

MARKETS TODAY

Wednesday, August 21, 2019

MARKETS IN BRIEF

- U.S. dollar investors are now in a cautious mode, awaiting the FOMC meeting minutes that will be released today at 21:00 LT. The minutes are outdated given recent market turmoil and likely to be overshadowed by Jerome Powell's address at Jackson Hole on Friday, but they may provide clarity on the economic outlook that would push officials to keep lowering rates. The question is what conditions, other than Trump's demands, would turn last month's "mid-cycle adjustment" into a full easing cycle.
- U.S. stocks were dragged down yesterday by the financial sector. Asian shares tracked Wall Street lower today.
- In the EU, all eyes were focused on Italy's political developments, Prospect of new elections after the resignation of Prime Minister Giuseppe Conte added to jitters, sending Italian sovereign bond yields sliding and putting pressure on the euro currency.
- British pound gained some support after Merkel promised to work on post-Brexit Irish border deal.
- Argentinean peso recovered following government's pledge to defend the currency.
- Oil prices rose helped by an inventories report. Traders will be watching the official EIA weekly report today at 17:30 LT.

Italy starting talks for new government

Just over a year after agreeing to front Italy's oddball coalition as its prime minister, the former academic handed his resignation in to President Mattarella Tuesday night, leaving his brief political career up in the air. Conte earlier in the day declared that the coalition featuring Salvini's anti-immigration party, the League, was dead. But Conte could still return at the head of another majority if Mattarella judges it could offer some stability to the country. Consultations with Mattarella will start on Wednesday, though talks with the bigger parties aren't due until the following day. Salvini pulled his support from the governing alliance with the anti-establishment Five Star Movement this month, seeking to cash in on strong poll ratings and attempting to wrong-foot the political establishment .

FX & COMMODITIES	LAST	1D
EUR/\$	1.1095	-0.05%
GBP/\$	1.2133	-0.30%
AUD /\$	0.6774	-0.06%
\$/JPY	106.57	-0.32%
\$/CAD	1.3314	0.04%
Gold \$	1498.56	-0.57%
WTI \$	56.25	0.21%
BRENT \$	60.39	0.60%
AMERICA		
DOW JONES	25962.44	-0.66%
S&P 500	2900.51	-0.79%
NASDAQ	7948.56	-0.68%
EUROPE		
STXE 600	361.65	-0.77%
CAC 40	5344.64	-0.50%
DAX	11651.18	-0.55%
ASIA PACIFIC		
S&P/ASX 200	6483.27	-0.94%
NIKKEI 225	20618.57	-0.28%
CSI 300 (China)	3781.76	-0.16%
MENA		
Saudi Arabia	8589.75	0.28%
Dubai	2788.99	-0.06%
Qatar	9894.94	0.91%
BONDS		
U.S. 10-year	1.5893	0.0338
German Bund 10-yr	-0.6640	0.0260
AU 10-year	0.9320	-0.0100

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... No signs for a euro zone crisis?

There is no sign of a looming euro zone crisis due to political upheaval in Italy, German Finance Minister Olaf Scholz said on Wednesday. Asked if he feared a new euro zone crisis, Scholz told German television: "No, there is no sign of that." Agreement had been reached with Italy on developing the European stability criteria even with the current government in Rome, he said. "And it looks as if a new government, perhaps with a different composition, will emerge."

A relief for U.K exporters

British exporters are to be enrolled in a key customs system so they can trade with the EU after Britain's scheduled departure on Oct. 31. The UK tax authority will automatically issue more than 88,000 companies with an Economic Operator Registration and Identification number over the next two weeks, the Treasury said in a statement on Wednesday. Without it, the firms would no longer be able to trade with the EU after exit day. "This will help ease the flow of goods at border points and support businesses to trade and grow," Chancellor of the Exchequer Javid said.

Possible U.S. tax cuts

Trump said on Tuesday his administration was considering potential tax cuts on wages as well as profits from asset sales, and sought to play down market anxieties that the world's top economy could be heading for a recession. Speaking to reporters, Trump said "we're looking at various tax reductions," adding that a "payroll tax is something that we think about." The Washington Post reported a temporary payroll tax cut was under consideration to juice growth, but Trump said the WH has been weighing tax cuts for some time.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.85	-5.18%
SOLIDERE—B	5.99	-0.99%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.79	-0.26%
BLOM BANK	7.30	-
BYBLOS BANK	1.15	0.87%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The US dollar was under pressure on Wednesday, elbowed off a 3-week peak after a bounce in US yields stalled ahead of a global central bankers meeting, at which the Fed is expected to give clues on further rate cuts. Officials from major central banks will gather at Jackson Hole, Wyoming, on Friday with markets focused on a scheduled speech by Fed Chair Jerome Powell. His comments are of particular interest after last week's inversion of the US yield curve - widely regarded as a recession signal - boosted expectations the Fed would lower interest rates at its September policy meeting. Faced with rising risks to the US economy, the central bank in July cut rates for the first time since the financial crisis. The dollar index against a basket of six major currencies was nearly flat at 98.269 after shedding 0.2% overnight. The index had climbed to 98.450 on Tuesday, its highest since Aug. 1, as US yields bounced from multi-year lows at the week's start on signs global policymakers were ready to step up stimulus support to stave off a steep economic downturn. US yields, however, declined overnight on the prospect of more easing by the Fed. Investors will also be looking for clues on the Fed's plans in minutes of its July policy meeting due later on Wednesday.

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FX & COMMODITIES

The Japanese yen dropped with Treasuries as a rally in haven assets stalled with markets awaiting key risk events this week including Fed Chairman Jerome Powell's speech at Jackson Hole and a Group-of-Seven gathering. Japan's currency slipped against all its major peers while US stock futures recouped some recent losses as equity markets stabilized. USD/JPY climbed 0.32% to 106.57 after dropping 0.4% on Tuesday; pair has traded in a range of 106.16 to 106.70 this week.

The euro dipped briefly after Italy's Prime Minister Giuseppe Conte announced his resignation on Tuesday. In addition to the Fed, the euro also has to contend with the possibility of the European Central Bank easing policy in September. The Bundesbank said on Monday that the German economy may have continued to shrink over the summer as industrial production declined. That would mean the euro zone's biggest economy is now in recession following Q2's decline reported last week. Recession is commonly defined as two consecutive quarters of negative growth. The euro was last steady at \$1.1095.

The British pound rose after German Chancellor Angela Merkel said the EU would think about practical solutions regarding the post-Brexit Irish border. Sterling traded at \$1.213, holding a bulk of the gains made on Tuesday when it advanced 0.4%.

Argentinean peso was boosted as government's promises to defend its beleaguered peso gained credibility on Tuesday after the central bank poured \$112mn of its reserves into dollar auctions. In three interventions in the foreign exchange market, the bank acted in concert with statements from officials saying the government's top priority was to stabilize the peso after it lost 18% of its value against the US dollar last week. Traders said the peso rallied to close at 54.74 per dollar after falling 1.2% in early trade. Local over-the-counter bonds and the Merval stock index remained in negative territory, still stung by the downgrade late on Friday of Argentina's sovereign debt by ratings agencies Fitch and Standard & Poor's.

Brent crude oil futures rose above \$60 a barrel for the first time in over a week on Wednesday after a data report showed a larger-than-expected drop in US crude inventories, but ongoing worries about a possible global recession capped gains. Brent crude had gained 0.60%, to \$60.39 a barrel, after settling 0.5% higher on Tuesday. US crude was up 0.21%, at \$56.25 a barrel. US crude oil stocks fell by 3.5mn barrels in the week to Aug. 16, data from industry group the American Petroleum Institute (API) showed on Tuesday. Analysts polled by Reuters had expected a fall of 1.9mn barrels.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Public Sector Net Borrowing	-3.7b	6.5b
CAD—15:30	Canada CPI MoM	0.10%	-0.20%
USD—17:00	US Existing Home Sales	5.41m	5.27m
OIL—17:30	EIA Weekly Report		
USD—21:00	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	98.269	0.08%	2.18%
EUR/\$	1.1095	-0.05%	-3.24%
GBP/\$	1.2133	-0.30%	-4.87%
AUD /\$	0.6774	-0.06%	-3.90%
NZD/\$	0.6397	-0.30%	-4.79%
\$/JPY	106.57	-0.32%	2.93%
\$/CAD	1.3314	0.04%	2.43%
\$/CHF	0.9789	-0.09%	0.33%
\$/SEK	9.6806	0.13%	-8.55%
\$/NOK	8.9873	-0.05%	-3.85%
\$/DKK	6.7200	-0.05%	-3.10%
\$/TRY	5.7281	0.06%	-7.66%
EUR/GBP	0.9145	-0.26%	-1.70%
EUR/JPY	118.25	-0.27%	6.41%
EUR/CHF	1.0861	-0.05%	3.63%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1498.56	-0.57%	16.85%
Silver Spot \$/Oz	17.02	-0.84%	9.83%
Platinum Spot \$/Oz	844.65	-0.58%	6.16%
Palladium Spot \$/Oz	1489.65	-0.03%	18.06%
COPPER \$/lb	259.45	0.41%	-1.95%
WTI \$/bbl	56.25	0.21%	23.87%
BRENT \$/bbl	60.39	0.60%	12.25%

EQUITIES & BONDS

Japanese government bond yields declined across the curve on Wednesday, along with US Treasuries, after concerns about Italy's government and Britain's tumultuous exit from the EU fuelled demand for safe-haven assets. The benchmark 10-year JGB yield fell half a basis point to minus 0.245%. In the super-long zone, the 20-year yield fell 1 basis point to 0.080%, while the 30-year and the 40-year yields slipped 1.5 basis points each to 0.180% and 0.205%, respectively.

Asian shares flatlined on Wednesday as worries about global recession and endless trade wars wrestled with hopes for more monetary and fiscal stimulus to keep growth going. Much depends on what the Fed does with US interest rates, making markets hyper-sensitive to the minutes - due later on Wednesday - of its most recent meeting. Traders are also awaiting the central bank's annual Jackson Hole seminar later this week and a Group of Seven summit this weekend for clues on what additional steps policymakers will take to boost economic growth. Futures are fully priced for a quarter-point cut in rates next month, and over 100 basis points of easing by the end of next year. With so much riding on the Fed, investors were understandably anxious. MSCI's broadest index of Asia-Pacific shares outside Japan dithered either side of flat after three straight days of gains. Japan's Nikkei slipped 0.28%, while Shanghai blue chips dropped 0.16%. Faring a bit better were E-Mini futures for the S&P 500, which firmed 0.3%, while EUROSTOXX 50 futures edged up 0.1%. Political turmoil in Hong Kong, Britain and Italy has also heightened uncertainties for investors

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EQUITIES & BONDS

US stocks were led lower by financial shares on Tuesday to end a 3-day rally as investors awaited comments from Fed Chair Jerome Powell at the end of the week. The S&P 500 financial index dropped 1.4% and the group weighed most heavily on the benchmark index among its major sectors, which all registered losses. Prior to Tuesday's session, US stocks had recovered most of their losses from a steep sell-off last Wednesday, which was triggered by a brief inversion of the yield curve between 2-year and 10-year Treasuries, widely considered a harbinger of a recession. Reports of stimulus efforts in China and Germany, along with the subsequent steepening of the yield curve, helped assuage recession fears. The S&P 500 is now 4.1% shy of its record closing high in July after having fallen as much as 6.2% below that level. On Tuesday, President Donald Trump said his administration was looking at cuts to payroll and capital gains taxes. Some investors said that such efforts, along with Trump's calls for the Fed to lower rates, could signal wavering confidence in the US economy. Shares of Netflix Inc fell 3.4% after Walt Disney Co announced its streaming service would launch in Canada and the Netherlands in November. Facebook Inc shares dropped 1.3% as the company said it was tweaking its policies to allow users to see and control the data that other websites and apps share with the social network to improve targeted advertising. A Bloomberg report that Facebook's Libra digital currency faces an anti-trust probe by the EU also weighed on the shares. Home Depot Inc shares climbed 4.4% to lead in%age gains on the S&P 500 after the home improvement retailer's quarterly earnings beat estimates. Shares of rival Lowe's Companies Inc also rose, up 3.0%. Medtronic Plc shares rose 2.6%, also among the biggest percentage gains on the S&P 500, after the medical device maker raised its full-year adjusted profit forecast.

Most Gulf stock markets closed higher on Tuesday, reflecting market optimism that US-China trade tensions could ease and stimulus measures by major economies to counter a possible global economic slowdown. Qatar's index rose 0.9% for the third straight day with the Gulf's largest lender, Qatar National Bank increasing 2% and Industries Qatar adding 1.7%.

COMPANY NEWS HEADLINES

- Refiner Philadelphia Energy Solutions is laying off the majority of its unionized workforce on Tuesday and Wednesday, the union's president said, ahead of an initial layoff deadline.
- Estonia's Bolt, a popular ride-sharing service in Eastern Europe and Africa, on Wednesday launched food delivery service in its home town of Tallinn, the nation's capital, and said it plans to roll out Bolt Food this year in South Africa, Latvia and Lithuania as well.
- Shopping centre operator Hammerson Plc on Wednesday appointed AIG executive James Lenton as its new finance chief, months after saying Timon Drakesmith would step down from the role this year.
- Walmart Inc sued Tesla Inc over fires at stores, which were using the electric carmaker's solar panels, according to lawsuit filed in a New York court.
- Toll Brothers Inc reported a better-than-expected quarterly profit on higher home prices, but its shares fell as orders declined, hinting at weaker demand for new homes.
- American Airlines Group Inc , the largest US airline, will pay \$22.1mn to settle claims it falsely reported the times it transferred possession of US mail to foreign postal administrations or other intended recipients, the US Justice Department said on Tuesday.
- Australian casino giant Crown Resorts Ltd said on Wednesday its annual profit fell on less gambling by Chinese tourists, and it again denied media reports alleging the company flouted visa rules that have triggered three regulatory probes.
- Brazilian jewelry chain Vivara Participações on Tuesday filed for regulatory approval for an initial public offering, according to a securities filing.

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AMERICA	LAST	1D	YTD
DOW JONES	25962.44	-0.66%	11.30%
S&P 500	2900.51	-0.79%	15.70%
NASDAQ	7948.56	-0.68%	19.79%
S&P/TSX	16213.31	-0.56%	13.20%
EUROPE	LAST	1D	YTD
STXE 600	361.65	-0.77%	10.45%
FTSE 100	7125.00	-0.90%	6.31%
CAC 40	5344.64	-0.50%	13.81%
DAX	11651.18	-0.55%	10.89%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6483.27	-0.94%	14.82%
NIKKEI 225	20618.57	-0.28%	3.02%
TOPIX	1497.51	-0.61%	0.23%
CSI 300 (China)	3781.76	-0.16%	25.61%
MENA	LAST	1D	YTD
Saudi Arabia	8589.75	0.28%	9.66%
Abu Dhabi	5068.81	0.82%	2.95%
Dubai	2788.99	-0.06%	10.49%
Qatar	9894.94	0.91%	-4.31%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.5893	0.0338	-1.0949
Germany	-0.6640	0.0260	-0.9060
U.K.	0.4740	0.0220	-0.8030
Australia	0.9320	-0.0100	-1.3860

TOP SELECTED NEWS

UK may delay naming next BOE Governor until after Brexit

(Bloomberg) The UK is considering delaying two key announcements in the latest sign that Prime Minister Boris Johnson's government is on an election footing. Chancellor of the Exchequer Sajid Javid may wait to name a successor to Bank of England Governor Mark Carney until after Britain's planned Oct. 31 departure from the EU, according to a person familiar with the process, who asked not to be identified because they're not authorized to speak on the matter. Javid may also have to postpone his next budget to 2020 if the government is forced into a general election next month. Carney steps down at the end of January, after he twice extended his tenure to provide continuity during the split from the EU.

Volcker Rule trading revamp approved in win for Wall Street

(Bloomberg) Wall Street watchdogs handpicked by President Donald Trump eased the Volcker Rule's controversial ban on banks making speculative investments, wrapping up a top deregulatory priority that's long been sought by the financial industry. The changes, approved Tuesday by the Office of the Comptroller of the Currency and Federal Deposit Insurance Corp., seek to provide lenders a much clearer picture of which trades are prohibited, giving them

TOP SELECTED NEWS

confidence to engage in transactions without fear of violating Volcker. But one Democratic FDIC board member warned the rollback could again endanger the financial system by allowing lenders to recklessly trade hundreds of billions of dollars in assets like they did before the 2008 financial crisis.

Alibaba postpones up to \$15 billion Hong Kong listing amid protests – sources

(Reuters) China's biggest e-commerce company Alibaba Group Holding Ltd has delayed its up to \$15bn listing in Hong Kong amid growing political unrest in the Asian financial hub, two people with knowledge of the matter told Reuters. Alibaba's Hong Kong-listing plans are being closely watched by the financial community for indications on the business environment in the Chinese-controlled territory and provides a window into Beijing's reading of the situation. While no new timetable has been formally set, Alibaba could launch the Hong Kong deal as early as in October, seeking to raise \$10-\$15bn, when political tensions ease and market conditions become favorable again, said one of the people. The decision to postpone the deal, initially set for late August, was taken at a board meeting before Alibaba's latest earnings release last week, the second person said.

Facebook's Libra currency gets EU antitrust scrutiny

(Bloomberg) EU antitrust regulators are already probing Facebook's 2-month-old Libra digital currency project, according to a document seen by Bloomberg. The European Commission is "currently investigating potential anti-competitive behavior" related to the Libra Association amid concerns the proposed payment system would unfairly shut out rivals, the EU authority said in a questionnaire sent out earlier this month. Officials said they're concerned about how Libra may create "possible competition restrictions" on the information that will be exchanged and the use of consumer data, which is a standard part of an early-stage EU inquiry to gather information.

Intel unveils first artificial intelligence chip Springhill

(Reuters) Intel Corp on Tuesday unveiled its latest processor that will be its first using artificial intelligence (AI) and is designed for large computing centers. The chip, developed at its development facility in Haifa, Israel, is known as Nervana NNP-1 or Springhill and is based on a 10 nanometer Ice Lake processor that will allow it to cope with high workloads using minimal amounts of energy, Intel said. Facebook, it said, already has started using the product. Intel said its first AI product comes after it had invested in Israeli AI startups, including Habana Labs and NeuroBlade.

Elanco to buy Bayer's animal-health unit for \$7.6 billion

(Bloomberg) Elanco Animal Health Inc. clinched the purchase of Bayer AG's animal-health unit in a deal valued at \$7.6bn, creating one of the biggest stand-alone veterinary-medicine companies in the world. Elanco, which was spun out from drug-maker Eli Lilly & Co. last year, will finance the acquisition with a mix of cash and stock. German drug giant Bayer AG will receive \$5.32bn in cash and \$2.3bn in Elanco Animal Health common shares. The transaction is expected to close in mid-2020. Bloomberg reported that the companies were close to a deal on Aug. 7. Elanco declined as much as 6.3% in NY trading on Tuesday.

Aramco said to select Lazard, Moelis for world's biggest IPO

(Bloomberg) Saudi Aramco has picked Lazard Ltd. and Moelis & Co. to advise on the oil giant's second attempt at the world's largest IPO, according to sources. The boutique investment banks have started preparatory work on the offering, according to the people. They are expected to play a key role in the listing, including in the selection of underwriters and listing venues as well as working to ensure Aramco can secure its valuation expectations.

Trump cancels meeting with Danish PM over Greenland no-sale

(Bloomberg) President Donald Trump said he would be putting off a planned meeting with Denmark's prime minister because she didn't want to talk about a possible US property deal to buy the island of Greenland. In Denmark, members of parliament responded with bewilderment and disbelief as they woke up to Trump's decision on what would have been his first state visit to the founding NATO member and Iraq-war ally.

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