

GLOBAL MARKETS

Wednesday, March 27, 2019

Markets in brief

- U.S. edged higher as treasury yields drop halted for now.
- NZ dollar slumped after the RBNZ signaled rate cuts. Bond and bill futures also rallied sharply to leave yields at fresh all-time lows. Bill futures are now pricing in at least one quarter-point cut in rates.
- Euro traded under pressure after weaker-than-expected German manufacturing survey.
- Oil prices were mixed as worries over economic slowdown could limit its recent surge.
- Asian shares steadied with investors monitoring U.S. bond markets shifts.
- U.S. stocks gained as the financial sector recovered from 5 losing sessions.
- Most Gulf stock markets ended lower yesterday.

May asking Tory help

The UK Parliament will try to break the Brexit deadlock today with votes on alternatives to Theresa May's deal. Depending on which options garner support, this could force the government to seek a softer divorce from the EU. Prime Minister May will also meet with Tory colleagues in the 1922 Committee to seek more begrudging last-minute support of her deal — possibly in exchange for a pledge to quit as PM. If May can't get her deal through a vote in the House of Commons by Friday, the UK will be forced to choose between a potentially long delay to its departure and falling out of the EU without a deal on April 12. A no-deal Brexit threatens the kind of economic crash that would hit the pound, disrupt goods supplies and provoke a major slump in house prices, according to official analysis. May's divorce agreement has been rejected twice in parliamentary votes by huge majorities — but there is almost no support for leaving without a deal.

NZ central bank signaling rate cut

New Zealand's central bank unexpectedly said its next move in interest rates was more likely to be a cut, abandoning its neutral stance at a policy review on Wednesday and knocking the currency down sharply to two-week lows. The Reserve Bank of New Zealand (RBNZ) held the benchmark rate at a record low 1.75%, as expected, though the shift to explicitly favour a cut stunned investors as its projections last month showed the cash rate increasing in early 2021. "Given the weaker global economic outlook and reduced momentum in domestic spending, the more likely direction of our next OCR move is down," RBNZ Governor Adrian Orr said in a statement.

China's economy cooling

China's industrial firms posted their worst slump in profits since late 2011 in the first two months of this year, data showed on Wednesday, as increasing strains on the economy in the face of slowing demand at home and abroad took a toll on businesses. The sharp decline in profits suggests further trouble for the world's second largest economy, which expanded at its slowest pace in almost three decades last year. The government has already lowered the economic growth target this year to 6.0-6.5%, from the actual rate of 6.6% in 2018. Profits notched up by China's industrial firms in January-February slumped 14.0% year-on-year to 708.01 billion yuan (\$105.50 billion), the National Bureau of Statistics (NBS) said on its website on Wednesday.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1259	-0.06%
GBP/\$	1.3183	-0.22%
AUD /\$	0.7101	-0.48%
NZD/\$	0.6808	-1.43%
\$/JPY	110.54	0.09%
\$/CAD	1.3405	-0.18%
\$/CHF	0.9958	-0.14%
Gold \$	1316.48	0.06%
Silver \$	15.42	-0.06%
Platinum \$	861.44	0.27%
WTI \$	59.91	-0.05%
BRENT \$	68.14	0.25%
AMERICA		
DOW JONES	25657.73	0.55%
S&P 500	2818.46	0.72%
NASDAQ	7691.52	0.71%
EUROPE		
STXE 600	377.20	0.77%
CAC 40	5307.38	0.89%
DAX	11419.48	0.64%
ASIA PACIFIC		
S&P/ASX 200	6135.97	0.09%
NIKKEI 225	21378.73	-0.23%
CSI 300 (China)	3736.72	0.98%
MENA		
Saudi Arabia	8678.88	0.14%
Dubai	2615.17	-0.73%
Qatar	9935.47	-0.14%
BONDS		
U.S. 10-year	2.4053	-0.0002
German Bund 10-year	-0.0360	-0.0002
AU 10-year	1.7740	-0.0005
BEIRUT S.E.		
SOLIDERE - A	5.75	-2.21%
SOLIDERE - B	5.78	-3.34%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.00	-
BLOM BANK	9.21	0.11%
BYBLOS BANK	1.33	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

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FX & COMMODITIES

The US dollar edged higher on Wednesday and antipodean currencies beat a hasty retreat after the RBNZ surprised the markets by opening the door to future monetary policy easing.

The dollar index versus a basket of six major currencies was up 0.14% at 96.867, adding to modest gains made overnight. The US Fed last week brought its three-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. The European Central Bank, Reserve Bank of Australia and the Bank of Japan have also taken a dovish tilt this year, while China's central bank began loosening policy in 2018. The greenback was already on a firm footing after advancing on Tuesday, when 10-year Treasury debt yields rebounded due to stock gains on Wall Street. An inversion of the US yield curve, which has preceded every US recession over the past 50 years, chilled risk sentiment and triggered a sharp stock selloff last week. Yields for safe-haven bonds also declined, pressuring the dollar. The dollar dipped 0.09% to 110.54 yen, losing some steam after surging 0.6% against its Japanese peer on Tuesday. The 10-year US Treasury note yield was a touch higher at 2.407%. The yield had fallen on Monday to 2.377%, its lowest since December 2017.

The New Zealand dollar tumbled after the central bank kept interest rates at a record low of 1.75% and said increased downside risks to its outlook meant the next move in rates was now more likely to be a cut. The kiwi was last down 1.43% at \$0.6808 after hitting a 2-1/2-week trough of \$0.6797. The Australian dollar retreated in sympathy with its New Zealand peer, shedding 0.48% to \$0.7101.

The euro has been on shaky ground after Friday's weaker-than-expected German manufacturing survey raised concerns about Europe's largest economy. The currency lost 0.06% to \$1.1259, extending overnight losses.

The British pound edged down, retracing its earlier gains in the face of the broadly stronger dollar. Sterling had drawn mild support after two eurosceptic British lawmakers indicated on Tuesday that they might agree to support Prime Minister Theresa May's EU withdrawal deal rather than risk parliament cancelling Brexit.

Oil prices were mixed on Wednesday, with Brent extending the previous session's rise, but gains were kept in check amid growing fears over the impact of a global economic slowdown on demand. Brent was not far off its year-to-date high of \$68.69 reached last week. The U.S. benchmark rose 1.9% in the previous session. Oil rose on Tuesday as Venezuela's main oil export port of Jose and its four crude upgraders were unable to resume operations following a massive power blackout on Monday, the second in a month. Prices have risen more than 25% this year, supported by supply curbs by the Organization of the Petroleum Exporting Countries and other major producers, along with U.S. sanctions on exports from Venezuela and Iran.

	LAST	1D	YTD
CURRENCIES			
DXY	96.867	0.14%	0.72%
EUR/\$	1.1259	-0.06%	-1.81%
GBP/\$	1.3183	-0.22%	3.36%
AUD /\$	0.7101	-0.48%	0.74%
NZD/\$	0.6808	-1.43%	1.32%
\$/JPY	110.54	0.09%	-0.77%
\$/CAD	1.3405	-0.18%	1.73%
\$/CHF	0.9958	-0.14%	-1.38%
\$/SEK	9.2611	-0.18%	-4.40%
\$/NOK	8.5667	-0.25%	0.87%
\$/DKK	6.6307	-0.06%	-1.80%
\$/TRY	5.4084	-1.49%	-2.20%
EUR/GBP	0.8541	-0.10%	5.25%
EUR/JPY	124.45	0.15%	1.11%
EUR/CHF	1.1212	-0.07%	0.39%
COMMODITIES			
Gold Spot \$/Oz	1316.48	0.06%	2.65%
Silver Spot \$/Oz	15.42	-0.06%	-0.48%
Platinum Spot \$/Oz	861.44	0.27%	8.27%
Palladium Spot \$/Oz	1551.68	0.53%	22.98%
COPPER \$/lb	286.20	0.28%	8.53%
WTI \$/bbl	59.91	-0.05%	31.93%
BRENT \$/bbl	68.14	0.25%	26.65%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
CAD	14:30	Canada Trade Balance	-3.5B	-4.6B
USD	14:30	US Trade Balance	-57.2B	-59.8B
CHF	16:00	SNB Quarterly Buletting		
OIL	16:30	EIA Weekly Report		

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

Asian shares held steady on Wednesday as investors tried to come to terms with a sharp shift in US bond markets and the implications for the world's top economy. MSCI's broadest index of Asia-Pacific shares outside Japan ticked up 0.1%, while Japan's Nikkei average lost 0.2%. Chinese stocks outperformed their Asian peers on expectations that Beijing would roll out more measures to support growth after data showed industrial profits shrank the most since late 2011. The mainland's benchmark Shanghai Composite rose 0.5%, the blue-chip CSI 300 climbed 0.8%, and Hong Kong's Hang Seng advanced 0.6%.

US stocks gained on Tuesday, with financials snapping a five-day losing streak as Treasury yields stabilized above 15-month lows. The S&P 500 financial index gained 1.1% and registered its biggest daily %age gain since Feb. 15. Benchmark 10-year note yields were steady on the day but above the level reached Monday, which was the lowest since December 2017. The S&P 500's gains came after two sessions of declines, triggered by concern about slowing global economic growth and the inversion of a closely watched part of the Treasury yield curve. If it persists, the yield curve inversion is seen as an indicator that a recession is likely in one to two years. Also helping stocks, the S&P energy index jumped 1.5%, leading %age gains among sectors, as oil prices rose on OPEC supply cuts and expectations of lower US inventories. Apple Inc shares ended down 1%, reversing early gains, after a US trade judge recommended Qualcomm Inc win a sales ban on some Apple iPhone models containing chips made by Intel Corp in one of two patent disputes. Investors also digested weak consumer confidence numbers for March, as well as housing data that showed US homebuilding fell more than expected in February. Carnival Corp tumbled 8.7% after the world's largest cruise operator cut its annual profit forecast.

Most Gulf stock markets closed lower yesterday. Saudi shares rose boosted by a 10% surge in travel operator Al Tayyar Group, a shareholder in ride hailing app Careem which Uber has agreed to buy. Tayyar said it was expecting to make a gross profit of 1.78 billion riyals (\$474.64 million) from the transaction, supporting a 0.1% gain in the Saudi index. Dubai's index fell 0.7%, weighed down by declines across its real estate stocks. Dubai's largest listed-developer Emaar Properties lost 2.1% and its unit Emaar Malls dropped 1.7%.

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AMERICA			
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NASDAQ	7691.52	0.71%	15.92%
S&P/TSX	16155.16	0.56%	12.79%
EUROPE			
STXE 600	377.20	0.77%	11.71%
FTSE 100	7196.29	0.26%	6.96%
CAC 40	5307.38	0.89%	12.19%
DAX	11419.48	0.64%	8.15%
ASIA PACIFIC			
S&P/ASX 200	6135.97	0.09%	8.67%
NIKKEI 225	21378.73	-0.23%	6.81%
TOPIX	1609.49	-0.52%	7.72%
CSI 300 (China)	3736.72	0.98%	24.12%
MENA			
Saudi Arabia	8678.88	0.14%	10.89%
Abu Dhabi	5126.86	0.17%	4.30%
Dubai	2615.17	-0.73%	3.84%
Qatar	9935.47	-0.14%	-3.11%
Oman	4049.40	-1.90%	-6.24%
Egypt	14637.40	-0.23%	12.29%
Kuwait	5900.14	-0.73%	12.40%
Bahrain	1408.04	-0.56%	5.48%
10-YEAR BONDS			
U.S.	2.4053	-0.0177	-0.2789
Germany	-0.0360	-0.0210	-0.2780
U.K.	1.0070	0.0210	-0.2700
France	0.3450	-0.0110	-0.3650
Australia	1.7740	-0.0510	-0.5440
Japan	-0.0690	-0.0040	-0.0720

Major Company News

- Volkswagen and Amazon.com have agreed on a strategic partnership to create a kind of "industry cloud", for which details will soon be announced, Germany's Sueddeutsche newspaper reported.
- Deutsche Lufthansa AG plans to buy a triple-digit number of either Boeing 737 MAX or Airbus A320neo jetliners to replace jets in its fleet, Chief Executive Carsten Spohr said on Tuesday.
- Bed Bath & Beyond Inc's long-time Chief Executive Steven Temares came under pressure on Tuesday after activist investors called for his ouster and the replacement of the entire board, sending the company's shares up as much as 30%.
- Carnival Corp cut its annual profit forecast on Tuesday, expecting a hit from higher fuel prices and a stronger dollar, sending shares of the world's largest cruise operator down over 8%.
- Casper Sleep Inc, the US online mattress retailer whose investors include actor Leonardo DiCaprio and rapper 50 Cent, is seeking to hire underwriters for an IPO. (Reuters sources)
- Nexi on Tuesday priced shares in its IPO at between 8.5-10.35 euros each, valuing the Italian payments group at up to 6.4 billion euros in what is set to be one of Europe's biggest bourse listings this year.
- US health insurer Centene Corp is in advanced talks to buy smaller rival WellCare Health Plans Inc, according to two people familiar with the matter.
- Troubled South African retailer Steinhoff International Holdings NV said on Wednesday it had raised 4.8 billion rand (\$332 million) from the sale of its 26% stake in KAP Industrial Holdings Ltd .

TOP SELECTED NEWS

EU sees no imminent banking risks from no-deal Brexit

(Reuters) Euro zone banks face no imminent risks from a no-deal Brexit, the head of the EU agency responsible for handling failing lenders said on Tuesday. The reassuring message came as Britain grapples with its worst political crisis in decades ahead of an April 12 deadline to secure a deal to leave the EU. "There will be volatility, but given the level of preparations, I hope and I am convinced there should be no imminent risks to financial stability" in the event of a no-deal Brexit, Elke Koenig, the head of the Single Resolution Board (SRB), told a news conference. Koenig, who chaired Germany's banking supervisor before setting up the SRB in 2015, said EU and British financial institutions were prepared for any Brexit outcome, and so were euro zone lenders although "banks could always do more".

French Q4 economic growth holds up in face of protests

(Reuters) The French economy managed to keep up a steady pace of growth in Q4 despite a series of violent anti-gov't protests that weighed on business and consumer confidence, official data showed on Tuesday. The INSEE statistics agency said the euro zone's second-biggest economy grew 0.3% in the three months to the end of December from the previous quarter, when it also grew at the same rate. As a result the economy grew 1.6% over the course of last year, marginally better than the 1.5% flagged in a previous estimate. Strong exports, as companies such as Airbus rushed to complete shipments before the end of the year, helped offset weak consumer spending. Many stores in central Paris had to close on peak pre-holiday shopping days as the capital faced some of the worst rioting and vandalism in decades as the protests initially over the high cost of living spiraled out of control.

US to overhaul air safety oversight

(Reuters) The US aviation regulator will significantly change its oversight approach to air safety by July following two fatal Boeing Co MAX 737 passenger plane crashes, according to written congressional testimony seen by Reuters. At a US Senate Commerce subcommittee hearing on Wednesday, the Federal Aviation Administration (FAA) acting head Dan Elwell will say the agency's oversight approach must "evolve" after the deadly crashes, according to the testimony. While specific details on oversight changes were not clear, lawmakers are expected to question Elwell on how the regulator intends to change the process by which a manufacturer such as Boeing can to a large extent certify their own planes and flight software systems.

UK watchdog intervenes to help mortgage 'prisoners'

(Reuters) Britain's markets watchdog proposed changes on Tuesday to help banks unlock 30,000 "mortgage prisoners" trapped in poor deals since lending conditions were tightened after the financial crisis. The Financial Conduct Authority said in final conclusions of its review of Britain's trillion-pound mortgage market, started in December 2016, that it was particularly concerned about consumers who are unable to switch lender. The FCA has proposed that, for those customers who are up-to-date with their payments and want a better deal without borrowing more, lenders will be able to undertake a more proportionate assessment of whether they can afford the new loan. There are 10,000 mortgage prisoners with lenders that are still actively offering home loans on the market, with another 20,000 at firms authorized to lend but are not longer

Global carbon emissions hit record high in 2018: IEA

(Reuters) Global energy-related carbon emissions rose to a record high last year as energy demand and coal use increased, mainly in Asia, the International Energy Agency (IEA) said on Tuesday. Energy-related CO2 emissions rose by 1.7% to 33.1bn tonnes from the previous year, the highest rate of growth since 2013, with the power sector accounting for almost two-thirds of this growth, according to IEA estimates. The US' CO2 emissions grew by 3.1% in 2018, reversing a decline a year earlier, while China's emissions rose by 2.5% and India's by 4.5%. Europe's emissions fell by 1.3% and Japan's fell for the fifth year running. Carbon dioxide emissions are the primary cause of global average temperature rise which countries are seeking to curb to avoid the most devastating effects of climate change.

German FM says he's not pressuring DB/COM merger

(Reuters) German Finance Minister Olaf Scholz on Tuesday rejected accusations that he was pressuring Deutsche Bank and Commerzbank to merge, adding that the government was in talks with the country's two largest lenders so it could intervene if needed. "The boards of both banks have decided that they want to explore a possible merger without fixed expectations," Scholz told the Frankfurter Allgemeine Zeitung (FAZ) in an interview. "They are in the driving seat, not the government." He made the comments when asked by FAZ why he was insisting on a merger that many in Germany fear will cost thousands of jobs and fail to create a banking champion.

Apple, Qualcomm gird for next phase of patent battle

(Reuters) Split decisions on Tuesday by a US gov't panel in acrimonious patent disputes between iPhone-maker Apple and chip supplier Qualcomm left their battle lines largely unchanged ahead of a U.S Federal Trade Commission ruling and a major trial next month. The International Trade Commission, a gov't agency empowered to hear disputes over patented technology, issued a final ruling in one case that went in Apple's favor while an ITC administrative judge made a non-binding recommendation that supported Qualcomm in another. In both cases Qualcomm Inc sought to have imports of Apple Inc iPhone 7, 8 and X models containing chips made by Intel Corp banned. Because iPhones are made overseas, banning imports would choke Apple's sales of the phones in the US.

Adobe, Microsoft to take on Salesforce's marketing software, with LinkedIn as a weapon

(Reuters) Adobe Inc and Microsoft Corp are partnering to bolster each other's sales and marketing software capabilities, taking aim at common rival Salesforce.com Inc, they said on Tuesday. Adobe and Microsoft hope to make it easier for users of Adobe's marketing software to find and target teams of potential customers for business goods on LinkedIn, the social network owned by Microsoft, they said at a conference in Las Vegas. If an Adobe customer is selling medical equipment to a hospital, for example, the new partnership would make it easier to target tailored LinkedIn ads to all of the people involved in the purchasing decision, such as doctors, technicians and finance managers. If the marketing campaign works, sales people could then use Microsoft's sales software to help close the deal.



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