

MARKETS TODAY

Monday, July 20, 2020

MARKETS IN BRIEF

- Euro and euro zone bond markets held out hope EU leaders would strike a deal on a recovery fund for the bloc's ravaged economy on Monday. EUR/USD hit earlier \$1.1468, its highest since March 9 (more than 4.25-month high). The marathon talks adjourned until 17:00 LT (14:00 GMT).
- Global stocks firmed up but optimism remained in check as coronavirus cases continued to rise sharply, threatening a prolonged economic slowdown.
- Chinese markets rose more than 2%, led by financial firms, after regulators moved to bolster the market by lifting the equity investment cap for insurers and encouraging mergers and acquisitions among brokerages and mutual fund houses.
- Oil prices dropped amid concerns that a recovery in fuel demand could be derailed.
- In the U.S., the S&P 500 ended higher on Friday as investors weighed the prospect of more fiscal stimulus against fears of further business disruptions due to a record rise in COVID-19 cases.
- U.S. dollar investors shifted attention to a battle in the Congress over a new coronavirus-aid bill began late last week as Republicans and Democrats pushed for their own agenda.

Cautious progress

EU leaders were making progress on Monday after three days of haggling over a plan to revive economies throttled by the COVID-19 pandemic, but Dutch PM Mark Rutte warned the discussions could still fall apart. EU summit chairman Charles Michel urged the 27 leaders of the EU to achieve "mission impossible" and reach an agreement. Michel reminded the EU leaders that more than 600,000 people had now died as a result of the coronavirus around the world, and it was up to them to stand together in the face of an unprecedented crisis. On the table is a 1.8tn euro package for the EU's next long-term budget and recovery fund. The 750bn euros proposed for the recovery fund would be raised on behalf of them all on capital markets by the EU's executive European Commission.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1458	0.27%
GBP/\$	1.2589	0.17%
AUD /\$	0.6997	0.01%
\$/JPY	107.19	-0.16%
\$/CAD	1.3568	0.08%
Gold \$	1812.41	0.10%
WTI \$	40.35	-0.52%
BRENT \$	42.88	-0.53%
AMERICA		
DOW JONES	26671.95	-0.23%
S&P 500	3224.73	0.28%
NASDAQ	10503.19	0.28%
EUROPE		
STXE 600	372.71	0.16%
CAC 40	5069.42	-0.31%
DAX	12919.61	0.35%
ASIA PACIFIC		
S&P/ASX 200	6001.57	-0.53%
NIKKEI 225	22717.48	0.09%
CSI 300 (China)	4680.30	2.98%
MENA		
Saudi Arabia	7423.23	-0.05%
Dubai	2061.43	0.43%
Qatar	9316.51	0.06%
BONDS		
U.S. 10-year	0.6168	-0.0098
German Bund 10-yr	-0.4420	0.0040
AU 10-year	0.8880	0.0200

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U.K. warning H.K.

Foreign Secretary Dominic Raab signaled the UK will join its international allies in suspending an extradition treaty with Hong Kong after China imposed a national security law on the former British colony. Raab told Sky News on Sunday he would update Parliament on Monday on the UK's extradition arrangements with Hong Kong, less than a week after the nation banned the Chinese telecommunications company Huawei Technologies Co. as a long-term supplier for its 5G networks over concerns about the security of its infrastructure.

Japan's exports plunging ... again

Japan's exports plunged at a double-digit pace for the 4th month in a row in June, backing signs the coronavirus crisis has knocked the economy into its worst postwar recession and raising the specter of a longer and more painful global downturn. US-bound Japanese shipments nearly halved again due to plummeting demand for cars and autoparts, while exports to China remained weak, pointing to the absence of a strong growth engine for the world economy. MoF data showed on Monday that Japan's exports dived 26.2% in June YoY.

Another round of packages

Talks on a new pandemic relief bill start today between top Republicans and the White House. The administration opposes new virus testing funding favored by the GOP as well as more money to the Pentagon to address the pandemic globally, according to Bloomberg sources. The Republicans' roughly \$1tn plan expected this week will be an opening bid as they begin negotiations with Democrats, who've already put out an expansive \$3.5tn proposal.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	15.00	-
SOLIDERE—B	14.80	-0.67%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	0.95	-1.04%
BLOM BANK	3.18	-
BYBLOS BANK	0.40	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

FX & COMMODITIES

The euro jumped to a 4-month high against the dollar on Monday, boosted by European leaders saying progress was being made in talks to take on debt jointly to help their economies. The euro gained 0.27% to \$1.1459, having risen to as high as \$1.1468, its loftiest level since March, as EU leaders appeared within a whisker of breaking an impasse over a proposed 750bn euro recovery fund. With the marathon talks adjourned until 1600 CET (1400 GMT) on Monday, Austrian Chancellor Sebastian Kurz and Dutch Prime Minister Mark Rutte, leaders from two of the so-called "frugal four", said progress was being made. Rutte said talks had been close to failing, but the chairman was now working on a new EU compromise proposal. The 750bn euros proposed for the fund are to be raised on behalf of EU countries on capital markets by the EU's executive European Commission. While that would be a historic step towards greater fiscal integration for the union, a group of "frugal" wealthy north European states have been reluctant, pushing for a smaller fund and seeking to limit how payouts are split between grants and repayable loans. As European Council President Charles Michel urged leaders to achieve "mission impossible", diplomats said it was possible that they would

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possible that they would abandon the summit and try again for an agreement next month. But many market players also believe the euro will be supported even if the deal is not reached this time, as long as there remains the prospect of a deal on the stimulus.

The dollar index was little lower at 95.834, with its advance kept in check as investor risk appetite continues to be strong, underpinned by bets of more stimulus not just from Europe but also the US. A battle in the US Congress over a new coronavirus-aid bill began late last week as Republicans and Democrats pushed for their own agenda. The Republicans want the upcoming coronavirus aid bill to cost no more than \$1tn while leading Democrats have pledged to fight for much more - in the range of the \$3tn bill. Expectations of more government spending have offset worries about rising coronavirus cases in the US as well as fears over deteriorating US-China relations. The British pound rose 0.17% to \$1.2590 while the Australian dollar traded flat at \$0.6997. The Japanese yen eased 0.16% to 107.19 per dollar. It did not react to Japan's trade data showing exports in June plunged 26% from a year earlier, worse than expected. The offshore Chinese yuan held firm at 6.9853 per dollar, only a tad below last week's four-month peak of 6.9806.

Chicago soybean futures rose for a fifth consecutive session on Monday to their highest since July 10 on strong demand, even as expectations of crop-friendly weather and ample world supplies capped gains. Corn lost ground as weakness in oil prices raised demand concerns for the grain-based fuel ethanol.

Oil prices dropped on Monday, amid concerns that a recovery in fuel demand could be derailed by a rise in the pace of coronavirus infections around the world. Brent crude was down 0.53% at \$42.88 a barrel, after dropping slightly last week. US oil was off by 0.52% at \$40.35 a barrel, after gaining 4 cents last week. While fuel demand has recovered from a 30% drop in April after countries around the world imposed strict lockdowns, usage is still below pre-pandemic levels. US retail gasoline demand is falling again as infections rise. Japan's oil imports fell 14.7% in June from the same month a year earlier, official figures showed on Monday. The drop was not as pronounced as in May when they fell 25%, year on year. Still, exports from the world's third-largest economy slumped by a double-digit decline for the fourth month in a row as the coronavirus pandemic took a heavy toll on global demand. In the US, energy drillers cut the number of oil and natural gas rigs operating to a record for an 11th week in a row, data showed on Friday.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—13:45	EU Economic Summit		
GBP—18:10	UK BoE MPC Member Haldane speaks		

Tuesday: RBA Gov. Lowe speaks, RBA Policy Meeting Minutes, Canada Retail Sales

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	95.834	-0.13%	-0.59%
EUR/\$	1.1459	0.27%	2.19%
GBP/\$	1.2590	0.17%	-5.04%
AUD /\$	0.6997	0.01%	-0.34%
NZD/\$	0.6564	0.09%	-2.63%
\$/JPY	107.19	-0.16%	1.32%
\$/CAD	1.3567	0.08%	-4.27%
\$/CHF	0.9394	-0.09%	2.90%
\$/SEK	8.9943	0.43%	4.10%
\$/NOK	9.2602	0.35%	-5.13%
\$/DKK	6.4995	0.23%	2.51%
\$/TRY	6.8573	0.09%	-13.22%
EUR/GBP	0.9102	-0.11%	-7.06%
EUR/JPY	122.83	-0.41%	-0.85%
EUR/CHF	1.0765	-0.35%	0.85%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1812.46	0.10%	19.44%
Silver Spot \$/Oz	19.44	0.61%	8.92%
Platinum Spot \$/Oz	843.36	0.34%	-12.77%
Palladium Spot \$/Oz	2030.43	0.40%	4.26%
COPPER \$/lb	290.85	0.09%	3.09%
WTI \$/bbl	40.35	-0.52%	-33.87%
BRENT \$/bbl	42.88	-0.53%	-34.98%

EQUITIES & BONDS

Asian shares posted gains on Monday and the euro rose to four-month highs, as EU leaders appeared to make some headway after three days of haggling on a plan to revive their economies, even as coronavirus cases increased in many countries. Dutch Prime Minister Mark Rutte said EU leaders were making progress but warned discussions could still fall apart, while summit chairman Charles Michel urged them to make one last push on "mission impossible". In the US, E-mini futures for the S&P 500 were down 0.5%. EU leaders are at odds over how to carve up a vast recovery fund designed to help haul Europe out of its deepest recession since World War Two, and what strings to attach for countries it would benefit. Diplomats said it was possible that they would abandon the summit and try again for an agreement next month. In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.3%, reversing losses earlier in the day, with Chinese markets rising more than 2%. China stocks jumped 2.5%, led by financial firms, after regulators moved to bolster the market by lifting the equity investment cap for insurers and encouraging mergers and acquisitions among brokerages and mutual fund houses. Australia's S&P/ASX 200 index dropped 0.5% after authorities warned that a surge in COVID-19 cases in the country's second most populous state could take weeks to tame. South Korea's KOSPI pared gains to fall 0.1%, while Japan's Nikkei was also down 0.1% after data showed the country's exports suffered a double-digit decline for the fourth month in a row in June. In the US, Congress is set to begin debating a new aid package this week.

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EQUITIES & BONDS

In the US, the S&P 500 ended higher on Friday as investors weighed the prospect of more fiscal stimulus against fears of further business disruptions due to a record rise in COVID-19 cases. Netflix tumbled 6.5% after the video streaming service forecast slower-than-expected subscriber growth during Q3, pulling the communication services sector down 0.4%. The S&P 500 utilities, real estate and healthcare indexes were the session's strongest gainers. However, a 1.5% drop in Goldman Sachs helped keep the Dow in negative territory. For the week, the S&P 500 and the Dow rose 1.2% and 2.3%, respectively, after optimism over an eventual coronavirus vaccine and hopes of a post-pandemic economic recovery helped investors look past a continuous surge in COVID-19 cases. The Nasdaq ended 1.1% lower for the week as investors sold shares of high-flying companies including Microsoft Corp and Amazon.com Inc and moved into cyclical sectors. Next week, Q2 earnings season shifts into high gear with reports expected from corporate heavyweights including Microsoft, Tesla, Intel and Verizon Communications. With this year largely written off as a disaster for US corporations because of the coronavirus, investors are looking for information from companies about the potential size and timing of an eventual recovery. The Cboe Volatility Index ended at 25.68, its lowest closing level since June 5. Unprecedented stimulus measures and improving economic data have helped the S&P 500 rise to within about 5% of its February record high. Investors are also hoping for more fiscal support as a program that offers additional unemployment benefits is set to expire on July 31. The US Congress will return to Washington on Monday to debate another coronavirus aid bill. BlackRock rose 3.7% after reporting a jump in quarterly profit as investors poured money into its fixed-income funds and cash management services.

In the MENA region, Egyptian shares fell on Sunday after fears of Egyptian intervention in Libya's civil war increased, and Gulf stocks were mixed, with Kuwait underperforming following a negative outlook by S&P Global Ratings. Egypt's blue-chip index fell 1.5% -- the fifth successive day it has fallen. The Kuwaiti index retreated 1.2%, pressured mostly by financial stocks. S&P expected the country's main liquidity buffer to be insufficient to cover the government's deficit.

COMPANY NEWS HEADLINES

- Julius Baer Group Ltd. posted its best ever first-half profit as sharp asset price swings linked to the coronavirus boosted client trading at the Swiss private bank. Net income jumped by 43% from a year earlier to 491mn Swiss francs, with commissions and fees as well as income from financial instruments rising sharply, the bank said in a statement on Monday.
- Dubai's biggest bank Emirates NBD on Monday posted a 58% fall in Q2 profit, as it set aside over \$1.1bn so far this year to cover bad loans in anticipation of a worsening impact from the coronavirus crisis.
- Virgin Australia Holdings Ltd bondholders on Monday submitted a draft deed of company arrangement proposal to the airline's administrator Deloitte to rival one from Bain Capital, according to a spokesman for the bondholders.
- British retailer Marks and Spencer Group Plc plans to announce hundreds of job cuts in the coming week, Sky News reported on Sunday, citing sources.
- Chinese electric car company Xpeng Motors has raised fresh funding as competition continues to heat up in China's so-called new energy vehicle market.
- Spanish pharmaceutical company Grifols said on Monday it agreed to buy plasma assets in North America from South Korea's Green Cross for \$460mn.
- Oilfield services firm BJ Services filed for Chapter 11 bankruptcy protection early on Monday, following a severe cut in demand and cash crunch due to the coronavirus pandemic.
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AMERICA	LAST	1D	YTD
DOW JONES	26671.95	-0.23%	-6.54%
S&P 500	3224.73	0.28%	-0.19%
NASDAQ	10503.19	0.28%	17.06%
S&P/TSX	16123.48	0.62%	-5.51%
EUROPE	LAST	1D	YTD
STXE 600	372.71	0.16%	-10.37%
FTSE 100	6290.30	0.63%	-16.60%
CAC 40	5069.42	-0.31%	-15.20%
DAX	12919.61	0.35%	-2.49%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6001.57	-0.53%	-10.21%
NIKKEI 225	22717.48	0.09%	-3.97%
TOPIX	1577.03	0.20%	-8.38%
CSI 300 (China)	4680.30	2.98%	14.25%
MENA	LAST	1D	YTD
Saudi Arabia	7423.23	-0.05%	-11.51%
Abu Dhabi	4255.78	-0.44%	-16.15%
Dubai	2061.43	0.43%	-25.44%
Qatar	9316.51	0.06%	-10.64%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.6168	-0.0098	-1.3007
Germany	-0.4430	0.0040	-0.2580
U.K.	0.1620	-0.0010	-0.6600
Australia	0.8880	0.0200	-0.4820

TOP SELECTED NEWS

Euro zone current account surplus narrows further in May

(Reuters) The current account surplus of the 19 countries sharing the euro narrowed to 7.95bn euros in May from 14.27bn euros in April on a big outflow of secondary income, which includes transfers between residents and non-residents, ECB data showed on Monday. In the 12 months to May, the bloc's current account surplus fell to 2.2% of GDP from 2.7% in the preceding year, mostly on a big drop in the surplus on the trade of goods and services.

'There is no alternative,' S&P says governments must spend to support coronavirus-hit economy

(CNBC.com) With the coronavirus pandemic exacerbating a slowdown in the global economy, governments around the world may have no choice but to increase spending to support businesses and households well into the next year, according to an economist from S&P Global Ratings. Many governments have announced large amounts of fiscal support in the wake of the pandemic. But some countries, including the US, have shown "a degree of fiscal fatigue" and are considering rolling back some of the stimulus, said Shaun Roache, the ratings agency's chief economist for Asia Pacific.



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TOP SELECTED NEWS

Big UK businesses see 'long haul' to recovery, Deloitte says

(Reuters) Nearly half of Britain's biggest companies think it will take until the second half of 2021 before business recovers from the coronavirus pandemic, according to a survey on Monday that cast doubt on hopes for a speedier rebound. Accountants Deloitte said 49% of chief financial officers from large and mostly listed companies forecast a return to pre-pandemic levels of business only in the latter half of next year. Another 33% predicted a recovery in the first half of 2021 and 10% said business had already bounced back.

German finance watchdog defends agency amid Wirecard scandal

(Bloomberg) The head of Germany's financial watchdog defended the agency amid growing criticism over Wirecard AG's collapse. BaFin is doing exactly what German lawmakers asked, with a mandate that only allowed it to supervise small parts of the payments company, Felix Hufeld, the agency's president, said in an interview with the Welt am Sonntag newspaper. It's up to lawmakers to improve the regulation of tech firms, where there are lots of gray areas, he said. Hufeld's comments come as questions mount over how Wirecard, which straddled banking and technology, survived so long before disclosing last month that 1.9bn euros was missing from its balance sheet.

Boeing faces financial drag from dozens of undelivered 787 jets

(Bloomberg) Boeing Co. is running out of space to stash newly-built 787 Dreamliners, with jetliners seemingly tucked onto every available patch of pavement on airfields near its factories in Washington and South Carolina. Dozens of the planes are sitting on the company's premises, according to people familiar with the situation. Uresh Sheth, a much-followed blogger who meticulously tracks the Dreamliners rolling through Boeing's factories, puts the total somewhere above 50.

EssilorLuxottica taking Grandvision to court over disclosure

(Bloomberg) EssilorLuxottica SA, the maker of Ray-Ban sunglasses, said it started legal proceedings in the Netherlands to obtain information from takeover target GrandVision NV on how it performed during the coronavirus crisis. The company is also trying to assess whether GrandVision "breached its obligations" under a support agreement the two businesses agreed to, it said in a statement on Saturday. Despite "repeated requests," Grandvision failed to provide information on a voluntary basis, resulting in the legal proceedings, the company said.

EBay said seeking stake in Classifieds sale, hurting Prosus bid

(Bloomberg) EBay Inc. would prefer to keep a stake in the classified advertising business it's selling, according to people familiar with the matter, lessening the chances Prosus NV will win the hotly-contested auction. The decision at a board meeting on Friday gives a surprise boost to a bid from Norwegian online marketplace Adevinta ASA, which offered a mix of cash and stock and would leave EBay with a significant stake in the combined business, the people said, asking not to be identified as discussions aren't public. A combination of the classifieds unit with the listed Scandinavian firm would also allow EBay to benefit from any future increase in the shares, they said.

Twitter says attackers downloaded data from up to eight non-verified accounts

(Reuters) Twitter Inc said on Saturday that hackers were able to download account information for up to eight accounts involved in the hack of its systems this week, but said none of them were verified accounts. The company said the unidentified attackers targeted 130 accounts, and were able to reset passwords to take control of 45 of them and tweet from those accounts.

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