

MARKETS TODAY

Wednesday, April 03, 2019

MARKETS IN BRIEF

- The markets were back reacting to positive signals coming from U.S.-China trade talks. Safe-haven yen dropped while U.S. treasury yields rose across the curve. The 10-yr yields jumped above 2.50%.
- Aussie dollar benefited from a recovery in risk appetite. It was already supported by upbeat retail sales and trade data.
- British pound edged higher as PM May approached the Labour party to gain support for her deal.
- U.S. dollar investors will be watching ADP Nonfarm Employment data at 15:15 LT, which might provide insight into the official jobs report that will be released on Friday.
- Turkish lira rebounded on hopes that U.S-Turkey political dispute might be resolved.
- Oil prices rallied for the 4th straight session with Brent closer to \$70, its highest since November 12.
- Asian stocks hit fresh 7-month high supported by market optimism, in addition to recent positive Chinese data.
- U.S. stocks were mixed yesterday.
- Most Gulf stock markets ended up yesterday. Dubai index traded near 4-month high.

U.S.-China trade talks ... still positive

The US and China "expect to make more headway" in trade talks this week, White House economic adviser Larry Kudlow said on Tuesday as the top US business lobbying group said differences over an enforcement mechanism and the removal of US tariffs were still obstacles to a deal. According to the Financial Times, Beijing wants Washington to remove existing US duties on Chinese imports, while the Trump administration wants China to agree to an enforcement mechanism to ensure the country abides by the deal. US Trade Representative Lighthizer and Treasury Secretary Mnuchin are scheduled to meet with Chinese Vice Premier Liu He later on Wednesday to resume negotiations.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1225	0.19%
GBP/\$	1.3147	0.14%
AUD /\$	0.7110	0.55%
\$/JPY	111.43	-0.10%
\$/CAD	1.3311	0.20%
Gold \$	1293.50	0.08%
WTI \$	62.80	0.35%
BRENT \$	69.72	0.50%
AMERICA		
DOW JONES	26179.13	-0.30%
S&P 500	2867.24	0.00%
NASDAQ	7848.69	0.25%
EUROPE		
STXE 600	385.03	0.35%
CAC 40	5423.47	0.33%
DAX	11754.79	0.62%
ASIA PACIFIC		
S&P/ASX 200	6285.00	0.68%
NIKKEI 225	21708.23	0.94%
CSI 300 (China)	3987.63	0.41%
MENA		
Saudi Arabia	8934.69	0.43%
Dubai	2729.86	1.22%
Qatar	10201.18	0.46%
BONDS		
U.S. 10-year	2.5026	0.03%
German Bund 10-yr	-0.0490	-0.02%
AU 10-year	1.8390	0.03%

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May working with the Labour party

Theresa May called for a cross-party approach to Brexit and offered to work with Labour leader Jeremy Corbyn to forge a compromise on which both sides can agree. The PM looks to be moving behind a customs union to get opposition support and have a fourth go at getting her deal approved. She may ask MPs to rank potential outcomes in order of preference, the Telegraph reported. At noon, the pair will face each other across the House of Commons, for her weekly PM's Questions session.

Australia retail sales hitting 15-month high; trade surplus at record

Australian retailers enjoyed their best sales in February since late-2017 in a boon to economic growth in the first quarter, signalling surprising resilience in household consumption. Retail sales climbed 0.8% in February, picking up from a surprisingly weak 0.1% growth in January. February's outcome is the best since November 2017. Separate data showed Australia's exporters were enjoying boom times as the country's trade surplus swelled beyond all expectations to A\$4.8 billion (\$3.4 billion) in February, the second highest on record.

Fitch affirming U.S. AAA rating

Global ratings agency Fitch on Tuesday affirmed its triple-A sovereign rating on the United States, saying the country's debt tolerance was higher than that of other nations. However, rising deficits and debt could eventually test these credit strengths in the absence of reform, the ratings agency said in a statement. Fitch maintained its outlook for the United States at "stable".

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.11	-
SOLIDERE—B	5.84	-3.47%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.99	-
BLOM BANK	9.27	-
BYBLOS BANK	1.36	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The Australian dollar led a risk-on rally on expectations for a US-China trade deal and as a Chinese economic indicator improved. Treasuries fell with the yen. US and Chinese officials have resolved most of the issues surrounding a trade deal although both countries have yet to agree on terms of an enforcement mechanism, Financial Times reported. Risk sentiment was also bolstered as a gauge of China's services industry jumped to a 1-year high and Australia's retail sales beat estimates. AUD/USD rose 0.55% to 0.7110, as the nation's 3-year bond yield added 3bps to 1.40%. Retail sales climbed 0.8% on month in February, surpassing the 0.3% forecast by economists. Australia also posted a wider-than-estimated trade surplus. Caixin purchasing managers' index for China's services sector climbed to 54.4 in March, the highest since January 2018, beating the 52.3 estimated by economists.

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FX & COMMODITIES

The US dollar firmed as ebbing risk aversion in the broader markets pushed up long-term US yields from 15-month lows. The dollar index was down 0.19% at 97.180, having lost some traction after climbing a 3-1/2-week peak of 95.517 the previous day. The sharp bounce by Treasury yields ran out of steam, however, slowing the dollar's advance in turn. Treasuries fell across the curve, with 10-year yield adding 3bps to 2.50%.

The British pound had edged higher after PM Theresa May said she would seek another Brexit delay to work with the opposition Labour leader on an alternative EU divorce deal, a last-ditch gambit to break an impasse over Brexit.

The euro nudged up after slipping overnight to \$1.1183, its lowest since March 8, weighed by a decline in German bund yields. German yields have been anchored below zero as the deadlock over Brexit has fueled investor demand for the safe havens.

The Turkish lira recovered after easing to 5.62 against the dollar early on Wednesday, remaining under pressure after weakening a day earlier as the US halted delivery of equipment related to a Turkish order of F-35 fighter planes. Washington warned that Ankara's insistence on buying Russian S-400 defence systems risked triggering sanctions. However, Acting US Defense Secretary Patrick Shanahan said he expected to resolve the dispute with Turkey over the S-400s. The lira stood at 5.57. It closed at 5.60 on Tuesday, having weakened as far as 5.68 in late trade. The lira has also been pressured by local election results showing President Tayyip Erdogan's AK Party on track to lose control of both Ankara and Istanbul, his popularity hit by a recession, in large part triggered by the currency weakness.

Bitcoin soared to its highest in almost five months on Tuesday, pulling smaller cryptocurrencies up with it, after a major order by an anonymous buyer set off a frenzy of computer-driven trading, analysts said. The original cryptocurrency soared as much as 20% in Asian trading, breaking \$5,000 for the first time since mid-November. By mid-afternoon, it had settled around \$4,800, still up 16% in its biggest one-day gain since April last year.

Oil prices rose for a fourth day on Wednesday, pushing Brent towards \$70 a barrel as support from OPEC-led supply cuts and US sanctions overshadowed a report showing an unexpected rise in US inventories. Brent futures rose earlier to \$69.87, the highest since Nov. 12, the last time they traded above \$70. US West Texas Intermediate crude rose to \$62.90, the highest since Nov. 7. Oil prices have been supported for much of 2019 by efforts by the OPEC and non-affiliated allies like Russia, known as OPEC+, who have pledged to withhold around 1.2 million bpd of supply this year. Supply from OPEC countries hit a four-year low in March, a Reuters survey found earlier this week.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Services PMI	51.0	51.3
EUR—12:00	Eurozone Retail Sales MoM	0.20%	1.30%
USD—15:15	US ADP Nonfarm Employment	184k	183k
USD—17:00	US ISM Non-Manufacturing PMI	58.1	59.7

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	97.180	-0.19%	1.05%
EUR/\$	1.1225	0.19%	-2.11%
GBP/\$	1.3147	0.14%	3.08%
AUD /\$	0.7110	0.55%	0.87%
NZD/\$	0.6782	0.36%	0.94%
\$/JPY	111.43	-0.10%	-1.56%
\$/CAD	1.3311	0.20%	2.45%
\$/CHF	0.9977	0.02%	-1.56%
\$/SEK	9.2998	0.30%	-4.80%
\$/NOK	8.5714	0.36%	0.81%
\$/DKK	6.6499	0.19%	-2.08%
\$/TRY	5.5777	0.57%	-5.17%
EUR/GBP	0.8538	-0.08%	5.28%
EUR/JPY	125.08	-0.28%	0.60%
EUR/CHF	1.1200	-0.16%	0.49%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1293.50	0.08%	0.86%
Silver Spot \$/Oz	15.18	0.42%	-2.00%
Platinum Spot \$/Oz	860.28	1.05%	8.12%
Palladium Spot \$/Oz	1437.83	0.31%	13.95%
COPPER \$/lb	293.00	0.84%	11.11%
WTI \$/bbl	62.80	0.35%	38.30%
BRENT \$/bbl	69.72	0.50%	29.59%

EQUITIES & BONDS

U.S. government debt prices fell Wednesday as traders monitored the latest developments in U.S.-China trade talks. The yield on the benchmark 10-year Treasury note jumped sharply to about 2.51%, while the yield on the 30-year Treasury bond climbed to 2.91%.

Asian shares rose to fresh 7-month highs on Wednesday as investors cheered signs of progress in US-China trade talks and brisk economic data. MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.8% on Wednesday afternoon in Asia, after earlier touching its highest level since late August. The index has risen more than 3% since Thursday following reports of progress in trade talks between the US and China, as well as reassuring factory activity data from China and the US. The run of gains for stock markets worldwide has also pushed MSCI's key gauge of global equities to a six-month high. The global index was up more than 0.2% on Wednesday.

US stocks ended mixed yesterday. The benchmark S&P 500 stock index paused on Tuesday, taking a breather from Monday's strong quarterly kickoff as a decline in shares of Walgreens Boots Alliance Inc weighed and economic data did little to ease growth concerns. Walgreens shares slumped 12.8% after the drugstore chain cut its 2019 profit growth forecast and reported a quarterly profit that missed analyst estimates. The S&P 500 consumer staples index,

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EQUITIES & BONDS

which includes Walgreens, dropped 0.8%. Shares of rival drugstore company CVS Health Corp fell 3.8%. Shares of drug wholesalers AmerisourceBergen Corp, Cardinal Health Inc and McKesson Corp also slid. Walgreens shares weighed the most on all three of Wall Street's major indexes. CVS and the drug wholesalers were also among the biggest drags on the S&P 500. The Nasdaq moved higher, however, as shares of Facebook Inc jumped 3.3%. Data showing that new orders for key US-made capital goods slipped in February and that shipments were flat did little to lift tepid investor sentiment. Orders for non-defense capital goods excluding aircraft, or core capital goods orders, a closely watched proxy for business spending plans, fell 0.1%. The data comes on the heels of a survey showing a surprise rebound in China's manufacturing activity and better-than-expected US numbers, which drove the S&P 500 to near six-month highs on Monday. Despite coming under pressure, the S&P 500 is only 2.2% below a record closing high hit in late September as the Fed has paused interest-rate hikes and investors have grown optimistic about a resolution to the US-China trade war. Yet 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. Airline stocks got a lift from Delta Air Lines Inc's better-than-expected Q1 profit forecast. Its shares jumped 6.0%, while the Dow Jones US Airlines index advanced 2.8%. Dow Inc shares rose 5.1% in the company's stock market debut following its spinoff from DowDuPont Inc.

In the Gulf stock markets, Dubai's stock market rose for the fourth straight session to a 4-month high on Tuesday, lifted mainly by gains in heavyweights Emaar Properties and Emirates NBD. Saudi index was helped by petrochemical stocks. The Dubai index closed 1.2% higher with Emaar Properties gaining 3.2%, while its largest lender Emirates NBD was up 2.4%, as one of its businesses will list on the London Stock Exchange.

COMPANY NEWS HEADLINES

- Trump plans to nominate Allison Herren Lee, who served as a staff member of the US Securities and Exchange Commission until last year, to be a commissioner of the agency, the White House said on Tuesday.
- Ousted Nissan Motor Co boss Carlos Ghosn on Wednesday said on Twitter that he was getting ready to tell the truth about recent events and that he would hold a news conference on April 11.
- A US judge said on Tuesday that PG&E Corp cannot resume dividends and must use the money to reduce wildfire risk in California, stopping short of more costly measures he proposed earlier this year.
- Qualcomm Inc's Chief Financial Officer George Davis plans to depart the company and is likely heading to rival Intel Corp, according to Qualcomm and a person familiar with the matter. (Reuters)
- Delta Air Lines Inc shares rose 7% on Tuesday after the No.2 US airline raised its Q1 profit estimate on the back of strong business travel demand.
- Sainsbury has lost its status as Britain's No. 2 supermarket group by market share to takeover target Asda for the first time in four years, industry data showed on Tuesday.
- Electronics retailer Best Buy Co Inc said on Tuesday it had suspended its relationship with Care.com Inc, sending the online childcare marketplace operator's stock down 9.8%.
- Roche Holding has extended until May 2 its \$4.3 billion offer for US gene therapy specialist Spark Therapeutics, the Swiss drugmaker said after getting only 29.4% of Spark's shares in a tender originally due to end on Wednesday.
- Toyota Motor said it would offer royalty-free access to its hybrid-vehicle technology patents through 2030, as it seeks to expand use of lower emissions vehicles before the global auto industry shifts to all-battery electric cars.
- GameStop Corp reported a 7.6% fall in quarterly revenue on Tuesday as the world's largest video game retailer was hit by lower sales of games and gaming consoles at its stores.

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AMERICA	LAST	1D	YTD
DOW JONES	26179.13	-0.30%	12.22%
S&P 500	2867.24	0.00%	14.38%
NASDAQ	7848.69	0.25%	18.29%
S&P/TSX	16263.87	0.22%	13.55%
EUROPE	LAST	1D	YTD
STXE 600	385.03	0.35%	14.03%
FTSE 100	7391.12	1.01%	9.85%
CAC 40	5423.47	0.33%	14.64%
DAX	11754.79	0.62%	11.33%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6285.00	0.68%	11.31%
NIKKEI 225	21708.23	0.94%	8.46%
TOPIX	1621.82	0.63%	8.55%
CSI 300 (China)	3987.63	0.41%	32.45%
MENA	LAST	1D	YTD
Saudi Arabia	8934.69	0.43%	14.16%
Abu Dhabi	5053.51	-0.04%	2.82%
Dubai	2729.86	1.22%	7.91%
Qatar	10201.18	0.46%	-0.95%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.5026	0.0285	-0.1816
Germany	-0.0490	-0.0230	-0.2910
U.K.	1.0040	-0.0440	-0.2730
Australia	1.8390	0.0280	-0.4790

TOP SELECTED NEWS

Trade slowed in Q4, WTO says; auto tariffs, Brexit are 2019 risks

(Reuters) World trade shrank by 0.3% in Q4 of 2018 and is likely to grow by 2.6% this year, slower than 3.0% growth in 2018 and below a previous forecast of 3.7%, the World Trade Organization said on Tuesday. In its annual forecast, the WTO said trade had been weighed down by new tariffs and retaliatory measures, weaker economic growth, volatility in financial markets and tighter monetary conditions in developed countries. It forecast in September that 2018 growth would be 3.9%, down from 4.6% in 2017. WTO Director-General Roberto Azevedo told a news conference that the lower forecast was no surprise, given the trade tensions between the US and China.

EU warns of liquidity risks, financial disruption from no-deal Brexit

(Reuters) A no-deal Brexit would cause disruption and might also have an impact on liquidity in financial markets, the EU commissioner in charge of financial services said on Tuesday in a stark reminder of the risks posed by a hard Brexit. The EU has put in place a series of contingency measures to deal with a no-deal Brexit, which in the financial sector include a temporary recognition of Britain-based clearing houses which process multi-trillion-euro derivative transactions. But EU Commissioner Valdis Dombrovskis sounded a warning note.



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TOP SELECTED NEWS

US manufacturing sector stabilizing, challenges remain

(Reuters) New orders for key US-made capital goods slipped in February and shipments were unchanged, but data for January was revised slightly higher, which could support views that the manufacturing sector was stabilizing. The Commerce Department's mixed report on Tuesday came on the heels of a survey showing a rebound in a measure of factory activity in March from a more than 2-year low. Orders for non-defense capital goods excluding aircraft fell 0.1%, pulled down by declining demand for machinery and computers and electronic products.

UniCredit is said near \$900 million sanctions accord with US

(Bloomberg) UniCredit SpA is nearing an agreement with US authorities over allegations that the bank provided dollar-clearing services to Iranian clients in violation of US sanctions, people with the knowledge of the matter said. The deal would cost the Italian lender about \$900 million but spare it from criminal prosecution, the people said. A settlement of that size would be one of the largest for violations of US sanctions laws, exceeded only by agreements reached with Societe Generale, Commerzbank, HSBC and BNP Paribas. Among them, only BNP admitted guilt. The others entered into deferred-prosecution agreements. A deal is expected in the coming weeks, the people said.

Faulty 737 sensor in Lion Air crash linked to U.S. repairer

(Bloomberg) A faulty sensor on a Lion Air 737 Max that's been linked to the jetliner's deadly crash last October and a harrowing ride the previous day was repaired in a U.S. aircraft maintenance facility before the tragedy, according to investigative documents. Accident investigators in Indonesia, home of Lion Air, and the U.S., where Boeing Co., the plane's manufacturer, is based, have been examining the work that a Florida repair shop previously performed on the so-called angle-of-attack sensor, according to briefing documents prepared for Indonesia's parliament.

Founder of Britain's Superdry wins investor backing for board return

(Reuters) The co-founder and former boss of Superdry, Julian Dunkerton, returned to the board and was appointed interim CEO on Tuesday after winning the backing of shareholders keen for a revival of the British fashion group's fortunes. The company has seen its share price slump 64% over the past year following several profit warnings, the latest in December. The majority of Superdry's board, which had opposed his comeback, stepped down with CEO Euan Sutherland subsequently resigning with immediate effect after 5 years at the helm.

Vodafone expects mid-year EU approval on Liberty Global deal

(Reuters) Vodafone still expects to secure EU antitrust approval for its \$22 billion purchase of Liberty Global's assets in Germany and eastern Europe by the middle of the year, it said on Tuesday. The world's second-largest mobile operator expressed its confidence after receiving the European Commission's statement of objections, which set out the watchdog's concerns about the deal. The Commission had previously voiced worries about the impact in Germany, the Czech Republic, Hungary and Romania.

Thyssenkrupp, Tata Steel see little room for more JV concessions: source

(Reuters) Thyssenkrupp and Tata Steel see little scope for making more concessions to try to win regulatory approval for a planned joint venture, a person familiar with the matter said, casting doubt over whether the deal will go ahead. The firms, which have been working for three years on a deal that would create Europe's second-biggest steelmaker, submitted proposals to the European Commission on Monday aimed at addressing its concerns over the deal's impact on competition. The Commission has until June 5 to review the firms' proposals and make a decision.

Walgreens cuts 2019 profit forecast, hit by lower drug prices

(Reuters) Walgreens Boots Alliance Inc shares fell 13% on Tuesday after the company cut its 2019 earnings forecast and reported a disappointing quarterly profit in the face of stubbornly low generic drug prices in a crowded market. The drop in shares to a more than five-year low wiped off nearly \$8 billion from the market capitalization of the worst performing stock in the DJIA this year, and weighed on shares of rival CVS Health Corp and drug wholesalers.

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