GLOBAL MARKETS

Thursday, January 03, 2019

FX & COMMODITIES	LAST	1D
EUR/$	1.1365	0.19%
GBP/$	1.2547	-0.48%
AUD /$	0.6961	-0.34%
NZD/$	0.6642	-0.20%
$/JPY	107.51	1.27%
$/CAD	1.3619	-0.29%
$/CHF	0.9868	0.33%
Gold $	1289.16	0.36%
Silver $	15.59	0.41%
Platinum $	795.28	-0.01%
WTI $	45.65	-1.91%
BRENT $	54.37	-0.98%
AMERICA		
DOW JONES	23346.24	0.08%
S&P 500	2510.03	0.13%
NASDAQ	6665.94	0.46%
EUROPE		
STXE 600	337.21	-0.13%
CAC 40	4689.39	-0.87%
DAX	10580.19	0.20%
ASIA PACIFIC		
S&P/ASX 200	5633.41	1.36%
NIKKEI 225	20014.77	-0.31%
CSI 300 (China)	2964.84	-0.16%
MENA		
Saudi Arabia	7778.89	-0.15%
Dubai	2520.53	-0.36%
Qatar	10280.34	-0.18%
BONDS		
U.S. 10-year	2.6220	0.0000
German Bund 10-year	0.1600	-0.0001
AU 10-year	2.1750	-0.0011

BEIRUT S.E.		
SOLIDERE - A	6.88	-1.71%
SOLIDERE - B	7.19	-
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	4.90	-
BLOM BANK	9.25	-
BYBLOS BANK	1.37	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.57	-

Markets in brief

- Currency markets calmed down after “few minutes” of high volatility amid lack liquidity and computerized sales. The safe-haven yen surged to 104.87 per dollar (highest since March 2018) before recovering back to 107 level.
- Being directly affected by risk sentiment, the Australian dollar was pressured down around 4% to near $0.6741 (lowest since March 2009) before recovering back to near $0.70 level. AUD/JPY recovered to 75.18 yen from a low of 70.642 yen.
- Euro traded marginally higher. However, it dropped against the yen to 118.71 before rebounding back to 122 level.
- British pound traded lower after hitting earlier $1.2441, its lowest since April 11, 2017 (21-month low).
- Safe-haven Treasuries firmed pushing 10-year yields to 2.6185%, its lowest since January 25 (almost 1-year low)
- Asian stocks and U.S. stocks futures tumbled today after Apple’s warning signs.
- U.S. stocks managed to close yesterday’s session slightly higher despite its early fall.

Apple surprising markets with bad news ...

Apple Inc on Wednesday took the rare step of cutting its quarterly sales forecast, with Chief Executive Tim Cook blaming slowing iPhone sales in China, whose economy has been dragged down by uncertainty around U.S.-China trade relations. The news, which comes as a spotlight grows on Beijing's attempts to revive stalling growth, sent Apple shares tumbling in after-hours trade, hammered Asian suppliers and triggered a broader selloff in global markets. The company trimmed its first-quarter sales forecast to about $84 billion from at least $89 billion earlier.

... and global markets stumbled

U.S. stock-index futures tumbled with Apple's suppliers in Asia after the iPhone maker's latest woes added to worries about slowing global growth and weaker earnings and jolted currency markets.

... a Flash Crash followed

The Japanese currency surged as part of a "flash crash" spurred in part by short-covering of crosses by Japanese retail investors. It took seven minutes for one yen cross rate to breach levels not seen in almost a decade. Traders said the moves were spurred by “algo programs” after the yen blew through key thresholds in thin trade on retail buying. According to Reuters report, this is related to lack of liquidity and computerized sales. One theory was that Japanese investors who had been crowded into trades borrowing yen to buy higher yielding currencies, were forced out in masse when major chart levels cracked.

U.S. government shutdown ... No progress

No agreement came out of a meeting between U.S. congressional leaders and President Donald Trump on Wednesday to end a partial government shutdown now in its 12th day as the president stuck to his demand for $5 billion in border wall funding fiercely opposed by Democrats. Congressional leaders are expected to return to the White House on Friday to resume talks, signaling the shutdown will likely stretch into the weekend.

FX & COMMODITIES

The yen soared versus its peers on Thursday, breaking through key technical support levels as heightened global growth risks pushed investors into safe haven-assets in moves exacerbated by thin holiday volumes. Charging the risk averse mood was a rare revenue warning from Apple Inc, which added to worries about fading global demand. Apple cut its sales forecast for its latest quarter, citing slowing iPhone sales in China. That followed a series of surveys that showed factory activity weakening across much of Europe and Asia in December. Market participants fled to the safety of the highly liquid Japanese yen, which rose 1.4% versus the dollar on Thursday, fetching 107.51. In early Asian trade, the dollar tumbled to an intra-day low of 104.87 yen, its lowest since March 2018 before recovering some of its losses as trading progressed. The spike in risk aversion triggered massive stop-loss flows from investors who had held short positions on the yen for months. A lack of liquidity, with Japan still on holiday after the New Year, added to the sharp surge. Market participants described the move as a “flash crash” in major currencies against the yen, driven primarily by technical, not fundamental, factors. Longer-term, however, analysts see other reasons for the yen to rise.

The Australian dollar, often considered a gauge of global risk appetite, fell to its lowest level since 2009 in early Asian trade to an intra-day low of $0.6741. It last traded at $0.6961, down 0.34%. Weaker-than-expected data out of China, Australia’s largest trade partner has taken the shine off the Aussie dollar in recent weeks. Analysts think the outlook for the Aussie dollar can improve if there is significant progress in US-Sino trade talks which are scheduled to take place later this month. Against the yen, the Aussie dollar fell 1.65% to 74.81.

The dollar index against other major currencies fell 0.27% to 96.554. After a strong 2018, analysts expect the dollar to come under pressure in coming months with diminishing prospects for US central bank rate hikes in 2019, which has driven Treasury yields lower. The yield on US 10-year treasuries fell to 2.62%, the lowest in nearly a year on Wednesday. Fed chairman Jerome Powell speaks in Atlanta on Jan. 4. Any acknowledgement that growth risks are building and financial conditions are tightening is likely to be read by traders as a dovish policy signal.

The British pound fell 0.48% to $1.2547. The euro was marginally higher at $1.1365. On Wednesday, the single currency fell 1% after data showed manufacturing activity contracted in Spain, France, Italy, and Germany.

Oil prices fell by 1 to 2% on Thursday amid volatile currency and stock markets, and on concerns that an economic slowdown in 2019 will cut into fuel demand just as crude supplies are surging. China’s Shanghai crude oil futures, launched only in March 2018, have since late last year established a slight but steady price premium over the Brent benchmark, last trading at 379.8 yuan ($55.24) per barrel.

	LAST	1D	YTD
CURRENCIES			
DXY	96.554	-0.27%	0.40%
EUR/$	1.1365	0.19%	-0.89%
GBP/$	1.2547	-0.48%	-1.62%
AUD /$	0.6961	-0.34%	-1.25%
NZD/$	0.6642	-0.20%	-1.15%
$/JPY	107.51	1.27%	2.03%
$/CAD	1.3619	-0.29%	0.13%
$/CHF	0.9868	0.33%	-0.48%
$/SEK	9.0151	0.02%	-1.79%
$/NOK	8.7379	-0.25%	-1.11%
$/DKK	6.5703	0.19%	-0.90%
$/TRY	5.4324	-0.58%	-2.63%
EUR/GBP	0.9058	-0.68%	-0.76%
EUR/JPY	122.20	1.10%	2.97%
EUR/CHF	1.1215	0.14%	0.36%
COMMODITIES			
Gold Spot $/Oz	1289.16	0.36%	0.52%
Silver Spot $/Oz	15.59	0.41%	0.59%
Platinum Spot $/Oz	795.28	-0.01%	-0.05%
Palladium Spot $/Oz	1265.94	0.15%	0.33%
COPPER $/lb	260.85	-0.55%	-0.86%
WTI $/bbl	45.65	-1.91%	0.53%
BRENT $/bbl	54.37	-0.98%	1.06%

In focus today ⌛

	TIME (LT)	EVENT	FCAST	PRIOR
		Japan Holiday		
USD	**15:15**	US ADP Nonfarm Employment	179k	179k
USD	**17:00**	US ISM Manufacturing PMI	57.7	59.3

Friday: Eurozone Services PMI, Eurozone CPI Flash Estimate, Canada Jobs Report, US Jobs Report, Fed Chair Powell speaks

Thursday, January 03, 2019

STOCKS & BONDS

US stock futures fell and Asian shares stumbled on Thursday after a rare revenue warning from Apple Inc added to worries about slowing global growth and weaker earnings and jolted currency markets. Apple blamed fewer iPhone upgrades and slowing sales in China in its most recent quarter, its first such warning since 2007. Its shares tumbled in after-hours trade. The news sparked a 'flash crash' in holiday-thinned currency markets as investors rushed to less risky assets, with the Japanese yen soaring against most major currencies in a matter of seconds. US stock futures pointed to another rough start on Wall Street, with Nasdaq E-mini futures down 2.6% and S&P 500 E-mini futures off 1.6%. MSCI's broadest gauge of Asia-Pacific shares outside Japan fell 0.6% after an early attempt at a bounce. Japanese markets were closed for holidays but Nikkei futures dropped 2.2%. Shares in China and Hong Kong see-sawed between gains and losses as investors waited for Beijing to roll out fresh support measures for the cooling Chinese economy.

US stocks edged nominally higher on Wednesday after stumbling out of the starting gate on the first trading day of the New Year, as fears of a global economic slowdown were exacerbated after Apple Inc cut its current quarter revenue forecast. After struggling for direction for much of the session, all three major US stock indexes closed in positive territory. Whether those gains would hold in the days ahead, however, was cast into doubt after Apple Inc slashed its outlook after the market closed, citing weak sales in China. Apple's stock dropped 8% in extended trading after the news, while shares of its suppliers also weakened and S&P 500 e-mini futures ESv1 slid around 0.5%, signaling that Wednesday's modest advance was likely to be unwound when the market reopens on Thursday. Stocks had started Wednesday's session lower after separate reports showed a deceleration in factory activity in China and the euro zone, indicating that the ongoing trade dispute between the US and China was taking a toll on global manufacturing. Energy stocks led the S&P 500's advance and the sector was the index's biggest %age gainer, buoyed by a 2.4% jump in crude prices. The group was the worst performing S&P sector in 2018. Gains were offset by healthcare and so-called defensive sectors, such as real estate, utilities and consumer staples. Healthcare companies provided the biggest drag on the S&P 500 and the Dow. Of the 11 major sectors in the S&P 500, seven closed in positive territory. Banks got a boost from Barclays, as the broker wrote in a research note that the sector could outperform the S&P this year. The Dow Jones Industrial average was led higher with gains from Goldman Sachs and JPMorgan. Tesla Inc delivered fewer-than-expected Model 3 sedans in the fourth quarter and cut US prices. The electric automaker's shares slid 6.8%. General Electric Co jumped 6.3% in heavy trading as bargain hunters bought the stock in the wake of its over 50-percent plunge in 2018. In the coming weeks, the fourth-quarter reporting period will be underway. Analysts see S&P 500 companies posting profit gains of 15.8%, significantly smaller than the third quarter's 28.4% advance.

Major Gulf markets were weak yesterday, with some investors away on year-end holidays. Egypt's blue-chip stock index rose sharply, boosted by its biggest bank, while all The Egyptian index rose 1.3% as Commercial International Bank gained 1.9%.

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AMERICA			
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DAX	10580.19	0.20%	0.20%
ASIA PACIFIC			
S&P/ASX 200	5633.41	1.36%	-0.23%
NIKKEI 225	20014.77	-0.31%	0.00%
TOPIX	1494.09	-0.50%	0.00%
CSI 300 (China)	2964.84	-0.16%	-1.52%
MENA			
Saudi Arabia	7790.86	-0.10%	-0.61%
Abu Dhabi	4866.64	-0.99%	-1.26%
Dubai	2520.53	-0.36%	-0.70%
Qatar	10280.34	-0.18%	-0.42%
Oman	4301.88	-0.73%	-0.54%
Egypt	13204.37	1.29%	1.29%
Kuwait	5304.96	0.71%	1.18%
Bahrain	1329.47	-0.58%	-0.58%
10-YEAR BONDS			
U.S.	2.6220	0.0016	-0.0622
Germany	0.1600	-0.0050	-0.0820
U.K.	1.2090	-0.0680	-0.0680
France	0.6470	-0.0040	-0.0630
Autralia	2.1750	-0.1140	-0.1430
Japan	0.0030	0.0000	0.0000

Major Company News

- Tesla Inc on Wednesday cut US prices for all its vehicles to offset lower green tax credits, and fell short on quarterly deliveries of its mass-market Model 3 sedan, sending shares of the electric vehicle maker down nearly 7% on worries of future profitability.
- Britain's John Lewis said sales in its department stores rose 4.5% in the week ending December 29, boosted by strong demand on Christmas Eve and "a confident start to post-Christmas clearance both online and in shops".
- Netflix confirms former Activision Blizzard executive Spencer Neumann as new CFO.
- GM reached 200,000 cumulative US electric vehicle sales in 2018, triggering phase-out of federal tax credit by April 2020.
- Talks between ailing German public sector bank NordLB and fellow public-sector lender Helaba about a possible merger have ended, Germany daily Boersen-Zeitung reported on Thursday, citing no sources. (Reuters)
- Johnson & Johnson's sales in India dipped 3% in the year to March 2018, a regulatory filing showed on Thursday, as the US drugmaker grappled with the country's stringent medical device pricing policies.
- China's Didi Chuxing has launched a suite of financial products, including crowdfunding and lending, as it continues to diversify outside the ride-hailing business following a year of safety scandals.
- Chinese coffee startup Luckin is aiming to open 2,500 new stores this year and overtake Starbucks Corp as the largest coffee chain by number of outlets in the world's second-biggest economy, it said on Thursday.

TOP SELECTED NEWS

Trump trade war advantage slips as Apple cites slowing China

(Bloomberg) President Donald Trump's administration argues that the long-term gain from a trade war with China justifies short-term pain for consumers and investors. That case may be harder to defend now that the collateral damage includes one of America's most recognizable brands. Apple Inc. on Wednesday lowered its outlook for first-quarter revenue after a larger-than-expected slowdown in demand from China and fewer upgrades to models of the iPhone. In a letter to investors, Chief Executive Officer Tim Cook said the company didn't expect growth in emerging markets to slow so sharply, especially in China. Apple shares dropped in extended trading, dragging down futures on the broader S&P 500 Index. It's the latest evidence of how tensions between the world's two biggest economies are backfiring on the US, undercutting Trump's assurances that America could continue to grow quickly despite the conflict. At the same time, Chinese growth is decelerating more rapidly than many observers expected, leaving few winners on either side. Data this week showed a worsening picture for China's manufacturing sector. The IHS Markit gauge signaled a contraction for the first time since mid-2017, confirming a trend in the official index on Monday that showed the weakest reading since early 2016. In a report last month, retail sales posted the worst performance since May 2003, rising 8.1% in November from a year earlier.

OPEC output falls most in almost 2 yrs as Saudi cuts begin

(Bloomberg) Before its agreement to cut oil supplies even started, OPEC's production plunged by the most in almost two years last month. In a sign of the urgency felt by the cartel amid tumbling crude prices, leading member Saudi Arabia throttled back production, according to a Bloomberg survey of officials, analysts and ship-tracking data. The group's pact to curb output only formally started this week. The kingdom's deliberate cutbacks were compounded by unplanned losses in Iran, which is being targeted by US sanctions, and in Libya, where protests halted the biggest oil field. As a result, oil output from the OPEC fell 530,000 barrels a day to 32.6 million a day last month. It's the sharpest pullback since January 2017, when the group first embarked on its strategy to clear the glut created by rising supplies of US shale oil. A global coalition of oil producers known as OPEC+, which comprises both members of the group and other exporters including Russia, agreed on Dec. 7 to reduce output during the first six months of 2019. Crude prices failed to rally however, and instead slumped to the lowest in more than a year.

Global factory slump adds to 2019 central bank challenges

(Bloomberg) Manufacturing gauges across the world's largest economies stumbled at the end of last year, starting 2019 with fresh challenges for global growth and central banks. The global manufacturing index from JPMorgan Chase & Co. and IHS Markit fell in December to the lowest level since September 2016 as measures of orders and hiring weakened, data showed Wednesday. That followed other IHS Markit reports showing factory conditions slumped across Asia's most export-oriented economies, with China's signaling contraction for the first time since mid-2017 as Taiwan, Malaysia and South Korea also point to declines. Factory growth in EU fell to the lowest in almost three years. In the US, evidence is mounting that Trump's trade war is becoming a greater headwind for producers. Five Fed indexes of regional manufacturing all slumped in Dec, the first time they've fallen in unison since May 2016. Another gauge of American manufacturing, due Thursday, is projected to fall to an eight-month low. The growing pile of weaker data may increase pressure on the Fed to signal an immediate pause in its quarterly pace of interest-rate increases. Officials have already said they intend to slow down the pace of hikes this year. As policy makers raised rates in Dec for the fourth time in 2018, they penciled in just two moves for 2019, according to the median projection of Fed governors and district-bank presidents.

UK manufacturers step up stockpiling as Brexit looms

(Bloomberg) UK manufacturers are intensifying their stockpiling efforts as they brace for a potentially disruptive Brexit. Factories reported an almost record increase in stocks last month, IHS Markit said in a report Wednesday. New orders also picked up as firms and their clients rushed to protect themselves before the March exit date. "There is increased concern that the UK could leave the EU without a deal next March and this will lead to serious disruptions," said Howard Archer, chief economic advisor at EY Item Club. The UK is set to leave the European Union on March 29, and reaching an exit agreement before the deadline remains uncertain. Crashing out of the bloc may leave companies facing costly border delays. Jet-engine maker Rolls-Royce Holdings Plc said last month it was stockpiling parts in case of customs checks that could slow component deliveries. In December, the UK government stepped up preparations for a no-deal withdrawal, including asking pharmaceutical companies and supermarkets to stockpile drugs and food, and putting 3,500 troops on standby. Companies from drugmaker AstraZeneca Plc to cigarette producer Imperial Brands Plc have said they would build inventories ahead of Britain's exit. Retailers, meanwhile, are urging suppliers to ramp up production on concern their shelves will be depleted if there's no deal.

China easing expected as $625 billion 'liquidity hole' opens up

(Bloomberg) Sign up for China Rising, a new weekly dispatch on where China stands now and where it's going next. China will cut the reserve requirement ratio and improve funding conditions this month, as liquidity tightens toward the Spring Festival holidays, the country's largest securities firm says. Fresh demand for funds will amount to nearly 4.3 trillion yuan ($625 billion) in January, according to Citic Securities Co. and Bloomberg calculations. Mainland residents will withdraw 1 trillion yuan of cash in preparation for the holiday, when money is gifted in red envelopes. Corporate tax payments and maturities of lenders' interbank debt will also mop up liquidity, prompting authorities to step up cash injections. China cut the amount of cash banks need to set aside as reserves four times last year as the nation struggled with slower economic growth, record corporate bond defaults and a trade war with the U.S. The latest easing sign came Wednesday evening, when the PBOC adjusted a rule to boost the impact of previous RRR cuts. China International Capital Corp. said that may release as much as 400 billion yuan of liquidity.

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