

MARKETS TODAY

Monday, August 19, 2019

MARKETS IN BRIEF

- Global markets started the week with a positive note after China's announcement of key interest rate reforms over the weekend fueling expectations of an imminent reduction in corporate borrowing costs in the struggling economy. Also helping sentiment were reports that Germany is closer to support its economy with a 50 billion euro stimulus plan. However, traders remained skeptical with Trump's negative comments about U.S.-China trade talks along with his refusal for Huawei.
- Safe-haven assets, like the yen, franc and gold were under pressure today. European yields jumped, with German 10-year bund yield near -0.66%, away from an all-time low of -0.73% hit last week.
- Asian stocks rose today, tracking Wall Street's jump on Friday. Despite the gains, the U.S. stocks posted their 3rd consecutive losing week.
- U.S. dollar investors will be watching on Tuesday Fed officials gathering in Jackson Hole, Wyoming, for an annual summit that will be scrutinized for any indications on the future path of monetary policy. Fed Chair Powell will speak also on Friday. FOMC July meeting minutes will be released on Wednesday.
- Oil edged higher after an attack on a Saudi oil facility during the weekend. But a bearish OPEC report could limit further upside.

China reforming key interest rate

The People's Bank of China (PBOC) unveiled the long-awaited reforms on Saturday to help steer borrowing costs lower and support businesses hurt by weak demand at home and a year-long trade war with the US. Analysts believe the revamped loan prime rate (LPR), which debuts on Tuesday, will be lower than the current level of 4.31%, but are divided over how much funding costs will come down and how quickly. Under the new mechanism, bank lending rates will be linked to the loan prime rate, which will be linked to the PBOC's medium-term lending facility (MLF) interest rate, and that should establish a relatively smooth policy transmission mechanism, said Ma Jun, a policy adviser to the central bank.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1103	0.12%
GBP/\$	1.2132	-0.14%
AUD /\$	0.6779	0.00%
\$/JPY	106.43	-0.05%
\$/CAD	1.3268	0.01%
Gold \$	1506.01	-0.50%
WTI \$	55.52	1.18%
BRENT \$	59.35	1.21%
AMERICA		
DOW JONES	25886.01	1.20%
S&P 500	2888.68	1.44%
NASDAQ	7895.99	1.67%
EUROPE		
STXE 600	369.63	1.24%
CAC 40	5300.79	1.22%
DAX	11562.74	1.31%
ASIA PACIFIC		
S&P/ASX 200	6467.44	0.97%
NIKKEI 225	20563.16	0.71%
CSI 300 (China)	3791.09	2.17%
MENA		
Saudi Arabia	8527.41	-0.27%
Dubai	2797.00	0.04%
Qatar	9782.25	1.67%
BONDS		
U.S. 10-year	1.5944	0.0406
German Bund 10-yr	-0.6600	0.0250
AU 10-year	0.9140	0.0310

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Germany closer to stimulus

Finance Minister Olaf Scholz suggested Germany could muster 50bn euros of extra spending in an economic crisis, putting a number on a possible fiscal stimulus for the first time. While Scholz signaled that action by Germany isn't imminent, domestic and global warning signs are increasing pressure on Chancellor Angela Merkel's government to consider suspending its balanced-budget policy. They include an economy that shrank in Q2 and the risk of expanded trade conflict with the US.

Trump not ready for a trade deal

US President Donald Trump and top White House officials dismissed concerns that economic growth may be faltering, saying on Sunday they saw little risk of recession despite a volatile week on global bond markets, and insisting their trade war with China was doing no damage to the US. But he was less optimistic than his aides on striking a trade deal with China, saying that while he believed China was ready to come to an agreement, "I'm not ready to make a deal yet." He hinted that the White House would like to see Beijing resolve ongoing protests in Hong Kong first.

Corbyn to do whatever it takes

UK opposition leader Jeremy Corbyn will promise to do "everything necessary" to prevent a no-deal Brexit as PM Johnson prepares to take his threat to let Britain crash out of the EU to the heart of Europe. The LP leader in a speech on Monday will renew his pledge to hold a 2nd Brexit referendum if a general election is called this year "with credible options for both sides, including the option to remain" in the EU. Corbyn will hold out the prospect of a "once-in-a-generation chance to change direction" under Labour two days before Johnson's visit Berlin and Paris.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.26	-2.03%
SOLIDERE—B	5.93	-4.82%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.80	-
BLOM BANK	7.30	-
BYBLOS BANK	1.14	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

Safe-haven currencies such as the yen and Swiss franc were under pressure on Monday as expectations that policymakers would unleash new stimulus eased immediate concerns about a slowing global economy. Such hopes found support from the Chinese central bank's interest rate reforms over the weekend that are expected to lower corporate borrowing costs, and reports of new fiscal stimulus in Germany. However, investor optimism is likely to be capped ahead of a US decision later on Monday on whether to continue to allow China's Huawei Technologies to buy supplies from American companies. The dollar index .DXY, which measures the greenback against six major currencies, was flat at 98.153, close to a 2-week high of 98.339 reached on Friday. Against the yen, the dollar was little changed at 106.43 yen, near a 1-week high of 106.98 yen. The yen and the Swiss franc, both of which tend to be bought as a safe-haven during times of economic uncertainty, fell slightly on Monday versus other currencies. Risk sentiment could improve further if Washington offers some concessions to Huawei, which could make a resolution of the US-China trade war more likely. The US government blacklisted Huawei Technologies in May, accusing the world's

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largest telecom equipment maker of espionage and intellectual property theft. The allegations, which Huawei denies, were a serious escalation in the trade war. The US Commerce Department is expected to extend a reprieve given to Huawei that permits the Chinese firm to buy supplies from US firms so that it can service existing customers, two sources familiar with the situation told Reuters on Friday. However, Trump said on Sunday he did not want the US to do business with Huawei for national security reasons, casting doubt over the decision. While a rejection for Huawei could easily fuel another bout of risk aversion, risk-sensitive currencies appeared to have found some support for now. The dollar edged higher to 0.9795 Swiss franc, approaching the highest in almost two weeks. The euro also rose 0.2% to 1.0865 Swiss francs before trading flat at 1.0855. The Australian dollar drifted higher to 72.12 yen, on course for its third day of gains.

The Chinese yuan wavered Trump said he was not ready yet to make a trade with China. Traders were also cautious ahead of the debut of China's new benchmark lending rate on Tuesday, which was announced at the weekend.

Analysts believe the reforms will open the door to rate cuts, possibly as early as Tuesday, but are divided over the size of any initial reduction and how much it may help struggling smaller companies in the near term. In the onshore market, the yuan traded at 7.0467, little changed on the day. In the offshore market, the dollar rose 0.2% to 7.0549 yuan. The details of Chinese stimulus came after German media reported that the German government may be open to running a fiscal deficit to boost growth. Hopes for stimulus to help Germany's economy, which is on the brink of recession, also rose after Finance Minister Olaf Scholz suggested the government is ready to spend. Scholz said on Sunday the global financial crisis in 2008 and 2009 cost Germany roughly 50bn euros, but Germany has the fiscal strength to spend a similar amount to counter any future economic crisis.

Gold prices slipped due to a stronger US dollar and a recovery in equities, as hints of more stimulus from major central banks around the world eased concerns about a recession.

Spot gold was down 0.50% at \$1,506 per ounce. Spot gold has gained 19% so far since falling to the year's low of \$1,265.85 in May. SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings fell 0.10% to 843.41 tonnes on Friday. Hedge funds and money managers trimmed their bullish stance in COMEX gold and cut net long positions in silver contracts in the week to Aug. 13, the US Commodity Futures Trading Commission (CFTC) said on Friday.

Oil prices rose on Monday following a weekend attack on a Saudi oil facility by Yemeni separatists and as traders looked for any signs that Sino-U.S. trade tensions could ease. But price gains were capped by an unusually downbeat OPEC report that stoked concerns about growth in oil demand.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—11:00	Eurozone Current Account	32.2b	29.7b
EUR—12:00	Eurozone Final CPI YoY	1.10%	1.10%
EUR—12:00	Eurozone Core CPI YoY	0.90%	0.90
During day	German Buba Monthly Report		

Tuesday: AU RBA Meeting Minutes, Swiss Trade Balance, German PPI, Canada Manufacturing Sales

Wednesday: UK Public Sector Net Borrowing, Canada CPI, US Existing Home Sales, EIA Weekly Report, FOMC Meeting Minutes

Thursday: Manufacturing and Services PMI for Major Economies, ECB Policy Meeting Minutes, US Jackson Hole Symposium

Friday: NZ Retail Sales, Canada Retail Sales, Fed Chair Powell speaks, US New Home Sales, US Jackson Hole Symposium

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CURRENCIES	LAST	1D	YTD
DXY	98.153	0.01%	2.06%
EUR/\$	1.1103	0.12%	-3.17%
GBP/\$	1.2132	-0.14%	-4.88%
AUD /\$	0.6779	0.00%	-3.83%
NZD/\$	0.6423	-0.09%	-4.41%
\$/JPY	106.43	-0.05%	3.06%
\$/CAD	1.3268	0.01%	2.78%
\$/CHF	0.9776	0.07%	0.46%
\$/SEK	9.6666	-0.02%	-8.41%
\$/NOK	9.0017	0.04%	-4.01%
\$/DKK	6.7172	0.09%	-3.06%
\$/TRY	5.5823	-0.05%	-5.25%
EUR/GBP	0.9152	-0.25%	-1.78%
EUR/JPY	118.17	-0.18%	6.48%
EUR/CHF	1.0855	-0.01%	3.69%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1506.01	-0.50%	17.43%
Silver Spot \$/Oz	16.99	-0.73%	9.63%
Platinum Spot \$/Oz	849.17	0.00%	6.73%
Palladium Spot \$/Oz	1457.99	0.45%	15.55%
COPPER \$/lb	261.40	0.73%	-1.15%
WTI \$/bbl	55.52	1.18%	22.26%
BRENT \$/bbl	59.35	1.21%	10.32%

EQUITIES & BONDS

Bond yields in the euro zone were off record low levels on Monday, as a calmer tone settled in world markets and focus turned to the prospect of fiscal stimulus in Germany. In early Monday trade, most euro zone bond yields were steady but off recent lows. Germany's 10-year bond yield was steady at -0.66%, above record lows hit last week at around -0.73%. German 30-year bond yields were also off record lows, trading at -0.158%. Outside the euro zone, Japanese bond yields nudged away from 3-year lows and US Treasury yields rose 2-3 bps with focus on reports that the US government may issue 50 or 100-year bonds. Italy's bond yields fell 2-4 bps, outperforming euro zone peers. Italy's anti-establishment 5-Star Movement said on Sunday that Matteo Salvini, leader of the far-right League, was no longer a credible partner, apparently closing the door on any possibility of resurrecting the ruling coalition.

Asian stocks rode a Wall Street rally on Monday and were also cheered by a decision from China's central bank to alter the way it sets a key interest rate benchmark, a move seen by analysts as reducing borrowing costs for companies. The People's Bank of China (PBOC) on Saturday unveiled key interest rate reforms to help steer borrowing costs lower for companies and support a slowing economy caught in the grip of a bruising trade war with the US. That move helped Chinese stocks lead regional gains on Monday amid a broadly more upbeat investor mood. Hopes major economies will seek to prop up slowing growth with fresh stimulus have helped ease some of the recession fears unleashed in markets last week. In China, the Shanghai Composite Index rose 2.17%. MSCI's broadest

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index of Asia-Pacific shares outside Japan gained 1.1%. Over recent weeks, recession worries - triggered by an inversion in the US bond yield curve - have led to a shakeout in financial markets. That has driven speculation of more support from policy makers, including from the US Fed which last month cut rates for the first time since the financial crisis. Japan's Nikkei rose 0.71%.

US stocks rebounded on Friday as an ebbing bond rally and news of potential German economic stimulus brought buyers back to the equities market, closing the book on a tumultuous week. While all three major US stock averages ended the session higher, they still logged their third consecutive weekly losses, having been rattled since Monday by growing US-China trade animosity, simmering geopolitical tensions and signals from the bond market that sparked fears of impending recession. Rising bond yields gave a boost to rate-sensitive banks, sending the S&P 500 Banks index up 2.6%. All 11 major sectors of the S&P 500 closed firmly in the black, with industrials, technology and financials enjoying the largest percentage gains. Nvidia Corp jumped 7.3% after the chipmaker's quarterly results bested analyst estimates, helping the Philadelphia chip index gain 2.8%. Deere & Co cut its earnings forecast after missing Street profit estimates in the face of the ongoing US-China trade war. Still, the farm equipment maker's decision to cut costs sent the stock up 3.8%. General Electric Co surged by 9.7% after CEO Larry Culp bought nearly \$2mn in shares in the wake of the conglomerate's worst one-day percentage drop in 11 years.

In the MENA region, the Saudi index ended lower on Sunday, hit by weakness in banking stocks, while the Qatari index snapped a 3-day losing streak as Industries Qatar's rebounded after steep declines on its first-half results. Banking stocks have come under pressure in recent weeks from the Saudi central bank's decision to follow the US Fed in cutting interest rates, which analysts expect to squeeze lenders' profit margins. Qatar shares ended their losing run thanks to market heavyweight Industries Qatar's 4.3% jump after six sessions of declines.

COMPANY NEWS HEADLINES

- Uber appointed a new boss for Britain and Ireland, the taxi app said on Monday, just as it seeks to renew its licence in London which expires next month.
- Australia's BlueScope Steel Ltd warned lower sales margins would crimp first half earnings as it posted a fall in full-year profit on Monday, prompting the biggest drop in the company's shares in two years.
- Private equity firm Centerbridge Partners LP is nearing a deal to acquire a majority stake in GoHealth LLC that could value the US online health insurance marketplace at about \$1.5bn, people familiar with the matter said on Sunday.
- Japan's SoftBank Group Corp is planning to lend up to \$20bn to its employees, including Chief Executive Masayoshi Son, to buy stakes in its second Vision Fund, the Wall Street Journal reported on Saturday, citing people familiar with the matter.
- A federal judge on Friday allowed PG&E Corp to retain the sole rights to propose a plan to exit bankruptcy, as he rejected efforts by investors to put forward competing plans, according to court documents.
- Activist investor Paul Hilal's Mantle Ridge LP has bought nearly 10% of Aramark's common stock to push for changes at the US food services company, a regulatory filing showed on Friday.

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AMERICA	LAST	1D	YTD
DOW JONES	25886.01	1.20%	10.97%
S&P 500	2888.68	1.44%	15.23%
NASDAQ	7895.99	1.67%	19.00%
S&P/TSX	16149.79	0.86%	12.76%
EUROPE	LAST	1D	YTD
STXE 600	369.63	1.24%	9.47%
FTSE 100	7117.15	0.71%	5.78%
CAC 40	5300.79	1.22%	12.05%
DAX	11562.74	1.31%	9.51%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6467.44	0.97%	14.54%
NIKKEI 225	20563.16	0.71%	2.74%
TOPIX	1494.33	0.61%	0.02%
CSI 300 (China)	3791.09	2.17%	25.92%
MENA	LAST	1D	YTD
Saudi Arabia	8527.41	-0.27%	8.95%
Abu Dhabi	5039.13	-0.31%	2.52%
Dubai	2797.00	0.04%	10.56%
Qatar	9782.25	1.67%	-5.02%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.5944	0.0406	-1.0898
Germany	-0.6600	0.0250	-0.9020
U.K.	0.4820	0.0160	-0.7950
Australia	0.9140	0.0310	-1.4040

TOP SELECTED NEWS

Japan's exports slip for eighth month, sales to China drop as recession fears grow

(Reuters) Japan's exports slipped for an eighth month in July, while manufacturers' confidence turned negative for the first time in over six years as China-bound sales slumped again in a fresh sign the Sino-US trade war could tip the economy into recession. The gloomy data underscored the challenge for Japanese policymakers worried that prolonged weakness in external demand will drive a sharp economic downturn at home. Exports in July fell 1.6% from a year earlier, Ministry of Finance data showed on Monday, dragged down by China-bound shipments of car parts and semiconductor production equipment. That compared with a 2.2% decrease expected by economists. It marked the longest run of declines in exports since a 14-month stretch from October 2015 to November 2016. Yet there was some glimmer of hope for shippers, as export volume rose 1.5% in July year-on-year - the first positive reading in nine months.

US whiskey exporters struggle after year of EU tariffs

(Reuters) When Europe's tariffs on US whiskey hit in June 2018, craft distillery Mountain Laurel Spirits LLC lost 10% of its sales overnight as its European distributor simply stopped buying its award-winning Dad's Hat Pennsylvania Rye



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TOP SELECTED NEWS

Whiskey. Foreign governments subject to Trump's trade tariffs have targeted American distilleries and their bourbon and rye whiskeys for retaliation. The industry fears new tariffs under consideration by the US government could result in even higher tariffs on their products in Europe.

Negative mortgages set another milestone in a no-rate world

(Bloomberg) The world's headlong dash to zero or negative interest rates just passed another milestone: A bank in Denmark is paying homebuyers to take out mortgages. Jyske Bank A/S, Denmark's third-largest lender, announced in early August a mortgage rate of -0.5%, before fees. Nordea Bank Abp, meanwhile, is offering 30-year mortgages at annual interest of just 0.5%. Years of easing by central banks hacked away at interest rates around the world, distorting the traditional economics of lending and borrowing. This is most pronounced in Europe, where a composite home-loan rate across the euro area fell to 1.65% in June, the lowest since records began in 2000.

OPEC sees 'somewhat bearish' oil outlook even as market tightens

(Bloomberg) Global oil markets face a "somewhat bearish" outlook for the rest of the year amid slowing economic growth and the long-running trade war, even though supplies will be tighter than previously thought, OPEC said. The Organization of Petroleum Exporting Countries, which pumps about a third of the world's oil, increased estimates for world demand this year and next, and lowered forecasts for production from its rivals. Nonetheless, its monthly report -- which doesn't typically give a view on prices -- warned that the market may weaken.

Apple CEO warning Trump ... No for Huawei

(Reuters) US President Donald Trump said on Sunday that he had spoken with Apple's CEO Tim Cook about the impact of US tariffs on Chinese imports as well as competition from South Korean company Samsung. By contrast, the US and South Korea struck a trade agreement last September. "I thought he made a very compelling argument, so I'm thinking about it," Trump said of Cook, speaking with reporters at a New Jersey airport. In addition to his comments on Apple, Trump said on Twitter earlier in the day that his administration was "doing very well with China." Trump said Cook "made a good case" that tariffs could hurt Apple, given that Samsung's products would not be subject to those same tariffs. Tariffs on an additional \$300bn worth of Chinese goods, including consumer electronics, are scheduled to go into effect in two stages on Sept. 1 and Dec. 15. Trump on Sunday said he did not want the US to do business with China's Huawei even as the administration weighs whether to extend a grace period for the company. Reuters and other media outlets reported on Friday that the US Commerce Dpt is expected to extend a reprieve given to Huawei that permits the Chinese firm to buy supplies from US companies so that it can service existing customers. The "temporary general license" will be extended for Huawei for 90 days, Reuters reported, citing two sources familiar with the situation.

Airbnb records 30% growth rate in Q1 on booking strength: source

(Reuters) Airbnb Inc recorded \$9.4bn in total booking value in Q1, up 31% from the year-ago quarter, a source familiar with the matter said on Friday, a key number that could help pull in investors as the home-sharing company plans its foray into the public market. The San Francisco-based home rentals company booked 91mn nights on its platform in the quarter, leading to the surge in total booking value, which measures the transaction dollars on its platform, the source said. Airbnb had about \$3.5bn in cash on its balance sheet as of March 31, the source said. The company reported a 40% revenue growth rate in 2018 compared with the previous year, according to the source. Airbnb is readying for a listing in the first half of 2020, according to the Wall Street Journal.

Shell debuts electric vehicle chargers in Singapore, first in Southeast Asia

(Reuters) Royal Dutch Shell is launching electric vehicle chargers at petrol stations in Singapore, its first such foray in Southeast Asia, the company said on Monday. The electric vehicle charging service, 'Shell Recharge', will be available at 10 Shell petrol stations in Singapore by October, this year or about 20% of its retail network in the city-state, the company said in a statement.

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treasury@bankofbeirut.com.lb



+961 1 960 501

PRIVATE BANKING DEPARTMENT



privatebanking@bankofbeirut.com.lb



+961 1 960 531/2/3

