

# GLOBAL MARKETS

Wednesday, March 20, 2019

## Markets in brief

- U.S. dollar stabilized as the Fed's dovish tone was heavily priced-in. The FOMC decision will be released at 20:00 LT, and will be followed by a press conference at 20:30 LT.
- Australian dollar fell as an RBA official talked negatively about home prices. Plus, falling iron ore prices and uncertainty over U.S.-China trade talks weighed further on the currency. Aussie 3-year bond yield remained below the 1.5% neutral rate for the second day. Traders will be also watching the jobs report tomorrow at 2:30 am LT.
- British pound traded in a tight range as investors cautiously watched Brexit developments. There will be focus today on Inflation data, in addition to RPI and PPI.
- Asian shares dropped today on profit-taking, after the U.S. stocks had a tough trading session yesterday.

## U.K. to ask for a "short" delay

Theresa May will not be asking the EU for a long delay when she formally requests that Brexit is postponed. Number 10 said the PM shared the public's "frustration" at Parliament's "failure to take a decision". EU Brexit negotiator Michel Barnier has said the EU will not grant a delay without a "concrete plan" from the UK about what they would do with it. Under current law, the UK will leave the EU - with or without a deal - in nine days. BBC assistant political editor Norman Smith said the delay would not be beyond the end of June.

## ... EU cannot accommodate further

The European Union has done much to accommodate Britain over its planned withdrawal from the bloc and can go no further, European Commission head Jean-Claude Juncker said on Wednesday, adding that this week's EU summit may not resolve the issue. "There will be no re-negotiations, no new negotiations, no additional guarantees in addition to those already given," Juncker told Germany's Deutschlandfunk radio. "We have intensively moved towards Britain, there can be no more." He said as far as he knew, a letter from British Prime Minister Theresa May seeking a delay to Brexit to the EU had not yet arrived.

## FOMC policy decision ...

The U.S. Fed is expected today to hold interest rates steady, shave the number of hikes projected for the rest of the year, and release long-awaited details of a plan to end the monthly reduction of its massive balance sheet. The U.S. central bank since early this year has signaled a "patient" approach to increasing borrowing costs, drawing an end to a gradual, 3-year cycle of monetary tightening marked by nine rate hikes, including seven during the 2017-2018 period. Investors now put a 75% probability on the likelihood the Fed won't raise its overnight benchmark interest rate, or federal funds rate, any more this year, according to CME Group's FedWatch tool. The fed funds rate is currently set in a range of 2.25% to 2.50%.

## U.S.-China trade concerns are back

Some US negotiators are concerned that China is pushing back against American demands in trade talks, according to people familiar with the negotiations, even as President Donald Trump sounded optimistic about reaching a deal that could boost his reelection chances. Chinese officials have shifted their stance because after agreeing to changes to their intellectual-property policies, they haven't received assurances from the Trump administration that tariffs imposed on their exports would be lifted, two of the people said on condition of anonymity. The US is concerned China may walk back some trade promises, Bloomberg's Sarah McGregor reports.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1348	-0.04%
GBP/\$	1.3251	-0.13%
AUD /\$	0.7080	-0.11%
NZD/\$	0.6836	-0.28%
\$/JPY	111.58	-0.17%
\$/CAD	1.3337	-0.13%
\$/CHF	0.9995	-0.03%
Gold \$	1304.46	-0.16%
Silver \$	15.33	-0.26%
Platinum \$	857.18	0.56%
WTI \$	59.11	0.14%
BRENT \$	67.75	0.21%
<b>AMERICA</b>		
DOW JONES	25887.38	-0.10%
S&P 500	2832.57	-0.01%
NASDAQ	7723.95	0.12%
<b>EUROPE</b>		
STXE 600	384.29	0.57%
CAC 40	5425.90	0.24%
DAX	11788.41	1.13%
<b>ASIA PACIFIC</b>		
S&P/ASX 200	6165.35	-0.36%
NIKKEI 225	21608.92	0.20%
CSI 300 (China)	3834.71	0.02%
<b>MENA</b>		
Saudi Arabia	8658.95	0.07%
Dubai	2641.43	0.82%
Qatar	9957.03	-0.16%
<b>BONDS</b>		
U.S. 10-year	2.6086	0.0000
German Bund 10-year	0.1070	0.0001
AU 10-year	1.9370	0.0000
<b>BEIRUT S.E.</b>		
SOLIDERE - A	6.00	-0.99%
SOLIDERE - B	6.00	0.17%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.00	-
BLOM BANK	9.16	-
BYBLOS BANK	1.33	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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## FX & COMMODITIES

**The US dollar rose for the first time in four days as traders bet a potentially dovish outcome to Wednesday's Fed policy decision is already factored into the currency.** The dollar also rose as reports of renewed tension in US-China trade negotiations supported safe-haven bids. Against a basket of key rival currencies, the dollar was almost 0.1% higher at 96.457 as it managed to find its footing after hitting its lowest level since March 1 at 96.291 in overnight trading. The index is still down 1.3% from a 3-month high of 97.71 hit on March 7, on views the Fed will strike a dovish tone during its latest policy meeting. US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin are expected to travel to China next week for another round of trade talks with Chinese counterparts. Investors' immediate focus was on the Fed to see whether the central bank will affirm its commitment to "patient" monetary policy and for clues about the likely path of US borrowing costs. The Fed is due to make its rate announcement at 20:00 LT on Wednesday and is expected to keep its benchmark overnight interest rate unchanged. Most currencies remain within well-trodden trading ranges before the Fed decision, as market participants were cautious after taking cues from US data offering new signs the world's top economy is on a path of slower growth. New orders for US-made goods rose less than expected in January and shipments fell for a fourth straight month, offering more evidence of a slowdown in US manufacturing activity, overnight data showed.

**Australian dollar fell after an RBA official said home prices may drop further in Sydney, potentially posing a risk to financial stability. Bonds extend a rally on easing bets.** AUD/USD fell 0.11% to 0.7080. Assistant Governor Michele Bullock said a sharp rise in apartment supply in Sydney could exacerbate declines in home prices and worsen financial positions. Aussie 3-year bonds continued Tuesday's rally after the latest RBA minutes showed the board had a "detailed discussion" about repurchase operations and foreign exchange swap markets, and their role in achieving the target cash rate. Yield on 3-year gov't note falls 2 bps to 1.48%, while 10-year was steady at 1.934% amid pricing of Victoria state debt. Focus is turning to the jobs data due Thursday, as markets increasingly expect two RBA rate cuts this year.

**The euro and the Japanese yen were both down against the dollar. More positive signs were evident in Germany as a survey by the ZEW research institute indicated the mood among German investors improved more than expected in March, as a potential delay to Britain's exit from the EU helped lift sentiment.** The single currency was a shade lower at \$1.1348. The yen gave up about 0.17% to 111.58 yen per dollar. The greenback got some help from Japanese importers on a "gotobi" date - a multiple of five - on which accounts are traditionally settled.

The British pound was a shade lower at \$1.3259. It had pared gains overnight on concerns that British PM Theresa May's request for delaying Brexit was running into complications with the EU.

**Oil prices edged up on Wednesday, supported by ongoing supply cuts led by producer club OPEC and US sanctions against Iran and Venezuela, although gains were limited by concerns over economic growth.** Brent on Tuesday touched its highest since Nov. 16 at \$68.20 a barrel. WTI reached its highest level since Nov. 12 at \$59.57 a barrel. Crude prices have risen by almost a third this year, pushed up by a move led by the OPEC to withhold around 1.2mn bpd of supply as well as by US sanctions against oil exporters Iran and Venezuela.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	96.457	0.08%	0.30%
EUR/\$	1.1348	-0.04%	-1.04%
GBP/\$	1.3251	-0.13%	3.90%
AUD/\$	0.7080	-0.11%	0.44%
NZD/\$	0.6836	-0.28%	1.74%
\$/JPY	111.58	-0.17%	-1.69%
\$/CAD	1.3337	-0.13%	2.25%
\$/CHF	0.9995	-0.03%	-1.74%
\$/SEK	9.2076	-0.01%	-3.85%
\$/NOK	8.5357	-0.11%	1.23%
\$/DKK	6.5760	-0.04%	-0.98%
\$/TRY	5.4777	-0.04%	-3.44%
EUR/GBP	0.8564	-0.09%	4.97%
EUR/JPY	126.65	-0.14%	-0.65%
EUR/CHF	1.1342	0.00%	-0.77%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1304.46	-0.16%	1.71%
Silver Spot \$/Oz	15.33	-0.26%	-1.04%
Platinum Spot \$/Oz	857.18	0.56%	7.73%
Palladium Spot \$/Oz	1596.36	0.34%	26.52%
COPPER \$/lb	291.75	-0.19%	10.64%
WTI \$/bbl	59.11	0.14%	30.17%
BRENT \$/bbl	67.75	0.21%	25.93%

### In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	11:30	UK CPI YoY	1.80%	1.80%
GBP	11:30	UK PPI MoM	0.60%	-0.10%
GBP	11:30	UK RPI YoY	2.50%	2.50%
GBP	13:00	UK CBI Industrial Order Exp	3	6
OIL	16:30	EIA Weekly Report		
USD	20:00	US FOMC Decision	2.50%	2.50%
USD	20:30	US Press Conference		
NZD	23:45	NZ GDP QoQ	0.60%	0.30%

**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

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## STOCKS & BONDS

Asian shares slid on Wednesday as investors took profits ahead of a policy decision by the US Fed which is expected to shed more light on its interest rate plans for the rest of the year. European stocks were expected to open lower, with futures tracking Britain's FTSE, France's CAC and Germany's DAX indexes down between 0.5% to 0.7% in early trade. MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.2%, weighed down by Australia and South Korea. Japan's Nikkei climbed 0.2% while mainland Chinese blue-chip shares were flat. Some market players said selling was triggered by a report of US concerns that China is pushing back against American demands in trade talks. Still, on the whole, many market players held on to hopes of a trade deal between Washington and Beijing as officials from both sides remained locked in negotiations. US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin plan to travel to China next week for another round of trade talks with Chinese Vice Premier Liu He, a Trump administration official said on Tuesday.

US stocks ended mixed yesterday. The benchmark S&P 500 index ended little changed as investor optimism regarding the Fed's expected affirmation of its dovish policy stance was offset by reports of fault lines emerging in ongoing US-China trade negotiations. Financial stocks weighed on all three major US stock indexes, which gave up early gains following a Bloomberg report that China is pushing back against American demands in trade talks. The blue-chip Dow snapped a four-day winning streak, while the Nasdaq limped back into positive territory just before the closing bell. As the Fed convened its two-day policy meeting, investors expected little change in its measured approach to interest rate hikes. Its summary of economic projections - or "dot plot" - due for release on Wednesday, will be closely scrutinized for clues regarding the extent of the central bank's patience. But some analysts question whether the dot plot deserves this level of scrutiny. A report from the US Commerce Department showed a smaller-than-expected increase in factory orders, the latest in a string of underwhelming economic data that has supported the Fed's more accommodative stance. Of the 11 major sectors of the S&P 500, eight closed in the red, with utilities and financials registering the biggest %age drops. Ford Motor Co shares rose 1.5% after the automaker announced it would boost US production of its high-profit SUVs. Online food delivery platform Grubhub Inc dropped 8.4% after Keybank warned of diminished customer spending and user retention. Nvidia Corp ended the session up 4.0% on news that the company has partnered with Softbank Group Corp and LG Uplus Corp to deploy cloud gaming servers in Japan and South Korea later this year. The chipmaker provided the biggest boost to the Philadelphia SE Semiconductor Index, which has jumped by nearly 22% so far this year.

Most Gulf stock markets were higher yesterday. Saudi index edged up after touching a near 4-year high on Monday, which was its first day as a member of FTSE Russell's emerging-market index. Egypt's blue-chip index, meanwhile, was pulled down by a wide sell-off to its biggest intra-day loss this year. 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.

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Qatar	9957.03	-0.16%	-3.59%
Oman	4156.49	0.69%	-3.76%
Egypt	14645.53	-1.78%	12.35%
Kuwait	5749.92	1.07%	9.14%
Bahrain	1420.32	0.50%	6.07%
<b>10-YEAR BONDS</b>			
U.S.	2.6086	-0.0037	-0.0756
Germany	0.1070	0.0100	-0.1350
U.K.	1.1860	-0.0100	-0.0910
France	0.4760	0.0090	-0.2340
Australia	1.9370	0.0040	-0.3810
Japan	-0.0380	0.0020	-0.0410

## Major Company News

- Tencent is considering a bid for part of Singapore state investor Temasek Holdings (Private) Ltd's stake in beauty and health retailer A.S. Watson, Bloomberg reported on Wednesday, citing sources.
- US buyout firm Bain Capital is likely to push back the IPO of Toshiba Memory by around two months, moving to November what is likely to be one of Japan's biggest listings this year (Reuters sources)
- The US Food and Drug Administration has issued warning letters to Sientra Inc and a Johnson & Johnson unit for failing to comply with the post-approval study requirements for their breast implants.
- Viacom said on Tuesday it had begun warning DirecTV's 24mn subscribers its channels could stop being shown on the AT&T-owned satellite TV service if it fails to reach new contract by midnight Mar 22.
- Glossier Inc, the online cosmetics company with a cult following among millennials, was valued at over \$1bn in a latest funding round led by Sequoia Capital, joining a clutch ofbn-dollar makeup brands that are powered by the founders' social-media popularity.
- Franco-German start-up Doctolib, an online booking platform for doctors, has raised 150mn euros from a pool of investors led by US venture capital giant General Atlantic, it said on Tuesday.
- The Brazilian gov't is likely to pay around \$10bn to state-run oil firm Petroleo Brasileiro SA to settle the so-called 'transfer-of-rights' dispute, newspaper Valor Economico reported on Tuesday, though the parties have not agreed on final terms.
- US supermarket chain Kroger Co said on Tuesday it would sell its Turkey Hill business to an affiliate of private equity firm Peak Rock Capital.

## TOP SELECTED NEWS

### EU, UK watchdogs clash over no-deal Brexit share trading

(Reuters) The EU's markets watchdog published guidance on Tuesday identifying which shares investors in the bloc could no longer trade in London if there is a hard Brexit next week. The move drew instant criticism from Britain's financial regulator, saying it risked disrupting markets. Britain is due to leave the EU on March 29, but it has yet to agree a divorce settlement and "standstill" transition deal with the bloc. The UK is now expected to ask for a delay to Brexit. The European Securities and Markets Authority (ESMA) published a list of 6,200 shares subject to the bloc's "trading obligation". This means they would have to be bought and sold on a platform based in the EU if Britain left the bloc without a deal. It includes 14 shares listed in London but deemed to have enough trading "liquidity" on EU exchanges. EU investors could continue to buy and sell in London shares that are not on ESMA's list. Without ESMA's guidance, EU investors could only trade shares listed on an EU exchange in the event of a no-deal Brexit. ESMA said it was seeking to limit potential market disruption.

### Boeing reshuffles top engineers amid 737 MAX crisis

(Reuters) Boeing Co's commercial airplane division, facing its biggest crisis in years following deadly crashes of its flagship 737 MAX aircraft, has brought in a new vice president of engineering while dedicating another top executive to the aircraft investigations, a company email showed on Tuesday. The management reshuffle comes as Europe and Canada said they would seek their own guarantees over the safety of Boeing's 737 MAX, further complicating plans to get the aircraft flying worldwide after they were grounded in the wake of crashes that killed more than 300 people. John Hamilton, formerly both vice president and chief engineer in Boeing's Commercial Airplanes division, will focus solely on the role of chief engineer, the unit's CEO Kevin McAllister told employees on Tuesday in an email seen by Reuters. "This will allow him to fully dedicate his attention to the ongoing accident investigations," McAllister said, adding that the staffing changes were needed as "we prioritize and bring on additional resources for the ongoing accident investigations."

### FedEx cut profit forecast again on economy, express woes

(Reuters) FedEx on Tuesday cut its 2019 profit forecast for the 2nd time in 3 months, sending shares down more than 5% and fueling fresh worries it is losing ground to delivery rivals such as UPS and DHL Group. The profit warning and weak quarterly results were another blow to FedEx, which slashed its forecast in December citing a sharp downturn in worldwide trade. The package delivery industry is widely seen as a bellwether for the global economy. "Slowing international macroeconomic conditions and weaker global trade growth trends continue," FedEx CFO said in a statement on Tuesday. Executives also blamed the results on the cost of launching year-round, six-days-per-week operations at FedEx Ground in the US and continued weakness in its international Express business, which includes former Dutch delivery company TNT Express. FedEx bought that struggling business in 2016 for \$4.8bn and has had difficulties integrating it into its own network.

### Inmarsat receives \$3.3bn private equity-led bid

(Bloomberg) UK satellite company Inmarsat Plc is in takeover discussions after receiving a proposal for about \$3.3bn from a group of private equity and pension funds. The non-binding offer from private equity firms Apax Partners and Warburg

Pincus with support from the Canada Pension Plan Investment Board and Ontario Teachers' Pension Plan Board is for \$7.21 a share for the entire issued share capital, Inmarsat said in a post-market statement Tuesday. The price represents a 24% premium on Tuesday's closing price of 438 pence (\$5.81) per share. UK Takeover Panel rules now kick in, meaning the bidding consortium will have a provisional deadline of April 16 to make a firm offer or walk away. The proposal and its terms are still under discussion and it's possible a firm offer won't be made, according to the statement. Representatives for Warburg Pincus and Apax declined to comment.

### Lyft IPO to be oversubscribed ahead of listing next week

(Bloomberg) Lyft Inc. built itself into a fierce challenger to Uber partly through aggressive price cutting. Now investors who want a piece of America's second-largest ride-hailing company will likely need to pay a premium when the stock starts trading next week. The San Francisco-based company has only been on the road marketing its initial public offering for two days, but investors have already been informed that the listing is oversubscribed at the current price range, said people familiar with the matter, who asked not to be identified because the details are private. Based on early commitments, Lyft executives and bankers see demand far exceeding the number of available shares, making it likely that the company will surpass the \$23bn valuation it's seeking, said the people.

### Bayer loses first phase of roundup trial, liability up next

(Bloomberg) Bayer AG lost the first phase of a jury trial over claims its Roundup weed killer causes cancer and now moves to a second phase to determine liability and damages in the case of a man who sprayed the herbicide on his property for decades. The next stage, starting Wednesday, will be a steeper climb for the defense: jurors will hear evidence, including damaging emails, that the company manipulated public opinion to bury health concerns and promote sales of the bestselling herbicide. After Bayer lost its first US trial over Roundup, Tuesday's decision probably edges the company one step closer to a settlement, according to analysts. They predict that paying to resolve more than 11,000 related US lawsuits, which Bayer inherited with its acquisition of Monsanto, could cost as much as \$5bn. Pavlik cautioned that Bayer and plaintiffs' lawyers probably remain far apart on the price of resolving the lawsuits.

### Google announces browser-based streaming game service

(Reuters) Alphabet Inc's Google announced on Tuesday that it would launch this year a browser-based video game streaming service dubbed Stadia that attempts to capitalize on the company's cloud technology and global network of data centers. The technology allows users to play games through their internet browser or YouTube without waiting for content to be downloaded to a device, making access to games potentially as easy as watching a video from YouTube. But Google offered scant details on timing, pricing or available titles for the service, which faces potentially tough competition from game publishers and from rivals including Amazon.com Inc and Microsoft Corp. With Stadia, the "waiting game will be a thing of the past," Phil Harrison, a Google vice president overseeing the new service, said during a keynote presentation on Tuesday in San Francisco at the Game Developers Conference, which is bringing together this week about 25,000 people who work in the video games industry.



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