



January 9th, 2016

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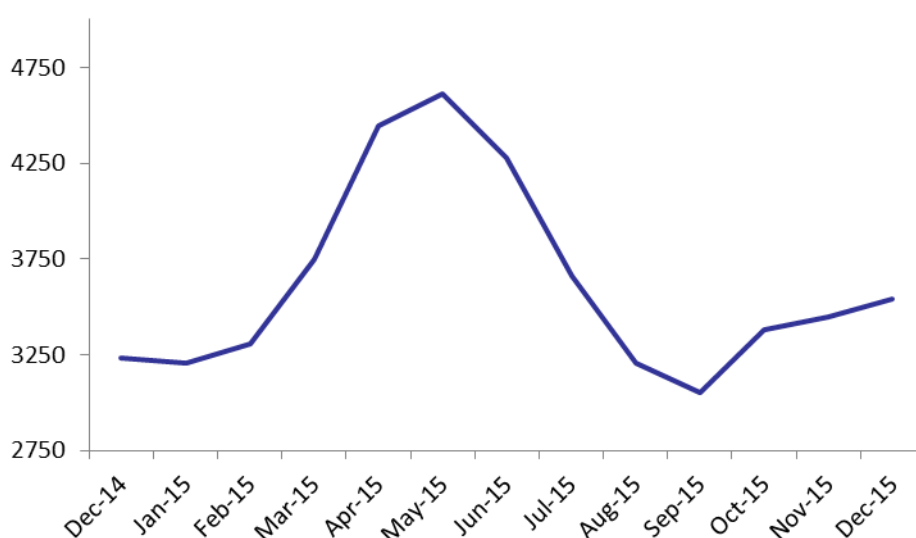
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The Chinese stock market managed to beat European and American indices in 2015. The Shanghai Composite Index added a yearly 9.4%. However, the year was nothing short of volatile. Margin trading, or trading with “borrowed money”, has gained much traction on the Chinese market and has contributed significantly to market volatility. Fluctuations on the market have also resulted from policy measures such as the devaluation of the Yuan or Renminbi in August, the first in 20 years, a move that rattled global markets. The market swung between bearish and bullish trends with sizeable double-digit growths at the beginning of the year and with a market crash in mid-June with \$700B of value lost in one-day.

The Shanghai Composite Index: High Highs and Low Lows

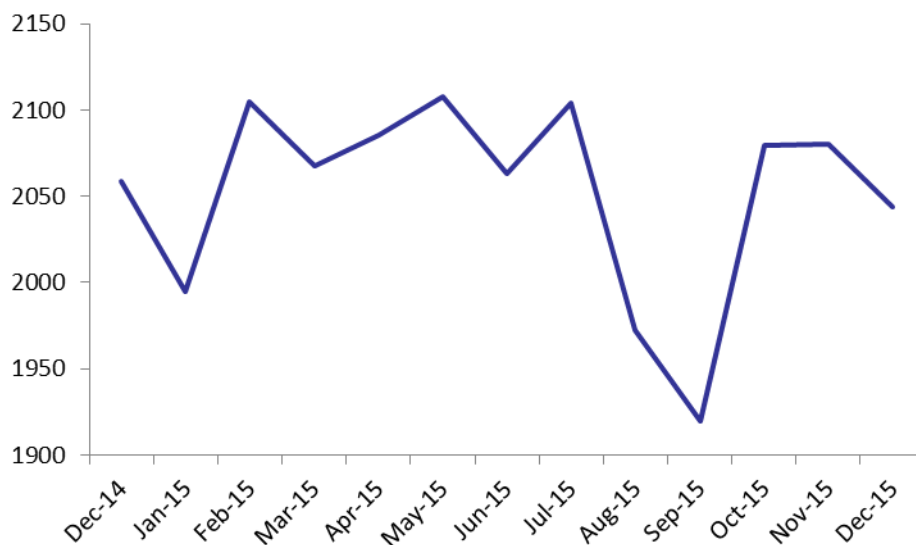


Source: Reuters

China's growing global influence is undisputable since concerns over the country's economic growth triggered selloffs not only on the Shanghai bourse but also on US, European and other Asian markets in August 2015. Monday August 24, 2015 was dubbed "Black Monday" in China with the Shanghai Composite falling by 8.5% while in parallel a massive selloff was witnessed on US markets with the Dow Jones Industrial Average briefly losing as much as 1,000 points. The tumble came about as investors rid themselves of positions in order to hedge against losses outside the US through "stop-loss" orders designed to sell once a stock reaches a specific price. On this day, The Stoxx Europe 600 index shed 5.3%, its biggest daily loss since December 2008, the German DAX dropped by 4.7% and Japan's Nikkei Index plunged by 4.6%.

Volatility was also seen on US markets not only due to China's growth concerns, falling commodity prices and unrest in the Middle East but also due to the uncertainty regarding the Federal Reserve's monetary policy. The S&P 500 ended the year in the red with a 0.7% decline with energy being the worst performing sector in the index¹. This drop was the first drop for the gauge after three consecutive years of double-digit gains.

S&P 500: Pulled Down by Energy Companies

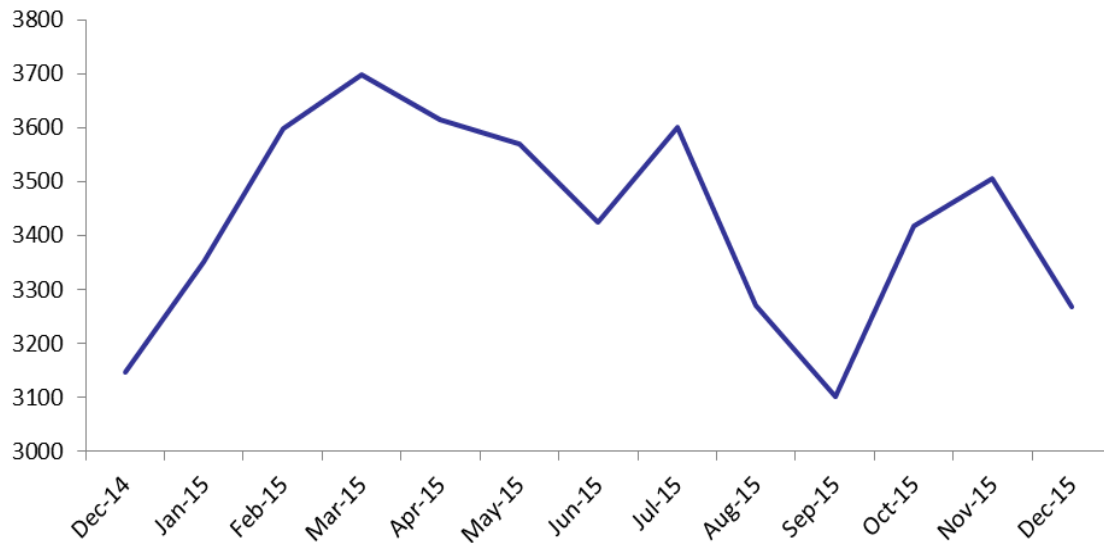


Source: Reuters

¹ According to Bloomberg, "eight energy producers in the benchmark posted stock-price losses in excess of 50 percent this year". The losses incurred by energy companies masked Netflix and Amazon's doubling in value for the year 2015 as reported by Bloomberg.

Europe seems to have gathered pace in 2015 with the Euro Stoxx 50 gaining a yearly 3.8% in 2015. It is reassuring for European markets to see that the European Central Bank is committed to spurring growth through an accommodative monetary policy. European equities also benefitted from the weak euro which boosted European companies' earnings.

Euro Stoxx 50: Benefitting from the ECB's Loose Monetary Policy

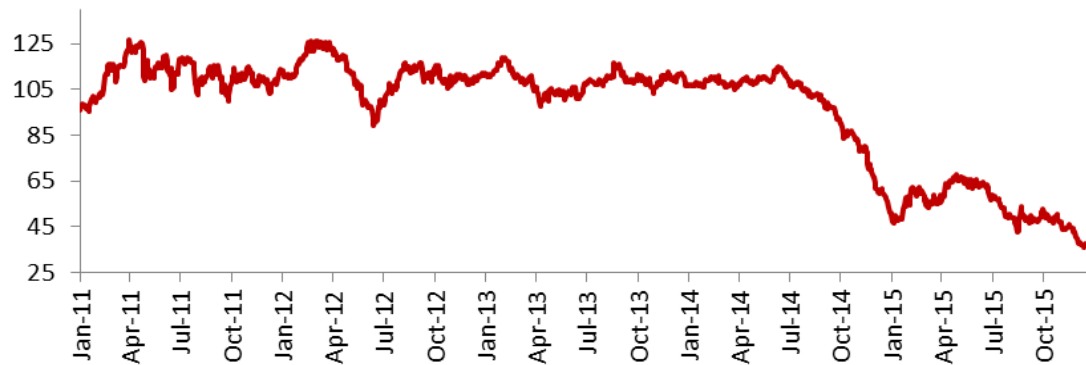


Source: Reuters

On the Arab Bourses, lower oil prices triggered double-digit downturns across the board with the exception of Abu Dhabi. Saudi Arabia's main benchmark index the Tadawul All Shares Index (TASI) lost 17% and so did Dubai's stock market index. Kuwait and Bahrain's stock markets lost 15% and 12%, respectively. Abu Dhabi's bourse was the herd's black sheep registering a gain of 8% for the year 2015. The Egyptian stock Exchange was a major loser amongst its Arab peers with the EGX 30 sinking by a yearly 22%. The Egyptian bourse not only suffered the strains of the global turmoil but also of its own precarious political and security situations.

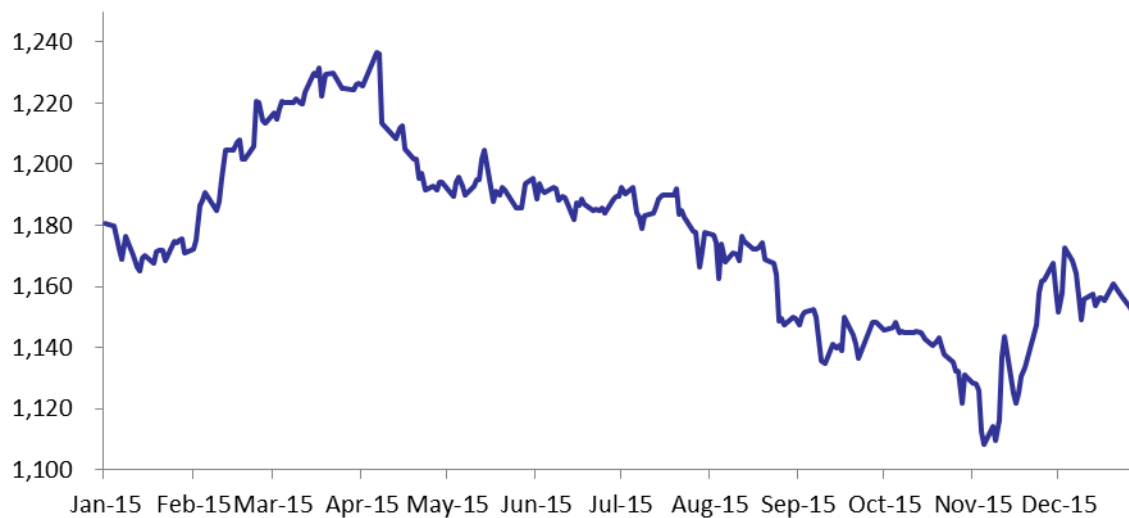
Tumble in Oil Prices: A Game Changer for Oil Exporting Countries

Brent Crude Prices

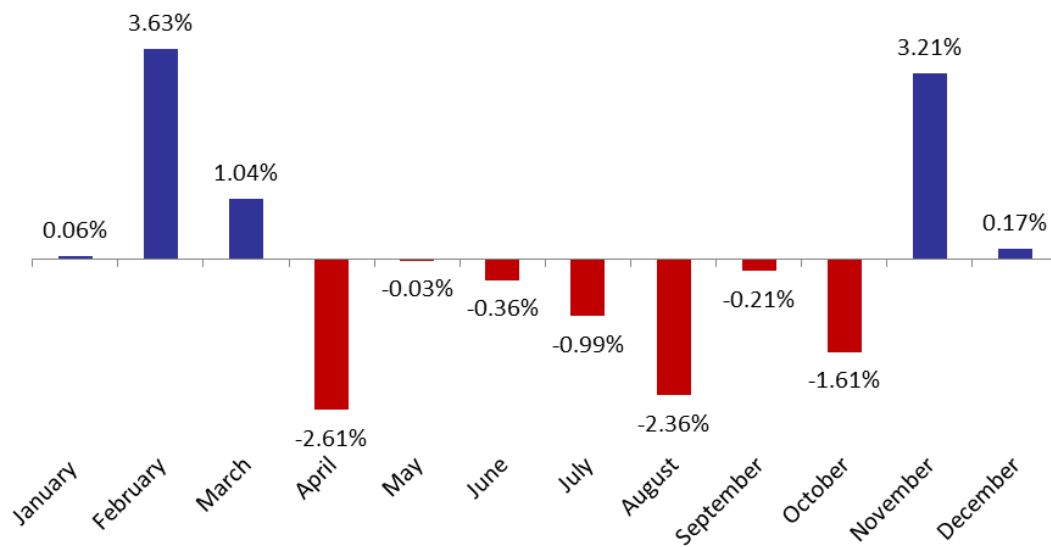


Source: Reuters

Performance of the BLOM Stock Index in 2015



Monthly Changes in the BLOM Stock Index



Source: Blominvest Research Department

In 2015, the Lebanese Bourse reflected the setbacks the country went through on the political, economic and security fronts. The BLOM Stock Index (BSI), tracking the performance of the Beirut Stock Exchange, ended the year at 1,170.26 points, a mere 0.06% decline from its value a year ago. The BSI's monthly movements were negative for 7 out of 12 months and the index's upturns were either too dismal or were the result of short-lived positive sentiment amongst investors. The BSI reached its highest value of the year on the 7th of April 2015 with a level of 1,236.396 points while its lowest level of the year was 1,108.49 points and was reached on June 6th 2015. The volume and value of traded ² shares dropped from 93.92 million shares worth \$576.26M in 2014 to 55.22 million shares worth \$496.85M in 2015.

Despite a tumultuous start of the year, the BLOM Stock Index managed to register monthly upturns in the first quarter. The security scene was quite shaken in the month of January by a suicide bombing in Tripoli which was adopted by the Nusra Front, by tension between Hezbollah and Israel in the Golan Heights and by the killing of a Lebanese soldier held captive by the Nusra Front. However, the 0.06% monthly increase registered by the Lebanese gauge may well be due to what is dubbed "The January Effect": an increase in stock prices that follows a usual sell-off that takes place at the end of the year. Indeed, the BSI lost a monthly 1% at the end of the year 2014. The relative security stability that followed in the months of February and March allowed the BSI to further January's gains and to rise by 3.63% in February and by 1.04% in March.

² These figures are different than the ones released by the Beirut Stock Exchange since they exclude OTC trades

Market sentiment and the overall situation soured for 7 consecutive months from April to October. The market was in constant anticipation for positive developments on the political front. However, these anticipations were not realized and politicians failed to elect a new President and pass important laws for an extended period of time.

The garbage crisis did nothing to alleviate the pressures stemming from the local political deadlock. In July, the garbage started piling up on the streets and social outcry erupted as a result of this sanitary crisis. The dampened mood was mirrored by the Lebanese Bourse where the BSI registered its largest monthly loss of the year of 2.36% in August.

It wasn't until the month of November that the BSI recorded a monthly gain on account of positive political developments. During the month of November, the political scene saw the meeting of Frangieh and Hariri over a potential presidential settlement. The large support Frangieh received from rival political factions inspired hope that the Presidential vacancy would come to an end. However, this issue remains pending at the time of writing.

The month of December held good news for investors on the political front and in regards to the garbage crisis which allowed the BSI to register a minor monthly upturn of 0.17% to reach 1,169.52 points. On the 14th of December, after long protests and negotiations, 16 kidnapped Lebanese soldiers were released by the Nusra Front as part of an exchange deal and on the 21st of December the government agreed to exporting garbage, a closure to this issue that remains however widely disputed and criticized by those who claim that the cost of this solution is too high.

At the end of 2015, the Lebanese Bourse counted 29 listed stocks, a number unchanged from 2014. However, there were activities of listing and de-listing conducted by Lebanese commercial banks. The Beirut Stock Exchange decided to De-list the 1,500,000 Preferred Shares Class "E" of Bank Audi SAL from the official market of the stock exchange and to take note of the Bank's capital increase from LBP/667,836,186,600/ to LBP/668,194,681,824/; thus the distribution of the Bank's capital becomes as follows:

- Common shares /399,749,204/ with a nominal value of LBP/1656/ per share
- Preferred shares Class F /1,500,000/ with a nominal value of LBP/1656/ per share
- Preferred shares Class G /1,500,000/ with a nominal value of LBP/1656/ per share
- Preferred shares Class H /750,000/ with a nominal value of LBP/1656/ per share.

The Beirut Stock Exchange also decided to accept the listing, trading and pricing of the 3,000,000 Non-Cumulative, Perpetual, Redeemable Preferred Shares Class (J), issued by Bank of Beirut SAL. The newly listed preferred stocks started trading on February 11th 2015.

The Lebanese bourse also approved the increase in the number of listed Global Depositary Receipts related to Bank Audi. 722,264 additional Audi GDR shares were listed as of February 11th making the total number of Audi GDRs listed on the Lebanese stock market 116,238,117.

On the last working day of 2015, the Beirut Stock Exchange announced the cancellation of Bank of Beirut's preferred E shares. Since this de-listing was decided in 2015 but only went into effect on the first day of 2016, it was not reflected in the total number of stocks.

Amongst the listed stocks the top performers were BLOM Bank's listed shares, Ciments Blanc's Bearer and Nominal Shares and Bank BEMO's listed shares. BLOM Bank's listed shares added a yearly 6.8% to \$9.40. [BLOM Bank's net profit for the first three quarters of the year](#) increased to \$290M million, up by 7.59% from the same period in 2014 and the bank's Return on Average Equity was robust at 15.2%. BEMO's listed shares gained 8.6% to \$1.90 with the bank also posting [robust results](#) up to September as net profit surged by a yearly 15.4% to \$10.32M. Ciments Blanc's Bearer and Nominal shares grew by 4% and 12.7% to \$3.90 and \$3.10, respectively.

In the real estate sector, Solidere shares were negatively impacted by the political deadlock in the country. Solidere A and B shares ended the year at the respective prices of \$11.06 and \$11.07 which were 2.3% and 2.4% lower than last year's close. 2015 marked Solidere's first dividend distribution in three years. The company announced [the distribution of cash-dividends and stock-dividends](#), which, combined, are equivalent to a distribution of \$0.33/share.

The worst performers were Bank Audi's GDR shares, BLC's preferred A shares and HOLCIM's listed shares. The GDRs of Bank Audi lost 9% to end the year at \$6, BLC's preferred A shares shed 2.9% to \$100 while HOLCIM's listed shares declined by a yearly 4.8% to settle at the price of \$14.52.

For the 2015 and for the year to come, investor sentiment is still tightly linked to progress on the political front and to the stability of the security situation. The political deadlock is paralyzing legislation and resulted in a fiscal policy void for more than 10 years.

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