

# GLOBAL MARKETS

Friday, March 15, 2019

## Markets in brief

- Global markets drew some relief overnight with European stocks rising to a 5-month high, boosted by strength in the banking sector after Britain's parliament voted to reject a disorderly Brexit.
- Asian stocks gained further support from improving sentiment on a report that U.S.-China talks were making progress. Aussie dollar edged higher on the news.
- British pound paused its volatility after the parliament voted for a Brexit delay .
- Japanese yen rose as the BoJ kept its policy on hold. The safe-haven currency also gained on reports that N. Korea is considering suspending talks with the U.S.
- U.S. dollar was pressured by weak economic data.
- Oil prices soared to the 4-month high as investors focused on global production cuts and supply disruptions in Venezuela.

## Brexit delayed

British lawmakers chose to push back the divorce beyond March 29 by a 412-202 margin, giving Theresa May time to try to get her twice-rejected deal through Parliament. If that happens by March 20, she'll seek an extension through the end of June. If no deal is passed by then, it'll be up to the EU to decide the length of the delay.

## Trump-Xi meeting delayed

A meeting between Trump and President Xi Jinping to sign an agreement to end their trade war won't occur this month and is more likely to happen in April at the earliest, three people familiar with the matter said. Despite claims of progress in talks by both sides, a hoped-for summit at Trump's Mar-a-Lago resort will now take place at the end of April if it happens at all, according to one of the people. China is pressing for a formal state visit, which traditionally takes place in Washington, rather than a lower-key appearance just to sign a trade deal, the person said. (Bloomberg)

## China's policy steps to support growth

China can use reserve requirements and interest rates to support economic growth, Premier Li Keqiang said, promising broad policy steps to prevent a sharper deceleration as the world's second-biggest economy expands at the slowest pace in nearly three decades. Li's comments suggest Beijing is ready to roll out more forceful stimulus measures to ease the strain on businesses and consumers. China has so far promised billions of dollars in planned tax cuts and infrastructure spending, as economic momentum is expected to cool further due to softer domestic demand and a trade war with the United States.

## Bank of Japan not optimistic; kept policy on hold

The Bank of Japan today issued a more downbeat assessment of the world's third biggest economy, as a broader global slowdown impacts exports and production. The central bank kept its ultra-loose monetary policy in place after a two-day policy board meeting. It is battling to safeguard fragile growth and kindle inflation that is stuck stubbornly below its 2% target. The bank added to its monetary policy statement the view that "exports and production have been affected by the slowdown in overseas economies". But the Bank of Japan also argued that "Japan's economy is expanding moderately" and maintained its aim of keeping the short-term policy interest rate around -0.1% and the yield on 10-year bonds around zero.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1319	0.13%
GBP/\$	1.3253	0.08%
AUD /\$	0.7087	0.33%
NZD/\$	0.6848	0.37%
\$/JPY	111.69	0.01%
\$/CAD	1.3300	0.26%
\$/CHF	1.0024	0.14%
Gold \$	1301.29	0.40%
Silver \$	15.34	1.01%
Platinum \$	829.29	0.57%
WTI \$	58.81	0.34%
BRENT \$	67.38	0.22%
<b>AMERICA</b>		
DOW JONES	25709.94	0.03%
S&P 500	2808.48	-0.09%
NASDAQ	7630.91	-0.16%
<b>EUROPE</b>		
STXE 600	378.52	0.78%
CAC 40	5349.78	0.82%
DAX	11587.47	0.13%
<b>ASIA PACIFIC</b>		
S&P/ASX 200	6175.17	-0.07%
NIKKEI 225	21450.85	0.77%
CSI 300 (China)	3745.13	1.26%
<b>MENA</b>		
Saudi Arabia	8582.88	0.66%
Dubai	2574.21	-0.99%
Qatar	9970.55	2.14%
<b>BONDS</b>		
U.S. 10-year	2.6231	-0.0001
German Bund 10-year	0.0810	-0.0001
AU 10-year	1.9790	0.0001
<b>BEIRUT S.E.</b>		
SOLIDERE - A	6.13	-0.97%
SOLIDERE - B	6.05	-2.10%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.00	-
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 paused for breath on Friday after the UK parliament voted overwhelmingly to seek a delay in Britain's exit from the EU while the yen looked to the Bank of Japan's guidance on its policy later in the day. Sterling fetched \$1.3253, having slipped further from Wednesday's 9-month high of \$1.3380, with its fall of 0.76% on Thursday. Against the euro, the pound retreated to 85.41 pence from Wednesday's 22-month peak at 84.725. British lawmakers approved a motion setting out the option to ask the EU for a short delay if parliament can agree on a Brexit deal by March 20, or a longer delay if no deal can be agreed in time. The pound was mostly steady after the motion was passed late on Thursday. Before UK Prime Minister Theresa May meets EU leaders on Wednesday and Thursday, a new vote on her twice-rejected deal is likely next week. Lawmakers must now decide whether to back a deal they feel does not offer a clean break from the EU, or reject it and accept that Brexit could be watered down or even thwarted by a long delay.

The yen was off 1-week lows after the Bank of Japan kept its policy on hold and a report that North Korea is considering suspending nuclear talks with the US. The yen bounced back from a 1-week low of 111.83 per dollar touched on Thursday after Russia's TASS news agency reported North Korea's vice foreign minister said the country is considering suspending nuclear talks with the US. The yen also had a mild boost as the BOJ kept monetary policy steady.

The US dollar was broadly weaker after US data on Thursday underscored growing pressure on the US economy and kept the dollar in check. The number of Americans filing applications for unemployment benefits increased more than expected last week while new home sales fell more than expected in January. The euro traded at \$1.1319, up 0.13%.

The Australian dollar gained 0.33% to \$0.7087. It was knocked off this week's high of \$0.7098 on Thursday by reports that a possible summit meeting the US and China to hammer out a trade deal will be delayed. US Treasury Secretary Steven Mnuchin said on Thursday that a trade summit between President Donald Trump and his Chinese counterpart Xi Jinping would not happen at the end of March as had been previously suggested because there was still more work to do in trade negotiations. Trump said whether a trade deal can be reached with China would probably be known in the next three or four weeks.

Oil prices were firm on Friday amid production cuts led by OPEC and as US sanctions against Venezuela and Iran likely created a slight deficit in global supply in Q1 2019. But oil prices have been capped by concerns that an economic slowdown will soon start denting growth in fuel demand. Despite Friday's dips, oil has rallied around a quarter since the start of the year.

Asian spot prices for liquefied natural gas (LNG) this week fell to their lowest for this time of the year since 2016 as more supply entered the market from Egypt and Australia, with the lower prices attracting Indian demand, trade sources said.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	96.643	-0.15%	0.49%
EUR/\$	1.1319	0.13%	-1.29%
GBP/\$	1.3253	0.08%	3.91%
AUD / \$	0.7087	0.33%	0.54%
NZD/\$	0.6848	0.37%	1.92%
\$/JPY	111.69	0.01%	-1.79%
\$/CAD	1.3300	0.26%	2.53%
\$/CHF	1.0024	0.14%	-2.03%
\$/SEK	9.2862	0.20%	-4.66%
\$/NOK	8.5568	0.17%	0.98%
\$/DKK	6.5921	0.15%	-1.22%
\$/TRY	5.4705	-0.07%	-3.31%
EUR/GBP	0.8541	-0.05%	5.25%
EUR/JPY	126.43	-0.13%	-0.47%
EUR/CHF	1.1347	0.00%	-0.81%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1301.29	0.40%	1.47%
Silver Spot \$/Oz	15.34	1.01%	-0.98%
Platinum Spot \$/Oz	829.29	0.57%	4.23%
Palladium Spot \$/Oz	1559.67	0.42%	23.61%
COPPER \$/lb	291.60	0.85%	10.58%
WTI \$/bbl	58.81	0.34%	29.51%
BRENT \$/bbl	67.38	0.22%	25.24%

### In focus today 🕒

	TIME (LT)	EVENT	FCAST	PRIOR
EUR	12:00	Eurozone Final CPI YoY	1.50%	1.50%
CAD	14:30	Canada Manufacturing Sales MoM	0.40%	-1.30%
USD	16:00	US UoM Consumer Sentiment	95.5	93.8

**Next Week:** Japan Trade Balance, UK Rightmove HPI, Eurozone Trade Balance, AU RBA Policy Meeting Minutes, UK Jobs Report, Swiss Trade Balance, ZEW Economic Sentiment for Germany and Eurozone, NZ Current Account, US FOMC Policy Decision, UK CPI, RPI, AU Jobs Report, Swiss SNB Policy Decision + Press Conference, ECB Economic Bulletin, UK Retail Sales, Manufacturing and Services PMI for Major Countries, Canada Inflation, Eurozone Current Account

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## STOCKS & BONDS

**Asian stocks advanced on Friday as sentiment improved on a report that US-China trade talks were making progress and after UK lawmakers voted to delay a potentially chaotic exit from the EU.** Chinese Vice Premier Liu He spoke by telephone with US Treasury Secretary Steven Mnuchin and US Trade Representative Robert Lighthizer, with the two sides making further substantive progress on trade talks, Xinhua news agency said on Friday. Yet, the prospect of the trade talks taking longer than expected tempered the cheer, and there was still no clarity on how close the two economic powers are on reaching an agreement. Mnuchin said on Thursday that a summit to seal a trade deal between Trump and his Chinese counterpart Xi Jinping will not happen at the end of March as previously discussed because more work is needed in negotiations. MSCI broadest index of Asia-Pacific shares outside Japan gained 0.55%. The Shanghai Composite Index added 0.7% and Japan's Nikkei climbed 0.8%. South Korea's KOSPI was up 0.6%. The index had risen as much as 1.2% but gave up some gains following reports that North Korea is considering suspending nuclear talks with the US. Global markets drew some relief overnight with European stocks rising to a five-month high, boosted by strength in the banking sector after Britain's parliament voted to reject a disorderly Brexit.

**US stocks were mixed yesterday. The S&P 500 slipped, snapping a 3-day streak of gains, as uncertainty over when a trade deal between the US and China would be reached left investors on edge.** Bloomberg reported on Thursday that a meeting between the two was more likely to take place in April at the earliest. Chipmakers, which rely on China for a large portion of their revenue also lost ground with the Philadelphia SE chip index off 0.6%. In the latest of a series of votes, British lawmakers voted overwhelmingly on Thursday to seek a delay in Britain's exit from the EU. Boeing, the single largest US exporter to China, slipped 1%. The world's largest plane-maker had its own troubles this week after its money-spinning 737 MAX jets were grounded globally following a recent fatal crash in Ethiopia. Facebook shares fell 1.8% to \$170.17 after the world's largest social network suffered a major outage that frustrated users across the globe for about 24 hours. It said it had restored the service to its main app and Instagram. After the bell, Facebook's stock was down 1.9% as CEO Mark Zuckerberg said in a blog post that Chief Product Officer Chris Cox will leave the social media network. Among the day's advancers, General Electric shares rose 2.8% to \$10.30 after Chief Executive Larry Culp set conservative profit targets for this year and vowed for a better 2020 and beyond. Apple Inc rose 1.1%, extending recent gains, after brokerage Cowen and Co started coverage with an "outperform" rating. An Apple-led technology rally has propped markets recently. On the economic front, a Commerce Department report showed sales of new US single-family homes fell more than expected in January, suggesting the housing market weakness persisted early in Q1. The PHLX housing index dipped 0.5% on the news.

**Gulf stock markets were mostly up yesterday. The Abu Dhabi stock market climbed sharply for its biggest 1-day gain in nearly three years.** Qatar was lifted by its blue-chip banks to its best day in seven months.

	LAST	1D	YTD
<b>AMERICA</b>			
DOW JONES	25709.94	0.03%	10.21%
S&P 500	2808.48	-0.09%	12.03%
NASDAQ	7630.91	-0.16%	15.01%
S&P/TSX	16087.55	-0.39%	12.32%
<b>EUROPE</b>			
STXE 600	378.52	0.78%	12.10%
FTSE 100	7185.43	0.37%	6.80%
CAC 40	5349.78	0.82%	13.09%
DAX	11587.47	0.13%	9.74%
<b>ASIA PACIFIC</b>			
S&P/ASX 200	6175.17	-0.07%	9.36%
NIKKEI 225	21450.85	0.77%	7.18%
TOPIX	1602.63	0.90%	7.26%
CSI 300 (China)	3745.13	1.26%	24.40%
<b>MENA</b>			
Saudi Arabia	8582.88	0.66%	9.66%
Abu Dhabi	4997.56	3.69%	1.68%
Dubai	2574.21	-0.99%	1.76%
Qatar	9970.55	2.14%	-3.19%
Oman	4074.98	0.02%	-5.75%
Egypt	14991.34	-0.89%	15.00%
Kuwait	5667.03	1.20%	7.59%
Bahrain	1409.06	-0.15%	5.37%
<b>10-YEAR BONDS</b>			
U.S.	2.6231	-0.0072	-0.0611
Germany	0.0810	-0.0050	-0.1610
U.K.	1.2240	0.0260	-0.0530
France	0.4650	-0.0030	-0.2450
Australia	1.9790	0.0060	-0.3390
Japan	-0.0350	0.0060	-0.0380

## Major Company News

- Facebook's chief product officer and one of its earliest employees, Chris Cox, said on Thursday he is leaving the company just days after CEO Zuckerberg revealed a plan to transform the world's biggest social network into an encryption-focused messaging company.
- A US federal judge has issued a preliminary ruling that Qualcomm Inc owes Apple Inc nearly \$1 bn in patent royalty rebate payments, though the decision is unlikely to result in Qualcomm writing a check to Apple because of other developments in the dispute.
- Tesla Inc unveiled its Model Y electric sports utility vehicle on Thursday evening in California, promising a much-awaited crossover that will face competition from European car makers rolling out their own electric rivals.
- Oracle Corp on Thursday forecast current-quarter revenue below analysts' estimates, blaming a strengthening dollar, sending the business software maker's shares down 4% in extended trade.
- H&M, the world's 2nd-biggest fashion retailer, posted on Friday local-currency sales growth for its fiscal first quarter that matched analysts' forecasts, while net sales were slightly higher than expected.
- Adobe Inc on Thursday reported a 25.1% rise in quarterly revenue, driven by growth in its digital media business, which houses its flagship product Creative Cloud.
- The US is considering imposing financial sanctions that could prohibit Visa, Mastercard and other financial institutions from processing transactions in Venezuela, a senior Trump administration said on Thursday.

## TOP SELECTED NEWS

### Abu Dhabi state investor Mubadala halts business with Goldman Sachs amid 1MDB lawsuit

(Reuters) Abu Dhabi state investor Mubadala has suspended new business dealings with Goldman Sachs since its subsidiary filed a lawsuit in November against the US bank and others to recover losses suffered through its dealings with Malaysian state fund 1MDB. "We have suspended any activities with Goldman Sachs pending outcome of the litigation," Brian Lott, spokesman of Mubadala Investment Co, said in response to questions from Reuters. "The only exceptions are engagements signed prior to the litigation, which will continue as per contractual terms," he said. A spokesman for Goldman Sachs declined to comment. Mubadala, which manages over \$225 bn in assets, holds stakes in some of Abu Dhabi's biggest companies as well as stakes in global firms such as Spanish energy firm Cepsa and Austria's OMV. For Goldman Sachs, the suspension of new business with Mubadala comes at a bad time as Abu Dhabi is embarking on a privatization spree that raises the prospect of several big deals in the offering for investment banks. Over the last few years, Goldman has ranked among the top banks for takeover advice in Abu Dhabi, the oil-rich capital of the United Arab Emirates. The suspension of business follows a civil legal action filed by International Petroleum Investment Co (IPIC) in New York in November against Goldman and others, alleging they played a role in trying "to corrupt" former executives of IPIC and its subsidiary Aabar Investments, and "mislead" IPIC and Aabar, aiming to further the business of Goldman and 1Malaysia Development Bhd (1MDB). Goldman Sachs has said that it will contest the claim 'vigorously'.

### Wreckage piece said to show jet was set to dive: 737 Max Update

(Bloomberg) A screw-like device found in the wreckage of the Boeing Co. 737 Max that crashed March 10 in Ethiopia indicates the plane was configured to dive, a piece of evidence that helped convince US regulators to ground the model, a person familiar with the investigation said late Thursday night. Federal Aviation Administration chief Daniel Elwell on Wednesday cited unspecified evidence found at the crash scene as part of the justification for the agency to reverse course and temporarily halt flights of Boeing's largest selling aircraft. Up until then, American regulators had held off as nation after nation grounded the plane. The piece of evidence was a so-called jackscrew, used to set the trim that raises and lowers the plane's nose, according to the person, who requested anonymity to discuss the inquiry. A preliminary review of the device and how it was configured at the time of the crash indicated that it was set to push the nose down, according to the person, who wasn't authorized to speak publicly about the investigation.

### HK suspends UBS sponsor license, fines it and others \$100 mn for IPO failures

(Reuters) Hong Kong's securities regulator banned UBS from leading initial public offerings (IPOs) in the city for a year, while fining it and rivals including Morgan Stanley a combined \$100 mn for due diligence failures on a series of IPOs. UBS is the first major bank involved in stock listings to face such a suspension in the city. The \$100.2 mn in fines are the toughest

toughest actions yet taken by the regulator as part of its campaign against what it sees as shoddy listing standards. The Securities and Futures Commission (SFC) on Thursday fined Swiss giant UBS HK\$375 mn (\$48 mn). It fined Morgan Stanley HK\$224 mn, Merrill Lynch HK\$128 mn and Standard Chartered (StanChart) HK\$59.7 mn, all for failures when sponsoring, or leading, IPOs. Helping firms to list is big business in Hong Kong, which was last year's top IPO destination worldwide with \$36.3 bn raised, according to Refinitiv data.

### SEC sues Volkswagen, Winterkorn

(Reuters) The US Securities and Exchange Commission sued Volkswagen AG and its former chief executive Martin Winterkorn over the German automaker's diesel emissions scandal, accusing the company of perpetrating a "massive fraud" on US investors. The SEC said in its civil complaint filed in San Francisco late on Thursday that from April 2014 to May 2015, Volkswagen issued more than \$13 bn in bonds and asset-backed securities in US markets at a time when senior executives knew that more than 500,000 US diesel vehicles grossly exceeded legal vehicle emissions limits. Volkswagen "reaped hundreds of mns of dollars in benefit by issuing the securities at more attractive rates for the company," the SEC said, adding VW "repeatedly lied to and misled US investors, consumers, and regulators as part of an illegal scheme to sell its purportedly 'clean diesel' cars and bns of dollars of corporate bonds and other securities in the US." The suit seeks to bar Winterkorn from serving as an officer or director of a public US company and recover "ill-gotten gains" along with civil penalties and interest. Winterkorn, who resigned days after the scandal became public in September 2015, was charged by US prosecutors in 2018 and accused of conspiring to cover up the German automaker's diesel emissions cheating.

### Fed announces two hearings on BB&T, SunTrust merger

(Reuters) The US Fed said on Thursday it will hold two public hearings related to BB&T Corp's proposal to acquire SunTrust Banks. The regulator will also extend the public comment period as it aims "to collect information relating to the convenience and needs of the communities to be served" by the lender, the Fed said in a joint statement with the Federal Deposit Insurance Corporation (FDIC). The meetings will be held on April 25 at the Fed's office in Charlotte, North Carolina, and on May 3 at the Fed's office in Atlanta. The deal is the biggest bank merger since the financial crisis and has been subject to much criticism after it was announced last month.

### Apple says Spotify wants benefits of a free app without being free

(Reuters) Apple on Thursday responded to Spotify Technology SA's complaint with EU antitrust regulators, saying the audio streaming service "wants all the benefits of a free app without being free". Spotify, launched a year after Apple unveiled its first iPhone in 2007, said on Wednesday the company unfairly limits rivals to its own music streaming service. Apple's control of its App Store deprived consumers of choice and rival providers of audio streaming services to the benefit of Apple Music, which began in 2015, Spotify added. In response, Apple said it had approved and distributed nearly 200 app updates on Spotify's behalf, resulting in over 300 mn downloaded copies of the Spotify app. "The only time we have requested adjustments is when Spotify has tried to sidestep the same rules that every other app follows," Apple said in a statement.



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