

MARKETS TODAY

Wednesday, September 11, 2019

MARKETS IN BRIEF

- Little optimism over U.S.-China trade talks provided some relief for global markets. Safe-haven assets were pressured down and U.S. Treasury yields traded near 1-month highs.
- Most Asian stocks markets were higher today. U.S. stocks closed mixed yesterday. The S&P 500 ended little changed as a rally in energy and industrial shares countered a drop in the technology and real-estate sectors with investors favoring value over growth.
- Chinese yuan and Australian dollar were helped by calmer market sentiment.
- Euro remained under pressure as investors focused on ECB's policy meeting tomorrow.
- British pound firmed up as a no-deal Brexit seemed far from happening. However, ongoing uncertainty would keep currency's gains in check.
- Canadian dollar traded near a 6-week high against the dollar, helped by a less dovish central bank meeting last week.
- Oil prices recovered following a report that showed a more than expected drop in crude inventories. Traders shifted attention to the weekly official EIA report that will be released today.

China starting tariffs exemptions

China announced a range of US goods to be exempted from 25% extra tariffs put in place last year, as the government seeks to ease the impact from the trade war without lifting charges on major agricultural items like soybeans and pork. Pharmaceuticals and lubricant oil are among exclusions to levies on imports announced by the Ministry of Finance on its website on Wednesday. The exemptions will cover 16 categories of products, ranging from fish food to pesticides, and will be effective from Sep. 17 to Sep. 16, 2020. Today's exemptions apply to the first round of tariffs China imposed on US goods starting last July in retaliation for higher US levies.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1038	-0.05%
GBP/\$	1.2366	0.12%
AUD /\$	0.6870	0.15%
\$/JPY	107.78	-0.23%
\$/CAD	1.3152	0.01%
Gold \$	1490.89	0.34%
WTI \$	57.85	0.78%
BRENT \$	62.78	0.63%
AMERICA		
DOW JONES	26909.43	0.28%
S&P 500	2979.39	0.03%
NASDAQ	8084.16	-0.04%
EUROPE		
STXE 600	386.44	0.10%
CAC 40	5593.21	0.08%
DAX	12268.71	0.35%
ASIA PACIFIC		
S&P/ASX 200	6638.04	0.36%
NIKKEI 225	21597.76	0.96%
CSI 300 (China)	3930.10	-0.74%
MENA		
Saudi Arabia	7965.13	-1.12%
Dubai	2892.27	0.44%
Qatar	10375.67	0.65%
BONDS		
U.S. 10-year	1.7351	0.0035
German Bund 10-yr	-0.5330	0.0140
AU 10-year	1.1410	0.0630



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... China lowering investments hurdles

China removed one more hurdle for foreign investment into its capital markets almost 20 years after it first allowed access. Global funds no longer need approvals to purchase quotas to buy Chinese stocks and bonds, the State Administration of Foreign Exchange said in a statement on Tuesday. It removed the \$300bn overall cap on overseas purchases of the assets, about two-thirds of which remain unused. China is easing restrictions for foreign investment in bond and stock markets. It's the latest push by Chinese authorities to increase use of the yuan internationally.

Full or partial backstop?

Boris Johnson affirmed his opposition to the Northern Ireland-only backstop and committed to securing a deal that works "for the entire UK" as well as the Republic of Ireland, DUP Leader Arlene Foster said after a meeting with the PM. Johnson's Brexit envoy David Frost arrives in Brussels today amid rising speculation in the EU that London is becoming more eager to broker a deal. Officials in Brussels say that Johnson may need to go back to the idea of a so-called Northern Ireland-only backstop to get a Brexit deal done.

Another shake-up in Trump's administration

Trump abruptly fired his national security adviser John Bolton amid disagreements with his hard-line aide over how to handle foreign policy challenges such as North Korea, Iran, Afghanistan and Russia. Bolton, a leading foreign policy hawk and Trump's third national security adviser, had pressed the president not to let up pressure on N. Korea despite diplomatic efforts. Bolton had also argued against Trump's suggestions of a possible meeting with the Iranian leadership and advocated a tougher approach on Russia and, more recently, Afghanistan.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.15	3.19%
SOLIDERE—B	5.97	4.55%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	3.64	-
BLOM BANK	7.28	-
BYBLOS BANK	1.12	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.50	-

FX & COMMODITIES

The US dollar steadied on Wednesday as investors' appetite for risk showed cautious improvement and the yen weakened in the shift away from safe havens, but currencies kept to tight ranges ahead of a series of major central bank meetings over the next week. Since being fired by news last week that a new round of US-China trade talks were scheduled for next month, the risk-on sentiment has begun to fade. But there was still enough optimism left for Asian equities to move higher, and for US bond yields to hold near a 1-month high, while the retreat from safe havens saw the yen ease to 107.78 per dollar, its weakest since Aug. 1. The dollar index was steady at 98.421. Much of the broader positive mood in recent days has been driven by optimism that a high-level meeting of US and Chinese negotiators at Washington next month can deliver some sort of trade-war circuit breaker. That was tamped down somewhat by WH trade advisor Peter Navarro on Tuesday, when he urged patience about resolving the two-year trade dispute between the world's two largest economies and said to "let the process take its course." The prospect of a breakthrough has stoked appetite for Asian currencies such as the trade-exposed South Korean won.

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FX & COMMODITIES

The Chinese yuan and Australian dollar briefly jumped after the editor of Communist Party newspaper The Global Times tweeted that China would introduce measures to mitigate the trade-war impact. Overhanging the buying of riskier currencies, however, are signs of a slowdown in global demand.

Investor focus for now is centered on the ECB's meeting on Thursday. Expectations it will push interest rates even further into negative territory have weighed on the euro, which has shed 3% since June. The single currency edged lower to \$1.1038, with bets divided on the likely scope and style of any stimulus. The ECB decision is likely to set the tone for upcoming rate-setting decisions by the US Fed and the Bank of Japan next week, and for the broader global risk appetite. ECB policymakers are leaning toward a revival package that includes a rate cut, a pledge to keep rates low for longer and compensation for banks over the side-effects of negative rates, five sources familiar with the discussion said last week. Germany also signaled its readiness for relaxing its staunch opposition to deficit spending to support the economy. On the other hand, concerns have been building that global central banks are reaching the limits of their stimulus options, especially those with negative interest rates and sub-zero long-term sovereign bond yields.

The British pound stood at \$1.2366, near its 6-week high of \$1.2385 hit earlier in the week on the reduced chances for Britain to crash out of the EU without a divorce deal.

The Canadian dollar strengthened to a near 6-week high against the US dollar, supported by improvement in risk appetite and a less dovish Bank of Canada policy announcement last week than some investors had expected. The Bank of Canada held interest rates steady last Wednesday and made no mention of future cuts despite easing this year by some of its global peers, including the US Fed. Chances of a rate cut at the central bank's next meeting on Oct. 30 have slumped to about 15% from nearly 70% before last week's rate decision, money market data showed.

Oil prices traded higher on Wednesday after an industry report said US crude stockpiles fell last week by more than twice the amount that analysts had forecast. Brent crude futures rose 0.63%, to \$62.78 a barrel, while West Texas Intermediate (WTI) futures were up 0.78%, to \$57.85 a barrel. Prices had ended lower on Tuesday, squeezed by speculation of sanctions-hit Iranian crude returning to the market following Trump's move to fire national security adviser John Bolton, a noted Iran policy hawk.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—15:30	US Core PPI MoM	0.20%	-0.10%
USD—15:30	US PPI MoM	0.00%	0.20%
OIL—17:30	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	98.421	0.10%	2.34%
EUR/\$	1.1038	-0.05%	-3.74%
GBP/\$	1.2366	0.12%	-3.05%
AUD /\$	0.6870	0.15%	-2.53%
NZD/\$	0.6425	-0.02%	-4.38%
\$/JPY	107.78	-0.23%	1.76%
\$/CAD	1.3152	0.01%	3.70%
\$/CHF	0.9931	-0.09%	-1.10%
\$/SEK	9.6734	0.11%	-8.48%
\$/NOK	8.9524	0.03%	-3.48%
\$/DKK	6.7597	-0.06%	-3.67%
\$/TRY	5.7819	-0.21%	-8.51%
EUR/GBP	0.8926	0.15%	0.71%
EUR/JPY	118.97	-0.18%	5.76%
EUR/CHF	1.0961	-0.07%	2.68%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1490.89	0.34%	16.24%
Silver Spot \$/Oz	18.11	0.61%	16.90%
Platinum Spot \$/Oz	938.79	0.77%	17.95%
Palladium Spot \$/Oz	1565.47	0.29%	24.03%
COPPER \$/lb	262.70	-0.08%	-0.76%
WTI \$/bbl	57.85	0.78%	27.39%
BRENT \$/bbl	62.78	0.63%	16.67%

EQUITIES & BONDS

Bond yields climbed and stock markets held firm on Wednesday, as hopes of easing US-China tensions and diminished risk of a no-deal Brexit prompted buying of out-of-favor value stocks before key central bank meetings.

Oil prices also firmed, underpinned by a big drop in US crude stockpiles, after slipping the previous day. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.6% to hit a fresh 5-1/2-week high. Stock investors around the world sustained their rotation into value stocks, representing a major reversal after many months of outperformance by growth shares such as tech companies. Japan's Nikkei average climbed 1.0%, with the Topix Value index jumping 2.2% and the Topix Growth adding 1.1%. The Shanghai Composite and the blue-chip CSI300 were down 0.3% and 0.7%, respectively, while Hong Kong's Hang Seng advanced 1.7%.

In the US, the S&P 500 ended little changed on Tuesday, with a rally in energy and industrial shares countering a drop in the technology and real estate sectors as investors favored value over growth. Industrials pulled the blue-chip Dow slightly higher and led the bellwether S&P 500's nominal advance, while the tech-heavy Nasdaq posted its third straight decline. China producer prices fell last month at their sharpest pace in three years, hit by Beijing's trade war with Washington. China is expected to buy more agricultural products to position itself for a better trade deal, according to a report from the South China Morning Post. The underwhelming data from China weighed on tariff-sensitive technology stocks, which fell 0.5%. Investors expect the US Fed and the ECB to cut rates to bolster the global

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EQUITIES & BONDS

economy. Germany's finance minister suggested the nation was prepared to fight a possible recession with a stimulus package. The news from Germany, along with easing US-China tensions sent US Treasury yields to four-week highs, tracking German bonds. Of the 11 major sectors in the S&P 500, six ended the session higher, with energy and industrials seeing the biggest percentage gains. Interest rate-sensitive real estate stocks were the biggest percentage losers, dropping 1.4%. Apple Inc edged up 1.2% after announcing the Nov. 1 launch date for its streaming service Apple TV+, and unveiled its latest iPhone and Watch updates. Wendy's Co dropped 10.2% after the fast food chain projected a drop in full-year 2019 adjusted earnings. Wendy's rival McDonald's Inc announced it would buy Silicon Valley start-up Apprentice. Its stock dipped 3.5% and was the biggest drag on the Dow. Ford Motor Co's shares fell 1.3% after Moody's downgraded the automaker's bond rating to junk. Mallinckrodt Plc, beset by opioid litigation uncertainties, announced it would sell BioVectra Inc to private equity firm H.I.G. Capital for up to \$250mn, sending the drug-maker's shares surging 84.8%. Francesca's Holdings Corp shot up 101.6% after the specialty retailer posted better-than-expected Q2 results.

In the MENA region, Saudi index dropped sharply on Tuesday as banking and petrochemical shares weakened. Dubai index was lifted as builder Arabtec Holding posted its sharpest single-day rise in two and half years after announcing a potential merger. Saudi's index was down 1.1%. Al Rajhi Bank dropped 2% and petrochemical maker Saudi Basic Industries shed 2.8%. Saudi Enaya Cooperative Insurance lost 4.9% after its accumulated losses reached 40% of its capital. Real estate firm Arriyadh Development and gym network operator Leejam Sports shed 3.3% and 2% respectively as the stocks traded ex-dividend. Tuesday's losses have left the index trading at meagre gains of 1.5% for the year. It jumped as much as 20% in May, led by foreign investors who have been net buyers every month this year as Saudi stocks joined the MSCI and FTSE Russell emerging market indexes. The market remains under pressure with the kingdom's economy at risk of contraction and Middle East funds planning to reduce investment in Saudi Arabia.

COMPANY NEWS HEADLINES

- JPMorgan Chase & Co lowered its outlook for 2019 net interest income to about \$57bn for the full year from \$57.5bn, Chief Executive Officer Jamie Dimon said at a conference in New York on Tuesday.
- Ford Motor Co said on Tuesday it would launch eight electric vehicles in Europe this year, a key step in its target of achieving a majority of its overall sales from electric cars by the end of 2022.
- Lexicon Pharmaceuticals Inc said on Tuesday France's Sanofi SA will pay the drugmaker \$260mn for the termination of their partnership to develop diabetes drug Zynquista.
- Mexican national oil company Pemex will offer a new set of oilfield service contracts to interested firms, the finance minister said on Tuesday, as it embarks on the challenge of ramping up production by 17% to meet 2020 budget targets.
- China's second-largest e-commerce firm JD.com Inc has hired Jason Hu, a former managing director at Chinese private equity firm CDH Investments, as head of strategic investment to oversee deals both at home and overseas, three sources said.
- Privately owned Western Gas said it has appointed Goldman Sachs to advise on finding a partner for its Equus gas project off Western Australia, as it aims to start producing from the \$3.5bn project in 2024.
- Shanghai Henlius Biotech launched on Wednesday its Hong Kong IPO of up to \$477mn, a term sheet showed, the first sizeable float to test market sentiment amid the city's political unrest.
- Catalyst Capital Group Inc now holds roughly 16% of Hudson's Bay Co shares after investors participated in its tender offer, bolstering the buyout firm's position against a take-private deal (Reuters sources).

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AMERICA	LAST	1D	YTD
DOW JONES	26909.43	0.28%	15.36%
S&P 500	2979.39	0.03%	18.85%
NASDAQ	8084.16	-0.04%	21.84%
S&P/TSX	16537.34	0.26%	15.46%
EUROPE	LAST	1D	YTD
STXE 600	386.44	0.10%	14.45%
FTSE 100	7267.95	0.44%	8.02%
CAC 40	5593.21	0.08%	18.23%
DAX	12268.71	0.35%	16.19%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6638.04	0.36%	17.56%
NIKKEI 225	21597.76	0.96%	7.91%
TOPIX	1583.66	1.65%	5.99%
CSI 300 (China)	3930.10	-0.74%	30.54%
MENA	LAST	1D	YTD
Saudi Arabia	7965.13	-1.12%	1.77%
Abu Dhabi	5095.75	0.39%	3.68%
Dubai	2892.27	0.44%	14.33%
Qatar	10375.67	0.65%	0.74%
10-YEAR BONDS	LAST	1D	YTD
U.S.	1.7351	0.0035	-0.9491
Germany	-0.5330	0.0140	-0.7750
U.K.	0.6700	0.0310	-0.6070
Australia	1.1410	0.0630	-1.1770

TOP SELECTED NEWS

Seoul to file WTO complaint over Japan's 'discriminatory' export curbs

(Reuters) - South Korea plans to file a complaint over Japan's tighter export controls at the World Trade Organization on Wednesday, accusing Tokyo of being "politically motivated" and "discriminatory" in an escalating row rooted in wartime history. In July, Japan imposed tighter controls on exports of three materials to South Korea used in smartphone chips and displays following a diplomatic dispute over compensation for forced laborers during Japan's occupation of Korea during World War Two.

UK banks pay \$66 billion as costliest ever scandal winds down

(Bloomberg) It was only supposed to be a few billion pounds. Almost three decades after the first legal claim, British banks are ready to turn the page on the costliest scandal in UK financial history. Shareholders are still paying the price: Lloyds Banking Group Plc is curbing its buyback, and Barclays Plc may have to follow suit. The payment protection insurance debacle has resulted in 53.3bn pounds (\$66bn) of provisions, with HSBC Holdings Plc the only major bank yet to give a Q3 update. PPI's cost dwarfs even the Libor and foreign-exchange rigging scandals. The 45mn policies were intended to cover missed debt repayments, and were often sold using aggressive tactics.



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TOP SELECTED NEWS

SocGen ss looking to save \$660 million at Paris headquarters

(Bloomberg) Societe Generale SA is studying ways to save 600mn euros in annual costs tied to its operations in Paris, part of an effort to win back investor confidence and improve returns. The review, known internally as "Ithaque," started in June, according to a person familiar with the matter. No decision has been made and the savings target may still change, said the person. The bank declined to comment.

Apple bets on cameras, New Pro focus to sell latest iPhones

(Bloomberg) Apple Inc. unveiled new iPhones with camera enhancements and improved battery life, making incremental tweaks to lure buyers ahead of a more substantial overhaul of its handsets in 2020. CEO Tim Cook presented three iPhones on Tuesday during Apple's annual product roll-out in Cupertino, California. The company also introduced updates to the Apple Watch, revealed pricing for new video and gaming subscription services, and debuted a low-cost iPad. Many of the new iPhone features were expected, including upgraded camera capabilities, better water-resistance and improved Face ID unlocking technology. Still, Apple managed to save a few surprises, such as longer battery life for the iPhone Pro models and aggressive pricing.

Tearful Ma bids Alibaba farewell with rock star show

(Reuters) A tearful Jack Ma formally left Alibaba on Tuesday, donning a guitar and a rock star wig at an event for thousands of employees of the e-commerce giant he founded 20 years ago in a small shared apartment in Hangzhou city in eastern China. During a four hour celebration in an 80,000-capacity stadium, Alibaba's billionaire executive chairman delivered on his promise of a year ago to hand over to CEO Daniel Zhang. "After tonight I will start a new life. I do believe the world is good, there are so many opportunities, and I love excitement so much, which is why I will retire early," Ma told guests and employees.

Goldman, JPMorgan said among banks in top Aramco IPO roles

(Bloomberg) Saudi Aramco has picked banks including Goldman Sachs Group Inc. and JPMorgan Chase & Co. for top roles on its planned initial public offering following intense lobbying by some of the world's top dealmakers, people with knowledge of the matter said. Aramco told banks of their selection Tuesday, the people said. It plans to add more joint global coordinators to the deal. The energy giant is considering first selling around a 1% stake through a listing on the Saudi stock exchange, with the possibility of selling another 1% on the local bourse at a later date. Aramco declined to comment. Representatives for Goldman Sachs and JPMorgan also declined to comment.

To save IPO, WeWork's CEO is said to mull governance changes

(Bloomberg) WeWork is considering major changes to governance to assuage investor concerns ahead of an initial public offering this month that's even given pause to some of its own bankers, according to people with knowledge of the situation. Both of its lead financial advisers -- JPMorgan Chase & Co. and Goldman Sachs Group Inc. -- have concerns about proceeding with an IPO that could value the company as low as \$15bn, the people said.

Boeing plane deliveries down 72% in August as MAX grounding weighs

(Reuters) Boeing handed over around a quarter as many planes in August as it did a year ago, pushing total deliveries so far this year down more than 40%, as the worldwide grounding of its best-selling 737 MAX jet enters its 7th month. Data showed it delivered 18 aircraft in Aug, down from 64 in the same period, a year ago. In the 8 months through Aug, deliveries totaled 276 aircraft, compared with 481 last year.

Video-game retailer GameStop's quarterly sales fall 14.3%

(Reuters) GameStop Corp Inc reported a 14.3% fall in Q2 sales on Tuesday as sales of video games declined at its stores, with consumers preferring to download games online. The video-game retailer's net loss widened to \$415.3mn, or \$4.15 per share, from \$24.9mn, a year earlier.

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