

# MARKETS TODAY

Friday, September 06, 2019

## MARKETS IN BRIEF

- Global markets welcomed news that the U.S. and China agreed on Thursday to hold high-level talks early in October, raising hopes for substantial progress in de-escalating their long, bitter trade disputes. Upbeat U.S. economic data also helped risk sentiment.
- Safe-haven assets dropped in favor of risky assets. Japanese yen hit 107.22 per dollar, a 1-month low. U.S. Treasury yields rebounded. European yields headed for a weekly gain.
- Asian stocks and U.S. stock futures tracked Wall Street's jump yesterday.
- Australian dollar traded near 1-month highs.
- U.S. dollar got a boost from positive economic data. Investors shifted attention to today's jobs report at 15:30 LT. Fed Chair Powell speaks at 19:30 LT.
- British pound recovered as the risk of a no-deal Brexit receded. However, traders would remain cautious with unexpected political developments before the deadline October 31st.
- Euro investors eyed ECB's policy meeting next week.
- Oil prices steadied with easing market concerns. Prices were already supported by the sharp drop in U.S. crude inventories.
- In the MENA region, the Dubai index outperformed.

## High-level trade talks in October

China and the US on Thursday agreed to hold high-level trade talks in early October in Washington, amid fears that an escalating trade war could trigger a global economic recession. The talks were agreed to in a phone call between Chinese Vice Premier Liu He and US Trade Representative Robert Lighthizer and US Treasury Secretary Steven Mnuchin, China's commerce ministry said in a statement on its website. China's central bank governor Yi Gang was also on the call. "Both sides agreed that they should work together and take practical actions to create good conditions for consultations," the ministry said. Trade teams from the two countries will hold talks in mid-September before the high-level talks next month, the ministry said.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1048	0.12%
GBP/\$	1.2308	-0.22%
AUD /\$	0.6830	0.23%
\$/JPY	107.00	-0.07%
\$/CAD	1.3200	0.23%
Gold \$	1509.19	-0.65%
WTI \$	56.28	-0.04%
BRENT \$	60.91	-0.03%
AMERICA		
DOW JONES	26728.15	1.41%
S&P 500	2976.00	1.30%
NASDAQ	8116.83	1.75%
EUROPE		
STXE 600	385.92	0.72%
CAC 40	5593.37	1.11%
DAX	12126.78	0.85%
ASIA PACIFIC		
S&P/ASX 200	6647.33	0.52%
NIKKEI 225	21199.57	0.54%
CSI 300 (China)	3948.51	0.59%
MENA		
Saudi Arabia	8054.75	-0.05%
Dubai	2890.92	0.38%
Qatar	10253.19	-0.41%
BONDS		
U.S. 10-year	1.5755	0.0186
German Bund 10-yr	-0.6010	-0.0070
AU 10-year	1.0890	0.1180

## Johnson not in a good position

Britain's main opposition parties are preparing to push for a general election on Oct. 29 as they seek to outmaneuver PM Boris Johnson, according to Bloomberg sources. Labour leader Jeremy Corbyn is in talks with the Scottish National Party's leadership on plans to force Johnson to request a Brexit delay at an EU summit Oct. 17. The PM, who said he'd rather be "dead in a ditch" than ask for a postponement, will ask Parliament to back a snap poll on Monday.

## Hong Kong downgraded by Fitch

Fitch Ratings on Friday downgraded Hong Kong's long-term foreign currency issuer default rating to "AA" from "AA+" following months of unrest and protests in the Asian financial hub. Hong Kong's rating outlook is negative, Fitch said. The massive, and sometimes violent protests have roiled the financial center as thousands chafe at a perceived erosion of freedoms and autonomy under Chinese rule. Fitch said it expects the "one country, two systems" framework to remain intact, but added that public discontent is likely to persist despite recent concessions.

## U.S. jobs report today

The US job market probably took a breather in August, slowing amid a summer lull and an escalating trade war, economists expect. Even with a summer slowdown for new jobs, the US labor market remains tight. The unemployment rate is expected to be unchanged at 3.7%. It has been at or under 4% for 17 months in a row. Economists expect wage growth will be slightly lower, too. Nonfarm payrolls are expected to be 163,000. The employment report will be released Friday at 15:30 LT.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.83	2.28%
SOLIDERE—B	5.66	-0.70%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.65	-
BLOM BANK	7.28	-
BYBLOS BANK	1.15	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

## FX & COMMODITIES

**The US dollar was helped by encouraging US economic data, arresting its recent fall. Asian currencies also edged higher as investors toned down recent gloom over the global economy.** Separate surveys suggested the world's largest economy is in better shape than investors had feared. US service sector activity accelerated in August and private employers boosted hiring beyond expectations. It contributed to a broad risk-on shift in money, bond and stock markets stoked by news that China-US trade talks would resume next month, and supported the dollar. The dollar recouped some losses against the Australian and New Zealand dollars and against a basket of currencies clambered off a 1-week low to hold flat around 98.340. Traders now await the government's monthly payrolls report due at 15:30 LT on Friday for the next snapshot on the labor market's health. Other factors supporting risk sentiment were a potential breakthrough in the Hong Kong political crisis and reduced chances of Britain crashing out of the EU on Oct. 31 without a deal. The euro was steady at \$1.1048. The yuan gained overnight and held in morning offshore trade around 7.1382 per dollar. The trade-exposed South Korean won hit a month high of 1,198.40 per dollar.

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## FX & COMMODITIES

dollar. The trade-exposed South Korean won hit a month high of 1,198.40 per dollar. Sentiment has been skittish, however, since the Brexit project remains up in the air and previous progress on US-China trade negotiations has failed in the past. The yen, which was sold to a 1-month low of 107.22 per dollar on Thursday, bounced a little to 106.98, a signal some caution remains. Meanwhile, the U.S. non-farm payroll report due later on Friday is expected to show an increase of 158,000 and the unemployment rate holding steady at 3.7%. A miss could shatter already fragile sentiment. Other factors supporting the market's risk appetite are already wavering. Hong Kong leader Carrie Lam's withdrawal of the extradition bill that sparked the city's summer of protests does not seem to have appeased demonstrators.

**The British pound rose to its highest level against the dollar in more than a month and held most of those gains to trade around \$1.2308 in Asian hours.** That was in spite of more political chaos in Britain, as Prime Minister Boris Johnson's plan to kick off what is in effect an election and a Brexit campaign was overshadowed on Thursday when his younger brother quit the government.

**Oil prices were steady on Friday, with crude benchmarks poised for multi-week gains amid a sharp drawdown in US crude inventories, while trade tensions eased after Washington and Beijing agreed to hold high-level talks next month.** Brent crude was flat at \$60.92 a barrel, while US West Texas Intermediate (WTI) crude was also flat at \$56.28 a barrel. Both contracts spent the Asian trading session ticking either slightly higher or lower. Brent is set to mark its fourth weekly gain, while US crude is headed for a second weekly rise.

**Gold prices remained under pressure on Friday, as robust U.S. data encouraged a return to riskier assets and hit demand for safe-haven bullion, also sending platinum down 3%.** Spot gold was down 0.65% to \$1,509.19 per ounce, after shedding 1% to a low of \$1,504.30, its lowest since Aug. 23.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—12:00	Eurozone Revised GDP QoQ	0.20%	0.20%
CAD—15:30	Canada Employment Change	18.9k	-24.2k
CAD—15:30	Canada Unemployment Rate	5.70%	5.70%
USD—15:30	US Average Hourly Earnings MoM	0.30%	0.30%
USD—15:30	US Nonfarm Payrolls	163k	164k
USD—15:30	US Unemployment Rate	3.70%	3.70%
USD—19:30	US Fed Chair Powell speaks		

**Next Week:** Japan Current Account, UK GDP and Manufacturing Production, AU Business Confidence, UK Jobs Report, US PPI, ECB Policy Decision, China Trade Balance, US Inflation, US Retail Sales

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CURRENCIES	LAST	1D	YTD
DXY	98.340	-0.08%	2.25%
EUR/\$	1.1048	0.12%	-3.65%
GBP/\$	1.2308	-0.22%	-3.50%
AUD /\$	0.6830	0.23%	-3.09%
NZD/\$	0.6403	0.47%	-4.69%
\$/JPY	107.00	-0.07%	2.50%
\$/CAD	1.3200	0.23%	3.31%
\$/CHF	0.9877	-0.19%	-0.57%
\$/SEK	9.6728	0.16%	-8.47%
\$/NOK	8.9910	0.22%	-3.88%
\$/DKK	6.7529	0.12%	-3.58%
\$/TRY	5.7042	-0.21%	-7.27%
EUR/GBP	0.8976	-0.34%	0.14%
EUR/JPY	118.21	-0.18%	6.44%
EUR/CHF	1.0912	-0.30%	3.14%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1509.19	-0.65%	17.68%
Silver Spot \$/Oz	18.34	-1.66%	18.37%
Platinum Spot \$/Oz	939.04	-2.22%	17.99%
Palladium Spot \$/Oz	1550.98	-0.78%	22.91%
COPPER \$/lb	262.90	-0.51%	-0.66%
WTI \$/bbl	56.28	-0.04%	23.94%
BRENT \$/bbl	60.92	-0.03%	13.25%

## EQUITIES & BONDS

Euro zone bond yields inched down on Friday after their worst one-day selloff in more than a year as easing global risks, with caution ahead of a key ECB meeting and stronger US data all tempering demand for fixed income. Data showing Germany industrial output unexpectedly fell in July served as a reminder that economic conditions in the single currency bloc remain weak and that central bank easing is on its way. But having fallen fast and furiously for months, yields across major bond markets have shot up this week as news that the US and China will resume trade talks, the formation of a new government in Italy and easing concern about a no-deal Brexit hurt demand for safe-haven assets. Comments from ECB officials meanwhile have tempered expectations for aggressive easing at next week's policy meeting, steepening bond yield curves. Germany's 10-year bond yield dipped 2 basis points in early trade to -0.61%, having jumped 8.5 basis points on Thursday in its biggest one-day rise since June 2018. It is up 10 bps on the week and set for one its biggest weekly jumps of the year so far. Germany's 30-year bond is within striking distance of positive yield territory.

**Asian stocks gained on Friday, joining a global trend as investors took heart from firm US economic data plans hopes a meeting between US and Chinese negotiators next month signals an easing in trade tensions.** The improvement in investors' appetite for risk reduced demand for safe havens such as government bonds and the yen, however. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.4%, putting it on track for a 2.2% weekly gain - which

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## EQUITIES & BONDS

would make it the best week since mid-June. The Shanghai Composite Index edged up 0.1%. Hong Kong's Hang Seng was up 0.2%, with some earlier gains trimmed after rating agency Fitch downgraded the city's credit rating following months of unrest.

**US stocks surged on Thursday on expectations of a de-escalation in trade tensions after Washington and Beijing agreed to hold high-level talks next month, while strong US economic data eased fears of a domestic slowdown.**

After anxiety about a deepening trade war triggered a sell-off in late July and early August, leading to speculation that a decade-long bull market was ending, the S&P 500 has largely recovered and is now less than 2% short of its July 26 record high close. The benchmark index has climbed 2.4% in the past two sessions. China and the US agreed to hold talks in early October in Washington, boosting markets as investors bet on a thaw in the trade war between the world's two largest economies, which has taken a toll on global growth. Alternating signs of improvement and deterioration in the US-China trade war, often based on tweets and comments from Trump, have repeatedly sparked volatility on Wall Street in recent months. The S&P information technology index rose 2.1%, while financials jumped 1.9%, the two rising the most among the 11 major S&P 500 sectors. The interest rate-sensitive S&P 500 Banks Index surged 2.5%, following a rise in US Treasury yields. Investors Sectors viewed as defensive declined, with the S&P utilities index, real estate index and consumer staples index all down.

**In the MENA region, the Dubai index rose on Thursday, mainly helped by its largest lender Emirates NBD. Egypt index rebounded on the back of financials.** Emirates NBD has been rising since Monday after it raised its foreign ownership limit to 20% from 5%. But developers capped the gains with Emaar Properties sliding 0.8% extending losses for a third day in a row. The realtor's chairman said on Wednesday he did not expect a change in the company's business after Dubai's ruler set up a new real estate committee to regulate and control market supply.

## COMPANY NEWS HEADLINES

- UBS Group AG is preparing a sweeping shake-up of its investment bank, elevating two executives to oversee dealmaking around the globe and combining its trading units, according to people with knowledge of the plan.
- Kroger Co on Thursday said it would launch its own line of meatless burger patties, as the supermarket chain tries to cater to a growing appetite for plant-based meat alternatives, made popular by Beyond Meat.
- Berkshire Hathaway took advantage of sliding global yields to raise 430bn yen (\$4bn) with the biggest-ever yen bond sold by a non-Japanese borrower.
- Lululemon Athletica Inc reported better-than-expected Q2 revenue and profit on Thursday, buoyed by strength in its online and menswear businesses, helping the Canadian athletic apparel maker to raise its forecasts for the year.
- Mexican mining company Penoles on Thursday announced a \$1.1bn in dollar-denominated bond placement, which it will use to prepay debt, the company said in a stock exchange filing.

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AMERICA	LAST	1D	YTD
DOW JONES	26728.15	1.41%	14.58%
S&P 500	2976.00	1.30%	18.71%
NASDAQ	8116.83	1.75%	22.33%
S&P/TSX	16574.81	0.77%	15.72%
EUROPE	LAST	1D	YTD
STXE 600	385.92	0.72%	14.30%
FTSE 100	7271.17	-0.55%	8.07%
CAC 40	5593.37	1.11%	18.24%
DAX	12126.78	0.85%	14.85%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6647.33	0.52%	17.73%
NIKKEI 225	21199.57	0.54%	5.92%
TOPIX	1537.10	0.17%	2.88%
CSI 300 (China)	3948.51	0.59%	31.15%
MENA	LAST	1D	YTD
Saudi Arabia	8054.75	-0.05%	2.91%
Abu Dhabi	5114.09	-0.21%	4.05%
Dubai	2890.92	0.38%	14.28%
Qatar	10253.19	-0.41%	-0.44%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.5772	0.0186	-1.1070
Germany	-0.6000	-0.0070	-0.8430
U.K.	0.5760	-0.0260	-0.7030
Australia	1.0890	0.1180	-1.2290

## TOP SELECTED NEWS

### US congressional probe finds possible lapses in Deutsche Bank controls - sources

(Reuters) US congressional investigators have identified possible failures in Deutsche Bank AG's money laundering controls in its dealings with Russian oligarchs, after the lender handed over a trove of transaction records, emails and other documents, three people familiar with the matter said. The congressional inquiry found instances where Deutsche Bank staff in the US and elsewhere flagged concerns about new Russian clients and transactions involving existing ones, but were ignored by managers, two of the people said. Lawmakers are also examining whether Deutsche Bank facilitated the funneling of illegal funds into the US as a correspondent bank.

### Sumitomo Mitsui said to bid for StanChart's Indonesian bank

(Bloomberg) Sumitomo Mitsui Financial Group Inc. has lodged a bid for Standard Chartered's Indonesian bank, people familiar with the matter said, as Japan's second-largest lender seeks to bolster its presence in the Southeast Asian nation. Tokyo-based Sumitomo Mitsui is seeking a stake in PT Bank Permata, which has a market value of about \$2.1bn, said the people. The move pits the Japanese bank against Singapore's Oversea-Chinese Banking Corp., which is considering an offer for the almost 90% of Permata held equally by StanChart and PT Astra International.



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## TOP SELECTED NEWS

### **Troubled Nordic banks push through yet another executive purge**

(Bloomberg) The two biggest Nordic banks extended a purge at the very top of their ranks in the hope of improving revenue and restoring confidence tattered by money laundering scandals. Nordea Bank Abp named Frank Vang-Jensen chief executive officer on Thursday after activist investors had spent months hammering the lender for its failure to boost income. At Danske Bank A/S, one third of the executive management team is out as its new CEO brings in people with more experience, including a new chief financial officer from Commerzbank AG.

### **Trump administration unveils Fannie, Freddie overhaul, urges Congress to act**

(Reuters) The US Treasury on Thursday said the government should draw up a plan to begin recapitalizing mortgage giants Fannie Mae and Freddie Mac, while calling on Congress to pen a comprehensive housing reform that would allow them to be safely freed from government control. The Treasury's plan marks the first major effort to jump-start housing finance reform in Washington after a failed 2012 attempt by the Obama administration.

### **Alibaba dials up luxury push with \$2bn buy of Netease e-commerce arm**

(Reuters) Alibaba Group has agreed to buy e-commerce business Kaola from Chinese gaming company NetEase for \$2bn, adding a platform that specializes in supplying curated luxury goods from abroad to domestic consumers. Alibaba, which is looking for new revenue drivers as the e-commerce market at home matures, will also invest \$700mn for a minority stake in Netease's music streaming arm as it takes on Chinese market leader Tencent Music.

### **WeWork mulls slashing IPO valuation as skepticism rises over business model: sources**

(Reuters) WeWork owner The We Company is considering slashing the valuation it will seek in an initial public offering (IPO) to a little over \$20bn, less than half the \$47bn valuation it achieved in a private fundraising round in January, people familiar with the matter said on Thursday. The We Company's deliberations illustrate how growing investor skepticism over the US office space sharing startup's lack of a roadmap to profitability, and its co-founder Adam Neumann's firm grip on its governance, are weighing on its IPO prospects.

### **Peugeot, Dongfeng agree to restructuring plan for Chinese venture**

(Reuters) Peugeot automaker PSA Group and its Chinese partner Dongfeng Group have hammered out a plan to restructure their joint venture operations, slashing costs in the short term and aiming to boost annual sales to 400,000 vehicles by 2025, PSA said on Thursday. Dongfeng Peugeot Citroen Automobiles (DPCA), the joint venture based in Wuhan, central China, plans to reduce the break-even point to below 180,000 vehicles in 2019 and further reduce to below 150,000 vehicles between 2020 and 2021, according to a post on PSA's social media account in China.

### **Femsa to invest \$3 billion in Mexico through 2021: reports**

(Reuters) Mexican conglomerate Femsa plans to invest 61.88bn pesos (\$3.14bn) in Mexico from 2019 to 2021, creating some 41,000 direct jobs over that time, chairman Jose Antonio Fernandez Carbajal said on Thursday, according to local press. Fernandez Carbajal detailed the investment to Mexico's President Andres Manuel Lopez Obrador during a meeting on Thursday, according to internal Femsa documents seen by newspapers El Universal and El Financiero. Femsa was not immediately available to comment.

### **Woodford, H2O woes spur EU watchdog to seek details from UK**

(Bloomberg) The key EU markets regulator is reviewing the crises at funds run by Neil Woodford and H2O Asset Management, seeking details from its UK counterpart about what transpired. Steven Maijor, chairman of the European Securities and Markets Authority, said in an interview that the information requests to the UK Financial Conduct Authority are important to help other regulators better understand the roles of fund managers, supervisors and the underlying policies for mutual funds. Large-scale redemptions at both shocked the financial world in June and spurred questions about the resilience of mutual funds investing in hard-to-sell assets.

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### GLOBAL MARKETS DIVISION



[treasury@bankofbeirut.com.lb](mailto:treasury@bankofbeirut.com.lb)



+961 1 960 501

### PRIVATE BANKING DEPARTMENT



[privatebanking@bankofbeirut.com.lb](mailto:privatebanking@bankofbeirut.com.lb)



+961 1 960 531/2/3

