

# GLOBAL MARKETS

Monday, February 18, 2019

## Markets in brief

- Optimism dominated global markets as the U.S.-China trade talks showed positive progress last week.
- Asian stocks jumped today tracking Wall Street's jump on Friday. The Dow and the Nasdaq posted their 8th consecutive weekly gains.
- Australian dollar firmed on improved risk sentiment. Main events to watch this week: RBA policy meeting minutes tomorrow at 2:30 LT, Wage Price Index on Wednesday, Jobs Report on Thursday, and RBA Gov. Lowe speaking on Friday.
- Euro was slightly higher but could remain pressured by heightened economic concerns. Investors would be closely watching speeches from several ECB officials this week, especially President Draghi on Friday.
- Oil prices rose to their highest levels since November, helped by OPEC-led supply cuts and U.S. sanctions on Iran and Venezuela.

## Trade talks optimism persisting

Trump said last week's China trade talks were "very productive" as his team briefed him upon their return and readied for another round of negotiations. Saturday's meeting came as US and China sent signals they may reach a deal or extend talks to end their trade war, easing fears the Trump administration will ratchet up tariffs when a key deadline arrives in two weeks. China-U.S. trade talks resume in Washington this week.

## ECB closer to dovishness amid Europe's slowdown

The ECB took a step closer to injecting fresh stimulus into the weakening euro-area economy as one of its top policy makers said discussions are under way on offering banks new long-term loans. The comments by Benoit Coeure, the ECB Executive Board member in charge of markets, provided the strongest signal yet that euro-area policy makers are considering another round of funding. He also echoed ECB President Mario Draghi that there must be a monetary policy case for such action. Europe's economic slowdown is "significant" enough that the ECB could change its rate guidance if it becomes clear the situation isn't temporary, Governing Council member Francois Villeroy de Galhau said. Investors will hear from Mario Draghi on Friday, and Chief Economist Peter Praet speaks three times this week. Any references to the targeted longer-term refinancing operations program will be key.

## May asking for EU's help

Theresa May will lead a major diplomatic drive to persuade EU leaders to save her Brexit agreement, as she faces a rebellion from Cabinet ministers who want to stop the UK leaving without a deal. May's allies believe she has just nine days left to save her strategy before members of Parliament run out of patience and step in to take over the process in a vote scheduled for Feb. 27. May is attempting to win EU concessions on the Irish backstop so that skeptical Tory colleagues can vote for a rewritten deal. She plans to meet EC President Jean-Claude Juncker this week, and aims to speak to every EU leader in coming days, while Jeremy Hunt will go to Berlin, Brussels and Copenhagen.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1309	0.12%
GBP/\$	1.2912	0.18%
AUD /\$	0.7152	0.15%
NZD/\$	0.6876	0.12%
\$/JPY	110.57	-0.09%
\$/CAD	1.3230	0.11%
\$/CHF	1.0039	0.13%
Gold \$	1323.53	0.08%
Silver \$	15.82	0.20%
Platinum \$	805.68	-0.26%
WTI \$	56.09	0.90%
BRENT \$	66.64	0.59%
<b>AMERICA</b>		
DOW JONES	25883.25	1.74%
S&P 500	2775.60	1.09%
NASDAQ	7472.41	0.61%
<b>EUROPE</b>		
STXE 600	368.94	1.41%
CAC 40	5153.19	1.79%
DAX	11299.80	1.89%
<b>ASIA PACIFIC</b>		
S&P/ASX 200	6089.84	0.39%
NIKKEI 225	21281.85	1.82%
CSI 300 (China)	3437.55	2.96%
<b>MENA</b>		
Saudi Arabia	8592.01	-0.40%
Dubai	2549.93	0.64%
Qatar	10010.54	0.69%
<b>BONDS</b>		
U.S. 10-year	2.6626	0.0000
German Bund 10-year	0.1010	0.0000
AU 10-year	2.1390	0.0004
<b>BEIRUT S.E.</b>		
SOLIDERE - A	6.46	-0.31%
SOLIDERE - B	6.47	2.37%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.65	-
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 was marginally weaker on Monday, as increasing expectations of a US-Sino trade deal led investors to shift away from the safety of the greenback into riskier assets.** Both the US and China reported progress in five days of negotiations in Beijing last week, although the White House said much work remains to be done to force changes in Chinese trade behavior. Negotiations will continue next week in Washington as investors hope for an end to the trade war between the world's two largest economies. In Asia, the yen was marginally lower at 110.57. The Aussie gained 0.15% to \$0.7152, after gaining 0.48% on Friday on hopes of a trade breakthrough between the US and China. The kiwi dollar also gained around 0.12% on the dollar to \$0.6876. US-China trade tensions have kept markets highly volatile since last year. US duties on \$200 billion worth of Chinese imports are set to rise from 10% to 25% if no deal is reached by March 1 to address US demands that China curb forced technology transfers and better enforce intellectual property rights. The dollar index, a gauge of its value versus six major peers was marginally lower at 96.80. The index has gained 1.4% so far this month despite weaker-than-expected US data as well as a cautious Fed which is widely expected to keep rates steady this year due to a slowdown in growth and muted inflation. The dollar index has gained mainly because of the euro, which has around 58% weightage in the index.

**The euro was slightly higher Asian trade and has had two straight weeks of losses.** Traders are betting on a weaker euro in the coming months as they expect the ECB to keep its monetary policy accommodative due to low growth in the common area, tepid inflation and political uncertainties. On Friday, Benoit Coeure, a member of the European Central Bank's executive board, said a new round of cheap multi-year loans to banks was possible. Coeure added that the euro zone's recent economic slowdown is more pronounced than earlier expected, suggesting the path of inflation will also be more shallow. The ECB will next meet on March 7 and policymakers are widely expected to slash growth and inflation projections as the euro zone is suffering its biggest slowdown in half a decade.

**The British pound was up building on its gains from Friday.** The pound rallied 0.6% on Friday, helped by reports of some hedge fund buying, a conciliatory tone on Brexit from the Irish foreign minister and stronger-than-expected British retail sales data.

**Oil prices rose to their highest levels since November last year on Monday, lifted by OPEC-led supply cuts and US sanctions on Iran and Venezuela.** US West Texas Intermediate (WTI) crude oil futures pushed through \$56 per barrel for the first time this year, hitting \$56.13 a barrel. International Brent crude futures hit a high of \$66.78 per barrel. For both benchmarks, these were their highest levels since Nov. 20, 2018. The OPEC, as well as some non-affiliated producers like Russia, agreed late last year to cut output by 1.2 million bpd to prevent a large supply overhang from swelling more. Further pushing up crude prices have been US sanctions against oil exporters and OPEC-members Iran and Venezuela. Traders said financial markets, including crude futures, were also generally supported by hopes that the US and China would soon resolve their trade disputes, which have dragged on global economic growth.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	96.807	-0.10%	0.66%
EUR/\$	1.1309	0.12%	-1.38%
GBP/\$	1.2912	0.18%	1.24%
AUD /\$	0.7152	0.15%	1.46%
NZD/\$	0.6876	0.12%	2.34%
\$/JPY	110.57	-0.09%	-0.80%
\$/CAD	1.3230	0.11%	3.08%
\$/CHF	1.0039	0.13%	-2.17%
\$/SEK	9.2609	0.24%	-4.40%
\$/NOK	8.6254	0.12%	0.18%
\$/DKK	6.5980	0.11%	-1.31%
\$/TRY	5.2885	-0.09%	0.02%
EUR/GBP	0.8759	0.03%	2.63%
EUR/JPY	125.05	-0.22%	0.62%
EUR/CHF	1.1354	0.00%	-0.87%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1323.53	0.08%	3.20%
Silver Spot \$/Oz	15.82	0.20%	2.10%
Platinum Spot \$/Oz	805.68	-0.26%	1.26%
Palladium Spot \$/Oz	1446.01	0.87%	14.60%
COPPER \$/lb	283.15	1.18%	7.62%
WTI \$/bbl	56.09	0.90%	23.52%
BRENT \$/bbl	66.64	0.59%	23.87%

### In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
		US Holiday		
EUR	13:00	German Buba Monthly Report		

**Tuesday:** RBA Policy Meeting Minutes, Eurozone Current Account, UK Jobs Report, ZEW Economic Sentiment for Eurozone and Germany,

**Wednesday:** Japan Trade Balance, AU Wage Price Index, US FOMC Meeting Minutes

**Thursday:** AU Jobs Report, Eurozone Flash Manufacturing PMI, ECB Policy Meeting Accounts, US Durable Goods, Canada BoC Poloz speaks

**Friday:** 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 share markets bounced broadly on Monday as investors dared to hope for both progress at Sino-US trade talks in Washington this week and more policy stimulus from major central banks. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.9%, largely recovering from a sharp fall last Friday. Japan's Nikkei climbed 1.82% to its highest level of the year so far, while Shanghai blue chips rallied 2.96%. E-Mini futures for the S&P 500 were flat as trade was thinned by a holiday in US markets, while spreadbetters pointed to a firmer opening for European bourses.

US stocks rallied on Friday, with the Dow and the Nasdaq posting their eighth consecutive weekly gains as investors grew hopeful that the US and China would hammer out an agreement resolving their protracted trade war. All three major US indexes ended the session higher, and for the fourth straight session, the S&P 500 held above its 200-day moving average, a key technical level. Talks between the US and China will resume in Washington next week, with both sides saying progress has been made toward resolving the two countries' contentious trade dispute. Tariff-vulnerable industrials provided the biggest lift to the blue-chip Dow, led by bellwethers Boeing Co, 3M Co, United Technologies Inc and Caterpillar Inc. Indeed, the trade row's effects were reflected in Deere & Co's earnings report, which came in below analyst estimates in part because of slowing international trade. The agricultural equipment manufacturer's shares fell 2.1%. With nearly 80% of S&P 500 companies having reported, Q4 earnings season is largely in the rearview mirror. Analysts now see a profit increase of 16.2% for the quarter, according to Refinitiv data. Going forward, however, the outlook continues to worsen. Q1 earnings are currently seen falling by 0.5%, the first year-on-year decline since mid-2016. All 11 major sectors in the S&P 500 ended the session in the black. The rate-sensitive financial sector led the S&P 500's advance, bouncing back from Thursday's sell-off as US Treasury yields crept back up. Shares of PepsiCo were up 3.1% even after the snack and beverage company forecast a surprise drop in full-year profit. Nvidia Corp rose 1.8% following the company's forecasts for its current fiscal year topped Wall Street expectations. The chipmaker gave the second-largest boost to the closely-watched Philadelphia SE Semiconductor index, which was up 0.5%. The index has jumped nearly 18% so far this year. Amazon.com shares were down 0.9% after scrapping its plans for a New York headquarters. In fact, each of Amazon's fellow FAANG members, a group of momentum stocks which also includes Facebook Inc, Apple Inc, Netflix Inc and Google parent Alphabet Inc also ended the session in the red.

Most Gulf stock markets closed higher on Sunday, reflecting a rally in global stock markets on Friday, and were also boosted by better-than-expected company results, particularly in real estate. The Abu Dhabi index gained 0.7% and the Dubai index 0.6%, as two of the largest property developers in the United Arab Emirates posted positive Q4 financial results last week that beat market expectations.

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<b>AMERICA</b>			
DOW JONES	25883.25	1.74%	10.96%
S&P 500	2775.60	1.09%	10.72%
NASDAQ	7472.41	0.61%	12.62%
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<b>EUROPE</b>			
STXE 600	368.94	1.41%	9.27%
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DAX	11299.80	1.89%	7.02%
<b>ASIA PACIFIC</b>			
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Saudi Arabia	8592.01	-0.40%	9.78%
Abu Dhabi	5069.07	0.65%	2.90%
Dubai	2549.93	0.64%	0.43%
Qatar	10010.54	0.69%	-2.80%
Oman	4076.88	-0.79%	-5.62%
Egypt	15198.89	1.43%	16.59%
Kuwait	5426.81	0.13%	3.38%
Bahrain	1380.72	0.64%	3.26%
<b>10-YEAR BONDS</b>			
U.S.	2.6626	0.0000	-0.0216
Germany	0.1010	-0.0020	-0.1410
U.K.	1.1600	0.0100	-0.1170
France	0.5360	0.0070	-0.1740
Australia	2.1390	0.0390	-0.1790
Japan	-0.0230	-0.0020	-0.0260

### Major Company News

- Germany's financial watchdog Bafin on Monday issued a ban against establishing or increasing short positions in Wirecard AG stock, citing market uncertainties due to the German payments company's weak share performance.
- US hedge fund Tiger Global Management has sold its entire stake in Britain's Barclays Plc, the Financial Times reported on Sunday.
- Citigroup Inc said on Friday its Chief Executive Michael Corbat will get a 4.35% raise, bringing his total compensation for 2018 to \$24 million.
- Uber Technologies Inc. is taking New York City to court over the government's decision to cap the number of ride-hailing drivers allowed on the streets.
- Russian lender Gazprombank has decided to freeze the accounts of Venezuelan state oil company PDVSA and halted transactions with the firm to reduce the risk of the bank falling under US sanctions, a Gazprombank source told Reuters on Sunday.
- Mexico will inject \$3.9 billion into ailing state oil company Pemex, officials said on Friday, promising to strengthen its finances and prevent a further credit downgrade, although investors saw the plan as only a short-term fix.
- Amazon.com Inc said on Friday it would lead a \$700 million investment in US electric pickup truck startup Rivian Automotive LLC, in the e-commerce giant's biggest bet on technologies with potential to reshape the automotive sector.
- A combination of Merck & Co's immunotherapy Keytruda and Pfizer Inc's Inlyta helped patients with advanced kidney cancer live longer than those receiving and older Pfizer standalone therapy, according to data from a late-stage study presented on Saturday.

## TOP SELECTED NEWS

### Merkel rejects Trump claims that German cars are threat

(Bloomberg) Chancellor Angela Merkel took Trump to task before an audience of senior security officials in Munich, calling his administration's suggestion that European autos are a threat to US national security a "shock." In a pointed defense of multilateral institutions ahead of a speech by US Vice President Mike Pence at the Munich Security Conference, the German leader called for global trade and cooperation. The biggest BMW plant is in South Carolina, she said, not in the carmaker's homeland of Bavaria in southern Germany. Still, Germany would be hurt by sanctions, according to data released Friday by the IFO Institute's Center for International Economics. If the US imposed permanent tariffs of 25%, German car exports to the US could fall by almost 50%, or about 17 billion euros (\$19.2 billion), according to the German think-tank. Total car exports would fall by 18.4 billion euros, or 7.7%. Exports from other sectors and to other countries would compensate these effects slightly, so that the total loss of exports would amount to about 11.6 billion euros, it said.

### UK lawmakers recommend harsher penalties for tech co's

(Bloomberg) A committee of senior lawmakers in the UK recommended the British government take tougher measures to keep technology companies like Facebook Inc. in check, following a year-long inquiry into fake news and its impact on elections. Damian Collins, the policy maker who spearheaded the inquiry, called for Parliament to create new laws to help a proposed regulator oversee the industry, with fines for companies to be calculated based on their revenue. "Companies like Facebook exercise massive market power which enables them to make money by bullying the smaller technology companies and developers who rely on this platform to reach their customers," Collins said in a statement Monday. "We also have to accept that our electoral regulations are hopelessly out of date for the internet age." The committee's 110-page report isn't legally binding, but will be treated by government as a recommendation when drafting new legislation. Facebook has repeatedly rejected many of the committee's earlier findings, saying certain evidence had been taken out of context, and said it has never sold people's data.

### UK concludes it can mitigate risk from Huawei use in 5G

(Reuters) The British government has decided it can mitigate the risks arising from the use of Huawei Technologies Co Ltd in 5G networks, the Financial Times reported on Sunday, citing two sources familiar with the conclusion of Britain's National Cyber Security Centre (NCSC). The conclusion reached by Britain would "carry great weight" with European leaders, the FT reported, citing a source. "Other nations can make the argument that if the British are confident of mitigation against national security threats then they can also reassure their publics and the US administration that they are acting in a prudent manner in continuing to allow their telecommunications service providers to use Chinese components as long as they take the kinds of precautions recommended by the British," the source told the newspaper.

### Foreign demand for Jap machinery fell by most since '07

(Reuters) Overseas orders for Japanese machinery posted their biggest tumble in more than a decade in December, as trade frictions dented global supply chain demand and manufacturers predicted further declines in orders this quarter. Data released on Monday showed core machinery orders,

considered a leading indicator of capital expenditure, fell 0.1% month-on-month in December. This was the first decline in three months but was smaller than the median forecast for a 1.1% decrease. Highlighting bigger concerns about the external environment, however, was a 21.9% month-on-month slump in orders from overseas, the biggest fall since November 2007. The Cabinet Office data comes as some of Japan's major corporates flag expected hits to sales to customers, which include downstream manufacturers who use Japanese components, amid an increasingly cautious investment environment.

### Amazon invites Ocasio-Cortez for tour, calls worker claims untrue

(Reuters) A senior Amazon.com Inc executive on Friday disputed claims raised by Representative Alexandria Ocasio-Cortez that Amazon workers face "dehumanizing conditions" as being untrue and invited her to take a tour of company facilities. Ocasio-Cortez, a newly elected progressive Democrat who was an outspoken critic of the plans to locate Amazon's second headquarters in a New York City neighborhood near her congressional district, asked on Twitter if Amazon's culture of "strict performance" is "why Amazon workers have to urinate in bottles & work while on food stamps to meet 'targets?' Performance shouldn't come at the cost of dehumanizing conditions."

### Big US exchanges to sue SEC

(Reuters) The three largest US stock exchange operators said they will sue the Securities and Exchange Commission for overstepping its authority by ordering a pilot program to test banning lucrative payments exchanges make to brokers for resting stock orders. "We disagree with the government overreach, and this really represents an unprecedented attempt by the SEC to distort the free market mechanisms that govern the competition among trading venues," Michael Blaugrund, head of transactions at NYSE, told reporters in New York on Friday. Intercontinental Exchange Inc's NYSE, Nasdaq Inc, and Cboe Global Markets, which together operate 13 of the 14 US stock exchanges, each filed separate notices that they intend to sue the SEC. At issue is a pilot program the regulator approved in December that will restrict the amount exchanges can charge for stock trade executions, as well as the rebates exchanges pay brokers for orders that others can trade against, for one to two years.

### SoftBank invests in Mubadala's new \$400 mn European tech fund: FT

(Reuters) Japan's SoftBank Group has provided nearly half the cash for the new \$400 million fund by Abu Dhabi's state-owned Mubadala Investment Co that aims to back European start-ups, the Financial Times reported on Monday. Mubadala, which is a big investor in SoftBank's Vision Fund, will use the fund to invest between \$5 million and \$30 million in European start-ups, FT reported, citing people with direct knowledge of the matter. A company executive said last week Mubadala Ventures was planning to launch a technology-focused, \$400 million European fund this year. The European venture fund, which has already made a few undisclosed investments, will be run from a new office in London, the FT said. SoftBank did not immediately respond to a request seeking comment, while Mubadala was not immediately reachable for comment.



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