

# MARKETS TODAY

Wednesday, July 31, 2019

## MARKETS IN BRIEF

- U.S. dollar firmed up before the highly awaited FOMC rate decision today at 21:00 LT. Chairman Powell will be speaking at 21:30 LT. Traders will be watching the ADP Nonfarm data at 15:15, which could give clues about the official jobs figures on Friday.
- Australian dollar climbed for the first time in 9 sessions as traders covered short positions after Q2 inflation data beat estimates. Still, gains were muted by lingering U.S.-China trade tensions.
- NZ dollar edged lower as weak data raised rate cut expectations.
- British pound stabilized after suffering severe losses in the previous session. However, concerns over a no-deal Brexit would continue to pressure down the currency.
- Oil prices rose for the 5th straight session, mainly helped by hopes that global demand will improve in the presence of ongoing stimulus by central banks.
- Asian shares dropped to 6-week lows weighed by possible deterioration in U.S.-China trade talks.
- U.S. stocks lost ground on trade worries, in addition to investors' cautiousness ahead of today's Fed decision.

## Decision day

The US Fed is almost certain to cut interest rates for the first time in more than a decade on Wednesday 21:00 LT, delivering a mild jolt to an economy that is facing headwinds from trade disputes and a global slowdown. The widely expected 0.25% lowering of borrowing costs, however, is unlikely to assuage Trump's increasingly strident demands for the central bank to ease monetary policy. On Tuesday, Trump again called for a large interest rate cut. Fed officials hope a modest rate cut will lower the odds of a recession by helping to boost tame inflation at home and offset risks from slowing growth abroad and rising tensions with trading partners like China. The central bank is expected to leave the door open to further rate cuts should those risks fail to dissipate.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1151	-0.04%
GBP/\$	1.2167	0.12%
AUD /\$	0.6889	0.25%
\$/JPY	108.57	0.04%
\$/CAD	1.3146	0.04%
Gold \$	1430.96	0.01%
WTI \$	58.33	0.48%
BRENT \$	65.21	0.76%
AMERICA		
DOW JONES	27198.02	-0.09%
S&P 500	3013.18	-0.26%
NASDAQ	8273.61	-0.24%
EUROPE		
STXE 600	385.11	-1.47%
CAC 40	5511.07	-1.61%
DAX	12147.24	-2.18%
ASIA PACIFIC		
S&P/ASX 200	6812.56	-0.48%
NIKKEI 225	21521.53	-0.86%
CSI 300 (China)	3835.36	-0.90%
MENA		
Saudi Arabia	8740.93	0.14%
Dubai	2913.24	0.05%
Qatar	10589.29	-0.13%
BONDS		
U.S. 10-year	2.0509	-0.0071
German Bund 10-yr	-0.4020	-0.0030
AU 10-year	1.1850	-0.0190

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## Trade talks continuing despite Trump's escalation

Top US and Chinese trade officials met in Shanghai on Wednesday for talks in a bid to end a year-long trade war, despite low expectations for progress and combative remarks from Trump. As US Trade Rep. Lighthizer and Treasury Sec. Mnuchin landed in the Chinese commercial hub on Tuesday, Trump accused Beijing on Twitter of stalling, and warned of a worse outcome for China if it continued to do so. This week's meetings, the first in-person trade talks since a G20 truce last month, come as data showed China's factory activity shrank for the 3rd month in a row in July.

## Australia's inflation beating estimates

Australia's inflation slightly exceeded forecasts in the three months through June as an earlier surge in oil prices filtered through the economy and a weaker currency showed some impact. Consumer prices advanced 1.6% from a year ago and gained 0.6% from the first quarter, driven by a jump in fuel prices and a rise in overseas travel costs, data from the statistics bureau showed in Sydney Wednesday. Still, the core measures closely watched by the Reserve Bank mostly matched expectations.

## Johnson requesting EU's compromise

UK Prime Minister Boris Johnson says "it's up to the EU, it's their call" if the UK leaves the bloc with a deal or without one. Johnson, on visit to Wales, says "we're not aiming for a no-deal Brexit" but preparing for a no-deal divorce from the bloc is crucial to Britain's negotiating strategy. "Unless we're prepared to do this they won't take us seriously in the course of the negotiations," he says in pooled TV interview. "It's absolutely vital that we're able to walk away". "If they can't compromise, if they really can't do it, then clearly we need to get ready for a no-deal exit."

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.40	1.59%
SOLIDERE—B	6.45	2.87%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.90	1.30%
BLOM BANK	7.30	-
BYBLOS BANK	1.20	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

## FX & COMMODITIES

The US dollar held firm on Wednesday, as a wait-and-see mood prevailed, with traders looking ahead to the outcome of the Fed's meeting later in the day when policymakers are expected to cut interest rates for the first time since 2008. With the Fed expected to reduce its key rate by 25 bps, the main focus is on whether it will leave the door open for further policy easing to insulate the world's largest economy from slowing global growth and the fallout from trade conflicts. CME's FedWatch Tool shows 78% of traders pricing in a 25 bps cut. But the remaining 22% still see a deeper 50 bps easing as a possibility. The federal funds rate is currently set in a range of 2.25% to 2.50%. Futures traders have priced in a full percentage-point drop by the end of next year. The dollar index .DXY against a basket of six major currencies stood little changed at 98.045 after pulling back from a 2-month high of 98.206 touched on Tuesday. The greenback was flat at 108.57 yen and the euro was little changed at \$1.1151. The Bank of Japan (BOJ) on Tuesday refrained from expanding stimulus but committed to doing so "without hesitation" if a global slowdown jeopardizes the country's economic recovery.

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## FX & COMMODITIES

**The British pound, which has tumbled this week as investors rushed to factor in the possibility of Britain leaving the EU without a deal, managed to stabilize somewhat.** Sterling was a shade firmer at \$1.2167, crawling back from a 28-month trough of \$1.2119 plumbed on Tuesday. Troubles for the currency, which has lost 4.3% in July, were still seen to be far from over as Britain's new prime minister Boris Johnson took over with the explicit agenda of pulling the country out of the EU by Oct. 31, whether transitional trading agreements are in place or not.

**The Australian dollar managed to crawl back from a six-week low and edged up after data showed that the domestic Q2 consumer price index (CPI) rose at a slightly faster pace than expected.** The Aussie was up 0.25% at \$0.6889 after brushing \$0.6832 earlier, its lowest since June 19.

**The New Zealand dollar, in contrast, fell after a survey showed the country's business mood fell to an 11-month low in July, adding to expectations for a rate cut next week.** The kiwi slipped 0.12% to \$0.6605.

**Oil prices rose for a fifth day on Wednesday, buoyed by a bigger than expected drop in US inventories and as investors awaited a widely expected cut in interest rates by the Fed, the first in more than 10 years.** Brent crude was up 0.76%, at \$65.21 a barrel. US West Texas Intermediate crude gained 0.48%, to \$58.33 a barrel. For the month, however, both contracts were set to ease due to ongoing worries about oil demand, with Brent heading for a decline of about 2.3% and WTI down slightly. Still US inventories have been falling in recent weeks suggesting demand concerns are overstated.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—12:00	Eurozone CPI Flash Estimate	1.00%	1.20%
EUR—12:00	Eurozone Core CPI Flash Estimate	1.00%	1.10%
USD—15:15	US ADP Nonfarm Employment	150k	102k
USD—21:00	US FOMC Rate Decision	2.25%	2.50%
USD—21:00	Fed Press Conference		

**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	98.045	-0.01%	1.95%
EUR/\$	1.1151	-0.04%	-2.76%
GBP/\$	1.2167	0.12%	-4.60%
AUD /\$	0.6889	0.25%	-2.27%
NZD/\$	0.6605	-0.12%	-1.70%
\$/JPY	108.57	0.04%	1.03%
\$/CAD	1.3146	0.04%	3.74%
\$/CHF	0.9907	-0.03%	-0.87%
\$/SEK	9.5648	0.02%	-7.44%
\$/NOK	8.7614	-0.11%	-1.38%
\$/DKK	6.6965	-0.03%	-2.76%
\$/TRY	5.5203	0.70%	-4.18%
EUR/GBP	0.9165	0.16%	-1.91%
EUR/JPY	121.07	0.07%	3.93%
EUR/CHF	1.1050	-0.02%	1.86%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1430.96	0.01%	11.58%
Silver Spot \$/Oz	16.46	-0.64%	6.25%
Platinum Spot \$/Oz	877.12	0.67%	10.24%
Palladium Spot \$/Oz	1532.09	1.08%	21.42%
COPPER \$/lb	267.85	0.00%	1.29%
WTI \$/bbl	58.33	0.48%	28.45%
BRENT \$/bbl	65.21	0.76%	21.21%

## EQUITIES & BONDS

**Asian shares fell on Wednesday to a six-week trough, rattled by fresh trade war concerns following threats from President Donald Trump to Beijing.** Later in the day, the US Fed is widely expected to cut interest rates for the first time since the financial crisis more than a decade ago. The expected easing has supported risk asset prices worldwide. MSCI's broadest index of Asia-Pacific shares outside Japan pared losses to trade down 0.5% but earlier fell to the lowest since June 19, while Japan's Nikkei declined by 0.7%.

**US stocks lost ground on Tuesday after a warning from President Donald Trump to China amid ongoing trade negotiations pressured technology shares, while investors looked to an expected Fed interest rate cut at the conclusion of its monetary policy meeting.** The three major US stock indexes concluded the session in the red, pressured by technology and consumer discretionary stocks. As trade talks between the world's two biggest economies continued in Shanghai on Tuesday, Trump warned China against trying to wait out his first term in office to finalize a deal. Apple Inc's results could illuminate the impact of the trade tensions with China. Shares of the iPhone maker closed down 0.4%, contributing the most to the tech sector's 0.7% drop. Market participants are looking to the Fed's statement at the conclusion of its two-day meeting on Wednesday for clues as to how the central bank will proceed through year-end. Many analysts said a 25-basis-point cut in interest rates is fully priced into the market. Commerce Department data showed US consumer spending and prices rose moderately in June, pointing to slower



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## EQUITIES & BONDS

economic growth and bolstering the case for monetary easing. Procter & Gamble Co jumped 3.8% after the consumer products maker beat quarterly revenue estimates, limiting losses on the blue-chip Dow index. Shares of Capital One Financial Corp fell 5.9% after the credit-card issuer said information on 106mn people had been compromised. Pfizer Inc's stock dropped 6.4%, weighing the most on the healthcare index, after brokers downgraded the stock following the drug-maker's announcement on Monday that it would spin off its Upjohn unit and merge it with Mylan. Merck & Co Inc edged higher after reporting better-than-expected Q2 results and raising its full-year earnings forecast.

**In the MENA region, Saudi index edged up on Tuesday, recovering from the previous session's biggest single-day loss in a month, as strong earnings from two lenders boosted most bank shares.** Dubai index consolidated gains after touching nearly a year-high on Monday. The Saudi index was up 0.1%. Al Rajhi Bank gained 1% after it posted a more than 4% rise in Q2 profit, as revenue from special commissions and investments increased. Riyadh Bank gained as much as 2.4% after its profit surged over the same period on a 22.9% jump in operating income, but traded unchanged at the close.

## COMPANY NEWS HEADLINES

- Resolute Mining Ltd on Wednesday said it would buy West Africa-focused Toro Gold Ltd in a cash and stock deal worth \$274mn, as the company looks to expand its production base amid consolidation in the gold industry.
- Italian post office Poste confirmed its 2019 outlook after reporting a higher-than-expected Q2 operating profit thanks to the strength of its insurance business and improvements at its loss-making mail and parcel division.
- Drugmaker Indivior reported a 14% rise in quarterly profit, as its best-selling opioid addiction drug Suboxone lost market share to generic rivals at a slower pace, than the company's previous modelling had expected.
- Swedish oil firm Lundin Petroleum reported a smaller than expected drop in quarterly core earnings, and cut its capital spending guidance after reducing its stake in Norway's giant Johan Sverdrup field.
- FireEye Inc on Tuesday reported a surprise Q2 loss and cut its 2019 revenue forecast on non-renewal of subscriptions, sending its shares down 15%.
- MEG Energy Corp reported a bigger-than-expected quarterly profit on Tuesday, as the Canadian oil sands producer benefited from a surge in production and higher prices.
- Gilead Sciences Inc beat Wall Street estimates for Q2 revenue and profit on Tuesday, driven by higher sales of HIV treatments, and the US drugmaker raised its full-year sales forecast.
- Pipeline company TC Energy Corp said on Tuesday it would sell stakes in three Ontario natural gas-fired power plants to a unit of Ontario Power Generation Inc for about C\$2.87 bn (\$2.18 bn).
- Akamai Tech beat analysts' estimates for Q2 revenue on Tuesday, boosted by strong demand for its cloud security services and growth in its traditional business of speeding up media content delivery through the web.
- Belgian chemicals group Solvay reported higher-than-expected Q2 sales and earnings on Wednesday, saying higher prices helped offset a fall in volumes.

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AMERICA	LAST	1D	YTD
DOW JONES	27198.02	-0.09%	16.59%
S&P 500	3013.18	-0.26%	20.20%
NASDAQ	8273.61	-0.24%	24.69%
S&P/TSX	16466.05	-0.16%	14.96%
EUROPE	LAST	1D	YTD
STXE 600	385.11	-1.47%	14.06%
FTSE 100	7646.77	-0.52%	13.65%
CAC 40	5511.07	-1.61%	16.50%
DAX	12147.24	-2.18%	15.04%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6812.56	-0.48%	20.65%
NIKKEI 225	21521.53	-0.86%	7.53%
TOPIX	1565.14	-0.66%	4.76%
CSI 300 (China)	3835.36	-0.90%	27.39%
MENA	LAST	1D	YTD
Saudi Arabia	8740.93	0.14%	11.68%
Abu Dhabi	5332.08	0.02%	8.48%
Dubai	2913.24	0.05%	15.16%
Qatar	10589.29	-0.13%	2.82%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0509	-0.0071	-0.6333
Germany	-0.4020	-0.0030	-0.6440
U.K.	0.6290	-0.0050	-0.6480
Australia	1.1850	-0.0190	-1.1330

## TOP SELECTED NEWS

### UK car investment slumps over 70% on no-deal Brexit fears

(Reuters) Investment in Britain's car sector fell by more than 70% in the first half of the year due to concerns about a disorderly Brexit, an industry body said on Wednesday, warning that leaving the EU without an agreement was the "worst outcome". The automotive industry, Britain's biggest exporter of goods which employs over 800,000 people, is one of the most vociferous opponents of a no-deal Brexit, fearing additional tariffs and bureaucracy could halt production. Investment fell to 90mn pounds in the first half of 2019 compared to 347.3mn pounds in the same period in 2018 and 647.4mn in the first half of 2017, the Society of Motor Manufacturers and Traders (SMMT) said.

### Credit Suisse Q2 net profit jumps 45% beating expectations

Credit Suisse reported a net income of 937mn Swiss francs (\$945mn) for the Q2 of this year, beating analyst expectations. Analysts polled by Reuters expected a net income of 720.3mn Swiss francs (\$726.13mn). The Swiss bank had reported a net income of 647mn Swiss francs for the same period a year ago. Here are some of the key highlights for the quarter: Pre-tax income hit 1.3bn Swiss francs vs 1.1bn Swiss francs a year ago. Return on tangible equity stood at 9.7% vs 6.9% a year ago. CET1 ratio reached 12.5% vs 12.8% a year ago.



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## TOP SELECTED NEWS

### **BNP Paribas bucks fixed-income slump for second straight quarter**

(Bloomberg) BNP Paribas SA posted a second straight rebound at its fixed-income trading business, outshining Wall Street and European peers in what's shaping up to be the worst first half for securities trading in a decade. Debt trading revenue gained almost 9% to 793mn euros in the three months through June, beating competitors including JPMorgan Chase & Co. and Citigroup Inc. though falling short of a 29% rebound in Q1. Equities trading also did better than expected.

### **Apple projects revenue that tops estimates on new iPhones**

(Bloomberg) Apple Inc. projected revenue in the current quarter that topped analysts' estimates, signaling the company is optimistic about potential sales of the new iPhone models set to launch late in the period. Fiscal Q4 sales will be \$61bn to \$64bn, the Cupertino, California-based company said Tuesday in a statement. Analysts, on average, estimated \$61bn, according to data compiled by Bloomberg. Apple's projection at the high end is a 1.7% increase from the period a year earlier. The forecast suggests the company anticipates that its next iPhone lineup, which won't be a major change from the 2017 and 2018 models, and increasing revenue from services will be strong enough to return the company to growth. Apple typically puts its new iPhones on sale toward the end of Q4.

### **Samsung Electronics Q2 profit down 56% as chip troubles persist**

(Reuters) Samsung Electronics warned on Wednesday that Japanese curbs on the export of chip-making materials was blurring its outlook and said it would delay a plan to return money to shareholders due to "significant new challenges." The South Korean tech giant also posted a 56% plunge in June-quarter profit as an oversupply of memory chips continued to weigh down prices. The profit decline and uncertain outlook overshadowed the company's optimism that the chip market had bottomed out and would start to recover in the second half. Samsung shares were down almost 3%, underperforming the broader market.

### **Ray-Ban maker said to near deal for eyewear seller GrandVision**

(Bloomberg) Ray-Ban sunglasses maker EssilorLuxottica SA is nearing a deal to buy Dutch eyewear retailer GrandVision NV, people familiar with the matter said. The Franco-Italian company and GrandVision's controlling shareholder, HAL, could reach an agreement as early as this week, said the people, asking not to be identified because the deliberations are private. Talks could still be delayed or fall apart, they said. EssilorLuxottica is scheduled to report its financial results on Wednesday.

### **Roche, Spark extend \$4.3 billion takeover again, this time to September 3**

(Reuters) Roche and Spark Therapeutics announced another extension of the Swiss drugmaker's \$4.3bn takeover offer for the US gene therapy specialist as regulatory reviews in the US and Britain continue. The offer for Spark shares now runs to Sept. 3, Roche said, adding terms and conditions are unchanged.

### **Airbus Q2 profit rise beats forecasts, delivery challenges ahead**

(Reuters) Airbus on Wednesday posted stronger-than-expected core Q2 earnings, led by the switch to efficient new single-aisle jets, and maintained its profit forecast for the year while warning of delivery challenges in the second half. Europe's largest aerospace group said Q2 adjusted operating profit rose 72% to 1.98bn euros, led by a more-than-twofold rise at the main Airbus commercial plane-making arm. Revenues rose 23% to 18.32bn euros.

### **Carmaker Aston Martin swings to a half-year loss**

(Reuters) Aston Martin swung to a half-year pretax loss of 78.8mn pounds as profits were hit by expansion costs, lower average selling prices and weaker-than-anticipated volumes, the luxury British carmaker said on Wednesday. The carmaker has been undergoing a turnaround plan since CEO Andy Palmer took over in 2014, designed to renew and boost its model line-up and move into new segments, resulting in an autumn 2018 stock market flotation.

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