

THE DAY AHEAD

MARKET RECAP at 4 pm ET

The **Dow** and the **S&P 500** closed at record highs, buoyed by health insurers and financial shares. **Treasury yields** rose after U.S. consumer prices recorded their biggest gains in 1-1/2 years. The **dollar** inched lower after Fed Chair Jerome Powell's bleak comments on the U.S. economy. **Brent crude** fell on lower demand outlook. **Gold** prices were in the red.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	27088.08	227.88	0.85	26983.45	21712.53
Nasdaq	8196.04	-6.49	-0.08	8228.60	6457.13
S&P 500	2999.90	6.83	0.23	3002.98	2443.96
Toronto	16527.90	-35.39	-0.21	16672.71	13776.88
FTSE	7509.82	-20.87	-0.28	7622.58	6599.48
Eurofirst	1523.40	-2.03	-0.13	1548.20	1308.86
Nikkei	21643.53	110.05	0.51	22362.92	19241.37
Hang Seng	28431.80	227.11	0.81	30280.12	24896.87

TREASURIES	Yield	Price
10-year	2.1326	-21/32
2-year	1.8564	-2/32
5-year	1.8873	-9/32
30-year	2.6526	-56/32

FOREX	Last	% Chng
Euro/Dollar	1.1255	0.05
Dollar/Yen	108.44	-0.02
Sterling/Dollar	1.2523	0.19
Dollar/CAD	1.3056	-0.18
TR/HKEX RMB	93.62	0.00

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	60.45	0.02	0.03
Spot gold (NY/oz)	1406.80	-12.00	-0.85
Copper U.S. (front month/lb)	0.0268	-0.0001	-0.39
CRB Index Total Return	192.75	-0.50	-0.26

S&P 500	Price	\$ Chng	% Chng
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GAINERS			
Cigna Corp	175.34	14.83	9.24
Anthem Inc	303.98	16.06	5.58
UnitedHealth Group Inc	261.19	13.71	5.54

LOSERS			
Iron Mountain Inc	29.67	-2.41	-7.50
Merck & Co Inc	80.98	-3.84	-4.53
Eli Lilly and Co	109.82	-4.71	-4.11

Coming Up



A file photo of Federal Reserve Bank of Chicago President Charles Evans participating in a moderated discussion in Zurich, Switzerland October 11, 2017. REUTERS/Arnd Wiegmann

The Labor Department is likely to report **producer price** remained flat in June, compared with a 0.1% gain in the previous month.

Federal Reserve Bank of Chicago President **Charles Evans** is scheduled to participate in an interview on "Monetary Policy Independence and the Seventh District Economy" before the "Trade and the Heartland: From Agriculture to Manufacturing"

conference, hosted by the Pacific Pension & Investment Institute in Chicago.

LIVECHAT – CHARTING STOCKS

Reuters Stocks Buzz writer Terence Gabriel is a chartist with a fundamentals bent and each week calls out trends, opportunities and risks via the charts. (1030 ET/1430 GMT) To join the conversation, [click here](#)

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
PPI final demand yy for June	0830	1.6%	1.8%
PPI final demand mm for June	0830	0.0%	0.1%
PPI exfood/energy yy for June	0830	2.2%	2.3%
PPI exfood/energy mm for June	0830	0.2%	0.2%
PPI ex food/energy/transport yy for June	0830	--	2.3%
PPI ex food/energy/transport mm for June	0830	--	0.4%

KEY RESULTS

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

Market Monitor

The **Dow** and **S&P 500** rose to close at record highs as health insurers gained after the Trump administration scrapped a plan designed to rein in prescription drug prices, while financial shares climbed with bond yields. Shares of pharmacy benefit managers gained as the news meant these companies would continue to benefit from after-market discounts from drugmakers. **UnitedHealth** gained 5.54%, which helped the Dow break above 27,000 points for the first time. Shares of **Cigna** surged 9.24%, **Merck** was down 4.53% and **Pfizer** was 2.43% lower. The **healthcare index** was up 0.02% and the **financial sector** rose 0.60%. The **Dow Jones Industrial Average** rose 0.85% to 27,088.08, the **S&P 500** gained 0.23% to 2,999.90 and the **Nasdaq Composite** dropped 0.08% to 8,196.04.

Treasury yields rose, with the biggest gains in long-dated maturities, after the auction of \$16 billion 30-year bonds met weak demand and U.S. underlying consumer prices recorded their biggest gain in 1-1/2 years. The Treasury Department sold \$16 billion in **30-year notes** at a high yield of 2.644%. The bid-to-cover ratio was 2.13. Analysts attributed the weak demand to the high price of the maturity going into the sale. The **benchmark 10-year notes** were down 21/32 to yield 2.13%. The **two-year notes** fell 2/32, to yield 1.86%.

Brent fell as OPEC forecast slower demand for its crude next year, with crude futures easing from their highest in more than a month after U.S. producers cut about half of their output



A file photo of traders working on the floor at the New York Stock Exchange in New York, U.S., July 1. REUTERS/Brendan McDermid

in the Gulf of Mexico ahead of what could be one of the first major storms of the Atlantic hurricane. "Every storm is different," said Phil Flynn, an analyst at Price Futures Group in Chicago. "There are still a lot of questions to be answered, whether it's going to do damage to the supply side or going to do more damage to the demand side." **Brent crude** futures fell 0.36% to \$66.77 a barrel. **U.S. crude futures** were 0.03% up at \$60.45 a barrel.

The **dollar** inched lower as its outlook remained grim after Federal Reserve Chair Jerome Powell's bleak comments on the U.S. economy, which bolstered expectations of an interest rate cut later this month. The **dollar index** was 0.05% lower at 97.05. Against the **Japanese yen**, **dollar** fell 0.02% to

108.44 yen. The **euro**, meanwhile, was up 0.04% at \$1.1254.

Gold prices fell after stronger-than-expected consumer inflation in the United States cast doubts whether the U.S. central bank will cut interest rates as aggressively as expected. Gold in June rallied to a six-year peak of \$1,438.63 an ounce, largely on the back of expectations of rate cuts by key central banks amid concerns over the global economy. "A break above \$1,438 may lead to further buying orders with \$1,500 being the next level traders looking to target," Hussein Sayed, chief market strategist at FXTM, wrote in a research note. **Spot gold** shed 0.86% to \$1,406.66 per ounce and **U.S. gold futures** were 0.24% lower at \$1,409.10 per ounce.

Top News

White House scraps key plan to lower U.S. drug prices; may target drugmakers

The Trump administration scrapped one of its most ambitious proposals for lowering prescription medicine prices, backing down from a policy aimed at health insurers and raising the possibility of new measures focused on drugmakers. The abandoned proposal would have required health insurers to pass on billions of dollars in rebates they receive from drugmakers to Medicare patients. It allows companies like Cigna and CVS, which negotiate rebates with drugmakers on behalf of the government's Medicare program, to continue to benefit from those discounts. Baird analyst Eric Coldwell said Trump was likely refocusing his reform efforts on the pharmaceutical companies themselves. "Shelving the rebate reform initiative, which pharma strongly supported, feels like payback," Coldwell added. "Only drug manufacturers have the power to set drug prices. We believe that the key to lowering drug costs is to enact policies that encourage greater competition," JC Scott, chief executive of industry lobbyist Pharmaceutical Care Management Association, said in a statement.

Delta CEO sees 'marginal benefit' as competitors grapple with Boeing MAX grounding

Delta Air Lines sees the momentum behind 6.5% quarterly revenue growth continuing throughout the year, Chief Executive Ed Bastian said, citing strong domestic demand that drove an increase in its full-year profit forecast. Atlanta-based Delta is the first of U.S. major airlines to report second-quarter earnings, which investors are scouring for signs of weakening consumer demand and the impact of supply constraints due to the three-month grounding of Boeing's 737 MAX.



Pharmaceutical tablets and capsules are arranged in the shape of a U.S. dollar sign on a table in this picture illustration taken August 20, 2014. REUTERS/Srdjan Zivulovic

Bastian said the MAX grounding had a "marginal benefit" on second-quarter results, but attributed the real growth driver to demand strength and higher premium ticket prices. As a result, Delta lifted its full-year profit forecast to between \$6.75 and \$7.25 per share from a previous range of \$6 to \$7 per share. Delta's net income rose to \$1.44 billion, or \$2.21 per share, in the quarter ended June 30 from \$1.04 billion, or \$1.49 per share, a year earlier. Delta shares were up 1.13% at \$60.14 at market close.

Facebook's Libra must be 'rock solid' before launch warns BoE's Carney

Facebook's proposed Libra digital coin must show it is "rock solid" before it can be allowed to launch, Bank of England Governor Mark Carney said. The social media giant plans to build a digital currency, raising concerns among global regulators that it could

quickly become systemic given Facebook's huge cross-border reach. "If you are a systemic payment system, you have to be on all the time. You can't have teething issues, you can't have people losing money out of their wallets," Carney said. Bank of France Governor Francois Villeroy de Galhau said the more regulators look at the project, the more they have serious questions, and "perhaps even reservations".

Intensifying storm cut half U.S. Gulf Coast oil output, closes coastal refinery

An intensifying tropical storm in the U.S. Gulf of Mexico cut more than half the region's oil output, with energy companies evacuating staff from nearly 200 offshore facilities and a coastal refinery. Oil firms shut more than 1 million barrels per day of oil production, 53% of Gulf of Mexico's output, and 1.2 billion cubic feet per day of natural gas

production, according to a U.S. regulator. Dozens of oil and gas producers have removed staff from 191 production platforms, according to offshore regulator U.S. Bureau of Safety and Environmental Enforcement. The storm prompted Anadarko, Chevron, Shell and others to move staff out of the path of the storm and many halted production, according to company reports.



Verizon sought buyers for Yahoo Finance -sources

Verizon earlier this year looked for buyers for Yahoo Finance, one of the most popular internet destinations for financial news and portfolio management tools, three people familiar with the matter told Reuters this week. While the U.S. wireless carrier never launched an official sales process, it quietly solicited interest in Yahoo Finance even as it was revamping its media division, previously named Oath and recently renamed Verizon Media. The company ended its search recently, said the sources, who declined to be named because the talks were private. "Yahoo Finance is integral to Verizon Media's growth strategy. We continue to invest in the expansion of live programming, audio programming and the recently launched Yahoo Finance Premium product."

Walmart told U.S. government India e-commerce rules regressive, warned of trade impact

Walmart told the U.S. government privately in January that India's new investment rules for e-commerce were

regressive and had the potential to hurt trade ties, a company document seen by Reuters showed. The lobbying effort yielded no result at the time - India implemented the new rules from February 1 - but the document underlines the level of concern at Walmart about the rules. "It came as a total surprise ... this is a major change and a regressive policy shift," Walmart's Senior Director for Global Government Affairs Sarah Thorn told the Office of the United States Trade Representative (USTR) in an e-mail on January 7. In a statement to Reuters, Walmart said it regularly offers input to the U.S. and Indian governments on policy issues and this was a "past issue and Walmart and Flipkart are looking ahead".

T-Mobile, Sprint expected to extend deal date -sources

T-Mobile and Sprint expect to extend a July 29 deadline to complete their \$26-billion merger, according to two sources close to the deal. T-Mobile and Sprint have agreed to a series of deal concessions, including to sell the prepaid brand Boost, to gain merger approval, but they still need a green light from the U.S. Department of Justice. The companies are in talks with Dish to hammer out the Boost sale in order to win over the department. The parties are haggling over restrictions over who can buy the divested assets if they are sold in the future, with T-Mobile and Deutsche Telekom seeking to prevent them from going to a cable or technology company, the Wall Street Journal reported on Thursday.

Apple's India-made top-end iPhones to hit stores next month-source

Apple's top-end iPhones, assembled in India by Foxconn's local unit, are likely to hit Indian stores next month, a source said, potentially helping the tech giant drop prices in the world's second-biggest smartphone market. Some approvals are pending, but the India-

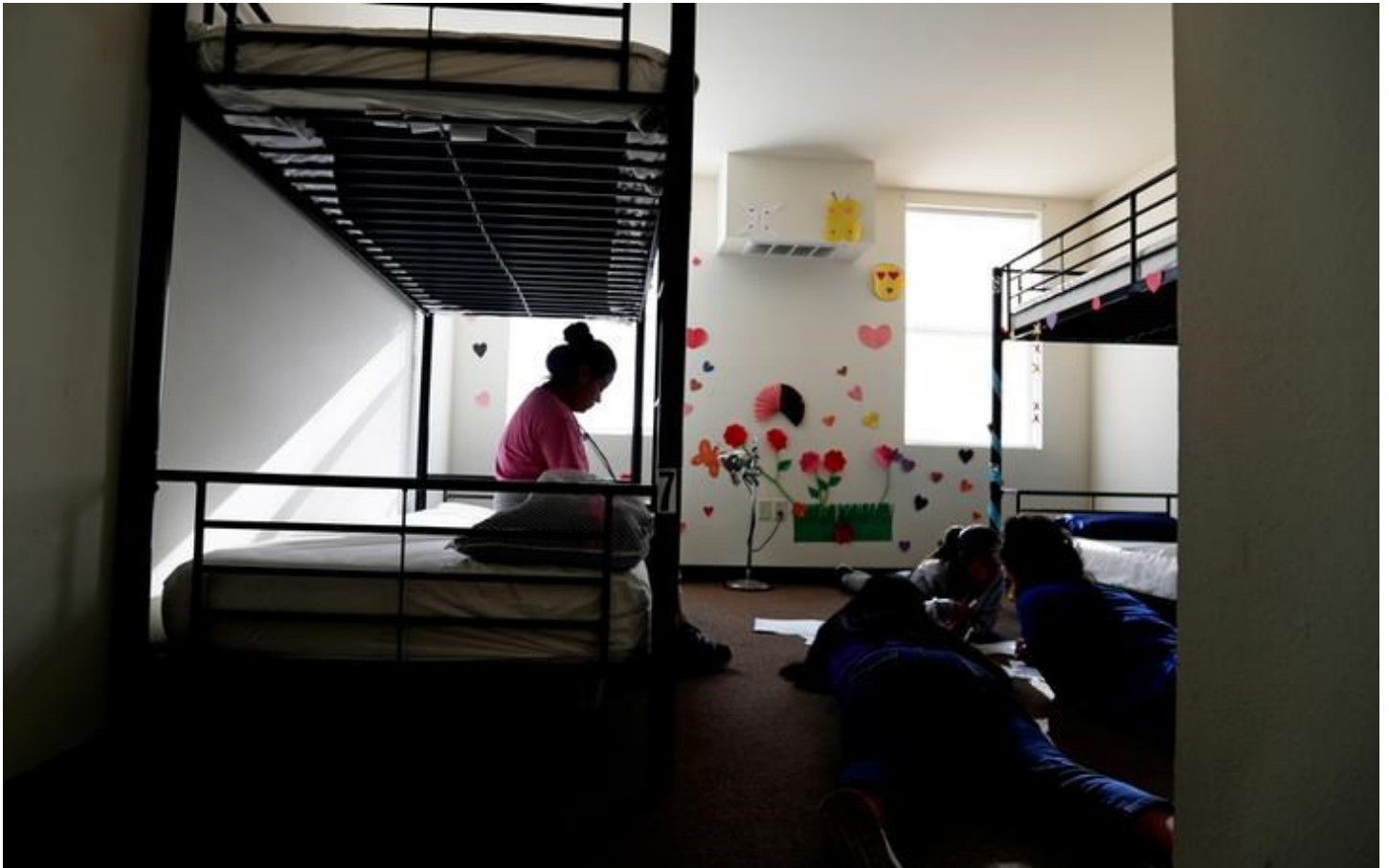
made iPhone XR and XS devices are expected to hit the market by August, the source said. Expanding local assembly will help Apple save on high taxes levied on the import of fully-built devices, as well as meet local sourcing norms for opening its own retail stores in India. "Local production will give Apple the leeway to play with the margins of their distributors and indirectly price their phones lower," said Rushabh Doshi, a research director at tech consultancy Canalys.

FCA plans electric Fiat 500 for 2020 as moves on from Renault

Fiat Chrysler (FCA) plans to spend 700 million euros to take the Fiat 500 electric as the carmaker moves on from its failed \$35 billion bid to merge with France's Renault, a pioneer in electric vehicles. FCA chief operating officer for Europe, Middle East and Africa, Pietro Gorlier, announced the Italian-American company's biggest single bet on an electric vehicle at its Mirafiori plant in Turin, northern Italy. FCA's investment is part of a plan announced last year to spend 5 billion euros in Italy up to 2021. Production of the newly-engineered 500 BEV will start in the second quarter of 2020, with room to expand later, Gorlier said.

Walgreens expands epinephrine shot partnership as shortage persists

Walgreens said it expanded its partnership with Kaleo to include the company's epinephrine auto-injectors for infants and toddlers in its pharmacies amid a national shortage of the emergency allergy shots. Walgreens already offers two other doses of Kaleo's emergency allergy shots, Auvi-Q, under a partnership that the drugstore chain entered with the company in September last year. The company's move comes days after Novartis said it would make its pre-filled epinephrine shots immediately available in local pharmacies across the United States.



Decorations cover the walls in the rooms of immigrants at the U.S. government's newest holding center for migrant children in Carrizo Springs, Texas, U.S. July 9. Eric Gay/Pool via REUTERS

Insight and Analysis

Wall Street banks bailing on troubled U.S. farm sector

In the wake of the U.S. housing meltdown of the late 2000s, JPMorgan Chase & Co hunted for new ways to expand its loan business beyond the troubled mortgage sector. The bank found enticing new opportunities in the rural Midwest - lending to U.S. farmers who had plenty of income and collateral as prices for grain and farmland surged. But now - after years of falling farm income and an intensifying U.S.-China trade war - JPMorgan and other Wall Street banks are heading for the exits, according to a Reuters analysis of the farm-loan holdings they reported to the Federal Deposit Insurance Corporation.

Risks aside, Trump's team sees China trade stance as strength in 2020

As trade talks resume between China and the United States, President Donald Trump's advisers are confident he can portray his stance against Beijing as a strength in the 2020 election, despite making concessions and having no deal in sight. Trump and Chinese President Xi Jinping agreed in Japan last month to another truce in the year-long trade war between the world's two largest economies. The agreement in Osaka kick-started talks that had been stalled since May. Chinese and U.S. negotiators spoke by phone on Tuesday and are discussing a face-to-face meeting in the future.

COLUMN-Equity prices and stories about the economy: Kemp

Policymakers, financial salesmen, market commentators and journalists all tend to over-interpret short-term movements in equity prices to support simple narratives about economic success and failure. The U.S. S&P 500 index traded above 3,000 points for the first time on Wednesday and has closed at a series of record highs this month, prompting an outpouring of commentary about the strength of the U.S. economy. But most of it ignores the fact equity prices have exhibited a persistent upward trend for at least a century, with the index setting new records on a regular basis.



CANADA

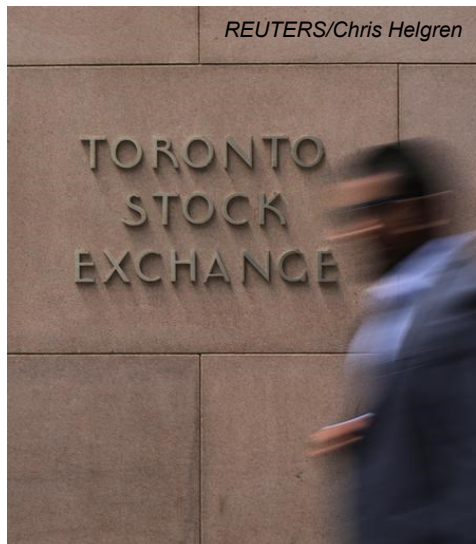
Market Monitor

Canada's main stock index fell, as shares of precious metal miners dropped after gold prices fell on a strong reading of inflation in the United States.

The Toronto Stock Exchange's S&P/TSX Composite index was down 0.21% at 16,527.90.

The materials sector lost 0.80%.

The U.S. dollar was down 0.16% against its Canadian counterpart at C\$1.3059.



COMING UP

No major events are scheduled.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Cogeco Communications Inc	98.99	5.14	5.48
Gran Tierra Energy Inc	2.13	0.08	3.90
Cargojet Inc	90.86	3.08	3.51
LOSERS			
Bausch Health Companies Inc	31.21	-1.40	-4.29
Canopy Growth Corp	48.45	-2.11	-4.17
TORC Oil & Gas Ltd	4.15	-0.16	-3.71

Top News



Alberta joins Ontario in pulling some CannTrust weed products

Alberta is placing an unspecified amount of CannTrust products on hold as a precautionary measure, officials said, pending an investigation by Health Canada into whether cannabis from unlicensed facilities is safe for consumption. The move by the Alberta Gaming and Liquor Commission (AGLC) comes after Ontario's cannabis distributor pulled CannTrust products

from its site. The CannTrust case is the most high profile occurrence of a company being rapped by Canada's health regulator since the country legalised recreational marijuana in October, potentially raising questions about the ability of companies to achieve growth and stay within the legal regulations as production ramps up post-legalisation, analysts say. CannTrust's Danish partner, StenoCare, announced on Wednesday it was quarantining one batch of product it had received, then increased that number to five. "It is at the discretion of privately licensed Alberta retailers to work in consultation with CannTrust and Health Canada to determine whether they will continue to sell existing inventory, should they have affected products," Heather Holmen, spokeswoman for the AGLC,

said in an email on Wednesday.

Air Canada flight diverted to Hawaii after turbulence, minor injuries reported

An Air Canada flight was diverted to Hawaii after a sudden case of severe turbulence left 35 customers with minor injuries, the carrier said in a statement. Flight AC33, carrying 269 passengers and 15 crew, was flying from Vancouver to Sydney, Australia, when the Boeing 777 aircraft "encountered unforecasted and sudden turbulence approximately two hours past Hawaii," the carrier said. The plane was diverted to Honolulu and landed at 12:45 pm EST. "As a precaution, medical personnel are on standby to examine passengers in Honolulu," the carrier said. The carrier's initial reports were of 25 people with minor injuries.



WEALTH NEWS

FED OFFICIALS SPEAK

As Fed's Powell affirms rate cut view, others see U.S. economy humming

As Federal Reserve Chair Jerome Powell kept the focus on global risks that could trigger a Fed rate cut in coming weeks, his colleagues from regional Fed districts painted a rosier picture of continued U.S. economic growth and a solid business outlook.

ECONOMIC REPORT

U.S. underlying inflation stirring; labor market tightening

U.S. underlying consumer prices increased by the most in nearly 1-1/2 years in June amid solid gains in a range of goods and services, but that did not change expectations the Federal Reserve would cut interest rates this month. The consumer price index excluding the volatile food and energy components rose 0.3% last month, the largest increase since January 2018, after four straight monthly gains of 0.1%. But the overall CPI edged up 0.1% last month, held back by cheaper gasoline and food, matching May's rise. It increased 1.6% year-on-year in June, slowing from May's 1.8% rise. In another report, the Labor Department said initial claims for state unemployment benefits dropped 13,000 to a seasonally adjusted 209,000 for the week ended July 6, the lowest level since April. "The labor market has not weakened in a meaningful way since the escalations in trade policy a few months ago," said Daniel Silver, an economist at JPMorgan in New York.

U.S. inflation

Click on the chart for a detailed and interactive graphic

CPI

Year-on-year percent change



*All items excluding food and energy

Source: Thomson Reuters Datastream

By Jiachuan Wu and Stephen Culp | REUTERS GRAPHICS

OIL OUTLOOK

OPEC sees lower 2020 demand for its oil, points to surplus

OPEC forecast world demand for its crude will decline next year as rivals pump more, pointing to the return of a surplus despite an OPEC-led pact to restrain supplies.

TAXATION

French Senate approves tax as U.S. opens digital levy probe

France's Senate gave final approval to a tax on big technology companies, potentially opening up a new front in a trade row between Washington and the European Union.

CLIMATE ACTIVISM

Climate activists find warmer reception at shareholder meetings

Climate activists found companies more receptive to steps like cutting emissions or buying clean power this year, a new tally of shareholder resolutions shows, a trend proponents said undercuts the case for proxy rule changes sought by business groups.

CARGILL EARNINGS HIT

Cargill quarterly profit dives 41% on trade tensions, U.S. floods

Cargill reported a 41% drop in adjusted quarterly profit, citing supply disruptions stemming from the U.S.-China trade war and also flooding in the central United States that hit marketing and transportation of grains and livestock.

IPO

J. Crew taps banks for IPO of apparel business Madewell - sources

J. Crew Group has hired investment banks to prepare for an initial public offering of its Madewell apparel business, as the U.S. clothing chain seeks ways to revive its fortunes, three people familiar with the matter said.





Undercover journalist Anas Aremeyaw Anas speaks during the Global Conference for Media Freedom in London, Britain July 10. REUTERS/Peter Nicholls

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