

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street's major indexes hit record highs to open the new year, as fresh economic stimulus from China added to optimism fueled by easing trade tensions and an improving global outlook. **Treasury yields** fell in light post-holiday trading, while the **dollar** rose. **Gold** began the year with a healthy start and **oil** prices inched up on rising tensions in the Middle East.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	28869.95	331.51	1.16	—	—
Nasdaq	9092.19	119.59	1.33	—	—
S&P 500	3257.86	27.08	0.84	—	—
Toronto	17099.95	36.52	0.21	—	—
FTSE	7604.30	61.86	0.82	—	—
Eurofirst	1638.12	14.16	0.87	—	—
Hang Seng	28543.52	353.77	1.25	—	—

TREASURIES	Yield	Price
10-year	1.8754	10 /32
2-year	1.5690	-1 /32
5-year	1.6632	3 /32
30-year	2.3319	31 /32

FOREX	Last	% Chng
Euro/Dollar	1.1169	-0.37
Dollar/Yen	108.53	-0.16
Sterling/Dollar	1.3137	-0.88
Dollar/CAD	1.2986	0.00
TR/HKEX RMB	92.12	0.12

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	61.12	0.06	0.10
Spot gold (NY/oz)	1528.25	11.36	0.75
Copper U.S. (front month/lb)	0.0283	0.0004	1.11
CRB Index Total Return	196.38	-0.25	-0.13

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Advanced Micro Devices Inc	49.10	3.24	7.07
General Electric Co	11.94	0.78	6.99
Western Digital Corp	65.62	2.65	4.21
LOSERS			
Kimco Realty Corp	19.60	-1.11	-5.36
Iron Mountain Inc	30.42	-1.45	-4.55
Kohls Corp	49.10	-1.85	-3.63

Coming Up

Investors will focus on the **minutes of the U.S. Federal Reserve's December 10-11 policy meeting**. In the last meeting, the U.S. central bank held interest rates steady.

The Institute for Supply Management (ISM) will release its index of **national factory activity** which is expected to have risen to a reading of 49 in December from 48.1 in the month before. Meanwhile, **construction spending** is expected to have rebounded 0.3% in November, compared to a fall of 0.8% in October.

Federal Reserve Bank of Richmond President **Thomas Barkin** speaks on "Is a Recession Around the Corner?" before the Maryland Bankers Association First Friday Economic

Outlook Forum, in Baltimore. Federal Reserve Bank of Chicago President **Charles Evans** chairs and Federal Reserve Bank of San Francisco President **Mary Daly** and Federal Reserve Board Governor **Lael Brainard** participate in "Women in Central Banking" panel before American Economic Association Annual Meeting, in San Diego.

Federal Reserve Bank of Dallas President **Robert Kaplan** and Federal Reserve Bank of San Francisco President **Mary Daly** participate in "Navigating the Crosscurrents: the Outlook for the Global Economy" panel before the American Economic Association/Allied Social Sciences Associations Annual Meeting, in San Diego.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
ISM-New York Index for Dec	0945	--	874.5
ISM New York Business Conditions for Dec	0945	--	50.4
Construction spending mm for Nov	1000	0.3%	-0.8%
ISM Manufacturing PMI for Dec	1000	49.0	48.1
ISM Manufacturing Prices Paid for Dec	1000	47.5	46.7
ISM Manufacturing Employment Index for Dec	1000	--	46.6
ISM Manufacturing New Orders Index for Dec	1000	--	47.2

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates
Lamb Weston Holdings	Q2	BMO	\$0.85	\$0.85	\$0.80	\$964.88

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

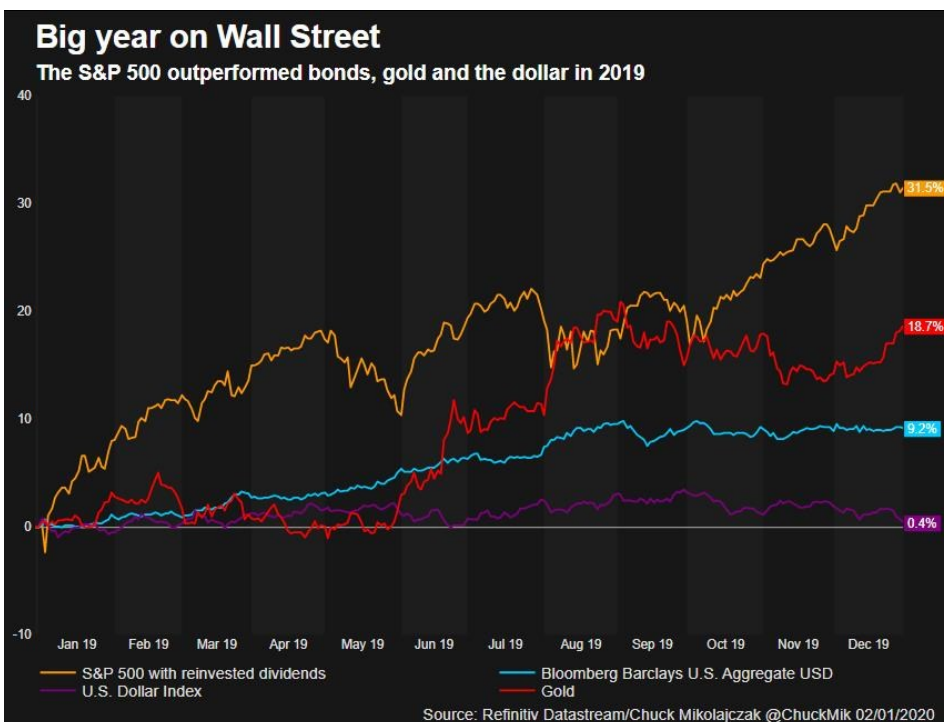
I/B/E/S EPS and revenue estimates, and StarMine Smart Estimates, provided by Refinitiv.

Market Monitor

Wall Street's major indexes notched record highs to open the new year, as fresh economic stimulus from China added to optimism fueled by easing trade tensions and an improving global outlook. "The market's been up all day because of the news that China is out there with monetary easing," said Tim Ghriskey, chief investment strategist at Inverness Counsel in New York. "With the trade deal as a backdrop, it's a positive factor." **Technology sector** rose 1.73% to 1639.12 and **industrials sector** gained 1.81% to 700.05. The **Dow Jones Industrial Average** rose 1.16% to 28,869.95, the **S&P 500** gained 0.84% to 3,257.85 and the **Nasdaq Composite** added 1.33% to 9,092.19.

Treasury yields fell in light post-holiday trading, after longer-dated debt posted its highest yearly returns since 2014. Yields fell even after China's central bank said on Wednesday it was cutting the amount of cash that all banks must hold as reserves, releasing around 800 billion yuan in funds to shore up the slowing economy. Trading volumes were light with many traders and investors away after Wednesday's New Year holiday. Thirty-year bonds returned 16.34% last year, according to Bank of America Merrill Lynch. Benchmark 10-year notes returned 8.91% for the year. The **benchmark 10-year notes** were up 10/32 to yield 1.88%, while the **5-year notes** gained 3/32 to yield 1.66%. The **30-year bonds** rose 31/32 to yield 2.33%.

The **dollar** rose after a downbeat December that left the index virtually flat at the end of 2019. Bleak data out of Germany and the United Kingdom weakened the **euro** and **pound** as demand for the safe-haven dollar picked up. "The trend of the weaker dollar that we saw generally in December seems to have broken down a bit today," said Thierry Wizman, global interest rates and currencies



strategist at Macquarie Group. The **euro** slipped 0.36% to \$1.1170. Against the dollar, the **pound** was 0.86% weaker at \$1.314. Wizman, however, said he expected the dollar's gains to be short-lived. "We think the trend is still towards a weaker dollar against the majors overall in 2020. That's supported in part by the view that global growth will resume and that's going to be good for the non-dollar blocs," he said. The **dollar index** inched up 0.45% to 96.82.

Oil prices rose, supported by signs of improving Washington-Beijing trade relations and rising tensions in the Middle East. Losses in oil prices were limited by optimism that a trade truce between the world's two largest economies will support energy demand. U.S. President Donald Trump has said Jan. 15 would mark the signing of the U.S.-China Phase 1 trade deal. "Any delays could put a pullback in the market here," said Bob Yawger, director of futures at Mizuho in

New York. **Brent crude futures** were 0.33% higher at \$66.22 a barrel, while **U.S. West Texas Intermediate crude** was 0.10% lower at \$61.12 per barrel.

Gold prices began the year with a healthy start, boosted by doubts surrounding the strength of Wall Street's rally. "Investors are coming back from the holidays and repositioning their portfolios," said Jeffrey Christian, managing partner of CPM Group, citing the rally in equities as the main reason for diversification. "The fact that stock markets are at record highs is continuing to strengthen gold and silver. There is nervousness about why the stock markets are as high as they are, given the economical and political environment." Gold prices were further boosted by uncertainties surrounding the U.S.-China trade negotiations. **Spot gold** was up 0.75% at \$1,528.26 per ounce, while **U.S. gold futures** gained 0.52% to \$1,531 an ounce.

Top News

Tesla says will start delivering China-made Model 3s to public on January 7

Tesla will deliver its first China-made Model 3 sedans to the public on January 7 at an event at its Shanghai plant, a representative for the firm told Reuters. "As Model 3s roll off Tesla's Chinese manufacturing facility with local subsidies intact, we believe the U.S.-based focus will need to shift globally for the company," Canaccord Genuity analyst Jed Dorsheimer wrote in a note to clients. China will be an important market for the company in 2020, said Dorsheimer, who raised his price target on Tesla to \$515, the second-highest on Wall Street. Tesla's China general manager, Wang Hao, said the company plans to ramp up Model 3 deliveries in January. Tesla executives also told reporters the plant had achieved a production target of 1,000 units per week, or around 280 cars a day, and that sales for the China-made sedan had so far been "very good". Shares of Tesla, which is expected to report its fourth-quarter delivery numbers in the next few days, ended 2.85% higher at \$430.26.

Trump administration clamps down on e-cigarette flavors, except menthol

The Trump administration announced a ban on some popular e-cigarette flavors, including fruit and mint, to curb rising teenage use of vaping products, allowing only menthol and tobacco flavors to remain on the market. The flavor ban applies to e-cigarettes, which use disposable cartridges filled with liquid nicotine and are often sold in convenience stores. The U.S. Department of Health and Human Services (HHS) said companies that do not stop the manufacture, distribution and sale of flavored cartridge-based e-cigarettes, other than tobacco or menthol, within 30 days risk enforcement actions from the Food and Drug Administration (FDA). The announcement would have no impact



A file photo shows a staff member explaining the China-made Tesla Model 3 vehicle at the Shanghai Gigafactory of the U.S. electric car maker in Shanghai, China December 30, 2019. REUTERS/Yilei Sun

on Juul, which has already pulled flavors except tobacco and menthol. It would force competitors still offering a wider variety of flavors, including Njoy and R.J. Reynolds Tobacco Co, which makes Vuse e-cigarettes, to restrict their offerings.

More January U.S. price hikes take 2020 tally to over 330 drugs with higher cost

AbbVie raised the cost of rheumatoid arthritis treatment Humira, the world's top-selling medicine, joining other drugmakers that have now hiked U.S. prices of more than 330 prescription drugs for 2020, according to data analyzed by healthcare research firm 3 Axis Advisors. That is currently below the average of 371 drug price increases in the first two days over the past five years. However, more price hikes could still be announced, including some that would be effective as of Jan. 1, 3 Axis said. Nearly all of the price increases are below 10%, with the median price increase around 5%, according to 3 Axis. AbbVie raised prices on more than 10 drugs, including Humira, which is on track for sales of

about \$19 billion for 2019, and newly-launched psoriasis treatment Skyrizi, according to 3 Axis. The list price for those two medicines went up by more than 7%.

Study finds Google system could improve breast cancer detection

A Google artificial intelligence system proved as good as expert radiologists at detecting which women had breast cancer based on screening mammograms and showed promise at reducing errors, researchers in the United States and Britain reported. The study, published in the journal Nature on Wednesday, is the latest to show that artificial intelligence (AI) has the potential to improve the accuracy of screening for breast cancer, which affects one in eight women globally. Findings of the study, developed with Alphabet's DeepMind AI unit, which merged with Google Health in September, represent a major advance in the potential for the early detection of breast cancer, Mozziyar Etemadi, one of its co-authors from Northwestern Medicine in Chicago, said.



Fireworks illuminate the sky over the Arc de Triomphe during the New Year's celebrations on the Champs Élysées in Paris, France January 1. REUTERS/Benoit Tessier

Insight and Analysis

U.S. shale producers to tap brakes in 2020 after years of rapid growth

Vastly slower U.S. oil growth this year and the prospect of a plateau for the world's top oil producer have signaled a new and unfamiliar era of self-restraint for the go-go shale industry. Spending cuts and production declines common to shale wells mean U.S. output growth is expected to brake from 2019's pace that pushed domestic production past 13 million barrels per day (bpd). Some analyst forecasts for next year call for growth to slow, potentially to a rate of just 100,000 new bpd. Over the latest decade, the shale revolution turned the United States into the world's largest crude producer and

a force in energy exports. Yet the revolution did not translate to higher stock prices. The S&P 500 Energy sector only gained 6% for the decade, far less than the 180% return for the broader stock market. The decade-long oil expansion failed to boost profits, which has discouraged investors.

Uber Eats goes local to find its niche in South African food fight

A stone's throw from Nelson Mandela's former home in South Africa's Soweto township, Dumile Badela's restaurant is now more hectic and lucrative than ever, thanks to Uber Eats, his hungriest customer yet. Having already dominated Africa's ride-hailing sector,

Uber is trying to conquer the food delivery market by leveraging its massive fleet of drivers in the continent's most developed economy and tracking popular food choices and destinations. The prize is big. The country's online food delivery industry was worth 10.49 billion rand in 2019, according to data portal Statista. And with growth pegged at nearly 14% annually, it will hit 17.6 billion rand by 2023. Surprisingly perhaps, Uber got off to a tricky start. An initial focus on high-end restaurants proved to be a mistake in a country perpetually on the verge of recession. The San Francisco-based app is now targeting traditional, local fare.



CANADA

Market Monitor

Canada's main stock index rose, tracking gains in global equity markets, in the first trading day of the year as Beijing unveiled fresh monetary stimulus and trade tensions further eased.

The Toronto Stock Exchange's **S&P/TSX composite index** ended up 0.21% at 17,099.95.

The **financials sector** gained 0.55% to 317.19 while the **industrials sector** rose 1.21% to 289.42

The **U.S. dollar** was flat against its **Canadian counterpart** at C\$1.2986.

COMING UP

No major events are scheduled

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Ballard Power Systems Inc	10.38	1.10	11.85
NFI Group Inc	28.17	1.52	5.70
Enghouse Systems Ltd	50.85	2.67	5.54
LOSERS			
Aurora Cannabis Inc	2.63	-0.16	-5.73
Canopy Growth Corp	26.13	-1.18	-4.32
Cronos Group Inc	9.55	-0.42	-4.21

Top News



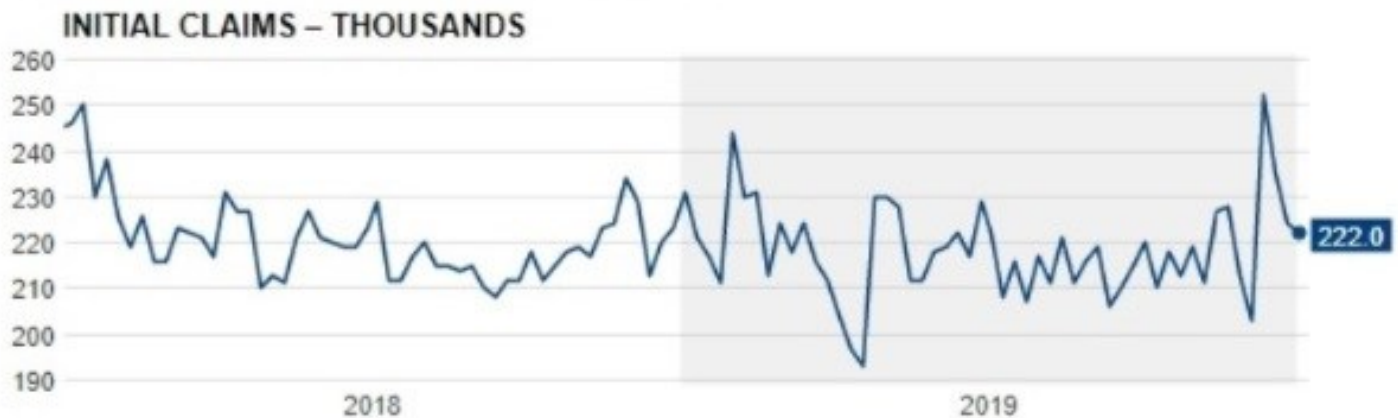
A file photo shows workers making jackets at the Canada Goose factory in Toronto, Ontario, Canada, February 23, 2018. REUTERS/Mark Blinch

Canadian factory activity expands at slowest pace in four months

Canadian manufacturing activity expanded in December at its slowest pace in four months as new orders declined and business optimism weakened, data showed. The IHS Markit Canada Manufacturing Purchasing Managers' index (PMI), a measure of manufacturing business conditions, fell to a seasonally adjusted 50.4 in December, its lowest level since August, from 51.4 in November. A reading above 50 shows expansion in the sector. The new orders index fell into contraction for the first time since August, dropping to 49.5 from 51.6 in November. Survey respondents pointed to subdued demand across the automotive and energy sectors, as well as difficulties winning new work in U.S. markets.

WEALTH NEWS

U.S. jobless claims



Source: Refinitiv Datastream / S. Culp 02/01/2020

UNEMPLOYMENT DATA

U.S. jobless claims edge lower but trend points to uptick in filings

The number of Americans filing claims for jobless benefits edged lower last week, a positive signal for the U.S. labor market amid recent signs that new claims may be trending slightly higher. Initial claims for state unemployment benefits decreased 2,000 to a seasonally adjusted 222,000 for the week ended Dec. 28, the Labor Department said. Economists polled by Reuters had expected 225,000 new claims last week. In the latest week, the four-week moving average of initial claims rose by 4,750 to 233,250, the highest level since January 2018. The claims report also showed the number of people receiving benefits after an initial week of aid rose 5,000 to 1.73 million for the week ended Dec. 21.

POLL ON OIL PRICES

Oil analysts bet on modest price gains in 2020 as supply shrinks

Oil prices are likely to hover around \$63 a barrel this year, a Reuters poll showed on Tuesday, benefiting from deeper production cuts by OPEC and its allies, and hopes that a U.S.-China trade deal could jumpstart economic growth.

ARGO BOARD

Argo to add new director, give hedge fund Voce say in adding others

Insurance company Argo Group International Holdings said that it will add one board member nominated last year by Voce Capital Management and give the hedge fund a say in seating two new independent directors in the coming months.

YOUR MONEY

Ditch the Resolution: Do a year-end review instead

It is hardly a secret that people rarely stick to New Year's resolutions - only about 8% of people actually make it to the finish line with their goals, according to studies from the University of Scranton, in Pennsylvania. So here is a better idea for your financial life: Before you look forward, look backward.



Property damaged by the East Gippsland fires in Sarsfield, Victoria, Australia January 1. AAP Image/News Corp Pool, Jason Edwards/via REUTERS

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

The Day Ahead - North America is compiled by Nachiket Tekawade and Nidhi C Sai in Bengaluru.

For questions or comments about this report, email us at: TheDay.Ahead@thomsonreuters.com.

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