

GLOBAL MARKETS

Monday, March 11, 2019

Markets in brief

- U.S. dollar recovered as global economic concerns resurfaced. The currency dropped on Friday after a weak jobs report.
- British pound extended its decline on Brexit's uncertain outlook.
- Oil prices rose as supply cuts were back to dominate sentiment.
- Asian shares edged higher today with Chinese stocks rebounding on stimulus hopes.
- U.S. stocks dropped on Friday for the 5th straight session.

Tories' tough choices

With Theresa May facing massive humiliation in tomorrow's Brexit vote, Cabinet minister Leadsom called for "one last heave" by negotiators on both sides. Foreign Secretary Hunt asked Tories to back her deal, warning that leaving the EU might not happen at all. May is under pressure to announce plans to resign if parliament forces an extension, FT reported. France said Britain should make up its mind, not seek more time.

China central bank to keep its support

China's central bank on Sunday pledged to further support the slowing economy by spurring loans and lowering borrowing costs, following data that showed a sharp drop in February's bank lending due to seasonal factors. The central bank is widely expected to ease monetary policy further this year to encourage lending especially to small and private firms vital for growth and job creation. The central bank's "prudent" monetary policy will emphasize on counter-cyclical adjustments, said PBoC Governor Yi Gang, using a phrase that implies the need to fight an economic slowdown. There is still some room for the PBOC to cut reserve requirement ratios (RRRs), although the amount of room is less compared with a few years ago, Yi said.

U.S.-China talks continuing its progress

The Trump administration is making "headway" in trade negotiations with China, the top White House economic adviser said Sunday, brushing off reports suggesting diminishing prospects for a deal and push-back from Beijing. "We're making great progress," Larry Kudlow said on "Fox News Sunday," adding that he was "optimistic" President Donald Trump and President Xi Jinping of China would meet to ink a trade pact at some point -- possibly in March or April. Kudlow's comments followed reports that Chinese officials have scrapped a trip to Trump's Mar-a-Lago resort in Florida where there could be a signing ceremony. And earlier this week, Trump said that while he was "confident" about the prospects for an agreement, "if this isn't a great deal, I won't make a deal."

Fed's Powell not in hurry to hike rates

Federal Reserve Chairman Jerome Powell said on Sunday the U.S. central bank does "not feel any hurry" to change the level of interest rates again as it watches how a slowing global economy affects local conditions in the United States. Rates are currently "appropriate," Powell said in a wide-ranging interview with CBS's 60 Minutes news show in which he called the current rate level "appropriate" and "roughly neutral," meaning it is neither stimulating or curbing the economy.

Boeing shares down 10% in Pre-market

Boeing has delayed plans to unveil its huge new 777X jetliner this week following the deadly crash of one of the company's aircraft in Ethiopia. A Boeing 737 MAX 8 operated by Ethiopian Airlines crashed on Sunday morning, just minutes after taking off from from Addis Ababa. China's aviation regulator on Monday grounded nearly 100 Boeing Co 737 MAX 8 aircraft operated by its airlines. Ethiopian Airlines has joined carriers in China and Cayman Islands in the suspension. However, Norwegian Air's fleet of Boeing 737 MAX 8 passenger jets continues to fly as normal, a company spokeswoman said.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1240	0.04%
GBP/\$	1.2992	-0.18%
AUD /\$	0.7041	-0.06%
NZD/\$	0.6803	-0.01%
\$/JPY	111.23	-0.05%
\$/CAD	1.3429	-0.10%
\$/CHF	1.0085	-0.03%
Gold \$	1296.69	-0.12%
Silver \$	15.31	-0.18%
Platinum \$	815.25	-0.36%
WTI \$	56.41	0.61%
BRENT \$	66.07	0.50%
AMERICA		
DOW JONES	25450.24	-0.09%
S&P 500	2743.07	-0.21%
NASDAQ	7408.14	-0.18%
EUROPE		
STXE 600	370.57	-0.89%
CAC 40	5231.22	-0.70%
DAX	11457.84	-0.52%
ASIA PACIFIC		
S&P/ASX 200	6180.19	-0.38%
NIKKEI 225	21125.09	0.47%
CSI 300 (China)	3731.25	2.01%
MENA		
Saudi Arabia	8465.75	-0.16%
Dubai	2578.14	-0.63%
Qatar	9769.04	-0.12%
BONDS		
U.S. 10-year	2.6411	0.0001
German Bund 10-year	0.0680	0.0000
AU 10-year	2.0310	0.0000
BEIRUT S.E.		
SOLIDERE - A	6.21	-1.90%
SOLIDERE - B	6.37	-1.24%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.40	-
BLOM BANK	8.90	-
BYBLOS BANK	1.33	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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FX & COMMODITIES

The US dollar edged up early on Monday, hovering close to a near three-month high as investors took cover in the currency amid global growth concerns. The dollar index, which measures the greenback against a basket of six major rivals, gained 0.06% to 97.364 in early Asian trading. The index was just shy of its recent peak of 97.710 hit last Thursday, its highest since Dec. 14 last year. It is up 1.3% so far this year. Data on Friday showed US employment growth almost stalled in February, with the world's top economy creating a measly 20,000 jobs, far fewer than expected by analysts. But traders found some hope in figures showing the US employment rate slipped back below 4% and average hourly earnings accelerated by 0.4%, helping to reduce the greenback's losses during the previous session. Against the Japanese yen, the dollar was higher 0.05% at 111.23 yen.

The euro was trading flat. The currency had fallen to its weakest level since late June 2017 last Thursday, hurt by dovish signals from the ECB.

The British pound traded under pressure after dipping to a near 3-week low on nervousness over Brexit. The currency had already fallen for seven straight sessions. Sterling has come under renewed pressure after British foreign minister Jeremy Hunt said on Sunday Brexit could be reversed if lawmakers reject the government's exit deal. His remarks followed a warning from two major eurosceptic factions in parliament that Prime Minister Theresa May was likely to face heavy defeat at a parliamentary vote on Tuesday on whether to approve her EU exit plan. The British Prime Minister is scrambling - so far unsuccessfully - to secure last-minute changes to an EU exit treaty ahead of the vote, which comes weeks before the UK is set to leave the EU on March 29. Traders might be trimming holdings of sterling as rate-hike expectations by the Bank of England are reduced, making the currency increasingly sensitive to near-term events, such as the parliamentary vote.

Gold traded in a tight range as the dollar firmed, but prices hovered near a more than 1-week peak hit last week as poor US jobs data increased concerns about a global economic slowdown.

Oil prices rose on Monday, lifted by comments from Saudi oil minister Khalid al-Falih that an end to OPEC-led supply cuts was unlikely before June and a report showing a fall U.S. drilling activity. Despite the gains, markets were somewhat held back after U.S. employment data raised concerns that an economic slowdown in Asia and Europe was spilling into the United States, where growth has so far still been healthy.

	LAST	1D	YTD
CURRENCIES			
DXY	97.364	0.06%	1.24%
EUR/\$	1.1240	0.04%	-1.98%
GBP/\$	1.2992	-0.18%	1.87%
AUD /\$	0.7041	-0.06%	-0.11%
NZD/\$	0.6803	-0.01%	1.25%
\$/JPY	111.23	-0.05%	-1.38%
\$/CAD	1.3429	-0.10%	1.55%
\$/CHF	1.0085	-0.03%	-2.62%
\$/SEK	9.4055	0.31%	-5.87%
\$/NOK	8.6894	0.91%	-0.56%
\$/DKK	6.6376	0.05%	-1.90%
\$/TRY	5.4529	-0.25%	-3.00%
EUR/GBP	0.8652	-0.25%	3.91%
EUR/JPY	125.02	-0.11%	0.65%
EUR/CHF	1.1336	-0.11%	-0.71%
COMMODITIES			
Gold Spot \$/Oz	1296.69	-0.12%	1.11%
Silver Spot \$/Oz	15.31	-0.18%	-1.20%
Platinum Spot \$/Oz	815.25	-0.36%	2.46%
Palladium Spot \$/Oz	1521.30	0.35%	20.57%
COPPER \$/lb	290.30	0.33%	10.09%
WTI \$/bbl	56.41	0.61%	24.22%
BRENT \$/bbl	66.07	0.50%	22.81%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
USD	14:30	US Retail Sales MoM	0.00%	-1.20%
USD	14:30	US Core Retail Sales MoM	0.40%	-1.80%
USD	16:00	US Business Inventories MoM	0.60%	-0.10%

Tuesday: UK GDP and Manufacturing Production, US Inflation

Wednesday: UK Annual Budget Release, US PPI, US Durable Goods,

Thursday: China Fixed Asset Investment, Industrial Production, US Initial Jobless Claims, US New Home Sales

Friday: BoJ Policy Decision + Press Conference, US Consumer Sentiment

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STOCKS & BONDS

Asian shares inched up on Monday as Chinese markets rebounded on hopes of more policy support for the slowing economy, but surprisingly weak US employment data raised doubts about the strength of the global economy and limited gains. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.4%, paring a quarter of Friday's 1.6% fall, its second biggest decline so far this year. Japan's Nikkei gained 0.5% after four consecutive sessions in the red last week. China's blue-chip CSI300 index gained 1.3% after Friday's 4.0% fall, which was triggered after CITIC Securities issued a rare "sell" rating on a major insurer and by a clampdown on grey-market, margin financing. China's central bank on Sunday pledged to further support by spurring loans and lowering borrowing costs.

US stocks fell for a fifth straight session on Friday and posted their biggest weekly declines since the market tumbled at the end of 2018, as a weak US jobs report ignited more concerns about the global economy. But Friday's declines were only slight. Stocks significantly pared losses late in the day as investors reassessed the employment report and considered whether the market's recent slump was ending. The eventful session came as some Wall Street watchers prepared to celebrate the 10-year anniversary of the start of the S&P 500's bull market run that took root during the financial crisis. US employment growth almost stalled in February, with the economy creating only 20,000 jobs, adding to signs of a sharp slowdown in economic activity in the first quarter. The payroll gains reported by the Labor Department were the weakest since September 2017. The weak US report added to economic fears also fanned by a sharp fall in China's exports and after the ECB slashed growth forecasts for the region on Thursday. But stocks finished well above their lows for the session, as investors noted the jobs report was affected by seasonal effects and the federal government shutdown. The Nasdaq snapped a 10-week streak of weekly gains. The closely watched DJIA fell 0.5%, dropping for an 11th straight session, its longest streak of declines since 1972, according to S&P Dow Jones Indices. The recent pullback has paused a rally to start 2019 that has been fueled by optimism over a US-China trade deal and by beliefs the Fed will be less aggressive in raising interest rates. The S&P 500 is up 9.4% this year. Energy fell the most among the 11 major sectors, declining 2.0% as oil prices also fell. Exxon Mobil shares dropped 1.4% and were among the biggest drags on the S&P. Utilities led gains among the sectors, while two other defensive groups, consumer staples and real estate, finished positive. In corporate news, Costco Wholesale shares rose 5.1% after the warehouse club operator's quarterly profit topped estimates.

Gulf markets ended lower on Sunday, weighed down by weak global markets and a drop in oil price. Egyptian stocks defied the trend, gaining on the back of positive momentum generated by the initial public offering of a state-owned company. Abu Dhabi's stock index lost 0.9%, hurt mainly by First Abu Dhabi Bank, which was down 1.6%, while other banks were also lower.

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AMERICA			
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NASDAQ	7408.14	-0.18%	11.65%
S&P/TSX	15996.21	-0.38%	11.68%
EUROPE			
STXE 600	370.57	-0.89%	9.75%
FTSE 100	7104.31	-0.74%	5.59%
CAC 40	5231.22	-0.70%	10.58%
DAX	11457.84	-0.52%	8.51%
ASIA PACIFIC			
S&P/ASX 200	6180.19	-0.38%	9.45%
NIKKEI 225	21125.09	0.47%	5.55%
TOPIX	1581.44	0.57%	5.85%
CSI 300 (China)	3731.25	2.01%	23.93%
MENA			
Saudi Arabia	8465.75	-0.16%	8.16%
Abu Dhabi	4872.08	-0.86%	-0.67%
Dubai	2578.14	-0.63%	1.62%
Qatar	9769.04	-0.12%	-5.00%
Oman	4090.20	-0.55%	-5.42%
Egypt	14980.62	0.51%	14.92%
Kuwait	5576.91	-0.37%	5.79%
Bahrain	1405.84	-0.22%	5.12%
10-YEAR BONDS			
U.S.	2.6411	0.0126	-0.0431
Germany	0.0680	-0.0010	-0.1740
U.K.	1.1890	0.0170	-0.0880
France	0.4120	0.0050	-0.2980
Australia	2.0310	0.0010	-0.2870
Japan	-0.0350	-0.0020	-0.0380

Major Company News

- Tesla Inc said on Sunday it will raise vehicle prices by about 3% on average worldwide as it plans to keep more retail stores open.
- Saudi Aramco's board is set to meet this week in Saudi Arabia where it will approve a bond issuance plan that will likely help finance a potential acquisition of a strategic stake in Saudi petrochemicals maker SABIC (Reuters sources).
- Australian gold miner Newcrest Mining Ltd has the firepower for more acquisitions, its chief executive said, after the company announced a deal to buy a copper and gold mine in Canada for \$806.5 mn.
- Global index publisher MSCI and the Hong Kong stock exchange said on Monday they will launch futures contracts on the MSCI China A Index to provide a hedging tool as international investor interest in Chinese mainland shares surges.
- Chinese dockless bike-sharing company Mobike said on Monday it will pull out of some Asian countries and re-evaluate its units in other overseas markets amid a wide-scale contraction in the market and the bankruptcy of top competitor Ofo.
- Shares of Japan's Hitachi Chemical were untraded on Monday, hit with a glut of buy orders after a report that parent company Hitachi Ltd was considering a sale of its stake at a hefty premium of more than 40%.
- Alibaba Group Holding Ltd will take a 14% stake in STO Express Co Ltd through a \$693 mn deal, the e-commerce giant's fourth significant investment in a Chinese courier company.
- US construction and building materials supplier, GCP Applied Technologies Inc is nearing a deal over the composition of its board with activist hedge fund Starboard Value LP (Reuters sources).
- Alaska Gasline Development Corp (AGDC) said it signed an agreement with BP PLC and Exxon Mobil Corp to help advance the state-owned company's proposed \$43.4 bn Alaska LNG project.



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TOP SELECTED NEWS

US payrolls shock suggests dawn of a slowdown

(Bloomberg) The US labor market may not be as weak as February's payrolls number suggested, but the report provides a reality check that a long-forecast slowdown is arriving. Employers added 20,000 jobs during the month, the fewest since September 2017, missing all economist estimates and bucking a recent trend of strong February readings. Analysts said the unexpectedly low figure doesn't mean conditions rapidly deteriorated -- citing weather effects and payback from outside gains in prior months -- but they pointed to the likelihood of a moderation in job gains this year as economic growth cools. While the payroll gains disappointed, the report's other highlights were largely positive: the unemployment rate declined by more than forecast and hourly wages rose from a year earlier at the fastest pace since 2009, figures that bode well for consumer spending. Some industries hit hard in February are typically closely tied to weather patterns, including construction and retail, while the lingering effects of the partial government shutdown may have created some volatility.

BOE asks banks to boost liquid assets ahead of Brexit, FT

The Bank of England is asking some U.K. banks to hold three times more liquid assets in the event of a market meltdown with a no-deal Brexit later this month, the Financial Times reported, citing people familiar with the situation. Some lenders must hold sufficient so-called easy-to-sell assets to withstand 100 days of "severe stress" instead of the usual 30 days, the newspaper said. That's when banks suspend interbank lending. The U.K. has made "constructive developments" in preparing for a no-deal Brexit, though the economic impact of crashing out of the EU would still be substantial, Bank of England Governor Mark Carney said last week. Authorities have taken steps to protect derivative markets, reduce financial risk and minimize trade friction, while rolling over some third-country trade agreements that Britain has through the EU, Carney told a House of Lords committee.

Australia home price boom fuelled by low rates-RBA study

(Reuters) The boom in Australian home prices and building over the past decade or so was primarily driven by lower real interest rates, while strong migration tended to lift rents, according to a study paper from the country's central bank. The research model from RBA economists Trent Saunders and Peter Tulip also suggested that a further reduction in real rates could revive home prices after recent weakness. At their peak, prices in Sydney more than doubled between 2008 and 2017, but have since fallen back by around 10%. This pullback may have dampened consumer demand, notably for vehicles and home furnishing, and is increasingly weighing on approvals to build new homes. The RBA cited uncertainty over this impact when dropping its tightening bias last month, saying the next move in rates could equally be a cut or a hike. "The model suggests that much of the strength in housing prices and construction over the past few years can be explained by the fall in interest rates -- some of this fall reflects lower world real interest rates and some is cyclical," wrote the paper's authors. The bank's board also studied a separate paper on recent housing market developments at its February policy meeting. The RBA cut interest rates sharply in 2008 during the global financial crisis, and began a second round of easing from 2011 to 2016 which took rates to a record low of 1.5%.

Hong Kong tightens liquidity with \$192 mn peg defense

(Bloomberg) Hong Kong faces the likelihood of rising borrowing costs after the city's de facto central bank intervened to defend its currency peg for the first time since August. The Hong Kong Monetary Authority bought HK\$1.51 bn (\$192 mn) of local dollars during London and New York trading hours after the currency fell to the weak end of its trading band, it said in a statement Saturday. The move will reduce the aggregate balance, a measure of interbank liquidity, to a decade low of HK\$74.8 bn. While the size of the buying was small relative to some of the HKMA's interventions last year, continued weakness in the currency may prompt the central bank to drain more liquidity. That would intensify pressure on home values in the world's most expensive property market, and weigh on the city's economy. Just 11 months ago the aggregate balance stood at about HK\$180 bn.

Berlin backs Deutsche Bk merger despite risk of shortfall

(Reuters) Berlin is so worried about the health of Deutsche Bank that it pushed for a merger with rival Commerzbank even though it could open up a huge financial shortfall, a German official told Reuters. Deutsche Bank's management board has agreed to hold talks with Commerzbank about the feasibility of a merger. The state owns a 15% stake of Commerzbank and is expected to be a shareholder in the new group. The German official said that any tie-up would likely result in a multi-bn-euro hole because a switch in bank ownership legally triggers a revaluation of assets such as government bonds. They would be revalued at a market price which is typically lower than the one registered on the accounts. A second source, who is familiar with the talks, said they also expected a shortfall after the potential merger. Rating agency Moody's has said that a takeover could result in a "downward valuation adjustment for parts of Commerzbank's asset base".

Ghosh seeks to attend Tuesday board meeting: lawyer

(Reuters) Ousted Nissan boss Carlos Ghosn is seeking permission from a Tokyo court to attend the automaker's board meeting this week, his lawyer said on Monday, setting him up to face off against colleagues he has accused of orchestrating a boardroom coup. Ghosn, released last week on a \$9 mn bail after spending more than 100 days in detention, applied to the Tokyo District Court for permission to attend Tuesday's board meeting, as required under bail conditions, his lawyer Junichiro Hironaka told reporters. Attendance would offer Ghosn the first opportunity to speak with colleagues since his arrest in November. He faces charges of under-reporting his salary by about \$82 mn over nearly a decade - charges he has called "meritless". It would also come as Nissan Motor Co and alliance partners Renault SA and Mitsubishi Motors Corp plan to set up a joint board meeting structure, people with direct knowledge of the matter told Reuters.



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