

MARKETS TODAY

Tuesday, September 03, 2019

MARKETS IN BRIEF

- Global markets were subdued today as U.S.-China trade talks seemed less likely to be resolved soon. Safe-haven demand increased while Asian stocks and U.S. futures fell. Chinese yuan hit 7.19 per dollar, a record low.
- British pound dropped on increased Brexit uncertainty as early elections looms. GBP/USD hit earlier \$1.1965, its lowest since October 7, 2016 (almost 3 years low).
- Aussie dollar steadied after RBA's on-hold decision. The currency took support from data showing a record current account surplus. Traders shift attention to GDP tomorrow at 4:30 LT.
- Euro remained under pressure from economic slowdown. EUR/USD hit earlier \$1.0931, its lowest since May 2017.
- The official and black market Argentinean peso diverged after the country imposed capital controls to stem the slump in the currency. Bond prices tumbled to all-time lows.
- Oil prices retreated as U.S.-China trade war weighed heavily on the demand outlook.
- U.S. stocks were closed yesterday due to labor day.
- In the MENA region, the Dubai index surged led by its top lender Emirates NBD.

Risk of early elections in the U.K.

Prime Minister Boris Johnson implicitly warned lawmakers on Monday that he would seek an election if they tied his hands on Brexit, ruling out ever countenancing a further delay to Britain's departure from the EU. Johnson's promise to take the UK out of the European Union on Oct. 31 with or without a divorce deal has propelled the nation toward constitutional crisis and confrontation with the bloc's 27 other members. With less than 60 days before a possible no-deal exit, an alliance of opposition lawmakers are plotting with rebels in Johnson's ruling Conservative Party to block that and force him to delay Brexit for three months. But Johnson said he would never do that, after his predecessor Theresa May twice postponed Brexit.

FX & COMMODITIES	LAST	1D
EUR/\$	1.0946	-0.23%
GBP/\$	1.2004	-0.48%
AUD /\$	0.6725	0.13%
\$/JPY	106.06	0.18%
\$/CAD	1.3352	-0.19%
Gold \$	1530.64	0.09%
WTI \$	54.37	-1.32%
BRENT \$	58.12	-0.85%
AMERICA		
DOW JONES	26403.28	-
S&P 500	2926.46	-
NASDAQ	7962.88	-
EUROPE		
STXE 600	380.69	0.32%
CAC 40	5493.04	0.23%
DAX	11953.78	0.12%
ASIA PACIFIC		
S&P/ASX 200	6573.40	-0.09%
NIKKEI 225	20625.16	0.02%
CSI 300 (China)	3853.61	0.14%
MENA		
Saudi Arabia	7971.14	0.74%
Dubai	2889.81	4.77%
Qatar	10274.15	0.20%
BONDS		
U.S. 10-year	1.4775	0.0235
German Bund 10-yr	-0.7020	-0.0020
AU 10-year	0.9220	0.0020

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RBA leaving interest rates unchanged

RBA Governor Philip Lowe says in statement Tuesday: "It is reasonable to expect that an extended period of low interest rates will be required in Australia to make progress in reducing unemployment and achieve more assured progress towards the inflation target. The Board will continue to monitor developments, including in the labor market, and ease monetary policy further if needed to support sustainable growth in the economy and the achievement of the inflation target over time."

... Australia posting record surplus; retail sales downbeat

Australian exporters enjoyed bumper sales last quarter gifting the country its first current account surplus in over four decades, however, wider economic conditions remained sluggish as households crimped spending. Data out on showed Australia swung to a larger-than-expected current account surplus of A\$5.9bn, led by higher prices for its key resources - iron ore and coal. This is the first surplus since June 1975 and the largest on record. In contrast, other data showed retail sales fell 0.1% in July, signaling a battling household sector with weak wage growth.

U.S.-China trade talks stalling

Chinese and US officials are struggling to agree on the schedule for a planned meeting this month to continue trade talks after Washington rejected Beijing's request to delay tariffs that took effect over the weekend, according to Bloomberg sources. Despite efforts by Trump to soothe financial markets and portray the talks as making progress, the world's two biggest economic powers have yet to agree on basic terms of re-engagement, with mistrust on both sides. The date for a visit of Chinese officials to the US capital hasn't been set.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.70	-1.72%
SOLIDERE—B	5.80	-0.34%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.70	-
BLOM BANK	7.30	-
BYBLOS BANK	1.15	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The British pound neared its weakest against the US dollar in almost 3 years on Tuesday amid mounting uncertainty as British lawmakers prepared to vote on the first stage of a plan to block Prime Minister Boris Johnson from pursuing a no-deal Brexit. Johnson's opponents will put forward a vote that would enable them to seize control of the parliamentary agenda on Wednesday to try to pass legislation that would force Johnson to seek a three-month delay to Britain's EU exit. Johnson has made it clear that if the government was defeated, it would hold a vote on Wednesday to approve an early election, most likely to be held on Oct. 14. Sterling fell 0.48% to \$1.2004 in Asian trading on Tuesday, having tumbled 0.8% on Monday, its biggest decline in more than three weeks. The euro held onto Monday's 0.7 % gain against the pound to stand higher at 91.19 pence. A messy exit from the EU certain to weaken the pound, but it could roil other currencies and other markets as investors adjust their positions to exit trades in riskier assets. US financial markets were closed on Monday for a public holiday, but weakness in other major currencies and a slight rise in US Treasury yields in Asia helped the dollar index rise 0.36% on Tuesday to 99.262.

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FX & COMMODITIES

The euro fell to its weakest in more than two years against the dollar after a survey on Monday showed European manufacturing contracted for seven straight months, reinforcing expectations that the European Central Bank will ease monetary policy at a meeting next week. The euro fell to \$1.0946 in Asia on Tuesday, its weakest since May 2017, with sentiment damaged by the break below the key \$1.1000 level last week. The ECB's Governing Council holds its next monetary policy meeting on Sept. 12 and has all but promised a stimulus package, with economic growth faltering amid a global trade war and Germany's manufacturing sector already in recession. Market expectations are that it will carry out several interest rate cuts in the coming year, along with a fresh round of bond purchases, commonly known as quantitative easing.

The Chinese yuan hit a record low of 7.1960 per dollar in early offshore trade after Bloomberg News reported that Chinese and US officials are struggling to agree a schedule for a round of trade negotiations that had been expected this month. In onshore trade, the yuan briefly fell to 7.1825, the lowest since Feb 2008, before recovering to 7.1811.

The Australian dollar eased after Reserve Bank of Australia's decision to leave interest rates unchanged at a record low of 1%. The Aussie dollar traded flat % to \$0.6725. Economists expect the RBA to cut two more times to boost inflation and support a stuttering economy, a Reuters poll showed. The New Zealand dollar skidded to \$0.6270, the lowest since September 2015. The kiwi has fallen for the past seven trading sessions as weak data last week on business confidence bolstered the case for further interest rate cuts.

Argentine bond prices fell to record lows on Monday and the official and black market pesos diverged after the country imposed capital controls in a bid to stem a currency rout that is sharpening the risk of default. The move on Sunday by President Mauricio Macri, a free-markets advocate who abolished capital controls after he came to power in 2015, was a sharp about-face for his administration after the conservative leader was pummeled in primary elections in August. The country's peso, bonds and equities have since tumbled, forcing Macri to unveil plans to delay payments on around \$100bn of debts as well as the currency controls restricting the purchase of dollars. The peso closed 0.88% stronger in official markets, but closed 0.79% weaker in the black market at 63.5 per dollar, a divergence underscoring a loss of trust in the official price that was also helped by a market holiday in the US.

Oil prices fell on Tuesday as the ongoing US-China trade war cast a pall over markets, with soft South Korean data adding to concerns over emerging markets and a rise in OPEC output. US crude was down 1.32%, at \$54.37 a barrel, while Brent was down 0.85% at \$58.12 a barrel.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—12:00	Eurozone PPI MoM	0.30%	-0.60%
CAD—16:30	Canada Manufacturing PMI	-	50.2
USD—16:45	USD Final Manufacturing PMI	50.0	49.9
USD—17:00	US ISM Manufacturing PMI	51.2	51.2

Wednesday: Australia GDP, Services PMI for major countries, Eurozone Retail Sales, Canada Trade Balance, US Trade Balance, UK Inflation Report Hearings, FOMC Member William speaks, Canada BoC Policy Decision, FOMC Bullard speaks, US Fed Beige Book

Thursday: AU Trade Balance, Swiss GDP, German Factory Orders, US Challenger Job Cuts, US ADP Nonfarm Employment, US Initial Jobless Claims, US Final Services PMI, US ISM Non-Manufacturing PMI, US Factory Orders, US EIA Weekly Report, Swiss SNB Chairman Jordan speaks

Friday: German Industrial Production, French Trade Balance, UK Halifax HPI, Eurozone Revised GDP, Canada Jobs Report, US Jobs Report, US Fed Powell speaks

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CURRENCIES	LAST	1D	YTD
DXY	99.262	0.36%	3.23%
EUR/\$	1.0946	-0.23%	-4.55%
GBP/\$	1.2004	-0.48%	-5.85%
AUD /\$	0.6725	0.13%	-4.60%
NZD/\$	0.6292	-0.22%	-6.33%
\$/JPY	106.06	0.18%	3.43%
\$/CAD	1.3352	-0.19%	2.14%
\$/CHF	0.9915	-0.06%	-0.93%
\$/SEK	9.8843	-0.54%	-10.42%
\$/NOK	9.1524	-0.56%	-5.59%
\$/DKK	6.8118	-0.23%	-4.42%
\$/TRY	5.7874	0.31%	-8.62%
EUR/GBP	0.9119	-0.26%	-1.38%
EUR/JPY	116.09	0.40%	8.41%
EUR/CHF	1.0853	0.15%	3.73%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1530.64	0.09%	19.35%
Silver Spot \$/Oz	18.51	0.23%	19.47%
Platinum Spot \$/Oz	936.12	0.63%	17.70%
Palladium Spot \$/Oz	1536.35	-0.02%	21.77%
COPPER \$/lb	251.75	-1.31%	-4.84%
WTI \$/bbl	54.37	-1.32%	19.73%
BRENT \$/bbl	58.12	-0.85%	8.10%

EQUITIES & BONDS

Global stocks dropped on Tuesday, hurt by US-China trade frictions and Brexit increased uncertainties. MSCI's broadest index of Asia-Pacific shares outside Japan shed 0.7%. India, closed on Monday, led losses, with the benchmark dropping 1% following worse-than-expected economic growth data on Friday. China's mainland shares were fractionally lower while Japan's Nikkei inched up 0.1%. European shares are expected to dip, with pan-European Euro Stoxx 50 futures STXEc1 down 0.09%. In an escalation of their trade war, the US on Sunday began imposing 15% tariffs on a variety of Chinese goods, and China began imposing new duties on US crude oil. Although US President Donald Trump has said both sides would still meet for talks later this month, tensions show little sign of abating. China said on Monday it lodged a complaint against the US at the WTO over US import duties, trashing the latest tariff actions as violating the consensus reached by leaders of China and the US in a meeting in Osaka.

In the MENA region, the Dubai index rose sharply on Monday, for its biggest one-day gain in three and half years, boosted by top lender Emirates NBD which closed at a 12-year high. In Dubai, which had been one of the worst performing Gulf stocks in August, the index jumped 4.8%, to its biggest intra-day gain since January 2016, on back of Emirates NBD, which swelled 14.9%. The lender reached to its highest level since October 2007, after it raised foreign ownership limit to 20% from 5% with immediate effect. The bank also announced its intention to raise that limit to 40% in future after seeking approval from its shareholders and the regulatory authorities.

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EQUITIES & BONDS

(Reuters) The pool of negative-yielding bonds in the euro area expanded further in August, with almost half of euro-denominated corporate bonds on the Tradeweb platform now carrying negative yields, Tradeweb said on Monday. Of the roughly 3.4tn euros of euro investment grade corporate bonds traded on Tradeweb, 49.51% or 1.68tn euros worth, have a negative yield, data as of the end of August from the platform showed. This stood at around 12% in January. That was the highest share on record, according to data compiled from Tradeweb that goes back to mid-2016.

COMPANY NEWS HEADLINES

- Deutsche Bank's chief executive Christian Sewing will spend 15% of his monthly net salary buying the German lender's shares starting in September, a regulatory filing showed on Monday.
- Roche Holding and Spark Therapeutics announced on Tuesday another extension of the Swiss drugmaker's \$4.3bn takeover offer for the US gene therapy specialist as regulatory reviews continue. The offer for Spark shares now runs to Oct. 1, Roche said.
- Walmart Inc's Mexico unit has begun offering delivery within three hours for certain home and tech products ordered online, it said on Monday, taking another step to try to best e-commerce rival Amazon.com Inc at speedy shipping.
- Volkswagen will not be excluded from public sector contracts in the US following its emissions scandal but will install a second US monitor at its German headquarters, a spokesman for the carmaker said on Monday.
- Britain's competition watchdog on Monday launched an investigation into the US travel technology provider Sabre Corp's proposed \$360mn acquisition of smaller rival Farelogix Inc, saying the deal could raise prices for platforms used by airlines and travel agents to sell tickets.
- IQE Plc reported a first-half loss on Tuesday, months after it flagged order delays at its wireless unit as US restrictions on China's Huawei hit the chip industry's supply chain.
- Chinese smartphone maker Xiaomi Corp announced a HK\$12bn (\$1.53bn) share buyback plan on Tuesday, in a reversal of its cash-management strategy that is aimed at boosting its floundering stock.
- Dai-ichi Life Insur., one of Japan's biggest investors, has cut holdings of stocks and increased currency hedging on foreign bonds as US-China trade frictions have escalated beyond expectations, its investment chief said.
- Swedish private equity firm EQT said on Monday it intended to list its shares on the Nasdaq Stockholm, a highly anticipated initial public offering (IPO).

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AMERICA	LAST	1D	YTD
DOW JONES	26403.28	-	13.19%
S&P 500	2926.46	-	16.74%
NASDAQ	7962.88	-	20.01%
S&P/TSX	16442.07	0.35%	14.80%
EUROPE	LAST	1D	YTD
STXE 600	380.69	0.32%	12.75%
FTSE 100	7281.94	1.04%	8.23%
CAC 40	5493.04	0.23%	16.11%
DAX	11953.78	0.12%	13.21%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6573.40	-0.09%	16.42%
NIKKEI 225	20625.16	0.02%	3.05%
TOPIX	1510.79	0.37%	1.12%
CSI 300 (China)	3853.61	0.14%	28.00%
MENA	LAST	1D	YTD
Saudi Arabia	7971.14	0.74%	1.85%
Abu Dhabi	5156.01	0.68%	4.90%
Dubai	2889.81	4.77%	14.23%
Qatar	10274.15	0.20%	-0.24%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.4775	0.0235	-1.1646
Germany	-0.7020	-0.0020	-0.9440
U.K.	0.4150	-0.0640	-0.8620
Australia	0.9220	0.0020	-1.3960

TOP SELECTED NEWS

UK manufacturing sector shrinks at fastest pace since 2012

(Bloomberg) The UK's manufacturing slump unexpectedly deepened in August as mounting Brexit uncertainty and weaker global growth pushed a gauge of the sector to its lowest level in seven years. The continued contraction was driven by a drop in new orders, while optimism among firms fell to a record low, IHS Markit said Monday. Meanwhile, exports were hurt by trade tensions and a global slowdown, although Markit also noted that some EU-based companies were starting to route supply chains away from the UK due to Brexit. The survey highlights the impact the departure from the EU, and the risk of leaving without a transition, is having on the UK economy. The data was collected between Aug. 12 and Aug. 27, ending the day before Prime Minister Boris Johnson's decision to suspend parliament next month.

OPEC output rises for first time since start of 2019 cuts

(Bloomberg) OPEC's crude production rose last month, the first increase since the group and its allies started a new round of output cutbacks at the start of the year to shore up a weak global market. Nigeria and Saudi Arabia led the boost by the Organization of Petroleum Exporting Countries, which collectively increased by 200,000 barrels a day to



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TOP SELECTED NEWS

29.99mn a day, according to a Bloomberg survey. The survey is based on estimates from officials, ship-tracking data and consultants including Rystad Energy and JBC Energy GmbH. OPEC and its partners, a 24-nation coalition known as OPEC+, agreed to reduce output by 1.2mn barrels a day at the beginning of 2019 as a faltering global economy and booming US shale-oil production threatened to leave world markets with a glut. That deal replaced a previous round of curbs that began in January 2017.

Argentina slaps controls on the peso as currency crisis grows

(CNN Business) Argentina is taking desperate action to keep dollars in the country as it tries to prop up its collapsing currency and avoid defaulting on its debt for the third time since 2000. The government of President Mauricio Macri, who is trailing his opponent ahead of a general election in October, said this weekend that the central bank will need to authorize dollar purchases, and companies will need to quickly repatriate dollars earned overseas. The order takes effect on Monday, with some exceptions for small investors. The move is an attempt to stop money pouring out of the country and shore up the country's foreign currency reserves, which are being depleted rapidly as Argentina attempts to support the peso. The currency plunged by more than 35% against the US dollar in August. Investors were panicked when left-winger Alberto Fernández beat out Macri in a primary vote on August 11, a major upset indicating that he could win a national election set for October 27.

Saudis Replace Aramco Chair With Wealth Fund Boss Before IPO

(Bloomberg) Saudi Arabia removed Energy Minister Khalid Al-Falih from his position as Chairman of Saudi Aramco, the second time his role has been scaled back in less than a week, as the government prepares to sell shares in the state-owned oil company. Al-Falih said on Twitter that he will be replaced by Yasir Al-Rumayyan, head of the sovereign wealth fund. The appointment of Al-Rumayyan, already an Aramco board member and a key adviser to powerful Crown Prince Mohammed Bin Salman, will separate the Ministry of Energy from Aramco and avoid conflicts of interest as the company prepares for the upcoming initial public offering, according to a source familiar with the thinking behind the decision.

Norwegian Air asks for more time to pay off bonds

(Reuters) Norwegian Air is asking bondholders for up to two more years to pay back \$380mn of outstanding debt, in the loss-making airline's latest attempt to shore up its finances. The company said on Monday it would pledge lucrative take-off and landing slots at London's Gatwick Airport as security. Norwegian Air is Europe's third-largest budget airline by passenger numbers after Ryanair and easyJet and has shaken up the market with cut-price transatlantic fares. But its rapid expansion has left it with hefty losses and high debt. It was forced to raise 3bn Norwegian crowns (\$335mn) from shareholders this year, and said on Monday its working capital had decreased in 2019, partly due to tighter industry rules on advance ticket payments.

VW retains access to US public sector contracts, agrees to second monitor at HQ

(Reuters) Volkswagen will not be excluded from public sector contracts in the US following its emissions scandal but will install a second US monitor at its German headquarters, a spokesman for the carmaker said on Monday. The conditions are part of the latest agreement reached between the German carmaker and the US Environmental Protection Agency (EPA) about Volkswagen's business in the US after the company in 2015 admitted using illegal software to cheat US pollution tests. The scandal, which became known as Dieselgate, triggered a global backlash against diesel vehicles that has so far cost Volkswagen 30bn euros in fines, penalties and buyback costs.

Singapore hotels see best month in years amid Hong Kong turmoil

(Reuters) Singapore's hotel occupancy rates have climbed to their highest in over a decade as travelers and business events switched from Hong Kong, where pro-democracy protests have slammed tourist numbers and wider business sentiment. Data released on Monday by Singapore's tourism board showed average occupancy rates in the city-state's hotels hit 93.8% in July, the highest in records going back to 2005, and up from 92.5% a year ago.

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