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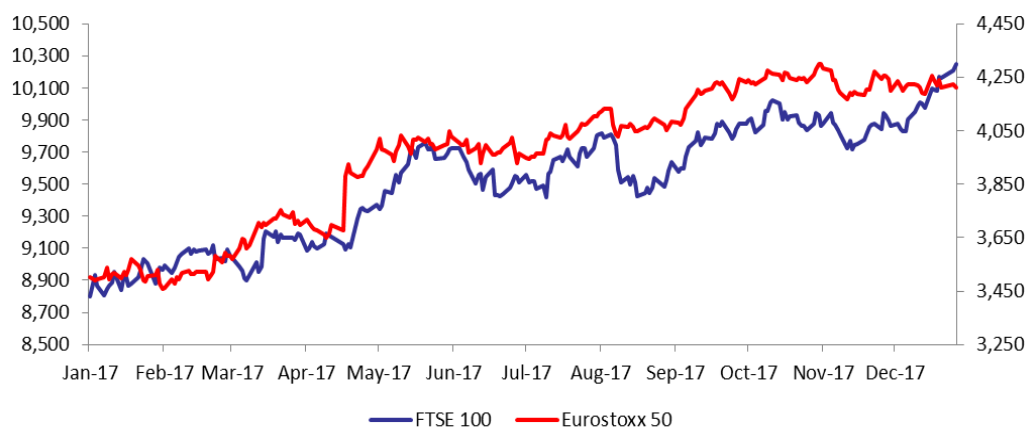
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Buoyed by an improving economy and strong corporate profits, the dollar's loss has been a gain for emerging equity markets and the euro. In the Eurozone, the defeat of the right-wing populist Marine Le Pen in France's presidential elections in favor of Macron, as well as, the ECB's upgrade of 2017 and 2018 growth and inflation rates resulted in a surge in the European stock indices. Moreover, the European Central Bank (ECB) has extended its bond-buying scheme to keep the Eurozone recovery on track, but will halve its rate of purchases to €30B a month. As such, the European markets notched their best annual performance since 2013, with the Eurostoxx 50 recording an annual increase of 20.22%. In the UK, despite several terrorist attacks and a snap general election that has resulted in a hung parliament, progress on Brexit negotiations with the European Union has been a driver of sentiment, after the country agreed on the first phase of a deal. Consequently, the FTSE 100 recorded an all-time high during its last session in 2017, closing at 10,396.94 points, and registering a 21% increase from the previous year.

Performance of Eurostoxx 50 and FTSE 100

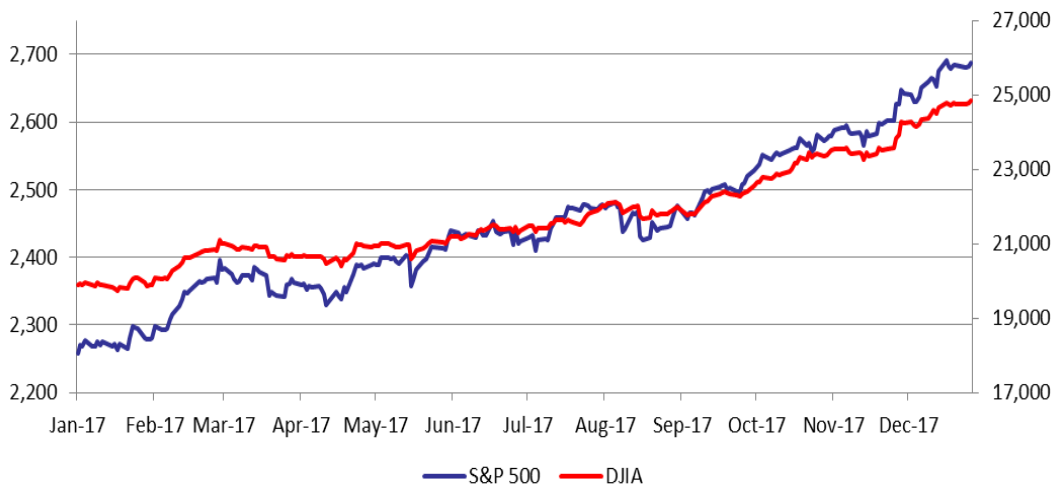


Source: BLOOMBERG

In the US, stocks closed the year with a stellar performance, with the Dow Jones Industrial Average (DJIA), S&P 500 and Nasdaq Composite, all marking gains of roughly 20 percent or

more. Signs of a global improvement have helped the Fed in lifting rates three times this year and prepare to pull back its quantitative easing program (QE), as falling unemployment and steady growth reduced the need for monetary support. In fact, U.S. payrolls expanded by 228,000 in November, as jobless rate holds at 17-year low of 4.1%. During the year, the Fed increased its interest rates in March, June, and December to a range of 1.25%-1.5%, and has reiterated plans for three more hikes in 2018. Moreover, the biggest catalyst of the boosted stock performance was the sweeping tax cuts President Trump signed into law. Republicans reached an agreement on sweeping tax cuts that includes reducing corporate tax rate from 35% to 21%.

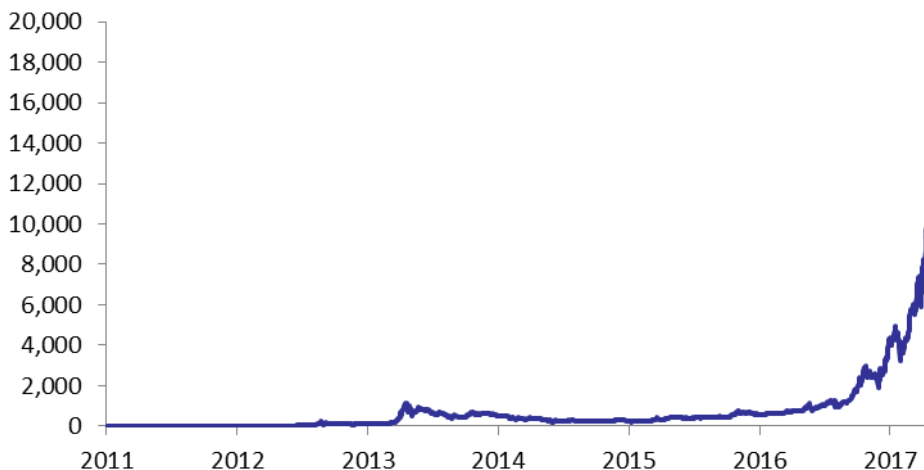
Performance of S&P 500 and Dow Jones Industrial Index



Source: BLOOMBERG

Worth noting, the emerging of the new cryptocurrency, Bitcoin, which has gained momentum in the year, has excited investors and has brought more people into the stock market. Wall Street’s growing embrace of the Bitcoin has been the recent key driver of the surge in its popularity. Moreover, the Chicago Board Options Exchange, CME, and NASDAQ declared the launch of futures markets for Bitcoin, hence giving investors exposure to the Bitcoin market.

Bitcoin Price



Source: Reuters

In the Middle East, economic dynamics remained strong in the past year on the back of higher oil prices and strong global growth. However, widespread security threats and political unrest posed a sustained risk to the region's economic performance. In the first half of the year, 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 kept on filling the supply gap. Nonetheless, oil ended the year around its highest prices in two and a half years after data showed strong demand for crude imports in China and a surprise fall in U.S. production.

Oil Prices



Source: BLOOMBERG

Economic growth augmented in Egypt, specifically in the third quarter of the year as the IMF-driven reforms implemented in late 2016 started to gain momentum. Consequently, during the end of December, the IMF unlocked \$2B of additional funding, which will be complemented by \$1.2B recently committed by the World Bank to help support the economy and boost job creation. Moreover, the IMF advised authorities to continue cutting back energy subsidies and take measures to increase tax revenues. The EGX 30 recorded the highest increase for the year 2017, with a yearly surge of 21.85%.

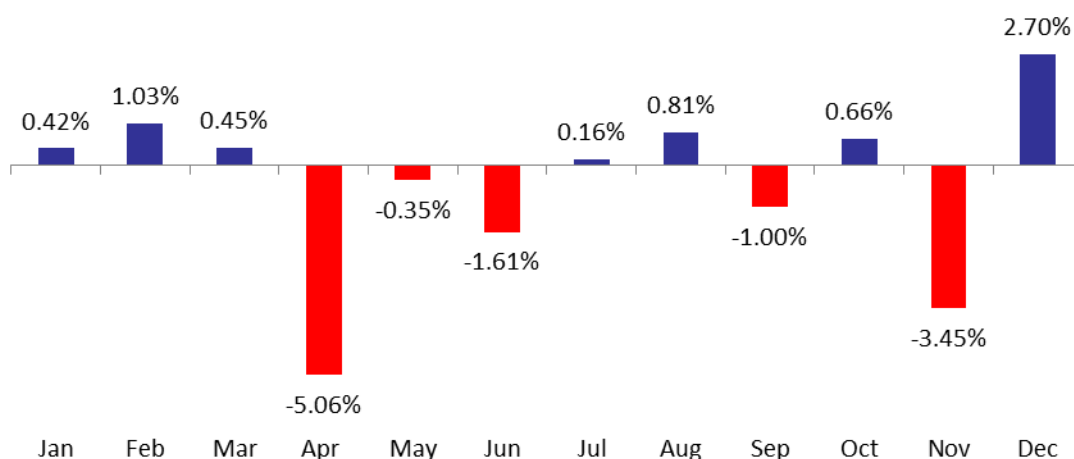
Similarly, the Kuwaiti stock market was one of the top gainers for the year with an 11.48% yearly rise. This can be justified by the fact that the Kuwaiti bourse was promoted to an emerging market status by October 2017. It is mostly noticeable since the Saudi bourse was denied of the inclusion in the FTSE Russell.

Separately, Qatar recorded the largest loss with a 17.89% y-t-d decline in its stock index. Qatar's stock index suffered the most in June as six countries, including Saudi Arabia and Egypt, severed diplomatic relations with Doha for allegedly supporting terrorism. Despite the contraction in tourism, the disruption in trade and withdrawals of deposits from Qatari banks due to the Saudi-led boycott, the Qatari government unveiled a series of initiatives to cope with the crisis. Also, the Qatari government has pledged to implement value added taxes (VAT) in the nearest future.

As for Lebanon, the political scene was the main driver of the bourse. Hence, the Beirut Stock Exchange (BSE) debilitated during the year, specifically in the 4th quarter of 2017. The BLOM Stock Index (BSI) dropped by a yearly 5.36% to end the year at 1,147.75 points. However, the market capitalization increased from \$10.20B end of 2016 to \$11.32B, as a

result of BLOM Bank increasing common shares to 215,000,000 common shares, compared to a previous 141,103,990 shares. The total traded value and volume also took the hit of the unstable political situation; 108.25M shares worth \$884.73M were traded by the end of 2016 versus 62.11M shares worth \$536.85M, by the end of 2017.

Monthly Changes in the BLOM Stock Index



Source: BLOMINVEST

Performance of the BLOM Stock Index



Source: BLOMINVEST

During the first half of the year, the BSE failed to maintain a positive performance following 2016’s final quarter political breakthroughs. In fact, the bourse witnessed a correction to the significant improvement amid arising discussions regarding the new electoral law and the approval of 2017’s budget draft. In details, the first quarter of the year mirrored the extension of the optimistic expectations following election of Michel Aoun as Lebanese President, end of the previous year. 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 on reforming the election law.

Developments of the second half of the year shaped the bourse's sluggish performance. On a monthly basis, the consensus on the electoral law, mid-June, allowed the BSI to record mild improvement in its performance, thus rising by 0.16%. Moreover, the new electricity plans as well as the success of the Lebanese army in the defeat of ISIS, in Aarsal, during the month of August, paved the way for further progress. When it comes to September and October, the BSI posted a 1% drop in September as a result of rising concerns revolving around the new tax hikes while October's reading revealed an improvement on the back of the passing of the budget draft, for the first time in 12 years.

The resignation of Prime Minister Saad Hariri on the 4th of November from Riyadh, Saudi Arabia was the highlight of the year as it shook the Lebanese political front and weighed down on the Lebanese markets. As such, November depicted the large amount of speculation surrounding the PM's resignation, the date of his return to Lebanon and the political and economic ripples that negatively impacted investors' sentiment. Nonetheless, the suspension of Saad Hariri's resignation managed to spur hopes on the Lebanese scene. The recovery began during the last week of November and persisted during the last month of year. As such, December registered the highest upturn of the year, with a monthly rise of 2.70%.

By the end of 2017, the number of stocks listed steadied at 28, when compared to the previous year. However, there were activities of listing and de-listing conducted by Lebanese commercial banks. On the BSE, 20,000,000 Preferred Shares Class "2011" of BLOM and 1,500,000 Audi Preferred "F" were de-listed and 2,500,000 Audi Preferred "I" shares were listed.

In the banking sector, the largest gainers on the Lebanese bourse for the year were BLOM GDRs, BLOM listed shares, and BEMO Preferred "2013" shares. In details, BLOM GDRs and BLOM listed shares increased by 15.45% and 9.81% during the year to reach \$12.70 and \$11.64, respectively. BEMO Preferred 2013 rose from \$99.25 to \$103.3.

As for the worst performers, BEMO listed shares and Audi listed shares registered the largest losses with respective yearly declines of 23.53% and 15.44% to \$1.3 and \$5.75. BLC listed shares dropped 6.06% to stand at \$0.93.

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.

In the real estate sector, the delisting of Solidere GDRs on the London Stock Exchange (LSE) as well as the resignation of PM Saad Hariri triggered a severe decline in Solidere shares. As such, Solidere A and B shares respectively plunged by 22.83% and 24% y-o-y to reach \$8.01 and \$7.98.

In the industrial sector, all Ciments Blancs Bearer shares were transferred into Nominal shares, adding up to 9,000,000 shares. In terms of value, both HOLCIM and Ciments Blancs Nominal shares surged from \$11.75 and \$1.57, end of 2016, to \$14.46 and \$2.25, respectively.

Despite overall stable economic and political fronts, the political shocks in April and November led the BSI to reach one of its lowest levels during the year. However, the outlook of the Lebanese bourse will remain highly dependent on political developments, whether positive or negative. Moreover, the Beirut Stock Exchange (BSE) will be established as a joint stock company, based on the decision of the Council of Ministers. The aim behind the privatized of the bourse will be to enhance the BSE's operations since more private firms will have the motivation to list their securities, hence this will provide more incentives for investors to trust the Lebanese stock markets.

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