

The Lebanon Weekly Monitor

► ECONOMY

p.2 ► **Ministry of Finance released budget 2006 with a 40% fiscal deficit**

The Ministry of Finance released the 2006 budget, covering the impact of the Israeli-Hezbollah war. The budget deficit is expected to widen by 62.6% to reach 40.5% of expenditures, compared to 27.4% of expenditures in 2005.

Also in this issue:

p.2 ► **Commercial banks' assets at US\$ 73.5 billion at end-September 2006**

p.3 ► **Construction permits up to 7.34 million square meters in the first nine months of 2006**

p.3 ► **Imports of industrial machinery amount to US\$ 87.2 million in the first nine months of 2006**

► SURVEYS

p.4 ► **Lebanon ranks 78th globally and 9th in MENA region in human development**

According to the newly released United Nations 2006 Human Development Report, Lebanon ranked in the 78th place worldwide and scored 0.774 points on the Human Development Index (HDI), up from the 81st place in 2005.

► CORPORATE NEWS

p.5 ► **BEMO Bank joins forces with France's Oddo et Cie to offer financial services in the Gulf**

Lebanon's Banque BEMO signed a memorandum of understanding with the French investment services firm Oddo et Cie to create a joint venture named BEMO Oddo Investment Firm Ltd. (BOIF).

Also in this issue:

p.5 ► **BUMC tops list of new vehicles registered in the first ten months of 2006**

p.5 ► **Commercial Insurance Company releases its 2005 results**

► MARKETS IN BRIEF

p.6 ► **Deteriorated local political conditions reduce prices on equity and bond markets**

The heated political bickering on the local front was explicitly reflected on the foreign exchange market, the equity market and the Eurobond market. Indeed, on the foreign exchange market, demand for the US Dollar persisted for the third consecutive week, which urged the Central Bank to intervene as a seller of the green currency at its upper bound of intervention bracket (LP 1,514), for the first time since the end of Israeli attacks on Lebanon. Commercial banks traded the US Dollar between LP 1,513.75 and LP 1,514.75, higher than last week's bracket (LP 1513 - LP 1514). On the money market, the overnight rate stood at its low official level set by the Central Bank (3.5%) throughout the week, which indicates that commercial banks were prepared for any unfavorable political development, and have retained adequate local currency liquidity at hand. As to the equity market, some selling operations were observed, that were offset by other investors' interest to buy stocks at relatively attractive prices. Prices retreated as reflected by a drop in the price index by 4% to reach 128.80, the lowest level since mid-August. The trading index rose by 49% relative to the previous week to close at 424.6. Likewise, prices declined on the Eurobond market, under the effect of the prevailing political tension, while there was almost no trading. Accordingly, the average yield rose by four basis points to 7.59%, while the average spread widened by five basis points to 289 basis points.

Research Department

Bank Audi sal - Audi Saradar Group

Bank Audi Plaza, Bab Idriss, Riad El Solh - Beirut - Lebanon

P.O.Box : 11 - 2560 / Tel : (01) 994000 / Cable : Banaudi / Telefax : (01) 985622

Swift : AUDBLBBX - <http://www.banqueaudi.com>

Week
47
Nov 13 - Nov 18
2006

► ECONOMY

Ministry of Finance released budget 2006 with a 40% fiscal deficit

The Ministry of Finance released the 2006 budget, covering the impact of the Israeli-Hezbollah war. Prior to the war, the government expected a record growth in revenues and a cut in expenditures, but the bombing and the air, sea, and land blockade changed these assumptions.

Following the summer hostilities, the budget 2006 estimated revenues at LP 6.7 trillion, down by 10.1% from LP 7.4 trillion collected in 2005. The decrease in revenues is the result of the post-war economic slowdown and the tax amendments and exemptions to owners of damaged properties.

Government spending was estimated to reach LP 11.2 trillion in 2006, up by 9.7% from LP 10.2 trillion in 2005. The increase in spending is largely attributed to the LP 1.2 trillion allocations to the Electricité du Liban, which imposes a heavy burden on the Treasury, as it has been incurring significant losses and as it lost oil reserves during the war. The rise in expenditures is also the result of an increase in defense spending after the war, and from the cost of the deployment of the army into Southern Lebanon after the Israeli withdrawal. Debt servicing in the 2006 budget is estimated at LP 4.7 trillion, up by 31.7% from LP 3.5 trillion in 2005. This increase in the cost of debt servicing came as a result of the increase in interest rates which reversed the effect of Paris II conference, following the assassination of former PM Rafic Hariri.

Consequently, the primary surplus is expected to reach LP 115 billion by the end of 2006, after it reached LP 736.4 billion at end-2005. The budget deficit is, thus, expected to widen by 62.6% and to reach LP 4.5 trillion or 40.5% of expenditures, compared to LP 2.8 trillion or 27.4% in 2005.

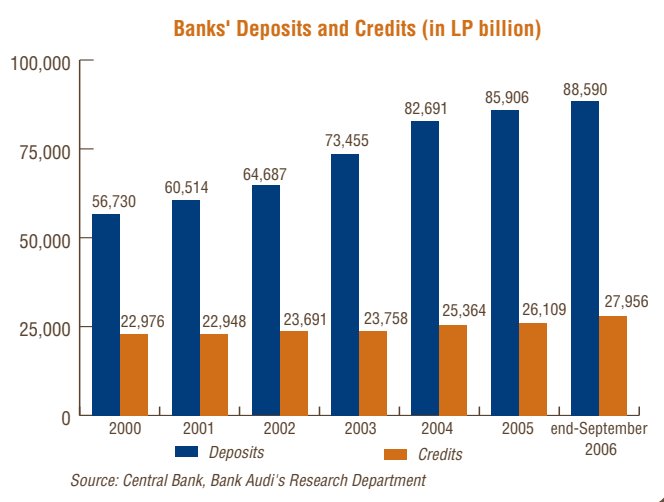
Commercial banks' assets at US\$ 73.5 billion at end-September 2006

The consolidated balance sheet of commercial banks showed favorable results, when considering the cumulative nine-month period, despite the war impact that was more than offset by the record high growth registered in the first half of the year. Total assets amounted to LP 110,832 billion, or US\$ 73.5 billion, at the end of September 2006, up by 7.2% from the corresponding period of the previous year and by 4.5% from end-2005. This compares favorably to a 1.2% increase in the corresponding period of the previous year, which was adversely effected by the assassination of former PM Rafik Hariri. Nevertheless, it remains below the 5.9% average growth in the same period of the previous five years. Total assets increased by LP 2,230 billion, or 2.1% over the month of September only.

Deposits totaled LP 88,590 billion, or US\$ 58.8 billion at end-September, increasing by 2.1% over the month and rising by 6.8% from the corresponding period of the previous year. Deposits grew by 3.1% over the first nine months of 2006, registering a better performance than the moderate 0.3% growth witnessed over first nine months of 2005, but performing below the 5.0% average growth in the same period of the previous five years. The growth in deposits is attributed to an increase of LP 2,856 billion in residents' deposits and an increase of LP 172 billion in non-residents' deposits.

Foreign currency deposits rose by US\$ 2,266 million over the year-to-September period, while Lebanese-pound denominated deposits rose by LP 732.7 billion. Accordingly, the dollarization rate of deposits reached 74.8% in September, down from the previous month's annual record high of 75.1% but still higher than the 73.1% at end-2005, as a result of the currency conversions in favor of the US dollar that started mid-July 2006, at the onset of the Israeli war on Lebanon.

In parallel, private sector loans, which increased by 9.7% from the corresponding period of the previous year while falling by a mere 0.3% over the month, totaled LP 27,956 billion, or US\$ 18.5 billion, at the end of September 2006. Banking sector loans increased by 7.1% over the first nine months of the year, which is the highest rate reported for the corresponding period since six years. This compares to a modest 0.5% increase in the corresponding period of the previous year and a 2.2% average growth in the same period of the previous five years. In volumes, loans increased by LP 1,846.9 billion, or US\$ 1,225 million, during the first nine months of the year, due to an increase in loans to the resident private sector by LP 1,123.3 billion, or US\$ 745.1 million, whereas credits to non-residents advanced by LP 723.6 billion, or US\$ 478 million.



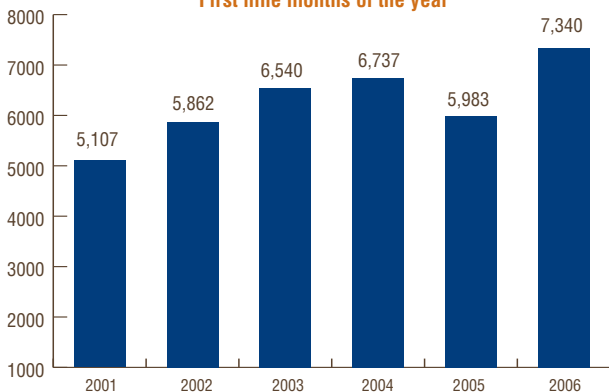
Finally, foreign currency loans credits rose by US\$ 977 million over the nine-month period, while Lebanese pound-denominated credits rose by LP 374.3 billion. The dollarization rate of loans stood at 83.3%, slightly lower than their 83.5% level at end-2005.

Construction permits up to 7.34 million square meters in the first nine months of 2006

Figures released by the Order of Engineers of Beirut and Tripoli indicate that construction permits totaled 7.34 million square meters in the first nine months of 2006, up by 22.7% from the corresponding period of the previous year, primarily due to the significant rise (62%) over the first half of the year. New construction permits totaled 466,155 square meters in September 2006, up by 43.7% from the previous month but down by 37.6% from the corresponding month of the previous year.

In parallel, the Construction Cost Index progressed by 12% in the first nine months of the year. It declined by 0.78% from the previous month and rose by 9.44% when compared to the corresponding month of the previous year. The annual increase in the index was mostly due to a rise of 41.01% in the prices of exterior carpentry, an increase of 27.05% in the prices of interior carpentry, a rise of 15.50% in the prices of kitchen modules, an increase of 11.31% in the prices of basic construction materials, a rise of 5.65% in prices of heating and water equipment, a 5.00% increase in the price of sanitation, a 2.94% rise in the price of electrical and lift installations, and an increase of 1.61% in the prices of secondary construction materials and finishing.

**Construction Permits (in thousands of square meters)
First nine months of the year**



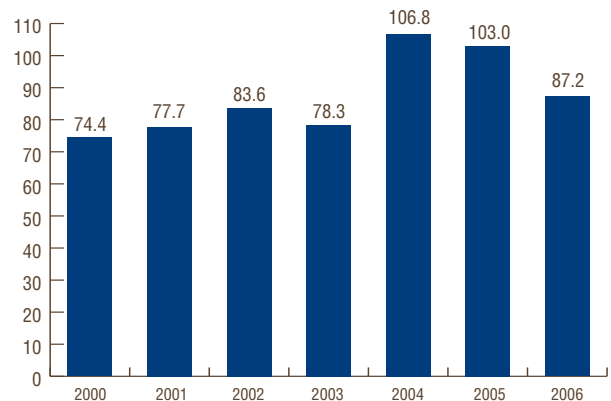
Source: Bulletin of Indices

Imports of industrial machinery amount to US\$ 87.2 million in the first nine months of 2006

The Ministry of Industry released figures showing that the imports of industrial machinery totaled US\$ 87.2 million in the first nine months of 2006, down by 15.4% from US\$ 103.0 million in the same period of the previous year and by 18.3% in the corresponding period of 2004. Imports of industrial machinery amounted to US\$ 7.7 million in September 2006, down by 14.1% from US\$ 14.1 million in the corresponding month of the previous year.

Germany was Lebanon's main source of imports of industrial machinery in the first nine months of 2006, with US\$ 18.5 million, and accounted for 21.3% of the total. It was followed by Italy with 20.2% of the total, China with 13.0%, the United States with 7.8%, France with 7.4%, Turkey with 4.4%, the United Kingdom with 4.1%, and Taiwan with 4.0%.

**Imports of Industrial Machinery (in US\$ million)
First nine months of the year**



Source: Ministry of Industry

Week
47
Nov 13 - Nov 18
2006

► SURVEYS

Lebanon ranks 78th globally and 9th in MENA region in human development

The United Nations released the Human Development Report (HDR) of 2006, entitled "Beyond scarcity: Power, poverty and the global water crisis". This year's report has water scarcity as its central theme. It explores the political economy of global water and argues that water availability is in decline. The report also says that the Middle East is the world's most water-stressed region, and that only Lebanon, Iraq, Iran and Turkey are above the threshold.

HDR 2006 publishes a human development index (HDI) that provides a composite measure of three dimensions of human development, namely life expectancy, adult literacy and school enrolment, and purchasing power parity income. This year's HDI uses 2004 figures.

The 2006 report covers 177 countries. Lebanon ranked in the 78th place worldwide and scored 0.774 points on the HDI, up from the 81st place in 2005. Norway ranked first as the country with the highest human development and scored 0.965 points. It was followed by Iceland (0.960 points), Australia (0.957 points), Ireland (0.956 points), Sweden (0.951 points), and Canada (0.950 points). Worldwide, Lebanon was considered to have middle income and a medium level of human development.

The 31 countries in the low human development category, which constitute around 9% of the world population, were found to have a life expectancy at birth of 46 years, or 32 years less than that of high human development countries.

Regionally, Lebanon ranked 9th among 20 MENA coun-

tries. Israel ranked first with 0.927 points on the HDI Index. It was followed by Kuwait with 0.871 points, Bahrain (0.859 points), Qatar (0.844 points), the UAE (0.839 points), and Oman (0.810 points). Fourteen of the 20 MENA countries improved their HDI scores year-on-year, 4 regressed and 2 were unchanged, while the scores of 16 countries improved and 4 declined.

Lebanon's score was higher than the average score of the MENA region (0.753), Arab countries (0.680), medium-level human development countries (0.701), developing countries (0.679), as well as that of the world (0.741).

The report also presents other indices that shed light on important aspects of development. Lebanon came in 20th place among 102 developing countries on the Human Poverty Index (HPI), which ranks countries according to their national level of poverty, illiteracy, unemployment and life expectancy, and reflects the extent of human deprivation that still exists among the populations of these countries. Lebanon had an HPI score of 9.6%.

In terms of demographic trends, the report projected Lebanon's population at 4 million by 2015, growing at an annual rate of 1% over the 2004-2015 period. Further, Lebanon's urban population is expected to rise from 86.5% in 2004 to 87.9% in 2015 compared to 54.9% for Arab states, 42.2% for developing countries and 48.3% globally for the same year.

Further, Lebanese under 15 years of age and those 65 years and above are projected to account for 24.4% and 7.7%, respectively, of the country's total population by 2015. In comparison, people under 15 years of age and those 65 years and above are projected to account for 25.9% and 8.4%, respectively, of the world's aggregate population by 2015.

Human Development Index

	Score	MENA Rank	World Rank	Category*
Israel	0.927	1	23	High
Kuwait	0.871	2	33	High
Bahrain	0.859	3	39	High
Qatar	0.844	4	46	High
UAE	0.839	5	49	High
Oman	0.810	6	56	High
Libya	0.798	7	64	Medium
Saudi Arabia	0.777	8	76	Medium
Lebanon	0.774	9	78	Medium
Jordan	0.760	10	86	Medium
Tunisia	0.760	10	87	Medium
Turkey	0.757	11	92	Medium
Iran	0.746	12	96	Medium
Palestine	0.736	13	100	Medium
Algeria	0.728	14	102	Medium
Syria	0.716	15	107	Medium
Egypt	0.702	16	111	Medium
Morocco	0.640	17	123	Medium
Sudan	0.516	18	141	Medium
Yemen	0.492	19	150	Low

*Level of human development

Source: Human Development Report 2006

Human Development Index Components

	Life expectancy at birth (years)	Adult literacy rate (% ages 15 and above)	School enrolment ratio (%)	GDP per Capita (US\$)*
Lebanon	72.2	-	84	5,837
Arab States	67.3	69.9	62	5,680
Developing Countries	65.2	78.9	63	4,775
World	67.3	-	67	8,833

* Measured by purchasing power parity income

Source: Human Development Report 2006

► CORPORATE NEWS

BEMO Bank joins forces with France's Oddo et Cie to offer financial services in the Gulf

Lebanon's Banque BEMO signed a memorandum of understanding with the French investment services firm Oddo et Cie to create a joint venture named BEMO Oddo Investment Firm Ltd. (BOIF). The Dubai-based BOIF will be regulated by the Dubai International Financial Center and will offer financial products and services to institutional, corporate and individual clients in the Gulf region.

According to BEMO and Oddo officials, the BOIF joint venture will start operations in 2007, with an initial capital of US\$ 1 million, followed by a subsequent injection of US\$ 1 million. BOIF will mainly offer brokerage, fixed-income, derivatives and structured products services, as well as wealth management services. In addition, the company plans to advise on cross-border mergers and acquisitions for European and Gulf-based companies. It will be active in the United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Bahrain, Oman and Yemen.

In parallel, Banque BEMO has issued 200,000 preferred shares worth US\$ 20 million, for a price of US\$ 100 per share, and with a par value of 1,000 LP or US\$ 0.66. This issue will increase the bank's capital from LP 16 billion to LP 16.2 billion.

Banque BEMO declared consolidated net income of US\$ 6.5 million in the first nine months of 2006, up from US\$ 3.3 million in the corresponding period of 2005. Total assets reached US\$ 697.1 million at end-September 2006, up by 14.0% from US\$ 611.6 million at the end of September 2005. Loans to customers increased by 26.5% to US\$ 230.9 million, while customer deposits totaled US\$ 540.5 million. Shareholders' equity amounted to US\$ 89.1 million, up by 43.1% from US\$ 62.3 million at end-September 2005.

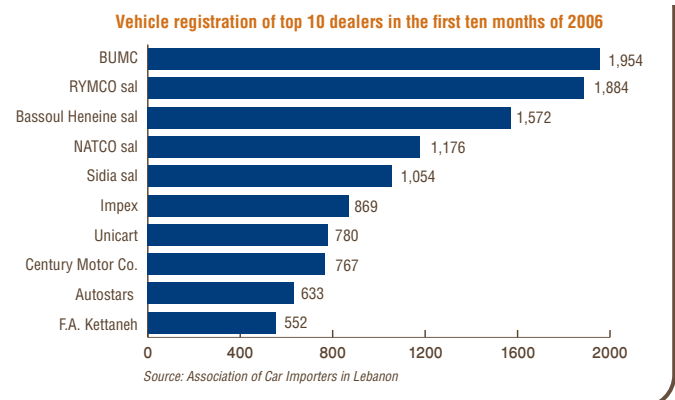
BUMC tops list of new vehicles registered in the first ten months of 2006

Figures released by the Association of Cars Importers in Lebanon reveal that Boustany United Machineries Company (BUMC) topped the list of new vehicles registered in Lebanon in the first ten months of 2006. BUMC, distributor of the Toyota and Lexus brands, registered 1,954 vehicles in the first ten months of 2006, accounting for 14.2% of the total. It was followed by RYMCO sal, distributor of the Nissan, GMC, and Infiniti brands with 1,884 vehicles, or 13.7% of the total, and Bassoul Heneine sal, distributor of Alfa Romeo, BMW, Dacia, Mini, and Renault, with 1,572 vehicles, or 11.5% of the total. NATCO sal, distributor of the Kia brand, ranked fourth with 1,176 vehicles, or 8.6% of the total. It was followed by Sidia sal, distributor of the Peugeot and Tata brands, with 1,054 vehicles or 7.7%

of the total. IMPEX, distributor of the Cadillac, Chevrolet, Hummer, and Isuzu brands, ranked sixth with 869 vehicles registered up to October, constituting 6.3% of the total. Unicart, distributor of the Honda brand ranked seventh with 780 registered vehicles or 5.7% of the total in the year-to-October period.

According to the Association of Car Importers, the number of vehicles registered in the first ten months of 2006 reached 13,728 vehicles, compared to 13,680 vehicles in the first ten months of 2005. Passenger vehicles reached 12,853 while commercial vehicles totaled 875 during the said period of 2006. The vehicle market in Lebanon seems to have recovered from the adverse repercussions of the summer hostilities. Indeed, during the month of October, registered vehicles reached 1,336 compared to a lower number of 1,217 in the same month of 2005.

Week
47
Nov 13 - Nov 18
2006



Commercial Insurance Company releases its 2005 results

Commercial Insurance Company published its 2005 balance sheet showing that total assets reached US\$ 10.0 million at the end of 2005, up by 4.5% from US\$ 9.6 million at the end of 2004. Shareholders' equity totaled US\$ 5.4 million, up by 6.0% from US\$ 5.1 million at the end of 2004.

Technical reserves amounted to US\$ 3.1 million, up by 3.1% year-on-year, while reserves for unrealized premiums stood at US\$ 2.6 million in 2005. Provisions for risks and charges stood at US\$ 364,843, while reinsurers' share of technical provisions decreased from US\$ 349,820 to US\$ 333,660 in 2005.

Commercial Insurance Company ranked in 22nd place in terms of non-life premiums generated in Lebanon in 2005. The firm's non-life premiums reached US\$ 5.6 million, up by 9.9% year-on-year. It had a 1.3% share of the general insurance market in 2005.

► CAPITAL MARKETS

Money Market: Ample liquidity despite unfavorable conditions

The overnight rate stood at its low official level set by the Central Bank (3.5%) despite the heated political bickering on the local front, and although some demand for the US dollar appeared on foreign exchange market. It seems that commercial banks have retained enough local currency liquidity at hand as a precautionary measure against any unfavorable political development. As to Certificates of Deposits, no subscriptions were made this week.

On the other hand, the monetary aggregates for the week ending November 2nd showed an increase in local currency deposits by LP 36 billion and an increase in foreign currency deposits by US\$ 21 million over the week. These weekly variations compare to an average decrease of LP 3 billion for LP deposits since the beginning of the year 2006, and an average growth of US\$ 72 million in foreign currency deposits each week.

In contrast, local currency deposits have been increasing by an average weekly volume of LP 154 billion since the end of Israeli attacks on Lebanon at mid-August, and foreign currency deposits have been growing on average by US\$ 71 million over the same period.

In addition, total money supply in its large sense (M4) decreased by LP 52 billion, versus an average weekly increase of LP 134 billion since the beginning of the year.

Interest rates	17/11/06	10/11/06	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: Nominal surplus over the first ten months of 2006

The secondary Treasury bills market continued to witness sluggish activity this week, within the context of persisting political bickering.

As to the primary market, the auction results on November 16 showed that subscriptions in short-term Tbs amounted to LP 21 billion and were distributed as follows: LP 10 billion in the three-month category and LP 11 billion in the six-month category. These compare to maturities of LP 166 billion leading to a nominal deficit of LP 145 billion. It seems that commercial banks were not interested in subscribing in Tbs this week, as they preferred to preserve their local currency liquidity to meet LP-to-US\$ conversions in

T-Bills Yields	17/11/06	10/11/06	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)	21	312	179 ↓
Short-term (3&6 mths)	21	0	179 ↑
Medium-term (1&2 yrs)	0	62	0 ↓
Long-term (3 yrs)	0	250	0 ↓
Maturities	166	301	92 ↓
Nom. Surplus/Deficit	-145	11	87 ↓

the foreign exchange market.

The average yields remained constant this week, standing at 5.22% and 7.24% for the three-month and six-month maturities respectively.

It is worth mentioning that over the first ten months of 2006, total subscriptions amounted to LP 12,317 billion versus maturities of LP 10,075 billion, which led to a nominal surplus of LP 2,242 billion.

Foreign Exchange Market: Rising demand for the US Dollar

Demand for the US Dollar persisted on the foreign exchange market for the third consecutive week, under the effect of the prevailing adverse political conditions. Demand was not offset by enough offer, which urged the Central Bank to intervene as a seller of the green currency at its upper bound of intervention bracket (LP 1,514). Commercial banks traded the US Dollar between LP 1513.75 and LP 1,514.75, higher than last week's bracket (LP 1,513- LP 1,514).

The Central Bank's bi-monthly balance sheet ending November 15 showed that foreign assets decreased by US\$ 97 million over the first half of November to reach US\$ 13.5 billion. This decline is mainly due to the Central Bank's intervention in the FX market as a seller of the US Dollar during the last few days of the first half.

BDL's foreign assets covered 82.5% of the LP money supply at mid-November, and the Central Bank's foreign reserves

Exchange rate	17/11/06	10/11/06	30/12/05
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,842.09	2,888.22	2,600.4 ↑
LP/¥	12.74	12.85	12.85 ↑
LP/SF	1,204.27	1,219.17	1,145.9 ↑
LP/Can\$	1,316.36	1,336.32	1,298.1 ↑
LP/Euro	1,925.83	1,942.56	1,784.1 ↑

covered 69.6% of the LP money supply, which indicate the BDL's strong ability to defend the currency peg.

Stock Market: 4% decrease in price index

The local political tension was mirrored on the equity market this week, with some stocks reporting price declines, while the trading volume managed to report an increase. Although the overall environment was unfavorable, the stock market was characterized by liquidity. Actually, the tendency to sell was matched by a similar appetite to purchase stocks at lower and attractive prices.

In general, prices decreased as reflected by a decrease in the price index by 4% relative to the previous week to reach 128.80.

In details, Solidere accounted for 58% of the week's turnover. Solidere's "A" share dropped by 10.2% relative to the previous week to close at US\$ 16.25, while Solidere's "B" share fell by 11.5% closing at US\$ 16.

The banking sector accounted for 42% of the trading value. Audi's GDR decreased by a tiny 0.1% to close at US\$ 66. BLOM's GDR fell by 5.2% closing at US\$ 63.50, and BLOM "listed shares" nudged down by 0.3% to US\$ 69. Bank of Beirut "listed shares" declined by 2% to US\$ 12.84. In contrast, Byblos Bank "listed shares" rose by 2.8% to US\$ 1.82. Byblos Bank "priority shares" retreated by 2.7% to US\$ 1.80.

Among the other listed securities, Rymco dropped by 9.1% to US\$ 1. Holcim lost 4.6% to close at US\$ 1.88, while Uniceramic Bearer "C" rose by 10.1% to US\$ 1.75.

As to investment funds, Beirut Global Income traded only, and its price rose by 4% to US\$ 103.

The total trading value amounted to US\$ 36 million this week, versus US\$ 24 million in the previous week. In addition, the average daily trading reached US\$ 7 million this

week versus US\$ 4.7 million last week. The trading index rose by 50% to 424.6.

When compared to peer stock exchanges in emerging markets, Lebanon's performance was less than that of other 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 rose by 1.1% and the latter moved up by 0.3% over the week.

Bond Market: Prices decline

The Eurobond market witnessed another sluggish week due to the heated local political tension, with local and foreign investors staying on the sidelines.

Prices were adversely affected by the prevailing conditions, reporting some declines as reflected by an increase in the average yield by four basis points to 7.59%. The average spread widened by five basis points to 289 basis points, due to an increase in Lebanese yields and a decrease in the benchmark yields.

For example, the average yield on the five-year US Treasury decreased by two basis points from 4.60% last week to 4.58% this week. In fact, US government bond prices were cautiously higher ahead of consumer price data that could offer further clues on the US Federal Reserve's next interest rate move.

On the other hand, the emerging markets reported a decrease in prices this week, as reflected by an increase in the average yield by 26 basis points to 5.91%, and the average spread widened by 20 basis points to 112 basis points. In fact, emerging market debt prices decreased after minutes from the last Federal Reserve meeting showed US Central Bank concern about reducing inflation in the economy.

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 reported a slight increase of 0.1% this week.



Audi Indices for BSE 17/11/06 10/11/06 30/12/05

22/1/96=100

Market Cap. Index	405.77	422.66	279.9 ↓
Trading Vol. Index	424.6	284.8	1,220.8 ↑
Price Index	128.80	134.16	128.0 ↓
Change %	-4%	-0.21%	0.93% ↑

Market Cap. \$m	9,627	10,027	6,640 ↓
No. of shares traded	1,739,130	828,448	3,984,854 ↑
Value Traded \$000	35,560	23,705	63,196 ↑
o.w. : Solidere	20,458	6,660	47,701 ↑
Banks	14,835	16,878	15,122 ↓
Others	267	167	373 ↑

17/11/06 10/11/06 30/12/05

Total tradable size \$m	14,838	14,838	14,804 ↔
o.w.: Sovereign bonds	13,998	13,998	13,719 ↔
Average Yield	7.59%	7.55%	6.42% ↑
Average Spread	289	284	216 ↑
Average Life	5.99	6.01	4.59 ↓
Yield on US 5-year note	4.58%	4.60%	4.31% ↓

ARAB STOCK MARKETS INDICES:

	17-Nov-06	10-Nov-06	31-Dec-05	Weekly change	End-year-to-date change
Beirut Stock Exchange	128.8	134.2	128.0	-4.0%	0.6%
Abu Dhabi Securities Market	109.2	110.2	220.9	-0.9%	-50.6%
Amman Stock Exchange	344.3	349.5	498.6	-1.5%	-30.9%
Bahrain Stock Exchange	228.1	230.2	235.9	-0.9%	-3.3%
Casablanca Stock Exchange	250.6	246.4	181.1	1.7%	38.4%
Doha Securities Market	122.3	126.5	188.4	-3.3%	-35.1%
Dubai Financial Market	154.5	155.0	272.8	-0.3%	-43.4%
Egypt Capital Market	470.4	461.2	590.0	2.0%	-20.3%
Kuwait Stock Market	233.7	234.6	265.8	-0.4%	-12.1%
Muscat Securities Market	276.9	285.7	244.6	-3.1%	13.2%
Saudi Stock Market	232.6	233.0	476.5	-0.2%	-51.2%
Tunis Stock Exchange	127.5	125.8	111.4	1.4%	14.5%
AMF Composite	251.6	252.9	394.1	-0.5%	-36.2%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	17-Nov-06	10-Nov-06	30-Dec-05	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/\$	118.10	117.84	117.86	0.2%	0.2%
\$/£	1.8946	1.9060	1.7193	-0.6%	10.2%
\$/Euro	1.2831	1.2837	1.1791	-0.1%	8.8%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	12,342.56	12,108.43	10,736.47	1.9%	15.0%
S&P 500	1,401.20	1,380.90	1,247.90	1.5%	12.3%
NASDAQ	2,445.86	2,389.71	2,203.81	2.3%	11.0%
CAC 40	5,403.98	5,489.00	4,708.63	-1.5%	14.8%
Xetra Dax	6,384.82	6,386.07	5,408.26	0.0%	18.1%
FT-SE 100	6,161.80	6,215.70	5,618.80	-0.9%	9.7%
NIKKEI 225	16,143.33	16,022.49	16,111.43	0.8%	0.2%
COMMODITIES					
GOLD OUNCE	624.1	628.2	516.7	-0.7%	20.8%
SILVER OUNCE	12.90	12.95	8.88	-0.3%	45.3%
BRENT CRUDE	57.21	58.08	57.33	-1.5%	-0.2%
LEADING INTEREST RATES					
1-month Libor	5.32	5.32	4.39	0.00	0.93
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	4.64	4.62	4.34	0.02	0.30

CONTACTS**Treasury and Capital Markets**

Nabil Chaya (01) 977422 nabil.chaya@audi.com.lb
Emile Shalala (01) 977622 emile.shalala@banqueaudi.com

Research

Marwan Barakat (01) 977409 marwan.barakat@banqueaudi.com
Zeina Abla (01) 977407 zeina.abla@banqueaudi.com

Private Banking

Toufic Aouad (01) 329328 toufic.aouad@saradar.com

Investment Banking

Omar Jaroudi (01) 977511 omar.jaroudi@asib.com