

GLOBAL MARKETS

Thursday, January 31, 2019

Markets in brief

- Investors got more confirmations that the Fed is slowing its tightening pace.
- U.S. dollar struggled near 3-week lows against its major peers and Treasury yields were significantly lower as investors reacted to the Fed's change in tone.
- German bond yields dropped to a 4-week low.
- Euro steadied near \$1.15 level, a 3-week high.
- Australian dollar firmed, after rallying 1.3% on Wednesday, its largest percentage gain since January 4.
- The Canadian dollar hovered near its early November highs.
- NZ dollar hit a 2-month high after S&P affirmed country's credit rating.
- Gold prices held near 8-month highs hit in the previous session
- Oil prices edged higher for the third day.
- Asian stocks rose to 4-month highs.
- U.S. stocks surged to their highest levels since early December.

Fed confirming its patience

The Fed signaled it's done raising interest rates for at least a while and will be flexible in reducing its bond holdings, a sweeping pivot from its bias toward tighter monetary policy just last month. Officials removed references to gradual increases and said the next move could be either up or down. Jerome Powell said the change from a tightening bias was due to economic "cross currents" at home and abroad, and politics had no part in the decision.

A no deal Brexit could be happening

The European Union is prepared to take Brexit down to a last-minute, high-stakes summit rather than cave into UK Prime Minister Theresa May's demands over the next few weeks, diplomats said. May won't win any new concessions before the Feb. 14 Parliament vote. Britons are the least optimistic about the economic outlook in seven years, a GfK gauge showed. Barclays, fearing the worst, got permission to transfer large parts of its business to Dublin from Britain if no deal is done. The EC will make London pay its £39 billion (\$51.2 billion) Brexit bill deal or no deal, The Telegraph reported.

China's economy weakening ... but at a slower pace

The January PMI edged up to 49.5, with output rising at a stable pace and exports contracting more slowly. Prices were buoyed by commodities. The data may have been skewed due to front-loading ahead of the Lunar New Year, Bloomberg Economics said. In Japan, industrial output beat estimates in December but will likely shrink this quarter. China-bound goods including mobile phone parts warrant caution, BE said.

FX & COMMODITIES	LAST	1D
EUR/\$	1.1497	0.15%
GBP/\$	1.3130	0.11%
AUD /\$	0.7262	0.19%
NZD/\$	0.6905	0.16%
\$/JPY	108.79	0.23%
\$/CAD	1.3135	0.11%
\$/CHF	0.9931	0.11%
Gold \$	1319.97	0.00%
Silver \$	16.02	-0.30%
Platinum \$	817.28	0.02%
WTI \$	54.52	0.53%
BRENT \$	62.14	0.79%
AMERICA		
DOW JONES	25014.86	1.77%
S&P 500	2681.05	1.55%
NASDAQ	7183.08	2.20%
EUROPE		
STXE 600	358.51	0.36%
CAC 40	4974.76	0.95%
DAX	11181.66	-0.33%
ASIA PACIFIC		
S&P/ASX 200	5864.65	-0.37%
NIKKEI 225	20773.49	1.06%
CSI 300 (China)	3199.83	0.99%
MENA		
Saudi Arabia	8583.63	0.03%
Dubai	2538.56	-1.07%
Qatar	10719.40	-0.03%
BONDS		
U.S. 10-year	2.6738	0.0000
German Bund 10-year	0.1760	-0.0001
AU 10-year	2.2430	0.0000
BEIRUT S.E.		
SOLIDERE - A	6.74	4.66%
SOLIDERE - B	6.44	4.89%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.64	-
BLOM BANK	9.05	-0.55%
BYBLOS BANK	1.35	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.57	-

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FX & COMMODITIES

The US dollar fell versus its peers on Thursday after the Fed took a dovish turn at its latest policy meeting, a shift that stoked broader investor sentiment and supported currencies such as the Australian dollar and the euro. The US central bank held interest rates steady as expected but discarded pledges of “further gradual increases” in interest rates, and said it would be “patient” before making any further moves. The dollar index, a gauge of its value versus six major peers, fell around 0.07% to a 3-week low of 95.274, having already fallen 0.43% overnight. The US currency’s fortunes had turned down even before the Fed’s signal on Wednesday, with policymakers in recent weeks indicating that a cautious approach would be adopted following the four rate increases delivered in 2018. Analysts have accordingly turned bearish on the dollar, which outperformed last year thanks to the rates impulse and a robust US economy, as a Sino-US trade war and rising pressure on global growth threaten to dent output at home. Indeed, Fed Chairman Jerome Powell said on Wednesday the case for rate increases had “weakened” in recent weeks, citing “cross-currents” such as slowing growth overseas and the federal government shutdown making the US outlook less certain. That means the Fed is unlikely to risk putting the brakes on US economic momentum, analysts say. Global markets have been rattled by a slew of weaker than expected data out of China and Europe over recent weeks, and the International Monetary Fund (IMF) downgraded its outlook for global growth last week. In the latest sign of weakening growth, Chinese factory activity contracted for a second straight month in January, data showed on Thursday, pointing to further strains on the economy that could heighten risks to global growth.

The euro gained to near \$1.15 level as the dovish Fed overshadowed concerns about weakening growth in the euro zone. The weakening momentum in the bloc led markets to price in an accommodative European Central Bank through much of 2019, likely limiting the upside for the single currency over the medium term.

The British pound, which is grappling with troubles of its own on uncertainty over a deal to avoid a chaotic British exit from the European Union, was up 0.1% at \$1.3130.

The NZ dollar rose to its highest level since Dec. 5. The kiwi got an extra lift after S&P Global Ratings affirmed New Zealand’s credit ratings and raised its outlook to positive, opening the door to a possible ratings upgrade.

Oil prices rose for a third day on Thursday, pushed up by lower imports into the US amid OPEC efforts to tighten the market, and as Venezuela struggles to keep up its crude exports after Washington imposed sanctions on the nation.

	LAST	1D	YTD
CURRENCIES			
DXY	95.274	-0.07%	-0.93%
EUR/\$	1.1497	0.15%	0.26%
GBP/\$	1.3130	0.11%	2.95%
AUD /\$	0.7262	0.19%	3.02%
NZD/\$	0.6905	0.16%	2.77%
\$/JPY	108.79	0.23%	0.83%
\$/CAD	1.3135	0.11%	3.82%
\$/CHF	0.9931	0.11%	-1.11%
\$/SEK	9.0314	0.15%	-1.97%
\$/NOK	8.4137	0.14%	2.70%
\$/DKK	6.4925	0.16%	0.29%
\$/TRY	5.2327	-0.11%	1.08%
EUR/GBP	0.8756	-0.04%	2.66%
EUR/JPY	125.08	0.07%	0.60%
EUR/CHF	1.1418	-0.04%	-1.42%
COMMODITIES			
Gold Spot \$/Oz	1319.97	0.00%	2.92%
Silver Spot \$/Oz	16.02	-0.30%	3.37%
Platinum Spot \$/Oz	817.28	0.02%	2.72%
Palladium Spot \$/Oz	1363.72	0.04%	8.08%
COPPER \$/lb	277.30	0.20%	5.40%
WTI \$/bbl	54.52	0.53%	20.06%
BRENT \$/bbl	62.14	0.79%	15.50%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
EUR	12:00	Prelim Flash GDP QoQ	0.20%	0.20%
CAD	15:30	Canada GDP MoM	-0.10%	0.30%
USD	15:30	US Initial Jobless Claims	215k	199k
USD	16:45	US Chicago PMI	61.5	65.4
USD	17:00	US New Home Sales	569k	544k
EUR	18:00	German Buba Weidman speaks		

Friday: AU PPI QoQ, UK Manufacturing PMI, US Jobs Report, US ISM Manufacturing PMI, US Consumer Sentiment

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STOCKS & BONDS

Asia stocks rose to a 4-month high on Thursday after the Fed pledged to be patient with further interest rate hikes, signaling a potential end to its tightening cycle amid signs of slowing global growth. MSCI's broadest index of Asia-Pacific shares outside Japan rose to its highest since Oct. 4 and was last up 0.9%. Japan's Nikkei rose 1%. The Shanghai Composite Index climbed 0.99% despite data showing China's factory activity contracted for a second straight month amid weakening orders. South Korea's KOSPI added 0.3%.

US stocks surged on Wednesday after the Fed said it would be patient in lifting borrowing costs further this year, reassuring investors worried about a slowing economy. Along with better-than-feared quarterly results from Apple Inc, the Fed's comments helped Wall Street reverse two down days triggered by profit warnings from US bellwethers that signaled a bigger impact from a slowdown in China. While the Fed said continued US economic and job growth were still "the most likely outcomes," it removed language from its December policy statement that risks to the outlook were "roughly balanced" and struck language that projected "some further" rate hikes would be appropriate in 2019. It also said it could alter the pace of its balance sheet reduction "in light of economic and financial developments". The Fed's balance sheet surged following the 2008 financial crisis, and many investors believe its effort to shrink it may stifle economic growth. Investors in recent months have become more concerned about the global economy. US corporate results have shown companies including Apple, Intel Corp and Caterpillar Inc are feeling pain from the slowing expansion of China's economy, which has been hurt by a trade conflict with the US. Apple shares jumped 6.83% after the company reported a sharp growth in services business, easing concerns after the iPhone maker earlier this month cut current-quarter sales forecast. Boeing gained 6.25% after the world's largest plane-maker forecast full-year profit and cash flow above analysts' estimates amid a boom in air travel and speedier 737 production. Following the Fed's rate announcement, all three main US stock indexes extended gains from earlier in the session and the S&P 500 closed at its highest since Dec. 6. Investors were also tracking the latest round of talks between Washington and Beijing that began on Wednesday, the highest-level meeting since US President Donald Trump and Chinese President Xi Jinping agreed to a 90-day truce to their trade war in December. The Philadelphia Semiconductor index surged 2.87%, while the S&P technology index jumped 3.03%. Microsoft Corp and Facebook Inc, set to report after the closing bell, rose 3% or more.

Gulf stock markets were mixed yesterday. Dubai index fell sharply, hurt by a fall in Dubai Islamic Bank. Egyptian index rose, partly lifted by Global Telecom Holding rising on the prospect of going private.

German bond yields dropped to a 4-week low on Thursday after the US Fed signaled its 3-year drive to tighten monetary policy might be at an end amid a cloudy outlook for the world's largest economy. The yield on Germany's 10-year bond, the benchmark for the euro zone, dropped two basis points to 0.162%, tracking US 10-year Treasury yields lower, which also hit a new 2-week low. Most other euro zone bond yields were between 1-3 bps lower, and France's 10-year bond yield dropped to its lowest in over two years at 0.573%, down 2 bps on the day.

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AMERICA			
DOW JONES	25014.86	1.77%	7.23%
S&P 500	2681.05	1.55%	6.95%
NASDAQ	7183.08	2.20%	8.26%
S&P/TSX	15484.55	0.14%	8.11%
EUROPE			
STXE 600	358.51	0.36%	6.18%
FTSE 100	6941.63	1.58%	3.17%
CAC 40	4974.76	0.95%	5.16%
DAX	11181.66	-0.33%	5.90%
ASIA PACIFIC			
S&P/ASX 200	5864.65	-0.37%	3.87%
NIKKEI 225	20773.49	1.06%	3.79%
TOPIX	1567.49	1.08%	4.91%
CSI 300 (China)	3199.83	0.99%	6.28%
MENA			
Saudi Arabia	8583.63	0.03%	9.67%
Abu Dhabi	5004.85	-0.56%	2.00%
Dubai	2538.56	-1.07%	0.63%
Qatar	10719.40	-0.03%	4.00%
Oman	4215.76	1.04%	-3.09%
Egypt	14093.40	0.84%	8.11%
Kuwait	5438.10	0.43%	2.76%
Bahrain	1392.46	0.48%	4.04%
10-YEAR BONDS			
U.S.	2.6738	-0.0037	-0.0104
Germany	0.1760	-0.0120	-0.0660
U.K.	1.2550	-0.0140	-0.0220
France	0.5850	-0.0120	-0.1250
Australia	2.2430	0.0010	-0.0750
Japan	0.0020	-0.0030	-0.0010

Major Company News

- Microsoft Corp on Thursday met Wall Street's targets for its quarterly results and forecast, though Azure cloud computing sales grew more slowly than a year earlier.
- PayPal Holdings Inc shares fell almost 4% in after-hours trading on Wednesday after the online payments company forecast revenue for the current quarter short of Wall Street's expectations.
- Brazil's miner Vale SA said on Wednesday it has postponed the scheduled release of earnings and production reports as it focuses on the consequences of the deadly Brumadinho dam disaster.
- Japan's Nintendo Co Ltd reported a 36% jump in quarterly operating profit on Thursday, beating market expectations, buoyed by strong software sales of its hybrid home-portable Switch device.
- South Korea's LG Electronics Inc posted its slowest quarterly profit growth in two years on Thursday citing higher marketing costs and tougher competition in the television business.
- Moody's will not change the credit rating for Mexican national oil firm Pemex in first half of 2019, the agency's Senior Vice President Nymia Almeida said on Wednesday, according to local media.
- Grocery distributing company United Natural Foods Inc filed a lawsuit on Tuesday against Goldman Sachs and BoFA claiming the investment banks put their financial interests ahead of the company's when they advised it on a multi-billion acquisition last year.
- Venezuela has told dozens of expatriate staff working for Citgo Petroleum Corp in the US that they must return to Caracas by the end of February, following US sanctions aimed at forcing socialist President Nicolas Maduro from power. (Reuters)
- Roche Holding AG's profit beat estimates in Q4 and the Swiss pharma giant said the same new guard of medicines that drove the results will help bolster profit this year as it moves away from aging blockbuster.

TOP SELECTED NEWS

UK house prices stagnate ahead of Brexit: Nationwide

(Reuters) British house prices rose by just 0.1% in annual terms in January, their weakest increase in nearly six years, adding to signs of a slowdown in the country's housing market ahead of Brexit, data from mortgage lender Nationwide showed. Nationwide said the housing market's loss of momentum reflected the unusually "uncertain economic outlook" but if the economy grew modestly, house prices on a national level would probably grow "at a slow single-digit pace" this year. In monthly terms, prices rose by 0.3%. Britain is due to leave the European Union on March 29 but Prime Minister Theresa May, under pressure from her own Conservative Party, says she wants to change a key part of the withdrawal agreement she struck with the rest of the bloc. That has raised the prospect of an economically damaging no-deal Brexit. Britain's housing market has slowed since the Brexit referendum in June 2016 when Nationwide estimated house prices were rising by around 5% a year. Surveys published earlier on Thursday showed British consumers remained their gloomiest in five-and-a-half years and businesses were also downbeat.

Facebook sales beat estimates

(Bloomberg) Facebook Inc. reported revenue that beat Wall Street estimates as advertisers stuck with the social media company through a series of privacy scandals. The company said Q4 sales were \$16.91 billion, ahead of the \$16.4 billion analysts expected. Earnings also topped expectations, sparking a share surge of more than 11% in extended trading on Wednesday. Facebook's audience grew, bolstering its ability to collect data from users that can lure advertisers. Daily active users averaged 1.52 billion in December, up 9% from a year earlier and slightly ahead of Wall Street forecasts. The company also reported an uptick in users in mature markets like Europe, which investors were concerned had reached saturation.

Apple is said to prep new 3-D camera for 2020 iPhones in AR push

(Bloomberg) Apple Inc. plans to launch iPhones with a more-powerful 3-D camera as soon as next year, stepping up the company's push into augmented reality, according to people familiar with the plans. The rear-facing, longer-range 3-D camera is designed to scan the environment to create three-dimensional reconstructions of the real world. It will work up to about 15 feet from the device, the people said. That's in contrast with the current iPhone 3-D camera system, which points toward users and operates at distances of 25 to 50 centimeters to power Apple's Face ID facial-recognition feature. Apple's new system uses a laser scanner, rather than the existing dot-projection technology which doesn't work as well over longer distances, according to the people, who asked not to be identified discussing unreleased features. That's just one of many new features -- including a third, more advanced camera, enhanced photo-capture tools and a more powerful chip -- that Apple plans to include in coming generations of iPhones, the people said.

Samsung Electronics forecasts weaker 2019 earnings

(Reuters) Samsung Electronics Co Ltd warned of weaker earnings in 2019 as it posted a 29% drop in Q4 operating profit on Thursday, hit by a slowdown in demand for memory chips. The global market leader in computer chips and smartphones said it expected "overall annual earnings to decline" this year, although sales of memory products would begin to revive in the second half. Uncertainties over US-China trade tensions and China's sluggish economy bode ill for global electronics makers in 2019, pressuring demand for memory chips, smartphones and display panels, analysts say. But some investors are hoping for a recovery for Samsung in the second half, fueled by chip sales to data centers, the rollout of 5G wireless technology and the launch of new gadgets including its long-promised, high-end foldable smartphone.

Alibaba rallies on profit beat, optimistic commentary

(Reuters) E-commerce giant Alibaba Group Holding Ltd reported quarterly profit far above market expectations and played down worries of Chinese economic slowdown and US tariff effects, sending its shares up 6%. While quarterly revenue grew at its weakest pace since 2016 and modestly missed estimates, gross merchandise volume (GMV) - a key metric - grew at a solid 29% and the company's budding cloud business continued to show promise. Tech investors have fretted over the impact of a slowing Chinese economy and a crippling Sino-US trade war, which have been blamed for weak results at a slew of companies including Apple Inc and chipmakers. However, Alibaba's earnings results - often seen as a yardstick of consumer spending in the world's second-largest economy - are likely to ease some worries. "Concerns about trade tensions might affect sentiment, but Alibaba's exposure to the tangible effects of trade tariffs is small," Alibaba's executive vice-chairman, Joe Tsai, said on a post-earnings call on Wednesday. "For our businesses in e-commerce, consumer services, entertainment and cloud computing, the primary growth driver is not exports but domestic consumption and corporate transformation."

Vale's Brazil disaster to prompt buyers to take more Australian iron ore

(Reuters) Vale SA's catastrophic dam failure in Brazil may knock it off its perch as the biggest iron ore exporter as the resulting rally in high-grade ore prices steers buyers towards rivals offering cheaper ore, industry sources said on Wednesday. The world's largest iron ore miner is facing public ire and tougher regulation after the collapse of its tailings dam in the Brazilian region of Brumadinho killed at least 84 in one of the country's worst ever industrial disasters. Hundreds are still missing and presumed dead. Vale on Tuesday said it would take up to 10% of its output offline as it decommissions a total of 19 dams over three years, a move that would cut up to 40 million tonnes of iron ore production a year. That could dethrone Vale as the No.1 supplier of sea-borne iron ore, and benefit Australian rivals such as Rio Tinto, BHP Group and Fortescue Metals Group, said Vivek Dhar of Commonwealth Bank.



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