

MARKETS TODAY

Friday, May 10, 2019

MARKETS IN BRIEF

- Global markets were nervous on Friday as Trump's tariff hikes went into effect. But investors were still hoping that the U.S. and China could still reach a trade agreement.
- Chinese yuan rose and Chinese stocks jumped on increased hopes.
- Safe-haven like currencies like the Japanese yen and Swiss franc lost their steam. Asian shares ended mixed.
- Australian dollar recovered back to \$0.70 level, after it dropped following the release of RBA's policy meeting minutes.
- Turkish lira rebounded after central bank's intervention.
- Gold prices remained firm as traders awaited how trade talks will unfold throughout the day.
- U.S. stocks suffered yesterday from increased pessimism.
- Most Gulf stock markets continued their drop tracking global depressed risk sentiment.
- Several economic data will be in focus today: For GBP, GDP and Manufacturing Production at 11:30 LT. For USD, Inflation data at 15:30 LT. For CAD, Jobs Report at 15:30 LT.

Tariffs taking effect; talks continued

The US hiked tariffs on more than \$200 billion in goods from China on Friday in the most dramatic step yet of Trump's push to extract trade concessions, deepening a conflict that has roiled financial markets and cast a shadow over the global economy. China immediately said in a statement it is forced to retaliate, though hadn't specified how. The move came after discussions between President Xi Jinping's top trade envoy and his US counterparts in Washington made little progress on Thursday, with the mood around them downbeat, according to people familiar with the talks. The negotiations were due to resume on Friday.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1221	0.05%
GBP/\$	1.3001	-0.10%
AUD /\$	0.6994	0.07%
\$/JPY	109.79	-0.05%
\$/CAD	1.3466	0.08%
Gold \$	1284.53	0.04%
WTI \$	62.07	0.60%
BRENT \$	70.75	0.51%
AMERICA		
DOW JONES	25828.36	-0.54%
S&P 500	2870.72	-0.30%
NASDAQ	7910.59	-0.41%
EUROPE		
STXE 600	375.92	-1.65%
CAC 40	5313.16	-1.93%
DAX	11973.92	-1.69%
ASIA PACIFIC		
S&P/ASX 200	6310.90	0.25%
NIKKEI 225	21344.92	-0.27%
CSI 300 (China)	3714.73	3.20%
MENA		
Saudi Arabia	8856.94	-0.48%
Dubai	2672.61	-1.48%
Qatar	10027.17	-0.95%
BONDS		
U.S. 10-year	2.4441	0.0000
German Bund 10-yr	-0.0520	-0.0001
AU 10-year	1.7210	0.0001

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U.S. currency report expected to add more countries

The Trump administration will expand the number of countries it scrutinizes for currency manipulation in an upcoming report, citing Bloomberg sources, after lowering the bar for foreign governments to come under scrutiny. Vietnam may be named a manipulator outright for artificially holding down the value of the dong after meeting all three criteria the Treasury Department uses to test for currency interventions. Treasury issues a report twice annually on foreign currencies.

German exports rebounding unexpectedly

German exports rose unexpectedly in March, data showed on Friday, raising hopes that a slowdown in Europe's largest economy will not significantly dent growth in the first quarter despite headwinds from trade disputes. The Federal Statistics Office said seasonally adjusted exports rose by 1.5% on the month while imports were up 0.4%. That meant the trade surplus edged up to 20.0 billion euros in March from 18.7 billion euros the previous month. The government has slashed its 2019 growth forecast to 0.5%.

Uber IPO priced at the lower end of the range

Uber Technologies priced its IPO on Thursday at the low end of its targeted range for a valuation of \$82.4 billion, hoping its conservative approach will spare it the trading plunge suffered by rival Lyft Inc. It is an underwhelming result for the most anticipated IPO since Facebook's market debut seven years ago. Uber raised \$8.1 billion, pricing its IPO at \$45/share, close to the bottom of the targeted \$44-\$50 range. However, the IPO still represents a watershed moment for Uber, which has grown into the world's largest ride-hailing company since its start 10 years ago.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	4.97	-0.40%
SOLIDERE—B	4.73	-5.96%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.53	-
BLOM BANK	8.10	-
BYBLOS BANK	1.26	0.80%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The US dollar was steady against the safe-haven Japanese yen on Friday, taking in stride the hike in US tariffs on Chinese goods that went into effect and awaiting resumption of talks between top officials of the world's two largest economies. Trump's tariff increase to 25% from 10% on \$200 billion of Chinese goods kicked in on Friday, and Beijing said it would strike back, increasing tensions as the two sides pursue last-ditch talks to try salvaging a trade deal. US and Chinese officials will return to the negotiating table later on Friday. The dollar stood little changed at 109.79 yen. The US currency, which slipped to a 3-month low of 109.470 overnight, has lost 1.2% against the yen this week. Against the Swiss franc, the dollar was a shade weaker 1.0148 after dropping roughly 0.5% the previous day, when it touched a 1-month low of 1.0122 francs. The yen and franc tend to attract demand in times of market turmoil. The euro added 0.05% to \$1.1221 after touching a 1-week peak of \$1.1251 the day before. The dollar index against a basket of six major currencies, of which the euro is a main component, was little changed at 97.392. The index had slid to 97.238 on Thursday, lowest since May 1, as Treasury yields declined as investors shied away from risk.

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FX & COMMODITIES

The Australian dollar, sensitive to shifts in risk sentiment, was up 0.07% at \$0.6994 after reaching as high as \$0.7019. The Aussie heads for its longest weekly losing run since October 2017 after the central bank slashed its economic forecasts, with persistent US-China trade tensions also continuing to weigh on sentiment. Aussie dollar initially fell after the Reserve Bank's Statement on Monetary Policy. Economy is expected to expand 1.75% in the year through June versus 2.5% seen three months earlier, RBA said. New Zealand dollar was steady at \$0.6591, down 0.8% from May 3 and headed for a fourth straight weekly decline. Economy needs to grow at around 3% a year for the central bank to meet its inflation and employment goals, says Deputy Governor Geoff Bascand. Retail credit card spending rose 0.6% m/m in April, less than the 0.8% rise estimated by economists.

The Turkish lira strengthened 1.15% against the dollar early on Friday, a day after Turkey's central bank suspended repo auctions and took additional liquidity steps to counter its recent sharp decline. The lira traded at 6.1224, firming from a close of 6.1935. The currency has lost as much as 15% against the dollar this year, with the latest weakness driven by investor concerns over the decision to re-run Istanbul's mayoral election. The central bank on Thursday suspended 1-week repo auctions in a move that will gradually raise the average cost of funding from the bank's benchmark 1-week repo rate of 24% to the overnight lending rate of 25.5%.

Gold prices edged higher on Friday, drawing support from increased trade tensions, putting the bullion on track for a weekly gain. Spot gold was up 0.04% at \$1,284.53 per ounce and is up about 0.6% for the week.

Oil prices pared earlier gains on Friday following Trump's tariff increase on \$200 billion worth of Chinese goods took effect, escalating the trade dispute between the world's two biggest economies and oil consumers. Prices had risen more than 1% earlier in the day as optimism mounted that the tariffs would be averted after US Trump said he received a "beautiful letter" from Chinese President Xi Jinping. Brent crude futures were at \$70.75 a barrel up 0.51% from their last close, after rising to as high as \$71.23 a barrel. US West Texas Intermediate (WTI) crude futures were at \$62.07 per barrel, up 0.60%, after rising to as high as \$62.49 a barrel earlier in the day.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK GDP MoM	0.00%	0.20%
GBP—11:30	UK Manufacturing Production MoM	0.10%	0.90%
GBP—11:30	UK Prelim GDP QoQ	0.50%	0.20%
GBP—11:30	UK Business Investment QoQ	-0.90%	-0.90%
CAD—15:30	Canada Employment Change	11.7K	-7.2K
CAD—15:30	Canada Unemployment Rate	5.80%	5.80%
USD—15:30	US CPI MoM	0.40%	0.40%
USD—15:30	US Core CPI MoM	0.20%	0.10%

Next Week: UK Jobs Report, German ZEW Economic Sentiment, Eurozone Industrial Production, US Import Prices, AU Wages Prices Index, China Fixed Asset Investment and Industrial Production, German Prelim GDP QoQ, Eurozone Flash GDP QoQ, Canada CPI MoM, US Retail Sales, US Industrial Production, AU Jobs Report, Canada Manufacturing Sales, US Building Permits, US Consumer Sentiment, AU Parliamentary Elections

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CURRENCIES	LAST	1D	YTD
DXY	97.392	0.02%	1.27%
EUR/\$	1.1221	0.05%	-2.15%
GBP/\$	1.3001	-0.10%	1.94%
AUD /\$	0.6994	0.07%	-0.78%
NZD/\$	0.6591	0.00%	-1.91%
\$/JPY	109.79	-0.05%	-0.09%
\$/CAD	1.3466	0.08%	1.27%
\$/CHF	1.0148	0.02%	-3.22%
\$/SEK	9.6526	0.01%	-8.28%
\$/NOK	8.7717	0.14%	-1.49%
\$/DKK	6.6532	0.06%	-2.13%
\$/TRY	6.1224	1.15%	-13.61%
EUR/GBP	0.8631	-0.11%	4.15%
EUR/JPY	123.20	-0.10%	2.13%
EUR/CHF	1.1388	-0.04%	-1.16%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1284.53	0.04%	0.16%
Silver Spot \$/Oz	14.80	0.23%	-4.51%
Platinum Spot \$/Oz	860.41	1.33%	8.14%
Palladium Spot \$/Oz	1318.23	1.46%	4.47%
COPPER \$/lb	278.40	0.45%	5.41%
WTI \$/bbl	62.07	0.60%	36.69%
BRENT \$/bbl	70.75	0.51%	31.51%

EQUITIES & BONDS

Japanese government bond (JGB) prices edged up on Friday as Trump's tariff increase on Chinese goods took effect, stoking safe-haven demand for debt. The 5-year JGB yield and the 10-year yield both lost half a basis point to minus 0.170% and minus 0.055%, respectively.

US stock futures fell and Asian shares held onto earlier-earned gains on Friday after Trump's tariff hike on \$200 billion of Chinese goods took effect, raising tensions between the world's two biggest economies despite ongoing talks. E-mini futures for US S&P500 slipped after the higher tariffs kicked in, and were last down 0.6% in choppy trade. Chinese shares, even more volatile, dropped sharply when the tariffs took effect but then recovered, with the Shanghai composite index last 1.9% higher. MSCI's broadest index of Asia-Pacific shares outside Japan, which dropped more than 1% early Friday, remained where they were when tariff increase kicked in, up 0.3%. Japan's Nikkei was off 0.3%. With no action taken by the Trump administration to reverse the increase the duty rate to 25% from the previous 10% by 0401 GMT, investors worried about further escalation in the trade war that has dogged the global economy for more than a year. But the White House has said the two sides would resume negotiations on Friday morning in Washington after concluding the first of two days of talks on Thursday to try to rescue a trade deal close to collapsing. That has encouraged some investors to cling to hopes that the US administration could revoke the new tariff hike once a deal is reached.

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EQUITIES & BONDS

US stocks fell on Thursday ahead of critical trade negotiations between the US and China, though they pared losses significantly after Trump said reaching a deal this week was possible. US stocks had fallen more than 1% earlier in the session but recovered much of those losses after Trump said he had received a “beautiful letter” from Chinese President Xi Jinping. Even with the possibility of further tariffs going into effect, some investors remained optimistic that a trade agreement was within reach. That likely kept Thursday's declines in check. The S&P 500 index briefly slipped below its 50-day moving average, a closely watched indicator of momentum, during the session but ended above that level. Materials and technology stocks posted the steepest declines among the S&P 500's sectors, dropping 0.8% and 0.7%, respectively. Shares of chipmakers, which get a large portion of the revenue from China, continued to slide, with the Philadelphia semiconductor index ending 1.2% lower. The index has fallen 6% so far this week and is on pace to post its biggest %age weekly loss since December. Chipmaker shares were also pressured by an underwhelming profit growth forecast from Intel Corp. Intel shares fell 5.3% and were the biggest drag on the S&P 500. Trade-sensitive industrial bellwethers were also hit, with Boeing Co shares falling 1% and 3M Co shares dropping 1.9%. The CBOE Volatility Index, a gauge of investor anxiety, rose for the fourth consecutive session and is at its highest level in more than three months. In a bright spot, Tapestry Inc shares jumped 8.5%, the most among S&P companies, after the Coach handbag maker beat quarterly profit estimates and announced a \$1 billion share buyback plan. Chevron Corp shares gained 3.1%, providing the biggest boost to the Dow and the S&P 500, after the oil company said it would not raise its \$33 billion offer to buy Anadarko Petroleum Corp.

Most Gulf stock markets slid yesterday, weighed by global trade tensions and falling oil prices. The Abu Dhabi and Dubai stock markets dropped sharply. The Abu Dhabi index fell 1.4%, declining for the sixth straight session, with Abu Dhabi National Hotels plunging 7.4% and ADCB sliding 5%. In Dubai, the index lost 1.5%, with the emirate's biggest lender Emirates NBD dropping 2.5%, while blue-chip developer Emaar Properties fell 2.8%.

COMPANY NEWS HEADLINES

- Symantec Corp's chief executive officer stepped down unexpectedly on Thursday, the same day the antivirus software maker issued a profit warning, sending the shares plunging in after-hours trading.
- GoPro Inc raised its full-year revenue forecast and reported a smaller-than-expected loss on Thursday, boosted by strong demand for its new line of action cameras from its flagship brand HERO, sending its shares up 13%.
- File sharing and storage company Dropbox Inc raised its full-year revenue forecast and reported better-than-expected quarterly results, as it added more paying subscribers.
- Wall Street Journal-owner News Corp reported a surprise quarterly profit on Thursday, driven by strong growth in earnings at its book publishing and subscription video services units.
- TiVo Corp said on Thursday its board approved a plan to split its product division from its intellectual property licensing unit, as the set-top box maker looks to attract buyers for its businesses.
- Tradeweb Markets Inc on Thursday reported a drop in earnings for Q1 as higher expenses at the newly public electronic trading platform operator outweighed a jump in revenue.
- Venezuelan state oil company PDVSA will use uncollected oil revenue to make a bond payment due this month, the board of directors named by opposition leader Juan Guaido said on Thursday.
- TMX Group Ltd, owner of the Toronto Stock Exchange, reported a 3% drop in quarterly profit on Thursday, hurt by slower capital formation business.
- Brazil's Vale SA reported on Thursday a \$1.64 billion quarterly net loss as the world's top iron ore miner struggled with the aftermath of one of the country's deadliest-ever mining disasters.

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AMERICA	LAST	1D	YTD
DOW JONES	25828.36	-0.54%	10.72%
S&P 500	2870.72	-0.30%	14.52%
NASDAQ	7910.59	-0.41%	19.22%
S&P/TSX	16321.75	-0.46%	13.96%
EUROPE	LAST	1D	YTD
STXE 600	375.92	-1.65%	11.33%
FTSE 100	7207.41	-0.87%	7.12%
CAC 40	5313.16	-1.93%	12.31%
DAX	11973.92	-1.69%	13.40%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6310.90	0.25%	11.77%
NIKKEI 225	21344.92	-0.27%	6.65%
TOPIX	1549.42	-0.08%	3.70%
CSI 300 (China)	3714.73	3.20%	23.39%
MENA	LAST	1D	YTD
Saudi Arabia	8856.94	-0.48%	13.16%
Abu Dhabi	5052.80	-1.39%	2.80%
Dubai	2672.61	-1.48%	5.65%
Qatar	10027.17	-0.95%	-2.64%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4441	0.0018	-0.2401
Germany	-0.0520	-0.0050	-0.2940
U.K.	1.1250	-0.0120	-0.1520
Australia	1.7210	0.0090	-0.5970

TOP SELECTED NEWS

Trump tariffs on China likely to cost 400,000 manufacturing jobs, group says

(Bloomberg) Trump's higher tariffs on Chinese imports will have "dire consequences" for U.S. equipment manufacturers and worsen prospects for American farmers and others already reeling from lower commodity prices, an industry trade group warned on Friday. The tariffs will "drive down exports, and suppress job gains for the industry by as much as 400,000 over 10 years. It will also invite China to hit back at American businesses, farmers, communities, and families," said Kip Eideberg, vice president of government affairs for the Association of Equipment Manufacturers, which represents more than 1,000 U.S. makers of farm, construction and mining machinery. "With producers already struggling with falling commodity prices, additional retaliatory tariffs on U.S. agricultural exports will have a chilling effect on equipment manufacturers," Eideberg said effect.

US goods trade deficit with China tumbles to 5-year low

(Reuters) The US goods trade deficit with China, a focus of the White House's "America First" agenda, shrank to its smallest in five years in March, which could embolden Trump as he escalates his trade war on Beijing. The report from the Commerce Department on Thursday came as the US and China began two days of make-or-break talks to

TOP SELECTED NEWS

salvage a faltering trade deal. The politically sensitive goods trade deficit with China decreased 16.2% to a seasonally unadjusted \$20.7 billion, the lowest level since March 2014, as exports, including soybeans, surged 23.6%. Imports from the world's No. 2 economy fell 6.1%.

Australia central bank cuts forecasts again, signals rate cuts

(Reuters) Australia's central bank sharply downgraded forecasts for growth and inflation on Friday and signaled it will consider lowering interest rates if unemployment does not fall further, a major step toward the first policy easing since 2016. The shift in its stance is largely led by a sharp downturn in the country's once-booming property market, which is hurting household consumption and income, the RBA said in a 78-page quarterly statement on monetary policy. The RBA predicted underlying inflation will remain below the mid-point of its 2-3% target band through mid-2021, with wage growth seen inching up at a snail's pace. Inflation is not seen reaching the bottom-end of its band until June 2020. The outlook for consumption was a "key source of uncertainty", leading the bank to cut its forecast for domestic growth for a second time this year to 2.75% from 3.0%. In 2018, the annual pace was a below-par 2.3%. The economy is seen slowing sharply to 1.75% in June from a year earlier, before picking up to 2.75% through to mid-2021. The RBA last cut rates in August 2016 to a record low 1.50%.

Facebook rejects co-founder call for breakup, senator urges US antitrust probe

(Reuters) Facebook Inc quickly rejected a call from co-founder Chris Hughes on Thursday to split the world's largest social media company in three, while lawmakers urged the US Justice Department to launch an antitrust investigation. Facebook has been under scrutiny from regulators around the world over data sharing practices as well as hate speech and misinformation on its networks. Some US lawmakers have pushed for action to break up big tech companies as well as federal privacy regulation. Facebook's social network has more than 2 billion users. It also owns WhatsApp, Messenger and Instagram, each used by more than 1 billion people. Facebook bought Instagram in 2012 and WhatsApp in 2014. Facebook rejected Hughes' call for WhatsApp and Instagram to be made into separate companies, and said the focus should instead be on regulating the internet. Zuckerberg will be in Paris on Friday to discuss internet regulation with French President Emmanuel Macron.

Occidental chief faces shareholders on cusp of takeover victory

(Reuters) Occidental Petroleum Chief Executive Vicki Hollub takes her case for buying Anadarko Petroleum to the company's shareholders on Friday, bolstered by rapid deal-making that put her on the cusp of victory. Hollub, 59, challenged larger rival Chevron Corp with a long-shot bid that some of her own investors say is risky because it saddles Occidental with about \$46 billion in new debt. By deftly lining up allies and cash, she put together a strategy that on Thursday prompted Chevron to withdraw. The lack of a deal vote and the stock's drop to \$56.33 a 10-year low on Thursday could lead to a messy victory party.

Roku spikes, pushing its rally since December to 180%

(Bloomberg) Roku Inc. shares jumped to all-time highs on Thursday after the video-streaming platform posted first-quarter revenue that beat expectations and gave a strong outlook. Analysts were broadly positive on the print and the guidance, both of which reflected continued growth in both sales and users, though both Citi and Loop Capital Markets expressed concern about competition in the streaming landscape, as well as the stock's valuation. Shares rose as much as 28%, with the stock hitting record levels. Shares have surged more than 190% off a December low.

Subaru's annual profit halves; earnings released early after snafu

(Reuters) Japanese automaker Subaru Corp said on Friday its operating profit for the past year halved after it suffered a string of setbacks including production delays and mounting recalls. Japan's 7th-biggest automaker released its results hours ahead of schedule after it inadvertently uploaded its financials on its website earlier than planned. For the year through March 2020, Subaru expects operating profit to jump 33% to 260 billion yen, as it expects vehicle sales to recover, rising 5.8% to 1.058 million units.

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