

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks gained, with **S&P 500** hitting a record closing high, on expectations that the Fed will cut interest rates as early as next month. **Treasury yields** dropped, after falling to multiyear lows earlier in the day. The **dollar** slid, while **gold** prices surged. **U.S. crude** climbed over 5% after Iran shot down a U.S. military drone.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26753.17	249.17	0.94	26951.81	21712.53
Nasdaq	8051.34	64.02	0.80	8176.08	6457.13
S&P 500	2954.18	27.72	0.95	2954.13	2443.96
Toronto	16574.83	63.04	0.38	16672.71	13776.88
FTSE	7424.44	20.90	0.28	7528.93	6599.48
Eurofirst	1522.02	6.69	0.44	1541.32	1308.86
Nikkei	21462.86	128.99	0.60	22362.92	19241.37
Hang Seng	28550.43	348.29	1.23	30280.12	24896.87

TREASURIES	Yield	Price
10-year	2.0112	5/32
2-year	1.7509	1/32
5-year	1.7580	2/32
30-year	2.5308	7/32

FOREX	Last	% Chng
Euro/Dollar	1.1290	0.59
Dollar/Yen	107.30	-0.73
Sterling/Dollar	1.2705	0.52
Dollar/CAD	1.3192	-0.65
TR/HKEX RMB	93.65	-0.18

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	56.88	3.12	5.80
Spot gold (NY/oz)	1389.60	29.73	2.19
Copper U.S. (front month/lb)	0.0272	0.0003	1.12
CRB Index Total Return	187.21	3.36	1.83

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Oracle Corp	57.01	4.33	8.22
Noble Energy Inc	21.74	1.25	6.10
HollyFrontier Corp	43.67	2.24	5.41
LOSERS			
Carnival Corp	48.81	-4.03	-7.63
Alaska Air Group Inc	60.74	-2.12	-3.37
American Airlines Group Inc	32.15	-1.06	-3.19

Coming Up

On the U.S. economic front, the Commerce Department is expected to report **existing home sales** rose 1.2% to a seasonally adjusted annual rate of 5.25 million units in May from 5.19 million units in the previous month.

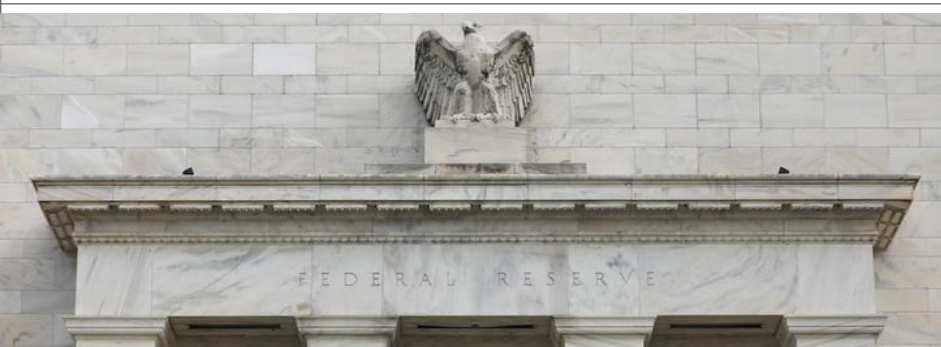
The **U.S. Federal Reserve** is scheduled to release the initial results for its **2019 stress test of bank books**. This report will detail exactly how much the nation's biggest banks could expect to post in losses if the U.S. economy were to face a severe economic downturn.

Federal Reserve Bank of Cleveland President **Loretta Mester** and Federal Reserve Board Governor **Lael Brainard** are expected to participate in

a conference titled "Fed Listens: Town Hall Discussion with Federal Reserve Leadership" hosted by the Federal Reserve Bank of Cleveland in Cincinnati, Ohio. Separately, Federal Reserve Bank of San Francisco President **Mary Daly** is set to host "Zip Code Economies" podcast launch, focusing on Twelfth District: "At a time when society seems more divided than ever, how are people building bridges at the community level?", in San Francisco, California.

LIVECHAT-CHARTS & CHAT

Reuters Stocks Buzz writer and chartist **Terence Gabriel** calls out risks and opportunities in global markets via charts. (1030 ET/1430 GMT) To join the conversation, [click here](#)



The Federal Reserve building pictured in Washington, DC, August 22, 2018.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Markit composite flash PMI for June	0945	--	50.9
Markit manufacturing PMI flash for June	0945	50.4	50.5
Markit service PMI flash for June	0945	51.0	50.9
Existing home sales for May	1000	5.25 mln	5.19 mln
Existing home sales percentage change for May	1000	1.2%	-0.4%

Market Monitor

The **S&P 500 index** registered a record closing high, lifted by Wall Street's expectations that the Federal Reserve will cut interest rates as soon as next month to keep the U.S.-China trade war from stalling economic growth. "It was always going to be difficult for the Fed to live up to high market expectations. While the bar was set high, policymakers appear to have cleared it with ease while also leaving themselves with plenty of outs," said Craig Erlam, senior market analyst at OANDA in London. The **energy index** jumped 2.21%, as oil prices surged on renewed tensions in the Middle East after Iran shot down a U.S. military drone. The **technology sector** rose 1.43%, with **Oracle** rising 8.22% after the business software maker forecast current-quarter profit above estimates. According to the latest available data, the **Dow** rose 0.94%, to 26,753.17, the **S&P 500** gained 0.95%, to 2,954.18 and the **Nasdaq** added 0.8%, to 8,051.34.

Benchmark 10-year Treasury yields dropped below 2% for the first time in more than 2-1/2 years, while other maturities fell to multiyear lows as well, a day after the Federal Reserve flagged interest rate cuts as early as next month. The **10-year notes** rose 5/32 to a yield of 2.0112%. Earlier in the global session, 10-year yields fell to 1.974%, the lowest since November 2016. The **2-year notes** rose 1/32 to yield 1.7509%, earlier in the day it slid to 1.696%, the lowest since mid-November 2017. The **30-year bonds** were up 6/32 yielding 2.5315%, they



Traders work on the main trading floor after the opening bell at New York Stock Exchange in New York, June 20. REUTERS/Brendan McDermid

fell as low as 2.48%, a level last touched in late October 2016.

The **U.S. dollar** sank against its rivals a day after the Federal Reserve signaled it was ready to cut interest rates as early as next month. The **dollar** fell 0.5% against a basket of its rivals to 96.63. The dollar was down 0.7% against the **Japanese yen** at 107.33 yen. The widespread dollar weakness boosted appetite for risk-oriented currencies, with the **euro** up 0.58% at \$1.1289.

Oil soared after Iran shot down a U.S. military drone, raising fears of a military confrontation between Tehran and Washington. "It's a confluence of

events: there's a looming easing cycle which is going to hit the dollar and prop up commodity prices and there are also the tensions with Iran," said John Kilduff, a partner at Again Capital Management in New York. **Brent crude** was up 4.37% at \$64.52 a barrel. **U.S. crude** rose 5.80% to \$56.88 a barrel.

Gold prices surged to a near six-year peak after the U.S. Federal Reserve bank signaled it was ready to cut interest rates as early as next month to boost growth, triggering a sharp fall in the dollar. **Spot gold** jumped 2.17% to \$1389.36 per ounce. Prices touched \$1,392.84, their highest since early September 2013. **U.S. gold futures** were up 3.28% at \$1,393.1 per ounce.

Top News

Slack starts trade with surge, valued at more than \$23 billion

Shares of Slack Technologies, the fast-growing workplace messaging and communication platform, debuted in public trading at a price of \$38.50 each, valuing the company at more than \$23 billion, well above the \$16 billion reference point set by the New York Stock Exchange. Slack went the unusual route of a direct listing on the New York Stock Exchange, which is different from a traditional IPO because it does not raise fresh funds. "We think a direct listing is a more effective and efficient way to get to a normalized level of supply and demand without the constraints of an IPO," said Allen Shim, Slack's chief financial officer. Slack's shares ended 48.85 percent higher at \$38.7.



Slack Technologies Inc. co-founder and CEO Stewart Butterfield poses outside the New York Stock Exchange during the company's IPO in New York, June 20. REUTERS/Brendan McDermid

Airbus demands chance to bid for IAG's surprise Boeing 737 MAX order

Airbus called for a chance to compete for a blockbuster plane order by British Airways owner IAG, which stunned industry executives at this week's Paris Airshow by ordering 200 of Boeing's grounded 737 MAX. Wrapping up the world's largest air show, Airbus publicly voiced its frustration over the deal and urged IAG to run a competition for the planes, which would be deployed at Vueling, Iberia, Aer Lingus, Level and part of BA. "We would like a chance to compete for that business," Chief Commercial Officer Christian Scherer told reporters, adding that IAG had not issued a formal tender for the narrow-body order.

Apple, Keurig Dr Pepper, Dollar Tree press U.S. to drop China tariff plan

Apple, Keurig Dr Pepper and Dollar Tree have joined other companies in their opposition to a Trump administration plan for more U.S. tariffs on Chinese goods, including iPhones,

Macs, and single-serve coffee brewers. The new round of tariffs would reduce Apple's competitiveness and reduce the contribution it could make to the U.S. Treasury, Apple said in an online filing. Apple said it would also take a hit because Chinese and other non-U.S. firms do not have a significant U.S. market presence. "A U.S. tariff would, therefore, tilt the playing field in favor of our global competitors," Apple said. In other news, Apple said it would recall a limited number of 15-inch MacBook Pro units as their batteries are susceptible to overheating and pose a "fire safety risk". To read more, [click here](#)

Unruly social media no model for Facebook's Libra currency - BoE's Carney

Facebook cannot expect its new Libra currency to benefit from the same unregulated free-for-all that helped the company achieve a dominant position in social media, Bank of England Governor Mark Carney said. The U.S. social media company drew worldwide

interest earlier this week when it announced plans to establish its own payment system, backed up by a currency it calls Libra. "The Bank of England approaches Libra with an open mind but not an open door," Carney says in a speech he will give in the heart of London's financial district. "Unlike social media ... the terms of engagement for innovations such as Libra must be adopted in advance of any launch."

Goldman slashes Tesla price target by \$42 on demand concerns

Goldman Sachs cut its price target on Tesla by 21%, to third lowest on the Street, on concerns about the sustainability of demand for the electric car maker's models. Goldman Sachs analyst David Tamberrino believes although the second quarter has been witnessing a better environment for demand for Tesla's cars, he doesn't think it is sustainable. "While there is potential upside surprise from a faster ramp or pull forward of Model Y ahead



of schedule, there is likely cannibalization of current Model X and Model 3 product demand with a crossover variant," Tamberrino wrote in a note. The brokerage maintained its "sell" rating on the stock and cut its target by \$42 to \$158, 34% below the median target, saying the Street is "still modeling too optimistic sustainable volumes for Tesla".

Trump's Cuba cruise ban, weak Europe demand dent Carnival's forecast

Carnival cut its full-year profit forecast, anticipating a hit from the Trump administration's sudden ban on cruises to Cuba and weakening demand in Europe. "Cuba has gone for the foreseeable future and not in the plans for next year," Chief Executive Officer Arnold Donald said on post-earnings call with analysts. "That higher-yielding itinerary is off the table. And companies like us and others will have to adapt to see what they can generate." Compounding Carnival's woes was soft demand for the company's European cruise brands due to a weakening economic environment and disruptions caused by the "yellow vests" protests in France. Carnival said it now expects 2019 adjusted earnings in the range of \$4.25 to \$4.35 per share, down from an earlier forecast of \$4.35 to \$4.55. Shares of the company ended 7.63% lower at \$48.81.

Walmart agrees to pay \$282 million to settle Brazil unit corruption claim

Walmart has agreed to pay a total penalty of \$282 million to settle charges by the U.S. Justice Department and the Securities & Exchange Commission that its Brazilian unit violated the Foreign Corrupt Practices Act. The retailer will pay more than \$144 million to settle charges by the SEC and approximately \$138 million to resolve parallel criminal charges by the U.S. Department of Justice, according to court and regulatory filings. The settlement with the Justice Department was reached in

a federal court in Virginia. A separate investigation by the U.S. SEC also found that Walmart violated the FCPA in Brazil. In other news, Walmart and delivery app Cornershop have ditched plans to link up after Mexican anti-trust officials blocked the deal earlier this month, Cornershop co-founder Oskar Hjertonsen said on Twitter. To read more, [click here](#)

Delta buys stake in Korean Air, seeks to expand in Asia

Delta Air Lines said it has acquired a 4.3% stake in joint venture partner Korean Air Lines' parent company with a view toward expanding across Asia. The No. 2 U.S. carrier said it intends to increase its stake in Hanjin Kal Corp, which owns about 30% of Korean Air, to 10% over time, after receiving regulatory approval. It did not disclose how much it paid for the 4.3% stake, worth about \$88 million according to current market prices. If Delta raises its stake to 10% in Hanjin Kal, with diversified businesses including hotels, logistics and budget airlines, it would be the third biggest shareholder.

Kroger same-store sales miss in U.S. grocery struggle

Kroger fell short of Wall Street estimates for quarterly same store

sales as fierce competition from Walmart and Amazon.com worked against the billions the supermarket chain has spent improving stores and its online offering. Sales at the company's established stores rose just 1.5%, excluding fuel, below a consensus estimate of 1.78%, according to Refinitiv IBES data. Excluding one-time items, the company earned 72 cents per share. Sales overall fell 1.2% to \$37.25 billion, reflecting the decision to close its convenience store business. Analysts had expected a profit of 71 cents per share and sales of \$37.21 billion.

Vivendi's Havas buys U.S. advertising company Battery

French advertising firm Havas, part of media group Vivendi, has agreed to buy Battery, a fast-growing U.S. ad company whose clients include Netflix. The acquisition of Los Angeles-based Battery, which has revenues of around \$10 million, will boost Havas' presence in the United States and allow it to tap into the lucrative and growing sectors of video gaming and streamed entertainment shows. Battery will be absorbed into Havas' Annex network of advertising and media divisions, with Sowby staying on as chief executive and leading a team of more than 50 employees.



The main entrance to a Walmart store is pictured in Sao Paulo, Brazil February 14, 2018.





Britain's Prime Minister Theresa May and Former PM David Cameron attend a service of thanksgiving for Lord Heywood in Westminster Abbey in London, June 20. REUTERS/Henry Nicholls

Insight and Analysis

U.S.-China trade talks: where they are and what's at stake

U.S. President Donald Trump and Chinese President Xi Jinping agreed this week to meet at the G20 summit in Japan in late June to discuss how to end a nearly year-long trade war. Trade talks between the United States and China broke down in early May when Trump accused Beijing of making a U-turn on commitments to change its laws to enact sweeping economic and trade reforms. It is unclear if the two presidents outlined objectives for their meeting in Japan when they spoke on Tuesday and agreed to restart trade negotiations. U.S. officials have said they want to avoid drawn out negotiations with China, however.

Alexa, how can I fly to Mumbai?

When Karan Mehrotra booked a flight from Delhi to Guwahati, he did not go to a travel agent or an airline website. Instead, he turned to Amazon, the world's biggest online retailer which now sells tickets to Indian customers and offers them an easy payment process and cash-back offers. "It was just a lot simpler," Mehrotra said of booking a flight through Amazon. "They are integrating most of my lifestyle needs under a single platform." Airlines are concerned that Amazon's quiet launch of domestic plane ticket sales in India last month is only the start of a global trend and the beginning of a battle for control of valuable traveller data.

Data 'R' Us: Alibaba, JD.com seek to lock in merchant loyalty with new services

In China, the sales maxim of 'know your customer' is being taken to new lengths. One of the first firms to join an Alibaba programme that provides years of consumer shopping history, Bestore plans to link facial recognition technology with the e-commerce giant's account data by the year's end. For customers opting to have their facial data in Bestore's systems, that means shop assistants will be able to check on what food they like the moment they enter one of its stores. Keeping merchants happy and signing them up for more services has taken on added urgency for Alibaba and rival JD.com.

CANADA

Market Monitor

Mining stocks drove **Canada's main stock index** higher as gold prices surged following a more dovish than expected stance from the U.S. Federal Reserve.

The **Toronto Stock Exchange's S&P/TSX composite index** was up 0.38%, at 16,574.83.



The **U.S. dollar** was down 0.69% against its **Canadian counterpart** at C\$1.3284.

COMING UP

Statistics Canada is likely to report **retail sales** rose 0.2% in April, following a growth of 1.1% in the month before.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Eldorado Gold Corp	6.72	0.72	12.00
Yamana Gold Inc	3.22	0.28	9.52
LOSERS			
BlackBerry Ltd	11.38	-0.51	-4.29
Hudson's Bay Co	9.46	-0.39	-3.96

Top News



U.S. President Donald Trump speaks while meeting with Canada's Prime Minister Justin Trudeau in the Oval Office of the White House in Washington, June 20. REUTERS/Jonathan Ernst

Trump says he is ready to press China's Xi on case of two detained Canadians

U.S. President Donald Trump said he was prepared to raise the case of two Canadians detained by Beijing with Chinese President Xi Jinping, an act that could potentially ease a major dispute between Canada and China. Trump made his comments before an Oval Office meeting with Canadian Prime Minister Justin Trudeau, who wants Washington to do more to solve a crisis that erupted after Canadian police arrested an executive of Chinese

firm Huawei on a U.S. warrant in Vancouver last December. Trump is due to meet Xi on the sidelines of a Group of 20 summit in Japan later this month.

Canadian lender Desjardins says personal data of 2.9 million members breached

Canadian lender Desjardins Group said an unauthorized use of internal data by an employee led to breach of personal information including social insurance number, address and details of banking habits of more than 2.9 million

members. The issue came to light after Quebec's Laval police contacted the company confirming that personal details of its members had been shared with individuals outside the organisation.

Despite killings, Continental Gold still on track with flagship Colombia mine

Last September, Continental Gold's painstaking efforts to build community support for its gold and silver mine beneath the green skirts of Colombia's Andes suddenly looked vulnerable when gunmen killed four of its employees in two separate attacks. Now, nine months later, and with upgraded security, the Buritica project is still on track to kick off production next May, with managers acknowledging last year's setback but also confident the venture will prosper.

Canada passes law to speed pardons for pot possession

The Canadian government passed a law late on Wednesday that would allow its citizens with a criminal record for marijuana possession to be pardoned without any cost and expedite a process that previously could take up a decade.

WEALTH NEWS

TRADE TALKS

China, U.S. to resume trade talks but China says demands must be met

China said it hoped U.S. officials would bring a problem-solving attitude to renewed trade talks in advance of a meeting between Presidents Donald Trump and Xi Jinping next week in Japan.

ECONOMIC INDICATORS

U.S. labor market on solid ground; manufacturing struggling

The number of Americans filing applications for unemployment benefits fell more than expected last week, pointing to underlying labor market strength despite a sharp slowdown in job growth in May. The four-week moving average of initial claims rose 1,000 to 218,750 last week. The claims data covered the survey period for the nonfarm payrolls component of June's employment report. The four-week average of claims was little changed between the May and June survey periods. Still, economists expect payrolls to pick up in June after increasing by 75,000 jobs in May. Claims have been roughly flat this year, indicating some easing in labor market conditions.

U.S. jobless claims



Source: Thomson Reuters Datastream — Reuters graphic/Stephen Culp 6/20/2019

BANK TROUBLES

Deutsche Bank braced for continued Fed restrictions on U.S. business -sources

Deutsche Bank executives expect U.S. regulators to continue to impose restrictions on its Wall Street investment bank even if it passes an annual health check, three sources familiar with the matter said.

WORLD TRADE MEETING

WTO chief keen to see Trump-Xi meeting, real easing of tensions

World leaders meeting in Japan next week must take real action on trade and not simply renew their call for easing of trade tensions, World Trade Organization Director-General Roberto Azevedo told reporters.

FOCUS

Sparkly unicorn ice cream: Kroger's bid to win grocery wars

Kroger has room to improve on sales and is looking to its Deluxe Unicorn Swirl ice cream and other store-brand products to boost growth, Chief Executive Rodney McMullen said.

COLUMN

OPEC's market share is in long-term decline: Kemp

The Organisation of the Petroleum Exporting Countries' share of the global oil market is progressively eroding as it attempts to keep prices artificially high by restricting its own production.

PROXY WAR

HomeStreet defeats activist Roaring Blue Lion in proxy contest

HomeStreet defeated Roaring Blue Lion Capital Management's campaign to unseat one director and install its own candidate, ending a two-year standoff between the financial services company and the activist investor, the company said.

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Carmax	Q1	BMO	\$1.52	\$1.49	\$1.33	\$5,178.39

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

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



A student of the General Yermolov Cadet School trains before boarding a plane as she takes part in a parachute jumping exercise at an airfield in the village of Novomaryevskaya outside Stavropol, Russia, June 20. REUTERS/Eduard Korniyenko

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

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

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