

MARKETS TODAY

Thursday, May 09, 2019

MARKETS IN BRIEF

- Global markets were nervously awaiting the start of 2-day trade talks in Washington later in the day to see if Chinese negotiators can convince the White House to back down on a possible tariff hike on Chinese imports.
- Asian shares fell to 8-week lows today as investors waited to see whether both countries can salvage a deal.
- Gold prices firmed as safe-haven demand gained further support from Trump's escalations with Iran.
- Japanese yen rose for a 5th day and Treasuries advanced after Trump's new criticism to China damped optimism the two sides will reach a trade agreement. JPY hit earlier 109.64, its highest since February 7 (3-month high)
- Australian dollar and Chinese yuan dropped to 4-month lows.
- NZ dollar recovered from recent sell-off following RBNZ's rate cut. However, currency's vulnerability remained.
- Oil prices were pressured down by growing fears over global economic growth.
- U.S. stocks ended down yesterday giving up their gains as mixed news temped investors' risk sentiment.

Trump attacking again; China to retaliate

Trump said on Wednesday that China "broke the deal" it had reached in trade talks with the US, and vowed not to back down on imposing new tariffs on Chinese imports unless Beijing "stops cheating our workers." The U.S. Trade Representative's office announced that tariffs on \$200 billion worth of Chinese goods would increase to 25% from 10% at 12:01 a.m. (0401) GMT on Friday, right in the middle of two days of meetings between Chinese Vice Premier Liu He and Trump's top trade officials in Washington. Beijing has announced it would retaliate if tariffs rise. "The Chinese side deeply regrets that if the U.S. tariff measures are implemented, China will have to take necessary countermeasures," China's Commerce Ministry said on its website, without elaborating.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1197	0.04%
GBP/\$	1.3022	0.12%
AUD /\$	0.6976	-0.17%
\$/JPY	109.65	0.41%
\$/CAD	1.3489	-0.07%
Gold \$	1282.99	0.16%
WTI \$	61.73	-0.63%
BRENT \$	69.89	-0.68%
AMERICA		
DOW JONES	25967.33	0.01%
S&P 500	2879.42	-0.16%
NASDAQ	7943.32	-0.26%
EUROPE		
STXE 600	382.23	0.15%
CAC 40	5417.59	0.40%
DAX	12179.93	0.72%
ASIA PACIFIC		
S&P/ASX 200	6295.30	0.42%
NIKKEI 225	21414.66	-0.87%
CSI 300 (China)	3629.72	-1.03%
MENA		
Saudi Arabia	8899.80	-0.77%
Dubai	2714.12	0.05%
Qatar	10123.40	-1.25%
BONDS		
U.S. 10-year	2.4672	-0.0002
German Bund 10-yr	-0.0460	0.0000
AU 10-year	1.7200	-0.0001

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... Trump putting more pressure on Iran

Trump issued an executive order on Wednesday prohibiting the purchase of Iranian iron, steel, aluminum and copper, ratcheting up tensions with the Islamic Republic less than a day after it declared it may begin enriching uranium again in two months. Trump said in his order that the prohibition on trading in the Iranian metals -- the country is the world's 18th largest steel exporter -- is aimed at preventing Tehran from developing a nuclear weapon or intercontinental ballistic missiles.

Stimulus working for China

China's factory-gate inflation in April quickened at its fastest pace in four months, buoyed by higher commodity prices and a sign demand may be starting to perk up as Beijing rolls out more stimulus. Consumer inflation also accelerated, jumping to the highest pace in six months, official data showed on Thursday, as pork price remained elevated due to supply issues from a growing swine fever epidemic. China's producer price index (PPI) in April rose 0.9% from a year earlier, the quickest pace since December, driven largely by rapid rises in oil and gas prices.

May winning some reprieve

Theresa May earned a stay of execution from her Conservative Party after a key panel of lawmakers kept the rules on leadership challenges unchanged, as talks with the opposition Labour Party to find a compromise on Brexit gained new life. The UK prime minister agreed to meet with the executive of the so-called 1922 Committee of Tory Members of Parliament next week to discuss her future, its chairman, Graham Brady, told reporters late Wednesday. The pledge comes two weeks after the panel urged the premier to set a clear road map for her departure.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	4.99	-11.68%
SOLIDERE—B	5.03	-8.55%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.53	-3.62%
BLOM BANK	8.10	-4.71%
BYBLOS BANK	1.25	1.63%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The US dollar hovered near a 6-week low versus the yen on Thursday, weighed down against the safe-haven Japanese peer as risk aversion gripped broader markets amid concerns the US-China trade conflict could escalate. Markets were nervously awaiting the start of 2-day trade talks in Washington later in the global day to see if Chinese negotiators can convince the White House to back down on a threatened tariff hike on Friday. The US currency stood at 109.69 yen after going as low as 109.65 earlier, its weakest since February 7. The Japanese currency, which has advanced against a number of peers, tends to attract demand in times of political strife and market turmoil. This week, expectations that the US and China would reach an agreement soon to end their trade war have been upended, sending investors fleeing from riskier assets. Global stocks have retreated and government bonds have surged. Washington has accused Beijing of backtracking on commitments made during trade negotiations and Trump has threatened to hike existing tariffs on Chinese goods on Friday and impose fresh levies soon if there is no deal. Trump said on Wednesday that China "broke the deal" reached in talks with the US, and vowed to not back

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down on imposing new tariffs unless Beijing "stops cheating our workers". The Australian dollar touched a 4-month low of 76.55 yen. The Aussie has shed roughly 1.8% against the yen this week. The euro struggled near a 4-month trough of 122.89 yen, having weakened more than 1% this week. Against the dollar, the euro was flat at \$1.1197, having spent the week in a tight \$1.1218-\$1.1155 range. The dollar index against a basket of six major currencies was little changed at 97.572. According to the latest Commodity Futures Trading Commission data, speculators have further raised their net long dollar bets, including those against the yen. Attention focused on which potential factors could prompt a reversal of such positions, causing the dollar to be sold and the yen to be bought back.

China's yuan slid to a 4-month low on Thursday, as jitters increased ahead of pivotal US-China trade talks in Washington likely to impact the global economy. Spot yuan breached the psychologically critical 6.8 level and was on track for a 6th straight loss. Onshore yuan opened at 6.7905 per dollar and was changing hands at 6.8347. That was 269 pips lower than Wednesday's late session, and 0.62% weaker than Thursday's official midpoint of 6.7665, the weakest in nearly three months. The yuan was not helped by data showing China's factory-gate inflation hit a 4-month high, as worries remained about the state of demand factors in the economy.

The New Zealand dollar was flat a \$0.6578, clawing back as the RBNZ did not give a strong indication of upcoming easing, saying interest rates were "balanced" at the moment. The kiwi had slumped to a 6-month trough of \$0.6525 on Wednesday, when the RBNZ cut interest rates to a record low 1.5%.

Gold prices held steady on Thursday ahead of Sino-US trade negotiations. Spot gold inched up 0.16% to \$1,282.99 per ounce. While gold has managed to draw support due to risk-averse markets, prices have not been able to register a significant uptrend with \$1,290 levels further acting as a key technical barrier. Also aggravating geopolitical concerns, Trump on Wednesday imposed new sanctions on Iran, targeting revenue from its exports of industrial metals. That was the latest salvo in tensions between Washington and Tehran over a 2015 international accord curbing the Islamic Republic's nuclear programme. This was soon after Iran announced that it was relaxing some restrictions on its nuclear programme, steps that stopped short of violating the deal with world powers for now, but threatening more action if countries do not shield it from US sanctions.

Oil prices dropped on Thursday amid concerns over the escalating trade battle between the US and China, despite a surprise fall in US crude stockpiles. Oil prices have had some support from signs of tighter global supply on the back of production cuts by the OPEC and its allies, including Russia.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—15:30	US Initial Jobless Claims	215K	230K
USD—15:30	US PPI MoM	0.20%	0.60%
USD—15:30	US Core PPI MoM	0.20%	0.30%
USD—15:30	US Trade Balance	-51.4B	-49.4B
USD—15:30	US Fed Chair Powell speaks		
CAD—15:30	Canada Trade Balance	-2.4B	-2.9B

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	97.572	-0.05%	1.45%
EUR/\$	1.1197	0.04%	-2.35%
GBP/\$	1.3022	0.12%	2.10%
AUD /\$	0.6976	-0.17%	-1.04%
NZD/\$	0.6578	0.05%	-2.10%
\$/JPY	109.65	0.41%	0.08%
\$/CAD	1.3489	-0.07%	1.10%
\$/CHF	1.0197	0.06%	-3.69%
\$/SEK	9.6184	-0.01%	-7.95%
\$/NOK	8.7709	-0.02%	-1.48%
\$/DKK	6.6676	0.05%	-2.34%
\$/TRY	6.1746	0.13%	-14.34%
EUR/GBP	0.8599	0.08%	4.54%
EUR/JPY	123.06	0.13%	2.25%
EUR/CHF	1.1418	0.01%	-1.42%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1282.99	0.16%	0.04%
Silver Spot \$/Oz	14.85	0.10%	-4.14%
Platinum Spot \$/Oz	862.83	0.15%	8.44%
Palladium Spot \$/Oz	1326.20	0.46%	5.11%
COPPER \$/lb	276.80	-0.23%	4.81%
WTI \$/bbl	61.73	-0.63%	35.94%
BRENT \$/bbl	69.89	-0.68%	29.91%

EQUITIES & BONDS

Total bidding at a \$27bn US 10-year Treasury note auction on Wednesday fell to its weakest in more than 11 years as this week's drop in bond yields may have curbed investor appetite for new supply. The ratio of bids to the amount of new 10-year new issue offered came in at 2.17, the lowest reading since March 2008 when it was 1.79. The gauge of overall auction demand was 2.55 at the prior 10-year note sale in April, Treasury data showed. US Treasury yields rose on Wednesday, reversing an earlier drop due to trade worries, as traders sold their bond holdings in the wake of a poor 10-year note auction and competing supply from the corporate bond market.

Asian shares fell to 8-week lows on Thursday as investors waited to see whether Chinese and US trade negotiators can salvage a deal to stave off the threat of fresh US tariff increases, which would damage global economic growth.

Chinese Vice Premier Liu He is set for talks in Washington on Thursday and Friday with US officials who have complained that Beijing has backtracked on earlier commitments. An agreement could avert a sharp increase in US tariffs on Chinese goods that Trump has threatened to impose on Friday. China has threatened to retaliate, raising the risk of a major escalation in the bruising trade war between the world's two largest economies. MSCI's broadest index of Asia-Pacific shares outside Japan dropped over 1% to its lowest level since March 11. Stocks extended earlier losses in Asian trade after Trump told a rally of supporters that China had "broke the deal" and would be paying for it. The Chinese market tumbled and hovered close to its 2-1/2-month lows. Shanghai shares slid 1.03%, the

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blue-chip CSI 300 dropped 1%, and Hong Kong's Hang Seng lost 1.7%. Japan's Nikkei average shed 0.87% to a 5-week low, South Korea's KOSPI fell over 2% while the Australian benchmark added 0.42%.

In the US, the benchmark S&P 500 fell on Wednesday for the third day in a row as investors remained cautious about the latest developments on US-China trade talks even after hopeful comments from the White House regarding an eventual agreement. A late slide in shares of Intel Corp contributed to losses in the last half-hour of trading. Shares of the chipmaker fell 2.5% after the company's outlook during its investor day presentation disappointed. Wall Street had edged higher for much of the session after White House spokeswoman Sarah Sanders said that the US had received an indication from Beijing that China wants to make a trade deal. Still, the US government said in its official journal that it would raise tariffs on \$200bn worth of Chinese goods to 25% on Friday. The mixed tone of trade developments made it difficult for US stocks to sustain their rally, investors said. Even as the S&P 500 rose in the afternoon, defensive sectors such as real estate and healthcare were among the index's top gainers. The trade-sensitive industrial sector ended little changed, while Intel's decline dragged down technology shares. The benchmark S&P 500 is now 2.5% below its record high of 2,954.13 hit last week. Shares of Walt Disney Co rose 1.2% ahead of its quarterly results. Disney was the top boost to the S&P 500. Disney shares were last up 0.8% in aftermarket trading. McKesson Corp shares climbed 4.8% after the drug distributor's quarterly results eased concerns about pricing pressures and costs related to opioid-related litigation. Conversely, TripAdvisor Inc shares tumbled 11.4%, the most among S&P 500 companies, after the online travel company's quarterly revenue missed analysts' estimates.

In the MENA region, the Egyptian blue-chip index slid sharply to its worst day in six months on Wednesday, mirroring weak global sentiment. Saudi index fell, pressured by global tensions and investors retreating from markets during the Muslim holy month of Ramadan. Egypt's blue-chip index fell 2.5%, with 29 out of 30 stocks trading in the red.

COMPANY NEWS HEADLINES

- Warren Buffett's Berkshire Hathaway Inc on Wednesday said a \$377mn charge it incurred recently was tied to a solar generation company that US authorities have linked to fraud.
- Under pressure from Trump, General Motors Co said on Wednesday it was in talks to sell an idled northeast Ohio plant to a cash-strapped electric truck-building company.
- Walmart said it will raise the minimum age to purchase tobacco products to 21 across its US stores starting July 1, responding to growing regulatory and political pressure to curb a surge in teenage use of e-cigarettes.
- General Electric Co CEO Larry Culp said on Wednesday that the company will likely have weaker quarters for the rest of the year after a surprisingly good start in Q1.
- Deutsche Telekom reported a 4% gain in Q1 core profits on Thursday as its US unit T-Mobile again outperformed, and confirmed its revenue guidance for this year.
- Wendy's on Wednesday reported quarterly revenue and profit above estimates, as the burger chain was helped by higher royalty fees from franchisees and its new premium burgers that come with avocado and bacon.
- Chinese artificial intelligence (AI) provider Megvii Technology Ltd, commonly known as Face++, said on Wednesday it raised \$750mn in its latest funding round.
- Canadian insurer Sun Life Financial Inc missed estimates for quarterly earnings on Wednesday, as weaker wealth sales hurt its performance in the domestic market.
- An Air Italy executive has joined a chorus of global airlines hurt by grounded Boeing 737 MAX jets but expects the airline to be profitable "very soon" and carrying five times as many passengers by 2022.
- Brazil's Vale SA said on Wednesday that its iron ore production and sales slumped in Q1 from a year earlier, reflecting the impact of the deadly collapse of a tailings dam at Brumadinho in late January.

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AMERICA	LAST	1D	YTD
DOW JONES	25967.33	0.01%	11.32%
S&P 500	2879.42	-0.16%	14.86%
NASDAQ	7943.32	-0.26%	19.71%
S&P/TSX	16397.40	0.24%	14.48%
EUROPE	LAST	1D	YTD
STXE 600	382.23	0.15%	13.20%
FTSE 100	7271.00	0.15%	8.07%
CAC 40	5417.59	0.40%	14.52%
DAX	12179.93	0.72%	15.35%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6295.30	0.42%	11.49%
NIKKEI 225	21414.66	-0.87%	6.99%
TOPIX	1552.18	-1.28%	3.89%
CSI 300 (China)	3629.72	-1.03%	20.56%
MENA	LAST	1D	YTD
Saudi Arabia	8899.80	-0.77%	13.71%
Abu Dhabi	5125.31	0.03%	4.28%
Dubai	2714.12	0.05%	7.29%
Qatar	10123.40	-1.25%	-1.71%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4672	-0.0163	-0.2170
Germany	-0.0460	-0.0020	-0.2880
U.K.	1.1370	-0.0210	-0.1400
Australia	1.7200	-0.0140	-0.5980

TOP SELECTED NEWS

UK housing market shows scant sign of recovery in April: RICS

(Reuters) Britain's housing market showed little sign of recovery in April as properties put up for sale fell the fastest rate since 2016, according to a survey on Thursday that added to downbeat signals from the housing market ahead of Brexit. The Royal Institution of Chartered Surveyors' (RICS) gauge of house prices held at -23 in April, still close to February's level of -27, the weakest in almost eight years. While official data show house prices have been rising across the country as a whole, prices in London have fallen, hit by unaffordable prices for many buyers, tax changes affecting rental properties and Brexit uncertainty which has weighed heavily on the capital.

UK says 5G roll out could be delayed by security concerns

(Reuters) The roll-out of 5G networks in Britain could be delayed, Culture Secretary Jeremy Wright said, adding that he would not trade off the economic benefit of using cheap kit with security risk. "There is certainly the possibility of a delay in the process of the roll out of 5G: If you want to do 5G fastest then you do that without any consideration for security," he told lawmakers. "But we not prepared to do that. So I don't exclude the possibility that there will be some delay." "The primary intention of this process is to get the security of the network right."



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TOP SELECTED NEWS

UniCredit Accelerates Cleanup as Mustier Prepares for Growth

UniCredit SpA Chief Executive Officer Jean Pierre Mustier accelerated a long-running cleanup and bore down on costs as the Italian bank prepares to move from a strategy of recovery to growth. Italy's biggest bank reduced operating expenses by 4.2% in Q1 from a year earlier and set aside less money for bad loans. That helped the bank beat estimates for net income even as low interest rates and a weakening Italian economy weighed on revenue, which fell by 3%. UniCredit is among the European lenders seen as a possible suitor for Commerzbank AG after the German lender's merger talks with Deutsche Bank AG ended without a deal last month. While Mustier has refused to comment on possible deals, he has said that "all options are open" after the company finishes its current business plan at the end of 2019. First-quarter net income rose about 25% to 1.39 billion euros (\$1.56 billion), boosted by gains from a real estate disposal and a release of provisions after a settlement with U.S. over Iran sanctions. Adjusted profit increased slightly to 1.1 billion euros.

Goldman Sachs and Bain said to meet Turkish banks on bad loans

(Bloomberg) International investors will meet Turkish bank executives to discuss buying into a government plan to rid lenders of bad loans, according to people with knowledge of the matter. Goldman Sachs Group Inc. and Bain Capital LP will attend a gathering in Istanbul on Thursday, the people said, asking not to be identified because the talks are private. Other participants include the European Bank for Reconstruction & Development and the International Finance Corp.

Intel shares drop, three-year outlook seen lagging rivals

(Reuters) Intel Corp shares declined 2.5% on Wednesday after executives forecast modest profit growth over the next three years, signaling it is likely to lag big rivals as the once-dominant chipmaker catches up in technology. Intel once dominated the most important chip market with more than 90% share for the brains of personal computers. As PC sales have stagnated, it has expanded into data center processors, memory and networking chips. That positions Intel as a smaller player in a bigger market.

Thomson Reuters profit tops Wall St. forecasts, shares hit all-time high

(Reuters) Thomson Reuters Corp on Wednesday reported stronger-than-expected quarterly profit, boosted by demand for information it sells to legal professionals, and reaffirmed its forecast for the rest of this year and 2020. Its Canadian-listed stock rose 1.9% to C\$83.76 after earlier hitting an all-time high of \$C84.45. The shares are up more than 60% over the past 12 months. The news and information provider and parent of Reuters News reported earnings excluding special items of 36 cents per share, compared with 28 cents per share a year ago, helped by lower interest expenses and by stock repurchases.

Novartis buys Takeda's dry eye drug for \$3.4 billion

(Reuters) Takeda Pharmaceutical agreed to sell its dry eye drug to Swiss drug-maker Novartis for \$3.4bn and potential milestone payments of up to \$1.9bn, in the first divestment since its takeover of Britain's Shire. Japan's biggest drug-maker aims to dispose of \$10bn worth of assets to cut debt taken on for the huge Shire acquisition sealed in January, which catapulted it into the world's top 10 drug-makers by sales but also made it one of the most indebted. The sale of Shire's Xiidra dry eye treatment is likely to close in the second half of 2019, they said in a statement.

Uber drivers go on strike in London and US ahead of IPO, early protests sparse

(Reuters) Uber drivers in London and major US cities held a series of strikes on Wednesday to protest the disparity between gig-economy conditions and the sums that investors are likely to make in Friday's blockbuster stock market debut. Protests were sparsely attended in London, New York and California, and rides appeared easily available in some cities where strikes were called. Drivers and regulators around the world have long criticized the business tactics of Uber Technologies Inc. The expected valuation of up to \$90bn in its initial public offering on Friday is proving to be the latest flashpoint.

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