

MARKETS TODAY

Tuesday, July 09, 2019

MARKETS IN BRIEF

- U.S. dollar traded near 3-week highs as investors expect the Fed will be less aggressive in its interest rate cuts. Today, Fed Chair Powell will speak at 15:45 LT. But the main event will be his testimonies on Wednesday and Thursday.
- U.S. Treasury yield curve hit its flattest level in more than a month. The spread between 2-and 10-year yields, fell to a low of 14.9 bps from its close Friday at 16.9.
- British pound remained under downward pressure from increased expectations that Bank of England is closer to cut rates amid global economic slowdown and Brexit uncertainties. GBP/USD hit earlier today \$1.2480, its lowest since January 3.
- Australian dollar was weighed by weak confidence data.
- Turkish lira steadied after its big slump yesterday.
- Oil prices dipped today because of a cloudier demand outlook outweighed the effect of geopolitical tensions.
- U.S. stocks fell yesterday, dragged down by Apple, in addition to growing concerns over the global economy.
- Asian shares tracked Wall Street down.
- Most Gulf markets recovered from earlier losses to close higher yesterday.

Law to prevent a “no deal” Brexit

UK Conservatives working to prevent a chaotic Brexit have proposed legislation to stop the next prime minister suspending Parliament to force a no-deal break from the EU. Dominic Grieve, a former attorney general and veteran anti-Brexit rebel, proposed an amendment that would require Parliament to be in session on Sept. 4, Oct. 9 and then every two weeks until Dec. 18 -- effectively making it impossible for Theresa May's successor to suspend the legislature to try to bypass lawmakers ahead of the Oct. 31 Brexit deadline. It would also allow MPs to seize control of the Parliamentary agenda. If the speaker selects the amendment -- which is unpredictable -- it would go to a vote on Tuesday.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1210	-0.04%
GBP/\$	1.2486	-0.23%
AUD /\$	0.6951	-0.30%
\$/JPY	108.80	-0.07%
\$/CAD	1.3116	-0.15%
Gold \$	1394.45	-0.08%
WTI \$	57.41	-0.43%
BRENT \$	64.01	-0.16%
AMERICA		
DOW JONES	26806.14	-0.43%
S&P 500	2975.95	-0.48%
NASDAQ	8098.38	-0.78%
EUROPE		
STXE 600	389.90	-0.05%
CAC 40	5589.19	-0.08%
DAX	12543.51	-0.20%
ASIA PACIFIC		
S&P/ASX 200	6665.69	-0.10%
NIKKEI 225	21565.15	0.14%
CSI 300 (China)	3791.11	-0.31%
MENA		
Saudi Arabia	8827.01	0.18%
Dubai	2654.15	-0.08%
Qatar	10442.87	-0.72%
BONDS		
U.S. 10-year	2.0440	-0.0036
German Bund 10-yr	-0.3650	0.0010
AU 10-year	1.3180	-0.0020

MARKETS TODAY

U.S.-China talks resuming this week

The US and China are set to relaunch trade talks this week after a 2-month hiatus, but a year after their trade war began there is little sign their differences have narrowed. After meeting with Chinese President Xi Jinping in Japan just in late June, Trump agreed to suspend a new round of tariffs on \$300bn worth of imported Chinese consumer goods. Sources familiar with the talks and China trade watchers in Washington say the summit did little to clear the path for top negotiators to resolve an impasse that caused trade deal talks to break down in early May.

Hong Kong unrest continues

Hong Kong Chief Executive Carrie Lam said controversial legislation that would allow extraditions to China was "dead," stopping short of saying she would withdraw the bill after weeks of protests. "The bill is dead," Lam told reporters Tuesday in Hong Kong. "Our work on the extradition bill amendment is a complete failure." Still, Lam didn't say she would formally withdraw the legislation after a historic wave of mass marches that drew hundreds of thousands of people onto the Asian financial center's streets.

Italy benefiting from low borrowing costs

The Italian government mandated banks to sell more of an existing 50-year bond and will also offer 3- and 7-year notes this week, after yields fell to the lowest since before the populist coalition came to power in June 2018. Bond yields have dropped to record lows across Europe on expectations of further stimulus from the ECB. While Italian bonds lagged behind the rally in H1 2019, they have been the best performers this month after Rome avoided punishment from the European Commission over its budget deficit.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.41	2.72%
SOLIDERE—B	6.42	2.39%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.00	3.90%
BLOM BANK	8.00	-
BYBLOS BANK	1.22	-1.61%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The US dollar traded near a three-week high against its peers on Tuesday, as investors pared bets on aggressive US interest rate cuts ahead of the Fed chairman's testimony to Congress on the economy. Fed chief Jerome Powell's comments in 2-day testimony to Congress beginning on Wednesday will be watched to determine whether traders will continue to reduce bets for deep interest rate cuts, which could help the dollar continue its rebound against major currencies. The dollar index versus a basket of six major currencies was little changed at 97.422 on Tuesday, which was close to a three-week high of 97.443 hit on Friday. The greenback briefly rose to a 6-week high of 108.90 yen on Tuesday before settling at 108.80 yen, little changed on the day. Investors will closely analyze Powell's comments when he delivers his semi-annual monetary report before Congress to gauge how far the US central bank will lower interest rates. A sharp rebound in US job growth in June reduced expectations that the Fed will cut interest rates by 50 bps when it meets at the end of July. A week ago, the market forecast an 80.1% chance of a 25 bps cut, and a 19.9% chance of a 50-basis-point cut, according to CME Group's FedWatch tool. The chances are now 97.5%

MARKETS TODAY

FX & COMMODITIES

The British pound was pinned near a 6-month low versus the dollar on speculation the Bank of England will soon join other major central banks in easing monetary policy in response to growing worries about the global economy and Britain's exit from the EU. The British pound was last quoted at \$1.2486, within striking distance of \$1.2481, its lowest since the "flash crash" on Jan. 3 when the pound dropped to \$1.2409. Data on UK GDP and industrial output are due Wednesday, while the Bank of England will release its financial stability report on Thursday, which could help traders gauge whether the BoE will take a more dovish view of the economy. Last week BoE Governor Mark Carney said 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. That prompted investors to increase their bets on a BoE interest rate cut.

The euro traded at \$1.1210, near a 3-week low of \$1.1207.

Australian dollar falls for a fourth day as private gauges of business and consumer confidence decline. AUD/USD slips 0.30% to \$0.6951. ANZ weekly consumer confidence falls 1.1% to 117.6; NAB June business confidence index declines 5 points.

The Turkish lira was steady in Asia after weakening sharply following President Tayyip Erdogan's dismissal over the weekend of the central bank governor, sparking worries about the bank's independence. The lira at one point slid to a two-week low of 5.8245 to the dollar and was last quoted at 5.7355.

Gold prices ticked lower on Tuesday as the dollar held near multi-week highs on reduced expectations of an aggressive US rate cut, although softer share markets capped the metal's losses. Spot gold was down at \$1,394.45 per ounce. However, the decline in gold prices was limited by weaker financial markets, with Asian stocks falling to their lowest in two-and-a-half weeks on Tuesday.

Oil prices dipped on Tuesday on demand concerns following the latest signs the US-China trade war is dragging on the global economy, although the potential for conflicts in the Middle East offered support. Brent crude futures were down 0.16%, at \$64.01 a barrel. They fell 12 cents on Monday. US West Texas Intermediate crude futures were down 0.43%, at \$57.41 a barrel. They rose 15 cents in the previous session. Oil prices are being pressured by worries about demand as the US-China trade war, heading into its second year, dampens prospects for global economic growth, which affects oil demand. The countries are the world's two largest oil consumers.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—13:00	US NFIB Small Business Index	103.2	105.0
USD—15:15	Canada Housing Starts	209k	202k
USD—15:30	Canada Building Permits MoM	-10.0%	14.7%
USD—15:45	US Fed Chair Powell speaks		
USD—17:00	US JOLTS Job Openings	7.51m	7.45m

Wednesday: 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

Thursday: UK BoE Financial Stability Report, US CPI MoM, US Fed Chair Powell testifies

Friday: China Trade Balance, US PPI MoM

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	97.422	0.04%	1.30%
EUR/\$	1.1210	-0.04%	-2.24%
GBP/\$	1.2486	-0.23%	-2.10%
AUD /\$	0.6951	-0.30%	-1.39%
NZD/\$	0.6618	-0.08%	-1.50%
\$/JPY	108.80	-0.07%	0.82%
\$/CAD	1.3116	-0.15%	3.97%
\$/CHF	0.9944	-0.05%	-1.24%
\$/SEK	9.4651	-0.06%	-6.46%
\$/NOK	8.6416	0.01%	-0.01%
\$/DKK	6.6563	-0.04%	-2.18%
\$/TRY	5.7391	-0.08%	-7.84%
EUR/GBP	0.8978	-0.20%	0.12%
EUR/JPY	121.96	-0.02%	3.17%
EUR/CHF	1.1147	0.00%	0.98%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1394.45	-0.08%	8.73%
Silver Spot \$/Oz	15.07	0.27%	-2.72%
Platinum Spot \$/Oz	811.77	-0.67%	2.03%
Palladium Spot \$/Oz	1557.84	-0.25%	23.46%
COPPER \$/lb	265.10	-0.30%	0.25%
WTI \$/bbl	57.41	-0.43%	26.43%
BRENT \$/bbl	64.01	-0.16%	18.98%

EQUITIES & BONDS

The US Treasury yield curve hit its flattest level in more than a month on Monday as investors tempered Friday's reaction to the strong June employment data, with yields on long-duration bonds falling even as traders significantly reduced bets for an aggressive rate cut by the Fed later this month.

Asian stocks hovered around two-and-a-half week lows on Tuesday as expectations waned for a hefty interest rate cut by the US Fed later this month, while technology companies retreated on Apple Inc's overnight drop. European stock markets were set to follow Asia and US markets lower. Futures for the pan-regional Euro Stoxx 50 slid 0.4%, German DAX futures fell 0.7%, and London's FTSE futures were down 0.2% in early trade. Investors have rushed to scale back Fed rate cut expectations following unexpectedly strong gains in US jobs for June. Japan's Nikkei was the outlier in Asia, inching up 0.14% thanks to gains in a few heavyweights in the index. MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.4% but pared earlier losses, having traded at its lowest level since June 19. In China, the Shanghai Composite was 0.2% lower and the blue-chip CSI300 was off 0.31%, while Hong Kong's Hang Seng fell 0.7%.

US stocks fell on Monday as Apple shares dropped following a broker downgrade and investors continued to weigh chances of an aggressive interest rate cut by the Fed later this month. Apple Inc fell 2.2% and was the biggest drag

MARKETS TODAY

EQUITIES & BONDS

on the S&P 500 and Nasdaq. Rosenblatt Securities downgraded the iPhone maker's shares to "sell" from "neutral," and said it expected the company to face "fundamental deterioration" in the next six to 12 months. The technology index was down 0.7%, while the healthcare index fell 0.8%, weighed down by US President Donald Trump's recent statement about an upcoming executive order that would lower prescription drug prices. Surprisingly strong US jobs data on Friday has forced traders to temper hopes of a sharp rate cut at the central bank's July 30-31 policy meeting, even as a reduction is still expected. Investors might get an opportunity to gauge near-term monetary policy thinking during Fed Chairman Jerome Powell's semi-annual testimony to the US Congress on July 10-11. Also ahead are the central bank's June meeting minutes, scheduled for release on Wednesday. Market watchers are also likely to focus on the start of the Q2 earnings season next week. Boeing Co fell 1.3% and was the biggest drag on the Dow after Saudi Arabian budget airline flyadeal said it would not proceed with a provisional \$5.9bnn order for the plane-maker's grounded 737 MAX aircraft, instead opting for a fleet of Airbus A320 jets. Symantec Corp rose 2.4% after Jefferies said the cybersecurity firm is a "logical financial acquisition" amid reports Broadcom Inc is in advanced talks for a deal.

Most Gulf markets recovered from earlier losses on Monday to close higher. Saudi index lifted by financial shares and Kuwait rising for the eighth straight session following MSCI's decision to include the country in its main emerging markets index. The Saudi index gained 0.2% with Al Rajhi Bank rising 0.6% and Riyadh Bank adding 1.7% after its board proposed a higher dividend for the first-half of the year. The market is up nearly 13% so far this year in a rally led by foreign investors. Total ownership of Saudi stocks by foreign investors increased to 7.47% by June 30, up from 4.67% at the end of December, stock exchange data shows, reflecting increased active and passive fund flows this year.

COMPANY NEWS HEADLINES

- Airbus SE and Boeing Co may pull out of a bidding process to supply Canada with new fighter jets because they say the contest is unfairly tilted toward Lockheed Martin Corp, two sources with direct knowledge of the situation said on Monday. (Reuters)
- The U.S. Securities and Exchange Commission (SEC) on Monday defended the pace of its investigation into Volkswagen AG after a judge asked why the agency waited two years after a global scandal related to vehicle emissions to sue the automaker.
- Hedge funds saw their best first half since 2009 as equity managers capitalized on surging stocks. Funds rose 5.7% from January through June, according to Hedge Fund Research. (Bloomberg)
- The head of UBS in Australia and New Zealand, Matthew Grounds, is leaving the Swiss bank at the end of the year, a spokeswoman confirmed on Tuesday, possibly ending one of the most storied careers in Australian investment banking.
- Mexican broadcaster Televisa's net profit plunged by 78.6% in Q2, the company said on Monday, a consequence of reduced advertising spending by both the Mexican government and clients in the private sector.
- Brazilian state-owned oil firm Petroleo Brasileiro SA has reached an agreement with anti-trust regulator Cade to sell off a series of natural gas transportation and distribution assets, the company said in an exchange filing on Monday.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26806.14	-0.43%	14.91%
S&P 500	2975.95	-0.48%	18.71%
NASDAQ	8098.38	-0.78%	22.05%
S&P/TSX	16462.95	-0.48%	14.94%
EUROPE	LAST	1D	YTD
STXE 600	389.90	-0.05%	15.47%
FTSE 100	7549.27	-0.05%	12.20%
CAC 40	5589.19	-0.08%	18.15%
DAX	12543.51	-0.20%	18.79%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6665.69	-0.10%	18.05%
NIKKEI 225	21565.15	0.14%	7.75%
TOPIX	1574.89	-0.22%	5.41%
CSI 300 (China)	3791.11	-0.31%	25.92%
MENA	LAST	1D	YTD
Saudi Arabia	8827.01	0.18%	12.78%
Abu Dhabi	5010.55	0.00%	1.94%
Dubai	2654.15	-0.08%	4.92%
Qatar	10442.87	-0.72%	1.40%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0440	-0.0036	-0.6402
Germany	-0.3650	0.0010	-0.6070
U.K.	0.7180	0.0030	-0.5590
Australia	1.3180	-0.0020	-1.0000

TOP SELECTED NEWS

Japan is open to talks with South Korea on export curbs

(Bloomberg) Japan is ready to explain to South Korea export curbs it applied to materials vital to its neighbor's tech industry, as their dispute stemming from Japan's colonial rule stoked worries about global supply chains for semiconductors and computer displays. Trade Minister Hiroshige Seko on Tuesday told reporters Japan is open to working-level talks but has no intention of withdrawing the measures put in place last week on three specialist materials. Tokyo will be watching how Seoul acts, he said, with a newspaper in Japan and South Korea saying talks could come as early as this week.

Australia to raise bank capital buffers by less than expected

(Reuters) Australia's main financial regulator on Tuesday said it had decided to lift the capital buffer for banks by less than originally proposed, a win for institutions that had argued the targets were too onerous. The Australian Prudential Regulation Authority (APRA) said banks would now be required to lift their total capital by 3 percentage points of risk weighted assets by Jan. 1, 2024, instead of the 4-5 percentage points initially proposed. APRA said it would take the next four years to consider other methods to reach the original target, which was part of a global effort to beef up

TOP SELECTED NEWS

banks' ability to absorb losses during times of financial stress. APRA said the new requirements would strengthen the loss-absorbing capacity of the major banks by a total A\$50bn, while resulting in a minor rise in funding costs of less than 5 bps.

Deutsche Bank cuts leave thousands chasing limited openings

(Bloomberg) Deutsche Bank AG's massive reorganization will leave thousands of finance employees out of work. And with firms throughout the industry running lean, they won't all find jobs easily. The German lender's sweeping turnaround plan, including an exit from the equities sales and trading business, will slash Deutsche Bank's workforce by about 18,000 employees globally. Workers from Sydney to London to New York received the details of their exit packages Monday -- and were left pondering their next move. Automation and new technology have been replacing workers while reduced risk-taking has trimmed demand in areas such as structured finance.

ANZ, Citi and Deutsche cartel case heads for 'bigger courtroom' in Australia

(Reuters) A criminal cartel case against Australia and New Zealand Banking Group and the local units of Citigroup and Deutsche Bank was adjourned on Tuesday for further legal arguments ahead of a possible trial. Australian authorities filed charges last year against the firms and six senior bankers over the sale of A\$3bn in ANZ shares in 2015 and subsequent trading by the underwriters. The case is being closely followed by brokers and banks around the globe because it could have major implications for the underwriting business and lead to increased scrutiny from regulators worldwide.

Danske Bank cuts profit forecast for 2019 after trading slumps

(Bloomberg) Danske Bank, contending with negative interest rates and a money-laundering scandal, cut its outlook for profit this year after trading income fell short of expectations and compliance costs mount. The Danish lender now expects profit of 13bn to 15bn kroner, down from a previous range of 14bn to 16bn kroner. The company said Q2 net income will probably be about 4bn kroner, missing the 4.36bn kroner projected by analysts. The Copenhagen-based bank is looking at how it will address its weak performance with a plan to be unveiled in coming months.

Richard Branson's space unit Virgin Galactic reportedly plans to go public

(Reuters) British billionaire Richard Branson's space tourism unit Virgin Galactic plans to go public, the Wall Street Journal reported Tuesday. The firm will list its shares as part of a deal with Social Capital Hedosophia Holdings, a special-purpose acquisition company created by venture capitalist Chamath Palihapitiya, the newspaper reported, citing people familiar with the matter. Social Capital Hedosophia Holdings, formed by Palihapitiya's Social Capital and venture capital firm Hedosophia in 2017, will reportedly invest \$800mn in Virgin Galactic for a 49% stake.

Nintendo says to shift part of Switch console production out of China

(Reuters) Japan's Nintendo Co Ltd plans to shift a part of the production of its Switch gaming consoles to Vietnam from China in an effort to diversify manufacturing sites, a spokeswoman said on Tuesday. Nintendo, which currently outsources almost all of the console production to contract manufacturers in China, plans to make the partial shift to Vietnam this summer. The spokeswoman said the shift was intended to diversify risks and not to escape potential tariff hikes by the US on products imported from China.

BASF joins chemical makers cutting targets as demand plunges

(Bloomberg) BASF SE cut its 2019 sales and profit forecast, as the world's biggest chemical maker succumbed to a deepening economic slowdown, a weakened automotive market and the fallout from the China-US trade spat. The German firm led European chemical stocks lower in pre-market trading, after saying late Monday that earnings before interest, taxes and special items will be as much as 30% lower this year than in 2018, "mainly due to the trade conflicts." Shares of the Ludwigshafen-based company fell 6.7% before the start of regular trading, while rivals Lanxess AG and Covestro AG also dropped.

MARKETS TODAY

Tuesday, July 09, 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

