

# GLOBAL MARKETS

Monday, February 25, 2019

## Markets in brief

- Global markets jumped after Trump announced a delay for tariff hikes.
- Chinese shares surged with the Shanghai Composite index ending the day at its highest close since June 15 with its strongest daily %age gain since July 9, 2015.
- Asian markets and US futures also climbed, though gains were less pronounced.
- Australian dollar, a liquid proxy for China investments, got a lift from the news. Chinese yuan rose to a 7-month high against the dollar.
- U.S. dollar steadied as traders awaited Fed Chair Powell to testify this week on Tuesday and Wednesday.
- British pound firmed on more evidence that both parties are working to avoid a no deal Brexit. BoE Carney to speak today at 12:00 LT.
- U.S. stocks rose on Friday with S&P 500 posting its highest close since November 8.
- Italian bonds rallied after Fitch affirmed country's rating.

## May promising a March vote ... Some MPs are pushing for a delay

Theresa May once again postponed a final vote on her Brexit divorce agreement, raising the stakes in a battle with members of her own cabinet who are fighting to avert a no-deal exit. The prime minister set a new deadline of March 12 -- just 17 days before Brexit day -- for Parliament to vote on the accord she's still trying to renegotiate. Several MPs are threatening to use a showdown in the Commons Wednesday to force a delay in the divorce. The EU may tell May that any extension would have to be as long as 21 months, people familiar said. The Telegraph reported the May is considering a plan under which Britain's exit from the EU would be delayed for up to two months. UK government officials have drawn up a series of options, which were circulated at the weekend, in a bid to avoid resignations by ministers determined to support a backbench bid to take a "no deal" Brexit off the table this week, according to the Telegraph. Those options include making a formal request to Brussels to delay Brexit if May cannot secure a deal by March 12, the newspaper reported, without citing sources.

## Trump delaying tariff hike amid trade talks progress

Trump said on Sunday he would delay an increase in U.S. tariffs on Chinese goods thanks to "productive" trade talks and that he and Chinese President Xi would meet to seal a deal if progress continued. China concurred on the success, though official Xinhua News Agency commentary said the conflict will be long-term and complex amid "new uncertainties."

## After Samsung ... Top competitors are announcing new models

Huawei Technologies unveiled a \$2,600 folding smartphone on Sunday which it said was primed for next generation 5G mobile connections, even as the United States campaigns to bar the Chinese company from such networks over security concerns.

LG Electronics unveiled a 5G smartphone on Sunday with a dual screen, the latest handset maker to pitch a new design feature in an effort to revive flagging sales.

HMD Global, the Finnish company which owns the rights to use the Nokia brand for mobile phones, has launched a smartphone with an array of five camera lenses designed to appeal to camera enthusiasts.

Sony, the Japanese company that has fallen way behind its Korean and Chinese rivals in the smartphone sales race, is aiming to capitalize on its movie pedigree with new devices featuring 21:9 ratio screens, the dimensions used to film blockbusters.

Last week, Samsung Electronics Co Ltd on Wednesday unveiled a nearly \$2,000 folding smartphone in a bid to top the technology of Apple Inc and Chinese rivals and reignite consumer interest amid slumping sales.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1357	0.19%
GBP/\$	1.3073	0.15%
AUD /\$	0.7153	0.34%
NZD/\$	0.6869	0.34%
\$/JPY	110.66	0.03%
\$/CAD	1.3127	0.06%
\$/CHF	0.9992	0.12%
Gold \$	1329.25	-0.01%
Silver \$	15.98	0.33%
Platinum \$	848.70	0.69%
WTI \$	57.19	-0.12%
BRENT \$	66.98	-0.21%
<b>AMERICA</b>		
DOW JONES	26031.81	0.70%
S&P 500	2792.67	0.64%
NASDAQ	7527.55	0.91%
<b>EUROPE</b>		
STXE 600	371.23	0.22%
CAC 40	5215.85	0.38%
DAX	11457.70	0.30%
<b>ASIA PACIFIC</b>		
S&P/ASX 200	6186.32	0.31%
NIKKEI 225	21528.23	0.48%
CSI 300 (China)	3729.48	5.95%
<b>MENA</b>		
Saudi Arabia	8513.27	-0.47%
Dubai	2668.64	1.33%
Qatar	10190.14	-0.01%
<b>BONDS</b>		
U.S. 10-year	2.6680	0.0002
German Bund 10-year	0.1130	0.0002
AU 10-year	2.0860	-0.0001
<b>BEIRUT S.E.</b>		
SOLIDERE - A	5.99	-1.48%
SOLIDERE - B	5.96	-2.30%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.65	-
BLOM BANK	9.00	-
BYBLOS BANK	1.34	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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## FX & COMMODITIES

**The risk-sensitive Australian dollar rose and the yen sagged in early Asian trade on Monday after US President Donald Trump said he will delay increasing tariffs on Chinese goods on March 1, citing "substantial progress" in trade talks.** The Australian dollar gained 0.34% to \$0.7153, reacting to Trump's latest posts on Twitter. The offshore yuan strengthened 0.3% to 6.6806 yuan against the dollar, its highest level since mid-July, also on the news he will not raise tariffs on \$200 bn of Chinese imports to 25% from 10%. The Japanese yen traded flat at 110.66 yen to the dollar, while the euro gained 0.19% to \$1.1357. The dollar index against a basket of six major currencies barely moved and was at 96.40. The US president also said he would plan a summit meeting with Chinese President Xi Jinping at his Mar-a-Lago estate in Florida to conclude an agreement, assuming the trade talks make additional progress. Trump's tweets came amid rising expectations that he would delay increasing higher tariffs before the March 1 deadline to avoid escalating the US-China trade war. The president said in a tweet that progress had been made on a host of divisive areas including intellectual property protection, technology transfers, agriculture, services and currency.

New Zealand dollar rose 0.34% to \$0.6869, also helped by local retail sales jumped in Q4, tempering concerns of softer growth in the country's economy.

**The British pound was idling at \$1.3057 as markets awaited some clarity on where Brexit talks were heading.** Prime Minister Theresa May put off a vote on her Brexit deal until as late as March 12 - just 17 days before Britain is due to leave the EU - setting up a showdown this week with lawmakers who accuse her of running out the clock. The Telegraph reported that May was considering whether to delay Britain's exit for up to two months.

**Oil prices dipped on Monday, dragged down by plentiful supply as US exports soar and compete with traditional producers from the Middle East in key markets such as Asia.** But markets were supported by optimism that Washington and Beijing would soon resolve a series of trade disputes that have dented global economic growth, analysts said. International Brent crude oil ended Friday little changed after touching their highest since Nov. 16 at \$67.73 a barrel. WTI futures climbed 0.5% on Friday, having marked their highest since Nov. 16 at \$57.81 a barrel. Traders said the dips were the result of ample oil supply amid surging exports from the US, forcing other producers especially in the Middle East to start offering their crude at discounts. Under pressure from that growth in US supply, Abu Dhabi's flagship Murban crude has sold at a discount in Asia to its official selling price (OSP) for four straight months - the longest stretch in nearly two years.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	96.409	-0.10%	0.25%
EUR/\$	1.1357	0.19%	-0.96%
GBP/\$	1.3073	0.15%	2.50%
AUD /\$	0.7153	0.34%	1.48%
NZD/\$	0.6869	0.34%	2.23%
\$/JPY	110.66	0.03%	-0.88%
\$/CAD	1.3127	0.06%	3.89%
\$/CHF	0.9992	0.12%	-1.71%
\$/SEK	9.3243	0.23%	-5.05%
\$/NOK	8.5882	0.29%	0.61%
\$/DKK	6.5702	0.18%	-0.89%
\$/TRY	5.3120	0.11%	-0.43%
EUR/GBP	0.8687	-0.07%	3.48%
EUR/JPY	125.67	-0.16%	0.13%
EUR/CHF	1.1348	-0.08%	-0.82%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1329.25	-0.01%	3.65%
Silver Spot \$/Oz	15.98	0.33%	3.11%
Platinum Spot \$/Oz	848.70	0.69%	6.67%
Palladium Spot \$/Oz	1511.50	0.78%	19.79%
COPPER \$/lb	296.50	0.58%	12.44%
WTI \$/bbl	57.19	-0.12%	25.94%
BRENT \$/bbl	66.98	-0.21%	24.50%

### In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	12:00	BoE Gov Carney speaks		
USD	17:00	US Final Wholesale Inventories	0.30%	0.30%

**Tuesday:** UK Inflation Report Hearings, US Building Permits, US Fed Chair Powell testifies, NZ Trade Balance

**Wednesday:** Canada Inflation, Fed Powell testifies

**Thursday:** AU CAPEX, China Manufacturing PMI, German Prelim CPI, Canada Current Account, US GDP QoQ, US Initial Jobless Claims

**Friday:** Eurozone Manufacturing PMI, Eurozone Flash CPI, US ISM Manufacturing PMI, Canada GDP, US Core PCE Prices Index, US Personal Spending

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## STOCKS & BONDS

**Chinese stocks posted their biggest single-day gains in more than three years on Monday after Trump said he would delay an increase in tariffs on Chinese goods thanks to “productive” trade talks.** Trump said that he and Chinese President Xi Jinping would meet to seal a deal if progress continued. China's Shanghai Composite index surged 5.6% to end the day at 2,961.28 points, its highest close since June 15, 2018 and the strongest daily %age gain since July 9, 2015. The blue-chip CSI300 index also posted its biggest one-day rise since July 9, 2015, ending 5.9% higher at 3,729.48 points, the highest closing level since June 15. After falling more than 11% in Q4 2018 due to concerns about slowing domestic growth and the trade war, the Shanghai Composite index has staged a rebound in 2019. As of Monday's close, it is up 18.7% so far this year. The CSI300 has gained 23.9% in the year to date. News last week that China and the US were achieving progress in high-level trade talks pushed the CSI300 to its best week in more than three years as investors bet that the two countries would reach a deal before the original March 1 deadline.

**US stocks jumped on Friday. The S&P 500 posted its highest closing level since Nov. 8 as investors clung to signs of progress in the ongoing trade talks between the US and China.** Optimism on the trade front and dovish signals from the US Fed have driven the recent gains and left indexes well above their lows of December, when the market swooned on fears of an economic slowdown. The S&P 500 is now up about 19% since its late-December low. The S&P 500 technology index was up 1.3%, leading gains among the 11 major S&P sectors, while the trade-exposed industrials index climbed 0.6%. All three indexes registered gains for the week, with both the Dow and Nasdaq posting a ninth week of increases. The number of NYSE and Nasdaq stocks hitting 52-week highs hit 367, the most since mid-Sept and outnumbered those hitting year lows by the widest margin in six months. Stocks briefly pared gains after US officials briefed on the negotiations said more time is likely needed in the talks given China's resistance this week to American demands for specific steps by Beijing to end forced transfers of US technology and certain other policies. Afterward, Trump said there was a very good chance the US would strike a deal with China to end the trade war, and that he was inclined to extend his March 1 deadline to reach an agreement. Kraft Heinz Co tumbled 27.5%, and was the biggest drag on the S&P along with a 1.7% fall in Class B shares of the company's controlling stakeholder, Berkshire Hathaway. The packaged food company posted a quarterly loss, disclosed a SEC probe and wrote down the value of its iconic Kraft and Oscar Mayer brands.

**Gulf stock markets were mixed on Sunday. Dubai stocks rose to a more than 2-month high after falling in the previous session, helped by strong gains in property stocks.** Financials weighed on both the Saudi and Qatari markets. Property firms have led a recent rally after signs of recovery in their Q4 results and more construction contracts.

**Italian government bonds outperformed the broader euro zone bond market on Monday, rallying up to 11 bps after ratings agency Fitch affirmed Italy's credit rating at BBB.** Italy's 10-year government bond yield was to 2.74%, pushing its spread over higher rated Germany to a 3-week low of 259.5 bps. Italy's 2-year government bond yield was las down 7 bps on the day to 0.45%.

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<b>AMERICA</b>			
DOW JONES	26031.81	0.70%	11.59%
S&P 500	2792.67	0.64%	11.40%
NASDAQ	7527.55	0.91%	13.45%
S&P/TSX	16013.01	0.08%	11.80%
<b>EUROPE</b>			
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Abu Dhabi	5139.67	0.82%	4.18%
Dubai	2668.64	1.33%	5.33%
Qatar	10190.14	-0.01%	-1.07%
Oman	4053.36	-0.05%	-6.01%
Egypt	14955.58	-1.26%	14.73%
Kuwait	5481.15	0.37%	4.46%
Bahrain	1415.46	0.76%	5.45%
<b>10-YEAR BONDS</b>			
U.S.	2.6680	0.0162	-0.0162
Germany	0.1130	0.0170	-0.1290
U.K.	1.1580	-0.0440	-0.1190
France	0.5260	0.0100	-0.1840
Australia	2.0860	-0.0100	-0.2320
Japan	-0.0350	0.0020	-0.0380

## Major Company News

- Kraft Heinz Co has hired investment bank Credit Suisse to review options for its Maxwell House coffee business, including a potential sale, CNBC reported on Sunday, citing people familiar with the matter.
- Comcast Corp's Universal Pictures claimed the prestigious best picture Oscar trophy on Sunday for race relations dramedy "Green Book," denying Netflix Inc the film industry's top prize.
- Intel announced new chips and partnerships that it hopes will persuade its investors that the bns of dollars in research and development that it has poured into 5G networking tech will pay off.
- Fiat Chrysler Automobiles NV (FCA) has set an annual compensation target for CEO Manley consisting of pay, cash and equity bonuses of \$14 mn, the automaker said in a regulatory filing on Friday.
- US refiner Citgo Petroleum Corp on Friday said it accepted a new board of independent directors named by Venezuela's congress and launched a search for a chief executive in a split with its Venezuelan state-run parent PDVSA.
- Telecom Italia's (TIM) main shareholder Vivendi said on Sunday it would back a merger of the fixed-line networks of TIM and rival Open Fiber if conditions were right.
- French healthcare company Ipsen has agreed to buy US peer Clementia Pharmaceuticals in a deal worth up to \$1.31 bn, the companies said on Monday.
- Roche said it will buy Spark Therapeutics in a transaction valued at \$4.3 bn as the Swiss drugmaker builds its hemophilia portfolio and seeks to keep pace in gene therapy with rivals like Novartis.
- Bayer AG is set to face a second US jury over allegations that its popular glyphosate-based weed killer Roundup causes cancer, six months after the company's share was rocked by a \$289 mn verdict in California state court.



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## TOP SELECTED NEWS

### Fed says US economy ended 2018 with solid but weakening growth

(Reuters) The US economy maintained "solid" growth through the second half of 2018, likely expanding "just under" 3% for the year, though consumer and business spending had begun to weaken, the Federal Reserve said on Friday in its semi-annual monetary policy report to Congress. In a document that balanced its mostly positive outlook for a still growing economy against an array of emerging domestic and global risks, the US central bank laid out why it had put further interest rate hikes on hold last month. From a "deteriorated" appetite for risk among investors to a slowdown in China, the outlook for policy is "more uncertain than earlier," the Fed said, noting "softer global and economic conditions." That may spill into the start of 2019, the Fed said, noting that the recent 35-day partial shutdown of the US government "likely held down GDP growth in the first quarter of this year." For 2018, the Fed said: "Consumer spending expanded at a strong rate for most of the second half ... though spending appears to have weakened toward year-end." "Business investment grew as well, though growth seems to have slowed somewhat," it added. Consumer and business confidence remains "favorable," but "some measures have softened since the fall," the Fed reported. "Domestic financial conditions for businesses and households have become less supportive of economic growth."

### Fitch keeps negative outlook on Italy citing high debt level

(Bloomberg) Italy's sovereign credit rating was left unchanged at two notches above junk by Fitch Ratings, which warned an extremely high level of general government debt and the absence of structural fiscal adjustment still pose risks. The level was confirmed at BBB, while the outlook was maintained at negative. "GDP growth has stalled as domestic policy uncertainty and weaker external demand has dragged down investment, while private consumption growth has also lost momentum," Fitch said in its report. "There continues to be a relatively large degree of uncertainty over the fiscal forecast beyond 2019, linked to political dynamics." The Fitch decision to keep the rating two steps above non-investment grade will provide some small relief to Italy, which has been seeking to rebound from a recession that started at the end of last year. Italy's populist government has promised to press ahead with its expansive budget plans to spur growth. Prime Minister Giuseppe Conte said in a statement that Fitch's action "confirmed the solidity of our country's economy, which as expected is feeling the economic slowdown that's affecting all of continental Europe." Italy's bonds suffered after the administration came to power last June. The country's borrowing costs kept rising for months before an agreement on the 2019 budget between Conte's government and the European Commission. Fitch said policy differences between Italy's coalition partners, the populist Five Star Movement and right-wing League, "and the current absence of a well-defined economic policy agenda," contribute to investor uncertainty.

### KKR and BlackRock invest \$4 bn in Abu Dhabi pipelines

(Bloomberg) KKR & Co. and BlackRock agreed to invest \$4 bn in Abu Dhabi's oil pipelines, securing two decades of guaranteed returns and providing the Middle Eastern energy producer a cash injection to help diversify its economy. Abu Dhabi National Oil Co. will receive the payment upfront and the deal paves the way for similar investments, Sultan Al Jaber, chief executive officer of government-run Adnoc, said in a

statement posted on Twitter. The deal is the first investment by foreign asset managers in the infrastructure of a Middle Eastern government-owned oil producer, Al Jaber said. Adnoc aims to help the UAE, build new industries for a post-oil future by generating cash from its biggest assets. The company has attracted about \$10 bn in investments this year. Saudi Aramco, the world's biggest oil company, is also seeking investors and plans to sell bonds soon.

### EU said ready to target Caterpillar, Xerox if US hits cars

(Bloomberg) Caterpillar Inc. trucks, Xerox Corp. machines and Samsonite International SA luggage are among US goods that would face retaliatory EU tariffs should President Donald Trump follow through on a threat to impose automotive duties against the bloc, according to a senior EU official. The person commented Friday on the condition of anonymity because the tit-for-tat list drawn up by the European Commission, the EU's executive arm in Brussels, is still a confidential draft. The EU's warning of targeted duties reflects its two-pronged approach to Trump's "America First" agenda. The 28-nation bloc is working in parallel toward a limited trans-Atlantic commercial accord in a bid to keep at bay new US levies on cars and auto parts. "Should there be tariffs on car and car parts, which we don't want, we have started internally to prepare a list of re-balancing measures," EU Trade Commissioner Cecilia Malmstrom told reporters on Friday in Bucharest after a meeting of the bloc's commerce ministers. "There is full support to do this."

### In a shift, Buffett says focus on Berkshire's stock price

(Reuters) Warren Buffett has long told investors in his Berkshire Hathaway Inc they should not pay so much attention to what its stock price is doing. Buffett said in his annual letter to Berkshire shareholders on Saturday that the conglomerate's stock price will over time "provide the best measure of business performance." In conjunction with that, he plans to deemphasize book value, measuring assets minus liabilities, saying changes at Berkshire and the vagaries of accounting rules mean that gauge has "lost the relevance it once had."

### Daimler joins BMW in \$1.1 billion mobility bet to rival Uber

(Bloomberg) Daimler AG and BMW AG are pouring more than 1 billion euros (\$1.13 billion) into their joint car-sharing and ride-hailing businesses to take on the likes of Uber Technologies Inc. and Lyft Inc. The German venture, which is estimated to become the world's largest car-sharing operator, will weigh purchases of startups or 30 established players, along with collaborations, Daimler said. The investment will create up to 1,000 jobs across five units including electric vehicle charging and parking services, initially focused on the European market. The timing is striking given Uber and Lyft are both preparing to list shares on the market. Uber, about three times as large as the Daimler-BMW operations by revenue, has drawn valuation estimates as high as \$120 billion.

### Microsoft hails revamped goggles

(Reuters) Microsoft unveiled the latest version of its HoloLens augmented reality headset on Sunday, promising wearers would feel more immersed in the augmented reality experience and more comfortable. Slipping on the carbon fiber goggles is as "simple as putting on your favorite hat", Microsoft developer Alex Kipman told a launch event at the mobile industry's biggest trade fair in Barcelona. Augmented reality devices overlay images as holograms on to a user's real-life field of vision, aiming to improve efficiency at businesses ranging from doctors' offices to factory floors.



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