

GLOBAL MARKETS

Friday, March 08, 2019

Markets in brief

- Global markets continued the drop today after an unexpected weak trade data from China. The sentiment was already subdued by worries of economic slowdown following ECB's dovish signals yesterday. Investors will be closely watching the U.S. Nonfarm payrolls and other key employment data at 15:30 LT.
- Asian stocks retreated across the board while the safe-haven yen rose to more than 1-week high against the dollar.
- Euro traded slightly higher after hitting yesterday \$1.1177, its lowest since June 26, 2017 (21-month low).
- German 10-year bond yields dropped to lowest since October 2016.
- Australian dollar remained under pressure. AUD/USD hit earlier \$0.7004, its lowest since January 4 (2-month low).
- U.S. stocks fell for the 4th consecutive session.

Chinese exports tumbling the most in 3 years

China's exports tumbled the most in three years in February while imports fell for a third straight month, pointing to a further slowdown in the economy despite a spate of support measures. Global investors and China's major trading partners are closely watching Beijing's policy reactions as economic growth cools from last year's 28-year low. February exports fell 20.7% from a year earlier, the largest decline since February 2016, customs data showed. Imports fell 5.2% from a year earlier widening from January's 1.5% drop. Imports of major commodities fell across the board.

ECB pushing out rate hike timing; offered support packages

The European Central Bank changed tack on its tightening plan on Thursday, pushing out the timing of its first post-crisis rate hike until 2020 at the earliest and offering banks a new round of cheap loans to help revive the euro zone economy. The policy changes cast ECB President Mario Draghi once again as nurturer of confidence in the bloc's still-fragile economy, only months after the bank announced the end of four years of unprecedented asset purchases, and as Draghi himself prepares to hand over the reins to a successor later this year. Whereas the bank had previously said rates would remain at their record low levels through the summer, it said it now expected them to stay there "at least through the end of 2019". Noting that, unusually, the ECB had not changed its assessment that risks are tilted to the downside even after tweaking policy, Draghi cited external factors such as protectionism, the still-uncertain nature of Britain's exit from the European Union and vulnerabilities in emerging markets.

... Some officials doubting 2019 outlook

Some ECB policy makers consider the institution's downgraded growth forecast for 2019 is still too optimistic, according to people with knowledge of the matter. The officials argued at Thursday's meeting that the pickup assumed in the projections for the second half of the year might not materialize, said the people, who asked not to be identified because the discussions were private. President Mario Draghi's remark that growth risks are still tilted to the downside reflects some of those concerns, one person said. Draghi himself pushed for the enhanced package to support the economy which the Governing Council unanimously approved, the people said. (Bloomberg)

EU could offer May a modest help

EU officials made a new offer to end the Brexit impasse, although it fell short of what Britain wants, people familiar said. The proposal would bolster the Irish backstop review system already in the deal. These check-ins are scheduled every six months to track and speed up the process of replacing the backstop with a better solution. The pound pared losses. Former PM Gordon Brown called for a yearlong delay, Sky reported.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1202	0.08%
GBP/\$	1.3079	-0.05%
AUD /\$	0.7006	-0.14%
NZD/\$	0.6761	0.10%
\$/JPY	111.02	0.50%
\$/CAD	1.3462	-0.05%
\$/CHF	1.0097	0.16%
Gold \$	1292.64	0.55%
Silver \$	15.09	0.44%
Platinum \$	816.15	0.17%
WTI \$	56.15	-0.90%
BRENT \$	65.64	-1.00%
AMERICA		
DOW JONES	25473.23	-0.78%
S&P 500	2748.93	-0.81%
NASDAQ	7421.46	-1.13%
EUROPE		
STXE 600	373.88	-0.43%
CAC 40	5267.92	-0.39%
DAX	11517.80	-0.60%
ASIA PACIFIC		
S&P/ASX 200	6203.76	-0.96%
NIKKEI 225	21025.56	-2.01%
CSI 300 (China)	3657.58	-3.97%
MENA		
Saudi Arabia	8479.16	-0.64%
Dubai	2594.52	-1.20%
Qatar	9781.18	-1.04%
BONDS		
U.S. 10-year	2.6303	-0.0001
German Bund 10-year	0.0570	-0.0001
AU 10-year	2.0300	-0.0006
BEIRUT S.E.		
SOLIDERE - A	6.33	-4.24%
SOLIDERE - B	6.45	-2.57%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.40	-
BLOM BANK	8.90	-
BYBLOS BANK	1.33	0.76%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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FX & COMMODITIES

The US dollar slipped to an 8-day low against the yen on Friday as the region's equities slid on the back of risk aversion in the broader markets. The greenback fell more than 0.5% to 111.02 yen, its lowest since Feb. 28. The yen, a perceived safe haven, often attracts demand in times of political tensions and market turmoil. Asian stocks retreated across the board on Friday after shockingly weak February export data from China heightened fears in a market already burdened by worries of a global economic slowdown following the ECB's dovish signals. The February US jobs report to be released at 15:30 LT could stack more pressure on the floundering euro. Economists expect to see 180,000 jobs added in the US last month, after two months of staggering growth. The US economy added 304,000 jobs in January and 222,000 in December. The dollar index against a basket of six major currencies was lower at 97.502. The index soared 0.75% on Thursday to brush a near three-month peak of 97.71 and was headed for a weekly gain of 1.2%.

The euro struggled near a 21-month low against the dollar on Friday, hurt by a series of dovish signals from the ECB, with the currency market bracing for further volatility ahead of US jobs data later in the day. The single currency stood little changed at \$1.1202 having tumbled 1% on Thursday to touch \$1.1177, its lowest since June 2017. It has declined 1.5% so far this week. The euro took a big hit on Thursday after the ECB pushed back the timing of its first post-crisis interest rate hike to 2020, cut its economic forecasts and launched a new round of cheap bank loans.

The Australian dollar trod water at \$0.7006, having declined 0.9% this week and hitting a 2-month trough of \$0.7004 after data showed the economy grew at its slowest pace in two years last quarter.

Oil prices dropped on Friday as clouds gathered over the global economy after the ECB warned overnight of continued weakness and fresh data showed Chinese exports and imports slumped last month. Europe's economic weakness comes as growth in Asia is also slowing down.

	LAST	1D	YTD
CURRENCIES			
DXY	97.502	-0.17%	1.38%
EUR/\$	1.1202	0.08%	-2.31%
GBP/\$	1.3079	-0.05%	2.55%
AUD /\$	0.7006	-0.14%	-0.61%
NZD/\$	0.6761	0.10%	0.63%
\$/JPY	111.02	0.50%	-1.20%
\$/CAD	1.3462	-0.05%	1.30%
\$/CHF	1.0097	0.16%	-2.73%
\$/SEK	9.4875	-0.34%	-6.68%
\$/NOK	8.8112	-0.36%	-1.93%
\$/DKK	6.6594	0.07%	-2.22%
\$/TRY	5.4774	-0.13%	-3.43%
EUR/GBP	0.8565	-0.12%	4.96%
EUR/JPY	124.36	0.43%	1.18%
EUR/CHF	1.1311	0.09%	-0.49%
COMMODITIES			
Gold Spot \$/Oz	1292.64	0.55%	0.79%
Silver Spot \$/Oz	15.09	0.44%	-2.62%
Platinum Spot \$/Oz	816.15	0.17%	2.58%
Palladium Spot \$/Oz	1512.30	-1.01%	19.85%
COPPER \$/lb	289.60	-0.50%	9.82%
WTI \$/bbl	56.15	-0.90%	23.65%
BRENT \$/bbl	65.64	-1.00%	22.01%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
CAD	15:30	Canada Jobs Report		
USD	15:30	US Nonfarm Payrolls	180K	304K
USD	15:30	US Unemployment Rate	3.9%	4.0%
USD	15:30	US Building Permits	1.29M	1.33M
USD	15:30	US Housing Starts	1.19M	1.08M

Next Week: US Retail Sales, US Fed Powell speaks, UK GDP and Manufacturing Production, US Inflation, UK Annual Budget Release, US PPI, US Durable Goods, US New Home Sales, BoJ Policy Decision + Press Conference, US Consumer Sentiment

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STOCKS & BONDS

Ahead of Friday's US employment report Treasury yields were lower, propelled by the ECB's decision to delay its first post-crisis interest-rate hike until 2020 and offered banks a fresh round of loans to prevent a credit crunch that could worsen the EU's economic slowdown. Yields on German and French 10-year bonds dived to their lowest since 2016, while banking stocks took a beating. The German 10-year bund yield hit its lowest point since October 2016, falling as low as 0.05%. The Italian 10-year yield was down about 12.7 bps, last at 2.487%. Treasury yields followed suit, with the 10-year benchmark note down 5.4 bps at 2.63%.

Asian stocks shuddered lower on Friday after shockingly weak export data from China heightened market fears about a global economic slowdown, a day after European policymakers slashed growth forecasts for the bloc. Beijing reported exports in February tumbled 20.7% from a year earlier, far beneath forecasts of a 4.8% drop and more than erasing January's surprise jump. Analysts cautioned the timing of the Lunar New Year made it difficult to draw a true signal from the data noise, but the scale of the miss was alarming. Shanghai blue chips quickly extended early losses to be down 2.9%, the sharpest daily fall since October, while the dollar climbed on the yuan. Japan's Nikkei dropped 2.0% and Australia 0.9%. MSCI's broadest index of Asia-Pacific shares outside Japan skidded 1.2% to a two-week trough. E-Mini futures for the S&P 500 eased 0.2%. The mood had already been brittle after the ECB slashed its growth forecasts and surprised everyone with a new round of policy stimulus, leaving investors fearing the worst for the global economy.

US stocks fell for a fourth consecutive session on Thursday, after Europe's central bank said it would defer interest rate hikes and offered banks a new round of cheap loans, raising fresh concerns about global economic growth. Stocks have stalled after a strong rally to start 2019 that was fueled by optimism over a US-China trade deal and expectations the Fed will be less aggressive on interest rates. The benchmark S&P 500 has climbed 9.7% this year, but investors have said it is unclear what will drive the next move higher for stocks. The closely watched Dow Jones Transport Average fell 1.0%, its 10th consecutive drop for its longest streak of declines since February 2009. The transport index was dragged down by FedEx Corp shares, which dropped 3.0% as Citigroup Inc cut its quarterly profit estimates and price target for the package delivery company. The S&P 500 closed below its 200-day moving average, a closely watched technical level, for the first time in about a month. Consumer discretionary and financials were the worst performing major S&P 500 sectors. Utilities, a defensive group, was the lone major sector in positive territory.

Most major Gulf markets slipped sharply on Thursday, with a possible increase to Islamic tax pulling down Saudi Arabia's banks and Qatar hitting a five-month low. The kingdom is considering plans to increase an Islamic tax paid by local banks to as much as 20%, or double the current rate, Bloomberg reported.

	LAST	1D	YTD
AMERICA			
DOW JONES	25473.23	-0.78%	9.20%
S&P 500	2748.93	-0.81%	9.66%
NASDAQ	7421.46	-1.13%	11.85%
S&P/TSX	16056.51	-0.22%	12.10%
EUROPE			
STXE 600	373.88	-0.43%	10.73%
FTSE 100	7157.55	-0.53%	6.38%
CAC 40	5267.92	-0.39%	11.36%
DAX	11517.80	-0.60%	9.08%
ASIA PACIFIC			
S&P/ASX 200	6203.76	-0.96%	9.87%
NIKKEI 225	21025.56	-2.01%	5.05%
TOPIX	1572.44	-1.82%	5.24%
CSI 300 (China)	3657.58	-3.97%	21.49%
MENA			
Saudi Arabia	8479.16	-0.64%	8.34%
Abu Dhabi	4914.39	-1.26%	-0.01%
Dubai	2594.52	-1.20%	2.56%
Qatar	9781.18	-1.04%	-5.03%
Oman	4112.92	-0.98%	-4.88%
Egypt	14904.03	1.78%	14.33%
Kuwait	5597.37	0.02%	6.27%
Bahrain	1408.92	-0.14%	5.36%
10-YEAR BONDS			
U.S.	2.6303	-0.0090	-0.0539
Germany	0.0570	-0.0100	-0.1850
U.K.	1.1720	-0.0550	-0.1050
France	0.4120	-0.0100	-0.2980
Australia	2.0300	-0.0550	-0.2880
Japan	-0.0340	-0.0270	-0.0370

Major Company News

- FinEst Bay Area Development said on Friday it had signed a memorandum of understanding for 15 billion euros (\$16.8 billion) in financing with China's Touchstone Capital Partners for its undersea train tunnel project linking Helsinki with the Estonian capital Tallinn.
- Costco Wholesale Corp whizzed past analysts' estimates for quarterly profit on Thursday as the warehouse club operator's margins were lifted by a drop in gas prices and a shift to lower-cost sourcing, sending its shares up 5%.
- Netflix Inc said on Thursday its Chief Marketing Officer Kelly Bennett is stepping down after seven years in the post, during which the online-streaming giant grew to more than 139 million paid subscribers.
- Barrick Gold Corp is having "constructive" talks with rival Newmont Mining Corp about a possible joint venture in Nevada, Chief Executive Mark Bristow told the CNBC television network on Thursday.
- The US Federal Communications Commission said on Thursday it has halted the informal 180-day "shot clock" on the review of the merger of wireless providers Sprint Corp and T-Mobile US Inc to give the public three additional weeks to comment on the \$26 billion tie-up.
- Germany does not want to ban Chinese telecoms equipment maker Huawei Technologies from building its 5G networks, Economy Minister Peter Altmaier said on Thursday, adding that Berlin would tighten security criteria for all vendors instead.
- Tesla said on Thursday it signed an agreement with lenders in China for a 12-month facility of up to 3.5 billion yuan (\$521 million) for the electric carmaker's Gigafactory in Shanghai.
- Canadian oil sands producer MEG Energy Corp reported a bigger-than-expected quarterly loss on Thursday, as the company sold its bitumen crude at lower prices because of transportation bottlenecks.

TOP SELECTED NEWS

EU urges Trump to lift tariffs so allies can cooperate on China

(Bloomberg) The European Union's chief trade negotiator urged President Donald Trump to stop imposing tariffs on the bloc if he wants a partner to help the U.S. pressure China to abide by rules governing the global economy. In an interview in Washington, EU Trade Commissioner Cecilia Malmstrom said she and U.S. Trade Representative Robert Lighthizer have had productive meetings on how to address Chinese industrial policies and reform the World Trade Organization. While both sides agree on problems, they quarrel over the solution. "We have a problem: China is dumping the market, China is subsidizing their industry, this creates global distortions. We can agree on that. So what is the solution? Well, we think it is to cooperate on China," Malmstrom told Bloomberg News in an interview in Washington. "The solution to these problems is not imposing tariffs on the European Union. Why is that so hard to understand?" She added: "If you want an ally and partner, this is not the way to go about it." Malmstrom also said EU member states made resolving the U.S. duties on European steel and aluminum a precondition before any bilateral trade deal can be concluded.

BoC see longer 'detour' for economy, growth later in year

(Reuters) Canada's economy may be in for a longer "detour" than first thought on weak consumer spending and business investment, but economic growth is set to pick up later in 2019, a deputy governor of the Bank of Canada said on Thursday. Speaking the day after the central bank said there was "increased uncertainty" on the timing of future hikes, Lynn Patterson said the Wednesday decision to hold rates hinged on a slowing global economy, ongoing trade tensions, and the weakness of the Canadian economy in Q4 of 2018. "Although we figured the economy was in for a detour at the end of last year, that detour may wind up being longer than we had expected," she told a business audience in Hamilton, Ontario. Patterson reiterated that the Bank of Canada now expects the economy will be weaker than projected in the first half of 2019, but said it still expects economic growth to pick up later in the year, supported by strength in employment and rising wages.

Japan Q4 GDP revised up on investment rebound

(Reuters) - The Japanese economy grew faster than initially estimated in the fourth quarter as capital expenditure staged a quick recovery from a series of natural disasters in the previous quarter. However, despite the upward revision to growth, economists are likely to temper their optimism on the outlook given a recent batch of disappointing data on exports and factory output and the economy expected to weaken due to the Sino-U.S. trade war. Japan's gross domestic product rose at an annualized rate of 1.9% in October-December, more than the initial estimate of a 1.4% annualized expansion and more than the median estimate for a 1.8% annualized increase, revised data from the Cabinet Office showed. That followed a revised 2.4% annualized contraction in the third quarter, which was the biggest decline in more than four years.

China's GDP growth pace was inflated for 9 years: study

(Bloomberg) China over-reported its economic growth between 2008 and 2016 by an average of 1.7%age points, according to a recent study by researchers at the Chinese University of Hong Kong and the University of Chicago. The discrepancy came from local governments who are rewarded for meeting

growth and investment targets, the authors say in a draft paper published by the Brookings Institution. The Beijing-based National Bureau of Statistics, knowing such manipulation well, has been adjusting the local numbers but hasn't done so sufficiently since 2008, authors Wei Chen, Xilu Chen, Chang-Tai Hsieh and Zheng Song wrote. "Local statistics increasingly misrepresent the true numbers after 2008, but there was no corresponding change in the adjustment made by the NBS," they wrote. They instead use numbers such as tax revenue, satellite night lights, electricity consumption, railway cargo flow, exports and imports -- less likely to be fudged, to predict the actual gross domestic product of the world's second largest economy. The revised numbers "indicate that the slowdown in Chinese growth since 2008 is more severe than suggested by the official statistics," they wrote. China's NBS didn't immediately respond to a request for comment.

US household wealth posts record loss in Q4

(Reuters) US household wealth fell by a record \$3.8 trillion, or 3.5%, at the end of 2018, and corporate bond issuance plummeted as a global market rout threatened to weaken a near-decade old recovery, the Fed reported on Thursday. In% age terms, it was the worst quarterly blow to US household finances since late 2008, when the US was in the midst of a deep global recession and household net worth fell roughly 5.9% in one three-month span. But in terms of the wealth lost on a dollar basis, at least on paper, it exceeded the \$3.6 trillion decline in Q4 of 2008 for the biggest loss on record. Corporate bond issuance for the year also reflected crisis-era conditions, with the worst full-year performance since 2008 as well. Overall corporate borrowing did rise as credit flowed from other sources. Still, those results from the Fed's quarterly Flow of Funds report shed light on the financial sector tremors that prompted Fed policymakers to put further rate hikes on hold as they assessed the damage. Amid widespread fears about the impact of a global trade war, slowing growth, rising central bank interest rates, and other risks, Fed officials also worried that declining household wealth would translate into less spending and slower economic growth. Those fears appear at least partially warranted as retail sales and business investment weakened at year's end.

Deutsche Bank, Commerzbank CEOs resume talks: Focus

(Reuters) Deutsche Bank and Commerzbank's chief executives have resumed talks over a potential merger of Germany's two biggest lenders, Focus magazine reported on Friday, citing people familiar with the matter. Deutsche Bank CEO Christian Sewing and his counterpart at Commerzbank, Martin Zielke, have been in intense talks for some days, the magazine said. Both managers have been given a mandate to hold talks by their management and supervisory boards, Focus said. Speculation of a merger has heightened under the tenure of Finance Minister Olaf Scholz, who has spoken in favor of strong banks. Both banks have been slow to return to sustainable profitability since the global financial crisis. Last week, a person familiar with the matter said that US investor Cerberus Capital Management, a major shareholder in both Deutsche Bank and Commerzbank, is open to a merger between the two lenders, raising the chances of a tie-up. Deutsche Bank, regarded as one of the most important banks for the global financial system, has been plagued by three years of losses, ratings downgrades, failed stress tests, and money laundering scandals. Commerzbank is still partially owned by the German government after a bailout.



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