

GLOBAL MARKETS

Monday, February 11, 2019

Markets in brief

- U.S.-China trade talks dominated markets, while keeping U.S. dollar near 6-week highs on increased safe-haven demand.
- Euro continued to be pressured by lower government bond yields.
- British pound expected to remain volatile amid heightened Brexit uncertainty.
- Australian dollar recovered slightly. NZ dollar traders awaited RBNZ policy decision.
- Oil prices edged lower as U.S. drilling picked up.
- Asian shares barely moved amid cautious trading.
- In the U.S., S&P 500 and Nasdaq lifted up with upbeat corporate results.

U.S.-China trade talks entering crucial phase

Investors will be hoping the U.S. and China can put trade talks back on the road to a deal after Trump said he's unlikely to meet President Xi Jinping before a March 1 deadline to avert higher American tariffs on Chinese goods. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin are leading a group of administration officials headed to Beijing, although Lighthizer said recently that it's not certain a pact could be reached.

... China hopeful

China hopes to see good results from trade talks with the United States, the country's foreign ministry said on Monday, as the latest round of negotiations began in Beijing. Ministry spokeswoman Hua Chunying made the comment at a daily news briefing.

May trying to buy time

Theresa May is courting opposition Labour Leader Jeremy Corbyn as she plays for time to renegotiate her Brexit deal. The premier wrote a conciliatory letter to Corbyn after he proposed a new deadline of Feb. 26 for winning lawmakers' backing for a final exit deal. There'll be another vote if the deal hasn't been renegotiated by Feb. 27. No new plan has so far been devised. Last week May reopened talks with the EU, attempting to change the fallback plan for avoiding a hard Irish border, the so-called backstop.

EU populists could gain more power

Anti-European parties are poised to win more than a third of the seats in European Parliament elections in May and could disrupt the bloc's legislative business, the European Council on Foreign Relations said. These far-right groups will work together to derail projects supported by pro-European politicians like Emmanuel Macron and obstruct priorities in areas including foreign policy and migration.

U.S. government shutdown again?

Talks to avert a new government shutdown over funding for border-security funding broke down late on Saturday, according to lawmakers and aides, imperiling the prospects for a deal as time runs short. Negotiations can still get back on track, and some key lawmakers planned to talk via phone on Sunday afternoon, but the prospect of getting a deal by Friday's deadline seem to have derailed just as lawmakers thought they were on track to reach a compromise.

Euronext fighting with Nasdaq over Oslo Bors

Euronext NV has raised its offer for Oslo Bors VPS Holding ASA, the owner of Norway's national stock exchange, in an attempt to thwart a rival bid from Nasdaq Inc. The Franco-Dutch exchange operator offered 158 Norwegian kroner a share, up from a previous offer of 145 kroner, according to a statement on Monday. The increased offer also exceeds the 152-kroner a share bid by Nasdaq, made on Jan. 30.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1325	0.02%
GBP/\$	1.2936	-0.06%
AUD /\$	0.7100	0.17%
NZD/\$	0.6766	0.39%
\$/JPY	109.97	-0.22%
\$/CAD	1.3287	-0.07%
\$/CHF	1.0004	0.01%
Gold \$	1311.22	-0.23%
Silver \$	15.75	-0.45%
Platinum \$	793.26	-0.96%
WTI \$	52.17	-1.04%
BRENT \$	61.88	-0.35%
AMERICA		
DOW JONES	25106.33	-0.25%
S&P 500	2707.88	0.07%
NASDAQ	7298.20	0.14%
EUROPE		
STXE 600	358.07	-0.56%
CAC 40	4961.64	-0.48%
DAX	10906.78	-1.05%
ASIA PACIFIC		
S&P/ASX 200	6060.85	-0.17%
NIKKEI 225	20333.17	-2.01%
CSI 300 (China)	3306.47	1.82%
MENA		
Saudi Arabia	8577.68	0.05%
Dubai	2529.72	-0.51%
Qatar	10441.21	-0.61%
BONDS		
U.S. 10-year	2.6375	0.0000
German Bund 10-year	0.0960	0.0001
AU 10-year	2.0640	-0.0004
BEIRUT S.E.		
SOLIDERE - A	6.21	-2.51%
SOLIDERE - B	6.01	-3.06%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.64	-
BLOM BANK	8.94	-
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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FX & COMMODITIES

The US dollar stayed near a six-week high against a basket of currencies as fresh worries over US-Sino trade tensions and global growth pushed investors toward the safety of the greenback. US negotiators this week will press China on longstanding demands to reform how it treats US companies' intellectual property in order to seal a trade deal that could prevent tariffs from rising on Chinese imports. The dollar gained 0.22% versus the yen to 109.97. However, traders expect moves in dollar/yen to be small on Monday as Japanese markets are closed for a public holiday. The dollar index, a gauge of its value versus six major peers, was marginally higher at 96.66, putting it on track for a eighth straight day of gains. The Swiss franc, another currency perceived to be a safe-haven asset was flat at 1.0004. Trade tensions between the world's two largest economies have been a major driver of global investor sentiment over the past year. Market confidence took a hit last week when US President Donald Trump said he did not plan to meet with Chinese President Xi Jinping before a March 1 deadline set by the two countries to achieve a trade deal. Trump has vowed to increase US tariffs on \$200 billion worth of Chinese imports to 25% from 10% if the two sides cannot reach a deal by March 2. On Monday morning, when China markets reopened after a one-week holiday break, the dollar was 0.5% higher versus the yuan at 6.7753 while the offshore yuan was relatively unchanged at 6.7808. The euro was flat at \$1.325 while the Aussie was 0.17% higher at \$0.7100, after a disastrous week in which it lost 2.2%. The strength in the dollar has come despite the Fed taking a dovish stance at its policy meeting in January. For now, investors are piling into the safety of the greenback due to fears of a sharp global economic slowdown.

The euro came under pressure as core European government debt yields touched their lowest in over two years. The single currency has lost 2.5% so far this month. Benchmark German yields were just 10 basis points away from zero%. The European Commission sharply cut on Thursday its forecasts for euro zone economic growth for this year and next, with the bloc's largest economies expected to be held back by global trade tensions and domestic challenges. Last month, the International Monetary Fund also downgraded its forecasts for global growth.

The New Zealand dollar, which lost 2.2% last week, was 0.39% higher at \$0.6766. Analysts expect the kiwi to remain under pressure over the near term. The Reserve Bank of New Zealand is expected to leave interest rates unchanged this week but may adopt a more dovish tone and cut forecasts, in line with other major central banks that see growing risks to the global outlook.

Oil prices fell by around 1% on Monday as drilling activity in the US, the world's largest oil producer, picked up and financial markets were pulled down by trade concerns. A refinery fire in the US state of Illinois, which resulted in the shutdown of a large crude distillation unit, that could cause crude demand to fall also weighed on prices, traders said. In the US, energy firms last week increased the number of oil rigs operating for the second time in three weeks, a weekly report by Baker Hughes said on Friday. Companies added seven oil rigs in the week to Feb. 8, bringing the total count to 854, pointing to a further rise in US crude production,.

	LAST	1D	YTD
CURRENCIES			
DXY	96.661	0.02%	0.51%
EUR/\$	1.1325	0.02%	-1.24%
GBP/\$	1.2936	-0.06%	1.43%
AUD / \$	0.7100	0.17%	0.72%
NZD/\$	0.6766	0.39%	0.70%
\$/JPY	109.97	-0.22%	-0.25%
\$/CAD	1.3287	-0.07%	2.63%
\$/CHF	1.0004	0.01%	-1.83%
\$/SEK	9.2812	-0.08%	-4.61%
\$/NOK	8.6858	-0.55%	-0.52%
\$/DKK	6.5907	0.01%	-1.20%
\$/TRY	5.2488	-0.03%	0.77%
EUR/GBP	0.8754	-0.16%	2.69%
EUR/JPY	124.54	-0.22%	1.04%
EUR/CHF	1.1330	0.00%	-0.65%
COMMODITIES			
Gold Spot \$/Oz	1311.22	-0.23%	2.24%
Silver Spot \$/Oz	15.75	-0.45%	1.67%
Platinum Spot \$/Oz	793.26	-0.96%	-0.30%
Palladium Spot \$/Oz	1387.25	-1.21%	9.94%
COPPER \$/lb	278.40	-0.94%	5.82%
WTI \$/bbl	52.17	-1.04%	14.89%
BRENT \$/bbl	61.88	-0.35%	15.02%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	11:30	UK GDP MoM	0.00%	0.20%
GBP	11:30	UK Manufacturing Prod MoM	0.20%	-0.30%
GBP	During day	UK NIEST GDP Estimate	-	0.30%

Tuesday: AU Business Confidence, BoE Carney speaks, Fed Cahir Powell speaks

Wednesday: RBNZ Policy Decision and Statement, UK Inflation, PPI, RPI, Eurozone Industrial Production, US Inflation

Thursday: Japan GDP, China Trade Balance, German GDP, US Retail Sales, PPI

Friday: China Inflation, UK Retail Sales, US Consumer Sentiment

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STOCKS & BONDS

Asian shares barely moved on Monday as investors were unable to shake worries about global growth, US politics and the Sino-US trade war, keeping the safe haven dollar near a six-week top against major currencies. Chinese stock indexes played catch-up when reopening after a week-long break. Gains came as the commerce ministry said retail earnings during the Lunar New Year holiday jumped 8.5% from the period last year, even though growth in the world's second largest economy is slowing. China's blue-chip index surged 1.6% while Shanghai's SSE Composite climbed 1.2%. Australian stocks recouped some losses to end 0.2% lower while South Korea's KOSPI index was up 0.2%. Indonesian and Indian benchmarks were in the red. That left MSCI's broadest index of Asia-Pacific shares outside Japan were slightly firmer after it was toppled from a four-month top on Friday. Trading volumes were generally light, with Japan on public holiday.

US stocks were mixed on Friday. The benchmark S&P 500 index and the Nasdaq edged upward to snap a two-day losing streak on Friday as positive corporate results offset lingering skepticism over the US and China reaching a trade deal before the March 1 deadline. Shares of Coty Inc, Mattel Inc and Motorola Solutions Inc jumped after the companies reported better-than-expected quarterly results. In addition, shares of Electronic Arts Inc, which plunged on Wednesday after the company's quarterly results, surged after the videogame publisher said that its game Apex Legends had attracted 10 million players in three days. Electronic Arts and Motorola Solutions were among the top boosts to the S&P 500. Earlier, US stocks dragged as trade concerns continued to weigh on investor sentiment. President Donald Trump said on Thursday he did not plan to meet Chinese President Xi Jinping before the deadline set for reaching an agreement. US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin will travel to Beijing for principal-level meetings on Feb. 14-15, a statement from the White House said. As the session wore on, Wall Street's major indexes regained lost ground. For the week, the Dow added 0.17%, the S&P 500 rose 0.05%, and the Nasdaq gained 0.47%. The S&P 500 has risen more than 15% from 20-month lows in December, spurred by a dovish Fed and largely positive fourth-quarter earnings, as well as hopes for an eventual US-China trade deal. Of the S&P 500 companies that have reported quarterly results, 71.5% have beaten profit estimates, according to IBES data from Refinitiv.

Most Gulf markets fell on Sunday, led by Saudi and Qatari stocks, as investors cut positions in blue-chip stocks after last week's weakness in global stocks amid lingering uncertainty about the world economy. Saudi stocks began the day on a positive note after a rally in construction and cement stocks following a royal decree to reimburse rising expatriate fees that will help labour-intensive sectors.

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Abu Dhabi	5082.01	-0.59%	2.89%
Dubai	2529.72	-0.51%	-0.55%
Qatar	10441.21	-0.61%	0.69%
Oman	4158.49	0.16%	-4.01%
Egypt	14763.94	0.07%	13.26%
Kuwait	5442.18	0.05%	3.38%
Bahrain	1409.65	-0.60%	4.52%
10-YEAR BONDS			
U.S.	2.6375	0.0036	-0.0467
Germany	0.0960	0.0090	-0.1460
U.K.	1.1510	-0.0260	-0.1260
France	0.5470	0.0060	-0.1630
Australia	2.0640	-0.0400	-0.2540
Japan	-0.0290	-0.0210	-0.0320

Major Company News

- Amazon.com Inc is exploring alternatives to locating part of its new headquarters in New York in case the plan should fail due to local opposition, a person briefed on the matter told Reuters on Friday.
- Boeing Co said on Friday it had recorded reach-forward losses of \$2.31 billion related to the US Air Force KC-46A aerial refueling tanker over 2016, 2017 and 2018, bringing the total pre-tax cost of the program to \$3.6 billion.
- Australian electronics retailer JB Hi-Fi Ltd bucked gloomy sales conditions to post a 5.5% rise in half-year profit and growth in categories from fridges to phones, sending its shares to a six-week high.
- Britain's Smith & Nephew Plc has held talks to buy US-based medical equipment maker NuVasive in a deal that would be worth more than \$3 billion, the Financial Times reported on Friday.
- Shares in mining company Cleveland-Cliffs Inc has benefited from troubles at rival Vale SA after three of Vale's dams ruptured at an iron-ore mine in Brazil last month, Barron's financial newspaper said in its latest edition.
- Netflix black and white family portrait "Roma" won Best Film at the British Academy of Film and Television Arts (BAFTA) awards on Sunday, scooping up the top prize at the star-studded event in London.
- Billionaire investor Daniel Loeb's Third Point LLC on Friday filed with the US Securities and Exchange Commission showing it had dissolved its share stake in United Technologies Corp, though it was not immediately clear whether the hedge fund may own the same position in the company through derivatives.

TOP SELECTED NEWS

UK recession risk in next year climbs to 30%, economists

(Bloomberg) There's almost a 1-3 chance of a UK recession in the 12 months, according to a Bloomberg survey of economists. The probability of two consecutive quarters of negative growth has increased to 30%, the highest since the end of 2016, the survey of 10 economists found. That's up from 25% a month ago. It was at 20% or lower for all of 2018. The survey was conducted Feb. 1-6, before the BoE published new forecasts that see the slowest economic growth in a decade in 2019 and a slightly greater than 20% chance of a recession. Governor Mark Carney told a press conference that a no-deal Brexit would increase the probability of a contraction. Economists put the chances of a recession at almost 50% in the immediate aftermath of 2016's Brexit vote, but the economy continued to expand. There hasn't been a quarterly contraction since 2012. BOE policy makers will have further chance to explain their outlook at events in London this week. Carney discusses risks to the global economy in a speech on Tuesday, while external Monetary Policy Committee member Gertjan Vlieghe will give his thoughts about the UK on Thursday.

Germany, France face hurdles to rewrite EU antitrust rules

(Reuters) Germany and France want to overhaul EU mergers rules following the European Commission's veto of efforts by Siemens and Alstom to create a European rail champion to compete with larger foreign rivals. This is why they want change, and the hurdles ahead: The French want a broader definition of relevant markets, recognition that markets are not set in stone but evolve quickly, and powers for EU ministers to override a Commission decision. Finance Minister Bruno Le Maire says this broader approach would go hand-in-hand with an already planned increase in vetting of foreign investment to protect Europe's key industrial assets, and also with a more muscular trade policy. The aim is to have joint Franco-German proposals by the end of March. Le Maire will discuss the issue with German Economy Minister Peter Altmaier when he visits Germany on Feb. 19. Altmaier set out his National Industry Strategy 2030 on Tuesday, saying a revamp at German and EU level was necessary to allow businesses to compete fairly at an international level. Germany wants regulators to take a global view of markets, take into account rivals backed by state financial and political support and give veto power to the European Council — that is the leaders of member states.

Netherlands wins Brexit spoils

(Bloomberg) Brexit is driving companies out of the UK, and the Netherlands is raking in the corporate refugees. About 250 companies are in talks with the Netherlands Foreign Investment Agency to potentially relocate activities to the country, according to a statement published on Saturday. The candidates would join 42 companies that made the move last year, and the 18 early birds in 2017. The Netherlands has emerged as one of the winners in securing businesses that seek to leave the UK because of Brexit, vying with countries like Germany, France and Ireland. The country, which bagged the European Medicines Agency -- an EU agency moving from London to Amsterdam -- is initially luring corporate entities in the financial and media sectors, both of which require permits to operate in the bloc, Nijland said.

Moody's raises Russia rating to investment grade

(Reuters) Global ratings agency Moody's Investor Service raised Russia's rating to investment grade on Friday, saying the policies enacted in recent years will strengthen the country's already robust public finances. Moody's also said there is a reasonably high likelihood that the US could impose further sanctions on Russia in the coming months, but added that Russia's ability to withstand the impact has improved since the downgrade in 2015. The government's net borrowing needs are very small and with fiscal consolidation and shifts in sources of investors in government debt, it is possible for Russia to execute borrowing plans domestically if needed, Moody's said in a statement. The agency raised its rating to Baa3 from Ba1, but changed its outlook to stable from positive, citing ongoing pressures from external factors including a further fall in oil prices.

Bank of France sees French Q1 economic growth at 0.4%

(Reuters) France is expected to have first quarter economic growth of 0.4%, the Bank of France said in its monthly business survey on Monday, as the euro zone's second-biggest economy grapples with the impact to business from anti-government protests. Q1 growth of 0.4% would represent a slight improvement from the fourth quarter of 2018, when the French economy grew by 0.3%. The French government expects the country's economy to grow by 1.7% for 2019.

How Venezuela turns its useless bank notes into gold

(Reuters) Venezuela's most successful financial operations in recent years have not taken place on Wall Street, but in primitive gold-mining camps in the nation's southern reaches. With the country's economy in meltdown, an estimated 300,000 fortune hunters have descended on this mineral-rich jungle area to earn a living pulling gold-flecked earth from makeshift mines. Their picks and shovels are helping to prop up the leftist government of President Nicolas Maduro. Since 2016, his administration has purchased 17 tonnes of the metal worth around \$650 million from so-called artisan miners, according to the most recent data from the nation's central bank. Paid with the country's near-worthless bank notes, these amateurs in turn supply the government with hard currency to purchase badly needed imports of food and hygiene products. This gold trade is a blip on international markets. Still, the US is using sanctions and intimidation in an effort to stop Maduro from using his nation's gold to stay afloat. The Trump administration is pressuring the UK not to release \$1.2 billion in gold reserves Venezuela has stored in the Bank of England. US officials recently castigated an Abu Dhabi-based investment firm for its Venezuela gold purchases, and have warned other potential foreign buyers to back off.

Al Jazeera partners with Bloomberg to expand coverage

(Reuters) Qatar's Al Jazeera Media Network said on Monday it would partner with Bloomberg Media Distribution as part of a content license agreement to expand its global business news coverage. Select Bloomberg content like digital video and charts will run on Al Jazeera's english-language digital properties, the company said. Al Jazeera's content will also be available to Bloomberg terminal subscribers. The Associated Press and Bloomberg LP had in October announced a sales partnership in Europe, Middle East and Africa region and Asia to expand their media client base. Bloomberg competes with Reuters, the news division of Thomson Reuters Corp, in supplying news to media outlets.



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