

MARKETS TODAY

Monday, April 01, 2019

MARKETS IN BRIEF

- Investor confidence received a lift on Monday after a surprise improvement in Chinese factory activity, in addition to a private business survey showing China's manufacturing sector unexpectedly returned to growth in March. Asian stocks jumped on the news.
- The positive readings pushed the Aussie dollar and the Chinese yuan higher, while the safe-haven yen got pressured down. Key data to watch this week: U.S. nonfarm payrolls on Friday, in addition to manufacturing and services PMI for major countries.
- Aussie dollar traders remained cautious ahead of RBA's policy decision tomorrow at 6:30 LT, followed by the Federal Budget. Retail Sales & Trade Balance to be released on Wednesday.
- British pound traded slightly higher as the parliament took control to break the Brexit impasse. The currency weakened earlier today after Juncker said on Sunday EU's patience may run out.
- Oil prices closed their best quarter since 2009 as concerns about supplies outweighed fears of a slowing global economy.
- U.S. stocks ended the final trading day of Q1 on a strong note on Friday and the S&P 500 posted its best quarterly gain since 2009.
- Gulf stock markets were mixed on Sunday. Saudi Aramco plans to issue bond of at least \$10 billion, opening books for the first time.

China's factories stabilizing

China's first official economic gauge for March signaled a stabilization in the world's second-largest economy, easing one of the biggest worries for the global outlook. The manufacturing purchasing managers index rose to 50.5 from 49.2 last month, the biggest increase since 2012. That's good news for global investors, as China's weakening demand had weighed on sectors such as auto producers and commodity exporters worldwide. However, there is still a way to go -- tariffs and uncertainty about whether a deal with the U.S. will be signed are weighing on trade and there is no sign yet of a rebound in domestic consumption.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1236	0.16%
GBP/\$	1.3059	0.18%
AUD /\$	0.7125	0.41%
\$/JPY	111.05	-0.17%
\$/CAD	1.3344	0.04%
Gold \$	1291.32	-0.08%
WTI \$	60.57	0.71%
BRENT \$	68.26	1.01%
AMERICA		
DOW JONES	25928.68	0.82%
S&P 500	2834.40	0.67%
NASDAQ	7729.321	0.78%
EUROPE		
STXE 600	379.09	0.60%
CAC 40	5350.53	1.02%
DAX	11526.04	0.86%
ASIA PACIFIC		
S&P/ASX 200	6217.00	0.59%
NIKKEI 225	21504.98	1.41%
CSI 300 (China)	3968.993	2.50%
MENA		
Saudi Arabia	8819.44	0.35%
Dubai	2634.86	0.14%
Qatar	10107.42	-0.38%
BONDS		
U.S. 10-year	2.4333	0.03%
German Bund 10-yr	-0.043	0.03%
AU 10-year	1.802	0.03%

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U.K. parliament taking control

The UK Parliament will take control of the timetable for Brexit options today after Theresa May's plan was resoundingly shot down a third time. With less than two weeks left until Britain is due to leave fears are growing in Brussels that an economically damaging split without an agreement may be impossible to avoid given the disarray in London. The House of Commons is likely to debate Brexit options including a customs union, the single market or a combination of both. They'll also discuss holding a confirmatory referendum that would pit any Brexit plan against staying in the EU.

Trump resuming attack on the Fed

Trump ratcheted up his pressure on the Fed, saying that if the central bank had "not mistakenly raised interest rates," the US GDP would be higher and markets "would be in a better place." The president's comment, in a Twitter post on Friday afternoon, was yet another shot across the bow of Fed Chair Powell. Earlier Friday, White House chief economic adviser Kudlow called on the Fed to "immediately" cut interest rates by a half percentage point, escalating the Trump administration's fight with the central bank and challenging its independence.

Surprises in Turkey's elections

Erdogan's ruling party lost control of key cities, fueling concern authorities will trigger further currency weakness by doubling down on populist policies. Erdogan's first setback at the polls in years shows his ruling AK Party and its nationalist partner are paying the price after the economy dipped into its first recession since the global financial crisis. Although the result won't affect Erdogan's formal grip on the executive body, the erosion in support will add urgency to efforts to put the economy back on a growth track and regain the confidence of investors.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.40	6.67%
SOLIDERE—B	6.39	2.73%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.00	-
BLOM BANK	9.27	0.76%
BYBLOS BANK	1.33	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The Chinese yuan and Australian dollar were supported on Monday by a surprise improvement in Chinese factory activity. The US dollar got a lift against the safe-haven yen with a broader boost to investors' risk appetite. Factory activity in China unexpectedly grew for the first time in four months in March, an official survey showed on Sunday, a sign government stimulus may be starting to take hold in the world's second largest economy. Investor confidence received a further lift on Monday after a private business survey showed China's manufacturing sector unexpectedly returned to growth in March. The positive readings pushed the Australian dollar, often seen as an investment proxy for Chinese economic prospects, 0.41% higher to \$0.7125. The Chinese yuan also gained a quarter of a% in offshore trade to 6.707 to the dollar. The greenback rose 0.17% to 111.05 yen, extending its advance from the 1-1/2-month low of 109.70 it touched a week ago to 1.3%. Not all data in the region was rosy, with Japanese March factory output falling at the fastest rate in three years. The Bank of Japan's closely-watched "tankan" survey showed a deterioration

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in business sentiment among big Japanese firms and with South Korea's trade shrinking. The yield curve between three-month US Treasury bills and 10-year notes turned positive again on Friday, after being inverted for a week - a symbolic change that appeared to help boost market participants' confidence.

The euro struggled near a 3-week low of \$1.1210 brushed on Friday. The single currency was last trading up 0.16% at \$1.1236. Dutch central bank Governor Klaas Knot, one of the most prominent hawks on the European Central Bank's rate-setting committee, said it was clear that interest rates would be lower than before the crisis even after policy normalization.

The British pound was a shade higher at \$1.3059, within sight of Friday's near-3-week lows of \$1.2977 and not far from last month's low of \$1.2945. Britain's exit from the EU was in disarray after the defeat of Prime Minister Theresa May's proposed Brexit deal left her under pressure from rival factions to leave without a deal, go for an election or forge a much softer divorce. Traders also say investors have scaled back trading of the pound because it has become so difficult to predict amid the constant and sometimes arcane political developments.

Positive risk sentiment helped boost emerging market currencies. The Mexican peso gained 0.28% to 19.373 to the dollar while the South African rand tacked on about 0.87% to 14.375 per dollar.

The Turkish lira dropped 0.13% to 5.5778 after jumping as much as 1.1% following weekend elections in Turkey. Turkish President Recep Tayyip Erdogan's alliance AK Party-led alliance had 51.7% of the national vote, with 98.9% of the ballot boxes opened, State-run Anadolu Agency reported.

Oil prices rose on Monday, adding to gains in Q1 when the major benchmarks posted their biggest increases in nearly a decade, as concerns about supplies outweigh fears of a slowing global economy. Positive Chinese factory gauges and signs of progress in Sino-US trade talks also boosted sentiment, helping buoy regional stockmarkets. US sanctions on Iran and Venezuela along with supply cuts by members of the OPEC and other major producers have helped support prices this year, overshadowing concerns about global growth and the US-China trade war.

Most base metals rose on Monday after data showed signs of improvement in China's manufacturing sector and as indications of progress in U.S.-China trade talks supported the sentiment.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Manufacturing PMI	51.2	52.0
EUR—12:00	Eurozone CPI Flash Estimate YoY	1.50%	1.50%
EUR—12:00	Eurozone Core CPI Flash Estimate YoY	0.90%	1.00%
EUR—12:00	Eurozone Unemployment Rate	7.80%	7.80%
USD—15:30	US Retail Sales MoM	0.30%	0.20%
USD—15:30	US Core Retail Sales MoM	0.40%	0.90%
USD—17:00	US ISM Manufacturing PMI	-	54.2

Tuesday: AU RBA Policy Decision, AU Annual Budget Release, US Durable Goods

Wednesday: AU Retail Sales & Trade Balance, UK & Eurozone Services PMI, US ISM Non-Manufacturing PMI, US ADP Nonfarm Employment

Thursday: ECB Policy Meeting Accounts, US Initial Jobless Claims

Friday: Canada Ivey PMI, Canada Jobs Report, US Jobs Report

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CURRENCIES	LAST	1D	YTD
DXY	97.137	-0.15%	1.00%
EUR/\$	1.1236	0.16%	-2.01%
GBP/\$	1.3059	0.18%	2.39%
AUD /\$	0.7125	0.41%	1.08%
NZD/\$	0.6834	0.44%	1.71%
\$/JPY	111.05	-0.17%	-1.22%
\$/CAD	1.3344	0.04%	2.20%
\$/CHF	0.9957	-0.05%	-1.37%
\$/SEK	9.2675	0.26%	-4.47%
\$/NOK	8.5953	0.37%	0.53%
\$/DKK	6.6433	0.17%	-1.99%
\$/TRY	5.5778	-0.13%	-5.17%
EUR/GBP	0.8604	0.03%	4.48%
EUR/JPY	124.78	-0.34%	0.84%
EUR/CHF	1.1188	-0.22%	0.60%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1291.32	-0.08%	0.69%
Silver Spot \$/Oz	15.14	0.14%	-2.29%
Platinum Spot \$/Oz	850.34	0.10%	6.87%
Palladium Spot \$/Oz	1376.26	-0.65%	9.07%
COPPER \$/lb	295.65	0.70%	12.12%
WTI \$/bbl	60.57	0.71%	33.38%
BRENT \$/bbl	68.26	1.01%	26.88%

EQUITIES & BONDS

Asian stocks powered higher on Monday as positive Chinese factory gauges and signs of progress in Sino-US trade talks boosted sentiment. MSCI's broadest index of Asia-Pacific shares outside Japan added 1% and the Shanghai Composite Index rallied 2.4%. Australian stocks climbed 0.6%, South Korea's KOSPI gained 1.3% and Japan's Nikkei advanced 1.4%. The markets took heart after China's official purchasing managers' index (PMI) released on Sunday showed factory activity unexpectedly grew for the first time in four months in March.

US stocks ended the final trading day of Q1 on a strong note on Friday and the S&P 500 posted its best quarterly gain since 2009, boosted by optimism over the latest round of trade talks between the US and China. The two sides said they made progress in trade talks that concluded on Friday in Beijing. The talks, aimed at resolving a nearly nine-month trade dispute between the world's two largest economies, were called "candid and constructive" by Washington. The benchmark S&P 500 rose 13.1% in the quarter, its biggest quarterly gain since the third quarter of 2009 and its best Q1 since 1998. Trade-sensitive industrials rose 1%, while chipmakers, which have a large revenue exposure to China, also gained, with the Philadelphia chip index up 1.6%. The broader technology sector gained 1%. For the quarter, the Dow gained 11.2%, its biggest quarterly rise since 2013, while the Nasdaq jumped 16.5% in its best quarter since 2012. All three major indexes posted gains of at least 1% each for the week and registered gains for the



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month as well. Ride-hailing startup Lyft Inc surged more than 20% after making its debut on the Nasdaq. The stock ended up 8.7%. Data released on Friday showed US consumer spending barely rose in January and income increased modestly in February, suggesting the economy was losing momentum after growth slowed in Q4. Growth fears were triggered last week, when the Fed abandoned projections for interest rate hikes in 2019 and the US Treasury yield curve inverted for the first time since 2007, historically a harbinger of recession. However, the yield curve between three-month bills and 10-year notes turned slightly positive on Friday, after being inverted for a week. White House economic adviser Larry Kudlow told Axios on Friday that the Fed should “immediately” cut interest rates by half a percentage point. With Q1 earnings reporting season just about two weeks away, investors are bracing for what may be the first US profit decline since 2016. Wall Street will be watching economic data with a laser focus next week after the recent warning signals from Treasury yields.

Gulf stock markets were mixed on Sunday. Abu Dhabi index experienced losses after some shares traded ex-dividend last week. It shed 0.5% with heavyweight First Abu Dhabi Bank falling 0.4% and Abu Dhabi Commercial Bank (ADCB) losing 1.6%. Last week, blue-chip Aldar Properties led the drop, shedding 5.7% as it traded ex-dividend. The stock was little changed on Sunday. The Saudi index was lifted by the banking sector, with Al Rajhi Banking & Investment Corporation up 1.7% and registering the highest trading volume on Sunday.

COMPANY NEWS HEADLINES

- Banca Carige said on Saturday the European Central Bank had extended until Sept. 30 a mandate to three temporary administrators who have been put in charge of the troubled Italian bank.
- Japan's Rakuten said on Monday it will book a 110 billion yen (\$989.74 million) gain in the quarter through March on its investment in Lyft following the US ride-hailing firm's listing last week.
- Apple supplier Japan Display Inc said on Monday it aims to raise as much as \$990 million in new financing as early as this week, sending shares of the struggling manufacturer sharply higher.
- Canaccord Genuity Group Inc on Sunday said it will restructure its capital markets business in the UK, with uncertainty looming over the country as it prepares to exit from the EU.
- The chief executive of Russia's Inter RAO said on Saturday the energy holding hoped to reach a deal with General Electric Co by October to produce powerful gas turbines in Russia, either as a joint venture or by buying a licence from GE.
- British low-cost airline easyJet said on Monday that macroeconomic uncertainty and many unanswered questions surrounding Brexit were driving weaker customer demand in the market, hurting ticket yields across Europe.
- Canaccord Genuity Group Inc on Sunday said it will restructure its capital markets business in the UK, with uncertainty looming over the country as it prepares to exit from the EU.

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AMERICA	LAST	1D	YTD
DOW JONES	25928.68	0.82%	11.15%
S&P 500	2834.40	0.67%	13.07%
NASDAQ	7729.32	0.78%	16.49%
S&P/TSX	16102.09	-0.33%	12.42%
EUROPE	LAST	1D	YTD
STXE 600	379.09	0.60%	12.27%
FTSE 100	7279.19	0.62%	8.19%
CAC 40	5350.53	1.02%	13.10%
DAX	11526.04	0.86%	9.16%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6217.00	0.59%	10.11%
NIKKEI 225	21504.98	1.41%	7.45%
TOPIX	1615.21	1.48%	8.11%
CSI 300 (China)	3968.99	2.50%	31.83%
MENA	LAST	1D	YTD
Saudi Arabia	8819.44	0.35%	12.68%
Abu Dhabi	5074.65	-0.52%	3.25%
Dubai	2634.86	0.14%	4.15%
Qatar	10107.42	-0.38%	-1.86%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4333	0.0283	-0.2509
Germany	-0.0430	0.0270	-0.2850
U.K.	1.0000	0.0000	-0.2770
Australia	1.8020	0.0270	-0.5160

TOP SELECTED NEWS

Japan's business confidence hits 2-year low as trade war stings

(Reuters) Japan's business mood slumped to a 2-year low in Q1, a central bank survey showed, underscoring concerns that Sino-US trade tensions and softening global demand were taking a toll on the export-reliant economy. The gloom was most pronounced among big manufacturers, where sentiment soured at the fastest pace in more than 6 years, stoking fears that uncertainty over the global outlook could discourage companies from spending on wages and expenditure. Separately on Monday, a private business survey showed manufacturing activity in Japan contracted for a 2nd straight month in March, with output down at the sharpest rate in nearly 3 years.

Saudi economy expands in Q4 on boost from crude; non-oil growth slows

(Reuters) Saudi Arabia's economy grew in Q4 of last year at its fastest rate since early 2016 due to an expansion in the oil sector, while non-oil growth was sluggish, statistics agency data showed on Sunday. Q4 GDP grew by 3.59% from a year earlier. In the third quarter, annual growth was 2.5%. The Saudi economy has suffered in recent years because of low oil prices and austerity measures aimed at reducing a huge budget deficit. In 2017, the economy shrank for the first time since the global financial crisis almost a decade earlier.



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TOP SELECTED NEWS

Saudi Aramco gets first credit ratings ahead of bond debut

(Reuters) Saudi Aramco, the world's top oil producer, has been rated A+ by Fitch and A1 by Moody's in its first-ever credit ratings, ahead of the state oil giant's first global bond sale and following 2018 earnings that dwarfed those of international oil majors. Aramco will start meeting international bond investors this week for its debut in the international capital markets, opening its books to investor scrutiny for the first time. "Saudi Aramco has an extremely strong liquidity position," Moody's said. As of the end of 2018, it had \$48.8 billion in cash against \$27 billion in reported debt, it said. Aramco intends to issue its first US dollar-denominated bonds, expected to be for at least \$10 billion, after completing a bond "roadshow" this week.

Lyft valued at \$22.4 billion after rising in trading debut

(Bloomberg) Lyft Inc., the No. 2 US ride-hailing giant, jumped in its debut after raising \$2.34 billion in an IPO that priced at the top of an elevated range, sending an encouraging signal to the stampede of Silicon Valley companies lining up to go public this year. Shares opened Friday morning at \$87.24 -- 21% above the IPO price of \$72 -- and drifted downward in the afternoon, closing up 8.7% to \$78.29 in New York. That gives the company a market value of about \$22.4 billion. Green and Zimmer will maintain near-majority control of the company through Class B shares that carry the voting rights of 20 ordinary shares.

PSA Group, Fiat Chrysler are said to explore European venture

(Bloomberg) PSA Group and Fiat Chrysler Automobiles are exploring a partnership to share investments to build cars in Europe, according to people familiar with the talks. The French carmaker and its Italian-American peer have been holding preliminary discussions to collaborate on a "super platform" -- the basic underpinning of a car model -- to reduce their investment costs in the highly competitive region, said the people who asked not to be named as the matter is private. Preliminary talks could be announced by the end of the first half, one of the people said.

Apple cancels AirPower wireless charging mat in rare retreat

(Bloomberg) Apple Inc., in an unprecedented retreat, canceled its highly anticipated AirPower wireless charging mat and apologized to customers who were waiting for it. The device, designed to charge an Apple Watch, iPhone and AirPods all at once, was originally announced alongside the iPhone X in September 2017. At the time, Apple said it would go on sale in 2018. Apple didn't say why exactly the product was canceled, but people familiar with its development told Bloomberg News last year that the company faced challenges with the software, overheating and the ability to charge multiple devices on any spot on the mat.

DSV said to near deal to buy Panalpina after improving bid

(Bloomberg) DSV A/S is nearing an agreement to acquire Panalpina Welttransport Holding AG, the Swiss freight forwarder that's been fighting for its independence, after the Danish suitor improved its offer, according to people familiar with the situation. An agreement could be announced as early as this week, said the people, who asked not to be identified because discussions are private. DSV's sweetened bid has won the support of the Ernst Goehner Foundation, which owns 46% of Panalpina and rebuffed an earlier offer, said the people. Talks are ongoing and could still fall apart, the people said. The value of the latest offer couldn't be immediately learned.

China expands curbs on fentanyl, blames U.S. for its abuse

(Reuters) China will expand the range of fentanyl-related substances it defines as controlled narcotics, a Chinese security official said on Monday, blaming U.S. culture for abuse of the drug. U.S. President Donald Trump has criticized China for allowing fentanyl, a synthetic opioid, to be shipped from China to the United States, which faces an epidemic of opioid-related deaths. Fentanyl has been tied to already tense bilateral relations, with U.S. Trade Representative Robert Lighthizer saying he hopes to include China's commitments to curb the drug in any agreement to end the two countries' bitter trade war.

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