

MARKETS TODAY

Thursday, March 28, 2019

MARKETS IN BRIEF

- Global bond yields continued to trend lower as recession fears fed expectations of more policy easing by major central banks. U.S. dollar was able to withstand the fall in treasury yields.
- The 10-year U.S. Treasury note yield slipped to 2.3384%, its lowest since December 7, 2017 (~16-month lows).
- British pound was hit by a bout of Brexit blues after a round of votes in the U.K. parliament failed to produce any new plan to manage Brexit.
- Euro was pressured down by Draghi's comments over further delay in future rate hikes.
- NZ dollar recovered from its big 1.6% slump yesterday.
- Turkish lira weakened but losses were limited as authorities intervened to prop up overnight liquidity.
- Oil prices edged lower after data showed U.S. crude inventories grew more than expected last week.
- Palladium prices fell to a more than 5-week low.
- Asian stocks were little helped today by news that U.S.-China were making progress in their trade talks.
- U.S. stocks dropped yesterday on increased economic concerns.

Brexit stalemate, despite May's threat

British PM Theresa May failed to sway hardline opponents of her EU divorce deal on Wednesday with an offer to quit, but parliament's bid to agree an alternative fell short, leaving the Brexit process as deadlocked as ever. The country entered another critical 48 hours after Parliament signaled it's more willing to back a softer departure from the EU or even another referendum than the deal struck by May after two years of negotiations. But those options also don't command majority support. May must decide on Thursday if she is going to bring her deal back for another vote and meet the EU's Friday deadline for getting it passed.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1257	0.12%
GBP/\$	1.3186	-0.02%
AUD /\$	0.7104	0.28%
\$/JPY	110.18	0.30%
\$/CAD	1.3406	0.02%
Gold \$	1310.49	0.07%
WTI \$	59.17	-0.40%
BRENT \$	67.55	-0.41%
AMERICA		
DOW JONES	25625.59	-0.13%
S&P 500	2805.37	-0.46%
NASDAQ	7643.377	-0.63%
EUROPE		
STXE 600	377.28	0.02%
CAC 40	5301.24	-0.12%
DAX	11419.04	0.00%
ASIA PACIFIC		
S&P/ASX 200	6176.078	0.65%
NIKKEI 225	21033.76	-1.61%
CSI 300 (China)	3725.009	-0.49%
MENA		
Saudi Arabia	8766.33	1.01%
Dubai	2614.35	-0.03%
Qatar	10105.06	1.71%
BONDS		
U.S. 10-year	2.3594	-0.01%
German Bund 10-yr	-0.079	0.00%
AU 10-year	1.725	-0.05%



MARKETS TODAY

... a softer Brexit could be close

While all eight alternative options were shot down by Britain's Parliament, the customs union motion fell by less than others. Also, the motion calling for the deal to be put to a referendum lost only narrowly — 268 vs 295 — making it more likely the public will have a chance to confirm any deal. May's plan, the only active one, looks to be dead after the DUP refused to back it. May is still hoping to bring that plan to yet another vote. Several pro-Brexit Tories — including Boris Johnson and Iain Duncan Smith — told colleagues they're ready to back down and support her deal.

ECB studying tiered deposit rates

The ECB would need a solid policy case before acting to mitigate the side effects of negative interest rates on banks through steps such as tiering, and there's no need to rush, chief economist Peter Praet said. The central bank is studying options to lower the charge that banks pay on some of their excess cash, two sources told Reuters. No policy proposal has been made on the matter but the objective of the move would be to return some of more than 7 billion euros (\$7.90 billion) a year the ECB collects in interest from banks, one of the sources said.

U.S.-China trade talks progressing

China has made unprecedented proposals in talks with the U.S. on a range of issues including forced technology transfer as the two sides work to overcome remaining obstacles to a deal to end their protracted trade war, U.S. officials told Reuters on Wednesday. China put proposals on the table in the talks that went further than in the past, including on technology transfer, said one of four senior U.S. administration officials who spoke to Reuters. Negotiators have made progress on the details of the written agreements that have been hashed out to address U.S. concerns.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.76	0.17%
SOLIDERE—B	5.80	0.35%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.00	-
BLOM BANK	9.21	-
BYBLOS BANK	1.33	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The US dollar rose on Thursday as many of its peers weakened after more central banks opted to shift to a dovish policy stance in the wake of deteriorating economic prospects. The latest switch came from the Reserve Bank of New Zealand (RBNZ), which stunned markets on Wednesday by saying the next move in rates is likely to be down, joining a growing list of central banks that had turned dovish. The dollar index against a basket of six major currencies was 0.09% higher at 96.857 and headed for its third day of gains. With many of its peers going on the defensive, the dollar has been able to brush aside a decline by benchmark US Treasury yields to 15-month lows. The dollar slipped 0.30% to 110.18 yen but managed to stay clear of a 6-week trough of 109.70 plumbed on Monday. The 10-year US Treasury note yield slipped to 2.342%, its lowest since December 2017.

MARKETS TODAY

FX & COMMODITIES

The New Zealand dollar recovered from previous day's 1.6% slide. The Australian dollar, which often moves in sympathy with the kiwi, also rose. The RBA had last month abandoned its long-held tightening bias, and markets there are pricing in a cut this year. The Aussie had shed nearly 0.7% on Wednesday along with the plummeting kiwi.

The euro was a touch higher at \$1.1257. The euro's upside was limited after ECB President Mario Draghi said a hike in interest rates could be further delayed. The single currency has still lost 0.45% this week with the benchmark 10-year bund yield having fallen to 2-1/2-year low of minus 0.09%. Growth-sensitive currencies have taken a beating recently on rising risks to the global economy, highlighted by the shakeout in US bond yields which signaled a future recession.

The British pound had its own troubles as an offer by British Prime Minister Theresa May to quit to get her EU deal through parliament failed, leaving uncertainty hanging over the Brexit process. That left the pound idling at \$1.3186, though that was up from an early trough of \$1.3140.

The Turkish lira weakened 2.38% against the dollar early on Thursday, but losses were limited as Turkish authorities, according to sources, kept directing banks to withhold lira liquidity from the London market until after local elections on Sunday. The lira stood at 5.4585 against the US currency, easing from 5.33 at the end of Wednesday. Last year, it plunged almost 30% against the dollar. On Wednesday, the London overnight swap rate surged as high as 1,200% in what was a stop-gap measure to bolster the lira. That was by far its highest on record, and economists said the level was no longer based on actual trading.

Argentina's peso closed at a record low against the US dollar on Wednesday as concerns about inflation, weak growth and October's presidential election bit into market confidence in Latin America's No. 3 economy.

Oil prices nursed modest losses after data showed US crude inventories grew more than expected last week as a Texas chemical spill hampered exports. A petrochemical tank fire and chemical spill along the Houston Ship Channel hampered crude shipments for several days, prompting Texas officials on Tuesday to sue the owners of the storage facility. US crude inventories rose last week by 2.8 million barrels, compared with analysts' expectations for a decrease of 1.2 million barrels, the US Energy Information Administration said.

Palladium prices fell to a more than 5-week low on Thursday, a day after posting their steepest decline in over two years, as concerns about the global economy and a buoyant dollar prompted investors to take profits. Palladium slid 7% on Wednesday.

ECONOMIC CALENDAR

CURRENCY - TIME	EVENT	FCAST	PRIOR
USD—14:30	US Final GDP QoQ	2.40%	2.60%
USD—14:30	US Initial Jobless Claims	222K	221K
USD—16:00	US Pending Home Sales MoM	-43B	-47B

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

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	96.857	0.09%	0.71%
EUR/\$	1.1257	0.12%	-1.83%
GBP/\$	1.3186	-0.02%	3.39%
AUD /\$	0.7104	0.28%	0.78%
NZD/\$	0.6822	0.37%	1.53%
\$/JPY	110.18	0.30%	-0.44%
\$/CAD	1.3406	0.02%	1.72%
\$/CHF	0.9952	-0.03%	-1.32%
\$/SEK	9.2748	0.04%	-4.54%
\$/NOK	8.6264	0.02%	0.17%
\$/DKK	6.6325	0.12%	-1.83%
\$/TRY	5.4585	-2.38%	-3.10%
EUR/GBP	0.8537	-0.12%	5.31%
EUR/JPY	124.03	0.19%	1.45%
EUR/CHF	1.1204	-0.16%	0.46%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1310.49	0.07%	2.18%
Silver Spot \$/Oz	15.31	0.10%	-1.20%
Platinum Spot \$/Oz	862.50	1.05%	8.40%
Palladium Spot \$/Oz	1448.52	-0.34%	14.80%
COPPER \$/lb	286.60	0.10%	8.68%
WTI \$/bbl	59.17	-0.40%	30.30%
BRENT \$/bbl	67.55	-0.41%	25.56%

EQUITIES & BONDS

Global bond yields continued to spiral lower in Asia on Thursday as recession fears fed expectations of more policy easing by major central banks, though some share markets in the region did manage to steady after an early sell off. The latest lunge lower was led by German bunds where 10-year yields dived deeper into negative territory after ECB President Mario Draghi said a hike in interest rates could be further delayed. Plans to mitigate the side-effects of negative interest rates could also be considered, suggesting the central bank was preparing for an extended period below zero. That shift came hot on the heels of a dovish surprise on Wednesday from the Reserve Bank of New Zealand, which abandoned its neutral bias to say the next rate move would likely be down. Yields in both New Zealand and neighbor Australia, quickly sank to record lows in response. The RBNZ explicitly cited all the easing moves by other central banks as a reason for its turnaround since they had put unwanted upward pressure on the local dollar. That is one reason markets are wagering the Reserve Bank of Australia will also be forced to cut rates, simply to stop its currency from appreciating. Policy easing then becomes a self-fulfilling cycle across the world.

Asian stocks rose today. A Reuters report that the US and China had made progress in all areas in trade talks seemed to bolster sentiment a little, though sticking points still remained and there was no definite timetable for a deal. MSCI's broadest index of Asia-Pacific shares outside Japan recouped early losses to be almost flat, as did Shanghai blue

MARKETS TODAY

EQUITIES & BONDS

chips. Japan's Nikkei still fell 1.6%, while E-Mini futures for the S&P 500 were off 0.2%. Worries that the inversion of the US Treasury curve signaled a future recession only deepened as 10-year yields fell to a fresh 15-month low at 2.34%.

US stocks eased on Wednesday as Treasury bond yields fell again and a prolonged inversion in the yield curve fanned fears of a US economic slowdown. Benchmark 10-year Treasury yields slid, but came off 15-month lows reached overnight, as investors remained focused on central bank dovishness globally. The yield curve inverted for the first time since 2007 on Friday and, if the inversion persists, some experts say it could indicate a recession is likely in one to two years. Bank and financial stocks fell, with the S&P 500 financial index ending down 0.4%. Worries about global growth have risen recently amid weak economic data, and the Fed last week abandoned projections for any interest rate hikes this year. The European Central Bank became the latest central bank to delay a planned increase in rates amid rising threats to growth. Lennar Corp rose 3.9% as the No. 2 US homebuilder said it expected the housing market to improve, while shares of KB Home, which reported upbeat results late Tuesday, were up 2.7%. Also helping was a survey that showed mortgage applications in the week ended March 22 rose nearly 9% amid lower interest rates, according to the Mortgage Bankers Association. Centene Corp's shares fell 5% after the health insurer said it would buy smaller rival WellCare Health Plans Inc for \$15.27 billion. Shares of WellCare jumped 12.3%.

Gulf stock markets were mixed yesterday. Saudi index rose on the back of its banks. Qatar's stock market rose, lifted by shareholder approval for an increase in foreign ownership limits at Qatar Fuel and Mesaieed Petrochemical. Qatar Fuel added 4.2% and Mesaieed Petrochemical was up 5.8%. Last year, their parent company, state-owned energy firm, Qatar Petroleum said it would raise the foreign ownership limit in its listed-units to up to 49% after limits on foreign ownership were amended. The increase in foreign ownership limit was approved by the companies' shareholders in their annual general meeting.

COMPANY NEWS HEADLINES

- Lyft Inc on Wednesday raised the price range for its initial public offering, as investors looked past the ride-hailing startup's mounting losses to the company's growing market share against larger rival Uber Technologies Inc.
- Honda Motor Co and truck maker Hino Motors Ltd will join a joint venture of SoftBank Corp and Toyota Motor Corp that aims to develop self-driving car services, the venture said on Thursday.
- Volkswagen is not interested in a tie-up with rival Fiat Chrysler as the German carmaker's efforts were all focused internally, Chief Executive Herbert Diess told *Il Sole 24 Ore* and other two newspapers.
- Australian construction firm Lend Lease Group has appointed Morgan Stanley and local adviser Gresham to run the sale of its underperforming engineering and services business (E&S) (Reuters sources)
- A US jury on Wednesday awarded \$80 mn to a man who claimed his use of Bayer AG's glyphosate-based weed killer Roundup caused his cancer, in the latest legal setback for the company facing thousands of similar lawsuit.
- German railway operator Deutsche Bahn said on Wednesday it will explore a sale or public listing of its British unit Arriva, adding this would enable the group to lower debt and free up cash for growth investments.
- Apparel maker PVH Corp on Wednesday forecast full-year adjusted profit and sales above Wall Street expectations, banking on higher demand for its Tommy Hilfiger branded apparels and accessories.
- Lululemon Athletica ednesday forecast full-year profit above estimates, suggesting that demand for the Canadian clothing chain's yoga wear was showing little signs of slowing, sending shares up 9% in extended trading.
- Brazilian state development bank BNDES will continue to reduce its stake in state-controlled oil company Petroleo Brasileiro SA as part of its divestment plan, the bank's CEO Joaquim Levy told journalists on Wednesday.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	25625.59	-0.13%	9.85%
S&P 500	2805.37	-0.46%	11.91%
NASDAQ	7643.38	-0.63%	15.19%
S&P/TSX	16132.53	-0.14%	12.63%
EUROPE	LAST	1D	YTD
STXE 600	377.28	0.02%	11.74%
FTSE 100	7194.19	-0.03%	6.93%
CAC 40	5301.24	-0.12%	12.06%
DAX	11419.04	0.00%	8.15%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6176.08	0.65%	9.38%
NIKKEI 225	21033.76	-1.61%	5.09%
TOPIX	1582.85	-1.66%	5.94%
CSI 300 (China)	3725.01	-0.49%	23.73%
MENA	LAST	1D	YTD
Saudi Arabia	8766.33	1.01%	12.01%
Abu Dhabi	5109.42	-0.34%	2.76%
Dubai	2614.35	-0.03%	2.69%
Qatar	10105.06	1.71%	-1.90%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.3594	-0.0071	-0.3248
Germany	-0.0790	0.0020	-0.3210
U.K.	1.0130	0.0060	-0.2640
Australia	1.7250	-0.0490	-0.5930

TOP SELECTED NEWS

UK politicians must stop 'chasing rainbows' on Brexit - BCC

(Reuters) British politicians have let business down over Brexit and must stop "chasing rainbows" and instead take politically difficult decisions to find a consensus, the head of one of Britain's main business associations said on Thursday. Leaving the EU in a messy or disorderly way would be a "flagrant dereliction of duty", Adam Marshall, the director-general of the British Chambers of Commerce, said in unusually sharp remarks ahead of the BCC's annual conference.

US current account deficit hits 10-year high; firms bring back more foreign profits

(Reuters) The US current account deficit increased more than expected in Q4 amid declining exports, pushing the overall shortfall in 2018 to its highest level in 10 years, and US companies repatriated a record amount of foreign earnings last year following the Republican tax overhaul. The Commerce Department said on Wednesday the current account deficit rose 6.1% to \$134.4 billion. The quarterly current account gap was the largest since Q4 2008.



MARKETS TODAY

TOP SELECTED NEWS

US trade deficit narrows sharply as exports rebound

(Reuters) The US trade deficit dropped more than expected in January likely as China boosted purchases of soybeans, leading to a rebound in exports after three straight monthly declines. The Commerce Department said on Wednesday the trade deficit declined 14.6%, the largest decline since March 2018, to \$51.1 billion also as softening domestic demand and lower oil prices curbed the import bill.

Boeing rolls out software fix to defend 737 MAX franchise, awaits US regulator's approval

(Reuters) Boeing Co on Wednesday took its most aggressive moves yet to defend its core 737 airliner franchise, saying it had developed software fixes to prevent failures of an automated flight control system that is being scrutinized after two deadly crashes in the past five months. A Boeing official in Seattle said on Wednesday the timing of the software upgrade was "100% independent of the timing of the Ethiopian accident," and the company was taking steps to make the anti-stall system "more robust." There was no need to overhaul Boeing's regulatory relationship with the US Federal Aviation Administration (FAA) now, the company said.

Sony to close smartphone plant in Beijing, shift production to Thailand

(Reuters) Sony Corp will close its smartphone plant in Beijing in the next few days, a company spokesman said, as the Japanese electronics giant aims to cut costs in the loss-making business. Sony will shift production to its plant in Thailand in a bid to halve costs and turn the smartphone business profitable in the year from April 2020, the spokesman said on Thursday. Sony's smartphone business was one of the few weak spots in its otherwise robust earnings, bracing for a loss of 95 billion yen (\$863 million) for this financial year.

Swedish authorities widen Swedbank inquiry to include suspected fraud

(Reuters) Sweden's Economic Crime Authority (EBM) widened its Swedbank investigation to include suspected fraud following a raid on Wednesday on the Swedish bank's headquarters in an inquiry into its handling of money laundering allegations. Money laundering allegations against Swedbank have sparked fears that the largest lender in the Baltic region will become embroiled in a scandal engulfing rival Danske Bank, and face the threat of lawsuits, fines and other sanctions.

JPMorgan said to cut hundreds of jobs in asset, wealth unit

(Bloomberg) JPMorgan Chase & Co. is dismissing hundreds of workers in its asset and wealth-management division after a periodic review of staffing, according to a person briefed on the matter. The bank is reducing the number of employees in support roles across the unit and laying off some wealth-management workers, said the person, who asked not to be identified discussing internal strategy. The reductions are being made globally.

Pimco, other PG&E creditors said to pitch \$35 billion exit plan

(Bloomberg) Some of the biggest players in distressed debt are proposing a \$35 billion plan that would allow California utility giant PG&E Corp. to emerge from bankruptcy within a year, according to people familiar with the matter. Pacific Investment Management Co., Elliott Management Corp. and Davidson Kempner Capital Management have been meeting with California lawmakers and other stakeholders to discuss the proposal. The plan would establish a \$14 billion cash trust to pay for claims tied to the deadly 2017 and 2018 wildfires that forced the utility to declare bankruptcy, according to the proposal seen by Bloomberg News.

Saudi Aramco to buy SABIC in \$69 billion chemicals megadeal

(Reuters) The world's largest oil producer Saudi Aramco has agreed to buy a 70% stake in Saudi Basic Industries Corp (SABIC) from the kingdom's wealth fund for \$69.1 billion in one of the biggest deals in the global chemical industry. The agreement to help boost Aramco's downstream growth plans comes after months of talks between Aramco and the Public Investment Fund (PIF), which contributed to the delay of Aramco's planned multi-billion dollar IPO.

MARKETS TODAY

Thursday, March 28, 2019

APPENDIX & DISCLAIMER

This document is for information purposes only and does not take account of the specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever.

The information in this document is based on data obtained from sources believed by Bank of Beirut to be reliable and in good faith, but no representations, guarantees or warranties are made by Bank of Beirut with regard to accuracy, completeness or suitability of the data. The opinions and estimates contained herein reflect the current judgment of the author (s) on the data of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Bank of Beirut. Bank of Beirut does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any opinion described herein would yield favorable investment results. Any forecasts discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by other sources relied upon in the document were inapposite.

Neither Bank of Beirut nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Bank of Beirut. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

GLOBAL MARKETS DIVISION



treasury@bankofbeirut.com.lb



+961 1 960 501

PRIVATE BANKING DEPARTMENT



privatebanking@bankofbeirut.com.lb



+961 1 960 531/2/3

