

MARKETS TODAY

Tuesday, May 14, 2019

MARKETS IN BRIEF

- Global markets took a breather following Trump's comments about his upcoming meeting with Chinese President Xi Jinping at June G-20 summit.
- U.S. stock futures and treasury yields rebounded. Asian stocks remained fragile despite the slight recovery.
- Chinese offshore yuan rose today after dropping yesterday 0.98%, its worst session since July 11, while hitting 6.9194 per dollar, its lowest level since December 24 (almost 5-month low).
- Australian dollar recovered after hitting earlier to \$0.6940, its lowest since January 3 (4 1/4-month low).
- Safe-haven Japanese yen slipped, after almost breaching the 109 level yesterday. JPY touched 109.02 per dollar, its highest since February 1 (3 1/4-month high).
- Gold eased but remained close to \$1300 key level. It hit earlier in the session, \$1303.41, its highest since April 11 (1-month high).
- U.S. stocks sank yesterday with the tech-heavy Nasdaq posting its biggest 1-day percentage loss this year.
- UAE indexes suffered their biggest single-day decline in years after several commercial ships were attacked off the coast of the UAE. Saudi index posted its worst day since mid-October.

Trump still expecting a deal

Trump said on Monday he would meet Chinese President Xi Jinping at June G-20 summit as the trade war between the world's two largest economies intensified. Trump mused he "has a feeling" the talks could wind up being "very successful." China announced earlier it would impose higher tariffs on a range of US goods, including frozen vegetables and liquefied natural gas, a move that followed Washington's decision last week to hike its own levies on \$200bn in Chinese imports. The US Trade Representative's office said later it planned to hold a public hearing next month on the possibility of imposing duties of up to 25% on a further \$300bn worth of imports from China. Cellphones and laptops would be included in that list but pharmaceuticals would be excluded, the office said.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1240	0.16%
GBP/\$	1.2952	-0.05%
AUD /\$	0.6952	0.12%
\$/JPY	109.56	-0.24%
\$/CAD	1.3468	0.07%
Gold \$	1298.63	-0.10%
WTI \$	61.24	0.33%
BRENT \$	70.55	0.46%
AMERICA		
DOW JONES	25324.99	-2.38%
S&P 500	2811.87	-2.41%
NASDAQ	7647.02	-3.41%
EUROPE		
STXE 600	372.57	-1.21%
CAC 40	5262.57	-1.22%
DAX	11876.65	-1.52%
ASIA PACIFIC		
S&P/ASX 200	6239.90	-0.92%
NIKKEI 225	21067.23	-0.59%
CSI 300 (China)	3664.42	-0.12%
MENA		
Saudi Arabia	8366.64	-3.55%
Dubai	2533.59	0.32%
Qatar	9740.20	-1.89%
BONDS		
U.S. 10-year	2.4086	0.0071
German Bund 10-yr	-0.0630	0.0070
AU 10-year	1.6990	-0.0240

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... China's retaliation

China said on Monday it would impose higher tariffs on most US imports on a revised \$60bn target list. A total of 5,140 US products will be subject to additional tariffs of 5%, 10%, 20% and 25% starting June 1, the finance ministry in Beijing said in a statement. The additional tariff of 25% will be levied against 2,493 goods including liquefied natural gas, soy oil, peanut oil, petrochemicals, frozen vegetables and cosmetics, the ministry said, and of 20% on 1,078 products. Beijing had set additional rates of 5% and 10% on 5,207 US products worth \$60bn in September.

... Trade deal still a possibility

China and the US both have the "ability and wisdom" to reach a trade deal that is good for both, the Chinese gov't's top diplomat said. Speaking in Russia on Monday, in comments relayed by China's Foreign Ministry on Tuesday, the Chinese gov't's top diplomat, State Councillor Wang Yi, struck a more upbeat tone, noting the talks had made important and substantive progress, as well as facing problems. While noting that "buckpassing" and pressure were counterproductive and would only invite retaliation, Wang added that there was still hope to resolve the issue.

May and Labour party ... not on the same page

Brexit talks between PM May's team and Labour ended without substantive progress, according to Bloomberg sources. Her Cabinet meets today as Tory support continues to plunge ahead of the May 23 European parliamentary polls. The Conservatives, with 10%, now rank 5th, YouGov survey for the Times showed. May was under pressure from her own party to abandon a bid to find a Brexit compromise with the Labour Party. May's chief Brexit negotiator, Olly Robbins, is due in Brussels to discuss changes to the political declaration on UK's future relationship with the EU.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.18	3.60%
SOLIDERE—B	5.04	1.61%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.44	-
BLOM BANK	8.10	-
BYBLOS BANK	1.23	-2.38%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

China's offshore yuan and the Australian dollar found their footing again on Tuesday as broader sentiment stabilized after Trump said he expected Sino-US trade negotiations to be successful. Trump said earlier he would meet with Chinese President Xi Jinping at a G20 summit next month. China had announced on Monday it would impose higher tariffs on \$60bn of US goods following Washington's decision last week to hike its own levies on \$200bn in Chinese imports. Though analysts said it would take time for volatility to settle completely, risk-sensitive currencies including the offshore yuan and the Aussie held up well following comments from Trump late on Monday that trade talks with China are "going to be very successful". China's offshore yuan last gained about 0.14% at 6.9027 per dollar. The yuan had suffered its steepest 1-day decline since late July last year during the previous session, before hitting its lowest versus the greenback since late December early on Tuesday. The Australian dollar managed to firm 0.12% to \$0.6952 after brushing its lowest since early January earlier in the session. The Aussie is often seen as a proxy for Chinese growth because of Australia's export-reliant economy and China being the country's main commodities importer.

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FX & COMMODITIES

Against the safe-haven yen, the US dollar gained a quarter of 0.24% to 109.56, bouncing in line with the recovery in sentiment after falling as low as 109.15 yen in early trade. The greenback had touched a more than 3-month low of 109.02 yen brushed during the previous session when it shed nearly 0.6%. The dollar index against a basket of six rivals held steady at 97.330, having ended the previous session little changed.

Investor focus on Tuesday was also on euro zone industrial production for March and Germany's ZEW economic sentiment index for May, both due around 12:00 LT (09:00 GMT). The euro rose 0.16% to \$1.1240. British pound was a shade lower at \$1.2952.

Bitcoin, the world's best-known cryptocurrency, on Monday hit \$8,000 on the Bitstamp exchange for the first time since July last year, before retreating slightly. It was last up 3.22% on the day at \$8117.28.

Oil prices were moving higher on Tuesday, though gains were checked amid an escalation in the trade war between the US and China. Brent crude futures were at \$70.55 a barrel, up 0.46%, from their last close. Brent ended the previous session down 0.6%. US West Texas Intermediate (WTI) crude futures were at \$61.24 per barrel, up 0.33%, from their previous settlement. WTI closed down 1% on Monday. Headlines from the Middle East grabbed attention early in the session after Saudi Arabia said two of its oil tankers were among those attacked off the coast of the United Arab Emirates, describing it as an attempt to undermine security of supply amid US-Iran tensions. But analysts said the US-China trade war continued to cast a pall on the market as a whole.

Gold steadied on Tuesday, having recouped the key \$1,300-level in the previous session, after Beijing's announcement of a retaliatory tariff-hike to counter Washington rocked risk sentiment, embellishing appetite for safe-haven assets. Spot gold edged 0.10% higher to \$1,298.63 per ounce, having touched \$1,303.41, its highest in over a month, earlier in the session. In the previous session, the metal had risen by about 1.2%.

Copper prices rose on bargain buying with the metal having tumbled to a 15-month low in the previous session on escalated trade tensions between Beijing and Washington. Copper future was up 0.31% at 272.75, rebounding from a 3-month low hit in the previous session.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
GBP—11:30	UK Average Earnings Index	3.40%	3.50%
GBP—11:30	UK Unemployment Rate	3.90%	3.90%
EUR—12:00	German ZEW Economic Sentiment	5.1	3.1
EUR—12:00	Eurozone Industrial Production MoM	-0.30%	-0.20%
EUR—12:00	Eurozone ZEW Economic Sentiment	5.0	4.5
USD—15:30	US Import Prices MoM	0.70%	0.60%

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

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CURRENCIES	LAST	1D	YTD
DXY	97.330	0.01%	1.20%
EUR/\$	1.1240	0.16%	-1.98%
GBP/\$	1.2952	-0.05%	1.55%
AUD /\$	0.6952	0.12%	-1.38%
NZD/\$	0.6583	0.24%	-2.02%
\$/JPY	109.56	-0.24%	0.12%
\$/CAD	1.3468	0.07%	1.25%
\$/CHF	1.0058	0.06%	-2.36%
\$/SEK	9.6194	0.22%	-7.96%
\$/NOK	8.7364	0.35%	-1.09%
\$/DKK	6.6433	0.17%	-1.99%
\$/TRY	6.0873	-0.47%	-13.11%
EUR/GBP	0.8679	-0.21%	3.58%
EUR/JPY	123.15	-0.38%	2.18%
EUR/CHF	1.1306	-0.10%	-0.45%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1298.63	-0.10%	1.26%
Silver Spot \$/Oz	14.79	0.21%	-4.52%
Platinum Spot \$/Oz	861.18	0.91%	8.24%
Palladium Spot \$/Oz	1329.33	0.36%	5.35%
COPPER \$/lb	272.75	0.31%	3.28%
WTI \$/bbl	61.24	0.33%	34.86%
BRENT \$/bbl	70.55	0.46%	31.13%

EQUITIES & BONDS

US Treasury yields steadied on Tuesday after falling to 6-week lows on Monday as investors piled into low-risk assets after China announced plans to impose additional tariffs on US-made goods in retaliation for a US increase in duties on Chinese imports on Friday. Beijing's response rattled already jittery investors, who were caught off guard by last week's breakdown of efforts to reach a trade deal between the world's biggest economic powers. Investors and analysts are assessing the impact from this round of tariffs on global business activities. The futures market implied traders now see a 70% chance the Fed would reduce interest rates by year-end, according to CME Group's FedWatch program. The yield on the benchmark 10-year Treasury was 0.7 bps higher at 2.4086% after touching 2.3874%, the lowest since March 28. 10-year yields fell below those on 3-month Treasury bills. A sustained inversion of this part of the yield curve has preceded every US recession in the past 50 years.

Asian shares were pressured down on Tuesday by Fresh US-China tariff war volleys, but comments from Trump that he expects trade negotiations to be successful aided sentiment. Chinese markets that were pummeled in early trade trimmed losses amid signs of state support. MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.9% as volatile Chinese markets paused for their midday break. The index had earlier fallen as much as 1.25% to its lowest since Jan. 30. Trump's comments helped lift US stock futures more than 0.5%, though sentiment remained fragile. Broader Asian markets were dragged lower by sagging Chinese shares, with the MSCI China index dropping

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EQUITIES & BONDS

1.6%. China's blue-chip CSI300 index swung between losses and gains amid signs of possible state support, before finishing the morning session down 0.12%. Australian shares lost 0.92% while Japan's Nikkei stock index slid 0.5*%, touching its lowest since mid-February.

US stocks sank on Monday after China defied Washington by announcing retaliatory tariffs, the latest salvo in the two countries' increasingly belligerent trade war, sending investors fleeing equities for less risky assets. All three major US indexes lost ground in a widespread sell-off, with the tech-heavy Nasdaq posting its biggest 1-day percentage loss this year. The S&P 500 and the Dow both had their largest percentage drop since Jan 3. The CBOE Volatility index .VIX, a gauge of investor anxiety, posted its biggest daily point gain so far this year. Of the 11 major sectors of the S&P 500, only utilities ended the session in the black. Trade-sensitive tech companies suffered the largest percentage decline. Among stocks particularly vulnerable to US-China tariffs, Boeing Co slid 4.9% and Caterpillar Inc fell 4.6% while the Philadelphia Chip index was down 4.7%, posting its biggest percentage drop since Jan. 3 and extending last week's 6% decline. Shares of Apple Inc sank 5.8% on the double whammy of heightened trade tensions and a decision by the US Supreme Court to allow an antitrust lawsuit accusing the company of monopolizing the iPhone app market. Uber Technologies Inc extended its slide, falling 10.8% on its second day as a publicly traded company following Friday's underwhelming debut. Ride-hailing peer Lyft Inc was also down, dropping 5.8%. Shares of Tesla Inc fell 5.2% to their lowest in more than two years.

In the MENA region, Dubai and Abu Dhabi stock markets suffered their biggest single-day decline in years on Monday after several commercial ships were attacked off the coast of the UAE. Saudi shares had their worst day since mid-October after Riyadh said two of its oil tankers were among the vessels hit in the attacks. Saudi index declined 3.6%, with Al Rajhi Bank dropping 4.6% and petrochemical group Saudi Basic Industries falling 5.1%.

COMPANY NEWS HEADLINES

- Walmart Inc is stepping up its battle with Amazon.com Inc by offering one-day delivery without a shipping fee, weeks after Amazon announced a similar offer - a move that will intensify the race to deliver orders to shoppers faster.
- Germany's Merck KGaA , which is taking over US electronic chemicals maker Versum Materials, said it expected a slight tailwind from foreign exchange effects supporting earnings growth this year.
- Swiss drugmaker Roche is pushing back its \$4.3bn takeover offer for gene therapy specialist Spark Therapeutics for a third time in recent months, this time until June 14, as a US regulatory review of the deal drags on (Reuters)
- China's Tencent Music Entertainment Group beat Wall Street estimates for quarterly profit on Monday, as more users paid for its music streaming services.
- A federal judge on Monday ordered up to three days of hearings next month to consider CVS Health Corp's \$69bn merger with Aetna, which has closed but must still get court approval.
- French investment fund Ardian is close to buying wind farms from Spanish renewables group Renovalia in a 550mn euro (\$617.87mn) deal, two sources with knowledge of the deal said, marking a move into green energy where buyer interest is hotting up.
- Norwegian oil company Equinor has increased its stake in the Caesar Tonga oilfield in the US Gulf of Mexico by buying Royal Dutch Shell's 22.45% stake for \$965mn in cash.
- Brazilian airline Azul SA on Monday made a new attempt to purchase some of bankrupt airline Avianca Brasil's most coveted routes, offering \$145mn and reversing a decision not to participate.
- Brazilian telecommunications firm Oi SA reported a quarterly net profit of 679mn reais (\$170mn), 20 times of what it did a year earlier, as interest expenses fell sharply.

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AMERICA	LAST	1D	YTD
DOW JONES	25324.99	-2.38%	8.56%
S&P 500	2811.87	-2.41%	12.17%
NASDAQ	7647.02	-3.41%	15.25%
S&P/TSX	16193.41	-0.64%	13.06%
EUROPE	LAST	1D	YTD
STXE 600	372.57	-1.21%	10.34%
FTSE 100	7163.68	-0.55%	6.47%
CAC 40	5262.57	-1.22%	11.24%
DAX	11876.65	-1.52%	12.48%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6239.90	-0.92%	10.51%
NIKKEI 225	21067.23	-0.59%	5.26%
TOPIX	1534.98	-0.40%	2.74%
CSI 300 (China)	3664.42	-0.12%	21.71%
MENA	LAST	1D	YTD
Saudi Arabia	8366.64	-3.55%	6.90%
Abu Dhabi	4701.36	-4.62%	-4.35%
Dubai	2533.59	0.32%	0.15%
Qatar	9740.20	-1.89%	-5.43%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4086	0.0071	-0.2756
Germany	-0.0630	0.0070	-0.3050
U.K.	1.1010	-0.0340	-0.1760
Australia	1.6990	-0.0240	-0.6190

TOP SELECTED NEWS

Deutsche Bank, UBS Asset Management deal talks said to stall

(Bloomberg) Deutsche Bank and UBS Group's talks on combining their asset management businesses to create a European powerhouse have stalled, according to people familiar with the matter. A deal is now seen as increasingly unlikely after disagreements emerged over who would retain majority control of the combined entity, the people said, asking not to be identified as the matter is private. Deutsche Bk also delayed a decision on DWS because it preferred to keep options open for longer. No final decision has been made and a deal could still be salvaged.

VW's truck IPO plan, asset review stage surprise comeback

(Bloomberg) Volkswagen AG is reviving plans for a partial share sale of its Traton SE heavy-trucks division -- just two months after shelving the push citing poor market conditions -- and said it may sell two non-core businesses. The German carmaker hopes to list the trucks unit by the time of its summer break in August, it said in a statement Monday. The company also plans to look for a sale, joint venture or partnership for its MAN Energy Solutions and Renk AG divisions, while moving forward with plans to manufacture batteries for electric cars. A share sale of the trucks unit would likely be the biggest IPO in Europe this year, with a total valuation that could reach 30bn euros (\$34bn).



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TOP SELECTED NEWS

Bayer jury awards \$2 billion damages in third roundup trial

(Bloomberg) Bayer AG was ordered to pay more than \$2bn in damages to a California couple that claimed they got cancer as a result of using the company's Roundup weed-killer for about 30 years. It's the largest jury award in the US so far this year and the eighth-largest ever in a product-defect claim, according to data compiled by Bloomberg. Bayer has now lost three trials in a row over claims Roundup causes cancer. Bayer is appealing those verdicts and vowed to challenge Monday's as well, calling it "excessive and unjustifiable."

T-Mobile, Sprint said to mull concessions as decision looms

(Bloomberg) T-Mobile US Inc. and Sprint Corp., fighting to win regulatory clearance for their \$26.5bn merger, are considering possible concessions to salvage the deal, according to people familiar with the situation. Among the top options being discussed is the separation and potential sale of their so-called prepaid businesses, said the people. Other options -- such as selling airwave licenses or setting up a new fourth carrier through a network-leasing arrangement -- are far less attractive, they said. The two carriers, which announced plans to merge more than a year ago, face concerns that the deal will hurt US wireless competition.

Allianz's managed assets reach record as clients add \$20bn

(Bloomberg) Allianz SE's giant investment business saw managed assets grow to a record as clients added 18bn euros (\$20bn) in Q1, reversing outflows at the end of last year. The new money lifted the amount the company oversees for outside clients to 1.55tn euros, Munich-based Allianz said Tuesday. The insurer owns US bond giant Pacific Investment Management Co. and Allianz Global Investors in Germany, making it one of the biggest investment companies globally. Including money overseen for Allianz's insurance business, the firms now manage a combined 2.1tn euros, also a record.

Vodafone sells New Zealand unit to funds for \$2.2 billion

(Bloomberg) Vodafone Group Plc agreed to sell its New Zealand business to a consortium including Infratil Ltd. and Brookfield Asset Management Inc. for NZ\$3.4bn (\$2.2bn) in cash, as the carrier focuses on paying down debt. The financial buyers will get to use Vodafone's brand, global internet-of-things platform and other services for the New Zealand business as part the deal, UK-based Vodafone said in a statement on Monday.

Embattled Pemex gets \$8bn loan to ward off junk status

(Bloomberg) Mexico moved to bolster investor confidence in its embattled state oil company, announcing an unprecedented \$8bn syndicated loan along with new tax breaks for the energy producer. Petroleos Mexicanos officials signed the financing agreement with JPMorgan Chase & Co., HSBC Holdings Plc and Mizuho Financial Group Inc. alongside President Andres Manuel Lopez Obrador at a morning news conference. The company will use \$2.5bn of the funds to refinance existing debt, while the remaining \$5.5bn will replace some credit lines.

Brazil's Natura close to concluding Avon Products deal: source

(Reuters) Brazilian makeup brand Natura Cosméticos SA is close to completing a deal to acquire Avon Products Inc., a source with knowledge of the matter said on Monday. According to the person, who asked for anonymity to disclose private talks, the deal could be announced as soon as Friday, or next week at the latest. It was unclear whether Natura would pay a premium on current market prices or not. Natura and Avon, which has a market capitalization of \$1.4bn, did not immediately comment on the matter.

Starbucks, Mercon announce separate sustainability loans

(Reuters) Starbucks and Mercon Coffee Group separately announced sustainability-focused loan facilities on Monday, signaling the coffee sector's growing emphasis on sustainability as climate change and low global prices threaten the future of the crop. Starbucks announced a \$1bn sustainability bond, its third such bond but largest to

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