

MARKETS TODAY

Tuesday, April 30, 2019

MARKETS IN BRIEF

- Global markets sentiment was negatively affected today by disappointing Chinese data. However, the sell-off was limited by expectations that China will have more reasons to keep stimulating its economy.
- Being a liquid proxy for Chinese economic prospects, the Australian dollar was the worst performer today.
- Safe-haven yen gained while Asian stocks and U.S. futures dropped.
- U.S. dollar steadied in holiday-thinned Asian trade. Investors await a long week of key events: FOMC Policy decision and Press Conference on Wednesday and Nonfarm payrolls on Friday.
- British pound investors will be mainly focusing on the Super Thursday: BoE Inflation Report, Policy Decision, and Minutes, in addition to Gov. Carney speaking along with other MPC members.
- Oil prices continued their drop on expectations that the shortfall from Iran sanctions could be offset by U.S. and OPEC output.
- U.S. stocks rose yesterday helped by upbeat economic data. S&P 500 index hit an intraday all-time high. Financial companies led gains, while real-estate shares retreated.

Weak data as talks recommenced

A fresh round of weak economic data from Asia will greet US trade negotiators when they land in Beijing Tuesday, reminding them that the global economy remains fragile as they inch toward a deal. The negotiators seeking "substantial" progress in talks aimed at ending the tariff war. "We're looking forward to productive discussions over the next few days," Mnuchin told reporters at his hotel. "We hope to make substantial progress in these two meetings," referring to the sessions in Beijing and in Washington, he said. Mnuchin refused to comment on specific issues, saying the discussions "have been quite broad," and "we've made a lot of progress."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1180	-0.05%
GBP/\$	1.2937	0.00%
AUD /\$	0.7038	-0.26%
\$/JPY	111.44	0.19%
\$/CAD	1.3475	-0.13%
Gold \$	1283.34	0.27%
WTI \$	63.44	-0.09%
BRENT \$	71.86	-0.25%
AMERICA		
DOW JONES	26554.39	0.04%
S&P 500	2943.03	0.11%
NASDAQ	8161.85	0.19%
EUROPE		
STXE 600	391.32	0.08%
CAC 40	5580.98	0.21%
DAX	12328.02	0.10%
ASIA PACIFIC		
S&P/ASX 200	6325.50	-0.53%
NIKKEI 225	22258.73	-0.22%
CSI 300 (China)	3901.22	0.02%
MENA		
Saudi Arabia	9276.50	0.12%
Dubai	2760.14	-0.56%
Qatar	10359.74	-0.45%
BONDS		
U.S. 10-year	2.5072	-0.0002
German Bund 10-yr	-0.0060	-0.0001
AU 10-year	1.7930	0.0000

MARKETS TODAY

... China April factory growth unexpectedly slowing

Factory activity in China expanded for a second straight month in April but at a much slower pace than expected, data showed on Tuesday, suggesting the economy is still struggling for traction despite a flurry of support measures. The unexpected loss of momentum at the start of Q2 followed upbeat data in March. The silver lining in the Chinese PMI data may be an uptick in China's new export orders, which though still contracting in April were much higher than in Q1 and could signal resilience in the global economy.

U.S. consumer spending soaring; inflation still subdued

US consumer spending increased by the most in more than 9-1/2 yrs in March as households stepped up purchases of motor vehicles, but price pressures remained muted, with a key inflation measure posting its smallest annual gain in 14 months. The surge in consumer spending sets a stronger base for growth in consumption heading into the second quarter after it slowed sharply in the first three months of the year. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, surged 0.9%. That was the biggest rise since August 2009.

Euro-area economic confidence lowest since 2016

Economic confidence in the euro area dropped for a 10th month in April to the lowest in more than two years, indicating the region may struggle to pick up from its recent slump. The European Commission's monthly survey showed an industrial morass is increasingly entrenched as companies continue to struggle with the global slowdown and homegrown difficulties, notably the upheaval in Germany's car industry. The headline index fell sharply to its lowest level since Sep 2016. In Germany, the reading hit its lowest level in three years.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.52	-2.65%
SOLIDERE—B	5.23	-3.86%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.74	5.33%
BLOM BANK	8.50	-
BYBLOS BANK	1.25	1.63%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The US dollar held to tight ranges in holiday-thinned Asian trade on Tuesday. The safe-haven yen got a lift, with the Aussie losing 0.52% to 78.38, while the dollar dipped 0.19% to 111.44 yen. Against a basket of currencies, the dollar was off a fraction at 97.874 but not far from last week's 23-month peak of 98.330. It was still 0.5% higher for the month. A major hurdle for the dollar remains the Fed's two-day policy meeting which ends on Wednesday with a statement and a news conference by Chairman Jerome Powell. No change in policy is expected but the market is keen to hear how Powell resolves the divergence between solid economic growth and slowing inflation. US data overnight showed consumer spending enjoyed the sharpest rebound in 9-1/2 years in March, yet core inflation still slowed to a 14-month low. The core personal consumption expenditures index, the Fed's favoured measure of inflation, slowed to 1.6% and further away from the central bank's 2% target.

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FX & COMMODITIES

Australian dollar eased as disappointing readings on Chinese manufacturing tempered hopes for a rapid rebound in global growth. China's official purchasing management index (PMI) dipped to 50.1 April, when speculators had wagered on a steady outcome of 50.5 or even an improvement. A measure of services also disappointed with a pullback to 54.3. A private-sector survey was no better with the Caixin PMI easing to 50.2 in March, from 50.8. Still, the fallout was limited in part because investors assumed the numbers would encourage Beijing to continue with its stimulus measures. The Aussie dollar suffered the most as it is often used as a liquid proxy for China plays given Australia is a major exporter of resources to the Asian giant. The currency eased to \$0.7038 after the PMI release, from \$0.7064, but soon steadied. Trading was thin with Japan on holiday, and set to get thinner on Wednesday when China and much of Europe will be off.

The euro was little moved at \$1.1180 as investors await figures for economic growth in the common currency bloc due later in the session. Forecasts are for a modest rise of 0.3% in the first quarter, although that would still be faster than the previous quarter and may be taken as a sign of stabilization. Even such tentative growth could squeeze speculators who have been amassing large short positions in the euro, worth a net \$14.8 billion in the week to April 23.

Oil prices dipped on Tuesday on expectations rising output from the US and producer club OPEC would offset most of the shortfall expected from US sanctions on Iran, but analysts said markets remained tight. A stutter in China's factory and servicing industries in April also weighed on crude prices, traders said, as it suggested Asia's biggest economy is still struggling to regain traction. Oil prices surged by around 40% between January and April, lifted by supply cuts led by the Middle East-dominated producer club of the OPEC as well as by US sanctions on producers Iran and Venezuela. But prices came under downward pressure late last week after Trump openly pressured OPEC and its de-facto leader Saudi Arabia to raise output to meet the supply shortfall caused by the tightening Iran sanctions.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—12:00	Eurozone Prelim Flash GDP QoQ	0.30%	0.20%
EUR—12:00	Eurozone Unemployment Rate	7.80%	7.80%
CAD—15:30	Canada GDP MoM	-	0.30%
USD—17:00	US CB Consumer Confidence	126.2	124.1
CAD—18:00	BoC Gov. Poloz speaks		

Wednesday: Holiday in China, France, Germany, Italy, NZ Jobs Report, UK Manufacturing PMI, US ADP Nonfarm Employment, US ISM Manufacturing PMI, US FOMC Policy Decision + Press Conference, Canada BoC Gov. Poloz speaks

Thursday: Eurozone Manufacturing PMI, BoE Inflation Report and Monetary Policy Decision, BoE Gov. Carney speaks, US Initial Jobless Claims

Friday: US Treasury Currency Report, AU Building Approvals, UK Services PMI, Eurozone Services PMI, US Jobs Report, US ISM Non-Manufacturing PMI

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CURRENCIES	LAST	1D	YTD
DXY	97.874	0.02%	1.77%
EUR/\$	1.1180	-0.05%	-2.50%
GBP/\$	1.2937	0.00%	1.43%
AUD /\$	0.7038	-0.26%	-0.16%
NZD/\$	0.6659	-0.11%	-0.89%
\$/JPY	111.44	0.19%	-1.57%
\$/CAD	1.3475	-0.13%	1.20%
\$/CHF	1.0196	0.01%	-3.68%
\$/SEK	9.5180	-0.08%	-6.98%
\$/NOK	8.6670	-0.10%	-0.30%
\$/DKK	6.6778	-0.05%	-2.49%
\$/TRY	5.9599	-0.19%	-11.25%
EUR/GBP	0.8642	0.06%	4.03%
EUR/JPY	124.64	0.25%	0.95%
EUR/CHF	1.1399	0.06%	-1.26%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1283.34	0.27%	0.07%
Silver Spot \$/Oz	14.96	0.29%	-3.45%
Platinum Spot \$/Oz	898.28	0.28%	12.90%
Palladium Spot \$/Oz	1383.37	0.96%	9.64%
COPPER \$/lb	288.80	-0.31%	9.35%
WTI \$/bbl	63.44	-0.09%	39.70%
BRENT \$/bbl	71.86	-0.25%	33.57%

EQUITIES & BONDS

Asian shares fell on Tuesday as readings on China's manufacturing activity failed to meet expectations, underscoring weakness in the world's second-largest economy despite Beijing's attempts to spur growth. Both official and private business surveys pointed to slower Chinese factory growth this month, dashing hopes for a steady reading or even a faster expansion. Data also showed a slower expansion in its services sector, adding to economic uncertainty. The dollar-denominated MSCI index of Chinese shares dropped 0.4%. But shares in Shanghai tilted up 0.3% as investors maintained hopes for additional stimulus measures to prop up the economy. MSCI's broadest gauge of Asia-Pacific shares outside Japan was off 0.5%. Korean shares lost 0.3%, the Hong Kong market eased 0.4%, while stocks in Australia were down by 0.5%. Japan's financial markets remain closed for a national holiday as Japanese Emperor Akihito prepares to abdicate on Tuesday in favour of his elder son, Crown Prince Naruhito.

In the U.S., the S&P 500 set an intraday record high on Monday, bolstering the view that the decade-long bull market has further to run, after consumer spending rose in March and inflation data was benign. The benchmark index topped its intraday record of 2,940.91 hit on Sept. 21, rising to a session high of 2,949.52. The S&P 500 is now up more than 17% for the year to date. The index along with the Nasdaq posted another record close as well on Monday. Hopes of a resolution of the US-China trade war, upbeat earnings and a dovish Fed have powered the rally in stocks this year, and even though the Monday's gains were small, strategists said recent new highs encourage further

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EQUITIES & BONDS

buying. A Commerce Department report showed US consumer spending increased by the most in more than 9-1/2 years in March, but a key inflation measure posted its smallest annual gain in 14 months. Tame inflation supports the Fed's recent decision to suspend further interest rate increases this year. As trade talks enter their last leg, US negotiators head to China on Tuesday to try to hammer out details to end the protracted tariff spat between the two countries. US Treasury Secretary Steven Mnuchin, in a television interview that aired on Monday, said he hopes that the latest talks between the US and China may seal a trade deal. The Fed starts a two-day meeting on Tuesday, at the end of which a decision on interest rates will be announced. Another busy week of earnings is expected. After the bell, shares of Google parent Alphabet Inc were down 7.2% after it reported revenue below Wall Street targets. Alphabet shares ended the regular session up 1.5% at \$1,296.20. Apple Inc is due to report on Tuesday. Analysts now expect earnings of S&P 500 companies to have fallen just 0.2% in the first quarter, a sharp improvement from a 2% fall estimated at the beginning of the month, according to IBES data from Refinitiv data. Ingersoll-Rand shares jumped 6.5% after the Wall Street Journal reported Gardner Denver Holdings Inc is nearing a deal to acquire a unit of the air conditioner maker.

In the MENA region, Abu Dhabi index slid on Monday, affected by profit-taking and a sell-off in its financial shares. Saudi index was the only major Gulf market to rise. The Abu Dhabi index lost 0.9% in its fourth straight day of declines, with energy firm Dana Gas dropping 4.1% and the largest bank in the United Arab Emirates, First Abu Dhabi Bank, losing 1.2%. Dana's stock traded ex-dividend on Thursday and has been sliding since. First Abu Dhabi Bank posted a 3.6% rise in first-quarter 2019 profit.

COMPANY NEWS HEADLINES

- Airbus maintained its outlook for a rise in its annual, underlying results as it posted an increase in Q1 turnover and core earnings. Q1 revenues rose 24% from a year ago to 12.55 billion euros.
- Logitech International SA said keyboards and mice for players of multiplayer online games like Fortnite had surged as the peripherals maker on Tuesday reported a 22% increase in profit during its Q4.
- Alibaba Group said on Monday it will pay \$250 million to settle a US lawsuit faulting the company for concealing a regulatory warning about its ability to stop counterfeiting before it went public in 2014.
- Virgin Australia Holdings said on Tuesday it would delay taking the first deliveries of Boeing Co 737 MAX jets for nearly two years to reduce capital spending and give it time to be satisfied with the model's safety.
- Toyota will build its Lexus NX luxury crossover vehicle at a Canadian plant starting in 2022, the company said on Monday, a decision that PM Trudeau said demonstrated the value of country's international trade agreements.
- US-based Blackstone Group said on Tuesday it had agreed to acquire South Korean wholesale drug distributor Geo-Young in a deal with the company's founder. Blackstone did not disclose the value of its investment.
- Anadarko Petroleum Corp said on Monday it would negotiate with Occidental Petroleum Corp over its \$38 billion cash-and-stock bid, after determining it could get a better deal than its agreed \$33 billion sale to Chevron Corp.
- Top Bakken producer Continental Resources beat estimates for quarterly profit, fuelled by higher production at its oil-rich North Dakota shale field that helped more than make up for weaker crude and gas prices.
- America Movil, the telecommunications giant of Mexican billionaire Carlos Slim, reported a Q1 net profit of 19.44 billion pesos (\$1 billion) on Monday, up 3.6% from the year-ago period, as lower costs offset declining revenue.
- Chinese electric vehicle developer Faraday Future said on Tuesday that it had obtained up to \$225 million in bridge financing from a US merchant bank to allow it to complete the development of its flagship FF91 model.

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AMERICA	LAST	1D	YTD
DOW JONES	26554.39	0.04%	13.83%
S&P 500	2943.03	0.11%	17.40%
NASDAQ	8161.85	0.19%	23.01%
S&P/TSX	16600.37	-0.08%	15.90%
EUROPE	LAST	1D	YTD
STXE 600	391.32	0.08%	15.90%
FTSE 100	7440.66	0.17%	10.59%
CAC 40	5580.98	0.21%	17.97%
DAX	12328.02	0.10%	16.75%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6325.50	-0.53%	12.03%
NIKKEI 225	22258.73	-0.22%	11.21%
TOPIX	1617.93	-0.15%	8.29%
CSI 300 (China)	3901.22	0.02%	29.58%
MENA	LAST	1D	YTD
Saudi Arabia	9276.50	0.12%	18.52%
Abu Dhabi	5332.44	-0.90%	8.49%
Dubai	2760.14	-0.56%	9.11%
Qatar	10359.74	-0.45%	0.59%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.5072	-0.0180	-0.1770
Germany	-0.0060	-0.0090	-0.2480
U.K.	1.1570	0.0150	-0.1200
Australia	1.7930	0.0020	-0.5250

TOP SELECTED NEWS

China Big Five banks post modest profit growth amid loan push

(Reuters) China's five biggest state-owned banks posted a modest growth in quarterly profit as policymakers pushed them to make more loans, but the results still missed expectations amid the lingering impact of an economic slowdown. Net profits at the country's so-called Big Five banks, led by Industrial and Commercial Bank of China Ltd (ICBC), grew by more than 4% in the January-March quarter from a year earlier. . March data, however, suggests the economy may be starting to bottom out, buoyed by stimulus measures ranging from higher infrastructure spending to massive corporate tax cuts.

Boeing says it didn't intentionally deactivate alert on 737 Max

(Bloomberg) Boeing Co. acknowledged that a cockpit alert notifying pilots of a sensor malfunction linked to two fatal accidents wasn't working as represented on every 737 Max. The planemaker said it didn't purposefully deactivate a warning meant to show if two angle-of-attack vanes provided conflicting data to aircraft flight computers. But the alert only functioned if operators purchased a separate optional indicator, Boeing said in a statement Monday.

TOP SELECTED NEWS

Tesla says may seek new funding; shares up after SEC agreement

(Reuters) Tesla Inc said on Monday it could seek alternative sources of financing, days after CEO Elon Musk reached a deal with US securities regulators to settle a dispute over his Twitter use, removing an overhang on the stock. Shares of the electric carmaker rose 1.8% to \$239.42 in late trading. Tesla said in a quarterly filing with the SEC that it expects cash generated from its business to be enough to fund its investments and pay down debt for at least the next 12 months, but that it may decide to raise debt to fund growth.

StanChart plans \$1 billion buyback, first in more than 20 years

(Bloomberg) Standard Chartered Plc will buy back as much as \$1 billion of its shares after the Asia-focused lender signaled its intention to give long-suffering shareholders a boost, weeks after reaching a settlement with the US authorities over sanctions breaches. It marks the first time the Asian focused lender has returned cash to investors this way in more than two decades, coming just over a year after it resumed dividend payments to shareholders following a 3-year hiatus. StanChart said Tuesday that it posted a 10% rise in adjusted pre-tax profit for Q1 of 2019 to \$1.38 billion, higher than forecasts. Operating income dropped 1.5% to \$3.81 billion.

US Samsung Electronics bets on better second half after first quarter profit slumps

(Reuters) Samsung Electronics Co Ltd flagged improved second-half results on expectations of a pick up in memory chip and smartphone sales, after posting its weakest profit in more than two years in the first quarter. The world's top maker of semiconductors, however, warned of more short-term pain in Q2, with memory chip prices likely to decline further before a rebound in demand as data centers re-stock later in the year. Hit by falls in chip prices and slowing demand for display panels, Samsung posted operating profit of 6.2 trillion won (\$5.4 bn) in the quarter ended March, smallest since late 2016 but in line with the company's guidance. Revenue fell 13.5% to 52.4 trillion won.

UK may defy US on Huawei if no risk to security, envoy says

(Bloomberg) The UK is open to working with Chinese companies including Huawei Technologies Co. as long as the country's national security isn't jeopardized, according to the British envoy to the United Nations, putting the ally at odds with the Trump administration on a top foreign policy issue. The US has sought to persuade its allies to ban all Huawei products from next-generation 5G telecommunications networks, contending that components made by the Chinese company could be used for spying purposes, but the American efforts have had limited success.

Google advertising revenue growth slows, triggering share slump

(Bloomberg) Alphabet Inc.'s Q1 revenue missed analysts' estimates, sparking concern that advertisers are shifting some spending to digital rivals. Shares of Google's parent company fell more than 7% following the results. Sales came in at \$29.5 billion, excluding payments to distribution partners, Alphabet said in a statement on Monday. Revenue from Google advertising rose 15%, the slowest pace since 2015. That was a stark contrast to scandal-plagued Facebook Inc., which last week reported a 26% jump in ad sales.

Daimler will pull Smart mini-cars out of US, Canada

(Reuters) The tiny, two-person Smart cars once pitched as the next big thing in urban mobility will be discontinued in the US and Canada at the end of the current model year, German automaker Daimler said on Monday. Smart cars found an audience in densely populated US and Canadian cities. But that audience was small and rapidly declining. Smart reported just 90 cars sold in the US during March, down 18% from the year before.

Spotify hits 100 million subscribers, reports revenue jump

(Reuters) Spotify Tech, world's leading streaming platform, said on Monday it had hit 100 million paid subscribers as it reported a better-than-expected rise in Q1 revenue. The global leader in the sector, with double the number of subscribers of nearest rival Apple Music, Spotify has launched in places like India, the MENA in recent months, seeking to fuel the next stage of its development as it continues to price aggressively in the developed world.

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GLOBAL MARKETS DIVISION



treasury@bankofbeirut.com.lb



+961 1 960 501

PRIVATE BANKING DEPARTMENT



privatebanking@bankofbeirut.com.lb



+961 1 960 531/2/3

