

MARKETS TODAY

Friday, July 24, 2020

MARKETS IN BRIEF

- Global stocks retreated amid concern over escalating Sino-U.S. tensions and worries the recovery in the world's largest economy has stalled. Shares in China bore the brunt of losses and the offshore yuan slid as China ordered the US to shut a consulate in a tit-for-tat retaliation. U.S. dollar extended its slide. U.S. 5-year Treasury yield hit 0.2548%, an all-time low.
- Acting like a safe-haven currency, Euro has already enjoyed a winning streak for all of July, rising by 3.3% above \$1.16, as the EU's passing of a 750bn-euro recovery fund restored confidence.
- Australian and NZ dollars stepped back from recent multi-month on lower market risk appetite.
- Gold headed for its biggest weekly gain in more than three months as it held firm close to the all-time high of \$1921 hit in September 2011. It is benefiting from a weak dollar and inflation expectations due to stimulus. Silver eyed its best week since 1987.
- Oil prices steadied as support from a weaker dollar offset tensions between the U.S. and China.
- U.S. stocks tumbled after an unexpected rise in jobless claims rekindled concern the economic recovery has stalled. S&P 500 slipped from a 4-month high, led by losses in tech firms and companies that make non-essential consumer goods. Nasdaq 100 dropped to a 2-week low and turned lower for the week.

U.S.-China tensions escalating

China ordered the US to close its consulate in the southwestern city of Chengdu, after the US gov't forced China to leave its mission in Houston earlier this week. "The measure taken by China is a legitimate and necessary response to the unjustified act by the US," Chinese Foreign Ministry said in a statement Friday. "It conforms with international law, the basic norms of international relations, and customary diplomatic practices." The tit-for-tat closures are one of the biggest threats in years to the increasingly fraught relationship between the US and China, which has worsened in recent months on fronts ranging from trade to the early handling of the coronavirus pandemic. The Chinese FM said it made specific requirements on the ceasing of all operations and events by the consulate.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1605	0.09%
GBP/\$	1.2733	-0.05%
AUD /\$	0.7089	-0.11%
\$/JPY	106.37	0.46%
\$/CAD	1.3411	0.01%
Gold \$	1894.53	0.38%
WTI \$	41.43	0.97%
BRENT \$	43.51	0.46%
AMERICA		
DOW JONES	26652.33	-1.31%
S&P 500	3235.66	-1.23%
NASDAQ	10461.42	-2.29%
EUROPE		
STXE 600	373.65	0.06%
CAC 40	5033.76	-0.07%
DAX	13103.39	-0.01%
ASIA PACIFIC		
S&P/ASX 200	6024.00	-1.16%
NIKKEI 225	22751.61	-0.58%
CSI 300 (China)	4505.59	-4.39%
MENA		
Saudi Arabia	7426.78	-0.01%
Dubai	2052.65	-0.61%
Qatar	9368.29	-0.19%
BONDS		
U.S. 10-year	0.5872	0.0114
German Bund 10-yr	-0.4590	0.0220
AU 10-year	0.8660	0.0040

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Big Republican convention cancelled

President Donald Trump relented Thursday to worries about the coronavirus and canceled his Florida nominating convention, the biggest event of his re-election campaign, as the host state posted record deaths from the pandemic. "I told my team it's time to cancel the Jacksonville, Florida, component of the GOP convention," Trump said Thursday at the White House. "We didn't want to take any chances." Trump had insisted for months that he would still hold his multi-day extravaganza despite worries that the gathering would become a super-spreader event.

Brexit deal is far

The latest round of talks between Britain and the EU over their future relationship ended with both sides saying they are still far from a deal. In private, officials are making progress toward agreements in key areas. After discussions in London, Michel Barnier, the EU's chief negotiator, told reporters on Thursday that "big differences" remain between the two parties and that a deal is "unlikely" if the UK refuses to back down on its red lines. His British counterpart, David Frost, said negotiators have to face the possibility an agreement won't be reached.

French growth picking up

The French economy saw better-than-expected growth in July, marking a solid start to Q3 after the virus-related contraction. The latest PMI rose 57.6 from 51.7, beating economists forecast for a reading of 53.5. Demand also improved, led by domestic sales, with exports continuing to decline. "The economy has entered its recovery phase following the Covid-19 lockdown," said Eliot Kerr, an economist at IHS Markit, which compiles the report. While the economy is improving, the labor market remains a key risk.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	13.82	-3.22%
SOLIDERE—B	13.74	-2.48%
BANK OF BEIRUT	18.8	-
BANK AUDI SAL	0.96	-
BLOM BANK	3.18	-
BYBLOS BANK	0.37	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

FX & COMMODITIES

The Japanese yen rose to a 1-month high while the euro's gains paused as traders waited for flash Purchasing Managers' Index readings for July across major developed economies. The yen was last up 0.46% at 106.37, its highest since June 23, after China's foreign ministry told the US embassy early on Friday to close its consulate in the city of Chengdu, after Washington ordered the closure of the Chinese consulate in Houston. Sino-US ties have deteriorated over issues ranging from the COVID-19 pandemic, which began in China, to Beijing trade and business practices, its territorial claims in the South China Sea and its clamp-down on Hong Kong. Markets have been relieved that so far China and the United States have not abandoned their trade deal, but they are beginning to view that as a real risk. The Chinese yuan, a barometer of Sino-US tensions, looks set for its worst week in three months. It last was down 0.2% at 7.0276 per dollar in the offshore market. Elsewhere, the British pound fell 0.2% versus the dollar and the euro, to \$1.2734 and 91.14 pence respectively. Focus is also on the next US fiscal rescue package, which is deadlocked in Congress with some unemployment benefits due to expire at the end of the month.

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FX & COMMODITIES

The euro has already enjoyed a winning streak for all of July, rising by 3.3% above \$1.16, as the EU's passing of a 750bn-euro recovery fund restored confidence. The euro was flat at \$1.1598, with the US dollar losing some of its appeal as a safe haven, making room for the Japanese yen to rise.

The Australian and New Zealand dollars stepped back from recent multi-month highs on Friday as deteriorating Sino-US relations soured investor appetite for risk. The Aussie was last at \$0.7090, easing from a 16-month peak of \$0.7184 touched earlier in the week. It has climbed 1.5% so far this week. The kiwi dollar stood at \$0.6633 after rising as high as \$0.6690 on Thursday, levels not seen since January. Its major hurdle is a \$0.6755 high from December of last year. The rally in the antipodean currencies came to a stop as Sino-US tensions flared up again. Australian government bond futures were little changed with the 10-year contract up half a tick at 99.125, implying an yield of 0.875%. A regular tender for A\$3bn in Treasury notes on Thursday drew bids worth A\$18.2bn. A new 2051 bond line will be sold by syndication next week and is expected to be well received

Gold was headed on Friday for its biggest weekly gain in more than three months as it held firm near a 9-year high, benefiting from a weak dollar and inflation expectations due to stimulus for virus-battered economies. Silver eyed its best week since 1987, with additional impetus coming from bets for a revival in industrial activity. Spot gold was up 0.38% at \$1,894.53 per ounce, having hit its highest since September 2011 at \$1,898 on Thursday. Prices have risen more than 4% this week, putting gold on course for its longest winning streak since late 2011. Gold tends to benefit from widespread stimulus measures from central banks as it is perceived as a hedge against inflation and currency debasement.

Oil prices steadied on Friday as support from a weaker dollar was offset by tensions between the US and China. Brent crude was higher at \$43.51 a barrel, while US West Texas Intermediate (WTI) crude up at \$41.43. A weaker dollar usually spurs buying of commodities priced in dollars such as oil because they become cheaper for holders of other currencies.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Flash Manufacturing PMI	52.0	50.1
GBP—11:30	UK Flash Services PMI	51.4	47.1
USD—16:45	US Flash Manufacturing PMI	52.0	49.8
USD—16:45	US Flash Services PMI	51.0	47.9
USD—17:00	US New Home Sales	700k	676k

Next Week: German Buba Monthly Report, US Consumer confidence, AU Inflation, US FOMC Policy Decision + Press Conference, US Pending Home Sales, US Advance GDP, German Prelim GDP, China Manufacturing PMI, Canada GDP, US PCE Price Index

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CURRENCIES	LAST	1D	YTD
DXY	94.774	0.08%	-1.68%
EUR/\$	1.1605	0.09%	3.50%
GBP/\$	1.2734	-0.05%	-3.94%
AUD /\$	0.7090	-0.11%	0.98%
NZD/\$	0.6633	-0.03%	-1.59%
\$/JPY	106.37	0.46%	2.11%
\$/CAD	1.3410	0.01%	-3.12%
\$/CHF	0.9253	0.01%	4.46%
\$/SEK	8.8549	0.10%	5.77%
\$/NOK	9.2144	0.16%	-4.63%
\$/DKK	6.4138	0.09%	3.89%
\$/TRY	6.8491	-0.07%	-13.11%
EUR/GBP	0.9114	-0.13%	-7.18%
EUR/JPY	123.44	0.39%	-1.36%
EUR/CHF	1.0739	-0.07%	1.09%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1894.52	0.38%	24.87%
Silver Spot \$/Oz	22.63	0.20%	26.79%
Platinum Spot \$/Oz	917.35	-0.29%	-5.08%
Palladium Spot \$/Oz	2148.09	-0.33%	10.41%
COPPER \$/lb	289.50	-1.45%	2.70%
WTI \$/bbl	41.45	0.97%	-32.08%
BRENT \$/bbl	43.51	0.46%	-34.08%

EQUITIES & BONDS

Italy's bond market was poised for its best week in two months on Friday, with borrowing costs holding near 4-1/2 month lows in the aftermath of an EU recovery fund deal that will provide support to economies such as Italy hit hard by the coronavirus.

Asian shares skidded from six-month peaks on Friday as Sino-US tensions soured what had been an upbeat week. Mainland Chinese stocks mostly deepened losses by the close, with other Asia Pacific markets also moving lower as US-China tensions worsened on Friday. In mainland China, the Shanghai composite pared some losses, but still ended the day 3.86% lower at 3,196.77, while the Shenzhen composite tumbled 5% to close at 2,138.36. The Shenzhen component dived 5.31% to close at 12,935.70. The Chinese yuan, a barometer of Sino-US tensions, looks set for its worst week in two months, according to Reuters. The offshore yuan was last at 7.0224 per dollar, and the onshore yuan was at 7.0166. Over in Hong Kong, the Hang Seng index declined 2.51% in the afternoon. Tech stocks fell across the board, with Tencent tumbling 5.57% and Alibaba down 3.16%. Gaming stocks also saw steep losses. Tensions between US and China took center stage this week. China announced on Friday that it ordered the US to shut its consulate in Chengdu, following the US demanding the closure of the Chinese consulate in Houston. Preceding that, Secretary of State Mike Pompeo also slammed China in a speech on Thursday. He said Washington will no longer tolerate Beijing's attempts to usurp global order.

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EQUITIES & BONDS

The US stocks dropped sharply on Thursday as investors fled market-leading tech shares due to mixed earnings reports and growing signs of a worsening coronavirus pandemic, which could exacerbate a deep economic recession. The sell-off steepened after a tech watchdog group reported that Apple Inc faces consumer protection investigations in multiple states. The bellwether S&P 500 slid more than 1%, snapping a four-day winning streak with its biggest daily %age drop since June 26. All three major US stock averages lost ground, with falling momentum stocks Apple, Microsoft Corp and Amazon.com weighing heaviest. Apple ended the session down 4.6%. The Russell 2000 and the S&P Smallcap 600, both small cap indexes, outperformed the broader market. The number excludes recipients of Pandemic Unemployment Assistance, set to expire on July 31. Congress kept working to pass new stimulus before that deadline continued, with Senate Republicans announcing they could present their version of the bill to Democrats as early as this week. Of the 11 major sectors in the S&P 500, eight closed in the red, with tech shares notching the largest %age drop. Microsoft Corp dropped 4.3% after reporting its cloud computing business Azure reported its first-ever quarterly growth under 50%. Tesla Inc reported a profit for the fourth straight quarter, setting the company up for inclusion in the S&P 500. But the stock slid 5.0% as analysts questioned whether the electric automaker's stock price matched its performance. American Airlines Group Inc jumped 3.7% after announcing it would rethink the number of flights to add in August and September. The S&P 1500 Airlines index gained 1.3%. Twitter rose 4.1% after reporting its highest-ever annual growth of daily users. Intel Corp said after the bell that its new 7nm chip technology was six months behind schedule, which sent its shares down more than eight% in extended trading.

Major Gulf stock markets were subdued on Thursday, with Dubai hurt by losses in its banking shares. Saudi index was flat, with Saudi Telecom Company retreating 2.1% after it reported a decrease in Q2 profit. The kingdom's finance minister said on Wednesday that July data is promising for an economic recovery, though many uncertainties remain, and economic contraction will likely be less than the 6.8% predicted by the International Monetary Fund.

COMPANY NEWS HEADLINES

- British Airways owner International Airlines Group on Friday said it had signed a multi-year renewal agreement with American Express, extending its worldwide commercial partnership with the payments company.
- US FDA approved AstraZeneca's drug to treat patients with a form of lung disease, the drugmaker said on Friday.
- Finnair plunged to a Q2 loss as the coronavirus pandemic kept most flights grounded, and said it would make a similar loss this quarter, despite an increasing number of flights.
- South Africa's MTN Group expects at least a twofold rise in its first-half earnings, reflecting the benefits from foreign exchange gains, the company said on Friday.
- Equinor's operating profit fell by 89% YoY in the April-June quarter, hit by lower oil and gas prices and government-imposed output restrictions amid the coronavirus pandemic, the Norwegian energy company said on Friday.
- Lonza will begin selling its specialty ingredients unit in the H2 2020, the Swiss drug contract manufacturer said, as it focuses on its drugs business that is making Moderna's prospective vaccine for the COVID-19.
- Signify NV, the world's biggest lighting maker, on Friday reported a 62% jump in Q2 net profit, despite the coronavirus crisis, and said it intended to pay down 350mn euros (\$406mn) in debt this year.
- PetroChina, China's state-owned oil and gas firm, said on Thursday it would sell its major oil and gas pipelines and storage facilities to the newly launched China Oil and Gas Pipeline Network for 268.7bn yuan (\$38.36bn).
- France's Thales slashed financial forecasts for the year on Friday after seeing its profits fall by more than half in the first half, "heavily impacted" by the coronavirus crisis.
- Swiss elevator and escalator manufacturer Schindler reported on Friday a fall in Q2 net profit and announced around 2000 job cuts over the next two years, citing the global slowdown induced by the COVID-19 pandemic.

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AMERICA	LAST	1D	YTD
DOW JONES	26652.33	-1.31%	-6.61%
S&P 500	3235.66	-1.23%	0.15%
NASDAQ	10461.42	-2.29%	16.59%
S&P/TSX	16018.65	-0.94%	-6.12%
EUROPE	LAST	1D	YTD
STXE 600	373.65	0.06%	-10.15%
FTSE 100	6211.44	0.07%	-17.65%
CAC 40	5033.76	-0.07%	-15.80%
DAX	13103.39	-0.01%	-1.10%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6024.00	-1.16%	-9.88%
NIKKEI 225	22751.61	-0.58%	-3.83%
TOPIX	1572.96	-0.62%	-8.62%
CSI 300 (China)	4505.59	-4.39%	9.98%
MENA	LAST	1D	YTD
Saudi Arabia	7426.78	-0.01%	-11.47%
Abu Dhabi	4261.07	-0.03%	-16.05%
Dubai	2052.65	-0.61%	-25.76%
Qatar	9368.29	-0.19%	-10.14%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.5872	0.0114	-1.3287
Germany	-0.4590	0.0220	-0.2740
U.K.	0.1340	0.0100	-0.6880
Australia	0.8660	0.0040	-0.5040

TOP SELECTED NEWS

Australians' rush to raid pensions, repay debt bodes ill for big banks

(Reuters) Australians' deepening raid on their pension funds is driving a surge in debt repayments, which analysts say makes for a double-whammy on the domestic stock market and its dominant big banks as the country sinks into its first recession in a generation. The rush to withdraw retirement savings, under an emergency scheme to provide financial relief from the coronavirus crisis, is already running much harder than government estimates. This has weighed on equities, especially shares of widely-held banks which Credit Suisse found lag the broader market by 9%, as funds sell assets to pay customers. A simultaneous jump in debt repayment has analysts worried the money is mostly headed for creditors, without reaching the real economy, and that the repayments dent the loan books of the country's largest lenders when they need it least.

ECB criticizes banks for being unprepared for benchmark reforms

(Bloomberg) Banks haven't sufficiently prepared for reforms to interest-rate benchmarks that underpin assets worth trns of euros, the European Central Bank warned. Lenders are more focused on the transition to the euro short-term rate, or ESTR, than on risks around changes to Euribor, which is linked to more than 180tn euros (\$209tn) in financial



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TOP SELECTED NEWS

products, the ECB said Thursday. "This is despite the fact that Euribor is currently the most frequently used benchmark rate for contracts in the euro area," the ECB said in a statement, as it published guidance for lenders to identify risks and create action plans to deal with the changes. The ECB said banks need to be prepared for all scenarios, including the possible disappearance of Euribor.

Moderna loses challenge to Arbutus patent on vaccine technology

(Reuters) Shares of Moderna Inc fell nearly 10% after it lost a bid to invalidate a US patent owned by Arbutus Biopharma that poses a potential obstacle to Moderna's efforts to develop next-generation vaccines, including a coronavirus vaccine. An administrative court run by the US Patent and Trademark Office rejected arguments by Moderna that an Arbutus patent known as the '069 patent should be revoked because it described obvious concepts. The '069 patent relates to lipid nanoparticle (LNP) technology that allows the human body to make its own therapeutic proteins. LNP technology is crucial to Moderna's vaccine development efforts, and the patent ruling could increase pressure on the Cambridge, Massachusetts-based firm to pay for a license to Arbutus' patent portfolio, said Zachary Silbersher, a patent lawyer in New York not involved in the case.

Twitter shares rise on record yearly growth in daily users

(Reuters) Twitter Inc on Thursday reported its highest-ever yearly growth of daily users who can view ads, beating analysts' estimates on usage and sending its shares up 4%. Twitter's average monetizable daily active users (mDAU) increased 34% year over year to 186mn, above analysts' estimate of 176mn, in a rise it said was primarily driven by external factors such as shelter-in-place requirements and increased conversation around the COVID-19 pandemic. But the company missed Wall Street's lowered expectations for quarterly revenue, as the coronavirus-spurred economic slowdown battered the company's largely events-oriented digital ads business.

Intel chip delay forces shift to using more outside factories, shares drop

(Reuters) Intel Corp said on Thursday its new 7-nanometer chip technology was six months behind schedule and it would consider farming out more work to outside semiconductor foundries, eroding a founding principle that manufacturing is key to its success. Intel shares fell 9%. The setbacks will have little effect in the next few quarters, but will cause a years-long domino effect, delaying chips meant to counter the rise of rivals Advanced Micro Devices Inc and Nvidia Corp until late 2021 or even 2023.

Disney postpones 'Mulan' indefinitely, delays 'Avatar' and 'Star Wars' films by a year

(Reuters) Walt Disney Co postponed the debut of its movie "Mulan" indefinitely, the company said on Thursday, dealing a new blow to theater operators who were counting on the live-action epic to help attract audiences during a pandemic. "Mulan" was scheduled to reach theaters in March but its release has been postponed several times as many movie theaters remain closed to help keep the novel coronavirus from spreading.

Italy's UBI rejects Intesa's improved takeover offer

(Reuters) UBI Banca on Thursday rejected a sweetened takeover bid by rival Intesa Sanpaolo, saying it still failed to reflect the real value of Italy's fifth-largest bank and adequately reward its shareholders. Intesa and UBI have engaged in a bitter tit-for-tat over what would be one of Europe's biggest banking mergers since the global financial crisis. In an effort to win over UBI's core shareholders, Intesa last week said it would offer 0.57 euro in cash in addition to 1.7 new Intesa shares for each UBI share.

Apple faces deceptive trade practices probe by multiple U.S. states: document

(Reuters) Multiple U.S. states are investigating Apple Inc for potentially deceiving consumers, according to a March document obtained by a tech watchdog group. The Texas attorney general may sue Apple for violating the state's deceptive trade practices law in connection with the multi-state investigation, according to the document, which was obtained by the Tech Transparency Project. The document did not provide additional details.

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