

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street's major indexes dipped on the continuing U.S.-Iran standoff. Better-than-expected U.S. non-manufacturing activity and factory orders data boosted the dollar. Treasury yields were little changed. Oil fell as investors reconsidered the likelihood of immediate supply disruptions in the Middle East. Gold prices inched higher.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	28583.34	-120.04	-0.42	28872.80	23301.59
Nasdaq	9068.58	-2.88	-0.03	9093.43	8943.50
S&P 500	3237.15	-9.13	-0.28	3258.14	3214.64
Toronto	17168.06	62.59	0.37	17230.58	14383.06
FTSE	7573.85	-1.49	-0.02	7626.41	7528.08
Eurofirst	1632.69	3.15	0.19	1641.53	1614.20
Nikkei	23575.72	370.86	1.60	23365.36	23148.53
Hang Seng	28322.06	95.87	0.34	28883.30	28054.29

TREASURIES	Yield	Price
10-year	1.8265	-5/32
2-year	1.5465	0/32
5-year	1.6204	-2/32
30-year	2.3088	-19/32

FOREX	Last	% Chng
Euro/Dollar	1.1144	-0.44
Dollar/Yen	108.55	0.18
Sterling/Dollar	1.3114	-0.40
Dollar/CAD	1.3001	0.29
TR/HKEX RMB	92.62	0.15

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	62.63	-0.64	-1.01
Spot gold (NY/oz)	1571.67	5.81	0.37
Copper U.S. (front month/lb)	0.0280	0.0000	0.09
CRB Index Total Return	197.90	-0.48	-0.24

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Apache Corp	32.50	6.86	26.76
Micron Technology Inc	58.27	4.71	8.78
Western Digital Corp	67.66	4.29	6.77
LOSERS			
Conagra Brands Inc	32.33	-1.19	-3.55
Constellation Brands Inc	183.72	-6.68	-3.51
Alexandria Real Estate Equities Inc	155.73	-5.30	-3.29

Coming Up

REUTERS/Mohammad Khurshed



Walgreens Boots Alliance Inc is expected to report first-quarter earnings. Investors will focus on progress in the company's cost-management program, launched in 2018 to combat growing pressures at the company's pharmacies, and any commentary on M&A plans.

The **ADP National Employment Report** is likely to show 160,000 jobs were added in December compared with 67,000 in the previous month.

Constellation Brands Inc is likely to report a fall in third-quarter profit, hurt by its investments in weed producer Canopy Growth. Sales are also expected to fall, dragged by its wine business. Investors will watch for the management's comments on the performance of Canopy, as well as the delay in the divestiture of some of Constellation's wine brands due to a revised agreement.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
ADP national employment for Dec	0815	160,000	67,000
TR IPSOS PCSI for Jan	1100	--	62.22
Consumer credit for Nov	1500	\$15.00 bln	\$18.91 bln

Sprint, T-Mobile and a coalition of U.S. states to submit their findings and conclusions in the states' lawsuit seeking to block the two companies' planned merger. The case is before U.S. District Judge Victor Marrero in Manhattan.

Federal Reserve Board Governor **Lael Brainard** is scheduled to speak on "Modernizing the Community Reinvestment Act" in Washington.

Lennar Corp is expected to report lower fourth-quarter profit, hurt by slowing sales in its biggest market, California, where demand took a hit from an ongoing trade war between China and the United States. Investors will look for the company's 2020 outlook and commentary on the housing market health in the United States.

Brazil's IGP-DI Inflation index for December is likely to be released. Separately, **Chile's inflation data** for December is due. **Argentina's industrial production** for November is also expected.

LIVECHAT-EQUITIES WATCH

Reuters stocks correspondents in London and New York discuss what 2020 has in store for European and American equities. (0900 ET/1400 GMT) To join the conversation, [click here](#)

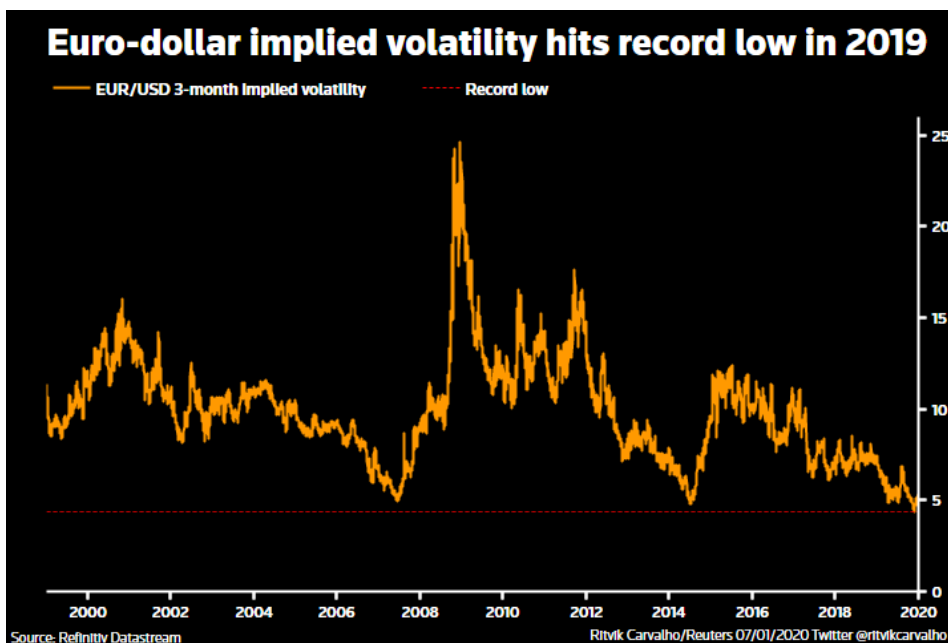


Market Monitor

Wall Street's major indexes declined as investor caution persisted amid the U.S.-Iran standoff and energy shares fell as oil prices gave back some recent gains. **Exxon Mobil** and **Chevron** declined 0.82% and 1.29% respectively, with U.S. oil prices falling after a recent rally on escalating tensions between Washington and Tehran. The **Philadelphia Semiconductor index** rose 1.78% to 1867.28, boosted by **Micron Technology**, which jumped 8.78% after brokerage Cowen & Co upgraded the chipmaker to "outperform." Equity investors have been jittery since late last week, when a U.S. drone strike killed Iranian Major General Qassem Soleimani, taking major indexes off record highs. The **Dow Jones Industrial Average** fell 0.42% to 28,583.34, the **S&P 500** lost 0.28% to 3,237.15 and the **Nasdaq Composite** dipped 0.03% to 9,068.58.

The **yield curve** was steeper in the wake of good economic data, while 10-year Treasury Inflation-Protected Securities real yields moved back above zero and five-year TIPS rose, though remained in negative territory. The **yield curve**, measured as the spread between two- and 10-year yields was up 27.9 basis points. The **10-year notes** were down 5/32 to yield 1.83%, with the **two-year notes** flat, yielding 1.55%. The Treasury Department sold \$38 billion of **three-year notes** at a high yield of 1.567%. Direct bidders took 16.7% of the offering, indirect bidders took 47.5% and dealers took 35.8%. The bid-to-cover ratio was 2.45.

The safe-haven **Japanese yen** and **Swiss franc** pulled back from recent highs against the **dollar** as financial markets stabilized, with investors turning more hopeful that U.S.-Iran tensions would not escalate into an all-



out war. Better-than-expected U.S. non-manufacturing sector and factory orders data also lifted the dollar. "The big risk-off trade of last week has begun to fade and we're seeing increased appetite across the spectrum," said Karl Schamotta, chief market strategist at Cambridge Global Payments in Toronto. The **dollar index** rose 0.36% to 97.02, as the **euro** fell 0.44% to \$1.1144. The **Swiss franc** also weakened, with the dollar up 0.31% at 0.971 franc. Against the **Japanese yen**, the dollar was 0.18% higher at 108.55 yen.

Oil prices fell, surrendering some recent gains as investors reconsidered the likelihood of immediate supply disruptions in the Middle East after the United States killed a top Iranian military commander last week. **Brent crude** fell 1.06% to \$68.18 a barrel. **U.S. crude** fell 1.01% to \$62.63 a barrel. Chevron Chief Executive Michael Wirth told CNBC that the oil markets remain well supplied despite the recent escalation of tensions.

"Fundamentally supply and demand remain where they were before these incidents," Wirth said in the interview. Prices also fell despite higher compliance among the Organization of the Petroleum Exporting Countries on meeting production quota curbs aimed at reducing supply.

Gold prices inched higher, having earlier retreated from the previous session's almost seven-year high as fears of a larger Middle East conflict following the U.S. killing of a top Iranian general eased. "Unless there is a continuous acceleration in the aggressive rhetoric ... The risk perceived to oil is going to diminish and probably less reason to buy gold. The market thinks that at this point the conflict may not escalate too much," said Bart Melek, head of commodity strategies at TD Securities. **Spot gold** was up 0.37% at \$1,571.59 per ounce. **U.S. gold futures** were 0.27% higher at \$1,573 per ounce.

Top News

Dad dancing Musk launches Tesla SUV programme in China

Elon Musk raised an online storm by dancing on stage at the launch of Tesla's Model Y electric sports utility vehicle programme in its new Shanghai factory, where the company delivered its first cars built outside the United States to the public. The \$2 billion Tesla factory started delivering cars in just 357 days, a record for global automakers in China. The first 10 customers from the public received their China-made Model 3 sedans. Billionaire CEO Musk danced enthusiastically on stage at the event, then stripped off his jacket and flung it aside to reveal a T-shirt with a cartoon of the factory. He predicted that "ultimately Tesla Model Y will have more demand than probably all the other cars of Tesla combined", with his voice cracking with emotion at times while talking about the progress of the Shanghai factory. Tesla's China website estimates the starting price for Model Y vehicles at 444,000 yuan. It will announce the retail price later, the website says. The China-made Model 3 sedans are priced at 355,800 yuan before subsidies.

Goldman Sachs answers investor demands on consumer bank

Goldman Sachs unveiled details about its consumer business for the first time and will start disclosing its results regularly as part of a broader reporting-line shuffle, responding to long-standing requests for more transparency from analysts and investors. The changes are part of Chief Executive Officer David Solomon's efforts to get Goldman in line with rivals like JPMorgan and Citigroup that have bigger consumer businesses and share more information with investors. Goldman's consumer business, which includes Marcus and the bank's credit card, generated \$822 million in revenue over the four quarters ended Sept. 30, representing 2.4% of the bank's total revenue during



Tesla Inc CEO Elon Musk dances onstage during a delivery event for Tesla China-made Model 3 cars in Shanghai, China January 7. REUTERS/Aly Song

the period. Separately, a former Goldman Sachs investment banker pleaded guilty to insider trading, as part of what U.S. prosecutors have called a wide-ranging international trading ring to generate tens of millions of dollars of illegal profits. To read more, [click here](#)

Apache shares jump on major discovery in Suriname with Total

Apache and Total said they had made a major oil discovery in a closely watched area off the coast of South America's Suriname, sending Apache's shares surging. The discovery, dubbed "among the most anticipated in the world" by one brokerage, is seen as central to Apache's efforts to reduce its reliance on the Alpine High venture in Texas' Permian basin, which has suffered from a dive in natural gas prices. "This discovery could be really transformational for a company that has really been a laggard since the Alpine High discovery," said Michael Scialla, an analyst at Stifel. Apache's agreement with Total included a \$100

million upfront payment, and expenses incurred during the exploration. New York-listed Apache's shares rose to their highest since May 2019 and ended 26.76% higher at \$32.50.

Boeing now recommends 737 MAX simulator training for pilots before flight resumption

Boeing said it was recommending that airline pilots undergo simulator training before they resume flying the 737 MAX, a shift from its previous position that pilots only needed computer-based training on new software following two fatal crashes. "This recommendation takes into account our unstinting commitment to the safe return of service as well as changes to the airplane and test results. Final determination will be established by the regulators," Boeing said. In a separate statement, the Federal Aviation Administration said it will consider Boeing's recommendations during upcoming evaluations of U.S. and international flight crews meant to help

the FAA and other regulators assess 737 MAX training needs.



Impossible Foods abandons pursuit of McDonald's burger deal

Impossible Foods is no longer trying to win a coveted deal to supply McDonald's with plant-based burgers, telling Reuters it cannot produce enough of its imitation meat to partner with the world's No.1 fast-food chain. Referring to McDonald's, Impossible Foods CEO Pat Brown told Reuters in an interview that "it would be stupid for us to be vying for them right now ... Having more big customers right now doesn't do us any good until we scale up production." "I wish we had vastly more capacity than we do right now because the demand is high," he said. Impossible Foods said it had previously met with McDonald's but declined to disclose details about when it decided it wouldn't be able to support a potential deal. Beyond Meat told Reuters that talks with McDonald's are going "very well" and that its new and upcoming facilities around the world are guaranteed to help it keep up with demand - not just in the United States, but globally.

GM's 2019 China sales drop for second year on weak economy

General Motors' vehicle sales in China fell for a second year as overall auto sales declined amid a slowing economy and because of competition in the key mid-priced sport utility vehicle (SUV) segment. Sales in 2019 fell 15% from a year earlier to 3.09 million vehicles, GM, China's second-biggest foreign automaker, said in a

statement. Sales of GM's affordable Baojun brand dropped 27.6% for the latest quarter, while sales of mass-market Chevrolet tumbled 20.1% and Buick fell 16.7%, the statement said. But luxury brand Cadillac's sales increased 3.9%. GM is focused on bolstering its product lineup and improving cost efficiency, Matt Tsien, GM executive vice president and president of GM China, said in the statement. "We expect the market downturn to continue in 2020, and anticipate ongoing headwinds in our China business," Tsien added.

Pelosi spokesman dismisses Facebook decision to remove some manipulated videos

A spokesman for the U.S. House of Representatives Speaker Nancy Pelosi dismissed Facebook's announcement that it would remove deepfakes and some other manipulated videos from its platform as inadequate. "Facebook wants you to think the problem is video -editing technology, but the real problem is Facebook's refusal to stop the spread of disinformation," tweeted Drew Hammill, a spokesman for the speaker. Facebook had told Reuters that as part of its new policy it will not remove a heavily edited video that attempted to make Pelosi seem incoherent by slurring her speech and making it appear like she repeatedly stumbled over her words. Another Democrat, Senator Mark Warner, also said that the Facebook policy change did not go far enough.

Grain trader Cargill's Q2 profits jump as global meat demand rises

Commodities trader Cargill posted a quarterly profit rise of more than 19%, as the animal nutrition and protein business unit tapped into rising global demand for meat untainted by the spread of African swine fever in Asia. Cargill said it was prepared for the changing demand patterns and the shift in global protein flows caused by the disease that has killed up to half of China's hog herd since August 2018 and pushed Chinese pork prices to record highs. Cargill said adjusted operating earnings rose to \$1.02 billion

in the second-quarter ended Nov. 30, from \$853 million a year earlier. Net earnings rose 61% to \$1.19 billion from \$741 million a year earlier. Minnesota-based Cargill's quarterly revenue rose 4% to \$29.2 billion. Dave MacLennan, chairman and chief executive officer, said Cargill's financial performance also got a boost from ongoing restructuring, including the divestment of its malt business and financial subsidiary CarVal Investors.

T-Mobile gains 1 million phone customers in fourth quarter

T-Mobile said it gained 1 million net new postpaid subscribers in during the fourth quarter, unchanged from last year. Investors track the number of postpaid subscribers, or people who pay a recurring monthly bill, because they stick with the carrier longer and tend to be more profitable than customers who pre-pay for service. Cowen analysts expected 904,000 T-Mobile postpaid phone adds, highlighting a small win for the wireless carrier. The U.S. phone carrier also noted that postpaid phone churn, or the rate of customer cancellations, was 1.01% during the fourth quarter, in line with Instinet analysts estimates of 0.9%.

Apellis' drug better than Soliris in improving hemoglobin levels in trial

Apellis Pharmaceuticals said its experimental drug for a blood disorder showed greater improvement in patients' hemoglobin levels than market leader Alexion Pharmaceuticals' Soliris. Apellis tested its drug, pegcetacoplan, in 80 paroxysmal nocturnal hemoglobinuria (PNH) patients who remained anemic despite taking Soliris. About half of them were even dependant on blood transfusions to maintain optimal hemoglobin levels. The late-stage trial results would help Apellis challenge Alexion's dominance in the PNH market. Alexion's Soliris and Ultomiris, the only two currently approved drugs for PNH, recorded sales of \$1.08 billion in the latest September quarter.



Iranian people attend a funeral procession and burial for Iranian Major-General Qassem Soleimani, head of the elite Quds Force, who was killed in an air strike at Baghdad airport, at his hometown in Kerman, Iran January 7, 2020. Mehdi Bolourian/Fars News Agency/WANA (West Asia News Agency) via REUTERS

Insight and Analysis

FOCUS-Facebook defies China headwinds with new ad sales push

Facebook is setting up a new engineering team in Singapore to focus on its lucrative China advertising business, according to three people familiar with the effort, even as chief executive Mark Zuckerberg ramps up criticism of a country that blocks the social network. The team at Facebook's Asia-Pacific headquarters is tasked with developing better ad-buying tools for Chinese customers who have to work around internet restrictions in China known as the "great firewall," the sources said.

COLUMN-Risk of pension meltdown grows due to inaction by U.S. Congress

The window is closing on the chance to avert a pension meltdown that will slash the retirement benefits of more than a million U.S. workers. Lawmakers in Washington have been working on ways to protect the benefits promised to participants in multiemployer pension plans, which are created under collective bargaining agreements and jointly funded by groups of employers in industries like construction, trucking, mining and food retailing.

Lidar laser-sensing technology: from self-driving cars to dance contests

Self-driving cars employ lidar, a remote sensing technology using pulsed laser light the way radar uses radio waves, and lidar makers waiting for the automotive market to take off are courting new customers who would use the technology for everything from monitoring cattle to helping a disc jockey synchronize dance music. Alternative uses and customers are needed to keep revenue flowing at lidar startups waiting for the expected boom in self-driving cars, which still looks to be years away.

CANADA

Market Monitor

Canada's main stock index rose as tensions between the United States and Iran seemed to ease with no escalation on either side.

The Toronto Stock Exchange's S&P/TSX composite index ended 0.37% higher at 17,168.06. Information technology was the best performing

sector, rising 1.29% to 121.98 with Enghouse Systems leading gains after two brokerages raised price target on the stock. Enghouse ended 2.78% higher.

The U.S. dollar was up 0.29% against its Canadian counterpart at C\$1.3001.

COMING UP

No major events are scheduled.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Lightspeed POS Inc	40.20	3.19	8.62
NovaGold Resources Inc	11.84	0.58	5.15
Alacer Gold Corp	7.02	0.33	4.93
LOSERS			
Hexo Corp	1.79	-0.11	-5.79
Exchange Income Corp	42.96	-1.47	-3.31
ARC Resources Ltd	7.98	-0.25	-3.04

Top News

Canada posts Nov trade deficit of C\$1.09 billion, rail strike takes toll

Canada posted a trade deficit of C\$1.09 billion in November, thanks in part to a major railway strike that slowed the shipment of imports and exports, Statistics Canada said. Analysts polled by Reuters had forecast a shortfall of C\$1.15 billion. Statscan revised the October deficit to C\$1.61 billion from an initial C\$1.08 billion. The value of goods exports fell 1.4% in November, with seven of the 11 product categories posting declines, while imports fell by 2.4% to C\$49.78 billion. In volume terms, exports declined by 2.7% from October while imports dropped by 1.3%. Energy exports declined 7.4% on lower shipments of crude oil, the agency said, because of pipeline disruptions following a rupture in late October.

Canada's Ivey PMI shows economic activity expanding at slower pace

Canadian economic activity expanded at a slower pace in December, according to Ivey Purchasing Managers Index data released. The seasonally adjusted index fell to 51.9 from 60.0 in November. The Ivey PMI measures the month-to-month variation in economic activity as indicated by a



A file photo shows shipping containers in St John's, Newfoundland and Labrador, Canada, October 17. REUTERS/Chris Wattie

panel of purchasing managers from across Canada. A reading above 50 indicates an increase in the pace of activity. The gauge of employment rose to an adjusted 51.4 from 50.3 in November, while the inventories index declined to 52.5 from 59.1.

RBC has no plans to take any restructuring charges: CEO

Royal Bank of Canada has no plan to take any restructuring charges, Chief

Executive Officer Dave McKay said, following a C\$357 million charge that Bank of Montreal took in the fourth quarter. "If we were to take a restructuring charge, we would have taken it in Q4," McKay said at the RBC Canadian Bank CEO conference. BMO took the charge as part of its push to reduce its workforce by 5%, or about 2,300 employees, and increase efficiencies.

WEALTH NEWS

TRADE DATA

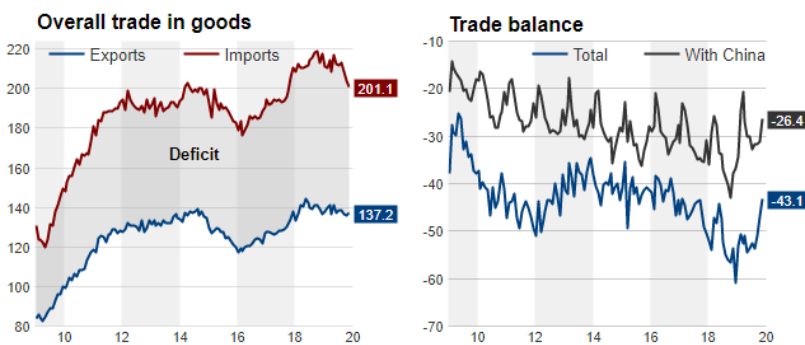
U.S. trade deficit at three-year low as imports tumble

The U.S. trade deficit fell to a more than three-year low in November as imports declined further, weighed down by the Trump administration's trade war with China, and exports rebounded, suggesting solid economic growth in the fourth quarter. The Commerce Department said the trade deficit decreased 8.2% to \$43.1 billion, the smallest since October 2016. The percentage drop was the largest since January. The trade deficit narrowed 0.7% through November and is on track to record its first annual decline since 2013. The goods trade deficit with China, the focus of the White House's "America First" agenda tumbled 15.7% to \$26.4 billion, with imports dropping 9.2% and exports jumping 13.7%.

In a separate report, the Institute for Supply Management said its non-manufacturing activity index rose to a reading of 55.0 last month from 53.9 in November. A reading above 50 indicates expansion in the services sector, which accounts for more than two-thirds of U.S. economic activity. In November, goods imports dropped 1.4% to \$201.1 billion, declining for a third straight month. Goods exports rose 0.7% to \$137.2 billion in November.

U.S. trade balance

In \$ billions



Source: Refinitiv Datastream / Stephen Culp 07/01/2020

U.S.-CHINA TRADE ISSUES

China won't hike grain import quotas for U.S. trade deal - Caixin

China will not increase its annual low-tariff import quotas for corn, wheat and rice to accommodate stepped-up purchases of farm goods from the United States, senior agriculture official Han Jun said, according to local media group Caixin.

PIMCO 2020 OUTLOOK

PIMCO says signs point to stronger global economy in 2020

Recession risks have diminished in recent months, and the current window of weakness for global growth will give way to a "moderate recovery" in 2020, money manager Pacific Investment Management forecast in its 2020 outlook.

USMCA

U.S. Senate panel advances North American trade deal, final vote timing uncertain

The U.S. Senate Finance Committee overwhelmingly approved the U.S.-Mexico-Canada Agreement, moving the revamped North American trade deal a step closer to a final Senate vote in the coming days or weeks.

OIL INDUSTRY REGULATIONS

U.S. oil industry warns of economic fallout from Democratic drilling ban

The head of the largest U.S. energy industry group on Tuesday warned that Americans risk choosing the "wrong path" in the 2020 presidential election if they vote for a candidate seeking to fight climate change by banning drilling.

DIGITAL TAX

France, U.S. set two-week target for resolving digital tax spat

France and the United States have given themselves two weeks to try to resolve a row over a French digital tax, French Finance Minister Bruno Le Maire said, emphasizing that Paris has the European Union's backing on the issue.

HEALTH LAWSUITS

Largest study yet offers no clear talc link to ovarian cancer

U.S. researchers who conducted the largest study yet into whether applying powder to the genitals increases a woman's risk of ovarian cancer were unable to definitively put to rest the issue that has prompted thousands of lawsuits against Johnson & Johnson and other companies.



KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Constellation Brands	Q3	BMO	\$1.87	\$1.83	\$2.37	\$1,949.29
Lennar	Q4	BMO	\$1.90	\$1.90	\$1.84	\$6,577.72
Walgreens Boots Alliance	Q1	07:00	\$1.40	\$1.41	\$1.46	\$34,604.43

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

/B/E/S EPS and revenue estimates, and StarMine Smart Estimates, provided by Refinitiv.

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

The Day Ahead - North America is compiled by Nidhi C Sai and Nachiket Tekawade in Bengaluru.

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

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