

MARKETS TODAY

Monday, July 01, 2019

MARKETS IN BRIEF

- Global markets started the week with more optimism coming from the "trade truce" between the U.S. and China.
- Asian stocks and U.S. futures rallied. Chinese yuan lifted up, but it gave up some of the gains because of disappointing factory activity.
- U.S. dollar gained on the safe-haven yen as Treasury yields rose and futures lowered its bets for a 0.5% rate cut this month. Traders will be watching the key Nonfarm payrolls on Friday.
- Australian dollar will be facing a heavy data week: RBA policy decision tomorrow at 7:30 LT, Gov. Lowe will speak on Wednesday, Trade Balance on Wednesday, and Retail Sales on Thursday.
- Turkish lira firmed up on possibility that there will be no U.S. sanctions on Turkey.
- Oil surged to a 5-week high after Saudi Arabia and Russia signaled their support for an extension of OPEC+ output cuts.
- U.S. stocks ended up on Friday. The S&P 500 had its best June since 1955. The Dow posted its biggest June percentage gain since 1938, the waning days of the Great Depression.

"Back on Track"

The US and China agreed on Saturday to restart trade talks after Trump offered concessions including no new tariffs and an easing of restrictions on tech company Huawei in order to reduce tensions with Beijing. China agreed to make unspecified new purchases of US farm products and return to the negotiating table, Trump said. No deadline was set for progress on a deal, and the world's two largest economies remain at odds over significant parts of an agreement. The last major round of talks collapsed in May. "We're right back on track," Trump told reporters after an 80-minute meeting with Chinese President Xi Jinping at a summit of leaders of the G20 major economies in Japan. "We're holding back on tariffs and they're going to buy farm products," Trump said, without giving details.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1322	-0.45%
GBP/\$	1.2666	-0.24%
AUD /\$	0.6994	-0.37%
\$/JPY	108.50	-0.60%
\$/CAD	1.3099	-0.03%
Gold \$	1384.93	-1.75%
WTI \$	60.10	2.79%
BRENT \$	66.56	2.81%
AMERICA		
DOW JONES	26599.96	0.28%
S&P 500	2941.76	0.58%
NASDAQ	8006.24	0.48%
EUROPE		
STXE 600	384.87	0.70%
CAC 40	5538.97	0.83%
DAX	12398.80	1.04%
ASIA PACIFIC		
S&P/ASX 200	6648.10	0.44%
NIKKEI 225	21729.97	2.13%
CSI 300 (China)	3935.39	2.87%
MENA		
Saudi Arabia	8821.76	0.29%
Dubai	2658.63	1.24%
Qatar	10455.67	0.11%
BONDS		
U.S. 10-year	2.0360	0.0309
German Bund 10-yr	-0.3180	0.0090
AU 10-year	1.3560	0.0340

MARKETS TODAY

G20 denouncing protectionism

Leaders of the G20 major economies warned on Saturday of growing risks to the global economy but stopped short of denouncing protectionism, calling instead for a free, fair trade environment after talks some members described as difficult. In a communique at the end of a 2-day meeting in Japan, the leaders said global growth remained low and risks were tilted to the downside, as trade and geopolitical tensions have grown. Japanese PM Abe put on a brave face, stressing the G20 leaders had much in common, mainly the key driver for global growth.

China's factory activity shrinking

China's factory activity shrank more than expected in June, an official manufacturing survey showed, highlighting the need for more economic stimulus as US tariffs and weaker domestic demand ramped up pressure on new orders for goods. The PMI stood at 49.4 in June, China's NBS said on Sunday, unchanged from the previous month and below the 50-point mark. The weak manufacturing will also spark concerns about stalling growth in China and the risk of a global recession, despite slightly better-than-expected export and industrial profits data in May.

OPEC to extend output cuts

OPEC and its allies look set to extend oil supply cuts this week at least until the end of 2019 as Iran joined top producers Saudi Arabia, Iraq and Russia in endorsing a policy aimed at propping up the price of crude amid a weakening global economy. Russian President Putin said on Saturday he had agreed with KSA to extend existing output cuts of 1.2 million bpd, or 1.2% of global demand, by six to nine months - until Dec 2019 or Mar 2020. Saudi EM Khalid al-Falih said the deal would most likely be extended by 9 months and no deeper reductions were needed.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.69	6.19%
SOLIDERE—B	6.74	3.37%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.00	-
BLOM BANK	8.00	-
BYBLOS BANK	1.22	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The Chinese yuan gained and the safe-haven yen slid against the dollar on Monday as appetite for risk-sensitive currencies improved after the US and China agreed to restart their troubled trade talks. The dollar was up 0.60% at 108.50 yen. In offshore markets, the Chinese yuan initially gapped up to as much as 6.8166 per dollar, its highest level since May 9. It later pared gains to 6.8381 but was still up 0.5%. After meeting Chinese President Xi Jinping in Japan on Saturday on the sidelines of Group of 20 summit, US President Donald Trump said he would hold back on new tariffs and that China will buy more farm products. Trump also said the US Commerce Department would study over the next few days whether to take Huawei off the list of firms banned from buying components and technology from US companies without government approval. Other key US data due this week include Wednesday's Institute of Supply Management's (ISM) non-manufacturing activity index for June. At a June 18-19 policy meeting the Fed opened the door for possible interest rate cuts later this year. But comments last week from central bank officials, including Chair Jerome Powell, and the weekend agreement to resume Sino-US trade talks have cooled expectations for aggressive

MARKETS TODAY

FX & COMMODITIES

rate cuts. The Swiss franc, another safe-haven currency, fell 0.5% to 0.9808 franc to the dollar. Supported by the greenback's rise against the yen, the dollar index (DXY) against a basket of six major currencies added 0.47% to 96.584. The euro fell 0.45% to \$1.1322. The US Treasury 10-year yield was up about 3 bps at 2.036%, putting some distance between a 2-1/2-year low of 1.974% plumbed on June 20.

The yuan lost some of its earlier momentum after a Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) showed that China's factory activity unexpectedly shrank in June as domestic and export demand faltered.

The Australian dollar, sensitive to the economic fortunes of China, the country's largest trading partner, was down 0.37% at \$0.6994.

The Turkish lira firmed nearly 1% against the dollar on Monday after President Tayyip Erdogan said he had heard from US President Donald Trump there would be no sanctions over Turkey's purchase of Russian S-400 defense systems. The lira stood at 5.7002 against the dollar, up on 1.64%, before Erdogan met Trump at the G20 summit in Japan at the weekend. NATO allies Turkey and the US have been at odds over the S-400s purchase, with Washington warning of US sanctions if the delivery took place. The dispute has been a source of concern for investors, putting pressure on the lira.

Oil prices rose more than \$1 a barrel on Monday, with OPEC and its allies on track to extend supply cuts until at least the end of 2019 at their meeting in Vienna this week. Front-month Brent crude futures, for September, touched an intraday high of \$66.63 a barrel and were up 2.81%, at \$66.56 a barrel. US crude futures for August climbed 2.79%, to \$60.10 a barrel, after earlier hitting their highest in over five weeks at \$60.13. Iran on Monday joined top producers Saudi Arabia, Iraq and Russia in supporting a policy aimed at propping up the price of crude amid a weakening global economy. The OPEC, Russia and other producers, an alliance known as OPEC+, meet on Monday and Tuesday to discuss supply cuts. The group has been reducing oil output since 2017 to prevent prices from sliding amid a weakening global economy and soaring US output.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Manufacturing PMI	49.5	49.4
EUR—12:00	Eurozone Unemployment Rate	7.60%	7.60%
USD—17:00	US ISM Manufacturing PMI	51.3	52.1

Tuesday: AU RBA Policy Decision, OPEC Meetings, Canada Manufacturing PMI

Wednesday: RBA Gov. Lowe speaks, AU Building Approvals and Trade Balance, Services PMI for major countries, ADP Nonfarm Employment, Canada Trade Claims, US Initial Jobless Claims, US ISM Manufacturing PMI

Thursday: AU Retail Sales, Eurozone Retail Sales, US Holiday

Friday: German Factory Orders, UK Halifax HPI, US Jobs Report

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	96.584	0.47%	0.43%
EUR/\$	1.1322	-0.45%	-1.26%
GBP/\$	1.2666	-0.24%	-0.69%
AUD /\$	0.6994	-0.37%	-0.78%
NZD/\$	0.6698	-0.30%	-0.31%
\$/JPY	108.50	-0.60%	1.10%
\$/CAD	1.3099	-0.03%	4.11%
\$/CHF	0.9841	-0.79%	-0.20%
\$/SEK	9.3151	-0.33%	-4.96%
\$/NOK	8.5393	-0.08%	1.19%
\$/DKK	6.5927	-0.46%	-1.23%
\$/TRY	5.7002	1.64%	-7.21%
EUR/GBP	0.8938	0.22%	0.57%
EUR/JPY	122.84	-0.15%	2.43%
EUR/CHF	1.1140	-0.33%	1.03%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1384.93	-1.75%	7.99%
Silver Spot \$/Oz	15.16	-0.98%	-2.13%
Platinum Spot \$/Oz	833.06	-0.20%	4.70%
Palladium Spot \$/Oz	1538.30	0.04%	21.92%
COPPER \$/lb	274.10	1.01%	3.65%
WTI \$/bbl	60.10	2.79%	32.35%
BRENT \$/bbl	66.56	2.81%	23.72%

EQUITIES & BONDS

Asian stocks rallied and bonds retreated on Monday as the US and China agreed to restart trade talks, leading investors to pare wagers on aggressive policy easing by the major central banks. The US and China agreed on Saturday to resume trade negotiations after President Donald Trump offered concessions to his Chinese counterpart Xi Jinping when the two met at the sidelines of the G20 summit in Japan. These included no new tariffs and an easing of restrictions on tech company Huawei in order to reduce tensions with Beijing. China agreed to make unspecified new purchases of US farm products and return to the negotiating table. The initial reaction was one of relief that at least new tariffs were avoided and Japan's Nikkei climbed 2.1% to a 2-month top. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.5%. Chinese blue chips jumped 2.6% to their highest since late April. E-Mini futures for the S&P 500 rose 1.1%. South Korea lagged, in part as Japan tightened restrictions on exports of high-tech materials in response to a South Korean ruling on war-time forced labor.

US stocks advanced in heavy trading on Friday, with the S&P 500 and the Dow closing the book on their best June in generations, ahead of much-anticipated trade talks between Trump and Chinese counterpart Xi Jinping at the G20 summit now underway in Japan. All three major US stock indexes gained ground at the close of the week, month, quarter and first half of the year, during which time the US stock market has had a remarkable run. The S&P 500 had its best June since 1955. The Dow posted its biggest June percentage gain since 1938, the waning days of the Great



MARKETS TODAY

EQUITIES & BONDS

Great Depression. From the start of 2019, after investors fled equities amid fears of a global economic slowdown, which sent stock markets tumbling in December, the benchmark S&P 500 jumped 17.3%, its largest first-half increase since 1997. Trump expressed hopes that his meeting with Xi at the G20 summit will be productive, but said he had not made any promises about a reprieve from escalating tariffs. Financial stocks led the gains in the S&P 500 and the Dow after the big US banks passed the Fed's "stress test," with the central bank giving the companies a clean bill of health. The S&P 500 Bank index gained 2.4%. Trading volume spiked amid the annual restructuring of the Russell indexes, traditionally one of the largest trading days of the year. All 11 major sectors in the S&P 500 ended the session in positive territory. Financials, energy and tariff-vulnerable industrials .SPLRCI were the biggest percentage gainers. Shares of Apple Inc dropped 0.9% following its announcement that design head Jony Ive is leaving the company. Separately, the Wall Street Journal reported that the iPhone maker would move its Mac Pro production to China from the US. Constellation Brands Inc reported better-than-expected quarterly results and raised its full-year guidance due to healthy beer demand, sending its shares up 4.6%. In economic news, consumer spending rose moderately in May and prices edged higher, implying a slowdown in economic growth and benign inflation pressures, providing the Fed rationales for a possible interest rate cut in July.

Most major Gulf markets gained on Sunday, reacting to positive global market sentiment after the US and China agreed to a trade war truce at the G20 meeting. The two powers agreed on Saturday to restart trade talks after US President Donald Trump offered concessions including no new tariffs and an easing of restrictions on the Chinese tech company Huawei. Dubai's index rose 1.2%, lifted by the largest lender in the emirate, Emirates NBD, rising 4.1% after getting banking regulatory approval to acquire shares in Turkey's Denizbank from Russia's Sberbank. The real estate and construction sector was also up, with market heavyweight Emaar Properties gaining 1.1%, construction firm Arabtec up 1.3%, Emaar Development 0.8%, and Damac Properties 0.7%.

COMPANY NEWS HEADLINES

- Pacific Equity Partners has set up a new company as part of its plans to buy the international business of US food company Campbell Soup Co, The Australian Financial Review reported citing anonymous sources.
- DP World, one of the world's largest port operators, on Monday said it had acquired Dubai-headquartered oil services and marine logistics company Topaz Energy and Marine in a deal worth \$1.08bn on an enterprise value basis.
- Applied Materials Inc, the world's biggest supplier of chip-making equipment, will buy Japanese semiconductor device maker Kokusai Electric for about 250bn yen (\$2.31bn), the Nikkei reported on Monday.
- Investment firm Brookfield Asset Management Inc has agreed to acquire US freight railroad owner and operator Genesee & Wyoming Inc for close to \$9bn, including debt, people familiar with the matter said on Sunday.
- Shares of US online luxury reseller The RealReal Inc closed up more 40% in their debut on Friday, giving it a market capitalization of around \$2.4bn and signalling investor appetite for listings of consumer companies.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26599.96	0.28%	14.03%
S&P 500	2941.76	0.58%	17.35%
NASDAQ	8006.24	0.48%	20.66%
S&P/TSX	16382.20	0.46%	14.38%
EUROPE	LAST	1D	YTD
STXE 600	384.87	0.70%	13.98%
FTSE 100	7425.63	0.31%	10.37%
CAC 40	5538.97	0.83%	17.09%
DAX	12398.80	1.04%	17.42%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6648.10	0.44%	17.74%
NIKKEI 225	21729.97	2.13%	8.57%
TOPIX	1584.85	2.17%	6.07%
CSI 300 (China)	3935.39	2.87%	30.72%
MENA	LAST	1D	YTD
Saudi Arabia	8821.76	0.29%	12.71%
Abu Dhabi	4979.95	-0.24%	1.32%
Dubai	2658.63	1.24%	5.09%
Qatar	10455.67	0.11%	1.52%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0360	0.0309	-0.6482
Germany	-0.3180	0.0090	-0.5600
U.K.	0.8490	0.0160	-0.4280
Australia	1.3560	0.0340	-0.9620

TOP SELECTED NEWS

Japan big manufacturers' mood hits near 3-year low as trade war bites

(Reuters) Japanese big manufacturers' business confidence worsened to a nearly three-year low in the quarter to June, a central bank survey showed, in yet another sign of the growing economic toll exerted by slowing global demand and the US-China trade war. But service-sector mood improved and companies maintained their solid spending plans, the Bank of Japan's closely watched "tankan" survey showed on Monday, suggesting that solid domestic demand was partially offsetting weakness in overseas shipments. A weekend truce in the US-China trade war may also offer some respite, though analysts said there was little to cheer given soft global demand and lingering uncertainty over future developments in the trade talks.

World's central banks to tackle technology with BIS innovation hub

(Reuters) Central banks grappling with fast-changing financial technology and companies like Facebook moving into finance will aim to work together more closely through an innovation hub approved on Sunday by the Bank for International Settlements. The BIS said the intention of the hub, which will be based in Basel, Hong Kong and Singapore, is to improve the functioning of the global financial system and it will identify and develop insights into



MARKETS TODAY

TOP SELECTED NEWS

trends in technology affecting central banking. Facebook's plan to expand into payments and launch its own Libra cryptocurrency were not mentioned in the BIS statement, but the social media giant's move has helped crystallise opinion among central bankers on the urgency of coordinating regulatory responses to financial technology trends.

Swiss bourse on uncharted turf on day one without EU recognition

(Bloomberg) Stocks from Nestle to Swatch Group will trade under new rules after Switzerland put never-before-tested provisions to safeguard liquidity into place following a showdown with the European Union that has implications for Brexit. The opening bell for Europe's fourth-largest share market rings at 9 a.m. on Monday in Zurich. Investors, who've had to revise their game plan and reroute trades after the Swiss bourse lost recognition EU rules, will be on the lookout for price distortions or shortage of liquidity. "In terms of impact for Swiss companies and financial institutions -- this is not clear," said Scott Evans, a researcher at London Business School. "This also sends a very clear message to the UK regarding equivalence in the post Brexit period -- which so far has been viewed by the Brexiteers and the current UK government as a given." The government responded to the looming loss of so-called equivalence for its exchanges under MiFID II on June 30 by taking the unprecedented step of banning trading in Swiss shares within the bloc. That's intended to force flows back into Switzerland.

Deutsche Bank plans to cut as many as 20,000 jobs in revamp

(Bloomberg) Deutsche Bank AG is considering slashing headcount by more than a fifth in what's shaping up to be its biggest makeover in years, two people familiar with the matter said. The lender under Chief Executive Officer Christian Sewing may decide to cut as many as 20,000 jobs when he presents his latest restructuring plan, perhaps as early as this week, the people said, asking not to be identified as the matter is private. The decision hasn't been formally adopted yet and the number may yet change, they said. "Deutsche Bank is working on measures to accelerate its transformation so as to improve its sustainable profitability," a spokeswoman said by email. "We will update all stakeholders if and when required."

EU hits Broadcom with interim demands in antitrust probe

(Reuters) EU antitrust regulators want US chipmaker Broadcom to scrap its exclusivity clauses with TV and modem makers to avoid irreparable harm to the market while they investigate whether this tactic and others are designed to block rivals. The European Commission said the so-called interim measures, the first in 18 years, were warranted because of Broadcom's likely dominance in the TV and modem chipset markets and deals between the company and seven major customers that resulted in the latter buying chips only from Broadcom.

Mexico's president says big bank loan shows confidence in Pemex

(Reuters) - An \$8bn syndicated loan to Mexico's national oil company Pemex is a sign of confidence by more than 20 banks involved in the operation, Mexican President Andres Manuel Lopez Obrador said on Friday, after a recent credit downgrade for the firm. The deal to renew Pemex credit lines and refinance liabilities was announced on Thursday.

Facebook will ban ads that tell people in US not to vote

(Reuters) Facebook Inc will ban ads that discourage people from voting ahead of the 2020 US presidential election, according to its second annual Civil Rights Audit published on Sunday. Facebook pledged to put its new "don't vote" policy prohibition into effect in the fall, before the 2019 US elections on Nov. 5, Chief Operating Officer Sheryl Sandberg said in a blog post announcing the report. Last year, Facebook expanded its policies against voter suppression by banning posts that spread misinformation on voting methods, election dates and times, and polling locations. Those rules include banning intimidation tactics such as misrepresentations on whether votes will be counted.

MARKETS TODAY

Monday, July 01, 2019

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