moved down by 1.3%.

Audi Indices for BSE

21/10/05 14/10/05 31/12/04

22/1/96=100

Market Cap. Index	198.65	200.25	145.4 ↓
Trading Vol. Index	364.6	195.5	36.9 ↑
Price Index	99.20	99.59	64.0 ↓
Change %	-0.40%	0.20%	0.7% ↑

Market Cap. \$m	4,713	4,751	3,448 ↓
No. of shares traded	2,334,638	1,146,305	169,285 ↑
Value Traded \$000	16,841	8,978	1,119 ↑
o.w. : Solidere	9,557	3,783	954 ↑
Banks	7,019	5,100	45 ↑
Others	265	95	121 ↑

GDR Market: Banking reach new record highs

It was another favorable week for the GDR market with prices extending their climb. Solidere's GDR increased by 3% to close at US\$ 13.40. Moreover, both Audi's GDR and BLOM's GDR recorded new historical peaks with the former rising by 2.9% and closing at US\$ 47.86 and the latter increasing by 3.24% closing at US\$ 50. Since the beginning of the year, the two GDRs have doubled their price. Overall, the price index ended this week at 216.2, recouping last week's losses and growing by 3%.

21/10/05 14/10/05 31/12/04

GDR market cap. \$m	548.3	531.9	287.3 ↑
GDR price index	216.22	209.76	113.3 ↑
Change %	3.1%	-0.19%	1.89% ↑

Bonds Market: Quiet activity and stable prices

The Lebanese eurobonds market was very quiet with all eyes turned towards the UN investigation committee report. A modest foreign demand was observed, while the recently issued bond was still trading well. Overall, prices were generally stable as reflected by an insignificant change in the average yield which stood at 6.78%. In parallel, the average spread tightened slightly by five basis points, as a result of a small increase in benchmark yields. For example, the average yield on the five-year US Treasury moved up from 4.32% last week to 4.35% this week.

US Government bond yields rose slightly as prices slipped, as stock markets around the world rallied, or at least regained their composure after the recent slide which had prompted bond buying. US Treasuries were also weaker after a strong reading from the Philadelphia Federal Reserve's activity index.

Lebanon's eurobonds performance was better than that of other emerging markets this week. The average emerging markets' yield increased by five basis points, while the average emerging markets' spread expanded by four basis points relative to the previous week. The J.P. Morgan Emerging Markets Bond Index plus (EMBI+), which is an unmanaged index tracking total returns for external-currency denominated debt instruments of emerging markets, increased by 0.3% over the week.

21/10/05 14/10/05 31/12/04

Total tradable size \$m	14,591	14,589	11,947 ↑
o.w.: Sovereign bonds	13,731	13,729	11,187 ↑
Average Yield	6.78%	6.81%	5.98% ↓
Average Spread	253	258	269 ↓
Average Life	4.71	4.73	3.77 ↓
Yield on US 5-year note	4.35%	4.32%	3.68% ↑

Week
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Oct 17 - 22
2005

ARAB STOCK MARKETS INDICES:

	21-Oct-05	14-Oct-05	31-Dec-04	Weekly change	End-year-to-date change
Beirut stock market	99.2	99.6	64.0	-0.4%	55.0%
Abu Dhabi securities market	226.0	222.7	164.8	1.5%	37.2%
Amman stock exchange	448.7	454.0	253.0	-1.2%	77.4%
Bahrain stock exchange	249.8	244.7	206.0	2.1%	21.2%
Casablanca stock exchange	176.6	176.0	172.6	0.3%	2.3%
Doha securities market	216.9	217.0	115.0	-0.1%	88.6%
Dubai financial market	305.9	290.9	170.6	5.2%	79.3%
Egypt capital market	506.7	525.2	267.9	-3.5%	89.1%
Kuwait stock market	263.6	257.1	179.1	2.5%	47.2%
Muscat securities market	254.9	252.3	186.6	1.0%	36.6%
Saudi stock market	414.9	419.8	245.2	-1.2%	69.2%
Tunis Stock Exchange	114.1	113.9	109.6	0.2%	4.1%
AMF Composite	371.9	371.7	228.8	0.0%	62.5%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS :

	21-Oct-05	14-Oct-05	31-Dec-04	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/\$	115.65	114.14	102.58	1.3%	12.7%
\$/£	1.7668	1.7672	1.9200	0.0%	-8.0%
\$/Euro	1.1948	1.2084	1.3560	-1.1%	-11.9%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	10,215.22	10,287.34	10,800	-0.7%	-5.4%
S&P 500	1,179.59	1,186.57	1,214	-0.6%	-2.8%
NASDAQ	2,082.20	2,064.83	2,178	0.8%	-4.4%
CAC 40	4,366.52	4,482.13	3,816	-2.6%	14.4%
Xetra Dax	4,838.40	4,975.56	4,256	-2.8%	13.7%
FT-SE 100	5,142.10	5,275.00	4,804	-2.5%	7.0%
NIKKEI 225	13,120.39	13,449.14	11,489	-2.4%	14.2%
COMMODITIES					
GOLD OUNCE	464.7	471.7	437.5	-1.5%	6.2%
SILVER OUNCE	7.63	7.82	6.8	-2.4%	11.9%
BRENT CRUDE	58.31	59.61	40.5	-2.2%	44.0%
LEADING INTEREST RATES					
1-month Libor	4.03	3.98	2.39	0.05	1.64
US Prime Rate	6.75	6.75	5.25	0	1.5
US Discount Rate	4.75	4.75	3.25	0	1.5
US 10-year Bond	4.49	4.44	4.31	0.05	0.18

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