

# MORNING NEWS CALL

REUTERS

U.S. Edition

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## TOP NEWS

### • Tax overhaul drama moves to U.S. Senate as House approves its bill

Congressional Republicans took important steps on Thursday toward the biggest U.S. tax-code overhaul since the 1980s, with the House of Representatives approving a broad package of tax cuts, and a Senate panel advancing its own version of the legislation sought by senior lawmakers and President Donald Trump.

### • New \$200,000 Tesla Roadster speeds in front of electric big-rig truck

Tesla upstaged its own debut of an electric heavy duty truck on Thursday when a red Roadster pulled out of the big rig's trailer and Chief Executive Elon Musk said the new \$200,000 sports car would be the fastest production car ever.

### • Wireless carriers on mute as U.S. top court hears big privacy case

The U.S. Supreme Court is set to consider a major cellphone privacy case later this month, but leading players in the wireless industry that is at the center of the closely watched dispute are keeping their distance.

### • Comcast, Verizon approached Twenty-First Century Fox to buy some assets -sources

Comcast and Verizon Communications have both expressed interest in acquiring a significant part of Rupert Murdoch's Twenty-First Century Fox's assets, two people familiar with the situation told Reuters on Thursday.

### • Fork talk lifts bitcoin to all-time high near \$8,000

Bitcoin hit an all-time high just below \$8,000, on talk that a software upgrade whose suspension sent the cryptocurrency into a tail-spin at the end of last week was, after all, going ahead within hours.

## BEFORE THE BELL

Futures of the **Nasdaq** pointed towards a higher opening, a day after posting big gains, while the **Dow** and **S&P 500** were inclined to a dull start. Data for **housing starts** and **building permits** for October are scheduled for release later in the day. Disappointing earnings updates and a series of broker downgrades weighed on **European shares**, while **Asian markets** ended the week on a high note. The **dollar** dipped on a media report that an investigation team had subpoenaed U.S. President Donald Trump's 2016 election campaign for documents containing specified Russian keywords, while **gold** rose. **Oil** rallied, though concerns over Russia's support for extending output cuts at the upcoming OPEC meeting capped gains.

## STOCKS TO WATCH

### Results

• **Applied Materials Inc (AMAT)**. The company reported better-than-expected quarterly results and gave a strong current-quarter forecast as the world's largest supplier of tools to make semiconductors enjoys strong demand in its chip and display businesses. The Santa Clara, California-based company forecast current-quarter adjusted earnings per share of 94 cents to \$1.02 and net sales of \$4.00 billion to \$4.20 billion. The forecasts were comfortably above analysts' average estimate of a profit of 91 cents and revenue of \$3.96 billion. The company said its net income rose 61 percent to \$982 million in the fourth quarter. Excluding items, it earned 93 cents per share, 2 cents above analysts' estimates. Revenue from its semiconductor business, the company's largest, rose 14.3 percent to \$2.43 billion, topping analysts' estimate of \$2.13 billion.

• **Gap Inc (GPS)**. The company reported quarterly results that beat estimates, driven by turnaround efforts to revive its Gap and Old Navy brands, and the clothing retailer raised its 2017 earnings and same-store sales forecasts. Same-store sales at its low-cost Old Navy brand, Gap's biggest revenue contributor, rose 4 percent in the reported quarter, beating analysts' estimate of a 2.5 percent rise. Comparable store sales at its struggling Banana Republic brand fell 1 percent. Overall same-store sales rose 3 percent in the third quarter, while analysts were expecting it to rise 1.01 percent. Excluding items, the company earned 58 cents per share on sales of \$3.84 billion. Analysts had expected the company to earn 54 cents and sales of \$3.76 billion. Gap raised its full-year adjusted profit forecast to \$2.08 to \$2.12 per share from its previous estimate of \$2.02 to \$2.10 per share.



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**Deals Of The Day**

• **Caesars Entertainment Corp (CZR)**. The casino operator said on Thursday it would buy privately owned casino and horse racing company Centaur Holdings for \$1.7 billion in cash to expand in Indiana. The deal comes about a month after Caesars' main operating unit emerged out from a near three-year bankruptcy. Indianapolis-based Centaur has more than 6.5 million guests each year across its properties and serves more than 1.1 million members as part of its loyalty program, Caesars said. Caesars said the offer included \$1.63 billion at closing and \$75 million in deferred consideration. Following the deal, Caesars would add the Hoosier Park Racing & Casino and Indiana Grand Racing & Casino properties.

**In Other News**

- **Amazon.com Inc (AMZN)**. The company will exclusively stream 37 top men's tennis tournaments from 2019 to its Amazon Prime Video subscribers in Britain and Ireland after it won the ATP broadcast rights from pay-TV group Sky. The deal underlines Amazon's ambition to challenge traditional pay-TV providers by using exclusive sports and entertainment content to attract people to its video service. Amazon will also be the pay-TV partner for the season-ending Nitto ATP Finals at The O2 in London, and from 2018 the Queen's Club Championships and the Eastbourne International, ATP said.
- **Comcast Corp (CMCSA)** and Verizon Communications Inc (VZ). The companies have both expressed interest in acquiring a significant part of Rupert Murdoch's Twenty-First Century Fox's assets, two people familiar with the situation told Reuters on Thursday. The Fox assets that buyers have expressed interest in include Fox's movie and TV production studios, cable networks FX and National Geographic, and international assets such as the Star network in India, and the European pay TV provider Sky. Comcast has approached Fox about its interest, and talks are in early stages, the source added, requesting anonymity.
- **Endo International Plc (ENDP)**. A federal jury in Chicago said that the drugmaker's Auxilium unit was not responsible for the heart attack a man suffered while using the company's testosterone replacement drug Testim. The verdict was a victory for the drugmaker in its first trial over allegations it defectively designed Testim, a skin gel, and negligently misrepresented its risks. Endo and its subsidiaries face some 1,290 other Testim lawsuits in state and federal courts across the country, the company's latest regulatory filing in November showed. Thursday's verdict involved Steve Holtsclaw of Tennessee, who had been using Testim for more than half a year to treat chronic fatigue. He suffered a heart attack in July 2014 and was hospitalized twice, but has since recovered.
- **Ford Motor Co (F)**. The car manufacturer announced it would invest more than 750 million euros in its Spanish plant in the eastern region of Valencia to produce the new model of its Kuga SUV. The Valencia plant employs over 8,000 people and, in addition to the Kuga, makes the Mondeo, S-Max and Galaxy cars and two models of van - mostly for export. The company has invested around 3 billion euros in the installations over the past six years, making Valencia one of the two largest assembly operations in Ford's global manufacturing system, alongside the Chongqing factory in China.
- **Freeport McMoRan Inc (FCX)**. Indonesia began evacuating villages that authorities said had been occupied by armed separatists after a string of shootings near the giant Grasberg copper mine operated by the company in the eastern province of Papua. Two police have been killed and at least 12 people have been wounded by gunfire in the area since mid-August. Police have blamed an "armed criminal group", but others have said the gunmen were linked to separatist rebels. According to police reports, the group occupied the villages of Banti and Kimbely near the mining town of Tembagapura and had prevented an estimated 1,300 residents from leaving, leading to food shortages.
- **Tesla Inc (TSLA)**. The company upstaged its own debut of an electric heavy duty truck on Thursday when a red Roadster pulled out of the big rig's trailer and Chief Executive Elon Musk said the new \$200,000 sports car would be the fastest production car ever. The showmanship wowed the crowd although some analysts' heads started throbbing at the variety of new projects launched as the company is struggling to produce the more affordable sedan upon which its future depends. The first 1,000 cars will cost \$250,000 each, paid in full up front, with later models starting at \$200,000. Musk did not give a price for the Semi, or say how or where either product would be built, but he said the truck would begin production in 2019 and that the Roadster would be available a year later.

**ANALYSIS****Analysts flee Wall Street with gallows humor as research changes loom**

Having covered financial stocks at big and small banks for more than two decades, David Hilder was accustomed to the ebb and flow of Wall Street job cuts and hiring sprees.

**ANALYSTS' RECOMMENDATION**

- **Applied Materials Inc (AMAT)**. Morgan Stanley raises target price to \$61 from \$56 believing the memory profits should continue to

drive strong growth through H1 2018.

- **Gap Inc (GPS)**. KeyBanc raises target price to \$35 from \$33 citing that Athleta remains a high growth and undervalued part of the portfolio and both Gap and Banana Republic are showing signs of improvement.
- **PayPal Holdings Inc (PYPL)**. Credit Suisse raises target price to \$85 from \$74 after the company announced an agreement to sell its consumer finance receivable portfolio to Synchrony Financial.
- **Ross Stores Inc (ROST)**. Instinet raises target price to \$80 from \$74 and reiterates buy rating on belief that the company is uniquely positioned to both capture department store share donation and operate successfully in an Amazon world.
- **Autodesk Inc (ADSK)**. Credit Suisse raises target price to \$140 from \$125 based on the company's migration of maintenance to subscription plan and conversion of non- subscribers to subscription.

## ECONOMIC EVENTS

- 0830** Building permits: number for Oct: Expected 1.247 mln; Prior 1.225 mln
- 0830** Build permits: change mm for Oct: Prior -3.7 pct
- 0830** Housing starts number mm for Oct: Expected 1.185 mln; Prior 1.127 mln
- 0830** House starts mm: change for Oct: Prior -4.7 pct
- 1030** ECRI Weekly Index: Prior 145.6
- 1030** ECRI weekly annualized: Prior 3.2 pct
- 1100** KC Fed Manufacturing for Nov: Prior 20
- 1100** KC Fed Composite Index for Nov: Prior 23

## COMPANIES REPORTING RESULTS

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

## CORPORATE EVENTS

- 09:00** Post Holdings Inc (POST). Q4 earnings conference call
- 11:00** Sysco Corp (SYY). Annual Shareholders Meeting
- 14:00** Donaldson Company Inc (DCI). Annual Shareholders Meeting

## EXDIVIDENDS

- Allison Transmission Holdings Inc (ALSN)**. Amount \$0.15
- AmerisourceBergen Corp (ABC)**. Amount \$0.38
- Bunge Ltd (BG)**. Amount \$0.46
- BWX Technologies Inc (BWXT)**. Amount \$0.11
- Carter's Inc (CRI)**. Amount \$0.37
- Chemours Co (CC)**. Amount \$0.03
- Cheniere Energy Partners LP Holdings LLC (CQH)**. Amount \$0.45
- Cognizant Technology Solutions Corp (CTSH)**. Amount \$0.15
- PacWest Bancorp (PACW)**. Amount \$0.50
- Southern Co (SO)**. Amount \$0.58
- Symantec Corp (SYMC)**. Amount \$0.08
- Tractor Supply Co (TSCO)**. Amount \$0.27

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

## PICTURE OF THE DAY



*U.S. President Donald Trump arrives with Director of the National Economic Council Gary Cohn at the U.S. Capitol to meet with House Republicans ahead of their vote on the "Tax Cuts and Jobs Act" in Washington, U.S., November 16. REUTERS/Aaron P. Bernstein*

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