

# MARKETS TODAY

Thursday, August 29, 2019

## MARKETS IN BRIEF

- Global markets remained in a cautious mode as world issues seemed less likely to be resolved any time soon. U.S.-China ongoing trade war dominated investor's sentiment, in addition to cloudy outlook in Britain amid Brexit uncertainty.
- Safe-haven assets firmed up today while government bond yields traded near record lows on growing fears over a global recession. Asian stocks and U.S. futures were weak in today's session.
- U.S. stocks managed to rise yesterday, led by energy and financial sector. However, traders were still skeptical.
- British pound traded under pressure as Johnson's move to suspend the parliament raised the possibility of a no-deal Brexit.
- New Zealand dollar fell to a fresh 4-year low after a report showed business confidence sank to the lowest since 2008. NZD hit earlier \$0.6303, its lowest since September 2015.
- Swedish krone hit 9.735 per dollar, its lowest since Aug 2002, a 17-year low. NOK also dropped to 9.0867, its lowest since Feb 2002.
- Oil prices retreated shrugging off EIA's report yesterday that showed a drop in crude inventories.
- Saudi index slumped yesterday as receding fund inflows dampened investors' appetite.

## Shorter time to avoid a no-deal Brexit

British PM Boris Johnson's move to suspend parliament and come good on his promise to avoid any more delays to Brexit has set the clock running for his opponents to thwart him. The question is whether they can do it in time. In another dramatic turn of events, Johnson was granted permission by the Queen to "prorogue" the House of Commons, shutting down the debating chamber on Sept. 12 ostensibly so he can come back with a new legislative program a month later. That effectively gives parliamentarians two weeks to come up with a way to pass a law to stop Britain leaving the EU on Oct. 31, the current Brexit day, without a deal. While Johnson and his supporters say disruption would be manageable, companies warn of a severe hit to the economy.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1082	0.04%
GBP/\$	1.2195	-0.14%
AUD /\$	0.6736	0.03%
\$/JPY	106.07	0.05%
\$/CAD	1.3295	0.08%
Gold \$	1542.15	0.20%
WTI \$	55.85	0.13%
BRENT \$	60.30	-0.31%
AMERICA		
DOW JONES	26036.10	1.00%
S&P 500	2887.94	0.65%
NASDAQ	7856.88	0.38%
EUROPE		
STXE 600	372.86	-0.20%
CAC 40	5368.80	-0.34%
DAX	11701.02	-0.25%
ASIA PACIFIC		
S&P/ASX 200	6507.40	0.10%
NIKKEI 225	20460.93	-0.09%
CSI 300 (China)	3790.19	-0.33%
MENA		
Saudi Arabia	8171.17	-1.38%
Dubai	2757.80	0.24%
Qatar	10025.47	-0.04%
BONDS		
U.S. 10-year	1.4777	-0.0017
German Bund 10-yr	-0.7060	0.0080
AU 10-year	0.8760	-0.0100

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## ... And the political fight begun

Britain's opposition Labour Party will seek an emergency debate on Brexit next week, the party's trade spokesman Barry Gardiner said on Thursday, outlining plans which could give them an opening to pass legislation to block a no-deal Brexit. Jacob Rees-Mogg, Leader of the House of Commons, taunted those lawmakers seeking to thwart Johnson with only two options: change the law or change the gov't if you want to stop Brexit on Oct. 31. He said it was now up to the EU to decide if they were prepared to renegotiate a "reasonable" Brexit deal or force a no-deal.

## Italy closer to form a new government

Italy's head of state is expected to give two former political enemies the chance to form a new government on Thursday, capping an extraordinary three weeks that could mark a turning point in its frayed relations with the European Union. President Sergio Mattarella meets PM Giuseppe Conte at 9.30 a.m. (07:30 GMT) on Thursday, and is expected to hand him a fresh mandate to put together a new coalition of the 5-Star Movement and opposition Democratic Party (PD).

## Argentina to extend debt maturities

Argentina will negotiate with holders of its sovereign bonds and the IMF to extend the maturities of its debt obligations as a way of ensuring the country's ability to pay, Treasury Minister Hernan Lacunza said on Wednesday. At a news conference, Lacunza said the gov't would "re-profile" the maturities of debt owed to the IMF under a \$57bn standby agreement. Interest and principal payments on bonds will not be altered in the re-profiling. The changes in maturities would be aimed at obligations held by institutional, rather than individual investors, he said.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.90	1.03%
SOLIDERE—B	5.81	-0.85%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.69	-1.07%
BLOM BANK	7.29	-
BYBLOS BANK	1.15	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

## FX & COMMODITIES

**The safe-haven Japanese yen was bolstered on Thursday, with record lows on U.S 30-year Treasury yields holding back the dollar as investors turned bleak on the prospect of a trade-war breakthrough any time soon.** The yen firmed 0.3% to as high as 105.91 per dollar, after the cautious optimism seen in currency markets in the morning gave way to gloom. The Japanese currency also gained against the Australian dollar and New Zealand dollar, which hit a four-year low as business sentiment weakened. Against a basket of currencies (DXY) the dollar was steady around 98.249. Dominating investor concerns is the inverted US Treasury yield curve, in which long-dated yields are lower than short-dated ones, commonly considered a sign of future recession. Sentiment in the currency market is also likely to be weighed by the Sino-US trade dispute, which remains far from unresolved. The latest round of tit-for-tat trade-war tariff hikes takes effect on Sunday, with Washington set to levy an extra 5% tariff - announced by Trump on Twitter last week - on \$300bn in Chinese imports. Retailers across the US warned on Wednesday of price hikes and braced for job losses as a result, while on Thursday Korea outlined its most aggressive spending plan in a decade to buttress its

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weakening economy. Yields on 30-year Treasuries and 10-year German bunds both hit a record low as investors scrambled for the safety of government debt. Spot gold rose 0.2% to \$1,542.00 per ounce, after hitting a 6year high on Monday. The yen and gold are both considered safe-haven assets.

**The British pound was little lower, nursing losses incurred on Wednesday when fears of a no-deal Brexit surged in response to British Prime Minister Boris Johnson's move to suspend parliament in a bid to limit debate ahead of the Oct. 31 Brexit deadline.** The pound held steady at \$1.2195 on Thursday and was last quoted at 90.88 pence per euro.

**China's onshore spot yuan eased slightly, to be weaker for an 11th straight session, although a firmer-than-expected central bank fixing helped stem deeper losses.** The Chinese yuan was close to lows not seen since the global financial crisis, trading onshore at 7.1663 per dollar and offshore a little weaker at 7.1728 per dollar.

**NZ dollar continued to trade under pressure after ANZ Bank's closely-watched survey of business sentiment showed deepening weakness in both activity and confidence.** That suggests aggressive cuts in interest rates are yet to gain any traction. The kiwi was off 0.11% at \$0.6330, after touching its lowest since September 2015 at \$0.6309.

**Australian dollar dropped as 2Q private capex figures were worse-than-expected.** AUD/USD traded flat at \$0.6736 in a third day of declines. Data showed on Wednesday Q2 construction work done was worse than expected.

**The Swedish krone dropped to 17-year lows, mainly because of growing concerns that the Riksbank may have to maintain their neutral bias for longer than previously expected.** Plus, government yields are deeper in the negative area, tracking European yields. SEK hit 9.7435 per dollar, its lowest since August 6, 2002 (17-year low). 10-year yield hit yesterday -0.37%, an all-time low. The Norwegian Krone also hit a 17-year low. It was dragged lower by a depreciating Swedish krone and retreat in oil prices. Recent disappointing GDP data exerted more pressure on the currency. However, according to some analysts, a rate hike in September is still on the table. NOK earlier hit 9.0867 per dollar, its lowest since February 2002, a 17.5-year low.

**Oil prices fell on Thursday for the first time in three days after San Francisco Fed President Mary Daly sounded a note of concern about the strength of US economy.** Concerns about a slowdown in economic growth due to the trade war raging between the US and China, along with the potential hit to oil demand, are keeping prices in check. The market shrugged of a big drop in US inventories, which fell last week by 10mn barrels, compared with analysts' expectations for a decrease of 2.1mn barrels, the Energy Information Administration said.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
CAD—15:30	Canada Current Account	-9.9b	-17.3b
USD—15:30	US Prelim GDP QoQ	2.00%	2.10%
USD—15:30	US Initial Jobless Claims	215k	209k
USD—17:00	US Pending Home Sales MoM	0.10%	2.80%

**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	98.249	0.04%	2.16%
EUR/\$	1.1082	0.04%	-3.36%
GBP/\$	1.2195	-0.14%	-4.38%
AUD /\$	0.6736	0.03%	-4.44%
NZD/\$	0.6330	-0.11%	-5.79%
\$/JPY	106.07	0.05%	3.41%
\$/CAD	1.3295	0.08%	2.57%
\$/CHF	0.9817	0.01%	0.04%
\$/SEK	9.7222	0.03%	-8.94%
\$/NOK	9.0585	-0.12%	-4.61%
\$/DKK	6.7283	0.04%	-3.22%
\$/TRY	5.8227	-0.13%	-9.16%
EUR/GBP	0.9088	-0.19%	-1.08%
EUR/JPY	117.55	0.01%	7.04%
EUR/CHF	1.0880	-0.05%	3.45%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1542.15	0.20%	20.25%
Silver Spot \$/Oz	18.55	1.04%	19.69%
Platinum Spot \$/Oz	913.67	1.31%	14.83%
Palladium Spot \$/Oz	1485.49	0.80%	17.73%
COPPER \$/lb	258.30	0.72%	-2.38%
WTI \$/bbl	55.85	0.13%	22.99%
BRENT \$/bbl	60.30	-0.31%	12.08%

## EQUITIES & BONDS

**Global bond yields flirted with record lows while stocks inched down on Thursday, as global recession worries from intensifying US-China frictions and the specter of a no-deal Brexit drove investors to safer harbors.** MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.15%, Singapore shares hit 8-month lows, while Japan's Nikkei shed 0.07%. Bond markets around the world painted a gloomier picture, with yields on 30-year US Treasuries and 10-year German bunds yield both hitting record lows - 1.905% and minus 0.716% on Wednesday. Inversion remains a prominent feature across the US yield curve, where long-dated yields are below short-dated ones - an unsettling sign as yield curve inversions have been a reliable leading indicator of future US recessions. Italy's 10-year bond yield briefly fell below 1% for the first time ever, in part prompted by growing hopes that a new government will soon be formed in Rome and a new election averted. The 10-year Japanese government bond yield dipped 1 basis point to minus 0.285%, just above its record low of minus 0.300% touched in 2016.

**US stocks climbed on Wednesday, recovering from early declines on gains in energy and financial shares, but investors remained leery about the potential for another flare-up in the US-China trade war.** The financial sector was up 0.91%, recouping all of the prior day's losses that came on a deepening of the US Treasury yield curve inversion, which often precedes a recession. Gains in the benchmark S&P 500 index were also supported by a 1.40% jump in energy stocks after industry data showed a fall in stockpiles of US crude, boosting oil prices, which settled up more

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## EQUITIES & BONDS

than 1.5%. The two have been the worst performing of the 11 major S&P sectors in August. Investors took some relief in the lack of new developments on the trade front, although the US Trade Representative's office on Wednesday reaffirmed President Donald Trump's plans to impose an additional 5% tariff on a list of \$300bn of Chinese imports starting on Sept. 1 and Dec. 15. Next week, investors will look toward the monthly jobs report and manufacturing data which could guide expectations on the likelihood of another rate cut from the Fed at its mid-September meeting. In another factor that could support stock prices, the 30-year US Treasury yield fell below that of the S&P 500 dividend yield, making equities a more attractive income alternative. Shares of Autodesk Inc slid 6.74%, as the worst performer on the S&P 500, after the company cut its full-year earnings forecast. Shares of Tiffany & Co rose 3.02% after the luxury jeweler reported quarterly earnings above analysts' estimates.

**In the MENA region, the Saudi index fell sharply on Wednesday with all its banking shares dropping as receding fund inflows dampened investor appetite on a day when second phase of Saudi stocks joined the MSCI emerging markets index.** Sixty% of fund managers said they would decrease their investments in Saudi Arabia, displaying bearishness that has carried over from last month. (according to Reuters). The Saudi index declined 1.4% with Al Rajhi Bank losing 2% and the country's largest lender National Commercial Bank decreasing 2.4%.

## COMPANY NEWS HEADLINES

- Swiss bank UBS will appoint former Credit Suisse banker Iqbal Khan as head of its wealth management business, Swiss newspaper TagesAnzeiger reported on Wednesday, citing unnamed UBS sources.
- Facebook Inc acknowledged a flaw in its Messenger Kids app, weeks after two US senators raised privacy concerns about the application, and said that it spoke to the US Federal Trade Commission about the matter.
- Pinterest Inc users searching for vaccine-related information will be shown results from leading public health groups, in an effort to combat health misinformation on the site, the company said in a blog post on Wednesday.
- Third Point LLC has agreed to pay more than \$600,000 to settle allegations the hedge fund failed to properly file for antitrust clearance when it bought DowDuPont stock two years ago, the US Justice Dept. said on Wednesday.
- Physician outsourcing provider Envision Healthcare has seen the value of its \$5.45bn term loan B sink throughout August as weak earnings and political uncertainty around the US healthcare sector weigh on investor appetite, investors and analysts told Refinitiv LPC.
- Box Inc reported better-than-expected quarterly revenue on Wednesday, as it attracted more customers to its cloud content management platform.
- PVH Corp's quarterly sales beat expectations, helped by higher demand for its Tommy Hilfiger apparels.
- China's Zhejiang Satellite Petrochemical has won regulatory approval to start building a 30bn yuan (\$4.2bn) petrochemical complex in east China to process ethane from the US, a company official said on Thursday.
- Australia's Crown Resorts on Thursday said it had been informed that a planned \$1.2bn stake sale by billionaire founder James Packer to Melco Resorts & Entertainment had been delayed.
- Australian rare earths producer Lynas Corp posted a 50% jump in annual profit on Thursday on record production, and said it is still to decide on a site for a planned heavy rare earths processing plant.

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AMERICA	LAST	1D	YTD
DOW JONES	26036.10	1.00%	11.61%
S&P 500	2887.94	0.65%	15.20%
NASDAQ	7856.88	0.38%	18.41%
S&P/TSX	16271.65	0.54%	13.61%
EUROPE	LAST	1D	YTD
STXE 600	372.86	-0.20%	10.43%
FTSE 100	7114.71	0.35%	5.75%
CAC 40	5368.80	-0.34%	13.49%
DAX	11701.02	-0.25%	10.82%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6507.40	0.10%	15.25%
NIKKEI 225	20460.93	-0.09%	2.23%
TOPIX	1490.17	-0.01%	-0.26%
CSI 300 (China)	3790.19	-0.33%	25.89%
MENA	LAST	1D	YTD
Saudi Arabia	8171.17	-1.38%	4.40%
Abu Dhabi	5128.56	-0.04%	4.34%
Dubai	2757.80	0.24%	9.01%
Qatar	10025.47	-0.04%	-2.66%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.4777	-0.0017	-1.2065
Germany	-0.7060	0.0080	-0.9480
U.K.	0.4310	-0.0110	-0.8460
Australia	0.8760	-0.0100	-1.4420

## TOP SELECTED NEWS

### French Q2 growth revised up to 0.3%

(Reuters) France's economy grew slightly faster than previously thought in Q2 as strong business investment helped make up for soft consumer spending, official data showed on Thursday. The euro zone's second biggest economy grew 0.3% in the quarter, unchanged from the previous three months, the INSEE statistics agency said, revising the figure up from a provisional estimate of 0.2%. The relative resilience of the French economy contrasts sharply with the export-dependent German economy, which contracted 0.1% in the period as global trade tensions and the uncertainty over Britain's exit from the EU took their toll. In France, consumer spending growth - traditionally the motor of the broader economy - slowed to 0.2% from 0.3% in Q1.

### UniCredit said to explore Yapi Kredi stake to free up shares

(Bloomberg) UniCredit SpA is in talks about taking direct control of its holding in Turkish lender Yapi Kredi, paving the way for a potential sale or reduction of its stake, people with knowledge of the matter said. The Italian bank and Turkish partner Koc Holding are in discussions about reorganizing their Koc Financial Services joint venture which owns almost 82% in Yapi Kredi, two people said, asking not to be identified as the talks are private. UniCredit is interested in



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## TOP SELECTED NEWS

exiting the venture and taking direct control of its 41% stake, the people said, with one person adding that the Italian bank is considering a structure that would help free up capital. Both companies are seeking to finalize the changes by the end of the year, allowing UniCredit to decide on the future of its holding in Yapi Kredi without needing to consult Koc, the people said. One option may be a secondary public offering of the stake, two of the people said. Talks haven't been finalized yet and there's no certainty they'll result in a transaction, the people said. Representatives for UniCredit, Koc and Yapi Kredi declined to comment.

### **Swedbank hires new CEO as dirty-money probes continue**

(Bloomberg) Swedbank AB has chosen a new chief executive officer to steer Sweden's biggest mortgage bank through a money-laundering scandal that ended the career of his predecessor. Jens Henriksson will take over as CEO of the Stockholm-based bank "as soon as possible," according to a statement late on Wednesday. Swedbank has been run by its chief financial officer, Anders Karlsson, since Birgitte Bonnesen was fired in March amid concerns she misled the public about the severity of a dirty-money affair that triggered multiple investigations, including in the US

### **Macquarie finalizes \$675 million capital raising at small discount**

(Reuters) Australian investment bank Macquarie Group finalized its biggest ever capital raising of A\$1bn on Thursday at a small discount to its stock's closing price before the deal was launched. The final price of A\$120 per share was 2.8% below the close on Tuesday, which, according to two investment banking sources, marks the smallest discount for a capital raising over A\$800mn in Australian corporate history. The deal had a price guidance of A\$118-A\$123.50.

### **South Korea top court returns Samsung heir Lee's bribery case for review**

(Reuters) South Korea's Supreme court on Thursday overturned part of an appeals court ruling in the bribery case of Samsung Group's de facto chief Jay Y. Lee, who had been given a two-and-a-half-year suspended sentence for seeking favor from the country's ex-leader. The Supreme Court said the interpretation by the Seoul High Court on what constituted bribes by Samsung to then-President Park Geun-hye was too narrow. The case centered on whether three horses donated by Samsung Group for the training of the competitive equestrian daughter of Park's friend should be considered bribes aimed at winning the president's favor. The Supreme Court said the appeals court erred in not recognizing the horses as bribes given by Samsung to win favors.

### **Pernod launches share buyback and makes new investments in China and US**

(Reuters) French spirits maker Pernod Ricard, which is being targeted by activist investor Elliott, launched a share buyback program and announced new investments in China and the US as it posted solid profit growth. Pernod, which is the world's second-biggest spirits group behind Diageo, handed investors a 32% dividend hike and unveiled plans to buy back up to 1bn euros (\$1.1bn) in shares. It also appointed two new independent board members. In the US - its largest market where it now makes 18% of sales - Pernod further strengthened its bourbon whisky portfolio with the \$223mn acquisition of Castle Brands.

### **Microsoft says new augmented reality headset to go on sale in September**

(Reuters) Microsoft Corp's second generation HoloLens augmented reality headset will go on sale in September, the company's executive vice president Harry Shum said on Thursday. Shum made the comment in a speech at the World Artificial Intelligence Conference in Shanghai.

### **Struggling jewelry maker Pandora to relaunch brand at LA event**

(Reuters) Pandora, the world's biggest jeweler maker, will relaunch its brand at an event in Los Angeles later on Wednesday as it tries to attract middle-class shoppers seeking affordable luxury back to its stores. The Denmark-based company, best known for its customisable silver charm bracelets, will completely revamp the design of its 2,700 shops worldwide, unveil a new logo, increase marketing campaigns featuring celebrities and launch themed collections, including Harry Potter and Walt Disney's Frozen.

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