

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Wall Street** slipped as major companies cautioned on higher costs and as **Benchmark yields** breached 3 percent for the first time in over four years. Technology shares also weighed as worries about slowing smartphone demand intensified. The **dollar** edged down while **gold** prices rose after three days of losses. **Oil** prices dipped.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	24024.13	-424.56	-1.74	26616.71	20553.45
Nasdaq	7007.35	-121.25	-1.70	7637.27	6630.67
S&P 500	2634.55	-35.74	-1.34	2872.87	2532.69
Toronto	15477.00	-75.06	-0.48	16421.42	14785.78
FTSE	7425.40	26.53	0.36	7792.56	6866.94
Eurofirst	1503.02	0.48	0.03	1587.95	1415.80
Nikkei	22278.12	190.08	0.86	24129.34	20347.49
Hang Seng	30636.24	381.84	1.26	33484.08	29129.26

TREASURIES	Yield	Price
10-year	2.9958	-6 /32
2-year	2.4746	0 /32
5-year	2.8243	-1 /32
30-year	3.1750	-19 /32

FOREX	Last	% Chng
Euro/Dollar	1.2231	0.20
Dollar/Yen	108.77	0.06
Sterling/Dollar	1.3974	0.25
Dollar/CAD	1.2824	-0.18
TR/HKEX RMB	98.40	0.12

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	67.79	-0.85	-1.24
Spot gold (NY/oz)	1330.94	6.94	0.52
Copper U.S. (front month/lb)	0.0314	0.0003	0.80

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
Cadence Design Systems Inc	40.09	3.35	9.12
Fifth Third Bancorp	33.25	1.32	4.13
Whirlpool Corp	155.96	5.64	3.75
PulteGroup Inc	29.65	0.83	2.88
<b>LOSERS</b>			
Freeport-McMoRan Inc	16.08	-2.73	-14.51
Incyte Corp	62.35	-5.79	-8.50
Masco Corp	36.18	-3.27	-8.29
Waters Corp	193.18	-16.42	-7.83

## Coming Up

Social media giant **Facebook Inc** is expected to report a rise in first-quarter revenue as it continues to benefit from its mobile ad business and focus on videos. Investors will watch for any update on Facebook's plan on data protection after it became embroiled in a huge scandal surrounding the misuse of its users' data by a consultancy. Also, microblogging website operator **Twitter Inc** is expected to report higher first-quarter profit and revenue as it continues to benefit from efforts to cut costs. The company reported its first ever profit in the previous quarter. Investors will watch for signs of growth in its user base.

**AT&T Inc**, the No. 2 U.S. wireless carrier, is expected to report growth in first-quarter profit, helped by higher subscriber additions. Investors will watch for any update on the pending deal to buy Time Warner. **Comcast Corp's** first-quarter results are also expected.

Planemaker **Boeing Co** is expected to report higher first-quarter profit and revenue as it benefits from robust demand for air travel. Investors will look for an update on full-year financial forecast.

**General Dynamics Corp**, the maker of Gulfstream business jets, is expected to show a rise in profit for the first quarter helped by higher aircraft sales. Investors will look for comments on 2018 financial forecast and the business environment under President Donald Trump. U.S. weapons maker **Northrop Grumman Corp** is also expected to report higher first-quarter revenue, partly boosted by higher sales in businesses that make parts for the F-35 fighter jets. Northrop, like its U.S. peers, could benefit from Trump's reported



plan to roll out a new weapons sales policy, which would allow allies to buy more arms.

**Ford Motor Co** will report first-quarter results. The No. 2 U.S. automaker has been working to boost its profit margins, which have been hurt by rising commodity costs and a product lineup that is considered too light on the SUV and crossover models that are increasingly popular with consumers. Wall Street will be watching for any improvements in margins and for forward-looking statements on the company's product mix.

**Visa Inc** is expected to report a rise in second-quarter profit as customers use their cards more for shopping. PayPal Holdings Inc is also expected to report higher first-quarter profit as people use its platform more for transactions. Expenses are expected to rise.

Chipmaker **Qualcomm Inc** is likely to report a drop in second-quarter revenue and net income due to softer demand for smartphones in China. Wall Street will look out for commentary on the pending deal to buy NXP Semiconductors NV and the dispute with Apple Inc. Another

## KEY ECONOMIC EVENTS

No major economic indicators are scheduled for release.

chipmaker, **Advanced Micro Devices Inc**, is expected to report higher first-quarter revenue, as demand for its graphics processors remain strong.

**Viacom Inc**, the owner of MTV, Comedy Central and Nickelodeon, is expected to report a drop in second-quarter revenue as domestic affiliate revenue and advertising revenue continue to remain under pressure. Investors will watch for any update on the ongoing discussions between Viacom and CBS about a potential merger.

**General Electric Co** faces shareholders at its first **annual meeting** under Chief Executive **John Flannery**. GE posted improved first-quarter earnings last week and affirmed its full-year earnings forecast, but warned its power business is still struggling and that GE will need time to restore the profitability it enjoyed three years ago. The company is shedding \$20 billion in assets and still considering a possible break up. **Bank of America Corp** will also hold its **annual shareholder meeting** in Charlotte, North Carolina.

Switzerland's second biggest bank **Credit Suisse** reports results for a volatile first-quarter. Investors will look at how Credit Suisse, which is finishing up a turnaround to shrink its investment banking and focus more on profitable wealth management, weathers the hit to its trading division compared with peers. Costs will be a likely focus as well.

**Samsung Electronics** announces full January-March earnings results, after it tipped surprise record profits earlier this month.

E-commerce company **eBay Inc** is expected to post a rise in first-quarter revenue and profit, as the company benefits from tweaks to its platform. The company has been revamping its marketplace through changes including a



*General Electric Chief Executive Officer John Flannery presents the company's new strategy and financial targets to investors at a meeting in New York, U.S., November 13, 2017. REUTERS/Alwyn Scott*

more accessible home page to better compete with Amazon, having earlier warned that the overhaul could affect future profits.

**Boston Scientific Corp** is expected to post a profit ahead of Wall Street estimates for the first quarter. The company has been sticking to the plan it outlined in the previous quarter, making small, bolt-on acquisitions to bolster its businesses, and investors will look for a possible hike in the medical device maker's earnings forecast for the year. Also, **Laboratory Corp of America Holdings** will report first-quarter results and investors will likely focus on developments in the company's Covance business, which carries out trials for drugmakers.

**Goodyear Tire & Rubber Co** is expected to report a rise in first-quarter revenue, boosted by strong demand for its tires with larger rim sizes. However, the company's profit is expected to drop as a result of

costs related to raw materials. Investors will look for any updates on the company's financial forecast and comments on the impacts from U.S. tariffs on imported steel and aluminum.

Exchange operator **Nasdaq Inc** is expected to report a rise in first-quarter profit as it benefits from the stock market volatility seen in February, which should push trading volumes higher. The transatlantic exchange operator is also slated to post growth in non-trading related businesses, which the company has been focusing on to boost revenue amid weak volumes and stiff competition.

**Hess Corp** will also report first-quarter earnings.

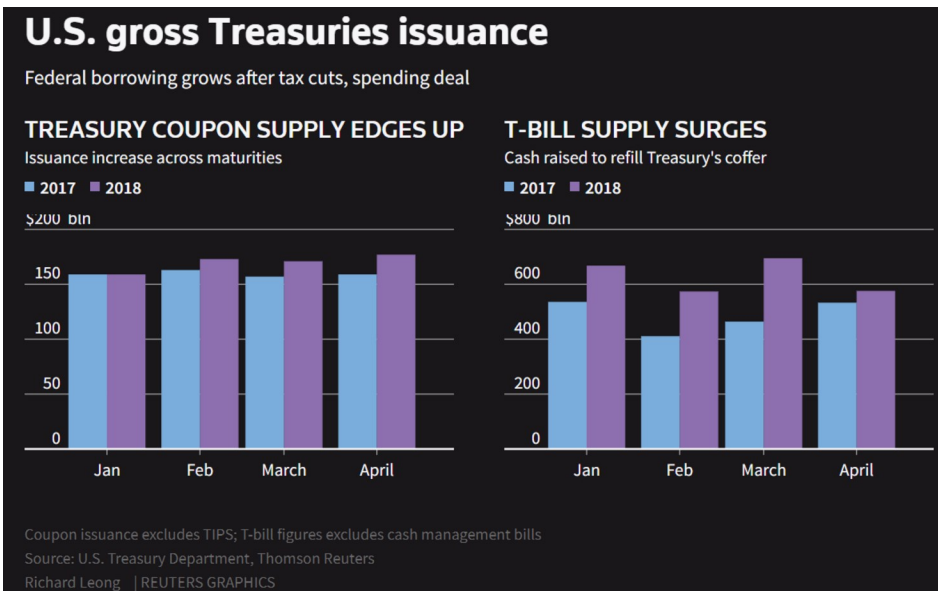
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# Market Monitor

**Stocks** slid as 10-year Treasury yields hit 3 percent for the first time in four years, stoking concerns over higher borrowing rates for companies already facing rising costs, and as quarterly results failed to deliver positive outlooks. **Facebook** fell 3.71 percent. **Apple** was down 1.39 percent, falling for the fifth straight session as comments from chipmaker AMS and smartphone screen maker Corning fed fears of slowing demand for iPhones. **Corning** slipped 2.8 percent. The technology sector sank 1.99 percent to \$1,127.26. **Lockheed Martin** sank 6.17 percent. **3M** dived 6.83 percent after it cut the top end of its full-year forecast. Insurer **Travelers Cos** plunged 3.17 percent. The **Dow Jones Industrial Average** was down 1.74 percent, at 24,024.13, the **S&P 500** was down 1.34 percent, at 2,634.56 and the **Nasdaq Composite** was down 1.70 percent, at 7,007.35.

**Benchmark Treasury yields** rose to 3 percent for the first time in more than four years, reflecting the durability of the U.S. economic expansion and stoking views the three-decade-old bull market in bonds is coming to an end. "That we're at a point that we can start to sustain some rises in bond yields speaks to confidence in the economy. And that's what is really critical at this point is to follow the Fed's lead in terms of talking about policy normalization," said Willie Delwiche, investment strategist at Baird in Milwaukee. Some analysts argued that rising bond yields, which mortgage and other loan rates are based on, would increase borrowing costs for consumers, undoing much of the expected benefits from last year's U.S. tax overhaul. The **10-year** Treasury yield rose to 2.9939 percent after touching 3.003 percent, which was the highest since January 2014. Prices were last down 6/32. The **30-year bond** slipped 19/32, to yield 3.1742 percent. The Treasury Department sold \$32 billion in **two-year notes** in mediocre demand at a yield of 2.498 percent, the highest since July 2008. The **bid-to-cover ratio** was 2.61.



The **dollar** was lower against the euro as the 10-year Treasury yield broke through the psychologically significant barrier of 3 percent. "Yesterday was a big day in terms of Treasury yields impacting currencies. Today, the 10-year did claw its way up to 3 percent to no big effect as far as currencies are concerned," said Alan Ruskin, global head of currency strategy at Deutsche Bank in New York. Greenback gains drove the euro down slightly past the two-month low hit yesterday, on growing concerns that firmer U.S. Treasury yields would reduce incremental demand for the region's bonds and stocks at a time when hedge funds have amassed record long bets in the single currency. The **single currency** stabilised and was 0.21 percent higher at \$1.2234. The **dollar index** was 0.19 percent lower at 90.77. Against the **yen**, the dollar edged up 0.06 percent to 108.76 yen.

**Oil** prices slipped as concerns over the possibility that the United States might reinstate sanctions against Iran faded somewhat, alleviating worries about the future of Iranian exports. U.S. President Donald Trump and French President Emmanuel Macron pledged to try to

resolve U.S.-European differences on Iran, though Trump stopped short of saying he would not abandon the international nuclear deal. Renewed sanctions against Tehran could harm Iran's ability to export its crude. **Brent** traded as high as \$75.47 and was last down 0.92 percent at \$74.02 a barrel. **West Texas Intermediate crude** fell 1.14 percent to \$67.86.

**Gold** prices gained after three days of losses as the dollar retreated from an earlier three-month peak and U.S. equities weakened, even as benchmark U.S. Treasury yields passed 3 percent for the first time in more than four years. "Based on interest rates, prices should be lower," said Capital Economics analyst Simona Gambarini. "But there are a lot of other factors, and a lot of tensions that have been boosting prices... we think gold will continue to trade in this range between \$1,300-1,350 depending on what happens with those risks, and the Fed hiking rates." **Spot gold** gained 0.52 percent to \$1,330.86 per ounce, while **U.S. gold futures for June delivery** settled up 0.68 percent, at \$1,333.0.

# Top News

## Caterpillar shares slide; Trump steel tariffs may boost costs

Caterpillar's shares tumbled, giving up early gains on concerns that rising materials costs could squeeze profit margins for the heavy equipment manufacturer following U.S. President Donald Trump's crackdown on steel imports. Those worries overshadowed its strong performance in the March quarter when both profits and revenues topped analysts' estimates, prompting the world's largest heavy equipment maker to upgrade its profit outlook for 2018. Revenues rose 31 percent on year to \$12.9 billion, above Wall Street's expectations, as strong commodity prices and increased construction activities in North America and China drove up sales of mining and construction machines. Overall sales were also boosted by favorable currency impacts and improved price realization. Caterpillar's 2018 forecast did not include any potential impact from future geopolitical risks and increased trade restrictions. The company reported a net profit of \$2.74 per share for the quarter, above analysts' consensus forecast of \$2.04 per share. Adjusted net profit was \$2.82 per share. Shares in Caterpillar were last down 6.20 percent at \$144.44 after gaining as much as 4.6 percent in early trade.

## United Tech results beat as booming air travel spurs demand

United Technologies reported quarterly results that topped analysts' estimates and raised its full-year forecasts, citing higher demand for spare parts and services from airlines dealing with booming passenger travel. Chief Financial Officer Akhil Johri told Reuters that United Tech expects to meet its full-year target for engine deliveries to Airbus and is optimistic that its suppliers can keep pace with rising engine production. The company raised its 2018 adjusted earnings per share forecast to a range of \$6.95-\$7.15 from \$6.85-\$7.10, and full-year sales to a range of \$63 billion to \$64.5 billion from \$62.5 billion to \$64 billion. The company said sales in its Pratt & Whitney unit rose 15.2 percent. Its



*Caterpillar machines are seen at Lianyungang port in Jiangsu province, China January 21.*

aerospace systems division reported a 5.7 percent rise in sales. On an adjusted basis, the company earned \$1.77 per share, beating analysts' expectation of \$1.52 per share. Net sales rose to \$15.24 billion, above the \$14.64 billion expected by the market. Separately, Lockheed Martin did not raise its 2018 cash flow projections even as the U.S. government spends more on defense, disappointing investors and pushing its shares lower. To read more, [click here](#)

## Eli Lilly's profit beats on strong sales of diabetes, cancer drugs

Eli Lilly lifted its full-year profit forecast after comfortably beating estimates for the first quarter, largely due to strong sales of its diabetes and cancer drugs and lower expenses. Lilly reported net income of \$1.22 billion, or \$1.16 per share, in the first quarter, compared with a loss of \$110.8 million, or 10 cents per share, a year earlier. Excluding items, the company earned \$1.34 per share, beating the average estimate of \$1.13. The company's operating expenses fell 5.3 percent to \$2.67 billion in this quarter. Lilly raised its 2018 profit forecast to \$5.10 to \$5.20 per share from \$4.81 to \$4.91 per share, saying

the increase was partly due to lower Medicaid utilization and more commercial insurance coverage for several products. Meanwhile, Drugmaker Biogen's quarterly revenue missed analysts' estimates as it had disappointing sales of its promising drug Spinraza to treat spinal muscular atrophy because fewer new patients used the expensive treatment. To read more, [click here](#)

## Coke warns of pain from UK sugar tax, U.S. freight costs

Coca-Cola said it would take a hit in the second quarter from the introduction of a British sugar tax on soft drinks and rising freight costs in the United States, overshadowing modestly better than forecast results for the first three months of 2018. Total volumes rose 3 percent in the first quarter, with growth in both sodas and teas and coffees driving much of the gains. Organic sales, which exclude gains from acquisitions or divestitures, rose 5 percent in the quarter. First quarter net revenue fell 16 percent to \$7.63 billion, due to the divestment of its bottling operations, but beat analysts' estimates of \$7.34 billion. Excluding items, net profit of 47 cents per share beat consensus forecasts by 1 cent, the company said.

### Google-owner Alphabet's shares fall on rise in costs

Shares of Google parent Alphabet lost over 5 percent as a surge in costs drove what analysts said was its biggest ever contraction in gross margins, overshadowing strong first-quarter ad sales. The dive in first-quarter operating margins, to 22 percent from 27 percent a year ago, follows a troubling six weeks for major U.S. tech players, now facing a more questioning public and the prospect of tighter official scrutiny on privacy issues. At least nine brokerages cut their price targets on Alphabet shares, compared to five who raised. Longer-term capital expenditures at Google nearly tripled to \$7.3 billion in the first quarter from \$2.5 billion a year ago. The company said that continuing cost increases came from acquiring streaming rights for YouTube's new TV service and marketing new products. Google executives say the spending to install powerful computers and internet cables is necessary to keep up with demand for YouTube, its Google Assistant and data analytics tools within its Google Cloud services. Shares closed 4.45 percent lower at \$1,019.98.

### Verizon first-quarter results beat estimates

Verizon Communications reported better-than-expected first-quarter results as the wireless carrier lost fewer monthly phone subscribers than feared, and the company's chief financial officer said it was continuing to explore a new video service. Verizon lost 24,000 phone subscribers who pay a monthly bill, while analysts expected it to lose 69,000 subscribers, according to financial and data analytics firm FactSet. Speaking on the post-earnings conference call. Net income attributable to Verizon rose to \$4.55 billion, or \$1.11 per share, in the first quarter from \$3.45 billion, or 85 cents per share, a year earlier. On an adjusted basis, the company earned \$1.17 per share. Total operating revenue rose to \$31.77 billion from \$29.81 billion a year earlier. Analysts had expected adjusted earnings of \$1.10 per share and revenue of \$31.26 billion. The company said it expected savings from tax reform to generate a net \$3.5 billion to \$4 billion benefit to cash flow from operations in 2018, resulting in a 55 to 65 cent increase in 2018 earnings per share.

### Freeport slides on Indonesia environment demands, weaker outlook

Shares of Freeport-McMoRan fell over 14 percent after the miner revealed onerous environmental demands from Indonesia's government that could delay a new contract for its massive Grasberg copper mine. The world's biggest listed copper miner also lowered its copper sales forecast for the year while raising its outlook for costs, and reported a weaker-than-expected quarterly profit. "We had an agreement with the government that over the life of the mine, we would retain 50 percent of the tailings on land. They're now saying it should be 95 percent, which just cannot be done," Freeport Chief Executive Richard Adkerson said on a conference call. The company also highlighted seismic issues at Grasberg that could lower production in 2019. Attributable profits rose to \$692 million, or 47 cents per share, in the quarter, from \$228 million, or 16 cents a share, a year earlier, helped by higher copper prices. But excluding one-time charges, profit was 46 cents per share, well below analysts' forecasts for 56 cents. Shares of the company closed 14.51 percent down to \$16.08.

### Pulte's home sales forecast points to strong housing market

PulteGroup joined bigger rival Lennar Corp in raising its home sales forecast for the year, underscoring homebuyers' optimism around an improving economy despite rising interest rates. Pulte said it now expected to sell 22,500 to 23,500 homes this year, compared with its previous estimate of 22,000 to 23,000. Pulte also forecast its average price in the range of \$405,000 to \$420,000 for the year, up from \$400,000 to \$415,000 estimated previously. Orders, an indication of future revenue for homebuilders, rose 12.2 percent to 6,875 homes in the quarter. The homebuilder said average prices rose to \$413,000 in the first quarter from \$375,000 a year earlier, while it sold 4,626 homes compared to 4,225 in the equivalent quarter of 2017. Pulte's gross margins were 23.6 percent, up from 23.2 percent a year earlier. The company's net income soared 87 percent to \$170.8 million, or 59 cents per share, beating the average analyst estimate of a profit of 45 cents per share. Revenue jumped 20.9 percent to \$1.97 billion.



### Researcher in Facebook scandal says: my work was worthless to Cambridge Analytica

A researcher at the centre of a scandal over the alleged misuse of the data of nearly 100 million Facebook users said the work he did was useless for the sort of targeted adverts that would be needed to sway an election. Aleksandr Kogan (*pictured*), who worked for the University of Cambridge, is at the centre of a controversy over Cambridge Analytica's use of millions of users' data without their permission after it was hired by Donald Trump for his 2016 election campaign. Kogan said it was unlikely Cambridge Analytica had used the data in the Trump campaign, although he also said that its suspended CEO Alexander Nix had lied to a committee of British lawmakers about how the two worked together. Separately, WhatsApp is raising its minimum age from 13 to 16 in Europe to help it comply with new data privacy rules coming into force next month. To read more, [click here](#)

### Amazon boss Bezos supports scrutiny of big companies

Amazon Chief Executive Jeff Bezos said that it was right that big companies are scrutinized and said his firm would respond to any new regulations by finding new ways to please its customers. Bezos was speaking in Berlin, where he was receiving an award from German media company Axel Springer. He was responding to how seriously he took recent criticism of Amazon by U.S. President Donald Trump. "All large institutions should be scrutinised or examined," Bezos said. "We have a duty on behalf of society to help educate any regulators without cynicism or scepticism. We will work with any set of regulations that we are given... we will follow those rules and find a new way to delight customers."



Firefighters stand near a covered body after a van struck multiple people at a major intersection in northern Toronto, Ontario, Canada, April 23.

## Insight and Analysis

### **FOCUS-Express Scripts targets new migraine drugs to change U.S. pricing dynamic**

The largest U.S. manager of prescription benefits is telling drugmakers that the current pricing model is broken, and taking aim at Amgen Inc and other makers of new migraine medicines to try and fix it. Express Scripts told Reuters it is pressing them to forego the usual strategy of setting a high U.S. list price, then lowering the cost for health plans through hefty rebates. It is also seeking a refund if the drugs don't work within a defined timeframe. The shift could help Express Scripts and other pharmacy benefits managers (PBMs) bring prices down, and deflect growing criticism of their role as "middlemen" in the drug supply chain.

### **GM Korea averts bankruptcy but how long will it stay?**

General Motors' South Korean unit has averted a bankruptcy filing, but analysts and customers, as well as the South Korean government, are debating how long the loss-making company will remain in business. GM Korea agreed a last-minute wage deal with its union on Monday, paving the way for nearly \$500 million in fresh capital injection by the government. But the government remains unconvinced about the company's longer-term commitment to remain in business and is pressing GM for a detailed plan. It worries that the U.S. auto giant's strategy of exiting unprofitable markets may lead to a complete pull out from South Korea.

### **U.S. Supreme Court upholds legality of patent review process**

The U.S. Supreme Court on Tuesday gave its stamp of approval to a government review process prized by high technology companies as an easy and cheap way to combat "patent trolls" and others that bring patent infringement lawsuits. The justices ruled 7-2 that a type of in-house patent review at the U.S. Patent and Trademark Office does not violate a defendant's right under the U.S. Constitution to have a case adjudicated by a federal court and jury. The court ruled against Oil States International Inc, a Houston-based oilfield services company that had challenged the legality of the process, called inter partes review (IPR).

# CANADA

## Market Monitor

Canada's **main stock index** fell as lower oil prices weighed on energy shares, while investors worried about the prospect of higher global borrowing costs after the U.S. 10-year yield hit the 3 percent level for the first time in four years.

**CN Rail** lost 0.47 percent. **Restaurant Brands International's** shares rose 4.32 percent. **Centerra Gold** was up 3.08 percent. **Enbridge Inc** dropped more than 4 percent after a Minnesota judge agreed the Line 3 oil pipeline replacement project was needed, but rejected the company's preferred route. Shares of the closed 5.37 percent lower.



REUTERS/Mark Blinch

The **Toronto Stock Exchange's S&P/TSX Composite Index** fell 0.48 percent, to 15,477.0.

The dollar ended 0.21 percent lower against its **Canadian counterpart** at C\$1.2824.

## COMING UP

Canadian oil and gas producer **Cenovus Energy Inc** is expected to swing to a loss on higher costs for the first quarter. Investors will be on the lookout for its production forecast given the company had earlier said transportation bottlenecks will hit output.

TSE's S&P/TSX composite	Price	\$ chng	% chng
<b>GAINERS</b>			
Mitel Networks Corp	14.29	1.25	9.59
Restaurant Brands Int	72.04	2.98	4.32
NovaGold Resources Inc	6.16	0.21	3.53
Barrick Gold Corp	17.15	0.57	3.44
<b>LOSERS</b>			
PrairieSky Royalty Ltd	29.41	-2.38	-7.49
Badger Daylighting Ltd	25.78	-1.90	-6.86
Stars Group Inc	40.39	-2.63	-6.11
Enbridge Inc	37.68	-2.14	-5.37

## Top News

### Restaurant Brands plans C\$700 million Tim Hortons makeover

Burger King owner Restaurant Brands International and its franchisees will spend C\$700 million over four years to revamp coffee chain Tim Hortons, following a round of bad publicity over its management of the Canadian chain. The revamp, unveiled by managers on a conference call with analysts, followed first-quarter results which suggested initiatives including cheaper meals and new breakfast options were bearing fruit at Burger King outlets. Hortons' same-store sales fell for the eighth consecutive quarter in the first three months of the year, the company's results showed. Restaurant Brands said it would redesign Tim Hortons restaurants, focus on technology and introduce more lunch options at the chain. The company, which expects to remodel most of Hortons outlets in Canada by 2021, did not disclose how it planned to split the cost with franchisees as they face rising competition from Starbucks and McDonald's McCafe among others. Excluding items, Restaurant Brands posted earnings of 66 cents per share,



A file photo shows the logo of a Burger King fast food outlet is at the chain's drive-through branch in Hanau, August 29, 2014. REUTERS/Kai Pfaffenbach

beating analysts' average estimate of 56 cents. Net income attributable to shareholders tripled to \$151 million. The company reported under a new accounting standards for this quarter. Revenue rose 7

percent to \$1.07 billion. Under new accounting standards, the company had a profit of \$147.8 million and revenue of \$1.25 billion.



# CANADA

## Canada's Mitel to be bought by investor group in \$2 billion deal

Canadian telecommunications gear maker Mitel Networks is selling itself to an investor group led by Searchlight Capital Partners for about \$2 billion, the company said. Ottawa-based Mitel's shareholders will receive \$11.15 per share in cash, representing a 10 percent premium to the stock's Monday closing. The company's U.S.-listed shares were trading above the offer at \$11.64 before the opening bell. Excluding Mitel's net debt, the deal is worth about \$1.34 billion, according to Thomson Reuters calculation. The deal is expected to close in the second half of 2018.

## Centerra Gold says no interest in offer for Kyrgyz mine

Centerra Gold said it had received an unsolicited bid for its Kumtor gold mine in Kyrgyzstan from Chaarat Gold Holdings but that it had informed the London-listed company that it was not interested in the offer. Chaarat said earlier it had made an offer to Centerra to buy Kyrgyzstan's largest gold mine for an undisclosed cash sum, in a deal that would also involve Kyrgyz state firm Kyrgyzaltyn. Under the proposal, Chaarat and Kyrgyzaltyn would acquire Kumtor from Centerra, Chaarat said. Chaarat would then operate the mine, while Kyrgyzaltyn would own Kumtor's preferred equity and be entitled to "50 percent of the economic benefits" of Kumtor. Chaarat said it would fund its portion of the consideration with cash, and Kyrgyzaltyn - subject to the Kyrgyz government's approval - would transfer most of the shares it currently holds in Centerra back to Centerra.

## Canada's Teck Resources profit beats as sales volumes climb

Teck Resources, the world's second-biggest exporter of steelmaking coal, reported higher-than-expected adjusted first-quarter earnings as sales volumes climbed. Steelmaking coal sales volume rose to 6.1 million tonnes from 5.7 million tonnes in the year-earlier quarter. Average quarterly realized price per tonne, however, fell to \$207 from \$212 a year earlier. The sales volume was roughly in

line with 6 million tonnes Teck forecast in March 9 after logistic issues and poor performance at a coal terminal in British Columbia prompted the company to cut the forecast. Copper sales volumes rose 20 percent from a year earlier, said the company, which also mines zinc and gold. Adjusted profit attributable to shareholders rose 15 percent to C\$753 million or C\$1.31 per share in the first quarter.

## Barrick Gold says focus on growth after deep debt cuts

Barrick Gold said it was done selling assets to cut debt and would instead use funds from future sales for growth or to pay dividends, as it looks set to lose its rank as the world's biggest gold producer due to declining production. Barrick said its focus would increasingly be on growth from its own projects and operations in Nevada and the Dominican Republic. Barrick is in a stronger position now to focus on growth opportunities following two credit upgrades from rating agencies in the first quarter of the year. It is targeting year-end debt of around \$5 billion. The miner kept unchanged its 2018 gold production forecast of between 4.5 million and 5 million ounces, which will put it behind rival Newmont Mining. Barrick earlier reported adjusted net earnings of \$170 million, or 15 cents a share, ahead of analyst expectations for 13 cents and up from \$162 million or 14 cents a share in the same quarter a year ago. The gain came on the back of higher gold prices and lower depreciation.

## Bank of Canada sees economy improving, plays down inflation risk

Bank of Canada Governor Stephen Poloz gave an upbeat assessment of the economy's prospects after a sluggish first quarter and said that while inflation this year would rise above the central bank's target, it would be temporary. Poloz, in testimony to the House of Commons' Finance Committee, reiterated that while higher interest rates would likely be warranted over time, some policy accommodation is still required to keep inflation on track. "Given what our outlook is, we've got monetary conditions roughly

where they should be, and in that context, the fact that inflation is rising above 2 (percent) for now is due to temporary factors and we can see through them," he told the committee. Poloz said policymakers are watching wages, which he said will pick up as job vacancies continue to grow, and will in turn encourage more people to enter the workforce. Poloz reiterated his expectation that business investment and export growth will soon contribute more to economic growth, which has until now mostly been driven by households and government spending.



REUTERS/Christinne Muschi

## CN Rail's quarterly profit drops 16 percent, cuts 2018 outlook

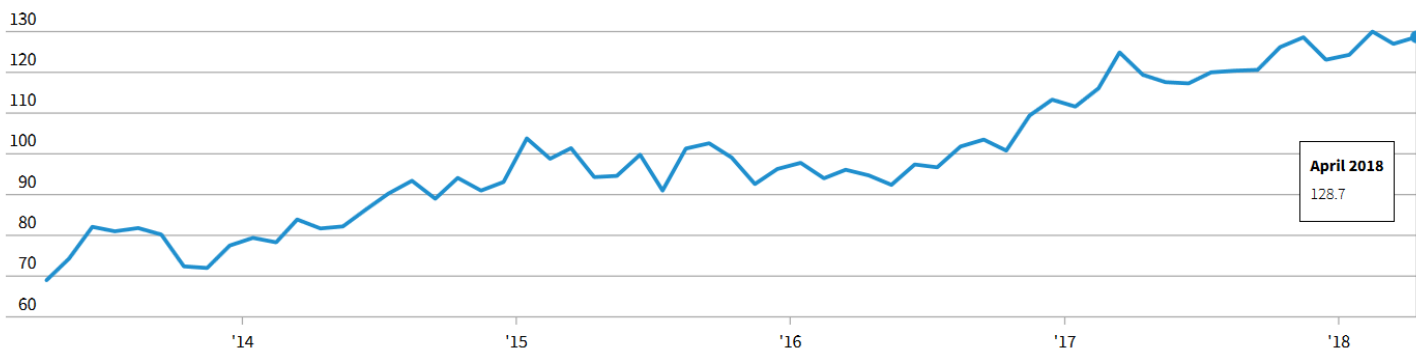
Canadian National Railway posted a 16.2 percent fall in quarterly profit as operating expenses shot up during the harsh winter, and the country's largest railroad cut its 2018 outlook as capacity limits strained its ability to meet high demand. The backlog led CN to recently reduce its crude by rail business, interim Chief Executive JJ Ruest told analysts on a conference call after the company released its results. The company estimated 2018 adjusted earnings of C\$5.10 to C\$5.25, compared with its earlier forecast of C\$5.25 to C\$5.40. Operating expenses rose 9 percent to C\$2.16 billion in the quarter as the railroad operator spent more to move larger volumes in harsh winter conditions. Operating ratio rose to 67.8 percent from 61.8 percent. The company's net income fell to C\$741 million, or C\$1 per share, from C\$884 million, C\$1.16 per share, a year earlier. Excluding one-time items, CN earned C\$1 per share, just a cent higher than analysts' average estimate. Revenue, which dropped for the first time in four quarters, totaled C\$3.19 billion compared with C\$3.21 billion a year earlier.



# WEALTH NEWS

## U.S. consumer confidence

*Click on the chart for a detailed and interactive graphic*



Source: Thomson Reuters Datastream  
By Jiachuan Wu and Stephen Culp | REUTERS GRAPHICS

### POSITIVE OUTLOOK

#### U.S. consumer confidence, housing data highlight economy's strength

U.S. consumer confidence rebounded in April and new home sales increased more than expected in March, pointing to underlying strength in the economy despite signs that growth slowed in the first quarter. The Conference Board said its consumer confidence index increased to a reading of 128.7 this month from a downwardly revised 127.0 in March. The index was previously reported at 127.7 in March. Confidence raced to more than a 17-year high of 130.0 in February. In a separate report, the Commerce Department said new home sales increased 4.0 percent to a seasonally adjusted annual rate of 694,000 units last month as sales in the West surged to their highest level in more than 11 months.

### DISAPPOINTING RESULTS

#### Higher catastrophe losses hit Travelers profit

Insurer Travelers quarterly profit missed analysts' estimates, sending its shares down, due to a rise in catastrophe losses and lower investment income.

### LOWERING FORECAST

#### Centene cuts full-year forecast on Fidelis deal delay

Centene Corp cut its full-year forecast due to a delay in closing its \$3.75 billion takeover of Fidelis Care, a not-for-profit Medicaid insurer, sending its shares down 3 percent in premarket trading.

### SHAREHOLDER MEETING

#### Wells Fargo investors back leaders despite protests

Wells Fargo & Co investors gave strong backing to the bank's directors and executives, suggesting they are ready to give its revamped leadership time to rebuild from scandal despite a noisy annual shareholder meeting.

### GOOD EARNINGS

#### Fifth Third Bancorp beats on profit, sees modest loan growth

Fifth Third Bancorp posted a better-than-expected quarterly profit as higher interest rates helped the bank earn more from loans and other interest-bearing assets.

### DEAL

#### Whirlpool to sell Embraco compressor business to Japan's Nidec for \$1.08 billion

Home appliance maker Whirlpool said it agreed to sell its Embraco compressor business to Japan's Nidec for \$1.08 billion in cash as it focuses on its consumer-facing business.

### PROSPECTIVE NEW CHAIRMAN

#### Citi chairman says all options open to find his replacement

Citigroup Chairman Mike O'Neill said all options were being considered to find a successor before he steps down in the next 12 months, after reaching the retirement age of 72.



## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
A. O. Smith	Q1	BMO	\$0.58	\$0.58	\$0.50	\$791.77
Advanced Micro Devices	Q1	AMC	\$0.09	\$0.09	-\$0.04	\$1,565.13
Aflac	Q1	AMC	\$0.98	\$0.97	\$0.84	\$5,472.34
Align Technology	Q1	16:00	\$0.99	\$0.98	\$0.59	\$408.25
Amphenol	Q1	BMO	\$0.81	\$0.80	\$0.71	\$1,814.57
Anthem	Q1	06:00	\$4.83	\$4.88	\$4.68	\$22,521.20
AT&T	Q1	AMC	\$0.87	\$0.87	\$0.74	\$39,306.68
AvalonBay Communities	Q1	AMC	\$1.06	\$1.06	\$1.72	\$557.01
Avery Dennison	Q1	06:45	\$1.38	\$1.36	\$1.11	\$1,746.87
Boeing	Q1	BMO	\$2.60	\$2.58	\$2.01	\$22,235.43
Boston Scientific	Q1	BMO	\$0.31	\$0.32	\$0.29	\$2,341.14
Chipotle Mexican Grill	Q1	AMC	\$1.53	\$1.57	\$1.60	\$1,146.65
Cincinnati Financial	Q1	AMC	\$0.80	\$0.80	\$0.59	\$1,427.97
Citrix Systems	Q1	AMC	\$1.05	\$1.05	\$0.97	\$674.96
Comcast	Q1	BMO	\$0.59	\$0.59	\$0.53	\$22,746.92
Dr Pepper Snapple Group	Q1	BMO	\$1.07	\$1.04	\$0.91	\$1,571.03
DTE Energy	Q1	BMO	\$1.90	\$1.90	\$1.79	\$3,196.40
Duke Realty	Q1	AMC	\$0.07	\$0.07	\$0.20	\$184.16
eBay	Q1	AMC	\$0.53	\$0.53	\$0.49	\$2,590.00
Entergy	Q1	BMO	\$1.30	\$1.28	\$0.99	\$2,650.47
Equifax	Q1	AMC	\$1.37	\$1.37	\$1.44	\$854.69
Everest Re Group	Q1	AMC	\$5.36	\$5.40	\$6.29	\$1,595.62
F5 Networks	Q2	16:00	\$2.27	\$2.27	\$1.95	\$529.97
Facebook	Q1	AMC	\$1.36	\$1.35	\$1.30	\$11,408.23
FLIR Systems	Q1	07:30	\$0.42	\$0.42	\$0.36	\$396.89
Ford Motor	Q1	16:15	\$0.41	\$0.41	\$0.39	\$37,164.38
General Dynamics	Q1	BMO	\$2.50	\$2.49	\$2.48	\$7,592.67
Goodyear Tire & Rubber	Q1	BMO	\$0.46	\$0.46	\$0.74	\$3,814.79
Hess	Q1	BMO	-\$0.50	-\$0.50	-\$1.36	\$1,178.97
Ingersoll-Rand PLC	Q1	BMO	\$0.59	\$0.62	\$0.57	\$3,191.99
Laboratory Corporation of America Holdings	Q1	BMO	\$2.61	\$2.63	\$2.22	\$2,772.05
Nasdaq	Q1	BMO	\$1.20	\$1.20	\$1.10	\$647.64
Norfolk Southern	Q1	08:00	\$1.76	\$1.77	\$1.48	\$2,678.95
Northrop Grumman	Q1	BMO	\$3.62	\$3.61	\$3.63	\$6,605.50
O'Reilly Automotive	Q1	AMC	\$3.58	\$3.58	\$2.60	\$2,278.21
PayPal Holdings	Q1	AMC	\$0.54	\$0.54	\$0.44	\$3,590.89
Public Storage	Q1	NTS	\$1.67	\$1.67	\$1.62	\$667.48
Qualcomm	Q2	AMC	\$0.70	\$0.70	\$1.34	\$5,185.72
Range Resources	Q1	AMC	\$0.44	\$0.43	\$0.25	\$691.48
Raymond James Financial	Q2	AMC	\$1.64	\$1.63	\$1.28	\$1,808.60
Rockwell Automation	Q2	BMO	\$1.82	\$1.82	\$1.55	\$1,658.65
T. Rowe Price Group	Q1	BMO	\$1.74	\$1.71	\$1.42	\$1,291.52
TE Connectivity	Q2	BMO	\$1.37	\$1.36	\$1.19	\$3,607.36
Thermo Fisher Scientific	Q1	BMO	\$2.41	\$2.40	\$2.08	\$5,630.48

...continued

## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
UDR	Q1	AMC	\$0.05	\$0.05	\$0.09	\$252.70
Universal Health Services	Q1	AMC	\$2.57	\$2.59	\$2.10	\$2,747.73
Varian Medical Systems	Q2	AMC	\$1.04	\$1.04	\$0.89	\$688.55
Viacom	Q2	BMO	\$0.79	\$0.79	\$0.79	\$3,037.83
Visa	Q2	AMC	\$1.02	\$1.02	\$0.86	\$4,804.91
Xilinx	Q4	AMC	\$0.66	\$0.67	\$0.57	\$650.27

\*Includes companies on S&P 500 index. \*\*Estimates may be updated or revised; release times based on company guidance or past practice.

EPS and Revenue estimates are according to Thomson Reuters I/B/E/S. Smart Estimates are according to Thomson Reuters StarMine.

The Day Ahead - North America is compiled by Nandi Kaul and Samritha A in Bengaluru.

For questions or comments about this report, email us at: [TheDay.Ahead@thomsonreuters.com](mailto:TheDay.Ahead@thomsonreuters.com).

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