

GLOBAL MARKETS

Monday, March 18, 2019

Markets in brief

- U.S. dollar was weighed by batch of weak economic data, while investors expected a dovish FOMC policy decision on Wednesday.
- British pound hovered near 9-months high on hopes for a delay in Britain's exit from the EU. For this week, traders will be mainly watching: Brexit vote and Jobs Report tomorrow, Inflation data on Wednesday, and BoE policy decision on Thursday.
- Asian stocks continued to trade firm on growing expectations that a cautious Fed will exert more downward pressure on treasury yields.
- U.S. stocks rose on Friday with the S&P 500 boasting its best weekly gain since the end of November, while the Nasdaq had its best week so far this year.

May fighting for her Brexit deal

Theresa May is threatening to give up trying to get Brexit done any time soon unless euroskeptics in her Conservative party back down and promise to vote for her deal this week. The British prime minister is still working to win support for her divorce agreement but she won't bother putting it to another vote in Parliament as planned on Tuesday unless there is a strong chance it will be approved, ministers said. Instead, May will head to a summit of EU leaders on Thursday to seek a lengthy extension to the Brexit process, potentially taking talks back to "square one." May meets with rebel Tories and Northern Ireland's DUP today, people familiar said. She needs both groups to switch sides if her agreement is to be passed by the House of Commons at the third attempt.

Deutsche-Commerzbank merger talks going public

Both banks confirmed the move to deeper discussions in statements on Sunday, capping months of speculation and behind-the-scenes talks with the Finance Ministry. Both firms have struggled to restore revenue growth after deep cuts to their investment banking units. An economic slowdown that has pushed back expectations for higher interest rates has added urgency to the situation. Germany's Finance Minister agreed not to oppose the tens of thousands of job cuts needed to make the deal work and the gov't may remain a shareholder, people familiar said. Hurdles remain. Talks are now focused on how much capital a deal would require. Selling the deal to the ECB and other banking regulators could be a challenge too.

... Labor union upset about the job cuts

The merger could put 20,000 jobs at risk, the head of labor union Verdi said in a media interview on Monday, a day after the two banks confirmed they were discussing the possibility. He said the two lenders were not a good fit for each other, while a crossover in an international direction would make more sense for them. Merging the German banks' operations would create overlap in retail and business customer segments, leading to problematic conditions from the workers' point of view, he added.

FAA's approval under investigation

The U.S. Department of Transportation is investigating the Federal Aviation Administration's approval of Boeing Co's 737 MAX jetliners, the Wall Street Journal reported on Sunday, citing people familiar with the probe. The Transportation Department's inquiry was launched in the wake of October's Lion Air accident that killed 189 people and is being conducted by its inspector general, which has warned two FAA offices to safeguard computer files, the Journal said.

Chinese president visiting Europe

Xi Jinping will make state visits to Europe this week with nations torn between concerns about Chinese influence and a desire for more investment. Xi will travel to France, Italy and Monaco from March 21 to 26.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1341	0.13%
GBP/\$	1.3279	-0.08%
AUD /\$	0.7118	0.47%
NZD/\$	0.6872	0.38%
\$/JPY	111.54	-0.05%
\$/CAD	1.3309	0.20%
\$/CHF	1.0016	0.05%
Gold \$	1303.88	0.11%
Silver \$	15.34	0.32%
Platinum \$	832.39	0.07%
WTI \$	58.42	-0.17%
BRENT \$	67.22	0.09%
AMERICA		
DOW JONES	25848.87	0.54%
S&P 500	2822.48	0.50%
NASDAQ	7688.53	0.76%
EUROPE		
STXE 600	381.10	0.68%
CAC 40	5405.32	1.04%
DAX	11685.69	0.85%
ASIA PACIFIC		
S&P/ASX 200	6190.53	0.25%
NIKKEI 225	21584.50	0.62%
CSI 300 (China)	3847.84	2.75%
MENA		
Saudi Arabia	8563.44	-0.23%
Dubai	2577.86	0.14%
Qatar	9863.10	-1.08%
BONDS		
U.S. 10-year	2.5961	0.0001
German Bund 10-year	0.0880	0.0000
AU 10-year	1.9840	0.0001
BEIRUT S.E.		
SOLIDERE - A	6.07	-0.98%
SOLIDERE - B	6.02	-0.50%
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	-

Monday, March 18, 2019

FX & COMMODITIES

The US dollar licked its wounds on Monday after soft US data increased bets the Fed will cut rates later this year. The dollar's index against a basket of six major currencies edged down 0.15% to 96.45, after having shed 0.81% last week, the biggest loss since late August. Weaker-than-forecast US economic data on Friday cemented expectations the Fed could strike a dovish stance this week, sending US bond yields down to 10-week lows. US manufacturing output fell 0.4% in February, weakening for a second straight month, while factory activity in New York state was softer than expected this month with an index reading of 3.7. The 10-year Treasuries yield fell to as low as 2.580%, its lowest since Jan. 4, while Fed funds futures priced in about 40% chance of a rate cut this year, compared with almost zero% seen earlier this month. Against this background, many investors expect the Fed to suggest rates will be on hold in the near future and to unveil a plan to end its balance sheet runoff later this year in its meeting ending on Wednesday. As the dollar loses steam, other major currencies rose by default. The euro inched up to \$1.1341, flat in early Monday trade having gained 0.86%, the biggest weekly gain since late September. The Australian dollar reacted more, gaining 0.47% to a 2-week high of \$0.7118. The dollar fetched 111.54 yen, little changed on the day but off Friday's nine-day high of 111.90.

The British pound stood not far from last week's nine-month high of \$1.3380, supported by relief that a no-deal Brexit will likely be averted. It last stood at \$1.3279. It is not clear if British Prime Minister Theresa May can secure support for her Brexit deal in the parliament, which has twice rejected her offer by a wide margin. May has only three days to win approval for her deal to leave the EU if she wants to go to a summit with the bloc's leaders on Thursday. May is warning hard-line Brexiteers that unless they approved her Brexit divorce deal, Britain's exit from the EU could face a long delay and could involve taking part in the bloc's parliamentary elections.

Oil prices dipped on Monday amid concerns that an economic downturn may dent fuel consumption, but crude markets remain broadly supported by supply cuts led by producer group OPEC and US sanctions against Iran and Venezuela.

	LAST	1D	YTD
CURRENCIES			
DXY	96.450	-0.15%	0.29%
EUR/\$	1.1341	0.13%	-1.10%
GBP/\$	1.3279	-0.08%	4.12%
AUD /\$	0.7118	0.47%	0.98%
NZD/\$	0.6872	0.38%	2.28%
\$/JPY	111.54	-0.05%	-1.66%
\$/CAD	1.3309	0.20%	2.46%
\$/CHF	1.0016	0.05%	-1.95%
\$/SEK	9.2189	0.12%	-3.97%
\$/NOK	8.5149	0.18%	1.48%
\$/DKK	6.5803	0.14%	-1.05%
\$/TRY	5.4597	-0.24%	-3.12%
EUR/GBP	0.8541	-0.24%	5.25%
EUR/JPY	126.50	-0.18%	-0.53%
EUR/CHF	1.1359	-0.09%	-0.91%
COMMODITIES			
Gold Spot \$/Oz	1303.88	0.11%	1.67%
Silver Spot \$/Oz	15.34	0.32%	-1.02%
Platinum Spot \$/Oz	832.39	0.07%	4.62%
Palladium Spot \$/Oz	1560.05	0.45%	23.64%
COPPER \$/lb	293.10	0.86%	11.15%
WTI \$/bbl	58.42	-0.17%	28.65%
BRENT \$/bbl	67.22	0.09%	24.94%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
USD	16:00	US NAHB Housing Market Index	63	62

Tuesday: AU RBA Policy Meeting Minutes, AU HPI, UK Jobs Report, Swiss Trade Balance, ZEW Economic Sentiment for Germany and Eurozone, NZ Current Account

Wednesday: US FOMC Policy Decision + Conference, UK CPI, RPI, NZ GDP QoQ

Thursday: AU Jobs Report,, Swiss SNB Policy Decision + Press Conference, ECB Economic Bulletin, UK Retail Sales, UK BoE Policy Decision, EU Economic Summit, US Philly Fed Manufacturing Index, US Initial Jobless Claims

Friday: Manufacturing and Services PMI for Major Countries, Canada Inflation, Eurozone Current Account

Monday, March 18, 2019

STOCKS & BONDS

Asian shares pulled ahead on Monday while bonds were in demand globally on mounting speculation the US Fed will sound decidedly dovish at its policy meeting this week. Japan's Nikkei advanced 0.62%, and MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.6%. Shanghai blue chips climbed 2.75%. E-Mini futures for the S&P 500 dithered either side of flat.

US stocks rose on Friday, led by technology companies, as a report on progress in US-China trade talks lifted sentiment, pushing the S&P 500 to its best week since November. China's state-run Xinhua news agency said Washington and Beijing were making substantive progress on trade talks, providing relief after news that a summit to seal a deal between the two sides would not happen at March-end. Chipmakers, which tend to derive a large portion of their revenue from China, rose. The Philadelphia SE chip index climbed 2.9% while the S&P 500 technology index rose 1.2%. US weak economic data followed a batch of weak data this week that lent support to the Fed's dovish stance on future interest rate hikes, which has helped to lift stocks this year. Boeing Co closed up 1.5%, lifting the Dow, after the world's largest plane-maker said a software upgrade for the 737 MAX aircraft will be rolled out in the coming weeks. Even so, Boeing's shares for the week lost 10.3%. The company's 737 MAX jets were grounded globally following a fatal crash involving one of its planes in Ethiopia on Sunday. The S&P 500 posted its best weekly gain since the end of November and Nasdaq had its best weekly gain so far this year. For the week, the S&P 500 was up 2.9%, the Nasdaq was up 3.8%, and the Dow was up 1.6%. Broadcom Inc jumped 8.2% and was among the biggest boosts to the S&P 500 and Nasdaq, after the company late on Thursday reported a quarterly profit that beat analysts' estimates. Photoshop maker Adobe Inc, which also reported results late Thursday, fell 4% after its current-quarter revenue forecast missed analysts' estimates. Facebook Inc shares were down 2.5% after the social media giant said late on Thursday that Chief Product Officer Chris Cox would be leaving the company. The stock briefly added to losses and Google-parent Alphabet lost ground after the Washington Post reported that US state attorneys general are signaling they are willing to take action against those and other companies. Qualcomm shares climbed 2.2% after it won a legal victory against Apple Inc, with a jury in federal court in San Diego finding that Apple owes Qualcomm about \$31 mn for infringing three of its patents.

European shares closed at their highest level in five months on Friday. The pan-European STOXX 600 was up 0.7%, its biggest gain in a month, and ended the day at its highest level since Oct. 4. All major bourses were in positive territory.

Gulf stock markets were mixed on Sunday. Saudi index dipped slightly, a day ahead of the market's inclusion in the FTSE Russell's emerging market index. Qatari index was down 1.1% on weakness in banks and real estate firms. Investors booked profits in recent gainers on the Tadawul, weakening the benchmark, which was down 0.2%. The Saudi index has gained 9.5% so far this year, outperforming major Gulf markets. Foreign investors have been net buyers of Saudi stocks every week this year, positioning for passive fund inflows after its inclusion in the FTSE Russell index on March 18 and in MSCI from late May.

	LAST	1D	YTD
AMERICA			
DOW JONES	25848.87	0.54%	10.81%
S&P 500	2822.48	0.50%	12.59%
NASDAQ	7688.53	0.76%	15.87%
S&P/TSX	16140.35	0.33%	12.69%
EUROPE			
STXE 600	381.10	0.68%	12.87%
FTSE 100	7228.28	0.60%	7.43%
CAC 40	5405.32	1.04%	14.26%
DAX	11685.69	0.85%	10.67%
ASIA PACIFIC			
S&P/ASX 200	6190.53	0.25%	9.64%
NIKKEI 225	21584.50	0.62%	7.84%
TOPIX	1613.68	0.69%	8.00%
CSI 300 (China)	3847.84	2.75%	27.81%
MENA			
Saudi Arabia	8563.44	-0.23%	9.41%
Abu Dhabi	4977.29	-0.41%	1.81%
Dubai	2577.86	0.14%	2.58%
Qatar	9863.10	-1.08%	-3.97%
Oman	4086.88	0.29%	-4.94%
Egypt	15033.48	0.28%	15.32%
Kuwait	5674.30	0.13%	8.04%
Bahrain	1409.91	0.06%	5.60%
10-YEAR BONDS			
U.S.	2.5961	0.0090	-0.0881
Germany	0.0880	0.0040	-0.1540
U.K.	1.2110	-0.0130	-0.0660
France	0.4650	0.0060	-0.2450
Australia	1.9840	0.0050	-0.3340
Japan	-0.0350	-0.0010	-0.0380

Major Company News

- Ride-hailing platform Lyft Inc will launch the investor road show for its initial public offering on Monday, seeking to raise as much as \$2 bn and to be valued at more than \$20 bn, according to people familiar with the matter.
- Amazon.com Inc's planned second headquarters in northern Virginia cleared a key test on Saturday when local officials approved a proposed financial package worth an estimated \$51 mn amid a small but vocal opposition.
- The newly appointed chief executive of Walmart Japan and Japanese supermarket chain Seiyu said on Monday he had no plan to sell the Japanese supermarket, following reports last year that Walmart was looking for a buyer.
- US President Donald Trump urged General Motors Co to reopen Ohio plant in a tweet on Saturday, ten days after the plant made its last Chevrolet Cruze.
- PG&E Corp is close to naming a new chief executive officer and revamping its board backed by some of its largest investors, the Wall Street Journal said on Saturday, as the power utility restructures after filing for bankruptcy because of potential liabilities from California wildfires.
- Corona beer maker Constellation Brands Inc is in advanced talks to sell some of its low-end wines to privately held E.&J. Gallo Winery, CNBC reported on Friday, citing people familiar with the situation.
- Italian luxury group Prada said on Friday it would stop offering end-of-season promotions at its stores, in a bid to boost margins and protect its brand after achieving revenue growth in 2018 for the first time in four years.

TOP SELECTED NEWS

Brexit spurs biggest cut in UK investment in 10 years: BCC

(Reuters) British companies look set to cut investment by the most in 10 years in 2019 because of Brexit, even if Prime Minister Theresa May gets a deal to ease the country out of the bloc, an employers group said on Monday. Business investment was forecast to fall by an annual 1.0% in 2019, the British Chambers of Commerce (BCC) said. Weak investment by companies drags on productivity which puts a brake on wage rises and weighs on the overall economy. "Political inaction has already had economic consequences, with many firms hitting the brakes on investment and recruitment decisions," Adam Marshall, the BCC's director general, said. "Worse still, some companies have moved investment and growth plans as part of their contingency preparations. Some of this investment may never come back to the UK." Many financial firms have set up operations in other EU countries and carmakers have reduced their expansion plans in Britain. BMW said this month it could move some output in the event of a no-deal Brexit. In 2018, business investment fell in each of the four calendar quarters, the longest such run since the global financial crisis, official figures have shown.

Japan's exports slump again on weak external demand

(Reuters) Japan's exports fell for a third month in February in a sign of growing strain on the trade-reliant economy, suggesting the central bank might be forced to offer more stimulus eventually to temper the effects of slowing external demand and trade frictions. Slowing global growth, the Sino-U.S. trade war and complications over Britain's exit from the European Union have already forced many policymakers to shift to an easing stance over recent months. Japan is in a similar situation to much of the rest of the world, where factories have slammed on the brakes and business confidence has plummeted in the wake of rising global economic uncertainty. Ministry of Finance data showed on Monday exports fell 1.2% year-on-year in February, more than a 0.9% decrease expected by economists in a Reuters poll. It followed a sharp 8.4% year-on-year drop in January, marking a third straight month of falls due to drops in shipments of cars, steel and semiconductor production equipment.

Ethiopia jet black boxes similar to Lion Air disaster

(Reuters) The crash of an Ethiopian Airlines plane that killed 157 people had "clear similarities" with October's Lion Air crash, Ethiopia said on Sunday, shown by initial analysis of the black boxes recovered from the wreckage of the March 10 disaster. The crash has generated one of the most widely watched and high-stakes inquiries for years, with the latest version of Boeing's profitable 737 workhorse depending on the outcome. Both planes were MAX 8s, and both crashed minutes post take-off after pilots reported flight control problems. Concern over the plane's safety led aviation authorities to ground the model, wiping billions of dollars off Boeing's market value. "It was the same case with the Indonesian (Lion Air) one. There were clear similarities between the two crashes so far," Ethiopian transport ministry spokesman Muse Yiheyis said. "The data was successfully recovered. Both the American team and our (Ethiopian) team validated it," he told Reuters, adding that the ministry would provide more information after three or four days. In Washington, however, US officials told Reuters the FAA and US National Transportation Safety Board (NTSB) had not yet validated the data. Boeing's safety analysis of a new flight control system known as MCAS on MAX jets had

Deutsche asset management arm to get Allianz interest

(Bloomberg) Allianz SE is exploring the possibility of a combination of its asset management arm with Deutsche Bank AG's DWS Group to create a national champion in active money management, according to people familiar with the matter. The Munich-based insurer is looking at the feasibility of a deal with Germany's largest lender to create a business with 1.17 trillion euros (\$1.33 trillion) under management, said the people, who asked not to be identified discussing the private matter. Allianz's deliberations are at an early stage and may not lead to any formal talks or agreement, the people said. DWS is one of Deutsche Bank's crown jewels and the lender is reluctant to sell its holding in the stock-listed unit, one of the people said. Still, such a transaction could help Deutsche Bank finance a merger with Commerzbank AG. The lender would have to come up with about 8 bn euros for restructuring expenses and revaluation of certain assets should it decide to combine with its cross-town rival, according to Christian Koch, a DZ Bank analyst. DWS has a market cap of 5.6 bn euros, valuing Deutsche Bank's 78% stake at about 4.3 bn euros.

US oil rig count lowest since Apr 2018: Baker Hughes

(Reuters) US energy firms this week reduced the number of oil rigs operating for a fourth week in a row with drilling slowing to its lowest in nearly a year, prompting the gov't to cut crude output growth forecasts. Drillers cut one oil rig in the week to March 15, bringing the total count down to 833, the lowest since April 2018, GE's Baker Hughes energy services firm said in its closely followed report on Friday. That is the first time the rig count has declined for four weeks in a row since May 2016 when it fell for eight consecutive weeks. The US rig count, an early indicator of future output, is a little higher than a year ago when 800 rigs were active after energy companies boosted spending in 2018 to capture higher prices that year.

Saudi stocks set to receive \$20 bln windfall

(Reuters) Saudi Arabia's inclusion in major emerging markets stock indices from Monday is likely to suck in around \$20 bn in passive inflows, but unease after Jamal Khashoggi's murder and sluggish reforms could lead some active foreign investors to steer clear. Saudi Arabia will be the biggest recent addition to the global indices, the largest of which is the MSCI Emerging Markets Index, which it joins from May. MSCI will give the kingdom a weight of 2.7%, between Russia and Mexico. The kingdom is hoping the inclusions, starting on Monday when Saudi stocks join the FTSE Emerging All Cap Index, will kickstart its drive to become a major destination for foreign capital. The process should help bring in about \$20 bn of combined passive inflows during 2019, analysts estimate. That would push up foreign ownership from around 2%, one of the lowest in the region, to around 6%, according to Al Mal Capital.

Apple Watch detects irregular heart beat in large US study

(Reuters) The Apple Watch was able to detect irregular heart pulse rates that could signal the need for further monitoring for a serious heart rhythm problem, according to data from a large study funded by Apple Inc, demonstrating a potential future role for wearable consumer technology in healthcare. Researchers hope the technology can assist in early detection of atrial fibrillation, the most common form of irregular heart beat. Patients with untreated AF are five times more likely to have a stroke. Results of the largest AF screening and detection study, involving over 400,000 Apple Watch users who were invited to participate, were presented on Saturday at the American College of Cardiology meeting in New Orleans.



Monday, March 18, 2019

APPENDIX & DISCLAIMER

This document is for information purposes only and does not take account of the specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever.

The information in this document is based on data obtained from sources believed by Bank of Beirut to be reliable and in good faith, but no representations, guarantees or warranties are made by Bank of Beirut with regard to accuracy, completeness or suitability of the data. The opinions and estimates contained herein reflect the current judgment of the author (s) on the data of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Bank of Beirut. Bank of Beirut does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any opinion described herein would yield favorable investment results. Any forecasts discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by other sources relied upon in the document were inapposite.

Neither Bank of Beirut nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Bank of Beirut. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

For further inquiries, feedback, and trading services:

GLOBAL MARKETS DIVISION

Phone:

+961 1 960501

Email:

treasury@bankofbeirut.com.lb

PRIVATE BANKING DEPARTMENT

Phone:

+961 1 960531/2/3

Email:

privatebanking@bankofbeirut.com.lb

BANK OF BEIRUT GROUP

Lebanon

www.bankofbeirut.com

Australia

www.banksyd.com.au

United Kingdom

www.bankofbeirut.co.uk

Germany

www.bankofbeirut.de

Sultanate of Oman

www.bankofbeirut.com.om

For more info about:

Subsidiaries

[Click here](#)

Network

[Click here](#)

Overseas

[Click here](#)