

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks ended slightly higher in choppy trading, as trade optimism faded after the U.S. threatened additional tariffs on European goods. A fall in **Treasury yields** on concerns over slowing global growth pushed the **gold** prices up. The **dollar index** was in the red. **Oil** was lower on demand worries.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26786.68	69.25	0.26	26951.81	21712.53
Nasdaq	8109.09	17.93	0.22	8176.08	6457.13
S&P 500	2973.04	8.71	0.29	2977.93	2443.96
Toronto	16471.29	89.09	0.54	16672.71	13776.88
FTSE	7559.19	61.69	0.82	7530.24	6599.48
Eurofirst	1532.49	6.33	0.41	1541.32	1308.86
Nikkei	21754.27	24.30	0.11	22362.92	19241.37
Hang Seng	28875.56	332.94	1.17	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.9774	16 /32
2-year	1.7653	1 /32
5-year	1.7483	7 /32
30-year	2.5055	36 /32

FOREX	Last	% Chng
Euro/Dollar	1.1283	-0.02
Dollar/Yen	107.88	-0.51
Sterling/Dollar	1.2596	-0.33
Dollar/CAD	1.3111	-0.18
TR/HKEX RMB	93.28	-0.19

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	56.33	-2.76	-4.67
Spot gold (NY/oz)	1413.74	29.67	2.14
Copper U.S. (front month/lb)	0.0266	-0.0002	-0.84
CRB Index Total Return	186.52	-3.44	-1.81

S&P 500	Price	\$ Chng	% Chng
GAINERS			
HCP Inc	32.57	1.00	3.15
Welltower Inc	84.20	2.46	3.01
Iron Mountain Inc	31.62	0.90	2.93

LOSERS			
Apache Corp	27.38	-1.82	-6.23
EOG Resources Inc	87.48	-5.61	-6.03
Marathon Oil Corp	13.55	-0.70	-4.91

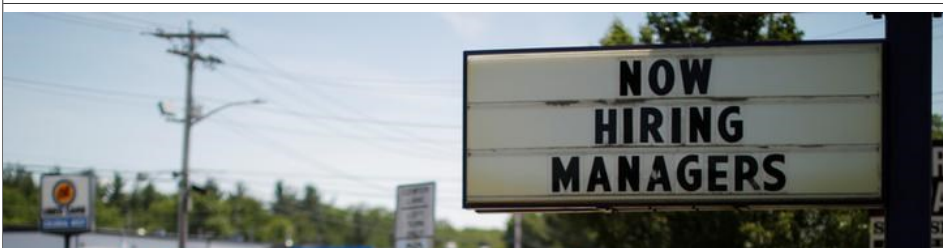
Coming Up

The Census Bureau releases the **international trade deficit**, which is likely to have widened to \$54.0 billion in May from \$50.8 billion in April. The Labor department is expected to show that the **initial jobless claims** fell to 223,000 for the week ended June 29, from 227,000 in the previous week. The ADP National Employment Report is expected to show **private employers** added 140,000 jobs in June, compared to an addition of 27,000 jobs in May. The Commerce Department is likely to show **factory**

orders fell 0.5% in May, after falling 0.8% in April. The Institute for Supply Management (ISM) is expected to state that its **non-manufacturing activity** index fell to 55.9 in June from 56.9 in May.

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 conversation, [click here](#)



A file photo of a sign on a Taco Bell restaurant advertising "Now Hiring Managers" in Fitchburg, Massachusetts, June 12, 2018. REUTERS/Brian Snyder

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Challenger layoffs for Jun	0730	--	58,577
ADP national employment for Jun	0815	140,000	27,000
International trade \$ for May	0830	-\$54.0 bln	-\$50.8 bln
Goods trade balance (R) for May	0830	--	-\$74.55 bln
Initial jobless claims	0830	223,000	227,000
Jobless claims 4-week average	0830	--	221,250
Continued jobless claims	0830	1.675 mln	1.688 mln
Factory orders mm for May	1000	-0.5%	-0.8%
ISM N-Manufacturing PMI for Jun	1000	55.9	56.9
ISM N-Manufacturing Business Activity for Jun	1000	60.0	61.2

KEY RESULTS

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

Market Monitor

Stocks managed modest gains after holding near the unchanged mark for much of the session as enthusiasm over the U.S.-China trade truce faded after the United States threatened tariffs on additional European goods. Washington's proposed tariffs on \$4 billion worth of EU goods in a long-running dispute over aircraft subsidies unnerved investors and came just as trade tensions with China seemed to be easing. Stocks had rallied to push the S&P 500 to a record on Monday in the wake of the U.S. trade truce with China, but stocks finished well off their highs as investors questioned the lack of details in the agreement. The **Dow** rose 0.26%, to 26,786.68, the **S&P 500** gained 0.29%, to 2,973.01 and the **Nasdaq** added 0.22%, to 8,109.09.

Treasury prices rose, on renewed safe-haven demand due to anxiety about slowing global economic growth and reduced optimism about the restart on U.S.-China trade talks. U.S. yields were also pressured by a drop in British yields after remarks by Bank of England Governor Mark Carney on the risks from Brexit and trade conflicts prompted speculation the BOE may lower interest rates in the next 12 months. The cloudy economy outlook has underpinned the appeal of low-risk U.S. government bonds. **Benchmark ten-year notes** were up 16/32, yielding 1.98% and the **30-year bonds** were up 1-3/32, yielding 2.5%.

The **dollar** slipped from two-week highs, as optimism about U.S.-China trade negotiations dwindled, even as U.S. President Donald Trump turned his attention to the European Union with threats of additional tariffs. The **dollar index** fell 0.11% to 96.74, not far above a three-month low of 95.84 hit last week, as traders priced in



Traders work on the floor at the New York Stock Exchange in New York, July 1.

aggressive interest rate cuts by the Federal Reserve this year. Against the **Japanese yen**, the **dollar** dropped 0.51% to 107.88 yen.

Oil prices fell, even after OPEC and allies including Russia agreed to extend supply cuts until next March, as weak manufacturing data had investors worried that a slowing global economy could dent oil demand. The Organization of the Petroleum Exporting Countries and other producers such as Russia, a group known as OPEC+, agreed to extend oil supply cuts until March 2020 as members overcame differences to try to prop up prices. "It was the bare minimum OPEC could agree on in order to prevent a major meltdown in prices. Member countries noted that global oil demand growth for this year has fallen to 1.14 mbpd (million barrels per day) whilst non-OPEC supply is expected to grow by 2.14 mbpd," PVM analyst Tamas Varga wrote in a note. "It appears that the supply side of the

oil equation is supportive for oil prices but demand concerns are forcing oil bulls to keep at least part of their gunpowder dry." **Brent crude futures** fell 3.87% to \$62.54 a barrel and **U.S. crude futures** were 4.65% lower at \$56.34 a barrel.

Gold prices rose, a day after posting the biggest one-day percentage fall in 2-1/2 years, as U.S. Treasury yields fell on worries over global growth and renewed concerns over global trade. "The steady rally in bonds and U.S. dollar unable to capitalize on Monday's sharp gain is encouraging (gold) bulls. Prices holding \$1,380, the short-term support has helped," said Tai Wong, head of base and precious metals derivatives trading at BMO. **Spot gold** jumped 2.11% to \$1,413.33 per ounce, after falling 1.8% on Monday, its biggest one-day percentage decline since November 2016. **U.S. gold futures** were 1.91% higher at \$1,415.80 per ounce.

Top News

EU open to talks with U.S. in aircraft subsidies dispute

The European Union said it was open to talks with Washington in a dispute over aircraft subsidies after the United States threatened an additional \$4 billion in tariffs on EU goods including olives, Italian cheese and Scotch whisky. Just days after reaching a truce in the U.S.-China trade war, the U.S. Trade Representative's office (USTR) opened the new front with Europe on Monday in the long-running dispute. It added the list of additional products to \$21 billion worth of EU goods that could be hit with tariffs announced in April - alarming industries on both sides of the Atlantic. "The figures quoted by the USTR are based on US internal estimates that have not been awarded by the WTO," a spokesman for the EU executive said in an email. The bloc said it remained open to negotiations "provided these are without preconditions and aim at a fair outcome", but added it was also preparing to retaliate as soon as the WTO arbitrator had ruled on its rights to do so.

Wall Street looks to earnings after strongest June in decades

On the heels of the S&P 500's best June performance in more than six decades, investors are anxious to see whether earnings can justify further gains as the largest U.S. companies open their books in the coming weeks. Analysts expect almost no profit growth for the second quarter in comparison with a year ago, versus a forecast of 6.5% growth at the start of the year. In addition, they expect a gain of just 0.7% in the third quarter. The S&P 500 hit a record high on Monday after last week closing out June with a 6.9% monthly increase, its biggest June percentage gain since 1955. While S&P 500 companies may narrowly escape a profit recession this year -



REUTERS/Pascal Rossignol

A file photo of an Airbus A350-1000 flying over the European flag as it performed at the 53rd International Paris Air Show at Le Bourget Airport near Paris, France, June 23.

defined as two straight quarters of year-over-year declines - earnings for 2019 now are seen rising just 2.3%. That would represent the lowest annual profit growth for S&P 500 companies since 2016, which included the tail end of a four-quarter profit decline and left earnings growth that year at just 1.4%.

Germany fines Facebook for under-reporting complaints

German authorities have fined Facebook 2 million euros for under-reporting complaints about illegal content on its social media platform in breach of the country's law on internet transparency. In a statement, Germany's Federal Office of Justice said that by tallying only certain categories of complaints, the company had created a skewed picture of the extent of violations on its platform. But Facebook said it had complied with its transparency obligations under the law, known as 'NetzDG', adding that some aspects of the law "lacked clarity". Facebook said it reserved the right to

appeal the ruling after studying it. Under Germany's network transparency law, social media platforms are required to report the number of complaints of illegal content they have received. The charge that Facebook did not report the full extent of the complaints it received could undermine its efforts to burnish its reputation. Separately, Facebook said it was taking steps to reduce promotion of products based on misleading health-related claims. To read more [click here](#)

Automakers post mixed U.S. June sales; SUVs, truck sales stay strong

Major automakers posted mixed U.S. sales results for June and the second quarter, with demand still fairly strong for SUVs and pickup trucks while passenger car sales continued a long-running decline. Overall, U.S. auto sales are slowing after a long bull run that has satiated replacement demand. FCA, GM and Ford escalated a price war in June over pickup trucks - one of

the few vehicle market segments that offers substantial profits, which matters at a time when overall U.S. new vehicle sales are expected to fall this year. High interest rates, plus competition from millions of nearly new, off-lease vehicles have translated into fewer consumers splurging on new cars.



Arizona to pull incentive for Nike plant over sneaker recall

Arizona will withdraw financial incentives for Nike's manufacturing plant in the state after the sportswear maker pulled the release of a sneaker that featured a colonial-era version of the American flag, Governor Doug Ducey said. The world's largest sportswear maker recalled the shoe after former NFL quarterback and Nike sponsor Colin Kaepernick asked the company not to sell a shoe with a symbol that he and others consider offensive because of its connection to an era of slavery, the Wall Street Journal reported on Monday. Nike had planned to release a new version of the Air Max 1 sneaker (pictured) ahead of the Fourth of July holiday that featured a version of the U.S. flag with 13 white stars representing the first U.S. colonies.

Irish regulator opens third privacy probe into Apple

Apple's main regulator in the European Union, Ireland's Data Protection Commissioner (DPC), has opened a third privacy investigation into the iPhone maker over the last few weeks, a spokesman for the DPC said. The probe is examining whether Apple has complied with the relevant provisions of

the EU's new General Data Protection Regulation (GDPR) privacy law in relation to an access request from a customer. It follows investigations opened last year regarding how Apple processes personal data for targeted advertising on its platform and whether its privacy policy on the processing of that data is sufficiently transparent.

Protesters target Amazon in France calling for action on climate change

Several hundred environmental activists protested outside Amazon's headquarters in Paris and at two of its regional distribution centres in France as part of stepped-up climate change demonstrations. The protest drew support from groups including Friends of the Earth and the "Gilets Jaunes", who have mounted months of demonstrations against President Emmanuel Macron. Some 240 people blocked access to Amazon's main office in Paris, organisers said, with many denouncing the online giant's business practices, saying it wasn't paying its fair share of tax or paying its employees a fair wage. In a statement sent to Reuters, Amazon said it respected the right of protesters to express their opinion, but defended its business practices, saying it paid all the taxes it owed. "We are very proud of our work environment and of the thousands of employees we have in France," it said. "We invite anyone who wants to come and visit any of our sites and form their own opinion." Meanwhile, Amazon said it will create 1,800 permanent contract positions this year in France, its largest European market after Britain and Germany, although furniture retailer Conforama went the other way in cutting jobs. To read more [click here](#)

DoJ pushes T-Mobile to give more to Dish -CNBC

Dish and T-Mobile are nearing a deal with the U.S. Department of Justice on a hosting agreement that would push Dish as a new U.S. wireless competitor, CNBC reported, citing

sources. Dish will be able to use a Sprint/T-Mobile network for six or seven years before building its own network, CNBC reported. The DoJ wants Deutsche Telekom, which owns more than 60% of T-Mobile, to give Dish unlimited access to its network, the report said.

Leonardo, Thales consider joint bid for Maxar's MDA space division - Leonardo CEO

Italian aerospace and defence firm Leonardo and France's Thales are considering the joint acquisition of a space business from U.S. firm Maxar Technologies, Leonardo's CEO said. The sale of the business - dubbed MacDonald, Dettwiler and Associates (MDA) - could fetch more than \$1 billion and help address concerns about Maxar's \$3.2 billion debt pile, people familiar with the matter told Reuters last month. "We are considering that with our partner Thales," Leonardo CEO Alessandro Profumo said in a phone interview.

Uber partners with BBVA, Mastercard to offer debit cards in Mexico

Uber is partnering with bank BBVA and payments processor Mastercard to launch a debit card for drivers in Mexico, an Uber executive said, the company's latest gambit to promote banking in a country that runs on cash. The launch marks the first time that Uber has offered such a card outside of the United States, Ranero said. The debit card will be rolled out in six cities, including Mexico City, Tijuana, Monterrey, Puebla, Merida and Guadalajara, and will eventually be extended to the rest of Mexico. Uber has also sought to reach riders who do not have bank accounts by accepting cash fares, but the policy has been met with resistance. In an interview after the event, Ranero said the company is seeking to discuss the issue with city regulators but will continue to accept cash fares in the meantime.





A person holds a placard next to a banner displayed inside a chamber, after protesters broke into the Legislative Council building during the anniversary of Hong Kong's handover to China in Hong Kong, China, July 1. The banner reads "There are no thugs, only tyranny". REUTERS/Stringer

Insight and Analysis

How Poland became a front in the cold war between U.S. and China

An alleged spy case involves a Chinese businessman who speaks Polish and worked for Huawei – the Chinese telecom-gear giant in the crosshairs of the Trump administration. In lengthy remarks, the jailed Chinese suspect tells Reuters he's an innocent casualty of the campaign against Huawei.

Locked out of China, U.S. pork producers sniff out new buyers

U.S. hog farmers lost hundreds of millions of dollars in export sales to China and Mexico after President Donald Trump launched his trade wars last year. But the sector has largely offset those massive losses by cobbling together new customers in smaller markets from Colombia to Vietnam, according a Reuters analysis of data from the U.S. Meat Export Federation and the U.S. Department of Agriculture.

U.S. oil production growth slows but OPEC+ should be wary: Kemp

The once booming expansion rate of U.S. oil production has begun to slow in response to the downturn in prices since the end of the third quarter of 2018, government production figures show. U.S. crude and condensates production rose to a record 12.16 million barrels per day (bpd) in April, an increase of 1.69 million bpd or 16% compared with the same month a year earlier.



CANADA

Market Monitor

Canada's main stock index rose, as the heavy-weight financial sector gained, but shrinking factory activity data in June kept investors from making bigger bets.

The Toronto Stock Exchange's S&P/TSX composite index was up 0.54%, at 16,471.29.



REUTERS/Mark Blinch

The U.S. dollar was fell 0.18% against its Canadian counterpart at C\$1.3110.

COMING UP

Statistics Canada is scheduled to report the country's trade balance for May.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Eldorado Gold Corp	8.19	0.58	7.62
Cascades Inc	11.28	0.74	7.02
Canfor Corp	11.18	0.55	5.17
LOSERS			
Crescent Point Energy Corp	4.04	-0.29	-6.70
CES Energy Solutions Corp	2.31	-0.11	-4.55
Ensign Energy Services Inc	4.12	-0.17	-3.96

Top News



A file photo of workers making jackets at the Canada Goose factory in Toronto, Ontario, February 23, 2018. REUTERS/Mark Blinch

Canada factory activity shrinks for third straight month in June

Canadian manufacturing activity contracted for the third consecutive month in June, as a measure of production fell to a three-and-a-half year low, data showed. The IHS Markit Canada Manufacturing Purchasing Managers' index (PMI), edged up to a seasonally adjusted 49.2 last month from 49.1 in May. In April, the index fell below 50 for the first time since

February 2016. Manufacturers in the June survey reported more subdued economic conditions in both domestic and export markets and said that global trade frictions weighed on sales, according to IHS Markit. The new orders measure was in contraction for the fourth straight month in June, although the pace of decline eased. The measure rose to 48.9 from 47.8 in May.

Dollarama to buy 50.1% stake in Latin American value retailer Dollarcity

Dollarama said it would acquire a 50.1% stake in Latin American value retailer Dollarcity, as the Canadian discount store operator looks to expand in the region. The deal, valued in the range of \$85 million to \$95 million, includes an upfront payment of \$40 million at closing, which is expected in August. The deal is expected to add to Dollarama's earnings per share in the range of 2 Canadian cents to 3 Canadian cents for the rest of fiscal year ending Feb. 2, and 5 Canadian cents to 7 Canadian cents in fiscal 2021. In February 2013, Dollarama entered into an agreement with Dollarcity to share its business expertise and provide sourcing, which also included an option for the former to acquire a 50.1% stake. This agreement was amended in 2016 to postpone the call option window by one year, from February 2019 to February 2020. Dollarcity's board will consist of five directors - three from Dollarama and two from Dollarcity's founding group. As of March 31, Dollarcity had 180 stores, including 44 in El Salvador, 54 in Guatemala and 82 in Colombia.

WEALTH NEWS

EASING CHINA'S FINANCIAL SECTOR

China pledges to scrap financial sector ownership limits in 2020, one year early

China will end ownership limits for foreign investors in its financial sector in 2020, a year earlier than scheduled, to show the world it will keep opening up its markets, Premier Li Keqiang said.

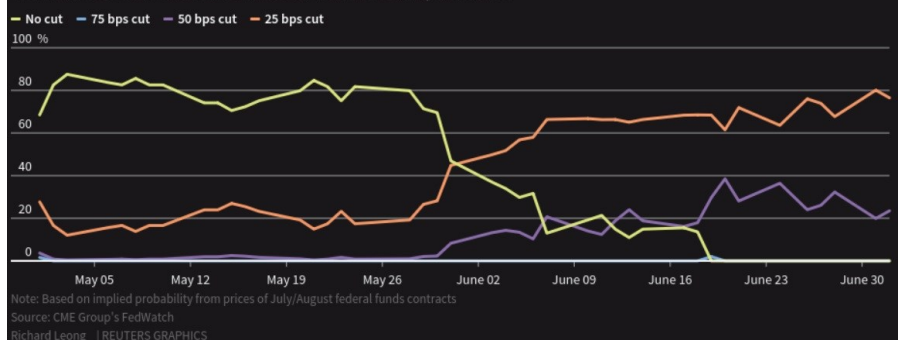
INTEREST RATE CUT

Fed's Mester says she needs more information to support rate cut

A Federal Reserve policymaker expressed skepticism that a U.S. interest rate cut is the right move until there are more signs the economy is moving to a truly weaker path. "I prefer to gather more information before considering a change in our monetary policy stance," Cleveland Fed President Loretta Mester said in remarks at an economics event in London that answers some colleagues of hers and the White House who are arguing for an immediate rate cut.

Bets on bold first rate-cut from the Fed

U.S.-China's trade truce after G20 summit cools bets on 50 basis-point rate cut



Click on the chart for a full sized and detailed graphic.

OPEC

OPEC and allies extend oil supply cut in bid to boost prices

OPEC and its allies led by Russia agreed to extend oil output cuts until March 2020, seeking to prop up the price of crude as the global economy weakens and U.S. production soars.

ARAMCO IPO UPDATE

Banks scramble to re-pitch for Aramco IPO roles - sources

Investment banks are scrambling to re-pitch to advise Saudi Aramco on a possible initial public offering, sources familiar with the matter said, with Saudi Arabia's energy minister confirming plans for the listing to proceed in 2020 or 2021.

TRANSFERRING EQUITIES

Deutsche Bank held talks with Citi, BNP on shedding chunk of equities business - WSJ

Deutsche Bank has held talks with Citigroup, BNP Paribas and others that could involve transferring parts of its equities business, including operations that serve hedge funds and other big trading customers, the Wall Street Journal reported.

OIL DEALS

U.S. oil deals rebound from first-quarter low, but still muted

The value of deals in the U.S. oil and gas sector rebounded in the second quarter from historic lows in the first, but the bounce-back was muted excluding Occidental Petroleum's \$57 billion Anadarko Petroleum buy, according to data released.

CRYPTOCURRENCY EXAMINATION

Facebook's Libra cryptocurrency needs deep thought and detail - UK regulator

Facebook's fledgling cryptocurrency will raise questions for both society and government that need close examination, a senior official at Britain's financial watchdog said, in another sign that the planned project will face deep scrutiny.



Canadians wave as the Snowbirds aerobatics team fly past during Canada Day festivities on Parliament Hill in Ottawa, Ontario, Canada July 1.

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