

MARKETS TODAY

Wednesday, May 08, 2019

MARKETS IN BRIEF

- Safe-haven assets continued to trade higher on growing fears about U.S.-China trade conflicts and its effects on global growth.
- Japanese yen rose, hitting earlier 109.90 yen per dollar, its highest since March 25 (6-week high)
- NZ dollar recovered slightly after falling on RBNZ's rate cut amid uncertain outlook. NZD hit \$0.6527, its lowest since November 1 (6-month low).
- Turkish lira tumbled as recent developments increased concerns that Erdogan's influence over independent institutions may be growing. TRY hit 6.1982 per dollar, its lowest since October 5 (7-month low)
- Oil prices rose as the markets refocused on tight supply resulted from U.S. sanctions against Iran and Venezuela, in addition to OPEC's ongoing supply cuts.
- U.S. stocks slid yesterday on escalating trade tensions. Asian stocks followed the path today.
- In the Gulf, most indices closed down weighed by lower oil prices and geopolitical tensions.

China to stay calm

China will keep calm against threats of higher tariffs from the United States and has "complete confidence" in its ability to face challenges in trade talks, a commentary in China's top newspaper said on Wednesday. Responding to Trump's threat to raise tariffs on \$200 billion worth of Chinese goods this week and target hundreds of billions more, the People's Daily said China had faced similar threats before. In a separate commentary, the official Xinhua news agency called the US approach "regrettable" and said consultation was the "correct way" to solve trade issues. Chinese Vice Premier Liu He will travel to Washington for two days of trade talks this week, China said on Tuesday, as the country seeks to secure a deal to avoid the sharp increase of tariffs threatened by Trump.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1211	0.18%
GBP/\$	1.3067	-0.06%
AUD /\$	0.7025	0.19%
\$/JPY	110.06	0.18%
\$/CAD	1.3459	0.11%
Gold \$	1287.24	0.22%
WTI \$	61.88	0.78%
BRENT \$	70.20	0.46%
AMERICA		
DOW JONES	25965.09	-1.79%
S&P 500	2884.05	-1.65%
NASDAQ	7963.76	-1.96%
EUROPE		
STXE 600	381.64	-1.37%
CAC 40	5395.75	-1.60%
DAX	12092.74	-1.58%
ASIA PACIFIC		
S&P/ASX 200	6269.10	-0.42%
NIKKEI 225	21602.59	-1.46%
CSI 300 (China)	3683.31	-1.00%
MENA		
Saudi Arabia	8968.86	-0.82%
Dubai	2725.44	-0.02%
Qatar	10251.08	-0.44%
BONDS		
U.S. 10-year	2.4602	0.0000
German Bund 10-yr	-0.0320	0.0001
AU 10-year	1.7400	-0.0004

Chinese exports unexpectedly falling in April

China's exports fell in April and imports rose, before the abrupt turn in the trade talks that has led to a re-escalation of the dispute with the US. Exports dropped 2.7% in April, while imports expanded by 4% last month, leaving a trade surplus of \$13.84 billion, the customs administration said Wednesday. The trade surplus with the US in the first four months of 2019 expanded 10.5% from the same period in 2018 to about 570 billion yuan (\$84 billion). There was no single month figure in the data.

RBNZ cutting rates to record low; signaled large uncertainties

New Zealand's central bank governor said on Wednesday that uncertainties to its interest rate projections were "large", after slashing rates to a record low and suggesting a chance of a further cut in 2020. The uncertain factors were "large" governor Adrian Orr told reporters, after the bank cut rates by 25 bps to 1.5%, adding it was now "in a good position to...observe the data as it unfolds." The governor said that the US-China trade war and growing trade barriers were one of the bank's major concerns for New Zealand's small, open economy.

May under more pressure as hopes faded

UK PM Theresa May will face lawmakers in Parliament on Wednesday after another day of inconclusive talks with the opposition Labour Party further dented her hopes of reaching a Brexit deal. Already under pressure after a disastrous set of results for her Conservative Party in local elections last week, the beleaguered premier's cabinet concluded on Tuesday that cross-party talks are stalling and unlikely to deliver an agreement on the way forward, according to people familiar with the matter.

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 safe-haven Japanese yen was lifted to a 6-week high against the dollar by growing fears about the impact of a worsening US-Sino trade conflict on global growth. But the broader market's focus is on for trade talks on Thursday and Friday in Washington, where Chinese Vice Premier Liu will try to salvage a deal that would avoid a sharp increase in tariffs on Chinese goods ordered by US President Donald Trump. The prospects of an escalation rather than a resolution of the US-China tariff war has seen the yen draw steady support from a flight-to-safety bid in recent days. Otherwise, moves in currency markets have been relatively orderly compared with those in equity markets. On Wednesday, the dollar index against a basket of six key rivals was last down 0.2% at 97.433, wiping out the previous session's gain of a tenth of a percent. Against the yen, the dollar slipped 0.18% to 110.06 yen for its fourth-day of losses against the Japanese currency and briefly touched a six-week low of 109.905 yen. Hopes for an imminent trade deal sank on Sunday, when Trump said 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. Some investors

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suspected Trump's threat was a negotiating tactic. Since last Friday, the dollar has lost about 1.6% against the yen, which tends to benefit during geopolitical or financial stress as Japan is the world's biggest creditor nation. Against other major currencies, the dollar kept largely to well-trodden ranges. The euro was also up a tenth of 0.18%, at \$1.1211.

The New Zealand dollar hit its weakest in half a year after the country's central bank cut interest rates to record lows and projected a chance of even lower rates in the future. The kiwi dollar was the major exception in Asia after the Reserve Bank of New Zealand (RBNZ) cut benchmark cash rates to 1.5% from 1.75%. The New Zealand dollar was last off 0.14%, recovering somewhat after falling to \$0.6525, its lowest since last November. The RBNZ's governor said on Wednesday that uncertainties to its interest rate projections were "large", and added that the US-China trade war and growing trade barriers were one of the bank's major concerns for New Zealand's economy. The Australian dollar rose 0.19% to \$0.7025.

The Turkish lira tumbled the most in emerging markets and stocks erased this year's gains after investors interpreted the decision to redo Istanbul's municipal vote as another manifestation of President Recep Tayyip Erdogan's influence over independent institutions. The currency weakened to a 7-month low as implied volatility rose. The main stock index dropped as much as 2.5%, fueled by concerns that an extended period of political turmoil would derail efforts to lift the economy out of its first recession in a decade. The gauge is the cheapest in about a decade.

Oil prices rose on Wednesday as U.S. sanctions against crude exporters Iran and Venezuela as well as ongoing supply cuts by producers have left markets relatively tight just as crude imports to China rose to a record for April. U.S. West Texas Intermediate (WTI) crude futures were at \$61.88 per barrel on Wednesday, 0.78%, above their last settlement. Brent crude oil futures were at \$70.20 per barrel, 0.46% above their last close. With U.S. sanctions on Iran and Venezuela in place, analysts said global oil markets remained tight. China's crude oil imports in April rose a record for the month of 10.64 million bpd, according to data from the Chinese General Administration of Customs released on Wednesday. That is an 11% rise from the same month last year. The country is the world's largest oil importer.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—10:30	UK Halifax HPI MoM	0.30%	-1.60%
EUR—14:30	ECB Monetary Policy Accounts		
CAD—15:15	Canada Housing Starts	194k	193k
OIL—17:30	EIA Weekly Report		

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

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CURRENCIES	LAST	1D	YTD
DXY	97.433	-0.20%	1.31%
EUR/\$	1.1211	0.18%	-2.23%
GBP/\$	1.3067	-0.06%	2.45%
AUD /\$	0.7025	0.19%	-0.34%
NZD/\$	0.6595	-0.14%	-1.85%
\$/JPY	110.06	0.18%	-0.34%
\$/CAD	1.3459	0.11%	1.32%
\$/CHF	1.0188	0.08%	-3.60%
\$/SEK	9.5717	0.24%	-7.51%
\$/NOK	8.7293	0.14%	-1.01%
\$/DKK	6.6591	0.18%	-2.22%
\$/TRY	6.1555	-0.08%	-14.07%
EUR/GBP	0.8580	-0.24%	4.78%
EUR/JPY	123.39	-0.01%	1.98%
EUR/CHF	1.1422	-0.10%	-1.46%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1287.24	0.22%	0.37%
Silver Spot \$/Oz	14.95	0.25%	-3.53%
Platinum Spot \$/Oz	873.11	0.31%	9.74%
Palladium Spot \$/Oz	1329.05	-0.08%	5.33%
COPPER \$/lb	279.70	0.41%	5.91%
WTI \$/bbl	61.88	0.78%	36.27%
BRENT \$/bbl	70.20	0.46%	30.48%

EQUITIES & BONDS

Asian equities tracked Wall Street's slide on Wednesday, while investors switched to safe-haven government bonds, driven by fears that global growth will suffer as a potential trade deal between the US and China appeared to be unraveling. Beijing said on Tuesday that Chinese Vice Premier Liu He will visit Washington on Thursday and Friday for trade talks, setting up a last-ditch bid to salvage a deal that would avoid a sharp increase in tariffs on Chinese goods ordered by US President Donald Trump. In early European trade on Wednesday, pan-region Euro Stoxx 50 futures were down 0.09%, German DAX futures were up 0.05% and FTSE futures were down 0.03%. MSCI's broadest index of Asia-Pacific shares outside Japan, which earlier on Wednesday morning touched its lowest level since late March, was down 0.55%. The index had climbed to a 9-month peak three weeks ago, buoyed by factors including strong Chinese economic data and views that Sino-US trade negotiations were progressing and would end in a deal. The Shanghai Composite Index retreated 1.00%. Australian stocks declined 0.42%, South Korea's KOSPI fell 0.41% and Japan's Nikkei was down 1.46%.

US stocks slid on Tuesday as escalating trade tensions between the US and China triggered global growth fears and drove investors away from riskier assets. The Dow Jones Industrial Average posted its second-biggest daily %age drop of the year, while the S&P 500 and Nasdaq registered their third-biggest %age drops, even as the major indexes pared losses to end off their session lows. US Trade Representative Robert Lighthizer and Treasury Secretary Steven

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EQUITIES & BONDS

Mnuchin said late on Monday that China had backtracked from commitments made during trade negotiations. Those comments followed President Donald Trump's unexpected statement on Sunday that he would raise tariffs on \$200 billion worth of Chinese goods to 25% from 10%. Beijing said on Tuesday that Chinese Vice Premier Liu He will visit the US on Thursday and Friday for trade talks. Additional tariffs are set to take effect on Friday if a trade agreement is not reached by then. Investors expressed concern that additional tariffs, if imposed, could interrupt supply chains and hamper economic growth. Trade-sensitive industrial and technology stocks marked the biggest %age declines among the S&P 500's major sectors. All 11 sectors were in the red, with only utilities and energy falling less than 1%. Shares of Boeing Co, the largest US exporter to China, slipped 3.9%, and shares of Caterpillar Inc, another industrial stalwart sensitive to China, declined 2.3%. Among technology stocks, Microsoft Inc shares slid 2.1%, while Apple Inc shares dropped 2.7%. Apple and Microsoft were the top two drags on the S&P 500. The CBOE Volatility Index, a gauge of investor anxiety, spiked to its highest level in more than three months. In a bright spot, American International Group Inc shares jumped 6.8% after the insurer reported a quarterly profit that blew past expectations. With earnings season now in its homestretch, Q1 profits are now expected to rise 1.2%, a sharp improvement from the 2.3% decline expected at the start of the earnings season. Conversely, Mylan NV shares tumbled 23.8%, the most among S&P 500 companies, after the drugmaker reported lower-than-expected quarterly revenue and failed to provide greater clarity on a potential revamp of the company's strategy.

In the Gulf, Saudi index market fell on Tuesday for the fourth straight day, weakened by a combination of lower oil prices and geopolitical tension in the Middle East. Egypt's blue-chip index was buoyed by its largest lender. The Saudi index was down 0.8%. The country's second-largest lender by assets Al Rajhi Bank lost 1.1% and National Commercial Bank shed 2.3%. Alawwal Bank eased 1.8% after reporting a fall in its Q1 net profit due to higher costs.

COMPANY NEWS HEADLINES

- Electronic Arts Inc posted better-than-expected quarterly revenue on Tuesday, riding on the popularity of its battle royale game, "Apex Legends", sending its shares up 7% in extended trading.
- Wireless carrier Sprint Corp on Tuesday reported greater-than-feared losses in phone subscribers who pay a monthly bill, as the company struggled to keep customers from going to larger rivals.
- Toyota Motor forecast lower growth in operating profit for the current year on an expected drop in revenue and weaker vehicle sales in Japan and North America, underscoring the hard task ahead as it gears up to face a rapidly shifting industry.
- Ride services company Lyft Inc forecast that its losses would peak this year as it controlled expenses and got more revenue from each customer, posting a \$1.1 billion quarterly loss on Tuesday, days ahead of rival Uber's IPO.
- South African retailer Steinhoff on Tuesday reported a \$4 billion operating loss in the 2017 fiscal year, in a much-delayed earnings report revealing the impact of a \$7.4 billion accounting fraud.
- Match Group beat quarterly revenue estimates on Tuesday, as it added more subscribers to its popular dating app, Tinder.
- Cargill Inc has issued a voluntary recall of nearly 150 tons of animal feed, a spokeswoman said on Tuesday, after North Carolina regulators found aflatoxin in a testing sample.
- Tencent Holdings Ltd said on Wednesday it will stop offering in China its test version of global best-selling video game "PlayerUnknown's Battlegrounds" (PUBG), having waited in vain for over a year to gain regulatory approval to begin sales.

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AMERICA	LAST	1D	YTD
DOW JONES	25965.09	-1.79%	11.31%
S&P 500	2884.05	-1.65%	15.05%
NASDAQ	7963.76	-1.96%	20.02%
S&P/TSX	16357.75	-0.82%	14.21%
EUROPE	LAST	1D	YTD
STXE 600	381.64	-1.37%	13.03%
FTSE 100	7260.47	-1.63%	7.91%
CAC 40	5395.75	-1.60%	14.06%
DAX	12092.74	-1.58%	14.53%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6269.10	-0.42%	11.03%
NIKKEI 225	21602.59	-1.46%	7.93%
TOPIX	1572.33	-1.72%	5.24%
CSI 300 (China)	3683.31	-1.00%	22.34%
MENA	LAST	1D	YTD
Saudi Arabia	8968.86	-0.82%	14.59%
Abu Dhabi	5118.42	-0.12%	4.14%
Dubai	2725.44	-0.02%	7.74%
Qatar	10251.08	-0.44%	-0.47%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4602	0.0036	-0.2240
Germany	-0.0320	0.0060	-0.2740
U.K.	1.1580	-0.0610	-0.1190
Australia	1.7400	-0.0420	-0.5780

TOP SELECTED NEWS

German industry output unexpectedly increases in March

(Reuters) German industrial output rose unexpectedly in March, helped by higher production of consumer and intermediate goods, offering a glimmer of hope for Europe's biggest economy which is suffering from trade frictions and Brexit uncertainty. Industrial output increased by 0.5% on the month, defying a forecast for a 0.5% fall, data released by the Statistics Office showed on Wednesday. February's reading was revised down to an increase of 0.4% from a previously reported 0.7% rise.

Commerzbank interest income jumps as client acquisitions pay off

(Bloomberg) Commerzbank AG posted a 12% gain in net interest income in Q1 as aggressive client acquisitions lifted income from lending, giving a boost to CEO Martin Zielke after merger talks with Deutsche Bank AG collapsed. Q1 revenue fell 2.8% to 2.16bn euros (\$2.42bn), as the bank revalued assets. Zielke is trying to increase market share by acquiring new clients, but he had to cut his growth targets amid headwinds from competition and low interest rates. That's prompted the CEO to delay investments in information technology that are key to his strategy.



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TOP SELECTED NEWS

Intesa struggles to spur revenue amid Italy economy weakness

(Bloomberg) Intesa Sanpaolo SpA relied on continued cost cuts to bolster profit as low interest rates and a weaker Italian economy weighed on revenue in Q1. Net income fell 16% from a year ago to 1.05bn euros, when the trading business got a one-time boost. Intesa saw a decline in fees and commissions, an area it has sought to boost expand to make up for lackluster lending income. The trading income was higher than the bank estimated but fees fell by more than it predicted, he said. The Bank of Italy said that lenders remain exposed to risks including slowing economic growth and high government bond yields.

UniCredit raises \$1.1 billion by selling 17% FinecoBank stake

(Bloomberg) UniCredit SpA raised more than 1bn euros by selling a 17% stake in FinecoBank SpA, as CEO Jean Pierre Mustier seeks to boost capital by offloading non-essential assets. UniCredit placed about 103.5 million shares of Fineco at 9.80 euros apiece, the bank said in a statement on Wednesday. Italy's biggest lender started selling shares after the market closed, it said late Tuesday. The bank will announce a new 3-yr strategic plan in December.

Nestle's \$9.8 billion Skincare sale said to enter final stages

(Bloomberg) The sale of Nestle SA's skincare business may fetch about 10bn Swiss francs (\$9.8bn) as it draws to a close, with bidders from private equity and sovereign wealth funds to consumer companies competing for the asset, according to people familiar with the matter. Final bids for the business, which includes consumer products such as Cetaphil moisturizers and medical treatments like wrinkle fillers, are due next week, the people said.

Uber IPO is said to have enough demand to price at top of range

(Bloomberg) Uber Tech has enough investor demand to price its IPO at the top end of its price range, people familiar with the matter said. With more than 48 hours to go before the ride-hailing giant's IPO is expected to price, investors have put in orders for at least three times the amount of stock on offer, the people said, asking not to be identified as the details aren't public. Still, Uber is expected to price the sale within its existing range as it is keen to ensure strong aftermarket trading for the stock, they said. Uber's share sale, which could raise as much as \$9bn, is likely to be the largest this year and one of the 10 biggest US listings ever, according to data compiled by Bloomberg.

Siemens quarterly profit beats amid biggest listing plan

(Bloomberg) Siemens AG posted Q2 profit that exceeded expectations, hours after the German industrial giant announced its biggest separation to date with the carve out and listing of its flagging gas and power division. Adjusted EBITDA from the so-called industrial business rose 7% to 2.41bn euros, the company said in a statement Wednesday. Siemens' earnings follow the company's announcement Tuesday evening that it'll list the gas and power division by 2020, the biggest business to be separated in the company's history.

Google plans new browser tools on privacy, ad transparency

(Reuters) Alphabet Inc unit Google in the coming months plans to introduce new internet browser tools to limit how users' web activity is tracked by advertising companies and give them greater insight into why certain ads are shown to them, the company announced in blog posts on Tuesday. The tool would enable users of Google's Chrome browser to delete cookies, which are virtual tracking chips that some companies use to document browsing behavior, without having to also remove cookies that enable easy log-ins to websites, Google said.

Hackers steal \$41 million worth of bitcoin from Binance cryptocurrency exchange

(Reuters) Hackers stole bitcoin worth \$41 million from Binance, one of the world's largest cryptocurrency exchanges, the company said on Wednesday, the latest in a string of thefts from cryptocurrency exchanges around the world. The 7,000 bitcoin were withdrawn by hackers using a variety of techniques, "including phishing, viruses and other attacks", according to a post on Binance's website by CEO Zhao Changpeng. The post said user funds would not be affected because the company would use its secure asset fund for users to cover the loss.

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