

# GLOBAL MARKETS

Tuesday, March 26, 2019

## Markets in brief

- Japanese yen weakened and Treasuries fell amid speculation the recent sell-off in risk assets has been overdone.
- Asian stocks drifted higher after 2-day losses. U.S. treasury yields rebounded after dropping on Monday to 2.3754%, its lowest since December 2017 (15-month lows).
- Australian dollar rose slightly along with improvement in risk appetite.
- Euro recovered after positive German data provided some relief.
- British pound remained stuck in a narrow range as the Brexit process faced critical moments.
- U.S. stocks closed down after a choppy session.

## May losing control

The UK Parliament seized control of the Brexit process from Prime Minister Theresa May and will now seek to decide how Britain exits the EU. In a vote late Monday, the House of Commons split 329 to 302 to schedule votes on a series of alternative strategies, potentially including a second referendum, keeping the UK in the bloc's customs union, leaving without a deal and even canceling Brexit altogether. Three ministers resigned to back the plan, which sets up the possibility that MPs could force the beleaguered premier to implement their choice.

## ... EU shifting its tone

The EU shifted its tone on a potential no-deal Brexit, reassuring businesses and citizens across the bloc that it is ready for an "increasingly likely" crash-out departure. Following Thursday's bruising summit for Prime Minister Theresa May, where EU leaders delayed Brexit to give her more time to try to get her deal through Parliament, the European Commission on Monday put out a statement setting out its plans for the worst-case scenario. While it remains the least-preferred option, the Commission said that gov'ts were now prepared, and have recruited hundreds of customs specialists. An EU official told reporters that there's a growing sense in the bloc that if it's going to happen, it should happen quickly. The official reiterated there won't be "mini-deals" to ease the shock, and that all measures were unilateral and aimed at self-protection.

## U.S. yield curve inverting partially ... How close is the rate cut?

The Fed's surprising dovish tone on rate increases along with weak economic data has left a key part of the U.S. Treasury yield curve close to levels at which the U.S. central bank has in the past been prompted to cut rates. The yield curve between two-year and five-year notes inverted further than it had been and is now approaching levels at which the Fed has in the past cut rates. The spread between U.S. three-month bills and 10-year notes yields on Friday also turned negative for the first time in over a decade, triggering a warning that if the inversion persists a recession may follow in the next one-to-two years.

## France and China signing commercial deals

France signed 15 business contracts with China worth billions of euros on Monday, including a multi-plane order with Airbus and a 1 billion euro contract for EDF to build an offshore wind farm in China, the French presidency said. France's Fives and China National Building Materials Group signed a 1 billion euro deal to cooperate on energy savings in developing countries. CMA-CGM and China State Shipbuilding Corporation sign 1.2 bln euro deal to build 10 tankers. The two sides also agreed to lift an embargo of French poultry exports.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1310	-0.02%
GBP/\$	1.3203	0.06%
AUD /\$	0.7120	0.11%
NZD/\$	0.6900	-0.13%
\$/JPY	110.14	-0.15%
\$/CAD	1.3399	0.04%
\$/CHF	0.9928	-0.04%
Gold \$	1317.44	-0.34%
Silver \$	15.47	-0.45%
Platinum \$	851.48	-0.83%
WTI \$	59.20	0.65%
BRENT \$	67.35	0.21%
AMERICA		
DOW JONES	25516.83	0.06%
S&P 500	2798.36	-0.08%
NASDAQ	7637.54	-0.07%
EUROPE		
STXE 600	374.33	-0.45%
CAC 40	5260.64	-0.18%
DAX	11346.65	-0.15%
ASIA PACIFIC		
S&P/ASX 200	6130.59	0.07%
NIKKEI 225	21428.39	2.15%
CSI 300 (China)	3690.25	-1.40%
MENA		
Saudi Arabia	8666.69	0.23%
Dubai	2634.29	0.60%
Qatar	9949.02	0.59%
BONDS		
U.S. 10-year	2.4301	0.0003
German Bund 10-year	-0.0080	0.0002
AU 10-year	1.8250	0.0005
BEIRUT S.E.		
SOLIDERE - A	5.88	-2.00%
SOLIDERE - B	5.98	-
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.00	2.67%
BLOM BANK	9.20	-
BYBLOS BANK	1.33	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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## FX & COMMODITIES

The US dollar rebounded modestly against the yen on Tuesday as Treasury yields pulled back from 15-month lows as investors reassessed the risks of a sharper downturn in the global economy. Global markets recoiled on Monday in the wake of an inversion in the US Treasury yield curve, which has signaled a recession in the past. The dollar edged up 0.15% to 110.14 yen and put some distance from a six-week low of 109.70 plumbed the previous day, when fears of a global economic slowdown depressed US yields and boosted investor demand for the yen, a perceived safe haven. US consumer confidence and housing-related data was due later in the day and could provide near-term cues for the currency market. The 10-year US Treasury yield stood at 2.430% after declining to 2.377% on Monday, its lowest since December 2017.

The British pound stuck to a narrow range with British lawmakers scheduled to vote on a range of Brexit options later in the day. Sterling was effectively flat at \$1.3203 after spending the previous day confined to a narrow range when British MPs wrested control of the parliamentary agenda from the gov't for a day in a highly unusual bid to find a way through the Brexit impasse. They will now vote on a range of Brexit options later on Wednesday, giving parliament a chance to indicate whether it can agree on a deal with closer ties to the EU.

The euro was steady after falling to a 10-day trough of \$1.1273 on Monday, also hit by rising concerns about a slowdown in the euro zone economy but made modest gains overnight after a stronger-than-forecast German business confidence survey.

The Australian dollar, sensitive to shifts in risk sentiment, was 0.11% higher at \$0.7120 on the back of a rebound by Asian equities.

Oil prices edged up on Tuesday, lifted by supply cuts led by producer club OPEC and US sanctions against Iran and Venezuela, but signs of a sharp economic slowdown and potentially even a recession kept markets from rising further. Oil prices have been supported for much of 2019 by efforts by the OPEC and non-affiliated allies like Russia, who have pledged to withhold around 1.2mn bpd of supply this year to prop up markets.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	96.576	0.01%	0.42%
EUR/\$	1.1310	-0.02%	-1.37%
GBP/\$	1.3203	0.06%	3.52%
AUD /\$	0.7120	0.11%	1.01%
NZD/\$	0.6900	-0.13%	2.69%
\$/JPY	110.14	-0.15%	-0.41%
\$/CAD	1.3399	0.04%	1.78%
\$/CHF	0.9928	-0.04%	-1.08%
\$/SEK	9.2472	-0.08%	-4.26%
\$/NOK	8.5363	-0.02%	1.23%
\$/DKK	6.5994	-0.02%	-1.33%
\$/TRY	5.5544	-0.07%	-4.77%
EUR/GBP	0.8567	0.09%	4.93%
EUR/JPY	124.57	-0.13%	1.01%
EUR/CHF	1.1229	-0.02%	0.24%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1317.44	-0.34%	2.73%
Silver Spot \$/Oz	15.47	-0.45%	-0.17%
Platinum Spot \$/Oz	851.48	-0.83%	7.02%
Palladium Spot \$/Oz	1567.51	-0.26%	24.23%
COPPER \$/lb	285.05	-0.21%	8.10%
WTI \$/bbl	59.20	0.65%	30.37%
BRENT \$/bbl	67.35	0.21%	25.19%

### In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
USD	14:30	US Building Permits	1.32M	1.32M
USD	14:30	US Housing Starts	1.22M	1.23M
USD	16:00	US CB Consumer Confidence	132.1	131.4

**Wednesday:** NZ RBNZ Policy Decision, ECB Draghi speaks. Canada Trade Balance, US Trade Balance, US Current Account, SNB Quarterly Bulletin

**Thursday:** German Prelim CPI, US Final GDP QoQ, RBNZ Gov speaks

**Friday:** Japan Unemployment Rate, UK Current Account, UK Final GDP QoQ, Eurozone Flash CPI, Canada GDP, US Personal Spending and Income, US Chicago PMI, US Consumer Sentiment, UK Parliament Vote

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## STOCKS & BONDS

Benchmark 10-year Treasury yields fell to their lowest levels since December 2017, while the yield curve between three-month bills and 10-year notes inverted further as investors continued to assess last week's dovish pivot by the Fed. The Fed flagged an expected slowdown in the economy last week and decided against raising interest rates this year. The yield curve inversion, if it holds, is seen by some as an indicator that a recession is likely in one to two years. Ten-year notes were last yielding about 2.4%.

Asian shares drifted higher on Tuesday after two days of losses as US 10-year Treasury yields edged up, but the outlook remained murky as investors weighed the odds of whether the US economy is in danger of slipping into recession. MSCI's broadest index of Asia-Pacific shares outside Japan rebounded 0.2% after losing 1.4% in the previous session. Australian shares were flat, while Japan's Nikkei jumped 2.15% after recording its biggest drop since late December on Monday. China's blue-chip CSI300 bucked the trend, giving up early gains to fall 0.7%, while Hong Kong's Hang Seng Index was slightly lower.

US stocks were mixed yesterday. The S&P 500 Index ended a choppy session slightly lower on Monday as worries about a slowdown in global economic growth lingered and as Apple Inc shares fell after the company unveiled its video streaming service. Indexes moved between negative and positive territory throughout the session, with investors keeping their eyes on the US Treasury market. The S&P 500 financial index ended down 0.4%, falling for a fifth straight day, its longest losing streak this year. The Dow ended higher, helped by a 2.3% gain in Boeing Co after the planemaker said it would brief pilots and regulators this week on software and training updates for its 737 MAX aircraft, with Ethiopian Airlines and Qatar Airways expressing confidence in the company despite a recent fatal crash. Apple shares fell 1.2% and were the biggest drag on indexes. The iPhone maker unveiled its long-awaited Apple TV+ original content streaming service and Apple TV Channels subscription service, joining a crowded market for streaming options. Investors largely shrugged off Special Counsel Robert Mueller's report that President Donald Trump's campaign did not collude with Russia. The report left unresolved the issue of whether Trump obstructed justice by undermining the investigations that have dogged his presidency. Top US officials travel to Beijing for the latest round of high-level talks, which are scheduled to start on March 28. In a bright spot, the consumer discretionary sector rose 0.6%, supported by gains in Home Depot Inc and Amazon.com Inc.

In the Gulf. Qatari index was lifted by its financial stocks. Egypt's index fell sharply on Monday, pulled down by its blue-chip shares. The Egyptian blue-chip index dropped 1.2%, with 26 of its 30 stocks declining. Egyptians were the net sellers of stocks during the session and non-Arab foreigners were the net buyers, according to data on the exchange website.

	LAST	1D	YTD
<b>AMERICA</b>			
DOW JONES	25516.83	0.06%	9.39%
S&P 500	2798.36	-0.08%	11.63%
NASDAQ	7637.54	-0.07%	15.11%
S&P/TSX	16065.86	-0.15%	12.17%
<b>EUROPE</b>			
STXE 600	374.33	-0.45%	10.86%
FTSE 100	7177.58	-0.42%	6.68%
CAC 40	5260.64	-0.18%	11.20%
DAX	11346.65	-0.15%	7.46%
<b>ASIA PACIFIC</b>			
S&P/ASX 200	6130.59	0.07%	8.58%
NIKKEI 225	21428.39	2.15%	7.06%
TOPIX	1617.94	2.57%	8.29%
CSI 300 (China)	3690.25	-1.40%	22.57%
<b>MENA</b>			
Saudi Arabia	8666.69	0.23%	10.73%
Abu Dhabi	5117.94	0.45%	4.12%
Dubai	2634.29	0.60%	4.17%
Qatar	9949.02	0.59%	-3.47%
Oman	4127.84	0.03%	-5.65%
Egypt	14670.80	-1.15%	12.54%
Kuwait	5943.45	0.39%	11.74%
Bahrain	1416.00	-0.47%	5.89%
<b>10-YEAR BONDS</b>			
U.S.	2.4301	0.0318	-0.2541
Germany	-0.0080	0.0200	-0.2500
U.K.	0.9860	-0.0280	-0.2910
France	0.3740	0.0200	-0.3360
Australia	1.8250	0.0450	-0.4930
Japan	-0.0650	0.0190	-0.0680

### Major Company News

- A federal judge in San Francisco dismissed for the second time a securities fraud lawsuit brought by Tesla Inc shareholders alleging that the company made misleading comments about the production status of its Model 3.
- Video-streaming firm iQIYI Inc, backed by search engine giant Baidu, is looking to raise \$1.05bn in convertible bonds in what is likely to be one of the largest ever such sales by a US-listed Chinese company.
- Purdue Pharma LP has agreed to settle a lawsuit by the state of Oklahoma accusing the OxyContin painkiller maker of helping fuel an opioid abuse epidemic, a person familiar with the matter said.
- Canada's TransAlta Corp said on Monday Brookfield Asset Management will invest C\$750mn (\$559.1mn) in the company as it aims to become a clean energy producer by 2025.
- Jet Airways Chairman Naresh Goyal will step down from the board of the Indian carrier he founded 25 years ago and its lenders will seize control, the company said, as part of a deal led by state-run banks to save the airline from bankruptcy.
- Kinder Morgan Inc has dropped out of a recently proposed US Gulf Coast deepwater crude export venture, the project's leader Enbridge Inc said on Monday.
- British entrepreneur Mike Lynch artificially inflated revenue at his Autonomy software company before selling it to Hewlett Packard for \$11 billion, the U.S. firm's lawyer told a London court on Monday.



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## TOP SELECTED NEWS

### German confidence jump brings relief

(Bloomberg) Confidence among German companies unexpectedly improved in March, providing a glimmer of hope for the European economy. Ifo's closely-watched index rose to 99.6, beating forecasts for a reading of 98.5, and a gauge of executives' expectations also rose. The improvement helps to dispel some of the gloom after a survey on Friday showed German manufacturing in its deepest slump in more than six years. The increase in the sentiment measure was the first in seven months. An improving mood among German businesses suggests Europe's largest economy may be starting to find its footing after the Bundesbank all but gave up hopes for a turnaround this quarter.

### Boeing readies 737 MAX software fix

(Reuters) Boeing Co will provide airlines that have bought the 737 MAX with free software upgrades, the US manufacturer said on Monday, as Ethiopian Airlines told Reuters it expected a preliminary crash report this week or next. Any fixes to the MAX software, the focus of investigations in two deadly crashes that have prompted worldwide groundings of the aircraft, must still get approval from gov'ts around the world. The US Transportation Department said Monday it is forming an outside panel to review the Federal Aviation Administration's aircraft certification program amid growing concerns after two fatal Boeing 737 MAX crashes since October.

### Airbus secures \$35bn China deal in new blow to Boeing

(Bloomberg) Airbus SE secured a \$35bn jet deal from China during a state visit by President Xi Jinping to the French capital, dealing a fresh blow to Boeing Co. as it grapples with the grounding of its best-selling jet. The mammoth order consists of 290 A320-series narrow-body planes and 10 A350 wide-bodies, Toulouse-based Airbus said after the transaction was announced in Paris on Monday. The deal's value is almost double that touted by French President Emmanuel Macron in January 2018 during a trip to Beijing. China has become the world's most important aviation market as its fast-growing middle class spurs demand for travel. The country has traditionally sought to keep a balance between the two western planemakers as it seeks to jumpstart manufacturing on its own soil, but Chicago-based Boeing's order prospects have been complicated by the trade clash.

### Deutsche Bk said to face Qatari resistance to bank merger

(Bloomberg) Deutsche Bank is facing resistance from top Qatari shareholders to its merger plans with Commerzbank, four people familiar with matter said. The investors are concerned that a deal would dilute their holdings if Deutsche Bank is forced to raise equity in a share sale to help fund the deal, the people said, asking not to be identified. The Persian Gulf nation is also seeking to negotiate other concessions before it backs the deal, the people said. Deutsche Bank shares have slumped by about two thirds since Qatar first invested about five years ago. The discontent among key shareholders adds to widening opposition to the deal, which Germany sees as a way to ensure financing to the country's export-oriented economy during a downturn.

### JPMorgan said to push 300 to leave UK in no-deal Brexit

(Bloomberg) JPMorgan Chase & Co. is pushing about 300 London-based investment banking staff to sign fresh contracts confirming they'll leave the UK in the event of a no-deal Brexit,

people familiar with the matter said. The employees, who work in areas such as sales and risk, have been presented with contracts in the last week that demand they relocate to a EU country such as Germany or France in a no-deal scenario, the people said, declining to be identified as the details are private. A spokesman for JPMorgan in London declined to comment. The affected staff were warned months ago of the possibility, but with JPMorgan activating its Brexit contingency plans, they now must decide whether to move or risk losing their jobs, the people said. The bank plans to redeploy staff to other roles in order to avoid layoffs, one person said.

### Uber to seal \$3.1bn deal to buy Careem this week

Uber Technologies Inc. is set to announce a \$3.1bn cash-and-share deal to acquire its Dubai-based rival Careem Networks FZ as early as this week, according to people with knowledge of the matter. The US ride-hailing giant will pay \$1.4bn in cash and \$1.7bn in convertible notes for Careem, the people said, asking not to be identified because the talks are private. The notes will be convertible into Uber shares at a price equal to \$55 per share, according to the term-sheet seen by Bloomberg.

### Samsung Elec flags earnings miss as chip prices slide

(Reuters) Samsung Electronics said on Tuesday Q1 profit would likely miss market expectations due to falls in chip prices and slowing demand for display panels, in an unprecedented statement ahead of its earnings guidance. The announcement came after the Apple Inc supplier and rival told shareholders last week that slack global economic growth and softer demand for memory chips, its core business, would weigh on operations in 2019. Samsung did not elaborate on the purpose of its filing. A company official confirmed the global leader in smartphones, televisions and computer chips had not previously provided comment before its official earnings estimate.

### Apple partners with Goldman to add a credit card to Wallet

(Reuters) Apple Inc said on Monday it will launch a credit card with Goldman Sachs Group Inc this summer that will be synched with iPhone users' Apple Wallet and can be used to buy Apple products at a discount. Speaking at an event at the iPhone maker's headquarters in Cupertino, California, Vice President for Apple Pay Jennifer Bailey said the new Apple Card service will work through the company's wallet app Apple Pay. Users of the card, which will be issued by Goldman Sachs Group Inc, will earn 2% cash back on all purchases made through the digital wallet or 3% cash back on Apple products. There will also be a physical card, which will give users 1% cash back on purchases.

### Inmarsat buyout is \$3.4bn wager on inflight broadband

(Bloomberg) Funds including Apax Partners and Warburg Pincus placed a \$3.4bn bet on surging demand for inflight broadband, agreeing to buy satellite operator Inmarsat Plc in one of the biggest ever deals to delist a UK company. Inmarsat shares jumped more than 8% to top the offer price as some investors speculated another bidder may try to break up a deal that already has the backing of top shareholder Lansdowne Partners. Inmarsat has been in play since last year as it faces growing competition from traditional rivals such as ViaSat Inc. and new challengers including Richard Branson-backed OneWeb and Elon Musk's SpaceX offering smaller, cheaper satellites. Inmarsat has pinned its hopes on selling faster, more reliable internet services to the world's airlines.



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