

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Extended trade talks between the U.S. and China boosted the risk sentiment, pushing **stocks** and **Treasury yields** higher. The **dollar** edged up, on expectations of fewer Fed rate hikes and fall in the **euro**. **Gold** prices surrendered gains. **Oil** prices jumped, as investors hoped demand to rise more quickly.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	23805.06	273.71	1.16	26951.81	21712.53
Nasdaq	6897.00	73.53	1.08	6855.60	6457.13
S&P 500	2574.42	24.73	0.97	2566.16	2443.96
Toronto	14605.15	101.02	0.70	16586.46	13776.88
FTSE	6861.60	50.72	0.74	6874.11	6599.48
Eurofirst	1361.85	10.97	0.81	1360.93	1308.86
Nikkei	20204.04	165.07	0.82	20266.22	19241.37
Hang Seng	25875.45	39.75	0.15	26043.64	24896.87

TREASURIES	Yield	Price
10-year	2.7262	-13 /32
2-year	2.5856	-4 /32
5-year	2.5795	-9 /32
30-year	3.0030	-18 /32

FOREX	Last	% Chng
Euro/Dollar	1.1441	-0.29
Dollar/Yen	108.73	0.03
Sterling/Dollar	1.2719	-0.46
Dollar/CAD	1.3276	-0.15
TR/HKEX RMB	93.39	0.14

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	49.67	1.15	2.37
Spot gold (NY/oz)	1285.51	-3.12	-0.24
Copper U.S. (front month/lb)	0.0266	0.0002	0.40
Reuters/CRB Index Total Return	182.44	1.39	0.77

S&P 500	Price	\$ Chng	% Chng
---------	-------	---------	--------

GAINERS			
Nektar Therapeutics	40.68	4.06	11.09
Union Pacific Corp	150.76	12.11	8.73
Monster Beverage Corp	52.83	3.10	6.23
Aptiv PLC	67.01	3.44	5.41
Mattel Inc	11.74	0.53	4.73

LOSERS			
PG&E Corp	17.56	-1.40	-7.36
Illumina Inc	293.75	-14.14	-4.59
Gap Inc	25.22	-1.11	-4.21
Applied Materials Inc	32.91	-1.39	-4.05
Conagra Brands Inc	21.45	-0.86	-3.85

Coming Up



A file photo of flags flying over the Federal Reserve Headquarters on a windy day in Washington, U.S., May 26, 2017. REUTERS/Kevin Lamarque

The **Federal Open Market Committee** will release the **minutes** from its December 18-19 policy meeting. Federal Reserve Bank of Atlanta President **Raphael Bostic** speaks before the Chattanooga Chamber of Commerce 2019 Economic Outlook Breakfast. Meanwhile, Federal Reserve Bank of Chicago President **Charles Evans** speaks on current economic conditions and monetary policy at the Discover Financial Services Company meeting. At a separate event, Federal Reserve Bank of Boston President **Eric Rosengren** speaks on the economic outlook before the Boston Economic Club.

Constellation Brands Inc is expected to report higher third-quarter revenue, helped by higher demand for Corona beers. The company's full-year outlook based on its investments in pot firm Canopy Growth and the impact of increased beer marketing and excess wine shipments on margins will be in focus.

Lennar Corp is expected to report higher fourth-quarter profit and revenue, helped by an acquisition. Investors will look for 2019 financial forecast, as rising mortgage rates and higher home prices hurt demand.

Bed Bath & Beyond Inc is expected to post a fall in third-quarter same-store sales, as it battles decreasing traffic at its core Bed Bath & Beyond shops amid fierce competition from online and big-box retailers. Investors will watch out for the retailer's full-year outlook and its profit margin, which may contract due to higher coupon expenses and direct-to-consumer shipping costs.

The former chief executive of **Insys Therapeutics Inc** is expected to plead guilty to participating in a scheme to bribe doctors to prescribe a powerful opioid medication in order to boost its sales. Michael Babich, who resigned as the Arizona-based drugmaker's CEO in 2015 and was due to face trial later this month, has agreed to plead guilty to conspiracy and mail fraud charges, federal prosecutors in Boston have disclosed in a court filing.

LIVECHAT- EQUITIES WATCH

Join 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
TR IPSOS PCSI for Jan	1100	--	61.32



Market Monitor

The **S&P 500** rose, led by Apple, Amazon and a rally in industrials on bets that the United States and China would strike a deal to end a trade war. The United States and China will extend trade talks in Beijing for an unscheduled third day, a member of the U.S. delegation said, as the world's two largest economies looked to resolve their bitter trade dispute. **Apple** shares ended up 1.87 percent, while **Amazon** shares gained 1.65 percent. The **S&P industrials sector** rose 1.41 percent to 560.34. **Boeing** jumped 3.92 percent. The **Dow Jones Industrial Average** ended up 1.16 percent at 23,805.06, while the **S&P 500** gained 0.97 percent to 2,574.42. The **Nasdaq Composite** added 1.08 percent to 6,897.0.

Treasury yields rose, as optimism over a trade deal between the United States and China boosted risk appetite. "I think the market's reacting to the latest Trump tweet about progress on the China negotiations," said Subadra Rajappa, head of U.S. rates strategy at Societe Generale in New York. **Benchmark 10-year notes** fell 13/32 to yield 2.73 percent. **30-year bonds** fell 18/32 yielding 3.0 percent. **Short-dated 2-year notes** fell 4/32 to yield 2.59 percent. Meanwhile, the Treasury Department sold \$38 billion three-year notes at a high yield of 2.559 percent. The bid-to-cover ratio was 2.44, which was the lowest reading since April 2009.

The **dollar** rose, amid expectations of a pause in the U.S. interest rate hiking cycle, as investors focused on the risk of a euro zone recession after data showed more signs of slowing in the region. An unexpected fall in German industrial output for the third straight month helped to weaken the euro. The drop was modest, but it underscored concerns about a slowdown and the European Central Bank's caution as it tries to wean the region off stimulus. German exporters are struggling with weaker global demand and



A trader works on the floor of the New York Stock Exchange (NYSE) in New York, U.S., January 8. REUTERS/Brendan McDermid

trade disputes driven by U.S. President Donald Trump's policies. The **euro** fell 0.31 percent to \$1.1439. It has traded in a tight range of \$1.12 to \$1.15 since mid-November. Weakness in the euro supported the **dollar**, which rose 0.27 percent against a basket of currencies to 95.93. The dollar index has lost around 2 percent since mid-December and remains near a three-month low of 95.638 reached on Monday. Against the **yen**, the **dollar** was 0.04 percent up at 108.74 yen.

Oil prices rose, supported by hopes that crude demand may rise more quickly if talks between U.S. and Chinese officials resolve the trade dispute between the world's two biggest economies. **U.S. West Texas Intermediate (WTI) crude oil futures** climbed 2.37 percent to \$49.67 a barrel. **Brent crude futures** rose 2.3 percent, to \$58.65 a barrel. Oil traders also worried that a possible worldwide economic slowdown could dent fuel consumption. The hedge fund industry has

cut significantly its bullish positions in crude futures. S&P Global Ratings said it had lowered its average oil price forecasts for 2019 by \$10 per barrel to \$55 for Brent and \$50 per barrel for WTI.

Gold slipped as the dollar rose and prospects of a U.S.-China trade deal increased investors' appetite for riskier assets such as stocks, while palladium notched a fresh all-time high on tight supply. **Spot gold** was down 0.25 percent at \$1,285.41 per ounce. **Gold futures** were down 0.31 percent at \$1,285.90 per ounce. "I think the fact equity prices have stabilised has had a bit of a negative impact on gold prices, especially as the yellow metal has already reached a critical resistance area around \$1,295," said Fawad Razaqzada, an analyst with Forex.com. Among other precious metals, palladium was up 1 percent at \$1,311.60 per ounce, after hitting a record high of \$1,328.62 earlier in the session.

Top News

On brink of demise, Sears to reconsider billionaire chairman's bid

Sears Holdings agreed to consider a revised takeover bid from billionaire Chairman Edward Lampert, temporarily staving off a liquidation that would have spelled the end of the 126-year-old U.S. department-store chain. Lampert's latest attempt to rescue Sears came after his previous \$4.4 billion bid fell short, prompting the retailer to make liquidation preparations ahead of a bankruptcy court hearing in New York. An attorney for Sears told U.S. Bankruptcy Judge Robert Drain that Lampert is expected to submit a revised offer for the retailer, along with a \$120 million deposit, by 4 p.m. ET on Wednesday. The attorney, Ray Schrock of Weil, Gotshal & Manges LLP, did not disclose further details of the new offer, which materialized after what he described as several days of round-the-clock negotiations.

Boeing delivers record 806 aircraft in 2018

Boeing delivered a record 806 aircraft in 2018 as it overcame supplier woes, retaining the title of the world's biggest planemaker for the seventh straight year.

European rival Airbus said it achieved its 800-jet target pending final audit. The latest numbers indicate that fuselage and engine delays at suppliers in 2018 are largely behind Boeing as it gears up to meet surging demand for airplanes in 2019 amid booming air travel. "In addition to the ongoing demand for the 737 MAX, we saw strong sales for every one of our twin-aisle airplanes," said Ihssane Mounir, senior vice president of commercial sales and marketing. To mitigate supply chain snarls, Boeing helped expand production capacity at suppliers who have hired workers, including retirees this year. Boeing also looked set to beat Airbus for aircraft orders on a like-for-like basis in 2018 after booking 893 net orders, excluding cancellations in the year.

PG&E falls further after S&P cuts credit rating to junk

PG&E Corp's shares fell, after S&P Global stripped the California power company of its investment-grade credit rating in the face of massive claims stemming from deadly wildfires. S&P cut the rating on PG&E and its Pacific Power & Gas Co unit on Monday to "B" from "BBB-," the lowest tier of so-called investment-grade ratings,

citing political and regulatory pressure and uncertainty over its potential liabilities. The utility, whose roughly \$18 billion in bonds fell on Monday due to bankruptcy fears, has come under severe pressure since a fatal Camp fire in November compounded its woes. It currently faces billions of dollars in liabilities related to wildfires in 2017 and 2018. S&P Global said it could further cut the company's rating over the next few months if explicit steps are not taken by authorities to improve the regulatory situation, signaling that the agency may be losing faith that lawmakers could rescue PG&E. Shares of the company ended down 10.03 percent at \$17.05.

MetLife names Khalaf CEO, Kandarian to retire

MetLife named insider Michel Khalaf as its new chief executive officer to succeed Steven Kandarian, who held the position for eight years and helped the company ride through intense regulatory oversight in the wake of the financial crisis. Khalaf, who headed the company's U.S. and EMEA business, will move into the new role on May 1 after Kandarian retires, MetLife said in a statement. Khalaf joined MetLife in 2010, after the company bought American Life Insurance Company (Alico) from American International in 2010. Khalaf worked with Alico for more than two decades in several leadership roles across the world.

Verizon adds more phone subscribers than expected in fourth quarter

Verizon Communications beat Wall Street estimates for net new phone subscribers who pay a monthly bill, adding 650,000 customers in the fourth quarter. The largest U.S. wireless carrier was expected to add 355,600 new subscribers, according to research firm FactSet. The company added a total of 1.2 million retail postpaid customers in the quarter, Verizon said at the Citi 2019 Global TMT West investor conference. This was above the average analyst estimate of 800,600 net additions.



A file photo of the logo of Verizon seen at a retail store in San Diego, California April 27, 2016. REUTERS/Mike Blake



Union Pacific jumps after company picks turnaround expert as COO

Shares of Union Pacific rose after the No.1 U.S. railroad named industry veteran Jim Vena as chief operating officer, prompting upgrades by several brokerages. Vena worked with the late Hunter Harrison, an industry expert who pioneered a strategy called "precision scheduling railroading" (PSR) to make railroads operate more efficiently and profitable. Vena will take charge on Jan. 14, the company said. "We were previously skeptical on the company's likelihood of successfully implementing PSR and key to that skepticism was the absence of a C-suite manager with PSR experience," said RBC Capital Markets analyst Walter Spracklin. "With a seasoned PSR veteran now in the COO role, we expect dramatic changes will occur at UNP," added Spracklin, upgrading the stock to "outperform" from "sector perform" and raising his price target to \$179 from \$151. The company shares ended up 8.93 percent at \$151.03.

U.S. initiative warns firms of hacking by China, other countries

The Trump administration launched a drive to push U.S. firms to better protect their trade secrets from foreign hackers, following a slew of cases accusing individuals and companies of economic espionage for China. The National Counter-Intelligence and Security Center launched

the outreach campaign to address persistent concerns that many companies are not doing enough to guard against cyber theft. The Center is worried about cyber attacks on U.S. government agencies and the private sector from China, Russia, North Korea and Iran. The drive targets trade associations across the United States and their members. Videos, brochures and online informational materials describe the threat posed by cyber espionage and other methods used by foreign intelligence services.

Monsanto patent victory seen as a boost for biotech investment in India

India's Supreme Court ruled that Monsanto can claim patents on its genetically modified (GM) cotton seeds, a victory for the U.S. company that is expected to encourage biotechnology firms to step up investment in the country. The decision on appeal overturns an earlier ruling by the Delhi High Court that Monsanto could not claim patents on GM cotton seeds. The outcome is positive for foreign agricultural companies such as Bayer, Dupont Pioneer and Syngenta which have been concerned they could lose patents on GM crops in India. The Supreme Court also said the Delhi High Court would examine Monsanto's claims that NSL infringed its intellectual property on Bt cotton seeds.

AT&T's Turner cable TV and Xandr ad unit integrate carrier's customer data

AT&T's Turner networks and advertising business Xandr said they have begun using the wireless carrier's customer data to help advertisers better reach audiences across Turner brands like CNN and TBS on TV and over digital platforms. Turner said it has integrated Xandr's viewership data collected from 40 million television set-top boxes from AT&T's DirecTV and U-verse pay TV businesses into its strategy called

AudienceNOW, which helps brands place ads on related TV shows that their audience might be interested in. AT&T's data also allows Turner and Xandr to show advertisers whether their ads convinced viewers to go to their stores or visit their website. Turner and Xandr executives said customer data will remain anonymous and will be tracked in aggregate, never narrowed down to one particular household. Instead, the companies can produce a report that compares households that saw an ad and subsequently visited a business versus households that were not served the ad, without identifying the customers.

NXP teams with French company on self-driving car chips

NXP Semiconductors said it will team up with French chip firm Kalray to craft computers for self-driving cars, in an effort they hope will ease the path to winning future approval of their computers from safety regulators. Ever since the Qualcomm deal fell apart last year after failing to win Chinese regulatory approval, NXP has sought to chart a new path while larger rivals like its erstwhile suitor and Nvidia push deeper into the nascent self-driving car computer market with increasingly powerful processors. Kamal Khouri, head of NXP's advanced driver assistance unit, said in an interview that automakers have told the Dutch chip firm that proving the safety of self-driving computers is a key challenge. That can be harder when the two elements of self-driving - interpreting the sensor data that helps the car see the road, and making so-called path-planning decisions about how to drive - are combined. Khouri said automakers think it will be easier to prove systems are safe in a segmented system like NXP's, where Kalray's chips will do the seeing and NXP's chip will make the driving decisions.





A dismantled sign sits leaning outside a Sears department store one day after it closed as part of multiple store closures by Sears Holdings Corp in the United States in Nanuet, New York, U.S., January 7. REUTERS/Mike Segar

Insight and Analysis

Prospect of U.S. profit drop rises for investors

Investors are growing more fearful that U.S. companies' profits could shrink this year following Apple's warning of soft demand in China, coupled with mounting evidence of a drag from tariffs, a global slowdown and fading tailwinds from tax cuts. Profit-growth estimates for 2019 had already been eroding for months before widely held Apple darkened the outlook further last week with the first cut to its sales forecast in more than 15 years. Earnings this year were never going to rise as quickly as in 2018, when federal tax cuts fueled growth rates above 20 percent for S&P 500 companies for much of the year, according to Refinitiv's IBES.

COLUMN-Back to school, keep an eye on the "5-Day Rule": McGeever

The holidays are over, New Year resolutions have been made and broken, and traders, investors and money managers are putting their annual investment plans into practice. How will 2019 pan out? No one knows for sure, certainly not this early in proceedings, but there are rules of thumb around the month of January that can offer clues as to what lies ahead. The S&P 500's so-called "5-Day Rule" holds that if the market rises in the first five trading sessions of the year, it will end the year higher. Broadening that out, if the S&P 500 ends January in the green it will end the year in the green too.

Move aside, backseat driver! New tech at CES monitors you inside car

As vehicles get smarter, your car will be keeping eyes on you. This week at CES, the international consumer electronics show in Las Vegas, a host of startup companies will demonstrate to global automakers how the sensor technology that watches and analyzes drivers, passengers and objects in cars will mean enhanced safety in the short-term, and revenue opportunities in the future. Whether by generating alerts about drowsiness, unfastened seat belts or wallets left in the backseat, the emerging technology aims not only to cut back on distracted driving and other undesirable behavior, but eventually help automakers and ride-hailing companies make money from data generated inside the vehicle.

CANADA

Coming Up

Bank of Canada is expected to announce its decision on **interest rate**, which is likely to stay unchanged at 1.75 percent.

Meanwhile, Bank of Canada Governor Stephen Poloz and Bank of Canada Senior Deputy Governor Carolyn Wilkins will hold

a press conference to discuss the contents of the monetary policy report.

Canadian **housing starts** are expected to fall to 205,000 units in December, compared to 215,900 units in November.

TSE's S&P/TSX composite

GAINERS

New Gold Inc
First Quantum Minerals Ltd
Interfor Corp

LOSERS

Barrick Gold Corp
Nuvista Energy Ltd
Aurora Cannabis Inc

Price	C\$ chng	% chng
1.43	0.15	11.72
10.83	0.84	8.41
15.14	0.83	5.80
16.32	-0.87	-5.06
4.13	-0.20	-4.62
6.68	-0.31	-4.43

MARKET MONITOR

Canada's **main stock index** ended higher for the day. The **industrials sector** rose 0.75 percent to 233.35, while the **materials sector** gained 0.8 percent to 215.78. **New Gold** surged 11.72 percent after reporting fourth quarter results. **First Quantum Minerals** rose 8.41 percent. The **Toronto Stock Exchange's S&P/TSX composite index** closed up 0.70 percent, at 14,605.15.

The **U.S. dollar** was 0.14 percent lower against the **Canadian dollar** at C\$1.3277.

Top News

Canada trade deficit more than doubles as weak oil price hurts exports

Canada's trade deficit more than doubled in November as exports declined for a fourth month in a row, dragged down by weak prices for crude oil and lower demand for chemicals, Statistics Canada said. The deficit jumped to C\$2.06 billion from a revised C\$851 million in October. Analysts polled by Reuters had expected a shortfall of C\$1.95 billion. Exports fell 2.9 percent as the value of crude shipped abroad plunged 17.7 percent on lower prices. Canada is a major exporter of oil and the Bank of Canada has expressed concern over the impact of slumping revenues. Imports also put in a largely unimpressive performance, dropping by 0.5 percent in November. Imports of motor vehicles and parts dipped 2.8 percent as demand for passenger cars and light trucks weakened for the ninth time in 12 months.

Canadian diplomats in China met second of two detained citizens

Canadian diplomats in China met the second of two citizens who were detained last month after the arrest of a senior



A file photo of a truck loaded with a container at the Port of Montreal, September 27, 2010. REUTERS/Shawn Best

Chinese executive in Vancouver, the Canadian foreign ministry said. "Today, Canadian consular officials in China visited with Michael Spavor," the ministry said in a statement that provided no further details. Officials met Michael Kovrig on Dec. 17. "The Canadian government remains

deeply concerned by the arbitrary detention by Chinese authorities of these two Canadians since last month and continues to call for their immediate release," the foreign ministry said in the statement.



WEALTH NEWS

TRADE TALK CONTINUES

U.S.-China trade talks to continue for third day -U.S. officials

The United States and China will continue trade talks in Beijing for an unscheduled third day, a member of the U.S. delegation said, as the world's two largest economies looked to resolve their bitter trade dispute. Steven Winberg, Assistant Secretary for Fossil Energy at the U.S. Department of Energy told reporters at the U.S. delegation's hotel that talks, which began on Monday, had gone well. A spokeswoman for the U.S. Trade Representative's office, which is leading the U.S. negotiating team, also said talks would continue on Wednesday and "a statement will likely follow then." The two sides had extended their trade talks late into a second day in Beijing on Tuesday, a source with knowledge of the meetings said, but few other details had emerged. The meetings this week are the first face-to-face talks since U.S. President Donald Trump and Chinese President Xi Jinping agreed in December to a 90-day truce in a trade war that has roiled global financial markets.



A member of the U.S. trade delegation to China, carries a folder as he leaves a hotel in Beijing, China January 7. REUTERS/Thomas Peter

ECONOMIC DATA

U.S. job openings drop, but still at lofty levels

U.S. job openings fell in November, pulled down by sharp declines in construction and other services, but did little to change views that the economy is facing a shortage of workers. Job openings dropped by 243,000 to a seasonally adjusted 6.9 million.

TRUMP ON INTEREST RATE

Trump renews dig at Fed, expresses longing for lower interest rates

President Donald Trump expressed longing for the lower interest rates that the Federal Reserve put in place during the 2007-09 recession, saying he could boost the economy if the central bank brought interest rates to zero.

HUAWEI DISPUTE

New documents link Huawei to suspected front companies in Iran, Syria

The U.S. case against the chief financial officer of China's Huawei Technologies, who was arrested in Canada last month, centers on the company's suspected ties to two obscure companies. One is a telecom equipment seller that operated in Tehran; the other is that firm's owner, a holding company registered in Mauritius.

U.S. JOBS

More U.S. regions see job openings outnumbering jobless

Job openings are outnumbering unemployed workers across increasingly wide swaths of the United States, forcing businesses to rethink how they find workers, which could keep pressure on the Federal Reserve to raise interest rates despite a global economic slowdown.

CITI SELLS JV STAKE

Citigroup to end Chinese securities JV to set up majority-owned venture

Citigroup has agreed to sell its stake in its Citi Orient Securities joint venture to its Chinese partner, paving the way for the U.S. bank to set up its own brokerage in the world's second-largest economy.

BOND FORECAST

Goldman Sachs analysts slash U.S. Treasury yield forecasts

Analysts at Goldman Sachs have revised down their forecasts for government bond yields in major economies, especially in the United States and Canada to reflect a weakening economic outlook, the U.S. investment bank said.



KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Constellation Brands Inc	Q3	BMO	\$2.05	\$2.06	\$2.00	\$1,908.43
Lennar Corp	Q4	BMO	\$1.92	\$1.92	\$1.29	\$6,528.64

**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 is compiled by Yoganand K N and Sourav Bose in Bengaluru.

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

To subscribe for The Day Ahead newsletter [click here](#)

To un-subscribe for this newsletter [click here](#)

For more information about our products: <https://www.thomsonreuters.com/en/products-services.html>

Send us a sales enquiry at: <https://www.thomsonreuters.com/en/contact-us.html>

© 2019 Thomson Reuters. All rights reserved. This content is the intellectual property of Thomson Reuters and its affiliates. Any copying, distribution or redistribution of this content is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters shall not be liable for any errors or delays in content, or for any actions taken in reliance thereon. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.