

GLOBAL MARKETS

Tuesday, March 12, 2019

Markets in brief

- The amended Brexit deal gave boost to investors' appetite for riskier assets, after global equity indexes climbed overnight on gains in technology stocks and expectations of more stimulus from China.
- British pound climbed as much as 1.1% against the dollar after gaining 1% on Monday amid Brexit optimism.
- Most other currencies stayed within familiar trading ranges before U.S. February inflation data at 14:30 LT.
- Asian stocks rallied with the safe-haven yen under pressure.
- U.S. stocks rebounded from a week-long losing streak. The slump in Boeing's shares limited the advance of the Dow Jones.
- In the Gulf, Saudi index fell for a 5th straight session as most of its banking sector stocks dropped.
- Oil prices rose on a combination of strong demand and supply cuts by the OPEC.

Brexit deal is here ... Will it pass the vote today?

The European Union was hopeful but unsure whether the House of Commons would back on Tuesday the bloc's Brexit deal with Britain, EU sources said after a minister in Theresa May's cabinet said she had secured legally binding changes. The EU-UK Brexit deal has already been rejected by the UK chamber once and by a large margin. It remains unclear whether the revised deal will satisfy Parliament when it votes late on Tuesday. May put forward three new documents intended to provide additional legal guarantees that the U.K. can't be trapped indefinitely inside the current backstop arrangement. The status of these documents will be scrutinized intensively during Tuesday's debate. The papers include a "unilateral declaration" setting out how the U.K. believes it can escape the backstop. The new agreement seems to fall "short" of the plan Parliament wanted to see, said Steve Baker, a pro-Brexit member of May's Conservative Party. A panel of euro-skeptic politicians will examine May's latest blueprint in detail, he said. May's Attorney General Geoffrey Cox is expected to set out his formal legal opinion on the changes.

... What will growth data show?

The U.K. economy may have expanded in January after a contraction the previous month, consensus shows. GDP probably rose 0.2% month on month and by the same quantum on a 3-month rolling basis. Industrial and manufacturing output are also forecast to have posted 0.2% advances, contrasting with sharp declines at the end of last year. Traders are also putting Bank of England's rate increases back on the agenda. That may see gilts begin Tuesday's session on a weaker note when trading gets underway in London. As of Monday's close, sterling money markets were pricing less than 50% chance of a rate hike by December.

More countries grounding Boeing 737 Max

Boeing got a vote of confidence from U.S. regulators (*more details inside*), who said the 737 Max family can keep flying despite a second crash in less than five months. Still, the FAA anticipates mandating changes to the aircraft by April. Singapore went a step further than China and Indonesia by banning the planes from its skies. Carriers including Ethiopian Airlines, GOL, Aeromexico and Aerolineas Argentinas also grounded their fleets. Boeing sank 5.3% to \$400.01 at the close in New York, the biggest decline since Oct. 29, the day of the Lion Air crash.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1258	0.12%
GBP/\$	1.3204	0.41%
AUD /\$	0.7070	0.00%
NZD/\$	0.6845	0.22%
\$/JPY	111.31	-0.09%
\$/CAD	1.3398	-0.03%
\$/CHF	1.0111	-0.05%
Gold \$	1296.20	0.22%
Silver \$	15.40	0.61%
Platinum \$	825.60	0.89%
WTI \$	57.05	0.46%
BRENT \$	66.72	0.21%
AMERICA		
DOW JONES	25650.88	0.79%
S&P 500	2783.30	1.47%
NASDAQ	7558.06	2.02%
EUROPE		
STXE 600	373.47	0.78%
CAC 40	5265.96	0.66%
DAX	11543.48	0.75%
ASIA PACIFIC		
S&P/ASX 200	6174.82	-0.09%
NIKKEI 225	21503.69	1.79%
CSI 300 (China)	3755.35	0.68%
MENA		
Saudi Arabia	8426.29	-0.47%
Dubai	2591.89	0.53%
Qatar	9744.22	-0.25%
BONDS		
U.S. 10-year	2.6555	0.0002
German Bund 10-year	0.0800	0.0001
AU 10-year	2.0330	0.0000
BEIRUT S.E.		
SOLIDERE - A	6.49	4.51%
SOLIDERE - B	6.20	-2.67%
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 British pound advanced for a second day as the UK gov't said it had secured changes to its divorce deal from the EU and planned to hold a vote in parliament. European Commission head Jean-Claude Juncker agreed to additional assurances in an updated Brexit deal with British PM Theresa May on Monday, but warned UK lawmakers would not get a third chance to endorse it. Sterling, which had risen ahead of the talks between May and Juncker, extended gains in hopes the changes may be enough to sway rebellious British lawmakers who have threatened to vote down May's plan again on Tuesday. The pound was up 0.41%, buying \$1.3204 and taking its gains over two days to more than 1.5%. If May loses the vote on her Brexit deal on Tuesday, she has said lawmakers will get a vote on Wednesday on whether to leave the EU without a deal and, if they reject that, then a vote on whether to ask for a limited delay to Brexit. At a joint news conference with Juncker late on Monday, May announced three documents aimed at addressing the most contentious part of the exit deal she agreed in November - the Irish backstop. The Irish backstop is an insurance policy aimed at avoiding controls on the sensitive border between the British province of Northern Ireland and EU member Ireland. Traders are also putting Bank of England's rate increases back on the agenda. That may see gilts begin Tuesday's session on a weaker note when trading gets underway in London. As of Monday's close, sterling money markets were pricing less than 50% chance of a rate hike by December.

Most other currencies stayed within familiar trading ranges before US February inflation figures due at 14:30 LT. Market sentiment received a modest boost after data on Monday showed US retail sales rose moderately in January, lifted by an increase in purchases of building materials and discretionary spending. The dollar index, which measures the greenback against a basket of six rivals, was down 0.15% at 97.070 as some investors bought riskier assets. However, the dollar tacked on 0.09% against the Japanese yen to 111.31 yen on the back of the improved appetite for risk.

The euro, which has struggled recently in line with a sputtering euro zone economy, found a measure of support on the improved sentiment and the Brexit news. The single currency was last up 0.12% at \$1.1258, extending recent gains to a third session.

Oil prices rose on a combination of strong demand and supply cuts by the OPEC. A political and economic crisis in OPEC-member Venezuela is also seen as lifting crude prices. Venezuela's opposition-run congress on Monday declared a "state of alarm" over a five-day power blackout that has crippled the country's oil exports and left millions of citizens scrambling to find food and water.

	LAST	1D	YTD
CURRENCIES			
DXY	97.070	-0.15%	0.93%
EUR/\$	1.1258	0.12%	-1.82%
GBP/\$	1.3204	0.41%	3.53%
AUD/\$	0.7070	0.00%	0.30%
NZD/\$	0.6845	0.22%	1.88%
\$/JPY	111.31	-0.09%	-1.46%
\$/CAD	1.3398	-0.03%	1.78%
\$/CHF	1.0111	-0.05%	-2.87%
\$/SEK	9.3741	0.26%	-5.56%
\$/NOK	8.6588	0.08%	-0.21%
\$/DKK	6.6270	0.11%	-1.74%
\$/TRY	5.4417	0.06%	-2.80%
EUR/GBP	0.8526	0.29%	5.44%
EUR/JPY	125.32	-0.22%	0.41%
EUR/CHF	1.1383	-0.17%	-1.12%
COMMODITIES			
Gold Spot \$/Oz	1296.20	0.22%	1.07%
Silver Spot \$/Oz	15.40	0.61%	-0.60%
Platinum Spot \$/Oz	825.60	0.89%	3.76%
Palladium Spot \$/Oz	1537.31	0.04%	21.84%
COPPER \$/lb	292.80	0.93%	11.04%
WTI \$/bbl	57.05	0.46%	25.63%
BRENT \$/bbl	66.72	0.21%	24.01%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	11:30	UK GDP MoM	0.20%	-0.40%
GBP	11:30	UK Manufacturing Product MoM	0.20%	-0.70%
USD	14:30	US CPI MoM	0.20%	0.00%
USD	14:30	US Core CPI MoM	0.20%	0.20%
GBP	During day	Parliament Vote		

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 rallied on Tuesday after the European Commission agreed to changes in a Brexit deal ahead of a vote in the British parliament on a divorce agreement. MSCI's broadest index of Asia-Pacific shares outside Japan was up 1.08%, with early gains reinforced by a rise in Chinese shares and oil companies, which were buoyed by higher oil prices. Chinese blue chips rose 1.3%, extending the previous day's 2% gain. Despite slowing domestic economic growth and uncertainty about the outlook for trade negotiations between China and the US, Chinese markets have been buoyed this year by investors' expectations of more stimulus to cushion any downturn. The CSI300 index has risen more than 25% this year. Australian shares were down 0.09%, while Nikkei stock index jumped 1.79%, helped by a weaker yen.

US stocks jumped on Monday as the technology sector led a broad-based rebound following five straight sessions of losses, but a fall in Boeing's shares limited the Dow's advance after a deadly airline crash in Ethiopia. Boeing Co, the world's largest planemaker and best-performing Dow component this year by a wide margin, ended down 5.3% at \$400.01, registering its biggest 1-day %age drop since Oct. 29, after many airlines grounded the company's new 737 MAX 8 passenger jet following the second fatal crash involving the aircraft in just five months. The stock had its highest daily trading volume since July 2013 and ended well off its session low of \$365.55, but it kept a lid on the Dow, which managed only about half the gains of the S&P 500. All the major S&P sectors rose, led by gains in the technology sector, which was up 2.2%. The industrial sector reversed early losses to end up 0.9%. The S&P 500 last week registered its biggest decline since the end of 2018 after tepid job and other economic data, but the index is up about 11% for the year so far. Apple Inc rose 3.5% after Bank of America Merrill Lynch upgraded the iPhone maker's shares to "buy." Also, Apple invited media to a March 25 event at the Steve Jobs Theater on its campus in Cupertino, California. Sources previously told Reuters that Apple is targeting April for the launch of a streaming television service that will likely include subscription TV service. Chipmaker Nvidia Corp jumped after entering a \$6.8 bn deal to buy Mellanox Technologies Ltd. In Washington, Trump told Congress to slash funding for foreign aid and the State Department and increase spending for the military and the wall he wants to build on the US-Mexico border in his 2020 budget, the opening move in his next funding fight with Congress. Defense companies General Dynamics Corp, United Technologies Corp and Textron Inc rose on the news.

In the Gulf, Saudi index fell for a fifth straight session as most of its banking sector stocks dropped. But the index is still up 7.7% this year, outperforming major Gulf markets. Qualified foreign investors led the rally and have been net-buyers of Saudi stocks every week this year. Egypt's blue-chip index gained, helped by a rise in Eastern Company after it forecast a higher full-year profit.

The market's turn toward riskier assets lifted yields on US Treasury bonds, with benchmark 10-year Treasury notes at 2.6555% compared with its US close of 2.641% on Monday. The 2-year yield was at 2.4998% compared with a US close of 2.477%.

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Abu Dhabi	4870.40	-0.03%	-0.86%
Dubai	2591.89	0.53%	3.34%
Qatar	9744.22	-0.25%	-4.83%
Oman	4085.44	-0.12%	-5.49%
Egypt	15098.12	0.78%	15.82%
Kuwait	5582.67	0.10%	6.18%
Bahrain	1406.34	0.04%	5.20%
10-YEAR BONDS			
U.S.	2.6555	0.0162	-0.0287
Germany	0.0800	0.0110	-0.1620
U.K.	1.1790	-0.0100	-0.0980
France	0.4740	0.0650	-0.2360
Australia	2.0330	0.0020	-0.2850
Japan	-0.0330	0.0000	-0.0360

Major Company News

- German industrial group Siemens filed the most patent applications in Europe last year, pushing China's Huawei into second place, the European Patent Office said on Tuesday. Siemens filed 2,493 patent applications in 2018, the office said. That was ahead of the 2,485 applications filed by Chinese telecoms network supplier Huawei, which had registered the most of any company in 2017.
- European exchange group Euronext on Monday extended its offer for Oslo Bors, while keeping the terms unchanged, as its battle with Nasdaq for control of Norway's stock market operator escalates.
- Tesla Inc CEO Elon Musk shot back against US securities regulators on Monday, arguing in a filing that his recent tweet about the electric vehicle maker's production volume did not violate his fraud settlement and he cannot be held in contempt.
- The Australian arm of Rupert Murdoch's News Corp called for an enforced break-up of Alphabet Inc's Google Inc, acknowledging the measure would involve global coordination but calling it necessary to preserve advertising and the news media.
- Yum China Holdings on Tuesday said it has partnered with Sinopec Corp and China National Petroleum Corporation (CNPC) to open more than 100 franchise restaurants at the oil giants' gas stations in China.
- ADT Inc reported a quarterly loss and forecast 2019 revenue and EBITDA below Wall Street estimates amid intensifying competition from fast-growing do-it-yourself home security offerings such as Google Nest.

TOP SELECTED NEWS

Unilateral declaration by Britain on Brexit withdrawal deal

(Reuters) Britain issued on Monday the following unilateral declaration to accompany the package of documents on the country's withdrawal from the EU: UNILATERAL DECLARATION The UK reiterates its wish to establish a future partnership that is as close and strong as possible, given the global challenges it shares with the EU, and underlines its commitment to embark on preparations immediately after the signature of the Withdrawal Agreement to ensure that negotiations on the future relationship can start as soon as possible after withdrawal. In that light, the UK notes, subject to Article 1(4) of the Protocol on Ireland/Northern Ireland, that the objective of the Withdrawal Agreement is not to establish a permanent relationship between the Union and the UK, and that the provisions of the Protocol are therefore intended to apply only temporarily, taking into account the commitments of the Parties set out in Article 2(1). The preamble to the Protocol further recalls that the Withdrawal Agreement, which is based on Article 50 TEU, does not aim at establishing a permanent future relationship between the Union and the UK.

US retail sales rebound but not enough

(Reuters) US retail sales rose modestly in January after a December drop that was even larger than originally estimated, but the recovery was not seen strong enough to alter the course of a US economy that was losing momentum in early 2019. The report from the Commerce Department on Monday was welcome news for the economy after a raft of weak December data, as well as a sharp moderation in the pace of job growth in February. Still, January's increase in retail sales recouped only a fraction of December's plunge, leaving expectations for a slowdown in consumer spending in the first quarter intact. Retail sales rose 0.2% as increased purchases of building materials and more discretionary spending offset the biggest decline in motor vehicle sales in five years. Data for December was revised to show sales tumbling 1.6% instead of decreasing 1.2% as previously reported. The drop in December was the biggest since September 2009 when the economy was emerging from recession. Sales in January increased 2.3% from a year ago.

China to ease concerns over economy, data accuracy

(Reuters) China's top statistics official on Tuesday sought to allay concerns over the health of the world's second-largest economy, and defended the integrity of its data. The comments came days ahead of China's release of key readings on industrial output, retail sales and investment, which are being closely watched by global investors for clues on the extent of the country's economic slowdown. China's February trade data showed the biggest drop in exports in three years while imports fell for the third straight month, and forward looking indicators like factory orders have pointed to further weakness ahead. But analysts have noted the timing of the long Lunar New Year holidays early in the year may have distorted the trend. Ning Jizhe, head of China's National Bureau of Statistics, said that since the beginning of March, imports and exports have grown more than 20%. "According to part of the statistics already known, China's economic operation in January-February generally showed an improving trend and overall production improved," said Ning Jizhe, head of China's National Bureau of Statistics. "Excluding the Spring Festival (Lunar New Year) factor, the total value of imports and exports increased 10.2% year-on-year, of which exports rose 7.8% and imports gained

12.9%," he said. Ning also noted that overall new orders in February's official factory survey had rebounded back into positive territory, and a gauge of consumer confidence rose that month. His bureau is due to release a slew of data on Thursday including industrial output, retail sales and fixed-asset investment. The figures will combine January and February in a bid to offset seasonal distortions.

FAA says Boeing 737 Max still airworthy

US aviation regulators signaled their confidence in the safety of Boeing Co.'s embattled 737 Max jetliner, issuing a global notice of "continued airworthiness" a day after the model's second deadly crash in less than five months. There isn't conclusive evidence so far to link the loss of an Ethiopian Airlines 737 Max 8 on Sunday and a fatal Lion Air disaster involving the same jet model in October, the Federal Aviation Administration said Monday. Boeing is working on improvements to the plane's flight-control system and the FAA plans to publish a related directive to operators "no later" than April. "External reports are drawing similarities between this accident and the Lion Air Flight 610 accident on October 29, 2018," the FAA said. "However, this investigation has just begun and to date we have not been provided data to draw any conclusions or take any actions." The statement shows that US regulators have no immediate intention of grounding the 737 Max 8 after this weekend's crash that killed 157 people near Addis Ababa, Ethiopia. That breaks with a decision by China, Indonesia and some airlines in other countries to suspend use of the plane. Boeing sank 5.3% to \$400.01 at the close in New York, the biggest decline since Oct. 29, the day of the Lion Air crash.

Malaysia to decide fate of Malaysia Air 'soon', PM says

(Reuters) The Malaysian gov't is considering whether to shut, sell or refinance national carrier Malaysia Airlines (MAB), Prime Minister Mahathir Mohamad said on Tuesday. The gov't was studying options for the national carrier, and a decision should be made "soon", Mahathir said, when asked about analysts' suggestions the airline be shut down or spun off. The airline has been trying to transform its operations and return to profitability by 2019 as it recovers from two disasters in 2014, when flight MH370 disappeared in what remains a mystery and flight MH17 was shot down over eastern Ukraine. Sovereign wealth fund Khazanah Nasional Bhd, which took MAB private in 2014, said the gov't needed to decide on its investment in, and level of support for, the struggling airline. The fund also said that it was waiting for MAB to present a review of its business strategy.

Ghosn 'disappointed' at ban from Nissan meeting

(Reuters) Former Nissan Motor Co boss Carlos Ghosn said he was disappointed that a Tokyo court had rejected his request to attend the car maker's board meeting on Tuesday, and that he was still willing to carry out his duties as a board member. "Mr. Ghosn is disappointed that the Court denied his request to attend the Nissan Board of Directors meeting," according to a statement issued by a spokesman. "As an elected member of the Board, Mr. Ghosn stands ready to fulfill his professional duties to the shareholders who elected him," the statement said. "It is unfortunate that the meritless and unsubstantiated accusations against him have blocked his ideas and perspective from being deployed in service of the company he served for the past twenty years." Released on \$9 mn bail last week after spending more than 100 days in a Tokyo detention centre, Ghosn faces charges of under-reporting his salary at Nissan by about \$82 mn over nearly a decade.



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