

MARKETS TODAY

Wednesday, July 03, 2019

MARKETS IN BRIEF

- Global markets were back in cautious mode. Enthusiasm over the U.S.-China trade truce faded after the US threatened tariffs on additional European goods.
- Asian stocks retreated following a modest session in Wall Street.
- U.S. dollar struggled as Treasury yields slumped. The 10-year hit earlier today 1.9378%, its lowest since November 9, 2016 (2 1/2-year high). Traders will be watching today the ADP Nonfarm Employment at 15:15 LT and ISM Non-Manufacturing at 17:00 LT.
- Euro had mixed movements. At first, it moved up on reports that the ECB is not in rush to cut interest rates. However later on, the nomination of Lagarde as ECB's chief, sent the currency down along with European government yields that touched new record lows. The new nomination is considered an assurance that the ECB will remain dovish.
- British pound dropped below the \$1.26 as BoE's Carney warned that the global trade war and Brexit could lead to negative outcomes, thus increasing markets rate cut expectations.
- Australian dollar traded flat with investors shifting attention to tomorrow's Retail Sales data at 4:30 LT.

Lagarde to succeed Draghi

Christine Lagarde is set to swap the helm of the IMF for that of the ECB, becoming the first woman to run euro-area monetary policy just as the bloc's economy looks in need of fresh stimulus. Lagarde was nominated to succeed Mario Draghi as president of the ECB when his 8-year term ends on Oct. 31. European leaders turned to the 63-year old onetime lawyer and former French finance minister on Tuesday after hours of horse-trading in Brussels over a package of top EU jobs which included handing the presidency of the European Commission to German Defense Minister Ursula von der Leyen. In a statement, Lagarde said that she was "honored to have been nominated" and would temporarily relinquish her responsibilities at the IMF while EU lawmakers look to ratify her appointment.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1274	-0.10%
GBP/\$	1.2568	-0.20%
AUD /\$	0.6992	-0.03%
\$/JPY	107.68	0.19%
\$/CAD	1.3116	-0.06%
Gold \$	1425.42	0.48%
WTI \$	56.31	0.11%
BRENT \$	62.56	0.26%
AMERICA		
DOW JONES	26786.68	0.26%
S&P 500	2973.01	0.29%
NASDAQ	8109.09	0.22%
EUROPE		
STXE 600	389.29	0.37%
CAC 40	5576.82	0.16%
DAX	12526.72	0.04%
ASIA PACIFIC		
S&P/ASX 200	6685.46	0.48%
NIKKEI 225	21638.16	-0.53%
CSI 300 (China)	3893.53	-1.11%
MENA		
Saudi Arabia	8834.26	-0.21%
Dubai	2678.92	0.20%
Qatar	10578.43	0.17%
BONDS		
U.S. 10-year	1.9481	-0.0259
German Bund 10-yr	-0.3970	-0.0300
AU 10-year	1.2780	-0.0560

MARKETS TODAY

Trade negotiations in the right direction

White House trade adviser Peter Navarro said on Tuesday US trade talks with China are heading in the right direction and any concessions to Beijing on Huawei Technologies were small in the context of a larger trade deal. "We're headed in a very good direction," Navarro said in an interview with CNBC. "It's complicated, as the president said, correctly, this will take time and we want to get it right. So let's get it right." Trump and Chinese President Xi Jinping agreed in a meeting on Saturday at the G20 in Japan to restart trade talks.

EU open to talks with the U.S.

The EU said on Tuesday it was open to talks with Washington in a dispute over aircraft subsidies while preparing retaliation after the United States added olives, Italian cheese and Scotch whisky to a list of goods in line for hefty tariffs. Just days after reaching a truce in a US-China trade war, the US Trade Representative's office (USTR) opened the new front with Europe on Monday in the long-running dispute over mutual claims of subsidies to Airbus and US rival Boeing. It added extra products worth \$4bn to a list of EU goods worth \$21bn that are eligible to be hit with tariffs

Trump nominating "dovish" names

Trump announced on Tuesday the names of two nominees to fill vacant posts on the Federal Reserve Board, after two of his earlier choices withdrew from consideration in the face of criticism. Trump said on Twitter he intends to nominate Christopher Waller, an executive vice president at the Fed Bank of St. Louis, and Judy Shelton, the US director of the European Bank for Reconstruction and Development. Both nominees must be confirmed by the US Senate.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.66	0.45%
SOLIDERE—B	6.66	3.58%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.85	-
BLOM BANK	8.00	-
BYBLOS BANK	1.22	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The US dollar struggled on Wednesday, having been nudged off 2-week highs as fading optimism over any near-term Sino-US trade deal revived safe-haven demand and drove US yields down. US bond yields also tracked a decline in their British counterparts to 2-1/2-year lows on dovish-sounding comments from BoE Gov. Mark Carney, which in turn weighed on the pound. The dollar index against a basket of six major currencies stood at 96.852 after pulling back from 96.875 scaled on Tuesday, its highest since June 20. The 10-year US Treasury yield extended an overnight fall and brushed a fresh 2-1/2-year low of 1.93%. At the G20 summit in Japan last weekend, Washington and Beijing agreed to restart trade talks after Trump offered concessions. But investors were wary about the chances of a resolution to the year-long trade war between the world's two biggest economies, especially given the recent breakdown in talks and Trump's comments that any deal would have to be tilted in US's favor. Sentiment was also dented by Washington's threat of tariffs on \$4bn of additional EU goods in a long-running dispute over aircraft subsidies. The dollar traded at 107.68 yen, having been nudged off a 12-day high of 108.535 scaled at the start of the week.

MARKETS TODAY

FX & COMMODITIES

The British pound dropped after BoE's Carney said on Tuesday that a global trade war and a no-deal Brexit were growing risks to Britain's economy which might need more help to cope with a downturn, prompting investors to increase their bets on central bank easing. GBP was lower at \$1.2568 after shedding 0.35% the previous day.

The euro had received a lift after a media report that European Central Bank policymakers are in no rush to cut interest rates at a July policy meeting. But it later slipped after IMF managing director Christine Lagarde, perceived as a policy dove, was nominated as the next ECB president. The euro was little changed at \$1.1274 following a volatile session on Tuesday, when it swung between a low of \$1.1275 and a high of \$1.1322.

The Australian dollar was flat at \$0.6992 after gaining about 0.4% the previous day. The Aussie had gained after the Reserve Bank of Australia cut interest rates but offered a more balanced outlook.

Oil prices were steady on Wednesday after a steep fall in the previous session, supported by extended output cuts by OPEC and its allies despite concerns that a slowing global economy could crimp demand. Prices were also supported by widely-watched data showing a larger-than-expected drawdown in US crude oil inventories, with government data due later in the day. Brent crude futures for September delivery were trading up 0.26%, at \$62.56 a barrel. US crude futures for August were up 0.11%, at \$56.31 a barrel. Both benchmarks fell more than 4% on Tuesday as worries about a slowing global economy. The OPEC and other producers such as Russia, a group known as OPEC+, agreed on Tuesday to extend oil supply cuts until March 2020 as members overcame differences to try to prop up prices. Ahead of government data due later on Wednesday, industry group the American Petroleum Institute (API) said that US crude inventories fell by 5mn barrels last week, more than the expected decrease of 3mn barrels. The OPEC+ agreement to extend oil output cuts for nine months should draw down oil inventories in the second-half of this year, boosting oil prices, analysts from Citi Research said in a note.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Services PMI	51.0	51.0
USD—15:15	US ADP Nonfarm Employment	140k	27k
CAD—15:30	Canada Trade Balance	-1.7b	-1.0b
USD—15:30	US Trade Balance	-53.2b	-50.8b
USD—15:30	US Initial Jobless Claims	220k	227k
USD—17:00	US ISM Non-Manufacturing PMI	56.1	56.9
OIL—17:30	EIA Weekly Report		

Thursday: AU Retail Sales, Eurozone Retail Sales, US Holiday

Friday: German Factory Orders, UK Halifax HPI, US Jobs Report

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	96.852	0.13%	0.71%
EUR/\$	1.1274	-0.10%	-1.68%
GBP/\$	1.2568	-0.20%	-1.46%
AUD /\$	0.6992	-0.03%	-0.81%
NZD/\$	0.6678	0.07%	-0.61%
\$/JPY	107.68	0.19%	1.87%
\$/CAD	1.3116	-0.06%	3.97%
\$/CHF	0.9866	-0.03%	-0.46%
\$/SEK	9.3229	0.09%	-5.04%
\$/NOK	8.5869	-0.23%	0.63%
\$/DKK	6.6204	-0.10%	-1.65%
\$/TRY	5.6289	0.51%	-6.03%
EUR/GBP	0.8970	-0.10%	0.21%
EUR/JPY	121.40	0.30%	3.65%
EUR/CHF	1.1123	0.07%	1.19%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1425.42	0.48%	11.14%
Silver Spot \$/Oz	15.29	-0.19%	-1.34%
Platinum Spot \$/Oz	831.59	0.18%	4.52%
Palladium Spot \$/Oz	1566.52	0.21%	24.15%
COPPER \$/lb	265.10	-0.49%	0.25%
WTI \$/bbl	56.31	0.11%	24.00%
BRENT \$/bbl	62.56	0.26%	16.28%

EQUITIES & BONDS

Euro zone bond yields hit new record lows on Wednesday after a decision by EU leaders to pick France's Christine Lagarde as next European Central Bank chief reassured markets that the central bank's dovish stance would remain in place. In a week where comments from even some of the ECB's hawkish members hinted at more easing if inflation remains unacceptably low, the decision on the next ECB chief only added fuel to a stellar rally in government bond markets. Analysts expect Lagarde to continue current ECB chief Mario Draghi's dovish policy stance. If approved by the European parliament, Lagarde will succeed Draghi when his term expires at the end of October. Most 10-year bond yields across the bloc tumbled 3 basis points, with those in the Netherlands, Austria, Spain and Portugal all hitting record lows.

Asian shares fell on Wednesday as initial enthusiasm over the latest US-China trade truce was overtaken by fresh concerns over Washington's threat of tariffs on additional European goods. Global growth concerns also weighed on investor confidence, with South Korea the latest trade-reliant economy to cut its economic growth and export targets, a day after weaker factory readings worldwide. MSCI's broadest index of Asia-Pacific shares outside Japan was 0.3% lower, while Japan's Nikkei slipped 0.6% in early trade. Still, a rally in global stocks following the US-China summit at weekend is rapidly losing steam. While the threat of new US tariffs has been postponed for now, existing tariffs that have disrupted global supply chains are unlikely to be lifted any time soon. The US and China agreed on

MARKETS TODAY

EQUITIES & BONDS

US stocks managed modest gains on Tuesday after holding near the unchanged mark for much of the session as enthusiasm over the US-China trade truce faded after the US threatened tariffs on additional European goods.

Washington's proposed tariffs on \$4bn worth of EU goods in an extended dispute over aircraft subsidies came just as trade tensions with China seemed to be easing. Still, stocks have rallied to push the S&P 500 to a record for a second straight session in the wake of the US trade truce with China. The benchmark index finished Monday's session well off its highs, however, as investors questioned the lack of details in the agreement. The S&P 500 had rallied nearly 7% in June on hopes the two largest economies in the world would find a way to end their trade war. With US and global economic data showing signs of slowing, the focus for investors will now turn to monetary policy and the upcoming earnings season. The softening data triggered a drop of about 3% in crude oil prices despite an agreement among oil producers to extend supply cuts and pushed the energy sector down 1.74%, the biggest drag on markets. The defensive real estate, up 1.82% and utilities, up 1.24% sectors were the best performers on the session. Oil majors Exxon Mobil Corp and Chevron Corp declined more than 1% each, while Apache Corp slumped more than 6%. Automatic Data Processing lost 2.66%, pressuring the tech-heavy Nasdaq, after market sources said brokerage Jefferies is re-offering 8mn of the company's shares at a discount. L3Harris Technologies gained 4.28%, making it the best performer on the S&P 500, after Jefferies added the defense contractor to its top picks for aerospace and defense electronics for the second half of 2019. Investors are now awaiting the monthly jobs report on Friday, which is expected to show the private sector added 160,000 jobs in June, after May's sharp slowdown in jobs growth.

In the MENA region, the Saudi index snapped a 5-day winning streak on Tuesday as most banks dropped, while Kuwait rose for a fourth straight session after MSCI announced it would upgrade Kuwaiti equities to its main emerging-market index. The Saudi index is still up 12.6% this year, led by foreign investors. Saudi exchange data released late on Monday showed foreigners bought a net 16.16bn riyals (\$4.31bn) worth of Saudi stocks last month.

COMPANY NEWS HEADLINES

- Tesla Inc set a record for quarterly vehicle deliveries in a triumphant response to months of questions about demand for its luxury electric cars, sending shares up 7% after hours on Tuesday.
- Arizona's governor on Tuesday withdrew a \$1 million incentive for Nike Inc to build a plant in the state after the world's largest sportswear maker canceled release of a sneaker featuring a colonial-era version of the American flag, which critics say reflects links to slavery.
- Aluminum producer Alcoa Corp said on Tuesday it expects to incur a charge of between \$40mn and \$50mn in the second half of 2019, related to restarting operations at its Canadian smelter in Becancour, Quebec.
- Occidental Petroleum Corp on Tuesday called on its shareholders to reject activist investor Carl Icahn's moves to launch a proxy fight for four seats on the company's board.
- Australia's biggest supermarket chain Woolworths Group Ltd said on Wednesday it will combine and spin off its drinks and pubs units to focus on its core business, cutting back its contentious involvement in poker-machine gambling.
- Brazilian iron ore miner Vale SA said on Tuesday that it "respectfully disagrees" with recommendations by a Brazilian Senate committee that its chief financial officer and other executives be indicted over a deadly dam burst in January.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26786.68	0.26%	14.83%
S&P 500	2973.01	0.29%	18.60%
NASDAQ	8109.09	0.22%	22.21%
S&P/TSX	16471.29	0.54%	15.00%
EUROPE	LAST	1D	YTD
STXE 600	389.29	0.37%	15.29%
FTSE 100	7559.19	0.82%	12.35%
CAC 40	5576.82	0.16%	17.89%
DAX	12526.72	0.04%	18.64%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6685.46	0.48%	18.40%
NIKKEI 225	21638.16	-0.53%	8.11%
TOPIX	1579.54	-0.65%	5.72%
CSI 300 (China)	3893.53	-1.11%	29.33%
MENA	LAST	1D	YTD
Saudi Arabia	8834.26	-0.21%	12.87%
Abu Dhabi	4978.84	0.01%	1.30%
Dubai	2678.92	0.20%	5.90%
Qatar	10578.43	0.17%	2.71%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.9481	-0.0259	-0.7361
Germany	-0.3970	-0.0300	-0.6390
U.K.	0.6970	-0.0250	-0.5800
Australia	1.2780	-0.0560	-1.0400

TOP SELECTED NEWS

ECB policy makers see no rush for July interest-rate cut

(Bloomberg) European Central Bank policy makers aren't yet ready to rush into additional monetary stimulus at this month's meeting, preferring instead to wait for more data on the economy, according to euro-area central-bank officials familiar with the matter. While Governing Council members agree that they could act on July 25 if the outlook deteriorates, they are currently leaning toward the following meeting in September when they'll have updated economic forecasts to back up their decision, the people said. The council might tweak its policy language this month to signal more stimulus is imminent. The officials asked not to be identified as the discussions are informal. A spokesman for the ECB declined to comment.

Carney warns of downside risks on simmering global trade war

(Bloomberg) Mark Carney warned of damage to the global economy from rising protectionism, describing a "widespread slowdown" that may require a major policy response. The Bank of England governor said the "intensification of trade tensions has increased the downside risks to global and UK growth," citing falling business confidence and pessimism among households. He also said the UK faces the additional threat of a no-deal Brexit on



MARKETS TODAY

TOP SELECTED NEWS

business investment. Money markets ramped up bets on an interest-rate cut by January, now seeing a 60% probability compared 35% as of Monday, adding fuel to a surge in government bonds.

Saudis dig in for shale fight as OPEC+ agrees on long-term pact

(Bloomberg) Saudi Arabia, OPEC's dominant producer, will keep doing the heavy lifting as the cartel and its allies were all but forced to extend their effort to counter the US shale boom into a fourth year. In a meeting on Tuesday, the Organization of Petroleum Exporting Countries and 10 non-members including Russia rubber-stamped the cartel's earlier decision to continue production limits for another nine months. They also adopted a charter putting the OPEC+ coalition on a more solid footing. OPEC Secretary-General Mohammad Barkindo said the cooperation could now last for "eternity." For all the expressions of unity, one country mattered more than the others.

Saudi Arabia raises 3 billion with debut euro bond

(Reuters) Saudi Arabia has raised 3bn euros from over 14.5bn worth of orders for its first bond denominated in euros, as the kingdom taps new financing sources to cover its budgetary needs in an era of lower oil prices. With this deal, the Saudis have sold over \$60bn in international bonds since their debut as a global borrower in late 2016, making the kingdom one of the biggest debt issuers among emerging markets. Its foray in the euro debt market — the first by a Gulf government — will allow it in the future to tap different investors at different times. The Saudi bonds are split into a 1bn-euro eight-year tranche and a 2bn-euro 20-year tranche, a document issued by one of the banks leading the deal showed. The eight-year tranche carries a coupon of 0.75%, the longer-dated bond 2%. After pricing, the 8-year tranche offered a 0.782% yield, the 20-year notes 2.042%, according to the document. Spreads on the 8-year bond tightened as the deal was marketed on Tuesday to end up offering 80 bps over mid-swaps. The 20-year bonds offered 140 bps over the same benchmark.

Broadcom is said to be in advanced talks to acquire Symantec

(Bloomberg) Broadcom Inc. is in advanced talks to buy cybersecurity firm Symantec Corp., according to people familiar with the matter, seeking a further expansion into the more profitable software business. Broadcom could reach an agreement to buy the Mountain View, California-based company within weeks, said the people. No deal has been finalized and the talks could fall through, the people said. A representative for Symantec declined to comment. A representative for Broadcom didn't immediately respond to a request for comment. Symantec's shares rose 22% in extended trading on the news. They were little changed earlier Tuesday, closing at \$22.10, giving the company a market value of about \$13.7bn. Broadcom slipped about 4% in late trading. They had fallen 1.7% in regular New York trading to close at \$295.33, giving the semiconductor maker a market value of about \$118bn.

Deutsche Bank explores selling unwanted assets amid revamp

(Bloomberg) Deutsche Bank AG is sounding out potential buyers for a wide range of unwanted assets as it lays the groundwork for its most dramatic overhaul in recent history, people with knowledge of the matter said. Germany's largest lender is gauging interest for performing and soured loans as well as assets including equity-related securities and interest rate derivatives, the people said, asking not to be identified because the matter is private. Sales would be part of the lender's plan to shutter or cut unprofitable businesses and place assets in a unit to sell or wind down, the people said. CEO Christian Sewing is poised to unveil the bank's restructuring strategy as soon as this week after a long series of previous turnaround efforts failed to lift profitability. He's now working on a headcount reduction -- as many as 20,000 positions -- that may turn out to be the largest in decades, people familiar with the matter have said.

Saudi Aramco is said to restart work on world's largest IPO

(Bloomberg) Saudi Arabia is restarting preparations for a potential initial public offering of oil giant Aramco, months after putting the planned listing on hold, people familiar with the matter said. Aramco, the world's most profitable company, recently held talks with a select group of investment banks to discuss potential roles on the offering, according to the people. Detailed work on the IPO may pick up speed later this year or early next year.

MARKETS TODAY

Wednesday, July 03, 2019

APPENDIX & DISCLAIMER

This document is for information purposes only and does not take account of the specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever.

The information in this document is based on data obtained from sources believed by Bank of Beirut to be reliable and in good faith, but no representations, guarantees or warranties are made by Bank of Beirut with regard to accuracy, completeness or suitability of the data. The opinions and estimates contained herein reflect the current judgment of the author (s) on the data of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Bank of Beirut. Bank of Beirut does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any opinion described herein would yield favorable investment results. Any forecasts discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by other sources relied upon in the document were inapposite.

Neither Bank of Beirut nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Bank of Beirut. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

GLOBAL MARKETS DIVISION



treasury@bankofbeirut.com.lb



+961 1 960 501

PRIVATE BANKING DEPARTMENT



privatebanking@bankofbeirut.com.lb



+961 1 960 531/2/3

