

MARKETS TODAY

Tuesday, July 30, 2019

MARKETS IN BRIEF

- British pound is in a free fall as “no-deal” Brexit concerns grew to unprecedented levels. GBP/USD hit \$1.2119, its lowest since March 2017 (2.3-year low). GBP/USD 3month volatility jumped to 11.125, highest since March 29 (volatility reached 14.98 post-Brexit in 2016). EUR/GBP hit 91.90 pence, its highest since September 2017 (2-year low). GBP/CHF hit 1.2019 francs, its lowest since November 2016 (2.7-year low). GBP/YEN hit 131.614 yen, its lowest since November 2016 (2.7-year low). 10-year Gilt yields dropped to 0.627%, its lowest since August 2016.
- Japanese yen hovered near 3-week low against USD after BoJ's decision to keep rates on hold. The dollar was already trading firmly as the Fed is expected to be less aggressive in cutting rates.
- Australian remained in a tight range ahead of inflation data that will be released tomorrow at 4:30 LT.
- Oil prices rose for the 4th day on hopes that more stimulus will improve demand outlook.
- Asian shares rose today with Australian index hitting a record high. U.S. stocks retreated yesterday from record levels as investors shifted their attention to tomorrow's Fed rate decision.
- Gulf stock markets were mostly higher yesterday. Dubai index traded near 1-year high helped by Emaar shares.

U.K. trying to renegotiate

UK Prime Minister Boris Johnson will spend the next few weeks pressing the EU to negotiate a better Brexit deal, his office said, while preparing the country to leave the bloc in case he fails. A messy no-deal divorce is a scenario that has concerned business leaders and weakened the pound since Johnson won the contest to become Britain's new leader a week ago. Sterling fell to its lowest level against the dollar in more than two years on Monday. Johnson will travel to a farm in Wales Tuesday to hear the views of agricultural workers on their hopes for life after leaving the EU as his office said the government will throw itself into negotiations with Brussels.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1138	-0.06%
GBP/\$	1.2169	-0.41%
AUD /\$	0.6897	-0.07%
\$/JPY	108.67	0.10%
\$/CAD	1.3167	-0.02%
Gold \$	1425.06	-0.12%
WTI \$	57.22	0.62%
BRENT \$	64.16	0.71%
AMERICA		
DOW JONES	27221.35	0.11%
S&P 500	3020.97	-0.16%
NASDAQ	8293.33	-0.44%
EUROPE		
STXE 600	390.85	0.03%
CAC 40	5601.10	-0.16%
DAX	12417.47	-0.02%
ASIA PACIFIC		
S&P/ASX 200	6845.08	0.28%
NIKKEI 225	21709.31	0.43%
CSI 300 (China)	3870.32	0.42%
MENA		
Saudi Arabia	8729.12	-1.47%
Dubai	2880.61	1.21%
Qatar	10602.92	0.28%
BONDS		
U.S. 10-year	2.0562	-0.0088
German Bund 10-yr	-0.3900	0.0010
AU 10-year	1.2040	-0.0050

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Trump requesting bigger rate cuts

Trump on Monday urged the Fed to go beyond making a "small rate cut" this week, raising pressure on the central bank to lower borrowing costs by more than Wall Street expects. In a series of tweets ahead of the Fed's meeting scheduled for Tuesday and Wednesday, Trump reiterated his criticism of independent US monetary policymakers, accusing them of acting too cautiously in comparison to China and Europe. The Republican president is seeking a financial jolt from a cut in short-term borrowing rates to counter a global economic slowdown.

Bank of Japan hinting for more easing

The BoJ held off on expanding stimulus on Tuesday but signaled its readiness to do so "without hesitation" if a global slowdown jeopardizes the country's economic recovery. Growing fallout from the US-China trade war has prompted major central banks to signal more easing and put pressure on the BOJ, which has far less policy ammunition left to deal with a significant downturn. The central bank also trimmed its inflation forecasts and warned that risks to the outlook were skewed to the downside, nodding to heightening overseas uncertainties.

French economy unexpectedly cooling

French economic growth unexpectedly slowed, adding to risks for a euro area already shaken by a manufacturing slump and frailties in its largest economy, Germany. France was expected to show greater resilience as it's less exposed to the slowdown in international goods trade and more reliant on domestic demand that President Macron tried to turbo-charge with a 17bn-euro stimulus. Despite the tax cuts, announced in response to the Yellow Vests protests, consumer spending growth slowed. The Q2 expansion of just 0.2% is another blow for policy makers.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.30	1.45%
SOLIDERE—B	6.27	1.95%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.85	-
BLOM BANK	7.30	-8.64%
BYBLOS BANK	1.20	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The Japanese yen was little changed versus the dollar on Tuesday, trading near a 3-week low after the Bank of Japan left monetary policy on hold as expected, and as investors pared expectations for aggressive rate cuts from the US Fed. The BOJ left its massive asset purchase program and forward guidance unchanged at a monetary policy meeting on Tuesday. Governor Haruhiko Kuroda may provide further clues on policy at a press conference from 0630 GMT. Against a basket of six major currencies, the dollar traded near a two-month high. The Fed is expected to cut rates by 25 basis points on Wednesday, and investors are watching for clues on whether the move may be a one-off or the first in a series of several cuts, as many traders are anticipating. The yen was quoted at 108.670 per dollar, little changed on the day. The yen fell to a 3-week low of 108.950 early in Asian trading. The Japanese currency pared its losses and edged a tad higher versus the dollar after the BOJ's decision, but the move quickly faded. The BOJ, as expected, maintained a pledge to guide short-term interest rates at -0.1% and the 10-year bond yield around 0% via aggressive bond purchases. The BOJ also said it will ramp up stimulus "without hesitation" if needed, but traders have

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repeatedly said that compared with other major central banks the BOJ has limited options left. The dollar index .DXY was little changed at 98.163, near a two-month high of 98.165. The Fed is forecast to cut its target interest rate range on Wednesday by 25 basis points to 2.00%-2.25%. Investors previously saw the chance of an even more aggressive 50-basis point cut, according to interest rate swaps, but these expectations have dissipated as data has shown the US economy is not as weak as some feared.

The British pound hit a new 28-month low early in Asia trade as investors grew increasingly nervous about the prospects of a no-deal Brexit under new British Prime Minister Boris Johnson. Monetary policy is likely to set the tone for currency markets in coming months as central banks from Australia, New Zealand, Europe and possibly Britain are expected to cut rates due to low inflation and risks to global economic growth. Sterling extended its decline, falling to \$1.2119, the lowest since March 2017. Sterling has fallen against the dollar for the past four trading days, because there is a growing risk of a no-deal Brexit where Britain exits the EU without a trade deal in place. There is also a chance that new Prime Minister Johnson will call an early election. With the Brexit deadline of Oct. 31 approaching, Johnson wants the EU to agree to scrap the so-called backstop guarantee for the Irish border.

Australian and New Zealand dollars stay in narrow ranges as a sell-off in the pound draws speculative flows away from the two South Pacific currencies. AUD/USD dropped 0.1% to 0.6897 versus range of 0.6895-0.6908. Aussie bonds are little changed as investors await Wednesday's Federal Reserve's policy decision. 10-year yield holds at 1.21%; 3-year yield falls 1bp to 0.82%. A weaker Aussie would be helpful for the RBA as it seeks to return inflation to the 2-3% target band. Data Wednesday will probably show trimmed mean CPI of 0.4% QoQ, which would see annual inflation slow to 1.5%, matching the multi-decade low seen in 2016. That would put RBA under pressure to downgrade its near-term outlook for inflation made in August's Statement on Monetary Policy.

Oil prices rose for a fourth day on Tuesday on optimism the U.S. Fed will this week cut interest rates for the first time in more than 10 years, supporting fuel demand growth in the world's biggest oil user. Brent crude rose 0.71%, to \$64.16 a barrel, after gaining 0.4% the previous session. U.S. crude was up 0.62%, at \$57.22 a barrel, having risen 1.2% on Monday. Economic growth in the United States slowed less than expected in the second quarter, strengthening the outlook for oil consumption but, elsewhere, disappointing economic data has increased concerns about slower growth.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—15:30	US Core PCE Price Index MoM	0.20%	0.20%
USD—15:30	US Personal Spending MoM	0.30%	0.40%
USD—17:00	US CB Consumer Confidence	125.1	121.5
USD—17:00	US Pending Home Sales MoM	0.50%	1.10%

Wednesday: China Manufacturing PMI, Australia Inflation, ADP Nonfarm Employment Change, US FOMC Decision + Press Conference, Canada GDP

Thursday: China Caixin Manufacturing PMI, Bank of England Policy Decision + Carney speaks, US ISM Manufacturing PMI

Friday: AU Retail Sales, BoJ Policy Meeting Minutes, US Jobs Report

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CURRENCIES	LAST	1D	YTD
DXY	98.176	0.13%	2.08%
EUR/\$	1.1138	-0.06%	-2.87%
GBP/\$	1.2169	-0.41%	-4.59%
AUD /\$	0.6897	-0.07%	-2.16%
NZD/\$	0.6626	-0.09%	-1.38%
\$/JPY	108.67	0.10%	0.94%
\$/CAD	1.3167	-0.02%	3.57%
\$/CHF	0.9911	0.05%	-0.91%
\$/SEK	9.5456	-0.61%	-7.25%
\$/NOK	8.7219	-0.31%	-0.93%
\$/DKK	6.7039	-0.06%	-2.87%
\$/TRY	5.5965	0.33%	-5.49%
EUR/GBP	0.9153	-0.34%	-1.78%
EUR/JPY	121.03	0.15%	3.97%
EUR/CHF	1.1040	0.10%	1.95%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1425.06	-0.12%	11.12%
Silver Spot \$/Oz	16.45	-0.07%	6.15%
Platinum Spot \$/Oz	880.75	0.00%	10.69%
Palladium Spot \$/Oz	1552.59	-0.09%	23.05%
COPPER \$/lb	271.40	-0.13%	2.63%
WTI \$/bbl	57.22	0.62%	26.01%
BRENT \$/bbl	64.16	0.71%	19.26%

EQUITIES & BONDS

Asian stocks advanced on Tuesday in anticipation of a cut in US interest rates later this week. MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.2%. The Shanghai Composite Index rose 0.3% and Hong Kong's Hang Seng edged up 0.2%. Australian stocks climbed as much as 0.7% to touch a record high, supported by buoyant mining shares and adding to the previous day's tech-driven gains. Japan's Nikkei rose 0.4%, showing limited reaction to the Bank of Japan's widely anticipated decision to stand pat on monetary policy. The BOJ added it would ease "without hesitation" if the economy loses momentum for achieving the central bank's 2% inflation target. The US Fed begins a 2-day policy meeting later on Tuesday, which is expected to result in a 25-basis point cut in interest rates. If implemented, it would be the central bank's first rate cut in a decade. Prospective monetary easing by the Fed has been a key factor behind the recent bull run by global equities, particularly US stocks, which have notched up record highs over the past month.

US stocks on Monday stepped back from last week's record highs as investors took a breather ahead of an expected interest rate cut by the Fed and looked for signs of progress from US-China trade negotiations underway in Shanghai. Amazon.com Inc and Facebook Inc weighed heaviest on the S&P 500 and the Nasdaq, which both closed lower. The blue-chip Dow closed in the black, led by 3M Co, Johnson & Johnson and Apple Inc. Market participants girded themselves for an eventful week, with the FOMC meeting, US-China trade talks and nearly a third of the companies

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in the S&P 500 due to post Q2 results. The Fed, watchful of languid inflation and signs of economic softness arising from tariff disputes, is expected to lower interest rates for the first time in a decade at the conclusion of its two-day monetary policy meeting starting on Tuesday. US negotiators are meeting their Chinese counterparts in Shanghai this week to try to find a path toward resolving the long-running, market-rattling trade dispute between the world's two largest economies. Seven of the 11 major sectors in the S&P 500 closed in the red, with financials and consumer discretionary seeing largest percentage losses. Nearly half of all S&P 500 companies have now posted Q2 earnings, 76.1% of which have beaten bottom line analyst estimates, according to Refinitiv data. Mylan NV's shares jumped 12.6% after the generic drug-maker confirmed reports that it was combining with Pfizer Inc's Upjohn unit that sells its off-patent branded medicines, a move that brings blockbuster treatments Viagra, EpiPen and Lipitor under one umbrella. Pfizer shares slid 3.8% following news of the deal, and after the company lowered its full-year profit and revenue forecasts in an earlier-than-expected release of its quarterly results. Ride-hailing company Lyft Inc closed 2.3% lower following a CNBC report that Chief Operating Officer Jon McNeill is leaving. Lyft rival Uber Technologies Inc also lost ground, dropping 1.4% after news that the company was laying off about one-fifth of its sales and marketing team, globally. Starbucks Corp fell below Friday's record high, dropping 1.1% after J.P. Morgan downgraded the coffee chain's stock to "neutral," saying its valuation has become "beyond stretched."

Gulf stock markets were mostly higher yesterday. Saudi index suffered its biggest single-day loss in a month amid a host of poor earnings. Emaar Properties pushed Dubai's market to nearly a year-high. Saudi's index fell 1.5% in its worst day since June 24, with all banking shares dropping and Al Rajhi Bank plunging 3% in the biggest drag on the index. Saudi Basic Industries Co (SABIC), the world's fourth-biggest petrochemicals firm, shed a further 1.6%, extending losses from the last session after reporting its lowest quarterly profit since late 2009.

COMPANY NEWS HEADLINES

- Anadarko Petroleum Corp on Monday released new financial details of its proposed combination with Occidental Petroleum that revealed its acquirer did not expect to generate enough cash to cover its shareholder payments until 2022.
- General Motors Co is bracing for attacks from Democratic presidential candidates at two debates that begin on Tuesday in Detroit near its headquarters.
- Dialog Semiconductor forecast revenues of \$360-\$400mn in Q3 after confirming a Q2 profit beat thanks to a deal to transfer people and patents to iPhone maker Apple .
- Brazil's largest private-sector lender Itau Unibanco Holding SA on Monday reported a 10.2% gain in Q2 recurring profit to 7.034bn reais (\$1.86bn), helped by loan book growth and trading gains.
- German healthcare group Fresenius raised its full-year revenue target on Tuesday, citing solid Q2 performance of all units, even as results of its key dialysis business came in slightly below expectations.
- Nutrien Ltd missed estimates for quarterly earnings and cut its full-year adjusted profit forecast on Monday, as the fertilizer maker struggles with recent floods in the US midwest that delayed planting and a prolonged trade war.
- RWE, Germany's largest electricity producer, on Tuesday raised its profit outlook for 2019 due to a stronger-than-expected performance at its volatile energy trading unit.
- Osaka Gas Co Ltd said it will buy US shale gas developer Sabine Oil & Gas Corp for \$610mn, as the Japanese company looks to expand its overseas business for future growth.
- Aircraft lessor BOC Aviation Ltd said on Tuesday it expected up to 30 Boeing Co and Airbus SE jets that had been scheduled to arrive this year could be delayed, primarily due to the Boeing 737 MAX grounding.

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AMERICA	LAST	1D	YTD
DOW JONES	27221.35	0.11%	16.69%
S&P 500	3020.97	-0.16%	20.51%
NASDAQ	8293.33	-0.44%	24.99%
S&P/TSX	16492.17	-0.24%	15.15%
EUROPE	LAST	1D	YTD
STXE 600	390.85	0.03%	15.76%
FTSE 100	7686.61	1.82%	14.25%
CAC 40	5601.10	-0.16%	18.40%
DAX	12417.47	-0.02%	17.60%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6845.08	0.28%	21.23%
NIKKEI 225	21709.31	0.43%	8.47%
TOPIX	1575.58	0.45%	5.45%
CSI 300 (China)	3870.32	0.42%	28.55%
MENA	LAST	1D	YTD
Saudi Arabia	8729.12	-1.47%	11.53%
Abu Dhabi	5362.83	0.27%	9.11%
Dubai	2880.61	1.21%	13.87%
Qatar	10602.92	0.28%	2.95%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0562	-0.0088	-0.6280
Germany	-0.3900	0.0010	-0.6320
U.K.	0.6530	-0.0010	-0.6240
Australia	1.2040	-0.0050	-1.1140

TOP SELECTED NEWS

Citi to cut hundreds of trading jobs in bad sign for Wall Street

(Bloomberg) Citigroup Inc. is preparing to cut hundreds of jobs in its trading division -- stark new evidence that an industrywide slump in revenue this year may be more permanent than the tweets and policy moves rattling clients. The New York-based bank plans to slash jobs across its fixed-income and stock-trading operations over the course of 2019, according to people familiar with the matter. That includes at least 100 jobs in the equities unit, which would amount to almost 10% of the division's workforce, said the people, who asked not to be named because details aren't public. For months, as global banks watched their revenue from trading slump, industry leaders have said clients were temporarily taking to the "sidelines" amid unpredictable twists in President Donald Trump's trade negotiations and the Fed's shifting stance on interest rates. Yet a growing number of banks are now cutting staff, a sign that executives are worried about more permanent challenges.

Sony reports 18% jump in Q1 profit on strong image sensor business

(Reuters) Japan's Sony Corp on Tuesday reported an 18.4% increase in Q1 operating profit, beating market expectations thanks to a strong performance in the image sensor business. The electronics firm posted an operating



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TOP SELECTED NEWS

profit of 230.9bn yen (\$2.1bn) for the April-June quarter, up from 195.01bn yen a year prior. That was above a consensus estimate of 173.61bn yen from 8 analysts polled by Refinitiv.

Lufthansa posts drop in Q2 earnings on rising fuel costs and price wars

(Reuters) German airline Lufthansa on Tuesday posted a decline in Q2 earnings, hurt by price competition on short-haul routes in Germany and Austria as well as rising fuel costs. The company said in a statement that adjusted EBIT fell to 754mn euros, compared to 1bn euros a year earlier. Fuel costs were 255mn euros higher than in the previous year, it said. Lufthansa said it expected the European market to remain challenging until at least the end of this year. The company maintained its guidance for 2019, having in June cut its full-year profit forecast due to lower prices and higher fuel costs compounding the effect of losses at its budget subsidiary Eurowings.

BP Q2 profit of \$2.8 billion above expectations

(Reuters) BP reported \$2.8bn in Q2 profit on Tuesday, unchanged from a year earlier, held back by lower oil prices. BP's underlying replacement cost profit, the company's definition of net income, exceeded a forecast of \$2.46bn, according to a company-provided survey of analysts. Q2 production rose to 3.8mn barrels of oil equivalent per day, 4% higher than a year earlier. BP said it expects Q3 2019 reported production to be lower than Q2, reflecting maintenance activities as well as the impact of Hurricane Barry on operations in the US Gulf of Mexico.

Huawei market share rises to 38% as China smartphone market declines: Canalys

(Reuters) China's Huawei Technologies cemented its dominance of the domestic smartphone market in Q2, with shipments and market share rising, as Chinese customers backed the embattled firm amid its trade fight with the US. Huawei, which was put on a trade blacklist by the US since mid-May and was virtually barred from doing business there even earlier, shipped 37.3mn smartphones in China in the three months ended June, up 31% year-on-year, according to market research firm Canalys. Its market share rose more than 10 percentage points to 38% in the quarter, even as all other top vendors lost ground in the world's biggest smartphone market, Canalys data showed.

Beyond Meat beats revenue estimates, raises forecast as demand sizzles

(Reuters) Beyond Meat Inc's shares tumbled on Monday on plans for another stock offering just three months after its IPO while demand for its plant-based burgers and sausages prompted an increase in its full-year sales forecast. Trading was volatile and shares fell more than 12% after hours on news of a 3.25mn share offering that includes 3mn shares from selling stockholders. Proceeds are earmarked to raise funds to expand its manufacturing facilities that are being stretched by booming demand for its meat alternatives. Executives on a call with analysts declined to comment on the offering. Beyond Meat's shares have surged over 780% since the IPO in May as the company's meat alternatives entered the menus of restaurants such as Carl's Jr and on shelves of grocers including Kroger Co.

Talpins hikes fees to 40% at Element Capital, defying industry

(Bloomberg) Billionaire Jeff Talpins is hiking performance fees in his macro hedge fund to a whopping 40% even as rivals slash costs for their investors, according to a person with knowledge of the matter. Element Capital Management is increasing the share of profits it charges by 15 percentage points. The New York-based firm is also lowering its management fee from 2.5% to 2%, which is still higher than what most hedge fund managers charge. The move, which takes effect at the end of this year, is a testament to Element's standout performance -- 20% annualized returns since inception -- with a strategy that has faced tough conditions. Macro funds, which wager on everything from the euro to oil, have struggled to beat the broader market amid soaring stock valuations and ultra-low interest rates. While the average macro fund posted annualized gains of 1.7% over the last four years, Element returned 16%.

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