

# MARKETS TODAY

Thursday, July 11, 2019

## MARKETS IN BRIEF

- U.S. dollar struggled after Powell's testimonial comments and later on the FOMC minutes confirmed that July 25 bps rate cut is a done deal. Now the markets are speculating if there will be additional cuts throughout the year. Powell is due to speak again today at 17:00 LT. Traders will be also watching inflation data earlier at 15:30 LT.
- Global stocks benefited from Fed's dovish stance. U.S. stocks closed higher yesterday with the S&P 500 crossing the 3,000-point mark for the first time. Asian stocks advanced today.
- Euro traded higher before the release of ECB's policy meeting minutes at 14:30 LT.
- British pound rebounded from 6-month lows, but the currency is still weighed by Brexit uncertainties. BoE Gov. Carney will speak at 13:00 LT. The BoE Financial Stability Report will be released earlier at 12:30 LT.
- Canadian dollar traded near 8-month highs supported by signals that the BoC is not in a hurry to follow Fed's path.
- Oil prices edged higher well supported by ongoing geopolitical tensions. U.S. oil jumped after industry data showed U.S. inventories fell more than expected and as major U.S. producers evacuated rigs in the Gulf of Mexico before a storm.

### "Dovishness" confirmed

Fed Chairman Jerome Powell on Wednesday set the stage for the rate cut this month, by confirming that the US economy is still under threat from disappointing factory activity, tame inflation and a simmering trade war. At that June 18-19 meeting, some Fed policymakers worried that they may need act to lift inflation that is failing to meet Fed's 2% annual target and to combat a pervasive pessimism among corporations that they see holding back business investment. Lower rates could "cushion the effects" of shocks from the trade war, according to the FOMC minutes' summary of the case for a cut. Powell and the meeting records both shed light on what is concerning the Fed about an economy they concede is still likely to grow.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1271	0.18%
GBP/\$	1.2530	0.22%
AUD /\$	0.6974	0.22%
\$/JPY	108.03	0.40%
\$/CAD	1.3049	0.25%
Gold \$	1422.39	0.24%
WTI \$	60.77	0.56%
BRENT \$	67.42	0.61%
AMERICA		
DOW JONES	26860.20	0.29%
S&P 500	2993.07	0.45%
NASDAQ	8202.53	0.75%
EUROPE		
STXE 600	387.15	-0.20%
CAC 40	5567.59	-0.08%
DAX	12373.41	-0.51%
ASIA PACIFIC		
S&P/ASX 200	6716.14	0.39%
NIKKEI 225	21643.53	0.51%
CSI 300 (China)	3783.33	-0.09%
MENA		
Saudi Arabia	8905.57	0.58%
Dubai	2687.23	1.17%
Qatar	10551.21	0.48%
BONDS		
U.S. 10-year	2.0456	-0.0157
German Bund 10-yr	-0.2660	0.0410
AU 10-year	1.3330	-0.0200

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## How dovish will ECB's minutes sound?

The ECB's dovish switch, mirroring the Fed's, means investors will scour today's minutes of the June meeting to see how strong was the push for more easing and how great are the chances of a change to forward guidance this month or a rate cut in September. Mario Draghi already virtually gave the game away, saying last month that, absent economic improvement, more stimulus will be needed. The minutes of the European Central Bank's June meeting are due for release at 14:30 LT (11:30 GMT) today.

## U.K. economy returning to growth

The UK economy rebounded in May as car factories resumed work following Brexit-related shutdowns. GDP rose 0.3% after a decline in the previous month, the ONS said Wednesday. In the three months through May, GDP rose 0.3%, more than expected, after past figures were revised up. Powering the recovery was the manufacturing sector, as vehicle output returned to normal. Production collapsed the previous month after auto makers including BMW and Peugeot went ahead with shutdowns planned when Britain was set for a potentially chaotic Brexit in March.

## U.S. probing Deutsche Bank over 1MDB role

The US Department of Justice is investigating Deutsche Bank AG as part of a broadened probe of Malaysia's scandal-plagued 1MDB investment fund, according to a person with knowledge of the matter. Investigators, who have spent years examining Goldman Sachs Group Inc.'s lucrative dealings with the fund, are now taking a closer look at a former Goldman executive who later worked at the German bank, said the person, who asked not to be identified discussing the confidential inquiry. (Bloomberg)

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.31	0.48%
SOLIDERE—B	6.25	-1.42%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.85	-3.75%
BLOM BANK	8.00	-
BYBLOS BANK	1.23	0.82%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

## FX & COMMODITIES

The US dollar was soft on Thursday after Fed Chairman Jerome Powell set the stage for a rate cut later this month, vowing to "act as appropriate" to ensure the world's biggest economy will be able to sustain a decade-long expansion. In testimony to Congress, Powell pointed to "broad" global weakness that was clouding the US economic outlook amid uncertainty about the fallout from the Trump administration's trade conflict with China and other nations. Adding to a generally dovish tone in his testimony, the minutes from the Fed's previous policy meeting showed many policy makers thought more stimulus would be needed soon, reviving speculation of an aggressive rate cut. The dollar dipped 0.40% to 108.03 yen, extending its slide from a 6-week high of 108.99 set on Wednesday before Powell's testimony. The dollar's index against six major currencies slipped about 0.4% on Wednesday, turning negative on the week, to 96.924. Money market futures price have jumped to price in about 30% chance that the Fed will cut rates by 50 basis points at its next policy review on July 30-31 - a scenario that had been priced out after Friday's strong US jobs data. A 25-basis-point cut is already fully factored in.

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## FX & COMMODITIES

The euro traded at \$1.1271, little higher in early Asia after having gained 0.38% the previous day.

**The British pound also bounced off from 6-month lows to trade at \$1.2530. But it is still down on the week as the British currency has been dogged by Britain's economic gloom and a fast-approaching Brexit deadline.** A raft of dismal UK data and the risk of crashing out of the EU without agreeing transitional trade arrangements have forced the Bank of England to change its upbeat assessment of the economy.

**The Canadian dollar moved closer to last week's 8-month high, as the Bank of Canada showed no sign that it would match potential interest rate cuts from the Fed,** making clear it had no intention of easing monetary policy. The Canadian dollar stood at C\$1.3049 per US dollar, not far from C\$1.3038 touched a week ago.

**Oil prices hit a 6-week high on Thursday as oil rigs in the Gulf of Mexico were evacuated ahead of a storm, while an incident with a British tanker in the Middle East highlighted ongoing tensions in the region.** Brent crude futures reversed early losses and were up 0.61%, at \$67.42 a barrel. Earlier in the session, they hit their highest since May 30 at \$67.53, after ending Wednesday up 4.4%. US West Texas Intermediate (WTI) crude futures were up 0.56%, at \$60.77 a barrel, having earlier touched their highest since May 23 at \$60.83. They gained 4.5% in the previous session. Five boats believed to belong to Iranian Revolutionary Guards approached a British oil tanker on Wednesday and asked it to stop in Iranian waters close by, but withdrew after a British warship warned them over radio, a US defense official said on Thursday. Tensions have been high in the Middle East after attacks on tankers and the downing of a US drone by Iran last month, following Trump's unilateral withdrawal from a multi-party agreement with Tehran to end its nuclear program. US oil producers on Wednesday cut nearly a third of Gulf of Mexico crude output ahead of what could be one of the first major storms of the Atlantic hurricane season. Fifteen production platforms and four rigs were evacuated in the north central Gulf of Mexico, according to a US regulator as oil firms moved workers to safety ahead of a storm expected to become a hurricane by Friday.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—12:30	UK BoE Financial Stability Report		
GBP—13:00	UK BoE Carney speaks		
USD—15:30	US CPI MoM	0.00%	0.10%
USD—15:30	US Core CPI MoM	0.20%	0.10%
USD—15:30	US Initial Jobless Claims	220k	220k
USD—17:00	US Fed Chair Powell speaks	7.51m	7.45m

**Friday:** China Trade Balance, US PPI MoM

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CURRENCIES	LAST	1D	YTD
DXY	96.924	-0.19%	0.78%
EUR/\$	1.1271	0.18%	-1.71%
GBP/\$	1.2530	0.22%	-1.76%
AUD /\$	0.6974	0.22%	-1.06%
NZD/\$	0.6668	0.32%	-0.76%
\$/JPY	108.03	0.40%	1.54%
\$/CAD	1.3049	0.25%	4.51%
\$/CHF	0.9869	0.26%	-0.49%
\$/SEK	9.3996	0.22%	-5.81%
\$/NOK	8.5579	0.27%	0.97%
\$/DKK	6.6226	0.18%	-1.68%
\$/TRY	5.6725	0.07%	-6.75%
EUR/GBP	0.8995	0.04%	-0.06%
EUR/JPY	121.78	0.21%	3.33%
EUR/CHF	1.1124	0.09%	1.18%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1422.39	0.24%	10.91%
Silver Spot \$/Oz	15.27	0.20%	-1.44%
Platinum Spot \$/Oz	828.05	0.17%	4.07%
Palladium Spot \$/Oz	1597.85	0.47%	26.63%
COPPER \$/lb	269.15	-0.09%	1.78%
WTI \$/bbl	60.77	0.56%	33.83%
BRENT \$/bbl	67.42	0.61%	25.32%

## EQUITIES & BONDS

**Asian stocks advanced on Thursday, after Fed Chairman Jerome Powell reinforced prospects for a US interest rate cut later this month.** The pan-region Euro Stoxx 50 futures were up 0.43%, Germany's DAX futures rose 0.42% and Britain's FTSE futures gained 0.33% in early European trade. In his first day of testimony before Congress on Wednesday, Powell confirmed that the US economy was still under threat from disappointing factory activity, tame inflation and a simmering trade war. Powell said the central bank stands ready to "act as appropriate". MSCI's broadest index of Asia-Pacific shares outside Japan rose 1%, while Japan's Nikkei added 0.5%. The Shanghai Composite Index ended slightly lower, South Korea's KOSPI climbed 1.2% and Australian stocks advanced 0.39%.

**US stocks ended higher and the S&P 500 index briefly crossed the 3,000-point mark for the first time on Wednesday as remarks by Fed Chairman Jerome Powell reassured investors about the potential for an interest rate cut later this month.** The Dow also hit an intraday record and the Nasdaq closed at an all-time high following the release of prepared remarks for Powell's testimony before the US House of Representatives Financial Services Committee. Powell said the central bank stands ready to "act as appropriate" to support record US economic growth. After Powell's remarks and release of the Fed's minutes, interest rate futures appeared to price in greater odds of an aggressive rate cut this month. Expectations for a 50-basis-point cut, which had nearly been snuffed out by stronger-than-expected US employment data on Friday, jumped to 26.6%, according to CME Group's FedWatch tool. The S&P

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## EQUITIES & BONDS

S&P 500 breached 3,000 just after the opening, but ended slightly below that level at 2,993.07 points. Some investors said the milestone may boost confidence in a market that has been hitting record highs this year. Amazon.com, Microsoft Corp and Apple Inc were among the biggest boosters to the indexes. In his testimony - the first installment of two days on Capitol Hill this week - Powell pointed to "broad" global weakness that was clouding the US economic outlook amid uncertainty about the fallout from the Trump administration's trade dispute with China and other important economies. Stocks briefly added to gains following minutes from the last meeting of Fed policymakers that showed many US central bank officials thought more stimulus would be needed soon if risks to the economy did not let up. The S&P 500 index of financial shares including banks, which tend to benefit in a higher interest rate environment, retreated 0.5% after Powell's comments. Investors say much of this year's gain for stocks has stemmed from a change in outlook by the Fed to more dovish on interest rate policy.

**In the MENA region, Dubai stocks rose sharply on Wednesday as all real estate shares gained Saudi stocks were driven by banks amid rising oil prices and after EFG Hermes forecast higher Q2 profit for Saudi lenders.** The Dubai index closed 1.2% higher with Emaar Properties, its largest listed-developer, surging 3.5% to its highest in two months. Emaar Properties has been rising since Monday after its Egyptian subsidiary Emaar Misr Development initially agreed with El Nasr Housing and Development to settle a dispute on Uptown Cairo land.

## COMPANY NEWS HEADLINES

- Japan's SoftBank Group Corp has led a \$231mn new financing round for Brazilian lending platform Credits, valuing it at \$750mn and funding a future expansion to other Latin American countries, Sergio Furio, the founder of Credits, said.
- Virgin Australia Holdings Ltd said on Thursday that Affinity Equity Partners is seeking to exit its 35% minority stake in the carrier's Velocity frequent flyer program, five years after its A\$335mn purchase.
- The Australian government said on Thursday it would provide up to A\$610mn in cheap financing for Genex Power Ltd to build a pumped hydro project to help stabilise the country's electricity grid.
- Port operator DP World started marketing 10-year USD sukuk, or Islamic bonds, with an initial price guidance of around 230 basis points over mid-swaps, a document issued by one of the banks leading the deal showed.
- Swiss competition watchdog WEKO has fined eight car leasing companies a total of 30mn Swiss francs (\$30.4mn) for swapping information on rates for years, it said on Thursday.
- The boss of Ryanair Holdings warned on Wednesday the impact of the prolonged grounding of Boeing's 737 MAX on the airline's growth plans may start to spill over to next summer if the airplane is not flying again by November.
- German carmaker Volkswagen will begin producing the Tarek sport utility vehicle (SUV) at its plant in the Mexican state of Puebla in 2020 and sales will start by the end of 2021, Steffen Reiche, the chief executive of Volkswagen de Mexico said on Wednesday.
- Shares of Amneal Pharmaceuticals Inc plunged 36% to an all-time low on Wednesday after the generic drug-maker cut its 2019 core earnings forecast due to supply uncertainties related to its epinephrine auto-injectors.
- Canada's Bombardier said on Wednesday it would lay off around half of the workforce, or about 550 employees, at its passenger train plant in Ontario, effective Nov. 4, confirming earlier media reports.

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AMERICA	LAST	1D	YTD
DOW JONES	26860.20	0.29%	15.14%
S&P 500	2993.07	0.45%	19.40%
NASDAQ	8202.53	0.75%	23.62%
S&P/TSX	16563.29	0.11%	15.64%
EUROPE	LAST	1D	YTD
STXE 600	387.15	-0.20%	14.66%
FTSE 100	7530.69	-0.08%	11.93%
CAC 40	5567.59	-0.08%	17.69%
DAX	12373.41	-0.51%	17.18%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6716.14	0.39%	18.95%
NIKKEI 225	21643.53	0.51%	8.14%
TOPIX	1578.63	0.47%	5.66%
CSI 300 (China)	3783.33	-0.09%	25.66%
MENA	LAST	1D	YTD
Saudi Arabia	8905.57	0.58%	13.78%
Abu Dhabi	5026.75	0.09%	2.15%
Dubai	2687.23	1.17%	6.27%
Qatar	10551.21	0.48%	2.45%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0456	-0.0157	-0.6386
Germany	-0.2660	0.0410	-0.5080
U.K.	0.7560	-0.0020	-0.5210
Australia	1.3330	-0.0200	-0.9850

## TOP SELECTED NEWS

### Australian regulator threatens action on banks over past consumer insurance sales

(Reuters) Australia's corporate regulator threatened on Thursday to prosecute some of the country's largest banks over their sales earlier this decade of consumer insurance products that it said had harmed customers. The Australian Securities and Investments Commission (ASIC) said in a report that consumer credit insurance products, which cover credit card debts or loans when a person loses their job, falls sick or gets injured, had "consistently failed consumers". It said a seven-year review of the sales practices and products of Commonwealth Bank of Australia, Citigroup, Australia and New Zealand Banking Group and eight other lenders had showed they "caused consumers harm" and were "extremely poor value for money".

### Buyers return to UK housing market as confidence improves

(Bloomberg) The UK housing market saw an increase in new buyers for the first time since November 2016 last month, the Royal Institution of Chartered Surveyors said. There are several signs that the housing market is starting to stabilize, RICS said Thursday. Sales and new instructions started to pick up for the first time this year in June. A gauge of prices indicated stagnation after four months of declines. UK home values have been suffering since the Brexit referendum



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## TOP SELECTED NEWS

in 2016, with London being hit particularly hard. Still, low interest rates, record employment and a shortage of homes for sale have put a floor under prices and prevented a sharp downturn. Sales are expected to increase over the next 12 months, but the looming possibility of a no-deal Brexit is preventing realtors from becoming too optimistic.

### **US investigates France's plan for tax on Tech giants**

(Bloomberg) The US will investigate a French plan to impose taxes on technology companies, a move that has been a prelude to new US tariffs under the Trump administration. US Trade Representative Robert Lighthizer will have as long as a year to examine whether the plan would hurt US technology firms, and suggest remedies. The so-called 301 investigation is the same tool President Donald Trump used to impose tariffs on Chinese goods because of the country's alleged theft of intellectual property. "The US is very concerned that the digital services tax which is expected to pass the French Senate tomorrow unfairly targets American companies," Lighthizer said in a statement announcing the action on Wednesday. "The president has directed that we investigate the effects of this legislation and determine whether it is discriminatory or unreasonable and burdens or restricts US commerce."

### **Fed chief calls for Facebook to halt Libra project until concerns addressed**

(Reuters) US Fed Chair Powell said on Wednesday that Facebook's plan to build a digital currency called Libra "cannot go forward" until serious concerns are addressed, comments that pressured the project and dented the price of the original cryptocurrency bitcoin. The strong comments from the most powerful US financial regulator underscored the growing regulatory hurdles facing the proposed cryptocurrency, which has drawn scrutiny from policymakers globally.

### **Budweiser APAC guides pricing toward low end of range for up to \$9.8 billion HK IPO: sources**

(Reuters) Budweiser Brewing Company APAC, the Asia-Pacific business of Anheuser-Busch InBev (AB InBev), has guided potential investors toward the bottom of a marketed pricing range for its up to \$9.8 billion Hong Kong IPO, two people said. Investors have already subscribed for more shares than the company is offering in the float, the world's biggest initial public offering this year, Reuters has reported. The books, which have attracted orders from long-only institutions, sovereign wealth funds and pension funds, will close on Thursday. The final price has yet to be set and is subject to change.

### **McAfee plans return to public markets: WSJ**

(Reuters) Cybersecurity software firm McAfee LLC is planning a return to the public markets, the Wall Street Journal reported on Wednesday, citing people familiar with the matter. An IPO could raise at least \$1bn and value McAfee at more than \$5bn, according to the report. Intel Corp, which paid \$7.7bn for California-based McAfee in 2011, spun off 51% to private equity fund TPG Capital in 2017 at a \$4.2bn enterprise value.

### **GAM rises as investors see impact of Haywood scandal easing**

(Bloomberg) GAM Holding AG shares jumped after the company said assets rose and it's on track to liquidate funds tied to ousted bond manager Tim Haywood, clearing the way for a possible sale of the company. Group assets under management rose by about 4bn francs (\$4bn) from the end of last year to 136bn francs at the end of June. The liquidation of around 1bn francs of assets from Haywood's bond funds is expected by mid-July, removing a lingering concern that has made firms reluctant to bid for GAM. The shares rose as much as 7.2%.

### **S&P Global rates China domestic issuer in first by foreign agency**

(Reuters) The Beijing-based unit of S&P Global on Thursday became the first international credit rating agency to rate a domestic issuer in China, a long-awaited step in the development of the country's \$13 trillion bond market. Chinese bond investors hope that ratings by international agencies will help to shake up domestic counterparts which assign relatively safe AA ratings to the vast majority of issuers, and have come under regulatory fire for operational violations.

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