MARKETS TODAY

Tuesday, August 06, 2019

MARKETS IN BRIEF

- Investors took a breather today after the "Red Monday", when everything went down following U.S. naming China as currency manipulator. In attempt to calm the markets, the PBoC managed to strengthen the Yuan fixing below the threshold 7 per dollar. As a result, the Offshore yuan recovered after hitting 7.14 per dollar. It last traded closer to 7.05.
- Safe-haven assets retreated. Japanese yen dropped along with U.S. Treasuries and Spot Gold. U.S. 10-year yield hit earlier 1.6705%, low levels seen before U.S. elections in 2016. Now it is back to near 1.75%. Spot Gold reached a 6-year high of $1474.
- Aussie dollar rallied, while gaining further support from better-than -expected trade surplus, in addition to a RBA's "on hold" decision. NZ dollar jumped following a better-than-expected jobs report before paring gains. Traders will shift attention to RBNZ policy decision tomorrow at 5:00 LT, followed by a press conference.
- Oil prices also recovered after suffering in previous sessions. A U.S.-China trade war would directly affect global oil demand.
- U.S. stocks futures rebounded today. However, Asian stocks ended their session in the red area tracking heavy losses on Wall Street. The U.S. stocks posted yesterday their worst session for the year. S&P 500 has fallen for 6 consecutive sessions and is now about 6% below its record closing high on July 26.

FX & COMMODITIES	LAST	1D
EUR/$	1.1206	0.03%
GBP/$	1.2160	0.14%
AUD /$	0.6791	0.52%
$/JPY	106.43	-0.45%
$/CAD	1.3197	0.05%
Gold $	1463.95	0.02%
WTI $	55.26	1.04%
BRENT $	60.40	0.99%
AMERICA		
DOW JONES	25717.74	-2.90%
S&P 500	2844.74	-2.98%
NASDAQ	7726.04	-3.47%
EUROPE		
STXE 600	369.43	-2.31%
CAC 40	5241.55	-2.19%
DAX	11658.51	-1.80%
ASIA PACIFIC		
S&P/ASX 200	6478.10	-2.44%
NIKKEI 225	20585.31	-0.65%
CSI 300 (China)	3634.47	-1.12%
MENA		
Saudi Arabia	8465.25	-1.07%
Dubai	2777.38	-0.80%
Qatar	9924.87	-4.16%
BONDS		
U.S. 10-year	1.7394	0.0319
German Bund 10-yr	-0.5300	-0.0140
AU 10-year	1.0410	-0.0440

China is a "currency manipulator"

The Trump administration formally labeled China a currency manipulator, further escalating its trade war with Beijing after the country's central bank allowed the yuan to fall in retaliation for new US tariffs. While the Treasury Department's determination is largely symbolic -- the potential penalties are less punitive than the steps Trump has already taken against China -- it underscores how rapidly the relationship between the world's two largest economies is deteriorating. China's currency broke the 7 per dollar level on Monday for the first time since 2008, unleashing tumult across global markets. The S&P 500 Index saw its biggest drop of the year, and havens including Treasuries and the yen soared.

... China acting to limit Yuan's plunge

China took steps to slow the yuan's descent as the effects of Monday's tumble continued to weigh on markets. The People's Bank of China set the daily currency fixing stronger than analysts expected and announced the planned sale of yuan-denominated bonds in Hong Kong. The moves, which came hours after the US labeled the country a currency manipulator, helped drive the offshore yuan higher. China's currency broke the 7 per dollar level on Monday for the first time since 2008, unleashing tumult across global markets.

RBA leaving rates on hold

Australia's central bank held rates at an all-time low of 1% on Tuesday as it weighed the impact of past easing, though markets are wagering the tide of policy stimulus sweeping the world will compel it to cut again before year-end. The RBA cuts in June and July have struggled to gain traction in the face of hard-pressed consumers at home and global uncertainty cast by the Sino-US trade dispute. RBA Gov. Lowe acknowledged there might be more to do, adding it was "reasonable" to expect lower for longer rates to help boost employment growth and inflation.

A "no deal" Brexit won't pass easily

Opponents of Boris Johnson's threat to crash out of the EU without a deal on Oct. 31 are hardening their plans to stop him as the new UK prime minister seeks to build support with a series of targeted spending pledges. Opposition Labour Party leader Jeremy Corbyn signaled he will call a vote of no-confidence when Parliament returns next month while rebel MP Dominic Grieve said a growing number of his fellow Conservatives will turn against Johnson as the premier's "no-ifs-no-buts" Halloween deadline for leaving the bloc approaches.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.17	**-1.12%**
SOLIDERE—B	6.15	**-1.13%**
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.80	-
BLOM BANK	7.30	-
BYBLOS BANK	1.18	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

China's tumbling yuan steadied on Tuesday as authorities took steps to contain its slide while stocks plunged after Washington labelled Beijing a currency manipulator, marking a sharp escalation in US trade tensions. The currency has slumped 2.3% over the past three days and broken past the symbolic 7-per-dollar level, pounding stocks and pushing bonds higher as investors feared the yuan's value has become a new front in the US-China trade war. On Monday, US Treasury Secretary Steven Mnuchin said Washington would designate China a currency manipulator, its first such move since 1994, sending both the onshore and offshore yuan to record lows. The People's Bank of China's firmer-than-expected yuan fixing on Tuesday helped pull the currency away from these lows as did an announced bond sale in the offshore market, seen as signs authorities wanted to stem the rout. The yuan dropped to the record low in offshore trade early in Asia, after Mnuchin's announcement, before bouncing to steady around 7.0642 per dollar. The PBOC fixed the yuan midpoint, which sets the point around which the currency is allowed to trade, at 6.9683 per dollar, firmer than market expectations. The PBOC's announcement of a sale of 30bn yuan ($4.25bn)

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worth of yuan-denominated bills in Hong Kong also suggested the central bank was soaking up cash to prevent speculative short-selling. The currency opened onshore trade at 7.0699 per dollar, then firmed to 7.0629. The offshore yuan fell to as low as 7.14 per dollar before coming back as far as 7.0594. However, the currency's stabilization on Tuesday was not enough assuage markets, but did halt their slide by midsession. The Shanghai Composite Index .fell over 2% to 2,733.92, touching its lowest level since February, while Hong Kong's Hang Seng Index hit it's lowest since January before paring some of the losses. Chinese policy sources had told Reuters that the currency was allowed to slide so markets could factor in concerns over the tussle between the world's two largest economies, especially after President Donald Trump announced new tariffs last week.

The Australian dollar climbed the most in two weeks after PBOC sets a stronger yuan fix, easing concern about a US-China currency war. AUD holds gains as RBA leaves rates unchanged. Bond yields climb from record lows as trade resumes after a holiday. AUD/USD rose 0.52% to 0.6791 after dropping to a 7-month low of 0.6748 on Monday. Aussie was also boosted as a report showed the trade surplus swelled to A$8b in June, from a revised $6.2b the previous month. Aussie 10- year yields were 5bps lower at 1.04%. They earlier dropped as much as 12bps to a record 0.968% as cash markets reopened after Monday's bank holiday. RBA left its cash rate at 1% as economists forecast, and said rates should stay low to reduce unemployment and make progress toward its inflation target.

The New Zealand dollar jumped by 0.5% to $0.6562, its biggest daily gain in three weeks, after New Zealand's jobless rate fell to an 11-year low. The Reserve Bank of New Zealand is expected to cut interest rates to a record low of 1.25% on Wednesday, but strong unemployment data suggests the economic is not as bad as some had speculated.

The Japanese yen swung to a loss after China set a stronger-than-expected yuan reference rate, helping to cool fears of a currency war. The Japanese currency fell against all of its Group-of-10 peers, while other haven assets including Treasuries and gold were also sold. USD/JPY rose 0.45% to 106.43, reversing a decline of as much as 0.4%.

Oil prices rose 1% on Tuesday as traders betting on falling prices bought back contracts to lock in profits after declines over the last three sessions due to escalating trade tensions between China and the US. Brent prices plunged more than 8% in the three sessions from their close on July 31. Brent fell more than 3% on Monday as traders worried the ongoing trade dispute between the world's two biggest oil buyers would dent demand, helping to prompt Tuesday's short-covering. Brent crude had climbed or 1%, to $60.40 earlier dipping to their lowest since Jan. 14 at $59.07. West Texas Intermediate (WTI) crude futures rose 1.04%, to $55.26 per barrel.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—16:30	FOMC Member Evans speaks		
USD—17:00	US IBD/TIPP Economic Optimism	54.6	56.6
USD—19:00	FOMC Member Bullard speaks		

Wednesday: *RBNZ Policy Decision + Press Conference, French Trade Balance, UK Halifax HPI*

Thursday: *China Trade Balance, ECB Economic Bulletin*

Friday: *RBA Gov. Lowe speaks, RBA policy meeting statement, China Inflation, UK GDP and Manufacturing Production, Canada Jobs Report, US PPI*

CURRENCIES	LAST	1D	YTD
DXY	97.570	0.05%	1.45%
EUR/$	1.1206	0.03%	-2.28%
GBP/$	1.2160	0.14%	-4.66%
AUD /$	0.6791	0.52%	-3.66%
NZD/$	0.6546	0.28%	-2.57%
$/JPY	106.43	-0.45%	3.06%
$/CAD	1.3197	0.05%	3.33%
$/CHF	0.9744	-0.09%	0.79%
$/SEK	9.5922	0.13%	-7.70%
$/NOK	8.9018	0.31%	-2.93%
$/DKK	6.6606	0.02%	-2.24%
$/TRY	5.5410	0.55%	-4.54%
EUR/GBP	0.9215	0.12%	-2.45%
EUR/JPY	119.26	-0.47%	5.51%
EUR/CHF	1.0918	-0.12%	3.09%
COMMODITIES	**LAST**	**1D**	**YTD**
Gold Spot $/Oz	1463.95	0.02%	14.15%
Silver Spot $/Oz	16.43	0.22%	6.05%
Platinum Spot $/Oz	855.91	0.04%	7.57%
Palladium Spot $/Oz	1428.03	0.37%	13.18%
COPPER $/lb	255.50	0.43%	-3.38%
WTI $/bbl	55.26	1.04%	21.69%
BRENT $/bbl	60.40	0.99%	12.27%

EQUITIES & BONDS

US stock-index futures rebounded, erasing earlier declines, after China's central bank set its currency fixing stronger than expected. S&P 500 Index futures contracts expiring in September rose as much as 0.7% as the yuan steadied. US futures gained after the People's Bank of China set its daily reference rate at 6.9683 per dollar on Tuesday. That compared with an estimated 6.9871, according to the average of forecasts by 19 traders and analysts in a Bloomberg survey.

Euro zone government bond yields slid back towards recent lows on Tuesday as investors remained cautious on risk after the US branded China a currency manipulator, escalating their trade war. Safe-haven bond yields fell, while global stocks extended already substantial losses on Tuesday, after Washington designated Beijing a currency manipulator. Euro zone bond yields extended Monday's declines, which came after China allowed its currency to weaken, pushing both Dutch 30-year and Irish 10-year bonds below zero for the first time. Analysts say the escalation increases pressure on the US Federal Reserve to ease monetary policy. The Fed cut US interest rates last week as insurance against the effects of "simmering" trade tensions. Interest rate futures now show traders see nearly a 40% chance the Fed will cut rates half a percentage point next month, up from less than 2% on Friday and 30% earlier Monday. Markets are still pricing in a 100% chance that the European Central Bank will cut rates by 10 basis points at its next meeting. MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.75% after brushing its lowest

EQUITIES & BONDS

since January. It has lost 3.7% so far this week. The Shanghai Composite Index retreated 1.4%. Japan's Nikkei shed 0.7%, Australian stocks fell 2.3% and South Korea's KOSPI slid 0.9%.

US stocks posted their biggest percentage drop of the year on Monday, as a fall in the yuan following Trump's vow to impose additional tariffs on Chinese goods sparked fears of further escalation of the US-China trade war. While stocks pared losses in the last hour of trading to finish off their session lows, the benchmark S&P 500 fell about 3% to notch its biggest 1-day percentage decline since Dec. 4. The S&P 500 has fallen for six consecutive sessions and is now about 6% below its record closing high on July 26. On Twitter, Trump called the action a "major violation" and "currency manipulation." A weaker yuan and a stronger dollar pose challenges for US companies that do substantial business in China by effectively raising the cost of their goods for Chinese customers. Adding to the tensions, China's Commerce Ministry said Chinese companies have stopped buying US agricultural products and that China will not rule out imposing import tariffs on US farm products that were bought after Aug. 3. Shares of S&P 500 technology companies, which are heavily exposed to Chinese markets, dropped 4.1%. Apple Inc shares slid 5.2% as analysts warned that the newly proposed tariffs may hurt demand for the iPhone, while the Philadelphia semiconductor index dropped 4.4%. The Cboe Volatility Index, an options-based gauge of investor anxiety, rose 6.98 points to 24.59, its highest in about seven months. No. 1 US meat processor Tyson Foods Inc provided one bright spot. Its shares rose 5.1% after the company beat quarterly profit estimates.

Gulf stock markets tumbled on Monday. Qatari index suffered its biggest single-day loss as a new war of trade between the US and China drove investors towards safer assets. Investors are also cashing in their positions ahead of a religious holiday starting from Sunday. US-China trade war could limit crude demand, caused oil prices to fall, handing yet another reason for oil-reliant Middle East markets to worry.

COMPANY NEWS HEADLINES

- Marriott International Inc on Monday cut its full-year outlook for a key revenue measure that indicates pricing power as the world's largest hotel chain faces the impact of weakening business travel due to slowing global economic growth.
- Local media company New Media Investment Group said on Monday it will buy USA Today-owner Gannett Co in a $1.4bn deal, creating the biggest newspaper owner in the US as publishers struggle with readers shifting to online sources for news.
- US oil producer Continental Resources Inc reported a 19.7% fall in quarterly adjusted profit on Monday as weaker crude and natural gas prices more than offset a rise in overall production.
- The Dupixent product developed by French healthcare company Sanofi and its US partner Regeneron has won regulatory approval in Europe for moderate-to-severe cases of eczema in adolescents, the companies said.
- US-Israeli cyber security provider Cybereason said on Tuesday it raised $200mn from Japan's Softbank and its affiliates, bringing the company closer to an initial public offering.
- Brazil's Marfrig Global Foods SA, the world's largest hamburger producer, said on Tuesday it has reached an agreement with US-based Archer Daniels Midland Co to produce and market vegetable protein products in Brazil.
- Australia's Aveo Group said on Tuesday that Brookfield Asset Management Inc had offered A$1.27bn ($859.4mn) in cash to acquire the retirement-home operator.

AMERICA	LAST	1D	YTD
DOW JONES	25717.74	-2.90%	10.25%
S&P 500	2844.74	-2.98%	13.48%
NASDAQ	7726.04	-3.47%	16.44%
S&P/TSX	16271.66	-0.64%	13.61%
EUROPE	**LAST**	**1D**	**YTD**
STXE 600	369.43	-2.31%	9.41%
FTSE 100	7223.85	-2.47%	7.37%
CAC 40	5241.55	-2.19%	10.80%
DAX	11658.51	-1.80%	10.41%
ASIA PACIFIC	**LAST**	**1D**	**YTD**
S&P/ASX 200	6478.10	-2.44%	14.73%
NIKKEI 225	20585.31	-0.65%	2.85%
TOPIX	1499.23	-0.44%	0.34%
CSI 300 (China)	3634.47	-1.12%	20.72%
MENA	**LAST**	**1D**	**YTD**
Saudi Arabia	8465.25	-1.07%	8.16%
Abu Dhabi	5065.98	-0.34%	3.07%
Dubai	2777.38	-0.80%	9.79%
Qatar	9924.87	-4.16%	-3.63%
10-YEAR BONDS	**LAST**	**1D**	**YTD**
U.S.	1.7394	0.0319	-0.9448
Germany	-0.5300	-0.0140	-0.7720
U.K.	0.5020	-0.0100	-0.7750
Australia	1.0410	-0.0440	-1.2770

TOP SELECTED NEWS

More flexible yuan could be positive for China's credit rating - Fitch

(Reuters) A freer-floating yuan could be a positive for China's sovereign credit rating, agency Fitch said on Tuesday, by helping preserve its foreign exchange reserves and cushioning some of the negative effects of US trade tariffs. Andrew Fennell, a director in Fitch's sovereign ratings arm, said Monday's fall in the yuan past the seven-per-dollar level was "not meaningful from a sovereign credit perspective." "In fact, to the extent that moves are orderly and do not destabilize currency expectations or precipitate capital outflows, greater currency flexibility could even be viewed as positive from a credit perspective."

Emerging debt, stocks suffer biggest daily outflows of 2019 on Friday: IIF

(Reuters) Emerging market debt and equities suffered their biggest outflows of 2019 on Friday with hefty losses continuing on Monday amid a sharp escalation of Sino-US trade tensions, data from the Institute of International Finance showed (IIF). Analyzing high frequency data from local stock exchanges and debt offices, the IIF, found that $2.33bn of portfolio money had been pulled from developing bond and stock markets on Friday - the largest daily outflows of the year. "Friday's Trade Tantrum II is now the 5th worst day for EM flows since (early) 2018," the IIF said.

TOP SELECTED NEWS

Meanwhile, partial flow data for Monday showed that developing fixed income and equities had hemorrhaged another $1.43bn already even before trading in the Americas was added.

German factory orders rebound on foreign investment demand

German factory orders rebounded more than expected, after an onslaught of bad news coming out of Europe's largest economy. Orders rose 2.5% in June, compared with a median estimate for a gain of 0.5%, bolstered by demand for investment goods from outside the euro area. Orders were still 3.6% lower than last year. Figures on German factory orders tend to be volatile and Tuesday's release is unlikely to be a turning point in an ongoing manufacturing slump. Investor confidence fell to its lowest level since 2009 in August, and unemployment last declined in April. The downturn in orders slowed markedly in Q2, the Economy Ministry said in a statement.

JPMorgan confirms winning bid to take majority stake in China fund JV

(Reuters) JPMorgan confirmed it had won an auction to hold a majority equity stake in its Chinese asset management joint venture (JV), becoming the first foreign firm to move closer to taking control of an onshore funds business under new rules. The move comes against the backdrop of a rapid escalation in the US-China trade conflict, with Washington designating Beijing a currency manipulator and US President Donald Trump vowing to impose 10% tariffs on the remaining $300bn of Chinese imports from Sept. 1. A 2%% stake in the JPMorgan China fund management JV, China International Fund Management (CIFM), changed hands on Friday in an auction at the Shanghai United Assets and Equity Exchange, a deal post on the exchange showed.

Luxury department store Barneys files for bankruptcy: New York Times

(Reuters) US luxury department store chain Barneys New York Inc filed for Chapter 11 bankruptcy protection to restructure its business and pursue a sale, the New York Times reported early on Tuesday. Barneys struck a deal for $75mn in additional financing with two firms, Gordon Brothers and Hilco Global, to help it keep operating while it navigates bankruptcy court, according to the newspaper report. The company plans to close stores in 15 of its 22 locations, including those in Chicago, Seattle and Las Vegas, as well as most of its outlets, it added.

WeWork obtains commitments for US$6bn IPO-linked debt

(Reuters) Workspace provider WeWork has obtained commitments from at least 10 banks for US$6bn in credit facilities that remain contingent on the company's ability to push through with its planned initial public offering, sources told LPC. JP Morgan is leading the transaction, while Bank of America Merrill Lynch, Goldman Sachs, Morgan Stanley, Citigroup, Wells Fargo, Credit Suisse, Barclays, UBS, Deutsche Bank and HSBC have also been invited to the financing, according to sources. By close of business on Monday, at least 10 banks had committed either US$500m or US$750m each to the loans.

Jeff Bezos sells Amazon stock worth $2.8bn last week

(Reuters) Amazon.com Inc CEO Jeff Bezos offloaded $990mn worth of shares in the company last Thursday and Friday, taking the total value of shares sold last week to $2.8bn. In the last three days of July, Bezos has sold stock worth about $1.8bn, regulatory filings. Amazon declined to comment on Bezos' stock sale. The move comes as part of a previously announced 10b5-1 trading plan. Bezos had previously said he plans to sell stock worth about $1bn each year to fund his rocket company, Blue Origin. Bezos' former wife, Mackenzie Bezos, who currently owns Amazon stake worth more than $37bn, is now the online retailer's second largest individual shareholder.

Apple will provide special iPhones for hackers to test and offer Mac bug bounty, sources say

(Forbes.com) From a cybersecurity perspective, it appears so. Later this week, at the Black Hat security conference in Las Vegas, Apple is to announce plans to give security researchers special iPhones that will make it easier for them to find weaknesses in the smartphone, Forbes has learned. It'll also be announcing an Apple Mac bounty, so anyone who can find security issues in macOS will get rewarded, sources claimed. Apple declined to comment.

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