

## Prices of Eurobonds stay put despite Fitch downgrade

BEIRUT: Prices of Lebanon's sovereign Eurobonds were unchanged Monday despite Fitch downgrading the country's Long-Term Foreign-Currency Issuer Default Rating to CCC from B-, bankers and brokers said Monday.

"There have been no changes in the prices of dollar-denominated Eurobonds so far. The banks already discounted the downgrade even before it happened when they raised the capital adequacy ratio and solvency ratios thanks to BDL's recent financial engineering," one banker told The Daily Star.

The Beirut Stock Exchange secondary market did not see any transactions on the Eurobonds Monday and there were no changes in the prices.

Bankers and economists are not concerned about the ramifications of the downgrade on the bond market in Lebanon, noting that out of the nearly \$33 billion of outstanding Eurobonds, only \$5 billion are held by foreign investors and the rest are held by Lebanese commercial banks and the Central Bank.

As for the exchange rate in the market, the dollar continued trading at between LL1,517 and LL1,519 in commercial banks and LL1,525 to LL1,540 among exchange dealers.

But officials say exchange dealers only hold 0.5 percent of the total dollar cash in the Lebanese market.

According to Bank Audi's Lebanon Weekly Monitor, the BSE's total turnover tripled week-on-week to reach around \$2.2 million. Banking shares accounted for 84.1 percent of the total, followed by Solidere shares with 15.8 percent and industrial shares with 0.1 percent.

"As far as prices are concerned, the BSE price index traced a downward trajectory, retreating by 0.8 percent, mainly driven by price declines in Solidere and some banking shares. Six out of 11 traded stocks posted price drops, while three stocks registered price increases and two stocks saw no price change week-on-week," the report said.

It added that the latest Treasury bills auction results for value date Aug. 22, 2019, showed that the Central Bank allowed banks to subscribe in full to the one-year category (offering a yield of 6.50 percent) and the five-year category (offering a coupon of 8.0 percent).

"In parallel, the Treasury bills auction results for value date 15th of August 2019 showed that total subscriptions reached LP191 billion [\$127 million] and were distributed as follows: LP6 billion in the six-month category (offering a yield of 5.85 percent), LP61 billion in the three-year category (offering a coupon of 7.50 percent) and LP124 billion in the seven-year category (offering a coupon of 9.0 percent). These compare to maturities of LP237 billion, resulting in a nominal weekly deficit of LP 46 billion," Bank Audi said.