

MORNING NEWS CALL

REUTERS

U.S. Edition

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TOP NEWS

• **Fed conflicted by tepid U.S. inflation, global economic rebound**

Caught between a lull in U.S. inflation and a stronger global economy, the Federal Reserve is expected to signal whether it will raise interest rates for a third time this year or back off until prices rise more briskly.

• **Toshiba selects Bain group as buyer of its prized chip business –sources**

Japan's embattled Toshiba Corp has chosen a group led by U.S. private equity firm Bain Capital to buy its prized memory chip unit, three people with knowledge of the talks said, a last-minute dramatic twist to a highly contentious auction.

• **Thyssenkrupp, Tata Steel agree to forge Europe's No. 2 steelmaker**

Germany's Thyssenkrupp and India's Tata Steel agreed to merge their European steel operations in a preliminary deal that would create the continent's No.2 steelmaker after ArcelorMittal.

• **Desperate night search in Mexico school, other ruins as quake deaths pass 200**

Desperate rescue workers scabbled through rubble in a floodlit search for dozens of children feared buried under a Mexico City school, one of hundreds of buildings wrecked by the country's most lethal earthquake in a generation.

• **Uber reviews Asia business amid U.S. bribery probe –source**

Uber Technologies Inc, which is the subject of a U.S. federal probe into whether it broke bribery laws, has started a review of its Asia operations and notified U.S. authorities about payments made by staff to police officers in Indonesia, a person familiar with the matter told Reuters.

BEFORE THE BELL

U.S. stock index futures were little changed as caution prevailed ahead of a U.S. Federal Reserve policy announcement that could signal whether it will raise interest rates for a third time this year. Existing home sales numbers are scheduled to be released later in the day. **European stocks** hovered in cautious trade, while stocks in **Asian markets** were mostly steady. **Gold** prices rose, aided by a weaker **dollar**. **Oil** prices jumped after Iraq's oil minister said OPEC producers and others were considering extending a supply cut.

Thomson Reuters/INSEAD Asian Business Sentiment Survey 2017Q3

Business confidence among Asian companies fell for the first time in three quarters in July-September as escalating geo-political tensions outweighed an improved performance by most economies in the region, a Thomson Reuters/INSEAD survey showed. To read more, [click here](#)

STOCKS TO WATCH

Results

• **Adobe Systems Inc (ADBE)**. The company on Tuesday reported better-than-expected quarterly revenue, driven by subscriber additions to Creative Cloud, a package of software tools that houses Photoshop. The shift to a cloud-based subscription has brought a more predictable revenue stream for Adobe, by selling its software through web-based subscriptions, and not through the sale of packaged-licensed software. Revenue from Adobe's digital media unit, which includes Creative Cloud, rose 28.3 percent to \$1.27 billion, beating estimates of \$1.25 billion, according to financial data and analytics firm FactSet. The company's net income rose to \$419.6 million, or 84 cents per share, in the third quarter, from \$270.8 million, or 54 cents per share, a year earlier. Total revenue rose 25.8 percent to \$1.84 billion.

• **FedEx Corp (FDX)**. Package delivery company said on Tuesday a June cyber attack on its Dutch unit slashed \$300 million from its quarterly profit, and the company lowered its full-year earnings forecast. The company said the cyber attack slashed 79 cents per share from its profit - nearly 40 times the 2-cents-a-share impact from deadly Hurricane Harvey, which brought catastrophic flooding to southeastern Texas. FedEx reported net income for its fiscal first quarter of \$596 million or \$2.19 per share, down more than 16



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percent from year-ago \$715 million or \$2.65 per share. Excluding the impact of the cyber attack and Hurricane Harvey, FedEx said it would have posted EPS of \$3.32, above analysts' expectations. FedEx lowered its forecast for fiscal 2018 earnings per diluted share to a range of \$11.05 to \$11.85, from a previous range of \$12.45 to \$13.25. Overall revenue rose to \$15.3 billion from \$14.7 billion in the year-ago period.

- **General Mills Inc** (GIS). Cheerios cereal maker reported a 3.5 percent fall in quarterly sales, hurt by weak demand for its Yoplait Greek and Yoplait Light yogurts in North America. Net income attributable to General Mills fell to \$404.7 million in the first quarter ended Aug. 27 from \$409 million a year earlier. On a per-share basis, earnings rose to 69 cents from 67 cents. The company's net sales fell to \$3.77 billion from \$3.91 billion.

In Other News

- **Amazon.com Inc** (AMZN). The company is working on its first wearable device - a pair of 'smart glasses', the Financial Times reported. The device, designed like a regular pair of spectacles, will allow Amazon's digital assistant Alexa to be summoned anytime at all places, the report said, citing people familiar with the plans. There would be a bone-conduction audio system in the device to allow the wearer to hear Alexa without inserting headphones into his or her ears, according to the report.

- **Bristol-Myers Squibb Co** (BMY). The company's immunotherapy drug Opdivo has been recommended for some patients with lung cancer by Britain's healthcare cost watchdog NICE after the drugmaker agreed a discounted price. The National Institute for Health and Care Excellence (NICE) said that about 1,300 patients with lung cancer were expected to receive the drug through the Cancer Drugs Fund as a result of the deal. "This new deal means that we can give patients access to what we know is a promising treatment whilst more evidence is gathered on its value," said Carole Longson, director of the NICE centre for health technology evaluation.

- **Facebook Inc** (FB), **Microsoft Corp** (MSFT), and **Alphabet Inc** (GOOGL). The leaders of Britain, France and Italy will push social media companies to remove "terrorist content" from the internet within one to two hours of it appearing because they say that is the period when most material is spread. British Prime Minister Theresa May, French President Emmanuel Macron and Italian Prime Minister Paolo Gentiloni will raise the issue at an event on the sidelines of the annual gathering of world leaders at the United Nations. Internet companies including Facebook, Microsoft Alphabet's Google said they will attend the meeting. Google will be represented by general counsel Kent Walker, who will also speak on behalf of a recently formed industry group called the Global Internet Forum to Counter Terrorism.

- **Ford Motor Co** (F). The company said on Tuesday it plans to idle five North American vehicle assembly plants for a total of 10 weeks to reduce inventories of slow-selling models. The plants affected include three assembly plants in the United States and two in Mexico, the company said in a statement. The vehicle models include the Ford Fusion and Lincoln MKZ midsize sedans, the Ford Focus compact car, the Lincoln Continental and Ford Mustang, Ford Fiesta and the Ford Transit van. Ford said the Cuautitlan assembly plant that builds the Fiesta would be idled for three weeks. The Hermosillo, Mexico plant that builds the Fusion and MKZ and the Flat Rock, Michigan, factory that assembles Continentals and Mustangs will be idled for two weeks each. The Michigan Assembly plant that builds the Focus will be idled for one week and the Kansas City assembly line that builds Transit vans will be down for two weeks. Ford did not give dates for the temporary shutdowns.

- **GlaxoSmithKline plc** (GSK). The company produced clinical data showing its newly approved three-in-one inhaler reduced life-threatening attacks in chronic obstructive pulmonary disease (COPD) patients more than other modern treatments. Britain's biggest drugmaker believes the results confirm the potential of the once-daily single inhaler, Trelegy Ellipta, a product it hopes will offset the impact of generic competition to the older lung drug Advair. Trelegy won approval based on clinical tests showing it improved lung function and exacerbations more than AstraZeneca's long-established two-drug inhaler Symbicort, which works in a similar way to Advair. The latest clinical trial, however, compares Trelegy to two more modern two-drug combinations and was seen as a more critical test for doctors wanting to know if the new product really delivers an added benefit.

- **Wal-Mart Stores Inc** (WMT), **Target Corp** (TGT), and **PepsiCo Inc** (PEP). The companies joined an expanded group of nearly 800 companies calling in a letter for U.S. legislation to protect immigrants brought into the country illegally by their parents from deportation, according to organizer FWD.us. The retailers and other companies asking Congress to pass a permanent replacement for Deferred Action for Childhood Arrivals, or DACA, reflect broadening pressure on political leaders to find a solution for the roughly 800,000 immigrants known as "Dreamers". A group of businesses less than half the size and weighted toward technology companies sent a similar letter in August, before President Donald Trump said he would end the program. The new letter reflects Trump's decision and asks for a permanent solution to let DACA recipients remain in the United States.



INSIGHT

How \$5 billion of debt caught up with Toys 'R' Us

Toys "R" Us Inc has been making \$400 million in interest payments on its debt every year, largely due to its \$6.6 billion leveraged buyout in 2005. This week, it succumbed to its debt burden, leading to the biggest bankruptcy of a U.S. retailer since that of Kmart in 2004. The largest U.S. toy retailer's decision to file for Chapter 11 bankruptcy protection on Monday took investors by surprise, given that the company faced no imminent debt maturities and had managed to overcome financial stress in the past by securing concessions from its creditors.

ANALYSTS' RECOMMENDATION

- **Allergan Plc (AGN)**. Morgan Stanley cuts rating to equal-weight from overweight, seeing a balanced risk-reward given earnings risk relative to consensus and pipeline uncertainty, offset by relative valuation discount versus large cap pharma peer group.
- **Best buy Co Inc (BBY)**. RBC cuts target price to \$57 from \$61, having become increasingly concerned about deteriorating consumer electronics category trends.
- **PayPal Holdings (PYPL)**. Evercore ISI raises target price to \$81 from \$68, with the view that as it transitions from a products to a platform company, its growth opportunities are expanding and the room for earnings outperformance is increasing.
- **Pfizer Inc (PFE)**. Morgan Stanley raises rating to overweight from equal-weight on the belief that its shares are poised to outperform given global rollout of its breast cancer drug Ibrance.
- **Ralph Lauren Corp (RL)**. Barclays initiates coverage with underweight rating, calling limited visibility to the success of the company's turnaround plans for its business their main concern.

ECONOMIC EVENTS

1000 Existing home sales for Aug: Expected 5.46 mln; Prior 5.44 mln

1000 Existing home sales percentage change for Aug: Expected 0.3 pct; Prior -1.3 pct

1400 Fed funds target rate: Expected 1.0-1.25 pct; Prior 1.0-1.25 pct

COMPANIES REPORTING RESULTS

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

CORPORATE EVENTS

08:30 General Mills Inc (GIS). Q1 earnings conference call

09:00 Scholastic Corp (SCHL). Annual Shareholders Meeting

11:00 Copart Inc (CPRT). Q4 earnings conference call

EXDIVIDENDS

Apollo Investment Corp (AINV). Amount \$0.15

Getty Realty Corp (GTY). Amount \$0.28

Glacier Bancorp Inc (GBCI). Amount \$0.21

Las Vegas Sands Corp (LVS). Amount \$0.73

LTC Properties Inc (LTC). Amount \$0.19

Main Street Capital Corp (MAIN). Amount \$0.19

Marriott Vacations Worldwide Corp (VAC). Amount \$0.35

Sabre Corp (SABR). Amount \$0.14

Synovus Financial Corp (SNV). Amount \$0.15

Total System Services Inc (TSS). Amount \$0.13

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



PICTURE OF THE DAY



People clear rubble after an earthquake hit Mexico City, Mexico September 19, 2017. REUTERS/Carlos Jasso

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