

THE DAY AHEAD

MARKET RECAP at 4 pm ET

The **S&P 500** ended little changed on the possibility of a partial government shutdown. **Treasury yields** were down and the **dollar index** flat, ahead of the Federal Reserve's interest rate decision. **Gold** prices edged higher. **Oil** prices slumped on oversupply concerns.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	23675.50	82.52	0.35	26951.81	23344.52
Nasdaq	6783.91	30.18	0.45	8133.30	6630.67
S&P 500	2546.15	0.21	0.01	2940.91	2530.54
Toronto	14416.89	54.24	0.38	16586.46	14323.74
FTSE	6701.59	-71.65	-1.06	7903.50	6673.57
Eurofirst	1343.79	-11.97	-0.88	1587.95	1337.26
Nikkei	21115.45	-391.43	-1.82	24448.07	20347.49
Hang Seng	25814.25	-273.73	-1.05	33484.08	24540.63

TREASURIES	Yield	Price
10-year	2.8264	9/32
2-year	2.6543	3/32
5-year	2.6595	5/32
30-year	3.0786	23/32

FOREX	Last	% Chng
Euro/Dollar	1.1361	0.13
Dollar/Yen	112.55	-0.24
Sterling/Dollar	1.2637	0.10
Dollar/CAD	1.3472	0.51
TR/HKEX RMB	93.67	0.13

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	46.30	-3.58	-7.18
Spot gold (NY/oz)	1249.39	3.57	0.29
Copper U.S. (front month/lb)	0.0267	-0.0008	-3.38
Reuters/CRB Index Total Return	180.59	-3.61	-1.96

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Darden Restaurants Inc	103.84	4.95	5.01
American Airlines Group Inc	33.54	1.50	4.68
Nektar Therapeutics	35.74	1.58	4.63
CBRE Group Inc	41.16	1.70	4.31
LOSERS			
Philip Morris International Inc	75.14	-6.26	-7.69
PPL Corp	27.97	-1.99	-6.64
Biogen Inc	294.75	-18.35	-5.86
PG&E Corp	23.02	-1.42	-5.81

Coming Up



A file photo of Federal Reserve Board Chairman Jerome Powell speaking at his news conference after the two-day meeting of the Federal Open Market Committee on interest rate policy in Washington, June 13. REUTERS/Yuri Gripas

The **Federal Open Market Committee** announces its **interest rate decision** at the end of two-day meeting. While investors have baked in a fourth rate hike for the year, turbulence in the stock markets and a host of other worries have fueled calls, including from President Donald Trump, for the Fed to pause its tightening cycle or risk harming the U.S. economy. Separately, U.S. Federal Reserve Chairperson **Jerome Powell** will hold a **news conference** in Washington D.C.

General Mills Inc is expected to report a rise in second-quarter revenue, boosted by its acquisition of pet food maker Blue Buffalo. Focus will be on the Cheerios maker's margins, which has taken a hit due to higher input costs. Investors will also

keep an eye on the company's frozen yogurt business at a time demand for yogurts decline as more consumers opt for healthier choices.

The **current account deficit** for the third quarter is expected to have widened to \$124.3 billion from \$101.5 billion in the second quarter. A separate report is likely to show **existing home sales** for November fell to 5.20 million units from 5.22 million units a month ago.

LIVECHAT- EQUITIES WATCH

Join our Reuters correspondents in London and New York for a discussion on the stock markets and company earnings. (0900 ET/1400 GMT) To join the discussion, [click here](#)

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Current account for Q3	0830	-124.3 bln	-101.5 bln
Existing home sales for Nov	1000	5.20 mln	5.22 mln
Existing home sales percentage change for Nov	1000	-0.6 pct	1.4 pct
Fed funds target rate for Dec 19	1400	2.25-2.50 pct	2.00-2.25 pct



Market Monitor

The **S&P 500** ended little changed in a choppy trading session as the possibility of a partial government shutdown added to investors' jitters ahead of a highly anticipated meeting of the Federal Reserve. U.S. Senate Majority Leader Mitch McConnell said Democrats had rejected his spending bill proposal. Meanwhile, The Federal Open Market Committee began a two-day meeting in which it will decide upon its course of interest-rate hikes. Market participants widely expect the Fed Reserve to raise benchmark U.S. rates this month, but some investors anticipate that the U.S. central bank will indicate fewer rate hikes for 2019 than previously expected. **S&P 500 energy stocks** fell 2.35 percent as a result. Despite losses, several stocks managed to reverse a pattern of declines. **Goldman Sachs** shares rose 2.26 percent to snap a nine-day losing streak related to the 1MDB scandal. Shares of **Boeing** rose 4.26 percent as the company said it was raising its dividend and increasing share buybacks. **Johnson & Johnson** rose 1.52 percent, after a near 13 percent drop over two days on a Reuters report that J&J knew for decades that its Baby Powder contained asbestos. The **Dow Jones Industrial Average** rose 0.35 percent, to 23,675.50, the **S&P 500** inched up 0.01 percent, to 2,546.15 and the **Nasdaq Composite** rose 0.45 percent, to 6,783.91.

Treasuries gained, a day before the Federal Reserve's highly anticipated interest rate decision from its two-day meeting is announced. "The market's thinking more and more the Fed may be just about done. It's not quite there, but it's not got a lot yet to go," said Michael Schumacher, head of rate strategy at Wells Fargo in New York. **Benchmark 10-year notes** gained 9/32 in price to yield 2.83 percent. **30-year bonds** rose 23/32 to yield 3.08 percent. Shorter-dated **2-year notes** rose 3/32 to yield 2.65 percent.



Traders work on the floor of the New York Stock Exchange in New York, December 18. REUTERS/Brendan McDermid

The **dollar** was flat as investors unwound long bets on the currency, anticipating the Federal Reserve could slow the pace of U.S. interest rate hikes after this week's policymaking meeting. Some analysts think dollar strength will return if the Fed remains confident about next year's monetary policy tightening path. The **dollar index** fell 0.02 percent to 97.08. Risk-off sentiment lifted the **Japanese yen** with the dollar falling 0.25 percent to 112.54 yen. The **sterling pound** rose 0.09 percent to \$1.2636, helped by confirmation British that Prime Minister Theresa May will seek parliamentary approval for her much-criticized Brexit deal in mid-January.

Oil prices tumbled as the market grappled with reports that U.S. supply would continue to surge even if demand weakens as global growth deteriorates, which many expect. Among the bearish factors, Britain's largest oilfield restarted production, increasing supply, the U.S. government said output from shale would top 8 million barrels per day this year and data suggested U.S. crude inventories would rise this week. Oil production from seven major U.S. shale basins is expected by year-end to surpass 8 million bpd for

the first time, the U.S. Energy Information Administration said. The United States has surpassed Russia and Saudi Arabia as the world's biggest oil producer, with total crude output climbing to a record 11.7 million bpd. **U.S. crude oil** 7.24 percent to at \$46.27 a barrel, while **Brent** lost 5.49 percent at \$56.34 per barrel.

Gold prices rose as investors cast doubts over the pace of interest rate hikes next year by the U.S. Federal Reserve which kicked off its two-day meeting earlier in the day. "Chatter that the Fed could blink as soon as tomorrow is helping gold prices remain firm into the meeting," analysts at TD Securities said in a note. "Any signs of a dovish hike would do well to start convincing the complex that the Fed will not move towards restrictive policy next year, when we expect prices will move substantially higher." "I think gold is going to catch a bid here, especially when the economy in U.S., in Germany and in China is slowing down," said Walter Pehowich, executive vice president of investment services at Dillon Gage Metals. **Spot gold** rose 0.29 percent to \$1,249.40 per ounce. **Gold futures** rose 0.12 percent to \$1,253.30.

Top News

Malaysia says Goldman Sachs failed to disclose key facts in 1MDB bond sales

Goldman Sachs Group made untrue statements and omitted key facts in offering circulars for the bonds it sold for Malaysian state fund 1MDB, the Malaysian government said in criminal charges against the U.S. bank. The alleged crimes carry penalties of up to 10 years in prison and fines of at least 1 million ringgit (\$240,000), according to the charge sheets, seen by Reuters. Goldman Sachs has consistently denied wrongdoing and on Tuesday maintained that certain members of the former Malaysian government and 1MDB lied to the bank about the proceeds of the bond sales. In a statement responding to the Monday news, the bank added: "Under the Malaysian legal process, the firm was not afforded an opportunity to be heard prior to the filing of these charges against certain Goldman Sachs entities, which we intend to vigorously contest. These charges do not affect our ability to conduct our current business globally."

T-Mobile, Sprint win U.S. security approvals for merger

T-Mobile US and Sprint have won backing for their \$26 billion merger from two national security reviews on Monday, clearing key hurdles in their tie-up bid. The deal got a nod from the Committee on Foreign Investment (CFIUS) in the United States as well as the Justice Department, Department of Homeland Security, and Defense Department -collectively referred to as Team Telecom, the companies said. People familiar with the deal said last week that U.S. officials had pressured Deutsche Telekom to stop using Huawei gear, and the companies believed they had to comply to win approval from CFIUS, headed by the Treasury Department. T-Mobile and Sprint said on Monday that Team Telecom, in a filing with the Federal Communications Commission (FCC), indicated it had no objections to the merger after reviewing "potential national security, law enforcement, and public safety issues."

Navistar raises truck delivery forecast; shares jump

Navistar reported a better-than-expected quarterly profit and raised its truck delivery forecast for 2019, sending its shares up. Navistar said it plans to deliver more of its long-haul Class 8 trucks - used by the rigs that transport freight across America's highways - next year, as hauliers rush to replace older vehicles with more fuel-efficient ones. Production for these trucks is expected to rise 5 percent to 335,000 units in 2019, according to ACT Research, the industry body tracking the commercial vehicle market. Navistar said it now expects to deliver between 265,000 and 295,000 of its Class 8 vehicles in 2019, from the 255,000 units to 285,000 units range it forecast earlier. The company also raised its 2019 EBITDA guidance to between \$850 million and \$900 million, from an earlier forecast of \$775 million to \$825 million. Net income attributable to the company rose 39 percent to \$188 million. Earnings per share rose to \$1.89 from \$1.36 per share, beating analysts' average expectation of \$1.71 according to data from IBES Refinitiv. The shares of the company closed 15.94 percent higher at \$27.64

Rent-A-Center ends take-private deal with Vintage Capital, shares fall

Rent-A-Center said it terminated a deal to be acquired by Vintage Capital Management, as the buyout firm did not extend a deadline to close the transaction that was waiting for regulatory approval six months after being announced. Rent-A-Center agreed to be taken private by Vintage Capital in June in a \$1.37 billion deal, including debt, bowing to pressure from activist investors who wanted the rent-to-own retailer to sell itself. "Rent-A-Center's purported termination of our merger agreement is invalid... (Vintage) intends to pursue all available remedies against Rent-A-Center," the buyout firm said. Under the terms of the deal, Vintage Capital will have to pay a reverse breakup fee of \$126.5 million within three business days, Rent-A-Center said. Rent-A-Center said it decided to end the deal after Vintage did not notify it by Monday's deadline on pursuing the deal further and also because its current financial and operational performance was on a better footing than in June. The company's profit and revenue have surpassed analysts' estimates for the July-September period. Its shares closed 9.07 percent down at \$13.14.



A sign for a T-Mobile store is seen in Manhattan, New York, April 30. REUTERS/Shannon Stapleton



UK watchdog says Big Tech pose biggest threat to banks

Amazon, Google and other Big Tech companies could compete with banks in basic products and undermine their ability to offer free accounts, Britain's financial watchdog said. The Financial Conduct Authority published its final report on its study of retail banking business models, saying new payments services could attract retailers like Amazon into banking. "We suspect that many of those firms will not want to take capital on their balance sheets, they won't actually want to become a bank as such, but they may well want to offer products that compete directly with banks, like simple lending products," FCA executive director for competition, Christopher Woolard, told reporters.

SpaceX halts U.S. satellite launch for national security mission

Elon Musk's SpaceX halted Tuesday's launch of a long-delayed navigation satellite for the U.S. military, postponing for at least a day the space transportation company's first designated national security mission for the United States. SpaceX's Falcon 9 rocket, carrying a roughly \$500 million global positioning system (GPS) satellite built by Lockheed Martin, was due to take off from Florida's Cape Canaveral shortly after 9:30 a.m. local time (1730 GMT), but was stopped minutes before takeoff. "This abort was triggered by the onboard Falcon 9 flight computer," a SpaceX official narrating the launch sequence said, adding that SpaceX would attempt the launch on Wednesday morning. Separately, SpaceX is set to raise \$500 million at a \$30.5 billion valuation, the Wall Street Journal reported, citing people familiar with the fundraising plan. To read more, [click here](#)

Qualcomm says Apple violating Chinese court order, despite new software

Qualcomm said it believes Apple remains in violation of a Chinese court's orders to stop selling iPhones despite a software update that Apple pushed on Monday. "Despite Apple's efforts to downplay the significance of the order and its claims of various ways it will address the infringement, Apple apparently continues to flout the legal system by violating the injunctions," Don Rosenberg, Qualcomm's



A Google signage is seen at Google headquarter in the Manhattan borough of New York City, New York, December 17. REUTERS/Jeenah Mo

general counsel, told Reuters in a statement on Monday. "Apple's statements following the issuance of the preliminary injunction have been deliberate attempts to obfuscate and misdirect," Qualcomm's Rosenberg said in a statement on Monday. "They are legally obligated to immediately cease sales, offers for sale and importation of the devices identified in the orders and to prove compliance in court," Rosenberg told Reuters in Dec. 14 in a statement. Asked by Reuters about Qualcomm's statements, Apple reiterated its earlier statements that it believes it is in compliance with the court order.

Kroger starts use of unmanned vehicles for delivery in Arizona

Kroger said it has started using unmanned autonomous vehicles to deliver groceries Scottsdale, Arizona in partnership with Silicon Valley startup Nuro. The delivery service follows a pilot program started by the companies in Scottsdale in August and involved Nuro's R1, a custom unmanned vehicle. The R1 uses public roads and has no driver and is used to only transport goods. Kroger said the service would be available in Scottsdale at its unit Fry's Food Stores for \$5.95 with no minimum order requirement for same-day or next-day deliveries.

Indian regulator says Reuters report on J&J baby powder "under consideration"

India's federal drug regulator said a Reuters report that Johnson & Johnson

knew for decades that cancer-causing asbestos lurked in its baby powder was "under consideration". A spokeswoman for the Central Drugs Standard Control Organization (CDSCO) told Reuters it was too early to say if a formal investigation would be launched into the baby powder that is ubiquitous in many Indian homes, a potential market of 1.3 billion people. K. Bangarurajan, a senior official at the CDSCO, told Reuters powder samples were tested earlier but nothing wrong was found in them. "The samples were found to be complying with Indian standards," Bangarurajan said. J&J said in a statement that the Reuters article, which was published on Friday, "is one-sided, false and inflammatory." "Johnson & Johnson's baby powder is safe and asbestos free," it added. "Studies of more than 100,000 men and women show that talc does not cause cancer or asbestos-related disease."

Manchester United shares rally as Mourinho gets red card

Manchester United shares climbed after the Premier League soccer club sacked manager Jose Mourinho, an indication investors welcomed the move after a dismal start to the season. Mourinho's relationship with Manchester United reached the point of irretrievable breakdown a long time ago but the club finally served the divorce papers, following one humiliation too many. Its shares closed 6.13 percent higher at \$18.36.





Maria Meza, a 40-year-old migrant woman from Honduras, part of a caravan of thousands from Central America trying to reach the United States, holds her daughter as she waits at the Otay Mesa port of entry in San Diego, California to be processed as an asylum seeker, as seen from Tijuana, Mexico, December 17, 2018. REUTERS/Carlos Barria

Insight and Analysis

From Jakarta to Buenos Aires, the world feels Fed's sting

When the U.S. Federal Reserve kept lifting interest rates this year, a world away in Jakarta profits dropped to next to nothing at Andy Kurniawan's shop selling collectible action figures. The Fed's decisions lifted the dollar and hit the Indonesian rupiah, making importing the figures more expensive, but Kurniawan resisted the urge to jack up prices, avoiding the folly of his favorite character, the Hulk. "Everything is a wreck" when the green-skinned Hulk unleashes his fury and destruction, he said in his shop filled from floor to ceiling with toy boxes. "But I have to be brave enough to cut my margins, hoping that people will still come to my

business." When in Washington the U.S. central bank taps the brakes to cool the world's biggest economy, as it is poised to do again this week, the effects ripple far and wide. Complaining does not bring much, though some officials have called on the Fed to be more sensitive to the impact its actions have on emerging markets, or to at least better telegraph its intentions.

COLUMN-Hedge funds give up on indecisive "Doctor" copper: Andy Home

Fund managers have thrown in the towel on the copper market. The mega long position accumulated on the COMEX copper contract in 2017 is long gone. So too is the equally monstrous collective

short bet seen more recently in August this year. The money men look set to close out 2018 neutral on copper, unsure what the metal with the honorary doctorate in economics has to say on the global manufacturing outlook. The price has flatlined over the last couple of months and investors have voted with their feet. COMEX open interest has slumped to two-year lows. So too has that on the Shanghai Futures Exchange (ShFE), where China's speculators play the metal markets. The original bullish "Trump Trade" and the subsequent bearish "Trade War Trade" have played themselves out, leaving the market becalmed and investors scratching their heads.

CANADA

Coming Up

Statistics Canada is expected to release **consumer inflation** data. Annual inflation rate might have fallen to 1.8 percent in November from 2.4 percent in October. Monthly inflation rate is expected to come to a negative reading of 0.4 percent from a rise of 0.3 percent the previous month.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Aphria Inc	7.89	0.57	7.79
Alamos Gold Inc	4.63	0.33	7.67
Martinrea International Inc	10.15	0.66	6.95
OceanaGold Corp	4.30	0.25	6.17
Intertape Polymer Group Inc	15.65	0.85	5.74
LOSERS			
Baytex Energy Corp	2.00	-0.20	-9.09
Tamarack Valley Energy Ltd	1.84	-0.14	-7.07
Whitecap Resources Inc	3.86	-0.28	-6.76
Birchcliff Energy Ltd	2.72	-0.14	-4.90
Guyana Goldfields Inc	1.37	-0.07	-4.86

MARKET MONITOR

Canada's main stock index rose, after Bank of Canada Governor Stephen Poloz said interest rate hikes could be interrupted amid signs of slowing growth and low oil prices. The **Toronto Stock Exchange's S&P/TSX composite index** ended up 0.38 percent, at 14,416.89. The **financials sector** gained 0.23 percent and the **industrial sector** rose 0.73 percent. **Aphria** jumped 7.79 percent after the cannabis company's license for an oral drug delivery system expanded to Germany. **Shopify** ended up 4.15 percent after Wells Fargo initiated with an "outperform" rating on the e-commerce company's shares. The **U.S. dollar** was up 0.54 percent against the **loonie** at C\$1.3475.

Top News

Pace of Canada rate hikes could be interrupted -central bank chief

The pace of interest rate hikes in Canada could be interrupted or sped up depending on the economic circumstances, Bank of Canada Governor Stephen Poloz said on Monday. Poloz, speaking to CTV in an interview, also said tweets by U.S. President Donald Trump were adding to market uncertainty and compared them to a radio station that was not quite clear. Poloz reiterated that the current overnight interest rate of 1.75 percent needed to reach the "neutral" range of 2.5 to 3.5 percent, a level that neither stimulates nor brakes growth.

Canada's Husky gets regulatory approvals to buy MEG Energy

Canadian oil and gas producer Husky Energy said it has received regulatory approvals to buy rival MEG Energy, but MEG has yet to agree on the deal. In October, Husky made an unsolicited formal offer to buy MEG Energy in a deal valued at C\$6.4 billion, in an effort to integrate assets and offset the deep price discounts on Canadian crude. MEG had rejected Husky's offer. Husky's offer is open



A file photo of Bank of Canada Governor Stephen Poloz listening to a question during a news conference in Ottawa, Ontario, Canada, July 11. REUTERS/Chris Wattie

for MEG to accept until Jan. 16, 2019, the company said in a statement.

Glencore's Katanga pays \$22 million to settle Canada regulator probe

Glencore-controlled Katanga Mining said it had agreed to pay more than \$22 million to settle Canadian allegations of inadequate historical disclosures of its finances and activities in the Democratic

Republic of Congo. Johnny Blizzard, chief executive officer of the Toronto-listed company, will resign and step down from its board, the miner said in a filing. Its board will change to include three new directors, it said. "Glencore is disappointed by the conduct that has led to today's settlement," the company said in a separate statement.

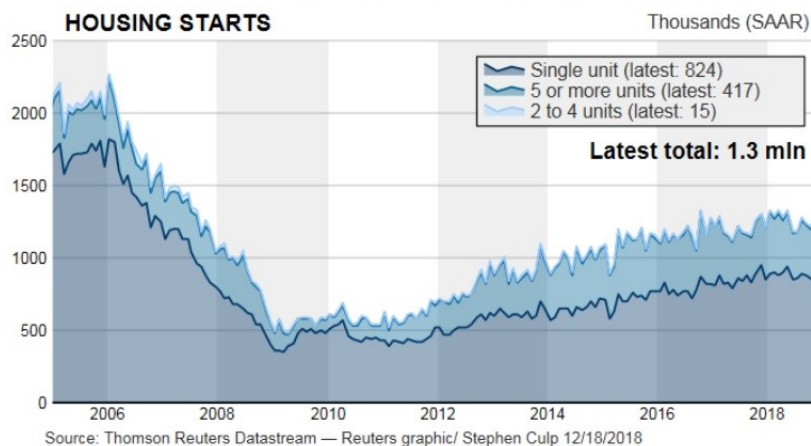


WEALTH NEWS

HOUSING STARTS RISE

U.S. housing starts rise; single-family segment still weak

U.S. homebuilding rebounded in November, driven by a surge in multi-family housing projects, but construction of single-family homes fell to a 1-1/2-year low, pointing to deepening housing market weakness that could spill over to the broader economy. Housing starts fell 3.6 percent on a year-on-year basis in November. While building permits shot up 5.0 percent to a rate of 1.328 million units last month, they were powered by a jump in the volatile multi-family housing segment. The report from the Commerce Department also showed housing starts fell in October instead of rising as previously reported. Housing starts increased 3.2 percent to a seasonally adjusted annual rate of 1.256 million units last month.



TRADE TALKS

U.S. Treasury's Mnuchin says expects January trade talks with China -Bloomberg

The United States and China are planning to hold meetings in January to "document an agreement" on trade, U.S. Treasury Secretary Steven Mnuchin told Bloomberg in an interview.

TRUMP WARNS FED

Trump pressures Fed before meeting, warns against 'another mistake'

U.S. President Donald Trump further sought to pressure the Federal Reserve as the central bank prepared to start its two-day policy meeting, warning the Fed's board not to "make yet another mistake" ahead of an expected interest rate hike.

EASING QUARTERLY REPORTS

U.S. regulator to seek comment on quarterly reports for companies

The U.S. Securities and Exchange Commission (SEC) said it was seeking public comment on ways to ease the quarterly reporting burden for publicly listed companies.

IPO OUTLOOK

IPO activity next year could dampen if markets do not rebound- report

The excitement of proposed initial public offerings by ride-hailing rivals Uber and Lyft next year may not be enough to encourage other firms to follow suit, as they fear that slowing global growth and rocky stock markets dragging into next year could threaten market debut valuations.

GLOOMY ECONOMY

Investors gloomiest in a decade about world economy - BAML survey

Investor outlooks have deteriorated to their most pessimistic in a decade, Bank of America Merrill Lynch's December investor survey showed.

INALUM-FREEPORT DEAL

Indonesia's Inalum aims to close \$3.9 billion Freeport deal this week -CEO

Indonesian miner PT Inalum said it expects to finalise this week a \$3.85 billion deal to take majority control of the local subsidiary of mining giant Freeport McMoRan, once environmental and other issues are resolved.



KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
General Mills	Q2	BMO	\$0.81	\$0.81	\$0.81	\$4,509.39
Paychex	Q2	BMO	\$0.64	\$0.63	\$0.64	\$858.25

*Includes companies on S&P 500 index. **Estimates may be updated or revised; release times based on company guidance or past practice.

EPS and Revenue estimates are according to Thomson Reuters I/B/E/S. Smart Estimates are according to Thomson Reuters StarMine.

(The Day Ahead - North America edition will not be published through the year-end holiday season from December 24, 2018 to January 1, 2019. Normal service will resume from January 2, 2019. Season's Greetings and Happy New Year.)

The Day Ahead - North America is compiled by Debanjan Bose and Yoganand KN in Bengaluru.

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