

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street closed slightly higher as investors focused on Federal Reserve's two-day policy meeting that starts on Tuesday. The **dollar** was little changed, while **gold** prices slipped. **Treasury yields** fell in choppy trading. **Oil** prices were down as weak Chinese economic data fanned concerns of lower demand.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26111.98	22.37	0.09	26951.81	21712.53
Nasdaq	7845.02	48.37	0.62	8176.08	6457.13
S&P 500	2889.67	2.69	0.09	2954.13	2443.96
Toronto	16353.45	51.54	0.32	16672.71	13776.88
FTSE	7357.31	11.53	0.16	7528.93	6599.48
Eurofirst	1489.82	-1.02	-0.07	1541.32	1308.86
Nikkei	21124.00	7.11	0.03	22362.92	19241.37
Hang Seng	27227.16	108.81	0.40	30280.12	24896.87

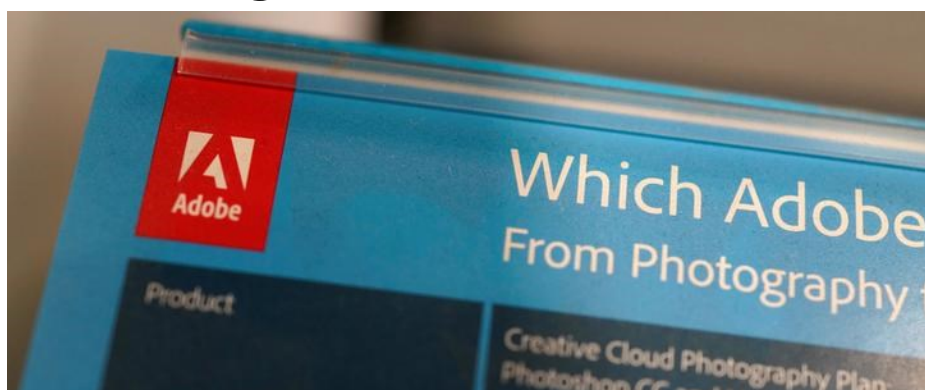
TREASURIES	Yield	Price
10-year	2.0855	3 /32
2-year	1.8667	-1 /32
5-year	1.8490	-1 /32
30-year	2.5740	13 /32

FOREX	Last	% Chng
Euro/Dollar	1.1214	0.06
Dollar/Yen	108.55	0.00
Sterling/Dollar	1.2536	-0.43
Dollar/CAD	1.3412	0.01
TR/HKEX RMB	93.48	0.04

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	51.95	-0.56	-1.07
Spot gold (NY/oz)	1339.97	-1.37	-0.10
Copper U.S. (front month/lb)	0.0265	0.0002	0.70
CRB Index Total Return	182.77	-0.37	-0.20

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Incyte Corp	81.84	4.13	5.31
Facebook Inc	189.01	7.68	4.24
Mosaic Co	23.27	0.91	4.07
LOSERS			
Incyte Corp	81.84	4.13	5.31
Facebook Inc	189.01	7.68	4.24
Mosaic Co	23.27	0.91	4.07

Coming Up



A file photo of an Adobe Systems Inc software box seen in Los Angeles, U.S., March 13, 2017. REUTERS/Lucy Nicholson

The two-day **Federal Open Market Committee** meeting to begin on Tuesday and the U.S. Federal Reserve is expected to leave interest rates unchanged at the meeting, but possibly lay the groundwork for a rate cut later this year.

The Commerce Department is expected to release its **housing starts data**, which is seen rising to a seasonally adjusted annual rate of 1.239 million units in May from 1.235 million units in April. **Building permits** likely rose to 1.296 million units in May from 1.290 million units in the previous month.

Adobe Inc is expected to report a rise in second-quarter revenue, driven by growth in the company's digital media business, which houses its flagship product - Creative Cloud suite.

MetLife Inc shareholders are set to vote at the insurer's annual meeting on compensation for executives.

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. (0930 ET/1330 GMT) To join the conversation, [click here](#)

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Building permits: number for May	0830	1.296 mln	1.290 mln
Build permits: change mm for May	0830	--	0.2%
Housing starts number for May	0830	1.239 mln	1.235 mln
House starts mm: change for May	0830	--	5.7 %

Market Monitor

The **S&P 500** edged higher as investors awaited a Federal Reserve meeting that is expected to lay the groundwork for an interest rate cut later this year. The U.S. central bank is expected to leave borrowing costs unchanged at its two-day policy meeting starting Tuesday, but its statement will provide insight into the impact of the U.S.-China trade war, President Donald Trump's calls for a rate cut and weaker economic data. Volatile investor favorites Facebook Inc, Apple Inc, Amazon.com Inc, Microsoft Corp and Netflix Inc contributed to the S&P 500's gain.

Facebook was up 4.24%, **Apple** rose 0.06%, **Amazon** gained 0.88%, **Microsoft** was 0.30% higher and **Netflix** saw 3.21% increase. **Array Biopharma Inc** surged 56.94% after **Pfizer Inc** agreed to buy the drugmaker for \$10.64 billion to beef up its cancer portfolio. Based on the latest available data, the **Dow** rose 0.09%, to 26,111.98, the **S&P 500** gained 2.58 0.09%, to 2,889.56, and the **Nasdaq** added 0.62%, to 7,845.02.

Treasury yields fell in choppy trading, weighed down by softer-than-expected U.S. economic data and persistent pressure from the trade conflict with China, as investors brace for this week's Federal Reserve monetary policy meeting. The New York Fed's business index showed a record fall this month to its weakest level in more than 2-1/2 years, prompting a fall in U.S. yields. The regional Fed's "Empire State" index on current business conditions tumbled to -8.6 in June from 17.8 in May. The National Association of Home Builders and Wells Fargo saying their index of builder confidence in newly-built, single-family homes fell to 64 from 66 in May. The **10-year notes** rose 3/32 to a yield of 2.08%. The **2-year notes** were down 1/32 to yield 1.86% and the **30-year bonds**



Traders work on the floor at the New York Stock Exchange (NYSE) in New York, U.S., June 17. REUTERS/Brendan McDermid

were up 13/32, yielding 2.57%.

The **dollar** was little changed as investors reconsidered how dovish the Federal Reserve is likely to be at this week's policy meeting. Broader currency markets were quiet, as traders hesitated to put on large positions before the Fed's two-day meeting, a meeting of European Central Bank policymakers in Portugal and the Bank of England's interest rate decision on Thursday. The **dollar index** was down 0.02% at 97.56. The **euro** was 0.08% higher at \$1.121. Against the **yen**, the dollar was slightly stronger, last up 0.01% to 108.54 yen.

Oil prices fell more than 1% after more poor Chinese economic figures fanned fears of lower worldwide oil demand. "All the major reporting agencies are reporting that demand is going to be weaker," said Phil Flynn, an analyst at Price Futures Group in Chicago. "That has played into the market malaise. Things we would normally rally off of,

we're not." **Brent crude futures** were down 1.61% at \$61.01 a barrel. **U.S. West Texas Intermediate crude futures** fell 1.09% to \$51.94 a barrel.

Gold prices slipped further after sliding from a more-than-14-month high the previous session on upbeat U.S. economic data that dampened expectations the Federal Reserve could ease interest rates. **Spot gold** edged 0.1% lower to \$1,339.97 per ounce. **U.S. gold futures** were 0.08% lower at \$1,343.4 per ounce. "We had some very good retail sales and some very good industrial production figures come out on Friday," said Jeffrey Christian, managing partner of CPM Group. "What we are seeing today is some pullback from excessive bullishness last week, because of expectations the Fed might lower interest rates."

Top News

Pfizer makes \$10.6 billion cancer bet in cash deal for Array Biopharma

Pfizer said it would buy Array Biopharma for \$10.64 billion in cash, a deal it hopes will help make it a leader in colon cancer and build up its pipeline of oncology drugs. The company agreed to pay a hefty premium of 62% for Array, which sells the combination treatment Braftovi and Mektovi for melanoma. But those drugs appear poised to become part of a promising triple combination for advanced colorectal cancer. Pfizer is paying \$48 per share for Array, which rose 55% to \$45.95 in midday trading. Pfizer said it expects to complete the deal in the second half of 2019. The transaction is expected to add to earnings beginning 2022, and will reduce adjusted earnings per share by between 4 and 5 cents this year and in 2020, Pfizer said. Pfizer said it expects to finance the majority of the deal, which has an enterprise value of about \$11.4 billion, with debt and the remaining with existing cash. Array Biopharma closed up 56.94% at \$46.44.

New blow to Boeing from engine delay, Airbus long-range rival takes off

Boeing suffered a fresh setback at the opening of the Paris Airshow as the U.S. planemaker's engine supplier revealed a delay affecting its all-new 777X jet, while Airbus targeted the middle of the market with a rival plane. GE Aviation said it had found unexpected wear in a component for the GE9X engine it is making for Boeing's 777X, the world's largest twin-engined jet, forcing a delay of several months while it redesigns and tests the part. Airbus used the show to launch a long-range version of its A321neo jet, aiming to carve out new routes for airlines with smaller planes and steal a march on Boeing's own plans for



The logo of U.S. pharmaceutical corporation Pfizer seen at a branch in Zurich, Switzerland October 2, 2018. REUTERS/Arnd Wiegmann

another potential all-new jet, the NMA. Boeing Chairman and CEO Dennis Muilenburg on Sunday said the A321XLR would only "scratch an edge" of the market segment targeted by the NMA. Separately, Boeing raised its rolling 20-year industry forecast for passenger aircraft by 3%, fuelled by strong air traffic predictions, though global geopolitical and economic risks could upset the rosy outlook. To read more [click here](#)

Sotheby's snapped up by French tycoon Drahi for \$3.7 billion

Patrick Drahi, the billionaire behind telecoms and media group Altice agreed on Monday to buy Sotheby's in a deal worth \$3.7 billion, marking the storied art auction house's return to private ownership after 31 years. The acquisition will allow avid art collector Drahi to join rival French billionaire Francois Pinault at the top of the art world and New York society, with Pinault's holding company Artemis owning a majority stake in Sotheby's rival Christie's. Sotheby's said it would be acquired by BidFair USA, an acquisition vehicle set up by Drahi, which had offered \$57 in cash per

share to buy out Sotheby's. The offer represented a premium of 61% to Sotheby's closing price on Friday, and gives Sotheby's a market capitalisation of \$2.6 billion. It will result in Sotheby's returning to private ownership after 31 years as a public company.

Nvidia to work with Arm chips, deepening push into supercomputers

Nvidia said it will make its chips work with processors from Arm Holdings to build supercomputers, deepening the company's push into systems that are used for modeling both climate change predictions and nuclear weapons. At a supercomputing conference held in Germany, Nvidia said its accelerator chips will work with Arm processors by the end of the year. Ian Buck, vice president of Nvidia's accelerated computing unit, said the project to build a supercomputer with Arm will be a "heavy lift" from a technical perspective. But he said Nvidia undertook it because researchers in Europe and Japan want to develop super computing chips with Arm's technology, essentially giving them a third option beyond IBM and Intel over

which they can have more control. "That openness ... makes it very attractive," Buck said of Arm's technology during an interview with Reuters before the conference. "What makes Arm interesting, and why we're announcing support is, is its ability to provide an open architecture for supercomputing."

Alibaba proposes one-to-eight stock split ahead of up to \$20 billion HK listing

China's Alibaba Group Holding has proposed a one-to-eight stock split ahead of a listing in Hong Kong later this year that is expected to raise up to \$20 billion. The split, to be presented to shareholders for a vote at an annual general meeting in Hong Kong on July 15, will increase flexibility in the firm's capital raising activities, including the issuance of new shares, the e-commerce giant said. The firm's board recommends shareholders to vote in favour of the proposal, it added in its statement dated Friday but published on the company's website on Monday. "The ... subdivision will increase the number of shares available for issuance at a lower per share price," it added.

Crane says continues to prefer "negotiated transaction" with Circor's board

U.S. industrial manufacturer Crane said it continues to prefer a "negotiated transaction" with Circor's board, weeks after making a \$894 million hostile bid for the smaller rival. Earlier this month, Crane said it was willing to adjust its \$45 per share offer for Circor if its board was willing to engage in talks. Crane began a tender offer for all outstanding shares of Circor and called on Circor shareholders to act on the opportunity. Crane's tender offer is set to expire on July 16. Circor in response

said its board will review and evaluate Crane's tender offer, and shareholders do not need to take any action at this time. The board intends to make its recommendation within 10 business days, Circor said.

Keane, C&J merge in quest for pricing power as oil producers cut budgets

Oilfield services provider Keane Group will merge with rival C&J Energy Services in a \$746 million deal, giving the companies the much-needed pricing heft in an industry grappling with budget cuts by crude producers. Keane's all-stock offer was \$11.29 per C&J share based on Friday close. The deal will create a company with about 2.3 million hydraulic fracturing horsepower, making it the third-largest pressure pumping firm in the United States behind Schlumberger and Halliburton. The transaction is expected to add to cash flow immediately, and result in annualized run-rate savings of \$100 million within 12 months of closing, the companies said. Keane's shares closed 7.01% higher at \$7.48 and C&J closed up 20.60% at \$12.87.

Enterprise Products explores sale of Texas oil terminal stake -document

U.S. pipeline operator Enterprise Products Partners is looking to sell its 50% stake in a recently-completed South Texas crude export terminal, according to a marketing document viewed by Reuters. Enterprise is weighing an exit from the joint venture with terminal operator Plains All American Pipeline after proposing to build its own offshore port near Houston. The Houston-based pipeline operator has hired RBC Capital Markets to advise on a sale, according to the document, which did not indicate a price. Enterprise declined to

comment, referring queries to Plains, which did not respond to requests. RBC Capital Markets declined to comment.



GE to cut another 450 Swiss jobs amid energy downturn

General Electric plans to cut around 450 jobs at two Swiss sites to help address "challenges on the global energy markets", the U.S. industrial conglomerate said. The envisaged reductions at the Birr and Baden facilities -- which will remain open -- are separate from the 1,200 Swiss job cuts GE announced last year at its troubled power generation business, a spokesman said. The company has a workforce of 3,050 in Switzerland now.

Infineon launches 1.5 billion euro capital hike to help fund Cypress deal

Infineon Technologies said it was launching an accelerated capital increase to raise 1.5 billion euros towards the cost of its planned acquisition of Cypress Semiconductor. The German chipmaker said in a statement that the offering of new shares, by way of a private placement to institutional investors, would increase its share capital by 10%. Separately, the bookrunner on the deal set price guidance for the placement at 13.66 euros. Infineon said on June 3 it had agreed to buy Silicon Valley-based Cypress for \$10 billion, paying a 46% premium to expand into next-generation autos and Internet technologies.





Protesters attend a demonstration demanding Hong Kong's leaders to step down and withdraw the extradition bill, in Hong Kong, China, June 16. Picture taken with a long exposure. REUTERS/Tyrone Siu

Insight and Analysis

COLUMN-Hedge funds sell more oil, but balance of risks is shifting

Hedge fund managers sold yet more oil last week as a weaker outlook for the global economy and expectations of a hit to consumption more than offset concerns about sanctions on Iran and Venezuela and other production problems. Money managers were net sellers of another 96 million barrels of petroleum-related futures and options contracts in the week to June 11. The heaviest selling was concentrated in WTI, reflecting concerns about local overproduction of crude in the United States, and middle distillates, reflecting concerns about a global slowdown hitting freight and manufacturing.

FOCUS-U.S. chipmakers quietly lobby to ease Huawei ban -sources

Huawei's American chip suppliers, including Qualcomm and Intel, are quietly pressing the U.S. government to ease its ban on sales to the Chinese tech giant, even as Huawei itself avoids typical government lobbying, people familiar with the situation said. Executives from Intel and Xilinx attended a meeting in late May with the Commerce Department to discuss a response to Huawei's placement on the black list, one person said. The ban bars U.S. suppliers from selling to Huawei, without special approval, because of what the government said were national security issues.

YOUR MONEY-Millennials should shrug off annuities for now

The days of guaranteed pensions from work are long gone, but can annuities make up the difference for millennials? Congress is on the cusp of passing retirement reform legislation that will open 401(k) plans to annuity products which guarantee lifetime income, alongside the more typical offerings of mutual funds, target-date funds and bonds. Yet most people do not consider annuities until they are nearing retirement. While it is rare for millennials to be interested in annuities, certified financial planner Ashley Folkes, who is based in Phoenix, Arizona, does have some clients who ask about lifetime income.

CANADA

Market Monitor

Canada's main stock index ended higher, as shares of financial companies gained ahead of a key U.S. Federal Reserve policy meeting that could determine the path of future interest rate cuts.

The **Toronto Stock Exchange's S&P/TSX** rose 0.32% to 16,353.45.

The **U.S. dollar** was flat against its **Canadian counterpart** at \$1.3411.



REUTERS/Mark Blinch

COMING UP

Canada's government has said it would decide whether to proceed with expansion of the **Trans Mountain** oil pipeline that it owns, after carrying out a fresh round of court-required consultation with indigenous groups. The decision is pivotal for Alberta's oil industry.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Bombardier Inc	2.41	0.23	10.55
Alacer Gold Corp	4.43	0.41	10.07
LOSERS			
MEG Energy Corp	4.87	-0.16	-3.18
TransAlta Corp	8.48	-0.24	-2.75

Top News



REUTERS/Chris Wattie

Bank of Canada says flexible exchange rate crucial for inflation targeting

Flexible exchange rates are a key reason for the Bank of Canada's success in hitting inflation targets and will remain an important part of the monetary policy framework, a top official said. Deputy Governor Lawrence Schembri said the floating Canadian dollar had allowed Canada to survive tough times, in particular by limiting the damage done to the economy after the 2014 oil price shock. Schembri, speaking to an audience in Edmonton, Alberta, did not make any reference to current interest rate policy.

The bank has been on the sidelines since October, and analysts do not expect it move again this year. "While the inflation target gets most of the attention, our flexible exchange rate is a critical component of the framework and is necessary for its success," said Schembri.

Gold rally narrows Acacia Mining, Barrick Gold offer gap ahead of deadline

Ahead of Tuesday's deadline for Barrick Gold to make a firm buyout bid for its Acacia Mining unit, a gold rally has eroded, but not eliminated, a discount and big Acacia shareholders say they still oppose the offer. Barrick must either firm up its proposal to acquire the 36.1% of Acacia it does not own by June 18, or walk away for at least six months under British takeover law. In the event opposition melts away and a friendly offer materialises, 75% of the minority shareholders would have to back it. If the bid is not friendly, 90% of the minority shareholders would

have to support it. Acacia investors said the continued, albeit narrowed, premium of Acacia's share price to the bid since the offer implies a better offer should be forthcoming.

Canada in talks with Malaysia about taking back plastic waste

The government of Canada said it is in discussions with Malaysia about retrieving plastic waste that originated from Canada and is currently in Malaysia. In late May, the Malaysian government said it would send 3,000 tons of plastic waste back to 14 countries of origin, including Canada, the United States, Japan, France, Australia and Britain. There was no indication of how much of the plastic waste was of Canadian origin. "The Government of Canada is indeed working with Malaysian authorities to address any issues related to the shipment of waste from Canada to Malaysia," the Environment and Climate Change Canada Department said.

WEALTH NEWS

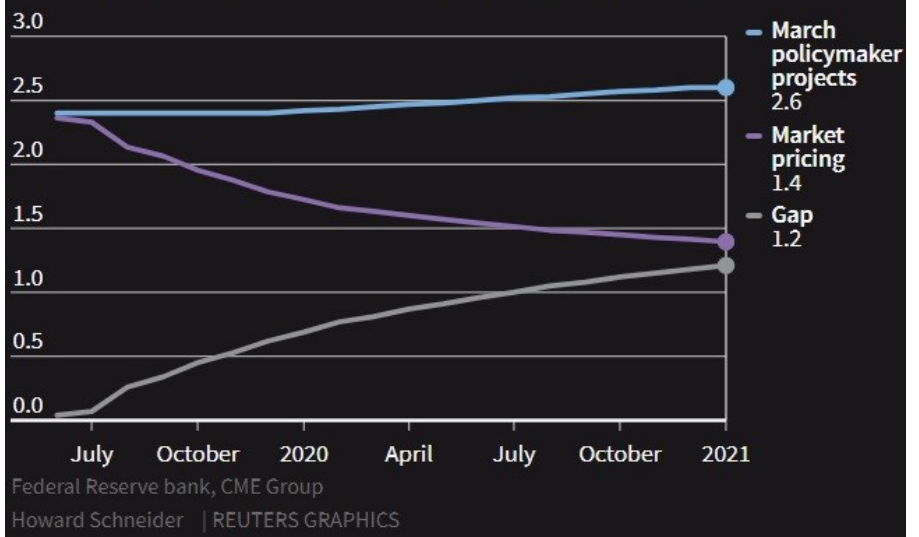
FED POLICY

Fed likely to resist pressure to cut U.S. rates this week

The U.S. Federal Reserve, facing fresh demands by President Donald Trump to cut interest rates, is expected to leave borrowing costs unchanged at a policy meeting this week but possibly lay the groundwork for a rate cut later this year. New economic projections that will accompany the U.S. central bank's policy statement on Wednesday will provide the most direct insight yet into how deeply policymakers have been influenced by the U.S.-China trade war, Trump's insistence on lower interest rates, and recent weaker economic data. The Fed is widely expected to remove a pledge to be "patient" in taking future action on rates, opening the door to a possible cut at its coming policy meetings.

MARKETS VS. THE FED

Investors now expect rate cuts. The Fed may not be ready to commit.



Click on the chart for a detailed and interactive graphic.

TARIFF COMPLAINTS

U.S. firms say China tariffs will raise costs, with few sourcing alternatives

A broad range of U.S. companies told a hearing in Washington they have few alternatives other than China for producing clothing, electronics, and other consumer goods as the Trump administration prepares 25% tariffs on remaining U.S.-China trade.

RESTRUCTURING PLANS

Deutsche Bank to set up 50 billion euro bad bank in revamp

Deutsche Bank is planning to overhaul its trading operations by creating a so-called bad bank to hold tens of billions of euros of non-core assets, a source close to the matter said.

IPO EFFECTS

More choice for IPO lawsuits in U.S. spur 200% increase in some exec insurance

Companies going public in the United States face insurance costs that have increased as much as 200% in the last three years to cover their executives against lawsuits alleging they misled investors.

OPEC TALKS

Iran, Russia talks end without deal on OPEC+ meeting date

Iran's oil minister met his Russian counterpart in Iran, industry sources said, raising hopes of progress in resolving an impasse over when OPEC and its allies will hold their next policy gathering.

BANKING DEAL

U.S. regional bank Prosperity to buy peer LegacyTexas for \$2.1 billion

Prosperity Bancshares said it would buy Plano, peer LegacyTexas Financial Group for \$2.1 billion that would create the second-biggest bank by deposits in the state.

COMBINING UNIT

Citi combines rates and currencies businesses

Citigroup said it is combining its Foreign Exchange & Local Markets and G10 currencies businesses into one unit.

ON THE RADAR

Events	ET	Poll	Prior
Wed: Fed funds target rate for Jun	1400	2.25-2.5%	2.25-2.5 %
Fed int on excess reserves for Jun	1400	--	2.35%
Thu: Current account for Q1	0830	-124.6 bln	-134.4 bln
Initial jobless claims	0830	220,000	222,000
Jobless claims 4-week average	0830	--	217,750
Continued jobless claims	0830	1.688 mln	1.695 mln
Philly Fed Business Index for Jun	0830	11.0	16.6
Philly Fed 6M Index for Jun	0830	--	19.70
Philly Fed Capex Index for Jun	0830	--	23.30
Philly Fed Employment for Jun	0830	--	18.20
Philly Fed Prices Paid for Jun	0830	--	23.10
Philly Fed New Orders for Jun	0830	--	11.00
Leading index change mm for May	1000	0.1 pct	-0.1 pct
Fri: Markit compositon flash PMI for June	0945	--	50.9
Markit manufacturing PMI flash for June	0945	50.4	50.5
Markit service PMI flash for June	0945	51.0	50.9
Exisiting home sales for May	1000	5.25 mln	5.19 mln
Exisiting home sales percentage change for May	1000	1.2 %	-0.4%

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Adobe	Q2	AMC	\$1.79	\$1.78	\$1.66	\$2,704.78

*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.



A vendor waits for customers during a national blackout, in Buenos Aires, Argentina, June 16. REUTERS/Agustin Marcarian

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

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

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