

# MARKETS TODAY

Friday, April 12, 2019

## MARKETS IN BRIEF

- Euro jumped on speculation of increased demand for it from a Japanese bank's plans to buy a multi-billion dollar aviation finance business from a German bank.
- British pound volatility decreased after Brexit deadline was delayed.
- U.S. dollar headed for a weekly loss on signs that the U.S. economy is slowing.
- Oil prices returned to trade higher supported by ongoing output cuts and potential U.S. sanctions.
- U.S. stocks had a choppy session yesterday weighed by anxiety ahead of corporate earnings and worries about a global economic slowdown, which capped gains stemming from upbeat economic data.
- Asian stocks tracked Wall Street's retreat yesterday. Japanese Nikkei index jumped to 4-month highs ahead of a 10-day holiday in Japan. It was buoyed by a couple of heavyweight stocks. However, the broader market was not as rosy as the Nikkei might suggest, with the Topix index dropping 0.1%.
- Most Gulf stock markets were little changed yesterday. Dubai index snapped a 10-day winning streak, dragged down by the financial sector.

## Uber filing for IPO, but warns on profits

Uber Technologies Inc has 91 million users, but growth is slowing and it may never make a profit, the ride-hailing company said on Thursday in its IPO filing. The document gave the first comprehensive financial picture of the decade-old company which was started after its founders struggled to get a cab on a snowy night and has changed the way much of the world travels. The S-1 filing underscores Uber's rapid growth in the last three years but also how a string of public scandals and increased competition from rivals have weighed on its plans to attract and retain riders. Uber lost \$3.03 billion in 2018 from operations. Most notably, Uber's food-delivery business grew 149% year-on-year to \$1.5 billion in revenue in 2018.

| FX & COMMODITIES  | LAST     | 1D     |
|-------------------|----------|--------|
| EUR/\$            | 1.1286   | 0.29%  |
| GBP/\$            | 1.3061   | 0.02%  |
| AUD /\$           | 0.7130   | 0.08%  |
| \$/JPY            | 111.78   | -0.11% |
| \$/CAD            | 1.3364   | 0.14%  |
| Gold \$           | 1293.93  | 0.11%  |
| WTI \$            | 63.86    | 0.44%  |
| BRENT \$          | 71.08    | 0.35%  |
| AMERICA           |          |        |
| DOW JONES         | 26143.05 | -0.05% |
| S&P 500           | 2888.32  | 0.00%  |
| NASDAQ            | 7947.36  | -0.21% |
| EUROPE            |          |        |
| STXE 600          | 386.91   | 0.06%  |
| CAC 40            | 5485.72  | 0.66%  |
| DAX               | 11935.20 | 0.25%  |
| ASIA PACIFIC      |          |        |
| S&P/ASX 200       | 6245.50  | 0.76%  |
| NIKKEI 225        | 21861.08 | 0.69%  |
| CSI 300 (China)   | 3971.94  | -0.64% |
| MENA              |          |        |
| Saudi Arabia      | 9087.97  | 0.12%  |
| Dubai             | 2790.16  | -0.63% |
| Qatar             | 10259.07 | 0.22%  |
| BONDS             |          |        |
| U.S. 10-year      | 2.4933   | 0.0000 |
| German Bund 10-yr | -0.0090  | 0.0002 |
| AU 10-year        | 1.8840   | 0.0003 |

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## More compromises from May

Theresa May hinted she's working for a compromise with her domestic political enemies on a post-Brexit customs alliance with the EU, in a move that would put Britain on course for an even softer divorce. May faced calls to resign from outraged Brexit-supporters in her Conservative Party after agreeing to a 6-month delay to Britain's departure from the bloc. She then risked further inflaming relations with her own side, insisting it's vital to work with socialist Jeremy Corbyn's main opposition Labour Party on a joint Brexit plan, even if this is "uncomfortable."

## Powell: Fed is independent

Fed Chairman Jerome Powell asserted the central bank's independence in remarks to Democratic lawmakers, telling them the Fed doesn't consider political pressure in any way, according to two people in the room for the closed-door event (Bloomberg). Powell declined to discuss the president, a comment that was greeted by applause. The chairman told the lawmakers that interest rates are at about the right level given current economic conditions and that the benefits of U.S. economic growth haven't been as widely spread as the Fed would like.

## IEA: Oil markets tightening

Global oil markets are tightening as OPEC supply falls, the International Energy Agency said, while warning it could lower demand forecasts because of economic threats. Crude inventories are set to decline for the rest of the year as Saudi Arabia and its partners curb production, while exports from Venezuela and Iran are squeezed by economic and political crises, the agency said in its monthly report. But it cautioned that threats in the world economy, from Europe to emerging markets, could take a toll on fuel consumption.

| BEIRUT S.E.     | LAST  | 1D     |
|-----------------|-------|--------|
| SOLIDERE—A      | 6.00  | 5.45%  |
| SOLIDERE—B      | 5.82  | 2.65%  |
| BANK OF BEIRUT  | 18.80 | -      |
| BANK AUDI SAL   | 4.67  | -4.50% |
| BLOM BANK       | 9.27  | -      |
| BYBLOS BANK     | 1.35  | -0.74% |
| BLC BANK SAL    | 0.93  | -      |
| BANQUE BEMO SAL | 1.55  | -      |

## FX & COMMODITIES

The euro rose to a 2-1/2-week high on Friday, as dealers said speculators anticipated increased demand for the common currency arising from a Japanese bank's plans to purchase the multi-billion dollar aviation finance business from a German bank. The euro rose 0.29% to \$1.1286 after touching \$1.1294, its highest since March 26. The common currency also advanced about 0.39% to 126.15 yen, its strongest since March 21. Dealers said speculators were buying the euro in response to reports on Mitsubishi UFJ Financial Group's planned purchase of the aviation financing business of Germany's DZ Bank. As of June last year, that business stood at 5.6 billion euros. Pressured by the stronger euro, the dollar index against a basket of six major currencies was down 0.17% at 97.012, giving up most of the previous day's gains. This week both France and Italy reported higher than expected industrial output in February, offering positive signs for the bloc after some downbeat data.

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## FX & COMMODITIES

**The US dollar was little changed at 111.78 yen after gaining 0.6% overnight on robust US data and the subsequent rise in US Treasury yields. Data released on Thursday showed first-time filings for US jobless benefits dropped to a 49-1/2-year low last week, pointing to sustained labour market strength.** Overall producer prices increased 0.6% in March, the largest rise since October. The greenback's advance, however, stalled ahead of the 112.00 yen threshold. The dollar had sagged on Wednesday after a mixed report on domestic consumer prices reinforced the notion that underlying US inflation remains tame.

**The British pound rose against a weaker dollar to cancel out most of the previous day's losses. Volatility for sterling plunged after a midweek deal at an emergency EU summit to postpone Britain's exit from the bloc to Oct. 31.** The deal meant Britain would not crash out this week without a treaty.

The Canadian dollar edged up 0.14% to C\$1.3364 per dollar after shedding 0.5% the previous day as crude oil prices retreated from 5-month highs.

**The Australian dollar traded at \$0.7130, eking out a gain of 0.08%, after sinking 0.7% on Thursday. The Aussie had also been weighed down by a decline in copper prices and political uncertainty.** Australian Prime Minister Scott Morrison on Thursday announced a general election to be held on May 18.

The New Zealand dollar, also sensitive to shifts in commodity prices, slipped to \$0.6714, its lowest since Jan. 22, before pulling back to \$0.6734.

**Oil prices edged higher on Friday, lifted by ongoing supply cuts led by producer club OPEC and by US sanctions on petroleum exporters Iran and Venezuela.** Oil markets have been pushed up by more than a third this year by supply cuts led by the OPEC, US sanctions on oil exporters Iran and Venezuela, and an escalating conflict in Libya. Production in Venezuela has been plunging as the US sanctions add to a deep economic and political crisis, while the US government is expected to tighten oil sanctions against Iran in May.

## ECONOMIC CALENDAR

| CURRENCY - TIME (LT) | EVENT                              | FCAST  | PRIOR |
|----------------------|------------------------------------|--------|-------|
| EUR—12:00            | Eurozone Industrial Production MoM | -0.50% | 1.40% |
| USD—15:30            | US Import Prices MoM               | 0.40%  | 0.60% |
| USD—17:00            | US Prelim UoM Consumer Sentiment   | 98.1   | 98.4  |

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

**Next Week:** UK Rightmove HPI MoM, German Ifo Business Confidence Report, Canada BoC Business Outlook Survey, AU RBA Policy Meeting Minutes, UK Jobs Report, ZEW Economic Sentiment for Eurozone and Germany, Canada Manufacturing Sales, US Industrial Production MoM, NZ Inflation QoQ, Japan Trade Balance, China GDP, Fixed Asset Investment, Industrial Production, Retail Sales, and Unemployment Rate, Eurozone Current Account, UK CPI, PPI, and RPI, Eurozone Final CPI, OPEC Meetings, Canada Inflation, US Trade Balance, US Fed Beige Book, AU Jobs Report, Swiss Trade Balance, Flash Services and Manufacturing PMI for major countries, Canada Retail Sales, US Retail Sales, US Building Permits

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| CURRENCIES           | LAST    | 1D     | YTD    |
|----------------------|---------|--------|--------|
| DXY                  | 97.012  | -0.17% | 0.87%  |
| EUR/\$               | 1.1286  | 0.29%  | -1.58% |
| GBP/\$               | 1.3061  | 0.02%  | 2.41%  |
| AUD /\$              | 0.7130  | 0.08%  | 1.15%  |
| NZD/\$               | 0.6734  | 0.09%  | 0.22%  |
| \$/JPY               | 111.78  | -0.11% | -1.87% |
| \$/CAD               | 1.3364  | 0.14%  | 2.04%  |
| \$/CHF               | 1.0027  | 0.03%  | -2.05% |
| \$/SEK               | 9.2692  | 0.21%  | -4.49% |
| \$/NOK               | 8.5168  | 0.23%  | 1.46%  |
| \$/DKK               | 6.6144  | 0.29%  | -1.56% |
| \$/TRY               | 5.7636  | -0.49% | -8.23% |
| EUR/GBP              | 0.8641  | -0.23% | 4.04%  |
| EUR/JPY              | 126.15  | -0.39% | -0.25% |
| EUR/CHF              | 1.1316  | -0.22% | -0.54% |
| COMMODITIES          | LAST    | 1D     | YTD    |
| Gold Spot \$/Oz      | 1293.93 | 0.11%  | 0.89%  |
| Silver Spot \$/Oz    | 14.99   | 0.16%  | -3.23% |
| Platinum Spot \$/Oz  | 894.46  | 0.14%  | 12.42% |
| Palladium Spot \$/Oz | 1375.64 | 0.33%  | 9.02%  |
| COPPER \$/lb         | 290.60  | 0.66%  | 10.20% |
| WTI \$/bbl           | 63.86   | 0.44%  | 40.63% |
| BRENT \$/bbl         | 71.08   | 0.35%  | 32.12% |

## EQUITIES & BONDS

The US Treasury Department on Thursday sold \$16 billion of 30-year government bonds at a yield of 2.930%, which was the lowest yield for this debt maturity at an auction since January 2018, according to Treasury data. The ratio of bids to the amount of the reopened 30-year issue was 2.25, unchanged from the prior 30-year bond sale, which was also worth \$16 billion, held in March.

**Asian shares weakened on Friday as trepidation ahead of the start of the US corporate earnings season and underlying anxiety over the global growth outlook eclipsed some reassuring US economic data.** MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.1%, having earlier see-sawed within a tight range. Despite broad weakness in the region, with Chinese blue-chips down 0.64% ahead of the release of March trade data, higher Chinese iron ore prices helped to push Australia's S&P/ASX 200 index up 0.76%. Japan's Nikkei stock index gained 0.69%.

**In the U.S., the S&P 500 ended little changed on Thursday as growing anxiety over a global economic slowdown offset upbeat data and investors waited for earnings season to kick into high gear. In choppy trading, the Nasdaq and the Dow closed lower, with healthcare stocks weighing on all three major US stock indexes.** On the economic front, initial jobless claims dropped last week to their lowest level since 1969, while in March, producer prices made

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## EQUITIES & BONDS

their biggest gain since October, according to separate reports from the US Labor Department. The upbeat data could ease worries of a sharp global economic downturn reaching US shores, a concern reflected in minutes from the Fed's March meeting released on Wednesday. As reporting season begins, analysts expect S&P 500 Q1 profits to have dropped 2.5% year-on-year, their first contraction since 2016. Financial stocks were up 0.6% ahead of a string of earnings reports from six major US banks. JPMorgan Chase & Co and Wells Fargo & Co are due to report on Friday, followed by Citigroup Inc and Goldman Sachs Inc on Monday and Bank of America Corp and Morgan Stanley on Tuesday. Of the 11 major sectors of the S&P 500, seven closed in the black. Healthcare stocks were by far the biggest drag, falling 1.2% a day after US Senator Bernie Sanders introduced a "Medicare for All" plan to Congress, and the Senate Finance Committee concluded a hearing to discuss the role pharmacy benefit managers play in drug pricing. UnitedHealth Group Inc weighed heaviest on the Dow, falling 4.3%. US Steel Corp dropped 3.2% after Bank of America Merrill Lynch cut its rating on the stock to "underperform." Peers AK Steel Holding Corp and Steel Dynamics Inc dropped 8.3% and 2.5%, respectively. Home furnishings retailer Bed Bath & Beyond fell 8.8% as its bleak Q1 profits raised doubts about its turnaround plan. Shares of Lyft Inc reversed course, rising 1.5%. Still, the stock is currently trading about 15% below its \$72 offer price since its March 29 debut, casting a shadow over rival Uber Technologies' impending IPO.

**Major Gulf stock markets were little changed yesterday. Dubai index slid as most of its financial shares dropped, snapping a 10-day winning streak.** The index fell 0.6%, led by a 1.7% fall in Emirates NBD, ahead of its board meeting scheduled on April 16 to approve its Q1 financial statement. On Wednesday, the lender said it would receive 554.5 million pounds (\$725.6 million) from the sale of a stake in Network International through a secondary listing of the shares in London. Emirates NBD sold 127.5 million shares in the payment processor, reducing its stake to 25.5%.

## COMPANY NEWS HEADLINES

- Tesla Inc on Thursday started leasing out its Model 3 sedan in the US, in a financing option that would increase the electric car maker's customer base.
- A mutual health aid plan launched by Ant Financial Services Group, the dominant fintech player in China, has amassed more than 50 million users and is aiming for 300 million within two years, the company said late on Thursday.
- Amazon.com Inc's Japanese unit raised the membership fee for its Prime service by 26% on Friday, the first such hike since it was launched in the country 11 years ago.
- ESPN+, Walt Disney Co's sports video streaming service, could attract between 8 million and 12 million paying subscribers by the end of the fiscal 2024 year, the company said on Thursday.
- California energy company PG&E Corp said on Thursday it appointed former state and federal regulator Nora Mead Brownell as chair of the company's board of directors. The company also appointed former US ambassador Jeffrey Bleich as chair of the board of its subsidiary Pacific Gas and Electric Company.
- Budget Indian airline SpiceJet Ltd said on Friday it planned to lease a "first lot" of 16 Boeing Co 737-800s to help fill a gap in aviation capacity that ratings agency ICRA said has pushed up fares by 30 to 40% since September.
- French food group Danone said on Friday it had signed a definitive agreement for the sale of Earthbound Farms, its U.S. organic salad business, to California-based Taylor Farms. Financial terms of the deal were not disclosed.

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| S&P 500         | 2888.32  | 0.00%   | 15.22%  |
| NASDAQ          | 7947.36  | -0.21%  | 19.77%  |
| S&P/TSX         | 16399.47 | 0.02%   | 14.50%  |
| EUROPE          | LAST     | 1D      | YTD     |
| STXE 600        | 386.91   | 0.06%   | 14.59%  |
| FTSE 100        | 7417.95  | -0.05%  | 10.25%  |
| CAC 40          | 5485.72  | 0.66%   | 15.96%  |
| DAX             | 11935.20 | 0.25%   | 13.03%  |
| ASIA PACIFIC    | LAST     | 1D      | YTD     |
| S&P/ASX 200     | 6245.50  | 0.76%   | 10.61%  |
| NIKKEI 225      | 21861.08 | 0.69%   | 9.22%   |
| TOPIX           | 1604.37  | -0.13%  | 7.38%   |
| CSI 300 (China) | 3971.94  | -0.64%  | 31.93%  |
| MENA            | LAST     | 1D      | YTD     |
| Saudi Arabia    | 9087.97  | 0.12%   | 16.11%  |
| Abu Dhabi       | 5052.34  | -0.11%  | 2.79%   |
| Dubai           | 2790.16  | -0.63%  | 10.29%  |
| Qatar           | 10259.07 | 0.22%   | -0.39%  |
| 10-YEAR BONDS   | LAST     | 1D      | YTD     |
| U.S.            | 2.4933   | -0.0037 | -0.1909 |
| Germany         | -0.0090  | 0.0170  | -0.2510 |
| U.K.            | 1.1500   | 0.0530  | -0.1270 |
| Australia       | 1.8840   | 0.0270  | -0.4340 |

## TOP SELECTED NEWS

### ECB would rather pay banks to lend than cut charge on idle cash: source

(Reuters) ECB policymakers are increasingly leaning toward rewarding banks for lending to households and businesses but are mostly skeptical about giving lenders a reprieve from a charge on their idle cash, four sources told Reuters. With the euro zone economy slowing more than expected, the ECB is again looking for ways to stimulate inflation, but with an increasingly empty-looking toolbox and just months after stopping a 2.6 trillion euro (\$2.93 trillion) bond-buying program. The sources said rate-setters, who met in Frankfurt on Wednesday, were now open to offering a zero or even negative interest rate to banks that pass through into the economy the cash they borrow under the ECB's third Targeted Long-Term Refinancing Operation (TLTRO III), due to start in September.

### Boeing CEO says two thirds of MAX customers have tested software fix

(Reuters) Boeing Co CEO Dennis Muilenburg said on Thursday that 67% of its more than 50 737 MAX customers have tested the manufacturer's software fix in simulator sessions, with additional tests expected in the coming weeks. Speaking at a leadership forum in Dallas, Muilenburg said the Boeing team had made 96 flights totaling a little over 159 hours of air time with the updated software, which is under scrutiny following two fatal crashes.

## TOP SELECTED NEWS

### **US producer prices post biggest rise in five months**

(Reuters) US producer prices increased by the most in 5 months in March, but underlying wholesale inflation was tame. The Labor Dept said on Thursday its PPI for final demand rose 0.6% last month, lifted by a surge in the cost of gasoline. That was the largest increase since last October and followed a 0.1% gain in February. In the 12 months through March, the PPI rose 2.2% after advancing 1.9% in February. The so-called core PPI increased 2.0% in the 12 months through March. That was the smallest annual increase since August 2017 and followed a 2.3% rise in February.

### **Sydney property prices face further drop, RBA says**

(Bloomberg) Sydney property prices face "further downward pressure" due to a large ongoing apartment pipeline as risks to Aussie households have risen, the bank said. In its semi-annual assessment of the financial system, RBA cited the danger of a "sharper downturn" in the global economy. It said while banks' profits remain healthy, increased scrutiny and weaker property and housing credit meant "greater-than-usual uncertainty" about their outlook.

### **Santander offers to buy back remaining 25% stake in Mexico unit**

(Bloomberg) Banco Santander SA said it's offering to buy back a 25% stake in its Mexico unit that it doesn't already own as Spain's biggest bank seeks to reap more profit from its lucrative Latin American business. Santander will offer Mexican unit shareholders 0.337 shares of the bank for each Santander Mexico share, equivalent to 32.376 pesos per share, the lender said in a filing to regulators Friday. The bank will issue up to 572 million shares, equivalent to 3.5% of total shares, to fund the transaction.

### **Credit Suisse's Asia trading stemmed losses in Q1**

(Bloomberg) Credit Suisse Group AG said its Asia-Pacific trading business will break even in Q1 after two years of losses, giving a first glimpse into how Switzerland's 2nd-largest bank has fared in a challenging quarter. The comments come three weeks after rival UBS Group AG warned that Q1 was "one of the worst" in recent history, pushing revenue at its investment bank down by a third. Credit Suisse's global trading revenue is expected to decline in the quarter, though not as sharply as indicated by UBS, according to people with knowledge of the matter, who asked not to be identified because the information is private. Credit Suisse declined to comment on the performance.

### **ECB officials are said to question logic of Deutsche Bank deal**

(Bloomberg) Deutsche Bank AG and Commerzbank AG are facing intense skepticism from top European regulators about whether a combination would put the two lenders on safer footing, according to people familiar with the matter. Officials are concerned that the ECB's credibility will suffer a major blow if they approve a deal and the merged bank then runs into trouble, they said. However, another official said that even if they raise funds, that won't be sufficient to sway regulators if they don't consider the business case to be convincing.

### **Tesla, Panasonic temper expansion plans for battery factory**

(Bloomberg) Tesla and Panasonic are reportedly tempering expansion plans for the battery gigafactory they've plugged billions into the last few years, deepening concerns about demand for the carmaker's electric vehicles. The maker of the Model 3 sedan said Thursday that while it's going to continue making new investment as needed in its plant outside Reno, Nevada, existing equipment may be able to produce far more output than previously estimated. Panasonic said it will study additional investment in collaboration with Tesla, following a Nikkei report that said the two had frozen spending plans. Tesla shares slumped as much as 3.8% Thursday, extending their drop this year to 20%.

### **Abraaj CEO charged with fraud in US after firm's collapse**

(Bloomberg) Two former executives of The Abraaj Group, which collapsed last year in the world's biggest private-equity insolvency, were arrested on US charges of defrauding investors, with one defendant nabbed after arriving in New York with his wife and son to look at colleges. Arif Naqvi, the founder and ex-CEO, was arrested Wednesday in the UK and is awaiting possible extradition to the US.

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