

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks fell, weighed down by a drop in Apple's shares and reduced expectations of a sharp rate cut by the Fed later this month. The **Treasury yield curve** hit its flattest level in more than a month as investors tempered Friday's reaction to the strong June jobs data. The **dollar index** rose, while **gold** slipped. **Oil** prices dipped.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26806.14	-115.98	-0.43	26966.00	21712.53
Nasdaq	8098.38	-63.41	-0.78	8176.08	6457.13
S&P 500	2975.95	-14.46	-0.48	2995.84	2443.96
Toronto	16462.95	-79.04	-0.48	16672.71	13776.88
FTSE	7549.27	-3.87	-0.05	7622.58	6599.48
Eurofirst	1535.08	-0.93	-0.06	1548.20	1308.86
Nikkei	21534.35	-212.03	-0.98	22362.92	19241.37
Hang Seng	28331.69	-443.14	-1.54	30280.12	24896.87

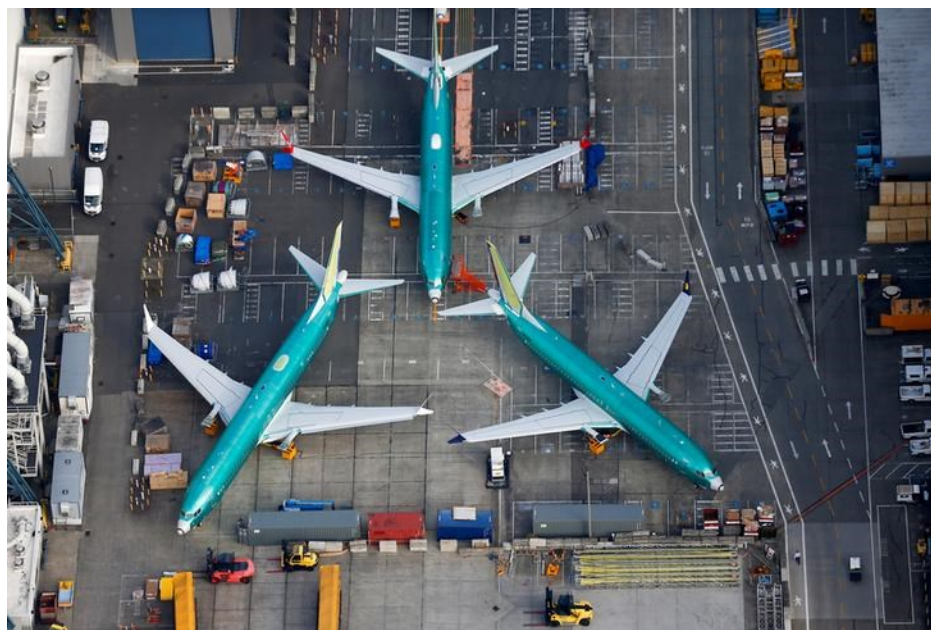
TREASURIES	Yield	Price
10-year	2.0510	-2 /32
2-year	1.8920	-1 /32
5-year	1.8606	-3 /32
30-year	2.5318	11 /32

FOREX	Last	% Chng
Euro/Dollar	1.1208	-0.14
Dollar/Yen	108.77	0.30
Sterling/Dollar	1.2510	-0.10
Dollar/CAD	1.3095	0.15
TR/HKEX RMB	93.73	0.10

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	57.47	-0.04	-0.07
Spot gold (NY/oz)	1392.70	-6.85	-0.49
Copper U.S. (front month/lb)	0.0266	0.0000	-0.15
CRB Index Total Return	189.57	-0.06	-0.03

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Edison International	69.29	2.11	3.14
Western Digital Corp	49.87	1.35	2.78
Baker Hughes A GE Co	25.19	0.64	2.61
LOSERS			
IPG Photonics Corp	141.23	-7.77	-5.21
DaVita Inc	55.50	-2.77	-4.75
TripAdvisor Inc	45.54	-2.03	-4.27

Coming Up



A file photo of Boeing 737 MAX airplanes parked on the tarmac at the Boeing Factory in Renton, Washington, U.S. March 21, 2019. REUTERS/Lindsey Wasson

Boeing Co is expected to report a drop in deliveries for the second quarter, hurt by the extended groundings of its best-selling 737 MAX jets. Investors will look for the number of order MAX generated during the quarter, as a sign of confidence in the jet following two deadly crashes.

The **Federal Reserve** is scheduled to conduct a conference to discuss the effectiveness of its **stress tests** for

large banks, as the U.S. central bank considers changes to its critical post-financial crisis tool. Federal Reserve Chairman **Jerome Powell** is likely to deliver the opening remarks at the "Stress Testing: a Discussion and Review" conference hosted by the Federal Reserve Bank of Boston. Meanwhile, Federal Reserve Vice Chair for Supervision **Randal Quarles** is scheduled to speak at the same event.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
NFIB Business Optimism Index for June	0600	--	105.00
JOLTS job openings for May	1000	7.470 mln	7.449 mln



A file photo of bottles of Pepsi pictured at a grocery store in Pasadena, California, U.S., July 11, 2017. REUTERS/Mario Anzuoni

PepsiCo Inc is expected to report its second-quarter results. Growing demand for healthy snacks and beverages is expected to boost sales for the company in the quarter. Investors will keep an eye on the performance of the company's energy drinks, which includes Gatorade, as rival Coca-Cola gets the green card to sell its product after winning an arbitration case against Monster Beverage.

Levi Strauss & Co is expected to post a rise in second-quarter revenue, as denim popularity surges. The company

is also likely to benefit from its focus on categories outside jeans such as women's wear and tops. All eyes will however be on the company's take on tariffs and their exposure to levies.

Federal Reserve Bank of St. Louis President **James Bullard** is likely to make welcome remarks before the Official Monetary and Financial Institution Forum Conference in St. Louis, Missouri. The Federal Reserve Bank of Atlanta President **Raphael Bostic** is expected to speak on monetary policy at the same event.

The Labor Department is expected to report that **JOLTS job openings** in May rose to 7.47 million from 7.45 million in the previous month.

LIVECHAT- FED WATCH

Reuters reporters and editors tracking the Federal Reserve take questions on the economics, politics, trade matters and rates policies facing America's central bank and others whose decisions drive markets day in and day out. (1430 ET/1030 GMT) To join the conversation, [click here](#)



Market Monitor

Stocks fell as Apple shares dropped following a broker downgrade and investors continued to weigh chances of an aggressive interest rate cut by the Federal Reserve later this month.

Apple fell 2.06% to \$200.02.

Rosenblatt Securities downgraded the iPhone maker's shares to "sell" from "neutral," and said it expected the company to face "fundamental deterioration" in the next six to 12 months. **Boeing** fell 1.31% to \$351.20 after Saudi Arabian budget airline flyadeal said it would not proceed with a provisional \$5.9 billion order for the planemaker's grounded 737 MAX aircraft, instead opting for a fleet of Airbus A320 jets. The **technology sector** was down 0.73%. The **Dow Jones Industrial Average** fell 0.43% to 26,806.14, the **S&P 500** lost 0.48% to 2,975.94 and the **Nasdaq Composite** dropped 0.78% to 8,098.38.

The **Treasury yield curve** hit its flattest level in more than a month as investors tempered Friday's reaction to the strong June employment data, with yields on long-duration bonds falling even as traders significantly reduced bets for an aggressive rate cut by the Federal Reserve later this month. Investors are now focused on Fed Chairman Jerome Powell's testimony before Congress later in the week for clues on monetary policy. The **spread between two- and 10-year yields** fell to a low of 15.9 basis points from its Friday close at 16.9. **Benchmark notes** were down 2/32 to yield 2.05%. The **30-year bonds** were up 11/32 to yield 2.53%.

Oil prices fell on concerns that slowing global economic growth would hit demand, though tensions over Iran's nuclear program lent some support to the prices. "Worries about what is going on in the Persian Gulf continue to



Traders work on the floor at the New York Stock Exchange in New York, U.S., July 1. REUTERS/Brendan McDermid

put a bit of a bid into the market, but without any new significant developments the market dropped back toward unchanged," Gene McGillian, vice president of market research at Tradition Energy in Stamford, Connecticut. "Worries about demand growth are holding the market back." **Brent crude** futures fell 0.54% at \$63.88 a barrel. **U.S. crude** futures were 0.05% down at \$57.48 a barrel.

The **dollar** rose as it held onto gains after news of a stronger-than-expected increase in U.S. jobs in June scaled back traders' expectations of a sharp Federal Reserve rate cut at the end of July. "Foreign-exchange markets started the week on a quiet note, with currencies trading in tight ranges, as traders shifted their focus from Friday's strong U.S. payrolls data to testimony from Federal Reserve Chairman Jerome Powell," said Ellis Phifer, senior market strategist at Raymond James. The **dollar index** was up 0.13% at 97.41. Against the **Japanese**

yen, the **dollar** strengthened 0.29% to 108.76 yen. The **euro** was 0.13% lower at \$1.1209.

Gold prices edged lower as increasing expectations that the U.S. Federal Reserve will not aggressively cut interest rates later this month boosted the dollar, making gold expensive for holders of other currencies. "With the strong jobs report the bets on 50 basis point rate cuts have dropped from almost 30% to 2%. The fact is that the runaway projections of interest rate declines are not going to happen and that's what is hurting gold," INTL FCStone analyst Edward Meir said. "Continuing tensions with Iran and headlines about central banks around the world being strong buyers of the yellow metal are supporting prices," said David Meger, director of metals trading at High Ridge Futures. **Spot gold** fell 0.51% to \$1,392.36 per ounce and **U.S. gold futures** were 0.31% lower at \$1,395.80 per ounce.

Top News

Big axe falls as Deutsche Bank to lay off 18,000 in \$8.3 billion 'reinvention'

Deutsche Bank laid off staff from Sydney to New York as it began to slash 18,000 jobs in a \$8.3 billion "reinvention" that will lead to yet another annual loss, a plan that knocked its already battered shares. Germany's largest lender said on Sunday it will scrap its global equities unit and cut some of fixed income operation in a retreat from a long-held ambition to make its struggling investment bank, with 38,000 staff, a force on Wall Street. Deutsche Bank has almost 91,500 staff around the world. "The restructuring measures involve large staff cuts and significant leadership changes, which could disrupt the aim to improve core earnings," it said in a note published Monday. "We are creating a bank that will be more profitable, leaner, more innovative and more resilient," Chief Executive Officer Christian Sewing wrote in a note to staff on Sunday. The bank's NYSE-traded shares fell 6.1% to \$7.54 at market close.

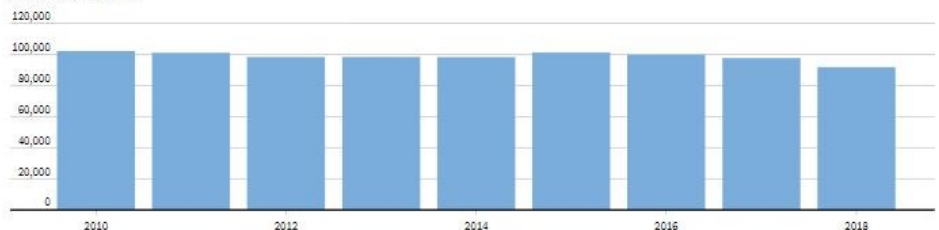
Roche, Spark push back takeover deadline in \$4.3 billion deal

Roche and Spark Therapeutics agreed to extend the deadline for the Swiss drugmaker's \$4.3 billion takeover bid for the U.S. gene therapy specialist, Roche said, adding it remains "fully committed" to a deal it sees closing this year. The new deadline for both companies to extend the merger agreement is now April 30, 2020, rather than January 31, 2020, Roche said in a U.S. regulatory filing on Monday, saying the change provides "additional time to clear the transaction". "Although closing this deal is taking longer than I had hoped, my excitement about our anticipated partnership has only increased," Roche Chief Executive Severin Schwan wrote in a note to

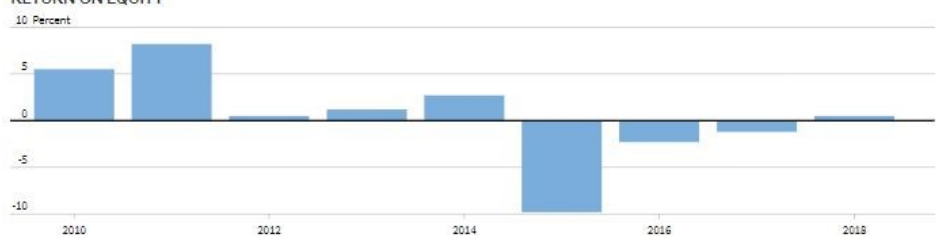
Deutsche Bank in Numbers

Deutsche Bank has had several restructurings since 2010, but its staff numbers have barely changed, it's struggled to make a profit and its costs remain high.

STAFF NUMBERS



RETURN ON EQUITY



COST TO INCOME RATIO



Deutsche Bank
Rachel Armstrong | REUTERS GRAPHICS

Click on the chart for a detailed and interactive graphic

Spark employees that was published by the U.S. Securities and Exchange Commission.

Facebook not invited to White House social media summit - company

Facebook said that it had not been invited to a White House summit on social media being held later this week. The White House has repeatedly declined to say who will attend the July 11 event. White House spokesman Judd Deere said last month the meeting would "bring together digital leaders for a robust conversation on the opportunities and challenges of today's online environment." He said that Trump will speak at the event.

Several conservatives on social media have said they are attending the summit, including Bill Mitchell, a Trump supporter who hosts an online show. At least two social media users posted photos of an invitation to the summit that said it will take place on Thursday.

India's latest Google probe sparked by junior antitrust researchers

Two junior Indian antitrust research associates and a law school student were behind a complaint that sparked a probe into Google's alleged anti-competitive practices in the country, in what has become another regulatory challenge for the U.S. firm. The case was filed by Umar Javeed and Sukarma Thapar, who work as

research associates at the Competition Commission of India (CCI), and Umar's brother Aaqib, a law school student who interned with the CCI briefly in 2018, their LinkedIn profiles showed. Though it's unusual for CCI researchers to file cases with the watchdog, antitrust lawyers said, there is nothing wrong with it. They acted in their personal capacity, a senior government official said, adding that all are aged in their 20s. The amount of any fine that could be imposed on Google if the CCI rules against it was not clear.

SunTrust to stop financing private prison operators

SunTrust will stop financing operators of private prisons and immigration holding facilities, it said, becoming the latest lender to distance itself from a sector associated with the Trump administration's policies. "This decision was made after extensive consideration of the views of our stakeholders on this deeply complex issue," the Atlanta-based company said in a statement. SunTrust is one of several banks that have underwritten bonds or syndicated loans for at least one of the major private U.S. prison operators, CoreCivic Inc and GEO Group Inc. "This decision is about caving to political pressure," said Brandon Bissell, manager of public affairs at CoreCivic. "It sends a terrible message to others in the private sector." SunTrust's executives are slated to testify about its proposed merger with BB&T before the U.S. House of Representatives Financial Services Committee later this month.

Intra-Cellular drug fails bipolar depression study; shares fall

Intra-Cellular Therapies said its lead drug failed to meet the main goal of a

late-stage study in patients with major depressive episodes associated with bipolar disorder. The treatment, lumateperone, which is being studied as a monotherapy for the condition, failed to show statistically significant improvement in the disease condition compared to placebo in the trial, the company said. The study, conducted only in the United States, tested two doses of the treatment against placebo in 554 patients. The treatment is also being evaluated as an add-on therapy to lithium or valproate in a third trial. "It's too soon to tell what we're going to do in terms of new studies, if we'll do new studies. We do have the adjunctive study that we'll be reading out in the near future. So we'll see what the FDA has to say," Mates said. The company's shares fell 13.08% to \$11.7 at market close.



Juror urges U.S. judge to uphold \$80 million Roundup verdict against Bayer

A juror who was part of a panel that delivered an \$80 million award against Bayer after finding that its glyphosate-based weed killer Roundup caused a man's cancer has urged the presiding judge to uphold the decision. A letter from the juror written on July 4 was posted to the court docket as part of legal filings by Bayer. The company accused the juror of bias and called on the judge to disregard the letter in his

decision making. The letter was a response to statements by U.S. District Judge Vince Chhabria during a court hearing last week, when the judge said he would have to reduce the \$75 million punitive damages portion of the award on constitutional grounds. In the letter, the juror said higher damages ratios were allowed in extraordinary cases. "Based on the evidence provided, 'reprehensible' is much too kind a word to describe the actions of the Monsanto employees," the juror wrote. Bayer, which bought Roundup maker Monsanto for \$63 billion last year, says Roundup and its active ingredient glyphosate are safe for human use and not carcinogenic. It faces Roundup cancer lawsuits by more than 13,400 plaintiffs.

Papa John's hires McDonald's veteran as head of restaurant operations

Papa John's said it has appointed a McDonald's veteran to the newly created role of chief of restaurants operations, as the pizza chain remodels itself after the departure of its scandal-hit founder. Jim Norberg, who has spent more than 30 years at McDonald's, will be responsible for growing sales and profit margins as well as improving customer satisfaction at Papa John's, the company said. "Jim is a seasoned expert whose depth and understanding of restaurant operations and the guest experience will help propel our brand forward and position us for continued success," Papa John's Chief Executive Officer Steve Ritchie said. At McDonald's, Norberg most recently served as chief operating officer and managed operations for U.S. restaurants while leading a system-wide review to simplify store operations and menus.



A reveller lies down while taking part in the second running of the bulls at the San Fermin festival in Pamplona, Spain, July 8. REUTERS/Susana Vera

Insight and Analysis

FOCUS-Waymo tests Wi-Fi in driverless taxis hoping perks can route it past rivals

Waymo is rolling out amenities to entice riders to use its self-driving taxis, creating a potential route to profitability in a money-losing industry. The Alphabet subsidiary is testing complimentary Wi-Fi in its robotaxis in greater Phoenix, where hundreds of the company's identical, driverless minivans have been carrying paying riders since December. In late April, Waymo launched ad-free music streaming for passengers through Google Play Music, its parent company's answer to Spotify and Apple Music. Waymo also has appealed to families with non-tech perks: It has installed a child car seat in every

minivan and ensures vehicles arrive cooled to a precise 72 degrees in Arizona's desert heat.

Hedge funds chart course through 'IMO 2020' storm

Shipping companies, refineries, freight derivatives or diesel cracks? Investment funds are placing their bets as the shipping sector prepares for new rules limiting sulphur emissions from ocean-going vessels. Ever since the International Maritime Organization said the maximum sulphur content in marine fuel must drop to 0.5% from 3.5% from 2020, shipping companies have been wrestling with how to comply without driving up costs at an uncertain time for global trade. Some shipowners are installing exhaust

cleaning systems known as scrubbers so they can continue to use high-sulphur fuel and some are switching to low-sulphur marine diesel, but all expect a period of turbulence when the "IMO 2020" rules come in.

COLUMN-Hedge funds sell crude as economy fears trump OPEC cuts

Hedge funds sold more Brent futures and options last week as concerns about the global economy trumped the decision by the Organization of the Petroleum Exporting Countries and its allies to extend output cuts. Hedge funds and other money managers sold another 7 million barrels of Brent derivatives in the week to July 2, according to position data published by ICE Futures Europe.



CANADA

Market Monitor

Canada's main stock index fell as shares of energy and financial companies dropped.

The **Toronto Stock Exchange's S&P/TSX composite index** was down 0.48% at 16,462.95.

The **energy sector** dropped 0.78%, **financials** slipped 0.40%. Canadian equities also tracked losses in global stocks, which fell on tempered expectations the U.S. Federal Reserve will deliver a large rate cut. The **U.S. dollar** was up 0.15% against its **Canadian counterpart** to C\$1.3094.



REUTERS/Mark Blinch

COMING UP

Statistics Canada is likely to report that Canadian **building permits** data for May fell 2.5%, after rising 14.7% in April.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Shopify Inc	425.30	14.71	3.58
Birchcliff Energy Ltd	2.77	0.09	3.36
Ero Copper Corp	22.62	0.42	1.89
LOSERS			
CannTrust Holdings Inc	5.00	-1.46	-22.60
SNC-Lavalin Group Inc	24.97	-1.63	-6.13
Precision Drilling Corp	2.33	-0.10	-4.12

Top News

CannTrust slumps after Health Canada finds unlicensed pot cultivation

Shares of CannTrust Holdings plunged to a more than one-and-half-year low after Health Canada found that the weed producer grew cannabis in unlicensed rooms, and the regulator restricted the company from clearing its inventory. Health Canada found the company was growing cannabis in five unlicensed rooms between October 2018 and March 2019 and inaccurate information was provided to the agency by CannTrust's employees. The regulator placed a hold on about 5,200 kilograms of dried cannabis that were harvested in the rooms, while CannTrust also put voluntary hold on 7,500 kg of cannabis equivalents

inventory that was produced in those rooms. CannTrust said it accepted Health Canada's findings, adding it had taken actions to ensure current and future compliance. "We made errors in judgement," Chief Executive Officer Peter Aceto said. Shares of the company closed 22.6% lower at C\$5.0.

Ontario's slow rollout of weed outlets could help black market

Ontario has blamed a shortage of legal cannabis from the federal government for its slow rollout of retail outlets, a claim dismissed by the federal government and regulatory bodies from other provinces, raising prospects the black market for weed may thrive longer in Canada's most populous province. While the provinces can set



REUTERS/Mark Blinch

their own cannabis guidelines, a provincially run distributor purchases the cannabis from federally licensed producers, and then allocates it to retail locations approved by the province. Ontario said last week that bottleneck on the federal government's side is the reason the province will release only 50 cannabis licenses later this summer.

WEALTH NEWS

ECONOMIC SURVEY

U.S. consumer inflation outlook rises for 1st time in 3 months -NY Fed survey

U.S. consumers in June lifted their inflation expectations for the first time in three months, New York Fed data showed, reducing pressure on central bankers to cut rates significantly to support economic momentum. The U.S. economy has been falling short of the Fed's 2%-a-year inflation goal. Policymakers are worried about the potential for slower spending and tamer growth. The Federal Reserve Bank of New York's survey of consumer expectations, which the Fed considers along with other data on U.S. price pressures, showed consumers' one-year inflation outlook rising 0.2 percentage points to 2.7%.



A file photo of shoppers pictured inside an Apple store on 5th Ave during Black Friday Sales in New York November 29, 2013. REUTERS/Carlo Allegri

U.S.-IRAN TENSIONS

Iran makes new nuclear threats that would reverse steps in pact

Iran threatened to restart deactivated centrifuges and ramp up enrichment of uranium to 20% purity as its next potential big moves away from a 2015 nuclear agreement that Washington abandoned last year.

TRADE TALKS

German diplomat tells US, EU: don't use agriculture to block trade deal

The United States and European Union should use common sense to move forward with formal negotiations about a trade agreement, instead of allowing disagreements over agriculture to block progress, a senior German diplomat told Reuters.

OIL OUTLOOK

U.S. oil output gains to outpace global demand growth until 2020 -Goldman

Goldman Sachs said growth in U.S. shale production is likely to outpace that of global demand at least through 2020 and limit gains in oil prices despite output curbs led by the Organization of the Petroleum Exporting Countries.

FALLOUT

Deutsche Bank overhaul to hit FactSet profit- Credit Suisse

Deutsche Bank's move to scrap its global equities operations could dent the 2020 fiscal profit for FactSet Research Systems, Credit Suisse analysts said.

ANTITRUST APPROVAL

FIS gains unconditional EU okay for \$35 billion Worldpay buy

U.S. financial services provider Fidelity National Information Services (FIS) won unconditional EU antitrust approval for its \$35 billion takeover of payments company Worldpay.

MONEY MARKETS

LIBOR posts biggest one-day jump since December

The interest rate that banks charge each other to borrow dollars for three months posted its biggest rise since December following a solid U.S. June payrolls report that reduced expectations the Federal Reserve would lower rates at a swift pace.



ON THE RADAR

Events	ET	Poll	Prior
Wed: Wholesale inventory, R mm for May	1000	0.4%	0.4%
Wholesale sales mm for May	1000	0.0%	-0.4%
TR IPSOS PCSI for July	1100	--	62.83
Thu: Core CPI mm, SA for June	0830	0.2%	0.1%
Core CPI yy, NSA for June	0830	2.0%	2.0%
CPI Index, NSA for June	0830	256	256.092
Core CPI Index, SA for June	0830	--	262.03
CPI mm, SA for June	0830	0.0%	0.1%
CPI yy, NSA for June	0830	1.6%	1.8%
Real weekly earnings mm for June	0830	--	0.1%
CPI mm NSA for June	0830	--	0.210%
CPI Index SA for June	0830	--	255.160
Initial jobless claims	0830	223000	221000
Jobless claims 4-week average	0830	--	222250
Continued jobless claims	0830	1.685 mln	1.686 mln
Cleveland fed CPI for June	1100	--	0.2 pct
Federal budget for June	1400	-\$5.00 bln	-\$208.00 bln
Fri: PPI final demand yy for June	0830	1.6%	1.8%
PPI final demand mm for June	0830	0.0%	0.1%
PPI exfood/energy yy for June	0830	2.2%	2.3%
PPI exfood/energy mm for June	0830	0.2%	0.2%
PPI ex food/energy/transport yy for June	0830	--	2.3%
PPI ex food/energy/transport mm for June	0830	--	0.4%

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
PepsiCo	Q2	0600	\$1.50	\$1.50	\$1.61	\$16,425.64

**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.

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