

# GLOBAL MARKETS

Tuesday, March 05, 2019

## Markets in brief

- China slashed its growth forecasts, sending global sentiment down. Asian stocks dropped along with U.S. futures. However, Chinese stocks recovered on upcoming plans to boost the economy.
- Oil prices felt the heat, but they continued to gain support from OPEC-led efforts to cut output.
- Australian dollar fell for the 4th time in five days, despite briefly paring declines after the RBA kept its benchmark rate on hold with little change to its policy statement. Traders will shift attention to tomorrow's GDP data at 2:30 LT.
- U.S. stocks closed down yesterday as the effect of trade optimism faded.
- Greece bond yields hit 12-year lows after Moody's upgrade. The country will sell 10-year debt for the 1st time in 9 years, a milestone in its recovery.

## RBA on hold ... GDP figure highly awaited

Australia's central bank stuck to its upbeat view of the economy after it held rates at record lows in a widely expected move on Tuesday, just a day before GDP data is likely to show domestic momentum almost stalled last quarter. The RBA ended a 30th straight meeting with rates at 1.50% and signaled a steady policy outlook as it awaits a pick up in economic growth and inflation. That wait may prove longer with a run of soft data from consumption to housing this week leading analysts to downgrade forecasts for Q4 growth to near nothing. Official figures on GDP are due on Wednesday. A weak number could jeopardize re-election prospects for Australia's centre-right government which has been pitching "jobs and growth" as its key economic mantra. The Liberal-National government faces a tough election in May and is widely expected to entice voters with tax cuts and more spending in its annual budget on April 2.

## China lowering growth target; cuts taxes to fight slowdown

China will cut billions of dollars in taxes and fees, increase infrastructure investment, and step up lending to small firms as the government boosts stimulus to shore up an economy growing at its slowest pace in almost 30 years. The GDP growth target released Tuesday morning in Premier Li Keqiang's annual work report to the National People's Congress was set at a range of 6 to 6.5% for 2019. The shift to a band from the previous practice of using a point figure gives policy makers room for maneuver and compares with last year's "about" 6.5% goal. The lower bound of the GDP target would be the slowest pace of economic growth in almost three decades, a consequence of China's long deceleration as policy makers prioritize reining in debt risks, cleaning up the environment and alleviating poverty. Warning of a "tough economic battle ahead," Li announced tax cuts worth 2 trillion yuan (\$298 billion) for the year.

## U.K. ministers seeking EU concessions

U.K. Prime Minister Theresa May will face her divided cabinet on Tuesday as the attorney general and Brexit secretary travel to Brussels to seek concessions from the European Union to help win Parliament's backing for her divorce deal. With just a week until she has to put her Brexit agreement to the House of Commons in a make-or-break vote, U.K. negotiators are reaching into obscure international treaty law to find a fix for the most toxic part of the split.

## Nissan's Ghosn closer to release

A Tokyo court approved bail for Carlos Ghosn on his third request, and the jailed car titan could be released as soon as Tuesday to begin mounting a defense against allegations of financial crimes that could imprison him for as many as 10 years. Ghosn's bail was set at 1 billion yen (\$8.9 million), according to a court statement. Ghosn must stay in Japan as a condition of release, and he agreed to having cameras set up in his house and to not contact people outside. Prosecutors most likely will appeal the ruling.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1326	-0.12%
GBP/\$	1.3160	-0.15%
AUD /\$	0.7079	-0.18%
NZD/\$	0.6792	-0.40%
\$/JPY	111.94	-0.17%
\$/CAD	1.3327	-0.18%
\$/CHF	1.0000	-0.10%
Gold \$	1286.38	-0.03%
Silver \$	15.11	0.14%
Platinum \$	838.17	0.14%
WTI \$	56.40	-0.34%
BRENT \$	65.45	-0.34%
<b>AMERICA</b>		
DOW JONES	25819.65	-0.79%
S&P 500	2792.81	-0.39%
NASDAQ	7577.57	-0.23%
<b>EUROPE</b>		
STXE 600	375.09	0.23%
CAC 40	5286.57	0.41%
DAX	11592.66	-0.08%
<b>ASIA PACIFIC</b>		
S&P/ASX 200	6199.29	-0.29%
NIKKEI 225	21726.28	-0.44%
CSI 300 (China)	3815.99	0.58%
<b>MENA</b>		
Saudi Arabia	8565.42	0.36%
Dubai	2643.51	0.04%
Qatar	10118.10	0.06%
<b>BONDS</b>		
U.S. 10-year	2.7277	0.0001
German Bund 10-year	0.1690	0.0001
AU 10-year	2.1550	-0.0004
<b>BEIRUT S.E.</b>		
SOLIDERE - A	6.45	-1.53%
SOLIDERE - B	6.42	-2.13%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.02	7.96%
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 US dollar stood close to a two-week high against key peers on Tuesday, shored up by a resilient US economy. Higher US bond yields kept the dollar well bid, and though rates were off overnight peaks, traders bet the greenback had more going for it than some of its peers.** In contrast, the dollar has enjoyed some support from higher US Treasury yields as recent data, including US Q4 gross domestic product, has eased fears of a potentially rapid loss in economic momentum. The dollar index versus a group of six major currencies was 0.07% higher at 96.753 after going as high as 96.816 the previous day, its strongest since Feb. 19. Although benchmark US Treasury yields pulled back from peaks seen in late January, underlying demand for the dollar remained solid in a sign of confidence over the economic outlook. The dollar rose 0.17% to 111.94 yen, bouncing back from losses suffered the previous day.

**The euro remained wobbly before the ECB meeting on Thursday. The ECB is facing growing pressure to address how to protect the euro zone economy from a protracted slowdown.** The euro dipped 0.12% to \$1.1326. It had brushed an 11-day low of \$1.1309 on Monday.

**The Australian dollar was down 0.18% at \$0.7079, cancelling out modest gains made overnight on expectations for further easing of trade tensions between the US and China.** The Australian dollar sagged after Tuesday's Caixin/Markit China purchasing managers' index (PMI) showed the services sector in the world's second largest economy easing to a 4-month low. The currency is sensitive to developments in China, Australia's main trading partner. The Aussie briefly ticked up after the Reserve Bank of Australia left interest rates unchanged at 1.5% as widely expected on Tuesday. The Australian dollar took a big hit last month after the RBA stepped back from its long-standing tightening bias, saying the next move in rates could just as well be down as up.

**Oil prices fell on Tuesday as China cut its 2019 economic growth target, dimming the outlook for fuel demand, although OPEC-led efforts to cut output still offered some support.** Oil demand growth has been flagging along with an economic slowdown, especially in Europe and Asia.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	96.753	0.07%	0.60%
EUR/\$	1.1326	-0.12%	-1.23%
GBP/\$	1.3160	-0.15%	3.18%
AUD /\$	0.7079	-0.18%	0.43%
NZD/\$	0.6792	-0.40%	1.09%
\$/JPY	111.94	-0.17%	-2.01%
\$/CAD	1.3327	-0.18%	2.33%
\$/CHF	1.0000	-0.10%	-1.79%
\$/SEK	9.3564	-0.20%	-5.38%
\$/NOK	8.6679	-0.26%	-0.31%
\$/DKK	6.5884	-0.13%	-1.17%
\$/TRY	5.3809	-0.06%	-1.70%
EUR/GBP	0.8606	-0.01%	4.45%
EUR/JPY	126.78	-0.05%	-0.75%
EUR/CHF	1.1326	0.02%	-0.63%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1286.38	-0.03%	0.30%
Silver Spot \$/Oz	15.11	0.14%	-2.47%
Platinum Spot \$/Oz	838.17	0.14%	5.34%
Palladium Spot \$/Oz	1524.18	-0.63%	20.80%
COPPER \$/lb	292.75	0.64%	11.02%
WTI \$/bbl	56.40	-0.34%	24.20%
BRENT \$/bbl	65.45	-0.34%	21.65%

### In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
EUR	11:00	Eurozone Final Services PMI	52.3	52.3
GBP	11:30	UK Services PMI	50.0	50.1
EUR	12:00	Eurozone Retail Sales MoM	1.30%	-1.60%
USD	17:00	US ISM Non-Manufacturing PMI	57.4	56.7
USD	17:00	US New Home Sales	597k	657k
GBP	17:35	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

Greece is selling debt for the second time this year, taking advantage of lower borrowing costs after an upgrade from Moody's. The nation has mandated six banks as lead managers for a new 10-year bond, according to an Athens bourse filing on Monday. The sale is expected to be on Tuesday, a government official said on condition of anonymity, as there is no final decision yet. Greece last sold similar maturity debt in November 2017 as part of a bond exchange and before that syndicated 10-year bonds in 2010.

Asian shares stepped back on Tuesday, weighed by US economic concerns and as China cut its growth target in the face of intensifying challenges from rising debt and a dispute over trade and technology with the US. MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.15% and Japan's Nikkei lost 0.4%. While Asian shares were broadly weaker, China's spending plans gave mainland markets some support with the blue-chip CSI300 index briefly gaining as much as 0.5% to extend Monday's 9-month high. It later gave up most of the gains to stand 0.1% higher.

US stocks fell on Monday, weighed down by a weak US construction spending report and declines in healthcare shares, as an initial rally on optimism over a US-China trade deal faded. US construction spending unexpectedly fell in December as investment in both private and public projects dropped, leading economists to expect that the government will trim its economic growth estimate for Q4. Before turning negative, stocks had climbed following a report that US President Donald Trump and Chinese President Xi Jinping could reach a formal trade deal at a summit around March 27. Optimism over the world's two largest economies reaching a trade truce already has been a significant factor fuelling the market's rally since late December, along with investors' belief that the Fed will not be aggressive in raising interest rates. The S&P 500 remains up more than 11% in 2019. Market watchers also pointed to the 2,800 level for the S&P 500 as a key technical level. The benchmark index rose as high as 2,816.88 during the session. Healthcare, which has underperformed this year, was the biggest declining major S&P 500 sector, sinking 1.3%. Shares of UnitedHealth Group fell 4.1%, weighing on the Dow, while shares of other health insurers also fell sharply. In healthcare news, Reuters reported that OxyContin maker Purdue Pharma LP is exploring filing for bankruptcy to address potentially significant liabilities from lawsuits alleging the company contributed to the opioid crisis, sending shares of some publicly-traded sellers of opioid pain treatments lower. Still, indexes finished above their session lows. Materials rose 0.44%, the most among the S&P 500 sectors. In corporate news, AT&T shares fell 2.7% as the company is restructuring its WarnerMedia business, according to a memo sent to employees on Monday and seen by Reuters.

Most Gulf stocks ended up yesterday. Saudi index registered a 5th straight session of gains on, ahead of the market's entry to the FTSE Russell's emerging market index in a little more than two week. The Saudi stock exchange expects passive fund inflows of between \$15 billion and \$20 billion this year as it gears up for inclusion in emerging market benchmarks, its chief executive told Reuters on Thursday.

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<b>AMERICA</b>			
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NASDAQ	7577.57	-0.23%	14.20%
S&P/TSX	16038.13	-0.19%	11.98%
<b>EUROPE</b>			
STXE 600	375.09	0.23%	11.09%
FTSE 100	7134.39	0.39%	6.04%
CAC 40	5286.57	0.41%	11.75%
DAX	11592.66	-0.08%	9.79%
<b>ASIA PACIFIC</b>			
S&P/ASX 200	6199.29	-0.29%	9.79%
NIKKEI 225	21726.28	-0.44%	8.55%
TOPIX	1619.23	-0.51%	8.38%
CSI 300 (China)	3815.99	0.58%	26.75%
<b>MENA</b>			
Saudi Arabia	8565.42	0.36%	9.44%
Abu Dhabi	5101.52	-0.37%	3.59%
Dubai	2643.51	0.04%	4.41%
Qatar	10118.10	0.06%	-1.84%
Oman	4153.25	0.37%	-3.47%
Egypt	14815.18	-0.03%	13.65%
Kuwait	5549.58	0.44%	5.33%
Bahrain	1412.58	-0.35%	5.59%
<b>10-YEAR BONDS</b>			
U.S.	2.7277	0.0054	0.0435
Germany	0.1690	0.0110	-0.0730
U.K.	1.2730	-0.0230	-0.0040
France	0.5650	0.0060	-0.1450
Australia	2.1550	-0.0360	-0.1630
Japan	0.0100	0.0060	0.0070

### Major Company News

- Nasdaq Inc on Monday sweetened its offer to buy Norway-based exchange operator Oslo Bors to 158 Norwegian crowns per Oslo Bors share from 152 Norwegian crowns.
- S&P on Monday slashed the credit rating for Mexico's national oil company Petroleos Mexicanos, or Pemex, piling more pressure on the government to tighten up the debt-laden oil firm's finances.
- Chinese footwear retailer Belle International has hired Bank of America Merrill Lynch (BAML) to help prepare for a Hong Kong listing of its sportswear business this year (Reuters)
- Volkswagen Chief Financial Officer Frank Witter on Monday said a listing of the German carmaker's Traton trucks unit is highly desirable, and a decision will be made in the coming days.
- Tesla Inc CEO Elon Musk said on Monday production of the \$35,000 version of the electric carmaker's Model 3 will start this month, but would not reach volume production until mid-year.
- Office Depot on Monday teamed up with Alibaba Group Holdings Ltd to launch a co-branded e-commerce website, seeking to tap into the opportunities of selling to small and medium businesses in the US.
- AT&T Inc is restructuring its WarnerMedia business, according to a memo sent to employees on Monday and seen by Reuters, as it grids for a streaming video battle with Netflix Inc and Walt Disney Co.
- Salesforce.com forecast current-quarter revenue and profit below estimates on Monday, as the cloud software maker battles intensifying competition from Oracle and Microsoft, sending shares down 3%.
- Marriott International Inc Chief executive Arne Sorenson will testify before a US Senate panel Thursday about a hacking incident it reported in December that exposed the records of up to 383 million customers in its Starwood hotels reservation system and 5.25 million passport numbers.

## TOP SELECTED NEWS

### Trump to drop preferential trade treatment for India

(Reuters) Trump looked set to open a new front in his trade wars on Monday with a plan to end preferential trade treatment for India that allows duty-free entry for up to \$5.6 bn worth of its exports to the US. India played down the impact of the move, saying it was keeping retaliatory tariffs out of its talks with the US, but the opposition could seize on the issue to embarrass Prime Minister Narendra Modi ahead of general elections this year. Trump, who has vowed to cut US trade deficits, has repeatedly called out India for its high tariffs, and US trade officials said scrapping the concessions would take at least 60 days after notifications to Congress and the Indian gov't. "I am taking this step because, after intensive engagement between the US and the gov't of India, I have determined that India has not assured the US that it will provide equitable and reasonable access to the markets of India," Trump said in a letter to congressional leaders. India is the world's largest beneficiary of the GSP program, which dates from the 1970s, and ending its participation would be the strongest punitive action for the South Asian nation since Trump took office in 2017.

### China says Canadian stole secrets; Huawei to sue US

(Reuters) China's gov't and its leading smartphone maker, Huawei Technologies Ltd, stepped up pressure on Monday on the US and Canadian gov'ts in a dispute over trade and telecoms technology that has ensnared Huawei's CFO, who faces US criminal charges. China on Monday accused detained Canadian citizen Michael Kovrig of stealing state secrets passed on to him from another detained Canadian, businessman Michael Spavor, in a move likely to increase tension between Ottawa and Beijing. The telecom gear maker is also preparing a lawsuit against the US gov't over a law that restricts its market access. It was the latest escalation of an unprecedented crisis for Huawei, the world's largest telecommunications equipment maker and No. 2 manufacturer of smartphones, as Washington calls on gov'ts around the world to stop using its gear, particularly in the next generation of telecommunication networks, known as 5G.

### China to cut VAT for manufacturing, construction sectors

(Reuters) China will cut taxes and fees for all companies by nearly 2 trillion yuan (\$298.31 bn) in 2019, with the manufacturing, transportation and construction sectors set to benefit as Beijing looks to stimulate a slowing economy. China will cut the rate of value-added tax (VAT) for manufacturers to 13% in 2019, from the current level of 16%, according to a budget report issued at the opening of the country's annual meeting of parliament on Tuesday. The VAT rate for transportation and construction sectors will also be reduced to 9% from 10%, it said. Purchasing taxes for new energy vehicles will continue to be exempted, with authorities looking to "adjust and improve" their subsidy policies, the ministry said.

### Dutch economic growth to fall to 1.5% in 2019 - CPB

(Reuters) Economic growth in the Netherlands will slow faster than expected this year and is set to be its lowest since 2014, Dutch economic forecaster CPB said on Tuesday. Dutch gross domestic product growth is expected to fall to 1.5% in 2019 and 2020, the CPB said. The gov't's main economic adviser had in December predicted growth of 2.2% for 2019, after a 2.5% expansion last year. "Years of high growth have come to an end, the Dutch economy is reverting to an average rate of growth", the CPB said, citing uncertainties surrounding Brexit,

US trade policy and the state of the Chinese economy as the main reasons for the slowdown. The Dutch economy has outperformed its peers in the euro zone in recent years, driving down unemployment to its lowest level in a decade.

### Germany in talks with Airbus on 600m euros of A380 loans

(Reuters) Germany is in talks with Airbus about 600 million euros in outstanding loans advanced for development of the A380 superjumbo, which the European planemaker now plans to scrap, the Berlin gov't said on Monday. The loans are at the center of a longstanding trade dispute about mutual claims of illegal aircraft subsidies between the EU and the US. A spokeswoman for the German economy ministry confirmed the value of the outstanding loans, first reported by Funke Mediengruppe newspaper chain, but said it was premature to discuss how the issue would be resolved. "We are analyzing the consequences and discussing the issue with the company," she said. Airbus last month said the production line for the world's largest passenger plane would shut down prematurely from 2021, after just 14 years in service, because customers preferred smaller jets. It said it would no longer need to repay any outstanding state loans on the A380 because gov'ts had agreed to share risk in the roughly 15-bn-euro project.

### US Treasury taking measures to avoid debt ceiling

(Reuters) The US Treasury is taking extraordinary measures to avoid violating the gov't debt limit, Treasury Secretary Mnuchin said in a letter to House of Representatives Speaker Pelosi on Monday. He said he was suspending investment in the Civil Service Retirement and Disability Fund and a "debt issuance suspension period" would begin on Monday and last until June 5. "I respectfully urge Congress to protect the full faith and credit of the US by acting to increase the statutory debt limit as soon as possible," Mnuchin said.

### Vodafone said to plan 3 bn-euro convertible bond sale

(Bloomberg) Vodafone Group plans to sell at least 3 bn euros of securities convertible into shares to help fund its acquisition of some of Liberty Global Plc's European businesses, people familiar with the matter said. The sale could be announced as soon as Tuesday, though the timing may still change, the people said. Bank of America Corp., BNP Paribas SA, HSBC Holdings Plc, JPMorgan Chase & Co. and Morgan Stanley have been selected to work on the transaction, they said, asking not to be identified as the details aren't public. Vodafone could increase the size of the deal based on investor demand, they said. A spokesman for Vodafone declined to comment. Representatives for Morgan Stanley, Bank of America and JPMorgan Chase also declined to comment. Representatives for BNP and HSBC didn't have an immediate comment.

### Barrick open to Nevada joint venture talks with Newmont

(Reuters) Barrick Gold Corp Chief Executive Mark Bristow said on Monday he wants to speak immediately with Newmont Mining Corp about a proposed Nevada joint venture, even as his company moves to take a \$18 billion takeover offer directly to Newmont shareholders. Newmont earlier on Monday rejected Barrick's full buyout offer and reiterated its plans to go ahead with its deal to buy smaller rival Goldcorp Inc. Newmont's JV proposal, unveiled Monday, seeks to combine adjacent mines and other facilities in Nevada. While the logic of integrating operations seems clear to both Barrick and Newmont, the sticking point has been control.



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## APPENDIX & DISCLAIMER

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