

GLOBAL MARKETS

Wednesday, January 23, 2019

Markets in brief

- Despite calmer markets, demand for safe-haven assets remained firm over concerns of slowing global economy and uncertainties about the U.S.-China trade disputes.
- Japanese yen dropped against all of its Group-of-10 peers after the Bank of Japan cut its inflation outlook for a fourth straight meeting.
- NZ dollar climbed to near a 3-week high against Aussie dollar after New Zealand's inflation data beat estimates.
- British pound traded steadily as investors started to rule out a "no deal" Brexit. Strong jobs data helped in supporting the currency.
- Oil prices recovered from yesterday's drop.
- Asian stocks dropped today amid subdued risk appetite.
- U.S. stocks closed down yesterday snapping a 4-day rally.

Trade talks remaining on a positive track

A top economic adviser to U.S. President Donald Trump on Tuesday pushed back against reports that a preliminary trade meeting between U.S. and Chinese officials was canceled, saying the story was not true. "With respect, the story is not true," White House economic adviser Larry Kudlow told CNBC. "A meeting with Vice Premier Liu He scheduled for the end of the month in Washington will be "very, very important" and "determinative.", Kudlow added. He stressed the need for follow-through. "Enforcement is absolutely crucial." The Financial Times, citing people briefed on the talks, reported earlier on Tuesday that the Trump administration had rejected an offer from China for preparatory trade talks this week ahead of high-level negotiations scheduled for next week. The Financial Times also referred to the preparatory meeting as having been canceled. Separately, CNBC also reported the meeting had been called off.

"No deal" Brexit is out of the way

The UK Parliament is moving closer to a plan to delay Brexit in order to stop the country dropping out of the EU with no deal and avoid the risk of an economically damaging divorce. The main opposition Labour Party is now increasingly likely to support a proposal to extend the March 29 exit day deadline, if PM Theresa May fails to negotiate a divorce agreement, said John McDonnell, the party's chief finance spokesman. The European Commission, not taking chances, is pressing Ireland to lay out its border plans in the event no deal is done, a person familiar said. PM Leo Varadkar, in the understatement of the year, said that no deal would present a "real dilemma."

BoJ cutting its inflation view

The Bank of Japan cut its inflation forecasts on Wednesday and warned of rising risks to the economy from faltering global demand, further pushing back policymakers' years-long efforts to foster durable growth. As widely expected, the BOJ retained its ultra-easy monetary settings at its policy review, leaving Japan some way off from exiting a sweeping stimulus program begun in 2013. The c. bank also maintained its view that Japan's economy, the world's third largest, will continue to expand at a modest pace.

China's new policy tool

China's central bank offered 257.5 billion yuan (\$38 billion) of liquidity to banks, using for the first time the targeted version of a medium-term lending tool unveiled last month. The PBOC's move, considered a quasi-rate cut by some analysts, aims to spur lending to small firms and ease rising cash demand ahead of the Spring Festival. Yields on 10-year bonds fell for the first time in four days."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1370	0.09%
GBP/\$	1.2966	0.09%
AUD /\$	0.7137	0.18%
NZD/\$	0.6786	0.52%
\$/JPY	109.71	-0.31%
\$/CAD	1.3324	0.23%
\$/CHF	0.9976	-0.03%
Gold \$	1283.81	-0.11%
Silver \$	15.40	0.40%
Platinum \$	792.45	0.18%
WTI \$	53.26	0.47%
BRENT \$	61.82	0.52%
AMERICA		
DOW JONES	24404.48	-1.22%
S&P 500	2632.90	-1.42%
NASDAQ	7020.36	-1.91%
EUROPE		
STXE 600	355.09	-0.36%
CAC 40	4847.53	-0.42%
DAX	11090.11	-0.41%
ASIA PACIFIC		
S&P/ASX 200	5843.72	-0.26%
NIKKEI 225	20593.72	-0.14%
CSI 300 (China)	3140.34	-0.09%
MENA		
Saudi Arabia	8399.40	-0.03%
Dubai	2493.92	-0.20%
Qatar	10687.28	-0.33%
BONDS		
U.S. 10-year	2.7498	0.0001
German Bund 10-year	0.2440	0.0001
AU 10-year	2.2800	-0.0002
BEIRUT S.E.		
SOLIDERE - A	6.10	-4.39%
SOLIDERE - B	6.10	-2.40%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.64	-
BLOM BANK	9.20	-0.54%
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.57	-

FX & COMMODITIES

The safe-haven yen fell versus its peers on Wednesday as risk appetite marginally improved in Asian trading, though concerns over slowing global growth and US-Sino trade tensions are likely to cap gains in riskier assets. The yen weakened by 0.31% versus the greenback to 109.71. Against the Aussie dollar, it fell by 0.5%. As expected, the Bank of Japan kept monetary policy unchanged and trimmed its inflation forecast, with a larger-than-expected drop in December export data earlier in the day underlining the need for continued support for the trade-reliant economy. The Australian dollar gained 0.18% versus the greenback to \$0.7137. Currency markets have been whipsawed over recent weeks as traders tried to come to terms with a range of issues from Brexit to slowing global growth and the outlook for major central banks. On Monday, 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. Growth in China last year was the slowest since 1990 and is set to weaken further this year before stimulus measures start to kick in. Investors are hoping for a breakthrough in US-Sino trade talks, with the tariff dispute between the world's largest economies already rippling through financial markets and global demand. A report by the Financial Times that the US had rejected China's offer for preparatory trade talks dampened risk sentiment overnight, though it was later denied by a White House adviser. The dollar index (DXY) was flat at 96.28. Traders in interest rate futures are wagering that the Fed will stand pat on rates in 2019 in the face of risks both at home and globally. The dollar rally last year was mainly driven by the Fed's four rate hikes, so traders expect a pause in the tightening cycle to cap the US currency.

The British pound edged up marginally to \$1.2966, having gaining 0.5% in the previous session. Data on Tuesday showed that Britain's labor market remained robust despite an economic slowdown ahead of Brexit. Average weekly earnings, including bonuses, rose by 3.4% on the year, the biggest rise since mid-2008. Sterling is sitting close to its highs last seen in mid-November, a sign that traders expect Britain to avoid a chaotic exit from the EU despite the looming March 29 Brexit date. Since Prime Minister Theresa May's divorce deal with the EU was rejected by lawmakers last week in the biggest defeat in modern British history, lawmakers have been trying to plot a course out of the crisis, yet no option has the majority support of parliament.

The New Zealand dollar gained 0.52% in early Asian trade to \$0.6786 after data showed that inflation edged higher in Q4 and reducing the possibility of an interest rate cut.

Oil prices inched up on Wednesday after China said it would raise spending to stem an economic slowdown that has been weighing on financial markets. The firmer prices followed a 2% fall in crude futures and a slump in international financial markets on Tuesday as concerns over global growth spooked investors into looking for safe-haven assets such as government bonds or gold.

	LAST	1D	YTD
CURRENCIES			
DXY	96.285	-0.02%	0.12%
EUR/\$	1.1370	0.09%	-0.85%
GBP/\$	1.2966	0.09%	1.66%
AUD / \$	0.7137	0.18%	1.25%
NZD/\$	0.6786	0.52%	1.00%
\$/JPY	109.71	-0.31%	-0.02%
\$/CAD	1.3324	0.23%	2.35%
\$/CHF	0.9976	-0.03%	-1.55%
\$/SEK	9.0097	0.19%	-1.74%
\$/NOK	8.5817	0.23%	0.69%
\$/DKK	6.5670	0.09%	-0.85%
\$/TRY	5.3381	0.06%	-0.91%
EUR/GBP	0.8769	-0.02%	2.52%
EUR/JPY	124.74	-0.39%	0.87%
EUR/CHF	1.1343	-0.13%	-0.77%
COMMODITIES			
Gold Spot \$/Oz	1283.81	-0.11%	0.10%
Silver Spot \$/Oz	15.40	0.40%	-0.62%
Platinum Spot \$/Oz	792.45	0.18%	-0.40%
Palladium Spot \$/Oz	1344.99	-0.31%	6.59%
COPPER \$/lb	267.25	0.49%	1.58%
WTI \$/bbl	53.26	0.47%	17.29%
BRENT \$/bbl	61.82	0.52%	14.91%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
CAD	15:30	Canada Retail Sales MoM	-0.60%	0.30%
CAD	15:30	Canada Core Retail Sales MoM	-0.40%	0.00%
USD	16:00	US HPI MoM	0.30%	0.30%
EUR	17:00	Eurozone Consumer Confidence	-6	-6
USD	17:00	US Richmond Manufacturing Index	-2	-8

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

Asian stocks trod water on Wednesday as concerns over the outlook for global economic growth and the ongoing Sino-US trade war kept investors away from riskier assets. Spreadbetters expected European stocks to open lower, with Britain's FTSE losing 0.3%, Germany's DAX slipping 0.2% and France's CAC shedding 0.4%. MSCI's broadest index of Asia-Pacific shares outside Japan dipped 0.15%, stalling after climbing to a seven-week high on Monday. The Shanghai Composite Index was last down 0.15%, having flitted in and out of the red. Australian stocks lost 0.25% and Japan's Nikkei shed 0.1%.

US stocks ended lower on Tuesday, snapping a four-session rally, as a gloomy global economic growth outlook, trade concerns and disappointing company forecasts dampened sentiment. All three major US stock indexes pared losses after White House economic advisor Larry Kudlow denied a report by the Financial Times that the Trump administration canceled preparatory trade talks with China. Still, the S&P 500, the Nasdaq and the Dow all posted their biggest one-day percentage drops since Jan. 3. On Monday, the International Monetary Fund trimmed its 2019 global economic growth estimates, and China confirmed its slowest economic growth rate in 28 years. The downbeat China news pulled chipmakers lower. The Philadelphia SE Semiconductor index .SOX fell 2.9%. Each of the FAANG momentum stocks, Facebook Inc, Apple Inc, Amazon.com, Netflix Inc and Google parent Alphabet Inc, ended down between 1.6% and 4.1%. Fears of a slowdown in corporate profits mounted as companies posting fourth-quarter results provided disappointing forward-looking projections. Johnson & Johnson dropped 1.4% after its 2019 sales forecast fell short of analyst expectations. Shares of Stanley Black & Decker Inc tumbled 15.5% after its disappointing 2019 forecast. Of the 11 major sectors of the S&P 500, all but utilities closed lower. Industrials, energy, communications services and consumer discretionary had the largest percentage losses. With just over 12% of S&P 500 companies having reported thus far, 78.7% have beat expectations. Oilfield services company Halliburton Co declined 3.1% as falling oil prices and slowing US demand weighed on fourth-quarter results. International Business Machines Corp rose in post-market trading after reporting a smaller-than-expected drop in fourth-quarter revenue. During the dearth of US economic data stemming from the government shutdown, a report from the National Association of Realtors showed US sales of existing homes fell in December to the lowest level in three years. The PHLX Housing index fell 1.8%.

Gulf stock markets were mixed yesterday. Saudi index traded flat on Tuesday after a sharp fall in oil prices. Egypt's index was pulled down by its blue-chip shares, mirroring a wider decline in emerging markets.

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AMERICA			
DOW JONES	24404.48	-1.22%	4.62%
S&P 500	2632.90	-1.42%	5.03%
NASDAQ	7020.36	-1.91%	5.80%
S&P/TSX	15233.76	-0.78%	6.36%
EUROPE			
STXE 600	355.09	-0.36%	5.17%
FTSE 100	6901.39	-0.99%	2.58%
CAC 40	4847.53	-0.42%	2.47%
DAX	11090.11	-0.41%	5.03%
ASIA PACIFIC			
S&P/ASX 200	5843.72	-0.26%	3.49%
NIKKEI 225	20593.72	-0.14%	2.89%
TOPIX	1547.03	-0.60%	3.54%
CSI 300 (China)	3140.34	-0.09%	4.31%
MENA			
Saudi Arabia	8399.40	-0.03%	7.32%
Abu Dhabi	4956.02	0.01%	0.87%
Dubai	2493.92	-0.20%	-1.17%
Qatar	10687.28	-0.33%	3.52%
Oman	4181.74	0.06%	-3.27%
Egypt	13474.55	-0.74%	3.37%
Kuwait	5500.88	0.15%	4.36%
Bahrain	1352.46	0.19%	1.50%
10-YEAR BONDS			
U.S.	2.7498	0.0106	0.0656
Germany	0.2440	0.0080	0.0020
U.K.	1.3230	0.0000	0.0460
France	0.6440	0.0010	-0.0660
Australia	2.2800	-0.0210	-0.0380
Japan	0.0040	0.0010	0.0010

Major Company News

- BlackRock Inc is planning a new fund for investors looking to park their cash safely while helping the environment, expanding options for "socially responsible" investments, a filing with US market regulators showed on Tuesday.
- Google said late on Tuesday it has signed a long-term agreement to buy the output of a 10-megawatt solar array, which is part of a larger solar farm, in Tainan City in Taiwan.
- Subaru Corp said its sole car factory in Japan accounting for roughly 60% of global production could be out of action for almost two weeks after it discovered a suspected defect in a power-steering component.
- US cannabis retailer Green Growth Brands Inc said on Tuesday it would make a second all-stock takeover bid for Aphria Inc, valuing the Canadian pot producer at about C\$2.35 billion (\$1.76 billion).
- Venezuela's state-run oil company PDVSA said on Tuesday its debt fell 5% in 2018 from a year ago to \$34.6 billion, though it remains in default on most of its bonds as crude output has slumped to 70-year lows in an economic crisis.
- Walgreens Boots Alliance Inc will pay \$269.2 million to settle two whistleblower lawsuits accusing it of civil fraud for overbilling federal healthcare programs over a decade, the US Department of Justice said on Tuesday.
- Viacom Inc said on Tuesday it will buy Pluto TV, a free video streaming TV service, for \$340 million in cash to expand its advanced advertising business.
- Brazilian investment bank Banco BTG Pactual SA filed a complaint on Tuesday against securities firm XP Investimentos SA with the country's antitrust watchdog Cade, accusing XP of anticompetitive practices and asking for an investigation, according to documents seen by Reuters.

TOP SELECTED NEWS

Trump won't soften hardline on China to make trade deal

(Reuters) - As much as US President Donald Trump wants to boost markets through a trade pact with China, he will not soften his position that Beijing must make real structural reforms, including how it handles intellectual property, to reach a deal, advisers say. Offering to buy more American goods is unlikely by itself to overcome an issue that has bedeviled talks between the two countries. Those talks are set to continue when Chinese Vice Premier Liu He visits Washington at the end of January. The US accuses China of stealing intellectual property and forcing American companies to share technology when they do business in China. Beijing denies the accusations. With a March 1 deadline approaching to reach an agreement or risk an escalation of tariffs on another \$200 billion worth of Chinese goods, the two sides are still far apart on key, structural elements critical for a deal, according to sources familiar with the talks. "We're not yet in a position where our concerns have been addressed sufficiently," one US official said, speaking on condition of anonymity. The official said the Trump team, led by hardline US Trade Representative Robert Lighthizer, was focused on such structural issues as well as trade imbalances. White House economic adviser Larry Kudlow told Reuters that forced technology transfers, IP theft and ownership restrictions remained a top priority for Trump.

China says will step up fiscal spending this year

(Reuters) China will step up fiscal spending this year to support its economy, focusing on further cuts in taxes and fees for small firms, finance ministry officials said on Wednesday. Mounting pressure on the world's second-biggest economy pushed growth last year to its lowest since 1990 even as Beijing stepped up stimulus measures and spurred banks to lend more. The government may unveil more fiscal stimulus during the annual parliamentary meeting in March, including bigger tax cuts and more spending on infrastructure projects, economists say. China's fiscal spending rose 8.7% to 22.1 trillion yuan (\$3.3 trillion) in 2018, while revenue increased 6.2% to 18.3 trillion yuan, said Li Dawei, an official at the finance ministry. China achieved its 2018 fiscal revenue target despite extensive tax cuts last year, Li added. Beijing delivered about 1.3 trillion yuan of cuts in taxes and fees in 2018. Finance Minister Liu Kun said this month that China will further lower taxes and fees this year. The government is also studying a plan to reduce social security fees to lighten the burden on small companies, Liu said. Policy insiders also expect Beijing to cut the value-added tax, which ranges from 6% for the services sector to 16% for manufacturers. Policymakers' pledge of more aggressive tax reductions in 2019 has fanned expectations that the annual budget deficit ratio could be lifted to 3% of GDP. The government had lowered the 2018 deficit target to 2.6% of GDP from 3% the previous year - the first cut since 2012.

U.K. wages are growing faster than any time since 2008

Britons are enjoying the strongest wage growth since the financial crisis a decade ago as the labor market tightens. Average earnings excluding bonuses continued to increase an annual 3.3% in the three months through November and unemployment fell to 4%, matching the lowest rate since 1975,

the Office for National Statistics said Tuesday. Separate figures showed the budget deficit unexpectedly widened in December. With earnings forecast to accelerate further, Bank of England policy makers might normally be preparing to raise interest rates to curb inflationary pressures building in the labor market. But mounting concern that Britain could leave the European Union with no deal is expected to stay their hand. Traders put the chance of a hike this year at less than 70%. Wage growth including bonuses accelerated to 3.4% in the latest three months, the fastest pace since 2008. The number of people in work jumped a larger-than-forecast 141,000, leaving the employment rate at a record 75.8%. Job creation was driven by full-time employment, though people working for themselves accounted for much of the increase. Pay is rising in real terms, with basic wage growth outpacing inflation by a 0.9%age-point margin -- the widest since the end of 2016. CPI inflation slowed further in Q4, handing a boost to households still recovering from a protracted earnings squeeze.

Fed to probe Deutsche Bank over suspicious Danske cash

(Bloomberg) The Fed is examining how Deutsche Bank AG handled billions of dollars in suspicious transactions from Denmark's leading lender, according to people familiar with the matter, further intensifying what could be one of the biggest money-laundering scandals ever. The Fed's probe is in an early stage as it scrutinizes whether Deutsche Bank's US operations adequately monitored funds from an Estonian branch of Danske Bank A/S, according to two people briefed on the situation, who asked not to be named because the inquiry isn't public. Danske, which used correspondent banks such as Deutsche Bank to move money abroad, has admitted that much of about \$230 billion that flowed through the tiny Estonian outpost may have been dirty. The US requires banks operating under its jurisdiction to scrutinize clients and their dealings to detect potential money laundering and alert authorities to suspicious transactions. The Fed is among regulators that ensure banks have adequate systems in place to fulfill those duties. A Danske Bank whistle-blower who outlined the illicit flow of cash through that firm has said much of it passed through Deutsche Bank in the US, and one of the people said the Fed is focusing on the German lender's trust bank. Deutsche Bank has been cooperating with the Fed, the people said. A spokeswoman for Deutsche Bank declined to comment on talks with regulators.

Google, Facebook spend big on US lobbying

(Reuters) Alphabet Inc's Google disclosed in a quarterly filing on Tuesday that it spent a company-record \$21.2 million on lobbying the US government in 2018, topping its previous high of \$18.22 million in 2012, as the search engine operator fights wide-ranging scrutiny into its practices. In its filing to Congress on Tuesday, Facebook Inc disclosed that it also spent more on government lobbying in 2018 than it ever had before at \$12.62 million. That was up from \$11.51 million a year ago, according to tracking by the nonpartisan Center for Responsive Politics. Google's spent \$18.04 million on lobbying in 2017, according to the center's data. Google and Facebook declined to comment beyond their filings. US lawmakers and regulators have weighed new privacy and antitrust rules to rein in the power of large internet service providers such as Google, Facebook and Amazon.com Inc.



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