

MARKETS TODAY

Tuesday, June 25, 2019

MARKETS IN BRIEF

- Global markets sentiment were dominated by trade anxiety. Investors cautiously await to see if anything comes of U.S.-China trade talks later this week. Sentiment was not helped by reports Trump would be content with "any outcome".
- Asian shares slipped with Chinese markets not hopeful of any possible breakthrough.
- U.S. dollar continued to trade under pressure as the risk of more dovish talk from the Fed pushed down Treasury yields. Fed Chair Powell will speak today at 20:00 LT.
- Spot Gold prices jumped to \$1439.21, its highest since May 14, 2013 (6-year high).
- Safe-haven Japanese yen rose hitting 106.78 per dollar, its highest since January 3 (5 1/2-month high)
- Euro firmed up near \$1.14 level. EUR/USD hit earlier today \$1.1412, tis highest since March 21 (3-month high)
- British pound still heavily weighed by Brexit concerns as Eurosceptic Johnson gets closer to become next prime minister.
- U.S. stocks ended mixed yesterday. S&P 500 edged lower as losses by healthcare companies overshadowed gains in the technology sector, while investors looked Trump-Xi meeting later this week.

"Any outcome" is good

Trump views this week's meeting with Chinese President Xi Jinping as a chance to see where Beijing stands on the two countries' trade war, and is "comfortable with any outcome" from the talks, a senior US official said on Monday. The much-anticipated meeting at the G20 summit in Japan will be the first face-to-face meeting for the leaders since trade talks broke off in May, leading to a hike in US tariffs on imports of Chinese goods. The senior administration official, speaking to reporters on condition of anonymity, declined to give details about plans for the meeting, other than to say it would likely happen on the second day of the Friday-Saturday summit. The official declined to say whether the meeting was seen as a chance to restart talks or achieve a more formal agreement (Reuters)

FX & COMMODITIES	LAST	1D
EUR/\$	1.1401	0.02%
GBP/\$	1.2763	0.16%
AUD /\$	0.6957	-0.09%
\$/JPY	107.01	0.27%
\$/CAD	1.3190	-0.08%
Gold \$	1429.32	0.68%
WTI \$	57.82	-0.14%
BRENT \$	64.54	-0.49%
AMERICA		
DOW JONES	26727.54	0.03%
S&P 500	2945.35	-0.17%
NASDAQ	8005.70	-0.32%
EUROPE		
STXE 600	383.79	-0.25%
CAC 40	5521.71	-0.12%
DAX	12274.57	-0.53%
ASIA PACIFIC		
S&P/ASX 200	6658.00	-0.11%
NIKKEI 225	21193.81	-0.43%
CSI 300 (China)	3795.62	-1.19%
MENA		
Saudi Arabia	8598.97	-1.60%
Dubai	2639.84	0.00%
Qatar	10505.34	-0.44%
BONDS		
U.S. 10-year	2.0039	-0.0104
German Bund 10-yr	-0.3090	-0.0020
AU 10-year	1.2830	-0.0140

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Johnson's "no deal" could be a possibility

Boris Johnson said he believed the British Parliament would now support a no-deal Brexit, even as senior figures in his Conservative Party warned they had the numbers to stop him if he tried to push one through. Johnson said his Brexit strategy is to use the threat of no-deal to persuade the EU to remove the controversial Irish border backstop from the Withdrawal Agreement that May negotiated. Crucial to that is convincing the EU, which has said it won't move on either of these points, that Britain is serious about a no-deal.

New ECB head might face further delays

The EU's center-right alliance aims to defy French President Emmanuel Macron in the race to nominate the next EU Commission chief as relations between France and Germany fray, senior party officials said (Bloomberg). The two sides are becoming increasingly entrenched ahead of an extra summit meeting set for Sunday. That may lead to further delays in naming other EU officials, including a successor to ECB chief Mario Draghi.

U.S.-Iran conflicts escalating

Trump said he has authority to strike Iran without congressional approval. "I like the idea of keeping Congress abreast but I wouldn't have to do that," he told The Hill. This after he imposed additional sanctions on Tehran and its supreme leader Ayatollah Ali Khamenei. Iran responded that the latest move means a diplomatic path is closed "forever." The penalties won't have a significant impact on a country that's already in recession and facing heavy sanctions from the US. Still, the new restrictions serve as symbolic reprimand for the attacks, according to former Treasury officials.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.32	-0.78%
SOLIDERE—B	6.10	-1.93%
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 US dollar hit a multi-month low against the euro and the yen on Tuesday on the prospects of monetary easing by the Fed while the safe-haven Swiss franc and gold rose on Middle East tensions. The US currency slipped 0.35% to 106.93 yen, its lowest since its flash crash in early January. The dollar index against a basket of six major rivals fell to its lowest level in three months to 95.943, having lost 1.7% during the latest five sessions. Selling in the dollar has accelerated after the US Fed last week signalled it would cut interest rates before year-end on mounting worries about fallout from tariff wars President Donald Trump is waging against China and other trading partners. US bond yields dropped on Monday, with money market derivatives increasing bets on a 50 bps rate cut next month. A 25 bps cut is already fully priced in. Fed Chairman Jerome Powell and a few other of its policymakers are due to speak later on Tuesday at 20:00 LT. Investors are waiting to see whether Trump and Chinese President Xi Jinping would at least call a truce in their trade war when they meet at the G20 summit in Osaka late this week. Trump considers his meeting with Xi an opportunity to "maintain his engagement" and see where China is on their trade dispute, a senior

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US official said on Monday. Senior Chinese and US trade officials spoke by telephone on Monday. If there's no trade agreement, Trump's administration could levy tariffs on an additional \$300bn of Chinese imports as early as next month, a step that would cement expectations of a large rate cut by the Fed. The dollar's weakness was the most notable against traditional safe-haven assets, reflecting concerns about tensions between the US and Iran. Trump targeted Iranian Supreme Leader Ayatollah Ali Khamenei and other top Iranian officials with sanctions on Monday, taking a dramatic, unprecedented step to increase pressure on Iran, after Tehran's downing of an unmanned American drone near the Strait of Hormuz. The dollar slipped to 0.9710 franc, its lowest since late September.

The euro hit a 3-month high of \$1.1412, having gained 2.0% from a 2-week low of \$1.1181 touched a week ago as the dollar has lost steam. It last stood at \$1.1401, up slightly on the day. The Swiss currency held firm against the euro to 1.1082 per euro, within touching distance of 1.1057 hit on Thursday, its highest since July 2017.

The British pound remains dogged by Brexit concerns as Eurosceptic Boris Johnson is seen as likely to win a majority of votes from Conservative party members who will decide the next leader and prime minister. Johnson reiterated his promise to take Britain out of the EU on Oct. 31, with or without a deal. The pound fetched \$1.2763, capped by resistance around \$1.2760-65. Against the euro, the pound was on the back foot at 89.33 pence per euro, near 5-month lows of 89.74 set a week ago.

Gold also shot up more than 1% to \$1,439.21 per ounce, reaching its highest levels in nearly six years.

Copper prices advanced on Tuesday as supply disruption at a major copper mine supported prices, while uncertainty around Sino-US trade resolution capped gains as investors worried about global economic growth and demand for industrial metals. Workers at Chuquibambilla, one of the world's biggest copper mines, have been on strike since mid-June to demand better healthcare and retirement benefits, hurting output of Chile's state-run Codelco, the world's top copper producer.

Oil fell on Tuesday amid concerns over the outlook for crude demand, but prices were supported after Washington announced new sanctions on Iran amid mounting tensions in the Middle East. Benchmark Brent crude futures were down 0.49%, at \$64.54 a barre. They dropped 0.5% on Monday. US crude futures were down 0.28% at \$57.82 a barrel. The US benchmark rose 0.8% in the previous session. Brent climbed 5% last week and US crude surged 10% after Iran shot down a US drone on Thursday in the Gulf, adding to tensions stoked by attacks on oil tankers in the area in May.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—16:00	US HPI MoM	0.20%	0.10%
USD—16:00	US S&P/CS Composite-20 HPI YoY	2.50%	2.70%
USD—17:00	US CB Consumer Confidence	132.0	134.1
USD—17:00	US New Home Sales	686k	673k
USD—20:00	US 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 CPI, US Final GDP, Pending Home Sales, Initial Jobless Claims, 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

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CURRENCIES	LAST	1D	YTD
DXY	95.936	-0.05%	-0.25%
EUR/\$	1.1401	0.02%	-0.58%
GBP/\$	1.2763	0.16%	0.07%
AUD /\$	0.6957	-0.09%	-1.31%
NZD/\$	0.6638	0.29%	-1.21%
\$/JPY	107.01	0.27%	2.50%
\$/CAD	1.3190	-0.08%	3.39%
\$/CHF	0.9721	-0.01%	1.03%
\$/SEK	9.2731	0.06%	-4.53%
\$/NOK	8.4955	-0.19%	1.71%
\$/DKK	6.5488	0.02%	-0.57%
\$/TRY	5.8065	0.03%	-8.91%
EUR/GBP	0.8933	0.17%	0.64%
EUR/JPY	122.00	0.25%	3.14%
EUR/CHF	1.1082	-0.03%	1.56%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1429.32	0.68%	11.45%
Silver Spot \$/Oz	15.42	-0.16%	-0.50%
Platinum Spot \$/Oz	812.76	-0.28%	2.15%
Palladium Spot \$/Oz	1526.50	-0.77%	20.98%
COPPER \$/lb	271.45	0.35%	2.65%
WTI \$/bbl	57.82	-0.14%	27.33%
BRENT \$/bbl	64.54	-0.49%	19.96%

EQUITIES & BONDS

US Treasury yields fell, holding just above almost 3-year lows, ahead of trade talks between the US and China later this week. Investors are focused on whether US President Donald Trump and Chinese President Xi Jinping can de-escalate the trade war between the two countries when they meet at the G20 summit in Japan.

Asian shares were haunted by trade anxiety Tuesday while the risk of more dovish talk from the Fed pushed down Treasury yields and the dollar, propelling gold to fresh six-year peaks. Investors are waiting anxiously to see if anything comes of Sino-US trade talks later this week and sentiment was not helped by reports Trump would be content with "any outcome". Trump is slated to meet one-on-one with at least eight world leaders at the G20 summit in Osaka, including China's President Xi Jinping and Russian President Vladimir Putin. Chinese investors seemed none too hopeful as Shanghai blue chips slipped 1.19%. That led MSCI's broadest index of Asia-Pacific shares outside Japan down 0.5%. Japan's Nikkei lost 0.6%, while E-Mini futures for the S&P 500 edged down 0.3%.

In the US, the S&P 500 edged lower on Monday as losses by healthcare companies overshadowed gains in the technology sector, while investors awaited Trump-Xi meeting at the G20 summit. The Nasdaq slipped but tariff-sensitive industrials, headed up by Boeing Co, led the blue-chip Dow Jones Industrial Average to a nominal advance. While the bellwether S&P 500 ended the session in the red, it remained within a hair's breadth of its all-time

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EQUITIES & BONDS

closing high reached last Thursday as markets reacted to a dovish statement from the US Fed. Market players hope Trump and Xi will de-escalate the trade war that has been blamed for a global economic slowdown. Six of the 11 major sectors in the S&P 500 lost ground, with the biggest percentage drop for energy stocks as crude prices fell. In the latest trade-related squabble, FedEx Corp apologized for mistakenly returning a Huawei phone to its sender, after misrouting packages from the Chinese tech firm last month. The move provoked the ire of Chinese authorities and raised the prospect of FedEx being added to China's "unreliable entities" list. The package delivery firm's shares slid by 2.7%. Caesars Entertainment Corp jumped 14.5% on news that rival Eldorado Resorts Inc had agreed to buy the casino operator for \$8.5bn. Eldorado dropped 10.6%. United Technologies Corp advanced 1.1% after Cowen & Co upgraded it to "outperform" from "market perform." Celgene Corp slipped 5.5% after Bristol-Myers Squibb Co announced that its planned \$74bn deal to buy the drug-maker was expected to close at the end of 2019 or beginning 2020, later than expected. Bristol-Myers fell 7.4%.

In the MENA region, the Saudi index fell sharply on Monday to drop for a fourth straight session as geopolitical concerns in the Gulf region weighed. Egypt's blue-chip index also extended its losing streak. Yemen's Iran-backed Houthi movement attacked Abha airport in southern Saudi Arabia on Sunday, killing one person and wounding 21 others, the Saudi-led coalition in Yemen said. Long-time foes Iran and the US have also come the closest in years to a direct military confrontation in the past week with the shooting down of a US drone by Iran. US Trump aborted a retaliatory strike minutes before impact. Saudi's index fell 1.6% with 10 of its 11 banks slipping.

COMPANY NEWS HEADLINES

- Music streaming service Spotify Technology SA pays Apple Inc a 15% fee on about 680,000 of its 100 mn premium customers, Apple disclosed in a response to Spotify's complaint with European antitrust regulators.
- A high-tech smart city project proposed along Toronto's waterfront by Alphabet Inc unit Sidewalk Labs has pledged not to sell advertisers the personal data collected to serve residents and visitors, as part of a 1,500-page master plan released on Monday.
- French business consultancy firm Capgemini on Monday said it agreed to buy engineering and digital services company Altran for 3.6bn euros (\$4.10bn) to tap into the fast-growing engineering outsourcing services market.
- Conatus Pharmaceuticals Inc said on Monday it plans to explore options and implement a restructuring plan after its liver disease drug failed in a mid-stage trial.
- The US Commerce Department has agreed to Tesla Inc's request to waive 10% tariffs on imported aluminum from Japan used in the manufacture of battery cells at Tesla's Nevada Gigafactory, government documents show.
- Blackstone Group has agreed to sell US consumer finance company Lendmark Financial Services to fellow private equity firm Lightyear Capital for about \$600mn excluding debt (Reuters sources).
- Acacia Mining on Monday strongly disagreed with majority shareholder Barrick Gold Corp's valuation of the company, saying Barrick's proposal undervalued its life of mine plans and appears to have ignored the value of its exploration and development assets.
- France's Carrefour shares rose on Monday after it became the latest Western retailer to retreat from the Chinese market as fierce competition from domestic rivals and a growing online market puts pressure on foreign firms.
- Walmart's Mexico unit has begun offering grocery delivery from its Superama stores via messaging service WhatsApp, the retailer said on Monday, in a new stab at attracting shoppers outside bricks-and-mortar supermarkets.

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AMERICA	LAST	1D	YTD
DOW JONES	26727.54	0.03%	14.58%
S&P 500	2945.35	-0.17%	17.49%
NASDAQ	8005.70	-0.32%	20.65%
S&P/TSX	16523.47	-0.01%	15.36%
EUROPE	LAST	1D	YTD
STXE 600	383.79	-0.25%	13.67%
FTSE 100	7416.69	0.12%	10.23%
CAC 40	5521.71	-0.12%	16.72%
DAX	12274.57	-0.53%	16.25%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6658.00	-0.11%	17.92%
NIKKEI 225	21193.81	-0.43%	5.89%
TOPIX	1543.49	-0.27%	3.31%
CSI 300 (China)	3795.62	-1.19%	26.07%
MENA	LAST	1D	YTD
Saudi Arabia	8598.97	-1.60%	9.87%
Abu Dhabi	5015.34	0.53%	2.04%
Dubai	2639.84	0.00%	4.35%
Qatar	10505.34	-0.44%	2.00%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0039	-0.0104	-0.6803
Germany	-0.3090	-0.0020	-0.5510
U.K.	0.8160	-0.0290	-0.4610
Australia	1.2830	-0.0140	-1.0350

TOP SELECTED NEWS

Swiss ready to retaliate against EU over stock market access

(Reuters) The Swiss government said on Monday it was ready to ban stock exchanges in the EU from trading Swiss shares — intensifying a row over a stalled partnership treaty. The move followed the EU not extending stock market equivalence to Switzerland after Brussels grew frustrated with Swiss foot-dragging over the long-discussed agreement. Bern said in response it would withdraw recognition from trading venues in the EU from July 1 to “protect the Swiss stock exchange infrastructure in the event of non-extension”.

German business sentiment lowest since November 2014: Ifo

(Reuters) German business morale fell to its lowest level since November 2014 in June, a survey showed on Monday, adding weight to expectations that Europe's largest economy contracted in Q2. The Ifo institute said its business climate index deteriorated for the third month in a row, to 97.4 in June from 97.9 in May. “The German economy is heading for the doldrums,” Ifo President Clemens Fuest said, adding that the business climate in both the manufacturing and services sectors had worsened. After nine successive years of growth, the German economy is struggling as trade disputes and a cooling world economy hurt its export-dependent manufacturers.



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TOP SELECTED NEWS

Three Chinese banks face US action in N.Korean sanctions probe -Washington Post

(Reuters) Three large Chinese banks could lose their access to the US financial system after a judge found them in contempt for refusing to comply with subpoenas in a probe into violation of North Korean sanctions, The Washington Post reported on Monday. The three banks are not identified by the judge, but details in the court ruling align with a 2017 civil forfeiture action against Bank of Communications, China Merchants Bank and Shanghai Pudong Development Bank, according to the report.

Nissan pours cold water on hopes for quick fix to Renault strain

(Reuters) Nissan Motor on Tuesday threw cold water on hopes for a quick fix to its strained relations with France's Renault SA, saying inequality between the partners could unravel their two-decade-old automaking alliance. Speaking at Nissan's annual general meeting in Yokohama, its first since the dramatic ouster of former chairman Carlos Ghosn last year, Chief Executive Hiroto Saikawa said he wanted to preserve the spirit of equality in the alliance - despite a shareholding structure that Nissan has long seen as lopsided.

Australia's Domino's Pizza sued for underpaying staff, shares slide

(Reuters) Australia's Domino's Pizza Enterprises was hit on Tuesday by a class-action lawsuit over employee underpayment which the fast-food chain said it would defend itself against, but its shares fell more than 6% to a 4-year low. The suit, filed by law firm Phi Finney McDonald in the Federal Court of Australia, alleges that Domino's misled franchisees by telling them not to pay delivery drivers and in-store workers wages as per industry standards.

Beauty retailers fall after Amazon opens store for professionals

(Reuters) Shares of number of specialized beauty retailers fell on Monday after Amazon.com said it had started selling beauty products used by licensed stylists, barbers and beauticians. Shares of Sally Beauty Holdings, which targets industry professionals, sank 17%, while those of Ulta Beauty fell about 3%. They are the just the latest to suffer from Wall Street's concern about moves by world's largest retailer into a series of niche or more regulated markets.

FedEx sues US government over 'impossible' task of policing exports to China

(Reuters) US parcel delivery firm FedEx Corp on Monday sued the US government, saying it should not be held liable if it inadvertently shipped products that violated a Trump administration ban on exports to some Chinese companies. The move came after FedEx reignited Chinese ire over its business practices when a package containing a Huawei phone sent to the US was returned last week to its sender in Britain, in what FedEx said was an "operational error." Fears that China would blacklist FedEx as a result sent its shares down 2.7% on Monday.

Eldorado to buy Caesars for \$8.6bn in deal backed by Icahn

(Bloomberg) Eldorado Resorts Inc. is buying Caesars Entertainment Corp. for about \$8.58bn in a deal backed by activistbnaire Carl Icahn that will create the largest US gaming operator. The agreed equity value of \$12.75 a share -- in a mix of cash and Eldorado stock -- represents a premium of about 28% to Caesars's Friday closing price. Including debt, the deal is worth approximately \$17.3bn, the companies said in a statement. Caesars shares rose 14.51%. Eldorado dropped 10.64%. Casino and hotel operator Caesars had been pushed to consider a sale by Icahn, its biggest shareholder according to data compiled by Bloomberg.

Credit Suisse combines unit InvestLab with Spain's Allfunds

(Reuters) Swiss bank Credit Suisse said on Tuesday it has combined its open-architecture business-to-business investment fund platform - Credit Suisse InvestLab - with Spain-based funds solutions provider Allfunds Group. Credit Suisse will take an 18% stake in the combined businesses. The transaction will have a limited regulatory capital benefit and is expected to result in a 0.5% return on tangible equity increase for the financial year 2019, the Zurich-based bank said.

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GLOBAL MARKETS DIVISION



treasury@bankofbeirut.com.lb



+961 1 960 501

PRIVATE BANKING DEPARTMENT



privatebanking@bankofbeirut.com.lb



+961 1 960 531/2/3

