

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks fell, weighed by weak economic data and a drop in healthcare shares.

Treasury yields rose on signs of progress in U.S.-China trade talks. The **dollar** recovered from earlier losses, while the **gold** ended lower. **Oil** prices were down over a rise in U.S. crude stocks and record production.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	25817.71	-136.73	-0.53	26951.81	21712.53
Nasdaq	7459.71	-29.36	-0.39	7513.70	6457.13
S&P 500	2774.96	-9.74	-0.35	2789.88	2443.96
Toronto	16000.86	-30.38	-0.19	16586.46	13776.88
FTSE	7167.39	-61.23	-0.85	7261.63	6599.48
Eurofirst	1456.85	-4.62	-0.32	1462.93	1308.86
Nikkei	21464.23	32.74	0.15	21494.85	19241.37
Hang Seng	28629.92	115.87	0.41	28599.77	24896.87

TREASURIES	Yield	Price
10-year	2.6860	-10 /32
2-year	2.5266	-2 /32
5-year	2.5083	-5 /32
30-year	3.0455	-30 /32

FOREX	Last	% Chng
Euro/Dollar	1.1336	0.01
Dollar/Yen	110.68	-0.15
Sterling/Dollar	1.3034	-0.11
Dollar/CAD	1.3219	0.34
TR/HKEX RMB	95.34	-0.16

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	56.86	-0.30	-0.52
Spot gold (NY/oz)	1322.85	-15.56	-1.16
Copper U.S. (front month/lb)	0.0290	-0.0003	-0.72
Reuters/CRB Index Total Return	190.72	0.16	0.08

S&P 500	Price	\$ Chng	% Chng
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GAINERS			
Albemarle Corp	89.26	6.45	7.79
Copart Inc	56.53	3.05	5.70
Norwegian Cruise Line Holdings Ltd	55.51	1.81	3.37
Mattel Inc	14.05	0.42	3.08
LOSERS			
TechnipFMC PLC	22.65	-1.94	-7.89
Concho Resources Inc	103.72	-8.73	-7.76
Nektar Therapeutics	40.26	-2.77	-6.44
Biogen Inc	321.17	-13.99	-4.17

Coming Up



A file photo of U. S. Federal Reserve staffers watching from the back of the room following the Federal Open Market Committee meeting in Washington, September 17, 2015. REUTERS/Jonathan Ernst

Federal Reserve is expected to release its Monetary Policy Report to Congress.

Oil and gas producer **Cabot Oil** is expected to post a quarterly profit compared with a loss a year earlier. Investors will look for updates on operating and capital allocation plans for this year.

The **2019 Monetary Policy Forum**, hosted by The Initiative on Global Markets, University of Chicago Booth School of Business, will see Federal Reserve Bank of St. Louis President **James Bullard**, Federal Reserve Bank of Philadelphia President **Patrick Harker** and Federal Reserve Vice Chair for Supervision **Randal Quarles** participating in the panel, "The Future of the Federal Reserve's Balance Sheet". Federal Reserve Vice Chairman **Richard Clarida** is scheduled to speak at the event. Meanwhile, Federal Reserve Bank of New York President **John Williams** and Federal

Reserve Bank of San Francisco President **Mary Daly** are likely to participate in the panel, "Prospects for Inflation with a High-Pressure Economy".

Federal Reserve Bank of Atlanta President **Raphael Bostic**, Federal Reserve Bank of New York President **John Williams** and Federal Reserve Bank of New York Executive Vice President **Simon Potter** are scheduled to speak before the First Annual Joint Research Day on Quantitative Tools for Monitoring Macroeconomic and Financial Conditions organized by the Federal Reserve banks of Atlanta and New York.

LIVECHAT-GLOBAL ASSETS ALLOCATION SHIFTS

Reuters correspondents detail the findings of the latest Reuters polling of global asset managers. (0800 ET/1300 GMT) To join the conversation, [click here](#)

KEY ECONOMIC EVENTS

No major events are scheduled.



Market Monitor

Weak economic reports pressured **stocks** after the market's recent run of gains, and a drop in healthcare shares added to the bearish momentum. The Commerce Department said new orders for key U.S.-made capital goods unexpectedly fell in December, pointing to a further slowdown in business spending on equipment that could crimp economic growth. "I was a little surprised by some of the weakness in the data. Some of it is weather related and some trade related, so it's hard to get a good feel for how it would be," without those factors, said Paul Nolte, portfolio manager at Kingsview Asset Management in Chicago. But he said the decline in stocks is likely the result of profit-taking. The **healthcare sector** slid 0.88 percent to 1060.16. The **Dow Jones Industrial Average** fell 0.53 percent to 25,817.71, the **S&P 500** lost 0.35 percent to 2,774.96 and the **Nasdaq** fell 0.39 percent to 7,459.71.

Treasury bond yields rose on news of progress in U.S.-China trade talks and as soft U.S. economic data was attributed to the abnormal factors of a federal government shutdown and the trade war. The data reports showed declining business spending, a contraction in manufacturing and a slowing labor market. Investors regarded the dramatic drops as side effects of political events that have been or will soon be resolved. Investors cautioned against attaching too much significance to the number. "We read the sharp drop in February orders and shipments alongside a modest inventory build as likely reflecting the effects of the federal government shutdown," wrote Michael Gapen, chief U.S. economist at Barclays Capital. He said he expected a rebound in business conditions in March amid "largely stable forward-looking assessments." The **10-year notes** fell 10/32, yielding 2.69 percent. The **2-year**



A file photo of traders working on the floor of the New York Stock Exchange, in New York, February 19. REUTERS/Brendan McDermid

notes fell 2/32, to yield 2.53 percent. The **30-year bonds** fell 30/32 to yield 3.04 percent.

The **dollar** recovered from earlier losses spurred by soft U.S. economic data, as investors consolidated positions and looked for fresh trading incentives amid U.S.-China trade negotiations and talks related to Britain's exit from the European Union. The greenback earlier fell, hurt by weaker-than-expected U.S. economic data that affirmed expectations the Federal Reserve will hold U.S. interest rates steady this year. The **dollar index** was up 0.17 percent at 96.62. The **dollar**, however, fell 0.15 percent against the **yen** to 110.68 yen.

Oil prices sank below recent 2019 highs as U.S. government data showed a sharp build in crude stocks and record production, while concerns about slowing global economic growth weighed on the market. Supply cuts led by the

Organization of the Petroleum Exporting Countries and its allies, including Russia, and oil sanctions on Venezuela and Iran helped to limit losses. Progress in U.S.-China talks to resolve a trade dispute that has dampened global economic growth also supported prices. **U.S. crude** fell 0.52 percent to \$56.86 a barrel after touching a 2019 high of \$57.55 the previous day. **Brent crude futures** fell 0.22 percent to \$67.07 a barrel after hitting a 2019 peak on Wednesday at \$66.93.

Gold slipped from a 10-month peak, pressured by signals the U.S. Federal Reserve will not adopt as dovish a stance on monetary policy as previously thought and as investors booked profits, while palladium retreated from a record high. **Spot gold** fell 1.15 percent to \$1,323.01 per ounce, having hit \$1,346.73 in the previous session, its highest since April 19. **U.S. gold futures** were down about 1.58 percent at \$1,326.60 per ounce.

Top News

SpaceX, Boeing design risks threaten new delays for U.S. space program

NASA has warned SpaceX and Boeing of design and safety concerns for their competing astronaut launch systems, according to industry sources and a new government report, threatening the U.S. bid to revive its human spaceflight program later this year. NASA is paying SpaceX \$2.6 billion and Boeing \$4.2 billion to build rocket and capsule launch systems to return astronauts to the International Space Station from U.S. soil for the first time since America's Space Shuttle program went dark in 2011. Just ahead of the first scheduled un-manned test flight slated for March 2 under NASA's multibillion-dollar Commercial Crew Program, NASA's safety advisory panel cited four "key risk items" in its 2018 annual report earlier this month. For Boeing, they include the capsule's structural vulnerability when the heat shield is deployed. For SpaceX, the report mentioned the redesign of a SpaceX rocket canister following a 2016 explosion and its "load and go" process of fueling the rocket with the crew already inside the capsule. "Parachute performance" remained an issue for both companies. "There are serious challenges to the current launch schedules for both SpaceX and Boeing," the report said.

Johnson & Johnson receives federal subpoenas related to baby powder litigation

Johnson & Johnson said it has received subpoenas from the U.S. Justice Department and the Securities and Exchange Commission (SEC) related to litigation involving alleged asbestos contamination in its signature Baby Powder product line. The company said it intends to "cooperate fully with these inquiries and will continue to defend the Company in the talc-related litigation." The disclosure in Johnson & Johnson's annual report is the first time that the company disclosed it had received subpoenas from federal agencies regarding its talc powder products. A



A file photo of the view inside a Crew Dragon spacecraft simulator being used to train NASA astronauts is shown at SpaceX headquarters in Hawthorne, California, U.S. August 13, 2018. REUTERS/Mike Blake

Reuters report on Dec. 14 revealed that Johnson & Johnson knew for decades that small amounts of asbestos, a known carcinogen, had been occasionally found in its talc and powder products, according to tests from the 1970s to the early 2000s - information it did not disclose to regulators or the public.

Nike stumbles into social media storm after basketball star's shoe splits

A Nike sneaker worn by a college basketball superstar split in half less than a minute into a highly anticipated game between Duke University and North Carolina, prompting an outcry on social media as the company sought to figure out what caused the malfunction. Zion Williamson, a 6-foot-7-inch freshman forward for the Duke Blue Devils who is anticipated to be the top 2019 NBA Draft pick, suffered a mild sprain to his right knee because of the incident, according to his coach Mike Krzyzewski. A closeup video replay showed Williamson slipping and crumpling to the ground, clutching his knee in pain. His left shoe is seen split in half, with part of the sole ripped off the base of the sneaker. "We are obviously concerned and want to wish Zion a speedy recovery," Nike said. "The quality and

performance of our products are of utmost importance. While this is an isolated occurrence, we are working to identify the issue." Williamson was wearing the Nike PG 2.5 basketball shoe when he was injured, Nike confirmed. The company's shares dropped 1.21 percent to \$83.81.

Consumer Reports yanks recommendation for Tesla's Model 3, citing reliability

Consumer Reports pulled a recommendation for Tesla's Model 3, citing reliability problems, and the influential U.S. magazine turned up the pressure on other automakers to include crash-avoiding automatic braking as standard equipment. The magazine's decision to withdraw its endorsement for the Tesla Model 3 less than nine months after recommending the electric sedan highlighted questions about quality that Tesla has faced since the vehicle's difficult launch. Low scores for the Model 3 hurt the brand's overall standing, knocking it down 11 spots to No. 19 out of 33 brands in Consumer Reports' 2019 annual rankings. "We have already made significant improvements to correct any issues that Model 3 customers may have experienced that are referenced in this (Consumer

Reports) report," a Tesla representative said in an email, "and our return policy allows any customer who is unhappy with their car to return it for a full refund."

Domino's hurt as delivery firms offer more choice, shares fall

Domino's Pizza missed analysts' estimates for quarterly same-store sales, sending its shares down and underscoring pressures the company is facing from food delivery startups that are offering diners more choices. Same-store sales at Domino's company-owned U.S. outlets rose 3.6 percent, the slowest pace in at least four years, while franchises posted a 5.7 percent growth in the fourth quarter, both well below Wall Street expectations. Domino's same-stores sales were also impacted as New Year's Eve - a key day for pizza sales - shifted from the fourth quarter to the current quarter. International same-stores sales growth also fell short of estimates, coming in at 2.4 percent compared with expectations of 4.14 percent. Total revenue rose to \$1.08 billion, but missed the average analyst estimate of \$1.10 billion. The company's shares ended 9.89 percent lower at \$250.95.

Bunge's U.S.-China trade war bet leads to fourth-quarter loss

Bunge reported a fourth-quarter loss after a truce in the U.S.-China trade war ruined the company's bets on Brazilian soy. Bunge, under pressure from weak results over the past two years, missed Wall Street forecasts for the fourth time in five quarters. The company's net loss available to shareholders widened to \$74 million, or 52 cents per share, in the fourth quarter. Excluding one-time items, the company earned 8 cents per share, missing the

average analyst estimate of 20 cents per share, according to IBES data from Refinitiv. The company said net sales fell 0.5 percent to \$11.54 billion.

Owners of Permian producer DoublePoint plan \$5 billion sale - sources

DoublePoint Energy's private equity owners are exploring a potential sale of the Permian Basin oil producer later this year that could value the company at as much as \$5 billion, including debt, sources familiar with the matter said. A potential deal would involve one of the largest privately-owned businesses in Texas' Midland Basin, and provide an exit for its owners which built the position in an area considered at the heart of the U.S. shale revolution. DoublePoint's owners include Apollo Global Management, Blackstone Group's GSO Capital Partners, Magnetar Capital, and Quantum Energy Partners.

Wendy's gives poor profit outlook as digital spending grows

Wendy's 2019 profit outlook fell short of Wall Street forecasts, as the burger chain steps up spending on digital initiatives in efforts to lure more customers in a crowded U.S. fast-food market. Wendy's said it would spend \$25 million this year on digital scanners and data analysis to gain insights about customer behavior, as part of its efforts to increase the speed and accuracy of orders. Sales at established Wendy's restaurants rose only 0.2 percent during the December quarter, lagging Wall Street forecasts of a 0.74 percent rise. Wendy's projected adjusted earnings between 61 cents and 63 cents per share, a forecast that includes expenses related to its new digital scanners. Analysts were expecting earnings of 66 cents. The

company's fourth-quarter revenue overall climbed 3.6 percent to \$397.8 million, but fell below analysts' estimates of \$400 million. Excluding one-time items, Wendy's reported earnings of 16 cents per share, one cent above analysts' forecasts, driven by higher net rental income and lower operational expenses.

AT&T pulls ads from YouTube over videos exploiting children

AT&T pulled all its advertising from YouTube for the second time in two years after a magazine reported the platform displayed ads next to videos that showed the exploitation of children. "Until Google can protect our brand from offensive content of any kind, we are removing all advertising from YouTube," an AT&T spokesman said. YouTube said it had removed some of the content, which violated its policies against child endangerment, nudity and other behavior it considers inappropriate. YouTube added that it disabled comments on tens of millions of videos that include minors. "There's more to be done, and we continue to work to improve and catch abuse more quickly," YouTube said.

Apple car may be an electric van - Manager Magazin

A long-sSpeculated vehicle to be developed by Apple may turn out to be an electric van rather than a car, a German magazine reported. Manager Magazin, citing multiple unnamed sources, said that prototypes painted in black and silver had been seen. The report said that engineers at Apple's Cupertino, California-headquarters were working on the interior.

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Cabot Oil & Gas	Q4	BMO	\$0.59	\$0.58	\$0.13	\$652.39
Pinnacle West Capital	Q4	BMO	\$0.17	\$0.18	\$0.19	\$720.60

*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.





Sunlight hits the Horsetail Fall, turning it into a "Firefall", at Yosemite National Park, California, U.S., February 19. Alfonso Avila/via REUTERS

Insight and Analysis

FOCUS-Google's new cloud boss has big task to catch rivals, Reuters data show

Google has a new cloud computing boss and big ambitions to someday produce more revenue from that business than from advertising. Now comes the hard part: winning over big-spending customers. Alphabet Inc's cloud computing division remains a distant third behind Amazon.com Inc and Microsoft in terms of global revenue, according to analysts' estimates. A few major companies manage their data on Google's servers. But Google has nowhere near the vast customer base of Amazon, according to a new Reuters analysis of company regulatory filings. Businesses generally are not required to disclose their cloud vendors.

Ford's Brazil shutdown highlights automakers' woes with excess capacity

Ford's oldest factory in Brazil, slated for closure later this year, was a giant among auto plants, occupying a sprawling 12 million square feet, bigger than many of the automaker's U.S. facilities. But in terms of spare capacity, the most important indicator of factory profitability, the historic Sao Bernardo do Campo plant, which still employs 3,000 workers, had become a dwarf. Closed more often than it was open, the plant's production lines sprang to life just three days a week. Overall, Ford's Sao Bernardo plant produced 33,000 cars and heavy trucks in 2018, or just 11 vehicles per employee. In 2018, Ford used 12 percent of its car production capacity at the Sao Bernardo plant.

Canada's Cenovus bets on rail to move crude, fearing full pipelines

Cenovus Energy is pressing ahead with aggressive plans to transport more crude by rail, contrasting itself with peers who have hit the brakes, as the Canadian oil producer bets that pipeline bottlenecks are likely to return. Pipeline congestion depressed Canadian oil prices last year, prompting Cenovus and other producers to increase their reliance on rail to move crude to U.S. refineries. Alberta's provincial government imposed mandatory production cuts in January, an unusual step that succeeded in narrowing the gap - called a differential - between Canadian and U.S. prices. That tightening has inadvertently made rail transport less profitable, and producers like Imperial Oil and Suncor Energy pulled back.



CANADA

Market Monitor

Canada's main stock index fell in broad-based declines, as material shares were down on the back of a fall in gold prices and lower oil prices weighed on energy stocks.

The **Toronto Stock Exchange's S&P/TSX composite index** was down 0.19 percent at 16,000.86. The **materials sector** shed 0.60 percent to 238.80.

The **U.S. dollar** rose 0.37 percent against the **Canadian dollar** to C\$1.3223.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Kirkland Lake Gold Ltd	47.54	3.53	8.02
Torex Gold Resources Inc	16.03	1.15	7.73
Alacer Gold Corp	3.71	0.21	6.00
LOSERS			
Uni-Select Inc	13.21	-1.69	-11.34
Iamgold Corp	4.65	-0.27	-5.49
Fanning International Inc	24.87	-1.22	-4.68

COMING UP

Canadian retail sales are likely to have edged down 0.3 percent in December, compared with a decline of 0.9 percent in November.

Auto parts maker **Magna International Inc** is expected to report a drop in revenue compared with a year-ago period. Magna, the world's third-biggest vehicle components supplier by sales, lowered its 2018 outlook in November and last month said its revenue would be pinched by a strong U.S. dollar and asset sale this year.

Top News

Bank of Canada head says path back to neutral rates 'highly uncertain'

Bank of Canada Governor Stephen Poloz said interest rates would need to move up into a neutral range over time, but the path back is now "highly uncertain" and any future rate moves remain decidedly data-dependent. Speaking to a business audience in Montreal, he said the impact of higher interest rates on highly indebted Canadians was a key uncertainty, noting it is one reason why the bank has been gradual in its approach to raising rates. "We judge that we will need to move our policy rate up into a neutral range over time ... However, the path back to that neutral range is highly uncertain," Poloz said.

Canadian auto union faces Catch-22 in General Motors fight

Jerry Dias, the leader of Canada's auto union, is unsparing in his rhetorical attacks on General Motors' decision to close its Oshawa, Ontario, assembly plant and lay off thousands of union workers by year-end. But when it comes to action, Unifor's president has been far more circumspect. Dias promised "drastic measures" to



compel GM to extend production of sedans and pickups, including the Silverado, to Sept. 21, 2020, when the current labor contract expires. But Dias has not yet deployed the biggest weapon in his arsenal – a general strike to fully halt production of Silverado and Sierra pickups, vital to the Detroit automaker's profitability. Dias concedes there is mixed support for a walkout among union workers. Some Oshawa workers fear that shutting down GM Canada would hurt them much more than the company. Dias has looked for support from his U.S. counterparts in the United Auto Workers union. The two unions, which broke apart more than three decades ago, discussed cooperating on their campaigns to save plants, but provided no details.

Loblaw profit beats estimates on retail sales

Loblaw reported a better-than-expected quarterly profit, as more people shopped at the Canadian retailer's food and drug stores. Excluding items, the company earned C\$1.07 per share, beating analysts' average estimate of C\$1.04 per share. Net profit available to shareholders rose to C\$221 million or 59 Canadian cents per share, in the fourth quarter, from C\$31 million, or 8 Canadian cents per share, a year earlier. Revenue rose to C\$11.22 billion from C\$10.99 billion.

Huawei committed to Canadian investment despite CFO arrest - chairman

Huawei Chairman Liang Hua said the company is committed to increasing investment in Canada despite the arrest of its chief financial officer by Canadian police at the request of the United States last December. The Chinese telecommunications company said it would increase Canadian research and development investment by 15 percent this year and add 200 R&D jobs, expanding its workforce by 20 percent.

WEALTH NEWS

U.S.-SINO TALKS

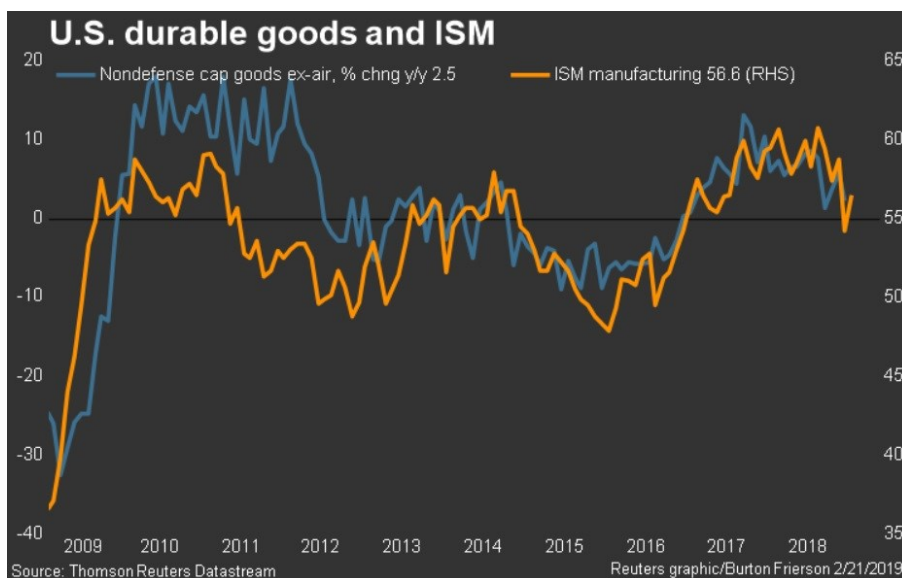
U.S., China resume trade talks to thrash out structural agreements

The top U.S. and Chinese trade negotiators resumed high-level talks to hash out a deal that could end their trade war, just over a week before a U.S.-imposed deadline to reach agreement expires and triggers a new round of tariffs.

ECONOMIC DATA

Weak U.S. data underscore growing headwinds to economy

New orders for key U.S.-made capital goods unexpectedly fell in December amid declining demand for machinery and primary metals, pointing to a sustained slowdown in business spending on equipment that could further crimp economic growth. The Commerce Department said orders for non-defense capital goods excluding aircraft dropped 0.7 percent. Shipments of core capital goods rose 0.5 percent in December after an unrevised 0.2 percent drop in the prior month. The initial claims for state unemployment benefits dropped 23,000 to a seasonally adjusted 216,000 for the week ended Feb. 16. The National Association of Realtors said existing home sales dropped 1.2 percent to a seasonally adjusted annual rate of 4.94 million units last month.



[Click on the chart for a full-size image](#)

NEW PAYMENT METHOD

Apple, Goldman Sachs to jointly launch credit card paired with iPhone – WSJ

Goldman Sachs has teamed up with Apple to issue credit cards that will be paired with iPhones and will help users manage their money, the Wall Street Journal reported, citing people familiar with the matter.

STRONG QUARTER

New products help Fidelity Investments parent keep pace with rivals

Fidelity Investments parent FMR LLC said its 2018 operating profit rose 18.6 percent to \$6.3 billion as new products like no-fee index funds helped the Boston mutual fund firm counter falling markets and keep pace with bigger rivals.

BOOST TO 5G

Trump urges U.S. telecommunications companies to step up 5G systems

U.S. President Donald Trump called on U.S. telecommunications companies to boost their work to build faster 5G wireless communications networks, saying they were lagging and at risk of being left behind other countries' efforts.

OIL TROUBLES

Nigeria hits oil majors with billions in back taxes

Nigeria has ordered foreign oil and gas companies to pay nearly \$20 billion in taxes it says are owed to local states, industry and government sources said, in a move that could deter investment in Africa's largest economy.

DEFENDING DRUG PRICES

Catalyst Pharmaceuticals defends \$375,000 drug price after Bernie Sanders rebuke

Catalyst Pharmaceuticals, rebuked by U.S. Senator Bernie Sanders for its high drug prices, defended its \$375,000 treatment for a rare disease, saying the price was in line with similar products in the industry.





Women work on unicorn stuffed toys for export at a workshop in Lianyungang, Jiangsu province, China, February 21. REUTERS/Stringer

The Day Ahead - North America is compiled by Swathi Nair and Priyanka Das in Bengaluru.

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