

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street rallied on upbeat earnings from retailers. **Treasury yields** rose, and the **dollar** advanced after Fed minutes showed that policymakers wanted to avoid the impression that they were planning additional rate cuts. **Brent crude** steadied. **Gold** fell on improved risk appetite.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26203.89	241.45	0.93	27398.68	21712.53
Nasdaq	8020.21	71.65	0.90	8339.64	6457.13
S&P 500	2924.42	23.91	0.82	3027.98	2443.96
Toronto	16309.23	95.92	0.59	16672.71	13776.88
FTSE	7203.97	78.97	1.11	7727.49	6599.48
Eurofirst	1478.69	16.74	1.15	1554.34	1308.86
Nikkei	20618.57	-58.65	-0.28	22362.92	19241.37
Hang Seng	26270.04	38.50	0.15	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.5842	-8 /32
2-year	1.5733	-4 /32
5-year	1.4719	-6 /32
30-year	2.0689	-19 /32

FOREX	Last	% Chng
Euro/Dollar	1.1082	-0.15
Dollar/Yen	106.62	0.38
Sterling/Dollar	1.2124	-0.36
Dollar/CAD	1.3289	-0.19
TR/HKEX RMB	91.99	-0.10

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	55.79	-0.34	-0.61
Spot gold (NY/oz)	1501.50	-5.35	-0.36
Copper U.S. (front month/lb)	0.0258	0.0001	0.31
CRB Index Total Return	179.77	0.02	0.01

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Target Corp	103.18	17.65	20.64
Lowe's Companies Inc	108.01	10.14	10.36
Alliance Data Systems Corp	138.07	7.32	5.60
LOSERS			
Aflac Inc	48.98	-2.88	-5.55
Arcor PLC	9.64	-0.33	-3.31
General Electric Co	8.16	-0.22	-2.63

Coming Up



Salesforce.com Inc is expected to report a rise in second-quarter revenue, helped by rising demand for its cloud-based products. The software maker has been spending billions in buying companies like Tableau and Israel based ClickSoftware to fight off rivals such as Microsoft, Oracle and SAP.

Poor performance at **Gap Inc's** namesake brand is likely to hurt the company's second-quarter sales and profit. However, Old Navy is expected to perform well as it gets a boost from new offerings at stores.

The **European Central Bank** is scheduled to publish the account of its July 24-25 policy meeting, at which it raised the possibility of further interest rate cuts, money printing and a reprieve from its penalty charge on bank deposits.

U.S. Secretary of State **Mike Pompeo** is scheduled to hold talks with Canadian Prime Minister **Justin Trudeau** and Foreign Minister **Chrystia Freeland**. Topics are likely to include trade as well as tensions in relations with Venezuela and China.

The U.S. labor department is likely to show **initial jobless claims** for the week ended Aug. 17 fell to 216,000 from 220,000. IHS Markit **U.S. manufacturing PMI** is expected to show a reading of 50.5 in August, after reporting a reading of 50.4 in the previous month. Also, IHS Markit **U.S. services PMI** is likely to show a reading of 52.8 in August, following a reading of 53 in July.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Initial jobless claims	0830	216,000	220,000
Jobless claims 4-week average	0830	--	213,750
Continued jobless claims	0830	1.700 mln	1.726 mln
Markit Composite Flash PMI for Aug	0945	--	52.6
Markit Manufacturing PMI Flash for Aug	0945	50.5	50.4
Markit Services PMI Flash for Aug	0945	52.8	53.0
Leading index change mm for Jul	1000	0.2%	-0.3%

THE DAY AHEAD

Federal Reserve Bank of Minneapolis President **Neel Kashkari** is set to participate in a panel discussion, "Too Big to Fail: Where Do We Go From Here?" at University of Minnesota, Carlson School of Management.

Argentina's statistics agency is expected to show **economic activity** for June rose 1.2%, following an increase of 2.6% in the month before.

LIVECHAT - BONDS CHAT

Reuters European Government Bonds

Correspondent Virginia Furness looks at bond markets on the continent following a week during which yields on safe haven bonds clocked fresh record lows. (0730 ET/1130 GMT)

To join the conversation, [click here](#)

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Gap	Q2	16:15	\$0.52	\$0.53	\$0.76	\$4,022.48
Hormel Foods	Q3	BMO	\$0.36	\$0.36	\$0.39	\$2,295.41
HP Inc	Q3	AMC	\$0.55	\$0.55	\$0.52	\$14,609.91
Intuit	Q4	AMC	-\$0.14	-\$0.15	\$0.32	\$961.90
Ross Stores	Q2	AMC	\$1.11	\$1.12	\$1.04	\$3,959.52
Salesforce.Com	Q2	AMC	\$0.47	\$0.47	\$0.53	\$3,949.23

**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's main indexes rose as upbeat earnings from retailers pointed to strength in U.S. consumer demand and held their gains after minutes from the Federal Reserve's meeting last month showed that policymakers had debated a more aggressive rate cut. "The stocks still want to see any evidence that the Fed is going to cut rates," said Willie Delwiche, investment strategist at Baird in Milwaukee. The **Dow Jones Industrial Average** rose 0.93%, to 26,203.89, the **S&P 500** gained 0.82% to 2,924.42 and the **Nasdaq Composite** added 0.9% to 8,020.21.

Treasury yields rose after minutes from the Federal Reserve's July meeting showed that policymakers were united in wanting to avoid the appearance of being on the path to further rate cuts. A speech by Fed Chairman Jerome Powell on Friday is expected to offer further clarity for market participants as yields have plunged since the July meeting and the two-year, 10-year yield curve inverted, signaling that a recession is likely in one to two years. "It's really old news," said Mary Ann Hurley, vice president in fixed income trading at D.A. Davidson in Seattle. "What Powell has to say on Friday is going to be much, much more important than these minutes."

Benchmark notes fell 8/32 yielding 1.58%. The **30-year bonds** were down 19/32 yielding 2.06%. Short dated **2-year notes** fell 4/32 to yield 1.57%.

The **dollar** advanced against the safe-haven **yen** as risk appetite increased with global stocks and U.S. yields were mostly higher ahead of an annual Federal Reserve gathering later this week in Jackson Hole, Wyoming and a summit of major central banks this weekend. Currency investors are



A file photo of traders working on the floor at the New York Stock Exchange (NYSE) in New York, U.S., August 13. REUTERS/Eduardo Munoz

waiting for a statement from Fed Chairman Powell in Jackson Hole as well comments from global monetary authorities who will meet at a Group of Seven event this weekend about possible measures to lift slumping economies around the world. The **dollar** rose 0.39% against the **yen** to 106.63 yen. The **dollar index** was up 0.08 percent at 98.27.

Brent futures steadied after U.S. government data showed a drawdown in domestic crude stocks but rises in refined product inventories, while lingering worries about the global economy weighed on the market. Prices pared gains after data from the Energy Information Administration showed bigger-than-expected builds in U.S. fuel inventories last week. Gasoline stocks rose by 312,000 barrels, while distillate supplies grew by 2.6 million barrels. Crude stockpiles

decreased 2.7 million barrels, a bigger drawdown than the 1.9 million barrels that analysts had forecast. **Brent crude** futures rose 0.4% to \$60.27 a barrel. **U.S. crude** fell 0.62% to \$55.78 a barrel.

Gold edged lower as equities gained on upbeat earnings from retailers. "There seem to be spouts of optimism as far as the trade deal and the economy go, and these glimmers of hope are driving a rally in equities and people are jumping out of safety to take on risk through equities," said Phillip Streible, senior commodities strategist at RJO Futures. **Spot gold** was down 0.31% at \$1,502.16 per ounce. **U.S. gold futures** fell 0.21% to \$1,512.50 an ounce.

Top News

Target shares surge on same-day delivery boost

Target beat expectations for earnings and raised its full-year outlook as its investments in same-day delivery and pick-up services increased traffic to its website and stores, sending shares higher. The retailer said one out of five customers who used its same-day service in the quarter were new, with shoppers collecting their orders from stores within a couple of minutes of placing them through the company's mobile app or website. Target's comparable sales rose by a better-than-expected 3.4% as demand for apparel, toys and beauty products rose. Target expects full-year adjusted profit to be between \$5.90 and \$6.20 per share, up from the prior range of \$5.75 to \$6.05 per share. Excluding certain items, it earned \$1.82 per share, beating the average analyst estimate by 20 cents. Total revenue rose 3.6% to \$18.42 billion, above expectations of \$18.34 billion. The company's stock jumped 20.64% to close at \$103.18.

Lowe's shares jump as higher-spending customers drive profit beat

Lowe's shares surged as the home improvement chain's efforts to focus on higher-spending customers helped it beat quarterly profit estimates and gain ground on larger rival Home Depot. Lowe's said the potential impact of U.S. tariffs on some Chinese imports set to take effect from Sept. 1 was baked in its full-year earnings forecast of \$5.45 to \$5.65 per share, which the company reaffirmed. Lowe's same-store sales growth outpaced Home Depot in the country for the second straight quarter, something that helped push the company's shares higher, according to Stifel analyst John Baugh. However, Lowe's overall quarterly net sales of \$20.99 billion, hurt by a drop in revenue from Canadian stores, was still

about \$10 billion shy of Home Depot's figure. The company's same-store sale rose 2.3% in the second quarter ended Aug. 2, above expectations of a 1.8% increase. Excluding items, the company earned \$2.15 per share, beating estimates of \$2.01. Its shares ended 10.36% higher at \$108.01.

Citigroup, BNP caught up in U.S. case against Huawei CFO - documents

U.S.-based Citigroup and French bank BNP Paribas are caught up in the U.S. criminal case against the chief financial officer of China's Huawei Technologies, according to newly available documents. The banks were named in documents released on Tuesday after a hearing in British Columbia Supreme Court, where Huawei CFO Meng Wanzhou is fighting extradition to the United States on bank fraud charges. The two are among at least four financial institutions that had banking relationships with Huawei when Meng and others allegedly misled them about its business dealings in Iran despite U.S. sanctions. Two others, HSBC and Standard Chartered, have been previously reported. The banks are considered

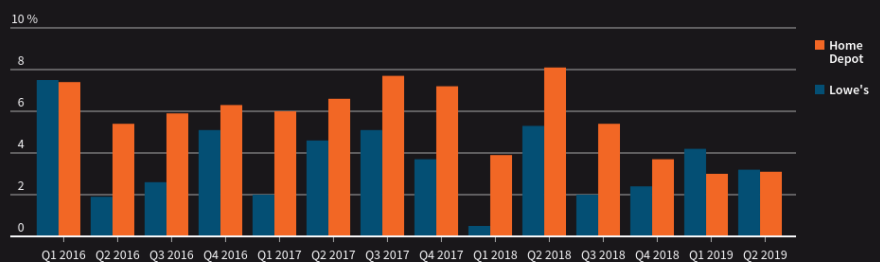
"victim" institutions in the 13-count indictment the United States brought against Meng and Huawei, which includes charges of bank and wire fraud, violating sanctions against Iran and obstructing justice.

Fitbit wins deal for 1 million new users in Singapore health plan

Fitbit said it won a contract with the Singapore government to provide fitness trackers and services to up to one million of the country's citizens as part of a health initiative that begins in October. The deal, which involves the company supplying its trackers free of charge but on the condition that users will spend 10 Singapore dollars per month for a year. "This is Fitbit's first major integration of a digital health platform and wearables into a national public health program globally," the company said. Subscribers will receive personalized health advice and nudges, and it will encourage physical activity, healthy eating and better sleep quality among users, said Zee Yoong Kang, chief executive of Singapore's Health Promotion Board (HPB). Fitbit said the program includes a consent process to indicate whether the users agree to share their data with HPB.

Lowe's catches up to Home Depot in the U.S.

Lowe's U.S. same-store sales growth ahead of Home Depot for the second straight quarter



Source: Company releases
Uday Sampath Kumar | REUTERS GRAPHICS

Click on the chart for a detailed and interactive graphic.

The data insights will be used for more health promotion programs by HPB in the country, the company said.

Toll Brothers shares sink as California demand dwindles amid trade war

Shares of Toll Brothers fell after the U.S. luxury homebuilder reported a 36% collapse in orders in California, where other sector players have signaled waning demand from affluent Chinese buyers in light of President Donald Trump's trade war. As the trade war continues to stoke fears of a recession, analysts say they expect California deceleration to hurt Toll's full-year 2020 top line and margins given the nine to 12 months delivery cycle on orders. "The revenue mix from California (for Toll) will likely decline through fiscal 2020. This is the biggest impediment for the stock, in our view," said RBC Capital Markets analyst Mike Dahl. California made up about 30% of Toll's home sales in the nine months ended July 31, for fiscal year 2019. Its shares were last 4.42% down at \$35.28.

Oklahoma judge to rule on Monday in opioid lawsuit against J&J

An Oklahoma judge will rule on Monday on whether Johnson & Johnson should be held liable in a lawsuit by the state's attorney general who argues the drugmaker should be forced to pay \$17 billion for fueling the opioid epidemic. Judge Thad Balkman in Norman, Oklahoma, will deliver his decision from the bench after presiding over the first trial to result from thousands of lawsuits by state and local governments against opioid manufacturers and distributors, the court said. During a seven-week, non-jury trial that began in May, Oklahoma Attorney General Mike Hunter sought to establish that J&J carried out a years-long marketing campaign that minimized the addictive painkillers' risks while promoting their benefits. Lawyers for the state called J&J an opioid "kingpin" and contended its

marketing efforts created a public nuisance in the form of the opioid crisis as doctors over-prescribed the drugs, leading to a surge in overdose deaths in Oklahoma. J&J denied wrongdoing.

Dozens of Airbus A380s face urgent checks after cracked part dug from ice

Investigators probing an engine explosion on an Air France A380 in 2017 are studying a possible manufacturing flaw in a recently salvaged cracked part in a move likely to trigger urgent checks on dozens of Airbus superjumbos, people familiar with the matter said. The focus of a two-year-old investigation into the mid-air explosion over Greenland, which left the plane carrying more than 500 passengers with the front of one engine missing, has switched to the recently recovered "fan hub," the people said. The titanium alloy part is the centerpiece of a 3-metre-wide fan on engines built for the world's largest airliner by U.S.-based Engine Alliance, co-owned by General Electric and United Technologies unit Pratt & Whitney. It had sat buried in Greenland's ice sheet since September 2017 when one of four engines on Air France flight 66 abruptly disintegrated en route from Paris to Los Angeles. It was prised from the ice in June after a high-tech aerial radar search.

India needs to reduce ecommerce restrictions to revive economy - Amazon exec

India needs to encourage ecommerce and reduce red tape to help small businesses sell online and export goods to help revive sagging domestic economic growth, a senior Amazon.com executive said. "There is so much opportunity to just let ecommerce thrive versus trying to define every single guard rail under which it should operate," Amazon's India head Amit Agarwal told Reuters, ahead of the launch of Amazon's biggest campus in the world in the southern Indian city of Hyderabad. "I

feel ecommerce can actually accelerate India's economy in a big way, if it's just allowed to thrive," said Agarwal. Amazon said the new campus in India, spread over 9.5 acres, cost hundreds of millions of dollars and could house more than 15,000 employees. Amazon has 62,000 employees in India, roughly a third of whom are based in Hyderabad.

New York sues EPA over GE's Hudson River PCB cleanup

New York sued the U.S. Environmental Protection Agency, accusing the agency of prematurely allowing General Electric to stop clearing the Hudson River of PCB contamination before the cleanup was finished. Citing the state's compelling interest in protecting the public and the environment from contaminants, New York officials are seeking to void GE's "certificate of completion" from the EPA on April 11, which excused the company from further dredging unless further studies showed more was needed. New York Governor Andrew Cuomo and Attorney General Letitia James, both Democrats, accused Republican President Donald Trump's administration of siding with "big polluters" by accepting PCB levels that constitute a known health risk and leave Hudson River fish "too toxic" to eat.

TV station operator Tegna confirms buyout interest from Apollo Global

U.S. TV station operator Tegna confirmed it received buyout interest from Apollo Global Management but said the private equity firm had not specified a price. The company said Apollo disclosed its interest in a letter in late February. In June, Apollo made another proposal to merge Tegna into some of the other broadcast assets it has been buying, in a deal that would not have changed the ownership of the broadcaster, Tegna said in a statement.



Protesters fire nitrogen extinguishers toward riot police during a stand off at Yuen Long MTR station, the scene of an attack by suspected triad gang members a month ago, in Yuen Long, New Territories, Hong Kong, China August 21. REUTERS/Kai Pfaffenbach

Insight and Analysis

'You prepare for war': how one U.S. firm tried escaping Trump's China tariffs

When Larry Sloven heard last year that U.S. tariffs threatened his China electronics business, he knew that setting up shop elsewhere would be a slog rather than an adventure. The 70-year-old had spent half his life building supply chains in southern China to produce goods for big-box U.S. retailers. But he had never reshuffled one on short notice, with tariffs hanging over his head. "It is the hardest thing I've ever had to do in all my 30 years in the business," said Sloven.

Texas shale towns grapple with growth as oil-bust fears fade

In west Texas, the center of the U.S. oil boom, about 3,800 students at Permian High School are crammed into a campus designed for 2,500, with 20 portable buildings to help with the overflow. School officials had expected enrollment to fall after the last oil price crash, starting in 2014, but it kept rising - one sign of a growing resilience in the region's oil economy as Exxon Mobil, Chevron and other majors continue pouring billions of dollars into long-term investments here.

Bond yields a one-way bet? Loosening Europe's purse strings will end trend

For months, global bond yields have moved one way - down. Now, signs that Germany may finally be prepared to accept higher spending to boost its economy means investors are starting to question whether entrenched market pessimism is justified. Economists have for years called on thrifty governments, above all euro zone powerhouse Germany, to spend more to shore up domestic growth, rather than relying on central bank policy to do the trick.

CANADA

Market Monitor

Canada's **main stock index** ended higher, rebounding from the previous session's weak close, helped by rising energy shares. **Toronto Stock Exchange's S&P/TSX composite index** ended up 0.59% at 16,309.23. The **energy sector** climbed 0.95% to 124.86. Canada's **Pembina Pipeline** fell 0.37% after it agreed to buy smaller rival **Kinder Morgan Canada**, which rose 31.6%.

The **U.S. dollar** was 0.2% lower against its **Canadian counterpart** at C\$1.3288.

COMING UP

Statistics Canada is likely to report **wholesale trade** for June rose 0.3%, after falling 1.8% in May.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Turquoise Hill Resources Ltd	0.65	0.08	14.04
Bausch Health Companies Inc	29.83	1.52	5.37
Aphria Inc	8.72	0.41	4.93
LOSERS			
Precision Drilling Corp	1.53	-0.08	-4.97
CannTrust Holdings Inc	2.48	-0.12	-4.62
B2Gold Corp	4.67	-0.16	-3.31

Top News

Canada's Pembina Pipeline makes storage play with C\$4.35 billion Kinder Morgan deal

Canada's Pembina Pipeline has agreed to buy Kinder Morgan Canada and the U.S. portion of the Cochin pipeline for C\$4.35 billion, bulking up its storage resources in Canada. The deal "makes sense" for Pembina, said Tortoise Advisors portfolio manager Rob Thummel. It receives stable revenue streams based on fees and take or pay contracts that are insulated from volatile commodity prices. "It shows particularly in down markets, who's got quality and who doesn't. This thing's going to be a rock through any market," said Pembina Chief Executive Mick Dilger on a conference call. Pembina will pay C\$2.3 billion for Kinder Morgan Canada and C\$2.05 billion for the U.S. portion of the Cochin pipeline system from U.S.-based Kinder Morgan.

Royal Bank of Canada profit rises as Canada business posts surprise growth

Royal Bank of Canada reported an increase in third-quarter profit as its personal and commercial banking earnings grew, and its domestic

business posted a surprise 8% gain, although that was partly offset by weakness in its capital markets division. Canada's largest lender by market share also said it would raise its quarterly dividend by 3% to C\$1.05 per share. The Toronto-based bank reported net income of C\$3.26 billion, or C\$2.22 per share, in the three months ended July 31, up from C\$3.11 billion, or C\$2.10 per share, a year earlier. Analysts had expected C\$3.32 billion, or C\$2.31 per share.

Canadian inflation holds steady at 2.0% in July as cost of telecoms services fall

Canada's annual inflation rate held steady in July at 2.0% because of lower costs for services, including telecoms, that were offset by higher prices for durable goods, Statistics Canada said. Analysts in a Reuters poll had forecast an inflation rate of 1.7%. Canada's inflation rate in June was 2.0%. CPI common, which the central bank says is the best gauge of the economy's underperformance, rose slightly in July to 1.9% - coming in above analyst projections of 1.8%. CPI median, which shows the median inflation rate across CPI components,

and CPI trim, which excludes upside and downside outliers, were 2.1%.

Ontario Teachers fund first-half returns almost double from year earlier

Ontario Teachers' Pension Plan, Canada's third-biggest public pension fund, said net returns from investments almost doubled in the first half on positive performance across all asset classes in its portfolio. The fund, which administers pensions for 327,000 working and retired teachers across Canada's most populous province, reported net returns of 6.3% in the six months ended June 30, compared with 3.2% a year earlier. Net assets increased to C\$201.4 billion, from C\$191.1 billion a year ago. "In the first half of the year, we had positive performance across every asset class in our portfolio, led by fixed income," Chief Investment Officer Ziad Hindo said in a statement. However, the fund had a loss of C\$2.5 billion in the first half, as the Canadian dollar's strength against other currencies resulted in a negative 1.3% impact.



WEALTH NEWS

FED MINUTES

Fed debated bigger rate cut, wanted to avoid appearing on path for more cuts

The Federal Reserve debated cutting interest rates more aggressively at its last meeting, although central bankers were united in wanting to avoid the appearance of being on a path to more rate cuts, records from the meeting showed.

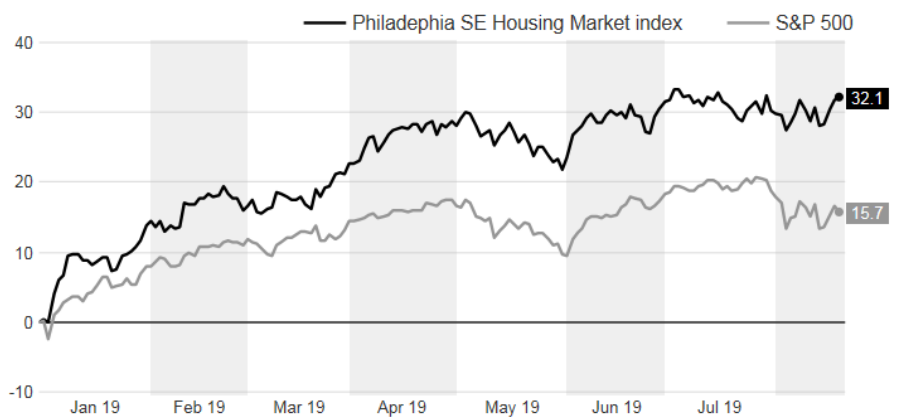
ECONOMIC DATA

U.S. home sales rise, boosted by lower mortgage rates

U.S. home sales rose more than expected in July, boosted by lower mortgage rates and a strong labor market, signs the Federal Reserve's shift toward lower interest rates was supporting the economy. A separate report released suggested the level of employment in the country was slightly lower than previously estimated, taking a bit of the shine off the labor market. The National Association of Realtors said existing home sales rose 2.5% to a seasonally adjusted annual rate of 5.42 million units last month. The Labor Department reported that the overall level of employment was 0.3% lower in March than previously estimated.

U.S. Housing stocks vs. the broader market

Year-to-date index performance



Source: Refinitiv Datastream / Stephen Culp 8/21/2019

CBO TRADE WARNING

Trade woes are slowing U.S. economy, U.S. budget experts say

Higher trade barriers, including President Donald Trump's tariffs, are slowing the U.S. economy and cutting household income, congressional budget experts warned, as Trump heads toward a 2020 election showdown with Democrats.

MEGA IPO POSTPONED

Alibaba postpones up to \$15 billion Hong Kong listing amid protests: sources

China's biggest e-commerce company Alibaba Group has delayed its up to \$15 billion listing in Hong Kong amid growing political unrest in the Asian financial hub, two people with knowledge of the matter told Reuters.

IMF WARNING

IMF warns against rate cuts, currency intervention to improve trade balance

The International Monetary Fund warned against governments trying to weaken their currencies through monetary easing or market interventions, arguing in a blog post that this would hurt the functioning of the international monetary system and make all nations worse off.

SEC GUIDELINES

U.S. regulator votes to propose new guidelines on shareholder advisers

The U.S. Securities and Exchange Commission issued new guidance that aims to clarify how investors and advisory firms that cast ballots on their behalf should vote in corporate elections on issues like pay and diversity.

FUEL EFFICIENCY RULES

Trump criticizes automakers for not backing fuel economy rollback

U.S. President Donald Trump chastised automakers for not backing his administration's plan to roll back Obama-era fuel efficiency rules.



A girl reacts next to Pope Francis as he leads the weekly general audience in Paul VI Hall at the Vatican, August 21. REUTERS/Remo Casilli

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The Day Ahead - North America is compiled by Nayyar Rasheed and Yoganand KN in Bengaluru.

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

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