

# MARKETS TODAY

Monday, July 13, 2020

## MARKETS IN BRIEF

- Stock futures rose today, while Asian shares climbed toward 5-month peaks as investors expected the U.S. earnings season would see most companies beat forecasts given expectations had been lowered so far by coronavirus lockdowns.
- U.S. stocks had a positive session on Friday as news about a potential coronavirus treatment increased hope for an economic recovery following the outbreak.
- U.S. 10-year Treasury yields came close to record lows last week at 0.569% and were last at 0.63%.
- Non-yielding gold hit a near 9-year high after five straight weeks of gains, helped by super-low rates and safe-haven demand.
- The hunt for yield has tended to benefit emerging market currencies and those leveraged to commodities such as the Australian dollar, while weighing on the U.S. dollar.
- Oil slipped as traders eyed an OPEC technical meeting this week which is expected to recommend an easing in supply cuts that have been propping up crude prices.
- Copper hit its highest in nearly 25 months on supply worries from top producer Chile.

## Tapering output cuts?

Saudi Arabia, the world's largest oil exporter, and other major oil-producing countries are likely to increase their output in August, as coronavirus lockdowns ease and demand begins to rise again. The Organization of the Petroleum Exporting Countries, Russia and other producers are expected to modestly ease the record production cuts that they agreed to in April and later extended through July. A committee of key officials from the Organization of the Petroleum Exporting Countries and Russia will meet on Wednesday by video conference to discuss their approach to the market. The oil-producing countries want to make sure that they maintain or increase their share of the recovering market.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1308	0.06%
GBP/\$	1.2595	-0.21%
AUD /\$	0.6962	0.17%
\$/JPY	107.05	-0.11%
\$/CAD	1.3572	0.13%
Gold \$	1808.94	0.58%
WTI \$	39.79	-1.97%
BRENT \$	42.67	-1.34%
AMERICA		
DOW JONES	26075.30	1.44%
S&P 500	3185.04	1.05%
NASDAQ	10617.44	0.66%
EUROPE		
STXE 600	366.83	0.88%
CAC 40	4970.48	1.01%
DAX	12633.71	1.15%
ASIA PACIFIC		
S&P/ASX 200	5977.52	0.98%
NIKKEI 225	22784.74	2.22%
CSI 300 (China)	4852.96	2.10%
MENA		
Saudi Arabia	7431.58	0.20%
Dubai	2085.85	0.18%
Qatar	9337.12	0.22%
BONDS		
U.S. 10-year	0.6283	-0.0164
German Bund 10-yr	-0.4610	0.0040
AU 10-year	0.9010	0.0430

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## 25% duties ... effectively delayed

The Trump administration on Friday announced additional duties of 25% on French cosmetics, handbags and other imports valued at \$1.3bn in response to France's digital services tax, but would hold off on implementing the move for up to 180 days. The US Trade Representative's office said delaying the start of the tariffs would allow further time to resolve the issue, including through discussions in the OECD. The decision also reflected France's agreement to defer collection of its 3% tax on digital services.

## China sanctioning U.S. officials

China announced sanctions against US officials including Senators Marco Rubio and Ted Cruz, in a largely symbolic retaliation over legislation intended to punish Beijing for its treatment of ethnic minorities in the Xinjiang region. Chinese FM spokeswoman Hua Chunying said "sanctions" against the four officials would begin Monday, without elaborating. Hua listed Rubio and Cruz as targets of the unspecified measures, in addition to Sam Brownback, Representative Chris Smith and the Congressional-Executive Commission on China.

## Hope

Gilead Sciences said on Friday an analysis showed its antiviral remdesivir helped reduce the risk of death in severely ill COVID-19 patients, but cautioned that rigorous clinical trials were needed to confirm the benefit. Remdesivir has been at the forefront of the global battle against COVID-19 after the intravenously administered medicine helped shorten hospital recovery times, according to data in April from a separate US government trial. That study showed a trend toward better survival for remdesivir but the difference was not statistically significant.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	14.93	4.92%
SOLIDERE—B	15.00	3.45%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	0.94	4.44%
BLOM BANK	3.18	-
BYBLOS BANK	0.45	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

## FX & COMMODITIES

The US dollar edged lower on Monday as investors looked to incoming global economic data and US corporate earnings to gauge whether the markets' guarded optimism on the economic outlook is justified. The greenback had ended its third week of losses on Friday as investors bought into risk-sensitive currencies on bets that the worst of the pandemic's sweeping impact was over. The index that measures it against a basket of major currencies had slipped 0.2% by early deals in London to 96.416. US coronavirus cases surged over the weekend, as Florida reported an increase of more than 15,000 new cases in 24 hours, a record for any state, surpassing a peak hit in New York in April. Hopes for development of drugs and vaccines for the disease are also supporting risk sentiment as are economic indicators that have so far shown a recovery from lockdowns. US consumer inflation figures for June are due on Tuesday while retail sales, a key gauge of consumption, are released on Thursday. The US corporate earning season starts this week, providing another window to assess the scale of the damage, as well as the recovery, from the pandemic. The dollar gained slightly against the safe-haven yen, to 107.05 yen, staying near 2-week lows of 106.635

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## FX & COMMODITIES

**The euro rose 0.30% to \$1.1336 before trading flat, maintaining its slow uptrend since late last month.** Looming large for the single currency was a planned EU summit on July 17-18, where leaders need to bridge gaps on long-term budget. Investors will also watch for whether an agreement on a proposed 750bn euro recovery fund for the bloc emerges. The British pound was lower at \$1.2595, not far from its 3-week high of \$1.2668 touched last week.

**The Australian dollar added 0.17% to \$0.6961. A weekly gauge of consumer confidence in Australia has dropped after a spike in infections in Melbourne and that could be echoed in the US, where the magnitude of the outbreak is much larger.** Investors also looked to China, where economic recovery is gaining momentum as the outbreak has largely been contained. China will release its June trade data on Tuesday and a batch of other data, including Q2 GDP, on Thursday. The Chinese yuan gained 0.1% to 7 per dollar.

**Gold prices rose on Monday, holding ground above the key \$1,800 per ounce level,** as a weaker dollar and worries over surging COVID-19 cases around the globe kept the safe-haven metal underpinned.

**Shanghai copper hit its highest in nearly 25 months, while London copper scaled a 24-month high, on supply worries from top producer Chile due to a potential strike at a mine.** The most-traded August copper contract on the Shanghai Futures Exchange jumped as much as 6% to 53,520 yuan (\$7,642.66) a tonne, its highest since June 15, 2018.

**Oil slipped more than 1% on Monday as traders eyed an OPEC technical meeting this week which is expected to recommend an easing in supply cuts that have been propping up crude prices.** Brent crude fell 1.34% to \$42.67 a barrel while US West Texas Intermediate crude was at \$39.79 a barrel, down by 1.97%. Oil was little changed last week as a resurgence of coronavirus cases prompted several US states to impose tighter travel restrictions that could dampen oil demand recovery at the world's largest consumer. However, prices climbed more than 2% on Friday after the International Energy Agency raised its 2020 oil demand forecast by 400,000 bpd. Oil prices have recovered sharply from multi-decade lows in April as the OPEC and allies including Russia, a group known as OPEC+, cut output by a record 9.7mn bpd over May to July. OPEC's Joint Ministerial Monitoring Committee (JMMC) will meet on Tuesday and Wednesday to recommend the next level of cuts after compliance in the group hit 107% in June, up from 77% in May. OPEC and Russia are expected to ease their supply cuts to 7.7mn bpd as global oil demand has recovered and prices have bounced back, OPEC+ sources have told Reuters.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—18:30	BoE Gov. Bailey speaks		
USD—21:00	US Federal Budget Balance	-860.0b	-398.8b

**Tuesday:** China Trade Balance, UK GDP, US CPI

**Wednesday:** BoJ Outlook Report, UK CPI, US Industrial Production, Canada BoC Policy Decision + Press Conference, US Fed Beige Book

**Thursday:** NZ CPI, AU Jobs Report, China GDP, Retail Sales, ECB policy Decision + Press Conference, US Retail Sales

**Friday:** BoE Gov. Bailey speaks, Eurozone Final CPI, US Housing Starts, Prelim UoM Consumer Sentiment

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CURRENCIES	LAST	1D	YTD
DXY	96.637	-0.02%	0.25%
EUR/\$	1.1309	0.06%	0.84%
GBP/\$	1.2595	-0.21%	-4.99%
AUD /\$	0.6963	0.17%	-0.84%
NZD/\$	0.6561	-0.20%	-2.66%
\$/JPY	107.05	-0.11%	1.46%
\$/CAD	1.3572	0.13%	-4.30%
\$/CHF	0.9420	-0.11%	2.59%
\$/SEK	9.1850	0.14%	1.94%
\$/NOK	9.4466	-0.25%	-7.01%
\$/DKK	6.5837	0.08%	1.18%
\$/TRY	6.8653	0.01%	-13.32%
EUR/GBP	0.8978	-0.27%	-5.77%
EUR/JPY	121.06	-0.15%	0.60%
EUR/CHF	1.0653	-0.16%	1.91%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1809.05	0.58%	19.24%
Silver Spot \$/Oz	19.13	2.20%	7.16%
Platinum Spot \$/Oz	840.75	1.49%	-13.11%
Palladium Spot \$/Oz	1992.29	1.16%	2.39%
COPPER \$/lb	295.10	1.83%	4.63%
WTI \$/bbl	39.79	-1.97%	-34.90%
BRENT \$/bbl	42.68	-1.34%	-35.36%

## EQUITIES & BONDS

**Asian shares climbed toward 5-month peaks on Monday as investors wagered the US earnings season would see most companies beat forecasts given expectations had been lowered so far by coronavirus lockdowns.** MSCI's broadest index of Asia-Pacific shares outside Japan added 1.2%, having climbed sharply last week on the back of surging Chinese stocks, which jumped another 2.3% on Monday. Japan's Nikkei gained 2% and South Korea 1.7%. E-Mini futures for the S&P 500 rose 0.64% even as some US states reported record new cases of COVID-19, a divergence that shows no sign of stopping. Wednesday sees Goldman Sachs and Bank of New York report, while Thursday has Netflix and Morgan Stanley. While bank shares rose sharply on Friday they have been badly lagging technology stocks, with analysts at Bank of America noting tech outperformance in the past six months was greatest since the 1999 tech bubble and the 2008 global financial crisis. Australian and New Zealand shares finished higher on Monday, as risk appetite was buoyant on encouraging results from a COVID-19 treatment trial and on hopes that the US earnings season would see most companies beat forecasts. The S&P/ASX 200 index rose 0.98% to 5,977.5 points. The benchmark, which fell 0.61% on Friday, is off 16.9% from its lifetime high on Feb. 5.44%.

**The US stocks rose Friday as news about a potential coronavirus treatment increased hope for an economic recovery following the outbreak.** Tech stocks also continued their winning week. The Nasdaq Composite rose 0.6%, or 69.69 points, to another record closing high of 10,617.44, lifted by Amazon and Netflix. Gilead Sciences said its coronavirus

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## EQUITIES & BONDS

treatment candidate, remdesivir, showed an improvement in clinical recovery and a 62% reduction in the risk of mortality compared with standard care. The news sent Gilead shares up more than 2%. BioNTech's CEO also told The Wall Street Journal the company's coronavirus vaccine candidate could be ready for approval by December. Shares of companies that would benefit from the economy reopening outperformed. American Airlines and United popped 6.8% and 8.2%, respectively, while Delta traded 5.6% higher. Cruise operator Carnival surged 10.8% after the company said it can break even in cash flow with capacity between 30% and 50%. Netflix jumped 8% to a record after Goldman said it now sees a 30% rally over the next 12 months for the company. Amazon also gained 0.5% to an all-time high after Citi hiked its target on the e-commerce giant to a Street high of \$3,550 per share. JPMorgan was the biggest gainer in the 30-stock Dow, jumping 5.4%. Dow-component Goldman Sachs rose 4.4%. Meanwhile, Citigroup and Wells Fargo rallied 6.4% and 5.9%, respectively. Big banks are set to kick off earnings season next week. Friday's gains put the Dow up 0.9% for the week. The S&P 500 and Nasdaq were up 1.7% and 4% in that time period. For the year, the Dow and the S&P 500 are down 8.6% and 1.4%, respectively, while the Nasdaq is up more than 18%. Carnival Corp jumped 10.2% after the cruise line operator said it was planning to resume operations in a phased manner and would operate with a smaller fleet on its return.

**Most major Gulf markets closed higher on Sunday, as investor focus turned to corporate earnings starting this week, while a surge in DAMAC Properties helped the Dubai bourse.** Dubai's main share index ended 0.2% up, with DAMAC Properties surging 11.6%, its biggest intraday gain since March 25. On Thursday, Maple Invest said that on behalf of DAMAC founder and chairman Hussain Sajwani and his group, it was exploring the possibility of his buying out minority shareholders and taking the company private. However, the index's gains were limited by losses at Emaar Properties, which retreated 1.1%. On Friday, S&P Global downgraded the blue-chip developer to a BB+ "junk" rating from an investment grade BBB- score.

## COMPANY NEWS HEADLINES

- Credit Suisse Group AG agreed to pay \$15.5mn to settle a lawsuit accusing it of defrauding shareholders about its risk appetite and management before taking \$1bn of write-downs on souring debt, court filings on Friday show.
- Saudi Arabia's state-owned oil company Saudi Aramco will reduce its August-loading shipments of medium and heavy crude grades to at least six Asian buyers, several sources familiar with the matter said on Monday.
- Tesla Inc cut the price of its sport utility vehicle Model Y by \$3,000, just four months after its launch, as the US electric carmaker seeks to maintain sales momentum in the COVID-19 pandemic.
- Norway's DNB said the economic outlook was now clearer with loan loss provisions related to the coronavirus crisis lower in Q2 than in Q1 while profits for the latest three-month period beat expectations.
- NIBC has agreed to a proposed takeover by Blackstone, the Dutch bank said on Monday, despite the US private equity firm lowering its bid in light of the COVID-19 pandemic.
- Swedish hygiene products group Essity on Monday reported a marginal rise in its Q2 core earnings as the initial bulk-buying of toilet paper and other products eased as countries emerged from the lockdown.
- Canadian media company Torstar Corp said on Saturday it reached an amended agreement to be acquired by NordStar Capital at a price of 74 cents per share, a 17.5% increase over NordStar's previous bid.
- Ubisoft announced several staff departures on Saturday after conducting a review in response to allegations of misconduct at the company, which earlier reports said centered around sexual misconduct charges.
- German utilities giant E.ON will sell its entire end-customer electricity and gas business in the Czech Republic to Hungarian energy group MVM, E.ON said in a statement on Saturday.
- The Foschini Group said on Monday it is set to buy some stores and selected assets of JET for R480mn (\$28.69mn) from Edcon's administrators, allowing the South African retailer to expand into the apparel market.

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AMERICA	LAST	1D	YTD
DOW JONES	26075.30	1.44%	-8.63%
S&P 500	3185.04	1.05%	-1.42%
NASDAQ	10617.44	0.66%	18.33%
S&P/TSX	15713.82	0.93%	-7.91%
EUROPE	LAST	1D	YTD
STXE 600	366.83	0.88%	-11.79%
FTSE 100	6095.41	0.76%	-19.19%
CAC 40	4970.48	1.01%	-16.85%
DAX	12633.71	1.15%	-4.64%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	5977.52	0.98%	-10.57%
NIKKEI 225	22784.74	2.22%	-3.69%
TOPIX	1573.02	2.46%	-8.62%
CSI 300 (China)	4852.96	2.10%	18.46%
MENA	LAST	1D	YTD
Saudi Arabia	7431.58	0.20%	-11.42%
Abu Dhabi	4316.18	0.48%	-14.97%
Dubai	2085.85	0.18%	-24.56%
Qatar	9337.12	0.22%	-10.44%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.6283	-0.0164	-1.2892
Germany	-0.4610	0.0040	-0.2760
U.K.	0.1570	0.0010	-0.6660
Australia	0.9010	0.0430	-0.4690

## TOP SELECTED NEWS

### China vows 'zero tolerance' towards illegal market behavior

(Reuters) China will show "zero tolerance" towards securities and accounting fraud and will step up a crackdown on major capital-markets crimes, financial regulators said after a meeting of the Financial Stability Development Committee. The meeting on Sunday was chaired by Vice Premier Liu He, the cabinet-equivalent State Council said in a statement. The regulators said they would toughen penalties and establish a crime-busting team with relevant agencies to strengthen cooperation. They would also deepen the reform of the market's delisting mechanism to weed out bad companies from the country's stock markets.

### UK trade fair industry warns 30,000 jobs at risk as events yet to resume

(Reuters) Britain's event organizers, venues and suppliers warned that about 30,000 jobs are at risk due to increased uncertainty about when trade fairs and exhibitions could resume in the UK, an industry body said on Monday. The Events Industry Alliance (EIA), an industry body that represents the UK events sector, said companies would need at least eight to twelve weeks to restart exhibitions, calling on the government to set a date for reopening. The coronavirus outbreak and the ensuing lockdown led to widespread cancellations and postponement of events to



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## TOP SELECTED NEWS

later this year or until 2021. The threat of a second wave of COVID-19 cases triggered further uncertainty about reopening plans worldwide.

### **UK expected to order removal of Huawei 5G equipment by 2025: Telegraph**

(Reuters) The British government is expected to set a deadline of 2025 for removing equipment made by China's Huawei from the country's 5G telecoms networks, the Telegraph newspaper said on Friday. The Telegraph reported that British culture minister Oliver Dowden will make a statement in Parliament on Tuesday about Huawei, and that ministers wanted Huawei's removal within five years. Adding to strains in ties between London and Beijing, Britain in January capped Huawei's role in its 5G networks at 35% and barred it from the most sensitive parts of the system.

### **Alibaba's Jack Ma sells \$9.6 billion worth shares, stake dips to 4.8%: filing**

(Reuters) Alibaba Group Holding Ltd co-founder Jack Ma has cut his stake in the company over the past year to 4.8% from 6.4%, cashing out around \$9.6bn at its current share price, the firm's annual filing released on Friday showed. The divestment comes as Ma retired as the Chinese e-commerce company's executive chairman in September and pulled back from formal business roles to focus on philanthropy. Alibaba did not disclose the average selling price of his divestment. Its share price has risen around 40% since Ma reported his 6.4% holding in the company a year ago.

### **WeWork expects to have positive cash flow in 2021, Financial Times reports**

(Reuters) WeWork Executive Chairman Marcelo Claure said the office-sharing company was on course to have positive cash flow in 2021, a year earlier than a target the company set in February, the Financial Times reported on Sunday. Claure, in an interview with the newspaper, said WeWork has seen strong demand for its office spaces since the start of the coronavirus outbreak. The SoftBank-controlled company has also reduced its workforce by more than 8,000 people, renegotiated leases and sold off assets to reduce its cash burn and shed costs, FT said.

### **Mandatory masks, Mickey at a distance as Walt Disney World reopens**

(Reuters) "Star Wars" Stormtroopers enforced mask-wearing and Mickey Mouse waved from a distance on Saturday as Florida's Walt Disney World opened to the public for the first time in four months amid a surge of coronavirus cases in the state. Walt Disney Co welcomed a limited number of guests to parts of its sprawling Orlando complex, the most-visited theme park resort in the world, with a host of safety measures designed to reassure visitors and reduce the chances of catching the sometimes deadly virus. Executives felt confident they had developed a responsible plan for reopening in phases during the pandemic, said Josh D'Amato, chairman of Disney's parks, experiences and products division.

### **Elon Musk soars past Warren Buffett on billionaires ranking**

(Bloomberg) Elon Musk is now richer than Warren Buffett. The fortune of Tesla Inc.'s CEO rose \$6.1bn on Friday, according to the Bloomberg billionaires Index, after the carmaker's stock surged 11%. Musk is now the world's seventh-richest person, also ahead of tech titans Larry Ellison and Sergey Brin. The 49-year-old owns about a fifth of Tesla's outstanding stock, which comprises the bulk of his \$70.5bn fortune. His majority ownership of closely held SpaceX accounts for about \$15bn. Shares of the electric-car maker have risen 269% this year. The company's booming valuation helped Musk land a \$595mn payday, making him the highest-paid CEO in the US

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