

THE DAY AHEAD

MARKET RECAP at 4 pm ET

The **S&P 500** ended nearly flat after the Federal Reserve cut interest rates but gave mixed signals about future policy move. The **dollar** rose and **Benchmark Treasury yields** fell, while **gold** declined. **Oil** prices extended their fall after Saudi pledge to restore lost output.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	27147.15	36.35	0.15	27398.68	21712.53
Nasdaq	8177.39	-8.62	-0.11	8339.64	6457.13
S&P 500	3006.73	1.03	0.03	3027.98	2443.96
Toronto	16800.29	-34.46	-0.20	16855.45	13776.88
FTSE	7314.05	-6.35	-0.09	7727.49	6599.48
Eurofirst	1529.66	0.45	0.03	1554.34	1308.86
Nikkei	21960.71	-40.61	-0.18	22362.92	19241.37
Hang Seng	26754.12	-36.12	-0.13	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.7926	6/32
2-year	1.7498	-1/32
5-year	1.6678	0/32
30-year	2.2478	23/32

FOREX	Last	% Chng
Euro/Dollar	1.1034	-0.33
Dollar/Yen	108.43	0.29
Sterling/Dollar	1.2485	-0.12
Dollar/CAD	1.3280	0.29
TR/HKEX RMB	91.75	0.09

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	58.08	-1.26	-2.12
Spot gold (NY/oz)	1493.40	-8.80	-0.59
Copper U.S. (front month/lb)	0.0260	-0.0001	-0.79
CRB Index Total Return	187.12	-1.21	-0.64

S&P 500	Price	\$ Chng	% Chng
GAINERS			
KLA-Tencor Corp	157.98	5.38	3.53
Comerica Inc	66.91	1.43	2.18
SVB Financial Group	217.85	4.42	2.07
LOSERS			
FedEx Corp	150.90	-22.40	-12.93
Alexion Pharmaceuticals Inc	102.98	-4.85	-4.50
Noble Energy Inc	24.24	-0.85	-3.39

Coming Up



A file photo shows Chinese and U.S. flags fluttering near The Bund in Shanghai, China July 30. REUTERS/Aly Song

Deputy **trade negotiators** for the **United States** and **China** are expected to meet in Washington. These discussions are aimed at paving the way for expected high-level negotiations in early October that

would seek a way out of a bitter 14-month trade war between the world's two largest economies.

Investors' attention will be on the **Bank of Japan's** monetary policy meeting as

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Current account for Q2	0830	-\$127.8 bln	-\$130.4 bln
Initial jobless claims	0830	213,000	204,000
Jobless claims 4-week average	0830	--	212,500
Continued jobless claims	0830	1.672 mln	1.670 mln
Philly Fed Business Index for Sep	0830	11.0	16.8
Philly Fed 6M Index for Sep	0830	--	32.6
Philly Fed Capex Index for Sep	0830	--	22.6
Philly Fed Employment for Sep	0830	--	3.6
Philly Fed Prices Paid for Sep	0830	--	12.8
Philly Fed New Orders for Sep	0830	--	25.8
Existing home sales for Aug	1000	5.37 mln	5.42 mln
Existing home sales percentage change for Aug	1000	-0.4%	2.5%
Leading index change mm for Aug	1000	0.1%	0.5%

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THE BEGINNING



the central bank announces **interest rate decision** after the two-day meeting. BOJ Governor **Haruhiko Kuroda** is expected to speak to reporters at the end of the meeting. **Bank of England** is also scheduled to announce its rate decision and publish the minutes of the meeting.

On the U.S. economic front, the Commerce Department is likely to report second-quarter **current account deficit** shrank to \$127.8 billion from \$130.4 billion in the prior quarter. Separately, the National Association of

Realtors' data for **existing home sales** for August is expected to show a dip of 0.4% to a seasonally adjusted 5.37 million units, after rising 2.5% to a seasonally adjusted 5.42 million units in the previous month. The Labor Department is expected to report **initial jobless claims** for the week ended Sept. 14 rose to a seasonally adjusted 213,000 from 204,000 in the week before. The **Philadelphia Fed business activity index** for September is expected to show a reading of 11, after reporting a reading of 16.8 in August.

Argentina's statistics agency is expected to report second-quarter gross domestic product. The country's economy shrank 5.80% in the previous quarter.

LIVECHAT - BONDS UPDATE

Reuters Senior European Government Bonds Correspondent **Dhara Ranasinghe** takes us through fixed income markets following the ECB rate decision, in a crucial week for central bank policy. (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)
Darden Restaurants	Q1	BMO	\$1.36	\$1.36	\$1.34	\$2,138.16

*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

The benchmark **S&P 500** index ended almost flat as Federal Reserve policymakers gave mixed signals about their next move after cutting interest rates by a quarter of a percentage point in a widely expected move. New projections showed policymakers at the median expected rates to stay within the new range through 2020, bad news for investors hoping for additional cuts to help blunt economic fallout from the U.S.-China trade. "The main concern (for stock investors) is there might not be another cut, and that's why you had a little bit of a selloff," said Alan Lancz, President of Alan B. Lancz and Associates in Toledo, Ohio. "But it's almost like selling on good news. They left the door open for more cuts. It's a really divided Fed right now." The interest-rate sensitive **banking index** edged 0.66% up to 335.50. **Roku** slumped 13.71%. The **Dow** was up 0.13% at 27,147.15 points, while the **S&P 500** up 0.03% to 3,006.74. The **Nasdaq** dropped 0.11% to 8,177.39.

Benchmark yields fell after the Federal Reserve cut interest rates for the second time this year, but indicated that further cuts may not follow. "The market's interpreting it incrementally a bit hawkish," said Jon Hill, an interest rate strategist at BMO Capital Markets in New York. "The fact that they don't indicate any additional cuts we'll take with a grain of salt. Keep in mind that back in June there was no indication they were going to cut the rest of this year either, and really the language in the statement remains that they will act as appropriate," Hill added.

Benchmark notes were up 7/32 to yield 1.7909%. **2-year notes** were down 1/32, yielding 1.7539%. **30-year bonds** rose 23/32 to yield 2.2471%.

The **dollar** rose after the Federal Reserve cut interest rates by a quarter of a percentage point, as expected, but



A screen displays the U.S. Federal Reserve interest rates announcement as traders work on the floor of the New York Stock Exchange (NYSE) in New York, U.S., September 18. REUTERS/Brendan McDermid

gave an uncertain outlook on future easing and sounded less bleak about the U.S. economy. "It is perhaps a little more hawkish than what the market was hoping for. I think it's an acknowledgement that there is a range of opinion within the policymaking apparatus here," said Tim Horan, chief investment officer, at Chilton Trust in New York. "If you look at our own U.S. numbers, what stands out is that inflation has been moving up and that's slightly at odds with the stronger dollar that we've had." Against the **Japanese yen**, the **dollar** rose 0.28% to 108.42 yen. The **euro** fell 0.35% against the **dollar** to \$1.1032. The **dollar index** was up 0.25% at 98.51.

Oil prices retreated, extending the previous day's declines after Saudi Arabia said it would quickly restore full production following last weekend's attacks on its facilities and as U.S.

crude stockpiles rose unexpectedly. Tension in the Middle East remained elevated, however, after the Saudi Defence Ministry held a news conference, displaying drone and missile debris it said was "undeniable" evidence of Iranian aggression. U.S. President Donald Trump said he ordered a major increase in sanctions on Iran in the latest U.S. move to pressure Tehran. **Brent crude oil futures** were 1.53% down at \$63.56 a barrel while **U.S. West Texas Intermediate crude futures** fell 2.04% to \$58.13 a barrel.

Gold prices fell, pulled down by a lack of clarity on future monetary policy decisions after a widely anticipated interest rate cut by the U.S. Federal Reserve. **Spot gold** dropped 0.64% to \$1,492.63 per ounce. **U.S. gold futures** were down 0.71% at \$1,502.60 an ounce.

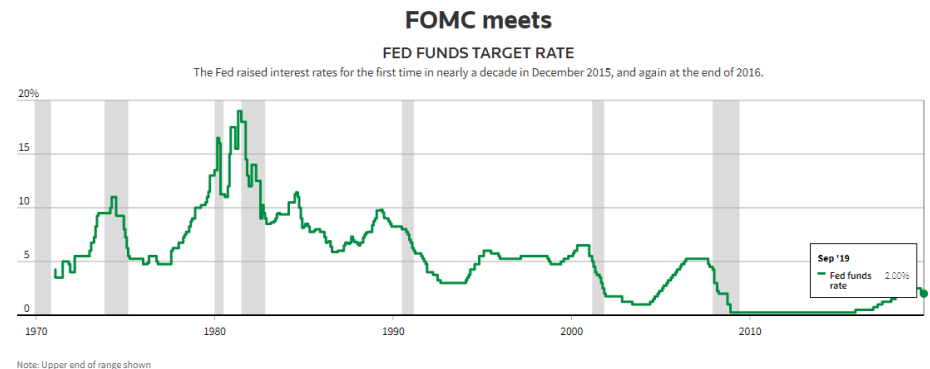
Top News

Fed cuts rates on 7-3 vote, gives mixed signals on next move

The U.S. Federal Reserve delivered a widely expected interest rate cut aimed at sustaining a record-long economic expansion, but gave few hints of whether or when it could reduce borrowing costs further. The U.S. economic outlook is "favorable," with labor markets strong and inflation likely to return to the Fed's 2% inflation goal, Fed Chair Jerome Powell said in a news conference after the decision was announced. But Fed policymakers decided to cut rates, he said, "to provide insurance against ongoing risks" including weak global growth and resurgent trade tensions. "If the economy does turn down, then a more extensive sequence of rate cuts could be appropriate," he said. "We are going to be highly data-dependent We are not on a preset course." The central bank also widened the gap between the interest it pays banks on excess reserves and the top of its policy rate range, a step taken to smooth out problems in money markets that prompted a market intervention by the New York Fed this week. In lowering the benchmark overnight lending rate to a range of 1.75% to 2.00% on a 7-3 vote, the Fed's policy-setting committee nodded to ongoing global risks and "weakened" business investment and exports. The rate cut fell short of the more aggressive reduction in borrowing costs that President Donald Trump had demanded from Fed officials, and he reacted by blasting the central bank and its chief. "A terrible communicator," Trump said of Powell in his latest Twitter attack on the central bank and Powell. "Jay Powell and the Federal Reserve Fail Again," Trump said.

FedEx tumbles on weak 2020 outlook, brokers cut price targets

Shares of FedEx fell after the package



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delivery company slashed its 2020 profit outlook, blaming trade tensions and its split with client-turned-competitor Amazon.com. The profit warning that came in just ahead of the all-important holiday shopping season for retailers, wiped off the stock's gains for the year and prompted several brokerages to cut their price targets. Credit Suisse, which cut its price target for the stock to \$168 from \$175, said barring an outright recession, the numbers are nearly de-risked with the potential for a reacceleration in earnings growth in FY21. FedEx now expects adjusted earnings to fall between 16% and 29% for full-year 2020 ending May 31, compared with its June estimate of a mid-single slide. The company's shares ended 12.93% down at \$150.90.

U.S. social media firms say they are removing violent content faster

Major U.S. social media firms told a Senate panel they are doing more to prevent to remove violent or extremist content from online platforms in the wake of several high-profile incidents, focusing on using more technological tools to act faster. Senator Richard Blumenthal, a Democrat, said social media firms need to do more to prevent violent content. Facebook's head of

global policy management, Monika Bickert, told the Senate Commerce Committee its software detection systems have "reduced the average time it takes for our AI to find a violation on Facebook Live to 12 seconds, a 90% reduction in our average detection time from a few months ago." Twitter public policy director Nick Pickles said the website suspended more than 1.5 million accounts for terrorism promotion violations between August 2015 and the end of 2018 with "more than 90% of these accounts are suspended through our proactive measures." Alphabet unit Google's global director of information policy, Derek Slater, said the answer is "a combination of technology and people. Technology can get better and better at identifying patterns. People can help deal with the right nuances."

Apple spars with EU as \$14 billion Irish tax dispute drags on

Apple accused the European Commission of misunderstanding its business on day two of the iPhone maker's appeal against a \$14 billion tax order, in a dispute that is key to the EU's drive to collect more taxes but which could also run for years. Central to the dispute is the importance of the Irish businesses, with Apple lawyer

Daniel Beard arguing they were not as significant as the Commission has asserted. "Yes, Apple CEO Tim Cook said there were decisions taken in Ireland, but not strategic decisions," he said, referring to Cook's testimony at a U.S. Senate hearing in 2013 which formed a key element of the Commission's case. Apple did not do a special Irish tax deal in return for creating jobs, Beard added. In other news, Apple's new iPhones will use recycled rare earth elements in a key component, the company said. To read more, [click here](#)

Trump and California go to war over clean cars

U.S. President Donald Trump and the state of California went to war over who should set the standards in the United States for vehicle emissions and electric cars, foreshadowing a legal battle over environmental policy issues that will affect the auto industry and consumers. In a morning flurry of tweets, Trump confirmed he will revoke California's authority to require automakers to build cleaner vehicles than federal requirements demand. Trump tweeted that vehicles would be "far less expensive" and "substantially SAFER" - claims California officials rejected. Trump, who is in California this week, urged automakers to back the action, which could also eliminate electric vehicle mandates in a dozen states that follow California's regulatory lead. "Automakers should seize this opportunity because without this alternative to California, you will be out of business," Trump tweeted.

GM to temporarily lay off 1,200 workers in Canada

General Motors said it plans to temporarily lay off about 1,200 workers at its Oshawa assembly plant in Canada, which makes the Chevy Silverado and GMC Sierra pickup trucks. The Oshawa plant ran out of parts on Tuesday following the United Auto Workers strike at GM's manufacturing facilities in the U.S. "We

anticipated there would be an impact because of the strike," David Paterson, a spokesman for General Motors in Canada told Reuters. The Oshawa plant will continue to make sedans.

India bans e-cigarettes as global backlash at vaping gathers pace

India banned the sale of electronic cigarettes and warned of an "epidemic" among young people, in the latest and potentially biggest move globally against vaping over growing health concerns. The ban cuts off a huge future market from e-cigarette makers at a time when the number of people smoking worldwide is declining. It could dash the expansion plans of companies such as Juul Labs and Philip Morris International in the country. "These novel products come with attractive appearances and multiple flavours and their use has increased exponentially and acquired epidemic proportions in developed countries, especially among youth and children," India's health ministry said. The ban also covers the production, import and advertising of e-cigarettes - but not the use of them. It comes at a time when vaping is facing increased scrutiny in other countries.

Window closing fast for WeWork parent to launch IPO this year

WeWork owner The We Company faces strong headwinds in achieving its goal of launching an initial public offering (IPO) by the end of the year after postponing it this month, fund managers and capital markets professionals said. We Company is hoping it can kick off its IPO as early as next month, once it has updated its quarterly earnings with what it hopes to be a strong financial performance between July and September, according to people familiar with its thinking. We Company declined to comment. However, it runs the risk of coming up against weak IPO market demand because many fund managers become more risk-averse in the fourth quarter, as time runs out to make

changes to their portfolio before they close their books for the year.

Tim Hortons pulls Beyond Meat products from most Canada provinces

Restaurant Brands International's Tim Hortons cut Beyond Meat's burgers and sandwiches from its menu, except in Ontario and British Columbia restaurants, months after a nationwide roll-out at the Canadian breakfast chain. "Both the Beyond Burger and Beyond Meat breakfast sandwiches were introduced as a limited-time offer," Restaurant Brands said. "We may explore offering the product again in other provinces at a future date based on ongoing guest feedback," the company said. Tim Hortons said in July it was expanding plant-based meat additions in nearly 4,000 restaurants. There are about 4,800 Tim Hortons restaurants in North America. Beyond Meat said the menu items were introduced as a limited-time offering and could be brought back in the future.

Weak snacks demand, international challenges hit General Mills sales

Cheerios maker General Mills Inc's quarterly sales fell short of Wall Street estimates, hit by weak demand for its baking products and snacks in the United States and challenges in key emerging markets such as Brazil and India. Snacks as well as meals and baking businesses in the United States recorded a 1% drop in revenue. Sales in General Mills' international markets also declined, partly hurt by a strong dollar and lower-than-expected sales in Brazil, India and China, its key emerging markets. Overall, company's net sales slipped 2.2% to \$4 billion, missing the average analyst estimate of \$4.08 billion, according to IBES data from Refinitiv. Excluding items, the company, which reaffirmed its full-year forecast, earned 79 cents per share, beating analysts expectation of 77 cents.



Swedish 16-year-old youth climate activist Greta Thunberg sits on the side amongst other youth climate activists at a news conference about the Green New Deal hosted by U.S. Senator Ed Markey (D-MA) on the Northeast lawn in front of the U.S. Capitol in Washington, U.S., September 17, 2019. REUTERS/Sarah Silbiger

Insight and Analysis

FOCUS-Garments for lease: 'rental' apparel brings new wrinkles for retail stores

Lisa Batitto, 54, says she has virtually stopped buying clothes ever since she started renting them. She spends \$277 a month on three subscriptions, including one from New York & Company. This is less than what she previously spent, she said. "I still have clothes in my closet from when I was buying, but I can't tell you the last time I bought anything," she said. From New York & Company, owned by RTW Retailwinds, to Bloomingdale's and Banana Republic of Gap Inc, more retailers are offering to lend out their clothing for a monthly rental rate.

Lone 737 MAX criss-crossed Canada for pilot checks during grounding

While the world's Boeing 737 MAX fleet remains grounded after two fatal crashes, a solitary Air Canada plane has been spotted in the skies, shuttling between Quebec and Ontario. In a rare exemption, approved by Canadian aviation regulator Transport Canada, the 11 flights in August and September were partly to maintain the qualifications of senior training pilots, Air Canada told Reuters in response to a query about flight tracking data. Between Aug 28 and Sept 8 the Air Canada MAX plane criss-crossed between Montreal, Val d'Or, Quebec and North Bay, Ontario, data from Tracking website FlightRadar24 shows.

COLUMN-Saudi Arabia draws down oil stocks to maintain supply after attack: Kemp

Saudi Arabia will try to maintain oil supplies to its major customers by drawing down crude stored at tank farms in the kingdom and in its global network while repairing and replacing installations damaged in the recent attacks. Saudi Arabia reported domestic crude stocks of 180 million barrels at the end of July, government data supplied to the Joint Organisations Data Initiative showed. Saudi Aramco, the national oil company, also maintains a few tens of millions of barrels of forward storage near its customers in leased tank farms in the Netherlands, Japan and Egypt.

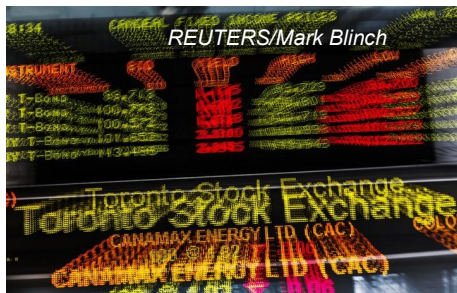


CANADA

Coming Up

The **Toronto Stock Exchange's S&P/TSX Composite index** ended 0.20% down at 16,800.29.

The **U.S. dollar** rose 0.33% against its **Canadian counterpart** to C\$1.3285.



COMING UP

No major events are scheduled

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
West Fraser Timber Co Ltd	56.17	2.85	5.35
Bombardier Inc	1.91	0.05	2.69
SNC-Lavalin Group Inc	20.59	0.52	2.59
LOSERS			
Ensign Energy Services Inc	3.44	-0.39	-10.18
Birchcliff Energy Ltd	2.28	-0.15	-6.17
Precision Drilling Corp	1.83	-0.09	-4.69

Top News

Canadian inflation falls to 1.9% in August on lower gas prices

Canada's annual inflation rate fell slightly to 1.9% in August on lower gasoline prices, Statistics Canada said in its first major data release since Canadian politicians formally hit the campaign trail. Analysts in a Reuters poll had forecast an inflation rate of 2.0%. Canada's annual inflation rate in July was 2.0%. Consumer prices for gasoline, Statistics Canada said, fell 10.2% in the 12 months to August following a 6.9% decline in July. Meanwhile, the price of fresh vegetables dropped 6.5% in August from July - the largest month-over-month decline seen in five years - as temporary pressures because of



inclement weather in agricultural regions eased. CPI common, which the central bank says is the best gauge of the economy's underperformance, fell to 1.8% from 1.9% in July. CPI median, which shows the median inflation rate across CPI components, and CPI trim, which excludes upside and downside outliers, were both at 2.1%.

China Gold sees Canada's lamgold as good fit - executive

lamgold would fit well with China Gold International Resource's acquisition strategy as the Chinese state-run company seeks to buy producing gold mines, an executive with the overseas arm of China National Gold Group said. China Gold is aggressively looking to add to its project pipeline, and lamgold would be a good fit, Jerry Xie, executive vice president, told Reuters on the sidelines of the Denver Gold Forum. "You can take that as an example. We feel comfortable for that size, as a corporate acquisition," he said. "That one is really good to fit our strategy," he added.

WEALTH NEWS

HOUSING DATA

U.S. housing starts, building permits race to 12-year high

U.S. homebuilding surged to more than a 12-year high in August as both single- and multi-family housing construction accelerated, suggesting that lower mortgage rates were finally providing a boost to the struggling housing market. The report from the Commerce Department said housing starts jumped 12.3% to a seasonally adjusted annual rate of 1.364 million units last month, the highest level since June 2007. Building permits increased 7.7% to a rate of 1.419 million units in August, the highest level since May 2007. Single-family homebuilding increased 4.4% to a rate of 919,000 units in August, the highest level since January.

U.S. housing starts, building permits



Click on the picture for a detailed graphic.

OVERNIGHT LENDING RATES

Fed makes small changes in bid to better control policy rate

The Federal Reserve tweaked two key rates used to manage its main policy lever, but stopped short of additional bond purchases some investors anticipated.

TRADE TARIFFS

U.S. trade groups urge Congress to rein in "Tariff Man" Trump

Nearly two dozen U.S. lobbying groups have joined forces to try to rein in U.S. President Donald Trump's power to unilaterally impose tariffs amid growing concern about the negative economic impact of his trade policies.

COMCAST STREAMING

Comcast gives away Xfinity Flex TV device, pounding shares of Roku

Comcast said it will offer internet customers a free streaming media set top box that works with other services, stepping up competition with Roku Inc in the market for a device that organizes multiple subscriptions.

ARAMCO IPO

Saudi market regulator in talks with Aramco on IPO rules

Saudi Arabia's Capital Market Authority (CMA) is in talks with Saudi Aramco and its advisers about the regulatory requirements for listing on the domestic stock exchange, its chairman Mohammed bin Abdullah Elkuwaiz told Reuters.

PRIVATE EQUITY DEAL

Britain to investigate \$5 billion U.S. takeover of defence firm Cobham

Britain will investigate the national security impact of the purchase of defence company Cobham by U.S. private equity firm Advent International, potentially delaying or even blocking the \$5 billion deal.

LIBRA CRYPTOCURRENCY

Facebook met UK officials three times before Libra announcement

Facebook met British finance ministry, central bank and regulatory officials in the weeks before making public its plans for the Libra digital currency, responses to Reuters freedom of information requests show.



A tourist takes a selfie photograph in an area forbidden to walking, overlooking the waterfalls in Gullfoss, Iceland September 16, 2019. REUTERS/Chris Helgren

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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