GLOBAL MARKETS

Friday, February 15, 2019

Markets in brief

- Global stock markets got pressured from series of weak economic data. U.S. stocks dropped after disappointing retail sales could exert more pressure on the Fed. European shares gave up 3-month highs, spoiling an initially upbeat session that saw blue-chips such as Nestle shine on strong earnings. Today, Asian stocks retreated from 4-month highs after Chinese data raised concerns over deflationary pressures.
- U.S. dollar was under pressure since yesterday. However, any negative news from U.S.-China trade talks might boost its safe-haven appeal.
- Euro remained stuck with weaker-than-expected euro zone data.
- British pound volatility persisted and the currency headed for its 3rd week of losses.
- Brent prices hit 2019 highs supported by OPEC supply cuts, in addition to partial shutdown of Saudi Arabia's biggest offshore oil field.

Trump's new plan to fund the wall could face lawsuits

Trump plans to use unilateral authority to redirect nearly $7 billion approved for other purposes to construct a border wall, a White House official said. That's on top of the funds in a Congress spending measure he'll sign today to avoid another government shutdown. His plan to declare an emergency divided congressional Republicans while House Speaker Nancy Pelosi said she would consider a lawsuit to block the move.

May suffering another defeat … hoping to get EU's compromise

PM Theresa May is preparing to compromise with the EU over the future of Ireland's border, with just two weeks left to save her Brexit deal. UK Brexit Secretary Stephen Barclay privately told the EU's chief negotiator, Michel Barnier, on Monday that Britain doesn't need to reopen the divorce agreement, according to a person familiar with the talks. The UK gov't had no immediate comment. Parliament rejected May's Brexit approach, with lawmakers voting down a motion meant to support her plan to negotiate with the EU before updating the body on her progress in late February. Though the vote is non-binding, it may undermine May's credibility in her talks with the bloc.

Bad economic data coming from China and U.S.

U.S. retail sales recorded their biggest drop in more than nine years in December as receipts fell across the board, suggesting a sharp slowdown in economic activity at the end of 2018. U.S. producer prices fell for a second straight month in January, leading to the smallest annual increase in 1-1/2 years, the latest sign of benign inflation that could allow the Fed to be patient about raising interest rates this year. China's producer prices eked out only a tiny gain last month, adding to concern deflation may be looming. PPI rose 0.1% from a year earlier, the seventh straight month it slowed, while CPI at 1.7% missed consensus estimates.

Major company news

Amazon.com Inc. said it's axing plans to build a new corporate campus in New York City, bowing to fierce opposition from some residents and politicians and denying the city what the mayor and governor had called its biggest ever economic win.

Airbus SE CEO Tom Enders scrapped the company's totemic but unprofitable A380 jet and booked more than 1.1 bn euros in charges to leave a clean slate for his successor. The German government is not expecting widespread job cuts in Europe's largest economy following Airbus's decision to scrap production of the A380 superjumbo, the aerospace policy coordinator told Reuters on Thursday.

FX & COMMODITIES	LAST	1D
EUR/$	1.1290	-0.04%
GBP/$	1.2812	0.07%
AUD /$	0.7094	-0.17%
NZD/$	0.6828	-0.13%
$/JPY	110.42	0.05%
$/CAD	1.3298	-0.02%
$/CHF	1.0051	-0.02%
Gold $	1314.20	0.12%
Silver $	15.61	-0.07%
Platinum $	787.60	-0.04%
WTI $	54.60	0.35%
BRENT $	64.85	0.43%
AMERICA		
DOW JONES	25439.39	-0.41%
S&P 500	2745.73	-0.27%
NASDAQ	7426.96	0.09%
EUROPE		
STXE 600	363.80	-0.32%
CAC 40	5062.52	-0.23%
DAX	11089.79	-0.69%
ASIA PACIFIC		
S&P/ASX 200	6066.10	0.11%
NIKKEI 225	20900.63	-1.13%
CSI 300 (China)	3340.73	-1.80%
MENA		
Saudi Arabia	8626.28	0.11%
Dubai	2533.61	1.65%
Qatar	9941.50	-2.35%
BONDS		
U.S. 10-year	2.6536	0.0000
German Bund 10-year	0.1060	0.0000
AU 10-year	2.1000	-0.0005

BEIRUT S.E.		
SOLIDERE - A	6.48	-0.15%
SOLIDERE - B	6.32	4.98%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.65	0.22%
BLOM BANK	8.94	-
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

Friday, February 15, 2019

FX & COMMODITIES

The US dollar edged lower versus the yen on Friday as dismal US retail sales data reinforced expectations the Fed will not raise rates this year, while the market awaited developments in trade talks between Washington and Beijing. US retail sales posted their largest decline since September 2009, data showed on Thursday, a sign of weakness in the consumer sector, which accounts for more than two-thirds of the economy. The dollar lost about 0.5% against the safe-haven yen in the overnight session and was flat to 110.42 in Asian trade. The yen rose 0.12% versus the euro to 124.66, having gained around 0.2% on Thursday. The dollar index, a gauge of its strength versus six major peers was marginally higher at 97.04, after weakening by 0.12% in the previous session. The main focus for the Asian market on Friday remains the outcome of the high level trade talks between the US and China this week. Markets had earlier in the week cheered US President Donald Trump's upbeat assessment of the talks. White House economic adviser Larry Kudlow said the administration's top two negotiators would meet on Friday with Chinese President Xi Jinping but that there had been no decision to extend a March 1 deadline for a deal. Bloomberg had earlier reported that Trump was considering a six-day extension of the deadline. US tariffs on $200 billion worth of imports from China are scheduled to rise to 25% from 10% if the two sides don't reach a deal by then, increasing pain and costs in sectors from consumer electronics to agriculture.

The Aussie and New Zealand dollars pared earlier gains, losing 0.15% to $0.7094 and $0.6828, respectively. Despite Friday's losses, the kiwi is set to end the week higher by one%. Earlier this week, the Reserve Bank of New Zealand sounded less dovish on policy than speculators had wagered on, leading traders to place bullish bets on the currency.

The euro has lost 0.4% this week and is down by 1.7% year to date thanks to weaker-than-expected euro zone data. Analysts expect the ECB to keep monetary policy accommodative for the rest of the year, which will most likely keep a lid on the single currency.

The British pound traders expect the pound to remain volatile in the coming weeks. Sterling is set to finish the week 1.2% lower versus the dollar, its third straight week of losses. British PM Theresa May suffered a defeat on her Brexit strategy on Thursday that undermined her pledge to EU leaders to get her divorce deal approved if they grant her concessions. The UK is on course to leave the EU on March 29 without a deal unless May can persuade the bloc to amend the divorce deal she agreed last year.

Brent crude oil prices hit 2019 highs above $65 per barrel on Friday, spurred by OPEC-led supply cuts and a partial shutdown of Saudi Arabia's biggest offshore oil field. The international benchmark for oil prices is at a near 3-month high and set for a 4.5-percent gain for the week. Traders said prices were pushed up by the partial closure of Saudi Arabia's Safaniyah, its biggest offshore oil field with a production capacity of more than 1 million bpd. The shutdown occurred earlier this week, a source said, and it was not immediately clear when the field would return to full capacity. The partial closure comes on top of voluntary supply cuts led by the OPEC, of which Saudi Arabia the de-facto leader, aimed at tightening the market.

	LAST	1D	YTD
CURRENCIES			
DXY	97.037	0.06%	0.90%
EUR/$	1.1290	-0.04%	-1.54%
GBP/$	1.2812	0.07%	0.45%
AUD /$	0.7094	-0.17%	0.64%
NZD/$	0.6828	-0.13%	1.62%
$/JPY	110.42	0.05%	-0.66%
$/CAD	1.3298	-0.02%	2.55%
$/CHF	1.0051	-0.02%	-2.29%
$/SEK	9.3042	-0.15%	-4.85%
$/NOK	8.6630	-0.15%	-0.26%
$/DKK	6.6077	-0.05%	-1.46%
$/TRY	5.2850	-0.23%	0.08%
EUR/GBP	0.8812	0.11%	2.01%
EUR/JPY	124.66	0.12%	0.94%
EUR/CHF	1.1348	0.04%	-0.82%
COMMODITIES			
Gold Spot $/Oz	1314.20	0.12%	2.47%
Silver Spot $/Oz	15.61	-0.07%	0.74%
Platinum Spot $/Oz	787.60	-0.04%	-1.01%
Palladium Spot $/Oz	1419.23	0.05%	12.48%
COPPER $/lb	275.85	-0.56%	4.85%
WTI $/bbl	54.60	0.35%	20.24%
BRENT $/bbl	64.85	0.43%	20.54%

In focus today ⌛

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	**11:30**	UK Retail Sales MoM	0.20%	-0.90%
EUR	**12:00**	Eurozone Trade Balance	15.6B	15.1B
USD	**15:30**	US Import Prices MoM	-0.10%	-1.00%
USD	**16:15**	US Industrial Production MoM	0.10%	0.30%
USD	**17:00**	US Consumer Sentiment	93.3	91.2

Next Week: German Buba Monthly Report, AU RBA Policy Meeting Minutes, UK Jobs Report, ZEW Economic Sentiment for Eurozone and Germany, Japan Trade Balance, AU Wage Price Index, US FOMC Meeting Minutes, AU Jobs Report, Eurozone Flash Manufacturing PMI, ECB Policy Meeting Accounts, US Durable Goods, Canada BoC Poloz speaks, AU RBA Lowe speaks, German Final GDP, German Ifo Business Climate, Eurozone Final CPI, Canada Retail Sales, ECB Draghi speaks, Several US Fed speakers

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STOCKS & BONDS

Asian stocks fell on Friday, retreating from 4-month highs after data out of China raised concerns over deflationary pressures building in the world's second biggest economy. Data released on Friday showed China's factory-gate inflation slowed for a seventh straight month in January to its weakest pace since September 2016 amid cooling domestic demand. The broader equity markets had already been under pressure after Thursday's weak US retail sales figures triggered fresh doubts about the strength of the world's largest economy. That offsetting some cautious optimism over trade talks in Beijing between the US and China.

US stocks were mostly lower on Thursday. The S&P 500 and the Dow slipped while the Nasdaq posted a slim gain on Thursday as investors struggled to square grim retail sales data with hopes that high-level talks in Beijing could resolve the ongoing US-China trade dispute. Paring earlier losses, the S&P 500 held above its 200-day moving average, a key technical level, for the third straight session. All three major US stock indexes were held back by rate-sensitive financial stocks as US Treasury yields fell on the weaker-than-expected economic data. Talks to defuse the ongoing tariff dispute between the world's two largest economies moved to a higher level as US-China negotiations progressed in Beijing ahead of the March 1 deadline. But trade optimism was undercut by a report from the US Commerce Department showing retail sales in December suffered their biggest drop in more than nine years, stoking fears of an economic slowdown. With the Q4 reporting season now more than three-fourths complete, analysts now see earnings growth of 16.2% for the quarter, according to Refinitiv data. But Q1 estimates are less favorable. They show a 0.3% year-on-year decline, which would mark the first quarter of negative growth since the earnings recession that ended in 2016. Of the 11 major sectors in the S&P 500, 6 closed in negative territory, with consumer staples and financials showing the biggest %age declines. Cisco Systems Inc rose 1.9% on the heels of a better-than-expected earnings report as the network gear maker benefited from strength in newer businesses and shrugged off the impact of the US-China trade war. Shares of American International Group Inc slid 9.0%, marking its worst day in four years after the global insurer posted a quarterly loss. Coca-Cola Co shares fizzled, dropping 8.4% and providing the biggest drag on the Dow after its full-year profit forecast fell well below Wall Street expectations. Amazon.com dipped 1.1% after pulling the plug on its planned headquarters in New York due to local opposition. Canada Goose's quarterly results and profit forecasts beat analyst expectations, but said higher labor costs and expansion investments hit profit margins. The luxury coat maker's US-listed shares sank 12.9%. Avon Products Inc plunged 11.0% after the multi-level marketing cosmetics brand missed quarterly revenue estimates.

Gulf stock markets were mixed yesterday. Dubai stocks rose as earnings at Emaar-linked companies lifted its battered real estate shares. Qatar's market was pulled down to a 4-month low by a sell-off in its blue-chip firms.

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AMERICA			
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Dubai	2533.61	1.65%	0.15%
Qatar	9941.50	-2.35%	-3.47%
Oman	4109.34	-0.13%	-4.96%
Egypt	14984.46	0.24%	14.95%
Kuwait	5419.95	-0.89%	2.90%
Bahrain	1371.98	-0.15%	2.60%
10-YEAR BONDS			
U.S.	2.6536	0.0000	-0.0306
Germany	0.1060	0.0030	-0.1360
U.K.	1.1500	-0.0320	-0.1270
France	0.5340	0.0050	-0.1760
Autralia	2.1000	-0.0460	-0.2180
Japan	-0.0200	-0.0060	-0.0230

Major Company News

- Mexican state oil firm Pemex will make all its debt payments, President Andres Manuel Lopez Obrador said on Thursday, promising to shore up its finances after Moody's and Fitch downgraded its rating.
- Nvidia on Thursday forecast sales for its current fiscal year that topped Wall Street expectations, sending its shares up 8% in late trading.
- Applied Materials Inc reported a 10.7% fall in quarterly revenue on Thursday, hit by slowing memory demand from smartphone makers.
- Family owned JAB Holding, which has several coffee and restaurant brands is planning to list the business that owns Keurig, Dr Pepper, Peet's Coffee and JDE coffee brands, the company said on Thursday.
- Berkshire Hathaway Inc said on Thursday it had taken a fresh stake in Suncor Energy Inc for the second time in about six years, sending the U.S.-listed shares of the energy major up 4% in after-market trading.
- GE scrapped plans for a 12-story headquarters office tower on Boston's waterfront on Thursday, choosing instead to lease smaller buildings nearby and return $87 million in incentives to the state.
- Prominent hedge fund managers sold out of Chinese technology stocks and dumped Silicon Valley majors such as Apple Inc and Facebook Inc while global stock markets cratered during Q4, according to securities filings released on Thursday.
- CBS Corp generated less quarterly profit and revenue than Wall Street expected, but the network announced plans on Thursday to have 25 million streaming subscribers by 2022.
- Lyft Inc will pitch investors on its fast growth in the US as it seeks to beat out Uber to become the first listed ride-hailing company (Reuters)
- Billionaire Vincent Bollore will further withdraw from Vivendi's management at a crucial time for the French media giant, which is struggling in Italy and is weighing the sale of UMG.

TOP SELECTED NEWS

German economy stagnates, barely skirting a recession

(Bloomberg) Germany's economy stagnated at the end of 2018, just barely avoiding a recession, and continued trade tensions mean any pickup in Europe's powerhouse economy could be muted. The Q4 performance means the country trailed most of its peers in the euro area, where average growth was 0.2%. 2019 hasn't brought much relief so far: disappointing numbers keep rolling in and a slew of institutions have downgraded their outlooks. A better Q1 might still be in the cards, with economists forecasting growth of 0.4% as rebounding car orders and rising water levels signal some one-off growth inhibitors are dissipating. Still, the full-year outlook depends on whether stabilizing trade and Chinese growth can revive industrial momentum. Just last week the European Commission issued sweeping downward revisions for Germany and many of the euro area's major economies. The region faces a daunting combination of weaker demand for its exports from China and the rest of the world, the prospect of a messy divorce with the UK, and protracted impact from political unrest in Italy and France. There was better news from the Netherlands, which reported 0.5% growth in Q4, an acceleration from 0.1% in the previous three months.

S&P sees mix of no deal Brexit pain

(Reuters) A "small number" of Irish firms are likely to see their credit ratings cut if Britain leaves the EU without a transition deal but there could be a no deal silver lining for the country's services sectors, S&P Global said on Thursday. With close trading links to Britain, Ireland's export-focused economy is considered the most vulnerable of the remaining 27 EU members to a disruptive exit by its nearest neighbor. S&P said in a new report that the agricultural sector would be hardest hit by a no-deal Brexit but banks were unlikely to see many "near-term" rating moves and it did not expect to downgrade the country's sovereign rating. "What's clear today is that the Irish economy is booming," S&P credit analyst Frank Gill told reporters, citing the highest level of net immigration in a decade and a recent return to a government budget surplus as key positives for the EU's fastest growing economy. "Certainly our base case is that a no deal does not move the needle on the sovereign given all the other credit strengths," he added, while acknowledging that sectors such as agriculture and food processing faced enormous uncertainties. S&P, which rates more than 50 firms in Ireland, has rated Irish sovereign debt as A+ with a stable outlook since June 2015.

European car sales drop 4.6% in January: ACEA

(Reuters) FCA Group, Ford and Volkswagen led a 4.6% decline in European car registrations in January, industry data showed, dampened by an economic slowdown in euro zone economies and consumer jitters over Brexit and trade. Registrations dropped to 1.20 mn cars in the EU (EU) and European Free Trade Association (EFTA) countries from 1.25 mn a year earlier, the Brussels-based Association of European Carmakers (ACEA) said on Friday. Fiat Chrysler sales fell by 14.9%, Ford by 6.6% and Volkswagen Group by 6.4%, according to the data. Renault's alliance partner Nissan also recorded a 24.7% decline. The drop came after the tougher new Worldwide Harmonised Light Vehicle Test Procedure (WLTP) became mandatory from the start of September, forcing some carmakers to halt deliveries of some models that had yet to be certified. European car sales had surged in the month before the new procedure became effective.

Credit Suisse losses overshadow end of Thiam turnaround

(Bloomberg) Credit Suisse Group AG's 3-year turnaround ended with more of a whimper than a bang after trading losses eroded gains in wealth management and investment banking. The Global Markets business posted a larger-than-expected loss of 193 mn francs ($191 mn) in Q4, offsetting wealth management and investment banking results that beat estimates. In a tough quarter for money managers, the Zurich-based bank bucked a trend of large outflows at rivals, adding about half a bn francs of net new money. The results at global markets demonstrate continued challenges for Thiam as he seeks to iron out trading losses while pivoting the bank to wealth management and boosting returns for shareholders as he exits the restructuring. Global Markets has steadily become less important as Credit Suisse cut volatile trading activities and wound down areas such as distressed-debt trading after heavy losses early in Thiam's tenure.

RBS to award investors special dividend after strong profit

(Bloomberg) Royal Bank of Scotland Group Plc plans to award shareholders a special dividend, signaling the state-controlled lender can weather the storm from any fallout of Brexit. It comes after the bank swung to a better-than expected profit before tax of 572 mn pounds in Q4. The special payout will also be the first for RBS in around a decade. Despite the planned payout, RBS remains one of the strongest capitalized banks in Europe after the Nordic lenders, and beating U.K. rivals including Lloyds Banking Group Plc. RBS Chairman Howard Davies has previously said the bank plans to remunerate shareholders with the excess capital over time and that there could be special dividends. The bank's management has generally been cautious, given the uncertainty surrounding Britain's chaotic exit from the EU. It set aside 100 mn pounds in Q3 to reflect greater uncertainty in the U.K. economy. McEwan has previously said a "bad Brexit" could result in a recession.

Deutsche CEO faces investor pressure on investment bank

(Reuters) Deutsche Bank said it has done enough to get its investment bank back on track as CEO Christian Sewing came under renewed pressure from top investors. "We completed our adjustments ahead of schedule and now have a good foundation for growth," the bank said in an emailed statement on Thursday. One major investor wants Sewing, who is less than a year in office, to act more quickly to turn around its investment bank, a person familiar with its thinking told Reuters. A second top investor thinks that the US investment banking business is still too big and contributes too little to Germany's biggest lender, another person said. "We have adjusted our footprint in our Corporate & Investment Bank and in the US already in 2018, including reducing our leverage exposure by more than 100 bn euros," the bank said, after a FT report on the demands. Sewing last year trimmed the investment bank, mainly affecting the equities division and the business that serves hedge funds in New York and London.

Nestle's overhaul starts to pay off as growth accelerates

(Reuters) Nestle put its Herta processed meats business on the block on Thursday, accelerating the food group's revamp as it reported an uptick in sales momentum for the first time in seven years. Improvements in China, North America and in its infant nutrition business last year helped Nestle to break a run of sluggish growth and to forecast sales improvements of more than 3% in 2019. CEO Schneider said the company would not let up on its turnaround, part of efforts to adjust to a shift in customer preferences away from packaged food.

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