

MARKETS TODAY

Wednesday, August 07, 2019

MARKETS IN BRIEF

- Global markets remained jittery over U.S.-China recent trade war escalations. The Chinese yuan weakened after the PBoC set the fixing closer to 7 per dollar.
- Safe-haven assets went higher. The Japanese yen rose while Spot Gold got closer to \$1500 per ounce. It hit earlier \$1491, its highest since April 2013 (6.3-year low). U.S. Treasuries also rose while pushing the 10-year yield to 1.6569%, its lowest since Oct 4, 2016.
- German 10-year bund yield hit -0.572%, new all-time lows, on increased economic concerns in the EU, beside global trade war.
- NZ dollar slumped after the RBNZ surprised the markets with a 50 bps rate cut. NZ dollar dropped around 2.3% to hit \$0.6378, its lowest since January 2016 (3.5-year low).
- Australian dollar recovered to trade back above \$0.67 level. The currency fell below its January flash-crash low to hit \$0.6677, its weakest since March 2009, on speculation that the RBA might follow the RBNZ.
- Asian shares fell for 8th straight session while U.S. futures traded lower. The U.S. stocks recovered in yesterday's trading session.
- Most Gulf stock markets dropped yesterday. Qatari index closed down 1.5%, after slumping on Monday 4.2%, its biggest 1-day loss in 2 years.

RBNZ cutting rates by 50 bps

New Zealand's central bank stunned markets on Wednesday by cutting interest rates a steep 50 bps and even flagged the risk of going nuclear by taking rates below zero, a radical shift that drove its currency to 3.5-year lows. Seemingly trying to get ahead of policy easings in the US and Australia, the RBNZ slashed its official cash rate (OCR) to a record trough of 1% and opened the door to truly drastic action. Minutes of the RBNZ's meeting highlighted how alarmed they had become by the recent escalation in the Sino-US trade dispute, fearing its deadening impact on investment and growth. The committee drove home its dovish message by predicting there was no chance of a hike until late 2021, a lower for longer outlook that was also recently adopted by the Reserve Bank of Australia (RBA).

FX & COMMODITIES	LAST	1D
EUR/\$	1.1191	-0.07%
GBP/\$	1.2168	-0.02%
AUD /\$	0.6726	-0.52%
\$/JPY	106.29	0.17%
\$/CAD	1.3290	-0.07%
Gold \$	1486.50	0.82%
WTI \$	53.72	0.17%
BRENT \$	58.93	-0.02%
AMERICA		
DOW JONES	26029.52	1.21%
S&P 500	2881.77	1.30%
NASDAQ	7833.27	1.39%
EUROPE		
STXE 600	367.71	-0.47%
CAC 40	5234.65	-0.13%
DAX	11567.96	-0.78%
ASIA PACIFIC		
S&P/ASX 200	6519.46	0.64%
NIKKEI 225	20516.56	-0.33%
CSI 300 (China)	3621.43	-0.41%
MENA		
Saudi Arabia	8394.07	-0.84%
Dubai	2812.94	0.57%
Qatar	9777.47	-1.49%
BONDS		
U.S. 10-year	1.6886	-0.0137
German Bund 10-yr	-0.5580	-0.0220
AU 10-year	0.9580	-0.0830

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Yuan being supported by state banks—Reuters

China's state banks have been active in the onshore yuan forwards market this week, using swaps to tighten dollar supply and support the Chinese currency, four sources with knowledge of the matter told Reuters. The spot value of the yuan has fallen sharply this week against the dollar as tensions between China and the US escalated and prompted fears that their trade war could shift into a currency war. The sources said banks had conducted significant amounts of buy-sell swaps in the onshore market on Tuesday.

Trump dismissing trade fears

US President Donald Trump dismissed fears of a protracted trade war with China on Tuesday despite a warning from Beijing that labeling it a currency manipulator would have severe consequences for the global financial order. Trump tweeted that "massive amounts of money from China and other parts of the world" were pouring into the US economy. He also pledged to stand with American farmers in the face of Chinese retaliation. China has halted US agricultural purchases and raised the possibility of additional tariffs on US farm products.

Trade war weighing on German economy

German industrial output fell more than expected in June, driven by weaker production of intermediate and capital goods, adding to signs that Europe's biggest economy contracted in Q2 as its exporters get caught in trade disputes. Industrial output dropped by 1.5% on the month, figures released on Wednesday. US and China are important export destinations for German companies, which means that the tit-for-tat tariff dispute between the world's two largest economies is also having a disproportionately large impact on Germany.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.10	-1.13%
SOLIDERE—B	6.12	-0.49%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.79	-0.26%
BLOM BANK	7.30	-
BYBLOS BANK	1.18	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The US dollar fell against the yen and the yuan weakened, in a sign investors remain wary that China's currency policy has become a new flashpoint in its trade war with the US. The yuan eased against the dollar in offshore trade on Wednesday after the People's Bank of China set its official midpoint not much firmer than its previous close. China's currency also opened weaker against the dollar in onshore trade. The world's two-largest economies are locked in a bitter trade dispute that rapidly escalated late last week when Trump said he would impose more tariffs on Chinese goods. China responded on Monday by allowing its currency to weaken past the psychologically important line of 7 per dollar, which immediately prompted Washington to label Beijing a currency manipulator. Market sentiment has deteriorated rapidly as a result, which would support the safe-haven yen and hasten yuan declines as there appears to be no quick resolution to the US-Sino conflict. Risk sentiment took a further hit after the Reserve Bank of New Zealand stunned traders by cutting interest rates more than expected, highlighting the growing concern policymakers have about the global economy. The dollar fell 0.17% to 106.29 yen in Asian trading. On

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FX & COMMODITIES

Tuesday, the greenback rallied from a low of 105.51 yen to as high as 107.07 yen in a volatile session sparked by worries about China's currency policy. Revived concerns about trade frictions tend to push demand for the safe-haven yen higher. The offshore yuan fell to 7.0701 per dollar, not far from 7.1397, the lowest since international trading in the currency began in 2010. China's state banks have been active in the onshore yuan forwards market this week, using swaps to decrease the supply of dollars, four sources with knowledge of the matter told Reuters. The moves by state banks help reduce the supply of dollars that the market can access to short-sell the yuan. The dollar index, which measures the greenback against six major currencies, was little changed on Wednesday at 97.644. Trump dismissed fears of a protracted trade war with China on Tuesday, but Beijing has sent strong warnings that labeling it a currency manipulator would have severe consequences for the global financial order. Spot gold, which is usually bought in times of economic uncertainty because of its safe-haven status, rose 0.82% to \$1,486.50 an ounce. Prices on 10-year US Treasuries, another safe asset, also rose pushing yields down to 1.6569%, close to the lowest in almost three years. The euro stood at \$1.1191, little lower on the day.

New Zealand dollar slumped the most since June 2016 after the central bank cut its benchmark interest rate by a deeper-than-expected 50 bps. Kiwi slid as much as 2.3% against the greenback as the Reserve Bank of New Zealand lowered its key rate to a record 1%, saying the move was aimed at reviving inflation. NZD/USD was 1.66% weaker at 0.6417 after sliding to 0.6378, its lowest since January 2016. New Zealand's 10-year bond yield slid as much as 17 basis points to an all-time low 1.128%.

Australian dollar dropped to its lowest in a decade on speculation the central bank will follow its New Zealand counterpart in delivering a bigger-than-expected interest-rate cut. The Aussie slumped as much as 1.2% to 66.77 US cents, breaching the low of 67.41 cents set during the January flash crash. Australia's three-year bond yield tumbled 7 bps to a record 0.631%, falling further below the central bank's policy rate of 1%. With markets becoming jittery over the worsening US-China trade dispute and Trump demanding more easing from the Fed, traders are starting to speculate about a cycle of competitive rate cuts.

Oil prices dipped on Wednesday as potential damage to the global economy and fuel demand from the intensifying Sino-U.S. trade dispute continued to cast a shadow over the market. International benchmark Brent crude futures were at \$58.93 a barrel, flat and trading near 7-month lows. U.S. West Texas Intermediate (WTI) crude futures were down up 0.17%. Brent prices have plunged more than 9% in the past week after Trump's trade escalations.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—16:30	FOMC Member Evans speaks		
USD—17:30	EIA weekly report		
USD—20:01	US 10-year bond auction		2.06-2.4

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

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CURRENCIES	LAST	1D	YTD
DXY	97.644	0.01%	1.53%
EUR/\$	1.1191	-0.07%	-2.41%
GBP/\$	1.2168	-0.02%	-4.59%
AUD /\$	0.6726	-0.52%	-4.58%
NZD/\$	0.6417	-1.66%	-4.49%
\$/JPY	106.29	0.17%	3.20%
\$/CAD	1.3290	-0.07%	2.61%
\$/CHF	0.9777	-0.13%	0.45%
\$/SEK	9.5877	-0.01%	-7.66%
\$/NOK	8.9108	-0.02%	-3.03%
\$/DKK	6.6700	-0.07%	-2.38%
\$/TRY	5.5057	0.29%	-3.93%
EUR/GBP	0.9197	0.08%	-2.26%
EUR/JPY	118.96	0.24%	5.78%
EUR/CHF	1.0942	-0.05%	2.87%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1486.50	0.82%	15.91%
Silver Spot \$/Oz	16.74	1.79%	8.04%
Platinum Spot \$/Oz	856.94	0.50%	7.70%
Palladium Spot \$/Oz	1442.78	-0.05%	14.34%
COPPER \$/lb	256.55	0.31%	-2.99%
WTI \$/bbl	53.72	0.17%	18.30%
BRENT \$/bbl	58.93	-0.02%	9.54%

EQUITIES & BONDS

Germany's 10-year bond yield fell to new record lows deep in negative territory on Wednesday as a bigger-than-expected interest rate cut in New Zealand and weak German data gave further impetus to a relentless rally in bond markets. While some calm has returned to world markets after a ratcheting up in US-China trade tensions in the past week, fixed income markets continue to benefit from the expectation that a bitter trade war raises global recession risks and strengthens the case for monetary policy easing. New Zealand's central bank stunned markets by cutting its official cash rate by a bigger-than-expected 50 bps, and looked set to keep policy lower for longer in the face of growing economic risks. Germany's benchmark 10-year bond yield fell to a record low of minus 0.56%, taking its falls so far this year to a hefty 80 basis points. At this stage, it is on track for its biggest annual fall since 2014. The Dutch 10-year bond yield also hit a new all-time low, at minus 0.44%, while other 10-year bond yields in the bloc were 2-4 bps lower on the day. Analysts said the weak German industrial production data raised the risk that German economy most probably shrank in Q2.

Asian shares fell for an eighth straight session on Wednesday on lingering worries over the escalating US-China trade war, but losses and nerves were soothed somewhat by White House assurances that it wants to press ahead with negotiations. Signs that China is stepping in to steady the yuan after its recent sharp fall also helped ease investors' fears of a possible global currency war, though the yuan slipped further in morning trade, keeping markets guessing.

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EQUITIES & BONDS

MSCI's broadest index of Asia-Pacific shares outside Japan was little changed in early trade but turned lower and was down 0.2%. Japan's Nikkei slid 0.33% on worries that a stronger yen will put more pressure on its struggling exporters. Shares in Shanghai were little changed after heavy selling in the previous sessions, but Hong Kong's Hang Seng index (HSI) fell 0.4% in the morning. Still, selling pressure was mild compared with the last few sessions, when trade tensions intensified by the day. MSCI Asia ex-Japan has tumbled 8.3% in its latest losing streak. S&P e-mini futures fell 0.5%.

US stocks jumped more than 1% on Tuesday, bouncing back from a sharp sell-off the previous day as China stepped in to stabilize the yuan, easing concerns that currencies would be the next weapon in the US-China trade war.

China's move to fix the yuan at a slightly stronger rate and White House economic adviser Larry Kudlow's comment that President Donald Trump was planning to host a Chinese delegation for talks in September allayed fears of a further escalation in the trade war. The S&P technology index, which includes companies that have a big exposure to China and were at the heart of Monday's sell-off, provided the biggest boost to the S&P index, rising 1.61%. The S&P 500 and Nasdaq each snapped a six-day losing streak. Stocks had been reeling from last week's shock when Trump vowed to slap a 10% tariff on a further \$300bn in imports from China. After the bell, shares of Walt Disney fell 2.6% following the release of its quarterly results. During the regular session, Apple Inc gained 1.9% after recent heavy losses, while the Philadelphia Semiconductor index edged 1.28% higher. Among other stocks, Take-Two Interactive Software Inc jumped 8.0% after the videogame publisher raised its full-year revenue forecast.

Major Gulf stock markets fell on Tuesday, led lower by financial stocks and mirroring losses in global markets. Qatari index, which posted its biggest fall in two years on Monday when it plunged 4.2% and wiped out all this year's gains, slid a further 1.5% to hit a six-session losing streak as 16 of its 20 companies traded lower.

COMPANY NEWS HEADLINES

- The US National Highway Traffic Safety Administration (NHTSA) sent a cease-and-desist letter to Tesla Inc last year for not complying with the agency's guidelines in its Model 3 safety assertions and subpoenaed the carmaker for information on several crashes, Bloomberg reported on Tuesday.
- Walt Disney Co on Tuesday missed Wall Street estimates for quarterly profit as heavy investments in its digital portfolio outweighed gains from the worldwide phenomenal success of "Avengers: Endgame".
- Chesapeake Energy Corp's shares reversed course on Tuesday to trade down nearly 12% as Wall Street analysts raised concerns about the oil and gas producer's debt level and the impact of spending on its cash flow.
- Glencore plans to halt production at one of the world's biggest cobalt mines, Mutanda in Congo, after prices for the metal collapsed and project costs rose, a person familiar said. The company is expected to release plans to overhaul its African mining with first-half earnings today.
- Walgreens Boots Alliance Inc said on Tuesday it plans to close about 200 US stores and expects to record related pre-tax charges of between \$1.9bn and \$2.4bn.
- Diamondback Energy Inc reported a 77% rise in quarterly adjusted profit on Tuesday, as the Permian-basin focused oil producer benefited from higher output.
- German broadcaster ProSiebenSat 1 Media reported a 4% rise in Q2 revenue as growth at its content and e-commerce divisions offset a slide in advertising at its core TV franchise.
- Devon Energy raised its full-year oil output forecast and beat estimates for quarterly profit on Tuesday, as the US oil/gas producer drilled more in Delaware basin and sold it at higher prices while keeping a tight lid on expenses.
- Mallinckrodt Plc suspended plans to spin off its specialty generics unit, citing opioid litigation uncertainties, and warned Acthar gel revenue was unlikely to exceed \$1bn this year, sending its shares down about 15% on Tuesday.

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AMERICA	LAST	1D	YTD
DOW JONES	26029.52	1.21%	11.58%
S&P 500	2881.77	1.30%	14.96%
NASDAQ	7833.27	1.39%	18.05%
S&P/TSX	16149.49	-0.75%	12.75%
EUROPE	LAST	1D	YTD
STXE 600	367.71	-0.47%	8.90%
FTSE 100	7171.69	-0.72%	6.59%
CAC 40	5234.65	-0.13%	10.65%
DAX	11567.96	-0.78%	9.56%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6519.46	0.64%	15.46%
NIKKEI 225	20516.56	-0.33%	2.51%
TOPIX	1499.93	0.05%	0.39%
CSI 300 (China)	3621.43	-0.41%	20.29%
MENA	LAST	1D	YTD
Saudi Arabia	8394.07	-0.84%	7.25%
Abu Dhabi	5110.27	0.58%	3.97%
Dubai	2812.94	0.57%	11.19%
Qatar	9777.47	-1.49%	-5.06%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.6886	-0.0137	-0.9956
Germany	-0.5580	-0.0220	-0.8000
U.K.	0.4880	-0.0270	-0.7890
Australia	0.9580	-0.0830	-1.3600

TOP SELECTED NEWS

UK's food industry urges legal change to coordinate no-deal Brexit response

(Reuters) Britain's food and drink industry has urged the government to waive aspects of competition law in the event of a disorderly Brexit to allow suppliers and retailers to coordinate the delivery of food across the country. The BBC quoted the Food and Drink Federation as saying it had repeatedly asked ministers for clarity on how the industry could respond if Britain leaves the European Union on October 31 without a deal, potentially disrupting the arrival of fresh food.

India c.bank cuts rates again to try to speed up growth

(Reuters) The Reserve Bank of India on Wednesday cut interest rates for a fourth straight meeting in 2019, taking advantage of mild inflation to expand its effort to boost an economy growing at its slowest pace in nearly five years. The RBI maintained its "accommodative" stance adding that addressing growth concerns by boosting aggregate demand was their highest priority now. The six-member monetary policy committee (MPC) cut the repo rate by 35 bps to 5.40%, slightly more than the 25 bps cut predicted by 80% of the 66 analysts polled by Reuters last month. The reverse repo rate was reduced to 5.15%.



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TOP SELECTED NEWS

Commerzbank says its profit target is at risk as outlook worsens

(Bloomberg) Commerzbank AG said it's becoming increasingly difficult to reach a target for higher profit this year after a tough first half for earnings and mounting risks to the economy, underscoring the challenges for Chief Executive Officer Martin Zielke as he prepares to update investors on his strategy. The German lender on Wednesday reported a fourth straight quarter of falling revenue amid a sudden reversal in expectations for interest rates and competition for corporate clients in its home market. The bank's key corporate clients unit was particularly hard hit.

HSBC interim CEO wants action from managers after Flint exit

(Bloomberg) HSBC Holdings Plc's interim chief said he wants "less process and more action" in his first call with senior managers after John Flint was abruptly ousted from the top job. "We need to be more granular in the execution plan to deliver," Noel Quinnsaid on a call with managers earlier Tuesday, according to remarks recounted to Bloomberg News. "We need to be honest with ourselves on what is working, and what is not." Quinn was head of HSBC's global commercial banking arm until the announcement of Flint's departure.

CBA joins global push to limit emissions by cutting coal exposure by 2030

(Reuters) Commonwealth Bank of Australia became the latest company to join a global push to reduce emissions and said it would phase out its exposure to thermal coal or power plants by 2030. The company announced a new environmental and social policy in its annual report released on Wednesday, emphasizing its commitment to bring emissions to net zero, in line with global goals set out in the 2015 landmark Paris climate agreement.

Disney to bundle Disney+, Hulu, ESPN+ at popular Netflix price

(Reuters) Walt Disney Co on Tuesday said it would offer a \$13-per-month bundle of its three streaming services starting in November, a move to attract audiences who have embraced digital services such as Netflix Inc. Disney's bundle includes family-friendly digital offering Disney+, sports service ESPN+, and Hulu, which will cater to adults, for a \$5-per-month discount.

Lanxess, Bayer sell chemical park operator to Macquarie for \$3.9 billion

(Reuters) German chemical groups Bayer and Lanxess have agreed to sell chemical park operator Currenta to Macquarie Infrastructure and Real Assets (MIRA) for an enterprise value of 3.5bn euros (\$3.9bn). That includes net debt and pension obligations and a related real estate portfolio that Bayer will transfer to Macquarie, the sellers said on Tuesday.

Mastercard to buy part of payments company Nets for \$3.19 billion

(Reuters) Mastercard Inc said on Tuesday it would buy a majority of the corporate services businesses of Scandinavian payments group Nets for about 2.85bn euros, furthering its push into the Nordic markets. The acquisition includes the clearing and instant payment services, and e-billing solutions of Nets' corporate services business.

US FDA says some data testing Novartis' \$2 million gene therapy was manipulated

(Reuters) The US Food and Drug Administration said on Tuesday that some data from early testing of Novartis' more than \$2mn gene therapy Zolgensma was manipulated, but the agency believes the treatment should remain on the market. The FDA said it is carefully assessing the situation.

Apple to restrict Facebook's messaging apps feature - The Information

(Reuters) Apple Inc is making a change to its mobile operating system that will restrict a feature that apps like Facebook Inc's Messenger and WhatsApp use to make voice calls over the internet, The Information reported on Tuesday. The calling feature in the apps runs in the background even when not in use, which means the apps can connect calls faster while performing other tasks such as data collection, according to the report.

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