

# MARKETS TODAY

Thursday, July 25, 2019

## MARKETS IN BRIEF

- Euro traded near 2-month lows before ECB's policy decision at 14:45 LT, that will be followed by a press conference at 15:30 LT. More easing was already priced in. The question is how quickly the central bank moves. The euro took a blow yesterday from weak PMI data. German government bund yields dropped with the 10-year hitting -0.40%, a fresh all-time low.
- British pound steadied after Boris Johnson was named as the new Prime Minister. However, the "no deal" Brexit remained a possibility and this could keep the currency biased downward.
- Australian dollar fell to a 2-week low following RBA Gov. Lowe's comments about further rate cuts.
- U.S. dollar firmed up after Treasury Sec. Mnuchin ruled out his preference for a weaker dollar.
- Oil prices continued to gained support from ongoing geopolitical tensions in the Middle East, in addition to drop in crude inventories as reported by the EIA yesterday.
- Asian stocks tracked a positive Wall Street trading session yesterday. The S&P 500 and the Nasdaq were led to record highs by the tech sector.
- Gulf stock markets ended mixed yesterday. Dubai index hovered near 8-month highs.

## ECB's policy meeting today

The ECB is all but certain to ease policy further on Thursday, with the biggest question whether it staggers its moves over several months or opts for a big bang. With inflation stuck well below its target and the US Fed already in easing mode, the ECB has flagged more stimulus, hoping to prop up confidence amid a steady flow of bad news that threatens to unravel years of unprecedented support. It could cut interest rates, perhaps while also helping banks offset the costs to them, restart a recently shuttered bond-buying program or raise the bar for any future tightening of monetary policy. Draghi, the man who in 2012 pledged to do "whatever it takes" to save the euro has little time left to deliver — he is set to step down as the central bank's president in October.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1130	-0.09%
GBP/\$	1.2477	-0.06%
AUD /\$	0.6967	-0.14%
\$/JPY	108.08	0.10%
\$/CAD	1.3134	0.06%
Gold \$	1425.74	-0.01%
WTI \$	56.21	0.59%
BRENT \$	63.41	0.36%
AMERICA		
DOW JONES	27269.97	-0.29%
S&P 500	3019.56	0.47%
NASDAQ	8321.50	0.85%
EUROPE		
STXE 600	391.73	0.05%
CAC 40	5605.87	-0.22%
DAX	12522.89	0.26%
ASIA PACIFIC		
S&P/ASX 200	6818.03	0.61%
NIKKEI 225	21756.55	0.22%
CSI 300 (China)	3851.07	0.82%
MENA		
Saudi Arabia	8785.74	-0.12%
Dubai	2861.15	0.19%
Qatar	10549.75	0.37%
BONDS		
U.S. 10-year	2.0288	-0.0140
German Bund 10-yr	-0.3920	-0.0140
AU 10-year	1.2280	-0.0690

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## Good deal or No deal

Boris Johnson became British prime minister on Wednesday and immediately declared he will get the country ready for the "remote" prospect of a no-deal Brexit if it's the only way to leave the EU on time. Shortly after visiting Buckingham Palace, where Queen Elizabeth II formally appointed him the UK's new leader, Johnson's convoy swept through the gates of Downing Street past a small crowd of pro-EU and pro-Brexit protesters, who chanted loudly as he delivered his first address outside the door to Number 10.

## ... Government shakeup started

Boris Johnson booted out 18 of 29 ministers who served under Theresa May and promoted a series of pro-Brexit allies to his cabinet. Dominic Raab was named Foreign Sec. and effective deputy PM, Sajid Javid will be the new Chancellor of the Exchequer and Priti Patel becomes the Home Sec. Stephen Barclay stays on as Brexit Sec. The team has its debut today. Johnson will make a statement today to parliament on his priorities for government, the office of the leader of the House of Commons said on Twitter. The statement expected to start 13:30 LT (10:30 GMT).

## "Reasonable" to expect lower rates

Australia's top central banker flagged low interest rates for an "extended period" on Thursday, driving bond yields to record lows, in a dovish signal that analysts say marks a major shift in the bank's approach to guiding market expectations. The RBA has reduced interest rates twice since June to an all-time low 1% to revive growth and inflation. Financial markets are pricing in a real chance of a third cut before Christmas. In a speech on Thursday, RBA Governor Philip Lowe said the RBA was prepared to provide additional policy stimulus if needed.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.28	-5.27%
SOLIDERE—B	6.44	-2.27%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.86	0.25%
BLOM BANK	7.99	-
BYBLOS BANK	1.20	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

## FX & COMMODITIES

**The euro was mired near a 2-month low on Thursday ahead of a European Central Bank meeting that could signal monetary easing as growth in the currency zone falters.** Sentiment toward the single currency took a blow after data showed Germany's manufacturing sector contracted at the fastest pace in seven years while French business growth unexpectedly slowed, sending European bond yields lower. Investor focus shifts to the ECB's meeting later on Thursday and a widely expected interest rate cut from the US Fed next week, which are both expected to dictate the tempo for currencies and bond yields in coming months. The common currency traded at \$1.1130 after touching \$1.11270, its lowest since May 31. The euro has fallen 2.0% so far this month on increased speculation the ECB would join other central banks in easing policy as a trade war between the US and China weakens the global economy. Traders see a 48% probability that European policymakers will lower a key deposit rate by 10 basis points to minus 0.50%, according to interest rate swaps. If the ECB keeps policy on hold Thursday, economists say President Mario Draghi could flag a rate cut for the next policy meeting in September. The Ifo institute will release its closely-watched

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## FX & COMMODITIES

index of German business sentiment later on Thursday, which will provide further clues about the health of Europe's largest economy.

**The British pound held onto gains it made since Boris Johnson took office as Britain's new prime minister on Wednesday, but investors are still wary of a no-deal Brexit in which Britain would leave the EU without a trade agreement.** Sterling was a shade lower at \$1.2477, staging a modest recovery from a 27-month low of \$1.2382 reached last week. Johnson promised in his first speech as prime minister to lead Britain out of the EU on Oct. 31 with "no ifs or buts" and warned there would be a no-deal Brexit if the bloc refused to negotiate.

**The US dollar found support after US Treasury Secretary Steven Mnuchin said he would not advocate for a weaker currency.** The dollar traded at 108.08 yen, near a 1-week high of 108.290 yen. Mnuchin told CNBC in an interview the US benefits from the greenback's standing as the world's reserve currency. The dollar was also supported by a White House statement that top US negotiators will meet their Chinese counterparts in Shanghai starting July 30. The world's two-biggest economies are seeking a resolution to their bruising trade war. The dollar index (DXY) stood at 97.733 after touching an 8-week high of 97.810 on Wednesday.

**The Australian dollar fell to a 2-week low after RBA Gov. Philip Lowe said policy makers are prepared to lower interest rates again.** The Aussie weakened and bond yields slid as Lowe said in a speech in Sydney that "it is reasonable to expect an extended period of low interest rates." AUD/USD reached 0.6965, lowest since July 11.

In Asia, emerging currencies edged lower after North Korea fired two short-range missiles into the sea early on Thursday, diminishing appetite for riskier assets in the region. However, investor focus in Asia remains predominantly on global central bank and political developments, particularly in Europe and the US.

**Oil prices nudged higher on Thursday amid Middle East tensions and after weekly US crude stocks dropped more than expected, but gains were stemmed by a fragile demand outlook on increasing signs of slowing global economic growth.** Brent crude futures rose 0.36% to \$63.41 a barrel, after dropping 1% overnight - the first fall in four sessions. US WTI crude were up 0.59%, at \$56.21 a barrel, having dropped 1.6% in the previous session. The overall sentiment in the oil market has darkened as investors worry that slowing global economic growth will weaken demand for oil. Adding to a recent string of downward revisions for the oil market, Energy consultancy FGE lowered its 2019 global oil demand growth to average 740,000 bpd in 2019.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—14:45	ECB Policy Decision + Statement	0.00%	0.00%
EUR—15:30	ECB Press Conference	55.3	
USD—15:30	US Initial Jobless Claims	220k	216k
USD—15:30	US Durable Goods Orders MoM	0.80%	-1.30%
USD—15:30	US Core Durable Goods Orders MoM	0.20%	0.40%

**Friday:** German Import Prices, US Advance GDP

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CURRENCIES	LAST	1D	YTD
DXY	97.733	0.00%	1.62%
EUR/\$	1.1130	-0.09%	-2.94%
GBP/\$	1.2477	-0.06%	-2.17%
AUD /\$	0.6967	-0.14%	-1.16%
NZD/\$	0.6693	-0.18%	-0.39%
\$/JPY	108.08	0.10%	1.49%
\$/CAD	1.3134	0.06%	3.83%
\$/CHF	0.9854	-0.06%	-0.33%
\$/SEK	9.4436	-0.18%	-6.25%
\$/NOK	8.6491	-0.06%	-0.09%
\$/DKK	6.7071	-0.08%	-2.92%
\$/TRY	5.7140	-0.13%	-7.43%
EUR/GBP	0.8920	0.04%	0.78%
EUR/JPY	120.30	0.18%	4.60%
EUR/CHF	1.0968	0.03%	2.62%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1425.74	-0.01%	11.17%
Silver Spot \$/Oz	16.55	-0.32%	6.80%
Platinum Spot \$/Oz	880.09	0.30%	10.61%
Palladium Spot \$/Oz	1539.99	-0.04%	22.05%
COPPER \$/lb	271.15	-0.02%	2.53%
WTI \$/bbl	56.21	0.59%	23.78%
BRENT \$/bbl	63.41	0.36%	17.86%

## EQUITIES & BONDS

**Asian shares rose after a cautious start, while the euro hovered near two-month lows as soft economic data fueled hopes the European Central Bank could cut rates at its meeting on Thursday.** Japan's Nikkei touched nearly three-month highs before trimming gains to be up 0.26%. Australian shares neared a 12-year peak, driven by expectations the ECB and the Fed will soon lower borrowing costs. Chinese blue-chips added 0.48%, as investors looked with hope to a face-to-face meeting between top US and Chinese negotiators next week, even if there are few signs that it will produce real progress in the two countries' trade war. But shares in South Korea dropped 0.46% as leading chipmakers shed recent gains amid trade tensions between Seoul and Tokyo. MSCI's broadest index of Asia-Pacific shares outside Japan, which had begun the day broadly unchanged, was last up 0.23%.

**In the US, the S&P 500 and Nasdaq hit record highs on Wednesday after reassuring comments from Texas Instruments about global chip demand blunted the impact of weak earnings reports from Boeing and Caterpillar.** Texas Instruments Inc jumped 7.4% after the company hinted that a global slowdown in microchip demand would not be as long as feared, powering the Philadelphia chip .SOX index up 3.1% to a record high. However, trade-sensitive Caterpillar Inc dropped 4.5% following disappointing earnings on weak sales in China and higher production and restructuring costs. Boeing Co fell 3.1% after the world's largest planemaker posted its largest-ever quarterly loss on the back of this year's grounding of its best-selling 737 MAX after two deadly crashes. Those two companies' bleak

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## EQUITIES & BONDS

reports left the Dow Jones Industrial Average in negative territory. Overall earnings per share, however, are now expected to fall 0.1%, compared with a prior estimate of a rise of about 1%. Wall Street has hit record levels in July on bets the Fed will lower rates next week to counter the impact of a protracted US-China trade war on economic growth. The Nasdaq Composite added 0.85% to 8,321.50. The S&P 500 and Nasdaq each closed at their highest levels ever. The Russell 2000 small cap index jumped 1.64% to its highest close since early May. For the year, the S&P 500 is now up 20%, while the Nasdaq has gained 25%. In extended trade, Facebook jumped 4.3% after the social network posted quarterly revenue above analysts average estimates. Another bright spot on Wednesday was United Parcel Service Inc, up 8.7% and among the biggest gainers on the S&P 500 index, after the world's biggest package delivery company reported a better-than-expected quarterly profit.

**Gulf stock markets were mixed yesterday. Dubai index rose on Wednesday as Emaar Properties continued to surge following news of a large project in China.** The Dubai index added a further 0.8% after hitting an 8-month high in the last session, with property stocks leading the gains. The country's largest listed developer Emaar Properties advanced 1.2%, extending gains for the third straight session. On Monday, the developer signed an agreement to help deliver an \$11bn project at the site of Beijing's new mega airport. Dubai Financial Market soared 7.6% to its highest since February 28, after higher Q2 profits triggered a three-session rally.

*Core government bond yields held above record lows on Thursday as dismal economic data this week prepared the ground for a key European Central policy meeting later, at which policymakers were widely expected to unveil plans for more stimulus. On Thursday, yields on 10-year German government bonds held at minus 42.6 basis points, a whisker above a record low of minus 43.3 bps hit on Wednesday and more than 2 bps below the ECB's deposit rate at minus 40 bps.*

## COMPANY NEWS HEADLINES

- US cloud-based service provider Salesforce.com said on Wed it will partner with Chinese e-commerce company Alibaba, as Salesforce looks to make inroads into the Chinese software market with cloud-based products.
- Charter Communications submitted a proposal to the Justice Dpt to buy telecom assets being sold under the T-Mobile US Inc and Sprint Corp combination, but never heard back from the agency (Reuters sources).
- Ford Motor Co on Wednesday reported a lower quarterly net profit, primarily due to charges related to the restructuring of the automaker's units in Europe and South America.
- US Treasury Secretary Steven Mnuchin said on Wednesday that online giant Amazon.com Inc "destroyed the retail industry across the US."
- Finnish telecom network equipment maker Nokia on Thursday reported a surprise rise in Q2 profit, citing higher demand, while maintaining its 2019 profit outlook.
- Swiss drug-maker Roche lifted its full-year sales outlook after revenue in the first half rose 18%, helped by newer drugs including multiple sclerosis medicine Ocrevus and cancer immunotherapy Tecentriq.
- British engineer Cobham Plc is to be acquired by US private equity firm Advent International in a deal that would value it at about 4bn pounds including debt, the Financial Times reported, citing people close to the situation.
- Suncor Energy Inc, Canada's second-largest oil and gas producer, on Wednesday reported a 5% rise in Q2 operating profit and higher upstream production.
- South Korean battery maker LG Chem Ltd said on Thursday it had agreed to invest 500bn won (\$424.03mn) to build a factory in South Korea to produce cathode material for lithium-ion batteries.
- Wanda Sports Group Co Ltd, a unit of Chinese conglomerate Dalian Wanda Group, has cut the size of its US IPO to up to \$308mn from a previous size of up to \$500mn.

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AMERICA	LAST	1D	YTD
DOW JONES	27269.97	-0.29%	16.90%
S&P 500	3019.56	0.47%	20.45%
NASDAQ	8321.50	0.85%	25.41%
S&P/TSX	16611.84	0.24%	15.98%
EUROPE	LAST	1D	YTD
STXE 600	391.73	0.05%	16.02%
FTSE 100	7501.46	-0.73%	11.49%
CAC 40	5605.87	-0.22%	18.50%
DAX	12522.89	0.26%	18.60%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6818.03	0.61%	20.75%
NIKKEI 225	21756.55	0.22%	8.70%
TOPIX	1577.85	0.18%	5.61%
CSI 300 (China)	3851.07	0.82%	27.91%
MENA	LAST	1D	YTD
Saudi Arabia	8785.74	-0.12%	12.25%
Abu Dhabi	5358.63	0.03%	9.02%
Dubai	2861.15	0.19%	13.10%
Qatar	10549.75	0.37%	2.43%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0288	-0.0140	-0.6554
Germany	-0.3920	-0.0140	-0.6340
U.K.	0.6600	-0.0180	-0.6170
Australia	1.2280	-0.0690	-1.0900

## TOP SELECTED NEWS

### Facebook to pay \$5 billion to settle FTC privacy claims

(Bloomberg) Facebook Inc. agreed to pay a record \$5bn to resolve a US investigation into years of privacy violations, a settlement that increases the board of directors' responsibility for protecting users' data while changing little about the company's lucrative advertising business. The agreement, announced Wednesday by the Federal Trade Commission, will for the first time end CEO Mark Zuckerberg's final authority over privacy decisions, creating an independent privacy committee of directors on the company's board, according to an FTC statement.

### Tesla plunges on profit doubts, co-founder's surprise step sown

(Bloomberg) Tesla Inc. shares plummeted after a worse-than-expected loss and yet another major management change cast fresh doubts on the electric-car maker's future. Despite delivering a record number of vehicles in Q2, Tesla lost \$1.12 a share, a bigger deficit than any analyst projected. While CEO Elon Musk is hoping to earn a profit in the three months ending in September, he told shareholders he'll prioritize other goals. Then, for the second time already this year, Musk dropped a bombshell about a senior executive role change on a Tesla earnings call. Co-Founder J.B. Straubel is leaving the chief technology officer job and becoming an adviser.



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## TOP SELECTED NEWS

### **Nissan to axe 12,500 jobs after Q1 profit drops 98.5%**

(Reuters) Nissan Motor Co said on Thursday it would slash 12,500 jobs globally by 2022 and cut output to rein in costs as it suffers from sluggish sales and rising costs and tries to recover from a scandal surrounding ousted Chairman Carlos Ghosn. Japan's No. 2 automaker also posted a 98.5% plunge in Q1 operating profit to 1.6bn yen (\$14.80mn) as it continues to struggle in North America, a key market where it has been stung by mounting costs for vehicle discounts to keep up with stronger sales at its rivals. Nissan had flagged a steep drop in profit on Wednesday.

### **Clariant, Sabic suspend JV talks as chemicals market sours**

(Bloomberg) Clariant AG and anchor investor Saudi Basic Industries Corp. suspended talks on their high-performance plastics venture a day after the Swiss company's CEO Ernesto Occhiello unexpectedly quit. The chemicals maker will continue with a plan to sell its pigments business, as well as a unit selling additives for plastics, it said in a statement Thursday. The decision on the Sabic venture was made "to safeguard the best interests of the respective shareholders of both companies" in light of market conditions, it said.

### **AB InBev beats expectations as beer sales growth hits five-year high**

(Reuters) Anheuser-Busch InBev, the world's largest brewer, beat earnings expectations in Q2 after beer sales grew at their fastest pace in over five years, helped by increases in Latin America, Europe and Africa. The maker of Budweiser, Corona and Stella Artois said on Thursday that beer volumes rose by 2.1% year-on-year in the April-June period, a rate unmatched for five years and in keeping with its strategy to focus much more on the top line. Price rises and consumers shifting to higher-priced beers saw revenue and profits increase by even more.

### **SoftBank to commit \$40bn to second Vision Fund: WSJ**

(Reuters) Tech conglomerate SoftBank Group Corp will invest \$40bn in its forthcoming second Vision Fund, the Wall Street Journal reported on Wednesday. SoftBank's board will meet on Thursday to approve the commitment, the WSJ reported, citing people familiar with the matter. While the first, \$100bn Vision Fund launched with \$60bn in backing from the sovereign wealth funds of Saudi Arabia and Abu Dhabi, SoftBank has pledged to launch its second even without such support as it markets the fund to potential investors. The second fund has secured investment from Goldman Sachs Group Inc and Standard Chartered Plc, WSJ said.

### **UK regulator finds Alliance, Advanz carved up market for antibiotic**

(Reuters) The UK Competition and Markets Authority (CMA) on Thursday said it had found provisionally that sellers of antibiotic Nitrofurantoin broke competition law by "arranging to carve up the market between them". The watchdog said from 2014 to at least October 2017, two suppliers, Advanz Pharma Corp and Morningside, and a wholesaler, Alliance Healthcare, entered into arrangements under which Alliance would buy equal volumes of the drug from each of the suppliers so that they would not compete.

### **Total plans \$5 billion in asset sales, Q2 net profit falls**

(Reuters) French energy giant Total said on Thursday it will sell assets worth around \$5bn mostly from its upstream exploration and production business as it seeks to focus on low breakeven projects that can withstand low oil prices. The company reported a 19% drop in adjusted net profit in Q2 at 2.9bn compared with the same period last year which it attributed to a combination of unfavorable market factors. These include low oil prices compared with Q2 of 2018, down 7%, a sharp fall in gas prices, while its refining margin tumbled.

### **ABB's profit beats estimates, buoying Swiss giant's overhaul**

(Bloomberg) ABB Ltd.'s quarterly profit beat estimates, buoying ongoing efforts to overhaul the Swiss industrial giant's portfolio. Operating earnings before interest, taxes and amortization fell a smaller-than-expected 3.5% to \$825mn in Q2, beating the \$816.3mn average analyst estimate. Orders rose 3.8% to \$7.4bn, Zurich-based ABB said Thursday.

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