

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks and Treasury yields rose on hopes that U.S.-China trade talks would produce at least a partial deal. The **dollar and gold** fell on waning safe-haven demand. **Oil** prices gained after OPEC pledged a decision on supply at its December meeting.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26499.59	153.58	0.58	27398.68	21712.53
Nasdaq	7950.78	47.04	0.60	8339.64	6457.13
S&P 500	2938.33	18.93	0.65	3027.98	2443.96
Toronto	16422.68	42.81	0.26	16947.23	13776.88
FTSE	7186.36	19.86	0.28	7727.49	6599.48
Eurofirst	1506.84	9.82	0.66	1554.34	1308.86
Nikkei	21551.98	95.60	0.45	22362.92	19241.37
Hang Seng	25707.93	25.12	0.10	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.6629	-22 /32
2-year	1.5383	-4 /32
5-year	1.4836	-12 /32
30-year	2.1566	-51 /32

FOREX	Last	% Chng
Euro/Dollar	1.1008	0.36
Dollar/Yen	107.92	0.43
Sterling/Dollar	1.2455	2.06
Dollar/CAD	1.3294	-0.27
TR/HKEX RMB	91.50	0.18

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	53.69	1.10	2.09
Spot gold (NY/oz)	1493.59	-11.71	-0.78
Copper U.S. (front month/lb)	0.0261	0.0004	1.97
CRB Index Total Return	183.06	0.55	0.30

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Skyworks Solutions Inc	84.89	4.18	5.18
Freeport-McMoRan Inc	8.97	0.42	4.85
Netflix Inc	280.48	12.95	4.84
LOSERS			
NetApp Inc	49.78	-1.59	-3.10
Kroger Co	23.84	-0.69	-2.81
Hormel Foods Corp	41.69	-1.15	-2.68

Coming Up



China's Vice Premier Liu He gestures to the media between U.S. Trade Representative Robert Lighthizer (L) and Treasury Secretary Steve Mnuchin before the two countries' trade negotiations in Washington, U.S., October 10. REUTERS/Yuri Gripas

High-level **U.S.-China trade talks** continue for second day, with President **Donald Trump** expecting to meet with Chinese Vice Premier **Liu He** at the White House. Trump has threatened to raise tariffs on \$250 billion worth of Chinese goods on Oct. 15 if no progress is made in the on-again, off-again negotiations.

Federal Reserve Bank of Minneapolis President **Neel Kashkari** participates in a fireside chat before the C. Peter McCollough Series on International Economics hosted by the Council on Foreign Relations in New York. Separately, Federal Reserve Bank of Boston President **Eric Rosengren** speaks before the American Economic

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Import prices mm for Sep	0830	0.0%	-0.5%
Export prices mm for Sep	0830	0.0%	-0.6%
U Mich Sentiment Preliminary for Oct	1000	92.0	93.2
U Mich Conditions Preliminary for Oct	1000	107.5	108.5
U Mich Expectations Preliminary for Oct	1000	81.7	83.4
U Mich 1 year inflation preliminary for Oct	1000	--	2.8%
U Mich 5-year inflation preliminary for Oct	1000	--	2.4%



A file photo of a woman walking past the International Monetary Fund logo at its headquarters in Washington, May 10, 2018. REUTERS/Yuri Gripas

Challenges Symposium presented by the Juli Plant Grainger Institute for Economic Research and the Department of Economics, University of Wisconsin, Madison, in Madison, Wisconsin. Later in the day, Dallas Federal Reserve Bank President **Robert Kaplan**, a centrist at the U.S. central bank, participates in a moderated question-and-answer session on policy and the economic outlook before a Commonwealth Club

of California luncheon, in San Francisco, California.

U.S. Labor Department releases **import** and **export** prices for September. Import prices are likely to have unchanged in September, from a 0.5% drop in August. Export prices are also expected to have unchanged in September, after a 0.6% fall in the month before. Separately, the **University of Michigan** is scheduled

to release **consumer sentiment index**. Preliminary number of the index is likely to have come in at 92.0 in October.

The **International Monetary Fund** will release a chapter of its **Global Financial Stability Report** focused on the financial stability implications of banks' dollar funding.

A U.S. bankruptcy judge will consider a request by **Purdue Pharma LP** to pause for nine months thousands of lawsuits against the OxyContin maker accusing it and its controlling Sackler family of contributing the nationwide opioid addiction crisis. Two dozen states oppose the request and have accused the Sacklers of using the Purdue bankruptcy to shield the family's billion-dollar wealth from victims.

Brazil's services sector activity is expected to have decreased 0.1% in August from a 0.8% rise in July. On an annual basis, it is likely to have slipped 1% in August, after rising 1.8% in the month before. Separately, **Mexican** statistics agency is scheduled to release data on industrial output for August.

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Fastenal Co	Q3	BMO	\$0.35	\$0.35	\$0.35	\$1372.47

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

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



Market Monitor

Stocks rose on hopes that top-level U.S.-China trade talks would yield at least a partial deal, while a rise in **Apple's** shares also boosted the market. Wall Street's main indexes moved higher after President Donald Trump tweeted he would meet Chinese Vice Premier Liu He on Friday for further trade talks. "The tweet ... is giving market participants a reason to believe that perhaps a trade deal or at least a partial deal might be announced as early as tomorrow," said Robert Pavlik, chief investment strategist at SlateStone Wealth LLC in New York.

Apple rose 1.35%, lifting the **technology sector** by 0.64% to 1411.07, after Longbow Research upgraded the company's stock to "buy", citing higher iPhone 11 demand. The **Dow Jones Industrial Average** rose 0.58%, to 26,499.59, the **S&P 500** gained 0.65%, to 2,938.33 and the **Nasdaq Composite** added 0.6%, to 7,950.78.

Treasury yields rose amid hopes for a resolution in trade talks between the United States and China, alleviating some worries over slowing economic growth, as the two countries began a new round of negotiations in Washington. "A choppy overnight session driven by conflicting signals regarding trade negotiations highlights the difficulty in chasing every 5 basis point move in yields, in that the proximate justification can unwind just as quickly," said Ian Lyngen, head of U.S. rates strategy at BMO Capital Markets. The Treasury Department sold \$16 billion of **29-year 10-month bonds** at a high yield of 2.170%. The bid-to-cover ratio was 2.25. The **two-year notes** were down 4/32 to yield 1.54% and the benchmark **10-year notes** fell 22/32 to yield 1.66%.



REUTERS/Lucas Jackson

A file photo of a trader working on the floor of the New York Stock Exchange shortly October 2.

The **dollar** fell, with safe-haven demand for the currency waning as investors grew optimistic about a U.S.-China trade deal as well as a potential agreement on Britain's exit from the European Union. "With a Brexit deal looking more likely and U.S.-China talks showing more progress, it's just clear that the dollar is losing some safe-haven demand," said Juan Perez, senior currency trader, at Tempus Inc in Washington. The **pound** was last up 2.06% at \$1.2456. The **dollar** was last up 0.44% against the **Japanese yen** at 107.93 yen. The **dollar index** fell 0.42% to 98.71.

Oil prices rose, buoyed by comments by the head of OPEC that the organization could take action to balance oil markets and that it will decide in December on supply for next year. Mohammad Barkindo, secretary-general of the Organization of the Petroleum Exporting Countries, did not specify if the move would mean

extending a pact to rein in production to stabilize prices, but the comments appeared to nudge the market out of pessimism over U.S.-China trade talks. **Brent crude futures** rose 1.68% to \$59.30 a barrel. **U.S. West Texas Intermediate futures** were up 2.13% at \$53.71 a barrel.

Gold prices retreated, while palladium prices marked an all-time high, after a report suggested that China wants to reach an agreement with the United States to avoid further escalation of an ongoing trade row. "It is all about the tariffs. It is the he-said-she-said that whips the market back and forth. Right now you have the short-term traders selling gold on the tariff news," said Michael Matousek, head trader at U.S. Global Investors. **Spot gold** fell 0.78% to \$1,493.49 per ounce. **U.S. gold futures** were down 0.98% at \$1,498.00 an ounce. **Palladium** was 1% higher at \$1,698.84 per ounce, having hit a record \$1,704.59.

Top News

Apple pulls app used to track Hong Kong police, protesters

Apple has removed an app that helped Hong Kong protesters track police movements, saying it was used to ambush law enforcement, following sharp criticism of the U.S. tech giant by a Chinese state newspaper for allowing the software. Apple's decision to bar the HKmap.live app, which crowdsources the locations of both police and protesters, from its app store plunges the company into the increasingly fraught political tension between China and the protesters that has also ensnared other U.S. and Hong Kong businesses. Apple had only just last week approved the app after rejecting it earlier this month. The Chinese Communist Party's official newspaper on Tuesday called the tracking app "poisonous" and decried what it said was Apple's complicity in helping the Hong Kong protesters. Apple said on Wednesday it had begun an immediate investigation after "many concerned customers in Hong Kong" contacted it about the app and Apple found it had endangered law enforcement and residents. Meanwhile, Apple Chief Executive Tim Cook defended the iPhone maker's decision to remove from its app store a police-tracking app used by protesters in Hong Kong, according to a copy of a letter to employees seen by Reuters and confirmed by Apple. To read more, [click here](#)

Delta looks at faster hiring to meet 'surprise' demand, costs rise

Delta Air Lines hopes to speed up the hiring of pilots, flight attendants, reservation and airport staff after "surprise" demand growth fueled better-than-expected third-quarter profit, Chief Executive Ed Bastian told Reuters. However, that growth is driving up expenses, a concern for investors. "The size of the demand



The HKmap.live App is pictured on a phone screen in this photo illustration, in Hong Kong, China, October 10. REUTERS/Tyrone Siu

surprised us," Bastian said in a telephone interview. Delta is forecasting capacity growth of around 4.5% in the fourth quarter, though costs per available seat mile, excluding fuel, are also seen rising between 4% and 5% in the period. Net income climbed 13.1% to \$1.5 billion in the quarter to Sept. 30 on total adjusted revenue of \$12.56 billion. Adjusted earnings per share reached \$2.32, beating analysts' expectations for profit of \$2.26, according to IBES data from Refinitiv.

Wells Fargo beefs up mortgage division to cope with higher volumes

Wells Fargo & Co is boosting its teams that process mortgage loans to prepare for higher mortgage volumes, changing course after it laid off about 1,000 employees in the division in 2018, according to a memo viewed by Reuters. Many of the hires will be in Des Moines, Iowa and Minneapolis, according to the memo. Yet, Wells Fargo, the largest U.S. mortgage

originator according to Inside Mortgage Finance, laid off hundreds of mortgage employees in these cities just last year. The about-face comes as banks brace for a surge in mortgage activity fueled by lower interest rates. Refinancing activity, which accounts for a majority of mortgage applications, has more than doubled from a year ago, according to data released by the Mortgage Bankers Association on Wednesday. Purchase activity has climbed 10% from a year ago.

GM CEO Barra takes role in talks to end UAW strike

General Motors Chief Executive Mary Barra met with senior United Auto Workers officials to discuss the automaker's most recent proposal to end a more than three-week-old strike that has cost it over \$1 billion, a union spokesman said. Barra met with UAW President Gary Jones and senior union negotiator Terry Dittes on Wednesday at a time when GM had not yet received a formal response to a new

offer made on Monday morning, sources briefed on the matter said. GM declined to comment on the meeting, but said progress was being made in the talks. "There was no secret meeting. There was a meeting (between Barra and Jones and Dittes) and we continue to meet at all levels," UAW spokesman Brian Rothenberg said. Meanwhile, General Motors' July to September vehicle sales in China fell 17.5%, as the automaker was hurt by a slowing economy amid the Sino-U.S. trade war and by heightened competition in its key mid-priced SUV segment. To read more, [click here](#)

U.S. presidential candidate Warren calls on AT&T to reject plan she says will cost jobs

U.S. presidential candidate Elizabeth Warren called on AT&T to reject an activist investor plan she said would lead to job cuts, staking out a different position than President Donald Trump who has cheered the investor's involvement. In a Twitter post, Warren said she sided with union workers at the telecommunications and media conglomerate, who have criticized a plan submitted last month by AT&T activist investor Elliott Management to boost the company's profits. "They should reject this plan to turn a quick profit by laying off workers and outsourcing jobs," Warren said.

Google secures two Android phone makers' backing in fight against EU antitrust order

Alphabet unit Google's fight against a record EU antitrust fine related to its Android mobile software received a boost after Europe's second-highest court allowed Android phone maker Gigaset and HMD Global Oy to intervene in the lawsuit. Google is challenging the European Commission's 4.34 billion euro fine and an order to drop anti-competitive business practices aimed at blocking rivals in internet browsing at the Luxembourg-based General Court.

Germany's Gigaset Communications and Finland's HMD Global Oy, which is the exclusive licensee of the Nokia brand for phones, can take part in the process in support of Google, the court said in a document published on Thursday. Separately, Google expects to triple its customer workforce to support cloud computing services in Latin America by the end of next year, Google Cloud's director in Brazil, João Bolonha, said. To read more, [click here](#)

Boeing says cracks found on 38 of 810 737 NG jets inspected globally

Boeing said that airlines had inspected 810 of the company's 737 NG jets around the world and found 38 structural cracks requiring repair and replacement of the affected parts. The planes will be grounded until the repairs are made, Boeing and airline officials said. Nearly 5% of inspections have found cracks in a "pickle fork" -- a part that attaches the plane's fuselage, or body, to the wing structure and manages forces. The 737 NG is the third-generation 737 and version before the now grounded 737 MAX, which is not impacted by the cracking issue. Raymond James analyst Savanthi Syth wrote in a research note that the findings from the 737 NG inspections could "potentially take up to 4% of capacity off-line between mid-Oct and mid-Dec." Planes with cracks "may need to be taken out of the fleet for up to 60 days for maintenance," Syth said.

Houston Rockets Nike merchandise disappears from China stores

Houston Rockets sneakers and other merchandise were pulled from several Nike stores in major Chinese cities amid the furore surrounding a tweet from the team's general manager in support of anti-government protests in Hong Kong. Managers at five Nike stores in Beijing and Shanghai told Reuters during visits they had been told in recent days via a memo from management that all Rockets

merchandise had to be removed. Three Nike stores in Shenzhen also kept Rockets merchandise off the shelves, as well as NBA products in general, staff told Reuters by phone. Three Nike stores in Chengdu, a bustling inland city in southwest China, also removed Rockets products.

U.S. to issue licences for supply of non-sensitive goods to Huawei-NYT

The United States will soon issue licenses allowing some U.S. companies to supply non-sensitive goods to China's Huawei, the New York Times reported, as high-level officials from the two countries meet this week to resume trade talks. Trump's administration gave the green light last week to start approving licenses for a few American companies to bypass the curbs, the New York Times said, citing people familiar with the matter. A U.S. Commerce Department spokesman told Reuters that no official direction has been granted to the department on the matter as of Wednesday afternoon. The licensing decisions would give much needed clarity to American companies, which have been looking for guidance since Trump promised in late June to provide some relief to firms that did business with Huawei.

European biotech firm BioNTech reverses course in early trading

Shares of BioNTech tumbled, erasing all its earlier gains, another sign of weakness in the IPO market after the collapse of WeWork's market debut. The shares backpedalled even though the biotech firm downsized its initial public offering and priced its stock below an earlier expected range on Wednesday. BioNTech expects to use proceeds from the public share sale for general corporate purposes and to acquire or invest in complementary technologies and products. Shares of the company ended 5.07% lower at \$14.24.



A woman with a baby sits at the back of a truck as they flee Ras al Ain town, Syria, October 9. REUTERS/Rodi Said

Insight and Analysis

As GM workers picket, Michigan's economy feels the chill

Waving a placard on the picket line outside a General Motors truck plant in Flint, Michigan, Robert Bacon says he has no money to spend. His \$250-a-week strike pay barely covers his food and gas. The United Auto Workers union strike is spreading pain throughout Michigan, a battleground for the November 2020 election where the economy was slowing before more than 23,000 UAW workers walked out of GM's Michigan plants in mid-September. The number of UAW strikers nationwide is 48,000. Unemployment in the state is 4.2%, and it has been rising even as the national rate continues to fall. The state's job growth has slowed, said Chris Douglas, an economist at the University of Michigan-Flint.

FOCUS-Mass shooting rumor in Facebook Group shows private chats are not risk-free

Ahead of the annual Blueberry Festival in Marshall County, Indiana, in early September, a woman broadcast a warning to her neighbors on Facebook. "I just heard there's supposed to be a mass shooting tonight at the fireworks," the woman, said in a post in a private Facebook Group with over 5,000 members. "Probably just a rumor or kids trying to scare people, but everyone keep their eyes open," she said in the post. There was no shooting at the Blueberry Festival that night, and the local police said there was no threat. But the post sparked fear in the community, with some group members canceling their plans to attend, and shows the power of rumors in Facebook Groups.

U.S. private equity fundraising swells as mega funds get bigger

U.S. private equity firms raised \$191 billion in the first nine months of 2019, nearly as much as in all of 2018, as investors flocked to well-known managers raising large capital pools, according to a report by research firm Pitchbook. Some of the private equity industry's biggest players completed their fundraising in the third quarter of this year, including Blackstone Group with a \$26 billion buyout fund, and Vista Equity Partners Management LLC with a \$16 billion fund. This increased the amount raised by private equity funds by 38% year-on-year, even as the number of funds that raised capital fell 18% to 131, according to the report. The strong fundraising showed investors believe concerns about an economic downturn.

CANADA

Market Monitor



Canada's main stock index gained ground, with energy stocks leading gains, as a clutch of positive headlines on trade lifted sentiment with high-level trade negotiations between United

States and China starting in Washington.

The **Toronto Stock Exchange's S&P/TSX composite index** was up 0.26%, at 16,422.68.

The **energy sector** climbed 1.08% to 124.97 on the back of oil prices.

The **U.S. dollar** fell 0.26% against its **Canadian counterpart** at C\$1.3295.

COMING UP

Statistics Canada is expected to show that **Canada's** economy likely added 10,000 jobs in September, from 81,100 jobs in August. The **unemployment rate** is expected to have held steady at 5.7% in September.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Teck Resources Ltd	21.08	1.30	6.57
Hudbay Minerals Inc	4.55	0.25	5.81
Lundin Mining Corp	6.46	0.30	4.87
LOSERS			
Hexo Corp	3.76	-1.12	-22.95
Aphria Inc	6.19	-0.97	-13.55
Canopy Growth Corp	27.16	-3.29	-10.80

Top News



A file photo of cuttings from marijuana plants at the Canopy Growth Corporation facility in Smiths Falls, Ontario, January 4, 2018. REUTERS/Chris Wattie

Canopy Growth names shareholder Constellation's CFO as chairman

Cannabis producer Canopy Growth said it appointed top shareholder Constellation Brands' chief financial officer, David Klein, as chairman of its board. Klein will take over, effective immediately, from interim chairman John Bell, who will continue as a director on the board. In July, Canopy fired its co-founder, co-Chief Executive

Officer and Chairman Bruce Linton after Constellation expressed disappointment over the company's financial performance. Bell was appointed as the interim chairman after Linton's ouster. Klein has served as a director on Canopy Growth's board since 2018. Constellation Brands has invested over \$4 billion in Canopy, making it one of the first major alcohol producers looking to cash in on the

proposed legalization of recreational weed in several countries. However, the pot producer had warned in August that it would need another three to five years to turn profitable.

Pot producer Hexo withdraws 2020 forecast

Cannabis producer Hexo pulled its 2020 forecast, blaming an uncertain environment and slow store rollouts due to delays in cannabis derivative approvals. The company said it expects fourth-quarter revenue to be in the range of C\$14.5 million to C\$16.5 million, compared with the about C\$26 million it estimated in June. "The delay in retail store openings in our major markets has meant that the access to a majority of the target customers has been limited," Chief Executive Officer Sebastien St-Louis said in a statement. Hexo also said jurisdictional decisions to limit the availability and types of cannabis-based products added to the uncertainties.

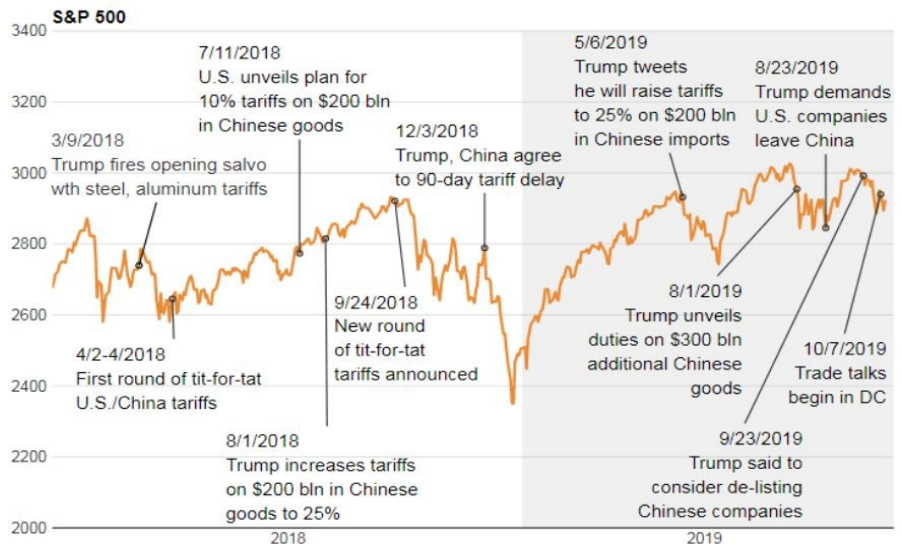
WEALTH NEWS

TRADE WAR

U.S., China resume high-level talks to end grueling trade war

Top U.S. and Chinese negotiators met for the first time since late July to try to find a way out of a 15-month trade war as new irritants between the world's two largest economies threatened hopes for progress. U.S. Treasury Secretary Steven Mnuchin and U.S. Trade Representative Robert Lighthizer greeted Chinese Vice Premier Liu He on the steps of the USTR office before a meeting in which they will seek to narrow differences enough to avoid an escalation of tit-for-tat tariffs that have roiled financial markets and stoked fears of a global recession. U.S. President Donald Trump has threatened to raise tariffs on \$250 billion worth of Chinese goods on Oct. 15 if no progress is made in the negotiations.

The U.S.-China trade war: a timeline



Source: Refinitiv Datastream / Stephen Culp 10/10/2019

Click on the chart for the detailed graphic

ECONOMIC DATA

U.S. consumer inflation tame, labor market still tightening

U.S. consumer prices were unchanged in September and underlying inflation retreated, supporting expectations the Federal Reserve will cut interest rates in October for the third time this year amid risks to the economy from trade tensions.

KAPLAN SPEAKS

Fed's Kaplan has 'open mind' on rate cuts, watching U.S. yield curve

Dallas Federal Reserve Bank President Robert Kaplan said he was watching the U.S. yield curve for signs the Fed may need to cut interest rates further, reiterating his view that waiting to do so until consumer spending weakens would be "a mistake."

POST-CRISIS LIQUIDITY RULES

U.S. Fed eases post-crisis rules for domestic, foreign banks

The U.S. Federal Reserve unveiled a final package of rules easing capital and liquidity requirements for domestic U.S. and foreign banks that were originally introduced following the 2007-2009 global financial crisis.

OIL OUTPUT CUTS

OPEC chief says deeper oil cut an option amid weaker 2020 outlook

A deeper cut in oil supplies is among options for OPEC and its allies to consider in December, its secretary general said as the producer group's forecasts pointed to slower global growth and lower demand next year.

OPIOID TRIAL

U.S. appeals court won't disqualify judge in opioid cases or delay trial

A U.S. federal appeals court cleared the way for a landmark trial over the nation's opioid crisis, rejecting a bid by eight drug sellers to disqualify the judge, and a request by Ohio and other U.S. states to delay the Oct. 21 trial.

DEAL

Sunrise's UPC deal too expensive, says advisory group ISS

Proxy adviser ISS recommended shareholders vote against a rights issue that will allow Sunrise Communications to finance a 6.3 billion Swiss franc purchase of cable operator UPC from Liberty Global, in a report sent to clients.



First lady Melania Trump meets with teens on their experience with vaping as part of her "Be Best" initiative at the White House in Washington, October 9. REUTERS/Erin Scott

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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