

MARKETS TODAY

Tuesday, July 23, 2019

MARKETS IN BRIEF

- British pound sagged on worries that likely new prime minister Boris Johnson would lead Britain into a no-deal exit from the EU.
- Euro dipped weighed by the possibility of easing by the ECB in its policy meeting on Thursday.
- New Zealand dollar dropped the most in two weeks after the central bank said it was refreshing its strategy for unconventional monetary policy.
- U.S. dollar firmed up as a 50 bps rate cut next week seemed less likely. A 25 bps was already priced-in. The deal between Trump and the Congress also provided support.
- Oil prices edged higher after two days of sharp gains due to heightened tensions in the Middle East. However, prices would continue to be pressured by a weak demand outlook. Plus, the IEA pledged to keep the market adequately supplied.
- Asian stocks rose today as investors braced for a busy week of U.S. corporate earnings and potential developments in trade negotiations.
- In the U.S., the S&P 500 edged up towards a record high yesterday, supported by expectations of ongoing economic support from central banks.

Trump, Congress reaching a deal

President Donald Trump announced a bipartisan deal to suspend the U.S. debt ceiling and boost spending levels for two years, capping weeks of frenzied negotiations that avert the risk of a damaging payments default. Congressional leaders pledged to support the bipartisan compromise that left all sides unsatisfied but focusing on the provisions they could count as a win. The House has to approve the agreement this week before members leave July 26 for a 6-week recess. The Senate can put it to a vote as late as next week. The White House, in a statement on Monday night, said "both House and the Senate should quickly move this deal to the president's desk for signature."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1186	-0.21%
GBP/\$	1.2436	-0.32%
AUD /\$	0.7022	-0.20%
\$/JPY	108.14	-0.25%
\$/CAD	1.3136	-0.13%
Gold \$	1417.38	-0.53%
WTI \$	56.33	0.20%
BRENT \$	63.46	0.32%
AMERICA		
DOW JONES	27171.90	0.07%
S&P 500	2985.03	0.28%
NASDAQ	8204.14	0.71%
EUROPE		
STXE 600	387.74	0.13%
CAC 40	5567.02	0.26%
DAX	12289.40	0.24%
ASIA PACIFIC		
S&P/ASX 200	6724.63	0.50%
NIKKEI 225	21620.88	0.95%
CSI 300 (China)	3789.59	0.21%
MENA		
Saudi Arabia	8907.46	-0.56%
Dubai	2781.16	0.23%
Qatar	10542.24	0.39%
BONDS		
U.S. 10-year	2.0516	0.0052
German Bund 10-yr	-0.3400	0.0060
AU 10-year	1.3170	-0.0150

Johnson to become next prime minister

Boris Johnson is expected to be elected leader of Britain's governing Conservative Party and the country's next prime minister on Tuesday, tasked with following through on his "do or die" pledge to deliver Brexit in just over three months time. Johnson and his rival, Foreign Secretary Jeremy Hunt, have spent the last month crisscrossing the country seeking to win over the less than 200,000 Conservative Party members who will choose Britain's new leader. Voting closed at 1600 GMT on Monday and the result is due to be announced on Tuesday morning.

IEA to act quickly

The International Energy Agency (IEA) is closely monitoring developments in the Strait of Hormuz and ready to take swift action if needed to keep the global oil market supplied, it said on Monday. The Paris-based agency said the right of free energy transit through the strait was critical to the global economy and must be maintained. The Strait of Hormuz is a vital maritime transit route for world energy trade. About 20 million barrels of oil, or about 20% of global supply, are transported through the strait each day, the IEA said.

Trump praising Xi Jinping

Trump said on Monday he believed Chinese President Xi Jinping has acted "very responsibly" with the protests in Hong Kong over an extradition bill that could see people from the territory sent to China for trial. "We're working on trade deals right now. We'll see what happens," Trump told reporters at the White House. Hong Kong has been hit by a series of sometimes violent protests for over two months - its most serious crisis since the city was handed back to China by Britain in 1997 but with democratic freedoms under a "one country, two systems" formula.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.38	-2.60%
SOLIDERE—B	6.23	-4.01%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.85	-0.26%
BLOM BANK	7.99	-
BYBLOS BANK	1.20	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The British pound was under pressure due to the likelihood that Britain's ruling Conservative party would elect Eurosceptic Johnson as its new leader and prime minister, replacing Theresa May. The result of the weeks-long internal party election will be announced on Tuesday. The pound traded at \$1.2436, within striking distance of a 27-month low of \$1.2382 reached last week. Sterling has fallen 3.5% versus the dollar in the past three months due to uncertainty about how Britain will avoid a no-deal exit from the EU. Britain's Conservative Party will announce the results of a leadership election on Tuesday, with Johnson widely expected to win, setting him up to become prime minister on Wednesday. There is growing speculation Johnson will pull Britain out of the EU on Oct. 31 without a trade deal in place. Hedge funds have increased short positions on the pound to a 10-month high in the week to July 16, Commodity Futures Trading Commission data shows.

The euro traded near session lows due to growing expectations European Central Bank President Mario Draghi will signal a rate cut in September at a policy meeting later this week to keep inflation expectations on track. The euro

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was down 0.21% at \$1.1186 as traders awaited the ECB's policy meeting and Draghi's comments at a press conference on Thursday. Traders see a 43% probability that European policymakers will lower a key deposit rate by 10 basis points to minus 0.50% to combat risk from global trade tensions.

The US dollar was hemmed in against other major currencies as expectations for a US Fed rate cut next week sent Treasury yields lower. The dollar traded higher at 108.14 yen. The dollar index (DXY) was marginally higher at 97.497. The US central bank is widely expected to lower its target range of 2.25%-2.50% by 25 bps at a meeting ending July 31, but expectations for a larger 50 bps cut have waxed and waned due to mixed signals from Fed policymakers.

The New Zealand dollar slipped pressured in part by news the Reserve Bank of New Zealand (RBNZ) was taking a fresh look at unconventional monetary policy strategies, with interest rates already at a record low of 1.5%. NZD/USD fell as much as 0.4% to 0.6729, biggest 1-day decline since July 10

Gold prices dipped on Tuesday as the dollar strengthened and some investors locked in profits ahead of the US Fed meeting next week. Spot gold was down 0.53% at \$1,417.38 per ounce.

Oil prices edged up on Tuesday on concerns about possible supply disruptions in the Middle East, but a weaker demand outlook kept a lid on gains, helped by a vow by the International Energy Agency (IEA) to keep global markets adequately supplied. Brent crude futures climbed 0.32%, to \$63.46 a barrel. The international benchmark rose more than 1% in the previous session, following Iran's seizure of a British tanker last week that stoked fears of supply disruptions from the energy-rich Gulf. West Texas Intermediate (WTI) crude futures were up 0.20% at \$56.33 per barrel. Meanwhile, the IEA said it was closely monitoring developments in the Strait of Hormuz as relations between Iran and Britain remain tense.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—10:30	German Flash Manufacturing PMI	45.1	45.0
EUR—10:30	German Flash Services PMI	55.3	55.8
EUR—11:00	Eurozone Flash Manufacturing PMI	47.6	47.6
EUR—11:00	Eurozone Flash Services PMI	53.3	53.6
USD—16:45	US Flash Manufacturing PMI	50.9	50.6
USD—16:45	US Flash Services PMI	51.6	51.5

Wednesday: NZ Trade Balance, Manufacturing and Services PMI for major countries, US New Home Sales, EIA Weekly Report

Thursday: AU RBA Lowe speaks, German Ifo Business Climate, ECB Policy Meeting Minutes, US Initial Jobless Claims, US Durable Goods Orders

Friday: German Import Prices, US Advance GDP

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CURRENCIES	LAST	1D	YTD
DXY	97.497	0.25%	1.38%
EUR/\$	1.1186	-0.21%	-2.45%
GBP/\$	1.2436	-0.32%	-2.49%
AUD /\$	0.7022	-0.20%	-0.38%
NZD/\$	0.6731	-0.41%	0.18%
\$/JPY	108.14	-0.25%	1.43%
\$/CAD	1.3136	-0.13%	3.81%
\$/CHF	0.9846	-0.26%	-0.25%
\$/SEK	9.4470	-0.36%	-6.28%
\$/NOK	8.6512	-0.50%	-0.12%
\$/DKK	6.6744	-0.21%	-2.44%
\$/TRY	5.6946	-0.26%	-7.12%
EUR/GBP	0.8995	-0.11%	-0.06%
EUR/JPY	120.96	-0.04%	4.03%
EUR/CHF	1.1014	-0.05%	2.19%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1417.38	-0.53%	10.52%
Silver Spot \$/Oz	16.33	-0.22%	5.37%
Platinum Spot \$/Oz	847.88	-0.10%	6.56%
Palladium Spot \$/Oz	1526.51	-0.22%	20.98%
COPPER \$/lb	272.45	0.09%	3.03%
WTI \$/bbl	56.33	0.20%	24.05%
BRENT \$/bbl	63.46	0.32%	17.96%

EQUITIES & BONDS

Global stocks were boosted by expectations that the European Central Bank and Fed will cut interest rates. In Asia, Japan's Nikkei rose 0.95% while MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.04%. The Shanghai Composite Index edged up 0.15%. Australian stocks added 0.50% and South Korea's KOSPI gained 0.45%. European stocks had also nudged higher the day before with the European Central Bank seen cutting rates by 10 basis points at its policy meeting on Thursday. But with central bank easing no longer a fresh theme, market gains were limited.

Companies on China's new Nasdaq-style bourse retreated on Tuesday, shedding some of the massive gains made on their volatile debut in the previous session, although all remained well above their listing prices. While 24 out of 25 companies on the Shanghai Stock Exchange's STAR Market opened lower, by the midday break four companies managed to post gains, led by Espressif Systems (Shanghai) Co., a maker of wireless communication chips, which jumped 15.1%.

In the US, the S&P 500 climbed toward a record high on Monday, supported by expectations of lower interest rates, while investors awaited quarterly earnings from marquee companies Facebook, Alphabet and Amazon later this week. Facebook Inc rallied 2.0% ahead of its report due out after the bell on Wednesday, while Amazon.com Inc

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and Google-parent Alphabet Inc were each up more than 0.7% ahead of their reports on Thursday. Investors' reactions to the reports of these top-tier growth companies could affect broader market sentiment, with the S&P 500 about 1% below its July 15 record high close. The technology index jumped 1.2%, the most among the S&P sectors, while the Philadelphia chip index surged almost 2%. Apple added 2.3% to \$207.22 after Morgan Stanley raised its price target to \$247 from \$231. Shares of Boeing Co fell 1.0% and pressured the blue-chip Dow index after ratings agency Fitch revised its outlook on the plane-maker to "negative" from "stable," while the tech-heavy Nasdaq was lifted by chipmakers. The European Central Bank meets on Thursday and money markets are pricing in a more than 50% chance of a 10-basis-point cut in interest rates. Fed officials are set to meet just days later, and are widely expected to lower rates by at least 25 bps. Hopes of an interest rate cut have helped Wall Street's main indexes hit record levels this month, recovering from a slump in May caused by a sudden escalation of US-China trade tensions. Chip stocks gained on news that White House economic adviser Larry Kudlow will host a meeting with executives of semiconductor and software companies on Monday to discuss a US ban on sales to China's Huawei Technologies. Q2 earnings have been mixed so far, with major banks raising concerns about profit growth in a low-interest-rate environment. Microsoft Corp and International Business Machines, on the other hand, have reported better-than-expected earnings. Halliburton Co surged 9.1%, the most among S&P 500 companies, after the oilfield services provider's Q2 profit beat analysts' estimates.

In the MENA region, the Saudi index dropped on Monday as banks and petrochemical shares weighed on the index against a backdrop of political tensions in the region, while Dubai and Abu Dhabi bourses rose sharply on gains in their blue-chip stocks. Saudi's main index fell 0.6%. The kingdom's largest petrochemical maker Saudi Basic Industries shed 1.8% and its biggest lender NCB was down 0.7%. Weakness in worldwide demand for oil shifted sentiment in the oil market in recent days, with hedge funds, producers and traders all taking a more bearish tack.

COMPANY NEWS HEADLINES

- Beijing Automotive Group said on Tuesday that it had purchased a 5% stake in German luxury carmaker Daimler. Daimler, which since 2013 has held a stake in a HK-listed BAIC subsidiary, said it welcomed the investment.
- Blackstone is considering selling its stake in Cheniere Energy Partners, people familiar said (Reuters sources)
- Britain's IQE Plc warned its sale volumes had been hit by the trade war between Beijing and Washington, but said it was still receiving orders from multiple customers in Asia.
- Logitech International SA reported better-than-expected Q1 earnings on Tuesday, and confirmed Nate Olmstead as its chief financial officer.
- AutoNation Inc, the largest US auto dealership chain, on Monday named a new chief executive four months after picking someone else for the position, while posting a stronger-than-expected quarterly profit.
- Ford Motor Co said on Monday it would invest \$50mn upgrading a Chicago facility to partially assemble hybrid electric SUVs and vehicles for police use, creating 450 jobs.
- Halliburton Co on Monday reported a Q2 profit that beat analysts' estimates as its largest oil-well services unit exceeded expectations, sending shares to their biggest one-day gain in nearly three years.
- Whirlpool reported better-than-expected quarterly earnings and lifted its full-year profit forecast, as the appliance maker raised prices on its washing machines and kitchen appliances to offset higher production costs.
- Private equity firm BC Partners is nearing a deal to buy a majority stake in Canada-based security services company Garda World Security Corp, the Wall Street Journal reported on Tuesday.
- Occidental Petroleum Corp on Monday criticized activist investor Carl Icahn's efforts to oust and replace four of its directors, saying his slate of nominees were inadequate for the post.

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AMERICA	LAST	1D	YTD
DOW JONES	27171.90	0.07%	16.48%
S&P 500	2985.03	0.28%	19.07%
NASDAQ	8204.14	0.71%	23.64%
S&P/TSX	16518.88	0.20%	15.33%
EUROPE	LAST	1D	YTD
STXE 600	387.74	0.13%	14.83%
FTSE 100	7514.93	0.08%	11.69%
CAC 40	5567.02	0.26%	17.68%
DAX	12289.40	0.24%	16.39%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6724.63	0.50%	19.10%
NIKKEI 225	21620.88	0.95%	8.02%
TOPIX	1568.82	0.80%	5.00%
CSI 300 (China)	3789.59	0.21%	25.87%
MENA	LAST	1D	YTD
Saudi Arabia	8907.46	-0.56%	13.81%
Abu Dhabi	5305.30	0.12%	7.94%
Dubai	2781.16	0.23%	9.94%
Qatar	10542.24	0.39%	2.36%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0516	0.0052	-0.6326
Germany	-0.3400	0.0060	-0.5820
U.K.	0.7080	0.0000	-0.5690
Australia	1.3170	-0.0150	-1.0010

TOP SELECTED NEWS

UBS CEO Ermotti sees fortunes revive after difficult year

(Bloomberg) UBS Group CEO Sergio Ermotti saw a revival of the bank's fortunes in Q2 after what he'd called one of the worst starts to the year in recent history. The Zurich-based lender posted its highest net income in almost a decade, helped by record profit at its wealth management business in the Americas and a stronger performance at the investment bank, according to a statement on Tuesday. While the lender warned that global growth has stabilized at a lower level, it signaled that an improvement in investor sentiment and market volatility could help offset the typical slowdown in Q3.

UniCredit weighs thousands of job cuts in Mustier's new plan

(Bloomberg) UniCredit SpA is considering thousands of job cuts and slashing operating costs as part of a new strategic plan to be unveiled in December, according to people familiar with the matter. The Italian lender is weighing as many as 10,000 cuts, though final numbers are still under review and may be much lower, the people said, asking not to be identified as the matter is private. The dismissals will involve staff in Italy -- where the company has the largest number of employees -- as well as in other countries, they said.



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TOP SELECTED NEWS

A busted Goldman bond deal is investigated by private detectives

(Bloomberg) It was a fundraising like no other: Goldman Sachs teaming up with two obscure brokerages on an unusual deal. Add to that controversial financier Lars Windhorst, acting as one of the architects behind the scenes. Investors snapped up the \$1.2bn in bonds that, in turn, channeled proceeds to a cluster of airlines linked to Etihad Airways. Within months, bankers handling the sale were crisscrossing the Atlantic, collecting awards for their creativity. Two years later, the deal went bust. A group of creditors is now resorting to unconventional tactics to recoup losses. They've hired a private intelligence firm.

Fitch, Moody's cut Boeing's debt outlook to 'negative' on 737 MAX problems

(Reuters) Fitch and Moody's lowered their outlooks for Boeing to "negative" from "stable" on Monday, citing delays in its 737 MAX jets' return to service. The revision, which comes on the heels of Boeing's nearly \$5bn charge related to the grounding, could potentially increase borrowing costs for the world's largest plane-maker. Both the ratings agencies, however, retained their investment grade credit rating on Boeing debt, given the company's liquidity, financial flexibility and dominant position in the market. Fitch said MAX will remain a concern for the aviation sector in 2020, and expects a lingering impact on Boeing's operating margin for several years after the jet returns to service.

Apple in advanced talks to buy Intel's smartphone-modem chip business: WSJ

(Reuters) Apple Inc is in advanced talks to buy chipmaker Intel Corp's smartphone-modem chip business, the Wall Street Journal reported on Monday, citing people familiar with the matter. Assuming talks don't fall apart, the deal, valued at \$1bn or more, could be reached in the next week, according to the WSJ. While Apple declined to comment, Intel did not respond to a Reuters request for comment.

FTC to announce \$5bn settlement with Facebook as early as this week: sources

(Reuters) The US Federal Trade Commission is expected to announce a roughly \$5bn settlement with Facebook Inc as early as this week of its investigation into the social media company's handling of user data, two sources briefed on the matter said on Monday. The FTC, Justice Department and Facebook declined to comment. The FTC has been investigating allegations Facebook inappropriately shared information belonging to 87mn users with the now-defunct British political consulting firm Cambridge Analytica.

Huawei secretly helped North Korea build, maintain wireless network -Washington Post

(Reuters) Huawei Technologies Co Ltd, the Chinese company put on a US blacklist because of national security concerns, secretly helped North Korea build and maintain its commercial wireless network, the Washington Post reported on Monday, citing sources and internal documents. The Chinese telecommunications giant partnered with a state-owned Chinese firm, Panda International Information Technology Co Ltd, on a number of projects in North Korea over at least eight years, the Post reported.

Equifax's \$700mn data breach settlement spurs criticism, calls for new rules

(Reuters) Credit-reporting company Equifax will pay up to \$700mn to settle claims it broke the law during a massive 2017 data breach and to repay harmed consumers, in a landmark settlement that was nonetheless criticized by consumer advocates and some lawmakers who called for stricter regulation. While it was the largest-ever settlement for a data breach, they said the amount was still too small for the millions of Americans affected, and worried it could prove difficult for consumers to be repaid.

Pemex business plan raises doubts about the company's viability: S&P

(Reuters) Mexican state oil company Pemex's newly announced business plan is a risky about-face that raises doubts about the company's long-term viability, analysts with credit ratings agency S&P Global Ratings wrote in a note on Monday. Nevertheless, the business plan has no immediate impact on the company's credit rating.

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