

MARKETS TODAY

Monday, August 26, 2019

MARKETS IN BRIEF

- Global markets fluctuated today with back and forth trade war news. After the trading session opened today, Asian stocks and high-yield currencies dropped tracking a red session in Wall Street on Friday. Safe-haven demand rose as Trump escalated his trade war with China. The Chinese yuan dropped to 11-year lows.
- U.S. Treasuries jumped pushing the 10-year yield down to 1.44%, its lowest since August 2016 (3-year lows). US 2-year Treasury yield hit its lowest since September 2017 at 1.4424%. The US 2-year/10-year yield curve remained inverted.
- European bond yields were not far from all-time lows.
- A little while ago, Trump said China contacted him hoping to renegotiate a trade deal. Those comments gave the markets a little reprieve. Chinese yuan and U.S. futures recovered while safe-haven assets retreated. Spot gold gave up most of the gains after hitting earlier in the session, \$1555 per ounce, fresh 6-year high.
- Turkish lira had a "flash crash" today. USD/TRY jumped 10% hitting 6.47 per dollar before dropping back to 5.8 level.
- Oil prices traded flat recouping most of the losses.
- U.S. stock indexes ended Friday session sharply lower, posting their 4th consecutive weekly declines.

China called Trump

Trump told reporters that the Chinese government called his team in Washington Sunday in a bid to restart talks on trade. The two countries both raised tariffs last week as their trade war escalated. "China called last night our trade people and said let's get back to the table," Trump said. "They understand how life works." The president said the US would accept the Chinese invitation and return to the negotiations. Trump hailed Chinese President Xi Jinping as a great leader and said he welcomed his desire for a deal and for calm. Earlier in the session, Chinese Vice Premier Liu He said that China is willing to resolve its trade dispute with the US through "calm" negotiations and resolutely opposes the escalation of the conflict.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1120	-0.22%
GBP/\$	1.2259	-0.06%
AUD /\$	0.6751	-0.07%
\$/JPY	105.73	-0.32%
\$/CAD	1.3305	-0.17%
Gold \$	1529.93	0.19%
WTI \$	54.09	-0.15%
BRENT \$	59.30	-0.07%
AMERICA		
DOW JONES	25628.90	-2.37%
S&P 500	2847.11	-2.59%
NASDAQ	7751.77	-3.00%
EUROPE		
STXE 600	371.36	-0.78%
CAC 40	5326.87	-1.14%
DAX	11611.51	-1.15%
ASIA PACIFIC		
S&P/ASX 200	6440.05	-1.27%
NIKKEI 225	20261.04	-2.17%
CSI 300 (China)	3765.91	-1.44%
MENA		
Saudi Arabia	8241.67	-2.42%
Dubai	2715.02	-0.02%
Qatar	9817.67	-1.02%
BONDS		
U.S. 10-year	1.4460	-0.0891
German Bund 10-yr	-0.6680	0.0070
AU 10-year	0.8860	-0.0870

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... Trade war escalated last week

Trump wishes he had raised tariffs on Chinese goods even higher last week, the White House said on Sunday, even as Trump signaled he did not plan to follow through with a demand that US firms find ways to close operations in China. Trump announced the additional duty on some \$550bn in targeted Chinese goods on Friday, hours after China unveiled retaliatory tariffs on \$75bn worth of US goods. The move was the latest round in a tit-for-tat trade war between the world's two largest economies that has damaged global growth, upset allies, and raised market fears.

U.S. and Japan resolving their trade disputes

The US and Japan agreed in principle on Sunday to core elements of a trade deal that US President Donald Trump and Prime Minister Shinzo Abe said they hoped to sign in New York next month. The agreement, if finalized, would cool a trade dispute between the two allies just as a trade war between the US and China escalates. US Trade Representative Robert Lighthizer said the deal covered agriculture, industrial tariffs and digital trade. Auto tariffs would remain unchanged.

German business confidence down

German business confidence extended its decline, falling to the weakest level in almost seven years, as a deepening manufacturing slump put Europe's largest economy on the brink of recession. Germany's export-centered economy is struggling as global trade tensions worsen. GDP contracted in Q2 and the Bundesbank predicts it could shrink again in the third, and the US-China trade war escalated again at the end of last week. Blue chips including Henkel and Siemens have predicted weaker earnings, and the German gov't has signaled it's open to fiscal stimulus.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.96	-1.97%
SOLIDERE—B	5.98	-1.48%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.74	-1.32%
BLOM BANK	7.30	-
BYBLOS BANK	1.15	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

China's onshore and offshore yuan both trimmed sharp declines against the dollar on Monday afternoon as comments by US President Donald Trump raised hopes for a de-escalation in the US-China trade war. Trump said China had contacted US trade officials overnight to say they wanted to return to the negotiating table. Markets took his comments as a positive sign for chances for de-escalation after both sides announced additional tariffs on each other's goods over the weekend. Onshore spot yuan bounced to 7.1395 per dollar before trading at 7.1421. Its offshore counterpart rose to 7.1497 before trading at 7.1545. Chinese Vice Premier Liu He said that China is willing to resolve its trade dispute with the US through "calm" negotiations and resolutely opposes the escalation of the conflict. Earlier in the session, China's yuan slumped to a fresh 11-year low against the dollar and stocks fell as the Sino-US trade war sharply escalated, threatening to inflict more damage on the world's largest economies and weigh further on global growth. The onshore yuan fell 0.6% in early trade to 7.15 per dollar, its weakest since February 2008 and its second biggest one-day drop of the month. The offshore yuan fell to a record low of 7.1850. The Chinese authorities

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have allowed the tightly-managed yuan to fall some 3.6% so far this month as trade tensions between Beijing and Washington worsened, sparking fears of a global currency war. On Friday, Trump announced an additional duty on some \$550bn of targeted Chinese goods, hours after China unveiled retaliatory tariffs on \$75bn worth of US goods.

The Turkish lira weakened more than 1% against the dollar on Monday, after briefly tumbling to 6.47 overnight in what market watchers described as a “flash crash” as Japanese investors cut risk assets over Sino-US trade war worries.

The lira stood at 5.79 against the dollar, weakening from a close of 5.7540 on Friday. After a currency crisis wiped nearly 30% off the lira’s value in 2018, it has fallen 9% this year. The latest friction, which sunk Asian shares Monday, has shaken confidence in the world economy and sent investors steaming to the safe harbors of sovereign bonds and gold, hitting emerging markets (EMs) like Turkey. The brief plunge in thin overnight yen/lira trading was reminiscent of another “flash crash” on Jan. 3, when Turkey’s currency weakened to a similar level due to a global market sell-off and flight from risk triggered by concerns about slowing economic growth. After having gained in recent months, the lira has been newly pressured by concerns over possibly rapid loan growth after a central bank decision to lower required reserves limits and boost returns for lenders with more than 10% loan growth.

Gold prices scaled a fresh 6-year high on Monday, as the latest tit-for-tat tariffs by the US and China in their year-long trade war battered global equities and boosted demand for safe-haven assets.

Spot gold jumped 0.19% to \$1,530 per ounce, having earlier touched \$1,554.56 an ounce, its highest since April 2013. Gold retraced some of the earlier gains as traders locked in gains. Meanwhile, in a possible softening, Chinese Vice Premier Liu He said on Monday that China opposes the escalation of the trade conflict, a state-backed newspaper reported.

Oil prices fell on Monday, pushing US crude to the lowest in more than two weeks, as an intensifying trade war between the US and China undermined confidence in global economic growth.

Brent crude was little down at \$59.30 a barrel, having earlier touched \$58.24, the lowest since Aug. 15. US oil was down 0.15% at \$54.09 a barrel, having earlier fallen to \$52.96, the lowest since Aug. 9. Concerns about an economic slowdown are being fanned by a ratcheting up of trade tensions between the US and China.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
	G7 Meetings		
USD—15:30	US Durable Goods Orders MoM	0.20%	1.00%
USD—15:30	US Core Durable Goods MoM	1.40%	1.90%
USD—17:00	US Fed Member Bullard speaks		

Tuesday: RBA Deputy Debelle speaks, US HPI MoM, US &P/CS Composite-20 HPI, US CB Consumer Confidence, US Richmond Manufacturing Index

Wednesday: UK BRC Shop Price Index, German Gfk Consumer Climate and Import Prices, German 10-yr bond auction, EIA Weekly Report

Thursday: AU Private CAPEX, Japan Consumer Confidence, French Prelim GDP, German Prelim CPI, US GDP Price Index, US Initial Jobless Claims, US Pending Home Sales

Friday: AU Building Approvals and HIA New Home Sales, German Retail Sales, Eurozone Inflation and Unemployment Rate, US Personal Spending, Canada GDP, US Consumer Sentiment

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CURRENCIES	LAST	1D	YTD
DXY	97.895	0.26%	1.79%
EUR/\$	1.1120	-0.22%	-3.03%
GBP/\$	1.2259	-0.06%	-3.88%
AUD /\$	0.6751	-0.07%	-4.23%
NZD/\$	0.6370	-0.55%	-5.19%
\$/JPY	105.73	-0.32%	3.75%
\$/CAD	1.3305	-0.17%	2.50%
\$/CHF	0.9767	-0.25%	0.55%
\$/SEK	9.6439	-0.55%	-8.20%
\$/NOK	8.9736	-0.45%	-3.71%
\$/DKK	6.7055	-0.20%	-2.89%
\$/TRY	5.7991	-0.69%	-8.79%
EUR/GBP	0.9071	0.25%	-0.89%
EUR/JPY	117.57	-0.07%	7.03%
EUR/CHF	1.0861	0.04%	3.64%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1529.93	0.19%	19.29%
Silver Spot \$/Oz	17.57	0.85%	13.41%
Platinum Spot \$/Oz	862.86	0.59%	8.45%
Palladium Spot \$/Oz	1476.45	0.98%	17.01%
COPPER \$/lb	254.55	0.32%	-3.80%
WTI \$/bbl	54.09	-0.15%	19.11%
BRENT \$/bbl	59.30	-0.07%	10.22%

EQUITIES & BONDS

US Treasury yields tumbled to multi-year lows on Monday, as the latest escalation in a US-China trade war hit confidence in the global economy and boosted demand for safe-haven bonds. The US 10-year Treasury yield fell to its lowest since mid-2016 at 1.443% and was last down 7 bps on the day. US 2-year Treasury yield hit its lowest since September 2017 at 1.449% and was down 8 bps on the day. The US 2-year/10-year yield curve remained inverted. Trump wishes he had raised tariffs on Chinese goods even higher last week, the White House said on Sunday, even as Trump signalled he did not plan to follow through with a demand that US firms find ways to close operations in China. US stock futures pointed to a weak open for Wall Street shares, while world stocks tumbled.

Asian shares sank on Monday as the latest salvos in the Sino-US trade war shook confidence in the world economy and sent investors steaming to the safe harbour of sovereign bonds and gold, while slugging emerging market currencies. But equity markets later pared some losses, with E-Minis for the S&P 500 turning positive, after Trump said China had contacted Washington overnight to say it wanted to return to the negotiating table. MSCI's broadest index of Asia-Pacific shares outside Japan shed 1.9%, and Australia 1.27%. Japan's Nikkei lost 2.17%, while Shanghai blue chips fell 1.2%. The benchmark CSI300 Index sank 1.44%. In Hong Kong, the Hang Seng Index dropped more than 3% in morning trade as investor confidence continued to weaken amid the deteriorating trade outlook and the latest flare-up in violent anti-government protests in the city. Protests on Sunday saw some of the fiercest clashes yet



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between police and demonstrators since violence escalated in mid-June over a now-suspended extradition bill that would have allowed Hong Kong people to be sent to mainland China for trial. With the economic outlook souring rapidly, analysts expect more growth measures from Beijing in coming weeks and months.

US stock indexes ended the session sharply lower, posting their fourth consecutive weekly declines. The latest exchanges in the long-running tariff row triggered a broad-based sell-off that hit shares of companies with high exposure to China the hardest, such as chipmakers and other top technology names. Dow Jones Industrials components Intel Corp and Apple Inc dropped 3.9% and 4.6%, respectively. The developments overshadowed a highly anticipated speech from US Fed Chair Jerome Powell, in which he reiterated a pledge the central bank would “act as appropriate” to support the economy, but he stopped short of committing to the series of rapid-fire rate cuts Trump has been demanding. Friday marked the third decline of more than 2% for the S&P 500 so far in August, and the benchmark index has now shed 5.8% in the last four weeks. All 11 major sectors in the S&P 500 ended the session in negative territory. Energy and technology were the biggest percentage losers, both sliding more than 3%. Trade-sensitive chipmakers dropped on the bellicose trade rhetoric, with the Philadelphia SE Semiconductor index dipping 4.4%. Specialty retailer Foot Locker Inc plummeted 18.9% on the heels of disappointing Q2 results. Computer hardware company HP Inc announced the departure of chief executive officer Dion Weisler and forecast lower-than-expected Q4 profit, sending its shares down 5.9%.

COMPANY NEWS HEADLINES

- European conglomerate JAB Holdings plans to raise as much as \$8bn from investors to further its consumer sector acquisitions, including expansion of presence in pet care and veterinary clinics, the Financial Times <https://on.ft.com/30u97gt> reported on Monday.
- Chinese AI firm Megvii Technology Ltd, backed by Alibaba, has filed in Hong Kong to conduct an IPO targeting proceeds of at least \$500mn, two people said, just as the city faces political unrest and its first recession in a decade.
- Electric carmaker Tesla is scouting out locations for a possible factory in the German state of North Rhine-Westphalia (NRW), Germany's most populous state, daily Rheinische Post reported on Sunday (Reuters sources)
- British office space provider IWG Plc is planning to list its US arm in New York for threebn pounds (\$3.68bn), Sky News reported on Saturday.
- The Federal Trade Commission (FTC) and AT&T Inc reached a settlement agreement on a 2014 case that accused the company of slowing down data sent to wireless devices, a federal court ruling showed on Friday.

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AMERICA	LAST	1D	YTD
DOW JONES	25628.90	-2.37%	9.87%
S&P 500	2847.11	-2.59%	13.57%
NASDAQ	7751.77	-3.00%	16.83%
S&P/TSX	16037.58	-1.33%	11.97%
EUROPE	LAST	1D	YTD
STXE 600	371.36	-0.78%	9.98%
FTSE 100	7094.98	-0.47%	5.45%
CAC 40	5326.87	-1.14%	12.60%
DAX	11611.51	-1.15%	9.97%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6440.05	-1.27%	14.06%
NIKKEI 225	20261.04	-2.17%	1.23%
TOPIX	1478.03	-1.61%	-1.07%
CSI 300 (China)	3765.91	-1.44%	25.09%
MENA	LAST	1D	YTD
Saudi Arabia	8241.67	-2.42%	5.30%
Abu Dhabi	4976.22	0.16%	1.24%
Dubai	2715.02	-0.02%	7.32%
Qatar	9817.67	-1.02%	-4.67%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.4460	-0.0891	-1.2382
Germany	-0.6680	0.0070	-0.9100
U.K.	0.4810	-0.0360	-0.7960
Australia	0.8860	-0.0870	-1.4320

TOP SELECTED NEWS

World needs to end risky reliance on US dollar: BoE's Carney

(Reuters) Bank of England Governor Mark Carney took aim at the US dollar's "destabilizing" role in the world economy on Friday and said central banks might need to join together to create their own replacement reserve currency. The dollar's dominance of the global financial system increased the risks of a liquidity trap of ultra-low interest rates and weak growth, Carney told central bankers from around the world gathered in Jackson Hole, Wyoming, in the US. "While the world economy is being reordered, the US dollar remains as important as when Bretton Woods collapsed," Carney said, referring to the end of the dollar's peg to gold in the early 1970s. Emerging economies had increased their share of global activity to 60% from around 45% before the financial crisis a decade ago, Carney said.

China to lower capital requirement ratio for infrastructure projects: state planner

(Reuters) China plans to ease capital requirement for infrastructure projects in the second half this year, in a bid to boost investment and fend off rising headwinds in the slowing economy, the state planner said. The economy stumbled more sharply than expected in July, with infrastructure investment slowing further despite a flurry of growth



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TOP SELECTED NEWS

measures over the past year as the intensifying US trade war took a heavier toll on businesses and consumers. In a work report submitted to a regular meeting of Parliament's standing committee on Saturday, the National Reform and Development Commission (NDRC) said it will "reasonably expand effective investment" by lowering the requirement of the minimum capital ratio for some infrastructure projects.

Corporate America sounds alarm on Trump's threats over China

(Bloomberg) US companies are concerned about President Donald Trump's threats to ban them from doing business in China, and they're poised to halt new investments if the trade war escalates, the leader of group of top chief executive officers said. US company executives get worried when they hear talk from Trump about invoking emergency powers on trade, said Josh Bolten, president and chief executive officer of the Business Roundtable and a former chief of staff to President George W. Bush. "He has a lot of authority through the national security statutes to disrupt trade and commerce in a way that would cause huge damage -- not just to the Chinese economy, but to the global economy and the US economy," Bolten said Sunday on CBS's "Face the Nation."

Credit Suisse to invest hundreds of millions into Swiss unit

(Bloomberg) Credit Suisse Group AG plans to spend hundreds of millions of francs on digitization and new staff at its Swiss unit, and make its domestic investment banking activities a separate business to better serve ultra-rich clients and institutions. Retail and commercial clients and Credit Suisse's Swiss Universal Bank, or SUB, who mainly use core banking products, will be served at the newly created Direct Banking unit, the company said in a statement on Monday. Investment Banking will be moved out of the group's Corporate & Investment Banking division and will report directly to SUB CEO Thomas Gottstein.

EssilorLuxottica gains on report Dan Loeb is building stake

(Bloomberg) EssilorLuxottica SA shares rose to a record on prospects for a strategy shakeup at the maker of RayBan sunglasses after a report that activist shareholder Dan Loeb's firm Third Point is building up a stake. Third Point is still buying shares in the French-Italian company and has met with EssilorLuxottica Chairman Leonardo Del Vecchio, Reuters said Sunday, citing unidentified people close to the situation. The shares rose as much as 1.9% Monday morning in Paris. A leadership dispute between the French and Italian sides of the 57bn-euro (\$64bn) company has weighed on progress following last year's merger. Investors and analysts have expressed concern about delays to the promised savings of as much as 600mn euros. However, in the past two months, the stock has taken off, bringing the gain so far this year to 19%.

RRJ-led group in talks to invest \$ 4 billion in Ingram Micro

(Bloomberg) RRJ Capital, run by former Goldman Sachs Group Inc.'s partner Richard Ong, is in advanced talks with the embattled HNA Group Co. to lead a \$4bn investment in Ingram Micro Inc., people familiar with the matter said. The group led by the Hong Kong-based private equity firm will invest through an HNA bond that can be converted into close to 50% of Ingram Micro's shares, the people said, asking not to be identified before the agreement, which may be signed as early as next week. The bond proceeds will be used to pay down a loan taken by HNA from Chinese banks for the acquisition of the US networking and software distributor, the people said. Officials at RRJ and HNA declined to comment, while Ingram Micro didn't immediately respond to queries after regular office hours.

Tesla to raise prices in China earlier than planned

(Bloomberg) Tesla Inc. will raise vehicle prices in China this week, reacting to the trade war that weighs on the country's currency and threatens to once again lead to higher import tariffs. Price hikes that were originally planned for September will now take place this Friday, said a Tesla sales representative in Shanghai on Monday, without disclosing details. A spokesperson for the US-based electric-car maker declined to comment. Tesla is among automakers most affected by the US-China trade tensions, because it has no local production yet and therefore gets directly hit by any increases in tariffs.

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GLOBAL MARKETS DIVISION



treasury@bankofbeirut.com.lb



+961 1 960 501

PRIVATE BANKING DEPARTMENT



privatebanking@bankofbeirut.com.lb



+961 1 960 531/2/3

