

# MARKETS TODAY

Thursday, July 09, 2020

## MARKETS IN BRIEF

- U.S. dollar fell against most currencies on Thursday as a rally in riskier assets such as global equities and commodities put a dent in safe-haven demand for the currency. However, investors turned cautious ahead of U.S. jobs data. Any disappointment in U.S. jobless claims figures at 15:30 LT is expected to weigh on the greenback, with economists warning that soaring coronavirus cases is likely to keep filings elevated.
- Euro zone bond yields held their ground on Thursday with investors' main focus expected to be any new developments on the EU's recovery fund, which aims to help the region's economy recover from the coronavirus crisis.
- Gold held steady above the key \$1,800/oz, as worries over mounting COVID-19 cases offset hopes of a swift global economic recovery.
- Chinese yuan rose to a 4-month high and the risk-sensitive New Zealand dollar hit its highest since January.
- Oil prices drifted lower on Thursday as concerns about renewed COVID-19 lockdowns in the US outweighed signs of a recovery in U.S. gasoline demand.
- U.S. stocks rose yesterday and the Nasdaq hit a record closing high, supported by technology shares as early signs of an economic rebound offset concern about further lockdowns.

## British stimulus package

Rishi Sunak's stimulus package may help save the Great British summer. Saving the economy will be a far harder task. On Wednesday, the Chancellor of the Exchequer announced 30bn pounds of tax cuts and extra spending to support the UK as it emerges from the coronavirus pandemic. Over the course of a 30-minute speech, he reduced taxes for home-buyers and the hospitality industry, and even offered Brits vouchers to cut the cost of eating out in August. The measures are aimed at reviving confidence among consumers and industries still reeling from the lockdown after much of the UK economy re-opened on July 4. The success of Sunak's package rest on one big uncertainty: whether Johnson's government can prevent a second wave of the virus.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1329	-0.01%
GBP/\$	1.2650	0.32%
AUD /\$	0.6986	0.04%
\$/JPY	107.31	-0.05%
\$/CAD	1.3498	0.10%
Gold \$	1813.47	0.27%
WTI \$	40.73	-0.44%
BRENT \$	43.24	-0.09%
AMERICA		
DOW JONES	26067.28	0.68%
S&P 500	3169.94	0.78%
NASDAQ	10492.50	1.44%
EUROPE		
STXE 600	366.48	-0.67%
CAC 40	4981.13	-1.24%
DAX	12494.81	-0.97%
ASIA PACIFIC		
S&P/ASX 200	5955.46	0.59%
NIKKEI 225	22529.29	0.40%
CSI 300 (China)	4840.77	1.40%
MENA		
Saudi Arabia	7394.26	-0.08%
Dubai	2083.31	-0.69%
Qatar	9224.80	-0.21%
BONDS		
U.S. 10-year	0.6545	-0.0099
German Bund 10-yr	-0.4460	-0.0060
AU 10-year	0.8970	0.0270

## Australia advising against Hong Kong travel

The Australian government has advised its citizens not to travel to Hong Kong, and to reconsider their need to remain in Hong Kong, due to uncertainties surrounding the new national security law there. "The new national security legislation for Hong Kong could be interpreted broadly. Under the law, you could be deported or face possible transfer to mainland China for prosecution under mainland law," according to a notice on Thursday by the Australian Department of Foreign Affairs and Trade's Smartraveller website.

## Stronger economic bounce

Some European monetary policy makers are sounding increasingly optimistic that the recovery from the worst economic crisis in living memory will be stronger than expected. Top ECB officials have suggested in recent days that the euro-area recession sparked by the coronavirus pandemic might not be as deep as previously feared, with President Lagarde signaling that she's in no rush to ramp up monetary stimulus again. BoE Chief Economist Haldane says the rebound in Britain has come sooner than anticipated -- though bond investors are less sanguine.

## First stage to join euro

Euro zone officials are ready to let Croatia and Bulgaria into the ERM-2 mechanism, a preliminary stage for adopting the euro as their currency in the next three years, four sources told Reuters. The move would pave the way for the first enlargement of the euro zone since 2015, when Lithuania joined the currency bloc, which now has 19 members. European officials said a decision was imminent after a final backing from euro zone and EU finance ministers, who hold video conferences later on Thursday and Friday. The decision was likely to be announced outside market hours.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	14.04	0.07%
SOLIDERE—B	13.98	3.25%
BANK OF BEIRUT	18.8	-
BANK AUDI SAL	0.90	2.27%
BLOM BANK	3.18	-
BYBLOS BANK	0.45	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

## FX & COMMODITIES

The US dollar fell against most currencies on Thursday as a rally in riskier assets such as global equities and commodities put a dent in safe-haven demand for the US currency. China's yuan rose to a 4-month high against the dollar, extending recent gains as investors of all stripes increased positions in Chinese stocks due to growing signs of a recovery in the world's second-largest economy. The Chinese yuan soared to a 4-month high of 6.9808 in the offshore market and was last up 0.2% against the dollar. China's currency has been a star performer as investors shrug off diplomatic tension between Washington and Beijing to focus on China's improving economy and its attractive technology sector. The yuan has risen around 2.3% from a 7-month trough against the dollar set on May 27. Chinese shares continued their recent rally, with the blue-chip CSI300 index soaring to a five-year high on Thursday. Highlighting the dollar's woes, the New Zealand dollar rose to \$0.6590, the highest since late January.

The euro was flat at \$1.1329 even after German export data failed to meet analysts' expectations. The common currency jumped earlier to a 1-month high of \$1.1371. The British pound rose 0.3% to \$1.2647, a 3-week high.

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## FX & COMMODITIES

Elsewhere in currencies, the Swedish and the Norwegian crowns rose to a one-month high against the dollar of 9.15 and 9.35 respectively.

**Gold held steady above the key \$1,800/oz, as worries over mounting COVID-19 cases offset hopes of a swift global economic recovery.** Spot gold was little changed at \$1,813 per ounce, after rising to its highest level since September 2011 at \$1,817.71 on Wednesday. U.S. gold futures were flat at \$1,819.80. Keeping alive worries over the economic fallout from the pandemic, U.S. Federal Reserve officials on Wednesday suggested the recovery in the world's largest economy may be stalling.

**Oil prices were little changed on Thursday as concerns about renewed COVID-19 lockdowns in the US outweighed signs of a recovery in US gasoline demand.** US WTI crude futures dipped 0.44% to \$40.73 a barrel, after rising 0.7% on Wednesday. Brent crude futures edged down 0.10% to \$43.24, after gaining 0.5% on Wednesday. Oil prices rose on Wednesday as data from the US Energy Information Administration showed US gasoline stockpiles fell by 4.8mn barrels last week, much more than analysts had expected, as demand climbed to 8.8mn bpd, highest since March 20. A spike in COVID-19 cases across several US states, however, raised the prospect of renewed lockdowns that would likely hold back any sustained recovery in fuel demand. That has kept the benchmark crude contracts in tight ranges this week, although holding above \$40 a barrel.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—15:30	US Initial Jobless Claims	1375k	1427k

**Friday:** Canada Jobs Report, US PPI

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CURRENCIES	LAST	1D	YTD
DXY	96.512	0.08%	0.12%
EUR/\$	1.1329	-0.01%	1.03%
GBP/\$	1.2650	0.32%	-4.58%
AUD /\$	0.6986	0.04%	-0.51%
NZD/\$	0.6577	0.02%	-2.43%
\$/JPY	107.31	-0.05%	1.21%
\$/CAD	1.3498	0.10%	-3.76%
\$/CHF	0.9382	0.02%	3.04%
\$/SEK	9.1830	0.20%	1.99%
\$/NOK	9.3717	0.16%	-6.25%
\$/DKK	6.5762	-0.02%	1.32%
\$/TRY	6.8658	-0.09%	-13.32%
EUR/GBP	0.8956	0.33%	-5.54%
EUR/JPY	121.57	-0.04%	0.16%
EUR/CHF	1.0629	0.03%	2.14%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1813.47	0.27%	19.55%
Silver Spot \$/Oz	18.99	1.45%	6.38%
Platinum Spot \$/Oz	856.47	0.74%	-11.36%
Palladium Spot \$/Oz	1961.53	1.68%	0.63%
COPPER \$/lb	286.85	1.59%	1.74%
WTI \$/bbl	40.73	-0.44%	-33.31%
BRENT \$/bbl	43.24	-0.09%	-34.47%

## EQUITIES & BONDS

**Surging Chinese stocks led Asia's equity markets higher on Thursday, as investors looked past Sino-US tension and renewed coronavirus lockdowns and hoped stimulus washing through the world economy finds its way to company earnings.** Asia's investors are riding high after a front-page editorial in Monday's China Securities Journal extolling market fundamentals was seen as official encouragement to buy stocks. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.8% and touched a 20-week high. The Shanghai Composite turned in its longest winning streak in more than two years and is up 16% in eight sessions. Australia's benchmark ASX 200 index rose 1% and Japan's Nikkei rose 0.6%. The Australian dollar rose 0.2% to \$0.6995, but - perhaps indicating a cap on exuberance - it was unable to break past resistance at \$0.70. US Treasuries were not sold in to the rally either, and nor were the safe havens of gold or the Japanese yen. The yield on benchmark US 10-year Treasuries remained under pressure at 0.6545% and gold sat at \$1,810.73 an ounce. The US earnings season looms with investor hopes high but warning signals flashing. Fed officials raised fresh doubts on Wednesday about the durability of the rebound. Australia on Thursday suspended an extradition agreement with Hong Kong and urged its citizens to reconsider the need to remain there if they are concerned about new national security laws that extend Beijing's power in the city.

**U.S stocks rose on Wednesday and the Nasdaq hit a record closing high, supported by technology shares as early signs of an economic rebound offset concern about further lockdowns due to a jump in coronavirus cases across the**

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## EQUITIES & BONDS

country. Apple Inc and Microsoft Corp provided the biggest boosts to the Dow and S&P 500, with the S&P 500 technology index .SPLRCT up 1.6% and leading sector gains. The Nasdaq outpaced the other two major indexes, ending 1.4% higher, led by Amazon.com, its fourth record closing high this month. The number of confirmed US coronavirus cases surpassed 3mn, affecting nearly one of every 100 Americans. California, Hawaii, Idaho, Missouri, Montana, Oklahoma and Texas broke their previous daily record highs for new infections. Investors have been weighing a string of upbeat economic data including record job additions and a rebound in the service sector in June, against the surge in US coronavirus cases recently, but the S&P 500 is still up more than 40% from its March closing low. Adding to the optimistic tone late in the session, St. Louis Fed Bank President James Bullard told CNBC in an interview that US unemployment will likely decline to below 8% "maybe even 7%" by the end of the year. Markets also appeared to be in a wait-and-watch mode before the beginning of the Q2 earnings season, which kicks off next week with reports from the big Wall Street banks. Quarterly earnings for S&P 500 companies are expected to decline nearly 44% year-on-year, the steepest drop since the 2008 financial crisis, according to IBES data from Refinitiv. Biogen Inc jumped 4.4% after the company said it submitted the marketing application for its experimental Alzheimer's disease therapy, aducanumab. Allstate Corp shares fell 4.8% as the US insurer said it would buy National General Holdings Corp for about \$4bn, scaling up its auto insurance business. National General shares surged 65.8%.

**Major Gulf stock markets ended lower on Wednesday, with financials and property shares weighing on indexes in the UAE, while the Egyptian bourse advanced on the back of its top lender.** Dubai's main share index declined 0.7%, with blue-chip developer Emaar Properties shedding 1.8% and sharia-compliant lender Dubai Islamic Bank losing 1%. Elsewhere, Amlak Finance tumbled 4.1%, a day after it saw its biggest intraday gain Since December 2019. On Monday, Amlak signed an agreement with Dubai Land Department, allowing customers to invest in properties listed by the firm. In Abu Dhabi, the index lost 0.7%, hurt by a 1.6% fall in the country's largest lender FAB.

## COMPANY NEWS HEADLINES

- Airbus failed to secure any orders for a third month and suffered one cancellation, bringing total net orders to 298 aircraft this year. It delivered 36 planes from the A220, A320 and A350 XWB lines in the month and had a backlog of 7,584 aircraft as of June 30.
- KKR & Co Inc said on Wednesday it would acquire Goldman Sachs-backed Global Atlantic Financial Group Ltd, making it the latest private equity firm to add an annuities and life insurance provider to its platform.
- French TGV high-speed train maker Alstom filed a list of concessions on Thursday to the European commission in its effort to win antitrust approval for its planned purchase of Bombardier Inc's transportation unit.
- An IPO from Alibaba's Ant Group by year-end would give equity capital markets in Hong Kong a timely boost after a new security law cast in doubt the city's future as a global financial centre, analysts said on Thursday.
- Japan's Fast Retailing Co , owner of casual clothing brand Uniqlo, lowered its profit outlook for the year through August as the global pandemic wreaked havoc on its global fashion business.
- Ford Motor Co said its China vehicle sales increased 3% in April-June from a year earlier, its Q1ly sales rise in the world's biggest auto market in almost three years.
- Porsche Taycan's US shipments this year will fall short of the number of orders for the electric car, North American CEO Klaus Zellmer said. Porsche delivered 1,039 Taycans in the US this year through June.
- GM's racketeering lawsuit against Fiat Chrysler was dismissed by a federal judge in Detroit, who said GM hadn't shown it was directly harmed by bribes paid to union officials by employees of its rival. Nine union and Fiat Chrysler leaders were jailed as a result of a federal corruption probe.
- AirAsia rebounded after saying it's confident of continuing its business based on state support, the outcome of talks with banks and investors, and implementation of action plans. Meanwhile, Tata Sons is in talks to acquire AirAsia's India stake at a steep discount, the Business Standard reported.

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AMERICA	LAST	1D	YTD
DOW JONES	26067.28	0.68%	-8.66%
S&P 500	3169.94	0.78%	-1.88%
NASDAQ	10492.50	1.44%	16.94%
S&P/TSX	15629.19	0.22%	-8.41%
EUROPE	LAST	1D	YTD
STXE 600	366.48	-0.67%	-11.87%
FTSE 100	6156.16	-0.55%	-18.38%
CAC 40	4981.13	-1.24%	-16.68%
DAX	12494.81	-0.97%	-5.69%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	5955.46	0.59%	-10.90%
NIKKEI 225	22529.29	0.40%	-4.77%
TOPIX	1557.24	0.00%	-9.53%
CSI 300 (China)	4840.77	1.40%	18.17%
MENA	LAST	1D	YTD
Saudi Arabia	7394.26	-0.08%	-11.86%
Abu Dhabi	4311.86	-0.67%	-15.05%
Dubai	2083.31	-0.69%	-24.65%
Qatar	9224.80	-0.21%	-11.52%
10-YEAR BONDS	LAST	1D	YTD
U.S.	0.6545	-0.0099	-1.2630
Germany	-0.4460	-0.0060	-0.2610
U.K.	0.1770	-0.0060	-0.6450
Australia	0.8970	0.0270	-0.4730

## TOP SELECTED NEWS

### Gilead to deliver more remdesivir to Europe from autumn: WiWo

(Reuters) Gilead Sciences Inc plans to make more of its drug remdesivir available for Germany and Europe from autumn and will decide how much each country gets based on the rate of infection, the drugmaker's Germany boss told a German magazine. Bettina Bauer, managing director of Gilead in Germany, told WirtschaftsWoche the US drugmaker can increase its worldwide monthly production from currently 190,000 treatment cycles to 2mn treatment cycles in December. Bauer said she was in talks with the German government about increasing supply. Gilead has faced criticism after the company allocated nearly all of its supply of remdesivir to the US over the next three months, stirring concerns about availability elsewhere.

### Industrial giants seek green fuel from solar power

(Bloomberg) As the EU launches a new push to make hydrogen one of the clean fuels of the future, two French industrial giants say they've found the right project to rapidly scale up the nascent industry. Engie SA and Air Liquide SA want to build solar farms big enough to power 450,000 homes in France's sun-drenched Provence region, with enough electricity left over to produce hydrogen by electrolyzing water. Some of the clean-burning gas would be



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## TOP SELECTED NEWS

sold to refineries and chemicals makers in Fos-sur-Mer, curbing their emissions of carbon dioxide. The “HyGreen Provence” project would produce renewable hydrogen at a much bigger scale than anywhere else, and trim CO2 emissions that come from the refining and petrochemical complex. The French industrial sector uses about 1mn tons of hydrogen each year, and the government would like between 20%-40% of this to be carbon-free by 2028.

### **Commerzbank power vacuum set to last as board extends search**

(Bloomberg) Commerzbank AG's supervisory board will extend the search for a new chairman and CEO after Stefan Schmittmann and Martin Zielke stepped down following a shareholder revolt, prolonging uncertainty as investors clamor for a bolder overhaul. Roland Boekhout remains the leading internal candidate to replace Zielke as CEO, but some investors have doubts, and the German bank will take more time to vet candidates including potential external hires, people with knowledge of the matter said. Chief Financial Officer Bettina Orlopp also remains in contention for the CEO job, the people said, asking not to be identified because the deliberations are private.

### **Google shuts down cloud project, says no plan to offer cloud services in China**

(Reuters) Google said on Wednesday it has shut down its cloud project named “Isolated Region” and added that it was not weighing options to offer its cloud platform in China. Earlier in the day, Bloomberg reported, citing two employees, that Google had shelved the project in China and other politically sensitive countries in May, partly due to rising geopolitical tensions and the pandemic. The search engine giant, however, said that the project's shutdown was not due to either of those two reasons and that it has not offered cloud platform services in China.

### **Nonprofits urge Johnson & Johnson to halt sales of Baby Powder globally**

(Reuters) More than 170 nonprofit groups on Wednesday called for Johnson & Johnson to stop selling its talc-based Johnson's Baby Powder world-wide, citing concerns that it contains cancer-causing asbestos, according to a statement from advocacy group Black Women for Wellness. The groups, which include educational institutions such as Emory University and activist groups such as Greenpeace, among others, also want the company to recall existing inventory in North America.

### **Italy case in clash with Atlantia bolstered by court victory**

(Bloomberg) Italy's case in its long-running dispute with the Benetton family's Autostrade per l'Italia SpA was bolstered Wednesday by a key court victory just days ahead of a final decision by Prime Minister Giuseppe Conte. The country's top court ruled against Autostrade -- a unit of the Benetton's Atlantia SpA -- on its exclusion from the reconstruction of Genoa's Morandi bridge, the collapse of which killed 43 people in 2018. Since the accident, the government has threatened to strip the company of its license to operate most of Italy's 7,000 kilometers of highways.

### **SAP revenue begins to recover from pandemic-fueled slowdown**

(Bloomberg) SAP SE, Europe's largest technology company, reported better-than-expected preliminary results for Q2 revenue, buoyed by a resumption in software deals in Asia. Sales climbed 2% to 6.74bn euros (\$7.66bn) in the quarter that ended June 30, the Walldorf, Germany-based company said Wednesday in a statement. Analysts, on average, estimated 6.61bn euros, according to data compiled by Bloomberg. While software license revenues were below normal levels, they recovered more than expected in the most recent period, the company said.

### **Tesla 'very close' to level 5 autonomous driving technology, Musk says**

(Reuters) US electric vehicle maker Tesla Inc is “very close” to achieving level 5 autonomous driving technology, CEO Elon Musk said on Thursday, referring to the capability to navigate roads without any driver input. “I'm extremely confident that level 5 or essentially complete autonomy will happen and I think will happen very quickly,” Musk said in remarks made via a video message at the opening of Shanghai's annual World Artificial Intelligence Conference (WAIC). “I remain confident that we will have the basic functionality for level 5 autonomy complete this year.”

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