

# GLOBAL MARKETS

Friday, February 08, 2019

## Markets in brief

- Trade concerns resurfaced, weighing on global markets. U.S. dollar traded near 2-week highs benefiting from its safe-haven appeal during uncertainties.
- Asian stocks lost ground in absence of positive signs. U.S. stocks sank yesterday.
- Australian dollar remained under pressure from recent RBA's dovishness.
- British pound steadied after a volatile session yesterday. The currency would keep facing fluctuations amid heightened Brexit uncertainties.
- Euro could be heading for its 5th straight day of losses.
- Oil prices traded lower on global economic slowdown.
- U.S. 3-m Libor dropped by 4.1 bps to 2.697%, its biggest 1-day drop since May 2009.

## Trump not to meet Xi before deadline; talks continue next week

Trump said he won't meet Chinese President Xi Jinping before a March 1 deadline to avert higher U.S. tariffs on Chinese goods, intensifying fears the two won't strike a deal before the end of a 90-day truce. Time is running out for the U.S. and China to reach an agreement before the deadline the Trump administration has set to more than double tariffs on \$200 billion of Chinese goods. While the U.S. has said it's a hard deadline for the tariffs, Trump has also suggested he could agree to extend negotiations beyond month's end if progress is being made. U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin are leading a group of administration officials headed to Beijing next week as part of the trade talks. Lighthizer told reporters last week that it was not certain a deal could be reached.

## ... trade war concerns persisted

In a move that may sour the mood for trade talks, Trump is expected to sign an executive order banning Chinese telecom equipment from US wireless networks next week, Politico reported. Any Western country allowing Chinese equipment to be used in critical infrastructure projects will face the risk of American countermeasures, U.S. envoy to the EU Gordon Sondland said.

## May still working to end deadlock

U.K. PM Theresa May and her top lawyer will travel to Dublin on Friday as she races to forge a breakthrough with European leaders resisting changes to their Brexit plan. Following a day of tense talks in Brussels on Thursday, May plans to dine with Irish PM Leo Varadkar on Friday evening, while her attorney general, Geoffrey Cox, will meet counterpart Seamus Woulfe in the morning to discuss the contentious issue of the Irish border. On Thursday, May and senior EU officials set a new deadline in an attempt to break the impasse. The two sides agreed their negotiating teams would get back round the table by the end of February for further talks. With just 49 days to go until Brexit official date, getting Varadkar on side will be crucial for May's efforts to find a solution for the future of the Irish border that has become the biggest obstacle to a deal.

## Not looking good for the Euro economy

The European Commission sharply cut on Thursday its forecasts for euro zone economic growth this year and next because it expects the bloc's largest countries to be held back by global trade tensions and an array of domestic challenges. In its quarterly economic forecasts, the EU executive also revised down its estimates for the inflation in the 19-country currency bloc next year, which now is expected to be lower than forecast by the ECB - likely complicating the bank's plans for an interest rate hike this year. The Commission said euro zone growth will slow to 1.3% this year from 1.9% in 2018, before rebounding in 2020 to 1.6%.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1341	0.00%
GBP/\$	1.2948	-0.03%
AUD /\$	0.7087	-0.20%
NZD/\$	0.6759	0.15%
\$/JPY	109.78	0.04%
\$/CAD	1.3319	-0.08%
\$/CHF	1.0019	0.02%
Gold \$	1308.63	-0.11%
Silver \$	15.68	-0.38%
Platinum \$	795.55	-0.33%
WTI \$	52.31	-0.63%
BRENT \$	61.14	-0.80%
<b>AMERICA</b>		
DOW JONES	25169.53	-0.87%
S&P 500	2706.05	-0.94%
NASDAQ	7288.35	-1.18%
<b>EUROPE</b>		
STXE 600	360.08	-1.49%
CAC 40	4985.56	-1.84%
DAX	11022.02	-2.67%
<b>ASIA PACIFIC</b>		
S&P/ASX 200	6071.46	-0.34%
NIKKEI 225	20333.17	-2.01%
CSI 300 (China)	3247.40	1.43%
<b>MENA</b>		
Saudi Arabia	8612.84	-0.24%
Dubai	2542.67	-0.56%
Qatar	10505.19	-1.67%
<b>BONDS</b>		
U.S. 10-year	2.6483	-0.0001
German Bund 10-year	0.1160	0.0000
AU 10-year	2.1040	-0.0005
<b>BEIRUT S.E.</b>		
SOLIDERE - A	6.37	0.16%
SOLIDERE - B	6.20	-1.59%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.64	-
BLOM BANK	8.94	-0.67%
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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## FX & COMMODITIES

**The US dollar held near a two-week high on Friday, as demand for safe-haven assets rose on uncertainties about the path of US-China trade negotiations and broader worries about slowing global growth.** Such concerns were brought to the fore on Thursday after the European Commission sharply cut its forecasts for euro zone economic growth this year and next on expectations the bloc's largest countries will be held back by global trade tensions and domestic challenges. Investors' anxieties about the global economy were also compounded by comments from US President Donald Trump, who said he did not plan to meet with Chinese President Xi Jinping before a March 1 deadline to achieve a trade deal. The dollar index, a gauge of its value versus six major peers was up by around 0.1% at 96.59, sitting just shy of its two-week high. The index has gained for six straight sessions in a row. This was mainly due to a weaker euro, which has around 58% weightage in the index, and came despite the Fed's dovish shift on interest rates last week.

**The Australian dollar remained under pressure as the Reserve Bank of Australia cut its growth forecasts.** The Aussie has shed 2.4% of its value so far this week after the central bank signaled a shift from its long-standing tightening bias earlier this week. But some analysts see limited downside for the Aussie.

**The euro was marginally flat, on track to post its fifth straight day of losses.** The single currency has been stumbling due to weaker-than-expected growth data out of the euro zone and expectations that the European Central Bank will keep monetary policy accommodative this year.

**The Japanese yen was steady. Analysts think Japanese demand for foreign bonds has supported dollar/yen.** The greenback gained around 0.8% versus the yen over the last week.

**The British pound was marginally lower. Traders expect the pound to remain volatile in the near term due to the uncertainty surrounding Brexit.** The United Kingdom is currently on course to leave the EU on March 29 without a deal unless British Prime Minister Theresa May can convince the bloc to reopen the divorce agreement she reached in November.

**The Canadian dollar is on track to post its largest %age loss against the dollar since mid-June.** Canada is a major producer of commodities, including oil, and the loonie has been under pressure due to falling energy prices. The Bank of Canada said in January that low oil prices and a weak housing market hurt the economy in Q4 2018 and would continue to drag on growth in the first quarter of this year. Traders expect the central bank to keep rates steady at its next policy meeting in March.

**Oil markets fell on Friday, pulled down by worries over a global economic slowdown, although OPEC-led supply cuts and US sanctions against Venezuela provided crude with some support.** Weighing on financial markets, including crude oil futures, were concerns that trade disputes between the US and China would remain unresolved, denting global economic growth prospects.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	96.585	0.08%	0.43%
EUR/\$	1.1341	0.00%	-1.10%
GBP/\$	1.2948	-0.03%	1.52%
AUD / \$	0.7087	-0.20%	0.54%
NZD/\$	0.6759	0.15%	0.60%
\$/JPY	109.78	0.04%	-0.08%
\$/CAD	1.3319	-0.08%	2.39%
\$/CHF	1.0019	0.02%	-1.98%
\$/SEK	9.2652	-0.04%	-4.45%
\$/NOK	8.5973	-0.02%	0.51%
\$/DKK	6.5811	0.00%	-1.06%
\$/TRY	5.2670	0.00%	0.43%
EUR/GBP	0.8759	-0.04%	2.63%
EUR/JPY	124.51	0.03%	1.06%
EUR/CHF	1.1362	0.01%	-0.94%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1308.63	-0.11%	2.04%
Silver Spot \$/Oz	15.68	-0.38%	1.17%
Platinum Spot \$/Oz	795.55	-0.33%	-0.01%
Palladium Spot \$/Oz	1387.72	0.12%	9.98%
COPPER \$/lb	282.45	-0.14%	7.35%
WTI \$/bbl	52.31	-0.63%	15.19%
BRENT \$/bbl	61.14	-0.80%	13.64%

### In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
		China Holiday		
CAD	15:15	Canada Housing Starts	206k	213k
CAD	15:30	Canada Employment Change	6.5k	9.3k1
CAD	15:30	Canada Unemployment Rate	5.7%	5.6%

**Next Week:** UK GDP and Manufacturing Production, RBNZ Policy Decision and Statement, UK Inflation, PPI, RPI, Eurozone Industrial Production, US Inflation, Japan GDP, China Trade Balance, German GDP, US Retail Sales, PPI, China Inflation, UK Retail Sales, US Consumer Sentiment

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## STOCKS & BONDS

**The 3-month London interbank offered rate for dollars sank 4.063 basis points to 2.697%, the largest one-day slide since May 2009. The move may reflect a benchmark that's making up ground following a repricing of short-end Treasuries and associated instruments in the wake of the Fed's dovish pivot in recent weeks.**

Investment managers purchased record amounts of US two-year and five-year Treasury notes at auctions in late January on strong demand for short-dated bonds, US Treasury Dept data released on Thursday showed. Investors have scarfed up short-dated US debt on the view the Fed might pause with its interest rate increases in 2019. Some bet the US central bank might even cut interest rates by the end of 2019 to combat slowing economic growth.

**Asian stocks lost ground on Friday as investors worried about a broadening global economic slowdown, with sentiment not helped by the absence of any positive signs for a resolution in the US-China trade row.** Safe-haven government bonds benefited in the face of growing anxiety over the global outlook, with German and Japanese debt yields falling to their lowest in over two years. MSCI's broadest index of Asia-Pacific shares outside Japan shed 0.5%, easing back from a four-month peak touched the previous day. The index was down 0.1% on the week. Hong Kong's Hang Seng lost 0.25% and South Korea's KOSPI retreated 1.1%. Japan's Nikkei tumbled about 2%. The European Commission on Thursday sharply cut its forecasts for euro zone economic growth this year and next, stoking fears a global slowdown is spreading to Europe as businesses and investors grapple with trade frictions.

**US stocks sank on Thursday as worries that the US and China would not be able to reach a trade deal increased concerns about slowing global economic growth.** Trump said he did not plan to meet with Chinese President Xi Jinping before the March 1 deadline set by the two countries for reaching an agreement. US stocks had already been under pressure after the European Commission slashed its euro zone growth forecasts for 2019 and 2020 due to an expected slowdown in the largest countries of the bloc, partly due to trade tensions. Stocks pared losses toward the end of the session. Still, among the S&P 500's major sectors, only the defensive utilities and real estate indexes were positive, illustrating Thursday's risk-off sentiment. The Philadelphia SE Semiconductor Index tumbled 2.2%. Chipmakers get a large chunk of their revenue from Chinese customers. Disappointing financial forecasts from several US companies, including Twitter Inc, have also given investors pause. More than half of S&P 500 companies have reported Q4 results, with about 71% beating profit estimates, according to IBES data from Refinitiv. However, current-quarter earnings growth estimates have shrunk to 0.1% from 5.3% at the start of the year. Energy stocks fell 2.1%, the largest percentage drop among S&P 500 sectors, as crude prices sank on worries of tapering demand because of trade tensions. Twitter shares tumbled 9.8% after the social media company forecast that revenue in the first quarter would be weaker than expected and that its full-year operating costs would rise. SunTrust Banks Inc shares jumped 10.2% after the bank agreed to be bought for about \$28 bn in stock by fellow regional lender BB&T Corp, whose shares rose 4.0%.

**Major Gulf bourses tumbled yesterday, mostly pressured by financial shares.** Qatari index fell sharply as all but one of its stocks slid.

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<b>AMERICA</b>			
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Dubai	2542.67	-0.56%	0.51%
Qatar	10505.19	-1.67%	2.00%
Oman	4151.97	-0.21%	-3.97%
Egypt	14753.68	-0.09%	13.18%
Kuwait	5439.52	-0.01%	3.27%
Bahrain	1418.10	0.66%	6.05%
<b>10-YEAR BONDS</b>			
U.S.	2.6483	-0.0089	-0.0359
Germany	0.1160	0.0010	-0.1260
U.K.	1.1770	-0.0390	-0.1000
France	0.5510	-0.0260	-0.1590
Australia	2.1040	-0.0450	-0.2140
Japan	-0.0300	-0.0220	-0.0330

## Major Company News

- Facebook Inc is toughening up the rules governing political advertisements in India to create more transparency ahead of the country's general elections due before May, the social media giant said late on Thursday.
- Fitch on Thursday cut its outlook for General Electric Co to "negative" from "stable", citing risks associated with its power business and an expected drop in free cash flow at its industrial unit.
- Nikon Corp said Foxconn Technology Group had requested to delay the instalment of equipment at the Taiwanese firm's new liquid crystal display (LCD) plant in the southern Chinese city of Guangzhou.
- Fiat Chrysler Automobiles NV told Reuters on Thursday it paid \$77 million in U.S. civil penalties late last year for failing to meet 2016 model year fuel economy requirements, the first significant sign the industry is facing hurdles meeting rising emissions rules.
- A US bankruptcy judge on Thursday approved Sears Holdings Corp Chairman Edward Lampert's \$5.2 bn takeover of the beleaguered retailer, allowing the department store chain to narrowly avert liquidation and preserve tens of thousands of jobs.
- Johnson & Johnson said on Thursday it will start adding the price of its medicines to television commercials by next month, becoming the first drugmaker to heed a call by US President Donald Trump for price transparency of drugs advertised directly to consumers on TV.
- Wall Street Journal owner News Corp's quarterly revenue rose nearly 21%, driven by stronger sales at its online real estate listings unit which gained from higher prices in Australia.
- Online video platform Vimeo's paying subscriber base grew to about 952,000 at the end of 2018 and the company made \$160 mn in revenue during the year, its parent group IAC revealed on Thursday.



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## TOP SELECTED NEWS

### Italy, Germany drag on Euro-area economy

(Bloomberg) The European Commission slashed its growth forecasts for all the euro region's major economies from Germany to Italy and warned that Brexit and the slowdown in China threaten to make the outlook even worse. The EU's executive arm delivered a downbeat report on Thursday that shaved a whole percentage point off its 2019 projection for Italy, now seen with minimal expansion of just 0.2% for the whole year. Officials in Brussels warned that the region's outlook faces "substantial" risks. The gloomier forecasts reflect more pronounced weakness in the region, which stumbled at the end of 2018 as political instability continued to rock Italy, violent protests in France depressed output, and Germany's car industry struggled to rebound from changes in regulation. Global trade uncertainty and a sharper-than-expected slowdown in China also pose external risks to the economic outlook. In its forecasts, the commission sees the 19-nation euro-area economy expanding 1.3% this year down from 1.9% projected in November. For 2020, it sees growth of 1.6%, down from 1.7% forecast earlier.

### Brexit is 9 days away for exporters sending ships to Asia

(Bloomberg) British exporters risk their goods sitting in quarantine and not being paid for unless a Brexit deal can be found by the end of next week. Prime Minister Theresa May is spending Thursday in Brussels, seeking concessions to her Brexit deal that can win the support of both the EU and the U.K. parliament. Unless she resolves that conundrum, Britain is on course to tumble out of the bloc on March 29, losing the benefits of EU membership, including beneficial trade terms with countries on the other side of the globe. "For many companies, it's not 50 days away, hard Brexit happens nine days from now," Stephen Phipson, chief executive of the EEF manufacturing lobby group, said. "Those are the first ships that are going to land post-March 29 in southeast Asia. If products get loaded on the ships, exporters have no idea when they land whether they'll be on a 20% tariff regime. Will they need rules of origins certificates?" Phipson's remarks hammer home the real-world implications of the limbo that companies face as lawmakers squabble over the shape of Brexit. Britain has about 40 trade deals with 70 nations through its EU membership, and, to ensure continuity, Trade Secretary Liam Fox is trying to get those countries to agree to trade with the U.K. on the same terms after Britain leaves the bloc.

### UK said to weigh trimming \$24 bn RBS stake soon

(Bloomberg) The British government is considering a partial sell-down of its Royal Bank of Scotland Group Plc stake in the immediate aftermath of its annual results next week, people with knowledge of the matter said. There is no final certainty over timing and size, the people said, declining to be identified as the details are private. The shares may have to be offered at a discount to reflect the uncertainty hanging over Brexit, and a sale is ultimately dependent on market conditions, they said. During the financial crisis, the U.K. government injected 45.5 bn pounds into RBS, the biggest banking bailout in the world at the time. The state currently owns just over 62%, valuing its holding at about 18.4 bn pounds. It plans to exit its shareholding by 2024. Spokespeople for the government and RBS declined to comment. "The timing of any future share sales is highly uncertain and entirely in the hands of the Treasury," Chairman Howard Davies said at a shareholders' meeting in Edinburgh on Wednesday. At the meeting, RBS

shareholders approved a plan that would see the bank acquire up to 5% of its shares when the government sells, in what it has called a "directed buyback."

### BB&T to buy SunTrust in biggest bank Merger in a decade

(Bloomberg) BB&T Corp. agreed to buy SunTrust Banks Inc. in the world's largest bank merger in more than a decade, betting that a combination will allow them to keep up with bigger rivals in the arms race for new technology. The \$28 bn deal scraps both companies' names and headquarters, creating an entirely new bank based in Charlotte, North Carolina, with branches throughout the Southeast. It will be the 6th-biggest commercial bank in the US by assets, supplanting PNC Financial Services Group. Industry executives have long predicted a wave of bank mergers that until Thursday had played out only in smaller or midsize deals. Brian Moynihan, CEO of Bank of America, said last month he could envision the creation of another megabank, given the large number of small players spread throughout the country. And Ernst & Young said it expects a flurry of transactions this year, fueled by easing regulations and the US tax overhaul, which helped lenders build a war chest to spend on acquiring new clients and technology.

### Apple to contribute to US teen education for spotting bug

(Reuters) Apple on Thursday rolled out software updates to iPhones to fix a privacy issue in its FaceTime video calling service, and said it would contribute toward the education of the Arizona teenager who discovered the problem. The software bug, which had let users hear audio from people who had not yet answered a video call, was discovered by a Tucson, Arizona high school student Grant Thompson, who with his mother Michele led Apple to turn off FaceTime group chat as its engineers investigated the issue. The tech giant said it would compensate the Thompson family and make an additional gift toward 14-year-old Grant's education. Apple also formally credited Thompson and Daven Morris from Arlington, Texas in the release notes to its latest iPhone software update.

### Visa raises Earthport offer to \$320 mn, tops Mastercard bid

(Reuters) Visa Inc on Friday sweetened its offer for payment company Earthport Plc to about 247 mn pounds, topping rival Mastercard Inc's earlier bid. A unit of Visa offered 37 pence in cash for each Earthport share, higher than the 30 pence per share it offered in December. Mastercard last month offered 33 pence per Earthport share. Earthport, which had backed the Mastercard bid earlier, said it had recommended shareholders to accept the increased Visa offer.

### Starbucks 'unlikely' to be overtaken in China in 2019

(Reuters) Starbucks Corp is unlikely to cede its leading position in China, the company's fastest-growing major market, to Chinese startup Luckin in 2019, Starbucks CEO Kevin Johnson said in an interview on Thursday. Seattle-based Starbucks, the world's largest coffee chain, has been building its presence in the world's second-biggest economy for the past couple of decades, while Luckin only launched at the beginning of last year, expanding rapidly with a focus on technology and heavy discounting even at the cost of mounting losses. Luckin has said it is targeting a total of more than 4,500 stores in China by the end of 2019, which would take it past Starbucks, which has long dominated the Chinese coffee market and currently has over 3,600 stores in the country.



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