

# MORNING NEWS CALL

REUTERS

U.S. Edition

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## TOP NEWS

### • In first speech at U.N., Trump to single out North Korea, Iran

U.S. President Donald Trump will urge United Nations member states to turn up the pressure on North Korea to give up its nuclear weapons, using his maiden speech to the world body to address what he considers the top global challenge.

### • Toys 'R' Us files for bankruptcy ahead of holiday season

Toys 'R' Us, the largest U.S. toy store chain, filed for bankruptcy protection late Monday, the latest sign of turmoil in the retail industry that is caught in a viselike grip of online shopping and discount chains.

### • Norway's \$1 trillion wealth fund backs Linde-Praxair deal

The proposed \$74 billion tie-up of German industrial gases group Linde and U.S. peer Praxair got a boost when the world's biggest sovereign wealth fund said it was backing the deal.

### • U.S. defense firms want control over tech in Make-in-India plan

U.S. defense firms offering to set up production lines in India to win deals worth billions of dollars want stronger assurances they won't have to part with proprietary technology, according to a business lobby group's letter to India's defense minister.

### • Alibaba-backed logistics firm Best slashes proposed US IPO –IFR

Chinese logistics firm Best Inc, backed by Alibaba Group, cut the size of a proposed U.S. initial public offering (IPO) after receiving tepid investor response to its preliminary valuation, IFR reported citing people close to the deal.

## BEFORE THE BELL

Futures markets pointed to a modestly higher start for **U.S. major indexes** after Wall Street's **S&P 500** and **Dow** had eked out new peaks in the previous session despite some late pressure on big tech stocks. Traders awaited clues from a Federal Reserve meeting, starting later in the day, on its plans to move towards unwinding its \$4.2-trillion portfolio of Treasuries and mortgage-backed securities. Building permits, housing starts and import prices are also on tap for the day. Meanwhile, most **European** and **Asian shares** closed lower. A softer **dollar** supported **gold** prices. **Oil** prices traded higher after fresh data showed key Middle Eastern producers had stuck to their aimed supply cuts.

## Thomson Reuters/INSEAD Asian Business Sentiment Survey 2017Q3

Thomson Reuters and graduate business school INSEAD ask Asia-Pacific companies to rate their six-month business outlook, in a survey which in Q3 yielded a less optimistic sentiment index of 69. The latest survey will be released at 0300 GMT followed by a Q&A at 0430 GMT with Reuters reporter Suvashree Choudhury in the Global Markets Forum and Trading India community chatrooms. To join, please [click here](#)

## STOCKS TO WATCH

### *In Other News*

• **Alibaba Group Holding Ltd (BABA)**. Chinese logistics firm Best Inc, backed by Alibaba Group, cut the size of a proposed U.S. initial public offering after receiving tepid investor response to its preliminary valuation, IFR reported on Tuesday citing people close to the deal. The Hangzhou-based company now plans to raise up to \$495 million with the sale of 45 million new American Depositary Shares priced in an indicative range of \$10 to \$11 each, reported IFR, a Thomson Reuters publication. The IPO previously consisted of 53.56 million new shares and 8.54 million existing shares offered for \$13 to \$15 each. The company is set to price the IPO on Sept. 19, with its market debut set for the following day.

• **Apple Inc (AAPL)**. The company's newest operating system for iPhones and iPads introduces changes to its marketplace for third-party software to satisfy app developers and add new so-called augmented reality apps. The system, called iOS 11, is being released



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ahead of its two newest phone handsets, the iPhone 8 and iPhone X, set to start shipping to customers on Friday and Nov. 3, respectively. The most visible changes will come to App Store. The App Store is the backbone of Apple's services segment, which brought in \$21.5 billion in revenue in the past nine months, a 19 percent increase over the previous year and a bright spot as overall sales grew only 5 percent. The new store also gives prominent display to games. Games are expected to make up 75 percent of all revenue for Apple's App Store, according to App Annie, which collects and analyzes market data on mobile apps.

• **BlackRock Inc (BLK) and State Street Corp (STT)**. Top U.S. asset managers took a slightly tougher line on executive pay in the advisory votes they cast at S&P 500 companies this year, a research firm said on Monday. For the 12 months ended June 30, funds run by BlackRock, Vanguard and State Street each supported management recommendations on executive pay about 2 percentage points less frequently than in the same period a year earlier, researcher Proxy Insight said, based on a review of recent securities filings. All three firms still cast their advisory compensation votes in favor of management nearly all the time. BlackRock funds, for instance, supported management on pay 96.4 percent of the time, down from 98.3 percent of the time the prior year and 99.3 percent of the time the previous year.

• **Boeing Co (BA)**. British Prime Minister Theresa May said on Monday she would press U.S. President Donald Trump this week about a trade challenge by Boeing that could endanger thousands of aerospace jobs in Northern Ireland. May and Prime Minister Justin Trudeau are worried about Boeing's move against Bombardier, which is the single largest manufacturing employer in Northern Ireland and Canada's most important aerospace firm. "I will be impressing on him the significance of Bombardier to the United Kingdom ... I want to see a resolution that protects those jobs in Northern Ireland," she said after talks with Trudeau where both leaders agreed to work together to stress that Boeing should back down.

• **Bunge Ltd (BG)**. The U.S. grains trader issued \$1 billion of debt to replace a credit line financing a \$946 million investment in a Malaysian palm oil company on Monday. The company, which is undergoing a massive restructuring to shore up earnings, issued \$400 million five-year notes, at 3 percent, and \$600 million of 10-year notes, at 3.75 percent, it said in a statement. It is paying \$946 million for a 70 percent stake in IOI Lodders Croklaan and had said, when it announced that deal on Sept. 12, that it would use a \$900 million credit facility to help pay for it. "Bunge is taking advantage of low interest rates to finance the acquisition of Lodders Croklaan equity and extend its maturity profile," said John Rogers, senior vice president at Moody's Investors Service.

• **CBS Corp (CBS)**. Creditors of Australia's embattled Ten Network Holdings agreed to a A\$209.7 million buyout from CBS, effectively ending a battle for control between the U.S. broadcasting giant and Lachlan Murdoch. Creditors chose CBS at a vote in Sydney after the U.S. company sweetened its offer by A\$8.6 million late on Monday, following a counter-offer from Murdoch, son of Rupert Murdoch, and his business partner Bruce Gordon. "The industry is generally excited about having a A\$27 billion big brother looking after channel Ten," administrator Mark Korda told reporters after the meeting, adding CBS overwhelmingly won the vote by value and number.

• **FedEx Corp (FDX)**. The package delivery company said on Monday it would raise shipping rates for some of its services from Jan. 1. FedEx Express rates will go up by an average of 4.9 percent for U.S. domestic, export and import services, while FedEx One Rate pricing will increase by 3.5 percent. The company said rates of FedEx Ground and FedEx Home Delivery will also rise by an average of 4.9 percent. FedEx Freight and SmartPost shipping rates will also change.

• **Goldman Sachs Group Inc (GS)**. The bank has named veteran banker Ken Hitchner as its new chairman and chief executive officer in Asia Pacific excluding Japan, according to an internal memo seen by Reuters. Hitchner, who joined Goldman's corporate finance department in 1991 and worked in different roles after that, is currently president of the bank in the Asia-Pacific region, excluding Japan, said the memo. In his new role, Hitchner will be replacing Mark Schwartz, who retired from the bank at the end of last year, after having worked at Goldman for 27 years. The memo also announced the appointments of James Paradise and Todd Leland as co-presidents of the bank in Asia Pacific, excluding Japan.

• **Huntsman Corp (HUN)**. The activist investor fighting Clariant's planned \$20 billion merger with Huntsman has built a 15.1 percent stake in the Swiss chemicals maker, making it the company's biggest shareholder. In a letter to Clariant's board of directors, White Tale Holdings, a vehicle created by investor Keith Meister's Corvex hedge fund and New York's 40 North, underscored its opposition to the Huntsman deal. "Unfortunately, we remain convinced, and increasingly so, that the proposed merger is detrimental to Clariant shareholders," it said in the letter published. "It both significantly destroys existing Clariant shareholder value and prevents Clariant from pursuing multiple alternative and immediate opportunities to unlock value for its shareholders."

• **Microsoft Corp (MSFT)**. The company said its free email services Outlook.com and Hotmail, which suffered an outage across Europe on Monday, were back up. "Everything is up and running," Microsoft said in a blog post on its Office 365 security site. The outage began at 0720 GMT and continued to affect users across the region for more than 12 hours, preventing them from sending and receiving emails, Microsoft said in a blog post on its Office 365 security site. Microsoft said the issue involved part of the company's internet traffic load-balancing system which was gobbling up server capacity despite no apparent increase in user traffic.



- **Monsanto Co (MON)**. German drugs and pesticides group Bayer said it would likely take until early next year to complete the planned \$66 billion takeover of Monsanto, which it had previously expected to be under wraps by the end of 2017. The European Commission has been scrutinizing the takeover with a deadline of Jan. 8. Bayer said in a statement it had asked the regulator for an extension to Jan. 22, to which the EU Commission responded by saying it would take a decision shortly. Liam Condon, head of Bayer's Crop Science division, said: "An anticipated closing of the deal in early 2018 is now more likely than end of the 2017."
- **Praxair Inc (PX)**. The proposed \$74 billion tie-up of German industrial gases group Linde and the U.S. peer got a boost when the world's biggest sovereign wealth fund said it was backing the deal. The Norwegian fund, which also said the value of its assets had topped \$1 trillion, will vote in favour of four key resolutions proposed by Linde's management at a Sept. 27 meeting of shareholders, it said. "We support the strategic rationale for the merger ... the proposed business combination is in the best long-term interest of Linde AG shareholders," Norges Banks Investment Management (NBIM), which manages the fund, said in a statement.
- **Sina Corp (SINA)**. U.S. hedge fund Aristeia Capital proposed late on Monday to add two directors to the board of Sina, to push for corporate governance change and potential divestiture to lift the share price of the Chinese social media company. The fund - which owns 3.19 percent of Sina, according to Thomson Reuters' data - called Sina's five-member board of directors "entrenched" and started a proxy fight with a call to expand it with its two nominees. Sina confirmed it received the nominations and called Aristeia's proposal "a self-serving campaign" with a short-term view.

## ANALYSIS

### Borrowing bonds may get harder as Fed pares holdings

The Federal Reserve hopes to pull off the wind-down of its massive balance sheet with minimal market impact, but even a slow withdrawal may increase strains in a crucial section of the bond market. Any reduction in the U.S. central bank's balance sheet could make it harder for banks and investors to borrow certain Treasuries in the repurchase agreement market, making it more difficult and expensive to bet on or protect against interest rate increases.

## ANALYSTS' RECOMMENDATION

- **Gap Inc (GPS)**. Credit Suisse raises rating to neutral from underperform given recent closures of low quality stores, improvements in the supply chain and an attractive valuation.
- **Itron Inc (ITRI)**. Canaccord Genuity cuts rating to hold from buy, as the company's purchase of Silver Spring Networks awaits deal closure.
- **McKesson Corp (MCK)**. Baird raises rating to outperform, largely based on valuation and reduction in negative sentiment.
- **Melco Resorts & Entertainment Ltd (MLCO)**. Instinet raises target price to \$29 from \$20 as they see more positive catalysts playing out for the company over the next 12 months than negative ones.
- **Nike Inc (NKE)**. Jefferies cuts price target to \$49 from \$60 as they believe multiple compression and negative earnings revisions are likely on the horizon.

## ECONOMIC EVENTS

**0830** Current account for Q2: Expected -\$115.1 bln; Prior -\$116.8 bln

**0830** Building permits: number for Aug: Expected 1.22 mln; Prior 1.23 mln

**0830** Build permits: change mm for Aug: Prior -3.5 pct

**0830** Housing starts number mm for Aug: Expected 1.175 mln; Prior 1.155 mln

**0830** Housing starts mm: change for Aug: Prior -4.8 pct

**0830** Import prices mm for Aug: Expected 0.4 pct; Prior 0.1 pct

**0830** Export prices mm for Aug: Expected 0.2 pct; Prior 0.4 pct

## COMPANIES REPORTING RESULTS

**Adobe Systems Inc (ADBE)**. Expected Q3 earnings of \$1.01 per share

**Autozone Inc (AZO)**. Expected Q4 earnings of \$15.11 per share

**FedEx Corp (FDX)**. Expected Q1 earnings of \$3.09 per share



**CORPORATE EVENTS**

**08:30** CDW Corp (CDW). Annual Shareholders Meeting  
**08:30** Steelcase Inc (SCS). Q2 earnings conference call  
**09:00** Apogee Enterprises Inc (APOG). Q2 earnings conference call  
**09:30** Hamilton Lane Inc (HLNE). Annual Shareholders Meeting  
**10:00** Autozone Inc (AZO). Q4 earnings conference call  
**10:00** Netscout Systems Inc (NTCT). Annual Shareholders Meeting  
**11:00** Neogen Corp (NEOG). Q1 earnings conference call  
**16:45** AAR Corp (AIR). Q1 earnings conference call  
**17:00** Adobe Systems Inc (ADBE). Q3 earnings conference call  
**17:00** Analogic Corp (ALOG). Q4 earnings conference call  
**17:00** Bed Bath & Beyond Inc (BBBY). Q2 earnings conference call  
**17:00** FedEx Corp (FDX). Q1 earnings conference call

**EXDIVIDENDS**

**Financial Engines Inc** (FNGN). Amount \$0.07  
**FS Investment Corp** (FSIC). Amount \$0.22  
**KAR Auction Services Inc** (KAR). Amount \$0.32  
**Schneider National Inc** (SNDR). Amount \$0.05  
**Tiffany & Co** (TIF). Amount \$0.50  
**Tupperware Brands Corp** (TUP). Amount \$0.68  
**Vector Group Ltd** (VGR). Amount \$0.40  
**W. R. Berkley Corp** (WRB). Amount \$0.14

*(All analysts' estimates are according to Thomson Reuters I/B/E/S)*





## PICTURE OF THE DAY



Protesters stage a "die-in" during a peaceful rally outside the police headquarters after the not guilty verdict in the murder trial of Jason Stockley, a former St. Louis police officer charged with the 2011 shooting of Anthony Lamar Smith, in St. Louis, Missouri, U.S. September 17, 2017. REUTERS/Lawrence Bryant

(Compiled by Nayyar Abdul Rasheed and Nivedita Balu in Bengaluru)

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

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