

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Wall Street** ended at record highs as Middle East tensions eased and optimism about a U.S.-China trade deal also firmed. The **dollar index** was up, while **gold** prices edged lower.

**Benchmark Treasury yields** fell following a strong 30-year bonds auction. **Oil** prices were little changed as investors shifted focus to rising U.S. crude stocks.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	28957.44	212.35	0.74	28872.80	23581.45
Nasdaq	9203.43	74.18	0.81	9168.89	8943.50
S&P 500	3274.70	21.65	0.67	3267.07	3214.64
Toronto	17235.57	67.75	0.39	17230.58	14533.89
FTSE	7598.12	23.19	0.31	7626.41	7524.96
Eurofirst	1641.14	5.38	0.33	1641.53	1614.20
Nikkei	23739.87	535.11	2.31	23577.44	22951.18
Hang Seng	28561.00	473.08	1.68	28883.30	27857.73

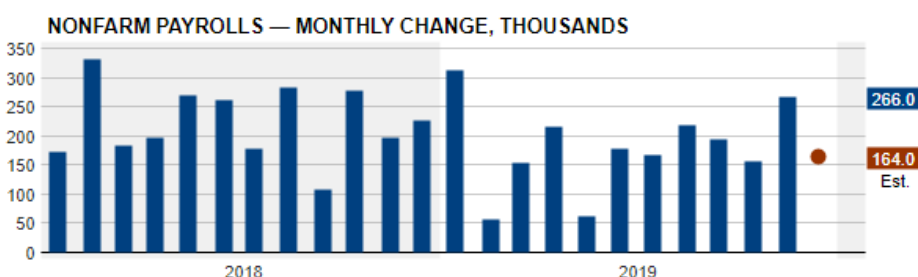
TREASURIES	Yield	Price
10-year	1.8545	6/32
2-year	1.5764	0/32
5-year	1.6514	2/32
30-year	2.3261	23/32

FOREX	Last	% Chng
Euro/Dollar	1.1104	0.01
Dollar/Yen	109.49	0.34
Sterling/Dollar	1.3065	-0.24
Dollar/CAD	1.3067	0.23
TR/HKEX RMB	92.94	0.05

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	59.64	0.03	0.05
Spot gold (NY/oz)	1550.86	-4.85	-0.31
Copper U.S. (front month/lb)	0.0281	-0.0001	-0.28
CRB Index Total Return	194.35	0.21	0.11

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
L Brands Inc	18.97	0.82	4.52
Align Technology Inc	296.54	10.54	3.69
Ball Corp	66.74	2.27	3.52
<b>LOSERS</b>			
Kohls Corp	46.15	-3.23	-6.54
Gap Inc	17.44	-0.63	-3.49
Capri Holdings Ltd	36.75	-1.26	-3.31

## Coming Up



Source: Refinitiv Datastream / S. Culp 09/01/2020

The U.S. Labor Department is expected to report that **nonfarm payrolls** rose by 164,000 jobs in December, down from 266,000 in the previous month. **Private payrolls** are likely to dip to 152,000 in December from 254,000 in November. The **unemployment rate** in December is expected to be unchanged at 3.5%. The U.S. Commerce Department is expected to report **wholesale inventories** and **wholesale sales** in

November edged up 0.1% and 0.2%, respectively.

**Brazil's** benchmark IPCA index of **inflation** likely rose 1.08% in December, compared with 0.5% in the previous month. The year-on-year rate of IPCA price inflation in December likely increased to 4.23% from 3.27% in the previous month. **Mexico's** statistics agency is expected to release **industrial output** figures for November.

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Non-farm payrolls for Dec	0830	164,000	266,000
Private payrolls for Dec	0830	152,000	254,000
Manufacturing payrolls for Dec	0830	5,000	54,000
Government payrolls for Dec	0830	--	12,000
Unemployment rate for Dec	0830	3.5%	3.5%
Average earnings mm for Dec	0830	0.3%	0.2%
Average earnings yy for Dec	0830	3.1%	3.1%
Average workweek hours for Dec	0830	34.4 hrs	34.4 hrs
Labor force partic for Dec	0830	--	63.2%
U6 underemployment for Dec	0830	--	6.9%
Wholesale inventory, R mm for Nov	1000	0.1%	0.0%
Wholesale sales mm for Nov	1000	0.2%	-0.7%

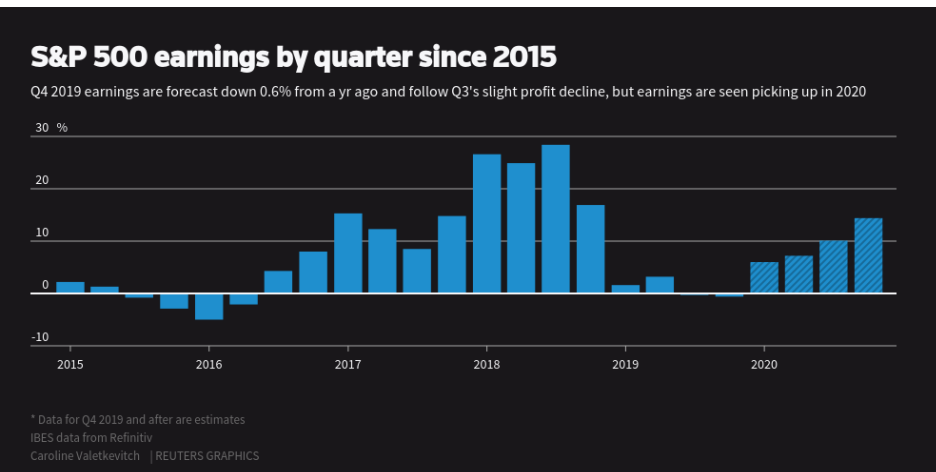
## KEY RESULTS

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

# Market Monitor

**Stocks** registered record high closes as optimism about a U.S.-China trade deal firmed and as Apple and other market heavyweights posted strong gains. **Apple** gained 2.12% on twin support from data showing iPhone sales jumped more than 18% in China in December, as well as a price target hike by Jefferies on expectations of a strong finish to 2019. The **S&P 500 technology sector** rose 1.13% to 1659.93. The **financial index** ended 0.77% higher at 513.50 after bullish brokerage comments on **Citigroup** and **Goldman Sachs** ahead of their earnings, which rose 0.92% and 2.08% respectively. After a wobbly start to the new year on fears of an all-out conflict in the Middle East, nerves eased as Washington and Tehran looked to defuse the crisis after Iran's retaliatory attack following the U.S. killing of a top Iranian general. With the fourth-quarter earnings season kicking off next week, analysts expect profits for S&P 500 companies to drop 0.6% in their second consecutive quarterly decline, according to IBES data from Refinitiv. The **Dow Jones Industrial Average** rose 0.74% to 28,957.44, the **S&P 500** gained 0.67% to 3,274.70 and the **Nasdaq Composite** added 0.81% to 9,230.43.

**Benchmark Treasury yields** fell after strong demand at a \$16 billion auction of 30-year bonds drove prices higher. The Treasury Department sold \$16 billion in **30-year bonds** at a high yield of 2.341%. The bid-to-cover ratio was 2.54. "We started rallying a little bit before the 30-year auction. But the 30-year auction, which was quite strong, really pulled the markets higher today," said Guy LeBas, chief fixed income strategist at Janney Montgomery Scott. "The primary dealer take was pretty low, which means customers were buying." The strong demand was likely



attributable to the low prices of bonds prior to the sale. The **benchmark 10-year notes** were up 6/32 to yield 1.85%. The **two-year notes** were flat, yielding 1.58%.

The safe-haven **yen** fell against the **dollar**, as the United States and Iran moved away from an all-out conflict, prompting investors to take on more risk and shift focus to an upcoming U.S.-China trade deal and a U.S. non-farm payrolls report. The yen, a safe haven in times of geopolitical turmoil because of its deep liquidity and Japan's current account surplus, reversed gains against the dollar after Iran's missile strike. Against the **Japanese yen**, the **dollar** was up 0.34% at 109.49 yen. The **dollar index** was 0.15% higher at 97.44.

**Oil prices** were little changed as the market shifted focus toward rising U.S. crude stocks and away from worries about the conflict between the United States and Iran. "The way the market gives a geopolitical risk premium and then takes it right back indicates that the market fundamentally isn't very strong," said Gene McGillian, director of market research at Tradition Energy

in Stamford, Connecticut. "A lot of participants in the market think that there's a lot of oil around the world that consumption doesn't take care of." **Brent crude futures** were flat at \$65.44 a barrel. **U.S. Crude futures** edged 0.05% higher to \$59.64 per barrel. "As geopolitical tensions appear to enter a new equilibrium ... the overall supply conditions in the market tend to favour oil reverting lower," Harry Tchilinguirian, oil strategist at BNP Paribas in London, told the Reuters Global Oil Forum.

**Gold** fell as markets wagered the United States and Iran will not resort to a further conflict, boosting risk-taking. **Spot gold** fell 0.29% to \$1,551.19 per ounce, while **U.S. gold futures** fell 0.54% to \$1,551.70 per ounce. "The return of risk appetite meant that safe assets such as gold have suffered from some profit-taking and it's possible that could continue for a little longer," Standard Chartered Bank analyst Suki Cooper said. "Gold will remain very twitchy on Iran-related headlines or rocket fire in Baghdad for some days to weeks," said Tai Wong, head of base and precious metals derivatives trading at BMO.

# Top News

## **China's Vice Premier Liu to sign U.S. trade deal in Washington next week**

China's Vice Premier Liu He, head of the country's negotiation team in Sino-U.S. trade talks, will sign a "Phase 1" deal in Washington next week, the commerce ministry said. Liu will visit Washington on Jan. 13-15, said Gao Feng, spokesman at the commerce ministry. U.S. President Donald Trump said on Dec. 31 that the Phase 1 deal with China would be signed on Jan. 15 at the White House. Trump also said he would sign the deal with "high-level representatives of China," and that he would later travel to Beijing to begin talks on the next phase. Meanwhile, U.S. President Donald Trump said his administration will start negotiating the Phase 2 U.S.-China trade agreement soon but that he might wait to complete any agreement until after November's U.S. presidential election. To read more, [click here](#)

## **Apple's iPhone sales in China up 18% in December -government data**

Sales of Apple's iPhone in China in December jumped more than 18% year on year, government data showed. Apple shipped roughly 3.2 million phones in China in December, data from the China Academy of Information and Communications Technology and Reuters calculations showed. That was up from 2.7 million a year earlier. Throughout 2019, Apple offered discounts and financing schemes aimed at boosting sales in China. In the company's last earnings call, CEO Tim Cook suggested that such initiatives were successful in attracting more Chinese consumers. Apple is scheduled to release its next quarterly financial report in late January.

## **Weak holiday sales at Kohl's, J.C. Penney spell more trouble for stores**

Kohl's and J.C. Penney reported lower holiday season sales, a sign that traditional brick-and-mortar retailers



*A file photo shows China's Vice Premier Liu He gesturing as he arrives for U.S.-China trade negotiations in Washington, U.S., October 10, 2019. REUTERS/Yuri Gripas*

struggled to compete with record-breaking online shopping between Thanksgiving and New Year's Day. Kohl's said it now expects full-year earnings to come in at the bottom end of an already lowered forecast, blaming weak demand for women's apparel during the crucial shopping season. The Menomonee Falls, Wisconsin-based department store operator's shares fell 9% as it posted a 0.2% drop in comparable sales in November and December. Smaller rival J.C. Penney posted a 7.5% drop for the nine-week period ended Jan. 4. Kohl's shares ended 6.54% lower at \$46.15, while shares of J.C. Penney were 10.83% down at \$1.07 at market close.

## **Iran likely downed Ukraine airliner with missiles -Canada's Trudeau, citing intelligence**

A Ukraine airliner that crashed in Iran, killing all 176 people aboard, was likely brought down by an Iranian missile, Canada's prime minister, Justin Trudeau, said, citing intelligence from

Canadian and other sources. Trudeau told a news conference in Ottawa that the destruction of the airliner "may well have been unintentional." Earlier, a U.S. official, citing an extensive review of satellite data, said Washington had concluded with a high degree of certainty that anti-aircraft missiles brought down the plane. The official said the Boeing 737-800 had been tracked by Iranian radar. Washington believed the plane was most likely brought down accidentally, two U.S. officials said. Speaking to reporters at the White House, U.S. President Donald Trump said he had a terrible feeling about the downed airliner, but offered no details. He said he did not believe it was a mechanical issue. "It's a tragic thing. But somebody could have made a mistake - on the other side," Trump said. Meanwhile, Boeing could be forced to cut production of its bigger 787 Dreamliners to 10 aircraft per month, amid a drought of orders from China, U.S. airplane leasing firm Air Lease Chief Executive Officer John Plueger said. To read more, [click here](#)





## **Ahead of U.S. election, Facebook gives users some control over how they see political ads**

Facebook said it was making some changes to its approach to political ads, including allowing users to turn off certain ad-targeting tools, but the updates stop far short of critics' demands and what rival companies have pledged to do. The world's biggest social network has vowed to curb political manipulation of its platform, after failing to counter alleged Russian interference and the misuse of user data by defunct political consulting firm Cambridge Analytica in 2016. Facebook said that in addition to rolling out a tool enabling individual users to choose to see fewer political and social issue ads on Facebook and its photo-sharing app Instagram, it will also make more ad audience data publicly available.

## **Bristol-Myers confident of approvals linked to higher Celgene investor payout -Bristol executive**

Bristol-Myers Squibb is confident it will receive U.S. approvals for all three experimental drugs tied to a potentially higher payout for Celgene shareholders under terms of its acquisition of the U.S. biotech company, Bristol's chief medical officer said. New York-based Bristol-Myers bought Celgene for more than \$74 billion in a deal announced last January. As part of that agreement, Celgene shareholders received a so-called CVR, or contingent value right, worth \$9 per share if three high-profile drugs in Celgene's pipeline receive U.S. approvals by March 2021. "We don't see why we would not be on track for that," Bristol-Myers CMO Samit

Hirawat said in an interview when asked the prospects for achieving that goal.

## **Democratic lawmaker rebukes Wells Fargo rebate request**

Democratic Representative Katie Porter, a first-term lawmaker known as a tough Wall Street critic, accused Wells Fargo of passing on costs associated with its wide-ranging scandals to third parties, in a scathing letter sent to the bank's new chief executive. "These small businesses played no role in the misdeeds committed by the Bank," Porter, who serves on the House of Representatives Financial Services Committee, said in the letter to Wells Fargo Chief Executive Charlie Scharf. Wells Fargo representatives have said participation in the voluntary rebate would not be considered when awarding future contracts. Asking for a rebate and linking it to higher costs due to regulatory backlash goes against the intent of regulator actions, Porter said.



## **U.S. judge orders Michael Avenatti to face fraud charge as Nike trial looms**

A U.S. judge rejected celebrity lawyer Michael Avenatti's (*pictured*) bid to dismiss a criminal charge that he defrauded a client who he said knew about improper payments that Nike allegedly made to families of college basketball recruits. U.S. District Judge Paul Gardephe in Manhattan ruled three days after refusing to dismiss two extortion charges accusing Avenatti of threatening a news conference about the payments unless Nike paid him up to \$25 million. Nike has denied wrongdoing. "When the actual

evidence is heard at trial rather than the baseless allegations in the indictment, I will be fully cleared because I did nothing wrong," Avenatti, 48, said in a text message. "I am innocent."

## **Apache to close San Antonio office, cut 272 jobs**

U.S. oil and gas producer Apache will close its San Antonio, Texas office overseeing its struggling Alpine High project in the Permian basin and 272 jobs will be affected. The closure follows the October resignation of Steven Keenan, the former senior vice president of worldwide exploration who was widely credited with the Alpine High discovery in 2016. In a filing made with the Texas Workforce Commission, Apache Corp said the affected employees will be leaving the company on March 6. Company spokesman Phil West said the decision to close the San Antonio office is part of the ongoing reorganization, which is expected to help save the company at least \$150 million annually.

## **Amag to divest two of three women's health drugs, CEO to step down**

Amag said chief executive officer would step down and it plans to divest two of its women's health drugs, bowing to pressure from investor Caligan Partners that has long urged it to hive off the slow-growing unit. Amag said it would sell its recently approved female libido treatment, Vyleesi, and Intrarosa, a treatment for pain in post-menopausal women, and that it has received preliminary interest in buying or sub-licensing the rights to the drugs. CEO William Heiden has decided to step down, but would continue in his role as CEO and president until his successor is appointed, the company said. Separately, Solid Biosciences said its head of medicines would step down and that it would layoff one third of its workforce as the drug developer works to bring an end to the clinical halt on a trial of its experimental gene therapy. To read more, [click here](#).



Tanli Yang, a journalist with China Global Television Network, performs yoga poses with Walker, an intelligent humanoid service robot, at the UB Tech booth during the 2020 CES in Las Vegas, Nevada, U.S. January 8. REUTERS/Steve Marcus

## Insight and Analysis

### **Hopes for spike in U.S. farm exports to China dim ahead of trade deal signing**

Days before a U.S.-China trade deal is due to be signed, large Chinese purchases of Brazilian soybeans and a pair of unexpected policy moves by Beijing have dimmed U.S. hopes that China would double its imports of American farm products this year. China announced that Chinese Vice Premier Liu He would sign the Phase 1 deal in Washington next week. But Chinese forward purchases of Brazilian soybeans, including about a dozen bulk vessels this week, or about 800,000 tonnes, are raising doubts Chinese buyers will have an appetite for vast supplies of U.S. soybeans once the deal is done.

### **How Big Tech is helping transform cars into smartphones**

Technology companies transformed smartphones and televisions into continuous fountains of revenue. Now, big tech wants to work with automakers to do the same thing for your car. With the widespread rollout of autonomous vehicles still years away, the two industries have converged on the idea of cars providing services and features delivered "over the air" - that is, over the same wireless data networks used by smart phones. Those services - streaming video, vehicle performance upgrades, dashboard commerce - could answer a pressing need for automakers. They need to learn how to milk their hardware for revenue long after vehicles roll off dealers' lots.

### **Ackman avoids limelight even as Pershing Square posts record 2019**

Two years ago, investor William Ackman, who pushes corporations to perform better, took his own advice and laid out a plan for a comeback after years of losses. Over dinner at the New York Public Library, Ackman told investors in January 2018 that he was going back to basics by cutting staff, ending investor visits that were eating into his time, and hunkering down in the office to do research. Now, Ackman has the numbers to prove his strategy is working. The Pershing Square Holdings portfolio, the biggest at his Pershing Square Capital Management firm, returned a stunning 58.1% last year, making it one of the world's best performing hedge funds.



## CANADA

## Market Monitor

Canada's main stock index hit a record high, helped by easing tensions in the Middle East, while the Chinese confirmation of an interim trade deal next week also supported investors' risk appetite.

The Toronto Stock Exchange's **S&P/TSX composite index** ended 0.39% higher at 17,235.57 after hitting a record high of 17,243.68.



The **U.S. dollar** was up 0.20% against its **Canadian counterpart** at C\$1.3063.

## COMING UP

Statistics Canada is likely to show the economy gained 25,000 **jobs** in December, after a loss of 71,200 jobs in the previous month. The **jobless rate** is expected to slip to 5.8% in December from 5.9% in November.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
Aritzia Inc	24.01	3.48	16.95
Aurora Cannabis Inc	2.42	0.15	6.61
Cronos Group Inc	9.21	0.57	6.60
<b>LOSERS</b>			
Canada Goose Holdings Inc	43.58	-1.97	-4.32
NovaGold Resources Inc	10.74	-0.36	-3.24
Eldorado Gold Corp	9.72	-0.32	-3.19

## Top News



### **Bank of Canada sees lower potential risk from global trade disputes**

The potential downside risks from global trade friction seem to have eased as the United States and China near a deal, although much uncertainty remains around implications of any such pact for Canada, Bank of Canada Governor Stephen Poloz (*pictured*) said. "Certainly, it seems that the potential downside risks have eased as the United States and China approach a deal. This all bears watching during the coming year," he told a business audience in Vancouver. Poloz also said there was still plenty of uncertainty about what a U.S.-China deal could mean for Canadian exports and whether any more of the new tariffs the superpowers have imposed on each

other could be rolled back. "On the surface, there has been some improvement on this front lately, although it remains to be seen whether this will lead to a recovery of trade and investment," Poloz said, noting companies are understandably reluctant to make big investments.

### **POLL-Canadian dollar seen losing upside momentum over coming year**

The Canadian dollar, last year's top-performing G10 currency, will shift into a sideways trading pattern this year as the domestic economy softens and the recent boost from easing trade tensions fades, a Reuters poll showed. The currency rallied 5% against the U.S. dollar in 2019, with about half that gain accumulated in the final few weeks of the year as signs emerged of recovery in the global economy and as the United States and China moved toward an interim trade deal. "Risks decreased significantly at the end of 2019, which helped the loonie and several other currencies. We do not expect another significant reduction in risks in 2020," said Hendrix Vachon, a senior economist at Desjardins. "We prefer to bet on a fairly flat trajectory for

the currency for the short term." The poll of over 40 currency analysts showed they expect the loonie to weaken 0.5% to 1.31 per U.S. dollar, or 76.34 U.S. cents, in three months, from 1.30 earlier on Thursday. It is then expected to strengthen to 1.30 in one year, matching the forecast in December's poll.

### **Canada's Cenovus Energy aims for 30% cut in emission intensity by 2030**

Cenovus Energy unveiled plans to reduce per-barrel greenhouse gas emissions by 30% by the end of 2030, as the country's oil industry faces growing pressure from environmental activists. The company said it will spend an additional C\$1.5 billion on businesses run by the country's indigenous communities. Cenovus said its long-term ambition is to reach net-zero emissions by 2050. The company will reclaim 1,500 decommissioned well sites and complete C\$40 million of caribou habitat restoration work by 2030. The company said it is adopting a climate and greenhouse gas emissions strategy with several options to help it reach targets.



# WEALTH NEWS

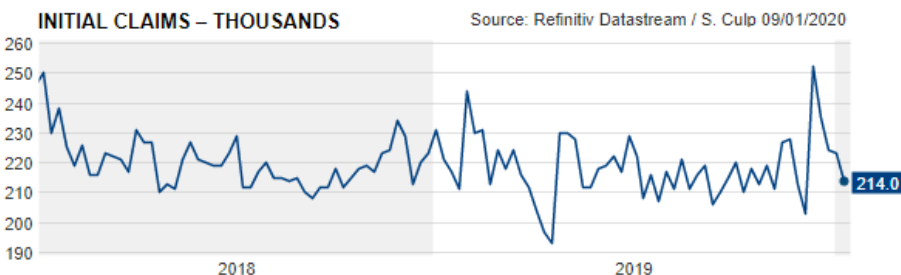
## EMPLOYMENT DATA

### U.S. weekly jobless claims fall, but labor market cooling

New applications for U.S. jobless benefits fell more than expected last week, but the labor market appears to be cooling, with the number of Americans on unemployment rolls surging to more than a 1-1/2-year high at the end of 2019. Initial claims for state unemployment benefits dropped 9,000 to a seasonally adjusted 214,000 for the week ended Jan. 4, the Labor Department said.

The fourth straight weekly decline saw claims almost unwinding the jump in early December, which was blamed on a later-than-normal Thanksgiving Day. The four-week moving average of initial claims fell 9,500 to 224,000 last week. The number of people receiving benefits after an initial week of aid vaulted by 75,000 to 1.80 million for the week ended Dec. 28, the highest level since April 2018. The weekly increase was the largest since November 2015. The four-week moving average of the so-called continuing claims rose 33,000 to 1.74 million.

## U.S. jobless claims



## IRAN CONFLICT

### U.S., Iran ease fear of conflict but threats keep tension high

Iran spurned U.S. President Donald Trump's call for a new nuclear pact and its commanders threatened more attacks as the Middle East remained on edge following the U.S. killing of an Iranian general and Tehran's retaliatory missile strikes.

## CLARIDA ON RATE CUTS

### Fed's Clarida says rate cuts were 'well timed,' policy likely to remain appropriate

Federal Reserve Vice Chairman Richard Clarida laid out an optimistic outlook for the U.S. economy in 2020, saying that last year's rate cuts were "well timed" and that monetary policy is well positioned for the new year.

## COST OF TARIFFS

### Trump's tariffs cost U.S. companies \$46 bln to date, data shows

Tariffs imposed by President Donald Trump to restructure the United States's top trade relationships have cost American companies \$46 billion since February 2018, and U.S. exports of goods hit by retaliatory tariffs have fallen sharply, according to an analysis of Commerce Department data.

## PRIVATE EQUITY DEAL

### Insight Partners to buy cloud data firm Veeam in \$5 billion deal

U.S. private equity firm Insight Partners said it was buying Swiss data management company Veeam Software, in a \$5 billion bet on the fastest-growing player in the market for backing up critical information on remote servers.

## CLIMATE ACTION

### BlackRock joins investor group seeking emission curbs

Top asset manager BlackRock said it has joined the Climate Action 100+ investor group seeking emission curbs.

## INSURANCE DEAL

### Voya Financial explores sale to insurance groups - FT

Voya Financial is exploring a sale that could value the U.S. retirement and insurance plan provider at \$10 billion or more, Financial Times reported, citing people briefed on the matter.





Israeli soldiers from the Givati Brigade take part in a training session on the shore of the Mediterranean sea in Ashkelon, Israel January 9. REUTERS/ Amir Cohen

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The Financial and Risk business of Thomson Reuters is now Refinitiv.

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

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