

GLOBAL MARKETS

Friday, February 01, 2019

Markets in brief

- Global markets are torn between optimism from U.S.-China trade talks and pessimism from weak Chinese data. There are hopes that such disappointing data could force the two nations to reach a deal faster than expected.
- Australian dollar dropped. Traders would be eyeing next week's event: RBA policy decision, Retail Sales, and Trade Balance.
- U.S. dollar investors will be closely watching the monthly jobs report at 15:30 LT.
- Euro failed to hang on to its recent gains as growth and inflation in the Eurozone remain weaker than expected. Inflation data are due at 12:00 LT.
- British pound stuck with volatility amid ongoing uncertainty. Investors would shift attention to next week BoE policy meeting and Inflation report.
- Gold prices hovered near 9-month highs.
- Asian markets turned flat after hitting 4-month highs earlier today.
- U.S. stocks jumped yesterday with the S&P 500 posting its best month since 2015.

Trump to meet Xi?

Trump said on Thursday he will meet with Chinese President Xi Jinping soon to try to seal a comprehensive trade deal as Trump and his top trade negotiator both cited substantial progress in two days of high-level talks. Trump, speaking at the White House during a meeting with Chinese Vice Premier Liu He, said he was optimistic that the world's two largest economies could reach "the biggest deal ever made." The Chinese trade delegation said in a statement that the two days of high-level talks made "important progress," China's official Xinhua news agency reported.

China vows to buy U.S. goods

China promised to "substantially" expand purchases of U.S. goods after the latest round of trade talks, and both sides planned further discussions to reach a breakthrough with only a month to go before the Trump administration is set to ratchet up tariffs. President Donald Trump said Thursday he will dispatch two of his top negotiators. Treasury Secretary Steven Mnuchin and U.S. Trade Representative Robert Lighthizer will visit the Asian nation in mid-February to hold the next round of talks.

Weak data pointing to faster trade talks

China's factory activity shrank by the most in almost three years in January as new orders slumped further and output fell, a private survey showed, reinforcing fears a slowdown in the world's second-largest economy is deepening. The survey, focused on the booming East coast, is more trade-sensitive than the official index, which recovered a bit. South Korean exports, a bellwether for Asia's supply chain, were grim. January shipments to China fell 19.1% on year, while global chip exports plummeted 23%. Six of seven Nikkei PMIs for Asia fell, with three in contraction territory.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1444	-0.03%
GBP/\$	1.3105	-0.03%
AUD /\$	0.7243	-0.41%
NZD/\$	0.6909	-0.10%
\$/JPY	108.96	-0.06%
\$/CAD	1.3152	-0.21%
\$/CHF	0.9951	-0.09%
Gold \$	1316.88	-0.33%
Silver \$	15.93	-0.84%
Platinum \$	820.93	-0.13%
WTI \$	53.85	0.11%
BRENT \$	61.02	0.30%
AMERICA		
DOW JONES	24999.67	-0.06%
S&P 500	2704.10	0.86%
NASDAQ	7281.74	1.37%
EUROPE		
STXE 600	358.67	0.04%
CAC 40	4992.72	0.36%
DAX	11173.10	-0.08%
ASIA PACIFIC		
S&P/ASX 200	5862.83	-0.03%
NIKKEI 225	20788.39	0.07%
CSI 300 (China)	3247.40	1.43%
MENA		
Saudi Arabia	8559.95	-0.28%
Dubai	2567.59	1.14%
Qatar	10720.31	0.01%
BONDS		
U.S. 10-year	2.6307	0.0000
German Bund 10-year	0.1540	0.0001
AU 10-year	2.2060	-0.0004
BEIRUT S.E.		
SOLIDERE - A	6.62	-1.78%
SOLIDERE - B	6.43	-0.15%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.64	-
BLOM BANK	9.05	-
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-1.27%

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FX & COMMODITIES

The Australian dollar fell versus the greenback on Friday after a private survey showed factory activity in China shrank by the most in almost three years in January. The Australian dollar, often considered a barometer for global risk appetite, fell 0.41% to \$0.7243. The kiwi was at \$0.6909, down 0.1% versus the greenback. China's gloomy factory readings have brought global growth worries to the fore again, which is likely to benefit safe-haven currencies such as the Japanese yen.

The Japanese yen was steady at 108.96 after hitting a two-week high in the previous session. However, broader risk sentiment still remained fairly strong after Trump said on Thursday he would meet with Chinese President Xi Jinping soon to try and seal a comprehensive trade deal as the top US negotiator reported "substantial progress" in two days of high-level talks. The dollar index, a gauge of its value versus six major peers, was steady at 95.62. The index is set to end the week in the red, after losing 0.6% of its value last week. The dollar is widely expected to weaken this year as the Fed turns more cautious about further rate increases. On Wednesday, the US central bank held interest rates steady as expected but discarded pledges of "further gradual increases" in interest rates, and said it would be "patient" before making any further moves. Trade talks between the US and China could also have an impact on the dollar, which has acted as a safe-haven in times of uncertainty. President Trump said he wanted a "very big" trade deal with China, but he signaled there could be delays if talks fail to meet his goals of opening the Chinese economy broadly to US industry and agriculture. Analysts say a comprehensive trade deal between the world's two largest economies would most likely boost risk sentiment and lead to a weaker dollar. Markets are now focusing on US jobs data later on Friday. Analysts note that any weakness in the labor market and a fall in wage inflation would only reinforce the dovish outlook for the dollar this year.

The euro was flat at \$1.1444 after having fallen 0.3% in the last session. The single currency has not managed to gain despite broader dollar weakness as growth and inflation in the euro zone remain weaker than expected. Indeed, Jens Weidmann, the Bundesbank president and a member of the European Central Bank Governing Council, painted a bleak picture of the German economy on Thursday, saying the slump in Europe's largest economy will last longer than initially thought.

The British pound, which is grappling with troubles of its own on uncertainty over a deal to avoid a chaotic British exit from the EU, was flat at \$1.3105. Analysts expect the British pound to remain volatile in the coming weeks.

Oil prices were steady on Friday, torn between hopes the US and China could soon settle their trade disputes and new data raising fresh concerns over China's economic slowdown. But crude markets were weighed down by a survey on Friday that showed China's factory activity shrank by the most in almost three years in January amid slumping orders, reinforcing fears a slowdown in the world's second-largest economy is deepening.

	LAST	1D	YTD
CURRENCIES			
DXY	95.624	0.05%	-0.57%
EUR/\$	1.1444	-0.03%	-0.20%
GBP/\$	1.3105	-0.03%	2.75%
AUD/\$	0.7243	-0.41%	2.75%
NZD/\$	0.6909	-0.10%	2.83%
\$/JPY	108.96	-0.06%	0.67%
\$/CAD	1.3152	-0.21%	3.69%
\$/CHF	0.9951	-0.09%	-1.31%
\$/SEK	9.0522	-0.05%	-2.20%
\$/NOK	8.4498	-0.24%	2.26%
\$/DKK	6.5238	-0.04%	-0.19%
\$/TRY	5.2078	-0.83%	1.57%
EUR/GBP	0.8732	0.00%	2.95%
EUR/JPY	124.69	-0.03%	0.91%
EUR/CHF	1.1388	-0.06%	-1.17%
COMMODITIES			
Gold Spot \$/Oz	1316.88	-0.33%	2.68%
Silver Spot \$/Oz	15.93	-0.84%	2.78%
Platinum Spot \$/Oz	820.93	-0.13%	3.18%
Palladium Spot \$/Oz	1349.02	0.44%	6.91%
COPPER \$/lb	277.00	-0.52%	5.28%
WTI \$/bbl	53.85	0.11%	18.59%
BRENT \$/bbl	61.02	0.30%	13.42%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
EUR	12:00	Flash CPI Estimate YoY	1.40%	1.60%
USD	15:30	US Nonfarm Payrolls	165k	312k
USD	15:30	US Unemployment Rate	3.90%	3.90%
USD	17:00	US ISM Manufacturing PMI	54.1	54.1
USD	17:00	US Consumer Sentiment	90.8	90.7

Next Week: US Factory Orders, AU Retail Sales, AU Trade Balance, AU RBA Policy Decision, UK Services PMI, Eurozone Services PMI, US ISM Non-Manufacturing PMI, EU Economic Forecasts, NZ Jobs Report, BoE Inflation Report, Policy Decision, AU RBA Policy Statement, Canada Jobs Report

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STOCKS & BONDS

Asian shares crept back from 4-month highs on Friday as a dismal survey on Chinese factory activity dulled optimism about the prospects for a Sino-U.S. deal on tariffs. MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.2%, though that followed a stellar 7.2% gain in January. Japan's Nikkei went flat, while Shanghai blue chips held onto a 1.43% gain. E-Mini futures for the S&P 500 eased 0.1% and spread betters pointed to a marginally mixed start for European bourses.

US stocks ascended on Thursday, with the S&P 500 wrapping up its biggest monthly increase since 2015 after strong earnings from Facebook Inc added to optimism after the Fed's dovish remarks. Facebook jumped 10.82%, its strongest daily rise since January 2016, after its quarterly profit topped expectations and showed that advertisers were still flocking to the social network even after a series of high-profile embarrassments. General Electric Co soared 11.65% after the industrial conglomerate beat estimates for quarterly sales and cash flow and said it sees industrial revenue rising modestly in 2019. Investors took heart from the Fed's pledge on Wednesday that it would be patient in raising interest rates further this year, easing concerns about tightening financial conditions crimping economic growth. Better-than-expected results from many US companies reporting in recent days are also fueling optimism on Wall Street, Callahan added. The S&P 500 rose 7.9% in January, its best monthly performance since October 2015 and its best January since 1987. Of the 210 S&P 500 companies that have reported Q4 results, 71% have topped profit estimates, according to Refinitiv data. Investors were awaiting the conclusion of the high-level talks between the US and China, aimed at easing a six-month-old trade war that has battered financial markets. China's leader, Xi Jinping, told US President Donald Trump in a letter that he hopes both sides will be able to meet each other halfway to reach a trade agreement before a March 1 deadline, Trump said. DowDuPont dropped 9.23% after the chemical maker's revenue fell short of expectations. The S&P materials sector declined 1.54%. After the bell, Amazon.com Inc forecast quarterly sales below Wall Street estimates and its stock dipped 2.5%. The S&P communications services sector surged 3.74% during Thursday's session, leading gains among the 11 major S&P sectors, thanks to Facebook, Alphabet Inc and Charter Communications Inc. Charter jumped 14.19% after topping quarterly revenue estimates as the cable operator attracted more customers for its internet services. Microsoft Corp declined 1.83% after its Azure cloud computing sales grew at a slower pace than a year earlier, although its quarterly results and forecast topped Wall Street estimates. Intel Corp slipped 0.88% after the chipmaker named interim Chief Executive Officer Robert Swan to the role on a permanent basis.

Gulf stock markets were mixed yesterday. Saudi index, which introduced the MSCI Tadawul 30 index, fell as its bank stocks slid. Dubai gained sharply lifted by corporate earnings results. The MSCI Tadawul 30 Index (MT30) was down 0.2%. The index of the 30 largest securities listed on the Saudi Arabian Equity Market went live on Wednesday. Separately, Saudi Arabia is set to join the emerging-market indexes of MSCI and FTSE Russell later this year. That is expected to attract \$15 billion of "passive" benchmark-linked funds and billions more in active funds, regardless of low oil prices or geopolitical tensions.

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Abu Dhabi	5044.85	0.80%	2.64%
Dubai	2567.59	1.14%	1.50%
Qatar	10720.31	0.01%	4.09%
Oman	4166.47	-1.17%	-3.64%
Egypt	14126.68	0.24%	8.37%
Kuwait	5430.10	-0.15%	3.09%
Bahrain	1391.42	-0.07%	4.05%
10-YEAR BONDS			
U.S.	2.6307	0.0014	-0.0535
Germany	0.1540	0.0050	-0.0880
U.K.	1.2190	-0.0360	-0.0580
France	0.5570	0.0030	-0.1530
Australia	2.2060	-0.0370	-0.1120
Japan	-0.0200	-0.0250	-0.0230

Major Company News

- France's competition regulator on Thursday ordered Alphabet Inc's Google to review its policies and procedures for blocking certain ads, saying that its actions against French firm Amadeus may have been anti-competitive.
- Antivirus software maker Symantec Corp shares rose in extended trade on Thursday after beating profit and revenue estimates in the December quarter and raising guidance on strong enterprise and consumer businesses.
- GE soared the most in almost a decade as the new chief executive officer detailed his efforts to reduce the company's debilitating debt load, fix the ailing power business and ease lingering uncertainties weighing on the shares.
- Diversified miner Teck Resources Ltd said on Thursday it expects Q4 profit to be significantly below market estimates, hurt mainly by "disappointing" business at its energy and Trail operation units.
- At least, that is what Anheuser-Busch InBev hopes as it strives to reach more than 100 million US TV viewers during Sunday's Super Bowl, promoting vintage brands such as Budweiser and Bud Light.
- The United Steelworkers union (USW) and Shell Oil Co reached a tentative agreement on Thursday that sources, familiar with the deal said would boost pay by 11% over three years for 30,000 US refinery, chemical plant and pipeline workers.
- Brazilian airline Avianca Brasil, which filed for bankruptcy protection in December, expects that advanced loan talks with hedge fund Elliott Management Corp will avoid the grounding of its planes, two sources with knowledge of the matter said on Thursday.
- Shareholders of Mexico's Coca-Cola Femsa approved an eight-to-one stock split for each series of shares in the company, as well as a new Series B issuance, the company said in a statement on Thursday.

TOP SELECTED NEWS

UK lays ground for Brexit delay

(Bloomberg) The UK government laid the groundwork for a potential Brexit delay, as Foreign Secretary Jeremy Hunt became the most senior minister yet to suggest the deadline could be pushed beyond the end of March. "It's true that if we ended up approving a deal in the days before March 29, then we might need some extra time to pass critical legislation," Hunt told BBC Radio. "It's difficult to know" how long talks with the EU will last, he said, as the government seeks to renegotiate the terms of divorce. Hours later, Andrea Leadsom, the minister in charge of the government's legislative program, told members of Parliament they may need to work through a planned recess in February "to make progress on key business." A government official later confirmed the holiday would be canceled. Though Theresa May has repeatedly said she doesn't want to delay Brexit, the prime minister is still trying to come up with proposals after Parliament voted in favor of ditching the most contentious part of her deal with Brussels -- the arrangements for the post-Brexit Irish border, which will become the UK's new land border with the EU. She's spent the past two days talking to lawmakers -- including opposition Labour Party leader Jeremy Corbyn.

Dirty money risks encroach on Estonia's digital utopia

(Reuters) Estonia's push to become a digital society has left it vulnerable to dirty money and sanction breaches, the country's top banking regulator has warned. The Baltic state took center stage in one of the largest-ever money laundering scandals last year - the Estonian branch of Danske Bank helped funnel money from Russia and other ex-Soviet states, a report by the Danish lender showed. Danske Bank is now being investigated in Denmark, Estonia, Britain and the US over the 200 billion euros of suspicious payments. The Danske debacle was rooted in old school subterfuge - offshore shell companies were used to disguise where the money was coming from. But Estonia's population of e-residents, some of whom bank in the country even though they live abroad, potentially offers a high-tech route for suspect funds. "The lesson of Danske is, I hope, enough for us," Kilvar Kessler, the head of Estonia's financial watchdog, the Finantsinspektsioon, told Reuters. "You onboarded customers which were offshore companies." "Now e-residents. Exactly the same questions will be asked. Who are they? Why do they need a bank account in Estonia?"

Deutsche Bk's slump deepens as trading hit hurts revenue

(Bloomberg) Deutsche Bank AG suffered its eighth straight revenue contraction in the final months of last year as Chief Executive Officer Christian Sewing is running out of time to show his turnaround plan is bearing fruit. In a fourth quarter that was overshadowed by market gyrations and images of police raiding the bank's headquarters in November, the Frankfurt-based lender earned 5.58 billion euros (\$6.38 billion) in revenue, 2.4% less than a year earlier. Fixed-income trading, a key contributor, fell 23%, worse than peers. The results add to pressure on Sewing and Chairman Paul Achleitner to explore alternative fixes. The CEO has pleaded for patience with his plan, which is centered on cost cuts and a scaled back investment bank, but the government is worried he may not succeed before the next economic slowdown. Top executives

succeed before the next economic slowdown. Top executives believe they may not be able to avoid a radical solution such as a government-brokered merger with Commerzbank AG unless they can show a clear improvement this quarter, people familiar with their thinking have told Bloomberg. Deutsche Bank fell 4% Thursday after Bloomberg reported that such a deal may happen by mid-year, and Commerzbank declined 6.7%. Both banks lost more than half of their value last year and are in the middle of turnaround plans.

Amazon drop on concerns about rising costs, India growth

(Bloomberg) Amazon.com shares dropped after the e-commerce giant gave a tepid Q1 sales forecast and raised concerns about rising costs, slowing retail growth and a murky outlook for its business in India. Sales will be \$56 billion to \$60 billion in the current period, the company said Thursday, compared with analysts' average estimate of \$61 billion. Though Q4 sales and earnings topped estimates, growth in the North American retail unit slowed dramatically in the key holiday period, and comments about uncertainty in India sent the stock lower. Shares declined as much as 5.8% in extended trading. Finance chief Brian Olsavsky tried to reassure investors that the company remains on the right track. But he had few encouraging words about growth in India, saying the effects of new e-commerce regulations in the country are still uncertain. CEO Bezos has pledged about \$5 billion to chase growth in India, seeing the world's second-most populous country as the best frontier for Amazon's international push.

Apple punishes Google by revoking its Ability to test apps

(Bloomberg) Apple Inc. temporarily pulled important app-development tools from Google after the iPhone maker decided the internet giant broke its rules, according to people familiar with the matter. Facebook Inc.'s app development was hobbled in a similar way for about 24 hours, a sign that Apple is flexing its muscle as the operator of the most lucrative US app store to push its approach to user privacy. Employees at Alphabet Inc.'s Google couldn't access test versions of iPhone apps they're making, or use internal apps related to transportation scheduling and food, the people said. Security alerts were limited too, one of the people said. They asked not to be identified discussing private matters. Apple reinstated their access hours later on Thursday evening. The iPhone maker had restored Facebook's privileges earlier. Apple offers an "enterprise certificate" that helps some companies work on iPhone apps without going through the usual app review process. Facebook and Google used this to collect data on user activity for internal research.

Sony reports best-ever quarterly profit

(Reuters) Japan's Sony Corp raked in its highest-ever quarterly profit after booking one-time gains related to its acquisition of EMI, though shrinking earnings at the game division could further prompt investors to look for next growth drivers. Sony has reinvented itself as an entertainment company with stable revenue streams from music content and gaming, after battling years of losses in TV and other consumer electronics that are more susceptible to earnings volatility. On Friday, Sony said its Q3 profit increased to 376.99 billion yen (\$3.46 billion) from 350.84 billion yen a year earlier.



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