

MARKETS TODAY

Wednesday, July 15, 2020

MARKETS IN BRIEF

- Global stocks rose on Wednesday led by coronavirus vaccine hopes, though sentiment was cautious after Beijing vowed retaliatory sanctions against the U.S.
- U.S. dollar was on the defensive, particularly against risk-sensitive currencies, following news of progress in vaccine development.
- Euro jumped on hopes the EU could agree at its summit later this week on a rescue financing package that will limit the economic damage to the bloc from the pandemic. EUR/USD hit earlier \$1.1445, highest since March 10, and not far off its peak so far this year of \$1.1495.
- Japanese yen traded off a 2-week high of 106.635. The BoJ kept monetary policy steady as expected, though it warned that uncertainty over the economic outlook was "extremely high" due to various risks, including rising coronavirus infections in Tokyo.
- British pound recovered after falling on data showing Britain's economy was recovering more slowly.
- Oil prices rose after a sharp drop in US crude inventories. Traders shifted attention to weekly EIA report at 18:00 LT.
- U.S. stocks surged yesterday as investors bought energy and materials stocks and looked beyond a recent rise in coronavirus cases.

Optimism

Moderna's Covid-19 vaccine produced antibodies to the coronavirus in all patients tested in an initial safety trial, federal researchers said, clearing an important milestone as the US continues to grapple with a surge in new infections. The findings are likely to increase hopes that a vaccine can be brought to market quickly. However, a number of patients in the trial experienced side effects, some of them severe. The vaccine will move into a much larger late-stage trial later this month that's likely to determine whether it's approved by US regulators. The neutralizing antibody levels in the trial produced were equivalent to the upper half of what's seen in patients who get infected with the virus and recover, according to results published Tuesday.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1430	0.26%
GBP/\$	1.2603	0.40%
AUD /\$	0.6999	0.34%
\$/JPY	106.92	0.30%
\$/CAD	1.3583	0.24%
Gold \$	1811.80	0.14%
WTI \$	40.86	1.41%
BRENT \$	43.52	1.49%
AMERICA		
DOW JONES	26642.59	2.13%
S&P 500	3197.52	1.34%
NASDAQ	10488.58	0.94%
EUROPE		
STXE 600	367.40	-0.84%
CAC 40	5007.46	-0.96%
DAX	12697.36	-0.80%
ASIA PACIFIC		
S&P/ASX 200	6052.92	1.88%
NIKKEI 225	22945.50	1.59%
CSI 300 (China)	4744.47	-1.29%
MENA		
Saudi Arabia	7380.35	-0.43%
Dubai	2052.76	-0.72%
Qatar	9319.40	0.23%
BONDS		
U.S. 10-year	0.6168	-0.0082
German Bund 10-yr	-0.4610	-0.0150
AU 10-year	0.8720	-0.0390

MARKETS TODAY

Slower recovery

The UK economy's expansion was much weaker than expected in May, casting doubt on how fast the nation can rebound from the depths of the coronavirus slump. Disappointing figures for growth came as the country's fiscal watchdog outlined the strain on government finances from the billions spent to help businesses and workers through the crisis. It said the budget deficit could balloon to 21% of output this year, and the debt ratio will stay above 100% for the next five years.

Unexpected rise in inflation

British inflation rose unexpectedly last month, spurred by rising prices for in-demand computer consoles during the coronavirus lockdown, official data showed on Wednesday. Consumer price inflation increased to 0.6% in June from May's four-year low of 0.5%, pushed up also by the lack of traditional summer clothing sales last month after retailers slashed prices during the lockdown earlier in the year. The average forecast in a Reuters poll of economists was for the rate to fall to 0.4%. Only a few had predicted an increase.

China criticizing U.K.

UK's ban on Huawei from its next-generation mobile networks got a swift response from China. Liu Xiaoming, China's envoy to Britain, called the decision "disappointing and wrong," and said it had become "questionable whether the UK can provide an open, fair and non-discriminatory business environment for companies from other countries." Under the blueprint agreed by PM Boris Johnson, operators will not be able to add any new Huawei components to their 5G networks after Dec. 31 this year.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	14.99	-0.20%
SOLIDERE—B	14.99	0.60%
BANK OF BEIRUT	18.8	-
BANK AUDI SAL	0.95	-
BLOM BANK	3.18	-
BYBLOS BANK	0.45	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

FX & COMMODITIES

The euro rose to a 4-month high against the dollar on Wednesday on hopes EU leaders may agree on stimulus and deepening fiscal integration to shield the economy from the pandemic. The US dollar was on the defensive, particularly against other growth-leveraged currencies such as the Australian dollar, following an uptick in US inflation and news of progress in vaccine development for COVID-19. The euro rose to \$1.1430, after reaching its highest level since March 10 at \$1.1445 earlier in the trade. Against the yen, the common currency hit 1-month high of 122.50 while it had scaled a 2-week high of \$0.91125 British pound the previous day and last stood at 90.69 pence. The euro has been helped by hopes the EU could agree at its summit later this week on a rescue financing package that will limit the economic damage to the bloc from the coronavirus pandemic. The euro's strength helped to push the dollar index to one-month low at 95.921. The index last stood at 96.225.

The US dollar was pressured down after US consumer prices rebounded 0.6% month-on-month, the most in nearly eight years, in June, easing worries about deflationary pressures from the economic downturn. Further boosting

MARKETS TODAY

FX & COMMODITIES

investors' risk appetite, Moderna Inc's experimental vaccine for COVID-19 showed it was safe and provoked immune responses in all 45 healthy volunteers in an ongoing early-stage study, US researchers reported on Tuesday. The market has so far taken the latest heightening in US-China tensions in its stride. President Donald Trump signed legislation and an executive order to hold China "accountable" for the national security law it imposed on Hong Kong. Trump also signed a bill approved by the Congress to penalize banks doing business with Chinese officials who implement the new security law. In response, the Chinese foreign ministry said on Wednesday it will impose retaliatory sanctions on US individuals and entities. Diplomatic battles between the two big powers have intensified on several other fronts, such as the COVID-19 pandemic, military operations in the South China Sea and trade. The onshore yuan ticked up 0.05% to 7.0040 per dollar.

The British pound underperformed after data showed Britain's economy was recovering more slowly than forecast. GDP rose by 1.8% in May after falling by a record 20.8% in April, well below forecasts. The pound last traded at \$1.2603.

The Japanese yen stood at 106.92 yen per dollar, little changed after the Bank of Japan kept monetary policy steady and maintained its stance that the economy would gradually recover from the COVID-19 pandemic.

The Australian and New Zealand dollars edged higher as progress on a COVID-19 vaccine buoyed US equities, while details of a bumper Aussie bond sale showed strong demand from foreign buyers. The Aussie added 0.40% to \$0.6999 but struggled to break resistance around \$0.7020, ahead of the June peak at \$0.7069. The kiwi dollar firmed 0.31% to \$0.6552, though it also faces tough resistance in the \$0.6590/0.6600 area. Domestic events were not so promising, as a survey showed consumer sentiment had been shaken by the lockdown of Melbourne amid a fresh coronavirus outbreak. That added to the case for the gov't to keep pumping stimulus into the economy and not scale back employment support in September as initially intended. An update on its budget plans is due on July 23. The Aussie enjoyed a tailwind from Tuesday's huge A\$17bn sale of a new Australian 2025 bond line which drew A\$50.6bn in bids.

Oil prices rose on Wednesday following a sharp drop in US crude inventories, with the market waiting for next steps from a meeting later in the day on the future level of output cuts by OPEC and its allies. Brent crude futures were up 1.49% at \$43.52 a barrel, and US WTI crude futures rose 1.41% to \$40.86 a barrel. Reflecting a recovery in fuel demand despite the coronavirus pandemic, US crude inventories fell by 8.3mn barrels in the week to July 10, beating analysts' expectations for a decline of 2.1mn barrels, according to data from industry group the American Petroleum Institute.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—16:15	US Industrial Production MoM	4.5%	1.4%
CAD—17:00	BoC Policy Decision	0.25%	0.25%
OIL—17:30	EIA Weekly Report	-1.3m	5.7m
CAD—18:00	BoC Press Conference		
USD—21:00	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

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	95.921	-0.36%	-0.49%
EUR/\$	1.1430	0.26%	1.94%
GBP/\$	1.2603	0.40%	-4.93%
AUD /\$	0.6999	0.34%	-0.31%
NZD/\$	0.6552	0.31%	-2.79%
\$/JPY	106.92	0.30%	1.58%
\$/CAD	1.3583	0.24%	-4.37%
\$/CHF	0.9395	0.05%	2.88%
\$/SEK	9.0614	0.47%	3.35%
\$/NOK	9.3281	0.82%	-5.82%
\$/DKK	6.5145	0.26%	2.27%
\$/TRY	6.8650	0.01%	-13.31%
EUR/GBP	0.9069	0.13%	-6.72%
EUR/JPY	122.20	0.04%	-0.35%
EUR/CHF	1.0738	-0.20%	1.10%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1811.84	0.14%	19.42%
Silver Spot \$/Oz	19.34	0.66%	8.35%
Platinum Spot \$/Oz	835.78	0.79%	-13.52%
Palladium Spot \$/Oz	1970.74	-0.16%	1.29%
COPPER \$/lb	292.60	-0.27%	3.71%
WTI \$/bbl	40.86	1.41%	-33.08%
BRENT \$/bbl	43.52	1.49%	-34.03%

EQUITIES & BONDS

Asian shares rose on Wednesday led by coronavirus vaccine hopes though sentiment was cautious after Beijing vowed retaliatory sanctions against the US. MSCI's broadest index of Asia-Pacific shares outside Japan was last up 0.8%, not far from a recent five-month peak. Chinese shares sold off, with the blue-chip CSI300 index flat and Shanghai's SSECS off 0.3%. Hong Kong's Hang Seng index ticked up after spending most of the day in the red. Japan's Nikkei and Australia's benchmark index remained upbeat though, and were up 1.6% and 1.9%, respectively. E-mini futures for the S&P 500 gave back some of their gains but were still up 0.8%. Trump on Tuesday ordered an end to Hong Kong's special status under US law to punish China for what he called "oppressive actions" against the former British colony, prompting a warning from China. On Wednesday, China's foreign ministry said in a statement Beijing will impose retaliatory sanctions against US individuals and entities in response to the law targeting banks doing business with Chinese officials, though the statement released through state media did not reference Trump's executive order. Overnight risk appetite was boosted by Moderna's experimental vaccine for COVID-19 which showed it was safe and provoked immune responses in all 45 healthy volunteers in an early-stage study.

The US stocks surged on Tuesday, with the Dow Jones Industrial Average ending more than 2% higher as investors bought energy and materials stocks and looked beyond a recent rise in coronavirus cases. The S&P 500 energy, materials and industrial indexes jumped more than 2%, while health, technology and consumer staples each rose

MARKETS TODAY

EQUITIES & BONDS

more than 1%. Amazon slipped 0.6%. It and other recently strong performing technology and growth stocks, including Facebook and Netflix, recovered from deeper losses, giving the Nasdaq a last minute spurt. JPMorgan Chase & Co, the largest US lender, rose 0.6% after it posted a smaller-than-expected 51% drop in Q2 profit. Wells Fargo & Co tumbled 4.6% after booking a quarterly loss for the first time since the 2008 financial crisis. Citigroup Inc dropped 3.9% after it reported a steep fall in quarterly profit. The S&P 500 banks index dropped 1.2% as the three banks set aside a combined \$28bn to cover potential losses on loans to borrowers hurt by the coronavirus pandemic. Wall Street has reclaimed most of its coronavirus-driven losses since March as a raft of monetary and fiscal stimulus and upbeat economic data raised hopes of a swift post-pandemic recovery. But a recent record surge in COVID-19 cases and new business restrictions, particularly in California, has again raised uncertainty about how it may take for the economy to recover. Alabama, Florida and North Carolina reported record daily increases in COVID-19 deaths on Tuesday. Investors are bracing for what could be the sharpest drop in quarterly earnings for S&P 500 firms since the 2008 financial crisis, according to Refinitiv IBES data. Delta Air Lines Inc dropped 2.65% after it warned it will be more than two years before the industry sees a sustainable recovery from the "staggering" impact of the coronavirus pandemic, with demand largely tracking the curve of infections in different places. Moderna Inc jumped 4.5% after it said it plans to start a late-stage clinical trial for its COVID-19 vaccine candidate on or around July 27.

Most Gulf stock markets ended lower on Tuesday, with Kuwait hardest hit, after the IMF cut its economic forecasts for the region due to lower oil prices and the coronavirus crisis. The COVID-19 pandemic has hit sectors such as tourism and trade, while low oil prices and crude production cuts have strained the finances of regional oil exporters and impacted remittances. Saudi index eased 0.4%, weighed down by a 2.6% slide in the kingdom's largest lender National Commercial Bank and a 0.7% drop in Al Rajhi Bank. Elsewhere, Zain Saudi Arabia retreated 4.7%, after the telecoms firm reported a net profit of 59mn riyals (\$15.73mn) in the Q2, down from 130mn riyals a year earlier.

COMPANY NEWS HEADLINES

- British home furnishing retailer Dunelm on Wednesday forecast a fall of as much as 21mn pounds in annual pretax profit as it counted the cost of store closures under Britain's coronavirus lockdown while reporting signs of a revival in demand since.
- Online fashion retailer ASOS forecast annual profit towards the top end of expectations as it reported a 10% rise in sales for the four months to June 30, benefiting from trading through the Covid-19 lockdown while store-based rivals shuttered shops.
- Electricals retailer Dixons Carphone opted not to pay a final dividend for its financial year ended in May after strong online sales failed to offset underperformance of its mobile unit and a lockdown hit to store sales, halving annual profit.
- North Sea focused oil and gas producer Premier Oil said on Wednesday it expected to make cash this year based on current futures contract prices, upgrading its outlook after saying in May it expected to be cash flow neutral this year.
- Retirement-home builder McCarthy & Stone Plc swung to a 25mn pound (\$31.5mn) loss in the first half of 2020 and warned of more damage to come, as COVID-19 restrictions on housing transactions slashed its number of completed sales.
- German solar power plant developer ib vogt GmbH, which is led by former Q-Cells CEO Anton Milner, has been put up for sale by its family owners, a spokesman for the group said.
- US retail giant Walmart will lead a \$1.2bn investment in its Indian e-commerce unit Flipkart, giving it a valuation of \$24.9bn, Flipkart said on Tuesday.
- ASML Holding NV, one of the largest equipment suppliers to computer chip makers, on Wednesday reported net income of 751mn euros (\$856mn) for Q2, slightly below expectations.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26642.59	2.13%	-6.64%
S&P 500	3197.52	1.34%	-1.03%
NASDAQ	10488.58	0.94%	16.90%
S&P/TSX	15908.45	1.72%	-6.77%
EUROPE	LAST	1D	YTD
STXE 600	367.40	-0.84%	-11.65%
FTSE 100	6179.75	0.06%	-18.07%
CAC 40	5007.46	-0.96%	-16.24%
DAX	12697.36	-0.80%	-4.16%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6052.92	1.88%	-9.44%
NIKKEI 225	22945.50	1.59%	-3.01%
TOPIX	1589.51	1.56%	-7.66%
CSI 300 (China)	4744.47	-1.29%	15.82%
MENA	LAST	1D	YTD
Saudi Arabia	7380.35	-0.43%	-12.03%
Abu Dhabi	4287.82	-0.45%	-15.52%
Dubai	2052.76	-0.72%	-25.76%
Qatar	9319.40	0.23%	-10.61%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.6151	-0.0082	-1.3024
Germany	-0.4620	-0.0150	-0.2770
U.K.	0.1510	0.0010	-0.6710
Australia	0.8720	-0.0390	-0.4980

TOP SELECTED NEWS

US banks signal no V recovery with provisions near record

(Bloomberg) Swift action from the Fed and US government staved off a pandemic-led spike in missed loan payments. The message from the nation's biggest banks: It's coming. JPMorgan Chase & Co., Citigroup Inc. and Wells Fargo & Co. set aside almost \$28bn for bad loans in Q2, a mark only surpassed by the last three months of 2008, during the depths of the financial crisis. The total was higher than analysts had expected, with all three lenders saying their economic outlook had deteriorated as the coronavirus continues to rage through the US. Even as unemployment surged, stimulus programs helped individuals stay current on debts and many have taken advantage of payment-deferral options from banks. JPMorgan said delinquencies in its biggest consumer loan categories were down or unchanged from a year earlier, and a majority of credit-card and mortgage customers who got deferrals had still made payments. For Wells Fargo, the biggest loan-loss provision in its history led to the bank's first net loss since 2008 and an 80% cut to its dividend. JPMorgan and Citigroup's trading desks seized on huge market swings to deliver record quarters, helping those firms maintain profitability.



MARKETS TODAY

TOP SELECTED NEWS

Wells Fargo swings to loss on higher provisions to cover soured loans

(Reuters) Wells Fargo & Co swung to a loss in Q2 after setting aside \$9.5bn to cover potential loan losses due to the coronavirus pandemic, the bank said on Tuesday. The lender, which has been struggling to recover from a series of misselling scandals, reported a net loss of \$2.4bn, or 66 cents per share, for the quarter ended June 30, compared with a profit of \$6.2bn, or \$1.30 per share, in the year-earlier period.

JPMorgan's record trading helps ease the pandemic's toll

(Bloomberg) JPMorgan Chase & Co.'s results were one more marker of the disconnect between ebullient markets and concern about the US economy. The biggest US bank said Q2 profit fell 51% to \$4.69bn, a smaller drop than forecast, as record trading revenue helped counter the biggest loan-loss provision in the firm's history. It's the second consecutive quarter that trading set a record, as the bank's Wall Street unit is helping prop up a consumer-lending division struggling with business closures and swelling unemployment rolls. The results didn't show as much impact from the global economic slowdown as analysts expected, in part because of government stimulus programs that provided a cushion to consumers and businesses. JPMorgan's executives said they are girding for more pain ahead. "This is not a normal recession," CEO Jamie Dimon said on a conference call. "The recessionary part of this you're going to see down the road."

Citi sees bad loans pile up as bond trading provides relief

(Bloomberg) Citigroup Inc. set aside \$7.9bn for souring loans even as the bank's revenue from fixed-income trading surged 68%, keeping the bank solidly profitable. The \$5.6bn windfall from trading bonds, currencies and commodities was even greater than what the firm generated in the year's first three months, when the pandemic set off a flood of client transactions. Combined with cost cuts, it helped the bank salvage a \$1.3bn profit -- albeit one that was 73% lower than a year earlier -- as the lender braced for a wave of potential defaults amid lockdowns on commerce. "While credit costs weighed down our net income, our overall business performance was strong," CEO Michael Corbat said Tuesday in a statement announcing results. "We have been able to navigate the Covid-19 pandemic reasonably well." Shares of New York-based Citigroup dropped 1.6% to \$51.38 at 9:55 a.m. in New York.

Handelsbanken, SEB top forecasts as Nordic banks weather pandemic

(Reuters) Quarterly profits at Handelsbanken and SEB fell less than expected as the Swedish banks coped with the economic hit from the COVID-19 pandemic, although SEB saw a spike in provisions for bad loans. Nordic banks are the first in Europe to report Q2 earnings and so far have defied gloomy predictions, with Norway's DNB also topping forecasts. "The bank's credit quality remains good," Handelsbanken said on Wednesday, adding loan losses in the quarter were the lowest in years. "Household lending, household deposits and corporate deposits continued to exhibit stable growth."

Nissan bets on new Ariya electric SUV to symbolise its revamp, but sales plans modest

(Reuters) Nissan Motor Co on Wednesday unveiled the Ariya - an electric SUV and its first all-new global model in five years - hoping it will symbolise its road to recovery after more than a year of scandal and a precipitous decline into earnings losses. But initial sales plans for the Ariya are modest, people with knowledge of the matter told Reuters, an indication that the vehicle will do little to lift Nissan's bottom line. Featuring Nissan's latest self-driving technologies, the Ariya has a driving range comparable to Tesla models and will sell from around 5mn yen (\$47,000). That makes it more upscale than the X-Trail SUV, Nissan's top-selling global model known as the Rogue in North America.

Burberry's Q1 like-for-like sales drop 45%

(Reuters) British fashion brand Burberry said on Wednesday that demand was severely impacted by COVID-19 in Q1, with comparable sales falling 45%, although the decline eased to 20% in June driven by growth in mainland China and South Korea. Analysts had expected Q1 like-for-like sale to fall 49%, according to a company-compiled consensus.

MARKETS TODAY

Wednesday, July 15, 2020

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