

MARKETS TODAY

Thursday, June 13, 2019

MARKETS IN BRIEF

- Most currencies were range bound, with investors weighing Wednesday's U.S. inflation report and lingering trade tensions, which could push the Fed to reconsider its tightening policy and probably start cutting rates.
- Safe-haven assets firmed up with higher risk aversion in the markets. The Japanese yen rose while Asian shares slumped as Hong Kong market was hit for the second straight session following a day of massive street protests.
- Australian dollar was pressured down by a disappointing jobs report that raised expectations of another interest rate cut.
- Euro took a hit from Trump's escalation with Germany over Russia's natural gas pipeline project.
- British pound dipped after the Labor Party was defeated when trying to block a no-deal Brexit.
- U.S. dollar benefited from the weakness of its major counterparts. However, yesterday's soft inflation data and last week's downbeat jobs report would limit any big upside in the currency.
- Oil prices surged today on news of a crude tanker was on fire in the Gulf of Oman. Yesterday, oil slumped more than 4% after a report showing big rise in U.S. crude stockpiles.

Trump vs Merkel

Trump upped his criticism of Germany on Wednesday as he threatened sanctions over Merkel's support for a gas pipeline from Russia and warned that he could shift troops away from the NATO ally over its defense spending. Echoing previous threats about German support for the Nord Stream 2 pipeline, Trump said he's looking at sanctions to block the project he's warned would leave Berlin "captive" to Moscow. The US also hopes to export its own liquefied natural gas to Germany. Trump has repeatedly rebuked Merkel's gov't over the pipeline project, trade policies and defense spending. Germany, in turn, has criticized his moves to abandon international agreements, including on climate change and Iran.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1297	0.09%
GBP/\$	1.2681	-0.06%
AUD /\$	0.6909	-0.27%
\$/JPY	108.32	0.17%
\$/CAD	1.3322	0.16%
Gold \$	1337.71	0.31%
WTI \$	52.47	2.60%
BRENT \$	61.84	3.12%
AMERICA		
DOW JONES	26004.83	-0.17%
S&P 500	2879.84	-0.20%
NASDAQ	7792.72	-0.38%
EUROPE		
STXE 600	379.74	-0.30%
CAC 40	5374.92	-0.62%
DAX	12115.68	-0.33%
ASIA PACIFIC		
S&P/ASX 200	6542.40	-0.02%
NIKKEI 225	21032.00	-0.46%
CSI 300 (China)	3693.58	0.07%
MENA		
Saudi Arabia	9084.75	1.06%
Dubai	2663.55	-0.44%
Qatar	10621.76	0.35%
BONDS		
U.S. 10-year	2.1118	-0.0087
German Bund 10-yr	-0.2420	-0.0060
AU 10-year	1.4030	-0.0230

MARKETS TODAY

U.K. Tories voting for May's successor

Conservative Members of Parliament will cast ballots Thursday in the first round of voting to find a successor to U.K. Prime Minister Theresa May, a day after the favorite, Boris Johnson, played it safe as he launched his leadership campaign. Ten candidates are vying for the top job, and at least one is certain to be eliminated in the secret ballot, with a result expected at about 1 p.m. in London. As well as the last-placed politician, those failing to garner at least 17 votes from the party's 313 MPs will be out of the running, leaving the others to face more ballots next week.

U.S. core inflation cooling down

A closely watched measure of US inflation trailed forecasts in May, reinforcing the case among investors for the Fed to cut rates. The core CPI, which removes energy and food costs, rose 2% from a year earlier, according to a Labor Dpt report. Monthly core price-rises, as well as a wider measure of annual inflation, also came below estimates. Fed policymakers are scheduled to meet on June 18-19 against the backdrop of rising trade tensions, slowing growth and a sharp step-down in hiring in May that has led financial markets to price in at least two rate cuts by the end of 2019.

Australia's jobs data disappoints

Australia's jobless rate held above 5% in May despite a surge in hiring, underscoring the RBA's challenge to drive down unemployment and stoke inflation. While the economy added 42,300 roles last month, new entrants were absorbed by a jobs market that swelled to a record, the statistics bureau said on Thursday. That left the jobless rate at 5.2%, which is well above 4.5% level the RBA estimates is needed to revive price pressures. The result was further diminished by most jobs being part-time -- potentially workers hired for election -- and fewer hours worked.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.02	-1.18%
SOLIDERE—B	5.18	-
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.00	-
BLOM BANK	8.00	-
BYBLOS BANK	1.21	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The Japanese yen gained broadly on Thursday as risk appetite ebbed in the broader markets and lifted the safe-haven Japanese currency. Equities in Asia slipped as risk sentiment deteriorated amid uncertainty towards the US and China clinching a deal on the sidelines of the June 28-29 Group of 20 summit meeting in Japan. The mood in the region's stock markets was also subdued as Hong Kong shares plunged for second day following massive street protests. The yen rose 0.17% to 108.32 yen per dollar, pulling back from an 11-day low of 108.800 brushed at the week's start. The yen, which tends to attract bids in times of market turmoil and political tensions, rallied 0.5% against the Australian dollar and advanced 0.15% versus the euro.

The US dollar held the bulk of its gains against other major currencies after rebounding from 11-week lows. Despite mounting expectations that the Fed will ease monetary policy in coming months, the dollar fared better against other major currencies, such as the euro, pound and commodity currencies, which had troubles of their own. The dollar index versus a basket of six major currencies was little changed at 96.915 after rising more than 0.3% overnight. The

MARKETS TODAY

FX & COMMODITIES

index had dropped to 96.459 on Monday, its lowest since late March, following a sharp decline in long-term US Treasury yields, which fell to near 2-year lows last week after a soft US jobs report bolstered expectations for an interest rate cut by the Fed. Data released on Wednesday showed US consumer prices barely rose in May, pointing to moderate inflation that together with a slowing economy increased pressure on the Fed to lower interest rates this year. The dollar was also buoyed as commodity-linked currencies were pressured by a slump in crude oil prices.

The Australian dollar fell to a 2-week low after a higher-than-expected jobless rate bolstered speculation the central bank will cut interest rates as soon as next month. Traders brought forward bets for a RBA easing to July from August as the unemployment rate overshadowed a bigger-than-expected increase in total positions. Australia's unemployment rate stayed stuck at 5.2% in May as a surge in part-time hiring was met by an ever-expanding pool of labor. The Australian dollar which fell the previous day on sliding crude oil prices, extended losses and fell to a two-week trough of \$0.6905.

The euro took a hit after US President Donald Trump said on Wednesday he was considering sanctions over Russia's Nord Stream 2 natural gas pipeline project and warned Germany against being dependent on Russia for energy. The euro was a shade higher at \$1.1297 after retreating 0.35% overnight.

The British pound stood little changed at \$1.2681 following a loss of 0.3% on Wednesday. The currency slipped as British lawmakers on Wednesday defeated an attempt led by the opposition Labour Party to try to block a no-deal Brexit.

The Canadian dollar was little higher at C\$1.3322 per dollar after shedding roughly 0.5% the previous day. Oil prices tumbled 4% on Wednesday to their lowest settlements in nearly five months.

Oil rebounded from near the lowest level in five months after a report that a crude tanker was on fire in the Gulf of Oman. Futures in New York rose more than 3% after the Port of Fujairah in the UAE received a distress signal from the tanker Front Altair, according to a port official and a person with knowledge of the incident. Oil slumped 4% Wednesday after US government data showed crude stockpiles expanded by 2.2mn barrels last week, compared with a forecast for a decline. The incident in the Gulf of Oman follows attacks on oil tankers near the Persian Gulf last month and raises the possibility of a disruption of crude flows. That may give prices some reprieve after swelling American inventories and the rupture between the US and China wiped out most of this year's rally.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
CHF—10:30	Swiss SNB Policy Decision	-0.75%	-0.75%
USD—15:30	US Initial Jobless Claims	215k	218k
USD—15:30	US Import Prices MoM	-0.30%	0.20%

Friday: China Fixed Asset Investment, Industrial Production and Retail Sales, ECOFIN Meetings, US Retail Sales, US Consumer Sentiment

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	96.915	-0.09%	0.77%
EUR/\$	1.1297	0.09%	-1.48%
GBP/\$	1.2681	-0.06%	-0.57%
AUD /\$	0.6909	-0.27%	-1.99%
NZD/\$	0.6571	-0.05%	-2.20%
\$/JPY	108.32	0.17%	1.26%
\$/CAD	1.3322	0.16%	2.36%
\$/CHF	0.9954	0.01%	-1.34%
\$/SEK	9.4706	0.05%	-6.52%
\$/NOK	8.6476	0.14%	-0.08%
\$/DKK	6.6101	0.08%	-1.49%
\$/TRY	5.8381	-0.51%	-9.40%
EUR/GBP	0.8909	-0.15%	0.91%
EUR/JPY	122.37	0.09%	2.83%
EUR/CHF	1.1245	-0.07%	0.09%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1337.71	0.31%	4.31%
Silver Spot \$/Oz	14.83	0.34%	-4.29%
Platinum Spot \$/Oz	814.02	0.38%	2.31%
Palladium Spot \$/Oz	1418.08	0.41%	12.39%
COPPER \$/lb	264.25	-0.43%	0.06%
WTI \$/bbl	52.47	2.60%	15.55%
BRENT \$/bbl	61.84	3.12%	14.94%

EQUITIES & BONDS

Asian shares slumped on Thursday as the Hong Kong market was hit for the second straight session following a day of massive street protests. Fading hopes that the US and China will clinch a deal on the sidelines of a Group of 20 summit meeting in Osaka on June 28-29 also hurt sentiment and drove bond yields down. MSCI's broadest index of Asia-Pacific shares outside Japan fell as much as 1% and was last off 0.6%. Hong Kong's Hang Seng Index tumbled 1.8% at one point following Wednesday's 1.7% fall. The selling pressure in Hong Kong came after legislation that would allow citizens to be extradited to China triggered a mass protest and some of the worst unrest seen in the territory since Britain handed it back to Chinese rule in 1997. Japan's Nikkei lost 0.46% while US stock futures slipped 0.2% in Asia, following small losses the previous day when the S&P 500 shed 0.20%.

US stocks ended down slightly on Wednesday, with bank stocks declining as prospects of a US interest rate cut rose and energy shares tumbling along with oil prices. The S&P 500 energy index slid 1.4%, the most among the 11 S&P sectors, as demand worries drove US crude prices down 4%. The day's losses made energy the worst-performing S&P 500 sector for the year-to-date. A report from the Labor Department showed US consumer prices rose 0.1% in May, in line with expectations of economists polled by Reuters, pointing to moderate inflation. This backed the case for a rate cut by the Fed. Banking stocks, which tend to benefit from higher interest rates, dropped 1.4%. The broader financial sector fell 1%. Still, hopes that the Fed will act to counter a slowing global economy due to the escalating

MARKETS TODAY

EQUITIES & BONDS

trade war with China have spurred a rally in stocks this month. The S&P 500 index is up 4.6% so far in June. Fed policymakers will meet on June 18-19. Markets have priced in at least two rate cuts by the end of 2019. Fed fund futures imply around an 80% chance of an easing in rates as soon as July. Investors are reducing exposure to stocks after the recent rally and as they brace for the Fed meeting. S&P 500 utilities, which are positively affected by falling rates, was the day's best-performing sector, rising 1.3%. Lingered worries on the trade front weighed on sentiment, a day after President Donald Trump said he was holding up a deal with China and had no interest in moving ahead unless Beijing agrees to four or five major points. Less than three weeks before proposed talks between the US and Chinese leaders, sources say there has been little preparation. Trump said a deal could be reached, but again threatened to increase tariffs on Chinese goods unless that happens. Semiconductor stocks, which get sizeable revenue from China, declined on Wednesday. The Philadelphia Semiconductor index dropped 2.3%. Micron Technology Inc, Applied Materials Inc and Lam Research Corp dropped more than 5% each. Facebook Inc shares declined 1.7% after the Wall Street Journal reported the social media giant uncovered emails possibly connecting CEO Mark Zuckerberg to potentially problematic privacy practices.

Most Gulf stock markets were mixed yesterday. Saudi index rose 1.1% for a fifth straight session as nearly all its banks gained. The index has gained nearly 16% year-to-date, outperforming its major Gulf peers in a rally led by foreign investors, who have been net buyers of Saudi stocks every month this year. A third tranche of the FTSE Russell emerging market index will kick in this month after Saudi stocks were included in two tranches in March and April.

COMPANY NEWS HEADLINES

- Alibaba Group Holding Ltd. has filed confidentially for a Hong Kong listing, people familiar with the matter said, moving closer to what is potentially the city's biggest share sale since 2010, Bloomberg News reports.
- The White House Office of Management and Budget has told the US Congress it will now meet a two-year deadline to ban federal contracts with companies that do business with Chinese telecom giant Huawei, part of a defense law passed last year, according to a letter seen by Reuters.
- Norway's \$1tn sovereign wealth fund may have to sell a \$1bn stake in commodities firm Glencore and other investments to meet tighter ethical investing rules adopted by its parliament.
- RE billionaire Sam Zell and other former officers and directors of Tribune Co have reached a \$200mn settlement resolving allegations of fraudulent transactions related to the company's disastrous 2007 leveraged buyout.
- Uber Technologies Inc unveiled its newest Volvo self-driving car in Washington on Wednesday as it works to eventually deploy vehicles without drivers under some limited conditions
- Walmart Inc on Wednesday announced a sweeping overhaul at Jet.com, an e-commerce retailer it acquired in 2016 for \$3.3bn, and said it no longer needs a dedicated leader to run the online business.
- Nemaska Lithium may issue new shares, take on new debt or sell assets as it hunts for fresh capital to build a lithium project in Quebec that faces cost overruns of more than \$300mn, head of investor relations said.
- Australia's competition regulator said on Thursday it was examining whether a proposed takeover of Ruralco Holdings could reduce wholesale competition and lead to discrimination against some independent retail stores.
- Canadian athletic apparel maker Lululemon Athletica Inc raised its full-year forecasts and reported strong quarterly results on Wednesday, benefiting from its efforts to boost online presence in a highly competitive retail industry.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26004.83	-0.17%	11.48%
S&P 500	2879.84	-0.20%	14.88%
NASDAQ	7792.72	-0.38%	17.44%
S&P/TSX	16227.24	-0.13%	13.30%
EUROPE	LAST	1D	YTD
STXE 600	379.74	-0.30%	12.47%
FTSE 100	7367.62	-0.42%	9.50%
CAC 40	5374.92	-0.62%	13.62%
DAX	12115.68	-0.33%	14.74%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6542.40	-0.02%	15.87%
NIKKEI 225	21032.00	-0.46%	5.08%
TOPIX	1541.50	-0.82%	3.17%
CSI 300 (China)	3693.58	0.07%	22.68%
MENA	LAST	1D	YTD
Saudi Arabia	9084.75	1.06%	16.07%
Abu Dhabi	4990.86	0.50%	1.54%
Dubai	2663.55	-0.44%	5.29%
Qatar	10621.76	0.35%	3.13%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.1118	-0.0087	-0.5724
Germany	-0.2420	-0.0060	-0.4840
U.K.	0.8670	0.0080	-0.4100
Australia	1.4030	-0.0230	-0.9150

TOP SELECTED NEWS

UK housing market slump gets temporary respite on Brexit delay

(Bloomberg) The UK housing market steadied in May as the delay to the nation's Brexit process helped arrest a decline in new-buyer interest. The Royal Institution of Chartered Surveyors's index of price growth improved to minus 10 last month, from minus 22 previously, the firm said Thursday. Still, indicators of sales and new instructions remain negative, while near-term expectations are also for more declines. Brexit has been weighing on the UK housing market for the past three years after decades of rapid price gains. Downward pressure in London, which had been particularly acute, eased last month, RICS said, although the capital's price indicator remains negative. Still, projections for price growth in London are flat over the next 12 months, a contrast to every other region.

Lobby group tells China to focus on reform, not retaliation on US firms

(Reuters) China should focus on market reforms and avoid restricting access for US financial firms if the trade war escalates and spills into the financial sector, said a lobby group representing global banks and asset managers. The Asia Securities Industry & Financial Markets Association (ASIFMA) also urged Beijing to accelerate the opening up of the country's financial markets to attract much-needed foreign capital to aid a slowing economy amid rising trade



MARKETS TODAY

TOP SELECTED NEWS

tensions “Our message to the Chinese authorities would be that it wouldn't be wise at this point in time to play those kind of games between US and non-US firms,” ASIFMA CEO Mark Austen told Reuters. “China really needs to open up their markets for their own interests and create a transparent, fair, non-discriminatory access to their market.”

Credit Suisse, UBS have boosted capital positions - SNB

(Reuters) Switzerland's biggest banks, UBS and Credit Suisse, have improved their capital positions but must strengthen their crisis planning, the Swiss National Bank said on Thursday, citing conclusions of financial watchdog FINMA. “The Swiss big banks Credit Suisse and UBS have slightly improved their capital situation overall, in spite of the moderate deterioration in economic and financial conditions”, the central bank said in its 2019 financial stability report. “According to FINMA, further efforts by the big banks are required, to demonstrate that systemically important functions can be maintained without interruption in a crisis.”

China launches Nasdaq-style tech board in Shanghai, expects challenges

(Reuters) China on Thursday officially launched Shanghai's Nasdaq-style tech board, with the country's top securities regulator cautioning that the hotly-anticipated STAR Market will face various challenges initially. Yi Huiman, Chairman of the China Securities Regulatory Commission (CSRC) also unveiled plans for a slew of capital markets reform measures at a financial forum in Shanghai.

Huawei asks Verizon to pay over \$1 billion for over 230 patents: source

(Reuters) Huawei Technologies Co Ltd has told Verizon Communications Inc that the US carrier should pay licensing fees for more than 230 of the Chinese telecoms equipment maker's patents and in aggregate is seeking more than \$1bn, a person briefed on the matter said on Wednesday. Verizon should pay to “solve the patent licensing issue,” a Huawei intellectual property licensing executive wrote in February, the Wall Street Journal reported earlier. The patents cover network equipment for more than 20 of the company's vendors including major US tech firms but those vendors would indemnify Verizon, the person said. The patents in question range from core network equipment, wireline infrastructure to internet-of-things technology, the Journal reported. The licensing fees for the more than 230 patents sought is more than \$1bn, the person said.

Hyundai and Kia to invest in self-driving startup Aurora

(Reuters) Hyundai Motor said on Thursday it would invest in self-driving car software startup Aurora along with Kia Motors to speed up development of autonomous vehicle technologies. “With the new investment, the companies have agreed to expand research to a wide range of models and to build an optimal platform for Hyundai and Kia's autonomous vehicles,” Hyundai said. Aurora said in a blog post that Hyundai and Kia's investment is part of a series B financing round, which has now raised more than \$600mn. Aurora, which just announced a partnership with Fiat Chrysler Automobiles, competes with Alphabet's Waymo and General Motors' majority-owned Cruise, among others.

Zara owner Inditex shakes off chill with strong Q2 start

(Reuters) Zara owner Inditex bounced back from a weak start to 2019, when unseasonably cold weather in southern Europe stifled sales for the Spanish fashion group, with a strong performance in the first weeks of Q2. This contrasts with how others in the struggling apparel sector are faring, with mid-market clothing retailer Ted Baker posting a profit warning on Tuesday after Britain had its biggest fall in retail sales on record in May. Shares in the group rose 1.1% to trade at 25.57 euros, whereas Boohoo's fell, despite reporting robust sales, as lower margins disappointed investors.

Mexico's Pemex rounds up banks ahead of deadline for US\$8 billion loan

(Reuters) - Mexican oil producer Petróleos Mexicanos (Pemex) is circling commitments from at least 15 banks to fill an US\$8bn loan, but the state-owned company is tackling a recent downgrade that has lenders questioning how much exposure they want in the two-part credit facility. Fitch cut Pemex's credit rating one notch to BB+ on June 6 one day after lowering sovereign parent Mexico to BBB from BBB+.

MARKETS TODAY

Thursday, June 13, 2019

APPENDIX & DISCLAIMER

This document is for information purposes only and does not take account of the specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever.

The information in this document is based on data obtained from sources believed by Bank of Beirut to be reliable and in good faith, but no representations, guarantees or warranties are made by Bank of Beirut with regard to accuracy, completeness or suitability of the data. The opinions and estimates contained herein reflect the current judgment of the author (s) on the data of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Bank of Beirut. Bank of Beirut does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any opinion described herein would yield favorable investment results. Any forecasts discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by other sources relied upon in the document were inapposite.

Neither Bank of Beirut nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Bank of Beirut. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

GLOBAL MARKETS DIVISION



treasury@bankofbeirut.com.lb



+961 1 960 501

PRIVATE BANKING DEPARTMENT



privatebanking@bankofbeirut.com.lb



+961 1 960 531/2/3

