

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Comments from Federal Reserve Chairman Jerome Powell pushed **stocks** higher.

Treasuries pared gains after a soft 30-year bond auction. The **dollar** rose, while **gold** prices fell. **Oil** prices edged higher after easing earlier in the session.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	23984.87	105.75	0.44	26951.81	21712.53
Nasdaq	6986.07	28.99	0.42	6985.22	6457.13
S&P 500	2596.62	11.66	0.45	2595.32	2443.96
Toronto	14903.49	98.76	0.67	16586.46	13776.88
FTSE	6942.87	36.24	0.52	6938.31	6599.48
Eurofirst	1372.97	4.94	0.36	1376.51	1308.86
Nikkei	20163.80	-263.26	-1.29	20494.35	19241.37
Hang Seng	26521.43	59.11	0.22	26597.07	24896.87

TREASURIES	Yield	Price
10-year	2.7296	-1 /32
2-year	2.5652	0 /32
5-year	2.5575	0 /32
30-year	3.0450	-14 /32

FOREX	Last	% Chng
Euro/Dollar	1.1497	-0.38
Dollar/Yen	108.46	0.28
Sterling/Dollar	1.2745	-0.34
Dollar/CAD	1.3232	0.19
TR/HKEX RMB	93.94	0.17

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	52.65	0.29	0.55
Spot gold (NY/oz)	1286.10	-6.95	-0.54
Copper U.S. (front month/lb)	0.0264	-0.0002	-0.75
Reuters/CRB Index Total Return	185.20	-0.45	-0.24

S&P 500	Price	\$ Chng	% Chng
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GAINERS			
Constellation Brands Inc	159.85	8.91	5.90
General Electric Co	8.94	0.44	5.18
International Paper Co	44.81	2.10	4.92
Packaging Corp of America	90.88	3.66	4.20

LOSERS			
Macy's Inc	26.11	-5.61	-17.69
Kohls Corp	66.55	-3.35	-4.79
L Brands Inc	26.99	-1.24	-4.39
American Airlines Group Inc	32.04	-1.38	-4.13

Coming Up



A file photo of a man carrying shopping bags in Santa Monica, California, October 11, 2010. REUTERS/Lucy Nicholson

The U.S. Labor Department is likely to report that the **consumer price index** dipped 0.1 percent in December after a flat reading the previous month.

Richard Clarida, the U.S. central bank's vice chairman, is likely to reinforce the message that little is certain as the Fed monitors a slowdown in global growth and volatility in markets - even while it aims to

keep tightening policy. He is expected to speak at the Money Marketeers dinner in New York.

LIVECHAT- POLITICS BY THE NUMBERS

Reuters U.S. politics polling editor Chris Kahn delivers the data and trends from Reuters up-to-the-minute polling of Americans. (0900 ET/1400 GMT) To join the discussion, [click here](#)

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Core CPI mm, SA for Dec	0830	0.2 pct	0.2 pct
Core CPI yy, NSA for Dec	0830	2.2 pct	2.2 pct
CPI Index, NSA for Dec	0830	251.100	252.038
Core CPI Index, SA for Dec	0830	--	259.48
CPI mm, SA for Dec	0830	-0.1 pct	0.0 pct
CPI yy, NSA for Dec	0830	1.9 pct	2.2 pct
Real weekly earnings mm for Dec	0830	0.3 pct	-0.1 pct
CPI mm NSA for Dec	0830	--	-0.330 pct
CPI Index SA for Dec	0830	--	252.880
Cleveland fed CPI for Dec	1100	--	0.3 pct



Market Monitor

Wall Street extended its rally into a fifth straight session with whipsaw trading as investors responded to mixed comments by U.S. Federal Reserve Chairman Jerome Powell, while a warning from Macy's pummeled retail stocks. Powell reiterated the views of other policymakers that the Fed would be patient about interest rate hikes. Trade-related optimism somewhat faded as China offered little in the way of details on key issues such as forced technology transfers, intellectual property rights, tariff barriers and cyber attacks.

Industrial stocks rose 1.44 percent to 572.0. **Boeing** gained 2.64 percent.

Amazon.com fell 0.09 percent. The **Dow Jones Industrial Average** ended up 0.44 percent at 23,985.10, while the **S&P 500** gained 0.45 percent to 2,596.63. The **Nasdaq Composite** rose 0.42 percent to 6,986.07.

Treasuries fell after a soft 30-year bond auction and as Powell said the U.S. central bank will "substantially" reduce the size of its balance sheet. Powell's comments on the balance sheet came as the Treasury Department auctioned \$16 billion of 30-year government bonds at a yield of 3.035 percent. The bid-to-cover ratio was 2.19, lower than the 2.31 at the 30-year auction in December. The yield curve also steepened after minutes from the Fed's December meeting, released on Wednesday, showed that a range of policymakers said they could be patient about future interest rate increases and a few did not support the central bank's rate increase that month. **Benchmark 10-year notes** fell 1/32, yielding 2.73 percent. The **2-year notes** were flat with a yield of 2.56 percent.



Traders work on the floor of the New York Stock Exchange (NYSE) in New York, U.S., January 10. REUTERS/Brendan McDermid

The **dollar** rose against the **euro** and **yen**, after Powell said the U.S. central bank intends to further shrink the balance sheet, suggesting it is not done tightening monetary policy just yet. The Fed chairman also said he sees no near-term risk of a U.S. recession and expects continued momentum in economic data. However, he reiterated that the Fed can be patient on monetary policy and can move "flexibly and quickly" if economic data warrants it. The **dollar index** rose 0.36 percent to 95.56. The **euro** dropped 0.37 percent to \$1.1498, while the **dollar** rose 0.29 percent versus the yen to 108.47 **yen**.

Crude prices edged higher, supported by comments from the U.S. Federal Reserve chairman that lifted equity markets, but a

more than week-long oil rally slowed as optimism surrounding U.S.-China trade talks faded. **Brent crude futures** rose 0.34 percent to \$61.65 a barrel. **U.S. West Texas Intermediate crude futures** added 0.55 percent to \$52.65 a barrel.

Gold slipped, holding below \$1,300 an ounce as the dollar bounced up off lows as investors pared back bearish positions on the U.S. currency. **Spot gold** fell 0.54 percent to \$1,286.10 per ounce. **Gold futures** were down 0.36 percent at \$1,287.4 per ounce. "Gold today is being driven by a higher dollar and the two generally trade inversely, but overall it's not changing the technical stance on the asset," said Michael Matousek, head trader at U.S. Global Investors.



Top News

Powell: Fed can be patient as U.S. economy evolves in 2019

Federal Reserve Chairman Jerome Powell said the U.S. central bank has the ability to be patient on policy given inflation is stable, allowing it to assess whether the U.S. economy will slow this year as some in financial markets worry. "Especially with inflation low and under control, we have the ability to be patient and watch patiently and carefully as we ... figure out which of these two narratives is going to be the story of 2019," he said at the Economic Club of Washington. He also downplayed December predictions from Fed policymakers showing that, at the median, interest rates would be raised twice this year. "There is no such plan," Powell said. "That was conditional on a very strong outlook for 2019, an outlook that may still happen." Separately, St. Louis Federal Reserve Bank President James Bullard said, with U.S. growth likely to slow this year, the U.S. Federal Reserve has come to the "end of the road" on its current interest-rate hike cycle. To read more, [click here](#)

Ford, Jaguar slash thousands of jobs across Europe

Ford and Jaguar Land Rover unveiled sweeping job cuts across Europe as carmakers struggle with a slump in demand for diesel vehicles, tougher emissions rules and a global economic slowdown led by China. JLR said it will cut 4,500 out of 42,500 jobs, while Ford said it will slash "thousands" of jobs as part of an overhaul that could result in plant closures and the discontinuation of some models. The job cuts come as Ford and JLR have been hit by a fall in demand for diesel-engined cars and after European policymakers last month agreed stricter pollution limits, forcing carmakers to accelerate investments to make electric cars. Ford said it will seek to exit the family vans or MPV segment, review its operations in Russia, and combine the headquarters of Ford U.K. and Ford Credit to a site in Dunton, Essex to achieve a 6 percent operating margin in Europe. Ford Europe reported a 245 million euro loss before interest and taxes in the third

quarter, equivalent to a negative 3.3 percent EBIT margin.

Macy's cuts profit, sales forecast after weak holiday season

Macy's shares plunged, after the department store operator slashed its full-year profit and sales forecast on the back of an anemic holiday season, sending a chill through the wider retail sector. Macy's said its sales slowed after a good start to the holidays, and flagged particular weakness in women's sportswear, sleepwear, fashion jewelry, fashion watches and cosmetics. Its comparable sales over the critical November and December months rose 1.1 percent. Macy's now expects 2 percent growth in comparable sales for the full year, down from a previous outlook of 2.3 percent to 2.5 percent growth. Its comparable sales, including licensed departments, rose 1.1 percent during November and December. The retailer is now calling for diluted earnings per share of \$3.95 to \$4.00 for fiscal 2018, excluding settlement charges, impairment and other costs. Its previous guidance issued in November called for EPS of \$4.10 to \$4.30. The company's shares fell 18.22 percent at \$25.94.

Sears chairman confirms new \$5 billion bid to save bankrupt retailer

Sears Holdings Chairman Eddie Lampert confirmed he has made a new takeover bid of more than \$5 billion for the company, an offer that may significantly increase the likelihood the U.S. department store will be able to stay in business. Lampert's new bid, made through an affiliate of ESL and disclosed in a regulatory filing, assumes more than \$600 million in additional liabilities, including taxes, vendor bills and other expenses Sears has incurred since filing for bankruptcy protection last October. That is on top of about \$1.1 billion in liabilities Lampert, Sears' biggest shareholder and creditor, previously agreed to assume. Lampert's revised offer, whose details were first reported by Reuters on Wednesday, will be assessed by Sears during a Jan. 14 bankruptcy auction. The company will consider whether the bid offers more value to creditors than a liquidation.

Google can limit 'right to be forgotten' to EU says top court adviser

Google can limit the "right to be forgotten" to internet searches made in the European Union, an adviser to the bloc's top court



A file photo of the Ford logo seen at the International Auto Show in Mexico City, Mexico November 23, 2017. REUTERS/Henry Romero



said, backing an appeal by the U.S. search giant against a French fine. Maciej Szpunar's opinion was welcomed by Google, which locked horns with France's privacy watchdog after being fined in 2016 for failing to delist sensitive information beyond the borders of the EU. "We've worked hard to ensure that the right to be forgotten is effective for Europeans, including using geolocation to ensure 99 percent effectiveness," Peter Fleischer, Google's senior privacy counsel, said. France's CNIL data protection authority said it noted the opinion and restated its view that the right to privacy should apply regardless of the geographical origin of the person doing an internet search. Once the right to be forgotten had been established within the EU, a search engine operator should do all it can to remove entries, including using geo-blocking in the event that the IP address of a device connected to the internet is deemed to be within the EU, Szpunar added.



REUTERS/Massimo Pinc

Fiat Chrysler agrees to \$800 million U.S. diesel-emissions settlement

Fiat Chrysler Automobiles has agreed to a settlement worth about \$800 million to resolve claims from the U.S. Justice Department and state of California that it used illegal software that produced false results on diesel-emissions tests, but still faces an ongoing criminal probe. The hefty penalty is the latest fallout from the U.S. government's stepped-up enforcement of vehicle emissions rules after Volkswagen admitted in September 2015 to intentionally evading emissions rules. The Fiat Chrysler settlement includes \$311 million in total civil penalties to U.S. and California regulators, up to \$280 million to resolve claims from diesel owners, and extended warranties worth \$105 million. It

covers 104,000 Fiat Chrysler 2014-16 Ram 1500 and Jeep Grand Cherokee diesels, the Justice Department said. Regulators said Fiat Chrysler used "defeat devices" to cheat emissions tests in real-world driving. Fiat Chrysler said in a statement that "the settlements do not change the Company's position that it did not engage in any deliberate scheme to install defeat devices to cheat emissions tests." The company did not admit liability.

American Airlines shares fall on dour Q4 expectations, weigh on sector

American Airlines shares fell, after the carrier cut its estimate for a closely watched measure of performance, raising concerns that slowing global economic growth is hurting business travel. American said it expects its fuel expense to reduce in the fourth quarter to between \$2.22 and \$2.27 per gallon, compared with \$2.30 to \$2.35 per gallon earlier. The company now expects unit revenue, which compares sales to flight capacity, to increase about 1.5 percent in the quarter, compared with its earlier estimate of 1.5 percent to 3.5 percent rise. American also lowered full-year earnings per share expectation to a range of \$4.40 to \$4.60, from \$4.50 to \$5 earlier. Analysts were expecting American to earn \$4.62 per share in 2018, according to IBES data from Refinitiv. "We believe a change in messaging is needed at American. The company cannot continue to come out with a bullish message and then underperform all year," Cowen & Co analyst Helane Becker said. The company's shares ended down 4.22 percent at \$32.01.

Investors ask how the Bezos divorce will affect Amazon

Amazon.com shares seesawed as investors questioned how the impending divorce of company founder Jeff Bezos would affect his control of the most valuable company on Wall Street and its ambitious expansion plans. Bezos, whom Forbes lists as the world's richest person, worth an estimated \$136.2 billion, said via Twitter on Wednesday that he and his wife of 25 years, MacKenzie, will divorce. The split

throws into question how the couple will split their fortune, which includes an approximately 16 percent ownership stake in Amazon's roughly \$811.4 billion market capitalization. Divorce laws in Washington state, where they live, hold that property acquired during a marriage is generally divided equally between spouses.

U.S. Air Force accepts first long-delayed KC-46 tanker jet

The U.S. Air Force has accepted the long-delayed first delivery of the KC-46 tanker jet made by Boeing, an Air Force spokeswoman said. Delivery means Boeing could now begin to reverse what has been a steady stream of financial losses related to the KC-46 program, and a major public relations headache for the world's largest aircraft maker. The Air Force plans to buy 179 of the tankers and could receive as many as four jets at McConnell Air Force base in Kansas as early as this month, the Air Force said. "This is a major milestone for our next generation tanker and will allow our Airmen to begin operational testing and flight training," Air Force spokesperson Captain Hope Cronin said in a statement, adding that an acceptance ceremony could be held at the base by month end.

Nasdaq failed to supervise power traders properly - Norway FSA

Nasdaq's Nordic commodity exchange in Oslo failed to supervise trading members adequately, relying too heavily on shared resources with other Nasdaq units and blurring responsibilities, Norway's Financial Supervisory Authority said. The report, the result of investigations that followed the default in September of Norwegian power trader Einar Aas, said Nasdaq must report on corrective measures by March 1. Members of Nasdaq's Nordic commodities exchange were forced to replenish 114 million euros of clearing house contingency funds that were lost in the default. Nasdaq said it had received the report from the Norwegian FSA and was reviewing it in detail to address any concerns.





A surfer catches a wave as the sun sets through dark clouds at Cardiff State Beach in Cardiff, California, U.S., January 9. REUTERS/Mike Blake

Insight and Analysis

COLUMN-Recessions? Never consensus, always hiding in plain sight - McGeever

Fears that the U.S. economy is about to slip into recession have receded quite significantly in the last few days, thanks to payrolls and JayPo. A red-hot jobs report for December and Fed chief Jerome Powell's signal that, essentially, the central bank has the market's back, have been enough to lift some of the gloom and send Wall Street and bond yields shooting higher again. The recent tightening in financial conditions has paused, and money markets are cooling on the idea that the Fed may be forced to cut rates this year or next. Risk assets and market sentiment around the world have rebounded too.

U.S. buyback market support may wane in 2019

U.S. companies' shopping spree for their own shares helped put a floor on market declines in 2018. Don't look for the same level of support in 2019. Wall Street's recent volatility has optimists betting that buybacks could provide the market with an even better buffer in 2019. But many strategists see the lift from buybacks - a major factor behind the bull market - losing some force as earnings growth slows while tax policy bonanzas fizzle out. Strategists say U.S. companies will spend heavily again on their own shares in 2019 as they have plenty of cash and tend to favor buybacks over dividends and major capital investments in times of economic and policy uncertainty.

Vehicle screens go super-sized at CES as tech catches up

Take a glance at the vehicle displays shown at CES and you could be forgiven for thinking you are at the movies. "This is not science fiction!" announced the head of Byton, an electric vehicle startup, onstage earlier this week at the global technology conference in Las Vegas. CEO and Chairman Carsten Breitfeld was referring to the jaw-dropping, 48-inch screen inside the Chinese-funded company's M-Byte car. Byton's vehicle will not be built until later this year. But its super-sized display - supplied by China's BOE Technology Group 000725.SZ - is proving an undeniable trend in the automotive world, fueled by the rise of more connected cars.

CANADA

Coming Up

Corus Entertainment Inc is expected to report a fall in first-quarter revenue. Investors will be looking out for updates or plans to ramp up advertising technology along with any new content for its TV business.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Canopy Growth Corp	49.82	5.32	11.96
Aurora Cannabis Inc	7.88	0.71	9.90
Pason Systems Inc	19.98	0.83	4.33
LOSERS			
New Gold Inc	1.50	-0.11	-6.83
Pretium Resources Inc	9.63	-0.70	-6.78
Eldorado Gold Corp	4.02	-0.25	-5.85

MARKET MONITOR

Canada's **main stock index** ended higher, supported by gain in energy prices.

The **energy sector** rose 1.08 percent to 149.20. **New Gold** shares fell 6.83 percent. The **Toronto Stock Exchange's S&P/TSX composite index** ended up 0.67 percent, at 14,903.49.

The **U.S. dollar** rose 0.19 percent against the **Canadian dollar** at C\$1.3232.

Top News

Pacific trade deal spurs Canadian farm sales to Japan as U.S. watches

A trade deal among Pacific nations - called the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) - took effect on Dec. 30 among the first six of 11 member countries to ratify it, including Canada, Japan and Australia. CPTPP's real prize, Canadian exporters say, are reduced Japanese tariffs for beef, pork, wheat and canola oil. Japan is the world's third-largest beef importer and seventh-largest wheat buyer, often buying top-quality supplies to meet consumer demand for soft, white breads and beef raised on grain not grass. For Canada, following a year of volatile relations with the United States and China, the deal offers a rare opportunity to seize market share from the United States, which withdrew from the pact after President Donald Trump took office. Canada's opportunity illustrates the risks of Trump's drastic trade actions. Farmers are key Trump supporters, but they have been among the hardest-hit from a trade war with China.

Canadian officials allowed second visit to man detained in China

Canadian diplomats in China held their second meeting with one of two citizens who were detained last month after the arrest of a senior Chinese executive in



A file photo of Tara Giles operating a combine as she harvests wheat on a 160-acre field located south of High River, Alberta, September 28, 2013. REUTERS/Mike Sturk

Vancouver, the Canadian foreign ministry said. "Today, Canadian consular officials in China visited with Michael Kovrig," the ministry said in a statement that provided no further details. Officials met Michael Spavor, the other man, on Tuesday. In a newspaper editorial published on Wednesday, Lu Shaye, China's ambassador to Ottawa, accused Canada of

"double standards" which he said were caused by "western egotism and white supremacy." Although Canada says China has made no specific link between the detentions and Meng's arrest, experts and former diplomats say they have no doubt Beijing is using the cases of the two men to pressure Ottawa.



WEALTH NEWS

TRADE TALKS

Trump says U.S. is having tremendous success with China on trade

President Donald Trump said the United States was having tremendous success in its trade negotiations with China, a day after U.S. and Chinese officials concluded three days of talks in Beijing. The meetings in China were the first face-to-face talks since Trump and Chinese President Xi Jinping met in Buenos Aires in December and agreed a 90-day truce in a trade war that has disrupted the flow of hundreds of billions of dollars of goods. Trump, a Republican, has accused China of cheating the United States on trade and stealing U.S. intellectual property, though he often has said he has a good personal rapport with Xi. "We're negotiating and having tremendous success with China," Trump told reporters as he left the White House on a trip to the U.S. border with Mexico on the 20th day of a partial shutdown of the U.S. government. He did not elaborate.



U.S. President Donald Trump talks to reporters as he departs for a visit to the U.S. southern border area in Texas from the White House in Washington, U.S., January 10. REUTERS/Carlos Barria

JOBS DATA

U.S. weekly jobless claims showcase economy's strength

The number of Americans filing applications for jobless benefits fell more than expected last week, pointing to sustained labor market strength that could further assuage concerns about the economy's health.

BILL INTRODUCE

Senator Sanders, Republican Cummings introduce bill to lower U.S. drug prices

U.S. Senator Bernie Sanders and Representative Elijah Cummings introduced legislation aimed at lowering the cost of prescription drugs for American consumers, critiquing President Donald Trump administration's efforts to curb medicine prices.

BLACKROCK PLANS JOB CUTS

BlackRock to cut 3 percent of its workforce in coming weeks -memo

BlackRock plans to cut 500 jobs, or 3 percent of its workforce, in coming weeks, according to a memo reviewed by Reuters.

BOOMING OIL EXPORT EFFECTS

U.S. oil export boom sparks a battle to build Texas ports

Booming U.S. oil exports have set off a scramble to build Gulf Coast ports to handle more than 3 million barrels per day in new supplies expected over the next five years.

TIGER GLOBAL'S PERFORMANCE

Hedge fund Tiger Global ended 2018 with a 13.6 percent gain

Tiger Global Management, which oversees \$23 billion in assets, told investors its hedge fund gained 13.6 percent last year.

STARBOARD INVESTS IN MGM

Starboard building stake in MGM Resorts -sources

Activist hedge fund Starboard Value LP is building a stake in MGM Resorts, two people familiar with the matter said on Thursday, as the U.S. hotel and casino operator comes under investor scrutiny over its profit targets.



KEY RESULTS

No major S&P 500 companies are scheduled to report.



Britain's Prime Minister Theresa May walks with Japanese Prime Minister Shinzo Abe as he receives a military Guard of Honour at the Foreign and Commonwealth Office ahead of bilateral talks in London, Britain January 10. Dan Kitwood/Pool

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