

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks edged higher after the U.S. Fed held interest rates steady and signaled borrowing costs are likely to remain unchanged indefinitely. **Treasury yields** fell, weighed down by concerns over the UK election and U.S.-China trade conflict. The **dollar** fell, while **gold** prices rallied. **Oil** prices slipped after a report showed a rise in U.S. inventories.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	27910.41	28.69	0.1	28174.97	21712.53
Nasdaq	8654.05	37.87	0.44	8705.91	6457.13
S&P 500	3141.59	9.07	0.29	3154.26	2443.96
Toronto	16939.61	-11.09	-0.07	17120.90	13776.88
FTSE	7216.25	2.49	0.03	7727.49	6599.48
Eurofirst	1587.60	3.66	0.23	1605.42	1308.86
Nikkei	23391.86	-18.33	-0.08	23608.06	19241.37
Hang Seng	26645.43	208.81	0.79	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.7948	11 / 32
2-year	1.6174	2 / 32
5-year	1.6381	6 / 32
30-year	2.2284	17 / 32

FOREX	Last	% Chng
Euro/Dollar	1.1136	0.40
Dollar/Yen	108.54	-0.15
Sterling/Dollar	1.3199	0.34
Dollar/CAD	1.3176	-0.37
TR/HKEX RMB	91.95	-0.10

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	58.83	-0.41	-0.69
Spot gold (NY/oz)	1474.88	10.92	0.75
Copper U.S. (front month/lb)	0.0279	0.0003	1.16
CRB Index Total Return	191.93	-0.70	-0.37

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Skyworks Solutions Inc	109.29	4.90	4.69
Freeport-McMoRan Inc	12.85	0.57	4.60
Applied Materials Inc	59.04	2.42	4.27
LOSERS			
General Mills Inc	51.57	-1.67	-3.14
L Brands Inc	17.29	-0.54	-3.03
Gap Inc	16.17	-0.46	-2.77

Coming Up

Oracle Corp is expected to report a rise in second-quarter revenue, boosted by demand for its cloud services and license supports businesses.

Costco Wholesale Corp is likely to post a rise in first-quarter revenue and profit, helped by higher retail gas prices and traffic. Investors will lookout for comments on membership renewal rates, details on its website outage on Thanksgiving and performance of its new China store.

Adobe Inc is expected to report a rise in fourth-quarter and fiscal 2019 revenue, driven by growth in its digital media business, which includes its flagship Creative Cloud products.

The Labor Department is expected to report that **producer price index** for final demand rose 1.2% in the 12 months through November. Also, **initial claims for state unemployment benefits** are likely to have increased to a seasonally adjusted 213,000 for the



week ended Dec. 7, from 203,000 the previous week.

In **Christine Lagarde's** first policy meeting as president, the **European Central Bank** is all but certain to keep its ultra-easy monetary policy on hold. Growth and inflation projections are also unlikely to change significantly, but initial 2022 forecasts are expected to show that inflation will undershoot the target, supporting the case for easy policy for years to come.

Argentina's inflation figures for November and **Mexican industrial output** numbers for October are due.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Initial jobless claims	0830	213,000	203,000
Jobless claims 4-week average	0830	--	217,750
Continued jobless claims	0830	1.678 mln	1.693 mln
PPI final demand yy for Nov	0830	1.2%	1.1%
PPI final demand mm for Nov	0830	0.2%	0.4%
PPI exfood/energy yy for Nov	0830	1.6%	1.6%
PPI exfood/energy mm for Nov	0830	0.2%	0.3%
PPI ex food/energy/transport yy for Nov	0830	--	1.5%
PPI ex food/energy/transport mm for Nov	0830	--	0.1%

Market Monitor

Wall Street's main stock indexes ended modestly higher after the U.S. Federal Reserve held interest rates steady and signaled that borrowing costs are likely to remain unchanged indefinitely. With the Fed expected to stand pat on rates, investors have been more focused on U.S.-China trade relations, including new tariffs on Chinese goods that could go into effect on Dec. 15. "Assuming we don't see the tariffs going up, the developments this week, specifically the Fed decision to sit on its hands and its outlook for 2020 should be positive for the stock market," said Kristina Hooper, chief global market strategist at Invesco in New York. **Materials sector** gained 0.72% to 375.29 and **technology stocks** rose 0.71% to 1540.25. **Home Depot** shares fell 1.8% after the company forecast weak sales for 2020. **American Eagle Outfitters** shares dropped 6.12%. The **Dow Jones Industrial Average** rose 0.1% to 27,910.41, the **S&P 500** gained 0.29% to 3,141.58 and the **Nasdaq Composite** added 0.44% to 8,654.05 at close.

Treasury yields extended their fall, weighed down by a combination of global concerns with respect to the UK election and the Chinese tariffs set to take effect on Sunday, as well as dovish comments from the Federal Reserve's chairman about inflation. Fed Chairman Jerome Powell in his press briefing said it has been very challenging to get inflation back to the 2% target. He added that in order for the Fed to move rates up, it would have to see a significant and persistent pick-up in inflation. That further pushed yields lower. **Benchmark 10-year notes** rose 11/32 to yield 1.79%, while **30-year bonds** gained 17/32 yielding 2.22%. The **two-year notes** rose 2/32 to yield 1.61%.

The **dollar** edged lower against a basket of major currencies after the U.S. Federal Reserve held interest



A file photo of traders working on the floor at the New York Stock Exchange in New York, U.S., November 18. REUTERS/Brendan McDermid

rates steady and signaled borrowing costs are likely to remain unchanged indefinitely. "The bar to a rate hike remains higher than the bar to lowering rates further, but overall you are looking at a Fed that is fairly confident about where the economy is headed and expects inflation to remain under pressure for a prolonged period of time," said Karl Schamotta, chief market strategist at Cambridge Global Payments in Toronto. The **euro** was 0.41% higher against the **dollar** at \$1.1137 ahead of new ECB boss Christine Lagarde's first policy meeting on Thursday. The **dollar index** was 0.31% lower at 97.11.

Oil prices dropped following a surprise build in U.S. crude inventories, and as investors waited to see if a fresh round of tariffs by Washington on Chinese goods would come into force on Sunday. Crude inventories rose 822,000 barrels last week, compared with analysts' expectations in a Reuters poll for a 2.8 million-barrel drop. At 447.9 million barrels, crude stocks were about 4% above the five-year average for this time of year, the EIA said. Winter storms that brought heavy

snows on several U.S. states last week impacted domestic gasoline demand and likely caused inventories to rise, said Phil Flynn, senior energy analyst at Price Futures Group in Chicago. "People's cars were parked, and you saw a big drop in (fuel) demand. The market is reacting to headline number, but we don't see this as a trend, we see it as a one-off," Flynn said. **Brent futures** fell 0.81% to \$63.82 per barrel, while **West Texas Intermediate crude** slipped 0.73% to \$58.81 per barrel.

Gold rose and extended gains during comments by Fed Chair Jerome Powell and as a deadline for an additional round of U.S. tariffs on Chinese imports loomed with no phase-one deal in sight. **Palladium** again soared to a record on supply woes. **Spot gold** gained 0.75% to \$1,474.91 per ounce, extending gains into a third straight session. **U.S. gold futures** were 0.76% higher at \$1,479.30 an ounce. **Palladium** rose 0.81% to \$1,911.92 an ounce, having scaled a fresh peak of \$1,913.34, on concerns that stagnating supply of the autocatalyst metal may fail to meet demand.

Top News

Fed keeps interest rates on hold amid 'favorable' outlook

The U.S. Federal Reserve held interest rates steady and signaled borrowing costs are likely to remain unchanged indefinitely, with moderate economic growth and low unemployment expected to continue through next year's presidential election. "Our economic outlook remains a favorable one, despite global developments and ongoing risks," Fed Chair Jerome Powell said in a news conference following the decision. "We believe monetary policy is well positioned to serve the American people by supporting continued economic growth, a strong job market and inflation near our 2% goal." The decision by the U.S. central bank's rate-setting committee left the benchmark overnight lending rate in its current target range between 1.50% and 1.75%. New economic projections showed a solid majority of 13 of 17 Fed policymakers foresee no change in interest rates until at least 2021. The other four saw only one rate hike next year. Notably, no policymakers suggested lower rates would be appropriate next year, a sign the Fed feels it has engineered a "soft landing" after a volatile year in which recession risks rose, the U.S. bond yield curve inverted, and trade policy disrupted markets. "The Committee judges the current stance of monetary policy is appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation near the ... symmetric 2 percent objective," the Fed said in a policy statement after the end of a two-day meeting.

FAA probes Boeing 737 MAX production, ex-manager warns of 'a factory in chaos'

The U.S. Federal Aviation Administration said it was investigating production issues at Boeing's 737 MAX factory, raised by an ex-manager who warned that schedule pressure and worker fatigue undermined quality and



Federal Reserve Chair Jerome Powell holds a news conference following the Federal Open Market Committee meeting in Washington, U.S., December 11. REUTERS/Joshua Roberts

raised safety risks. The manager, Ed Pierson, drew a link between faulty Angle of Attack sensors in two recent 737 MAX crashes that killed 346 people and what he called a "chaotic and alarming state" inside Boeing's factory that undermined quality and safety. "It is alarming that these sensors failed on multiple flights mere months after the airplanes were manufactured in a factory experiencing frequent wiring problems and functional test issues," Pierson said at a hearing before U.S. lawmakers. At the hearing, U.S. FAA chief Steve Dickson confirmed the agency will not approve Boeing's grounded 737 MAX for flight before the end of 2019, citing a series of steps that still must be completed.

Home Depot says peak investments to pressure 2020 margins

Home Depot, the No. 1 U.S. home improvement chain, forecast 2020 sales below Wall Street expectations and said major investments in its online overhaul program would pressure margins next year. Company executives at an investor and analyst

conference said 2020 is expected to be a peak year of investments for its \$11 billion "One Home Depot" program, which was first announced in 2017 to better integrate its online operations with stores. The company's total investment in the growth initiative in 2020 will be \$3.9 billion, compared to \$3.6 billion in 2019 and \$3.3 billion in 2018. "After 2020, this level of investment will decrease and benefits from our investment should increase," Chief Financial Officer Richard McPhail said.

Chevron charge points to billions more in gas writedowns – analysts

Oil and gas producers could wipe billions of dollars more off the value of U.S. natural gas assets in the months ahead, analysts said, after Chevron became the fourth oil major to slash its estimates for sector values. A long, steady increase in U.S. gas production – much of it a byproduct of the shale oil boom – has pushed prices for the fuel heading toward a 25-year low and a number of analysts have already forecast that the oversupply will worsen

in 2020. Prior to Chevron's impairment, BP, Repsol and Equinor had written down billions worth of North American shale assets in recent months. Chevron on Tuesday said it expects to take writedowns to the tune of \$10 billion to \$11 billion in the fourth quarter, more than half of which is related to its Appalachia gas shale assets.



Tesla plans increasing imported Model 3 prices in China from January -sources

U.S. electric vehicle maker Tesla plans to increase prices of imported Model 3 vehicles in China in January, sources familiar with the matter said. Tesla plans to increase prices of imported Model 3 vehicles with longer range and those with performance function, which are currently priced at 439,900 yuan (\$62,495.56) and 509,900 yuan, respectively. The move comes as Tesla, which is building a car plant in Shanghai, aims to deliver China-made Model 3 sedans, which are priced at 355,800 yuan, to customers before Jan. 25 next year. It was unclear by how much Tesla plans to increase the China prices. The sources declined to be named as they are not authorised to speak to media.

Correio Pharma to explore sale after FDA panel setback; shares hit record low

Correio Pharma said it would explore options including a sale, a day after its heart drug failed to win the backing of a

panel of experts advising the U.S. Food and Drug Administration. The Canadian drugmaker's U.S.- and Toronto-listed shares plunged as much as 69% to hit all-time lows. Correio said it has retained Piper Jaffray to assist in its review of the strategic alternatives and has set up a transaction committee within its board. The company said it plans to rein in operating costs in North America without specifying whether the measures would involve job cuts. Shares of the company ended 67.14% lower at \$0.46.

Amazon on-time deliveries slip as record Cyber Monday strains system

On-time delivery rates fell for Amazon.com van drivers during the week ended Dec. 7, when the world's top online retailer was slammed with record Cyber Monday orders and regional winter storms, consulting firm ShipMatrix said. Amazon van drivers delivered 93.7% of U.S. packages on time during Cyber Monday week, down from 98.2% during the prior week that included Thanksgiving, ShipMatrix said. This holiday season is a crucial test for Amazon's in-house delivery operations. The season is the shortest since 2013 and retailers are racing to secure sales with speedier delivery and other promotions.

American Eagle sees dull holiday quarter on higher markdowns

American Eagle Outfitters forecast holiday-quarter profit and comparable sales below market expectations, as the apparel retailer ramps up promotions to counter sluggish demand for its flagship AE brand. American Eagle expects to earn between 34 cents and 36 cents per share in the fourth quarter, well below analysts' expectation of 46 cents. It said the outlook assumed greater gross margin pressure than in the reported quarter.

Comparable sales are expected to be about flat, the company said, much lower than the 4.34% growth analysts had projected, according to IBES data from Refinitiv. For the quarter, the retailer earned 48 cents per share, meeting market expectations.

Netflix tests cheaper, yearly subscription plan in India

Netflix is testing longer subscription plans in India as it looks to attract more users in a highly competitive market where smartphone and internet usage is soaring. New users of Netflix in India may have the option to choose from three-, six- and 12-month plans at discounts of up to 50%, a person familiar with the matter told Reuters. The Los Gatos, California-based company has previously used India as a testing ground for new features, launching a mobile-only monthly plan starting at \$2.79 this year. "We believe that our members may value the flexibility that comes from being able to pay for a few months at once. As always, this is a test and we will only introduce it more broadly if people find it useful," a spokeswoman for Netflix India said in an email, but declined to give further details.

Disney+ mobile app records 22 million downloads since launch - Apptopia

Walt Disney's Disney+ has been downloaded 22 million times on mobile devices since the launch of the streaming service in November, according to a report by research firm Apptopia. Disney had earlier said its new service had witnessed "extraordinary consumer demand" on the day of the launch, reaching 10 million sign-ups. The company now serves about 41.5 million viewers in the United States, including subscribers for its other streaming businesses, Hulu and ESPN+, compared with about 61 million for industry leader Netflix.



Climate change activist Greta Thunberg speaks at the High-Level event on Climate Emergency during the U.N. Climate Change Conference (COP25) in Madrid, Spain, December 11. REUTERS/Susana Vera

Insight and Analysis

How Uber drains carmaker profits in Latin America's biggest market

Like many Uber drivers in Sao Paulo, the ride-hailing app's busiest city in the world, Augusto Caio Pereira does not actually own or lease the car he nudges through the city's notorious traffic jams every day. Instead, he rents Brazil's best-selling car, the Chevrolet Onix hatchback, for 390 reais (\$93) a week from Localiza Rent a Car, the country's largest rental company. Like him, two thirds of Uber's 600,000 drivers in Brazil do not own their vehicles, an executive told rental car executives in October. That figure, previously unreported, is one of the highest proportions worldwide for Uber.

FOCUS-Argo takes different road to skirt self-driving challenges

Sky's the limit optimism about self-driving cars is giving way to tougher questions about how expensive automotive artificial intelligence will ever make a profit. Those are questions the founders of Argo AI - and automaker partners Ford Motor and Volkswagen - are betting they can answer by taking a different road than more highly valued rivals. They are steering away from building a robotaxi fleet and focusing instead on getting paid by the mile by customers that will use robot vehicles for multiple purposes, including delivering goods or transporting groups of people in vans.

Massachusetts hand-dryer maker gets helping hand from U.S.-China trade war

The U.S.-China trade war is creating something William Gagnon once thought impossible - a 100% American-made bathroom hand dryer. Gagnon's company, Excel Dryer, sells about \$40 million worth of dryers a year that mostly go into public bathrooms, including at airports and casinos as well as at Starbucks and Walmart stores across the United States. The company uses parts made in the U.S. at its factory, except for the motors and electronic controllers at their core. They long sought a domestic supplier for those items, but nobody could beat China's low prices. Until now.



CANADA

Market Monitor

Canada's main stock index fell, with the **Toronto Stock Exchange's S&P/TSX composite index** dipping 0.07%, to 16,939.61.

BRP shares fell 5.37% after the company announced a C\$305.9 million secondary offering on a bought deal basis.

The **U.S. dollar** was 0.37% lower against its **Canadian counterpart** at C\$1.3176.



REUTERS/Mark Blinch

COMING UP

Bank of Canada Governor Stephen Poloz gives a speech at the Empire Club of Canada Toronto and addresses a press conference.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Silvercorp Metals Inc	7.46	0.44	6.27
NovaGold Resources Inc	9.32	0.50	5.67
Hudbay Minerals Inc	5.10	0.27	5.59
Semafo Inc	2.51	0.13	5.46
Pan American Silver Corp	27.31	1.14	4.36
LOSERS			
BRP Inc	60.30	-3.42	-5.37
NorthWest Healthcare Properties REIT	12.08	-0.61	-4.81
Hudson's Bay Co	8.43	-0.35	-3.99
Artis Real Estate Investment Trust	11.75	-0.47	-3.85
Allied Properties Real Estate Investment Trust	51.24	-1.90	-3.58

Top News



REUTERS/Mark Blinch

Hudson's Bay chairman gets Glass Lewis support for take-private bid

Hudson's Bay Chairman Richard Baker won the support of proxy advisory firm Glass Lewis for the takeover of the Canadian retailer, just days after a rival adviser recommended stakeholders vote against the plan. The news is the latest in a months-long battle to take

the Saks Fifth Avenue owner private by a consortium led by Baker for C\$1.9 billion, or worth C\$10.30 per share. Glass Lewis in a report dated Dec. 10 said Hudson's Bay's stock could fall further in a difficult and competitive retail environment if the deal fails, and Baker's offer seems the most viable at the moment.

Elliott-backed Triple Flag scraps IPO, signals tough 2020 for listings

Triple Flag Precious Metals became the latest private equity-backed venture to scrap a planned stock market launch, citing lackluster demand from investors in a year already dominated by several high-profile failures. The Toronto-based mine financing

company, backed by Elliott Management, had aimed to raise C\$360 million by selling 20 million shares at C\$15 to C\$18 each at a valuation of up to C\$2.12 billion. The company did not specify when or if it would revisit the deal, saying that it had been encouraged by investor interest but that the environment for share offerings "continues to be challenging." Triple Flag provides up-front financing to miners in exchange for a share of future revenue or production and the planned listing had been watched by investors as a bellwether in a sector that has struggled to attract new financing.

WEALTH NEWS

ECONOMIC REPORT

Gasoline, rents lift U.S. consumer inflation in November

U.S. consumer prices increased solidly in November, which together with labor market strength could support the Federal Reserve's intention to keep interest rates steady indefinitely after reducing borrowing costs three times this year. The report from the Labor Department also showed underlying inflation firming last month. The consumer price index rose 0.3% last month as households paid more for gasoline and electricity, and food prices increased for a third consecutive month. The CPI advanced 0.4% in October. In the 12 months through November, the CPI shot up 2.1% after gaining 1.8% in October. Excluding the volatile food and energy components, the CPI rose by 0.2%, matching October's increase. The so-called core CPI was up by an unrounded 0.2298% last month compared to 0.1572% in October. The core CPI was lifted by gains in healthcare and prices of used cars and trucks, recreation and hotel and motel accommodation. In the 12 months through November, the core CPI increased 2.3% after a similar gain in October.

U.S. inflation

CPI

Year-on-year percent change



*All items excluding food and energy

Source: Thomson Reuters Datastream

By Jiachuan Wu and Stephen Culp | REUTERS GRAPHICS

Click on the chart for a detailed and interactive graphic

TRADE NEGOTIATIONS

Focus squarely on Trump as Dec 15 tariffs loom in U.S.-China trade war

U.S. President Donald Trump has days to decide whether to impose tariffs on nearly \$160 billion in Chinese consumer goods just weeks before Christmas, a move that could be unwelcome in both the United States and China.

ARAMCO DEBUTS ON TADAWUL EXCHANGE

'Vindication' - Saudi Arabia hails 10% debut jump in Aramco shares

Saudi Aramco shares surged the maximum permitted 10% above their IPO price on their Riyadh stock market debut, in a move hailed by the government as a vindication of its towering \$2 trillion valuation of the state oil company.

OIL OUTLOOK

OPEC sees small 2020 oil deficit even before latest supply cut

OPEC pointed to a small deficit in the oil market next year due to restraint by Saudi Arabia even before the latest supply pact with other producers takes effect, suggesting a tighter market than previously thought.

EXCLUSIVE

U.S. Army will fund rare earths plant for weapons development

The U.S. Army plans to fund construction of rare earths processing facilities, part of an urgent push by Washington to secure domestic supply of the minerals used to make military weapons and electronics, according to a government document seen by Reuters.

DEAL

Nestle moves U.S. ice cream brands to Froneri in \$4 billion deal

Nestle has agreed to sell its U.S. ice cream business to Froneri, moving U.S. control of brands including Häagen-Dazs to the joint venture the Swiss group set up in 2016 with PAI Partners in a deal valued at \$4 billion.

LAWSUIT

Second U.S. law firm files London forex class action

U.S. law firm Hausfeld has filed a lawsuit in London against major banks over alleged foreign exchange (forex) rigging in a bid to take over a high-profile British class action from compatriot Scott & Scott.

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Adobe	Q4	AMC	\$2.26	\$2.26	\$1.90	\$2,972.67
Broadcom	Q4	AMC	\$5.31	\$5.35	\$5.85	\$5,731.16
Costco Wholesale	Q1	16:15	\$1.73	\$1.72	\$1.61	\$37,246.10
Oracle	Q2	AMC	\$0.89	\$0.88	\$0.80	\$9,645.39

*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.

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

The Day Ahead - North America is compiled by Yoganand KN and Pathikrit Bandyopadhyay 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](#)