

GLOBAL MARKETS

Wednesday, February 06, 2019

Markets in brief

- Australian dollar tumbled as RBA Gov. Lowe talked about a possible rate cut.
- U.S. dollar steadied while Asian stocks were subdued as Trump's speech did not provide fresh catalysts for traders. Fed Powell will speak tomorrow 2:00 am LT.
- British pound continued to face volatility amid Brexit uncertainty. Pound hit earlier today \$1.2925, a 2-week low.
- Euro was pressured down by weak economic data.
- U.S. stocks jumped yesterday helped by upbeat corporate results.

RBA's Lowe surprising markets with a rate cut signal

Australia's central bank on Wednesday opened the door to a possible rate cut as it acknowledged growing economic risks in a remarkable shift from its long-standing tightening bias that sent the local dollar sliding. In his first public speech of the year, RBA Governor Philip Lowe said rates could move in either direction, depending on the strength of the labor market and inflation. The policy shift caught some investors off-guard as only just the previous day the RBA had steered clear of an easing signal when holding its official cash rate at a record low 1.50% for the 30th straight month.

Trump not giving up

Trump called for bipartisanship in his State of the Union address -- on his terms. The president offered Democrats nothing in exchange for their votes to build his promised wall on the Mexican border, while he excoriated them for their positions on abortion, blocking his nominees in the Senate and "ridiculous partisan investigations." In a speech delivered in the interlude between one partial gov't shutdown and the possible start of another, Trump didn't meet his opposition in the middle so much as lay the groundwork for even more hostilities if they don't concede. He offered no new plan to avoid a second shutdown and drew another line in the sand on his proposed border wall. "I will get it built," he vowed, without giving Democrats any reason to provide him their votes.

ECB not convinced banks need LT loans

The ECB sees no urgent need to offer new long-term loans to banks and isn't certain to do so at the next policy meeting in March, people familiar said (Bloomberg). Officials aren't convinced more liquidity is needed and are nervous about fueling perceptions they're helping out particular lenders. Banks including Deutsche Bank are waiting to see if the ECB will renew some 720 billion euros of loans provided during the sovereign debt crisis to shore up lending. ECB Draghi said in January that officials would need to see a "good case for monetary policy" before deciding to supply fresh funding.

Brexit updates

British cabinet ministers have secretly discussed plans to delay Brexit by eight weeks if Theresa May's deal passes in Parliament, The Telegraph reported. She begins day two of her visit to Northern Ireland as Leo Varadkar travels to Brussels to hold his own Brexit talks. A judge approved plans by a UBS unit to shift some of its UK business — involving assets valued at more than 32 billion euros (\$36.5 billion) — to Germany.

U.K. economic growth sluggish despite soft Brexit

UK growth is set to be sluggish for the next few years even if a Brexit deal is secured, according to the National Institute of Economic and Social Research. In a report Wednesday, the think tank lowered its estimate for growth this year to 1.5% from 1.9%, and said output will pick up only slightly to 1.7% in 2020 and 2021. Niesr's central forecast is based on a scenario where the UK leaves the EU at the end of March with an exit deal in place. A more chaotic outcome could see investment tumble, pushing growth even lower, the think tank said.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1386	-0.18%
GBP/\$	1.2940	-0.04%
AUD /\$	0.7137	-1.34%
NZD/\$	0.6859	-0.54%
\$/JPY	109.73	0.21%
\$/CAD	1.3180	-0.41%
\$/CHF	1.0005	-0.07%
Gold \$	1313.78	-0.12%
Silver \$	15.79	-0.37%
Platinum \$	816.28	-0.31%
WTI \$	53.62	-0.07%
BRENT \$	61.91	-0.11%
AMERICA		
DOW JONES	25411.52	0.68%
S&P 500	2737.70	0.47%
NASDAQ	7402.08	0.74%
EUROPE		
STXE 600	364.99	1.41%
CAC 40	5083.34	1.66%
DAX	11367.98	1.71%
ASIA PACIFIC		
S&P/ASX 200	6026.15	0.34%
NIKKEI 225	20874.06	0.14%
CSI 300 (China)	3247.40	1.43%
MENA		
Saudi Arabia	8623.92	1.21%
Dubai	2542.82	0.54%
Qatar	10715.29	-0.11%
BONDS		
U.S. 10-year	2.6821	-0.0002
German Bund 10-year	0.1630	-0.0001
AU 10-year	2.1830	-0.0006
BEIRUT S.E.		
SOLIDERE - A	6.44	-1.23%
SOLIDERE - B	6.37	-2.30%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.64	-
BLOM BANK	9.00	-
BYBLOS BANK	1.35	-0.74%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The Australian dollar tumbled after central bank chief Philip Lowe opened the door to a possible rate cut after more than a year of signaling tighter future policy. In his first public speech of the year, Lowe said rates could go in either direction, depending on the labor market and inflation. The Aussie dollar was last down 1.34% at \$0.7137. The Reserve Bank of Australia has left its official cash rate at a record low of 1.50% since August 2016 and Governor Lowe had repeatedly emphasized the next move was more likely to be up.

The US dollar held steady against its peers on Wednesday, showing little reaction to US President Donald Trump's State of the Union address which touched upon trade and budget issues but provided investors with few surprises. In an annual speech on Tuesday outlining his priorities for the coming year, President Trump said that illegal immigration was an urgent national crisis and reiterated his vow to build a border wall. Trump also said any trade agreement with China "must include real, structural change to end unfair trade practices, reduce our chronic trade deficit, and protect American jobs." The dollar index against a basket of six major currencies was little higher at 96.197. The dollar edged down 0.21% to 109.73 yen after posting a gain of 0.4% overnight. While the Japanese currency's big gains against the downtrodden Aussie was seen as a factor weighing on dollar/yen, the greenback stayed in reach of a five-week peak of 110.165 yen reached on Monday. The dollar has been managed to hold its ground although US Treasury yields declined the previous day and pulled back from one-week highs.

The euro was little lower after slipping 0.25% the previous day to its lowest since Jan. 28. The single currency was pressured after a survey released on Tuesday showed euro zone businesses expanded at their weakest rate since mid-2013 at the start of the year.

The British pound remained on the back foot following a slump overnight. The currency was a shade lower at \$1.2940 after brushing \$1.2923, its lowest since Jan. 22. Sterling had lost nearly 0.7% on Tuesday on a weak PMI data and uncertainty about Brexit talks. UK cabinet ministers have secretly held talks on plans to delay Brexit by eight weeks, the Telegraph newspaper reported late on Tuesday. The delay would postpone Brexit to May 24. Currently, Britain is due to leave the EU on March 29.

Oil extended losses below \$54 a barrel on signs of a weakening economy and an industry report pointing to rising U.S. crude inventories. Meanwhile, the American Petroleum Institute was said to report that the nation's crude inventories rose 2.51 million barrels last week. Investors largely shrugged off President Donald Trump's address to the country.

	LAST	1D	YTD
CURRENCIES			
DXY	96.197	0.14%	0.02%
EUR/\$	1.1386	-0.18%	-0.71%
GBP/\$	1.2940	-0.04%	1.46%
AUD / \$	0.7137	-1.34%	1.25%
NZD/\$	0.6859	-0.54%	2.08%
\$/JPY	109.73	0.21%	-0.04%
\$/CAD	1.3180	-0.41%	3.47%
\$/CHF	1.0005	-0.07%	-1.84%
\$/SEK	9.1400	-0.27%	-3.14%
\$/NOK	8.5016	-0.20%	1.64%
\$/DKK	6.5565	-0.17%	-0.69%
\$/TRY	5.2104	-0.20%	1.52%
EUR/GBP	0.8799	0.12%	2.17%
EUR/JPY	124.94	0.38%	0.71%
EUR/CHF	1.1392	0.12%	-1.20%
COMMODITIES			
Gold Spot \$/Oz	1313.78	-0.12%	2.44%
Silver Spot \$/Oz	15.79	-0.37%	1.91%
Platinum Spot \$/Oz	816.28	-0.31%	2.59%
Palladium Spot \$/Oz	1376.80	-0.40%	9.12%
COPPER \$/lb	282.70	0.35%	7.45%
WTI \$/bbl	53.62	-0.07%	18.08%
BRENT \$/bbl	61.91	-0.11%	15.07%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
		China Holiday		
CAD	15:30	Canada Building Permits MoM	-0.90%	2.60%
USD	15:30	US Trade Balance	-54.0B	-55.5B
CAD	17:00	Canada Ivey PMI	56.4	59.7
OIL	17:30	EIA Weekly Report		
NZD	23:45	NZ Jobs Report		

Thursday: Fed Chair Powell speaks, EU Economic Forecasts, ECB Economic Bulletin, BoE Inflation Report, Policy Decision, US Initial Jobless Claims

Friday: Japan Current Account, AU RBA Policy Statement, Canada Jobs Report

STOCKS & BONDS

Asian shares were subdued on Wednesday after US President Donald Trump's State of the Union address failed to give markets fresh trading catalysts. MSCI's broadest index of Asia-Pacific shares outside Japan was barely changed with China and several other markets in the region still closed for the Lunar New Year holiday. The range in which the index traded was limited to just 0.80 points, the narrowest since Dec. 25 last year. Australian shares gained 0.3%, rising for third session, while Japan's Nikkei closed up 0.1%. E-Mini futures for the S&P 500 last were a tad higher.

US stocks rose on Tuesday as largely upbeat corporate results fueled investor optimism ahead of the highly awaited State of the Union address by Trump. Shares of Estée Lauder Cos Inc rose 11.6% after the cosmetics maker's quarterly results, driven by strong growth in China, topped estimates. Estée Lauder shares had the largest percentage gain among S&P 500 companies. Luxury fashion company Ralph Lauren Corp also reported better-than-expected sales and earnings, sending its shares 8.4% higher. Shares of Alphabet Inc reversed course to end 0.9% higher. The Google parent company's results beat estimates, but its shares were dragged down earlier in the session by sharply higher spending. Optimism toward the prospect of a lasting resolution to the dispute over border wall funding, which prompted a record 35-day partial US government shutdown, also buoyed Wall Street. The CBOE Volatility index, often referred to as an investor fear gauge, dropped 0.16 point to finish at 15.57, its lowest close in four months. Following a turbulent end to 2018, US stocks have had a stellar run so far this year, with the S&P 500 and the Dow each up about 9% and the Nasdaq rising more than 11%. In addition to corporate earnings, Wall Street's rally this year has been helped by a recent dovish stance from the Fed and hopes of a trade deal between the US and China. Among other stocks, Boeing Co shares rose 3.3% after the aerospace company said it made a significant investment in supersonic business jet developer Aerion. Shares of Archer Daniels Midland Co slumped 5.9% after the grains trader's Q4 profit missed expectations because of the US-China trade dispute.

Most Gulf stocks ended up yesterday. Egypt's blue-chip share index rose sharply boosted by major lender CIB after its strong Q4 earnings. Saudi index was lifted by banks.

Long-dated Italian government bond yields rose to 2-1/2 week highs on Tuesday after the government announced it would sell a new 30-year syndicated bond. Italy has mandated Banca IMI, BNP Paribas, Credit Agricole, Deutsche Bank and Goldman Sachs to arrange the sale and the expectation that Italy will offer a decent concession prompted investors to sell existing Italian bonds to make room for the new issue, which is expected as early as Wednesday. The yield on Italy's 30-year bond rose nine basis points after the announcement to 3.66%, its highest since Jan. 17.

	LAST	1D	YTD
AMERICA			
DOW JONES	25411.52	0.68%	8.93%
S&P 500	2737.70	0.47%	9.21%
NASDAQ	7402.08	0.74%	11.56%
S&P/TSX	15702.69	0.64%	9.63%
EUROPE			
STXE 600	364.99	1.41%	8.10%
FTSE 100	7177.37	2.04%	6.68%
CAC 40	5083.34	1.66%	7.45%
DAX	11367.98	1.71%	7.66%
ASIA PACIFIC			
S&P/ASX 200	6026.15	0.34%	6.73%
NIKKEI 225	20874.06	0.14%	4.29%
TOPIX	1582.13	-0.05%	5.89%
CSI 300 (China)	3247.40	1.43%	7.86%
MENA			
Saudi Arabia	8623.92	1.21%	10.19%
Abu Dhabi	5137.30	0.18%	4.30%
Dubai	2542.82	0.54%	0.88%
Qatar	10715.29	-0.11%	3.52%
Oman	4169.13	0.07%	-3.44%
Egypt	14733.11	2.55%	13.02%
Kuwait	5451.82	0.47%	3.47%
Bahrain	1403.69	0.44%	5.00%
10-YEAR BONDS			
U.S.	2.6821	-0.0162	-0.0021
Germany	0.1630	-0.0070	-0.0790
U.K.	1.2320	-0.0450	-0.0450
France	0.5740	-0.0070	-0.1360
Australia	2.1830	-0.0630	-0.1350
Japan	-0.0180	-0.0090	-0.0210

Major Company News

- Unilever has acquired British snack brand Graze for an undisclosed price, boosting the group's presence in food, it said on Tuesday. The deal price was not disclosed.
- SoftBank Group Corp announced a \$5.5 billion share buyback on Wednesday, as it reported a 60% rise in quarterly operating profit buoyed by rising valuations for its technology investments.
- Walt Disney Co reported quarterly earnings on Tuesday that handily topped Wall Street estimates thanks to a booming theme park business and growth at its ABC broadcast network as the company invests in a digital media future.
- MTV and Comedy Central owner Viacom Inc missed Wall Street estimates for quarterly revenue on Tuesday, weighed down by declines in domestic advertising sales.
- Tesla Inc said on Wednesday it is lowering the price of its Model 3 sedan by \$1,100, citing the end of a costly customer referral program.
- Oil and gas producer Anadarko Petroleum Corp on Tuesday reported a Q4 profit that missed analysts' estimates by a wide margin, as it spent more on its projects in West Texas and northeast Colorado.
- Switzerland's Sunrise Communications Group AG has confirmed it is in talks with broadband provider Liberty Global Plc about a potential acquisition of its Swiss business UPC Schweiz.
- Electronic Arts lowered its revenue outlook on Tuesday, hit by lackluster sales of its newly launched "Battlefield V" title which faces stiff competition from "Red Dead Redemption" and upstart online games like "Fortnite".
- Qatar Petroleum and Exxon Mobil Corp said on Tuesday they are investing in a \$10 billion project to expand a liquefied natural gas (LNG) export plant in Texas, as companies race to meet global demand for the fuel.

TOP SELECTED NEWS

Draghi's long farewell may delay ECB guidance move

(Reuters) Some European Central Bank policymakers are reluctant to alter their guidance on interest rates as a move could tie the hands of the bank's next president many months before an appointment is even made, four sources close to the matter said. With the euro zone's economy losing steam, the ECB's long-standing guidance for a rate hike late this year is increasingly out of sync with market expectations. But policymakers have so far avoided any signal on rates beyond the term of their current boss, Mario Draghi, who is due to leave office on Oct. 31. The hesitation implies that policymakers will first opt for other measures, such as long-term bank loans, to shore up confidence, with a move to formally push out rate hike expectations likely only if the outlook deteriorates further. "Not knowing who is the next president is very much the reason for our hesitation," one of the sources, all of whom asked not to be named, told Reuters. "Normally it wouldn't be an issue but Draghi is such a powerful personality, it becomes quite difficult to commit beyond his term." Draghi's successor is likely to be named only after the European elections in late May and the front-runners, French central bank chief Francois Villeroy de Galhau and Bundesbank president Jens Weidmann, hold very different views about policy.

Weak demand for US consumer loans fuels worries

(Reuters) A sharp drop in demand for US auto and credit card loans could point to a troubling answer to a question vexing economists in recent weeks: Are consumers poised to pull back despite surging job growth? A partial shutdown of America's federal government in December and January interrupted the flow of official data on US retail spending data that economists and policymakers use to gauge the gusto of US consumers, whose spending accounts for roughly two-thirds of US economic output. Other economic indicators have pointed to sharp drops in consumer sentiment in December and January as concerns about the global economy rocked financial markets. It remains to be seen whether sagging confidence is affecting overall consumer spending. Now, though, a Fed survey of banks released on Monday shows that the net share of banks reporting weakening demand for auto and credit card rose sharply in late 2018. A net 18.2% of banks surveyed by the Fed reported weaker demand for auto loans and 17.4% on net reported lower demand for credit card debt. Both were the largest shares in records that go back to 2011.

BNP lowers targets after derivatives loss Jolts trading arm

(Bloomberg) BNP Paribas SA lowered its forecasts for revenue and profitability as the French bank's trading business lost money at the end of last year. France's biggest lender said Wednesday that it's planning 600 million euros (\$684 million) in additional cost cuts, focusing on the investment bank that Chief Executive Officer Jean-Laurent Bonnafé had targeted as a growth driver. Income from trading shrank 40% in Q4. The bank cited "extreme market movements at the end of the year," weak client demand for structured products and a loss on index derivatives hedging. People familiar with the derivatives trades, which were tied to the S&P 500 Index, said in January that the losses reached \$80 million.

HSBC cuts dozens of investment banking jobs: source

(Reuters) HSBC is preparing to lay off dozens of staff in its global banking and markets business, a source with direct

knowledge of the matter told Reuters on Tuesday. The British bank, which is conducting a cost-cutting drive aimed at protecting its dividend, declined to comment on the redundancies, which will mainly impact sales and advisory staff. Those affected will be informed this week, the source said. The cuts follow several weeks of performance reviews and planning for 2019 by the bank's senior management team, which was recently joined by former Royal Bank of Scotland executive Ewen Stevenson as its new chief financial officer. The source, who declined to be named, said entire sales teams had been axed, with some members of staff leaving the bank's London headquarters in Canary Wharf on Tuesday.

Snap user number beats Wall Street estimate, shares soar

(Reuters) Snap Inc said the number of people using its Snapchat app would remain at current levels this quarter, easing worries the company would continue to lose users to rival Facebook Inc's Instagram and sending its shares up more than 20%. The photo-messaging app, known for its disappearing messages and filters that turn people into dogs or even tacos, has struggled since going public in March 2017, as Instagram has replicated many of its novel features. A controversial redesign also alienated some of Snapchat's advertisers and users. In Q4 Snap topped Wall Street with 186 million daily active users, flat with the previous quarter and down 1 million from the same period a year ago. Analysts' average expectation was 184.91 million, according to Refinitiv data. "We do not foresee a sequential decline in daily active users in Q1 2019," said Lara Sweet, Snap's interim chief financial officer, during a call with analysts after reporting results. She gave no specific outlook on user numbers. Snap shares jumped 22% to \$8.62 after hours. That is still less than half the \$17 initial public offering price.

Daimler sees 'slight' profit gain this year after drop in 2018

(Bloomberg) Daimler AG expects earnings to bounce back this year after profit slumped in 2018, when the maker of Mercedes-Benz luxury cars struggled through a US-China trade spat, production bottlenecks in Europe and surging expenses to develop electric vehicles. Group earnings before interest and tax will "rise slightly" this year, the company said at its annual earnings press conference on Wednesday. Earnings declined in all divisions during 2018 except heavy trucks. Profitability in the key Mercedes-Benz Cars unit narrowed to 7.8% from 9.4% a year ago. Daimler is the first European automaker to report Q4 earnings and map out what might be another tough year. The car industry has come through a difficult few months marred by trade tensions and declining sales in the world's biggest market China. The pressures prompted two profit warnings by Daimler last year, partly citing China's trade spat with the US that levied additional tariffs on its Alabama-made SUVs. Since then, Mercedes cars have proved resilient to the Chinese downturn and deliveries of its Freightliner heavy-trucks in North America increased.

PDVSA debt to Russia's Rosneft down to \$2.3 billion in Q4

(Reuters) - Venezuelan state oil company PDVSA's principal amount of debt to Russian oil producer Rosneft stood at \$2.3 billion at the end of Q4, down from \$3.1 billion at the end of the previous three months, Rosneft said on Tuesday. The oil producer said its outlook for crude oil and gas condensate production in 2019 implied growth of between 3 and 4.5% from 2018 levels, depending on the implementation of a global oil output deal in the first half of the year.

APPENDIX & DISCLAIMER

This document is for information purposes only and does not take account of the specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever.

The information in this document is based on data obtained from sources believed by Bank of Beirut to be reliable and in good faith, but no representations, guarantees or warranties are made by Bank of Beirut with regard to accuracy, completeness or suitability of the data. The opinions and estimates contained herein reflect the current judgment of the author (s) on the data of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Bank of Beirut. Bank of Beirut does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any opinion described herein would yield favorable investment results. Any forecasts discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by other sources relied upon in the document were inapposite.

Neither Bank of Beirut nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Bank of Beirut. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

For further inquiries, feedback, and trading services:

GLOBAL MARKETS DIVISION

Phone:

+961 1 960501

Email:

treasury@bankofbeirut.com.lb

PRIVATE BANKING DEPARTMENT

Phone:

+961 1 960531/2/3

Email:

privatebanking@bankofbeirut.com.lb

BANK OF BEIRUT GROUP

Lebanon

www.bankofbeirut.com

Australia

www.banksyd.com.au

United Kingdom

www.bankofbeirut.co.uk

Germany

www.bankofbeirut.de

Sultanate of Oman

www.bankofbeirut.com.om

For more info about:

Subsidiaries

[Click here](#)

Network

[Click here](#)

Overseas

[Click here](#)