

MARKETS TODAY

Friday, August 09, 2019

MARKETS IN BRIEF

- Global markets remained in a calm and cautious mode.
- Safe-haven Japanese yen held on to recent gains and traded below 106 level. Spot Gold also firmed up above the \$1500 level and headed for its best week since April 2016.
- Asian shares edged up tracking Wall Street's gains yesterday. The S&P 500 posted its best session in two month, led by the tech sector. U.S. dollar was heading for its first weekly decline in four.
- British pound was pressured down by reports that PM Johnson will hold elections after Oct. 31 Brexit deadline. EUR/GBP hit 2-yr highs.
- NZ dollar headed for its third weekly loss weighed by RBNZ recent rate cut surprise.
- Italian bonds fell as the coalition government's junior partner tried to force a snap election. The government yield spread over comparable German bunds widened to the most since the beginning of July.
- German Bunds fluctuated amid speculation of a possible fiscal U-turn by Germany as Reuters reports that the nation is mulling debt sales to fund climate-protection plans. German 10-year yield climbed 7 bps to -0.528% before retreating back to record lows.
- Oil rose on hopes that produces will act to limit severe price drop.

Early elections in Italy

The leader of Italy's ruling League party, Deputy Prime Minister Matteo Salvini, declared the governing coalition to be unworkable on Thursday after months of internal bickering and said the only way forward was to hold fresh elections. The shock announcement follows a period of intense public feuding between the right-wing League and its coalition partner, the anti-establishment 5-Star Movement, and it throws the euro zone's 3rd-largest economy into deeper political uncertainty. Salvini said in a statement he had told PM Giuseppe Conte, who belongs to neither coalition party, that the alliance with 5-Star had collapsed after barely a year in power and "we should quickly give the choice back to the voters".

FX & COMMODITIES	LAST	1D
EUR/\$	1.1190	0.09%
GBP/\$	1.2124	-0.07%
AUD /\$	0.6808	0.09%
\$/JPY	105.95	0.11%
\$/CAD	1.3221	0.05%
Gold \$	1502.28	0.09%
WTI \$	52.63	0.17%
BRENT \$	57.45	0.12%
AMERICA		
DOW JONES	26378.19	1.43%
S&P 500	2938.09	1.88%
NASDAQ	8039.16	2.24%
EUROPE		
STXE 600	374.71	1.66%
CAC 40	5387.96	2.31%
DAX	11845.41	1.68%
ASIA PACIFIC		
S&P/ASX 200	6584.43	0.25%
NIKKEI 225	20684.82	0.44%
CSI 300 (China)	3633.53	-0.97%
MENA		
Saudi Arabia	8550.23	0.79%
Dubai	2837.96	0.24%
Qatar	9834.79	-0.64%
BONDS		
U.S. 10-year	1.7018	-0.0154
German Bund 10-yr	-0.5850	-0.0250
AU 10-year	0.9580	-0.0190

Johnson asking EU for common sense

UK PM Boris Johnson urged the EU to show "common sense" and re-write the Brexit divorce deal he says is unacceptable, as he stepped up preparations to leave the bloc without one. With just 84 days to go until the UK's scheduled departure from the EU on Oct. 31, Johnson said there's plenty of time for his European counterparts to renegotiate the Withdrawal Agreement struck by his predecessor Theresa May, which was rejected three times in Parliament.

Germany sticking to balanced budget

Germany's finance ministry said in response to media reports that there has been no government decision to abandon its policy of running a balanced budget. The comment from FM spokesman followed a report by Reuters news agency that the government is considering issuing new debt to fund a climate protection package. Reuters cited an unidentified senior government official. The finance ministry earlier said that the existing climate and energy fund has considerable scope to fight climate change. The government is scheduled to meet Sept. 20.

China's producer prices down first time in 3 years

China's factory gate prices shrank for the first time in three years in July, stoking deflation worries and adding pressure on Beijing to deliver more stimulus as the economy sputters amid an intensifying trade war with the US. With demand slowing at home and abroad, Chinese manufacturers are having to cut prices to keep market share, depressing profit margins and discouraging the fresh investment needed to get the economy back on its feet. Falling prices for crude oil, iron ore and other raw materials are also playing a part. China's PPI fell 0.3% from year earlier in Jul.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.04	0.50%
SOLIDERE—B	6.01	-1.15%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.79	-
BLOM BANK	7.30	-
BYBLOS BANK	1.14	-0.87%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The Japanese yen traded near an 8-month high versus the dollar on Friday as renewed concerns about the US-China trade dispute and signs that central banks are more worried about the global economy boosted safe-haven assets.

The yen, which tends to be bought in times of economic uncertainty, was on course for its second weekly gain versus the greenback and its third weekly gain versus both the Australian and New Zealand dollars. Some investors and economists worry that the US-China trade war has entered a new phase that will do even more damage to the global economy. The increasing pessimism has supported risk-off trades that benefit safe-haven assets like the yen and gold. The dollar was little changed at 105.95 yen, on course for its second weekly decline. On Wednesday, the dollar slumped to 105.50 yen, the lowest since the January flash crash. A break of this level suggests a move to 105.00 yen, analysts said. The dollar index, which measures the greenback versus a basket of six major currencies, was little changed at 97.588 but on course for its biggest weekly decline since June 21. Earlier in the Asia session, the yen popped higher after Bloomberg News said the White House is delaying a decision on allowing US companies to do

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business with China's Huawei Technologies. The trade war has entered new territory after Trump said he will impose more tariffs on Chinese imports from Sept. 1.

China's yuan inched down against the dollar on Friday as traders awaited Beijing and Washington's next moves in their bruising tariff tussle, taking a breather after a rapid sell-off earlier this week that sparked fears of an all-out currency war. As of midday, the yuan has lost 1.6% against the greenback this week, marking its worst weekly loss since June 2018. The PBoC set the mid-point, which limits the yuan's onshore movement, at 7.0136 per dollar, 97 pips weaker than the previous fix and at the lowest since 2008 for a second consecutive session. The fixing was still stronger than what traders expected, with market participants increasingly starting to see the yuan trading around a new normal of 7. The yield gap between Chinese and US benchmark 10-year government bonds stood at 134 bps on Friday morning, compared with a low of 28 bps hit in November. A wider yield gap could mean less capital outflow pressure from China and is supportive for the Chinese currency.

The British pound traded near a 2-year low versus the euro after a media report said PB Johnson is preparing to hold an election after the Oct. 31 deadline for Brexit. Sterling traded at \$1.2124, little changed on the day but on course for a fourth consecutive week of declines. The pound earlier fell after the Financial Times reported that Johnson would hold an election in the days following Brexit if lawmakers sunk his government with a vote of no-confidence.

The New Zealand dollar was a tad higher on the day at \$0.6486 but on course for its third weekly decline. The kiwi has slumped to its lowest in more than three years this week after the central bank on Wednesday stunned traders by cutting interest rates more than expected and hinting at taking rates into negative territory.

Gold firmed above the key \$1,500 pivot on Friday, en route to its best week since April 2016, as an escalation in the Sino-US trade dispute and fears of a global economic slowdown triggered fresh interest for safe-haven assets. Earlier this week, gold prices surpassed \$1,500 level for the first since April 2013. The metal has risen 4.6% so far this week, on track for its best week in more than three years.

Oil prices inched higher on Friday as expectations of more OPEC production cuts provided some support, although concerns over the long-running US-China trade dispute kept a lid on gains. Both contracts jumped more than 2% on Thursday to recover from January lows, buoyed by reports that Saudi Arabia had called other producers to discuss the recent slide in crude prices. Oil prices have still lost more than 20% from peaks reached in April.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
CAD—15:30	Canada Unemployment Rate	5.5%	5.5%
CAD—15:30	Canada Employment Change	15.2k	-2.2k
USD—15:30	US PPI MoM	0.20%	0.10%
USD—15:30	US Core PPI MoM	0.20%	0.30%

Next Week: RBA Assist Gov. Kent speaks, AU NAB Business Confidence, UK Jobs Report, German ZEW Economic Sentiment, US Inflation, AU Wage Price Index, UK Inflation, Eurozone GDP and Industrial Production, AU Jobs Report, UK Retail Sales, US Retail Sales, US Housing Starts and Building Permits

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CURRENCIES	LAST	1D	YTD
DXY	97.588	-0.03%	1.47%
EUR/\$	1.1190	0.09%	-2.42%
GBP/\$	1.2124	-0.07%	-4.94%
AUD /\$	0.6808	0.09%	-3.42%
NZD/\$	0.6486	0.09%	-3.47%
\$/JPY	105.95	0.11%	3.53%
\$/CAD	1.3221	0.05%	3.15%
\$/CHF	0.9748	-0.01%	0.75%
\$/SEK	9.5760	0.25%	-7.55%
\$/NOK	8.9188	0.11%	-3.12%
\$/DKK	6.6693	0.08%	-2.37%
\$/TRY	5.4914	-0.29%	-3.68%
EUR/GBP	0.9230	-0.17%	-2.61%
EUR/JPY	118.57	0.02%	6.12%
EUR/CHF	1.0908	-0.08%	3.19%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1502.28	0.09%	17.14%
Silver Spot \$/Oz	17.00	0.39%	9.71%
Platinum Spot \$/Oz	862.16	-0.38%	8.36%
Palladium Spot \$/Oz	1424.19	0.13%	12.87%
COPPER \$/lb	259.90	-0.33%	-1.72%
WTI \$/bbl	52.63	0.17%	15.90%
BRENT \$/bbl	57.45	0.12%	6.78%

EQUITIES & BONDS

Italian government bond yields rose across the curve in early trade on Friday after League leader Matteo Salvini said the current government is untenable and called for early elections. Short-dated bond yields were up 14-20 bps in early trade to their highest level in six weeks, with the 2-year bond hitting 0.241%, up almost 20 bps on the day. The Italy/Germany 10-year bond yield gap has widened to 5-week high of 215 bps.

Japanese government bond prices gained sharply on Friday, with yields hitting three-year lows, on broad concerns about the US-China trade war, even as the Bank of Japan cut its purchase of long-dated bonds to deter excessive falls in yields. The BOJ cut its buying of Japanese government bonds with 10 to 25 years to maturity by 20bn yen (\$188.8mn) to 160bn yen, from 180bn yen in previous operations since July. The move came as the 10-year Japanese government bond yields fell below minus 0.200%.

Asian shares inched up on Friday, helped by Wall Street's rally, but fresh concerns about Sino-US trade ties capped gains in the region. Weighing on risk appetite was a report from Bloomberg that Washington is delaying a decision about licenses for US firms to restart trade with Huawei Technologies. That sent US stock futures down as much as 0.6% in Asian trade. MSCI's broadest index of Asia-Pacific shares outside Japan was 0.2% higher but on track to lose 2.3% for the week. Japan's Nikkei average gained 0.4%, while Australian stocks added 0.3% and South Korean shares

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climbed 1.1%. Early gains by Chinese stocks were erased after data showed the country's producer prices fell for the first time in three years in July, while a selloff in high-profile tech firms dampened already fragile sentiment. The benchmark Shanghai Composite and the blue-chip CSI300 were down 0.8% and 1.0%, respectively.

In the US, the S&P 500 registered its largest one-day percentage gain in about two months on Thursday, with technology shares providing the biggest boost as equities continued to rebound along with bond yields. All major sectors advanced at least 1%, and the S&P 500 technology index, which was at the heart of the recent sell-off, climbed 2.4%. The S&P 500 extended a rebound that began on Wednesday and closed near its high of the day. The index gained 4% from Wednesday's intraday bottom to Thursday's close. Advanced Micro Devices Inc gained 16.2% after the chipmaker launched its second generation of processor chip and said that it had landed Alphabet Inc's Google and Twitter Inc as customers. Symantec Corp jumped 12.3% after sources said chipmaker Broadcom Inc was in advanced talks to buy the cybersecurity company's enterprise business. After the bell, Symantec confirmed the sale. On the down side, Kraft Heinz sank after it pulled its full-year forecast and wrote down the value of several business units by over \$1bn. Lyft advanced 3.0% after the ride-hailing service raised its annual outlook and hinted at the end of its price war with Uber Technologies Inc. Uber, which reported earnings after the bell and has been a high-profile loser since its market launch this year, rose 8.2% during the session. The company reported revenue that missed analysts' estimates, sending its shares down 6.9% after the close.

In the MENA region, Egyptian blue-chip stocks had their strongest day in nearly six months on Thursday as better-than-expected July inflation data and a host of strong corporate earnings buoyed investors ahead of a 3-day religious holiday starting Sunday. Saudi index further gained 0.8% after snapping a 5-day losing streak in the last session. Banks led the gains.

COMPANY NEWS HEADLINES

- The White House is delaying a decision on allowing US companies to restart business with Huawei. The hesitation on issuing special licenses to firms that supply parts to the Chinese telecom giant comes after Beijing said it was halting purchases of US farm goods, people familiar said. A State Department official called China a "huggish regime" for releasing personal info about a US diplomat who met with Hong Kong protesters.
- Mattel slumped 9.5% in late US trading after it decided to pull a bond sale because of an anonymous whistleblower letter. It said it is terminating the sale of senior notes due in 2027 "to investigate the matters set forth in the letter," without elaborating on its contents. Mattel plans to refinance bonds that are due in October 2020 before maturity.
- Rusal dropped the most in more than a year after warning aluminum demand may suffer in the second half. Q2 profit rose as sales of high value-added products recovered following the lifting of US sanctions. Revenue also rose after Rusal sold some inventories of primary aluminum built up as a result of the sanctions, which were lifted in January.
- Cash-strapped Japan Display Inc reported on Friday its tenth consecutive quarterly loss, hit by weak iPhone sales at its biggest client Apple Inc .
- A Tesla Inc owner has filed a lawsuit against the electric vehicle maker, claiming the company limited the battery range of older vehicles via a software update to avoid a costly recall to fix what plaintiffs allege are defective batteries.

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AMERICA	LAST	1D	YTD
DOW JONES	26378.19	1.43%	13.08%
S&P 500	2938.09	1.88%	17.20%
NASDAQ	8039.16	2.24%	21.16%
S&P/TSX	16404.53	0.86%	14.53%
EUROPE	LAST	1D	YTD
STXE 600	374.71	1.66%	10.98%
FTSE 100	7285.90	1.21%	8.29%
CAC 40	5387.96	2.31%	13.89%
DAX	11845.41	1.68%	12.18%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6584.43	0.25%	16.61%
NIKKEI 225	20684.82	0.44%	3.35%
TOPIX	1503.84	0.35%	0.65%
CSI 300 (China)	3633.53	-0.97%	20.69%
MENA	LAST	1D	YTD
Saudi Arabia	8550.23	0.79%	9.24%
Abu Dhabi	5097.17	-0.42%	3.70%
Dubai	2837.96	0.24%	12.18%
Qatar	9834.79	-0.64%	-4.51%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.7018	-0.0154	-0.9824
Germany	-0.5850	-0.0250	-0.8270
U.K.	0.4970	-0.0250	-0.7800
Australia	0.9580	-0.0190	-1.3600

TOP SELECTED NEWS

China plans biggest futures market overhaul since 2015 clampdown

(Bloomberg) China is mulling the biggest changes to its futures market since 2015, an overhaul that would give global investors unprecedented access, make it easier to execute bearish trades, and lay the groundwork for wagers on stock-market volatility. The proposed changes, still under discussion by regulators, would remove a ban on unhedged bets against the market and allow foreigners to trade equity-index and commodity futures without a government-approved quota, according to people familiar with the matter. The China Financial Futures Exchange is also considering a new range of products, including futures on the MSCI China A Index, the people said. The bourse plans to introduce an equity volatility index that may eventually serve as the basis for derivatives contracts.

Malaysia files charges against 17 current, former directors of Goldman Sachs units

(Reuters) Malaysia filed criminal charges against 17 current and former directors at subsidiaries of Goldman Sachs over the multi-billion dollar corruption probe at state fund 1MDB, the attorney general said on Friday. Goldman Sachs has been under scrutiny for its role in helping raise funds through bond offerings for 1Malaysia Development Bhd (1MDB), which is the subject of corruption and money laundering investigations in at least six countries.



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TOP SELECTED NEWS

UBS Mulls Investment Bank Overhaul With Hundreds of Jobs at Risk

(Bloomberg) Almost a year after taking over at UBS Group AG's investment bank, co-heads Piero Novelli and Rob Karofsky are working on their first shake-up of the business. Novelli, who runs deals, is considering a reshuffle of his leadership as he and trading chief Karofsky seek to revamp a division that's posted volatile results in the past year, according to people familiar with the matter. Their plans could entail hundreds of job cuts, said the people.

Uber created a \$6.1 billion Dutch weapon to avoid paying taxes

(Bloomberg) Uber Technologies Inc., responding to a European crackdown on offshore tax havens, created a \$6.1bn Dutch tax deduction that will help the company reduce a chunk of its global tax bill for years to come. San Francisco-based Uber generated the outsized deduction before its initial public offering in May because it moved some of its offshore subsidiaries to different countries as a result of new EU rules governing multinational companies. The \$6.1bn deduction came through an increase in the value of intellectual property that Uber transferred between its offshore subsidiaries, according to the company's Q1ly filing.

Broadcom to buy Symantec's enterprise unit for \$10.7 billion in software push

(Reuters) Chipmaker Broadcom said on Thursday it will buy antivirus software maker Symantec Corp's enterprise security unit for \$10.7bn in cash to scale up its software business through deals. Shares of Symantec rose 3.6% and Broadcom 2% in extended trading. Broadcom last year bought US business software maker CA Inc for \$18.9bn and was reportedly in talks to buy infrastructure software company Tibco Software, which was taken private by Vista Equity Partners for \$4.3bn in 2014.

PG&E shareholders unveil \$15 billion equity offering plan

(Bloomberg) Two hedge funds are seeking to raise \$15bn of equity to bolster PG&E's plans to emerge from the largest utility bankruptcy in US history, according to a regulatory filing Thursday. Knighthead Cap. Mgmt. and Abrams Cap. Mgmt., which together own about 7.8% of the California utility, plan to raise the money through a rights offering that would be open to all existing PG&E shareholders, they said in a filing with the US Securities and Exchange Commission. The plan was reported earlier by Bloomberg News, and shares rose by as much as 2.8% to \$18.67.

Kraft Heinz, tired of 'fire fighting,' feels Wall Street heat

(Bloomberg) Kraft Heinz Co.'s new chief is off to a tough start: Shares plunged to a record low during his first conference call as he failed to reassure investors about the troubled food maker's prospects for a comeback. Miguel Patricio, just five weeks after taking the reins, told wary shareholders that the strategy under his predecessor didn't quite work. But he fell short of laying out his own plan to revitalize the big brands like Oscar Mayer and Maxwell House that are out of step with modern consumers' tastes.

Apple offers record 'bounty' to researchers who find iPhone security flaws

(Reuters) Apple Inc is offering cyber security researchers up to \$1mn to detect flaws in iPhones, the largest reward offered by a company to defend against hackers, at a time of rising concern about governments breaking into the mobile devices of dissidents, journalists and human rights advocates. Unlike other technology providers, Apple previously offered rewards only to invited researchers who tried to find flaws in its phones and cloud backups.

Dropbox slides after reporting slowest user growth since IPO

(Reuters) File sharing company Dropbox Inc reported its slowest growth in paid users since going public last year and fell short of expectations for a quarterly revenue metric that indicates future growth, sending its shares down 5% on Thursday. Dropbox's paid user growth has been slowing despite its try-to-buy freemium offer, causing investors to worry about its ability to convert free users into paying ones. The company's deferred revenue, which measures future business for subscription-based software vendors, rose 6.7% to \$517.3mn, but was below estimates.

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