

MARKETS TODAY

Wednesday, July 17, 2019

MARKETS IN BRIEF

- Global markets were back in a cautious mode after Trump reignited the tensions with China. Asian stocks retreated today tracking Wall Street's set back yesterday.
- Australian dollar steadied near \$0.70 level. Traders will be watching Jobs Report tomorrow at 4:30 LT.
- U.S. dollar benefited from upbeat retail and manufacturing data released yesterday. Treasury yields reached 2.14%. The data managed to lower the possibility of a 50 bps rate cut at Fed's July policy meeting. The 25 bps rate cut is heavily priced-in.
- British pound plunged briefly below \$1.24 for the first time in 27 months on Tuesday and also hit 6-month lows against the euro as the two candidates to be Britain's next prime minister vied to outgun each other on taking a harder Brexit stance. Traders will be watching Inflation data at 11:30 LT.
- The euro continued to face pressure from weak data.
- Oil prices nursed losses on hints U.S. tensions with Iran could be easing and as data showed stockpiles fell by less than expected last week. Today's focus: EIA weekly report at 17:30 LT.
- Most Gulf stock markets rose yesterday. Saudi index gained for the 7th straight day while hitting a 2-month high.

The heat with China is back

Trump addressed China on two fronts, saying during a cabinet meeting at the White House that there's a "long way to go" on a trade pact with Beijing, and tweeting that his administration would look into concerns raised by investor Peter Thiel about Google's relationship to the Chinese government. Trump vowed to "take a look" into allegations that Google's work with Beijing is treasonous. The top U.S. general, Marine General Joseph Dunford, chairman of the Joint Chiefs of Staff, expressed similar concerns about Google in a congressional hearing in March. Google said in an email statement: "As we have said before, we do not work with the Chinese military."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1202	-0.08%
GBP/\$	1.2386	-0.17%
AUD /\$	0.7006	-0.09%
\$/JPY	108.21	0.03%
\$/CAD	1.3071	0.13%
Gold \$	1404.87	-0.10%
WTI \$	57.74	0.21%
BRENT \$	64.65	0.47%
AMERICA		
DOW JONES	27335.63	-0.09%
S&P 500	3004.04	-0.34%
NASDAQ	8222.80	-0.43%
EUROPE		
STXE 600	389.10	0.35%
CAC 40	5614.38	0.65%
DAX	12430.97	0.35%
ASIA PACIFIC		
S&P/ASX 200	6673.30	0.49%
NIKKEI 225	21469.18	-0.31%
CSI 300 (China)	3801.66	-0.14%
MENA		
Saudi Arabia	9073.01	0.32%
Dubai	2722.47	0.25%
Qatar	10600.98	0.05%
BONDS		
U.S. 10-year	2.0955	-0.0071
German Bund 10-yr	-0.2730	-0.0290
AU 10-year	1.3930	-0.0100

New EC president vowing to help climate

Germany's Ursula von der Leyen secured European parliamentary approval on Tuesday to become the first female European Commission president on a platform of a greener, fairer and rule-based Europe. The German conservative got the thumbs up from socialist and liberal lawmakers which, together with the endorsement by her fellow conservatives, gives her a stronger mandate to tackle issues such as climate change, trade and maintaining democracy in the European Union.

Powell maintaining Fed's pledge to support economy

Fed Chairman Jerome Powell said the central bank is "carefully monitoring" downside risks to US growth and "will act as appropriate to sustain the expansion," reiterating concerns last week that cemented expectations for an interest-rate cut later this month. "Uncertainties about this outlook have increased, however, particularly regarding trade developments and global growth," Powell told a dinner audience at the Bank of France in Paris on Tuesday, referring to the Fed's baseline scenario for growth to "remain solid."

Upbeat U.S. retail sales and factory data

US retail sales and factory output in June exceeded expectations and underscored steady economic growth even as Fed officials signal they're prepared to reduce interest rates. The value of retail purchases rose 0.4% for a second month, more than projections, Commerce Dpt data showed Tuesday. Production at the nation's manufacturers also advanced 0.4%, the most this year, according to a separate report from the Fed. Total industrial production, which also includes mines and utilities, was unchanged as milder-than-usual weather reduced demand for air conditioning.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.00	-2.44%
SOLIDERE—B	6.35	-2.61%
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 retreated to a 27-month low of \$1.2382 overnight as Boris Johnson and Jeremy Hunt, the two candidates to be Britain's next prime minister, vied to outgun each other on taking a harder Brexit stance. Sterling last traded little changed at \$1.2386. Their positions appear to be leading markets to price a sharply higher risk of Britain leaving the EU on October 31 without any transition trading agreements in place. That would potentially force the Bank of England to cut interest rates to stave off an economic catastrophe. The pound suffered its biggest one-day fall since March after Boris Johnson and his rival to be Conservative Party leader, Jeremy Hunt, said late on Monday they would not accept the so-called Northern Irish backstop element of Theresa May's Brexit deal. Both are trying to appeal to the majority of the Conservative Party members who want to make a clean break with the EU.

The US dollar was firm after upbeat US data tempered expectations of aggressive policy easing by the Fed later this month, while the struggling pound and euro also provided additional impetus to the greenback. The dollar index .DXY against a basket of six major currencies was effectively unchanged at 97.388 after gaining 0.5% the previous day. The

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FX & COMMODITIES

dollar rose after stronger-than-expected June US retail sales data reduced the chance of the Fed cutting interest rates by 50 bps rather than 25 bps at its month-end policy review. The dollar was almost flat at 108.21 yen after advancing 0.3% against the yen overnight on the strong US retail sales data.

The euro was slightly lower at \$1.1202 after losing more than 0.4% the previous day. The losses came after a survey by the ZEW institute showed that the mood among German investors deteriorated more sharply than expected in July amid an unresolved trade dispute between China and the US as well as political tensions with Iran.

The Australian dollar edged down 0.09% to \$0.7006, having lost 0.4% on Tuesday following comments by US President Donald Trump. The US still has a long way to go to conclude a trade deal with China but could impose tariffs on an additional \$325bn worth of Chinese goods if it needed to do so, Trump said. The Aussie is sensitive to the economic fortunes of China, Australia's largest trading partner. The impact of Trump's comments on other major currencies, however, was limited.

Oil prices rose on Wednesday after steep falls in the previous session, although US crude trailed gains for international benchmark Brent after US crude inventories fell less than expected. West Texas Intermediate crude futures were up 0.21% at \$57.74, having fallen 3.3% on Tuesday. Brent crude futures were up 0.47% at \$64.65. They ended down 3.2% in the previous session. Crude inventories fell by 1.4mn barrels in the week to July 12 to 460mn, industry group the American Petroleum Institute (API) said on Tuesday. That compared with analysts' expectations for a decrease of 2.7mn barrels. Official data is due out later today from the US government's Energy Information Administration (EIA). If it confirms the fall it will be the fifth consecutive weekly decline, the longest stretch since the beginning of 2018.

London zinc prices fell on Wednesday, snapping a 5-session gaining streak, after data showed the global zinc market deficit narrowed in May.

The cryptocurrency market took a beating with bitcoin losing over 10% in value after US lawmakers grilled Facebook on its cryptocurrency plans, as political and regulatory scrutiny of digital coins intensifies. Yesterday, bitcoin fell 11.34% to \$9477.63. It fell below \$10,000 for the first time in two weeks.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK CPI YoY	2.00%	2.00%
GBP—11:30	UK PPI MoM	-1.00%	0.00%
EUR—12:00	Eurozone Final CPI YoY	1.20%	1.20%
CAD—15:30	Canada CPI MoM	-0.30%	0.40%
USD—15:30	US Building Permits	1.30m	1.29m
USD—15:30	US Housing Starts	1.26m	1.27m
OIL—17:30	EIA Weekly Report		
USD—21:00	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	97.388	-0.01%	1.26%
EUR/\$	1.1202	-0.08%	-2.31%
GBP/\$	1.2386	-0.17%	-2.89%
AUD /\$	0.7006	-0.09%	-0.61%
NZD/\$	0.6706	0.06%	-0.19%
\$/JPY	108.21	0.03%	1.37%
\$/CAD	1.3071	0.13%	4.33%
\$/CHF	0.9885	-0.06%	-0.65%
\$/SEK	9.4012	-0.12%	-5.83%
\$/NOK	8.5918	-0.21%	0.57%
\$/DKK	6.6659	-0.08%	-2.32%
\$/TRY	5.7161	-0.10%	-7.46%
EUR/GBP	0.9044	-0.09%	-0.60%
EUR/JPY	121.22	0.11%	3.80%
EUR/CHF	1.1074	0.01%	1.64%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1404.87	-0.10%	9.54%
Silver Spot \$/Oz	15.64	0.52%	0.93%
Platinum Spot \$/Oz	838.47	-0.18%	5.38%
Palladium Spot \$/Oz	1525.24	-0.29%	20.88%
COPPER \$/lb	269.80	-0.07%	2.02%
WTI \$/bbl	57.74	0.21%	27.15%
BRENT \$/bbl	64.65	0.47%	20.17%

EQUITIES & BONDS

The Bank of Canada said on Tuesday it plans to buy back up to C\$500mn (\$382.44mn) from up to nine outstanding bonds in a cash management repurchase operation on July 23.

Japan increased its holdings of US Treasuries to its highest level in nearly two years in May, while China trimmed its ownership of US bonds to a two-year low, data from the US Treasury Department released on Tuesday showed. Japan's holdings of US government debt jumped to \$1.101tn in May, a level not seen since August 2017 and up from \$1.064tn in April.

Asian shares drifted off on Wednesday as anxious investors awaited more earnings reports from corporate America, while the dollar held firm in the wake of robust US retail data and a Brexit-driven dive in the pound. Not helping the mood was Tuesday's threat from US President Donald Trump to put tariffs on another \$325bn of Chinese goods, amid market nervousness over when face-to-face talks will resume. The fallout of the year-long trade dispute was apparent in data from Singapore, where exports sank by the most in six years in June led by a steep drop in electronics. In stock markets trade was generally muted with MSCI's broadest index of Asia-Pacific shares outside Japan off 0.25%. Japan's Nikkei eased 0.3% and South Korea 1%, while Chinese blue chips edged down 0.14%.

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EQUITIES & BONDS

US stocks edged lower on Tuesday as quarterly results from banks added to concerns about lower interest rates dampening their profits, while comments from Trump on trade also dragged down Wall Street's major indexes.

JPMorgan Chase & Co and Wells Fargo & Co beat quarterly profit estimates but reported weaker net interest income, pointing to rising deposit costs. Those results followed Citigroup Inc's results on Monday, in which the bank reported a drop in its net interest margin. JPMorgan shares erased early losses to end 1.1% higher. Wells Fargo shares, however, slipped 3.0% as the bank tempered its outlook for cutting costs. The major indexes briefly pared losses after Fed Chair Jerome Powell reiterated that the central bank would "act as appropriate" to keep the US economy humming, but they later moved back to their previous levels. Shares of Goldman Sachs Group Inc, which also announced results, rose 1.9%. Goldman Sachs is considered the least rate-sensitive of the three major banks that gave quarterly reports on Tuesday. Johnson & Johnson shares slipped 1.6% after the diversified healthcare company warned that competition from generic and copycat drugs could impact its Q3 results. Johnson & Johnson was the second-biggest drag on the S&P 500. Shares of J.B. Hunt Transport Services Inc jumped 5.6%, the greatest percentage gain among S&P 500 stocks, after the trucking company posted strong quarterly performance in its second-largest unit DCS, which provides final-mile delivery. The rise in J.B. Hunt shares helped lift the Dow Jones Transportation Average 1.8% and aided a 0.7% rise in industrials.

Most major Gulf stock markets posted broad gains on Tuesday, taking their cue from global markets that have been buoyed by expectations of an interest rate cut by the US central bank. The Saudi index hit a more than 2-month high. It added 0.4%, its seventh straight day of gains. The index has been rising since EFG Hermes forecast profit for the kingdom's financial sector to grow 7.6% in Q2. The Dubai index, which is on track for its best month since April, edged up 0.3%, helped in part by a 5.2% surge in Amlak Finance after a media report that the firm was close to restructuring \$1.2bn of loans with creditors.

COMPANY NEWS HEADLINES

- Mexican telecommunications company America Movil on Tuesday reported a surge in its Q2 net profit on the back of foreign exchange gains, driven in part by an appreciation in the Mexican peso.
- United Airlines on Tuesday reported a bigger-than-expected increase in Q2 profit, driven by strong air travel demand and the ability to charge more for seats after the grounding of Boeing Co's 737 MAX reduced capacity.
- Mobile network gear maker Ericsson posted a Q2 profit in line with expectations on Wednesday and said it was on track to meet its financial goals due to strong sales of 5G equipment.
- Visa Inc said on Wednesday it has invested in Indonesia's Go-Jek as part of the ride-hailing company's ongoing Series F fundraising round.
- CSX Corp on Tuesday reported a quarterly profit that missed Wall Street's view after weakness in its trade-related intermodal business - which involves freight that moves via cargo ship, rail and trucks - weighed on results.
- The US Justice Dpt asked a federal appeals court to pause the enforcement of a sweeping antitrust ruling against mobile chip supplier Qualcomm Inc on Tuesday, citing support from the Energy Dpt and Defense Dpt.
- DouYu International Holdings, China's largest live-streaming platform, on Tuesday sold \$775mn in stock at a \$3.73bn valuation after pricing its US IPO at the bottom of an indicative range. (Reuters sources)
- Uber said on Wednesday it was launching ride-hailing services in Germany's second city, Hamburg, as it seeks to achieve scale in a country where it has met resistance from local taxi firms, city governments and the courts.
- Brazil's state-controlled oil company Petroleo Brasileiro SA is in talks with the Uruguayan government to give back licenses to operate natural gas distributors in the country, the company said in a securities filing late on Tuesday.
- Brazilian development bank BNDES is looking to expedite the sale of nearly 100bn reais (\$26.6bn) in listed assets, its new chief executive said on Tuesday during his inauguration.

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AMERICA	LAST	1D	YTD
DOW JONES	27335.63	-0.09%	17.18%
S&P 500	3004.04	-0.34%	19.83%
NASDAQ	8222.80	-0.43%	23.93%
S&P/TSX	16502.42	-0.05%	15.22%
EUROPE	LAST	1D	YTD
STXE 600	389.10	0.35%	15.24%
FTSE 100	7577.20	0.60%	12.62%
CAC 40	5614.38	0.65%	18.68%
DAX	12430.97	0.35%	17.73%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6673.30	0.49%	18.19%
NIKKEI 225	21469.18	-0.31%	7.27%
TOPIX	1567.41	-0.08%	4.91%
CSI 300 (China)	3801.66	-0.14%	26.27%
MENA	LAST	1D	YTD
Saudi Arabia	9073.01	0.32%	15.92%
Abu Dhabi	5077.22	0.70%	3.30%
Dubai	2722.47	0.25%	7.62%
Qatar	10600.98	0.05%	2.93%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0955	-0.0071	-0.5887
Germany	-0.2730	-0.0290	-0.5150
U.K.	0.8210	0.0200	-0.4560
Australia	1.3930	-0.0100	-0.9250

TOP SELECTED NEWS

European car sales resume downward spiral with sharp June drop

(Bloomberg) European car registrations fell sharply in June, resuming a downward spiral this year that has seen profit warnings at German manufacturer Daimler AG and a quarterly automotive division loss at rival BMW AG. Sales dropped 7.9% to 1.49mn cars, the European Automobile Manufacturers' Association said Wednesday, the worst monthly decline since December. France and Spain had falls of more than 8%, while German and UK sales fell 4.7% and 4.9% respectively. While the industry group blamed the June drop on fewer working days during the month, the weak showing adds to the gloom enveloping the sector and brings the fall to 3.1% since the start of 2019.

Investor outlook for German economy falls amid industry woes

(Bloomberg) Investor confidence in Germany's economic outlook fell for a third month as persistent global trade tensions weigh on growth momentum. The ZEW index measuring prospects for the next six months declined more than expected and is now close to the weakest level in seven years. A gauge for current conditions fell below zero for the first time since 2010, meaning more respondents predict the situation will get worse than better. Germany has been mired in a manufacturing slump for more than a year, and most recent numbers don't hint at a turnaround.



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TOP SELECTED NEWS

Deutsche Bank, BNP face reality of \$168bn hedge-fund deal

(Bloomberg) When Deutsche Bank AG said it was exiting the business of servicing hedge funds as part of its historic retreat, French rival BNP Paribas SA seemed poised to benefit. The reality is more complicated. The two European banking giants are discussing how to transfer 150bn euros of balances linked to hedge funds at Deutsche Bank's so-called prime-brokerage unit along with technology and potentially hundreds of staff, people familiar with the matter said. Yet the German lender's clients have been pulling about \$1bn of funds per day and going elsewhere as the firms iron out the details, placing pressure on them to complete a deal soon, said the people.

Goldman stock traders buck Wall Street trend on revenue jump

(Bloomberg) Goldman Sachs Group Inc.'s trading division offered investors something its rivals couldn't: a bright spot. The firm's stock traders delivered a surprise revenue increase, driving Goldman's securities unit to a smaller decline than analysts had predicted for Q2. Goldman executives said their equities unit countered that by grabbing some share from weaker rivals and finally seeing dividends from years of upgrading its electronic trading systems.

JPMorgan's lending outlook suffers from Fed's rate reversal

(Bloomberg) JPMorgan was hit by the Fed's about-face on interest rates in Q2, warning that lending income will fall in the second half. The largest US bank on Tuesday cut its full-year outlook for net interest income by \$500mn. NII accounted for about half the NY-based company's revenue last year and has countered a slump in trading, which fell for a fourth straight period in Q2.

US lawmakers take jabs at Amazon, Big Tech in antitrust hearing

(Reuters) Lawmakers on the House Judiciary Committee's antitrust panel pressed an executive from Amazon.com Inc on Tuesday about allegations that it competed against its own sellers and pushed them to buy advertising and fulfillment services. Legislators also demanded explanations from Apple Inc about charges for apps and in-app purchases, Facebook Inc for its rapidly changing privacy policy and Alphabet's Google over whether its rivals are demoted in search results. The committee does not have authority to punish the companies, and any effort to change antitrust laws affecting tech firms would face hurdles in the Republican-controlled Senate.

Amazon in deal with German watchdog to overhaul marketplace terms

(Reuters) Amazon has reached a deal with Germany's anti-trust authority to overhaul its terms of service for third-party merchants, who had complained of unfair treatment when selling through the world's biggest online retailer. The Federal Cartel Office said on Wednesday it was dropping a 7-month investigation after the US e-commerce giant agreed to amend its Business Services Agreement that applies to merchants using its platform.

HBO sets Emmy nominations record, tops Netflix

(Reuters) AT&T Inc's premium cable network HBO scored a record 137 Emmy nominations on Tuesday, topping streaming service Netflix Inc in what has become an annual battle for bragging rights in the contest for television's biggest awards. A large chunk of HBO's tally came from medieval fantasy "Game of Thrones," which received 32 nominations, the highest total for a drama series in a single year. Limited series "Chernobyl" about the 1986 nuclear disaster hauled in 19. Netflix ranked second with 117 nominations for shows including "When They See Us," a drama about the real-life men who became known as the Central Park Five, and comedy "Russian Doll."

Mexico unveils Pemex business plan, but banks underwhelmed

(Reuters) Mexico on Tuesday unveiled parts of a keenly awaited business plan meant to bring the world's most indebted oil company back from the abyss, but its vow of \$7.2bn in government support failed to dispel worries of a ratings downgrade. Octavio Romero, CEO of Petroleos Mexicanos, or Pemex, presented the broad outlines of the 200-page plan at a news conference, saying a complete version would be published later on Tuesday.

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