

MARKETS TODAY

Thursday, August 08, 2019

MARKETS IN BRIEF

- Global markets started the day with a positive note, helped by better-than-expected Chinese exports data, in addition to calm move by the PBoC that set the yuan fixing stronger than anticipated.
- Australian dollar recovered from 10-year lows hit yesterday. Investors shift attention to tomorrow's events: RBA Gov. Lowe speaks at 2:30 LT and the RBA release its statement at 4:30 LT. The NZ dollar also rebounded from heavy losses suffered because of RBNZ's surprising 50 bps rate cut.
- Safe-haven Japanese gave up most of the gains on easing market concerns. Spot Gold retreated but still close to the \$1500 level. The metal hit yesterday \$1510, its highest since April 12, 2013 (6.3-yr low). Spot Silver hit \$17.11, its highest since June 15, 2018.
- U.S. Treasuries also dropped pushing yields higher. The 10-year yield hit yesterday 1.5931%, its lowest since October 3, 2016. 30-year yield hit a low of 2.1216%, its lowest since July 11, 2016.
- Asian shares and U.S. futures rose today but traders remained cautious. U.S. stocks managed to end yesterday's session flat, after recovering from earlier steep losses.
- Oil prices jumped after their big slump yesterday. There were reports that producers might act to stop the fall in prices.

Trump attacking the Fed ... again

Trump stepped up his relentless assault on the Fed in a series of Wednesday morning tweets that renewed his demand for "bigger and faster" interest-rate cuts. "Incompetence is a terrible thing to watch, especially when things could be taken care of sooo easily. We will WIN anyway," he said. "It would be much easier if the Fed understood, which they don't, that we are competing against other countries, all of whom want to do well at our expense!" "Three more Central Banks cut rates." Our problem is not China - We are stronger than ever, money is pouring into the U.S. while China is losing companies by the thousands to other countries, and their currency is under siege - Our problem is a Federal Reserve.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1214	0.13%
GBP/\$	1.2176	0.27%
AUD /\$	0.6774	0.25%
\$/JPY	106.14	0.12%
\$/CAD	1.3283	0.15%
Gold \$	1498.05	-0.21%
WTI \$	52.52	2.80%
BRENT \$	57.42	2.12%
AMERICA		
DOW JONES	26007.07	-0.09%
S&P 500	2883.98	0.08%
NASDAQ	7862.83	0.38%
EUROPE		
STXE 600	368.60	0.24%
CAC 40	5266.51	0.61%
DAX	11650.15	0.71%
ASIA PACIFIC		
S&P/ASX 200	6568.15	0.75%
NIKKEI 225	20593.35	0.37%
CSI 300 (China)	3669.29	1.32%
MENA		
Saudi Arabia	8482.95	1.06%
Dubai	2832.16	0.03%
Qatar	9898.10	1.23%
BONDS		
U.S. 10-year	1.7223	-0.0119
German Bund 10-yr	-0.5640	0.0170
AU 10-year	0.9770	0.0190

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China's July exports surprisingly positive

China's exports unexpectedly returned to growth in July despite escalating U.S. trade pressure, but the rebound may be short-lived as Washington prepares to impose even more tariffs on Chinese goods. A sharp drop in the yuan currency this week may offer only scant relief for Chinese exporters. July exports rose 3.3% from a year earlier, the fastest since March, customs data showed on Thursday. But imports remained weak, declining 5.6% and highlighting still sluggish domestic demand. Still, the drop was less than an expected 8.3% and June's 7.3%.

Saudi Arabia might move to halt oil drop

Saudi Arabia has phoned other oil producers to discuss possible policy responses as oil prices fell to a seven-month low, a Saudi official said. The kingdom won't tolerate a continued slide in prices and is considering all options, the official said, asking not to be identified discussing private talks (Bloomberg). He didn't say what measures were being discussed. Saudi Arabia, the world's largest oil exporter, has already cut production more than required under the agreement between the Organization of Petroleum Exporting Countries and allies outside of the group.

Italian government at risk

Italian bonds fell on Thursday on concerns that renewed tensions within the country's ruling coalition could lead to its collapse or a cabinet reshuffle that would see the departure of the finance minister, who is well regarded by investors. The tensions reignited in public on Wednesday after the League voted against a 5-Star motion in parliament to end a major public construction project, a high-speed rail project linking Italy and France. The motion was lost but the reports in many Italian media outlets say League leader Matteo Salvini is pushing for some ministers.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.01	-1.48%
SOLIDERE—B	6.08	-0.65%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.79	-
BLOM BANK	7.30	-
BYBLOS BANK	1.15	-2.54%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The Chinese yuan steadied on Thursday after the central bank set the daily fixing stronger than analysts expected, providing some reassurance to traders rattled by a tumultuous week in markets. China's currency rose as much as 0.3% after the People's Bank of China set its daily reference rate at 7.0039 per dollar. While that was the first time since 2008 that the fixing was weaker than 7, it tracked earlier moves in the spot rate. China's daily currency fixing has become a hotly watched event after a weak reference rate on Monday helped trigger the biggest loss in the yuan since 2015 and spark concern about a global currency war. The latest move comes after the PBOC took steps to calm sentiment toward the yuan, reassuring foreign companies that the currency won't weaken significantly and planning to sell bonds in Hong Kong.

The Japanese yen was supported after global central banks startled markets with heavy rate cuts and threats of more to come as world economic risks grow, boosting the appeal of the safe-haven Japanese currency. Broadening expectations of global monetary easing are now weighing on currencies such as the dollar and the euro, providing

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the yen with further support. The yen was a tad firmer at 106.14 per dollar. It touched 105.500 overnight, its strongest level since Jan. 3, before pulling back slightly. A growing list of central banks have eased monetary policy in a bid to stave off negative effects of slowing global growth, while plunging yields have driven currencies lower. The euro traded at 119.04 yen after brushing a 28-month trough of 117.66 at the start of the week. Interest rates futures suggested traders are building bets the Fed would cut rates three more times by year-end to avert a recession. In the wake of such speculation, the 10-year US Treasury yield sank to a three-year low of 1.595% on Wednesday. The dollar index (DXY) against a basket of six major currencies stood little changed at 97.481 after dipping 0.1% overnight. The index rose to a 27-month high of 98.932 just a week ago after Fed Chairman Jerome Powell ruled out lengthy monetary easing, but it has since declined sharply on resurgent prospects of more rate cuts. The euro nudged up 0.13% to \$1.1214.

The New Zealand and Australian dollars clawed back some of their heavy losses from the previous session, although analysts said their longer term outlook remained bleak. On Wednesday, both currencies tumbled after the Reserve Bank of New Zealand stunned markets with a bigger than expected interest rate cut and flagged the possibility of negative rates. The New Zealand dollar on Wednesday tumbled to a 7-year low of 67.58 yen and was last at 68.52. The RBNZ's move on Wednesday was followed by central banks in Thailand and India signaling major concerns about the outlook of economic growth. The kiwi nudged up 0.12% to \$0.6454, following a slide to a 3-1/2-year low of \$0.6378 on Wednesday. The Australian dollar rose 0.25% to \$0.6774 after hitting \$0.6677 overnight, its lowest since March 2009, as RBNZ's rate cut fueled speculation that its Australian counterpart would soon follow. The Aussie was at 71.92 yen following a retreat to a decade-low of 70.74 yen on Wednesday. The escalation of the trade conflict between Washington and Beijing was seen hurting the long term economic fortunes of China, in turn damaging the prospects of antipodean countries which have deep commercial ties with the world's second largest economy.

Oil futures jumped more than \$1 a barrel on Thursday, recovering half of the nearly 5% losses in the previous session, on expectations that lower prices may lead to production cuts. Brent crude had rebounded to \$57.42 a barrel, up 2.12%, from its last close, while US West Texas Intermediate (WTI) crude futures jumped 2.80%, to \$52.52 a barrel. Both contracts fell to their lowest since January on Wednesday after a surprise build in US crude inventories added to worries that the China-US trade war could further dampen demand growth this year. Analysts said that crude prices were moving higher on Thursday on the expectation that Saudi Arabia, the world's biggest oil exporter, and other producers in the OPEC may take action to support the market by reducing supply.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—11:00	ECB Economic Bulletin		
USD—15:30	US Initial Jobless Claims	215k	215k
USD—17:00	US Final Wholesale Inventories MoM	0.20%	0.20%

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	97.481	-0.06%	1.36%
EUR/\$	1.1214	0.13%	-2.21%
GBP/\$	1.2176	0.27%	-4.53%
AUD /\$	0.6774	0.25%	-3.90%
NZD/\$	0.6454	0.12%	-3.94%
\$/JPY	106.14	0.12%	3.34%
\$/CAD	1.3283	0.15%	2.67%
\$/CHF	0.9744	0.10%	0.79%
\$/SEK	9.6203	-0.01%	-7.97%
\$/NOK	8.9389	0.17%	-3.33%
\$/DKK	6.6539	0.13%	-2.14%
\$/TRY	5.4751	0.35%	-3.39%
EUR/GBP	0.9211	0.15%	-2.40%
EUR/JPY	119.04	-0.02%	5.70%
EUR/CHF	1.0928	-0.04%	3.00%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1498.05	-0.21%	16.81%
Silver Spot \$/Oz	17.07	-0.24%	10.14%
Platinum Spot \$/Oz	859.46	-0.61%	8.02%
Palladium Spot \$/Oz	1417.95	-0.03%	12.38%
COPPER \$/lb	259.45	0.91%	-1.89%
WTI \$/bbl	52.52	2.80%	15.66%
BRENT \$/bbl	57.42	2.12%	6.73%

EQUITIES & BONDS

Asian shares were trying to piece together a rally on Thursday as Beijing reported surprisingly solid trade numbers while also limiting the fall in its yuan, offering a brief respite from fears of a global currency war. Data showed Chinese exports rose 3.3% in July from a year earlier, when analysts had looked for a fall of 2%. Imports also declined by less than expected, suggesting some resilience to the drawn-out Sino-US tariff struggle. Beijing helped by fixing the yuan at a firmer level than many had feared, even though it was beyond 7 per dollar level for the first time since the global financial crisis. Markets reacted by paring a little of their recent hefty losses. MSCI's broadest index of Asia-Pacific shares outside Japan bounced 0.9%, though it was still down more than 7% over the past two weeks. Japan's Nikkei edged up 0.537%, and away from 7-month lows, while Chinese blue chips rose 1.2%. E-Mini futures for the S&P 500 firmed 0.5% and EUROSTOXX futures 1%. Investors have increasingly come to fear the trade war will prove protracted enough to tip the world into recession, and have piled into bonds and gold as a hedge.

In the US, the S&P 500 recovered from steep early losses to end slightly higher on Wednesday as investors snapped up oversold shares and bond yields rebounded from significant lows that raised fears about a recession. Increasing worries over a global economic downturn and bets the Fed will have to pick up its pace of interest rate cuts pushed Treasury yields sharply lower early, with 10-year yields touching their lowest since October 2016. Ten-year yields began to cut their earlier decline in afternoon trading after a soft auction. During the session, the premium on 3-month



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Treasury bill rates over 10-year Treasury yields, a closely watched US recession indicator, was at its most elevated levels since March 2007. Financials were the biggest loser among S&P 500 sectors, down 1.2%, while the staples and materials indexes ended up more than 1% each. Investors also were attracted to some bargains in shares after the recent selloff. The S&P 500 is down 4.7% since its July 26 record high close. Interest rates futures suggested traders are building bets the Fed will cut interest rates three more times by year-end. Central banks in New Zealand, India and Thailand on Wednesday cut their lending rates amid growing fears that the US-China trade war could aggravate a slowdown in the global economy. Trade concerns re-emerged after President Donald Trump last week threatened to slap 10% levies on the rest of \$300bn of Chinese imports and called China a currency manipulator on Monday. The energy sector was down 0.8% after oil prices slid. On the plus side, CVS Health Corp shares climbed 7.5% after the drugstore chain raised its full-year profit forecast. Walt Disney Co dropped 4.9%, a day after its quarterly earnings missed analysts' forecast on higher investments in its streaming platform.

Gulf stocks rebounded from their recent losses on Tuesday as markets' renewed fears about an escalating global trade war eased. The recovery was led by financial shares. Abu Dhabi and Qatar's share indexes had suffered six days of straight losses each, while Saudi Arabia and Dubai's bourses retreated in the previous five and four consecutive sessions, respectively, on fears over the trade dispute between the world's two biggest economies.

COMPANY NEWS HEADLINES

- Insurer American International Group Inc reported a 17.6% rise in Q2 profit on Wednesday, boosted by improved underwriting in its general insurance business and higher investment income.
- Food giant Nestle on Thursday started selling Starbucks-branded coffee in mainland China, seeking to tap growth in a market where it says coffee consumption per capita remains low compared to global standards.
- Chevron Corp said on Thursday it has launched one of the world's largest carbon capture and storage projects, injecting CO2 into a deep reservoir under an island off Western Australia at its Gorgon LNG project.
- Media company Fox Corp reported quarterly results that beat Wall Street estimates on Wednesday, boosted by higher fees collected from cable and satellite operators and online distributors
- Deutsche Telekom AG's quarterly profit met expectations after US unit T-Mobile US Inc. posted another record performance as it closes in on a takeover of smaller rival Sprint Corp.
- German maker of scents and flavors Symrise beat expectations with its first-half core profit margin on Thursday, saying demand remained robust despite a worsening global economic outlook.
- Australia's competition watchdog on Thursday raised concerns about Canadian dairy firm Saputo Inc's acquisition of the Australian cheese business of Japan's Kirin Holdings.
- Germany's Merck KGaA posted a gain in quarterly earnings that was slightly higher than market expectations, driven by drug development milestone payments from partners Pfizer and GlaxoSmithKline.
- TMX, Canada's biggest stock exchange operator, posted quarterly adjusted profit on Wed that topped market expectations, as it reined in operating expenses and benefited from strength in its global solutions business.
- Chemical products manufacturer Huntsman Corp said it has entered a deal to sell its chemical intermediates and surfactants businesses to Thailand-based Indorama Ventures PCL for about \$2.08bn.

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DOW JONES	26007.07	-0.09%	11.49%
S&P 500	2883.98	0.08%	15.04%
NASDAQ	7862.83	0.38%	18.50%
S&P/TSX	16265.22	0.72%	13.56%
EUROPE	LAST	1D	YTD
STXE 600	368.60	0.24%	9.17%
FTSE 100	7198.70	0.38%	6.99%
CAC 40	5266.51	0.61%	11.33%
DAX	11650.15	0.71%	10.33%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6568.15	0.75%	16.32%
NIKKEI 225	20593.35	0.37%	2.89%
TOPIX	1498.66	-0.08%	0.31%
CSI 300 (China)	3669.29	1.32%	21.88%
MENA	LAST	1D	YTD
Saudi Arabia	8482.95	1.06%	8.38%
Abu Dhabi	5120.96	0.04%	4.19%
Dubai	2832.16	0.03%	11.95%
Qatar	9898.10	1.23%	-3.89%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.7223	-0.0119	-0.9619
Germany	-0.5640	0.0170	-0.8060
U.K.	0.5160	0.0290	-0.7610
Australia	0.9770	0.0190	-1.3410

TOP SELECTED NEWS

Cost to US consumers, businesses of Trump's China tariffs surged in June - trade group

(Reuters) A whopping 74% increase in tariffs since last year added \$6bn in extra costs for US consumers and businesses, a pro-trade group said on Wednesday as it warned additional tariffs threatened by President Donald Trump would further hit demand and hurt jobs. The US-China trade war has intensified this week after Washington branded Beijing a currency manipulator and said it would impose 10% tariffs on the remaining \$300bn in Chinese imports, starting on Sept. 1. Trump on Wednesday repeated his tough stance on China, saying his actions would ultimately benefit the American economy. The trade group, called Tariffs Hurt the Heartland, which includes the Americans for Free Trade coalition and Farmers for Free Trade, disagreed with Trump's position. It said the 74% rise from the same period a year ago was one of the highest monthly jumps on record.

Bank of France forecasts Q3 French economic growth at 0.3%

(Reuters) The French economy is expected to grow 0.3% in Q3, the country's central bank said on Thursday, a slight pick-up for the euro zone's second-biggest economy. Last month, official data showed a slowdown in French economic growth, with the country's economy expanded 0.2% in Q2, down from 0.3% in Q1. The Bank of France also



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TOP SELECTED NEWS

added in its monthly survey on Thursday that business sentiment for the manufacturing industry and services sectors was unchanged in July compared to June.

Elanco, Bayer aim to reach deal on Animal Health next week

(Bloomberg) Elanco Animal Health Inc., the business Eli Lilly & Co. listed last year, is aiming to reach an agreement as soon as next week to combine with Bayer AG's animal-health unit, people with knowledge of the matter said. The companies hope to announce a deal around the time of Elanco's Aug. 13 earnings release, the people said, asking not to be identified as the discussions are private. Elanco, which has a market value of about \$12.3bn, plans to pay at least part of the acquisition cost using stock, the people said. Bayer's American depositary receipts rose 6.54%. Elanco shares lost 4.17% to \$31.47.

Thyssenkrupp considers selling divisions and cuts profit outlook

(Bloomberg) Thyssenkrupp AG is studying offers to sell some of its businesses and cut its profit outlook for the current fiscal year as Germany's slowdown pushes the industrial conglomerate deeper into a crisis. The company offered few concrete details about the asset sales, but publicly said for the first time that it would be open to selling a range of divisions. Thyssenkrupp's financial results for the quarter show the company is continuing to spiral downward as trade disputes and weak economic growth damage Europe's biggest economy. To stem the decline, Chief Executive Officer Guido Kerkhoff is looking for ways to raise money and streamline a business that's been hammered by falling auto sales and investor dissatisfaction with management. The shares have lost 51% in the past year.

Healthineers to buy robotics firm Corindus for \$1.1 billion

(Bloomberg) Siemens Healthineers AG said it will buy US robotics firm Corindus Vascular Robotics Inc. for \$1.1bn to bolster its business of providing assistance in operating rooms and diversify away from scanners. Healthineers will buy Waltham, Massachusetts-based Corindus for \$4.28 a share, the Erlangen, Germany-based company said in a statement Thursday. That's 77% above Corindus's last closing price. The deal is expected to close in the final quarter of 2019, and has the support of the Corindus board, the company said.

FedEx ends ground delivery partnership with Amazon

(Reuters) FedEx Corp confirmed on Wednesday it would terminate its contract with Amazon.com Inc for small-package ground deliveries, as the online retailer focuses on building out its own delivery network. The move by the US package delivery company comes two months after it decided not to renew its contract with Amazon for US cargo delivery through its plane-based express service. "This change is consistent with our strategy to focus on the broader e-commerce market," FedEx said in a statement as it looks to expand and serve companies that would include rivals of Amazon. Amazon in a statement said it is "constantly innovating to improve the carrier experience and sometimes that means reevaluating our carrier relationships."

Apple under investigation for unfair competition in Russia

(Reuters) Apple is under investigation in Russia following a complaint from cybersecurity company Kaspersky Lab and may be abusing its dominant position in smartphone apps, Russia's anti-monopoly watchdog said on Thursday. Watchdog FAS said it was investigating why a new version of Kaspersky Lab's Safe Kids application had not been updated on the Apple operating system, resulting in a significant loss in functionality for the app. It said Apple had released an updated version of its own app, Screen Time, which had similar functions to the Kaspersky program.

Universal Pictures halts marketing of movie after mass shootings

(Bloomberg) Comcast Corp.'s Universal Pictures is postponing marketing of a coming thriller about Americans hunting fellow Americans out of concern the violent film's ad campaign is too reminiscent of mass shootings in the past week. Even without the recent tragedies, the movie, called "The Hunt," was sure to court controversy. It depicts a divided nation where heavily-armed elites hunt down and kill others for sport.

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