

MORNING NEWS CALL

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U.S. Edition

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TOP NEWS

• **PayPal's \$2.7 billion Japan deal heats up buy now, pay later race**

U.S. payments giant PayPal Holdings said it would acquire Japanese buy now, pay later (BNPL) firm Paidy in a \$2.7 billion largely cash deal, taking another step to claim the top spot in an industry experiencing a pandemic-led boom.

• **Ryanair ready for long wait for Boeing to cut MAX price, says O'Leary**

Ryanair is willing to wait years for Boeing to drop its prices before placing a big new plane order with the U.S. firm, Chief Executive Michael O'Leary told Reuters, while he also downplayed the chance of a deal with rival Airbus.

• **Tesla sold 44,264 China-made vehicles in August, local deliveries up**

U.S. electric vehicle maker Tesla in August sold 44,264 China-made vehicles, including 31,379 for export, the China Passenger Car Association (CPCA) said.

• **\$10 billion U.S. battle for Britain's Morrisons heads for auction**

The \$10 billion takeover battle for British supermarket group Morrisons between two U.S. private equity groups looks set to be decided by a rarely used auction process.

• **ANALYSIS-With GameStop earnings on tap, options traders bet on muted moves**

Options traders are expecting comparatively subdued moves in GameStop shares around its earnings report, as the company that helped spark the so-called meme stock phenomenon prepares to report quarterly results.

BEFORE THE BELL

U.S. stock index futures were down, mirroring **European shares**, as concerns over the pace of economic recovery hurt sentiment. Japan's **Nikkei** ended at a near six-month high, as investors scooped up cheap stocks. The **dollar** rose against the **euro** a day before the European Central Bank policy decision. **Oil** gained as U.S. Gulf of Mexico producers made slow progress in rebuilding output after Hurricane Ida. **Gold** prices were in the positive territory.

STOCKS TO WATCH

Deals Of The Day

• **ICU Medical Inc:** British industrial technology group **Smiths** has agreed to sell its medical division to ICU Medical for \$2.4 billion, it said, scrapping an earlier \$2 billion deal with private equity firm TA Associates. The deal with the private equity firm in August had sent shares in Smiths' tumbling as the value came in below market expectations. California-based medical device maker ICU Medical said the addition of Smiths Medical syringes, ambulatory infusion devices and other products would help create a leading infusion therapy company. The deal with ICU is expected to close in the first half of next year, Smiths said, subject to shareholder and regulatory approval.

• **PayPal Holdings Inc:** The payments giant said it would acquire Japanese buy now, pay later (BNPL) firm **Paidy** in a \$2.7 billion largely cash deal, taking another step to claim the top spot in an industry experiencing a pandemic-led boom. "The acquisition will expand PayPal's capabilities, distribution and relevance in the domestic payments market in Japan, the third largest ecommerce market in the world, complementing the company's existing cross-border ecommerce business in the country," PayPal said in a statement on Tuesday. Buying Paidy will help PayPal expand in a country where online shopping volume has more than tripled over the last 10 years to some \$200 billion, but more than two-thirds of all purchases are still paid for in cash, PayPal said in an investor

presentation.

In Other News

• **American Airlines Inc:** The labor union representing American Airlines pilots said it will begin informational picketing in coming weeks at the carrier's major hubs to protest their work schedule, fatigue, and lack of adequate accommodation over the summer. The Allied Pilots Association will picket at Miami International Airport, Dallas/Fort Worth International Airport, and other locations, it said in an emailed statement to Reuters. "Our airline needs scheduling practices that support the safety margin, respect pilots' and passengers' needs, and de-risk American Airlines to protect and improve revenue," the union said. In August, a union representing Southwest Airlines pilots filed a lawsuit challenging forced time off and other changes to working conditions imposed by the airline during the COVID-19 pandemic.

• **BlackRock Inc:** The company's mutual fund subsidiary in China established its first fund in the country after raising \$1.03 billion in a shortened subscription period, signalling a warm reception by Chinese investors. BlackRock, the first foreign asset manager to operate a wholly-owned business in China's \$3.6 trillion mutual fund industry, said on Wednesday its newly-launched China equity fund had raised 6.68 billion yuan from over 111,000 investors. The fundraising by BlackRock, is being closely watched as more global players are preparing to enter China's fast-growing, but highly-competitive mutual fund market. The company which entered China more than 15 years ago, also owns a minority-owned mutual fund venture in China, as well as a majority-owned Chinese wealth management venture.

• **Boeing Co:** A Delaware judge ruled on Tuesday that the company's board of directors must face a lawsuit from shareholders over two fatal 737 MAX crashes that killed 346 people in less than six months. Vice Chancellor Morgan Zurn ruled Boeing stockholders may pursue some claims against the board, but dismissed others. Boeing said late Tuesday it was "disappointed in the court's decision to allow the plaintiffs' case to proceed past this preliminary stage of litigation. We will review the opinion closely over the coming days as we consider next steps." Zurn's ruling found some evidence submitted by Boeing supported the shareholders' allegations. "That the board knowingly fell short is also evident in the board's public crowing about taking specific actions to monitor safety that it did not actually perform," the ruling said.

• **Carlyle Group Inc:** The global private equity firm said it led a \$312 million funding round for Japanese biotech company Spiber, joining other global investors in betting on a growing number of late-stage Japanese startup firms. Carlyle's \$91 million yen stake in Spiber represents the group's first non-buyout, minority investment in an unlisted startup in Japan, where startup funding is soaring. Carlyle, a cornerstone investor in Spiber, plans to allocate about 10% of its \$2.5 billion Japan-focused buyout fund to similar funding deals for startups. "We believe we can help them grow their businesses, through M&As and overseas expansions," to an extent they are large enough to debut on the Tokyo bourse's main board or overseas, Carlyle managing director Yusuke Watanabe said in the same interview.

• **Coinbase Global Inc:** The U.S. Securities and Exchange Commission (SEC) has threatened to sue Coinbase if the crypto exchange goes ahead with plans to launch a programme allowing users to earn interest by lending crypto assets, Coinbase said. The SEC has issued Coinbase with a Wells notice, an official way it tells a company that it intends to sue the company in court, Paul Grewal, the company's chief legal officer said in a blog post. He said Coinbase would delay the launch of its 'Lend' product until at least October as a result. Grewal said in his blog that the SEC's concerns about Coinbase's 'Lend' were related to the fact that the regulator believed the product involved a security. Grewal said Coinbase felt that this was not the case.

• **JPMorgan Chase & Co:** The bank has struck a deal to buy a majority stake in German car giant Volkswagen's payments business ahead of a planned rollout of in-car technology that allows drivers to automatically pay for fuel or tolls. The U.S. bank has agreed to buy close to 75% of Volkswagen Payments S.A. for an undisclosed sum, subject to regulatory approvals. JPMorgan said it plans to invest in and rebrand the payments business and expand its mobility-focused payments to other industries. "One of the fastest-growing platforms is the connected car marketplace, whereby the car acts like a wallet for purchasing goods, services or subscriptions," Shahrokh Moinian, EMEA head of wholesale payments at JPMorgan, told Reuters.

• **Qualcomm Inc:** The chip maker is open to working with foundries in Europe if incentive programmes to boost automotive chip production on the continent attract the right partners, Chief Executive Cristiano Amon said. Foundries in Europe are now geared towards mass production of semiconductors, Amon told Reuters at the IAA car show in Munich, but there is a welcome debate under way about investing in high-end production that is interesting to Qualcomm. Amon said the company had done a lot in the past 12 months to build new manufacturing facilities with its suppliers to counter the global chip shortage: "We expect to enter 2022 with the

majority of this problem behind us."

• **Ryanair PLC & Boeing Co:** Ryanair is willing to wait years for Boeing to drop its prices before placing a big new plane order with the U.S. company, Chief Executive Michael O'Leary told Reuters, while he also downplayed the chance of a deal with rival Airbus. "We're not wasting any time on those MAX 10 discussions nor will we for a period of 2, 4, 6, 8, 10 years until we get to the next crisis," O'Leary said in an interview. "We at Ryanair have always had the discipline to wait out the cycle." Boeing on Monday said it valued Ryanair's business, but said it had to exercise discipline and make decisions that made sense. A large new Ryanair order would have provided a boost to the U.S. planemaker as it rebuilds confidence in the MAX, an aircraft which was grounded for 20 months until November after two fatal crashes.

• **Tesla Inc:** The electric vehicle maker in August sold 44,264 China-made vehicles, including 31,379 for export, the China Passenger Car Association (CPCA) said. Local sales of China-made vehicles jumped to 12,885 cars last month from 8,621 cars in July. Tesla's sales in the first month of each quarter are usually lower than the following two months. In July, Tesla introduced a cheaper version of the Model Y in China, where it faces increased scrutiny from both regulators and the public and growing competition from local rivals. It also lowered the starting price for Model 3 sedans.

INSIGHT

Money, mimicry and mind control: Big Tech slams ethics brakes on AI

In September last year, Google's cloud unit looked into using artificial intelligence to help a financial firm decide whom to lend money to. It turned down the client's idea after weeks of internal discussions, deeming the project too ethically dicey because the AI technology could perpetuate biases like those around race and gender.

ANALYSTS' RECOMMENDATION

• **Albemarle Corp:** Berenberg raises rating to buy from sell after conducting a detailed bottom-up supply-demand analysis of the lithium market and raising their long-term forecast for lithium prices to \$15,000 per ton.

• **Coupa Software Inc:** Piper Sandler raises target price to \$325 from \$295 to reflect an improving demand environment and a robust pipeline of deals.

• **Microsoft Corp:** Jefferies raises target price to \$345 from \$335 to reflect the recent price increase for Office 365.

• **Oak Street Health Inc:** Baird initiates coverage with outperform rating, saying the company has a compelling primary care model and should deliver robust top-line growth in the coming years.

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

1000 (approx.) **JOLTS job openings** for July: Expected 10.000 mln; Prior 10.073 mln

1100 Refinitiv **IPSOS PCSI** for Sep: Prior 57.07

1500 (approx.) **Consumer credit** for July: Expected \$25 bln; Prior \$37.69 bln

COMPANIES REPORTING RESULTS

Copart Inc: Expected Q4 earnings of 91 cents per share

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

0800 **Genius Sports Ltd**: Q2 earnings conference call
0830 **Caseys General Stores Inc**: Q1 earnings conference call
0900 **RBC Bearings Inc**: Annual Shareholders Meeting
1000 **REV Group Inc**: Q3 earnings conference call
1200 **Korn Ferry**: Q1 earnings conference call
1400 **Replimune Group Inc**: Annual Shareholders Meeting
1630 **AeroVironment Inc**: Q1 earnings conference call
1630 **Avid Bioservices Inc**: Q1 earnings conference call
1630 **Healthequity Inc**: Q2 earnings conference call
1630 **Rocket Lab USA Inc**: Q2 earnings conference call
1630 **Torrid Holdings Inc**: Q2 earnings conference call
1700 **Couchbase Inc**: Q2 earnings conference call
1700 **GameStop Corp**: Q2 earnings conference call
1700 **Intapp Inc**: Q4 earnings conference call
1700 **RH**: Q2 earnings conference call
1700 **SentinelOne Inc**: Q2 earnings conference call

EX-DIVIDENDS

Becton Dickinson and Co: Amount \$0.83
Edgewell Personal Care Co: Amount \$0.15
Hibbett Inc: Amount \$0.25
Jack Henry & Associates Inc: Amount \$0.46
Kimco Realty Corp: Amount \$0.17
Mdu Resources Group Inc: Amount \$0.21
Meta Financial Group Inc: Amount \$0.05
Newmont Corporation: Amount \$0.55
Simon Property Group Inc: Amount \$1.50

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

PICTURE OF THE DAY



U.S. President Joe Biden comforts a resident as he tours the Lost Valley neighborhood in Manville that was impacted by Hurricane Ida, New Jersey, September 7. REUTERS/Elizabeth Frantz

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