

MARKETS TODAY

Wednesday, May 15, 2019

MARKETS IN BRIEF

- Global markets turned cautiously optimistic surrounding trade developments between the U.S. and China, while still not completely discounting the possibilities of a unexpected clash.
- Investors eyed a set of economic data from Europe that will provide further cues on the strength of the global economy.
- U.S. dollar held firm, having been supported by Trump downplaying the recent escalation in his trade war with China.
- Australian dollar was pressured down by weak domestic data along with disappointing Chinese data.
- Euro retreated after Italy's deputy prime minister said the country is ready to break EU budget rules on debt levels if necessary to spur employment. Italian 10-year government yield hit 2.355%, its highest since March 4 (more than 2-month highs)
- Oil prices dropped as U.S. crude stockpiles unexpectedly rose. However, ongoing geo-political tensions would keep supporting prices. EIA weekly report will be in focus today.
- Asian stocks rebounded from 3-month lows.
- U.S. stocks gained ground yesterday, led by technology stocks.
- Gulf stock markets had a choppy session yesterday, weighed by the drone attack on Saudi oil pumping stations.

Chinese economy losing momentum

China's economy lost steam in April, underscoring the fragility of the world's 2nd-largest economy as it girds for an intensified face-off with the US over trade. Industrial output, retail sales and investment all slowed more than economists forecast. Retail sales rose 7.2% in April, the slowest pace since May 2003, NBS showed. The state sector continued to boost investment while private business eased off, and growth in manufacturing investment came in at the slowest pace in data dating back to 2004. Faltering credit and consumption at home coupled with a weaker global economy means China is running out of steady growth engines right when it needs them. The soggy data spurred expectations the gov't will need to boost stimulus to cushion the blow from the escalating trade war.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1207	0.03%
GBP/\$	1.2906	0.01%
AUD /\$	0.6931	-0.19%
\$/JPY	109.69	-0.07%
\$/CAD	1.3467	-0.04%
Gold \$	1294.10	-0.22%
WTI \$	61.33	-0.73%
BRENT \$	71.00	-0.34%
AMERICA		
DOW JONES	25532.05	0.82%
S&P 500	2834.41	0.80%
NASDAQ	7734.49	1.14%
EUROPE		
STXE 600	376.34	1.01%
CAC 40	5341.35	1.50%
DAX	11991.62	0.97%
ASIA PACIFIC		
S&P/ASX 200	6284.20	0.71%
NIKKEI 225	21188.56	0.58%
CSI 300 (China)	3736.65	2.51%
MENA		
Saudi Arabia	8374.27	0.09%
Dubai	2612.98	3.46%
Qatar	9798.74	0.60%
BONDS		
U.S. 10-year	2.4121	0.0017
German Bund 10-yr	-0.0800	-0.0100
AU 10-year	1.6900	-0.0090

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Trump trying to calm markets ... And asked for Fed's help

U.S. President Donald Trump insisted on Tuesday that trade talks with China have not collapsed and called the widening U.S.-China tariff war "a little squabble". On the other hand, Trump called on the Fed to "match" what he said China would do to offset economic hardship being caused by tariffs as he sought to draft the US central bank into his simmering trade war. The president said that "with a little quantitative easing" US growth would hit 5%, referring to the Fed's emergency bond purchases following the 2008 crisis.

May to push her Brexit deal next month

Theresa May set a date for her final Brexit showdown, promising to bring her deal back to Parliament at the start of June. Talks with the opposition Labour Party haven't yielded an agreement, but she's hoping members of Parliament, stung by voter revolts, will back her in order to end the process that's tearing both main parties apart. In reality, May has run out of options. She opened talks with Labour seven weeks ago, arguing that nothing else had worked. Her Conservative Party was furious and the talks didn't deliver a breakthrough.

Italy back in the loop

Deputy Prime Minister Matteo Salvini sent ripples through financial markets on Tuesday, saying Italy could be ready to break EU fiscal rules, on the same day his coalition partner called on him to stop "fanning the flames" with critical comments about the government. Salvini's remark triggered a new clash with his coalition partner and sometime rival, Deputy Prime Minister Luigi Di Maio of the Five Star Movement, who adopted a more investor-friendly stance. The leader of the League aims to halve the jobless rate to 5%.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	5.15	-0.58%
SOLIDERE—B	4.92	-2.38%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.44	-
BLOM BANK	8.10	-
BYBLOS BANK	1.25	1.63%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.55	-

FX & COMMODITIES

The foreign exchange market showed little reaction to worse-than-expected growth in Chinese industrial output and retail sales for April that underlined the need for Beijing to roll out more stimulus measures to support the world's second-largest economy. The US dollar was supported as trade issues remained foremost on investors' minds after Trump on Tuesday insisted that trade talks with China had not collapsed. The dollar was steady at 109.69 yen, having pulled away from a 3-month low of 109.020 plumbed on Monday when trade war worries boosted investor demand for the safe-haven Japanese currency. The dollar index against a basket of six major currencies was nearly flat at 97.523 after gaining 0.2% the previous day. The Chinese yuan was a shade firmer at 6.9007 per dollar in offshore trade, having edged away from a five-month trough of 6.9200 set on Tuesday.

The Australian dollar brushed a 4-1/2-month low of \$0.6922 after Wednesday's data showed domestic wage growth stalling in Q1, adding to the case for an interest rate cut. The underwhelming Chinese economic indicators also weighed on the Aussie, which is seen as a proxy of China-related trades. The Aussie is also often seen as a proxy for

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Chinese growth because of Australia's export-reliant economy and China being the country's main destination for its commodities.

The euro was unchanged after dipping nearly 0.2% the previous day after Italy's deputy prime minister said the country is ready to break EU budget rules on debt levels if necessary to spur employment. The market focuses next on euro zone and German GDP reports and US retail sales and industrial product for April due later on Wednesday for pointers on the state of the global economy. GDP in the 19 countries sharing the euro rose 0.4% quarter-on-quarter in the first three months of 2019, according to a preliminary reading released late last month. The euro was last a shade firmer at \$1.1207.

Oil prices fell on Wednesday after data showed a surprise rise in US crude stockpiles and Chinese industrial output for April grew less than expected, but prices were supported by mounting tensions in the Middle East. Brent crude futures were at \$71.00 a barrel, down 0.34%, from their last close. Brent closed 1.4% higher on Tuesday. US West Texas Intermediate (WTI) crude futures were at \$61.38 per barrel, down 0.73%, from their previous settlement. WTI closed up 1.2% in the previous session. US crude stockpiles unexpectedly rose last week, while gasoline and distillate inventories increased, data from industry group the American Petroleum Institute showed on Tuesday. Crude inventories rose by 8.6mn barrels in the week to May 10 to 477.8mn, compared with analysts' expectations of a decrease of 800,000 barrels. Crude stocks at the Cushing, Oklahoma, delivery hub rose by 2.1mn barrels, API said. The US Energy Department's Energy Information Administration (EIA) reports official numbers later today.

Gold prices edged lower on Wednesday, retreating from a one-month peak hit in the previous session as optimism surrounding trade talks between Washington and Beijing soothed investor concerns, boosting global stocks and the dollar. Spot gold fell 0.22% to \$1,294.10 an ounce. The biggest trigger for gold, which had been mostly range-bound for the past week, came on Monday after China announced that it would impose retaliatory tariffs on a range of U.S. goods. There was some profit-taking in the previous session after prices jumped about \$20 on Monday and above the key \$1,300 level, analysts and traders said. Among other precious metals, silver steadied at \$14.79 an ounce, while platinum was little lower at \$856. Palladium edged 0.15% lower to \$1,337.49.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
EUR—12:00	Eurozone Flash GDP QoQ	0.40%	0.40%
EUR—12:00	Eurozone Employment Change QoQ	0.20%	0.30%
CAD—15:30	Canada CPI MoM	0.40%	0.70%
USD—15:30	US Retail Sales MoM	0.20%	1.60%
USD—15:30	US Core Retail Sales MoM	0.70%	1.20%
USD—17:00	US Business Inventories MoM	0.00%	0.30%
USD—17:30	EIA Weekly Report		

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	97.523	0.00%	1.40%
EUR/\$	1.1207	0.03%	-2.27%
GBP/\$	1.2906	0.01%	1.19%
AUD /\$	0.6931	-0.19%	-1.67%
NZD/\$	0.6568	-0.12%	-2.25%
\$/JPY	109.69	-0.07%	0.00%
\$/CAD	1.3467	-0.04%	1.26%
\$/CHF	1.0088	-0.01%	-2.65%
\$/SEK	9.6061	-0.03%	-7.84%
\$/NOK	8.7466	-0.01%	-1.21%
\$/DKK	6.6626	0.05%	-2.27%
\$/TRY	6.0587	-0.48%	-12.70%
EUR/GBP	0.8684	-0.02%	3.52%
EUR/JPY	122.94	-0.11%	2.35%
EUR/CHF	1.1306	-0.05%	-0.45%
COMMODITIES	LAST	1D	YTD
Gold Spot \$/Oz	1294.10	-0.22%	0.91%
Silver Spot \$/Oz	14.79	0.05%	-4.52%
Platinum Spot \$/Oz	856.00	-0.05%	7.59%
Palladium Spot \$/Oz	1337.49	-0.15%	6.00%
COPPER \$/lb	274.05	0.57%	3.77%
WTI \$/bbl	61.33	-0.73%	35.06%
BRENT \$/bbl	71.00	-0.34%	31.97%

EQUITIES & BONDS

Asian stocks rebounded from a 3-1/2-month low on Wednesday as a slight softening in rhetoric from Trump eased worries about the US-China tariff war, and on expectations that Beijing could unveil more economic stimulus. In Europe, the pan-region Euro Stoxx 50 futures rose 0.24% in early trade, Germany's DAX futures gained 0.25% and FTSE futures were up 0.3%. Shares in Asia were led by strong gains in Chinese equities, which rebounded after two days of losses. MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.6%. The index had fallen to its lowest level since the end of January the previous day as the Sino-US trade conflict intensified. Beijing on Monday imposed a tariff hike on US goods following Washington's decision last week to hike its levies on Chinese imports. The Shanghai Composite Index advanced 1.4%, shrugging off concerns about economic growth following weaker-than-expected Chinese data released on Wednesday. China on Wednesday reported surprisingly weaker growth in retail sales and industrial output for April, adding pressure on Beijing to roll out more stimulus as the trade war with the US escalates. Australian stocks added 0.8%, South Korea's KOSPI gained 0.6% and Japan's Nikkei climbed 0.5%.

US stocks on Tuesday reclaimed some of the ground lost in the prior day's steep sell-off, with tariff-sensitive technology stocks leading the S&P 500 and the Nasdaq higher as investors were heartened by a tonal shift in US-China trade rhetoric. All three major US indexes closed in the black, although they pared gains late in the day and clawed back less than half of Monday's losses, which were the largest 1-day percentage drops in months. The

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bellwether S&P 500 remains nearly 4% below its all-time high reached two weeks ago. Investors' nerves were calmed after US President Donald Trump referred to the escalating trade war with China as "a little squabble," and added, "We have a good dialogue going." Beijing echoed that sentiment. A Chinese Foreign Ministry spokesman told reporters: "My understanding is that China and the US have agreed to continue pursuing relevant discussions." Boeing Co provided the biggest boost to the Dow, rising 1.7% as tariff-vulnerable industrials buoyed the blue chip index. Ralph Lauren Corp fell 3.7% after the apparel company posted quarterly results that included disappointing North American sales. Uber Technologies and ride-hailing rival Lyft Inc reversed course after their post-debut slides. Their stocks advanced 7.7% and 4.9%, respectively. Uber's shares rose another 6.4% in after-the-bell trading after a US labor agency said it had concluded that the company's drivers were independent contractors, not employees. Walt Disney Co announced it would take control of Comcast Corp's Hulu in a move to challenge Netflix and others in the global video streaming war. Disney stock climbed 1.4%, while Comcast gained 1.5%. Netflix edged up 0.1%. Of the 11 major sectors of the S&P 500, all but utilities closed in the black. Technology stocks posted the largest percentage gains, climbing 1.6%. Chipmakers enjoyed a reprieve, with the Philadelphia SE Semiconductor Index rising 2.4% after suffering its worst 1-day percentage loss since Jan. 3. The Q1 earnings season is winding down, with 453 of the S&P 500 companies having reported. Of those, 75.3% beat analyst expectations, slightly below the 76% beat rate for the last four quarters.

In the MENA region, Saudi index was choppy on Tuesday after an announcement by the government on armed drones attacking oil pumping stations in Riyadh wiped out early gains. Saudi stocks nudged higher, then went into reverse and closed up just 0.1%. The index fell as much as 2.1% after Saudi Arabia said drones had struck oil pumping stations two days after Saudi oil tankers were sabotaged off the coast of the United Arab Emirates. Shares rose 2% in early deals after falling nearly 3.6% on Monday.

COMPANY NEWS HEADLINES

- US President Donald Trump is expected to sign an executive order this week barring U.S. companies from using telecommunications equipment made by firms posing a national security risk, paving the way for a ban on doing business with China's Huawei, three U.S. officials familiar with the plan told Reuters.
- Walmart, the world's biggest retailer, said it is considering a stock market listing for its British supermarket arm Asda, whose attempt to combine with rival Sainsbury's was blocked by the UK regulator last month.
- Swedish carmaker Volvo said on Wednesday it had signed long-term battery supply deals with two Asian battery makers, LG Chem and Contemporary Amperex Technology Co Ltd (CATL), as it pushes its electrification strategy.
- French retailer Carrefour and US waste recycling company TerraCycle launched on Tuesday the test for their 'Loop' initiative which they hope will tackle the problems of plastic waste threatening to destroy the environment.
- Rising demand for Greggs Plc's vegan sausage rolls prompted the British baker to raise its annual forecast for the second time this year, sending its stock price to an all-time high.
- England's National Health Service said it had reached a deal to pay for US drugmaker Biogen Inc's expensive spinal muscle atrophy treatment Spinraza.
- Australian gold miner St Barbara said on Wednesday it will buy smaller Canadian peer Atlantic Gold Corp for C\$722mn (\$536mn), marking a second overseas acquisition for cashed-up Australian producers.
- Aurora Cannabis Inc reported a 20% jump in quarterly net revenue on Tuesday, as Canada's legalization of recreational cannabis late last year boosted demand.
- South African media and tech group Naspers Ltd has agreed to sell its Brazilian online price comparison website Buscapé to rival Zoom, it said in a statement on Tuesday.

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AMERICA	LAST	1D	YTD
DOW JONES	25532.05	0.82%	9.45%
S&P 500	2834.41	0.80%	13.07%
NASDAQ	7734.49	1.14%	16.57%
S&P/TSX	16284.53	0.56%	13.70%
EUROPE	LAST	1D	YTD
STXE 600	376.34	1.01%	11.46%
FTSE 100	7241.60	1.09%	7.63%
CAC 40	5341.35	1.50%	12.91%
DAX	11991.62	0.97%	13.57%
ASIA PACIFIC	LAST	1D	YTD
S&P/ASX 200	6284.20	0.71%	11.30%
NIKKEI 225	21188.56	0.58%	5.86%
TOPIX	1544.15	0.60%	3.35%
CSI 300 (China)	3736.65	2.51%	24.11%
MENA	LAST	1D	YTD
Saudi Arabia	8374.27	0.09%	7.00%
Abu Dhabi	4802.58	-2.57%	-2.29%
Dubai	2612.98	3.46%	3.29%
Qatar	9798.74	0.60%	-4.86%
10-YEAR BONDS	LAST	1D	YTD
U.S.	2.4121	0.0017	-0.2721
Germany	-0.0800	-0.0100	-0.3220
U.K.	1.1050	0.0040	-0.1720
Australia	1.6900	-0.0090	-0.6280

TOP SELECTED NEWS

ING, UniCredit said to tap advisers to explore Commerzbank

(Bloomberg) ING Groep NV and UniCredit SpA are lining up advisers to explore a potential takeover of Commerzbank AG after the German lender's talks with Deutsche Bank AG broke down last month, according to people familiar with the matter. The Dutch bank is working informally with boutique investment bank Perella Weinberg Partners, while the Italian lender is working with JPMorgan Chase & Co, the people said. ING and its rival have held on-and-off again talks with Commerzbank, though no formal negotiations are ongoing, the people said, adding that the process could take months.

Credit Agricole posts resilient trading as Brassac preps targets

(Bloomberg) Credit Agricole SA posted resilient Q1 trading revenue, outpacing rivals Societe Generale SA and Natixis SA as the French lender prepares to present investors with a fresh set of financial targets. Capital-markets revenue rose 1.7% from the previous year to 472mn euros (\$529mn), the bank said on Wednesday, beating analyst estimates and bucking the trend of lower trading results at many peers. While only BNP Paribas turned in a better fixed-income performance among French banks, Credit Agricole's top-line result and net income were below forecasts.



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TOP SELECTED NEWS

WhatsApp security breach may have targeted human rights groups

(Reuters) WhatsApp said on Tuesday that a security breach on its messaging app had signs of coming from a government using surveillance technology developed by a private company, and it may have targeted human rights groups. WhatsApp, a unit of Facebook, said it had notified the US Department of Justice to help with an investigation, and it encouraged all WhatsApp users to update to the latest version of the app, where the breach had been fixed. WhatsApp, one of the world's most popular messaging tools, is used by 1.5bn people monthly. It has touted its high level of security and privacy, with messages on its platform being encrypted end-to-end so that WhatsApp and third parties cannot read or listen to them. The company said it was still investigating the breach but believed only a "select number of users were targeted through this vulnerability by an advanced cyber actor." WhatsApp said its advice to all users to update came "out of an abundance of caution" and a recommendation by Citizen Lab, a research group at the University of Toronto that it notified about the vulnerability before the announcement.

Disney takes control of Hulu to challenge Netflix, Amazon

(Reuters) Walt Disney Co said it will take full control of the Hulu service in a deal with Comcast Corp, as it vies for a bigger piece of the global video streaming market dominated by companies such as Netflix Inc. The agreement, which ascribes a minimum equity value to Hulu of \$27.5bn, allows either company to trigger a sale or purchase of Comcast's 33% stake to Disney as early as January 2024. Comcast has also agreed to fund Hulu's recent buyout of AT&T's 9.5% interest in the company. By establishing an expiration date of five years from now, Comcast is betting the value of its stake will nearly double or more without any more additional financial obligations.

Google to push new ads on its apps to snare shoppers

(Reuters) Whether you are Googling on the couch, fiddling with Maps in the car or swiping through the Discover feed on the toilet, expect Google to put ads in several new spots this year. The search giant on Tuesday announced an expansion of its advertising real estate to boost revenue from mobile shoppers. It will feature ads on the homepage of its smartphone app worldwide, show more ads in Maps and place ads with image galleries in search results.

Huawei willing to sign 'no-spy' pacts with governments: chairman

(Reuters) Huawei is willing to sign no-spy agreements with governments, including Britain, the Chinese telco company's chairman said on Tuesday, amid US pressure on European countries to shun the firm over espionage concerns. Washington has told allies not to use Huawei's technology to build new 5G networks because of worries it could be a vehicle for Chinese spying, an accusation the company has denied.

Facebook restricts Live feature, citing New Zealand shooting

(Reuters) Facebook Inc said on Tuesday it was tightening rules around its livestreaming feature ahead of a meeting of world leaders aimed at curbing online violence in the aftermath of a massacre in New Zealand. Facebook said in a statement it was introducing a "one-strike" policy for use of Facebook Live, temporarily restricting access for people who have faced disciplinary action for breaking the company's most serious rules anywhere on its site.

Uber drivers are contractors, not employees, US labor agency says

(Reuters) Drivers for ride-hailing company Uber Technologies Inc are independent contractors and not employees, the general counsel of a US labor agency has concluded, in an advisory memo that is likely to carry significant weight in a pending case against the company and could prevent drivers from joining a union. The general counsel said in the memo that Uber drivers set their hours, own their cars and are free to work for the company's competitors, so they cannot be considered employees under federal labor law.

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GLOBAL MARKETS DIVISION



treasury@bankofbeirut.com.lb



+961 1 960 501

PRIVATE BANKING DEPARTMENT



privatebanking@bankofbeirut.com.lb



+961 1 960 531/2/3

