

# MARKETS TODAY

Thursday, May 02, 2019

## MARKETS IN BRIEF

- U.S. dollar took a breather today after markets were whipsawed by mixed messages on policy from the Fed yesterday. Initially, the dollar dropped as the central bank lowered its inflation forecasts. However, it then recovered after Chairman Powell signalled little appetite to adjust them any time soon, taking heart in continued job gains and economic growth and the likelihood that weak inflation will edge higher.
- However, global equities fell given the Fed's ambiguity surrounding future interest rates. U.S. stocks ended lower on Wednesday and the S&P 500 snapped a 3-day streak of record high closes. Asian stocks marked time as China and Japan remained closed for holidays.
- Safe-haven yen got pressured down on reports that U.S. and China might be closer to make a trade agreement.
- British pound defied the trend and rose against the dollar on positive Brexit news. Traders will be watching BoE's policy decision and minutes at 14:00 LT, that will be comments from Gov. Carney at 14:30 LT.
- Oil prices retreated following a surge in U.S. crude stockpiles. However, prices would remain supported by Iran sanctions, Venezuela's escalations, and ongoing output cuts by OPEC.

## Fed's next move could be either way

Fed Chairman Jerome Powell played down recent weakness in US inflation as possibly "transitory" and gave no indication officials were weighing an interest-rate cut despite pressure from the White House to Wall Street. Powell, who's been slammed by Trump for not doing more to support the economy, told reporters after the Fed left its main rate unchanged that the policy stance is "appropriate right now" and "we don't see a strong case for moving in either direction." The FOMC instead repeated language from its previous meeting, saying it "will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate," according to a statement Wednesday.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1199	0.03%
GBP/\$	1.3042	-0.06%
AUD /\$	0.7019	0.06%
\$/JPY	111.56	-0.16%
\$/CAD	1.3435	0.08%
Gold \$	1271.79	-0.39%
WTI \$	63.31	-0.46%
BRENT \$	71.89	-0.40%
AMERICA		
DOW JONES	26430.14	-0.61%
S&P 500	2923.73	-0.75%
NASDAQ	8049.64	-0.57%
EUROPE		
STXE 600	391.09	-0.07%
CAC 40	5586.41	-
DAX	12344.08	-
ASIA PACIFIC		
S&P/ASX 200	6338.40	-0.59%
NIKKEI 225	22258.73	-
CSI 300 (China)	3913.21	-
MENA		
Saudi Arabia	9361.96	0.62%
Dubai	2751.51	-0.56%
Qatar	10400.29	0.23%
BONDS		
U.S. 10-year	2.5161	0.0002
German Bund 10-yr	0.0260	0.0001
AU 10-year	1.7830	0.0000

# MARKETS TODAY

## BoE's policy decision later in the day

The Bank of England looks set to take a cautious approach to interest-rate changes during UK's Brexit delay, with continued uncertainty outweighing the evidence of resilience in the economy. Officials will vote to hold the benchmark rate at 0.75% (Bloomberg forecasts). Still, analysts are on the lookout for evidence of a hawkish tilt, with some seeing one official pushing for an immediate hike. BOE's meeting is the first since May secured an extension to Brexit deadline until October, meaning that, officials will have to update their predictions to reflect the delay.

## U.K. may stay in EU customs post-Brexit

Theresa May and her arch political rival Jeremy Corbyn are both signaling they may be edging closer to a Brexit deal after a month of talks between their teams that seemed to be going nowhere. The prime minister is aiming to wrap up the talks next week, either with an agreement or without one. On Wednesday, May signaled she could move on one of her key red lines and allow the UK to sign up to some kind of permanent customs union with the EU. May and Corbyn are expected to have support from 170 MPs each if a deal is done.

## U.S.-China trade deal next Friday?

The announcement of a US trade deal with China is "possible" by next Friday, sources told CNBC on Wednesday. A U.S. delegation met with Chinese negotiators in Beijing on Wednesday as the world's two largest economies try to hammer out details of an agreement. Chinese Vice Premier Liu He will travel to Washington for talks next week. On Wednesday, the White House said the latest talks moved Washington and Beijing closer to an agreement. The White House did not immediately comment Wednesday on the possibility of a deal by next Friday.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.89	6.70%
SOLIDERE—B	5.74	9.75%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.70	-0.84%
BLOM BANK	8.50	-
BYBLOS BANK	1.25	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

## FX & COMMODITIES

The US dollar consolidated today after recovering from a brief spill overnight when markets were whipsawed by mixed messages on policy from the Fed. Trading ranges were again tight with both Japan and China on holiday and little in the way of major economic data in the diary. The break was welcome after a volatile session overnight. The dollar had taken an initial knock from a surprisingly sharp retreat in the ISM index of manufacturing to 52.8, which overshadowed a strong ADP report on hiring. It fell further when the Fed downgraded its inflation outlook and made a technical cut to rates on excess reserves. All that changed when Fed Chair Jerome Powell said the factors dragging on inflation might be "transitory" and he saw no case for a rate move in either direction. The net result was a rebound in a dollar index against a basket of currencies, leaving it last at 97.616 compared to a low of 97.149 on Wednesday. The euro was back at \$1.1199, after reaching as high as \$1.1265 overnight, while the dollar steadied at 111.56 yen from a low of 111.03. Bonds likewise see-sawed with the 2-year yield first diving to a 1-month trough of 2.206%, only to end the Wednesday session 4 basis points higher at 2.31%. As the dust settled, the market had scaled

# MARKETS TODAY

## FX & COMMODITIES

back a little of its wagers for Fed rate cuts this year with 1.25% implied for December. The next major test for the dollar will be US payrolls on Friday where any surprise has the power to shift Fed rate expectations all over again.

**The British pound was one of the few currencies to buck the dollar, touching a two-week high on Wednesday on speculation Brexit talks between the British government and the main opposition party were making some progress.** The pound was last at \$1.3042, having been as high as \$1.3101 overnight.

**The safe-haven Japanese yen was pressured odwn and commodity currencies firmed after CNBC said a US-China trade deal may be announced by next Friday.** The CNBC report came as US Treasury Secretary Steven Mnuchin called the Wednesday meetings in Beijing "productive." However, investors have become accustomed to endless reports of progress and want to see an actual deal signed before celebrating.

**Oil prices fell on Thursday, pulled down by record US crude production that led to a surge in stockpiles. Outside the US, however, oil markets remained tense as exemptions to US sanctions on Iran expired, a political crisis in Venezuela escalates, and as producer club OPEC keeps withholding supply.** US crude stockpiles last week rose to their highest since September 2017, jumping by 9.9 million barrels to 470.6 barrels, as production set a record high of 12.3 million barrels per day (bpd), while refining activity rates fell, the Energy Information Administration (EIA) said on Wednesday. Outside the US, however, oil markets remained tight amid the political crisis in Venezuela, tighter US sanctions against Iran that allow no more exemptions from May, and as the OPEC continues to withhold supply in order to prop up prices.

**Gold dropped, holding near a 1-week low touched earlier in the session after comments from U.S. Fed Chairman Jerome Powell dashed hopes of a near-term rate cut, boosting the dollar.** Spot gold was down 0.39% at \$1,271.79 per ounce, having fallen to \$1,271.42, its lowest since April 24, on Wednesday.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—11:00	Eurozone Final Manufacturing PMI	47.8	47.8
GBP—14:00	UK BoE Inflation Report		
GBP—14:00	UK BoE Policy Decision	0.75%	0.75%
GBP—14:00	UK BoE MPC Votes	0-0-9	0-0-9
GBP—14:30	BoE Gov Carney speaks		
USD—15:30	US Initial Jobless Claims	220k	230k
USD—17:00	US Factory Orders MoM	1.00%	-0.50%

**Friday:** US Treasury Currency Report, AU Building Approvals, UK Services PMI, Eurozone Services PMI, US Jobs Report, US ISM Non-Manufacturing PMI



# MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	97.616	-0.07%	1.50%
EUR/\$	1.1199	0.03%	-2.34%
GBP/\$	1.3042	-0.06%	2.26%
AUD /\$	0.7019	0.06%	-0.43%
NZD/\$	0.6629	0.09%	-1.34%
\$/JPY	111.56	-0.16%	-1.68%
\$/CAD	1.3435	0.08%	1.50%
\$/CHF	1.0181	0.00%	-3.54%
\$/SEK	9.5331	0.09%	-7.13%
\$/NOK	8.6742	-0.02%	-0.38%
\$/DKK	6.6659	0.04%	-2.32%
\$/TRY	5.9679	-0.03%	-11.37%
EUR/GBP	0.8588	-0.10%	4.67%
EUR/JPY	124.96	-0.16%	0.70%
EUR/CHF	1.1402	-0.04%	-1.28%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1271.79	-0.39%	-0.83%
Silver Spot \$/Oz	14.64	-0.24%	-5.51%
Platinum Spot \$/Oz	862.07	-0.51%	8.35%
Palladium Spot \$/Oz	1343.11	-0.69%	6.45%
COPPER \$/lb	279.20	-0.34%	5.72%
WTI \$/bbl	63.31	-0.46%	39.42%
BRENT \$/bbl	71.89	-0.40%	33.62%

## EQUITIES & BONDS

**Asian markets marked time on Thursday with two major centers - Japan and China - shut for holidays.** Australian shares slipped 0.7% while New Zealand was up 1.2% and South Korea's KOSPI index added 0.4%. E-Mini futures for the S&P 500 were unchanged. In early European trades, the pan-region Euro Stoxx 50 futures were down 0.23% at 3,444, German DAX futures were 0.18% lower at 12,329, while FTSE futures were down 0.36% at 7,305.5. Trading in Japan will resume next Tuesday while China will be back in action on Monday. Global equities markets have scaled new highs since the start of the year largely on expectations of easy monetary policies around the world while a positive tone on US-China trade negotiations has also aided sentiment. But analysts are now wondering whether this strong run can continue.

**US stocks ended lower on Wednesday and the S&P 500 snapped a 3-day streak of record high closes as comments from Fed Chairman Jerome Powell appeared to dampen hopes the central bank could move later this year to cut interest rates.** In its policy announcement, the Fed held rates steady as expected and struck a cautious tone on inflation. But Powell, speaking following the Fed statement, said a decline in inflation this year could be due to transitory factors. That seemed to throw cold water on views by some in the market that the Fed might make a preemptive bid to head off lower inflation or a recession by cutting rates. As Powell spoke, traders of US short-term interest rate futures began trimming bets the Fed will cut rates before the end of the year. Stocks had been higher for

# MARKETS TODAY

## EQUITIES & BONDS

much of the session and the S&P 500 hit an intraday record early, driven by a jump in shares of Apple Inc. The company late on Tuesday reported quarterly results that beat Wall Street estimates despite a record drop in iPhone revenue. It also announced plans for a new \$75 billion share buyback and raised its cash dividend by 5%. Apple's stock ended up 4.9%. Selling was broad-based as nearly every S&P 500 sector ended the day lower. In other corporate news, US oil and gas producer Apache Corp missed analysts' estimates for quarterly profit on Wednesday, as lower crude and natural gas prices offset higher output from the Permian basin in the US and the UK North Sea. Yum Brands Inc reported quarterly earnings and same-store sales above Wall Street estimates on Wednesday, as KFC recorded its best growth in three years, but weaker-than-expected growth at Taco Bell weighed on the company's shares. US insurer MetLife Inc beat analysts' estimates for quarterly profit on Wednesday, buoyed by strong underwriting, volume growth, as well as higher investment income. Qualcomm Inc beat analysts' expectations for Q2 revenue on Wednesday, adding to recent bullish results from a host of chipmakers that have allayed investor concerns over sluggish demand. Humana Inc said on Wednesday it would not meet its earnings growth target for 2020 due to a \$1.2 billion hit from an industry-wide fee and a proposal to overhaul rebates in health plans, sending its shares down as much as 5%.

**In the Gulf markets, Saudi index gained on Wednesday, lifted for a second session by a results-driven rally in cement producers. Dubai index slipped after Emaar Properties traded ex-dividend and its shares hit a 1-month low.** Saudi Arabia's index rose 0.6%, with Umm Al Qura Cement the top gainer with a 9.9% leap after reporting a significant rise in Q1 net profit.

## COMPANY NEWS HEADLINES

- PG&E Corp on Wednesday sought court approval for a \$105 million fund to help house victims of the wildfires blamed on the bankrupt California power provider.
- Suncor Energy reported a profit on Wednesday that beat analysts' estimates as the integrated oil producer reaped the benefits of improved Canadian heavy crude pricing due to Alberta's production curtailments.
- Manulife Financial Corp, Canada's biggest insurer, beat quarterly profit estimates on Wednesday, boosted by growth in Asia, its biggest market.
- Chevron Corp completed a \$350 million purchase of a refinery in the Houston suburb of Pasadena, Texas, from Brazil's national oil company, Petrobras, Chevron said in a statement.
- Estee Lauder Cos Inc raised its 2019 forecast for profit and sales on Wednesday after beating Wall Street expectations for Q3 results on booming demand for luxury beauty products in China.
- Marathon Oil Corp beat analysts' estimates for Q1 profit on Wednesday, boosted by higher production and lower costs at its US shale assets in the Bakken and Northern Delaware regions.
- Czech investment group PPF has increased its holding in global consumer lender Home Credit after buying a 2.5% stake from co-shareholder Emma Capital in a deal valuing the company at 8.5 bn euros, shareholders said.
- Ivanhoe Mines Ltd said on Wednesday its chief executive officer, Lars-Eric Johansson, would retire at the end of June after 12 years at the helm.
- GlaxoSmithKline forecast on Wednesday that 2019 sales of its shingles vaccine would be more than 1 bn pounds but the British drugmaker's shares slipped on concerns about its pharmaceutical business and free cash flow.
- Curaleaf Holdings Inc said on Wednesday it would buy Cura Partners Inc's Select brand in an all-stock deal valued at C\$1.27 billion (\$948 million) to create the world's largest cannabis company by revenue.

# MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26430.14	-0.61%	13.30%
S&P 500	2923.73	-0.75%	16.63%
NASDAQ	8049.64	-0.57%	21.32%
S&P/TSX	16502.75	-0.47%	15.22%
EUROPE	LAST	1D	YTD
STXE 600	391.09	-0.07%	15.83%
FTSE 100	7385.26	-0.44%	9.77%
CAC 40	5586.41	-	18.09%
DAX	12344.08	-	16.91%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6338.40	-0.59%	12.26%
NIKKEI 225	22258.73	-	11.21%
TOPIX	1617.93	-	8.29%
CSI 300 (China)	3913.21	-	29.98%
MENA	LAST	1D	YTD
Saudi Arabia	9361.96	0.62%	19.62%
Abu Dhabi	5258.32	0.01%	6.98%
Dubai	2751.51	-0.56%	8.77%
Qatar	10400.29	0.23%	0.98%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.5161	0.0162	-0.1681
Germany	0.0260	0.0130	-0.2160
U.K.	1.1500	-0.0350	-0.1270
Australia	1.7830	0.0020	-0.5350

## TOP SELECTED NEWS

### Central bank binge buying fuels red-hot gold demand: WGC

(Reuters) Strategic buying by central banks helped push global gold demand up 7% in Q1 2019, the World Gold Council (WGC) said on Thursday. Central banks seeking to diversify their reserves bought a total of 145.5 tonnes of gold over the January-March period, the WGC said in its latest quarterly demand trends report. That is 68% more than a year earlier and follows purchases of 651.5 tonnes in 2018, which was the most in any year since 1967. Investors encouraged by political and economic uncertainty and the prospect of slower interest rate rises piled into gold-backed exchange traded funds, adding 40.3 tonnes to their holdings, 49% more than a year earlier, the WGC said.

### US factory activity at two-and-half-year low, points to slowing economy

(Reuters) US manufacturing activity slowed to a 2-1/2-year low in April amid a sharp drop in new orders while construction spending unexpectedly fell in March, suggesting economic growth was moderating after surging in Q1. One of the reports from the Institute for Supply Management (ISM) on Wednesday showed businesses increasingly anxious that Trump's threats to close the US-Mexico border would further disrupt the supply chain. Washington's trade war with China has created bottlenecks at factories.





# MARKETS TODAY

## TOP SELECTED NEWS

### **Bank of Canada says interest rates to rise if economic headwinds dissipate**

(Reuters) Bank of Canada Governor Stephen Poloz said on Wednesday interest rates would rise from their current "very low" levels if headwinds affecting the Canadian economy were to dissipate. Poloz also told the Senate banking committee that high levels of personal debt mean. Last week, the central bank made clear rate hikes were off the table for now, given the economy was struggling to cope with lower oil prices, weak household spending and the impact of global trade conflicts. The bank's main overnight rate is 1.75%, below the so-called neutral range of 2.25% to 3.25%, when monetary policy neither stimulates nor restrains growth.

### **Facebook settlement with US may include privacy oversight -Politico**

(Reuters) Facebook Inc and the Federal Trade Commission (FTC) are negotiating a possible settlement that would require the company to create an independent privacy oversight committee and take other steps to safeguard users, Politico reported on Wednesday, citing a source. The steps would include appointing a federally approved privacy official at the highest level of Facebook and creating a privacy oversight committee that may include Facebook board members, the report said.

### **US House panel will hold May 15 hearing on grounded Boeing 737 MAX**

(Reuters) The US House Transportation and Infrastructure Committee will hold a May 15 hearing on the grounded Boeing 737 MAX and the FAA aircraft certification program, three people briefed on the matter said on Wednesday. The committee said the hearing to be held by its aviation subcommittee will be on the "status of the Boeing 737 MAX." The committee did not disclose the witnesses. Representative Peter DeFazio, who chairs the panel, told reporters on Tuesday he planned to hold a hearing on the 737 MAX and the certification process in the near future.

### **Starbucks recalls coffee presses because of laceration hazard**

(Reuters) Starbucks is recalling about 263,000 of its coffee presses, made in partnership with Bodum, after the chain received reports of the product breaking and causing deep cuts, the US Consumer Product Safety Commission said on Wednesday. Starbucks has received eight reports of the plunger's knob breaking in the US and one report from Canada, resulting in lacerations or puncture injuries, the commission said. The presses, made from recycled materials, were sold at Starbucks cafes and on its website from Nov 2016 through Jan 2019, for about \$20.

### **Merck steps up US measles vaccine production with increased demand**

(Reuters) Merck said on Wednesday it has increased production of the measles vaccine to meet an uptick in demand in the US in the midst of the country's biggest outbreak in 25 years. Merck, the sole US supplier of measles vaccines, said the increased demand was noticeable, but did not amount to a surge, and has not required a significant increase in distribution across the country. The vast majority of cases have occurred in children who have not received the MMR vaccine, and public health officials are working to ensure immunization.

### **Amazon dismisses idea automation will eliminate all its warehouse jobs soon**

(Reuters) Amazon.com Inc dismissed the idea of running a fully automated warehouse in the near future, citing the superior cognitive ability of humans and the limitations of current technology. Scott Anderson, director of Amazon Robotics Fulfillment, said current technology is at least 10 years away from fully automating the processing of a single order picked by a worker inside a warehouse.

### **Vegan burger company Beyond Meat's IPO sizzles with \$25 share price**

(Reuters) Vegan burger maker Beyond Meat Inc, which counts Microsoft founder Bill Gates and actor Leonardo DiCaprio among its investors, on Wednesday priced its IPO at \$25 per share, the top of its anticipated range in a reflection of brisk investor demand. At this price, Beyond Meat raised around \$240 million at a \$1.5 billion valuation, including underwriters' options. The Los Angeles-based company in early January announced it was rolling out its plant-based burger at fast-food chain Carl's Jr. The company starts trading on the Nasdaq on Thursday.

# MARKETS TODAY

Thursday, May 02, 2019

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