

MORNING NEWS CALL

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U.S. Edition

Wednesday, December 1, 2021

TOP NEWS

• U.S. tightens travel rules as more countries secure borders to quell Omicron

Air travellers to the United States will face tougher COVID-19 testing rules and other countries tightened border controls to try to slow the spread of the Omicron variant that Nigeria said had been circulating weeks earlier than thought.

• U.S. FDA panel weighs Merck's COVID-19 antiviral drug

A panel of expert advisers to the U.S. Food and Drug Administration on Tuesday narrowly voted to recommend the agency authorize Merck's antiviral pill to treat COVID-19.

• Facebook risks meta flop, metaverse developers say

Facebook risks missing the point of metaverse - and a coming shift in consumers' behaviour - if it fails to permit digital ownership, according to some of the virtual world's pioneers.

• Tesla says Chinese think tank report on its Shanghai production is 'inaccurate'

Tesla said that a report by Chinese think tank EV100 that quoted the U.S. automaker's vice president as saying that its Shanghai factory was on track to meet its goal of making 500,000 vehicles this year was "inaccurate".

• OPEC+ begins two days of talks amid oil rout

OPEC and its allies begin two days of meetings on Wednesday to decide whether to release more oil into the market or restrain supply amid an oil price rout and fears the Omicron coronavirus variant could weaken global energy demand.

BEFORE THE BELL

U.S. stock index futures were higher along with **global equities**, as bargain hunters returned after a rough November, although concerns remained on whether the latest COVID-19 variant will derail the economic recovery. The **dollar index** was slightly lower, while **gold** prices gained as focus remained on the Fed's interest rates policy. **Oil** rose more than 4% as OPEC and its allies prepared to discuss on how to respond to the threat to fuel demand from the Omicron variant. The manufacturing PMI and construction spending data are on the economic calendar.

STOCKS TO WATCH

Results

• **Allbirds Inc:** The company posted a wider-than-expected quarterly loss on Tuesday in the shoe maker's first set of results since its Nasdaq debut earlier this month, hurt by rising expenses associated with operations and investments in its business. The sustainable footwear brand's total revenue rose 33% to \$62.71 million in the third quarter. Total operating expenses rose to \$45.81 million in the reported quarter from \$32.23 million a year earlier. Net loss widened to \$13.80 million, or 25 cents per share, in the third quarter, compared with a loss of about \$7 million, or 13 cents per share, a year earlier.

• **GlobalFoundries Inc:** The company forecast upbeat current-quarter sales on Tuesday, in its first earnings update after going public in October, banking on a spike in chip demand as companies scramble to secure supplies amid a global semiconductor crunch. GlobalFoundries posted revenue of \$1.7 billion and a profit of 7 cents per share for the third quarter, both of which beat Wall Street's estimates. The company forecast fourth-quarter revenue of between \$1.8 billion and \$1.83 billion, the low end of which was in line analysts' estimates, according to Refinitiv data.

• **Salesforce.com Inc:** The company forecast current-quarter profit below Wall Street estimates on Tuesday as it faces stiff competition from rivals including Microsoft, sending its shares down in extended trading. The company also picked insider Bret Taylor to co-lead the company alongside top boss Marc Benioff. Salesforce said it expected adjusted earnings in the fourth quarter to be between 72 cents and 73 cents per share, below estimates of 81 cents per share, according to IBES data from Refinitiv. However, Salesforce reported better-than-expected revenue for the third quarter, boosted by strong demand for its cloud-based software. Revenue rose 27% to \$6.86 billion in the quarter, beating analysts' estimate of \$6.8 billion.

Deals Of The Day

• **SS&C Technologies Holding Inc:** Software group **Blue Prism** agreed to a \$1.65 billion takeover offer from SS&C Technologies, withdrawing its backing for a bid from rival suitor Vista. SS&C's all-cash offer of 1,275 pence per Blue Prism share is higher than its earlier possible bid of 1,200 pence, and is above private equity firm Vista's final offer of 1,250 pence. Blue Prism chief Jason Kingdon said the combination with SS&C will offer access to "significant capital resources and investment in R&D alongside access to SS&C's extensive 18,000 customers".

In Other News

• **Amazon.com Inc:** New York state's attorney general on Tuesday asked a state judge to appoint a monitor to oversee worker safety at an Amazon.com fulfillment center in New York City, citing the retailer's alleged rollbacks of COVID-19 safety measures that were "already inadequate." Letitia James, the attorney general, also wants a court order requiring the rehiring of Christian Smalls, who Amazon fired for allegedly violating a paid quarantine by leading a March 2020 protest over conditions at the Staten Island facility. She said Amazon is valuing profit over safety and "acting as if the pandemic is over" by rolling back safety protocols even as the Omicron variant of the COVID-19 virus threatens to increase transmission rates.

• **BioNTech SE & Pfizer Inc:** Pfizer's Chief Executive Officer Albert Bourla said on Tuesday the company has submitted a request to the U.S. Food and Drug Administration seeking the authorization for its COVID-19 booster doses for use in 16- and 17-year olds. If given the go-ahead, Pfizer's booster vaccine will be the first to be cleared for use in the younger age group. The Wall Street Journal reported on Monday that the FDA could approve Pfizer's booster doses for 16- and 17-year olds as soon as next week. Separately, the European Union-wide rollout of Pfizer and BioNTech's COVID-19 vaccine version for five- to 11-year-old children will begin Dec 13, one week earlier than previously planned, Germany's health ministry said.

• **Delta Air Lines Inc & United Airlines Holdings Inc:** Global airlines are bracing for more volatility due to the Omicron variant of COVID-19 that could force them to juggle schedules and destinations at short notice and to rely more on domestic markets where possible, analysts say. Many travellers have already booked trips for the Christmas period, a peak season for airlines, but there are growing industry concerns over a pause in future bookings and further delays to the already slow recovery in business travel. United Airlines is launching its Newark-Cape Town route on Wednesday despite a U.S. ban on non-citizens entering from South Africa and Delta Air Lines said bookings over the Christmas period were strong.

• **Exxon Mobil Corp:** The company will brief Wall Street on Wednesday on its spending plans, with investors looking for how it will balance oil and low-carbon initiatives without compromising shareholder returns. The update will be the first under a board that includes three new members elected last spring by investors demanding the company cut spending, boost returns and better address climate concerns. Exxon has pivoted from questioning climate change to viewing it as a business opportunity. Exxon's disclosure of expected returns targets are the "main concern" for shareholders, said Ben Cook, portfolio manager of Hennessy BP Energy Transition Fund, which holds shares in Exxon. Its nearly 6% dividend yield is critical to investors, he said.

• **Fluence Energy Inc:** Macquarie Group's green investment arm has teamed up with France's Engie and U.S. energy storage firm Fluence to build an energy storage project in Australia, the companies said. The 150 megawatt (MW) battery, funded by energy group Engie and Macquarie's Green Investment Group, will be built at the site of Engie's now closed Hazelwood power station in Victoria, and will be built and run by Fluence over 20 years. The companies did not disclose the project's cost, but Engie Australia and New Zealand Chief Executive Augustin Honorat said it was less than A\$1 million per megawatt, implying a cost of less than A\$150 million.

• **Merck & Co Inc:** A panel of expert advisers to the U.S. Food and Drug Administration on Tuesday narrowly voted to recommend the agency authorize Merck's antiviral pill to treat COVID-19. If the FDA authorizes the drug, it would be the first at-home treatment for the virus nearly two years into the pandemic. The authorization would likely be limited to patients at high risk of developing severe disease, although the exact population would be defined by the agency. Merck expects to produce 10 million courses of the treatment by the end of this year, with at least 20 million set to be manufactured in 2022.

• **Meta Platforms Inc:** Facebook risks missing the point of metaverse - and a coming shift in consumers' behaviour - if it fails to permit digital ownership, according to some of the virtual world's pioneers. The social media giant made waves last month by changing its name to Meta Platforms and announcing a focus on the buzzy "metaverse". However, with few details beyond the rebrand, metaverse participants doubt it is ready to embrace the spirit driving creativity and profit in the space. "What Facebook is doing with meta...is a 'fake metaverse,' unless they actually have a real description as to how we can truly own it," said Yat Siu, chairman and co-founder of Animoca Brands, an investor in and builder of metaverse platforms, speaking on a panel at the Reuters Next conference.

• **Microsoft Corp:** The company said on Tuesday its shareholders had approved a proposal by Arjuna Capital, which sought a report from the software firm on the effectiveness of its policies to battle sexual harassment in the workplace. About 80% of the votes that were cast at the company's annual meeting were in favor of producing such a report, Microsoft said in a filing. Microsoft already internally shares annual data on the volume of sexual harassment concerns raised and the results of the investigations into them. It has now adopted plans to make that data public.

• **Momentive Global Inc & Zendesk Inc:** Activist investment firm Jana Partners said on Tuesday it had urged Zendesk to abandon a deal to buy Momentive Global, the parent of online survey portal SurveyMonkey. Jana urged Zendesk's board to terminate the acquisition now rather than wait months for a shareholder vote to clear the deal that appeared likely to fail. "We believe Zendesk is highly undervalued and has far more attractive opportunities to create shareholder value than by acquiring Momentive," Jana said in a letter sent to the software firm's board.

• **Tesla Inc:** The company said that a report by Chinese think tank EV100 that quoted the U.S. automaker's vice president as saying that its Shanghai factory was on track to meet its goal of making 500,000 vehicles this year was "inaccurate". EV100 quoted Tao Lin, also known as Grace Tao, as giving the figure in an article published on the think tank's official WeChat account on Wednesday morning. A Tesla representative told Reuters the figure was inaccurate, without elaborating further, but referred to the automaker's third-quarter results during which it said the Shanghai plant's potential annual output exceeded 450,000.

ANALYSIS

History says expect strong December for U.S. stocks, despite Omicron and Fed worries

A pileup of risks into year-end has some investors gauging whether December will continue its historical trend of a strong stock performance, even as markets face of worries over the Omicron coronavirus variant and a more hawkish Federal Reserve.

ANALYSTS' RECOMMENDATION

• **Ambarella Inc:** Cowen and Company raises target price to \$235 from \$150, expecting company's target workloads expanding into a broader portion of the embedded AI market.

• **Caribou Biosciences Inc:** Oppenheimer initiates with outperform rating, saying the company has the right tools and philosophy to successfully develop revolutionary off-the-shelf CAR-T therapies.

• **CNH Industrial NV:** JPMorgan resumes coverage with overweight rating after the company articulated a compelling strategic plan with financial targets through 2024 at its Capital Markets Day, and the plan is being executed (despite COVID-19 setbacks) and should unlock significant shareholder value.

• **Corvus Pharmaceuticals Inc:** Jefferies initiates coverage with buy rating, saying Mupadolimab is a differentiated anti-CD73 agent that could potentially drive clinical benefit into other cancers.

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

0815 (approx.) **ADP national employment** for Nov: Expected 525,000; Prior 571,000

0945 **Markit Manufacturing PMI Final** for Nov: Prior 59.1

1000 (approx.) **Construction spending mm** for Oct: Expected 0.4%; Prior -0.5%

1000 **ISM Manufacturing PMI** for Nov: Expected 61.0; Prior 60.8

1000 **ISM Manufacturing Prices Paid** for Nov: Expected 85.5; Prior 85.7

1000 **ISM Manufacturing Employment Index** for Nov: Prior 52.0

1000 **ISM Manufacturing New Orders Index** for Nov: Prior 59.8

COMPANIES REPORTING RESULTS

PVH Corp: Expected Q3 earnings of \$2.08 per share

Synopsys Inc: Expected Q4 earnings of \$1.78 per share

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

0830 **G-III Apparel Group Ltd:** Q3 earnings conference call

0830 **Patterson Companies Inc:** Q2 earnings conference call

0900 **Campbell Soup Co:** Annual Shareholders Meeting

0930 **Paylocity Holding Corp:** Annual Shareholders Meeting

1000 **Donaldson Company Inc:** Q1 earnings conference call

1630 **Five Below Inc:** Q3 earnings conference call

1630 **nCino Inc:** Q3 earnings conference call

1630 **Splunk Inc:** Q3 earnings conference call

1700 **C3Ai Inc:** Q2 earnings conference call

1700 **CrowdStrike Holdings Inc:** Q3 earnings conference call

1700 **Elastic NV:** Q2 earnings conference call

1700 **Okta Inc:** Q3 earnings conference call

1700 **Semtech Corp:** Q3 earnings conference call

1700 **Snowflake Inc:** Q3 earnings conference call

1700 **Synopsys Inc:** Q4 earnings conference call

1700 **Veeva Systems Inc:** Q3 earnings conference call

1700 **Zuora Inc:** Q3 earnings conference call

EX-DIVIDENDS

Commerce Bancshares Inc: Amount \$0.26

CoreSite Realty Corp: Amount \$1.27

Goldman Sachs Group Inc: Amount \$2.00

Home Depot Inc: Amount \$1.65

Houlihan Lokey Inc: Amount \$0.43

Kronos Worldwide Inc: Amount \$0.18

La-Z-Boy Inc: Amount \$0.16

Mosaic Co: Amount \$0.07

Nvidia Corp: Amount \$0.04

Patria Investments Ltd: Amount \$0.14

Patterson-UTI Energy Inc: Amount \$0.02

Qualcomm Inc: Amount \$0.68

Shutterstock Inc: Amount \$0.21

Tetra Tech Inc: Amount \$0.20

Vontier Corp: Amount \$0.02

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

PICTURE OF THE DAY



Migrants, who hope to receive help from the Mexican government to obtain humanitarian visas to transit Mexican territory, rest while they take part in a caravan heading to the U.S. border in Huehuetan, Mexico, November 30. REUTERS/Jose Luis Gonzalez

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