

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street ended higher with the **S&P 500** briefly crossing the 3,000-point mark for the first time after dovish remarks from Fed Chairman Jerome Powell boosted the case for an interest rate cut later this month. The **Treasury yield curve** steepened. A weaker **dollar** pushed the **gold** prices higher. **Oil** jumped after U.S. crude inventories shrank and as major producers cut offshore output ahead of an expected storm in Gulf of Mexico.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26860.2	76.71	0.29	26966.00	21712.53
Nasdaq	8202.53	60.80	0.75	8176.08	6457.13
S&P 500	2993.07	13.44	0.45	2995.84	2443.96
Toronto	16563.29	18.08	0.11	16672.71	13776.88
FTSE	7530.69	-5.78	-0.08	7622.58	6599.48
Eurofirst	1525.43	-2.67	-0.17	1548.20	1308.86
Nikkei	21533.48	-31.67	-0.15	22362.92	19241.37
Hang Seng	28204.69	88.41	0.31	30280.12	24896.87

TREASURIES	Yield	Price
10-year	2.0613	-2 /32
2-year	1.8277	5 /32
5-year	1.8292	6 /32
30-year	2.5729	-28 /32

FOREX	Last	% Chng
Euro/Dollar	1.1253	0.42
Dollar/Yen	108.43	-0.38
Sterling/Dollar	1.2500	0.28
Dollar/CAD	1.3077	-0.37
TR/HKEX RMB	93.84	0.01

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	60.35	2.52	4.36
Spot gold (NY/oz)	1417.83	20.03	1.43
Copper U.S. (front month/lb)	0.0269	0.0007	2.61
CRB Index Total Return	193.25	3.65	1.92

S&P 500	Price	\$ Chng	% Chng
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GAINERS

Western Digital Corp	54.04	2.56	4.97
Align Technology Inc	286.65	11.24	4.08
DaVita Inc	54.67	2.12	4.03

LOSERS

HanesBrands Inc	16.33	-0.85	-4.95
Unum Group	32.86	-1.69	-4.89
Westinghouse Air Brake Technologies Corp	69.94	-2.33	-3.22

Coming Up

Federal Reserve Chairman **Jerome Powell** is scheduled to testify on the Semiannual Monetary Report to Congress before the Senate Banking Committee.

The Labor department is likely to report that the **Consumer Price Index** in June was flat compared to a gain of 0.1% in May. Separately, the department is also expected to show that **initial claims for state unemployment benefits** increased to 223,000 from 221,000 for the week ended July 6.

Delta Air Lines Inc is expected to report higher profit and revenue for the second quarter, driven by strong demand for air travel in the country. Investors will look for comments on the company's third-quarter financial forecast.

Federal Reserve Bank of Richmond President **Thomas Barkin** is expected to speak on "Confidence, Expectations and Implications for Monetary Policy" before the Global Interdependence Center Eleventh Annual Rocky Mountain Economic Summit. Federal Reserve Bank of Atlanta President **Raphael Bostic** is likely to speak on monetary policy before the Volcker Alliance FY2020 State Fiscal Conference: "Truth and Integrity in State Budgeting – Looming Risks,

REUTERS/Ginnette Riquelme



KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Core CPI mm, SA for June	0830	0.2%	0.1%
Core CPI yy, NSA for June	0830	2.0%	2.0%
CPI Index, NSA for June	0830	256.075	256.092
Core CPI Index, SA for June	0830	--	262.03
CPI mm, SA for June	0830	0.0%	0.1%
CPI yy, NSA for June	0830	1.6%	1.8%
Real weekly earnings mm for June	0830	--	0.1%
CPI mm NSA for June	0830	--	0.210%
CPI Index SA for June	0830	--	255.160
Initial jobless claims	0830	223,000	221,000
Jobless claims 4-week average	0830	--	222250
Continued jobless claims	0830	1.685 mln	1.686 mln
Cleveland fed CPI for June	1100	--	0.2 %
Federal budget for June	1400	-\$6.35 bln	-\$208.00 bln

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Durable Solutions". Federal Reserve Vice Chair for Supervision **Randal Quarles** is expected to participate in the "Financial Regulation and Monetary Policy" discussion at the Bipartisan Policy Center in Washington.

Federal Reserve Bank of New York President **John Williams** is likely to participate in "Stages of Small

Business Development Interactive" discussion at the Community Loan Fund of the Capital Region. Meanwhile, he is scheduled to speak at an event organized by the University of Albany-SUNY. Federal Reserve Bank of Minneapolis President **Neel Kashkari** is expected to participate in a town hall event, at K.O. Lee Aberdeen Public Library.

LIVECHAT- OIL OUTLOOK

Reuters energy correspondent **Jessica Resnick-Ault** takes your questions about the oil markets in the rapid fire, weekly segment "Lock, Stock and Barrel". (1500 ET/1100 GMT) To join the conversation, [click here](#)

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Delta Air Lines	Q2	BMO	\$2.30	\$2.28	\$1.77	\$12,497.35
Fastenal	Q2	11:00	\$0.37	\$0.37	\$0.30	\$1,378.16

*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

The benchmark **S&P 500** closed higher after briefly crossing the 3,000-point mark for the first time following dovish remarks from Federal Reserve Chairman Jerome Powell boosting the case for an interest rate cut this month. The Nasdaq and the Dow also scaled all-time highs after Powell, who gave semi-annual testimony on monetary policy before the U.S. House of Representatives Financial Services Committee, said the central bank stands ready to "act as appropriate" to support record U.S. economic growth. Stocks briefly added to gains following minutes from the last meeting of Fed policymakers. The **technology shares** rose 0.80%. The **Dow Jones Industrial Average** rose 0.29% to 26,860.2, the **S&P 500** gained 0.45% to 2,993.07 and the **Nasdaq Composite** added 0.75% to 8,202.53.

The **Treasury yield curve** steepened after the Federal Reserve's concerns about global growth increased expectations that the U.S. central bank may cut rates more sharply than expected in July. The **spread between two- and 10-year yields** was last up to 23.3 basis points. It hit a month low of 14.2 basis points on Tuesday. Meanwhile, the Treasury Department sold \$24 billion in **10-year notes** at a high yield of 2.064%. The bid-to-cover ratio was 2.41. The **two-year Treasury** notes were up 5/32 to yield 1.83%.

Oil prices rose after U.S. crude inventories shrank and as major producers cut nearly a third of offshore Gulf of Mexico production ahead of an expected storm. U.S. crude stocks fell 9.5 million barrels in the week to July 5, shrinking more than triple the 3.1 million-barrel draw analysts had expected as refineries ramped up output, the Energy Information Administration (EIA) said. "The inventory draw was much stronger than

U.S. crude inventories, weekly changes since 2017

Stockpiles fell by 8.1 million barrels last week, according to the American Petroleum Industry group. It will be the fourth consecutively weekly drop in stocks if confirmed by official figures



expected," which helped to push oil prices higher, said Carsten Fritsch, oil analyst at Commerzbank. "Imports dropped and refinery utilization reached the highest level since the beginning of the year, contributing to the big draw." A storm expected to form along the Gulf of Mexico also helped oil prices. **Brent crude futures** rose 4.02% to \$66.74 a barrel. **U.S. crude futures** were up 4.36% at \$60.35 a barrel.

The **dollar** fell after Federal Reserve Chairman Jerome Powell struck a downbeat tone in congressional testimony, saying trade uncertainties and concerns about the global outlook continued to exert pressure on the U.S. economy. The **dollar index** slid 0.39% to 97.11. Against the **Japanese yen**, the **dollar** fell 0.38% to 108.43 yen.

The **euro**, meanwhile, rose 0.42% to \$1.1253.

Gold prices rose as the dollar slid after Fed Chairman Jerome Powell fanned expectations of an interest rate cut, citing risks to the U.S. economy. "Over the past four days we had gold pulling in from a high. Powell's comments on trade war adding uncertainties in the U.S. economy left doors open for a rate cut, giving investors an opportunity to buy gold when it was seeking a support," said Michael Matousek, head trader at U.S. Global Investors. "But now, there is chatter in the market about a little bigger rate cut than that, which has fueled some animal spirit in the gold market," Matousek said. **Spot gold** rose 1.43% to \$1,417.84 per ounce and **U.S. gold futures** were 1.33% up at \$1,419.10 per ounce.

Top News

Fed chief says Facebook currency project raises 'serious concerns'

U.S. Federal Reserve Chairman Jerome Powell said that Facebook's plan to build a digital currency called Libra "cannot go forward" until serious concerns were addressed, piling further pressure on the controversial project. Powell said any regulatory review of the recently announced project should be "patient and careful," while acknowledging digital currencies do not neatly fit within existing rules. "It's something that doesn't fit neatly or easily within our regulatory scheme but it does have potentially systemic scale," he said. "We are very much aligned with the Chairman around the need for public discourse on this," Facebook spokeswoman Elka Look said in an email. "This is why we along with the 27 other Founding Members of the Libra Association made this announcement so far in advance, so that we could engage in constructive discourse on this and get feedback."

U.S. oil firms cut nearly a third of Gulf of Mexico output ahead of storm

U.S. oil producers cut nearly a third of offshore Gulf of Mexico crude output as what could be one of the first major storms of the Atlantic hurricane season threatened production. Fifteen oil production platforms and four rigs were evacuated in the north central area of the Gulf of Mexico, according to the U.S. Bureau of Safety and Environmental Enforcement (BSEE), ahead of a storm expected to become a hurricane by Friday. Exxon Mobil, Chevron, Anadarko and others withdrew staff and some cut production from deepwater platforms as a safety precaution. A tropical depression is expected to form in the Gulf by



Representations of virtual currency are displayed in front of the Libra logo in this illustration picture, June 21. REUTERS/Dado Ruvic

Thursday, with the potential to strengthen to a hurricane by the weekend, according to the National Hurricane Center. The system could produce a storm surge and heavy rainfall from Louisiana to the upper Texas coast.

American Airlines raises unit revenue forecast, shares rise

American Airlines raised its estimate for second-quarter unit revenue as the grounding of Boeing's MAX jets left the No. 1 U.S. carrier with fewer aircraft in service, allowing it to fly fuller planes. The company, however, said its second-quarter pretax profit would be reduced by about \$185 million because it canceled over 7,000 flights in the quarter. The airline also raised its forecast for quarterly pre-tax margin, excluding certain items, to a range of 8.5% to 9.5%, from 7% to 9%. The

company's shares were up 1.79% at \$32.94 at market close.

Rice group wins board control at gas producer EQT, new CEO to be named

Two brothers have won control of the board of directors of natural gas producer EQT, and one of them, Toby Rice, is expected to be named chief executive officer, the company said. Shareholders ranging from mutual fund group T. Rowe Price Group to pension fund CalSTRS elected all seven Rice Team nominees as directors as well as five nominees supported by both Rice and EQT, the company said in a statement. The vote ended an eight-month campaign against the EQT board and management during which the Rice brothers claimed they had mismanaged the company since the brothers sold them natural gas and oil

firm Rice Energy in 2017.

U.S. FCC votes 3-2 to auction key 2.5 GHz spectrum band for 5G

The U.S. Federal Communications Commission voted 3-2 to auction a key band of underused 2.5 GHz spectrum to help advance next-generation 5G wireless networks and scrap requirements that it be used for education. FCC Chairman Ajit Pai said the commission was taking "a major step toward freeing up critical mid-band spectrum for 5G. At long last, we remove the burdensome restrictions on this band, allowing incumbents greater flexibility in their use of the spectrum and introduce a spectrum auction that will ensure that this public resource is finally devoted to its highest-valued use." FCC Commissioner Brendan Carr said the order "frees the spectrum from the misguided choices of FCCs past" and relies on "market forces" to "quickly and fully rationalize the spectrum for 5G. This means mid-band for 5G today."



Need quick medical advice in Britain? Ask Alexa

Britain's state-run health service is teaming up with Amazon to provide medical advice for common ailments such as migraines and flu via the tech giant's voice assistant Alexa, aiming to help more patients at home and cut down on costs. The plan is to give patients - especially the elderly, blind and those unable to access the internet through traditional means - access to

information verified by the National Health Service (NHS) by using voice commands, the government said. The deal could ease pressure on the NHS by reducing the need to visit a doctor. British Health Secretary Matt Hancock said millions of people were already asking Alexa and other voice assistants about health matters, and he wanted to make sure they received the very best advice in response.

Amneal cuts forecast as epinephrine shot supply issues linger, shares slump

Shares of Amneal plunged to an all-time low after the generic drugmaker cut its 2019 core earnings forecast due to supply uncertainties related to its epinephrine auto-injectors. Amneal now expects full-year adjusted earnings before interest, tax, depreciation and amortization in the range \$425 million to \$475 million, compared with its prior range of \$600 million to \$650 million. SVB Leerink analyst Ami Fadia called the forecast cut more significant than expected, but said it is probably more realistic. "(The forecast cut) says that they are either expecting faster erosion of some of their existing in-market products plus not expecting new product launches that were baked into guidance for the year," she said. The company's shares were down 35.98% to \$4.36 at market close.

Microsoft opens first European store in London's West End

Microsoft will open its first European retail store in London on Thursday, showcasing technology ranging from Xbox games and Surface tablets to augmented reality and LinkedIn masterclasses. Chief Marketing Officer Chris Capossela said the U.S. software group had secured a prime position in Oxford Circus, central London, where its three-floor flagship could be seen by

about 86 million shoppers and tourists every year. "We really think of our stores as the physical manifestation of our brand," he said in an interview. The store will include a gaming lounge, an augmented reality experience and an area for business technology. Microsoft UK Chief Executive Cindy Rose said the store reinforced the company's commitment to digital skills.

Anonymous Analytics goes long cannabis with Turning Point Brands

Activist research group Anonymous Analytics has turned its attention to the cannabis industry, initiating a buy rating on Turning Point Brands in a report. The group, which holds shares in Turning Point Brands, called it "a highly profitable, but woefully under-covered and under-valued company" with a network of 1.5 million online customers and 155,000 stores. "As its CBD (Cannabidiol) story gains awareness, we expect substantial market interest," the report said. "Investors are thirsty for an established, profitable and non-speculative company in the cannabis space. TPB is it." "The cannabis industry is currently in its Wild West phase filled with both excesses and real potential," Anonymous Analytics said in an email to Reuters.

KKR in talks to sell majority stake in French call centre operator Webhelp

Private equity firm KKR said it is in talks to sell a majority stake in French call centre business Webhelp to Belgian investment firm Groupe Bruxelles Lambert for on an enterprise value of 2.4 billion euros. The buyout is expected to be backed with up to 1.2 billion euros of senior leveraged loans, which increases to around 1.4 billion euros, including undrawn facilities, LPC reported on Tuesday, citing banking sources. KKR said it expects to complete the sale by the fourth quarter of 2019.





A boy swims on a pond covered with algae in Bhaktapur, Nepal, July 9. REUTERS/Monika Deupala

Insight and Analysis

Aggressive U.S. energy policy tests ties with European allies

For the administration of President Donald Trump, a policy of "energy dominance" means reducing dependence on imported oil and promoting exports to boost the national economy and Washington's political influence overseas. For many of America's European allies, however, it means unwelcome interference in its markets. The Trump administration has capitalized on a decade-long U.S. drilling boom to pursue some of the most aggressive foreign energy

policies in the nation's history. So far, that has meant sanctions on oil exports from OPEC-members Iran and Venezuela and threats against firms helping Russia build a natural gas pipeline into Europe. To fill the supply gap, Washington is promoting a rising wave of U.S. crude oil and natural gas exports.

COLUMN-Trade war fatigue saps global base metals activity: Andy Home

The base metal markets are suffering from trade war fatigue. Trading activity

fell by 7% on the London Metal Exchange (LME) in the first half of this year as robust micro fundamentals were subsumed by the rumbling stand-off between the United States and China. It's not just London. Activity on the CME copper contract has fallen as well and even Chinese speculators appear to have largely given up on the base metals for now. In a world of twitter politics, uncertainty rules and money has evidently left the sector for more exciting markets such as gold and iron ore. The question is what might bring it back.



CANADA

Market Monitor

Canada's main stock index rose, as the Bank of Canada held interest rates steady and raised its second-quarter growth forecast as expected, while highlighting the risks that trade wars posed to the global economy.

The **Toronto Stock Exchange's S&P/TSX Composite index** was up 0.11% at 16,563.29.

The **U.S. dollar** was down 0.33% against its **Canadian counterpart** to C\$1.3082.



COMING UP

Canada's **new housing price index** is expected to have gained 0.1% in May.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Crescent Point Energy Corp	4.49	0.38	9.25
Torex Gold Resources Inc	14.64	1.02	7.49
Whitecap Resources Inc	4.39	0.30	7.33
LOSERS			
CannTrust Holdings Inc	4.12	-0.61	-12.90
BlackBerry Ltd	9.25	-0.30	-3.14
Manulife Financial Corp	24.08	-0.56	-2.27

Top News



Bank of Canada content to leave rates unchanged, frets about trade war damage

The Bank of Canada held interest rates steady and raised its second-quarter growth forecast as expected while highlighting the risks that trade wars posed to the global economy. The central bank - which has sat on the sidelines since last October amid an economic slowdown - maintained its overnight rate at 1.75% and made no mention of future rate moves. The bank raised its second quarter annualized growth estimate for Canada to 2.3%

from 1.3%, in part because of temporary factors such as the reversal of weather-related softness and a surge in oil-exports. "Escalation of trade conflicts remains the biggest downside risk to the global and Canadian outlooks," it said, adding that the trade wars were curbing manufacturing activity and business investment while pushing commodity prices down.

CEO at Canadian miner Hudbay steps down, industry veteran steps in

Hudbay Minerals said that Chief Executive Officer Alan Hair has stepped down after more than 20 years with the company and named Peter Kukielski, who was backed by its second largest investor in a proxy battle, as interim CEO. As part of its proxy fight, private equity firm Waterton Global Resource Management had nominated five directors to the company's board. Much of Waterton's

ire surrounded Hudbay's reported talks to buy Chile's Mantos Copper for about \$780 million last year and what it described as an erosion of shareholder returns under its management and board. Although Waterton, which held a 12.09% stake in the company as of May 3, eventually dropped its call for Hair to be replaced by Kukielski, his appointment as interim CEO is a win of sorts for the activist shareholder.

Canada's Bombardier to lay off 550 workers at Ontario rail plant

Bombardier said it would lay off around half of the workforce, or about 550 employees, at its rail plant in Ontario, effective Nov. 4, confirming earlier media reports. The Montreal-based plane and train maker said in a statement that two existing contracts in the province are slated to wind down and the plant has no new trains to build. News of the layoffs were first reported by Canadian Press on Tuesday, citing a government source.



A file photo of the Enbridge Tower pictured on Jasper Avenue in Edmonton, August 4, 2012. REUTERS/Dan Riedlhuber

Enbridge eases oil volume terms for Mainline pipeline in response to small producers' fears

Enbridge has lowered oil-shipping requirements on its Mainline pipeline by nearly two-thirds, the company confirmed, a move likely to satisfy smaller producers who feared they would be elbowed out by the company's initial bigger requirements. Enbridge now requires minimum volume commitments of 2,200 barrels per day (bpd), down from the 6,000 bpd commitment it previously sought, Enbridge spokesman Jesse Semko told Reuters. The company confirmed

the change to Reuters after sources said Enbridge had made the adjustment. Enbridge plans to turn the Mainline, North America's largest oil-shipping network, from a common carrier system that is open to all shippers, to one that is mostly contracted for up to two decades.

Ontario cannabis retailer pulls CannTrust products over unlicensed facilities use

The online retailer of cannabis run by Ontario, Canada's most populous province, said it had pulled several

CannTrust products from its offerings, after the federal health regulator found the company sold cannabis produced in unlicensed facilities. The retailer, Ontario Cannabis Store (OCS), said in an email it had "voluntarily removed all affected products from distribution pending the outcome of an investigation." OCS did not specify which products it has pulled. On Monday, CannTrust Holdings said Health Canada was putting a hold on 5,200 kilograms of CannTrust cannabis produced in non-compliant facilities. The company said it was voluntarily holding a further 7,500 kg as a result.



WEALTH NEWS

FED CHAIRMAN SPEAKS

Fed's Powell bolsters rate cut view on trade, growth concerns

Federal Reserve Chairman Jerome Powell set the stage for the first U.S. interest rate cut in a decade later this month, pledging to "act as appropriate" to defend an economic expansion threatened by trade disputes and a global slowdown. Minutes of the Fed's June rate-setting meeting, released shortly after Powell concluded several hours of testimony before the U.S. House of Representatives Financial Services Committee, further drove rate cut expectations. Several policymakers thought rates should be lowered to "cushion the effects" of adverse shocks from events such as U.S. disputes with trading partners and to firm up inflation that is failing to meet the U.S. central bank's 2% annual target, the minutes showed.



Federal Reserve Chairman Jerome Powell testifies during a House Financial Services Committee hearing on "Monetary Policy and the State of the Economy" in Washington, U.S. July 10. REUTERS/Erin Scott

ECONOMIC REPORT

U.S. May wholesale inventories unrevised; sales edge up

U.S. wholesale inventories rose in May amid a strong increase in the automotive sector, but the pace of accumulation is slowing, supporting views that inventory accumulation was probably a drag on economic growth in the second quarter.

DEUTSCHE BANK REINVENTION

Sceptical Deutsche Bank investors to grill Sewing on revamp roadshow

Deutsche Bank shareholders will quiz Chief Executive Christian Sewing on how he plans to deliver on revenue growth targets during a global roadshow to win their backing for a 7.4 billion euro reinvention of the lender.

TRADE TENSIONS

Europe should brace for U.S. tariffs on several fronts -German official

European Union member states should brace for U.S. tariffs on several fronts in the coming months, a senior German official said late on Tuesday, following meetings with U.S. officials and lawmakers in Washington.

OIL OUTLOOK

Iraqi oil minister says OPEC deal will lower inventories, stabilise prices

An agreement between OPEC and its allies to extend oil output cuts until the end of March 2020 will lower inventories, help stabilise the market and address price volatility, Iraqi Oil Minister Thamer Ghadhban said.

NEW ROBO-ADVISER

JPMorgan aims to lower account minimums on new robo-adviser tool

JPMorgan Chase & Co intends to lower the minimum account balance on its new digital investment product You Invest Portfolios to as low as \$1,000, an executive said.

CORPORATE ACTIVISM

Elliott outspends rivals as corporate activism turns to Germany

Elliott Management has invested more than rivals in its push for corporate change so far this year and there has been an increasing focus among activist investors on German companies.



Rescue workers waded through flood waters as they evacuate a woman with an inflatable swimming pool on a street following heavy rainfall in Pingxiang, Jiangxi province, China July 9. REUTERS/Stringer

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