

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks advanced after reports of positive developments on the U.S.-China trade dispute, while promise of fresh stimulus measures from the ECB also provided boost. The **euro** gained against the **dollar**. **Treasury yields** climbed and **gold** prices edged higher. **Oil** prices fell.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	27184.15	47.11	0.17	27398.68	21712.53
Nasdaq	8194.47	24.79	0.30	8339.64	6457.13
S&P 500	3009.70	8.77	0.29	3027.98	2443.96
Toronto	16643.28	32.14	0.19	16672.71	13776.88
FTSE	7344.67	6.64	0.09	7727.49	6599.48
Eurofirst	1534.27	2.57	0.17	1554.34	1308.86
Nikkei	21759.61	161.85	0.75	22362.92	19241.37
Hang Seng	27087.63	-71.43	-0.26	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.7837	-15/32
2-year	1.7233	-3/32
5-year	1.6448	-8/32
30-year	2.2680	-42/32

FOREX	Last	% Chng
Euro/Dollar	1.1064	0.50
Dollar/Yen	108.12	0.29
Sterling/Dollar	1.2337	0.09
Dollar/CAD	1.3215	0.18
TR/HKEX RMB	91.90	0.09

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	55.06	-0.69	-1.24
Spot gold (NY/oz)	1497.50	0.20	0.01
Copper U.S. (front month/lb)	0.0262	0.0003	1.19
CRB Index Total Return	183.71	0.78	0.43

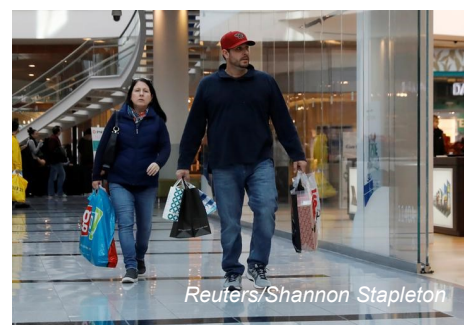
S&P 500	Price	\$ Chng	% Chng
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GAINERS	Price	\$ Chng	% Chng
LKQ Corp	32.55	3.47	11.93
Varian Medical Systems Inc	119.55	4.36	3.79
Freeport-McMoRan Inc	10.38	0.30	2.98

LOSERS	Price	\$ Chng	% Chng
DXC Technology Co	32.46	-4.03	-11.04
Helmerich and Payne Inc	40.79	-1.86	-4.36
Tractor Supply Co	99.34	-4.51	-4.34

Coming Up

On the U.S. economic schedule, the Commerce Department is expected to report **retail sales** for August rose 0.2%, after a surge of 0.7% in July. **Core retail sales** for August are expected to have risen 0.1%, after gaining 1.0% in the month before. Separately, the Labor Department is likely to report **import prices** fell 0.4% in August, following a gain of 0.2% in the month before. **Export prices** for August are likely to decrease 0.2%, after rising 0.2% in July. **Business inventories** for July are expected to have increased 0.3%. Also, the **University of Michigan's preliminary**



consumer sentiment index for September is likely to show a reading of 90.9, following a reading of 89.8 in August.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Import prices mm for Aug	0830	-0.4%	0.2%
Export prices mm for Aug	0830	-0.2%	0.2%
Retail sales ex-autos mm for Aug	0830	0.1%	1.0%
Retail sales mm for Aug	0830	0.2%	0.7%
Retail ex gas/autos for Aug	0830	--	0.9%
Retail control for Aug	0830	0.3%	1.0%
Retail sales YoY for Aug	0830	--	3.45%
Business inventories mm for Jul	1000	0.3%	0.0%
Retail inventories ex-auto rev for Jul	1000	--	0.3%
U Mich Sentiment Preliminary for Sep	1000	90.9	89.8
U Mich Conditions Preliminary for Sep	1000	107.0	105.3
U Mich Expectations Preliminary for Sep	1000	82.0	79.9
U Mich 1 year inflation preliminary for Sep	1000	--	2.7%
U Mich 5-year inflation preliminary for Sep	1000	--	2.6%

KEY RESULTS

No major S&P 500 companies are scheduled to report

Market Monitor

Stocks advanced, and the **S&P 500** closed within striking distance of its all-time high, buoyed by positive developments on the U.S.-China trade front and a promise of continued stimulus from the European Central Bank. ECB chief Mario Draghi pledged indefinite asset purchases and cut deposit rates to a record low for the first time since 2016. Industrial stocks were pressured by drops in **Deere** and **Caterpillar**, which fell 1.13% and 1.01% respectively, after Wells Fargo downgraded their shares to "market perform". **Google parent Alphabet** shares rose 1.23%. The **Dow** rose 0.17% to 27,184.15, the **S&P 500** gained 0.29% to 3,009.70 and the **Nasdaq** added 0.30% to 8,194.47.

U.S. Treasury prices fell, following a report that suggests advisers to President Donald Trump were mulling an interim trade deal with China and soft demand at a 30-year bond auction. However, a CNBC report, citing a senior White House official, said an interim deal was "absolutely not" on the table. Longer-dated yields were also pressured by comments from U.S. Treasury Secretary Steven Mnuchin who said the government is seriously considering issuing a 50-year bond next year. **U.S. benchmark notes** were down 14/32 to yield 1.78% after hitting 1.801%, their highest level since Aug. 5. **Two-year notes** fell 3/32 yielding 1.72%. The Treasury Department sold \$16 billion of **30-year government bonds** at a yield of 2.27%, the lowest yield at an auction of this debt maturity since the record low of 2.172% set in July 2016, Treasury data showed. The bid-to-cover ratio was 2.22, a tad below the 2.24 at the previous 30-year bond sale in August.



Traders work on the floor at the New York Stock Exchange (NYSE) in New York, U.S., September 9. REUTERS/Brendan McDermid

The **euro** gained against the dollar after the European Central Bank launched new stimulus but failed to live up to some dovish market expectations. The **euro** gained 0.51% against the **greenback** to \$1.1065. The euro was also boosted after the ECB said that euro zone banks will be exempted from paying a penalty charge on idle cash worth six times their mandatory reserves. Against the **yen**, the **greenback** was last up 0.30% at 108.13 yen. The **dollar index** was down 0.28% at 98.37.

Oil prices fell after a media report cast doubt on the possibility of an interim U.S.-China trade deal and as a meeting of the OPEC+ alliance yielded no decision on deepening crude supply cuts. Oil prices were also hit by comments by Saudi Arabia's new

energy minister, Prince Abdulaziz bin Salman, who said deeper cuts would not be decided upon before a meeting of the Organization of the Petroleum Exporting Countries planned for December. **Brent crude** futures were down 0.76% at \$60.35 a barrel. U.S. **West Texas Intermediate crude futures** fell 1.26% to \$55.05 a barrel.

Palladium prices hit an all-time high on concerns over tight supplies of the autocatalyst metal due to possible labor issues in South African mines, while gold shed earlier gains on fresh hints of progress in the U.S.-China trade dispute. **Palladium** climbed 2.72% to \$1,614.73 after hitting a record high of \$1,621.55 earlier in the session. **Spot gold** was up 0.01% to \$1,497.40 per ounce. **U.S. gold futures** rose 0.22% to \$1,506.50 an ounce.

Top News

Google to pay \$1 billion in France to settle fiscal fraud probe

Google agreed to pay close to 1 billion euros to French authorities to settle a fiscal fraud probe that began four years ago in a deal that may create a legal precedent for other large tech companies present in the country. The settlement comprises a fine of 500 million euros and additional taxes of 465 million euros, Google said. "(The agreement allows) to settle once for all these past disputes," said Antonin Levy, one of Google's lawyers, at a hearing in the Paris court. Separately, Google won a legal battle after Europe's top court said publishers in Germany could not demand copyright fees since 2013 from the tech firm because the European Commission had not been notified of the German regulation. To read the full story, [click here](#)

Uber is sued over resistance to California 'gig' employment law

A driver for Uber has sued the company for misclassifying its drivers as independent contractors, hours after California legislators voted to help thousands of those workers become, and enjoy the benefits of being, employees. The proposed class action filed on Wednesday night by Uber driver Angela McRay appears to be the first since California's senate passed landmark legislation that could affect workers in many industries, in addition to ride-sharing companies such as Uber. McRay, a Pittsburg, California, resident who said she has driven for Uber since November 2016, faulted the company for having "publicly stated that it intends to defy this statute," by continuing to treat drivers as independent contractors. McRay is seeking damages for Uber drivers in California, and an injunction requiring compliance.



A file photo shows visitors pass by the logo of Google at the high profile startups and high tech leaders gathering, Viva Tech, in Paris, France May 16. REUTERS/Charles Platiau

LSE board poised to decide fate of Hong Kong exchange's \$39 billion offer

The London Stock Exchange's board will meet in coming days to decide on the Hong Kong bourse's surprise \$39 billion takeover proposal, a source close to the British company said, as the market poured cold water on the deal. The unsolicited takeover offer is not expected to succeed given a preference among LSE investors for the exchange to complete its \$27 billion proposed acquisition of data and analytics group Refinitiv, the source close to the LSE said. The exchange wants to focus on executing that deal, rather than risk it being derailed by the Hong Kong bourse, the source said. HKEX's offer requires the LSE to ditch the Refinitiv deal. But a person close to the Hong Kong exchange said a rejection of an initial approach was common in takeovers and HKEX was already considering its next step. Informal discussions between HKEX and LSE shareholders have begun, the person added.

Amid US vaping crackdown, Juul enters China with online store openings

Juul Labs, which faces a widening crackdown on vaping at home, has entered China, with online storefronts on e-commerce sites owned by Alibaba Group and JD.com to tap the world's largest market of smokers. A notice published on Juul's official virtual store on Tmall, an Alibaba e-commerce site, said it had opened on Sept. 9. Juul also had a similar store on JD.com, another major Chinese online retailer. On Tmall, a Juul device with two flavour pods sells for 299 yuan. Flavours include mint, mango and strawberry. Juul, Tmall and JD.com did not immediately respond to requests for comment.

Two JPMorgan metals executives put on leave amid U.S. probe - source

Two JPMorgan Chase employees, including a top metals trading executive, have been placed on leave

in response to a U.S. criminal investigation into the bank's metals trading practices, according to a source familiar with the matter. Michael Nowak and Gregg Smith are on leave, the source said. Nowak is a managing director and global head of base and precious metals trading in New York for the bank, according to his LinkedIn profile. Smith's title could not be learned. Nowak was placed on leave around late August, the source said. Neither Nowak nor Smith have been charged with a crime.



Kroger's doubts about turnaround targets cloud quarterly profit beat

Kroger raised doubts about its profit targets from an ongoing turnaround plan, even as the supermarket chain operator posted a better-than-expected quarterly profit, helped by its investments in delivery and online operations. Chief Executive Officer Rodney McMullen told analysts the company was not "reconfirming" its expectation of \$400 million in incremental operating profit from the plan. The company said it would give details on its financial goals for 2020 at its investor day in November. Kroger also said it now expects its current-quarter earnings to be flat compared with a year ago, but maintained its forecast for the year. Excluding one-time items, Kroger earned 44 cents per share, 3 cents more than analysts' expectations, according to IBES data from Refinitiv.

France: We can't allow Facebook's Libra in Europe

Facebook's Libra cryptocurrency

cannot be allowed to operate in Europe while concerns persist about sovereignty, systemic financial risks and the risk of abuses by a dominant market player, France's finance minister said. The minister, Bruno Le Maire, did not spell out how France could keep Libra out of the 28-member European Union. He also said he had been in touch with both the incoming and outgoing heads of the European Central Bank about setting up a "public digital currency" under the aegis of international financial institutions. Talking about the Libra project at a meeting of the Organisation for Economic Co-operation and Development in Paris, Le Maire said: "This eventual privatisation of money contains risks of abuse of dominant position, risks to sovereignty, and risks for consumers and for companies."

Amazon extends food tie-up with British supermarket Morrisons

Amazon and Morrisons have agreed to extend a partnership which already allows customers to order their shopping from the smallest of Britain's big four supermarket groups and have it delivered by the U.S. online giant. The new Amazon agreement was for "a number of years rather than on a rolling basis, and will be exploring new opportunities to innovate and improve the shopping experience," Bradford, northern England, based Morrisons said. Doug Gurr, Amazon's UK country manager, said its relationship with Morrisons was an important part of its UK grocery growth plan. Although Morrisons Chief Executive David Potts was vague on what the exploration would entail and declined to provide the agreement's duration, he said as a wholesaler to Amazon the British company could be "part of their ambitions". Morrisons beat expectations for first half profit and forecasting improved sales in its second half despite the threat of a no-deal Brexit, after quarterly sales fell for the first time since 2016.

Tocagen's brain cancer treatment fails late-stage study, shares crash

Tocagen's shares fell after its experimental treatment failed to extend life of brain cancer patients in a study, the latest in a series of setbacks for patients awaiting new treatment options for the condition. Tocagen said its lead product candidate, Toca 511 & Toca FC, did not show meaningful superiority in secondary goals compared to standard of care treatment in the trial, which evaluated the therapy in patients with recurrent high grade glioma. Toca 511 & Toca FC, a cancer-selective therapy that spares blood cells from the common side effects associated with chemotherapy, is also being tested in bladder cancer. The company said it plans to conduct an operational review to evaluate its pipeline strategy moving forward. The California-based company had cash of \$68.3 million, as of June-end. Tocagen shares ended down 77.74% at \$0.93.

Grand jury indicts GE's Baker Hughes for exposing workers to toxic chemicals

A grand jury in Alaska this week indicted General Electric's Baker Hughes, two of its subsidiaries and an employee, for 25 felony charges of assault relating to toxic chemical releases at a construction site, according to authorities. The indictment charges Baker Hughes and John Clyde Willis, identified as a manager for the oilfield services company. The 25 charges stem from chemical releases in 2014 during building of a chemical transfer facility in Kenai, Alaska, according to a statement from Alaska's Attorney General's office. Construction crew at the facility were repeatedly exposed to toxic chemicals, the statement said, but Baker Hughes, two of its subsidiaries and Willis failed to respond to worker complaints until several were taken to hospital following a "large exposure event."





Mourners arrive at Rufaro stadium, in Mbare township where the body of Zimbabwe's founder Robert Mugabe will lie in state, Harare, Zimbabwe, September 12. REUTERS/Siphiwe Sibeko

Insight and Analysis

FOCUS-Low-cost fracking offers boon to oil producers, headaches for suppliers

At a dusty drilling site east of San Antonio, shale producer EOG Resources recently completed its latest well using a new technology developed by a small services firm that promises to slash the cost of each by \$200,000. The technology, called electric fracking and powered by natural gas from EOG's own wells instead of costly diesel fuel, shows how shale producers keep finding new ways to cut costs in the face of pressures to improve their returns.

Apple's new iPhones shift smartphone camera battleground to AI

When Apple introduced its triple-camera iPhone this week, marketing chief Phil Schiller waxed on about the device's ability to create the perfect photograph by weaving it together with eight separate exposures captured before the main shot, a feat of "computational photography mad science." The technology industry's battleground for smartphone cameras has moved inside the phone, where sophisticated artificial intelligence software and special chips play a major role in how a phone's photos look.

COLUMN - U.S. consumers show growing signs of debt distress: Kemp

Most U.S. borrowers remain in good shape but pockets of distress are emerging, especially in the farm sector as a result of tariffs, and among a minority of consumers struggling despite healthy employment and wage growth. The proportion of commercial bank loans and leases 30 days or more past-due at the end of the second quarter dropped to its lowest since at least 1985, when current records began, according to data from the Federal Reserve.



CANADA

Market Monitor

Canada's main stock index climbed to a record high, led by financial shares, as a thaw in U.S.-China trade tensions and the European Central Bank's new stimulus measures boosted investor sentiment. The **financials group** gained 0.76% to 308.76. The shares of **Aurora Cannabis** dropped 8.93% after the company pushed back its profitability

timeline to fiscal 2020. The **Toronto Stock Exchange's S&P/TSX composite index** ended 0.19% up at 16,643.28. It earlier touched 16,696.40, eclipsing the previous record high set on April 23 at 16,672.71.

The **dollar** rose 0.18% higher against its **Canadian counterpart** to C\$1.3215.

COMING UP

No major events are scheduled

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
First Quantum Minerals Ltd	10.03	0.79	8.55
Kelt Exploration Ltd	3.25	0.22	7.26
Peyto Exploration & Development Corp	3.89	0.24	6.58
LOSERS			
Aurora Cannabis Inc	7.75	-0.76	-8.93
North West Company Inc	28.77	-2.25	-7.25
Gran Tierra Energy Inc	1.90	-0.09	-4.52

Top News

Hudson's Bay Co loss widens on 'hyper-promotional' retail environment

Canadian department store operator Hudson's Bay reported a wider second-quarter loss, hurt by store closures, deep discounts and declining sales at the retailer's name brand. Hudson's Bay said its luxury department store chain Saks Fifth Avenue felt the biggest effect from a "hyper-promotional" retail environment. Hudson's Bay Chief Executive Officer Helena Foulkes highlighted continued investments in improving the e-commerce business by better-positioning inventory online and making the checkout process faster and easier and cited a 19% increase in digital sales. She also touted Saks' success, particularly in its fast-growing men's business. Foulkes told Reuters a continuing priority is to improve product assortments with more modern merchandise at Hudson's Bay stores in Canada. She said Hudson's Bay will exit more than 300 "unproductive" brands and add roughly 100 new brands to its portfolio. Hudson's Bay said second-quarter comparable store



sales decreased 0.4% across all units and tumbled 3.4% at its namesake stores. Total revenue in the quarter ended Aug. 3 fell to C\$1.85 billion from C\$1.86 billion a year earlier and gross margin fell 530 basis points to 34%. Net loss from continuing operations widened to C\$462 million from C\$104 million a year earlier.

Canada's Trudeau promises to tax foreign speculation in housing market if reelected

Canada's ruling Liberals will introduce a 1% tax on non-resident non-Canadians to help prevent foreign speculation from driving up housing prices, Prime Minister Justin Trudeau said on the second day of an election campaign. Speaking at an announcement in Victoria, British

Columbia, Trudeau said the national speculation and vacancy tax would apply nationwide and would not affect Canadians living abroad. The proposed new measure would model a 2% speculation tax that British Columbia imposes on the assessed home value for foreign owners to curb the rising price of housing.

Dollarama raises full-year comparable-store sales forecast

Canadian discount retailer Dollarama raised its full-year comparable-store sales forecast, after reporting better-than-expected quarterly sales, benefiting from investments in its online business and higher demand for its products. Dollarama now expects full-year comparable-store sales growth in the range of 3.5% to 4.5% compared with the previous range of 3% to 4%. The company's net income rose to C\$143.2 million, or 45 Canadian cents per share, in the second quarter, from C\$140.4 million, or 42 Canadian cents, a year earlier. Analysts on average had expected the company to post a profit of 46 Canadian cents per share. Comparable-store sales rose 4.7% in the quarter ended Aug 4.

WEALTH NEWS

ECB POLICY

ECB action, hit by Trump as "hurting U.S. exports," ups pressure on Fed

The European Central Bank's move to cut interest rates and restart a larger stimulus program drew fast reaction from the White House on Thursday, with President Donald Trump saying the ECB was undercutting the value of its currency and "hurting U.S. exports."

TRADE TALKS

Ahead of renewed talks, Washington, Beijing lay ground for trade deal talks; China buys U.S. soybeans

The United States welcomed China's promise to buy agricultural goods while maintaining the threat of U.S. tariff hikes as the world's two largest economies sought to prepare the ground for upcoming in-person talks.

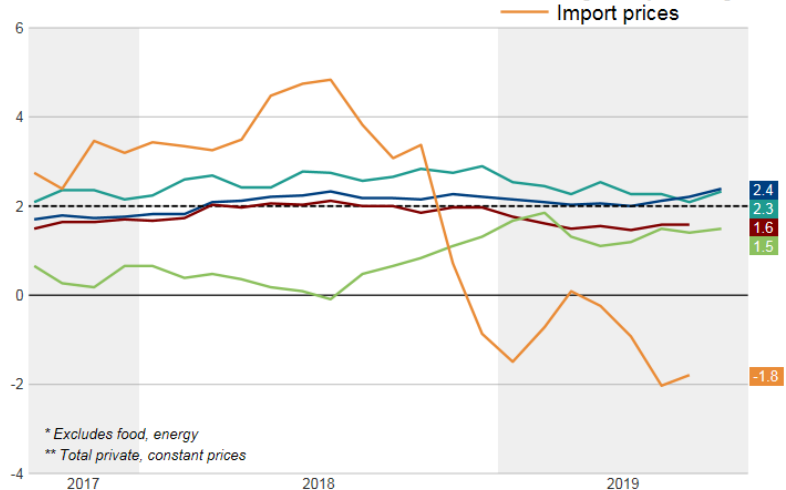
INFLATION DATA

U.S. core inflation firming, but Fed still seen cutting rates

U.S. underlying consumer prices increased solidly in August, leading to the largest annual gain in a year, but rising inflation is unlikely to deter the Federal Reserve from cutting interest rates again next week to support a slowing economy. The Labor Department said its core CPI gained 0.3% for a third straight month. In the 12 months through August, the core CPI increased 2.4%, the most since July 2018, after climbing 2.2% in July. In another report on Thursday, the Labor Department said initial claims for state unemployment benefits declined 15,000 to a seasonally adjusted 204,000 for the week ended Sept. 7, the lowest level since April.

U.S. inflation gauges

Year-on-year percent change of various indicators



Source: Refinitiv Datastream — Reuters graphic/Stephen Culp 9/12/2019

BOND-RIGGING LAWSUIT

Deutsche Bank is first to settle Fannie Mae, Freddie Mac bond-rigging lawsuit

Deutsche Bank will pay \$15 million to resolve claims it conspired to rig prices of bonds issued by Fannie Mae and Freddie Mac, becoming the first of 16 financial services companies to settle litigation by investors.

OPEC

OPEC members Iraq, Nigeria agree to cut oil output

OPEC agreed to trim oil output by asking over-producing members Iraq and Nigeria to bring production in line with their targets as the group strives to prevent a glut amid soaring U.S. production and a slowing global economy.

BIOFUELS POLICY

Refining CEOs met with Trump, sought biofuels policy concessions -sources

The chief executives of two of the largest U.S. refining companies met with President Donald Trump on Wednesday seeking concessions in ongoing negotiations over biofuels policy, according to two sources familiar with the discussions, a turn that will complicate the administration's hopes of helping hard-hit corn farmers.

CLIMATE CHANGE

Climate change pushes U.S. fund managers to bet on AC makers

Record heatwaves in Europe and Asia this summer are leading fund managers to buy shares of air conditioning manufacturers, betting that the public health risks of rising temperatures will compel businesses and apartment building owners to install cooling systems.





Canada's Prime Minister Justin Trudeau introduces Vancouver Kingsway candidate Tamara Taggart at a rally in Vancouver, British Columbia, Canada September 11. REUTERS/Jennifer Gauthier

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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