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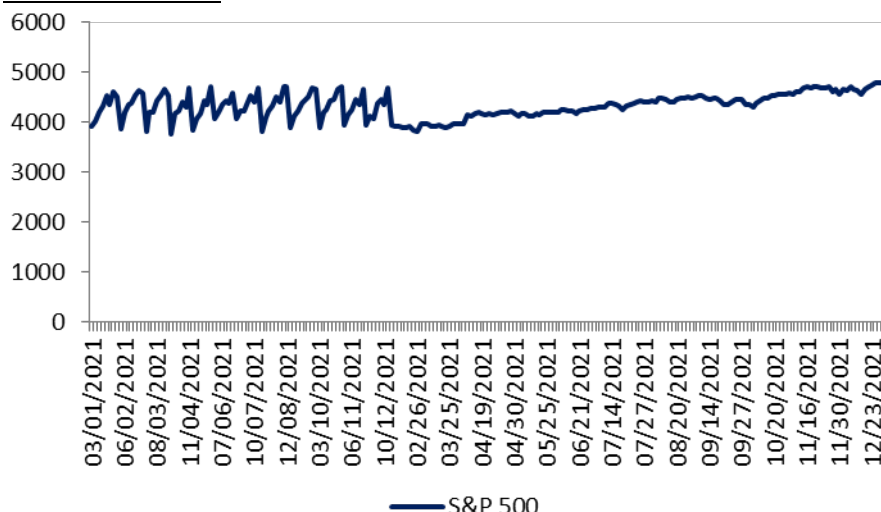
The Beirut Stock Exchange (BSE) did well in 2021 as the BLOM Stock Index (BSI) increased by 57%. In what follows, we will first discuss the performance of global markets during that year (US market, European Market, and emerging market). Then we will analyze the Lebanese market: we will begin with the performance of the overall market, followed by an in depth analysis of the performance of the Solidere stock and the reasons behind its “shine”, and then we will discuss the other main stocks. After that, we will conclude.

GLOBAL MARKETS

US economy

This year the US economy has continued to recover from the worldwide pandemic, as the unemployment rate has decreased significantly compared to last year. In details, The U.S. has added 18.5 million nonfarm jobs since April 2020 and the number of people filing for unemployment claims reached a 52-year low. However, nothing came without costs, as due to an expansionist policy adopted by the Fed, by applying interest rates near zero, combined by a crisis in supply chain due to shortage in employees, the US has suffered from high CPI and a huge inflation rate during the year of 2021. In contrast, The US stock market did very well in 2021, especially the tech companies, like video game retailer “GameStop” and “AMC Entertainment” that surged 1,700% and 800%, respectively on 2021. But it’s hard to tell if the remarkable increase of price of these stocks are due to their good fundamental performance or it’s because of inflation. In details, S&P 500 increased by 26.9% year-on-year (yoy), while the Dow Jones Industrial Average (DIJA) and NASDAQ increased by 18.7% and 21.4% yoy, respectively.

S&P 500 Performance

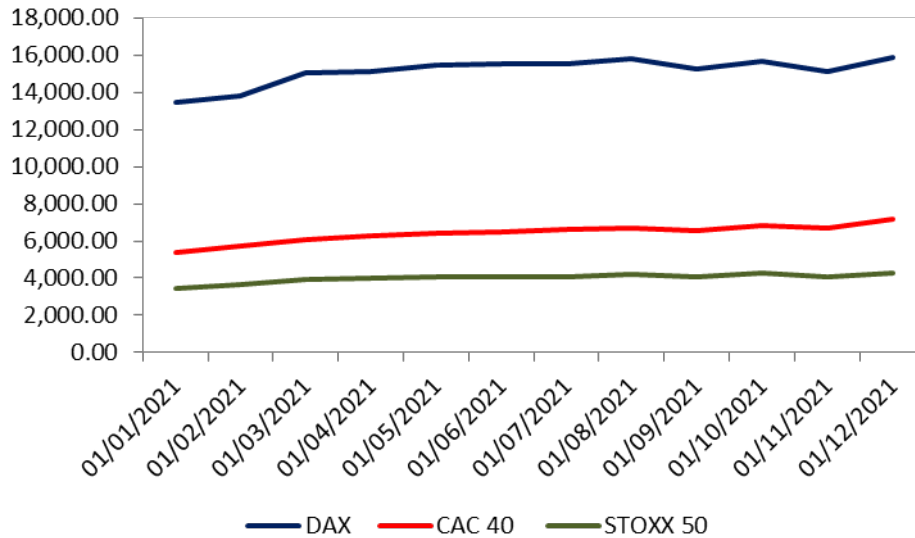


European Market

It was a back and forth year for the European stock market and for European economy. Some countries have been resilient than others, however the shortage in supply chains and the political conflicts between some of European countries and Russia has disrupted the European market and HURT the economic recovery. Looking at each country separately, we can conclude that Norway and Sweden performed very well on 2021, as their market climbed by 26.40% and 19.40%, respectively. On other hand, Spain had the worst performance market among other European countries due to their dependency on imports to secure their

energy supplies like gas. Looking at the German market, inflation has reached 6%, while ECB believes that this temporary, as the market needs time to fill the gap between supply and demand especially after easing restrictions.

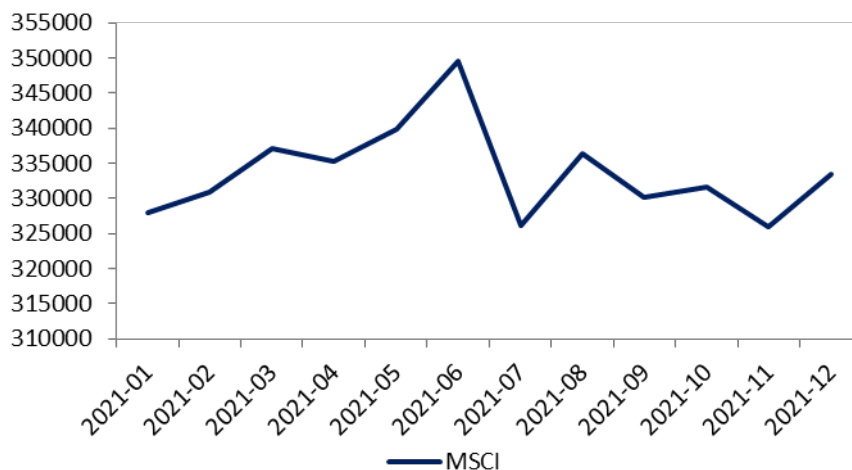
DAX, CAC 40, and STOXX 50 Performances



Emerging Market

In evaluating the emerging market performance in 2021, we have to take look at the price of gas and oil globally. The majority of countries that are considered as emerging markets their economy depend on the price of oil and gas globally. No doubts the year 2020 was very hard for those countries, as the global demands had decreased significantly, while in the year 2021, the global demands began to recover. In details, the top two performing markets in 2021 were UAE, and KSA, while the worst performance markets were Turkey, and China.

MSCI Emerging

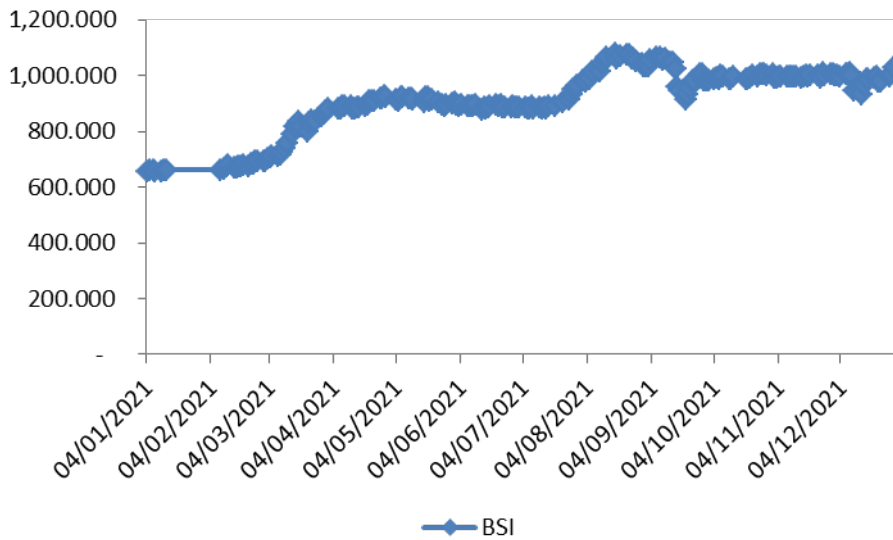


LEBANESE MARKET

BSI and BSE Performance

BLOM Stock Index (BSI) and market capitalization continued their rising trend in year 2021. In fact, the BSI increased yearly by 56.46% and reached 1029.358 points by the end of December 2021. . In term of volume traded, BSE recorded 29,575,958 by the end of December 2021, while that market capitalization increased by 59% yoy and reached \$10.55B. Moreover, the turnover ratio stood low at 3.35%, an indication of thin that market still is.

Blom Stock Index (BSI)



Real Estate

Solidere

The remarkable stock on the BSE in terms of volumes and values is Solidere. Fundamentally speaking, several factors have contributed to the price stock increase of Solidere. Looking at the financial statement of the company we can realize that Solidere has rid itself from all its debt, as it had benefited from the devaluation of Lebanese lira to reduce its liabilities. As a result, the Debt to Equity ratio has recorded 0% on 2020 after it was 27.12% and 11.9% in 2018 and 2019, respectively. Furthermore, total revenues of the company have increased by 40% in 2020 compared to 2019 revenues. To understand more what really happened and how this company outperformed during these last two years we have to dig more into the financial crisis in Lebanon. The financial crisis in Lebanon has started in 2019, as depositors at banks were unable to withdraw and use their deposits. In order to liberate their deposits from the banks they started to issue banker checks in order to buy real estate. Solidere was one of many real estate companies that accepted at a certain time a banker checks as a payment method. Sales have increased 40%, as the management of Solidere has benefited from the situation to improve their financial position. Adding to the good financial performance, the value of the company is backed by real estate assets as they are considered a safe haven for investor. However, our analysis of the evolution of this stock during these two years we have discovered a strong correlation between the exchange rate of the national currency and the price of Solidere stock as is shown in the table below.

ER rate USD/LBP and Solidere price

Date	EOP* ER	Solidere A	Correlation EOP ER, Solidere A
July-19	1,515	\$6.50	95.91%
August-19	1,600	\$5.70	
September-19	1,700	\$5.83	
October-19	1,800	\$5.45	
November-19	2,150	\$5.53	
December-19	2,125	\$7.30	
March-20	2,820	\$9.40	
April-20	3,700	\$12.17	
June-20	8,600	\$13.00	
September-20	8,300	\$14.96	
October-20	6,852	\$15.79	
November-20	4,800	\$15.60	
December-20	8,400	\$18.50	
January-21	8,880	\$18.98	
February-21	9,960	\$19.98	
March-21	12,250	\$23.92	
April-21	12,350	\$24.90	
June-21	17,300	\$24.81	
July-21	19,000	\$29.37	
September-21	17,350	\$29.50	
November-21	24,600	\$30.90	
December-21	27,650	\$32.65	

The correlation coefficient between the exchange rate LBP/USD and price of Solidere A is **95.91%**. The strong correlation can be explained through several factors. The uncertainties regarding the whole economic situation in Lebanon have harmed the confidence in the Lebanese lira, as the negative political or economic events have shrunk significantly the purchasing power of the national currency. As such, depositors and investors wanted to protect the value of their assets from further devaluations, so they managed to liberate their money from the banks by purchasing real estate from Solidere. Rational investors who invest in stock market at the BSE platform has been aware of this situation and used their buy and sell engine by observing the market and exchange rate LBP/USD. In details, any appreciation of Lebanese lira meant likely that the situation is improving and the confidence in the Lebanese economy and in its national currency may be restored soon; in contrast, adverse political or economic events had a negative impact on the national currency and was reflected on the BSE by the increase of Solidere stock price. In fact, the relationship of exchange rate and Solidere stock price is similar to the relation between USD and gold price worldwide, as any dangerous or negative event that can affect the health of the economy and the USD itself,

can then be reflected directly by an increase of gold price as this metal is considered a hedge against any international economic or political turbulence.

Fx rate LB/USD and Solidere A



Banking and Industrial Stocks

In the banking sector, the largest gainers in terms of value were Audi listed and Blom listed; in details, the share price increased by 88.52%, and 81.16%, respectively compared to last year and reached \$2.30 and \$3.75, respectively, with a total volume for this period reaching 8,984,232 and 844,004, respectively by the end of December 2021. As for Byblos Listed, stock price increased remarkably too by 54.72% yoy to reach \$0.82, with a total volume of 4,224,675 by the end of December 2021. Looking at the financial results in 2021, Blom bank net profit decreased by 92.22% yoy and recorded \$4.4M while financial results for the same year for Byblos bank recorded a loss by the end of December 2021, as the net loss was (\$26.92M). We can clearly conclude that the financial results of both banks were uncorrelated with their good performance in the stock market in 2021.

Moreover, Audi GDR and BLOM GDR both registered an increase in share price by 72.73% and 50.45%,yoy to stand at \$1.90 and \$3.31,, with a total volume of 1,382,576 and 750,885, respectively for year of 2021. In the Industrial Sector, in terms of value, HOLCIM share price surged by 33.31% year on year; and its price went up from \$14.50 to \$19.33 end of December 2021 despite its low volume for this period reaching 74,556.

CONCLUSION

No matter how much the volume is weak on the BSE, it is still important for the Lebanese economy to have a strong stock market. In fact, having a solid stock market can have a good impact on the overall health of the economy. Of course, to have a solid stock market, Lebanon must possess economic and political stability. Adding to that, future plans to reinvigorate the market must facilitate the entry of new companies and be able to raise equity through the BSE platform. Doing that, will have a good impact on the Lebanese market and the economy, as it enlarge the sectoral listings and not be dependent mostly on one sector (the banking sector), as well as diversifying the sources of financing for the different sectoral companies.

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