

# MARKETS TODAY

Friday, March 29, 2019

## MARKETS IN BRIEF

- U.S. dollar headed for its strongest gain in 5 months, helped by a recovery in U.S. treasury yields, and as its major currency peers were pressured by dovish signals from their own central banks.
- British pound crawled up after sliding more than 1% the previous day. Sterling had taken a knock as the prospect of a swift agreement on Brexit faded with the British parliament yet again failing to agree on a way forward.
- Euro rose slightly, but continued to be weighed by increased expectations that the ECB would keep low rates for longer time.
- Yen traded flat far from 1 1/2-m high of 109.70 hit on Monday.
- Turkish lira steadied, after tumbling 5% a day earlier, as liquidity returned to a key London foreign-exchange market.
- Aussie dollar edged higher with a recovery in risk appetite. Traders eyed key events next week: RBA decision, Trade Balance, and Retail Sales.
- Oil prices quickly recovered from the damage caused by Trump's call for OPEC to boost crude output in an effort to lower prices.
- Palladium remained under pressure after falling 7.32% yesterday.
- Trade talks optimism pushed Asian and U.S. stocks higher.

### Brexit March 29 deadline ...

U.K. lawmakers will vote today on May's withdrawal agreement at a special sitting but "not" on the framework for future relations with the EU. A separate vote will be needed to approve the political declaration on future trade and security ties. Britain agreed with the EU last week to delay Brexit from the originally planned March 29 until April 12, with a further delay until May 22 on offer if May could get her divorce package ratified by lawmakers. On Wednesday, May offered to resign if her Brexit package was passed, securing support from some high-profile critics in her party. But the DUP, which props up her minority government, said it still opposed the deal.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1237	0.14%
GBP/\$	1.3073	0.22%
AUD /\$	0.7100	0.37%
\$/JPY	110.65	-0.02%
\$/CAD	1.3425	0.10%
Gold \$	1287.91	-0.19%
WTI \$	59.53	0.39%
BRENT \$	67.82	0.00%
AMERICA		
DOW JONES	25717.46	0.36%
S&P 500	2815.44	0.36%
NASDAQ	7669.166	0.34%
EUROPE		
STXE 600	376.84	-0.12%
CAC 40	5296.54	-0.09%
DAX	11428.16	0.08%
ASIA PACIFIC		
S&P/ASX 200	6180.731	0.08%
NIKKEI 225	21205.81	0.82%
CSI 300 (China)	3871.409	3.84%
MENA		
Saudi Arabia	8788.84	0.26%
Dubai	2631.27	0.65%
Qatar	10145.68	0.40%
BONDS		
U.S. 10-year	2.398	0.00%
German Bund 10-yr	-0.058	0.01%
AU 10-year	1.775	0.05%

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## ... EU planning for a no-deal Brexit

The EU has moved into full crisis mode, with officials now setting the terms the UK will have to meet for Brussels to open talks on avoiding an economic meltdown in the weeks after a no-deal Brexit. In anticipation of a no-deal outcome on 12 April, EU ambassadors on Thursday morning opened discussions on the terms to be set for the bloc to return to the negotiating table. The EU's chief negotiator, Michel Barnier, told the diplomats during the meeting that a no deal was now "the most plausible outcome", and that there was an urgent need to war-game the bloc's response to it.

## U.S. Q4 growth revised down

US economic growth cooled by more than initially reported last quarter on revisions to consumer and government spending, signaling mounting challenges to the expansion as it nears a record duration. GDP grew at a 2.2% annualized rate, Commerce Department data showed Thursday, less than the initial 2.6% reading and projections for a revision of 2.3%. Consumer spending, the biggest part of the economy, grew at a downwardly revised 2.5% pace that also missed projections.

## China to expand financial markets opening; trade talks resumed

China will sharply expand market access for foreign banks and securities and insurance companies, especially in its financial services sector, Premier Li Keqiang said on Thursday, as senior U.S. officials arrived in Beijing for more trade talks. A meeting last night between Steven Mnuchin and Robert Lighthizer and their Chinese counterparts was "very productive," according to Mnuchin. Discussions continue today. In a move that might smooth discussions, Beijing is back in the market for U.S. soy, people familiar said.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	6.00	4.17%
SOLIDERE—B	6.22	7.24%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	5.00	-
BLOM BANK	9.20	-0.11%
BYBLOS BANK	1.33	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

## FX & COMMODITIES

The US dollar was poised on Friday for its strongest gain in five months as investors responded positively to a bounce in US Treasury yields and as some of its rivals were hit by dovish signals from their own central banks. With many currencies on the defensive, the dollar has weathered a decline in benchmark Treasury yields to a 15-month low. Against a basket of key rival currencies, the US currency was a shade lower at 97.149. The index was on track for a more than 1% rise in March, its best monthly performance since gaining 2.1% in October last year. It has risen 1.5% from a near 2-month low of 95.74 brushed on March 20. The dollar held strong even as data overnight showed the US economy slowed more than initially thought in Q4 of last year. US GDP increased at a 2.2% annualized rate, the Commerce Department said on Thursday, down from the initial estimate of 2.6%. Investors will be focused on developments in the US-China trade talks on Friday. China will sharply expand market access for foreign banks and securities and insurance firms, especially in its financial services sector, Premier Li Keqiang said on Thursday, as US



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## FX & COMMODITIES

officials arrived in Beijing for trade talks. Earlier, sources told Reuters that China has made proposals in talks with the US on a range of issues that go further than it has previously. Increased risk appetite helped lift the Australian dollar, with the Aussie last advancing 0.37% to \$0.7100. Market participants will also be watching Fed policymakers scheduled to speak later in the day. The 10-year US Treasury note yield edged up to 2.40%, extending its rise after coming off a 15-month low of 2.340% touched overnight.

**Against the Japanese yen, the dollar was flat at 110.65 yen. That put it on track for a 0.5% loss against the Japanese currency in March.** On Friday, official data showed Japan's industrial output rose 1.4% in February from the previous month, up for the first time in four months, though that came after a sharp 3.4% slump in January. The country's jobless rate fell in the same month to 2.3%, underscoring a tight labor market despite tepid wage gains and inflation.

**The euro was a tad higher but remained down about 1.2% for the month in the wake of sliding yields and fears of a prolonged economic slowdown hitting the euro zone.** The euro has also been weighed down by speculation the ECB will introduce a tiered deposit rate, providing a sign that policymakers plan to keep interest rates low for longer.

British pound licked its wounds on Friday, last trading up 0.22% at \$1.3073 after sinking more than 1% overnight as the prospects for a swift agreement on Brexit faded.

**The Turkish lira steadied on Friday morning, after tumbling 5% a day earlier, as liquidity returned to a key London foreign-exchange market.** In an interview late on Thursday, Finance Minister Berat Albayrak said Turkish banks were providing billions of lira to foreign markets and normalization in market conditions, both locally and in London, had begun. The lira stood at 5.62 against the dollar after closing at 5.5825 on Thursday, when it weakened as far as 5.6465. Last year, it tumbled almost 30% against the US currency.

**Oil prices rose on Friday on the back of ongoing OPEC-led supply cuts and US sanctions against Iran and Venezuela, putting crude markets on track for their biggest quarterly rise since 2009.** WTI futures were set to rise for a fourth straight week and were on track to rise 31% in the first three months of the year. Brent futures were set for a 1.7% weekly gain and a for the week and a 27% rise in Q1. For both futures contracts, Q1 2019 is the best performing quarter since Q2 of 2009 when both gained about 40%.

**Another severe move was seen in palladium, which plummeted 7.32% as concerns that an economic slowdown could dent demand** and a weak technical picture pushed investors to book profits after a record run.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
During day	UK Parliament Brexit Vote		
GBP—11:30	UK Current Account	-22.9B	-26.5B
GBP—11:30	UK Final GDP QoQ	0.20%	0.20%
CAD—14:30	Canada GDP MoM	0.10%	-0.10%
USD—14:30	US Core PCE Price Index MoM	0.20%	0.20%
USD—14:30	US Personal Spending MoM	0.30%	-0.50%
USD—16:00	US Revised UoM Consumer Sentiment	97.8	97.8

**Next Week:** Manufacturing and Services PMI for Major Countries, Eurozone Flash CPI, US Retail Sales, AU RBA Policy Decision, AU Annual Budget Release, US Durable Goods, AU Retail Sales, AU Trade Balance, ECB Policy Meeting Accounts, Canada Ivey PMI, Canada Jobs Report, US Jobs Report

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CURRENCIES	LAST	1D	YTD
DXY	97.149	-0.05%	1.01%
EUR/\$	1.1237	0.14%	-2.01%
GBP/\$	1.3073	0.22%	2.50%
AUD /\$	0.7100	0.37%	0.72%
NZD/\$	0.6803	0.38%	1.25%
\$/JPY	110.65	-0.02%	-0.87%
\$/CAD	1.3425	0.10%	1.58%
\$/CHF	0.9956	0.00%	-1.36%
\$/SEK	9.2782	0.17%	-4.58%
\$/NOK	8.6245	0.19%	0.19%
\$/DKK	6.6422	0.16%	-1.97%
\$/TRY	5.6259	-1.17%	-5.98%
EUR/GBP	0.8595	0.08%	4.59%
EUR/JPY	124.34	-0.14%	1.20%
EUR/CHF	1.1187	-0.11%	0.61%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1287.91	-0.19%	0.42%
Silver Spot \$/Oz	15.01	-0.02%	-3.12%
Platinum Spot \$/Oz	843.72	0.50%	6.04%
Palladium Spot \$/Oz	1345.44	-0.12%	6.63%
COPPER \$/lb	290.35	1.08%	10.11%
WTI \$/bbl	59.53	0.39%	31.09%
BRENT \$/bbl	67.82	0.00%	26.06%

## EQUITIES & BONDS

Benchmark US and European bond yields moved higher after prolonged slides, while world share markets were mixed with an eye on US-China trade talks and economic growth. The 10-year US bond yield edged up to 2.40% from a 15-month low of 2.3384% touched on Thursday after an almost relentless fall since the Fed's dovish tone last week sparked worries about the US economic outlook. Investors have been on heightened alert since the yield on the 10-year note fell below that of the 3-month US Treasury paper last Friday, an inversion of the yield curve that is widely seen as an indicator of a recession. The 3m-10y spread hit on Thursday, -11.32 bps, its lowest since August 8, 2007 (11.6-year low). The spread recovered to trade at -4bps.

**Asian shares rose on Friday, led by a surge in Chinese equities, on hopes that Washington and Beijing are making progress in trade talks.** MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.75% while Japan's Nikkei added 0.8%. The Shanghai Composite Index climbed more than 3.1%. The mood in the markets was brighter after U.S. officials said China has made proposals in trade talks with the United States on a range of issues that go further than it has before, including on forced technology transfer.

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## EQUITIES & BONDS

**US stocks climbed on Thursday as Treasury yields rose off 15-month lows, with investors optimistic about the latest round of US-China trade talks. But the day's advance was limited by concerns about economic data.** The domestic economy slowed more than initially thought in Q4, keeping growth in 2018 below the 3% annual target, and corporate profits failed to rise for the first time in more than two years. Worries about economic growth hit markets last week after the Fed abandoned projections for any interest rate hikes this year and the US Treasury yield curve inverted for the first time since 2007. Benchmark 10-year yields rose off 15-month lows but the yield curve between three-month bills and 10-year notes remained inverted. If it persists, the inverted yield could indicate that a recession is likely in one to two years. Senior US officials arrived in Beijing on Thursday for a fresh round of trade talks, which will be followed by a round in Washington next week. Trade-sensitive industrial stocks rose 0.8% and were among the day's top-performing sectors. On Wednesday, US officials told Reuters China had made unprecedented proposals in talks on a range of issues, including forced technology transfer, as the countries work to overcome the remaining obstacles to a deal to end their trade war. Consumer discretionary stocks rose 0.6%, helped by gains in shares of clothing firm PVH Corp. Calvin Klein's owner forecast full-year adjusted profit and sales above Wall Street's expectations.

**Most Gulf stock markets ended higher yesterday. Saudi index rose aided by its banks, even as Saudi Basic Industries (SABIC) gave up most of its early gains spurred by news of Aramco's purchase of a large stake in the petrochemicals group.** Saudi Arabia's index was up 0.3% with Al Rajhi Bank adding 1% and National Commercial Bank rising 2%. Heavyweight SABIC lost 0.3% after gaining as much as 2.7% earlier in the session. The world's largest oil producer Saudi Aramco agreed to buy a 70% stake in the firm from the Public Investment Firm (PIF) for \$69.1 billion. Abu Dhabi edged down as some stocks traded ex-dividend.

## COMPANY NEWS HEADLINES

- Lyft Inc was valued at \$24.3 billion in the first IPO of a ride-hailing startup on Thursday, raising more than it had set off to do as investors overlooked uncertainty over its path to becoming a profitable company.
- Jefferies Group LLC's quarterly revenue fell 17% on Thursday, as the company's investment banking business took a hit from a partial government shutdown and a dip in market activity in December, but said it expects a better trading environment going forward.
- Morgan Stanley said Thursday that its president, Colm Kelleher, will retire at the end of June, according to an internal memo viewed by Reuters.
- A South Korean supplier of Tesla Inc said on Friday it had agreed to buy a shuttered auto factory from General Motors' local unit to start contract manufacturing of electric vehicles.
- South Korean auto parts maker Myoungshin plans to buy General Motors' car factory in the southwestern city of Gunsan for 113 billion won (\$99.5 million), Myoungshin's parent firm said in a regulatory filing.
- Electric vehicle start-up Leap Motor, co-founded by surveillance equipment maker Dahua Technology, is seeking to raise 2.5 billion yuan (\$372 million) in its latest funding round to finance growth (Reuters sources)
- Grains trader Cargill Inc Thursday reported a 14% jump in fiscal Q3 2019 net earnings, as spending cuts buoyed profits that were weighed down by factors as varied as the US-China trade war, swine fever in Asian hogs and slumping US ethanol prices.
- Apparel maker PVH Corp said on Thursday it would exit the high-end collection of Calvin Klein and shut the label's flagship store in New York's Madison Avenue.
- Citgo Petroleum, the US-based unit of Venezuelan state-run oil firm PDVSA, said on Thursday it raised \$1.2 billion through a five-year term loan to cover operating expenses and to refinance existing debt.



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AMERICA	LAST	1D	YTD
DOW JONES	25717.46	0.36%	10.25%
S&P 500	2815.44	0.36%	12.31%
NASDAQ	7669.17	0.34%	15.58%
S&P/TSX	16155.49	0.14%	12.80%
EUROPE	LAST	1D	YTD
STXE 600	376.84	-0.12%	11.61%
FTSE 100	7234.33	0.56%	7.52%
CAC 40	5296.54	-0.09%	11.96%
DAX	11428.16	0.08%	8.23%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6180.73	0.08%	9.46%
NIKKEI 225	21205.81	0.82%	5.95%
TOPIX	1591.64	0.56%	6.53%
CSI 300 (China)	3871.41	3.84%	28.59%
MENA	LAST	1D	YTD
Saudi Arabia	8788.84	0.26%	12.29%
Abu Dhabi	5101.00	-0.16%	3.78%
Dubai	2631.27	0.65%	4.01%
Qatar	10145.68	0.40%	-1.49%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.3980	0.0034	-0.2862
Germany	-0.0580	0.0110	-0.3000
U.K.	1.0000	-0.0130	-0.2770
Australia	1.7750	0.0490	-0.5430

## TOP SELECTED NEWS

### Swedbank slammed by Swedish government as scandal explodes

(Bloomberg) Sweden's minister in charge of bank laws criticized Swedbank AB's handling of money laundering allegations and said the government is now willing to consider tougher legislation going forward. The bank is now being investigated in Sweden, Estonia and the US. On Wednesday, its headquarters were raided by Sweden's Economic Crime Authority, which is also probing the bank for potential fraud. The suspicious amounts that Swedbank allegedly handled may have been as high as \$23 billion a year between 2010 and 2016.

### Investigators believe anti-stall system activated in Ethiopian crash - WSJ

(Reuters) Investigators into a Boeing 737 MAX crash in Ethiopia have reached a preliminary conclusion that an anti-stall system was activated before the plane hit the ground, Wall Street Journal reported on Friday. The newspaper said the preliminary findings from the "black box" recorders were subject to revisions. Investigators into a deadly crash in Indonesia in October have also focused on the new anti-stall system, called MCAS. Boeing on Wednesday said a planned software fix would prevent repeated operation of the system that is at the center of safety concerns.



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## TOP SELECTED NEWS

### **China's Huawei posts 25% rise in 2018 profit on smartphone sales**

(Reuters) Huawei, the world's third-largest smartphone maker, reported a 25% jump in 2018 net profit, buoyed by a solid performance in its home market and a booming smartphone business. Huawei raked in a net profit of 59.3 billion yuan (\$8.8 billion), compared to a 28% rise in 2017 and a big rebound from a 0.4% increase in 2016. The outlook for Huawei is clouded by US accusations that its telecoms network equipment could be used for spying by the Chinese government and calls to allies from Washington to ban Huawei from building next-generation mobile networks.

### **Britain rebukes Huawei over security failings, discloses more flaws**

(Reuters) Britain publicly chastised China's Huawei Technologies for failing to fix long-standing security flaws in its mobile network equipment and revealed new "significant technical issues," increasing pressure on the company as it battles Western allegations that Beijing could use its gear for spying. In a report published on Thursday, the government-led board that oversees vetting of Huawei gear in Britain said continued problems with the company's software development had brought "significantly increased risk to UK operators."

### **AstraZeneca bets \$6.9 billion in Japan cancer therapy deal**

(Bloomberg) AstraZeneca Plc forged its biggest deal in more than a decade, agreeing to pay up to \$6.9 billion to buy into a promising Japanese cancer treatment as part of its push to become a global oncology powerhouse. AstraZeneca will pay the Japanese drug-maker Daiichi Sankyo Co. \$1.35 billion upfront to jointly develop and commercialize the cancer therapy trastuzumab deruxtecan, with as much as \$5.6 billion in additional payments subject to sales milestones and other contingencies, the companies said late Thursday.

### **Ex-Siemens unit Osram is getting cheaper for prospective buyers**

(Bloomberg) Osram Licht just got a whole lot cheaper for any would-be acquirer. After confirming talks last month with private equity investors for a possible takeover, the former Siemens division issued a sixth profit warning in a little more than a year on Thursday, sending shares plunging. Osram said annual sales, profit margin and cash flow would be lower than expected, and offered no fresh updates on discussions with Bain Capital and Carlyle Group. The alert took the stock down 13%, the most in nine months, leading to a near halving of the market value in the past year.

### **Altice Europe bets on French rebound to repay debt after promotions hit profit**

(Reuters) Telecoms and cable group Altice Europe is betting on a rebound of its French business to speed up debt repayments after a year of heavy promotions took a toll on its profits. The Amsterdam-listed group has flipped its strategy from cost-cutting toward gaining clients and selling infrastructure assets in a bid to lift its stock price after a sudden loss of investor confidence. With debt of 28.8 billion euros at end of 2018, more than twice its yearly revenues, Altice Europe's share price has been under pressure since 2017 over its ability to perform better in France, which represents two-thirds of its sales.

### **ZF enters car-parts elite with \$7 billion deal to buy Wabco**

(Bloomberg) ZF Friedrichshafen AG has agreed to buy Wabco Holdings Inc. in a deal worth about \$7 billion that would put the car-parts maker on par with fellow German peers Robert Bosch GmbH and Continental AG. ZF will pay \$136.50 a share for Wabco, according to a statement Thursday, a 6.5% discount from the target's Wednesday closing price, surprising investors who had bet on a higher offer. Wabco shares plunged around 10%.

### **US senators introduce bill to stop transfer of F-35 fighters to Turkey**

(Reuters) Four US senators on Thursday introduced a bipartisan bill to prohibit the transfer of F-35 fighter aircraft to Turkey until the US government certifies that Ankara will not take delivery of a Russian S-400 air defense system, a statement on the move said. Turkey is a production partner in the trillion-dollar F-35 fighter jet program but Ankara also wants to purchase a Russian missile defense system, which the US says would compromise the security of F-35 aircraft, which are made by Lockheed Martin Corp.



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## APPENDIX & DISCLAIMER

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