

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks and **oil** fell as tensions escalated between the U.S. and China ahead of this week's trade talks. The **Treasury yield curve** steepened after Fed Chair Jerome Powell flagged openness to further rate cuts. The **dollar** slipped against the Japanese **yen**, while **gold** prices gained.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	26163.43	-314.59	-1.19	27398.68	21712.53
Nasdaq	7823.78	-132.52	-1.67	8339.64	6457.13
S&P 500	2892.99	-45.8	-1.56	3027.98	2443.96
Toronto	16293.95	-127.80	-0.78	16947.23	13776.88
FTSE	7143.15	-54.73	-0.76	7727.49	6599.48
Eurofirst	1490.11	-15.94	-1.06	1554.34	1308.86
Nikkei	21587.78	212.53	0.99	22362.92	19241.37
Hang Seng	25893.40	72.37	0.28	30280.12	24896.87

TREASURIES	Yield	Price
10-year	1.5357	5/32
2-year	1.4235	3/32
5-year	1.3566	4/32
30-year	2.0395	4/32

FOREX	Last	% Chng
Euro/Dollar	1.0955	-0.14
Dollar/Yen	107.11	-0.16
Sterling/Dollar	1.2218	-0.59
Dollar/CAD	1.3316	0.07
TR/HKEX RMB	91.08	-0.25

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	52.30	-0.45	-0.85
Spot gold (NY/oz)	1505.18	11.83	0.79
Copper U.S. (front month/lb)	0.0256	-0.0001	-0.47
CRB Index Total Return	182.77	0.24	0.13

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Motorola Solutions Inc	170.77	2.98	1.78
L3Harris Technologies Inc	209.37	3.60	1.75
Newmont Goldcorp Corp	38.91	0.65	1.70
LOSERS			
Waters Corp	208.00	-15.48	-6.93
Boston Scientific Corp	37.87	-2.48	-6.15
PerkinElmer Inc	79.17	-5.18	-6.14

Coming Up

The **U.S. Federal Reserve** releases **minutes** from its September 17-18 **policy meeting**, which are expected to show the depth of division among policymakers about the path ahead for interest rates. The Fed voted 7-3 to cut interest rates for the second time this year at that meeting.



Federal Reserve Chair **Jerome Powell** and Federal Reserve Bank of Kansas City President **Esther George** co-host "Fed Listens" roundtable with local business and community leaders to discuss labor market conditions, local banking,

community development challenges and other topics, in Kansas City, Missouri.

The U.S. Labor Department's Job Openings and **Labor Turnover Survey, or JOLTS, report** will likely show job openings fell to 7.191 million in August from 7.217 million a month ago.

Brazil's IPCA inflation index for September is scheduled. Consumer prices rose 0.11% in August. Also, **Mexico's annual inflation data** for September is expected. Inflation eased to 3.16% in August.

LIVECHAT – EQUITIES FOCUS

Reuters stocks correspondents in London and New York discuss the upcoming corporate results season and how it could play out on bourses in each region. (0900 ET/1300 GMT) To join the conversation, [click here](#)

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
JOLTS job openings for Aug	1000	7.191 mln	7.217 mln
Wholesale inventory, R mm for Aug	1000	0.4%	0.4%
Wholesale sales mm for Aug	1000	0.2 %	0.3%
TR IPSOS PCSI for Oct	1100	--	58.94

KEY RESULTS

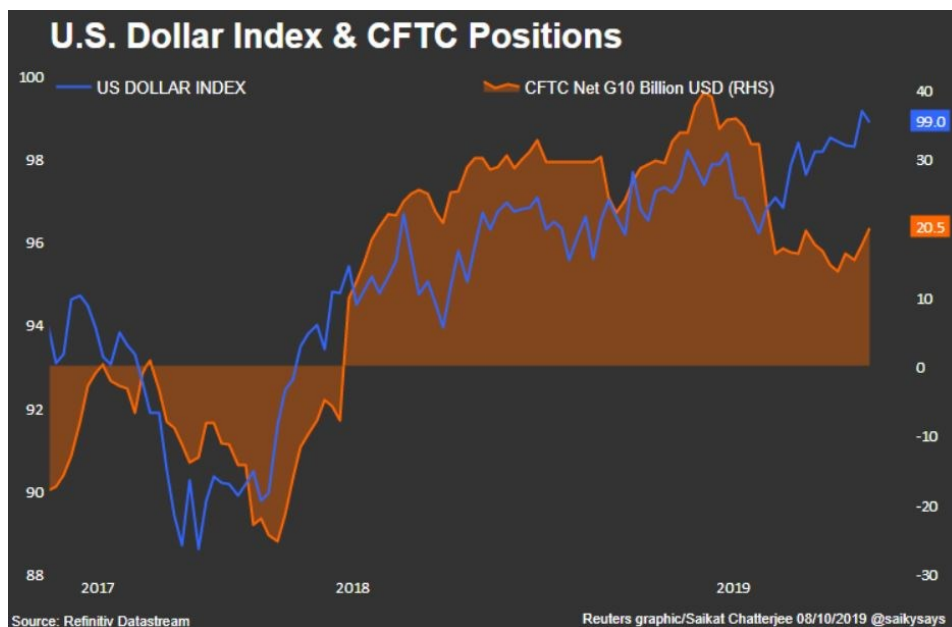
No major S&P 500 companies are scheduled to report.

Market Monitor

Stocks ended down sharply as news that the United States was imposing visa restrictions on Chinese officials overshadowed comments by Federal Reserve Chairman Jerome Powell that pointed to openness to further rate cuts. "The headlines are painting a picture of a less optimistic tone to the trade talks this week," said John Zaller, chief investment officer of MAI Capital Management in Cleveland, Ohio. The **Philadelphia Semiconductor index** dropped 3.12% to 1514.43, while the **technology index** slipped 1.82% to 1382.07. The **Dow Jones Industrial Average** fell 1.19%, to 26,163.43, the **S&P 500** lost 1.56%, to 2,892.99 and the **Nasdaq Composite** dropped 1.67%, to 7,823.78.

The **Treasury yield curve** steepened, driven by a falling two-year yield after Federal Reserve Chair Jerome Powell flagged openness to further rate cuts and said the Fed would expand its balance sheet to ensure money markets function smoothly. The Treasury Department sold \$38 billion of **3-year notes** at a high yield of 1.413%. The bid-to-cover ratio was 2.43. The **two-year notes** were up 3/32 to yield 1.42%. The **Benchmark notes** rose 5/32 to yield 1.54%. The fall in the two-year yield drove the **yield curve** steeper, last at 11 basis points.

The **dollar** slipped against the safe-haven Japanese yen amid renewed trade-related worries and as an



[Click on the chart for the detailed graphic](#)

unexpected drop in U.S. producer inflation supported the case for the Federal Reserve room to cut interest rates again later this month. Against the **yen**, the dollar fell 0.17% to 107.10 yen. The **dollar index** was up 0.16% at 99.12.

Oil prices slid as Washington's blacklisting of more Chinese companies dampened hopes for a trade deal between the two countries, although unrest in Iraq and Ecuador lent some support to crude prices. "The (energy) complex will be forced to focus more succinctly on global oil demand deterioration as it negotiates

through the monthly series of Agency reports the rest of this week," Jim Ritterbusch, president of Ritterbusch and Associates, said in a note. "We are not ruling out a quick upward price reversal." **Brent crude futures** were down 0.62% at \$57.99 a barrel and **West Texas Intermediate futures** were down 0.80% at \$52.33 per barrel.

Gold prices gained, as uncertainties over U.S.-China trade talks and Brexit drove a decline in stock markets and prompted investors to seek refuge in the safe-haven metal. **Spot gold** was up 0.81% at \$1,505.38 per ounce. **U.S. gold futures** rose 0.47% to \$1,511.50 an ounce.

Top News

Rising U.S.-China tensions dim hopes for end to trade war

Beijing sharply rebuked Washington for adding some top Chinese artificial intelligence startups to its trade blacklist, dimming hopes for progress in high-level talks aimed at ending a 15-month trade war between the two economic giants. U.S. and Chinese deputy trade negotiators were due to meet in Washington for a second day of talks on Tuesday, laying the groundwork for the first minister-level meetings in more than two months later this week. A report from the South China Morning Post said China had tamped down expectations ahead of the talks scheduled for Thursday with Chinese Vice Premier Liu He, U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin, saying the Chinese delegation could leave earlier than planned because "there's not too much optimism." U.S. officials said the latest action was tied to China's treatment of Muslim minorities and human rights violations, provoking a sharp reaction from Beijing. The trade talks in Washington are taking place days before U.S. tariffs on \$250 billion worth of Chinese goods are slated to rise to 30% from 25%. President Donald Trump has said the hike will take effect on Oct. 15 if no progress is made in the negotiations.

Shoemaker Vans treads warily as China fumes over Hong Kong protests

U.S. sports brand Vans has removed "a small number" of submissions in a sneaker design competition including one apparently giving a shout out to Hong Kong's pro-democracy protests, as companies weigh the risks of angering China. Vans last week invited the public to vote for their favourite sneaker design from more than 100,000 submissions from around the



A file photo of a boy wearing an U.S. t-shirt waving a Chinese national flag in Tiananmen Square, in Beijing, China, May 7, 2019. REUTERS/Thomas Peter

world in a Vans Global Custom Culture competition. Media reported that a design from a Canada-based competitor named Naomiso won the online vote before it was taken down on Saturday. The design featured a red bauhinia, a flower that symbolises Hong Kong and is on its flag, and a yellow umbrella, a nod to 2014 protests that some refer to as the umbrella revolution. A group of people wearing helmets, masks and goggles can be seen on the side of the sneaker design. "Based on the global competitions guidelines, Vans can confirm that a small number of artistic submissions have been removed. This decision was taken to uphold the purpose of Custom Culture," Vans, a unit of VF Corp, said in a Facebook statement.

Boeing gets first 737 MAX order since crash; deliveries halve

Boeing secured the first new order in months for one of its grounded 737 MAX planes in September, the company said, as it reported total

deliveries for the first nine months of 2019 that were just half those a year ago. It said on Tuesday that an unidentified business jet customer had ordered one 737 MAX jet. Separately, the U.S. and European Union regulators said they were still reviewing Boeing's changes to 737 MAX software after two fatal crashes, throwing into question the speed at which the grounded aircraft can return to service. To read more, [click here](#)

U.S. presidential candidate Warren attacks Facebook's political ad policies

U.S. Democratic presidential candidate Elizabeth Warren took aim at Facebook's political advertising policies on Monday, suggesting without evidence that a change in the social media giant's policy might have been linked to a recent meeting between Facebook CEO Mark Zuckerberg and President Donald Trump. Warren, a Democratic frontrunner who in March called for breaking up Amazon.com,

Alphabet and Facebook, argued in her tweets that the public needs to know how Facebook intends to use its influence in the November 2020 presidential election. "For instance, Trump and Zuckerberg met at the White House two weeks ago. What did they talk about?" she tweeted, referring to a Sept. 19 meeting. "After that meeting, Facebook quietly changed its policies on 'misinformation' in ads," she asked. "Put another way, Facebook is now okay with running political ads with known lies," she added. A Facebook spokeswoman said the update to its external ad policy page had not changed its policy or enforcement.

GM strike impacts 150,000 auto industry workers -consulting firm

The prolonged strike at General Motors is estimated to have hit 150,000 workers in the auto industry, a report from research and consulting firm Anderson Economic Group (AEG) showed. About 75,000 employees of auto parts suppliers have either been temporarily laid off or have seen their wages shrink due to the slump in demand from GM, according to the AEG report. The research firm estimates that the strike has resulted in a \$660 million profit hit for GM and more than \$412 million direct wage losses for all employees through the third week of the strike. Separately, Arm Holdings is joining with automakers General Motors and Toyota Motor to establish common computing systems for self-driving cars, an effort the companies hope will speed development of the technology. To read more, [click here](#)

Hong Kong bourse pulls plug on \$39 billion play for London Stock Exchange

Hong Kong's bourse has scrapped its unsolicited \$39 billion approach for London Stock Exchange after failing to convince LSE management and investors to back a move that could have transformed both global financial

services giants. HKEX chief executive Charles Li wrote in a blog post: "We still believe the strategic rationale for the combination of our two businesses is compelling and would create a world-leading market infrastructure group." LSE said in a statement it remained "committed to and continues to make good progress on its proposed acquisition of Refinitiv".

Netflix to make movies in Italy with Berlusconi's Mediaset

Netflix has struck a deal with Italy's top commercial broadcaster Mediaset to produce films in the country, the two companies said, as they try to grab new viewers in a competitive market. At an event in Rome to present the accord, the company behind hit shows "The Crown" and "Stranger Things" also announced it would open offices and pay tax in Italy, in a boost to local authorities which have pursued big international tech companies on charges of dodging tax. The partnership comes amid heightened competition in the crowded European television market which has been squeezed by the growing popularity of on-demand streaming services like Netflix.

Venezuela designers turn to piracy after Adobe announces it will cut service

Venezuelans desperately explored piracy workarounds to continue using Adobe programs after the software developer said it will cut access to its products for the country's users, citing U.S. sanctions, in a move critics said demonstrated the unintended consequences of the Trump administration's policies. Adobe, whose products like Photoshop and InDesign are widely used by designers, illustrators and digital marketers, said on Monday it was "deactivating all accounts in Venezuela" to comply with the sanctions, which are part of Washington's effort to oust socialist President Nicolas Maduro. Adobe said

its software will stop working in Venezuela on Oct. 28.

Humira, Rituxan top list of U.S. drugs with biggest price increases - report

AbbVie's rheumatoid arthritis drug Humira and Roche Holding's cancer drug Rituxan topped a list of seven treatments whose combined 2017 and 2018 price hikes accounted for a \$5.1 billion increase in U.S. spending, a report showed. The price hikes were more than twice the rate of medical inflation and were not supported by any new clinical evidence, the Institute for Clinical and Economic Review (ICER) said in the analysis. It was the first such annual report by the Boston-based research group, which assesses the cost-effectiveness of drugs. Other top treatments by spending that were called out in the report were Pfizer's pain drug Lyrica, Gilead Sciences' HIV drug Truvada, Amgen's white blood cell booster Neulasta, Eli Lilly & Co's erectile dysfunction drug Cialis and Biogen's multiple sclerosis treatment Tecfidera.

Domino's cuts cost outlook after third-party delivery hit

Domino's Pizza surprised investors by resetting its long-term growth goals and said it would cut costs and investment this year as it battles the growing popularity of third-party delivery services and small pizzerias. Chief Financial Officer Jeffrey Lawrence said he now expected general and administrative expenses to be between \$380 million and \$385 million in 2019, down from a previous range of \$390 million to \$395 million. He also said Domino's would invest as much as \$20 million less than previously planned this year, prioritising its major investment projects. The company earned \$2.05 per share in the third quarter, missing expectations by 2 cents. Total revenue rose 4.4% to \$820.8 million, missing analysts' estimate of \$823.9 million.



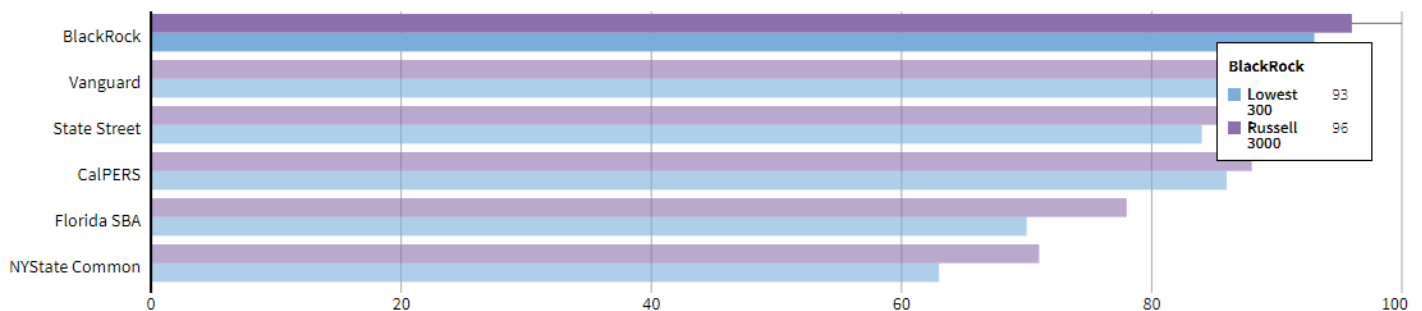
In Focus: Index Funds

U.S. index funds support of management

In shareholder votes, the top three U.S. index fund firms — BlackRock, Vanguard and State Street — supported management at the worst-performing firms in the Russell 3000 only slightly less often than they did for all companies in the index. Some big pension funds voted more critically.

PERCENT OF SUPPORT

■ Russell 3000 ■ Lowest 300



Proxy Insight | Note: Data for 12 months ending June 30, 2018.
Feilding Cagge | REUTERS GRAPHICS

[Click on the chart for the detailed graphic](#)

Index funds invest trillions but rarely challenge management

Index funds now control half the U.S. stock mutual fund market, giving the biggest funds enormous power to influence decisions and demand better returns at the companies in which they invest trillions of dollars. But the leading U.S. index fund firms, BlackRock, Vanguard Group and State Street Corp, rarely use that clout. Instead, they overwhelmingly support the decisions and pay packages of executives at the companies, including the worst performers, according to a Reuters analysis of their shareholder-voting records. The three fund firms supported doubling the pay of the chief executive at California utility PG&E Corp after its stock plummeted over potential liability from maintenance problems linked to California wildfires. The funds supported big pay packages for executives at beauty products company Coty Inc - including nearly \$500,000 for their children's tuition - as the company struggled to digest its acquisition of Procter & Gamble's beauty business. And all three cast

pivotal votes against the proposed reform of splitting the CEO and chairman roles at General Electric after a decade of poor performance. Such votes reflect a larger trend of deference to management, according to an analysis of proxy voting at 300 of the worst-performing companies in the Russell 3000 index, as measured by three-year returns through the end of 2018. It found that BlackRock voted with management 93% of the time, followed by Vanguard at 91% and State Street at 84% during the proxy year ended June 30, 2018. The analysis showed the three index fund firms supported management at the worst-performing Russell 3000 firms only slightly less often than they did for all companies in the index, regardless of performance.

Biggest US index funds oppose most climate proposals in shareholder votes

The far-reaching impacts of climate change on companies have investors pressing corporate leaders for action to minimize environmental damage and to

maximize disclosure of risks to their businesses. The threats range from more frequent floods or wildfires that imperil major assets to regulations that could undermine profits. While votes on climate-related shareholder resolutions often take center stage at annual meetings, they seldom draw support from the two top U.S. index fund firms, BlackRock and Vanguard Group.

BlackRock bets on the circular economy with new fund

BlackRock is actively investing in companies including Adidas, Tomra and Ball Corp through a new circular economy fund that bets on sustainable business. BlackRock is the biggest investor in fossil fuels and has faced criticism for its continued exposure to coal. It says much of that is through passive, index-linked investment, which accounts for roughly 90% of its equity assets. Sumana Manohar, a manager of the new fund which has been launched with charity the Ellen MacArthur Foundation, told reporters it was focused on exposure to scrap, recycling and reducing plastic waste, and is actively managed.



Swiss scientist Didier Queloz poses for a picture at a news conference, following the announcement he wins the 2019 Nobel Prize for Physics, in London, Britain, October 8. REUTERS/Simon Dawson

Insight and Analysis

The end of Libor: the biggest banking challenge you've never heard of

On June 30, British bank NatWest sent out a press release - bus operator National Express had become the first company to take out a loan based on Sonia, a replacement for scandal-hit interest rate benchmark Libor. It was billed as the first switch of thousands that British firms would make by end-2021, when the benchmark is set to be decommissioned. Four months on, NatWest's trailblazing Sonia switch has been followed by only one other loan, when the bank struck a deal with utility South West Water on Oct. 2. The slow progress highlights the challenge

banks and borrowers face as regulators attempt to end the use of Libor, a benchmark embedded in as much as \$340 trillion financial contracts worldwide from home loans to complicated derivatives. Libor was discredited after the 2008 financial crisis when authorities in the United States and Britain found traders had manipulated it to make a profit.

U.S. online brokers still profiting from 'dumb money'

People who trade stocks online cheered last week when several large retail brokers slashed stock-trading commissions to zero, a move made possible, in part, by a controversial

source of broker revenue that has drawn regulatory scrutiny. Charles Schwab, TD Ameritrade Holding and E*Trade Financial followed the lead of Interactive Brokers in eliminating stock and exchange-traded fund trading commissions, sending their share prices tumbling on the revenue they were giving up. But the brokers have other ways of profiting from retail trading, including interest earned on customer cash balances and margin lending. There is also payment for order flow, in which wholesale market makers, like Citadel Securities or Virtu Financial pay for the first crack at executing a stock order.



CANADA

Market Monitor



REUTERS/Mark Blinch

Canadian stocks fell as investors around the globe shunned risk assets amid growing anxiety about the

outcome of the U.S.-China trade negotiations later this week.

The **Toronto Stock Exchange's S&P/TSX composite index** was down 0.78%, at 16,293.95.

The **energy sector** dropped 3.75% to 124.11, tracking a slide in oil prices.

The **U.S. dollar** was up 0.11% against its **Canadian counterpart** at C\$1.3321.

COMING UP

No major events are scheduled for the day

TSE's S&P/TSX composite	Price	C\$ chng	% chng
GAINERS			
Wesdome Gold Mines Ltd	6.58	0.33	5.28
NovaGold Resources Inc	9.05	0.44	5.11
Alacer Gold Corp	5.90	0.26	4.61
Seabridge Gold Inc	17.50	0.75	4.48
B2Gold Corp	4.64	0.19	4.27
LOSERS			
WSP Global Inc	74.76	-5.24	-6.55
Encana Corp	5.62	-0.39	-6.49
Whitecap Resources Inc	3.83	-0.24	-5.90
Canada Goose Holdings Inc	49.98	-2.83	-5.36
Stars Group Inc	25.99	-1.42	-5.18

Top News



A file photo of a builder working on the roof of a new home under construction in the Montreal suburb of Brossard, August 10, 2010. REUTERS/Shawn Best

Canadian housing starts decline 2.5% in September - CMHC

Canadian housing starts in September fell from the previous month as groundbreaking dropped by more than 9% on single-detached urban homes, data from the national housing agency showed. The seasonally adjusted annualized rate of housing starts fell 2.5% to 221,202 units from a revised

226,871 units in August, the Canadian Mortgage and Housing Corporation (CMHC) said. Economists had expected starts to fall to 214,500 units. Meanwhile, the value of Canadian building permits rose by 6.1% in August from July, Statistics Canada said. The residential sector saw higher intentions for the multi-family component, while the industrial

component of the non-residential sector also saw an increase. The value of building permits were up in seven provinces, with Quebec recording the largest increase.

Latin American pharma Biotoscana confirms in sale talks - filing

Latin American pharmaceutical company Biotoscana Investments confirmed that its shareholders were in talks with investors about a sale, according to a securities filing on Monday. "The company's shareholders are in talks with investors, but have not yet taken a decision on a transaction", it said, adding there would be a mandatory offering to all shareholders if the company's control changed. Reuters reported on Monday that Brazilian pharmaceutical firm Eurofarma and Canada's Knight Therapeutics were in talks with Biotoscana's shareholders, led by private equity fund Advent International.

WEALTH NEWS

PRODUCER PRICES DROP

Weak U.S. producer inflation bolsters case for Fed rate cut

U.S. producer prices unexpectedly fell in September, leading to the smallest annual increase in nearly three years, likely giving the Federal Reserve further room to cut interest rates for the third time this year in October. The producer price index for final demand dropped 0.3% last month, weighed down by decreases in the costs of goods and services, the government said. In the 12 months through September the PPI increased 1.4%, the smallest gain since November 2016, after rising 1.8% in August. The core PPI increased 1.7% in the 12 months through September after climbing 1.9% in August.



A file photo of a production line employee working at the AMES Companies shovel manufacturing factory in Camp Hill, Pennsylvania, on June 29, 2017. REUTERS/Tim Aepfel

POWELL ON RATE CUTS

Fed's Powell: Outlook "favorable," steps to address money market volatility coming "soon"

Federal Reserve chairman Jerome Powell flagged openness to further rate cuts amid global economic risks, and said the time to allow the Fed's asset holdings to begin to expand again "is now upon us" in order to ensure markets function smoothly.

SLOWDOWN WARNING

IMF's new chief Georgieva warns of "synchronized slowdown" in global growth

The global economy is experiencing a "synchronized slowdown," the new head of the International Monetary Fund said, warning that it would worsen if governments failed to resolve trade conflicts and support growth.

MARKET INSIGHT

Goldman: Markets ignore Trump's Fed tweets, but key on those about trade

Donald Trump's criticism of the Federal Reserve has been largely ignored by investors, an apparent vote of confidence in the central bank's ability to slough off the president's insults and make independent decisions, Goldman Sachs found in a study.

REGULATION OF CRYPTO ASSETS

Spooked by Libra, EU pledges to regulate digital currencies

The European Union's finance commissioner pledged to propose new rules to regulate virtual currencies, in a reaction to Facebook's plans to introduce Libra, which the EU considers a risk to financial stability.

INVESTMENT STRATEGY

Norway's wealth fund says it must prepare for large fluctuations

Norway's \$1.1 trillion sovereign wealth fund, the world's largest, must be prepared for a rocky ride in the next three years as global issues from trade wars to climate change buffet its portfolio, its management said.

DEAL

Sorrell buys Silicon Valley's Firewood in pursuit of red-hot digital growth

Martin Sorrell's S4 Capital has bought Silicon Valley's biggest independent agency, Firewood, for \$150 million in its latest deal to form a purely digital global advertising firm.



A child and climate change activists attend the Extinction Rebellion protests on Copacabana beach in Rio de Janeiro, Brazil, October 7. REUTERS/Sergio Moraes

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

The Day Ahead - North America is compiled by Swathi Nair and Pathikrit Bandyopadhyay 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](#)

© 2019 Refinitiv. All rights reserved.

Refinitiv
3 Times Square, New York, NY 10036

Please visit: **[Refinitiv](#)** for more information.

[Privacy statement](#)