

# MARKETS TODAY

Monday, May 13, 2019

## MARKETS IN BRIEF

- Conflict between the U.S. and China over trade intensified, pushing safe-haven assets higher. The yen climbed with Treasuries as haven bids rose amid concern the two countries may not be able to overcome their trade differences within the 1-month timeline set by Washington. However, markets were still hoping for a breakthrough. U.S. President Donald Trump and his Chinese counterpart Xi Jinping are likely to meet during a G20 summit in Japan at the end of June and discuss trade, White House economic adviser Larry Kudlow said on Sunday.
- Chinese yuan continued its drop. The offshore yuan hit earlier 6.9042, its lowest since December 25 (4 1/2-month low)
- Aussie dollar was pressured by increased pessimism over trade talks. For this week, traders eyed the jobs report on Thursday.
- Asian stocks and U.S. futures were also down.
- U.S. stocks actually ended Friday's session in the green area, snapping a 4-day losing streak, before all trade deal hopes fade during the weekend.
- Gulf stock markets slumped on Sunday after the U.S. Pentagon approved the deployment of a warship and Patriot missiles to the Middle East. Saudi index had its worst session since November 18 and reached its lowest level since late March.

## Trade talks in deadlock

The US and China appeared at a deadlock over trade negotiations on Sunday as US demanded promises of concrete changes to Chinese law and Beijing said it would not swallow any "bitter fruit" that harmed its interests. White House economic adviser Larry Kudlow told the "Fox News Sunday" program that China needs to agree to "very strong" enforcement provisions for an eventual deal and said the sticking point was Beijing's reluctance to put into law changes that had been agreed upon. Beijing remained defiant. "At no time will China forfeit the country's respect, and no one should expect China to swallow bitter fruit that harms its core interests," the People's Daily, said in a commentary on Monday. It said Beijing was open to talks but would not yield on important issues of principle.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1234	0.01%
GBP/\$	1.3014	0.12%
AUD /\$	0.6975	-0.39%
\$/JPY	109.74	0.19%
\$/CAD	1.3442	-0.19%
Gold \$	1283.70	-0.18%
WTI \$	61.71	0.08%
BRENT \$	71.00	0.54%
AMERICA		
DOW JONES	25942.37	0.44%
S&P 500	2881.40	0.37%
NASDAQ	7916.94	0.08%
EUROPE		
STXE 600	377.14	0.32%
CAC 40	5327.44	0.27%
DAX	12059.83	0.72%
ASIA PACIFIC		
S&P/ASX 200	6297.60	-0.21%
NIKKEI 225	21191.28	-0.72%
CSI 300 (China)	3659.87	-1.89%
MENA		
Saudi Arabia	8674.66	-2.06%
Dubai	2586.91	-1.63%
Qatar	9928.22	-0.99%
BONDS		
U.S. 10-year	2.4370	-0.0003
German Bund 10-yr	-0.0420	0.0000
AU 10-year	1.7210	-0.0001

## May aiming to reopen Brexit talks with EU

Theresa May will reopen Brexit talks with the EU on a future customs deal in an attempt to revive stalled negotiations with Labour. The PM's office said Sunday the government will explore with the EU this week how to rewrite the outline political agreement on future customs ties, even as a senior Labour official warned that the party's members of Parliament wouldn't back a deal without a second referendum. The premier is under mounting pressure, with a growing number of Conservative politicians calling on her to resign as the party's popularity slumps in the polls.

## ... May's party slumping to 5th place

British PM's Conservatives have slumped to fifth place in an opinion poll ahead of the May 23 European parliamentary election as pressure grows for her to set a date for her departure. Nigel Farage's Brexit Party was in the lead, up four percentage points, on 34% while May's Conservative Party had just 10%, the YouGov poll for the Times newspaper showed. The opposition Labour Party was down five points on 16%. Two parties which support staying in the EU, the Liberal Democrats and the Greens, were on 15% and 11% respectively.

## Uber dropping in first trading day

Uber Technologies's conservative IPO could not keep its shares from sinking in their trading debut on Friday, fueling debate on Wall Street over whether the outcome of the most anticipated listing since Facebook Inc would weigh on other Silicon Valley unicorns. Uber considered going public for at least four years. Yet the ride-hailing company picked a week for its IPO plagued by market turbulence fueled by U.S.-China trade worries. The stock closed at \$41.57, down 7.6%, and Uber joined a small group of major IPOs that ended their first day down.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.00	0.60%
SOLIDERE—B	4.96	4.86%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.44	-1.99%
BLOM BANK	8.10	-
BYBLOS BANK	1.26	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

## FX & COMMODITIES

The safe-haven yen firmed slightly and the Chinese yuan and Australian dollar dipped on Monday, after the latest escalation in the trade war between the US and China. The world's two biggest economies appeared at a deadlock over trade negotiations on Sunday as Washington demanded promises of concrete changes to Chinese law and Beijing said it would not swallow any "bitter fruit" that harmed its interests. The trade conflict had escalated on Friday, with the US raising tariffs on \$200 billion worth of Chinese goods. China has vowed to retaliate but has not given details. US President Donald Trump and his Chinese counterpart Xi Jinping are likely to meet during a G20 summit in Japan at the end of June and discuss trade, White House economic adviser Larry Kudlow said on Sunday. The yuan retreated to 4-month lows both in the onshore and offshore markets. It fell roughly 0.5% to 6.8533 per dollar in onshore trade, its lowest since Jan. 8. The dollar was 0.19% lower at 109.74 yen, near a 3-month low of 109.470 brushed late last week. The dollar lost 0.13% to 1.0105 Swiss francs, a safe haven along with the yen, after going as low as 1.0098 on Friday, its weakest in nearly a month. The euro was little changed at \$1.1234. The dollar index against a basket of six



# MARKETS TODAY

## FX & COMMODITIES

**The Australian dollar shed 0.39% to \$0.6975. A drop below \$0.6960 would take the currency, already burdened by a dovish shift by the Reserve Bank of Australia, to its lowest since early January.** The Aussie is sensitive to shifts in risk sentiment and also serves as a liquid proxy of trades related to China - Australia's largest trading partner.

**The Turkish lira strengthened further below 6.0 against the dollar in early trade on Monday, extending gains late last week, with two sources saying state banks sold around \$4.5 billion last week to support the Turkish currency.** The lira stood at 6.0209 against the U.S. currency, lower than a close of 5.9955 on Friday, having hit its weakest level in more than seven months at 6.2460 last Thursday. The lira has lost as much as 15% against the dollar this year, with the latest weakness driven by investor concerns over last week's decision to re-run Istanbul's mayoral election, which the main opposition party narrowly won. Two sources said the banks' dollar sales last week included a flurry of selling late on Friday. The central bank on Thursday tightened policy by funding the market at a higher rate and taking liquidity steps to bolster the lira.

**Oil futures were mixed on Monday, with US crude edging lower, as investors and traders fretted over global economic growth prospects amid a standoff in Sino-US trade talks.** US West Texas Intermediate (WTI) futures were at \$61.71 per barrel, up 0.08%, from their previous settlement. WTI closed the last session steady on the day. Meanwhile Brent crude futures were at \$71 a barrel, up 0.54% from their last close. Brent ended the previous session little changed.

**Copper prices dropped, pressured by concerns over the outlook for the global economy and metals demand as Washington and Beijing struggled to salvage a deal to end a bitter trade war.** Meanwhile, copper prices could gain some support from falling output in China as some smelters there are scheduled to go into maintenance in May, some analysts said.

**Gold prices dipped as Sino-U.S. trade tensions and uncertainty over a deal weighed on yuan, making the bullion expensive for buyers in world's largest consumer - China.** Spot gold was down 0.18% at \$1,283.70 per ounce. While gold has managed to find support due to a risk-aversion mood among investors, prices have been stuck in a \$15 dollar range over the past week despite the slump in global markets. Gold was also facing a barrier around \$1,290 levels, restricting buying from traders who follow technical charts, analysts said.

## ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
USD—16:10	US FOMC Member Clarida speaks		

**Tuesday:** German Final CPI, UK Jobs Report, German ZEW Economic Sentiment, Eurozone Industrial Production, US Import Prices

**Wednesday:** 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

**Thursday:** AU Jobs Report, Canada Manufacturing Sales, US Building Permits, Philly Fed Manufacturing Index, Initial Jobless Claims

**Friday:** NZ PPI, Eurozone Final CPI, US Consumer Sentiment

**Saturday:** AU Parliamentary Elections

# MARKETS TODAY

CURRENCIES	LAST	1D	YTD
DXY	97.312	-0.02%	1.18%
EUR/\$	1.1234	0.01%	-2.03%
GBP/\$	1.3014	0.12%	2.04%
AUD /\$	0.6975	-0.39%	-1.05%
NZD/\$	0.6579	-0.27%	-2.08%
\$/JPY	109.74	0.19%	-0.05%
\$/CAD	1.3442	-0.19%	1.45%
\$/CHF	1.0105	0.13%	-2.81%
\$/SEK	9.6370	-0.26%	-8.13%
\$/NOK	8.7383	-0.28%	-1.11%
\$/DKK	6.6460	0.00%	-2.03%
\$/TRY	6.0209	-0.63%	-12.15%
EUR/GBP	0.8632	0.09%	4.14%
EUR/JPY	123.28	0.19%	2.07%
EUR/CHF	1.1352	0.15%	-0.85%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1283.70	-0.18%	0.09%
Silver Spot \$/Oz	14.69	-0.68%	-5.22%
Platinum Spot \$/Oz	850.99	-1.68%	6.96%
Palladium Spot \$/Oz	1343.29	-1.04%	6.46%
COPPER \$/lb	274.60	-1.03%	3.98%
WTI \$/bbl	61.71	0.08%	35.90%
BRENT \$/bbl	71.00	0.54%	31.97%

## EQUITIES & BONDS

**US stock futures and Asian shares fell on Monday on growing anxiety over whether the US and China will be able to salvage a trade deal, after Washington sharply hiked tariffs and Beijing vowed to retaliate.** The US and China appeared at a deadlock over trade negotiations on Sunday as Washington demanded promises of concrete changes to Chinese law and Beijing said it would not swallow any "bitter fruit" that harmed its interests. Investors are bracing for threatened "countermeasures" from China in retaliation for Washington's tariff increase on Friday on \$200 billion worth of Chinese goods. E-Mini futures for the S&P 500 shed 1.0%. MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.5%, nearing its two-month low marked on Thursday. Chinese shares tumbled, with the benchmark Shanghai Composite and the blue-chip CSI 300 shedding as much as 1.6% and 1.89%, respectively, before paring some of the losses. Hong Kong's financial markets were closed for a holiday. Japan's Nikkei average sunk as much as 1.0% to hit its lowest level since March 28. It last traded down 0.72%. US benchmark 10-year Treasury note yield inched down to 2.437%, partly as a safe haven but also on speculation that the escalating trade war would put more pressure on global growth and thus keep major central banks accommodative.

**US stocks rebounded from early losses on Friday to snap a 4-day losing streak after Trump and Treasury Secretary Steven Mnuchin said trade talks between the US and China were "constructive."** The benchmark S&P 500 index had dropped as much as 1.6% but rebounded from its session lows after Mnuchin spoke positively of the 2-day

# MARKETS TODAY

## EQUITIES & BONDS

negotiations between the US and China. It added further to gains after Trump echoed that sentiment in a series of tweets. The index pulled back from the session's highs, however, after Mnuchin said no further trade talks were planned, according to CNBC. Even with Friday's rebound, though, the S&P 500 and the Nasdaq logged their biggest weekly percentage losses of the year. Recent developments in US-China trade relations, including an increase in US tariffs on \$200 billion worth of Chinese goods that went into effect on Friday, have led investors to brace for a potential escalation of the trade dispute between the world's two biggest economies. That in turn has stoked fears of a global economic slowdown, prompting a flight to low-risk assets such as government bonds. Yet Friday's comments from the White House kept some investors hopeful of an eventual trade agreement. For the week, the Dow fell 2.12%, the S&P 500 declined 2.17% and the Nasdaq shed 3.03%. Uber Technologies Inc shares dropped 7.6% after having opened below their initial public offering price in the ride-hailing company's long-awaited market debut. Symantec Corp shares plunged 12.5% after the antivirus software maker issued a profit warning and unexpectedly announced its chief executive officer would step down. Shares of chipmakers, which draw much of their revenue from China, finished higher to snap their four-day run of declines, but the Philadelphia semiconductor index fell 5.8% for the week.

**Saudi index dropped on Sunday, in line with most Gulf markets, after the US Pentagon approved the deployment of a warship and Patriot missiles to the Middle East.** Sunday's decline was the sharpest one day drop since Nov. 18, 2018. The Tadawul All-Share Index fell 2% to close at 8,675 points, its lowest level since the end of March. The benchmark is down almost 7% this month.

## COMPANY NEWS HEADLINES

- European stock market operator Euronext said it had won clearance from Norway's Ministry of Finance to buy up to 100% of Oslo Bors, pushing Euronext closer to victory over Nasdaq in its bid to buy Oslo Bors.
- The world's largest contract manufacturer Foxconn is poised to nominate the head of its chip business as chairman to succeed Terry Gou, who plans to run in Taiwan's presidential election (Reuters sources)
- Welding and valves manufacturer Colfax Corp is nearing a deal to sell its air and gas handling division to private equity firm KPS Capital Partners for more than \$1.8 billion (Reuters sources)
- Insys Therapeutics Inc said on Friday that a cash crunch resulting from legal costs related to a US Justice Department probe into sales practices for the company's powerful opioid medication and other litigation may lead the company to file for bankruptcy and prevent it from completing its settlement deal with the Justice Dept.
- WeWork's \$47 billion valuation as it heads toward what may be the year's largest initial public offering after ride-hailing firm Uber has made the flexible office space start-up the envy of landlords and the target of skeptics at a time when rents have barely kept pace with inflation.
- Management and labour leaders at Germany's Thyssenkrupp have agreed on a way forward after the industrial conglomerate announced a fresh restructuring drive that could lead to the loss of 6,000 jobs.
- Bodum Holding sued Starbucks Corp on Friday for alleged product disparagement in connection with the coffee company's recent US and Canadian recall of 263,200 co-branded French presses made from recycled materials.
- Toshiba reiterated its annual operating profit outlook, predicting a four-fold jump as it reaps the reward of major restructuring last year, even as it works to offload its potentially money-losing US LNG business to maintain momentum.



# MARKETS TODAY

AMERICA	LAST	1D	YTD
DOW JONES	25942.37	0.44%	11.21%
S&P 500	2881.40	0.37%	14.94%
NASDAQ	7916.94	0.08%	19.32%
S&P/TSX	16297.55	-0.15%	13.79%
EUROPE	LAST	1D	YTD
STXE 600	377.14	0.32%	11.70%
FTSE 100	7203.29	-0.06%	7.06%
CAC 40	5327.44	0.27%	12.61%
DAX	12059.83	0.72%	14.21%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6297.60	-0.21%	11.53%
NIKKEI 225	21191.28	-0.72%	5.88%
TOPIX	1541.14	-0.53%	3.15%
CSI 300 (China)	3659.87	-1.89%	21.56%
MENA	LAST	1D	YTD
Saudi Arabia	8674.66	-2.06%	10.83%
Abu Dhabi	5012.19	-1.69%	1.98%
Dubai	2586.91	-1.63%	2.26%
Qatar	9928.22	-0.99%	-3.60%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4370	-0.0302	-0.2472
Germany	-0.0420	0.0030	-0.2840
U.K.	1.1350	0.0100	-0.1420
Australia	1.7210	-0.0080	-0.5970

## TOP SELECTED NEWS

### Bank of France estimates Q2 French GDP growth at 0.3%

(Reuters) The French economy should grow 0.3% in Q2, the Bank of France forecast on Monday, as the euro zone's second-biggest economy maintains a relatively steady pace of growth despite the impact of anti-government protests. The Bank of France added in a monthly business survey that sentiment in the French manufacturing industry had dipped to 99 points in April from 100 points in March, and also fell to 100 points in April from 101 in March in the services sector. However, some economists were disappointed consumer spending had not rebounded more strongly, given government pledges to cut taxes and boost pensions in response to the "yellow vest" street protests that have hit France since November. The government outlined a 10 billion-euro (\$11.2 billion) package in December, aimed at boosting the incomes of the poorest workers and pensioners.

### Turkey presses banks to agree high-stakes bailout of bad energy loans

(Reuters) Turkey's plan to clean up some \$13 billion in bad energy loans, one of the worst hangovers from last year's currency crisis, is taking shape even as some banks hold out for the government to agree to safeguards and higher electricity prices. According to interviews with more than a dozen bankers, investors, advisers and company



# MARKETS TODAY

## TOP SELECTED NEWS

executives, Ankara is working with lenders to craft legislation that would protect them from sharp losses as the debt is removed from their books, safely packaged as funds, and sold to foreign investors perhaps after a couple of years. The stakes are very high as Turkey takes the first of several steps needed to emerge from recession and halt a renewed selloff in the Turkish lira, including fixing its vast but troubled real estate and construction sectors. How quickly and credibly it can execute the energy-sector bailout could determine whether the largest economy in the Middle East steadies its currency and returns to growth later this year, or it fails to gain the confidence of investors and risks another crisis that roils other emerging markets.

### **US regulators approve new Silicon Valley stock exchange**

(Reuters) US regulators on Friday approved a new stock exchange that is the brainchild of a Silicon Valley entrepreneur, a move that will give high-growth technology companies more options to list their shares outside of the traditional New York exchanges. The US Securities and Exchange Commission approved the creation of the Long-Term Stock Exchange, or LTSE, a Silicon Valley-based national securities exchange promoting what it says is a unique approach to governance and voting rights, while reducing short-term pressures on public companies.

### **Renault Makes Formal Merger Proposal to Nissan, TBS Reports**

(Bloomberg) Renault SA made a formal offer to merge with longtime partner Nissan Motor Co., broadcaster TBS reported, intensifying its effort to cement the partnership and create the world's No. 2 carmaker. The French carmaker proposed that the companies merge under a holding company structure, TBS said, citing unidentified people. The merged entity's headquarters would be in a country other than France or Japan, and each company would name an equal number of executives, according to the proposal, TBS said.

### **Facebook takes down fake Italian accounts ahead of EU election**

(Reuters) Facebook said on Sunday it had taken down numerous Italian accounts on its platform that were false or were spreading fake news ahead of a European parliamentary election later this month. The EU has warned of foreign interference in campaigning for the vote of May 23-26, and in April the European Commission urged Google, Facebook and Twitter to do more to tackle fake news before the poll.

### **Goldman Sachs nears deal to buy United Capital**

(Reuters) Goldman Sachs Group Inc is nearing a deal to buy boutique wealth management firm United Capital Financial Partners Inc for several hundred million dollars, a source told Reuters. The deal would be Goldman's biggest since the financial crisis and could be announced as soon as Monday, the Wall Street Journal reported. The acquisition could be worth \$700 million to \$750 million, CNBC reported. Goldman Sachs declined to comment. United Capital did not immediately respond to Reuters' request for comment.

### **China smashes counterfeiting ring that sold hard drives: Xinhua**

(Reuters) Chinese police have seized more than 210,000 hard drives produced by a counterfeit ring that sold them as brand-name items from the likes of Hewlett Packard Enterprise and IBM, the Xinhua news agency reported on Saturday. China has vowed to get tough on counterfeiting and intellectual property theft but many brands still face the problem with a broad range of items from cosmetics to vehicles being copied. The theft of intellectual property is a major source of friction in a trade dispute with the US. Police arrested 56 suspects at two factories and four offices in the cities of Nanjing, Beijing, Chongqing and Guangzhou, where the hard drives were made and sold, Xinhua said.

### **SoftBank's Vision Fund invests \$800 million in Britain's Greensill**

(Reuters) Financing group Greensill Capital on Monday confirmed SoftBank Group Corp's Vision Fund has invested \$800 million in the UK-based company. Greensill, which provides supply chain funding to companies, said it plans to use the funding in part to accelerate its expansion into Brazil and enter other markets like China and India. Bloomberg on Sunday had reported that the investment valued Greensill at \$3.5 billion.



# MARKETS TODAY

Monday, May 13, 2019

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