

MARKETS TODAY

Monday, September 09, 2019

MARKETS IN BRIEF

- Global markets started the week with a positive note, helped by recent stimulus measures taken by China. The PBoC cut on Friday how much cash banks must hold in reserve, releasing liquidity to shore up an economy. As a result, the Chinese yuan weakened.
- Risky assets got a lift. Asian stocks and U.S. stock futures edged higher today. Being a liquid proxy for risk, the Australian dollar rose to 6-week highs.
- Euro steadied but remained under downward pressure before ECB's policy meeting on Thursday, in which policymakers are expected to deliver new stimulus plans.
- British pound was again feeling the pressure of Brexit uncertainty amid political chaos. Traders will be today watching growth data at 11:30 LT.
- U.S. dollar's uptrend eased after Fed Chair Powell's comments on Friday strengthened expectations of a rate cut next week.
- Oil prices jumped on expectations that producers would keep cutting output to shore up prices.
- U.S. stocks posted modest gains on Friday after a mixed jobs report.
- Most Gulf markets dropped on Sunday led by financial shares.

China's exports shrinking

China's exports unexpectedly contracted in August, with sales to the US tumbling amid the escalating trade war between the two nations. Exports decreased 1% in dollar terms from a year earlier, while imports declined 5.6%, leaving a trade surplus of \$34.84bn, the customs administration said Sunday. Shipments to the US fell 16% from a year earlier. President Donald Trump's administration raised tariffs on Chinese goods at the start of the month, and is set to ratchet up levies further in October and again in December if there is no breakthrough. China and the US will hold face-to-face trade negotiations in Washington in the coming weeks, after a rapid deterioration in relations last month left global investors reeling amid increasing evidence the conflict is harming both nations.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1034	0.03%
GBP/\$	1.2248	-0.31%
AUD /\$	0.6859	0.19%
\$/JPY	106.99	-0.04%
\$/CAD	1.3163	0.08%
Gold \$	1505.36	-0.08%
WTI \$	57.02	0.97%
BRENT \$	62.07	0.78%
AMERICA		
DOW JONES	26797.46	0.26%
S&P 500	2978.71	0.09%
NASDAQ	8103.07	-0.17%
EUROPE		
STXE 600	387.14	0.32%
CAC 40	5603.99	0.19%
DAX	12191.73	0.54%
ASIA PACIFIC		
S&P/ASX 200	6647.97	0.01%
NIKKEI 225	21318.42	0.56%
CSI 300 (China)	3972.95	0.62%
MENA		
Saudi Arabia	8050.88	-0.05%
Dubai	2871.50	-0.67%
Qatar	10274.85	0.21%
BONDS		
U.S. 10-year	1.5942	0.0323
German Bund 10-yr	-0.6030	0.0320
AU 10-year	1.0300	-0.0590

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Johnson not giving up

Boris Johnson is refusing to back down and pushing on with his hardline Brexit strategy despite the risk of being taken to court and the threat of more resignations from his Conservative Party. After a bruising week of defeats for his Brexit strategy culminating in the resignations of his own brother and cabinet minister Amber Rudd, Johnson faces further setbacks on Monday. The PM will probably lose another vote in the House of Commons and his Irish counterpart, Leo Varadkar, played down the chances of a breakthrough when Johnson visits Dublin earlier in the day.

Japan downgrading Q2 GDP

Japan's economy grew at a slower pace than initially estimated in Q2 as the US-China trade war prompted a downward revision of business spending, intensifying calls for the central bank to deepen stimulus this month. Weakness in the global economy and worsening trade protectionism have emerged as risks to growth and added some pressure for the BoJ to expand stimulus when it meets next week. The economy grew an annualized 1.3% in April-June, revised data showed Monday, weaker than preliminary reading for 1.8% annualized growth.

U.S. job growth cooling while wages rising

US job growth slowed more than expected in August, with retail hiring declining for 7th straight month, but strong wage gains should support consumer spending and keep the economy expanding moderately amid rising threats from trade tensions. The report also showed a rebound in the workweek after it shrunk to its shortest in nearly 2 years in July, suggesting that companies were not yet laying off workers. Economy added 130k jobs in Aug, below forecasts. While average hourly earnings gained 0.4% (largest increase since Feb), annual increase dipped to 3.2%.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.96	2.23%
SOLIDERE—B	5.71	0.88%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.64	-0.27%
BLOM BANK	7.28	-
BYBLOS BANK	1.12	-2.61%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The euro was under pressure on Monday ahead of a European Central Bank meeting later this week at which policymakers are expected to deliver new stimulus to bolster a flagging regional economy. Heightened expectations for an ECB easing come as other global central banks move to loosen the monetary spigot, including the People's Bank of China, which on Friday cut the amount of cash that banks must hold as reserves. Traders are likely to take their cues from the ECB as major central banks line up support measures for a weakening global economy. The euro was little changed at \$1.1034 early in Asian trading after falling 0.1% on Friday. The ECB is all but certain to approve new stimulus measures on Thursday to boost an ailing economy, but the composition of its package is far from clear as a rift has opened between hawkish northern European policymakers and doves from the south. Data due later Monday on German exports could provide further clues about the health of the global economy. Policymakers are rushing to bolster growth as a wide-ranging dispute between the US and China over trade policy drags into a second year, increasing the risk of recession.

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FX & COMMODITIES

The Chinese yuan weakened on Monday following China's easing and a surprise decline in exports reported on Sunday. However, in broader financial markets, global stimulus hopes have helped lift appetite for riskier assets, such as the Australian and New Zealand dollars, which held near recent peaks. The Australian dollar, a liquid proxy for risk, inched up to \$0.6859, near a 6-week peak of \$0.6862. The New Zealand dollar was steady at \$0.6421, not far from a 3-week high of \$0.6444 touched on Friday. Trading was subdued as one of the strongest typhoons to hit Tokyo in recent years made landfall early on Monday, cancelling scores of train lines. The onshore yuan slipped 0.13% to 7.1242 per dollar, while the offshore yuan shed 0.22% to 7.1231 per dollar. China's central bank said on Friday it was cutting the amount of cash that banks must hold as reserves for the third time this year, releasing 900bn yuan (\$126.35bn) in liquidity to shore up the flagging economy. The PBOC has now slashed the ratio seven times since early 2018. China's exports unexpectedly fell in August as shipments to the US slowed sharply, pointing to further weakness in the world's second-largest economy.

The US dollar was confined to a narrow range versus the yen as traders weighed the prospect of US interest rate cuts against their demand for safe-haven assets. The dollar index against a basket of six major currencies fell 0.04% to 98.459. The dollar traded at 106.99 yen, little changed from Friday. The US Fed will continue to act "as appropriate" to sustain the economic expansion in the world's biggest economy, Fed Chair Jerome Powell said Friday in Zurich, confirming expectations for a rate cut at the Fed's next policy decision on Sept. 18.

The British pound edged lower as political uncertainty about how the UK would complete its divorce with the EU by an Oct. 31 deadline dented appetite for the pound. Sterling traded at \$1.2276, down 0.10% so far on the day.

Oil rose on Monday on expectations that Saudi Arabia, the world's largest oil exporter, will continue to support output cuts by OPEC and other producers to prop up prices under new Energy Minister Prince Abdulaziz bin Salman. Prices climbed for a fourth day and were also supported by comments from the UAE's energy minister that OPEC and its allies are committed to balancing the crude market. Global benchmark Brent was up 0.78%, at \$62.07 a barrel, while US West Texas Intermediate was up 0.97%, at \$57.02 a barrel. Salman, a long-time member of the Saudi delegation to the Organization of the Petroleum Exporting Countries, was named minister on Sunday, replacing Khalid al-Falih. He is the son of Saudi King Salman. It is the first time the energy portfolio has been handed to a member of the royal family.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK GDP MoM	0.10%	0.00%
GBP—11:30	UK Manufacturing Production MoM	-0.30%	-0.20%

Tuesday: AU Business Confidence, China CPI, UK Jobs Report

Wednesday: AU Consumer Sentiment, US PPI, EIA Weekly Report

Thursday: NZ FPI, UK RICS House Price Balance, German Final CPI, OPEC Meetings, US CPI, ECB Policy Decision + Press Conference, US Federal Budget Balance

Friday: Eurozone Trade Balance, US Retail Sales, US Consumer Sentiment, US Business Inventories

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CURRENCIES	LAST	1D	YTD
DXY	98.459	0.06%	2.37%
EUR/\$	1.1034	0.03%	-3.79%
GBP/\$	1.2248	-0.31%	-3.99%
AUD /\$	0.6859	0.19%	-2.70%
NZD/\$	0.6421	0.02%	-4.42%
\$/JPY	106.99	-0.04%	2.55%
\$/CAD	1.3163	0.08%	3.60%
\$/CHF	0.9895	-0.20%	-0.75%
\$/SEK	9.6351	0.10%	-8.13%
\$/NOK	8.9582	0.18%	-3.55%
\$/DKK	6.7614	0.05%	-3.72%
\$/TRY	5.7180	-0.11%	-7.49%
EUR/GBP	0.9009	-0.34%	-0.22%
EUR/JPY	118.06	-0.09%	6.64%
EUR/CHF	1.0918	-0.22%	3.11%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1505.36	-0.08%	17.40%
Silver Spot \$/Oz	18.02	-0.94%	16.21%
Platinum Spot \$/Oz	949.66	-0.21%	19.30%
Palladium Spot \$/Oz	1545.61	0.13%	22.37%
COPPER \$/lb	262.75	-0.23%	-0.68%
WTI \$/bbl	57.02	0.97%	25.68%
BRENT \$/bbl	62.07	0.78%	15.26%

EQUITIES & BONDS

Asian stocks edged higher on Monday amid a cautious mood as investors pinned their hopes on expected global stimulus to support slowing growth in the world's major economies. Global equity markets also received a lift after the Chinese central bank's move on Friday to cut how much cash banks must hold in reserve, releasing liquidity to shore up an economy hit by the Sino-US trade conflict. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.2%. The Shanghai Composite Index was up 0.6%. South Korea's KOSPI rose 0.6% and Japan's Nikkei advanced 0.5%. Underlining the need for more stimulus, data on Sunday showed China's exports unexpectedly fell in August as shipments to the US plummeted. Risk sentiment was also fortified as Fed Board Chairman Jerome Powell said on Friday that the central bank would continue to act "as appropriate" to sustain economic expansion in the world's biggest economy. Broader stock market gains were tempered by lackluster economic data - US job growth slowed more than expected in August - although even this was seen as a positive factor for equities if it prompted more policy support measures.

In the US, the S&P 500 and Dow industrials closed slightly higher on Friday as investors digested a mixed US jobs report and bet on a Fed interest rate cut this month, while China's stimulus plan helped ease some concerns around global growth. US job growth slowed more than expected in August, with retail hiring declining for a seventh straight month, but this was countered by strong wage gains which are expected to support consumer spending and keep the

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economy expanding moderately amid rising threats from trade tensions. Also on Friday, speaking at the University of Zurich, Fed Chair Jerome Powell said the labor market was strong and the central bank will continue to “act as appropriate” to sustain economic expansion. He also said the US and the world economy are not likely to fall into recession. Earlier, China’s central bank said it would slash the amount of cash that banks must hold as reserves, releasing a total of 900bn yuan (\$126.35bn) in liquidity to shore up the flagging economy. For the week, the S&P 500 rose 1.8%, while the Dow added 1.5% and the Nasdaq gained 1.8%. Of the S&P 500’s 11 major sectors, eight ended the day with gains. Healthcare .SPXHC was the biggest boost with a 0.3% increase, while the technology sector was the biggest drag with a 0.2% drop. The communication services sector .SPLRCL was also under pressure as Facebook Inc slipped 1.8% after US state attorneys general said they would investigate if the social media giant stifled competition and put users at risk.

Most Gulf stock markets fell on Sunday, pulled down by financial shares. Dubai index unperformed regional peers as its top lender Emirates NBD broke a four-day winning streak. Dubai index closed 0.67% lower with Emirates NBD falling 2.9%. The bank’s shares have risen in recent sessions after NBD raised its foreign ownership limit to 20% from 5% and announced its intention to further hike the limit to 40% in future. Dubai’s developers also weighed on the index as DAMAC and contractor Arabtec both shed 1.2%. Dubai house prices are expected to decline sharply this year and next as a slowdown in the economy and an oversupply of housing units pose big downside risks to their already weak outlook, a Reuters poll found. Dubai’s property prices have contracted by 25-35% since a mid-2014 peak. In Saudi Arabia, the index reversed course to close roughly flat as financial stocks also slipped back into negative territory. The market’s 2019 gains were as high as 20% in May, outperforming most regional markets ahead of the inclusion of Saudi stocks in the MSCI that attracted billions of dollars from foreign investors, who have been net buyers every month this year. However, the index has reduced its gains for the year to 2.9% because of ongoing trade disputes.

COMPANY NEWS HEADLINES

- Santander will increase its ownership of its Mexican business to 91.65% from 74.96% after a stock exchange offer, the bank told the Spanish regulator late on Friday.
- San Francisco has offered \$2.5bn to buy PG&E Corp’s power lines and other electrical system infrastructure serving the city, they said on Sunday, eight months after the utility sought Chapter 11 bankruptcy protection.
- The US Federal Trade Commission said on Friday that it had filed an administrative complaint aimed at preventing title insurance provider Fidelity National Financial, Inc. from buying rival Stewart Information Services Corp.
- Ahold Delhaize, the Dutch-American supermarket operator, said on Monday its chief financial officer will leave the company when his term expires in April 2020.
- WeWork’s parent is eyeing an IPO valuation that could fall below \$20bn as some existing investors push the workspace company to shelve the planned offering, the WSJ reported.

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AMERICA	LAST	1D	YTD
DOW JONES	26797.46	0.26%	14.88%
S&P 500	2978.71	0.09%	18.82%
NASDAQ	8103.07	-0.17%	22.12%
S&P/TSX	16535.33	-0.24%	15.45%
EUROPE	LAST	1D	YTD
STXE 600	387.14	0.32%	14.66%
FTSE 100	7282.34	0.15%	8.24%
CAC 40	5603.99	0.19%	18.46%
DAX	12191.73	0.54%	15.46%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6647.97	0.01%	17.74%
NIKKEI 225	21318.42	0.56%	6.51%
TOPIX	1551.11	0.91%	3.82%
CSI 300 (China)	3972.95	0.62%	31.96%
MENA	LAST	1D	YTD
Saudi Arabia	8050.88	-0.05%	2.86%
Abu Dhabi	5105.25	-0.17%	3.87%
Dubai	2871.50	-0.67%	13.51%
Qatar	10274.85	0.21%	-0.23%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.5942	0.0323	-1.0917
Germany	-0.6030	0.0320	-0.8480
U.K.	0.5480	0.0350	-0.7360
Australia	1.0300	-0.0590	-1.2880

TOP SELECTED NEWS

Britain at risk of losing leading edge in maritime services

(Reuters) Britain's position as a top hub for maritime services is being eroded by competition, a loss of shipping finance business and the removal of tycoon-friendly tax breaks, a report said, deepening uncertainty for its financial sector as Brexit nears. The UK has been a pivotal global shipping center for centuries, especially the City of London, and has dominated marine insurance, ship broking, shipping finance and other maritime services. These contribute \$5.6bn a year to Britain's economy, providing employment for more than 10,000 people in highly skilled jobs, according to a report by consultancy PwC, commissioned by trade association Maritime London. But a shift in global shipping trade to Asia and tougher competition are adding to pressures on this niche sector, the report said.

'Fictitious calm': Argentine controls steady markets, but more uncertainty lies ahead

(Reuters) Argentine markets ended the week on a high after capital controls helped arrest a sharp plunge in the peso currency and local bond prices, but investors said the outlook remained shaky amid swirling political and financial uncertainty. The peso edged higher and finished the week with a 6.6% gain. It had lost around a quarter of its value in August after a surprise landslide win by populist-leaning presidential challenger Alberto Fernandez in the



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TOP SELECTED NEWS

Aug. 11 primary election. The country's over-the-counter (OTC) bonds rose an average 2.9%, up 10.7% for the week. But debt prices remained deeply discounted, having tumbled 39% in August when the shock primary result signaled that business-friendly incumbent Mauricio Macri would not win a second term in the Oct. 27 general election. Investors and analysts said markets were bracing themselves for more wild swings in Argentine assets as Macri, hobbled by his primary election defeat, tries to keep the country out of default.

Mexico frees up some spending in budget, but discipline trumps stimulus

(Reuters) Mexico's government cautiously freed up funds for spending in its 2020 budget proposal on Sunday, slightly loosening a primary surplus target as it aimed to balance big welfare promises with the reality of a stagnant economy. President Andres Manuel Lopez Obrador's second budget since winning a landslide election victory last year aims to boost spending on social welfare programs, security and state-run oil company Pemex, while at the same time eschewing new taxes or fuel price hikes. One of the most salient measures of Lopez Obrador's commitment to fiscal responsibility is the primary fiscal surplus of 0.7% of gross domestic product targeted in the budget for next year - below earlier targets. A preliminary budget forecast sent to lawmakers in April forecast a primary surplus of 1.3% of GDP for 2020.

British Airways grounds most flights as pilots begin strike

(Bloomberg) British Airways grounded most of its flights for the next two days as it faces its first strike by pilots in decades, a walkout that could cost the carrier 80mn pounds. The airline canceled "the vast majority" of its 850 daily, round-trip flights, a spokeswoman said Sunday, after the weekend yielded little progress toward a resolution of the pay dispute. Industrial action is also planned for Sept. 27, a statement on BA's website said.

Apple, Foxconn broke a Chinese labor law to build latest iPhones

(Bloomberg) Apple Inc. and manufacturing partner Foxconn violated a Chinese labor rule by using too many temporary staff in the world's largest iPhone factory, the companies confirmed following a report that also alleged harsh working conditions. The claims came from China Labor Watch, which issued the report ahead of an Apple event on Tuesday to announce new iPhones. The non-profit advocacy group investigates conditions in Chinese factories, and says it has uncovered other alleged labor rights violations by Apple partners in the past.

US states launch antitrust probes of tech companies, focus on Facebook, Google

(Reuters) Two groups of US state attorneys general on Friday announced separate antitrust probes of large tech companies such as Alphabet's Google and Facebook. The first probe, led by New York and including seven other states and the District of Columbia, focuses on Facebook. The second, announced by Texas and likely to include up to 40 other states, did not specify the targets among large tech companies but was expected to center on Google.

Symantec receives interest from buyout firms Permira, Advent—WSJ

(Reuters) Symantec Corp has received interest from private equity firms Permira and Advent International Corp seeking to buy the cyber security company for more than \$16bn after it agreed to a sale of a big chunk of its business, the Wall Street Journal reported on Friday. Permira and Advent recently approached Symantec proposing a takeover deal valuing Symantec at \$26 to \$27 a share that would hand them the company's consumer operation while preserving the sale of its enterprise business to Broadcom Inc, the report said.

Saudi Aramco likely to give IPO roles to Citi, Goldman, HSBC and Samba—source

(Reuters) Saudi Aramco is likely to give roles to Citi, Goldman Sachs, HSBC and Samba Financial Bank for its planned initial public offering (IPO), a source familiar with the transaction said on Sunday. The four banks would likely get these roles in addition to Morgan Stanley and JP Morgan Chase & Co. who were chosen to play a leading role in the transaction before the process was halted last year, the source said. Aramco is preparing to sell up to a 5% stake by 2020-2021, in what could be the world's biggest IPO.

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