

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Wall Street** rose after China exempted some U.S. goods from tariffs ahead of new trade talks between the two countries. **Treasury yields** continued to climb, moving in step with euro zone bond market, ahead of European Central Bank's policy meeting, while the **euro** fell against the **dollar**. **Gold** prices rose. **Oil** tumbled on reports of U.S. President Donald Trump weighing easing sanctions on Iran.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	27136.03	226.6	0.84	27398.68	21712.53
Nasdaq	8169.68	85.52	1.06	8339.64	6457.13
S&P 500	3000.89	21.50	0.72	3027.98	2443.96
Toronto	16611.14	73.80	0.45	16672.71	13776.88
FTSE	7338.03	70.08	0.96	7727.49	6599.48
Eurofirst	1531.70	11.54	0.76	1554.34	1308.86
Nikkei	21597.76	205.66	0.96	22362.92	19241.37
Hang Seng	27159.06	475.38	1.78	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.7437	-12 /32
2-year	1.6783	-1 /32
5-year	1.5981	-5 /32
30-year	2.2227	-29 /32

FOREX	Last	% Chng
Euro/Dollar	1.1008	-0.32
Dollar/Yen	107.82	0.27
Sterling/Dollar	1.2330	-0.13
Dollar/CAD	1.3194	0.34
TR/HKEX RMB	91.47	0.09

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	55.97	-1.43	-2.49
Spot gold (NY/oz)	1495.50	10.00	0.67
Copper U.S. (front month/lb)	0.0260	-0.0001	-0.54
CRB Index Total Return	182.94	-1.27	-0.69

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
CenturyLink Inc	13.32	0.72	5.67
Illumina Inc	289.66	13.62	4.93
Perrigo Company PLC	55.26	2.49	4.72
<b>LOSERS</b>			
Baker Hughes A GE Co	22.28	-1.83	-7.59
Take-Two Interactive Software Inc	122.62	-5.78	-4.50
DaVita Inc	59.79	-1.87	-3.03

## Coming Up

On the U.S. economic tap, the Labor Department is expected to report **Consumer Price Index** for August increased 0.1% following a 0.3% gain in the previous month. On an annual basis, the inflation is likely to remain unchanged at 1.8% in August. Separately, **initial jobless claims** for the week ended Sept. 7 are likely to have decreased to 215,000 from 217,000 in the week before.

The **European Central Bank** is all but certain to approve a fresh stimulus package to prop up an ailing economy and arrest a dangerous slide in inflation expectations. Its measures could include a rate cut, more support for banks, a fresh pledge to keep rates low for longer and more asset purchases.

**OPEC+** is scheduled to hold its ministerial monitoring committee



meeting on the sidelines of the World Energy Congress in Abu Dhabi that gathers energy ministers, including Saudi Arabia's new oil minister, and CEOs from international and regional energy companies.

**Broadcom Inc** is expected to post a rise in third-quarter revenue, even as many chipmakers are hit by a broad industry slowdown. Investors will be looking for the company's forecast and

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Core CPI mm, SA for Aug	0830	0.2%	0.3%
Core CPI yy, NSA for Aug	0830	2.3%	2.2%
CPI Index, NSA for Aug	0830	256.582	256.571
Core CPI Index, SA for Aug	0830	--	263.57
CPI mm, SA for Aug	0830	0.1%	0.3%
CPI yy, NSA for Aug	0830	1.8%	1.8%
Real weekly earnings mm for Aug	0830	--	-0.3%
CPI mm NSA for Aug	0830	--	0.170%
CPI Index SA for Aug	0830	--	256.160
Initial jobless claims	0830	215,000	217,000
Jobless claims 4-week average	0830	--	216,250
Continued jobless claims	0830	1.690 mln	1.662 mln
Cleveland fed CPI for Aug	1100	--	0.3%
Federal budget for Aug	1400	-\$195.00 bln	-\$120.00 bln



any commentary on Huawei-ban and U.S.-China trade war.



**Kroger Co** is expected to report a growth in second-quarter sales, as the supermarket chain's investments in technology and modernizing stores are

able to attract more shoppers. Comments on Kroger's gun policies will be keenly watched. The company earlier this month said it has begun asking customers to stop openly carrying firearms in stores, echoing Walmart's decision to discontinue sales of ammunition for handguns and some assault-style rifles in the United States.

Federal Reserve Division of Supervision and Regulation Associate Director **Thomas Sullivan** is set to testify on insurance company supervision before the Senate Banking Committee in Washington.

A report from **Argentina's** National Institute of Statistics and Censuses is expected to show the country's **Consumer Price Index** for August rose 4.2% after a 2.2% gain in the month before. Separately, **Brazil's IBGE** is due to report **service sector growth**. On an annual basis, it is likely to have risen 0.2% in July, following a fall of 3.6% in June.

**Peru's central bank** is scheduled to announce benchmark interest rate for September, which is expected to be lowered to 2.25% from 2.50% in August.

### SPECIAL REPORT

#### Court let Merck hide secrets about baldness drug's risks

Kely Pfaff blames Merck for her husband's death at age 40. In a lawsuit filed in 2015, she alleges that the pharmaceuticals company for years knew but concealed from the public that Propecia, the popular hair loss drug, could cause the persistent sexual dysfunction and depression that led to her husband's suicide about a year after he quit taking the drug. John Pfaff wasn't the only man who experienced sexual problems after taking Propecia. His widow's lawsuit was one of more than 1,100 filed across the United States and consolidated in so-called multidistrict litigation in federal court in Brooklyn, New York. They accuse Merck of not adequately warning patients of the drug's possible side effects and their duration.

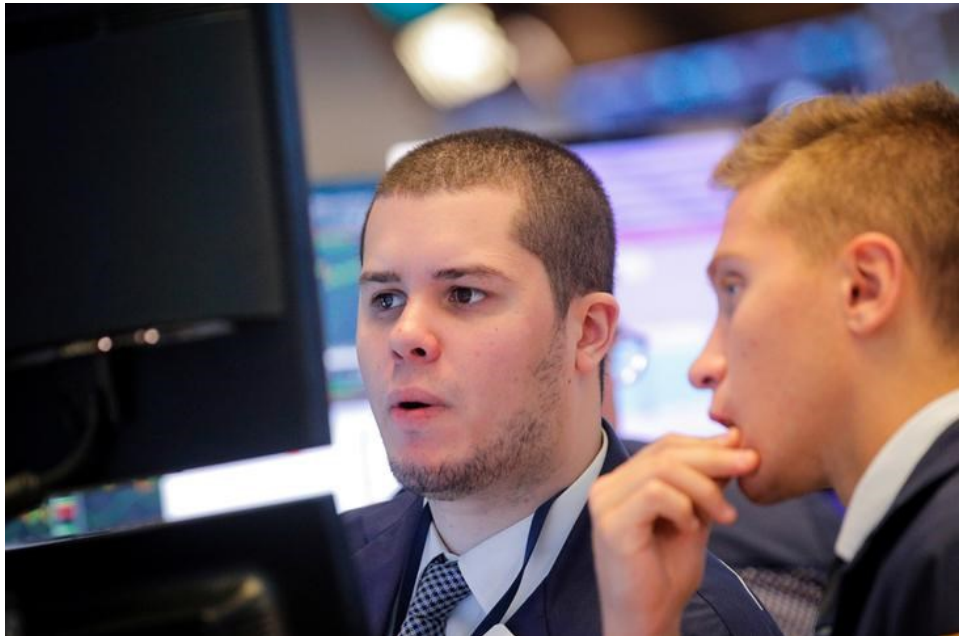


# Market Monitor

**Wall Street** was led higher by tariff-sensitive technology and industrial stocks after China extended an olive branch ahead of next month's trade negotiations with the United States.

**Apple** led the charge, the day after it unveiled its latest iPhone upgrade and announced the launch date of its Apple TV+ streaming service. Its shares gained 3.18%. Chipmaker **Micron Technology** rose 2.21% after Longbow Research upgraded the stock to "buy." Positive trade news sent shares of **Boeing** 3.63% higher. "There's an element of improved trade optimism," said Chuck Carlson, chief executive at Horizon Investment Services in Hammond, Indiana. "But the bigger element is what we've seen over the last few days where investors are more willing to put more money into the value side of the equation." The **Dow** rose 0.84% to 27,136.03, the **S&P 500** gained 0.72% to 3,000.89 and the **Nasdaq** added 1.06% to 8,169.68.

**U.S. Treasury yields** rose for a third straight day, moving in lock step with the euro zone bond market, amid uncertainty about Thursday's European Central Bank meeting, which could prove less-aggressive in easing monetary policy. In the euro zone, most 10-year bond yields gained, holding close to recent highs. Analysts said a report late on Tuesday that the ECB may delay quantitative easing and tie it to upcoming economic data may have triggered the latest sell-off in European debt. **30-year bonds** fell 29/32 to yield 2.22%. **Two-year notes** were down 1/32 to yield 1.68%. The Treasury Department sold \$24 billion of **10-year notes** at the strongest demand in three months, resulting in a yield of 1.739%, which was above a near three-year low set at the previous auction. The bid-to-cover ratio was 2.46, the highest reading since June.



Traders work on the floor at the New York Stock Exchange (NYSE) in New York, September 9. REUTERS/Brendan McDermid

The **euro** fell to a one-week low against the **greenback**, a day before the European Central Bank is expected to add further stimulus in a bid to boost the region's economy. The **euro** fell 0.31% against the **dollar** to \$1.1009. The **yen** fell as optimism over U.S.-China trade talks boosted risk sentiment and reduced demand for safe havens. The **dollar** gained 0.26% to 107.81 **yen**. The **dollar index** was up 0.31% at 98.63.

**Oil** prices tumbled more than 2% after a report that U.S. President Donald Trump weighed easing sanctions on Iran, which could boost global crude supply at a time of lingering worries about global energy demand. Market participants cited a report from Bloomberg that Trump discussed easing sanctions on Iran to help secure a meeting with Iranian President Hassan Rouhani later this month. The

Bloomberg report, attributed to three unnamed sources, said then-National Security Advisor John Bolton argued against such a step. **Brent crude** was 2.15% lower at \$61.04 a barrel, while **U.S. West Texas Intermediate** fell 2.46% to \$55.99 a barrel.

**Gold** rose on expectations of monetary policy easing by top central banks while global growth risks continue to linger, although improved appetite for riskier assets capped bullion's gains. "If the European Central Bank (ECB) announces another cut or more liquidity, it should boost precious metals and that's what's given a positive tone for gold," said Chris Gaffney, president of world markets at TIAA Bank. **Spot gold** was up 0.69% at \$1,495.71 per ounce. **U.S. gold futures** were 0.37% higher at \$1,504.70 an ounce.



# Apple - The Day After Launch

## **Apple's new, lower priced iPhone draws tepid response in Asia**

Apple's new, lower priced iPhone that comes with a faster processor but lacks 5G technology disappointed Asia, where cheaper and feature-packed handsets from rivals are already available. The iPhone 11, launched on Tuesday for \$50 less than last year's base XR model, was met with a limp response from social media users in Asian markets that are dominated by Huawei Technologies and Samsung Electronics.

## **Apple may steal Netflix streaming crown, but only for a year**

Apple's move to offer a free TV+ subscription for a year with every new device may briefly crown the iPhone maker as the biggest streaming service by user numbers, leapfrogging Netflix. But it doesn't mean Apple will keep the lead. Under the company's plans announced on Tuesday, any purchaser of an iPhone, Macbook, iPad, or iPod Touch will now get the Apple TV+



A file photo of CEO Tim Cook presenting the new iPhone 11 at an Apple event at their headquarters in Cupertino, California, U.S. September 10. REUTERS/Stephen Lam

For a graphic on Apple's new iPhones, [click here](#)

streaming service free and will be charged \$5 a month only if they decide to continue after the year is over. Given Wall Street expects Apple to sell at least 130 million iPhones outside of

China in the next 12 months, and that last year it sold more than 60 million Macbooks and iPads, that should allow TV+ to easily top Netflix's almost 160 million users.

# Other Top News

## **Hong Kong Exchange makes surprise \$39 bln offer for Britain's LSE**

Hong Kong Exchanges and Clearing made a surprise \$39 billion takeover approach for the London Stock Exchange, aiming to sabotage the LSE's acquisition of data company Refinitiv and create a global trading powerhouse. The offer, which some investors and analysts said could face serious political hurdles, is aimed at creating a combined group better able to compete with U.S. rivals such as ICE and CME. HKEX, whose main shareholder is the Hong Kong government, said its 31.6 billion pounds cash-and-share transaction

proposal represented a 22.9 percent premium to the LSE's closing stock price on Tuesday.

## **Saudi Aramco gives nine banks top roles on world's biggest IPO**

Saudi Aramco has hired nine banks as joint global coordinators to lead its planned initial public offering (IPO), slated to be the world's largest, two sources familiar with the matter told Reuters. Aramco has selected JPMorgan Chase, Morgan Stanley and Saudi Arabia's National Commercial Bank, which were previously working on the share sale before it was paused last year, the sources said, declining to be identified due to commercial

sensitivities. It has also chosen Bank of America Merrill Lynch, Goldman Sachs, Credit Suisse Group, Citigroup, HSBC Holdings and Saudi Arabia's Samba Financial Group, they added.

## **Purdue Pharma reaches tentative opioid settlement -sources**

OxyContin maker Purdue Pharma reached a tentative agreement with some plaintiffs to resolve widespread litigation over its alleged role in fueling the U.S. opioid crisis and plans to tussle with states opposing its settlement offer in bankruptcy proceedings starting as soon as next week, people familiar with the matter said. Lead lawyers representing more

than 2,000 cities, counties and other plaintiffs suing Purdue, along with 26 states and U.S. territories, were on board with an offer from the company and its controlling Sackler family to settle lawsuits in a deal valued at up to \$12 billion, the people said. More than a dozen other states remain opposed or uncommitted to the deal, setting the stage for a legal battle over Purdue's efforts to contain the litigation in bankruptcy court, they said.

## **Trump administration announces plans to ban flavored e-cigarettes**

The Trump administration announced plans to remove all flavored e-cigarettes from store shelves in a crackdown on vaping after a handful of deaths and potentially hundreds of lung illnesses were tied to the practice. President Donald Trump and top U.S. officials expressed concern about data showing that flavored vaping products had drawn millions of children into nicotine addiction. Health and Human Services Secretary Alex Azar told reporters that, with Trump's blessing, the U.S. Food and Drug Administration was working on a "guidance document" that would lead to a ban of all vape flavors aside from tobacco flavoring. The ban would include mint and menthol flavoring as well as bubble gum, candy, fruit, alcohol and other flavors, he said. Tobacco flavoring would be allowed to remain, subject to companies' filing for approval from the FDA. Even that would be at risk if the government determined children were attracted to it or that it was being marketed to them, Azar said.

## **Switzerland warns Facebook's Libra it will face extra scrutiny**

Facebook's Libra cryptocurrency suffered another setback when Switzerland said the proposed payments system could face strict rules that typically apply to banks, on top of tough anti-money laundering laws. The statement by Switzerland's financial

market supervisor FINMA came as the Libra Association, which is based in Geneva, said it planned to apply to become a licensed payments system in the country. FINMA said the project would be more than just a global payments system and would therefore be subject to extra requirements, from liquidity and capital allocations for risk to the management of reserves that will back the digital tokens. "For bank-like risks, for example, bank-like regulatory requirements would apply," FINMA said in an initial assessment of the project based on the information it has so far.

## **GM recalls 3.8 million vehicles in North America due to braking issue**

General Motors said it was recalling 3.46 million U.S. pickup trucks and SUVs to address a vacuum pump issue that could make braking more difficult and that has been linked to 113 accidents and 13 injuries. The recall covers 2014-2018 model year vehicles, including some Cadillac Escalade, Chevrolet Silverado, Chevrolet Tahoe, GMC Sierra, Chevrolet Suburban and GMC Yukon vehicles. The recall was triggered because the amount of vacuum created by the vacuum pump may decrease over time, GM told the National Highway Traffic Safety Administration in documents posted.



## **California Senate passes bill to tighten 'gig' worker rule**

The California State Senate voted on Tuesday to pass a bill that would make it much more difficult for gig economy companies like Uber Technologies and

Lyft to classify workers as independent contractors rather than employees. The bill, which was sponsored by California Assemblywoman Lorena Gonzalez and is backed by Governor Gavin Newsom, passed the state senate with 29 votes in favor and 11 votes against it. Called AB5, the law has garnered national attention, largely owing to the size of California's workforce.

## **Former Starboard executive pushes for sale of Mobile Mini -sources**

The Donerail Group, an investment firm led by former activist hedge fund Starboard Value LP executive William Wyatt, has built a stake in Mobile Mini and is pushing the company to explore a sale, people familiar with the matter said. Donerail has asked Mobile Mini to explore strategic alternatives, including a potential sale, given the fragmented nature of the portable storage sector, the sources said, requesting anonymity because the matter is confidential. It was not clear how Mobile Mini plans to respond. Mobile Mini did not immediately respond to a request for comment. Donerail, which was launched by Wyatt last year, declined to comment.

## **Temasek, KKR competing to buy stake in Philippine hospitals group-sources**

Singapore state investor Temasek Holdings and buyout firm KKR are among the suitors who have advanced to the second round of an auction to buy into the hospital unit of Metro Pacific Investments, sources told Reuters. Buyout firm CVC and strategic investors figure among the bidders, said the sources, who have knowledge of the matter. The bidders are valuing the hospital unit at up to \$2 billion, pegging its valuation at just over 20 times next year's estimated core profit, as they seek a majority economic stake in it, the sources added on condition of anonymity as the talks are private.



The U.S. flag is unfurled at sunrise as part of the 18th annual September 11 observance ceremony at the Pentagon in Arlington, Virginia, U.S., September 11. REUTERS/AI Drago

## Insight and Analysis

### **Not so fast: central banks push back against markets greedy for stimulus**

High on hopes of never-ending central bank stimulus and desperate for clarity on the size and timing of their next fix, financial markets look like they are being walked back from the more aggressive bets by officials wary of excessive exuberance. Bond yields have jumped back from record lows this week, with investors forced to unwind some of their more extreme positions as central bankers, from the U.S. Federal Reserve to Reserve Bank of Australia, indicated that in pricing swingeing cuts to policy rates, markets might just be getting it wrong.

### **U.S. corporate bond, IPO markets heat up as recession fears persist**

Corporate America appears to be rushing to get the most out of the decade-long bull market in stocks and bonds before a possible recession and election-year stock market volatility slam the IPO and credit windows shut. Approximately 70 companies have registered with the U.S. Securities and Exchange Commission to go public, according to estimates from Renaissance Capital, while \$72 billion in investment-grade corporate debt – a figure nearly as large as the total issuance in August – was issued last week, according to data from Dealogic.

### **EXPLAINER -How does negative rate policy work?**

U.S. President Donald Trump has suggested that the U.S. Federal Reserve drive interest rates into negative territory. Negative rate policy is something Fed officials have downplayed as appropriate in the U.S. because of the risks it entails and the likely political opposition. Once considered only for economies with chronically low inflation such as Europe and Japan, however, the idea is becoming a more attractive option for some other central banks to counter unwelcome rises in their currencies.





# CANADA

## Coming Up

**Dollarama Inc** is expected to report higher second-quarter profit as the Canadian discount store operator's strategy to keep price increases to a minimum paid off. Investors will look out for comments on expansion plans after the company bought a 50.1%

stake in Latin American value retailer Dollarcity.

Statistics Canada is scheduled to report **New Housing Price Index** for July, which is expected to remain flat, having fallen 0.1% in June.

### TSE's S&P/TSX composite

#### GAINERS

BlackBerry Ltd  
OceanaGold Corp  
SNC-Lavalin Group Inc

#### LOSERS

Gran Tierra Energy Inc  
Pason Systems Inc  
Enerflex Ltd

Price	C\$ chng	% chng
9.92	0.52	5.53
3.24	0.15	4.85
18.73	0.81	4.52
1.99	-0.05	-2.45
16.42	-0.40	-2.38
13.07	-0.30	-2.24

## MARKET MONITOR

**Canada's main stock index** rose, as hopes of a resolution to the U.S.-China trade war buoyed sentiment. The **Toronto Stock Exchange's S&P/TSX composite index** was up 0.45% at 16,611.14.

Shares of MEG Energy fell 0.69%.  
SNC Lavalin jumped 4.52%.  
OceanaGold Corp rose 4.85%.

The **dollar** was down 0.13% at C\$1.2330 against its **Canadian counterpart**.

## Top News

### Canada's Jarislowsky Fraser raises stake in SNC-Lavalin

Canadian investment firm Jarislowsky Fraser increased its participation in SNC Lavalin to more than 10% as part of a broader asset growth strategy in Canadian equities, the company said. Jarislowsky would be the third-largest shareholder in SNC, according to Refinitiv data and a recent SNC filing, in a move other investors see as a boost for the embattled firm. One SNC shareholder, an asset manager, told Reuters that Jarislowsky Fraser's increased position shows confidence in firm. "Eventually, if more buyers step in, the stock should go up," said the shareholder who spoke on condition of anonymity.



A file photo of the SNC-Lavalin logo seen outside the company headquarters building in Montreal, Quebec, Canada, May 5. REUTERS/Dario Ayala

# WEALTH NEWS

## TRADE TARIFFS

### China exempts some U.S. goods from retaliatory tariffs as fresh talks loom

U.S. President Donald Trump welcomed China's decision to exempt some U.S. anti-cancer drugs and other goods from its tariffs, days ahead of a planned meeting aimed at defusing a trade war between the world's two largest economies.

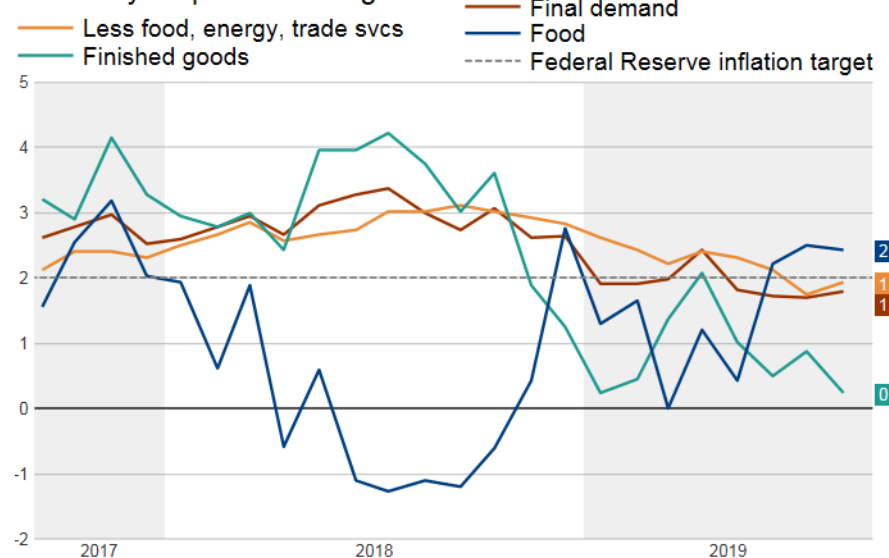
## PRODUCER PRICES DATA

### U.S. producer prices rise; Fed rate cut still expected

U.S. producer prices unexpectedly rose in August, but the overall trend in producer inflation remains tame, cementing financial market expectations that the Federal Reserve will cut interest rates again next week to support a slowing economy. The Labor Department said its producer price index for final demand edged up 0.1% last month. In the 12 months through August, the PPI advanced 1.8% after increasing 1.7% in July. Core producer prices jumped 0.4% last month after dipping 0.1% in July, the first decline since October 2015. The core PPI climbed 1.9% in the 12 months through August after increasing 1.7% in July. A separate report from the Commerce Department showed wholesale inventories increased slightly in July.

## U.S. Producer prices

Year-on-year percent change



Source: Refinitiv Datastream — Reuters graphic/Stephen Culp 9/11/2019

## NEGATIVE INTEREST RATES

### Trump reverses course, seeks negative rates from Fed 'boneheads'

U.S. President Donald Trump called on the "boneheads" at the Federal Reserve to push interest rates down into negative territory, a move reluctantly used by other world central banks to battle weak economic growth that risks punishing savers and banks' earnings in the process.

## BIOFUELS POLICY

### White House urges biofuel industry to take deal boosting blending mandates -sources

White House officials urged U.S. biofuel producers to accept the administration's offer to raise biofuel blending mandates next year by 5% even if it falls short of their demands, and said a deal must be reached by Friday, three sources familiar with the matter said.

## OPEC

### OPEC cuts 2020 oil demand forecast, urges effort to avert new glut

OPEC cut its forecast for growth in world oil demand in 2020 due to an economic slowdown, an outlook the producer group said highlighted the need for ongoing efforts to prevent a new glut of crude.

## U.S. BUSINESS IN CHINA

### U.S. firms sour on their future in China as trade war bites -AmCham

The China-U.S. trade war is souring the profit and investment outlook for U.S. companies operating in the world's second-biggest economy, a survey by a prominent American business association showed.

## OIL JOBS

### COLUMN-U.S. oil and gas jobs fall as shale boom cools: Kemp

U.S. oil and gas employment has started to fall as producers and service companies respond to the sharp decline in prices since the fourth quarter of 2018.



## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Broadcom	Q3	AMC	\$5.17	\$5.13	\$4.98	\$5,539.21
Kroger	Q2	BMO	\$0.41	\$0.41	\$0.41	\$28,355.38

*\*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.*

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

*The Day Ahead - North America is compiled by Nachiket Tekawade and Nayyar Abdul Rasheed in Bengaluru.*

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

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