

MARKETS TODAY

Friday, April 05, 2019

MARKETS IN BRIEF

- Global markets reacted to positive news coming from U.S.-China trade talks. Asian stocks and U.S. futures jumped, safe-haven Japanese yen and Treasuries dropped, and commodity currencies like the Aussie dollar rose.
- U.S. treasury yields hit earlier today 2.5366%, its highest since March 22 (2-week high). German bund yields were also at 2-week highs, trading back above 0%.
- U.S. dollar traders will be closely watching the Nonfarm Payrolls and other key jobs figures at 15:30 LT.
- British pound advanced on reports that EC's Tusk might propose a 12-month delay for Brexit.
- Oil prices eased but still heading for a weekly gain.
- Libor 3-month dropped yesterday to its lowest since November 1 (5-month low)
- U.S. stocks were mixed yesterday. Gains in Boeing and Facebook shares offset losses in the tech sector. S&P 500 hit a 6-month high. The Nasdaq was dragged lower by the 8.2% slump in Tesla shares.
- In the Gulf, Saudi rose for its 9th straight session, helped by the banking sector.

China and U.S. sending positive signals

China and the US claimed progress in talks to end their trade war, with President Xi Jinping pushing for a rapid conclusion and Trump talking up prospects for a "monumental" agreement that may still be some weeks away. Through a message passed to Trump via VP Liu He, Xi called for an early conclusion to negotiations and said that strategic leadership was needed to ensure healthy and stable US-China relations, official Xinhua News Agency said. Liu, who took part in talks this week in Washington, said the two sides had "reached new consensus on such important issues as the text" of a trade agreement. Trump said on Thursday a trade deal was getting very close and could be announced in about four weeks

FX & COMMODITIES	LAST	1D
EUR/\$	1.1228	0.06%
GBP/\$	1.3115	0.29%
AUD /\$	0.7127	0.21%
\$/JPY	111.68	-0.02%
\$/CAD	1.3358	0.01%
Gold \$	1289.49	-0.21%
WTI \$	62.15	0.08%
BRENT \$	69.27	-0.19%
AMERICA		
DOW JONES	26384.63	0.64%
S&P 500	2879.39	0.21%
NASDAQ	7891.78	-0.05%
EUROPE		
STXE 600	387.87	-0.27%
CAC 40	5463.80	-0.09%
DAX	11988.01	0.28%
ASIA PACIFIC		
S&P/ASX 200	6181.30	-0.83%
NIKKEI 225	21777.52	0.24%
CSI 300 (China)	4062.23	-
MENA		
Saudi Arabia	9063.88	0.87%
Dubai	2776.29	0.57%
Qatar	10189.56	0.28%
BONDS		
U.S. 10-year	2.5204	0.0053
German Bund 10-yr	0.004	0.0100
AU 10-year	1.9050	0.012



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12-month delay for Brexit?

The chairman of European Union leaders Donald Tusk is likely to offer Britain a flexible extension of the date of the country's exit from the EU of up to one year, with the possibility of leaving sooner, a senior EU official said. The official said the option could be presented to British PM Theresa May at the EU summit on Brexit on April 10th in Brussels. If May accepted, Britain would have to hold elections to the European parliament in May, the official said. "The only reasonable way out would be a long but flexible extension. I would call it a 'flection',", the official said.

... What about referendum?

A confirmatory referendum, in which the public votes to endorse or reject the UK's exit pact with the EU, is among options on the table after Theresa May's talks with Labour leader Jeremy Corbyn, people familiar said (Bloomberg). Debate in the upper chamber over the bill to block a no-deal exit stalled amid filibustering. May is reportedly preparing to request an extension. Her Cabinet aims to prevent a long delay, the Times reported.

U.S. jobs report in focus today

US employment growth likely rebounded from a 17-month low in March as milder weather boosted activity in sectors like construction, which could further allay fears of a sharp slowdown in economic growth in Q1. Worsening worker shortages and lingering effects of tighter financial market conditions at the turn of the year, however, suggest the job gains probably remained below 2018's brisk pace. Nonfarm payrolls probably increased by 177k jobs last month. Investors will also be watching to see if February's paltry 20k job count, the smallest since Sep 2017, is revised higher.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.99	-0.83%
SOLIDERE—B	5.91	-1.99%
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 US dollar scaled a 3-week high versus the yen on Friday, lifted by expectations that a protracted trade dispute between the US and China would be resolved soon. The greenback has gained about 0.85% against its safe-haven Japanese peer this week, thanks also to factors such as strong US economic data and broad improvement in risk appetite. The trade war between the world's two biggest economies has been a major distraction for financial markets over the past year, with riskier assets in particular taking a hit on worries about the broadening business and growth impact of the conflict. US President Donald Trump said on Thursday both countries were getting very close to a trade deal that could be announced within four weeks. On the economic front, investors will have an opportunity to gauge the health of the world's largest economy when the March US jobs report is released at 12:30 GMT (15:30 LT). The greenback extended overnight gains and rose to 111.80 yen, its highest since March 15. It last traded at 111.68. The dollar has rebounded 1.8% since slumping to a six-week trough of 109.70 yen on March 25. The US

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currency had sunk to that low in the wake of a sharp slide by Treasury yields caused by risk aversion, triggered by growth concerns and a corresponding retreat by global equities. Treasury yields have bounced since, with encouraging economic indicators and trade optimism helping propel Wall Street shares rebound to six-month highs. The dollar index against a basket of six major currencies was unchanged at 97.289 after rising 0.2% the previous day.

The euro was steady at \$1.1228, capped firmly after data released on Thursday showed German industrial order dropped in February.

The British pound extended a weekly gain after European Council President Donald Tusk was said to propose a flexible 12-month delay for Brexit. Sterling advanced versus all its Group-of-10 peers after the BBC cited an unidentified EU source as revealing Tusk's plan, which would allow the UK to leave sooner if parliament approves a deal. Sterling slipped on Thursday, snapping a 3-day rising streak, as concerns rose that Britain may be headed for a protracted Brexit delay. Officials acting for Prime Minister Theresa May and Labour leader Jeremy Corbyn will continue talks Friday following four and a half hours of discussions Thursday

The Australian dollar was a touch higher at \$0.7127. The currency has risen about 0.3% this week, supported as signs of progress in the US-China trade dispute lifted risk assets and commodity prices. Iron ore quoted by MySteel gains for a fifth day to reach the highest since February 2017

Oil prices fell on Friday, with Brent slipping away from the \$70 mark after briefly rising above that level in the previous session, hurt by supply concerns and worries about progress in US-China trade talks. International benchmark Brent futures dropped, having touched \$70.03 in the previous session, the highest since Nov. 12. US West Texas Intermediate (WTI) crude was fell 36 cents in the previous session, having hit \$62.99 on Wednesday, its highest since November. Still, Brent is heading for a second week of gains, while WTI is on track for a fifth consecutive weekly rise. Oil prices have gained this year after the OPEC and producer allies such as Russia, known as OPEC+, agreed to cut output by 1.2 million barrels per day (bpd) to prevent a supply overhang from growing.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
ALL DAY	Eurogroup Meetings		
CAD—15:30	Canada Employment Change	-10.0K	55.9K
CAD—15:30	Canada Unemployment Rate	5.80%	5.80%
USD—15:30	US Nonfarm Payrolls	177K	20K
USD—15:30	US Unemployment Rate	3.80%	3.80%
USD—15:30	US Average Hourly Earnings	0.20%	0.40%

Next Week: Japan Current Account and Consumer Confidence, German Trade Balance, Eurozone Sentix Investor Confidence, Canada Housing Starts and Building Permits, US Factory Orders, AU Home Loans MoM, US IBD/TIPP Economic Optimism, AU Westpac Consumer Sentiment, French Industrial Production MoM, UK GDP MoM and Manufacturing Production MoM, ECB Policy Meeting + Press Conference, US Inflation, UK NIESR GDP Estimate, US FOMC Meeting Minutes, US Federal Budget Balance, OPEC Meetings, US PPI MoM, Eurozone Industrial Production, US Prelim UoM Consumer Sentiment, US Treasury Currency Report, IMF Meetings

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CURRENCIES	LAST	1D	YTD
DXY	97.240	-0.07%	1.11%
EUR/\$	1.1228	0.06%	-2.08%
GBP/\$	1.3115	0.29%	2.83%
AUD /\$	0.7127	0.21%	1.11%
NZD/\$	0.6758	0.06%	0.58%
\$/JPY	111.68	-0.02%	-1.78%
\$/CAD	1.3358	0.01%	2.09%
\$/CHF	0.9998	0.02%	-1.77%
\$/SEK	9.2755	0.10%	-4.55%
\$/NOK	8.5953	0.08%	0.53%
\$/DKK	6.6481	0.08%	-2.06%
\$/TRY	5.6246	-0.58%	-5.96%
EUR/GBP	0.8562	0.23%	5.00%
EUR/JPY	125.40	-0.09%	0.34%
EUR/CHF	1.1226	-0.04%	0.26%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1289.49	-0.21%	0.55%
Silver Spot \$/Oz	15.15	-0.02%	-2.24%
Platinum Spot \$/Oz	894.33	-0.49%	12.40%
Palladium Spot \$/Oz	1372.25	0.39%	8.76%
COPPER \$/lb	291.70	0.24%	10.62%
WTI \$/bbl	62.15	0.08%	36.86%
BRENT \$/bbl	69.27	-0.19%	28.75%

EQUITIES & BONDS

Government bond yields in Europe and the US rose in early trade on Friday after US President Donald Trump said a trade deal with China may be reached within four weeks. US Treasury yields were up about two basis points across the curve, with the 10-year yield hitting a two-week high of 2.538%. The German 10-year Bund yield, the benchmark for the euro zone, rose into positive territory and was up 2 bps at 0.018%, also a two-week high. Other euro zone government bond yields rose by 1-3 bps.

Investors' appetite for risk-taking was strong in the latest week, as US-based high-yield junk bond funds attracted more than \$2 billion in the week ended Wednesday, marking the group's 4th consecutive week of inflows, according to Refinitiv's Lipper research service data. Additionally, US-based investment-grade corporate bond funds attracted over \$2.9 billion in the period, extending their weekly inflow streak since early January, Lipper said. Investors' appetite for risk assets and their hunt for yield intensified after the Fed on March 20 brought its 3-year drive to tighten monetary policy to an abrupt end. The Fed abandoned projections for any interest rate hikes this year amid signs of an economic slowdown, and said it would halt the steady decline of its balance sheet in September.

A key barometer of interbank borrowing costs for dollars fell to a 5-month low on Thursday, signaling greater willingness among banks to lend among themselves at the start of the second quarter. Bets that the Fed might ease

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EQUITIES & BONDS

interest rates to counter a slowing economy have also put downward pressure on wholesale borrowing costs, analysts said. The London interbank offered rate (LIBOR) to borrow dollars for three months fell to 2.58863%, down 0.9 basis point from Wednesday. It was also the lowest level since 2.58150% on November 1.

The benchmark S&P 500 stock index edged higher, nearing a six-month high on Thursday, with losses in technology stocks countered by gains in Boeing Co and Facebook Inc as investors waited for more clarity on the US-China trade talks. Hopes of a trade deal have helped fuel the S&P 500's strong start to Q2. It has reached its highest level since Oct. 9 and is only 1.75% below its all-time closing high. Also helping investor sentiment, data from the US Labor Department showed that jobless claims fell to a 49-year low last week, pointing to sustained labor market strength. Seven of the 11 major S&P sectors were higher. Conversely, the technology sector fell 0.4%. Gains in Facebook and Boeing shares helped push the S&P 500 forward. Facebook rose 1.4%, contributing to a 0.7% gain in the communication services sector, after brokerage Guggenheim upgraded the social media company's stock to "buy" from "neutral." Boeing climbed 2.9%, adding the most to gains on the Dow and the S&P industrial index, which rose 0.6%. Ethiopian investigators urged Boeing to review its flight control technology in the first public findings on the March crash of a 737 MAX jet. But the Nasdaq snapped a 5-day run of gains, as it was pressured by a fall in the shares of Microsoft Corp and Tesla Inc. Tesla shares tumbled 8.2% after the electric carmaker's deliveries fell 31% in Q1. They pared some losses in afternoon trading as CEO Elon Musk's role at the company appeared safe.

In the Gulf markets, Saudi index marked its ninth session of gains on Thursday, led by banking shares. Emirates NBD's deal to buy Turkey's Denizbank lifted Dubai's main index. The Saudi index was up 0.9%, led by a 3.1% rise in Al Rajhi Bank and a 2.3% gain in the largest lender National Commercial bank. Al Rajhi Bank's shareholders approved an increase in its capital to 25 billion riyals (\$6.7 billion) from 16.25 billion

COMPANY NEWS HEADLINES

- The US Senate on Thursday confirmed Trump's pick, March Calabria, to lead the Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac.
- Lars Idermark has decided to leave his role as chairman of Swedbank, the bank said in a statement on Friday.
- Tesla Inc's \$1.8 billion junk bond price fell by the most in seven months and the cost to insure its debt against default surged on Thursday after a bigger-than-expected drop in Q1 deliveries.
- Adidas has teamed up with singer Beyonce and will relaunch her Ivy Park brand, as it aims to attract more female consumers after rival Puma's deal with Rihanna helped boost sales.
- Target Corp will raise its US minimum wage to \$13 an hour in June, from \$12 currently, increasing its payroll costs and putting new pressure on rival Walmart Inc to attract retail workers in a tight labor market.
- Health Canada plans to suspend the license for Allergan Plc's Biocell breast implant due to the risk of a rare cancer linked to such implants, the regulator said in a notice to the Botox-maker on Thursday.
- Constellation Brands Inc on Thursday reported quarterly sales well above analysts' estimates, as its popular beer brands Corona and Modelo performed well.
- Third Point LP returned 9% in Q1 of 2019 fueled largely by gains at Nestle, which was publicly critiqued by the hedge fund in 2018 for its "muddled strategic approach," an investor said.
- Oklahoma's attorney general on Thursday had dropped all but a single claim against Johnson & Johnson and Teva Pharmaceutical in a closely watched lawsuit alleging the drug-makers helped fuel the US opioid epidemic.
- Goldcorp shareholders approved Newmont Mining Corp's \$10 billion takeover offer on Thursday, removing one of the last remaining hurdles to create the world's largest gold producer.

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AMERICA	LAST	1D	YTD
DOW JONES	26384.63	0.64%	13.11%
S&P 500	2879.39	0.21%	14.86%
NASDAQ	7891.78	-0.05%	18.94%
S&P/TSX	16311.61	0.20%	13.89%
EUROPE	LAST	1D	YTD
STXE 600	387.87	-0.27%	14.87%
FTSE 100	7401.94	-0.22%	10.01%
CAC 40	5463.80	-0.09%	15.50%
DAX	11988.01	0.28%	13.53%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6181.30	-0.83%	9.47%
NIKKEI 225	21777.52	0.24%	8.81%
TOPIX	1623.28	0.20%	8.65%
CSI 300 (China)	4062.23	1.00%	34.93%
MENA	LAST	1D	YTD
Saudi Arabia	9063.88	0.87%	15.81%
Abu Dhabi	5032.19	-0.33%	2.38%
Dubai	2776.29	0.57%	9.75%
Qatar	10189.56	0.28%	-1.06%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.5204	0.0053	-0.1566
Germany	0.0040	0.0100	-0.2380
U.K.	1.0840	-0.0140	-0.1930
Australia	1.9050	0.0120	-0.4130

TOP SELECTED NEWS

Turkey's rating not in danger for now - S&P Global

(Reuters) Turkey's credit rating is not currently at risk of a downgrade though a further fall in lira would be "very, very bad news" for the country's companies and banks, S&P Global said on Thursday. More lira woes would ultimately lead to more firms having problems paying back loans, he added, also saying that Turkey's official estimates of bad loans currently did not count all the problem loans in the system.

ECB will ask Deutsche Bank to raise fresh funds for merger - source

(Reuters) The European Central Bank will ask Deutsche Bank to raise fresh funds before it gives the go-ahead for a merger with a state-backed rival, a person with direct knowledge of the matter said. The official said that Deutsche would be required to have the buffer, which has yet to be calculated, to cope should it experience setbacks while integrating Commerzbank if a deal is agreed. The ECB, Deutsche Bank and Commerzbank declined to comment.



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TOP SELECTED NEWS

Commerzbank's market share is too small, CEO says amid merger talks

(Reuters) Commerzbank's market share is too small and organic growth is too slow, the lender's chief executive told employees as he weighs a tie-up with Deutsche Bank. "That's why we are also currently look at alternative options for growth," CEO Martin Zielke told employees, according to comments posted on the bank's intranet and seen by Reuters. "The alternative of doing nothing is not an option," he said. Bloomberg first reported the comments.

Deutsche Bank makes strides in US leveraged lending

(LPC) Deutsche Bank was the biggest mover among the league tables for investment banks underwriting leveraged loans during Q1 of the year, according to data from LPC, a unit of Refinitiv, despite turbulence in the debt and equity markets that slowed lending in December and into January. The German bank jumped to fourth place among investment banks for overall leveraged underwriting during Q1 of 2019, taking a 4.6% share of the market. The bank came in eighth place overall for 2018 with a 4.5% market share.

Tokyo court approves 10-day detention of Ghosn that his lawyer will appeal

(Reuters) A Tokyo court approved on Friday a request by prosecutors to detain Carlos Ghosn for 10 days for further questioning, a move the ousted Nissan boss' lawyer said he would appeal. The Tokyo District Court said it had approved the request by prosecutors to detain Ghosn until April 14. The decision was widely expected after prosecutors arrested Ghosn for the fourth time at his Tokyo apartment on Thursday. Ghosn's lawyer, Junichiro Hironaka, told reporters the defense team would file an appeal on Friday against the detention.

Jeff Bezos keeps Amazon voting power in divorce settlement

(Reuters) Amazon.com Inc CEO Jeff Bezos will retain voting control of his entire \$143 billion stake in the company under a divorce settlement with his wife, MacKenzie Bezos, who will own 25% of those shares, the couple said on Thursday, removing uncertainty over control of the online retailer. . MacKenzie Bezos will wind up with a stake in Amazon that is worth roughly \$36 billion. Her shares represent a 4% stake in Amazon, according to a regulatory filing by the company. The Amazon shares will make her the world's third-richest woman while Jeff Bezos will remain the world's richest person, according to Forbes.

Amazon plans to launch over 3,000 satellites to offer broadband internet

(Reuters) Amazon.com Inc on Thursday confirmed its plan to build a network of over 3,000 satellites through "Project Kuiper" to provide high speed internet. The project will launch a constellation of low-Earth orbit satellites that will provide low-latency, high-speed broadband connectivity to people globally who lack basic access to broadband internet, the company said. Details of the project were filed with the United Nation's International Telecommunication Union last month.

Elon Musk safe for now as US judge urges Tesla CEO, SEC to end tweet dispute

(Reuters) Elon Musk's job as Tesla Inc's chief executive appeared safe on Thursday as a federal judge in Manhattan urged the billionaire to settle contempt allegations by the US SEC over his use of Twitter. At a hearing in Manhattan federal court, US District Judge Alison Nathan gave both sides two weeks to work out their differences, and said she could rule on whether Musk violated his recent fraud settlement with the regulator if they failed.

Airbus net orders in the red by end of Q1

(Reuters) Airbus suffered more cancellations than orders by end-March, leaving the European company with a bleak Q1 after its five-year winning streak in the race for jetliner orders against U.S rival Boeing ended last year. Airbus said on Thursday it had won 62 gross orders during the first three months of 2019 but some 120 cancellations left it with a negative net order figure of 58. Deliveries stood at 162 including 134 single aisle planes and 22 A350s. Earlier this month, Colombian airline Avianca canceled an order of 17 Airbus A320 Neo aircraft and delayed deliveries on 35 others, according to a securities filing.

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