

# GLOBAL MARKETS

Thursday, March 21, 2019

## Markets in brief

- The markets started to price-in no rate hikes in 2019 after Fed's policy statement yesterday, exerting a downward pressure on the U.S. dollar and treasury yields. U.S. 10-year yield hit earlier today 2.5066%, its lowest since January 2018 (14-month low).
- Australian dollar rose while gaining support from an upbeat jobs report.
- British pound traders will be watching BoE's policy decision and minutes at 14:00 LT.
- Asian shares got a lift today, but resurfacing concerns over U.S.-China trade talks limited its upside.
- U.S. stocks ended lower, weighed down the financial sector.

## Fed signaling no rate hike in 2019

The U.S. Fed on Wednesday brought its 3-year drive to tighten monetary policy to an abrupt end, abandoning projections for any interest rate hikes this year amid signs of an economic slowdown, and saying it would halt the steady decline of its balance sheet in September. The measures, announced following the end of a two-day policy meeting, mean the Fed's gradual and sometimes fitful efforts to return monetary policy to a more normal footing will stop well short of what was foreseen in late 2015 when the central bank first moved rates from the near-zero level adopted in response to the 2007-2009 financial crisis and recession.

## What will the BoE signal today?

Bank of England policy makers face more paralysis amid turmoil over the date of Britain's departure from the EU. Officials are likely to vote unanimously to hold the benchmark interest rate at 0.75% when they announce their decision at noon in London Thursday. While this was set to be their final meeting before Brexit, Prime Minister Theresa May has asked for an extension to the deadline, leaving policy makers in limbo when it comes to fulfilling their plan for limited and gradual rate increases. Since their last meeting in February, when Governor Mark Carney warned the "fog of Brexit" is creating tensions, all but two of the nine-member Monetary Policy Committee have given speeches. Most outlined a dovish tilt to their thinking. Data has provided a mixed picture, with the direct impact of Brexit on the figures hard to gauge.

## EU might accept Brexit delay ... Only if

The EU said the UK can have a short extension to Brexit day, but only if Theresa May gets her deal through Parliament next week. The PM has asked for a delay to June 30 and said she's not prepared to go beyond that, blaming MPs for blocking the way to a divorce. May will try to bring her proposal to a vote next Tuesday or Wednesday, provided it's changed enough for the Commons Speaker to allow a vote.

## Australia's unemployment rate at 8-year low

Australian unemployment dropped to a decade-low in February, defying the worst housing slump in a generation that's forced a sharp slowdown in economic growth. The jobless rate fell to 4.9%, matching the lowest level since January 2009, statistics bureau data showed in Sydney Thursday. The decline mainly reflected fewer people seeking work with the participation rate edging lower; the survey was disrupted by flooding and bushfires in parts of the country in February, the bureau said.

## Another round of trade talks

China's commerce ministry said on Thursday that a U.S. trade delegation headed by Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin will visit Beijing on March 28-29 for another round of negotiations. Chinese Vice Premier Liu He will travel to the U.S. in early April for more talks, Gao Feng, the commerce ministry spokesman told reporters in a regular briefing.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1427	0.12%
GBP/\$	1.3221	0.17%
AUD /\$	0.7149	0.46%
NZD/\$	0.6923	0.58%
\$/JPY	110.46	0.22%
\$/CAD	1.3295	0.08%
\$/CHF	0.9912	0.14%
Gold \$	1319.59	0.54%
Silver \$	15.61	0.85%
Platinum \$	871.10	0.99%
WTI \$	60.16	-0.12%
BRENT \$	68.57	0.10%
<b>AMERICA</b>		
DOW JONES	25745.67	-0.55%
S&P 500	2824.23	-0.29%
NASDAQ	7728.97	0.07%
<b>EUROPE</b>		
STXE 600	380.84	-0.90%
CAC 40	5382.66	-0.80%
DAX	11603.89	-1.57%
<b>ASIA PACIFIC</b>		
S&P/ASX 200	6167.17	0.03%
NIKKEI 225	21608.92	0.20%
CSI 300 (China)	3841.31	0.15%
<b>MENA</b>		
Saudi Arabia	8640.52	-0.21%
Dubai	2643.70	0.09%
Qatar	9976.80	0.20%
<b>BONDS</b>		
U.S. 10-year	2.5244	0.0000
German Bund 10-year	0.0690	-0.0002
AU 10-year	1.8790	-0.0006
<b>BEIRUT S.E.</b>		
SOLIDERE - A	5.95	-0.83%
SOLIDERE - B	5.99	-0.17%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.87	-2.60%
BLOM BANK	9.20	0.44%
BYBLOS BANK	1.33	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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## FX & COMMODITIES

The US dollar nursed losses on Thursday after the Fed roiled markets by abandoning all plans to raise rates this year, a signal its three-year campaign to normalize policy might be at an end. Investors rushed to price in the prospect of rate cuts later this year, while benchmark Treasury yields dived to their lowest since early 2018. The Fed's swerve sent the dollar sliding to 110.46 yen, with its 0.6% loss overnight the biggest drop since the flash crash of early January. The euro flew to a 7-week peak and was last trading at \$1.1427, a world away from its recent low of \$1.1177. That left the dollar down at 95.914 against a basket of currencies, having lost 0.5% overnight. It was also poised precariously on its 200-day moving average, and a sustained break would be taken as technically bearish. It had previously tipped two hikes this year. The central bank also trimmed its forecasts for economic growth and inflation, while lifting that for unemployment. Driving home the dovish shift, the Fed will now stop running down its balance sheet in September, some months earlier than many had expected. Investors reacted by wagering the next move in rates would be down, with fund futures now implying around 11 basis points of easing by December. Yields on two-year notes sank to 2.40%, dead in line with the effective funds rate, and five-year yields dropped even further to 2.33%. The only solace for the dollar was that other central banks around the globe have also turned decidedly dovish in recent months as growth slowed pretty much everywhere. That need for stimulus means many central banks will not want to see their currencies appreciate against the dollar, giving them reason to sound ever more accommodative.

The British pound rose slightly but still facing pressure as British Prime Minister Theresa May's request to delay Brexit until June 30 faced resistance from parts of the EU.

New Zealand dollar jumped as data on domestic economic growth came in firmer than many bearish investors had expected. Strong household spending and business investment lifted gross domestic product 0.6% in the December quarter, helping the kiwi climb to a 7-week top of \$0.6938.

The Australian dollar likewise got a boost when data showed the jobless rate falling to an 8-year low of 4.9%, heaving the currency up to \$0.7147.

Oil eased away from 2019 highs reached earlier in the session on Thursday, but markets remain relatively tight amid supply cuts led by producer club OPEC and US gov't sanctions against Iran and Venezuela. WTI reached its highest level since Nov. 12 earlier in the day, at \$60.33 per barrel. International Brent crude oil futures were close to their last settlement after hitting \$68.69 a barrel earlier in the session, the highest since Nov. 13. Crude prices have been pushed up by almost a third since the start of 2019 by supply cuts led by the OPEC, as well as by sanctions enacted against Iran and Venezuela by the US.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	95.914	0.16%	-0.27%
EUR/\$	1.1427	0.12%	-0.35%
GBP/\$	1.3221	0.17%	3.66%
AUD /\$	0.7149	0.46%	1.42%
NZD/\$	0.6923	0.58%	3.04%
\$/JPY	110.46	0.22%	-0.70%
\$/CAD	1.3295	0.08%	2.57%
\$/CHF	0.9912	0.14%	-0.92%
\$/SEK	9.1174	0.23%	-2.90%
\$/NOK	8.4869	0.16%	1.81%
\$/DKK	6.5308	0.12%	-0.30%
\$/TRY	5.4430	-0.36%	-2.82%
EUR/GBP	0.8643	0.06%	4.01%
EUR/JPY	126.22	0.13%	-0.31%
EUR/CHF	1.1326	0.02%	-0.63%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1319.59	0.54%	2.89%
Silver Spot \$/Oz	15.61	0.85%	0.72%
Platinum Spot \$/Oz	871.10	0.99%	9.48%
Palladium Spot \$/Oz	1612.92	0.83%	27.83%
COPPER \$/lb	295.15	1.04%	11.93%
WTI \$/bbl	60.16	-0.12%	32.48%
BRENT \$/bbl	68.57	0.10%	27.45%

### In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
CHF	10:30	SNB Policy Decision	-0.75%	-0.75%
CHF	11:00	SNB Press Conference		
GBP	11:30	UK Retail Sales MoM	-0.40%	1.00%
GBP	11:30	UK Public Sector Borrowing	-0.3B	-15.8B
GBP	14:00	BoE Policy Decision + Minutes		
USD	14:30	US Initial Jobless Claims	226k	229k

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

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## STOCKS & BONDS

US Treasuries rallied on Wednesday, taking the benchmark 10-year yield to a 14-month low, after the Fed said it would hold interest rates steady and its policymakers abandoned projections for further rate hikes this year while flagging an expected economic slowdown.

Asian shares rose on Thursday after the US Fed abandoned forecasts for any interest rate hikes this year, but concerns over US-China trade talks and slowing global growth continued to weigh on investor confidence. MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.5%. Chinese blue-chips, which spent the morning swinging between small losses and gains, were up 0.4% in afternoon trade, while Seoul's Kospi also added 0.4% as regulators announced plans to cut the stock transaction tax this year. Australian shares ended flat after see-sawing throughout the day. A drop in the jobless rate tempered market expectations of a rate cut. Markets in Japan were closed for a public holiday. Gains in the broad Asian index followed a wobbly session on Wall Street, after a move toward risk taking sparked by the Fed's dovish shift was overtaken by growth and trade concerns.

The S&P 500 and the Dow ended lower on Wednesday as interest rate-sensitive financial stocks dragged down the indexes after the US Fed affirmed a dovish monetary policy stance. While all three major US stock indexes briefly reversed earlier losses following the Fed statement, only the Nasdaq ended the session in positive territory. At the conclusion of its two-day monetary policy meeting, the central bank indicated it sees no further rate hikes this year, and released details of a plan to end the monthly reduction of its balance sheet. But while the indexes briefly turned positive after the statement's release, banks, which are sensitive to interest rates, put a damper on the rally. The financial sector sold off sharply in the last hour of trading, ending the session down 2.1%. The stock market has rallied since the beginning of the year, when Fed chair John Powell said the Fed would take a "patient" approach to monetary policy. Powell affirmed that sentiment at a press conference following the release, citing mixed economic data and risks associated with Brexit and trade negotiations as reasons for caution. Indeed, Federal funds futures now see nearly even chances that the central bank will cut interest rates in early 2020. Of the 11 major sectors in the S&P 500, six ended the session in negative territory. Shares of Fedex Corp dropped 3.5% after the global package delivery company cut its 2019 profit forecast, citing slowing global trade growth. FedEx weighed on the Dow Jones Transport Index, a closely-watched gauge of economic health, pulling the index down 1.3%. Rival United Parcel Service Inc was also down, falling 2.2%. General Mills Inc. rose 2.2% after the packaged food company reported better-than-expected quarterly profit and boosted its full-year forecast.

European shares retreated from near 6-month highs on Wednesday, with German stocks leading losses as chemicals producer Bayer and carmaker BMW tumbled, and as the EU resisted British PM Theresa May's plea to delay Brexit. The pan-European STOXX 600 index fell 0.9% as investors booked profits after five sessions of gains, with Bayer's near 10% slump weighing the most.

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<b>AMERICA</b>			
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FTSE 100	7291.01	-0.45%	8.37%
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Saudi Arabia	8640.52	-0.21%	10.40%
Abu Dhabi	5098.32	0.37%	3.22%
Dubai	2643.70	0.09%	3.56%
Qatar	9976.80	0.20%	-3.63%
Oman	4162.23	0.14%	-3.80%
Egypt	14724.40	0.54%	12.95%
Kuwait	5816.96	1.17%	11.26%
Bahrain	1423.46	0.22%	6.42%
<b>10-YEAR BONDS</b>			
U.S.	2.5244	-0.0019	-0.1598
Germany	0.0690	-0.0150	-0.1730
U.K.	1.1570	-0.0290	-0.1200
France	0.4430	-0.0150	-0.2670
Australia	1.8790	-0.0580	-0.4390
Japan	-0.0360	0.0040	-0.0390

## Major Company News

- Morgan Stanley brought in the most revenue from commodities of any of the major investment banks in 2018, data from analytics firm Coalition showed on Thursday.
- Deutsche Bank AG's merger talks with Commerzbank AG have put its 10,000 US workers on edge, three employees told Reuters, with some concerned a deal could pressure Deutsche to further shrink or even dispose of its US businesses.
- A group of Indian state-run banks want Jet Airways' embattled founder and Chairman Naresh Goyal to reduce his stake in the carrier to 10%, news channel CNBC-TV18 reported on Thursday, quoting sources.
- Chinese smartphone maker Xiaomi Corp said on Tuesday its Q4 net profit more than tripled to 1.85bn yuan (\$275.59mn), on stronger revenue.
- Shares of South Korean chip giants jumped on Thursday after US chipmaker Micron Technology Inc forecast recovery in a memory market saddled with oversupply as device demand sags.
- French healthcare group Stallergenes has agreed to a 730mn euro (\$834mn) takeover by the Waypoint/Ares Life Sciences vehicle of Swissbnairre Ernesto Bertarelli, and subsequent de-listing, the companies said on Thursday.
- Tencent is set to report on Thursday its sharpest quarterly profit decline in more than 13 years, as its failure to launch new blockbuster games due to China's regulatory review capped revenue growth.
- Brazilian power company Neoenergia SA has picked the investment banking units of JPMorgan Chase, Bank of America Corp and Banco do Brasil SA to manage its initial public offering (Reuters sources).

## TOP SELECTED NEWS

### Italy aims to add 7bn euros in new business with China

(Reuters) Italy's goal is to add 7bn euros (\$8bn) in new business with China through 30 corporate accords due to be signed on Saturday, *Il Sole 24 Ore* daily reported on Thursday. Chinese President Xi Jinping is due to visit Rome this week and is expected to sign a preliminary accord with Prime Minister Giuseppe Conte, hooking Italy up to his giant Belt and Road infrastructure project. More than 30 parallel deals are also in the pipeline. Amongst these is a possible accord to let Italy's state lender *Cassa Depositi e Prestiti* sell debt to investors in mainland China, two sources told Reuters.

### Brazil c. bank holds rates, notes balanced inflation risks

(Reuters) Brazil's central bank kept its benchmark interest rate at a record low 6.50% on Wednesday, as expected, while noting that recent economic data has been weaker than expected and that inflation risks are no longer skewed to the upside. The bank's nine-member monetary policy committee, known as Copom, voted unanimously to keep the benchmark Selic rate unchanged for the eighth straight meeting, as forecast by all 21 economists in a Reuters poll. In a sign that new central bank chief Roberto Campos Neto will stay the steady course set out by his predecessor, Copom repeated a line from recent policy statements that policy is best determined with "caution, serenity and perseverance."

### US probed Boeing 737 Max software approval last year

(Bloomberg) US officials started investigating the Federal Aviation Administration's (FAA) approval of the Boeing 737 Max software linked to the Lion Air plane crash last year weeks after the accident, Bloomberg reported on Wednesday, citing people familiar with the matter. The officials also started probing why Boeing Co did not flag the feature in pilot manuals, according to the report. Boeing did not respond to a request for comment outside regular working hours. Boeing faced growing pressure in Washington on Wednesday as US lawmakers called for executives to testify about two crashed 737 MAX jets - in October last year in Indonesia and on March 10 in Ethiopia - while the world's biggest planemaker worked on returning the grounded fleet to the skies.

### Southwest pilots say extra training required

(Reuters) Extra computer-based training will be required after a planned update to the software on the Boeing Co 737 MAX aircraft, Southwest Airlines Co's pilot union said on Wednesday, adding that it was seeking additional information for pilots. Boeing has been working on a software update to an anti-stall system called MCAS since a Lion Air plane crashed in Indonesia in October, killing all 189 aboard. That effort has become urgent after a second 737 MAX 8 crashed in Ethiopia last week, with the death of 157 people, and regulators grounded the global fleet of the aircraft. Southwest Airlines Pilots' Association (SWAPA) said it had previewed the proposed Boeing training, including a required test at the end, which would be mandatory for Southwest pilots before flying the 737 MAX again. "It is still very disturbing to us that Boeing did not disclose MCAS to the operators and pilots," the association told members in a memo seen by Reuters.

### UBS says Q1 'one of the worst' in recent history

(Bloomberg) UBS CEO Sergio Ermotti gave the most decisive verdict yet on the difficult markets faced by Europe's investment banks, describing conditions as the toughest in

years. UBS will slow down hiring and deepen cost cuts by about \$300mn as it confronts one of the worst Q1 environments in recent history, Ermotti told investors at a conference on Wednesday. The downbeat outlook sent UBS shares down as much as 2.6% and prompted declines at investment banking rivals Credit Suisse and Deutsche Bank.

### Vodafone to receive EU warning over \$22bn Liberty deal

(Reuters) Vodafone will receive a warning from EU regulators about possible anti-competitive effects from its \$22bn deal to buy Liberty Global's German and eastern European assets, two people familiar with the matter said on Wednesday. The warning, via a statement of objections setting out the European Commission's concerns, is expected to be conveyed to the companies shortly, the sources said, ahead of a June 3 deadline for the EU executive's regulatory approval. The world's second-largest mobile operator and US cable pioneer John Malone's Liberty announced the deal in May last year in a move that would help Vodafone to compete with rival Deutsche Telekom in its home market. Commission spokesman Ricardo Cardoso and Vodafone declined to comment.

### Google fined \$1.7bn in Vestager's last antitrust case

(Bloomberg) Alphabet Inc.'s Google was fined 1.49bn euros by the EU for thwarting advertising rivals, a penalty that may be EU antitrust chief Margrethe Vestager's third and final attack on the US tech giant. It brings the total Google has been ordered to pay to 8.2bn euros in EU antitrust probes that have run for nearly a decade and taken aim at the company's popular software for Android phones and searches related to shopping.

### Levi Strauss valued at \$6.6bn as IPO prices above target

(Reuters) Levi Strauss & Co fetched a higher price than expected in its IPO on Wednesday, selling \$623.3mn in shares as the US jeans maker looks to return to the stock market after 34 years as a family-owned company. The success of the IPO underscores the diverging fortunes of retail companies over the last few years. With the stock market hovering near all-time highs, Levi said it priced its IPO at \$17 share, just above its target range of \$14 to \$16, valuing the company at about \$6.6bn. The company, which claims to have invented blue jeans in the 19th century and is named for the man who founded it in 1853, is set to debut on the New York Stock Exchange on Thursday under the ticker "LEVI".

### Micron sees memory chip recovery coming later in year

(Reuters) US chipmaker Micron Technology Inc on Wednesday said it sees a recovery in the memory chip market coming and reported a quarterly profit that beat estimates as cost controls helped offset falling demand and prices, sending its shares up nearly 5%. The company beat revenue expectations for the fiscal Q2 ended Feb. 28. Although it gave a forecast for its fiscal third quarter that was below expectations, Micron said demand is likely to begin growing again by its Q4.

### Nine West emerges from bankruptcy as 'Premier Brands'

(Reuters) Footwear and apparel company Nine West Holdings Inc said on Wednesday it had emerged from bankruptcy, days short of a year since it filed for Chapter 11 protection. Anne Klein and Gloria Vanderbilt brands' owner said the company will now be called Premier Brands Group Holdings Llc and that it will maintain liquidity of over \$100mn to support its operations. Nine West's emergence comes as US retailers that once dominated malls struggle to retain their customers who now prefer buying apparel and footwear online.

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