

GLOBAL MARKETS

Friday, January 25, 2019

Markets in brief

- British pound jumped after the Sun reported the DUP has agreed to back May's new Brexit deal. GBP hit earlier \$1.3139, its highest since November 8 (2 1/2-month high)
- Euro was pressured down on expectations the ECB would remain accommodative for this year. EUR hit yesterday \$1.1290, its lowest since December 14 (~ 6-week low)
- Aussie recovered from RBA pricing drag amid an improvement in risk sentiment, with stocks and commodities advancing.
- Oil prices edged higher as U.S. threat's could disrupt Venezuela's exports.
- Asian stocks rose to 7-week highs helped by U.S. tech sector and positive corporate earnings, shifting attention from global economic slowdown.
- U.S. stocks ended mixed. Nasdaq posted a solid gain supported by chipmakers.

May's Brexit plan may get more support

Northern Ireland's Democratic Unionist Party has privately decided to back Prime Minister Theresa May's Brexit deal next week if it includes a clear time limit to the Irish backstop, The Sun reported on Thursday. The House of Commons will vote next Tuesday on alternative Brexit plans after it rejected the deal May negotiated with the EU, a development that pushed the bloc to brace for a no-deal Brexit in two months. Chancellor of the Exchequer Philip Hammond broke government ranks, warning a no-deal exit would be a "betrayal" of promises to citizens. Ireland's central bank said a disorderly Brexit could cut GDP by up to four percentage points.

U.S.-China trade deal facing big obstacles

The United States and China are "miles and miles" from resolving trade issues but there is a fair chance the two countries will get a deal, U.S. Commerce Secretary Wilbur Ross said on Thursday. A 30-member Chinese delegation plans to come to Washington next week for talks, he said, as the world's two largest economies try to meet a March 1 deadline to resolve their trade disputes, but Ross tried to tamp down expectations for the high-level talks. The two countries are eager to end their trade war, but the outcome will hinge on whether Beijing deepens economic reforms, Ross said. There's progress on "easier" issues like how much the Chinese will agree to buy. Harder issues pertain to IP and tech transfers, he told Bloomberg TV.

ECB pessimism lowering rate hike expectations

ECB President Mario Draghi acknowledged on Thursday that economic growth in the euro zone was likely to be weaker than earlier expected due to the fall-out from factors ranging from China's slowdown to Brexit. The ECB left that guidance and interest rates unchanged at its meeting on Thursday. But Draghi's downbeat comments, including a reference to "downside" risks, will fuel market speculation that the bank will delay any rate hike, mirroring a more cautious approach by the U.S. Fed, and may offer new cheap loans to banks. The region's economy is already suffering its biggest slowdown in half a decade, raising questions over whether the ECB will be able to increase interest rates for the first time in a decade later this year as its current guidance indicates.

New efforts to end shutdown

Senators began a new effort to end the closure after blocking two rival spending bills. The White House signaled Trump was open to a plan to reopen agencies for three weeks, but only if he gets "a large down payment" for his border wall. Democrats have made it clear they will not support that option. The WH is preparing a draft national emergency proclamation and has identified more than \$7 bn in potential funds (CNN).

FX & COMMODITIES	LAST	1D
EUR/\$	1.1322	0.16%
GBP/\$	1.3108	0.32%
AUD /\$	0.7100	0.08%
NZD/\$	0.6775	0.18%
\$/JPY	109.81	-0.15%
\$/CAD	1.3314	0.27%
\$/CHF	0.9956	0.08%
Gold \$	1283.57	0.18%
Silver \$	15.38	0.39%
Platinum \$	805.46	0.28%
WTI \$	53.69	1.05%
BRENT \$	61.71	1.01%
AMERICA		
DOW JONES	24553.24	-0.09%
S&P 500	2642.33	0.14%
NASDAQ	7073.46	0.68%
EUROPE		
STXE 600	355.67	0.22%
CAC 40	4871.96	0.65%
DAX	11130.18	0.53%
ASIA PACIFIC		
S&P/ASX 200	5905.61	0.68%
NIKKEI 225	20773.56	0.97%
CSI 300 (China)	3184.26	0.81%
MENA		
Saudi Arabia	8434.89	-0.37%
Dubai	2514.36	-0.10%
Qatar	10712.39	0.58%
BONDS		
U.S. 10-year	2.7279	0.0001
German Bund 10-year	0.1920	0.0001
AU 10-year	2.2110	-0.0006
BEIRUT S.E.		
SOLIDERE - A	6.52	0.77%
SOLIDERE - B	6.42	3.88%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.64	-
BLOM BANK	9.10	-1.09%
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.57	-

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FX & COMMODITIES

The British pound rallied to its early November highs against the dollar on Friday after The Sun reported that Northern Ireland's Democratic Unionist Party has privately decided to offer conditional backing for Prime Minister Theresa May's Brexit deal next week. The sterling has been under pressure over recent weeks on the Brexit uncertainty, a period in which growing pessimism over the global economy pushed investors toward the safe-haven dollar. The Sun report lifted the pound 0.32% to \$1.3108 in early Asian trade. It hit earlier \$1.3139, its highest since November 8th.

The US dollar held firm against most of its peers in the face of the global economic worries, with the European Central Bank proving the latest warning about the dimming outlook, forecasting weaker-than-expected growth in the eurozone for the near term. Earlier in the week, China reported its weakest growth in three decades, and the International Monetary Fund downgraded its forecasts for the global economy for this year and next. The greenback was also supported after US Commerce Secretary Wilbur Ross said on Thursday that the US and China are "miles and miles" from resolving trade issues. Trade tensions between the world's two largest economies have kept a lid on investor risk appetite in the new year, as it did for long periods last year. The dollar index, a gauge of its value versus six major peers, was down little at 96.417. Overall, the dollar is facing a tough year ahead as growth at home and globally comes under pressure and the Fed moves ever closer to pressing the pause button on its steady rate-hike cycle. Interest rate futures are pricing the Fed to stand pat on rates through 2019, a turnaround from the four hikes delivered by the central bank last year in a major boost to the dollar.

The euro was slightly higher at \$1.1322, languishing near its mid-December lows, and analysts see more pressure as monetary policy is expected to remain accommodative in the euro area over this year.

Oil prices rose more than 1% on Friday as turmoil in Venezuela triggered concerns that its crude exports could soon be disrupted. Washington on Thursday signalled it could impose sanctions on Venezuela's oil exports as Caracas descends further into political and economic turmoil.

	LAST	1D	YTD
CURRENCIES			
DXY	96.417	-0.19%	0.25%
EUR/\$	1.1322	0.16%	-1.26%
GBP/\$	1.3108	0.32%	2.78%
AUD /\$	0.7100	0.08%	0.72%
NZD/\$	0.6775	0.18%	0.83%
\$/JPY	109.81	-0.15%	-0.11%
\$/CAD	1.3314	0.27%	2.43%
\$/CHF	0.9956	0.08%	-1.36%
\$/SEK	9.0634	0.24%	-2.32%
\$/NOK	8.5635	0.29%	0.90%
\$/DKK	6.5938	0.16%	-1.25%
\$/TRY	5.2725	-0.13%	0.32%
EUR/GBP	0.8638	0.18%	4.07%
EUR/JPY	124.33	-0.31%	1.21%
EUR/CHF	1.1272	-0.07%	-0.15%
COMMODITIES			
Gold Spot \$/Oz	1283.57	0.18%	0.08%
Silver Spot \$/Oz	15.38	0.39%	-0.75%
Platinum Spot \$/Oz	805.46	0.28%	1.23%
Palladium Spot \$/Oz	1326.51	0.18%	5.13%
COPPER \$/lb	266.55	0.79%	1.31%
WTI \$/bbl	53.69	1.05%	18.23%
BRENT \$/bbl	61.71	1.01%	14.70%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
EUR	11:00	German Ifo Business Climate	100.7	101.0

Next Week: German Import Prices, ECB Draghi speaks, NZ Trade Balance, AU Business Confidence, US CB Consumer Confidence, Japan Retail Sales, AU CPI, German Prelim CPI MoM, FOMC Policy Decision + Press Conference, China Manufacturing and Non-Manufacturing PMI, Eurozone Flash GDP QoQ, Canada GDP MoM, US Personal Spending, US Core PCE Price Index, AU PPI QoQ, UK Manufacturing PMI, US Jobs Report, US ISM Manufacturing PMI, US Consumer Sentiment

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STOCKS & BONDS

Asian stocks rallied to a 7-week high on Friday, buoyed by gains in US technology firms as pockets of strength in corporate earnings eased some of the anxiety over a slowing global economy. MSCI's broadest index of Asia-Pacific shares outside Japan gained more than 1% to scale its highest since Dec. 4. The index was headed for a gain of 0.8% this week, with shifting sentiment around Sino-US trade talks partly helping to offset growing concerns over slowing global economic growth. The Shanghai Composite Index was up 0.9% after regulators announced new measures to strengthen Chinese banks' capital. Tech-heavy South Korean shares added 1.4%. Australian stocks climbed 0.7%, lifted by higher prices of commodities such as iron ore and crude oil. Japan's Nikkei advanced 1% with technology companies boosted by a surge in their US peers.

US stocks ended mixed. The S&P 500 edged higher but the Dow closed nominally lower on Thursday as lingering anxieties about slowing global growth and unresolved trade disputes undercut a spate of strong earnings, while chipmakers rallied to give the Nasdaq a solid gain. Q4 earnings continued to be generally positive, but US Commerce Secretary Wilbur Ross' comments that the US and China were "miles and miles" from reaching a trade agreement curbed investor enthusiasm. Chipmakers led the Nasdaq's rise, as Xilinx Inc and Lam Research Corp reported quarterly results that beat analyst expectations. Texas Instruments Inc, while posting better-than-expected profit, disappointed on revenue. The Philadelphia SE Semiconductor Index, under pressure in recent months after Apple Inc warned of waning smartphone demand, saw its biggest one-day percentage gain since Dec. 26, advancing 5.7%. Still, even in the face of upbeat corporate results, fears surrounding tariffs and the longest federal government shutdown in history weighed on investors. Commercial air carriers American Airlines Group Inc, Southwest Airlines Co and JetBlue Airways Corp all reported quarterly earnings that surpassed consensus estimates amid growing pressures related to the government shutdown. The S&P 500 Airlines index gained 3.3%. Union Pacific Corp also reported earnings that surprised to the upside. The railroad operator, along with airlines and other companies, is a constituent of the closely watched Dow Jones Transportation index, ended the session up 1.1%. Of the 11 major sectors of the S&P 500, all but consumer staples, healthcare and materials advanced. Q4 reporting season is in full-swing. With nearly one-fifth of S&P 500 companies having reported, 75.3% have surpassed Street estimates. Analysts now see S&P profit growth of 14.2% for the quarter.

Gulf stock markets mostly rose yesterday. Abu Dhabi index gained with help from financials. Egypt closed for a holiday. Abu Dhabi Commercial Bank reached a four-year high after the company said its board will meet next week discuss the potential merger between the firm, Union National Bank and Al Hilal Bank.

	LAST	1D	YTD
AMERICA			
DOW JONES	24553.24	-0.09%	5.25%
S&P 500	2642.33	0.14%	5.40%
NASDAQ	7073.46	0.68%	6.60%
S&P/TSX	15280.78	0.48%	6.69%
EUROPE			
STXE 600	355.67	0.22%	5.34%
FTSE 100	6818.95	-0.35%	1.35%
CAC 40	4871.96	0.65%	2.99%
DAX	11130.18	0.53%	5.41%
ASIA PACIFIC			
S&P/ASX 200	5905.61	0.68%	4.59%
NIKKEI 225	20773.56	0.97%	3.79%
TOPIX	1566.10	0.87%	4.82%
CSI 300 (China)	3184.26	0.81%	5.77%
MENA			
Saudi Arabia	8434.89	-0.37%	7.77%
Abu Dhabi	5019.16	0.97%	2.12%
Dubai	2514.36	-0.10%	-0.61%
Qatar	10712.39	0.58%	4.01%
Oman	4180.14	0.34%	-3.32%
Egypt	13506.65	0.24%	3.61%
Kuwait	5493.20	0.21%	4.29%
Bahrain	1374.16	0.92%	2.76%
10-YEAR BONDS			
U.S.	2.7279	0.0122	0.0437
Germany	0.1920	0.0120	-0.0500
U.K.	1.2650	-0.0610	-0.0120
France	0.5960	0.0110	-0.1140
Australia	2.2110	-0.0610	-0.1070
Japan	0.0000	-0.0110	-0.0030

Major Company News

- Western Digital Corp said on Thursday it expected revenue to improve in the second half and would cut costs, after posting lower-than-expected quarterly results due to waning demand for its data storage devices used in smartphones.
- Starbucks exceeded Wall Street forecasts for quarterly sales on Thursday, led by the popularity of its holiday-themed drinks in the US, where its growth has been cooling in an increasingly crowded market for coffee houses.
- Alphabet Inc's Google on Thursday asked the US Supreme Court to reverse a ruling that resurrected a billion-dollar copyright case brought by Oracle Corp that dates to 2010.
- General Electric Co is advising some buyers of its big power turbines to switch out faulty blades sooner than expected and has disclosed that a blade broke in 2015, according to a presentation reviewed by Reuters and people briefed on the matter.
- Textron Inc jumped 5.6% after beating analyst profit estimates and forecast better-than-expected 2019 profit.
- PG&E Corp soared by 74.6% after the California utility was cleared of the 2017 Tubbs fire.
- Mining company Freeport-McMoRan Inc slid 13.1% after missing Q4 profit expectations due to falling copper prices. Intel Corp fell in after-hours trading after reporting lower-than-expected Q4 revenue due to weakening demand. Tencent Holdings Ltd saw its shares jump more than 3% on Friday as investors cheered Chinese regulators' approval of mobile games published by the industry leader for the first time since a freeze on approvals imposed in March.
- Saudi Aramco and Air Products and Chemicals Inc said on Friday they agreed to jointly build the first hydrogen fuel cell vehicle fueling station in Saudi Arabia.



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TOP SELECTED NEWS

EU ties itself in knots on Irish border amid Brexit tension

(Bloomberg) The EU is used to having the upper hand in the Brexit negotiations. Its surefootedness and unified communications have helped it get most of what it's wanted since talks started 18 months ago. But with nine weeks left until the UK is scheduled to leave the bloc, and still no British parliamentary approval for the agreement struck between the two sides, the pressure may be starting to tell. Mixed messages this week surrounded the Irish border and what would happen to it if the UK leaves without a deal. That would mean no "backstop" -- the insurance policy to prevent a hard border between Northern Ireland and the Irish Republic -- which many lawmakers in the UK deem unacceptable but which the EU and Ireland say is an essential part of the Brexit agreement. The headache for all sides is that while a policed border brings back memories of Northern Ireland's recent violent past, Brexit makes the frontier the limit of the bloc's single market and customs union, and the EU needs to turn away goods or food products that don't meet its standards. What few people have felt able to answer until now is what happens in the event of no deal. Irish Prime Minister Leo Varadkar insists his government would "never" build a border. The UK says it won't either. So what's the point of the risking the entire Brexit deal by insisting on the backstop?

British MPs to examine life after Brexit for finance sector

(Reuters) British MPs launched an inquiry on Friday to determine if the country should track EU rules or cut loose to best serve its financial sector after Brexit. Finance is Britain's biggest tax raising sector, earning government coffers more than 70 billion pounds each year, and the EU is the sector's largest single customer. "London is the world's premier financial centre, and many of us want to keep it that way," Treasury Select Committee chair Nicky Morgan said in a statement. Supporters of Brexit say departure from the EU is an opportunity to trim the rulebook and keep the City of London competitive as a global financial hub. British regulators want to stay aligned with the EU and have ruled out a "bonfire" of regulations, warning about the perils of "light touch" rules that led to the financial crisis. Britain has yet to secure a divorce settlement with the EU to avoid leaving the bloc on March 29 without any framework, leaving banks, insurers, asset managers and trading platforms in Britain with European customers scrambling to open new EU hubs. The committee said on Friday it will look at what Britain's priorities should be when it negotiates future trading relations with the EU and other countries. The EU has said that Britain's financial sector faces the same patchy and unpredictable system of market access as other non-EU countries like the US and Japan.

Shutdown pushes aviation system to 'tipping point'

(Bloomberg) US airline bosses stepped up their criticism of the partial government shutdown, warning that the closing threatens to snarl air travel. "We are close to a tipping point as employees are about to miss a second paycheck," JetBlue Airways Corp. CEO Robin Hayes said on a conference call Thursday with analysts and investors. "The longer this goes on, the longer it will take for the nation's air travel infrastructure to rebound." CEOs at larger carriers backed him up, with

American Airlines Group Inc.'s Doug Parker warning of "long lines" and "delayed airspace." Southwest Airlines said it lost out on as much as \$15 million in sales this month because of the shutdown, and CEO Gary Kelly called the closing "maddening." The flurry of comments, coming as several airlines reported earnings, reflected an increased sense of urgency as the longest government shutdown on record dragged into its 34th day. While CEOs said travel safety was assured, the political standoff threatened to worsen flight delays, lengthen security lines and disrupt the system that millions of passengers rely on each day. "We'd be crazy not to be concerned about this," Kelly said in an interview. "Everyone needs to be on notice and on guard that this shutdown could harm the economy and it could harm air travel," he said on a conference call with analysts and investors.

Renault splits leadership roles, set for alliance w/o Ghosn

(Bloomberg) Renault SA named a new dual leadership team, hours after Carlos Ghosn stepped down as chairman and chief executive officer of France's largest carmaker from a prison cell in Japan. Michelin CEO Jean-Dominique Senard, 65, was appointed chairman, with responsibility for managing the alliance with Nissan Motor Co., Renault said. Thierry Bollere, 55, was named CEO, a role he has held on an interim basis since shortly after Ghosn's arrest in November. Ghosn's downfall has shaken not only Renault, but also the partnership the globe-trotting executive held together for two decades. For Senard, mending the relationship between the companies and navigating the political crosscurrents in France and Japan will be among the biggest challenges. Mitsubishi Motors Corp. joined the partnership 2016. "Nobody can imagine for the groups to act separately -- it is just impossible," Senard told reporters in Paris on Thursday. He described the automotive alliance as essential and pledged to strengthen trust in the partnership. Even as Senard spoke, Nissan CEO Hiroto Saikawa welcomed his appointment and said he's pleased to open a new chapter in the partnership.

No-deal Brexit would cost Ford up to \$1 billion

(Reuters) Ford Motor Co said on Thursday it faces a bill of up to \$1 billion if Britain leaves the EU without a deal, comprising World Trade Organization tariffs and the impact of a weaker pound. The impact of Brexit on Ford, based on internal calculations, would be in the range of \$500 million to \$1 billion depending on a variety of factors, Ford said in a statement. Sky News earlier on Thursday reported the hit could be \$800 million. Car makers and other manufacturers, including Airbus earlier on Thursday, have warned about the toll a no-deal Brexit could impose, including higher tariffs, disruption to supply chains and threats to jobs. Britain is due to leave the EU in 64 days, and with Prime Minister Theresa May failing to win support for her negotiated deal, companies are increasingly worried about the possibility of a chaotic Brexit. Ford Chief Financial Officer Bob Shanks on Wednesday declined to say what the financial impact of a no-deal exit could be, but said Ford was already planning for it. "We clearly have already started to work on the eventuality of there being a hard Brexit," he told reporters at the No. 2 US automaker's headquarters outside Detroit. "We're certainly hoping that does not happen, but we can't wait."



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