

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Stocks** edged higher as rising hopes of a trade deal between the U.S. and China boosted investor sentiment.

**Treasury** yields rose. **Gold's** losses were limited by a weaker **dollar**. **U.S. oil** fell after government data showed a surprise build in crude inventories.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26223.35	44.22	0.17	26951.81	21712.53
Nasdaq	7895.55	46.86	0.60	7854.92	6457.13
S&P 500	2873.38	6.14	0.21	2872.90	2443.96
Toronto	16279.86	15.99	0.10	16586.46	13776.88
FTSE	7418.28	27.16	0.37	7403.56	6599.48
Eurofirst	1527.21	12.60	0.83	1517.25	1308.86
Nikkei	21713.21	207.90	0.97	21860.39	19241.37
Hang Seng	29986.39	361.72	1.22	29736.99	24896.87

TREASURIES	Yield	Price
10-year	2.5205	-12 /32
2-year	2.3369	-2 /32
5-year	2.3251	-5 /32
30-year	2.9313	-29 /32

FOREX	Last	% Chng
Euro/Dollar	1.1236	0.30
Dollar/Yen	111.48	0.15
Sterling/Dollar	1.3160	0.25
Dollar/CAD	1.3340	0.02
TR/HKEX RMB	95.85	-0.04

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	62.49	-0.09	-0.14
Spot gold (NY/oz)	1289.94	-2.81	-0.22
Copper U.S. (front month/lb)	0.0295	0.0004	1.21
CRB Index Total Return	194.83	0.51	0.26

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
Advanced Micro Devices Inc	29.02	2.27	8.49
Nielsen Holdings PLC	26.01	1.76	7.24
Nektar Therapeutics	35.29	1.59	4.72
<b>LOSERS</b>			
Altria Group Inc	53.97	-2.72	-4.80
Raytheon Co	177.44	-8.37	-4.50
Cimarex Energy Co	65.67	-2.90	-4.23

## Coming Up



A file photo of bottles of the wine Clos du Bois, a brand of Constellation Brands Inc., sitting on a supermarket shelf in Los Angeles, California, April 1, 2015. REUTERS/Lucy Nicholson

A report from the U.S. Labor Department is likely to show that **initial claims for state unemployment benefits** rose 5,000 to 216,000 applications for the week ended March 30.

Arguments are scheduled in the U.S. Securities and Exchange Commission's lawsuit against Tesla Inc Chief Executive **Elon Musk**. The SEC is seeking to have Musk held in contempt. The case is before U.S. District Judge Alison Nathan in Manhattan.

**Constellation Brands Inc** is expected to report a fall in fourth-quarter sales. Beer sales are likely to soften, hurt by cold weather. Sales of wines are also expected to decline, weighed by weak performance of brands including Clos du Bois, Arbor Mist and Mark West. Investors will keep an eye on the wine category after the company said it would sell or discontinue underperforming wine brands that retail below \$11 a bottle.

Federal Reserve Bank of New York releases text of the welcome remarks

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Challenger layoffs for March	0730	--	76,835
Initial jobless claims	0830	216,000	211,000
Jobless claims 4-week average	0830	--	217,250
Continued jobless claims	0830	1.750 mln	1.756 mln

of President **John Williams** delivered before the Community Bankers' Conference at the Federal Reserve Bank of New York, in New York. Federal Reserve Bank of Cleveland President **Loretta Mester** speaks on the economic outlook and cyber security before an Ohio Bankers' Day event hosted by the Ohio Department of Commerce, in Columbus, Ohio. Meanwhile, Federal Reserve Bank of Philadelphia President **Patrick Harker** will speak on the economic outlook before the Monetary Policy Outlook hosted by the Philadelphia Council for Business Economics.

A federal jury in Boston is expected to hear closing arguments in the trial of



the one-time billionaire founder of opioid drugmaker **Insys Therapeutics Inc** and four other former executives accused of conspiring to pay doctors bribes to prescribe patients an addictive fentanyl spray. **John Kapoor (pictured)**, the drugmaker's former chairman, and his colleagues are the

first painkiller manufacturer executives to face trial over conduct that authorities say contributed to an opioid abuse crisis that has killed tens of thousands of people a year.

**Mexico's** statistics agency, INEGI, is scheduled to release **consumer confidence data** for the month of March. Consumer confidence index rose to 119.9 in February.

## LIVECHAT – OIL OUTLOOK

Reuters correspondent **Jessica Resnick-Ault** takes questions about energy markets in the rapid-fire, weekly segment "Lock, Stock and Barrel." (0930 ET/1330 GMT) To join the discussion, [click here](#)

## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Constellation Brands	Q4	BMO	\$1.71	\$1.71	\$1.90	\$1,733.96

*\*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

**Stocks** edged higher, extending a strong start to the quarter as rising hopes of a trade deal with Beijing boosted investor sentiment. **Advanced Micro Devices** shares gained 8.49 percent and **Intel** shares rose 2.06 percent. "It's the push-and-pull hope of a trade deal versus the stark reality of disappointing economic news," said Oliver Pursche, chief market strategist at Bruderman Asset Management in New York. **Boeing** shares fell 1.48 percent. The **Dow** rose 0.17 percent to 26,223.35, the **S&P 500** gained 0.21 percent to 2,873.37 and the **Nasdaq Composite** added 0.60 percent to 7,895.55.

**Treasury yields** rose to their highest in a week and a half, as hopes for a trade deal between China and the United States and a breakthrough for Brexit triggered a sell-off in the bond market. Strong economic data in China and Europe eased worries about a global economic slowdown, reducing the safe-haven appeal of U.S. government debt. But weaker-than-forecast U.S. data limited selling in Treasuries. "Today's it's about China and trade. It's been a risk-on day and it's hurt Treasuries," said Mary Anne Hurley, vice president of fixed income at D.A. Davidson.

**Benchmark notes** were down 12/32 to yield 2.5205 percent and the **30-year bonds** were down 29/32 to yield 2.9313 percent.

**U.S. oil** fell after government data showed a surprise build in crude inventories. Crude stocks in the United States rose 7.2 million barrels last week, as net imports climbed,

## Investors positions in longer-dated US Treasuries

Investors turn most net short since Jan. 7

### WEEKLY NET SHORTS

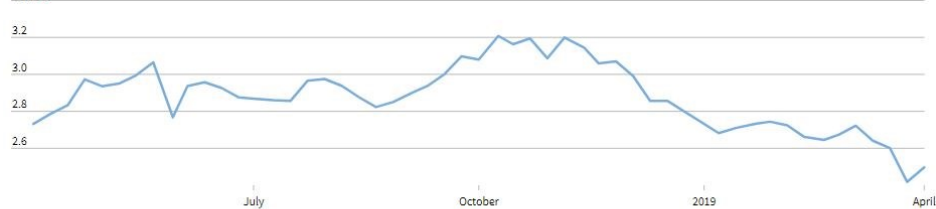
Outright longs fall to 15 pct, shorts rise to 26 pct



### U.S. 10-YEAR TREASURY YIELD

Benchmark yield rises from 15-month lows

3.4 pct



Note: U.S. 10-year yield closing level  
Source: J.P. Morgan Securities, Refinitiv  
Richard Leong | REUTERS GRAPHICS

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

production edged higher to a new record and refining rates slowed, the Energy Information Administration said. Analysts had forecast a decrease of 425,000 barrels. **U.S. crude** dropped 0.13 percent to \$62.50 per barrel. **Brent crude** rose 0.09 percent to \$66.43 per barrel.

The **euro** gained against the **greenback** as hopes of a trade deal between the U.S. and China bolstered risk appetite globally. Better than expected service sector data in Europe further helped the single currency as German 10-year Bund yields also headed back above zero. The **euro** was 0.30 percent higher against the **greenback** at \$1.1236. The

**dollar index** was 0.28 percent lower at 97.09.

**Gold** prices slipped as stock markets rallied globally on hopes the United States and China could clinch a trade deal, while a weaker dollar limited bullion's losses. **Spot gold** fell 0.22 percent to \$1,289.85 per ounce, while **U.S. gold futures** were 0.02 percent lower at \$1,295.20 an ounce. "With investors willing to take on more risks and moving into some riskier assets, there is less attraction towards gold, and funds are moving back out of Treasuries into the equity markets," said Chris Gaffney, president of world markets at TIAA Bank.

# Top News

## Ethiopia to issue first Boeing investigation report

Investigators will release a keenly awaited report on the deadly crash of an Ethiopian Airlines jet on Thursday, Ethiopia's transport ministry said, giving the first official clues to the second crash of a new Boeing 737 MAX in five months. "The 10:30 a.m. (0730 GMT) press conference is to present the preliminary report," Ethiopian transport ministry spokesman Musie Yehyies said. The report may shed light on how a piece of cockpit software came back to life after pilots initially switched it off as they tried to save the doomed jet, people familiar with the matter said, placing both technology and crew in the spotlight. The Ethiopian-led investigation has begun piecing together details of flight 302, starting with faulty sensor data on take-off from Addis Ababa, questions over the Boeing 737 MAX's high speed and a nosedive coinciding with the software re-activation. The aircraft's high speed and initial climb suggests the engines were running at a higher than usual thrust, experts say.

## Blackstone buyout fund raises \$22 billion, to set record-source

Blackstone has raised over \$22 billion for its latest buyout fund, setting it on course to be the private equity industry's biggest ever, a person familiar with the matter said. The strong fundraising underscores how investors are brushing aside concerns over the private equity sector overheating, as they search for returns that beat the stock market by a wide margin. Blackstone expects to conclude the fundraising for what will be its eighth buyout fund later this year, said the source, requesting anonymity as the details are confidential. Blackstone has not set a fundraising target, but it anticipates the buyout fund will overtake Apollo Global Management's

\$24.6 billion fund as the largest ever, the source added. Blackstone has a target of reaching \$1 trillion in assets under management by 2026. At the end of 2018, it had \$472.2 billion in total assets under management.

## Trump orders crackdown on counterfeit sales online

President Donald Trump ordered a crackdown on counterfeit products on third-party online marketplaces, asking for more information on how the United States can better track and curb such sales. The memo signed by Trump said that the value of global trade in counterfeit and pirated goods may rise to half a trillion dollars a year, with about 20 percent of this trade infringing upon U.S. intellectual property. "The president has decided it is time to clean up this Wild West of counterfeiting and trafficking," White House economic adviser Peter Navarro said on a conference call with reporters. The memo did not identify specific companies by name. The order requires the Homeland Security Department, together with the departments of Commerce and Justice, to provide

recommendations in 210 days on how to address the problem through better monitoring and enforcement, Navarro said.

## U.S. FDA warns of potential seizure risk in some users of e-cigarettes

The U.S. Food and Drug Administration warned of potential safety risks from the use of e-cigarettes after it found certain users had suffered from seizures. The agency said it had observed a slight increase in the reports of seizures since last June and has identified 35 cases of seizures following use of e-cigarettes between 2010 and early 2019. The seizures, which mostly involved youth or young adult users, had occurred after a few puffs or up to one day after use. However, the agency said it could not yet say for certain that e-cigarettes had caused the seizures and the cases warrant an investigation into whether there is in fact a connection. The agency said that it was also looking into any additional consequences to nicotine use as some e-cigarettes deliver high concentrations of nicotine. The FDA said many of the reports it



A file photo of a customer trying different e-cigarette flavors at the Henley Vaporium in New York, U.S. June 23, 2015. REUTERS/Lucas Jackson



had received lacked enough information to identify a specific brand or sub-brand of e-cigarettes.

### Facebook's WhatsApp allows users to control who can add them to group chats

Facebook changed the privacy settings on its WhatsApp messaging platform, allowing users to decide who can add them to chat groups, as it tries to revamp its image after growing privacy concerns among users. In a blog post, WhatsApp said a user inviting another to a group will be prompted to send a private invite through an individual chat, giving the recipient the choice of joining the group. The request will expire in three days. The setting will be rolled out on Wednesday for some users and be available worldwide in the coming weeks. Separately, millions of Facebook's user records were inadvertently posted on Amazon.com's cloud computing servers in plain sight, researchers at cybersecurity firm UpGuard reported.

### Shorts line up for a Lyft ride despite surge pricing

Lyft shares had seen strong demand among short sellers on Tuesday even as borrowing fees surpassed that of other U.S. equities as investors rushed to bet against the loss-making ride hailing service, which has warned it may never be profitable. About 6.61 million Lyft shares with a market value of \$455 million were reported as on-loan on Tuesday, according to IHS Markit Securities Finance, which sees borrowed shares as the best proxy for short selling. Tuesday was the first day short sellers could borrow shares in Lyft, which was handed its first 'sell' rating from Wall Street on the same day. Annualized borrowing fees for Lyft shares ranged from 85 percent to 150 percent of the amount borrowed but the majority of activity was for just over 100

percent, according to IHS Markit, which said this makes Lyft the most expensive stock to borrow among companies with more than \$5 million of stock on loan. Of the 8 analysts who cover Lyft so far, three recommend buying the stock while four say to hold it and one has a sell rating on the stock. The shares of the company rose 1.49 percent to \$70.00.

### Roche says \$4.3 billion Spark offer still on track for June completion

Roche said its effort to expand in gene therapy via the \$4.3 billion takeover of Spark Therapeutics remained on track despite failing to get enough votes to clinch the deal and as U.S. regulators continued scrutinizing it. The Swiss company said it was extending its offer to May 2 from the original deadline of Wednesday, having received support from holders of only 29.4 percent of Spark shares. "The deal is not in doubt at all and we expect it will be completed according to our guidance in the first half of 2019. There needs to be more than 50 percent of the shares to be tendered, but we believe our offer to be full and fair and it has been recommended by the board of Spark," the spokesman said.

### Japan Display to supply OLED screens for Apple Watch -sources

Japan Display will begin to supply organic light-emitting diode (OLED) screens for the Apple Watch later this year, two sources said, a breakthrough for the cash-strapped company whose late shift to OLED has cost it orders from Apple. The supply deal would mark Japan Display's foray into the OLED display market, the two sources familiar with the matter said, declining to be identified because they are not authorized to speak to the media. Japan Display's mainstay liquid crystal display (LCD) business has been slumping due to Apple's recent shift

away from LCD, and disappointing sales of the iPhone XR, the only LCD model in Apple's 2018 line-up.

### iHeartMedia tunes into IPO as it nears bankruptcy exit

iHeartMedia filed for an initial public offering with the Securities and Exchange Commission to list its Class 'A' common shares, as it nears bankruptcy exit and bets on podcast to drive growth. The company did not disclose the size of share offering, or set a price range. It set a placeholder amount of \$100 million to indicate the size of the IPO, and said it expects to use net proceeds from the IPO to pay off its debt. Goldman Sachs and Morgan Stanley are listed currently as underwriters to iHeart's IPO.

### GM, Ford and Toyota join to advance self-driving testing, standards

Three major automakers said they were forming a consortium to help draw up safety standards for self-driving cars that could eventually help create regulations in the United States. General Motors, Ford and Toyota Motor said they were joining forces with automotive engineering group SAE International to establish autonomous vehicle "safety guiding principles to help inform standards development." The group will also "work to safely advance testing, pre-competitive development and deployment," they added. The new group, dubbed the Automated Vehicle Safety Consortium, will begin by deciding priorities, with a focus on data sharing, vehicle interaction with other road users and safe testing guidelines. Randy Visintainer, chief technology officer at Ford's Autonomous Vehicles unit, said the goal was to work with companies and government "to expedite development of standards that can lead to rule making."



A couple rides a boat underneath cherry blossoms in full bloom in Tokyo, Japan, April 3. REUTERS/Kim Kyung-hoon

## Insight and Analysis

### **Junk bonds suggest U.S. stocks may have further to run**

U.S. stocks just wrapped up their best quarter in nearly a decade, coming within a stone's throw of a record high. Junk bonds did them one better, regaining record levels and then some. Given the long-running correlation between the two asset classes, that could mean stocks will soon be back in record territory as well, keeping alive a bull market run now stretching into its second decade. "We think this cycle has a lot more time than (others) think," said Krishna Memani, chief investment officer at Oppenheimer Funds. "It's not ending in 2019 and it's not ending in 2020. It has a few more years to go."

### **COLUMN-U.S. natural gas prices unmoved by colder winter, low inventories: Kemp**

U.S. natural gas prices remain mired below \$3 per million British thermal units despite a relatively cold winter that has left the volume of gas in storage well below normal for the time of year. Futures prices for natural gas delivered to Henry Hub in June 2019 are just over \$2.70 per million BTUs, down from \$2.90 in the middle of March, and have remained well below \$3 throughout the last two years. Gas prices have remained relatively low even though a much colder winter in 2018/19 than in the previous three years pushed up consumption sharply.

### **Nordic trust tarnished by money laundering scandal**

Money laundering allegations involving Sweden and Denmark have shattered faith in the open Nordic business culture, prompting demands for tighter controls on the banks held responsible. Ranked among the least corrupt countries by anti-graft campaign group Transparency International, Sweden and Denmark have been rocked by investigations into Danske Bank and Swedbank, knocking billions off their value. Politicians, regulators and investors now want closer policing and more stringent penalties, unwinding a system where the state largely trusted banks to keep themselves in check.



# CANADA

## Coming Up

**Goldcorp Inc** shareholders will vote on **Newmont Mining Corp's** C\$10 billion takeover offer for the company. Newmont won the support of at least two key investors for the deal on March 25, after offering to sweeten the deal with a special dividend of 88 Canadian cents per share if shareholders approve the transaction.

**Ivey Purchasing Managers' Index** data is expected to show that the pace of purchasing activity in Canada increased to 51.1 in March, from 50.6 in February.



## MARKET MONITOR

Canada's main stock index rose with the **Toronto Stock Exchange's S&P/TSX composite index** gaining 0.10 percent to 16,279.86. The **energy sector** fell 1.27 percent.

The **U.S. dollar** was up 0.01 percent against its **Canadian counterpart** to C\$1.3339.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
Hudson's Bay Co	7.98	0.44	5.84
Boyd Group Income Fund	148.32	5.27	3.68
Eldorado Gold Corp	6.12	0.19	3.20
<b>LOSERS</b>			
Tricon Capital Group Inc	10.91	-0.67	-5.79
Torex Gold Resources Inc	15.92	-0.92	-5.46
Ivanhoe Mines Ltd	3.14	-0.17	-5.14

## Top News



### Hudson's Bay profit beats estimates on Saks Fifth Avenue, online strength

Hudson's Bay reported a quarterly profit that topped estimates, as sales at its Saks Fifth Avenue stores rose during the holiday shopping season and the Canadian company benefited from an increase in online sales. Comparable sales at Saks rose almost 4 percent, while the company's total comparable digital sales, which

includes online transactions, rose 8.7 percent in the quarter. Chief Executive Helena Foulkes said Saks Fifth Avenue stores outside New York City fueled sales, as the iconic Fifth Avenue flagship in Manhattan was undergoing renovation. "Saks has been particularly good at identifying both top stores and top customers to invest in, and I see that as a real opportunity at Hudson's Bay," Foulkes told Reuters. The company's total fourth-quarter comparable sales decreased 1.4 percent. Same-store sales at Hudson's Bay, Lord & Taylor and Home Outfitters tumbled 5.2 percent in the quarter.

### China has not escalated canola seed dispute with Canada – Ottawa

China has not escalated a dispute with Canada over the export of canola seeds and comments by the Canadian

farm minister on the matter have been misunderstood, an agriculture ministry official said. China - embroiled in a major diplomatic dispute with Ottawa - has blocked imports from two major Canadian exporters and on Tuesday Agriculture Minister Marie-Claude Bibeau said a third company had received a Chinese notice of non-compliance. "It was a misunderstanding ... in January, three Canadian companies received notices of non-compliance regarding shipments of canola seed from Canada to China," said the official. "In March, China suspended the registration of two of the companies. They have not suspended the registration of the third company ... it is nothing new and there has been no escalation," said the official, who declined to be identified given the sensitivity of the situation.

# WEALTH NEWS

## ECONOMIC REPORT

### U.S. services, private payrolls data highlight slowing economy

U.S. services sector activity hit a more than 19-month low in March and private payrolls grew less than expected. The Institute for Supply Management said its non-manufacturing activity index fell 3.6 percentage points to 56.1, the lowest since August 2017. The ADP National Employment Report showed private employers added 129,000 jobs in March, the fewest since September 2017, after creating 197,000 positions in February. The ADP figures came ahead of the Labor Department's more comprehensive non-farm payrolls report on Friday, which includes both public- and private-sector employment.



A file photo of job seekers and recruiters gathered at TechFair in Los Angeles, California, U.S. March 8, 2018. REUTERS/Monica Almeida

## TRADE TALKS

### White House's Kudlow says U.S.-China talks are progressing

Trade talks between the United States and China are progressing and both sides hope to get closer to a deal this week, White House economic adviser Larry Kudlow said as negotiators prepared to start a fresh round of talks in Washington.

## MORTGAGE APPLICATIONS JUMP

### U.S. mortgage applications hit 2-1/2-year high

U.S. mortgage applications jumped to their highest level in 2-1/2 years, led by a surge in refinancing activity, as some home borrowing costs declined to their lowest levels in more than a year, the Mortgage Bankers Association said.

## FUNDING

### Semiconductor group urges more research funding to counter China

A trade group for the semiconductor industry called on U.S. government leaders to boost funding for chip research and science education while easing limits on green cards in an effort to counter China's investments in chip technology.

## DEUTSCHE BANK-COMMERZBANK MERGER

### Deutsche Bank and Commerzbank divided over pace of merger talks – sources

Deutsche Bank and Commerzbank are divided over the pace of their merger talks, two people with knowledge of the matter said.

## DIGITAL INNOVATION

### Goldman seeks 'curious' engineers for digital innovation program -website

Goldman Sachs launched an initiative to attract tech-savvy engineers to the bank to take part in a year-long program aimed at developing new finance apps and other innovations, according to the company's website.

## CRYPTO GUIDELINES

### U.S. SEC issues guidelines to help analyze crypto assets

The U.S. Securities and Exchange Commission issued guidelines to help market participants determine whether a digital asset qualifies as a security under federal securities laws and needs to be registered with the regulator.





Pope Francis greets people during the weekly general audience in St. Peter's square at the Vatican, April 3. REUTERS/Yara Nardi

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