

GLOBAL MARKETS

Wednesday, February 13, 2019

Markets in brief

- Safe-haven demand faded after Chinese President Xi Jinping was reported to be planning to meet senior U.S. officials for trade talks in Beijing Friday. More pressure came from news that U.S. lawmakers said they reached an agreement in principle on border security.
- Asian stocks rose to more than 4-month high tracking Wall Street's jump yesterday.
- Japanese yen fell while Treasuries edged lower. Australian dollar gained on optimism about U.S.-China trade talks.
- NZ dollar surged the most in 3 months after RBNZ defied dovish forecasts by saying it planned to keep its policy rate on hold through 2020.
- Euro recovered from a 3-month low hit yesterday.
- British pound steadied but would continue to face volatility amid Brexit uncertainty.
- Oil prices jumped after OPEC cut its supply yesterday.

U.S.-China trade talks still showing optimism

Trump said he could let his March 1 deadline for higher tariffs "slide for a little while" if the two sides are near a deal, though he's "not inclined" to do so. He told his cabinet there are no plans yet for him to meet Xi Jinping next month. Mid-level discussions are underway in Beijing; Robert Lighthizer and Steven Mnuchin join from tomorrow. Xi will meet with the U.S. team on Friday, the SCMP reported. U.S. Treasury Secretary Steven Mnuchin said on Wednesday he hopes for "productive" trade meetings in China.

Brexit's last minute concession

Theresa May will have a chance to win a late Brexit concession from the EU at a March 21 summit, people familiar said. The bloc won't likely offer help sooner in case Britain asks for even more. May continues to say extending Article 50 makes no sense. Her negotiator Oliver Robbins was overheard in a bar saying the real plan is to delay a vote until late March and then give MPs a choice between a revised deal or a very long extension of Article 50 talks.

OPEC cutting oil supply ... and world growth forecasts

OPEC said on Tuesday it had cut oil production steeply under a global supply deal, although it flagged headwinds confronting its efforts to prevent a glut this year including weaker demand and higher rival output. In a monthly report, OPEC said its oil output fell almost 800,000 bpd in January to 30.81 million bpd. That is still slightly more than the demand OPEC expects for its crude on average in 2019. Worried by a drop in oil prices and rising supplies, the OPEC and its allies including Russia agreed in December to make supply cuts. Under the deal, OPEC is lowering output by 800,000 bpd from Jan. 1. In the report, OPEC cut its forecast for 2019 world economic growth by 0.2 percentage point to 3.3% and highlighted a range of headwinds such as a slowdown in global trade.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1331	0.04%
GBP/\$	1.2910	0.14%
AUD /\$	0.7127	0.45%
NZD/\$	0.6837	1.50%
\$/JPY	110.65	-0.15%
\$/CAD	1.3210	0.21%
\$/CHF	1.0059	0.08%
Gold \$	1313.10	0.18%
Silver \$	15.75	0.30%
Platinum \$	792.33	0.09%
WTI \$	53.60	0.94%
BRENT \$	63.05	1.01%
AMERICA		
DOW JONES	25425.76	1.49%
S&P 500	2744.73	1.29%
NASDAQ	7414.62	1.46%
EUROPE		
STXE 600	362.78	0.46%
CAC 40	5056.35	0.84%
DAX	11126.08	1.01%
ASIA PACIFIC		
S&P/ASX 200	6063.57	-0.26%
NIKKEI 225	21144.48	1.34%
CSI 300 (China)	3396.60	1.99%
MENA		
Saudi Arabia	8600.32	0.67%
Dubai	2484.80	-0.46%
Qatar	10302.41	-1.33%
BONDS		
U.S. 10-year	2.6949	0.0001
German Bund 10-year	0.1470	0.0002
AU 10-year	2.1500	0.0003
BEIRUT S.E.		
SOLIDERE - A	6.49	4.68%
SOLIDERE - B	6.02	0.33%
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	-

FX & COMMODITIES

The US dollar edged lower versus its peers on Wednesday, as rising hopes of a breakthrough in US-China trade talks led investors to put money into the euro and Asian currencies. The euro gained 0.04% to \$1.1331, while the Aussie dollar, often considered a barometer for global risk appetite, rose 0.45% to \$0.7127. Risk appetite in broader markets was revived after US Trump said on Tuesday that he could let the March 1 deadline for a trade agreement with China "slide for a little while," but that he would prefer not to and expects to meet with Chinese President Xi Jinping to close the deal at some point. US tariffs on \$200 billion worth of imports from China are scheduled to rise to 25% from 10% if the two sides cannot reach a deal by the deadline, increasing pain and costs in sectors from consumer electronics to agriculture. The main focus for the markets are the high-level talks this week in China, where the world's two largest economies attempt to hammer out a trade deal. Financial markets have been rattled by the trade tensions over the past year, with business sentiment taking a hit globally as the fallout of the US-China dispute disrupted factory activity and hurt global growth. The dollar index, a gauge of its value versus six major peers, was marginally flat at 96.68, having lost 0.35% on Tuesday. The dollar was steady versus the yen at 110.65.

NZ dollar rallied after the central bank played down talk of an interest-rate cut, while other commodity currencies climbed amid further signs of easing in U.S.-China trade tensions. Kiwi gained as much as 1.7% and New Zealand bonds slumped after central bank Governor Adrian Orr said the odds for a rate cut haven't increased, defying speculation it would follow the Fed and RBA in turning more dovish. The kiwi dollar was the biggest gainer, rallying a whopping 1.50% on the dollar to \$0.6837.

The British pound gained, but traders expect the British pound to remain volatile over the coming weeks as a Brexit deadline looms. The UK is on course to leave the EU on March 29 without a deal unless Prime Minister Theresa May can persuade the bloc to amend the divorce deal she agreed last year.

The Canadian dollar rose, after weakening 0.5% in the previous session. The loonie has been supported by a rise in oil prices overnight due to improving risk appetite.

Oil prices rose on Wednesday as producer club OPEC said it had cut supply deeply in January and as US sanctions hit Venezuela's oil exports. US prices were also supported by a report from the American Petroleum Institute (API) on Tuesday showing that crude inventories fell by 998,000 barrels in the week to Feb. 8 to 447.2 million, compared with analyst expectations for an increase of 2.7 million barrels. The OPEC, which Saudi Arabia de-facto leads as the world's top crude oil exporter, said on Tuesday that it had cut its output by almost 800,000 bpd in January to 30.81 million bpd. Supply issues in OPEC-member Venezuela are also bolstering oil prices as the South American country suffers a political and economic crisis, with Washington introducing petroleum export sanctions against state-owned energy firm PDVSA. Despite the political rifts between Venezuela and the US, US refiners have in the past been some of the biggest buyers of Venezuelan crude.

	LAST	1D	YTD
CURRENCIES			
DXY	96.685	-0.02%	0.53%
EUR/\$	1.1331	0.04%	-1.19%
GBP/\$	1.2910	0.14%	1.22%
AUD /\$	0.7127	0.45%	1.11%
NZD/\$	0.6837	1.50%	1.76%
\$/JPY	110.65	-0.15%	-0.87%
\$/CAD	1.3210	0.21%	3.23%
\$/CHF	1.0059	0.08%	-2.37%
\$/SEK	9.2508	0.10%	-4.30%
\$/NOK	8.6176	0.38%	0.27%
\$/DKK	6.5860	0.04%	-1.13%
\$/TRY	5.2448	0.15%	0.85%
EUR/GBP	0.8777	0.10%	2.42%
EUR/JPY	125.38	-0.21%	0.36%
EUR/CHF	1.1398	0.02%	-1.25%
COMMODITIES			
Gold Spot \$/Oz	1313.10	0.18%	2.39%
Silver Spot \$/Oz	15.75	0.30%	1.67%
Platinum Spot \$/Oz	792.33	0.09%	-0.42%
Palladium Spot \$/Oz	1413.30	0.54%	12.01%
COPPER \$/lb	278.25	0.38%	5.76%
WTI \$/bbl	53.60	0.94%	18.04%
BRENT \$/bbl	63.05	1.01%	17.19%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	11:30	UK CPI YoY	1.90%	2.10%
GBP	11:30	UK PPI Input MoM	0.20%	-1.00%
EUR	12:00	Eurozone Industrial Production	-0.40%	-1.70%
USD	15:30	US CPI MoM	0.10%	-0.10%
USD	15:30	US Core CPI MoM	0.20%	0.20%
OIL	17:30	EIA Weekly Report		

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

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

STOCKS & BONDS

Asian stocks reached a more than four-month high on Wednesday, lifted by optimism that the US and China might be able to hammer out a deal to resolve their nearly year-long trade dispute. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.6% to its highest level since early October and Japan's Nikkei average climbed 1.3% to an eight-week high. China's Shanghai Composite and blue-chip CSI 300 were both up around 2% to multi-month highs, with IT shares leading the gains on Beijing's promise to push for core technology and innovation. Asia took its cue from US stocks, where the Dow and Nasdaq each rallied about 1.5% overnight on optimism over US-China trade negotiations and a tentative US congressional spending deal to avert another partial government shutdown. European shares were expected to open higher, with financial spread-bettors seeing Britain's FTSE, France's CAC and Germany's DAX each ticking up between 0.4 and 0.5%.

US stocks rallied on Tuesday as investors were heartened by a tentative congressional spending deal to avoid another partial federal government shutdown and by optimism surrounding US-China trade negotiations. All three major US stock indexes posted their biggest one-day %age gains for the month so far, each advancing more than 1%. The S&P 500 ended the session above its 200-day moving average for the first time since early December. President Donald Trump said he would be willing to let the March 1 tariff deadline slide as top US officials arrived in Beijing for high-level talks later in the week to hammer out a solution to the trade dispute between the world's two largest economies. Congressional negotiators cobbled together a tentative bipartisan border security deal late on Monday to avert another partial government shutdown. However, Trump on Tuesday expressed displeasure with the agreement and said he had yet to decide whether to support it. Funding for the Department of Homeland Security and a host of other agencies is due to expire on Friday. The Q4 earnings season is nearing the home stretch, and 71% of S&P 500 companies that have reported have beaten consensus estimates. The outlook for 2019, however, is less rosy. First-quarter earnings are now expected to post a year-on-year decline of 0.3%, which would be the first loss since the earnings recession ended in the second quarter of 2016. Tuesday's rally was broad-based. Of the 11 major sectors of the S&P 500, all but real estate closed in positive territory. Technology stocks provided the biggest boost to the S&P 500, and they also led the Nasdaq's advance. Tariff-sensitive industrials headed up the Dow's gain, led by 3M Co, Caterpillar Inc, United Technologies Corp and Boeing Co. Amazon.com Inc provided the biggest lift to the S&P 500 and the Nasdaq, rising 3.0% after Walmart Inc ended its partnership with logistics firm Devi for a rival same-day grocery delivery service. Electronic Arts announced that its Apex Legends video game has signed up 25 million players in the week since its release, sending its stock up 5.2%. The video game maker's shares have soared by nearly 28% since the game's release. Under Armour Inc jumped 6.9% after the sportswear company beat analysts' profit forecasts for the holiday quarter.

Gulf stock markets were mixed yesterday. Saudi index rose as major banks rose on recovering oil prices. The Saudi index has got off to a strong start this year with a 10% gain year-to-date after returning 8.3% in 2018. Egypt blue-chip index hit a 5-month high, helped by its top lender Commercial International Bank.

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Dubai	2484.80	-0.46%	-1.35%
Qatar	10302.41	-1.33%	0.45%
Oman	4124.79	-0.40%	-4.62%
Egypt	14927.64	0.97%	14.51%
Kuwait	5504.21	0.87%	4.21%
Bahrain	1389.45	-0.66%	3.54%
10-YEAR BONDS			
U.S.	2.6949	0.0072	0.0107
Germany	0.1470	0.0150	-0.0950
U.K.	1.1850	0.0050	-0.0920
France	0.5770	0.0120	-0.1330
Australia	2.1500	0.0340	-0.1680
Japan	-0.0050	0.0080	-0.0080

Major Company News

- BHP Group, the world's largest miner, said on Wednesday its board has approved \$696 million in funding to expand production at the BP PLC-led Atlantis oil project in the US Gulf of Mexico.
- Activision Blizzard Inc forecast full-year profit and revenue below analysts estimates on Tuesday and said would invest more in developing its game franchises as the company faces intense competition from games such as "Fortnite".
- Virgin Trains USA has delayed its plans to raise more than \$500 million in an initial public offering, spokeswoman said on Tuesday.
- America Movil reported a net profit of 10.7 billion pesos (\$541.7 million) for Q4 on Tuesday, reversing from losses in the year-ago period, when currency swings battered the company's results.
- Occidental Petroleum Corp on Tuesday reported a quarterly profit that beat analysts' estimates, but forecast lower pre-tax income sequentially for its midstream and marketing unit, sending its shares down 1.9% after the bell.
- Hong Kong-based investment firm PAG on Monday said it has closed its third Asia-focused buyout fund with \$6 bn in committed capital, and expects to begin investing from the PAG Asia III as soon as this year.
- Fidelity Investments, one of the world's largest investment managers, said on Tuesday it had expanded its commission-free exchange traded fund (ETF) platform to include more than 500 ETFs.
- Akamai Tech reported better-than-expected quarterly earnings and forecast current-quarter profit above estimates, driven by strong demand for its cyber-security and media content delivery services.
- A1 Telekom Austria reported a 30% fall in its full-year net profit on Tuesday, hurt by investment in digitalization, restructuring, advertising and higher taxes.

TOP SELECTED NEWS

US job openings hit record high; workers more scarce

(Reuters) US job openings surged to a record high in Dec, led by vacancies in the construction and accommodation and food services sectors, strengthening analysts' views that the economy was running out of workers. While the release of the Labor Dept's monthly Job Openings and Labor Turnover Survey, or JOLTS, on Tuesday underscored labor market strength, there are worries the shortage of workers could hurt an economic expansion that has lasted 9-1/2 years and is the second longest on record. Job openings, a measure of labor demand, increased by 169,000 to a seasonally adjusted 7.3 million in Dec, the highest reading since the series started in 2000. That lifted the job openings rate to 4.7% from 4.6% in November. Construction vacancies increased by 88,000 jobs in Dec. There were an additional 84,000 jobs in the accommodation and food services sector. Job openings in the healthcare and social assistance sector rose by 79,000 in Dec. Federal government vacancies, however, fell by 32,000 jobs and job openings in real estate, rental and leasing dropped 31,000 in Dec.

Venezuela turns to India for oil exports

(Reuters) Venezuela's oil exports have tapered off and shifted toward India since new US sanctions began Jan. 28 as state-run oil company PDVSA seeks to replace deliveries to the US and Europe that were disrupted by payment restrictions. The South American nation is turning its focus to cash-paying buyers, especially in India, its second-largest customer after the US, amid US sanctions designed to undercut financial support for Venezuelan President Nicolas Maduro. Sanctions are designed to bar Maduro's access to oil revenue that has helped his government remain in power. In the two weeks since the sanctions were announced, PDVSA has been able to load and export 1.15 million barrels per day (bpd) of crude and refined products, according to Refinitiv Eikon data. Venezuela was exporting about 1.4 million bpd in the months before sanctions, according to the Eikon data.

Amazon, GM in talks to invest in Rivian: sources

(Reuters) Amazon.com Inc and General Motors Co are in talks to invest in Rivian Automotive LLC in a deal that would value the US electric pickup truck manufacturer at between \$1 billion and \$2 billion, people familiar with the matter told Reuters on Tuesday. The deal would give Amazon and GM minority stakes in Rivian, the sources said. It would be a major boost for the Plymouth, Michigan-based startup, which aspires to be the first carmaker to the US consumer market with an electric pickup. If the negotiations conclude successfully, a deal could be announced as early as this month, the sources said, asking not to be identified because the matter is confidential. There is always a chance that deal talks fall through, the sources cautioned. "We admire Rivian's contribution to a future of zero emissions and an all-electric future," GM said in an emailed statement, declining to specifically comment on any talks with Rivian. Amazon and Rivian declined comment.

Alibaba says China slowdown isn't hurting it all that much

(Bloomberg) Alibaba Group Holding Ltd. Vice Chairman Joseph Tsai said the e-commerce giant has experienced limited impact from China's broader economic slowdown as more and more business moves to the internet. "Our business is delinked" from the Chinese economy because "we're in e-commerce and we're digitizing the whole sector," Tsai said Tuesday at the

Goldman Sachs Group. technology conference in San Francisco. Tsai said the company's growth would continue to outpace the broader economy as digital commerce expands faster than the traditional retail business. Alibaba's revenue rose 41% to 117.3 billion yuan (\$17.3 billion), though that was the slowest pace in more than two years. While the Chinese economic deceleration is depressing the consumer demand it relies on, the company's been spearheading a drive into lucrative new spheres such as cloud services and entertainment, while helping modernize physical retailers. Tsai compared Alibaba's situation with Amazon.com Inc.'s ability to achieve consistent double-digit sales growth while US economic expansion is projected to slow to about 2.5% this year. He also praised China's decision to reduce the tax burden for small and micro-sized companies by 200 billion yuan per year for the next three years, to boost those businesses amid the economic downturn.

Ford preparing alternative production sites: The Times

(Reuters) Ford Motor told British PM Theresa May that it is stepping up preparations to move production out of Britain, The Times reported on Tuesday. The automaker told the prime minister during a private call with business leaders that it is preparing alternative sites abroad, The Times said. Ford was not immediately available for comment. Ford, which operates two engine plants in Britain, last month said that it faces a bill of up to \$1 billion if Britain leaves the Europe Union without a deal. Car makers and other manufacturers have warned about the toll a no-deal Brexit could impose, including higher tariffs, disruption to supply chains and threats to jobs. Britain is scheduled to leave the EU on March 29. Another participant on the private call with May said that other companies delivered the same warning as Ford, The Times reported.

Hard Brexit would doom future merger of UK, Franco-German fighter projects: Airbus Defence

(Reuters) Britain's departure from the EU without a deal would doom the prospects for a Franco-German next-generation fighter jet with a rival project in Britain, the head of Airbus Defence and Space told the Handelsblatt German newspaper. Dirk Hoke told the newspaper he considered it "absolutely imperative" that the EU reach an agreement with Britain on security, defense and space given the closely interwoven ties between Europe and Britain. "I consider it extremely dangerous to develop a system like FCAS (the Franco-German fighter program) without the British," he said, noting that potential order quantities would rise if Britain participated, making future aircraft more competitive. France and Germany this month awarded a 65 million euro, 2-year contract financed equally by both countries to Dassault Aviation and Airbus to start designing a next-generation combat air system for use from 2040.

Saudi PIF plans expansion outside Riyadh

(Reuters) The Public Investment Fund, the Saudi sovereign wealth fund, plans to boost hiring and open offices in overseas market, its managing director said on Wednesday. It also plans to raise its stake in ACWA Power, Yasir al-Rumayyan told a conference in Abu Dhabi. The fund plans to boost its staff to 700 by the end of the year from 450 now, and is seeking to open offices in London and in the US - initially in New York and then in San Francisco. The fund also plans to boost its stake in the Saudi power and water plants developer ACWA Power to 40% from 25%, while it is venturing into investments in electric vehicles and solar power, he said.

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