

GLOBAL MARKETS

Tuesday, March 19, 2019

Markets in brief

- U.S. dollar continued to trade under pressure before Fed's meeting tomorrow.
- Aussie dollar was flat as RBA's policy minutes signaled that rates could go either way.
- Pound traders positioned for more Brexit uncertainty. Today's focus: Jobs report.
- Euro investors looked forward for ZEW data release at 12:00 LT.
- Oil prices traded near 2019 highs, supported by supply cuts led by OPEC.
- Asian shares traded in a tight range near 6 1/2-month highs.
- U.S. stocks were led higher yesterday by banks and tech sector.
- Gulf stock markets ended up yesterday with Saudi index close to 4-year highs.
- Italian bond yields dropped to May 2018 levels after Moody's no change ratings. Portugal's 10-yr bond yield dropped to lowest in at least 25 yrs after S&P's upgrade.

RBA noting "significant uncertainties"

Australia's central bank is holding fire on interest rates, even as a slide in the nation's home prices deepens, as it awaits a resolution to the divergence between strong hiring and decelerating economic growth. The RBA said the labor market is "particularly important" to the outlook and reiterated there's considerable uncertainty over consumption, minutes of its March 5 policy meeting released showed. It said dwelling investment was expected to subtract from growth and the decline "could be sharper" than currently expected. "Members agreed that there was not a strong case for a near-term adjustment in monetary policy," it said. "Rather, they assessed that it would be appropriate to hold the cash rate steady while new information became available that could help resolve the current tensions in the domestic economic data."

Brexit vote blocked ... A longer delay looming

Theresa May looked set to seek a long extension to the UK's EU membership after the House of Commons speaker torpedoed her plan to win Parliamentary approval for her deal to leave the bloc. Officials privately accused Speaker John Bercow of overreaching his powers to help pro-EU politicians deliver a softer divorce and said another vote on May's agreement is now unlikely before Thursday's EU summit, when the prime minister will have to ask for a delay. May was given no warning of Bercow's announcement Monday afternoon, in which he effectively banned her from bringing her deal back to Parliament for a third time unless it changes significantly.

China could triple buying of American farm goods

China could as much as triple its purchases of American farm goods as part of a trade deal between the nations, U.S. Agriculture Secretary Sonny Perdue said. When compared with the nation's buying in 2017, "we could easily see, if we are able to come to a trade resolution, a doubling or tripling of that kind of number over a period of two to five years, he said Monday in an interview on Bloomberg Television with Shery Ahn. That would dovetail with a proposal by Beijing to buy an additional \$30 billion a year of American agricultural products.

Who might be hired for Commerz-Deutsche merger?

Rothschild & Co. and Goldman Sachs Group Inc. are advising Commerzbank AG on its merger talks with Deutsche Bank AG, according to people familiar with the matter. Both banks have received formal mandates to advise Germany's second-largest lender on the deal after previously working with Commerzbank AG to advise on possible takeover offers, the people said, asking to be not identified discussing private information. Deutsche Bank has still to formally appoint banks on the deal, people with knowledge of the matter said. (Bloomberg)

FX & COMMODITIES	LAST	1D
EUR/\$	1.1350	0.11%
GBP/\$	1.3274	0.14%
AUD /\$	0.7100	-0.06%
NZD/\$	0.6857	0.06%
\$/JPY	111.29	0.13%
\$/CAD	1.3335	-0.01%
\$/CHF	1.0003	0.11%
Gold \$	1305.69	0.15%
Silver \$	15.36	0.05%
Platinum \$	838.74	0.29%
WTI \$	59.06	-0.05%
BRENT \$	67.67	0.19%
AMERICA		
DOW JONES	25914.10	0.25%
S&P 500	2832.94	0.37%
NASDAQ	7714.48	0.34%
EUROPE		
STXE 600	382.11	0.27%
CAC 40	5412.83	0.14%
DAX	11657.06	-0.25%
ASIA PACIFIC		
S&P/ASX 200	6184.79	-0.09%
NIKKEI 225	21566.85	-0.08%
CSI 300 (China)	3829.46	-0.58%
MENA		
Saudi Arabia	8653.16	1.05%
Dubai	2619.82	1.63%
Qatar	9972.68	1.11%
BONDS		
U.S. 10-year	2.5979	-0.0001
German Bund 10-year	0.0850	0.0000
AU 10-year	1.9330	-0.0005
BEIRUT S.E.		
SOLIDERE - A	6.06	-0.16%
SOLIDERE - B	5.99	-0.50%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.00	-
BLOM BANK	9.16	2.92%
BYBLOS BANK	1.33	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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FX & COMMODITIES

The US dollar was under pressure on Tuesday, weighed by growing expectations the Fed would shift to a more accommodative policy stance this week and concerns about slower US economic growth. The dollar index, which measures the greenback against a basket of six major currencies, was a shade lower at 96.411, hovering close to a two-week low. The index has lost 1.2% after hitting a 3-month high of 97.710 on March 7. The dollar has weakened in recent sessions on growing expectations the Fed will strike a dovish tone at its two-day policy meeting due to start later on Tuesday. Many investors expect the Fed, which has raised rates four times last year, to keep its benchmark overnight interest rate unchanged and stick to its pledge of a "patient" approach to monetary policy. As the dollar took a breather, other major currencies advanced by default. The yen rose 0.13% to 111.29 yen per dollar, extending its gains to a third session.

The British pound also gained, rising 0.14% to \$1.3274. It had seesawed overnight after the speaker of Britain's parliament said Prime Minister Theresa May's Brexit deal could not be voted on again unless a different proposal was submitted. The Bank of England is expected to leave its interest rate outlook unchanged at a policy meeting on Thursday due to the deep uncertainty over Britain's decision to leave the EU.

The euro was down a tad at \$1.1350. Investors' focus on Tuesday was also on Germany's ZEW economic index for March, due for release around 12:00 LT. The German economy, Europe's largest, barely avoided recession in the final quarter of last year, as the negative impact from global trade disputes and Brexit weighed on a decade of expansion.

The Australian dollar traded flat after the RBA released the minutes of its March 5 monetary policy meeting. The minutes showed the risk for interest rates to go in either direction was "evenly balanced". The minutes showed member spent considerable time trying to strike a balance between the damaging effects of crumbling home prices on consumer spending against a sturdy labor market when it left interest rates at a record low earlier this month. At issue was the fall in the supply and demand for home loans and the implications of cooling housing prices on the country's economy. Australian 3-year bond yields drop below the central bank's cash rate after RBA minutes removed a reference that low interest rates were supporting the economy. ACGB yields decline 4 -5 bps across the curve, with trading active in RBA-dated OIS rates; 3-year yield falls as much as 4 bps to 1.497%, 10-year drops 5 bps to 1.93%. AUD/USD is little changed at 0.7100, halting a 2-day rally. House price index fell 5.1% y/y last quarter, versus est. -5.0%, record annual decline in data starting in 2004: Bureau of Statistics data.

Oil prices were near 2019 highs on Tuesday, supported by supply cuts led by producer club OPEC. US sanctions against oil producers Iran and Venezuela are also boosting prices, although traders said the market may be capped by rising US output. US West Texas Intermediate (WTI) futures were close to the 2019 high of \$59.23 reached the previous day. Brent crude oil futures were close to this year's peak of \$68.14 reached late last week.

	LAST	1D	YTD
CURRENCIES			
DXI	96.411	-0.12%	0.25%
EUR/\$	1.1350	0.11%	-1.02%
GBP/\$	1.3274	0.14%	4.08%
AUD / \$	0.7100	-0.06%	0.72%
NZD/\$	0.6857	0.06%	2.05%
\$/JPY	111.29	0.13%	-1.44%
\$/CAD	1.3335	-0.01%	2.26%
\$/CHF	1.0003	0.11%	-1.82%
\$/SEK	9.2266	0.03%	-4.05%
\$/NOK	8.5481	-0.03%	1.09%
\$/DKK	6.5747	0.11%	-0.96%
\$/TRY	5.4710	-0.06%	-3.32%
EUR/GBP	0.8551	0.04%	5.13%
EUR/JPY	126.33	0.01%	-0.40%
EUR/CHF	1.1354	-0.01%	-0.87%
COMMODITIES			
Gold Spot \$/Oz	1305.69	0.15%	1.81%
Silver Spot \$/Oz	15.36	0.05%	-0.88%
Platinum Spot \$/Oz	838.74	0.29%	5.42%
Palladium Spot \$/Oz	1585.95	0.44%	25.69%
COPPER \$/lb	292.10	0.41%	10.77%
WTI \$/bbl	59.06	-0.05%	30.06%
BRENT \$/bbl	67.67	0.19%	25.78%

In focus today 🕒

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	11:30	UK Unemployment Rate	4.00%	4.00%
GBP	11:30	UK Average Earnings Index	3.20%	3.40%
EUR	12:00	German ZEW Economic Sent	-11.0	-13.4
EUR	12:00	Eurozone ZEW Economic Sent	-15.1	-16.6
NZD	23:45	NZ Current Account	-3.55B	-6.15B

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

Tuesday, March 19, 2019

STOCKS & BONDS

Asian shares held to tight ranges on Tuesday ahead of a Fed policy meeting, but were broadly supported near 6-1/2-month highs on expectations the US central bank might strike a dovish tone. MSCI's broadest index of Asia-Pacific shares outside Japan was virtually flat, easing back from its highest level since Sept. 4 hit earlier in the session. Japan's Nikkei average and Australian stocks both dipped 0.1%. In China, the benchmark Shanghai Composite slipped 0.2% and the blue-chip CSI 300 fell 0.4%, while Hong Kong's Hang Seng was almost flat.

US stocks were led by banks and tech higher on Monday, while Boeing and Facebook were a drag and investors eyed this week's US Fed meeting for affirmation of its commitment to "patient" monetary policy. Following the S&P 500's best week since November, the benchmark index ended the session about 3.3% below its all-time high reached in September. All three major US indexes closed in positive territory. The Dow's fourth straight advance ran into headwinds from Boeing Co, which fell 1.8% as the company faced increasing scrutiny following a fatal crash in Ethiopia on March 10. The drop in shares of the world's largest plane maker extended last week's 10.3% decline and was the heaviest weight on the blue-chip index. The Fed's two-day policy meeting begins on Tuesday. Investors anticipate the US central bank will reinforce its dovish approach toward further interest rate hikes. Of the 11 major sectors in the S&P 500, eight closed in the black, with energy, consumer discretionary and financial companies enjoying the biggest percentage gains. The prospect of extended OPEC supply cuts sent crude prices to four-month highs, which boosted energy companies, while news of upcoming IPO, notably from ride-hailing service Lyft, sent the banking sector higher. The communications services sector was the largest percentage loser, weighed down by Facebook Inc. Facebook shares were down 3.4% after the European Commission's deputy head said "at some point, we will have to regulate" big tech and social media companies to protect citizens and a top-rated Needham analyst downgraded the stock to "hold" from "buy." Apple Inc surprised investors with the launch of new iPad devices ahead of the company's expected March 25 launch of a content streaming service. The stock closed up 1.0%. Shares of Apple supplier Synaptics Inc plummeted 22.6% after Mizuho downgraded it to "neutral" from "buy." Goldman Sachs and Citigroup advanced 2.1% and 1.1%, respectively, on a report that the banks are helping Germany's two biggest lenders with a potential merger worth more than \$28bn. Amazon.com gained 1.7%, leading the consumer discretionary sector's advance.

Gulf stock markets ended up yesterday. Saudi index closed at its highest in nearly four years on Monday as bank shares rose on its first day as a member of FTSE Russell's emerging-market index, which is expected to attract billions in passive fund inflows. Saudi's Tadawul index will have a weighting of 2.9% in the FTSE Emerging All Cap Index and later this year will join the MSCI emerging market benchmark. The market is positioned for passive fund inflows of around \$20bn.

US Treasury debt yields ticked up on Monday but made no significant moves as traders held off placing large positions ahead of the Fed's policy-setting meeting this week at which the US central bank is expected to keep interest rates steady.

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TOPIX	1610.23	-0.21%	7.77%
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Dubai	2619.82	1.63%	3.77%
Qatar	9972.68	1.11%	-3.05%
Oman	4128.16	1.01%	-3.78%
Egypt	14910.78	-0.82%	14.38%
Kuwait	5689.30	0.26%	8.65%
Bahrain	1413.32	0.24%	6.05%
10-YEAR BONDS			
U.S.	2.5979	-0.0054	-0.0863
Germany	0.0850	0.0020	-0.1570
U.K.	1.1960	-0.0150	-0.0810
France	0.4550	0.0000	-0.2550
Australia	1.9330	-0.0510	-0.3850
Japan	-0.0440	-0.0090	-0.0470

Major Company News

- A tweet about Tesla production targets by Elon Musk was "a blatant violation" of a court order to get his written communications pre-approved, US securities regulators told a judge on Monday, doubling down on the gov't's demand to find the Tesla CEO in contempt of a previous fraud settlement.
- Lyft Inc kicked off the investor road show for its IPO on Monday, targeting a valuation of up to \$23bn and seeking to woo money managers before larger ride-hailing rival Uber goes public in April.
- Australia's Healthscope Ltd said on Tuesday the Foreign Investment Review Board had approved Canadian investment firm Brookfield's takeover offer for the hospital operator along with associated property transactions.
- Tencent Holdings Ltd is putting about 10% of its managers on notice, as China's largest gaming and social media company shakes up its workforce amid cooling growth and intensified competition, Bloomberg reported on Tuesday, citing sources.
- US energy firm Williams Companies Inc and Canada's largest pension fund manager have agreed to form a \$3.8bn joint venture, the companies said in a statement on Monday.
- Swedbank said on Monday that it will release the results of an external investigation into allegations of involvement in a Baltic money laundering scandal on Friday.
- Blackstone Group has raised \$695mn from Mexican pension funds for its first two local private equity funds, filings showed, joining Black Rock and KKR & Co in expanding in Mexico following regulatory changes.



Tuesday, March 19, 2019

TOP SELECTED NEWS

No news is good news for Italian bonds as Moody's holds

(Reuters) No news proved the most important news for euro zone bond markets on Monday after a decision by ratings agency Moody's not to downgrade Italy sparked a strong rally in Italian debt, while Portuguese yields hit historic lows on an S&P ratings upgrade. Broader euro zone bond yields dipped in late trade alongside UK gilt yields after the speaker of Britain's parliament said Prime Minister Theresa May could not put her divorce deal to a new vote unless it was re-presented in a substantially different form. Moody's on Friday left Italy's Baa3 credit rating unchanged, pushing Italian gov't bond yields to their lowest since May 2018. Standard & Poor's upgraded Portugal to BBB, allowing Portugal's 10-year bond yield to drop to its lowest in at least 25 years. Italy's 10-year gov't bond yield fell by more than seven basis points on the day to 2.42%, its lowest since May 2018. Its spread over higher-rated Germany narrowed to its tightest since September 2018 at 234 basis points. Standard & Poor's cited declining debt and balanced growth for its decision to lift Portugal's rating. It expects the Portuguese economy to grow 1.5 to 1.7% during 2019-2021, record a budgetary surplus and to reduce the ratio of public debt to gross domestic product.

German lawmakers challenge Goldman link in bank merger

(Reuters) German lawmakers on Monday criticized deputy finance minister Joerg Kukies and Goldman Sachs, alleging a conflict of interest in the US investment bank advising state-backed Commerzbank on a possible merger with Deutsche Bank. Kukies, who was formerly co-head of Goldman Sachs in Germany, left the Wall Street firm a year ago to become deputy German finance minister. Kukies has since advocated a merger between Commerzbank and Deutsche Bank, which unions warn could mean up to 30,000 job cuts, people familiar with the matter say. Goldman Sachs is advising Commerzbank on the \$28bn plus deal deliberations, people familiar with the matter said. "It's a conflict of interest," Fabio De Masi, a prominent leftist lawmaker in the German parliament, said, pointing to the state's 15% stake in Commerzbank. A spokesman for Kukies told Reuters there was no conflict of interest and that he had worked in the trading department at Goldman Sachs, which was "strictly separated" from bankers who advised on mergers. Goldman Sachs declined to comment.

Alitalia future uncertain after easyJet exits rescue talks

(Reuters) British budget airline easyJet pulled out of talks to rescue Alitalia on Monday, leaving the Italian carrier's future uncertain only two weeks before a deadline to save it. EasyJet said it had decided to withdraw from the process after talks with Italy's state-controlled railway Ferrovie dello Stato and US airline Delta Air Lines. Without an industrial partner, Alitalia could soon find itself in trouble since neither Ferrovie nor the state have the skills to run the carrier, a source said last week. Alitalia was put under special administration in 2017 after workers rejected its most recent rescue plan, leaving Ferrovie racing to meet an end of March deadline set by Rome to present a rescue plan.

India aviation minister calls for meeting on Jet Airways

(Reuters) India's civil aviation minister has called for an emergency meeting about Jet Airways Ltd as the cash-strapped carrier struggles to make payments to its creditors and has been forced to cancel hundreds of flights. The minister, Suresh Prabhu, has asked the civil aviation secretary

to call for a meeting to discuss grounding of flights, advance bookings, cancellations, refunds, and safety issues, if any, at Jet. Saddled with debt of more than onebn dollars, Jet is struggling to stay afloat. It has delayed payments to banks, suppliers, pilots and lessors - some of whom have forced the airline to ground as many as 41 planes. Prabhu, in a tweet, said he has also asked the civil aviation secretary to get hold of a report on Jet's compliance issues from the aviation regulator, the Directorate General of Civil Aviation.

Standard Life Aberdeen wins dispute against Lloyds

(Reuters) Standard Life Aberdeen (SLA) said on Tuesday that a tribunal has ruled in its favor regarding a dispute over an investment contract it had with Lloyds. The tribunal ruled that the bank was not entitled to give notice to terminate the investment management agreements in respect of around 100bn pounds in assets managed by Standard Life Aberdeen. Lloyds had argued that an 11bn pound merger between fund firms Standard Life and Aberdeen triggered the right to review an agreement struck in 2014 for Aberdeen to manage its pension assets on behalf of its wealth and insurance businesses, because it saw Standard Life as a "material competitor" to both. SLA said it was considering the terms of the decision and appropriate next steps.

FIS buys Worldpay for \$35bn in payments deal bonanza

(Reuters) Fidelity National Information Services Inc (FIS) said on Monday it has agreed to buy Worldpay for about \$35bn, with the US financial services provider striking the biggest deal to date in the fast-growing electronic payments industry. The financial technology sector is consolidating fast, with global payments set to reach \$3 trillion a year in revenue by 2023 as more people switch from cash to digital payments for online and high street sales, consulting firm McKinsey predicts. "Scale matters in our rapidly changing industry," said FIS Chief Executive Gary Norcross, who will lead the combined powerhouse in banking and payments infrastructure. Growth in payment systems has kept deals rolling even as merger moves in other sectors have stalled on concerns about trade tensions and a global economic slowdown.

Marriott to open 1.7k hotels, return \$11bn to shareholders by 2021

(Reuters) Marriott International Inc said on Monday it plans to open more than 1,700 hotels and return up to \$11bn to shareholders by 2021 as part of its three-year growth strategy, sending its shares up as much as 3%. The owner of Ritz-Carlton and St. Regis luxury hotel brands also forecast its annual profit in a range of \$7.65 per share to \$8.50 per share by 2021, largely above analysts' average estimate of \$7.72 per share, according to Refinitiv data. Marriott has been criticized recently by activist investor Jonathan Litt who, according to media reports, has urged the company to consider culling its 30 brands to better align itself with competitors such as Hilton Worldwide Holdings Inc. Opening of 1,700 hotels by 2021 will average more than 500 hotels per annum, adding between 275,000 and 295,000 rooms over the next three years, and potentially generating \$400mn in fee revenue in 2021.



Tuesday, March 19, 2019

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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

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