

MARKETS TODAY

Thursday, April 11, 2019

MARKETS IN BRIEF

- Financial markets had a muted reaction to the release of the FOMC March meeting minutes. Treasury yields drifted up from the day's low.
- U.S. dollar was pressured down by a dovish Fed and mixed inflation report.
- Euro recovered benefiting from a weaker U.S. counterpart. The currency dropped yesterday after the ECB maintained its dovish policy stance and flagged downside risks to the euro zone economy.
- British pound held steady after European leaders extended the deadline for Britain to leave the union.
- Australian dollar eased from 6-week highs, tracking a decline in commodities prices. Traders were getting more cautious ahead of the elections in May.
- Oil prices fell as US crude stockpiles surged to their highest levels in almost 17 months amid record production and as economic concerns cast doubt over growth in demand for fuel.
- Asian stocks slipped from 8-month highs.
- U.S. stocks rose yesterday, led by the tech sector.

Fed seeing no rate change in 2019

Fed policy makers last month grappled with "significant uncertainties" and persistently low inflation as they scrapped forecasts for interest-rate hikes in 2019 even while voicing the need to maintain policy flexibility. The minutes show US central bankers reacting to a Q4 slowdown that appeared to be extending into the first three months of the year. They also cited several uncertainties, ranging from Brexit deliberations, to risks of persistent softness in domestic spending and deeper-than-expected slowdowns in Europe and China. The Fed's median estimate last month showed no hikes for the remainder of 2019, erasing their forecast from December for two increases this year.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1279	0.04%
GBP/\$	1.3082	-0.07%
AUD /\$	0.7163	-0.11%
\$/JPY	111.08	-0.06%
\$/CAD	1.3342	-0.17%
Gold \$	1307.99	0.00%
WTI \$	64.29	-0.50%
BRENT \$	71.48	-0.35%
AMERICA		
DOW JONES	26157.16	0.03%
S&P 500	2888.21	0.35%
NASDAQ	7964.24	0.69%
EUROPE		
STXE 600	386.68	0.26%
CAC 40	5449.88	0.25%
DAX	11905.91	0.47%
ASIA PACIFIC		
S&P/ASX 200	6202.70	-0.33%
NIKKEI 225	21703.90	0.08%
CSI 300 (China)	4022.87	-1.54%
MENA		
Saudi Arabia	9077.20	0.33%
Dubai	2807.96	0.21%
Qatar	10236.22	0.18%
BONDS		
U.S. 10-year	2.4702	0.0001
German Bund 10-yr	-0.0250	0.0000
AU 10-year	1.8540	-0.0002

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Brexit delayed till October

Brexit is on course to be delayed until the end of October under a plan to avoid a chaotic no-deal split, risking six more months of political uncertainty over Britain's ties to the EU. The blueprint hashed out during six hours of talks in Brussels allows the UK to stay in the bloc until Oct. 31, with a review of progress to be held in June. British PM Theresa May accepted the offer and must now sell it to skeptical members of Parliament in London. While the extension avoids the risk of a disorderly no-deal Brexit on Friday, it sets up a political crisis later on this year.

Draghi signaling bank-loan tool first defense for slowdown

Mario Draghi signaled that the ECB expects to rely on long-term bank loans and tweaks to its negative interest-rate policy as a first defense if officials need to intensify their fight against the economic slowdown. The comments came as the ECB president warned that euro-area growth cooled further this year and could yet worsen. In a sign that hopes of a 2nd-half rebound are fading, he said the weakness "will extend into the rest of the year." The long-term loan plan was announced 5 weeks ago and will start in September, but the c. bank has yet to decide on the terms.

China's deflation concerns easing

China's factory-gate inflation picked up for the first time in 9 months in March (0.4% YoY), lifted by price rises in global commodities as well as signs that government efforts to boost the economy may be putting a floor under domestic demand. Consumer inflation also quickened (2.3% YoY), jumping to the highest since October 2018 as pork prices soared due to a growing epidemic of swine fever, data showed on Thursday. The step-up in producer inflation, while slight, will ease deflation worries and likely add to optimism that the economy started to turn the corner.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.69	-1.73%
SOLIDERE—B	5.67	-1.22%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.89	-
BLOM BANK	9.27	-
BYBLOS BANK	1.36	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The US dollar hovered near 2-week lows on Thursday as Fed minutes reinforced its recent dovish policy tilt. Currency markets are also awaiting key economic data from the world's second-largest economy with March Chinese trade figures due on Friday and Q1 gross domestic product due next week. The US dollar lacked momentum, with its index against six other currencies hovering near a two-week low, as the minutes from the Fed's last meeting cemented its recent dovish policy stance with no change to rates expected this year. The dollar index last stood at 96.88, little lower on the day after having slipped to a 2-week low of 96.823 on Wednesday. US central bankers also debated possible policy moves the Fed could make after it ends its balance sheet reduction program by September, with some advocating purchases of US Treasury securities at that point. The US consumer price data released on Wednesday also painted a mixed picture, with annual core CPI inflation slipping to 2.0% in March, the smallest increase since February 2018. The dollar changed hands at 111.08 yen, having fallen 0.58% so far this week.

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FX & COMMODITIES

The euro recovered after dropping Wednesday when ECB President Mario Draghi underscored growing risks facing the euro zone economy. The ECB left its ultra-easy stance unchanged as expected and Draghi noted that economic data was weak. He also confirmed the ECB was considering if measures were needed to mitigate the impact on banks of its negative deposit rates as well as the pricing of new cheap 2-year loans to banks. The euro last held at \$1.1279, recovering from Wednesday's low of \$1.12295, keeping intact its slow uptrend from \$1.1183 touched on April 2. It is up 0.52% so far, which will be its first weekly gains in four weeks if sustained.

The British pound stayed in a triangle holding pattern between \$1.2945 and \$1.3380 during the past month or so. Sterling showed no reaction after the EU delayed the deadline for Brexit for the second time in less than a month, in line with market expectations that Britain will not crash out of the bloc on Friday without a deal. Still, the decision did little to boost clarity on exactly how, when, or even if at all, the UK will leave the EU, is keeping the pound in check. The implied volatilities on the pound's options plunged, with 3-month volatilities falling to 8.325/8.825%, a level last seen in late August. It has slipped below the actual volatilities over the past 3 months, which stood at 9.17%.

Australian dollar retreated from a 6-week high as declining commodity prices and caution ahead of the election prompt funds to trim long positions. AUD/USD down 0.11% to 0.7163 after reaching 0.7175 Wednesday, highest since Feb. 27. PM Scott Morrison called Australia's election for May 18, with polls showing he's facing an uphill battle to prevent a shift in power to the left-leaning opposition Labor party. Most of Aussie's strength in the past 18 hours was fueled by remarks from RBA Deputy Gov. Guy Debelle with market pricing for a May rate cut having halved to ~12% on his comments. The Aussie moved after China's factory-gate inflation picked up for the first time in nine months in March, edging away from deflationary territory, in a fresh sign of a boost to economic activity from stimulus.

Oil prices fell on Thursday, pressured as US crude stockpiles surged to their highest levels in almost 17 months amid record production and as economic concerns cast doubt over growth in demand for fuel. US crude inventories rose 7 million barrels to 456.6 m barrels in the last week, their highest since November 2017, the EIA said on Wednesday. US crude oil production remained at a record 12.2 million bpd, making the US the world's biggest oil producer ahead of Russia and Saudi Arabia. Despite the surge in US supply and the economic concerns, global oil markets remain tight amid supply cuts led by the OPEC, US sanctions on oil exporters Iran and Venezuela, and escalating fighting in Libya.

Gold traded close to a 2-week peak scaled in the last session as dovish US and European central banks fanned concerns on economic slowdown and kept global bond yields and the dollar under pressure.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—15:30	US Initial Jobless Claims	210K	202K
USD—15:30	US PPI MoM	0.30%	0.10%
USD—15:30	US Core PPI MoM	0.20%	0.10%

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	96.888	-0.06%	0.74%
EUR/\$	1.1279	0.04%	-1.64%
GBP/\$	1.3082	-0.07%	2.57%
AUD /\$	0.7163	-0.11%	1.62%
NZD/\$	0.6762	-0.06%	0.64%
\$/JPY	111.08	-0.06%	-1.25%
\$/CAD	1.3342	-0.17%	2.21%
\$/CHF	1.0022	0.05%	-2.01%
\$/SEK	9.2585	0.05%	-4.38%
\$/NOK	8.4921	0.06%	1.75%
\$/DKK	6.6186	0.06%	-1.62%
\$/TRY	5.6859	-0.10%	-6.97%
EUR/GBP	0.8622	-0.11%	4.26%
EUR/JPY	125.28	-0.10%	0.44%
EUR/CHF	1.1304	-0.01%	-0.43%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1307.99	0.00%	1.99%
Silver Spot \$/Oz	15.25	0.04%	-1.61%
Platinum Spot \$/Oz	909.58	0.75%	14.32%
Palladium Spot \$/Oz	1398.54	0.58%	10.84%
COPPER \$/lb	291.55	-0.34%	10.56%
WTI \$/bbl	64.29	-0.50%	41.58%
BRENT \$/bbl	71.48	-0.35%	32.86%

EQUITIES & BONDS

The US Treasury Department on Wednesday sold \$24 billion of 10-year government notes at a yield of 2.466%, the lowest yield at an auction for this debt maturity since December 2017, Treasury data showed. The ratio of bids to the amount of the reopened 10-year issue offered was 2.55, down from 2.59 at the prior 10-year auction held in March.

Asian stocks stepped back from near 8-month highs on Thursday and the dollar eased as cautious European and US central banks reinforced investors' worries about the slowing global economy and trade protectionism. Risky assets have been volatile so far this year while bonds have rallied on fears of a recession in the US and the possibility of a sharper slowdown in other major economies including the euro zone. Also weighing on sentiment, US President Donald Trump has escalated trade tensions by threatening new tariffs on goods from the EU, even as the Sino-US trade dispute remains unresolved. All those risks pulled down Asian equities on Thursday. MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.4% after four straight days of gains took it to the highest since last August. Japan's Nikkei reversed early losses to end 0.1% higher. Losses in Asia were led by Chinese shares, with the blue-chip CSI300 index off 1.7% while Hong Kong's Hang Seng index stumbled 0.7%. Australian shares also lost ground, pressured by political uncertainty after the prime minister called a national election for May 18.

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EQUITIES & BONDS

US stocks were led higher by technology stocks higher on Wednesday, as US inflation data proved to be benign and the minutes from the Fed's March meeting were unsurprising. The blue-chip Dow, held back by industrial stocks, squeaked into positive territory at the closing bell. The three major US indexes were relatively unchanged following the release of the Fed's minutes, which reaffirmed the central bank's patience regarding future interest rate hikes. Core US consumer prices, which strip out volatile food and energy segments, rose at the slowest annual pace in over a year, according to the Labor Department's CPI report. The tepid inflation data further supported the Fed's decision to suspend its 3-year, interest-rate-hike campaign. The earnings season began in earnest as Delta Air Lines raised its revenue forecast and posted better-than-expected profits, lifting the airliner's stock by 1.6%. Levi Strauss & Co posted a 7% rise in revenue in its first earnings report since returning to the public market. Its shares rose 4.0%. Of the 11 major sectors in the S&P 500, eight ended the session in positive territory. Boeing Co weighed on industrials as the plane maker's shares extended losses, closing down 1.1%. Tesla Inc got a boost after US lawmakers introduced legislation that would expand the electric vehicle tax credit. The company's stock advanced 1.4%. ConAgra Brands shot up 6.7% after providing upbeat forecasts at its investor day. First Solar Inc jumped 8.3% after Goldman Sachs added the stock to its conviction list. Houseware retailer Bed Bath & Beyond shot up more than 8% in after-market trading after posting quarterly results.

In the Gulf stock markets, Dubai index for the tenth straight session on Wednesday, lifted by its financial shares. Abu Dhabi was pulled lower by its top lender First Abu Dhabi Bank. The Dubai index gained 0.2%, hovering around 5-month high, with Emaar Properties adding 1.2% and Mashreq Bank jumping 5.3%. This month, the latter's retail banking head said it would close 12 of its branches by June as it shifts some of its business online. Emirates NBD said it would sell 127.5 million shares in Network International Exchange for a total of 554.5 million pounds (\$725.2 million) through a secondary listing of the shares on the London Stock Exchange.

COMPANY NEWS HEADLINES

- Amazon.com Inc on Wednesday said it had acquired Canvas Technology, a robotics startup in Boulder, Colorado, that has built autonomous carts that can move goods around warehouses.
- Delta Air Lines Inc on Wednesday lifted its 2019 revenue forecast after reporting better-than-expected quarterly profits, boosted by robust travel demand and a renewed agreement with credit-card issuer American Express Co.
- California utility owner PG&E Corp is exploring expanding its board as it navigates bankruptcy proceedings in an effort to potentially settle an ongoing battle with shareholder BlueMountain Capital Management LLC, people familiar with the matter said on Wednesday. (Reuters)
- Prosecutors are planning to file criminal charges against Brazil's miner Vale SA and its employees over the collapse of a mine-waste dam in January that killed hundreds of people, the Wall Street Journal reported, citing the lead investigator.
- US grain trader Archer Daniels Midland Co said on Wednesday it will seek voluntary early retirements by some North American employees and may eliminate individual jobs as part of a restructuring of specific areas.
- A Norwegian Air subsidiary has agreed with Airbus to postpone plane deliveries scheduled for this year and next, cutting its capital spending by \$570 million, the loss-making budget carrier said on Wednesday.
- JetBlue Airways Corp hopes to break into the low-fare, transatlantic travel market beginning in 2021 with multiple daily flights from New York and Boston to London, its first European destination, the carrier said on Wednesday.
- Chile's Codelco, the world's biggest copper producer, is "perfectly well financed" for the next two years as it pushes forward with its largest-ever drive to revitalize its aging mines, Chairman Juan Benavides said on Wednesday.

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AMERICA	LAST	1D	YTD
DOW JONES	26157.16	0.03%	12.13%
S&P 500	2888.21	0.35%	15.21%
NASDAQ	7964.24	0.69%	20.03%
S&P/TSX	16396.29	0.37%	14.48%
EUROPE	LAST	1D	YTD
STXE 600	386.68	0.26%	14.52%
FTSE 100	7421.91	-0.05%	10.31%
CAC 40	5449.88	0.25%	15.20%
DAX	11905.91	0.47%	12.76%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6202.70	-0.33%	9.85%
NIKKEI 225	21703.90	0.08%	8.44%
TOPIX	1607.13	-0.03%	7.57%
CSI 300 (China)	4022.87	-1.54%	33.62%
MENA	LAST	1D	YTD
Saudi Arabia	9077.20	0.33%	15.98%
Abu Dhabi	5058.10	-0.35%	2.91%
Dubai	2807.96	0.21%	11.00%
Qatar	10236.22	0.18%	-0.61%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4702	0.0053	-0.2140
Germany	-0.0250	0.0010	-0.2670
U.K.	1.0970	-0.0070	-0.1800
Australia	1.8540	-0.0180	-0.4640

TOP SELECTED NEWS

U.S. core inflation cools amid shift in data methodology

A key measure of U.S. inflation rose less than forecast in March on a drop in apparel prices following a methodology change for data collection, offering some reinforcement for the Fed's message of patience on interest rates. The core consumer price index, which excludes food and energy, rose 0.1% from the prior month, and 2% from a year earlier, according to a Labor Department report Wednesday.

US-China trade war is rerouting US import flows: report

(Reuters) Trump's trade war with China has US companies shifting purchases of tariff-targeted products like furniture, refrigerators and car tires to countries such as Vietnam, South Korea, Taiwan and Mexico, according to a new analysis released on Wednesday. Overall US imports of containerized freight from China fell 6.4% during Q1 as buyers worked off product stockpiled ahead of tariff increases and rerouted orders to lower-cost countries, S&P Global Market Intelligence's trade data firm Panjiva said in the report. US imports of Chinese-made furniture by retailers such as IKEA, Home Depot, Target Corp and Room to Go fell 13.5% in Q1. That was partly offset by a 37.2% rise in shipments from Vietnam and a 19.3% increase in imports from Taiwan. The change also affected home appliances.



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TOP SELECTED NEWS

Chinese employees stole corporate secrets from ASML: Dutch newspaper FD

(Reuters) Chinese employees stole corporate secrets from Dutch semiconductor equipment maker ASML, resulting in hundreds of millions of dollars in losses, Dutch financial newspaper Financieele Dagblad (FD) reported on Thursday. The paper said, citing its own investigation, technology had been stolen by high-level Chinese employees in the research and development department of ASML's US subsidiary and ultimately leaked to a company linked to the Chinese government. But ASML itself "found no hard proof of involvement of the Chinese government," the FD reported. An ASML spokeswoman told Reuters the company was aware of the FD report and was preparing a response. ASML is the dominant maker of lithography systems, used to trace out the circuitry of semiconductor chips.

Deutsche Boerse says it is in talks to buy some Refinitiv FX units

(Reuters) German stock exchange operator Deutsche Boerse AG said on Wednesday that it is in "concrete negotiations" with data provider Refinitiv about the potential acquisition of certain foreign exchange business units. The statement came after Reuters reported that Deutsche Boerse was in talks to buy FXall, a foreign exchange electronic trading platform owned by Refinitiv, for about \$3.5 billion, citing people familiar with the matter. "The negotiations and assessments of a potential transaction are ongoing," Deutsche Boerse said in a statement.

Deutsche Bank, Commerzbank said to disagree over timing of talks

(Bloomberg) Deutsche Bank AG and Commerzbank AG are at odds over how quickly they should update shareholders on progress in their takeover talks, according to people familiar with the matter. While Commerzbank CEO Martin Zielke wants a decision as soon as possible, Deutsche Bank CEO Christian Sewing wants time to assess the deal, the people said, asking not to be identified. He would like to wait until after Easter, Die Welt reported Wednesday, without saying how it obtained the information.

Amazon, Microsoft chosen to compete for Pentagon cloud computing contract

(Reuters) Amazon.com Inc and Microsoft Corp have been selected to continue competing for Pentagon cloud computing services as part of a contract that could be worth some \$10 billion, the US Department of Defense said on Wednesday. The selection leaves Oracle Corp and IBM Corp out of the competition for the contract for the Defense Department's Joint Enterprise Defense Infrastructure Cloud, or JEDI. The contract is part of a broad modernization of Pentagon information technology systems.

National Enquirer for sale as tabloid feels heat from its own scandals

(Reuters) The owner of the National Enquirer said on Wednesday it was considering selling the tabloid, which has admitted to paying hush money to help US President Donald Trump get elected and been accused of attempting to blackmail Amazon founder Jeff Bezos. American Media Inc (AMI) said in a statement it is looking at "strategic options" for the weekly, as well as for the Globe and the National Examiner brands.

PG&E in talks with BlueMountain to possibly expand board: sources

(Reuters) California utility owner PG&E Corp is exploring expanding its board as it navigates bankruptcy proceedings in an effort to potentially settle an ongoing battle with shareholder BlueMountain Capital Management LLC, people familiar with the matter said on Wednesday. The discussions between PG&E and BlueMountain representatives underscore the restructuring challenges the company faces since filing for bankruptcy in January to address potentially crushing liabilities from catastrophic wildfires.

Indivior plunges on US charges against opioid treatment

(Bloomberg) Indivior Plc plummeted to an all-time low after US prosecutors said the UK drugmaker deceived doctors about its addiction treatment's dangers, fueling a deadly epidemic of opioid abuse. Indivior misled doctors and government health programs into believing that the drug, Suboxone Film, was safer and less likely to be abused than rivals, the Justice Department said in a statement Tuesday. The company's stock fell as much as 71%.

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