

# MARKETS TODAY

Tuesday, April 16, 2019

## MARKETS IN BRIEF

- Australian dollar weakened on RBA comments over potential rate cut. Traders shifted attention to important Chinese economic data tomorrow: GDP, Retail Sales, and Fixed Asset Investment.
- Japanese yen was higher but still near this year's low levels.
- Oil prices edged lower on expectations that output may increase.
- Gold prices slipped for the fourth straight session on improvement in market risk appetite.
- Asian shares firmed near 9-month highs on hopes that China is heading towards stabilization.
- U.S. stocks halted a 3-day advance mixed after disappointing results from Goldman Sachs and Citigroup dragged down bank shares. The S&P 500 Index slipped from a 6-month high as the U.S. corporate earnings season kicks into high gear.
- In the Gulf markets, the Abu Dhabi index rose to 5-year highs. Saudi index was helped petrochem stock.

## RBA seeing no near-term adjustment

RBA discussed interest-rate cuts in a review of policy scenarios at its April 2 board meeting and concluded there was "not a strong case" for an adjustment in the near term. The c. bank conceded rates were unlikely to need to rise in the period ahead and decided standing pat would allow it to be "a source of stability and confidence." It acknowledged the impact of further easing would be "smaller than in the past" because of high household debt and declining property prices. "Nevertheless, a lower level of interest rates expected to support the economy through a depreciation of the exchange rate and by reducing required interest payments on borrowing, freeing up cash for other expenditure," the RBA said.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1308	0.04%
GBP/\$	1.3099	-0.01%
AUD /\$	0.7149	-0.33%
\$/JPY	111.92	0.11%
\$/CAD	1.3387	-0.15%
Gold \$	1284.84	-0.24%
WTI \$	63.30	-0.16%
BRENT \$	70.91	-0.38%
AMERICA		
DOW JONES	26384.77	-0.10%
S&P 500	2905.58	-0.06%
NASDAQ	7976.01	-0.10%
EUROPE		
STXE 600	388.10	0.15%
CAC 40	5508.73	0.11%
DAX	12020.28	0.17%
ASIA PACIFIC		
S&P/ASX 200	6277.40	0.42%
NIKKEI 225	22238.84	0.31%
CSI 300 (China)	4049.78	1.87%
MENA		
Saudi Arabia	9088.13	0.36%
Dubai	2805.04	0.62%
Qatar	10221.52	-0.14%
BONDS		
U.S. 10-year	2.5489	-0.0001
German Bund 10-yr	0.0580	0.0000
AU 10-year	1.9270	-0.0002

## China's treasury holding increasing for the 3rd month

China's holdings of Treasury securities rose for a third month as the Asian nation took on more U.S. government debt amid the trade war between the world's two biggest economies. China's holdings of notes, bills and bonds increased \$4.2 billion to \$1.13 trillion in February from the previous month, according to Treasury Department data released Monday in Washington. Japan remained the second-biggest holder, with \$1.07 trillion, up \$2.2 billion from January.

## Notre-Dame Cathedral engulfed with fire

A massive fire consumed Notre-Dame Cathedral on Monday, gutting the roof of the Paris landmark and stunning France and the world, though firefighters saved the main bell towers and outer walls from collapse before bringing the blaze under control. Emmanuel Macron vowed to rebuild. The French billionaire, François-Henri Pinault, and his family have pledged 100 million euros (\$113 million) to rebuild Notre Dame Cathedral, which caught fire on Monday evening.

## Key economic data to be released

The UK labor market may have shown few signs of cooling in the three months through February, according to consensus. Job gains remained solid, with the unemployment rate sticking at 3.9%. Wage growth probably held steady at 3.4%. In Germany, the ZEW survey of investor confidence may show a hint of optimism, with the expectations component moving back into positive territory. Still, the current situation gauge probably edged down.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.64	-0.18%
SOLIDERE—B	5.67	-0.35%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.63	-0.85%
BLOM BANK	9.27	-
BYBLOS BANK	1.34	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

## FX & COMMODITIES

The Australian dollar was the surprise loser in Asia after Australia's central bank left the door ajar for a possible cut in interest rates. The RBA believes a cut in interest rates would be "appropriate" should inflation stay low and unemployment trend higher, the central bank's April board meeting minutes showed, though members were of the view that there was still no strong case for a move in the near term. The Australian dollar, a barometer of investor sentiment, lost 0.4% to \$0.7140 after the release of the minutes, coming off a near seven-week high hit on Friday. Policy makers appear to be growing increasingly worried about the impact of the housing downturn. They pointed out that a slowdown in consumption growth in the second half was driven by items that have tended to be most correlated with housing prices. RBA rate-cut pricing is little changed overall, though the odds of a reduction near term rise. June and July RBA OIS rates decline 3bps to price 9bps (35%) and 14bps (55%) of cuts, respectively.

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## FX & COMMODITIES

**The US dollar edged up against a basket of its key rivals on Tuesday with investors erring on the side of caution as they looked for more concrete signs of stabilization in the global economy. Most currencies stayed within well-trodden trading ranges ahead of European and Chinese data.** The dollar index was last a shade higher at 96.927 after ending the previous session basically unchanged. Markets are now focused on European and Chinese data for more evidence that the worst may be over for the global economy. The data includes Germany's ZEW economic index for April, due around 12:00 LT, and China's gross domestic product set for Wednesday, which is expected to offer more insight on the health of the world's second-largest economy. Chinese exports and credit data last week signalled some stabilization in broad economic conditions in a relief to investors worried about the global growth outlook. The euro was flat at \$1.1308, erasing the previous session's small gain.

**The Japanese yen edged up, but still within reach of 2019 lows of 112.135 yen brushed in early March. Trade issues were also front and center of investors' minds, including talks between Japanese Economy Minister Toshimitsu Motegi and US Trade Representative Robert Lighthizer.** Motegi said late on Monday both sides had confirmed that new bilateral trade talks would proceed based on the two nations' joint statement issued last September. Motegi and Lighthizer are slated to continue their talks on Tuesday. Elsewhere, US Treasury Secretary Steven Mnuchin said over the weekend he hoped Sino-US trade negotiations were close to their final round.

**Oil prices edged down on Tuesday after a Russian minister said the nation and OPEC may boost crude output to fight the US for market share, checking a recent rally driven by tighter global production.** Russian Finance Minister Anton Siluanov said over the weekend that Russia and OPEC may decide to boost production to fight for market share with the US, but this would push oil as low as \$40 per barrel. The OPEC and its allies including Russia, known as OPEC+, will meet in June to decide whether to continue withholding supply. That comes after they previously agreed to crimp output by 1.2 million bpd Jan. 1 for six months. Ballooning shale oil output in the US has also helped rein in benchmark crude prices.

**Gold slipped for a fourth straight session on Tuesday as optimism over the US-China trade talks helped investors retain risk appetite despite dismal quarterly results from Wall Street.** Spot gold was down 0.24% at \$1,284.84 per ounce. In the previous session, the bullion dropped to \$1,281.96, its weakest since April 4.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Unemployment Rate	3.90%	3.90%
GBP—11:30	UK Average Earnings Index	3.50%	3.40%
EUR—12:00	German ZEW Economic Sentiment	0.9	-3.6
EUR—12:00	Eurozone ZEW Economic Sentiment	1.2	-2.5
CAD—15:30	Canada Manufacturing Sales	-0.10%	1.00%
USD—16:15	US Industrial Production MoM	0.20%	0.10%

**Wednesday:** 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, UK BoE Carney speaks, US Fed Beige Book

**Thursday:** AU Jobs Report, Swiss Trade Balance, Flash Services and Manufacturing PMI for major countries, Canada Retail Sales, US Retail Sales, US Initial Jobless Claims, US Building Permits

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CURRENCIES	LAST	1D	YTD
DXY	96.927	-0.02%	0.78%
EUR/\$	1.1308	0.04%	-1.39%
GBP/\$	1.3099	-0.01%	2.71%
AUD /\$	0.7149	-0.33%	1.42%
NZD/\$	0.6758	-0.07%	0.58%
\$/JPY	111.92	0.11%	-1.99%
\$/CAD	1.3387	-0.15%	1.87%
\$/CHF	1.0038	0.03%	-2.16%
\$/SEK	9.2659	0.03%	-4.45%
\$/NOK	8.4906	0.06%	1.77%
\$/DKK	6.5981	0.08%	-1.31%
\$/TRY	5.8080	-0.07%	-8.93%
EUR/GBP	0.8633	-0.04%	4.13%
EUR/JPY	126.56	0.07%	-0.58%
EUR/CHF	1.1351	0.00%	-0.84%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1284.84	-0.24%	0.18%
Silver Spot \$/Oz	14.97	-0.22%	-3.40%
Platinum Spot \$/Oz	887.50	-0.04%	11.54%
Palladium Spot \$/Oz	1369.13	0.31%	8.51%
COPPER \$/lb	294.10	0.20%	11.53%
WTI \$/bbl	63.30	-0.16%	39.40%
BRENT \$/bbl	70.91	-0.38%	31.80%

## EQUITIES & BONDS

**Asian stocks ticked up on Tuesday, staying near a nine-month high as hopes of stabilization in the Chinese economy helped investors shrug off Wall Street's underperformance that followed disappointing bank earnings.** European shares are set to pick up, with futures of London and Frankfurt shares rising 0.2 to 0.3%. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.3%, led by gains in China and India. The index had risen to its highest level since July 2018 the previous day after strong export and banking data from China last week eased investors' concerns about the health of the world's second-largest economy. Mainland Chinese shares rose 1.7%, partly on brisk home prices data while India's NSE index rose 0.8% to a record high, surpassing its previous peak hit earlier this month. Japan's Nikkei edged up 0.2%.

**US stocks lost ground on Monday, dragged down by financials as underwhelming bank earnings curbed investor enthusiasm. But while all three major US stock indexes edged lower, the S&P 500 remained within a% of its record high.** Following a January-March rally that marked the US stock market's best quarterly performance in nearly a decade, stocks had been in a holding pattern in April ahead of Q1 reporting season. Goldman Sachs dipped 3.8% after the investment bank's Q1 revenue came in below analyst expectations. Citigroup Inc posted higher-than-expected earnings as cost-cutting offset falling revenues. Its shares ended the session nominally lower, dropping 0.1%. With Q1 reporting season shifting into high gear, analysts now see S&P 500 companies posting a 2.1% year-on-year

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## EQUITIES & BONDS

decline in profits. While an improvement over recent estimates, it would still mark the first annual decline in earnings since 2016. Bank of America Co, Morgan Stanley, Netflix Inc, Johnson & Johnson, Textron Inc, Honeywell International Inc, Schlumberger NV and American Express Co are among the closely-watched earnings expected this holiday-shortened week. Sources said US negotiators have softened their demands that China curb industrial subsidies as a condition for a trade deal, marking a retreat from a core US objective. Of the 11 major sectors in the S&P 500, six ended the session in the red. Financials were the biggest %age losers, closing down 0.6% and snapping their three-day winning streak. Waste Management Inc rose 2.4% following its announcement that it would buy smaller rival Advanced Disposal Services Inc for about \$3 billion. Boeing Co slid 1.1% after US President Donald Trump tweeted that the plane-maker should fix and "rebrand" its 737 MAX jet. Lyft Inc extended its slide, falling 6.3%. The ride-hailing platform, which had its market debut in March, is now trading about 22% below its \$72 offer price.

**In the Gulf stock markets, Abu Dhabi index rose to a near 5-year high on Monday, lifted by First Abu Dhabi Bank. Saudi index was lifted by petrochemical stocks.** The Abu Dhabi index was up 0.9% after hitting its highest since May 2014. First Abu Dhabi Bank, UAE's largest lender, climbed 2.4% to 16 dirhams, touching an all-time high. Last week, the bank obtained regulatory approval to increase its foreign ownership limit to 40% from a previous limit of 25%. The Saudi index was up 0.4% with its top petrochemical maker Saudi Basic Industries gaining 1.1% and Riyadh Bank advancing 2.1%.

## COMPANY NEWS HEADLINES

- Banco Santander SA decided to call its \$1.5 billion of additional Tier 1 notes in May, nine weeks after it skipped calling a euro CoCo bond. The bank intends to call the notes on May 19, according to a statement.
- Shares of Spotify Technology SA fell 4% on Monday after a report said Amazon.com Inc was in talks to launch a free ad-supported music service, which is expected to intensify competition for the music streaming leader.
- The Supreme Court of the Netherlands dismissed Ecuador's attempts to annul decisions of an international arbitral tribunal that ordered Ecuador to prevent enforcement of a \$9.5 billion judgment against Chevron Corp anywhere in the world, the US oil major said on Tuesday.
- Huawei Technologies, one of the world's biggest smartphone makers, has not had talks with Apple Inc about supplying it with 5G chipsets, Rotating Chairman Ken Hu said on Tuesday.
- US burger chain McDonald's is planning to open 25 restaurants across Italy this year and increase its 23,000 staff by 10%, the company said on Monday.
- Biotech company Hutchison China MediTech, known as Chi-Med, has filed for a Hong Kong listing, which four sources close to the matter said could raise up to \$500 million.
- Anheuser-Busch InBev has enlisted Citigroup and Bank of America Merrill Lynch (BAML) to the team of banks working on the sale of its Asia-Pacific business, three people with direct knowledge of the matter told Reuters.
- The United Arab Emirates' Brooge Petroleum and Gas Investment Co (BPGIC) said it would list on the Nasdaq stock exchange after merging with US-based firm Twelve Seas Investment Co.
- German prosecutors charged former Volkswagen boss Martin Winterkorn with fraud on Monday over his role in the carmaker's manipulation of diesel emissions testing, more than three years after the scandal came to light.

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DOW JONES	26384.77	-0.10%	13.11%
S&P 500	2905.58	-0.06%	15.91%
NASDAQ	7976.01	-0.10%	20.21%
S&P/TSX	16515.46	0.21%	15.31%
EUROPE	LAST	1D	YTD
STXE 600	388.10	0.15%	14.94%
FTSE 100	7436.87	0.00%	10.53%
CAC 40	5508.73	0.11%	16.45%
DAX	12020.28	0.17%	13.84%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6277.40	0.42%	11.18%
NIKKEI 225	22238.84	0.31%	11.11%
TOPIX	1626.67	-0.08%	8.87%
CSI 300 (China)	4049.78	1.87%	34.52%
MENA	LAST	1D	YTD
Saudi Arabia	9088.13	0.36%	16.12%
Abu Dhabi	5222.23	0.93%	6.25%
Dubai	2805.04	0.62%	10.88%
Qatar	10221.52	-0.14%	-0.75%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.5489	-0.0054	-0.1353
Germany	0.0580	0.0020	-0.1840
U.K.	1.2200	0.0080	-0.0570
Australia	1.9270	-0.0230	-0.3910

## TOP SELECTED NEWS

### China's policy stimulus may worsen economic distortions - OECD

(Reuters) China's stimulus measures will shore up economic growth this year and next but may undermine the country's drive to control debt and worsen structural distortions over the medium term, the OECD said in a report on Tuesday. Beijing has stepped up fiscal stimulus to prevent a sharper slowdown in the world's second-largest economy, which is being squeezed by weaker domestic demand and a trade war with the US. Local governments will be allowed to issue 2.15 trillion yuan (\$320.60 billion) worth of special purpose bonds in 2019 to fund infrastructure projects, a jump of 59% from last year. S&P Global Ratings estimated last year that local governments were already sitting on hidden debt that could be as high as 40 trillion yuan.

### House Democrats subpoena Deutsche Bank, others amid Trump probe

(Bloomberg) Congressional Democrats issued subpoenas to Deutsche Bank AG and other banks to obtain long-sought documents indicating whether foreign nations tried to influence US politics, signaling an escalation of their probes into Trump's finances and any dealings with Russians. House Intelligence Chairman Adam Schiff said his panel made the requests Monday in coordination with the House Financial Services Committee, according to a statement.



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## TOP SELECTED NEWS

### **Goldman falls as equity trading, banking backlog decline**

(Bloomberg) Goldman Sachs Group Inc. shares fell after the firm posted a bigger drop in equity trading than expected and warned that the investment-banking boost it got in Q1 may not last. The equity-trading slump led Goldman to a bigger decline in total trading revenue than at Citigroup Inc. or JPMorgan Chase & Co. While that was buffered by a surprise jump in deal fees, the company said its backlog of mergers and debt-underwriting transactions shrank from the end of 2018 as outstanding deals were completed.

### **Citigroup profit beats on investment banking boost**

(Reuters) Citigroup Inc reported higher-than-expected earnings on Monday despite declining revenue as the lender cut costs, grew its investment-banking business and expanded net-interest margin. Still, Citi improved its results in ways, including expense cutting, that may be tough to replicate in future quarters. A lower tax rate also played a big role in Citi's improvement from a year ago. The bank's income from continuing operations declined slightly.

### **UniCredit's German unit pleads guilty in US sanctions case**

(Bloomberg) A German unit of UniCredit pleaded guilty to US charges that it allowed Iranian customers to conduct transactions in violation of sanctions. As part of its settlement with several US regulators, the bank will pay \$1.3 bn and its Austrian unit will enter into a deferred-prosecution agreement. The bank's German unit, HypoVereinsbank, will also enter a guilty plea in Manhattan to a state-level charge of violating books-and-records requirements.

### **Hulu spends \$1.43 billion to buy back AT&T stake, values streaming service at \$15 billion**

(Reuters) Hulu has bought back wireless carrier AT&T Inc's stake in the US entertainment streaming service for \$1.43 billion, in a deal that values Hulu at \$15 billion, the two companies said on Monday. The sale of AT&T's 9.5% stake to Hulu in a cash deal gives Walt Disney Co, which holds a 60% stake in Hulu via a joint venture, more control of the company. Comcast Corp's NBCUniversal has a 30% stake in Hulu.

### **Lufthansa reports loss as fuel costs rise and overcapacity weighs**

(Reuters) Lufthansa reported an operating loss of 336 million euros for the first three months of the year, hurt by rising fuel costs and overcapacity in Europe, sending its shares down 5% in pre-market trade. Germany's biggest airline said late on Monday that a 202 m euro rise in fuel costs had contributed to the loss, while unit revenues at Lufthansa's airlines, which include SWISS and Austrian Airlines, as well as budget carrier Eurowings, fell significantly in the period.

### **Huawei secured 40 5G commercial contracts by end-March**

(Reuters) China's Huawei Technologies Co Ltd said on Tuesday it had secured 40 commercial contracts to build and operate fifth-generation (5G) telecommunications infrastructure as at the end of March, up from a previously disclosed tally of more than 30. Rotating Chairman Ken Hu was speaking at the firm's annual global analyst summit at its headquarters in Shenzhen in southern China.

### **Waste Management expands in \$2.9 billion advanced disposal deal**

(Bloomberg) Waste Management Inc. agreed to buy Advanced Disposal Services Inc. for about \$2.9 billion, expanding the reach of America's largest trash hauler. The deal gives Waste Management landfills, recycling facilities and other operations across 16 states primarily in the eastern US, the companies said Monday in a joint statement. The tie-up is the second-biggest in Waste Management's history.

### **'Game of Thrones' premiere draws record 17.4 million US viewers, HBO says**

(Reuters) The Season 8 premiere of "Game of Thrones" drew a record 17.4 million US television viewers, cable channel HBO said on Monday. HBO said Sunday's audience on linear television as well as its HBO GO and HBO NOW apps exceeded the previous series high of 16.9 million viewers for the Season 7 finale in 2017.

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### GLOBAL MARKETS DIVISION



[treasury@bankofbeirut.com.lb](mailto:treasury@bankofbeirut.com.lb)



+961 1 960 501

### PRIVATE BANKING DEPARTMENT



[privatebanking@bankofbeirut.com.lb](mailto:privatebanking@bankofbeirut.com.lb)



+961 1 960 531/2/3

