

MARKETS TODAY

Wednesday, September 04, 2019

MARKETS IN BRIEF

- British pound jumped in the wake of a parliamentary vote opening the door for another Brexit delay, lowering the risk of a no-deal. Traders will be watching Inflation Report Hearings at 16:15 LT.
- U.S. dollar was pressured down by weak manufacturing data. U.S. 10-year Treasury yields fell on Tuesday to 1.42%, its lowest since July 2016 (more than 3-year low).
- Italian bond yields fell to fresh lows in early trade as the country got closer to form a new government. Euro currency firmed up.
- Australian dollar edged higher as GDP data came as expected.
- Canadian dollar investors will be watching Bank of Canada policy decision today at 17:00 LT.
- Argentinian peso firmed for the second day after the country imposed capital controls.
- Oil prices recovered with global markets pick up.
- Asian stocks got a boost from positive Chinese data. U.S. futures followed lead.
- U.S. stocks had a negative session yesterday amid weak economic data and trade war escalations.

More spending before elections

British finance minister Sajid Javid will announce increases in public spending on Wednesday, preparing the ground for a possible snap election call by PM Boris Johnson who is seeking a way to break resistance to his Brexit plans. Javid, in his first major speech since taking over the public purse strings in July, will promise more money for what he says are "the people's priorities" - education, health and the police - after a decade of tight spending controls that has frustrated voters. Johnson has promised the "most ambitious spending round for more than a decade" although Javid says he will stick to the fiscal rules of his predecessor, at least for Wednesday's 1-year spending plan. Javid's spending round speech in parliament is expected around 12:00 GMT (15:00 LT).

FX & COMMODITIES	LAST	1D
EUR/\$	1.0992	0.16%
GBP/\$	1.2148	0.55%
AUD /\$	0.6783	0.34%
\$/JPY	106.23	-0.27%
\$/CAD	1.3318	0.14%
Gold \$	1535.94	-0.72%
WTI \$	54.27	0.61%
BRENT \$	58.46	0.34%
AMERICA		
DOW JONES	26118.02	-1.08%
S&P 500	2906.27	-0.69%
NASDAQ	7874.16	-1.11%
EUROPE		
STXE 600	379.81	-0.23%
CAC 40	5466.07	-0.49%
DAX	11910.86	-0.36%
ASIA PACIFIC		
S&P/ASX 200	6553.01	-0.31%
NIKKEI 225	20649.14	0.12%
CSI 300 (China)	3886.00	0.84%
MENA		
Saudi Arabia	7924.18	-0.59%
Dubai	2876.44	-0.46%
Qatar	10300.01	0.25%
BONDS		
U.S. 10-year	1.4825	0.0303
German Bund 10-yr	-0.6780	0.0280
AU 10-year	0.9310	-0.0080

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Italy closer to a new government

PM-designate Giuseppe Conte is set to form Italy's next gov't after supporters of the Five Star Movement, one of the two main parties set to join the coalition, backed him in an online vote. Five Star activists voted by 79.3% Tuesday in favor of Conte's attempt to form an alliance between Five Star and the center-left Democratic Party, an establishment force Five Star had long criticized as corrupt, inept and out of touch. Conte is now due to bring a list of ministers and a gov't program on Wednesday to President Mattarella.

U.S. manufacturing shrank

US manufacturing data showed the first contraction since 2016 on worries about a weakening global economy and US-China trade tensions. The Institute for Supply Management (ISM) said its index of national factory activity decreased in August to 49.1, the lowest since January 2016. A reading below 50 indicates contraction in manufacturing, which accounts for about 12% of the US economy. Last month marked the first time since August 2016 that the index broke below the 50 threshold.

Australia's growth weakest since financial crisis

Australia's economy expanded at the slowest pace since the worldwide recession as a weak housing sector dragged on growth, highlighting the need for additional stimulus. GDP rose 0.5% in Q2, matching expectations, data from the statistics bureau showed in Sydney Wednesday. The economy grew 1.4% from a year earlier, the weakest pace since Q3 2009. The expansion was underpinned by government spending on infrastructure and a trade boom as commodity exporters enjoyed a spike in iron ore, Australia's biggest export.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.64	-1.05%
SOLIDERE—B	5.80	-
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.65	-1.35%
BLOM BANK	7.30	-
BYBLOS BANK	1.15	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The British pound gained in early London trading on Wednesday, as investors gave a cautious welcome to British lawmakers success in seizing control of parliamentary time to try and block a no-deal Brexit. Sterling, which on Tuesday fell below \$1.20 and to its weakest in 3-years, rose 0.60% to the day's high of \$1.2155. Against the euro it rallied 0.4% to 90.32 pence. Lawmakers who defeated Prime Minister Boris Johnson's government late on Tuesday are expected to introduce a bill in parliament on Wednesday seeking to stop Britain from leaving the EU on Oct. 31 without transitional arrangements. On Tuesday, sterling dropped under \$1.20 and hit its lowest since a flash crash in October 2016 and the outlook is still pretty cloudy. Johnson has said he will now push for a snap election, which would add yet another major source of uncertainty.

The US dollar drifted lower after weak manufacturing data stoked wagers on aggressive US policy easing. The dollar gave up a two-year high touched on Wednesday against a basket of currencies to trade at 98.848, giving ground to the yuan and steadying against the euro, with one euro buying \$1.0992. The dollar's pullback was prompted by

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manufacturing activity in the world's biggest economy contracting for the first time in three years last month, according to data from the Institute for Supply Management. That knocked the wind out of a previously rising greenback and rallied the bond market as investors increased bets on a couple of Fed rate cuts before Christmas. A 25 bps cut is now fully priced in, while yields on benchmark 10-year Treasuries, which fall when prices rise, dropped to their lowest in two years. The dollar's weakness help pull the yuan from an 11-year low to reach 7.1669 per dollar. Its rise was tempered as traders kept a wary eye on trade risks, with US President Donald Trump promising a tougher line on Beijing if trade talks drag on.

The yen weakened slightly to 106.23 per dollar after a Bank of Japan board member said the central bank must preemptively ease monetary policy to fend off risks to the economy.

The Australian dollar advanced to its highest level since Aug. 26 after nation's 2Q GDP data met expectations. NZ dollar bucked general dollar weakness trend and declines versus greenback after being unable to hold onto early gains. AUD/USD rose +0.34% to 0.6783 with initial resistance around 0.6800. GDP grew 0.5% q/q in 2Q vs est. 0.5%, compared with revised 0.5% in 1Q.

The Canadian dollar was little changed against the greenback, with the currency recovering from a 2-month low hit earlier in the day on global economic worries as the focus shifted to this week's Bank of Canada interest rate decision. CAD was trading little higher at 1.3318 to the greenback. The currency, which fell last week for the seventh straight week, touched its weakest intraday level since June 19 at 1.3382.

Argentina's peso firmed for a second day on Tuesday after the country imposed capital controls, but the Merval slumped to a 2-year low amid a broad weakening of Latin American stocks on rising US-China trade tensions. The peso closed up 5.39% at 55.98 per dollar as Wall Street traders returning from a US long holiday weekend snapped up the beleaguered currency after President Mauricio Macri's government on Sunday authorized the central bank to restrict purchases of dollars as it burns through its reserves to prop up the peso.

Oil prices recovered some ground on Wednesday, boosted by a wider market pickup on positive news from China's services sector, having touched their lowest in close to a month during the previous session on fears over the weakening global economy. Brent crude was up 0.34%, at \$58.46 a barrel, while US West Texas Intermediate futures gained 0.61%, at \$54.27 at barrel.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Services PMI	51.0	51.4
EUR—12:00	Eurozone Retail Sales MoM	-0.60%	1.10%
CAD—15:30	Canada Trade Balance	0.2b	0.1b
USD—15:30	US Trade Balance	-54.2b	-55.2b
GBP—16:15	UK Inflation Report Hearings		
CAD—17:00	Canada BoC Decision + Statement	1.75%	1.75%
CAD—21:00	US Fed Beige Book		

Thursday: AU Trade Balance, Swiss GDP, German Factory Orders, US Challenger Job Cuts, ADP Nonfarm Employment, Initial Jobless Claims, Final Services PMI, ISM Non-Manufacturing PMI, Factory Orders, EIA Weekly Report, SNB 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	98.848	-0.15%	2.78%
EUR/\$	1.0992	0.16%	-4.14%
GBP/\$	1.2148	0.55%	-4.75%
AUD /\$	0.6783	0.34%	-3.77%
NZD/\$	0.6347	0.16%	-5.54%
\$/JPY	106.23	-0.27%	3.26%
\$/CAD	1.3318	0.14%	2.40%
\$/CHF	0.9879	-0.08%	-0.59%
\$/SEK	9.7812	0.41%	-9.49%
\$/NOK	9.0734	0.32%	-4.77%
\$/DKK	6.7832	0.17%	-4.01%
\$/TRY	5.6652	1.13%	-6.63%
EUR/GBP	0.9049	0.36%	-0.65%
EUR/JPY	116.78	-0.45%	7.75%
EUR/CHF	1.0859	-0.27%	3.65%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1535.94	-0.72%	19.76%
Silver Spot \$/Oz	19.20	-0.31%	23.94%
Platinum Spot \$/Oz	963.71	0.55%	21.12%
Palladium Spot \$/Oz	1542.11	-0.07%	22.22%
COPPER \$/lb	256.85	1.60%	-2.93%
WTI \$/bbl	54.27	0.61%	19.51%
BRENT \$/bbl	58.46	0.34%	8.66%

EQUITIES & BONDS

Asian stocks followed a firmer Chinese lead on Wednesday after a report showed growth in the country's service sector accelerating despite broader economic headwinds, while the pound halted its decline on hopes a no-deal Brexit may yet be averted. The Shanghai Composite Index added 0.3% while the blue-chip CSI300 index gained 0.25% after activity in China's services sector expanded at the fastest pace in three months in August, according to a business survey. MSCI's index of Asia-Pacific shares outside Japan snapped two days of losses and gained 0.6%. South Korea's KOSPI advanced 0.4% and Japan's Nikkei added 0.2%. Expectations that global bond yields will stay lower for longer amid a central bank shift to more accommodative policy also supported equities.

US stocks fell on Tuesday as investors worried about global growth prospects after data showed US factory activity shrank in August for the first time since 2016 and the US and China imposed new tariffs on each other over the weekend. Investors fled riskier assets as the latest round of tariffs and the lack of a date for a resumption of US-China talks gnawed at any hopes for a resolution to the long-running trade war, which has rattled markets for months and weighed on world economies. Compounding the uncertainty, the Institute for Supply Management said early in the day that its index of national factory activity dropped to 49.1. Earlier in the day data showed British construction companies last month suffered the sharpest drop in new orders since the financial crisis amid Brexit jitters. Trade-sensitive industrials fell 1.4%, making for the biggest percentage loser among the S&P 11 major sectors. Technology



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stocks fell 1.3%, weighed down by chipmakers, which have a large revenue exposure to China. The Philadelphia Semiconductor index dropped 1.8%. Boeing Co shares, tumbled 2.7% providing the biggest drag for the Dow, after the Federal Aviation Administration said on Friday a global panel of experts will need a few more weeks to finish its review of the company's 737 MAX certification. US casino operators felt the brunt of slowing economic growth in China as gambling hub Macau posted weak August casino revenue. Shares of Las Vegas Sands Corp, Wynn Resorts Ltd and MGM Resorts International fell between 2% and almost 4%. The only sectors that gained ground were utilities, rising 1.8%, real estate, climbing 1.3% and consumer staples, which closed the session up 0.5%.

In the MENA region, the Dubai index reversed course to end lower on Tuesday, hurt by its property shares. Qatari index outperformed other markets helped by blue-chip lenders. In Dubai, the index fell 0.5%, with all its real estate stocks tumbling. Emaar Properties, the emirate's largest listed developer, lost 2.3%, while its units Emaar Malls and Emaar Development were both 2.1% and 2.2% respectively. Heavy oversupply in the property market, an important sector of Dubai's economy, has seen residential prices slide by at least a quarter since mid-2014. On Monday, Dubai set up a real estate planning commission to regulate projects and avoid competition between semi-government and private firms, in a move designed to address the property market slump.

COMPANY NEWS HEADLINES

- Air Canada has challenged Onex Corp's proposed acquisition of WestJet Airlines, on grounds that the deal may not meet the country's ownership rules, according to a letter sent by the carrier to the Canadian Transportation Agency.
- Tyson Foods Inc lowered its 2019 adjusted earnings forecast on Tuesday, citing a litany of causes including a recent fire at its Holcomb slaughterhouse and volatility in the commodity market.
- Industrial vehicle maker CNH Industrial has decided to split in two and list its truck, bus and engine division in an effort to boost asset values and streamline its businesses.
- Chinese battery firm CATL has taken a stake in Australian lithium miner Pilbara Minerals, both companies said on Wednesday, after a supply glut hammered the sector and forced Pilbara to raise equity to fund working capital.
- Meal delivery service DoorDash Inc said it will begin taking orders in the Australian city of Melbourne on Wednesday, its first foray outside North America, adding to the competition in the country's home-delivery service market.
- Payment management software firm Coupa Software Inc beat Wall Street estimates for quarterly revenue on Tuesday, as more firms signed up to its business spend management platform, which helps manage expenses.
- US oil and gas producer Concho Resources Inc said on Tuesday it would sell a portion of its New Mexico assets for \$925mn to KKR-backed Spur Energy Partners LLC and plans to use the money to lower its debt and buyback shares.

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AMERICA	LAST	1D	YTD
DOW JONES	26118.02	-1.08%	11.96%
S&P 500	2906.27	-0.69%	15.93%
NASDAQ	7874.16	-1.11%	18.67%
S&P/TSX	16399.23	-0.26%	14.50%
EUROPE	LAST	1D	YTD
STXE 600	379.81	-0.23%	12.49%
FTSE 100	7268.19	-0.19%	8.03%
CAC 40	5466.07	-0.49%	15.54%
DAX	11910.86	-0.36%	12.80%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6553.01	-0.31%	16.06%
NIKKEI 225	20649.14	0.12%	3.17%
TOPIX	1506.81	-0.26%	0.85%
CSI 300 (China)	3886.00	0.84%	29.07%
MENA	LAST	1D	YTD
Saudi Arabia	7924.18	-0.59%	1.25%
Abu Dhabi	5105.12	-0.99%	3.87%
Dubai	2876.44	-0.46%	13.70%
Qatar	10300.01	0.25%	0.01%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.4825	0.0303	-1.1966
Germany	-0.6780	0.0280	-0.9200
U.K.	0.4570	0.0600	-0.8110
Australia	0.9310	-0.0080	-1.3870

TOP SELECTED NEWS

France seeks to rescue Iran nuclear deal with Washington talks

(Bloomberg) French Finance Minister Bruno Le Maire met with US authorities in Washington as part of a plan to offer Iran a \$15bn economic lifeline and rescue the Iran nuclear accord, an idea a Trump administration official said was a non-starter. The scheduled talks were officially about a French digital tax that has riled President Donald Trump, but they've been extended to look at ways that Iran could receive waivers from US sanctions, French officials said. The US visit is part of a flurry of talks aimed at rescuing the 2015 nuclear deal after a series of maritime confrontations that have threatened shipping near Iranian waters. While the talks are a sign of progress, the French officials said Tehran would be sending the wrong signal if it went ahead with threats to ramp up its nuclear activities this week in a further violation of the accord.

EU to help its firms, workers, farmers in case of no-deal Brexit: doc

(Reuters) The European Commission on Wednesday will propose financial help for EU businesses, workers and farmers if Britain crashes out of the bloc without any agreement, a document seen by Reuters said. British members of parliament on Tuesday triggered a vote that could allow them to stop Prime minister Boris Johnson pursuing a "no-

TOP SELECTED NEWS

deal" Brexit, a challenge that the government warned would prompt the prime minister to seek an election on Oct. 14. More than three years after the UK voted in a referendum to leave the EU, the outcome of the Brexit crisis remains uncertain, with possible outcomes ranging from a turbulent no-deal exit to abandoning the whole endeavor. On Wednesday, the EU executive arm will propose, as part of the EU's preparation for the worst "no-deal" scenario, using the European Solidarity Fund, normally used to help victims of natural disasters in the EU, to cushion the financial blow for some EU countries most exposed to trade with Britain.

Argentine inflation forecasts jump as political uncertainty dents economic outlook

(Reuters) Argentine economists sharply hiked 2019 inflation forecasts and cut their gross domestic product outlook for the year, according to a central bank poll released on Tuesday, following a wave of political uncertainty that beat the local peso down 26% in August. The survey came two days after the government announced capital controls in a bid to halt a run on the peso currency. The controls, which followed an announcement that Argentina would extend the maturities of about \$100bn in debt, were a massive setback for the government's free-markets reform effort. Inflation was seen at 55% for the year, according to the survey of 39 analysts, up from 40% in the same central bank poll a month earlier. The new weakness in the peso, which fell 50.5% against the US dollar last year, is expected to lead to rising consumer prices over the months ahead.

Fitch raises Argentina's sovereign debt rating to "CC"

(Reuters) Fitch on Tuesday upgraded Argentina's sovereign debt rating to "CC" from "restricted default" following the country's payment of short-term debt instruments on Aug. 30. The ratings agency, however, downgraded the country's ceiling to 'CCC' from 'B-', citing the recent imposition of capital controls and risks that they could be tightened further. It also said the "CC" rating reflects Fitch's expectation that a further default by the country or debt restructuring of some kind is probable. Fitch had downgraded Argentine sovereign debt to "restricted default" last week.

Facebook brings face recognition to all users, discontinues 'Tag Suggestions'

(Reuters) Facebook Inc said on Tuesday its face recognition technology will now be available to all users with an option to opt out, while deciding to discontinue a related feature called 'Tag Suggestions'. Face recognition, which was available to some Facebook users since December 2017, notifies an account holder if their profile photo is used by someone else or if they appear in photos where they have not been tagged. Tag Suggestions, which used face recognition only to suggest a user to tag friends in photos, has been at the center of a privacy related lawsuit since 2015. The lawsuit by Illinois users accused the social media company of violating the state's Biometric Information Privacy Act, claiming it illegally collected and stored biometric data of users without their consent. Last month, a federal appeals court rejected Facebook's effort to undo the class action status of the lawsuit.

NTSB says Autopilot engaged in 2018 California Tesla crash

(Reuters) The National Transportation Safety Board said Tuesday a Tesla Model S was in Autopilot mode when it struck a fire truck in Culver City, California — one of a series of crashes the board is investigating involving Tesla's driver assistance system. The safety board said in documents posted Tuesday that the 2014 Model S Autopilot system was engaged continuously for the final 13 minutes 48 seconds of the trip before the vehicle struck a fire truck parked on Interstate-405 in January 2018. The driver kept his hands off the wheel for all but 51 seconds of the final drive segment and received numerous alerts to place his hands back on the wheel. Tesla did not immediately comment.

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