

# MARKETS TODAY

Thursday, April 04, 2019

## MARKETS IN BRIEF

- Optimism returned to markets with ongoing progress in U.S.-China trade talks, in addition to delay in Brexit instead of a no-deal.
- The British pound advanced after U.K. lawmakers voted by the narrowest possible margin to block a “no-deal” Brexit.
- Safe-haven yen came under pressure while commodity-currencies like the Australian and New Zealand dollar firmed.
- U.S dollar was pressured down by disappointing economic data. Traders shifted focus to tomorrow's nonfarm payrolls.
- Oil prices slipped for the second day on surprise build in crude inventories.
- Spot platinum rose the most in more-than-two-years in the previous session to touch its highest level since end-June.
- Asian stocks eased from 8-month highs on profit-taking, while investors cautiously awaited more signals from the trade negotiations.
- U.S. stocks edged higher yesterday extending its strong start for Q2.
- German bund yield turned negative again after briefly going above 0%.

## U.S.-China trade talks making progress

Trade talks between the U.S. and China made “good headway” last week in Beijing and the two sides aim to bridge differences during talks that could extend beyond three days this week, White House economic adviser Larry Kudlow said. Kudlow, speaking to reporters on Wednesday at an event organized by the Christian Science Monitor, said China had recognized problems for the first time during the talks that the United States has raised for years. Negotiations continued in Washington on Wednesday after meetings last week in Beijing, spearheaded by U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1237	0.04%
GBP/\$	1.3180	0.17%
AUD /\$	0.7114	0.01%
\$/JPY	111.42	0.06%
\$/CAD	1.3360	-0.11%
Gold \$	1292.10	0.17%
WTI \$	62.40	-0.10%
BRENT \$	69.25	-0.09%
AMERICA		
DOW JONES	26218.13	0.15%
S&P 500	2873.40	0.21%
NASDAQ	7895.55	0.60%
EUROPE		
STXE 600	388.92	1.01%
CAC 40	5468.91	0.84%
DAX	11954.40	1.70%
ASIA PACIFIC		
S&P/ASX 200	6232.75	-0.83%
NIKKEI 225	21711.75	-0.01%
CSI 300 (China)	4038.91	0.42%
MENA		
Saudi Arabia	8985.48	0.57%
Dubai	2760.48	1.12%
Qatar	10161.57	-0.39%
BONDS		
U.S. 10-year	2.5080	-0.02%
German Bund 10-yr	-0.0010	-0.01%
AU 10-year	1.8930	0.05%

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## ... Trump might meet Chinese VP

The US-China trade deal would give Beijing until 2025 to meet commitments on commodity purchases and to allow US firms to wholly own enterprises in China, people familiar said. The talks in Washington aim to reach enough accord on core issues to allow presidents Trump and Xi to hold a signing ceremony. Contentious matters like IP may take longer. In a sign of progress, Trump plans to meet Vice Premier Liu He today. A date for a meeting between Trump and Chinese President Xi could be announced as early as Thursday, Bloomberg and the Wall Street Journal reported.

## Brexit to be delayed

Britain took a decisive step away from a damaging no-deal Brexit as members of Parliament and political leaders backed efforts to prevent a disorderly departure from the EU. The House of Commons passed a bill to block a no-deal Brexit. The 313-312 vote puts more pressure on hardliners to compromise on Theresa May's plan or face the prospect of an extended delay. May met with Labour leader Jeremy Corbyn to discuss options including keeping Britain in a customs union with the EU, and both said talks were "constructive."

## German industrial orders slumping

German industrial orders fell at their sharpest rate in more than two years in February as they were hit by a slump in foreign demand, compounding worries that Europe's largest economy had a weak start to the year. Contracts for German goods slumped by 4.2%. The unexpected fall was the sharpest since January 2017. Concern about the weakness of the manufacturing sector is clouding the outlook for Germany's economy, which faces headwinds from a slowing world economy, international trade disputes and the threat of Britain leaving the EU without a deal.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.04	-1.15%
SOLIDERE—B	6.03	3.25%
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 yen eased and the euro held firm to the dollar on Thursday as hopes of a trade deal between the United States and China lifted risk appetite globally.** The safe-haven yen touched a 2-week low of 111.575 yen to the dollar late on Wednesday. The pair last quoted at 111.42 yen. Trade talks between the US and China made "good headway" last week in Beijing and the two sides aim to bridge differences during talks that could extend beyond three days this week, White House economic adviser Larry Kudlow said. He said China had recognized problems for the first time during the talks that the US has raised for years, referring to intellectual property theft, forced transfer of technology from US companies doing business in China and others. The deal US and China are crafting would give Beijing until 2025 to meet commitments on commodity purchases and allow American companies to wholly own enterprises in the Asian nation, people familiar with the talks told Bloomberg News. US President Donald Trump will meet Chinese Vice Premier Liu He at the White House on Thursday.

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## FX & COMMODITIES

**The US dollar was trading near 1-week low posted in the previous session after data showed US services sector activity hit a more than 19-month low in March and private payrolls grew less than expected.** The reports on Wednesday came on the heels of some modestly upbeat data earlier in the week, including retail and motor vehicle sales and manufacturing. Investors are worried about a sharp slowdown in economic growth in Q1. Market participants are now awaiting the US nonfarm payrolls data, due on Friday, as it would offer insights on the strength of the US economy. A weak payrolls data could further weigh on the US unit, making dollar denominated metals cheaper for investors holding other currencies.

**The British pound gained as PM Theresa May sought a Brexit compromise with opposition leader Jeremy Corbyn in a last-ditch effort to end a national crisis.** The lower house of the British parliament on Wednesday approved legislation which would force May to seek a Brexit delay to prevent a potentially disorderly departure on April 12 without a deal. The pound last stood at \$1.3180, up 0.17% on the day.

The euro was flat against the US dollar at \$1.1237. The single currency had fallen to its lowest levels in more than three weeks on Tuesday and neared \$1.1177, which, if broken, would send the currency to its weakest level since June 2017.

**Oil prices slipped a second day on Thursday, with Brent edging down further from the \$70 mark after weekly US oil data showed a surprise build in crude inventories and record production.** Brent futures were down after touching \$69.96, highest since Nov. 12, when it last traded above \$70. US West Texas Intermediate (WTI) dropped 12 cents in the previous session after briefly hitting \$62.99, also the highest since November. Global benchmark Brent has gained nearly 30% this year, while WTI has gained nearly 40%. Prices have been underpinned by tightening global supplies and signs of demand picking up.

**Gold prices benefited from a weaker US dollar. Spot platinum rose the most in more-than-two-years in the previous session to touch its highest level since end-June 2018 at \$875.97 an ounce.** Its sister metal palladium was up 0.28% at \$1,413.11. Silver was flat at \$15.13 per ounce.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—14:30	ECB Policy Meeting Account		
USD—15:30	US Initial Jobless Claims	215k	211k
USD—17:00	Canada Ivey PMI	51.4	50.6

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

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CURRENCIES	LAST	1D	YTD
DXY	97.084	-0.01%	0.95%
EUR/\$	1.1237	0.04%	-2.01%
GBP/\$	1.3180	0.17%	3.34%
AUD /\$	0.7114	0.01%	0.92%
NZD/\$	0.6785	0.10%	0.98%
\$/JPY	111.42	0.06%	-1.55%
\$/CAD	1.3360	-0.11%	2.07%
\$/CHF	0.9982	0.00%	-1.61%
\$/SEK	9.2745	-0.05%	-4.54%
\$/NOK	8.5813	-0.10%	0.69%
\$/DKK	6.6427	0.05%	-1.98%
\$/TRY	5.6617	-0.65%	-6.58%
EUR/GBP	0.8526	0.10%	5.44%
EUR/JPY	125.21	0.02%	0.50%
EUR/CHF	1.1217	-0.04%	0.34%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1292.10	0.17%	0.75%
Silver Spot \$/Oz	15.13	-0.03%	-2.35%
Platinum Spot \$/Oz	875.97	0.75%	10.09%
Palladium Spot \$/Oz	1413.11	0.28%	11.99%
COPPER \$/lb	294.35	-0.17%	11.62%
WTI \$/bbl	62.40	-0.10%	37.41%
BRENT \$/bbl	69.25	-0.09%	28.72%

## EQUITIES & BONDS

Germany's benchmark 10-year bond yield was around zero% on Thursday, as more signs of weakness in Europe's biggest economy offset optimism about US-China trade talks and a softer Brexit. After notching up the biggest monthly declines in almost three years in March, German Bund yields rose at the start of April as global economic data improved and discussions between the world's two biggest economies on trade appeared to be making headway. Thursday saw a note of caution return.

Asian shares stepped back from 8-month highs on Thursday as investors took money off the table amid fresh concerns about the ongoing Sino-US trade talks and their impact on the prospects for world growth. MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.4% after five straight days of gains took it to the highest since late August. Losses were led by Australia and New Zealand while Hong Kong, Philippines and Indian markets were also in red. Chinese shares were firmer with the blue-chip index up 0.6% while Japan's Nikkei paused near a recent one-month top. Risk sentiment has otherwise been supported this week by signs of progress in Sino-US trade talks.

US stocks edged higher on Wednesday, extending a strong start to the quarter as a rally among chipmaker shares provided a boost to the broader market on growing hopes of a trade deal between Washington and Beijing. White

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## EQUITIES & BONDS

House economic adviser Larry Kudlow said talks between the US and China have progressed and both sides hope to get closer to a deal this week. Shares of chipmakers, which rely heavily on China for revenue, especially benefited. The Philadelphia Semiconductor index jumped as much as 3% to a record high. The index ended 2.3% higher. Advanced Micro Devices Inc shares gained 8.5%, the most on the S&P 500, and Intel Corp shares rose 2.0% after Nomura Instinet started coverage of both the stocks with "buy" ratings. Positive sentiment on trade outweighed weak economic data. The Institute for Supply Management's US services sector PMI for March was below estimates and at its lowest since August 2017. Earlier, the ADP National Employment Report showed US private employers added 129,000 jobs in March, below economists' estimates. The S&P 500 came off its highs in afternoon trading after a report from cybersecurity firm UpGuard that millions of Facebook Inc's user records were inadvertently posted on Amazon.com Inc's cloud computing servers in plain sight. Facebook shares turned negative on the report and ended 0.4% lower. Still, dovish Fed and trade hopes set the stage for a strong start to the quarter. The S&P 500's gains put the benchmark stock index just 2% below a record high set in September. Boeing Co capped gains on the Dow, with its shares dropping 1.5% after Baird said it expects Wall Street to cut earnings estimates "considerably" after the company reports delivery numbers next week. The numbers could reflect the 737-MAX groundings following the Ethiopian crash, Baird said.

**In the Gulf markets, Dubai index rose on Wednesday, lifted by gains in top lender Emirates NBD after it agreed to buy Turkey's Denizbank. Saudi index climbed as banks rose across the board.** The Dubai index gained 1.1%, with Emirates NBD rising 6.1% in its highest trading volume in a year, with 8.8 million shares changing hands. The bank will buy Denizbank for 15.48 billion lira (\$2.8 billion) after reaching a new agreement with Russia's state-owned Sberbank. The offer is a roughly 20% discount to a previously agreed price, after a steep fall in the Turkish lira.

## COMPANY NEWS HEADLINES

- Tesla Inc deliveries fell 31% in its Q1 as the electric car maker struggled with its first shipments of the Model 3 sedan to Europe and China due to longer transit times.
- Netflix Inc on Wednesday amended its bylaws to allow its shareholders with a 3% stake to nominate board members, a year after shareholders voted in favor of such a proposal, known as proxy access.
- Boeing Co said on Wednesday its chief executive, Dennis Muilenburg, had joined a test flight on a 737 MAX 7 jetliner for a demonstration of updated MCAS anti-stall software.
- Constellation Brands Inc said on Wednesday it would sell about 30 of its low-end wine and spirits brands and related facilities to E. & J. Gallo Winery for \$1.7 billion, as the Corona beer maker focuses on its more premium and profitable brands.
- French carmaker PSA Group is not focused on negotiating a new partnership with Fiat Chrysler, Chief Executive Officer Carlos Tavares said on Wednesday.
- California energy company PG&E Corp on Wednesday named William Johnson as Chief Executive Officer and president, and said it would appoint 10 new directors to its board as it navigates through bankruptcy.
- Facebook on Wednesday changed the privacy settings on its WhatsApp messaging platform, allowing users to decide who can add them to chat groups, as it tries to revamp its image.
- Biogen Inc should slash the price of its spinal muscular atrophy (SMA) drug, and the \$4 million to \$5 million Novartis has said its experimental gene therapy for the disease is worth is excessive, an independent US organization that reviews the value of medical treatments said on Wednesday.
- Hudson's Bay Co on Wednesday reported a quarterly profit that topped estimates, as sales at its Saks Fifth Avenue stores rose during the holiday shopping season and the Canadian company benefited from an increase in online sales.

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AMERICA	LAST	1D	YTD
DOW JONES	26218.13	0.15%	12.39%
S&P 500	2873.40	0.21%	14.62%
NASDAQ	7895.55	0.60%	18.99%
S&P/TSX	16279.86	0.10%	13.66%
EUROPE	LAST	1D	YTD
STXE 600	388.92	1.01%	15.18%
FTSE 100	7418.28	0.37%	10.26%
CAC 40	5468.91	0.84%	15.60%
DAX	11954.40	1.70%	13.22%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6232.75	-0.83%	10.38%
NIKKEI 225	21711.75	-0.01%	8.48%
TOPIX	1619.39	-0.15%	8.39%
CSI 300 (China)	4038.91	0.42%	34.15%
MENA	LAST	1D	YTD
Saudi Arabia	8985.48	0.57%	14.81%
Abu Dhabi	5048.99	-0.09%	2.72%
Dubai	2760.48	1.12%	9.12%
Qatar	10161.57	-0.39%	-1.33%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.5080	-0.0161	-0.1762
Germany	-0.0010	-0.0090	-0.2430
U.K.	1.0980	0.0940	-0.1790
Australia	1.8930	0.0540	-0.4250

## TOP SELECTED NEWS

### UniCredit plans to make bid for Commerzbank: FT

(Reuters) UniCredit SpA is preparing a rival multi-billion-euro bid to take control of Commerzbank AG, as Deutsche Bank is facing troubles with its move to buy the lender, the Financial Times reported on Thursday. The Italian lender plans to buy a sizeable stake in Commerzbank and merge it with HypoVereinsbank, the German lender it already owns, the paper said, citing people familiar with the matter. The combined entity would be based in Germany while UniCredit would maintain its headquarters and listing in Milan, the report said.

### German lawmakers ready to block public cash for Deutsche-Commerzbank

(Reuters) Lawmakers are warning Germany's finance minister that they will block any attempt to invest public money into a merged Deutsche Bank and Commerzbank, a deal which could require up to 10 billion euros (\$11.2 billion) of fresh capital. They intend to deliver this message at a closed-door meeting next week with Olaf Scholz, although it is unclear whether the Social Democrat finance minister still plans to attend.



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## TOP SELECTED NEWS

### **UBS said to weigh asset management options including merger**

(Bloomberg) UBS Group AG is evaluating options for its asset management unit, including a partial sale or merger of the business, according to people with knowledge of the matter. The Swiss bank has considered seeking to acquire Deutsche Bank AG's asset manager DWS Group, potentially to combine it with its own business and spin off the two as a separate entity, the people said, asking not to be identified because the matter is private. UBS may still keep the unit unchanged and discussions may not lead to a deal, they said. A representative of UBS declined to comment.

### **Abu Dhabi said to weigh merger to create top Mideast lender**

(Bloomberg) Abu Dhabi is considering combining Abu Dhabi Islamic Bank PJSC with First Abu Dhabi Bank PJSC to create the Middle East's largest lender, according to people with knowledge of the matter. The emirate plans to wait for a 3-way combination of Abu Dhabi Commercial Bank PJSC, Union National Bank PJSC and Al Hilal Bank to close before starting fresh talks to condense the finance industry further, the people said. A merger would create a lender with \$236.7 billion in assets, putting it just ahead of Qatar National Bank QPSC with \$235.9 billion in its gas-rich neighboring rival, according to data compiled by Bloomberg.

### **Ghosn reiterates innocence, asks French government to defend him**

(Reuters) Carlos Ghosn called on the French government to defend him and reiterated that he was innocent in an interview aired on Thursday with French TV stations TF1 and LCI. Japanese prosecutors arrested the ousted Nissan Motor Co boss again on Thursday on suspicion of trying to enrich himself at the automaker's expense. "I am keeping up my combat, I am innocent. It's hard, I have to admit it, and I call on the French government to defend me, and to defend my rights as a citizen," Ghosn said.

### **Amazon cloud storage dilemma exposed in Facebook's latest leak**

(Bloomberg) After security researcher Chris Vickery discovered millions of records from Facebook Inc. users sitting unsecured on a public database, he tried for weeks to get Amazon.com Inc., owner of the servers where the data were stored, to take it down. The trove in question included 540 million pieces of information, such as identification numbers, comments, reactions and account names, that had been culled from Facebook pages and stored on Amazon servers by Mexico City-based digital platform Cultura Colectiva.

### **SoffBank is said to seek \$15 billion more for its huge tech fund**

(Bloomberg) For SoftBank Group Corp., \$100 billion isn't enough. The Japanese conglomerate, which has reshaped the technology startup landscape with its Saudi-backed Vision Fund, is in talks with investors to add as much as \$15 billion more to its already-massive fund, said people familiar with the discussions. In about two years, the Vision Fund has invested more than \$70 billion in tech companies. SoftBank wants to keep up its deal spree, while leaving enough assets in reserve to continue buying shares in companies it currently backs.

### **iHeartMedia tunes into IPO as it nears bankruptcy exit**

(Reuters) US radio company iHeartMedia Inc on Wednesday filed for an initial public offering with the SEC to list its Class 'A' common shares, as it nears bankruptcy exit and bets on podcast to drive growth. The company went belly up last March as it struggled with debt that was taken on by its private equity owners in 2008 to finance a \$17.9 billion leveraged buyout of Clear Channel Communications. Last November, it was reportedly in talks with Apple Inc for a stake sale.

### **Trump signs order aimed at stopping sale of counterfeit products through Alibaba, Amazon, Ebay, others**

(Reuters) President Donald Trump has signed a memorandum setting in motion a way to address trafficking of counterfeit goods through third-party online market places, White House economic adviser Peter Navarro said on Wednesday. Navarro, in a conference call with reporters, said the order is aimed at stopping the sale of counterfeit products through companies like Alibaba, Amazon and Ebay.

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