The Lebanon Weekly Monitor

Week 36
Aug 28 - Sep 2
2006

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p.2 ▶ International donor conference raises US$ 940 million in pledges

The international donor conference on humanitarian aid and reconstruction in Lebanon was successfully concluded in Stockholm on August 31. The conference, which included 60 government representatives and organizations, managed to raise a significant US$ 940 million in donor pledges.

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MARKETS IN BRIEF

p.6 ▶ Relatively favorable activity on Lebanon's capital markets

Activity on the Lebanese capital markets was relatively favorable this week, as the trend reversal continued, though at a slower pace. The foreign exchange market witnessed balanced activity, with slight demand for local currency, and the Central Bank intervened as a buyer of foreign currencies. At the level of the money market, the overnight rate remained stable at its low official level set by the Central Bank (3.5%). As to net transfers, activity was positive this week with some capital inflows being observed, especially remittances from Lebanese abroad, while capital outflows were almost absent, which contributed in reinforcing the available foreign currency liquidity held at banks. On the other hand, the monetary statistics for end-July released by the Central Bank this week, showed that local currency deposits decreased by LP 2,688 billion during the said month, and foreign currency deposits decreased by LP 562 billion, which led to a total decrease in banking deposits of LP 3,250 billion in July. As to deposits dollarisation, it increased from 72.8% to 74.8% during the said month, while available foreign currency liquidity decreased from US$ 21.9 billion (49.7% of foreign currency deposits) to US$ 21.0 billion (48.0% of foreign currency deposits). The balance of payments reported a huge deficit of US$ 1.2 billion in July. Accordingly, the cumulative surplus since the beginning of the year decreased from US$ 2.561 billion in June to US$ 1.373 billion in July. It is worth mentioning that these figures don't reflect the trend prevailing since the beginning of August, as pressures attenuated since the start of ceasefire, and a trend reversal was reported on the financial and banking markets.

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ECONOMY

International donor conference raises US$ 940 million in pledges

The international donor conference on humanitarian aid and reconstruction in Lebanon was successfully concluded in Stockholm on August 31. The conference, which included 60 government representatives and organizations, managed to exceed its target amount of US$ 500 million in pledges by 88%, raising a significant US$ 940 million in donor pledges.

The largest donors included Qatar that pledged US$ 300 million, the United States that pledged US$ 175 million (part of US$ 234 million package previously promised and including US$ 42 million to train Lebanese armed forces and the oil spill problem), and the Arab Fund that pledged US$ 112 million.

Saudi Arabia pledged US$ 60 million, in addition to its previous assistance amounting to US$ 1.5 billion. The European Commission pledged US$ 54 million for short-term needs. The United Arab Emirates pledged US$ 50 million. The United Kingdom promised a contribution of US$ 40.1 million, noting that US$ 7.5 million, that have already been pledged, will be used to help in providing water, sanitation, shelter, bridges, and munitions clearance. Italy pledged US$ 38 million. Spain pledged US$ 34 million. Sweden will provide an additional US$ 20 million to the US$ 10 million it had already pledged.

In parallel, the United Nations revised its Flash Appeal downwards from US$ 150 million to US$ 96.5 million, of which US$ 87.9 million have already been funded. The Appeal is scheduled to run until October 24 while the bulk of project implementation is scheduled to take place in the next six weeks. Furthermore, the United Nations World Food Programme (WFP) has confirmed contributions of US$ 10.8 million for its Emergency Operation to provide food aid while its logistics operation has already received US$ 17.8 million.

The International Monetary Fund (IMF), that was also present at the conference, reviewed the economic and financial impact of the conflict before discussing the macroeconomic policy challenges of aid and recovery efforts in Lebanon. The IMF stated that while GDP in Lebanon was previously projected to grow by 5% in 2006, it is now expected to contract. The preliminary estimates of US$ 3.5 billion in infrastructure damage compounded with the displacement of the population, the exodus of many professionals, and the possible private sector bankruptcies, has led to significant productive losses. However, the IMF stressed the Lebanese government's resilience on the financial front due to modest private capital outflows and the liquidity cushion maintained by the Central Bank and commercial banks. The IMF concluded that, since the war and blockade have caused a shortage in revenues in the face of increasing expenditure needed for relief and reconstruction, a widening fiscal deficit would ensue. This, according to the IMF, will require strong international commitment in the form of considerable and highly concessional external support for reconstruction.

Deposits' dollarization increases to 74.8% under effect of the July war

The impact of the war was clearly reflected on the monetary and banking statistics of the month of July. The consolidated balance sheet of the banking sector reported total assets of LP 110,375 billion, the equivalent of US$ 73.2 billion at end-July, down by 2.4% from the previous month.

This is mainly due to a 3.6% decline in private sector's deposits from LP 91,408 billion (US$ 60.6 billion) in June to LP 88,157 billion (US$ 58.5 billion) in July; the equivalent of US$ 2.15 billion. Both residents and non-residents' deposits dropped, with the former decreasing by LP 1,836.9 billion and the latter by LP 1,413.5 billion. However, this monthly decline follows a high growth reported over the first half of the year leading consequently to a total deposits growth of 2.6% over the cumulative seven month period, still in line with the average for the same period during the previous five years.

Total credits, in contrast, did not change much, in the context of the economic downturn during the war period. Credits in July amounted to LP 28,083 billion. Thus, total credits maintained the record high growth reported over the first half year, growing by 7.6% from end-2005 to July 2006. This important increase compares to a small decline in the same period of 2005 and to a 0.7% growth, on average, during the first seven months of the previous five years.

The impact of the war was clearly reflected in the surge of deposits' dollarization. Foreign currency deposits out of total deposits increased from 72.8% to 74.8%, as a wave of conversions from LP-denominated deposits to US dollar-denominated deposits had taken place throughout the month. However, the dollarization rate remained below the peak levels reached in the aftermath of former Prime Minister Hariri's assassination (around 80%) and also lower then the peak levels reached during the Lebanese civil war.

The war pressures were also felt at the level of banks' liquidity. While the overall net liquidity out of total deposits remained almost unchanged, standing at 83.5% in July versus 83.4% in June and 82.7% in December 2005, primary foreign currency liquidity levels declined. During the month of July, primary foreign currency liquidity moved from 49.7% of foreign currency deposits to 48%, still a quite high ratio when compared to peer banking sectors.

Consumer prices rose by 6.0% in July 2006

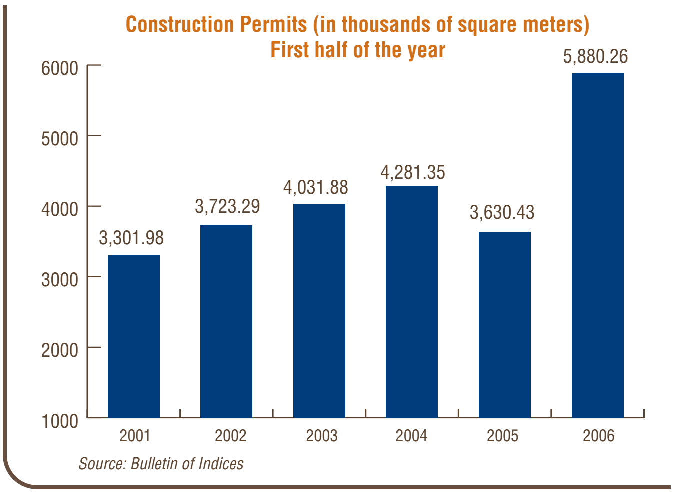
The Consumer Price Index (CPI) for the Greater Beirut Area indicates that prices rose by 4.88% in the first seven months of 2006 and by 0.76% in July from the previous month, according to the Consultation and Research Institute. On an annual basis, the CPI rose by 5.97% in July 2006 relative to July 2005.

The cost of food and beverages rose by 15.44%, constituting the biggest price increase year-on-year. It was followed by personal care (5.80%), clothes and shoes (3.83%), education (2.60%), transport and telecommunications (1.53%), leisure (1.35%), and housing (0.21%). Prices of health fell by 4.56%, constituting the biggest price decrease, while prices of durable consumer goods fell by 0.48%.

The CPI uses 2004 as the base year and is composed of 215 expenditure items with collected prices covering about 900 products. Food and beverages have a weight of 35.4%, followed by transport and telecommunications with 14.39%, education with 12.45%, health with 9.82%, durable consumer goods with 8.18%, clothes and shoes with 6.55%, housing with 6.49%, personal care and other products with 4.02%, and leisure with 2.70%.

Construction permits up by 62% to 5.9 million square meters in the first half of 2006

Figures released by the Order of Engineers of Beirut and Tripoli indicate that construction permits amounted to 5.9 million square meters in the first half of 2006, up by 62.0% from the corresponding period of the previous year. New construction permits totaled about 0.98 million square meters in June 2006, down by 21.8% from the previous month but up by 27.2% from the corresponding month of the previous year. On a monthly basis, Mount Lebanon accounted for 53.8% of total permits, followed by North Lebanon with 17.2%, the Bekaa with 10.2%, Beirut with 9.7%, and South Lebanon with 9.1%.



In parallel, the Construction Cost Index progressed by 11.5% in the first half of 2006. It progressed by 3.6% in June 2006 from the previous month and by 12.6% when compared to the corresponding month of the previous year.

The annual increase in the index was due to a 37.1% increase in the price of exterior carpentry, a 21.0% increase in the price of interior carpentry, a 17.8% increase in the price of main construction, a 10.5% increase in the price of secondary work and finishing, a 10.0% increase in the price of kitchen modules, a 5.6% increase in the prices of heating and water equipment, and a 5.0% increase in the price of sanitation, and a 2.9% increase in the price of electrical and lift installation.

Passengers at the airport down by a monthly 51.4% in July 2006

The month of July witnessed the closure of the airport after Israeli warplanes fired missiles at the runways on July 14. As a result, there was a significant decline in activity during the said month. The HIA remained closed while Israel continued its military campaign against Lebanon.

Indeed, figures released by the Hariri International Airport (HIA) show that the number of departing and arriving passengers reached 168,349 passengers in July 2006, down by 55.4% from 377,152 in July 2005, and by 51.4% from 346,656 in the previous month. The number of arriving passengers fell by 52.2%, year-on-year, to 105,678 and the number of departing passengers decreased by 59.9% year-on-year to 62,671, while transit passengers decreased by 60.7% to 4,148 in July 2006.

Similarly, the number of landing and departing planes at the HIA witnessed a drop, totaling 1,620 in July 2006, down by 57.0% from 3,771 in July 2005, and by 56.1% from 3,689 in the previous month. Aircraft activity included 803 arriving and 817 departing planes.

In parallel, the number of departing and arriving passengers increased over the first seven months of 2006 by 4.0% from the corresponding period of last year to reach 1.8 million. The number of arriving passengers increased by 4.8% to 960,098, while the number of departing passengers increased by 3.2% to 824,202. The number of transit passengers regressed by 13.9% to 55,754 passengers.

The number of landing and departing aircraft at the HIA declined by 3.9% to 20,916 aircrafts in the first seven months of 2006, and included 10,452 arriving planes and 10,464 departing planes.

Bear Stearns analyses Lebanese banking system outlook

Bear Stearns, a leading global investment banking, securities trading and brokerage firm, released its report on the Lebanese banking system outlook based on the impact of the latest Israeli – Hezbollah war. The report goes through the latest developments, highlighting the key sector strengths and the arising challenges. It constructs two scenarios to assess the results of the crisis on banks' balance sheet, and to determine the short-term situation and the long-term outlook.

Bear Stearns describes the Lebanese banking system as "one of the most sophisticated in the Middle East" and the backbone of the economy. The other characteristic that is a basis of the analysis is the strong exposure of the sector to the sovereign which makes its outlook highly influenced by that of government debt. Accordingly, Lebanese banks are expected to work hard with the government to dismiss any default or exchange rate risk threats.

The report stressed that the sector's main strengths have been already exhibited last year. According to Bear Stearns, the Lebanese government, commercial banks, and the Central Bank were able to control the difficult economic conditions post-Prime Minister Hariri's assassination and avoid any type of crisis.

In addition, Lebanese banks have high liquidity, whether with the Central Bank or with non-resident banks. The report uses pre-crisis figures to show that the banking system had US$ 19.7 billion of reserves mostly held at the Central Bank and US$ 14.5 billion in foreign assets. Thus, as this adds up to 46% of their assets either with the Central Bank or in liquidity abroad, the Lebanese banks have the ability to face deposits' flight and prevent a liquidity crisis.

Likewise, the sector is characterized by a high capital adequacy ratio of 24%, according to the Bear Stearns' estimates, even if this comes from the inclusion of Treasury bills that are considered risk-free. The report also mentions that the sector has no open currency position, despite the fact that any devaluation could put pressure on asset quality. However, since the balance sheet is already highly dollarized, the transfers are foreseen to be limited.

On the downside, however, Bear Stearns mentions the challenge of deterioration in asset quality due to lending to the real economic sector and mainly construction and real estate that were severely hit, while a major part of the country's physical infrastructure has been destroyed. Hence, this would necessarily lead to a rise in non-performing loans (NPLs), according to the same source.

These repercussions are expected to hit more smaller-sized banks than the bigger banks within a highly concentrated sector (the top five banks of a total of 64 hold 50% of assets). Hence, Bear Stearns expects authorities to push for more consolidation in the sector, as a solution for possible failures and in order to avoid a loss in confidence in the system. The report, indeed, considers Lebanon as an "overbanked" country.

Overall, the short-term projections of Bear Stearns for the Lebanese banking sector are hopeful, supported by a high domestic saving ratio (unlike other emerging countries), a solid record of crisis management history, and ample availability of liquidity.

On the long-run, Bear Stearns uses two scenarios of a stress test to assess the negative effects of the war on asset quality and capitalization. The first shows that a 10% deposit withdrawal, with a 10% rise in NPLs, and a 10% loss in government securities portfolio will result in a 13% decline in the balance sheet with a total loss of 67% in the capital base, and placing the capital adequacy ratio at 9%.

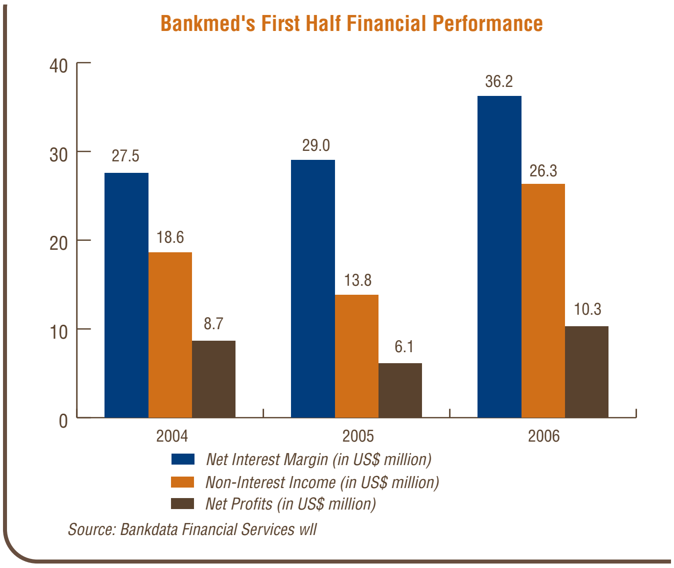
The second scenario doubles the assumption variables but, according to Bear Stearns, is almost impossible to materialize. It predicts, in this unlikely event a 27% reduction in the banking sector's balance sheet yet still managing to overcome a liquidity shock. However, the report dismisses this possibility since it expects the Central Bank to control deposits' withdrawal and maintain its firm commitment to keep a stable currency peg, just like it did before.

In conclusion, the report believes that the banking system in Lebanon is following the same strategy of the previous year and based on the previously mentioned factors Lebanese banks are considered "relatively in a strong position" to overcome this critical period, especially with a short-lived conflict. The strong international donors support and the access of banks to funds from a highly liquid Arab region would support a favorable way-out scenario and bolster their equities.

Bankmed's net profits at US$ 10.3 million in first half 2006

Bankmed sal, one of Lebanon's top 10 banks, reported US$ 10.3 million in net profits during the first half of 2006, up by 68.2% from US$ 6.1 million in the first half of 2005. Net interest margin increased by 24.9% to US$ 36.2 million while non-interest income increased by 90.6% to US$ 26.3 million. As a result, net financial income rose by 46.1% to US$ 62.5 million over the same period. General operating expenses increased by 55.9% to US$ 43.9 million, due to an increase of 26.8% in staff expenses and an increase of 93.6% in other operating expenses. The bank's cost-to-income ratio declined from 79.7% in the first half of 2005 to 77.0% in the first half of 2006.

Total assets amounted to US$ 6.7 billion at the end of June 2006, up by 32.9% from US$ 5.1 billion at the end of June 2005, while customer deposits totaled US$ 4.9 billion, a 29.3% increase from the same period of the previous year. Loans increased by 33.1% to US$ 1.5 billion, as the ratio of loans to deposits was 31.5%, up from 30.6% at end-June 2005. The bank's shareholders' equity amounted to US$ 709.0 million, up by 25.1% from US$ 567.0 million at end-June 2005. Subsequently, the bank's equity to assets ratio stood at 10.5%, down from 11.2% in the first half of the previous year. The bank's net return on average assets amounted to 0.33% in the first half of 2006, up from 0.23% in the same period of 2005, while its net return on average equity reached 2.95%, up from 2.24% in the same period of the previous year. Bankmed operated 53 branches and employed a staff of 961 employees at end-June 2006.



Fransabank's net profits at US$ 23.2 million in first half 2006

Fransabank sal, one of Lebanon's top 10 banks, reported US$ 23.2 million in net income during the first half of 2006, down from US$ 27.2 million in the first half of 2005. Net interest margin increased by 28.7% to US$ 47.2 million while non-interest income decreased by 34.8% to US$ 15.8 million. Subsequently, net financial income rose by 3.4% to US$ 63.1 million over the same period. As such, the ratio of non-interest income to net financial income reached 25.1% during the first half of 2006, compared to a higher ratio of 39.8% in the same period of 2005. General operating expenses increased by 3.0% to US$ 29.2 million, due to an increase of 6.4% in staff expenses and a decrease of 1.2% in other operating expenses. The bank's cost-to-income ratio increased to 55.1% in the first half of 2006.

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Total assets amounted to US$ 5.1 billion at the end of June 2006, up by 10.8% from US$ 4.6 billion at the end of June 2005, while customer deposits totaled US$ 4.1 billion, an 11.7% increase from the same period of the previous year. FC deposits reached US$ 2.7 billion, and constituted about 64.3% of total deposits, compared to a higher ratio of 68.9% at end-June 2005. Loans increased by 0.9% to US$ 833.0 million, as the ratio of loans to deposits was 20.2%, down from 22.3% at end-June 2005. The bank's shareholders' equity amounted to US$ 395.3 million, up by 12.0% from US$ 353.0 million at end-June 2005. Subsequently, the bank's equity to assets ratio stood at 7.7%. The bank's net return on average assets amounted to 0.92% in the first half of 2006 while its net return on average equity reached 11.62%. Fransabank operated 60 branches and employed a staff of 1,202 employees at end-June 2006.

Rayess group and RMIHG acquire 65% of ALIG

Saudi-based Rayess Group and Lebanon-based Risk Management and Investment Holding Group acquired 65% of Beirut-based Arab Lebanese Insurance Group (ALIG). According to ALIG's general manager, the company will boost its activities in Lebanon and the Arab countries following this acquisition deal.

According to Al Bayan magazine, ALIG generated US$ 0.3 million in life premiums in 2005 and had 0.13% of the life insurance market. It had US$ 7.5 million in non-life premiums and had 1.8% of the non-life insurance market. ALIG's total premiums reached US$ 7.8 million in 2005.

Established in 1997, ALIG provides insurance services including health and life, property, motor, marine, personal accidents, public liability, foreign liability, and workmen's compensation.

CAPITAL MARKETS

Money Market: M4 reported its lowest decrease since July 12

The overnight rate remained stable this week at its low official level set by the Central Bank of 3.5%, due to the continued balanced activity on the foreign exchange market and the abundant local currency liquidity.

On the other hand, the monetary aggregates for the week ending August 17 (shortly after the ceasefire), showed an increase in local currency deposits by LP 115 billion and a decrease in foreign currency deposits by US$ 146 million over the week, which reflected the reversal of the trend that prevailed during the Israeli attacks.

These weekly variations compare to an average decrease of LP 707 billion for LP deposits for the period starting from July 12 till August 10 of 2006, and an average growth of US$ 111 million in foreign currency deposits over the same period. In contrast, local currency deposits have been decreasing by an average weekly volume of LP 57 billion since the beginning of the year 2006, and foreign currency deposits have been growing on average by US$ 72 million each week.

In addition, the total money supply in its large sense (M4) dropped by LP 209 billion on August 17, versus an average weekly decrease of LP 491 billion during the Israeli attacks. It is worth noting that the decrease in (M4) reported this week, is the lowest decrease since the start of attacks on July 12, which reflected a significant slowdown in capital outflows.

Interest rates	1/9/06	25/8/06	30/12/05	
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: Demand on secondary market

After a long period of sluggishness, the Treasury bills secondary market witnessed this week a local demand for the five-year category that was not offset by any offer, and activity remained absent on all other categories.

The auction results on August 31st showed that subscriptions on long-term Tbs amounted to LP 609 billion and were distributed as follows: LP 14 billion in the one-year category, LP 7 billion in the two-year category and LP 588 billion in the three-year category. These compare to maturities of LP 116 billion leading to a nominal surplus of LP 493 billion. The average yields for the one-year, two-year and three-year categories stood at 7.75%, 8.50% and 9.32% respectively.

T-Bills Yields	1/9/06	25/8/06	30/12/05	
3-month	5.22%	5.22%	5.22%	⇔
6-month	7.24%	7.24%	7.24%	⇔
1-year	7.75%	7.75%	7.75%	⇔
2-year	8.50%	8.50%	8.50%	⇔
3-year	9.32%	9.32%	9.34%	⇔
Nom. Subs. (LP billion)	609	322	179	↑
Short-term (3&6 mths)	0	322	179	↓
Medium-term (1&2 yrs)	21	0	0	↑
Long-term (3 yrs)	588	0	0	↑
Maturities	116	252	92	↓
Nom. Surplus/Deficit	493	71	87	↑

A recently released report by the Association of Banks shows that the average yield on outstanding Tbs. reached 8.64% in June 2006, up by 8 basis points from same May 2006, and by 0.82% relative to the corresponding month of the previous year.

Foreign Exchange Market: Continued balanced trading activity

The same mood prevailing last week was extended to this week, as market forces remained balanced, and a slight offer for the US Dollar was observed. As such, the Central Bank intervened as a buyer of the green currency at LP 1,512.5, i.e. the same rate reported last week. The commercial banks continued to trade the US Dollar between LP 1,512.5 and LP 1,513.

It is more likely that the Central Bank foreign assets will benefit from the Kuwaiti deposits and the balanced activity on the foreign exchange market over the past couple of weeks, and this will be reflected in the Central Bank's latest bi-monthly balance sheet ended 31st of August 2006.

Exchange rate	1/9/06	25/8/06	30/12/05	
LP/US$	1,507.5	1,507.5	1,507.5	⇔
LP/£	2,871.34	2,844.35	2,600.4	↓
LP/¥	12.85	12.86	12.85	↑
LP/SF	1,225.11	1,217.89	1,145.9	↓
LP/Can$	1,363.14	1,360.93	1,298.1	↓
LP/Euro	1,933.07	1,925.08	1,784.1	↓

Stock Market: Stable prices prevail

Some profit-taking operations were observed on the stock market this week to benefit from the surge in prices at the beginning of the week, while foreign investors remained on the sidelines awaiting more positive signals on the local front. As such, prices decreased slightly to close at almost the same level reported at the end of last week. The price index slipped by 0.2% to 137.51.

The total trading value amounted to US$ 17 million this week, versus US$ 49 million in the previous week. Accordingly, the trading index dropped by 63% to reach 220.

In details, Solidere accounted for 85% of the week's turnover. Solidere's "A" moved down by 1.4% relative to the previous week to close at US$ 18.70, and Solidere's "B" shares decreased by 1.2% closing at US$ 18.74.

The banking sector accounted for 9% of the trading value. Audi's GDR increased by 1.9% and closed at US$ 61.70, and BLOM's GDR moved up slightly by 0.1% to close at US$ 70.05. Bank of Beirut "listed shares" increased by 0.8% closing at US$ 13.10. Byblos Bank "listed shares" stood at US$ 1.99, while Byblos Bank "priority shares" moved up by 2.6% to close at US$ 1.95. BLC shares decreased by 2.5% to US$ 10.

Among the other listed securities, Holcim declined by 6.6% to close at US$ 2.53. The Ciment blancs Bearer stood at US$ 2.

As to investment funds, Beirut Lira Fund moved up by 0.3% to LP 103,000, while Beirut Golden Income decreased by 3.2% to LP 105,000.

At the level of Solidere GDR listed solely on the London Stock Exchange, its price stood at US$ 18.50.

Audi Indices for BSE	1/9/06	25/8/06	30/12/05
22/1/96=100			
Market Cap. Index	432.74	433.46	279.9↓
Trading Vol. Index	220.0	601.7	1,220.8↓
Price Index	137.51	137.74	128.0↓
Change %	-0.17%	1.95%	0.93%↓
Market Cap. $m	10,266	10,283	6,640↓
No. of shares traded	1,406,975	4,236,875	3,984,854↓
Value Traded $000	17,232	48,989	63,196↓
o.w. : Solidere	14,672	33,086	47,701↓
Banks	1,582	12,609	15,122↓
Others	978	3,294	373↓

Bond Market: New sovereign bond included in EMBI

The main event on the Eurobond market this week was the inclusion of a new sovereign bond issue maturing in 2021 in the J.P. Morgan Emerging Markets Bond Index (EMBI), so that the total number of sovereign bonds included in the index became 6, which spread a positive mood among investors and stimulated demand from outside. On the other hand, no offer was observed. As such, activity remained absent on the Eurobond market this week.

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As far as prices are concerned, and in comparison to the week that preceded the attacks on Lebanon and ending July 7, the Eurobond prices decreased as reflected by an increase in the average yield by 0.99%. The average spread widened significantly by 135 basis points to reach 291 basis points, as a result of a decrease in the benchmark yield and an increase in the Lebanese yield. The average yield on the five-year US Treasury fell by 44 basis points, from 5.16% on July 7 to 4.72% this week.

On the other hand, the peer emerging markets witnessed this week an increase in prices relative to the week ending July 7, as reflected by a decrease in the average yield by 24 basis points, while the average spread widened by 9 basis points as a result of a more significant decrease in the benchmark yield.

It is clear that the Israeli attacks on Lebanon had a negative effect on Lebanon's Eurobonds performance as compared to that of other emerging markets, but it is expected that the international support for Lebanon will increase local and foreign investors' interest in these instruments and will subsequently encourage them to subscribe in these tools.

	1/9/06	25/8/06	30/12/05
Total tradable size $m	15,250	-	14,804
o.w.: Sovereign bonds	14,310	-	13,719
Average Yield	7.66%	-	6.42%
Average Spread	291	-	216
Average Life	6.02	-	4.59
Yield on US 5-year note	4.72%	-	4.31%

ARAB STOCK MARKETS INDICES:

	1-Sep-06	25-Aug-06	31-Dec-05	Weekly change	End-year-to-date change
Beirut Stock Exchange	137.51	137.74	128.0	-0.2%	7.5%
Abu Dhabi Securities Market	146.7	143.3	220.9	2.4%	-33.6%
Amman Stock Exchange	369.8	350.8	498.6	5.4%	-25.8%
Bahrain Stock Exchange	237.9	235.3	235.9	1.1%	0.9%
Casablanca Stock Exchange	249.8	248.9	181.1	0.4%	38.0%
Doha Securities Market	140.2	143.7	188.4	-2.4%	-25.6%
Dubai Financial Market	176.2	170.9	272.8	3.1%	-35.4%
Egypt Capital Market	442.0	436.3	590.0	1.3%	-25.1%
Kuwait Stock Market	211.1	208.3	265.8	1.3%	-20.6%
Muscat Securities Market	257.7	253.8	244.6	1.6%	5.4%
Saudi Stock Market	309.1	316.4	476.5	-2.3%	-35.1%
Tunis Stock Exchange	111.1	117.0	111.4	-5.1%	-0.3%
AMF Composite	296.9	298.5	394.1	-0.5%	-24.7%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	1-Sep-06	25-Aug-06	30-Dec-05	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/$	116.27	116.98	117.86	-0.6%	-1.3%
$/£	1.9047	1.8951	1.7193	0.5%	10.8%
$/Euro	1.2856	1.2812	1.1791	0.3%	9.0%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	11,464.15	11,284.05	10,736.47	1.6%	6.8%
S&P 500	1,311.01	1,295.09	1,247.90	1.2%	5.1%
NASDAQ	2,193.15	2,140.29	2,203.81	2.5%	-0.5%
CAC 40	5,197.80	5,089.75	4,708.63	2.1%	10.4%
Xetra Dax	5,907.02	5,782.16	5,408.26	2.2%	9.2%
FT-SE 100	5,970.70	5,878.60	5,618.80	1.6%	6.3%
NIKKEI 225	16,358.07	15,762.59	16,111.43	3.8%	1.5%
COMMODITIES					
GOLD OUNCE	626.7	623.5	516.7	0.5%	21.3%
SILVER OUNCE	12.96	12.41	8.88	4.5%	45.9%
BRENT CRUDE	67.92	69.96	57.33	-2.9%	18.5%
LEADING INTEREST RATES					
1-month Libor	5.33	5.33	4.39	0.00	0.94
US Prime Rate	8.25	8.25	7.25	0.00	1.00
US Discount Rate	6.25	6.25	5.25	0.00	1.00
US 10-year Bond	4.74	4.81	4.34	-0.07	0.40

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