

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street ended lower on weak U.S. economic data and persisting trade worries, while **Treasury yields** fell. **Dollar** rebounded, while **gold** retreated from a six-year high as Fed officials, including Chairman Jerome Powell, cast doubts on the timing of rate cut. **Brent crude** prices rose ahead of U.S. crude stock data.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26562.61	-164.93	-0.62	26951.81	21712.53
Nasdaq	7884.72	-120.98	-1.51	8176.08	6457.13
S&P 500	2917.41	-27.94	-0.95	2964.15	2443.96
Toronto	16371.28	-152.19	-0.92	16672.71	13776.88
FTSE	7422.43	5.74	0.08	7528.93	6599.48
Eurofirst	1509.95	-1.79	-0.12	1541.32	1308.86
Nikkei	21193.81	-92.18	-0.43	22362.92	19241.37
Hang Seng	28185.98	-327.02	-1.15	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.9953	7/32
2-year	1.7359	0/32
5-year	1.7325	3/32
30-year	2.5321	12/32

FOREX	Last	% Chng
Euro/Dollar	1.1368	-0.25
Dollar/Yen	107.17	-0.10
Sterling/Dollar	1.2686	-0.42
Dollar/CAD	1.3170	-0.05
TR/HKEX RMB	93.02	0.04

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	57.83	-0.07	-0.12
Spot gold (NY/oz)	1423.08	3.93	0.28
Copper U.S. (front month/lb)	0.0274	0.0003	0.89
CRB Index Total Return	189.63	0.94	0.50

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Allergan plc	162.48	32.91	25.40
Mylan NV	18.65	0.69	3.84
HCA Healthcare Inc	135.20	4.11	3.14
LOSERS			
AbbVie Inc	65.61	-12.84	-16.37
Lennar Corp	48.24	-3.17	-6.17
TripAdvisor Inc	44.51	-1.90	-4.09

Coming Up



A file photo of durable goods seen on sale in a store in Los Angeles, March 24, 2017.

A Commerce Department report is expected to show that **overall orders for durable goods** likely fell 0.1% in May, after declining 2.1% in the previous month.

General Mills Inc is expected to post a rise in fourth-quarter sales, helped by better demand for its Blue Buffalo pet products. Performance of the cereal and yogurt segment will be keenly watched as their sales are likely to recover after years of slackness.

Federal Reserve Bank of San Francisco President **Mary Daly** speaks at The Forecasters Club of New York event on "The Dual Mandate in a Flat

Phillips Curve Environment."

U.S. Secretary of State **Mike Pompeo** meets with Indian Prime Minister **Narendra Modi** at the latter's residence in New Delhi.

The sixth **OPEC** and **non-OPEC** ministerial meeting will be held in Vienna.

LIVECHAT - POLITICS BY THE NUMBERS

Reuters U.S. politics polling editor **Chris Kahn** delivers the data and trends from Reuters up-to-the-minute polling of Americans. (1000 ET/1400 GMT). To join the conversation, [click here](#)

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Durable goods for May	0830	-0.1%	-2.1%
Durables ex-transport for May	0830	0.1%	0.0%
Durables ex-defense mm for May	0830	--	-2.5%
Nondefense cap ex-air for May	0830	0.1%	-1%
Advance goods trade balance for May	0830	--	-\$70.92 bln
Wholesale inventories advance for May	0830	--	0.8%
Retail inventories ex-auto advance for May	0830	--	0.4%

Market Monitor

Wall Street fell, led by a selloff in technology shares, as simmering trade concerns and disappointing economic data sent buyers to the sidelines, while Federal Reserve Chairman Jerome Powell pushed back on pressure from President Donald Trump to cut interest rates. "You had a one-two punch," said Art Hogan, chief market strategist at National Securities in New York. "Powell came out and warned against policy bending to short-term political interests, but it is also Bullard, who is a dissenter, saying 50 basis points would be too much." Rate-sensitive **bank stocks** were down 0.64%. The **Dow** fell 0.67%, to 26,548.64, the **S&P 500** lost 0.95%, to 2,917.45, and the **Nasdaq** dropped 1.51%, to 7,884.72.

U.S. benchmark Treasury yields fluctuated around the key 2% level as investors weighed the prospect of an ongoing U.S.-China trade war against the likelihood that the Federal Reserve may be less dovish than traders expect. St. Louis Federal Reserve Bank President James Bullard said on Tuesday he did not view a 50 basis point cut at the U.S. central bank's July meeting as warranted, rowing back expectations of how low rates may go in the near term. "I don't think the situation really calls for that, but I would be willing to go 25 (basis points)," he said. "Bullard's comments are the most telling because he is the most dovish member," said Mary Ann Hurley, vice president in fixed income trading at D.A. Davidson in Seattle. "The fact that he outright says that the conditions do not warrant it at this point, I think is very, very significant." Benchmark **10-year notes** were last up 7/32 in price to yield 1.99 percent. The **2-year notes** were flat to yield 1.73% and the **30-**

REUTERS/Brendan McDermid



Traders work on the floor at the New York Stock Exchange in New York, June 24.

year bonds were up 3/32, yielding 1.73%.

The **dollar index** rebounded after Fed Chairman Jerome Powell's comments trimmed expectations that the Fed will cut rates by half a percentage point next month. "Powell wants to wait and see because he admits changes have been very rapid," said Juan Perez, senior currency trader at Tempus, Inc in Washington. The **dollar index** rose 0.20% to 96.17. The **euro** was down 0.22% at \$1.1371.

Oil prices were mixed ahead of data expected to show U.S. crude stocks declining, outweighing investors' concerns that U.S.-China trade tensions could dampen fuel demand. Oil-market jitters over the escalating tension between the United States and Iran have eased after Trump targeted Supreme Leader Ayatollah Ali Khamenei and other top Iranian officials with sanctions on Monday,

after calling off a retaliatory air strike, analysts said. But concerns over U.S.-China trade tensions and global growth still were pressuring prices. "You're going to see oil have trouble picking a direction over the next couple days," said Josh Graves, senior market strategist at RJO Futures in Chicago. "There's a tug-of-war between bullish and bearish factors." **Benchmark Brent crude futures** were up 0.29% at \$65.1 a barrel. Meanwhile, **U.S. crude futures** fell 0.2%, at \$57.81 a barrel.

Gold prices retreated from a six-year high after comments from U.S. Federal Reserve officials trimmed expectations that the central bank will lower interest rates by half a percentage point next month. **Spot gold** was up 0.28% at \$1423.18 per ounce. Prices had touched a high of \$1,438.63 in the session, a level last seen in May 2013. **U.S. gold futures** rose 0.58% to \$1426.40 an ounce.

Top News

AbbVie looks beyond Humira with \$63 billion deal for Botox-maker Allergan

AbbVie said it would acquire Allergan for about \$63 billion, giving AbbVie control over the lucrative wrinkle treatment Botox and buying time to seek new growth before its blockbuster arthritis treatment Humira loses U.S. patent protection. Humira brought in sales of \$20 billion last year. "Humira is buying the assets that replace it over the long term," said AbbVie CEO Richard Gonzalez, who plans to lead the combined company and remain chairman and CEO through 2023. Chief among those assets is Allergan's Botox, an injection of a purified form of botulinum toxin that paralyzes muscles, smoothing frown lines and wrinkles in the forehead and around the eyes. Under terms of the deal, Allergan shareholders will receive 0.8660 AbbVie shares and \$120.30 in cash for each share held, for a total of \$188.24 per Allergan share, a premium of 45% to the stock's Monday close. Including debt, the deal values Allergan at \$83 billion. AbbVie shares ended 16.38% lower at \$65.61, while Allergan's stock ended 25.40% up at \$162.48.

Facebook to give data on hate speech suspects to French courts - minister

Facebook has agreed to hand over the identification data of French users suspected of hate speech on its platform to judges, France's minister for digital affairs Cedric O said, adding the deal was a world first. The move by the world's biggest social media network comes after successive meetings between Facebook's founder Mark Zuckerberg and French President Emmanuel Macron, who wants to take a leading role globally on the regulation of hate speech and the spread of false information online. Following a meeting between Nick Clegg, Facebook's head

REUTERS/Thomas White



A file photo of the Allergan logo is seen in this photo illustration, November 23, 2015.

of global affairs, and O last week, the company has extended this cooperation to hate speech. "This is huge news, it means that the judicial process will be able to run normally," O, a former top adviser to Macron, told Reuters in an interview. "It's really very important, they're only doing it for France."

PG&E bondholders propose bankruptcy exit plan worth up to \$30 billion

A committee of bondholders of PG&E's utility unit proposed a bankruptcy reorganization plan that would inject up to \$30 billion to help the company emerge from Chapter 11 and pay off its liability from wildfires. In a filing with the U.S. bankruptcy court in San Francisco, the committee, made up of senior unsecured noteholders of Pacific Gas & Electric, also sought to terminate the utility's exclusive period for filing a Chapter 11 reorganization plan so the committee may file its own plan. PG&E has until Sept. 29 to file a plan. PG&E has been too slow to file its own plan and "the need to exit bankruptcy expeditiously is paramount," the committee said in its

filing, adding its plan would provide up to \$16 billion to compensate all of PG&E's pre-bankruptcy wildfire claims. The committee's plan would be funded by \$18 billion in cash from bondholders in exchange for new common shares in a reorganized company, as well as \$2.2 billion in insurance proceeds owed PG&E for wildfire losses.

In push to replace Huawei, rural U.S. carriers are talking with Nokia and Ericsson

About a dozen rural U.S. telecom carriers that depend on Huawei for network gear are in discussions with its biggest rivals, Ericsson and Nokia, to replace their Chinese equipment, sources familiar with the matter said. The carriers, include Pine Belt in Alabama, and Union Wireless in Wyoming, are seeking discounted pricing and looking forward to government assistance but have yet to reach agreements, these sources said. John Nettles, president of Pine Belt, said he reached out to Ericsson and Nokia last year when the federal ban on using money from the \$8.5 billion Universal Service Fund for Chinese equipment was first suggested.

Trade war hurts Lennar as wealthy Chinese home buyers remain cautious

Lennar forecast current-quarter earnings below Wall Street estimates, as wealthy Chinese buyers shun buying homes in the United States due to uncertainty triggered by an escalating trade row between the countries. "The high-end coastal markets (in California)...with \$1 million plus homes are heavily influenced by what's being impacted with the Chinese buyer," President Jonathan Jaffe told analysts on a post-earnings conference call. The company forecast third-quarter earnings per share to be in the range of \$1.25 and \$1.35, below the average analyst estimate of \$1.52, according to IBES data from Refinitiv. Lennar earned \$1.30 per share in the quarter, beating estimate of \$1.14. Lennar shares ended 6.24% lower at \$48.20.

UPS will not join FedEx lawsuit against U.S. government

United Parcel Service said it would not join rival FedEx's lawsuit against the U.S. government. UPS said it would continue to follow government directives across the markets where it operates. The announcement comes a day after FedEx sued the government, saying the company should not be held liable if it inadvertently shipped products that violated President Donald Trump's ban on exports to some Chinese companies.

India warns foreign e-commerce firms like Amazon, Flipkart over discounts-sources

India has told foreign e-commerce firms such as Amazon and Walmart's Flipkart that they must ensure compliance with new foreign investment rules aimed at deterring them from providing steep online discounts, three sources familiar with the discussions told Reuters. Commerce Minister Piyush Goyal has said that while the government was prepared to listen to concerns about its

new foreign direct investment rules (FDI), it was committed to protecting small traders from predatory behaviour by foreign-funded companies, the sources said. The comments were made by Goyal during a closed-door meeting on Monday with several e-commerce companies.

U.S. senators say social media letting algorithms 'run wild'

A U.S. Senate panel questioned how major social media companies like Facebook and Alphabet's Google unit use algorithms and artificial intelligence to serve up new content to keep users engaged. The Senate Commerce subcommittee on Communications, Technology and Innovation heard from researchers who criticized the use of artificial intelligence to select content for users. Senators said much of that content is conspiracy theories, partisan viewpoints and misleading information on Google's YouTube, Facebook and elsewhere. Senator Brian Schatz, the top Democrat on the Senate Commerce subcommittee, said social media companies use "algorithms that feed us a constant stream of increasingly more extreme and inflammatory content," and they must be more transparent and accountable for algorithms.

Akorn gets another FDA warning letter

Akorn said it received a warning letter from the U.S. Food and Drug

Administration regarding its manufacturing facility in New Jersey, the latest in a string of setbacks for the generic drugmaker. The FDA warning is the second such that Akorn has received this year and follows an inspection of the company's Somerset, New Jersey-based plant in July and August 2018. RBC Capital Markets analyst Randall Stanicky said the warning letter would likely require Akorn to carry out inspections, but should not impact production at the facility.

Linde plans \$1.4 billion Singapore expansion, signs Exxon supply deal

Industrial gases group Linde said it will spend \$1.4 billion to boost its Singapore gasification facilities to support the planned expansion of Exxon Mobil's nearby integrated refining complex. The investment will enable Linde's facility on Jurong Island to supply additional hydrogen and synthesis gas to Exxon's Singapore refinery, the company said. The International Maritime Organisation (IMO) is introducing new rules on marine fuels from 2020, limiting the sulphur content to 0.5 percent from 3.5 percent, to curb pollution from ships. Linde's project will include building and operating four additional gasifiers, a 1,200 metric tonne per day air separation plant and downstream gas processing units and sulphur recovery plants, the company said.



REUTERS/Pascal Rossignol

A file photo of the logo of Amazon seen at the company logistics centre in Boves, France, May 13.





Members of Mexico's National Guard stand under the Paso del Norte International bridge that connects the U.S. and Mexico, as part of an ongoing operation to prevent migrants from crossing illegally into the United States, in Ciudad Juarez, Mexico, June 24. REUTERS/Jose Luis Gonzalez

Insight and Analysis

How judges added to the grim toll of opioids

The opioid epidemic that has so far killed half a million Americans is routinely blamed on greedy drug makers, feckless doctors and lax regulators. But there's another group that has contributed to the depth and duration of the catastrophe: judges. Judges like Booker T. Stephens. Until his retirement in May, Stephens sat on the West Virginia Circuit Court in Welch, where addiction took early root among miners who were prescribed the blockbuster opioid OxyContin for the pain their jobs inflicted. And it was in his court where the first lawsuit filed by a state against Purdue Pharma, landed in 2001.

What is a Beyond Meat burger worth to hungry investors?

Consumers hankering for one of Beyond Meat's faux-meat burgers can pick one up at the grocery store for about \$3 a patty. That is a fraction of what they are going for on Wall Street, where investors looking to get a serving of the food producer's sizzling stock appear to be laying down the equivalent of more than \$50 a burger. With ground beef retailing in grocery stores for the equivalent of \$1 or less per 4-ounce burger patty, Beyond Meat's early success in grocery store meat sections shows a market exists for premium-priced burger products made with or without animal.

Safety first: markets wary of world politics and policy and dash for bunkers

Gold, Switzerland's franc, Japan's yen, top-rated government bonds, and even bitcoin -- investors have dashed for havens and alternative assets this week as anxiety grows about trade wars, U.S.-Iran tensions and negative interest rates. Although world stocks and bonds remain near record highs thanks to promises of ever more central bank largesse, the sudden dash for these financial bunkers shows all is not as calm as a cursory reading of headline indexes suggests. New U.S. tariffs on Chinese imports could kick in next month if there's no progress between the two sides.

CANADA

Market Monitor

Canada's main stock index fell, as heightening tensions in the Middle East and worries that the G20 meeting may yield little progress on the U.S.-China trade front kept investors on edge.

The **Toronto Stock Exchange's S&P/TSX composite index** was down 0.092%, at 16,371.28.

The **U.S. dollar** was down 0.05% against its **Canadian counterpart** at C\$1.3171.



REUTERS/Mark Blinch

COMING UP

Software provider **BlackBerry Ltd** is expected to report a loss for the first quarter compared with a year-ago profit due to cost escalation. Investors will be looking for any commentary on additional government contracts in the quarter as the company looks to expand its government solutions business.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
New Gold Inc	1.20	0.10	9.09
Torex Gold Resources Inc	14.13	0.44	3.21
LOSERS			
Shopify Inc	373.79	-36.91	-8.99
MAG Silver Corp	14.33	-0.98	-6.40

Top News



A 7500 aircraft pictured on the Bombardier stand during the European Business Aviation Convention & Exhibition at Cointrin Airport in Geneva, Switzerland, May 21. REUTERS/Denis Balibouse

Bombardier exits commercial aviation with sale of regional jet business to Mitsubishi

Bombardier said it will sell its money-losing regional jet business to Japan's Mitsubishi Heavy Industries for \$550 million in cash, in a deal marking the Canadian plane and train maker's exit

from commercial aviation. Bombardier has been selling off its weaker-performing commercial plane programs aimed at airlines to focus on profitable business jets and passenger rail cars. The company faced a cash-crunch in 2015 while bringing a larger narrowbody to market. As part of the

deal with Mitsubishi, which is expected to close in the first half of next year, the Japanese firm will take over a \$200 million debt. Bombardier Chief Executive Alain Bellemare said some proceeds from the deal would go toward paying down debt, although he would not offer specifics. Bombardier has an additional \$400 million liability from residual value guarantees provided to airlines on the regional jet program. Bombardier will continue to assemble its regional jet planes, but will stop making the aircraft in the second half of 2020, after it finishes delivering its remaining backlog of 42 orders.

Group Mach says bid for Transat does not need Quebec financing

Real estate developer Group Mach said its C\$527.6 million bid to acquire tour operator Transat AT does not need to rely on funding from Quebec, making the offer more attractive than Air Canada's. Earlier this month, Group Mach made a bid for Transat, topping an offer from the country's largest

airline Air Canada. Group Mach's offer of C\$14 per share to take Transat private is C\$1 more than Air Canada's offer. Air Canada, however, has argued that its bid was more attractive than Mach's as it was fully financed and did not require taxpayers' assistance. Transat is locked in an exclusivity period with Air Canada that ends on Wednesday.

Facebook expands rules on political ads to Canada and Ukraine

Facebook added Canada and Ukraine to the list of countries where advertisers looking to run political ads on its platform must first verify their identity and disclose who paid for the ads. The company said in a statement it will begin monitoring ads in those two countries immediately "through a combination of automated and human review." It said it will begin enforcing the rules in Singapore and Argentina "within the next few months." Canadian lawmakers have said the world's major social media companies, including Facebook, were not doing enough to help combat potential foreign meddling in Canada's general election in October.

Canada's farm labor shortage is costing billions and expected to rise – report

Canada's farm labor deficit is expected to double by 2029 to 123,000 workers, or one in three jobs, as shortages continue to hit the sector's bottom line, the Canadian Agriculture Human Resource Council said. Farmers in Canada have long reported challenges

in recruiting farm workers because the rural-based work traditionally involves a high degree of manual labor, long hours, and is often seasonal. "In the coming years, the gap between the sector's labor requirements and the available pool of domestic labor is expected to widen considerably, a trend that would place more agricultural businesses at risk and seriously impede the sector's growth potential," the report said. The agriculture industry's struggle to find domestic workers means farmers are heavily reliant on temporary foreign labor, brought to Canada through various streams of the Temporary Foreign Worker program. Foreign labor now accounts for 17% of the sector's employees. The council said the agriculture sector's job-vacancy rate is "the highest of any major sector in the Canadian economy."

Rain gives Canadian farmers relief for now from 3-year drought

With drought turning Chad Ross's pastures brown, the Saskatchewan rancher sent 140 head of cattle to slaughter earlier than usual this spring, as the Canadian Prairies' three-year drought made them too expensive to feed. The ranch and feedlot near Estevan, Saskatchewan, has lost money two straight years. Long-awaited rains that swept the parched Prairies in the past week largely skipped the Ross farm. Now Ross's corn crop may produce half of what he hoped and he has had to graze cattle 90 km away on leased pasture, inflating feed costs. The Prairies have suffered one of their worst droughts in nearly two decades. This year's dryness comes amid depressed incomes and as export market China refuses to buy canola because of a diplomatic dispute.



A file photo of temporary foreign workers harvesting mushrooms at the Highline Mushrooms farm, in Leamington, Ontario, Canada, April 14, 2016. REUTERS/Mark Blinch

WEALTH NEWS

POWELL SPEAKS

Powell says Fed insulated from politics, wrestling with rate cuts

Federal Reserve Chairman Jerome Powell said the U.S. central bank is "insulated from short-term political pressures," and that its policymakers are wrestling with whether to cut interest rates as President Donald Trump has demanded.

U.S. – IRAN DISPUTE

Trump threatens 'obliteration,' Iran calls White House 'mentally retarded'

U.S. President Donald Trump threatened on Tuesday to obliterate parts of Iran if it attacked "anything American," in a new war of words with Iran which condemned the latest U.S. sanctions on Tehran and called White House actions "mentally retarded."

ECONOMIC DATA

U.S. consumer confidence dives, trade tensions hurting economy

U.S. consumer confidence fell to a 21-month low in June, with households a bit more pessimistic about business and labor market conditions amid concerns about a recent escalation in trade tensions between the United States and China. The Conference Board said its consumer confidence index dropped 9.8 points to a reading of 121.5 this month, the lowest since September 2017, from a downwardly revised 131.3 in May. In a separate report, the Commerce Department said new home sales dropped 7.8% to a seasonally adjusted annual rate of 626,000 units last month, the lowest level since December.

U.S. consumer confidence



Click on the chart for a detailed and interactive graphic

CRYPTOCURRENCY SCRUTINY

European watchdogs demand detail on Facebook's cryptocurrency

Facebook's fledgling cryptocurrency faced mounting scrutiny as European central bankers and regulators demanded more detail on the social media giant's Libra project.

GREEN BOND MILESTONE

Green bond issuance surpasses \$100 billion so far this year-data

Global green bond issuance has surpassed the \$100 billion mark already this year, the first time the milestone has been reached in the first half of this year, the Climate Bonds Initiative said.

COLUMN

Rising inventories weigh on U.S. manufacturers and wholesalers: Kemp

Rising stocks of unsold products have hampered U.S. manufacturing activity over the last year and point to an economy struggling to maintain momentum amid a trade war stalemate and increasing uncertainty.

VIEW ON INFLATION

Franklin Templeton star bond investor Hasenstab questions low-inflation-forever view

Markets and policymakers could be making a mistake in assuming inflation will stay low forever, bond investor Michael Hasenstab said, adding that a very challenging market environment may lie ahead.

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
General Mills	Q4	BMO	\$0.78	\$0.77	\$0.79	\$4,236.26
IHS Markit	Q2	BMO	\$0.65	\$0.65	\$0.61	\$1,137.37
Paychex	Q4	BMO	\$0.65	\$0.64	\$0.61	\$979.51

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

I/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.

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

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