

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street rose on U.S.-China trade optimism, however stocks pared gains late in the session after Chinese officials said that Beijing had lowered expectations for negotiations this week. The **dollar** was up against the Japanese yen. **Treasury yields** rose amid auctions. **Oil** edged up on supply concerns as Turkey launched an offensive in Syria. **Gold** prices gained on bets of further Fed rate cuts.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26346.28	182.24	0.7	27398.68	21712.53
Nasdaq	7903.74	79.96	1.02	8339.64	6457.13
S&P 500	2919.41	26.35	0.91	3027.98	2443.96
Toronto	16379.87	85.92	0.53	16947.23	13776.88
FTSE	7166.50	23.35	0.33	7727.49	6599.48
Eurofirst	1497.02	6.91	0.46	1554.34	1308.86
Nikkei	21456.38	-131.40	-0.61	22362.92	19241.37
Hang Seng	25682.81	-210.59	-0.81	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.5785	-12 /32
2-year	1.4596	-2 /32
5-year	1.3972	-6 /32
30-year	2.0807	-28 /32

FOREX	Last	% Chng
Euro/Dollar	1.0971	0.16
Dollar/Yen	107.47	0.37
Sterling/Dollar	1.2206	-0.09
Dollar/CAD	1.3334	0.08
TR/HKEX RMB	91.30	0.17

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	52.65	0.02	0.04
Spot gold (NY/oz)	1505.98	0.72	0.05
Copper U.S. (front month/lb)	0.0256	0.0000	-0.20
CRB Index Total Return	182.51	-0.26	-0.14

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Hess Corp	64.33	2.21	3.56
Keysight Technologies Inc	94.59	3.17	3.47
Edwards Lifesciences Corp	224.84	6.81	3.12
LOSERS			
L Brands Inc	17.17	-0.53	-2.99
Johnson & Johnson	129.25	-2.59	-1.96
Cabot Oil & Gas Corp	17.35	-0.34	-1.92

Coming Up

High-level **trade talks** involving Chinese Vice Premier **Liu He**, U.S. Trade Representative **Robert Lighthizer** and Treasury Secretary **Steven Mnuchin** begin in Washington D.C., in the latest effort to hammer out a deal aimed at ending a long-running trade dispute that has slowed global growth.

Investors await consumer inflation reading data amidst increased market expectations that the Federal Reserve will cut interest rates by a quarter percentage point in October. The Labor Department is expected to report its **consumer price index** for September rose 0.1%, same as the month before. **Core CPI** is likely to rise 0.2%, slower than August's 0.3% gain. A separate report is likely to show **initial jobless claims** for the

week ending Oct. 5 came in at 219,000, same as the week before.



Delta Air Lines Inc is expected to report higher third-quarter revenue and profit, benefiting from strong travel demand, though focus will be on the No. 2 U.S. carrier's growth strategy and planned response to new 10% tariffs on Airbus planes from Europe.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Core CPI mm, SA for Sep	0830	0.2%	0.3%
Core CPI yy, NSA for Sep	0830	2.4%	2.4%
CPI Index, NSA for Sep	0830	256.859	256.558
Core CPI Index, SA for Sep	0830	--	264.25
CPI mm, SA for Sep	0830	0.1%	0.1%
CPI yy, NSA for Sep	0830	1.8%	1.7%
Real weekly earnings mm for Sep	0830	0.5%	0.6%
CPI mm NSA for Sep	0830	--	-0.010%
CPI Index SA for Sep	0830	--	256.300
Initial jobless claims	0830	219,000	219,000
Jobless claims 4-week average	0830		212,500
Continued jobless claims	0830	1.653 mln	1.651mln
Cleveland fed CPI for Sep	1100	--	0.2%

Federal Reserve Bank of Minneapolis President **Neel Kashkari** participates in fireside chat on the Federal Reserve, economy and markets before the Yahoo Finance 2019 All Markets Summit in New York. Federal Reserve Bank of San Francisco President **Mary Daly** participates in a fireside chat with Preuss School students and staff in La Jolla, California and later speaks before a San Diego business and community leaders luncheon in San Diego. Also, Federal Reserve Bank of Cleveland President **Loretta Mester** participates in fireside chat before the Edward J. and Louise E. Mellen Executive Speaker Series hosted by John Carroll University in University Heights, Ohio. Separately, the **Federal Reserve Board** holds open meeting to discuss final rules for tailoring its enhanced prudential standards and resolution plan requirements for large foreign and domestic banks, and a proposal modifying the fees charged on



A file photo of Minneapolis Fed President Neel Kashkari speaking during an interview at Reuters in New York, February 17, 2016. REUTERS/Brendan McDermid

large banks for their supervision under the revised prudential standards.

Brazil's retail sales numbers are expected to be announced. Also, **Mexico's central bank** will publish **minutes** from its last monetary policy decision. Meanwhile, **Peru's central bank** will release its October **interest rate decision**.

LIVECHAT - BONDS UPDATE

Reuters Senior European Government Bonds Correspondent **Dhara Ranasinghe** delves through what is happening in the markets for govies. (0730 ET/1130 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 Inc	Q3	BMO	\$2.27	\$2.26	\$1.83	\$12,601.34

*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 rose on hopes of progress in U.S.-China trade talks, though stocks pared gains late in the session after Chinese officials said that Beijing had lowered expectations for negotiations this week. Trade-sensitive chipmakers advanced, with the **Philadelphia SE Semiconductor index** rising 1.74% to 1540.85. The **technology sector** rose 1.45% to 1402.14. **Microsoft** shares rose 1.89% and **Apple** shares were up 1.17%. "A partial deal with China would at least pave the way for a larger deal down the road," said Tim Ghiskey, chief investment strategist at Inverness Counsel in New York. The **Dow Jones Industrial Average** rose 0.7%, to 26,346.28, the **S&P 500** gained 0.91%, to 2,919.47 and the **Nasdaq Composite** added 1.02%, to 7,903.74.

Treasury yields rose on a day that saw a flood of supply and on optimism for progress in U.S.-China trade negotiations that begin in Washington on Thursday. "The market has been beaten up quite a bit today, and the auction came right at the lows of the day. The small short stop suggests that the market generated a sufficient concession," said Tom Simons, senior money market economist at Jefferies. The Treasury Department sold \$24 billion of **9-year 10-month notes** at a high yield of 1.590%. The bid-to-cover ratio was 2.43. The **two-year notes** were down 2/32 to yield 1.46%. The **30-year bonds** fell 24/32 to yield 2.08%.

The **dollar** rose against the safe-haven **Japanese yen** on revived hopes for an amicable resolution to the U.S.-



Traders work on the floor at the New York Stock Exchange October 9.

Chinese trade war, after a report that China is still open to agreeing to a partial trade deal with the United States. The report, from Bloomberg, cited an official with direct knowledge of the trade talks. Against the **yen**, the **greenback** was 0.37% higher at 107.47 yen. The **dollar index** was down 0.02% at 99.11.

Oil prices edged up as Turkey launched an offensive in Syria that could disrupt crude production in the region and on hopes of progress in ending the U.S.-China trade war, but a build in U.S. crude inventories limited gains. Crude inventories grew more than expected last week, rising by 2.9 million barrels, compared with analysts' expectations for an increase of 1.4 million barrels, the Energy Information

Administration said. **Brent crude** was up 0.09% at \$58.29 a barrel and U.S. **West Texas Intermediate crude** was up 0.04% at \$52.65 per barrel.

Gold eked out gains on bets of further U.S. Federal Reserve rate cuts following the release of minutes from the central bank's September policy meeting, but hopes of a Sino-U.S. trade deal buoyed risk sentiment and capped bullion's gains. "The fact is that the Fed is adding a significant amount of liquidity to the market and they are increasing the money supply and that in my opinion is why gold is firmer today," said David Meger, director of metals trading at High Ridge Futures. **Spot gold** was up 0.07% at \$1,506.31 per ounce. **U.S. gold futures** were up 0.51% at \$1,511.60 an ounce.

Top News

Facebook's Zuckerberg to testify before U.S. House panel on Oct 23

Facebook chief executive Mark Zuckerberg will testify before the U.S. House Financial Services Committee on Oct. 23 as the social media company faces growing scrutiny from U.S. lawmakers over a planned cryptocurrency and other issues including advertising policies. Zuckerberg will testify at a hearing titled "An Examination of Facebook and Its Impact on the Financial Services and Housing Sectors." It will be his first appearance before a U.S. congressional committee since April 2018 although last month he was on Capitol Hill to meet privately with some lawmakers. Separately, the Bank of England set out the rules of engagement that Facebook's Libra crypto-currency and other new digital payments providers would have to meet before they can open for business in Britain. To read more, [click here](#)

J&J shares fall but \$8 billion jury award likely to be slashed

Johnson & Johnson shares were off, a day after a U.S. jury said it must pay \$8 billion in punitive damages to a plaintiff in a case involving its anti-psychotic drug Risperdal, a penalty the company and others are confident will not stand. The jury in a Philadelphia court awarded the \$8 billion to a man who previously won \$680,000 over his claims that it failed to warn that young men using Risperdal could grow breasts. J&J called the sum "grossly disproportionate with the initial compensatory award" and said it was confident it would be overturned. The company has legal precedent on its side. A 2003 U.S. Supreme Court decision found that "few awards exceeding a single-digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due



A file photo of Facebook CEO Mark Zuckerberg testifying before a House Energy and Commerce Committee hearing regarding the company's use and protection of user data on Capitol Hill in Washington, April 11, 2018. REUTERS/Leah Millis

process." By that measure, the punitive damages should be more in the neighborhood of \$6 million. Shares of the company ended 1.96% lower at \$129.25.

Multinationals risk heftier tax hit in biggest overhaul for decades

Governments will get more power to tax big multinationals like Google, Apple and Facebook doing business in their countries under a proposed overhaul of decades-old rules. The drive for a global rule book has received new urgency as countries unilaterally adopt plans for a tax on digital companies over frustration with current rules. This year more than 130 countries and territories agreed that a rewriting of tax rules largely going back to the 1920s was overdue and tasked the Paris-based Organisation for Economic Cooperation and Development (OECD) to come up with proposals. "The current system is under stress and will not survive if we

don't remove the tensions," OECD head of tax policy Pascal Saint-Amans told journalists. The OECD expects the first sign of whether there is broad political support behind their proposals next week when finance ministers from the Group of 20 economic powers discuss them at a meeting in Washington. The overhaul would have an impact of a few percentage points of corporate income tax in many countries with no big losers apart from big international investment hubs, Saint-Amans said. While that means countries like Ireland or offshore tax havens could suffer, countries with big consumer markets like the United States or France would benefit from the shake-up.

Consumer Reports calls Tesla automated parking "glitchy"

Tesla's Smart Summon automated parking system is "glitchy" and only works intermittently, influential U.S.

magazine Consumer Reports has said, adding to recent questions about the app-based feature. The National Highway Traffic Safety Administration said last week it was looking into parking lot crashes of Tesla Model 3s trying to drive to owners under the Smart Summon feature. Several users have also posted videos on social media of Tesla vehicles that appear to have been in near accidents. One posted a video of a Tesla striking a garage wall and another of a Tesla being struck by a vehicle backing up. "Consumers are not getting fully tested, consumer-ready technology," Jake Fisher, senior director of auto testing at the magazine said in a report on Tuesday.

Southwest finds cracks on two Boeing 737 NG airplanes during inspections

Southwest Airlines said it found cracks on two Boeing 737 NG airplanes and removed them from service after U.S. regulators last week ordered urgent inspections. Southwest, which did not find any issues in the "vast majority" of the planes, said it "removed the two aircraft from our operation and reported the findings to Boeing and the FAA. The aircraft will remain out of our schedule until the issues have been fully resolved." Nearly all the 165 planes are Southwest aircraft, officials said. Last week, the FAA said planes with fewer flights will eventually get inspected. The order covers a total of 1,911 U.S. registered planes. Separately, American Airlines extended cancellations of Boeing 737 MAX flights through Jan. 15, running contrary to the U.S. planemaker's promises that the grounded jets would be flying again before the year-end. To read more, [click here](#)

Halliburton cutting 650 jobs in U.S. as oilfield business slows

Halliburton said it was cutting 650 jobs across Colorado, Wyoming, New

Mexico and North Dakota amid slowing oil and gas activity. "Making this decision was not easy, nor taken lightly, but unfortunately it was necessary as we work to align our operations to reduced customer activity," said spokeswoman Emily Mir. Most of the affected employees were given the option to relocate to jobs in other locales where more business is anticipated, she said. The cuts are in addition to an 8% North American workforce reduction that Halliburton announced earlier this year. Of the latest cuts, 178 were in Mesa County in western Colorado, according to a filing with the state's Department of Labor and Employment.

Germany shooting streamed on Amazon's Twitch site

Footage from shooting attacks in the German city of Halle was livestreamed on Amazon's video gaming platform Twitch, according to a Twitch spokeswoman. Two people were killed in the attacks on a synagogue and a kebab shop and one suspect was arrested, but two others fled in a hijacked car, officials said. "We are shocked and saddened by the tragedy that took place in Germany today, and our deepest condolences go out to all those affected," said Twitch spokeswoman Brielle Villablanca. "Twitch has a zero-tolerance policy against hateful conduct, and any act of violence is taken extremely seriously. We worked with urgency to remove this content and will permanently suspend any accounts found to be posting or reposting content of this abhorrent act."

AT&T to sell certain assets in Puerto Rico, U.S. Virgin Islands for \$1.95 billion

AT&T said it would sell its wireless and wireline operations in Puerto Rico and U.S. Virgin Islands to Liberty Latin America for \$1.95 billion, as the second-largest U.S. wireless carrier cuts its huge debt pile. The deal comes as the

company faces calls from activist investor Elliott Management to end its acquisition spree and focus on improving its business. "This transaction is a result of our ongoing strategic review of our balance sheet and assets to identify opportunities for monetization," Chief Financial Officer John Stephens said. AT&T's long-term debt stood at \$157.79 billion as of June end, according to a regulatory filing.

Wearable device Fitbit to shift production out of China from January

Fitbit will manufacture all its trackers and smart watches outside China from January, the wearable device maker said, the latest U.S. company looking to insulate itself from tariffs. The company said it began exploring alternatives to China in 2018 as Washington and Beijing engaged in a tit-for-tat tariff war that has upended global supply lines and roiled financial markets. Fitbit did not reveal the new manufacturing location, only saying it will provide more details of the impact of the move during its upcoming third-quarter conference call.

UPS hits the gas on greener delivery truck fleet

United Parcel Service announced plans to buy more than 6,000 natural gas-powered trucks over three years and step up purchases of renewable natural gas (RNG) as part of a new \$450 million investment to reduce the environmental impact of its 123,000-vehicle fleet. UPS's latest effort "allows for seamless integration of a truly renewable, organic fuel source into the fleet," Mike Whitlatch, UPS's vice president of global energy and procurement, told Reuters. UPS expects to use 31.9 million gasoline gallon equivalents (GGE) of RNG this year. As of this month, it has agreed to purchase 230 million GGE of RNG over the next seven years, a commitment that UPS says makes it the transportation industry's largest user of RNG.



Demonstrators and security forces clash during a protest against Ecuador's President Lenin Moreno's austerity measures in Quito, Ecuador, October 8, 2019. REUTERS/Ivan Alvarado

Insight and Analysis

Trump's fast-tracking of oil pipelines hits legal roadblocks

The Trump administration's effort to cut red tape and speed up major energy projects has backfired in the case of the three biggest U.S. pipelines now planned or under construction. All three have been stalled by successful legal challenges by environmental groups alleging the administration failed to apply the regulatory scrutiny required under the law. The Republican administration tried to accelerate permits for two multi-billion-dollar natural gas lines and jumpstart the long-stalled Keystone XL crude oil pipeline that would start in Canada.

Investors get lost in Big Oil's carbon accounting maze

Wide variations in the way oil companies report their efforts to reduce carbon emissions make it difficult to assess the risk of holding their shares as the world shifts away from fossil fuels, senior fund managers say. Investors have poured money into sustainable funds, which take into account companies' environmental, social, legal and other standards, and funds are under pressure from their customers and authorities to make those standards robust. Fund managers are also applying environmental, social and governance (ESG) criteria in investments.

After spurned play for LSE, Hong Kong bourse to seek deeper China embrace

Hong Kong stock exchange boss Charles Li ignited his unrequited overture to the London Stock Exchange with a riff on Romeo and Juliet as a corporate romance, and doused it in a wistful blog reference to the author of 'Alice in Wonderland'. Investors and analysts expect Hong Kong Exchanges & Clearing to refocus its efforts - for now - on expanding its links with mainland Chinese counterparts following the collapse of its ambitions to build a global exchange platform via a merger with the London Stock Exchange Group.



CANADA

Market Monitor

Canada's main stock index snapped a two-day losing streak, as latest media reports raised hopes that the United States and China would make progress in resolving their prolonged trade war during this week's high-level talks.

The **Toronto Stock Exchange's S&P/TSX composite index** was up 0.53%, at 16,379.87.

The **U.S. dollar** was up 0.06% against its **Canadian counterpart** at C\$1.3332.



COMING UP

No major events are scheduled.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Gran Tierra Energy Inc	1.49	0.09	6.43
Ag Growth International Inc	40.41	2.31	6.06
Ballard Power Systems Inc	6.68	0.23	3.57
Extendicare Inc	9.38	0.25	2.74
Dollarama Inc	47.75	1.17	2.51
LOSERS			
Semafo Inc	4.23	-0.23	-5.16
Wesdome Gold Mines Ltd	6.32	-0.26	-3.95
Exchange Income Corp	37.71	-1.40	-3.58
Ivanhoe Mines Ltd	3.18	-0.11	-3.34
Endeavour Mining Corp	24.72	-0.77	-3.02

Top News



A file photo of flags of the U.S., Canada and Mexico flying next to each other in Detroit, Michigan, August 29, 2018. REUTERS/Rebecca Cook

U.S. labor leader says USMCA faces defeat without more worker safeguards

The head of the AFL-CIO labor union warned against speedy passage of the Trump administration's new trade pact with Mexico and Canada, saying he was especially concerned about labor protection measures in Mexico and adding that any vote on the plan before

the end of November would lead to its defeat. "If there was a vote on the new #NAFTA before thanksgiving, the agreement would be defeated. Fast action would be a colossal mistake. #1u," the group's president, Richard Trumka, said in a tweet. His concerns include reservations that Mexico might not make necessary changes to ensure labor reforms, or adequately fund

enforcement mechanisms, he separately said in an interview with the Washington Post, which first reported his comments. "If they can't enforce their own laws, we have a real problem," Trumka told the Post. "No agreement will be able to work." "If we can get these things fixed, we can get to yes," he added. "If we can't get them fixed, we can't get to yes." His comments echoed concerns from House Democrats, which must pass the deal secured by Republican President Donald Trump. A top Democratic lawmaker, who led a delegation to Mexico, this week said Mexico must do more to implement labor reforms. Trump, his administration, congressional Republicans and several key business groups have been pressuring House Speaker Nancy Pelosi to take up the measure before the Thanksgiving holiday in late November. Pelosi said they would "continue our discussion of the USMCA."

WEALTH NEWS

SUPPORT FOR RATE CUTS

Federal Reserve policymakers increasingly divided on way ahead, minutes show

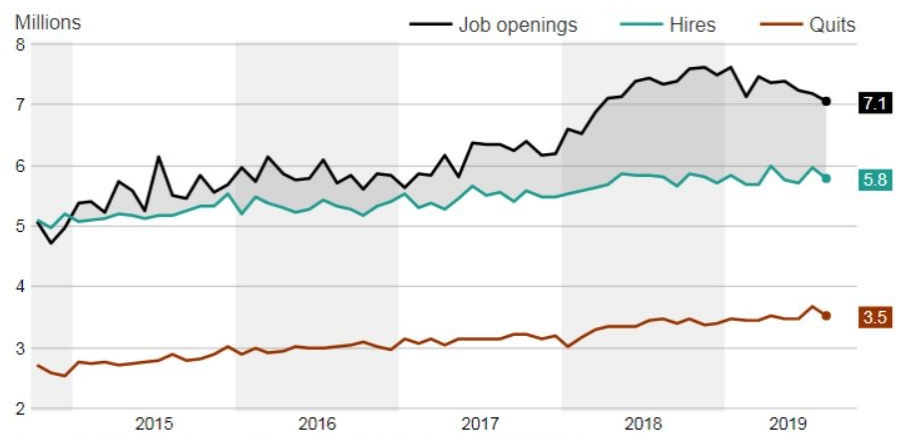
Most Federal Reserve policymakers supported the need for an interest rate cut in September, minutes of the central bank's last policy meeting showed, but they remain increasingly divided on the path ahead for monetary policy.

JOBS DATA

Decreasing U.S. job openings point to cooling labor market

U.S. job openings fell to a 1-1/2-year low in August and hiring declined, suggesting employment growth was slowing largely because of ebbing demand for labor as the economy loses momentum. Job openings dropped by 123,000 to a seasonally adjusted 7.05 million in August, the lowest level since March 2018, the government said in its monthly Job Openings and Labor Turnover Survey, or JOLTS. Hiring declined by 199,000 jobs to 5.8 million in August, led by decreases in the private sector, which fell by 219,000. Slowing economic growth was underscored by a report showing wholesale inventories rose by a revised 0.2% in August.

JOLTS: Job openings, hires and quits



Source: Refinitiv Datastream — Reuters graphic / Stephen Culp 09/10/2019

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

POWELL ON ACCOUNTABILITY

Powell: Fed's "significant" political protection makes public outreach an "obligation"

The "significant" protection the U.S. Federal Reserve has from short-term political pressures also gives it an obligation to "clearly explain" monetary policy, Federal Reserve chairman Jerome Powell said.

ROLE REVIEW

Goldman evaluating role in China's Megvii IPO after U.S. blacklist

Goldman Sachs Group said on Tuesday it was reviewing its involvement in Megvii Technology's planned initial public offering after the U.S. government placed the Chinese artificial intelligence firm on a human rights blacklist.

SALE

Exxon names BAML to run Malaysia asset sales -sources

Exxon Mobil has appointed Bank of America Merrill Lynch to run the sale of its Malaysian oil and gas assets as the U.S. firm accelerates a vast disposal program, banking and industry sources said.

MARKET DEBUT

Germany's BioNTech lowers price for U.S. IPO amid market volatility

German biotechnology firm BioNTech lowered the price range for its U.S. initial public offering and said it would sell fewer shares, making it the latest company to struggle to debut in the stock market.

ACQUISITION

Hungary's MOL in talks for Chevron's \$2 bln stake in giant Azeri oilfield - sources

Hungarian energy firm MOL is in talks to acquire Chevron's stake in a giant oilfield in Azerbaijan for more than \$2 billion, according to three banking and industry sources involved in the process.



Reality TV personality Kim Kardashian takes a selfie during the World Congress on Information Technology in Yerevan, Armenia, October 8. Vahram Baghdasaryan/Photolure via REUTERS

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

The Day Ahead - North America is compiled by Pathikrit Bandyopadhyay and Swathi Nair in Bengaluru.

*For questions or comments about this report, email us at: **TheDay.Ahead@thomsonreuters.com**.*

To subscribe for The Day Ahead newsletter [click here](#)

© 2019 Refinitiv. All rights reserved.

Refinitiv
3 Times Square, New York, NY 10036

Please visit: [Refinitiv](#) for more information.

[Privacy statement](#)