

GLOBAL MARKETS

Thursday, March 14, 2019

Markets in brief

- British pound gave up some the 2% gains posted yesterday. GBP/USD hit \$1.3381, its highest since June 14, 2018 (9-month high). After rejecting a no-deal Brexit, the parliament is due to vote today to delay the departure from the EU.
- U.S. dollar was helped by a recovery in treasury yields.
- Australian dollar was pressured by disappointing Chinese data.
- Oil prices continued the rise while hitting their highest levels so far this year.
- Asian shares stumbled after the release of Chinese data.
- U.S. stocks rose yesterday helped by healthcare shares.

No-deal Brexit rejected ... A delay is now a possibility

The U.K. is on course to delay Brexit and open the door to a radical re-write of the terms of its divorce from the EU after recoiling from an economically disastrous no-deal split. Britain's Parliament rejected leaving the EU without a deal, opening up the way for a debate and vote on a postponement today. Theresa May is still fighting for her deal, with a third attempt to get it through Parliament likely next week. May said if a deal can be agreed to in the next seven days, she would ask the EU for a short "technical" extension. If there's no deal by March 20 — the eve of the next summit of European leaders — she said the delay will be much longer.

... U.K. property index down to 7-year low

Whatever form of Brexit is finally reached, the ongoing uncertainty will cause further damage the UK property market, according to the Royal Institution of Chartered Surveyors. RICS said its headline price index fell for a fifth month in February, dropping to the lowest level since 2011, as uncertainty caused both buyers and sellers to hold off on deals. New buyer inquiries, agreed sales and instructions also all declined.

China's mixed data

Growth in China's industrial output fell to a 17-year low in the first two months of the year, pointing to further weakness in the world's second-biggest economy that is likely to trigger more support measures from Beijing. But a mixed bag of major data on Thursday also showed property investment is picking up, while overall retail sales were sluggish but steady, suggesting the economy is not in the midst of a sharper slowdown at present. China is ramping up assistance for the economy as 2019 growth looks set to plumb 29-year lows, but support measures are taking time to kick in.

U.S. grounding the 737 Max ... finally

The U.S. regulators reversed course Wednesday and grounded Boeing Co.'s top-selling 737 Max family of airliners after evidence emerged showing a flight that crashed Sunday in Ethiopia may have experienced the same problem as a plane that went down five months ago off Indonesia. Satellite flight-tracking data combined with newly discovered evidence from the recent accident, raised suspicions about a safety feature on the Max that was implicated in the Lion Air crash in October, Daniel Elwell, acting administrator of the Federal Aviation Administration, said in a briefing. The move is a major blow to Boeing, which has lost billions of dollars in value this week as nation after nation announced they were barring the aircraft from flying. The single-aisle Max family is the Chicago-based planemaker's largest seller and accounts for almost one-third of the company's operating profit. Boeing dropped as much as 3.2% after Trump announced the grounding but recovered the days loss and ended up 0.51% by the market close.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1317	-0.09%
GBP/\$	1.3261	-0.58%
AUD /\$	0.7062	-0.45%
NZD/\$	0.6839	-0.28%
\$/JPY	111.59	-0.38%
\$/CAD	1.3316	-0.11%
\$/CHF	1.0044	-0.03%
Gold \$	1302.45	-0.51%
Silver \$	15.32	-0.84%
Platinum \$	832.32	-1.35%
WTI \$	58.39	0.22%
BRENT \$	67.75	0.30%
AMERICA		
DOW JONES	25702.89	0.58%
S&P 500	2810.92	0.69%
NASDAQ	7643.41	0.69%
EUROPE		
STXE 600	375.60	0.63%
CAC 40	5306.38	0.69%
DAX	11572.41	0.42%
ASIA PACIFIC		
S&P/ASX 200	6179.59	0.30%
NIKKEI 225	21287.02	-0.02%
CSI 300 (China)	3698.49	-0.69%
MENA		
Saudi Arabia	8526.68	0.95%
Dubai	2599.82	0.05%
Qatar	9761.69	-0.04%
BONDS		
U.S. 10-year	2.6267	0.0001
German Bund 10-year	0.0790	0.0001
AU 10-year	1.9720	0.0001
BEIRUT S.E.		
SOLIDERE - A	6.19	-0.32%
SOLIDERE - B	6.18	-1.75%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.00	-7.41%
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 pulled ahead from a 9-day low on Thursday, largely helped by the pound snapping back after a sharp rally made on Brexit relief. The dollar index, a gauge of the currency's strength against six major counterparts, was up 0.10% at 96.650. It shed 0.4% overnight, at one point brushing a 9-day trough of 96.385. The dollar was up 0.38% at 111.59 yen after losing 0.2% the previous day. The US currency was lifted as long-term US Treasury yields bounced back from two-month lows plumbed at the start of the week. The euro was a shade lower at \$1.1317 after advancing 0.3% overnight. The greenback had taken a knock as the pound jumped more than 2% after British lawmakers voted against a potentially disorderly "no-deal" departure from the EU.

The British pound dropped back after jumping to a 9-month high on Wednesday as traders queried whether the optimism was excessive given the many obstacles still remaining as Brexit unfolds. The pound was down 0.58% at \$1.3261 after climbing to \$1.3380 the previous day, its strongest since June 2018. British lawmakers are widely expected to vote on Thursday to delay Britain's departure from the EU, currently scheduled for March 29. With the country in limbo and politicians deadlocked, Wednesday was another chaotic day in London that clarified what most parliamentarians don't want but has done nothing to suggest what kind of Brexit a majority might support. It leaves Prime Minister Theresa May still fighting for her Brexit deal, with a third attempt to get it through Parliament likely next week. That's even after she suffered a major rebellion from her Conservative Party that included members of her own cabinet, lost two big votes, saw a minister resign, and ended up warning that Brexit could be delayed for many months. Struggling to keep her voice because of an illness, May pulled out of the debate. When she did speak -- after the House of Commons eventually voted 321 to 278 to reject leaving the EU with no deal -- she wasn't happy: "The House needs to face up to the consequences of the decisions it has taken."

The Australian dollar was down 0.45% at \$0.7062, hit by sharp declines in domestic bond yields and a largely lackluster batch economic data from Australia's major trading partner China. Indicators on Thursday showed China's January-February industrial output growth slipped to their slowest pace in 17 years, though fixed-asset investment and retail sales in the world's second largest economy were stronger than expected.

Oil prices on Thursday hit their highest so far this year, pushed up by ongoing supply cuts led by OPEC and by US sanctions against Venezuela and Iran. An unexpected dip in US crude oil inventories and production also lifted prices, traders said. International Brent crude oil futures marked a 2019-peak of \$67.80 per barrel in Asian morning hours. That was also the strongest level since November 2018.

	LAST	1D	YTD
CURRENCIES			
DXY	96.650	0.10%	0.50%
EUR/\$	1.1317	-0.09%	-1.31%
GBP/\$	1.3261	-0.58%	3.98%
AUD/\$	0.7062	-0.45%	0.18%
NZD/\$	0.6839	-0.28%	1.79%
\$/JPY	111.59	-0.38%	-1.70%
\$/CAD	1.3316	-0.11%	2.41%
\$/CHF	1.0044	-0.03%	-2.22%
\$/SEK	9.3038	-0.14%	-4.84%
\$/NOK	8.5762	-0.15%	0.75%
\$/DKK	6.5926	-0.09%	-1.23%
\$/TRY	5.4713	-0.28%	-3.32%
EUR/GBP	0.8534	-0.49%	5.34%
EUR/JPY	126.28	-0.29%	-0.36%
EUR/CHF	1.1367	0.04%	-0.98%
COMMODITIES			
Gold Spot \$/Oz	1302.45	-0.51%	1.56%
Silver Spot \$/Oz	15.32	-0.84%	-1.10%
Platinum Spot \$/Oz	832.32	-1.35%	4.61%
Palladium Spot \$/Oz	1545.24	-0.59%	22.47%
COPPER \$/lb	291.80	-0.60%	10.66%
WTI \$/bbl	58.39	0.22%	28.58%
BRENT \$/bbl	67.75	0.30%	25.93%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	During day	UK Parliament Brexit Vote		
USD	14:30	US Initial Jobless Claims	225k	223k
USD	16:00	US New Home Sales	622k	621k

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

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STOCKS & BONDS

Asian shares stumbled today after Chinese data signaled further weakness in the world's second-biggest economy. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.2% after trading water for most part of the day. Chinese shares were the biggest drag on the index after data showed growth in the country's industrial output fell to a 17-year low. Shanghai's SSE Composite index stumbled 1.2% in the aftermath of the figures which suggested more support measures from Beijing were likely, while the blue-chip CSI 300 slipped 0.7%. Japan's Nikkei gave up early gains to end nearly flat. Investors were keenly watching the data for clues about the health of China's economy after growth cooled to 6.6% last year. Despite China's slowing growth, Asian markets have had an impressive rally this year, with the MSCI index climbing about 10% largely after the US Fed all but abandoned its rate hike plans.

US stocks rose on Wednesday, led by gains in healthcare shares, and Boeing edged upward even as the US joined other nations in grounding the company's 737 MAX jets. Boeing Co shares ended up 0.5% at \$377.14, recovering from a more than 3% fall in the afternoon, when the US announced it was grounding Boeing's 737 MAX jets following Sunday's fatal crash in Ethiopia. The US Federal Aviation Administration cited new satellite data and evidence from the scene of Sunday's crash, the second disaster involving the 737 MAX in less than five months. Boeing shares are still down about 11% since Friday's close. The world's largest planemaker had been the best-performing Dow component this year. Also helping stocks Wednesday, fresh economic data strengthened the Fed's patient stance on future interest rate hikes. Producer prices barely rose in February, resulting in the smallest annual increase in more than 1-1/2 years, yet another indication of benign inflation. CVS Health Corp rose 3.5% after Bernstein started coverage of the pharmacy benefit manager with an "outperform" rating. The S&P 500 healthcare index rose 1.1%. UnitedHealth Group shares rose 2.6%. Energy shares rose as oil prices rallied about 2%. The S&P 500 energy index finished up 1.09%. Adding to the upbeat mood was a vote in which British lawmakers rejected leaving the EU without a deal in any scenario. Fueling some volatility in afternoon trading, US Trump said he was in no rush to complete a trade deal with China and insisted that any deal include how it treats US intellectual property.

Gulf stock markets were mixed yesterday. Saudi index rose as banks and petrochemical shares gained amid rising oil prices. Abu Dhabi was pulled down by Emirates Telecommunications.

The US Treasury Department on Wednesday sold \$16 bn in 30-year gov't bonds at a yield of 3.014%, the lowest yield at an auction of this debt maturity since July 2018, Treasury data showed. The ratio of bids to the amount of 30-year bonds offered was 2.25, below the 2.27 at the \$19 bn 30-year bond sale in February.

Portugal's 10-year bond yield held near its lowest in at least 25 years on Wednesday, pinned down by firm demand at a bond sale amid expectations of a ratings upgrade this week. Brexit uncertainty continued to drive broader markets. Yields on 10-year German bonds, viewed as one of the safest assets in the world, were a touch higher but within sight of more than 2-year lows hit last week.

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AMERICA			
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S&P/TSX	16149.97	0.08%	12.76%
EUROPE			
STXE 600	375.60	0.63%	11.24%
FTSE 100	7159.19	0.11%	6.41%
CAC 40	5306.38	0.69%	12.17%
DAX	11572.41	0.42%	9.60%
ASIA PACIFIC			
S&P/ASX 200	6179.59	0.30%	9.44%
NIKKEI 225	21287.02	-0.02%	6.36%
TOPIX	1588.29	-0.24%	6.30%
CSI 300 (China)	3698.49	-0.69%	22.85%
MENA			
Saudi Arabia	8526.68	0.95%	9.11%
Abu Dhabi	4819.83	-0.86%	0.03%
Dubai	2599.82	0.05%	1.58%
Qatar	9761.69	-0.04%	-5.45%
Oman	4074.27	-0.21%	-5.50%
Egypt	15125.84	-0.09%	16.03%
Kuwait	5599.94	-0.03%	6.30%
Bahrain	1411.21	0.44%	5.39%
10-YEAR BONDS			
U.S.	2.6267	0.0054	-0.0575
Germany	0.0790	0.0140	-0.1630
U.K.	1.1980	0.0350	-0.0790
France	0.4700	0.0050	-0.2400
Australia	1.9720	0.0090	-0.3460
Japan	-0.0410	0.0010	-0.0440

Major Company News

- Volkswagen said on Wednesday it would halt preparations for an initial public offering (IPO) of its trucks unit Traton until market conditions improve, stalling what was expected to be Germany's biggest share offering this year.
- French retailer Casino, which is battling investor concerns over its high debts, raised its targets regarding asset disposals and vowed to boost profits and cash flow in its core French market under a 3-yr plan.
- BHP has stepped up exploration drilling in deep water off Trinidad and Tobago hunting for gas which could supply the country's Atlantic LNG (liquefied natural gas) plant in the 2020s, a senior executive said.
- South African coal mining company Exxaro Resources Ltd said on Thursday its full-year earnings climbed 7%, boosted by higher coal prices and the absence of one-off transactions seen a year earlier.
- Brookfield Asset Management Inc said on Wednesday it will buy most of Oaktree Capital Management in a roughly \$4.8 bn deal, creating an alternative-asset manager that will challenge the likes of industry giant Blackstone Group.
- Philip Morris International Inc's Indian partner charges machinery-related costs for manufacturing its Marlboro cigarettes in India, the company said on Wednesday, following a Reuters article that showed it may have circumvented foreign direct investment rules.
- Walmart Inc plans to introduce a low-priced, kid-friendly electronic tablet under its ONN store brand, Bloomberg reported on Thursday.
- State-controlled lender Banco do Brasil SA on Wednesday is pricing \$750 mn in five-year bonds, a source with knowledge of the matter said on Wednesday.

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TOP SELECTED NEWS

Hammond offers more spending, lower taxes if Brexit deal

(Reuters) British finance minister Philip Hammond said on Wednesday he could free billions of pounds for extra public spending or tax cuts, as long as parliament resolves its Brexit impasse. Hammond told lawmakers he could relax his grip on the public finances if they spared Britain the shock of leaving the world's biggest trading bloc without an agreement. "I hoped we would do that last night, but I am confident that we, as a House, will do it over the coming weeks," he said. On Tuesday, parliament rejected Prime Minister Theresa May's proposed Brexit plan for a second time, little more than two weeks before the scheduled date of departure from the EU. "Leaving with no deal would mean significant disruption in the short and medium term and a smaller, less prosperous economy in the long term, than if we leave with a deal," Hammond told parliament, warning of higher unemployment and prices and lower wages under a no-deal Brexit. "That is not what the British people voted for in June 2016," he said. Lawmakers were expected to vote later on Wednesday against a leaving the EU without a transition deal, then vote on Thursday on seeking a delay to Britain's departure, currently scheduled for March 29. New half-yearly fiscal forecasts showed that Britain's public finances were in better shape than in October, when Hammond gave his full, annual budget statement, even against the backdrop of a weaker outlook for the country's economy. Strong income tax receipts, reflecting Britain's lowest unemployment rate since the 1970s despite the economic slowdown, lay behind the improved outlook for the budget.

EU clinches deal on derivative clearing ahead of Brexit

(Reuters) EU gov'ts and lawmakers agreed on Wednesday new rules that could force large foreign clearing houses with operations in the bloc to relocate to the bloc if they want to continue servicing their EU clients. Euro clearing has been one of the main battlegrounds between London and Brussels in talks that will shape how Europe's financial market is divided up when Britain leaves the EU. "Today's agreement is essential to achieving legal certainty on the rules that will apply in the future, in particular as regards the way firms based outside the EU will be able to operate in the single market," said Eugen Teodorovici, Romania's finance minister, who helped push the deal through. The new rules would apply to large US security houses, such as CME and ICE, and British clearing firms after Britain leaves the EU, with the strictest relocation provisions likely to hit LCH, a unit of the London Stock Exchange, which dominates clearing of euro-denominated derivatives.

US prosecutors probing Facebook's data deals: NY Times

(Reuters) US federal prosecutors are conducting a criminal investigation into data deals Facebook Inc struck with some of the world's largest technology companies, the New York Times reported on Wednesday. A grand jury in New York has subpoenaed records from at least two prominent makers of smartphones and other devices, the newspaper reported, citing people familiar with the requests and without naming the companies. Both companies are among the more than 150, including Amazon.com Inc, Apple Inc and Microsoft Corp, that have entered into partnerships with Facebook for access to the personal information of hundreds of millions of its users, according to the report. Facebook is facing a slew of lawsuits and regulatory inquiries over its privacy practices, including ongoing investigations by the US Federal Trade Commission, the Securities and Exchange Commission and two state agencies

in New York. In addition to looking at the data deals, the probes focus on disclosures that the company shared the user data of 87 million people with Cambridge Analytica, a British consulting firm that worked with US President Donald Trump's campaign. Facebook said it was cooperating with investigators in multiple federal probes, without addressing the grand jury inquiry specifically. "We've provided public testimony, answered questions, and pledged that we will continue to do so," Facebook said in a statement. Facebook has defended the data-sharing deals, first reported in December, saying none of the partnerships gave companies access to information without people's permission. A spokesman for the US attorney's office for the Eastern District of New York, which The New York Times reported is overseeing the inquiry, said he could not confirm or deny the probe.

US proposes stricter curbs on e-cigarette sales

(Reuters) The US Food and Drug Administration (FDA) on Wednesday released formal plans to curb the sale of flavored e-cigarettes and slow a surge in teenage use of the popular nicotine devices. FDA Commissioner Scott Gottlieb, who has called teenage use an "epidemic," issued the draft guidelines during his final weeks as head of the agency, after a surprise resignation announcement last week. The proposal would allow traditional retailers such as convenience stores to sell tobacco, mint and menthol e-cigarettes, which the FDA says are more popular among adults than minors. But other flavors could only be sold in stores or online when strong age-verification protocols are in place. In an interview on Wednesday, Gottlieb said the new guidelines give the agency flexibility to further restrict sales if youth use trends continue.

SoftBank, Toyota in talks to invest \$1 bn in Uber's self-driving unit: sources

(Reuters) A group of investors led by SoftBank Group Corp and Toyota Motor Corp is in talks to invest \$1 billion or more into Uber Technologies Inc's self-driving vehicle unit, which would value the unit at \$5 billion to \$10 billion, said two people familiar with the talks. The investment would provide a cash injection for Uber's self-driving program that is costing the money-losing startup hundreds of millions of dollars without generating revenue. It could also help underscore Uber's value as the ride-hailing firm prepares for a stock market debut in which its value could top \$100 billion. Uber and SoftBank declined to comment. A Toyota spokesman said the automaker "constantly reviews and considers various options for investment" but does not have anything to announce. News of investment talks was first reported by The Wall Street Journal, which said a deal could be reached next month. SoftBank Group shares rose 4% in morning Tokyo trade whereas Toyota's stock was flat.

Purdue Pharma company considering bankruptcy

(Reuters) Purdue Pharma's CEO Craig Landau said the company is considering bankruptcy, the Washington Post reported on Wednesday, as the OxyContin maker faces a slew of lawsuits alleging the drugmaker contributed to opioid epidemic sweeping the US. The company has not yet decided whether to file for bankruptcy, Landau said in an interview here with Washington Post, but it is something Purdue was weighing. The CEO's comments come a week after Reuters reported that the company was exploring filing for bankruptcy. Filing for Chapter 11 protection would halt the lawsuits and allow Purdue to negotiate legal claims with plaintiffs under the supervision of a US bankruptcy judge, sources told Reuters last week. Purdue did not respond to Reuters request for comment.



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