

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Stocks ended slightly higher, lead by gains in financial, technology and telecom shares even as investors treaded cautiously ahead of Federal Reserve's policy meeting. The **dollar index** fell, while **gold** made gains. **Treasury yields** were up. **Oil** prices dipped ahead of data, which is expected to show a rise in U.S. crude inventories following resumption of imports.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	22370.80	39.45	0.18	22355.62	17883.56
Nasdaq	6461.32	6.68	0.10	6477.77	5397.99
S&P 500	2506.65	2.78	0.11	2508.32	2245.13
Toronto	15292.97	56.30	0.37	15943.09	14468.03
FTSE	7275.25	21.97	0.30	7598.99	7093.57
Eurofirst	1501.13	1.31	0.09	1559.66	1420.78
Nikkei	20299.38	389.88	1.96	20318.11	18224.68
Hang Seng	28051.41	-108.36	-0.38	28160.39	21883.82

TREASURIES	Yield	Price
10-year	2.2446	-4 /32
2-year	1.4052	-1 /32
5-year	1.8374	-2 /32
30-year	2.8151	-7 /32

FOREX	Last	% Chng
Euro/Dollar	1.1994	0.35
Dollar/Yen	111.52	-0.04
Sterling/Dollar	1.3522	0.22
Dollar/CAD	1.2273	-0.12
TR/HKEX RMB	95.38	-0.02

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	49.55	-0.36	-0.72
Spot gold (NY/oz)	1311.02	4.39	0.34
Copper U.S. (front month/lb)	0.0295	0.0000	0.12
Reuters/Jefferies CRB Index	184.86	-1.17	-0.63

S&P 500	Price	\$ Chng	% Chng
GAINERS			
Leucadia National	24.26	0.89	3.81
Michael Kors	46.18	1.53	3.43
NRG Energy	24.62	0.78	3.27
The Progressive Corp	47.63	1.32	2.85
LOSERS			
Envision Healthcare	43.11	-4.56	-9.57
Best Buy	52.76	-4.59	-8.00
Acuity Brands	157.68	-10.15	-6.05
Centene	89.77	-4.81	-5.09

Coming Up

U.S. Federal Reserve's **Federal Open Market Committee** announces its decision on interest rates followed by a statement in Washington. Federal Reserve chair Janet Yellen (in pic) holds a news conference after the Federal Open Market Committee announces its decision on interest rate.

The U.S. National Association of Realtors is expected to report that **existing home**

sales increased 0.3 percent in August to a seasonally adjusted annual rate of 5.46 million units.

LIVECHAT- EQUITIES WATCH

Join our Reuters correspondents in London and New York for a discussion on the stock markets and company earnings. (0900 ET/1300 GMT) To join the Global Markets Forum, [click here](#)



A police officer keeps watch in front of the U.S. Federal Reserve building in Washington, DC, U.S. on October 12, 2016. REUTERS/Kevin Lamarque

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Existing home sales for Aug	1000	\$5.46 mln	\$5.44 mln
Existing home sales percentage change for Aug	1000	0.3 pct	-1.3 pct
Fed funds target rate for N/A	1400	1.125 pct	--



Market Monitor

Stocks closed slightly higher but trading was in a narrow range with financial stocks providing the biggest boost ahead of the conclusion of the Federal Reserve's two-day policy meeting. U.S. central bank, which begins its two-day meeting on Tuesday, is widely expected to announce on Wednesday that it will begin paring its bond holdings, with reductions likely to start in the coming months. "There's one school of thought that rates will go up because there's some inflation coming from a very tight labor market and storms that will create very tight demand," said Rick Meckler president of LibertyView Capital Management in Jersey City, New Jersey, regarding Tuesday's boost to bank stocks, which benefit from higher rates.

Best Buy fell 8 percent after the No.1 U.S. electronics retailer forecast 2021 adjusted earnings well below Wall Street estimates.

Tesla fell 2.6 percent after Jefferies started coverage of the electric car maker's stock with "underperform". The **Dow Jones Industrial Average** rose 0.18 percent to 22,370.63, the **S&P 500** gained 0.11 percent to 2,506.64 and the **Nasdaq Composite** 0.1 percent to 6,461.32.

Treasury yields rose slightly as investors waited on the conclusion of the Federal Reserve's two-day policy meeting on Wednesday for new indications on whether an additional interest rate hike is likely this year. The U.S. central bank is widely expected to announce that it will begin paring its bond holdings, with reductions likely to start in the coming months. "We will see what Yellen has to say at the press conference regarding the balance sheet, regarding rates, regarding Fischer's resignation and her term, and see how the market takes it," Justin Lederer, an interest rate strategist at Cantor Fitzgerald in New York, said, referring to the news conference Yellen is scheduled to hold following the Fed meeting. **Benchmark notes** were down 4/32 to yield 2.2 percent. The **30-year bonds** fell 6/32 to yield 2.8 percent. The **5-year notes** were down 2/32, yielding 1.8 percent.

U.S. import prices and oil



Source: Thomson Reuters Datastream— Reuters graphic/Stephen Culp 9/19/2017

The **dollar** weakened against a basket of currencies in advance of a Federal Reserve meeting where policymakers are expected to decide on the reduction of the central bank's \$4.2 trillion worth of bond holdings. Analysts widely anticipate Fed policymakers to announce a lowering of monthly bond purchases starting in October when their two-day meeting ends on Wednesday. They expect Fed officials would leave the door open for a rate increase at their Dec. 12-13 meeting. "It's just a restless market before the Fed," said Joe Manimbo, senior market analyst at Western Union Business Solutions in Washington. The **euro** edged up 0.4 percent against the greenback to \$1.1997. The **dollar** was down 0.05 percent against the **yen** at 111.50 yen. The **dollar index** edged down 0.3 percent to 91.79.

Gold was flat, barely budged from the prior session's two-week low, with trading lackluster as Federal Reserve policy makers headed into a two-day meeting that financial markets will watch for clues on the outlook for U.S. monetary tightening. **Spot gold** was up 0.3 percent at \$1,310.52 per ounce, off the previous

day's low of \$1,304.10. The most active **U.S. gold futures for December delivery** settled up 0.31 percent, at \$1,310.6 per ounce. Gold is down 3.6 percent from Sept. 8, when it hit a one-year high of \$1,357.54. On that day, the dollar hit its lowest level against a basket of currencies in more than 2-1/2 years. Worries over North Korea could still boost gold with safe-haven buying, analysts said.

Oil prices edged lower, retreating from near-five-month highs in advance of data expected to show a build in U.S. crude inventories as imports resume and refineries were still restarting after recent storm activity. **Brent crude futures** were down 0.5 percent at \$55.21 a barrel, not far off a five-month high of \$55.99. **U.S. West Texas Intermediate crude futures** fell 0.6 percent \$49.61. Analysts forecast crude stocks rose 3.5 million barrels last week, as fuel inventories drew down, which would continue a trend established in the wake of Hurricane Harvey, as imports resumed while refineries were still restarting.

Top News

Toys 'R' Us seeks bankruptcy to survive retail upheaval

Toys 'R' Us, which filed for bankruptcy late Monday, will ask a judge for permission to borrow money so that it can start paying suppliers to ensure it has Lego building blocks and Barbie dolls for the holiday season. The Chapter 11 filing, to restructure \$5 billion of long-term debt, is among the largest ever by a specialty retailer and casts doubt over the future of the company's 64,000 employees and nearly 1,600 stores, which remain open. The collapse came swiftly. Chief Executive Dave Brandon said in court filings that he hoped Chapter 11 would enable the company to address the financial constraints that "have held us back" in a "lasting and effective way." The company cautioned it was not going to engage in an "unrelenting race to the bottom" by trying to slash prices to compete with Amazon.com, the only company that sells more toys than Toys 'R' Us.

Walgreens gets regulatory nod for slimmed-down Rite Aid deal

U.S. antitrust regulators have allowed a slimmed-down deal for drugstore chain Walgreens Boots Alliance to buy about 42 percent of Rite Aid's U.S. stores for \$4.38 billion, Walgreens said. Walgreens will acquire 1,932 Rite Aid stores, 254 fewer than it announced in July, in areas where competition between the two chains is not significant. One member of the Federal Trade Commission was concerned that a smaller Rite Aid may be unable to compete against its larger rivals. Under the deal, Rite Aid has the option of joining Walgreens' group purchasing agreement to negotiate discounts on generic drug prices. Walgreens said it does not expect the deal to have a significant impact on its adjusted earnings for the fiscal year ending Aug. 31, 2018.

Toshiba flips back to favouring Western Digital group for chip unit sale-sources

Toshiba is shifting back toward selling its prized semiconductor unit to a group backed by joint venture partner Western Digital, just days after saying it was leaning



Santa Fred Osther from Oslo, Norway shops at a Toys R Us during a field trip from the Charles W. Howard Santa Claus School in Midland, Michigan, U.S. October 28, 2016. REUTERS/Christinne Muschi

toward a rival bid including a South Korean chipmaker, people familiar with the deal said in the latest in a series of twists for the critical deal. California-based Western Digital made key concessions to assure Toshiba it wouldn't seek future control of the chip business, addressing antitrust concerns and turning the tide away from the bid led by U.S. private equity firm Bain Capital LP and SK Hynix, said the sources, who asked not to be named as the discussions are private. Toshiba board members are to meet Wednesday, but it was unclear whether they could reach any decision, after saying last Wednesday the company was accelerating talks with the Hynix group. Toshiba and SK Hynix could not be reached outside business hours. A Western Digital spokesman declined comment.

Kohl's to accept Amazon returns in 82 stores

Kohl's said it would accept returns of select items bought from Amazon.com at some of its stores in Los Angeles and Chicago, expanding its partnership with the ecommerce giant. The expanded partnership, under which 82 Kohl's stores

will accept items to be returned to Amazon from October, should help bring in more traffic to Kohl's stores, analysts said. Kohl's has reported falling sales in the last six quarters. More retailers are teaming up with the online behemoth as they look to stem declining sales at their stores due to the popularity of online shopping.

T-Mobile US explores takeover of Sprint-source

T-Mobile US is exploring taking over rival Sprint in an all-stock deal, after SoftBank Group offered to give up its majority ownership of Sprint, a person familiar with the matter said. Sprint and T-Mobile, which is controlled by Germany's Deutsche Telekom, are still weeks away from an agreement, and have not settled on a share exchange ratio or even started performing due diligence on each other, the source added. The companies have agreed, however, that John Legere, T-Mobile's outspoken chief executive, would run the combined company should there be a deal, according to the source, who asked not to be identified discussing confidential negotiations.

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Ford to cut production at five North American vehicle plants

Ford Motor said 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 affected 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.

Best Buy forecasts 2021 profit largely below estimates

Best Buy Co, forecast fiscal 2021 adjusted earnings largely below Wall Street estimates, sending its shares down. Best Buy said that it expected operating income of \$1.9 billion to \$2 billion in its fiscal year ending January 2021. Best Buy has been a bright spot in the gloomy U.S. retail environment. Analysts on average were expecting \$4.97 per share. Best Buy also forecast full-year enterprise revenue of \$43 billion for 2021. Analysts on average had expected \$40.73 billion.

Adobe reports 25.8 percent rise in quarterly revenue

Adobe Systems reported a 25.8 percent rise in quarterly revenue, as it added more subscribers to Creative Cloud, a package of software tools, which houses Photoshop. The company's net income rose to \$419.6 million, or 84 cents per share, in the third quarter ended Sept. 1, from \$270.8 million, or 54 cents per share, a year earlier. Total revenue rose to \$1.84 billion from \$1.46 billion.

With new operating system, Apple revamps its money-making App Store

Apple's newest operating system for iPhones and iPads introduces changes to its marketplace for third-party software to satisfy app developers and add new so-called augmented reality apps. The system, called iOS 11, is being released ahead of its two newest phone handsets, the iPhone 8 and iPhone X, set to start shipping to customers on Friday and Nov. 3, respectively. The most visible changes will come to App Store. The App Store is the backbone of Apple's services segment, which brought in \$21.5 billion in revenue in the past nine months, a 19 percent increase over the previous year and a bright spot as overall sales grew only 5 percent. The new store also gives prominent display to games. Games are expected to make up 75 percent of all revenue for Apple's App Store, according to App Annie, which collects and analyzes market data on mobile apps.

Bayer says needs more time for Monsanto deal approval

Bayer said it was now likely to be early next year before it can complete its \$66 billion deal to acquire U.S. group Monsanto, later than previously expected. Liam Condon,

head of Bayer's Crop Science division, said: "An anticipated closing of the deal in early 2018 is now more likely than end of 2017." He also expressed his confidence that the EU would give the green light. However, the company said it could not think of any asset sales which could be made to allay the European Commission's concerns about what it sees as Bayer's looming dominance in digital farming. More broadly, it said the deal might slow the race to develop new products, and that the European Union would try to prevent Bayer from becoming too dominant in combined offerings of seeds and pesticides with the help of digital farming tools such as connected sensors, software and precision machines.

Salesforce to launch \$50 million artificial intelligence fund

The venture wing of Salesforce.com is launching a \$50 million fund to invest in start-ups employing artificial intelligence, the cloud computing firm told Reuters. Salesforce, whose software helps businesses sell, market and track customer activity, has been increasing its use of AI since launching its 'Einstein' technology a year ago, which uses automation and data-driven features. "There's a tremendous surge in companies who are providing unique AI innovations," said John Somorjai, executive vice president of Salesforce Ventures. "We want more of those companies to do these innovations on Salesforce's platform." The company said that it was also expanding the number of AI tasks employed by its 'Einstein' technology.

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
General Mills	Q1	BMO	\$0.76	\$0.76	\$0.78	\$3,794.00

*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.



A man walks along a street after the passage of Hurricane Maria in Pointe-a-Pitre, Guadeloupe island, France, September 19. REUTERS/Andres Martinez Casares

Insight and Analysis

A winning bearish dollar bet: local currency emerging markets bonds

One of the best strategies to cash in on the dollar's slide since Donald Trump's election victory is a rather exotic one: buying local emerging market currency bonds. Investors who doubted Trump could quickly deliver promised tax cuts, big spending and better trade deals - and by doing so boost the dollar - are now reaping handsome returns from their emerging markets investments while the dollar wades near 2-1/2-year lows. Those investors also viewed as overdone fears that economies like Mexico would suffer from Trump's protectionism and were buying during the post-election emerging markets sell-off.

Unbudgeted: How the opioid crisis is blowing a hole in small-town America's finances

As deaths mount in America's opioid crisis, communities on the front lines face a hidden toll: the financial cost. Ross County, a largely rural region of 77,000 people an hour south of Columbus, Ohio, is wrestling with an explosion in opioid-related deaths - 44 last year compared to 19 in 2009. The drug addiction epidemic is shattering not just lives but also stressing the county budget. About 75 percent of the 200 children placed into state care in the county have parents with opioid addictions, up from about 40 percent five years ago, local officials say.

Retailers boost holiday hires in stores to help tackle online sales

Major retailers are looking to stimulate anemic sales by hiring thousands of more workers this holiday season to improve customer service on their sales floors and handle the fast-growing use of their stores to fulfill online orders. The move comes as several analysts note that retailers have lost sight of basic in-store customer needs as they scrambled in recent years to compete better with Amazon.com by cutting costs through store closures, offering more mark-downs and pouring millions into building out e-commerce platforms.

CANADA

Market Monitor

Canada's **main stock index** touched a six-week high as financial and energy stocks led broad-based gains.

Canadian Natural Resources rose 0.4 percent, while **Cenovus Energy** advanced 2.1 percent.

The **Toronto Stock Exchange's S&P/TSX composite index** rose 0.4 percent to finish at 15,292.97.

The **U.S. dollar** fell 0.1 percent against its **Canadian counterpart** to C\$1.2277.

COMING UP

No major events are scheduled.

TSE's S&P/TSX composite	Price	\$ chng	% chng
GAINERS			
Western Forest Products	2.76	0.11	4.15
Trican Well Service	3.98	0.14	3.65
Granite Real Estate Investment	50.89	1.70	3.46
LOSERS			
Eldorado Gold	2.76	-0.11	-3.83
Computer Modelling	8.91	-0.31	-3.36
Alacer Gold	2.16	-0.07	-3.14

Top News



REUTERS/Chris Wattie

Canada's Trudeau says talks on Bombardier dispute will continue

Canada will continue talks with Washington on settling a dispute between Boeing and Bombardier regardless of whether a U.S. trade court next week backs a challenge launched by the American company, Prime Minister Justin Trudeau (in pic) said. Trudeau said his government would push back against Boeing, which he accused of trying to put thousands of Canadian aerospace employees out of work. He added that Canada was disappointed that Boeing walked away from negotiations ahead of the preliminary ruling, but said discussions will continue regardless of the ruling.

Toronto Stock Exchange seeks partnerships with Gulf bourses

The Toronto Stock Exchange, which is vying to host Saudi Aramco's overseas listing, is exploring partnerships with bourses in the Gulf to help it tap into energy privatisations there. The exchange expects that such collaborations would encourage parallel listings of Middle East companies, said Monica Rovers, head of business development for global energy at Toronto Stock Exchange and TSX Venture Exchange, part of the TMX Group. She said the cost of listing in Canada was around 30 percent less than in New York, while the time taken to list was also shorter.

Air Canada seeks credit card partners to boost loyalty program

Air Canada said it is looking for financial institutions to partner on its new co-branded credit card, as it prepares to launch its own rewards program in 2020. The credit cards, which will offer loyalty perks, are in turn expected to help revenue at a time when airlines are competing to get more market share. The Montreal-based carrier said it expects its large fleet and a push to add more international

destinations to make the loyalty program successful.

Brookfield mulls higher bid for Brazil's Renova –sources

Brookfield Asset Management is considering increasing its offer for Renova Energia by 25 percent, in a bid to sway the two largest shareholders in the Brazilian renewable power firm to exit their controlling stakes, two people with direct knowledge of the matter said. Brookfield declined to comment. Cemig and Light did not have an immediate comment on the proposal.

Canadian July manufacturing sales sink as auto plants shut down

Canadian manufacturing sales dropped by 2.6 percent in July, the most in more than a year, as annual auto plant shutdowns cut sales of cars and motor vehicle parts, Statistics Canada said. The decline was the biggest retreat since the 4.2 percent plunge seen in February 2016. Sales fell in nine of 21 industries, representing 57 percent of the manufacturing sector and in volume terms fell by 1.4 percent.

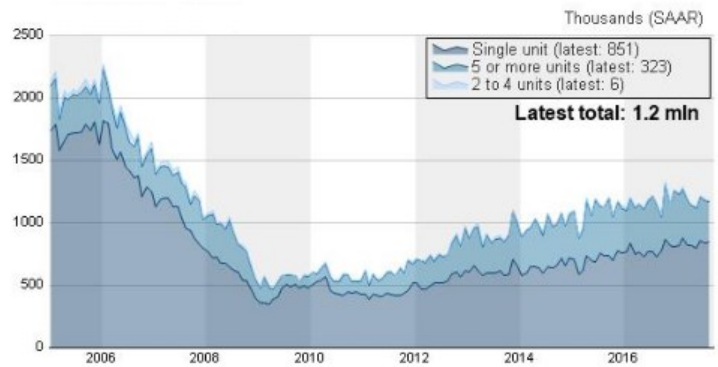
WEALTH NEWS

HOMEBUILDING DIPS

U.S. homebuilding weakens again, hurricanes muddy outlook

U.S. homebuilding fell for a second straight month in August as a rebound in the construction of single-family houses was offset by persistent weakness in the volatile multifamily home segment. The report from the Commerce Department also showed building permits racing to a seven-month high in August. However, permits for single-family homebuilding, which accounts for the largest share of the housing market, dropped. The mixed readings suggested housing could remain a drag on economic growth in the third quarter. Homebuilding has been trading water for much of this year amid shortages of land and skilled labor as well as rising costs of building materials. Housing starts slipped 0.8 percent to a seasonally adjusted annual rate of 1.18 million units, the Commerce Department said. Starts for July were revised higher by 35,000 units. Building permits surged 5.7 percent to a rate of 1.30 million units in August, the highest level since January. Homebuilding rose 1.4 percent in August on a year-on-year basis.

U.S. housing starts



Source: Thomson Reuters Datastream
Reuters graphic/Stephen Culp

[Click on the graphic for a detailed chart.](#)

DEAL

Post Holdings to buy Bob Evans Farms for \$1.5 billion

Post Holdings, which makes Honey Bunches of Oats and Grape-Nuts cereals, said it would buy Bob Evans Farms for about \$1.5 billion, adding vegetable-based side dishes and breakfast sausages to its portfolio.

FUND BACKS DEAL

Norway's \$1 trillion wealth fund backs Linde-Praxair deal

The proposed \$74 billion tie-up of German industrial gases group Linde and U.S. peer Praxair got a boost when the world's biggest sovereign wealth fund said it was backing the deal.

PROFIT UP

Jefferies' profit rises on healthy M&A, debt and equity deals

U.S. investment bank Jefferies Group's third-quarter profit more than doubled as it earned more from advising on debt and equity offerings as well as mergers and acquisitions.

STAKE

Activist lifts Clariant stake, aiming to scuttle Huntsman deal

The activist investor fighting Clariant's planned \$20 billion merger with Huntsman has built a 15.1 percent stake that makes it the biggest shareholder in the Swiss chemicals maker.

IPO PRICING SLASHED

Alibaba-backed Best cuts expected price range for U.S. IPO

Alibaba Group-backed Chinese logistics firm Best slashed the expected price range of its U.S. initial public offering, one day before its market debut, suggesting tepid investor enthusiasm.

ACQUISITION

Catalent bolsters biopharma business with Cook Pharmica buy

U.S. drug contract manufacturer Catalent agreed to buy Cook Pharmica for \$950 million in cash as the company doubles down on its fast-growing business of supplying biologics to drugmakers.



Belarusian military jets fly during the Zapad 2017 war games near the village of Volka, Belarus September 19. REUTERS/Sergei Grits

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