



July 21, 2017

Contact Information

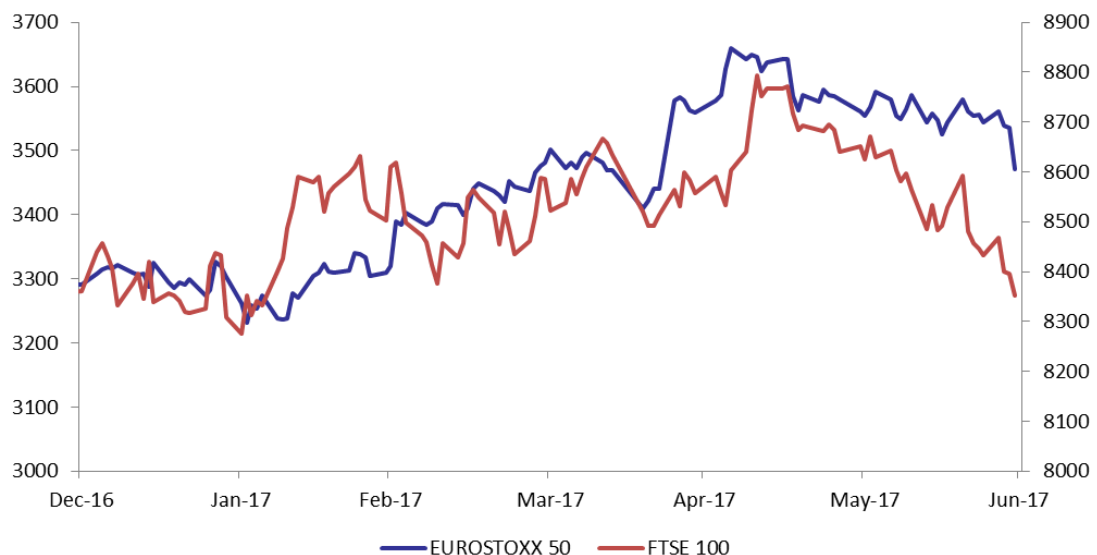
Research Assistant: Dina Antonios
dina.antonios@blominvestbank.com

Head of Research: Marwan Mikhael
marwan.mikhael@blominvestbank.com

Research Department
Tel: +961 1 991 784

Bolstered by a weaker dollar, non US stocks posted strong gains for the first half of the year. In the UK, despite several serious terrorist attacks, the start of the formal Brexit process, and a snap general election that has resulted in a hung parliament, the FTSE managed to post a marginal y-t-d rise in the first half of 2017. Moreover, the Eurostoxx 50 witnessed several fluctuations during the first half, yet it recorded a 4.60% rise, end of June this year on the back of the near-certain defeat of the right-wing populist Marine Le Pen in France's presidential elections, as well as Mario Draghi's comments suggesting that the Eurozone's monetary policy's normalization would begin soon.

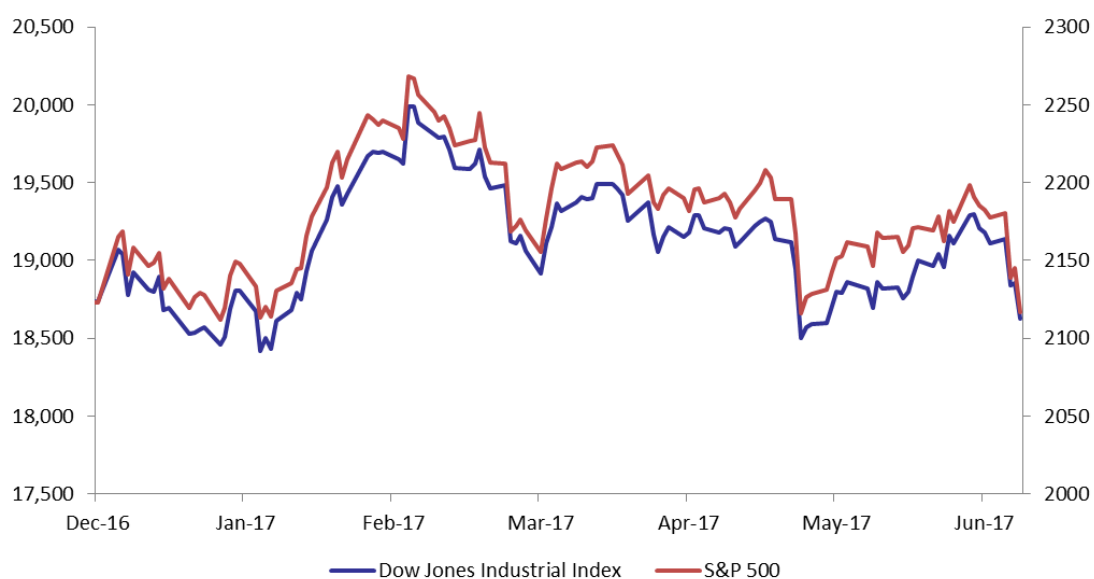
First Half Performance of Eurostoxx 50 and FTSE 100



Source: BLOOMBERG

In the US, the first half of 2017 is the strongest U.S. stock markets have seen in years. The Dow Jones Industrial Index and the S&P 500 registered their best first-half performance since 2013. The rise in US Stock indices can be justified by the improving economic situation, which in turn led to the Fed raising its interest rates, twice this year. In fact, the U.S. economy has added jobs for 80 straight months, the longest positive streak dating back to the 1930s.

First Half Performance of S&P 500 and Dow Jones Industrial Index



Source: BLOOMBERG

As for the Arab world, the region was highly affected by international events. The extension of the OPEC's agreement resolution to lower production for an additional nine months ending in March 2018 failed to impress the markets as the US will remain on filling the supply gap, hence the 15.66% y-t-d decline in oil prices to \$47.92/barrel. Moreover, the Fed's decision to raise interest rates for the second time in the first half of 2017 on the back of the improvement of the US economy, pushing interest by 0.25% to 1.25%, which is the highest since the 2008 global financial crisis, led to further fluctuations in the bourses. In fact, Abu Dhabi and Dubai's stock indices witnessed respective losses of 3.93% and 2.66%, mainly on the back of lower oil prices, which dropped by, end of June 2017.

Oil Prices



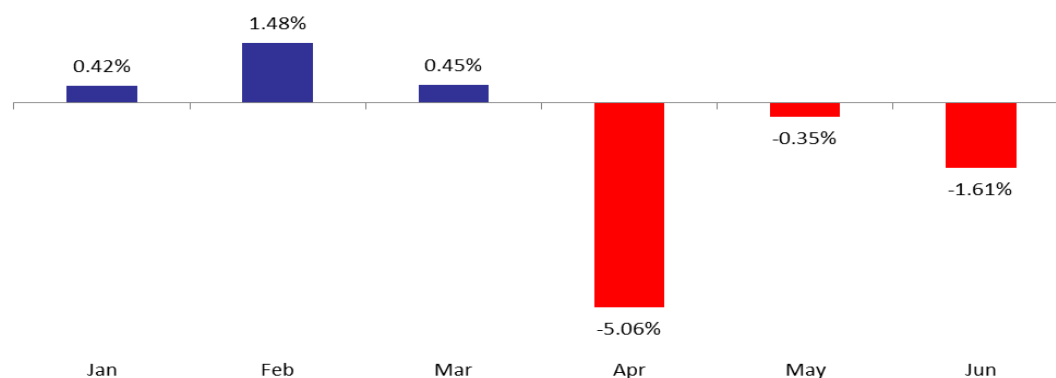
Source: BLOOMBERG

Separately, Qatar recorded the largest loss with a 13.47% y-t-d decline in its stock index. Qatar's stock index tumbled more than 7 percent on beginning of June as six countries, including Saudi Arabia and Egypt, severed diplomatic relations with Doha for allegedly supporting terrorism. In fact, investors viewed the diplomatic withdrawal as a major breakdown between powerful Gulf nations, who are also close U.S. allies.

However, the Egyptian bourse registered the largest improvement, with a rise of 8.51% y-t-d, as a result of an increasing appetite of foreign investors in the market. Egypt has been witnessing an overall economic improvement following last year's currency devaluation and economic reforms. Moreover, Egypt raised fuel prices by mid-June this year as part of the country's loan accord with the International Monetary Fund.

As for Lebanon, during the first half of the year, the Beirut Stock Exchange (BSE) failed to maintain a positive performance. In fact, the bourse witnessed a correction to the significant improvement after the end of year political breakthroughs and arising concerns regarding the new electoral law and the approval of 2017's budget draft. The BLOM Stock index (BSI) plunged by 5.14% y-t-d to stand at 1,150.35 points, end of June 2017. Hence, the market capitalization dropped from \$10.20B, end of 2016, to \$9.71B, end of H1 2017. The total volume of traded shares dropped from 41.37M in H1 2016 to 37.22M in H1 2017; however, total traded value witnessed a large increase from \$367.80M in H1 2016 to \$605.46M in H1 2017.

Monthly Changes in the BLOM Stock Index



Source: BLOMINVEST

Performance of the BLOM Stock Index



Source: BLOMINVEST

On a monthly basis, the first three months of the year mirrored the extension of the optimistic expectations following the political improvements that occurred in the end of the previous year. However, the BSI went through a correction in the second quarter of the year and was pulled down further as the parliament failed to reach a consensus on the electoral law as well as the budget draft of 2017. The BSI fell the most during the month of April as Lebanese President Michel Aoun suspended parliament for a month, temporarily blocking plans to extend the assembly's term without election for the third time since 2013 to try to push politicians to agree election law reforms. Hence, April, May, and June witnessed monthly losses of 5.06%, 0.35%, and 1.61%, respectively.

By the end of H1 2017, 29 stocks were listed on the BSE, compared to 28 stocks in the previous year. However, there were activities of listing and de-listing conducted by Lebanese commercial banks. The Beirut Stock Exchange decided to De-list the 20,000,000 Preferred Shares Class "2011" of BLOM, and list 2,500,000 Audi Preferred "I" shares.

In the banking sector, the largest gainers on the Lebanese bourse in H1 2017 were BLOM GDRs, BLOM listed shares, and Audi Preferred "F" shares. In details, BLOM GDRs and BLOM listed shares increased by 6.17% and 5.66% y-t-d to reach \$12.05 and \$11.2, respectively. As for the worst performers, Audi listed shares and Audi GDRs registered the largest losses with respective y-t-d declines of 11.76% and 5.08% to \$6 and \$6.17. Bank of Beirut Preferred "H", "I", "J" followed with similar drops of 4.19% to stand at \$25.15, each.

Worth mentioning, BLOM BANK announced that it has fully acquired the assets and liabilities of HSBC Bank Middle East Limited, Lebanon after obtaining the approval of Banque du Liban on June 17, 2017. BLOM BANK S.A.L. will ensure employment continuity to all HSBC Bank Middle East Limited – Lebanon employee and will also be committed to assist its old and new clients in their financial needs with the full support of its qualified team

In the real estate sector, the delisting of Solidere GDRs on the London Stock Exchange (LSE) triggered the severe decline in Solidere shares. As such, Solidere A and B shares saw a similar 25.43% drop to reach \$7.74 and \$7.83, respectively.

In the industrial sector, HOLCIM and Ciments Blancs Bearer shares escalated by 17.02% and 3.45% to \$13.75 and \$3.45.

For the coming period, the outcome of the consensus on the new electoral law and the public sector's salary scale will determine the performance of the BSE in the second half of the year. However, debates on funding the salary scale bill through tax hikes might negatively impact investors' sentiment on the Lebanese Bourse.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department
Bab Idriss, Weygand Str.
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Dina Antonios, Research Assistant
Tel: +961 1 991 784
dina.antonios@blominvestbank.com

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 991 782

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.