

GLOBAL MARKETS

Tuesday, January 22, 2019

Markets in brief

- Global markets returned to be pessimistic following several disappointing news: China weakest growth in 28 years, IMF again cutting world forecasts, and Brexit uncertainty as March 29 deadline neared.
- Asian stocks tumbled while safe-haven yen firmed against the dollar.
- Australian dollar got pressured down.
- NZ dollar dropped for the 7th day; inflation data eyed.
- British pound continued to wobble.
- Euro currency remained stuck with weak economic data in the Eurozone.
- U.S. dollar rose against its peers, but the change in Fed's rate hike path and ongoing political standoffs would keep currency gain in check.
- Oil prices retreated with gloomy demand outlook.

The Brexit mess: Delay? MP's resigning? 2nd referendum? Firms shifting?

Theresa May isn't ruling out the possibility of delaying Brexit. In any case, if no deal is struck by Feb. 26, Parliament will direct the next steps and could force her to call for an extension. As many as 40 members of the government will resign next week if Tory MPs are banned from voting on a plan to prevent a no-deal divorce, The Times reported. The U.K.'s main opposition party is backing a plan that would open the door to a second European Union referendum, bringing the prospect of stopping Brexit a step closer. Brexit is prompting finance firms to shift more of the region's trading platforms to the continent. CME Group will move its foreign-exchange forwards and swaps venue to Amsterdam from London. Cboe Global Markets is doing the same with most European equities trading. In deals, firms buying British assets — including Apollo Global Management — are struggling to get sterling-denominated loans, people familiar said.

IMF cutting global growth outlook ... again

The International Monetary Fund on Monday cut its world economic growth forecasts for 2019 and 2020 due to weakness in Europe and some emerging markets, and said failure to resolve trade tensions could further destabilize a slowing global economy. In its second downgrade in three months, the global lender also cited a bigger-than-expected slowdown in China's economy and a possible "No Deal" Brexit as risks to its outlook, saying these could worsen market turbulence in financial markets. The IMF predicted the global economy to grow at 3.5% in 2019 and 3.6% in 2020, down 0.2 and 0.1 percentage point respectively from last October's forecasts.

China warning on job markets

Downward pressure on the economy will impact China's job market, the state planner warned on Tuesday, a day after data showed gross domestic product grew at its slowest since 1990. The overall job market is stable, although it faces "new changes", said Meng Wei, spokeswoman at the National Development and Reform Commission (NDRC). Exports and imports unexpectedly shrank last month, while falling factory orders point to a further drop in activity in coming months and more job shedding. China's survey-based jobless rate rose to 4.9% at the end of December from 4.8% a month earlier, according to the official data released on Monday.

... and Trump praised himself for China's slowing growth

"China posts slowest economic numbers since 1990 due to U.S. trade tensions and new policies. Makes so much sense for China to finally do a Real Deal, and stop playing around!" Trump tweeted on Monday.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1352	-0.11%
GBP/\$	1.2866	-0.20%
AUD /\$	0.7130	-0.41%
NZD/\$	0.6710	-0.33%
\$/JPY	109.41	0.24%
\$/CAD	1.3334	-0.30%
\$/CHF	0.9977	-0.05%
Gold \$	1279.63	-0.07%
Silver \$	15.23	-0.26%
Platinum \$	792.29	-0.57%
WTI \$	53.47	-0.61%
BRENT \$	62.25	-0.78%
AMERICA		
DOW JONES	24706.35	1.38%
S&P 500	2670.71	1.32%
NASDAQ	7157.23	1.03%
EUROPE		
STXE 600	356.36	-0.19%
CAC 40	4867.78	-0.17%
DAX	11136.20	-0.62%
ASIA PACIFIC		
S&P/ASX 200	5858.79	-0.54%
NIKKEI 225	20622.91	-0.47%
CSI 300 (China)	3143.05	-1.34%
MENA		
Saudi Arabia	8402.04	0.22%
Dubai	2498.82	-0.56%
Qatar	10722.14	-0.35%
BONDS		
U.S. 10-year	2.7481	-0.0004
German Bund 10-year	0.2440	-0.0001
AU 10-year	2.3000	-0.0001
BEIRUT S.E.		
SOLIDERE - A	6.38	3.91%
SOLIDERE - B	6.25	-0.48%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.64	-5.31%
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 hovered near 2-week highs against its peers on Tuesday as a slowdown in China's economy to 28-year lows fanned fresh worries over global growth and prompted investors to move into safe-haven currencies. Overnight, the International Monetary Fund (IMF) cut its 2019 and 2020 global growth forecasts, citing a bigger-than-expected slowdown in China and the eurozone, and said failure to resolve trade tensions could further destabilize a slowing global economy. The downgrade came just hours after China reported its slowest quarterly economic growth since the financial crisis and its weakest annual expansion since 1990. The dollar index (DXY), which measures its strength against a group of six major currencies, was steady at 96.43, holding near a 2-week high. The dollar strengthened 0.08% versus the offshore yuan to 6.8049. The greenback has gained around 1% over the offshore yuan in the last seven sessions. On the whole, the dollar is also facing indirect pressure from slackening momentum in the global economy which has forced the US Fed to take a cautious approach on any further interest rate increases. Speculation is rife the Fed might soon pause its tightening cycle.

The yen, another safe-haven currency, was firm against the dollar, fetching 109.41 in early trade. The Bank of Japan (BoJ) is widely expected to keep its policy unchanged at its Jan. 22-23 meeting. Analysts expect monetary policy to remain highly accommodative in Japan this year. "We do not see the Fed raising rates this year which should lead to weakness in the dollar."

British pound continued to wobble. With little time left until the UK is due to leave the EU on March 29, there is no agreement in London on how and even whether it should leave the world's biggest trading bloc, and a growing chance of a dramatic 'no-deal' exit with no provisions to soften the economic shock. Prime Minister Theresa May's Brexit deal was roundly rejected by parliament last week and on Monday she set out a proposal to overcome the impasse by seeking further concessions from the EU on a plan to prevent customs checks on the Irish border.

The euro currency is likely to remain under pressure as growth in Europe's economic powerhouses, Germany and France, is languishing and inflation remains weak. The European Central Bank is widely expected to maintain an accommodative mode for this year.

The Australian dollar is also likely to remain under pressure due to the weakening sentiment toward China, its largest trade partner.

Oil prices fell on Tuesday on signs that an economic slowdown in China, the world's second-largest economy and oil consumer, was spreading, stoking concerns over future fuel demand. The gloomy economic news has pulled down financial markets across Asia, including crude oil futures. China's state planner on Tuesday warned that the downward pressure on the economy will affect China's job market as falling factory orders point to a further drop in activity in coming months and more job shedding.

	LAST	1D	YTD
CURRENCIES			
DXY	96.437	0.10%	0.27%
EUR/\$	1.1352	-0.11%	-1.00%
GBP/\$	1.2866	-0.20%	0.88%
AUD / \$	0.7130	-0.41%	1.15%
NZD/\$	0.6710	-0.33%	-0.13%
\$/JPY	109.41	0.24%	0.26%
\$/CAD	1.3334	-0.30%	2.27%
\$/CHF	0.9977	-0.05%	-1.56%
\$/SEK	9.0400	-0.26%	-2.07%
\$/NOK	8.5947	-0.38%	0.54%
\$/DKK	6.5770	-0.11%	-1.00%
\$/TRY	5.3484	-0.49%	-1.10%
EUR/GBP	0.8823	-0.09%	1.89%
EUR/JPY	124.20	0.35%	1.31%
EUR/CHF	1.1326	0.09%	-0.62%
COMMODITIES			
Gold Spot \$/Oz	1279.63	-0.07%	-0.22%
Silver Spot \$/Oz	15.23	-0.26%	-1.70%
Platinum Spot \$/Oz	792.29	-0.57%	-0.42%
Palladium Spot \$/Oz	1363.15	0.02%	8.03%
COPPER \$/lb	266.75	-1.89%	1.39%
WTI \$/bbl	53.47	-0.61%	17.75%
BRENT \$/bbl	62.25	-0.78%	15.71%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
GBP	11:30	UK Average Earnings Index 3M	3.30%	3.30%
GBP	11:30	UK Public Sector Net Borrowing	1.1B	6.3B
GBP	11:30	UK Unemployment Rate	4.10%	4.10%
EUR	12:00	German ZEW Econ Sentiment	-18.8	-17.5
CAD	15:30	Manufacturing Sales MoM	-0.80%	-0.10%
USD	17:00	US Existing Home Sales	5.27M	5.32M
NZD	23:45	NZ CPI QoQ	0.00%	0.90%

Wednesday: BoJ Outlook Report, BoJ Policy Decision + Press Conference, Canada Retail Sales

Thursday: AU Jobs Report, Eurozone Flash Manufacturing PMI, ECB Policy Decision + Press Conference, US Initial Jobless Claims

Friday: German Ifo Business Climate

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STOCKS & BONDS

US markets were closed on Monday for a holiday so trading was generally subdued overnight. However, equity prices in Europe and Latin America stumbled after the weak Chinese data.

Asian shares stumbled and oil prices fell on Tuesday as pessimism about world growth drove investors away from risky assets, while sterling ticked lower in the face of the latest twists and turns in the Brexit saga. China got the week off to a shaky start on Monday after Beijing reported 2018 growth in the world's second-largest economy slowed to its weakest pace in nearly 30 years. Adding to the air of caution, the International Monetary Fund trimmed its global growth forecasts and a survey showed increasing pessimism among business chiefs as trade tensions loomed. The gloomy news highlighted the challenges facing policymakers globally as they tackle an array of current or potential crises, from the US-China trade war to Brexit. Spreadbetters point to another weak start for Europe. FTSE futures were off 0.2% while US stock futures, which offer an indication of how Wall Street will open, were down about 0.7%. In Asia, losses were led by Chinese shares, with the blue-chip index off 1.2%. Hong Kong's Hang Seng index was down more than 1% and Australia's main share index faltered 0.5%. MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.9% on Tuesday, drifting away from a recent seven-week top. Japan's Nikkei, which had opened firmer, skidded 0.7%.

Most Gulf stock markets ended lower yesterday. Egypt's blue-chip shares rose, bolstered by financial stocks. Saudi index reversed early losses as most of its banks gained. In Dubai, the index fell 0.6 percent with all its real estate firms down. billion Egyptian pounds (\$2.79 billion) from 20 billion pounds.

	LAST	1D	YTD
AMERICA			
DOW JONES	24706.35	1.38%	5.91%
S&P 500	2670.71	1.32%	6.54%
NASDAQ	7157.23	1.03%	7.87%
S&P/TSX	15354.16	0.33%	7.20%
EUROPE			
STXE 600	356.36	-0.19%	5.54%
FTSE 100	6970.59	0.03%	3.60%
CAC 40	4867.78	-0.17%	2.90%
DAX	11136.20	-0.62%	5.47%
ASIA PACIFIC			
S&P/ASX 200	5858.79	-0.54%	3.76%
NIKKEI 225	20622.91	-0.47%	3.04%
TOPIX	1556.43	-0.63%	4.17%
CSI 300 (China)	3143.05	-1.34%	4.40%
MENA			
Saudi Arabia	8402.04	0.22%	7.35%
Abu Dhabi	4955.74	-0.39%	0.72%
Dubai	2498.82	-0.56%	-1.51%
Qatar	10722.14	-0.35%	3.70%
Oman	4179.08	-0.56%	-3.28%
Egypt	13574.99	0.97%	4.14%
Kuwait	5492.79	-0.03%	4.20%
Bahrain	1349.86	0.17%	0.98%
10-YEAR BONDS			
U.S.	2.7481	-0.0361	0.0639
Germany	0.2440	-0.0110	0.0020
U.K.	1.3230	-0.0300	0.0460
France	0.6480	-0.0070	-0.0620
Australia	2.3000	-0.0110	-0.0180
Japan	-0.0010	-0.0090	-0.0040

Major Company News

- Carlos Ghosn's latest request for bail was rejected by a Tokyo court on Tuesday, despite the busted Nissan chairman offering to wear an electronic ankle tag in an unusual bid to win release after two months of detention for alleged financial crimes.
- Tesla Inc denied on Tuesday that it had signed a preliminary agreement with Tianjin Lishen to supply batteries for its new Shanghai car factory, saying it had received quotes from the Chinese battery maker but did not proceed further.
- TomTom, the Dutch navigation and digital maps company, said on Tuesday it has agreed to sell its Telematics, or the fleet management business, to Japan's Bridgestone for 910 million euros (\$1.03 billion).
- Australian cobalt developer Jervois Mining said on Tuesday it has agreed to buy a Canadian cobalt explorer with operations in Uganda, as the hunt for quality mines in the battery materials sector gains pace.
- Logitech International SA raised its full-year profit outlook on Tuesday, after strong growth in its gaming hardware business helped the computer peripheral and mobile speaker maker beat third-quarter expectations.
- China's broadcasting regulator on Tuesday approved the release of a third batch of video games after a freeze for most of last year, with industry-leader Tencent Holdings Ltd still absent from the list of new titles.
- Linde Plc, the industrial gases giant created by the merger of US group Praxair and German rival Linde AG, said it would buy back up to \$6 billion of own shares, returning proceeds from assets it had to sell to win antitrust approval.

TOP SELECTED NEWS

May's Brexit Plan B Still leaves her needing opposition

(Bloomberg) Theresa May's Brexit Plan B turns out to be a re-run of her Plan A -- seeking EU concessions on the deal she's already negotiated with Brussels. But even if she succeeds, it's not at all clear she could get the modified terms through Parliament. Here's how the numbers stack up. May lost the vote on her Brexit deal last week 432-202, with 118 largely Euroskeptic Conservative lawmakers and all 10 members of the Democratic Unionist Party -- who are supposed to be her allies -- opposing her. She has two options to find votes next time: Convincing members of her own side not to rebel, or seeking backing from the main opposition Labour Party. Labour leader Jeremy Corbyn has expressed more interest in another election than in saving May's Brexit deal, which makes it risky for the prime minister to try to win his party's support. And tacking toward Labour's position would alienate some Tories. It looks no more straightforward for May to try to split Labour votes off from Corbyn because to do so, she'd probably have to offer a second referendum. That would definitely outrage lawmakers on her own side, and might not even win her more than 100 votes from Labour. She's therefore left trying to get Conservatives and the DUP back on board. If she managed to get all 128 internal opponents back, she'd win 330-304.

China's record 2018 oil, gas imports may be cresting wave

(Reuters) Amid increasing signs of China's industrial slowdown in 2019, data this week showing record oil and natural gas imports likely indicates a country at peak energy growth, with its thirst set to wane as the slowdown bites. China's record intake for both crude oil and liquefied natural gas (LNG) in 2018 cemented its status as the world's largest oil and second-largest LNG importer. But heading into this year, China's trade war with the US is taking a toll. On Tuesday, the National Development and Reform Commission, China's top economic planner, warned that economic pressure will impact the job market. This came only a day after data showed an uptick in unemployment and that growth in the world's second-largest economy cooled to its slowest pace in 28 years in 2018. Bank of America Merrill Lynch said this week it expected "a significant slowing in growth" in both China's economy and energy demand for 2019. Few analysts expect an outright recession in China this year, but amid signs of slowing factory activity that began impacting natural gas demand in the fourth quarter of 2018, the data points toward a slowdown.

Sparkling Australian wine exports lose their fizz

(Reuters) Australian wine shipments to China grew at their slowest pace in four years in 2018, industry data showed on Tuesday, in another indication that Sino-US trade tensions were dragging on consumer spending in the world's second-largest economy. The slowdown in exports to less than a third of 2017's breakneck speed adds to worries for investors, already on edge amid signs that softening Chinese demand was hurting businesses across the board, particularly after Apple issued a rare revenue warning citing weaker iPhone sales in the country. It also augurs badly for other firms exposed to consumer spending in China - from high-end fashion to milk powder - and most of all for big Australian vintners, who have come to rely on seemingly insatiable

Chinese demand to drive growth. Wine exports to China, Australia's top market by value, rose 18% to A\$1.14 billion in 2018, data from Wine Australia showed, versus a 63% spike a year ago. That is the slowest pace of growth since China's anti-corruption crackdown on flashy spending stalled growth in Australian wine exports at 8% in 2014.

US to formally seek extradition of Huawei executive

(CNBC.com) The US will proceed with the formal extradition from Canada of Huawei executive Meng Wanzhou, Canada's ambassador to the US told the Globe and Mail, in a move certain to ratchet up tensions with China. David MacNaughton, in an interview with the Canadian newspaper published on Monday, said the US has told Canada it will request Meng's extradition, but he did not say when the request will be made. The deadline for filing is Jan. 30, or 60 days after Meng was arrested on Dec. 1 in Vancouver. Meng, the daughter of Huawei Technologies founder Ren Zhengfei, was arrested at the request of the US over alleged violations of US sanctions on Iran. She was released on bail last month and is due in court in Vancouver on Feb. 6. Relations between China and Canada turned frosty after the arrest, with China detaining two Canadian citizens and sentencing to death a Canadian man previously found guilty of drug smuggling. The Chinese firm, the world's biggest maker of telecommunications equipment, said it had no comment on ongoing legal proceedings when contacted by Reuters on Tuesday. A US Justice Department spokesman said, "We will comment through our filings." The Canadian Justice Department did not immediately respond to a request for comment outside regular business hours.

UBS posts Q4 pre-tax profit miss, sees bumpy road ahead

(Reuters) UBS on Tuesday posted a \$862 million fourth-quarter pre-tax profit, hit by a slowdown in its flagship wealth management business and weaker earnings in its investment bank. On an adjusted basis, fourth-quarter pre-tax profit fell to \$860 million, under conditions CEO Sergio Ermotti described as "historically tough". The Swiss bank, which manages more than \$2 trillion of the world's wealth, saw \$7.9 billion in wealth management net new money outflows -- a closely watched metric of future earnings -- over the last three months of 2018. As clients removed risk from their portfolios, traded less and stocked up on cash amid geopolitical tensions, adjusted pre-tax earnings in its flagship wealth management business fell 22%. The bank in December had flagged further deleveraging and a trading slowdown amongst wealthy Asian customers worried about ongoing trade wars. It said on Tuesday a tepid investor mood would continue dampening first-quarter results.

China approves third batch of video games

(Reuters) China's publishing regulator on Tuesday approved the release of a third batch of video games after a freeze for most of last year, with industry-leader Tencent Holdings Ltd still absent from the list of new titles. The State Administration of Press, Publication, Radio, Film and Television approved 93 games in its third list since December, with Tencent's domestic rival NetEase Inc also absent for the third time. Neither company responded to Reuters' requests for comment. China is home to the world's largest video game market, where 620 million players spent \$37.9 billion last year mostly on mobile and PC games, gaming market researcher Newzoo.



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