

WEEKLY MARKET WATCH

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Credit Libanais SAL



Research Unit

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Banque Du Liban's Reserves In the Second Half of May 2009

Banque Du Liban's (BDL) balance sheet reveals a 1.15% (\$261.71 million) bi-weekly appreciation in Lebanon's *gross foreign currency reserves* during the second half of May 2009 to \$23.10 billion.

Registered Construction Permits in May 2009

According to the Order of Engineers' statistics, Lebanon's registered construction permits expanded to 860,597 sqm in May 2009, up by 16.04% on an annual basis from 741,638 sqm in May 2008.

Kafalat Loans through May 2009

Statistics released by the government-subsidized program "KAFALAT" unveil a sizeable increase in the number of guarantees extended by Kafalat through the month of April 2009 to 417.

Oman's Inflation Rate At 4.9% in April

According to the Commerce and Industry Minister, Oman's inflation rate slowed to 4.9% in April 2009 in comparison with 6.9% in March.

Trade Gap in May 2009

The U.S. Department of Commerce reported a 2.2% increase in its April 2009 balance of trade deficit to \$29.2 billion, up from \$28.5 billion in the preceding month.

SYNOPSIS OF TERMS

"BDL"	Banque Du Liban
"ABL"	Association of Banks in Lebanon
"MOF"	The Lebanese Ministry of Finance
"BOP"	Balance of Payment
"IMF"	The International Monetary Fund
"Moody's"	Moody's Investors Service
"BSE"	Beirut Stock Exchange
"GDRs"	Global Depository Receipts
"M1"	Currency in Circulation + Demand Deposits in LBP
"M2"	M1 + Other Deposits in LBP
"M3"	M2 + Deposits in Foreign Currencies
"M4"	M3+ Treasury Bills Held By Non Banking System, Including Accrued Interests
"CPI"	Consumer Price Index
"PPI"	Producer Price Index
"CLASI"	Credit Libanais Aggregate Stock Index
"CLFI"	Credit Libanais Financial Sector Stock Index
"CLCI"	Credit Libanais Construction Sector Stock Index
"P/E"	Price to Earnings Multiple
"P/BV"	Price to Book Multiple
"YTD"	Year To Date
"YTD Price Performance"	Yield to Date Price Appreciation
"Forex"	Foreign Exchange
"LBP"	The Lebanese Pound
"USD"	The United States Dollar
"Yen"	The Japanese Yen
"GBP"	The British Pound/ Sterling Pound
"CHF"	The Swiss Franc

SYNOPSIS OF TERMS

"Y-O-Y"

Year-On-Year

"GDP"

Gross Domestic Product

"MENA"

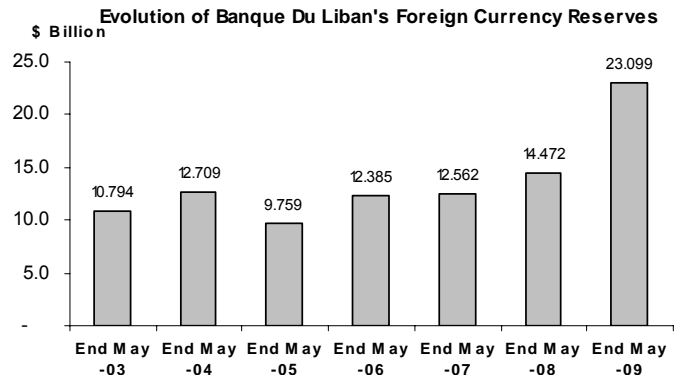
Middle East and North Africa

"FOMC"

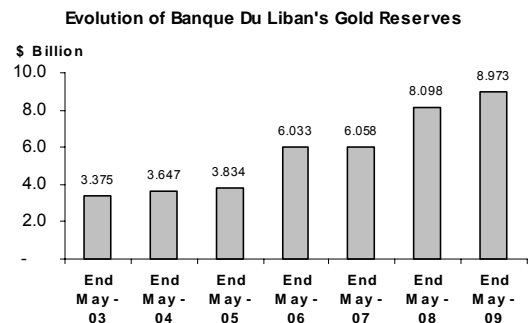
Federal Open Market Committee

Banque Du Liban's Reserves In the Second Half of May 2009

Banque Du Liban's (BDL) balance sheet depicts a 1.15% (\$261.71 million) bi-weekly appreciation in Lebanon's **gross foreign currency reserves** during the second half of May 2009 to \$23.10 billion, up from \$22.84 billion in the first half of the month. On an annual basis, foreign currency reserves gained a staggering 59.61%, from \$14.47 billion in the second half of May 2008. This owes to a renewed appetite in LBP denominated deposits at commercial banks, lessening as such the deposits' dollarization rate to 66.93% in March, added the unprecedented increase in foreign remittances from Lebanese expatriates and some \$3.18 billion in received pledges from foreign donors' support in the aftermath of the Paris III convention, out of \$5.58 billion of signed pledges through March 2009.



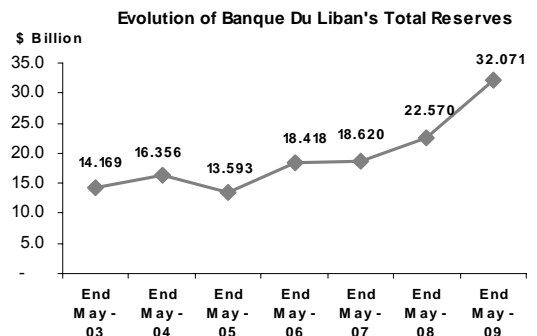
The Central Bank's balance sheet also reveals an astounding \$440.37 million bi-weekly expansion in the value of **gold reserves** to \$8.97 billion in the second half of May 2009, up from \$8.53 billion in mid May. On a yearly basis, gold reserves rose by 10.81% (\$875.20 million) from \$8.10 billion in May 2008.



BDL's total reserves, as portrayed by the table below, rallied by 42.10% (\$9.502 billion) to \$32.07 billion as at end of May 2009, significantly above the \$22.57 billion registered a year earlier.

\$ Billion	End May-2008	End May-2009	Value Change	% Change
Gold	8.10	8.97	0.88	10.81%
Foreign Assets	14.47	23.10	8.63	59.61%
Total Reserves	22.57	32.07	9.502	42.10%

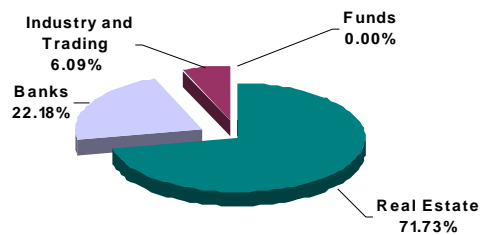
Source: Banque Du Liban



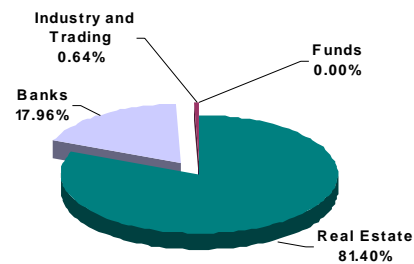
Activity on the Beirut Stock Exchange in May 2009

According to the Beirut Stock Exchange (BSE) monthly bulletin, traded value plunged by 42.33% y-o-y to \$301.19 million by the end of May 2009. During the month of May alone, traded value dipped markedly by 74.37% to \$70.68 million, from \$275.79 million in May 2008. As far as traded volume is concerned, trading activity bolstered with some 65.86 million shares through May 2009, up from 25.30 million shares a year earlier. It is worth noting that Beirut bourse activity gained pace during the month of May with around 4.53 million shares traded, owing to some speculations ahead of the Lebanese parliamentary elections, up from 2.61 million in April. This has instigated an expansion in value traded to \$70.68 million in May up from \$42.20 million in the month of April. Market capitalization was no exception, ending the month of May at \$9.27 billion, 7.67% higher than the \$8.61 billion level spotted in the month of April. The following section portrays the breakdown of trading activity on the BSE during the month of May 2009:

Allocation of Traded Volume In May 2009



Allocation of Traded Value In May 2009



Aid Coordination Newsletter Update

According to the Aid Coordination Letter issue number 19 published by the Lebanese Ministry of Finance ("MOF") last week, the aggregate value of agreements (signed and disbursed) with international donors in May 2009 reached \$75 million and €17.2 million. The total amount of aid during the month of May was distributed as follows:

- ✓ \$50 million of Lebanon's debt to the World Bank was redeemed by USAID on behalf of the United States under the umbrella of budgetary support;
- ✓ A \$25 million grant from *Saudi Arabia* geared towards financing the reconstruction of Nahr El-Bared camp;
- ✓ Three agreements totaling €15.2 million in grants and loans were signed between Germany and the Council for Development and Reconstruction (CDR) allocated to the construction of waste water treatment systems and sanitation facilities; and
- ✓ A €2 million grant by the European Commission aimed at promoting gender equality.

The following table sheds the light on donor aid during the month of May 2009:

Donor Support During the Month of May 2009

Donor	Amount	Aim
USAID	\$50 million	Redeeming Part of Lebanon's Debt to the World Bank
Germany	€15.2 million	1) €1.2 million grant for preparation of studies on the protection of Jeita source 2) €4 million grant for the replenishment of the Environment Fund 3) €6 million loan for the construction of a waste water system 4) €4 million grant for the rehabilitation of water and sanitation systems in Nahr El-Bared
European Union	€2 million	Improving the capacity of Civil Society Organizations (CSOs) involved with promoting womens' rights
Saudi Arabia	\$25 million	Reconstruction of Nahr El-Bared camp

source: The Lebanese Ministry of Finance

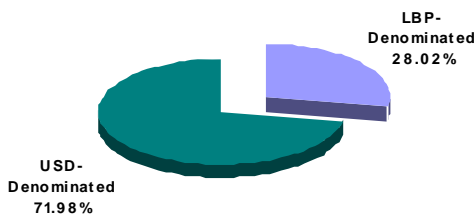
Cleared Checks through May 2009

According to Banque Du Liban "BDL" statistics, the value of cleared checks firmed at LBP 31,119 billion (4,844,011 checks) as at end of May 2009, up from LBP 29,676 billion (4,553,625 checks) in the same period last year. Of the total value of cleared checks, 28.02% were denominated in Lebanese Pound while the remaining 71.98% were in foreign currencies. Similarly, the total value of returned checks rose by around LBP 44 billion (8.28%) with the number of returned checks reaching 85,837, valued at LBP 571 billion. This is further illustrated in the following table:

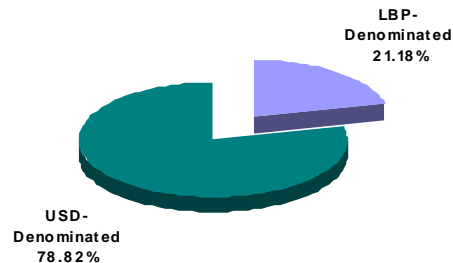
Check Clearing Activity						
	May-08		May-09		Y-o-Y % Change	
	Billion	Number	Billion	Number	Value	Volume
LBP-Denominated	LBP 5,633	1,402,262	LBP 6,590	1,357,525	16.99%	-3.19%
<i>Returned LBP-Denominated</i>	<i>LBP 90</i>	<i>23,387</i>	<i>LBP 99</i>	<i>20,126</i>	10.00%	-13.94%
USD-Denominated	\$15.91	3,151,363	\$16.27	3,486,486	2.28%	10.63%
<i>Returned USD-Denominated</i>	<i>\$0.29</i>	<i>63,900</i>	<i>\$0.31</i>	<i>65,711</i>	7.93%	2.83%
Total Cleared Checks	LBP 29,676	4,553,625	LBP 31,119	4,844,011	4.86%	6.38%
Total Returned Checks	LBP 527	87,287	LBP 571	85,837	8.28%	-1.66%

Source: Assafir, Credit Libanais Research Unit

Breakdown of Clearing Activity By Volume



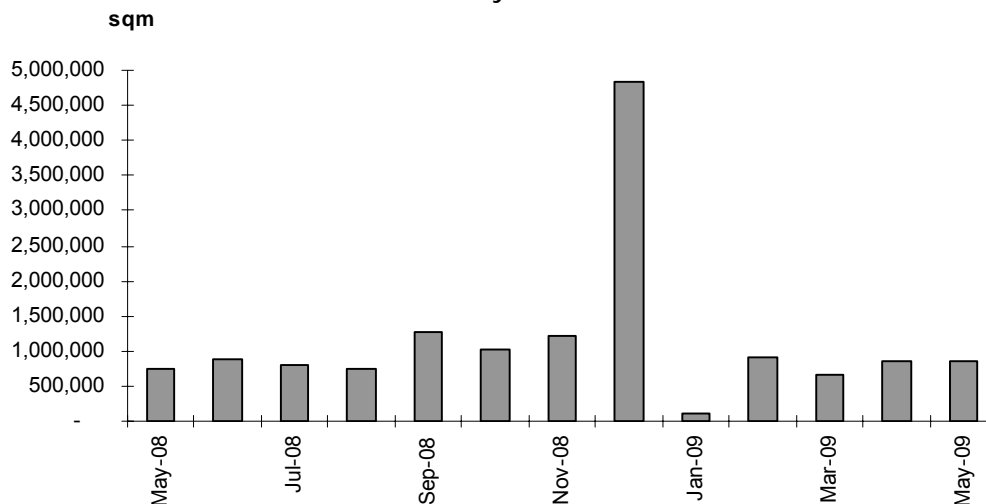
Breakdown of Clearing Activity By Value



Registered Construction Permits in May 2009

Statistics released by the Order of Engineers uncover that Lebanon's registered construction permits expanded to 860,597 sqm in May 2009, up by an annual 16.04% from 741,638 sqm in May 2008. On a cumulative basis, construction permits fell by 2.31% y-o-y to 3,399,474 sqm through May 2009 from 3,479,930 sqm a year earlier.

Evolution Of Monthly Construction Permits

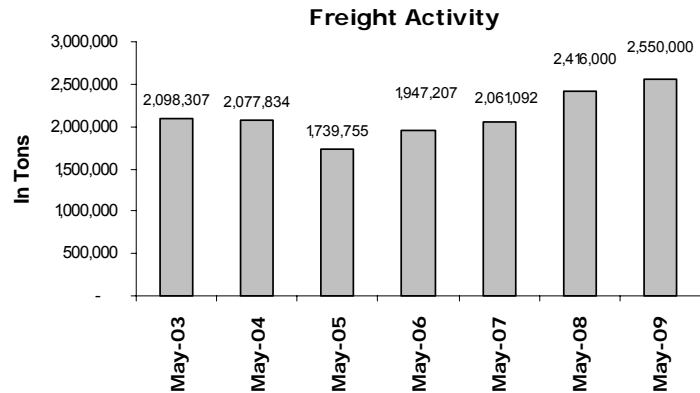


Beirut Port Activity through May 2009

The Beirut port freight activity was up by an annual 5.55% reaching 2.55 million tons as at end of May 2009. During the month of May alone, freight activity rose to 571,500 tons in comparison with 460,300 tons in May 2008. The number of vessels rose sharply by 19.39% to 1,010 up from 846 vessels in the same period in 2008. During the month of May alone, the number of vessels expanded by a robust 39.70% to 211 vessels. Concurrently, Beirut port revenues burgeoned by 29.07% to \$63.5 million by May 2009, up from \$49.2 million a year earlier. This is further sketched by the following table:

Indicators	For The Five-Month Period Ending		YOY % Change
	May-08	May-09	
Freight Activity(000 Tons)	2,416	2,550	5.55%
Number of Vessels	846	1,010	19.39%
Number of Imported Cars	26,275	39,762	51.33%
Number of Containers	357,872	422,056	17.93%
Revenues(\$Million)	49.20	63.50	29.07%

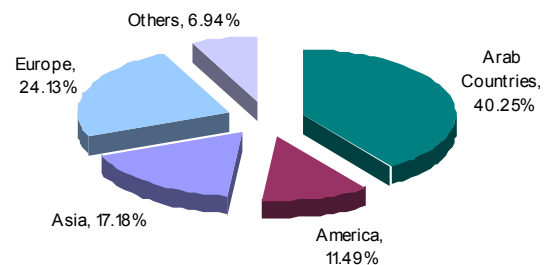
Source: Beirut Port



Number of Tourists Up To May 2009

According to the Lebanese Ministry of Tourism's latest statistics, the number of tourist arrivals to Lebanon rose by a staggering 69.20% to 569,724 tourists in the first five months of 2009, up from 336,721 in the same period in 2008. Arab tourists occupied the first place (229,337 tourists), while European and Asian tourists ranked second and third with 137,491 and 97,860 arrivals respectively.

Arrivals By Nationality through May 2009



Economic Developments in the First Quarter of 2009

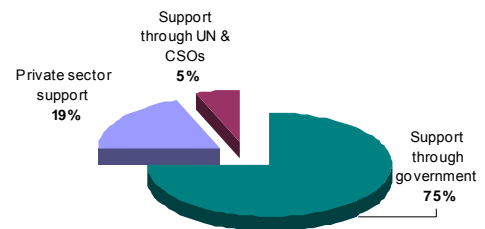
According to the ninth Paris III progress report released by the Lebanese Ministry of Finance ("MOF") last week portraying the performance of the Lebanese economy in the first quarter of 2009, total agreements signed with international donors until March 2009 have reached \$5.583 billion out of a pledged \$7.532 billion secured. Of the total \$5.583 billion, \$2.134 billion is in the form of *Budgetary Support*, \$1.431 billion is geared to provide support to the *Private Sector*, \$1.233 billion for *Project Financing*, \$43 million for *Support through the Central Bank*, \$327 million is reserved for *In-Kind contribution*, \$317 million for *Support through the United Nations* and \$99 million for *Support through Civil Society Organizations (CSOs)*. It is worth noting that the pledged amount for project financing is \$3.481 billion, while private sector pledges was set at \$1.463 billion. The following table spots the light on donor information pertaining to *Budgetary Support* facilities:

Donor	Grant Budget Support	Loan Budget Support	Signed	Received
USD Million				
Saudi Arabia	100		100	100
World Bank		300	100	100
United States	250		250	125
France		488	488	222
European Commission	39	65	104	20
United Arab Emirates		300	300	300
Arab Monetary Fund		107	167	
International Monetary Fund (EPCA I)		77	77	77
Greece		1.2	1.2	1.2
Oman	10		10	10
Malaysia			500	500
International Monetary Fund (EPCA II)			37	37
Slovenia	0.13		0.13	0.13
Total	400	1,337	2,134	1,492

source: The Lebanese Ministry of Finance

The following pie chart depicts the allocation of Paris III pledges in the first quarter of 2009:

Allocation of Paris III Pledges



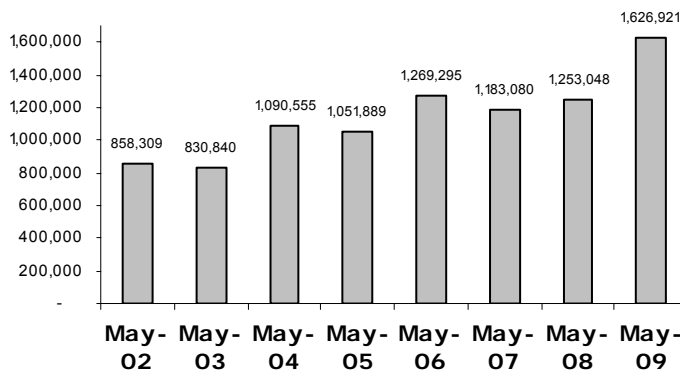
Nature of Pledges	Pledged Amounts (\$ Million)
Private Sector	\$1,463
Budgetary Support of which:	\$1,737
- Grant from Saudi Arabia	\$100
- Loan from the World Bank	\$300
- Loan from the UAE	\$300
- Grant from the U.S.	\$250
- Oman	\$10
- Arab Monetary Fund	\$107
- Greece	\$1.20
- France	\$488
- Slovenia	\$0.13
-European Commission	\$104.00
-International Monetary Fund (EPCA I)	\$77.00
Project Financing	\$3,481
Support For The Central Bank	\$43
In-Kind	\$362
Total Pledges Signed to date	\$5,583

Source: Ministry of Finance

Beirut Airport Activity through May 2009

The Beirut International Airport (BIA) prolonged its dynamic activity during the month of May 2009, posting a 29.84% annual increase in the number of passengers to 1,626,921, including transit travelers. The number of arriving passengers rose by 34.84% to 806,859 with the number of departing travelers on the rise, up by 27.21% to 805,549 passengers. For the month of May alone, the total number of passengers grew by a stunning 74.44% to 348,510. Concurrently, the total number of commercial flights aggregated to 32,131 flights while the number of private flights firmed at 5,611.

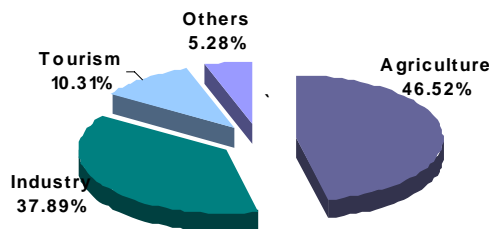
BIA Total Passengers



Kafalat Loans through May 2009

Statistics published by the government-subsidized program "KAFALAT" reveal a noticeable increase in the number of guarantees issued by Kafalat to 417 up to the month of May 2009. The face value of said guarantees reached LBP 83.36 billion (\$55.30 million) with an average value per guarantee standing at LBP 199.91 million (\$132,610). The substantial (46.52%) majority of issued Kafalat loans was allocated over the agricultural sector, followed by the industrial and tourism sectors, at respective stakes of 37.89% and 10.31%.

Breakdown Of Kafalat Loans By Sector through May 2009



Egypt Signs Deal with Lebanon to Supply Electricity

According to the Lebanese press, Lebanon's Energy and Water Minister recently inked a deal with Egypt geared towards providing Lebanon with electricity in an attempt to tackle Lebanon's energy deficit. Egypt will provide Lebanon with 600 million cubic meters of gas annually, which will run through the Beddawi power plant in the North of Lebanon and will be expected to render the power plant (which was originally designed to operate on gas) more efficient and save the Electricite Du Liban (EDL) some \$200 million annually.

BEMO Bank Distributes Dividends to Shareholders

According to a Beirut Stock Exchange (BSE) circular published last week, BEMO Bank's ordinary general assembly meeting held on May 30, 2009 announced that the Bank will distribute dividends in the following manner:

- Holders of Preferred shares will receive dividends totaling LBP 2.41 billion in the aggregate (\$1.6 million);
- Holders of common shares (excluding treasury stock) will receive dividends totaling LBP 3.55 billion in the aggregate (i.e. LBP 225 per share)

Beirut Golden Income's Performance

The *Beirut Golden Income Fund* reported a 0.59% monthly appreciation in net asset value per share to LBP 107,678.94 as at end of May 2009, from LBP 107,044.66 a month earlier. Furthermore, the fund revealed a 59-month cumulative performance of 53.39% since its initial listing on July 6, 2004 at a price of LBP 100,000 per share. The fund, which has an initial capital of LBP 41 billion distributed over 410,000 shares, invests primarily in Lebanese-pound denominated deposits with the Lebanese Central Bank, as well as Lebanese treasury bills, certificates of deposits and other fixed income securities issued by Banque Du Liban. The per share price of the Beirut Golden Income fund closed the week unchanged at LBP 104,200, with a total market capitalization of \$28.34 million.

Beirut Preferred Fund's Performance

Also on the Beirut bourse front, the *Beirut Preferred Fund's* net asset value (NAV) rose to \$105.22 per share as at end of May 2009, up from \$104.63 in April 2009. Furthermore, the fund conveyed a positive performance of 19.72% since inception. The fund is a closed-ended seven-year mutual fund managed by Bank of Beirut investing primarily in preferred shares, fixed income securities, and certificates of deposits issued by the Lebanese government. The per share price of the Beirut Preferred Fund ended the week unchanged at \$104.10.

BLC Bank's Financial Performance in 2008

BLC Bank released its audited financial statements last week, posting a healthy 54.22% annual increase in net after tax profits to \$23.03 million in 2008, up from \$14.93 million in 2007. The Bank's net interest income rallied by 35.44% to \$43.65 million with net commission income firming at \$6.48 million. On the balance sheet front, BLC Bank's total consolidated assets rose by 13.79% to \$1.97 billion in 2008, up from \$1.73 billion in 2007. The Bank's customer deposits gained 17.04% to \$1.73 billion, with customer loans following suit, reaching \$275.52 million up from \$190.95 million in 2007. In this scope, BLC Bank's return on average assets (ROaA) ended the year 2008 at 1.24% with return on average equity (ROaE) reaching 16.14%.

BSE Approves Listing of Byblos Bank GDRs

According to the Beirut Stock Exchange circular number 283/2009, the Beirut Stock Exchange has approved the listing of 1,033,042 new Byblos Bank GDRs in accordance with its February 2009 new GDR issue worth \$82.64 million (\$80 per GDR). The GDRs will be listed on the BSE's official market effective as at June 18, 2009 and on the London Stock Exchange, and will be attached with the following rights:

- Right to vote
- Right to receive dividends
- Convertible into common shares

The new GDR program permits existing shareholders to exchange their common shares with the newly issued GDRs on a pro-rata basis at a ratio of 50 existing shares per new GDR. The Bank previously affirmed that this step aims at increasing share and GDR liquidity. It is worth highlighting that said GDRs constitute some 12.12% of Byblos Bank's capital.

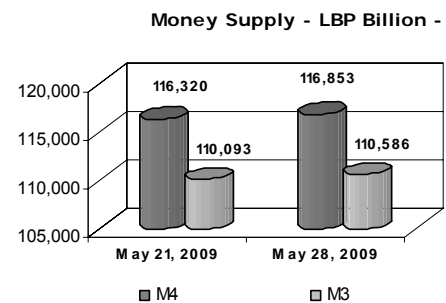
MONETARY AGGREGATES

On the monetary front, all monetary indicators closed on a positive note during the week of May 28, 2009. The overall money supply "M4" rose by a healthy LBP 533 billion (\$353.57 million) on a weekly basis to LBP 116,853 billion (\$77.51 billion), in part attributed to a LBP 41 billion (\$27.20 million) rise in non-banking sector Treasury bills. On the other hand, Lebanese-pound denominated deposits and currency in circulation, "M1" gained 2.12% to LBP 4,141 billion (\$2.75 billion) owing to some LBP 104 billion (\$68.99 million) expansion in demand deposits, outweighing the LBP 18 billion (\$11.94 million) drop in money in circulation.

Local currency, term deposits, "M2", rose by a shy 0.39% for the week, and a significant 53.10% on an annual basis to LBP 42,421 billion (\$28.14 billion). This has spurred a moderate LBP 80 billion (\$53.07 million) appreciation in private sector savings ("M2-M1") to LBP 38,280 billion (\$25.39 billion).

Money Supply LBP Billion	May 21, 2009	May 28, 2009	% Change
M1	4,055	4,141	2.12%
M2	42,255	42,421	0.39%
M3	110,093	110,586	0.45%
M4	116,320	116,853	0.46%
M2 - M1 (Savings)	38,200	38,280	0.21%

Source: Banque Du Liban



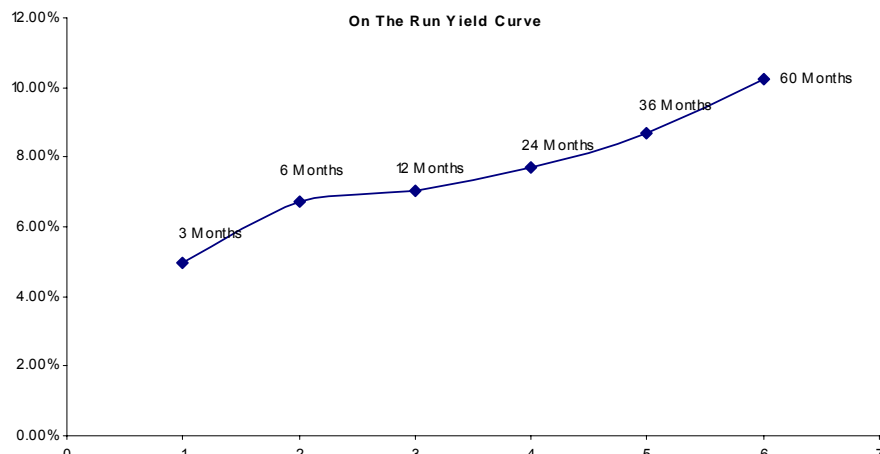
MONEY MARKETS

On the money market front, the June 4th Treasury bill auction raised LBP 212.497 billion, up from LBP 78.494 billion the week before. The auction revealed a deficit over nominal subscriptions of LBP 345.682 billion in comparison with a deficit of LBP 100.044 billion in the preceding week.

The bulk of the subscriptions was concentrated in the three-year T-bills, constituting alone around 95.65% of total aggregate subscriptions, followed by the three-month, six-month, one-year and two-year to maturity securities, representing around 2.43%, 1.53%, 0.38% and 0.01% of weekly subscriptions respectively.

Certificates Of Deposits Lebanese Pounds	45 Days	60 Days
Interest Rate/Period	4.40%	4.89%

Lebanese Treasury Bills	3 Months	6 Months	12 Months	24 Months	36 Months	60 Months
Treasury Yield	4.94%	6.75%	7.04%	7.70%	8.68%	10.25%



FOREIGN EXCHANGE

Domestically, demand for the Lebanese Pound sustained its robust momentum for another week in a row. The inter-bank trading range hovered between LBP 1,500.5 and LBP 1,502.5 as the economy continues to show stimulus signs, prompting demand for the local currency. The Lebanese Central Bank intervened at the 1,501.5 LBP/USD level in an attempt to preserve a stable exchange rate against the U.S. Dollar. Demand for the Lebanese Pound continued to outweigh the supply of the domestic currency. This is particularly evidenced by the regressing deposit dollarization rate to 66.93% as at end of March 2009.

On the foreign exchange front, the U.S. Dollar appreciated against major currencies last week on the back of better than expected economic data pertaining to consumer sentiment figures which hit a nine-month high in June, spurring investors' appetite for risk.

In mid Friday session, the Euro appreciated against the U.S. Dollar by 0.99% for the day to \$1.4021 after having hovered between \$1.3934 and \$1.4128. On a weekly basis, the Euro fell by 1.14% to \$1.4021. The initial support level was reset at \$1.4008 and the resistance level readjusted to \$1.4124.

Concurrently, the U.S. Dollar headed north against the Japanese Yen, gaining some 1.76% for the week to a market close of 98.40 Yen. The Dollar traded between a range of 97.44 and 98.45 against the Yen on Friday, ending the day at 98.40 Yen. The initial support level was revised to 94.30 Yen with the resistance level reset at 98.49 Yen.

The Sterling Pound (GBP), however, appreciated by 1.58% for the week against the U.S. Dollar. The British Pound was trading between \$1.6328 and \$1.6598, ending the week at \$1.6442 in New York session. The initial level support was revised to \$1.6313 with the resistance level readjusted to \$1.6471.

Major Currencies	Last	Previous	% Change
EUR/USD	1.4021	1.4182	-1.14% ↓
GBP/USD	1.6442	1.6187	1.58% ↑
USD/JPY	98.40	96.70	1.76% ↑
USD/CHF	1.0700	1.0683	0.16% ↑
USD/CAD	1.1019	1.0962	0.52% ↑

Gold & Silver (in USD)			
Gold kg 995	Gold Ounce	Silver Kg	Silver Ounce
30,182.42	938.80	476.78	14.83

Major Crosses	EUR	GBP	CHF	JPY	CAD
EUR	-	0.8528	1.5133	138.005	1.5692
GBP	1.1726	-	1.7745	161.820	1.8401
CHF	0.6608	0.5635	-	91.190	1.0370
JPY	0.7246	0.6180	1.0966	-	1.1371
CAD	0.6373	0.5435	0.9644	87.945	-

Major Currencies	Last	Previous	% Change
USD/LBP	1,507.5	1,507.5	0.00% ↔
EUR/LBP	2,118.0	2,138.5	-0.96% ↓
CAD/LBP	1,355.1	1,367.8	-0.93% ↓
CHF/LBP	1,401.9	1,408.9	-0.49% ↓
GBP/LBP	2,483.5	2,418.0	2.71% ↑

World Interest rates levels						
Period	USD	GBP	CHF	JPY	CAD	EUR
O/N	0.1000	0.3700	0.0100	0.0100	0.1500	0.6300
1 Month	0.2500	0.5500	0.1000	0.1000	0.1300	0.8500
3 Months	0.5500	0.7600	0.3000	0.4200	0.3000	1.2300
6 Months	1.1000	1.2000	0.4900	0.5500	0.6000	1.4200
1 Year	1.3700	1.0500	0.6400	0.7000	1.2000	1.5600
5 Years	2.7846	2.8770	1.5550	0.8650	2.7110	2.8430
10 Years	3.7916	3.9730	2.5030	1.5150	3.5150	3.6400
30 Years	4.6453	4.6610	3.0890	2.2950	3.9350	4.3400

Source: Banque Du Liban, Credit Libanais Forex Markets, Reuters

FIXED INCOME

On the Lebanese Eurobond front, activity witnessed a vivid demand last week in the aftermath of the local parliamentary elections, driving prices upwards. Spreads tightened to 526.20 basis points during the week ended Friday June 12, 2009 down from 572.70 the week before.

LEBANESE EUROBONDS								
Lebanese Eurobonds	Currency	Coupon	Maturity	Issue Spread	Bid	Ask	Bid Yield	Bid Spread
Government Eurobonds								
Republic of Lebanon	USD	10.250%	Oct-09	440	101.500	102.500	5.120%	491
Republic of Lebanon	USD	0.000%	Nov-09	325	99.500	100.500	6.910%	663
Republic of Lebanon	USD	7.000%	Dec-09	349	100.750	101.750	5.430%	513
Republic of Lebanon	USD	7.130%	Mar-10	370	100.880	101.880	5.840%	539
Republic of Lebanon	USD	7.880%	May-11	366	103.500	104.500	5.920%	465
Republic of Lebanon	USD	7.500%	Aug-11	-	103.000	104.000	5.970%	459
Republic of Lebanon	USD	7.500%	Mar-12	-	102.750	103.750	6.390%	470
Republic of Lebanon	USD	7.750%	Sep-12	385	103.000	104.000	6.690%	476
Republic of Lebanon	USD	9.130%	Mar-13	-	106.750	107.750	7.030%	485
Republic of Lebanon	USD	8.630%	Jun-13	478	105.000	106.000	7.170%	485
Republic of Lebanon	USD	7.380%	Apr-14	-	99.500	100.500	7.500%	477
Republic of Lebanon	USD	9.000%	May-14	515	105.750	106.750	7.560%	481
Banque Du Liban	USD	10.000%	Apr-15	625	109.500	110.500	7.940%	496
Republic of Lebanon	USD	8.500%	Aug-15	-	102.630	103.630	7.950%	491
Republic of Lebanon	USD	8.500%	Jan-16	-	102.380	103.380	8.030%	490
Republic of Lebanon	USD	11.630%	May-16	647	117.500	118.500	8.250%	506
Republic of Lebanon	USD	9.000%	Mar-17	-	104.000	105.000	8.290%	492
Republic of Lebanon	USD	8.250%	Apr-21	-	97.750	98.750	8.550%	467
Republic of Lebanon	EUR	5.880%	Apr-12	-	98.000	99.000	6.670%	466
Corporate Eurobonds								
Bq Mediterranée	USD	7.630%	Jul-10	-	102.000	103.000	5.700%	499
Bq Mediterranée	USD	7.630%	Dec-12	-	102.000	103.000	6.970%	491
Audi Investment Bank	USD	10.750%	May-10	475	104.500	105.500	5.500%	492

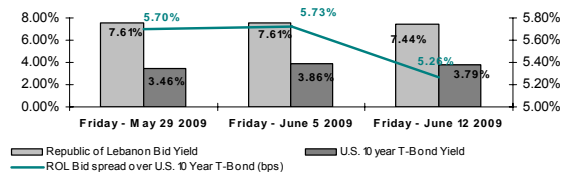
YIELD - SPREAD EVOLUTION			
	Friday - May 29 2009	Friday - June 5 2009	Friday - June 12 2009
Republic of Lebanon Bid Yield	7.61%	7.61%	7.44%
Republic of Lebanon Bid Spread (bps)	569.80	572.70	526.20
U.S. 10 year T-Bond Yield	3.46%	3.86%	3.79%
ROL Bid spread over U.S. 10 Year T-Bond (bps)	415.00	375.00	365.00

Fixed Income

As portrayed by the table above, Republic of Lebanon (ROL) bid spreads over U.S t-Bills seem to have halted its positive trend.

Spreads tightened to 526.20 bps down from 572.70 bps in the previous week and 569.80 bps two weeks earlier, easing as such the pressure on ROL bond prices.

Yield - Spread Evolution



LEBANESE EQUITIES

The Beirut Stock Exchange witnessed a major rebound in trading activity last week, with some 4,589,898 shares changing hands, in comparison with 1,042,745 shares in the preceding week. This owes to some speculations trading ahead of the parliamentary elections.

The Credit Libanais Aggregate Stock Index (CLASI) spiked by 11.84% on a weekly basis, the biggest gain among covered Arab indices, to a year high of 1,150.18, up from 1,028.38 the week before. This is mainly attributed to the gains spotted in the prices of heavy market capitalized Solidere "A & B" shares, and BLOM Bank listed shares.

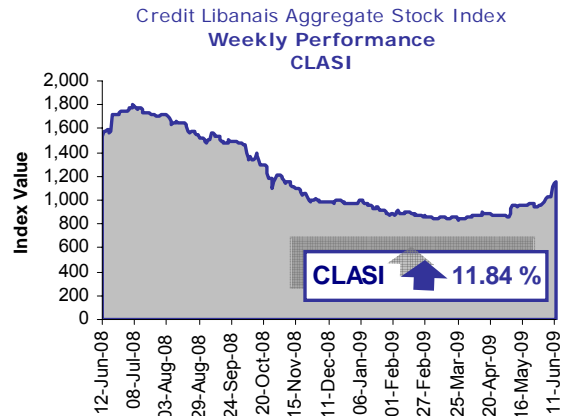
Ten Gainers were screened throughout the week, boosting market capitalization by 10.96% to \$10.90 billion, from \$9.83 billion a week earlier. Concurrently, value traded rose by a staggering 381.96% to \$98.79 million up from \$20.50 million a week ago.

On the real estate and construction front, Solidere "A & B" shares led the weekly trades with 3,986,470 shares. The Credit Libanais Construction Sector Stock Index (CLCI) rose by a considerable 8.60% to its year high of 1,116.01.

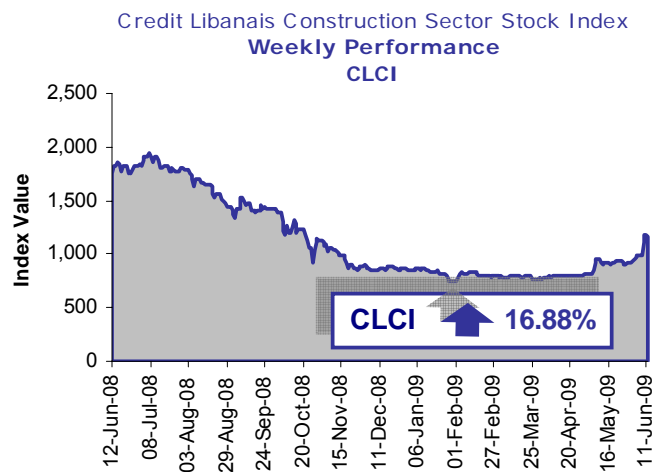
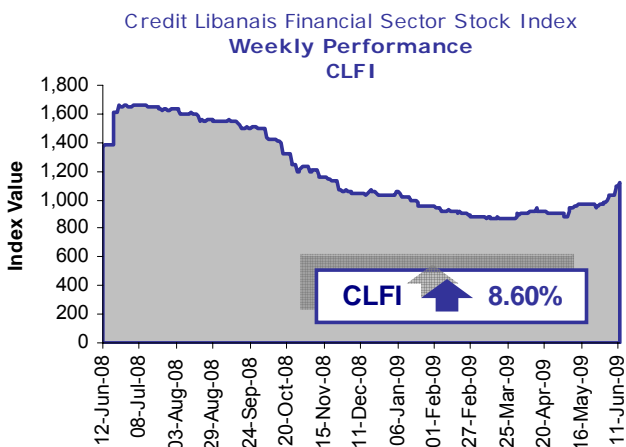
In the Banking sector, the prices of BLOM Bank and Audi Bank listed shares rose by 14.96% and 9.17% respectively. Consequently, the Credit Libanais Financial Sector Stock Index rocketed by 16.88%, to 1,162.68, up from 994.76 the week before.

On the international front, the Solidere GDR was the biggest gainer of the week, up by 22.11% to close at \$23.20.

Credit Libanais Indices	Closing 12-Jun-09	Previous 5-Jun-09	Weekly % Change
Credit Libanais Aggregate Stock Index <.CLASI >	1,150.18	1,028.38	11.84%
Credit Libanais Financial Sector Stock Index <.CLFI >	1,116.01	1,027.67	8.60%
Credit Libanais Construction Sector Stock Index <.CLCI >	1,162.68	994.76	16.88%



.CLASI Credit Libanais Aggregate Stock Index			
12 - June - 2009			
Value	Daily % Chng	Daily Net Chng	
1,150.18	0.434%	4.98	
Yr.High	Year Hi.Date	Yr.Low	Year.Lo.Date
1,150.18	12-Jun-09	836.11	25-Mar-09
Life High	Life Hi.Date	Life Low	Life.Lo.Date
1,801.01	7-Jul-08	836.11	25-Mar-09



LEBANESE EQUITIES								
	Closing	%change	Weekly Volume Traded	Total Outstanding Shares	Market Capitalisation (\$000)	P/E	P/BV	YTD Price Perf.
BEIRUT STOCK EXCHANGE								
Solidere A	\$23.70	18.44%	3,358,795	100,000,000	\$2,370,000	17.44	2.14	43.3%
Solidere B	\$23.57	17.67%	627,675	65,000,000	\$1,532,050	17.34	2.13	41.1%
BLC "C"	\$1.90	0.00%	-	50,900,000	\$96,710	5.43	0.90	0.0%
Banque Audi Listed Shares	\$59.55	9.17%	4,650	34,189,389	\$2,035,978	9.25	1.17	14.52%
Banque Audi GDR	\$64.90	8.17%	28,149	9,829,902	\$637,961	10.08	1.28	21.4%
Bank Audi Preferred "D"	\$100.30	0.00%	350	1,250,000	\$125,375	n.a	n.a	n.a
Bank Of Beirut "C"	\$18.10	0.00%	-	13,535,945	\$245,001	18.21	2.82	-0.82%
Bank Of Beirut Preferred "C"	\$25.00	0.00%	-	2,920,000	\$73,000	n.a	n.a	-1.96%
Bank Of Beirut Preferred "D"	\$25.00	0.00%	-	4,000,000	\$100,000	n.a	n.a	n.a
Byblos Bank "C"	\$1.86	3.33%	265,790	217,112,557	\$403,829	7.60	1.02	16.25%
Byblos Bank Preferred Class 2008	\$96.90	2.00%	1,550	2,000,000	\$193,800	n.a	n.a	-3.10%
Byblos Bank Priority	\$1.85	1.65%	263,850	206,023,723	\$381,144	7.56	1.0	12.80%
BEMO Bank-Listed shares	\$4.70	0.00%	-	5,400,000	\$25,380	12.79	1.34	-2.69%
BEMO Bank Preferred	\$100.00	0.00%	-	200,000	\$20,000	n.a	n.a	0.00%
BLOM Bank GDR	\$71.90	5.74%	28,247	7,389,601	\$531,312	6.56	1.22	-1.30%
BLOM Bank Listed Shares	\$71.85	14.96%	4,690	21,500,000	\$1,544,775	6.55	1.22	-3.88%
BLOM Bank Preferred "2004"	\$101.00	0.00%	-	750,000	\$75,750	n.a	n.a	0.00%
BLOM Bank Preferred "2005"	\$101.80	0.00%	-	1,000,000	\$101,800	n.a	n.a	0.10%
RYMCO	\$3.15	0.00%	-	10,400,000	\$32,760	39.38	2.15	50.00%
Holcim Liban	\$13.70	2.24%	6,152	19,516,040	\$267,370	258.5	14.42	-14.00%
Ciment Blancs Bearer	\$2.10	0.00%	-	6,000,000	\$12,600	15.22	2.26	0.48%
Ciment Blancs Nominal	\$1.90	0.00%	-	3,000,000	\$5,700	13.77	2.04	0.00%
Uniceramic Nominal "A"	\$0.06	0.00%	-	4,290,000	\$257	-0.24	0.07	0.00%
Uniceramic Bearer "C"	\$0.10	0.00%	-	8,580,000	\$858	-0.40	0.11	-94.12%
Beirut Golden Income (LBP)	104,200	0.00%	-	410,000	\$28,340	n.a	0.99	-7.13%
Beirut Preferred Fund	\$104.10	0.00%	-	325,756	\$33,911	n.a	n.a	n.a
GLOBAL DEPOSITORY RECEIPTS								
Solidere	\$23.20	22.11%		9,091,750	210,929	17.07	2.09	8.513%
Audi	\$66.00	10.00%		9,687,532	639,377	8.96	1.30	-12.117%
BLOM Bank GDR	\$73.30	9.40%		7,389,601	541,658	6.42	1.34	-18.601%

Activity Analysis

	Last	Previous	% Change
Value Traded	\$98,790,174	\$20,497,710	381.96%
Volume Traded	4,589,898	1,042,745	340.17%
Market Cap - BSE	\$10,902,889,528	\$9,825,969,342	10.96%
Market Cap - Intl	\$1,391,963	\$1,249,098	11.44%

Heavy market capitalization-weighted Solidere "A" and "B" shares emerged as the largest contributors (94.17%) to the week's traded value with a turnover ratio of 2.42%. Other active stocks included BLOM Bank and Audi Bank (shares & GDRs), accounting for 2.40% and 2.16% of total weekly traded value respectively.

Lebanon's Economic and Financial Sector Indicators							
	2003	2004	2005	2006	2007	2008*	2009*
MACROECONOMIC INDICATORS							
GDP (\$ Million)	19,795	21,465	21,558	22,437	25,044	29,228	
Real GDP Growth Rate	4.10%	7.40%	1.10%	0.60%	7.50%		
GDP Per Capita (\$)	5,585	5,949	5,898	6,146	6,569	6,963	
Net Foreign Direct Investment (\$ Million)	1,722	1,993	2,791	2,321.0	3,486.0		
INDUSTRY							
Industrial Exports (\$ Million)	1,438	1,640	1,667	1,738	2,361	2,994	695 ⁽⁴⁾
Import of Industrial Machinery (\$ Million)	109	142	137	130	162.61	187.93	54.07 ⁽⁴⁾
TOURISM							
Arab Tourists Arrivals	438,203	545,150	451,430	456,889	400,082	549,463	229,337 ⁽⁹⁾
Africa Tourists Arrivals	22,398	20,180	16,160	20,541	48,071	34,144	13,335 ⁽⁹⁾
U.S. Tourists Arrivals	120,429	152,075	136,907	129,274	121,596	176,647	65,483 ⁽⁹⁾
Asia Tourists Arrivals	134,164	173,897	177,809	164,053	137,832	181,006	97,860 ⁽⁹⁾
Europe Tourists Arrivals	266,691	338,475	316,083	267,142	277,337	347,495	137,491 ⁽⁹⁾
Others Tourists Arrivals	66,755	48,692	41,135	33,659	32,154	43,796	26,218 ⁽⁹⁾
Total Number of Tourists	1,015,793	1,278,469	1,139,524	1,062,635	1,017,072	1,332,551	569,724
CONSTRUCTION							
Construction Permits (000 sqm)	8,860	9,156	8,254	9,145	7,919	10,760.62 ⁽²⁾	3,399 ⁽⁹⁾
Cement Delivery (000 tons)	2,704	2,729	3,040	3,423	3,944	3,930 ⁽²⁾	
TRANSPORTATION							
Beirut Port Activity							
Freight Activity(000 Tons)	4,767	5,060	4,475	4,226		5,746	2,550 ⁽⁹⁾
Number of Vessels	2,333	2,366	2,230	1,832		2,055	1,010 ⁽⁹⁾
Number of Containers	115,034	137,492	127,656	119,978		945,100	422,056 ⁽⁹⁾
Beirut Airport Activity							
Number of Planes	34,469	39,023	38,197	32,980	39,050	59,787 ⁽¹⁾	
Number of Passengers	2,718,000	3,200,000	3,180,000	2,739,606	3,408,834	3,869,607	1,626,921 ⁽⁹⁾
FOREIGN TRADE							
Imports (\$ Million)	7,170	9,400	9,342	9,399	11,815	16,137	3,240 ⁽⁴⁾
Exports (\$ Million)	1,524	1,747	1,880	2,281	2,816	3,478	1,000 ⁽⁴⁾
Trade Balance (\$ Million)	(5,644)	(7,650)	(7,459)	(7,118)	(8,999)	(12,659)	(2,240) ⁽⁴⁾
Exports/Imports	21.30%	18.60%	20.10%	24.27%	23.83%	21.55%	30.86%
BALANCE OF PAYMENT							
Balance of Payment (\$ Million)	3,386	169	747	2,795	2,036	3,461.50	297.7 ⁽⁴⁾
Foreign Currency Reserves (\$ Billion)	12.18	11.48	11.66	12.97	12.39	19.73	23.10 ⁽⁹⁾
PUBLIC FINANCE							
Government Expenditures (LBP Billion)	10,592	10,540	10,203	11,877	12,587	15,007	4,545 ⁽⁴⁾
Government Revenues (LBP Billion)	6,656	7,514	7,405	7,295	8,749	10,603	2,828 ⁽⁴⁾
Budget Deficit	(3,936)	(3,026)	(2,798)	(4,582)	(3,838)	-4,404	1,717 ⁽⁴⁾
Deficit / Total Expenditures	37.16%	28.71%	27.42%	38.58%	30.49%	29.35%	37.78% ⁽⁴⁾
Public Debt (\$ Billion)	33.36	33.85	38.48	37.41	39		47.85 ⁽⁴⁾
Debt/GDP	168.53%	167.00%	179.00%	166.73%	171.00%		
MONETARY AGGREGATES & INFLATION							
M1 (LBP Billion)	2,847	3,031	2,952	3,322	3,475	4,151	4,141 ⁽⁸⁾
M2 (LBP Billion)	26,234	25,978	24,465	23,477	24,769	37,240	42,421 ⁽⁸⁾
M3 (LBP Billion)	64,694	71,310	74,446	80,244	90,234	103,439	110,586 ⁽⁸⁾
M4 (LBP Billion)	70,297	74,810	77,771	84,545	95,647	109,321	116,853 ⁽⁸⁾
Consumer Price Index	136.75	102.48	99.63	107.24	113.59	120.81	121.33 ⁽⁴⁾
CPI (%)	3.00%	1.70%	-2.60%	5.60%	9.30%	6.36%	
BANKING SYSTEM							
Number of Commercial Banks	52	53	54	54	---	---	
Number of Branches	809	802	926	977	---	---	
Number of Employees	15,714	16,281	17,480	18,945	---	---	
Total Assets (LBP Billion)	90,623	102,187	106,104	114,840	123,999	142,090	147,640 ⁽⁴⁾
Total Deposits (LBP Billion)	73,455	82,691	85,906	97,309	102,598	118,584	122,787 ⁽⁴⁾
Deposits by Private Sector (LBP Billion)	75,852	86,503	89,169	95,730	101,435	117,253	121,358 ⁽⁴⁾
Deposits by Public Sector (LBP Billion)	1,325	1,480	1,705	1,579	1,163	1,331	1,429 ⁽⁴⁾
Total Loans (LBP Billion)	23,758	25,364	26,109	57,123	59,185	70,064	71,108 ⁽⁴⁾
Loans to Private Sector (LBP Billion)	22,836	24,020	24,467	25,930	26,762	31,750	32,342 ⁽⁴⁾
Loans to Public Sector (LBP Billion)	21,006	24,155	26,697	31,193	32,423	38,314	38,766 ⁽⁴⁾
Total Shareholders Equity (USD Million)	4,529.53	4,941.28	6,171.55	7,771.48	---	---	
Customer Loans/Customer Deposits	56.81%	54.75%	56.30%	58.70%	57.69%	59.08%	
Customer Loans/Total Assets	48.38%	47.14%	48.26%	49.74%	47.73%	49.31%	
ROE	11.14%	10.22%	10.71%	11.06%	---	---	
ROA	0.75%	0.68%	0.77%	0.92%	---	---	
Exchange Rate (LBP to USD)	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50

(* (1) As At End Of September 2008 - (2) As At End Of November 2008 - (3) As At February 28, 2009 - (4) As At March 31, 2009
(5) As At Mid April, 2009 - (6) As At April 23, 2009 - (7) As At April 30, 2009, (8) As At May 28, 2009, (9) As At End Of May, 2009

ARAB MARKETS
Regional Stock Market Indices

The table on the right hand side portrays the weekly performance of major Arab stock market indices in the region for the week ended June 12, 2009:

REGIONAL STOCK MARKET INDICES					
Country	Index	Last	Previous	Net Change	% Change
Lebanon	.CLASI	1,150.18	1,028.38	121.80	11.84%
Bahrain	.BAX	1,582.12	1,621.40	(39.28)	-2.42%
United Arab Emirates	.ADX	2,867.57	2,803.16	64.41	2.30%
Saudi Arabia	.TASI	5,941.20	6,048.87	(107.67)	-1.78%
Kuwait	.KWSE	8,277.00	8,370.50	(93.50)	-1.12%
Oman	.MSI	5,630.21	5,791.02	(160.81)	-2.78%
Egypt	.CCSI	1,674.92	1,691.19	(16.27)	-0.96%

Source: Reuters

The Egyptian Stock Exchange

On a weekly basis, the Cairo Stock Exchange Index reversed momentum, dipping by 0.96% to 1,674.92 last week.

Trading activity on the Egyptian Stock Exchange encompassed some 215,969,447 shares valued at 1,633.19 million Egyptian pounds (\$291.20 million). Among the 10 most heavily traded stocks Orascom Development Holding (AG) was up at CHF 54.06 (Egyptian Pounds 10.48) followed by *El Nasr Clothes & Textiles (Kabo)* which firmed at 2.54 Egyptian Pounds (\$0.45). On the other hand, *Blom bank Egypt* ended in negative grounds, down at 13.85 Egyptian pounds (\$2.47), followed by *El Obour Metallurgical Industries (Galvamental)* which settled at 87.39 Egyptian Pounds (\$15.58).

THE EGYPTIAN STOCK EXCHANGE				
Companies	Closing	Previous	% Change	Market Cap.
TOP FIVE GAINERS				
Orascom Development Holding(AG)	CHF 54.06	CHF 46.60	16.01%	LE 4,850,716,791
El Nasr Clothes & Textiles (Kabo)	LE 2.54	LE 2.23	13.90%	LE 755,106,807
TransOceans Tours	\$1.48	\$1.33	11.28%	LE 7,398,732
Alexandria Containers and goods	LE 109.06	LE 100.32	8.71%	LE 2,467,872,000
Egyptian Sponge	LE 114.92	LE 106.37	8.04%	LE 53,185,000
TOP FIVE LOSERS				
Blom bank egypt	LE 13.85	LE 16.06	-13.76%	LE 1,204,500,000
El Obour Metallurgical Industries (Galvamental)	LE 87.39	LE 96.67	-9.60%	LE 282,302,308
Amoun	LE 38.13	LE 41.98	-9.17%	LE 2,518,800,000
Saudi Egyptian Investment & Finance	LE 77.50	LE 83.50	-7.19%	LE 83,500,000
Mohandes Insurance	LE 20.04	LE 21.50	-6.79%	LE 161,250,000
LE/USD	5.6085			

Source: Egypt Stock Exchange, Credit Libanais Research Unit

The Saudi Stock Exchange

On a weekly basis, the Tadawul All Shares Index reversed momentum, losing 1.78% for the week to 5,941.20.

Trading activity included 1,552.52 million shares valued at 35,270.78 million Saudi Riyal (\$9,417.30 million), with the Saudi stock market capitalization attaining 1,148.32 billion Saudi Riyal (\$306.60 billion). Among the 10 most heavily traded stocks, *CHEMANOL* emerged as the top gainer of the week, up by 9.73% to 16.35 Saudi Riyal (\$4.37), followed by *APPC* which advanced to 28.40 Saudi Riyal (\$7.58). On the other hand, *AlHokair* topped the losers' list, down by 10.15% to 29.20 Saudi Riyal (\$7.80), followed by *U C A* which skidded to 28.50 Saudi Riyal (\$7.61).

THE SAUDI STOCK EXCHANGE				
Companies	Closing	Previous	% Change	Market Cap. Million
TOP FIVE GAINERS				
CHEMANOL	SAR 16.35	SAR 14.90	9.73%	SAR 1,972
APPC	SAR 28.40	SAR 25.90	9.65%	SAR 4,015
Shams	SAR 41.00	SAR 37.40	9.63%	SAR 416
Fitaihi Group	SAR 20.30	SAR 18.55	9.43%	SAR 1,015
Assir	SAR 17.40	SAR 16.30	6.75%	SAR 2,199
TOP FIVE LOSERS				
AlHokair	SAR 29.20	SAR 32.50	-10.15%	SAR 2,044
U C A	SAR 28.50	SAR 31.60	-9.81%	SAR 570
Malath Insurance	SAR 32.20	SAR 35.70	-9.80%	SAR 966
Tawuniya	SAR 37.40	SAR 40.80	-8.33%	SAR 1,870
SANAD	SAR 31.00	SAR 33.80	-8.28%	SAR 620
USD/SR	\$0.2670			

Source: Saudi Stock Exchange, Credit Libanais Research Unit

ARAB MARKETS (Continued)
The Abu Dhabi Stock Exchange

On a weekly basis, the Abu Dhabi General Index extended its gaining streak for the fourth consecutive week, up by 2.30% for the week to close at 2,867.57.

Trading activity watered down to 1,775,030,367 shares, in comparison with 2,211,242,331 shares the week before. Concurrently, traded value fell to 2,713.45 million Dinars (\$738.88 million) down from 4,335.83 million Dinars (\$1.18 billion) a week earlier. Among the 10 most heavily traded stocks, *FOODCO Holding P.J.S.C* topped the gainers' list for the week, up by a considerable 17.91% to 2.37 Dinars (\$0.65), followed by *Abu Dhabi National Hotels* which settled higher at 4.15 Dinars (\$1.13). On the other hand, *Abu Dhabi National Takaful Co. PJSC* topped the losers' list, slipping by 9.91% to 5.18 Dinars (\$1.41).

THE ABU DHABI STOCK EXCHANGE				
Companies	Closing	Previous	% Change	Market Cap. In AED Billion
TOP FIVE GAINERS				
FOODCO Holding P.J.S.C	AED 2.37	AED 2.01	17.91%	242,000
Abu Dhabi National Hotels	AED 4.15	AED 3.60	15.28%	4,110,000
Gulf Pharmaceutical Co.	AED 1.69	AED 1.48	14.19%	1,179,774
First Gulf Bank	AED 13.85	AED 12.40	11.69%	19,043,750
RAK Properties	AED 0.82	AED 0.74	10.81%	1,640,000
TOP FIVE LOSERS				
Abu Dhabi National Takaful Co. PJSC	AED 5.18	AED 5.75	-9.91%	N.A.
Commercial Bank International	AED 2.08	AED 2.30	-9.57%	N.A.
Emirates Driving Company	AED 3.71	AED 4.02	-7.71%	376,205
National Corp for Tourism and Hotels	AED 4.80	AED 5.20	-7.69%	N.A.
National Marine Dredging Co.	AED 6.50	AED 6.93	-6.20%	N.A.
AED/USD	AED 3.6724			

Source: Abu Dhabi Stock Exchange, Credit Libanais Research Unit

The Bahraini Stock Exchange

On a weekly basis, the Bahraini Stock Exchange Index headed south, down by 2.42% for the week to a session close of 1,582.12, down from 1,621.40 the week before.

Trading activity comprised 15,212,615 shares, in comparison with 16,242,624 shares a week earlier. *Gulf Hotel Group B.S.C* emerged as the top gainer of the week, up at Bahraini Dinar 0.56 (\$1.48). On the other hand, *Bahrain Commercial Facilities* plunged by 25.90% to Bahraini Dinar 0.39 (\$1.03).

THE BAHRAINI STOCK EXCHANGE				
Companies	Closing	Previous	% Change	Market Cap. In BD
TOP TWO GAINERS				
Gulf Hotel Group B.S.C	BD 0.56	BD 0.52	6.92%	75,973,729
Khaleeji Commercial Bank	BD 0.15	BD 0.14	2.13%	151,090,178
TOP FIVE LOSERS				
Bahrain Commercial Facilities	BD 0.39	BD 0.53	-25.90%	63,543,150
Arab Insurance Group	\$0.63	\$0.76	-17.11%	52,252,200
Ithmaar Bank	\$0.27	\$0.30	-8.47%	243,476,587
Bahrain Islamic Bank	BD 0.26	BD 0.28	-7.14%	189,433,244
Gulf Finance House	\$0.94	\$0.99	-5.05%	338,674,648
USD/BD	\$2.65			

Source: Bahrain Stock Exchange, Credit Libanais Research Unit

Oman's Inflation Rate At 4.9% in April

According to the Commerce and Industry Minister, Oman's inflation rate slowed to 4.9% in April 2009 in comparison with 6.9% in March, posting its lowest pace in two years. The Minister commented that Oman's inflation is expected to ease to 4% in 2009. It is worth noting that the Omani inflation rate peaked at around 14% in summer 2008 fueled by record fuel and energy prices.

Non-Farm Payrolls in May 2009

The U.S. Labor Department announced a 500,000 contraction in non-farm payrolls during the month of May 2009, down from a 539,000 loss in the previous month. In parallel, the unemployment rate firmed at 9.2% in May from 8.9% in April, posting its lowest level since 1983.

Existing Home Sales in April 2009

The U.S. Department of Commerce conveyed a 2.9% rise in existing home sales in April 2009 to a seasonally adjusted annual rate of 4.68 million units, with distressed sales accounting for 45% of all sales. April's reading was close to U.S. economists' expectations of 4.70 million units in existing home sales.

ISM Factory Index in May 2009

The Institute for Supply Management "ISM" revealed a healthy expansion in U.S. factory activity to 42.8% in May, up from 40.1% in April, posting its highest level since the onset of the global financial crisis in September 2008. The new orders index advanced to 51.1% in May up from 47.2% in the previous month, while the employment index inched slightly downwards to 34.3% in May in comparison with 34.4% in April. May's ISM reading outpaced U.S. economists' expectations of a smaller 42.0% mark.

Budget Deficit in May 2009

According to the U.S Treasury Department, the U.S budget deficit widened by a staggering 210.55% to \$991.9 billion through the first eight months of the fiscal year ending May 2009, up from \$319.4 billion a year earlier. For the month of May alone, the deficit reached \$189.7 billion, with the deficit for the full year 2009 projected to hit a record \$1.84 trillion. Government revenues fell by 18% to \$1.37 trillion as at end of May coupled with a significant 19% rise in Government expenditures to \$2.37 trillion.

Trade Gap in May 2009

The U.S. Department of Commerce reported a 2.2% increase in its April 2009 balance of trade deficit to \$29.2 billion, up from \$28.5 billion in the preceding month. May's expansion in trade gap came in line with U.S. economists' expectations. In April, U.S. exports fell by 2.3% to \$121.1 billion, their lowest level since July 2006, coupled with a 1.4% decline in imports to \$150.3 billion, their weakest level since September 2004.

Retail Sales in May 2009

The U.S Department of Commerce also revealed a 10.2% annual contraction in retail sales through May 2009 in comparison with the same period last year, as massive job cuts and flat wages continued to squeeze consumer spending. For the month of May alone, retail sales expanded by 0.5% in comparison with April 2009. Excluding gasoline sales, retail sales rose by 0.2% in May, while motor vehicle sales rose by 0.5%. May's expansion in retail sales lagged behind U.S. economists' expectations which centered upon a higher 0.7% rise in retail sales.

Jobless Claims in June 2009

The U.S. Labor Department announced a contraction in jobless claims during the week ended June 6, 2009. Week-on-week, the number of applicants filing for unemployment benefits dropped by 24,000 to 601,000. Furthermore, the four-week moving average fell by 10,500 to 621,750. Meanwhile, the insured unemployment rate remained at its highest level since December 1982 at 5.1

U.S. Treasury Prices

The U.S. 10-year Treasury note prices firmed at 94.94 on Friday with yields narrowing to 3.79% down from 3.86% in the preceding week.

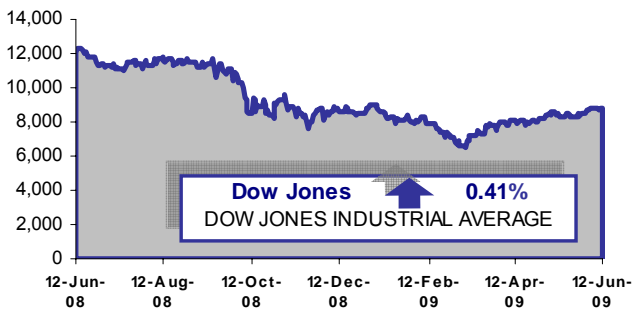
U.S. Market Indices

For the week, all three U.S. indices settled on a positive note on Friday, June 12. The Dow Jones Industrial Average rose by 0.41% to a market close of 8,799.26. In parallel, the NASDAQ Composite ended the week up by 0.51% at 1,858.80, with the S&P500 index gaining 0.65% to close at 946.21.

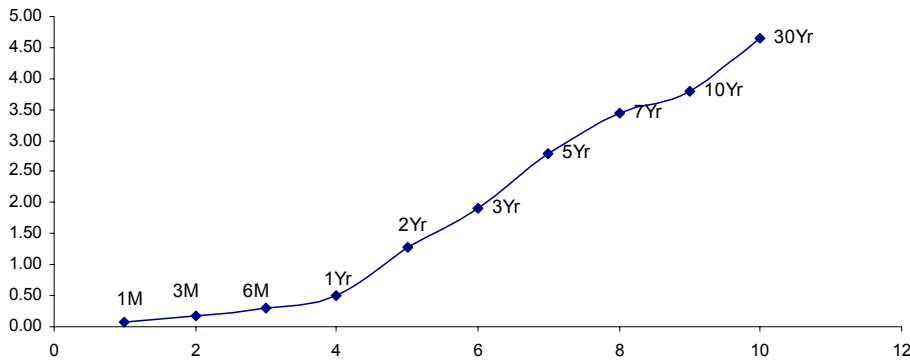
U.S. Market Indices Closing Levels	5-Jun-09	12-Jun-09	% Change
Dow Jones Industrial Average	8,763.13	8,799.26	0.41%
Nasdaq Composite Index	1,849.42	1,858.80	0.51%
Standard & Poor 500 Index	940.09	946.21	0.65%
10-Year U.S. T-Bond	3.86%	3.79%	

U.S. Treasury Bills	1M	3M	6M	2Yr	5Yr	10Yr	30Yr
Yield (%)	0.07	0.17	0.29	1.27	2.78	3.79	4.65

Dow Jones Industrial Average



On The Run Yield Curve



U.S. Markets

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