

MARKETS TODAY

Tuesday, July 21, 2020

MARKETS IN BRIEF

- Global stocks gained today with stimulus measures and coronavirus vaccines boosting sentiment. Eurozone shares hit highest since early March on Tuesday after EU leaders agreed on a landmark stimulus package. Asian shares hit 5-month highs. Australia outperformed after the government boosted support for job programs. Japan had a more muted advance.
- Euro hit its strongest level since early March. Commodity-linked currencies also rose. Aussie firmed up near \$0.70 level.
- British pound benefited from a weaker dollar to trade back near \$1.27 level.
- Gold traded near 9-year highs. The metal hit earlier \$1824.69, its highest since September 19, 2011.
- Oil prices edged higher, helped by positive news but gains were capped by fears that new lockdowns could derail a recovery in demand.
- U.S. stocks advanced yesterday to the highest since February, as investors received encouraging news on a potential virus vaccine. S&P 500 turned positive for the year as its rally took it to levels last seen just as the pandemic was starting. Nasdaq 100 jumped the most since April, hitting a record high, after Amazon.com and Zoom Technologies soared on demand for companies that benefit from diminished economic activity.

The Recovery Fund

EU leaders agreed on a landmark stimulus package that will see the bloc issue 750bn euros (\$860bn) of joint debt to help member states mitigate the economic downturn. The agreement, in the early hours of Tuesday after more than four days of acrimonious negotiations in Brussels, required the unanimous approval of all 27 member states and represents a victory for German Chancellor Angela Merkel and French President Emmanuel Macron, who drafted an early outline for the proposal in May. The emergency fund will give out 390bn euros of grants and 360bn euros of low-interest loans. Almost a third of the funds are earmarked for fighting climate change and, together with the bloc's next 1tn-euro, 7-year budget, will constitute the biggest green stimulus package in history.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1438	-0.08%
GBP/\$	1.2691	0.24%
AUD /\$	0.7053	0.53%
\$/JPY	107.30	-0.03%
\$/CAD	1.3495	0.30%
Gold \$	1824.23	0.37%
WTI \$	41.85	2.55%
BRENT \$	44.31	2.38%
AMERICA		
DOW JONES	26680.87	0.03%
S&P 500	3251.84	0.84%
NASDAQ	10767.09	2.51%
EUROPE		
STXE 600	379.92	1.16%
CAC 40	5159.14	1.29%
DAX	13302.42	1.95%
ASIA PACIFIC		
S&P/ASX 200	6156.30	2.58%
NIKKEI 225	22884.22	0.73%
CSI 300 (China)	4691.04	0.23%
MENA		
Saudi Arabia	7377.36	-0.62%
Dubai	2064.96	0.17%
Qatar	9371.73	0.59%
BONDS		
U.S. 10-year	0.6118	0.0016
German Bund 10-yr	-0.4600	0.0000
AU 10-year	0.8630	-0.0250

U.S. sanctions on Chinese companies

The US Commerce Department on Monday added 11 Chinese companies implicated in what it called human rights violations in connection with China's treatment of its Uighurs in Xinjiang in western China to the US economic blacklist. The department said the companies were involved in using forced labor by Uighurs and other Muslim minority groups. They include numerous textile companies and two firms the government said were conducting genetic analyses used to further the repression of Uighurs and other Muslim minorities.

Biggest hit since 1970

British households have suffered the biggest hit to their finances since the oil crisis of the mid-1970s as the coronavirus pandemic threatens to inflict severe financial hardship across the country. Against a backdrop of rising job losses four months into the crisis, the Resolution Foundation thinktank said the average household in Britain had suffered a 4.5% drop in income in the month of May, compared with their average monthly income level in the financial year ending March 2020, before the crisis struck.

More vaccine promises

A coronavirus vaccine the University of Oxford is developing with AstraZeneca Plc showed promising results in early human testing, and is now set to move into larger trials that are likely to be decisive on how effective they truly are. The results weren't enough to convince the market, however. AstraZeneca Plc fell from a record high in New York trading on concerns over whether its vaccine can match the progress seen in programs from Pfizer Inc. and BioNtech SE, as well as Moderna Inc.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	14.91	-0.60%
SOLIDERE—B	14.75	-0.33%
BANK OF BEIRUT	18.8	-
BANK AUDI SAL	0.95	-
BLOM BANK	3.18	-
BYBLOS BANK	0.40	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

FX & COMMODITIES

The euro hit its strongest level since early March on Tuesday after the EU struck a deal for a massive stimulus plan to revive their coronavirus-hit economies. The hard-won deal - a compromise on concerns that thrifty northern states had about handouts for more profligate neighbors - was hailed as an important signal of unity by Europe's leaders and a foundation for recovery. It sent the euro 0.2% higher to \$1.1470, its strongest since March 9, though the gains were tempered by prior market expectations that the deal would eventually get agreed and the euro's recent run higher. The single currency was last down 0.08% at \$1.1438. Also supporting broader sentiment, as well as commodity-linked currencies, were encouraging results from several COVID-19 vaccine trials. Analysts said that there was little new information in the final deal to spur the euro much higher, with the breakdown between grants and loans already known. The dollar was flat when measured against a basket of currencies, and last at 95.744.

Commodity-linked currencies rose. The Australian dollar gained 0.53% to \$0.7053, its strongest since June 10, after the central bank offered few surprises in minutes from last month's meeting or a speech from Governor Philip Lowe. Lowe

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said Australia's monetary policy would remain accommodative for as long as necessary and added that although he would prefer a cheaper Aussie dollar, its 27% recovery from March lows was supported by fundamentals.

The British pound also benefited from the broad improvement in risk sentiment, adding as much as 0.4% to \$1.2716, its highest since June 11. It rose 0.3% against the euro to 90.16 pence.

Markets were generally quiet elsewhere, with most currencies trading in tight ranges. The yen was flat versus the dollar at 107.30.

Gold rose to a 9-year high on Tuesday as expectation of higher inflation from increased stimulus overshadowed the resultant gain in risk appetite, while silver breached the \$20 level for the first time since September 2016. Spot gold was up 0.37% at \$1,824.23 per ounce after hitting its highest since September 2011. US gold futures rose 0.4% to \$1,823.80. Gold tends to benefit from widespread stimulus as the metal is widely viewed as a hedge against rising prices and currency debasement. Analysts are, however, divided on the outlook for inflation. Further helping gold, the dollar fell to a more than four-month low versus major currencies.

Oil prices edged higher on Tuesday, helped by positive news about vaccine trials and a EU stimulus deal but gains were capped by fears that new lockdowns could derail a recovery in demand. Benchmark Brent crude was up 2.38% at \$44.31, while West Texas Intermediate (WTI) gained 2.55% to \$41.85. The closing prices of both have traded within a \$2 channel so far in July. Oil prices were also supported by promising virus vaccine data released on Monday, raising confidence that a vaccine may be created even if a global rollout will take time. In China, some cinemas reopened on Monday after a six-month closure, another sign of recovery in the world's second-largest economy. In the first big energy deal since the coronavirus crushed fuel demand, Chevron Corp said it would buy Noble Energy Inc for about \$5bn in stock.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
CAD—15:30	Canada Retail Sales MoM	20.20%	-26.40%
CAD—15:30	Canada Core Retail Sales MoM	11.90%	-22.0%

Wednesday: AU Retail Sales, Canada CPI, US Existing Home Sales, EIA Weekly Report

Thursday: Japan Holiday, UK BoE Member Haskel speaks, US Initial Jobless Claims, US CB Leading Index

Friday: NZ Trade Balance, Flash Services and Manufacturing PMI for major countries, UK Retail Sales, US New Home Sales

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CURRENCIES	LAST	1D	YTD
DXY	95.744	-0.09%	-0.66%
EUR/\$	1.1438	-0.08%	2.02%
GBP/\$	1.2691	0.24%	-4.27%
AUD /\$	0.7053	0.53%	0.46%
NZD/\$	0.6583	0.09%	-2.33%
\$/JPY	107.30	-0.03%	1.22%
\$/CAD	1.3495	0.30%	-3.74%
\$/CHF	0.9387	0.02%	2.97%
\$/SEK	8.9619	0.12%	4.50%
\$/NOK	9.1910	0.42%	-4.41%
\$/DKK	6.5082	-0.06%	2.38%
\$/TRY	6.8569	0.02%	-13.21%
EUR/GBP	0.9013	0.31%	-6.14%
EUR/JPY	122.75	0.04%	-0.79%
EUR/CHF	1.0738	0.10%	1.11%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1824.23	0.37%	20.25%
Silver Spot \$/Oz	20.42	2.65%	14.47%
Platinum Spot \$/Oz	853.68	0.50%	-11.65%
Palladium Spot \$/Oz	2072.79	1.36%	6.83%
COPPER \$/lb	293.75	0.75%	4.17%
WTI \$/bbl	41.85	2.55%	-31.46%
BRENT \$/bbl	44.31	2.38%	-32.86%

EQUITIES & BONDS

Eurozone shares hit highest since early March on Tuesday after EU leaders agreed on a landmark stimulus package to revive member states from a coronavirus-induced slump. An index of eurozone stocks rose 1.1% to hit its highest level since March 5. The broader pan-European STOXX 600 gained 0.9%, also hitting highest since March 5, amid growing optimism about a COVID-19 treatment after promising early data from trials of three potential vaccines.

Italian government bond yields fell to their lowest since early March after EU leaders agreed on a massive recovery fund to support European economies hit by the coronavirus crisis. The 10-year Italian government bond yield fell to its lowest since the first week of March on Tuesday morning, dropping about 3 bps to 1.128%. Italy's tourism-driven economy was among those hardest hit by the crisis. After spiking in mid-March, its government bond yields have been falling gradually since the recovery fund was first proposed on May 18. Spreads between core and peripheral yields tightened, with the Germany-Italy 10-year yield spread at its narrowest in four months.

Asian shares hit a 5-month high. Hopes that vaccines against the COVID-19 disease might be ready by the end of year also supported riskier assets, following promising early data from trials of three potential vaccines. E-Minis for the S&P 500 were up 0.2%, a day after tech shares pushed the Nasdaq Composite up 2.5% to a record closing high, and the S&P500 hit a five-month peak. MSCI's broadest index of Asia-Pacific shares outside Japan gained 1.9% to its

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EQUITIES & BONDS

highest level since February. The risk-on approach in the global markets in the last few months has mainly been boosted by the record levels of stimulus announced by the policymakers to cushion the economic impact of the COVID-19 pandemic and ensuing lockdowns.

The US stocks gained ground on Monday and surging technology shares pushed the Nasdaq to a record closing high, as promising trial results from potential COVID-19 vaccines helped investors look beyond spiraling new cases of the disease. Amazon.com Inc and Microsoft Corp provided the biggest boosts to the Nasdaq and the S&P500, but industrials retreated, capping the Dow's nominal gains. Deaths in the US from COVID-19 passed the 140,000 mark over the weekend, as cases continued to rise in 42 of 50 states. Trials of potential vaccines have shown promise. Most recently, drugs from AstraZenica, CanSino Biologics Inc and from a partnership between Pfizer Inc and German biotech firm BioNTech were safely administered and induced immune responses. The US Congress, still looking to mitigate the pandemic's economic effects, was set for a week of partisan wrangling over a new relief package, with two weeks until enhanced jobless benefits expire for millions of Americans. Of the 11 major sectors in the S&P 500, consumer discretionary and tech enjoyed the largest %age gains. Q2 earnings season chugged along. In aggregate, analysts now expect S&P 500 Q2 earnings to have dropped 43.2% year-on-year, per Refinitiv. Shares of Halliburton Co rose 2.5% after the company posted a surprise adjusted quarterly profit and better-than-expected cash flow due to cost-cutting. Noble Energy Inc advanced 5.4% on news that Chevron Corp agreed to buy the oil and gas producer for \$5bn. Chevron dropped 2.2%. Moderna Inc shares tumbled 12.8% on positive results from its competitors' rival COVID-19 drug trials. Electric automaker Tesla Inc rose 9.5% to reach a record closing high of \$1,643. Shares of International Business Machines Corp were up over 5% in post-market trading after the company's adjusted earnings came in above analyst expectations.

COMPANY NEWS HEADLINES

- A unit of UBS has agreed to pay more than \$10mn to resolve charges it circumvented the priority given to retail investors in certain municipal bond offerings, the US Securities and Exchange Commission said on Monday.
- Ebay has agreed to sell its classified ads business to Norwegian group Adevinta in a cash share deal worth \$9.2bn, the companies said on Tuesday.
- British fashion retailer Ted Baker reported a plunge in sales in May, June and July on Tuesday, while saying that overall performance has been ahead of the base case scenario provided last month.
- Core earnings fell sharply in Q2 at Randstad Holding NV, one of the largest staffing companies in the world, but not as much as analysts had feared as the pandemic drastically curtailed demand for temporary workers.
- Swiss freight forwarder Kuehne+Nagel International reported a smaller-than-expected fall in Q2 profit on Tuesday buoyed by increased air freight operations and said it would restore its dividend plans.
- Logitech raised its outlook for the 2021 fiscal year and reported a more than 75% increase in non-GAAP operating income in its Q1, boosted by demand for its webcams, video conferencing products and headsets.
- Temasek Holdings said it was ready to invest in opportunities arising from volatile markets after the Singapore state investor's net portfolio value (NPV) declined for the first time in four years, hit by the coronavirus pandemic.
- Chinese Starbucks customers can order the coffee chain's drinks on Alibaba's Taobao marketplace and mobile map app Amap, the companies said on Tuesday, expanding a partnership signed in 2018.
- South Korean steelmaker POSCO reported a drop of 84.3% in Q2 operating profit, as the coronavirus pandemic dented steel demand, the company said on Tuesday.
- Pizza firm DP Eurasia, which runs Domino's Pizza brand in Turkey and Russia, reported a 3% increase in first half sales on Tuesday, saying growth at its Turkish stores offset a decline in Russia.

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AMERICA	LAST	1D	YTD
DOW JONES	26680.87	0.03%	-6.51%
S&P 500	3251.84	0.84%	0.65%
NASDAQ	10767.09	2.51%	20.00%
S&P/TSX	16183.66	0.37%	-5.16%
EUROPE	LAST	1D	YTD
STXE 600	379.92	1.16%	-8.65%
FTSE 100	6311.64	0.79%	-16.33%
CAC 40	5159.14	1.29%	-13.71%
DAX	13302.42	1.95%	0.40%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6156.30	2.58%	-7.90%
NIKKEI 225	22884.22	0.73%	-3.27%
TOPIX	1582.74	0.36%	-8.05%
CSI 300 (China)	4691.04	0.23%	14.51%
MENA	LAST	1D	YTD
Saudi Arabia	7377.36	-0.62%	-11.82%
Abu Dhabi	4238.51	-0.41%	-16.81%
Dubai	2064.96	0.17%	-24.89%
Qatar	9371.73	0.59%	-10.27%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.6118	0.0016	-1.3057
Germany	-0.4600	0.0000	-0.2750
U.K.	0.1520	0.0000	-0.6710
Australia	0.8630	-0.0250	-0.5070

TOP SELECTED NEWS

Britain's grocery sales growth slows as lockdown eased

(Reuters) Grocery sales in Britain rose 10% year-on-year in the four weeks to July 11, slowing from previous weeks as COVID-19 restrictions were eased to allow hospitality and leisure outlets to reopen in England, industry data showed on Tuesday. Market researcher Nielsen said the growth was down from 14% in last month's report. The government allowed pubs, cafes and restaurants in England to reopen on July 4, giving people an alternative to eating at home. Nielsen said online grocery purchases leapt 115% year-on-year, accounting for a record 14% of all grocery spending in the UK. Morrisons was the best performer of Britain's so-called "big four" supermarket groups in the 12 weeks to July 11, with sales growth of 15.7%, followed by market leader Tesco with growth of 12% and No. 2 Sainsbury's with growth of 10.2%. Walmart owned Asda was again the laggard with growth of 8.7%.

UBS flags buyback possibility after Q2 earnings beat

(Reuters) UBS, the world's largest wealth manager, on Tuesday signalled the possibility of resuming share buybacks later this year after generating more income than expected in the first six months and as it boosted capital during the coronavirus pandemic. Q2 earnings of \$1.23bn overshoot expectations thanks to much stronger-than-expected



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TOP SELECTED NEWS

performance from its investment bank, and solid profit in its core wealth management division, helping to temper a pandemic-induced slump in its Swiss retail and corporate banking business. Its capital position came in at the upper limit of its 12.7%-13.3% CET1 capital ratio target, as the bank recorded fewer than anticipated draw-downs and as operating profit helped it buoy core capital.

AstraZeneca vaccine data appear less competitive, analysts say

(Bloomberg) AstraZeneca Plc fell from a record high in New York trading after data for the company's Covid-19 vaccine candidate, though promising, fueled concerns about whether it can match competitors. Bernstein analysts led by Ronny Gal said the vaccine, developed in partnership with the University of Oxford, showed early positive data, but the benefits didn't appear to match the bar set by programs from Pfizer Inc. and BioNtech SE, as well as Moderna Inc.

Royal Bank of Scotland tells most staff to stay home until 2021

(Bloomberg) Royal Bank of Scotland Group Plc has told most employees to work from home until next year as a precaution against the lingering coronavirus pandemic. The UK lender said 80% of its staff will continue to work remotely until 2021, extending its previous guidance that workers would be home until September. The decision affects about 50,000 people. "Like we've done throughout the pandemic the decision has been made carefully, including considering the latest guidance from the UK government on Friday and our own health and safety standards and procedures," said a spokesman.

Lindt sales and profit fall as COVID-19 hits chocolate appetite

(Reuters) Swiss chocolate maker Lindt & Spruengli said it expected its organic sales to fall around 5-7% this year before bouncing back next year after COVID-related store closures hit sales and profit in the first half of 2020. Chocolate makers have been facing soft demand as many grocery shoppers focused on stocking up on essential supplies and made fewer impulse purchases during the COVID-19 pandemic. "We expect organic sales in the full financial year to be around 5-7% lower than 2019," the maker of Lindor chocolate balls said in a statement on Tuesday, while it now expects a operating profit margin of around 10%.

IBM beats estimates; sees gains as customers accelerate shift to cloud

(Reuters) International Business Machines Corp beat estimates for Q2 profit on Monday and signaled that demand in its cloud computing business would get a boost as large corporations accelerate their digital shift due to the coronavirus crisis. The company's shares rose 5% in after-hours trading. IBM has jettisoned some of its legacy business to focus on the high-margin cloud computing business, an area that has seen a lot of action in recent years as companies ramp up their digital shift to boost efficiency.

Chevron to buy Noble for \$5bn in stock, biggest oil deal since price crash

(Reuters) Chevron said on Monday it would buy oil and gas producer Noble Energy for about \$5bn in stock, the first big energy deal since the coronavirus crisis crushed global fuel demand and sent crude prices to historic lows. The oil price crash has decimated shares of many energy companies, making them attractive targets for those that have weathered the downturn and have the resources to buy. Chevron ended Q1 with a cash pile of \$8.5bn after withdrawing a \$33bn bid for Anadarko last year and then being among the first big oil companies to slash spending.

Jack Ma's Ant seeks \$200 billion value in landmark dual IPO

(Bloomberg) Billionaire Jack Ma's Ant Group is seeking a valuation north of \$200bn as it goes public in Hong Kong and Shanghai, people familiar with the matter said, kicking off a much-anticipated market debut for China's leader in internet finance. The parent of China's largest mobile payment company will pursue a simultaneous dual-listing in Hong Kong and on the Shanghai stock exchange's STAR board, the Hangzhou-based firm said, in what promises to be one of the largest debuts in years.

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