

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Major indexes** ended slightly up as investors remained cautious ahead of a holiday weekend in which fresh U.S. tariffs on Chinese imports will be in place, while **Treasuries** advanced. The **euro** fell against the **dollar** to its lowest since May 2017. **Oil** prices fell on expectations of hurricane Dorian hurting demand. **Gold** prices eased.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26399.65	37.4	0.14	27398.68	21712.53
Nasdaq	7962.88	-10.51	-0.13	8339.64	6457.13
S&P 500	2926.03	1.45	0.05	3027.98	2443.96
Toronto	16442.07	57.58	0.35	16672.71	13776.88
FTSE	7207.18	22.86	0.32	7727.49	6599.48
Eurofirst	1493.20	10.75	0.73	1554.34	1308.86
Nikkei	20704.37	243.44	1.19	22362.92	19241.37
Hang Seng	25724.73	21.23	0.08	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.4977	6/32
2-year	1.5040	2/32
5-year	1.3865	4/32
30-year	1.9646	11/32

FOREX	Last	% Chng
Euro/Dollar	1.0989	-0.60
Dollar/Yen	106.21	-0.27
Sterling/Dollar	1.2164	-0.20
Dollar/CAD	1.3314	0.23
TR/HKEX RMB	91.10	-0.25

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	55.06	-1.65	-2.91
Spot gold (NY/oz)	1523.08	-4.32	-0.28
Copper U.S. (front month/lb)	0.0253	-0.0003	-1.00
CRB Index Total Return	179.27	-1.80	-1.00

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
Western Digital Corp	57.27	2.19	3.98
Dollar Tree Inc	101.53	3.86	3.95
Campbell Soup Co	44.99	1.68	3.88
<b>LOSERS</b>			
Ulta Beauty Inc	237.73	-99.72	-29.55
Alexion Pharmaceuticals Inc	100.76	-11.41	-10.17
Cooper Companies Inc	308.68	-19.91	-6.06

## Coming Up - On Tuesday



The Commerce Department is expected to report **U.S. construction spending** rose 0.3% in July, after dropping 1.3% in June. The Institute of Supply Management is likely to show its index of **national factory activity** in August fell to 51.0 from 51.2 in the month before. **Markit U.S. manufacturing sector final PMI employment index** is also scheduled for release.

Federal Reserve Bank of Boston President **Eric Rosengren** is likely to speak on the economy at an event

hosted by the Stonehill College Meehan School of Business in Easton, Massachusetts.

Italian-American machinery maker **CNH Industrial NV** is scheduled to meet analysts to discuss long-term targets, strategic initiatives and medium/long term portfolio view. CNH Industrial's truck unit, Iveco, has often been cited as a potential spinoff candidate, with previous CEO having said he was open to the possibility of hiving off some businesses once their balance sheets were sound. CEO Hubertus Muhlhauser, who was appointed last year, said in April that Iveco was a core part of the group, adding that a wider CNH strategy review was still in progress.

Brazil's statistics agency IBGE is likely to report **industrial output** for July. Industrial production fell 0.6% in June.

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Markit Manufacturing PMI Final for Aug	0945	--	49.9
Construction spending mm for Jul	1000	0.3%	-1.3%
ISM Manufacturing PMI for Aug	1000	51	51.2
ISM Manufacturing Prices Paid for Aug	1000	46.3	45.1
ISM Manufacturing Employment Index for Aug	1000	--	51.7
ISM Manufacturing New Orders Index for Aug	1000	--	50.8

*(The Day Ahead - North America edition will not be published on Monday, September 2, as markets are closed for Labor Day)*

# Coming Up - Week Ahead

On the U.S. economic tap, a report from the Commerce Department on Wednesday is expected to show \$53.5 billion **trade deficit** in July. Trade deficit in the month before was \$55.2 billion. On Thursday, the **ADP National Employment report** is expected to show U.S. private employers dropped to 148,000 in August from 156,000 in July. **Nonfarm payrolls** decreased to 159,000 jobs in August from 164,000 jobs in July, a Labor Department report is likely to show on Friday. The **unemployment rate** is likely to remain unchanged at 3.7% in August. The Labor Department on Thursday is likely to show **initial jobless claims** for the week ended Aug. 31 remained unchanged at 215,000 from the previous week. Separately, the Labor Department is expected to report factory **orders** for July increased to 1.0% from 0.6% in June. IHS Markit is expected to report its final **PMI** measure on **domestic factory activity** and **new orders for U.S. manufactured goods** on Thursday. Additionally, **ISM non-manufacturing business activity index** is likely to increase to 53.9 in August from 53.7 in the month before.



Federal Reserve Chairman **Jerome Powell** (pictured) is scheduled to participate in "The Economic Outlook and Monetary Policy" panel discussion at an event hosted by the Swiss Institute of International Studies at University of Zurich on Friday. Federal Reserve

Bank of Chicago President **Charles Evans** gives welcome and opening remarks and speaks on the economy or monetary policy before "Forging a New Path for North American Trade: The Auto Sector" conference in Detroit on Wednesday. On the same day, Federal Reserve Bank of St. Louis President **James Bullard** and Federal Reserve Board Governor **Michelle Bowman** give welcome and opening remarks before a "Fed Listens" event, in St. Louis. Bullard is also likely to give closing remarks at the same event. Separately, Federal Reserve Bank of Minneapolis President **Neel Kashkari**, a supporter of deep rate cuts and who promises not to raise rates until inflation gets back to the Fed's 2% goal, conducts a town hall, "NACD Minnesota Chapter's Conversation with Neel Kashkari", in Minneapolis. Meanwhile, Federal Reserve Bank of New York President **John Williams** is likely to make keynote remarks at Real Return XIII: The Inflation-Linked Products Conference in New York.

The head of **American International Group Inc's** general insurance unit, **Peter Zaffino**, is expected to speak at the KBW Insurance Conference on Wednesday in New York. Zaffino and AIG CEO Brian Duperreault have been leading a turnaround effort at the unit, AIG's core business, which this year posted its first underwriting profit since the global financial crisis in 2007. On the same day, MetLife Inc Chief Financial Officer **John McCallion** is likely to present to a group of analysts and investors at the KBW Insurance Conference. McCallion's remarks come as lower interest rates are spurring concern among investors about the financial health of life insurers.

On Wednesday, cybersecurity firm **Palo Alto Networks Inc** is expected to

report a rise in fourth-quarter profit and revenue, backed by higher demand in its cloud security business. Investors will look for comments on possible impact of the recent leadership changes on the business and any impact from tariffs.

Canadian athletic apparel maker **Lululemon Athletica Inc** is expected to post a higher second-quarter profit on Thursday, helped by its online momentum and new product offerings. Investors will be looking out for the company's strategy to push into menswear dominated by players like Nike and Under Armour while also keeping an eye out for its performance in international markets.

The **Bank of Canada** is expected to release its **interest rate** decision on Wednesday. The central bank is expected to hold rates at 1.75%. Bank of Canada deputy governor **Lawrence Schembri** is scheduled to deliver a speech explaining the thinking behind the central bank's interest rate announcement.

Executives at **Suncor Energy Inc** and **Husky Energy Inc**, two of Canada's biggest integrated oil producers, are scheduled to speak at a **Barclays investor event** in New York on Wednesday. Both companies oppose the curtailments imposed by the Canadian province of Alberta to manage the flow of crude through constricted pipelines.

Canada's **trade balance** data for July is set for release on Wednesday. Statistics Canada is expected to report **unemployment rate** for August on Friday. The unemployment rate edged up to 5.7% in July. On the same day, the **Ivey PMI** data for August is scheduled for release.

# Market Monitor

**Wall Street** showed mixed results as investors were cautious ahead of a holiday weekend in which a fresh round of U.S. tariffs on Chinese imports were due to be levied. Markets will be closed on Monday for the U.S. Labor Day holiday. Since bonds have recently outperformed stocks, investors may have taken early action to rebalance their portfolios for the end of the month due to the long weekend, according to Vinay Pande, head of trading strategies at UBS Global Wealth Management in New York. "Trying to make a very large move in the last day of the month when Labor day is following is not the best idea," said Pande. "Most of the rebalancing that was expected ... has likely been accomplished in the days leading up to the long weekend." **Ulta Beauty** tumbled 29.55% after the company cut its full-year profit forecast. **Campbell Soup** shares jumped 3.88%. The **Dow Jones Industrial Average** rose 0.14% to 26,399.65, the **S&P 500** gained 0.05% to 2,926.03. The **Nasdaq Composite** dropped 0.13% to 7,962.88 at close. For the week, the S&P rose 2.80%, the Dow added 3.01% and the Nasdaq gained 2.67%. For the month, the S&P fell 1.79%, the Dow lost 1.73% and the Nasdaq shed 2.65%.

**Treasury yields** fell, though trading volumes were muted before a U.S. holiday. "It's a decent-size extension, but volumes are very, very light as to be expected ahead of the holiday," said Justin Lederer, an interest rate strategist at Cantor Fitzgerald in New York. Investors are likely to remain nervous about the impact of worsening U.S.-China trade relations as economic growth weakens globally, which should maintain demand for safe-haven debt. **Benchmark notes** gained 6/32 yielding 1.49%. **30-year bonds** were up 11/32 yielding 1.96%. **Two-year notes** rose 2/32, to yield 1.50%.



A file photo shows a trader looking at screens as he works on the floor at the New York Stock Exchange (NYSE) in New York, U.S., August 13. REUTERS/Eduardo Munoz

The **euro** fell below \$1.10 to its weakest since May 2017 as a multi-day downward shift in the single currency intensified in afternoon trade. Traders had varied explanations for the drop, including that month-end rebalancing of portfolios heightened an existing bias. The longer-term trend has been driven by an economic slowdown in Europe among other factors. "We had a quick 50-odd point drop, which seems to be month-end related. Clearly the euro has been quite soft for some time. We touched below \$1.10 earlier in August and we've struggled really to rebound from that point," said Shaun Osborne, chief foreign exchange strategist at Scotia Capital. The **euro** was last down 0.61% against the **dollar** at \$1.0988. The **dollar index** was 0.35% higher at 98.85.

**Oil** futures fell, ahead of a hurricane near the Florida coast that could dampen demand. Hurricane Dorian

gained strength as it crept closer to Florida's coast, raising the risk that parts of the U.S. state will be hit by strong winds, a storm surge and heavy rain for a prolonged period after it makes landfall early next week. "The latest modeling has Hurricane Dorian avoiding the Gulf of Mexico, while raking the entire state of Florida, turning it into a demand destruction event for the energy market rather than a supply disruption event," said John Kilduff, a partner at Again Capital in New York. **Brent crude** fell 1.06% to \$60.43 a barrel. **U.S. crude** was down 2.91% at \$55.06 a barrel.

**Gold** prices fell on a slight recovery in equities markets. The market is awaiting news on the trade front, said Suki Cooper, precious metals analyst at Standard Chartered Bank. **Spot gold** fell 0.27% to \$1,523.21 per ounce. **U.S. gold futures** were down 0.25% at \$1,533 an ounce.



# Hurricane Dorian Approaches

## **Hurricane Dorian strengthens as Florida residents prepare for impact**

Residents of Florida were boarding up windows, stocking up on food, water and gas in their homes as Hurricane Dorian gained strength and slowly churned toward the U.S. mainland. The storm has alarmed forecasters who worry parts of Florida will be walloped by strong winds, a storm surge and heavy rain for an extended period when it makes landfall early next week. The Miami-based National Hurricane Center said Dorian was expected to continue strengthening and remain an "extremely dangerous major hurricane" as it moves northwest near the Bahamas and approaches the Florida peninsula. Florida Governor Ron DeSantis urged residents to have at least a week's worth of food, water and medicine, saying at a news conference in Tallahassee that they should be prepared for a "multiday event." Florida is under a declaration of emergency.

## **FACTBOX - U.S. stocks to watch as Hurricane Dorian threatens Florida**

Shares of insurance and freight companies reacted as Hurricane Dorian crept toward the Florida coast, and the National Hurricane Center upgraded Dorian to a Category 3 storm. The Miami-based National Hurricane Center issued a hurricane watch for the northwestern Bahamas, and said Dorian was likely to remain an extremely dangerous hurricane as it approaches Florida through the weekend.

## **Darth Dorian? Hurricane nixes some 'Star Wars' fans' Disney dream trips**

Some "Star Wars" fans who have waited decades to see the Millennium Falcon, blue milk and other artifacts of the long ago, far, far away, universe up close will have to wait just a little longer, thanks to Hurricane Dorian. The storm is bearing down on Florida just as Orlando's Walt Disney World resort is opening its "Star Wars: Galaxy's Edge" attraction for the Labor Day holiday weekend, prompting some travelers to cancel their trips.



*Hurricane Dorian approaches the coast of Florida, U.S. in this August 29, 2019 NASA handout satellite image. NASA/Handout via REUTERS*

## **'Scooternado': Miami orders ride-share two-wheelers off its streets**

With Hurricane Dorian threatening to deliver winds as high as 130 mph to Florida's Atlantic coast, Miami has ordered thousands of electric ride-share scooters scattered around the city to be collected and secured, preventing them from becoming dangerous projectiles when the dangerous storm arrives. The state's largest city said it told six companies providing residents and tourists with two-wheeled scooters for hire to round up the equipment days before Dorian's expected arrival, possibly as a deadly Category 4 hurricane. In making the order, Miami is joining municipalities across the state that have urged companies to collect the vehicles, which have become a ubiquitous sight in the streets and sidewalks of cities across Florida and across the country.

## **As Dorian nears, Florida nursing homes face heat for lacking generators**

One in five Florida nursing homes were counting on temporary generators to be delivered before Hurricane Dorian hits, according to the state agency charged

with ensuring their residents will have air conditioning if power is knocked out. The state legislature passed the law requiring generators after a dozen people died in a sweltering nursing home after 2017's Hurricane Irma. State officials are also racing to check some 120 nursing homes and assisted living facilities where they are unsure if generators or contingency plans are in place, Governor Ron DeSantis told a news conference.

## **As Dorian looms, Florida's Space Coast braces for possible unprecedented impact**

As Hurricane Dorian advances on a course likely to slam the Florida peninsula, U.S. space agencies and aerospace companies are sheltering millions of dollars in hardware and assets along the Space Coast. Dorian, expected to strengthen in the Atlantic to a Category 4 storm with winds topping 130 miles per hour (209 kilometers per hour), could churn across dozens of launchpads owned by NASA, the U.S. Air Force and companies such as Elon Musk's SpaceX and Jeff Bezos' Blue Origin starting around Monday.

# Top News

## **Trump prods General Motors over its auto plants in China**

U.S. President Donald Trump, who is engaged in a trade war with Beijing, said that the largest U.S. automaker, General Motors, should begin moving its operations back to the United States. "General Motors, which was once the Giant of Detroit, is now one of the smallest auto manufacturers there. They moved major plants to China, BEFORE I CAME INTO OFFICE. This was done despite the saving help given them by the USA. Now they should start moving back to America again?" Trump said in a post on Twitter. Trump appeared to be referring to a Bloomberg News story that reported GM's hourly workforce of 46,000 U.S. workers has fallen behind that of Fiat Chrysler as the smallest of the Detroit Three automakers. Over the past four decades, GM has dramatically cut the size of its overall U.S. workforce, which numbered nearly 620,000 in 1979. "GM's China operations are not a threat to U.S. jobs," the company said in a fact sheet, noting that its joint ventures have sent \$16 billion in equity income to GM since 2010 and that it has invested \$23 billion in U.S. operations since 2009.

## **Saudi Aramco board sees too many risks for New York IPO**

The board of Saudi Aramco has determined that listing the state energy giant in New York would carry too many legal risks to make it a realistic option, five sources said, although they said a final decision lay with Saudi Arabia's crown prince. New York was the exchange favored by Crown Prince Mohammed bin Salman before plans for the initial public offering were put on hold last year, the sources said, even after Aramco's lawyers and some government advisers had raised legal concerns. New York offers the largest investor base in the world, vital for an

IPO that aims to attract as much as \$100 billion, a sum that could prove tough for other exchanges to raise. U.S. President Donald Trump urged the kingdom to list in New York. One source familiar with the IPO plan told Reuters the board, made up of cabinet ministers and Aramco executives, had concluded at an August meeting that a U.S. listing would not be considered "unless Aramco is offered sovereign immunity that protects it from any legal action." "This is, of course, hard if not impossible to achieve," the source added.

## **China to exempt Tesla cars from 10% purchase tax**

China will exempt Tesla's electric vehicles from its purchase tax, the Ministry of Industry and Information Technology (MIIT) said, a concession made amidst trade tensions with the United States. Tesla sees China as one of its most important, growing markets, and the exemption from a 10% purchase tax could reduce the

cost of buying a Tesla by up to 99,000 yuan, according to a post on Tesla's social media WeChat account. Sixteen variants - all the Tesla models sold in the country - are listed on a document issued by MIIT on its website, including Model S, X and 3. No reason was given for the decision to exclude the cars from the tax, but it comes as Tesla is expanding in China, with a new factory and visits by Chief Executive Officer Elon Musk.

## **Campbell profit beats as soup sales heat up**

Campbell Soup reported better-than-expected fourth-quarter profit and margins as the food company sold more soups and snacks, tightened up its supply chain and cut costs. "It was great to see growth in soup. It's the first time in quite a number of years that we've been able to drive growth on the business," Chief Executive Officer Mark Clouse told analysts on a call to discuss earnings. Campbell said it expects net sales for fiscal 2020 to



A file photo shows an Aramco oil tank at the Production facility at Saudi Aramco's Shaybah oilfield in the Empty Quarter, Saudi Arabia May 22, 2018. REUTERS/Ahmed Jadallah



grow by 1%-3%, adjusted earnings per share to increase by 9%-11%. For the quarter ended July 28, Campbell earned 42 cents, excluding items, beating Wall Street estimates by 1 cent. Adjusted gross margins of 33.7% beat the Refinitiv forecast of 32.7%. Net sales from continuing operations rose 2% to \$1.78 billion compared with a year-ago quarter. The company recorded a net loss of \$8 million, or 3 cents per share, compared with a profit of \$94 million, or 31 cents per share.



## **Patent court to review Alexion's Soliris patents on Amgen challenge**

The U.S. patent office will review patents on Alexion Pharmaceuticals' blood disorder treatment Soliris, after Amgen challenged them, court filings showed. The move deals a blow to Alexion's efforts to ward off competition for its top-selling drug, which accounted for nearly 82% of the drugmaker's total revenue in the latest quarter. Amgen is contesting the U.S. patents to Soliris that extend the drug's market exclusivity to 2027 from 2022. The Patent Trial and Appeal Board, an administrative court run by the U.S. patent office, said it was instituting an inter partes review (IPR) on the patents. The IPR is seeking to invalidate new patents covering the composition of the main ingredient of Soliris, eculizumab, its formulation, and its use to treat blood disorder proxysmal nocturnal hemoglobinuria (PNH).

## **Google to pay up to \$200 million to FTC on YouTube probe -source**

Alphabet's Google will spend up to \$200 million to settle a Federal Trade Commission investigation into YouTube's alleged violation of a children's privacy law, a person briefed on the matter told Reuters. Politico reported the settlement is expected to be between \$150 million and \$200 million. The settlement is set to be announced next week and will be the largest ever fine imposed for violating the Children's Online Privacy Protection Rule by collecting personal information from kids without parental consent. The FTC voted 3-2 to approve the settlement and sent it to the Justice Department as part of the review process, Reuters confirmed, citing a person familiar with the matter. The Washington Post reported the settlement's approval in July but did not detail the amount of the civil penalty.

## **Freenet-led revolt against Sunrise's UPC deal gains allies**

Sunrise Communications' proposed takeover of Liberty Global's Swiss UPC business faces a revolt with at least two big investors joining top shareholder Freenet in opposing the 6.3 billion Swiss franc deal, sources said. A third was also expressing reservations about Switzerland's biggest telecoms acquisition, the sources told Reuters. Germany's Freenet, which owns nearly a quarter of Sunrise, has said it will vote against a 4.1 billion franc rights issue Sunrise has proposed to help finance the purchase. If Freenet finds enough allies, the capital increase may lack the simple majority needed at an extraordinary shareholder meeting that Sunrise would call after the transaction gets anti-trust clearance. "The deal has to be significantly restructured," one top-10 Sunrise shareholder said on

condition of anonymity. "We would prefer it did not take place at all."

## **Amazon and Indian trader group in public spat over discounts**

Amazon.com defended its business strategies in India as it came under fire from a local trader group over discounted products on the global e-commerce giant's website. At an open panel discussion - organized by India's competition watchdog - the Confederation of All India Traders (CAIT) reiterated its concerns to Amazon's senior corporate counsel, Rahul Sundaram, sparking a heated public confrontation. The CAIT represents 500,000 merchants and traders in India. Sundaram said Amazon was abiding by all the rules and does not influence prices of products its website, adding that the company provides growth opportunities to more than 500,000 sellers online. The trade body, however, was in no mood to accept Sundaram's statement.

## **Vanguard seeks more boardroom diversity and wants details**

Top mutual fund manager Vanguard Group will ask companies about the gender, age and race of their directors, adding pressure on U.S. companies to diversify their leadership. Vanguard gave the guidance in its annual stewardship report. "We are expanding our focus to more explicitly urge boards to seek greater diversity across a wide range of personal characteristics, such as gender, race, ethnicity, national origin, and age," Vanguard wrote. In addition to diversity measures, Vanguard asked boards to spell out their views on diversity, to broaden their search for minority candidates, and "to prioritize adding diverse voices."



*Pinnacle Charter School high school student Zoe Marie Musser (R) practices taking down a shooter during training for an active shooter situation in a school in Thornton, Colorado, U.S. August 28. REUTERS/Rick Wilking*

## Insight and Analysis

## FOCUS - Boeing aims to strengthen engineering oversight after panel review

Boeing needs to reorganize its engineering reporting lines company-wide and ensure higher ranking officials, including its CEO, get faster feedback about potential safety concerns from lower levels of the company, according to an internal review at the U.S. planemaker following two recent fatal crashes. The initial recommendations, presented to Boeing's board of directors over the weekend, also include potentially creating a new permanent committee to review Boeing's aircraft design and

development, company officials told Reuters. The new initiatives come from a special board panel set up to review how Boeing develops and builds aircraft after the two crashes. They are intended to boost the transparency of engineering decisions and accelerate efforts to share safety information as widely and swiftly as possible across Boeing's global businesses and factories.

## **FOCUS - With racing and music events, Tesla gets over marketing allergy in China**

Tesla has always shown disdain for marketing, with CEO Elon Musk

boasting his company does not advertise, instead using the money it would have spent to develop products. But in China, the world's biggest electric vehicle market where Tesla is gearing up for a major sales push, that tune has started to change as the automaker promotes racing events, showroom parties with DJs and a line of Chinese Tesla stickers for chat apps. Case in point: Wang Yubo, a 30-year-old marketing executive and Tesla car owner, was invited by the company to burnish his driving skills at a Shanghai racing track this month. "I learned how to push my Model 3 to its limits," said Wang.

## CANADA

## Market Monitor

The **Toronto Stock Exchange's S&P/TSX Composite index** ended up 0.35%, at 16,442.07. The **financials sector** rose 0.34% to 295.92. The **energy sector** fell 0.87% to 125.58. **CannTrust Holdings** shares fell 2.95%.

The **U.S. dollar** was 0.2% higher against its **Canadian counterpart** at C\$1.3310.

## COMING UP - ON TUESDAY

The **IHS Markit Canada Manufacturing Purchasing Managers' (PMI) index** for August, a measure of manufacturing business conditions, is scheduled for release.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
Hudbay Minerals Inc	4.47	0.21	4.93
Interfor Corp	13.36	0.56	4.38
CAE Inc	34.85	1.45	4.34
<b>LOSERS</b>			
Birchcliff Energy Ltd	1.77	-0.12	-6.35
Peyto Exploration & Development Corp	3.20	-0.16	-4.76
ARC Resources Ltd	5.62	-0.24	-4.10

## Top News

### Strong Canadian economy gives Trudeau a boost ahead of election race

Canada's economy grew much more than expected in the second quarter, official data showed, providing a boost to Prime Minister Justin Trudeau as he prepares to fight a tough re-election campaign in October. Statistics Canada said the economy expanded at an annualized rate of 3.7% in the second quarter, higher than the 2.3% the Bank of Canada had predicted in July and the 3.0% estimated by analysts in a Reuters poll. It was the fastest growth pace since the 4.4% reported in the second quarter of 2017. Exports of goods jumped 3.7% in the second quarter, while exports of services rose 1.1%. Business investment, though, declined 1.6%, while consumer spending slowed to 0.1%. June's gross domestic product rose 0.2%, the same as in May, marking the fourth consecutive month of increases, Statscan said. The agency said Canadian producer prices fell by an unexpected 0.3% in July from

June on widespread commodity price declines led by slumping pork prices.

### Airbus pulls out of Canada fighter jet race, boosts Lockheed Martin's chances

Airbus pulled out of a multibillion-dollar competition to supply Canada with 88 new fighter jets, a decision that boosts the chances of rival Lockheed Martin. The defense arm of Airbus, which indicated last month it might withdraw, cited onerous security requirements and a late decision by Ottawa to loosen the rules for how much bidders would have to invest in Canada. Airbus and other contenders had already complained the government appeared to be tilting the race in favor of Lockheed Martin's F-35 plane, which the Royal Canadian Air Force wants. Canada is part of the consortium that developed the plane. Canada launched the long-delayed competition last month and said it was confident no favoritism had been shown. Ottawa says the contract is worth between C\$15 billion and C\$19 billion. Canada's

official opposition Conservative Party, which is seeking to defeat Liberal Prime Minister Justin Trudeau in an October election, accused the government of gross mismanagement.

### RBC, TD Bank to pay C\$24.5 million to settle forex trading charges - regulator

Royal Bank of Canada and Toronto-Dominion Bank have agreed to pay a combined C\$24.5 million to settle charges of foreign exchange trading malpractices brought against the Canadian banks by a regulator, following a settlement hearing held. In separate statements of allegations, the Ontario Securities Commission (OSC) said this week that TD and Royal Bank of Canada had failed to have sufficient supervision and controls in their foreign exchange trading businesses from at least 2011 to 2013. "The settlement will send a clear message to firms about the importance of promoting a culture of compliance," Cullen Price, Manager, Market Abuse Team, Enforcement at OSC said during TD's hearing.





# WEALTH NEWS

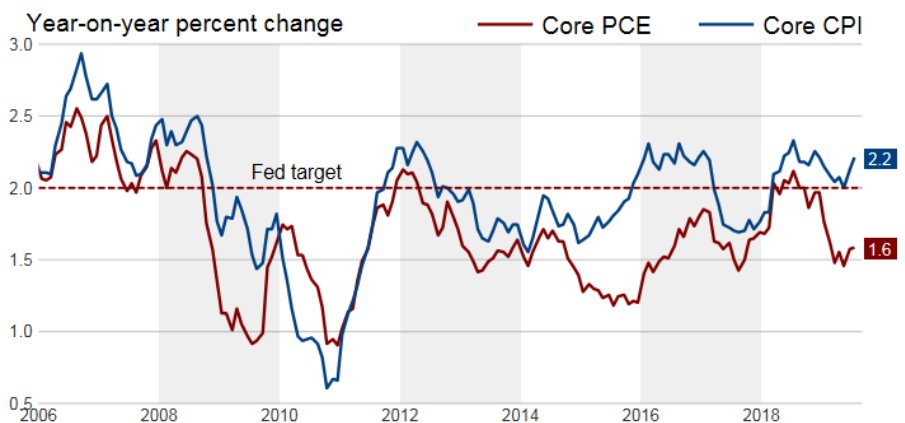
## ROBUST CONSUMER SPENDING

### Strong consumer spending propping up U.S. economy

U.S. consumer spending increased solidly in July as households bought a range of goods and services, which could further allay financial market fears of a recession, but the strong pace of consumption is unlikely to be sustained amid tepid income gains. Consumer spending rose 0.6% last month after an unrevised 0.3% gain in June, the government said. Consumer prices as measured by the personal consumption expenditures (PCE) price index rose 0.2% in July. Core PCE price index rose 0.2% last month, matching June's increase. That kept the annual increase in the so-called core PCE price index at 1.6% in July.

## Core divergence

U.S. inflation excluding food and energy: PCE vs. CPI



Source: Refinitiv Datastream — Reuters graphic/Stephen Culp 8/30/2019

## TRADE TALKS ON

### China-U.S. trade talk teams keeping 'effective communication' -China

Chinese and U.S. trade negotiating teams are maintaining effective communication, China's Foreign Ministry said, less than 48 hours before U.S. tariffs kick in on an additional \$125 billion in Chinese goods.

## INFLATION IN GRAPHS

### GRAPHIC-Some temporary weights on U.S. inflation ease in July

The U.S. Federal Reserve's favored measure of inflation increased last month at the pace expected by Wall Street for the first time this year.

## WALL STREET WEEK AHEAD

### Retailers in spotlight as tariffs on consumer products kick in

U.S. retailers will be front and center on Wall Street next week as the United States imposes new tariffs on \$300 billion worth of Chinese imports, including clothing, televisions and jewelry.

## TRUMP BLAMES FED AGAIN

### Trump claims euro dropping 'like crazy' against dollar, blames Fed

U.S. President Donald Trump accused the U.S. Federal Reserve Bank of inaction as the euro slides in value against the dollar, a failing he charged gives European countries a big trade advantage.

## OPEC OUTPUT RISES

### OPEC posts first 2019 oil-output rise despite Saudi cuts - Reuters survey

OPEC oil output has risen in August for the first month this year as higher supply from Iraq and Nigeria outweighed restraint by top exporter Saudi Arabia and losses caused by U.S. sanctions on Iran, a Reuters survey found.

## FUNDS PREPARE FOR STOCK MARKET CORRECTION

### POLL-Funds cut stocks to near 3-yr low, say correction risk significant

Global funds in August recommended an increase to bonds and cash holdings to the highest since early 2013 at least and cut equities to the lowest since late 2016, penciling in a more than 45% chance of a significant correction in stock markets this year.

# THE DAY AHEAD

## ON THE RADAR

Events	ET	Poll	Prior
<b>Wed:</b> International trade for Jul	0830	-\$53.5 bln	-\$55.2 bln
Goods trade balance (R) for Jul	0830	--	-72.34 bln
ISM-New York Index for Aug	0945	--	878.8
ISM New York Business Conditions for Aug	0945	--	43.5
<b>Thu:</b> Challenger layoffs for Aug	0730	--	38,845
ADP national employment for Aug	0815	148,000	156,000
Initial jobless claims	0830	215,000	215,000
Jobless claims 4-week average	0830	--	214,500
Continued jobless claims	0830	1.685 mln	1.698 mln
Labor costs revised for Q2	0830	2.5%	2.4%
Productivity revised for Q2	0830	2.2%	2.3%
Markit Composite Final PMI for Aug	0945	--	50.9
Markit Services PMI Final for Aug	0945	--	50.9
Durables ex-defense, R mm for Jul	1000	--	1.4%
Durable goods, R mm for Jul	1000	--	2.1%
Factory orders mm for Jul	1000	1%	0.6%
Durables ex-transport R mm for Jul	1000	--	-0.4%
Nondefense cap ex-air R mm for Jul	1000	--	0.4%
Factory ex-transport mm for Jul	1000	--	0.1%
ISM N-Manufacturing PMI for Aug	1000	53.9	53.7
ISM N-Manufacturing Business Activity for Aug	1000	53.5	53.1
ISM N-Manufacturing Employment Index for Aug	1000	--	56.2
ISM N-Manufacturing New Orders Index for Aug	1000	--	54.1
ISM N-Manufacturing Price Paid Index for Aug	1000	--	56.5
<b>Fri:</b> Non-farm payrolls for Aug	0830	159,000	164,000
Private payrolls for Aug	0830	150,000	148,000
Manufacturing payrolls for Aug	0830	7,000	16,000
Government payrolls for Aug	0830	--	16,000
Unemployment rate for Aug	0830	3.7%	3.7%
Average earnings mm for Aug	0830	0.3%	0.3%
Average earnings yy for Aug	0830	3.1%	3.2%
Average workweek hours for Aug	0830	34.4 hrs	34.3 hrs
Labor force partic for Aug	0830	--	63%
U6 underemployment for Aug	0830	--	7%

## KEY RESULTS - ON TUESDAY

No major S&P 500 companies are scheduled to report



Local residents fill sandbags to protect their homes ahead of the arrival of Hurricane Dorian in Kissimmee, Florida, U.S. August 30. REUTERS/Gregg Newton

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