

MARKETS TODAY

Monday, July 27, 2020

MARKETS IN BRIEF

- U.S. dollar, world's reserve currency, slipped against a basket of currencies, with focus shifting to a 2-day Fed meeting starting on Tuesday. Expectations are that policymakers may begin laying the groundwork for more action in September or Q4. In addition, investors hope U.S. Congress will agree on a deal before its summer recess but there are some sticking points including the size of stimulus and enhanced unemployment benefits.
- Gold soared to an all-time high as worsening diplomatic ties between China and the U.S. rattled investors and boosted demand for the metal. Gold hit earlier \$1944.71/ounce.
- Euro continued to trade firm after a European agreement on a recovery fund last week supported its safe-haven appeal. EUR/USD retreated from a 22-month high of \$1.1725 hit earlier.
- Riskier currencies like the Aussie and Kiwi dollars were also up, even after a resurgence of COVID-19 infections in Asia
- Oil prices dropped as investors weighed U.S.-China escalations.
- U.S. stocks ended the week with a broad sell-off due to weak earnings, surging virus cases and geopolitical uncertainties.
- Global shares had lost steam late last week after Washington ordered China's consulate in Houston to close, prompting Beijing to react in kind by closing the U.S. consulate in Chengdu.

U.S.-China tensions

The US says it has closed its consulate in Chengdu, China. China ordered the consulate closed in retaliation for a US order to shut down the Chinese Consulate in Houston last week. A statement from the State Dpt. said that the consulate suspended operations at 10 a.m. on Monday. It expressed disappointment at China's decision and said the U.S. would try to continue its outreach to the region through its other missions in China. The consulate in southwestern China "has stood at the center of our relations with the people in Western China, including Tibet, for 35 years," the statement said. State broadcaster CCTV said on its social media account that the American flag was lowered at 6:18 a.m. on Monday at the U.S. mission in Chengdu, the capital of Sichuan province.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1683	0.23%
GBP/\$	1.2834	0.30%
AUD /\$	0.7119	0.21%
\$/JPY	105.54	0.58%
\$/CAD	1.3393	0.16%
Gold \$	1937.53	1.92%
WTI \$	41.16	-0.34%
BRENT \$	43.08	-0.55%
AMERICA		
DOW JONES	26469.89	-0.68%
S&P 500	3215.63	-0.62%
NASDAQ	10363.18	-0.94%
EUROPE		
STXE 600	367.29	-1.70%
CAC 40	4956.43	-1.54%
DAX	12838.06	-2.02%
ASIA PACIFIC		
S&P/ASX 200	6044.17	0.33%
NIKKEI 225	22715.85	-0.16%
CSI 300 (China)	4528.45	0.51%
MENA		
Saudi Arabia	7434.05	0.10%
Dubai	2059.08	0.31%
Qatar	9375.40	0.08%
BONDS		
U.S. 10-year	0.5708	-0.0180
German Bund 10-yr	-0.4730	-0.0260
AU 10-year	0.8860	0.0200

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German business moral brightening

German business morale improved further in July after posting a record increase in June, a survey showed on Monday, suggesting that firms expect Europe's largest economy to recover from the coronavirus shock if a second wave of infections is avoided. The Ifo institute said its business climate index rose to 90.5 from an upwardly revised 86.3 in June. This was the third increase in a row and came in better than expectations. Ifo economist Wohlrabe said the surprisingly strong Ifo figures suggested that the German economy got off to a good start at the beginning of Q3.

Spain criticizing U.K.

Spain and the biggest airlines operating in Britain attacked an order by Boris Johnson's government to quarantine visitors from the UK's top tourist destination. "Spain is a safe country," Foreign Minister Arancha Gonzalez Laya said Sunday. "Spain has outbreaks. As do other countries. What's important is that Spain is making great efforts to control these outbreaks." The UK's decision Saturday to order a two-week quarantine for travelers from Spain creates a tense standoff between two countries that need each other as the prospect of a second wave of coronavirus gets real.

Plans for bad debts

The Treasury is in talks with the UK's largest banks about a plan to tackle billions of pounds of bad debts expected under the gov't's Coronavirus loans program for small businesses, the Financial Times reported. Part of the discussions centers on a common code of conduct to deal with bounce-back borrowers, which could include guidance on when and how to extend terms automatically, the FT said. One option on the table is whether bad loans could be extended for as long as a decade but banks are pushing back strongly, wary of the greater risk, according to the FT.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	12.87	-6.87%
SOLIDERE—B	13.02	-5.24%
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 US dollar steadied early on Monday after reaching its lowest since September 2018 overnight, weakened by deteriorating US-China relations and domestic economic concerns as US COVID-19 infections showed no sign of slowing. US Secretary of State Mike Pompeo said Washington and its allies must use "more creative and assertive ways" to make the Chinese Communist Party change its ways. With domestic economic concerns trumping its role as a safe-haven currency, the dollar index fell overnight to before steadying in early London trading. The dollar index last traded at 94.048, down 0.42% on the day. As COVID-19 infections show no signs of slowing in the US, investors are doubtful of a quick economic recovery. Nearly a quarter of the global total coronavirus deaths have been in the US, where unemployment claims unexpectedly rose last week. Some of the earlier steps to mitigate the financial impact, such as enhanced jobless benefits, are due to expire this month and Congress has yet to agree on fresh support. The Fed meets on Tuesday and Wednesday. It could confirm recent hints about the benefits of an average inflation target, which would allow rates to stay lower for longer.

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FX & COMMODITIES

Safe-haven currencies were up against the dollar. The Japanese yen traded at a 4-month high versus the dollar, at 105.54. The Swiss franc was last down 0.18% at 0.9222, having reaching a 5-year high of 0.9167 overnight.

The euro continued its ascent after EU leaders agreed a 750bn-euro fiscal stimulus plan last week. But European Central Bank board member Fabio Panetta warned that the danger to the euro zone economy is not over yet. The euro hit a high of \$1.17255 versus the dollar overnight - its strongest since September 2018 - but slipped back below \$1.17 in early London trading. It was weaker versus the Norwegian and Swedish crowns.

The riskier Aussie and Kiwi dollars were also up, even after a resurgence of COVID-19 infections in Asia. The state of Victoria in Australia reported the country's highest daily increase on Monday, prompting authorities to warn that the six-week local lockdown may be extended. The New Zealand dollar was up 0.27% against the weaker dollar at \$0.6659. The Australian dollar was at \$0.7120.

Gold prices jumped to record highs on Monday as an intensifying US-China row hammered the dollar and cemented expectations that central banks would continue pumping out stimulus to ease the economic pain from a worsening coronavirus pandemic. Spot gold rose 1.92% to \$1,937.53 per ounce after hitting an all-time high of \$1,944.71. Silver too joined the rally, jumping 4.5% to its highest since September 2013 at \$24.39 per ounce.

Oil prices edged lower on Monday as rising coronavirus cases and tensions between the US and China pushed investors toward safe-haven assets. Brent crude dipped 0.55% to \$43.08 a barrel, while US West Texas Intermediate (WTI) crude dropped to \$41.16 a barrel, 0.34%. The fall in oil mirrored moves in broader financial markets in Asia amid concerns about escalating tensions between the world's two biggest economies following the closures of consulates in Houston and Chengdu. Global coronavirus cases, meanwhile, exceeded 16mn. Still, Brent is on track for a fourth straight monthly gain in July and WTI is set to rise for a third month as unprecedented supply cuts from the Organization of the Petroleum Countries and its allies including Russia propped up prices. Output has also fallen in the US. Oil demand has improved somewhat from the deep trough of Q2, supporting prices, although the recovery path is uneven as resumption of lockdowns in the US and other parts of the world is capping consumption.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—13:00	German Buba Monthly Report		
USD—15:30	US Durable Goods Orders MoM	3.50%	3.70%

Tuesday: US Consumer confidence

Wednesday: AU Inflation, US FOMC Policy Decision + Press Conference, US Pending Home Sales,

Thursday: US Initial Jobless Claims, Advance GDP, German Prelim GDP

Friday: China Manufacturing PMI, Canada GDP, US PCE Price Index

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CURRENCIES	LAST	1D	YTD
DXY	94.048	-0.42%	-2.43%
EUR/\$	1.1683	0.23%	4.19%
GBP/\$	1.2834	0.30%	-3.21%
AUD /\$	0.7120	0.21%	1.41%
NZD/\$	0.6659	0.27%	-1.20%
\$/JPY	105.54	0.58%	2.92%
\$/CAD	1.3393	0.16%	-3.01%
\$/CHF	0.9222	-0.18%	4.80%
\$/SEK	8.7822	0.64%	6.63%
\$/NOK	9.1158	0.41%	-3.62%
\$/DKK	6.3716	0.21%	4.57%
\$/TRY	6.8483	-0.03%	-13.10%
EUR/GBP	0.9103	0.06%	-7.09%
EUR/JPY	123.30	0.33%	-1.23%
EUR/CHF	1.0774	-0.40%	0.75%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1937.70	1.92%	27.76%
Silver Spot \$/Oz	24.07	5.76%	34.87%
Platinum Spot \$/Oz	934.51	1.71%	-3.30%
Palladium Spot \$/Oz	2273.27	2.08%	16.85%
COPPER \$/lb	289.55	0.12%	2.70%
WTI \$/bbl	41.15	-0.34%	-32.61%
BRENT \$/bbl	43.08	-0.55%	-34.70%

EQUITIES & BONDS

Global shares had lost steam late last week after Washington ordered China's consulate in Houston to close, prompting Beijing to react in kind by closing the US consulate in Chengdu. Hopes for a quick US economic recovery are fading as coronavirus infections showed few signs of slowing. That means the economy could capitulate without fresh support from the government, with some of the earlier steps such as enhanced jobless benefits due to expire this month. Investors hope US Congress will agree on a deal before its summer recess but there are some sticking points including the size of stimulus and enhanced unemployment benefits. US Treasury Secretary Steve Mnuchin said the package will contain extended unemployment benefits with 70% "wage replacement". Democrats, who control the House of Representatives, want enhanced benefits of \$600 per week to be extended and look to much bigger stimulus compared with the Republicans' \$1tn plan. Concerns about the US economic outlook have also started to weigh on the dollar. Chinese shares clawed back lost ground on Monday after data showed that China's economic recovery is continuing to build momentum, but heightened Sino-US tensions kept gains in check. At the close, the Shanghai Composite index was up 0.26% at 3,205.23 and the blue-chip CSI300 index was up 0.51%. Industrial firms' profits rose for a second straight month in June and at the fastest pace in more than a year, adding to signs that an economic recovery from the coronavirus crisis is gaining momentum, but officials warned of continued uncertainty. After a record slump early in the year, China's economy rebounded more than expected in Q2.

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EQUITIES & BONDS

The US stocks retreated on Friday, heading into the weekend with a broad sell-off due to weak earnings, surging coronavirus cases and geopolitical uncertainties. For the second day in a row, the tech sector weighed heaviest on all three major US stock averages. Intel Corp led the decline, its shares plunging 16.2% after the chipmaker reported a delay in production of a smaller, faster 7-nanometer chip. Each index posted a weekly loss, with the S&P 500 and the Dow snapping three-week winning streaks. Nasdaq had its weakest week of the last four. The retreat followed a rally that brought the S&P 500 to nearly 5% below its record high reached in February. The bellwether index is now near break-even for the year, while the Nasdaq has gained more than 15% year-to-date. Momentum stocks Apple, Alphabet Inc and Amazon.com are scheduled to post results on July 30, the day the US Commerce Department is due to give its first take on Q2 GDP. Beijing fired back at Washington shuttering China's Houston consulate by closing the US consulate in the city of Chengdu. Of the 11 major sectors in the S&P 500, all but consumer discretionary closed in the red. Tech was the biggest percentage loser. Healthcare lost ground, dropping 1.1% ahead of executive orders by President Donald Trump aimed at lowering drug prices. American Express Co fell 1.4% after reporting an 85% slump in quarterly profit after setting aside nearly \$628mn to cover potential defaults. Verizon Communications Inc's beat analyst profit and revenue estimates as the telecom saw strong demand due to stay-at-home mandates, boosting its shares by 1.8%. Honeywell International Inc's cost-cutting efforts resulted in better-than-expected Q2 profit, but cautioned of many unknowns going forward. Its shares dropped 2.8%. Intel rival Advanced Micro Devices Inc jumped 16.5%. Tesla Inc extended Thursday's losses, falling 6.3%.

In the MENA region, UAE stocks ended higher on Sunday, lifted by banks and property shares, while losses at oil giant Saudi Aramco limited Saudi Arabian gains. Dubai's index closed up 0.3%, led by a 6.1% surge in DAMAC Properties and a 0.5% gain in Emirates NBD Bank. In Abu Dhabi, the index rose 0.6%, with the country's largest lender First Abu Dhabi Bank gaining 0.6% and aquaculture culture firm International Holding 2.4% higher.

COMPANY NEWS HEADLINES

- Rolls-Royce is exploring an emergency sale of ITP Aero, a unit that makes parts for Eurofighter jets, to a private equity buyer as it rushes to raise billions to see it through the pandemic, according to the Telegraph.
- Cassa Depositi is open to buying a controlling stake in Autostrade in an IPO that would separate the toll-road operator from parent Atlantia (Bloomberg sources)
- Tata Steel proposed the UK invest more than 900mn pounds to take a stake in its British operations and protect the Port Talbot steelworks in Wales, Sky News reported.
- Ryanair will continue losing money through the summer after incurring a quarterly loss of 185mn euros.
- Nissan is set to report a smaller-than-projected operating loss of about 150bn yen (\$1.4bn) for the latest quarter, having cut costs ahead of schedule (Bloomberg sources).
- Intel ordered 180,000 units of 6-nanometer chips for next year after reaching an agreement with TSMC, Commercial Times reported. TSMC's high-end manufacturing capacity for the first half is now full due to orders from Intel and AMD. TSMC shares rose to a record.
- Tesla's proposed factory in Germany will also make batteries, Potsdamer reported. The plant on the outskirts of Berlin will produce 500,000 vehicles a year and is expected to start in July 2021.
- Tigermed plans to raise up to \$1.4bn from its Hong Kong listing. The shares will be priced at HK\$88 to HK\$100 each or as much as a 24% discount to its Friday close.
- Michelin cut its 2019 proposed dividend by 48%, saving 330mn euros this year, which will ease the liquidity burden in first half, Bloomberg Intelligence said.
- Debenhams kicked off a plan that could see new owners as the UK retailer assesses ways to exit protective administration.

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AMERICA	LAST	1D	YTD
DOW JONES	26469.89	-0.68%	-7.25%
S&P 500	3215.63	-0.62%	-0.47%
NASDAQ	10363.18	-0.94%	15.50%
S&P/TSX	15997.06	-0.13%	-6.25%
EUROPE	LAST	1D	YTD
STXE 600	367.29	-1.70%	-11.68%
FTSE 100	6123.82	-1.41%	-18.81%
CAC 40	4956.43	-1.54%	-17.09%
DAX	12838.06	-2.02%	-3.10%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6044.17	0.33%	-9.57%
NIKKEI 225	22715.85	-0.16%	-3.98%
TOPIX	1576.69	0.24%	-8.40%
CSI 300 (China)	4528.45	0.51%	10.54%
MENA	LAST	1D	YTD
Saudi Arabia	7434.05	0.10%	-11.39%
Abu Dhabi	4285.30	0.57%	-15.57%
Dubai	2059.08	0.31%	-25.53%
Qatar	9375.40	0.08%	-10.07%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.5708	-0.0180	-1.3467
Germany	-0.4730	-0.0260	-0.2890
U.K.	0.1200	-0.0250	-0.7030
Australia	0.8860	0.0200	-0.4840

TOP SELECTED NEWS

Credit Suisse invested \$100 million in Ant, setting up windfall

(Bloomberg) Credit Suisse Group AG invested nearly \$100mn in Ant Group during its last funding round, according to people familiar with the matter, setting the Swiss bank up for a potential windfall as the Chinese internet giant prepares to go public. The Zurich-based lender, a frequent adviser on deals across Jack Ma's empire, made the equity investment during Ant's 2018 fundraising, which valued the company at \$150bn. Credit Suisse stands to make paper gains on the previously undisclosed investment if the offering gets a strong reception.

HSBC denies 'framing' Huawei, didn't prompt US legal probe

(Bloomberg) HSBC Holdings Plc, responding to media reports over its dealings with Huawei Technologies Co., denied that it "framed" the Chinese telecom giant, and said it didn't spark a US probe of the company. In its first public comments about Huawei's legal battle in North America, the UK bank said it has no "hostility" toward Huawei and didn't "ensnare" the company. The bank said it only provided information to the US Department of Justice when it was compelled to do so. "In response to the US DOJ's requests for information, HSBC simply presented the objective facts," the bank said in a statement Saturday.



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TOP SELECTED NEWS

Australian regulator says Google misled users over data privacy issues

(Reuters) Australia's competition regulator on Monday accused Alphabet's Google of misleading consumers to get permission for use of their personal data for targeted advertising, seeking a fine "in themns" and aiming to establish a precedent. The move comes as scrutiny grows worldwide over data privacy, with US and European lawmakers recently focusing on how tech companies treat user data. In court documents, the Australian Competition and Consumer Commission (ACCC) accused Google of not explicitly getting consent or properly informing consumers of a 2016 move to combine personal information in Google accounts with browsing activities on non-Google websites.

TSMC jumps nearly 10% adding \$34 billion in value as Intel faces next-generation chip delays

(CNBC.com) Taiwan listed-shares of TSMC rallied on Monday after US chipmaker Intel said it faces delays for its next-generation chips and could outsource some of the production. TSMC closed nearly 10% higher at 424.5 Taiwan dollars (\$14.48), an all-time high for the stock. Since Friday's close, TSMC has added 998.32bn Taiwan dollars (\$34.05bn) in market capitalization. The Taiwanese chipmaker got a boost after Intel said last week that it was delaying the release of chips containing so-called 7-nanometer transistors. These chips are seen as offering a higher performance than previous generations.

SAP plans Qualtrics IPO two years after record deal

(Bloomberg) SAP SE said it will sell a stake in its Qualtrics customer-survey software unit through a US public offering, less than two years after buying the firm to help compete with Salesforce Inc. SAP will keep a majority interest in Qualtrics while giving the business greater autonomy under existing managers including founder Ryan Smith, the Walldorf, Germany-based company said in a statement Sunday. Smith, who started Qualtrics with brother Jared in the basement of their parents' home in Utah, will be the largest individual shareholder.

Mitsubishi Motors forecasts full-year loss due to falling car sales

(Reuters) Japan's Mitsubishi Motors Corp on Monday forecast an operating loss of 140bn yen (\$1.33bn) in the year to March as the automaker battles a fall in demand for cars due in part to the coronavirus pandemic. Japan's No. 6 automaker anticipates its biggest operating loss in at least 16 years, according to Reuters data, just as it embarks on a plan to shrink its workforce and production, and close unprofitable dealerships to reduce 20% of fixed costs in two years. "To pave the way to recovery, the top priority of all executives is to share a sense of crisis with employees to execute cost reductions," CEO Takeo Kato told reporters.

AstraZeneca bets up to \$6 billion on new Daiichi cancer drug

(Reuters) AstraZeneca will pay up to \$6bn to Japan's Daiichi Sankyo under the drugmakers' second multi-billion dollar oncology collaboration to develop and market a niche type of targeted cancer treatment. London-listed AstraZeneca said on Monday it would make an upfront payment of \$1bn to Daiichi for an experimental drug called DS-1062, which belongs to a newer class of treatments called antibody drug conjugates (ADC). Further payments would depend on regulatory and sales milestones being achieved.

Moderna gets further \$472 million US award for coronavirus vaccine development

(Reuters) Moderna Inc said on Sunday it has received an additional \$472mn from the US government's Biomedical Advanced Research and Development Authority (BARDA) to support development of its novel coronavirus vaccine. The US-based drug maker said the additional funding will support its late-stage clinical development including the expanded Phase 3 study of Moderna's vaccine candidate. In April, Moderna had received \$483mn from the US federal agency that funds disease-fighting technology, when the experimental vaccine was in an early-stage trial conducted by the US National Institutes of Health.

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