

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

The **S&P 500** ended slightly higher after the U.S. Federal Reserve signaled it expects one more interest rate hike by the end of the year. **Treasury yields** rose, the **dollar** gained, while **gold** traded lower. **Oil prices** were up despite a rise in U.S. crude inventories.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	22412.59	41.79	0.19	22386.01	17883.56
Nasdaq	6456.04	-5.28	-0.08	6477.77	5397.99
S&P 500	2508.23	1.58	0.06	2508.32	2245.13
Toronto	15389.60	96.63	0.63	15943.09	14468.03
FTSE	7271.95	-3.30	-0.05	7598.99	7093.57
Eurofirst	1499.73	-1.40	-0.09	1559.66	1420.78
Nikkei	20310.46	11.08	0.05	20320.78	18224.68
Hang Seng	28127.80	76.39	0.27	28248.12	21883.82

TREASURIES	Yield	Price
10-year	2.2658	-7 /32
2-year	1.4382	-2 /32
5-year	1.8743	-6 /32
30-year	2.8034	7 /32

FOREX	Last	% Chng
Euro/Dollar	1.1891	-0.84
Dollar/Yen	112.29	0.64
Sterling/Dollar	1.3484	-0.17
Dollar/CAD	1.2327	0.32
TR/HKEX RMB	95.59	0.11

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	50.29	0.93	1.88
Spot gold (NY/oz)	1301.22	-9.96	-0.76
Copper U.S. (front month/lb)	0.0294	-0.0001	-0.22
Reuters/Jefferies CRB Index	186.95	2.09	1.13

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
Advanced Micro Devices	13.76	0.64	4.88
Chesapeake Energy	4.19	0.15	3.71
Interpublic Group	20.79	0.74	3.69
Marathon Oil	12.42	0.42	3.50
<b>LOSERS</b>			
General Mills	52.17	-3.21	-5.80
Qorvo Inc	70.32	-4.00	-5.38
L Brands Inc	37.23	-2.00	-5.10
Adobe Systems	149.96	-6.64	-4.24

## Coming Up



Job seekers attend a large career fair at Rutgers University in New Brunswick, New Jersey, January 6, 2011. REUTERS/Mike Segar

The weekly report from the U.S. Labor Department is likely to show the number of Americans filing for **unemployment benefits** to have increased by 6,000 to a seasonally adjusted 263,250 for the week ended Sept. 16. Separately, the Philadelphia Federal Reserve's **mid-Atlantic business conditions index** is forecast dipping to a reading of 17.2 in September from 18.9 in August.

**Brazil's inflation rate** likely held near an 18-year low through mid-September, a Reuters poll of economists showed, sparking bets that it may end the year below the central bank's target. Consumer

prices as measured by the IPCA-15 index probably rose 2.60 percent in the 12 months through mid-September. **Mexican retail sales** are likely to have rebounded 0.40 percent month on month in June. Compared with the same month a year earlier, sales are expected to have increased 1.15 percent.

### LIVECHAT- OIL OUTLOOK

Reuters correspondents Amanda Cooper and Jessica Resnick-Ault take your questions about energy markets in the rapid-fire, weekly segment "Lock, Stock and Barrel!". (0930 ET /1330 GMT) To join the Global Markets Forum, [click here](#)

## KEY RESULTS

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



# Market Monitor

The **S&P 500** ended slightly higher after the Federal Reserve signaled that it expects another rate hike by year end and said it would begin reducing its balance sheet. The Fed left interest rates unchanged but signaled it still expects one more increase by the end of the year despite recent weak inflation readings. "If you want to build the case for why this is hawkish, the path you can go down was that they were dismissive of hurricane impacts, basically saying that it's going to inflict hardship but net-net it's going to levy a modest negative impact. Maybe the reality is starting to sink in for the market that they really do want to go in December," said Tom Porcelli, chief U.S. economist, RBC Capital Markets, New York. The **Dow Jones Industrial Average** rose 0.19 percent, to 22,412.53, the **S&P 500** rose, 0.06 percent, to 2,508.23 and the **Nasdaq Composite** dropped, 0.08 percent, to 6,456.04.

**Benchmark U.S. Treasury yields** jumped to their highest levels in six weeks after the Federal Reserve's statement from its September meeting was interpreted as keeping a December interest rate hike on the table. New economic projections released after the Fed's two-day policy meeting showed 11 of 16 officials see the "appropriate" level for the federal funds rate, the central bank's benchmark interest rate, to be in a range between 1.25 percent and 1.50 percent by the end of 2017, one-quarter of a point above the current level. The Fed's economic projections for 2017 were unchanged, said Charlie Ripley, investment strategist at Allianz Investment Management in Minneapolis. "That gives us a little bit more confidence that there is probably going to be a third rate hike coming in December," Ripley said. **Benchmark notes** were down 7/32 to yield 2.27 percent. The **30-year bonds** rose 6/32 to yield 2.8 percent. The **5-year**



Traders work on the floor of the NYSE in New York, September 6. REUTERS/Brendan McDermid

**notes** were down 6/32, yielding 1.88 percent.

The **dollar** turned higher against a basket of currencies, reversing an earlier drop, as the Federal Reserve's latest forecast reinforced the notion of a possible interest rate increase in December. The **euro** edged down 0.84 percent against the **greenback** to \$1.1891. The **dollar** was up 0.6 percent against the **yen** at 112.25 yen. The **dollar index** edged up 0.74 percent to 92.47.

**Oil** prices rose nearly 2 percent, despite a rise in U.S. crude inventories, with the market heading for its largest third-quarter gain in 13 years after the Iraqi oil minister said OPEC and its partners were considering extending or deepening output cuts. **Brent crude futures** rose 2.03 percent, to \$56.26 a barrel, while **U.S. West Texas Intermediate crude futures** gained 1.88 percent, to \$50.29. Crude prices were on course for a rise of nearly 16

percent this quarter, which would make this year's performance the strongest for the third quarter since 2004. **Crude inventories** rose for a third straight week, building by 4.6 million barrels, about a million more barrels than forecast. Gasoline stocks fell 2.1 million barrels, in line with analysts' expectations while distillate stocks inventories fell 5.7 million barrels, the biggest weekly draw since November 2011.

**Gold** prices fell after the U.S. Federal Reserve left interest rates unchanged but signaled it still expected to tighten credit by year-end. **Spot gold** was down 0.75 percent at \$1301.30 an ounce. The most active **U.S. gold futures for December delivery** settled down 0.46 percent, at \$1304.60 per ounce. Klearman said gold was sensitive to rate hikes because they increase bond yields, making non-yielding assets such as bullion less attractive. Rising U.S. rates also tend to boost the dollar, in which gold is priced.

# Top News

## Toshiba to sell chip unit to Bain Capital-led group for \$18 billion

Toshiba agreed to sell its prized semiconductor business to a group led by U.S. private equity firm Bain Capital, a key step in keeping the struggling Japanese conglomerate listed on the Tokyo exchange. In a last-minute twist to a long and highly contentious auction, Toshiba said in a late-night announcement through the exchange it agreed to sign a contract for the deal worth about 2 trillion yen. It's unclear whether the sale to the Bain Capital-led group will proceed smoothly, as Western Digital has previously initiated legal action against Toshiba, arguing that no deal can be done without its consent due to its position as Toshiba's joint venture chip partner. Toshiba said the agreement assumes the deal would weather legal challenges raised by Western Digital. A Western Digital spokeswoman said the company did not have an immediate comment. Toshiba said the sale will boost its finances by 740 billion yen after taxes. That would pull it out of negative shareholder equity, a key step it aims to achieve by March to remain listed.

## General Mills profit misses as U.S. yogurt sales sour

General Mills reported a smaller-than-expected quarterly profit as yogurt and cereal sales declined in North America. The results underscore General Mills' struggles with consumers' shifting preference for protein-rich and thicker Greek yogurts. To cater to the changing tastes, General Mills has spruced up its premium yogurt offerings through the launch of products such as French yogurt Oui by Yoplait. Despite the efforts, organic sales in North America, the largest contributor to the company's revenue, fell, driven by double-digit declines in U.S. yogurt sales. More than half of North America segment's net sales decline in the quarter was due to a slump in U.S. yogurt sales. General Mills, which also owns brands such as Cheerios, Betty Crocker and Pillsbury, said gross margins dipped 1.5 percent to 34.8 percent in the first



*The logo of Toshiba Corp is seen behind trees at its headquarters in Tokyo, Japan October 1, 2015. REUTERS/Toru Hanai*

quarter, reflecting a 2 percentage points decline in pricing in North America. Analysts on average had expected an adjusted profit of 76 cents per share and sales of \$3.79 billion.

## Alnylam's RNAi drug clears key study

Alnylam Pharmaceuticals' RNAi-based drug that targets a rare genetic disease cleared a key study, in a breakthrough for the new class of medicines that works by blocking disease-causing proteins. Alnylam's patisiran belongs to a class of drugs that uses the Nobel-prize winning RNA interference (RNAi) mechanism to manipulate ribonucleic acid, which interferes with or "silences" targeted genes, and stops the formation of proteins that can cause diseases. Patisiran was being evaluated in a late-stage study against a placebo for the treatment of patients with hereditary ATTR (hATTR) amyloidosis with polyneuropathy. The drugmaker said it would file a marketing application for patisiran in late 2017 and expects to launch the drug by mid-2018. Credit Suisse analysts said patisiran's data seemed to have "solid safety" compared

with Ionis Pharmaceuticals Inc's rival drug, which cleared a key study but raised safety concerns. The brokerage estimates peak sales of \$1 billion in 2023 for patisiran. Shares of the company were higher 51.71 percent at \$38.80 for the day.

## Apple concedes new watch has connectivity glitch

Apple conceded its latest smartwatch unveiled a week ago has problems with its most important feature: the ability to make phone calls and access data without an iPhone nearby. Several prominent reviewers said they could not recommend the device because of cellular data connectivity glitches. Apple said the watch can experience LTE connectivity problems when it connects to open wi-fi networks that require a login screen, such as at a hotel or a coffee shop. The company is "investigating a fix for a future software release," Apple spokeswoman Amy Besette told Reuters. Apart from connection issues, some reviewers were disappointed with the drain on the watch's battery while making calls. Apple had touted up to 18 hours of battery life but





REUTERS/Andrew Kelly

said the watch would get only one hour on a cellular phone call.

### **H.I.G. nears US\$1 billion deal for Vantage Specialty Chemicals**

H.I.G. Capital is nearing a deal to re-acquire Vantage Specialty Chemicals, a US manufacturer of natural additives for personal care, food, consumer and industrial end markets, from fellow private equity firm The Jordan Company for around US\$1bn, according to two sources familiar with the matter. A deal could be announced as soon as this week, according to the sources, who asked not be named because the matter is private and negotiations are ongoing. If a sale is successful, it would come as consumers increasingly demand transparency on product ingredients in support of healthier and more environmentally-conscious lifestyle choices, and manufacturers of all stripes attempt to cash in on the behavioral shift.

### **Pfizer files suit against J&J over Remicade contracts**

Pfizer filed a lawsuit against Johnson & Johnson, saying its rival's contracts with health insurers for blockbuster rheumatoid arthritis drug, Remicade, were anticompetitive and blocked sales of Pfizer's new biosimilar. Pfizer said in the suit that J&J is offering discounts on its Remicade treatment in exchange for essentially excluding Pfizer's drug from insurance coverage, keeping it out of the hands of patients. J&J signed exclusivity contracts with health insurers, hospitals and doctor groups after U.S. regulators approved it as a reasonable substitute for Remicade in 2016, Pfizer said. The

contracts with insurers - including UnitedHealth Group, Anthem, Aetna and Cigna - covered about 70 percent of the commercially insured patients in the United States, the lawsuit said. J&J was not immediately available for comment. Aetna declined to comment and other U.S. insurers contacted for this story did not have an immediate comment.

### **UPS expects to hire about 95,000 workers for holiday season**

United Parcel Service said it expected to hire about 95,000 seasonal employees for the upcoming, crucial peak holiday season. Peak season begins on Black Friday, the day after the Thanksgiving holiday in November, and runs through early January when there is a large wave of returns. The number of seasonal workers UPS hires for the holiday season has not changed since 2014. The company has about 355,000 permanent employees in the United States. UPS has been working closely with retailers to manage the holiday season surge in demand, since struggling with deliveries in 2013 and 2014. On some days during last year's holiday season, UPS's average daily volume surpassed 30 million packages, far exceeding its normal daily average of more than 19 million.

### **Wal-Mart to not hire seasonal workers; current staff to get more hours**

Wal-Mart Stores said it would not hire temporary workers this holiday season for the second straight year but will offer extra hours to its existing employees. Wal-Mart's move is in contrast to rival Target Corp's plan to hire thousands of workers to handle the expected brisk demand during the season, with Deloitte Consulting predicting a 4 percent to 4.5 percent jump in holiday sales. Wal-Mart said it would increase the number of what it called "holiday helpers" in stores this season to enhance customer service by getting shoppers checked out faster, having more registers available and adding another layer of shopping support for customers in lines that may have forgotten items. The "holiday helpers" are part of its regular workforce, the company said. Wal-Mart, the largest retail employer in the United

States, did not disclose its hiring for fulfillment centers but said those centers are currently staffed by thousands of more employees than last year to meet increasing demand.

### **Amazon reviewing website after algorithm suggests bomb-making ingredients**

Amazon.com said it was reviewing its website after an investigation found that it could help users buy the ingredients to make a bomb using its "Frequently bought together" and "Customers who bought this also bought" features. Britain's Channel 4 News found the online retailer's algorithm was suggesting items that could be bought together to produce explosives on Monday, days after an apparently home-made bomb was detonated on the London Underground network. The ingredients, which are legal to purchase, were included in a "Frequently bought together" section in the listings for chemicals, the broadcaster said. Other materials that could be used in bomb making, such as ball bearings, ignition systems and remote detonators, were available on the site, and some of them were suggested on the same page as the chemicals in the "Customers who bought this item also bought" section, Channel 4 said.

### **Ackman asks ADP's retail investors to back him in new video**

William Ackman spoke to Main Street stockholders, asking this less affluent but hugely influential group to help him win a proxy contest at human resources outsourcing company Automatic Data Processing. Ackman told ADP's retail owners, who own 28 percent of the company, they hold the key to the company's future. "Your vote will decide this election," Ackman said in the 2-minute, 11-second-long video released. He asked them to let executives know that shareholders are unhappy with the status quo and echo his message that costs must be cut and management must be streamlined. His personal appeal was designed to make the raft of criticisms and ideas he has hurled at the company in recent weeks more digestible.





*Pigeons bathe in a fountain in central Kiev, Ukraine September 19. REUTERS/Gleb Garanich*

## Insight and Analysis

### **As Apple slows, fast-moving Chinese rivals gain in wealthy markets**

Slowing innovation at iPhone maker Apple gives Asian rivals their best chance yet to conquer developed markets, retailers and consumers say - thanks to better designs and lower prices. Apple last week unveiled new iPhones with wireless charging, an edge-to-edge screen and dual cameras - all features already widely available in phones from China's Huawei and Oppo, and Samsung Electronics. While Apple must convince buyers to fork out nearly \$1,000 for its high-end model, challengers are tilting at the luxury market, offering similar features for less money.

### **Special Report: The garage science behind the stun gun that changed policing**

When Rick Smith launched his supercharged stun gun in 1999, his startup had produced two failed products, several years of losses and a load of debt. He had thrown everything into a weapon he believed police would buy. His challenge was two-fold. He needed something strong enough to stop suspects in their tracks and the science to convince police it wouldn't kill. In Smith's view, the science came together just in time to save his company. His pitch to police: The new Taser was more powerful than any other electroshock weapon. And virtually harmless.

### **Trump administration red tape tangles up visas for skilled foreigners, data shows**

The Trump administration is making it more difficult for skilled foreigners to work in the United States, challenging visa applications more often than at nearly any point in the Obama era, according to data reviewed by Reuters. The more intense scrutiny of the applications for H-1B visas comes after President Donald Trump called for changes to the visa program so that it benefits the highest-paid workers, though he has not enacted any such reforms.

# CANADA

## Market Monitor

Canada's **benchmark stock index** rallied to a 14-week high, propelled by energy and financial stocks, as well as a surge in Air Canada and BlackBerry shares. Shares of **Air Canada** rose 10.76 percent. **BlackBerry** rose 8.58 percent. **Canadian Natural Resources** rose 2.35 percent, while **Encana Corp** advanced 4.5 percent. The **Toronto Stock Exchange's S&P/TSX composite index** rose 0.63 percent, to 15,389.60.

The **U.S. dollar** was up 0.33 percent against its **Canadian counterpart** at C\$1.2328.

### COMING UP

Statistics Canada releases Canadian **wholesale trade data** for July. Economists polled by Reuters expect wholesale trade to have dropped 0.9 percent in the month.

TSE's S&P/TSX composite	Price	\$ chng	% chng
<b>GAINERS</b>			
Air Canada	25.84	2.51	10.76
BlackBerry Ltd	12.15	0.96	8.58
Cenovus Energy	12.44	0.96	8.36
<b>LOSERS</b>			
Semafo Inc	3.29	-0.13	-3.80
Alacer Gold Corp	2.08	-0.08	-3.70
Kinross Gold	5.35	-0.20	-3.60

## Top News

### EU, Canada launch free trade agreement while Britain eyes own deal

The European Union and Canada will begin cutting import duties from Thursday on thousands of products and services in a reminder to Britain of the work it will take to replace the trade alliances it will give up when it leaves the EU. The Comprehensive Economic and Trade Agreement will provisionally enter force on Thursday, eight years after negotiations began. It will be the EU's first major trade deal since it began implementing its South Korea agreement in 2011. British Conservatives in the European Parliament said that the EU-Canada deal would bring 1.3 billion pounds (\$1.76 billion) in benefits to Britain and said they hoped CETA's benefits for Britain would continue after Brexit. CETA will abolish some 98 percent of customs duties, open up public tenders to companies and allow the EU to export more cheese and wine and Canada more pork and beef in quotas that expand over the next six years.

### Scientific Games to buy NYX Gaming in C\$775 million deal

Bally slot machines owner Scientific Games said it would buy NYX Gaming Group for about C\$775 million, including debt, expanding its existing digital gaming and online gambling portfolio. Scientific Games will acquire all of the outstanding ordinary shares of NYX for C\$2.40 per share. The deal, which will be funded through cash and debt, is expected to close in the first quarter of 2018, the companies said in a joint statement. Scientific Games said the deal will add to earnings in the first year after closing. Scientific Games had Deutsche Bank Securities as its financial adviser and Cravath, Swaine & Moore, McMillan and Appleby (Guernsey) as legal advisers. NYX had Lazard and Macquarie Capital as financial advisers and Latham & Watkins, Carey Olsen and Stikeman Elliott as legal advisers.

### Delphi, BlackBerry partner on self-driving software system

Delphi Automotive and BlackBerry will partner on a software operating system for self-driving cars, the companies said. Delphi already has developed a turnkey self-driving system called CSLP that it plans to begin selling to smaller automakers in 2019. Most larger vehicle manufacturers are developing their own self-driving systems. Glen De Vos, Delphi's chief technology officer, said BlackBerry QNX would provide a "software infrastructure" for Delphi's CSLP system, which uses software developed by Delphi's Ottomatika unit. BlackBerry said its operating system would help guard against cyber attacks, malware and system malfunctions - critical concerns for self-driving vehicle.



# WEALTH NEWS

## POLICY STATEMENT

### Fed keeps rates steady, to start portfolio drawdown in October

The U.S. Federal Reserve left interest rates unchanged on Wednesday but signaled it still expects one more increase by the end of the year despite recent weak inflation readings.

New economic projections released after the Fed's two-day policy meeting showed 11 of 16 officials see the "appropriate" level for the federal funds rate, the central bank's benchmark interest rate, to be in a range between 1.25 percent and 1.50 percent by the end of 2017.

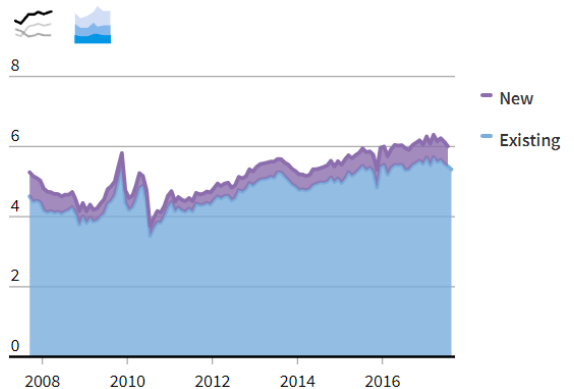
That is one-quarter of a point above the current level. Financial markets were barely moved by the Fed decision and the new economic projections and based on the immediate market reaction it looked as if the Fed was right when it said that the portfolio runoff would be as exciting as "watching paint dry".

"The labor market has continued to strengthen ... economic activity has been rising moderately so far this year," the Fed said in its policy statement. It added that the near-term risks to the economic outlook remained "roughly balanced" but that inflation was being watched "closely." The interest rate outlook for next year remained largely unchanged, with three hikes envisioned. But the U.S. central bank slowed the pace of projected monetary tightening from there.

## U.S. home sales

### EXISTING AND NEW HOME SALES

million units - SAAR\*



Source: Thomson Reuters Datastream

By Jiachuan Wu and Stephen Culp | REUTERS GRAPHICS

## ECONOMIC OVERVIEW

### U.S. home sales hit 12-month low, Harvey weighs on Houston

U.S. home resales fell to their lowest in a year in August as Hurricane Harvey depressed activity in Houston and a perennial shortage of properties on the market sidelined buyers.

## ESTATE TAX

### White House weighs abandoning estate tax repeal in Republican tax push

The Trump administration may abandon its promise to repeal the U.S. estate tax on inherited assets in an effort to make a still-evolving Republican tax cut framework more politically feasible, according to sources familiar with the deliberations.

## CHALLENGING ASSIGNMENT

### Wells Fargo's lone outsider aims to clean up bank's reputation

Before a sales scandal upended its reputation, Wells Fargo was something of a proud outsider in Washington and on Wall Street compared to its big bank peers.

## DIGITAL TAX DEAL

### EU ready to move alone on digital tax if no global deal

The European Commission said the EU should proceed with an overhaul of taxes on digital firms even if the rest of the rich world did not follow suit, a draft report said.

## BANKRUPTCY

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

Toys "R" Us 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.

## YOUR MONEY

### Getting your kid to bank summer earnings

Linda Rogers' father set her up for retirement when she was just a teenager. Her summer pay from waitressing was hers to keep, as long as she deposited the first \$500 into a Roth IRA at the local credit union.

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Initial jobless claims	0830	300,000	284,000
Jobless claims 4-week average	0830	--	263,250
Continued jobless claims	0830	1.975 mln	1.944 mln
Philly Fed Business Index for Sep	0830	17.2	18.9
Philly Fed 6M Index for Sep	0830	--	42.3
Philly Fed Capex Index for Sep	0830	--	39.2
Philly Fed Employment for Sep	0830	--	10.1
Philly Fed Prices Paid for Sep	0830	--	21.1
Philly Fed New Orders for Sep	0830	--	20.4
Monthly home price mm for July	0900	--	0.1 pct
Monthly home price yy for July	0900	--	6.5 pct
Monthly Home Price Index for July	0900	--	249.3
Leading index change mm for Aug	1000	0.2 pct	0.3 pct

*The Day Ahead - North America is compiled by Pradip Kakoti and Nishit Kunal in Bengaluru.*

*For questions or comments about this report, email us at: [TheDay.Ahead@thomsonreuters.com](mailto:TheDay.Ahead@thomsonreuters.com). Visit the Thomson Reuters Equities Community Site at: <http://customers.reuters.com/community/equities/>*

*For more information about our products: [http://thomsonreuters.com/products\\_services](http://thomsonreuters.com/products_services).*

*Send us a sales enquiry at: [http://thomsonreuters.com/products\\_services/financial/contactus/](http://thomsonreuters.com/products_services/financial/contactus/)*

*© 2017 Thomson Reuters. All rights reserved. This content is the intellectual property of Thomson Reuters and its affiliates. Any copying, distribution or redistribution of this content is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters shall not be liable for any errors or delays in content, or for any actions taken in reliance thereon. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.*