

MARKETS TODAY

Friday, July 05, 2019

MARKETS IN BRIEF

- The currency market was mostly sidelined ahead of the U.S. jobs figures that will be released today at 15:30 LT.
- The U.S. dollar steadied and was up 0.7% so far this week. It gained support from its safe-haven appeal during global trade and geopolitical tensions. However, increased rate cut expectations would keep the dollar under downward pressure.
- German 10-year government bond yield fell to minus 0.4% and matched ECB's deposit rate for the first time - a sign that markets are expecting rate cuts. U.S. 10-year Treasury yield hit their lowest since November 2016.
- Euro edged lower and is on track for its biggest weekly drop in three weeks as a slide in core government bond yields ramped up pressure for fresh stimulus policies from global central banks.
- Australian dollar firmed near \$0.7 level. It advanced 1.4% this week with expected rate cuts from the Fed and the ECB helping shift some of the focus away from the RBA's own easing bias.
- British pound struggled with the Bank of England turning dovish.
- Oil prices fell as weak global demand outlook outweighed possible supply disruptions.

U.S. jobs report today

US job growth likely rebounded in June, with wage gains expected to pick up, but that would probably not be enough to discourage the Fed from cutting interest rates this month amid growing evidence the economy is slowing. Nonfarm payrolls probably increased by 160k jobs last month after rising by only 75k in May, according to surveys. May marked the second time this year that job gains dropped below 100k. Reports on Wednesday showed private employers hired far fewer-than-expected workers last month and a measure of services industries employment declined. Job growth has slowed to an average of 164k per month this year from 223k in 2018. The pace, however, remains well above the roughly 100k needed to keep up with growth in the working age population.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1271	-0.12%
GBP/\$	1.2576	-0.02%
AUD /\$	0.7020	-0.03%
\$/JPY	107.94	-0.11%
\$/CAD	1.3059	-0.05%
Gold \$	1415.34	-0.05%
WTI \$	56.63	-1.24%
BRENT \$	63.28	-0.03%
AMERICA		
DOW JONES	26966.00	-
S&P 500	2995.82	-
NASDAQ	8170.23	-
EUROPE		
STXE 600	392.94	0.09%
CAC 40	5620.73	0.03%
DAX	12629.90	0.11%
ASIA PACIFIC		
S&P/ASX 200	6751.28	0.50%
NIKKEI 225	21746.38	0.20%
CSI 300 (China)	3893.20	0.52%
MENA		
Saudi Arabia	8846.53	-0.08%
Dubai	2660.53	-0.21%
Qatar	10566.52	-0.23%
BONDS		
U.S. 10-year	1.9460	-0.0038
German Bund 10-yr	-0.3970	0.0020
AU 10-year	1.2820	-0.0100

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U.S.-China trade talks facing pre-conditions

US trade negotiators will be in Beijing next week to restart talks, the SCMP reported (Reuters). China wants clarity on how Donald Trump will ease sanctions on Huawei before deciding whether to resume soybean purchases, the newspaper said. Separately, China continues to stress that the US must remove all tariffs as a condition for reaching a trade deal. An influential blog said the talks will "go backward again" without that step.

Italy's markets improving

Italy's government bond yields were set on Friday for their best week in over a year thanks to heightened expectations of European Central Bank monetary easing soon and relief that Rome has avoided EU disciplinary action over its fiscal position. As bond yields across the euro area this week hit fresh milestones, Italy delivered its own eye-popping moves. Italy's 10-year bond yield has slid 45 bps and is set for its biggest weekly fall since June 2018. It was 4 bps lower on the day at 1.63% on Friday, having hit its lowest since 2016 on Thursday.

U.S. sanctions on Turkey getting closer

The first of the Russian S-400 defense systems that Ankara has purchased will be loaded on to cargo planes on Sunday and arrive in Turkey some time next week, privately-held broadcaster Haberturk reported (Reuters). Washington has said that US sanctions would be triggered when the missile batteries arrive in NATO ally Turkey. The initial S-400 delivery will be sent on two cargo planes from a Russian military air base, Haberturk said. It also reported that a Russian technical team that would oversee its installation is expected to arrive in Turkey by Monday.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.49	-3.13%
SOLIDERE—B	6.51	-1.81%
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 was firm on Friday but traders held off on making big bets ahead of the closely-watched US non-farm jobs report that could influence the course of near-term Fed policy. The dollar index (DXY) against a basket of six major currencies stood little higher 96.837, having spent the previous day in a tight range as the US financial markets were closed for the Independence Day holiday. The index had fallen to a 3-month trough of 95.843 last week as US Treasury yield slumped to 2-1/2-year lows on expectations the Fed would cut interest rates this year, starting as early as this month. The focus was now on whether Friday's US jobs report will help make or break the case for a rate cut later in July. The dollar was flat at 107.94 yen. The greenback was little changed on the week, during which it briefly touched a 2-week high of 108.535 when a US-China trade truce boosted risk appetite and weighed on the safe-haven yen.

The euro traded lower at \$1.1271 and headed for a weekly loss of 0.75%. A drop in European government bond (EGB) yields to record lows this week, in sympathy with the global debt rally, has weighed on the single currency.

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FX & COMMODITIES

Germany's benchmark 10-year government bond yield matched the European Central Bank's deposit rate of minus 0.4% for the first time on Thursday, in the latest sign that markets are braced for interest rate cuts soon. The bond market curve is said to "bull flatten" when the decline in yields of longer-dated paper outstrips the fall in shorter-dated rates - an occurrence usually seen as presaging economic stress.

The Australian dollar was boosted by a weaker greenback and soaring prices of iron ore - Australia's top export earner - despite a rate cut on Tuesday. The currency is so far up 1.4% this week and last held at \$0.7020. The Aussie dollar climbed to a 2-month high of \$0.7048 the previous day.

The British pound struggled near a 2-week low of \$1.2557 plumbed on Wednesday. As expectations for monetary easing from the world's central banks have steadily increased, investors believe the Bank of England might have to, which until recently had signaled its next move would be to tighten, will not be able to resist the pressure to ease.

Oil prices fell on Friday as concerns over the outlook for global economic growth outweighed elevated tensions in the Middle East that could disrupt supply routes and send prices higher. US West Texas Intermediate (WTI) crude futures were down 1.24% at \$56.63 per barrel. There was no settlement price on Thursday because of the Independence Day holiday in the US. Front-month Brent crude futures were down 0.03% at \$63.28 per barrel, after closing down 0.8% on Thursday. Analysts said oil was under pressure because fears over future demand amid trade disputes threatening global economic growth. But losses were checked by commitment to cut production from the world's largest exporters - including members of the OPEC and other producers such as Russia, a grouping known as OPEC+. The US Energy Information Administration on Wednesday reported a weekly decline of 1.1mn barrels in crude stocks, much smaller than the 5mn barrel draw reported by the American Petroleum Institute earlier in the week.

Gold prices traded flat on Friday and were on track for a seventh consecutive weekly gain, as investors awaited US employment data that could influence expectations about aggressive policy easing by the Fed. Spot gold was at \$1,415 per ounce, rising nearly 0.6% so far this week. Bullion has gained more than 12%, or \$150, since touching its 2019 low of \$1,265.85 in early May, driven by dovish outlook from major central banks and an escalation in tensions between the US and Iran. Lower interest rates decrease the opportunity cost of holding non-yielding bullion and weigh on the dollar, making gold cheaper for investors holding other currencies. Among other precious metals, silver edged 0.38% lower to \$15.23 per ounce, while platinum dropped 0.12% to \$833.85. Palladium was steady at \$1,567.19 an ounce and was heading for its fifth straight weekly gain.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
CAD—15:30	Canada Employment Change	10.0k	27.7k
CAD—15:30	Canada Unemployment Rate	5.50%	5.40%
USD—15:30	US Average Hourly Earnings MoM	0.30%	0.20%
USD—15:30	US Nonfarm Employment Change	160k	75k
USD—15:30	US Unemployment Rate	3.60%	3.60%
CAD—17:00	Canada Ivey PMI	56.2	55.9

Next Week: Japan Current Account, Eurozone Sentix Investor Confidence, German Industrial Production and Trade Balance, Swiss Unemployment Rate, AU Business Confidence, US Fed Chair Powell speaks, Canada Housing Starts and Building Permits, NZ FPI, AU Consumer Sentiment, UK GDP and Manufacturing Production, UK NIESR GDP Estimate, Canada BoC Policy Decision and Press Conference, Fed Chair Powell testifies, US FOMC Meeting Minutes, UK BoE Financial Stability Report, US CPI MoM, US Fed Chair Powell testifies, China Trade Balance, US PPI MoM

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CURRENCIES	LAST	1D	YTD
DXY	96.837	0.07%	0.69%
EUR/\$	1.1271	-0.12%	-1.71%
GBP/\$	1.2576	-0.02%	-1.40%
AUD /\$	0.7020	-0.03%	-0.41%
NZD/\$	0.6676	-0.16%	-0.64%
\$/JPY	107.94	-0.11%	1.62%
\$/CAD	1.3059	-0.05%	4.43%
\$/CHF	0.9869	-0.19%	-0.49%
\$/SEK	9.3511	-0.25%	-5.32%
\$/NOK	8.5405	-0.09%	1.18%
\$/DKK	6.6217	-0.12%	-1.67%
\$/TRY	5.6042	-0.13%	-5.62%
EUR/GBP	0.8963	0.10%	0.30%
EUR/JPY	121.66	0.01%	3.43%
EUR/CHF	1.1123	-0.05%	1.19%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1415.34	-0.05%	10.36%
Silver Spot \$/Oz	15.23	-0.38%	-1.72%
Platinum Spot \$/Oz	833.85	-0.12%	4.80%
Palladium Spot \$/Oz	1567.19	0.14%	24.20%
COPPER \$/lb	266.15	-0.80%	0.64%
WTI \$/bbl	56.63	-1.24%	24.71%
BRENT \$/bbl	63.28	-0.03%	17.62%

EQUITIES & BONDS

World stocks and bonds have rallied since June on hopes global central banks will keep policy easy to support growth. A ceasefire in the protracted Sino-US trade war has also bolstered sentiment. All eyes were now on US non-farm payrolls, due later in the day, which are expected to have jumped by 160k in June compared with 75k May. Fed futures are fully pricing in a 25 bps cut when the Fed meets on July 30-31. Investors also see a 25% chance of a 50 bps reduction. The Fed would not be alone in embarking on easier monetary policy. Australia's central bank has cut its cash rate by 50 bps since June while leaving the door ajar for a third move this year. In the euro zone, financial markets expect the bloc's central bank to lay out the landscape for further monetary easing at its July 25 meeting.

Prospects of global easing have sent government bond yields to multi-year lows around the world. The yields on Europe's safest bonds have fallen below the European Central Bank's deposit rate for the first time as investors bet on policy easing. German 10-year yields slid below the minus 0.40% rate that the central bank pays on money parked with it. That is spurring investors to turn to riskier assets such as Italian and Greek notes that are leading a rally in European bonds this week. Governments are cashing in, with both Spain and France auctioning debt at record-low borrowing costs on Thursday..

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EQUITIES & BONDS

Asian shares hovered near 2-month highs on Friday as investors braced for US employment data, a key release that could stoke or temper market expectations about aggressive policy easing by the Fed. Trade across global markets was expected to remain subdued following the Independence Day holiday in the US on Thursday and ahead of the non-farm payrolls report. In early European trade, the pan-region Euro Stoxx 50 futures were flat as were futures for German DAX and London's FTSE. E-Minis for the S&P500 advanced about 0.1%. MSCI's broadest index of Asia-Pacific shares outside Japan was set for its fifth straight weekly rise, which took it to 534.40, the highest since early May. It was last a tick lower at 532.65. Japan's Nikkei added 0.2%. Chinese shares were slightly higher with the blue-chip index up 0.5%. Australia and New Zealand shares gained, too, while Hong Kong's Hang Seng index and South Korea's KOSPI were mostly steady.

In the MENA region, Kuwaiti index rose for the sixth consecutive session after MSCI decided to upgrade Kuwaiti equities to its main emerging markets index. Egypt's blue-chip index snapped four straight days of gains on Thursday as most of its stocks dropped. Egypt's current account deficit widened to \$7.6bn in the first nine months of the fiscal year from \$5.47bn a year earlier, while net foreign direct investments narrowed in the same period.

COMPANY NEWS HEADLINES

- Osram Licht AG's supervisory and managing boards accepted a 3.4bn euro (\$3.8bn) takeover bid from Bain Capital and Carlyle Group LP, ending the German lighting company's relatively brief and at times contentious period as a standalone company.
- Britain's biggest carmaker Jaguar Land Rover (TAMO.NS) is making a multi-million pound investment to build electric vehicles in its home market, in a major boost to a sector hit by a slump in diesel sales and Brexit uncertainty.
- General Motors Co's January to June vehicle sales in China fell 15%, as the US automaker was hurt by a slowing economy amid the Sino-US trade war and by heightened competition in its key mid-priced SUV segment.
- India ordered an investigation on Thursday into alleged mismanagement of funds at Jet Airways, which halted operations in April after running out of cash.
- Acacia Mining on Friday reported a 13% rise in gold reserves at the end of May for its Gokona Mine in North Mara, Tanzania, adding weight to its view that majority shareholder Barrick Gold's buyout proposal undervalued the miner.
- William Hill plans to cut about a third of its betting shops and jobs in Britain after the government slashed the maximum stake permitted on fixed-odds terminals, dubbed the "crack cocaine" of gambling by their critics.
- Deloitte and a senior partner have been fined and severely reprimanded for misconduct over the audit of Serco Geografix (SGL), an outsourcer that on Thursday formally settled a six-year criminal investigation into fraud and false accounting.
- The law firm Bech-Bruun must reimburse the Danish government the fee it received to investigate a \$2bn tax scandal after it was found not to be impartial.

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AMERICA	LAST	1D	YTD
DOW JONES	26966.00	-	15.60%
S&P 500	2995.82	-	19.51%
NASDAQ	8170.23	-	23.13%
S&P/TSX	16588.85	0.08%	15.82%
EUROPE	LAST	1D	YTD
STXE 600	392.94	0.09%	16.37%
FTSE 100	7603.58	-0.08%	13.01%
CAC 40	5620.73	0.03%	18.81%
DAX	12629.90	0.11%	19.61%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6751.28	0.50%	19.57%
NIKKEI 225	21746.38	0.20%	8.65%
TOPIX	1592.58	0.18%	6.59%
CSI 300 (China)	3893.20	0.52%	29.31%
MENA	LAST	1D	YTD
Saudi Arabia	8846.53	-0.08%	13.03%
Abu Dhabi	4999.46	0.20%	1.72%
Dubai	2660.53	-0.21%	5.17%
Qatar	10566.52	-0.23%	2.60%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.9460	-0.0038	-0.7382
Germany	-0.3970	0.0020	-0.6390
U.K.	0.6750	-0.0010	-0.6020
Australia	1.2820	-0.0100	-1.0360

TOP SELECTED NEWS

No-Deal Brexit Threatens Christmas Chaos, UK Retailers Warn

(Bloomberg) Christmas is nearly half a year away, but British retailers are already fretting about the damage a no-deal Brexit on Oct. 31 would do to the year's busiest shopping season. Firms like J Sainsbury Plc and Tesco Plc, Britain's two largest grocers, fill their warehouses with toys, TVs and other festive stock in the autumn months, and any turmoil around Britain's departure from the EU could impede shipments and hurt sales. Clashing with holiday preparations is just one way a no-deal departure at the end of October threatens to cause even more upheaval than the original deadline in March would have. Both of the Conservative Party candidates vying to become Britain's prime minister -- Boris Johnson and Jeremy Hunt -- have said they support pursuing a no-deal split if the UK can't get an improved Brexit agreement with the EU.

Deutsche Bank US cuts may go deeper than equities, rates

(Bloomberg) Deutsche Bank AG's job cuts across the US will probably go far beyond equities and interest-rate derivatives trading, which have been marked as major targets, according to people with knowledge of the matter. The German lender plans to start informing US workers of the reductions beginning Monday provided its restructuring



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TOP SELECTED NEWS

plan is adopted over the weekend, the people said, asking not to be identified because the matter is private. They didn't give further details on which businesses may be affected. CEO Christian Sewing is poised to adopt a sweeping restructuring plan focused on as many as 20,000 job cuts worldwide and a pullback from large areas of investment banking, the people have said. The bank may shutter US equities trading entirely and a number of senior executives including US chief Tom Patrick are leaving the bank, they said. The bank hasn't yet detailed the cuts or how they'll be distributed. A Deutsche Bank spokesman declined to comment.

SocGen is said to plan sale of UK private banking business

(Bloomberg) Societe Generale SA is planning a retreat from UK private banking just three years after making a major acquisition to expand in the market, people with knowledge of the matter said. France's second-largest lender has started to gauge interest from potential buyers for its Kleinwort Hambros business, according to the people, who asked not to be identified because the information is private. It is working with Rothschild & Co. on the deal, the people said. In 2016, Societe Generale bought the UK wealth management operations of Oddo & Cie's BHF Kleinwort Benson Group SA unit, which traces its roots back to 1786, and merged it with its own Hambros division. The combined business managed about 14bn pounds (\$17.6bn) of assets as of the end of last year in offices the UK, Guernsey, Jersey and Gibraltar. Societe Generale has been divesting non-core assets as it seeks to boost its capital ratios. Last year it agreed to sell its Belgian private banking unit to ABN Amro Group NV and reached a deal to offload its Polish retail arm. Societe Generale has also been exploring a sale of its Nordic equipment leasing operations, people with knowledge of the matter said last month. Representatives for Societe Generale and Rothschild declined to comment.

Vivendi's Canal+ plans job cuts as Netflix competition bites

(Bloomberg) French pay-television company Canal+ plans to announce job cuts next week, according to a union official, as it comes under growing commercial pressure from US streaming giant Netflix Inc. Employee representatives at the company, a unit of Vivendi SA, received a letter asking them to attend a meeting Tuesday about an internal reorganization of its French operations that will include "voluntary job cuts," said Laurent d'Auria, who represents the +Libres union. Canal+ is aiming to cut around 500 jobs, according to a report by state news agency Agence France-Presse. The company has about 2,600 employees in France. A representative for Canal+ declined to comment. Netflix Inc. launched in France just over five years ago and already has more than 5mn subscribers, overtaking Canal+, whose French direct paying user base has fallen by almost a quarter to 4.6mn in the five years to the end of March.

Samsung Electronics profit guidance beats expectations on one-off gains, outlook weak

(Reuters) Samsung Electronics Co Ltd forecast a steep plunge in its Q2 operating profit as the US-China trade war wreaks havoc in global chip and smartphone markets, although one-off gains helped it beat analyst expectations. The South Korean tech giant is on track to post year-on-year profit declines for a third consecutive quarter as chip prices fell due to a supply glut and US sanctions on Chinese telecom equipment maker Huawei Technologies, a key Samsung client. Memory chipmakers like Samsung and South Korea's SK Hynix are hurting as rising tariffs hit global demand for electronics. Seoul cut its annual economic growth target on Wednesday to a 7-year low as exports slump. South Korea's tech majors are also bearing the brunt of Japanese curbs on exports to South Korea of materials used in memory chips and smartphones, the latest flashpoint in a quarrel over Japan's use of forced wartime labor.

UK's competition regulator to examine Amazon investment in Deliveroo

(Reuters) Britain's competition regulator served an initial enforcement order on Amazon and Deliveroo on Friday, seeking to pause the e-commerce giant's investment in the online food delivery company. Amazon led a \$575mn fundraising in Deliveroo in May, pitting itself against Uber Eats in the global race to dominate the market for takeaway meal deliveries. An initial enforcement order is put in place to prevent businesses from pressing ahead with a tie-up, while the regulator decides if it needs to launch an investigation.

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