

# MARKETS TODAY

Wednesday, August 14, 2019

## MARKETS IN BRIEF

- Global markets cheered Trump's actions to delay tariffs, after it had been growing increasingly concerned over the impact of trade tensions on a slowing global economy. U.S. stocks halted a 2-day slide led by the tech sector. Asian equities tracked Wall Street higher today.
- However, there was still demand for safe-haven, in the presence of unresolved trade talks between the U.S. and China, trade disputes between the U.S. and Europe, weakening German economy, unrest in Hong Kong, Italy's political deadlock, Argentina's potential default, geo-political tensions in the MENA region, and last but not least, U.K.'s uncertain Brexit path.
- Japanese yen held on to its recent gains and traded higher against the U.S. dollar. Spot Gold firmed near \$1500 level, after hitting yesterday \$1535, its highest since April 12, 2013 (6.3-yr high).
- U.S. dollar was supported by upbeat inflation report, which pushed traders to trim slightly the amount of Fed easing they have priced in for this year.
- British pound steadied after hitting a key support level of \$1.2015, its lowest since January 16, 2017.
- Oil prices retreated today with disappointing Chinese data. Oil jumped around 5% in previous session.

## Tariffs delayed

President Donald Trump bowed to pressure from US businesses and concerns over the economic fallout of his trade war with China, delaying the imposition of new tariffs on a wide variety of consumer products including toys and laptops until December. Tuesday's move to at least hit the pause button in his fight with China came as senior officials on both sides had their first phone conversation since Trump threatened the tariffs at the beginning of this month. Trump said the latest conversation with China had been "productive" and that "they would really like to make a deal." Though he has often denied his tariffs have any impact on consumer prices and insists their cost is being borne by China, he also said the delay had been made "so it won't be relevant to the Christmas shopping season."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1179	0.07%
GBP/\$	1.2063	0.02%
AUD /\$	0.6780	-0.28%
\$/JPY	106.43	0.29%
\$/CAD	1.3241	-0.14%
Gold \$	1498.53	-0.20%
WTI \$	56.27	-1.45%
BRENT \$	60.71	-0.96%
AMERICA		
DOW JONES	26279.91	1.44%
S&P 500	2926.32	1.50%
NASDAQ	8016.36	1.95%
EUROPE		
STXE 600	372.40	0.54%
CAC 40	5363.07	0.99%
DAX	11750.13	0.60%
ASIA PACIFIC		
S&P/ASX 200	6595.90	0.42%
NIKKEI 225	20655.13	0.98%
CSI 300 (China)	3682.40	0.45%
MENA		
Saudi Arabia	8550.23	0.79%
Dubai	2837.96	0.24%
Qatar	9834.79	-0.64%
BONDS		
U.S. 10-year	1.6471	-0.0564
German Bund 10-yr	-0.6210	-0.0120
AU 10-year	0.9420	0.0090

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## ... Trade talks to continue

Chinese officials are sticking to their plan to visit Washington in September for face-to-face trade meetings, according to Bloomberg sources, signaling that talks remain on track for now despite an abrupt escalation in tariff threats this month. Chinese negotiators are not very optimistic of any imminent progress, one of the people said. Officials are unlikely to make concessions in the run up to October 1, the celebration of the 70th anniversary of the founding of the People's Republic, the person said.

## Italy's political developments

Italian lawmakers summoned PM Giuseppe Conte to appear before the senate on Aug. 20 as parliament responds to the political chaos that has gripped the euro-area's third largest economy. While Conte's appearance next week could lead to a confidence vote in the upper house, there are several possible outcomes, including his resignation or further delays. DP Matteo Salvini is pushing for a quick confidence vote that would lead to a snap ballot and allow his anti-immigrant League party to consolidate control of the government.

## Argentina in crisis

Argentine assets extended an unprecedented slump as traders reassessed the new political outlook for the troubled nation after Sunday's primary election upset. The peso fell another 6% after losing 15% on Monday. Century notes fell to a record 49.85 cents on the dollar in New York, while yields on bonds due in 2021 surged to 46%. The selloff has pushed the upfront cost to protect Argentine debt for five years with CDS to 45.8%, making it the most costly to insure against non-payment in the world, according to CMA data. That would imply a probability of default of about 80%.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.36	5.30%
SOLIDERE—B	6.23	3.66%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.79	-
BLOM BANK	7.32	0.27%
BYBLOS BANK	1.14	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

## FX & COMMODITIES

**The Japanese yen held onto gains on Wednesday as weaker-than-expected Chinese economic data reinforced the view that resolving the trade war was a long way off even if Trump had delayed some additional tariffs.** The offshore yuan remained lower against the dollar after China's closely watched industrial output rose in July at the slowest pace in more than 17 years. The onshore yuan rose against the dollar, taking its cue from a stronger fixing. News the US would delay some tariffs supported Asian stocks, but optimism in the currency market quickly faded on broader concerns there are no quick solutions to the trade row, which economists say is dragging on China's economy and threatening global growth. Increasingly violent clashes between protesters and police in Hong Kong, worries about Britain's exit from the EU, and Middle East tensions mean risk aversion could quickly flare up again and roil major currencies. The dollar pared some of its losses but was still down 0.3% at 106.43 yen in Asia. The Australian dollar fell 0.2% to 72.45 yen, while the pound fell 0.2% to 128.50 yen. Against the offshore yuan, the dollar rose 0.3% to 7.0339 yuan. However, in the onshore market, the yuan rose to 7.0177 per dollar, stronger than its previous close at 7.0558.

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## FX & COMMODITIES

On Tuesday, Trump backed off of his Sept. 1 deadline for 10% tariffs on remaining Chinese imports, delaying duties on cellphones, laptops and other consumer goods, in the hopes of blunting their impact on US holiday sales. Still, trade negotiations between the US and China have progressed in fits and starts, so many investors and analysts have scaled back expectations for a resolution in the near term. China's industrial output in July rose 4.8% from a year earlier, which was below the median estimate and marked the slowest growth since Feb 2002, data showed on Wednesday. Retail sales and fixed-asset investment in July also grew less than forecast, highlighting concerns the trade war is damaging the health of the world's second-largest economy. The dollar index was little changed at 97.762 after jumping 0.4% on Tuesday. Hong Kong's airport resumed operations on Wednesday, rescheduling hundreds of flights that had been disrupted this week as protesters clashed with riot police in a deepening crisis in the Chinese-controlled city. Ten weeks of increasingly violent clashes between police and pro-democracy protesters, angered by a perceived erosion of freedoms, have plunged the Asian financial hub into its worst crisis since it came under Chinese rule from Britain in 1997.

The euro was little higher at \$1.1179, but fell 0.22% to 118.98 yen. European data on consumer prices and GDP is due from Europe later on Wednesday and could shape the near-term direction of the common currency.

**The British pound was little changed at \$1.2063, but remained within striking distance of \$1.2015, the lowest level since January 2017.** Britain will release consumer price data later on Wednesday, but uncertainty about how Britain will exit the EU has clouded the outlook for the Bank of England's monetary policy.

**Oil prices fell on Wednesday on disappointing economic data from China and a rise in US crude inventories, erasing some of the sharp gains in the previous session after the US said it would delay tariffs on some Chinese products, easing trade tensions.** Brent crude was down 0.96%, at \$60.71 a barrel, after rising 4.7% on Tuesday, the biggest percentage gain since December. US oil was down 1.45%, at \$56.27 a barrel, having risen 4% the previous session, the most in just over a month. China reported a raft of unexpectedly weak data for July, including a surprise drop in industrial output growth to a more than 17-year low, underlining widening economic cracks as the trade war with the US intensifies. Profit taking after Tuesday's sharp gains also weighed on crude prices on Wednesday, analysts said.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Inflation YoY	1.90%	2.00%
EUR—12:00	Eurozone Flash GDP QoQ	0.20%	0.20%
USD—15:30	US Import Prices MoM	-1.40%	0.90%
USD—17:30	EIA Weekly Report		

**Thursday:** AU Jobs Report, UK Retail Sales, US Retail Sales, US Philly Fed Manufacturing Index, US Initial Jobless Claims, US Industrial Production

**Friday:** US Housing Starts and Building Permits

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CURRENCIES	LAST	1D	YTD
DXY	97.762	-0.05%	1.65%
EUR/\$	1.1179	0.07%	-2.51%
GBP/\$	1.2063	0.02%	-5.42%
AUD /\$	0.6780	-0.28%	-3.82%
NZD/\$	0.6455	0.02%	-3.93%
\$/JPY	106.43	0.29%	3.06%
\$/CAD	1.3241	-0.14%	2.99%
\$/CHF	0.9745	0.22%	0.78%
\$/SEK	9.5523	-0.12%	-7.32%
\$/NOK	8.9057	-0.33%	-2.97%
\$/DKK	6.6752	0.08%	-2.45%
\$/TRY	5.5863	-0.37%	-5.31%
EUR/GBP	0.9268	-0.04%	-3.00%
EUR/JPY	118.98	0.22%	5.76%
EUR/CHF	1.0895	0.14%	3.31%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1498.53	-0.20%	16.85%
Silver Spot \$/Oz	17.04	0.41%	9.95%
Platinum Spot \$/Oz	849.47	-0.71%	6.76%
Palladium Spot \$/Oz	1447.79	-0.57%	14.74%
COPPER \$/lb	261.20	-0.68%	-1.23%
WTI \$/bbl	56.27	-1.45%	23.92%
BRENT \$/bbl	60.71	-0.96%	12.84%

## EQUITIES & BONDS

**Asian stocks joined a global equities surge on Wednesday, after Washington delayed tariffs on some Chinese imports and gave much-needed relief for markets gripped by political and economic turmoil.** The tariff news largely offset a raft of disappointing China data for July, although the safe-haven yen enjoyed a lift amid the deepening gloom in the world's second-biggest economy. The surge in US stocks lifted MSCI's broadest index of Asia-Pacific shares outside Japan by 0.8%. The Shanghai Composite Index advanced 0.6% while Hong Kong's Hang Seng, which has been hurt by disruptions from large anti-government protests, rose 0.5%. South Korea's KOSPI advanced 0.7% and Japan's Nikkei rose 1%. Yet Wednesday's bounce hardly clawed back the sizable losses for equities over recent months, and broad market sentiment remained fragile given that the US-China trade conflict is still far from resolved. Uncertainty around political risks such as the unrest in Hong Kong also continue to keep investors on edge.

**US stocks closed higher on Tuesday after an announced delay of planned tariffs on some Chinese imports brought buyers back to the equities market in a broad-based rally.** Tech stocks, headed up by Apple Inc, led all three major US indexes into the black following the announcement, which calmed fears over the US-China trade war and growing signs of imminent recession. US Trade Representative Robert Lighthizer said the US would hold off on imposing additional 10% tariffs on key Chinese goods, including laptops and cellphones, tariffs that were originally set to go into effect next month. Apple, a likely beneficiary of the tariff delay, rose 4.2% on Nasdaq, while the



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## EQUITIES & BONDS

Philadelphia SE Semiconductor Index .SOX gained 3.0%. In economic news, US consumer prices accelerated in July, with core CPI, which strips out volatile food and energy prices, growing at 2.2% year-on-year, its largest gain in six months and well above the US Fed's 2% target. The healthy inflation reading is unlikely to change market expectations for another interest rate cut from the Fed next month as it grapples with the US-China trade war and its economic fallout. The spread between 2-year and 10-year US Treasuries hit its flattest level in 12 years, reflecting anxieties over trade and geopolitical turmoil. But yields rose across the board on news of the tariff delay. All of the 11 major sectors in the S&P 500 closed in the black, with technology and consumer discretionary seeing the biggest percentage gains. Toys and footwear were among the Chinese goods temporarily spared from additional tariffs. Nike Inc rose 2.0%, while toymakers Hasbro Inc and Mattel Inc advanced 2.7% and 4.6%, respectively. Facebook Inc pared gains following a Bloomberg report that the social media company had hired outside contractors to transcribe user audio clips, ending up 1.7%. Shares of CBS Corp and Viacom Inc gained 1.4% and 2.4%, respectively, after sources told Reuters the companies had reached an agreement in principle regarding their impending merger.

## COMPANY NEWS HEADLINES

- Taiwan's Foxconn, which makes smartphones for Apple and other brands, reported a 2.5% fall in quarterly profit on Tuesday, a slightly smaller decline than analysts' expected.
- Amazon.com Inc is in late-stage talks to buy as much as 10% of India's Future Retail Ltd , Bloomberg reported on Tuesday, citing people familiar with the matter.
- China's troubled Anbang Insurance Group has started a sale of its entire \$2.4bn Japanese property portfolio and previous owner Blackstone Group is bidding, two people said, after the insurer failed to sell some of the assets last year.
- German generic drugmaker Stada will be careful about buying businesses and companies outright and will for now focus mainly on striking production and development deals with partners, its chief executive told Reuters.
- Deciphera Pharmaceuticals Inc's shares more than doubled on Tuesday after the drugmaker said its treatment helped stomach cancer patients live longer without their disease worsening in a late-stage study.
- Lithium-focused explorer Argosy Minerals Ltd on Wednesday said it has executed an agreement to buy tenements comprising the Tonopah Lithium Project in Nevada, US.
- Japan's Honda Motor Co on Tuesday said it will stop producing automobiles in Argentina next year as part of a global shift in how it shares production between regions.

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AMERICA	LAST	1D	YTD
DOW JONES	26279.91	1.44%	12.66%
S&P 500	2926.32	1.50%	16.73%
NASDAQ	8016.36	1.95%	20.81%
S&P/TSX	16350.84	0.70%	14.16%
EUROPE	LAST	1D	YTD
STXE 600	372.40	0.54%	10.29%
FTSE 100	7250.90	0.33%	7.77%
CAC 40	5363.07	0.99%	13.37%
DAX	11750.13	0.60%	11.28%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6595.90	0.42%	16.82%
NIKKEI 225	20655.13	0.98%	3.20%
TOPIX	1499.50	0.87%	0.36%
CSI 300 (China)	3682.40	0.45%	22.31%
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.	1.6471	-0.0564	-1.0371
Germany	-0.6210	-0.0120	-0.8630
U.K.	0.4830	-0.0110	-0.7940
Australia	0.9420	0.0090	-1.3760

## TOP SELECTED NEWS

### German economy contracts as trade tensions take their toll

(Bloomberg) Germany's economy shrank in Q2, piling pressure on Chancellor Angela Merkel to unleash fiscal stimulus as manufacturers reel from a US-China trade war. Output fell 0.1% from the previous three months, in line with forecasts, as exports slumped. The economy has contracted in two of the last four quarters. Merkel said Tuesday the country was heading into a "difficult phase" and even hinted her reluctance to respond is softening. Investors reacted to annual figures that were better than expected due to revisions of economic performance in previous quarters. Growth slowed in most euro-area countries including France and Spain.

### China industrial output growth weakens to 17-year low

(Bloomberg) China posted the weakest industrial output growth since 2002 and slumping retail sales in July, as a cyclical slowdown and trade tensions add to the case to roll out more stimulus. Industrial output rose 4.8% from a year earlier, retail sales expanded 7.6%, and fixed-asset investment slowed to 5.7% in the first 7 months. While some seasonal effects likely compressed the data, all results were lower than forecast by economists. The output data coupled with weak credit demand in the month signal that economy is still struggling to stabilize.

## TOP SELECTED NEWS

### **US core inflation hits 6-month high in broad-based gain**

(Bloomberg) A key measure of US consumer prices unexpectedly accelerated in July in a broad-based advance, signaling inflation may be firming as the Fed debates whether to lower interest rates further. The core consumer price index, which excludes food and energy, rose 0.3% from the prior month, and 2.2% from a year earlier, according to a Labor Department report Tuesday. Both gains exceeded the median estimate of economists, while the broader CPI advanced 0.3% on the month and 1.8% annually.

### **French annual inflation eases in July; prices fall from June**

(Reuters) French consumer prices fell 0.2% month on month in July and annual inflation eased to 1.3% from 1.4% in June, data from statistics institute INSEE showed on Wednesday, in line with preliminary figures. The easing of inflation in the euro zone's second largest economy comes as the ECB eyes new measures to stimulate activity in the bloc.

### **CBS and Viacom are said to near deal after agreeing on price**

(Bloomberg) CBS and Viacom may be done keeping investors waiting. The media giants are expected to announce a merger as soon as Tuesday, the culmination of years of on-again, off-again discussions. They've agreed on an exchange ratio of 0.59625 a share of CBS for each of Viacom's for the all-stock merger, according to people familiar with the situation. At this level, a deal would peg Viacom at around its current market value of close to \$12bn.

### **Google, Facebook, Amazon to testify in US against French digital tax**

(Reuters) Alphabet Inc's Google unit, Facebook Inc and Amazon.com Inc are among the companies that will testify Monday at a US government hearing on the French government's digital services tax. In July, the French Senate approved a 3% levy that will apply to revenue from digital services earned in France by companies with more than 25mn euros in French revenue and 750mn euros worldwide. The US Trade Representative's Office in July opened a probe into the new tax it called "unreasonable." The office could issue new tariffs on French goods or other trade restrictions after the public comment period closes on Aug. 26.

### **Boeing deliveries fall 38% in the first seven months of 2019**

(Reuters) Boeing Co delivered 38% fewer planes in the first seven months of 2019 than the same period a year earlier, as the grounding and doubts around the future of its best-selling 737 MAX jets hurt operations. Deliveries totaled 258 aircraft in the seven months through July, compared to 417 last year, and trailing far behind the 458 aircraft handed over in the same period by European rival Airbus SE. The numbers put Boeing on course to lose the crown of world's biggest planemaker, which it has held uninterrupted for seven years.

### **GM, Ford planning for possible economic downturn: executives**

(Reuters) The top two US automakers are preparing for a possible economic downturn, the companies said on Tuesday, as an ongoing trade war between Washington and Beijing fuels fears of a global recession. Tit-for-tat tariffs have increased raw material costs for the global auto industry, which is already dealing with weak demand in both China and the US. Ford Motor Co has a cash buffer of \$20bn for a potential downturn event, Ford North American CFO Matt Fields said at a J.P. Morgan Conference in New York. General Motors has \$18bn in cash, with the potential to pay two years worth of dividends, the company's finance head, Dhivya Suryadevara, said at the conference.

### **Snap, in augmented reality push, launches new Spectacles version**

(Reuters) Snap Inc said Tuesday it will launch a new version of its Spectacles sunglasses that will have the capability of capturing photos and videos and uploading them directly to its unit Snapchat. Snap has struggled to make money from its Spectacles business, and wrote down \$40mn in unsold glasses in 2017. Production will be smaller for its new Spectacles 3 version, allowing Snap to continue experimenting with augmented reality, a key focus for the tech company. Spectacles 3, which will begin shipping in the fall, will cost \$380, twice the \$200 cost of previous version.

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