

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Wall Street** ended mixed as a dip in Apple shares offset gains in Microsoft. The **dollar** fell broadly and **Treasuries** were little changed a day after Federal Reserve's second interest rate cut this year. **Spot Gold** prices rose. **Oil** gained on fears of longer-than-expected supply shortfalls.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	27094.18	-52.90	-0.19	27398.68	21712.53
Nasdaq	8182.88	5.49	0.07	8339.64	6457.13
S&P 500	3006.79	-0.06	0.00	3027.98	2443.96
Toronto	16859.77	59.48	0.35	16855.45	13776.88
FTSE	7356.42	42.37	0.58	7727.49	6599.48
Eurofirst	1539.38	9.72	0.64	1554.34	1308.86
Nikkei	22044.45	83.74	0.38	22362.92	19241.37
Hang Seng	26468.95	-285.17	-1.07	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.7944	-3 /32
2-year	1.7460	0 /32
5-year	1.6663	-1 /32
30-year	2.2377	0 /32

FOREX	Last	% Chng
Euro/Dollar	1.1042	0.12
Dollar/Yen	108.01	-0.40
Sterling/Dollar	1.2522	0.43
Dollar/CAD	1.3261	-0.17
TR/HKEX RMB	91.50	-0.15

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	58.38	0.27	0.46
Spot gold (NY/oz)	1499.00	5.35	0.36
Copper U.S. (front month/lb)	0.0259	0.0000	-0.10
CRB Index Total Return	187.27	0.15	0.08

S&P 500	Price	\$ Chng	% Chng
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GAINERS			
Occidental Petroleum Corp	45.80	1.18	2.64
Cigna Corp	164.65	4.21	2.62
Alexion Pharmaceuticals Inc	105.67	2.69	2.61

LOSERS			
Seagate Technology PLC	52.94	-3.81	-6.71
Darden Restaurants Inc	120.70	-6.43	-5.06
Noble Energy Inc	23.30	-0.94	-3.88

## Coming Up



A file photo shows a boy wearing an U.S. t-shirt waving a Chinese national flag in Tiananmen Square in Beijing, China May 7. REUTERS/Thomas Peter

**Deputy trade negotiators for United States and China** meet for the second day in Washington. Negotiations to focus on Chinese purchases of U.S. agricultural goods and on stopping synthetic opioid fentanyl supplies from China to the United States.

Federal Reserve Bank of Boston President **Eric Rosengren** is expected to speak before the "Where are We in

the Credit Cycle? Outlook for Credit Markets" conference hosted by the New York University Stern School of Business, New York. Separately, Federal Reserve Bank of Dallas President **Robert Kaplan** is set to participate in a moderated question-and-answer session before a community forum hosted by the Federal Reserve Bank of Dallas, San Antonio Branch, Texas.

## KEY ECONOMIC EVENTS

No economic events are scheduled for release.

## KEY RESULTS

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

# Market Monitor

**Wall Street** ended mixed, with a dip in **Apple** shares offsetting a gain in **Microsoft** shares a day after the Federal Reserve cut interest rates as expected and left the door open for further monetary easing. A recent easing in trade tensions has helped the three main indexes recover from losses from August. "There has been slightly more constructiveness lately, but if there is any sort of agreement, it will be a very light, mini-deal, because the U.S. and China are still very far apart on the main issues," warned Ben Phillips, Chief Investment Officer at EventShares. "The market just continues to believe the Fed is going to be accommodative," said Robert Pavlik, chief investment strategist and senior portfolio manager at SlateStone Wealth LLC in New York. **Microsoft** rose 1.84% after unveiling a \$40 billion stock buyback plan. The **S&P 500 healthcare index** climbed 0.47% to 1059.81. Shares of retailer **Target Corp** rose 0.82% after it announced a \$5 billion share buyback plan. **Apple** shares ended 0.81% down. The **Dow** was down 0.19% at 27,094.18 points, while the **S&P 500** was flat at 3,006.79. The **Nasdaq** added 0.07% to 8,182.88.

**U.S. Treasury yields** were little changed after the Federal Reserve meeting minutes on Wednesday showed division among policymakers on whether further rate cuts are likely. "They basically kept the door open to further cuts, but didn't really walk through it or commit to walking through it in any way, shape, or form," said Gennadiy Goldberg, an interest rate strategist at TD Securities in New York. **Benchmark notes** were down 3/32 to yield 1.79%. **Two-year notes** were flat yielding 1.75%. **30-year bonds** were down 1/32 to yield 2.24%.



A trader works on the floor at the New York Stock Exchange (NYSE) in New York, U.S., September 18. REUTERS/Brendan McDermid

The **dollar** fell against most major currencies as some central banks refrained from cutting interest rates after the Federal Reserve's second rate decrease this year, boosting the appeal of their currencies versus the greenback. The Swiss National Bank, the Bank of England and the Bank of Japan all kept their policies on hold. Norges Bank increased its key policy rate, moving its rates in the opposite direction of Europe and the United States. The **euro** was up 0.13% against the **dollar** at \$1.1043, while the **greenback** was 0.37% lower at 108.04 **yen** against the **Japanese currency**. The **dollar index** was down 0.21% at 98.35.

**Brent crude oil prices** rose on fears of longer-than-expected supply shortfalls following Saturday's attacks on a key Saudi Arabian oil processing facility and escalating tensions in the Middle East. Saudi Arabia has said it would restore lost production by the end of

this month, and bring its capacity back to 12 million barrels per day by the end of November. The oil market "is rapidly calling into question whether Saudi Arabia can come through this as cleanly as they claim," said John Kilduff, a partner at Again Capital LLC in New York. Global benchmark **Brent prices** were 1.54% higher at \$64.58 a barrel, while **U.S. West Texas Intermediate crude** were 0.48% higher \$58.39 a barrel.

**Palladium** peaked to an all-time high, while **spot gold** gained on a weaker dollar and as investors looked for clarity on future U.S. interest rates after the Federal Reserve on Wednesday signaled a higher bar to further monetary easing. **Palladium** climbed 1.69% to \$1,618.08, after touching a record peak of \$1,627.75 earlier in the session. **Spot gold** rose 0.31% to \$1,498.26 per ounce. **U.S. gold futures** were down 0.66%, at \$1,505.80 an ounce.

# Top News

## **Trump administration bars California from requiring cleaner cars**

The Trump administration said it is revoking California's authority to set its own auto tailpipe emissions standards and to require some zero-emission vehicles, a decision that will spark a massive legal battle between Washington and the most populous state over the future of U.S. vehicles. Environmental Protection Agency Administrator Andrew Wheeler said the decision will ensure nationwide rules that provide "much-needed regulatory certainty for the automotive industry." Revocation of the state standards will take effect 60 days after the formal publication in the coming days. "No state has the authority to opt out of the nation's rules and no state has the right to impose its policies on everybody else in our whole country," Transportation Secretary Elaine Chao said at a press conference. "To do otherwise harms consumers and damages the American economy."

## **Airbnb plans stock market splash in 2020**

Airbnb said it plans to list its shares in 2020, making it one of the most high-profile names to tap the stock market next year. Airbnb did not give any details on how it plans to list its shares, although it is widely expected to take a direct-listing route. Market experts though have said Airbnb might receive a warmer reception from investors when it debuts, considering that its financials looked more stable than recent internet unicorns that have gone public. "I think it'll be a whole different reception for Airbnb, assuming that they can show they're a profitable business without having to lose money on marketing," said Kathleen Smith, principal at Renaissance Capital, a provider of institutional research and IPO ETFs.



*U.S. Environmental Protection Agency Administrator Andrew Wheeler and U.S. Department of Transportation Secretary Elaine Chao hold a press conference on the One National Program Rule on federal preemption of state fuel economy standards at EPA Headquarters in Washington, September 19. REUTERS/Sarah Silbiger*

## **Amazon vows to be carbon neutral by 2040, buying 100,000 electric vans**

Amazon.com Chief Executive Officer Jeff Bezos committed the company to being carbon neutral by 2040 and said part of that pledge is an order for 100,000 electric delivery vans from a start-up the online retailer has invested in. Cutting emissions is a challenging goal for Amazon, which delivers 10 billion items a year and has a massive transportation footprint. "We know we can do it and we know we have to do it," Bezos said. Bezos said Amazon was ordering 100,000 electric delivery vehicles from Rivian Automotive and would use 100% renewable energy by 2030, up from 40% today.

## **Embattled Facebook CEO Zuckerberg seeks to mend fences in Washington**

Facebook CEO Mark Zuckerberg is meeting with lawmakers on Capitol Hill

for a second day as part of an effort by the social media giant to mend its reputation as it faces a slew of government investigations. Zuckerberg, who is also Facebook's founder, is due to meet in Washington with Republican Senators Mike Lee of Utah and John Cornyn of Texas among others. He has other meetings planned for Friday on Capitol Hill. Discussions on Wednesday with lawmakers focused mainly on election security and data privacy concerns, sources close to the meetings said.

## **U.S. House Speaker Pelosi unveils proposal to lower drug prices**

U.S. House Speaker Nancy Pelosi, a Democrat, proposed legislation to allow the federal government to negotiate the prices of hundreds of prescription drugs, and said she hoped for support from Republican President Donald Trump. But many of Trump's fellow Republicans, who run the Senate, are



not keen on letting the government negotiate over prices, saying it amounts to price fixing. Initial reaction to Pelosi's plan was negative from both House and Senate Republicans. "We hope to have White House buy-in, because that seems to be the root to getting any votes in the United States Senate, and we want as strong a bipartisan vote as we can in the House and the Senate. We would hope that they would support this," Pelosi told a news conference.

### **Exxon shuts Beaumont, Texas refinery, others cut back due to storm -sources**

Exxon Mobil shut its 369,024 barrel per day (bpd) Beaumont, Texas, crude oil refinery because of flooding from Tropical Storm Imelda, sources familiar with plant operations said. Spokesman Jeremy Eikenberry said on Tuesday that Exxon's Beaumont chemical plant adjoining the refinery was safely shut. Eikenberry said Exxon "continues preparations for severe weather at its Beaumont complex." "We are communicating with federal, state and local emergency planning officials about measures we are taking to prepare for continued heavy rainfall," he said



### **Huawei talks up own apps with Mate 30 challenge to Apple, Samsung**

Huawei unveiled its new smartphones to challenge Apple's iPhone 11, talking up slick design and best-in-class features while playing down concerns about the lack of access to Google's popular apps. At a glitzy launch in the

German city of Munich, the firm said its new Mate 30 Pro and Mate 30 devices were more compact, their cameras more sensitive, and wraparound screens more vivid than those of the latest Apple iPhone. Connectivity was 50% faster than market leader Samsung's fifth-generation phones, chief salesman Richard Yu said. It was Huawei's first launch of an all-new smartphone since U.S. President Donald Trump hit the world's No. 2 player in the market with a U.S. export ban in May.

### **LSE CEO Schwimmer says feels "very good" about Refinitiv deal**

London Stock Exchange Group Chief Executive David Schwimmer said he feels "very good" about the proposed \$27 billion acquisition of data and analytics company Refinitiv, in which Thomson Reuters has a minority stake. Schwimmer said two big drivers of change going forward are the increasing importance of data and multi-asset class investment strategies. "We think that the Refinitiv transaction is a very strong fit strategically from that perspective, and really positions the London Stock Exchange Group very well to take advantage of growth in these areas," Schwimmer told a conference held by derivatives industry body ISDA. "I don't think there is a lot of controversy around the increasing importance and focus on data." Refinitiv brings content and distribution on a global basis that would be transformational for the LSE, raising recurring revenues and lowering exposure to volatile market transaction volumes, Schwimmer said. "It's a transaction that we feel very good about," said Schwimmer.

### **Tech investors: No broad lessons seen in WeWork valuation drama**

Two top technology investors cautioned against drawing broad conclusions about the valuation of private companies from questions

swirling around U.S. office-sharing startup WeWork. Scott Kupor, managing partner of \$10 billion venture capital firm Andreessen Horowitz, said at the CNBC Institutional Investor Delivering Alpha conference that it would be "dangerous" to generalize from the WeWork situation as it stems from the confluence of multiple factors. These include governance issues, being a "late cycle, cash-consuming" company, and the tension between traditional real estate valuation methods and the more forward-looking ones favored by some in Silicon Valley, he said. Glen Kacher, chief investment officer of \$2 billion Light Street Capital Management LLC, said no one should be surprised by rapidly changing valuations for private companies such as WeWork, given how common large price swings are in public markets. "That's the market," Kacher said, speaking alongside Kupor at the annual New York City event. "I don't think it's a big deal."

### **Drugmaker Insys wins bankruptcy court approval to sell off opioid**

Drugmaker Insys Therapeutics won court approval to sell its flagship fentanyl spray to a buyer who agreed to only market the drug for use by cancer patients, in response to concerns about the product's role in fueling the opioid epidemic. The decision by U.S. Bankruptcy Judge Kevin Gross in Wilmington, Delaware, marked the first time a bankruptcy court approved the sale of an opioid amid an epidemic that has been blamed for nearly 400,000 overdose deaths between 1999 and 2017. The ruling cleared the way for the drug, Subsys, to be sold to Wyoming-based BTcP Pharma LLC, which belongs to the MMB Healthcare network of pharmaceutical companies. In exchange, Insys will receive royalties it estimated could reach \$20 million. That will raise money to satisfy creditors.



People run up the steps of the Lincoln Memorial at sunrise on the National Mall before the Washington Monument is set to reopen to visitors after more than three years of construction and repairs in Washington, U.S., September 19. REUTERS/AI Drago

## Insight and Analysis

### **FOCUS-Biotech is going to the dogs - and big profits await**

For Jessica Lescault there is no question that her 6-year old English bulldog "Moose" deserves cutting-edge biotechnology cancer treatment as much as any human patient. "Pets are your loved ones, pets should be your family, pets are not something you keep on a chain in the backyard," she said. Lescault, 43, who enrolled Moose in a clinical trial of an experimental drug designed to help his immune system fight his cancer, represents the type of pet lover that has spurred animal health companies around the globe to invest in developing complex new treatments previously reserved for humans.

### **Fire and hail push insurers to rethink climate change risks**

By the time David Kaisal got back from selling his flour at a farmers' market, a wildfire in California's Capay Valley had burned both his tractor and the shipping container where he kept some tools. His insurer is set to pay out a sixth of his losses. Natural disasters such as wildfires, flash floods and hail have become increasingly costly for the industry, even though they were traditionally seen as lesser risks and classed by some insurers as "secondary perils". From 2010 to 2018, average insured losses from secondary perils were almost double those from primary perils such as earthquakes and hurricanes, a Reuters analysis showed.

### **COLUMN - Oil traders reassess interruption of Saudi output: Kemp**

Brent oil futures prices have gyrated wildly as traders have tried to assess the impact of last week's attacks on Saudi Arabia's oil infrastructure on the actual availability of crude. Brent's six-month calendar spread surged to a backwardation of more than \$5.50 per barrel on the first trading day after the attacks, the highest for six years, showing oil traders were anticipating severe shortages in the very short term. Since then the six-month spread has fallen to trade around \$4 per barrel, though it is still significantly higher than the \$2.70 reported before the attacks.



# CANADA

## Market Monitor

Canada's main stock index hit a record high, powered by gains in commodity-linked **materials sector**.

The **Toronto Stock Exchange's S&P/TSX Composite index** set a new all-time high of 16,913.49 points. TSX ended 0.35% higher at 16,859.77.

The **materials sector** added 1.71% to 262.74.



The **U.S. dollar** was down 0.17% against its **Canadian counterpart** at C\$1.3262.

### COMING UP

**Statistics Canada** is expected to report **retail sales** increased 0.6% in July, after reporting flat in June. **Core retail sales** are likely to have risen 0.3% in July, following a gain of 0.9% in the month before.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
First Quantum Minerals Ltd	11.49	1.34	13.20
CannTrust Holdings Inc	1.81	0.09	5.23
OceanaGold Corp	3.47	0.17	5.15
<b>LOSERS</b>			
Canopy Growth Corp	34.92	-3.33	-8.71
Cronos Group Inc	13.60	-0.95	-6.53
Aphria Inc	8.04	-0.32	-3.83

## Top News

### Alberta to return C\$1.3 million worth of pot products to CannTrust

CannTrust Holdings said that Alberta government has decided to return C\$1.3 million worth of sold pot products, days after the Canadian health regulator cancelled the company's licence to produce and sell cannabis. Alberta Gaming, Liquor and Cannabis Commission (AGLC), which is in charge of distribution of products to licenced pot retailers in the province, said goods to be returned constitute all of the company's products currently held at the commission.

### Canadian home prices rise for 4th straight month in August

Canadian home prices rose for the fourth consecutive month in August, while the annual increase in prices picked up for the first time in nine months, data showed. The Teranet-National Bank Composite House Price Index, which measures changes for repeat sales of single-family homes, showed that prices rose 0.4% last month from July. The index was also higher when seasonally adjusted, which was not so in May, June and

July, said Marc Pinsonneault, a senior economist at National Bank of Canada. Also, Canada added 49,300 jobs in August as hiring in the trade, transportation and utilities sector led broad-based gains, according to a report from ADP. To read more click [here](#)



### Burger King scraps plastic toys in children's meals, launches amnesty

Burger King, a unit of Canada's Restaurant Brands, will stop handing out plastic toys in its children's meals and said it was launching an amnesty for customers to return any freebies in a bid to tackle the growing problem of plastic waste. The action at its restaurants across Britain will save an

estimated 320 tonnes of single use plastic every year, the fast food giant said. Burger King said it had been galvanized by Southampton sisters Ella and Caitlin McEwan's Change.org petition calling on Burger King and McDonald's to stop giving plastic toys with their kids' meals for the sake of the environment. The chief executive of Burger King UK, Alasdair Murdoch, said the plastic toy initiative was one strand of a wider strategy to reduce packaging.

### Union: Hudson's Bay to close Dutch stores on December 31

Hudson's Bay will close its Dutch stores on December 31, the union that represents its workers in the Netherlands said. The CNV Union said 1,424 employees had been informed of the company's decision, and added that severance packages were "respectful" to the people whose jobs would be lost. "We've seen other retailers in the past just pull the plug and let themselves be declared bankrupt," said Jacqueline Twerda in a statement.



# WEALTH NEWS

## TRADE NEGOTIATIONS IN WASHINGTON

### U.S., Chinese trade deputies face off in Washington amid deep differences

U.S. and Chinese deputy trade negotiators were set to resume face-to-face talks for the first time in nearly two months, as the world's two largest economies try to bridge deep policy differences and find a way out of a bitter and protracted trade war.

## ECONOMY IN NUMBERS

### Upbeat data suggest U.S. economy still on moderate growth path

The number of Americans filing applications for unemployment benefits increased less than expected last week, pointing to strong labor market conditions that should continue to support an economy growing at a moderate pace. Initial claims for state unemployment benefits rose 2,000 to a seasonally adjusted 208,000 for the week ended September 14, the Labor Department said. The National Association of Realtors said existing home sales increased 1.3% to a seasonally adjusted annual rate of 5.49 million units in August.

The Philadelphia Fed said its business conditions index fell to a reading of 12.0 in September from 16.8 in August. Its measure of factory employment jumped to a reading of 15.8 in September from 3.6 in the prior month. Separately, the U.S. current account deficit narrowed sharply in the second quarter as increases in portfolio investment income boosted the primary income surplus, government data showed. To read more, [click here](#).

### Weekly U.S. jobless claims

INITIAL CLAIMS



Source: Thomson Reuters Datastream  
By Jiachuan Wu and Stephen Culp | REUTERS GRAPHICS

*Click on the chart for an interactive graphic*

CONTINUING CLAIMS



## TRUMP AND THE FEDERAL RESERVE

### Trump 'not thrilled' with Fed but says chairman's job safe - Fox News

U.S. President Donald Trump said Federal Reserve Chairman Jerome Powell's job is safe, even though he was "not thrilled" with the central bank after it moved to lower interest rates by a quarter of a percentage point on Wednesday.

## DEUTSCHE BANK RESTRUCTURING

### Deutsche Bank has discussed adding assets to bad bank if sales go well-sources

Some senior Deutsche Bank officials have discussed the possibility of putting additional problematic assets worth billions of euros into a unit it created earlier this year, if the bank is able to sell assets already held within that "bad bank," according to three bank sources.

## VAPING IN U.S.

### U.S. cases of vaping-related illness rise to 530 as outbreak widens

U.S. health officials said there are now 530 confirmed and probable cases and seven deaths from severe lung-related illnesses tied to vaping, and there are no signs that the outbreak is easing.

## OIL CRUNCH

### Real crunch from Saudi Arabia's oil outage has yet to be felt

Saudi Arabia's ability to avert a global oil supply crunch will only become clear in a few weeks, because for now its crude held in storage can fill the gap and mask the scale of damage to its facilities, traders and analysts say.

## SEC ON NEGATIVE INTEREST RATES

### SEC's Clayton worries about private markets, negative rates

U.S. Securities and Exchange Commission chair Jay Clayton said he was concerned about the growth of private markets and negative interest rates as policymakers try to stimulate growth.



Syd Wragg, who wore this Stormtrooper helmet in the film "Star Wars: A New Hope", tries on the helmet again at a preview of a film and tv memorabilia sale in London, Britain, September 18. REUTERS/Peter Nicholls

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

*The Day Ahead - North America is compiled by Nachiket Tekawade and Nayyar Abdul Rasheed 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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