

GLOBAL MARKETS

Monday, March 04, 2019

Markets in brief

- Asian stocks and U.S. futures jumped on reports that the U.S. and China were getting closer to a trade deal
- Australian dollar traded higher on trade optimism. But the currency pared earlier gains after inventory data missed estimates. Key events this week: RBA policy decision tomorrow, Gov. Lowe speaks and GDP data on Wednesday, Trade Balance on Thursday, China Trade Balance on Friday, China Inflation on Saturday.
- U.S. dollar was pressured down by Trump's comments about its recent strength. Key events this week: ADP Nonfarm on Wednesday, Trade Balance on Thursday, Nonfarm payrolls on Friday.
- British pound outperformed amid signs that May could get support for a Brexit deal.
- Euro traded flat as investors eyed ECB policy meeting on Thursday.
- U.S. stocks rose on Friday as trade optimism offset downbeat economic data. The Nasdaq marked its longest streak of weekly gains since late 1999. Friday marked the first close above 2,800 for the S&P since Nov. 8.

Weak data before RBA's policy meeting tomorrow

Australian businesses reported only meager growth in profits and wages for Q4 of last year, a dry spell for incomes that likely saw the whole economy struggle to expand. A range of data out on Monday also showed home building was heading for a deep hole after years of outperformance, while job ads suffered their biggest annual drop in five years. The signs were of an economy that has clearly lost traction in recent months and may have grown only marginally in the December quarter, figures for which are due Wednesday. The central bank, which holds its March policy meeting on Tuesday, recently warned that a further significant fall in home prices could undermine household wealth and spending, and perhaps warrant a cut in interest rates.

U.S. and China approaching a trade deal?

The United States and China appear close to a deal that would roll back U.S. tariffs on at least \$200 billion worth of Chinese goods, as Beijing makes pledges on structural economic changes and eliminates retaliatory tariffs on U.S. goods, a source briefed on negotiations said on Sunday. Trump and Chinese President Xi Jinping could seal a formal trade deal at a summit around March 27 given progress in talks between the two countries, the WSJ reported on Sunday. One of the remaining sticking points is whether the tariffs would be lifted immediately or over a period of time to allow the US to monitor whether China is meeting its obligations, the people said. The U.S. wants to continue to wield the threat of tariffs as leverage to ensure China won't renege on the deal, and only lift the duties fully when Beijing implemented all parts of the agreement.

Trump preferring a weaker dollar

President Donald Trump said Saturday that the US dollar is too strong and took a swipe at Fed Chairman Jerome Powell as someone who "likes raising interest rates." The U.S. economy is doing well despite the actions of the central bank, Trump said during a wide-ranging speech at the Conservative Political Action Conference in National Harbor, Maryland. "I want a strong dollar but I want a dollar that does great for our country, not a dollar that's so strong that it makes it prohibitive for us to do business with other nations and take their business," Trump said Saturday.

May gaining support

PM Theresa May received a boost this weekend as she prepares to return her Brexit deal to Parliament within the next nine days. Pro-Brexit hardliners in her Conservative Party outlined conditions for supporting her plan, the Sunday Times reported. Meanwhile, Graham Brady, the chairman of the 1922 Committee of rank-and-file Tory lawmakers, expressed optimism that a breakthrough on the Irish backstop issue is near.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1365	0.00%
GBP/\$	1.3228	0.20%
AUD /\$	0.7089	0.14%
NZD/\$	0.6811	0.16%
\$/JPY	111.96	-0.06%
\$/CAD	1.3288	0.07%
\$/CHF	0.9996	-0.03%
Gold \$	1293.75	0.02%
Silver \$	15.23	0.19%
Platinum \$	856.54	-0.31%
WTI \$	55.94	0.25%
BRENT \$	65.34	0.41%
AMERICA		
DOW JONES	26026.32	0.43%
S&P 500	2803.69	0.69%
NASDAQ	7595.35	0.83%
EUROPE		
STXE 600	374.24	0.39%
CAC 40	5265.19	0.47%
DAX	11601.68	0.75%
ASIA PACIFIC		
S&P/ASX 200	6217.41	0.40%
NIKKEI 225	21822.04	1.02%
CSI 300 (China)	3786.32	0.98%
MENA		
Saudi Arabia	8534.27	0.49%
Dubai	2642.34	0.25%
Qatar	10111.62	-0.24%
BONDS		
U.S. 10-year	2.7568	0.0000
German Bund 10-year	0.1830	0.0000
AU 10-year	2.1910	0.0004
BEIRUT S.E.		
SOLIDERE - A	6.55	0.92%
SOLIDERE - B	6.56	1.55%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.65	-
BLOM BANK	8.90	-
BYBLOS BANK	1.32	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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FX & COMMODITIES

The Australian dollar and the Chinese yuan inched up on hopes Washington and Beijing were close to a trade deal after a bitter year-long tariff dispute. Fueling such expectations was a report from the Wall Street Journal on Sunday that said the US and China could reach a formal agreement at a summit around March 27 given progress in talks between the two countries. The Aussie gained as much as 0.57% to \$0.7118, before giving up some of its gains to \$0.7089 following soft business inventories and declines in job advertisements and dwelling approvals. According to some analysts, the markets had gone too far in pricing in a downturn in the Australian economy. Interest rate futures are now pricing in a rate cut this year but the economy could turn out to be stronger than expected given recent strength in commodity prices. The RBA will hold its policy meeting on Tuesday. The Chinese yuan ticked up 0.20% to 6.7030 to the dollar in offshore trade, edging near its 7-1/2-month high of 6.6737 hit last week. The yuan has been supported since late last month after Washington delayed its self-imposed March 1 deadline for raising tariffs on \$200 billion worth of Chinese imports, citing progress in its trade talks with Beijing.

While the trade optimism pushed the dollar lower against most Asian currencies, it helped erase the greenback's earlier losses against the safe-haven yen, which followed Trump's criticism about Fed monetary policy and a strong dollar. The dollar traded at 111.96 yen, near a 10-week high of 112.08 on Friday. It had dipped to 111.75 yen after Trump's comments on the Fed. "We have a gentleman that likes a very strong dollar at the Fed...I want a strong dollar, but I want a dollar that's great for our country not a dollar that is so strong that it is prohibitive for us to be dealing with other nations," he told his supporters in a speech. The positive investor sentiment offset some of the caution that followed soft US data published on Friday. Factory activity, gauged by the ISM survey, hit the lowest level since November 2016 while personal incomes fell for the first time in more than three years. Expectations that the Fed will avoid raising interest rates any time soon have also underpinned risk sentiment.

The euro stood little changed at \$1.1365, with focus on Thursday's ECB policy meeting. Given recent weakness in the euro zone economy, the ECB looks certain to suggest a rate hike this year would be off the table and could signal a re-launch of its offer of long-term loans to banks.

The British pound rose, adding to two weeks of gains, amid optimism UK lawmakers are moving toward supporting PM Theresa May's Brexit deal. Sterling rose after the Sunday Times said Pro-Brexit hardliners in May's Conservative party have outlined conditions for supporting her plan. Senior Tory lawmaker Graham Brady said he was optimistic a breakthrough on the Irish backstop issue is getting closer. The pound rose 0.2% to \$1.3228, inching towards its near 8-month high of \$1.3351 hit last week.

Oil prices rose on Monday, buoyed by output cuts by producer club OPEC and reports that the US and China are close to a deal to end a bitter tariff row that has slowed global economic growth. The rally followed reports that the US and China are close to ending their bitter year-long trade dispute.

	LAST	1D	YTD
CURRENCIES			
DXY	96.434	-0.10%	0.27%
EUR/\$	1.1365	0.00%	-0.89%
GBP/\$	1.3228	0.20%	3.72%
AUD /\$	0.7089	0.14%	0.57%
NZD/\$	0.6811	0.16%	1.37%
\$/JPY	111.96	-0.06%	-2.03%
\$/CAD	1.3288	0.07%	2.63%
\$/CHF	0.9996	-0.03%	-1.75%
\$/SEK	9.2717	-0.03%	-4.51%
\$/NOK	8.5800	0.01%	0.71%
\$/DKK	6.5652	0.00%	-0.82%
\$/TRY	5.3759	-0.05%	-1.61%
EUR/GBP	0.8592	0.18%	4.63%
EUR/JPY	127.24	-0.05%	-1.11%
EUR/CHF	1.1361	-0.02%	-0.93%
COMMODITIES			
Gold Spot \$/Oz	1293.75	0.02%	0.88%
Silver Spot \$/Oz	15.23	0.19%	-1.70%
Platinum Spot \$/Oz	856.54	-0.31%	7.65%
Palladium Spot \$/Oz	1547.74	0.27%	22.66%
COPPER \$/lb	293.60	0.14%	11.34%
WTI \$/bbl	55.94	0.25%	23.19%
BRENT \$/bbl	65.34	0.41%	21.45%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
EUR	11:30	Eurozone Sentix Investor Confid	-3.1	-3.7
EUR	12:00	Eurozone PPI MoM	0.40%	-0.80%

Tuesday: AU Current Account, RBA Policy Decision, Eurozone Services PMI, UK Services PMI, Eurozone Retail Sales, US ISM Non-Manufacturing PMI, US New Home Sales, UK BoE Carney speaks

Wednesday: AU RBA Lowe speaks, AU GDP QoQ, Canada Trade Balance, US Trade Balance, Canada BoC Policy Decision, Canada Ivey PMI, US Fed Beige Book

Thursday: AU Retail Sales, AU Trade Balance, ECB Policy Decision + Press Conference, US Initial Jobless Claims

Friday: China Trade Balance, Canada Jobs Report, US Jobs Report, US Building Permits

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STOCKS & BONDS

Asian shares started the week on the front foot on signs the US and China were close to striking a tariff deal to end their protracted trade war. The Wall Street Journal reported on Sunday Washington could lift most or all of its tariffs on Beijing while a summit between Trump and his Chinese counterpart Xi Jinping to sign a final trade deal could happen later this month. That followed comments from Trump last week that he had asked China to immediately remove all tariffs on US agricultural products because trade talks were progressing well. He also delayed previously scheduled plans to impose 25% tariffs on Chinese goods. All of that proved positive for risk sentiment with E-mini futures for the S&P500 and the Dow rising 0.4% each on Monday. In Asia, Chinese shares were the biggest gainers, with the blue-chip index up as much as 3%. Australian shares rose 0.4% and Hong Kong's Hang Seng index added 0.7%. That left MSCI's broadest index of Asia-Pacific shares outside Japan with gains of 0.3%. The index has risen almost 10% so far this year. Nikkei strengthened more than 1%.

US stocks ended up on Friday. The S&P 500 and the Dow Jones Industrial Average snapped a 3-day run of losses as optimism about the prospects for a US-China trade agreement countered downbeat US and China manufacturing data. The Nasdaq meanwhile marked its longest streak of weekly gains since late 1999. Following Trump's announcement last weekend of a delay in higher tariffs on Chinese imports, Bloomberg reported late Thursday that a summit between Trump and his Chinese counterpart Xi Jinping to sign a final trade deal could happen as soon as mid-March. A private survey showed China's factory activity contracted for a third straight month in February, though at a slower pace, indicating a marginal improvement in domestic demand as a flurry of policy stimulus kicked in from late last year. ISM data also showed US manufacturing activity for February dropped to its lowest since November 2016, and the University of Michigan survey showed consumer sentiment fell short of expectations in the month. Friday marked the first close above 2,800 for the S&P since Nov. 8. The index closed 4.2% under its September record closing high. It has risen 11.8% so far this year, bolstered by trade hopes and the Fed's cautious stance on interest rates. For the week, the S&P rose 0.4% while the Dow fell 0.02% and the Nasdaq rose 0.9%. Of the 11 major S&P 500 sectors, eight were gainers on the day. The healthcare sector rose 1.4%, providing the biggest boost and supported by gains in companies including health insurer UnitedHealth Group which bounced back after falling for much of the week. The consumer discretionary sector rose 0.9%, with the biggest lift from Amazon.com. Foot Locker shares rose 5.9% after the retailer beat quarterly same-store sales estimates and helped drive a 1.9% gain in shares of Nike Inc, the second biggest boost to the sector. Gap Inc surged 16%, making it the biggest %age gainer in the S&P, after it said it would separate its better-performing Old Navy brand and close about 230 Gap stores. The energy sector rose 1.8% despite a decline in oil prices.

Gulf stock markets were mixed on Sunday. Saudi stocks ended higher, helped by optimism over fund inflows ahead of the entry by the Gulf's biggest market to the FTSE Russell's emerging market index in a little more than two weeks.

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MENA			
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Abu Dhabi	5120.41	-0.34%	3.90%
Dubai	2642.34	0.25%	4.66%
Qatar	10111.62	-0.24%	-1.52%
Oman	4137.91	-0.16%	-4.18%
Egypt	14819.60	0.11%	13.68%
Kuwait	5525.44	0.79%	5.13%
Bahrain	1417.49	0.34%	6.17%
10-YEAR BONDS			
U.S.	2.7568	0.0037	0.0726
Germany	0.1830	0.0000	-0.0590
U.K.	1.2960	-0.0060	0.0190
France	0.5780	0.0090	-0.1320
Australia	2.1910	0.0390	-0.1270
Japan	0.0010	0.0080	-0.0020

Major Company News

- Tesla Inc will unveil its Model Y on March 14 at an event in LA Design Studio, Chief Executive Elon Musk said on Sunday.
- John Stankey, the AT&T executive at the helm of WarnerMedia, is planning to revamp CNN's digital operation, believing it isn't reaching its potential and requires more investment (WSJ).
- Huawei is set to reward employee shareholders with a 3% rise in cash dividends that are worth billions of dollars, according to company sources and Reuters calculations - a move expected to boost morale as it battles a US-led drive against its telecom gear. (Reuters)
- Julian Dunkerton, the founder and former boss of British fashion group Superdry, has requisitioned a shareholders' meeting in an attempt to force a return to the company's board after a raft of profit warnings sent its shares plummeting.
- The owner of Britain's Daily Mail newspaper plans to return all of its shares in Euromoney Institutional Investor and 200 million pounds cash to eligible shareholders, it said on Sunday.
- British engine maker Rolls-Royce Holdings Plc said on Sunday it had scaled back efforts to join a Turkish programme to build a new fighter jet with Turkey's Kale Group.
- Electric scooter sharing firm VOI Technology has raised \$30 million in another fundraising round since being set up seven months ago for its European expansion and investment in research to fend off growing competition, it said on Monday.
- Chinese hypermarket operator Sun Art Retail Group Ltd reported on Sunday a 7.3% fall in 2018 profit, missing market expectations after fierce competition including from online rivals.
- Qatar's Nebras Power is to acquire AES Corp's stakes in three Jordanian power generation projects to become the largest shareholder, Qatar News Agency said on Sunday.

TOP SELECTED NEWS

Euro zone inflation's rise is a mixed bag for ECB

(Reuters) Euro zone inflation inched up last month, Eurostat said on Friday, mild comfort for the European Central Bank as it prepares fresh measures to mitigate an unexpectedly deep and long economic slowdown. Consumer inflation in the 19 countries sharing the euro picked up to 1.5% in February, as expected, from 1.4% in January, as food and energy costs continued to rise. But underlying inflation, closely watched by the ECB, failed to rise. Price growth excluding food and energy held steady at 1.2%, short of the central bank's overall inflation target of almost 2%. This may be especially concerning for the ECB, because it has long predicted a pick-up in core inflation. The weak readings suggest a poor understanding of how inflation dynamics changed after the euro zone's debt crisis.

EU's triple-A bond drought persists after ECB steps away

(Reuters) High-grade euro zone debt remains scarce even though the ECB has stopped its huge purchases of new bonds, intensifying concerns that banks will face future collateral shortages and highlighting the need for safe assets. The persistent shortage of triple-A rated assets partly reflects a political dispute within the 19-country euro zone over whether to issue bonds backed by the bloc as a whole. That would boost the amount of risk-free securities in circulation but is disliked by Germany and other countries, who see it as a back door to mutualizing debt obligations among member states with vastly different debt burdens. Numerous factors, from a scaling-back of rate-rise expectations to growth and political risks, are accelerating demand for safe assets. But triple-A-rated governments like Germany and Netherlands are running budget surpluses and so have less need to borrow than in the past. That imbalance has pushed Germany's 10-year yield to just 0.2%, even after the ECB stepped out of the market two months ago.

UK firms report weakest growth since April 2013: CBI

(Reuters) British businesses reported their weakest growth in nearly six years during the past three months due to fears of a no-deal Brexit and rising global trade barriers, the Confederation of British Industry said on Sunday. The CBI's index of private-sector activity over the past three months dropped to -3 in February from zero in January. This was its lowest since April 2013, when Britain was still recovering from the global financial crisis. Firms expected similar weakness in the three months ahead, when Britain is due to leave the EU after over 40 years of membership.

Mexico faces possible downgrade in coming year: S&P

(Reuters) The Mexican government faces a one-in-three chance of having its credit rating downgraded over the coming year, as public finances struggle with mounting liabilities and slowing growth, rating agency Standard & Poor's said on Friday. The agency maintained the government's investment grade status at BBB+, but lowered its outlook to negative from stable in a new warning to President Andres Manuel Lopez Obrador's 3-month-old gov't. In a statement, S&P emphasized that Lopez Obrador's plans to reduce the private sector's role in the Mexican energy sector while boosting spending on cash-strapped national oil company Pemex raised concerns for government finances. "The new strategy for the energy sector places an added burden on the already highly indebted government-owned energy company Petroleos Mexicanos," S&P said in the statement, referring to Pemex's official name.

Greece wins Moody's upgrade as reforms start to bear fruit

(Bloomberg) Greece's sovereign credit rating was raised two levels by Moody's Investors Service, helping the government's plan to sell new debt as soon as this month. The country's long-term foreign currency debt was upgraded to B1 with a stable outlook from B3, Moody's said in a statement on Friday. The new ranking remains four levels below investment grade. "The ongoing reform effort is slowly starting to bear fruit in the economy," Moody's said. "While progress has been halting at times, with targets delayed or missed, the reform momentum appears to be increasingly entrenched, with good prospects for further progress and low risk of reversal."

Auto market turns for worse with lowest sales rate in 18 m

(Bloomberg) It's been a cruel winter for auto sales, as slowing deliveries of even once-hot sport utility vehicles signal the rapid onset of a widely expected downturn in US new-car demand. Even Jeep, Fiat Chrysler Automobiles NV's star SUV brand, suffered a second consecutive monthly decline, driving the carmaker to its first total sales retreat in a year. At Ford Motor Co., sales fell 4.4%, worse than analysts projected, due in part to a drop-off in sales of its top seller, the F-Series, according to a person familiar with the results. Those companies joined Toyota Motor Corp., Honda Motor Co. and Nissan Motor Co. in trailing analysts' estimates for February in a Bloomberg News survey. The annualized industry sales rate slowed to 16.6 million, the worst reading in 18 months, according to researcher Autodata Corp., also missing expectations.

Ghosh lawyer says pursuing different strategy

(Reuters) The lawyer for former Nissan Chairman Carlos Ghosn on Monday said his team would pursue a different legal strategy from the ousted executive's previous team in defending him against charges of financial misconduct. At a media briefing, Junichiro Hironaka said the new team he was heading would not be limited to the strategy taken by Ghosn's previous lawyer, Motonari Otsuru, who was replaced in Feb. Since taking over Ghosn's defense team last month, Hironaka has argued the allegations should have been resolved as an internal company matter without the involvement of prosecutors, and blasted the judicial system for keeping his client in jail.

The Children's Place, Gap to buy Gymboree Group assets

(Reuters) The Children's Place Inc. plans to buy \$76 mn in assets from children's clothing retailer Gymboree Group while The Gap is buying assets including Gymboree's Janie and Jackie chain for \$35 mn, bankruptcy court documents showed. Gymboree filed for bankruptcy in Jan in the US Bankruptcy Court for the Eastern District of Virginia, which announced the results of the bankruptcy auction to sell assets in documents on Saturday. The sales are subject to court approval and a hearing is scheduled to begin March 4, the court said.

Amazon plans to open dozens of grocery stores, WSJ

(Bloomberg) Amazon.com Inc. plans to open dozens of grocery stores in US cities, The Wall Street Journal reported, a move that would expand the retail and technology giant's grocery footprint beyond its Whole Foods Market chain. The first of these stores will open in Los Angeles as early as the end of 2019, and Amazon is in talks to open locations in shopping centers in San Francisco, Seattle, Chicago, Washington D.C. and Philadelphia, the Journal reported, citing people familiar with the matter. The company is also exploring the idea of purchasing regional grocery stores, the paper said.

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