

MARKETS TODAY

Friday, August 02, 2019

MARKETS IN BRIEF

- Global stocks took a hit on Friday after U.S. President Donald Trump said he would slap a 10% tariff on the remaining \$300 billion of Chinese imports from next month. Trump is scheduled to make a statement on trade with the EU at 20:45 LT (17:45 GMT) on Friday, Bloomberg reported citing daily White House guidance.
- Chinese markets slumped with the yuan hitting its lowest since November 2018 against the dollar.
- German government bonds jumped pushing 10-year yields to (-) 0.49%, record lows. U.S. 10-year Treasury hit 1.8332%, its lowest since November 2016. Australian and New Zealand bond yields dropped to record lows
- Safe-haven Japanese yen rose against its peers. USD/JPY hit earlier 106.83, a 5-week low.
- British pound managed to recover after hitting yesterday \$1.2080, its lowest since January 2017. GBP/CHF hit 1.2019 francs, its lowest since November 2016.
- Oil prices rose more than 2%, after suffering their biggest 1-day fall in years the previous day following further U.S. tariffs on China. Brent slumped more than 7% on Thursday, their steepest drop in more than three years. US WTI crude futures fell nearly 8%, posting its worst day in more than four years.

Trump reigniting trade war

US President Donald Trump said on Thursday he would impose an additional 10% tariff on \$300 billion worth of Chinese imports starting Sept. 1, as talks aimed at easing tensions between the world's two largest economies continue. "Trade talks are continuing, and during the talks the US will start, on September 1st, putting a small additional Tariff of 10% on the remaining 300 Billion Dollars of goods and products coming from China into our Country. This does not include the 250 Billion Dollars already Tariffed at 25%," Trump tweeted. In a string of tweets, Trump also faulted China for not following through on promises to buy more American agricultural products and personally criticized Chinese President Xi Jinping for failing to do more to stem sales of the synthetic opioid fentanyl.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1100	0.14%
GBP/\$	1.2129	0.01%
AUD /\$	0.6794	-0.09%
\$/JPY	106.95	0.36%
\$/CAD	1.3220	-0.06%
Gold \$	1438.44	-0.47%
WTI \$	54.78	1.54%
BRENT \$	61.62	1.85%
AMERICA		
DOW JONES	26583.42	-1.05%
S&P 500	2953.56	-0.90%
NASDAQ	8111.12	-0.79%
EUROPE		
STXE 600	387.68	0.50%
CAC 40	5557.41	0.70%
DAX	12253.15	0.53%
ASIA PACIFIC		
S&P/ASX 200	6768.57	-0.30%
NIKKEI 225	21087.16	-2.11%
CSI 300 (China)	3747.44	-1.47%
MENA		
Saudi Arabia	8666.39	-0.76%
Dubai	2900.39	-0.62%
Qatar	10397.63	-1.02%
BONDS		
U.S. 10-year	1.8417	-0.0518
German Bund 10-yr	-0.4870	-0.0370
AU 10-year	1.0850	-0.1240

... China pledging retaliation

Beijing pledged to respond if the US insists on adding extra tariffs to the remainder of Chinese imports, after Trump's abrupt escalation of the trade war. "If the US is going to implement the additional tariffs, China will have to take necessary countermeasures," Foreign Ministry spokeswoman Hua Chunying said at a regular briefing in Beijing on Friday. She didn't elaborate on what the measures would be. The threat to tax practically all US imports from China marks the biggest escalation so far taken by the Trump administration and brings a surprise end to the truce.

Will today's jobs data support Fed's less dovish stance?

The next US jobs report is more likely to embolden the Fed to keep this round of interest-rate cuts short and sweet, rather than validate investor views that the economy needs significantly more monetary easing. The Labor Department figures Friday are expected to show payroll gains moderated to a still-solid 165,000 in July. Unemployment probably ticked down to a half-century low of 3.6% and wages remained solid, albeit without accelerating. Such numbers would suggest consumer spending will keep growth on a healthy trajectory.

BoE: No-deal Brexit is a disaster

The Bank of England said it's less confident than usual about the outlook for the economy because of Brexit and offered little new insight into the impact of no deal. The comments are the first from the bank since Boris Johnson became prime minister on a mission to leave the EU on Oct. 31 with or without a deal. If there's no deal, the BOE merely noted again that the pound will fall, inflation will accelerate and growth will slow. However, in its forecasts, it still assumes a smooth Brexit and reiterated that interest rates will need to gradually rise to bring inflation to target.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.16	-5.23%
SOLIDERE—B	6.39	-5.19%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.80	-2.56%
BLOM BANK	7.30	-
BYBLOS BANK	1.19	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

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Chinese markets slumped on Friday, with investors rushing for cover after US President Donald Trump slapped fresh tariffs on China citing a lack of progress in their bilateral trade talks. Trump said on Thursday he would tax the remaining \$300 billion of Chinese imports with 10% tariffs from Sept. 1, breaking the tariff ceasefire since his meeting with Chinese President Xi Jinping at the G20 summit in June. The US leader said Xi was moving too slowly in the negotiations, after being briefed by US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin on their meeting with Chinese officials this week, which were the first such in-person talks since the June trade truce. Chinese yuan slid to its weakest since November 2018 in early trade, before paring some losses. Onshore spot was last seen at 6.9330 per dollar, still down 0.5% on the day - its biggest daily fall in more than two months. The offshore yuan was trading at 6.9572. Traders said the yuan's slump was encouraged by a weaker-than-expected official fixing, from which the spot can only trade 2% above or below. The People's Bank of China set the midpoint at a seven-month low on Friday. But given China's priority for stability, he said the PBOC might use the CNY fixing to

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guide a gradual depreciation towards 7 per dollar. Trump's latest threat came just two weeks after China's Q2 economic growth slowed to 6.2%, its weakest pace in at least 27 years. Analysts expect the continuing stand-off to be a drag on China's economy but also present trading opportunities.

The Japanese yen hit a more-than-one month high against the dollar and multi-year peaks against antipodean currencies on Friday after US President Donald Trump broke a truce in the Sino-US trade war, bolstering demand for safe-havens. Bids for the yen against the South Korean won were at the highest level since November 2016. Traders often sell the won when US-China trade tensions intensify, given South Korea's close economic ties with China. Against the dollar, the yen was higher 0.36% at 106.95. On Thursday, the dollar slumped 1.3% against the yen, its biggest daily decline since May 2017. The yen was also poised to rise versus the South Korean won. Against the Australian dollar, the yen rose to 72.58, the highest since July 2009. Versus the New Zealand dollar, the yen hit 69.78, the highest since June 2016. The dollar index was steady in Asia at 98.252 after falling 0.15% on Thursday, its biggest daily decline in two weeks. The benchmark 10-year US Treasury yield dropped to 1.83%, its lowest since November 2016 and the first time it has fallen below the technically significant 2% level in more than two years. Traders will focus on how Chinese financial markets react to Trump's latest salvo, but there are concerns that so-called risk-off trades will weigh on commodity currencies and those of smaller economies that rely on trade with China.

Oil prices rose more than 2% on Friday, rebounding from their biggest falls in years after Trump imposed more tariffs on Chinese imports, intensifying the trade war between the world's two biggest economies and crude consumers. Brent crude futures slumped more than 7% on Thursday, their steepest drop in more than three years. US West Texas Intermediate (WTI) crude futures fell nearly 8%, posting its worst day in more than four years. The collapse ended a fragile rally built on steady drawdowns in US inventories, even as global demand looked shaky because of the trade dispute. Brent futures rose 1.85%, to \$61.61 a barrel, while WTI futures gained 1.54% to \$54.78 a barrel.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—15:30	US Nonfarm Payrolls	164k	224k
USD—15:30	US Unemployment Rate	3.6%	3.7%
USD—15:30	US Average Earnings Hourly	0.20%	0.20%
CAD—15:30	Canada Trade Balance	-0.3b	0.8b
USD—15:30	US Trade Balance	-54.2b	-55.5b
USD—17:00	US Consumer Sentiment	98.5	98.4

Next Week: Eurozone Sentix Investor Confidence, US ISM Non-Manufacturing PMI, NZ Jobs Report, AU RBA Policy Decision, RBNZ Policy Decision, French Trade Balance, UK Halifax HPI, China Trade Balance, ECB Economic Bulletin, RBA Gov. Lowe speaks, RBA policy meeting statement, UK GDP and Manufacturing Production, Canada Jobs Report, US PPI

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CURRENCIES	LAST	1D	YTD
DXY	98.252	-0.12%	2.16%
EUR/\$	1.1100	0.14%	-3.20%
GBP/\$	1.2129	0.01%	-4.90%
AUD /\$	0.6794	-0.09%	-3.62%
NZD/\$	0.6526	-0.47%	-2.87%
\$/JPY	106.95	0.36%	2.56%
\$/CAD	1.3220	-0.06%	3.15%
\$/CHF	0.9863	0.42%	-0.43%
\$/SEK	9.6629	-0.09%	-8.38%
\$/NOK	8.9236	-0.40%	-3.17%
\$/DKK	6.7258	0.15%	-3.19%
\$/TRY	5.6013	0.05%	-5.57%
EUR/GBP	0.9151	-0.14%	-1.77%
EUR/JPY	118.71	0.24%	6.00%
EUR/CHF	1.0948	0.28%	2.81%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1438.44	-0.47%	12.16%
Silver Spot \$/Oz	16.17	-0.99%	4.38%
Platinum Spot \$/Oz	846.07	-0.93%	6.34%
Palladium Spot \$/Oz	1430.49	-0.01%	13.37%
COPPER \$/lb	261.30	-1.97%	-1.19%
WTI \$/bbl	54.78	1.54%	20.63%
BRENT \$/bbl	61.62	1.85%	14.54%

EQUITIES & BONDS

German government bond yields fell sharply on Friday to hit fresh all-time lows after US President Donald Trump hit China with tariffs \$300 billion of goods, prompting a sell-off in global equities and driving support for safe-haven assets. Core euro zone bond yields hit new all-time lows on Friday after US President Donald Trump vowed to impose a 10% tariff on \$300 billion of Chinese imports from Sept. 1, increasing pressure on the US Fed to ease policy. German 10-year government bond yields were down more than three basis points to new all-time lows of -0.529% , tracking the sharp move lower in 10-year US Treasuries which fell 13 basis points on Thursday to 1.8332% . Long-dated German bond yields also fell, with the 30-year touching a low of 0.039% and moving ever closer to zero.

Global stocks took a beating on Friday, with investors piling into safe-haven assets but oil prices recouped some losses. Pan-European Euro Stoxx 50 futures shed 2.0% in late Asian trade, indicating that European cash share markets will open sharply lower on Friday, while US stock futures extended losses, dropping 0.2%, following the S&P 500 skidding 0.9% to hit one-month lows overnight. MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.6% to its lowest since mid-June while Japan's Nikkei tumbled 2.1%. Chinese stocks were also hit hard, with the benchmark Shanghai Composite and the blue-chip CSI300 down 1.5% and 1.6%, respectively, while Hong Kong's Hang Seng slumped 2.2%.

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EQUITIES & BONDS

US stocks fell again on Thursday, abruptly reversing early gains after US President Donald Trump put concerns about the US-China trade war back in the spotlight, tweeting that he would impose an additional 10% tariff on \$300 billion in Chinese imports. Having spent most of the session on track for their best day since June, all three major US stock indices took sudden U-turns as investors quickly turned into sellers after the tweet. The bond market rallied on Trump's comment, prompting US Treasury yields into their steepest drop in over a year. The benchmark 10-year yield fell to its lowest level since November 2016. The CBOE Volatility Index, a gauge of investor anxiety, shot to its highest reading since June 4. The sell-off comes on the heels of the US Fed's first interest rate cut in a decade, and remarks from Fed chief Jerome Powell that tempered expectations for further cuts this year, cuts Trump has been vocal about supporting. Earlier in the session, Wall Street got a boost from a string of positive earnings from a wide range of companies, including General Motors Co, Kellogg Co, Verizon Communications Inc and Yum Brands Inc, among others. Investors now look to Friday's release of the Labor Department's closely-watched jobs report. Of the 11 major sectors in the S&P 500, eight closed in negative territory, with financials, energy and trade-sensitive industrials seeing the biggest percentage losses. Pick-up trucks and SUVs drove General Motors' Q2 profit beat, but the automaker's stock turned negative after the Trump tweet, ending the session down 0.5%. Kellogg surged 9.3% as higher North American demand helped the packaged food company beat Q2 estimates. Shares of Yum Brands Inc jumped 3.9% after beating analyst profit and sales expectations on better-than-expected growth at all its restaurant chains, which include Taco Bell and Pizza Hut.

Major Gulf stock markets fell on Thursday after the US Fed cut interest rates by 25 bps but, significantly, signalled the move may not mark the beginning of a long easing cycle. Markets had been looking for the Fed to signal more cuts were coming. Central banks in Saudi Arabia, the UAE and Qatar followed the move, cutting their rates by the same degree. Their currencies are pegged to the US dollar and they follow the Fed on interest rate moves.

COMPANY NEWS HEADLINES

- Facebook and other social media sites have restricted access to a satirical rap video in Singapore after the wealthy city-state's government requested the removal of content it said could fan racial tension.
- Campbell Soup Co on Friday confirmed that it signed a deal to sell its Australian snacks unit Arnott's and some of its international operations to KKR & Co Inc for \$2.2 billion as the US company works on reducing debt.
- GoPro Inc raised its 2019 revenue forecast on Thursday, as the action camera maker bets on new releases slated for later this year and helping shares reverse course to trade up 5%.
- Pinterest Inc raised its full-year sales forecast and reported Q2 revenue above Wall Street estimates on Thursday, as the online scrapbook company added more users, sending its shares up 12% in extended trading.
- Internet domain provider GoDaddy Inc said its Chief Executive Officer Scott Wagner would step down after it reported a quarterly loss on sluggish customer growth and higher costs, sending shares down as much as 5% in extended trading.
- EOG Resources Inc posted a smaller-than-expected rise in Q2 profit on Thursday, as an increase in production failed to offset a steep drop in prices for crude, gas and natural gas liquids and higher expenses.

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AMERICA	LAST	1D	YTD
DOW JONES	26583.42	-1.05%	13.96%
S&P 500	2953.56	-0.90%	17.82%
NASDAQ	8111.12	-0.79%	22.24%
S&P/TSX	16377.04	-0.18%	14.34%
EUROPE	LAST	1D	YTD
STXE 600	387.68	0.50%	14.82%
FTSE 100	7584.87	-0.03%	12.73%
CAC 40	5557.41	0.70%	17.48%
DAX	12253.15	0.53%	16.05%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6768.57	-0.30%	19.87%
NIKKEI 225	21087.16	-2.11%	5.36%
TOPIX	1533.46	-2.16%	2.64%
CSI 300 (China)	3747.44	-1.47%	24.47%
MENA	LAST	1D	YTD
Saudi Arabia	8666.39	-0.76%	10.73%
Abu Dhabi	5230.22	-1.65%	6.41%
Dubai	2900.39	-0.62%	14.65%
Qatar	10397.63	-1.02%	0.96%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.8417	-0.0518	-0.8425
Germany	-0.4870	-0.0370	-0.7290
U.K.	0.5450	-0.0490	-0.7320
Australia	1.0850	-0.1240	-1.2330

TOP SELECTED NEWS

US factory gauge sinks to lowest since '16 as exports drop

(Bloomberg) US manufacturing activity deteriorated in July to an almost three-year low, dragged down by slower production and shaky export markets that help explain the Fed's decision to reduce interest rates on Wednesday. The Institute for Supply Management's index eased to 51.2 last month from 51.7 in June, according to data released Thursday. Figures above 50 signify expansion, and the median estimate in a Bloomberg survey of economists was for a July reading of 52. Measures of output, factory employment and input prices all declined during the month.

Barclays cut 3,000 jobs in recent months, joining European peers

(Bloomberg) Barclays Plc Chief Executive Officer Jes Staley said the bank cut 3,000 jobs in Q2 as the firm sought to keep a tight grip on expenses and counter criticism over its ability to reach profitability targets. The London-based bank joined other European lenders who have been eliminating roles in recent months, including HSBC Holdings Plc and Societe Generale SA. Barclays Finance Director Tushar Morzaria told journalists on a call Thursday that the cuts were "not concentrated in a particular area, but across the board," and in divisions that weren't generating returns. The bank's shares rose as much as 3.4% in London trading as Staley said he's "very confident" that Barclays can hit a



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TOP SELECTED NEWS

profitability target. The bank also reported investment-banking fees that surpassed rivals, while capital generation boosted analysts' confidence that the dividend will grow. That offset concern about shrinking loan margins in its home British market.

Morgan Stanley buys 2% needed for control of China securities joint venture

(Reuters) Morgan Stanley moved closer to taking a controlling stake in its Chinese securities joint venture (JV) after picking up a 2% share for \$54 million, exchange filings show. Huaxin Securities signed an equity transfer contract on Aug. 1 to move the 2% stake in Morgan Stanley Huaxin Securities to the US bank, according to a statement dated Aug. 2 filed to the Shanghai Stock Exchange by Huaxin's parent, Shanghai China Fortune Co. Morgan Stanley, which currently owns 49% of the JV, was the only bidder, the filing said.

US FTC probes Facebook's acquisition practices - WSJ

(Reuters) The US Federal Trade Commission is investigating whether Facebook Inc acquisitions were aimed at buying up potential rivals before they could become a threat to the social media company, the Wall Street Journal reported on Thursday, citing people familiar with the matter. The company's acquisition practices are the main focus of the probe, as the FTC looks into Facebook buying technology-based startups to keep them from challenging it, the report said. The world's largest social network has purchased nearly 90 companies since 2003, according to data provided by S&P Global. Those include messaging service WhatsApp and image sharing app Instagram, both of which have since grown into social behemoths in their own right.

Boeing to change 737 MAX flight-control software to address flaw: sources

(Reuters) Boeing Co plans further changes to the software architecture of the 737 MAX flight-control system to address a flaw discovered after a test in June, two people briefed on the matter said late on Thursday. The redesign, first reported by the Seattle Times, involves using and receiving input from both flight control computers rather than one. The move comes in response to an effort to address a problem discovered in June during a FAA simulator test.

Aviva is said to weigh options for Asian unit including sale

(Bloomberg) Aviva Plc is considering options for its Asian business including a possible divestment of the unit as its new chief executive officer seeks to overhaul the British insurer, people familiar with the matter said. The Asian assets could be valued at about \$3 billion to \$4 billion and a formal process could kick off later this year, the people said, asking not to be identified because the deliberations are private. While Aviva is exploring options with potential advisers, the discussions are at an early stage and no final decisions have been made, they said. Several rival insurers have signaled interest in the business, though some potential bidders would only want to acquire parts of the division, the people said. A representative for Aviva declined to comment.

GM profit beats estimates as trucks make up for slower sales

(Bloomberg) General Motors Co. is looking like a port in the storm as new trucks and cost-cutting efforts pad profit in the midst of slowing industry sales. While adjusted earnings slipped from a year earlier to \$1.64 a share, GM easily beat analysts' average estimate for \$1.45 and maintained its outlook for a stronger second half. Chief Executive Officer Mary Barra continues to expect near-record profit for 2019 as revamped heavy-duty pickups begin rolling into showrooms. "Our results demonstrate the earnings power of our full-size truck franchise, with more upside to come," Barra said in a statement. GM shares rose as much as 3.3% to \$41.67 shortly after the open of regular trading.

Shell profit misses as slowing economy hurts gas, chemicals

(Bloomberg) Royal Dutch Shell Plc got caught into the same earnings trap as many of its peers, reporting Q2 earnings that fell well short of expectations as the slowing global economy hit everything from natural gas to chemicals. Profit in Shell's integrated gas division was down by 25%, but earnings were lower across all of its businesses, including upstream oil and gas production, and refining and chemicals.

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