

MARKETS TODAY

Thursday, July 23, 2020

MARKETS IN BRIEF

- U.S. dollar hit 4-month lows against a basket of peer currencies on Thursday, resuming its slide as investors took a wait and see approach to tensions between the U.S. and China.
- Euro firmed up acting as a safe-haven currency following the announcement of a Recovery Fund. Investors needed a safety net during such times of uncertainties. EUR/USD hit yesterday \$1.1601, its highest since October 2018.
- Euro zone bond yields held near multi-month lows, with demand for fixed income supported by U.S.-China tensions and hopes the bloc will bounce back quickly from the impact of COVID-19 given this week's Recovery Fund deal.
- Spot Gold regained its upward pace benefiting from a weaker dollar and run to safe-haven assets. The metal hit earlier today \$1888.57 per ounce, its highest since September 2011.
- Oil prices edged higher, but gains could be capped by a surprise build in U.S. crude oil inventories, in addition to weak recovery in demand due to a persistent surge in new coronavirus cases.
- Asian shares fluctuated today as investors weighed hopes for more stimulus to support pandemic-stricken economies against a dramatic rise in tensions between the U.S. and China.
- U.S. stocks ended higher yesterday after a see-saw session.

Large budget deficit

Australia's budget deficit will blow out to a post-World War II record amid a surge in spending to plug a virus-induced gaping economic hole, as the government sees the crisis spilling into next year. The underlying cash balance will be a A\$184.5bn shortfall in the 12 months through June 30, 2021, the government said in an economic and fiscal update released in Canberra Thursday. The deficit in the fiscal year ended last month was estimated at A\$85.8 billion. "These harsh numbers reflect the harsh reality we face. The economic outlook remains very uncertain. Recent events in Victoria are testament to this," Treasurer Josh Frydenberg told reporters after the release. "These deficits reveal the real cost to the budget of protecting lives and livelihoods from the coronavirus."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1590	0.17%
GBP/\$	1.2720	-0.11%
AUD /\$	0.7151	0.15%
\$/JPY	107.15	0.01%
\$/CAD	1.3380	0.28%
Gold \$	1881.00	0.53%
WTI \$	42.21	0.72%
BRENT \$	44.73	1.02%
AMERICA		
DOW JONES	27005.84	0.62%
S&P 500	3276.02	0.57%
NASDAQ	10706.13	0.24%
EUROPE		
STXE 600	373.44	-0.87%
CAC 40	5037.12	-1.32%
DAX	13104.25	-0.51%
ASIA PACIFIC		
S&P/ASX 200	6094.50	0.32%
NIKKEI 225	22751.61	-0.58%
CSI 300 (China)	4712.44	-0.04%
MENA		
Saudi Arabia	7427.89	0.14%
Dubai	2065.30	-1.11%
Qatar	9386.16	-0.11%
BONDS		
U.S. 10-year	0.5922	-0.0049
German Bund 10-yr	-0.4870	0.0030
AU 10-year	0.8620	-0.0260

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More actions against China

US President Donald Trump said on Wednesday it was "always possible" he would order the closure of more Chinese consulates in the United States in the wake of the State Department's order to close Beijing's consulate in Houston. Trump, at a White House news conference, noted that a fire was spotted on the Houston consulate's grounds after the State Department ordered the closure in 72 hours. "I guess they were burning documents and burning papers," he said.

French economy to rebound

The French economy is on course to rebound by 8% next year and should return to pre-crisis levels by 2022, French Finance Minister Bruno Le Maire said on Thursday. Le Maire told the National Assembly recent economic data had been "satisfying but too fragile" for now to change forecasts for an economic contraction this year of 11%, the worst since modern records began. The government has committed more than 460bn euros in public funds to supporting the economy. Most will come in the form of state-guaranteed loans and tax breaks to help companies cope.

ECB to halt bank dividends

(Bloomberg) The European Central Bank is leaning toward asking banks to hold off on dividends at least through the end of the year, putting a damper on investor hopes that payouts could be restarted in Q4. Several members of the central bank's supervisory board don't yet see enough clarity on the economy to justify that lenders start returning capital again, according to people familiar with the matter. No final decision has been taken, said the people, who asked to remain anonymous as the matter isn't public. A spokeswoman for the ECB declined to comment.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	14.28	-2.19%
SOLIDERE—B	14.09	-4.41%
BANK OF BEIRUT	18.8	-
BANK AUDI SAL	0.96	-
BLOM BANK	3.18	-
BYBLOS BANK	0.37	-7.50%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

FX & COMMODITIES

The US dollar hit 4-month lows against a basket of peer currencies on Thursday, resuming its slide as investors took a wait and see approach to tensions between the US and China. The US gave China until Friday to close its consulate in Houston following allegations of spying. China has vowed to respond, and the escalating tension between the world's two largest economies sent the yuan on its sharpest slide in nearly two months on Wednesday. That slide reversed on Thursday, with the offshore yuan bouncing back to the weaker side of the 7 per dollar mark. The index that measures the dollar against peer currencies hit its lowest since March 9. The dollar index has lost nearly 8% since its March 20 peak, when a global dollar funding crunch saw a surge in demand. It is down 1.5% year-to-date. US-China ties have deteriorated this year over issues ranging from the new coronavirus and telecoms-gear maker Huawei, to China's territorial claims in the South China Sea and Hong Kong crackdown. The US State Department said the Chinese mission in Houston was being closed "to protect American intellectual property and Americans' private information." Chinese state media said on Thursday the move was a political ploy ahead of November

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presidential elections, and one source with knowledge of the matter told Reuters China was considering closing the US consulate in Wuhan in response. Against the safe haven Japanese yen, the dollar was flat at 107.15. The euro was at \$1.1590, just below a 21-month high of \$1.1601 hit earlier this week after Europe's leaders agreed a recovery fund. The Australian dollar retreated from a 15-month peak to around \$0.7151, while the kiwi was just below Wednesday's six-month top of \$0.6684.

Spot Gold remained near a 9-year peak, with prices up more than 23% on the year. Investors have flocked to the safe-haven metal as they seek shelter from a potential reversal in US equities. Gold has been helped by a weak dollar.

Oil prices edged higher on Thursday, although gains were capped by a surprise build in US crude oil inventories, while a persistent surge in new coronavirus cases continued to dampen a recovery in fuel demand. US crude and distillate inventories rose unexpectedly and fuel demand slipped in the most recent week, the Energy Information Administration said on Wednesday, as a sharp rise in coronavirus cases starts to hit US consumption. Brent crude rose 1.02% to \$44.73 a barrel while US West Texas Intermediate (WTI) crude gained 0.72% to \$42.21 a barrel. Prices have been marking time since hitting a four-month high earlier in the week on hopeful news about a coronavirus vaccine. The US reported more than 1,000 deaths from COVID-19 on Tuesday, according to a Reuters tally, marking the first time since June 10 the nation has surpassed that grim milestone. Crude inventories rose by 4.9mn barrels in the week to July 17 to 536.6mn barrels, compared with expectations for a 2.1mn-barrel drop.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—13:00	UK CBI Industrial Order Expectations	-37	-58
GBP—14:00	UK MPC Member Haskel speaks	-	-
USD—15:30	US Initial Jobless Claims	1300k	1300k
EUR—17:00	Eurozone Consumer Confidence	-12	-15
USD—17:00	US CB Leading Index MoM	2.1%	2.8%

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	94.862	-0.14%	-1.59%
EUR/\$	1.1590	0.17%	3.36%
GBP/\$	1.2720	-0.11%	-4.05%
AUD /\$	0.7151	0.15%	1.85%
NZD/\$	0.6684	0.33%	-0.83%
\$/JPY	107.15	0.01%	1.37%
\$/CAD	1.3379	0.28%	-2.91%
\$/CHF	0.9279	0.17%	4.16%
\$/SEK	8.8401	0.27%	5.93%
\$/NOK	9.1203	-0.21%	-3.66%
\$/DKK	6.4221	0.16%	3.74%
\$/TRY	6.8447	0.10%	-13.05%
EUR/GBP	0.9112	-0.28%	-7.16%
EUR/JPY	124.18	-0.15%	-1.94%
EUR/CHF	1.0755	0.01%	0.94%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1881.04	0.53%	24.00%
Silver Spot \$/Oz	22.88	-0.45%	28.23%
Platinum Spot \$/Oz	928.98	0.48%	-3.90%
Palladium Spot \$/Oz	2148.36	-0.25%	10.57%
COPPER \$/lb	293.65	0.38%	4.10%
WTI \$/bbl	42.20	0.72%	-30.89%
BRENT \$/bbl	44.72	1.02%	-32.21%

EQUITIES & BONDS

Euro zone bond yields held near multi-month lows on Thursday, with demand for fixed income supported by US-China tensions and hopes the bloc will bounce back quickly from the impact of COVID-19 given this week's recovery fund deal. The yield on Germany's benchmark 10-year bonds, regarded as one of the safest assets in the world, was marginally higher in early trade as stock markets opened on a firmer tone. But it held near Wednesday's 2-month lows around -0.50% , with safe-haven assets supported by renewed tension between the world's biggest economies as Washington on Wednesday ordered to Beijing to close its consulate in Houston.

Asian shares wavered on Thursday as investors weighed hopes for more stimulus to support pandemic-stricken economies against a dramatic rise in tensions between the US and China. S&P mini-futures added 0.09%. Washington's order to Beijing to close its consulate in Houston, Texas amid accusations of spying had weighed on risk sentiment earlier in Asia, pulling shares lower. China said the order was an "unprecedented escalation" by Washington, and a source said Beijing was considering shutting the US consulate in Wuhan in retaliation. Trump said that other consulate closures were "always possible". But by afternoon in Asia, MSCI broadest index of Asian shares ex-Japan was 0.18% higher as Chinese shares pared losses. Australian shares regained their footing to rise 0.25% and HK's Hang Seng index was 0.43% higher. Nikkei futures eked out a 0.09% gain to 22,805, with Japanese markets closed for a holiday. Investors also will be keeping a close watch on US weekly jobless claims figures due at 1230 GMT.

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EQUITIES & BONDS

The US stocks ended higher on Wednesday after a see-saw session as investors digested mixed quarterly results and contentious stimulus negotiations in Washington. The major stock indexes oscillated for much of the day but ended in the black. The Nasdaq had the smallest gain, capped by a 1.2% drop in Amazon.com Inc shares. The S&P 500 remained in positive territory year-to-date, up 1.4%. The Nasdaq has gained more 19.3% since Jan. 1, while the Dow remained down 5.4%. The Experts warned that number will rise further due to a surge in new infections. Congressional Democrats and Republicans remained divided on the details of a new stimulus package expected to cost \$1tn or more, less than two weeks before extended benefits are due to expire for millions of unemployed Americans. On the economic front, sales of existing homes jumped by a record 20.7% in June, according to the National Association of Realtors. The Philadelphia SE Housing index .HGX was up 3.0%, handily outperforming the broader market. Ten of the 11 major sectors in the S&P 500 advanced, with energy .SPNY and financials .SPSY losing ground. Utilities enjoyed the biggest %age gain. Pfizer Inc gained 5.1% after the drug-maker and German biotech firm BioNTech SE announced the US government would pay \$1.95bn 100mn doses of their COVID-19 vaccine candidate. Hospital operator HCA Healthcare Inc reported better-than-expected quarterly revenue, sending its stock jumping 12.0%. Snap Inc shares sank 6.2% after posting a net loss of \$326mn and forecasting fewer-than-expected current-quarter users. Shares of United Airlines Holdings Inc dropped 4.2% after the company reported an adjusted net loss of \$2.6bn in the April to June quarter. Microsoft shares were down more than 2% after the bell, following the company's quarterly report. Tesla Inc shares gained more than 2% in post market trading after the electric car maker reported quarterly results.

In the MENA region, the Dubai index ended lower on Wednesday, dragged down by property shares, while the Kuwaiti index dropped to a 9-week low as investors shunned stocks across the board. In Kuwait, the index slid 3% as all its constituents ended in negative territory, including Kuwait Projects Company, which was down 2%. Kuwait's 91-year-old ruler Emir Sheikh Sabah al-Ahmad al-Sabah was admitted to hospital on Saturday for medical checks.

COMPANY NEWS HEADLINES

- French spirits maker Pernod Ricard said on Thursday the coronavirus pandemic would not hit its full year profit as strongly as initially feared, citing more resilient sales in U.S and W. European supermarkets and strong cost control.
- Security contractor G4S Plc on Thursday reported first-half operating profit that beat market expectations, getting a boost from a solid performance in its core security business, but said it would still hold off on paying dividends.
- Swiss chemicals maker Sika said on Thursday it was seeing an improvement in construction markets and sales volumes after its business was hit in the first half by the coronavirus shutdown and a stronger Swiss franc.
- French-Italian chipmaker STMicroelectronics raised its full-year net revenue guidance on Thursday, citing improved market conditions, new products and engaged customer programmes.
- The publisher of the Daily Mail newspaper reported a 44% drop in nine-month operating profit after growth in the first five months was wiped out by the COVID-19 pandemic, although it said its newspapers and website had returned to profit in June.
- French household equipment maker Groupe SEB reported better-than-expected quarterly revenue on Thursday, as the easing of coronavirus lockdowns fuelled demand, chiefly in the Europe, MENA region and in China.
- Spanish oil and gas firm Repsol posted a net loss for Q2 on Thursday, and wrote down \$1.5bn in assets on expectations of lower oil prices over the next 30 years.
- US railroad operator CSX Corp reported on Wednesday a drop in quarterly profit after cost controls failed to offset a 20% volume slump from the COVID-19.
- Food ingredients maker Tate & Lyle Plc said on Thursday demand improved in June compared to the previous two months as coronavirus restrictions started to ease, but cautioned that the full extent of the pandemic's impact still remained unclear.

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AMERICA	LAST	1D	YTD
DOW JONES	27005.84	0.62%	-5.37%
S&P 500	3276.02	0.57%	1.40%
NASDAQ	10706.13	0.24%	19.32%
S&P/TSX	16171.06	0.05%	-5.23%
EUROPE	LAST	1D	YTD
STXE 600	373.44	-0.87%	-10.20%
FTSE 100	6207.10	-1.00%	-17.70%
CAC 40	5037.12	-1.32%	-15.74%
DAX	13104.25	-0.51%	-1.09%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6094.50	0.32%	-8.82%
NIKKEI 225	22751.61	-0.58%	-3.83%
TOPIX	1572.96	-0.62%	-8.62%
CSI 300 (China)	4712.44	-0.04%	15.03%
MENA	LAST	1D	YTD
Saudi Arabia	7427.89	0.14%	-11.46%
Abu Dhabi	4262.19	0.13%	-16.03%
Dubai	2065.30	-1.11%	-25.30%
Qatar	9386.16	-0.11%	-9.97%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.5922	-0.0049	-1.3253
Germany	-0.4880	0.0030	-0.3020
U.K.	0.1180	-0.0020	-0.7040
Australia	0.8620	-0.0260	-0.5080

TOP SELECTED NEWS

South Korea enters recession as exports plunge by most since 1963

(Reuters) South Korea plunged into recession in Q2 in its worst economic decline in more than two decades as the coronavirus pandemic battered exports and social distancing curbs paralysed factories. Asia's fourth-largest economy shrank by a seasonally adjusted 3.3% in the June quarter from three months earlier, the Bank of Korea said on Thursday. That is the sharpest contraction since Q1 of 1998 and steeper than a 2.3% fall seen in a Reuters poll. South Korea joins Japan, Thailand and Singapore in technical recession, defined as two straight quarters of decline, as the pandemic slams Asia's trade-reliant economies.

US to pay Pfizer, BioNTech \$1.95 billion for COVID-19 vaccine

(Reuters) The US government will pay nearly \$2bn to buy enough of a COVID-19 vaccine being developed by Pfizer Inc and German biotech BioNTech SE to inoculate 50mn people if it proves to be safe and effective, the companies said on Wednesday. The contract for 100mn doses of the vaccine amounts to a \$39 price tag for what is likely to be a two-dose course of treatment. The contract is the most the US has agreed to spend on a vaccine, although previous deals with other vaccine makers were intended to also help pay for development costs. Pfizer and BioNTech



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TOP SELECTED NEWS

will not receive any money from the government unless their vaccine succeeds in large clinical trials and can be successfully manufactured, according to a Pfizer spokeswoman.

Tesla's profit sets up S&P 500 entry, while Musk pushes for growth

(Reuters) Tesla Inc on Wednesday posted a Q2 profit as cost cuts and strong deliveries helped offset coronavirus-related factory shutdowns, sending its stock up 4.4% in after-hours trading and clearing a hurdle that could lead to the electric carmaker's inclusion in the S&P 500 index. Tesla said it earned net income of \$104mn from April to June, or \$0.50 per share, marking the first time the company has posted a profit for four straight quarters, a condition for it to be considered for the stock index of the largest US companies.

Microsoft cloud flagship posts first growth under 50%; bookings growth steady

(Reuters) Microsoft Corp's flagship cloud computing business Azure reported quarterly sales growth of under 50% for the first time ever on Wednesday, sending the tech giant's shares down 2%. Revenue in Microsoft's Intelligent Cloud segment rose 17% to \$13.4bn, with 47% growth in the Azure component, which includes essential computing and storage services.

Unilever sales fall less than expected as US outperforms

(Reuters) Q2 sales at Unilever fell much less than expected as strong growth in North America helped to offset the hit from coronavirus lockdowns. The Anglo-Dutch maker of Dove soaps and Knorr soups said on Thursday underlying sales fell 0.3% in the three months ended June 30, compared with analysts' mean forecast for a 4.3% drop. That was still the first decline in quarterly sales since Q3 of 2004, according to Jefferies analysts. The consumer goods group also said that after exploring options for its 3bn euro a year tea business, it had decided to keep its operations in India and Indonesia and partnership interests in ready-to-drink tea joint ventures.

Roche maintains 2020 outlook as Q2 sales tumble on COVID-19 hit

(Reuters) Swiss drug-maker Roche stuck to its full-year outlook even as Q2 sales tumbled nearly 10%, hurt by a rising Swiss franc and patients who shied away from hospital visits as the COVID-19 pandemic disrupted healthcare worldwide. Q2 sales dropped 9.6% to 14.1bn Swiss francs. Factoring out the strong franc, revenue fell 4%, Roche said.

Hyundai Motor Q2 profit slumps due to weak international demand

(Reuters) South Korea's Hyundai Motor Co said on Thursday Q2 profit fell 75% on year, the steepest in seven quarters and missing analyst estimates, as weak global demand due to the pandemic overshadowed sales of high-end models at home. Hyundai's global retail sales fell 33% from the same period a year earlier whereas sales at home in South Korea - at 200,000 vehicles, exceeding all other markets - rose 13%, company data showed. Other markets including the US, China, Europe and India suffered double-digit sales falls.

SoftBank's chip company arm said to attract Nvidia interest

(Bloomberg) Arm Ltd., the semiconductor designer owned by SoftBank Group Corp., is attracting takeover interest from graphics chipmaker Nvidia Corp., people with knowledge of the matter said. Nvidia made an approach in recent weeks about a potential deal for Cambridge, England-based Arm, according to the people. Other potential bidders could also emerge, the people said, asking not to be identified because the information is private.

UK official advised minister of risks in buying OneWeb stake

(Reuters) British officials voiced concerns about the government buying a \$500mn stake in satellite company OneWeb this month, questioning whether it would deliver UK jobs and offer value for taxpayer's money, according to a committee of lawmakers. Britain joined forces with India's Bharti Global to buy the collapsed satellite operator earlier this month, with the two sides pledging a total \$1bn to develop a constellation that could boost broadband and other services.

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treasury@bankofbeirut.com.lb



+961 1 960 501

PRIVATE BANKING DEPARTMENT



privatebanking@bankofbeirut.com.lb



+961 1 960 531/2/3

