

GLOBAL MARKETS

Tuesday, February 26, 2019

Markets in brief

- British pound rallied after U.K. PM Theresa May was said to consider a plan to delay Brexit. GBP/USD hit earlier \$1.3162, a 4-week high.
- Japanese yen strengthened against most major peers and stocks dropped as investors awaited a testimony by Fed Chairman Jerome Powell at 16:45 LT. The currency underperformed earlier after Trump said that U.S. and China were nearing a trade deal.
- Australian dollar declined as risk appetite waned amid losses in Asian stocks and falling iron ore prices.
- Oil prices remained under pressure after slumping yesterday on Trump's remarks regarding OPEC's supply cuts.
- Palladium rose to record highs, jumping above \$1550 level, on supply concerns.
- Copper prices touched their highest in nearly eight months.
- U.S. stocks closed higher yesterday as trade optimism continued.

Brexit deadline delay?

Theresa May is considering a plan to delay Brexit and stop the U.K. leaving the European Union with no deal next month, according to people familiar with the situation. The prime minister is expected to allow her Cabinet to discuss extending the deadline beyond March 29 at a crunch meeting on Tuesday, one of the people said. May would then reveal the Cabinet's conclusions in an announcement to Parliament later in the day. Opposition Labour Party Leader Jeremy Corbyn bowed to pressure from his members of parliament, agreeing to support a new Brexit referendum

Trump signaling more optimism

Donald Trump tweeted that talks toward a trade deal — "and more" — with China are "in advanced stages." The president said that if a pact is reached, American farmers would be treated better than ever. China's imports of U.S. soybeans in January fell by 98% from a year earlier, customs data showed. There's no word on when Trump expects to seal the deal in a summit with Xi Jinping.

... He is going to meet Kim

North Korean leader Kim Jong Un arrived in Vietnam on Tuesday for a summit with U.S. President Donald Trump where they will try to reach an agreement on a North Korean pledge to give up its nuclear weapons program. Trump is due to arrive in the Vietnamese capital, Hanoi, on Tuesday evening. They will meet for a brief one-on-one conversation on Wednesday evening, followed by a social dinner, at which they will each be accompanied by two guests and interpreters, White House spokeswoman Sarah Sanders told reporters on Air Force One.

Fed Chair Powell to testify

Federal Reserve Chairman Jerome Powell will face the Senate Banking Committee Tuesday to share his semiannual update on the state of the U.S. economy. Powell's appearance will be his third Humphrey-Hawkins testimony to Congress but his first report since finishing his first full calendar year at the helm of the central bank. His remarks comes as the Fed remains on pause with its rate hikes, citing "muted" inflation and geopolitical risks abroad. On Friday, the Fed released its monetary policy report that will supplement Powell's testimony. The report admitted that while real GDP increased at a "solid rate" in the second half of last year, economic data revealed a number of weak points. The Fed said "softer" global economic and financial conditions forced the Fed to adopt its policy of "patience," adding that market volatility made for a domestic environment that has "become less supportive of economic growth since July."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1350	-0.07%
GBP/\$	1.3134	0.28%
AUD /\$	0.7158	-0.13%
NZD/\$	0.6883	-0.01%
\$/JPY	110.81	0.23%
\$/CAD	1.3201	-0.11%
\$/CHF	1.0007	0.00%
Gold \$	1327.69	0.01%
Silver \$	15.88	-0.10%
Platinum \$	858.35	0.56%
WTI \$	55.28	-0.36%
BRENT \$	64.71	-0.08%
AMERICA		
DOW JONES	26091.95	0.23%
S&P 500	2796.11	0.12%
NASDAQ	7554.46	0.36%
EUROPE		
STXE 600	372.18	0.26%
CAC 40	5231.85	0.31%
DAX	11505.39	0.42%
ASIA PACIFIC		
S&P/ASX 200	6128.39	-0.94%
NIKKEI 225	21449.39	-0.37%
CSI 300 (China)	3679.88	-1.33%
MENA		
Saudi Arabia	8433.09	-0.94%
Dubai	2661.25	-0.28%
Qatar	10226.69	0.36%
BONDS		
U.S. 10-year	2.6501	-0.0001
German Bund 10-year	0.1030	-0.0001
AU 10-year	2.0920	0.0001
BEIRUT S.E.		
SOLIDERE - A	6.11	2.00%
SOLIDERE - B	6.08	2.01%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.65	-
BLOM BANK	8.90	-1.11%
BYBLOS BANK	1.34	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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FX & COMMODITIES

The British pound jumped to a near 4-week peak against the dollar on Tuesday on reports of a delayed Brexit deadline. Sterling spiked to its highest against the US currency since late January after Bloomberg News reported that British Prime Minister Theresa May was considering delaying the March 29 deadline for UK's exit from the EU. The pound was last up 0.28% on the day at \$1.3134, sitting just below a session high of \$1.3162, its highest since Jan. 31. The Sun newspaper reported May will propose formally ruling out a "no-deal" Brexit scenario which could potentially lead to the delaying of UK's exit from the E.U. by months.

The safe-haven yen moved off the weakest seen this year as a drop in US equity futures checked investors' risk appetite. The dollar index, which measure the greenback versus a basket of its major rivals, was flat at 96.422. Traders are eyeing a slate of data due in the second half of the week for fresh cues on the health of the global economy, including manufacturing activity figures from China and the US and revised US Q4 gross domestic product figures. Investors are also looking to the Fed's latest view on the economy and monetary policy. Fed Chairman Jerome Powell will testify before the Senate Banking Committee later on Tuesday, in the first of a two-day appearance before lawmakers. Powell and other Fed policymakers have indicated they favour patience before raising key lending rates again due to recent signs of slowing economic growth. The futures market implied traders bet the central bank would not raise interest rates at all in 2019. The yen rose a quarter of% to 110.80 per dollar as investors sought the perceived safety of the Japanese unit after US S&P 500 equity futures slipped in Asian trading. The Japanese currency - traditionally a preferred currency in times of market stress and volatility - had fallen as low as 111.24 yen per dollar on Monday, its lowest since Dec. 27, after US President Donald Trump said he will delay raising tariffs on Chinese goods on March 1.

China's yuan came off a 7-month peak scaled during the previous session. The offshore yuan was down 0.1% at 6.6912 per dollar after rising as high as 6.6737, its strongest since mid-July last year, on Monday. The Australian dollar, seen as a proxy for China risk because of Australia's dependence on Chinese demand for its exports, was slightly lower at \$0.7158 .

Palladium surged to a record high on Tuesday, rising above \$1,550, as the threat of strikes in the South African mining industry aggravated supply concerns in an already tight market.

Oil inched down on Tuesday to extend losses of more than 3% from the previous session, easing after Trump called on OPEC to rein in its efforts to boost prices. Brent, which plunged 3.5% on Monday, touched its lowest since Feb. 14 on Tuesday at \$64.32 a barrel. Analysts said the US, the world's biggest oil consumer, was keen to counter a recent rally in prices driven by major exporters trimming production. Brent prices gained 8.1% from Feb. 8 to Feb. 22. Trump on Monday expressed concern about oil prices and repeated his previous calls on the OPEC to keep prices steady.

	LAST	1D	YTD
CURRENCIES			
DXY	96.422	0.01%	0.26%
EUR/\$	1.1350	-0.07%	-1.02%
GBP/\$	1.3134	0.28%	2.98%
AUD /\$	0.7158	-0.13%	1.55%
NZD/\$	0.6883	-0.01%	2.44%
\$/JPY	110.81	0.23%	-1.01%
\$/CAD	1.3201	-0.11%	3.30%
\$/CHF	1.0007	0.00%	-1.86%
\$/SEK	9.3287	-0.21%	-5.10%
\$/NOK	8.6151	-0.23%	0.30%
\$/DKK	6.5740	-0.07%	-0.95%
\$/TRY	5.3073	-0.08%	-0.34%
EUR/GBP	0.8642	0.35%	4.03%
EUR/JPY	125.77	0.29%	0.05%
EUR/CHF	1.1357	0.07%	-0.90%
COMMODITIES			
Gold Spot \$/Oz	1327.69	0.01%	3.52%
Silver Spot \$/Oz	15.88	-0.10%	2.51%
Platinum Spot \$/Oz	858.35	0.56%	7.88%
Palladium Spot \$/Oz	1554.77	0.72%	23.22%
COPPER \$/lb	294.60	-0.10%	11.72%
WTI \$/bbl	55.28	-0.36%	21.74%
BRENT \$/bbl	64.71	-0.08%	20.28%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	12:00	UK BoE Inflation Report Hearings		
USD	15:30	US Bulding Permits	1.29M	1.32M
USD	15:30	US Housing Starts	1.25M	1.26M
USD	16:45	Fed Chair Powell testifies		
USD	17:00	US Consumer Confidence	124.8	120.2
NZD	23:45	NZ Trade Balance	-300M	264M

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

Asian shares lost steam on Tuesday after scaling a five-month high as investors waited to see if Washington and Beijing can clinch a trade deal. US stock futures were down too, with E-Minis for the S&P 500 falling 0.4%. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.5% from its highest since mid-September as US and Chinese negotiators work to hammer out a deal that would end a protracted tit-for-tat tariff battle. President Donald Trump said on Sunday he would delay a tariff hike on \$200 billion of Chinese imports in the clearest sign yet that both sides were making progress in the talks, but he also sounded a note of caution, saying a deal "could happen fairly soon, or it might not happen at all." Tuesday's losses in Asian stock markets came as JPMorgan analysts urged investors to "curb some of their enthusiasm" over the trade talks, saying the extension to the deadline was a "foregone conclusion".

US stocks ended higher on Monday but well below the session's highs after President Donald Trump said he would delay a planned hike in tariffs on Chinese imports. Postponement of the tariff deadline was seen as the clearest sign yet the two countries were closing in on an agreement to end their prolonged trade spat, which has slowed global growth and disrupted markets. But gains were capped after weeks of advances for the S&P 500, the Dow Jones Industrial Average and the Nasdaq, partly due to trade optimism and dovish signals from the Fed. The S&P 500 index ended 4.9% below its late September record closing high after narrowing the gap to 4.3% earlier in the session. Investors were also looking ahead to an appearance by Fed Chairman Jerome Powell before a US Senate committee on Tuesday. "In the short term trade got taken off the table today so next up on the calendar is Powell speaking to Congress. It's possible investors are starting to clam up a bit because of what they think Powell may say," said Michael Cuggino, portfolio manager at Permanent Portfolio Funds in San Francisco. Of the S&P's 11 major sectors, 7 ended the day with gains. After advancing as much as 1.4%, the financials index lost ground late in the day to close up 0.4%. The S&P technology index rose 0.5%. The Philadelphia semiconductor index climbed 0.8% as chip companies have a big exposure to China. The industrials sector rose 0.4%, getting its biggest boost from General Electric Co, which gained 10.8% after announcing a sale of its biopharma business to Danaher Corp for \$21.4 billion. Danaher shares rose 8.2%. A flurry of M&A activity also helped the risk-on sentiment. The Nasdaq Biotechnology Index rose 2%, its biggest boost coming from shares in Spark Therapeutics Inc, which soared 120% after Swiss drugmaker Roche Holding AG agreed to buy it for \$4.3 billion. The biggest laggards were the S&P's defensive sectors - consumer staples, utilities and real estate. The consumer discretionary sector also ended down 0.3%, with the biggest drag from Home Depot, down 1.3%, on concerns about a soft housing market ahead of its quarterly results.

Gulf stock markets were mixed yesterday. Saudi index fell as most of its blue-chip bank shares slid. Dubai index snapped an 8-day winning streak, pulled down by its real estate stocks. The Saudi market is consolidating after a strong rally last month due to an increase in foreign fund flows ahead of the market's inclusion in key emerging market benchmarks later this year. The index is up nearly 8% year to date.

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Abu Dhabi	5115.75	-0.47%	4.47%
Dubai	2661.25	-0.28%	4.75%
Qatar	10226.69	0.36%	-1.32%
Oman	4067.67	0.35%	-5.62%
Egypt	14946.35	-0.06%	14.66%
Kuwait	5481.15	0.37%	4.46%
Bahrain	1408.13	-0.52%	5.35%
10-YEAR BONDS			
U.S.	2.6501	-0.0125	-0.0341
Germany	0.1030	-0.0050	-0.1390
U.K.	1.1760	0.0180	-0.1010
France	0.5190	-0.0050	-0.1910
Australia	2.0920	0.0060	-0.2260
Japan	-0.0300	0.0050	-0.0330

Major Company News

- Seadrill's core earnings for Q4 exceeded the company's own guidance, boosted by lower costs and one-off items, while the market outlook for drilling rigs was improving, the Oslo and New York-listed firm said on Tuesday.
- Apple Inc supplier AAC Technologies Holdings saw its shares dropped 13% on Tuesday after the acoustic component maker said it expected first-quarter net profit to fall as much as 75% due to reduced orders.
- A planned overhaul of the second-largest crude distillation unit (CDU) at Exxon Mobil Corp's 502,500-barrel-per-day (bpd) Baton Rouge, Louisiana, refinery is expected to continue for at least five weeks, said sources familiar with plant operations.
- Abu Dhabi's Mubadala Petroleum said on Tuesday it has signed the production sharing contract together with its partner PTTEP Energy Development Co for an offshore block containing the Erawan producing gas field in Thailand.
- Global private language tutor Education First (EF) is considering selling a part of its China business which could value the unit at over \$2 billion, people with knowledge of the situation told Reuters.
- Biotech company Amgen Inc said on Monday a US jury confirmed the validity of patents on its cholesterol drug Repatha, rejecting a challenge by Regeneron Pharmaceuticals Inc and Sanofi SA.
- A government rescue package for Mexican national oil company Pemex fell far short of market expectations and the ailing firm will likely need further government support by next year, according to a report by credit ratings agency Moody's.
- Aruba is asking the US to lift financial sanctions blocking a Citgo Petroleum Corp oil refinery from financing an overhaul project, which has led to job cuts on the Caribbean island, the nation's prime minister said on Monday.



Tuesday, February 26, 2019

TOP SELECTED NEWS

China infrastructure investment under pressure

(Reuters) Infrastructure investment plans are under pressure in China as the confidence of investors in them has dipped, the state planner said on Tuesday, adding that some provinces have seen a sharp drop in planned projects. In China, infrastructure projects are usually carried out by local and other state-controlled bodies. The National Development and Reform Commission (NDRC) said in a report that manufacturing investment may also face some downward pressure in the first half of 2019, as company profits have been squeezed since late last year on sluggish demand and weak prices. Property investment in Q1 will maintain relatively rapid growth as some projects have been under construction since 2018, but new construction starts may suffer a decline, the NDRC said.

US wholesale inventories post biggest rise in over 5 years

(Reuters) US wholesale inventories increased by the most in more than five years in December as sales fell for a third straight month, suggesting an unintended piling up of goods at wholesalers that could be flagging a slowdown in demand. The surge in wholesale stocks reported by the Commerce Department on Monday, however, implied inventories were probably less of a drag on economic growth in Q4 than previously thought. As result, economists boosted their Q4 gross domestic product growth estimates by as much as half a percentage point to as high as a 2.4% annualized rate. Wholesale inventories surged 1.1%, the largest gain since Oct 2013. Wholesale inventories increased 7.3% on a YoY basis in Dec.

StanChart aiming for \$700 million in cost cuts by 2021

(Bloomberg) Standard Chartered Plc CEO Bill Winters announced plans to reduce costs and indicated he'll restructure operations in markets including India and South Korea as part of a long-awaited plan to turn around the lender. The bank is aiming to cut \$700 million in costs as part of a new three-year plan that the emerging markets focused-lender hopes will soothe investor concerns over its lackluster returns. Tuesday's announcement didn't say whether the cuts would come from reduced headcount. The shares jumped after the statement. Winters has been seeking to convince investors he can revive longer-term earnings growth and generate an acceptable level of profitability while cutting costs. He's spent much of his tenure cleaning up the balance sheet and culture of the London-based firm, which had been saddled with bad loans.

BofA drops 'Merrill Lynch' name in rebranding effort

(Reuters) Bank of America is dropping the "Merrill Lynch" name from some of its businesses, phasing out a brand with a long history on Wall Street as part of a multi-year marketing effort, the lender said on Monday. The investment bank and capital markets business is ditching the 104-year old name to become BofA Securities and its wealth management businesses will collectively be called "Merrill," without the Lynch. The individual units, Merrill Lynch Wealth Management, Merrill Edge and Merrill Guided Investing will keep their names. US Trust, Bank of America's private bank which caters to ultra-high net worth clients, will become Bank of America Private bank, and Merrill Lynch Private Banking & Investment Group will become Merrill Private Wealth Management, dropping the "Lynch."

Swatch: Samsung smart watch faces breach its trademark

(Reuters) Swatch Group has filed a complaint against Samsung Electronics and Samsung Electronics America Inc,

saying the two companies infringed its trademark on designs for downloadable smart watch faces. The Swiss watchmaker said the Korean companies' watch faces that "bear identical or virtually identical marks," to the trademarks it owns and uses on its brands which include Longines, Omega, Swatch, and Tissot. "This unabashed copying of the Trademarks can have only one purpose – to trade off the fame, reputation, and goodwill of the Swatch Group Companies' products and marks built painstakingly over decades," Swatch Group said in a filing to the court in the Southern District of New York. Swatch, which has demanded a trial in the complaint which also alleges unfair competition and unfair business practices, was not immediately available for comment. Samsung was also not immediately available to comment.

GE jumps as \$21.4 bn bio-pharma sale lifts CEO's revamp

(Bloomberg) When Larry Culp took command of flailing General Electric Co. late last year, his mandate was simple: be more aggressive. Fewer than five months later, investors are applauding. The shares soared Monday as Culp took his boldest step yet to rescue the troubled behemoth, agreeing to sell GE's bio-pharmaceutical business to his former employer, Danaher Corp., for \$21.4 billion. Culp halted plans to spin off the broader health-care business as GE focuses on completing the Danaher deal by year end. "This news meaningfully accelerates our deleveraging plan," Culp, who ran Danaher for more than a decade until 2014, said in an interview. "You can see the tide beginning to turn where we can really focus on a little less defense, a little more offense."

Barrick turns hostile for Newmont with \$17.8 billion offer

(Bloomberg) Barrick Gold Corp. is going hostile in its bid to acquire Newmont Mining Corp. and create the world's largest gold producer, offering \$17.8 billion for the company in an all-share deal. Shares of both companies fell. The proposed purchase, which is a discount to Newmont's closing price on Friday, raises the potential for a three-way fight between some of the world's largest gold miners. Newmont said its board would review the deal but made clear its previously announced plan to take over Goldcorp Inc. offers better benefits. Newmont CEO Gary Goldberg isn't giving up his company without a fight.

Musk faces US claim for violating accord with SEC

(Bloomberg) Elon Musk is facing a new round of regulatory trouble for tweets about Tesla Inc., raising fresh concerns about the billionaire CEO's ability to keep his impulses in check and responsibly run a public company. The US SEC on Monday asked a judge to hold Musk in contempt for violating a settlement that required him to get Tesla approval for social media posts and other writings that could be material to investors. He breached that deal with a Feb. 19 tweet that said Tesla would make about half a million cars in 2019, the agency claims. The CEO posted a few hours later that deliveries would only reach about 400,000.

Warren Buffett says Berkshire overpaid for Kraft Heinz

(Reuters) Warren Buffett said on Monday his Berkshire Hathaway Inc overpaid in the 2015 merger that created Kraft Heinz Co, but he had no plans to flee the struggling packaged foods company. Buffett spoke four days after Kraft Heinz took a \$15.4 billion write-down for its Kraft and Oscar Mayer brands and other assets, slashed its dividend, and said the US SEC was probing its accounting. Kraft Heinz's share price sank 27.5% on Friday, wiping out more than \$16 billion of market value, and causing Berkshire to lose \$4.3 billion on its stake.



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