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ECONOMIC RESEARCH DEPARTMENT

BLOMINVEST BANK S.A.L

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The Lebanon Brief

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Financial Markets

EQUITY MARKET

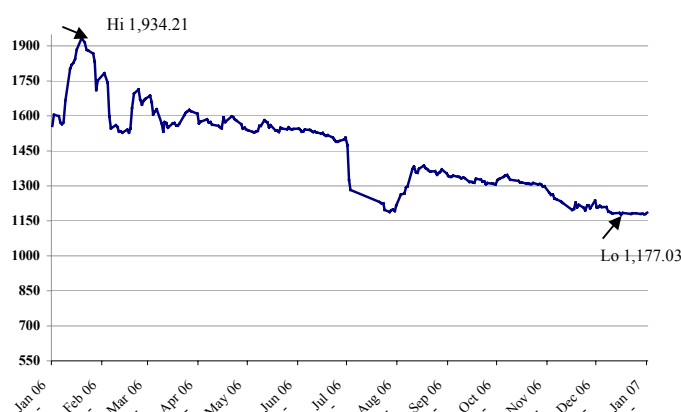
The Beirut Stock Exchange (BSE) witnessed a boost in this week's activity, as the date of the Paris III international donor conference to be held on January 25, 2007 is approaching. Consequently, the week's traded value totaled \$6.1m, up 82% week-on-week. A total of eleven shares changed hands this week, of which five gainers, three losers and three non-movers, amounting to a total volume of 449,803 up 31% from last week. Consequently, the BLOM Stock Index (BSI) closed at 1,185.57 up 0.23% from last week's 1,182.82.

The banking sector shares accounted for 26% of the total value traded on the BSE this week. BLOM's GDR closed at \$58.55, up 1.39% week-on-week on trades worth \$176,436. Similarly, Bank Audi's GDR also increased 1.01% to \$54.90 on \$1m worth of traded shares. Byblos Bank's common share decreased 1.60% to \$1.84 on trades amounting to \$120,407. As for the bank's priority shares, they closed at \$1.79, down 0.56%, on trades worth of \$74,698. BEMO shares stabilized at \$4.00 on trades worth \$12,000. A single trade worth \$183,800 of BLOM's 2004 preferred shares kept its price at \$100, unchanged from the week before. As such the Banks' Preferred Shares Index (BPSI) stabilized at 101.01. On the international front both BLOM's and Audi's GDRs increased to \$59.50 and \$55.00, up 3.66% and 5.36% from last week respectively.

Stock Market	12/01/07	05/01/07	% Change
BLOM STOCK INDEX †	1,185.57	1,182.82	0.23%
Total Volume Traded	449,803	343,208	31.06%
Total Value Traded	6,061,802	3,328,704	82.11%

†22 January 1996 = 1000

BLOM STOCK INDEX
Yearly Evolution



Banking Sector	Mkt	12/01/07	05/01/07	% Change
BLOM (GDR)	BSE	\$58.55	\$57.75	1.39%
BLOM Listed	BSE	\$59.55	\$59.55	0.00%
BLOM Preferred 2002	BSE	\$102.00	\$102.00	0.00%
BLOM Preferred 2004	BSE	\$100.00	\$100.00	0.00%
BLOM Preferred 2005	BSE	\$101.00	\$101.00	0.00%
BLOM (GDR)	LSE	\$59.50	\$57.40	3.66%
Audi (GDR)	BSE	\$54.90	\$54.35	1.01%
Audi Listed	BSE	\$59.00	\$59.00	0.00%
Audi (GDR)	LSE	\$55.00	\$52.20	5.36%
Byblos (C)	BSE	\$1.84	\$1.87	(1.60%)
Byblos Preferred	BSE	\$102.10	\$102.10	0.00%
Byblos Priority	BSE	\$1.79	\$1.80	(0.56%)
Bank of Beirut (C)	BSE	\$12.80	\$12.80	0.00%
Bank of Beirut Pref.	BSE	\$11.50	\$11.50	0.00%
Bank of Beirut Pref. C	BSE	\$25.00	\$25.00	0.00%
BLC (C)	BSE	\$10.00	\$10.00	0.00%
Fransabank (B)	OTC	\$29.50	\$30.50	(3.28%)
BEMO (C)	BSE	\$4.00	\$4.00	0.00%

THE LEBANON BRIEF

Solidere shares dominated this week's trades on the BSE as the traded value of both the "A" and "B" class accounted for 73% of the total. The "A" shares closed at \$16.00, while the "B" stocks closed at \$15.99, up 0.76% and 0.63% on trades worth \$3.5m and \$903,057 respectively. Internationally, Solidere's GDR closed at \$15.50, down 2.52% week-on-week.

Real Estate	Mkt	12/01/07	05/01/07	% Change
Solidere (A)	BSE	\$16.00	\$15.88	0.76%
Solidere (B)	BSE	\$15.99	\$15.89	0.63%
Solidere (GDR)	LSE	\$15.50	\$15.90	(2.52%)

Manufacturing Sector	Mkt	12/01/07	05/01/07	% Change
HOLCIM Liban	BSE	\$1.83	\$1.84	(0.54%)
Ciments Blancs (B)	BSE	\$2.00	\$2.00	0.00%
Ciments Blancs (N)	BSE	\$1.43	\$1.43	0.00%
Uniceramic (A)	BSE	\$0.95	\$0.95	0.00%
Uniceramic (C)	BSE	\$1.75	\$1.75	0.00%

37,400 shares of cement manufacturer Holcim changed hands this week, pushing down its price 0.54% to \$1.83.

LP-denominated Beirut Lira Fund underwent a single trade of 50 shares pushing its price up 0.48% to LBP105,000 (\$69.7) , whereas the Beirut Preferred Fund underwent a trade of 130 shares stabilizing its price at \$100.10.

	Mkt	12/01/07	05/01/07	% Change
Funds				
Beirut Interbank Fund	BSE	\$103.00	\$103.00	0.00%
Beirut Global Income	BSE	\$100.00	\$100.00	0.00%
Beirut Preferred Fund	BSE	\$100.10	\$100.10	0.00%
Beirut Lira Fund	BSE	L.L.105,000	L.L.104,500	0.48%
Beirut Golden Income	BSE	L.L.106,500	L.L.106,500	0.00%
Retail Sector				
RYMCO	BSE	\$1.00	\$1.00	0.00%
ABC (New)	OTC	\$16.50	\$16.50	0.00%
Tourism Sector				
Casino Du Liban	OTC	\$280.00	\$280.00	0.00%
SGHL	OTC	\$6.50	\$6.50	0.00%

FOREIGN EXCHANGE MARKET

The foreign exchange market witnessed alternations between very slight demand pressures on the dollar and a reemergence of supply of the green currency. And by the end of the week, supply for the dollar gained an upper hand in a very calm market. Consequently, the green currency traded at LP/\$1,513.75-LP/\$1,514.25 by Friday, down from LP/\$1,514.00-LP/\$1,514.50 the week before.

Foreign Exchange Market	12/01/07	05/01/07	% Change
LP / Dollar	1,507.5	1,507.5	0.00%
Dollar / Euro	1.2916	1.3098	(1.39%)
Yen / Dollar	120.28	118.11	1.84%
Dollar / Sterling	1.9586	1.9398	0.97%

MONEY MARKET

Money Market Rates	12/01/07	05/01/07	b.p. Change
Interbank Average‡	7.33%	3.50%	383
BDL 45-day CD	4.40%	4.40%	0
BDL 60-day CD	4.89%	4.89%	0
Treasury Yields	11/01/07	04/01/07	b.p. Change
3-M TB yield	5.22%	5.22%	0
6-M TB yield	7.24%	7.24%	0
12-M TB yield	7.75%	7.75%	0
24-M TB coupon	8.50%	8.50%	0
36-M TB coupon	9.32%	9.32%	0
60-M TB coupon	9.45%	9.45%	0

‡ Based on day-to-day rates

The overnight interbank rate was at 3.50% earlier this week. However, the rate picked up to 15% on Wednesday as the National Social Security Fund (NSSF) withdrew its LP-deposits from Lebanese banks creating a temporary shortage in LP-liquidity. But by Friday, the rate regained its normal level of 3.50%. As such, the average overnight interbank rate rose 383 basis points week-on-week to 7.33%.

The January 4th TB auction resulted in a LP51.8bn (\$34.4m) surplus of purchase subscriptions over maturities, with nominal subscriptions amounting to LP134bn (\$89m) in medium and long term papers. This surplus came amid an increase in purchase subscriptions of treasury bills to LP134bn (\$89m), up from LP41bn (\$27m) the week before. Yields remained unchanged across the maturity spectrum.

3-Y TBs accounted for 95% of total subscriptions over maturities, while 12-M and 2-Y paper represented the remaining 3% and 2% during the January 4th TB auction. Accordingly, the weighted effective yield closed at 9.54%, up 257b.p. week-on-week.

The Central Bank sold LP8bn (\$5.3m) and LP5bn (\$3.3m) worth of 45 and 60 days Certificates of Deposits (CDs) respectively this week.

EUROBOND MARKET

Lebanese Government Bond Indices

	12/01/07	05/01/07	% Change
BLOM Bond Index †	97.69	97.69	0.00%
Banks' Preferred Shares Index	101.01	101.01	0.00%
Reuters Bond Index	158.59	157.60	0.63%

†7 April 2004 = 100; includes sovereign bonds listed on the Beirut Stock Exchange

Lebanese Government Eurobonds

Maturity-Coupon	Currency	12/01/07 Mid-Price	Weekly Change %	Mid-Yield
2007-8.625%	USD	100.500	0.25%	7.78%
2008-7.375%	USD	99.565	0.44%	7.70%
2008-10.125%	USD	103.125	(0.12%)	7.94%
2009-7.25%	EUR	104.000	0.00%	5.36%
2009-10.25%	USD	104.375	0.18%	8.41%
2009-6.79%	USD	101.250	0.00%	8.06%
2009-7.00%	USD	97.250	0.13%	8.08%
2010-7.125%	USD	96.750	0.00%	8.32%
2011-9.375%	LBP	97.000	0.52%	10.26%
2011-7.875%	USD	98.000	0.38%	8.43%
2012-5.875%	EUR	97.500	0.00%	6.44%
2012-7.75%	USD	96.750	0.26%	8.48%
2013-8.625%	USD	100.125	0.38%	8.60%
2014-7.375%	USD	93.500	0.54%	8.60%
2016-11.625%	USD	116.250	(0.11%)	9.01%
2016-8.500%	USD	98.000	1.03%	8.83%
2021-8.250%	USD	94.940	0.47%	8.88%

Lebanese Corporate Eurobonds

Issuer	Maturity-Coupon	12/01/07 Mid-Price	Weekly Change %	Mid-Yield
First National Bank	2007-6.875%	99.950	0.00%	8.64%
Fransabank	2007-8.500%	100.000	0.13%	8.48%
Audi	2010-10.750%	108.000	0.00%	7.94%
Byblos	2012-9.000%	108.000	0.00%	7.16%

Demand for the Lebanese Eurobonds increased this week, albeit at a low volume, as the date of the Paris III donor meeting for the support of Lebanon to be held late January in Paris is fast approaching. As such, prices of most Eurobonds rose this week. On the corporate level however, no significant activity was witnessed. Consequently, the weighted average offer yield dropped 4 b.p from last week to close at 7.94%. In the local market, the BLOM Bond Index closed unchanged at 97.69 without registering any trade.

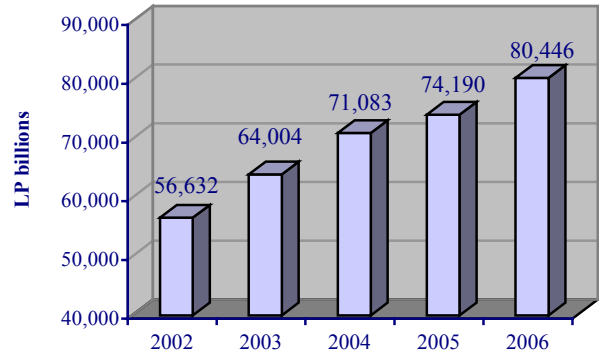
As in the Eurobonds market, the Credit Default Swaps (CDS) market was positively affected with the coming up of the Paris III event. As such, the 5-year CDS on Lebanon tightened to 350-385 basis points this week, down from 350-400 b.p last week. CDS is a credit derivative transaction similar to buying insurance against default credit events. The CDS spread, which is the premium paid by the protection buyer to the seller, widens when the country default risk increases and tightens when the risk decreases. With political instability looming over the country, Lebanese CDS are currently much higher than those of other emerging markets countries (Egypt 70-90, Brazil 96-100, and Turkey 165-167).

Economic Statistics

Total Money Supply (M3) Up \$403m

Figures released by the Central Bank for the week ending December 28th, 2006 indicated that LP deposits decreased by an estimated LP180bn (\$119m) week-on-week, whilst foreign currency deposits increased by \$449m in the same period. In turn, TB subscriptions by the public decreased by LP116bn (\$77m). Money supply (M3), which includes deposits in foreign currencies, increased by LP607bn (\$403m) week-on-week to reach LP80,446bn (\$53.4bn), while increasing by 8.4% year-on-year.

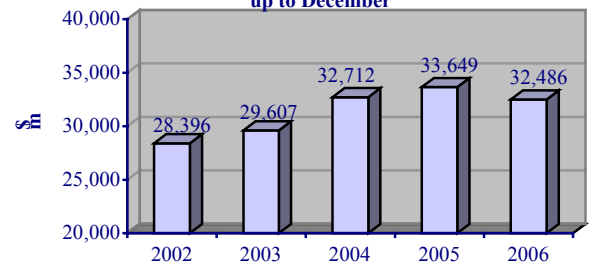
Money Supply (M3)
week-ending December 28th



Cleared Cheques Dropped 3.5% up to December 2006

Banks' clearing activity up to December 2006 declined by 3.5% year-on-year, with the value of cleared cheques totaling \$32.5bn (of which \$783m in returned cheques, up 6.4% from the same period last year). LP and FC denominated cheques both decreased compared to the same period last year with the former falling 11.8% to \$7.2bn, and the latter decreasing by 0.78% to \$25.3bn up to December 2006. The rate of cleared cheques in US dollars, the most relevant estimate of economic dollarisation, increased by 210b.p. year-on-year to stand at 77.78% up to December 2006.

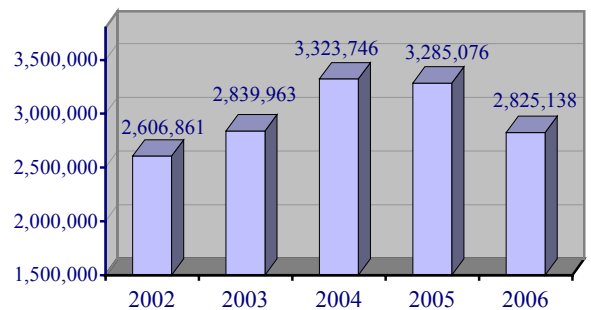
Total Value of Cleared Checks
up to December



Airport Passengers Down 14% in 2006

Activity at the Beirut International Airport (BIA) posted a 14.2% yearly decrease up to December 2006, as the total number of passengers (including transit passengers) fell to 2.83 million, down from 3.29 million for the same period in 2005. Similarly, the number of flights (departures and arrivals) was 32,980 for the twelve months of 2006, down from 38,198 for the same period last year. For the month of December alone, the total number of passengers was 266,036 up from 216,226 in November 2006 and down from 266,265 in December 2005.

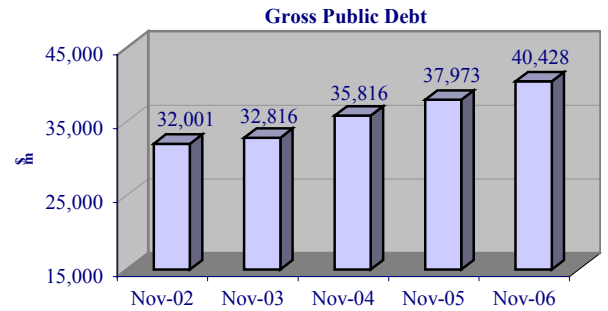
Airport Passengers
up to December 2006



Economic Statistics

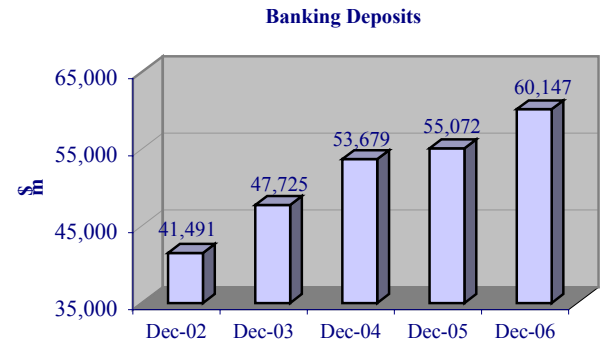
Gross Public Debt Down 0.5% in November 2006

Figures released by the Association of Banks in Lebanon show that Lebanon's gross public debt was \$40.4bn in November 2006, down 0.50% from October, but up 6.5% year-on-year. In turn, external debt increased by 0.25% from October to \$20.2bn, while gross domestic debt decreased by 1.24% to \$20.2bn. Year-on-year, external debt increased by 6.9% from \$18.89bn in November 2005, while domestic debt went up 6% from \$19.08bn in the same period.



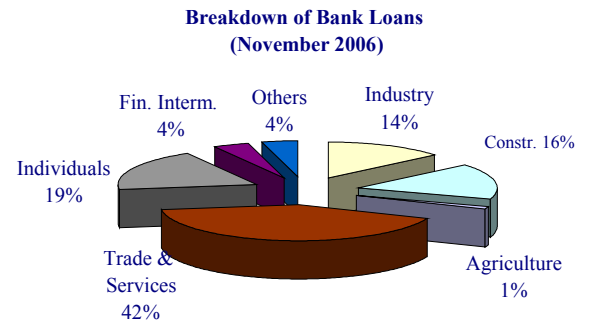
Banks' Assets Up 10% in November 2006

Commercial banks' consolidated balance sheet showed a \$618m increase over a one-month period to reach \$75bn at the end of November 2006, reflecting a rise of 10% from the same period last year. The year-on-year growth in assets is due to a rise of \$5.1bn in total deposits (residents and non-residents). The high dollarisation rate of deposits increased in November to reach 75.1% - compared to 72.6% a year before - amid a 12.9% rise in FC deposits coupled with a 0.67% yearly decrease in LP deposits. Loans in LP reached \$3.1bn, up 7.7% from the previous year, compared to a 14.1% rise in FC loans to \$18.1bn. The ratio of loans-to-deposits as at end-November 2006 rose by 123b.p. to 35.3%.



Bank Loans to Private Sector Rose 6% in November 2006

According to the Association of Banks in Lebanon, bank loans to the private sector reached \$17bn in November 2006, up 6% year-on-year. The trade and services sector continued to top the list of debtors with loans totaling \$7.1bn, followed by individual loans with \$3.2bn, loans to the construction sector with \$2.8bn, and finally loans to the industry sector with \$2.4bn.



Weekly Developments

Ministry of Finance Launches Discussion Session on Internal Reforms

The Ministry of Finance launched on Friday a discussion session entitled “Principal Reforms at the Ministry of Finance for 2007 & Developments in 2006”. The first of the four sections of the session will discuss the adoption of a general income tax system to be implemented in 2008 as well as the modernization of the tax administration and the budget execution through training the personnel and establishing new units such as the risk management and public debt departments. The second section will highlight the ministry’s achievements with regards to internal administrative reforms. The third section comprises future reforms in the financial markets among which are the passing of the law of dematerialization of securities, the law on establishing a capital markets authority and measures to enhance liquidity in Lebanese financial markets. Finally, the fourth section will discuss private sector reforms including a new law on competition to decrease monopolies as well as new initiatives to facilitate procedures of investment in the Lebanese private sector.

ALI & LFA Present Notes on Government’s Paper to Paris III Donor Conference

The release of the Paris III paper to be presented by Lebanon at the international donor meeting to be held on January 25, 2007 unleashed various responses from representatives of different economic sectors in Lebanon. While the Association of Lebanese Industrialists (ALI) supported the reform plan to promote growth and economic development, it stressed on the necessity of receiving aid for the factories that were damaged during the war. On the other hand, the Lebanese Farmer's Association (LFA) had several objections since the paper does not consider providing compensation for the agriculture sector. Both the ALI and the LFA objected to the taxation plan, which includes an increase in the Value Added Tax (VAT), and proposed alternatives including the support of productive sectors (agriculture and industry) in an aim to promote economic growth and increase government revenues.

UN Report on World Economy: Lebanon’s Growth to Rebound in 2007

The United Nations (UN) released its “World Economic Situation and Prospects 2007” report forecasting a slight slowdown in world economic growth for 2007, but continued strong performance among developing countries. With regards to Lebanon, the report highlights that the summer 2006 Israeli-Hizbullah conflict reduced growth for the country from a rate of 5% in the months prior to the war, to an average annual growth rate of 3.2% by the end of the year. However, the report expects the Lebanese economy to rebound in 2007 due to the rapidly moving reconstruction process provided the political situation remains stable. Similarly, after a rise in unemployment due to the effects of the war, particularly in the tourism and industry sectors, the report expects unemployment to fall as the economy recovers.

Corporate News

Casino Du Liban Announces Payment of Advances on Dividends

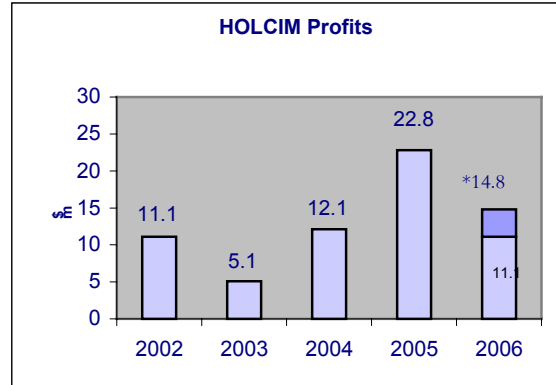
Casino Du Liban (CDL) announced that it will distribute an advance on interim dividend payments of \$20 per shares starting January 11, 2007 and upon the presentation of coupon number 18. In April 2006, the general assembly of Casino du Liban (CDL) has elected a temporary board of directors to complete the company's financial accounts and to resolve pending disputes with the Ministry of Finance. The CDL's shares last traded over the counter at \$280.

Byblos Signs Agreement With EIB to Invest in Byblos Ventures SAL

Byblos Bank sal signed with the European Investment Bank (EIB) an agreement to initiate investment in Byblos Ventures (Holding Company) s.a.l. (Byblos Private Equity Fund), a multi-sector private equity investment funds aimed at financing small and medium-sized equity investments in Lebanon, Syria and Jordan. The EIB, which approved the fund on November 21, 2006, will finance 25% of the total \$20m fund, whose size can be increase to a maximum \$50m within a year. Byblos Invest Bank sal, the private banking subsidiary of Byblos Bank, will own 50% while the remaining 25% will be subscribed to by selected institutional investors. Byblos bank sal, which reported net profits of \$50.4m in Q3-2006, has already signed two agreements with the EIB this year. The first, signed in February, was a \$60m credit line agreement while the second was a €40m(\$52m) partnership agreement between the EIB and Byblos Bank Syria both aimed at financing small and medium sized long term projects.

HOLCIM Liban Posts \$11.1m Profits in First Three Quarters of 2006

HOLCIM (Liban) s.a.l. posted \$11.1m in net profits for the first three quarters of 2006, compared with \$22.8m for the whole of 2005. Sales reached \$83.7m, compared to \$125.2m for the whole of 2005, whilst cost of goods sold (including distribution fees) reached \$52m. In turn, total assets stood at \$326m, compared to \$365m at the end of 2005. The company's listed shares were last traded at \$1.83, up 35.6% from \$1.35 on September 30, 2005.



*Expected 2006 profits are at \$14.8m based on Q3-06 profits of \$11.1m

Al-Ahli International Bank to Issue a \$20m CD

Al-Ahli International Bank sal announced the issuance of a \$20m Certificate of Deposit (CD) on January 22, 2007. The CD, issued at par (\$100) and to be purchased in \$50,000 denominations, will pay a semi-annual fixed rate of 7.50%, (subject to a 5% withholding tax). The 18 months CD matures on July 22, 2008. Al-Ahli International Bank, 98% owned by Jordan Ahli Bank, reported net profits of LP1.56bn(\$1m) in 2006, down 51% year-on-year, mainly attributed to a 31% drop in non-interest income to LP1.9bn(\$1.3m).

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