

MARKETS TODAY

Tuesday, July 16, 2019

MARKETS IN BRIEF

- British pound traded near 6-month lows as Brexit concerns persisted. Jobs data will be released at 11:30 LT, while BoE Gov. Carney will speak at 15:00 LT.
- Euro was constrained by increased expectations that ECB's policy meeting will be dovish next week.
- U.S. dollar struggled to gain traction amid Fed rate cut expectations. Traders will be watching Retail Sales data at 15:30 LT, in addition to Fed Chair Powell speaking at 20:00 LT.
- Australian dollar held firm above \$0.70 level after RBA's policy meeting minutes. Recent upbeat Chinese economic data continued to support the currency.
- Oil prices extended yesterday's losses after U.S. output resumed following Hurricane Barry. Plus, U.S. shale production is expected rise to record levels.
- Asian stocks rose today amid cautious trading.
- U.S. stocks ended little higher after fluctuations. Investors were preparing for the kick-off of the earnings season,
- Gulf stock markets dropped yesterday. Saudi index rose for its 6th straight day, led by the banking sector.

EU considering concessions

The EU side is weighing up possible concessions it could offer the UK to avoid a chaotic no-deal Brexit, according to European officials speaking on condition of anonymity. But the encounter between Brexit Secretary Stephen Barclay and the EU's chief Brexit negotiator Michel Barnier in Brussels risks hardening the EU's stance, making it more difficult to find a way out of the deadlock. Two officials said the UK now appeared to be trying to bully the EU into concessions. A spokesman for the UK's Brexit department said the meeting had been constructive. The EU side is braced for the prospect of Boris Johnson -- someone they see as an untrustworthy populist -- becoming prime minister. (Bloomberg Report)

FX & COMMODITIES	LAST	1D
EUR/\$	1.1254	-0.04%
GBP/\$	1.2486	-0.24%
AUD /\$	0.7031	-0.11%
\$/JPY	108.04	-0.12%
\$/CAD	1.3052	-0.02%
Gold \$	1414.90	0.05%
WTI \$	59.43	-0.25%
BRENT \$	66.40	-0.12%
AMERICA		
DOW JONES	27359.16	0.10%
S&P 500	3014.30	0.02%
NASDAQ	8258.19	0.17%
EUROPE		
STXE 600	387.75	0.23%
CAC 40	5578.21	0.10%
DAX	12387.34	0.52%
ASIA PACIFIC		
S&P/ASX 200	6641.00	-0.18%
NIKKEI 225	21535.25	-0.69%
CSI 300 (China)	3806.85	-0.45%
MENA		
Saudi Arabia	9044.21	0.32%
Dubai	2718.53	0.10%
Qatar	10595.55	-0.04%
BONDS		
U.S. 10-year	2.0921	0.0034
German Bund 10-yr	-0.2530	-0.0020
AU 10-year	1.4030	-0.0500

MARKETS TODAY

Trade talks this week

Treasury Secretary Steven Mnuchin said he and US Trade Representative Robert Lighthizer may travel to Beijing for trade negotiations if talks by phone this week are productive. "We expect to have another principal-level call this week, and to the extent we make significant progress, I think there's a good chance we'll go there later," Mnuchin said Monday at a briefing for reporters at the White House. The planned phone call would be the second time the top trade negotiators have spoken since Trump and his Chinese counterpart Xi Jinping called a truce.

RBA ready to cut rates again if needed

Australia's central bank is focused on the jobs market and said it will adjust policy if needed to support economic growth and keep inflation on track to return to target. In minutes of its July 2 meeting, when it cut interest rates for a second month to a record-low 1%, the RBA noted wages growth remained low overall and "spare capacity was likely to remain in the labor market for some time." The easing would "promote stronger overall economic conditions," it said Tuesday.

Yuan's internationalization should be market-driven

(Reuters) China's policy of internationalizing the use of its yuan currency should be market-driven and cannot be accomplished overnight, the head of its foreign exchange regulator said on Tuesday. China will continue to encourage cross-border use of the yuan in trade and investment and will make it easier for foreign investors to use yuan to invest in China's bond and stock markets, Pan Gongsheng said in an article posted on the Wechat account of a central bank publication.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.15	3.54%
SOLIDERE—B	6.52	6.89%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.85	-
BLOM BANK	7.99	-
BYBLOS BANK	1.20	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The British pound struggled near a six-month low against the dollar on Tuesday hampered by persistent worries over Brexit that, in turn, weighed on the euro. The pound stood at \$1.2486, down 0.24% on the day, following an overnight loss of 0.5%. A slip below \$1.2439 would take sterling to its lowest since early January. Sterling was under pressure as investors were nervous about the prospect of Eurosceptic Boris Johnson winning the Conservative party leadership contest and becoming the next British prime minister as early as the end of this month. Poor economic data and signals from the Bank of England that it could cut interest rates instead of raising them as previously expected have also hit the pound.

The US dollar fought for traction against the yen as the prospect of a Fed interest rate cut later in the month continued to keep the greenback on the defensive. The dollar was little changed at 107.900 yen. The US currency rose to a six-week high of 108.990 yen last week but slid after Fed Chairman Jerome Powell set the stage for a rate cut later this month by giving a sombre outlook on the world's largest economy. The dollar lost further ground against the yen

MARKETS TODAY

FX & COMMODITIES

toward the end of last week after Chicago Fed President Charles Evans said on Friday that "a couple" of rate cuts were needed to boost inflation. The dollar index .DXY versus a basket of six major currencies was nearly flat at 97.005 after edging up 0.13% the previous day.

The euro was little changed at \$1.1254 after shedding 0.1% the previous day, constrained by expectations for a dovish European Central Bank meeting next week.

The Australian dollar was little down at \$0.7031 after gaining about 0.3% the previous day, getting a lift from Chinese economic data which either matched or beat market forecasts. The Aussie is sensitive to the economic fortunes of China, Australia's largest trading partner.

Oil prices dipped on Tuesday, extending losses from the previous session, as output in the US Gulf of Mexico resumed after Hurricane Barry and as US shale production is set to rise to a record. Brent crude futures were down 0.12% at \$66.40 a barrel. They fell 0.4% overnight. US West Texas Intermediate crude futures dropped by 0.25%, to \$59.43 a barrel. The US benchmark fell about 1% in the previous session. Producers on Monday began restoring some of the roughly three-quarters of output that was shut at US Gulf of Mexico platforms ahead of Hurricane Barry. There was 1.3mn bpd of oil production offline in the US waters of the Gulf of Mexico on Monday, about 80,000 barrels fewer than on Sunday. Workers also were returning to the more than 280 production platforms that had been evacuated. It can take several days for full production to be resumed after a storm leaves the Gulf of Mexico. The market was also weighed down by signs of further increases in output from the US, which has ridden a wave of shale oil production to rise to become the world's biggest crude oil producer, ahead of traditional top producers Russia and Saudi Arabia.

US corn futures fell 1% on Tuesday after the US Department of Agriculture said the condition of North American crops was better than expected, easing fears that production will fall short of official forecasts.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Average Earnings Index	3.10%	3.10%
GBP—11:30	UK Unemployment Rate	3.80%	3.80%
EUR—12:00	German ZEW Economic Sentiment	-22.1	-21.1
EUR—12:00	Eurozone Trade Balance	16.4b	15.3b
GBP—15:00	UK BoE Carney speaks		
USD—15:30	US Retail Sales MoM	0.10%	0.50%
USD—15:30	US Core Retail Sales MoM	0.10%	0.50%
USD—20:00	US Fed Chair Powell 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

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	97.005	0.07%	0.87%
EUR/\$	1.1254	-0.04%	-1.86%
GBP/\$	1.2486	-0.24%	-2.10%
AUD /\$	0.7031	-0.11%	-0.26%
NZD/\$	0.6729	0.15%	0.15%
\$/JPY	108.04	-0.12%	1.53%
\$/CAD	1.3052	-0.02%	4.48%
\$/CHF	0.9841	0.04%	-0.20%
\$/SEK	9.3599	-0.03%	-5.41%
\$/NOK	8.5414	-0.02%	1.16%
\$/DKK	6.6355	-0.04%	-1.87%
\$/TRY	5.7063	0.15%	-7.31%
EUR/GBP	0.9014	-0.21%	-0.27%
EUR/JPY	121.59	-0.08%	3.49%
EUR/CHF	1.1076	0.07%	1.62%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1414.90	0.05%	10.32%
Silver Spot \$/Oz	15.45	0.46%	-0.26%
Platinum Spot \$/Oz	844.14	0.13%	6.09%
Palladium Spot \$/Oz	1556.35	-0.59%	23.35%
COPPER \$/lb	272.40	0.48%	3.01%
WTI \$/bbl	59.43	-0.25%	30.87%
BRENT \$/bbl	66.40	-0.12%	23.42%

EQUITIES & BONDS

Most Asian stock markets rose on Tuesday, but gains were limited as investors awaited US retail sales data and corporate earnings to gauge the health of the world's biggest economy ahead of a likely US rate cut later this month. MSCI's broadest index of Asia-Pacific shares outside Japan was last up 0.3%, with losses in Chinese shares capping gains elsewhere in the region. China's blue-chip CSI300 index fell 0.3% as investors fretted over slower growth in the world's second-largest economy and the impact of the Sino-US trade war, even as new data highlighted Beijing's efforts to boost spending. South Korea's KOSPI added 0.4% after a slow start, and shares in Taiwan rose 0.1%. The Australian market shed 0.18%, unmoved by the release of dovish minutes from the Reserve Bank of Australia's July meeting. Japan's Nikkei stock index ended down nearly 0.7%.

In the US, the benchmark S&P 500 index ended little changed on Monday after oscillating between positive and negative territory throughout the session after Citigroup Inc kicked off the earnings season with a mixed quarterly report. The bank reported a better-than-expected profit but also a decline in its net interest margin. The fall in net interest margin triggered a fall in shares of other banks on concerns that it would presage lower profits across the industry as interest rates have dropped. Though Citigroup shares erased nearly all their losses to end just 0.1% lower, the S&P 500 bank index slid 1.0%. Shares of JPMorgan Chase & Co, Goldman Sachs Group Inc and Wells Fargo & Co - all set to report results on Tuesday - declined more than 1%. As a result, financial shares fell 0.5% to weigh most heavily

MARKETS TODAY

EQUITIES & BONDS

on the S&P 500 among its 11 major sectors. Gains in technology and healthcare shares offset the losses in financial shares, however. Those sectors helped the Nasdaq edge higher to notch its fourth consecutive record closing high. The three main indexes ended last week at record closing highs as dovish comments from Fed Chairman Jerome Powell bolstered hopes the central bank would cut interest rates later this month. Gilead Sciences Inc shares rose 2.7%, helping to boost the S&P 500 healthcare index, as the drug-maker said it would invest \$5.1bn in a major expansion of its partnership with biotech Galapagos NV. Boeing Co shares slipped 1.0% following a Wall Street Journal report on Sunday that its 737 MAX jet could stay grounded until early 2020. Symantec Corp shares tumbled 10.7%, the biggest percentage drop among S&P 500 companies, after a report that the cybersecurity company and Broadcom Inc have ceased deal talks. Broadcom shares rose 1.0%.

Most Gulf stock markets fell back yesterday as investors await corporate results. Saudi index rose for a sixth day with banks leading the rally on the back of a positive earnings outlook. Lately the index has risen on the back of banks after EFG Hermes forecast a higher Q2 profit for Saudi lenders. The Dubai index was up 0.4% due to strong real estate stocks, with Emaar Properties rising 1.7%, and Dubai Investments jumping 3.1%.

COMPANY NEWS HEADLINES

- Tesla Inc has dropped the standard-range variants of its Model X and Model S from its product lineup and adjusted prices across its range, in a sales push that comes days after the US electric vehicle maker reported record deliveries.
- US antiviral drugmaker Gilead Sciences will invest \$5.1bn in a major expansion of its partnership with Belgo-Dutch biotech Galapagos NV, news that lifted Galapagos's shares more than 18% to an all-time high on Monday.
- GAM Holding AG completed the wind-down of Tim Haywood's scandal-hit bond fund and is set to repay investors with a premium as it seeks to end a year of tumult after his suspension. (Bloomberg sources)
- Europe's largest budget carrier Ryanair has cut its forecast for growth in traveller numbers next summer to 3% from a previous 7%, saying it was providing for the possibility of further delays in deliveries of Boeing 737 MAX planes.
- Irish cement maker CRH said on Tuesday it has agreed to sell its European distribution arm to private equity funds managed by Blackstone Group Inc for an enterprise value of about 1.64bn euros (\$1.85bn).
- Italy's biggest builder, Salini Impregilo, has decided to go ahead with a 225mn euros (\$253mn) takeover of ailing rival Astaldi, an exercise to be partly funded by Salini raising 600mn euros in fresh capital.
- Prologis Inc said on Monday it would buy Black Creek Group's Industrial Property Trust Inc (IPT), a portfolio of US industrial properties, in a deal valued at \$3.99bn in cash.
- Balyasny Asset Management, a Chicago-based hedge fund that shed \$4bn in assets last year and cut 20% of its staff, was back in positive territory for the first half of this year, suggesting its massive overhaul might be paying off, analysts said.
- Austria's AMS AG said on Tuesday it did not see "sufficient basis" for continuing its discussions with Osram Licht to acquire the German technology company, one day after Osram made public the approach by AMS.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	27359.16	0.10%	17.28%
S&P 500	3014.30	0.02%	20.24%
NASDAQ	8258.19	0.17%	24.46%
S&P/TSX	16510.82	0.14%	15.28%
EUROPE	LAST	1D	YTD
STXE 600	387.75	0.23%	14.84%
FTSE 100	7531.72	0.34%	11.94%
CAC 40	5578.21	0.10%	17.92%
DAX	12387.34	0.52%	17.32%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6641.00	-0.18%	17.61%
NIKKEI 225	21535.25	-0.69%	7.60%
TOPIX	1568.74	-0.48%	5.00%
CSI 300 (China)	3806.85	-0.45%	26.45%
MENA	LAST	1D	YTD
Saudi Arabia	9044.21	0.32%	15.56%
Abu Dhabi	5041.21	-0.01%	2.57%
Dubai	2718.53	0.10%	7.46%
Qatar	10595.55	-0.04%	2.88%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0921	0.0034	-0.5921
Germany	-0.2530	-0.0020	-0.4950
U.K.	0.7900	-0.0110	-0.4870
Australia	1.4030	-0.0500	-0.9150

TOP SELECTED NEWS

Europe braces for \$7 billion US tariff hit over Airbus dispute

(Bloomberg) Europe expects the WTO to give the US the green light to hit the EU with tariffs aimed at products valued at between \$5bn and \$7bn in a 14-year dispute over illegal aircraft subsidies, according to two European government officials. President Donald Trump's administration is waiting for the WTO to give its final decision on the damages caused by prohibited European aid for Airbus SE, after which the US would move immediately to impose the tariffs, said the officials, who asked not to be identified because the process is ongoing. The WTO could issue its ruling as soon as this summer. In addition to helicopters and aircraft parts, the US tariffs may also be aimed at goods such as cheese, olives and pasta, along with some types of whiskey in what the officials see as an effort to gain concessions from EU members to the American agricultural sector. The measures would come on top of duties the US imposed on EU steel and aluminum exports a year ago over claims they posed a national-security threat.

Citigroup profit beats estimates on gains in consumer lending

(Reuters) Citigroup Inc topped expectations for quarterly profit on Monday as a tight lid on costs and strength in consumer lending helped the third-largest US bank counter weakness in its trading business. Citi's interest margin



MARKETS TODAY

TOP SELECTED NEWS

declined slightly to 2.67% from 2.70% a year earlier and 2.72% in Q1 of 2019. But the bank was able to make more money from its lending activities during the quarter and net interest income rose 2%. Overall revenue rose 2% to \$18.76bn, driven by 4% growth in Citi's consumer business as customers spent more on their credit cards.

South Korea bourse fines BofA Merrill Lynch branch over irregular trading

(Reuters) The Korea Exchange (KRX) said on Tuesday it has decided to impose a 175mn won (\$148,655) fine on Bank of America Merrill Lynch's South Korean unit for irregular trading activities. The bourse in a statement said a review of the investment bank's trading had uncovered phantom orders. A Hong Kong-based spokesman for Bank of America Merrill Lynch declined to comment.

Australian banks begin lowering mortgage stress test rates

(Reuters) Westpac Banking Corp and Australia and New Zealand Banking Group are starting to lower the interest rate they use to stress test customers' loan applications, a move expected to help stabilize house prices. The banks are the first two of the Big Four lenders dominating Australia's banking system to implement the loosening of mortgage lending rules, introduced by the prudential regulator earlier this month.

Bayer gets roundup reprieve as damages cut in California

(Bloomberg) Bayer AG's controversial weed-killer Roundup got a reprieve as a jury verdict that the product caused a customer's cancer was slashed to \$25.3mn from \$80.3mn in California. The stock rose as much as 2.4% in Frankfurt trading after US District Judge Vince Chhabria ruled Monday that the March verdict intended to punish the company was too high. Bayer's future growth is clouded by thousands of legal cases filed by people who argue Roundup is to blame for their cancer, leading shareholders to question its decision to buy US seed and pesticide giant Monsanto for \$63bn last year.

Facebook vows Libra currency will wait for approval as US airs worries

(Reuters) Facebook Inc said on Monday it would not proceed with the launch of its Libra cryptocurrency until regulatory concerns are addressed, as the US Treasury secretary took the unusual step on of saying he had serious concerns it could be used for illicit activity. David Marcus, who oversees Facebook's blockchain efforts, planned to tell Congress that Libra is not being built to compete with traditional currencies or interfere with monetary policy.

PayPal launches international money transfer service Xoom across Europe

(Reuters) PayPal is expanding further in Europe by launching its international money transfers service Xoom in Britain and 31 other countries across the continent. Xoom allows customers to transfer money abroad to more than 130 markets internationally, including India, Pakistan, Nigeria, Kenya, Poland and China. The company said the roll-out would help it grab market share in the \$689bn global remittances market.

Google accused of ripping off digital ad technology in US

(Reuters) Alphabet Inc's Google LLC was hit on Monday with a US lawsuit alleging it copied a smaller firm's patented digital advertising technology. Impact Engine Inc filed the complaint in federal court in San Diego, California, alleging various Google online advertising platforms, including Google Ads and Google AdSense, infringed on six patents. The allegedly violated patents, granted to San Diego-based Impact Engine between 2011 and 2018, relate to so-called "programmable creative" technology for rapidly producing and customizing online advertisements.

Italy's state railway picks Atlantia for Alitalia rescue

(Reuters) Italy's state railway Ferrovie dello Stato picked motorway operator Atlantia as a partner to join a consortium of investors for the rescue of national carrier Alitalia, Ferrovie said on Monday. Atlantia will join Ferrovie, the finance ministry and US carrier Delta in a state-orchestrated effort to relaunch the ailing airline with an overall capital injection of around 1bn euros.

MARKETS TODAY

Tuesday, July 16, 2019

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