

GLOBAL MARKETS

Wednesday, January 02, 2019

Markets in brief

- Year 2019 started with market pessimism over global economic growth and ongoing political standoff in the United States, notwithstanding Brexit uncertainties.
- Asian stocks traded down in the first trading day of the year after weak Chinese data.
- Safe-haven assets firmed with the Japanese yen hitting earlier 109.13 per dollar, its highest since June 1 (7-month high). Treasuries rose pushing 10-year yield to 2.677%, its lowest since February 6 (11-month low).
- Australian dollar was lower but managed to recover slightly from \$0.7002 hit earlier.
- Euro was able to benefit from dollar weakness to trade close to \$1.15 level.
- Oil prices edged lower as weak global concerns keep weighing on demand outlook.

Global equities had a red year

Equities around the world ended the year largely in the red, victims of investor anxiety over trade tensions and slowing economic growth. Asian and European shares had been sluggish for much of the year, and in recent months, U.S. stocks followed suit. The S&P 500 dropped more than 9% in December, its largest decline since the Great Depression. For the year, the index slid more than 6%, its biggest drop since the 2008 financial crisis. Asia-Pacific shares outside Japan ended down 16% for the year, while the STOXX 600 was more than 13% lower. MSCI's gauge of stocks around the globe fell 11.1% in 2018. MSCI's emerging markets index rose 0.32%, while the MSCI world stock index gained 0.66%.

No end in sight for U.S. government shutdown

Congress was set to reconvene on Wednesday with no signs of a workable plan to end a 12-day-old partial shutdown of about a quarter of the U.S. government, and President Donald Trump not budging on his demand for \$5 billion in border wall funding. Both the Senate and House of Representatives, returning from a short New Year's Day break, will meet briefly, marking the last day of the Republican-controlled 2017-2018 Congress, one that was marked by deep partisan division. Separately, Trump has invited the top Democratic and Republican leaders in Congress to the White House on Wednesday for what congressional sources described as a border security briefing.

Kim sending mixed messages ... Trump ready for another meeting

Trump said North Korean leader Kim Jong Un has promised not to make or test nuclear weapons and is ready for a meeting any time. "I also look forward to meeting with Chairman Kim," Trump tweeted. This after Kim warned in a nationally televised speech that his country may take a "new path" in nuclear talks if economic sanctions aren't eased. While Kim affirmed his willingness to meet again with Trump, he also proposed more "cooperation with socialist countries."

FX & COMMODITIES	LAST	1D
EUR/\$	1.1489	0.21%
GBP/\$	1.2761	0.16%
AUD /\$	0.7035	-0.26%
NZD/\$	0.6714	-0.04%
\$/JPY	109.21	0.49%
\$/CAD	1.3590	0.30%
\$/CHF	0.9807	0.09%
Gold \$	1286.45	0.30%
Silver \$	15.45	-0.41%
Platinum \$	795.13	-0.10%
WTI \$	44.86	-1.21%
BRENT \$	53.08	-1.34%
AMERICA		
DOW JONES	23327.46	1.15%
S&P 500	2506.85	0.85%
NASDAQ	6635.28	0.77%
EUROPE		
STXE 600	337.65	0.42%
CAC 40	4730.69	1.11%
DAX	10558.96	-
ASIA PACIFIC		
S&P/ASX 200	5557.76	-1.57%
NIKKEI 225	20014.77	-
CSI 300 (China)	2969.39	-1.37%
MENA		
Saudi Arabia	7798.39	-0.36%
Dubai	2524.25	-0.22%
Qatar	10279.92	-0.19%
BONDS		
U.S. 10-year	2.6912	0.0001
German Bund 10-year	0.2310	-0.0001
AU 10-year	2.2890	-0.0003
BEIRUT S.E.		
SOLIDERE - A	7.00	-
SOLIDERE - B	7.19	8.12%
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.90	-
BLOM BANK	9.25	-
BYBLOS BANK	1.37	-0.72%
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.57	-

FX & COMMODITIES

Safe-haven currencies such as the yen rose against the dollar on Wednesday, as a cautious mood prevailed on the first trading day of the year on concerns over global growth, the US government shutdown and a slower pace of Fed rate hikes. The yen gained 0.49% against the dollar to 109.21 in Asian trade. Trading volumes remained light as global markets reopened after the New Year's Day holiday. Japanese markets remain closed on Wednesday. The yen has strengthened for three straight weeks on investors' lower appetite for risk. Fears of a global slowdown were aggravated on Wednesday by a survey showing China's factory activity contracted for the first time in 19 months in December as domestic and export orders continued to weaken. With business conditions expected to get worse before they get better, China is expected to roll out more support measures in coming months on top of a raft of initiatives in 2018.

The Australian dollar, whose fortunes largely depend on the Chinese economy to which Australia sends a bulk of its commodities, fell 0.26% to \$0.7035. The dollar gained 0.05% versus the offshore yuan at 6.8681.

While market participants remain concerned about the broader investment outlook, renewed hopes for a resolution to the US-Sino trade dispute have provided some cause for optimism. On Sunday, US President Donald Trump indicated that progress had been made towards a potential settlement of trade tensions which had plagued stock markets for much of 2018. On Wednesday, the dollar index was relatively lower from Monday's close, fetching 95.918. Rising interest rates drove the dollar's outperformance in 2018 with the Fed raising rates four times over the year, as unemployment remained at historically low levels and wage pressures rose. However, the dollar has been under pressure in recent weeks as investors grow increasingly nervous about a slowdown in the US economy and peak corporate earnings growth. The US 10-year Treasury yield fell by around 35 bps over December to 2.69% as bond traders bet that the Fed would not be able to raise rates in 2019 due to slowing economic momentum.

The euro slipped as traders expect the single currency to remain under pressure after both growth and inflation in the eurozone remain below the European Central Bank's expectations. The euro lost 4.4% of its value versus USD in 2018.

The British pound weakened. The pound lost 5.5% versus the greenback last year due to Brexit woes. With three months until the UK is due to leave the EU, British Prime Minister Theresa May's Brexit deal is floundering and traders expect sterling to remain under pressure.

Oil markets dropped by around 1% in 2019's first trading on Wednesday, pulled down by surging US output and concerns about an economic slowdown in 2019 as factory activity in China, the world's biggest oil importer, contracted. In physical oil markets, Dubai crude averaged \$57.318 a barrel for December, the lowest since October 2017, two traders who participate in the market said on Wednesday. Similarly, Malaysia's Petronas set the official selling price of a basket of December-loading Malaysian crude grades at \$62.79 a barrel, the lowest since October 2017, the state oil firm said on Wednesday.

	LAST	1D	YTD
CURRENCIES			
DXY	95.918	-0.17%	-0.27%
EUR/\$	1.1489	0.21%	0.19%
GBP/\$	1.2761	0.16%	0.05%
AUD / \$	0.7035	-0.26%	-0.20%
NZD/\$	0.6714	-0.04%	-0.07%
\$/JPY	109.21	0.49%	0.44%
\$/CAD	1.3590	0.30%	0.35%
\$/CHF	0.9807	0.09%	0.14%
\$/SEK	8.8605	0.13%	-0.08%
\$/NOK	8.6412	0.04%	0.00%
\$/DKK	6.4990	0.21%	0.19%
\$/TRY	5.2948	-0.48%	-0.10%
EUR/GBP	0.9003	-0.18%	-0.15%
EUR/JPY	125.51	0.29%	0.26%
EUR/CHF	1.1268	-0.04%	-0.11%
COMMODITIES			
Gold Spot \$/Oz	1286.45	0.30%	0.31%
Silver Spot \$/Oz	15.45	-0.41%	-0.31%
Platinum Spot \$/Oz	795.13	-0.10%	-0.07%
Palladium Spot \$/Oz	1266.86	0.46%	0.40%
COPPER \$/lb	265.05	0.74%	0.74%
WTI \$/bbl	44.86	-1.21%	-1.21%
BRENT \$/bbl	53.08	-1.34%	-1.34%

In focus today

	TIME (LT)	EVENT	FCAST	PRIOR
		Japan Holiday		
EUR	11:00	Eurozone Manufacturing PMI	51.4	51.4
GBP	11:30	UK Manufacturing PMI	52.5	53.1
CAD	16:30	Canada Manufacturing PMI		54.9
USD	16:45	US Manufacturing PMI	53.9	53.9

Thursday: US ADP Nonfarm Employment, US ISM Manufacturing PMI
Friday: Eurozone Services PMI, Eurozone CPI Flash Estimate, Canada Jobs Report, US Jobs Report, Fed Chair Powell speaks

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STOCKS & BONDS

Asian shares turned tail on the first trading day of the new year as more disappointing economic data from China darkened the mood and upended US stock futures. MSCI's broadest index of Asia-Pacific shares outside Japan skidded 1.6% as a private sector survey showed China manufacturing activity contracted for the first time in 19 months. The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) for December fell to 49.7, from 50.2 in November, and followed a poor official survey on factory output. The Shanghai blue chip index quickly shed 1.2% and South Korea fell 1.5%. Japan's Nikkei was closed for a holiday. E-Mini futures for the S&P 500 ES1 were stripped of early gains to be down 0.8%, while FTSE futures dropped 0.6%. Spreadbetters also pointed to opening losses for the other main European bourses.

US stocks advanced in low-volume trading on Monday as revelers gathered to ring in 2019, marking the end of the worst year for US stocks since 2008, the height of the financial crisis. Trading volume was relatively light, owing to the holiday as the US federal government shutdown entered its 10th day. Healthcare and tariff-sensitive technology stocks, led by Boeing Co and Caterpillar Inc, provided the biggest boost to the S&P 500 on Monday. All 11 major sectors in the S&P 500 ended the session in positive territory. But for the year, only healthcare and utilities ended 2018 higher. Energy, materials, communication services, industrials and financials were the biggest %age losers of 2018, down between 14.7% and 20.5% from the beginning of the year. The 20.5% drop of energy stocks in 2018 was largely attributable to crude prices plunging 38% since early October.

Most Gulf stock markets were closed yesterday and many investors absent because of year-end holidays. Saudi index edged down in very thin trade, after closing last year 8.3% higher. Trading volume was the lowest since April 2014, according to Refinitiv data.

Equities around the world rose on Monday as possible progress in resolving the trade dispute between the US and China engendered some investor optimism in what has been a punishing end of year for markets. Despite Monday's advance, equities ended the year largely in the red, victims of investor anxiety over trade tensions and slowing economic growth. Asian and European shares had been sluggish for much of the year, and in recent months, US stocks followed suit. The S&P 500 dropped more than 9% in December, its largest decline since the Great Depression. For the year, the index slid more than 6%, its biggest drop since the 2008 financial crisis. Asia-Pacific shares outside Japan ended down 16% for the year, while the STOXX 600 was more than 13% lower. MSCI's gauge of stocks around the globe fell 11.1% in 2018. MSCI's emerging markets index rose 0.32%, while the MSCI world stock index gained 0.66%.

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S&P/TSX	14322.86	0.71%	-11.64%
EUROPE			
STXX 600	337.65	0.42%	-13.24%
FTSE 100	6728.13	-0.09%	-12.48%
CAC 40	4730.69	1.11%	-10.95%
DAX	10558.96	-	-18.26%
ASIA PACIFIC			
S&P/ASX 200	5557.76	-1.57%	-6.90%
NIKKEI 225	20014.77	-	-12.08%
TOPIX	1494.09	-	-17.80%
CSI 300 (China)	2969.39	-1.37%	-25.31%
MENA			
Saudi Arabia	7798.39	-0.36%	8.31%
Abu Dhabi	4915.07	1.90%	11.75%
Dubai	2524.25	-0.22%	-24.93%
Qatar	10299.01	0.15%	20.83%
Oman	4333.39	0.22%	-15.21%
Egypt	13035.77	0.70%	-13.19%
Kuwait	5079.76	0.14%	5.16%
Bahrain	1337.26	0.37%	0.42%
10-YEAR BONDS			
U.S.	2.6912	0.0070	0.2788
Germany	0.2310	-0.0110	-0.1850
U.K.	1.2770	0.0000	0.0870
France	0.6940	-0.0160	-0.0750
Australia	2.2890	-0.0290	-0.3120
Japan	0.0030	0.0000	-0.0450

Major Company News

- Alphabet Inc's Google unit won approval from US regulators to deploy a radar-based motion sensing device known as Project Soli.
- TerraPower LLC, a nuclear energy venture chaired by Microsoft Corp co-founder Bill Gates, is seeking a new partner for early-stage trials of its technology after new US rules forced it to abandon an agreement with China, company officials told the Wall Street Journal.
- David Einhorn closed out 2018 with his biggest annual loss ever for the 22-year-old Greenlight Capital. The firm's main hedge fund fell 9% in December, extending this year's decline to 34%, according to an investor update viewed by Bloomberg.
- Hyundai Motor on Wednesday announced their combined 2019 global sales target at 4.68 million vehicles. Hyundai had also set a combined sales goal of 4.68 million vehicles for 2018. The automaker is set to disclose 2018 sales later on Wednesday.
- Activision Blizzard Inc on Monday said it intends to terminate Chief Financial Officer Spencer Neumann for reasons unrelated to the video game publisher's financial reporting or disclosure controls and procedures.
- Chinese gold miner Zijin Mining Group Co Ltd said it plans to sell up to 8 billion yuan (\$1.16 billion) worth of new shares in Shanghai to help fund its purchase of Canada's Nevsun Resources Ltd .

TOP SELECTED NEWS

Partial Federal shutdown carries into 2019

(Bloomberg) The partial US government shutdown extended into the new year Tuesday with no signs of progress toward a spending deal between Congress and President Donald Trump as the effects of the 11-day-old stalemate become increasingly visible. Smithsonian Institution museums and the National Zoo in Washington are set to close Wednesday for lack of funds. The Federal Communications Commission will suspend most operations Thursday, no longer taking consumer complaints and halting review of proposed mergers such as wireless provider T-Mobile US Inc.'s \$26.5 billion bid for Sprint Corp. The American Federation of Government Employees said it sued the government Monday on behalf of more than 400,000 federal employees who are having to work without pay. Government employees who worked without pay receive checks automatically as soon as a shutdown is resolved, while Congress typically also votes to pay those who were furloughed. But the union says it won a court ruling after the 2013 shutdown that federal law requires workers to be paid on time. Nancy Pelosi is set to reclaim the speaker's gavel on Thursday, when Democrats take control of the House of Representatives. Her first order of business is expected to be passing two bills to fund the federal departments that are closed, without providing extra money for Trump's border wall. One measure would reopen eight departments through September 2019 and the other would temporarily reopen the Department of Homeland Security, which is at the center of the fight over border wall funding, through Feb. 8. But the Senate doesn't plan to rubber-stamp the House plan.

Macron ends Annus Horribilis, calls on the efforts

(Bloomberg) French President Emmanuel Macron urged his fellow citizens to look at "reality face-to-face" and embrace future reforms and modernization as he's confronting fierce opposition to his plans for the euro zone's second-largest economy. "The anger of 2018 shows we are not resigned -- we want to build a better future," Macron said, in a nod to the the Yellow Vest grass root movement roiling the country. The 16-minute address broadcast nationwide Monday night was taped in his office at the Elysee presidential palace in Paris. Standing before a window, Macron gestured to emphasize certain points and flashed a smile when talking of the future and of the country's World Cup victory in July. The French leader, in keeping with presidential practice, offered his review of the last year while extending best wishes to the nation for 2019. He called for "truth, dignity and hope" and said that "our future will be insured by recovering our unity and by an effort by each and everyone."

Italy's President chastises populists for marathon budget

(Bloomberg) President Sergio Mattarella, who has sought to rein in Italy's populist leaders, took the government to task for ramming spending plans through parliament and warned that the country's debt mountain penalizes ordinary citizens. The head of state used his year-end televised address Monday night to issue thinly-veiled reprimands to the coalition dominated by euroskeptic Deputy Premiers Matteo Salvini and Luigi Di Maio, calling for measures promised in the 2019 budget to be "verified attentively" given the lack of debate.

Big banks look to alter credit card rewards programs: WSJ

(Reuters) Large financial institutions including JP Morgan Chase, Citigroup, and American Express Co are cutting back or altering some of the rewards plans that their credit card businesses offer borrowers, the Wall Street Journal reported on Tuesday. The financial institutions don't plan to end rewards entirely, but want to alter them in ways that boost credit card usage and reduce upfront rewards bonuses, people familiar with the matter told the Journal. Banks have historically offered rewards such as free air travel to users of premium credit cards both to lure customers and prompt them to spend more on their cards. But some financial institutions are now looking to revise their rewards strategies, which have been under pressure as consumers become more savvy in their use of the credit cards, the Journal said. The cost of rewards programs had grown an average 15% on a year-over-year basis as of the third quarter of 2018 at several of the biggest credit card providers, bank analyst Charles Peabody told the Journal. At the same time, another major revenue stream from credit cards - fees paid by retailers to the credit card companies - are diminishing as retailers push back through lawsuits against what they consider excessive charges, the Journal said.

The unexpected moneymaker: euro zone gov't bonds

(Reuters) Economic optimists have for years been misguidedly predicting the twilight of the boring, safety-first bond market. And the year gone by was another one that proved them wrong, particularly in the euro zone. Investors who bought government bonds from euro zone countries — with the admittedly large exception of Italy — at the start of 2018 booked a healthy profit if they held them to the end of the year. Even with the European Central Bank dialling back its stimulus, the dulling of a once-rosy growth outlook and political tensions made "boring" look attractive again. Demand was stoked by Italy's wrangling with Brussels over its budget plan, uncertainty over Britain's impending exit from the the EU, and global trade tension. This brought an astonishing 3.36% return on German 10-year bonds, defying start-of-year predictions of a return around 1% - after two years near zero because of massive ECB bond buying. And those bonds end the year yielding just 0.25%. Even across the Atlantic, where the US Fed hiked rates four times in 2018, the return on 10-year US Treasury yields is set to end only marginally in the red. But if German bonds benefited from investors dashing for safety, the story has been more positive elsewhere in the bloc. Leading the pack is Portugal, its 10-year government bonds returning a stellar 4.6%, with the Spanish equivalent a shade behind at 4.3%.

Dubai 2019 budget halts spending growth

(Reuters) Dubai expects to almost halt the growth of state spending this year as revenues expand more slowly because of the emirate's efforts to stimulate business investment, according to the 2019 state budget released on Tuesday. State spending will total 56.8 billion dirhams (\$15.5 billion), the plan showed. That would be only a marginal increase from last year's original budget plan of 56.6 billion dirhams, which was a 19.5% rise from 2017. Last year, budgeted infrastructure spending shot up by close to 50%, to 11.9 billion dirhams, as Dubai made preparations to host the Expo 2020 world's fair.



Wednesday, January 02, 2019

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For further inquiries, feedback, and trading services:

GLOBAL MARKETS DIVISION

Phone:

+961 1 960501

Email:

treasury@bankofbeirut.com.lb

PRIVATE BANKING DEPARTMENT

Phone:

+961 1 960531/2/3

Email:

privatebanking@bankofbeirut.com.lb

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