

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks jumped after China made positive comments on trade negotiations with the U.S. The **dollar** strengthened, while **gold** prices fell. **Treasury yields** rose after a weak response to the 7-year note auction. **Oil** gained, supported by data showing a fall in U.S. inventories.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26362.25	326.15	1.25	27398.68	21712.53
Nasdaq	7973.39	116.51	1.48	8339.64	6457.13
S&P 500	2924.56	36.62	1.27	3027.98	2443.96
Toronto	16384.49	112.84	0.69	16672.71	13776.88
FTSE	7184.32	69.61	0.98	7727.49	6599.48
Eurofirst	1482.45	15.35	1.05	1554.34	1308.86
Nikkei	20460.93	-18.49	-0.09	22362.92	19241.37
Hang Seng	25703.50	88.02	0.34	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.4945	-8 /32
2-year	1.5280	-2 /32
5-year	1.3963	-4 /32
30-year	1.9633	-19 /32

FOREX	Last	% Chng
Euro/Dollar	1.1057	-0.18
Dollar/Yen	106.48	0.35
Sterling/Dollar	1.2180	-0.24
Dollar/CAD	1.3295	-0.08
TR/HKEX RMB	91.31	0.31

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	56.55	0.77	1.38
Spot gold (NY/oz)	1529.20	-9.60	-0.62
Copper U.S. (front month/lb)	0.0256	0.0000	0.16
CRB Index Total Return	181.07	0.93	0.52

S&P 500	Price	\$ Chng	% Chng
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GAINERS			
Dollar General Corp	156.13	15.10	10.71
PVH Corp	76.00	4.47	6.25
Marathon Petroleum Corp	48.58	2.25	4.86

LOSERS			
H & R Block Inc	24.35	-2.53	-9.41
Best Buy Co Inc	63.48	-5.52	-8.00
Altria Group Inc	44.23	-1.62	-3.53

Coming Up



Campbell Soup Co is scheduled to report fourth-quarter earnings before market opens. Wall Street will wait for Campbell's annual forecast ahead of the soup season. The company on its investor day said it would focus on improving recipes and quality of its soups as it battles for shelf space in

supermarkets that stock various brands and organic options. Investors will mainly keep an eye on the company's soup business, which has been struggling.

On the U.S. economic schedule, seasonally adjusted **personal consumption expenditure (PCE)** in July is expected to have gained 0.5%, after a 0.3% rise in the month before. The **core PCE price index** in July is expected to have increased 0.2%. Also, University of Michigan's **consumer sentiment index** in August is likely to have remained unchanged from July, at a reading of 92.1.

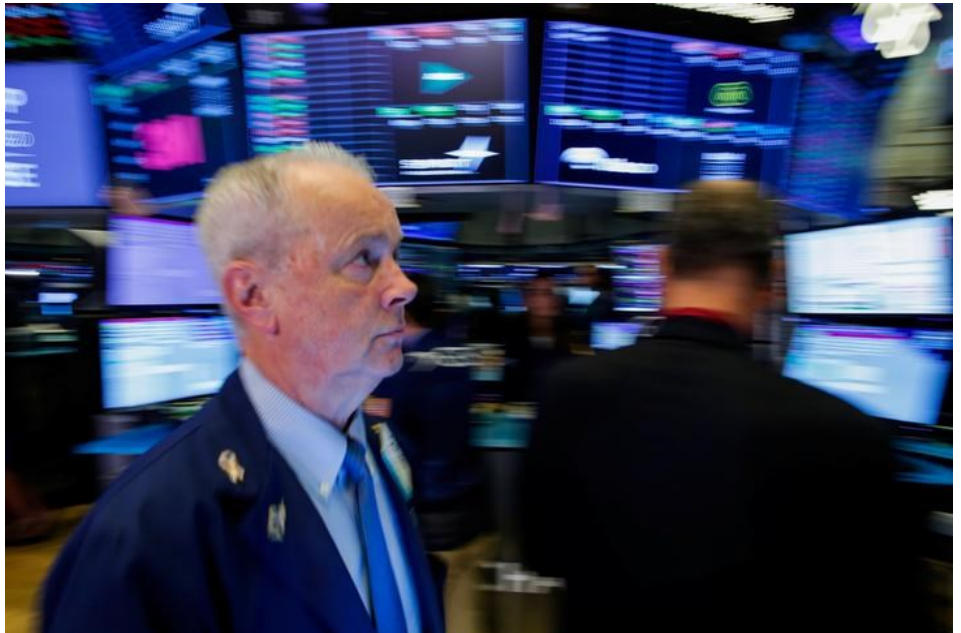
KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Personal income mm for Jul	0830	0.3%	0.4%
Personal consumption real mm for Jul	0830	--	0.2%
Consumption, adjusted mm for Jul	0830	0.5%	0.3%
Core PCE price index mm for Jul	0830	0.2%	0.2%
Core PCE price index yy for Jul	0830	1.6%	1.6%
PCE price index mm for Jul	0830	--	0.1%
PCE price index yy for Jul	0830	--	1.4%
U Mich Sentiment Final for Aug	1000	92.1	92.1
U Mich Conditions Final for Aug	1000	--	107.4
U Mich Expectations Final for Aug	1000	--	82.3
U Mich 1 year inflation final for Aug	1000	--	2.7%
U Mich 5-year inflation final for Aug	1000	--	2.6%

Market Monitor

Stocks rallied more than 1%, buoyed by gains in the trade-sensitive technology and industrial sectors, as China expressed hope on trade negotiations with the United States, easing concerns that rising tensions could stoke a recession. "Certainly (trade) is the fundamental point that is occurring right now, all this other stuff is just noise that allows either the computer programs or the certain participants in the marketplace to go ahead and push the market around one way or the other," said Keith Bliss, managing partner and CEO of IQ Capital USA LLC in New York. Tech stocks with tariff exposure, such as **Apple** and **Microsoft**, ended up 1.69% and 1.89% respectively, and boosted the **technology sector** by 1.73% to 1393.06. The **Philadelphia semiconductor index** rose 2.25% to 1495.82. **Industrial sector** rose 1.77% to 633.47. **Dollar General** rose 10.71% and was the best performer among S&P 500. **Best Buy** shares fell 8% and **Abercrombie & Fitch** tumbled 15.16%. The **Dow Jones Industrial Average** rose 1.25% to 26,362.25, the **S&P 500** gained 1.27% to 2,924.56 and the **Nasdaq Composite** added 1.48% to 7,973.39.

U.S. Treasury yields rose as hopes on U.S.-China trade talks and a dismal seven-year note auction cooled the recent torrid rally in the bond market. Part of the yield curve remained inverted with a negative gap between **two-year and 10-year yields** at -3.5 basis points. The Treasury Department sold \$32 billion in **7-year notes** at a high yield of 1.489%, the lowest yield for this maturity at an auction since September 2016, Treasury data showed. The bid-to-cover ratio was 2.16. **Benchmark notes** fell 9/32 yielding 1.49%. **30-year bonds** fell 20/32 yielding 1.96%. **Two-year notes** rose 2/32, to yield 1.53%.



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

The **U.S. dollar** was stronger as news that Washington and Beijing were discussing renewing their negotiations in September eased anxieties about the ongoing trade war. A bid for riskier assets sent safe-haven Japanese yen lower. The **dollar** was 0.36% higher against yen at 106.49 **yen**. The **dollar index** was up 0.26% at 98.46. Against the **greenback**, **euro** was 0.18% lower at \$1.1057.

U.S. oil futures rose, lifted by a deep draw on U.S. crude inventories, especially at the benchmark's delivery hub due to increased demand with the start-up of two new West Texas pipelines. The approach of Hurricane Dorian toward Florida also raised fears that offshore U.S. crude producers may slow output if the storm passes into the Gulf of Mexico over the weekend, analysts said. Dorian is forecast to strengthen and become a highly dangerous Category 4 hurricane on

Sunday, the National Hurricane Center said. Meanwhile, international benchmark Brent oil also rose as concerns about economic growth eased. **WTI crude** rose 1.38% to \$56.55 a barrel. **Brent crude** was up 0.81% at \$60.98 a barrel.

Gold prices fell, as the dollar rose and stock markets gained confidence with the latest positive development in the U.S.-China trade deal, but concerns over decelerating global economy kept prices hemmed near a multiyear peak. "There is more optimism on the trade talks and that seems to have some people lightening up on gold," said Michael Matousek, head trader at U.S. Global Investors. "Gold has been up for the past few months, and it's not like it is breaking down. You still want to buy pull-backs on gold." **Spot gold** fell 0.66% to \$1,528.60 per ounce. **U.S. gold futures** were down 0.91% at \$1,535 an ounce.

Top News

China hopes U.S. will create conditions necessary for Sept. trade talks

China and the United States are discussing the next round of face-to-face trade talks scheduled in September, but hopes for progress hinge on whether Washington can create favorable conditions, China's commerce ministry said. China hopes the United States can cancel the planned additional tariffs to avoid an escalation in the trade war, its commerce ministry spokesman, Gao Feng, told reporters. "The most important thing at the moment is to create necessary conditions for both sides to continue negotiations," he said during a weekly briefing, adding that China was lodging "solemn representation" with the United States. Gao said China had "ample" countermeasures to retaliate against the planned U.S. tariffs, but talks in the current circumstances should focus on whether the tariffs could be cancelled. Later, U.S. President Donald Trump said negotiators for the United States and China were scheduled to have talks aimed at easing their trade tensions "at a different level," but did not provide additional details. "There is a talk scheduled for today at a different level," Trump said in an interview with Fox News Radio.

New products, remodeled stores push U.S. dollar chains to boost profit forecast

The top two U.S. discount store chains raised their full-year profit forecast as a push on adding a range of new products - from fresh food to self-owned brands - starts to pay off, cushioning a blow from increased tariffs on Chinese imports. The two dollar stores, which source a large chunk of their merchandise from China, are already looking at other sources as the trade war shows no sign of

relenting. Dollar General said on it would be able to mitigate the impact of these tariffs, while its rival said it was working with suppliers to offset increased costs. Dollar Tree also said it was able to tide over the previous round of tariffs through price concessions, canceled orders and a better assortment of products. Dollar General forecast annual earnings of \$6.36 per share to \$6.51 per share, including the anticipated impact of increased tariffs. It had previously forecast \$6.30 to \$6.50. Family Dollar-owner Dollar Tree predicted full-year profit between \$4.90 per share and \$5.11 per share, but said the forecast excluded the recent tariff increases. Its previous range was \$4.77 to \$5.07. The company also reported better-than-expected quarterly same-store sales as its struggling Family Dollar chain posted its best growth since being acquired in 2015.

FTC probes marketing practices of e-cigarette maker Juul -source

The Federal Trade Commission is investigating the marketing practices of e-cigarette maker Juul Labs sending shares of tobacco stocks down, a person briefed on the matter said. "Without commenting on any specific investigation, we fully cooperate and

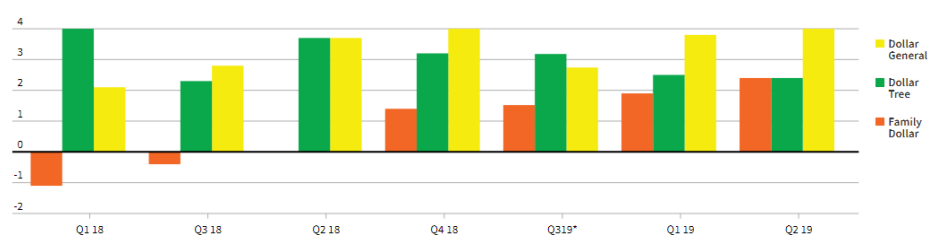
are transparent with any government agency or regulator who have interest in our category," a Juul spokesman said. The company "never marketed to youth" but has changed its advertising to feature adult smokers aged 35 and above, and has stopped promoting on social media, the spokesman added. FTC investigators are examining Juul's involvement in deceptive marketing, including by targeting minors or using influencers, and is also determining whether to seek monetary damages, according to the Wall Street Journal report. Separately, Juul said it was giving over \$100 million of incentives to retailers to install new age-verification systems at stores, part of efforts to curb sales of e-cigarettes to minors. Shares of **Altria** fell 3.53% to \$44.23. **Philip Morris** fell 2.15% to \$72.72.

Best Buy's sales forecast falls short as tariffs loom

Best Buy blamed planned U.S. tariffs on Chinese imports and uncertainty about future consumer behavior for a lower annual sales forecast, becoming the latest company to air concerns about President Donald Trump's trade war with Beijing. The consumer electronics retailer's same-store sales outlook fell short of analysts' expectations even as it lifted its

A buck well spent

U.S. discount stores Dollar General, Dollar Tree and Family Dollar grow sales as consumers spend more on fresh food and new products offered in stores



* Refinitiv IBES estimates
Company releases
Nivedita Balu | REUTERS GRAPHICS

Click on the chart for a detailed and interactive graphic

earnings forecast. Best Buy said it expected its full-year same-store sales to rise 0.7% to 1.7%, narrowing the range from a prior forecast of 0.5% to 2.5% and below the 2% growth target analysts had expected. Best Buy's overall same-store sales rose 1.6% in the second quarter ended Aug. 3, missing analysts' estimates of a 2.15% increase. Earnings per share excluding one-off items came at \$1.08, beating analysts' estimates of 99 cents per share.

Trump EPA proposes scrapping methane limits at oil and gas operations

The Trump administration proposed rescinding Obama-era limits on oil and gas industry emissions of methane, one of the main pollutants scientists link to climate change, a move that drew backlash from environmentalists and institutional investors. The Environmental Protection Agency, or EPA, estimated that easing a 2016 regulation targeting methane emissions from oil and gas wells, pipelines and storage would save energy companies up to \$123 million through 2025. The plan will undergo a period of public comment before being finalized, and environmental groups pledged court action to try to block repeal of the limits. The proposal "removes unnecessary and duplicative regulatory burdens from the oil and gas industry," EPA Administrator Andrew Wheeler said. Some large energy companies including BP and Exxon Mobil favor robust federal regulation of methane. They reason that regulatory certainty is preferable to a patchwork of varying rules by states and legal challenges by environmentalists.

Hilton Grand Vacations to explore sale following takeover interest - sources

Hilton Grand Vacations has decided to explore strategic alternatives, including a potential sale, following acquisition interest in the U.S. timeshare operator from private equity firms, people

familiar with the matter said. A potential deal would come as the timeshare industry seeks to improve its occupancy rates and shed its reputation of locking customers into complex contracts they do not understand, in the hope of becoming a more popular alternative for U.S. vacationers. Hilton Grand Vacations has hired an investment bank to advise it on a sale process, the sources said, cautioning that no deal is certain. It has asked for preliminary bids in September, one of the sources added.

Huawei under probe by U.S. prosecutors over new allegations - WSJ

U.S. prosecutors are investigating new instances of alleged technology theft by Chinese telecommunication equipment maker Huawei Technologies, the Wall Street Journal reported, citing people familiar with the matter. Huawei is accused of stealing intellectual property from individuals and companies over several years, and recruiting employees from its rivals, the report added. When contacted by Reuters, a spokesman for prosecutors in the Eastern District of New York declined to comment. The inquiries suggest that the U.S. government is investigating aspects of Huawei's business practices that weren't covered in indictments of the Chinese company issued earlier this year, the WSJ report said.

Apple likely to unveil latest iPhone on Sept. 10

Apple will host an event on Sept. 10 at the Steve Jobs Theater in the company's Cupertino, California campus, where it is widely expected to unveil new iPhone models. In an invite to the event, Apple teased a five-colored version of its logo, implying launch of more colors for its new iPhone models. Separately, Apple said it will begin selling parts, tools and repair guides to independent shops to fix broken iPhones, a major change after years of lobbying against laws in some U.S. states that would have

compelled it to do just that. Apple said the program, which should help ease heavy demand on Apple and its authorized partners to fix millions of cracked screens and fried charging ports, will launch in the United States before being rolled out to other countries. The back flip means that independent repair shops will be offered official parts for out-of-warranty repairs at the same price offered to authorized service providers, such as Best Buy, which perform warranty work. To read more, [click here](#).

Abercrombie & Fitch cuts full-year sales forecast on tariff impact

Abercrombie & Fitch cut its full-year sales forecast after missing Wall Street estimates for the second quarter, as the U.S. apparel retailer bore the brunt of escalating trade tensions between Washington and Beijing. The company also forecast a drop of 50 to 90 basis points in gross margins for the year, reversing its earlier expectations of a rise. Abercrombie said its forecast also accounted for Trump's most recent proposals for a rise in tariffs on \$250 billion in goods to a 30% rate from 25%. The company now expects full-year sales in the range of flat to up 2%, compared with its previous estimate of a 2% to 4% rise. Still, excluding items, the company posted a smaller-than-expected loss of 48 cents.

AbbVie abandons late-stage lung cancer asset Rova-T

AbbVie said it will cease to develop its experimental drug Rova-T after the treatment failed to show survival benefit in a late-stage trial for a type of lung cancer. The drugmaker acquired Rova-T through its \$5.8 billion acquisition of Stemcentrx in 2016, but recorded impairment charges of about \$4 billion in January after it halted enrolment of a separate study testing the therapy. An independent data monitoring committee recommended terminating the trial after an interim data analysis, the company said.



A migrant child intercepted off the coast in the Mediterranean Sea waves as she waits to disembark from a rescue boat at the port of Malaga, southern Spain, August 29. REUTERS/Jon Nazca

Insight and Analysis

As U.S. Treasuries sizzle, some bond investors brace for possible sell-off

While there seems to be no end on the horizon to this year's dramatic rally in U.S. Treasuries that has collapsed yields more than a full percentage point, conditions are ripening for a reversal that could disrupt the market. Some signals analysts track point to higher yields, although no one knows when the shift is coming. The consensus view is that U.S. yields could go even lower. A protracted U.S.-China trade war, a darkening global economic outlook, and the Federal Reserve's monetary easing stance are bullish for Treasury prices. Still, yields

this low are getting harder to justify, some analysts said. Some investors have hedged against a possible U.S. rate rise by reducing holdings of long-term bonds and grabbing other fixed-income products such as private debt and structured credit.

POLL - Canada's TSX set to pad gains, fueled by low interest rates

Toronto's stock market will add to this year's gains over the coming months and notch a new record high in 2020, as potential Bank of Canada interest rate cuts bolster the outlook for real estate and metal mining companies, a Reuters poll found. The Toronto market composite index has rallied 13% since

the beginning of the year, after falling 11.6% in 2018. The median forecast from an Aug. 13-28 survey of 24 portfolio managers and strategists polled was for the market to rise a further 2% from Tuesday's close to 16,500 by the end of the year. The index is then expected to move above the April 2019 high of 16,673 to reach 17,050 by the middle of 2020. "We expect the Bank of Canada to join its global counterparts in lowering interest rates. This should bode well for the materials sector and stocks at large," said Arthur Salzer, chief executive officer of Northland Wealth Management.



CANADA

Coming Up

Canada's **economy** is expected to have expanded at an annualized rate of 3.0% in the second quarter, following first-quarter growth of 0.4%.

Additionally, **producer prices** in July is likely to have increased by 0.3%, after a 1.4% fall in the month before. The country's **budget balance** data for June is also due.

The Ontario Securities Commission will hold hearings to consider whether to approve settlement agreements related to charges of foreign exchange trading malpractices by **Toronto-Dominion Bank** and **Royal Bank of Canada** between 2011 and 2013.

MARKET MONITOR

Canada's **main stock index** ended higher as the United States and China indicated they would return to the negotiating table, lifting investors hopes of a resolution to the long-drawn trade dispute. The **Toronto Stock Exchange's S&P/TSX composite index** ended up 0.69%, at 16,384.49. The **energy sector** climbed 2.65% to 126.68. The **financials sector** gained 1.06% to 294.92. ATV maker **BRP** jumped 15.5% on upbeat earnings.

The **U.S. dollar** was 0.07% lower against its **Canadian counterpart** at C\$1.3296.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
BRP Inc	46.40	6.23	15.51
Ensign Energy Services Inc	3.08	0.32	11.59
Nuvista Energy Ltd	1.64	0.12	7.89
LOSERS			
Detour Gold Corp	23.50	-1.42	-5.70
Alamos Gold Inc	9.28	-0.56	-5.69
Centerra Gold Inc	12.04	-0.64	-5.05

Top News



TD Bank profit rises on U.S. retail, wholesale banking growth

TD Bank, Canada's second-biggest lender by market value, said third-quarter profit rose as growth in its U.S. retail business outweighed higher loan-loss provisions and subdued margins that have also hit rivals. The bank posted 11% growth in adjusted earnings in its U.S. retail business and

a surprise 9% increase in wholesale banking, which includes capital markets and investment banking, while Canadian retail income rose 3.4%.

Total loan-loss provisions at TD Bank climbed 17% to C\$655 million in the quarter, better than the C\$689 million analysts had expected. Montreal-based lender Laurentian Bank of Canada said loan-loss provisions jumped to C\$12.1 million in the third quarter, from C\$4.9 million a year earlier. Total loan-loss provisions at Canada's six biggest banks jumped 27% to C\$2.45 billion in the three months ended July 31 from a year earlier, much of that driven by bad loans in the oil and gas industry. The bank's net income rose 4.6% to C\$3.25 billion, or C\$1.74 per share, from a year earlier. On an adjusted basis, the

lender earned C\$1.79 per share. Analysts had expected earnings per share of C\$1.80.

Transat receives final court approval for Air Canada deal

Canadian tour operator Transat A.T. said that the Superior Court of Quebec had approved its sale to Air Canada in a C\$720 million deal. The final court approval comes days after the Canadian Transport Minister Marc Garneau said the deal needed additional scrutiny, including its impact on competition, before being approved. Transat said the deal is now expected to close by the second quarter of 2020, provided all the regulatory approvals and conditions are met.



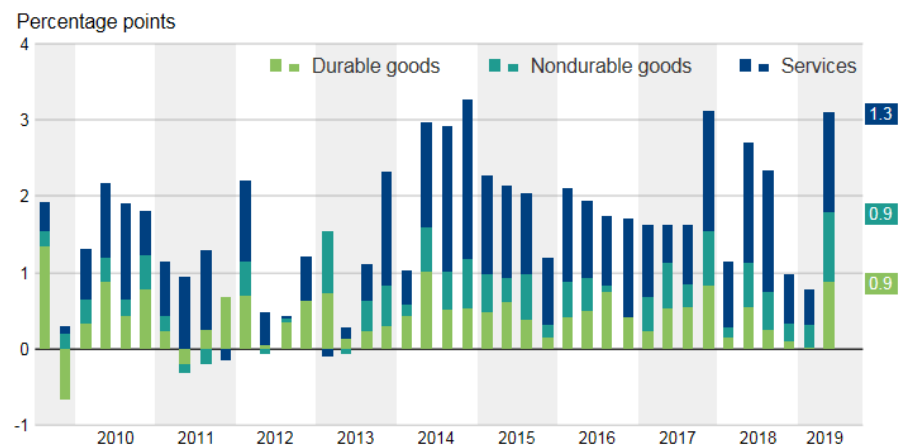
WEALTH NEWS

ECON REPORT

U.S. economy slowing, but consumers limiting downside

U.S. economic growth slowed in the second quarter, the government confirmed on Thursday, but the strongest consumer spending in 4-1/2 years amid a solid labor market threw cold water on financial market expectations of a recession. Gross domestic product increased at a 2.0% annualized rate, the government said in its second reading of second-quarter GDP. That was a downward revision from the 2.1% pace estimated last month. Growth in consumer spending, which accounts for more than two-thirds of U.S. economic activity, surged at a 4.7% rate in the second quarter. The Commerce Department said the goods trade deficit narrowed 2.5% to \$72.3 billion in July.

Consumer spending contribution to U.S. GDP



Source: Refinitiv Datastream — Reuters graphic/ Stephen Culp @ReutersCulp 8/29/2019

FARMERS VS REFINERS

Trump promises ethanol-related 'giant package' to please farmers

President Donald Trump said his administration is planning a "giant package" related to ethanol that would please U.S. farmers angry that many more oil refiners have been freed from obligations to use the corn-based fuel.

TRADE SURVEY

Trade war dims outlook for U.S. business operations in China -survey

U.S. companies doing business in China are still making profits there, but 81% say escalating trade tensions between the world's two largest economies have affected their business operations, a survey released by the US-China Business Council found.

BOND FINANCING

T. Rowe Price held talks with Guaido team on Venezuela PDVSA 2020 payment

T. Rowe Price has held informal talks with advisors of Venezuelan opposition leader Juan Guaido about financing a \$913 million payment on state oil firm PDVSA's 2020 bond, an executive at the U.S. fund manager told Reuters, adding the plan would only work if Washington alters sanctions on Venezuela.

ULTRA LONG BOND APPETITE

More investors warm to a U.S. ultra-long bond -survey

More investors are warming to the idea of owning a U.S. Treasury bond that matures beyond 30 years, but most still prefer the U.S. Treasury Department to roll out a 20-year security over an ultra-long issue, a J.P. Morgan survey showed.

BANKS M&A

BNP Paribas plans bid for Deutsche Bank's equity derivatives

French lender BNP Paribas plans to bid for Deutsche Bank's equity derivatives book and is hopeful it can beat off rival bidders to secure a deal in the next few weeks, according to sources familiar with the matter.

CHARGED FOR FRAUD

U.S. charges reverse mortgage lender Live Well's ex-CEO with fraud

The U.S. government charged the founder of reverse mortgage provider Live Well Financial with engineering a \$140 million fraud by inflating the value of its bonds, in what he called a "self-generating money machine."

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Campbell Soup	Q4	BMO	\$0.41	\$0.41	\$0.25	\$1,976.06

**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.

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

The Day Ahead - North America is compiled by Nayyar Rasheed and Yoganand KN in Bengaluru.

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