

GLOBAL MARKETS

Tuesday, February 19, 2019

Markets in brief

- U.S. dollar rose as traders awaited speeches from Fed officials and minutes of its January review due this week. Cleveland Fed President Loretta Mester speaks today and Atlanta Fed President Raphael Bostic tomorrow.
- Japanese yen reversed earlier gains after Bank of Japan Gov. Kuroda said policy makers may consider further easing if needed.
- Australian dollar dropped for the second day as RBA's minutes reaffirmed a shift to a neutral outlook from one leaning toward tightening.
- Euro recovered after hitting yesterday \$1.1234, its lowest since November 13 (3-month low). Traders continued to weigh recent economic concerns.
- Palladium surged to a record high on Monday as a sustained supply deficit boosted the investment case for the auto catalyst metal.
- Gold dropped after hitting yesterday \$1327.71, its highest since April 25 (~10-month low). The metal benefited from a weaker dollar.
- Oil prices steadied as Brent eased away from 2019 highs.
- Asian shares hovered near 4-month highs as investors monitored the progress in U.S.-China trade talks. U.S. stock markets were closed yesterday.

RBA concerned about property slump

Australia's central bank reaffirmed its mounting concern over the consumption outlook as households are besieged by falling property prices, weak income growth and high debt. The Reserve Bank said while the economy was weathering the property slump, if prices fell much further then consumption could be weaker. That would "result in lower GDP growth, higher unemployment and lower inflation," it said in minutes of its February policy meeting released in Sydney Tuesday.

U.S.-China trade talks resuming today

A new round of talks between the U.S. and China to resolve their trade war will take place in Washington on Tuesday, with follow-up sessions at a higher level later in the week, the White House said on Monday. The talks are aimed at "achieving needed structural changes in China that affect trade between the U.S. and China.

U.K.-EU Brexit talks

UK and EU officials are working on a new legal text for the Irish backstop component of the Brexit plan, people familiar said. Theresa May is still attempting to quell internal push-back on keeping no-deal as an option. Juncker, in another interview, told Stuttgarter Zeitung the EU wouldn't oppose a delay. "We are in God's hands. It is like being before the courts or on the high seas," he said.

Trump vs Auto industry

The U.S. auto industry urged Trump's administration on Monday not to saddle imported cars and auto parts with steep tariffs, after the U.S. Commerce Department sent a confidential report to the White House late on Sunday with its recommendations for how to proceed. On the other hand, the EU will react swiftly if Trump decides to hit EU car imports with tariffs, the European Commission said on Monday.

Honda planning to leave U.K.

Honda Motor Co. plans to close its factory in the U.K. in the biggest blow yet to the British auto industry already buckling under thousands of job cuts and the loss of key models in the run-up to Brexit. The site in Swindon, about 80 miles west of London, is the nation's 4th-largest auto plant and employs about 3,500 workers where the Honda Civic hatchback is made.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1299	-0.11%
GBP/\$	1.2902	-0.17%
AUD /\$	0.7117	-0.18%
NZD/\$	0.6834	-0.20%
\$/JPY	110.68	-0.05%
\$/CAD	1.3257	-0.13%
\$/CHF	1.0054	-0.05%
Gold \$	1323.52	-0.25%
Silver \$	15.75	-0.37%
Platinum \$	807.58	0.14%
WTI \$	55.97	0.68%
BRENT \$	66.53	0.05%
AMERICA		
DOW JONES	25883.25	-
S&P 500	2775.60	-
NASDAQ	7472.41	-
EUROPE		
STXE 600	369.78	0.23%
CAC 40	5168.54	0.30%
DAX	11299.20	-0.01%
ASIA PACIFIC		
S&P/ASX 200	6106.88	0.28%
NIKKEI 225	21302.65	0.10%
CSI 300 (China)	3436.67	-0.26%
MENA		
Saudi Arabia	8569.83	-0.26%
Dubai	2550.52	0.02%
Qatar	10034.25	0.24%
BONDS		
U.S. 10-year	2.6662	0.0000
German Bund 10-year	0.1160	0.0001
AU 10-year	2.1350	-0.0001
BEIRUT S.E.		
SOLIDERE - A	6.46	-
SOLIDERE - B	6.58	1.70%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.65	-
BLOM BANK	8.95	0.11%
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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FX & COMMODITIES

The Japanese yen dropped on Tuesday after Japan's central bank governor raised the possibility of further policy easing. The dollar rose to 110.615 yen from a low of 110.45 hit earlier in the session. Bank of Japan Governor Haruhiko Kuroda, speaking at the Japanese parliament, said the central bank was ready to ramp up stimulus if sharp yen rises hurt the economy and derail the path towards achieving its 2% inflation target. The dollar index versus a basket of six major currencies was nearly flat at 96.922 after ending the previous session unchanged. US financial markets were closed on Monday for the Presidents' Day holiday.

The euro's latest bounce faded as the focus shifted back to economic challenges in the bloc. The euro was down 0.11% at \$1.1299. It edged up 0.16% overnight, pulling away from a 3-month low of \$1.1234. The single currency had been buoyed by improved investor sentiment as expectations increased for an easing of the US-China trade conflict after both sides reported progress in talks. The dollar, the world's most liquid currency, has tended to perform well during bouts of investor nervousness. ECB policymakers will next meet on March 7, when the bank's staff are expected to slash growth and inflation projections as the euro zone suffers its biggest slowdown in half a decade. Euro zone bond yields, notably those of German bunds, have declined amid the cloudy European economic outlook and weighed on the common currency. The Fed's recent shift to a dovish tilt was expected to affect ECB monetary policy. The 10-year German bund yield yielded 0.110% on Monday after brushing 0.077% on Feb. 8, its lowest since October 2016, following sharp cuts to the European Commission's euro area economic growth forecasts.

The Australian dollar was down following the release of the RBA policy meeting minutes on Tuesday. The minutes of RBA's first policy meeting of the year in February showed that the central bank saw "significant uncertainties" in the economy as the once high-flying property market nosedives, a major reason rate cuts might be back on the table. RBA Governor Philip Governor Lowe on Feb. 6 had opened the door to a possible rate cut by acknowledging growing economic risks, in a remarkable shift from its long-standing tightening bias that sent the Aussie tumbling.

Brent crude oil prices eased away from 2019 highs on Tuesday on caution that economic growth may dent fuel demand this year, although supply cuts led by producer cartel OPEC still meant markets were relatively tight. Traders said the slight downward correction was driven by concerns about the health of the global economy this year.

	LAST	1D	YTD
CURRENCIES			
DXY	96.922	0.02%	0.78%
EUR/\$	1.1299	-0.11%	-1.47%
GBP/\$	1.2902	-0.17%	1.16%
AUD /\$	0.7117	-0.18%	0.96%
NZD/\$	0.6834	-0.20%	1.71%
\$/JPY	110.68	-0.05%	-0.89%
\$/CAD	1.3257	-0.13%	2.87%
\$/CHF	1.0054	-0.05%	-2.32%
\$/SEK	9.2639	0.01%	-4.43%
\$/NOK	8.6151	-0.05%	0.30%
\$/DKK	6.6040	-0.11%	-1.40%
\$/TRY	5.3060	-0.16%	-0.31%
EUR/GBP	0.8758	-0.07%	2.64%
EUR/JPY	125.06	0.04%	0.62%
EUR/CHF	1.1359	0.01%	-0.92%
COMMODITIES			
Gold Spot \$/Oz	1323.52	-0.25%	3.20%
Silver Spot \$/Oz	15.75	-0.37%	1.65%
Platinum Spot \$/Oz	807.58	0.14%	1.50%
Palladium Spot \$/Oz	1473.66	1.11%	16.79%
COPPER \$/lb	283.60	1.16%	7.55%
WTI \$/bbl	55.97	0.68%	23.25%
BRENT \$/bbl	66.53	0.05%	23.66%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	11:30	UK Jobs Report		
EUR	12:00	Eurozone ZEW Econ Sentiment	-18.2	-20.9
EUR	12:00	German ZEW Econ Sentiment	-14.1	15.0

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 shares hovered near four-month highs on Tuesday as investors took heart from some progress in Sino-US trade talks, while the yen slipped as the Japanese central bank said it won't rule out further policy easing. Japan's Nikkei nudged up 0.10% after holding flat for most of the day. Australian shares climbed 0.28% to a 4-1/2 month peak, after gaining over 8% so far this year partly on expectations the central bank could ease policy to temper pressure on growth. Chinese shares skidded into the red after surging in the previous session, with the blue-chip index off 0.26%. That left MSCI's broadest index of Asia-Pacific shares outside Japan down 0.1%, but still close to 4-month highs reached last Wednesday. Trade talks dominated headlines with a new round of negotiations between the US and China expected in Washington on Tuesday, and follow-up sessions at a higher level later in the week.

European stocks hovered around their highest level in four months on Monday as hopes of progress in US-China trade talks kept sentiment afloat while Wall Street was closed for a bank holiday. The STOXX 600 closed up 0.2%, steadying at its highest level since Oct 10. French car parts maker Faurecia climbed 1.3% after saying it hoped to outperform the market this year and reported margin expansion, though it warned of negative auto production growth in general. Faurecia's gain bucked the trend in the autos sector which fell 0.3%, lagging the market after data showed car sales in China fell for a seventh straight month. Investors in the auto sector were also on tenterhooks after the US Commerce Department sent its report on national security and car imports to President Trump, setting the stage for possible tariffs. Leading the market, Wirecard shares jumped 15.2% after German market regulator BaFin banned the establishment or increase of short positions in the stock.

France has mandated banks for the issue of a new 30-year bond to be sold in the coming days, the Agence France Tresor public debt management agency said on Monday. The joint lead managers for the new May 25 2050 bond are BNP Paribas, Credit Agricole CIB, HSBC, JPMorgan, and Societe Generale and all primary dealers will be part of the syndicate, AFT said.

Nigeria's Eurobond yields rose on Monday after the country's surprise decision to delay national elections over the weekend, just hours before polls had been due to open. The electoral commission said the postponement, which is due to last a week, was due solely to logistical factors and denied political pressure had played any part in the decision. President Muhammadu Buhari and his rival, former vice president Atiku Abubakar, both urged voters to stay calm.

	LAST	1D	YTD
AMERICA			
DOW JONES	25883.25	-	10.96%
S&P 500	2775.60	-	10.72%
NASDAQ	7472.41	-	12.62%
S&P/TSX	15838.24	-	10.58%
EUROPE			
STXE 600	369.78	0.23%	9.52%
FTSE 100	7219.47	-0.24%	7.30%
CAC 40	5168.54	0.30%	9.26%
DAX	11299.20	-0.01%	7.01%
ASIA PACIFIC			
S&P/ASX 200	6106.88	0.28%	8.16%
NIKKEI 225	21302.65	0.10%	6.43%
TOPIX	1606.52	0.28%	7.52%
CSI 300 (China)	3436.67	-0.26%	14.15%
MENA			
Saudi Arabia	8569.83	-0.26%	9.49%
Abu Dhabi	5039.69	-0.58%	2.57%
Dubai	2550.52	0.02%	1.37%
Qatar	10034.25	0.24%	-2.54%
Oman	4073.96	-0.07%	-5.88%
Egypt	15227.24	0.19%	16.81%
Kuwait	5421.86	-0.09%	3.37%
Bahrain	1379.41	-0.09%	3.54%
10-YEAR BONDS			
U.S.	2.6662	0.0036	-0.0180
Germany	0.1160	0.0060	-0.1260
U.K.	1.1660	0.0060	-0.1110
France	0.5450	0.0090	-0.1650
Australia	2.1350	-0.0050	-0.1830
Japan	-0.0290	-0.0070	-0.0320

Major Company News

- Shares in Footasylum Plc soared on Monday after British retailer JD Sports Fashion Plc said it had acquired an 8.3% stake and could buy nearly 30% of its smaller rival.
- Swiss Re has completed its 1 billion Swiss franc (771.71 million pounds) share buyback, the reinsurer said on Monday, finishing a programme launched last year.
- Paul Elliott Singer, the hedge fund manager behind activist investor Elliott, has taken a 6.1% stake in Dutch trust and business administration company Intertrust, according to a filing published by the Dutch Authority for Financial Markets (AFM).
- US discount retailer Payless ShoeSource Inc on Monday filed for voluntary Chapter 11 bankruptcy protection for the second time, along with its North American subsidiaries, and said it would wind down all North American stores by the end of May.
- Citgo Petroleum Corp has removed at least three executives close to Asdrubal Chavez, appointed by Venezuelan President Nicolas Maduro to manage state-run PDVSA's US refining firm, two sources with knowledge of the decision said on Monday.
- British education company Pearson said on Monday it had agreed to sell its US K-12 courseware business to Nexus Capital Management LP for \$250 million as it shifts its focus from textbooks to digital.
- Student-loan servicer Navient has rejected a \$3.2 billion takeover bid from two investors as it believes the offer undervalues the company.
- The United Arab Emirates on Monday awarded Raytheon Co. a 5.7 billion dirhams (\$1.55 billion) contract to supply its air force with platform systems to launch missiles, a UAE military spokesman said.
- Uber has agreed to pay value-added tax on its services in Egypt, Egyptian officials said on Monday, a move that may help resolve a long-simmering feud with traditional taxi drivers.



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TOP SELECTED NEWS

ECB to assess health of bank credit

(Reuters) The European Central Bank will reassess the outlook for bank lending next month as there is a risk that banks could tighten credit supply and exacerbate the current economic slowdown, its chief economist Peter Praet told German daily Boersen-Zeitung. His comments, in an interview published on Monday, were likely to cement market expectations for a new round of multi-year ECB loans to banks as existing ones worth around 750 bn euros start maturing next year, creating a cliff-edge for lenders in Italy and other southern European countries. The euro zone's economy has continued to slow, raising questions over ECB plans to raise its interest rates sometime after next summer.

Greece at risk of not getting euro zone cash: officials

(Reuters) - Greece is at risk of not getting some 750 mn euros next month that it won under a debt relief deal with the euro zone last year because it has not completed agreed reforms, euro zone officials said on Monday. The money is part of about 4.8 bn euros of profits from Greek bonds held by euro zone central banks, to be handed back to Athens by mid-2022 in semi-annual tranches and a waiver of the step-up interest rate margin on part of the euro zone loans. Together, the two measures add up to 750 mn every six months. The money was designed as an incentive for Athens to continue with hard-won reforms adopted under its three bailouts since 2010, worth more than 280 bn euros in total.

UK property asking prices rise by least 2009: Rightmove

(Reuters) - Asking prices for British homes rose by the least in a decade over the past year, property website Rightmove said on Monday, adding to signs of a slowing housing market ahead of Brexit. Rightmove said prices for newly advertised property were up by just 0.2% in February compared with a year earlier, the smallest increase since 2009, although they increased by 0.6% on the month, in line with the seasonal average. With wages rising at an annual rate of more than 3%, according to official data, the affordability of houses was improving at its fastest since 2011, the company said.

UK clearing houses approved to continue EU business

(Reuters) Europe's financial markets regulator has given UK-based derivatives clearing houses permission to continue serving EU clients in the event of a no-deal Brexit - a major boost to London's battle to remain the central market for euro clearing. The European Securities and Markets Authority (ESMA) said the decision to allow LCH Limited, ICE Clear Europe and LME Clear to continue operating was to limit disruption and avoid potentially negative impacts on financial market stability.

British supermarkets battle to secure stocks

(Reuters) Britons could face shortages of fresh food, price rises and less variety if the country leaves the EU next month without agreeing trade terms, food industry officials say. With no deal in sight as Britain's March 29 exit date approaches, supermarkets are stockpiling, working on alternative supplies and testing new routes to cope with an expected logjam at the borders but say they face insurmountable barriers. The warnings, including talk of whether rationing would be needed, are part of a chorus of concern from businesses who say they are weighed down by uncertainty in what was once considered a bastion of Western economic and political stability. The last time Britain's food

supplies were seriously hit was when fuel protests prompted panic buying almost two decades ago, forcing some supermarkets to ration milk and bread and others to warn that stocks would run out in days.

HSBC reaffirms key targets despite bruising Q4

(Bloomberg) HSBC Holdings Plc sounded an upbeat note after its Q4 earnings fell short of estimates, telling investors that it's still aiming to meet its key financial targets. The outlook came after the bank reported worse-than-expected results for the latest period due in part to the global market meltdown. Still, HSBC reaffirmed its intention to turn a positive number for a keenly analyzed profitability metric, and said it would be "proactive" in handling costs and investments to meet its goals. Shares of HSBC were down 2.1% at 1:21 p.m. in Hong Kong, set for the biggest drop in more than a month.

Citi in talks to buy Canary Wharf office building: source

(Reuters) Citigroup is in talks to buy the tower housing its European headquarters in London's Canary Wharf district, which is on the market with a price tag of around 1.2 bn pounds (\$1.55 bn), a source familiar with the matter said. The tower at 25 Canada Square, which already houses many of the bank's 6,000 London-based staff, was put up for sale in October by AGC Equity Partners. The source said a deal had yet to be agreed, with Citi unlikely to offer the full asking price. Should Citi agree the purchase, with a decision likely in the next couple of months, the bank would look to move staff currently based in a second building in the area, 33 Canada Square, to the larger tower, the source said.

Total buys French plastics recycling firm Synova

(Reuters) French energy major Total said it had acquired unlisted plastics recycling company Synova for an undisclosed amount, in a move that expands Total's plastics recycling business and helps to curb plastics waste. Synova produces around 20,000 tonnes of high-grade polypropylene from recycled plastics for car manufacturers. Total said combining Synova's recycling know-how with its expertise in polymers, used in making plastics and other objects, will increase the supply of recycled polypropylene for the auto industry.

Norwegian Air plunges on discounted price of share sale

(Bloomberg) Norwegian Air Shuttle slumped to an almost 7-year low after offering heavily discounted shares to raise about 3 bn kroner (\$350 mn) to shore up its balance sheet. The rights issue, underwritten by investors including John Fredriksen, Norway's richest man, is intended to buy the Oslo-based airline time following the collapse of protracted talks with suitors including IAG SA. After the owner of British Airways and Iberia walked away late last month, focus turned to Norwegian's finances, which have been hurt by a European fare war and higher fuel prices. Norwegian is selling shares in a 2-for-1 rights offer at 33 kroner each, the carrier said in a statement on Monday, after announcing the rights issue on Jan. 29.

Germany bans new Wirecard short sales

(Bloomberg) Germany's financial regulator took the unprecedented step of temporarily banning short sales of Wirecard AG shares following reports of suspicious accounting practices, while prosecutors in Munich expanded their investigation to include a Financial Times journalist. Investors globally are immediately prohibited from taking new short positions or increasing existing ones through April 18, according to watchdog BaFin.



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