

# MARKETS TODAY

Thursday, April 25, 2019

## MARKETS IN BRIEF

- Euro steadied after slumping yesterday to \$1.1141, its lowest since June 22, 2017 (22-month low).
- Japanese yen was helped by safe-haven demand before Japan's Golden Week holiday. Traders didn't react much to BoJ's policy decision earlier today. JPY hit yesterday 112.40 per dollar, its lowest since December 20 (4-month low)
- Canadian dollar was pressured down by increased rate cut expectation following BoC's policy decision yesterday. CAD hit yesterday 1.3521 per dollar, its lowest since January 3 (~4-m low)
- Swedish krona and Turkish lira investors awaited central bank policy decisions later in the day. TRY hit earlier, 5.8972 per dollar, its lowest since October 15 (6-month low)
- Oil markets were torn by mixed factors. Recent U.S. sanctions on Iran provided strong support for prices, while on the other hand, the surge in U.S. crude supplies and global economic concerns exerted downward pressure.
- Yield premium on 10-year UK bonds over German counterparts climbed to the highest level since Brexit referendum .
- Asian stocks dropped to 3-week lows on economic concerns.
- U.S. stocks fell yesterday as traders awaited more earnings results.

## PBOC to keep its expansionary policy

China's central bank has no intent to tighten or relax monetary policy, a vice governor said on Thursday, as the market debates how much more support Beijing will give the economy after surprisingly resilient data was released last week. The People's Bank of China's use of reverse repos or a medium-term lending facility (MLF) does not signal that it has a loosening bias, Vice-Governor Liu Guoqiang told reporters at a briefing. On the contrary, said Liu, if the central bank has not conducted reverse repos for a few days, it does not mean monetary policy is about to tighten. Those tools are designed to adjust short-term liquidity, he added.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1155	0.00%
GBP/\$	1.2904	0.02%
AUD /\$	0.7016	0.01%
\$/JPY	111.93	0.23%
\$/CAD	1.3489	0.03%
Gold \$	1276.47	0.06%
WTI \$	65.92	0.05%
BRENT \$	74.78	0.28%
AMERICA		
DOW JONES	26597.05	-0.22%
S&P 500	2927.25	-0.22%
NASDAQ	8102.02	-0.23%
EUROPE		
STXE 600	390.98	-0.09%
CAC 40	5576.06	-0.28%
DAX	12313.16	0.63%
ASIA PACIFIC		
S&P/ASX 200	6382.14	0.99%
NIKKEI 225	22323.81	0.56%
CSI 300 (China)	3997.47	-0.81%
MENA		
Saudi Arabia	9237.77	0.11%
Dubai	2802.58	-0.30%
Qatar	10457.56	0.73%
BONDS		
U.S. 10-year	2.5217	0.0000
German Bund 10-yr	-0.0110	0.0000
AU 10-year	1.7880	-0.0011

## Bank of Japan's policy on hold ... for a prolonged period

The BoJ kept monetary policy steady on Thursday and clarified its intention to keep interest rates very low for a prolonged period, committing to do so at least through around the spring of next year. In a widely expected move, the BOJ maintained its short-term interest rate target at minus 0.1% and a pledge to guide 10-year government bond yields around zero%. The move puts the BOJ in line with the Fed and the ECB, which have been forced to pause efforts to scale back crisis-mode policies due to heightening uncertainty over the global economic outlook.

## Bank of Canada cutting growth forecasts

The Bank of Canada held interest rates steady on Wednesday as expected but removed wording around the need for future hikes and lowered its growth forecast for 2019, cementing the market's view that further increases are off the table for now. Gov. Stephen Poloz, speaking to reporters after the decision, said the c. bank had shifted to a position of watching and waiting. He did not rule out the chance of a rate cut. The BoC held rates steady at 1.75% on Wednesday. It has increased rates 5 times since July 2017, but has stayed on the sidelines in its last four decisions.

## Deutsche Bk/Commerzbank merger talks could collapse

Merger talks between Germany's top two lenders, Deutsche Bank and Commerzbank, are expected to end in failure, according to Reuters sources. However, no final decision has been taken. The banks declined to comment. Deutsche Bank concluded that the integration risks, implementation costs and capital requirements do not justify a complex deal, according to Financial Times sources. Both lenders have spent six weeks discussing a deal that would have formed the second largest euro area lender with €1.8 trillion in assets and 140,000 employees.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.67	4.61%
SOLIDERE—B	5.44	2.64%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.50	-3.23%
BLOM BANK	8.50	-
BYBLOS BANK	1.23	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

## FX & COMMODITIES

**The euro nursed losses against the dollar on Thursday after dipping to a 22-month low on a surprise drop in a leading indicator for economic activity in Germany, amplifying worries of a growth slowdown in Europe's largest economy.** German business morale deteriorated in April, bucking expectations for a small improvement, a business index by the Munich-based Ifo economic institute showed on Wednesday, as trade tensions weighed on the German economy, leaving domestic demand to support slowing growth. The euro sat at \$1.1155, having suffered its biggest 1-day loss against the dollar since early March when the European Central Bank pushed back plans for its first post-crisis interest rate hike. The single currency also shed nearly 0.4% against the yen overnight and was last trading at 124.94 yen.

**The Japanese yen rose as traders cut risk positions before the start of Japan's Golden Week holidays. Currency markets shrugged off the Bank of Japan's decision to extend its pledge to keep interest rates low.** USD/JPY dropped as much as 0.3% to 111.85 after rising to a 112.40 on Wednesday, a new high for the year. With Japanese financial

# MARKETS TODAY

## FX & COMMODITIES

markets shut for 10 days from Saturday, investors have been looking to reduce exposure should there be a repeat of the flash crash seen in January. BOJ left its key monetary stimulus settings unchanged Thursday and said it would keep rates extremely low at least through spring 2020. The US dollar rallied to a 23-month high of 98.189 against a basket of key rivals overnight after gaining more than half a percent, largely propelled by the euro's weakness. The index last traded little lower at 98.033.

**The Australian dollar was largely unchanged at \$0.7016. The Aussie had given up nearly 1.3% during the previous session after weaker-than-expected Australian inflation numbers heightened the prospect of an interest rate cut.**

**The Canadian dollar was flat at \$1.3489 after hitting a 4-month low overnight, as investors raised bets on a Bank of Canada interest rate cut this year after the central bank slashed its economic growth outlook.**

**Market participants awaited policy decisions by the Swedish and Turkish central banks later on Thursday.** Sweden's Riksbank is likely to keep its benchmark rate unchanged and may be forced to delay plans to tighten policy later in 2019, a Reuters poll of analysts published on Tuesday showed. The Turkish lira hit its weakest intraday level against the dollar since mid-October on Wednesday as investors weighed up risks generated by challenges to Istanbul election results and strains in relations with the US.

**Argentina's peso tripped 3.62% lower to close at 43.94 per US dollar on Wednesday, as uncertainty over the country's recession and inflation-hit economy fed investor nervousness about the October presidential election.** The country's stocks and bonds also fell as investors remained uncertain about whether President Mauricio Macri can overcome political fallout from his unpopular fiscal austerity drive to be re-elected in October.

**Oil prices were torn on Thursday, supported by tightening sanctions against Iran announced this week and pressured by a surge in US supply and concerns of an economic slowdown.** Crude futures rose to 2019 highs earlier in the week after the US said on Monday it would end all exemptions for sanctions against Iran, demanding countries halt oil imports from Tehran from May or face punitive action from Washington. US sanctions against Iran have denied its government more than \$10 billion in oil revenue since President Donald Trump first announced the move last May, a US official said on Thursday during a media call.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—13:00	UK CBI Industrial Order Expectations	3	1
USD—15:30	US Durable Goods Orders MoM	0.70%	-1.60%
USD—15:30	US Core Durable Goods Orders MoM	0.20%	-0.10%
USD—15:30	US Initial Jobless Claims	199k	192k

**Friday:** US Currency Report, NZ Trade Balance, AU Import Prices and PPI, SNB Chairman Jordan speaks, US Advance GDP QoQ, US Revised UoM Consumer Sentiment



# MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	98.033	-0.14%	1.93%
EUR/\$	1.1155	0.00%	-2.72%
GBP/\$	1.2904	0.02%	1.18%
AUD /\$	0.7016	0.01%	-0.47%
NZD/\$	0.6595	0.03%	-1.85%
\$/JPY	111.93	0.23%	-2.00%
\$/CAD	1.3489	0.03%	1.10%
\$/CHF	1.0208	-0.04%	-3.79%
\$/SEK	9.4197	0.16%	-6.01%
\$/NOK	8.6395	-0.03%	0.02%
\$/DKK	6.6933	0.00%	-2.72%
\$/TRY	5.8911	-0.30%	-10.21%
EUR/GBP	0.8645	-0.01%	3.99%
EUR/JPY	124.94	0.15%	0.71%
EUR/CHF	1.1387	-0.02%	-1.16%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1276.47	0.06%	-0.47%
Silver Spot \$/Oz	14.92	-0.19%	-3.73%
Platinum Spot \$/Oz	885.91	0.20%	11.34%
Palladium Spot \$/Oz	1416.17	0.08%	12.24%
COPPER \$/lb	291.10	-0.17%	10.22%
WTI \$/bbl	65.92	0.05%	45.17%
BRENT \$/bbl	74.78	0.28%	39.00%

## EQUITIES & BONDS

The yield premium on 10-year UK bonds over German counterparts climbed to the highest level since the mid-2016 Brexit referendum as bund rates turned negative for the first time in almost two weeks. The spread could widen further if the Bank of England kept its bias for higher interest rates given the prospect a rebound in British inflation. The spread reached around 119 bps.

Asian shares slipped to 3-week lows on Thursday as a surprise deterioration in German and South Korean economic data rekindled fears of slowing global growth, while oil prices pulled back slightly after a sharp run-up earlier in the week. MSCI's broadest index of Asia-Pacific shares outside Japan eased 0.5%, while Japan's Nikkei average closed up 0.5%. The Nikkei didn't react to the move and traders couldn't agree if the measure was aimed at improving stock market liquidity or just cash conditions.

In the U.S., the S&P 500 slipped on Wednesday after ending the previous session with a record and the Nasdaq failed to hold all-time highs reached earlier in the day while investors waited for more earnings reports. Energy stocks were the biggest drag on the S&P 500 as oil prices fell. While the tech-heavy Nasdaq had help from eBay Inc's upbeat earnings and a chipmaker rally, investors were digesting a mixed bag of reports. The S&P 500, closing roughly 0.5% below its intraday record high hit in late September, has rallied about 17% year-to-date. It has been supported by a

# MARKETS TODAY

## EQUITIES & BONDS

dovish Fed, hopes of a US-China trade deal and largely upbeat earnings. But, with big companies such as Microsoft Corp and Facebook Inc, reporting after the close on Wednesday and Amazon.com and Intel Corp reports on tap for Thursday afternoon, many investors kept to the sidelines. In aftermarket trading, Microsoft shares rose about 3% and Facebook shares gained nearly 5%. Profits of S&P 500 companies are expected to decline 1.1% for Q1, still a large improvement from the 2.3% drop estimated at the start of April. And nearly 78% of the 129 companies that have reported so far have surpassed earnings estimates, according to Refinitiv data. Only three of the S&P 500's 11 major industry sectors ended the day in positive territory, and real estate led the gainers with a 0.8% rise. Energy was the biggest decliner with a 1.9% drop. The technology sector lost its gains late in the session to close down 0.01% and the Philadelphia Semiconductor Index closed up 0.95% after hitting an all-time high during the session. Texas Instruments Inc rose 1.8% after its quarterly report. Caterpillar Inc fell 3% as rising costs hit margins in its construction equipment business and the company reported tepid sales in the Asia-Pacific region. AT&T Inc was the biggest drag on the S&P 500, declining 4% after the second-largest US wireless carrier reported quarterly revenue below Wall Street estimates. EBay jumped 5% after the company raised its full-year sales and profit forecasts. Anadarko Petroleum Corp jumped 11.6%, providing the biggest boost to the S&P 500, after Occidental Petroleum Corp sought to scuttle Chevron Corp's takeover of the company with a \$57 billion bid. Boeing Co closed up 0.38% even after scrapping its 2019 outlook and reporting quarterly revenue below estimates due to grounding of its 737 MAX jets. Its shares have lost about 11% since the deadly Ethiopian crash in early March.

**In the MENA region, Egypt's blue-chip index and the Qatari index rose modestly on Wednesday, buoyed by their financial shares.** The Saudi index edged up on the back of its cement producers. The Egyptian index rose 0.9%, after its largest lender Commercial International Bank increased 0.6% and Egypt Kuwait Holding rebounded 3.7% after trading ex-dividend on Tuesday.

## COMPANY NEWS HEADLINES

- Former Nissan Motor Chairman Carlos Ghosn was set to walk out of a Japanese detention center for a second time since his arrest last year on financial misconduct charges, after posting the \$4.5 million bail set by a Tokyo court on Thursday.
- Royal Bank of Scotland has announced that chief executive Ross McEwan has resigned after more than five-and-a-half years leading the bank.
- The Swiss National Bank reported a Q1 profit of 30.7 billion Swiss francs (\$30.10 billion) on Thursday, highlighting the volatility its massive balance sheet creates for the central bank's earnings.
- Deutsche Bank AG's DWS Group reversed an outflow of client money, according to a person briefed on the matter, marking a turnaround for the asset management unit after a difficult year (Bloomberg)
- Britain's competition regulator has blocked Sainsbury's proposed 7.3 billion pound takeover of Walmart owned Asda — a huge blow to the supermarket groups who wanted to combine to overtake market leader Tesco.
- LG Electronics said on Thursday it would stop producing smartphones in South Korea and move manufacturing to Vietnam, joining global rivals in reorganizing production as they battle a slump in global demand.
- Panasonic Corp may upgrade one of its battery plants in Japan to produce advanced-format battery cells for Tesla Inc if needed by the US electric vehicle (EV) maker, a person familiar with the matter told Reuters on Thursday.
- A SoftBank Corp business seeking to find a way to fly cellphone antennas high in the atmosphere to provide internet in underserved areas said on Wednesday it was investing \$125 million in an Alphabet Inc spinoff working on the same problem.
- Swedish carmaker Volvo's quarterly profit fell by 19.3%, the company said on Thursday, blaming pricing pressure and higher tariffs arising from the trade war between the US and China.

# MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26597.05	-0.22%	14.02%
S&P 500	2927.25	-0.22%	16.77%
NASDAQ	8102.02	-0.23%	22.11%
S&P/TSX	16586.52	-0.50%	15.80%
EUROPE	LAST	1D	YTD
STXE 600	390.98	-0.09%	15.79%
FTSE 100	7471.75	-0.68%	11.05%
CAC 40	5576.06	-0.28%	17.87%
DAX	12313.16	0.63%	16.61%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6382.14	0.99%	13.03%
NIKKEI 225	22307.58	0.48%	11.46%
TOPIX	1620.28	0.51%	8.45%
CSI 300 (China)	3959.29	-1.76%	31.51%
MENA	LAST	1D	YTD
Saudi Arabia	9237.77	0.11%	18.03%
Abu Dhabi	5394.70	-0.18%	9.76%
Dubai	2802.58	-0.30%	10.78%
Qatar	10457.56	0.73%	1.54%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.5217	0.0036	-0.1625
Germany	-0.0110	0.0010	-0.2530
U.K.	1.1770	-0.0500	-0.1000
Australia	1.7880	-0.1070	-0.5300

## TOP SELECTED NEWS

### Brexit chaos renews Scottish drive for independence vote

(Bloomberg) The leader of Scotland's pro-independence government vowed to push for another vote on leaving the UK within two years to protect the country from the consequences of Brexit. Nicola Sturgeon, first minister of the semi-autonomous administration in Edinburgh, said the political system in London had failed Scotland, ignoring its vote to stay in the EU and undermining the powers already granted to the Scottish Parliament. She aims to hold a vote within the lifetime of the current parliament, or by 2021, and called on the legislature to unite in the "national interest" and uphold democracy.

### US prosecutors recommend Goldman guilty plea for 1MDB, FT says

(Bloomberg) US prosecutors recommended to senior Justice Department officials that Goldman Sachs be required to plead guilty to a crime to settle a probe of its dealings with Malaysia's 1MDB state investment fund, the Financial Times reported. The recommendation is still under consideration, the FT said. Ultimately, a settlement may be less onerous. Shares of Goldman closed down 1.76%. The bank has blamed rogue employees for any wrongdoing in relation to scandal-plagued 1MDB, previously telling prosecutors it was deceived by regional executives at the firm.





# MARKETS TODAY

## TOP SELECTED NEWS

### **Microsoft tops \$1 trillion as it predicts more cloud growth**

(Reuters) Microsoft Corp on Wednesday briefly topped \$1 trillion in value for the first time after executives predicted continued growth for its cloud computing business. The company beat Wall Street estimates for quarterly profit and revenue, powered by an unexpected boost in Windows revenue and brisk growth in its cloud business which has reached tens of billions of dollars in sales. Microsoft shares rose 4.4% to \$130.54 in late trading after the forecast issued on a conference call with investors, pushing the company ahead of Apple Inc's \$980 billion market capitalization. Microsoft's stock has gained about 23% gain so far this year, after hitting a record high of \$125.85 during regular trading hours. Under Chief Executive Satya Nadella, the company has spent the past five years shifting from reliance on its once-dominant Windows operating system to selling cloud-based services. Azure, Microsoft's flagship cloud product, competes with market leader Amazon Web Services (AWS) to provide computing power to businesses.

### **Nokia reports surprise Q1 loss, sees pressure in second half**

(Reuters) Finnish telecom network equipment maker Nokia reported a surprise quarterly loss on Thursday, citing hard competition in its core networks business. Having signaled back in January "a particularly weak Q1", Nokia reported a fall to an operating loss (non-IFRS) of 59 million euros from a profit of 239 million euros in Q1 a year ago.

### **Gucci owner Kering close to settling Italian tax case for 1.3 to 1.4 billion euros: sources**

(Reuters) French luxury group Kering is close to agreeing to pay between 1.3 billion and 1.4 billion euros to settle a dispute with Italian authorities over unpaid taxes by its fashion brand Gucci, three sources told Reuters on Thursday. An agreement between the French luxury goods group and the Italian tax authority is expected to be signed in the first days of May. This would be the biggest tax settlement ever agreed by a company with the Italian tax authorities.

### **Tesla's Musk 'sees merit' in capital raise, vows profit in Q3 after large loss**

(Reuters) Tesla Inc Chief Executive Elon Musk suggested on Wednesday a capital raise could be imminent, as the electric vehicle maker lost \$700 million in the first quarter and predicted a return to profit in the third. Tesla plans to resolve logistics issues with global vehicle deliveries after weathering a challenging few months, also marked by staff layoffs and a public spat between Musk and U.S. financial regulators. Shares of Tesla, which are down 22% this year, were about flat after the results, which came more than an hour after they were expected.

### **Facebook shares surge on sales growth, optimism for settlement**

(Bloomberg) Facebook Inc.'s shares surged in late trading after the largest social-media company posted robust quarterly sales growth and signaled it may be close to resolving a US privacy investigation, easing investor concerns about the impact of regulatory threats. Q1 sales jumped 26% and monthly visitors at Facebook's main site topped projections. The company also said it set aside \$3 billion in the quarter related to an inquiry by the US Federal Trade Commission. Facebook estimated the loss related to any settlement could be as high as \$5 billion.

### **Boeing abandons outlook, takes \$1 billion cost hit in MAX crisis**

(Reuters) Boeing Co on Wednesday abandoned its 2019 financial outlook, halted share buybacks and said lowered production due to the grounding of its fastest-selling 737 MAX jet after two fatal plane crashes in five months had cost it at least \$1 billion so far. The world's largest planemaker is facing one of the biggest crises in its 103-year history. Boeing met sharply lowered Wall Street profit estimates for Q1, largely due to stopping deliveries of the money-spinning 737 MAX jets and a slowdown in production.

### **Occidental offers \$38 billion for Anadarko, topping Chevron**

(Reuters) Occidental Petroleum Corp on Wednesday started the first takeover battle for a major oil company in years, offering \$38 billion for Anadarko Petroleum Corp, a bid that topped a \$33 billion offer by Chevron Corp. Both suitors are offering a premium for Anadarko's holdings in the Permian Basin of West Texas and New Mexico. The vast shale field holds oil and gas deposits that can produce supplies for decades using new, low-cost drilling techniques.

# MARKETS TODAY

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## APPENDIX & DISCLAIMER

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