



March 11, 2021

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Stock market activity is tied to the flow of stock demand and supply and dictated by monetary changes and deviating monetary policies. In this report, we will depict the trend of major traded stocks in the US, China, EU and Lebanon's markets which were subject to changing policies and ongoing disruptions in the year 2020.

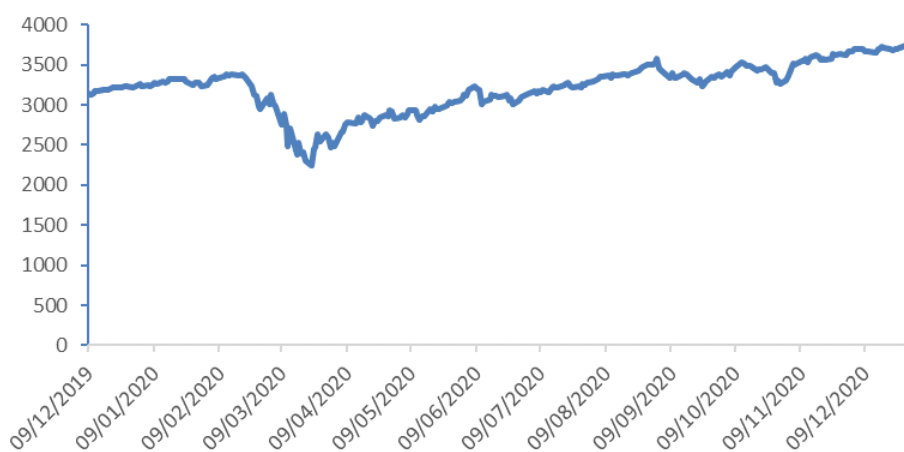
As stocks ended year 2019 on a high note, year 2020 was considered volatile yet shocking with the scheme of events that took place. The most tackled questions in our report will be as follows: how have stock markets responded to the COVID-19 pandemic? How do we sight differences in the markets' responses between major countries? Are these differences in stock market responses related to the economic policies and political aspects of the country? How have stock markets reacted to lockdowns and to the curve of infection?

US economy

The overall economy weakened and acted in reverse to the standard norms. US experienced an economic recession since February 2020, with the number of unemployment reaching almost 25 Million since the start of the Pandemic.

In this paper we will depict the stocks trend amid the worst global pandemic and the bear market that followed. Moreover, along with the Federal Reserve stimulus money plan following the ailing economic situation during the Covid-19 Pandemic and oil price volatility, investors struggled with markets' uncertainty. As a result, the Standard and Poor's 500 stock index witnessed an increase of 16.26% year on year, to 3,756.07 points end of December 2020 compared to 3,230.78 points end of December 2019. The US stock market thus showed positive returns and indicated that the US Dollar has strengthened in the prospects of money facilitation.

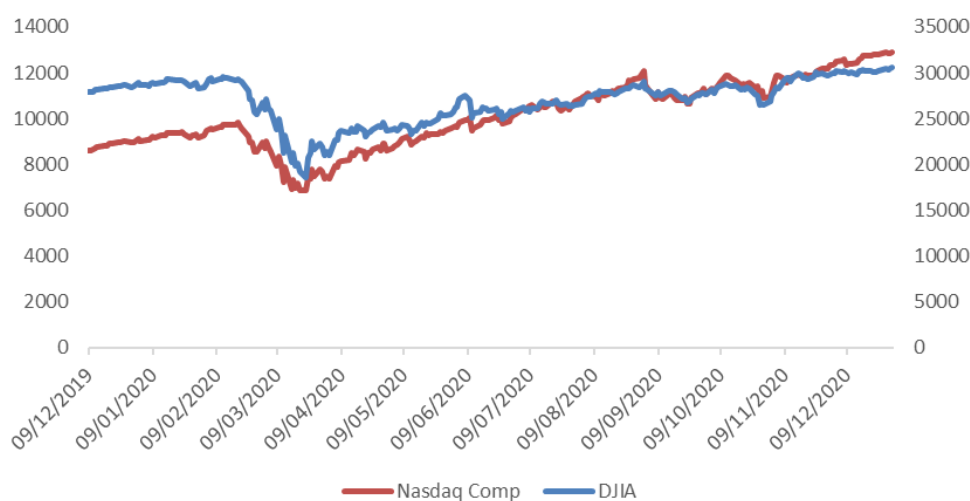
S&P 500 Index



Source: Reuters

It is worth mentioning, that the change in US health sector, its services and medical technology during the pandemic, led investors to focus on investing in winning trading companies such as Encompass Health Corp., Cerner Corp and Centene Corp. with an increase of 46%, 32% and 26% over a 12 months period, taking advantage of their post pandemic trends.

Stocks closed the year with all-time highs featuring an encouraging performance despite numerous jobless claims and deadly pandemic. We observe the trend lines for both Dow Jones Industrial Average and Nasdaq Composite, marking improvements of 7.25% and 43.64% to reach 30,606.48 points and 12,888.28 points, respectively end of 2020.



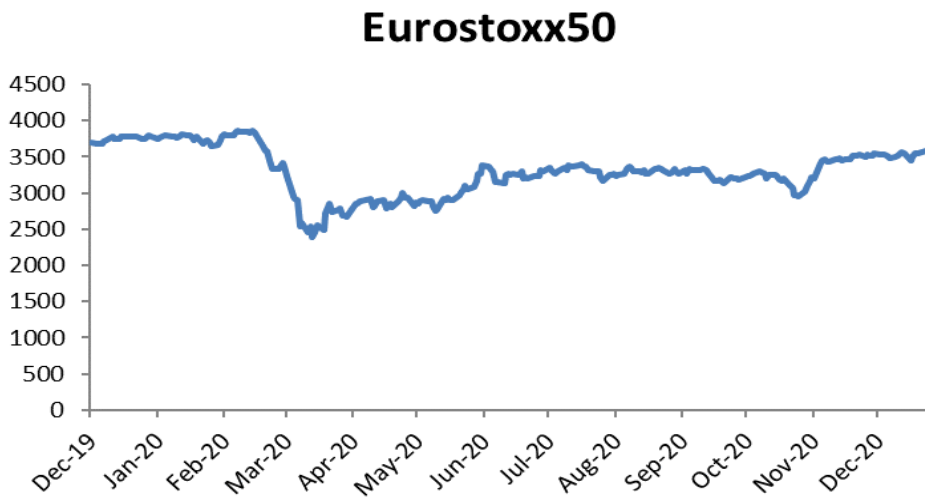
Source: Reuters

Europe

Year 2020 was surely challenging for Europe, starting with the UK exiting the European Union, leaving it at 27 nations with a lesser global impact.

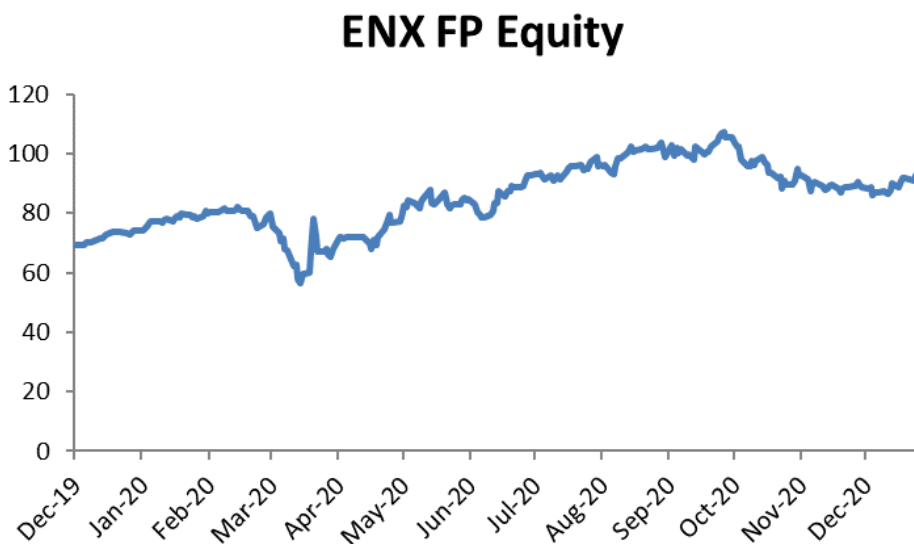
Europe has passed through an economic and social toll during the Covid-19 pandemic, with a racing number of infected cases and more than 850,000 people losing their lives. Moreover, the ongoing lockdowns and restrictions along with market distractions and worsening supply and demand chains resulted in economic activity breakdown with a fall in GDP of 4.0%. It is worth noting that governments have put into action several fiscal packages in the hope to support households and preserve jobs.

Moreover, the Eurostoxx 50 Index, one of the most liquid indices in the Eurozone, experienced a downturn of 5.14% during 2020 reaching 3,552.6 points. The index is hampered by the fall in export activity and probably by the UK’s exit from the Eurozone.



Source: Reuters

However, other indices have benefited from brighter economic outlook; tracking the Euronext index, a European Exchange group operating in major European markets, witnessed a double digit gain of 24.09% since December 2019 progressed by the European Central Bank’s stimulus program and boosting financial markets as a result. Euronext Index measured 90.15 points in December 2020 up from 72.65 points in the same period of 2019. It is worth mentioning also that the that Euronext (ENX FP Equity), which intends to settle its acquisition of Borsa Italiana from the London Stock Exchange in the first half of 2021 worth 4.3 billion euro (\$5.22 billion), almost reported higher-than-expected annual revenue around February 2021.



Source: Reuters

Interesting to know that the Euro-China Summit was held in June 2020, took place between China and other 27 EU countries, tackling fundamental rights, telecommunication and climate sustainability, to strengthen relations and promote communication.

China

Similarly, the “China Securities Depository and Clearing” estimated that 177.77 Million investors were recorded in the Chinese stock market over 2020, an increase of 18.02 Million since 2019. The pandemic and extended lockdowns did not stop the increase in Shanghai and Shenzhen stock trading leading to strong gains on the Chinese markets and principally on Shanghai composite.

In our graph below, the Shanghai Composite index managed to post a 13.87% year to date growth to reach 3,473.01 points end of December 2020.



Source: Reuters

Despite growing fears of the debt bubble ever popping and the risk of financial crisis forming during Covid-19 shutdowns, China was the only major economy to grow by 2.3% in 2020, thus leaving Chinese stock market with modest gains on its latest figures but which exceeded economists' expectations. Moreover, China had to bear up with the Pandemic risks on multi facets, mainly a slowdown in manufacturing industry and retail sales. However, over the 4th quarter of the year, China’s economy picked up, with records of growth in exports and higher demand for Chinese goods.

Lebanon

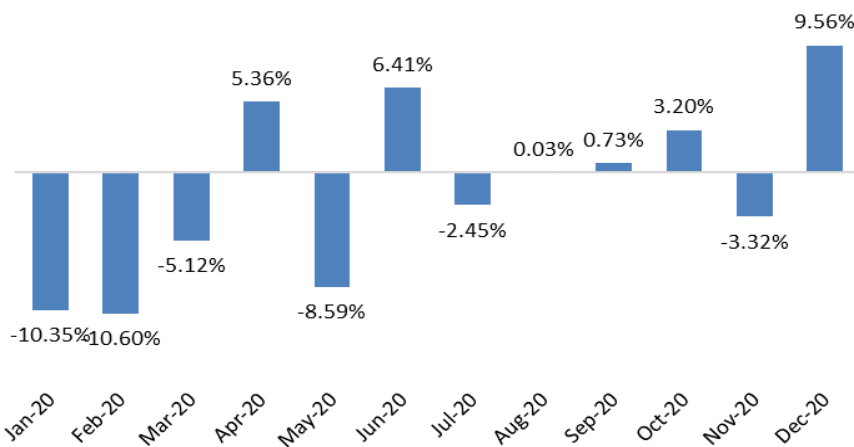
Developments over the year 2020 shaped the stock market and bourse’s performance. Starting with the country’s October 17, 2019, the country witnessed popular protests while politicians disputed over the size of the country’s financial losses. In addition, public debt-to-gross domestic product was the third highest in the world with an unemployment rate of 25%. Months after, the country’s situation was hindered by the Covid-19 pandemic and the devastating explosion in Beirut on 4th of August which injured around 5,000 persons and killed 200 others.

Furthermore, the shrink in the foreign currency reserves led to a further depreciation in the value of the Lebanese Pound and what’s remaining of the reserves has been critically preserved for the import of essential goods. All this transpired after Government of Prime Minister Hassan Diab had announced the default on its foreign debt for the first time in the country’s history on March 7, 2020; as such, some analysts blamed the crisis on the Central Bank and its ‘Ponzi’ schemes.

As a result, the Market capitalization on the Beirut Stock Exchange (BSE) depicted a regressive performance following 2019's last trimester and the uprising pandemic in 2020, leading the BSI to mark its lowest levels during the months of March and April 2020.

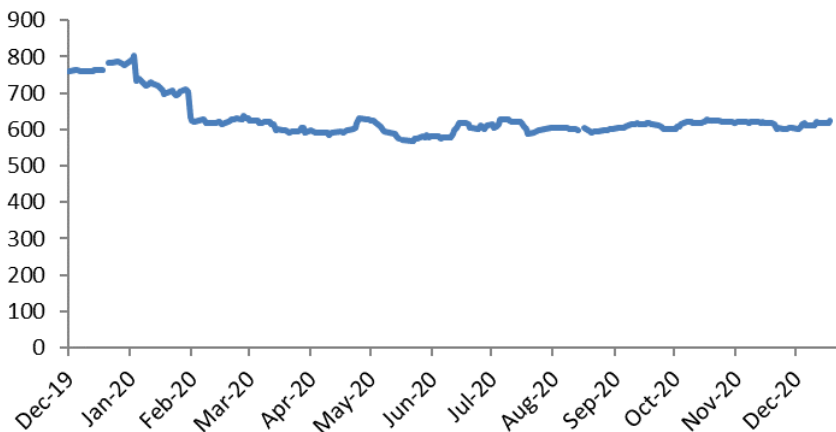
The BLOM Stock Index (BSI) dropped by a yearly 16.25% since 2019 to end the year at 657.89 points. Moreover, market capitalization fell by 12.19% to reach \$6.74B end of 2020, as a result of stock price declines, mainly related to the banking sector (Bank Audi, BLC Bank, Bank of Beirut, Byblos Bank, Banque BEMO, and BLOM Bank). However, total traded value and volume were higher as 46.58M shares worth \$230.59M were traded by end of 2020 compared to 30.48M shares worth \$196.45M.

Monthly changes in the BLOM Stock Index



Source: BLOMINVEST

BLOM Stock Index



Source: BLOMINVEST

It is worth mentioning that the bourse activity witnessed interesting developments amid the unstable USD/LBP rate. Once investors started experiencing the difficulty of accessing their assets from the bank, some shifted to guarding their 'Lollars' at the premises of the local stock market or in buying lands and apartments, considered to be a safer haven, in a way to liberate their frozen assets.

Moreover, it became prohibitive to maintain the listing internationally of BLOM and Audi GDRs due to the low volumes and limited liquidity in addition to their administrative costs. As such, the delisting of BLOM GDR (trading symbol: BLOBK) from trading on the EUROMTF, on the Official List of Luxembourg Stock Exchange and from trading on the International Order Book of the London Stock Exchange started as of 24 November 2020, following the delisting of Audi GDR from the official list of the UK financial conduct authority and from London Stock Exchange effective 16 November 2020. Noting that GDRs continued to be listed and traded on the Beirut Stock Exchange.

On the Lebanese Bourse, in the banking sector, all listed banks lost. More specifically, Audi GDR and BLOM GDR registered the largest losses year on year, with a decrease in share price from \$3.7 and \$ 6.07 to stand at \$1.10 and \$2.20, respectively. Moreover, Audi listed and Byblos experienced a lesser decline of share price from \$3.53 and \$1.0 to reach \$1.22 and \$0.53, respectively, end of 2020.

Second in the Real Estate Development, Solidere A and Solidere B acquired the highest gains in the year 2020, jumping from a share price of \$7.3 and \$7.29 to \$17.94 and \$17.77, respectively. As such, the prices of Solidere A & Solidere B up surged to stand at \$20.0 in Mid- March 2021 with a 100M shares for Solidere A and 65M shares for Solidere B with a total market cap of \$3.3B. It is worth mentioning that MSCI reclassified Lebanon from the 'Frontier Market' to 'Standalone Market', as such Solidere A and Solidere B will be deleted from the MSCI Frontier Markets indexes at a value 80% below their last traded prices as of the closing date February 26, 2021.

Third, in the Industrial Sector, in terms of value, HOLCIM shares surged year on year; as their price went up from \$9.75 to \$14.5 end of 2020.

Regarding the preferred shares, the BLOM Preferred Shares Index (BPSI) lost during year 2020, as it went from 75.12 points to 47.64 points and rendering a declining long-term trend.

Mainly, the outlook of the Lebanese bourse for the upcoming months will be affected by the ongoing political turmoil and economic developments. Despite the higher trading volume on the Beirut Stock Market, investors remain hesitant to Invest in the Lebanese Stock Market and their main decisions remain pending the IMF plan and restructuring of debt and of the Banking system. In parallel, trading activities will remain tied to several decisions of which is the government formation, the resurgence in financial inflows, and the stability of the LBP/USD rate.

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