

MARKETS TODAY

Monday, June 24, 2019

MARKETS IN BRIEF

- Global markets started the week with confusion. There are some hopes about U.S. and China resuming their trade talks during G20 meetings. However, on the other side, escalations between the U.S. and Iran were weighing down on investors' risk sentiment.
- Asian stocks drifted higher along with U.S. equity-index futures. Chinese stocks ended flat.
- Cautiousness kept the safe-haven gold above \$1400 level. The metal hit on Friday \$1411.63, its highest since September 2013.
- Australian dollar hit a 2-week high after RBA Gov. Lowe supported those questioning the effectiveness of a new round of monetary policy easing by major economies in supporting growth.
- Turkish lira jumped after the Turkish opposition candidate secured a landslide victory in a rerun of mayoral elections in Istanbul.
- U.S. dollar continued to trade under pressure as the Fed last week opened the door for potential interest rate cuts.
- Oil extended its rally after posting its biggest weekly gain in more than two years.
- U.S. stocks edged lower on Friday with the S&P 500 briefly hitting a record high.
- Bitcoin surged past \$11,000 for the first time in 15 month.

Geo-political tensions on the rise

Trump is threatening Iran with additional sanctions as soon as Monday, but there's not much left for the US to target because most of the economy is already crippled under the weight of financial restrictions. The US has previously sanctioned economically significant sectors of Iran such as oil, banks and steel, leaving smaller targets including certain exports not restricted so far and more government officials. Trump could also hit Iran's central bank with secondary sanctions, but that would come at the risk of hurting humanitarian trade. Trump said he's ready to talk with no preconditions, but military action is "always on the table," and if Iran's leadership "behaves badly". He told NBC the goal is to keep Iran from getting nuclear weapons.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1383	0.12%
GBP/\$	1.2758	0.16%
AUD /\$	0.6956	0.43%
\$/JPY	107.43	-0.10%
\$/CAD	1.3188	0.26%
Gold \$	1403.52	0.28%
WTI \$	58.09	1.15%
BRENT \$	65.62	0.64%
AMERICA		
DOW JONES	26719.13	-0.13%
S&P 500	2950.46	-0.13%
NASDAQ	8031.71	-0.24%
EUROPE		
STXE 600	384.76	-0.36%
CAC 40	5528.33	-0.13%
DAX	12339.92	-0.13%
ASIA PACIFIC		
S&P/ASX 200	6665.40	0.22%
NIKKEI 225	21285.99	0.13%
CSI 300 (China)	3833.96	0.00%
MENA		
Saudi Arabia	8739.16	-1.47%
Dubai	2639.75	-0.72%
Qatar	10551.43	-1.28%
BONDS		
U.S. 10-year	2.0418	-0.0122
German Bund 10-yr	-0.3010	-0.0160
AU 10-year	1.2960	0.0160

MARKETS TODAY

Johnson facing more scrutiny

Boris Johnson faced fresh pressure in his bid to become UK prime minister amid calls for him to answer questions about a spat with his partner that brought the police to his London home and signs he may be losing some wider public support. A Mail on Sunday survey showed Jeremy Hunt overtook Boris Johnson in popularity among the general public, with Johnson's support among Conservative backers narrowing since Thursday. A separate ComRes survey of 510 Tory councilors for the Sunday Telegraph showed 61% intend to vote for the former London mayor.

Erdogan hit hard; lira jumps

Turkish opposition candidate Ekrem Imamoglu won the redo of the Istanbul mayor's race by a landslide on Sunday, in a stinging indictment of President Erdogan's economic policies and his refusal to accept an earlier defeat. Imamoglu, backed by opposition parties including CHP, won 54% of the vote, and the ruling AK Party's candidate, former PM Binali Yildirim captured 45%, according to state media. The margin of victory was much bigger than in March's contested election, and lays bare new vulnerabilities for Erdogan, who congratulated the victor.

Lowe questioning the effectiveness of more easing

Australian central bank chief Philip Lowe threw his support behind those casting doubt on how effective a new round of monetary policy easing by major economies would be in supporting global growth. Lowe, in a panel discussion in Canberra Monday, highlighted the shift in the past three months to markets pricing in interest-rate cuts for the US, euro area and Japan over the next year. The problem, he said, is that the exchange rate is an "important channel" through which easing stimulates growth.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.37	3.75%
SOLIDERE—B	6.22	3.49%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.00	-
BLOM BANK	8.00	-
BYBLOS BANK	1.23	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The euro advanced to a 3-month high against the dollar on Monday, as bearish bets on the US currency remained solid after the Fed signaled last week it could soon cut interest rates. The euro stretched its rally last week, when it added 1.4%, and rose about 0.15% to \$1.1386 in early Asian trade, its highest since March 22. It last traded at \$1.1383.

The US dollar was a shade lower, having struck 96.093 on Friday, its lowest since March 21, after the Fed last week opened the door for a potential rate cut as early as next month. That weighed on the dollar and in turn reinvigorated its counterparts such as the euro, which has had troubles of its own including Italy's debt problem and the possibility of the ECB having to ease policy. The dollar nudged up 0.10% to 107.43 yen after retreating to a near 6-m low of 107.05 on Friday. The USD was pressured further against the yen, which often serves as a safe haven in times of political angst, as tensions grew between Iran and the US. In focus was whether Washington and Beijing can resolve their trade dispute at a summit in Japan this week of leaders from G20 leading world economies. Both China and the US should make compromises in trade talks, Chinese Vice Commerce Minister Wang Shouwen said on Monday.

MARKETS TODAY

FX & COMMODITIES

The Australian dollar rose to a 12-day high of \$0.6961 after Reserve Bank of Australia (RBA) Governor Philip Lowe said it would be legitimate to question the effectiveness of global monetary policy easing to boost economic growth. The comments were perceived to be slightly less dovish as just last week Lowe said a recent cut in Australia interest rates to an all-time low of 1.25% would not be enough to revive economic growth. The Aussie was already on a steady footing after rebounding from a 5-month low of \$0.6832 last week when the Fed's tilt towards monetary easing helped offset bearishness from the probability of policy easing in countries including Australia and New Zealand.

The New Zealand dollar traded near a 10-day peak of \$0.6605 scaled on Friday although the Reserve Bank of New Zealand (RBNZ) is expected to echo the dovish sentiments of other central banks when it holds a policy meeting on Wednesday.

The Turkish lira strengthened after the opposition dealt a stinging blow to President Tayyip Erdogan by winning control of Istanbul in a re-run mayoral election on Sunday. The lira firmed to 5.72 overnight after the outcome emerged, rallying from a close of 5.8140 on Friday. Ekrem Imamoglu of the Republican People's Party (CHP) secured 54% of votes, Turkish broadcasters said - a far wider victory margin than his narrow win three months ago.

Gold prices advanced on Monday, hovering near a six-year high touched in the previous session, as dovish signals from major central banks and heightened tensions between the US and Iran boosted demand for the safe-haven metal. Spot gold was up 0.28% at \$1,403.52 per ounce, heading for a fifth straight session of gains. Gold prices hit \$1,410.78 on Friday, their highest since Sept. 4, 2013.

Oil prices rose to extend gains from last week, bolstered as tensions remain high between Iran and the US after US Secretary of State Mike Pompeo said "significant" sanctions would be announced on Tehran. Brent futures were up 0.64%, at \$65.62 a barrel. West Texas Intermediate crude was up 1.15%, at \$58.09 a barrel. US President Donald Trump said last week that he called off a military strike to retaliate for Iran's downing of an unmanned US drone, and he said on Sunday that he was not seeking war with Iran. But Pompeo also said "significant" sanctions on Iran would be announced on Monday aimed at further choking off resources that Tehran uses to fund its activities in the region.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—11:00	German Ifo Business Climate	97.4	97.9
NZD—01:45	NZ Trade Balance	200m	433m

Tuesday: NZ Trade Balance, Japan BoJ Policy Meeting Minutes, OPEC Meetings, US HPI MoM, US S&P/CS Composite-20 HPI YoY, US CB Consumer Confidence, Fed Chair Powell speaks

Wednesday: NZ RBNZ Policy Decision + Statement, German Gfk Consumer Climate, UK Inflation Report Hearings, US Durable Goods, EIA Weekly Report

Thursday: Japan Retail Sales, German Prelim CPI MoM, US Final GDP QoQ, US Pending Home Sales, US Initial Jobless Claims, US Fed Bank Stress Results

Friday: G20-Meetings, Japan CPI, Housing Starts, German Import Prices, French Prelim CPI, UK Current Account, UK Final GDP QoQ, Eurozone CPI Flash Estimate YoY, Canada GDP MoM, US Core PCE Price Index, US Personal Spending, US Revised UoM Consumer Sentiment, Canada BoC Business Outlook Survey

Saturday: G20-Meetings

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	96.097	-0.13%	-0.08%
EUR/\$	1.1383	0.12%	-0.73%
GBP/\$	1.2758	0.16%	0.03%
AUD /\$	0.6956	0.43%	-1.32%
NZD/\$	0.6613	0.36%	-1.58%
\$/JPY	107.43	-0.10%	2.10%
\$/CAD	1.3188	0.26%	3.40%
\$/CHF	0.9770	-0.05%	0.52%
\$/SEK	9.3307	0.23%	-5.12%
\$/NOK	8.4808	0.23%	1.89%
\$/DKK	6.5593	0.12%	-0.73%
\$/TRY	5.7152	1.79%	-7.45%
EUR/GBP	0.8923	-0.01%	0.75%
EUR/JPY	122.29	-0.25%	2.89%
EUR/CHF	1.1121	-0.17%	1.21%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1403.52	0.28%	9.44%
Silver Spot \$/Oz	15.35	0.05%	-0.91%
Platinum Spot \$/Oz	812.80	0.36%	2.16%
Palladium Spot \$/Oz	1516.55	0.80%	20.19%
COPPER \$/lb	269.95	-0.17%	2.08%
WTI \$/bbl	58.09	1.15%	27.92%
BRENT \$/bbl	65.62	0.64%	21.97%

EQUITIES & BONDS

Asian stocks inched higher on Monday on hopes that US and Chinese leaders will be able to get trade talks back on track this week. European markets are set to trade generally higher, with the pan-region Euro Stoxx 50 futures up 0.2%, London's FTSE futures up 0.1% in early trade, and German DAX futures flat. In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.2%, hovering not far from Thursday's 6-week high, while Japan's Nikkei average was gained 0.1%. In China, the Shanghai Composite, the blue-chip CSI 300, and Hong Kong's Hang Seng were all flat.

US stocks edged lower on Friday, as US Vice President Mike Pence's decision to defer a speech on China policy increased optimism on upcoming trade talks between Washington and Beijing, while tensions between the US and Iran undercut sentiment. The S&P 500 briefly hit a record high. Pence called off a planned China speech that had been cast initially as a sequel to a blistering broadside he delivered in October, a move aimed at averting increasing tensions with Beijing, a White House official said. The benchmark S&P 500 index hit an intraday record high of 2,964.15, but then stepped back as the rising tensions between the US and Iran kept investors on edge. Top for investors next week, US President Donald Trump and Chinese President Xi Jinping are expected to restart trade talks at the Group of 20 summit in Japan on June 28-29. Stocks logged a third straight week of gains after posting their worst monthly performance this year in May on fears the prolonged trade war would hit global economic growth. Trump said on

MARKETS TODAY

EQUITIES & BONDS

Friday he aborted a military strike on Iran in response to Teheran's downing of a US drone, but the possibility of a US retaliation pushed crude prices higher and helped lift the energy sector by 0.82%. The tech-heavy Nasdaq was weighed down by a 2.2% fall in PayPal Holdings Inc after the digital payments company said its chief operating officer, Bill Ready, would step down. For the week, the S&P 500 climbed 2.20%, the Dow added 2.41% and the Nasdaq rose 3.02%. During Friday's session, CarMax Inc rose as much as 3.2% to a record high after the used-vehicles retailer posted quarterly results above analysts' expectations. Carnival Corp fell for a second day, down 4.4%, and among the biggest decliners. Several brokerages trimmed their share price targets after the cruise operator cut its 2019 profit forecast. Reflecting "quadruple witching," as investors unwind interests in futures and options contracts prior to expiration, volume on US exchanges hit 8.6bn shares, compared with the 7.0bn-share average for the full session over the last 20 trading days.

Gulf stock markets fell on Sunday, led by Saudi Arabia, as political tensions ramped up after Trump announcing new sanctions on Iran. Trump on Saturday said additional sanctions would be imposed on Monday but that he wanted to make a deal to bolster Iran's flagging economy, an apparent move to defuse tensions following the shooting down of an unmanned US drone last week by Iran. The Saudi index fell 1.5%, extending losses from the previous two sessions, as banking shares slid. Qatar's index lost 1.3%, reversing gains from the previous session when it reached its highest since February, as the region's biggest lender Qatar National Bank fell 1.9%. Industries Qatar fell 1.4%.

COMPANY NEWS HEADLINES

- Japan's Nomura Holdings Inc won shareholder approval on Monday for the re-appointment of its chief executive officer, overcoming concerns about the leaking of market information and its first annual loss in a decade.
- Daimler AG cut its profit forecast for the third time in a year, this time blaming the burden of handling longstanding proceedings around diesel emissions a month after a new guard took the helm at the world's biggest luxury carmaker.
- Amazon.com Inc is exploring using drones not just to deliver packages but also to provide surveillance as a service to its customers, according to a patent granted by the US Patent and Trademark Office.
- General Electric Co said on Friday it plans to demolish a large power plant it owns in California this year after only one-third of its useful life because the plant is no longer economically viable in a state where wind and solar supply a growing share of inexpensive electricity.
- US casino operator Eldorado Resorts Inc has agreed to acquire Caesars Entertainment Corp in a cash and stock deal that values its peer at about \$18bn including debt, people familiar with the matter said on Sunday.
- Autonomous vehicle technology company Velodyne Lidar has hired bankers for an IPO, Business Insider reported.
- South Korea's POSCO has pulled out of a project to build battery parts in Chile, the Asian steelmaker said, little more than a year after winning guaranteed access to cheap lithium from top producer Albemarle.
- US solar company SunPower Corp is suing a former senior executive, accusing him of stealing the company's proprietary information to help his new employer, Standard Industries, build a rooftop solar business.
- Goodyear Tire & Rubber Co said on Friday it would supply tires for Airbus SE's newly launched A321XLR aircraft.
- Exxon Mobil is considering selling all of the stakes it holds in oil and gas fields off the Norwegian coast, a spokeswoman said.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26719.13	-0.13%	14.54%
S&P 500	2950.46	-0.13%	17.70%
NASDAQ	8031.71	-0.24%	21.05%
S&P/TSX	16525.43	-0.30%	15.38%
EUROPE	LAST	1D	YTD
STXE 600	384.76	-0.36%	13.95%
FTSE 100	7407.50	-0.23%	10.10%
CAC 40	5528.33	-0.13%	16.86%
DAX	12339.92	-0.13%	16.87%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6665.40	0.22%	18.05%
NIKKEI 225	21285.99	0.13%	6.35%
TOPIX	1547.74	0.12%	3.59%
CSI 300 (China)	3833.96	0.00%	27.35%
MENA	LAST	1D	YTD
Saudi Arabia	8739.16	-1.47%	11.66%
Abu Dhabi	4988.78	-1.11%	1.50%
Dubai	2639.75	-0.72%	4.35%
Qatar	10551.43	-1.28%	2.45%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0418	-0.0122	-0.6424
Germany	-0.3010	-0.0160	-0.5430
U.K.	0.8450	0.0390	-0.4320
Australia	1.2960	0.0160	-1.0220

TOP SELECTED NEWS

Swiss-EU bourse battle breaks out over stalled treaty

(Reuters) Investors in the EU and Switzerland will lose direct access to each others' stock exchanges from July 1 in an escalating row over a stalled partnership treaty. Frustrated with Swiss foot-dragging, the European Commission will not propose extending the equivalence regime that lets EU investors trade on Swiss bourses, effectively ending it as of July 1, an EU diplomat told Reuters on Friday. Friday was the deadline for the Commission to make such a proposal, but it will refrain from doing so because Bern did not endorse a partnership treaty with the EU, the diplomat said.

Global money-laundering watchdog launches crackdown on cryptocurrencies

(Reuters) Cryptocurrency firms will be subjected to rules to prevent the abuse of digital coins such as bitcoin for money laundering, a global watchdog said on Friday, the first worldwide regulatory attempt to constrain the rapidly growing sector. Financial Action Task Force (FATF), set up 30 years ago to tackle money laundering, told countries to tighten oversight of cryptocurrency exchanges to stop digital coins being used to launder cash. The move by FATF, reflects growing concern among international law enforcement agencies that cryptocurrencies are being used to launder the proceeds of crime.



MARKETS TODAY

TOP SELECTED NEWS

German economy gets lift from services as manufacturers struggle

(Bloomberg) Output from Germany's private sector remained unchanged in June, as a decline in manufacturing was offset by continued growth in services. A flash reading of the country's composite Purchasing Managers' Index stayed at 52.6 in June, IHS Markit said on Friday, a slightly better reading than economists had forecast. Manufacturing production contracted for the fifth month in a row, while services continued their strong expansion.

French services and manufacturing give output boost, PMI shows

(Bloomberg) France's private sector grew more strongly than expected in June, with output expanding at the fastest pace since November. A Purchasing Managers' Index rose to 52.9 in June from 51.2 a month earlier, IHS Markit said in its flash reading. The improvement, which topped economists' expectations, points to growth of 0.3% in Q2, the report said. Both the services and manufacturing sectors contributed to the expansion, expanding by more than economists predicted. International sales also rose for the first time in 8 months.

Trump China tariffs could cost billions for consumers: retailer study

(Reuters) If the US does impose tariffs on another \$300bn worth of Chinese goods, it would cost US consumers \$12.2bn more for apparel, footwear, toys and household appliances each year, the National Retail Federation (NRF) said on Friday. The tariffs would result in consumers paying another \$4.4bn on apparel, \$2.5bn on footwear, \$3.7bn for toys and \$1.6bn for household appliances, the retail trade group said, based on a study it had commissioned. "In the short term, retailers would be forced to continue to use Chinese suppliers and pass on higher costs to their customers." David French, NRF's senior vice president of government relations, said in a statement.

US bars China supercomputer firms, institute from buying American parts

(Reuters) The US Commerce Department said on Friday it was adding several Chinese companies and a government-owned institute involved in supercomputing with military applications to its national security "entity list" that bars them from buying US parts and components without government approval. The export restriction announcement adding the firms to what is effectively a trade blacklist is the latest effort by the Trump administration to restrict the ability of Chinese firms to gain access to US technology amid an ongoing trade war.

US regulators ask Deutsche Bank to explain 'bad bank' proposal: FT

(Reuters) US regulators have sought explanation from Deutsche Bank AG about its "bad bank" proposal and its impact on US operations at the loss-making German lender, the Financial Times reported on Monday. Officials at the US Fed are concerned on learning about Deutsche Bank's strategy and have sought further details of the plan, which is part of the lender's move away from investment banking, FT reported, citing sources.

Goldman, Morgan Stanley stronger in Fed test after stumble

(Bloomberg) Goldman Sachs Group Inc. and Morgan Stanley improved on last year's poor results in the first round of the latest Fed stress tests, a sign they may have more flexibility to boost payouts to shareholders. In figures posted Friday by the Fed, the pair didn't come as close to breaching regulatory minimums as they did last year, offering hope they will escape limits on dividends and stock buybacks imposed back then. All 18 banks in the exam demonstrated an ability to withstand a hypothetical financial shock.

Natixis's H20 sells, marks down assets after wave of outflows

(Bloomberg) H20 Asset Management sold part of its non-rated private bonds and marked down the balance after a negative report by Morningstar Inc. triggered a wave of outflows. The move cuts the aggregate market value of the bonds to less than 2% of assets under management. H20's funds will be priced at a discount between 3% and 7%, the Natixis SA-backed fund said in a statement on Monday. A group of Natixis fund assets dropped by 1.1bn euros on Thursday, a day after Morningstar raised concerns about one of its holdings and suspended its rating.

MARKETS TODAY

Monday, June 24, 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

