

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Stocks** rose as investors bet on possible Federal Reserve interest rate cut amid optimism over U.S.-Mexico trade deal. The **longer-dated Treasuries** dipped after weak U.S. private sector jobs data. The **dollar** rose. **Gold** prices pared earlier gains. Rise in U.S. crude inventories pushed **oil** prices down.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	25529.37	207.19	0.82	26951.81	21712.53
Nasdaq	7575.48	48.36	0.64	8176.08	6457.13
S&P 500	2826.16	22.89	0.82	2954.13	2443.96
Toronto	16212.66	46.42	0.29	16672.71	13776.88
FTSE	7220.22	5.93	0.08	7528.93	6599.48
Eurofirst	1471.36	4.03	0.27	1541.32	1308.86
Nikkei	20776.10	367.56	1.80	22362.92	19241.37
Hang Seng	26895.44	133.92	0.50	30280.12	24896.87

TREASURIES	Yield	Price
10-year	2.1227	-1 /32
2-year	1.8449	2 /32
5-year	1.8631	3 /32
30-year	2.6384	-24 /32

FOREX	Last	% Chng
Euro/Dollar	1.1222	-0.26
Dollar/Yen	108.41	0.25
Sterling/Dollar	1.2687	-0.07
Dollar/CAD	1.3419	0.22
TR/HKEX RMB	93.29	0.06

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	51.77	-1.71	-3.20
Spot gold (NY/oz)	1329.58	4.69	0.35
Copper U.S. (front month/lb)	0.0263	-0.0005	-1.78
CRB Index Total Return	180.45	-3.29	-1.79

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
Campbell Soup Co	41.96	3.85	10.10
Salesforce.Com Inc	158.41	7.60	5.04
Brown-Forman Corp	54.04	2.43	4.70
<b>LOSERS</b>			
Cimarex Energy Co	55.73	-3.17	-5.38
Occidental Petroleum Corp	47.42	-2.27	-4.57
Noble Energy Inc	20.76	-0.75	-3.49

## Coming Up

On the U.S. economic schedule, the Commerce Department is expected to release data on the **U.S. trade deficit**, which is likely to have expanded to \$50.7 billion in April from \$50 billion in March. The Labor Department is expected to report that **initial claims for state unemployment benefits** for the week ended June 1 remained flat at 215,000, compared with the prior week.

**Beyond Meat Inc.**, the vegan burger maker, is reporting its first quarterly results as a public company. Demand

for plant-based proteins has been rising as more consumers adapt to a vegan diet and as restaurants add burgers and tacos with vegan imitation meat to their menus. Any comments by the management on the growth of the plant-based meat market will be watched.

**J M Smucker Co.**, the Folgers coffee maker, is expected to post a rise in fourth-quarter sales, helped by higher demand for its pet foods such as Meow Mix and Milk Bone. However, profit is expected to be weighed down by increased marketing spending and



A file photo of Smuckers's Jam in a supermarket in New York City, February 15, 2017.

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Challenger layoffs for May	0730	--	40,023
International trade for Apr	0830	-\$50.7 bln	-\$50 bln
Initial jobless claims	0830	215,000	215,000
Jobless claims 4-week average	0830	--	216,750
Continued jobless claims	0830	1.660 mln	1.657 mln
Labor costs revised for Q1	0830	-0.80%	-0.90%
Productivity revised for Q1	0830	3.50%	3.60%



A file photo of the logo of BMW carmaker seen on a vehicle in Cairo, Egypt May 19. REUTERS/Mohamed Abd El Ghany

German automaker **BMW** is likely to inaugurate its new plant in the central Mexican state of San Luis Potosi, opening a new chapter for the industry after two years of uncertainty sparked by Donald Trump's demand to rework the NAFTA trade deal.

**Sandler O'Neill Global Exchange & Brokerage Conference** is set to feature presentations from top executives of every major U.S. exchange, as well as brokerages, in New York. The keynote speaker will be former NYMEX Chairman and founder of **Virtu Financial**, **Vinnie Viola**.

**Airbnb Inc** is scheduled to hold a press conference in Japan with billionaire co-founder **Nathan Blecharczyk**. The home rental booking company is trying to bounce back in Japan after being hit by a regulatory clampdown.

## 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](#)

higher input costs. Investors will look out for update on full-year forecast.

**U.S. Federal Reserve** is expected to release figures on the financial health of U.S. household in its Flow of Funds report for the first quarter of 2019, in Washington. Separately, Federal Reserve Bank of Dallas President **Robert Kaplan** is scheduled to participate in a moderated question-

and-answer session before the 14th Annual Carroll School of Management Finance Conference, in Chestnut Hill, Massachusetts. Also, Federal Reserve Bank of New York President **John Williams** is likely to speak before the C. Peter McColough Series on International Economics organized by the Council on Foreign Relations, in New York.

## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
J M Smucker	Q4	BMO	\$1.95	\$1.95	\$2.03	\$1,929.71

\*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 major indexes** rose as investors bet on a Federal Reserve interest rate cut after weak private sector jobs data and on optimism the United States and Mexico would reach a agreement and avoid U.S. tariffs on Mexican goods. U.S. central bank officials also hinted that they may have to react to the U.S. trade wars, boosting rate cut hopes. The ADP National Employment Report further bolstered bets for a rate cut. U.S. private employers hired at the slowest pace in more than nine years in May, weakness that analysts blamed on the heightening global trade tensions. Investors were also encouraged after President Donald Trump said he thinks Mexico wants to reach a deal to stop a new trade war. **Salesforce** rose 5.04%. **Campbell's Soup** gained 10.10%. The **Dow Jones** rose 0.82% to 25,539.37, the **S&P 500** gained 0.82% to 2,826.13 and the **Nasdaq** added 0.64% to 7,575.48.

**Short-dated Treasury yields** fell, with **two-year yields** hitting their lowest since December 2017 in the wake of a report that showed private domestic jobs growth decelerated in May to its weakest in over nine years. "There are a lot of risks to the economy," said Mary Ann Hurley, vice president of fixed income at D.A. Davidson in Seattle. "They are serving as a support for bond prices and a fall in yields." **10-year notes** edged down 1/32 to a yield of 2.12%. **30-year bonds** lost 24/32, yielding 2.64%. **2-year notes** rose 2/32 to yield 1.84%. Its yield earlier hit 1.773%, the lowest since December 2017.

The **dollar** rose, reversing earlier losses. It fell earlier in the day after the



Traders work on the floor at the New York Stock Exchange in New York, June 5.

ADP employment report showed that U.S. private employers added fewer jobs than expected. Versus the **Japanese yen**, the **dollar** rose 0.25% to 108.41 yen. It earlier fell to its weakest against the yen since January 10 at 107.95 yen. Versus the **dollar**, the **euro** slipped 0.26% to \$1.222. The **dollar index** gained 0.28% to 97.34.

**Oil** prices fell, with West Texas Intermediate crude futures dropping to its lowest since January after U.S. crude inventories unexpectedly surged, adding to concerns about slowing global growth. U.S. crude, gasoline and distillate stocks rose last week, the Energy Information Administration said. Crude inventories rose 6.8 million barrels, compared with analyst expectations for a 849,000-barrel drawdown, to their highest since July

2017 and about 6% above the five year average for this time of year. **Brent** futures were down 2.11% at \$60.66 a barrel. **U.S. crude oil futures** lost 3.22% at \$51.76 a barrel.

**Gold** prices pared earlier gains, having jumped to their highest in 15 weeks as nagging fears about global trade and expectations of a U.S. interest rate cut encouraged investors to flock toward bullion. "Powell's speech yesterday about how he is going to watch the economy for the potential of lowering the interest rate, that seemed to provide a very good bid to gold," said Michael Matousek, head trader at U.S. Global Investors. **Spot gold** was up 0.38% at \$1,329.88 per ounce. **U.S. gold futures** rose 0.37% at \$1,333.60 an ounce.

# Top News

## Bernie Sanders urges Walmart to boost 'starvation wages'

Democratic U.S. presidential hopeful Bernie Sanders told Walmart shareholders and top executives that the world's largest retailer should boost the "starvation"-level wages it pays its workers and stop fueling income inequality. Speaking at Walmart's shareholder meeting, the U.S. senator said: "Despite the incredible wealth of Walmart's owners" the company pays "starvation wages." He presented a shareholder proposal asking the company to give hourly employees a seat on its board and raise base wages to \$15 an hour. The proposal, filed by Walmart worker Carolyn Davis, was buried at the end of the annual proxy filing. It had no chance of passing since a majority of shares are owned by the family of the founder, the late Sam Walton, and the retailer has asked shareholders to vote against it.

## GM CEO defends plan to sell Ohio plant to startup

General Motors Chief Executive Mary Barra defended the automaker's plan to sell an assembly plant in Ohio, arguing the plan to sell the plant to an electric vehicle start-up was thoroughly vetted and had a chance of success. Barra told Reuters in a brief interview after a series of meetings on Capitol Hill that the company did not plan to add a new vehicle to its Lordstown, Ohio, assembly plant that ended production in March because it has additional unused U.S. capacity. Last month, GM announced it was in talks to sell the plant to EV startup Workhorse Group Inc WKHS.O and an affiliated, newly formed entity. Barra rebuffed criticism of the planned deal. "We remain thinking it's a strong possibility and think people should focus on opportunity and maybe every now and then a little optimism wouldn't hurt anyone." Asked if the deal was a "PR

stunt" Barra said no. "We vetted many opportunities." Meanwhile, the United States has rejected separate requests from General Motors and Chinese-owned Volvo Cars for an exemption to a 25% U.S. tariff on their Chinese-made sport utility vehicle models. To read more, [click here](#)

## Ford expected to announce closure of Welsh engine factory- source

Ford is expected to announce that it is closing its engine facility in Bridgend, Wales, a source told Reuters, in what would be another blow to Britain's car industry. More than 2,000 people work at the site, according to Ford's website, which is one of two Ford engine plants in Britain. Officials from the Unite union are expected to be told of the decision at a meeting with the U.S. carmaker on Thursday, a source familiar with the situation said on condition of anonymity. A spokeswoman for Ford declined to comment on what she said was speculation, after the expected closure was also reported by ITV news

and other media. Ford makes around 1.3 million engines at two British locations, Bridgend and Dagenham in eastern England. It has previously warned it could face \$1 billion in tariff costs in case of a so-called hard Brexit. Meanwhile, China's market regulator fined Ford's main local joint venture 162.8 million yuan for violating anti-monopoly laws, the latest automaker with foreign partners to face such penalties. To read more, [click here](#)

## Microsoft, Oracle team up on cloud services in jab at Amazon

Microsoft and Oracle said they reached an agreement to make their two cloud computing services work together with high-speed links between their data centers, targeting big business users and uniting against cloud computing leader Amazon.com's Amazon Web Services. The two companies said the high-speed link between their data centers would start with facilities in the eastern United States and spread to other regions. They will also work

REUTERS/Lucy Nicholson



A file photo of a Microsoft logo in Los Angeles, California, June 14, 2016.

together to let joint users log into services from either company with a single user name and get tech support from either company. The move comes as both Oracle and Microsoft are courting large businesses and government customers considering moving computing tasks currently handled in their own data centers to cloud providers.

### Campbell raises profit forecast on snack boost

Campbell Soup raised its profit forecast for the year after its quarterly earnings beat estimates on stronger sales of its growing range of snacks. The company, struggling with slowing demand for the soups which made its name, has been doubling down on its snack segment, increasing marketing investment, product launches and acquisitions. Sales in global biscuits and snacks jumped 37% to \$1.15 billion in the third quarter. For the full year, Campbell expects adjusted profit between \$2.50 and \$2.55 per share, compared with prior forecast of \$2.45 and \$2.53, factoring in strong results, the impact of its fresh business divestitures and lower interest expense. Excluding items, the company earned 56 cents per share, beating the average analyst estimate by 9 cents, according to IBES data from Refinitiv. Total combined net sales, including the discontinued fresh food segment, climbed 12% to \$2.39 billion, beating analysts' estimate of \$2.37 billion.

### GameStop shares plunge; analysts say 2019 could be challenging

GameStop Corp shares plunged and were set for their worst day ever following its weaker-than-expected quarterly sales and dividend halt, and Wall Street analysts said 2019 could be a very challenging year for the company. The gaming retailer continues to struggle with a changing video game landscape and emerging technologies like game-streaming and

has seen a slew of management changes after its Chief Executive Officer J. Paul Raines passed away last year. The company's shares ended 35.23% percent lower at \$5.07.

### American Eagle sales beat as jeans back in vogue

American Eagle Outfitters topped analysts' estimates for quarterly same-store sales, as the apparel retailer cashed in on a revival in the popularity of jeans in the United States. Even as athleisure continues to dominate current fashion scene, more shoppers are looking to get back into jeans as companies invest in making them more comfortable and fit better. The company's same-store sales rose 6% in the first quarter ended May 4, beating analysts' estimates of a 3.13% increase, according to IBES data from Refinitiv. Same-store sales at Aerie also registered a 14% surge. However, American Eagle warned of a potential impact on its business from U.S. President Donald Trump's proposed higher tariffs on another \$300 billion worth of goods from China. Excluding items, the company earned 24 cents per share in the first quarter, beating analysts' estimates of 21 cents per share. Total net revenue rose 7.7% to \$886.3 million, beating analysts' estimates of \$855.6 million.

### Amazon says new drone to take flight for package delivery in months

Amazon's new drones to start delivering packages in months  
Amazon.com has new drones that will deliver packages to customers in 30 minutes or less in the coming months, a step toward a goal that has eluded the retailer for years. The new drone takes off and lands vertically like a helicopter, is more stable than prior models and can spot moving objects better than humans can, making it safe, Jeff Wilke, the chief executive of the company's consumer business, said at the company's "re:MARS" conference in Las Vegas. Wilke did not say where

customers might see the drone in action, but Amazon made its first customer delivery by drone in the United Kingdom in 2016.

### Dutch "Big Brother" creator sues Facebook over fake Bitcoin ads

Dutch billionaire John de Mol filed a lawsuit against Facebook for allowing fake ads on its platform which used his name and image to perpetrate Bitcoin-related fraud. Lawyers for De Mol, the businessman who created the "Big Brother" reality television programme, told an Amsterdam District Court judge that the company had failed to prevent the ads and had not responded in a timely fashion to complaints. The ads, which have now been removed, enticed people to send money to purchase Bitcoin or participate in fake cryptocurrency-related businesses with claims of De Mol's involvement, endorsement or backing. Facebook lawyer Jens van den Brink said the company could not be forced to monitor all ads on its platforms at all times, and the company had removed the ads in question quickly after being made aware of complaints. Separately, the U.S. internet advertising industry is projected to hit \$160 billion by 2023 from \$107 billion last year, led by fast-growing categories like mobile video with Alphabet's Google and Facebook firmly controlling the market, consultancy PwC said. To read more, [click here](#)

### Carnival to stop sailing to Cuba after new travel restrictions

Carnival said its cruises will no longer sail to Cuba following the Trump administration's ban on U.S. travel to the Caribbean island. The new restrictions are aimed at pressuring Cuba's Communist government to reform and stop supporting Venezuelan President Nicolas Maduro. "Due to changes in U.S. policy, the company will no longer be permitted to sail to Cuba effective immediately," Carnival said.





Veterans gesture on stage for the event to commemorate the 75th anniversary of D-Day, in Portsmouth, Britain, June 5. REUTERS/Carlos Barria

## Insight and Analysis

### Fed's testing of new ideas for policy framework already underway

Ahead of a landmark monetary policy conference in Chicago this week that has drawn a cast of "A-list" economists, Federal Reserve officials promised an animated and blank-canvas debate over if and how the U.S. central bank should remake its strategy for generating stable prices and full employment. But that new framework already may be taking shape as Fed policymakers put their latest thinking into practice with a heightened emphasis on boosting labor markets, active encouragement of higher inflation to offset longstanding low

inflation, and treating the Fed's massive balance sheet as a normal part of its toolkit.

### PREVIEW-Trade war, weak growth to test G20 finance leaders' economic optimism

Raging global trade tensions are likely to force some finance leaders from Group of 20 nations meeting in Japan this weekend to issue stark warnings about risks to the world economy, challenging the forum's more upbeat outlook on global growth. In a communique set for release after the meeting, the G20 finance ministers and central bank heads are expected to

maintain a view that global economy will pick up through next year, said two officials from G20 member countries.

### POLL-Recession in Mexico likely if Trump tariffs bite, analysts say

The Mexican economy will likely slip into recession this year if U.S. President Donald Trump follows through on a threat to impose tariffs on Mexican exports to the United States, a Reuters poll of market analysts showed. Last week, Trump vowed to slap escalating tariffs of 5% from June 10 on all goods from Mexico if the latter does not stem a tide of migrants crossing the U.S. border.



## CANADA

## Market Monitor

Canada's main stock index rose.

The **Toronto Stock Exchange's S&P/TSX Composite index** was up 0.29% at 16,212.66.

The **U.S. dollar** gained 0.20% against its **Canadian counterpart** at C\$1.3417.



REUTERS/Mark Blinch

## COMING UP

**Statistics Canada** will report the country's trade balance for April.

**Canada's trade deficit** is likely to have contracted to C\$2.8 billion, after shrinking slightly to C\$3.21 billion in March. The **Ivey Purchasing Managers Index** data for May is set for release.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
Cronos Group Inc	21.58	2.25	11.64
Bombardier Inc	2.15	0.19	9.69
Shopify Inc	392.24	24.29	6.60
<b>LOSERS</b>			
Peyto Exploration & Development Corp	4.32	-0.35	-7.49
Crescent Point Energy Corp	4.11	-0.32	-7.22
Precision Drilling Corp	2.40	-0.18	-6.98

## Top News



A 7500 aircraft on the Bombardier stand in Geneva, Switzerland May 21.

**Bombardier shares up on regional jet sale talks with Mitsubishi Heavy**  
Japan's Mitsubishi Heavy Industries said on it was holding talks to buy Bombardier's regional jet program, sending the Canadian company's shares up. Mitsubishi Heavy, which is working to break into aviation with the

launch of its own regional jet program, told Reuters by email that it was in discussions but that no decision had been made. Bombardier also confirmed that it was in discussions with Mitsubishi Heavy but did not give any details. The company's shares ended 9.69% percent higher at C\$2.15.

**Canada says increased Chinese meat inspections are for pork only, not all meat**

Chinese plans to boost inspections of Canadian meat imports only affect pork rather than all meat products as the federal agriculture ministry initially stated, a Canadian government official said. A ministry notice seen by Reuters on Tuesday said the Canadian embassy in Beijing had been told Chinese customs agents would open all containers of Canadian meat and meat products, and that in some cases 100% of the contents would be inspected.

**Canada appeals WTO ruling on U.S. lumber duties -official**

Canada has appealed against a World Trade Organization (WTO) panel ruling in a case it lost in April that would allow the United States to use "zeroing" to calculate anti-dumping tariffs on lumber, a WTO official said.

# WEALTH NEWS

## U.S.- MEXICO TRADE

### Hope grows for deal to avoid U.S. tariffs on Mexican goods

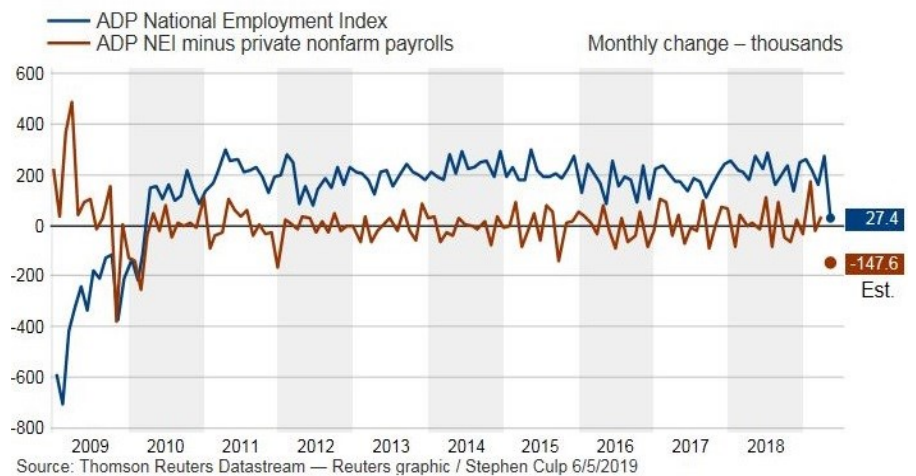
Hope grew for a deal to avoid the United States imposing tariffs on Mexican goods in return for Mexico doing more to halt illegal immigration but President Donald Trump said he was willing to go ahead with the import duties if he is not satisfied.

## ECONOMIC DATA

### U.S. services sector activity perks up; eases gloom over economy

U.S. services sector activity expanded at a brisk pace in May and industries hired more workers, offering some respite for an economy that is slowing following a temporary boost from exports and an accumulation of inventories in the first quarter. The Institute for Supply Management (ISM) said its non-manufacturing activity index rose 1.4 points to a reading of 56.9 in May. Activity was also boosted by gains in the new orders measure. The ADP National Employment Report showed private employers added only 27,000 jobs in May, the fewest since March 2010, after creating 271,000 in April.

## ADP vs. the U.S. Labor Department



## BEIGE BOOK

### Fed says contacts worry about trade war; economy growing modestly

The U.S. Federal Reserve reported that its contacts at companies across the country were worried that international trade tensions could weigh on business even as economic activity picked up.

## TARIFFS IMPACT

### IMF warns U.S.-China tariffs to slash global growth in 2020

Current and threatened U.S.-China tariffs could slash global economic output by 0.5% in 2020, the International Monetary Fund warned as world finance leaders prepare to meet in Japan this weekend.

## POTENTIAL DEAL

### Carlyle, DWS lining up bids for \$3.9 billion Arriva sale - sources

U.S. buyout fund Carlyle and German asset manager DWS are gearing up to bid for British rail and bus firm Arriva after holding preliminary talks with its German owner Deutsche Bahn, sources familiar with the matter told Reuters.

## NEW REGULATIONS

### U.S. SEC adopts rules to prevent broker conflicts, boost disclosure

The U.S. Securities and Exchange Commission voted to adopt a package of rules requiring brokerage firms to disclose potential conflicts in the fees investors pay and the commissions brokers earn when giving financial advice.

## MERGER DISCUSSIONS

### No need to rush Renault-Fiat merger talks - French finance minister

French Finance Minister Bruno Le Maire said there was no need to rush regarding the \$35 billion merger talks between carmakers Renault and Fiat Chrysler, while reiterating that he nevertheless wanted the deal to go ahead.





Muslims attend the morning prayers of Eid al-Fitr, marking the end of the holy month of Ramadan, at a mosque in Shanghai, China, June 5. REUTERS/Aly Song

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