

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Wall Street** struggled for direction, while **Treasuries** and **gold** prices fell on weak manufacturing data and after two Fed officials dampened hopes of future rate cuts. The **dollar** declined ahead of Jerome Powell's statement at Jackson Hole. **Oil** prices weakened.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26253.94	51.21	0.20	27398.68	21712.53
Nasdaq	7991.39	-28.82	-0.36	8339.64	6457.13
S&P 500	2923.06	-1.37	-0.05	3027.98	2443.96
Toronto	16253.46	-55.77	-0.34	16672.71	13776.88
FTSE	7128.18	-75.79	-1.05	7727.49	6599.48
Eurofirst	1471.62	-7.07	-0.48	1554.34	1308.86
Nikkei	20628.01	9.44	0.05	22362.92	19241.37
Hang Seng	26048.72	-221.32	-0.84	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.6097	-10 /32
2-year	1.6141	-3 /32
5-year	1.4946	-5 /32
30-year	2.1026	-37 /32

FOREX	Last	% Chng
Euro/Dollar	1.1081	-0.02
Dollar/Yen	106.40	-0.20
Sterling/Dollar	1.2253	1.05
Dollar/CAD	1.3296	0.05
TR/HKEX RMB	91.78	-0.01

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	55.42	-0.26	-0.47
Spot gold (NY/oz)	1498.83	-3.17	-0.21
Copper U.S. (front month/lb)	0.0255	-0.0003	-0.31
CRB Index Total Return	179.16	-0.61	-0.34

## Coming Up



REUTERS/Sarah Silbiger

U.S. Federal Reserve Chair **Jerome Powell** (pictured) is set to deliver remarks at the Jackson Hole Economic Policy Symposium: Challenges for

Monetary Policy in Jackson Hole, Wyoming.

The U.S. commerce department is expected to report **new homes sales** rose to 0.649 million units in July from 0.646 million units in the month before.

Mexico's national statistics agency INEGI is expected to report **economy** shrank 0.8% in the second quarter after expanding 0.4% in the previous quarter.

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Build permits number for Jul	0800	--	1.336 mln
Build permits R change mm for Jul	0800	--	8.4%
New home sales-units for Jul	1000	0.649 mln	0.646 mln
New home sales change mm for Jul	1000	-0.2%	7.0%

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
Nordstrom Inc	30.74	4.20	15.83
Keysight Technologies Inc	100.28	11.14	12.50
Alexion Pharmaceuticals Inc	123.49	8.65	7.53
<b>LOSERS</b>			
Cigna Corp	155.66	-6.68	-4.11
Albemarle Corp	63.28	-2.63	-3.99
L Brands Inc	19.33	-0.70	-3.49

## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Foot Locker	Q2	BMO	\$0.67	\$0.67	\$0.75	\$1,822.97

\*Includes companies on S&P 500 index. \*\*Estimates may be updated or revised; release times based on company guidance or past practice.

I/B/E/S EPS and revenue estimates, and StarMine Smart Estimates, provided by Refinitiv.

# Market Monitor

The **benchmark S&P 500** ended little changed as a fall in U.S. jobless claims offset data showing a contraction in U.S. manufacturing activity while investors awaited Federal Reserve Chair Jerome Powell's speech on Friday for clues on the central bank's monetary policy. "The fact that manufacturing didn't just slow down but contracted, that was a little surprising," said Oliver Pursche, chief market strategist at Bruderman Asset Management in New York. Yet, Pursche said, "You had decent unemployment claims, they were slightly better than expected, so that's a counter act. That's why we don't expect there to be any kind of deep recession." **Nordstrom** jumped 15.8% on upbeat earnings. **Boeing** shares rose 4.84%. **Retrophin** shares fell 22.01% as company scrapped nervous system disorder study. The **Dow Jones Industrial Average** rose 0.2%, to 26,253.94, the **S&P 500** lost 0.05%, to 2,923.06 and the **Nasdaq Composite** dropped 0.36%, to 7,991.39.

**Treasury yields** rose after two Federal Reserve officials said they saw no reason to cut interest rates without new economic deterioration, a day after Fed meeting minutes showed policymakers disagreed on the U.S. central bank's rate cut last month. "The thing that was really clear was the fractured lack of on consensus among the policymakers," said Tom Simons, a money market economist at Jefferies in New York. Better-than-expected manufacturing data in Europe boosted risk sentiment, reducing demand for Treasuries. **Benchmark notes** fell 10/32 yielding 1.60%. The **30-year bonds** were down 1-5/32 yielding 2.1%. Short dated **2-year notes** fell 3/32 to yield 1.61%.



A file photo of traders working on the floor at the New York Stock Exchange (NYSE) in New York, U.S., August 13. REUTERS/Eduardo Munoz

The **dollar** fell as investors awaited a possible announcement or statement from the Federal Reserve at this week's Jackson Hole, Wyoming. Market participants expect the Fed announcement could be a stimulus measure, or an affirmation that the U.S. central bank is on a steady path to ease interest rates, a scenario viewed as negative for the dollar. The **greenback** fell 0.2% against the **Japanese yen** to 106.40 yen. The **dollar** slipped 0.12% against a basket of major currencies to 98.18.

**Oil** prices weakened on worries about the global economy and as equity markets were on edge over the

uncertain outlook for U.S. interest rate cuts. **Brent crude** fell 0.6% to \$59.94 a barrel. **U.S. crude** fell 0.52%, to \$55.39 a barrel.

**Gold** inched lower after comments from U.S. Federal Reserve officials dampened hopes for additional monetary easing. "The entire market is in a wait-and-see mode, but there has been a steady stream of Fed speakers who have come out with a more hawkish message," said Daniel Ghali, commodity strategist at TD Securities. **Spot gold** was down 0.19% at \$1,499.20 an ounce. **U.S. gold futures** fell 0.44% to \$1,509 an ounce.

# All Eyes On Jackson Hole

## **Fed's Powell, under pressure, likely to stick to 'mid-cycle' message**

Federal Reserve Chair Jerome Powell comes to this year's meeting of central bankers in Jackson Hole, Wyoming, caught between discord within the U.S. central bank over appropriate monetary policy and mounting outside pressure for more interest rate cuts. In navigating that divide, Powell is unlikely to use his keynote speech on Friday at the Kansas City Fed's annual economic symposium to veer much from the message he sent last month after the Fed cut rates for the first time in a decade: That the move was a "mid-cycle adjustment" and not the start of a rate-cutting cycle. He will likely nod to the possibility that trade tensions, which have escalated since the July 30-31 policy meeting, may worsen a global economic slowdown and ultimately make more U.S. rate cuts necessary. But he is expected also to try to ensure he is not seen as bowing before repeated attacks from President Donald Trump for not easing policy further, or caving to a bond market where investors appear to be heavily betting the policy-setting Federal Open Market Committee will end up doing so.

## **Two Fed officials see no case for rate cut at this time**

Two Federal Reserve officials said they see no need for an interest rate cut widely expected next month by markets, highlighting policymakers' divisions over how to respond to signs of a global economic slowdown. Kansas City Fed President Esther George and Philadelphia Fed President Patrick Harker said the U.S. central bank currently does not need to deliver more stimulus to the economy after it cut rates for the first time in more than a decade last month. "I'd be happy to leave rates here absent seeing either some weakness or some strengthening, some kind of upside risk that would cause me to think rates should be somewhere else," George said in an interview with Bloomberg TV. Harker, meanwhile, told CNBC in a separate interview "we should stay



*Federal Reserve Chair Jerome Powell and New York Federal Reserve President John Williams walk together, ahead of the Kansas City Federal Reserve Bank's annual conference on monetary policy, in Jackson Hole, Wyoming, U.S., August 22. REUTERS/Ann Saphir*

here for a while and see how things play out." In their interviews, George and Harker both described the yield curve as a signal they watch, but not one that was clearly pointing to a recession at this point. "It's one signal among several," Harker said.

## **Markets doubt Fed's ability to defend economy, spur inflation**

The U.S. Federal Reserve wanted to do two things when it cut rates for the first time in a decade last month: Support the economy and spark inflation expectations. From the market's point of view, neither prospect is looking great. Market conditions have grown harsher and data is pointing to lower inflation. Interest rate cuts can take months to spur growth. Still, policymakers' verbal commitment to sustain the longest U.S. economic expansion on record, backed up by the recent rate cut, probably made it a bit cheaper for businesses and consumers to borrow this year. What remains

unclear is whether Fed rate cuts alone can calm markets' recession fears, which have ramped up amid a recent escalation of the U.S.-China trade war, and convince enough investors that their elusive inflation goal is achievable.

## **Is the U.S. economy sinking or the strongest ever? For the Fed, no clear answer**

The U.S. Federal Reserve is under pressure from President Donald Trump to cut interest rates. Investors expect the Fed to cut, perhaps by a lot. Perhaps more than at any time in the last few years, the data flowing into the Fed isn't telling a clear story, partly because of contradictory signals - rising employment but slowing factory output, for example - but also because everything may be clouded by a trade war that shows no signs of ending. Of late, when economic data has come in outside consensus forecasts, the surprises have been to the downside.



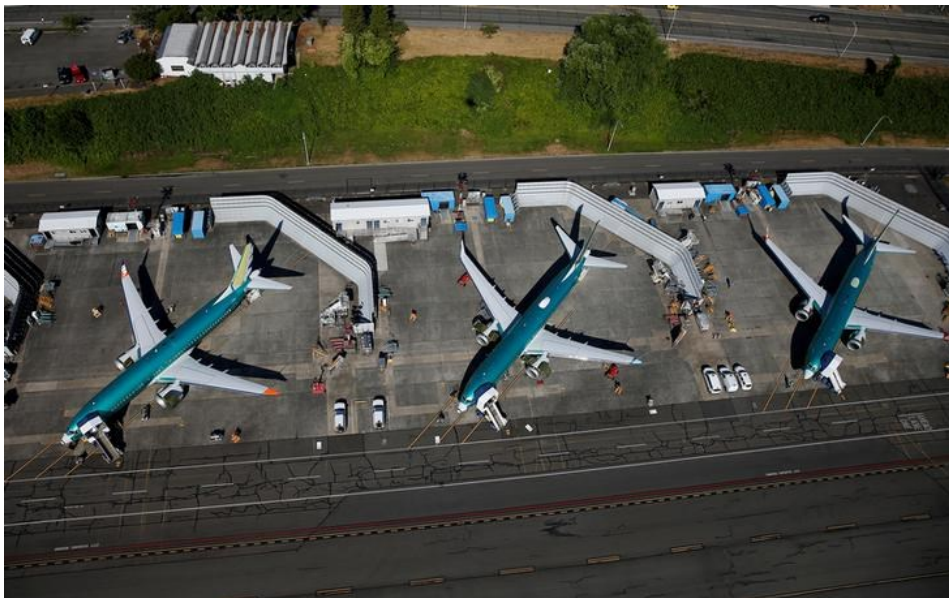
# Top News

## **Boeing, grappling with uneven 737 supply chain, targets 52/month in February -sources**

Boeing has told suppliers it will resume production of its best-selling 737 jets at a rate of 52 aircraft per month in February 2020, then stepping up to a record 57 jets monthly in June, three people familiar with the matter told Reuters. Boeing told more than 100 suppliers during at least one Web meeting July 30 that the new schedule depended upon regulators approving the 737 MAX to fly again commercially in the fourth quarter, one of the people said. One of the people expressed skepticism over the timing given the intense scrutiny from regulators that grounded the 737 MAX after deadly crashes killed nearly 350 people in Ethiopia and Indonesia in the span of five months. Meanwhile, the U.S. Federal Aviation Administration plans to test next month how pilots with around one year of experience flying Boeing 737 jets handle new software on the MAX model, four sources with knowledge of the matter said. As part of its own testing process Boeing has invited senior U.S. airline pilots to experiment with the software fix and use simulators to run scenarios similar to the ones that led to the two crashes. But the FAA wants to observe relatively inexperienced 737 pilots, the sources said on condition of anonymity because the tests are confidential. To read more, [click here](#)

## **Volkswagen not interested in buying Tesla stake**

Volkswagen said it was not interested in taking a stake in Tesla, denying a media report that CEO Herbert Diess wanted to buy shares in the U.S. company to access its software and batteries technology. "The speculation about buying a stake in Tesla made by Manager Magazin is without merit," a Volkswagen spokesman said in a



*A file photo shows unpainted Boeing 737 MAX aircraft parked in an aerial photo at Renton Municipal Airport near the Boeing Renton facility in Renton, Washington, U.S. July 1. REUTERS/Lindsey Wasson*

written statement to Reuters. Manager Magazin had said Diess meets with Tesla CEO Elon Musk on a regular basis because of the U.S. carmaker's expertise in software and battery cell design, and that Tesla had so far rebuffed Volkswagen's efforts at striking an alliance. "Diess would go in right away if he could," the magazine quoted an unidentified top Volkswagen manager as saying.

## **Ford names new president for China JV to deepen alliance amid falling sales**

Ford Motor named Steven Armstrong president of the Changan Ford joint venture in China to deepen the alliance and push for more models, as the U.S. carmaker tries to stem a decline in sales in the world's second largest economy. Sales of the joint venture with Chongqing-based Changan Automobile continued to decline in July. In the first seven months of this year, the venture's sales dropped more

than 60% compared to the same period a year earlier. Ford's overall sales dropped 37% in 2018 in the world's top auto market, mainly due to a lack of new products. Over the next three years, it plans to launch more than 30 new models in China, of which over a third will be electric vehicles. The venture is also planning to revamp some of its existing manufacturing facilities to localize production of Ford's premium brand Lincoln. This would have a planned annual capacity of 70,000 Corsair sport-utility vehicles including 12,000 plug-in hybrid variants, according to a document on Chongqing city authorities' website.

## **India proposes ban on e-cigarettes, with jail terms for offenders - govt documents**

India's health ministry has proposed a ban on the production and import of electronic cigarettes, documents seen by Reuters showed, potentially jeopardizing the expansion plans of big

firms like Juul Labs and Philip Morris International. The ministry has proposed that the government issue an executive order banning the devices in the public interest, saying it was needed to ensure e-cigarettes don't become an "epidemic" among children and young adults. Health officials are proposing jail terms of up to three years, with a penalty of up to 500,000 rupees, for repeat offenders against the new rules, according to a draft of the executive order. First-time offenders would face a prison term of up to one year and a fine of 100,000 rupees.

## **Swiss telco Sunrise fights to save \$6.4 billion Liberty deal**

Swiss telecoms firm Sunrise Communications stepped up efforts to rescue its takeover of Liberty Global's Swiss unit amid criticism from its top shareholder, saying it had found new synergies and could cut a planned rights issue to fund the deal. German telecoms group Freenet, Sunrise's largest investor, has called the all-cash 6.3 billion Swiss franc takeover of UPC Switzerland unfavorable for Sunrise shareholders and has asked for the price to be cut and risks reallocated. Criticizing Freenet's opposition as "self-serving", Sunrise touted updated expectations of 280 million francs in annual synergies from buying the Liberty business, 45 million more than previously forecast. Sunrise said the steps it had identified, along with the improved performance of UPC since the deal was announced, would let it increase leverage and reduce the proposed 4.1 billion franc rights issue to pay for the deal by up to 1.5 billion francs.

## **FDA classifies Edwards Lifesciences Sapien delivery system recall as severest**

The U.S. Food and Drug Administration said the recall of Edwards Lifesciences Corp's Sapien 3 Ultra delivery system was classified as the agency's severest. The system is used to deliver and deploy a transcatheter heart valve

to replace a diseased aortic valve without open-heart surgery. In July, Edwards sent a safety notice to customers and doctors, recommending that the balloon in the delivery system be inflated slowly and continuously when deploying heart valve, to avoid rupture.

## **Overstock shares surge after CEO Patrick Byrne quits**

Overstock.com's stock surged after Chief Executive Officer Patrick Byrne resigned, saying distraction and fallout related to his involvement in a Federal Bureau of Investigation Russian espionage probe made it difficult for him to lead the online retailer. His resignation follows a drop of over 30% in the online retailer's shares over two days earlier this month, with investors rattled after Byrne claimed in a statement that he had secretly been involved with the FBI, starting in 2015. "While I believe that I did what was necessary for the good of the country, for the good of the firm, I am in the sad position of having to sever ties with Overstock, both as CEO and board member," Byrne said in a resignation letter addressed to shareholders. The stock ended 8.31% higher at \$21.12.

## **Nasdaq plans day-ahead power market launch in Germany, France, Nordics**

Nasdaq's commodities exchange plans to launch its day-ahead auction market for electricity in Germany, France and the Nordics around April 2020, its head of European Commodities told Reuters. Currently Nord Pool is alone in the Nordics in offering day-ahead electricity trading, but will be joined by EPEX SPOT at the end of the year. "We look to launch the day-ahead market in the first half of 2020. We see when we end up, but around April is our target... We aim to launch for all the Nordic countries and Germany and France at the same time," Georg Aasen said on the sidelines of a conference in Oslo. Aasen said a new European Union regulation, called Capacity Allocation

and Congestion Management (CACM), which calculates how much space can be used on cross-border power lines and allows more competition, facilitated Nasdaq's decision.

## **Citigroup's new shipping finance chairman to deepen environmental focus**

Citigroup's veteran shipping finance banker Michael Parker is to become chairman of the bank's shipping & logistics business, a role which will include bolstering the lender's environmental focus in the sector, Citi said. In June, Citi was among a group of leading banks who signed up to environmental commitments known as the "Poseidon Principles." These will for the first time integrate efforts to cut CO2 emissions into banks' decision making when providing loans to shipping companies. "As chairman Michael will remain actively involved in senior client relationships and overall strategy as well as Citi's sustainability and ESG agenda with the industry given his role as chairman of the drafting committee of the Poseidon Principles," Citi said in a statement.

## **Retrophin scraps nervous system disorder study**

Retrophin said it was discontinuing the late-stage study for its rare neurological disorder treatment after it failed to improve patients' ability to conduct daily activities such as eating and walking. The treatment, fosmetpantotenate, was being tested against placebo in 84 patients with pantothenate kinase-associated neurodegeneration (PKAN), a rare, genetic and life-threatening disorder. "We have realized that this is a failed study with no difference to placebo," Chief Executive Officer Eric Dube said. Retrophin said that even though the company was in the process of conducting additional analysis, it did not expect sub-groups within the study population to show indications that the treatment might work.





An aerial view of a deforested plot of the Amazon near Humaita, Amazonas State, Brazil August 22. REUTERS/Ueslei Marcelino

## Insight and Analysis

### **EXPLAINER: What are the obstacles to Bayer settling Roundup lawsuits?**

Bayer AG is in mediation to potentially settle thousands of U.S. lawsuits claiming that the company's Roundup weed killer causes cancer, but some legal experts said the cases raises novel questions that may prevent an easy settlement. More than 18,400 plaintiffs claim Roundup causes a type of cancer called non-Hodgkin's lymphoma. Legal experts outlined several obstacles the parties may face on the path towards settlement.

### **EXPLAINER: Macron's quest for an international tax on digital services**

French President Emmanuel Macron is pressing ahead with a digital tax in France, a move U.S. President Donald Trump described as "foolishness", and the French leader is keen to reach an international agreement on taxing big tech companies. Macron will seek common ground with Trump and other G7 leaders at a summit in Biarritz this weekend. Washington has expressed concern that U.S. Internet companies are being unfairly targeted.

### **GRAPHIC: Factory woes grip swing states that flipped for Trump in 2016**

A slowdown in U.S. manufacturing is hitting jobs in states that flipped to Donald Trump in the 2016 election and that will be key to the Republican president's re-election prospects in 2020. Trump is telling voters across the country that the economy is booming and jobs are growing. But the blow to factory employment is more pronounced in places like Pennsylvania, Ohio and Wisconsin than in the rest of the country.



## CANADA

## Market Monitor

Canada's main stock index ended lower weighed down by lower gold prices. The **Toronto Stock Exchange's S&P/TSX composite index** ended 0.34% down at 16,253.46. **Saputo** shares fell 4.8% after it announced plans to raise equity.

The **U.S. dollar** was 0.07% higher against its **Canadian counterpart** at C\$1.3298.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
NFI Group Inc	27.50	1.47	5.65
Hudson's Bay Co	10.72	0.46	4.48
CannTrust Holdings Inc	2.58	0.10	4.03
<b>LOSERS</b>			
Peyto Exploration & Development Corp	3.36	-0.27	-7.44
Canopy Growth Corp	33.50	-1.85	-5.23
Kelt Exploration Ltd	2.71	-0.14	-4.91

## COMING UP



Statistics Canada is likely to report **retail sales** remained unchanged in June, after posting a fall of 0.1% in May.

## Top News

### China blames Canada for difficulties in relationship, demands Huawei exec be freed

China's embassy in Canada said that bilateral ties were suffering "gross difficulties," and demanded Ottawa free Huawei Chief Financial Officer Meng Wanzhou. Canadian Prime Minister Justin Trudeau on Wednesday said his government had no intention of backing down in the dispute and would defend Canada's interests. In a response to Trudeau's speech, the embassy told Reuters that China would also always defend its interests. "China adheres to the principle of equality between all countries, no matter big or small. ... China-Canada relations now suffer gross difficulties and the Canadian side

knows very well the root cause," the embassy said in an email. "Canada should release Ms. Meng Wanzhou immediately and ensure her safe return to China, and bring bilateral relations back onto the right track," the embassy said.

### CIBC's quarterly Canada retail, U.S. growth offset loan loss provisions

Canadian Imperial Bank of Commerce beat analysts' estimates for third-quarter profit, as gains in U.S. commercial banking and domestic retail offset a jump in loan loss provisions and weakness in its capital markets unit. Provisions for credit losses jumped 21% to C\$291 million in the quarter, amid higher provisions for

performing loans. The lender said it would raise its quarterly dividend by 4 cents to C\$1.44. The bank, which saw a 6% rise in U.S. commercial banking and wealth management profit, will continue to expand in the United States, outgoing Chief Financial Officer Kevin Glass said in an interview. Glass will be succeeded by Executive Vice President Hrach Panossian on Nov. 1 upon his retirement, CIBC said on Thursday. Net income attributable to common shareholders, excluding one-off items, rose to C\$1.38 billion, or C\$3.10 per share, in the third quarter, from C\$1.37 billion, or C\$3.08 per share, a year earlier.



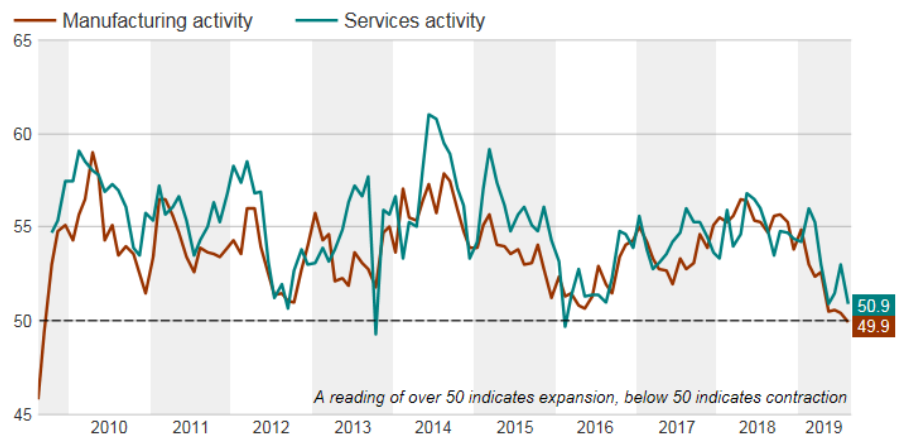
# WEALTH NEWS

## MIXED DATA

### U.S. factories show signs of trouble; labor market still firm

Activity is contracting in the U.S. manufacturing sector but the number of Americans filing applications for unemployment benefits fell last week, signs that factories are suffering from a global slowdown even as the broader labor market remains healthy. IHS Markit said its Flash Purchasing Managers' Index (PMI) for manufacturing fell to 49.9 earlier this month from 50.4 in July, pointing to a contraction in the sector for the first time since September 2009. Initial claims for state unemployment benefits dropped 12,000 to a seasonally adjusted 209,000 for the week ended Aug. 17, the Labor Department said.

## U.S. Markit PMI



Source: Refinitiv Datastream — Reuters graphic/Stephen Culp 8/22/2019

## ECONOMIC FOCUS FOR 2020

### As economic warning signs flash, Trump, Democratic rivals recalibrate messages

After two years touting a booming economy as his own doing, U.S. President Donald Trump is test driving a new message on the economy: Any chance of a recession is not his fault. But Democrats seem to be saying "not so fast."

## BERNIE'S GREEN NEW DEAL

### Bernie Sanders proposes \$16.3 trillion Green New Deal plan

Presidential hopeful Bernie Sanders unveiled a climate change strategy that would mobilize \$16.3 trillion to help the U.S. generate 100% of its electricity from renewable energy by 2030 and achieve "full decarbonization" by 2050.

## CORN-BASED ETHANOL

### Trump set to discuss biofuels with USDA, EPA -sources

President Trump, faced with mounting anger in the farm belt over policies that allow oil refineries to use less corn-based ethanol, summoned cabinet members to discuss ways to boost biofuel demand, four sources familiar with the matter said.

## M&A

### KKR explores \$5 billion sale of Epicor Software -sources

Buyout firm KKR is exploring a sale of Epicor Software that could value the U.S. enterprise resource planning software provider at close to \$5 billion, including debt, people familiar with the matter said.

## CHINA BUYS U.S. SOYBEANS

### China buys U.S. soybeans after declaring ban on American farm goods

China snapped up a small volume of U.S. soybeans last week after pledging to halt purchases of American farm products due to the escalating trade war between Washington and Beijing, U.S. Department of Agriculture data showed.

## CONTROVERSIAL PRACTICE

### As U.S. watchdog retreats, mortgage firms reprise cozy marketing arrangements

U.S. mortgage firms are getting back into joint marketing and advertising arrangements, reviving a controversial practice that was effectively banned in the aftermath of the 2007-2008 subprime mortgage crisis.





Japanese Ground Self-Defense Force tanks and other armoured vehicles take part in an annual training session near Mount Fuji at Higashifuji training field in Gotemba, west of Tokyo, August 22. REUTERS/Issei Kato

*The Financial and Risk business of Thomson Reuters is now Refinitiv.*

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