

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

The **S&P 500** and the **Nasdaq** rose, supported by gains in internet shares. The **greenback** strengthened and **Treasury yields** climbed ahead of Fed Chairman Jerome Powell's testimony before Congress on Wednesday and minutes from the Fed's last policy meeting. **Oil** was higher on Middle East tensions and OPEC supply cuts. **Spot gold** prices edged up.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26783.76	-22.38	-0.08	26966.00	21712.53
Nasdaq	8141.73	43.35	0.54	8176.08	6457.13
S&P 500	2979.63	3.68	0.12	2995.84	2443.96
Toronto	16545.21	82.26	0.50	16672.71	13776.88
FTSE	7536.47	-12.80	-0.17	7622.58	6599.48
Eurofirst	1528.10	-6.98	-0.45	1548.20	1308.86
Nikkei	21565.15	30.80	0.14	22362.92	19241.37
Hang Seng	28116.28	-215.41	-0.76	30280.12	24896.87

TREASURIES	Yield	Price
10-year	2.0631	-9 /32
2-year	1.9127	-2 /32
5-year	1.8772	-5 /32
30-year	2.5404	-14 /32

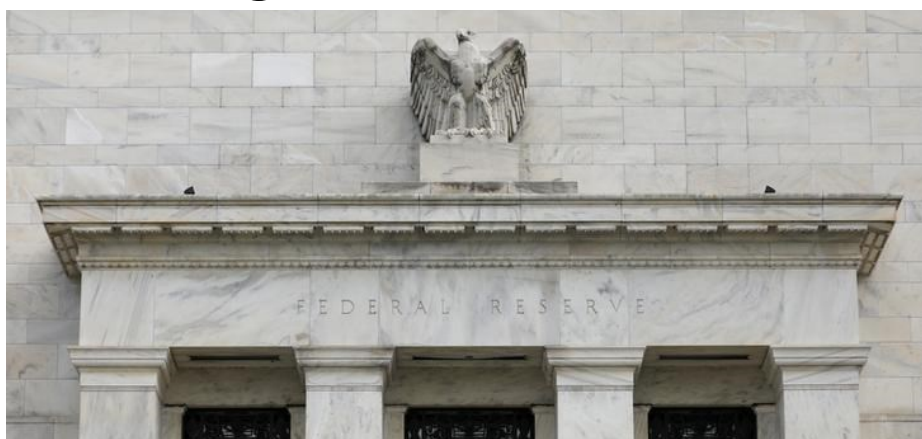
FOREX	Last	% Chng
Euro/Dollar	1.1205	-0.08
Dollar/Yen	108.88	0.16
Sterling/Dollar	1.2463	-0.38
Dollar/CAD	1.3126	0.26
TR/HKEX RMB	93.76	-0.05

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	57.97	0.31	0.54
Spot gold (NY/oz)	1396.97	1.77	0.13
Copper U.S. (front month/lb)	0.0262	-0.0003	-1.07
CRB Index Total Return	189.60	0.04	0.02

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
L3Harris Technologies Inc	191.26	6.58	3.56
Advanced Micro Devices Inc	33.15	1.11	3.46
Twitter Inc	37.64	1.19	3.26

<b>LOSERS</b>			
DaVita Inc	52.53	-2.98	-5.37
L Brands Inc	26.40	-1.15	-4.17
Amcort PLC	11.03	-0.41	-3.58

## Coming Up



The Federal Reserve building is pictured in Washington, DC, U.S., August 22, 2018. REUTERS/Chris Wattie

The **Federal Open Market Committee** is scheduled to issue minutes from its meeting of June 18-19.

Federal Reserve Chairman **Jerome Powell** is expected to testify on the Semiannual Monetary Report to Congress before the House Financial Services Committee. Federal Reserve Bank of St. Louis President **James Bullard** is likely to participate in a moderated question-and-answer session before the Official Monetary and Financial Institution

Forum Conference.

The Commerce Department is likely to report revised **wholesale inventories** in May remained unchanged at 0.4%.

### LIVECHAT- U.S. POLITICS BY THE NUMBERS

Reuters U.S. politics polling editor **Chris Kahn** parses the data for trends, clues and implications of the shifting political sentiments in the world's biggest economy.(1400 ET/1000 GMT) To join the conversation, [click here](#)

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Wholesale inventory, R mm for May	1000	0.4%	0.4%
Wholesale sales mm for May	1000	0.0%	-0.4%
TR IPSOS PCSI for July	1100	--	62.83

## KEY RESULTS

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

# Market Monitor

The **S&P 500** ended slightly higher as gains in tech-related shares offset fresh worries about the impact of the U.S.-China trade dispute on earnings. The second-quarter earnings season is expected to kick off next week, with analysts forecasting profits at S&P 500 companies to have fallen 0.2% from a year earlier, according to Refinitiv IBES data. Shares of **Amazon.com** rose 1.84%, **Facebook** was up 1.76% and **Netflix** was 1% higher. Adding to the downbeat mood, RBC Capital Markets downgraded **3M** to "sector perform," citing macro pressures from China, auto and electronics sectors. The industrial conglomerate's shares fell 1.99% and pulled the **S&P industrial index** down 0.21%. The **Dow Jones Industrial Average** fell 0.08% to 26,783.76, the **S&P 500** rose 0.12% to 2,979.63 and the **Nasdaq Composite** added 0.54% to 8,141.73.

**Treasury yields** ticked up in muted trading ahead of the release of June's Federal Reserve meeting minutes on

Wednesday. "We're watching the minutes that are coming out tomorrow. That's the big thing," said Wen Lu, interest rates strategist at TD Securities. The Treasury Department sold **3-year notes** at a high yield of 1.857%. The bid-to-cover ratio was 2.39. The **30-year bond** yield was 15/32 higher at 2.54% and the **10-year** yield was up 9/32 to 2.06%.

**Oil** futures rose as Middle East tensions and OPEC supply cuts kept global benchmark Brent crude above \$64 a barrel, while gains were limited by the U.S.-China trade dispute that has dragged on the global economy and crimped oil demand. "The market is still caught between concerns of slowing growth and high geopolitical risk with Iran," said Phil Flynn, an analyst at Price Futures Group in Chicago. **Brent** rose 0.28% to \$64.29 per barrel and **U.S. crude** was up 0.55% at \$57.98 per barrel.

The **dollar** inched up as traders await

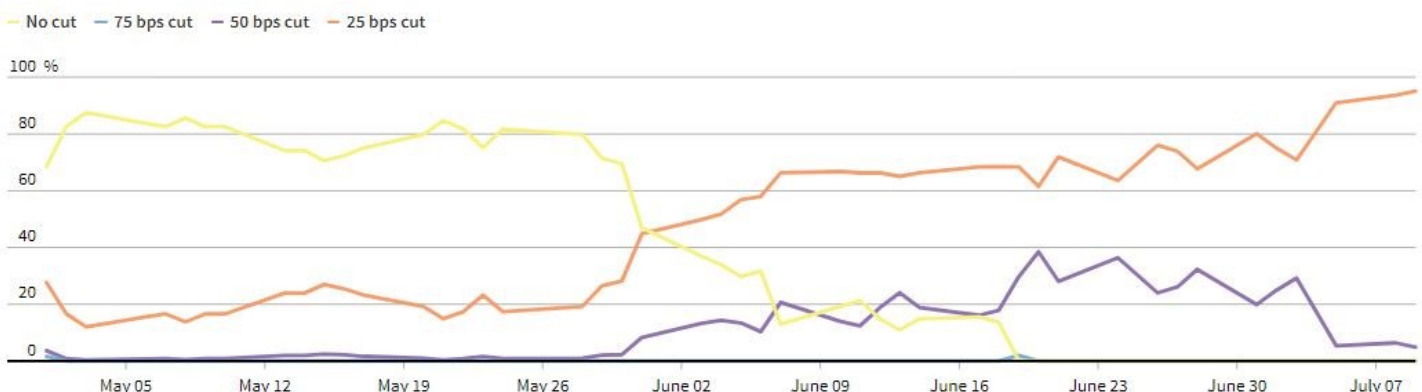
clues in Federal Reserve Chairman Jerome Powell's testimony before Congress and minutes from the Fed's last policy meeting on possible rate cuts. The **dollar index** was up 0.12% at 97.50. The **euro** was 0.08% lower at \$1.1205. Against the **Japanese yen**, the **greenback** edged up 0.15% to 108.87 yen.

**Spot gold** edged up after falling to a one-week low earlier in the session as investors used the drop in prices to buy the yellow metal with bullion holding a key technical level. "The resurgence in U.S. dollar reaching a three-week high moved gold at lower prices earlier in the session, following which we are seeing a little bit of bargain buying which has kept the market afloat," said Alex Turro, market strategist at RJO Futures. **Spot gold** rose 0.12% to \$1396.85 per ounce, earlier prices hit the session trough of \$1,386.11, the lowest since July 2. **U.S. gold futures** were 0.11% down at \$1398.50 per ounce.

## Bets on bold first rate-cut from the Fed

*Click on the chart for a detailed and interactive graphic*

Stronger-than-forecast U.S. payrolls increase in June slash bets on a 50 basis-point rate cut



Note: Based on implied probability from prices of July/August federal funds contracts

Source: CME Group's FedWatch

Richard Leong | REUTERS GRAPHICS

# Top News

## Boeing set to lose biggest planemaker title as deliveries fall 37%

Boeing is set to lose the title of being the world's biggest planemaker after reporting a 37% drop in deliveries for the first half of the year due to the prolonged grounding of its best-selling MAX jets. Boeing deliveries lagged those of Airbus, which on Tuesday said it handed over 389 planes in the same period, up 28% from a year earlier. The numbers indicate that Boeing's full-year deliveries are likely to fall behind its European rival for the first time in eight years. Deliveries of the MAX aircraft were stopped in March after an Ethiopian Airlines crash killed all 157 people on board. Since then, Boeing has not reported any new order for the MAX planes. Boeing shares were up 0.60% at \$353.23 at market close.

## Germany's Bayer seeks animal health merger with Elanco - sources

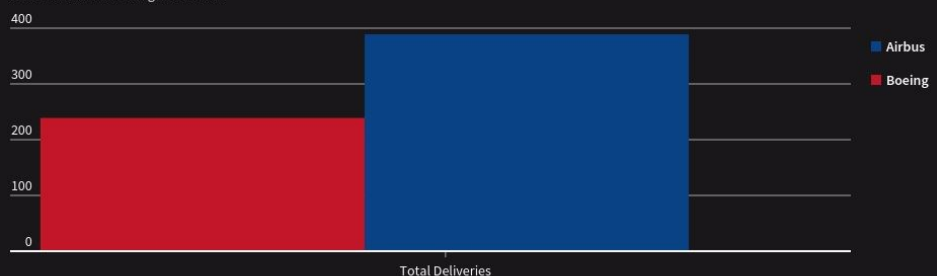
Bayer has approached U.S. drug firm Elanco Animal Health to discuss a possible combination of their pet-health businesses to create an industry giant, three sources familiar with the matter told Reuters. The two companies are working with banks to ensure any merger would secure regulatory approval, the sources said, speaking on condition of anonymity. Bayer has delayed the launch of an auction to private equity funds to clinch a bilateral deal with Elanco, the fourth-largest player in the animal health industry globally, the sources said. Bayer Chief Executive Werner Baumann said in November his company would divest several assets including its animal health division, which analysts have said could fetch 6 billion to 7 billion euros. A Bayer spokesman said the firm was "progressing as planned" with efforts to separate the animal health business.

## Boeing Trails Airbus Deliveries in 2019

737 MAX grounding has hurt Boeing deliveries, putting it on track to lose the title of the world's biggest planemaker after eight years

### TOTAL DELIVERIES

Aircraft delivered through June 2019



Company Report, Reuters Data  
Sanjana Shivdas | REUTERS GRAPHICS

## PepsiCo's mini-sized sodas boost quarterly results

PepsiCo's quarterly revenue and profit beat Wall Street estimates, boosted by higher sales of its traditional Pepsi soda as well as snacks Lay's and Dorito chips. "Core Pepsi is what is driving the improved performance in soda," Chief Financial Officer Hugh Johnston told Reuters. "You have the consumer shifting from bigger volume packages into packages that are smaller... but the price realization is quite good on them," Johnston said. Net income attributable to the company rose 11.8% to \$2.04 billion from \$1.82 billion a year earlier. Excluding one-time items, it earned \$1.54 per share. Analysts on average had expected profit of \$1.50 per share and revenue of \$16.43 billion. Shares of the company fell 0.62% to \$131.74 at market close.

## Trump's blocking of Twitter critics unconstitutional -US appeals court

U.S. President Donald Trump violated the Constitution by blocking people whose views he disliked from his Twitter account, a federal appeals court ruled. In a 3-0 decision, the 2nd U.S.

Circuit Court of Appeals in Manhattan said the First Amendment forbids Trump from using Twitter's "blocking" function to limit access to his account, which has 61.8 million followers. "We are disappointed with the court's decision and are exploring possible next steps," said Kelly Laco, a spokeswoman for the U.S. Department of Justice. Trump has made his @realDonaldTrump account, which he opened in 2009, a central and controversial part of his presidency, using it to promote his agenda and to attack critics.

## IBM closes \$34 billion deal to buy Red Hat

International Business Machines said it has closed its \$34 billion acquisition of software company Red Hat as it looks to ramp up its cloud computing business. Underscoring the drive into high-margin businesses, IBM in October agreed to buy Red Hat, the company's biggest acquisition in its more than 100-year history. The company, which won approval for the purchase from EU regulators in late June and U.S. regulators in May, agreed to pay \$190 a share for Red



Hat, representing a 63% premium. The companies said IBM and Red Hat will offer "a next-generation hybrid multicloud platform" that will be "based on open source technologies, such as Linux and Kubernetes." IBM said Red Hat will continue "to build and expand its partnerships, including those with major cloud providers, such as Amazon Web Services, Microsoft Azure, Google Cloud and Alibaba."



## Apple's services revenue, China to power third quarter - analyst

Apple will likely see a surge in services revenue in the third quarter, charged by app store developer revenue and renewed growth in China, critical areas for the future as the iPhone maker faces a maturing smartphone market, Evercore ISI said. Apple has been focusing more on its Services unit, which includes sales from iCloud, the App Store and other businesses, as smartphone sales show signs of slowing down. "We think there is likely upside ahead when it comes to services revenues in the June-quarter, driven by a sizable acceleration in China-centric markets," said Daryanani, who has a 3-star rating for accuracy of estimates on Apple, according to Refinitiv data.

## U.S. to provide licenses for sales to Huawei if national security protected

The U.S. government will issue licenses to companies seeking to sell American-made goods to China's Huawei where there is no threat to national security, Commerce Secretary Wilbur Ross said, but left key questions

unanswered about what products will pass muster. Seeking to revive trade talks with China, U.S. President Donald Trump announced late last month that American companies would be allowed to sell products to Huawei. "Within those confines, we will try to make sure that we don't just transfer revenue from the U.S. to foreign firms," Ross said. However, industry observers said Ross's comments lacked the clarity and relief many hoped for after Trump's announcement. "The only way that industry can determine the line is by submitting (license) applications and knowing what types will be approved and which types will be denied," Washington trade lawyer Doug Jacobson said.

## Marriott sued by District of Columbia over resort fees

The District of Columbia sued Marriott, claiming that mandatory resort fees at its hotels are illegal and deceptive, the attorney general's office said. "Marriott reaped hundreds of millions of dollars in profit by deceiving consumers about the true price of its hotel rooms," said District of Columbia Attorney General Karl Racine. "Bait-and-switch advertising and deceptive pricing practices are illegal." The lawsuit said that 189 Marriott properties worldwide impose fees ranging from \$9 to \$95 a day. The complaint seeks to force Marriott to include mandatory fees in its advertised room prices, to reimburse D.C. residents who paid the fees and to pay unspecified penalties. "This is a really big deal. This is the first time that we've had legal action taken against the hotels for the resort fees," said Charles Leocha, president of consumer advocacy group Travelers United, which has been fighting resort fees.

## Cisco to buy optical gear maker Acacia for \$2.8 billion to build 5G muscle

Network gear maker Cisco said it would buy optical component maker

Acacia Communications for \$2.84 billion in cash, as it seeks to garner a bigger chunk of 5G spending by telecom companies. Morningstar analyst Mark Cash said the acquisition will bolster Cisco's technology for service providers upgrading to 5G and put its optical portfolio ahead of the shift toward using plug and play devices across various communication segments. "Cisco's optical portfolio was mainly for short range data center connections, and now gains Acacia's skill set in areas such as metro, long-haul, and undersea," Cash said. The acquisition is expected to close during the second half of Cisco's full year 2020. Shares of Acacia closed 35.06% up at \$64.91.

## Qualcomm asks appeals court to pause antitrust ruling's impact

Qualcomm on Monday asked a U.S. appeals court to pause an antitrust ruling that could drastically alter its business model while it tries to overturn the ruling. The filing with the 9th U.S. Circuit Court of Appeals came after U.S. District Judge Lucy Koh last week declined to put on hold her own ruling in a case brought by the U.S. Federal Trade Commission against the San Diego company, which is the largest supplier of modem chips that connect smartphones to wireless data networks. "Qualcomm will be unable to revert back to its current license agreements, undo this web of new agreements, reverse any exhaustion of its patent rights, or recover all the revenue lost or transaction costs incurred" if it ultimately wins its appeal but the judgment remains in force during the process, the company wrote. Qualcomm also challenged Koh's ruling that Qualcomm's patent fees are a "surcharge" on other chip suppliers, effectively raising their prices and making them less able to compete with Qualcomm.



U.S. soccer players Julie Ertz (L), Megan Rapinoe (C) and Alex Morgan celebrate as they exit the plane with the Trophy for the FIFA Women's World Cup while the U.S team arrive at the Newark International Airport, in Newark, New Jersey, U.S., July 8. REUTERS/Eduardo Munoz

## Insight and Analysis

### FOCUS-Emissions rules and electric shift to spur car engines M&A

A growing understanding in the car industry of the value of combustion engine technology able to meet new anti-pollution requirements is likely to fuel a wave of consolidation in the next two years, industry executives and bankers say. Mergers and acquisitions have been stuck in a rut since Volkswagen was caught cheating pollution tests in 2015, triggering a global tightening of emissions regulations that depressed the value of petrol and diesel technologies. But the market is beginning to separate companies capable of meeting new emissions standards from those struggling to do so, which could close

the gap in price expectations between buyers and sellers over the next 12-24 months, industry experts say.

### COLUMN-Trade war rebounds on the United States: Kemp

"No man is an island entire of itself", the English poet John Donne observed in the 17th century. Donne could easily have been describing the highly integrated global economy of the 21st century, where the slackening in the business cycle is spreading around the world through the arteries of international commerce. Fallout from the U.S.-China trade war and other sources of business uncertainty is spreading through the dense network of trade and investment links across

Europe and Asia and spilling over into emerging markets.

### The \$280,000 lab-grown burger could be a more palatable \$10 in two years

Lab-grown meat, first introduced to the world six years ago in the form of a \$280,000 hamburger, could hit supermarket shelves at \$10 a patty within two years, European start-ups told Reuters. Consumers concerned about climate change, animal welfare and their own health are fueling interest in so-called clean meat, with the number of associated business start-ups climbing from four at the end of 2016 to more than two dozen two years later, according to the Good Food Institute market researcher.



# CANADA

## Market Monitor

Canada's main stock index rose, with the Toronto Stock Exchange's S&P/TSX Composite index gaining 0.50% to 16,545.21.

The energy sector rose 1.5%.

The U.S. dollar was up 0.24% against its Canadian counterpart at C\$1.3124.



### COMING UP

The **Bank of Canada** is expected to keep **interest rates** steady at 1.75%.

Bank of Canada Governor **Stephen Poloz** and Bank of Canada Senior Deputy Governor **Carolyn Wilkins** are expected to hold a press conference to discuss the contents of the Monetary Policy Report in Ottawa.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
Eldorado Gold Corp	8.60	0.46	5.65
Alacer Gold Corp	4.50	0.23	5.39
NovaGold Resources Inc	7.56	0.28	3.85
<b>LOSERS</b>			
First Quantum Minerals Ltd	10.80	-0.75	-6.49
West Fraser Timber Co Ltd	56.28	-3.58	-5.98
Hudbay Minerals Inc	6.30	-0.37	-5.55

## Top News

### Canadian oil companies see output cuts easing as rail capacity grows

Major Canadian oil companies, which publicly disagreed over the Alberta government's forced curtailments this year, are in lockstep over how to end the production limits and reinvigorate the battered industry. Senior executives from Suncor Energy, Canadian Natural Resources, Imperial Oil and Cenovus Energy said at a TD Securities investor conference in Calgary that they are in talks with Premier Jason Kenney's Alberta government. The discussions center on ending the mandatory cuts just as added rail capacity to move crude comes online. "If we could lift production and rail (movement) at the same time, it all kind of makes sense," said Suncor Chief Executive Mark Little. He added that curtailments could end this year if the industry and government factored in expanding rail capacity.

### Acacia says valuation higher than Barrick buyout offer, extends bid deadline

Tanzania's largest gold miner Acacia Mining said it is worth more than a buyout proposal by majority shareholder Barrick Gold values it at, and extended the deadline for a firm bid to July 19. Based on a review by independent technical consultant SRK Consulting, Acacia is worth 271 pence per share under a "preferred-value" scenario, with a range of 203 pence to 281 pence per share under low- and high-value scenarios, the London-listed miner said in a statement. Barrick on May 21 had offered 0.153 of its own shares to acquire the 36.1 percent of Acacia it does not already own. That equates to about 193 pence per share, based on Monday's closing prices, valuing the company at about \$990 million, compared with \$787 million when it first proposed the deal, thanks to a rally in Barrick shares. "271p is the

absolute minimum the minorities will accept," a minority shareholder in Acacia told Reuters.

### Medallion Resources eyes North America for rare earths extraction plant

Medallion Resources said it was looking at sites across North America to develop an extraction plant for rare earths, as the ongoing U.S.-China trade war has turned the spotlight on the strategic metals. Medallion said it is seeking proposals from contractors to help build a plant to process the metals from the reddish-brown phosphate mineral monazite, a sand containing high concentrations of rare earths. The company has relationships with monazite suppliers in the U.S. Southeast, but likely would build its plant in the center of North America, eyeing the region between Texas and Saskatchewan, Chief Executive Officer Don Lay said in an interview.

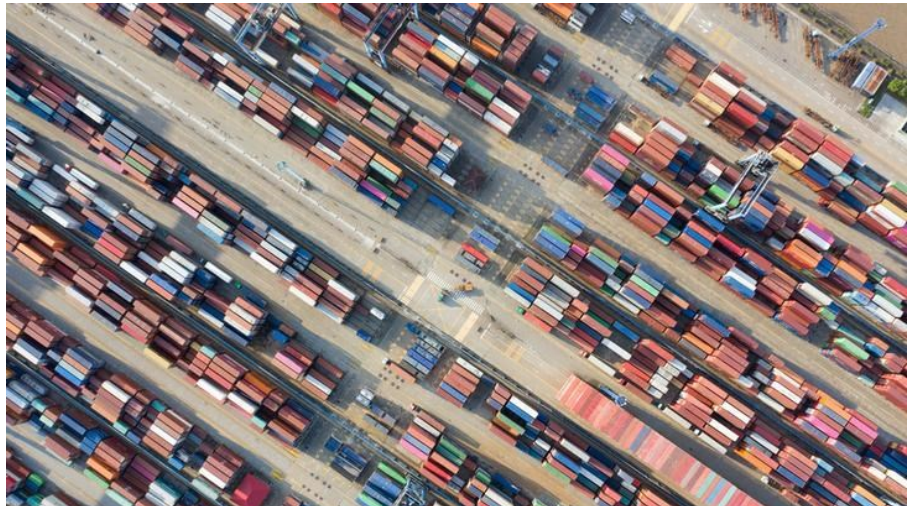


# WEALTH NEWS

## TRADE NEGOTIATIONS

### U.S., Chinese negotiators resume talks to resolve trade dispute -official

U.S. and Chinese negotiators spoke by phone, continuing discussions to end a trade battle between the world's two largest economies that has upended global supply chains and roiled financial markets. U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin spoke with Chinese Vice Premier Liu He and Minister Zhong Shan to continue negotiations to resolve outstanding trade disputes between the countries, a U.S. official said in an emailed statement. "Both sides will continue these talks as appropriate," the official said in an email, declining to provide details on what was discussed and the next steps for talks.



A file photo of containers seen at a port in Ningbo, Zhejiang province, China, May 28, 2019. REUTERS/Stringer

## STRESS TESTS

### Fed's Quarles vows more transparency around stress tests to come

Federal Reserve Vice Chair Randal Quarles said the Fed will continue to give banks more information about its annual stress tests, and will push ahead with a plan to create a simpler capital buffer for banks.

## ECONOMIC REPORT

### Declining U.S. job openings point to cooling labor market

U.S. job openings fell in May, pulled down by declines in the construction and transportation industries, potentially flagging a slowdown in employment growth in the months ahead.

## RESTRUCTURING

### Doubts over Deutsche Bank turnaround plan dent shaky shares

Deutsche Bank shares extended losses on investor doubts that its chief executive can revive the lender by shrinking the investment bank and returning to its roots as banker to corporate Germany.

## OIL OUTLOOK

### U.S. crude oil output seen rising to record high in 2019 -EIA

U.S. crude oil production will rise to an all-time high of 12.36 million barrels per day (bpd) in 2019 from a record high of 10.96 million bpd last year, the Energy Information Administration's Short Term Energy Outlook said.

## IPO

### Richard Branson's Virgin Galactic to go public by year-end

British billionaire Richard Branson's Virgin Galactic plans a stock market listing by the end of the year, giving it the much-needed funds to take on Jeff Bezos' Blue Origin and Elon Musk's SpaceX in the race to space.

## OBAMACARE

### Obamacare's future in play as U.S. appeals court weighs its constitutionality

The future of Obamacare could be at stake when a group of Democratic-led states and the House of Representatives urge a federal appeals court to overturn a Texas judge's ruling that the U.S. healthcare reform law is unconstitutional.





A newly born Barbary lion cub jumps inside its enclosure at Dvur Kralove Zoo in Dvur Kralove nad Labem, Czech Republic, July 8. REUTERS/David W Cerny

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