

# MARKETS TODAY

Wednesday, July 22, 2020

## MARKETS IN BRIEF

- U.S. stock futures and European shares edged lower and Asian shares were mixed on Wednesday amid uncertainty over the timing of a fresh U.S. stimulus program. China stocks ended higher for the fourth straight session, buoyed by Beijing's capital market reforms, though gains were checked by ongoing Sino-US tensions.
- U.S. dollar clawed back earlier losses and inched higher after China said the US had abruptly told it to close its consulate in the city of Houston, stoking more tension between the countries.
- British pound was weighed down by a report that ministers believe the U.K. and EU may fail to sign a post-Brexit trade deal.
- Italian, Spanish, Portuguese yield spreads over Germany remain close to their tightest levels since early March, but rally eased.
- Gold retreated after jumping to its highest in nearly nine years, driven by a weaker dollar and as expectations of more stimulus.
- Oil prices fell as industry data showed a bigger-than-expected inventory build in the U.S., where climbing coronavirus cases may further dent fuel demand in the world's biggest oil consumer.
- U.S. stocks closed mostly higher yesterday despite a late stumble that nearly wiped out the market's gains for the day. Banks and energy companies led the gains, outweighing losses in technology stocks, which pulled the Nasdaq index lower.

## Trump changing tone

Trump, in a shift in rhetoric and tone, encouraged Americans on Tuesday to wear masks if they cannot maintain social distance and warned that the coronavirus pandemic would get worse before it got better. In his first press briefing in months focused on the outbreak, Trump urged young people to avoid going to crowded bars and maintained that the virus would disappear at some point. Trump's remarks were a change in strategy from his robust emphasis on reopening the US economy after its long, virus-induced shutdown and represented his first recent acknowledgement of how bad the problem has become. "It will probably, unfortunately, get worse before it gets better - something I don't like saying about things, but that's the way it is," Trump told reporters.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1527	-0.02%
GBP/\$	1.2653	-0.61%
AUD /\$	0.7126	-0.01%
\$/JPY	107.02	-0.21%
\$/CAD	1.3477	-0.13%
Gold \$	1848.87	0.39%
WTI \$	41.21	-1.69%
BRENT \$	43.80	-1.11%
AMERICA		
DOW JONES	26840.40	0.60%
S&P 500	3257.30	0.17%
NASDAQ	10680.36	-0.81%
EUROPE		
STXE 600	373.08	-0.93%
CAC 40	5033.51	-1.37%
DAX	13085.78	-0.65%
ASIA PACIFIC		
S&P/ASX 200	6075.06	-1.32%
NIKKEI 225	22751.61	-0.58%
CSI 300 (China)	4714.45	0.50%
MENA		
Saudi Arabia	7417.26	0.54%
Dubai	2088.54	1.14%
Qatar	9396.40	0.26%
BONDS		
U.S. 10-year	0.5872	-0.0132
German Bund 10-yr	-0.4740	-0.0160
AU 10-year	0.8880	0.0240

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## New escalations

The US abruptly ordered China to close its consulate in Houston in an “unprecedented escalation,” according to Foreign Ministry spokesman Wang Wenbin. The move was unilaterally initiated by the US and China would make the necessary response, Wang told reporters in Beijing on Wednesday. He said Chinese officials in the US had received bomb and death threats in the past. The US gave China 72 hours to close its consulate in Houston, according to Hu Xijin, the editor of the Communist Party’s Global Times.

## PBOC to pause easing

China’s central bank does not see an immediate need to ease monetary policy further, but will keep conditions accommodative to support a recovery in the world’s second-largest economy, four policy sources told Reuters. A stronger-than-expected rebound in activity in Q2 has reduced the urgency for the PBOC to act, after policymakers announced unprecedented emergency measures early in the year to deal with the shock. PBOC also wants to avoid the side-effects caused by excessive stimulus, such as a surge in debt and risks of bubbles in the property market.

## U.S.-U.K. coalition talks

US Secretary of State Michael Pompeo praised Britain’s tougher stance on China as the transatlantic allies signaled they are planning more coordinated action against Beijing. Pompeo said he wants to build a “coalition” that understands the “threat” posed by China, after talks with UK FS Dominic Raab in London on Tuesday. At a press conference following their meeting, Raab suggested further action at G7 level may follow. The discussions reflected in public what Pompeo had earlier told British lawmakers privately: that the rest of the world needs to change gear.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	14.60	-2.08%
SOLIDERE—B	14.74	-0.07%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	0.96	1.05%
BLOM BANK	3.18	-
BYBLOS BANK	0.40	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

## FX & COMMODITIES

**The US dollar clawed back earlier losses and inched higher after China said the US had abruptly told it to close its consulate in the city of Houston, stoking more tension between the countries.** Broader risk appetite has improved this week amid progress in developing vaccines for the novel coronavirus and a historic stimulus deal in Europe, reducing the greenback’s safe-harbor appeal and pushing investors back into emerging market plays. Investors also expect a massive amount of fiscal spending to support growth in major economies but could easily be disappointed if any stimulus falls short of expectations. The US dollar nursed losses against most currencies, undermined by concern that Republicans and Democrats are struggling to reach consensus on the next round of US economic stimulus measures. The euro traded near its strongest level in more than a year on Wednesday after European leaders agreed a stimulus plan to fuel recovery from the economic drag caused by the COVID-19 pandemic. The dollar rose to 0.9339 Swiss franc to reach the lowest since March. The euro briefly touched the highest since Jan. 10 before settling at \$1.1526. Against the pound, the euro was lower at 91.10 pence. The dollar was higher at 107.02 yen. Republicans and

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## FX & COMMODITIES

Democrats remained far apart on Tuesday on how much to spend on the next round of coronavirus relief as they discussed proposals to extend unemployment insurance for Americans thrown out of work and provide more money for schools. House Speaker Nancy Pelosi said the \$1tn package the Republicans are considering is not sufficient. The Democratic-run House of Representatives passed a \$3tn relief bill two months ago that the Republican-majority Senate has ignored. Concern about disagreement over stimulus spending in the US is in contrast to the EU. The 27-member bloc worked over the weekend to narrow their differences and agree a 750bn euro (\$864.90bn) recovery fund and a 1.1tn euro 2021-2027 budget to help the continent recover from its deepest recession since World War Two. The onshore yuan rose to 6.9649 per dollar to reach the strongest since March 11, highlighting the dollar's lack of support during the Asian session. Elsewhere, the Antipodean currencies took advantage of the greenback's weakness and pushed higher. The Australian dollar was flat at \$0.7127, closing in on the highest since April last year. The New Zealand dollar edged up to \$0.6645, approaching the highest since January this year.

**The British pound was weighed down by a report that ministers believe the U.K. and EU may fail to sign a post-Brexit trade deal.** Businesses have been told to start preparing for a no-trade-deal exit from transition period, the Telegraph reported, citing sources it didn't identify

**Gold jumped more than 1% on Wednesday to its highest in nearly nine years, driven by a weaker dollar and as expectations of more stimulus to revive pandemic-hit economies lifted the metal's appeal as an inflation-hedge.** Spot gold was up 0.39% at \$1,848.87 per ounce, after hitting its highest since September 2011 at \$1,865.35 earlier in the session. Helping bullion's rally, the dollar index held near a more than four-month low. Central banks have slashed interest rates and rolled out a wave of stimulus measures to cushion the economic damage from the pandemic, helping gold prices surge over 22% so far this year. Silver continued to strengthen, rising 4.7% to \$22.33 per ounce, its highest since October 2013.

**Oil prices fell on Wednesday as industry data showed a bigger-than-expected inventory build in the US, where climbing coronavirus cases may further dent fuel demand in the world's biggest oil consumer.** Industry group American Petroleum Institute (API) reported US crude inventories rose last week by 7.5mn barrels, against expectations for a draw of 2.1mn barrels. Brent crude fell 1.11%, to \$43.80 a barrel, and US West Texas Intermediate (WTI) crude dropped 1.69% to \$41.21. Oil prices climbed about \$1 the previous day, reaching their highest since March 6. The US EIA will release official oil data later on Wednesday. Oil prices rose on Tuesday on optimism for a COVID-19 vaccine and after EU lenders agreed on a 750bn euro (\$859bn) fund.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
CAD—15:30	Canada CPI MoM	0.40%	0.30%
CAD—15:30	Canada Core CPI MoM	-	-0.10%
USD—16:00	US HPI MoM	0.30%	0.20%
USD—17:00	US Existing Home Sales	4.77m	3.91m
OIL—17:30	EIA Weekly Report	-2.1m	-7.5m

**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	95.319	0.22%	-1.11%
EUR/\$	1.1526	-0.02%	2.78%
GBP/\$	1.2653	-0.61%	-4.56%
AUD /\$	0.7127	-0.01%	1.51%
NZD/\$	0.6645	0.03%	-1.41%
\$/JPY	107.02	-0.21%	1.49%
\$/CAD	1.3477	-0.13%	-3.61%
\$/CHF	0.9339	-0.08%	3.50%
\$/SEK	8.9017	-0.29%	5.19%
\$/NOK	9.1710	-0.65%	-4.22%
\$/DKK	6.4576	-0.03%	3.16%
\$/TRY	6.8505	-0.39%	-13.13%
EUR/GBP	0.9110	-0.60%	-7.13%
EUR/JPY	123.37	-0.19%	-1.28%
EUR/CHF	1.0764	-0.06%	0.86%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1848.83	0.39%	21.87%
Silver Spot \$/Oz	21.70	1.91%	21.61%
Platinum Spot \$/Oz	883.08	-0.09%	-8.70%
Palladium Spot \$/Oz	2121.15	-1.11%	9.02%
COPPER \$/lb	291.25	-1.54%	3.28%
WTI \$/bbl	41.22	-1.69%	-32.51%
BRENT \$/bbl	43.80	-1.11%	-33.59%

## EQUITIES & BONDS

European shares slipped on Wednesday as investors turned their focus back to earnings reports and a surge in coronavirus cases, after an EU-wide debt deal sent the region's markets to 5-month highs in the previous session. The pan-European STOXX 600 was down 0.3%, easing from its strongest close since March 5. Defensive sectors led Europe lower, with healthcare, utilities and consumer companies among the biggest drags, with media, down 1.0%, falling the most. Investors took cheer from EU members reaching a deal on Tuesday over a 750-billion-euro (\$864.68bn) coronavirus recovery fund, while hopes are also high that Washington will deliver a new round of stimulus. Swiss engineering firm ABB Ltd rose 2.4% after saying its order situation could improve in the coming months. French car parts maker Valeo SA fell about 5% after it swung to a 1.2bn euro loss in the first half of 2020, after production was hit due to the pandemic.

**In Asia, China stocks ended higher for the fourth straight session on Wednesday, buoyed by Beijing's capital market reforms, though gains were checked by ongoing Sino-US tensions.** At the close, the Shanghai Composite index was up 0.37% at 3,333.16, while the blue-chip CSI300 index ended 0.5% higher after rising 2.1% earlier in the session. Both indexes recovered most of their losses from a trough hit last week due to worries over policy tightening and foreign outflows. China revamped its Shanghai share index on Wednesday for the first time in 30 years, adding STAR Market-listed tech companies, kicking out high-risk companies and delaying inclusion of newly-listed stocks.

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## EQUITIES & BONDS

**US stocks rose on Tuesday as a rotation into economically sensitive cyclical stocks reflected optimism that Washington will deliver a new round of stimulus to sustain the US economic recovery from a pandemic-induced recession.** Financial, industrial and energy stocks provided the biggest lifts to the bellwether S&P 500 and blue-chip Dow as investors pivoted back to cyclicals. A drop in tech shares capped the Nasdaq's gains. The S&P 500 moved into positive territory year-to-date, up more than 1%. The Nasdaq was up nearly 20% since Jan. 1, while the Dow was down more than 5%. Of the 11 sectors in the S&P 500, all but tech were in the black. Energy companies were up 5.9%, the largest daily jump since June 5, as crude prices climbed amid signs of rebounding demand. Q2 reporting season rolled on, with 58 constituents of the S&P 500 having reported. Coca-cola Co shares gained 2.34% after the beverage maker beat earnings estimates and said demand is improving. Defense industrial Lockheed Martin Corp topped quarterly consensus estimates and raised its full-year profit and resume estimates, sending its shares up 2.62%. Tesla Inc fell 4.54%, retreating from Monday's record closing high after JPMorgan Chase downgraded the electric car maker's stock to "market perform." After the bell, United Airlines Holdings Inc is expected to post results for a quarter that was particularly challenging for commercial air carriers.

**In the MENA region, Dubai's index ended higher on Tuesday, led by gains for Emirates NBD Bank after the emirate's biggest lender received regulatory approval to increase its foreign ownership limit.** The main share index in Dubai gained 1.1%, with Emirates NBD jumping 5.9% for its biggest intraday gain since April 9 after Monday's green light to lift its foreign ownership limit to 40% from 20%. In the previous session, the lender retreated 1.9% on a 58% slide in Q2 profit, having set aside more than \$1.1bn so far this year to cover expected bad loans in the face of the coronavirus crisis. Egypt's blue-chip index advanced 1.7%, extending gains from the previous session, with 22 of the 30 stocks in the index rising.

## COMPANY NEWS HEADLINES

- Swiss engineering firm ABB said on Wednesday its order situation could improve in the coming months, suggesting there was some light amid the gloom surrounding the industrial sector caused to the coronavirus crisis.
- Prysmian said on Wednesday it had agreed to buy Canadian components maker EHC Global to strengthen its position in cables and devices for elevators, in a deal valued at 130mn Canadian dollars (\$97mn).
- ADNOC and holding company ADQ have signed a joint venture deal to invest in chemicals projects in the planned Ruwais Derivatives Park, a statement from ADNOC said on Wednesday.
- Self-driving car company Waymo LLC and Fiat Chrysler Automobiles NV are expanding their autonomous vehicle partnership to commercial vehicles, and Fiat Chrysler will develop fully self-driving vehicles exclusively with Waymo going forward, the companies said on Wednesday.
- Snap Inc said on Tuesday a bump in user growth at the start of coronavirus-led lockdowns petered out sooner than expected, and it forecast fewer current-quarter users than the Wall Street consensus.
- Lufax, one of China's largest online wealth management platforms backed by financial giant Ping An Insurance Group, is seeking a US initial public offering as early as this year, people with direct knowledge told Reuters.
- Turnaround specialist Melrose Industries signaled on Wednesday it could lay off an unspecified number of employees as the company trims costs to cope with the coronavirus-led downturn, having booked losses in Q2.
- Payments group Finabl said on Wednesday it has brought in law firm Skadden to investigate any historic potential misconduct within the group and any misappropriation of assets of Finabl.
- Spanish renewable energy giant Iberdrola said on Wednesday it expects profit growth this year despite taking a hit in the first half from the strangling effect of the coronavirus outbreak on global electricity demand.

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AMERICA	LAST	1D	YTD
DOW JONES	26840.40	0.60%	-5.95%
S&P 500	3257.30	0.17%	0.82%
NASDAQ	10680.36	-0.81%	19.03%
S&P/TSX	16162.96	-0.13%	-5.28%
EUROPE	LAST	1D	YTD
STXE 600	373.17	-0.93%	-10.25%
FTSE 100	6217.74	-0.82%	-17.56%
CAC 40	5034.00	-1.37%	-15.79%
DAX	13086.47	-0.65%	-1.23%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6075.06	-1.32%	-9.11%
NIKKEI 225	22751.61	-0.58%	-3.83%
TOPIX	1572.96	-0.62%	-8.62%
CSI 300 (China)	4714.45	0.50%	15.08%
MENA	LAST	1D	YTD
Saudi Arabia	7417.26	0.54%	-11.59%
Abu Dhabi	4256.66	0.43%	-16.14%
Dubai	2088.54	1.14%	-24.46%
Qatar	9396.40	0.26%	-9.87%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.5872	-0.0132	-1.3303
Germany	-0.4760	-0.0160	-0.2910
U.K.	0.1250	-0.0110	-0.6970
Australia	0.8880	0.0240	-0.4820

## TOP SELECTED NEWS

### Australian regulator to not appeal court ruling in Westpac home lending case

(Reuters) Australia's corporate watchdog said on Wednesday it would not appeal the Federal Court's dismissal of its lawsuit accusing Westpac Banking Corp of failing to meet responsible lending obligations in approving mortgages. The Australian Securities and Investments Commission said in a statement it "is mindful of the impact of the additional time required to resolve this matter in the current challenging economic circumstances." The Federal Court in June sided with a lower court, finding that Westpac had done nothing wrong by using an automated system rather than manually checking each applicant's living expenses. It was one of numerous lawsuits by Australian regulators after a Royal Commission inquiry found evidence of widespread misconduct in the financial sector in 2018 and 2019.

### South Korea central bank to end unlimited repo operations by end of July

(Reuters) South Korea's central bank said on Thursday it will end its temporary offer of an unlimited amount of money through repo operations by the end of July, given improved funding conditions for financial institutions and low demand. The Bank of Korea has held repo auctions every week since April after it pledged to provide unlimited liquidity via repurchase agreements to funnel cash to money markets hit by the coronavirus pandemic.



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## TOP SELECTED NEWS

### **Britain nears abandoning Brexit trade deal hope: The Telegraph**

(Reuters) Britain and the European Union will fail to sign a post-Brexit trade deal, with only a few days left before Prime Minister Boris Johnson's July deadline, The Telegraph reported. The UK government's assumption is that there will not be a deal, though it remains possible that a "basic" agreement could be reached if the EU gives ground in the autumn, the newspaper said, citing government sources. The government expects it will trade with Europe on World Trade Organisation terms when the transition period ends, the report added. Britain left the EU on Jan. 31 and its relationship with the bloc is now governed by a transition arrangement that keeps previous rules in place while the two sides negotiate new terms.

### **RBS hires top climate expert as it says goodbye to historic name**

(Reuters) Royal Bank of Scotland has hired climate change expert Nicholas Stern to help shape its sustainability strategy as the state-backed lender prepares to rebrand as NatWest Group. RBS CEO Alison Rose has made helping to tackle climate change a big part of her strategy to rebuild its brand and break with its chequered recent past. Stern, who authored the influential Stern Review in 2006 that helped set the agenda on the economic costs of global warming, will advise the group on meeting targets to make its own operations carbon neutral by the end of this year and halving the climate impact of its financing activity by 2030.

### **Spain's Industry Minister says there is 'hope' about Nissan Barcelona closure**

(Reuters) Spain's Industry minister Reyes Maroto said on Wednesday that the government was making progress in convincing Nissan to reconsider closing its Barcelona plant while looking for another investor. "We're gradually getting Nissan to realize that it's very expensive to close that plant .. It's always best to make way for a new investor, which we're working on ... There is always hope," she said during an event organised by Europa Press news agency. Nissan said on Tuesday that it is willing to postpone the closure of its Barcelona plant until June 2021 and talk about "everything" with unions, but insisted it sees no alternative.

### **Cathay Pacific reaches deal for Airbus delivery delays, in advanced talks with Boeing**

(Reuters) Hong Kong's Cathay Pacific Airways Ltd said on Wednesday it had reached agreement with Airbus SE to delay the delivery of A350s and A321neos and was in advanced talks with Boeing Co about deferring its 777-9 orders. The airline said the A350s due to arrive in 2020 and 2021 were now scheduled for 2020-2023 and A321neos expected from 2020-2023 would arrive from 2020-2025. It did not provide further details of the number expected each year. "This deferral of deliveries is expected to produce cash savings to the Cathay Pacific Group in the short to medium term," it said in a prospectus for its HK\$11.7bn (\$1.51bn) rights issue lodged with the Hong Kong Stock Exchange.

### **Texas Instruments sees strong quarter as work-from-home boosts chip demand**

(Reuters) Texas Instruments Inc forecast Q3 revenue above estimates on Tuesday as a global shift to work-from-home boosted demand for chips used in tablets, personal computers and servers, offering some hope to an industry reeling from disruptions caused by the coronavirus pandemic. TI, which supplies chips for everything from smart phones to automobiles, often reports quarterly results before its peers. Investors watch its numbers closely as a proxy for both the health of the industry and other sectors where semiconductors are key components. The company's sales to the personal electronics market shot up 20% in Q2 due to the switch to remote work, Dave Pahl, head of investor relations, told analysts on a conference call.

### **Tesla's Musk qualifies for \$2.1 billion payday**

(Reuters) Tesla CEO Elon Musk qualified on Tuesday for a payout worth an unprecedented \$2.1bn, his second jackpot since May from the electric car maker following its massive stock surge. Tesla's stock was down 3% in afternoon trading, eroding a recent rally that has elevated the company's market capitalization to almost \$300bn, larger than any other carmaker.

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