

# MARKETS TODAY

Thursday, July 18, 2019

## MARKETS IN BRIEF

- Concerns over a prolonged U.S.-China trade disputes were back weighing on market sentiment. Risk aversion increased pushing safe-haven assets higher. U.S. Treasuries jumped with yields dropping to 9-day lows.
- U.S. stocks retreated yesterday as investors showed concerns that a trade war could weaken corporate earnings results.
- Asian stocks tracked Wall Street lower today. The Nikkei posted its biggest 1-day drop in four months.
- Australian dollar managed to defy the slump in risk sentiment. The currency rose on speculation the RBA will hold off on a third rate cut in August after the latest jobs data showed resilience.
- British pound traded higher but ongoing Brexit uncertainty could limited further uptrend.
- Euro's gains might be constrained by growing expectations that the ECB will be more dovish in its meeting next week.
- Turkish lira was steady, shrugging off the U.S. decision to remove Ankara from the F-35 fighter jet programme.
- Oil prices were mixed with U.S. crude extending losses after falling in the previous session on in increase in US stockpiles.

## Trade agreement in doubt

Slow progress on key initial demands from Presidents Donald Trump and Xi Jinping is raising doubts about whether the US and China will actually return to the negotiating table to overcome their much deeper differences. Trump complained again this week that China wasn't buying the large volumes of US agricultural goods that he claims Xi promised to purchase. Meanwhile, there's been no improvement in how the US treats telecommunications giant Huawei Technologies Co., a key demand of China. With the conflict dragging on, reaching a comprehensive trade deal as Trump gears up for re-election next year increasingly seems like a remote possibility.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1239	0.13%
GBP/\$	1.2460	0.22%
AUD /\$	0.7036	0.37%
\$/JPY	107.72	0.21%
\$/CAD	1.3056	-0.02%
Gold \$	1420.93	-0.40%
WTI \$	56.63	-0.26%
BRENT \$	63.66	0.00%
AMERICA		
DOW JONES	27219.85	-0.42%
S&P 500	2984.42	-0.65%
NASDAQ	8185.21	-0.46%
EUROPE		
STXE 600	387.66	-0.37%
CAC 40	5571.71	-0.76%
DAX	12341.03	-0.72%
ASIA PACIFIC		
S&P/ASX 200	6649.12	-0.36%
NIKKEI 225	21046.24	-1.97%
CSI 300 (China)	3768.40	-0.95%
MENA		
Saudi Arabia	9075.55	0.03%
Dubai	2741.21	0.92%
Qatar	10613.53	0.12%
BONDS		
U.S. 10-year	2.0450	-0.0001
German Bund 10-yr	-0.3050	-0.0150
AU 10-year	1.3480	-0.0450

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## U.S. removing Turkey from F-35 program

The US said on Wednesday that it was removing Turkey from the F-35 fighter jet program, a move long threatened and expected after Ankara began accepting delivery of an advanced Russian missile defense system last week. The first parts of the S-400 air defense system were flown to the Murted military air base northwest of Ankara on Friday, sealing NATO ally Turkey's deal with Russia, which Washington had struggled for months to prevent. Turkey's foreign ministry said the move was unfair and could affect relations between the two countries.

## Australia's jobs data signals need for RBA support

Australian full-time employment surged in June but the jobless rate stayed stuck at 5.2% for a third straight month as more people looked for work, a sign of spare capacity that argues for more policy stimulus. Thursday's figures from the ABS showed 500 new jobs were added last month as a slump in part-time work overshadowed the 21,100 jump in full-time employment. The monthly employment series has gained even more importance recently as the RBA is closely watching labor market trends, awaiting a much-needed pick-up in wage growth and inflation.

## U.S.-U.K. trade deal will not be quick

Boris Johnson, the favorite to succeed Theresa May as UK prime minister, said a trade deal won't be reached with the US soon after Brexit, predicting discussions will be "tough" and "robust." Johnson's latest comments seek to manage expectations on what can be achieved early in his premiership, if, as widely predicted, he beats Foreign Secretary Jeremy Hunt to the Conservative Party leadership next week. A US trade deal was held up by Brexit campaigners -- including Johnson -- as one of the great prizes of leaving the EU.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.01	0.17%
SOLIDERE—B	6.00	-5.51%
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 US dollar slipped on Thursday as risk aversion in the broader markets pushed benchmark US yields to a 9-day low. The dollar index .DXY versus a basket of six major currencies was down 0.13% at 97.093. The index had climbed to a 1-week peak of 97.444 the previous day on stronger-than-expected US retail sales and a slump in sterling. But it edged lower as safe-haven Treasury yields fell in the wake of weak US housing market data and concerns about the prolonged US-China trade dispute. Various economic data have given conflicting signs regarding the state of the US economy, but that does not change the bigger picture of the dollar facing downward pressure due to an expected rate cut by the Fed later this month, Kanda said. The International Monetary Fund (IMF) said on Wednesday the greenback was overvalued by 6% to 12%, based on near-term economic fundamentals. The Fed is widely expected to lower interest rates by 25 bps at its July 30-31 policy meeting, with some in the market wagering on a larger 50 bps cut. The dollar was 0.21% lower at 107.72 yen, having gone as low as 107.640, its weakest level since July 3.

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## FX & COMMODITIES

**The British pound was a shade higher at \$1.2439.** It had stumbled to \$1.2382, its lowest since April 2017 on Wednesday amid growing risks of Britain leaving the EU in a no-deal Brexit, before selling abated.

**The euro added to modest overnight gains and edged up 0.1% to \$1.1238.** The single currency's gains were limited as it was restrained by expectations of easing from the European Central Bank as early as next week.

**The Australian dollar advanced after data on Thursday showed the country's jobless rate remained stable and underemployment decline in June, reducing the prospect of near-term easing by the Reserve Bank of Australia.** The Aussie was 0.3% higher at \$0.7031. The underemployment rate has a higher correlation with policy rates and wages compared to the jobless rate and is likely to attract more attention going forward, Yamamoto said.

**The New Zealand dollar hovered near a 3-month peak of \$0.6745 scaled overnight.** The kiwi has gained more than 0.5% this week, supported by positive domestic factors such as strong inflation.

**The Turkish lira was steady on Thursday, shrugging off the U.S. decision to remove Ankara from the F-35 fighter jet programme after it began receiving delivery of the Russian S-400 missile defence system last week.** The lira was trading at 5.6936 against the dollar, little changed from Wednesday's close of 5.6840. The currency has been hit this year by Washington's threats that it would impose sanctions on its NATO ally should it go through with the purchase of the Russian system.

**Oil prices were mixed on Thursday with US crude extending losses after falling in the previous session after data showed US stockpiles of products like gasoline rose sharply last week, suggesting weak demand during the peak driving season.** Brent crude futures were flat at \$63.66 a barrel. They fell 1.1% on Wednesday. U.S West Texas Intermediate crude futures were down 0.26%, at \$56.63. The US benchmark dropped 1.5% in the previous session. Data on Wednesday from the US Energy Information Administration showed a larger-than-expected drawdown in crude stockpiles last week, but traders focused on large builds in refined product inventories dragging prices down. US crude inventories fell 3.1mn barrels, the EIA said, more than analysts' forecasts for a decrease of 2.7mn barrels. However, gasoline stocks rose 3.6mn barrels, compared with analysts' expectations in a Reuters poll for a 925,000-barrel drop. Distillate stockpiles grew by 5.7mn barrels, much more than expectations for a 613,000-barrel increase, the EIA data showed.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Retail Sales MoM	-0.30%	-0.50%
GBP—11:30	UK BoE Credit Conditions Survey		
USD—15:30	US Philly Fed Manufacturing Index	5.0	0.3
USD—15:30	US Initial Jobless Claims	216k	209k

**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	97.093	-0.13%	0.96%
EUR/\$	1.1239	0.13%	-1.99%
GBP/\$	1.2460	0.22%	-2.31%
AUD /\$	0.7036	0.37%	-0.18%
NZD/\$	0.6741	0.15%	0.33%
\$/JPY	107.72	0.21%	1.83%
\$/CAD	1.3056	-0.02%	4.45%
\$/CHF	0.9854	0.21%	-0.33%
\$/SEK	9.3585	0.09%	-5.40%
\$/NOK	8.5916	-0.04%	0.57%
\$/DKK	6.6444	0.13%	-2.00%
\$/TRY	5.6936	-0.16%	-7.10%
EUR/GBP	0.9021	0.08%	-0.34%
EUR/JPY	121.07	0.07%	3.93%
EUR/CHF	1.1076	0.07%	1.62%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1420.93	-0.40%	10.79%
Silver Spot \$/Oz	15.99	0.16%	3.22%
Platinum Spot \$/Oz	849.88	0.61%	6.82%
Palladium Spot \$/Oz	1543.14	0.39%	22.30%
COPPER \$/lb	269.80	-0.66%	2.02%
WTI \$/bbl	56.63	-0.26%	24.71%
BRENT \$/bbl	63.66	0.00%	18.33%

## EQUITIES & BONDS

**Asian share markets faltered on Thursday as Wall Street stocks dropped on early signs that the US-China trade war could hurt corporate earnings, which helped underpin solid demand for safe-haven US Treasuries.** MSCI's broadest index of Asia-Pacific shares outside Japan retreated 0.3%, while Tokyo's benchmark Nikkei skidded 1.97%, its biggest 1-day fall in four months. Chinese shares followed suit, with the benchmark Shanghai Composite and the blue-chip CSI 300 down 0.95% and 0.7%, respectively, while Hong Kong's Hang Seng dropped 0.6%. South Korea's market was off 0.4% after the Bank of Korea unexpectedly cut its policy interest rate for the first time in three years, as uncertainties from a trade dispute with Japan added to anxiety about the economy's outlook.

**US stock indexes fell on Wednesday as weak results from CSX Corp stoked concerns that the protracted trade war between the US and China could hurt corporate earnings.** CSX shares tumbled 10.3%, their biggest one-day drop since 2008, after the rail freight company posted lower-than-expected quarterly profit and cut its full-year revenue forecast. Ongoing trade tensions have contributed to a decline in truck and rail freight volumes in the first half of 2019. CSX was one of the biggest drags on the S&P 500 index, along with Union Pacific Corp and Berkshire Hathaway Inc, which owns BNSF Railway. Union Pacific, whose shares dropped 6.1%, reports results on Thursday. The losses in shares of rail companies helped push down the S&P 500 industrials index, whose 2.2% slide was the largest among the S&P's 11 major sectors. The Dow Jones Transportation Average fell 3.6%. The Fed's Beige Book, a compendium of



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## EQUITIES & BONDS

anecdotes from US businesses, also pointed to trade-related pressures on transportation and manufacturing companies. But persistent trade-related concerns are a critical factor supporting expected interest-rate cuts from the Fed later this month, said Ed Campbell, portfolio manager and managing director at QMA in Newark, New Jersey. The anticipation of rate cuts has helped propel US stocks to new highs in the past week. Bank of America Corp rose 0.7% after posting a profit beat, though the company lowered its annual net interest income forecast. Netflix Inc shares tumbled in aftermarket trade after the company reported quarterly results. They were last down nearly 11%. Abbott Laboratories shares rose 3.1% after the medical device maker topped quarterly profit estimates and lifted its full-year adjusted earnings forecast.

**Gulf stock markets were mixed on Wednesday with Qatar and Abu Dhabi rising on financial stocks, while property stocks weighed on Dubai.** Qatari index edged up 0.1% with Commercial Bank rising 1.9% after the lender recorded a net profit of 934.1mn riyals (\$256.62mn) in the first-half of 2019, versus 855.1mn riyals a year earlier. In Kuwait, the index for the premier market, home to the largest and most liquid companies, rose 0.2%. It has been boosted by MSCI's decision to move Kuwaiti equities to its main emerging-market index in 2020 and is up more than 28% this year, outperforming its Gulf peers. In Abu Dhabi, the market rebounded 0.1%, after shedding in early trading, on the back of its top gainer National Bank of Fujairah, which soared 10.9%, and Emirates Telecommunications, which was up 0.1%.

## COMPANY NEWS HEADLINES

- Boeing Co said on Wednesday it will dedicate half of a \$100mn fund it created after two crashes of its 737 MAX planes to provide payments to families of those killed, with veteran US compensation expert Ken Feinberg hired by the world's largest plane maker to oversee the distribution.
- Netflix Inc said on Wednesday it would roll out a lower-priced mobile-only plan in India within the next three months to tap into a price-sensitive market at a time the streaming company is losing customers in its home turf.
- German payments company Wirecard AG said on Thursday it was teaming up with car-dealing platform AUTO1 Group to offer digital financial services to consumers, in its first alliance with a company backed by Japan's SoftBank Group.
- Swedish home appliance maker Electrolux on Thursday said that it had been able to offset headwinds from raw materials, trade tariffs and currency with price hikes as it reported quarterly operating earnings in line with market expectations.
- Tom Barrack's Colony Capital Inc. is exploring the sale of Colony Industrial, its unit that owns warehouses (Bloomberg sources).
- British online fashion retailer ASOS warned on profit for the third time in eight months on Thursday, blaming operational issues as it overhauls its warehouses in the US and Europe.
- Australia's No 2 independent gas producer Santos Ltd said on Thursday it had clocked record gas production in Q2 on stronger output across its Western Australia gas assets.
- Buyout firms Court Square Capital Management and HGGC LLC are exploring the sale of Dynata, a US survey research company whose value could exceed \$3bn, including debt (Reuters sources)
- Berlin-based N26 said on Thursday it raised an additional \$170mn in its latest funding round, driving up its valuation to \$3.5bn, as the online bank looks to speed up expansion to markets outside Europe including the US.

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S&P 500	2984.42	-0.65%	19.05%
NASDAQ	8185.21	-0.46%	23.36%
S&P/TSX	16484.21	-0.11%	15.09%
EUROPE	LAST	1D	YTD
STXE 600	387.66	-0.37%	14.81%
FTSE 100	7535.46	-0.55%	12.00%
CAC 40	5571.71	-0.76%	17.78%
DAX	12341.03	-0.72%	16.88%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6649.12	-0.36%	17.76%
NIKKEI 225	21046.24	-1.97%	5.15%
TOPIX	1534.27	-2.11%	2.69%
CSI 300 (China)	3768.40	-0.95%	25.17%
MENA	LAST	1D	YTD
Saudi Arabia	9075.55	0.03%	15.96%
Abu Dhabi	5183.24	2.02%	5.46%
Dubai	2741.21	0.92%	8.36%
Qatar	10613.53	0.12%	3.05%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0450	-0.0001	-0.6392
Germany	-0.3050	-0.0150	-0.5470
U.K.	0.7480	-0.0110	-0.5290
Australia	1.3480	-0.0450	-0.9700

## TOP SELECTED NEWS

### Sliding Japan exports, manufacturing gloom heighten economic risks

(Reuters) Japan's exports fell yet again in June, while manufacturers' confidence crumbled to a three-year low this month as a Sino-US tariff row, slowing China growth and rising trade protectionism heaped pressure on the world's third-biggest economy. Weak exports have weighed on Japan's factory output, threatening to undermine capital expenditure and denting policymakers' hopes that domestic demand will help offset intensifying external strains. Exports in June fell 6.7% from a year earlier, the seventh straight month of declines, Ministry of Finance data showed on Thursday, dragged down by slowing sales of tankers, China-bound car parts and steel pipes.

### Nefflix plunges after biggest stumble since DVD-by-mail era

(Bloomberg) Netflix Inc. shocked investors by reporting a drop in US customers and much slower growth overseas, raising fears that the streaming giant is losing momentum just as competitors prepare to pounce. The shares plunged as much as 13% to \$314 in late trading after Netflix reported the loss of 130,000 customers in the US -- the result of higher prices and a weak slate of TV shows. It signed up 2.8mn subscribers internationally in the period, roughly half what the company predicted.



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## TOP SELECTED NEWS

### **BofA counters trading slump with gains in consumer banking**

(Bloomberg) Bank of America Corp.'s consumer bankers extended their winning streak for another three months. Gains in the retail division helped drive overall profit to a record for a fifth consecutive quarter as mortgage activity surged and provisions for bad loans posted a surprise drop from Q1. The trading division, where revenue declined 10% in Q2, fell victim to the same slump its bigger rival JPMorgan Chase & Co. suffered during the period.

### **EBay beats estimates as more shoppers flock to site, shares rise**

(Reuters) EBay beat estimates for quarterly revenue and profit on Wednesday, as efforts to make its platforms easier to navigate attracted more customers, coupled with growth in its advertising and payments businesses. The company's shares rose nearly 7% to \$41.60 in extended trading. EBay, facing intense competition from Amazon.com and Walmart, has focused on its promoted listings program and payments business, as well as worked to make its platform simpler to use through the introduction of grouped listings and personal recommendations.

### **SAP's Cloud Growth Stumbles Amid Focus on Profitability Gains**

(Bloomberg) SAP SE's \$10bn bet on its cloud business is facing signs of headwinds after order entry slowed in Q2. SAP's new cloud bookings, a keenly watched metric because it indicates future revenue, rose 15% at constant currencies, a drop from the 26% gain in the first three months of 2019. But SAP said the increase would be 27% excluding Infrastructure-as-a-Service, as the company farms out lower margin business on the computing backend to the likes of Amazon Web Services and Microsoft Corp.

### **Ray-Ban Owner in talks for GrandVision at \$8 billion value**

(Bloomberg) Ray-Ban sunglasses owner EssilorLuxottica SA is in talks to take control of GrandVision NV in a deal that values the smaller Dutch eyewear retailer at about 7.1bn euros. EssilorLuxottica is holding talks with GrandVision's controlling shareholder, HAL, to buy the firm's approximately 77% stake, HAL said in a statement on Wednesday in response to a Bloomberg report, which was confirmed later by the French-Italian suitor.

### **Volvo hikes FY growth outlook; picks Samsung for batteries**

(Reuters) AB Volvo on Thursday hiked its growth outlook for North America and Europe, as upbeat deliveries for trucks and construction equipment as well as continued easing of supply-chain bottlenecks helped the Swedish truckmaker top estimates. Operating profit for the maker of trucks, construction equipment, buses and engines rose to 15.11bn Swedish crowns (\$1.62bn) from 12.34bn a year ago. Volvo said it had entered into a strategic partnership with Samsung to develop battery packs for its electric trucks, its second big deal in recent weeks.

### **Blackstone raises \$11 billion for its largest secondary fund**

(Bloomberg) Blackstone Group Inc. amassed a record sum for a fund that gives investors a way to cash out of other private equity investments. The Strategic Partners group, led by Verdun Perry, brought in \$11.1bn for the fund from investors including pensions, sovereign wealth funds, endowments and family offices, according to Blackstone.

### **Australian property firm Lendlease lands \$15 billion mega deal with Google**

(Reuters) Construction firm Lendlease Group on Thursday said it has secured a contract from Alphabet Inc's Google to jointly undertake development of properties worth \$15bn in California. Lendlease said it would jointly undertake the master planning, entitlement and development of three major areas in the San Francisco Bay Area with the technology major.

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### GLOBAL MARKETS DIVISION



[treasury@bankofbeirut.com.lb](mailto:treasury@bankofbeirut.com.lb)



+961 1 960 501

### PRIVATE BANKING DEPARTMENT



[privatebanking@bankofbeirut.com.lb](mailto:privatebanking@bankofbeirut.com.lb)



+961 1 960 531/2/3

