

# MARKETS TODAY

Tuesday, August 20, 2019

## MARKETS IN BRIEF

- Global markets have been boosted by the growing prospect of more stimulus measures by central banks and governments across the world, especially Trump keeps pressuring on the Fed to slash interest rates.
- Safe-haven demand eased but traders remained cautious as several conflicts across the globe are still not resolved and might worsen: No-deal Brexit, Italy's political deadlock, U.S. trade disputes with China and EU, Iran sanctions and MENA tensions, and Hong Kong unrest.
- Japanese yen traded higher while Spot Gold recovered back to near \$1500 level.
- U.S. dollar held near a 3-week high as an improvement in appetite for riskier assets lifted yields on government bonds. Investors are now focused on FOMC meeting minutes that will be released tomorrow.
- Australian dollar rose with local bond yields after RBA minutes showed policy makers not in rush to cut rates further.
- Euro was lower again feeling the pressure of Italy's political crisis.
- Oil prices steadied after yesterday's jump.

## More pressure on the Fed

President Donald Trump raised his demands Monday on the Fed, calling for the central bank to cut interest rates by a full percentage point and to restart its crisis-era money-printing program. In a pair of tweets again aimed at getting easier monetary policy, the president said the Fed has been hampered by a "horrendous lack of vision" and said it should institute 100 basis points worth of reductions to its benchmark rate. Criticizing the Fed is nothing new for Trump, who has stated his desire for a weaker dollar and interest rates that are more competitive with other countries around the world. The Fed approved a quarter-point cut at its July meeting, but that has not stopped Trump from wanting more. "Our dollar is so strong that it is sadly hurting other parts of the world," he said.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1073	-0.05%
GBP/\$	1.2096	-0.25%
AUD /\$	0.6780	0.24%
\$/JPY	106.46	0.17%
\$/CAD	1.3323	0.01%
Gold \$	1500.15	0.28%
WTI \$	56.25	0.07%
BRENT \$	59.77	0.05%
AMERICA		
DOW JONES	26135.79	0.96%
S&P 500	2923.65	1.21%
NASDAQ	8002.81	1.35%
EUROPE		
STXE 600	373.86	1.14%
CAC 40	5371.56	1.34%
DAX	11715.37	1.32%
ASIA PACIFIC		
S&P/ASX 200	6544.96	1.20%
NIKKEI 225	20677.22	0.55%
CSI 300 (China)	3787.73	-0.09%
MENA		
Saudi Arabia	8565.79	0.45%
Dubai	2790.71	-0.22%
Qatar	9806.13	0.24%
BONDS		
U.S. 10-year	1.5859	-0.0204
German Bund 10-yr	-0.6710	-0.0230
AU 10-year	0.9420	0.0280

# MARKETS TODAY

## China trimming lending rates

China lowered its new lending reference rate slightly on Tuesday, as expected, as the country's c. bank kicked off new interest rate reforms designed to lower corporate borrowing costs. But the tiny reduction in the revamped Loan Prime Rate (LPR) reflects lenders' reluctance to reduce loan rates. That has fueled expectation Beijing will need to take more steps to guide borrowing costs lower in a struggling economy. The new 1-year LPR was set at 4.25%, down 6 bps from 4.31% previously. It was 10 bps lower than the PBoC's existing benchmark 1-year lending rate.

## Johnson focusing on Irish border

UK PM Boris Johnson made his first public attempt to renegotiate the Brexit deal by telling the European Union he wants to explore different ways to prevent a hard border on the island of Ireland. In a letter to European Council President Donald Tusk, Johnson said he wants to replace the so-called backstop provision in the divorce agreement with a "legally binding commitment" not to build infrastructure or carry out checks between Northern Ireland and the Republic of Ireland -- the U.K.'s new frontier with the EU -- as long as the bloc promises the same.

## Germany testing haven demand

Germany will sell an ultra-long bond at a 0% coupon for the first time on Wednesday, in a flurry of debt sales in the next two weeks offering negative rates. The nation has previously only sold debt with a 0% up to 10 years of maturity, including sales in the past month during a global debt rally. This week's 30-yr auction will test the continued demand for haven assets now that the whole of Germany's yield curve is in negative territory. The search for returns has driven 30-yr yields to negative levels that cannot satisfy return requirements of insurance companies and pension funds.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.17	-1.43%
SOLIDERE—B	6.05	2.02%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.79	-
BLOM BANK	7.30	-
BYBLOS BANK	1.15	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

## FX & COMMODITIES

**The US dollar hovered near a 3-week high on Tuesday, as expectations policymakers around the world would unleash fresh stimulus drove an improvement in appetite for riskier assets and lifted US government bond yields.**

Yields on benchmark US Treasuries pulled away from three-year lows, helped in part by the prospect of Germany ditching its balanced budget rule to boost spending and on more economic support measures by China. China's yuan was down 0.2% at 7.0661 per dollar in onshore trade against the broadly firmer greenback. The yuan was also modestly pressured after the People's Bank of China (PBOC) set its new lending rate slightly lower. It was the first publication of the benchmark since the PBOC announced interest rate reforms over the weekend designed to lower corporate borrowing costs. The greenback traded little higher at 106.46 yen following three straight sessions of gains, having moved away from a 7-month low near 105.000 reached last week. Against the Swiss franc, a currency sought in times of market turmoil and political tensions along with the yen, the dollar held near a 2-week high of 0.9820 franc scaled overnight. Market focus will shift to the annual symposium of global central bankers starting on Friday at

# MARKETS TODAY

## FX & COMMODITIES

Jackson Hole, Wyoming. Particular attention will center on Fed Chairman Jerome Powell's comments on monetary policy at a time when investors widely expect the Fed to cut rates again at its next meeting in September. Traders see about an 86% chance of a 25 bps interest rate cut by the Fed in September. However, Boston Fed Bank President Eric Rosengren on Monday signalled no willingness to support further interest rate cuts.

**The euro was flat at \$1.1073, but it still held close to a two-week trough of \$1.1066 set on Friday on lingering concerns over political developments in Italy.** Italy's opposition Democratic Party has had good, initial contacts with the ruling 5-Star Movement over the possibility of forging a coalition, a PD source with knowledge of the talks said on Monday. The 5-Star's current coalition partner, the far-right League, has said it will present a no-confidence motion against PM Giuseppe Conte in an attempt to trigger a snap election and cash in on its surging popularity in the polls.

**The Australian dollar edged up 0.24% to \$0.6780 after minutes of the Reserve Bank of Australia's (RBA) August meeting suggested the central bank wasn't in a hurry to cut rates again.** While RBA is seen leaving the door open for further easing, analysts reckon the prospect of an immediate rate cut was limited.

**Oil prices edged up on Tuesday on optimism US-China trade tensions will ease and on hopes major economies will take stimulus measures to ward off a potential economic slowdown that could hit oil demand.** Brent crude last traded flat at \$59.77 a barrel, after climbing 1.88% on Monday. US crude was up 0.07% at \$56.25 a barrel, after gaining 2.44% in the previous session.

**Gold prices were steady on Tuesday, after skidding below a key level in the previous session following an uptick in risk appetite, with investors awaiting meetings by policymakers later this week for clues on the path forward for interest rate cuts.** Spot gold was last higher at \$1,500.15 per ounce, slightly above the near one-week low of \$1,492.10 hit in the previous session. Gold fell 1.2% on Monday, below the key level of \$1,500 and its biggest daily decline since July 19.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—13:00	UK CBI Industrial Order Expectations	-25	-34
CAD—15:30	Canada Manufacturing Sales MoM	-1.80%	1.60%

**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

# MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	98.400	0.05%	2.32%
EUR/\$	1.1073	-0.05%	-3.44%
GBP/\$	1.2096	-0.25%	-5.16%
AUD /\$	0.6780	0.24%	-3.82%
NZD/\$	0.6410	-0.02%	-4.60%
\$/JPY	106.46	0.17%	3.03%
\$/CAD	1.3323	0.01%	2.36%
\$/CHF	0.9803	0.14%	0.18%
\$/SEK	9.6922	-0.05%	-8.66%
\$/NOK	8.9899	-0.13%	-3.88%
\$/DKK	6.7344	-0.04%	-3.31%
\$/TRY	5.7083	-0.84%	-7.34%
EUR/GBP	0.9155	-0.21%	-1.80%
EUR/JPY	117.88	0.21%	6.74%
EUR/CHF	1.0855	0.19%	3.69%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1500.15	0.28%	16.97%
Silver Spot \$/Oz	17.01	0.77%	9.75%
Platinum Spot \$/Oz	852.86	0.15%	7.19%
Palladium Spot \$/Oz	1482.27	0.15%	17.47%
COPPER \$/lb	259.50	-0.50%	-1.93%
WTI \$/bbl	56.25	0.07%	23.87%
BRENT \$/bbl	59.77	0.05%	11.10%

## EQUITIES & BONDS

**Asian shares rose on Tuesday as hopes for stimulus in major economies tempered anxiety about a global recession, boosting riskier assets and drawing money from safe-havens such as bonds and gold.** MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.53%, while Japan's Nikkei rose 0.54%. Wall Street rallied overnight, with the S&P 500 gaining 1.21%. Shares in China and Hong Kong swung between gains and losses after China lowered its lending reference rate only slightly in the first publication of a new benchmark since new interest rate reforms were announced on Saturday. For now, however, investors were cheered by signs policymakers were willing to do more to support their economies in the grip of international trade frictions, led by the bruising Sino-US tariff tussle. The immediate focus shifts to the minutes of the US Fed's last meeting due on Wednesday. Traders are also keenly waiting on the Fed's Jackson Hole seminar and a Group of Seven summit this weekend for clues on what additional steps policymakers will take to bolster growth. Senior White House officials are discussing a temporary payroll tax cut to boost the economy, the Washington Post reported on Monday. Hopes for additional stimulus are rising after reports that Germany is prepared to increase fiscal spending, and after the People's Bank of China took steps to lower corporate borrowing costs. US stock futures rose 0.09%, while benchmark 10-year Treasuries yields eased slightly to 1.5944%, and 2-year yields traded at 1.5245%.

# MARKETS TODAY

## EQUITIES & BONDS

**US stocks climbed on Monday as reports of stimulus efforts in China and Germany calmed fears of a severe downturn in the global economy that were stoked last week as bond yields fell.** The benchmark S&P 500 has recovered most of its losses following Wednesday's brief inversion of the yield curve between 2-year and 10-year Treasuries, commonly viewed as an indicator of a recession within the next two years. After falling nearly 3% on Wednesday, the S&P 500 has risen for the last three sessions. Stocks also received a boost as Washington extended by 90 days the window during which China's Huawei Technologies, blacklisted by the US government in May, can buy components from US companies to supply existing customers. Shares of Apple rose 1.9% to provide the biggest boost to the Nasdaq and the second-largest boost to the S&P 500 and the Dow. President Donald Trump said on Sunday that he had spoken with Apple Chief Executive Officer Tim Cook, who "made a good case" that tariffs could hurt Apple. The S&P 500 technology index rose 1.6%, while the Philadelphia semiconductor index rose 1.9%. All of the 11 major S&P sectors were higher. Energy shares, which rose 2.1% as oil prices advanced, led S&P sectors in percentage gains. Reflecting Monday's risk-on sentiment, defensive sectors such as real estate and utilities lagged the broader index in percentage gains. Given concerns about economic growth, investors have looked closely for cues from the Fed on monetary policy. Shares of Estee Lauder Cos Inc jumped 12.5% to a record high as the beauty company forecast full-year revenue and profit above estimates, bolstered by booming demand for its premium skincare products in the Asia-Pacific region.

**Most Gulf stock markets were lackluster yesterday.** The Saudi index was lifted as most of its banking shares rose amid rising oil prices.

## COMPANY NEWS HEADLINES

- UBS on Tuesday announced the appointment of Christine Novakovic as the CEO of the EU operations.
- General Electric Co further defended itself on Monday against fraud investigators who said last week the Boston-based conglomerate had failed to put aside money to cover \$29bn in potential insurance losses and had improperly counted profit from subsidiary Baker Hughes as its own.
- Seadrill's core earnings for Q2 exceeded the company's own guidance, and are set to rise in the third, the Oslo and New York-listed oil drilling rig operator said on Tuesday.
- China search engine operator Baidu Inc reported better-than-expected quarterly revenue and profit on Monday, as more people signed up for its video streaming service, sending its shares up 8% in extended trading.
- Sony Interactive Entertainment said on Monday it would buy privately held Insomniac Games Inc, known for developing games such as Marvel's "Spider-Man" and third-person shooter "Ratchet & Clank" franchise.
- British oilfield services provider Wood Plc said on Tuesday it would sell its nuclear energy business for about \$305mn to Jacob Engineering and reported a 2.6% drop in first-half revenue.
- Estee Lauder Cos Inc on Monday forecast full-year revenue and profit above Wall Street expectations, as sales of its luxury skin care products soared, propelling its shares to a record high.
- US e-cigarette maker Juul Labs Inc has raised \$325mn in an equity and debt offering to speed up its global reach at a time of intense regulatory scrutiny in its home market.
- Private equity firm Catalyst Capital Group Inc said on Monday it will buy about 10.05% stake in Hudson's Bay Co as it looks to block Executive Chairman Richard Baker's C\$1.74bn proposal to take the company private.
- Australia's Oil Search on Tuesday said its half-year profit more than doubled and raised its dividend, boosted by robust output at its key Papua New Guinea liquefied natural gas (LNG) project.

# MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26135.79	0.96%	12.04%
S&P 500	2923.65	1.21%	16.63%
NASDAQ	8002.81	1.35%	20.61%
S&P/TSX	16304.05	0.96%	13.83%
EUROPE	LAST	1D	YTD
STXE 600	373.86	1.14%	11.11%
FTSE 100	7189.65	1.02%	7.38%
CAC 40	5371.56	1.34%	13.74%
DAX	11715.37	1.32%	11.03%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6544.96	1.20%	15.91%
NIKKEI 225	20677.22	0.55%	3.31%
TOPIX	1506.77	0.83%	0.85%
CSI 300 (China)	3787.73	-0.09%	25.81%
MENA	LAST	1D	YTD
Saudi Arabia	8565.79	0.45%	10.05%
Abu Dhabi	5027.62	-0.23%	2.58%
Dubai	2790.71	-0.22%	10.15%
Qatar	9806.13	0.24%	-4.63%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.5859	-0.0204	-1.0983
Germany	-0.6710	-0.0230	-0.9130
U.K.	0.4560	-0.0140	-0.8210
Australia	0.9420	0.0280	-1.3760

## TOP SELECTED NEWS

### Japan allows further exports of high-tech material to South Korea: sources

(Reuters) Japan has approved shipments of a high-tech material to S. Korea for the 2nd time since imposing export curbs last month, two sources said, ahead of talks by gov't officials this week to resolve a dispute stemming from their wartime past. Relations between the two US allies worsened late last year as part of a decades-old row over compensation for forced laborers during Japan's wartime occupation of S. Korea. In early July, Japan tightened controls on shipments to S. Korea of three materials used in chips and displays, threatening to disrupt the global tech supply chain. Japan also announced a plan to remove S. Korea's fast-track export status from later this month.

### US grants Huawei another 90 days to buy from American suppliers

(Reuters) The US will extend a reprieve that permits China's Huawei Technologies to buy components from US companies to supply existing customers, the Commerce Department said on Monday, but it also moved to add more than 40 of Huawei's units to its economic blacklist. The extension, dated Thursday and first reported by Reuters on Friday, was announced by US Commerce Secretary Wilbur Ross, even though Trump suggested on Sunday that no such reprieve would be granted. Shares of US chip makers that sell to Huawei rose, including those of Qualcomm,

## TOP SELECTED NEWS

Intel and Micron Technology. The 90-day extension "is intended to afford consumers across America the necessary time to transition away from Huawei equipment, given the persistent national security and foreign policy threat," the department said in a statement.

### **Bundesbank sees risk German economy could enter recession**

(Bloomberg) Germany's central bank warned that Europe's largest economy could be about to tip into recession, adding to the pressure on policy makers to ramp up support. The Bundesbank said in its monthly report that German output will remain "lackluster" in Q3 and "could continue to fall slightly". That would be a second straight quarter of contraction -- the typical definition of a recession -- after a 0.1% decline in the April-June period. Germany's central bank offered a warning that the nation's economy could be about to tip into recession. The prognosis follows weeks of worse-than-expected German data and meager corporate earnings reports. That has dragged down the rest of the euro area and prompted the European Central Bank to consider extra monetary stimulus. The government has also signaled that it might be willing to step up spending should the crisis worsen.

### **Li Ka-Shing firm makes \$3.3 billion bet pubs will survive Brexit**

(Bloomberg) More than a year after taking the helm of Hong Kong's biggest conglomerate from his father Li Ka-shing, Victor Li is making a \$3.3bn bet that Brexit won't dent the value of UK pubs or the land under them. The family's CK Asset Holdings Ltd. unit agreed to pay 2.7bn pounds (\$3.3bn) for Greene King Plc, which operates more than 2,700 British bars, restaurants and hotels, the Hong Kong-based company said in a statement Monday. The offer is equal to 850 pence a share, a premium of about 51% to Greene King's closing price on Friday. CK Asset said "pubs will continue to be an important part of British culture and the eating and drinking out market." The conglomerate's expansion in UK pubs signals confidence that turmoil around the country's plan to exit the EU won't sink the economy, even as it erodes the price of the country's currency and assets.

### **British grocery sales flat in latest 12 week period: Kantar**

(Reuters) Total British grocery sales were flat in the latest 12 week period and all of the country's big four supermarket groups lost market share to the discounters, industry data showed on Tuesday. Market researcher Kantar said the subdued performance reflected tough comparisons with 2018's strong summer. Total sales had fallen 0.5% in Kantar's July data set - the first decline since June 2016. Kantar said that of the big four grocers Sainsbury's was the best performer with a sales decline of 0.6% over the 12 weeks. Market leader Tesco's sales fell 1.6%, while Asda's and Morrisons sales were down 1.5% and 2.7% respectively. Aldi and Lidl's sales were up 6.2% and 7.7% respectively.

### **Twitter, Facebook accuse China of using fake accounts to undermine Hong Kong protests**

(Reuters) Twitter Inc and Facebook Inc said on Monday they had dismantled a state-backed social media campaign originating in mainland China that sought to undermine protests in Hong Kong. Twitter said it suspended 936 accounts and the operations appeared to be a coordinated state-backed effort originating in China. It said these accounts were just the most active portions of this campaign and that a "larger, spammy network" of approximately 200,000 accounts had been proactively suspended before they were substantially active.

### **Saudi Aramco asks banks to pitch for roles in IPO: sources**

(Reuters) Saudi Aramco has formally asked major banks to submit proposals for potential roles in its planned initial public offering, two sources said, in what could be the world's biggest IPO. Aramco's planned IPO, which could potentially raise \$100bn, is the centerpiece of Saudi Arabia's economic transformation drive to attract foreign investment and diversify away from oil. Request for proposals were sent to banks few days ago, they said. Aramco declined to comment. The formal IPO process follows Saudi Arabia's Crown Prince Mohammed bin Salman's comments in June that the government remained fully committed to the IPO, expecting it to take place between 2020 and early 2021, after it was postponed last year.

# MARKETS TODAY

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