

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Indexes** rose, while **Treasuries** fell as investors reacted to corporate earnings reports and U.S. President Donald Trump announced an agreement to end the government shutdown. The **dollar index** slipped, as traders eyed next week's Federal Reserve meeting, while **gold** advanced. **Oil** prices rose as political turmoil in Venezuela threatened to reduce supply.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	24731.23	177.99	0.72	26951.81	21712.53
Nasdaq	7164.86	91.40	1.29	7185.38	6457.13
S&P 500	2664.76	22.43	0.85	2675.47	2443.96
Toronto	15366.05	85.27	0.56	16586.46	13776.88
FTSE	6809.22	-9.73	-0.14	7001.94	6599.48
Eurofirst	1404.61	7.59	0.54	1405.69	1308.86
Nikkei	20773.56	198.93	0.97	20892.68	19241.37
Hang Seng	27569.19	448.21	1.65	27323.61	24896.87

TREASURIES	Yield	Price
10-year	2.7495	-11 /32
2-year	2.6021	-2 /32
5-year	2.5873	-6 /32
30-year	3.0585	-17 /32

FOREX	Last	% Chng
Euro/Dollar	1.1414	0.96
Dollar/Yen	109.47	-0.15
Sterling/Dollar	1.3213	1.14
Dollar/CAD	1.3221	-0.94
TR/HKEX RMB	94.68	0.05

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	53.56	0.43	0.81
Spot gold (NY/oz)	1302.84	22.28	1.74
Copper U.S. (front month/lb)	0.0274	0.0006	2.21
Reuters/CRB Index Total Return	187.54	1.51	0.81

S&P 500	Price	\$ Chng	% Chng
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GAINERS			
Western Digital Corp	43.16	3.02	7.52
Seagate Technology PLC	43.66	2.69	6.57
Micron Technology Inc	38.96	2.37	6.48
SVB Financial Group	242.09	13.73	6.01

LOSERS			
Resmed Inc	94.55	-22.75	-19.39
AbbVie Inc	80.51	-5.37	-6.25
Intel Corp	47.04	-2.72	-5.47
Intuitive Surgical Inc	515.04	-21.08	-3.93

## Coming Up - On Monday



The logo of Caterpillar is displayed on a screen on the floor of the New York Stock Exchange (NYSE) in New York, U.S., October 23, 2018. REUTERS/Brendan McDermid

**Caterpillar Inc** is expected to report higher fourth-quarter profits, but investors will focus on its commentary and guidance for 2019. The outlook for the global economy, particularly for China, has worsened since the company's last earnings report. China accounts for 5 to 10 percent of the heavy-duty equipment manufacturer's sales.

### LIVECHAT-FINTECH TALK

Reuters technology correspondent **Anna Irrera** talks on the deals, technologies and innovations revolutionizing financial services around the world. (1100 ET/1600 GMT) To join the conversation, [click here](#):

## Coming Up—Week Ahead

**Apple Inc** is expected to post a drop in first-quarter revenue on Tuesday, due to lower demand for its pricey iPhones. Separately, **Qualcomm Inc** is expected to report a fall in first-quarter revenue on Wednesday, hurt by a loss of chip sales to major customer Apple and a general slowdown in the smartphone industry.

On Wednesday, **Facebook Inc** is expected to report a rise in revenue for the fourth quarter, led by the social networking giant's mobile advertising business. Investors would focus on the fallout from its recent controversies over data and privacy.

### KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
National Activity Index for Dec	0830	--	0.22
Dallas Fed Manufacturing Business Index for Jan	1030	--	-5.10



A fairly busy week even as data releases from the **Commerce Department**, including the fourth-quarter advance GDP, December advance trade, wholesale and retail inventories figures as well as December personal spending and income reports, remain suspended because of an ongoing partial **shutdown** of the federal government. A report on Tuesday from the Conference Board is likely to show its **consumer confidence index** falling to a reading of 124.0 in January from 128.1 in December, according to a Reuters survey of economists. The **S&P/Case Shiller house price index** for November will also be published on Tuesday. The **ADP national employment** report on Wednesday is expected to show private payrolls increased by 175,000 jobs in January after surging 271,000 in December. Also on Wednesday, the National Association of Realtors will publish its December **pending home sales** report. Data from the Labor Department on Thursday is expected to show **initial claims for unemployment benefits** increased to a seasonally adjusted 211,000 in the week ended Jan. 26 from a 49-year low of 199,000 in the prior week. The Labor Department will also publish **wages and benefits data** for the fourth quarter on Thursday. The Labor Department's closely watched **employment report** on Friday is expected to show a moderation in job growth in January, with **nonfarm payrolls** forecast to have increased by 160,000 jobs after jumping 312,000 in December. The **unemployment rate** is seen unchanged at 3.9 percent. **Average hourly earnings** are expected to have increased 0.3 percent after climbing 0.4 percent in December. That is expected to keep the annual increase in wages at 3.2 percent. Also on Friday, the Institute for Supply Management is expected to report that its **national manufacturing index** in January would be at 54.1, similar to its December reading. The University of Michigan is likely to confirm that its consumer sentiment index fell to a more than two-year low of 90.7 in January.

**Amazon.com Inc** is expected to report higher fourth-quarter sales and profit on Thursday as the world's largest online retailer benefits from strong consumer

demand during the crucial holiday season and continued growth in its cloud computing and advertising businesses. Investors will watch for the company's March-quarter forecast.



**Microsoft Corp** is expected to report a rise in second-quarter profit on Wednesday, as the technology company signs up more businesses to its Azure cloud computing services and Office 365 productivity suite.

**Boeing Co** is expected to report higher fourth-quarter profit and revenue on Wednesday, helped by robust demand for air travel. Investors will look for commentary on its cash flow forecast for 2019, as the planemaker prepares to ramp up aircraft deliveries.

**Tesla Inc** is scheduled to report its fourth-quarter results on Wednesday. The company is expected to report a smaller profit as it struggles to rein in costs while ramping up Model 3 production.

**General Electric Co** is expected to report on Thursday that earnings and free cash flow fell in 2018 as new CEO Larry Culp sells businesses to pay off debt. Investors will watch for GE's 2019 forecast, unexpected charges and any updates on regulatory probes of its accounting.

U.S. chemicals giant **DowDuPont Inc** is expected to report a profit for the fourth quarter on Thursday compared with a year-ago loss. Investors will watch for any developments in the company's agriculture unit, which took a \$4.6 billion charge in October due to the U.S.-China trade dispute. Any commentary on soybean demand and DowDuPont's plan to launch genetically modified Enlist E3 soybeans in the United States, Canada and Brazil will also be of interest.

**McDonald's Corp's** fourth-quarter results are expected to show a rise in fourth-quarter comparable store sales, boosted by new delivery initiatives and low-price "value" meals. However, investors will keep a close eye on McDonald's U.S. sales, which missed forecasts in the previous quarter amid fierce competition in the fast food industry.

**Alibaba Group Holding Ltd**, China's biggest e-commerce company, will report its third-quarter results on Wednesday. The firm has lowered sales forecasts for the quarter amid more sluggish economic conditions pegged to an ongoing trade dispute between China and the United States.

**Verizon Communications Inc** is expected to post a rise in fourth-quarter revenue on Tuesday as the largest U.S. wireless carrier adds more net new phone subscribers who pay a monthly bill. Meanwhile, **AT&T Inc** is expected to post a rise in fourth-quarter revenue on Wednesday as the No. 2 U.S. wireless carrier by subscribers continues to bundle media content from Time Warner into new wireless plans. Separately, **Sprint Corp** is on Thursday expected to report higher quarterly revenue helped by its efforts to undercut larger competitors on price.

On Tuesday, a raft of **drugmakers** report their fourth-quarter results, including Pfizer Inc, Allergan Plc, Biogen Inc and **Amgen Inc**. When **Pfizer** reports its fourth-quarter earnings, investors will watch for details on company strategy under new Chief Executive Albert Bourla, who took over at the start of the year. Investors will also watch for any development updates on **Allergan Plc's** treatment portfolio as the drugmaker faces looming competition for its blockbuster eye drug Restasis, and any comments on the progress of the potential sale of two business units announced last year. When **Biogen Inc** will report results, investors will focus on updates about its Alzheimer's drug pipeline in the face of looming competition for its muscle disease treatment Spinraza, which has powered the company's recent profits. Separately, on Friday, **Merck & Co Inc** is expected to report higher fourth-

quarter sales its cancer immunotherapy Keytruda gains more market share.

The world's largest publicly-traded oil company, **Exxon Mobil Corp**, is scheduled to release its results for the final quarter of 2018 on Friday. Its peer, **Chevron Corp** also releases results for the fourth quarter on the same day. Meanwhile on Wednesday, oil and gas producer **Hess Corp** is expected to post a smaller loss. **ConocoPhillips**, the largest independent oil producer, is expected to report a fall in its fourth-quarter profit on Thursday, hurt by a drop in oil prices.

On Tuesday, **Lockheed Martin Corp**, the Pentagon's No. 1 weapons supplier, is expected to report higher fourth-quarter profit. U.S. aerospace and defense company **General Dynamics Corp** is expected to report a rise in fourth-quarter profit on Wednesday. Separately, **Honeywell International Inc** is expected to report higher fourth-quarter profit on Friday, as the maker of aircraft parts and warehouse automation equipment benefits from a rise in air travel and an e-commerce boom.

Package delivery company **United Parcel Service Inc** is expected to report higher profit and revenue for the fourth quarter on Thursday, as a rapid rise in online shopping boosts domestic package volume. Investors will look for commentary on the potential impact of slowing global economic growth.

**Visa Inc** is expected to report a rise in first-quarter profit on Wednesday, led by higher payment volumes as people spent more in the holiday season. Of interest would be the company's performance in Europe. Meanwhile, **Mastercard Inc** is expected to report a rise in fourth-quarter revenue on Thursday due to spending in the holiday-season which sees more people swiping their credit cards.

**Mondelez International Inc**, the maker of Oreos and Chips Ahoy cookies, is expected to report another quarter of declining sales, even after refreshing its brand portfolio by introducing healthier food. For its fourth-quarter results on Wednesday, its profit margins will be in focus. They are expected to have improved slightly due to cost-saving initiatives and price hikes. Kisses chocolate maker **Hershey Co** is expected to report a rise in fourth-quarter profit on Thursday on the back of price hikes and several cost cutting initiatives. Investors will watch for comments on pricing, its marketing efforts behind the launch of Reese's Thins and whether it has seen any business impact from an ongoing Sino-U.S. trade war.

On Tuesday, **Xerox Corp** is expected to report lower revenue for the fourth quarter as its core printing and photocopying business continues to decline. The company has been cutting costs under a new management backed by activist investors Carl Icahn and Darwin Deason, which could help boost profit.

The world's largest maker of airbags and seatbelts, **Autoliv Inc**, will report fourth-quarter results on Tuesday and set out margin and sales targets for 2019. In October, the company, which competes with Joyson Safety Systems and ZF TRW, lowered its full-year organic sales growth forecast, citing slower demand in China and the impact of tougher emission tests on car production volumes in Europe.

**Harley-Davidson Inc** is expected to report lower adjusted profits for the fourth quarter on Tuesday as the motorcycle manufacturer struggles to address demographic challenges in the domestic market. Investors will watch for any update on its efforts to arrest the sales slide in the United States. Any commentary on the market response to its new electric bike should also be of interest.

On Friday, Canadian oil producer and refiner **Imperial Oil Ltd** is scheduled to report results for the fourth quarter, a period in which price discounts due to clogged pipelines hurt many oil producers. Imperial's refining profits benefited from processing the cheap crude, and the company had planned to increase oil shipments by rail.

On Thursday, **Statistics Canada** is scheduled to release **GDP data** for November. Economists in a Reuters poll forecast a flat reading for the month compared with a 0.3 percent expansion in October. Data on **producer prices** is also on the radar.

## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Caterpillar	Q4	07:30	\$2.99	\$2.99	\$2.16	\$14,270.44
Whirlpool	Q4	16:10	\$4.22	\$4.23	\$4.10	\$5,764.27

\*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.



# Market Monitor

**Wall Street** ended higher after a broad-based rally, with investors heartened by news that Washington would move to temporarily end the longest U.S. government shutdown in history. "Obviously the risk is on today," said Bernard Baumohl, chief global economist at the Economic Outlook Group in Princeton. "There seems to be light at the end of the tunnel with resolving the government shutdown." "But I find it difficult to have much conviction in this market on an upswing when there's so much uncertainty both politically and economically about where this country is headed," Baumohl added. Among these uncertainties, the ongoing trade dispute between the United States and China remains an overhang. Fourth-quarter corporate earnings season is in high gear, with more than 22 percent of S&P 500 companies having reported. Of those, 72.3 percent have beaten analyst expectations. Earnings on Friday were a mixed bag. **Starbucks** also surpassed Street consensus, reporting better-than-anticipated quarterly sales. The coffee chain's shares were up 3.39 percent. Consumer products company **Colgate-Palmolive** edged down 0.68 percent. **Intel** shares dropped 5.90 percent following the chipmaker's disappointing fourth-quarter sales and current-quarter forecasts. The **Dow Jones Industrial Average** rose 0.72 percent, to 24,731.23, the **S&P 500** gained 0.85 percent, to 2,664.76 and the **Nasdaq Composite** added 1.29 percent, to 7,164.86. For the week, the S&P fell 0.26 percent, the Dow added 0.09 percent, the Nasdaq gained 0.11 percent.

**Treasury yields** rose, as Wall Street stocks climbed on upbeat company results, offsetting worries about slowing economic growth and the U.S.-China trade conflict. A looming supply of Treasuries next week together with caution ahead of the Federal Reserve's policy meeting and the

government's payrolls report added upward pressure on bond yields. **Benchmark 10-year notes** fell 10/32, yielding 2.75 percent. **Two-year notes** were down 2/32, to yield 2.59 percent. The Treasury Department will sell a combined \$113 billion in two-year, five-year and seven-year fixed-rate securities, the same amount it auctioned in December. It also will sell \$20 billion in two-year floating-rate notes next week, up from \$18 billion auctioned last month. Traders also await possible hints from the Federal Reserve on the timing of the next rate hike after policy makers meet next Tuesday and Wednesday. Interest rates futures implied traders expected about a 30 percent chance the Fed would raise key lending rates by the end of 2019, up from 22 percent late on Thursday, according to CME Group's FedWatch program.

The **dollar** fell, holding losses, after U.S. President Donald Trump announced a tentative agreement with lawmakers to end a partial U.S. government shutdown for three weeks. Trump's announcement briefly pared the dollar's losses, but traders said the currency reaction was not as strong as expected. "The dollar's reaction has not been super strong because the uncertainty remains," said Juan Perez, senior currency trader, at Tempus Inc in Washington "And it's also a temporary reopening. He was also actually adamant that a permanent solution should be made," Perez added. The **dollar index** was down 0.87 percent at 95.76. The euro, on the other hand, rebounded, steadying after a dovish European Central Bank president failed to alter an already downbeat assessment on the euro zone's economy. The **single currency** rose 0.96 percent to \$1.1413.

**Oil** prices rose as political turmoil in Venezuela threatened to tighten crude supply, but concerns over surging U.S. fuel



stocks and global economic woes weighed on sentiment. **Brent crude oil futures** were at \$61.52 a barrel, up 0.70 percent. **U.S. West Texas Intermediate (WTI) crude futures** were trading at \$53.55 per barrel, up 0.79 percent. RBC Europe predicted that U.S. sanctions could nearly double projected output shortfalls from Venezuela. "Venezuelan production will decline by an additional 300,000-500,000 barrels per day (bpd) this year, but such punitive measures could expand that outage by several hundred thousand barrels," it said. Global oil markets are still well supplied, however, thanks in part to a spike in U.S. output. Record U.S. production would likely offset any short-term disruptions to Venezuelan supply due to possible U.S. sanctions, Britain's Barclays said in a note. The bank cut its 2019 average Brent forecast to \$70 a barrel, from \$72 previously.

**Gold** jumped as the dollar slid ahead of a U.S. Federal Reserve meeting next week where the central bank is widely expected to leave interest rates unchanged. **Spot gold** rose 1.72 percent to \$1,302.64 per ounce. **Gold futures** were up 1.44 percent at \$1,298.20 per ounce. "The major catalyst supporting gold is a big drop in the dollar, amid expectations the Fed will reiterate a pause to its hiking cycle next week," said Fawad Razaqzada, an analyst with Forex.com.



# Top News

## Trump announces deal with lawmakers to end government shutdown

President Donald Trump said he has reached a tentative agreement with U.S. lawmakers for three weeks in stop-gap funding that would end a partial U.S. government shutdown now in its 35th day, with a senior Democratic aide saying money the president demanded for a border wall is not included. The president had previously insisted on the inclusion of \$5.7 billion to help pay for a wall along the vast U.S.-Mexico border in any legislation to fund government agencies. "I am very proud to announce today that we have reached a deal to end the shutdown and reopen the federal government," Trump said in remarks in the White House Rose Garden. "In a short while, I will sign a bill to open our government for three weeks until Feb. 15. I will make sure that all employees receive their back pay very quickly, or as soon as possible," Trump said.

## Alibaba slams U.S. treatment of Huawei, efforts to curb China's rise

A senior Alibaba executive slammed the United States' treatment of China's Huawei Technologies as "extremely unfair", saying measures by the country to curb the firm's access to their markets was "very politically motivated". Joe Tsai, the e-commerce giant's executive vice-chairman, also sharply criticised what he called an attempt by the U.S. government to curb China's rise via a trade war. He struck an optimistic note about China's economy, saying it remained fundamentally strong despite a slowdown, and added that stimulus such as tax cuts needed to be imposed to prop it up even as it battles U.S. efforts to dent its businesses. "I think what the American government and together with the Five Eyes Alliance – what they're trying to do with Huawei – is a bit unfair, there's definitely a political agenda behind it," Tsai said at a Reuters BreakingViews event in Hong Kong.



U.S. President Donald Trump announces a deal to end the partial government shutdown as he speaks in the Rose Garden of the White House in Washington, U.S., January 25, 2019. REUTERS/Kevin Lamarque

## AbbVie expects steeper decline in Humira's overseas sales

AbbVie said it expects a steeper decline in overseas sales of its top-selling drug, Humira, due to intense competition from cheaper versions in Europe. Humira is the world's best-selling prescription medicine and in the six years since AbbVie spun out from device maker Abbott Labs the rheumatoid arthritis drug has remained by far the company's top earner, accounting for about 60 percent of net revenue. AbbVie, which reported lower-than-expected quarterly earnings, said it expects 2019 Humira sales from outside the United States to be down about 30 percent on an operational basis. AbbVie said international sales of Humira fell 17.5 percent on a reported basis to \$1.30 billion in the fourth quarter ended Dec.31. Overall, the drug brought in sales of \$4.92 billion in the quarter, falling short of the \$5.02 billion forecast by six analysts polled by Refinitiv IBES. The company forecast 2019 adjusted earnings of between \$8.65 and \$8.75 per share, largely below the average analyst forecast of \$8.74 per share. In the

fourth quarter, AbbVie's adjusted earnings were \$1.90 per share and revenue \$8.31 billion, both missing Wall Street estimates.

## Homebuilder Horton hopes for better spring as higher prices bite

D.R. Horton held out hope of improved demand for its homes in the spring selling season after a tough few months where higher prices and mortgage rates kept some buyers out of the market. Speaking to analysts after the company's first-quarter results, Chief Executive Officer David Auld remained upbeat about a U.S. housing market which saw sales tumble to their lowest in three years in December and house price increases slow. Horton's orders, an indicator of future revenue, rose only 2.7 percent to 11,042 homes in the quarter ended Dec. 31, the slowest in more than five years. Net income attributable to the company rose 51.7 percent to \$287.2 million, or 76 cents per share, in the reported quarter, missing analysts' estimates of 78 cents per share, according to IBES data from Refinitiv. Revenue rose 5.6 percent to \$3.52 billion, slightly above estimates of \$3.51 billion.



### Irish data watchdog investigates Twitter over privacy rules breach

Twitter's lead regulator in the European Union, the Irish Data Protection Commissioner (DPC), said it was investigating the company for a breach notification received from the social networking site. "The DPC has this week opened a new statutory inquiry into the latest data breach it received from Twitter on 8 January, 2019," said the Commission in a statement posted on its website. "This inquiry will examine a discreet issue relating to Twitter's compliance with Article 33 of the GDPR." "We actively notify the Office of the Irish Data Protection Commissioner and the public of these issues as appropriate," Twitter said in a statement.



### CVS to cover migraine drugs from Teva, Lilly; excludes Amgen

CVS Health, a top U.S. manager of pharmacy benefits, has added new migraine drugs from Teva Pharmaceutical Industries and Eli Lilly to its list of covered drugs, excluding a rival treatment from Amgen, a CVS spokeswoman told Reuters. CVS's decision represents a setback for sales of Amgen's Aimovig, as many patients who rely on the coverage list will now have easier access to the rival Teva and Lilly drugs. Inclusion on the preferred drugs lists by the largest pharmacy benefit managers (PBMs) and health insurers is seen as critically important for sales of new medicines. About 39 million Americans suffer from migraine headaches, according to the Migraine Research Foundation, and

global migraine drug sales could reach \$8.7 billion by 2026, according to analytics firm GlobalData.

### Colgate-Palmolive expects profit to decline in 2019

Colgate-Palmolive forecast a surprise drop in 2019 profit, blaming higher raw material costs and a stronger dollar. Higher prices crimped demand, especially in Brazil and Argentina, where Colgate faces stiff competition from Procter & Gamble's Oral-B and Unilever's Close Up. To keep its market share, the company said it would spend more on advertising in fiscal 2019, but expects that, along with higher raw material costs and fluctuating foreign exchange rates, to lead to a mid-single-digit decline in earnings per share for the year. Analysts were expecting a 2.4 percent rise in earnings per share for the year, according to IBES data from Refinitiv. For the fourth quarter, Colgate reported an adjusted net income of \$638 million, down 3 percent from a year earlier. On a per-share basis, it earned 74 cents, beating analysts' estimates of 73 cents. Net sales in three months ended Dec. 31 fell 2.1 percent to \$3.81 billion, but beat estimates of \$3.77 billion, according to Refinitiv's IBES.

### Zuckerberg plans to integrate WhatsApp, Instagram and Facebook Messenger - NYT

Facebook Chief Executive Officer Mark Zuckerberg is planning to unify the underlying messaging infrastructure of its WhatsApp, Instagram and Facebook Messenger services and incorporate end-to-end encryption to these apps, the New York Times reported. The three services will, however, continue to stand alone apps, the report said, citing four people involved in the effort. The company is still in the early stages of the work and plans to complete it by the end of this year or in early 2020, the report said. "There is a lot of discussion and debate as we begin the long process of figuring out all the details of how this will work," a spokesperson said.

After the changes, a Facebook user, for instance, will be able to send an encrypted message to someone who has only a WhatsApp account, according to the report.

### Mastercard tops Visa's offer to buy British payments firm Earthport

Mastercard made a 233 million pound bid to take over payments firm Earthport, as it looks to head off rival Visa's attempts to buy the British company. Mastercard's offer is at a 10 percent premium to Visa's 198 million pound offer. Visa said later in the day that it would consider its options, without giving further details. Mastercard said the Earthport deal would allow it to expand its cross-border network service, the same reason cited by Visa when it made its bid in December. Earthport's directors have unanimously recommended Mastercard's offer and withdrawn their recommendation for Visa's proposal, the company said.

### Luby's dining chain defeats board challenge from Bandera Partners

Casual dining chain Luby's said that it had defeated a long-term shareholder's bid for four board seats when investors sided with management and elected all nine of the company's director nominees. The support from investors for Luby's ended the company's battle with Bandera Partners, a New York-based hedge fund that owns roughly 10 percent of Luby's shares and demanded more accountability and oversight by the board. Investors backed management even after proxy advisers Institutional Shareholder Services and Egan-Jones recommended investors elect Gramm and his father, former U.S. Senator Phil Gramm to the board. Glass Lewis, another advisory firm, recommended that investors add Jeff Gramm. "We believe we won the vast majority of votes from non-affiliated shareholders," Gramm told Reuters, adding "It is clear to me that shareholders are frustrated with the company and desperate for change in the boardroom."





*A child stands near the Peace Bell at the Fichtelberg in the Ore Mountains in Oberwiesenthal, Germany, January 25, 2019. REUTERS/Hannibal Hanschke*

## Insight and Analysis

### **FOCUS-GE urges speedy fix for power turbine blades, says blade broke in 2015: sources**

General Electric is advising some buyers of its big power turbines to switch out faulty blades sooner than expected and has disclosed that a blade broke in 2015, according to a presentation reviewed by Reuters and people briefed on the matter. The second blade break, which has not been previously reported, involved an earlier turbine model and was similar to a break last September that severely damaged a turbine in Texas and shut it down for two months of repairs. The defective blade issue affects GE's newest

turbine technology, which cost billions of dollars to develop, and is among the challenges facing new Chief Executive Larry Culp as he tries to revive the profits and share price of the 127-year-old conglomerate.

### **GLOBAL ECONOMY-Central bank policy tightening: damned if they do, damned if they don't**

Central banks may be about to face one of their biggest challenges yet: Global economic growth is slowing, but they have struggled to build up their policy arsenals since the last crisis to effectively deal with another one. The U.S.-China trade war,

worries about Britain's imminent departure from the European Union, a potential recession in Italy and unrest in South America all pose risks for the global economy. While the U.S. Federal Reserve embarked on its current tightening cycle back in December 2015, the European Central Bank, Bank of England and Bank of Japan still have interest rates at or near rock-bottom. Policymakers want to start raising borrowing costs so they have more room to maneuver if there is another downturn. But they risk fanning the slowdown hundreds of economists polled by Reuters this month think is already underway.

## CANADA

## Market Monitor

Canada's **main stock index** gained, driven by shares of precious metal miners as demand for gold, a safe-haven asset, rose due to concerns on global economic growth and political uncertainties.

The **Toronto Stock Exchange's S&P/TSX composite index** was up 0.56 percent, at 15,366.05. The **materials sector** rose 2.28 percent to 223.99. **Canfor** rose 6.29 percent and **Interfor** increased 7.10 percent. **Descartes Systems Group** fell 1.07 percent.

The **U.S. dollar** fell 0.98 percent against its **Canadian counterpart** to C\$1.3216.

## COMING UP—ON MONDAY

No major events are scheduled.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
Canopy Growth Corp	64.10	5.08	8.61
New Gold Inc	1.50	0.10	7.14
Interfor Corp	17.80	1.18	7.10
<b>LOSERS</b>			
Ensign Energy Services Inc	4.94	-0.14	-2.76
Shawcor Ltd	19.34	-0.53	-2.67
CI Financial Corp	18.00	-0.49	-2.65

## Top News

## Canada mulls measures to curb private lenders' growth

Canada is considering subjecting private lenders to the same mortgage stress test rules faced by banks to prevent housing markets from being destabilized by the lenders' rapid growth, three sources with direct knowledge of the matter said. Officials from the country's finance ministry, financial regulator, central bank and federal housing agency have discussed whether the private lenders' expansion over the past year poses a threat to economic stability, said the sources, who declined to be named because the talks are confidential. Private lenders, usually groups of wealthy individuals, currently account for around one-tenth of Canada's C\$1.5 trillion mortgage market, according to economists, and are still dwarfed by banks but their growth has accelerated since rules introduced by the country's financial regulator last year made it harder for banks to grant loans.

## Canada finance minister sees headwinds from China trade, diplomatic issues

Canadian Finance Minister Bill Morneau (*pictured*) said the economy and business are facing headwinds from the U.S.-China trade dispute as well as his country's own diplomatic tensions with China. Morneau, speaking to Reuters TV on the sidelines of the World Economic Forum in Davos, said that Canada wanted to ensure that both its central bank and finance ministry have tools to deal with any economic challenges.

## Canada posts smaller budget deficit in first 8 months of 2018/19

Canada posted a much smaller budget deficit in the first eight months of the 2018/19 fiscal year compared to a year earlier thanks to increased revenues, the finance ministry said. The deficit for April-November was C\$2.13 billion, down from C\$9.45 billion in the same 2017/18 period. Revenues climbed by 8.6 percent, mainly due to higher tax receipts, while program expenses rose by 4.2 percent.



## Enbridge expects to restore part of damaged Ohio TETCO pipe next week

Enbridge said it plans to restore southbound natural gas flows on part of its Texas Eastern (TETCO) pipeline in Ohio by the middle of next week following an explosion on one of three lines there this week. TETCO told customers in a notice late Thursday it was working to return at least one of the undamaged pipes in the area of the blast and increase north-to-south flows there to around 1 bcfd between Jan. 28-30 from zero now. That would be just days ahead of the forecast deep freeze, which is expected to bring the coldest weather in over a decade to parts of the Midwest and very low temperatures in the Northeast and Southeast, according to meteorologists at Radiant Solutions.



# WEALTH NEWS

## GLOBAL E-COMMERCE RULES

### China and U.S. among 76 WTO members pushing for new e-commerce rules

Impatient with a lack of World Trade Organization rules on the explosive growth of e-commerce, 76 members - including the United States, China, the European Union and Japan - agreed to start negotiating a new framework. China, which is locked in a trade war with the United States, signalled conditional support for the initiative but said it should also take into account the needs of developing countries, in comments likely to rile Washington. On the sidelines of the World Economic Forum in Davos, negotiators from the 76 countries and regions agreed to hammer out an agenda for negotiations they hope to kick off this year on setting new e-commerce rules. "I've said for quite some time it was unacceptable that by 2018 ... the WTO won't have a deeper, more effective conversation about a phenomenon that is driving the global economy today," said WTO Director-General Roberto Azevedo.



Roberto Azevedo, Director-General of the World Trade Organization (WTO) attends the World Economic Forum (WEF) annual meeting in Davos, Switzerland, January 24, 2019. REUTERS/Arnd Wiegmann

## EARNINGS PREVIEW

### Market rout overshadows business growth for U.S. life insurers

U.S. life insurers are expected to report messy fourth-quarter results starting next week, with their massive investment portfolios getting hit by tumultuous markets.

## BANKS DURING SHUTDOWN

### U.S. government shutdown gives banks rare public relations opportunity

The U.S. government shutdown has handed banks a rare opportunity to tout their nicer side as they prepare for rough treatment under a Democrat-controlled House of Representatives.

## WALL STREET WEEK AHEAD

### Consumer confidence in focus as shutdown fears fade

U.S. fund managers are continuing their retreat from consumer-related stocks and increasing their defensive bets out of concerns that the U.S. economy is slowing even though government leaders had reached agreement to end the longest shutdown ever.

## PLASTIC WASTE

### Consumer goods CEOs in Davos hot seat over plastic waste

Consumer products companies including Procter & Gamble and Coca-Cola are emerging as new targets for global activism, with green groups blaming them for fouling the ocean with plastic and activists urging governments to regulate them.

## INDIA E-COMMERCE

### EXCLUSIVE-Hindu group RSS urges India's Modi to resist U.S. push to ease e-commerce curbs

A Hindu nationalist group close to Prime Minister Narendra Modi's party has urged him to resist pressure from the United States and not defer new regulations for the e-commerce sector, according to a letter seen by Reuters.

## FUNDRAISING

### U.S. bank trade group, Accenture and others back fintech startup Finxact

Accenture, SunTrust Banks and the American Bankers Association, a trade group for U.S. banks, said that they had joined a \$30 million investment round in Finxact, a startup that develops the back-end technology used by banks to process some transactions.

## ON THE RADAR

Events	ET	Poll	Prior
<b>Tue:</b> Caseshiller 20 mm SA for Nov	0900	--	0.4 pct
Caseshiller 20 mm NSA for Nov	0900	--	0.0 pct
Caseshiller 20 yy for Nov	0900	--	5.0 pct
Consumer Confidence for Jan	1000	124.0	128.1
Texas Service Sector Outlook for Jan	1030	--	-5.0
Dallas Fed Services Revenues for Jan	1030	--	10.1
 <b>Wed:</b> ADP national employment for Jan	0815	175,000	271,000
Pending Homes Index for Dec	1000	--	101.4
Pending sales change mm for Dec	1000	--	-0.7 pct
Fed funds target rate for 30 Jan	1400	2.25-2.5 pct	2.25-2.5 pct
Fed int on excess reserves for 30 Jan	1400	--	2.40 pct
 <b>Thu:</b> Dallas fed PCE for Dec	:	--	2.4 pct
Challenger layoffs for Jan	0730		43,884
Initial jobless claims	0830	211,000	199,000
Jobless claims 4-week average	0830		215,000
Continued jobless claims	0830		1,713 mln
Employment wages QQ for Q4	0830	--	0.9 pct
Employment benefits QQ for Q4	0830	--	0.4 pct
Employment costs for Q4	0830	0.8 pct	0.8 pct
Chicago PMI for Jan	0945	62.3	65.4
 <b>Fri:</b> Non-farm payrolls for Jan	0830	160,000	312,000
Private payrolls for Jan	0830	175,000	301,000
Manufacturing payrolls for Jan	0830	17,000	32,000
Government payrolls for Jan	0830		11,000
Unemployment rate for Jan	0830	3.9 pct	3.9 pct
Average earnings mm for Jan	0830	0.3 pct	0.4 pct
Average earnings yy for Jan	0830	3.2 pct	3.2 pct
Average workweek hours for Jan	0830	34.5 hrs	34.5 hrs
Labor force partic for Jan	0830	--	63.1 pct
U6 underemployment for Jan	0830	--	7.6 pct
Markit Manufacturing PMI Final for Jan	0945	--	54.9
ISM Manufacturing PMI for Jan	1000	54.1	54.1
ISM Manufacturing Prices Paid for Jan	1000	--	54.9
ISM Manufacturing Employment Index for Jan	1000	--	56.2
ISM Manufacturing New Orders Index for Jan	1000	--	51.1
U Mich Sentiment Final for Jan	1000	90.7	90.7
U Mich Conditions Final for Jan	1000	--	110.0
U Mich Expectations Final for Jan	1000	--	78.3
U mich 1year inflation final for Jan	1000	--	2.7 pct
U mich 5-year inflation final for Jan	1000	--	2.6 pct
Domestic car sales for Jan	1530	--	3.99 mln
Total vehicle sales for Jan	1530	17.20 mln	17.55 mln



*A child stands near the Peace Bell at the Fichtelberg in the Ore Mountains in Oberwiesenthal, Germany, January 25, 2019. REUTERS/Hannibal Hanschke*

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