

THE DAY AHEAD

MARKET RECAP at 4 pm ET

An unexpected increase in U.S. crude stockpiles hit **oil** prices, which tumbled over 4%. **Wall Street** ended lower with bank stocks falling as prospects of a Fed interest rate cut rose. **Treasury yield curve** steepened after soft U.S. inflation data, while the **dollar** gained. **Gold** prices were up.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26007.34	-41.17	-0.16	26951.81	21712.53
Nasdaq	7792.72	-29.85	-0.38	8176.08	6457.13
S&P 500	2879.85	-5.87	-0.20	2954.13	2443.96
Toronto	16227.24	-21.52	-0.13	16672.71	13776.88
FTSE	7367.62	-30.83	-0.42	7528.93	6599.48
Eurofirst	1494.18	-4.87	-0.32	1541.32	1308.86
Nikkei	21129.72	-74.56	-0.35	22362.92	19241.37
Hang Seng	27308.46	-480.88	-1.73	30280.12	24896.87

TREASURIES	Yield	Price
10-year	2.1205	6/32
2-year	1.8847	2/32
5-year	1.8741	5/32
30-year	2.6148	1/32

FOREX	Last	% Chng
Euro/Dollar	1.1285	-0.39
Dollar/Yen	108.51	0.01
Sterling/Dollar	1.2683	-0.31
Dollar/CAD	1.3338	0.44
TR/HKEX RMB	93.19	0.08

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	50.97	-2.30	-4.32
Spot gold (NY/oz)	1332.93	6.27	0.47
Copper U.S. (front month/lb)	0.0266	-0.0002	-0.50
CRB Index Total Return	181.48	-1.69	-0.92

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Alexion Pharmaceuticals Inc	120.65	3.51	3.00
Eli Lilly and Co	115.15	2.94	2.62
Fox Corp	34.70	0.87	2.57
LOSERS			
Western Digital Corp	36.24	-2.17	-5.65
Micron Technology Inc	32.96	-1.88	-5.40
Lam Research Corp	179.88	-10.04	-5.29

Coming Up



A file photo of a sign for the campus offices of chip maker Broadcom in Irvine, California, November 6, 2017. REUTERS/Mike Blake

Broadcom Inc is expected to report a rise in second-quarter revenue, helped by demand for its software for mainframes and big servers, ducking the slowdown in chip demand. The communications chipmaker gets 50% of its revenue from China and investors will be keen to know the impact of the ongoing Sino-U.S. trade tensions and the U.S. government's blacklisting of Huawei, a key customer, on the company.

On the U.S. economic tap, the Labor Department is expected to report that **initial jobless claims** fell by 2,000 to a seasonally adjusted 216,000 for the week ended June 8.

In its investor day presentation, **Campbell Soup Co's** new CEO **Mark Clouse** is likely to provide updates on its turnaround to the investor community, including activist hedge fund Third Point.

Israel's freelance marketplace **Fiverr International Ltd** is expected to debut on the New York Stock Exchange. Founded in 2010, the company allows users to connect with professionals offering nearly 3 million services from video editing to essay writing, across 196 countries. Investors will be watching how the debut plays out against the backdrop of volatile stock markets.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Import prices mm for May	0830	-0.2%	0.2%
Export prices mm for May	0830	-0.1 %	0.2%
Initial jobless claims	0830	216,000	218,000
Jobless claims 4-week average	0830	--	215,000
Continued jobless claims	0830	1.680 mln	1.682 mln



A file photo of the PetSmart store in Westminster, Colorado, November 18, 2014.

Online pet food retailer **Chewy Inc** is set to price its initial public offering, as parent company **PetSmart looks** to raise money to pay down its debt. The

company is aiming to sell up to \$790 million in stock at a valuation of around \$7 billion. The majority of the stock is being sold by PetSmart, which is

owned by private equity firm **BC Partners**.

White House economic adviser **Larry Kudlow** is scheduled to discuss U.S. economy and trade policy at Peterson Institute for International Economics in Washington.

Brazil's statistics agency IBGE is expected to report **service activity** rose 0.4% in April, after falling 0.7% in March.

Argentina's statistics agency INDEC is likely to report that **consumer prices** gained 3.1% in May, following an increase of 3.4% in the month before.

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". (0930 ET/1330 GMT) To join the conversation, [click here](#)

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Broadcom	Q2	AMC	\$0.91	\$0.90	\$0.90	\$1,474.56

*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 ended down slightly, with bank stocks declining as prospects of a U.S. interest rate cut rose and energy shares tumbling along with oil prices.

The **S&P 500 energy index** slid 1.44%, as crude prices fell. A report from the Labor Department showed U.S. consumer prices rose 0.1% in May, in line with expectations of economists polled by Reuters, pointing to moderate inflation. The muted reading on inflation backed the case for a rate cut by the Federal Reserve.

Banking stocks dropped 1.41%. Fed policymakers will meet on June 18-19. Markets have priced in at least two rate cuts by the end of 2019. The **Dow Jones Industrial Average** fell 0.16% to 26,007.34, the **S&P 500** lost 0.20% to 2,879.99 and the **Nasdaq Composite** dropped 0.38% to 7,792.72.

The **U.S. Treasury yield curve** was steeper after soft inflation data pulled short-dated yields lower, indicating increased expectations that the Federal Reserve will cut interest rates. The Treasury department's \$24 bln **10-year auction** was met with average demand. They were sold at high yield of 2.130%, lowest level since October 2016. The bid-to-cover ratio was 2.49. The **spread between the two- and 10-year yields** rose to 23.7 basis points, from Tuesday's close of 21.3. The **30-year bonds** were up 1/32, yielding 2.61% and the **2-year notes** were up 2/32 to yield 1.88%.

The **U.S. dollar** gained as trade tensions and U.S. interest rate policy remained in focus after President Donald Trump expressed optimism over making a trade deal with China. The **greenback** has come under



A file photo of traders working on the floor of the New York Stock Exchange shortly after the opening bell in New York, May 31. REUTERS/Lucas Jackson

pressure recently as the U.S.-China trade war threatens to derail global economic growth, adding to bets that the Federal Reserve is closer to cutting interest rates. The **euro** dropped as Trump said he was considering sanctions over Russia's Nord Stream 2 natural gas pipeline project and warned Germany against being dependent on Russia for energy. The **euro** fell 0.40% against the **dollar** to \$1.1284. The **dollar index** was up 0.32% at 96.99.

Gold prices gained momentum as the dollar dipped on speculation about the U.S. central bank cutting interest rates this year amid global economic growth concerns. "Today, global equities are weaker, there is some safe-haven buying, and buying ahead of the U.S. Fed meeting next week," said Bob Haberkorn, senior market strategist at

RJO Futures. **Spot gold** was up 0.47% at \$1,3332.94 per ounce. **U.S. gold futures** were 0.41% up at \$1,336.7 per ounce.

Oil prices tumbled, weakened by another unexpected rise in U.S. crude stockpiles and by a dimming outlook for global oil demand. The U.S. Energy Information Administration (EIA) reported domestic crude stockpiles rose unexpectedly for the second week in a row, climbing 2.2 million barrels last week after analysts had forecast a decrease of 481,000 barrels. The EIA on Tuesday cut its forecasts for 2019 world oil demand growth, which also pressured oil futures. **Brent crude futures** fell 3.97%, to \$59.08 a barrel. **U.S. crude futures** were 4.26% lower at \$51 a barrel.

Top News

American Airlines CEO sees Boeing 737 MAX flying by mid-August

The grounded Boeing 737 MAX is "highly likely" to be flying by mid-August, American Airlines Group Chief Executive Doug Parker told shareholders. A battered aviation industry is awaiting regulatory approval for a software fix and pilot training updates by Boeing that would pave the way for the troubled jet to fly again following two deadly crashes in Indonesia and Ethiopia within five months. American Airlines has said the economic impact of the grounded MAX would be about \$350 million between its worldwide grounding in mid-March and Aug. 19, when the airline had initially envisioned flying its 24 MAX jets again. Separately, the Federal Aviation Administration said it does not have a specific timetable on when Boeing's troubled 737 MAX jet would return to service after two fatal crashes led to the airplane's worldwide grounding in March. To read more, [click here](#).

KKR offers 40% premium to buy out Axel Springer minorities

KKR offered a 40% premium to buy out minority investors in Axel Springer in a deal that entrenches the influence of the main shareholders at the publishers of Germany's Bild newspaper. The buyout offer of 63 euros per share puts an equity value of 6.8 billion euros on the business. It will be subject to acceptances for 20% of Springer's share capital - a threshold one analyst said was within reach. The offer, made in concert with main shareholders led by founder Axel Springer's 76-year-old widow Friede, would guarantee her a say over strategy even if KKR secures a majority stake. "It's a partnership of equals," CEO Mathias Doepfner told reporters. Between them, Friede Springer and Doepfner control 45.4% of Axel Springer.



American Airlines Boeing 737 MAX jets sit parked at a facility in Tulsa, Oklahoma, U.S., May 10. American Airlines/Handout via REUTERS

Facebook CEO may have known of questionable privacy practices -WSJ

Facebook emails appear to show Chief Executive Officer Mark Zuckerberg's involvement in discussions about its much criticized privacy practices, the Wall Street Journal reported, citing people familiar with the matter. The newspaper said reporters had not seen the emails and relied on unnamed people. The report said the communications "appear to show Chief Executive Mark Zuckerberg's connection to potentially problematic privacy practices at the company". Separately, Facebook said monthly users to its Watch video service had doubled since December while announcing more partnerships with international broadcasters and publishers in its bid to take on Alphabet's YouTube. To read more, [click here](#).

Analysts split on Tesla 2019 delivery promises

Tesla shares were down, as analysts remained divided on the electric-car maker's chances of meeting delivery and production targets in the

months ahead, despite Chief Executive Officer Elon Musk's reassurances at an annual shareholder meeting. Musk told shareholders on Tuesday that Tesla was on track to hit its volume production goal for the year, indicating the demand for its cars remains strong. "We made as many cars last year as we had in our entire history. And this year, it's going to be pretty similar at least sort of 60% to 80% growth of the total vehicle fleet, maybe more than that," Musk said. Analysts at Cowen & Co, however, questioned the 47-year old billionaire's comment, saying "Musk claims that sales have far exceeded production, but the data doesn't suggest". Shares of the company closed 3.61% down at \$209.26.

Reckitt picks PepsiCo exec as CEO, going outside for first time

Consumer goods group Reckitt Benckiser has picked PepsiCo executive Laxman Narasimhan as its next chief executive, becoming the latest industry heavyweight to turn to a company outsider to tackle faltering growth and new media-savvy rivals. Narasimhan, PepsiCo's global chief

commercial officer, is the first external candidate to be appointed as CEO at Reckitt since the maker of Durex condoms, Nurofen tablets and Dettol cleaners was formed in 1999. The 52-year-old takes over as CEO on September 1, replacing Rakesh Kapoor, 60, who has led Reckitt for more than eight years and said in January he would retire this year.

Democratic commissioner questions FCC review of Sprint T-Mobile merger

The senior Democrat on the Federal Communications Commission criticized the FCC's review of the proposed \$26.5 billion tie-up of Sprint and T-Mobile, saying Republican commissioners moved toward approving the merger without adequate economic and legal analysis. "This is highly unusual. I have no economic analysis, legal analysis or paper before me and yet my colleagues have announced that they are going to support this transaction via press release," FCC Commissioner Jessica Rosenworcel (*pictured*), told the Senate Commerce Committee during a hearing. "This is just the worst of what people expect from Washington. It looks like some backroom dealing."

Huawei asks Verizon to pay for over 200 patents - WSJ

Huawei has told Verizon that the U.S. carrier should pay licensing fees for more than 200 of the Chinese telecoms equipment maker's patents, the Wall Street Journal reported, citing people familiar with the matter. Verizon should pay to "solve the patent licensing issue," a Huawei intellectual property licensing executive wrote in February, according to the report. The patents in question range from core network equipment, wireline infrastructure to internet-of-things technology, the WSJ reported.

Uber to unveil next-generation Volvo self-driving car

Uber will unveil its newest Volvo self-driving car in Washington as it works to eventually deploy vehicles without drivers under some limited conditions. Uber said the new production XC90 will be assembled by Volvo Cars in Sweden and have human controls like steering wheels and brake pedals, but added it has factory-installed steering and braking systems designed for computer rather than human control. Previously, Uber had purchased about 250 Volvo XC90 SUVs and retrofitted them for self-driving use.

Ford recalls 1.2 million Explorer SUVs for potential steering problem

Ford said it is recalling 1.2 million Explorer sport utility vehicles in the United States for a potential suspension defect that could lead to reduced steering control. The automaker said the recall covers 2011-2017 model year Explorers that could experience a fractured rear suspension toe link that could increase the risk of a crash. Ford said the \$180 million cost, which will be incurred by its North America business unit, will be taken in the second quarter. The company said it continued to expect adjusted earnings before interest and taxes to be higher than in 2018. Separately, Ford's majority owned autonomous vehicle subsidiary, Argo AI, launched its new fleet of self-driving test vehicles - Ford Fusion Hybrid - in Detroit, expanding its presence to five U.S. cities. To read more, [click here](#)

Catalyst Pharma sues FDA over approval of cheaper rival drug

Catalyst Pharmaceuticals, which has come under fire for the high price tag on its rare disease drug, sued the U.S. Food and Drug Administration to challenge the recent approval of a lower-cost rival drug. The lawsuit alleges that the approval of Ruzurgi, a rival drug from privately held Jacobus Pharmaceutical, in May violated provisions of FDA regulations and Catalyst's rights to exclusivity for its drug, Firdapse. For years, patients were able to access the same drug for free from Jacobus, a small, family-run company in New Jersey, through an FDA program called "compassionate use". The approval of Firdapse, which was not originally developed by Catalyst, last year put an end to that. The company priced the treatment at \$375,000 a year, drawing widespread criticism, including from presidential candidate and U.S. senator Bernie Sanders. Jacobus' treatment is priced at less than half that cost, at about \$175,200 annually.



A file photo of Federal Communications Commission commissioner Jessica Rosenworcel attending a hearing in Washington, February 26, 2015. REUTERS/Yuri Gripas



Police officers fire tear gas during a demonstration against a proposed extradition bill in Hong Kong, China June 12. REUTERS/Athit Perawongmetha

Insight and Analysis

GRAPHIC-Oil demand growth grinding to lowest in years as global economy stalls

World oil markets have undergone a U-turn, switching from supply-side risks like OPEC's production cuts or U.S. sanctions against producers Iran and Venezuela, analysts said, to concerns of slowing consumption amid fears of a global recession. Crude oil prices have turned a 45% price rally in the first four months of the year into a slump of more than 15% since late April. Goldman Sachs said on Wednesday that weakening economic growth and lower oil demand expectations were "the largest driver of the move lower over the past month" in crude oil prices.

U.S. pet doctors steel themselves for online pharmacy challenge

A David and Goliath battle is brewing in the business of selling prescription medicines for pets, pitching veterinarians against online giants moving into this lucrative corner of the growing market for animal supplies. With deep discounts and online convenience, Walmart, soon-to-be listed Chewy.com and Amazon.com's Wag brand have effectively conquered the market for pet food, care products and other supplies, but until now veterinary practices, which both prescribe and sell drugs, have been a major source of prescription medication.

U.S. mortgage lenders optimism on profits return - survey

U.S. mortgage lenders turned optimistic about profits in the second quarter for the first time in nearly three years as tumbling interest rates led to a jump in demand for home loans, a survey from Fannie Mae showed. The share of lenders surveyed who said they expect their profits to increase in the next three months exceeded the share of those who expect a decrease by 29 percentage points. The latest figure was a switch from the first quarter when the share of lenders who were pessimistic about future profits exceeded the share of those who were optimistic by 8 percentage point.



CANADA

Coming Up



Dollarama Inc., the Canadian discount chain operator, is expected to post a rise in first-quarter profit, benefiting from more customers shopping at its stores. Investors will be looking for full-year outlook and any commentary on

how bad weather affected its sales in the first quarter.

Statistics Canada is likely to report that **new housing price index** remained unchanged in April from the month before.

The **Corporate Jet Investor conference** is scheduled to take place in Singapore. The two-day conference will focus on outlook for the corporate jet market in Asia, and will include speakers from **Bombardier Inc.**, **Embraer SA**, **Airbus SE**, **Dassault Systemes SE**, **ExecuJet Aviation Group AG** and **Jetcraft Corp.**

MARKET MONITOR

Canada's main stock index fell as crude prices dropped on a weaker outlook for demand and a rise in U.S. crude inventories. The **energy sector** dropped 1.28%.

The **Toronto Stock Exchange's S&P/TSX composite index** was down 0.13% to 16,227.24.

The **U.S. dollar** gained 0.44% against the **loonie** to C\$1.3338.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Cascades Inc	10.10	1.17	13.10
Canfor Corp	10.00	0.71	7.64
BlackBerry Ltd	11.64	0.68	6.20
LOSERS			
Precision Drilling Corp	2.23	-0.18	-7.47
Encana Corp	6.37	-0.45	-6.60
Kelt Exploration Ltd	3.83	-0.25	-6.13

Top News

Canadian panel calls for universal public prescription drug coverage

A Canadian advisory council studying prescription drug coverage said the federal government should create a C\$15.3 billion universal, single-payer public pharmacare system, and warned that the current framework requires significant reforms. The council said the system should be implemented no later than Jan. 1, 2027, and a national drug agency should be created first, with coverage for essential medicines in place by Jan. 1, 2022. "We can't tinker with what exists. We have to transform it," council chair Eric Hoskins, a former Ontario health minister, said at a news conference. Minister of Health Ginette Petitpas Taylor said in a statement that the government would "carefully study" the recommendations "over the coming months." The plan described by the advisory council would likely cut into profits of insurers and drugmakers in Canada, adding billions to federal



A pharmacist counts prescription drugs at the CentreTown Pharmacy in Ottawa, Canada, June 12.

spending while saving employers and patients money.

Canadian government rejects most Senate amendments to major projects bill

Canada's Liberal government has rejected most of the amendments proposed by Conservative senators to a bill that will overhaul how major projects like oil pipelines are assessed, a move criticized by Canada's main crude-producing province, Alberta.

Prime Minister Justin Trudeau's government introduced Bill C-69 to fulfill a 2015 election pledge to streamline and restore trust in Canada's environmental approval process for major projects. In a motion posted overnight on Tuesday, the government said it will accept 62 amendments, most of which were proposed by independent senators. It will modify another 37. Nearly all the amendments proposed by Conservative senators were rejected.

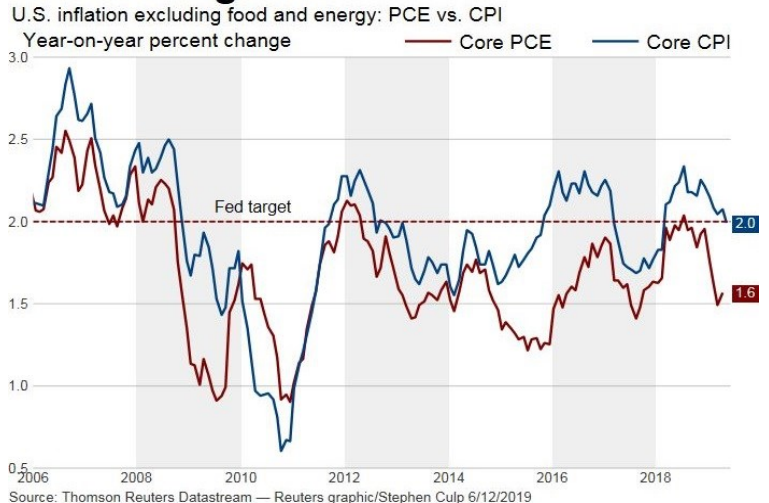
WEALTH NEWS

CONSUMER PRICE DATA

Muted U.S. inflation strengthens case for Fed rate cut

U.S. consumer prices barely rose in May, pointing to moderate inflation that together with a slowing economy increased pressure on the Federal Reserve to cut interest rates this year. But the report from the Labor Department will likely not shift Fed officials' views that temporary factors are behind the weak inflation readings. The consumer price index edged up 0.1% last month as a rebound in the cost of food was offset by cheaper gasoline, the government said. The CPI gained 0.3% in April. In the 12 months through May, the CPI increased 1.8%, slowing from April's 1.9% gain. May's rise in the CPI was broadly in line with economists' expectations. Core CPI nudged up 0.1% for the fourth straight month. In the 12 months through May, the core CPI rose 2.0% after advancing 2.1% in April.

Core divergence



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

U.S. - CHINA TRADE

Expectations low for Trump-Xi talks, preparations limited

With under three weeks to go before proposed talks between the Chinese and U.S. leaders, expectations for progress toward ending the trade war are low and sources say there has been little preparation for a meeting.

DEAL SUPPORT

U.S. proxy firm ISS backs Centene's deal for WellCare

Institutional Shareholder Services has shown support for Centene Corporation's planned acquisition of smaller rival WellCare Health Plans by recommending shareholders favour the deal, the health insurers said.

ACQUISITION

Dassault Systemes targets life sciences with \$5.8 billion Medidata deal

France's Dassault Systemes moved to build up its life sciences presence with a \$5.8 billion cash deal to buy Medidata Solutions, a U.S. firm focused on clinical trials.

SOVEREIGN WEALTH FUND

Norway fund may have to offload \$1 billion stake in Glencore in shift away from coal

Norway's \$1 trillion sovereign wealth fund may have to sell a \$1 billion stake in commodities firm Glencore and other investments to meet tighter ethical investing rules adopted by its parliament.

DIVIDEND

Investor calls on Ensco Rowan to sell debt to fund \$2.5 billion dividend

Ensco Rowan investor Luminus Management urged the deep-sea oil driller to sell guaranteed bonds to fund a special dividend of \$2.5 billion, citing the stock's "disappointing" performance despite a recent acquisition.

IPO DEMAND

Chewy raises IPO price range amid strong investor demand

Online pet products retailer Chewy Inc raised the price range of its initial public offering, indicating strong investor demand and valuing the company at about \$8.4 billion at the top end of the range.



Alex Morgan of the U.S. celebrates scoring their twelfth goal against Thailand with Megan Rapinoe at Stade Auguste-Delaune, Reims, France, June 11. REUTERS/Christian Hartmann

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