

MARKETS TODAY

Tuesday, July 07, 2020

MARKETS IN BRIEF

- The global equity rally paused on Tuesday after a strong start to the week, with European shares slipping alongside U.S. stock futures, after a solid rally on Wall Street to start the week.
- Chinese stocks moved in the other direction. Shanghai Composite climbed for a 6th day, bringing this month's gain to around 13%.
- U.S. stocks jumped yesterday, with gains in tech shares pushing the Nasdaq to a record high. S&P 500 Index posted its 5th-straight increase, its longest winning streak since December, as Amazon.com shares rose past \$3,000 for the first time. Tesla Inc. extended a 5-day rally to more than 40%.
- Risk currencies such took a breather from recent gains with investors hitting pause on an equity market rally.
- Australian dollar barely moved following RBA's decision to keep rates on hold. U.S. dollar snapped a 5-day losing streak.
- Oil continued to be pressured down by weak demand outlook and threat to economic recovery amid surging Covid-19 cases.
- Italian 10-year government bond yields were clinging to recent 3-month lows as traders awaited signs of progress from talks this week in Brussels on a European recovery fund.

New French government

Macron reshuffled his government Monday, setting his new team the mission of rescuing an economy wrecked by the coronavirus. Back in February, before the pandemic struck, France was boasting newfound control of public finances, faster growth than the euro-area average, the lowest unemployment in more than a decade, and a best-in-class record for luring foreign investors. After naming little-known Jean Castex as prime minister last week, Macron retained his trusted finance minister, Bruno Le Maire, for the task of rebuilding. Le Maire gets added responsibility for "recovery" in his portfolio and will be backed by three junior ministers focusing on public finances, industry and small companies. Jean-Yves Le Drian, a veteran socialist, stays on as foreign affairs minister.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1266	-0.39%
GBP/\$	1.2470	-0.18%
AUD /\$	0.6928	-0.66%
\$/JPY	107.69	-0.33%
\$/CAD	1.3581	-0.32%
Gold \$	1777.30	-0.44%
WTI \$	40.13	-1.21%
BRENT \$	42.79	-0.67%
AMERICA		
DOW JONES	26287.03	1.78%
S&P 500	3179.72	1.59%
NASDAQ	10433.65	2.21%
EUROPE		
STXE 600	367.36	-1.03%
CAC 40	5018.65	-1.24%
DAX	12551.56	-1.46%
ASIA PACIFIC		
S&P/ASX 200	6012.92	-0.03%
NIKKEI 225	22614.69	-0.44%
CSI 300 (China)	4698.13	0.60%
MENA		
Saudi Arabia	7420.26	0.40%
Dubai	2087.38	1.23%
Qatar	9196.47	0.10%
BONDS		
U.S. 10-year	0.6644	-0.0115
German Bund 10-yr	-0.4410	-0.0110
AU 10-year	0.8850	-0.0400

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RBA highlighting recovery uncertainties

Australia's central bank chief highlighted worries among households and businesses about the health and economic outlook, as the nation's successful run of Covid-19 containment was rocked by a new outbreak, damping the economy's otherwise improving prospects. RBA Governor Philip Lowe kept the cash rate and three-year yield target unchanged at 0.25%, as expected. Soaring job advertisements and retail sales suggest the economy is recovering, yet a spiraling rate of cases in Australia's second-largest city is a stark reminder of ongoing risks.

U.K. chooses to fight

The UK reaffirmed its collision course with Beijing and Moscow on Monday as it sought to establish its place in the world after Brexit. China's ambassador to London warned of "consequences" if Britain treats his country as a "hostile" power in its dealings over Hong Kong and Huawei Technologies Co., while Russian officials topped the list of people sanctioned for human rights abuses, sparking a threat of retaliation from the Kremlin. "This Government are absolutely committed to the UK becoming an even stronger force for good in the world," Foreign Sec. Raab told Parliament.

Italy bets on spending

Italy plans to dramatically expand public investment, focusing on boosting growth rather than reining in debt as the government plots its way out of the worst recession in a century. State investment will rise above 3% of GDP over the next four years from 2.3% in 2019, according to a statement from Giuseppe Conte's cabinet following a ministers' meeting. During the meeting, FM Gualtieri presented details of the government's National Reform Plan, which also includes new spending on education, moves to boost private investment and measures to improve competitiveness.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	14.34	1.27%
SOLIDERE—B	14.26	1.78%
BANK OF BEIRUT	18.8	-
BANK AUDI SAL	0.87	-1.13%
BLOM BANK	3.37	-
BYBLOS BANK	0.45	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

FX & COMMODITIES

Risk currencies such as the Australian dollar took a breather from recent gains on Tuesday with investors hitting pause on an equity market rally, as new coronavirus flare-ups and regional lockdowns in some countries curbed buying and lifted the dollar. Riskier currencies such as the commodity-driven Aussie, Norwegian crown, the New Zealand dollar and the Swedish crown have rallied strongly since April alongside increased risk appetite in global markets. But with a blazing run up in Chinese equities cooling on Tuesday, surging coronavirus infections in places that are attempting a reopening, and regional lockdowns still being introduced, investors appeared to take their foot off the gas. Lockdown measures were reimposed in Australia's second biggest city on Tuesday, confining Melbourne residents to their homes unless undertaking essential business for six weeks, as officials scramble to contain a coronavirus outbreak. The Australian dollar sank 0.5% to its US counterpart after the announcement, last trading at \$0.6940. It had no reaction to the country's central bank leaving rates unchanged.

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FX & COMMODITIES

The dollar index in the meanwhile, rose 0.24% to 97.068. It gained 0.2% against the yen, to trade at 107.595. Florida's greater Miami area became the latest hot spot to roll back its reopening as virus cases surged nationwide by the tens of thousands and the US death toll topped 130,000. Investors are watching nervously as infections surge in the US and India, but are so far taking the view that more massive lockdowns are unlikely. The yield on benchmark 10-year US Treasuries has been parked at roughly 0.7% for a month, well below an early June top of 0.9590% and more than 100 bps below where they began the year. On Tuesday, the kiwi last sat steady at \$0.6524 having, like the Aussie, pulled back from testing the top of a range it has kept for about a month. The euro sat just below a 2-week high touched on Monday at \$1.1311 and the pound held steady at \$1.2470. The yen was down at 107.69 per dollar. A key measure of the market's long-term inflation expectations in the euro area has risen from record lows hit in March and is close to its highest levels in around 4 months.

The Chinese yuan picked up where it left off after soaring with runaway Chinese equities on Monday, but pulled back from an offshore top of 6.9965 per dollar as caution crept in.

Oil prices fell on Tuesday amid concerns that a surge in new coronavirus cases, especially in the US, will hamper any recovery in fuel demand. US West Texas Intermediate (WTI) crude futures fell 1.21%, to \$40.13 a barrel, well off an earlier high of \$40.79. Brent crude futures declined by 0.67% to \$42.79, after hitting an intraday high of \$43.19. As for supplies, the OPEC and other producers including Russia, collectively known as OPEC+, are lowering output by 9.7mn bpd for a third month in July. However, those cuts are set to taper to 7.7mn bpd starting next month, adding supply at the same time US fuel demand, especially for gasoline, remains impacted by the COVID-19 outbreak. Data from the American Petroleum Institute industry group later on Tuesday and the US Energy Information Administration on Wednesday are expected to show a 100,000 barrel rise in gasoline stockpiles, according to market estimates.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—17:00	IS IDB/TIPP Economic Optimism	48.2	47.0
CAD—17:00	Canada Ivey PMI	50.2	39.1

Wednesday: EU Economic Forecasts, EIA Weekly Report

Thursday: China CPI, US Initial Jobless Claims

Friday: Canada Jobs Report, US PPI

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CURRENCIES	LAST	1D	YTD
DXY	97.068	0.34%	0.69%
EUR/\$	1.1266	-0.39%	0.46%
GBP/\$	1.2470	-0.18%	-5.94%
AUD /\$	0.6928	-0.66%	-1.34%
NZD/\$	0.6524	-0.47%	-3.20%
\$/JPY	107.69	-0.33%	0.84%
\$/CAD	1.3581	-0.32%	-4.37%
\$/CHF	0.9447	-0.28%	2.31%
\$/SEK	9.3053	-0.60%	0.63%
\$/NOK	9.4654	-0.73%	-7.19%
\$/DKK	6.6149	-0.40%	0.71%
\$/TRY	6.8658	-0.07%	-13.33%
EUR/GBP	0.9035	0.20%	-6.37%
EUR/JPY	121.32	0.06%	0.37%
EUR/CHF	1.0643	0.12%	2.00%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1777.30	-0.44%	17.10%
Silver Spot \$/Oz	18.04	-1.29%	1.03%
Platinum Spot \$/Oz	823.42	-0.39%	-14.82%
Palladium Spot \$/Oz	1930.60	-0.25%	-0.77%
COPPER \$/lb	275.20	-0.81%	-2.41%
WTI \$/bbl	40.13	-1.21%	-34.26%
BRENT \$/bbl	42.79	-0.67%	-35.14%

EQUITIES & BONDS

Italian 10-year government bond yields were clinging to recent 3-month lows on Tuesday as traders awaited signs of progress from talks this week in Brussels on a European recovery fund. On Wednesday, German Chancellor Angela Merkel will travel to Brussels to further discuss the fund. Investors in Italian bonds hope it will be given as grants rather than loans, helping an economic recovery in southern European countries and removing worries that they could be saddled with even more debt.

The global equity rally paused Tuesday after a strong start to the week Monday, with the notable exception of further gains in China. The Shanghai Composite climbed for a sixth day, bringing this month's gain to around 13%. Stocks retreated in Japan and South Korea, and fluctuated in Australia and Hong Kong. S&P 500 futures slipped after the benchmark closed higher for a fifth session, with tech gains pushing the Nasdaq Composite to a record high. A surge in Chinese shares Monday helped push global stocks to their highest since early June, with investors putting their faith in an economic recovery powered by historic government stimulus and readying for the upcoming earnings season.

US stocks rose sharply on Monday as a rebound in US services industry activity in June and expectations of a revival in China's economy boosted optimism, helping investors look past a surge in new coronavirus cases in the US. The Institute for Supply Management's (ISM) non-manufacturing activity index almost returned to its pre-COVID-19

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EQUITIES & BONDS

pandemic levels last month, jumping to a reading of 57.1, the highest since February, from 45.4 in May, a report showed. Investors also bet on an improving Chinese economy and its impact on the global growth as the yuan led commodity currencies higher against the dollar. Earlier, Chinese stocks jumped more than 5%. A slew of upbeat US data recently, including a record rise in monthly payrolls, has powered the Nasdaq to all-time highs and has driven the S&P 500 up more than 40% from its March 23 closing low. The gains came despite a record surge in new COVID-19 cases in 16 states in the US this month that could further hamper reopening plans and create a risk to the economic recovery. Over the Independence Day weekend, several states reported a record increase in new infections, with Florida surpassing the highest daily tally reported by any European country during the peak of the outbreak there. Online retail giant Amazon.com crossed \$3,000 for the first time and provided the biggest boost to the S&P 500 and the Nasdaq. The stock rose 5.8% to end at \$3,057.04. Tesla Inc shares jumped 13.5%, rising for the fifth session as JPMorgan bumped up its price target for the electric carmaker's stock following better-than-expected quarterly deliveries. Uber Technologies Inc climbed 6% after the ride-sharing company agreed to buy food-delivery app Postmates Inc in a \$2.65-bn all-stock deal.

In the MENA region, the Dubai index closed higher on Monday ahead of Dubai Financial Market (DFM), the emirate's main stock exchange, reopening its trading floor from Tuesday after a three-month shutdown, while Egypt extended gains. The DFM trading floor and customer affairs counters were temporarily closed in mid-March to contain the spread of the novel coronavirus. Dubai's main share index gained 1.2%, buoyed by a 2.2% rise in blue-chip developer Emaar Properties and a 1.3% gain in sharia-compliant lender Dubai Islamic Bank. The Abu Dhabi index added 0.3%, helped by a 6.8% jump in energy firm Dana Gas. The UAE non-oil private sector grew in June for the first time this year, emerging from months of contraction as coronavirus restrictions were lifted, a survey showed on Sunday.

COMPANY NEWS HEADLINES

- A US appeals court on Monday denied General Motors Co's petition to remove a lower court judge from its racketeering lawsuit against Fiat Chrysler Automobiles (FCA), but said the companies' heads need not meet to settle the issue.
- Four technology startups backed by SoftBank Group Corp's \$100bn Vision Fund were among the small companies approved for a US pandemic aid program, according to data released by the Treasury Department on Monday.
- Data analytics company Palantir Technologies Inc said on Monday it has confidentially filed paperwork with the US Securities and Exchange Commission (SEC) to go public.
- Shares of SoftBank Group Corp climbed 4.6% on Tuesday to reach highs last seen during the dot-com bubble, as massive buybacks help shrink the group's persistent discount.
- Indian airline Vistara is in talks with planemakers and leasing companies to delay taking delivery of some aircraft, the carrier's chief commercial officer said on Monday, as COVID-19 hits demand for air travel.
- Sunrun Inc said on Monday it will buy Blackstone-backed peer Vivint Solar for about \$1.46bn in an all-stock deal, as the top US residential solar installers look to solidify their market position.
- UK-based Reckitt Benckiser Group Plc said on Tuesday that the US Environmental Protection Agency (EPA) has approved use of its Lysol Disinfectant Spray against COVID-19.

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AMERICA	LAST	1D	YTD
DOW JONES	26287.03	1.78%	-7.89%
S&P 500	3179.72	1.59%	-1.58%
NASDAQ	10433.65	2.21%	16.28%
S&P/TSX	15669.67	0.47%	-8.17%
EUROPE	LAST	1D	YTD
STXE 600	367.36	-1.03%	-11.65%
FTSE 100	6216.06	-1.11%	-17.59%
CAC 40	5018.65	-1.24%	-16.05%
DAX	12551.56	-1.46%	-5.29%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6012.92	-0.03%	-10.04%
NIKKEI 225	22614.69	-0.44%	-4.40%
TOPIX	1571.71	-0.34%	-8.69%
CSI 300 (China)	4698.13	0.60%	14.68%
MENA	LAST	1D	YTD
Saudi Arabia	7420.26	0.40%	-11.58%
Abu Dhabi	4318.45	0.34%	-14.58%
Dubai	2087.38	1.23%	-24.11%
Qatar	9196.47	0.10%	-11.45%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.6644	-0.0115	-1.2531
Germany	-0.4410	-0.0110	-0.2570
U.K.	0.1880	-0.0140	-0.6350
Australia	0.8850	-0.0400	-0.4850

TOP SELECTED NEWS

ECB may ask banks to withhold dividends for longer

(Reuters) The European Central Bank is considering an extension to a recommendation that banks suspend dividends and share buybacks, and will soon provide an update, ECB bank supervisor Kerstin af Jochnick said on Tuesday. The ECB asked banks to stop dividends and buybacks until October but the European Systemic Risk Board, which is headed by ECB President Christine Lagarde, already said that banks should not be paying dividends or doing buybacks at all this year.

Germany agrees measures to make financing of exports easier

(Reuters) Germany's Economy Ministry said on Tuesday the government has decided on a package of measures to make the financing of export business easier as it seeks to revive industry's prospects due to the coronavirus pandemic. The package includes reduced fees for Hermes guarantees for exports, improved financing conditions for new export business such as reduced down payments and delayed repayments, as well as better refinancing possibilities for export financing banks. "We are taking the burden away from companies that are suddenly and through no fault of their own faced with existential challenges," Economy Minister Peter Altmaier said in a statement.



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TOP SELECTED NEWS

TikTok pulling out of Hong Kong after China law controversy

(Bloomberg) ByteDance Ltd.'s TikTok will pull its viral video app from Hong Kong's mobile stores in coming days, becoming the first internet service to withdraw after Beijing enacted sweeping powers to crack down on national security threats. That announcement came after internet giants from Facebook Inc. to Google and Twitter Inc. voiced opposition to national security legislation that grants the Hong Kong government sweeping powers to police the online and public spheres. TikTok, which has insisted it operates independently of Beijing despite its Chinese ownership, may be able to argue the withdrawal is a move to escape requests to censor content or share user data. But its retreat could also benefit the Communist Party by removing a forum pro-democracy protesters have used to post videos calling for an independent Hong Kong. The Chinese-owned company didn't explain its decision but said its Hong Kong exit could occur within days.

Facebook, Google suspend processing Hong Kong government data requests

(Reuters) Facebook Inc, Google Inc and Twitter Inc suspended processing government requests for user data in Hong Kong, they said on Monday, following China's establishment of a sweeping new national security law for the semi-autonomous city. Facebook, which also owns WhatsApp and Instagram, said in a statement it was pausing reviews for all of its services "pending further assessment of the National Security Law." Google, a unit of Alphabet Inc, and Twitter said they suspended their reviews of data requests from Hong Kong authorities immediately after the law went into effect last week. Twitter cited "grave concerns" about the law's implications.

Deutsche Bank and Google agree multi-year, strategic partnership

(Reuters) Deutsche Bank said on Tuesday it has agreed a strategic, multi-year partnership with Google to give the German lender access to cloud services and drive innovation in technology-based financial products for clients. Earlier this year, Deutsche invited bids from Google, Microsoft, and Amazon to overhaul the bank's outdated and fragmented technology networks. The deal is part of a 13bn euro (\$14.70bn) technology investment Deutsche has planned up to 2022 as it restructures to recover from years of losses. Google and Deutsche have now signed a letter of intent and plan to sign a multi-year contract within the next few months, the bank said.

Samsung Electronics flags Q2 profit jump on solid chip demand, one-off gains from Apple

(Reuters) Samsung Electronics Co Ltd flagged a 23% rise in Q2 operating profit on Tuesday, beating analysts' estimates on solid chip sales to data centers catering for a work-from-home economy during the novel coronavirus pandemic. The sales offset weak demand for smartphones and televisions, while one-off gains from its display business, which counts Apple Inc. as a customer, also boosted profits, the company said. It gave no further details. The world's top memory-chip and smartphone maker said operating profit was likely 8.1tn won (\$6.8bn) in the quarter that ended in June, far above the 6.4tn won analyst forecast by Refinitiv SmartEstimate. It would be the highest quarterly profit since Q4 of 2018. Revenue likely fell 7% to 52tn won from a year earlier, Samsung added, giving only limited data in a regulatory filing ahead of its full earnings figures later this month. Work-from-home orders and growth in online learning are underpinning chip demand amid the coronavirus pandemic and pushing up DRAM memory chip prices. US DRAM supplier Micron Technology Inc forecast strong quarterly revenue last month.

Apollo to shake up private credit with \$12 billion lending plan

(Bloomberg) Apollo Global Management will seek to lend roughly \$12bn over the next three years via a new private credit platform aimed at big businesses, the company announced in a statement. The listed alternative asset manager already has a large credit business -- \$210bn in assets under management, as of March 31. The new Apollo Strategic Origination Partnership will target much larger loans of roughly \$1bn than those mid-market deals done by its existing direct lending operation.

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