GLOBAL MARKETS

Wednesday, February 27, 2019

Markets in brief

- U.S. dollar hovered near a 3-week low after Fed Chairman Powell reiterated the central bank's shift to a more "patient" approach to policy amid slowing economic growth. He will be speaking again today at 17:00 LT.
- U.S. Treasury yields fell on Powell's comments. Yields were also driven by strong investor demand for $32 billion of U.S. 7-year government debt, the final part of this week's $113 billion in coupon-bearing Treasury supply.
- France's 10-year government bond yield dropped to its lowest since November 2016 on Tuesday as the effect of the "yellow vest" protests faded.
- Australian dollar halted a 3-day rally against the dollar, dragged down by sales against the kiwi and poor construction data.
- British pound firmed as a "no deal" Brexit became more unlikely. GBP/USD hit yesterday $1.3288, its highest since September 20 (5-month high). EUR/GBP hit 85.63 pence, its lowest since May 2017 (21-month low).
- Asian stocks hovered near 5-month highs.
- U.S. stocks dropped slightly yesterday after a choppy session as investors eyed mixed economic data and corporate news and many stayed on the sidelines waiting for clarity on issues such as U.S.-China trade talks.
- Most Gulf stock markets rose yesterday; Dubai index hit a 3-month high.

May offering a way to avoid a no deal Brexit

U.K. Theresa May on Tuesday offered lawmakers the chance to vote on March 12 for a potentially disorderly no-deal Brexit or to delay Britain's exit from the European Union if her attempt to ratify a divorce agreement fails. The prime minister has said she'll continue trying to negotiate with Brussels in the meantime.

... But the EU expecting two intense weeks

The European Union is unlikely to offer concessions to the U.K. on its Brexit deal until just before the British Parliament votes on it, triggering a frantic two-week period that culminates in a critical summit of leaders. That's the picture depicted by EU diplomats as the bloc starts to preemptively sketch out the choreography of mid-March. That was happening already, even before May's offer to lawmakers of a possible delay.

Powell confirming Fed's patience

The Federal Reserve is in "no rush to make a judgment" about further changes to interest rates, Fed Chairman Jerome Powell told U.S. lawmakers on Tuesday as he spelled out the central bank's approach to an economy that is likely slowing. In two hours of testimony to the Senate Banking Committee, Powell elaborated on the "conflicting signals" the Fed has tried to decipher in recent weeks, including disappointing data on retail sales and other aspects of the economy that contrast with steady hiring, wage growth, and ongoing low unemployment. If anything, Powell's comments solidified a Fed policy shift last month in which it indicated it would pause a three-year cycle of rate hikes, which had been projected to run well into 2020, until the inflation or growth dynamics change.

U.S. had mixed data yesterday

Home prices in 20 US cities rose in December at the slowest pace in four years, continuing to decelerate as buyers balked at purchases amid still-elevated housing costs and a falling stock market. U.S. new-home construction in December fell to the lowest since September 2016, as builders held back during a turbulent month for financial markets. U.S. consumer confidence improved in February, topping all forecasts and snapping a three-month losing streak, after the U.S. government ended the longest shutdown in the country's history and the trade war edged toward a resolution.

FX & COMMODITIES	LAST	1D
EUR/$	1.1376	-0.11%
GBP/$	1.3253	0.01%
AUD /$	0.7182	-0.06%
NZD/$	0.6894	0.09%
$/JPY	110.41	0.16%
$/CAD	1.3171	-0.02%
$/CHF	0.9999	-0.03%
Gold $	1327.24	-0.13%
Silver $	15.88	-0.36%
Platinum $	863.51	0.23%
WTI $	55.92	0.76%
BRENT $	65.51	0.46%
AMERICA		
DOW JONES	26057.98	-0.13%
S&P 500	2793.90	-0.08%
NASDAQ	7549.30	-0.07%
EUROPE		
STXE 600	373.64	0.39%
CAC 40	5238.72	0.13%
DAX	11540.79	0.31%
ASIA PACIFIC		
S&P/ASX 200	6150.27	0.36%
NIKKEI 225	21556.51	0.50%
CSI 300 (China)	3678.39	-0.17%
MENA		
Saudi Arabia	8456.22	0.27%
Dubai	2683.74	0.85%
Qatar	10255.97	0.29%
BONDS		
U.S. 10-year	2.6285	-0.0001
German Bund 10-year	0.1110	-0.0001
AU 10-year	2.0720	-0.0002

BEIRUT S.E.		
SOLIDERE - A	6.02	-1.47%
SOLIDERE - B	6.05	-0.49%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.65	-
BLOM BANK	8.90	-
BYBLOS BANK	1.34	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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FX & COMMODITIES

The US dollar remained near a 3-week low on Wednesday after Fed Chairman Jerome Powell reiterated that the central bank would stay patient on monetary policy. The dollar index against a basket of six major currencies stood at 96.122 after shedding 0.4% overnight, when it stooped to 95.948, its lowest since Feb. 5. Powell said on Tuesday that rising risks and recent soft data were unlikely to prevent solid growth for the US economy this year, but that the Fed would remain "patient" in its decisions on further interest rate hikes. The dollar was lower at 110.41 yen after shedding 0.4% the previous day. The greenback rose to a 2-month high of 111.24 on Monday but has met firm technical resistance near the 200-day moving average 111.30.

British pound had rallied on Tuesday after British Prime Minister Theresa May offered lawmakers the chance to vote on delaying Brexit, opening up the possibility of avoiding a chaotic no-deal departure from the EU. The pound flat at $1.3253 after surging more than 1% overnight to a 5-month peak of $1.3288.

The Australian dollar steadied snapping a 3-day rally. The Aussie was hurt at the start of February after the Reserve Bank of Australia opened the door for an interest rate cut. But the currency has rebounded nearly 2% from this month's low of $0.7054 plumbed on Feb. 12. Risk appetite is now a key incentive, and currencies like the Aussie benefit from 'risk on.Global equities have performed strongly this week - MSCI's world stock index advanced to a five-month peak - on factors including ebbing concerns toward US-China trade tensions.

Oil prices rose on Wednesday after a report of declining US crude inventories and as producer club OPEC seemed to stick to its supply cuts despite pressure from US President Donald Trump. US crude oil inventories fell by 4.2 million barrels in the week to Feb. 22, to 444.3 million barrels, the American Petroleum Institute (API) estimated in a weekly report on Tuesday. Official data will be released by the US Energy Information Administration (EIA) today.

US wheat futures edged higher on Wednesday, rebounding from a 10-month low touched in the previous session, though gains were checked amid concerns over international demand for North American supplies. Corn edged lower, while soybeans were unchanged.

	LAST	1D	YTD
CURRENCIES			
DXY	96.122	0.12%	-0.05%
EUR/$	1.1376	-0.11%	-0.79%
GBP/$	1.3253	0.01%	3.91%
AUD /$	0.7182	-0.06%	1.89%
NZD/$	0.6894	0.09%	2.60%
$/JPY	110.41	0.16%	-0.65%
$/CAD	1.3171	-0.02%	3.54%
$/CHF	0.9999	-0.03%	-1.78%
$/SEK	9.2932	-0.11%	-4.73%
$/NOK	8.5639	0.00%	0.90%
$/DKK	6.5588	-0.11%	-0.72%
$/TRY	5.3030	0.06%	-0.26%
EUR/GBP	0.8584	0.13%	4.73%
EUR/JPY	125.61	0.27%	0.18%
EUR/CHF	1.1376	0.10%	-1.06%
COMMODITIES			
Gold Spot $/Oz	1327.24	-0.13%	3.49%
Silver Spot $/Oz	15.88	-0.36%	2.47%
Platinum Spot $/Oz	863.51	0.23%	8.53%
Palladium Spot $/Oz	1557.79	-0.42%	23.46%
COPPER $/lb	294.45	-0.20%	11.66%
WTI $/bbl	55.92	0.76%	23.14%
BRENT $/bbl	65.51	0.46%	21.77%

In focus today ⌛

	TIME (LT)	EVENT	FCAST	PRIOR
EUR	12:00	German Buba Weidman speaks		
CAD	15:30	Canada CPI MoM	0.20%	-0.10%
CAD	15:30	Canada Trimmed CPI YoY	1.90%	1.90%
USD	17:00	Fed Chair Powell testifies		
USD	17:00	US Factory Orders MoM	1.50%	-0.60%
USD	17:00	US Pending Home Sales MoM	0.70%	-2.20%
OIL	17:30	EIA Weekly Report		

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

STOCKS & BONDS

A technical error at CME Group Inc. prompted a lengthy trading halt at the world's largest exchange operator, preventing the buying and selling of contracts tied to US Treasuries, stock-futures and commodities. The issue affected a slew of markets, from eurodollars to metals, grains, crude oil and natural gas. They reopened at 9:45 p.m. CT on Tuesday after a half-hour preopen, according to a statement from the bourse. That's about 3 hours after they stopped.

Asian shares edged towards a 5-month high on Wednesday. MSCI's broadest index of Asia-Pacific shares outside Japan rose a tenth of a%, climbing back toward the five-month peak scaled on Monday. Japan's Nikkei share average closed up 0.5% while Australian stocks gained 0.4%. Hong Kong's Hang Seng Index tacked on 0.2%. China's blue-chip CSI300 bucked the trend, falling 0.8%. US stock futures were also down, with E-Minis for the S&P 500 giving up 0.1%. Trading in the contracts had been delayed for several hours following a technical disruption earlier in the session.

US stocks fell slightly after a choppy session on Tuesday as investors eyed mixed US economic data and corporate news and waited for clarity on issues such as the US-China trade talks. Weaker-than-expected housing data contrasted with a rosy consumer confidence report, while Home Depot Inc was among the biggest drags on the benchmark S&P 500 index after the home improvement retailer blamed bad weather for missed Wall Street forecasts. Fed Chairman Jerome Powell told a US Senate Banking Committee that the central bank would remain "patient" in deciding on further interest rate hikes and that rising risks and recent soft data should not prevent solid growth for the economy this year. The indexes have already been bolstered in recent weeks by trade optimism and dovish signals from the Fed, with the S&P 500's session high just 4.7% away from its record closing high in September. Seven of the 11 major S&P sectors ended lower with industrials providing the biggest drag with a 0.3% drop. The benchmark's biggest boost was the technology index, which closed up 0.2%. The healthcare index declined 0.3% after a US congressional hearing on the prices of medicines wrapped up in Washington. Declines in shares of health insurers Cigna Corp and UnitedHealth Group, both of which operate major pharmacy benefit managers, were big drags on the sector. The S&P's biggest losing stock was JPMorgan Chase & Co, which closed down 0.8% after it warned of rising costs for deposits, a key part of its business, and slowing global economic growth. Caterpillar Inc fell 2.4% and also depressed the benchmark after brokerage UBS downgraded the stock to "sell" from a "buy" rating.

Most Gulf stock markets rose yesterday. Dubai shares hit a 3-month high as all but one of its real estate firms gained. Egypt's blue-chip index declined, primarily led by Commercial International Bank (COMI).

France's 10-year government bond yield dropped to its lowest since November 2016 on Tuesday as the effect of the "yellow vest" protests faded. Other high-grade euro zone bond yields were a tad higher by late trade, following strong US consumer confidence data. But Southern European bond yields dropped sharply on storming demand for Spain's 15-year syndicated bond deal.

	LAST	1D	YTD
AMERICA			
DOW JONES	26057.98	-0.13%	11.71%
S&P 500	2793.90	-0.08%	11.45%
NASDAQ	7549.30	-0.07%	13.78%
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Dubai	2683.74	0.85%	6.20%
Qatar	10255.97	0.29%	-0.77%
Oman	4089.06	0.53%	-5.37%
Egypt	14886.85	-0.40%	14.20%
Kuwait	5502.33	-	4.67%
Bahrain	1414.64	0.46%	5.94%
10-YEAR BONDS			
U.S.	2.6285	-0.0072	-0.0557
Germany	0.1110	-0.0070	-0.1310
U.K.	1.2060	0.0300	-0.0710
France	0.5210	-0.0050	-0.1890
Autralia	2.0720	-0.0200	-0.2460
Japan	-0.0270	-0.0010	-0.0300

Major Company News

- French Economy minister Bruno Le Maire on Tuesday said the government had not been informed of the Dutch government's acquisition of Air France KLM shares in a surprise move destined to weigh in the carrier's operations.
- AT&T Inc emerged victorious on Tuesday over the Trump administration's drawn-out attempts to block its $85.4 billion purchase of Time Warner as the US Justice Department said it would not fight an appeals court ruling approving the deal.
- Exxon Mobil Corp said on Tuesday its oil and gas reserves rose nearly 23% last year, driven mainly by increases from holdings in US shale, offshore Guyana and Brazil.
- EBay Inc has informed Elliott Management Corp it is willing to explore shedding some of its key assets and give the hedge fund board representation in a bid to avert a proxy contest, people familiar with the matter said on Tuesday.
- GE has too much debt and needs to reduce it "thoughtfully and soon", CEO Lawrence Culp said in a letter to shareholders on Tuesday.
- Cybersecurity company Palo Alto Networks Inc topped Wall Street estimates for revenue and profit on Tuesday, aided by better-than-expected growth in its product business, sending its shares up 6%.
- Mylan NV on Tuesday reported lower-than-expected Q4 profit and forecast 2019 earnings well below estimates, as it grapples with significant problems at its Morgantown, West Virginia, plant.
- Toll Brothers Inc beat analysts' estimates for quarterly revenue and profit on Tuesday, as the US luxury homebuilder sold more homes at higher prices, sending its shares up 3.2% in extended trading.
- Australian rural services firm Ruralco Holdings Ltd on Wednesday backed a $337 million takeover bid by Canada's Nutrien Ltd, the latest potential tie-up in a sector consolidating in the face of severe drought.

TOP SELECTED NEWS

BOE Carney presses no-deal warning

(Bloomberg) The Bank of England stepped up its defenses against a disruptive Brexit and Governor Mark Carney offered more warnings about the damage that a no-deal withdrawal from the EU could do to the economy. The central bank will offer lenders extra liquidity provisions around the March 29 exit date, a measure designed to smooth the plumbing of the market operating in times of potential stress. It mirrors its actions around the 2016 referendum. While there's a chance that Prime Minister Theresa May will delay Brexit and stop the UK leaving the EU by the end of March, the BOE's actions show it's not taking any chances. Carney has previously said that the financial sector should be able to cushion any blow rather than "amplifying a shock and being part of the problem." In comments to lawmakers on Tuesday, Carney said it's certain the economy will suffer if there is no agreement with the EU in place. "If we're back here in May, and there's no deal, no transition, I guarantee you the path of GDP will be materially lower than it is in this February forecast now," he said. His colleague Gertjan Vlieghe added that while businesses want clarity, going for a no deal outcome for the sake of ending the uncertainty would be far more disruptive.

UK businesses see a no-deal Brexit as unlikely to happen

(Reuters) Most British businesses and individuals have not prepared for a no-deal Brexit because they do not see it as likely to happen, the gov't said in a long-awaited analysis published on Tuesday. But that attitude could heighten the disruption if it does take place, it added. "Despite communications from the gov't, there is little evidence that businesses are preparing in earnest for a no-deal scenario, and evidence indicates that readiness of small and medium-sized enterprises in particular is low," the gov't analysis said. "(The) gov't judges that the reason for this lack of action is often because a no-deal scenario is not seen as a sufficiently credible outcome to take action or outlay expenditure," it added. The short time remaining before March 29 would not allow the gov't to fully compensate for the effects of a no-deal Brexit, it added. "Even where it can take unilateral action, the lack of preparation by businesses and individuals is likely to add to the disruption experienced in a no-deal scenario," the report said. Economists polled by Reuters put the risk of a no-deal Brexit at one-in-four.

UK employers' confidence in economy slides: REC

(Reuters) British employers' confidence in the economy has fallen sharply ahead of Brexit, hammering hiring and investment intentions, an industry survey showed on Wednesday. The Recruitment and Employment Confederation's (REC) gauge of confidence in the economy slid to -20 in the three months to January, the lowest reading since the survey started in mid-2016 and down from -14 in the previous report. The survey adds to a raft of business surveys showing that businesses have put the brakes on investment plans ahead of March 29.

Moody's flags spending risks to Mexico credit rating

(Reuters) Moody's on Tuesday said it saw significant pressure on Mexico's sovereign credit rating as the gov't of President Andres Manuel Lopez Obrador seeks to meet pledges to raise social spending and revive state oil firm Pemex. "There are clear tensions between gov't objectives to promote socially-inclusive growth and achieve a more even distribution of wealth, and others aimed at preserving fiscal responsibility," Moody's said in a report on Mexico.

Dimon's cautious note as JPMorgan prepare for recession

(Bloomberg) Jamie Dimon doesn't agree with economic doomsayers. That doesn't mean he hasn't heard them. The chief of the largest US bank acknowledged a growing number of potential obstacles to the economy that carried his firm to record profits last year. That caution was reflected in JPMorgan Chase & Co.'s annual presentation to investors Tuesday, as the bank held its profitability goal steady and told shareholders to expect a slowdown in lending growth. "We are prepared for a recession," Dimon said at the event. "We're not predicting a recession. We're simply pointing out that we are very conscious about the risks we bear." The bank said its loan book wouldn't expand as quickly as last year amid a "focus on high-quality loans," according to the presentation. The firm kept its profitability target at the 17% return on tangible equity it achieved last year. It's a subtle shift from the optimism of the last few years when the bank forecast bns in profits tied to rising interest rates and, most recently, the US tax overhaul. For now, the lender is expecting loss rates to stay near 2018 levels, which Dimon last month described as "pristine."

Airbus, OneWeb aim to kick off new satellite era

(Reuters) A rocket carrying six satellites built by Airbus SE and partner OneWeb was due to blast off from French Guiana on Wednesday, the first step in a plan to give mns of people in remote and rural areas access to high-speed internet beamed down from space. A successful launch could mark a new era in the satellite services industry, with companies like Elon Musk's SpaceX, LeoSat Enterprises, and Canada's Telesat enabling data networks with hundreds or even thousands of tiny satellites that orbit closer to Earth than traditional communications satellites - a radical shift made possible by leaps in laser technology and computer chips. The launch may presage a boom in demand for launch services, with a handful of venture-backed rocket companies developing smaller boosters to deploy the smaller satellites at lower cost.

Sunrise in advanced talks for Liberty Global's Swiss unit

(Reuters) Sunrise Communications has entered "advanced discussions" to buy Liberty Global's Swiss business in a deal which values the internet and digital television provider at 6.3bn Swiss francs ($6.30bn). Sunrise said it would only pursue a deal for UPC Schweiz if it was "strategically compelling and demonstrably value creative for its shareholders," and said no final decision had been made. A purchase could strengthen Sunrise's position as Switzerland's second-largest telecoms company, and would be another European sale by Liberty Global which divested its Austrian business to T-Mobile Austria last year.

UK's M&S pays £750 mn to seal Ocado online food tie-up

(Reuters) British retailer Marks & Spencer (M&S) has agreed a joint venture with online supermarket pioneer Ocado that would give M&S a full online food delivery service for the first time, the companies said on Wednesday. Under the deal M&S, Britain's best-known stores group, will buy a 50 percent share of Ocado's UK retail business for up to 750 million pounds ($994 million). M&S said it will finance the deal from a rights issue of shares to raise up to 600 million pounds. It will also cut its dividend by 40 percent to "a sustainable level".

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