

MARKETS TODAY

Thursday, August 22, 2019

MARKETS IN BRIEF

- Global markets had mixed direction today as the Fed minutes did little to alter expectations for more rate cuts. Asian shares fluctuated while U.S. futures steadied. Treasury yields were flat on the day. U.S. dollar edged up, while gold went the other way.
- Investors shifted attention to the 2-day Jackson Hole Symposium that will start today.
- Chinese yuan dropped to 11-year low as economic concerns weighed on sentiment. The onshore Yuan hit earlier 7.0818, its lowest since March 2008.
- Australian and NZ dollars were dragged down by a weaker yuan. NZD hit earlier \$0.6372, its lowest since January 20, 2016. RBA Gov. Lowe will speak tomorrow.
- British pound steadied but growing Brexit uncertainties kept the currency under downward pressure.
- Euro traders will be watching today ECB policy meeting minutes at 14:30 LT.
- Oil prices struggled to keep the uptrend in the presence of global economic worries.
- Despite a less dovish FOMC minutes, the U.S. stocks managed to end the session higher helped by upbeat corporate earnings.

Tough Brexit talks

Angela Merkel's challenge to Boris Johnson to find a Brexit solution in the next 30 days sounds impossible. But while both sides are talking tough, officials in private say there's still time to salvage a deal. The latest person to sound skeptical about the British prime minister's chances of taking the UK out of the EU with an agreement was a senior French official close to President Emmanuel Macron. A no-deal Brexit is now the likeliest scenario, the official said on Wednesday (as per Bloomberg). His remarks reflect the mood across the bloc since the Brexit deal, agreed between former Prime Minister Theresa May and Brussels in November, was rejected three times by the UK Parliament and Johnson was installed in Downing Street.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1105	0.18%
GBP/\$	1.2143	0.11%
AUD /\$	0.6773	-0.12%
\$/JPY	106.45	0.16%
\$/CAD	1.3292	-0.01%
Gold \$	1499.53	-0.21%
WTI \$	55.80	0.22%
BRENT \$	60.35	0.08%
AMERICA		
DOW JONES	26202.73	0.93%
S&P 500	2924.43	0.82%
NASDAQ	8020.21	0.90%
EUROPE		
STXE 600	375.80	1.21%
CAC 40	5435.48	1.70%
DAX	11802.85	1.30%
ASIA PACIFIC		
S&P/ASX 200	6501.81	0.29%
NIKKEI 225	20628.01	0.05%
CSI 300 (China)	3793.51	0.31%
MENA		
Saudi Arabia	8508.93	-0.94%
Dubai	2790.84	0.07%
Qatar	9877.10	-0.18%
BONDS		
U.S. 10-year	1.5893	0.0000
German Bund 10-yr	-0.6560	0.0140
AU 10-year	0.9110	-0.0210

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No preset path for rate cuts

Federal Reserve policymakers were deeply divided over whether to cut interest rates last month but were united in wanting to signal they were not on a preset path to more cuts, a message not likely to sit well with US President Donald Trump. Minutes from the two-day meeting released on Wednesday showed policymakers' ultimate decision to lower the central bank's benchmark interest rate by a quarter percentage point drew more opposition than was reflected in the rate-setting panel's 8-2 vote, announced after the meeting adjourned on July 31.

Unsuccessful German debt auction

The world's first 30-year bond featuring zero income struggled to find buyers, prompting Germany's debt agency to admit the sale may have been "too large." The nation failed to meet a 2-billion-euro target (\$2.2bn) for the auction of notes maturing in 2050, signaling that negative yields across Europe may finally be taking their toll on demand. It's another sign that the global bond rally may be coming to a halt now that more than \$16tn of securities have negative yields.

IMF: More easing could signal a currency war

Senior economists at the IMF have warned countries against relying too heavily on monetary policy easing, and argued that currencies are "neither the hammer nor the nail" in efforts to reinvigorate economies. IMF senior economists Gita Gopinath, Luis Cubeddu and Gustavo Adler warned that the recent surge in monetary easing from both advanced and emerging market economies has created concerns over so-called "beggar-thy-neighbor" policies and fears of a currency war.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.04	3.25%
SOLIDERE—B	5.99	-
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

China's yuan fell to an 11-year low against the dollar on Thursday due to worries about an economic slowdown, prompting Chinese state-owned banks to support the currency in the forwards market. The yuan's fall, combined with declines in Hong Kong stocks on concerns about protests in the city, pushed the antipodean dollars lower and boosted the yen against major crosses in so-called risk-off trades. In onshore trading, the yuan fell to 7.0752 per dollar, its weakest since March 2008, before recovering slightly to 7.0732. In offshore trade the dollar rose 0.29% to 7.0872 yuan. Major Chinese state-owned banks were seen supporting the yuan by receiving dollar/yuan swaps.

The US dollar was locked in tight ranges ahead of US Fed Chairman Jerome Powell's speech at Jackson Hole on Friday, which will be closely scrutinized after an inversion in the Treasury yield curve highlighted the risk of a US recession. Expectations for additional rate cuts are high, and US President Donald Trump's vocal calls for aggressive monetary easing could put the Fed in a bind. At the Fed's last meeting in July, the US central bank cut interest rates for the first time in a decade to 2.00-2.25%. The Fed next meets Sept. 17-18. traders told Reuters. The International

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Monetary Fund on Wednesday warned governments against trying to weaken their currencies through monetary easing or market intervention. This could place unwanted attention on the yuan after the US Treasury declared China a currency manipulator in an escalation of the US-China trade war. China is also in the spotlight as a series of protests in Hong Kong calling for greater democratic freedoms have become the biggest challenge to Chinese rule of the city since it reverted from British colonial rule in 1997. The dollar held steady at 106.45 yen following a 0.36% gain on Wednesday, its biggest since Aug. 13. Against the Swiss franc, the dollar traded at 0.9823, close to a 2-week high of 0.9831. Minutes from the Fed's last meeting released on Wednesday showed policymakers were deeply divided over whether to cut interest rates but were united in wanting to signal they were not on a preset path to more cuts. Benchmark 10-year Treasury yields gained after the minutes, but interest rate futures are pricing in a 100% probability of a Fed rate cut at its September meeting, a 75% chance of an additional cut in October, and a 48% likelihood of another cut in December, the CME's FedWatch tool shows. The Fed and other central banks are cutting interest rates to contain a global economic slowdown caused by a prolonged trade war between the US and China.

Aussie and kiwi lead losses in major currencies as China's yuan weakens and Asian stocks decline, sapping demand for risk assets. RBA Governor Philip Lowe will take part in a panel at the Jackson Hole Symposium that starts Thursday. AUD/USD declines 0.12% to 0.6773 after falling as much as 0.3%. Aussie extended losses after the yuan dropped to the lowest since 2008, reviving concern the US-China trade dispute is becoming a currency war. NZD/USD drops 0.27% to 0.6387 after slipping to 0.6372, weakest since January 2016.

The British pound traded a tad lower at 91.46 pence per euro, on course for its second day of losses, as uncertainty about Britain's divorce from the EU weighed on the pound. Against the greenback, sterling was little higher at \$1.2143. French President Emmanuel Macron said on Wednesday there would be no renegotiation of the terms for Britain's exit from the EU. British Prime Minister Boris Johnson is due to meet Macron in Paris on Thursday.

Oil prices dipped on Thursday, paring earlier gains, weighed down by worries about the global economy and bigger-than-expected builds in oil product inventories in the US, the world's biggest oil consumer. Brent crude futures were last flat at \$60.35. West Texas Intermediate (WTI) crude recovered to \$55.80 per barrel. US gasoline and distillate stockpiles rose more than expected last week, while crude inventories fell as refineries hiked production, the Energy Information Administration said on Wednesday. Traders were worried about the prospects for global oil demand especially amid trade tensions between the U.S and China, the world's two biggest economies and oil users.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—14:30	ECB Policy Meeting Minutes		
USD—15:30	US Initial Jobless Claims	217k	220k
USD—16:45	US Flash Manufacturing PMI	50.5	50.4
USD—16:45	US Flash Services PMI	52.9	53.0
EUR—17:30	Eurozone Consumer Confidence	-7	-7

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	98.162	-0.14%	2.07%
EUR/\$	1.1105	0.18%	-3.16%
GBP/\$	1.2143	0.11%	-4.79%
AUD /\$	0.6773	-0.12%	-3.92%
NZD/\$	0.6387	-0.27%	-4.94%
\$/JPY	106.45	0.16%	3.04%
\$/CAD	1.3292	-0.01%	2.60%
\$/CHF	0.9823	-0.04%	-0.02%
\$/SEK	9.6278	-0.02%	-8.04%
\$/NOK	8.9413	0.04%	-3.36%
\$/DKK	6.7140	0.18%	-3.02%
\$/TRY	5.7352	-0.32%	-7.77%
EUR/GBP	0.9146	-0.07%	-1.71%
EUR/JPY	118.22	-0.03%	6.44%
EUR/CHF	1.0908	-0.15%	3.18%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1499.53	-0.21%	16.92%
Silver Spot \$/Oz	17.03	-0.53%	9.91%
Platinum Spot \$/Oz	852.80	0.00%	7.18%
Palladium Spot \$/Oz	1468.17	-0.25%	16.36%
COPPER \$/lb	257.45	-0.68%	-2.70%
WTI \$/bbl	55.80	0.22%	22.88%
BRENT \$/bbl	60.35	0.08%	12.17%

EQUITIES & BONDS

Futures in the US and Europe dipped and stocks in Asia drifted Thursday as investors found little in minutes from the Fed's latest meeting to alter expectations for more aggressive interest-rate cuts. Treasury yields were flat and the yuan weakened. Hong Kong saw the biggest losses, and China fluctuated. Japan closed flat. Trading activity has been reduced this week ahead of Fed Chairman Jerome Powell's address on Friday and volume was again subdued in Treasury futures. The benchmark 10-year yield continued to fluctuate and dipped Thursday to 1.58%.

US stocks rose on Wednesday as upbeat earnings from retailers pointed to strength in US consumer demand, and held gains after minutes from last month's Fed meeting showed policymakers had debated a more aggressive interest rate cut. US stocks moved solidly higher following better-than-expected results from retailers Target Corp and Lowe's Cos Inc. Target shares surged 20.4% after the big-box retailer raised its annual earnings forecast. Lowe's shares climbed 10.4% after the home-improvement chain beat profit estimates. Robust US consumer spending has helped stave off fears of an impending recession. Concerns about an economic slowdown rose as the yield curve between 2-year and 10-year Treasuries briefly inverted last week. Though the yield curve again briefly inverted on Wednesday, it had little impact on stocks this time around. Minutes from the Fed's policy-setting meeting on July 30-31, when the Fed cut rates by 25 basis points, showed that policymakers debated cutting rates more aggressively. Some participants preferred a 50-basis-point cut, but the committee was united in wanting to avoid the appearance of

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being on a path to further rate cuts. Fed Chair Jerome Powell is scheduled to speak on Friday at the Jackson Hole, Wyoming, central bankers' conference. Several market strategists said Powell's comments at the conclave would offer greater insight on the course of monetary policy than the minutes from the July Fed meeting given developments since then, including US President Donald Trump's announcement of tariffs on an additional \$300bn worth of Chinese goods. On Wednesday, the nonpartisan Congressional Budget Office said changes in US and foreign trade policies since January 2018 would reduce inflation-adjusted US gross domestic product by 0.3% from what it would be otherwise by 2020. Among individual stocks, shares of Toll Brothers Inc slipped 4.5% after the luxury homebuilder posted a decline in orders, hinting at weaker demand for new homes.

Most major Gulf stock markets fell on Wednesday. Saudi index was dragged down by banking shares amid rising regional geopolitical tensions and ahead of US Fed events. Adding to the tension was Australia agreeing to join a US-led mission to protect Gulf shipping. Iran denounces the effort and insists countries in the region can protect waterways and work towards signing a non-aggression pact.

Prices of longer-dated Japanese government bonds (JGBs) dipped on Thursday, tracking an overnight retreat by their US counterparts, although the market was confined to a narrow range ahead of a central bankers' meet at Jackson Hole this weekend. The 30-year JGB yield rose half a basis point to 0.185% and the 20-year yield nudged up half a basis point to 0.085%. An auction designed to provide the market with extra liquidity attracted ample demand on Thursday. The bid-to-cover ratio, a gauge of demand, at the so-called liquidity enhancing auction rose to 2.87 from 2.77 at the previous sale. The finance ministry offered 600bn yen (\$5.64bn) of JGBs with remaining maturities of five to 15.5 years at Thursday's auction.

COMPANY NEWS HEADLINES

- Goldman Sachs Group Inc's buyout arm is exploring the sale of Safe-Guard Products International LLC, which could value the auto warranty company at more than \$1bn, including debt (Reuters sources)
- RBC reported an increase in Q3 profit as its personal and commercial banking earnings grew, and its domestic business posted a surprise 8% gain, although that was partly offset by weakness in its capital markets division.
- Department store chain Nordstrom Inc reported quarterly sales below analysts' expectations on Wednesday, as the upscale retailer struggled to attract shoppers to both its full-price and off-price stores.
- Austrian sensor maker AMS will go ahead with a takeover bid for Osram that values the German lighting group at 4.3bn euros (\$4.8bn), it said on Wednesday, setting the stage for a potential bidding war.
- Data analytics software maker Splunk Inc on Wednesday said it would acquire privately held SignalFx, which makes software for the cloud, in a cash and stock deal for about \$1.05bn.
- Australia's second-biggest grocer Coles Group Ltd warned on Thursday it may struggle to grow sales because of competition for consumers from a wildly popular children's toy promotion offered by its bigger rival.
- Australian miner South32 Ltd reported a bigger-than-expected 25% drop in annual profit as the trade war between China and the US hurt aluminum prices, sending its shares lower by as much as 5.8% on Thursday.
- South African miner Exxaro Resources said on Thursday its half-year earnings surged 42%, as solid income from its equity investments offset lower EBITDA.
- Canada's Pembina Pipeline Corp has agreed to buy Kinder Morgan Canada and the US portion of the Cochin pipeline for C\$4.35bn (\$3.28bn), bulking up its storage resources in Canada.
- Nestle said it will invest 1bn reais (\$250mn) in Brazil's Sao Paulo state over the next 3 years to introduce new production lines and technologies in existing factories, as well as push forward a digital transformation.

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AMERICA	LAST	1D	YTD
DOW JONES	26202.73	0.93%	12.33%
S&P 500	2924.43	0.82%	16.66%
NASDAQ	8020.21	0.90%	20.87%
S&P/TSX	16309.23	0.59%	13.87%
EUROPE	LAST	1D	YTD
STXE 600	375.80	1.21%	11.30%
FTSE 100	7203.97	1.11%	7.07%
CAC 40	5435.48	1.70%	14.90%
DAX	11802.85	1.30%	11.78%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6501.81	0.29%	15.15%
NIKKEI 225	20628.01	0.05%	3.06%
TOPIX	1498.06	0.04%	0.27%
CSI 300 (China)	3793.51	0.31%	26.00%
MENA	LAST	1D	YTD
Saudi Arabia	8508.93	-0.94%	8.72%
Abu Dhabi	5040.62	-0.56%	2.55%
Dubai	2790.84	0.07%	10.32%
Qatar	9877.10	-0.18%	-4.10%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.5893	0.0000	-1.0949
Germany	-0.6560	0.0140	-0.8980
U.K.	0.4850	0.0060	-0.7920
Australia	0.9110	-0.0210	-1.4070

TOP SELECTED NEWS

No-deal Brexit likely to reduce Britain's power trading liquidity by 10-20%

(Reuters) The liquidity of Britain's short-term power markets is likely to fall by 10-20% if the country leaves the EU without a deal at the end of October, a senior executive at the EPEX SPOT power exchange told Reuters. Britain is due to leave the EU on Oct. 31. If it does so without a deal, it would no longer be coupled to European power markets. In the case of a deal, however, cross-border trading will not be affected during a transition period agreed with the EU. The intraday and day-ahead markets are among the most liquid products of a power exchange. They represent power that is traded for use within the same day and electricity for physical delivery the following day. The high liquidity means that any loss of transaction volumes would hit profit at the power exchanges.

Swiss telecom Sunrise touts \$6.4bn UPC deal, blasts shareholder as 'self-serving'

(Reuters) Swiss telecommunications company Sunrise Communications on Thursday escalated its defence of its planned takeover of Liberty Global's Swiss unit UPC, touting additional synergies and blasting a shareholder that is fighting the deal. German telecoms group Freenet, Sunrise's largest shareholder, has called the 6.3bn Swiss franc (\$6.41bn) takeover unfavorable for existing shareholders. In a broadside calling Freenet "self-serving," Sunrise touted



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updated expectations of 280mn francs in annual synergies from buying Liberty Global's UPC Swiss unit, 45mn more than previously announced. Freenet was not immediately available to comment. The Swiss company said these benefits, along with improved performance of UPC, would allow it to increase leverage and reduce the size of the 4.1bn franc rights issue it foresees to pay for the deal by about 1bn francs.

HSBC is said to consider offer for Aviva's Asian operations

(Bloomberg) HSBC Holdings Plc, the bank that shook up its senior leadership this month, is considering a bid for Asian operations being sold by Aviva Plc as it seeks ways to diversify its business in the region, people with knowledge of the matter said. London-based HSBC is in the early stages of weighing an offer for at least part of Aviva's Asian business, the people said, asking not to be identified because the information is private. A deal would help HSBC bolster its insurance presence in Singapore and other parts of Southeast Asia, the people said.

New York sues EPA over GE's Hudson River PCB cleanup

(Reuters) New York sued the US Environmental Protection Agency on Wednesday, accusing the agency of prematurely allowing General Electric Co to stop clearing the Hudson River of PCB contamination before the cleanup was finished. Citing the state's compelling interest in protecting the public and the environment from contaminants, New York officials are seeking to void GE's "certificate of completion" from the EPA on April 11, which excused the company from further dredging unless further studies showed more was needed.

Amazon opens its biggest global campus in India

(Reuters) Amazon.com Inc on Wednesday launched its biggest campus in the world in the southern Indian city of Hyderabad, underscoring its expansion plans in the country that has been one of its fastest growing overseas markets. The move comes months after the Seattle-based company scrapped plans to build a major outpost in New York, blaming opposition from local leaders. Amazon then picked Arlington, Virginia as the site for its upcoming second headquarters. The new campus in India, spread over 9.5 acres and costing "hundreds of millions of dollars", will house over 15,000 employees, the company said. Amazon has 62,000 employees in India, roughly a third of whom are based in Hyderabad.

Apple plans to tap China's BOE Technology for advanced iPhone screens: Nikkei

(Reuters) Apple Inc is in the final stages of certifying advanced screens from Chinese display maker BOE Technology Group Co Ltd for its iPhones, as it attempts to reduce reliance on Samsung Electronics, the Nikkei reported on Wednesday. Apple will decide by the end of this year whether to take BOE on as a supplier of organic light-emitting displays (OLED), the Japanese business daily reported, citing sources. Apple did not immediately respond to a request for comment.

Fitbit targets 1mn new users with Singapore government tie-up

(Reuters) Fitbit Inc said on Wednesday it signed a contract with the Singapore government to provide fitness trackers and services in a health program it said could reach up to one million users. Fitbit will supply its trackers free of charge on the condition users spend S\$10 (\$7.22) each month, for a year, on the company's premium subscription. "The program's goal is to ultimately reach up to one million people," a spokeswoman for Fitbit said in an email. The company's shares closed up 2% on Wednesday on the New York Stock Exchange.

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