

# GLOBAL MARKETS

Thursday, January 24, 2019

## Markets in brief

- Global investors continued to trade with cautiousness as growth concerns, U.S. government shutdown, and unresolved trade disputes weighed on market sentiment.
- Euro traders would be focusing today on ECB's policy decision at 14:45 LT, that will be followed by a press conference at 15:30 LT. Euro-area composite PMI will also be under watch.
- Australian dollar was pressured down by NAB's move to hike mortgage rates, raising fears that the RBA might be forced to lower interest rates. The Aussie got a lift earlier from an upbeat jobs report.
- British pound firmed near \$1.30 level as the risk of a "no deal" Brexit receded.
- Oil prices remained under pressure from global economic concerns.
- Asian stocks inched up tracking Wall Street performance yesterday, but ongoing uncertainties would keep investors on edge.
- U.S. stocks managed to end up yesterday on upbeat earnings reports.

## ECB's policy meeting in focus

The ECB will stay the course today and is unlikely to offer a definitive view on the depth of the slowdown until its next forecasts in March. Low inflation as well as weaker-than-expected economic activity in Germany and France, however, may lead ECB President Mario Draghi to point toward a potentially longer lasting slowdown. This month's headline-grabbing wildcard may be the news that officials discussed a TLTRO extension, the targeted longer-term refinancing operations used to ease banks' funding costs, Bloomberg Economics said.

## U.S. shutdown dragging on

Nancy Pelosi blocked Donald Trump's State of the Union address, saying she won't allow him to give the speech in the House until the government reopens. He said he will give the address after the shutdown ends. The Senate votes today on two measures. Neither seems to have enough support to pass. Earlier in the day, Democratic leaders in the House of Representatives floated the idea of ending the partial government shutdown by giving Trump most or all of the money he seeks for security along the Mexican border but for items other than the wall he wants.

## U.S. weighing oil sanctions on Venezuela

The Trump administration ratcheted up pressure on Venezuelan President Nicolas Maduro on Wednesday, signaling potential new sanctions against the country's vital oil sector as it recognized Venezuela's opposition leader as interim president. With street protests against Maduro under way across Venezuela, Trump said the U.S. recognized Juan Guaido, head of the opposition-controlled National Assembly congress, as the country's leader and called socialist Maduro's government "illegitimate." In response, Maduro said he was breaking diplomatic relations and giving U.S. embassy personnel 72 hours to leave Venezuela. The United States, however, rejected Maduro's move to cut ties, saying it did not think he had the authority to sever ties and it would conduct relations with a government led by Guaido. A senior U.S. official, speaking on condition of anonymity (Reuters), warned Maduro and his loyalists that Washington was ready to ramp up oil, gold and other sanctions and take unspecified actions "if they choose to harm any of the National Assembly members or any of the other duly legitimate officials of the government of Venezuela."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1378	-0.03%
GBP/\$	1.3065	-0.03%
AUD /\$	0.7098	-0.62%
NZD/\$	0.6773	-0.22%
\$/JPY	109.68	-0.07%
\$/CAD	1.3357	-0.10%
\$/CHF	0.9945	0.04%
Gold \$	1281.15	-0.12%
Silver \$	15.32	-0.30%
Platinum \$	796.05	0.17%
WTI \$	52.35	-0.51%
BRENT \$	60.86	-0.46%
<b>AMERICA</b>		
DOW JONES	24575.62	0.70%
S&P 500	2638.70	0.22%
NASDAQ	7025.77	0.08%
<b>EUROPE</b>		
STXE 600	354.89	-0.06%
CAC 40	4840.38	-0.15%
DAX	11071.54	-0.17%
<b>ASIA PACIFIC</b>		
S&P/ASX 200	5865.69	0.38%
NIKKEI 225	20574.63	-0.09%
CSI 300 (China)	3158.45	0.55%
<b>MENA</b>		
Saudi Arabia	8466.10	0.79%
Dubai	2517.00	0.93%
Qatar	10650.31	-0.35%
<b>BONDS</b>		
U.S. 10-year	2.7390	0.0000
German Bund 10-year	0.2320	0.0001
AU 10-year	2.2720	-0.0001
<b>BEIRUT S.E.</b>		
SOLIDERE - A	6.47	6.07%
SOLIDERE - B	6.18	1.31%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.64	-
BLOM BANK	9.20	-
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.57	-

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## FX & COMMODITIES

**All eyes will be on the euro as investors await the European Central Bank's monetary policy announcement later on Thursday where it is all but certain to keep policy unchanged.** The single currency was flat at \$1.1378. The euro has lost around 1.6% of its value over the last two weeks as traders expect the ECB to remain dovish and keep monetary policy accommodative for an extended period of time. Low inflation as well as weaker-than-expected economic activity in Germany and France, however, may lead ECB President Mario Draghi to point toward a potentially longer lasting slowdown.

**The US dollar was hamstrung versus its rivals on Thursday, restrained by concerns over global growth, the US government shutdown and a yet-unresolved US-Sino trade dispute.** The partial US government shutdown, now in its 34th day has hurt investor sentiment. US Republican Senate Majority Leader Mitch McConnell said he planned to hold a vote on Thursday on a Democratic proposal that would fund the government for three weeks. Global growth concerns have also rattled investor appetite for risk. On Monday, the 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 dollar index (DXY), a gauge of its value versus six major peers, was steady at 96.155. Markets are bearish on the outlook for the dollar this year. Traders in interest rate futures are wagering that the Fed will stand pat on rates in 2019 in the face of growth risks both at home and globally.

The yen was little lower at 109.68, after weakening 0.2% versus the greenback in the previous session. On Wednesday, the Bank of Japan kept its policy unchanged. The BOJ cut its inflation forecasts and warned of growing risks to the economy from trade protectionism and slowing global demand.

**The Australian dollar was a big mover in the Asian session, trading 0.62% lower at \$0.7098 after National Australia Bank said it would raise mortgage rates by 12 to 16 basis points.** Traders wagered the Reserve Bank of Australia (RBA) will face pressure to counter the upswing in home loan costs by easing its own policy rate. Earlier, the Aussie was in positive terrain on the back of solid jobs data.

**British pound traded flat at \$1.3078, hovering near highs last seen in mid-November in a sign traders expect Britain to avoid a chaotic exit from the EU.** Since PM 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. Some analysts expect limited upside for sterling.

**Oil prices declined on Thursday amid lingering concerns over slowing global economic growth that may limit fuel demand and after a surprise build in US crude inventories.** The prospects of future oil demand are getting clouded by the global growth worries, analysts said.

	LAST	1D	YTD
<b>CURRENCIES</b>			
DXY	96.155	0.03%	-0.02%
EUR/\$	1.1378	-0.03%	-0.78%
GBP/\$	1.3065	-0.03%	2.44%
AUD / \$	0.7098	-0.62%	0.70%
NZD/\$	0.6773	-0.22%	0.80%
\$/JPY	109.68	-0.07%	0.01%
\$/CAD	1.3357	-0.10%	2.10%
\$/CHF	0.9945	0.04%	-1.25%
\$/SEK	9.0224	0.00%	-1.87%
\$/NOK	8.5712	-0.06%	0.81%
\$/DKK	6.5621	-0.02%	-0.77%
\$/TRY	5.2938	-0.17%	-0.08%
EUR/GBP	0.8709	-0.01%	3.22%
EUR/JPY	124.80	-0.04%	0.83%
EUR/CHF	1.1316	0.08%	-0.53%
<b>COMMODITIES</b>			
Gold Spot \$/Oz	1281.15	-0.12%	-0.10%
Silver Spot \$/Oz	15.32	-0.30%	-1.10%
Platinum Spot \$/Oz	796.05	0.17%	0.05%
Palladium Spot \$/Oz	1349.60	-0.07%	6.96%
COPPER \$/lb	264.95	-0.19%	0.70%
WTI \$/bbl	52.35	-0.51%	15.28%
BRENT \$/bbl	60.86	-0.46%	13.12%

### In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
EUR	10:30	German Flash Manufacturing PMI	51.4	51.5
EUR	10:30	German Flash Services PMI	52.2	51.8
EUR	11:00	Eurozone Flash Manufact PMI	51.5	51.4
EUR	11:00	Eurozone Flash Services PMI	51.5	51.2
EUR	14:45	ECB Rate Decision	0.00%	0.00%
EUR	15:30	ECB Press Conference		
USD	15:30	US Initial Jobless Claims	219k	213k
USD	16:45	US Flash Manufacturing PMI	53.5	53.8
USD	16:45	US Flash Services PMI	54.0	54.4
OIL	18:00	EIA Weekly Report		

Friday: German Ifo Business Climate

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## STOCKS & BONDS

Asian shares inched up in subdued trade on Thursday after Wall Street ended higher, but political uncertainty in the US and worries about weakening global economic growth kept many investors on the sidelines. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.3%, while Japan's Nikkei average eased 0.1%. China's benchmark Shanghai Composite and the blue-chip CSI 300 climbed 0.5% and 0.6%, respectively, taking positive cues from financial firms' profits and the approval for a new technology board in Shanghai. Hong Kong's Hang Seng index rose 0.3%.

US stocks ended slightly higher on Wednesday after a spate of upbeat earnings reports, but lingering concerns about trade tensions and the longest US government shutdown ever limited the advance. All three major US stock indexes closed in positive territory, with the blue chip Dow Jones Industrial Average seeing the biggest gains on positive quarterly results from International Business Machines, Procter & Gamble Co and United Technologies. Investor sentiment was dampened by reports that business leaders gathered at the World Economic Forum in Davos, Switzerland, were losing confidence in President Donald Trump's policies that have resulted in the prolonged US-China trade stand-off. Uncertainty persisted in Washington, where no end to the longest-ever federal government shutdown appeared to be in sight. The US could see zero growth in the first quarter if the shutdown extends through March, according to White House economic adviser Kevin Hassett on Wednesday. Still, a spate of positive earnings helped boost the Dow. IBM provided the biggest boost to the Dow, rising 8.5% after cloud and software services helped its profit come in above analyst estimates and the company offered better-than-expected guidance for 2019. Procter & Gamble advanced 4.9% after the company upped its full-year sales forecast and took advantage of price increases and strong demand to beat analyst earnings estimates. United Technologies reported a better-than-expected fourth-quarter profit and forecast 2019 earnings above analyst estimates. The industrial conglomerate's stock ended the session 5.4% higher. Of the 11 major sectors of the S&P 500, only energy .SPNY and materials .SPLRCM closed in the red. Comcast Corp rose 5.5% after the top US cable service provider posted better-than-expected earnings and announced it would raise its dividend by 10%. Shares of Tesla Inc dropped 3.8% after the electric automaker said it was reducing production hours for higher-priced Model S and Model X cars, days after announcing job cuts.

**Most Gulf stock markets ended higher yesterday.** The Dubai stock market snapped a 3-day losing streak on Wednesday, boosted by its financial and property shares. Saudi index rose on the back of its banks. Gulf Arab economies are expected to grow at a slower pace than previously forecast, a quarterly Reuters poll of economists found, as oil output cuts, lower crude prices and weaker global growth put pressure on regional economies.

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Abu Dhabi	4970.81	0.30%	1.06%
Dubai	2517.00	0.93%	-0.72%
Qatar	10650.31	-0.35%	3.27%
Oman	4165.97	-0.38%	-3.28%
Egypt	13506.65	0.24%	3.61%
Kuwait	5481.60	-0.35%	4.10%
Bahrain	1361.63	0.68%	2.26%
<b>10-YEAR BONDS</b>			
U.S.	2.7390	-0.0019	0.0548
Germany	0.2320	0.0070	-0.0100
U.K.	1.3260	0.0030	0.0490
France	0.6410	0.0060	-0.0690
Australia	2.2720	-0.0080	-0.0460
Japan	0.0100	0.0050	0.0070

## Major Company News

- Ford on Wed posted a lower operating fourth-quarter profit as losses in every global region except North America weighed on results.
- Tesla said it is reducing production hours for higher-priced Model S and Model X cars, just days after saying it would cut jobs as the carmaker looks to make affordable versions of the Model 3 sedan.
- Verizon Communications Inc is cutting about 7%, or about 800 jobs, at its media unit, it said on Wednesday.
- Hulu is cutting the price of its most popular monthly plan by \$2 to \$5.99, making it one of most affordable video US streaming services.
- Abbott Laboratories missed estimates for Q4 revenue on Wednesday due to lower sales of its generic drugs in emerging markets as well as a strong dollar; also forecast current-quarter profit below expectations.
- Boeing has warned that a prolonged US gov't shutdown could hurt its business as well as the broader aviation industry. CNBC reported on Wednesday, citing an emailed statement from the plane-maker.
- California power company PG&E Corp, which expects to soon file for bankruptcy, said on Wed it would cost between \$75 bn and \$150 bn to fully comply with a judge's order to inspect its power grid and remove or trim trees that could fall into power lines and trigger wildfires.
- Huawei Technologies on Thursday unveiled its 5G modem Balong 5000, which it described as the most powerful 5G modem in the world.
- World's 2nd-biggest memory chipmaker, South Korea's SK Hynix Inc, flagged a tough first half due to US-China trade frictions and China's slowing economy, as its Q4 profit missed expectations on Thursday.
- Canadian electric utility Hydro One and its US-based rival Avista agreed to terminate merger after failing to receive regulatory backing.
- Texas Instruments' quarterly revenue fell 1%, hurt by falling demand for its microchips across most markets.



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## TOP SELECTED NEWS

### No-deal Brexit risk recedes as calls grow to delay divorce

(Bloomberg) The risk of a no-deal Brexit appears to be receding after calls for a delay to the UK's exit from the EU won powerful backing in London and other EU capitals. The pound rose. Senior figures in the French and German governments said they'd be open to extending the Brexit deadline as momentum built for a delay in the UK Parliament. Yet the issue remains toxic for Theresa May. The UK prime minister is caught in the crossfire between pro-EU members of her Conservative Party who are seeking to force her to postpone Brexit, and staunch euroskeptics who are threatening to bring down her government if she does. Time for reaching a decision is running out. If the UK can't agree to a deal in the next nine weeks, the country will leave the EU on March 29 in a disorderly split that British authorities warn will risk a recession, and a hit to the pound of as much as 25%. May herself remains unpersuaded of the case for a delay, although -- once again -- she stopped short of ruling out an extension to the withdrawal deadline, set out in Article 50 of the EU's Lisbon Treaty. "Extending Article 50 I don't believe resolves any issues," May told the House of Commons on Wednesday. Parliament will still need to decide if it wants a deal, a no-deal Brexit, or no Brexit, she added.

### Davos elites rush to barricades defend international order

(Bloomberg) The agenda in Davos may be expansive but one clear priority remains at the top of the list: defending the global order. In speeches at the World Economic Forum's annual meeting on Wednesday, German Chancellor Angela Merkel, Japanese Prime Minister Shinzo Abe and Chinese Vice President Wang Qishan offered full-throated -- and by now largely familiar -- defenses of globalization and multilateralism while calling for an end to the trade wars that President Donald Trump has launched. "Shifting blame for one's own problems onto others will not resolve the problems," Wang told delegates in an address that defended globalization as an "inevitable" trend and warned the international order was facing "serious challenges" from "unilateralism, protectionism and populism." He didn't mention either the US or Trump by name, but left little doubt about his targets, at one point calling for a rejection of the "practices of the strong bullying the weak and self-claimed supremacy," a thinly veiled dig at Trump's "America First" foreign policy. Merkel used her own speech to call on counterparts to pull together to reform the international system, while also urging Trump to embrace the art of compromise he espoused in his previous career in real estate.

### White House says no growth possible in Q1 on shutdown

(Bloomberg) White House Council of Economic Advisers Chairman Kevin Hassett said that if the partial government shutdown extends through March, there's a chance of zero economic expansion this quarter, though "humongous" growth would follow once federal agencies reopen. Asked in a CNN interview Wednesday if the US could see zero growth with the shutdown, Hassett responded, "Yes, we could, if it extended for the whole quarter." "It is true that if we get a typically weak first quarter and extended shutdown that we could end up with a number that is very low," or "very close to zero," Hassett said. He added that he sees the chance of a recession in 2020 as

"very, very close to zero." Growth could rebound to "4 or 5%" in the second quarter if the government reopens, he said. Analysts surveyed by Bloomberg News last week said that if the shutdown lasts through the end of March, it would subtract 0.8 percentage point from first-quarter growth, which would end up at 1.5%, based on median responses. Estimates for GDP, based on an annualized pace, ranged from a contraction of 2% to growth of 3.3%. The White House last week doubled its estimate of the cost of the shutdown on the economy. Hassett said the new estimate of the cost to output is a reduction of 0.13 percentage point every week of closure.

### Ghosh resigned from Renault last night: French FM

(Reuters) Carlos Ghosn has resigned from French carmaker Renault, French finance minister Bruno Le Maire told Bloomberg Television in an interview at the World Economic Forum in Davos. "Carlos Ghosn just resigned last night," said Le Maire. Renault's board will meet on Thursday to replace Ghosn, in a move that could help ease tensions with alliance partner Nissan following Ghosn's arrest in Japan for alleged financial misconduct. The meeting will start at 0900 GMT and consider the proposed appointment of outgoing Michelin boss Jean-Dominique Senard as chairman and the promotion of Ghosn's deputy Thierry Bollere to CEO, three sources familiar with the matter have told Reuters.

### Apple dismiss 200 staff from autonomous vehicle group

(Reuters) Apple Inc has dismissed more than 200 employees from its autonomous vehicle group, Project Titan, CNBC reported on Thursday, citing people familiar with the matter. The dismissals are seen, internally, as anticipated restructuring under the relatively new leadership of Project Titan, CNBC said. Last year, the iPhone maker hired Doug Field, an Apple veteran and a Tesla engineering vice president, to lead the Project Titan team alongside Bob Mansfield. Other employees impacted by the restructuring are staying at Apple, but moving to different parts of the company, CNBC added. Apple did not immediately respond to a request for comment.

### Microsoft says Bing search engine blocked in China

(Reuters) Microsoft Corp's Bing search engine has been blocked in China, the company said on Wednesday, making it the latest foreign technology service to be shut down behind the country's Great Firewall. "We've confirmed that Bing is currently inaccessible in China and are engaged to determine next steps," the company said in a statement. It is the US technology giant's second setback in China since November 2017 when its Skype internet phone call and messaging service was pulled from Apple and Android app stores. A search performed on Bing's China website - cn.bing.com - from within mainland China directs the user to a page that says the server cannot be reached. The Financial Times, citing a source, reported on Wednesday that China Unicom, a major state-owned telecommunication company, had confirmed the government order to block the search engine. Cyberspace Administration of China (CAC), a government watchdog, did not respond to faxed questions about Bing's blocked website. Bing was the only major foreign search engine accessible from within China's so-called Great Firewall. Microsoft censored search results on sensitive topics, in accordance with government policy.



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For further inquiries, feedback, and trading services:

### GLOBAL MARKETS DIVISION

Phone:

**+961 1 960501**

Email:

**[treasury@bankofbeirut.com.lb](mailto:treasury@bankofbeirut.com.lb)**

### PRIVATE BANKING DEPARTMENT

Phone:

**+961 1 960531/2/3**

Email:

**[privatebanking@bankofbeirut.com.lb](mailto:privatebanking@bankofbeirut.com.lb)**

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