

MARKETS TODAY

Thursday, June 27, 2019

MARKETS IN BRIEF

- Global markets turned higher as trade optimism resurfaced. Asian shares and U.S. futures edged higher along with U.S. Treasury yields. Safe-haven Japanese yen retreated.
- Australian dollar climbed to 2-week high closer to \$0.70 level.
- NZ dollar traded near 2-month highs supported by recent RBNZ decision not to cut rates.
- U.S. dollar firmed up before the release of GDP data at 15:30 LT.
- Bitcoin continued its rise hitting an 18-month high.
- Canadian dollar rose to 5-month high against US\$ helped by strong oil prices. CAD hit yesterday, 1.3107/dollar, highest since February 5.
- Oil prices dropped today as traders awaited OPEC meeting to decide on extension of output cuts. Prices surged yesterday after U.S. stockpiles of crude and refined products decreased.
- U.S. stocks closed mixed yesterday. The S&P 500 ended lower as gains in technology stocks were offset by a drop in healthcare shares. The Nasdaq gains were led by the tech sector.
- Most Gulf stock markets dropped yesterday as regional political concerns persisted.

Potential truce

The US and China have agreed to a tentative truce in their trade dispute ahead of a meeting between leaders of the two nations at the G20 summit this weekend, the South China Morning Post reported on Thursday, citing sources (Reuters). Details of the agreement, which would halt the next round of US tariffs on an additional \$300bn of Chinese goods, are being laid out in press releases and will be out as coordinated press releases and not a joint statement, the newspaper said. Chinese President Xi Jinping's meeting with Trump is conditional upon Washington agreeing to such a tentative agreement, SCMP reported, citing one source. Trump is set to hold much-anticipated trade talks with Xi in Osaka at 4:30 LT on Saturday, a WH spokesman told reporters on Wednesday.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1359	-0.09%
GBP/\$	1.2687	-0.02%
AUD /\$	0.6992	0.10%
\$/JPY	108.07	-0.26%
\$/CAD	1.3130	-0.02%
Gold \$	1402.50	-0.46%
WTI \$	59.05	-0.56%
BRENT \$	66.14	-0.53%
AMERICA		
DOW JONES	26536.82	-0.04%
S&P 500	2913.78	-0.12%
NASDAQ	7909.97	0.32%
EUROPE		
STXE 600	382.20	-0.31%
CAC 40	5500.72	-0.25%
DAX	12245.32	0.14%
ASIA PACIFIC		
S&P/ASX 200	6666.30	0.39%
NIKKEI 225	21338.17	1.19%
CSI 300 (China)	3832.40	1.00%
MENA		
Saudi Arabia	8687.08	0.43%
Dubai	2622.40	-0.01%
Qatar	10416.32	-0.33%
BONDS		
U.S. 10-year	2.0554	0.0086
German Bund 10-yr	-0.2950	0.0080
AU 10-year	1.3470	0.0680

China opposing U.S. abuse

China opposes US abuse of export controls and urges the US to return to a track of cooperation, a commerce ministry spokesman said on Thursday, days before the two countries' leaders are set to meet for talks on trade issues. The US must immediately cancel sanctions on Chinese telecoms equipment maker Huawei, said Gao Feng, the spokesman. The US has put Huawei on an export blacklist, citing national security issues, barring US suppliers from selling to world's largest maker of telecoms equipment and its No.2 maker of smartphones, without special approval.

Johnson backing down on “no deal”

Boris Johnson softened his Brexit rhetoric, saying the chances are "a million to one against" the UK leaving without a deal. He also agreed with Tory leadership rival Jeremy Hunt that holding a general election before the Oct. 31 deadline would be "absolutely crazy." Hunt's tax and spending proposals could cost the UK exchequer around 28bn pounds a year, the Institute for Fiscal Studies said. On the other hand, some pro-EU lawmakers in the British parliament will seek next week to block a no-deal Brexit by cutting off some of the govt's funding, The Sun newspaper reported.

Trump resuming his attack on Powell

U.S. President Donald Trump accused Federal Reserve Chairman Jerome Powell on Wednesday of doing a “bad job” and “out to prove how tough he is,” but any move to oust him would likely touch off a legal fight with big repercussions in financial markets as well. Trump's renewed criticism of Powell for not lowering interest rates to help the United States compete against China, delivered in an interview on Fox Business Network, was the latest in a series of attacks that started only months after Trump made him Fed chief in early 2018.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.52	0.31%
SOLIDERE—B	6.53	0.46%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.00	-
BLOM BANK	7.79	-2.63%
BYBLOS BANK	1.22	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

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The US dollar hovered near a 1-week high against the yen on Thursday, propped up by hopes of Sino-US trade talk progress though investors were nonetheless cautious ahead of a meeting between leaders of the two powers in Japan in days ahead. The greenback was higher 0.26% at 108.07 yen, having risen about 0.55% yesterday. The US currency was supported by comments from US Treasury Secretary Steven Mnuchin that the trade deal between the US and China is “about 90%” complete. Mnuchin's comments were later restated to show he was using the past tense to describe progress in the US-China talks though the cautious optimism remained intact. Trump and Chinese President Xi Jinping are due to meet at the June 28-29 G20 summit in Osaka. Investors are focusing on whether the two leaders can pave the way to resolve a trade dispute between the world's two biggest economies. The potential implications of the Trump-Xi meeting for US monetary policy are huge, Yamamoto at Mizuho Securities said. The dollar has taken a hit over the past week - it reached a six-month low of 106.780 yen on Tuesday - after the Fed opened the door to possible monetary easing in the coming months. The dollar index against a basket of six major currencies was

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a touch higher at 96.351 after rising modestly the previous day. The index had retreated to a 3-month low of 95.843 at the start of the week amid the Fed's easing prospects. But it has managed to regain some traction after comments this week from central bank officials such as Chair Jerome Powell that tapered aggressive rate cut expectations.

The euro was little lower at \$1.1359 after inching up 0.05% on Wednesday.

The Canadian dollar was on a bullish footing as crude oil's surge supported commodity-linked currencies. The loonie traded at C\$1.3130 per dollar after advancing overnight to C\$1.3107, its strongest since early February.

The New Zealand dollar traded near a 2-month peak of \$0.6693 scaled on Wednesday, when the currency bounced after the Reserve Bank of New Zealand refrained from lowering rates.

The Australian dollar climbed to a 2-week high, thanks to month-end demand from local exporters and optimism about US-China trade talks ahead of the G-20 summit. Bonds dropped in tandem with a decline in Treasuries. AUD/USD rose 0.1% to 0.6992 to head for its seventh gain in eight sessions. Pair reached 0.6999, highest since June 10, with the rise partly due to higher iron ore prices.

Bitcoin jumped to an 18-month high on Wednesday, as investors looked for safety in alternative investments amid geopolitical tension, and cheered prospects that Facebook Inc's Libra token could push cryptocurrencies into the mainstream. The world's biggest cryptocurrency has surged in value since April and on Wednesday hit a peak of \$13,666.02 on the Bitstamp exchange, the highest level since January 2018. So far this year, bitcoin has risen more than 260%, although it remains below its all-time high of nearly \$20,000 hit in December 2017.

Oil fell on Thursday, erasing some of the previous session's strong gains, as traders await the G20 summit in Japan and a meeting of OPEC and other oil producers to decide on an extension of output cuts. Brent crude futures were down 0.53%, at \$66.14. US West Texas Intermediate (WTI) crude futures were down 0.56% at \$59.05. Oil prices rose more than 2% on Wednesday to their highest in about a month, buoyed by US government data showing a larger-than-expected drawdown in crude stocks as exports hit a record high and surprise drops in refined product stockpiles. However, traders said concerns that a hoped-for breakthrough on trade at the G20 may not eventuate and some nervousness about continued output cuts were crimping follow-through buying.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—15:30	US Final GDP QoQ	3.10%	3.10%
USD—15:30	US Initial Jobless Claims	220k	216k
USD—17:00	US Pending Home Sales MoM	1.10%	-1.50%
During day	US Bank Stress Test 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	96.351	0.14%	0.19%
EUR/\$	1.1359	-0.09%	-0.94%
GBP/\$	1.2687	-0.02%	-0.53%
AUD /\$	0.6992	0.10%	-0.81%
NZD/\$	0.6677	-0.06%	-0.63%
\$/JPY	108.07	-0.26%	1.50%
\$/CAD	1.3130	-0.02%	3.86%
\$/CHF	0.9807	-0.28%	0.14%
\$/SEK	9.2873	-0.29%	-4.67%
\$/NOK	8.5083	-0.15%	1.56%
\$/DKK	6.5712	-0.08%	-0.91%
\$/TRY	5.7775	-0.06%	-8.45%
EUR/GBP	0.8953	0.08%	0.40%
EUR/JPY	122.76	-0.18%	2.50%
EUR/CHF	1.1140	-0.19%	1.04%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1402.50	-0.46%	9.36%
Silver Spot \$/Oz	15.19	-0.54%	-1.99%
Platinum Spot \$/Oz	812.34	-0.49%	2.10%
Palladium Spot \$/Oz	1520.71	-0.20%	20.52%
COPPER \$/lb	271.90	0.13%	2.82%
WTI \$/bbl	59.05	-0.56%	30.04%
BRENT \$/bbl	66.14	-0.53%	22.94%

EQUITIES & BONDS

Asian share markets turned higher on Thursday following a media report the US and China have tentatively agreed to a truce in their trade war, ahead of a closely-watched meeting between the two nations this weekend. On Wednesday, Trump said a trade deal with his Chinese counterpart Xi Jinping was possible this weekend though he was prepared to impose tariffs on virtually all remaining Chinese imports if talks fail. Hopes the world's two biggest economies would finally reach an agreement were enough to cheer investors, sending MSCI's broadest index of Asia-Pacific shares outside Japan up 0.86%. China led the gains with its blue-chip index up 0.9%. South Korea's KOSPI index was up 0.6% while Hong Kong's Hang Seng and Japan's Nikkei jumped 1.2%. The rally in Asia filtered through to other regions as well. E-Minis for the S&P500 climbed 0.4% in late Asian trading while futures Eurostoxx 50 rose 0.3% and those for London's FTSE added 0.1%.

In the US, the S&P 500 ended lower on Wednesday as gains in technology stocks were offset by a drop in healthcare shares, and investors parsed mixed messages over prospects for a deal to end a trade war between the US and China. Technology shares led the Nasdaq higher while the Dow Jones Industrial average posted a nominal loss. US stocks struggled for direction throughout the session as market participants pondered whether a planned meeting between Trump and Chinese President Xi Jinping at the Group of 20 summit in Japan would yield any progress in the two country's protracted tariff dispute. The market initially perked up after US Treasury Secretary Steven Mnuchin was

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quoted by CNBC interview as saying the trade deal between the US and China is "about 90%" complete. His comments were later restated to show he was using the past tense to describe progress in the talks. Trump later said that while it was "absolutely possible" to avoid imposing additional tariffs on imported Chinese goods, he was "very happy where we are now." A rise in crude prices boosted energy stocks. Energy and tech companies were the biggest percentage gainers among the 11 major sectors of the S&P 500, while defensive utilities, real estate and consumer staples saw the largest losses. Chipmakers led the tech rally. The Philadelphia SE Semiconductor index rose 3.2% after Micron Technology Inc posted upbeat results and forecast a recovery in chip demand. Micron's shares jumped 13.3%. Apple Inc shares advanced 2.2% after the iPhone maker confirmed that it bought self-driving startup Drive.ai and after Trump suggested in an interview that the EU was out of line with its lawsuits against US tech firms, saying that the US was the one that should be taking action. EU antitrust regulators on Wednesday hit Broadcom with demands that the chipmaker drop its exclusivity clauses with TV and modem makers as part of its ongoing investigation. Nevertheless, Broadcom's shares gained 1.8%. General Mills Inc was the biggest percentage loser on the S&P 500, dropping 4.5% after the packaged food company missed quarterly sales estimates, hit by lower snacks demand in North America.

Most Gulf stock markets dropped yesterday as regional political concerns persisted. Egyptian index ended six straight days of losses. Egypt's blue-chip index traded 1.3% higher. The market has been on the back foot in recent sessions after Egypt's first democratically elected president Mohamed Mursi died while on trial in a Cairo court. Saudi's index was up 0.4% after snapping a 4-day losing streak in the last session, with Saudi British Bank climbing 3.5%. Advanced Petrochemical rose 3.5% after its Advanced Global Investment unit won a government project to set up petrochemical plants for an estimated cost of \$1.8bn.

COMPANY NEWS HEADLINES

- Eurobank said on Thursday it agreed to sell 95% of mezzanine and junior notes of 2.0bn euro securitized pool of non-performing mortgage loans to Celidoria, an entity owned by funds managed by US fund group PIMCO.
- Vodafone is set to secure EU antitrust approval for its \$22bn bid for Liberty Global's cable networks in Germany and central Europe after offering concessions in May, people familiar with the matter said on Wednesday.
- Swiss software group SoftwareONE has mandated banks for an upcoming stock market flotation, sources told Reuters on Wednesday, paving the way for a potential multi-billion dollar listing this autumn.
- Huawei said its patent talks with Verizon is "common" business activity and such negotiations should not be politicized, days after a senator filed legislation to prevent the Huawei from seeking damages in American courts.
- Global Fashion Group (GFG) on Wednesday cut the price of its planned IPO to 4.50 euros a share in a last-ditch effort to salvage its stock market listing.
- The owner of Westfield-branded shopping malls in Australia, Scentre Group, announced on Thursday the sale of three city-centre towers in Sydney for A\$1.52bn and an A\$800mn share buyback.
- The FCC has opened a new investigation into whether Sinclair Broadcast Group engaged in misrepresentations or a lack of candor in its failed effort to win approval for a \$3.9bn bid to purchase Tribune Media.
- Bank of Nova Scotia, Canada's third biggest lender, said on Wednesday it would sell its operations in Puerto Rico and the US Virgin Islands to Oriental Bank for \$560mn in cash.
- Canada's Pieridae Energy will buy gas assets in Alberta from Royal Dutch Shell for C\$190mn (\$144.77mn), Pieridae said on Wednesday, securing supply for its planned liquefied natural gas plant in eastern Canada.
- An EnVen Energy Corp co-founder claims the CEO of the offshore oil and gas producer provided misleading production and financial data to the board and forced him out as president.

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AMERICA	LAST	1D	YTD
DOW JONES	26536.82	-0.04%	13.76%
S&P 500	2913.78	-0.12%	16.23%
NASDAQ	7909.97	0.32%	19.21%
S&P/TSX	16312.22	-0.36%	13.89%
EUROPE	LAST	1D	YTD
STXE 600	382.20	-0.31%	13.19%
FTSE 100	7416.39	-0.08%	10.23%
CAC 40	5500.72	-0.25%	16.28%
DAX	12245.32	0.14%	15.97%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6666.30	0.39%	18.06%
NIKKEI 225	21338.17	1.19%	6.61%
TOPIX	1553.27	1.23%	3.96%
CSI 300 (China)	3832.40	1.00%	27.29%
MENA	LAST	1D	YTD
Saudi Arabia	8687.08	0.43%	10.99%
Abu Dhabi	4953.92	-0.04%	0.79%
Dubai	2622.40	-0.01%	3.66%
Qatar	10416.32	-0.33%	1.14%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.0554	0.0086	-0.6288
Germany	-0.2950	0.0080	-0.5370
U.K.	0.8310	0.0370	-0.4460
Australia	1.3470	0.0680	-0.9710

TOP SELECTED NEWS

China's industrial profits rise 1.1% in May as sales quicken

(Reuters) Bolstered by improving sales and better margins, profits for China's industrial companies rose in May, bucking a months-long downtrend. But analysts are unsure if the modest gains can last. China's industrial profits have been faltering for over a year as the economy slows and the US-Sino trade war escalates, weighing on manufacturing investment and output. Profits rose 1.1% in May from a year earlier to 565.6bn yuan (\$82.21bn), according to data released by the NBS on Thursday, following a 3.7% fall in April.

UK car output slumps for 12th month in a row

(Reuters) British car production fell by 15.5% in May, the 12th month in a row of declines due to model changes and falling demand at home and abroad, an industry body said on Thursday. The sector has been hit by a slump in demand for diesel vehicles, new regulations and uncertainty over Brexit in recent months. Britain churned out 116,035 cars last month, according to data released by the Society of Motor Manufacturers and Traders (SMMT). Output is down 21% so far this year, hit partly by some plants shutting down in April in preparation for a possible disorderly Brexit in March, but Britain's exit date has been postponed until October.

TOP SELECTED NEWS

Quadrillion-Dollar London market finds way through Brexit blues

(Bloomberg) London Stock Exchange Group Plc has defied Brexit gloom to retain the U.K.'s lead in the multi-trillion-dollar swaps business, realized a long-sought ambition to link up with China and nabbed some of the most coveted assets in its industry. The reward is a soaring stock price, which reached a record this week. LSE shares have outpaced almost every rival in the past three years, including the firm's former suitor and main European rival, Deutsche Boerse AG, which made a play to lure business from London after the 2016 UK vote to leave the EU. The 218-year-old exchange's resilience at one of the City of London's most difficult junctures in decades is the result of painstaking negotiations with the EU and some strategic acquisitions by its former CEO Xavier Rolet.

After \$7bn flees, H2O plans to bury toxic debt in new fund

(Bloomberg) H2O Asset Management plans to jettison the controversial holdings that triggered billions of dollars of withdrawals and park them in a new fund, the latest attempt to stabilize a situation that blindsided management. The money manager backed by Natixis SA said in a conference call Wednesday that it expects to dispose of the non-rated corporate bonds from its open-ended funds, which provide daily liquidity to investors. It plans to set up a new portfolio for "deep value" securities. H2O clients yanked their money in droves after Morningstar Inc. suspended its ratings on one of the funds and put its recommendation under review, following a Financial Times report that detailed the number of privately placed bonds connected to Lars Windhorst, a German financier with a history of troubled investments.

Huawei personnel worked with China military on research projects

(Bloomberg) Several Huawei Technologies Co. employees have collaborated on research projects with Chinese armed forces personnel, indicating closer ties to the country's military than previously acknowledged by the smartphone and networking powerhouse. Over the past decade, Huawei workers have teamed with members of various organs of the People's Liberation Army on at least 10 research endeavors spanning artificial intelligence to radio communications.

VW sets conservative price target to keep truck IPO on track

(Bloomberg) Volkswagen tightened the price range for the share sale of the Traton SE truck unit to the lower end of an initial target to raise as much as 1.6bn euros. The world's biggest carmaker is offering shares at 27 euros to 28 euros apiece, according to a term sheet seen by Bloomberg News. It initially targeted a range of between 27 euros and 33 euros apiece for a stake sale of as much as 11.5% in what will be one of Europe's largest IPO this year.

US regulator cites new flaw on grounded Boeing 737 MAX

(Reuters) The US Federal Aviation Administration has identified a new risk that Boeing Co must address on its 737 MAX before the grounded jet can return to service, the agency said on Wednesday. The risk was discovered during a simulator test last week and it is not yet clear if the issue can be addressed with a software upgrade or will require a more complex hardware fix, sources with knowledge of the matter told Reuters. The FAA did not elaborate on the latest setback for Boeing, which has been working to get its best-selling airplane back in the air following a worldwide grounding in March in the wake of two deadly crashes within five months.

Bayer surges as Elliott sparks hope of settling roundup lawsuits

(Bloomberg) -Bayer AG surged as Elliott Management Corp. disclosed a 1.1bn euro stake and said the company could unlock about 30bn euros in shareholder value once it puts litigation over its Roundup weedkiller to rest. Bayer's moves to bolster its response to the wave of Roundup lawsuits, including hiring high-profile lawyer John Beisner as an adviser, signal a "step change," the New York-based activist hedge fund said in a statement Wednesday. The German company has been dogged by investor unrest since last year's \$63bn takeover of agricultural giant Monsanto. The stock rose as much as 5.5% in Frankfurt trading.

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