

MARKETS TODAY

Thursday, August 01, 2019

MARKETS IN BRIEF

- Global markets were disappointed as the Fed signaled it will not continue easing after delivering the first rate cut in over a decade.
- U.S. dollar jumped along with 2-year Treasury yields. The yield curve flattened while U.S. stocks fell the most in two months. Asian stocks traded today near 6-week lows.
- Japanese yen hit 109.32 per dollar, its lowest since May 31 (2-month low). Today, BoJ Deputy Governor Masayoshi Amamiya said the central bank could widen the band at which it allows long-term interest rates to move around its target.
- Euro hit today \$1.1034, its lowest since May 16, 2017 (2.2-yr low)
- Chinese yuan weakened to 6.9174 per dollar, a 1-1/2month low.
- Australian dollar touched \$0.6828, its lowest since Jan 3 (7-month low). Investors will be watching Retail Sales tomorrow at 4:30 LT.
- British pound hit \$1.2101, its lowest since January 17, 2017 (2.5-yr low). The pound is suffering from no-deal concerns. Traders will be watching today BoE's rate decision and minutes at 14:00 LT. Gov. Carney will speak at 14:30 LT.
- Oil prices retreated on weak demand outlook.

Not a start of an easing cycle

The Fed cut interest rates by 0.25% on Wednesday, but the head of the US central bank said the move might not be the start of a lengthy campaign to shore up the economy against risks including global weakness. Fed Chairman Jerome Powell cited signs of a global slowdown, simmering US trade tensions and a desire to boost too-low inflation in explaining the central bank's decision to lower borrowing costs for the first time since 2008 and move up plans to stop winnowing its massive bond holdings. "Let me be clear – it's not the beginning of a long series of rate cuts," Powell said in a news conference after the Fed released its latest policy statement. At the same time, he said, "I didn't say it's just one rate cut."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1039	-0.33%
GBP/\$	1.2122	-0.30%
AUD /\$	0.6846	0.01%
\$/JPY	109.14	-0.33%
\$/CAD	1.3213	-0.17%
Gold \$	1406.52	-0.51%
WTI \$	57.85	-1.25%
BRENT \$	64.45	-0.92%
AMERICA		
DOW JONES	26864.27	-1.23%
S&P 500	2980.38	-1.09%
NASDAQ	8175.42	-1.19%
EUROPE		
STXE 600	385.77	0.17%
CAC 40	5518.90	0.14%
DAX	12189.04	0.34%
ASIA PACIFIC		
S&P/ASX 200	6788.93	-0.35%
NIKKEI 225	21540.99	0.09%
CSI 300 (China)	3803.47	-0.83%
MENA		
Saudi Arabia	8732.62	-0.10%
Dubai	2910.61	-0.27%
Qatar	10505.00	-0.80%
BONDS		
U.S. 10-year	2.0491	0.0347
German Bund 10-yr	-0.4280	0.0120
AU 10-year	1.2090	0.0240

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Bank of England's decision day

Bank of England Governor Mark Carney will confront the new realities of Brexit and the increasing likelihood of a no-deal departure from the EU in the central bank's interest-rate decision on Thursday. A sinking pound and lower bond yields mean that BOE forecasts calling for gradual tightening, based on assumptions of a smooth Brexit, could be all but meaningless. Carney said last month that the BOE is looking at ways to address the unprecedented divergence between market rate-cut pricing and the BOE's projections. The benchmark is expected to stay at 0.75%.

More spending on Brexit preparations

The UK government doubled spending on no-deal Brexit preparation in the latest sign new Prime Minister Boris Johnson is serious about leaving the EU -- with or without a divorce deal -- Oct. 31. Chancellor of the Exchequer Sajid Javid set aside 2.1bn pounds of new cash including an immediate 1.1bn pounds to improve key border and customs infrastructure and ensure access to critical medical supplies, the Treasury said in an emailed statement Wednesday. The remainder will be made available to government departments if needed.

New round of trade talks

US and Chinese trade negotiators plan to meet again in early September, as the latest round of negotiations ended with few signs of concrete progress. US officials including Treasury Sec. Mnuchin and Trade Rep. Lighthizer wrapped up talks with their Chinese counterparts including VP Liu He Wednesday afternoon in Shanghai. The White House specified Washington as the location for the next round of talks, and said the sides held "constructive" talks this week over "forced technology transfer, intellectual-property rights, services, non-tariff barriers, and agriculture."

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.50	1.56%
SOLIDERE—B	6.74	4.49%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.90	-
BLOM BANK	7.30	-
BYBLOS BANK	1.19	-0.83%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The US dollar rose to a 2-year peak against the euro and jumped to a 2-month high versus the yen on Thursday as US Fed Chairman Jerome Powell ruled out a lengthy easing cycle after delivering the first rate cut since the financial crisis. In a widely expected move, the US central bank cut rates by 25 basis points to shore up the economy against risks including trade friction. At a press conference after the Fed's decision, Powell said "it's not the beginning of a long series of rate cuts." At the same time, he said, "I didn't say it's just one rate cut." Traders still see one more rate cut this year. Powell's remarks, however, slashed expectations the Fed is prepared to lower rates well into next year. The euro fell to \$1.1034, the lowest since May 16, 2017, before paring losses to trade down 0.33% at \$1.1039. Against the yen the dollar broke through an important resistance level at 109.00 yen to reach a 2-month high of 109.35 yen. The dollar index .DXY against a basket of six major currencies rose 0.3% to a 2-year high of 98.932. The dollar's gains quickly accelerated versus the yen early in Asian trading in response to a flattening of the US Treasury yield curve and a rise in 10-year Treasury yields from lows set in New York trading. While financial markets had widely

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FX & COMMODITIES

expected the Fed to reduce its key overnight lending rate by 25 basis points to a target range of 2.00% to 2.25%, many traders had looked for clearer confirmation of more rate cuts from Powell. A day prior to the Fed's meeting, traders had forecast a 35% chance of three cuts by the end of the year. On Wednesday afternoon that figure had fallen to 12%, according to CME Group's FedWatch tool.

The Chinese yuan weakened to a 1-1/2-month low against the dollar as Powell's comments rippled through Asia. China's central bank kept its main policy rates on hold on Thursday, opting not to follow its US counterpart's decision overnight. Onshore yuan opened at 6.9150 per dollar, the weakest level since June 18. Although the yuan recovered some of the earlier losses, it remained hovering at its softest level since mid-June.

The British pound skidded against the dollar to the lowest in more than two years on the growing risk of a no-deal Brexit, but the focus will shift to a Bank of England meeting later on Thursday. Economists are almost certain that the BoE's Monetary Policy Committee will vote 9-0 to keep rates on hold at 0.75%. But it is less clear how Governor Mark Carney will tackle the challenge posed by the prospect of Britain leaving the EU without provisional trading agreements. Sterling was down 0.3% at \$1.2122, after earlier hitting \$1.2101, the lowest since January 2017. In the past three months, sterling has tumbled 7.1% due to growing speculation Britain will go through with a no-deal Brexit. Sentiment for sterling took a turn for the worse after new British Prime Minister Boris Johnson packed his cabinet with Brexit supporters last month.

Oil prices skidded on Thursday, declining for the first time in six days, after the US Fed dampened hopes for a string of interest rate cuts and Sino-US talks ended without apparent progress towards resolving a bitter trade dispute. Brent crude futures, the international benchmark, fell 0.92%, to \$64.45 a barrel, having fallen more than \$1 earlier in the session. US West Texas Intermediate (WTI) crude was down 1.25%, at \$57.85 a barrel, also having dropped more than a \$1 earlier. The drops came despite a bigger-than-expected decline in inventories in the US and a drop in crude production among OPEC members, along with Libya cutting exports, typically bullish drivers for the market. But US output rose in a market that remains well supplied.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—14:00	BoE Rate Decision	0.75%	0.75%
GBP—14:00	BoE MPC Minutes	0-0-9	0-0-9
GBP—14:00	BoE Asset Purchase	435b	435b
GBP—14:30	BoE Carney speaks		
USD—15:30	US Initial Jobless Claims	212k	206k
USD—17:00	US ISM Manufacturing PMI	52.0	51.7

Friday: AU Retail Sales, BoJ Policy Meeting Minutes, US Jobs Report

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CURRENCIES	LAST	1D	YTD
DXY	98.829	0.32%	2.76%
EUR/\$	1.1039	-0.33%	-3.73%
GBP/\$	1.2122	-0.30%	-4.96%
AUD /\$	0.6846	0.01%	-2.88%
NZD/\$	0.6554	-0.08%	-2.46%
\$/JPY	109.14	-0.33%	0.50%
\$/CAD	1.3213	-0.17%	3.21%
\$/CHF	0.9965	-0.25%	-1.45%
\$/SEK	9.6764	-0.12%	-8.51%
\$/NOK	8.8784	-0.17%	-2.68%
\$/DKK	6.7644	-0.33%	-3.74%
\$/TRY	5.6049	-0.40%	-5.63%
EUR/GBP	0.9107	0.04%	-1.29%
EUR/JPY	120.48	-0.01%	4.44%
EUR/CHF	1.1000	0.10%	2.32%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1406.52	-0.51%	9.67%
Silver Spot \$/Oz	16.01	-1.58%	3.31%
Platinum Spot \$/Oz	853.37	-1.32%	7.25%
Palladium Spot \$/Oz	1511.11	-0.58%	19.76%
COPPER \$/lb	265.60	-0.38%	0.43%
WTI \$/bbl	57.85	-1.25%	27.39%
BRENT \$/bbl	64.45	-0.92%	19.80%

EQUITIES & BONDS

The margin between US short-and long-dated yields collapsed to its lowest level in over four months on Wednesday, as Fed Chairman Jerome Powell tempered bets on more rate cuts after the central bank made the first cut since 2008. Investors were pricing in more than 100 basis points of easing from the Fed over the next year, sending world equities soaring to record highs in recent days. But Fed Chair Jerome Powell dented those bets, sounding far more circumspect about the need for further policy easing. Shorter-dated yields rose as traders scaled back positions on future rate cuts, while longer-dated yields fell on the Fed's muted inflation outlook and the halting of its balance sheet normalization two months early.

Asian shares slipped to six-week lows on Thursday. E-minis for the S&P500 were 0.15% lower. MSCI's broadest index of Asia-Pacific shares outside Japan faltered 0.8%, extending losses for a fifth day to the lowest since mid-June and on track for the biggest one-day percentage drop in a month. Japan's Nikkei reversed early declines and were a shade higher, while Australian shares declined 0.4%. Losses in Chinese shares accelerated after they opened lower with the blue-chip index down 0.8%. World shares recoiled overnight following remarks from Powell that Wednesday's 25 bps easing was "not the beginning of a long series of rate cuts".

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EQUITIES & BONDS

In the US, the Dow and S&P 500 registered their biggest daily percentage drops in two months on Wednesday after Fed Chair Jerome Powell dampened expectations for further cuts following the central bank's first interest rate cut in a decade. All three major US stock indexes ended the session lower after Powell said today's move was not the beginning of a lengthy rate-cutting cycle. Despite today's sell-off, all three indexes posted their second straight monthly gains in July, closing the book on a month in which the S&P 500 and the Nasdaq reached fresh record highs. Investors were expecting the Fed's 25 bps cut as insurance against signs of a looming economic slowdown amid the protracted US-China trade war. The latest round of trade talks wrapped up in Shanghai, with US and Chinese negotiators leaving the table without a deal. Both sides called the talks "constructive." All 11 major sectors in the S&P 500 closed in the red, with consumer staples, materials and technology suffering the largest percentage losses. Apple Inc extended its gains, rising 2.0% after an increase in services and wearables more than offset a drop in iPhone sales. Humana Inc advanced 4.3% after the health insurer beat analysts' Q2 earnings estimates and hiked its 2019 forecast. Video game maker Electronic Arts Inc reported better-than-expected quarterly revenue, driven by continued success of its battle royale game "Apex Legends," sending its stock up 4.4%. Among losers, shares of General Electric Co dipped 0.7% after the conglomerate posted a quarterly loss and announced the retirement of its Chief Financial Officer Jamie Miller. Chipmaker Advanced Micro Devices Inc slumped 10.1% after its disappointing Q3 revenue forecast, dragging the Philadelphia Semiconductor index down 3.2%. Molson Coors Brewing Co dropped 5.1% after missing quarterly profit expectations and announcing the retirement of Chief Executive Officer Mark Hunter.

In the MENA region, Saudi stocks dropped on Wednesday as losses in petrochemical shares outweighed earnings-fueled gains in some banking stocks. Qatari index was pulled down by Qatar Insurance. Saudi's index slipped 0.1%, with petrochemical maker Saudi Basic Industries Co shedding 1.1% after earlier this week reporting its lowest quarterly profit since late 2009. The kingdom has returned to deficit in Q2 after posting its first surplus in Q1 since 2014.

COMPANY NEWS HEADLINES

- Occidental Petroleum Corp, which is battling activist investor Carl Icahn over its \$38bn purchase of Anadarko Petroleum, reported a 14% fall in core profit on Wednesday, as higher crude prices and volumes were offset by adjustments to derivatives contracts and lower natural gas prices.
- US oil and gas producer Apache Corp reported a 78.6% fall in Q2 adjusted profit on Wednesday, hit by lower prices of oil, gas and natural gas liquids (NGL) and higher operating costs.
- French insurer AXA said its net profit fell 17% in the first half of the year after booking charges related to the valuation of its remaining stake in Axa Equitable Holdings and the mark-to-market valuation of derivatives.
- US life insurer Prudential Financial Inc fell short of analyst estimates for quarterly profit on Wednesday, hurt by weakness in its US individual life insurance and annuities businesses.
- MetLife reported quarterly profit that doubled from a year ago, boosted by strong derivative gains.
- Canadian insurer Sun Life Fin. reported 1.4% growth in Q2 profit, helped by growth in asset management business.
- Gambling revenue in the Chinese territory of Macau dropped 3.5% in July from a year earlier, due to tempered demand from high rollers amid a slowdown in the world's second-largest economy and a trade war with the US.
- Albemarle Corp, the world's largest lithium producer, will take a controlling stake in Australia's Wodgina lithium project after revising a deal with Mineral Resources Ltd to buy 60%, up from the previously agreed 50%.
- Credit rating agency Standard & Poor's cut its outlook on Singapore Telecommunications to negative from stable, citing increasing competitive pressure in key markets as well as elevated cash needs for capital expenditure and dividend payout.
- Energy trading company Vitol SA said on Wednesday it will acquire 50% of Brazil's Grupo Dislub Equador (GDE) for an undisclosed amount to build its downstream presence in Brazil.

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AMERICA	LAST	1D	YTD
DOW JONES	26864.27	-1.23%	15.16%
S&P 500	2980.38	-1.09%	18.89%
NASDAQ	8175.42	-1.19%	23.21%
S&P/TSX	16406.56	-0.36%	14.55%
EUROPE	LAST	1D	YTD
STXE 600	385.77	0.17%	14.25%
FTSE 100	7586.78	-0.78%	12.76%
CAC 40	5518.90	0.14%	16.66%
DAX	12189.04	0.34%	15.44%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6788.93	-0.35%	20.23%
NIKKEI 225	21540.99	0.09%	7.63%
TOPIX	1567.35	0.14%	4.90%
CSI 300 (China)	3803.47	-0.83%	26.33%
MENA	LAST	1D	YTD
Saudi Arabia	8732.62	-0.10%	11.57%
Abu Dhabi	5298.86	-0.36%	7.81%
Dubai	2910.61	-0.27%	15.06%
Qatar	10505.00	-0.80%	2.00%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0491	0.0347	-0.6351
Germany	-0.4280	0.0120	-0.6700
U.K.	0.6180	0.0070	-0.6590
Australia	1.2090	0.0240	-1.1090

TOP SELECTED NEWS

Gold demand leaps to 3-year high as prices surge - WGC

(Reuters) Global gold demand rose 8% in the first half of this year to the highest since 2016, driven by central bank buying and a flood of investment into gold-backed exchange traded funds (ETFs), the World Gold Council said on Thursday. Retail investors however were put off buying bars and coins by a rapidly rising gold price, the WGC said in its latest Gold Demand Trends report. The price rally to six-year highs above \$1,400 an ounce in June also saw gold holders cash in metal for profit, causing a boom in recycling that raised global supply by 6%, the WGC said. The world's appetite for gold was 2,182 tonnes over January-June, up from 2,021 tonnes in the same period of 2018.

China's factory activity contracted in July, a private survey shows

(Reuters) China's manufacturing activity contracted in July, according to results of a private survey released on Thursday. The Caixin/Markit factory PMI was 49.9 in July — slightly better than expected, but still in contractionary territory. Analysts polled by Reuters had expected the indicator to come in at 49.6. The reading for June was 49.4. Subindices for new orders and production both returned to expansionary territory, while the gauge for new export orders rose slightly even though it was still in contractionary territory, wrote Zhengsheng Zhong, director of



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TOP SELECTED NEWS

macroeconomic analysis at CEBM Group, a subsidiary of Caixin. In particular, the measure for future output rose in July, signalling that confidence rose among businesses, he added.

SocGen delivers on capital as CEO Oudea seeks to dispel concerns

(Bloomberg) Societe Generale SA CEO Frederic Oudea boosted the bank's capital strength and outperformed most rivals in equities trading as the bank's largest restructuring in years takes shape. The French lender -- which exceeded its capital requirement by the narrowest margin of the Eurozone's top 10 listed banks last year -- achieved its 2020 target for a CET1 ratio of 12% ahead of time and said it's on track to keep the metric at that level. The increase may alleviate concerns among analysts who had suggested the bank may need to raise capital. The business of buying and selling equities and providing services to hedge funds -- a traditional strength -- also did better than most peers and beat analyst estimates, though still fell compared with a year earlier. Declines in fixed-income trading in Q2 were also less than some analysts had been expecting.

Amazon in talks to buy stake in India's Reliance Retail: ET

(Reuters) Amazon.com Inc is in exploratory talks with Reliance Industries Ltd-owned Reliance Retail for buying up to 26% stake in India's biggest brick-and-mortar retailer, the Economic Times (ET) reported on Thursday. Talks began after Reliance's negotiations with China's Alibaba Group to sell a stake in the retail entity fell through due to differences over valuation, the financial daily reported citing two senior industry executives. However, there is no certainty the initial discussions will lead to a deal, according to the report.

Thomson Reuters sales rise 9%, raises outlook

(Reuters) Thomson Reuters Corp on Thursday reported a 9% rise in quarterly sales compared to the same period a year ago, while also raising its forecasts for the next two years. The news and information provider and parent of Reuters News reported Q2 revenue of \$1.42bn, up from \$1.31bn a year ago as Thomson Reuters gained from payments it received from Refinitiv for its news service. Thomson Reuters also said in a statement that it and private equity funds affiliated with Blackstone had agreed to sell Refinitiv to the London Stock Exchange in an all share deal with an enterprise value of around \$27bn.

Ryanair plans hundreds of job cuts to counter Brexit, Max delays

(Bloomberg) Ryanair Holdings Plc is poised for one of the deepest rounds of job cuts in years as Europe's biggest budget airline responds to falling earnings and the grounding of Boeing Co.'s 737 Max jetliner. In a video message to staff seen by Bloomberg, Chief Executive Officer Michael O'Leary said the carrier has an excess of more than 500 pilots and about 400 flight attendants. On top of that it will need around 600 fewer people in those categories next summer than it had envisaged before the Max's idling.

GE turnaround inches along with forecast boost as max risk looms

(Bloomberg) General Electric Co. raised its forecast amid signs of improvement in the long-suffering power business, even as issues in the jet-engine division posed a new threat to Chief Executive Officer Larry Culp's turnaround plan. The industrial businesses will generate as much as \$1bn in cash this year, up from the previous range of no more than zero, GE said Wednesday as it reported Q2 earnings. The company adopted its more upbeat outlook despite headwinds from the grounding of Boeing Co.'s 737 Max.

Fourth prototype of China's C919 jet completes first test flight

(Reuters) The fourth prototype of China's home-built C919 narrowbody passenger plane completed its first test flight on Thursday, its manufacturer said, as the country pushes forward with a homegrown rival to Airbus SE and Boeing Co jets. The test flight from Shanghai lasted for 1 hour and 25 minutes, Commercial Aircraft Corp of China Ltd (COMAC) said on its official account on Weibo, China's Twitter-like social media platform. COMAC said the program's fifth and sixth test planes were scheduled to have their maiden flights later in the second half of 2019.

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