

GLOBAL MARKETS

Thursday, January 17, 2019

Markets in brief

- British pound took a moment of peace as PM May survived a confidence vote yesterday. An outline for May's Plan 'B' is due by Monday and the market assumes there will have to be an extension of the Article 50 exit date past March 29.
- U.S. dollar steadied after recent strong gains.
- Euro continued to be pressured by concerns over economic slowdown.
- Oil prices dipped on higher crude inventories and persisting weak economic outlook.
- Palladium prices hit record levels amid falling supply and growing demand.
- Gold stood firm on expectations the U.S. Fed will hold off on further rate hikes.
- Asian shares ended mixed today after see-sawing through a subdued session on concerns over China's economic outlook.
- U.S. stocks rose to 1-month high yesterday helped by the banking sector.

May winning confidence vote ... Now inviting for new Brexit talks

U.K. leader Theresa May survived an attempt to oust her government and immediately opened talks with rival political parties in an attempt to break the Brexit deadlock, as time runs out to reach a deal. Jeremy Corbyn didn't attend last night. EU leaders are open to delaying the divorce into the second half of 2019 to prevent a no-deal scenario, regional diplomats said. They don't think limited EU concessions on the Irish border backstop would be enough to revive May's plan. More than 130 executives called for a second referendum in a letter to The Times.

U.S.-China trade talks

China's Vice Premier Liu He will visit the US on Jan. 30 and Jan. 31 for the next round of trade negotiations with Washington, China's commerce ministry said on Thursday. Commerce ministry spokesman Gao Feng confirmed Liu's visit during a weekly briefing.

Fed sees most U.S. regions growing modestly

Most U.S. regions continue to grow at a modest pace, but trade tensions, politics, rising interest rates and market volatility are combining to sap optimism in many Fed districts, according to the latest Beige Book. Minneapolis Fed chief Neel Kashkari said he won't believe inflation is a risk unless wages pick up. "I'm not opposed to rate hikes ever, but I want to see evidence that the US economy is finally hitting on all cylinders," he said.

U.S. government shutdown deadlock

The House passed the latest in a series of bills to end the shutdown. It will go nowhere because it doesn't include Trump's wall funds, so the White House opposes it and the GOP-controlled Senate won't vote on it. For what it's worth, the measure would include \$12.1 billion in disaster aid and prohibit Trump from using any of it to build his wall.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1387	-0.04%
GBP/\$	1.2867	-0.14%
AUD /\$	0.7153	-0.21%
NZD/\$	0.6743	-0.49%
\$/JPY	108.84	0.23%
\$/CAD	1.3284	-0.22%
\$/CHF	0.9913	-0.10%
Gold \$	1292.60	-0.08%
Silver \$	15.55	-0.26%
Platinum \$	803.34	-0.43%
WTI \$	51.99	-0.61%
BRENT \$	61.12	-0.33%
AMERICA		
DOW JONES	24207.16	0.59%
S&P 500	2616.10	0.22%
NASDAQ	7034.69	0.15%
EUROPE		
STXE 600	350.59	0.54%
CAC 40	4810.74	0.51%
DAX	10931.24	0.36%
ASIA PACIFIC		
S&P/ASX 200	5850.05	0.26%
NIKKEI 225	20402.27	-0.20%
CSI 300 (China)	3112.94	-0.50%
MENA		
Saudi Arabia	8406.47	0.71%
Dubai	2500.76	0.41%
Qatar	10761.79	-0.01%
BONDS		
U.S. 10-year	2.7128	-0.0001
German Bund 10-year	0.2160	-0.0001
AU 10-year	2.2810	0.0001
BEIRUT S.E.		
SOLIDERE - A	6.49	7.99%
SOLIDERE - B	6.50	2.85%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.90	-
BLOM BANK	9.25	-
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.57	-

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FX & COMMODITIES

The US dollar took a breather on Thursday following its recent strong gains against key rivals. The dollar index .DXY, which measures the greenback against six major peers, was a shade higher at 96.116 after gaining about 1% over the previous five sessions. On Jan. 10, the dollar almost fell below its 200-day moving average as the index touched a 3-month low of 95.029. But then it bounced up, and stayed above that average. Catching investors' attention was a report in the Wall Street Journal that US federal prosecutors were investigating Huawei Technologies, for allegedly stealing trade secrets from US businesses and could soon issue an indictment. Also in focus were concerns the US government shutdown was starting to take a toll on its economy, while investors awaited more cues from the Fed after a growing number of its officials expressed caution about further rate hikes. The US central bank's Federal Open Markets Committee will hold the next policy-setting meeting on Jan. 29-30. Businesses across the US have become less optimistic in recent months, the Fed said on Wednesday in a report on the economy that supports Chair Jerome Powell's pivot to more "patience" on interest rate hikes. The dollar edged higher to 108.84 yen.

The euro continued to trade under pressure as persistent worries about the euro zone economy weighed on the single currency. Data this week showed Germany barely avoided slipping into recession in 2018's second half, and European Central Bank chief Mario Draghi warned on Tuesday that economic developments in the euro zone have been weaker than expected. The dollar was trading basically flat against the euro at \$1.1387 after rising five straight sessions against the single currency, during which it gained about 1.5%.

The British pound was stable after May survived the no-confidence vote and invited other party leaders for talks to try to break the impasse on a Brexit withdrawal deal after the proposal she presented was voted down by lawmakers on Tuesday. An outline for May's Plan 'B' is due by Monday and the market assumes there will have to be an extension of the Article 50 exit date past March 29. Sterling was last trading at 88.50 pence per euro, hovering close to a 7-week high of 88.37 pence touched during the previous session. Against the dollar, it was basically flat at \$1.2867, close to a 2-month high of \$1.2930 hit at the start of the week. May said late on Wednesday the opposition Labour Party had yet to discuss a new approach to Brexit with her and urged politicians to put self-interest aside to work to break the impasse.

Oil prices dipped on Thursday as US crude production quickly approached an unprecedented 12 million bpd just as worries about weakening demand emerge. American crude oil production reached a record 11.9 million bpd in the week ending Jan. 11, the Energy Information Administration (EIA) said on Wednesday, up from 11.7 million bpd last week, which was already the highest national output in the world. US output has soared by 2.4 million bpd since January 2018, stoking fears of a supply glut.

	LAST	1D	YTD
CURRENCIES			
DXY	96.116	0.06%	-0.06%
EUR/\$	1.1387	-0.04%	-0.70%
GBP/\$	1.2867	-0.14%	0.89%
AUD/\$	0.7153	-0.21%	1.48%
NZD/\$	0.6743	-0.49%	0.36%
\$/JPY	108.84	0.23%	0.78%
\$/CAD	1.3284	-0.22%	2.66%
\$/CHF	0.9913	-0.10%	-0.93%
\$/SEK	9.0051	-0.06%	-1.69%
\$/NOK	8.5552	-0.18%	1.00%
\$/DKK	6.5549	-0.04%	-0.66%
\$/TRY	5.3681	-0.57%	-1.47%
EUR/GBP	0.8850	-0.06%	1.58%
EUR/JPY	123.93	0.28%	1.53%
EUR/CHF	1.1288	-0.03%	-0.29%
COMMODITIES			
Gold Spot \$/Oz	1292.60	-0.08%	0.79%
Silver Spot \$/Oz	15.55	-0.26%	0.37%
Platinum Spot \$/Oz	803.34	-0.43%	0.97%
Palladium Spot \$/Oz	1363.77	-0.17%	8.08%
COPPER \$/lb	267.00	-0.13%	1.48%
WTI \$/bbl	51.99	-0.61%	14.49%
BRENT \$/bbl	61.12	-0.33%	13.61%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	11:30	BoE Credit Conditions Survey		
EUR	12:00	Eurozone Final CPI YoY	1.70%	1.90%
USD	15:30	US Philly Fed Manufacturing Index	9.7	9.4
USD	15:30	US Initial Jobless Claims	219k	216k

Friday: UK Retail Sales, Canada CPI, US Consumer Sentiment

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STOCKS & BONDS

Asian stocks nudged higher on Thursday after see-sawing through a subdued session on concerns over China's economic outlook. Fresh news was thin on the ground leaving MSCI's broadest index of Asia-Pacific shares outside Japan up a slight 0.2%. Japan's Nikkei was almost flat after dithering in both directions. China's blue chip index recouped early losses to gain 0.4%. It had been weighed by a fall in the country's second largest home appliances maker, Gree Electric, after it warned of slower profit growth as the economy loses steam.

US stocks hit one-month highs on Wednesday as strong earnings from Bank of America Corp and Goldman Sachs Group Inc boosted investor sentiment. Goldman Sachs shares surged 9.5%, providing the greatest boost to the Dow, after the bank reported quarterly revenue and earnings that topped estimates. The shares registered their biggest daily percentage gain in nearly 10 years. Bank of America shares jumped 7.2%, leading the S&P 500 higher, after the bank reported a higher-than-expected quarterly profit on growth in its loan book. The shares posted their biggest one-day percentage gain in 6-1/2 years. The two banks' results drove a 2.2% gain in the S&P 500 financial index .SPSY, which was by far the biggest advancer among the S&P's major sectors. The S&P banking subsector climbed 2.7%. A strong start to the US earnings season, along with trade optimism and hopes of a slower pace in the Fed's interest-rate hikes, have helped S&P 500 recoup some of its losses from a recent rout. The index is now 10.7% away from its Sept. 20 record close after having fallen as much as 19.8% below that level. With Wednesday's gains, the S&P 500 came within striking distance of its 50-day moving average, a key indicator of short-term trends, for the first time since Dec. 4. The Nasdaq crossed its 50-day moving average on Tuesday for the first time since Dec. 3. Stocks slightly pared gains in the last half-hour of trading after the Wall Street Journal reported federal prosecutors were investigating Huawei Technologies Co Ltd, the world's largest telecommunications equipment maker, for allegedly stealing trade secrets from US businesses. Among other stocks, United Continental Holdings Inc shares rose 6.4% after the airline posted a quarterly profit that beat expectations. Shares of First Data Corp soared 21.1% after Fiserv Inc said it had agreed to buy the payment processor for \$22 billion in the biggest-ever deal within the digital payments industry. Fiserv's shares fell 3.3%. Nordstrom Inc shares fell 4.8% after the department store forecast full-year profit at the lower end of its prior estimates. In the Gulf, Saudi index rose, boosted by bank shares. Egypt index was lifted by blue-chip stocks, mirroring gain in emerging markets.

Venezuelan bonds have rallied sharply over the past week as the country's opposition has mounted a renewed legislative challenge to President Maduro, whose second term in office started this month and has been widely dubbed as illegitimate. Venezuela's benchmark 2027 bond is trading at a more than 5-month high of 28 cents on the dollar, rising from under 23 cents just over a week ago for a paper return of over 20%. The state oil company Petroleos de Venezuela Feb 2022 bond is also a near 5-m high of 24.5 cents.

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AMERICA			
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S&P 500	2616.10	0.22%	4.36%
NASDAQ	7034.69	0.15%	6.02%
S&P/TSX	15111.26	0.43%	5.50%
EUROPE			
STXE 600	350.59	0.54%	3.83%
FTSE 100	6862.68	-0.47%	2.00%
CAC 40	4810.74	0.51%	1.69%
DAX	10931.24	0.36%	3.53%
ASIA PACIFIC			
S&P/ASX 200	5850.05	0.26%	3.61%
NIKKEI 225	20402.27	-0.20%	1.94%
TOPIX	1543.20	0.35%	3.29%
CSI 300 (China)	3112.94	-0.50%	3.40%
MENA			
Saudi Arabia	8406.47	0.71%	7.41%
Abu Dhabi	4982.62	-0.02%	1.35%
Dubai	2500.76	0.41%	-0.99%
Qatar	10761.79	-0.01%	4.60%
Oman	4258.10	-0.51%	-1.53%
Egypt	13510.27	0.47%	3.64%
Kuwait	5467.61	-0.11%	3.66%
Bahrain	1339.72	-0.03%	0.17%
10-YEAR BONDS			
U.S.	2.7128	-0.0090	0.0286
Germany	0.2160	-0.0080	-0.0260
U.K.	1.3110	0.0530	0.0340
France	0.6360	0.0120	-0.0740
Australia	2.2810	0.0070	-0.0370
Japan	0.0060	-0.0040	0.0030

Major Company News

- BlackRock Inc, the world's largest fund manager, reported a smaller-than-expected quarterly profit on Wednesday due to financial market turmoil, but investors celebrated the company's strong sales of relatively low-fee funds.
- Top US aluminum producer Alcoa Corp beat Wall Street estimates for quarterly profit on Wednesday, buoyed by strength in its alumina segment, but shares slipped after the company did not provide a closely watched profit measure for the full year.
- Ford forecast a weaker-than-expected Q4 profit and provided a cloudier 2019 outlook due to tariff costs and uncertainty over Britain's exit from the EU, sending shares down around 6% on Wednesday.
- Children's clothing retailer Gymboree filed for Chapter 11 bankruptcy protection, the second time in almost two years, and said on Wednesday it will close more than 800 Gymboree and Crazy 8 stores.
- Sears Chairman Eddie Lampert prevailed in a bankruptcy auction for the US department store chain with an improved takeover bid of roughly \$5.2 billion, allowing the 126-year-old retailer to keep its doors open, people familiar with the matter said Wednesday.
- Austria-based aeroplane parts maker FACC reported a 7.8% increase in third-quarter operating profit, helped by strong demand for components it produces for Airbus, Boeing and Bombardier.
- Taiwan Semiconductor Manufacturing (TSMC), world's largest contract chipmaker, posted on Thursday a 0.7% rise in Q4 net profit amid fears that sluggish demand for smartphones could hurt its bottom line.
- Husky Energy Inc expects to secure over 50% support from MEG Energy shareholders for Husky's unsolicited offer to take over the rival oil producer by Wednesday's deadline (Reuters sources)
- Hyundai Motor Co and affiliate Kia Motors Corp said on Wednesday they will recall about 168,000 US vehicles at risk of fuel leaks, after recalling them in 2017 for engine fire risks.



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TOP SELECTED NEWS

Davos highlights China-US contest for global dominance

(Bloomberg Businessweek) The rivalry between the US and China is complicating the lives of companies and countries that would prefer to stay on the good side of both superpowers. Those caught in the crossfire range from US airlines, which were threatened last year if they didn't indicate on their websites that Taiwan is part of China, to Canada, which ran afoul of the Chinese when it detained a prominent Chinese tech executive at the Americans' request. The tensions are likely to be palpable at the annual World Economic Forum. In recent years each country has used Davos to zing the other. In 2017, Chinese President Xi Jinping issued a veiled attack on Donald Trump, who'd just begun his presidency, saying, "Pursuing protectionism is like locking oneself in a dark room." In 2018, Trump said, "The US will no longer turn a blind eye to unfair economic practices." US-Chinese trade negotiations may occur on the sidelines in Davos ahead of the March 1 end of a 90-day cease-fire in their trade war. China's delegation will be led by Vice President Wang Qishan. His counterpart will be US Treasury Secretary Steven Mnuchin. Trump was planning to attend but tweeted on Jan. 10 that he was staying home because the fight over the wall on the Mexican border hadn't been settled.

SocGen sees \$270 million charge, revenue slump in Q4

(Bloomberg) Societe Generale SA said it expects to book a 240 million euro (\$270 million) charge in the fourth quarter and predicted revenue declines in its Global Markets and Investor Services divisions. The French lender said it has been hurt by a "challenging global markets environment" that should also prompt a "significant increase in market risk weighted assets." Revenue at Global Markets and Investor services is expected to drop by 20% in the quarter compared with a year earlier. The charge is the result of accounting under the IFRS 5 standard of the lender's already announced sales of Societe Generale Serbia and its stake in La Banque Postale Financement. Retail banking is expected to be "solid" with French operations in line with guidance. Societe Generale expects its pro-forma CET1 capital ratio to be between 11.4% and 11.6%, in line with its target for 2020. The board will propose a "stable" dividend of 2.20 euros for 2018 and offer investors the option of taking the dividend in shares.

Deutsche watchdogs said to favor Europe deal for lender

(Bloomberg) Deutsche Bank AG's key regulators would prefer the lender merge with a European rival rather than local competitor Commerzbank AG, setting them apart from forces in the government keen on an all-German deal. The European Central Bank favors a cross-border combination to drive integration in the region's financial markets, according to people familiar with the matter. Analysis by German regulator BaFin suggests a preference for a European deal because the two domestic banks are currently too weak to benefit sufficiently from a merger, said the people, who asked not to be identified because the deliberations are private. The watchdogs' view is more aligned with the position of Deutsche Bank Chief Executive Officer Christian Sewing, who has asked for patience with his turnaround plan before embarking on any deal. The European preference, meanwhile, is at odds with

some German government officials who want a national banking champion. Both banks are key partners of the companies that make up Germany's export-oriented economy.

Apple is said to plan hiring reductions

(Bloomberg) Apple Inc. will cut back on hiring for some divisions after selling fewer iPhones than expected and missing its revenue forecast for the holiday quarter, according to people familiar with the matter. Tim Cook, Apple's chief executive officer, made the disclosure to employees earlier this month in a meeting the day after he penned a letter to investors about the company's recent struggles, particularly in China. During the meeting, Cook was asked if the company would impose a hiring freeze in response. He said he didn't believe that was the solution. Instead, Cook said some divisions would reduce hiring, according to the people, who asked not to be identified discussing private matters. Cook said he is yet to fully determine which divisions would cut back on hiring, but said that key groups such as Apple's artificial intelligence team would continue to add new employees at a strong pace. He also emphasized that a division's importance to Apple's future isn't measured by hiring rates.

US introduce bipartisan bills targeting Huawei and ZTE

(Reuters) A bipartisan group of US lawmakers introduced bills on Wednesday that would ban the sale of US chips or other components to Huawei Technologies Co Ltd, ZTE Corp or other Chinese telecommunications companies that violate US sanctions or export control laws. The proposed law was introduced shortly before the Wall Street Journal reported federal prosecutors were investigating allegations that Huawei stole trade secrets from T-Mobile US Inc and other US businesses. The Journal said that an indictment could be coming soon on allegations that Huawei stole T-Mobile technology, called Tappy, which mimicked human fingers and was used to test smartphones. Huawei said in a statement the company and T-Mobile settled their disputes in 2017 following a US jury verdict that found "neither damage, unjust enrichment nor willful and malicious conduct by Huawei in T-Mobile's trade secret claim".

Ghosn ouster from Renault nears

(Bloomberg) France is turning on Carlos Ghosn almost two months after his shock arrest in Tokyo, eliminating one of the car titan's last potential allies within the global auto alliance he has held together for almost two decades. The French government has called for Ghosn's dismissal as chairman and chief executive officer of alliance member Renault SA, which refused to follow partners Nissan Motor Co. and Mitsubishi Motor Corp. in sacking the fallen car titan shortly after he was detained on Nov. 19. France is the biggest shareholder in Renault, which was caught unawares when Japanese prosecutors acted on allegations of Ghosn's financial misconduct over years at Nissan. "We are entering now a new phase," Finance Minister Bruno Le Maire said Wednesday evening in an interview with LCI Television. "In this new phase we need a new and durable governance for Renault." French officials -- among them a Renault board member -- arrived in Tokyo to discuss the future of Renault's partnership with Nissan, in which it is the largest investor after bailing out the Japanese company about two decades back.



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For further inquiries, feedback, and trading services:

GLOBAL MARKETS DIVISION

Phone:

+961 1 960501

Email:

treasury@bankofbeirut.com.lb

PRIVATE BANKING DEPARTMENT

Phone:

+961 1 960531/2/3

Email:

privatebanking@bankofbeirut.com.lb

BANK OF BEIRUT GROUP

Lebanon

www.bankofbeirut.com

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