

# MARKETS TODAY

Monday, July 15, 2019

## MARKETS IN BRIEF

- Better-than-expected Chinese economic data boosted market risk sentiment and weighed on safe-haven assets. Gold, Japanese yen, and Swiss franc dropped while Asian stocks and U.S. stock futures edged higher.
- Australian dollar rose to a 10-day high on signs that China's stimulus plans were working. Chinese yuan and NZ dollar were also higher. Investors will be watching RBA's policy meeting minutes tomorrow at 4:30 LT. Jobs report will be released on Thursday.
- U.S. dollar continued to trade under pressure from increased Fed's rate cut expectations, especially after Fed Chair Powell's dovish comments last week.
- British pound recently faced a new pressure from BoE changing its stance to support the economy. Main data for this week: Jobs Report tomorrow, Inflation on Wednesday, and Retail Sales on Thursday.
- Oil prices took a hit from China's slowing GDP growth that raised concerns over global demand outlook.
- U.S. stocks closed at all-time highs on Friday, helped by Fed rate cut expectations. Traders were preparing themselves to corporate earnings season starting this week.

## China's economic growth at 27-year low

China's economy slowed to the weakest pace since quarterly data began in 1992 amid the ongoing trade standoff with the US, while monthly indicators provided signs that a stabilization is emerging. GDP rose 6.2% in the April-June period from a year earlier, below the 6.4% expansion in Q1. In June, factory output and retail sales growth beat estimates, while investment in H1 2019 also gave further evidence that stimulus measures to curb the slowdown are feeding through. The slowdown underlines the pressure that Chinese policy makers face as they attempt to negotiate a deal with the US on trade, while the economy takes another step down in the long-term deceleration from the heady expansion of the mid-2000s.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1273	0.03%
GBP/\$	1.2568	-0.03%
AUD /\$	0.7031	0.16%
\$/JPY	108.03	-0.11%
\$/CAD	1.3029	-0.01%
Gold \$	1412.93	-0.20%
WTI \$	60.00	-0.35%
BRENT \$	66.59	-0.19%
AMERICA		
DOW JONES	27332.03	0.90%
S&P 500	3013.77	0.46%
NASDAQ	8244.15	0.59%
EUROPE		
STXE 600	386.85	0.04%
CAC 40	5572.86	0.38%
DAX	12323.32	-0.07%
ASIA PACIFIC		
S&P/ASX 200	6653.00	-0.65%
NIKKEI 225	21685.90	0.20%
CSI 300 (China)	3812.64	0.10%
MENA		
Saudi Arabia	9015.16	0.52%
Dubai	2704.78	0.71%
Qatar	10600.20	-0.12%
BONDS		
U.S. 10-year	2.1358	0.0139
German Bund 10-yr	-0.2090	0.0010
AU 10-year	1.4530	0.0150

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## Johnson could face legal actions

Gina Miller is ready to take the UK government to court again if Boris Johnson tries to suspend Parliament to force through a no-deal Brexit. The anti-Brexit campaigner said on Sunday that she would begin immediate legal action if such a step is attempted, citing concern about upholding Britain's constitution. Miller, who already used the courts to force the government to get Parliamentary approval before beginning Brexit talks, said she's assembling the same team to counter Johnson if he becomes the leader and attempts to shut down Parliament.

## Erdogan betting on Trump to waive sanctions

US President Donald Trump has the authority to waive sanctions on Turkey for its purchase of Russian air defense systems and should find a "middle ground" in the dispute, President Tayyip Erdogan said on Sunday. Erdogan's comments came two days after NATO member Turkey took delivery of the first consignment of advanced Russian S-400 missile defense system parts, despite warnings from Washington that the move would trigger US sanctions. Trump expressed sympathy for Turkey's position when he met Erdogan at a G20 summit in Japan last month.

## U.S. firm might restart Huawei sales

The US may approve licenses for companies to re-start new sales to Huawei in as little as two weeks, according to a senior US official, in a sign President Donald Trump's recent effort to ease restrictions on the Chinese company could move forward quickly. Huawei, the world's largest telecommunications equipment maker, was added to a Commerce Department list in May that prohibits US companies from supplying it with new American-made goods and services unless they obtain licenses that will likely be denied. (Reuters report)

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.94	-5.71%
SOLIDERE—B	6.10	-5.13%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.85	-
BLOM BANK	7.99	-0.13%
BYBLOS BANK	1.20	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

## FX & COMMODITIES

**The Australian dollar reached a 10-day high on Monday on stronger-than-expected economic data from China, which some analysts saw as signaling that moves to revive spending in the world's second biggest economy are working.** The Aussie gained 0.16% to \$0.7031 against the US dollar, which ticked higher against the safe-haven yen and the Swiss franc. China's industrial output bounced in June from a 17-year low in the previous month. June retail sales surged 9.8% from a year earlier, compared with the 8.3% - a slowing from May's tepid figures - that polled analysts expected. China is Australia's biggest export market and the data caused the Australian dollar to touch its highest point since July 4. The yuan strengthened against the dollar to get to its highest since last week, while the New Zealand dollar hit a 2-week peak. China's quarterly GDP posted its slowest pace of growth in 27 years, as expected, growing by 6.2% in the June quarter compared to a year earlier.

**The US dollar remained under pressure on expectations of a Fed rate cut.** Comments last week from Fed Chair Jerome Powell and Chicago Fed president Charles Evans indicated US rate cuts are needed to boost inflation. In the

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## FX & COMMODITIES

US, a 25 bps rate cut at the end of July is priced in, and there is a roughly 20% chance of a 50 bps cut. Investors will be looking to US retail sales figures due Tuesday and company earnings for signs of how shoppers and businesses are weathering the slowdown. Against a basket of currencies (DXY) the dollar held near a 10-day low at 96.835. It gained against the yen to 108.03, before that was pared to 108.00, well underneath resistance at 108.98. Monday is a national holiday in Japan and dollar-yen trading volumes were thin. The greenback rose as much 0.1% against the Swiss franc before easing back to \$0.9843.

The euro slipped to \$1.272 though stayed in the two-cent range that has held the single currency since June.

**Gold prices slipped, consolidating above \$1,400 pivot, as key China data assuaged concerns about global economic slowdown and boosted appetite for riskier assets.** Spot gold was down 0.21% at \$1,412.93 per ounce. Also weighing on gold prices, the dollar index inched higher on Monday against a basket of major currencies.

**Oil prices dipped after China posted its slowest quarterly economic growth in at least 27 years, reinforcing concerns about demand in the world's largest crude oil importer.** Brent crude futures for September fell 0.19%, to \$66.59 a barrel while US crude for August was down 0.35%, at \$60.00 a barrel. Both contracts last week posted their biggest weekly gains in three weeks on cuts in US oil production and diplomatic tensions in the Middle East. Refineries in the path of Tropical Storm Barry continued to operate despite flood threats while the storm has slashed US Gulf of Mexico crude output by 73%, or 1.38mn barrels per day.

**Shanghai nickel prices on Monday surged to their highest in more than 10 months, tracking an overnight rally in London, on concerns that top producer Indonesia will resume an export ban on ore in 2022.** Indonesia, which has large nickel laterite ore reserves used to make nickel pig iron for the stainless steel industry, relaxed a ban to export nickel ore in 2017, but said at the time exports of unprocessed ore will be restricted again in 2022.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
	Japan Holiday		
USD—15:30	US Empire State Manufacturing Index	1.6	-8.6

**Tuesday:** NZ CPI QoQ, AU RBA Policy Meeting Minutes, UK Jobs Report, Eurozone and German ZEW Economic Sentiment, Eurozone Trade Balance, US Retail Sales, US Industrial Production, US Import Prices, US Fed Chair Powell speaks, FOMC Member Evans speaks

**Wednesday:** UK CPI, PPI, RPI, Eurozone CPI, Canada CPI and Manufacturing Sales, US Building Permits, US Fed Beige Book

**Thursday:** Japan Trade Balance, AU Jobs Report, Swiss Trade Balance, UK Retail Sales, US Philly Fed Manufacturing Index

**Friday:** German PPI, Eurozone Current Account, UK Public Sector Net Borrowing, Canada Retail Sales, US Consumer Sentiment

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CURRENCIES	LAST	1D	YTD
DXY	96.835	0.03%	0.69%
EUR/\$	1.1273	0.03%	-1.69%
GBP/\$	1.2568	-0.03%	-1.46%
AUD /\$	0.7031	0.16%	-0.26%
NZD/\$	0.6718	0.37%	-0.01%
\$/JPY	108.03	-0.11%	1.54%
\$/CAD	1.3029	-0.01%	4.67%
\$/CHF	0.9843	-0.01%	-0.22%
\$/SEK	9.3654	0.03%	-5.47%
\$/NOK	8.5333	-0.04%	1.26%
\$/DKK	6.6231	0.03%	-1.69%
\$/TRY	5.7240	-0.05%	-7.59%
EUR/GBP	0.8970	-0.06%	0.22%
EUR/JPY	121.78	-0.13%	3.33%
EUR/CHF	1.1096	-0.03%	1.44%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1412.93	-0.20%	10.17%
Silver Spot \$/Oz	15.25	0.21%	-1.57%
Platinum Spot \$/Oz	836.50	0.66%	5.13%
Palladium Spot \$/Oz	1562.12	0.96%	23.80%
COPPER \$/lb	270.50	0.41%	2.29%
WTI \$/bbl	60.00	-0.35%	32.13%
BRENT \$/bbl	66.59	-0.19%	23.77%

## EQUITIES & BONDS

**Asian shares advanced on Monday as investors breathed a sigh of relief after encouraging Chinese data suggested the world's second-biggest economy may be starting to stabilize thanks to ramped-up stimulus from Beijing.** E-minis for the S&P500 added 0.1%. Q2 economic growth slowed to 6.2% from a year earlier, the weakest pace in at least 27 years while separate data showed the country's industrial output and retail sales handily topped forecasts. The promising monthly activity data suggested a flurry of stimulus measures from China have been able to prop-up domestic growth and offset some of the damage from a protracted trade war with the US, analysts said. Equity markets were choppy in the wake of the Chinese data as some expected Beijing might temper further stimulus. MSCI's broadest index of Asia-Pacific shares outside Japan reversed earlier losses to be 0.2% higher. It fell a little more than 1% last week, ending five straight weeks of gains. Trading was light on Monday as Japan was shut for a public holiday. Chinese shares were down before Monday's data release, after which they pared losses and then produced gains for the day. The blue-chip index gained 0.16% for the day. Hong Kong's Hang Seng index was up 0.2%. Australian shares lost 0.56% while South Korea's KOSPI slipped 0.2%.

**In the US, all three major indexes posted record closing highs on Friday as firm expectations for an interest-rate cut from the Fed continued to propel shares while investors awaited next week's kickoff of the corporate earnings season.** The S&P 500 closed above the 3,000 level for the first time, with the industrial, consumer discretionary and

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## EQUITIES & BONDS

materials sectors each posting gains of at least 1%. In his two-day testimony before Congress, Fed Chairman Jerome Powell said the US economy was still under threat from disappointing factory activity, tame inflation and a simmering trade war and that the central bank stood ready to "act as appropriate." With expectations for rate cuts in place, the focus is turning to the corporate earnings season as large US banks, including Citigroup Inc and JPMorgan Chase & Co, are set to report next week. For the week, the S&P 500 rose 0.8%, the Dow added 1.5% and the Nasdaq gained 1%. Data for US producer prices in June showed the smallest annual increase in producer inflation in nearly 2-1/2 years and a slowdown in underlying producer prices, which suggested that overall inflation could remain moderate for a while. Ford Motor Co shares gained 2.65% after the automaker and Volkswagen AG said they would join forces to develop autonomous and electric cars. Johnson & Johnson shares slid 4.1% after Bloomberg reported that the US Justice Department is pursuing a criminal probe into whether the healthcare conglomerate lied about potential cancer risks of its talcum powder. Johnson & Johnson's slide dragged down the S&P 500 healthcare index, whose 1.2% decline was the biggest among S&P 500 sectors. Illumina Inc shares tumbled 16.1%, the most among S&P 500 companies, after the gene sequencing company's preliminary Q2 revenue came in below analyst estimates.

**Major Gulf stock markets closed higher on Sunday, mirroring gains late last week in global markets, and supported by some companies' positive Q2 results.** In Saudi Arabia, the Tadawul main index rose 0.5%, with banks and petrochemical companies leading the gains. Dubai's Arqaam Capital said in a research note last week it expected Saudi Arabia to deliver the strongest Q2 earnings performance in the Gulf.

## COMPANY NEWS HEADLINES

- BNP Paribas on Friday said it will no longer finance US private prison operators, the first foreign bank to distance itself from a sector shunned by domestic peers amid controversy over Trump administration detention policies.
- Japanese authorities have set up a working group to discuss the impact Facebook's proposed Libra digital coin could have on monetary policy and financial regulation, government sources said, ahead of a G7 finance leaders' gathering where the topic will be high on the agenda.
- British retailer Sports Direct has delayed publishing its annual results, blaming problems integrating its purchase of House of Fraser stores and increased scrutiny of its accounts, adding this could affect its financial forecasts.
- Gilead Sciences Inc will invest \$5.1bn to raise its stake in Galapagos NV and partner with the Belgian-Dutch biotech firm to develop and commercialize its treatments for a ten-year period, the companies said on Sunday.
- Defense contractor Lockheed Martin Corp said on Friday it plans to increase the workforce at its approximately 300-person Milwaukee facility by more than 15% this year.
- ROXi Music, the makers of the home-based music streaming device ROXi, said it had chosen investment bank Arden Partners as it prepares for an initial public offering in Q4 of 2019.
- Dubai-based GEMS Education is meeting banks in London and New York this week to discuss refinancing worth \$1.65bn, according to LPC, a fixed income news service that is part of Refinitiv.
- Chile's Molymet has dropped a project to build battery parts in Chile, the second of three companies to pass on the deal little more than a year after winning guaranteed access to cheap Chilean lithium from top producer Albemarle.
- India's Allahabad Bank on Saturday became the second Indian state-owned bank to report a major alleged fraud by bankrupt steelmaker Bhushan Power & Steel Ltd this month, adding to concerns about a banking industry burdened with bad debts.

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AMERICA	LAST	1D	YTD
DOW JONES	27332.03	0.90%	17.17%
S&P 500	3013.77	0.46%	20.22%
NASDAQ	8244.15	0.59%	24.25%
S&P/TSX	16488.12	-0.24%	15.12%
EUROPE	LAST	1D	YTD
STXE 600	386.85	0.04%	14.57%
FTSE 100	7505.97	-0.05%	11.56%
CAC 40	5572.86	0.38%	17.80%
DAX	12323.32	-0.07%	16.71%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6659.10	-0.56%	17.94%
NIKKEI 225	21685.90	0.20%	8.35%
TOPIX	1576.31	-0.15%	5.50%
CSI 300 (China)	3814.67	0.16%	26.71%
MENA	LAST	1D	YTD
Saudi Arabia	6653.00	-0.65%	17.83%
Abu Dhabi	21685.90	0.20%	8.35%
Dubai	1576.31	-0.15%	5.50%
Qatar	3812.64	0.10%	26.64%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.1358	0.0139	-0.5484
Germany	-0.2090	0.0010	-0.4510
U.K.	0.8350	-0.0010	-0.4420
Australia	1.4530	0.0150	-0.8650

## TOP SELECTED NEWS

### Mexico faces headwinds to growth as oil production slows: Fitch Solutions

(Reuters) Mexico will face "significant headwinds" for economic growth, as slowing activity in its oil and gas sector weighs on industrial production, Fitch Solutions Macro Research said on Friday. "Slowing industrial output will create significant headwinds for Mexican growth over the coming quarters," Fitch Solutions said, adding that underinvestment and mismanagement of Pemex had weighed heavily on industrial output. Mexico's industrial activity declined by 3.1%, seasonally adjusted, in May from the year-earlier month, the country's national statistics agency reported earlier on Friday. Fitch Solutions said that while Mexican President Andres Manuel Lopez Obrador has allotted more funding for Pemex in recent months, that would likely have a limited impact in the near term and production would continue to decline.

### US proposes barring big tech companies from offering financial services, digital currencies

(Reuters) A proposal to prevent big technology companies from functioning as financial institutions or issuing digital currencies has been circulated for discussion by the Democratic majority that leads the House Financial Services Committee, according to a copy of the draft legislation seen by Reuters. In a sign of widening scrutiny after

## TOP SELECTED NEWS

Facebook Inc's proposed Libra digital coin aroused widespread objection, the bill proposes a fine of \$1mn per day for violation of such rules. Such a sweeping proposal would likely spark opposition from Republican members of the house who are keen on innovation, and would likely struggle to gather enough votes to pass the lower chamber.

### **China to impose sanctions on US firms that sell arms to Taiwan**

(Reuters) China said on Friday it would impose sanctions on US firms involved in a deal to sell \$2.2-bn worth of tanks, missiles and related equipment to Taiwan, saying it harmed China's sovereignty and national security. On Monday, the Pentagon said the US State Department had approved the sale of the weapons requested by Taiwan, including 108 General Dynamics Corp M1A2T Abrams tanks and 250 Stinger missiles, which are manufactured by Raytheon.

### **Facebook \$5 billion US privacy settlement approved by FTC**

(Bloomberg) US officials approved a record \$5bn privacy settlement with Facebook Inc. to resolve the Cambridge Analytica data scandal, people said, prompting an immediate outcry from lawmakers and privacy advocates who said it didn't go far enough. Although details of the settlement with the US Federal Trade Commission weren't announced, the fine is steep but far from devastating for Facebook. The company, which reported revenue of almost \$56bn in 2018, had set aside \$3bn in anticipation of the fine. The FTC's settlement was approved by a vote of 3-2, according to two people who asked not to be named because they weren't authorized to speak publicly about the decision. The agreement still needs approval from the Justice Department.

### **Amazon plans to open new warehouse, create 2,800 jobs in Germany**

(Reuters) US online retail giant Amazon plans to open a new warehouse in Germany this year and create more than 2,800 jobs with permanent contracts in what is its second-biggest market after the US. That will bring Amazon's total staff in Germany to more than 20,000 across more than 35 sites by the end of 2019, the retailer said in a statement on Sunday. It added that its 13th warehouse in Germany would be in the western city of Moenchengladbach. Amazon has faced a long-running battle with unions in Germany over better pay and conditions for logistics workers, who have staged frequent strikes since 2013.

### **Huawei plans extensive layoffs at its US operations: WSJ**

(Reuters) Huawei Technologies Co Ltd is planning extensive layoffs in the US as the Chinese telecoms equipment company grapples with its US blacklisting, the Wall Street Journal reported, citing people familiar with the matter. The layoffs are expected to affect jobs at Huawei's US-based research and development subsidiary Futurewei Technologies, which employs about 850 people in research labs across the US, the Journal said. The layoffs could be in the hundreds, one person told the Journal. Huawei's Chinese employees in the US were being given an option to return home and stay with the company, another person added.

### **Volkswagen zooms ahead in extension of alliance with Ford to electric, automated cars**

(Reuters) Ford Motor Co and Volkswagen AG said they will spend billions of dollars to jointly develop electric and self-driving vehicles, deepening a global alliance to slash development and manufacturing costs while positioning VW as the initial winner. How soon those investments will pay for themselves is an open question across the global auto industry. Ford and VW executives said the latest collaborations could save hundreds of millions of dollars for each company. But the projects would take time to develop, and the size and timing of the payoffs were unclear.

### **AB InBev's shelved listing cuts Hong Kong IPO volume in half**

(Bloomberg) Anheuser-Busch InBev NV's decision to suspend what was slated to be the year's largest IPO leaves Hong Kong's stock exchange with half the IPO volume that it would've had this year if the \$9.8bn listing had gone ahead. The world's biggest brewer said in a statement on Friday that it had decided not to proceed with an IPO of its Asia Pacific unit, Budweiser Brewing Company APAC Ltd. The company had been struggling to price its shares. The move leaves the brewer without the IPO proceeds it had sought to help pay down debt and fund acquisitions.

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