

MARKETS TODAY

Friday, June 14, 2019

MARKETS IN BRIEF

- Worrying news keep denting market risk sentiment. Yesterday, an attack on tankers in the Gulf of Oman increased geo-political tensions in the region. The world is already suffering from trade tensions and potential economic slowdown.
- Treasuries advanced as part of a global bond rally, while stocks struggled to gain traction. Asian markets and U.S. futures were mixed today. All major Gulf stock market closed lower yesterday.
- Oil extended the rally, though losses for the week were still steep amid trade and oversupply concerns. Gold prices surged while hitting earlier \$1354.16, its highest since April 19, 2018 (14-m high).
- U.S. dollar headed for a weekly gain while investors eyed Fed policy meeting next week. For today, traders will be watching Retail Sales data at 15:30 LT.
- Australian dollar traded near 3-week lows, weighed by increased rate cut expectations. NZ dollar slid after a manufacturing PMI index dropped to a more-than 6-year low.
- Euro was flat holding up after falling during the past two sessions, though it was still set for a weekly loss of about 0.5%.
- U.S. stocks edged higher yesterday after two days of declines, as energy shares rebounded with oil.

Geo-political tensions on the rise

The US blamed Iran for attacks on two oil tankers in the Gulf of Oman on Thursday that drove up oil prices and raised concerns about a new US-Iranian confrontation, but Tehran bluntly denied the allegation. It was not immediately clear what befell the Norwegian-owned Front Altair or the Japanese-owned Kokuka Courageous, which both experienced explosions, forcing crews to abandon ship and leave the vessels adrift in waters between Gulf Arab states and Iran. One Reuters source said the blast on the Front Altair, which caught fire and sent a huge plume of smoke into the air, may have been caused by a magnetic mine. The firm that chartered the Kokuka Courageous tanker said it was hit by a suspected torpedo, but a person said torpedoes were not used.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1275	-0.01%
GBP/\$	1.2677	0.02%
AUD /\$	0.6897	-0.26%
\$/JPY	108.30	0.07%
\$/CAD	1.3340	-0.10%
Gold \$	1353.40	0.83%
WTI \$	52.36	0.15%
BRENT \$	61.54	0.38%
AMERICA		
DOW JONES	26106.77	0.39%
S&P 500	2891.64	0.41%
NASDAQ	7837.13	0.57%
EUROPE		
STXE 600	380.33	0.16%
CAC 40	5375.63	0.01%
DAX	12169.05	0.44%
ASIA PACIFIC		
S&P/ASX 200	6554.00	0.18%
NIKKEI 225	21116.89	0.40%
CSI 300 (China)	3665.65	-0.54%
MENA		
Saudi Arabia	8941.54	-1.58%
Dubai	2633.00	-1.15%
Qatar	10515.88	-1.00%
BONDS		
U.S. 10-year	2.0770	-0.0175
German Bund 10-yr	-0.2540	-0.0130
AU 10-year	1.3700	-0.0330

MARKETS TODAY

Tories trying to stop Johnson from winning

Rivals to be Britain's next prime minister are holding private talks over joining forces in an attempt to stop the pro-Brexit favorite, Boris Johnson, running away with the contest, according to Bloomberg sources. Two of the candidates who are struggling for support -- Home Sec. Javid and Health Sec. Hancock -- met to discuss their options after Johnson took a huge lead in the race for the Conservative Party leadership in the first round. Johnson's rivals are lagging far behind him and talks have been taking place over consolidating their campaigns.

Companies urging Trump to resolve trade disputes

Walmart, Target Corp and more than 600 other companies urged Trump in a letter on Thursday to resolve the trade dispute with China, saying tariffs hurt American businesses and consumers. This letter is the latest of many sent to the Trump administration by Tariffs Hurt the Heartland, the national campaign against tariffs supported by more than 150 trade groups representing agriculture, manufacturing, retail and tech industries. But it is significant as US-China trade tensions escalate and comes before a possible meeting between Trump and Xi Jinping at the Jun 28-29 G20 summit.

EU finance ministers failing to agree on budget

Euro zone finance ministers made some progress on Friday on the establishment of a budget for the 19-country currency area, but have not yet agreed on the size and the funding of the new financial instrument, an EU top official said. Mario Centeno, who chairs the Eurogroup of the bloc's finance ministers, said ministers took some "small steps" in a meeting which started on Thursday and ended in the early hours of Friday. The main features of the possible new fund remained unclear, however, as ministers failed to agree how to finance the budget.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.28	5.18%
SOLIDERE—B	5.20	0.39%
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 US dollar trod water on Friday and was set to show a weekly rise as investor focus turned to next week's Fed meeting for hints on a possible rate cut in light of rising risks to trade and global growth. The dollar index against a basket of six rivals was largely unchanged at 97.053, and on track for a half-percent gain this week. The index had touched an 11-week low of 96.459 last Friday. The Federal Open Market Committee's (FOMC) 2-day policy meeting is set to begin on Tuesday. With trade tensions rising, US growth slowing and hiring in May declining, markets have priced in at least two rate cuts by the end of 2019. There was only a 13.4% expectation on Thursday that US interest rates will be at current levels in July of this year, compared to 74.1% a month ago, according to the CME Group's FedWatch tool. Investors' attention on Friday will also be on US retail sales data due later in the global day for insights into the state of domestic demand in the world's biggest economy. Market participants were also keeping a close eye on geopolitical issues including the months-long Sino-US trade conflict and US-Iran tensions following Thursday's attacks on tankers in the Gulf of Oman.

MARKETS TODAY

FX & COMMODITIES

The Japanese currency showed little reaction to the latest round of trade negotiations between Tokyo and Washington on Thursday. Japan and the US deepened their understanding over each other's position on trade and will continue discussions, Japan's economy minister Toshimitsu Motegi said after meeting with US Trade Representative Robert Lighthizer. The greenback dipped 0.07% to 108.30 yen. Motegi said the two would probably meet again ahead of the G20 summit meeting in Osaka, Japan late this month.

The Australian dollar slipped as investors bet that aggressive rate cuts would be needed to support the economy in the wake of soft domestic data and the fallout from the US-China trade standoff globally. The Aussie was last down 0.26% at \$0.6897, and on course for a loss of about 1.5% for the week.

NZ dollar slid against all its major peers after a manufacturing PMI index dropped to a more-than 6-year low. Business PMI declined to 50.2 in May, from downwardly revised 52.7 the prior month, Bank of New Zealand and Business New Zealand said.

Turkish lira remained under pressure after weakening some 1.5% on Thursday as Ankara reiterated that it was unwilling to back down from its purchase of Russian missile defense systems, despite pressure from Washington. The dispute between the NATO allies has set investors on edge, sending the lira down nearly 10% this year, mainly over concerns that Ankara's purchase of the S-400s will lead to sanctions from Washington. Despite pressure from the US, including a letter that relayed to Ankara that it would be removed from the F-35 fighter jet programme if it accepts delivery of the S-400s, Turkey has refused to take a step back.

Oil headed for a weekly decline as the tanker attacks in the Middle East provided only a relatively small boost to prices that have been hammered by a deepening trade war and swelling US stockpiles. Futures in New York were steady after rising 2.2% Thursday. The White House blamed Iran for the attacks near the Strait of Hormuz, the biggest global choke-point for oil flows, while Tehran rejected the allegations. While a war in the Middle East would be very disruptive for energy flows, the region is less important for global crude markets than it was a couple of decades ago due to the rise of US shale production. Unless the situation escalates dramatically, the prospect of a prolonged trade war between the world's two biggest economies looks likely to remain the major price driver.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—15:30	US Retail Sales MoM	0.70%	-0.20%
USD—15:30	US Core Retail Sales MoM	0.50%	0.10%
GBP—15:55	BoE Gov. Carney speaks		
USD—16:15	US Industrial Production MoM	0.20%	-0.50%
USD—17:00	US Prelim UoM Consumer Sentiment	98.1	100.0

Next Week: German Buba Monthly Report, AU Monetary Policy Meeting Minutes, AU HPI, German ZEW Economic Sentiment, Eurozone Final CPI, Eurozone ZEW Economic Sentiment, Canada Manufacturing Sales, US Building Permits and Housing Starts, Japan Trade Balance, Eurozone Current Account, UK CPI, PPI, HPI, RPI, Canada Inflation, FOMC Policy Decision + Press Conference, NZ GDP QoQ, AU RBA Bulletin, Japan Monetary Policy Statement, BoJ Policy Decision + Press Conference, EU ECB Economic Bulletin, UK Retail Sales, UK BoE Policy Meeting + Statement, US Philly Manufacturing Index, Services and Manufacturing PMI for Major countries, Canada Retail Sales, BoE Quarterly Bulletin, Canada Retail Sales, US Existing Home Sales, US Bank Stress Results

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	97.053	0.04%	0.92%
EUR/\$	1.1275	-0.01%	-1.67%
GBP/\$	1.2677	0.02%	-0.60%
AUD /\$	0.6897	-0.26%	-2.16%
NZD/\$	0.6534	-0.52%	-2.75%
\$/JPY	108.30	0.07%	1.28%
\$/CAD	1.3340	-0.10%	2.23%
\$/CHF	0.9937	0.03%	-1.17%
\$/SEK	9.4914	-0.09%	-6.72%
\$/NOK	8.6856	-0.06%	-0.51%
\$/DKK	6.6231	-0.01%	-1.69%
\$/TRY	5.8660	0.05%	-9.83%
EUR/GBP	0.8894	0.04%	1.07%
EUR/JPY	122.11	0.09%	3.05%
EUR/CHF	1.1205	0.02%	0.45%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1353.40	0.83%	5.53%
Silver Spot \$/Oz	14.99	0.55%	-3.26%
Platinum Spot \$/Oz	813.52	0.10%	2.25%
Palladium Spot \$/Oz	1450.00	0.05%	14.92%
COPPER \$/lb	264.90	-0.28%	0.30%
WTI \$/bbl	52.36	0.15%	15.30%
BRENT \$/bbl	61.54	0.38%	14.39%

EQUITIES & BONDS

Asian stocks sagged on Friday ahead of key Chinese data that could provide more clues on how heavily the US-Sino trade war is weighing on the economy, while oil prices were supported by supply concerns after attacks on tankers in the Gulf of Oman. European shares looked to set open slightly higher, however, following overnight Wall Street gains. Pan-region Euro Stoxx 50 futures were up 0.09%, German DAX futures edged up 0.1% and Britain's FTSE futures added 0.18%. China will release May industrial production along with retail sales and investment numbers at 0700 GMT, and analysts expect any improvement from April's downbeat readings will be mostly marginal. But even if the data is better than forecast, expectations of more stimulus in China are growing as the Sino-US trade dispute threatens to escalate into a full-blown trade war that could push the global economy into recession. MSCI's broadest index of Asia-Pacific shares outside Japan edged down 0.3%. For the week, it was headed for a gain of 0.9%, as global stock markets were lifted by factors including expectations for Fed cuts and relief over a US-Mexico immigration deal that averted damaging tariffs.

US stocks rose on Thursday after two days of declines, as energy shares rebounded with oil on concerns of a supply disruption following attacks on two tankers in the Gulf of Oman. US Secretary of State Mike Pompeo said the US has assessed that Iran is responsible for the attacks, which occurred near Iran and the Strait of Hormuz, through which a fifth of global oil consumption passes. Oil futures settled more than 2% higher, while the S&P 500 energy index gained

MARKETS TODAY

EQUITIES & BONDS

1.3%, the most of the 11 major sectors. While the gains in energy shares helped the market, the tanker attacks added to potential worries for investors. Stocks have had a strong run in June so far on hopes the Fed will act to counter a slowing global economy due to the escalating trade war with China. The benchmark S&P 500 index is up about 5% so far for the month. But caution ahead of the Fed meeting next week and the Group of 20 summit at the end of the month limited the day's advance. Markets have been anticipating an interest rate cut at some point this year. Walt Disney Co shares gained 4.4%, giving the S&P 500 its biggest boost, after Morgan Stanley raised its forecast for Disney Plus subscriber growth. On the trade front, there were doubts of any improvement in what President Donald Trump called "testy" trade relations with China in the run-up to the G20. Several companies including furniture chain RH cited the potential impact of higher tariffs on their businesses in reports after the bell Wednesday, though RH said it has taken steps to mitigate the impact of tariffs and raised its outlook for the year. Twitter Inc shares fell 3.1% after brokerage Moffett Nathanson said it expects the social media company's costs to rise and revenue growth to slow.

All major Gulf stock markets declined yesterday as attacks on tankers in the Gulf of Oman dampened investor sentiment in the region. The Saudi index snapped a 5-day winning streak. The index fell 1.6% with 10 stocks declining for every one gaining. The index is still up over 14% year-to-date, outperforming its major Gulf peers in a rally led by foreign investors.

COMPANY NEWS HEADLINES

- The Trump administration is expanding efforts to block the use of Chinese technology in advanced vehicles, denying additional requests by Tesla for tariff relief on key components of its electric vehicles, and rejecting ride-hailing company Uber's petition to waive tariffs on electric scooters and at least 50 separate requests by GM.
- Broadcom on Thursday warned of a broad slowdown in chip demand, blaming a trade conflict between the US and China and export restrictions on Huawei and the chipmaker cut its revenue forecast for the year by 8%.
- Caterpillar Inc said on Thursday its retail sales for machines used in construction and mining in the Asia-Pacific region fell 4% for the rolling three-month period ended May, pointing to weakness in China.
- Exxon Mobil Corp and Saudi Basic Industries Corp said on Thursday they would start construction of a \$9bn petrochemical plant in Texas in Q3 that would have the world's largest ethane processing capacity.
- Volkswagen and Ford are close to reaching a deal on a partnership for developing self-driving and electric cars, the German carmaker's chief executive said on Thursday.
- Chewy Inc said on Thursday it priced its initial public offering at \$22 per share, above its target, and sold more stock than originally planned, valuing the online pet products retailer at \$8.77bn.
- Facebook is buying a stake in Indian e-commerce start-up Meesho, the head of the US tech giant's Indian business said on Thursday, looking to deepen its reach in one of the world's biggest internet markets.
- Yum Brands Inc's KFC is looking to tap into the popularity of plant-based protein foods by rolling out a vegan version of its classic chicken burger at some outlets in the UK.
- Canadian department store operator Hudson's Bay Co on Thursday posted a wider-than-expected loss as sales at its Lord & Taylor unit fell, but said it was optimistic about its ability to deal with the impact of US tariffs.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26106.77	0.39%	11.91%
S&P 500	2891.64	0.41%	15.35%
NASDAQ	7837.13	0.57%	18.11%
S&P/TSX	16239.26	0.07%	13.38%
EUROPE	LAST	1D	YTD
STXE 600	380.33	0.16%	12.64%
FTSE 100	7368.57	0.01%	9.52%
CAC 40	5375.63	0.01%	13.63%
DAX	12169.05	0.44%	15.25%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	8941.54	-1.58%	14.24%
NIKKEI 225	4963.69	-0.54%	0.99%
TOPIX	2633.00	-1.15%	4.08%
CSI 300 (China)	10515.88	-1.00%	2.11%
MENA	LAST	1D	YTD
Saudi Arabia	8941.54	-1.58%	14.24%
Abu Dhabi	4963.69	-0.54%	0.99%
Dubai	2633.00	-1.15%	4.08%
Qatar	10515.88	-1.00%	2.11%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0770	-0.0175	-0.6072
Germany	-0.2540	-0.0130	-0.4960
U.K.	0.8350	-0.0320	-0.4420
Australia	1.3700	-0.0330	-0.9480

TOP SELECTED NEWS

EU plans easier restructuring of euro zone bonds from 2022: draft

(Reuters) EU finance ministers are on Thursday discussing new rules that would make it easier to restructure euro zone sovereign bonds, a draft document shows - a move that could drive up yields of high-debt states. Under the measure, part of a set of reforms that could be approved at Thursday's meeting, holders of debt issued by one of the 19 euro zone countries would find their power to block bond restructuring or haircuts vastly reduced. If approved, it would apply to bonds issued on or after Jan. 1, 2022 and with maturities above one year, the confidential document seen by Reuters says.

China hikes anti-dumping duties on some US, EU steel tubes and pipes

(Reuters) China said on Friday it was raising anti-dumping duties on certain alloy-steel seamless tubes and pipes used at utilities and imported from the US and the EU. The anti-dumping tax rates applicable to the steel tubes and pipes are set between 57.9% and 147.8% on companies in the US and the EU, effective June 14, China's Ministry of Commerce said in a statement on Friday. The new tariffs are as much as 10 times the previous rates of 13%-14.1%, which were imposed in 2014 and expired on May 10.

TOP SELECTED NEWS

Trump talks trade with Apple CEO Cook as China dispute looms

(Reuters) US President Donald Trump met with Apple CEO Tim Cook on Thursday to discuss trade and other hot-button issues facing the tech company as Trump deliberates whether to make good on his threat to hike tariffs on imports from China. Trump's meeting with Cook was disclosed by daughter and adviser Ivanka Trump during an event that Trump held with governors on skills development. Cook is a frequent visitor to the White House and has worked with Ivanka Trump on her job training and education initiatives. The president often name-checks Cook as a business leader who has brought jobs and investment back to the US.

Volkswagen aims to raise 1.9 billion euros from truck unit IPO

(Reuters) Volkswagen on Friday said it aims to raise up to 1.9 bn euros by floating a stake of at least 10% in its Traton trucks unit later this month, its second attempt to bring the business to market. The stake size is at the bottom end of a range of 10%-20% that sources had earlier indicated. The German carmaker said in a statement that the offering would be priced at 27-33 euros per share and create a free float of 10-11.5%, depending on whether banks running the initial public offering exercise an over-allotment option. VW seeks to capitalize on the premium that truck stocks command over autos, and create an acquisition currency.

Huawei says it is readying possible Hongmeng software roll-out

(Reuters) An executive of China's Huawei, which has been banned from working with US tech firms, said on Thursday that the telecoms giant is in the process of potentially launching its "Hongmeng" operating system (OS) to replace the US Android OS. Andrew Williamson, vice president of Huawei Technologies Co Ltd's public affairs and communications, said in an interview that the company will "presumably" trademark Hongmeng, which he said has likely been rolled out to a million devices in China. Williamson said he expected 2019 revenue growth would be almost flat at around 20%, compared with last year's expansion of 19.5%. Huawei said in March its three main business groups were likely to post double-digit growth this year.

Airbus may make the next version of its top-selling jet a hybrid

(Bloomberg) Airbus SE is considering bringing the world's first hybrid-electric airliner to market as it weighs its strategy for replacing the bread-and-butter A320neo narrow-body in the next 15 years -- a move that would mark a technological leap for the aerospace industry. The European plane-maker has grown confident that the revolutionary propulsion system will be ready for roll-out on an all-new single-aisle jet around 2035, according to people with knowledge of its planning. While the company has been public about its interest in hybrid engines, Airbus is now willing to consider powering its most important aircraft with the technology, said the people, who asked not to be named discussing internal deliberations.

Alibaba is said to have filed for a Hong Kong mega-listing

(Bloomberg) 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. The online emporium filed a stock listing application with the exchange this week without the need for financial disclosures, the people said, requesting not to be named because the matter is private. It is said to have picked China International Capital Corp. and Credit Suisse as lead banks. The offering from China's largest corporation could raise as much as \$20bn, though Alibaba hasn't finalized its fundraising target, the people said. An Alibaba representative declined to comment.

Fannie, Freddie government guarantee should be limited: US housing finance chief

(Reuters) The head of the US Federal Housing Finance Agency (FHFA) said on Thursday that Congress should create a "limited" explicit guarantee for government-sponsored enterprises Fannie Mae and Freddie Mac. "The explicit guarantee should be limited, clearly defined, and paid for," Mark Calabria told an audience in Washington. Fannie and Freddie have operated under government conservatorship since they were bailed out during the 2008 subprime mortgage crisis.

MARKETS TODAY

Friday, June 14, 2019

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