

MARKETS TODAY

Tuesday, June 18, 2019

MARKETS IN BRIEF

- Australian dollar continued to trade under pressure after the RBA's minutes signaled that further rate cuts were highly possible. AUD/USD hit earlier \$0.6833, its lowest since January 3.
- British pound dropped with higher risk of a "no deal" Brexit. GBP/USD hit earlier \$1.2512, its lowest since January 3. EUR/GBP hit 89.75 pence, its highest since January 15.
- Japanese yen rose helped by more risk aversion in the markets.
- U.S. dollars weakened against its rivals, heading back to ward 3-month lows. Investors remain focused on Fed's policy decision tomorrow.
- Euro traders cautiously awaited inflation data and Draghi's comments later in the day.
- Gold prices jumped benefiting from a weaker dollar.
- Oil prices eased for the second day on worries that trade conflicts will lead to global economic slowdown. However, recent geopolitical tensions could limit further drop in prices.
- U.S. stocks edged higher yesterday, supported by Facebook, Amazon and Apple, as investors awaited a key Fed meeting.
- Asian stocks lifted today but cautiousness persisted.

RBA signaling another rate cut

Australia's central bank believes it will likely have to cut interest rates further from the current record low of 1.25% in order to push down unemployment and revive growth in wages and inflation. Minutes of RBA's June policy meeting showed its Board decided cutting rates by a quarter point at that meeting would help speed up the economy, but would not be enough on its own. Financial markets have already priced in another rate cut to 1% by August and a further move to 0.75% by early next year. The Board also noted that lower rate were not the only policy option available to assist with unemployment, echoing calls by RBA Gov. Philip Lowe for government action on infrastructure spending and economic reform.

| FX & COMMODITIES | LAST | 1D |
|-------------------|----------|---------|
| EUR/\$ | 1.1239 | 0.19% |
| GBP/\$ | 1.2533 | -0.01% |
| AUD /\$ | 0.6838 | -0.22% |
| \$/JPY | 108.24 | 0.28% |
| \$/CAD | 1.3418 | -0.04% |
| Gold \$ | 1346.01 | 0.47% |
| WTI \$ | 51.69 | -0.46% |
| BRENT \$ | 60.54 | -0.66% |
| AMERICA | | |
| DOW JONES | 26112.53 | 0.09% |
| S&P 500 | 2889.67 | 0.09% |
| NASDAQ | 7845.02 | 0.62% |
| EUROPE | | |
| STXE 600 | 378.46 | -0.09% |
| CAC 40 | 5390.95 | 0.43% |
| DAX | 12085.82 | -0.09% |
| ASIA PACIFIC | | |
| S&P/ASX 200 | 6570.00 | 0.60% |
| NIKKEI 225 | 20972.71 | -0.72% |
| CSI 300 (China) | 3667.62 | 0.35% |
| MENA | | |
| Saudi Arabia | 8975.63 | 1.00% |
| Dubai | 2604.91 | -0.36% |
| Qatar | 10390.08 | -0.85% |
| BONDS | | |
| U.S. 10-year | 2.0699 | -0.0243 |
| German Bund 10-yr | -0.2530 | -0.0090 |
| AU 10-year | 1.3690 | -0.0190 |

China's U.S. Treasuries holdings lowest in 2 years

China's holdings of US Treasury bonds and notes for the month of April fell to the lowest level since May 2017, data from the US Treasury department showed on Monday, highlighting an uncertain outlook on a trade deal between Beijing and Washington. Chinese holdings of US government debt declined for a second straight month, to \$1.113tn in April, from \$1.120tn the previous month. Even so, the world's second-largest economy remains the largest non-US holder of Treasuries.

Another round of voting for Tory leadership

The UK's Tory leadership campaign moves up a gear today with round two of the ballot of party lawmakers. The candidate who finishes last is out of the process, as is any other contender who fails to get 33 votes. If necessary, there'll be more votes tomorrow and Thursday to pare the list to the two who'll go before party members. Boris Johnson remained the favorite after picking up new endorsements. Conservative MPs will vote by secret ballot in the Commons, with a result expected some time after 20:00 LT.

European yields under pressure before Draghi's speech

Euro zone government bond yields fell on Tuesday before a speech by European Central Bank chief Mario Draghi, with investors watching for any signs of monetary policy action in the face of record-low inflation expectations. Confirmation of euro zone inflation data for the month of May could underline the need for central bank action. Draghi's speech is expected at 11:00 LT and the inflation data at 12:00 LT. Euro zone government bond yields were lower, with German 10-year yields, dropping to -0.254%, heading towards last week's -0.27% record low.

| BEIRUT S.E. | LAST | 1D |
|-----------------|-------|-------|
| SOLIDERE—A | 5.49 | 3.98% |
| SOLIDERE—B | 5.37 | 3.27% |
| 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 Australian dollar on Tuesday eased to its lowest levels since early January after the nation's central bank flagged a further rate cut. With markets focused on US Fed and Bank of Japan meetings later this week, traders latched on to minutes of the RBA June meeting which showed policymakers were prepared to cut rates once more to revive wages growth and inflation. The RBA minutes sent the Aussie slumping to \$0.6833, its lowest since the flash crash of early January. It was last fetching \$0.6838. Markets are pricing in about 50% chance of another rate cut next month by the RBA, which delivered its first easing in almost three years just two weeks ago.

The British pound was hobbled by rising worries of a no-deal Brexit. The pound was under pressure after former foreign minister Boris Johnson got a boost on Monday in his campaign to become prime minister as one of his former rivals and EU supporter Matt Hancock backed him. That rattled markets as Johnson, the face of the official campaign to leave the EU in the 2016 referendum, has promised to lead Britain out of the EU with or without a deal. The pound, which tumbled to a 5-1/2-month low of \$1.2516 on Monday, last traded at \$1.2533. It also fell to its weakest level since

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January against the euro, which climbed to 89.74 pence, compared to a 2-year low of 84.56 touched just over a month ago. The pound could be in for a rough ride in coming days, with a raft of potentially market-moving events ahead, including consumer inflation and retail sales data, due on Wednesday and Thursday respectively, and the Bank of England's policy announcement on Thursday.

The US dollar weakened against its rivals, heading back towards a recent three-month low before a US central bank meeting gets underway with expectations growing the Fed will signal its first rate cut in a decade. A CME Fedwatch tool puts the probability of a quarter-point interest rate cut by the Fed at 20%, with a 70% probability of a rate cut at its next meeting in July. But with so much dovishness already priced into the markets and the dollar having weakened 1% over the past three weeks, some market analysts say the greenback may strengthen if the Fed signals a more neutral stance. The dollar index measuring its value against six major currencies also declined slightly to 97.446, undermined by the New York Fed's business index fell this month by a record to reach its weakest level in more than 2-1/2 years.

The euro wallowed at the lower end of a recent trading range against the dollar, holding above the \$1.12 line, as markets awaited a speech by European Central Bank chief Mario Draghi where he might shed some more light on how policymakers will fight the next economic downturn. With benchmark interest rates in the eurozone already in negative territory and inflation expectations well below central bank forecasts, financial markets will be closely watching Draghi's comments.

Gold prices rose as the dollar retreated from multi-week highs ahead of the US Fed's 2-day monetary policy meeting. Spot gold gained 0.47% to \$1,346.01 per ounce. Among other precious metals, silver was up 0.31% at \$14.89 per ounce. Palladium rose 1.67% to \$1,482.34 per ounce, the level last seen on March 27. Platinum gained 0.55% to \$799.63 an ounce. However, the metal fell to its lowest since May 31 at \$786 earlier in the session.

Oil prices eased for a second day on Tuesday on signs that global economic growth is being hit by the US-China trade war, although losses were limited by tensions in the Middle East after last week's tanker attacks. Brent crude futures were trading down 0.66%, at \$60.54 a barrel. They fell 1.7% in the previous session on concerns about slowing global growth. US West Texas Intermediate (WTI) crude futures were down 0.46%, at \$51.69. They dropped 1.1% on Monday.

ECONOMIC CALENDAR

| CURRENCY - TIME (LT) | EVENT | FCAST | PRIOR |
|----------------------|-------------------------------|-------|-------|
| EUR—11:00 | ECB Draghi speaks | | |
| EUR—12:00 | German ZEW Economic Sentiment | -5.7 | -2.1 |
| EUR—12:00 | Eurozone Final CPI YoY | 1.20% | 1.20% |
| USD—15:30 | US Building Permits | 1.30m | 1.29m |
| GBP—17:00 | UK BoE Gov. Carney speaks | | |

Wednesday: Japan Trade Balance, Eurozone Current Account, UK CPI, PPI, HPI, RPI, Canada Inflation, FOMC Policy Decision + Press Conference

Thursday: 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

Friday: Services and Manufacturing PMI for Major countries, Canada Retail Sales, BoE Quarterly Bulletin, Canada Retail Sales, US Existing Home Sales, US Bank Stress Results

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| CURRENCIES | LAST | 1D | YTD |
|----------------------|---------|--------|--------|
| DXY | 97.407 | -0.15% | 1.28% |
| EUR/\$ | 1.1239 | 0.19% | -1.99% |
| GBP/\$ | 1.2533 | -0.01% | -1.73% |
| AUD /\$ | 0.6838 | -0.22% | -2.99% |
| NZD/\$ | 0.6496 | 0.02% | -3.32% |
| \$/JPY | 108.24 | 0.28% | 1.34% |
| \$/CAD | 1.3418 | -0.04% | 1.63% |
| \$/CHF | 0.9972 | 0.19% | -1.51% |
| \$/SEK | 9.4680 | 0.13% | -6.49% |
| \$/NOK | 8.7267 | 0.09% | -0.98% |
| \$/DKK | 6.6442 | 0.19% | -2.00% |
| \$/TRY | 5.8686 | 0.08% | -9.87% |
| EUR/GBP | 0.8967 | -0.19% | 0.25% |
| EUR/JPY | 121.64 | 0.11% | 3.44% |
| EUR/CHF | 1.1207 | 0.01% | 0.43% |
| COMMODITIES | LAST | 1D | YTD |
| Gold Spot \$/Oz | 1346.01 | 0.47% | 4.95% |
| Silver Spot \$/Oz | 14.89 | 0.31% | -3.93% |
| Platinum Spot \$/Oz | 799.63 | 0.55% | 0.50% |
| Palladium Spot \$/Oz | 1482.34 | 1.67% | 17.48% |
| COPPER \$/lb | 265.00 | 0.13% | 0.21% |
| WTI \$/bbl | 51.69 | -0.46% | 13.83% |
| BRENT \$/bbl | 60.54 | -0.66% | 12.53% |

EQUITIES & BONDS

Most Asian stock markets rose on Tuesday but gains were capped by investor caution ahead of a US Fed policy decision. MSCI's broadest index of Asia-Pacific shares outside Japan edged up 0.6%, while Japan's Nikkei dipped 0.7%. The Shanghai Composite Index flitted in and out of positive territory and was last seen up 0.1%. Hong Kong's Hang Seng rose over 1% and Korea's KOSPI climbed 0.4%. Australian shares closed up 0.6% at their highest in more than 11 years as an indication of more policy easing by the country's central bank triggered strong buying. The Fed, facing fresh demands by US President Donald Trump to cut interest rates, begins a two-day meeting later on Tuesday. The central bank is expected to leave borrowing costs unchanged this time but possibly lay the groundwork for a rate cut later this year. Hopes for looser US monetary policy have been a tonic for riskier assets, which were buffeted last month by an escalation in the trade conflict between Washington and Beijing. The S&P 500 has gained 5% this month after sliding in May.

US stocks edged higher on Monday, supported by Facebook, Amazon and Apple, as investors awaited a key Fed meeting that is expected to lay the groundwork for an interest rate cut later this year. The US central bank is expected to leave borrowing costs unchanged at its two-day policy meeting starting Tuesday, but its statement will provide insight into the impact of the US-China trade war, Trump's calls for a rate cut and weaker economic data. With investors expecting a rate cut as early as July, the S&P 500 index has risen 5% this month after tumbling in May due to

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fears about the US-China trade war. Buttressing expectations of a rate cut this year, the New York Fed said its Empire State gauge of business growth in New York state posted a record fall this month to its weakest level in more than 2-1/2 years, suggesting an abrupt contraction in regional activity. The Fed's rate-setting committee is due to release its statement on Wednesday, with Fed Chair Jerome Powell holding a press conference shortly after. The S&P banks index, which tend to benefit from a rising interest rate environment, dropped 1%, while the broader S&P 500 financial sector fell 0.93%. Volatile investor favorites Facebook, Apple, Amazon, Microsoft and Netflix pushed the Nasdaq higher. The S&P 500 was up as much as 0.36% during the session before giving up most of its gain in the final few minutes of trade. The Nasdaq Composite added 0.62% to 7,845.02. Keeping the gains in check for the blue-chip Dow index was a 3.5% decline in Dow Inc after brokerage BMO Capital Markets downgraded the chemicals maker's stock to "market perform" on rising macro uncertainty. The Philadelphia Semiconductor Index dropped 0.64%, hurt by a 2.8% decline in Advanced Micro Devices and a 2.43% fall in Lam Research. US chip stocks have been whipsawed in recent weeks by uncertainty related to the trade dispute, and by Washington's move in May to blacklist Chinese technology company Huawei. Array Biopharma Inc surged nearly 57% after Pfizer Inc agreed to buy the drugmaker for \$10.64bn to beef up its cancer portfolio. Pfizer was mostly unchanged. Investors are also looking forward to the G20 summit at the end of the month for an update on the progress in talks to resolve the prolonged trade war between the US and China.

Gulf stock markets were mixed yesterday. The Saudi index rose moderately, recovering some losses from previous sessions with most of its stocks gaining. Abu Dhabi and Qatar extended losses following last week's oil tanker attacks.

COMPANY NEWS HEADLINES

- Alibaba Group Holding Ltd on Tuesday said its chief financial officer, Maggie Wu, will oversee the firm's strategic acquisitions and investments unit, as part of a business and management reshuffle at the e-commerce giant.
- US cable provider Comcast Corp on Tuesday launched a program to further develop an advertising strategy that better targets audiences, as the TV industry looks to lure more advertisers away from digital players like Facebook Inc and Alphabet Inc's Google.
- American Airlines is edging towards a deal with Airbus to buy up to 50 newly launched A321XLR extended-range narrow-body aircraft including some converted from existing orders of other models, (Reuters sources).
- The US Justice Department said on Monday it had settled antitrust charges with CBS Corp , Cox Enterprises Inc, E.W. Scripps Co, Fox Corp and Tegna Inc, which were accused of sharing competitively sensitive information.
- US regional bank Prosperity Bancshares Inc said on Monday it would buy Plano, Texas-based peer LegacyTexas Financial Group Inc for \$2.1bn, creating the second-biggest bank by deposits in the state.
- Siltronic, a German maker of wafers used to make silicon chips, became the latest firm in the semiconductor industry to warn that US restrictions on exports to China would hit sales and profitability.
- VBI Vaccines said on Monday a late-stage study was unsuccessful in showing two doses of its hepatitis B vaccine were as effective as three doses of an older vaccine from GlaxoSmithKline, sending its shares plunging 66%.
- Infineon Technologies said on Monday it was launching an accelerated capital increase to raise 1.5bn euros (\$1.68bn) towards the cost of its planned acquisition of Cypress Semiconductor.
- Brazilian conglomerate Odebrecht SA filed for bankruptcy protection on Monday, aiming to restructure 51bn reais (\$13bn) in debt, according to a statement.

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|-----------------|----------|---------|---------|
| DOW JONES | 26112.53 | 0.09% | 11.94% |
| S&P 500 | 2889.67 | 0.09% | 15.27% |
| NASDAQ | 7845.02 | 0.62% | 18.23% |
| S&P/TSX | 16353.46 | 0.32% | 14.18% |
| EUROPE | LAST | 1D | YTD |
| STXE 600 | 378.46 | -0.09% | 12.09% |
| FTSE 100 | 7357.31 | 0.16% | 9.35% |
| CAC 40 | 5390.95 | 0.43% | 13.96% |
| DAX | 12085.82 | -0.09% | 14.46% |
| ASIA PACIFIC | LAST | 1D | YTD |
| S&P/ASX 200 | 6570.00 | 0.60% | 16.36% |
| NIKKEI 225 | 20972.71 | -0.72% | 4.79% |
| TOPIX | 1528.67 | -0.72% | 2.31% |
| CSI 300 (China) | 3667.62 | 0.35% | 21.82% |
| MENA | LAST | 1D | YTD |
| Saudi Arabia | 8975.63 | 1.00% | 14.68% |
| Abu Dhabi | 4908.96 | 0.16% | -0.12% |
| Dubai | 2604.91 | -0.36% | 2.97% |
| Qatar | 10390.08 | -0.85% | 0.88% |
| 10-YEAR BONDS | LAST | 1D | YTD |
| U.S. | 2.0699 | -0.0243 | -0.6143 |
| Germany | -0.2530 | -0.0090 | -0.4950 |
| U.K. | 0.8410 | -0.0090 | -0.4360 |
| Australia | 1.3690 | -0.0190 | -0.9490 |

TOP SELECTED NEWS

Italy's budget fight with Brussels shifts focus to 2020: sources

(Reuters) Italy believes it can satisfy the European Commission's demands over its public accounts for this year, but the real sticking point in negotiations is now about 2020, government sources say. Brussels has threatened Italy with disciplinary action that would entail closer oversight of its fiscal policy and could eventually lead to fines. It complains Rome did not cut its public debt in 2018 as promised, and sees it continuing to rise this year and next unless the anti-austerity government adopts belt-tightening measures. The government in Rome now believes its 2019 budget deficit will come in at 2% of gross domestic product - a level already accepted by the Commission in December, a government source said, but Brussels also wants commitments for 2020.

Deutsche Bank's next overhaul takes shape with trading cuts

(Bloomberg) A little over one year since Deutsche Bank AG Chief Executive Officer Christian Sewing unveiled his first turnaround plan, his second is taking shape. Sewing is zeroing in on another round of deep trading cuts that may result in the shuttering of US equities trading, as well as the creation of a non-core unit to wind down as much as 50bn euros (\$56bn) in unwanted assets, according to a person familiar with the matter. Cuts to the rates business are also



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likely, said the person, asking not to be identified in disclosing the private deliberations. A complete exit from US equities trading isn't the favored outcome at this point because the lender wants to be able to meet the needs of European clients seeking access to US markets, the person said. Members of the supervisory board discussed options on a call last week, said another person.

French drugmaker Sanofi, Google to use data tech for innovations

(Reuters) French healthcare company Sanofi has teamed up with Google to work on innovations, aimed at using emerging data technologies to change how medicines and health services will be delivered in future. Sanofi and Google will use data sets to improve their understanding of key diseases and extract patients' insights and feedback, the companies said in a joint statement. "Combining Sanofi's biologic innovations and scientific data with Google's industry-leading capabilities, from cloud computing to state-of-the-art artificial intelligence, we aspire to give people more control over their health and accelerate the discovery of new therapies," said Ameet Nathwani, chief medical officer and executive vice-president, Sanofi.

Boeing says has no plans to change name of 737 max

(Reuters) Boeing Co said on Monday it had no plans to change the name of the 737 MAX after news reports that it would be prepared to do so to improve its future marketing. "Our immediate focus is the safe return of the MAX to service and re-earning the trust of airlines and the traveling public," a spokesman said in an emailed statement. "We remain open-minded to all input from customers and other stakeholders, but have no plans at this time to change the name of the 737 MAX." Bloomberg News earlier quoted Chief Financial Officer Greg Smith as saying that if Boeing needed to change the brand it would "address" that. The report also said Boeing executives insisted they had no immediate plans to drop the MAX name.

Airbus gets leg up on Boeing with order for new long-range jet

(Bloomberg) Airbus SE won its first order for a new longer range model, the A321XLR, and pressed its advantage over rival Boeing Co., which is still trying to get its most-popular narrow-body back into the skies after two fatal crashes. The European manufacturer gave details about the A321XLR on the first day of the Paris Air Show on Monday and said Air Lease Corp. ordered 27 as part of a larger 100-plane contract worth \$11bn at list prices, confirming an earlier report by Bloomberg. The A321XLR could fly on trans-Atlantic routes and has a range of 4,700 nautical miles.

Telecom titan Patrick Drahi is buying Sotheby's for \$2.7 billion

(Bloomberg) Telecom titan Patrick Drahi is buying Sotheby's for \$2.7bn, taking it private after more than three decades as a public company, and placing the world's two leading auction houses under the control of Frenchbnaires. Sotheby's shares had taken a beating in the past year as the company battled expenses and margins even as masterpieces and contemporary works set auction records. Activist investor Dan Loeb, whose Third Point hedge fund is the second-largest shareholder, had waged a battle against the auction house after first reporting a stake in 2013. Drahi, who controls Altice Europe NV, a publicly traded telecommunications business with more than 30mn customers, has the money and background. An avid art collector, he's worth \$8.6bn, according to the Bloombergbnaires Index.

Banks to include CO2 emission measures in shipping loan decisions

(Reuters) A group of leading banks will for the first time include efforts to cut carbon dioxide emissions in their decision making when providing shipping company loans, executives said on Tuesday. International shipping accounts for 2.2% of global carbon dioxide (CO2) emissions and the U.N.'s International Maritime Organization (IMO), has a long-term goal to cut greenhouse gas emissions by 50% from 2008 levels by 2050. Working with non-profit organizations the Global Maritime Forum, the Rocky Mountain Institute and London University's UCL Energy Institute, 11 banks have established a framework to measure the carbon intensity of shipping finance portfolios.

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