

# MARKETS TODAY

Tuesday, April 02, 2019

## MARKETS IN BRIEF

- U.S. dollar firmed against the safe-haven yen as treasury yields continued their recovery from 15-month lows, amid higher risk appetite in the markets.
- British pound retreated with no solution in sight to the Brexit impasse.
- Aussie dollar was pressured down by RBA's dovish tone. Traders turned attention to Federal Budget release at 11:30 LT. Tomorrow, Retail Sales and Trade Balance will be released at 3:30 LT.
- Euro currency remained under pressure, after hitting earlier today \$1.1196, its lowest since March 8 (3-week low)
- Oil prices traded near 5-month highs as positive Chinese data eased concerns over demand outlook. Possibility of more sanctions on Venezuela and Iran continued to provide support.
- Asian shares rallied today helped by upbeat factory activity surveys from China, in addition to Wall Street jump.
- U.S. stocks started Q2 with a strong note, supported by increased investors confidence. S&P 500 is only 2.2% lower than its record high hit last September.
- In the Gulf stock markets, the Dubai index hit its highest level since November (4-month high)

### RBA on hold

Australia's central bank remained on the sidelines Tuesday as it waits to analyze the economic impact of a fiscal injection designed to catapult PM Scott Morrison to a come-from-behind election victory. Governor Philip Lowe kept the cash rate at 1.5% (as expected) saying in a statement: "Growth in household consumption is being affected by the protracted period of weakness in real household disposable income and the adjustment in housing markets," while drought it also hurting farm output. The RBA is under increasing pressure to end a 2-1/2 year pause as consumers hunker down in response to a property downturn that's slashed household wealth.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1207	-0.05%
GBP/\$	1.3069	-0.26%
AUD /\$	0.7080	-0.45%
\$/JPY	111.32	0.03%
\$/CAD	1.3314	-0.05%
Gold \$	1288.55	0.06%
WTI \$	61.80	0.34%
BRENT \$	69.16	0.22%
AMERICA		
DOW JONES	26258.42	1.27%
S&P 500	2867.19	1.16%
NASDAQ	7828.91	1.29%
EUROPE		
STXE 600	383.67	1.21%
CAC 40	5405.53	1.03%
DAX	11681.99	1.35%
ASIA PACIFIC		
S&P/ASX 200	6242.4	0.41%
NIKKEI 225	21510.34	0.01%
CSI 300 (China)	3975.066	0.03%
MENA		
Saudi Arabia	8896.55	0.87%
Dubai	2696.85	2.35%
Qatar	10154.89	0.47%
BONDS		
U.S. 10-year	2.4741	-0.03%
German Bund 10-yr	-0.026	0.04%
AU 10-year	1.811	0.01%

## May trying to set a course amid Brexit chaos

British PM Theresa May will chair a 5-hour cabinet meeting on Tuesday in an attempt to plot a course out of the Brexit maelstrom as she comes under pressure to either leave the EU without a deal or call an election. May's deal has been defeated three times by the lower house of the British parliament which failed on Monday to find a majority of its own for any alternative to her deal. May is expected to try to put her deal to a fourth vote this week. The deadlock has already delayed Brexit for two weeks beyond the planned exit date of March 29.

### ... A "no-deal" highly expected?

Britain has become more likely in the recent days to crash out of the EU without a divorce agreement, the bloc's chief Brexit negotiator Michel Barnier said on Tuesday, adding the EU was ready to accept Britain staying the EU's customs union or a relationship akin to the one the EU has with Norway. Speaking at an event in Brussels, Barnier said Britain now had three choices before the April 12 leaving date: They could still accept the stalled deal negotiated by May. Other options were the most damaging no-deal Brexit, or a long delay of the UK's leaving date.

## EU-US trade talks could face delay

EU governments are struggling to reach consensus on a mandate to begin trade talks with the US, risking a delay that would further provoke Trump's ire after the bloc's refusal to include agriculture in the negotiations. At a meeting of EU ambassadors in Brussels on Wednesday, France is expected to resist giving the European Commission the green light to start negotiations to eliminate industrial tariffs between the regions, according to Bloomberg sources. Failure to get France on board would mean the EU's executive arm won't be given a mandate to negotiate.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.11	-4.53%
SOLIDERE—B	6.05	-5.32%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.99	-0.20%
BLOM BANK	9.27	-
BYBLOS BANK	1.36	2.26%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

## FX & COMMODITIES

**The British pound continued to move back and forth on Brexit-related developments. Sterling last traded at \$1.3069, down 0.25%, after the British parliament on Monday failed to agree on any alternative to Prime Minister Theresa May's divorce deal from the European Union.** The pound had rallied on Monday on expectations that an agreement would eventually emerge, leading to some sort of a trade agreement between the EU and Britain. PM May is expected to confront her most senior ministers with the potentially explosive option to delay Brexit by months, after Parliament rejected all the options that were put forward to replace her plan.

**The US dollar hit a 2-week high against the yen, as ebbing concerns about the global economy pushed US bond yields up from 15-month troughs.** The greenback was steady at 111.32 yen after touching 111.46, its highest since March 20. US Treasuries were sold and their yields had surged overnight, with the benchmark 10-year rate rising more

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## FX & COMMODITIES

than 8 basis points, as encouraging manufacturing data out of the US and China spurred some investors to scale back their holdings of safe-haven bonds. The 10-year Treasury yield stood at 2.492%, pulling back from a 15-month low of 2.34% brushed last week when risk aversion driven by concerns towards a global economic slowdown gripped the financial markets. The Institute for Supply Management (ISM) said on Monday that its index of national factory activity rose to 55.3 in March from 54.2 in February, which had marked the lowest level since November 2016. The firm factory activity reading was enough to overshadow an unexpected drop in February US retail sales.

**Australia dollar fell as speculation of an interest-rate cut increased after the central bank warned of rising risks to growth.** Reserve Bank of Australia will continue to monitor developments and set policy to support growth and achieve the inflation target, it said after a review Tuesday. The global outlook remained reasonable, although growth has slowed and downside risks have increased, it added after leaving rates on hold. AUD/USD fell 0.45% to 0.7080 after gaining as much as 0.2% in an immediate response to the RBA statement.

**New Zealand dollar slid 0.4% to 0.6779 and reached a three-week low of 0.6771.** New Zealand's 1Q business confidence index dropped to minus 29 from minus 17 in 4Q. Swaps fell as the data boosted speculation the central bank will cut borrowing costs.

The euro was down 0.05% at \$1.1207. The single currency brushed \$1.1196, its lowest since March 8, and was headed for its sixth straight day of losses.

**Oil prices climbed to nearly 5-month highs on Tuesday, supported by firm Chinese economic data that eased demand concerns, the possibility of more sanctions against Iran and further Venezuelan supply disruptions.** Brent crude earlier touched \$69.50, the highest since mid-November. U.S. West Texas Intermediate (WTI) futures rose earlier above \$62 for the first time since early November. Positive data from the world's biggest economies, the United States and China bolstered prices, with China's manufacturing sector unexpectedly returning to growth for the first time in four months during March, figures showed on Monday.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
AUD—11:30	AU Annual Budget Release		
EUR—12:00	Eurozone PPI MoM	0.20%	0.40%
USD—15:30	US Durable Goods	-1.10%	0.30%
USD—15:30	US Core Durable Goods	0.30%	-0.20%

**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	97.297	0.07%	1.17%
EUR/\$	1.1207	-0.05%	-2.27%
GBP/\$	1.3069	-0.26%	2.47%
AUD /\$	0.7080	-0.45%	0.44%
NZD/\$	0.6779	-0.40%	0.89%
\$/JPY	111.32	0.03%	-1.46%
\$/CAD	1.3314	-0.05%	2.43%
\$/CHF	0.9987	0.00%	-1.66%
\$/SEK	9.2937	-0.13%	-4.74%
\$/NOK	8.5939	-0.10%	0.55%
\$/DKK	6.6605	-0.04%	-2.24%
\$/TRY	5.5633	-1.34%	-4.92%
EUR/GBP	0.8576	-0.20%	4.82%
EUR/JPY	124.76	0.08%	0.86%
EUR/CHF	1.1193	0.05%	0.56%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1288.55	0.06%	0.47%
Silver Spot \$/Oz	15.09	-0.07%	-2.58%
Platinum Spot \$/Oz	851.21	0.16%	6.98%
Palladium Spot \$/Oz	1419.00	-0.29%	12.46%
COPPER \$/lb	292.85	0.14%	11.05%
WTI \$/bbl	61.80	0.34%	36.09%
BRENT \$/bbl	69.16	0.22%	28.55%

## EQUITIES & BONDS

**Asia shares extended their rally on Tuesday as positive factory activity surveys from China and the US provided a much-needed boost to investor confidence.** MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.2%, hitting a seven-month high after rallying more than one% in the previous session. Australian shares gained 0.4% after the Reserve Bank of Australia held interest rates steady at its April policy meeting - as widely expected. Japan's Nikkei bucked the trend, ending flat after paring earlier gains. The Shanghai Composite Index and Hong Kong's Hang Seng Index also traded higher, climbing 0.4% and 0.1%, respectively.

**US stocks rallied on Monday, starting off the second quarter on a strong note, as upbeat manufacturing numbers from China and the US eased worries about slowing global growth.** The benchmark S&P 500 index, which is only 2.2% below its record closing high in September, triggered a "golden cross" pattern, in which its 50-day moving average crosses above its 200-day moving average. Many believe the technical signal could portend more gains for stocks in the short term. Gains in global equities were spurred by data showing that China's manufacturing sector unexpectedly returned to growth in March for the first time in four months. US manufacturing numbers for March were also better than expected, helping investors overlook soft retail sales data for February. Concerns about a global economic slowdown have dimmed sentiment since the Fed announced in late January that its monetary tightening

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## EQUITIES & BONDS

would end earlier than expected, as it cited "cross currents" affecting the economy. The shift in Fed policy drove yields on 10-year Treasury notes below those of three-month bills last week for the first time in more than a decade. Yields on 10-year notes have since risen back above three-month bill rates and on Monday hit a one-week high. Monday's rise in the 10-year Treasury yield helped lift financial shares, which provided the biggest boost to the S&P 500 among the index's 11 sectors. S&P 500 bank shares jumped 2.9%. Concerns about slowing momentum have not entirely dissipated. With the Q1 corporate earnings reporting season about two weeks away, investors are bracing for what may be the first US profit decline since 2016. Still, on Monday, most S&P sectors rose. Only consumer staples, real estate and utilities shares, which tend to decline as 10-year Treasury yields rise, were in the red. Auto shares rose after China's State Council said on Sunday that the country would continue to suspend additional tariffs on import of US vehicles and auto parts after April 1. General Motors Co shares added 1.8% and Ford Motor Co shares gained 2.3%. Chipmakers, which draw much of their revenue from China, also rose. The Philadelphia Semiconductor index advanced 2.5%. Shares of Wynn Resorts Ltd jumped 8.4%, the most among S&P 500 companies, as March gambling revenue from the Chinese territory of Macau rose from the previous month. Lyft Inc shares tumbled 11.9% to end below their IPO price after brokerage Guggenheim Securities started coverage of the ride-hailing company's shares with a "neutral" rating. Lyft debuted on the Nasdaq on Friday.

**In the Gulf, Dubai's stock market hit a 4-month high yesterday, partly lifted by its largest lender Emirates NBD as one of its businesses prepares to list on the London Stock Exchange.** The Dubai index rose 2.4% with Emirates NBD climbing 4.5 percent to a 10-month high. Payments processor Network International said shares in its IPO would be priced at between 395 pence and 465 pence each, implying a valuation of between 1.9 billion pounds and 2.3 billion pounds (\$2.5-3.0 billion). Egypt index was boosted by its top lender Commercial International Bank.

## COMPANY NEWS HEADLINES

- European exchange group Euronext on Monday extended the deadline on its 6.8 billion Norwegian crown (\$791 million) offer for Oslo Bors as the battle with Nasdaq for control of Norway's stock market operator intensifies.
- Chinese video platform Bilibili launched on Tuesday a convertible bond sale and a follow-on share offering that could raise around \$621 million combined, in a return to the capital markets just over a year after it went public in New York.
- US food group Kellogg Co has agreed to sell its Keebler biscuits brand and other assets to Nutella maker Ferrero for \$1.3 billion as it focuses on its core cereals and snacks businesses.
- The US government on Monday said it would increase by 2.53% on average 2020 payments to the health insurers that manage Medicare Advantage insurance plans for seniors and the disabled, a reflection of a new estimate on medical cost growth.
- DowDuPont Inc said on Monday it had completed the spin-off of its materials science division as part of a plan to split the chemical producer into three separate units.
- Brazilian miner Vale SA said on Monday it failed to obtain stability certificates for 13 dams under review following the rupture of another dam in January that killed hundreds, although its shares rose on strong global iron ore prices.
- Australian cobalt developer Jervois Mining on Tuesday said it would buy out Canada-based Ecobalt Solutions Inc, for C\$57.6 million (\$43.29 million), to expand its geographical footprint into the US.
- Online student lender CommonBond on Monday started offering loans designed explicitly for medical and dental students, as the startup expands its suite of discipline-specific loans.

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AMERICA	LAST	1D	YTD
DOW JONES	26258.42	1.27%	12.56%
S&P 500	2867.19	1.16%	14.37%
NASDAQ	7828.91	1.29%	17.99%
S&P/TSX	16228.06	0.78%	13.30%
EUROPE	LAST	1D	YTD
STXE 600	383.67	1.21%	13.63%
FTSE 100	7317.38	0.52%	8.76%
CAC 40	5405.53	1.03%	14.27%
DAX	11681.99	1.35%	10.64%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6242.40	0.41%	10.56%
NIKKEI 225	21510.34	0.01%	7.47%
TOPIX	1612.46	-0.21%	7.92%
CSI 300 (China)	3975.07	0.03%	32.03%
MENA	LAST	1D	YTD
Saudi Arabia	8896.55	0.87%	13.67%
Abu Dhabi	5055.29	-0.38%	2.85%
Dubai	2696.85	2.35%	6.61%
Qatar	10154.89	0.47%	-1.40%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4741	-0.0268	-0.2101
Germany	-0.0260	0.0440	-0.2680
U.K.	1.0480	0.0480	-0.2290
Australia	1.8110	0.0090	-0.5070

## TOP SELECTED NEWS

### ECB officials say significant support needed amid soft inflation

(Bloomberg) ECB officials pressed the case for continued monetary-policy support as they signaled the euro-area economic slowdown is weighing on inflation. In a foreword to the ECB's annual report, President Mario Draghi warned of a "persistence of uncertainties" and said there's a continued need for stimulus to boost inflation. His vice president, Luis de Guindos echoed that, saying "weaker growth momentum will leave its mark on domestic price pressures, slowing the adjustment of inflation toward our aim." Their comments came hours after data showed euro-area core inflation slowed to the weakest pace in almost a year. There was also disappointing news from industry.

### U.K. firms least likely to invest in 8 years as Brexit bites

(Bloomberg) Investment intentions among U.K. firms slumped to the lowest in eight years, just one of the measures of economic health that weakened "considerably" amid recent Brexit turmoil, according to the British Chambers of Commerce. The balance of services businesses reporting an increase in export sales stood at zero in the first quarter, its weakest level since 2009, the BCC said Tuesday. At the same time, more said that orders had decreased than increased for the first time in eight years. Manufacturers also described a tough start to the year.



## TOP SELECTED NEWS

### **Wall Street is getting cut out of bond market it long dominated**

(Bloomberg) The banks that have stood in the middle of the corporate bond market for decades are increasingly getting pushed aside. Electronic marketplaces like MarketAxess Holdings Inc., Tradeweb Markets LLC and Liquidnet Holdings Inc. say that more of the company bond trades that happen on their platforms are between investors directly, without banks necessarily being involved. Known as all-to-all trading, this shift may weigh on revenues for banks that have long profited from being either buyers or sellers in just about every trade in the \$9.2 trillion market. For more than a decade, corporate-bond traders resisted efforts to carry out more transactions electronically even as most other corners of financial markets embraced the move to computerized buying and selling. But that's slowly been changing as new rules have forced dealers to act more like machines, linking up buyers and sellers in almost real time as an exchange would, instead of buying securities from investors and hanging onto them.

### **Boeing to submit 737 MAX software upgrade 'in the coming weeks'**

(Reuters) Boeing Co said on Monday it planned to submit a proposed software enhancement package for the grounded 737 MAX in "the coming weeks" after the company had previously said it planned to deliver the fix for government approval by last week. The company on Monday confirmed a statement from the Federal Aviation Administration that it would submit the upgrade later than previously announced. "We are working to demonstrate that we have identified and appropriately addressed all certification requirements and will be submitting for FAA review once completed in the coming weeks," Boeing said.

### **Ex-Barclays Euribor traders jailed for as long as 5 years**

(Bloomberg) Two former Barclays Plc traders convicted of manipulating a benchmark interest rate were sentenced to as much as five years in prison by a London judge who warned those still working in the finance industry that misdeeds would bring jail time. Former swaps trader Carlo Palombo received a four-year sentence, while his former colleague on the bank's cash desk, Colin Bermingham, got a five-year term. They will both be eligible for parole after serving half of the prison time. The charges against the two men relate to manipulation of the Euro interbank offered rate, which is related to trillions of dollars worth of loans and derivatives.

### **Lyft drops below IPO price as street questions growth path**

(Bloomberg) Lyft went public Friday in the highest-profile stock sale of the year. It didn't take long for the doubters to show up in the equity market. The shares dropped as much as 12%, more than erasing Friday's gain and falling below its IPO price of \$72. Wall Street analysts highlighted concerns about how fast the ride-sharing company can start making money. While Lyft's rapidly growing revenue and a large and mostly untapped potential market has many fans, the latest analysts starting their coverage on the stock also noted a possibility of growth slowing down.

### **Apple, luxury brands drop China prices as VAT cuts come into effect**

(Reuters) Apple Inc and other consumer brands lowered prices for their products in China on Monday as a cut in the country's value-added tax (VAT) rate came into effect. Price tags for products listed on the Apple's China website were lowered on Monday morning, including a discount of up to 500 yuan (\$74.44) for some of its latest iPhone models. Suggested retail prices for brands including LVMH's Louis Vuitton and Kering's Gucci were also cut by around 3%, according to local media reports. It follows announcements last month from car brands BMW AG and Mercedes-Benz, which said prices for several car models would drop following the tax changes.

### **US halts F-35 equipment to Turkey, protests its plans to buy from Russia**

(Reuters) The US has halted delivery of equipment related to the stealthy F-35 fighter aircraft to Turkey, marking the first concrete US step to block delivery of the jet to the NATO ally in light of Ankara's planned purchase of a Russian missile defense system. US officials told their Turkish counterparts they will not receive further shipments of F-35 related equipment needed to prepare for the arrival of the stealthy jet, two sources familiar with the situation told Reuters on Monday. The Pentagon confirmed the Reuters report that the equipment delivery had been stopped.

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