

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Persistent global trade tensions kept **Wall Street** under pressure, while **Treasuries** rose. Worries about Britain's exit from the European Union weighed on the British **pound**, and the **euro** fell against the **dollar** before next week's European parliamentary elections. **Oil** edged lower and **gold** slipped.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	25763.0	-99.68	-0.39	26951.81	21712.53
Nasdaq	7816.29	-81.76	-1.04	8176.08	6457.13
S&P 500	2859.52	-16.80	-0.58	2954.13	2443.96
Toronto	16401.75	-42.11	-0.26	16672.71	13776.88
FTSE	7348.62	-4.89	-0.07	7528.93	6599.48
Eurofirst	1500.96	-4.87	-0.32	1541.32	1308.86
Nikkei	21250.09	187.11	0.89	22362.92	19241.37
Hang Seng	27946.46	-328.61	-1.16	30280.12	24896.87

TREASURIES	Yield	Price
10-year	2.3944	3/32
2-year	2.1981	1/32
5-year	2.1762	2/32
30-year	2.8261	9/32

FOREX	Last	% Chng
Euro/Dollar	1.1158	-0.13
Dollar/Yen	110.02	0.16
Sterling/Dollar	1.2721	-0.58
Dollar/CAD	1.3457	0.00
TR/HKEX RMB	93.71	0.04

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	62.75	-0.12	-0.19
Spot gold (NY/oz)	1277.71	-8.69	-0.68
Copper U.S. (front month/lb)	0.0274	-0.0002	-0.65
CRB Index Total Return	189.27	-1.38	-0.73

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Under Armour Inc	23.64	1.76	8.04
Applied Materials Inc	42.70	1.04	2.50
Humana Inc	247.82	5.60	2.31
LOSERS			
Deere & Co	134.82	-11.17	-7.65
Qorvo Inc	63.93	-4.18	-6.14
Skyworks Solutions Inc	70.41	-3.58	-4.84

Coming Up - On Monday

Federal Reserve Board Chair **Jerome Powell** is scheduled to speak on "Assessing Risks to our Financial System" at an Atlanta Federal Reserve Bank conference. Separately, Federal Reserve Bank of Philadelphia President **Patrick Harker** is expected to speak on "management science" before the Management Science 65th Anniversary Conference, in Boston, Massachusetts. Also, Federal Reserve Bank of New York President **John Williams** is scheduled to give welcome remarks, followed by participation in a discussion, "Review of Monetary Policy Strategy, Tools and Communications" before a two-hour "Fed Listens" Roundtable, hosted by the Federal Reserve Bank of New York, in New York. Meanwhile, Federal Reserve Vice Chairman **Richard Clarida** is likely to give opening remarks at the event.



Twitter Inc is expected to hold a virtual shareholders' meeting, where stockholders of record are scheduled to vote and ask questions online during the meeting.

LIVECHAT - U.S. COMMERCIAL PROPERTY AS RECESSION SIGNAL

Property economist **Calvin Schnure** of the NARIET trade group looks at the fundamentals of U. S. commercial property markets with an eye to seeing possible recessions. (1000 ET/1400 GMT) To join the conversation, [click here](#)

Coming Up - Week Ahead

Federal Open Market Committee is scheduled to issue minutes from its two-day policy meeting of April 30 - May 1 on Wednesday. In the meeting, the U.S. Federal Reserve held interest rates steady and signaled little appetite to adjust them any time soon, taking

heart in continued job gains and economic growth and the likelihood that weak inflation will edge higher.

Big box retailer **Target Corp** is set to post on Wednesday its eighth consecutive rise in comparable store

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
National Activity Index for Apr	0830	--	-0.15

sales in its first quarter, benefiting from its investments in store remodeling and delivery services. Target has been beefing up its online business, while enticing customers to visit its stores with a revamped loyalty scheme and pick-up in store options. With trade growing U.S.-China trade tensions, how a possible increase in tariffs on all of the Chinese imports would impact the retailer is likely to be a talking point in the conference call.

On Tuesday, Federal Reserve Bank of Chicago President **Charles Evans** is scheduled to participate in "Policy Session 3: How Has the Housing Finance System Evolved since the Crisis and Where Is It Headed?" panel at the Federal Reserve Bank of Atlanta's 2019 Financial Markets Conference in Amelia Islands, Florida. On the same day, Federal Reserve Bank of Boston President **Eric Rosengren** is expected to speak before the Economic Club of New York. On Wednesday, Federal Reserve Bank of St. Louis President **James Bullard** is scheduled to give a presentation on the U.S. economy and monetary policy before the Foreign Correspondents'

Club of Hong Kong. On the same day, Federal Reserve Bank of New York President **John Williams** is expected to give opening remarks and participate in a panel at an economic press briefing on the current and future outlook for U.S. homeownership, focusing on younger households in New York. Separately, Federal Reserve Bank of Atlanta President **Raphael Bostic** is set to give opening remarks on Wednesday before the "Technology-Enabled Disruption: Implications for Business, Labor Markets and Monetary Policy" conference hosted by the Federal Reserve Bank of Dallas. Also, Federal Reserve Bank of Dallas President **Robert Kaplan**, Federal Reserve Bank of Richmond President **Thomas Barkin** and Federal Reserve Bank of San Francisco President **Mary Daly** are likely to participate in the conference on Thursday.

The National Association of Realtors on Tuesday is expected to show U.S. **existing home sales** rose to a seasonally adjusted annual rate of 5.30 million in April, after dropping to 5.21 million in March. The U.S. Commerce

Department on Thursday is expected to report **new home sales** declined to a seasonally adjusted annual rate of 680,000 in April, after having risen to 692,000 units. The department on Friday is likely to show April **durable goods** declined 2%, after a 2.6% rise in March. The Labor Department is likely to report **initial claims for state unemployment benefits** rose 3,000 to a seasonally adjusted 215,000 for the week ended May 18.

Home improvement chain **Home Depot Inc** is expected to report on Tuesday a rise in its first-quarter same-store sales as declining mortgage rates spur home building in the United States. However, a delayed spring season this year may hurt sales of Home Depot's gardening products. Separately, home improvement chain **Lowe's Co Inc** is expected to report on Wednesday a rise in first-quarter same-store sales as declining mortgage rates spur home building in the United States. Investors will also pay close attention to any commentary the company gives on the outlook for the U.S. home building market this year.

Department store operator **JC Penney Co Inc** is likely to post on Tuesday its third consecutive drop in same-store sales in its first-quarter, as it battles decreasing store traffic and fierce online competition. It is likely to report weak margins as a long winter season kept shoppers from buying the retailer's spring products. Investors and analysts will also be keen to get the company's take on how escalating tariffs would impact J.C. Penney's business.

Department store operator **Kohl's Corp** is expected to post a drop in first-quarter same-store sales on Tuesday. The company is likely to be weighed down by weak margins due to excess spring inventory as the United States



A file photo of the sign outside the J.C. Penney store in Westminster, Colorado, February 20, 2009. REUTERS/Rick Wilking



A file photo of a Best Buy store in Pasadena, California, February 28, 2017. REUTERS/Mario Anzuoni

experienced a prolonged wet and cold winter. Analysts and investors will be looking out for the company's comments on the impact of escalating tariffs. Kohl's has also reportedly expressed interest in buying U.S. home decor retail chain At Home Group, so an update or any details on the deal will be of interest.

On Tuesday, department store operator **Nordstrom Inc** is expected to show a small growth in first-quarter sales, weighed by higher discounts of goods following a cold winter in the United States. Any comments on the impact of the latest round of tariffs on Chinese imports on the company's profits will be watched.

On Thursday, computer and electronics retailer **Best Buy Co Inc** is expected to post a gain in its first-quarter sales from its subscription tech support services, a

key aspect of outgoing CEO Hubert Joly's turnaround strategy that led the company out of years of falling same-store sales.

Apparel company **VF Corp** is expected to post a rise in fourth-quarter sales and profit on Wednesday, powered by increasing demand for its Vans sneakers and North Face apparel. Investor will look out for updates on full -year forecast following the completion of spin-off of its less profitable jeans business that houses iconic Lee and Wrangler this year.

JPMorgan Chase & Co investors are likely to vote on Tuesday on executive compensation and whether to begin having a report on gender pay equity at its annual shareholder meeting in Chicago. Also, shareholders for the **Travelers Co Inc** are set to meet on Wednesday for an advisory vote on

compensation packages for the insurer's executives.

Separately, shareholders of **American International Group Inc** are set to meet on Tuesday for an advisory vote on the \$20.9 million pay package for CEO Brian Duperreault.

PG&E Corp on Thursday is expected to seek Judge Dennis Montali of the U.S. Bankruptcy Court in San Francisco to approve its motion to establish a \$105 million fund to help house victims of wildfires. PG&E says the fund would cover housing and other urgent needs for many who lost homes in wildfires in 2017 and 2018.

Royal Bank of Canada is likely to report higher second-quarter earnings on Thursday, benefiting from an increase in interest rates. Investors will however keep a close eye on the bank's capital markets business, which have been a drag on its bottom line.

Canadian Imperial Bank of Commerce is expected to report on Wednesday a slight rise in second-quarter profit, helped by higher interest rates. The bank's capital markets business could show declines coming from sluggish market activity in the quarter, versus the year-ago quarter when markets were more volatile.

On Wednesday, Statistics **Canada** is will show the country's **retail sales** grew 1.0% in March from a rise of 0.8% in February.

Mexico is likely to report on Friday the country's **first-quarter GDP**. Compared with the same quarter a year earlier, the economy expanded by 1.7% in the fourth-quarter.



Market Monitor

Wall Street ended lower as continuing trade tensions pulled industrial and tech shares down, and the **Dow** capped a fourth straight week of losses in its longest weekly losing streak in three years. China added fuel to the fire of the increasingly rancorous trade war with the United States with a defiant front-page commentary on the Communist Party's People's Daily, ratcheting up tensions the day after U.S. President Donald Trump officially blacklisted Chinese telecom Huawei Technologies from doing business with U.S. companies. Elsewhere in the multi-front U.S. tariff war, Trump confirmed he would delay imposing imported auto tariffs by as much as six months, and agreed to lift metal tariffs on Canada and Mexico. Farm equipment maker **Deere** dipped 7.65% after cutting its full-year forecast. **Applied Materials** advanced 2.50% after the company's better-than-expected quarterly profit eased concerns about waning chip demand. Active wear company **Under Armour** gained 8.04% following JP Morgan's upgrade of the stock to "overweight." The **Dow Jones Industrial Average** fell 0.39%, to 25,763, the **S&P 500** lost 0.59%, to 2,859.46 and the **Nasdaq Composite** dropped 1.04%, to 7,816.29. For the week, the S&P fell 0.76%, the Dow lost 0.69%, the Nasdaq shed 1.27%

Trade tension between the United States and China ratcheted up again, pushing **Treasury yields** slightly lower as traders sought safety in high-quality assets. The **10-year notes** rose 3/32 to yield 2.39% and the **30-year bonds** were last up 9/32, with a yield of 2.83%. Treasury prices also benefited from a collapse in Britain's Brexit talks.

The **dollar** rose as concern about next week's European parliamentary



A file photo of the traders working on the floor at the New York Stock Exchange in New York, May 16. REUTERS/Brendan McDermid

elections dented demand for the **euro**, while the British pound dropped to a four-month low on worries about Britain's exit from the European Union. The **dollar** has been favored as a safe-haven currency even as the U.S.-China trade war escalates. The euro has been hurt this week by Italian Deputy Prime Minister Matteo Salvini's comments that European Union rules harm his country. The elections will shake up the continent, leading to a relaxation of budget rules and influencing the choice of the next central bank chief, Salvini said. Sterling fell after cross-party Brexit talks collapsed and concern grew about the impact Prime Minister Theresa May's likely resignation would have on Britain's exit from the EU. The **euro** fell 0.12% to \$1.1159. The **pound** slipped 0.58% to \$1.2721. The **dollar** index was 0.13% up at 97.99.

Oil prices edged lower due to demand fears amid a standoff in Sino-U.S. trade talks. **Brent crude** fell 0.69% to \$72.12 a barrel. **U.S. West Texas Intermediate crude** fell 0.19% to \$62.75 a barrel. Oil prices came under pressure from seesawing U.S. equity markets due to fears over global economic growth amid the escalation of a trade war between the world's top economies.

Gold slipped as the dollar advanced on the back of strong U.S. economic data. **Spot gold** fell 0.68% to \$1,277.71 per ounce. **Gold futures** were down 0.64% at \$1,278.0 an ounce. "The dollar has strengthened due to relatively strong U.S. economic reports and little relaxation in geo-political tensions, all these combined has put downward pressure on gold prices," said Jeff Kleerman, portfolio manager at GraniteShares.

Top News

China's tough rhetoric leaves trade talks with U.S. in limbo

China struck a more aggressive tone in its trade war with the United States, suggesting a resumption of talks between the world's two largest economies would be meaningless unless Washington changed course. The tough talk capped a week that saw Beijing unveil fresh retaliatory tariffs, U.S. officials accuse China of backtracking on promises made during months of talks and the Trump administration level a potentially crippling blow against one of China's biggest and most successful companies. Chinese foreign ministry spokesman Lu Kang, asked about state media reports suggesting there would be no more trade negotiations, said China always encouraged resolving disputes with the United States through dialogue and consultations. Separately, President Donald Trump declared that some imported vehicles and parts pose a national security threat but delayed a decision for as long as six months on whether to impose tariffs to allow for more time for trade talks with the European Union and Japan. To read more, [click here](#)

FBI targets Johnson & Johnson, Siemens, GE, Philips in Brazil graft case -Sources

The U.S. FBI is investigating corporate giants Johnson & Johnson, Siemens, General Electric and Philips for allegedly paying kickbacks as part of a scheme involving medical equipment sales in Brazil, two Brazilian investigators have told Reuters. Brazilian prosecutors suspect the companies channeled illegal payoffs to government officials to secure contracts with public health programs across the South American country over the past two decades. Brazilian authorities say more than 20

companies may have been part of a "cartel" that paid bribes and charged the government inflated prices for medical gear such as magnetic resonance imaging machines and prosthetics. Separately, the U.S. Food and Drug Administration warned of risks of serious injury or death from surgical staplers made by Johnson & Johnson's Ethicon unit, labeling a recent recall of the device as its most serious. To read more, [click here](#)

Amazon squares up to Uber with backing for UK food app Deliveroo

Amazon has taken a stake in British online food delivery company Deliveroo, leading a \$575 million fundraising to pit itself against Uber Eats in the global race to dominate the market for takeaway meals. The news the world's biggest online retailer had bought into one of Europe's fastest growing tech companies sent shockwaves through the sector, hitting shares in European rivals Just Eat, Takeaway.com and Delivery Hero. Deliveroo founder and CEO Will Shu said the fundraising would enable the loss-making group to increase its

reach, develop technology and pursue innovations such as expanding its own kitchens that can be rented to restaurants to meet demand. Deliveroo did not give a figure for Amazon's contribution. It has now raised \$1.53 billion to date, helped by existing investors T. Rowe Price, Fidelity Management and Research Co, and Greenoaks.

Deere blames escalating trade war for worsening outlook

Deere missed quarterly profit estimates for the fifth-straight quarter and cut its full-year outlook, as an escalating U.S.-China trade war threatens to further hit farm incomes and demand for the company's equipment. Deere, which gets nearly 60% of its sales from the United States and Canada, said it now expects full year equipment sales to rise by 5%, compared with a 7% rise, it had previously expected, as large farm machinery sales lag. The company lowered its fiscal 2019 profit outlook to \$3.3 billion, from its prior forecast of \$3.6 billion, while raising its estimate for full-year costs by one percentage point to 76% of net sales, as the



A file photo of the logo of healthcare company Johnson & Johnson is seen in front of an office building in Zug, Switzerland, July 20. REUTERS/Arnd Wiegmann

company speeds up research and development expenses. Net income attributable to Deere fell 6.1% to \$1.14 billion, or \$3.52 per share, in the second quarter ended April 28, missing analysts' estimates of \$3.62 per share, according to IBES data from Refinitiv.

Starbucks' China rival Luckin surges in market debut

Shares of Luckin Coffee surged as much as 52.7% in their market debut, indicating strong investor demand for the self-declared challenger to Starbucks in China. The company raised around \$561 million after pricing its offering at the top of the anticipated price range, giving it a market value of \$4.2 billion, in the biggest U.S. float by a Chinese firm this year. The IPO gives Luckin more firepower and exposure to fuel its ambitious plan of overtaking Starbucks in China this year as the largest coffee chain by number of outlets. The stock opened at \$25, well above its IPO price of \$17. Since inception in June, 2017, the company has been in the red, with net loss to shareholders at \$475.4 million and total revenue of \$125.27 million last year. For the first three months of this year, it posted a net loss of \$85.3 million. Shares of the company jumped 15.74% to close at \$19.68.

Overstock CEO says he had to sell shares to supplement his pay

Overstock.com Chief Executive Officer Patrick Byrne lashed out at investors who questioned his recent sale of shares, saying he had to supplement his \$100,000 a year salary and vowing never to "give such an explanation again." His letter to shareholders followed a 21% slump on Wednesday and Thursday in Overstock's stock price to the lowest since 2012 after he divulged the sale of 500,000 shares earlier in the week. In the missive, Byrne said he had sold an additional 400,000 shares. In all, Byrne recently sold 900,000 "founders shares," amounting to more than 15% of his stake in the company. Addressing his

letter "Dear Owners," Byrne said he was taken aback by the "unanticipated stir" caused by his stock sale. The company's stock was 4.95% higher at \$10.61 for the day.

Hewlett Packard Enterprise to buy supercomputer maker Cray in \$1.30 billion deal

Cray said it would be bought by Hewlett Packard Enterprise in a deal valued at about \$1.30 billion, net of cash. The \$35 per share value represents a premium of 17.4% to Cray's last close. HPE said it expects the deal to increase its footprint in federal business and academia, and sell supercomputing products to its commercial clients. The deal, expected to close by the first quarter of HPE's fiscal year 2020, will add to its adjusted operating profit in the first full year after closing. As part of the deal, HPE expects to incur one-time integration costs that will be absorbed within its fiscal year 2020 free cash flow outlook of \$1.9 billion to \$2.1 billion that remains unchanged.

Pinterest shares tumble as profit seen elusive

Pinterest's shares slumped after the online scrapbook company's disappointing annual forecast shook investors' faith in its ability to turn in a profit soon. The fall in shares after Pinterest's first quarterly results as a public company took some of the shine off its successful stock market debut last month. Up to Thursday, Pinterest's shares had risen 62% since their April 18 opening. The company forecast full-year revenue of \$1.055 billion to \$1.08 billion - mostly in line with analysts' estimate. "We continue to believe that Pinterest's early-stage international and self-serve offerings provide meaningful growth drivers over time, but they require strong, sustained execution and Pinterest cannot simply flip a switch on either one," JPMorgan analysts said. Two brokerage groups said it would take the company at least two years to become profitable. The

company's shares ended 13.53% down at \$26.69.

Google, Facebook, Twitter rapped for not doing enough in EU fake news fight

Facebook, Google and Twitter were reprimanded by the European Commission for not doing enough to tackle fake news plaguing the election campaign to the European Parliament, seven months after promising to do more. Facebook, Google and Twitter are still falling, the EU executive said in its report on their efforts in April. "More needs to be done to strengthen the integrity of their services, including advertising services," the Commission's digital chief Andrus Ansip, Justice Commissioner Vera Jourova, Security Commissioner Julian King and Digital Economy Commissioner Mariya Gabriel said in a joint statement. "The data provided still lacks the level of detail necessary to allow for an independent and accurate assessment of how the platforms' policies have actually contributed to reducing the spread of disinformation in the EU," they said.

Ford revs up to sell hybrids with appeal of speed and power

Ford Motor is turning to the automotive marketer's time-tested themes, speed and power, to sell a new generation of gasoline-electric hybrid vehicles to mass market customers. Ford this week showed off a hybrid Ford Explorer it is selling to U.S. police departments that combines a six cylinder engine with a lithium-ion battery, an electric motor and a 10-speed transmission to deliver 318 horsepower and speed that can outrun police vehicles equipped with a larger V-8, company executives said. The Police Interceptor Explorer is a niche model. The new Explorer and Escape hybrid SUVs are due to hit showrooms later this year, and a hybrid F-150 pickup is scheduled for 2020.



An alligator lies on a runway tarmac before being safely carried off the property of MacDill Air Force Base in Tampa, Florida, U.S., May 9. Kory McLellan/U.S. Air Force/Handout via REUTERS.

Insight and Analysis

FOCUS-Direct lenders vie to resurrect cemetery owner StoneMor

The rising debt load at U.S. cemetery operator StoneMor Partners has helped bring it to death's door, but specialized lending funds are clamoring to refinance the company's borrowings, according to sources familiar with talks. In the wake of the financial crisis when interest rates sank to historic lows, StoneMor borrowed over \$300 million to acquire cemeteries and funeral parlors. The strategy added the deathcare company to a generation of companies now saddled with debt that has limited growth prospects.

COLUMN-Markets expect interest rate cuts as economic outlook worsens: Kemp

The risk of the U.S. slipping into recession in the next year is elevated according to most traditional measures, even though policymakers say the economy is in a good place. The Federal Reserve Bank of New York's yield-curve model implies the probability of the economy being in recession in May 2020 is now about 28-29%, based on the yield spread between three-month and 10-year U.S. Treasury securities. Federal funds futures prices are now fully pricing in a quarter-point cut in policy-controlled interest rates by the end of the year.

Tall chip tale? Huawei's backup plans leave experts unconvinced

Chip experts are calling out Huawei for its claims that it could ensure a steady supply chain without U.S. help, saying the technology the Chinese telecoms network gear maker buys from American companies would be "hard to replace". The Trump administration officially added Huawei to a trade blacklist on Thursday, enacting restrictions that will make it difficult for the tech giant to do business with American firms, in its latest broadside against the company that U.S. officials have labelled a threat to national security.



CANADA

Market Monitor

Canada's main stock index fell, as Chinese media took a tough stance on the trade war between the United States and China, reviving fears of a global economic slowdown. The **Toronto Stock Exchange's S&P/TSX Composite index** was down 0.26%, at 16,401.75. The **financial sector** slipped 0.35% to 303.43 while the **industrials** rose 0.26% to 280.80. Gains among industrials were powered by a 1.14% rise in shares of **Air Canada**.

The **U.S. dollar** was flat against its **Canadian counterpart** at C\$1.3457.

COMING UP - ON MONDAY

No major events are scheduled.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
CAE Inc	36.67	4.67	14.59
Alacer Gold Corp	4.03	0.17	4.40
Semafo Inc	3.91	0.13	3.44
LOSERS			
New Gold Inc	1.00	-0.07	-6.54
Interfor Corp	12.80	-0.54	-4.05
Lundin Mining Corp	6.29	-0.26	-3.97

Top News



A file photo of U.S. President Donald Trump passes by Canadian Prime Minister Justin Trudeau during a working luncheon for world leaders at the 73rd session of the United Nations General Assembly at U.N. headquarters in New York, September 25, 2018. REUTERS/Carlos Barria

U.S. to remove tariffs on Canadian metals, Mexico deal imminent

The United States and Canada announced a deal to remove tariffs on Canadian steel and aluminum in exchange for new curbs to keep dumped metals from China and other countries out of the United States, paving the way for a similar pact with Mexico. The quota-free deal will

eliminate the U.S. metals tariffs within 48 hours as well as Canada's retaliatory tariffs on some \$12 billion worth of U.S. products, including pork, beef and bourbon. The 25% tariff on steel and 10% tariff on aluminum from Canada and Mexico were a major hurdle to ratification of the new trilateral trade deal to replace the 25-year-old North American Free Trade

Agreement. Several prominent U.S. lawmakers had said that a vote on the U.S.-Mexico-Canada Agreement (USMCA) was impossible until after the metals tariffs -- and retaliatory measures aimed largely at U.S. farmers -- were lifted. News of the deal to put in place a "monitoring system" for steel and aluminum transshipments broke after U.S. President Donald Trump and Canadian Prime Minister Justin Trudeau discussed the tariffs earlier. The two leaders spoke "about Section 232 tariffs on steel and aluminum, and Canada's retaliatory tariffs," Cameron Ahmad, Trudeau's communications director, wrote. "They also discussed China, uranium, and the new NAFTA." A senior Mexican official said that once the deal is announced and implemented, Canada and Mexico will lift retaliatory tariffs on billions of dollars of U.S. products.

Brookfield CEO counts on Oaktree's Marks to carry on investing

Brookfield Asset Management's chief executive wants Howard Marks, the veteran distressed debt guru and co-founder of Oaktree Capital, to continue his investment work, including his letters to clients, for years to come. BAM announced that it will take a majority stake in Oaktree in March, with

CANADA

the surprise move sparking speculation that Brookfield's chief executive Bruce Flatt could become an heir to Oaktree's 73-year-old investing "legend". Known in investment circles for his "memos to Oaktree clients", which he has been writing since the 1990s, Marks counts Warren Buffett as one of his most avid readers. Flatt said Toronto-based BAM, which agreed to buy a 62% stake in Los Angeles-headquartered Oaktree Capital for \$4.8 billion to creating a rival to players like Blackstone, has no plans to buy other asset managers for now. The Canadian financier also said he does not plan to increase BAM's stake in Oaktree to 100%, although the deal allows it to do so after 2022.

Canadian Senate committee passes 187 amendments to energy project bill

A Canadian Senate committee has passed 187 amendments to an energy bill proposed by the Liberal government that would change how major projects like oil export pipelines are assessed. The unusually high number of amendments, approved late Thursday, was welcomed by oil companies and the premier of Canada's main crude-producing province, Alberta. But environmental groups warned the changes represent a step backwards in Canada's commitment to tackling climate change. Bill C-69 will now go back to the Senate, which will vote on the amendments, and then to the House of Commons for final approval, where the government can accept, reject or further amend the legislation. "The oil and gas industry has won a huge victory with these amendments," said Joshua Ginsberg, lawyer for environmental group Ecojustice, adding the changes undermine scrutiny of



A file photo of the SNC-Lavalin company building in Montreal, May 5. REUTERS/Dario Ayala

carbon-intensive projects. The bill proposes reforming how major projects are assessed in Canada, building on an election pledge from Liberal Prime Minister Justin Trudeau to streamline and restore trust in the environmental approvals process. Bill C-69 in its original form was fiercely opposed by the oil industry.

Fight over SNC-Lavalin highway stake to delay C\$3.25 billion deal closing

A dispute between bidders for SNC-Lavalin Group's stake in a Canadian toll highway will delay the C\$3.25 billion sale after an original purchase agreement was scrapped, the Canadian construction and engineering company said. Two shareholders in the Highway 407 toll road operator are trying to acquire SNC's 10.01% stake, with the dispute headed to Ontario Superior Court on June 21 to settle which one of them have the right of first

refusal, SNC said. SNC said it scrapped the C\$3 billion sale of the stake, announced in April, to Ontario Municipal Employees Retirement System (OMERS). Canada Pension Plan Investment Board (CPPIB) and Cintra Global, a unit of Spain's Ferrovial FER.MC, both exercised their rights of first refusal to buy the stake under the same terms as the OMERS deal. The stake sale, due to close in early June, is now expected to be delayed for a few weeks. SNC said the stake should go to CPPIB, arguing that Cintra agreed in 2002 to waive its right of first refusal over future sales of shares in Highway 407. The court could either decide to sell the entire 10.01% share in Highway 407 to CPPIB, or divide it between the two companies, according to analysts and a spokesman for Ferrovial, which now has a 43.23% stake. SNC will retain 6.8% ownership of Highway 407 after closing.

WEALTH NEWS

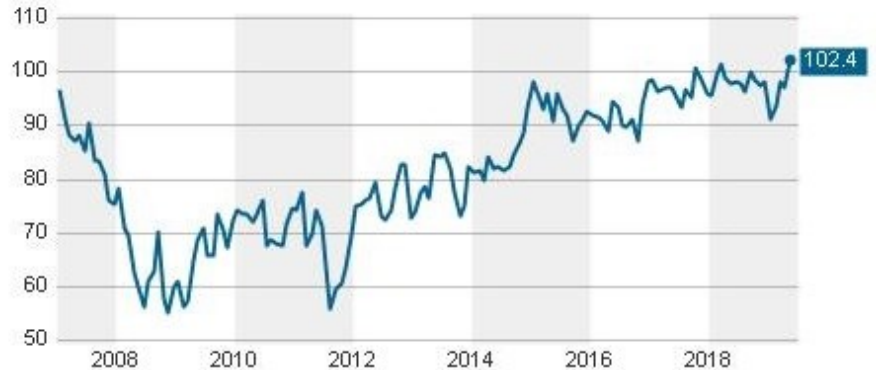
ECONOMIC DATA

U.S. consumer sentiment robust before escalation of trade war

U.S. consumer sentiment jumped to a 15-year high in early May amid growing confidence over the economy's outlook, but much of the surge was recorded before an escalation in the trade war between the United States and China, which could hurt activity. The University of Michigan said its consumer sentiment index increased 5.3% to 102.4, the highest reading since 2004. Economists polled by Reuters had forecast a reading of 97.5. The United States economic growth for the first quarter is likely to be revised lower after data suggested less consumer spending and investment in intellectual property products than initially estimated.

The U.S. consumer

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT



Source: Thomson Reuters Datastream — Reuters graphic/ Stephen Culp 17-05-2019

[Click on the chart for a detailed graphic](#)

BLOCKCHAIN TECHNOLOGY

Banks to invest around \$50 million in digital cash settlement project -sources

Several of the world's largest banks are in the process of investing around \$50 million to create a digital cash system using blockchain technology to settle financial transactions, according to people familiar with the plans.

CORPORATE CAMPUS

Walmart bets big on attracting workforce with new HQ campus

Walmart revealed plans for a new corporate campus, joining rivals Amazon.com and Apple in expanding their corporate campuses as President Donald Trump pressures U.S. companies to make larger investments at home.

NEW OPENING

Transportation official eyed for Fed post, Bloomberg reports

The White House is considering Transportation Department Undersecretary Derek Kan for an opening on the Federal Reserve's Board of Governors, Bloomberg reported, citing two unnamed people familiar with the matter.

M&A

CBS made informal offer to buy Starz - The Information

CBS has expressed interest in acquiring cable channel Starz from Lions Gate Entertainment, the Information reported, citing four people familiar with the situation.

WALL STREET WEEK AHEAD

Tariffs could lead to markdowns in retail shares

U.S. retailer stocks have moved from buoyant to bruised this year and the intensification of the U.S.-China trade war makes them especially vulnerable because consumer products would be targeted in the next round of threatened tariff increases.

INVESTMENT STRATEGY

Facebook forms Swiss fintech firm with payments focus

Facebook has set up a new financial technology company in Switzerland focusing on blockchain and payments as well as data analytics and investing, Geneva's commercial register shows.

ON THE RADAR

Events	ET	Poll	Prior
Tue: Existing home sales for Apr	1000	5.3 mln	5.21 mln
Existing home sales percentage change for Apr	1000	2.6%	-4.9 %
Thu: Build permits number for Apr	0800	--	1.296 mln
Build permits R change mm for Apr	0800	--	0.60%
Initial jobless claims	0830	215,000	212,000
Jobless claims 4-week average	0830	--	225,000
Continued jobless claims	0830	--	1,660
Markit Composite Flash PMI for May	0945	--	53
Markit Manufacturing PMI Flash for May	0945	52.7	52.6
Markit Services PMI Flash for May	0945	53.2	53
New home sales-units for Apr	1000	0.680 mln	0.692 mln
New home sales change mm for Apr	1000	-2.80%	4.50%
KC Fed Manufacturing for May	1100	--	12
KC Fed Composite Index for May	1100	--	5
Fri: Durable goods for Apr	0830	-2%	2.60%
Durables ex-transport for Apr	0830	0.20%	0.30%
Durables ex-defense mm for Apr	0830	--	2.20%
Nondefense cap ex-air for Apr	0830	0.10%	1.40%

KEY RESULTS

No S&P 500 major companies are scheduled to report

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

The Day Ahead - North America is compiled by Sourav Bose and Swathi Nair in Bengaluru.

For questions or comments about this report, email us at: TheDay.Ahead@thomsonreuters.com.

To subscribe for The Day Ahead newsletter [click here](#)

© 2019 Refinitiv. All rights reserved.

Refinitiv
3 Times Square, New York, NY 10036

Please visit: [Refinitiv](#) for more information.

[Privacy statement](#)