

# MARKETS TODAY

Monday, April 08, 2019

## MARKETS IN BRIEF

- Global markets were cautious at the start of the week as traders awaited further details after both Washington and Beijing hailed progress made during the latest round of talks.
- U.S. dollar was pressured down by a drop treasury yields following disappointing wage growth. Investors eyed FOMC Meeting Minutes that will be released on Wednesday, in addition to Inflation data.
- U.S. 10-year treasury yields stretched Friday's fall and fell to 2.49%, pulling further away from a 2-week high of 2.54%.
- Japanese yen rose for the first time in four sessions.
- Euro traders awaited ECB policy meeting on Wednesday.
- British pound firmed as PM May continued her efforts to promote her Brexit deal.
- Oil prices hit fresh 5-month highs.
- Asian stocks rose to 7-month highs tracking Wall Street's jump, in addition to hints of more stimulus in China.
- U.S. stocks ended up on Friday, helped by easing economic concerns. S&P 500 closed higher for its 7th trading day in a row last week, the longest winning streak since October 2017.

## May willing to compromise

Theresa May conceded her Brexit deal won't pass "in the near future" as she tried to rouse support for a cross-party compromise. Conservative and Chief Secretary to the Treasury Liz Truss denounced the flexible extension proposed by the EU as "purgatory." The PM badly needs a breakthrough in London before traveling to Brussels on Wednesday. Irish PM Leo Varadkar meets with the EU's Michel Barnier today. Over the weekend, May defended her decision to work with the main opposition Labour Party leader to help draft a new blueprint for leaving the EU. Despite their differences, she warned that without Corbyn's support, Britain might never leave the trading bloc.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1225	0.08%
GBP/\$	1.3059	0.16%
AUD /\$	0.7095	-0.14%
\$/JPY	111.45	0.25%
\$/CAD	1.3383	0.01%
Gold \$	1296.46	0.36%
WTI \$	63.38	0.48%
BRENT \$	70.66	0.45%
AMERICA		
DOW JONES	26424.99	0.15%
S&P 500	2892.74	0.46%
NASDAQ	7938.69	0.59%
EUROPE		
STXE 600	388.23	0.09%
CAC 40	5476.20	0.23%
DAX	12009.75	0.18%
ASIA PACIFIC		
S&P/ASX 200	6217.10	0.58%
NIKKEI 225	21771.46	-0.17%
CSI 300 (China)	4021.33	-1.01%
MENA		
Saudi Arabia	9011.11	-0.58%
Dubai	2780.95	0.17%
Qatar	10192.19	0.03%
BONDS		
U.S. 10-year	2.4900	-0.0001
German Bund 10-yr	0.0070	0.0001
AU 10-year	1.8750	-0.0003

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## U.S.-China talks optimism persisting

China and the US will keep talking on remaining issues after making new progress in the latest round of talks, Xinhua said. Negotiators discussed the text of a deal on technology transfers, IP, non-tariff measures, services, agriculture, trade balance and enforcement in meetings that wrapped up Friday. Trump economic adviser Larry Kudlow said the two sides are "closer and closer" to a deal, and that top-tier officials would be talking this week.

## China's ongoing support for the economy

China will step up its policy of targeted cuts to banks' required reserve ratios to encourage financing for small and medium-sized businesses that play a key role in economic growth. Beijing has been urging banks to continue lending to struggling businesses, especially smaller private concerns that account for more than half the country's economic growth and most of its jobs. In a detailed policy document published on the central government's website late on Sunday, the State Council said China will also accelerate IPO for small and medium-sized enterprises (SMEs).

## U.S. jobs report relieving some concerns ... Wages disappointed

US hiring rebounded more than forecast in March and the prior month was stronger than first reported, potentially relieving some concerns about a cooling economy. Wage gains eased and the unemployment rate held near a 49-year low. Payrolls rose 196,000 after a 33,000 advance, a Labor Department report showed Friday. The jobless rate was unchanged at 3.8%, while average hourly earnings increased 3.2% from the prior year, below all estimates and down from the best pace of the expansion.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.91	-1.34%
SOLIDERE—B	5.90	-0.17%
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 sagged on Monday as bond yields extended their decline after a US jobs report showed wage growth lose momentum even as employment increased.** The closely watched data released on Friday showed nonfarm payrolls rose by a solid 196,000 in March, topping expectations and giving riskier assets a much-needed lift. However, other components of the US employment report suggested the economy wasn't firing on all cylinders. Wage gains slowed in March, with average hourly earnings rising a modest 0.1% after jumping 0.4% in February. Treasury yields slipped and weighed on the dollar as the moderation in wage growth supported the Fed's decision to suspend further interest rate increases this year. The dollar index against a basket of six major currencies inched down 0.12% to 97.280, retracing Friday's modest gains. US and Chinese negotiators wrapped up their latest round of trade talks on Friday and were scheduled to resume discussions next week to try to secure a pact that would end a months-long tit-for-tat tariff battle. Trump's top economic adviser Larry Kudlow said the US and China are "closer and closer" to a



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## FX & COMMODITIES

trade deal. Both sides discussed the text of an agreement regarding several areas including transfers and intellectual property and "the remaining issues are all hard nuts to crack," China's official Xinhua news agency said.

**The British pound gained as UK PM Theresa May prepares to meet EU leaders this week to ask for a short extension to the Brexit deadline.** PM May will meet EU leaders Wednesday to make her case for a short extension to June 30 but European Council President Donald Tusk is pushing for a delay of as long as a year to allow time to forge a new consensus, with an option to leave earlier once the withdrawal agreement is ratified by parliament. The pound slipped to a one-week low of \$1.2987 on Friday as France and the Netherlands expressed doubt about May's plan to further delay Brexit. Sterling last traded at \$1.3059 for a gain of 0.16%.

**The Japanese yen advanced for the first time in four sessions after Japanese stocks surrendered early gains and investors sought more clarity on a prospective US-China trade deal.** USD/JPY dropped 0.25% to 111.45 after advancing 0.4% in previous three sessions

The euro added 0.08% to \$1.1225 after dipping slightly against the dollar on Friday.

**Oil prices rose to their highest level since November 2018 on Monday, driven upwards by OPEC's ongoing supply cuts, US sanctions against Iran and Venezuela, and strong US jobs data.** Brent and WTI both hit their highest since November at \$70.76 and \$63.48 a barrel, respectively, early on Monday. To prop up prices, the OPEC and non-affiliated allies like Russia, known as OPEC+, have pledged to withhold around 1.2 million barrels per day (bpd) of supply this year.

**Gold prices rose to a 1-week peak on Monday as the dollar slipped after data showed U.S. wage growth slowed last month, while investors awaited minutes of the U.S. Federal Reserve's March meeting later this week.** Spot gold gained 0.36% to \$1,296.46 per ounce. U.S. gold futures were also up 0.4% at \$1,300.40 an ounce. Holding's in the world's largest gold-backed exchange-traded fund, SPDR Gold Trust, also fell as much as 3% in the previous week, its biggest weekly %age decline since end-November 2016. Among other precious metals, spot platinum was last up 0.76% at \$907.99 an ounce, after touching its more-than-ten-month high of \$912.90 earlier in the session. Palladium rose 0.22% to \$1,374.34 and silver gained 0.21% to \$15.14.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—11:30	Eurozone Sentix Investor Confidence	-1.7	-2.2
GBP—11:30	UK Consumer Inflation Expectations		3.20%
CAD—15:15	Canada Housing Starts	193K	173K
USD—17:00	US Factory Orders MoM	-0.50%	0.10%

**Tuesday:** AU Home Loans MoM, US IBD/TIPP Economic Optimism

**Wednesday:** AU Westpac Consumer Sentiment, Japan PPI, 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

**Thursday:** China CPI, PPI, OPEC Meetings, US PPI MoM,

**Friday:** China Trade Balance, Eurozone Industrial Production, US Prelim UoM Consumer Sentiment

**Saturday:** US Treasury Currency Report, IMF Meetings

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CURRENCIES	LAST	1D	YTD
DXY	97.280	-0.12%	1.15%
EUR/\$	1.1225	0.08%	-2.11%
GBP/\$	1.3059	0.16%	2.39%
AUD /\$	0.7095	-0.14%	0.65%
NZD/\$	0.6730	0.00%	0.16%
\$/JPY	111.45	0.25%	-1.58%
\$/CAD	1.3383	0.01%	1.90%
\$/CHF	0.9991	0.12%	-1.70%
\$/SEK	9.2954	0.08%	-4.76%
\$/NOK	8.6061	0.05%	0.40%
\$/DKK	6.6503	0.08%	-2.09%
\$/TRY	5.6419	-0.28%	-6.25%
EUR/GBP	0.8596	0.09%	4.58%
EUR/JPY	125.10	0.16%	0.58%
EUR/CHF	1.1215	0.05%	0.36%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1296.46	0.36%	1.09%
Silver Spot \$/Oz	15.14	0.21%	-2.29%
Platinum Spot \$/Oz	907.99	0.76%	14.12%
Palladium Spot \$/Oz	1374.34	0.22%	8.92%
COPPER \$/lb	291.25	0.62%	10.45%
WTI \$/bbl	63.38	0.48%	39.57%
BRENT \$/bbl	70.66	0.45%	31.34%

## EQUITIES & BONDS

The 10-year Treasury note stretched Friday's fall and slipped to 2.49%, pulling further back from a two-week high of 2.54% scaled late last week. The gap between yields of longer-dated and shorter-dated US Treasury yields narrowed on Friday as data showed wage growth slowed in March even as employers added more workers, evidence that inflation remained tame. Bond yields initially reached two-week peaks in reaction to the larger-than-forecast payrolls increase. 10-year yield hit a 2-week high of 2.544% shortly after the release of the March jobs report. It rose over 8 basis points on the week, their first weekly rise in a month. The spread between 10-year and 2-year yields had contracted to 12.7 basis points, the flattest in about two weeks. It was last 2 basis points flatter at 16.076 basis points.

**Asian shares briefly brushed seven-month peaks on Monday as investors cheered a rebound in US payrolls and hints of more stimulus in China, but caution soon surfaced ahead of what is likely to be a tough US earnings season.** In a document published on the central government's website late on Sunday, Beijing said it would step up a policy of targeted cuts to banks' required reserve ratios to encourage financing for small and medium-sized businesses. Chinese blue chips initially climbed to territory not visited since March last year, only to fade 1% as the session wore on. MSCI's broadest index of Asia-Pacific shares outside Japan went flat having reached its highest since August. Japan's Nikkei was off 0.1% after reaching its high of the year so far. E-Mini futures for the S&P 500 eased 0.2% and futures pointed to a soft start for the major European bourses.

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## EQUITIES & BONDS

**US stocks rose on Friday, boosted by better-than-expected job growth in March, which eased concerns of an economic slowdown that have periodically roiled financial markets over the past year. With Friday's gains, the benchmark S&P 500 has closed higher for seven trading days in a row, its longest winning streak since October 2017.**

March jobs data provided reassurance two weeks after the yield curve between 3-month Treasury bills and 10-year notes briefly inverted, in what is commonly viewed as a sign of an oncoming recession. However, wage increases slowed in March, leaving the data broadly supportive of the Fed's decision to suspend its 3-year campaign to tighten monetary policy. A dovish Fed along with hopes for a US-China trade agreement have lifted the S&P 500 to its highest level since Oct. 9, putting the index only 1.3% below its record closing high. Stocks across the world also got a lift from Trump's comments on Thursday that Beijing and Washington were close to a trade deal that could be announced within four weeks. This week, corporate earnings will come into greater focus with major US banks scheduled to report quarterly results. On Friday, energy stocks jumped 1.7%, the biggest %age gain among S&P 500 sectors, as oil prices firmed after the release of the US jobs data and on expectations that conflict in Libya could tighten supply. Technology stocks rose 0.4%, rebounding from Thursday's decline as shares of Apple Inc and Microsoft Corp rose. Dow Inc shares helped cap gains on the Dow Industrials. The shares dropped 4.1% as J.P. Morgan started coverage of the company, which was spun off from DowDuPont Inc, with an "underweight" rating. Boeing Co shares dipped 1.0% after UBS cut its price target and said the preliminary report following last month's fatal Ethiopian Airlines crash pointed to MCAS anti-stall software as a contributor to the crash. The software has also been implicated in the fatal crash in October of a Lion Air 737 MAX jet in Indonesia.

**In the Gulf, Abu Dhabi index was lifted by ADNOC Distribution on Sunday. Dubai index continued its winning streak, while Saudi Arabia lagged behind.** The Abu Dhabi index was up 0.4%, as ADNOC Distribution rose 8% to a one year high of 2.7 dirhams. Last week, the company's shareholders approved an increase in the firm's dividend policy.

## COMPANY NEWS HEADLINES

- A video recorded by ousted Nissan Motor boss Carlos Ghosn will be shown Tuesday afternoon at a press conference to be held by his lawyer, Kyodo News reported.
- American Airlines said on Sunday it will extend cancellations of 90 flights a day through June 5 because of the grounding of Boeing 737 MAX aircraft following two deadly crashes in five months.
- Dubai Islamic Bank PJSC, the United Arab Emirates' biggest Islamic lender, is considering buying its smaller rival Noor Bank PJSC, people with knowledge of the talks said.
- Italian-US carmaker Fiat Chrysler Automobiles NV (FCA) has agreed to pay electric carmaker Tesla Inc hundreds of millions of euros to allow Tesla vehicles to be counted in its fleet to avoid fines for violating new EU emission rules.
- Warren Buffett, Wells Fargo & Co's largest shareholder, urged the bank to look outside Wall Street for a new chief executive officer, in an interview with the Financial Times on Sunday.
- U.S buyout firm Carlyle Group has agreed to buy a 30 to 40% stake in Spanish energy company Cepsa from Abu Dhabi state investor Mubadala, valuing the stake at as much as \$4.8 billion.
- Creditors led by hedge fund Elliott Management approved on Friday a restructuring plan for bankrupt airline Avianca Brasil, hours after the country's antitrust regulator announced preemptively that the plan could run afoul of competition laws.
- OUE Commercial Real Estate Investment Trust and OUE Hospitality Trust are in discussions to merge in a cash and stock deal, the Wall Street Journal reported on Sunday, citing people with knowledge of the deal.
- A consortium led by France's Engie SA submitted the highest offer for a major gas pipeline unit owned by Brazil's Petroleo Brasileiro SA, the state-run oil firm said on Friday, as the company's biggest divestment draws to a close.



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AMERICA	LAST	1D	YTD
DOW JONES	26424.99	0.15%	13.28%
S&P 500	2892.74	0.46%	15.39%
NASDAQ	7938.69	0.59%	19.64%
S&P/TSX	16396.15	0.52%	14.48%
EUROPE	LAST	1D	YTD
STXE 600	388.23	0.09%	14.98%
FTSE 100	7446.87	0.61%	10.68%
CAC 40	5476.20	0.23%	15.76%
DAX	12009.75	0.18%	13.74%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6217.10	0.58%	10.11%
NIKKEI 225	21771.46	-0.17%	8.78%
TOPIX	1619.78	-0.37%	8.41%
CSI 300 (China)	4021.33	-1.01%	33.57%
MENA	LAST	1D	YTD
Saudi Arabia	9011.11	-0.58%	15.13%
Abu Dhabi	5052.49	0.40%	2.80%
Dubai	2780.95	0.17%	9.93%
Qatar	10192.19	0.03%	-1.04%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4900	-0.0054	-0.1942
Germany	0.0070	0.0130	-0.2350
U.K.	1.1160	0.0320	-0.1610
Australia	1.8750	-0.0300	-0.4430

## TOP SELECTED NEWS

### World Bank board elects US Treasury's Malpass as next president

(Reuters) David Malpass, US President Donald Trump's nominee to lead the World Bank, won unanimous approval from the institution's executive board on Friday, continuing the 73-year tradition of an American running the world's largest development lender. The bank said that Malpass, the US Treasury's undersecretary for international affairs, will start his new role on Tuesday as the World Bank and International Monetary Fund Spring Meetings get underway.

### Switzerland plans to tighten capital rules for its biggest banks

(Bloomberg) Switzerland is proposing bigger capital cushions for the country's top banks that could force UBS Group AG and Credit Suisse Group AG to set aside an additional 24 billion Swiss francs (\$24 billion) in reserves. The Finance Ministry is weighing an amendment to capital adequacy rules to try to ensure that the parent companies of systemically important banks are sufficiently well capitalized in the event of a crisis, the government said in a statement on Friday. It cited concern about the impact of possible interest-rate rises on real-estate loans. The total refinancing costs for the two banks would therefore increase each year by as much as 170 million francs, according to the report. Consultations on the draft proposals will run until July 12.



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## TOP SELECTED NEWS

### **Deutsche Bank says US operations aren't part of merger talks**

(Bloomberg) Deutsche Bank AG said restructuring its US investment bank hasn't been part of talks to acquire Commerzbank AG that have intensified in recent days. Top US executives at Deutsche Bank told employees that the bank and management are "firmly committed to our US franchise," according to an internal memo seen by Bloomberg. The memo followed a report by Reuters on Friday that it had discussed shaking up the business with Commerzbank. The two banks are close to sketching out the outline of a potential merger deal, people briefed on the matter have said. A Deutsche Bank spokeswoman declined to comment.

### **Euronext says Norwegian regulator gives positive view on bid for Oslo Bors**

(Reuters) Euronext said its 6.8 billion Norwegian crowns (\$790 million) offer for Oslo Bors received a positive reception from the Norwegian financial supervisory authority, as the European exchange group looks to see off Nasdaq in its bid for Norway's stock market operator. The bid battle for Oslo Bors, one of the last independent stock market operators in northern Europe, was launched in December when Euronext made a first unsolicited move. The Norwegian bourse's response was to seek new bidders, encouraging US-based Nasdaq to make a rival offer.

### **Boeing cutting 737 MAX production in wake of two deadly crashes**

(Reuters) Boeing Co plans to cut its monthly 737 aircraft production by nearly 20% as it works to manage the grounding of its MAX aircraft in the wake of two deadly crashes, CEO Dennis Muilenburg said on Friday. Deliveries of Boeing's best-selling aircraft were frozen after a global grounding of the narrow body model following the crash of an Ethiopian Airlines jet on March 10. Starting mid-April, production will be cut to 42 airplanes per month from 52, the company said in a statement.

### **UK fines for harmful online content in line with GDPR: minister**

(Reuters) Britain will impose penalties that force tech companies to "sit up and take notice" if they do not do everything reasonably practicable to stop harmful content on their platforms, the Culture, Media and Sport Secretary Jeremy Wright said. "If you look at the fines available to the Information Commissioner around the GDPR rules, that could be up to 4% of company's turnover (...) we think we should be looking at something comparable here," he told BBC TV on Monday.

### **F1 owners near deal for British Grand Prix to be kept at Silverstone: FT**

(Reuters) Formula One owners Liberty Media Corp are nearing an agreement to keep the British Grand Prix at Silverstone, the Financial Times reported on Monday citing sources familiar with the matter. US-based Liberty Media, which acquired Formula One in 2017, is in the final stages of agreeing a new deal with the British Racing Drivers' Club (BRDC), which owns the Silverstone track, the FT said. Silverstone is a former World War Two airfield that hosted the first championship grand prix in 1950 and Formula One CEO and chairman Carey Chase is keen to maintain the "historic core of F1", the FT quoted one of its sources as saying. The circuit is also a home grand prix for most F1 teams.

### **Jet Airways lenders lay out bid terms for 75 pct stake in airline**

(Reuters) Prospective bidders of struggling Jet Airways Ltd need to settle the airline's existing debt as part of any deal to buy a stake in the carrier, its consortium of lenders led by State Bank of India (SBI) said in a statement on Monday. Jet's lenders last month agreed to bail out the airline in a complex deal that involved the banks taking a temporary majority stake in the company - while they look for a new investor - and providing a fresh loan of \$218 million.

### **Saudi Aramco set for mega debt deal pitched by JPMorgan's Dimon**

(Bloomberg) In a bond sale closely watched by investors globally, Saudi Aramco and its bankers are preparing to kick off what could be at least a \$10 billion offering this week. Early indications suggest investors are already crowding in. A message circulated among investors on Friday said interest in the most highly anticipated sale of the year already totaled more than \$26 billion, according to people with direct knowledge of the matter.



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## APPENDIX & DISCLAIMER

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