

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street ended lower as investors cautiously awaited the U.S.-China talks scheduled later in the week. **Treasury yields** were higher ahead of this week's \$78 billion note and bond auctions. **Gold prices** slipped as the **dollar** firmed. **Oil prices** rose on supply concerns as anti-government protests gripped Iraq.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26477.07	-96.65	-0.36	27398.68	21712.53
Nasdaq	7956.29	-26.18	-0.33	8339.64	6457.13
S&P 500	2938.63	-13.38	-0.45	3027.98	2443.96
Toronto	16421.82	-27.53	-0.17	16947.23	13776.88
FTSE	7197.88	42.50	0.59	7727.49	6599.48
Eurofirst	1506.05	10.63	0.71	1554.34	1308.86
Nikkei	21375.25	-34.95	-0.16	22362.92	19241.37
Hang Seng	25821.03	-289.28	-1.11	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.5580	-13 /32
2-year	1.4638	-4 /32
5-year	1.3908	-10 /32
30-year	2.0505	-27 /32

FOREX	Last	% Chng
Euro/Dollar	1.0972	-0.04
Dollar/Yen	107.29	0.34
Sterling/Dollar	1.2296	-0.28
Dollar/CAD	1.3305	-0.08
TR/HKEX RMB	91.35	0.05

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	52.92	0.11	0.21
Spot gold (NY/oz)	1492.26	-12.09	-0.80
Copper U.S. (front month/lb)	0.0257	0.0002	1.04
CRB Index Total Return	182.53	-0.39	-0.21

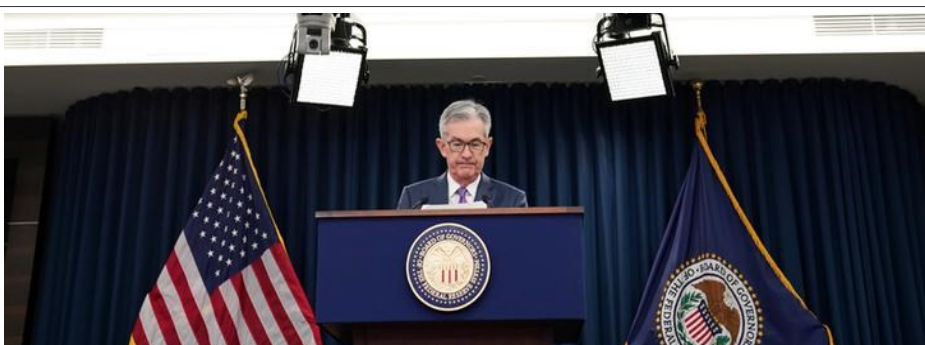
S&P 500	Price	\$ Chng	% Chng
GAINERS			
Kohls Corp	48.34	1.16	2.46
Moody's Corp	208.26	4.70	2.31
E*TRADE Financial Corp	37.22	0.82	2.25
LOSERS			
Noble Energy Inc	19.70	-0.89	-4.32
Harley-Davidson Inc	34.12	-1.25	-3.53
Apache Corp	21.40	-0.76	-3.43

Coming Up

U.S. Labor Department releases data on **producer price index** (PPI). PPI for final demand in September likely rose 0.1%, after rising at a same level in August. In the 12 months through September the PPI is expected to have advanced 1.8%.

Federal Reserve Chairman **Jerome Powell** speaks on "a view from the Federal Reserve" before the National

Association for Business Economics 61st Annual Meeting, in Denver. Separately, Federal Reserve Bank of Chicago President **Charles Evans** participates in a moderated question-and-answer session before a Chicago Rotary Club luncheon, in Chicago. Federal Reserve Bank of Minneapolis President **Neel Kashkari** participates in a townhall moderated and hosted by St. Cloud State University, in St. Cloud.



A file photo of Federal Reserve Chairman Jerome Powell holding a news conference in Washington, September 18. REUTERS/Sarah Silbiger

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
NFIB Business Optimism Index for Sep	0600	--	103.10
PPI final demand yy for Sep	0830	1.8%	1.8%
PPI final demand mm for Sep	0830	0.1%	0.1%
PPI ex food/energy yy for Sep	0830	2.3%	2.3%
PPI ex food/energy mm for Sep	0830	0.2%	0.3%
PPI ex food/energy/transport yy for Sep	0830	--	1.9%
PPI ex food/energy/transport mm for Sep	0830	--	0.4%

KEY RESULTS

No major S&P 500 companies are scheduled to report.



*A file photo of a woman standing outside a Levi Strauss store in New York City, March 19.
REUTERS/Brendan McDermid*

Levi Strauss & Co., the jeans and denim jackets maker, is expected to show a rise in third-quarter revenue

and profit from the prior quarter, as the company benefits from selling more of its products online or in its own retail

stores than wholesalers. Sales performance in China and the impact of a strong dollar will be the focus points.

Domino's Pizza Inc reports third-quarter results. The pizza chain is likely to report a fall in quarterly same-store sales, hurt by competition from third-party delivery services or "aggregators" such as DoorDash and Postmates. Investors will be on the lookout for the company's comments on fortressing strategy in the United States, a move to increase store count in order to decrease delivery times, competition from the aggregators and future investments in tech.

LIVECHAT - CURRENCIES FOCUS

Bannockburn Global Forex Chief Market Strategist **Marc. C. Chandler** discusses Japan's yen, soon after a hike in the local sales tax rate, and its role in the global FX market. (0900 ET/1300 GMT) To join the conversation, [click here](#)



Market Monitor

Stocks eased as reports on the U.S.-China trade front kept investors cautious ahead of scheduled talks later in the week. A report that Beijing was increasingly reluctant to agree to a broad trade deal pursued by President Donald Trump weighed on sentiment early. "You had a nice bounce-back late last week, and now it's just waiting to see what the next trend is," said Alan Lancz, president, Alan B. Lancz & Associates Inc, an investment advisory firm based in Toledo, Ohio. The **Dow Jones Industrial Average** fell 0.36%, to 26,477.07, the **S&P 500** lost 0.45%, to 2,938.63 and the **Nasdaq Composite** dropped 0.33%, to 7,956.29.

Treasury yields rose as the \$78 billion in note and bond supply slated for auction helped push prices lower after last week's dramatic rise. The week's \$38 billion three-year bond auction, \$24 billion 10-year reopening and \$16 billion 30-year reopening could significantly lower prices, as floods of supply often do. In addition to auctions this week, remarks from Federal Reserve Chair Jerome Powell, the release of the Federal Open Market Committee's September meeting minutes and the restart of U.S.-China trade talks will help determine whether the market retraces last week's price rally after the data fanned recession fears. The **two-year notes** fell 4/32 to yield 1.46%. The **Benchmark notes** were down 13/32 to yield 1.56% and the **30-year bonds** fell 27/32 to yield 2.05%.

The **dollar** edged higher against a basket of currencies as traders awaited U.S.-China trade talks later in the week



Click on the chart for the full-size graphic

for clues to the state of the prolonged trade war between Washington and Beijing, even as chances of a deal appeared low. "The tone of markets overall has softened again today following news that Chinese officials are reluctant to agree to a broad trade agreement with the U.S.," Shaun Osborne, chief market strategist, at Scotiabank in Toronto, said in a note. The **dollar index** was up 0.16% at 98.97. The **dollar** was last up 0.33% against the **yen** at 107.28 yen.

Oil prices jumped as supply issues took center stage following a week of sharp losses. Oil was bid higher as deadly anti-government unrest gripped Iraq, the second-largest producer among the Organization of the Petroleum Exporting Countries. **Brent**

crude was up 0.19% at \$58.48 a barrel. **U.S. West Texas Intermediate crude** was up 0.21% at \$52.925 a barrel.

Gold slipped as the **dollar** firmed ahead of this week's high-level talks between U.S and China. "The fact that gold fell sharply on what was a dubious 'positive' trade headline and was unable to recover suggests the market remains long and frustrated from last week after the payrolls release failed to signal imminent danger," said Tai Wong, head of base and precious metals derivatives trading at BMO. **Spot gold** was down 0.79% at \$1,492.45 per ounce. **U.S. gold futures** were 1% lower at \$1,497.80 an ounce.

Top News

GE to freeze, pre-pay pensions to save up to \$8 billion, cut debt

General Electric said it would freeze pensions for about 20,000 salaried U.S. employees and take other related moves to help the ailing conglomerate cut debt and reduce its retirement fund deficit by up to \$8 billion. Analysts said the move would largely offset the rise in GE's pension obligations due to lower interest rates and was in line with other steps Chief Executive Officer Larry Culp has taken over the past year to raise cash and pare down \$105.8 billion in debt. Culp has slashed GE's quarterly dividend to a penny and has sold - or announced plans to sell - non-core businesses, slimming the once-sprawling company to focus just on power plants, jet engines and windmills, plus related equipment and services. GE also is likely to set aside about \$11 billion to cover liabilities for its long-term care insurance business. By freezing the U.S. pensions, pre-paying about \$4.5 billion in contributions due in 2021 and 2022 and offering lump sums to about 100,000 retirees, GE said it expects to cut pension underfunding by \$5 billion to \$8 billion.

U.S. Supreme Court rejects Amazon warehouse worker wage appeal

The U.S. Supreme Court declined to hear Amazon.com's bid to avoid a lawsuit seeking to ensure that warehouse workers for the e-commerce giant get paid for the time it takes them to go through extensive post-shift security screenings. The justices turned away an appeal by Amazon and a contractor of a lower court ruling reviving the workers' claims under Nevada state law. The decision comes five years after the Supreme Court issued a ruling in the case that barred similar claims under federal law. A group of Amazon warehouse workers who package and ship merchandise



A file photo of the General Electric logo on the company's corporate headquarters building in Boston, Massachusetts, July 23. REUTERS/Alwyn Scott

filed a proposed class action lawsuit in 2010 against the contractor, Integrity Staffing Solutions, which provides some of the hourly employees for Amazon. The workers sought compensation for submitting to what they called mandatory "post-9/11 type of airport security" screenings that are aimed at preventing employee theft. The workers have said the screening takes around 25 minutes to complete. Amazon called the plaintiffs' description of the protocol "grossly inaccurate" in court papers.

U.S. Supreme Court snubs University of Wisconsin appeal in patent fight with Apple

The U.S. Supreme Court refused to hear a bid by the University of Wisconsin's patent licensing arm to reinstate its legal victory against Apple in a fight over computer processor technology that the school claimed the company used without permission in

certain iPhones and iPads. The justices declined to review a lower court's 2018 decision to throw out the \$506 million in damages that Apple was ordered to pay after a jury in 2015 decided the company infringed the university's patent. The licensing body, the Wisconsin Alumni Research Foundation, filed suit in 2014, alleging infringement of a 1998 patent on a "predictor circuit" to help speed the way processors carry out computer program instructions. Apple disputed the claims, saying its processor worked differently based on the specific language spelled out in WARF's patent.

Facebook the focus of U.S. Justice Dept and state AGs meeting - sources

U.S. state attorneys general investigating Facebook for alleged anti-competitive practices met with officials of the Justice Department and the Federal Trade Commission, New York



Attorney General Letitia James said in a statement. The group met with U.S. Attorney General William Barr to discuss the Facebook probe, as well as with Deputy Attorney General Jeffrey Rosen and Makan Delrahim, who heads the department's Antitrust Division, two sources said. "Today, we held bipartisan conversations with attorneys general from around the country and key officials at both the U.S. Department of Justice and the Federal Trade Commission about our investigation into Facebook," James said. She reiterated concerns that Facebook and other big tech companies engage in anti-competitive practices, expose consumer data to potential data breaches and push up advertising prices.

SmileDirectClub tumbles after IPO banks give thumbs up

Several "buy" ratings from SmileDirectClub's IPO banks failed to stop its stock from dropping, reflecting Wall Street's deepened distaste for money-losing startups in the wake of WeWork's botched attempt to go public. Underwriters of SmileDirectClub's Sept. 11 initial public offer, including JPMorgan, Bank of America Merrill Lynch and UBS, launched analyst coverage of the company, with all recommending investors buy the stock. Most brokerages assigned price targets below SmileDirectClub's \$23 IPO price. The company is among several large, money-losing startups whose IPOs this year have been received coolly by investors doubtful about their valuations and business models. Shares of the company ended 8.36% lower at \$13.49.

Kroger to stop sales of e-cigarettes at stores

Kroger said it would stop selling e-cigarettes at its stores and fuel centers, making it the latest U.S. supermarket chain to take the step amid growing regulatory scrutiny of the product. The

company said it would discontinue sales after selling through its current inventory and cited "mounting questions and increasingly-complex regulatory environment associated with these products" for its decision. Kroger's move comes a month after Walmart said it would stop selling e-cigarettes and electronic nicotine delivery products at its U.S. stores.

GM laying off another 415 workers in Mexico as U.S. strike continues

General Motors said it is temporarily laying off another 415 workers in Mexico as a strike by 48,000 U.S. hourly workers enters its fourth week. GM said it had partially idled its Ramos Arizpe propulsion plant, with the V8 engine line and the CVT transmission line not operating. The plant continues to build engines for the Ramos assembly plant, which is still operating, but GM previously laid off 6,000 workers in Mexico at a separate facility in Silao, Mexico.

Boeing crash victims' lawyer to seek testimony from 737 MAX whistleblower

An attorney representing families of passengers killed in a Boeing 737 MAX crash in Ethiopia said on Friday he will seek sworn evidence from a Boeing engineer who claims the company rejected a proposed safety upgrade to the 737 MAX because it was too costly. The engineer, Curtis Ewbank, said the upgrade could have reduced risks that contributed to two fatal crashes in Indonesia and Ethiopia that together killed 346 people, according to two people familiar with the complaint. Ewbank filed the complaint through internal Boeing channels after the March crash of Ethiopian Airlines flight 302, the sources said. The sources described the complaint to Reuters, but Reuters has not seen a copy of the complaint. A Boeing spokesman said the company offers employees channels for raising concerns and has rigorous processes in place to ensure

such complaints receive thorough consideration and to protect the confidentiality of employees who make them.

U.S. Supreme Court rejects dispute over 2007 California wildfire payouts

The U.S. Supreme Court declined to hear a bid by Sempra Energy's San Diego Gas & Electric Co to recover \$379 million from customers related to damages it was forced to pay out in litigation after the deadly 2007 California wildfires that burned hundreds of homes. After state courts turned away the utility's challenge to a decision by California regulators to prohibit it from raising utility rates to compensate for the payouts because it had improperly maintained its equipment, the Supreme Court opted not to hear San Diego Gas & Electric's appeal. The utility had accused state regulators of violating the U.S. Constitution's bar on the government taking property without compensation.

U.S. Supreme Court rejects Acorda appeal in MS drug patent fight

The U.S. Supreme Court declined to hear Acorda Therapeutics' appeal of a lower court ruling that allowed generic versions of its multiple sclerosis treatment Ampyra and caused the drug's sales to plummet. The justices refused to review a September 2018 decision by the U.S. Court of Appeals for the Federal Circuit to cancel Acorda's patents covering Ampyra, a ruling the company and the pharmaceutical industry portrayed as a threat to innovation and bad for patients. According to Acorda, Ampyra was the first drug approved to improve walking in people with multiple sclerosis, an incurable and potentially disabling disease of the brain and spinal cord that can lead to symptoms including pain, visual impairments and difficulty walking.



A riot police officer clashes with a protester during an anti-government rally in central Hong Kong, China, October 6. REUTERS/Jorge Silva

Insight and Analysis

FOCUS-Harley struggles to fire up new generation of riders with electric bike debut

Harley-Davidson is betting on electric motorcycles to attract the next generation of younger and more environmentally conscious riders to reverse declining U.S. sales. But as Harley ships its first "LiveWire" bikes - priced at \$29,799 - to dealers, there is little evidence the 116-year-old brand is catching on with new young customers. The bike costs nearly as much as a Tesla Model 3, and aims for a market that does not really exist: young, "green" and affluent first-time motorcyclists.

U.S. economists wrestle with how to help 'left behind' areas

Boston Federal Reserve officials have a pretty good idea what helped the ailing industrial town of Lawrence, Massachusetts, start to make a turnaround, including a state takeover of the public school system and a focused effort to lift job options for working parents. Would the same strategies apply in Smith County, Kansas, where the population has been declining since 1900 and now includes twice the proportion of senior citizens as the United States as a whole? That's the dilemma economists have begun wrestling with.

Delta swings from market weakness to strength in Latin America

A surprise \$1.9 billion investment by Delta Air Lines in LATAM Airlines Group is likely to fire up competition in South America as the weakest U.S. carrier in the region joins up with the strongest homegrown player. Delta had long struggled to get a better foothold in the Latin American market, lagging United Airlines and American Airlines, whose longtime partnership with LATAM gave it a comfortable lead. With the Delta deal, that reigning power couple has split. American said it had "expanded routes and lowered prices" as a result of its coordination with LATAM in Chile and Peru.



CANADA

Market Monitor

Canada's main stock index ticked lower, led by losses in shares of cannabis producer **Hexo Corp**, as well as concerns over the outcome of the U.S.-China trade talks this week. Hexo fell 6.64% after its U.S.-based chief financial officer, Michael Monahan, stepped down.

The **Toronto Stock Exchange's S&P/TSX Composite index** was down 0.17%, at 16,421.82.



The **U.S. dollar** was down 0.05% against its **Canadian** counterpart at C\$1.3308.

COMING UP

Canadian Mortgage and Housing Corp releases **housing starts** data. The seasonally adjusted annualized rate of housing starts is expected to have decreased to 214,500 units in September from 226,639 units in August. Separately, Statistics Canada is expected to show that **building permits** fell 1.0% in August, compared to a rise of 3.0% in July.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Westshore Terminals Investment Corp	20.36	1.33	6.99
Secure Energy Services Inc	4.68	0.27	6.12
SNC-Lavalin Group Inc	17.38	0.65	3.89
LOSERS			
Hexo Corp	5.06	-0.36	-6.64
Aurora Cannabis Inc	5.50	-0.34	-5.82
Tourmaline Oil Corp	11.15	-0.57	-4.86

Top News

Knight Therapeutics and Eurofarma eye Biotoscana -source

Knight Therapeutics and Brazilian pharmaceuticals company Eurofarma are interested in acquiring control of Brazilian pharmaceutical company Biotoscana Investments, one source with knowledge of the matter said. Biotoscana's largest shareholders, private equity firm Advent International and specialist investment firm EW Healthcare Partners, which hold 27% and 17% of the company, respectively, are in talks to sell their stakes, Brazil Journal said.

Impala to buy North American Palladium for about C\$ 1 billion

Impala Platinum said it would buy Canada-based North American Palladium for about C\$1 billion, marking the miner's first purchase outside of Africa. Implats pursued North American Palladium for three years, and the deal adds the Lac des Iles Mine in Thunder Bay, Ontario to

the South African company's portfolio. Brookfield Business Partners will get C\$16 per share in cash for the about 81% of North American Palladium owned by the investor and its partners. Other minority shareholders of the Canadian company will receive C\$19.74 per share, the same price as the stock's Friday closing.

Uganda Airlines receives two Bombardier passenger planes

Uganda's national carrier Uganda Airlines received two passenger planes, doubling the size of the fledgling airline's fleet. The airline received two CRJ900 planes from Canadian manufacturer Bombardier, the airline said on its Twitter handle.



A file photo of the logo of Bombardier at an office building in Zurich, Switzerland, February 28, 2019. REUTERS/Arnd Wiegmann



WEALTH NEWS

TRADE WAR

U.S.-China deputy-level trade talks get underway in tense atmosphere

U.S. and Chinese deputy trade negotiators launched a new round of talks aimed at resolving the two nations' 15-month trade war, with neither side showing any signs of giving ground. About 30 Chinese officials, led by Vice Finance Minister Liao Min, entered the U.S. Trade Representative's office for two days of negotiations, to be followed by the first minister-level trade talks in more than two months. The White House officially confirmed that the high-level talks, involving Chinese Vice Premier Liu He, U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin would begin on Thursday.



A file photo of Secretary of the Treasury Steven Mnuchin answering questions from the press on the North Lawn of the White House, September 12. REUTERS/Sarah Silbiger.

KASHKARI BACKS RATE CUTS

Fed's Kashkari says more easing needed, not sure how much

The U.S. Federal Reserve should continue to cut interest rates in order to offset growing risks to the economy, Minneapolis Federal Reserve Bank President Neel Kashkari said.

BILL ON VAPES

Democrat lawmaker introduces bill to cap nicotine content in vapes

Illinois Congressman Raja Krishnamoorthi introduced a bill that seeks to regulate e-cigarette makers by capping the amount of nicotine in the vapes they manufacture to make them less addictive.

AFFORDABLE HEALTHCARE

Democrat Buttigieg floats plan to slash rising drug costs

Democratic presidential hopeful Pete Buttigieg unveiled his plan to slash prescription drug costs for senior citizens and target pharmaceutical companies for rising prices, the latest 2020 candidate to detail policies to tackle the issue.

LAWSUIT

U.S. Supreme Court rejects Domino's bid to avoid disabilities suit

The U.S. Supreme Court rejected a bid by Domino's Pizza to avoid a lawsuit by a blind man who accused the company of violating a law barring discrimination against people with disabilities after he was unable to place an order online.

BANKRUPTCY

Wildfire victims in PG&E bankruptcy see \$13.5 billion in claims

A lawyer for the committee representing wildfire victims in the bankruptcy of PG&E said at a hearing that the committee sees \$13.5 billion as the cost to the power provider for paying claims of the victims.

FRESH TECH DIVISION

Deutsche Bank in strategy shift to address tech woes

Deutsche Bank is creating a new technology division in a strategy shift designed to reduce complexity and lower costs while transforming systems that have held back the bank for years.

ON THE RADAR

Events	ET	Poll	Prior
Wed: JOLTS job openings for Aug	1000	7.191 mln	7.217 mln
Wholesale inventory, R mm for Aug	1000	0.4%	0.4%
Wholesale sales mm for Aug	1000	0.2 %	0.3%
TR IPSOS PCSI for Oct	1100	--	58.94
Thu: Core CPI mm, SA for Sep	0830	0.2%	0.3%
Core CPI yy, NSA for Sep	0830	2.4%	2.4%
CPI Index, NSA for Sep	0830	256.859	256.558
Core CPI Index, SA for Sep	0830	--	264.25
CPI mm, SA for Sep	0830	0.1%	0.1%
CPI yy, NSA for Sep	0830	1.8%	1.7%
Real weekly earnings mm for Sep	0830	0.5%	0.6%
CPI mm NSA for Sep	0830	--	-0.010%
CPI Index SA for Sep	0830	--	256.300
Initial jobless claims	0830	219,000	219,000
Jobless claims 4-week average	0830		212,500
Continued jobless claims	0830	1.653 mln	1.651 mln
Cleveland fed CPI for Sep	1100	--	0.2%
Fri: Import prices mm for Sep	0830	0.0%	-0.5%
Export prices mm for Sep	0830	0.0%	-0.6%
U Mich Sentiment Preliminary for Oct	1000	92.0	93.2
U Mich Conditions Preliminary for Oct	1000	107.5	108.5
U Mich Expectations Preliminary for Oct	1000	81.7	83.4
U Mich 1 year inflation preliminary for Oct	1000	--	2.8%
U Mich 5-year inflation preliminary for Oct	1000	--	2.4%



Russian President Vladimir Putin is seen during his holiday in the Siberian taiga, Russia, October 7. Sputnik/Alexei Druzhinin/Kremlin via REUTERS

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

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

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

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