

# GLOBAL MARKETS

Wednesday, March 13, 2019

## Markets in brief

- British pound took a breather while awaiting its fate ahead of yet another make-or-break parliamentary vote on Brexit later today. After heavy fluctuations, the pound stabilized on expectations that there will be a Brexit delay. Traders will be also watching the Annual Budget Release.
- U.S. dollar was pressured by weak inflation data that confirmed Fed's patience.
- Australian dollar got weighed by poor confidence data.
- Oil prices firmed helped by ongoing supply cuts and U.S. sanctions.
- Asian shares drifted lower as market risk appetite faded.
- U.S. stocks ended higher yesterday. The Dow was dragged down by an another slump in Boeing shares; the 2-day drop was 11.15%.

## Chances for a Brexit delay increasing

PM Theresa May suffered a second, heavy parliamentary defeat on her withdrawal deal she struck with the bloc on Tuesday. Parliament rejected the deal by a vote of 391 to 242. After the unsurprising defeat, the PM confirmed that there will be a vote today on a no-deal withdrawal, and if that fails, another Thursday on delaying the divorce. Attorney General Geoffrey Cox, whose damning assessment helped defeat the latest proposal, said a delay to the divorce is now "inevitable."

## ... U.K. to eliminate import tariffs

Britain said on Wednesday it would eliminate import tariffs on a wide range of goods and avoid a so-called hard border between Ireland and Northern Ireland in the event of a no-deal Brexit. The government announced the measures, which it said were temporary, ahead of a vote by lawmakers later on Wednesday on whether Britain should leave the European Union without a deal on March 29. Under the tariff plan for a no-deal Brexit, 87% of total imports to the United Kingdom by value would be eligible for tariff-free access, up from 80% now. On the Irish border, the government said it would not introduce any new checks or controls on goods moving from the Irish Republic to the British province of Northern Ireland in the event of a no-deal Brexit, stressing the plan was temporary and unilateral. Goods crossing the border from Ireland into Northern Ireland would not be covered by the new import tariff regime.

## EU suspending Boeing 737 operations

The European Union's aviation safety agency EASA suspended all flights in the bloc by Boeing's 737-8 and 737-9 aircraft following Sunday's deadly plane crash in Ethiopia. "EASA has decided to suspend all flight operations of the two affected models," the agency said in a statement. EASA said it was "suspending all flight operations of all Boeing Model 737-8 MAX and 737-9 MAX aeroplanes in Europe" from 1900 GMT. It was also "suspending all commercial flights performed by third-country operators into, within or out of the EU of the above mentioned models."

## ... But the U.S. will not

The U.S. aviation regulator said on Tuesday it would not ground Boeing Co 737 MAX planes, bucking a trend of countries around the world that have suspended the aircraft's operations. U.S. and Ethiopian aviation safety officials discussed on Tuesday whether the flight data and cockpit voice recorders from Ethiopian Airlines flight 302, which crashed on Sunday on a flight to Nairobi, would go to Washington or London for download and analysis. U.S. officials said the devices suffered some damage but they were confident of some initial results within 24 hours of the data being downloaded.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1285	-0.03%
GBP/\$	1.3108	0.25%
AUD /\$	0.7052	-0.42%
NZD/\$	0.6832	-0.42%
\$/JPY	111.31	0.04%
\$/CAD	1.3365	-0.08%
\$/CHF	1.0078	-0.01%
Gold \$	1305.07	0.27%
Silver \$	15.46	0.14%
Platinum \$	835.34	0.00%
WTI \$	57.22	0.62%
BRENT \$	66.93	0.39%
<b>AMERICA</b>		
DOW JONES	25554.66	-0.38%
S&P 500	2791.52	0.30%
NASDAQ	7591.03	0.44%
<b>EUROPE</b>		
STXE 600	373.25	-0.06%
CAC 40	5270.25	0.08%
DAX	11524.17	-0.17%
<b>ASIA PACIFIC</b>		
S&P/ASX 200	6161.19	-0.22%
NIKKEI 225	21290.24	-0.99%
CSI 300 (China)	3724.19	-0.83%
<b>MENA</b>		
Saudi Arabia	8446.07	0.23%
Dubai	2598.48	0.25%
Qatar	9765.88	0.22%
<b>BONDS</b>		
U.S. 10-year	2.6105	0.0001
German Bund 10-year	0.0580	0.0000
AU 10-year	1.9620	-0.0007
<b>BEIRUT S.E.</b>		
SOLIDERE - A	6.21	-4.31%
SOLIDERE - B	6.29	1.45%
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 edged up on Wednesday after turbulence following the defeat of British Prime Minister Theresa May's EU exit deal, but investors braced for more volatility ahead of additional Brexit proceedings.** The British Parliament on Tuesday rejected May's deal to quit the EU for a second time, deepening the country's political crisis days before the planned departure date on March 29. Lawmakers will now vote later on Wednesday on whether Britain should quit the world's biggest trading bloc without a deal. If such a "no-deal" exit plan is rejected, another vote will be held on Thursday on whether to extend the March 29 departure date. Sterling was up 0.25% at \$1.3108 and stuck to a narrow range. The currency had lost 0.65% the previous day, when it fluctuated widely between \$1.3290 and \$1.3005. The EU's 28 gov't leaders will decide at a March 21-22 summit whether to extend the negotiating period beyond the current exit date on March 29.

**The US dollar was on the back foot after data on Tuesday showed US consumer prices rose at a slower-than-expected pace, nudging Treasury yields to two-month lows.** The dollar index against a basket of six major currencies (DXY) was little changed at 96.983 after losing 0.3% overnight.

The euro was a touch lower at \$1.1285 after rising 0.4% the previous day as the greenback sagged on the lackluster US inflation data. The dollar inched down 0.1% to 111.21 yen, reversing the previous day's modest gains.

**The Australian dollar slipped 0.52% to \$0.7051 after a gauge of local consumer confidence slumped to its lowest in over a year in March.** Australia's 10-year bond yield dropping below 2% for the first time since September 2016 following poor consumer confidence data.

**Oil prices rose on Wednesday, pushed up by ongoing supply cuts from producer cartel OPEC and US sanctions against Iran and Venezuela. Oil prices have been pushed up this year by supply cuts led by the Middle East dominated producer group of the OPEC.** Markets have been further tightened by the implementation of US sanctions against oil exports from OPEC-members Iran and Venezuela. In Venezuela, the worst blackout on record has left most of the South American country without power for six days, leaving hospitals struggling to keep equipment running, food rotting in the tropical heat and exports from the country's main oil terminal stranded.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	96.983	0.05%	0.84%
EUR/\$	1.1285	-0.03%	-1.59%
GBP/\$	1.3108	0.25%	2.78%
AUD /\$	0.7052	-0.42%	0.04%
NZD/\$	0.6832	-0.42%	1.68%
\$/JPY	111.31	0.04%	-1.46%
\$/CAD	1.3365	-0.08%	2.04%
\$/CHF	1.0078	-0.01%	-2.55%
\$/SEK	9.3719	-0.08%	-5.53%
\$/NOK	8.6379	-0.06%	0.03%
\$/DKK	6.6105	-0.03%	-1.50%
\$/TRY	5.4574	-0.05%	-3.08%
EUR/GBP	0.8609	0.28%	4.42%
EUR/JPY	125.61	0.07%	0.18%
EUR/CHF	1.1373	0.03%	-1.04%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1305.07	0.27%	1.76%
Silver Spot \$/Oz	15.46	0.14%	-0.21%
Platinum Spot \$/Oz	835.34	0.00%	4.99%
Palladium Spot \$/Oz	1535.30	-0.23%	21.68%
COPPER \$/lb	292.05	-0.27%	10.75%
WTI \$/bbl	57.22	0.62%	26.01%
BRENT \$/bbl	66.93	0.39%	24.41%

### In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	During day	UK Annual Budget Release		
GBP	During day	UK Parliament Brexit Vote		
USD	14:30	US PPI MoM	0.20%	-0.10%
USD	14:30	US Core Durable Goods MoM	0.10%	0.10%
USD	14:30	US Durable Goods MoM	-0.50%	1.20%
OIL	16:30	EIA Weekly Report		

**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 drifted lower on Wednesday as a risk-off mood settled on markets.** MSCI's broadest index of Asia-Pacific shares outside Japan eased 0.45% in slow trade. Japan's Nikkei led the retreat with a fall of 1.2% as data showed domestic machinery orders fell in January at the fastest pace in four months. Shanghai blue chips slipped 0.5% following two days of gains. E-Mini futures for the S&P 500 were off 0.2% and spread betters pointed to opening losses for the main European bourses. Risk appetites had soured after British lawmakers crushed Prime Minister Theresa May's EU divorce deal, forcing parliament to decide within days whether to back a no-deal Brexit or seek a last-minute delay.

**US stocks were mostly higher yesterday. The S&P 500 and Nasdaq rose on Tuesday after tame inflation data underscored the Fed's dovish stance on rate hikes, but the Dow ended down as Boeing's shares sank for a second day after one of its planes crashed in Ethiopia.** The Labor Department said its Consumer Price Index (CPI) rose last month, in line with estimates, and in the 12 months through February the CPI had the smallest gain since September 2016. US Treasury yields fell following the news. Boeing Co ended down 6.1% and registered its biggest two-day drop since June 2009, as more countries grounded the company's best-selling 737 MAX planes following Sunday's crash, the second fatal crash involving the plane in months. Senators Mitt Romney and Elizabeth Warren also urged the Federal Aviation Administration to temporarily ground the aircraft. The Dow Jones airlines index dropped 2%, while the S&P industrials index fell 0.9%. The S&P 500 rose as high as 2,798.32 during the session, just below a key technical level of 2,800. If it breaks above that level, that could signal further gains, some investors say. The index briefly pared gains in afternoon US trading following news that British lawmakers crushingly rejected Prime Minister Theresa May's deal to quit the EU. Apple Inc climbed again on Tuesday, a day after the iPhone maker invited media to a March 25 event where it is expected to launch a television and video service. F5 Networks Inc fell 7.7% after the network software maker said it would buy privately held NGINX.

**European shares ended flat on Tuesday after a choppy session during which hopes British PM May would win support for her plans for an orderly Brexit in an evening vote in Parliament gradually faded.** European bourses trimmed their morning gains and the pan-European index ended the day down 0.04% while the euro zone's STOXXE rose a mere 0.1%. Dublin's ISEQ, which typically falls on fears of a disorderly Brexit, edged up 0.25% with investors still confident a no-deal Brexit will eventually be averted. Britain's FTSE 100 rose 0.3% as a retreating pound provided an accounting boost to the big exporters that dominate the index.

**Most major Gulf markets rose on Tuesday, lifted by financial and real estate stocks, mirroring a rally in global markets.** Saudi index was up 0.2% with its largest lender, National Commercial Bank, gaining 1% and bank Samba Financial Group adding 1.1%. The index is up 7.8% this year, outperforming major Gulf markets, with big investors in Saudi Arabia pushing ahead with deals and pouring money back into stocks.

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<b>MENA</b>			
Saudi Arabia	8446.07	0.23%	8.15%
Abu Dhabi	4861.68	-0.18%	-1.41%
Dubai	2598.48	0.25%	3.27%
Qatar	9765.88	0.22%	-5.32%
Oman	4082.68	-0.07%	-5.57%
Egypt	15139.86	0.28%	16.14%
Kuwait	5601.78	0.34%	6.30%
Bahrain	1405.00	-0.10%	5.07%
<b>10-YEAR BONDS</b>			
U.S.	2.6105	0.0090	-0.0737
Germany	0.0580	0.0030	-0.1840
U.K.	1.1630	-0.0160	-0.1140
France	0.4730	-0.0010	-0.2370
Australia	1.9620	-0.0710	-0.3560
Japan	-0.0450	-0.0170	-0.0480

## Major Company News

- CME, one of the world's biggest exchanges, said it has received approval from the Dutch finance ministry for its new trading platforms in Amsterdam to avoid disruption to customers from Brexit.
- Royal Bank of Canada will form a real estate investment partnership with property assets worth over C\$7 billion (\$5.24 billion), the country's largest lender said in a statement on Tuesday.
- BioNTech, Europe's largest unlisted biotech firm by staff numbers, has hired banks to prepare for an initial public offering (IPO) worth as much as \$800 million as early as this year (Reuters sources)
- UnitedHealth Group Inc said on Tuesday that starting next year it will expand its drug discount program to all new employer-sponsored health plans and pass on rebates to consumers.
- Cyber security firm Avast's long-time CEO is stepping down, the company said on Wednesday as it reported marginally lower-than-expected adjusted revenue and earnings in its first annual results since listing in May.
- Mexico's telecoms regulator said on Tuesday it had approved the Walt Disney Co's \$71 bn purchase of 21 Century Fox Inc's film and television assets, subject to conditions, including the sale of Fox Sports channels.
- Toyota Motor workers in Japan will receive a monthly increase in base pay of 10,700 yen (\$96), lower than what unions were requesting, Jiji Press reported on Wednesday.
- Rite Aid Corp said on Tuesday its chief executive officer would exit as part of a revamp of its leadership, and that it would slash about 400 corporate positions.

## TOP SELECTED NEWS

### Slowing economy keeping US inflation under wraps

(Reuters) US consumer prices rose for the first time in four months in February, but the pace of the increase was modest, resulting in the smallest annual gain in nearly 2-1/2 years. The report from the Labor Dpt on Tuesday also showed benign underlying inflation last month, which together with slowing economic growth support the Fed's "patient" approach towards further interest rate increases this year. The Consumer Price Index increased 0.2%, lifted by gains in the costs of food, gasoline and rents. The CPI had been unchanged for three straight months. In the 12 months through February, the CPI rose 1.5%, the smallest gain since September 2016. The CPI increased 1.6% on a year-on-year basis in January. Excluding the volatile food and energy components, the CPI edged up 0.1%, the smallest increase since August 2018. The so-called core CPI had increased by 0.2% for five straight months. In the 12 months through February, the core CPI rose 2.1%. The core CPI had increased by 2.2% for three consecutive months on an annual basis. The Fed, which has a 2% inflation target, tracks a different measure, the core personal consumption expenditures (PCE) price index, for monetary policy. The core PCE price index increased 1.9% on a year-on-year basis in December after a similar gain in November. It hit the US Fed's 2% inflation target in March last year for the first time since April 2012.

### EU 10-point plan to balance economic ties with China

(Reuters) The European Commission set out a 10-point plan on Tuesday for more balanced economic relations with China, urging EU leaders to back its ideas to curb Chinese state-owned enterprises and increase their guard against cybersecurity threats. The action plan marks a shift in the bloc's stance towards its top trading partner and will be put to EU leaders to discuss at their next regular summit meeting in Brussels on March 21-22 — before an EU-China summit on April 9. The Commission, the EU's executive, said the EU should cooperate more with China in areas such as climate change and peace, but should also push for a more reciprocal economic relationship and take steps to protect its industry. The EU shares many of the US' concerns over Chinese market distortions, overcapacity and technology transfer. But it has avoided taking sides in a multi-bn dollar trade war between Washington and Beijing.

### Boeing delivers 95 jets in first two months of 2019

(Reuters) Boeing Co delivered 95 planes during January and February, two higher than a year earlier, with its best-selling 737 MAX jets accounting for nearly half of the deliveries. The figures disclosed by the company on Tuesday come as a number of countries ground Boeing 737 MAX 8 aircraft following a deadly crash in Ethiopia on Sunday. Boeing said it delivered 49 aircraft in February, unchanged from a year earlier. That figure reflects 32 deliveries of its bestselling 737 planes, including older versions, down from 35 last year. Boeing, the world's biggest planemaker, won 48 net orders during January and February, beating European rival Airbus SE, which did not report any wins and had 99 cancellations dominated by its widebody A350-900 aircraft and the superjumbo A380. Airbus delivered 88 aircraft in the January-February period, up from 65 a year earlier.

### Citigroup looks to speed up 2019 expense cuts

(Reuters) Citigroup Inc has accelerated some of its 2019 plans to cut expenses through "simplification" of its organization and

improvements in its internal processes, CFO Mark Mason said on Tuesday at an investor conference. Mason made the comment in response to a question about whether the bank has ways to reduce expenses if revenues fall short of expectations. Mason also said that first quarter revenue from fixed-income and equity trading looks like it will be down by % ages in the "high single-digits" from a year earlier.

### Deutsche Bank faces pushback to potential merger

(Bloomberg) Deutsche Bank AG faces stiff resistance to a merger with German competitor Commerzbank AG from skeptical internal officials and wary regulators. Jan Duscheck, an official with the Ver.di union and a key labor representative on Deutsche Bank's supervisory board, is opposing the merger, saying a combination would threaten thousands of jobs and fail to shore up Germany's finance sector. The stance is hardening as talks behind the scenes gradually advance. "We reject a merger," Duscheck -- who has served on Deutsche Bank's supervisory board since 2016 -- said in an emailed statement. The deal would make the combined bank even more susceptible to a hostile takeover from abroad and "would not create a national champion." After struggling for years to boost profitability and stem a prolonged decline in revenue, Deutsche Bank and Commerzbank are edging closer to a merger as Germany's largest listed lenders run out of time to show restructuring efforts are paying off. Finance Minister Olaf Scholz suggested Monday that the gov't is serving as a "companion" to the discussions.

### Uber hires more IPO underwriters

(Reuters) Ride-hailing startup Uber Technologies Inc has hired a string of investment banks to its syndicate of initial public offering underwriters, as it ramps up preparations for a stock market debut, people familiar with the matter said on Tuesday. Smaller rival Lyft Inc is racing to list in the stock market at the end of March. While Uber will not beat Lyft to an IPO, the preparations are aimed at giving it the flexibility to go public as early as the first half of 2019, the sources said.

### Adidas says supply chain problems to rein in sales growth

(Reuters) Adidas expects supply chain shortages to hit its sales growth in the first half of the year, particularly in North America, while it hopes to return to growth in Europe, where Nike is challenging the German sportswear brand. Adidas said currency-neutral sales growth would slow to between 5 and 8% in 2019, from 8% in 2018, with a 1-2% reduction coming from the supply issues that mean it is struggling to meet strong demand for mid-priced apparel. Q4 sales rose by a currency-adjusted 5% to 5.234 bn euros (\$5.91 bn), versus average analyst forecasts for 5.2 bn, while attributable net profit came in at 108 mn, versus consensus for 88 mn.

### Volkswagen warns on jobs as margins slip

(Reuters) Volkswagen will cut jobs as it speeds up the rollout of less labor-intensive electric cars and will review its sprawling portfolio of brands as it battles to reverse a slide in profit margins, the German carmaker said on Tuesday. The company said it planned to launch almost 70 new electric models by 2028, aiming to put itself at the forefront of the industry's shift to zero-emissions driving following the 2015 scandal over its cheating of US diesel emissions tests. However, it said investments to retool factories, as well as adverse currency moves and a sales slowdown triggered by new emissions certification tests, led to a fall in operating margins at its VW, Skoda, Audi and Porsche marques last year.



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