

MORNING NEWS CALL

REUTERS

U.S. Edition

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DAVOS 2019

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TOP NEWS

• **Trump-Deutsche Bank links in sights of U.S. House investigators**

Democrats now in control of the U.S. House of Representatives are working out which House panels will take the lead in investigating President Donald Trump's business ties to Deutsche Bank, lawmakers and aides familiar with the plans told Reuters.

• **Tesla to cut workforce by 7 percent, sees smaller Q4 profit**

Tesla said it would cut thousands of jobs to rein in costs as it ramps up production of its crucial Model 3 sedan, and the electric car maker expects fourth-quarter profit to be lower than the previous quarter.

• **Schlumberger reports quarterly profit compared with year-ago loss**

Top oilfield services provider Schlumberger reported quarterly profit, compared with loss a year earlier when it took \$2.7 billion in charges related to restructuring and asset writedown.

• **[Consumer giants spurn risks to chase online subscribers](#)**

Major consumer companies including Unilever, Procter & Gamble and Nestle are chasing consumers who want food and household goods delivered automatically, even though this kind of business has not always worked.

• **Vans shoe maker VF Corp beats quarterly revenue estimates**

Apparel maker VF Corp beat Wall Street's estimates for quarterly revenue, boosted by demand for its high-margin Vans shoes and North Face apparel.

BEFORE THE BELL

Wall street futures traded higher, in line with **world stocks**, on renewed hopes for trade negotiations between the U.S. and China. Boost in risk appetite dragged **gold** prices down, while **palladium** rose amid supply concerns and robust demand. The **dollar** was little-changed against a basket of its rivals. **Oil** prices climbed after a report showed sharp reduction in output from OPEC members last month. Industrial production data is due for release later during the day.

STOCKS TO WATCH

Results

• **American Express Co (AXP)**. The company missed Wall Street's fourth-quarter profit estimates on Thursday, as the rate of customer spending slowed despite a strong U.S. holiday sales season. The company said its net income was \$2.01 billion, or \$2.32 per share, in the quarter, compared with a loss of \$1.21 billion, or \$1.42 per share, a year earlier, when it took a charge due to a change in U.S. tax laws. Excluding items, the company earned \$1.74 per share, missing analysts' average estimate of \$1.80. Revenue, net of interest expense, rose 7.9 percent to \$10.47 billion, but fell short of analysts' estimates of \$10.56 billion.

• **Netflix Inc (NFLX)**. The company forecast first-quarter revenue slightly below Wall Street estimates on Thursday, even after a record quarter for new customers. Netflix reported revenue of \$4.19 billion for the quarter, slightly below the \$4.21 billion that Wall Street analysts had forecast. It forecast first-quarter revenue of \$4.49 billion, slightly below analysts' average estimate of \$4.61 billion. It sees net income of \$253 million for the first quarter, well below analysts' average estimate of \$371 million. Netflix reported earnings of 30 cents per share for the quarter, lower than a year earlier due to higher spending, but above Wall Street analysts' average estimate of 24 cents.

- **Schlumberger NV (SLB)**. The company reported quarterly profit, compared with loss a year earlier when it took \$2.7 billion in charges related to restructuring and asset writedown. The company reported a net income of \$538 million, or 39 cents per share, in the fourth quarter ended Dec. 31, compared with a loss of \$2.26 billion, or \$1.63 per share, a year earlier. Revenue was flat at \$8.18 billion.
- **VF Corp (VFC)**. The apparel maker beat Wall Street's estimates for quarterly revenue, boosted by demand for its high-margin Vans shoes and North Face apparel. The company reported a net income of \$463.5 million, or \$1.16 per share, in the third quarter, compared to a loss of \$90.3 million, or 23 cents per share, a year earlier. Net revenue rose to \$3.94 billion from \$3.65 billion, beating analysts' average estimate of \$3.87 billion.

In Other News

- **Carlyle Group LP (CG)**. The private equity firm and Nomura Holdings are planning a joint takeover bid for beer maker Orion Breweries, the Nikkei reported. Both companies could pay tens of billions of yen for Orion, the fifth biggest beer maker in Japan, the Nikkei report said. The brewery expects the deal to help the company expand in the United States and in other parts of Asia.
- **Central European Media Enterprises Ltd (CETV)**. The broadcaster will keep its Slovenian television networks, it said after a long-running regulatory process held up plans to pay down debt. CME said it had terminated the sale to a United Group subsidiary and that it had already reduced gross debt by 30 percent and remained on target to hit planned debt levels without the sale proceeds.
- **CVS Health Corp (CVS) & Walmart Inc (WMT)**. The companies said the world's largest retailer would remain part of CVS's network for commercial and Medicaid pharmacy customers, breaking a contract impasse CVS disclosed earlier this week. Financial terms of the new contract were not disclosed. Walmart senior vice president Sean Slovenski described the terms as "fair and equitable" in a press release.
- **Eli Lilly and Co (LLY)**. The company said its cancer treatment Lartruvo failed to meet the main goal in a late-stage trial testing the therapy in patients with advanced or metastatic soft tissue sarcoma. The company said the study did not confirm the clinical benefit of Lartruvo when used in combination with the standard-of-care doxorubicin, when compared to doxorubicin.
- **Goldman Sachs Group Inc (GS)**. Malaysia's finance minister said the government would be ready to discuss dropping criminal charges against Goldman Sachs linked to the 1MDB scandal if the bank pays \$7.5 billion in reparations. U.S prosecutors last year charged two former Goldman bankers with the theft of billions of dollars from 1MDB. Finance Minister Lim Guan Eng said Malaysia was seeking \$7.5 billion in reparations from Goldman Sachs over its 1MDB deals, which included fees paid to the bank and bond coupons that were "higher than the market rate".
- **JPMorgan Chase & Co (JPM)**. The company's Chief Executive Jamie Dimon is receiving a 5 percent raise, bringing his total 2018 compensation to \$31 million, the company said in a filing on Thursday. In setting the figure, independent members of the JPMorgan board took into account "the firm's strong performance in 2018 and through the cycle" in categories including business results, risk, controls and conduct, customer focus and leadership, the filing said. The package for Dimon, 62, includes an annual base salary of more than \$1.5 million and performance-based incentive compensation of \$29.5 million. His total compensation a year earlier was \$29.5 million.
- **Lexicon Pharmaceuticals Inc (LXRX) & Sanofi SA (SNY)**. An advisory panel to the U.S. Food and Drug Administration was divided over whether to recommend approval of a treatment for type 1 diabetes developed by the companies. The panel on Thursday voted 8-8 when asked to assess the once-daily oral medicine, sotagliflozin, an add-on to insulin therapy. The agency is expected to make a final decision by March 22.
- **MGM Resorts International (MGM)**. The company has struck a deal with hedge fund Corvex Management's founder, Keith Meister, to give him a board seat, one week after a rival activist investor was seen building a position in the casino operator. Corvex owns roughly 3 percent of MGM's stock. Meister will join the board on Friday, expanding its size by one to 13 members, MGM said in a statement released late on Thursday.
- **Ryanair Holdings plc (RYAAY)**. The company cut its forecast for full-year profit for the second time in three months, this time blaming lower than expected winter fares, and said it could not rule out a further downgrade if Brexit causes disruption. Ryanair now expects profit after tax for its financial year to March 31 - excluding start-up losses at its Laudamotion unit - of between 1 billion euros and 1.1 billion euros, compared to a previous estimate of 1.1 billion euros to 1.2 billion euros. The new profit forecast range would represent a 24-31 percent fall from the record 1.45 billion euro post-tax profit Ryanair booked in its most recent financial year. Ryanair, which reports third quarter results on Feb. 4, said its fares in the second half of its financial year were set to fall by 7 percent, rather than the 2 percent previously flagged.
- **Salesforce.Com Inc (CRM)**. The company will more than double its workforce in Ireland by adding 1,500 jobs, marking one of the largest single job announcements in the 70-year history of the state's foreign investment agency. The software maker currently employs 1,400 people in Dublin and will add the new jobs over the next five years as it moves into a new 430,000 feet campus on the

city's north docks. "Europe is Salesforce's fastest growing region, and Ireland has been a significant part of our success," Miguel Milano, Salesforce's international president, said.

- **Tesla Inc** (TSLA). The company said it would cut thousands of jobs to rein in costs as it ramps up production of its crucial Model 3 sedan, and the electric car maker expects fourth-quarter profit to be lower than the previous quarter. "I want to make sure that you know all the facts and figures and understand that the road ahead is very difficult," Musk said in an email to employees that was published on the company's blog. "This quarter, as with Q3, shipment of higher priced Model 3 variants (this time to Europe and Asia) will hopefully allow us, with great difficulty, effort and some luck, to target a tiny profit," Musk said. Tesla said it would reduce full-time employee headcount by about 7 percent and retain only the most critical temps and contractors.

- **Tiffany & Co** (TIF). The company said that its worldwide same-store sales fell 2 percent during the holiday season, leading the up-scale jeweler to temper its expectation for full-year profit. The company said it now expects full-year profit to be likely towards the lower end of its previously-disclosed range of \$4.65-\$4.80 per share.

ANALYSIS

Shutdown clouds outlook for consumer-driven U.S. economic growth

After tax cuts, rising incomes and buoyant stock markets set off a consumer boom in 2018, signs are emerging that the main engine of U.S. economic growth could sputter, and a record-long government shutdown further muddies the waters.

ANALYSTS' RECOMMENDATION

- **Baidu Inc** (BIDU). Barclays cuts price target to \$210 from \$230, believing that the company's continuous investment in new initiatives may keep pressure on profits in 2018-19.
- **Bank of America Corp** (BAC). Jefferies raises price target to \$33, saying the company's first quarter results beat on nearly every core line item, with most run-rating better in their model.
- **PG&E Corp** (PCG). RBC cuts target price to \$8 from \$45, to reflect uncertainty surrounding the company's potential liabilities in the 2017 and 2018 wildfires.
- **Signature Bank** (SBNY). Barclays raises price target to \$144 from \$137, after the company reported better-than-expected fourth-quarter results.

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

0915 Industrial production mm for Dec: Expected 0.2 pct; Prior 0.6 pct

0915 Capacity utilization SA for Dec: Expected 78.5 pct; Prior 78.5 pct

0915 Manufacturing output mm for Dec: Expected 0.3 pct; Prior 0 pct

0915 Industrial production YoY for Dec: Prior 3.89 pct

1000 U Mich Sentiment Preliminary for Jan: Expected 97; Prior 98.3

1000 U Mich Conditions Preliminary for Jan: Expected 114.5; Prior 116.1

1000 U Mich Expectations Preliminary for Jan: Expected 86; Prior 87

1000 U Mich 1 year inflation preliminary for Jan: Prior 2.7 pct

1000 U Mich 5-year inflation preliminary for Jan: Prior 2.5 pct

COMPANIES REPORTING RESULTS

Kansas City Southern (KSU). Expected Q4 earnings of \$1.54 per share

State Street Corp (STT). Expected Q4 earnings of \$1.67 per share

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

0800 SunTrust Banks Inc (STI). Q4 earnings conference call

0830 Schlumberger NV (SLB). Q4 earnings conference call

0830 VF Corp (VFC). Q3 earnings conference call

0845 Kansas City Southern (KSU). Q4 earnings conference call

0900 Citizens Financial Group Inc (CFG). Q4 earnings conference call

0930 First Horizon National Corp (FHN). Q4 earnings conference call

1000 State Street Corp (STT). Q4 earnings conference call

1100 Regions Financial Corp (RF). Q4 earnings conference call

EXDIVIDENDS

Apache Corp (APA). Amount \$0.25

Caterpillar Inc (CAT). Amount \$0.86

Cooper Companies Inc (COO). Amount \$0.03

Graco Inc (GGG). Amount \$0.16

SYNNEX Corp (SNX). Amount \$0.37

(All analysts' estimates are according to I/B/E/S Refinitiv data)

(Morning News Call – U.S. edition will not be published on Monday, January 21 as markets are closed for Martin Luther King, Jr. Day)

PICTURE OF THE DAY



A U.S. Air Force bus meant to transport U.S. Speaker of the House Nancy Pelosi and other members of Congress to a flight to Belgium and Afghanistan sits in front of the U.S. Capitol after President Donald Trump cancelled the Air Force flight as the president's dispute with congressional Democrats over the partial government shutdown continues in Washington, January 17.

REUTERS/Joshua Roberts

(Compiled by Yoganand K N and Priyanka Das in Bengaluru)

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