

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Stocks** fell for a third session as the healthcare and energy sectors took a hit.

**Treasury yields** ended lower, after New York Fed President John Williams' dovish comments. The **Canadian dollar** was down after the Bank of Canada cautioned about the timing of future rate increases, while the **dollar index** was almost flat.

**Spot gold** prices were little changed. **Oil** ended mixed after U.S. crude inventories rose more than expected.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	25673.93	-132.7	-0.51	26951.81	21712.53
Nasdaq	7505.92	-70.44	-0.93	7643.66	6457.13
S&P 500	2771.45	-18.20	-0.65	2816.88	2443.96
Toronto	16092.07	5.53	0.03	16586.46	13776.88
FTSE	7196.00	12.57	0.17	7261.63	6599.48
Eurofirst	1475.21	-1.79	-0.12	1478.26	1308.86
Nikkei	21596.81	-129.47	-0.60	21860.39	19241.37
Hang Seng	29037.60	76.00	0.26	29241.80	24896.87

TREASURIES	Yield	Price
10-year	2.6879	10 /32
2-year	2.5141	2 /32
5-year	2.4941	6 /32
30-year	3.0656	13 /32

FOREX	Last	% Chng
Euro/Dollar	1.1309	0.03
Dollar/Yen	111.75	-0.13
Sterling/Dollar	1.3177	0.02
Dollar/CAD	1.3434	0.67
TR/HKEX RMB	95.82	-0.01

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	56.23	-0.33	-0.58
Spot gold (NY/oz)	1286.76	-0.42	-0.03
Copper U.S. (front month/lb)	0.0292	-0.0002	-0.43
Reuters/CRB Index Total Return	188.62	-0.68	-0.36

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
LyondellBasell Industries NV	89.24	5.12	6.09
Dollar Tree Inc	100.35	4.88	5.11
Aon PLC	163.97	6.72	4.27
Altria Group Inc	54.69	1.81	3.42
<b>LOSERS</b>			
General Electric Co	9.10	-0.79	-7.99
Willis Towers Watson PLC	170.88	-11.16	-6.13
Westinghouse Air Brake Technologies Corp	69.03	-4.02	-5.50
Nektar Therapeutics	36.39	-2.01	-5.23

## Coming Up



REUTERS/Mohammad Khursheed  
A woman exits a Costco Wholesale retail club in Austin, Texas, December 14, 2016.

**Costco Wholesale Corp** is expected to report a rise in second-quarter sales, boosted by higher membership fees and revenue from e-commerce channels. However, rising expenses and a competitive grocery space may dent the company's profit margins.

The U.S. supermarket chain **Kroger Co** is likely to report an increase in quarterly sales at stores open for more than a year, as its initiative to revamp stores and stock shelves with more popular products are helping draw more shoppers.

The Labor Department is scheduled to report a likely increase in **initial claims for state unemployment benefits** at 225,000 in the week ended March 2.

Federal Reserve Governor **Lael Brainard** participates in a lecture series at Princeton University in New Jersey.

### LIVECHAT - OIL OUTLOOK

Reuters correspondents take questions about energy markets in the rapid-fire weekly segment "Lock, Stock and Barrel." (0930 ET/1430 GMT) To join the conversation, [click here](#)

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Challenger layoffs for Feb	0730		52,988
Initial jobless claims	0830	225,000	225,000
Jobless claims 4-week average	0830		229,000
Continued jobless claims	0830	1.775 mln	1,805 mln
Labor costs revised for Q4	0830	1.6 pct	--
Productivity revised for Q4	0830	1.6 pct	--
Consumer credit for Jan	1500	\$16.00 bln	\$16.55 bln



# Market Monitor

**Wall Street's** main stock indexes fell for a third session as healthcare and energy shares slumped and investors sought reasons to buy after the market's strong rally to start the year. With corporate earnings season ending, investors are looking for next catalysts to drive the market, including a potential trade agreement between the United States and China and economic data, including Friday's employment report. Optimism over a trade deal and over the Federal Reserve becoming less aggressive on raising interest rates have helped fuel a roughly 11-percent rise for the S&P 500 this year, although the rally has stalled in recent days. Investors also say the 2,800 level on the S&P 500 has provided technical resistance to the benchmark index moving higher, although the index has breached its 200-day moving average, another key level. The **S&P 500** **healthcare sector** slumped 1.47 percent to 1043.04 and the **energy sector** dropped 1.28 percent to 481.88. The **Dow Jones Industrial Average** fell 0.51 percent, to 25,673.93, the **S&P 500** lost 0.65 percent, to 2,771.49 and the **Nasdaq Composite** dropped 0.93 percent, to 7,505.92.

**Treasury yields** retreated as stocks weakened and remarks from New York Federal Reserve President John Williams about the persistence of low inflation further curtailed expectations of interest rate hikes in the near future. Global growth concerns helped weigh on stocks. The Organization for Economic Co-Operation and Development cut forecasts again for the global economy in 2019 and 2020, following previous downgrades in November, as it warned trade disputes and uncertainty over Brexit would hit world commerce and businesses. Dovish comments from New York Fed's Williams also contributed to lower Treasury yields. The **10-year notes** rose 10/32, yielding 2.69 percent. The **2-year notes** were up 2/32, yielding 2.51 percent. The **30-year bonds** rose 13/32, yielding 3.06 percent.

The **Canadian** and **Australian dollar** sank to two-month lows as traders scaled back



*The Wall Street sign is pictured in front of the New York Stock Exchange in New York City, U.S., August 2, 2017. REUTERS/Carlo Allegri*

holdings on expectations policy-makers would leave interest rates alone in the foreseeable future or even lower them to counter their softening economies. Australia said its economy grew at a 0.2 percent pace in the fourth quarter of 2018, falling short of the 0.3 percent forecast by analysts polled by Reuters. The dour GDP figure came a day after the Reserve Bank of Australia's upbeat outlook failed to dispel bets it would have to lower rates eventually. The **Canadian dollar** fell to C\$1.3457 after the release of the BOC's latest policy statement, its lowest against its U.S. counterpart since Jan. 4. It was last 0.64 percent weaker at C\$1.3431. The **Aussie dollar** was \$0.7028, down 0.76 percent on the day after hitting \$0.7021, a two-month low. The **dollar index** was 0.01 percent lower at 96.85.

**Crude oil futures** were mixed after U.S. government data showed an unexpectedly sharp build in crude inventories, though a third straight drop in gasoline stocks supported prices. U.S. crude inventories rose 7.1 million barrels last week, far exceeding analysts' expectations for a

build of 1.2 million barrels, the Energy Information Administration (EIA) said. The markets have been hit by surging U.S. crude production, which, according to the EIA, held at an all-time high of 12.1 million barrels per day last week. **Brent crude** rose 0.12 percent, to \$65.94 a barrel. **U.S. crude** fell 0.58 percent, to \$56.23 a barrel.

**Gold** steadied just above a five-week low touched a day earlier as the dollar retreated slightly and stocks edged lower, with investors awaiting further signals on the health of the global economy. "Gold has found a bid and is starting to stabilize while we are waiting for the ECB pronouncement tomorrow," said George Gero, managing director at RBC Wealth Management. Gold hit a low of \$1,280.70 on Tuesday, its weakest level since Jan. 25, with prices down more than 4 percent since hitting a 10-month peak on Feb. 20. **Spot gold** was down 0.02 percent at \$1,286.91 per ounce. **U.S. gold futures** were up 0.29 percent at \$1,288.40 per ounce.



# Top News

## Exxon Mobil CEO sets plan to boost spending; shares slide

Exxon Mobil plans to boost capital spending for several years, CEO Darren Woods said, and the largest U.S. oil company's shares fell after he laid out a strategy to "lean in" while the rest of the industry cuts back. Woods defended the strategy of "leaning in as our competitors are leaning back," saying the best time to buy into projects is not when everyone else is active. "You do it when everybody else is at home," Woods said. Capital spending will rise to \$33 billion to \$35 billion next year from \$30 billion this year and from \$23.1 billion in Woods' first year as CEO. Woods said Exxon can earn a double-digit return in the Permian even at \$35-per-barrel oil. It expects annual cash flow from overall operations to reach \$60 billion in 2025, on assumption of \$60 per barrel international oil prices. Exxon, which faces investor pressure to trim its assets, said it would divest \$15 billion in holdings over the next three years. Shares of the company closed down 1.40 percent at \$79.07.

## Tesla's Shanghai assembly plant to be completed in May -govt official

Tesla's upcoming vehicle assembly facility in Shanghai is expected to be completed in May this year, a Shanghai city government official said. Chen Mingbo made the comments on the sidelines of an annual parliamentary meeting in Beijing, adding that part of the facility's production line would be put into operation by the end of the year. Chen, who heads the city's economic and information technology commission, did not provide any further details. A full-fledged auto assembly factory can take about two years to build but the Shanghai government has thrown its support behind the Tesla project, which would be China's first wholly foreign-owned car plant and a reflection of the government's broader shift to open up its car market. Meanwhile, Tesla has committed to stop using fuel savings estimates to advertise its Model 3 online, a German industry association set up to prevent unfair competition practices said. To read more, [click here](#)



A file photo of Darren Woods, Chairman & CEO of Exxon Mobil Corporation attending a news conference at the New York Stock Exchange in New York, U.S., March 1, 2017. REUTERS/Brendan McDermid

## Philip Morris paid for India manufacturing despite ban on foreign investment-documents

Philip Morris has for years paid manufacturing costs to its Indian partner to make its Marlboro cigarettes, circumventing a nine-year-old government ban on foreign direct investment in the industry, internal company documents reviewed by Reuters showed. The Indian government in 2010 prohibited foreign direct investment (FDI) in cigarette manufacturing, saying the measure would enhance its efforts to curb smoking. Restricting foreign investment leaves cigarette manufacturing largely in the hands of domestic players, and is supposed to prevent any foreign-funded expansion. A year after the government's decision, Japan Tobacco exited India, citing an "unsustainable business model". Philip Morris, though, stayed in India and used another route, according to company documents dated between May 2009 and January 2018. A year before the FDI ban, it struck an exclusive deal with India's Godfrey Phillips to locally manufacture Marlboro cigarettes. Ever since then, Godfrey has publicly acted as a contract manufacturer of Marlboro cigarettes in India, while Philip Morris's majority-owned local unit acts as a wholesale trading company and promotes the brand. But dozens of internal company documents -

including invoice bills, legal agreements, e-mails and accounting statements - show Philip Morris has for years indirectly paid costs related to Marlboro cigarette manufacturing in India.

## Bristol-Myers defends Celgene bet as investor criticism grows

Bristol-Myers defended its planned \$74 billion takeover of Celgene, saying it had carried out a "robust" assessment of the merger after two major investors opposed what could be the largest pharmaceutical deal ever. The drugmaker reiterated in a letter to shareholders that buying Celgene was the "best path forward," even as investors Starboard and Wellington Management look to thwart the deal. Starboard, maintained its view that the merger was "ill-advised" and recommended that fellow Bristol-Myers shareholders vote against it at a meeting slated for April 12. Wellington, one of Bristol Myers' top shareholders with a nearly 8 percent stake, has said it finds the deal to be too risky and expensive. In its appeal to investors, Bristol-Myers highlighted that a buyout of Celgene would provide "significant advantages" with less risk compared with other options like pursuing a series of small transactions. It also pointed to a six-month "deep-dive analysis" and weeks of confidential due diligence by its advisers that provided a



comprehensive view of opportunities and risks associated with buying Celgene.

### **Chinese online retailers slash iPhone prices for second time this year**

Chinese online retailers have started discounting iPhones for the second time this year as Apple wrestles with a prolonged sales slowdown in the world's largest smartphone market. Several electronics vendors announced discounts on iPhone devices this week, following mass discounts in January just before Apple reported sinking sales in China. Gadget retailer Suning.Com said it would slash the price of the iPhone XS by as much as 1,000 yuan from its official price. Suning had lowered the prices of other iPhone models in January along with other retailers, but those cuts excluded the iPhone XS. Pinduoduo has also said it would sell the 64GB edition of the iPhone XS for 6,999 yuan, a drop of over 1,000 yuan from the official price. JD.com said it would offer discounts on a range of Apple products including the iPhone XS and XS Max, with models of the latter device selling at discounts of up to 1,700 yuan. Like Suning, JD.com initially did not discount the iPhone XS upon its first major round of discounts in January.

### **Facebook's Zuckerberg says he sees future in 'privacy-focused' internet**

Facebook Chief Executive Mark Zuckerberg said he believed secure private messaging would become more popular than open platforms, the latest sign that one of the companies that popularized social networking sees its future in more intimate online conversations. Facebook already is one of the biggest global players in private messaging with its Messenger and WhatsApp, but faces a business challenge because encrypted conversations limit the company's ability to send targeted advertisements. "As I think about the future of the internet, I believe a privacy-focused communications platform will become even more important than today's open platforms," Zuckerberg wrote in a post on his Facebook page. Zuckerberg said Facebook would focus more on the privacy of users as the social media network shifts its messenger products to end-to-end encryption, stopping any

outsiders, including Facebook, from monitoring the conversations. Separately, an Indian parliamentary panel asked Facebook to do more to tackle so-called fake news on its platforms ahead of a general election due by May, three sources with direct knowledge of the matter said. To read more, [click here](#)

### **White House pressures automakers on fuel rules, blocking California -sources**

The White House is pressuring automakers to back its effort to roll back Obama-era fuel economy standards and bar California from setting its own emissions standards or requiring electric vehicles, sources said. Last Friday, White House officials met with senior lobbyists from General Motors, Ford and Fiat Chrysler and urged them to back the Trump administration's effort. GM spokeswoman Jeannine Ginivan said the company "appreciates the administration's efforts to continue dialogue with automakers. At the meeting General Motors stressed the importance for one national program as well as our commitment to an all-electric future." Some administration officials have suggested the White House could abandon the effort to freeze the Obama rules if automakers are not supportive, but others are skeptical the administration would drop one of its most important deregulatory measures. Meanwhile, the U.S. Environmental Protection Agency said that the average fuel efficiency of cars and trucks hit a new record high in the 2017 model year, but highlighted in a report "legitimate concerns" about the industry's ability to meet rising annual requirements. To read more, [click here](#)

### **Abercrombie expects redesigned stores to boost 2019 sales, shares surge**

Abercrombie & Fitch's shares surged after the apparel retailer forecast better-than-expected annual sales, betting on its remodeled stores and the popularity of its Hollister brand to attract more young shoppers. The company also said it would close 40 unprofitable stores, redesign its outlets to improve lighting and display and offer more on-trend clothing including jeans and sweatshirts to boost demand for its Abercrombie brand. Same-store sales at the Abercrombie brand fell 2 percent in

the fourth quarter and the company blamed it on fashion missteps in tops and dresses during the holidays. Excluding one-time items, the company earned \$1.35 per share, well above expectations of \$1.15. For 2019, the company expects net sales of between \$3.66 billion and \$3.73 billion, well above estimates of \$3.61 billion. Shares of the company closed up 19.95 percent to \$25.61.

### **Fitbit launches lower-cost fitness devices to combat Samsung, Apple**

Fitbit launched its cheapest smartwatch to defend its position as the second-largest seller of smartwatches after Apple. Fitbit said the Versa Lite smartwatch will cost \$160, down from \$200 for the full version. While still tracking workouts and heart rate, it will lack some features such as the ability to store music directly on the watch. Indeed, rivalry for a greater share of the market has heated up as Apple and Samsung have added features for health tracking, Fitbit's core focus. The Apple Watch included an electrocardiogram feature last year, and Samsung this year added a blood pressure sensor to its Galaxy Active Watch. Fitbit also announced new versions of its cheaper trackers in a bid to lure more casual users who might not be ready to fork out for the pricier devices of its rivals: The \$100 Fitbit HR, capable of tracking heart rate, and the \$70 Ace 2, which tracks activity in children as young as 6 years old.

### **J&J prices ketamine-like depression treatment at \$590-\$885 for two doses**

Johnson & Johnson said its nasal spray depression treatment, called Spravato, will be priced at \$590 for a 56 mg dose and \$885 for 84 mg. During the induction phase of the therapy, which lasts for a month, patients will be treated twice a week with either dose, resulting in a wholesale acquisition cost or list price in the range of \$4,720 to \$6,785, Janssen spokesman Greg Panico said. Subsequent maintenance doses will be provided either once a week or every two weeks, adding up to monthly costs ranging from \$2,360 to \$3,540.





*A family photograph sits placed on the remains of a tree outside a destroyed home after two deadly back-to-back tornadoes, in Beauregard, Alabama, U.S., March 5. REUTERS/Shannon Stapleton*

## Insight and Analysis

### **Long before Trump's trade war with China, Huawei's activities were secretly tracked**

The surprise arrest of Huawei's chief financial officer in December quickly turned the executive, Meng Wanzhou, into a central figure in a trade war between two economic superpowers. U.S. President Donald Trump told Reuters he would consider intervening in her case - a potential action he alluded to again two weeks ago - if it would help close a trade deal with China. But U.S. probes of Huawei Technologies Co Ltd for allegedly evading U.S. sanctions on Iran were not rooted in Trump's trade aspirations.

### **FOCUS-A chaotic market for one sensor stalls self-driving cars**

Automakers and technology companies racing to develop self-driving vehicles are running into a problem: cars that can think are no good without affordable and reliable technology that allows cars to see. With the notable exception of Elon Musk's Tesla Inc, most automakers have said their self-driving cars will rely on a detection system known as lidar. The state of the art sensors use laser light pulses to render precise images of the environment around the car. Pressure to launch self-driving cars is already pushing many players to place bets on the technology.

### **'We need it now': U.S. farm country pins hopes on China trade deal**

Corn and soybean farmer Lorenda Overman from North Carolina has been selling her crops at a loss and delaying paychecks to her workers since the U.S. trade war with China tanked agriculture prices, and her farm's debt recently topped \$2 million. If the Trump administration fails to clinch a deal with Beijing soon to end the trade dispute, she says, her operation may have a hard time staying afloat. "We need some stability, we need some action and we need it now," Overman, who farms in Goldsboro, said via telephone.

# CANADA

## Coming Up



REUTERS/Todd Korol

Oil and gas producer **Canadian Natural Resources Ltd** is expected to post a lower fourth-quarter profit. Investors will be looking for any update on its 2019 outlook, as the pricing environment eases for the country's heavy crude.

Canada's oil and gas producer **Crescent Point Energy Corp** is expected to post a

smaller loss in the fourth quarter. Discounts on the country's heavy crude have narrowed since Alberta's mandated output cuts. Investors will look out for any change to its production and capital forecast, given the change in pricing environment.

A day after Bank of Canada's March interest rate announcement, the central bank's Deputy Governor **Lynn Patterson** will provide an economic progress report to the Hamilton Chamber of Commerce.

Statistics Canada is expected to report a 5 percent fall in the value of Canadian **building permits** in January, compared to a rise of 6 percent in December.

## MARKET MONITOR

**Canada's main stock index** edged higher, after the Bank of Canada kept interest rates unchanged in line with expectations in the wake of a broad economic slowdown. The **Toronto Stock Exchange's S&P/TSX composite index** ended up 0.03 percent, at 16,092.07. The interest-rate sensitive **financials sector** was 0.09 percent higher at 301.37. The **U.S. dollar** was up 0.64 percent against its **Canadian counterpart** at C\$1.3431.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
Stars Group Inc	23.67	2.77	13.25
Alaris Royalty Corp	21.40	1.30	6.47
Aecon Group Inc	19.58	0.99	5.33
<b>LOSERS</b>			
Great Canadian Gaming Corp	51.94	-3.83	-6.87
Lundin Mining Corp	6.57	-0.33	-4.78
Fortuna Silver Mines Inc	4.53	-0.21	-4.43

## Top News



REUTERS/Chris Wattie

### Bank of Canada holds rates, says pace of hikes now more uncertain

Faced with a slowing global and domestic economy, the Bank of Canada held interest rates steady as expected and took a slightly more dovish tone, saying there was "increased uncertainty" about the timing of future rate increases. The central bank said it now expects the Canadian economy will be weaker in the first half of 2019 than it projected in January, and that it was watching developments in household spending, oil markets and global trade. It

made clear that future hikes were still on the table, but were not imminent, removing wording around the need for rates to rise to the neutral range over time. The Bank of Canada said it expects inflation to be slightly below its 2 percent target for most of 2019 on temporary factors, including lower energy prices and a wider output gap.

### Ex-aide to Canada PM denies pressuring former minister over SNC-Lavalin

A former key aide to Canadian Prime Minister Justin Trudeau denied he had inappropriately pressured a cabinet minister, in comments that could help ease a political crisis for the ruling Liberals ahead of an October election. Allegations that Gerald Butts and other officials inappropriately tried to help construction company SNC-Lavalin Group have fueled a scandal that has cost Trudeau two senior cabinet ministers. Butts, who resigned as Trudeau's principal private secretary on

Feb 18, said he had had one short conversation on Dec. 5 with Wilson-Raybould about SNC-Lavalin, which is facing trial on charges of bribing Libyan officials. SNC-Lavalin faces fraud charges relating to bribes the company is said to have offered to Libyan officials to influence the awarding of contracts between 2001 and 2011. The company had hoped to benefit from a new law that would have granted it a deferred prosecution agreement to allow the firm to escape with a fine. Wilson-Raybould had the power to scrap the decision to go to trial, but decided against it. The firm, which employs 9,000 people in Canada, is based in the province of Quebec, where Trudeau's Liberals need to pick up seats to win October's federal election. Wilson-Raybould said 11 officials and ministers had contacted her and her office a total of 20 times over four months about the SNC-Lavalin affair. "That is two meetings and two phone calls per month for the minister



and her office on an issue that could cost a minimum of 9,000 Canadians their job," said Butts.



REUTERS/Todd Korol

### Canada trade deficit hits record, adding to reasons for BoC rate caution

Canada racked up a record trade deficit in December as the value of exports slumped the most in more than a decade because of lower crude oil prices, boosting the case for the central bank to move cautiously on raising interest rates further. The deficit widened to C\$4.59 billion in December as the value of exports slumped by the most in more than a year as a result of weak crude prices, Statistics Canada said. That was much wider than the C\$2.80 billion shortfall predicted by analysts in a Reuters poll, and exceeded the previous record gap, C\$3.99 billion, in September 2016. "A lot of the softening looks like it can be traced back to disruptions in the energy sector and oil prices, so there is still some reason to think that there are transitory factors at play that will ease going forward," said Nathan Janzen, senior economist at Royal Bank of Canada.

Exports fell by 3.8 percent in December, the largest monthly drop since a 4.5 percent plunge in July 2017, as weak prices slashed the value of crude shipments by 28.7 percent. Imports increased by 1.6 percent, the first gain since May, on higher imports of energy products. Separate data from Statistics Canada showed that the labor productivity of Canadian businesses fell by 0.4 percent in the fourth quarter as output remained steady while the hours worked rose.

### Canada's Richardson disputes China claim of 'hazardous pests' in canola

Canadian agribusiness Richardson International said that canola it shipped to China met regulatory requirements after a Chinese official charged that "hazardous pests" were found in samples taken recently from Canadian canola imports. Beijing this month cancelled Richardson's registration to ship Canadian canola to China, the world's top importer of the oilseed, in the latest sign of tensions between the countries, Reuters reported on Tuesday. China foreign ministry spokesman Lu Kang said that customs officials had frequently discovered pests in samples taken recently from imports from Canada, which supplies more than 90 percent of Chinese canola imports. Richardson is the largest exporter of Canadian canola to China and its shipments met Chinese requirements, said Jean-Marc Ruest, the company's general counsel and senior vice president of

corporate affairs. Richardson is working with the Canadian government to end China's block on its canola shipments but does not know how long the suspension will last, Ruest said.

### Newmont calls initial Nevada joint venture talks with Barrick 'productive'

Newmont Mining said that initial talks on a possible Nevada joint venture with Barrick Gold were productive. Barrick Chief Executive Mark Bristow and Newmont CEO Gary Goldberg met for dinner on Tuesday night in New York. Major shareholders have pushed for a Nevada JV, expressing concern a full combination of both companies - which Barrick wants - could be too complex. "The meeting between the two principals was productive and a good starting point," Newmont spokesman Omar Jabara said.

### Canada's Ivey purchasing index slides to 5-month low in February

The pace of purchasing activity in Canada slowed in February to its weakest in five months as a measure of inventories declined, according to Ivey Purchasing Managers Index (PMI) data released. The seasonally adjusted index fell to 50.6, its lowest since September last year, from 54.7 in January. The gauge of inventories also hit its lowest level since September. It declined to 52.2 from 53.6 in January. The unadjusted index fell to 48.9 from 49.5 in January, the third straight month it has been below the 50 threshold.

### POLL-Bullish calls for Canadian dollar linger as risk appetite perks up

Canada's dollar will strengthen over the coming year as rising investor appetite for risk counters a slowdown in the domestic economy that could crimp interest rate hikes from the Bank of Canada, a Reuters poll of currency strategists showed. Taken Feb. 28-March 5, the poll of over 40 currency analysts predicted the loonie would strengthen to 1.29 to the U.S. dollar in 12 months, or 77.52 U.S. cents. That is weaker than the 1.28 forecast in February's poll but would leave the currency up almost 3.5 percent from Tuesday's level of 1.3349. Although the loonie has lost some ground in recent days it has still climbed more than 2 percent since the start of the year, the second best performance, after sterling, among G10 currencies. "The external environment has got much more supportive for the Canadian dollar," said Mark McCormick, North American head of FX Strategy at TD Securities. "Global risk appetite is, on our metrics, the strongest it has been in years." Canada is running a current account deficit and exports many commodities, including oil, so its economy could benefit from an improved outlook for the global flow of capital or trade. Optimism that the United States and China could reach a deal on trade and signals from the Federal Reserve it would be patient on raising interest rates further have helped global stocks rally since the start of the year.



REUTERS/Mark Blinch





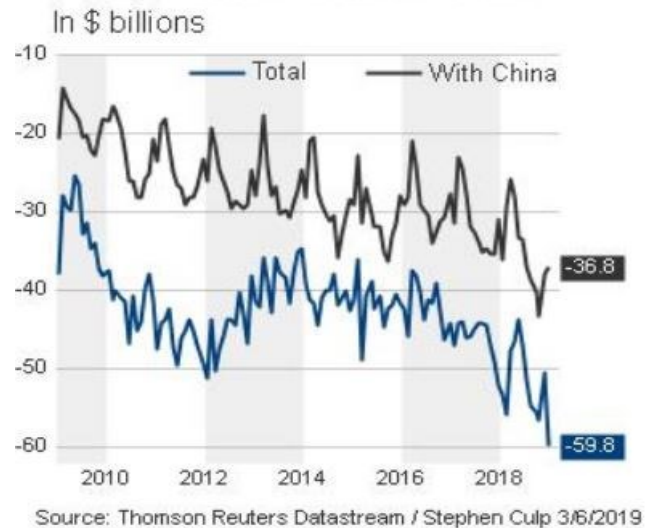
# WEALTH NEWS

## ECONOMIC DATA

### As Trump wages trade war, U.S. goods deficit hits record high in 2018

The U.S. goods trade deficit surged to a record high in 2018 as strong domestic demand fueled by lower taxes pulled in imports, despite the Trump administration's "America First" policies, including tariffs, aimed at shrinking the trade gap. The Commerce Department said that a 12.4 percent jump in the goods deficit in December had contributed to the record \$891.3 billion goods trade shortfall last year. The overall trade deficit surged 12.5 percent to \$621.0 billion in 2018, the largest since 2008. The goods trade deficit with China increased 11.6 percent to an all-time high of \$419.2 billion in 2018. A 1.9 percent drop in exports of goods and services drove the trade deficit in December to \$59.8 billion, the largest since October 2008. Imports of goods and services increased 2.1 percent to \$264.9 billion in December. When adjusted for inflation, the goods trade deficit surged \$10.0 billion to a record \$91.6 billion in December. The ADP National Employment Report showed private payrolls increased by 183,000 in February after surging 300,000 in January. Economists polled by Reuters had forecast private payrolls advancing 189,000 in February.

## U.S. trade balance



## TRADE PROGRESS

### U.S.-China trade talks progressing well via video conference -USDA official

Trade negotiations between the United States and China are progressing well via video conference, a senior official at the U.S. Department of Agriculture said.

## BEIGE BOOK

### Tariffs, government shutdown weigh on still-growing economy -Fed

Slowing global growth and the 35-day partial federal government shutdown weighed on the U.S. economy in the first weeks of 2019, but it continued growing amid still-tight labor markets, the Federal Reserve reported.

## "SAVE THE INTERNET ACT"

### U.S. Democrats unveil legislation to reinstate net neutrality rules

Democrats in Congress unveiled a bill to reinstate net neutrality rules repealed by the Federal Communications Commission under U.S. President Donald Trump, the latest salvo in a more than decade-long battle over how to regulate internet traffic.

## COLUMN

### Growing U.S. trade deficit points to suppressed inflation: Kemp

The United States ran a trade deficit on goods and services of \$621 billion in 2018, up more than 12 percent compared with the previous year, but still below the record \$761 billion set back in 2006.

## RESULTS

### Dollar Tree chops value of Family Dollar brand, to shut 390 stores

Dollar Tree announced plans to close hundreds more Family Dollar stores as it wrote off \$2.7 billion, or nearly a third of the value of the struggling discount chain it bought for \$9 billion four years ago.

## DEAL PLANS SCRAPPED

### Insurer Aon abandons Willis Towers takeover plan, shares rise

Aon said it had scrapped plans to pursue a merger with rival insurance brokerage Willis Towers Watson, a day after it revealed it was in early stages of considering an all-stock offer for the Irish company.





## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Costco Wholesale	Q2	16:15	\$1.69	\$1.69	\$1.42	\$35,669.73
H & R Block	Q3	BMO	-\$0.56	-\$0.55	-\$1.16	\$465.48
Kroger	Q4	BMO	\$0.54	\$0.52	\$0.63	\$28,380.05

*\*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.*

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*For questions or comments about this report, email us at: [TheDay.Ahead@thomsonreuters.com](mailto:TheDay.Ahead@thomsonreuters.com).*

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