

# THE DAY AHEAD

## MARKET RECAP at 4 pm ET

**Stocks** ended higher as heavyweight tech stocks outweighed downbeat economic data. The **dollar index** pared gains. **Treasury yields** fell after a poor showing for an auction of 30-year Treasury-Inflation Protected Securities. **Oil** prices slipped on concerns over excess crude stocks and **spot gold** advanced.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	27,740.17	47.29	0.17	29568.57	18213.65
Nasdaq	11,264.95	118.49	1.06	11257.42	6631.42
S&P 500	3,385.51	10.66	0.32	3399.54	2191.86
Toronto	16,606.76	29.38	0.18	17970.51	11172.73
FTSE	6,013.34	-98.64	-1.61	7689.67	4898.79
Eurofirst	1,419.38	-15.16	-1.06	1691.19	1051.38
Nikkei	22,880.62	-229.99	-1.00	24115.95	16358.19
Hang Seng	24,791.39	-387.52	-1.54	29174.92	21139.26

TREASURIES	Yield	Price
10-year	0.6477	9 /32
2-year	0.1431	0 /32
5-year	0.2707	1 /32
30-year	1.3801	27 /32

FOREX	Last	% Chng
Euro/Dollar	1.1859	0.19
Dollar/Yen	105.77	-0.31
Sterling/Dollar	1.3220	0.93
Dollar/CAD	1.3175	-0.29
TR/HKEX RMB	92.34	0.00

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	42.78	-0.33	-0.77
Spot gold (NY/oz)	1951.49	21.95	1.14
Copper U.S. (front month/lb)	0.0297	-0.0005	-1.74
CRB Index Total Return	160.20	-1.25	-0.78

S&P 500	Price	\$ Chng	% Chng
<b>GAINERS</b>			
Synopsys Inc	215.16	16.94	8.55
L Brands Inc	29.57	1.10	3.86
ServiceNow Inc	453.25	16.12	3.69
<b>LOSERS</b>			
Estee Lauder Companies Inc	198.40	-14.10	-6.64
Diamondback Energy Inc	40.63	-2.67	-6.17
TJX Companies Inc	51.65	-2.71	-4.99

## Coming Up



A file photo of John Deere tractors seen for sale at a dealer in Longmont, Colorado, U.S., February 21, 2017. REUTERS/Rick Wilking

Equipment maker **Deere & Co** is expected to report lower third-quarter profit and revenue, due to the turmoil caused by the pandemic.

IHS Markit is expected to show its **manufacturing sector flash PMI** likely rose to 51.9 in August, from 50.9 in

July. IHS Markit's **services sector flash PMI** is likely to show a reading of 51 in August, compared with 50 in July.

The National Association of Realtors is expected to report **existing home sales** likely jumped to 5.38 million units in July, from 4.72 million units in June.

## KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Markit Composite PMI flash for Aug	0945	--	50.3
Markit Manufacturing PMI flash for Aug	0945	51.9	50.9
Markit Services PMI flash for Aug	0945	51.0	50.0
Existing home sales for July	1000	5.38 mln	4.72 mln
Existing home sales change for July	1000	14.7%	20.7%

# Market Monitor

The **Nasdaq** ended at a record high, with the **S&P 500** and **Dow** also rising, as gains in heavyweight tech stocks outweighed downbeat data that affirmed the Federal Reserve's view of a difficult road to economic recovery. Gains in Apple, Amazon.com and Microsoft underpinned the three main indexes' gains as investors bet they would ride out the economic crisis.

**Apple**, **Amazon.com** and **Microsoft** rose 2.22%, 1.13% and 2.33%, respectively. Stocks had opened lower after data showed jobless claims rose unexpectedly back above the 1 million mark last week after slipping below that level for the first time since the start of the pandemic. A separate set of data from the Philadelphia Fed showed a business conditions index fell more than expected in August. Meanwhile, **Intel** rose 1.74% after announcing a \$10 billion share buyback plan. Shares of **Tesla** surged past the \$2,000 mark for the first time as the electric car maker extended its recent rally ahead of an upcoming share split. Shares of the company closed 6.56% up at \$2,001.83. The **Dow Jones Industrial Average** was up 0.17% at 27,740.17, while the **S&P 500** gained 0.32% to 3,385.52. The **Nasdaq Composite** added 1.06% to 11,264.95.

**Treasury yields** fell, while a poor showing for an auction of 30-year Treasury-Inflation Protected Securities (TIPS) indicated that previous hot demand has cooled off. The **benchmark 10-year yield**, which hit a session low of 0.638% after higher-than-expected weekly unemployment claims data, was last down 0.65%, with a higher price of 9/32. The **5-year notes** rose 1/32, yielding 0.27%. The Treasury sold \$7 billion of TIPS at a high yield of -0.272%. The bid-to-cover ratio, a metric of overall demand, was 2.25.

The **dollar** was slightly lower on the day as rising technology stocks bolstered risk assets but held onto gains made Wednesday after less dovish-than-expected minutes from last month's U.S. Federal Reserve policy meeting lifted the greenback off a two-year low. The **dollar index** was down 0.12% at 92.78. But the dollar index was still about 0.70% higher than the two-year low of 92.124 hit on Tuesday, as the effects of the Fed's meeting minutes released Wednesday and Thursday's weak employment data persisted. The **euro** was 0.21% higher at \$1.1861. The **dollar** fell 0.32% against the **Japanese yen** to 105.76 yen.

**Oil** fell after Reuters reported OPEC+ needed to address daily oversupply of more than 2 million barrels, and the number of U.S. unemployment benefit claims rose unexpectedly, signalling a slow economic recovery. **Brent crude** fell 1.01% to \$44.91 a barrel while **West Texas Intermediate** (WTI)'s

more active **October contract** was down 0.77% at \$42.78 a barrel. "The rebound in global economic activity which explained to some extent the firm oil price during May-June period has stalled ... the macro environment for crude oil continues to show weakness," said Georgi Slavov, head of global fundamental research at Marex Spectron.

**Gold** recovered from a slide of more than 3% in the last session, after U.S. jobless claims unexpectedly topped one million again and the Federal Reserve minutes reiterated concerns over economic recovery. **Spot gold** rose 1.14% to \$1,951.56 per ounce. **U.S. gold futures** were down 0.55% to \$1,959.4. "The Fed minutes reiterated the need for people to own gold, they were still concerned about the coronavirus and its impact on the economy - that shows they want to stay accommodative and help consumers stay afloat," said Michael Matousek, head trader at U.S. Global Investors.



A file photo of traders working on the floor of the New York Stock Exchange (NYSE) in New York, U.S., March 20. REUTERS/Lucas Jackson

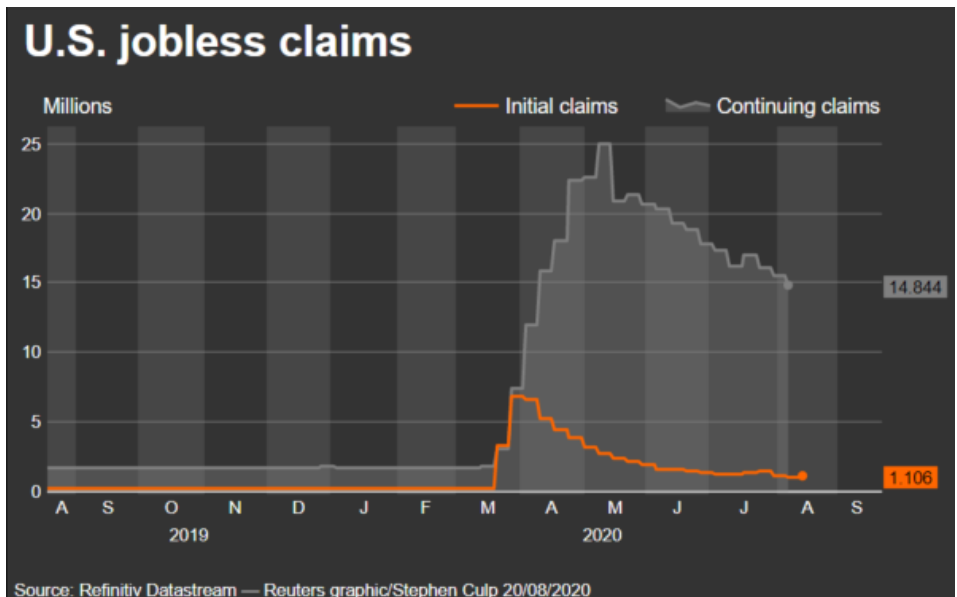
# Top News

## **Rise in U.S. weekly jobless claims clouds labor market recovery**

The number of Americans filing a new claim for unemployment benefits rose unexpectedly back above the 1 million mark last week, a setback for a struggling U.S. job market crippled by the coronavirus pandemic. Still, in a sign some rehiring is underway, the rolls of those continuing to receive jobless benefits is slowly declining, the Labor Department reported, and other data indicated a recovery from the recession triggered by COVID-19 continues, though at a more fitful pace than earlier. Initial claims for state unemployment benefits rose to a seasonally adjusted 1.106 million for the week ended August 15, from an upwardly revised 971,000 in the prior week. Economists polled by Reuters had forecast 925,000 applications in the latest week. Continuing claims declined to 14.844 million in the week ending August 8 from a revised 15.480 million in the prior week. Economists polled by Reuters had forecast continued claims at 15 million. The Philadelphia Federal Reserve's manufacturing index showed the pace of activity growth in the mid-Atlantic region slowed for a second straight month in August. The Philadelphia Fed's business index slid to a reading of 17.2 from 24.1 in July. A reading above zero indicates expansion. Economists polled by Reuters had been looking for a reading of 21. And the Conference Board's Leading Economic Index rose 1.4% in July, following increases of 3.0% and 3.1% in June and May, respectively.

## **Alibaba beats estimates as pandemic fuels online, cloud computing demand**

China's Alibaba beat quarterly revenue and profit estimates, as its core commerce and cloud computing businesses continued to grow following China's emergence from the coronavirus lockdown. Sales from the commerce business alone jumped 34%



to 133.32 billion yuan in the quarter ending in June, slightly slower than a year earlier but still enough to prod its shares higher after the results. "Our domestic core commerce business has fully recovered to pre-COVID-19 levels across the board, while cloud computing revenue grew 59% year-over-year," Chief Financial Officer Maggie Wu said. Alibaba's net income attributable to ordinary shareholders more than doubled to 47.59 billion yuan from 21.25 billion yuan. Excluding items, the company earned 14.82 yuan per American depository share (ADS) versus expectations of 13.78 yuan, according to IBES data from Refinitiv. Revenue was 153.75 billion yuan versus a forecast 147.77 billion yuan.

## **EU, CureVac in advanced talks for 225 mln COVID-19 vaccine doses**

The European Commission and German biotech firm CureVac said they had concluded a first round of talks for the supply of at least 225 million doses of a potential COVID-19 vaccine to EU states. "Each round of talks that we conclude with the pharmaceutical industry brings us closer to beating this virus. We will soon have an agreement with CureVac," the EU Commission

President Ursula von der Leyen said, confirming a Reuters report in July. The EU will now begin negotiating a contract with CureVac, which could be the company's first bilateral supply deal, aimed at securing the vaccine for all 27 EU member states should the shot prove safe and effective. CureVac said the talks included an option to supply 180 million additional doses.

## **Johnson & Johnson to test coronavirus vaccine in 60,000 volunteers**

Johnson & Johnson aims to test its experimental coronavirus vaccine in up to 60,000 volunteers in a late-stage trial scheduled to start in September, according to a U.S. government database of clinical trials. "We can confirm that planning and recruitment is underway for our Phase 3 program, which is subject to interim data of the Phase 1/2a trials and approval of regulators," a Johnson & Johnson spokesman said. "Our Phase 3 program is intended to be as robust as possible, could include up to 60,000 participants and will be conducted in places with high incidence rates," he added. The spokesman said J&J is using epidemiological data to decide



where studies should take place and will make a final decision soon. The phase 3 trial will likely lock off in late September, with the first vaccines available for use by early 2021, he said.

### **Last-minute California court ruling paves way to stave off Uber, Lyft shutdown**

A California appeals court avoided a shutdown of ride-hailing services in the state by halting a lower court order that would have forced Uber Technologies and Lyft to treat their drivers as employees. The companies had said they would be unable to comply with a new law that would consider their drivers employees entitled to benefits such as minimum wage, overtime and sick pay and unemployment insurance. The threat to suspend service in the most populous U.S. state marked an unprecedented escalation in a long-running fight between regulators, labor groups and gig economy companies that have upended traditional employment models around the world.

### **Estee Lauder forecasts profit below expectations, to cut up to 2,000 jobs**

Estee Lauder forecast current-quarter profit below analysts' estimates after posting a bigger-than-expected quarterly loss, as travel restrictions and store closures put in place to contain the spread of coronavirus dampened demand for its premium makeup brands. Estee Lauder said it would cut about 1,500 to 2,000 jobs or about 3% of its workforce globally and also expects to close about 10%-15% of its freestanding stores. Estee Lauder forecast first-quarter adjusted profit per share to be between 80 cents and 85 cents, below estimates of \$1.22, according to IBES data from Refinitiv. The company also expects sales to decline between 12% and 13%, compared to expectations of an 11.42% drop. Net sales fell 32% to \$2.43 billion in the fourth quarter ended June 30, missing estimates of \$2.45 billion. Excluding items, the company reported a loss of 53 cents per share,

much bigger than Wall Street estimates of a 19-cent loss.

### **American Airlines will suspend flights to 15 U.S. cities amid aid debate**

American Airlines said it plans to suspend flights to 15 U.S. airports in October as travel demand remains low as a result of the coronavirus pandemic. Congress has been weighing for weeks whether to grant U.S. airlines another \$25 billion in payroll assistance that would keep tens of thousands of airline workers on the job for another six months and extend minimum service requirements. American said it will cancel just over 700 flights in October to and from those 15 airports but warned it could make additional cuts or could reconsider if Congress provides more assistance. "This is the first step as American continues to evaluate its network and plans for additional schedule changes in the coming weeks," the airline said. Separately, Delta Air Lines said it will continue blocking middle seats through at least January 6, covering the key holiday season, but will raise the cap on the number of passengers on its flights in October. To read the full story, [click here](#)

### **Twitter privacy ruling delayed after dispute among EU regulators**

Some European Union regulators objected to Ireland's preliminary ruling in a landmark privacy investigation of Twitter, the lead regulator Data Protection Commission (DPC) said, triggering a process where a majority decision will be sought. Ireland hosts the European headquarters of a number of U.S. technology companies, making its the EU's lead regulator for firms including Twitter, Facebook, Apple and Google. But it must share its preliminary decision with all concerned EU supervisory authorities (CSAs) and consider their views in its final verdict. "A number of objections were raised by CSAs and the DPC engaged in a consultation process with them," Graham Doyle, Deputy Commissioner

at the Irish DPC, said. As a number of objections were maintained, the DPC has now referred the matter to the European Data Protection Board (EDPB), he added. Separately, the U.S. Justice Department asked the U.S. Supreme Court to review an appeals court decision requiring U.S. President Donald Trump to unblock Twitter users from viewing his account. To read the full story, [click here](#)

### **CVS expands third-party lab partners network to speed up COVID-19 test results**

CVS said a majority of its COVID-19 test results will be available within 2-5 days, as the drugstore chain expanded its network of third-party lab partners to help improve the turnaround time of its results. The company also said it expanded its COVID-19 testing program by adding 77 test sites at CVS Pharmacy drive-thru locations across Florida, which are among more than 1,900 locations where its testing sites have opened since May. CVS and other U.S. retailers including Walgreens Boots Alliance, Walmart and Target have provided space at their parking lots for drive-through sites to help ramp up testing.

### **DoorDash launches grocery delivery on its app**

DoorDash Inc, the largest U.S. third-party delivery company for restaurants, launched a new grocery service, entering an increasingly crowded market dominated by Instacart and Amazon's Amazon Fresh. Grocery delivery on DoorDash's app will begin with Meijer Inc, among others, and expand to more regional and specialty chains in coming weeks, DoorDash's head of "new verticals" Faud Hannon told Reuters. DoorDash said it will deliver flour, tomatoes and olive oil in real time just as it does for lunch orders from restaurants. The new service will be included for members of DashPass, the company's subscription product. Non-subscribers will pay delivery fees starting at \$3.99. Grocery stores will also pay a percentage of sales to DoorDash to cover delivery costs.



U.S. Senator Kamala Harris (D-CA) accepts the Democratic vice presidential nomination during an acceptance speech delivered for the largely virtual 2020 Democratic National Convention from the Chase Center in Wilmington, Delaware, U.S., August 19. REUTERS/Kevin Lamarque

## Insight and Analysis

### **Fear fading on Wall St as investors learn to love the new bull market**

Fear is ebbing on Wall Street, with stocks on a bull run in the midst of the global coronavirus pandemic. The Cboe Volatility Index, known as Wall Street's "fear gauge," is near its lowest level since late February and options markets are showing diminishing concerns of a near-term drop in equities. The S&P 500's run to fresh highs has come as some of Wall Street's biggest banks, including Goldman Sachs, UBS Global Wealth Management and Morgan Stanley, turn more bullish on stocks and are urging clients to remain exposed to equities. The index ended at a record high on

Tuesday, confirming a bull market, according to one definition. Investors may well heed their advice: nearly 80% of fund managers surveyed by BofA Global Research, the highest level in more than a decade, expect the global economy to grow over the next year. The survey also showed falling allocations to cash, another sign of increasing bullishness.

### **GRAPHIC-U.S. recovery grinds along as coronavirus case growth eases**

Americans made tentative moves back to restaurants and gyms over the past week, hiring advanced across a sample of industries and a rise in job postings

suggested it may continue, signs the U.S. recovery grinds along, albeit not without some setbacks. High-frequency data estimating retail stores visits and employment across industries as well as broader indexes of the recovery, after largely plateauing during a summertime surge in coronavirus cases, mostly moved higher through early and mid-August. Defying worries, at least so far, that the expiration of extra unemployment insurance benefits in July would lead to an immediate collapse of spending, August opened "on the right foot," Oxford Economics chief U.S. economist Gregory Daco wrote after the company's recovery index jumped 1.3 percentage points for the week ended Aug. 7.



## CANADA

## Coming Up

Statistics Canada is expected to report Canadian **retail sales** likely rose 24.5% in June, compared with 18.7% in May.

TSE's S&P/TSX composite	Price	C\$ chng	% chng
<b>GAINERS</b>			
Cineplex Inc	9.12	0.89	10.81
Boardwalk Real Estate Investment Trust	31.88	1.54	5.08
Lightspeed POS Inc	40.70	1.85	4.76
<b>LOSERS</b>			
Teck Resources Ltd	15.62	-1.10	-6.58
Ballard Power Systems Inc	19.87	-1.21	-5.74
Enerplus Corp	3.78	-0.19	-4.79

## MARKET MONITOR

Canada's **main stock index** rebounded, with the **Toronto Stock Exchange's S&P/TSX composite index** rising 0.18%, at 16,606.76. **BRP** jumped 2.03% and **Ero Copper** rose 2.32%.

The **U.S. dollar** was 0.29% down against the **Canadian dollar** at C\$1.3175.

## Top News

### Canada outlines plan to move unemployed off COVID-19 emergency benefits

Canada outlined a plan to move the unemployed off of an emergency COVID-19 income-support program and onto an expanded employment insurance plan that requires people to look for a job to qualify, Employment Minister Carla Qualtrough said. Canada is extending the emergency support by one month, or 4 extra weeks, to the end of September, and starting on Sept. 27 it will offer unemployment benefits to some 400,000 people who would not normally qualify, a senior official said. About 4.5 million people are currently receiving up to C\$2,000 a month in emergency support.

### Canadian home prices rise in July but market still slow

Canadian home prices rose in July, led by the Quebec City and Ottawa-Gatineau markets, though it was the smallest July advance in 15 years, data showed, confirming the slowing of the housing market in the wake of the COVID-19 pandemic. The Teranet-National Bank Composite House Price Index, which tracks data collected from public land registries to measure

changes for repeat sales of single-family homes, showed prices were up 0.3% in July from June. If the index was corrected for seasonal pressures, there would have been a decline of 0.3% in July, the second consecutive monthly decline, said Marc Pinsonneault, a senior economist at the National Bank of Canada. Prices rose in nine of the 11 metropolitan areas in the index, with the Quebec City region up 1.4% and the government hub of Ottawa-Gatineau gaining 1.2%. The index was flat for Vancouver and slipped 0.3% in Victoria.

### Miner B2Gold says Mali border shutdown to be short-lived after coup

B2Gold expects the shutdown of land and air borders in Mali to last "days or weeks, not months," its chief executive said, after Tuesday's overthrow of President Ibrahim Boubacar Keita. "The intention is to re-open as soon as possible," B2Gold CEO Clive Johnson told Reuters on Thursday, citing discussions with officials in government. Keita resigned on Tuesday and dissolved parliament hours after soldiers detained him at gunpoint and seized power in a coup.

### Canada adds over a million jobs in July -ADP

Canada added 1,149,800 jobs in July, breaking a four-month streak of declines, led by increased hiring in the trade, transportation and utilities sector, a report from payroll services provider ADP showed. The June data was revised to show 1,764,600 jobs were lost rather than 1,042,900 jobs were gained. The report is derived from ADP's payrolls data and measures more than two million workers in Canada.

### Transport Canada to conduct flight test for Boeing 737 MAX next week

Transport Canada said it plans to conduct flight test activities for the validation of Boeing's grounded 737 MAX during the week of Aug. 24, the regulator told Reuters, as part of global efforts to return the plane to service following two fatal crashes involving the model. Transport Canada is said to be the first foreign regulator to conduct these activities, following certification test flights performed by the U.S. Federal Aviation Administration (FAA) earlier this summer. Regulators from around the world have been scrutinizing proposed software changes and training revisions before they can clear the MAX to fly again.



# WEALTH NEWS

## US-CHINA TRADE TALKS

### China, United States agree to hold trade talks, Chinese commerce ministry says

China and the United States have agreed to hold trade talks "in the coming days" to evaluate the progress of their Phase 1 trade deal six months after it took effect in February, the Chinese commerce ministry said. Ministry spokesman Gao Feng made the comments at a weekly briefing held online, but did not elaborate. They followed Tuesday's remarks by White House Chief of Staff Mark Meadows that no new high-level trade talks were scheduled, though both sides were in touch about implementing the Phase 1 deal. The deal, reached on Jan. 15, and seen as a major breakthrough after a two-year long trade dispute between the world's two largest economies, set ambitious targets for China to sharply boost purchases of U.S. farm and manufactured goods.



A file photo of Chinese and U.S. flags fluttering near The Bund, before U.S. trade delegation meet their Chinese counterparts for talks in Shanghai, China July 30, 2019. REUTERS/Aly Song

## OPEC+ OVERPRODUCTION

### OPEC+ needs to fix daily oversupply of more than 2 million barrels -document

Some members of the OPEC+ group of oil-producing nations would need to slash output by an extra 2.31 million barrels per day (bpd) to make up for their recent oversupply, an internal OPEC+ report seen by Reuters shows.

## US-IRAQ BUSINESS RELATIONS

### Iraq is open for U.S. business, prime minister says; Trump eyes oil prospects

President Donald Trump said U.S. companies were involved in many prospects in Iraq's oil business, as Iraqi Prime Minister Mustafa al-Kadhimi declared his country open for American business and investment.

## ACTIVIST COMMENTS ON HARLEY-DAVIDSON

### Harley's activist investor backs business reboot strategy

An activist investor who shook up Harley-Davidson earlier this year said he is impressed with the changes initiated by new Chief Executive Jochen Zeitz to turn around the 117-year-old motorcycle company

## GOLDMAN WILL OFFER CLEARING FACILITIES

### Goldman Sachs to offer clearing services via LCH's ForexClear

Goldman Sachs will offer clearing facilities for some currency derivative products on the London-based clearing house LCH's ForexClear service, the bank said.

## CRAFT DISTILLERS TO LOSE REVENUE

### U.S. craft distillers to lose \$700 million in sales as virus crushes demand

Craft distillers in the United States are expected to lose more than \$700 million in sales this year, while nearly a third of the industry's workers have been furloughed due to the coronavirus crisis, an industry trade body said.

## KANDI EXPLORES MANUFACTURING PLANT

### China's budget EV maker Kandi eyes setting up North American manufacturing plant

Chinese battery and electric car maker Kandi Technologies Group said it is actively exploring setting up an electric and off-road vehicle manufacturing plant in North America.



## KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Deere & Co	Q3	BMO	\$1.46	\$1.26	\$2.71	\$6,702.86

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

*I/B/E/S EPS and revenue estimates, and StarMine Smart Estimates, provided by Refinitiv.*

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

*The Day Ahead - North America is compiled by Nachiket Tekawade and Sourav Bose in Bengaluru.*

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

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