

# MARKETS TODAY

Friday, May 03, 2019

## MARKETS IN BRIEF

- US dollar advanced for a third day, with the Group-of-10 currencies trading in a tight range ahead of the monthly U.S. jobs report at 15:30 LT and speeches by Federal Reserve officials.
- Australian dollar traded little changed after dropping to its lowest level since early January when March building approvals data missed estimates. Traders shifted attention to next week's key events, especially RBA's policy decision on Tuesday.
- Euro was flat before the release of inflation data at 12:00 LT.
- Oil prices plunged after U.S. crude production output set a new record, though the losses were capped by the intensifying political crisis in Venezuela and the stopping of Iranian oil sanction waivers by Washington.
- US stocks eased further from recent record highs yesterday as energy shares dropped along with oil prices and investors continued to digest recent comments by Fed Chairman Powell.
- Asian stocks remained in a tight range today amid ongoing holidays and ahead of key U.S. data.
- In the Gulf, Qatari index closed at a 3-month high. Abu Dhabi index was pressured by financial shares.

## U.S. April jobs report today

US employers likely maintained a strong pace of hiring in April while steadily increasing wages for workers, pointing to solid economic growth and moderate inflation pressures. The Labor Dpt's closely watched monthly employment report on Friday is likely to support the Fed's decision on Wednesday to keep interest rates unchanged and signal little desire to adjust monetary policy anytime soon. Fed Chair Powell described the economy and job growth as "a bit stronger than we anticipated" and inflation "somewhat weaker." The anticipated job gains in April would be close to the monthly average of 180k in Q1 and well above the roughly 100,000 needed per month to keep up with growth in the working-age population.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1169	-0.03%
GBP/\$	1.3036	0.03%
AUD /\$	0.6995	-0.07%
\$/JPY	111.48	0.03%
\$/CAD	1.3465	0.07%
Gold \$	1272.25	0.12%
WTI \$	61.72	-0.15%
BRENT \$	70.41	-0.48%
AMERICA		
DOW JONES	26307.79	-0.46%
S&P 500	2917.52	-0.21%
NASDAQ	8036.77	-0.16%
EUROPE		
STXE 600	388.84	-0.58%
CAC 40	5538.86	-0.85%
DAX	12345.42	0.01%
ASIA PACIFIC		
S&P/ASX 200	6337.80	-0.01%
NIKKEI 225	22258.73	-0.22%
CSI 300 (China)	3913.21	0.33%
MENA		
Saudi Arabia	9336.90	-0.27%
Dubai	2758.51	0.25%
Qatar	10480.52	0.77%
BONDS		
U.S. 10-year	2.5449	0.0000
German Bund 10-yr	0.0300	0.0002
AU 10-year	1.7860	0.0000

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## BoE may fasten hikes in case of smooth Brexit

Mark Carney said the Bank of England would raise interest rates by more than investors are predicting if the UK successfully manages a smooth exit from the EU. "We're going through this period of uncertainty in the run up to some resolution around Brexit," the BOE governor told reporters after policy makers unanimously kept rates on hold. Before Carney spoke, investors were predicting only one more quarter-point hike between now and 2021. That path is "unequal" to achieving the BOE's inflation remit, the Governor said.

## Moore is no more a Fed candidate

President Donald Trump said Stephen Moore has withdrawn from consideration for a post on the Fed Board of Governors, a reversal that comes after weeks of controversy surrounding the partisan pick. Moore, who was under consideration for one of two open seats on the Fed's Board, would have needed Senate confirmation before taking on the role. Several Senate Republicans had pointedly withheld their endorsement of his selection citing concerns over comments he's penned in the past belittling women.

## Eurozone inflation data today ... And its implications

Euro-area inflation probably picked up to 1.6% in April from 1.4% if the national readings are anything to go by, consensus shows, with the acceleration driven by Easter's timing. Core inflation may come in at 1% versus 0.8%, welcome news for the ECB but still way short of the target. The ECB should press ahead with exiting its unconventional monetary policy if inflation allows, Bundesbank President Jens Weidmann said. Weidmann is a suitable candidate to lead the ECB, EC President Jean-Claude Juncker told Handelsblatt. The euro pared losses after that endorsement.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.48	-6.96%
SOLIDERE—B	5.77	0.52%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.70	-
BLOM BANK	8.50	-
BYBLOS BANK	1.23	-1.60%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

## FX & COMMODITIES

**The US dollar was trying to end the week with a firmer tone on Friday as markets scaled back bets on a US rate cut and some speculated that looming jobs data could surprise on the high side.** Adding to the event risk, there are no less than eight Fed policymakers speaking on Friday, including Fed New York President John Williams and Vice Chairman Richard Clarida. The dollar has edged higher since Fed Chair Jerome Powell played down the recent slowing in inflation and saw no reason to cut interest rates. That helped the dollar index recoup losses from earlier in the week to stand at 97.836 against a basket of currencies, up from a trough of 97.149. It has barely changed this week, no big surprise given the market has lacked liquidity with Japan and China on extended holidays. Against the yen, the dollar was idling at 111.48 having spent the entire week in a snug 111.03-111.89 band. Interest rate futures imply around a 49% chance the Fed would cut rates by December, down from 61% late on Wednesday. Yields on 2-year Treasuries were up 6 bps on the week so far. The pricing on rates may change again depending on what the US April jobs report reveals. Forecasts are for payrolls to rise a solid 185,000 with unemployment at 3.8%. The risk for bulls

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would be a soft wages print, given the Fed's focus on inflation right now. The median forecast is for average earnings growth of 3.3% and anything less could take the shine off the dollar. Traders are also watching developments in US-China trade talks after White House spokesman Sarah Sanders said there continues to be progress. A commentary by China's Global Times newspaper questioned if the negotiations are at an impasse.

**The euro was flat at \$1.1169, having eased back from a \$1.1219 top overnight, though it was still a shade firmer on the week. Eurozone manufacturing surveys released on Thursday showed further contraction in April, but at least got no worse.** European Central Bank officials expressed confidence over the euro area's brightening economic outlook, while hinting at differing preferences for the speed at which monetary policy should respond to recent improvements.

**Among the few movers for the week were the Australian and New Zealand dollars, which fell as speculators wagered both countries could see interest cuts next week.** The Reserve Bank of Australia (RBA) holds a policy meeting on May 7 and the Reserve Bank of New Zealand a day after, and there is a real risk they might ease following recent disappointingly low inflation reports. Futures imply around a 32% chance of a quarter point cut from the RBA, while swaps show a 53% probability of a move from the RBNZ. The Aussie was down 0.5% for the week at \$0.6995, with the kiwi also off 0.5% at \$0.6622. AUD/USD earlier dropped as much as 0.2% to touch a 4-month low when March building approvals missed estimates. The currency pair has fallen 0.6% for the week. Building approvals slumped 15.5% in March from the prior month, worse than the 12% decline expected.

**Oil prices on Friday were set to fall for the week as surging US output and an expected supply increase from the OPEC weighed on markets.** Brent is set for a weekly fall of 2.5%, while WTI has declined 2.6% so far, its second straight weekly drop. US crude oil production reached a record 12.3 million bpd last week, rising by around 2 million bpd over the past year. US crude exports broke through 3 million bpd for the first time this year, according to data from the Energy Information Administration. Traders said prices also fell as Russia started sending clean oil through a pipeline towards western Europe, after several countries last week halted imports because of contamination. In Poland, the government released strategic reserves to ensure supply.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Services PMI	50.4	48.9
EUR—12:00	Eurozone CPI Flash Estimate YoY	1.60%	1.40%
EUR—12:00	Eurozone Core CPI Flash Estimate YoY	1.00%	0.80%
USD—15:30	US Nonfarm Payrolls	185K	196K
USD—15:30	US Unemployment Rate	3.80%	3.80%
USD—15:30	US Average Hourly Earnings MoM	0.30%	0.10%
USD—17:00	US ISM Non-Manufacturing PMI	57.2	56.1
After 17:15	Fed Speakers: Clarida, Evans, Williams, Bowman		

**Next Week:** China Caixin Services PMI, BoC Poloz speaks, AU Retail Sales and Trade Balance, AU RBA Policy Decision, NZ Inflation Expectations, EU Economic Forecasts, Canada Ivey PMI, NZ RBNA Policy Decision + Press Conference, China Trade Balance, ECB Policy Meeting Accounts, China CPI, Canada Trade Balance, Fed Chair Powell speaks, US PPI, US Trade Balance, AU RBA Monetary Policy Statement, German Trade Balance, UK GDP, Canada Jobs Report, US CPI

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CURRENCIES	LAST	1D	YTD
DXY	97.836	0.00%	1.73%
EUR/\$	1.1169	-0.03%	-2.60%
GBP/\$	1.3036	0.03%	2.21%
AUD /\$	0.6995	-0.07%	-0.77%
NZD/\$	0.6622	0.06%	-1.44%
\$/JPY	111.48	0.03%	-1.61%
\$/CAD	1.3465	0.07%	1.28%
\$/CHF	1.0202	-0.11%	-3.73%
\$/SEK	9.5771	0.00%	-7.56%
\$/NOK	8.7628	-0.07%	-1.39%
\$/DKK	6.6840	-0.02%	-2.58%
\$/TRY	5.9742	-0.17%	-11.46%
EUR/GBP	0.8569	0.06%	4.91%
EUR/JPY	124.53	0.06%	1.04%
EUR/CHF	1.1395	-0.04%	-1.22%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1272.25	0.12%	-0.80%
Silver Spot \$/Oz	14.64	0.11%	-5.49%
Platinum Spot \$/Oz	851.15	-0.02%	6.98%
Palladium Spot \$/Oz	1352.65	-0.42%	7.20%
COPPER \$/lb	278.75	0.29%	5.55%
WTI \$/bbl	61.72	-0.15%	35.92%
BRENT \$/bbl	70.41	-0.48%	30.87%

## EQUITIES & BONDS

**Asian stock markets stayed within tight ranges on Friday amid thin holiday trade and as investors awaited the release of key US jobs data and other directional cues.** Hong Kong stocks climbed 0.4%, the Australian market gained 0.1%, while Korea's KOSPI slipped 0.5% and New Zealand shares eased 0.3%. China and Japan remained closed for holidays and will re-open on Monday and Tuesday, respectively. European stocks are set to open higher, with London's FTSE futures up 0.2% and German DAX futures up 0.1%.

**US stocks eased further from recent record highs on Thursday as energy shares dropped along with oil prices and investors continued to digest comments by Fed Chairman Jerome Powell.** The energy index was down the most among the major S&P sectors, falling 1.71% and extending its recent slide. US oil prices slid more than 2% on fears of oversupply. Powell's comments on Wednesday that a decline in inflation this year could be due to transitory factors dampened some investors' hopes that the US central bank could move later this year to cut interest rates, market watchers said. Traders lowered their bets on a rate cut this year following Powell's comments, and stocks fell, but many investors said the Fed's stance makes sense. The S&P 500's recent run to record highs also may be giving investors reasons to pause. The index has rallied more than 16% this year and is entering a period of the year traditionally known as being difficult for equities over the next six months. With the Q1 earnings season winding down, investors are looking for fresh catalysts such as US-China trade developments and economic data. Markets also are

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waiting for a reading of the Labor Department's non-farm payrolls data on Friday that is expected to show fewer job additions last month compared with March. More than 350 of the S&P 500 companies have reported their results so far on Q1. Analysts now expect earnings to have risen 0.7%, compared with the 2% fall estimated at the beginning of April, according to IBES data from Refinitiv data. Among gainers, Qualcomm Inc rose 0.9% after analysts said the chipmaker was well positioned in the 5G networks space even as it forecast disappointing current-quarter sales. The Philadelphia Semiconductor index gained 1.1%. Among decliners, Dow Inc, the commodity chemicals division spun off from DowDuPont Inc, tumbled 6.1% after reporting a fall in core earnings. Kellogg Co dropped about 3.4% after the cereal and snacks maker said it would replace its chief financial officer and reported a decline in Q1 earnings.

**In the Gulf markets, Qatari index closed at a three-month high on Thursday, buoyed by drilling rig provider Gulf International Services. The Abu Dhabi index was pressured by financial shares.** The Qatari index rose 0.8%, with Gulf International Services jumping 10% after its unit was awarded contracts by Qatar Petroleum to provide six offshore drilling rigs. Brokerage firm QNB Financial Services raised its rating on the stock to 'outperform' from 'accumulate', citing its ability to secure contracts for six rigs out of a total deal size of eight.

## COMPANY NEWS HEADLINES

- General Motors Co is considering a \$1 billion investment at its Missouri assembly plant where it builds vans and trucks, state officials said on Thursday.
- Web hosting company GoDaddy Inc reported Q1 profit below Wall Street expectations on Thursday, weighed down by persistent rising costs and slower customer growth, sending its shares 6% lower in after-hours trading.
- BlueMountain Capital Management is liquidating its \$1 billion computer-driven portfolio, as it shifts back to focus on its roots: human-run fixed income and credit.
- Thomas Cook Group Plc's bonds fell to records after three of its lenders accepted steep losses to exit a loan facility to the company, according to people familiar with the transactions.
- Several major Occidental Petroleum Corp shareholders have voiced opposition to the oil company's \$38 billion bid for rival Anadarko Petroleum Corp that now includes a pricey financing deal with billionaire Warren Buffett.
- Brazilian airline Azul SA has registered to participate in a bankruptcy auction for the assets of struggling carrier Avianca Brasil scheduled for next week, potentially walking back a previous decision not to participate.
- Brazil's largest private-sector lender Itau Unibanco Holding SA posted a Q1 recurring profit of 6.87 billion reais (\$1.73 billion) on Thursday, up 7.1% from the same period one year earlier.
- Gilead Sciences Inc, which hired Roche veteran Daniel O'Day to be its new chief executive, on Thursday said Kite Pharma, the cancer-focused cell therapy company it acquired in 2017, will become a separate business unit.
- Dismal performance at HollyFrontier Corp's lubricants and specialty products unit outweighed the company's quarterly revenue and profit beat on Thursday, sending its shares down over 5%.
- SAS AB's top executive said late on Thursday that the Scandinavian airline and its pilot unions in Sweden, Denmark and Norway had reached a deal to end a strike that has affected hundreds of thousands of travelers.

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AMERICA	LAST	1D	YTD
DOW JONES	26307.79	-0.46%	12.78%
S&P 500	2917.52	-0.21%	16.38%
NASDAQ	8036.77	-0.16%	21.12%
S&P/TSX	16410.88	-0.56%	14.58%
EUROPE	LAST	1D	YTD
STXE 600	388.84	-0.58%	15.16%
FTSE 100	7351.31	-0.46%	9.26%
CAC 40	5538.86	-0.85%	17.08%
DAX	12345.42	0.01%	16.92%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6337.80	-0.01%	12.24%
NIKKEI 225	22258.73	-	11.21%
TOPIX	1617.93	-	8.29%
CSI 300 (China)	3913.21	-	29.98%
MENA	LAST	1D	YTD
Saudi Arabia	9336.90	-0.27%	19.30%
Abu Dhabi	5242.59	-0.30%	6.66%
Dubai	2758.51	0.25%	9.04%
Qatar	10480.52	0.77%	1.76%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.5449	0.0035	-0.1393
Germany	0.0300	0.0170	-0.2120
U.K.	1.1870	0.0370	-0.0900
Australia	1.7860	0.0000	-0.5320

## TOP SELECTED NEWS

### HSBC's flint tackles cost woes in Q1 profit beat

(Bloomberg) HSBC Holdings CEO John Flint took steps to address investor doubts about his ability to increase revenue faster than costs, delivering Q1 profit that beat estimates. The results were driven by faster-than-expected revenue growth that increased at triple the pace of adjusted operating expenses, reversing a pattern that bedeviled Flint in 2018. The shares rose as much as 2.51% in Hong Kong trading. Keeping the top line growing faster than expenses, known in banking jargon as "positive jaws," has been a key target for Flint as he seeks to put his stamp on the bank.

### SocGen trading slump endures as Oudea trims investment bank

(Bloomberg) Societe Generale SA was unable to halt the slide in its investment bank in a quarter where the key equities business was one of the few bright spots for CEO Frederic Oudea. Profit at the unit that houses the trading operations declined 16% in what's usually its strongest period. Earnings were dragged down by fixed-income trading, while the larger business of buying and selling equities and providing services to hedge funds did better than almost all peers. The diverging results show the challenge for Oudea, who is cutting 1,600 jobs across the bank after he had to give up his main mid-term targets for growth and profitability.



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## TOP SELECTED NEWS

### **Facebook's settlement with US regulators likely to include WhatsApp: WSJ**

(Reuters) Facebook Inc's potential settlement with US regulators over breaches of consumer data privacy is nearing completion, and the agreement will likely include its WhatsApp messaging service, the WSJ reported on Thursday, citing sources. The FTC has been investigating revelations that Facebook inappropriately shared information belonging to 87 million users with the now-defunct British political consulting firm Cambridge Analytica.

### **Buffett finally embraces Amazon as Berkshire acquires a stake**

(Bloomberg) Warren Buffett has said that he underestimated Amazon.com Inc.'s Jeff Bezos. Now one of Buffett's deputies is willing to put money behind the tech giant. Berkshire Hathaway Inc. has been buying Amazon shares and the purchases will show up in a regulatory filing later this month, Buffett told CNBC in an interview Thursday.

### **Tesla rallies on plan to raise \$2 billion to counter cash drain**

(Bloomberg) Tesla Inc. plans to raise about \$2 billion through debt and stock offerings, after Elon Musk overestimated the ability of the Model 3 sedan to generate enough cash for the company to be self-sustaining. The electric-car maker filed Thursday to sell \$1.35 billion in convertible notes and about \$650 million in shares. Tesla stock, which had plunged 30% this year, rose 2% to \$238.65 at 10:09 a.m. in New York, and its bonds advanced.

### **Air France loss widens, buffeted by higher fuel costs, fierce competition**

(Reuters) Air France-KLM blamed higher fuel costs and tough price competition as it posted a deeper Q1 loss on Friday, but said pressure would ease in the rest of the year as rival airlines' capacity growth slows. The Franco-Dutch group reported a 1.9% drop in unit revenue for January-March, as sales failed to keep pace with its 2.3% expansion in flights offered. The operating loss widened to 303 million euros from 185 million euros. Under new CEO Ben Smith, the company is seeking to boost efficiency through better coordination of the Air France and KLM networks and fleets.

### **Bombardier to shed Belfast factory in revamp, shares slide on forecast fears**

(Reuters) Bombardier put its Belfast wing-making factory on the block as part of a wider shake-up, while the plane and train maker's reluctance to say it would meet 2020 goals sent shares lower. The Canadian company said on Thursday it would unite its corporate and regional jet units, while selling off two aero-structures operations, including the Belfast plant, the largest high-tech manufacturer in Northern Ireland.

### **Sinclair to buy Disney's sports networks in \$10 billion deal: WSJ**

(Reuters) Sinclair Broadcast, the largest US broadcast station owner, has reached a deal valued at more than \$10 bn to buy 21 regional sports networks from Walt Disney, the WSJ reported on Thursday. The deal, which would include sports channels in Los Angeles and Detroit, is expected to be announced as early as Friday, the newspaper said. Disney acquired the sports networks as part of its \$71 bn acquisition of 21 Century Fox's film and television assets.

### **Microsoft rolls out new cloud services for AI and blockchain**

(Reuters) Microsoft Corp on Thursday announced new tools for software makers aimed at making technologies such as artificial intelligence and blockchain easier for businesses to use. Microsoft released the tools ahead of its software developer conference next week in Seattle. Once known mostly for its Windows personal computer operating system, the company now relies on revenue growth from its cloud-based computing and software services.

### **Uber sued by thousands of Australian taxi drivers in class action**

(Reuters) An Australian law firm has filed a class action against Uber Tech on behalf of thousands of taxi and chartered drivers in Australia, accusing the world's largest ride-hailing company of operating illegally and causing them financial harm. The lawsuit, filed at the Victoria Supreme Court by law firm Maurice Blackburn, was brought on behalf of about 6,000 drivers and taxi license owners from across four Australian states, the lawyers said.

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### GLOBAL MARKETS DIVISION



[treasury@bankofbeirut.com.lb](mailto:treasury@bankofbeirut.com.lb)



+961 1 960 501

### PRIVATE BANKING DEPARTMENT



[privatebanking@bankofbeirut.com.lb](mailto:privatebanking@bankofbeirut.com.lb)



+961 1 960 531/2/3

