

# MORNING NEWS CALL

REUTERS

U.S. Edition

Thursday, October 18, 2018

## Market Voice: Emerging Markets Re-emerging?

[READ THE ARTICLE](#)

### TOP NEWS

- **Blackstone posts quarterly ENI per unit of 76 cents, modestly beating estimates**

Blackstone Group, the world's largest manager of alternative assets, posted third-quarter economic net income (ENI) per unit of 76 cents, slightly ahead of analysts' expectations.

- **Novartis pushes deeper into nuclear medicine with \$2.1 bln deal**

Novartis is paying \$2.1 billion for nuclear medicine specialist Endocyte in Chief Executive Vas Narasimhan's latest deal to reshape the Swiss drugs group from a pillmaker to a producer of sophisticated therapies.

- **Travelers profit rises on higher investment income, premiums written**

Property and casualty insurer Travelers Corp reported a third-quarter profit that more than doubled, driven by lower catastrophe losses and an increase in premiums and investment income.

- **Textron profit misses on lower aircraft sales**

Cessna business jet maker Textron reported a lower-than-expected quarterly profit, hit by a slump in sales of its turboprop aircraft, sending its shares down.

- **Linde-Praxair merger set to win U.S. FTC clearance - Manager Magazin**

Industrial gases group Praxair and Linde are set to win U.S. antitrust approval for their planned \$86 billion merger, clearing the last major hurdle for the deal, German monthly Manager Magazin reported.

### BEFORE THE BELL

**Futures for U.S. stock indexes** edged lower on signs that the Federal Reserve is likely to raise interest rates a few more times until end-2019. **China's stock markets** were hit hard in a gloomy session for **Asian equities**. **European shares**, however, largely shrugged off the disappointment in Asia and traded slightly higher as investors focused on a flurry of corporate trading updates. The **dollar** edged lower against a basket of currencies after it rallied to a one-week high on upbeat Fed minutes. A jump in U.S. crude stockpiles pushed **Brent crude** below \$80 a barrel. **Gold** prices were little changed. After-market earnings updates from American Express and Intuitive Surgical; and weekly jobless claims data will be in the focus.

### STOCKS TO WATCH

#### Results

- **Alcoa Corp (AA)**. The top U.S. aluminum producer reported a better-than-expected quarterly profit on Wednesday, as a series of supply hits boosted alumina prices. Revenue rose 14.4 percent to \$3.39 billion, topping analysts' average estimate of \$3.31 billion. Alumina prices spiked during the year, largely due to supply disruptions such as lower production at Norsk Hydro's Alunorte, a strike at Alcoa's Australian operations and U.S. sanctions on Russian aluminum giant Rusal.

- **Blackstone Group LP (BX)**. The world's largest manager of alternative assets posted third-quarter economic net income (ENI) per unit of 76 cents, slightly ahead of analysts' expectations. The mean forecast was for 74 cents, according to Thomson Reuters I/B/E/S. A year earlier, Blackstone reported ENI per share of 68 cents. Separately, Blackstone has quit a takeover battle for Australian office-block owner Investa Office Fund after it was gazumped by Canadian landlord Oxford Properties Group's A\$3.35 billion (\$2.4 billion) bid.

- **SAP SE (SAP)**. The German software company reported a 41 percent jump in cloud revenues in the third quarter as its business transformation gathers pace, enabling management to raise guidance for revenues and profits this year. SAP now expects total revenues to grow 7.5-8.5 percent in 2018, up from 6-7.5 percent previously. It raised the lower end of its forecast range for operating prof-



THOMSON REUTERS®

its by half a percentage point, narrowing it to 9.5-11 percent.

- **Taiwan Semiconductor Manufacturing Co Ltd (TSM)**. The world's largest contract chipmaker offered a modest fourth-quarter revenue growth outlook, predicting weaker sales of high-performance computers for cryptocurrency mining will partially offset solid demand for chips from smartphones. TSMC forecast its fourth-quarter revenue at \$9.35 billion-\$9.45 billion, marginally higher from \$9.21 billion a year ago. It warned the mid-tier smartphone market will shrink this year, but predicted premium phones will continue to show a positive growth, helping it ride out the slowdown. TSMC reported quarterly profit of T\$89.07 billion (\$2.9 billion), in line with the T\$89.0 billion average forecast. Revenue rose 1.9 percent to \$8.49 billion, higher than the company's own estimate of \$8.28 billion-\$8.38 billion, as well as the average \$8.4 billion estimate of 25 analysts.
- **Telefonaktiebolaget LM Ericsson (ERIC)**. Mobile telecom equipment maker Ericsson beat third-quarter operating profit forecasts, boosted by sales of next-generation 5G gear in North America, and said it was making solid progress towards its long-term financial goals. Marking its third consecutive quarter of substantial progress towards its 2020 financial targets, the company reported net sales rose 9 percent to 53.8 billion Swedish crowns (\$6 billion) thanks to strong growth in its networks business.
- **Textron Inc (TXT)**. The Cessna jet maker reported a lower-than-expected quarterly profit, partly due to lower sales of its turboprop aircraft. Income from continuing operations rose to \$563 million, or \$2.26 per share, in the quarter from \$159 million, or 60 cents per share, a year earlier. Excluding the gain on the sale of a business, Textron earned 61 cents per share, below analysts' average estimate of 76 cents per share. Total revenue fell about 8.2 percent to \$3.20 billion.
- **Travelers Corp (TRV)**. The property and casualty insurer reported a third-quarter profit that more than doubled, driven by lower catastrophe losses and an increase in premiums and investment income. Net premiums written rose 6 percent to \$7.06 billion, helped by improved prices coupled with higher levels of retention. Higher returns from its fixed income and private equity portfolio business helped push investment income by 20 percent to \$547 million. Net income rose to \$709 million, or \$2.62 per share, in the third quarter ended Sept. 30, from \$293 million, or \$1.05 per share, a year earlier. The company incurred a \$436 million charge from catastrophe losses in the same period last year due to mounting claims arising from hurricanes Irma, Maria and Harvey hitting the United States. Excluding items, the company earned \$2.54 per share. The Dow component's total revenue rose 5.4 percent to \$7.7 billion.

#### **Deals Of The Day**

- **Novartis AG (NVS) & Endocyte Inc (ECYT)**. The company is paying \$2.1 billion for nuclear medicine specialist Endocyte in Chief Executive Vas Narasimhan's latest deal to reshape the Swiss drugs group from a pillmaker to a producer of sophisticated therapies. Narasimhan, who raised Novartis's 2018 revenue forecast on Thursday as he released third-quarter results, is counting on Endocyte's treatment for prostate cancer topping \$1 billion in sales after it hits the U.S. market in 2021.

#### **In Other News**

- **Alibaba Group Holding Ltd (BABA)**. The Chinese e-commerce giant will invest 2 billion yuan in domestic wine and spirits importer and retailer 1919.cn to tap into resurgent demand for imported wine in China. The wine and spirits platform, listed on China's over-the-counter equities exchange, said in a statement to the National Equities Exchange And Quotations that Alibaba would buy over 39.3 million shares in a share subscription.
- **Constellation Brands Inc (STZ)**. Rob Sands is stepping down as CEO, ending an era in which the family-backed alcohol producer became one of the biggest beer brewers in the United States and placed a multi-billion dollar bet on the cannabis industry. Sands, 60, will become executive chairman in March, replacing his brother Richard.
- **Domino's Pizza Inc (DPZ)**. The company's UK franchise Domino's Pizza Group launched a 25 million pound (\$32.70 million) share buyback after posting a 6 percent rise in organic sales due to a rise in website and app orders. Domino's shares rose after investors shrugged off comments that pointed to full-year pre-tax profit at the bottom of the company's previous guidance range.
- **Exxon Mobil Corp (XOM)**. The company has signed a framework agreement to supply liquefied natural gas to Zhejiang Provincial Energy Group, a senior executive said, marking Zhejiang Energy's first long-term supply deal. The company said in a statement the deal is for 20 years. Peter Clarke, president of Exxon Mobil gas and power marketing, was speaking at the International Petroleum and Natural Gas Enterprise conference at Zhoushan, near Shanghai.
- **Facebook Inc (FB)**. The company has tentatively concluded that spammers looking to make money, and not a nation-state, were behind the largest-ever data theft at the social media company, the Wall Street Journal reported on Wednesday. The people behind the attack were a group of Facebook and Instagram spammers that present themselves as a digital marketing company, and whose activities were previously known to Facebook's security team, the Journal reported, citing people familiar with the company's internal investigation. Facebook said in an email to Reuters that it was cooperating with the Federal Bureau of Investigation on this matter.
- **HSBC Holdings PLC (HSBC)**. The company is set to be the first company to issue Chinese Depositary Receipts (CDRs), through a

link between the London and Shanghai stock exchanges which will begin by year end, people familiar with the matter told Reuters. HSBC has tasked its investment banking joint venture in China as well as CITIC Securities Co to work on the issuance, said two of the people. The size and time frame are still under discussion and an initial plan will be announced by year-end, said one of the people, who declined to be identified as the information was not public.

- **Praxair Inc (PX)**. Industrial gases group Praxair and Linde are set to win U.S. antitrust approval for their planned \$86 billion merger, clearing the last major hurdle for the deal, German monthly Manager Magazin reported. The Praxair board has been given verbal assurance by the U.S. Federal Trade Commission that the conditional go-ahead was imminent, and the ruling will be issued in writing in the next few days, the magazine said on its website, without specifying its sources.

- **Procter & Gamble Co (PG)**. The company and Italian healthcare group Angelini is working to create a sustainable recycling loop that would allow dirty diapers to be turned into plastic bottle caps and viscose clothing. More than 20 million tonnes of disposable diapers are burned or dumped in landfills globally every year - a major environmental problem since their use became widespread in the 1960s and 1970s. Fater, a Pescara, Italy-based business that became a joint venture in 1992, believes it will be able to address these issues, backed by governments, consumers and other companies goaded into action by a new global awareness of the looming crisis of plastics pollution.

- **Shire Plc (SHPG)**. Takeda Pharmaceutical said Japan's Fair Trade Commission had approved its \$62 billion acquisition of Shire, bringing the Japanese firm closer to sealing a deal that will make it a global top 10 drugmaker.

- **Spotify Technology (SPOT)**. The company said on Wednesday it had taken a stake in DistroKid, a distribution service that allows recording artists to upload music across online stores and streaming platforms including Spotify's biggest rival, Apple Music. Spotify revealed the move in a blog post but did not give a dollar amount, saying only that it was "a passive minority investment."

Quickly scan the market for **volatility and carry outliers**, as well as relative value opportunities.

**Search "FXPT" in Eikon.**

**Click here to request a free trial**

## COLUMN

### [U.S. energy exports to China plummet as Trump trade war bites: Russell](#)

It's probably not the kind of success U.S. President Donald Trump had in mind, but his trade dispute with China has effectively killed off the burgeoning energy trade between the world's two biggest economies.

## ANALYSTS' RECOMMENDATION

- **Gap Inc (GPS)**. JP Morgan cuts target to \$24 from \$30 saying that the brand is struggling with operational issues and margin pressures as same-store sales continue to decrease.

- **International Business Machines Corp (IBM)**: Wedbush cuts target price to \$165 from \$185 following the company's mixed third-quarter results and saying that IBM's growth segments are yet to show consistency.

- **Mosaic Co (MOS)**. CIBC raises target price to \$34 from \$31 citing higher than previously forecast potash price estimates.

- **United Continental Holdings Inc (UAL)**. Morgan Stanley raises target to \$95 from \$92 after the company posted strong third-quarter results driven by higher passenger revenue per available seat mile.

## ECONOMIC EVENTS *(All timings in U.S. Eastern Time)*

0830 **Initial jobless claims** for 13 Oct: Expected 212,000; Prior 214,000

0830 **Jobless claims 4-week average** for 13 Oct: Prior 209500

0830 **Continued jobless claims** for 06 Oct: Expected 1.665 mln; Prior 1.660 mln

0830 **Philly Fed Business Index** for Oct: Expected 20.0; Prior 22.9

0830 **Philly Fed 6M Index** for Oct: Prior 36.30

0830 **Philly Fed Capex Index** for Oct: Prior 26.70

0830 **Philly Fed Employment** for Oct: Prior 17.60



0830 **Philly Fed Prices Paid** for Oct: Prior 39.60  
 0830 **Philly Fed New Orders** for Oct: Prior 21.40  
 1000 **Leading index change mm** for Sep: Expected 0.5 pct; Prior 0.4 pct

## COMPANIES REPORTING RESULTS

**Alliance Data Systems Corp** (ADS). Expected Q3 earnings of \$6.19 per share  
**American Express Co** (AXP). Expected Q3 earnings of \$1.77 per share  
**E\*TRADE Financial Corp** (ETFC). Expected Q3 earnings of 82 cents per share  
**Genuine Parts Co** (GPC). Expected Q3 earnings of \$1.48 per share  
**Intuitive Surgical Inc** (ISRG). Expected Q3 earnings of \$2.66 per share  
**Nucor Corp** (NUE). Expected Q3 earnings of \$2.35 per share  
**PayPal Holdings Inc** (PYPL). Expected Q3 earnings of 54 cents per share  
**People's United Financial Inc** (PBCT). Expected Q3 earnings of 33 cents per share

## CORPORATE EVENTS *(All timings in U.S. Eastern Time)*

0800 **BB&T Corp** (BBT). Q3 earnings conference call  
 0800 **Bank of New York Mellon Corp** (BK). Q3 earnings conference call  
 0800 **Danaher Corp** (DHR). Q3 earnings conference call  
 0800 **Textron Inc** (TXT). Q3 earnings conference call  
 0830 **Alliance Data Systems Corp** (ADS). Q3 earnings conference call  
 0900 **Blackstone Group LP** (BX). Q3 earnings conference call  
 0900 **Crown Holdings Inc** (CCK). Q3 earnings conference call  
 0900 **KeyCorp** (KEY). Q3 earnings conference call  
 0900 **Philip Morris International Inc** (PM). Q3 earnings conference call  
 0900 **Travelers Companies Inc** (TRV). Q3 earnings conference call  
 0900 **WABCO Holdings Inc** (WBC). Q3 earnings conference call  
 0900 **Webster Financial Corp** (WBS). Q3 earnings conference call  
 1000 **Dover Corp** (DOV). Q3 earnings conference call  
 1000 **Signature Bank** (SBNY). Q3 earnings conference call  
 1000 **Snap-On Inc** (SNA). Q3 earnings conference call  
 1000 **Steel Dynamics Inc** (STLD). Q3 earnings conference call  
 1030 **Crown Castle International Corp** (CCI). Q3 earnings conference call  
 1100 **Energy Transfer Partners LP** (SXL). Shareholders Meeting  
 1100 **Genuine Parts Co** (GPC). Q3 earnings conference call  
 1100 **Pool Corp** (POOL). Q3 earnings conference call  
 1100 **Sonoco Products Co** (SON). Q3 earnings conference call  
 1100 **United Rentals Inc** (URI). Q3 earnings conference call  
 1100 **Wintrust Financial Corp** (WTFC). Q3 earnings conference call  
 1130 **East West Bancorp Inc** (EWBC). Q3 earnings conference call  
 1400 **Nucor Corp** (NUE). Q3 earnings conference call  
 1400 **PPG Industries Inc** (PPG). Q3 earnings conference call  
 1400 **SL Green Realty Corp** (SLG). Q3 earnings conference call  
 1630 **Intuitive Surgical Inc** (ISRG). Q3 earnings conference call  
 1700 **American Express Co** (AXP). Q3 earnings conference call  
 1700 **E\*TRADE Financial Corp** (ETFC). Q3 earnings conference call  
 1700 **People's United Financial Inc** (PBCT). Q3 earnings conference call  
 1700 **PayPal Holdings Inc** (PYPL). Q3 earnings conference call

**EXDIVIDENDS**

**Colgate-Palmolive Co (CL).** Amount \$0.42

**Foot Locker Inc (FL).** Amount \$0.35

**Lennar Corp (LEN).** Amount \$0.04

**nVent Electric PLC (NVT).** Amount \$0.18

**Procter & Gamble Co (PG).** Amount \$0.72

**PerkinElmer Inc (PKI).** Amount \$0.07



Keep up to date on the **global trade landscape** with top stories, analysis and commentary from Reuters via the **Trade Tensions App** in **Elkon**.

[Click Here to Access](#)



## PICTURE OF THE DAY



A Honduran migrant, part of a caravan trying to reach the U.S., carries her daughter at a migrant shelter in Guatemala City, Guatemala, October 17. REUTERS/Luis Echeverria

(Compiled by Shradha Singh and Priyanka Das in Bengaluru)

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

For questions or comments about this report, contact:  
[morning.newscall@thomsonreuters.com](mailto:morning.newscall@thomsonreuters.com)

To launch a Co-branded Morning News Call from your firm, contact:  
[morning.newscall@thomsonreuters.com](mailto:morning.newscall@thomsonreuters.com)

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

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

## NEWS ACCESS MADE EASY

Reuters Top News page displays a range of market and sector-specific subjects including: US, Europe and Asian companies, fixed income, credit, the global economy, emerging markets, corporate finance and industry sectors.

To access Reuters Top News

-- Thomson ONE: Click News tab, Select Front Page from top right, Click Top News.

© 2018 Thomson Reuters. All rights reserved. This content is the intellectual property of Thomson Reuters and its affiliates. Any copying, distribution or redistribution of this content is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters shall not be liable for any errors or delays in content, or for any actions taken in reliance thereon. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.