

MARKETS TODAY

Tuesday, May 07, 2019

MARKETS IN BRIEF

- Global markets were still reacting to the deterioration in trade talks between the U.S. and China. However, there was a positive development announced earlier today. VP Liu He confirmed his visit to the U.S. on Thursday. China's stocks jumped on the news to close up around 1%, after falling yesterday 5.84%.
- Australian dollar rallied and bonds declined after the central bank left rates unchanged and tied its policy outlook to the strength of the labor market.
- Oil prices were mixed as trade tensions weighed on market sentiment. However, U.S. sanctions on Iran and Venezuela kept supporting prices.
- Gold continued to trade firm helped by safe-haven demand following increased trade war concerns. Adding to global anxiety, the Trump administration is deploying a carrier strike group and bombers to the Middle East.
- Asian shares recovered from 5-week lows, but remained fragile. Japanese stocks reopened today after a 10-day break.
- U.S. stocks dropped yesterday, but off session lows as investors still hope that Trump's recent attack on China could be a tactic.
- Most Gulf stock markets fell sharply yesterday. Saudi index hit its lowest level in 8 months, hurt by profit taking.

RBA ... on hold

Australia's central bank held rates at a record low on Tuesday and opened the door wider for future cuts if the jobs market fails to push unemployment lower as retailers suffered their worst quarter in seven years. Rates futures had a 36% chance of a cut on Tuesday. Calls from some analysts for the RBA to ease policy at its May meeting had intensified after Q1 inflation came in below expectations last month to undershoot the central bank's 2-3% target for 13 straight quarters. The on-hold decision comes just 10 days before a closely-fought national election where Prime Minister Scott Morrison is campaigning on being a strong economic manager. The opposition Labor Party is championing workers rights, including stronger wage growth and personal tax cuts.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1210	0.10%
GBP/\$	1.3118	0.16%
AUD /\$	0.7033	0.60%
\$/JPY	110.64	0.11%
\$/CAD	1.3432	0.12%
Gold \$	1282.96	0.15%
WTI \$	62.28	0.05%
BRENT \$	71.10	-0.20%
AMERICA		
DOW JONES	26438.48	-0.25%
S&P 500	2932.47	-0.45%
NASDAQ	8123.29	-0.50%
EUROPE		
STXE 600	386.95	-0.88%
CAC 40	5483.52	-1.18%
DAX	12286.88	-1.01%
ASIA PACIFIC		
S&P/ASX 200	6295.70	0.19%
NIKKEI 225	21904.31	-1.59%
CSI 300 (China)	3690.82	0.17%
MENA		
Saudi Arabia	9043.22	-1.48%
Dubai	2732.98	-0.02%
Qatar	10296.59	-1.58%
BONDS		
U.S. 10-year	2.4818	0.0001
German Bund 10-yr	0.0060	0.0000
AU 10-year	1.7790	0.0004



MARKETS TODAY

... Australia's trade surplus narrowing; retail sales not flashy

Australia's trade surplus narrowed in March, reflecting weaker exports due to a cyclone that lashed northwest coast, damaging port facilities. The country posted a seasonally adjusted trade surplus of A\$4.949 bn in March, smaller than the A\$5.14 bn surplus achieved in February, the ABS said Tuesday. Exports of iron ore dropped by 12%. On the other hand, retail sales rose a tepid 0.3% in March compared with an upwardly revised 0.9% in February. The soft result implies retail sales did not contribute to growth in Australia's A\$1.9 tn economy in the March quarter.

China's Liu He to visit U.S. on Thursday

At the invitation of U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin, China's Vice Premier Liu He to visit the U.S. for trade talks May 9-10, according to a statement on China's Ministry of Commerce website. Global markets have been in turmoil since Trump tweeted on Sunday that he would raise tariffs on \$200 billion worth of Chinese goods to 25% from 10% by the end of the week, and would "soon" target the remaining Chinese imports with tariffs, sending stocks and oil prices lower on Monday.

Brexit: May vs Corbyn

The Brexit drama is set to reach yet another crunch point today when Theresa May's team sits down with Labour counterparts. If the talks fail, the chances of another referendum or even an emergency election will rise, while May herself could be jettisoned and ultimately replaced with a Brexit hardliner who is happy to exit the EU without any deal. May held on -- just -- and has battled for 23 months at the head of a minority government. But the core policy she's been fighting to implement now rests in the hands of the man she fought to keep from power.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.65	-
SOLIDERE—B	5.50	-
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.70	-
BLOM BANK	8.50	-
BYBLOS BANK	1.23	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The Australian dollar sharply rose on Tuesday after the country's central bank held rates at a record low, dashing speculation it may ease policy following a below-par reading of inflation. The Aussie was last up about 0.60% at \$0.7033 after the Reserve Bank of Australia (RBA) held its cash rate at 1.50%. Ahead of the policy decision, a slim majority of economists had expected the central bank to keep rates steady, even as calls for an easing grew louder after disappointingly weak Q1 inflation. While the RBA kept policy unchanged, it opened the door wider for future cuts if the jobs market failed to push unemployment lower as retailers suffered their worst quarter in seven years. Against the yen, the Aussie was last up about 0.5% at 77.89 yen.

The US dollar kept largely to familiar ranges against major peers, even as comments from top US trade officials that China had moved away from trade-related commitments weighed on US bond yields and stock futures. The dollar index against a basket of six rivals was last down 0.11% at 97.410, having ended the previous session nearly flat. Late

MARKETS TODAY

FX & COMMODITIES

on Monday, US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin said China had moved away from commitments made over the course of trade negotiations. Lighthizer said his office would probably put out a notice on Tuesday about a proposed increase in tariffs on \$200 billion worth of Chinese goods to 25% from 10%. Futures for the S&P 500 fell following the remarks. US 10-year Treasury bond yields hit their lowest since May 1. The dollar dipped slightly against the euro and the pound on Tuesday, though its moves against those currencies were much less pronounced than the Aussie's moves. The euro last changed hands at \$1.1210, up 0.10% on the day. Sterling rose about 0.16% to \$1.3118. Against the yen, the dollar was down a tenth of 0.11% at 110.64 yen. It had brushed a 5-week low of 110.285 yen per dollar during the previous session. The Japanese currency tends to benefit during periods of geopolitical or financial stress as Japan is the world's biggest creditor nation.

Oil prices were mixed on Tuesday, pressured by concerns the escalating Sino-U.S. trade dispute could slow the global economy, while U.S. sanctions on crude exporters Iran and Venezuela helped keep the market on edge.

Traders said prices weighed by stalling trade talks between the United States and China would weigh on global economic growth and dent fuel consumption. On the supply-side, oil markets remain tense as the United States tightens sanctions on Iranian oil exports, saying on Monday it was boosting its military presence in the Middle East. Iran has threatened "reciprocal actions" against U.S. sanctions, which could mean restarting some of its nuclear program. The U.S. sanctions have already halved Iranian crude oil exports over the past year to below 1 million bpd, and shipments to customers are expected to drop to as low as 500,000 bpd in May as sanctions tighten.

Gold prices steadied as Trump's threat to hike tariffs on Chinese imports re-kindled trade tensions between the two countries and pushed investors to seek insurance in safe-haven assets.

Spot gold edged 0.15% higher to \$1,282.96 per ounce. Risk sentiment was dealt a blow on the news with fatiguing Asian shares providing impetus to gold, which is used by investors to hedge against economic and political instability. Adding to global anxiety, the Trump administration is deploying a carrier strike group and bombers to the Middle East in response to troubling "indications and warnings" from Iran, widening the rift between the two countries. Elsewhere, silver was steady at \$14.91 an ounce, while platinum gained nearly 1%, to \$881.72. Palladium rose 0.67% to \$1,349.79 an ounce.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—10:30	UK Halifax HPI MoM	0.30%	-1.60%
EUR—12:00	EU Economic Forecasts	51.5	54.3
CAD—17:00	Canada Ivey PMI	-0.10%	0.40%

Wednesday: NZ RBNZ Policy Decision + Press Conference, China Trade Balance, ECB Policy Meeting Accounts

Thursday: China CPI, Canada Trade Balance, Fed Chair Powell speaks, US PPI, US Trade Balance

Friday: AU RBA Monetary Policy Statement, German Trade Balance, UK GDP and Manufacturing Production, Canada Jobs Report, US CPI

MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	97.410	-0.11%	1.29%
EUR/\$	1.1210	0.10%	-2.24%
GBP/\$	1.3118	0.16%	2.85%
AUD /\$	0.7033	0.60%	-0.23%
NZD/\$	0.6616	0.03%	-1.53%
\$/JPY	110.64	0.11%	-0.86%
\$/CAD	1.3432	0.12%	1.53%
\$/CHF	1.0165	0.15%	-3.38%
\$/SEK	9.5536	0.17%	-7.33%
\$/NOK	8.7119	0.09%	-0.82%
\$/DKK	6.6604	0.10%	-2.24%
\$/TRY	6.1424	-0.99%	-13.89%
EUR/GBP	0.8545	0.06%	5.20%
EUR/JPY	124.03	0.03%	1.45%
EUR/CHF	1.1394	0.03%	-1.22%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1282.96	0.15%	0.04%
Silver Spot \$/Oz	14.91	0.05%	-3.78%
Platinum Spot \$/Oz	881.72	0.66%	10.82%
Palladium Spot \$/Oz	1349.79	0.67%	6.98%
COPPER \$/lb	283.15	0.07%	7.21%
WTI \$/bbl	62.28	0.05%	37.15%
BRENT \$/bbl	71.10	-0.20%	32.16%

EQUITIES & BONDS

Asian shares staggered up from 5-week lows on Tuesday but remained fragile after Trump's latest threat to raise tariffs on Chinese goods shocked financial markets and fueled worries that trade talks may be derailed. However, there was some recovery in the markets after Beijing confirmed Liu to visit Washington. Chinese shares staged a mild technical rebound but stayed choppy after their worst drop in more than three years on Monday. The benchmark Shanghai Composite was 0.65% higher, while the blue-chip CSI 300 rose 1.02% and Hong Kong's Hang Seng was up 0.3%. MSCI's broadest index of Asia-Pacific shares outside Japan edged up 0.1%, erasing earlier losses. It tumbled 2% on Monday after Trump unexpectedly jacked up pressure on Beijing in the midst of trade negotiations. Japan's Nikkei shed 1.5%, taking a delayed hit as the country's financial markets opened on Tuesday after a 10-day break to mark the ascension of a new emperor. US stock futures for the S&P 500 declined as much as 0.8% in Asian trading hours on Tuesday as top US officials said China had backtracked on commitments in trade talks.

US stocks fell on Monday after President Donald Trump pledged to raise tariffs on Chinese goods, though Wall Street finished well off its session lows as some investors saw Trump's comments as a bargaining tactic and expressed confidence in an eventual trade agreement. But stock futures dropped sharply following the market close after US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin said China had moved away from commitments made over the course of trade negotiations. US negotiators are now recommending an increase in

MARKETS TODAY

EQUITIES & BONDS

tariffs on Chinese goods if a trade agreement is not reached by Friday. Lighthizer said his office would likely post a notice on Tuesday about the planned increase in tariffs on \$200 billion worth of Chinese goods to 25% from 10%. China said on Monday that a delegation was still preparing to go to the US, but did not mention if Vice Premier Liu He, its lead official in the negotiations, would be part of the team as originally planned. Trump's comments inflamed fears of a slowdown in global growth, which have periodically roiled markets over the past year. The benchmark S&P 500 fell as much as 1.6% during the session while US Treasury yields dropped as investors turned to low-risk government bonds. Yet the major indexes recovered much of their losses in afternoon trading as some investors remained hopeful that a trade agreement would soon be reached. A rise in healthcare shares helped offset the trade-driven losses. At the Sohn Investment Conference on Monday, Glenview Capital Management Chief Executive Larry Robbins said he favored the sector. The sector got a further lift as Centene Corp shares rose 6.6% after Reuters reported that two hedge funds have built stakes in the health insurer and are exploring a challenge to its planned acquisition of WellCare Health Plans Inc. But materials, industrials and technology shares dropped as investors moved away from cyclical and trade-sensitive sectors. Boeing Co, the single largest US exporter to China, fell 1.3%. Chipmakers, which get a sizable portion of their revenue from China, also tumbled. The Philadelphia chip index slid 1.7%. Apple Inc shares, which have also been sensitive to signs of weakness in China, declined 1.5%. In a bright spot, Anadarko Petroleum Corp shares rose 3.8% after Occidental Petroleum Corp increased the cash component of its \$38 billion bid, removing a need for any deal to receive the approval of Occidental's shareholders.

Most major Gulf stock markets slid sharply yesterday. Saudi index fell on Monday to its lowest point in eight months, hurt by profit-taking in its banks. The index was down 1.5%, weakened by financial and petrochemical stocks. Its biggest lender, National Commercial Bank, decreased 1.9% and Banque Saudi Fransi lost 4.3%.

COMPANY NEWS HEADLINES

- Insurer American International Group Inc reported Q1 earnings that trounced Wall Street estimates on Monday, as its general insurance business posted its first underwriting profit since the financial crisis.
- Anheuser-Busch InBev, the world's largest brewer, confirmed reports on Tuesday that it was looking into listing a minority stake in its Asian operations in order to create a regional consumer goods champion.
- Rio Tinto has agreed to buy a fleet of autonomous trucks and other mining equipment from Caterpillar for its new Koodaideri iron ore mine in Western Australia, it said on Tuesday.
- PepsiCo Inc said on Monday that it plans to invest \$4 billion in Mexico between 2019-2020 with partner Grupo Gepp and create around 3,000 new jobs.
- Air Canada on Monday reported a surprise quarterly profit that sent shares up more than 5% in earlier trading, helped by flying more passengers and its purchase of a loyalty program, despite pressures from the grounding of Boeing's 737 MAX jets.
- Japan's Toyota Tsusho Corp and JERA said on Tuesday they would sell their shares in the Goreway thermal power station in Ontario, Canada to Capital Power Corp for a total of about 32 billion yen (\$289 million).
- US pipeline operator Kinder Morgan Inc will pay a tariff on imported steel used in a \$1.75 billion natural gas pipeline project, the US Department of Commerce ruled on Monday, dealing a setback to energy industry efforts to avoid the penalties.
- Tyson Foods Inc said on Monday that the US meat processing industry could reap significant financial gains from a global shortfall in pork as an incurable hog disease spreads rapidly across Asia.
- Luckin Coffee Inc, the Chinese challenger to Starbucks Corp, is looking to raise up to \$586.5 million, its filing with the US Securities and Exchange Commission on Monday showed.

MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	26438.48	-0.25%	13.34%
S&P 500	2932.47	-0.45%	16.98%
NASDAQ	8123.29	-0.50%	22.43%
S&P/TSX	16493.46	-0.01%	15.15%
EUROPE	LAST	1D	YTD
STXE 600	386.95	-0.88%	14.60%
FTSE 100	7380.64	0.40%	9.70%
CAC 40	5483.52	-1.18%	15.91%
DAX	12286.88	-1.01%	16.36%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6295.70	0.19%	11.50%
NIKKEI 225	21904.31	-1.59%	9.44%
TOPIX	1598.05	-1.23%	6.96%
CSI 300 (China)	3690.82	0.17%	22.59%
MENA	LAST	1D	YTD
Saudi Arabia	9043.22	-1.48%	15.54%
Abu Dhabi	5141.96	-0.08%	4.62%
Dubai	2732.98	-0.02%	8.03%
Qatar	10296.59	-1.58%	-0.02%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4818	0.0126	-0.2024
Germany	0.0060	0.0000	-0.2360
U.K.	1.2190	0.0000	-0.0580
Australia	1.7790	0.0420	-0.5390

TOP SELECTED NEWS

German industrial orders rebound in March, undershoot expectations

(Reuters) German industrial orders rose less than expected in March after two months of steep declines, data showed on Tuesday, bringing little relief for Europe's largest economy which is facing a sharp slowdown in growth. Contracts for 'Made in Germany' goods were up 0.6%, data from the Federal Statistics Office showed. This undershot a consensus forecast of 1.5%. The reading for February was revised slightly up to a fall of 4.0% from a previously reported drop of 4.2%.

Banks hold on to riskier credit-card loans amid higher losses

(Bloomberg) More US consumers are defaulting on their credit cards, but banks may be holding onto the riskiest loans instead of passing them off to investors, according to a report from Barclays Plc. The credit card loans that banks bundle into bonds and sell to investors are outperforming the loans that lenders have held onto, Barclays analyst Alin Florea wrote in a report dated May 3. On average, losses on loans the biggest banks packaged into bonds known as asset-backed securities are 1%age point lower than lenders' broader portfolios. Banks are writing off bad card loans on their books at the highest rate since 2012, and losses are outpacing those for auto and home loans.



MARKETS TODAY

TOP SELECTED NEWS

BMW profit slumps on weaker markets, \$1.6 bn provision

BMW AG's automotive division swung to a loss for the first time in a decade as car prices slumped and a legal provision over alleged collusion ballooned to 1.4 bn euros. Excluding the provision, earnings at the carmaker's main unit fell by 42% to 1.1 bn euros. Price competition in some markets and spending on new technology shrank profit, the luxury carmaker said in a statement. To deal with the pressures, BMW in March announced a 14 bn-euro savings plan, culling models and cutting development time. While the second half of the year should improve with sales of new 3-Series and X7 sport utility vehicle, trade tensions are on the rise again. BMW will contest the allegations on collusion on cleaner-emission cars by the European Commission with all legal means possible, it said.

Citi closes CitiCross 'dark pool' amid equities unit review

(Reuters) A unit of Citigroup Inc has shut down one of its private stock trading venues, often referred to as dark pools, as part of a broader review of the bank's equities business, the bank said on Monday. Citigroup Global Markets' CitiCross alternative trading system (ATS) ceased operations on April 30, according to a filing from the US SEC.

Morgan Stanley to shut down its Russian banking business in Q1 2020

(Reuters) Morgan Stanley is planning to send a formal notice to the Russian central bank that it will close down its banking operations in the country in Q1 of 2020, its Russian unit said in its annual report. Morgan Stanley announced late last year that it was planning a voluntary shutdown of its banking business in Russia. Morgan Stanley will keep a consulting business in Russia, which would not require a license, according to the report.

Japan's SoftBank set for small profit rise, Vision Fund IPO plans eyed

(Reuters) Japan's SoftBank Group Corp is expected to report a small rise in its Q4 profit, while investors look for details on whether the conglomerate plans to monetize its almost \$100 bn Vision Fund through an IPO. SoftBank is considering taking the Saudi-backed investment fund public, a source said on Friday, adding that no formal process has been started. Shares of the group rose as much as 4% on Monday.

Kraft Heinz finds procurement misconduct, will restate earnings

(Bloomberg) Kraft Heinz Co., which has now received two subpoenas related to its procurement practices, plans to restate earnings and says it found evidence of employee misconduct that increased the cost of products sold. The effects of the restatements for 2016, 2017 and part of 2018 for supplier rebates and other misstatements are expected to be less than 2% in each year on adjusted EPS, the packaged-food giant said in a regulatory filing Monday. The company said it didn't find any evidence of misconduct by senior managers in its investigation, which is now complete. Shareholder Warren Buffett, who helped finance the merger that created Kraft Heinz, said Monday that he's confident in the company.

Anadarko is said likely to accept revised Occidental bid Monday

(Bloomberg) Anadarko Petroleum Corp.'s board of directors is likely to decide Monday that Occidental Petroleum Corp.'s sweetened \$38 bn takeover bid is superior to Chevron Corp.'s, according to a person familiar with the matter. The board is set to meet after Occidental boosted the cash portion of its proposal, said the person. The Houston-based company said Sunday that 78% of the deal will be paid in cash, up from 50%, and it has eliminated the need for a shareholder vote, which had previously been cited as a sticking point for Anadarko's directors.

Papa John's founder explores pizza chain stake sale

(Reuters) Papa John International Inc's founder John Schnatter is in talks with financial advisers for a possible sale of his stake in the company, a regulatory filing showed on Monday. Schnatter, who owns about 31% of Papa John's, stepped down from the company's board last month, as part of a settlement resolving a bitter dispute for control of the world's third-largest pizza chain. The company has been working to fix its brand image after Schnatter reportedly used a racial slur on a media training conference call last year.

MARKETS TODAY

Tuesday, May 07, 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

