

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Stocks** ended higher, helped by optimism over progress in U.S.-China trade talks. The **Treasury yield curve** prolonged its inversion. **Palladium** slumped and a stronger **dollar** weighed on **gold** prices. **Oil** prices were flat.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	25717.46	91.87	0.36	26951.81	21712.53
Nasdaq	7669.17	25.79	0.34	7850.11	6457.13
S&P 500	2815.44	10.07	0.36	2860.31	2443.96
Toronto	16155.49	22.96	0.14	16586.46	13776.88
FTSE	7234.33	40.14	0.56	7370.61	6599.48
Eurofirst	1483.73	-2.95	-0.20	1515.87	1308.86
Nikkei	21033.76	-344.97	-1.61	21860.39	19241.37
Hang Seng	28775.21	46.96	0.16	29486.15	24896.87

TREASURIES	Yield	Price
10-year	2.3876	-5 /32
2-year	2.2299	-1 /32
5-year	2.2062	-44 /32
30-year	2.8143	5 /32

FOREX	Last	% Chng
Euro/Dollar	1.1225	-0.20
Dollar/Yen	110.60	0.08
Sterling/Dollar	1.3058	-0.99
Dollar/CAD	1.3441	0.24
TR/HKEX RMB	95.51	0.11

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	59.39	-0.02	-0.03
Spot gold (NY/oz)	1290.59	-18.87	-1.44
Copper U.S. (front month/lb)	0.0287	0.0001	0.58
CRB Index Total Return	191.08	-0.63	-0.33

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
PVH Corp	127.19	16.30	14.70
Accenture PLC	175.07	8.60	5.17
Pioneer Natural Resources Co	152.85	6.02	4.10
<b>LOSERS</b>			
Nielsen Holdings PLC	23.66	-2.97	-11.15
Lennar Corp	49.75	-1.92	-3.72
Verizon Communications Inc	59.08	-1.80	-2.96

## Coming Up

**Lyft Inc** lists its shares on the Nasdaq in the first-ever ride-hailing initial public offering, as the company seeks to raise \$2 billion at a valuation topping \$23 billion. The event kicks off what is expected to be a banner year for IPOs from highly valued technology companies, and Lyft will mark the occasion with a celebration and press event at a facility in Los Angeles.

A U.S. Commerce Department report is likely to show that **consumer spending** grew 0.3 percent in January after falling 0.5 percent in December. A separate report is expected to show **new home sales** having grown to 620,000 units in February, up from 607,000 units in January.

Federal Reserve Bank of New York

President **John Williams** is scheduled to speak on workforce development at an event hosted by My Brother's Workshop, in St. Thomas, Virgin Islands. Separately, Federal Reserve Vice Chair **Randal K. Quarles** is scheduled to speak at the Manhattan Institute's Shadow Open Market Committee's Spring 2019 Meeting. Also, Federal Reserve Bank of Dallas President **Robert Kaplan** will participate in moderated Q&A session before the Global Asset Management Education Conference, New York.

### LIVECHAT - CHARTS & CHAT

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

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Build permits number for Feb	0800	--	1.296 mln
Build permits R change mm for Feb	0800	--	-1.6 pct
Personal income mm for Feb	0830	0.3 pct	-0.1 pct
Personal consumption real mm for Jan	0830	--	-0.6 pct
Consumption, adjusted mm for Jan	0830	0.3 pct	-0.5 pct
Core PCE price index mm for Jan	0830	0.2 pct	0.2 pct
Core PCE price index yy for Jan	0830	1.9 pct	1.9 pct
PCE price index mm for Jan	0830	--	0.1 pct
PCE price index yy for Jan	0830	--	1.7 pct
Chicago PMI for March	0945	61.0	64.7
U Mich Sentiment Final for March	1000	97.8	97.8
U Mich Conditions Final for March	1000	--	111.2
U Mich Expectations Final for March	1000	--	89.2
U mich 1year inflation final for March	1000	--	2.4 pct
U mich 5-year inflation final for March	1000	--	2.5 pct
New home sales-units for Feb	1000	0.620 mln	0.607 mln
New home sales change mm for Feb	1000	1.3 pct	-6.9 pct

# Market Monitor

**Stocks** climbed as Treasury yields rose and as investors were optimistic about the latest meetings on U.S.-China trade. Trade sensitive **industrial stocks** rose 0.77 percent. The **Dow** rose 0.36 percent to 25,717.46, the **S&P 500** gained 0.36 percent to 2,815.44 and the **Nasdaq Composite** rose 0.34 percent to 7,669.17.

**Benchmark yields** rose off 15-month lows as investors continued to adjust to a dovish pivot from global central banks. "I would expect a bit of a consolidation phase after the very sharp move downward in yield we've experienced in the last week and a half," said Guy LeBas, chief fixed-income strategist at Janney Montgomery Scott in Philadelphia. "We're taking our cues from equity markets into quarter-end. So much is wrapped around risk sentiment." The **yield curve between three-month bills and 10-year notes** remained inverted by six basis points at last reading. **Benchmark notes** were down 4/32 to yield 2.3858 percent and the **30-year bonds** were up to yield 2.8105 percent. The Treasury Department sold \$32 billion in **7-year notes** at a high yield of 2.28 percent. The bid-to-cover ratio was 2.54.

**Oil** futures were flat after recovering from the day's worst losses that came when U.S. President Donald Trump called for OPEC to boost crude output in an effort to lower prices that were headed for their best quarterly gains in a decade. **U.S. crude** dropped 0.07 percent to \$59.37 a barrel. Earlier the contract fell to \$58.20 in the wake of Trump's tweet, where he said it was "very important that OPEC increase the flow of Oil" due to fragile world markets. **Brent futures** edged up 0.09 percent to \$67.89 a barrel. "If the



A file photo of traders working on the floor at the New York Stock Exchange in New York, U.S., March 22, 2019. REUTERS/Brendan McDermid

unplanned supply cuts remain in place" oil prices could hit \$75 a barrel as inventories fall, PVM's Tamas Varga said.

The **dollar** rose against rivals - which were weakened by dovish signals from central banks - in spite of a cut to the estimate of U.S. economic growth in the fourth quarter of 2018. The **dollar index** gained 0.48 percent to 97.24. The rally continued even after the Commerce Department announced it had cut its measure of U.S. gross domestic product growth in the fourth quarter, when corporate profits fell by the most in a year. "Divergence in economic performance is still a good provider of dollar strength and the evidence is in its favor when it comes to most indicators," said Juan Perez, senior currency trader at Tempus Inc in Washington.

**Palladium** slumped adding to the previous session's sharp slide, on concerns an economic slowdown could dent demand and as a weak technical picture pushed investors to book profits after a record run. **Spot palladium** fell 6.61 percent to \$1,348.5 per ounce. "Palladium pulled back so much just because it had such a good run," said Michael Matousek, head trader at U.S. Global Investors. "Palladium is a big component in catalytic converters. When there's a slowdown in the economy people will buy less cars and spend less money. People are thinking it had turned into a bubble because of the big run it had." **Spot gold** shed 1.45 percent to \$1,290.45 per ounce, breaking below the key \$1,300 support level. **U.S. gold futures** dropped 1.53 percent to \$1,290.40 per ounce.

# Top News

## U.S. economy shifts into low gear as fiscal boost wanes

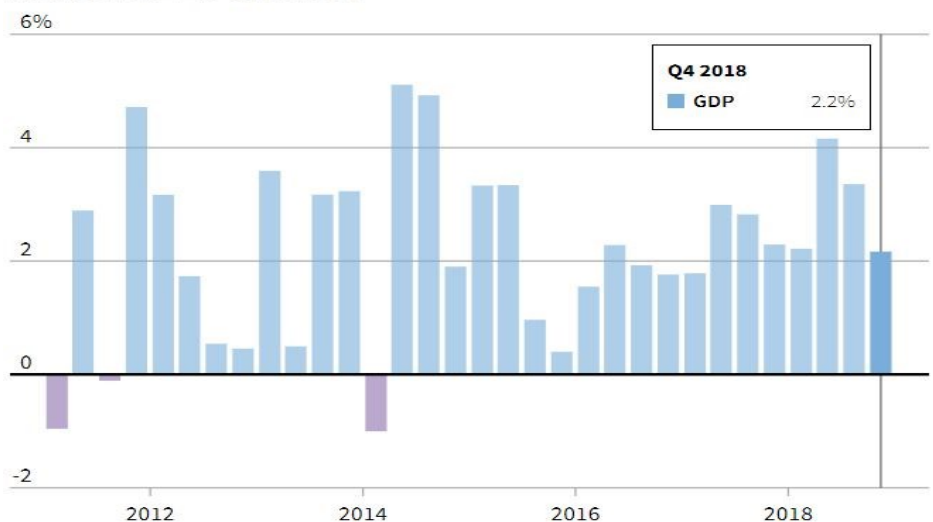
The U.S. economy slowed more than initially thought in the fourth quarter, keeping growth in 2018 below the Trump administration's 3 percent target, and corporate profits fell by the most in a year after a one-off boost from lower taxes. The economy is losing momentum as stimulus from the White House's \$1.5 trillion in tax cuts and a government spending blitz diminishes. It is also facing headwinds from slowing global growth, Washington's trade war with China and uncertainty over Britain's departure from the European Union. Gross domestic product increased at a 2.2 percent annualized rate, the Commerce Department said in its third reading of fourth-quarter GDP growth. That was down from the 2.6 percent pace estimated in February. The softening economic outlook is seen helping to undercut profit growth, which weakened in late 2018. After tax profits without inventory valuation and capital consumption adjustment, which correspond to S&P 500 profits, fell at a 1.7 percent rate or \$34.2 billion in the fourth quarter.

## China shifts position on tech transfers, trade talks progress-U.S. officials

China has made proposals in talks with the United States on a range of issues that go further than it has before, including on forced technology transfer, as the two sides work to overcome obstacles to a deal to end their protracted trade war, U.S. officials told Reuters on Wednesday. U.S. companies say they are often pressured into handing over the technological know-how behind their products to Chinese joint venture partners, local officials or Chinese regulators as a condition for doing business in China. The U.S.

## U.S. GDP

### ANNUALIZED CHANGE



Source: Thomson Reuters Datastream

By Jiachuan Wu and Stephen Culp | REUTERS GRAPHICS

government says that technology is often subsequently transferred to and used by Chinese competitors. China has put proposals on the table in the talks that went further than any in the past, including on technology transfer, said one of four senior U.S. administration officials who spoke to Reuters. "They're talking about forced technology transfer in a way that they've never wanted to talk about before - both in terms of scope and specifics," he said, referring to Chinese negotiators. Negotiators have made progress on the details of the written agreements that have been hashed out to address U.S. concerns, he said.

## Facebook charged with racial discrimination in targeted housing ads

The U.S. Department of Housing and Urban Development (HUD) charged Facebook with violating the Fair Housing Act, alleging that the company's targeted advertising

discriminated on the basis of race and color. Seeking damages and unspecified appropriate relief for the harm caused, HUD said in its civil charge that Facebook also restricted who could see housing-related ads based on national origin, religion, familial status, sex and disability. Facebook said it had been working with HUD on the issue and was surprised by the department's decision to issue the charge, having taken significant steps to prevent ads that discriminate across its platforms. The HUD charge said that Facebook enabled advertisers to exclude people whom the social network's data classified as parents, non-American-born, non-Christian, or a variety of other interests that closely align with the Fair Housing Act's protected classes.

## U.S. lawsuit filed against Boeing over Ethiopian Airlines crash

A lawsuit against Boeing was filed in U.S. federal court on Thursday in what



appeared to be the first suit over a March 10 Ethiopian Airlines 737 MAX crash that killed 157 people. The lawsuit was filed in Chicago federal court by the family of Jackson Musoni, a citizen of Rwanda, and alleges that Boeing, which manufactures the 737 MAX, had defectively designed the automated flight control system. Separately, The World Trade Organization said the United States had ignored its request to halt a subsidised tax break for Boeing in its main planemaking state of Washington as a 15-year-old transatlantic trade row edges towards tit-for-tat sanctions. To read more [click here](#)

### **PVH to exit high-end collection of Calvin Klein label**

PVH said it would exit its high-end collection of Calvin Klein apparel and shut the label's flagship store on New York's Madison Avenue, as the fashion line failed to strike a chord with customers. The company also said it was in talks with its North America apparel partner G-III Apparel Group to license out the brand's women's jeans unit. G-III also operates Tommy Hilfiger women's business, which helped boost PVH's strong financial results in the fourth quarter. "We believe this was the right decision for the long-term health of the brand (Calvin Klein) as the existing high-end business was not resonating with our core consumer," Chief Executive Officer Emanuel Chirico said on a post earnings call.

### **Bayer shares sag after U.S. jury verdict in Roundup cancer trial**

Bayer shares sank to their lowest in almost seven years after a U.S. jury awarded \$80 million to a man who claimed use of the group's weed killer Roundup caused his cancer, with thousands of similar lawsuits looming. The jury in San Francisco federal court found Bayer liable because its

Monsanto unit did not warn plaintiff Edwin Hardeman of the herbicide's alleged cancer risks. Bayer said it would appeal the verdict. The trial is only the second of more than 11,200 Roundup lawsuits set to go to trial in the United States. "This verdict does not change the weight of over four decades of extensive science and the conclusions of regulators worldwide that support the safety of our glyphosate-based herbicides and that they are not carcinogenic," Bayer said.

### **Accenture beats estimates, hikes forecast as digital investments pay off**

Accenture beat estimates for quarterly earnings and raised its full-year profit forecast as it continues to benefit from investments in digital and cloud services. Much of Accenture's recent growth has been driven by digital and cloud services, which include everything from managing clients' social media marketing strategies to helping them migrate to the cloud. The services made up more than 60 percent of its total revenue in the second quarter. The company hiked its full-year earnings per share forecast range to \$7.18 to \$7.32. Revenue rose 5.5 percent to \$10.45 billion, ahead of estimates of \$10.30 billion and net income attributable to the company rose 30 percent.

### **Google, Cuba agree to work toward improving island's connectivity**

Alphabet's Google signed a deal with Cuban telecoms monopoly ETECSA to work toward improving internet traffic exchange between their two networks and connectivity on the Communist-run island. Internet laggard Cuba has sought to increase web access in recent years, introducing cybercafes, Wi-Fi hotspots and mobile internet, but users still complain of the cost, sluggish connection and spotty

coverage. Google and ETECSA signed a memorandum of understanding to begin the negotiation of a so-called "peering agreement" that would create a cost-free and direct connection between their two networks. "The implementation of this internet traffic exchange service is part of the strategy of ETECSA for the development and computerization of the country," Google and ETECSA said.

### **VW, Ford to develop pickup truck, continue talks on autonomous driving**

Volkswagen has signed a deal to develop a pickup truck with Ford and continues discussions about extending its alliance to include autonomous driving and mobility services, the German carmaker said. "We are in constructive talks about taking a stake in Argo, the Ford division for autonomous driving. A joint company for offering mobility as a service is also a possibility," Volkswagen's commercial vehicles chief executive Thomas Sedran said. The talks will conclude in the coming months, Sedran added.

### **Lululemon soars on menswear, online push; inches into Nike turf**

Shares of Lululemon Athletica rose with several Wall Street analysts raising their price targets for the company after a blockbuster fourth quarter. The results showed the company moving strongly into menswear, improving online sales and potentially challenging bigger rival Nike. Lululemon forecast a strong 2019, said North America was doing well and reported a 37 percent jump in direct-to-consumer net revenue for the three months ended February 3. The Company's shares closed 14.13 percent higher at \$167.54.



*Aurora, a female polar bear, approaches photographs of candidates (R-L) Yulia Tymoshenko, Petro Poroshenko and Volodymyr Zelenskiy, which are attached to slabs of lard or pig fat, while attempting to predict the winner of the Ukrainian presidential election during an event at the Royev Ruchey Zoo in Krasnoyarsk, Russia, March 28. REUTERS/Ilya Naymushin*

## Insight and Analysis

### Compliance officers wary of switch to "Wild West" crypto sector

After almost three decades in senior compliance roles at large financial firms including Bank of New York Mellon's Pershing and Goldman Sachs, Jeff Horowitz made an unconventional career move. In July he became chief compliance officer at cryptocurrency exchange Coinbase, taking a leap into the more lightly regulated world of digital assets. "It's not for the faint of heart," Horowitz said of the move from compliance on Wall Street to a cryptocurrency startup. "You need to have a flexible risk needle. The old school attitude of compliance being Doctor No really doesn't translate well

to this industry." Horowitz is one of several senior compliance officers hired by cryptocurrency firms over the past year in a recruitment spree aimed at helping them cope with increased regulatory scrutiny and becoming more palatable to mainstream investors.

### COLUMN-Struggling small miners may lead to bigger industry woes: Russell

Small miners are finding it increasingly difficult to raise capital to fund new ventures despite the positive demand outlook for several commodities and a world still largely awash with cheap credit. The problems facing these 'junior' mining explorers may also have

implications beyond a bunch of seemingly inconsequential companies struggling to progress. How they cope is likely to affect how the mining industry as a whole goes from exploring for new resources to actually producing raw materials. Under the traditional model, would-be junior miners raised seed capital in order to drill exploration holes to confirm the presence of a resource. These companies then sought listings on miner-friendly stock exchanges, such as those in Sydney and Toronto, and used the money raised from the listing to advance the project.



# CANADA

## Market Monitor

Canada's main stock index ended higher, as gains in financial sector countered losses in mining shares.

The Toronto Stock Exchange's S&P/TSX composite index was up 0.14 percent at 16,155.49.

The financials sector gained 0.08 percent while the materials sector shed 1.14 percent.

The U.S. dollar was up 0.25 percent against its Canadian counterpart at \$1.3442.



### COMING UP

Statistics Canada is expected to report the country's **gross domestic product** for January. Canadian **producer prices** data is also on the radar.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
BRP Inc	38.54	2.37	6.55
CCL Industries Inc	54.88	2.24	4.26
West Fraser Timber Co Ltd	65.80	2.52	3.98
<b>LOSERS</b>			
CannTrust Holdings Inc	10.90	-2.55	-18.96
Detour Gold Corp	12.44	-0.98	-7.30
Alacer Gold Corp	3.77	-0.25	-6.22

## Top News

### ANALYSIS-Recession risk? Canada's curve inversion may offer clearer signal

Investors trying to work out whether the inversion of the U.S. yield curve signals a looming recession may find clues - but little comfort - in the Canadian bond market, which is less distorted by central bank buying. The U.S. curve inverted last week for the first time in more than a decade as the 10-year yield dropped below the rate on the 3-month T-bill. While inversion of the curve has preceded every U.S. recession for the last 50 years, its significance this time has been dismissed by some market participants. They argue that the curve has been distorted after the Federal Reserve bought trillions of dollars of bonds to help lower long-term rates after the global financial crisis. Canada, where the yield curve also inverted last week, could be an alternative guide, even

though its economy is one-tenth the size of the United States.



### Dollarama's fourth-quarter profit misses estimates

Dollarama narrowly missed quarterly estimates for profit and same-store sales, hurt by severe competition and a softening economy that prevented the company from raising prices. The Montreal-based company said competition from rivals including Dollar Tree had led it to scale back price increases in an attempt to retain customers, reducing gross margins to

40.4 percent in the fourth quarter from 41.4 percent a year ago. As expected by analysts, the results showed that the discount chain was benefitting from consumers opting for more of their shopping with cheaper retailers in the wake of weakening Canadian economy.

### Johnson Matthey chooses Poland to produce new battery materials

Chemicals group Johnson Matthey has secured a site in Poland to produce ultra-high energy battery materials and signed a 10-year supply deal with Canada's Nemaska Lithium as it seeks to grow its exposure to the electric vehicle market. Plant construction should begin this year at Konin, about 200 kilometres west of Warsaw, and it would have the potential to produce up to 100,000 tonnes per year, Johnson Matthey said in a statement.



# WEALTH NEWS

## EXCLUSIVE

### OPEC struggles to keep Russia on board with oil cut, may offer shorter extension

Saudi Arabia is having a hard time convincing Russia to stay much longer in an OPEC-led pact cutting oil supply, and Moscow may agree only to a three-month extension, three sources familiar with the matter said. Russian Energy Minister Alexander Novak told his Saudi counterpart Khalid al-Falih when the two met in Baku this month that he cannot guarantee an extension to the end of 2019, the sources said. "Novak told Falih that he will extend in June but can only do it until the end of September as he is under too much pressure internally to end the cuts," a source familiar with Russian oil policy said.



A file photo of the logo of the Organization of the Petroleum Exporting Countries (OPEC) seen outside their headquarters in Vienna, Austria December 7, 2018. REUTERS/Leonhard Foeger

## FED'S BOWMAN ON ECONOMY

### Fed's Bowman sees echoes of 1980s crisis in current farm struggles

The Federal Reserve is closely tracking the recent increase in farm bankruptcies which is a signal of stress in the agricultural economy, Fed Governor Michelle Bowman said.

## JEFFERIES' REVENUE FALLS

### Jefferies' revenue hurt by U.S. govt. shutdown and weak markets in December

Jefferies Group's quarterly revenue fell 17 percent, as the company's investment banking business took a hit from a partial government shutdown and a dip in market activity in December, but said it expects a better trading environment going forward.

## DEBT RESTRUCTURING

### J. Crew turns again to debt restructuring lawyers -sources

J. Crew Group has tapped restructuring lawyers for the second time in as many years to explore options for reworking its debt, as the company struggles with falling sales and a dwindling cash pile, people familiar with the matter said.

## DEAL

### Parts maker ZF Friedrichshafen positions for driverless cars with \$7 billion deal for Wabco

German auto parts maker ZF Friedrichshafen has agreed to buy U.S. rival Wabco for over \$7 billion, an acquisition it has long targeted to bolster its expertise in autonomous-driving technologies.

## LAWSUIT

### New York accuses opioid maker Purdue of illegal fund transfers to Sacklers

Purdue Pharma fraudulently transferred funds to members of the wealthy Sackler family who control the OxyContin maker despite knowing it faced major liabilities that had made it already insolvent, New York's attorney general alleged.

## APPROVAL DELAY

### Deutsche Telekom still confident T-Mobile-Sprint deal will go through

Deutsche Telekom is still confident of winning the approval of U.S. regulators for U.S. unit T-Mobile's \$26 billion deal to take over Sprint, CEO Tim Hoettges said.



## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Carmax	Q4	BMO	\$1.03	\$1.04	\$0.77	\$4,364.61

*\*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.*

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

*The Day Ahead - North America is compiled by Siddharth Athreya V and Pathikrit Bandyopadhyay in Bengaluru.*

*For questions or comments about this report, email us at: [TheDay.Ahead@thomsonreuters.com](mailto:TheDay.Ahead@thomsonreuters.com).*

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