

# MORNING NEWS CALL

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U.S. Edition

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## REUTERS WEALTH NEWSMAKER

with Philipp Rickenbacher,  
Chief Executive Officer, Julius Baer Group

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### TOP NEWS

- **Japan's MUFG to sell part of U.S. unit to US Bancorp for \$8 billion**

Mitsubishi UFJ Financial Group (MUFG) said it has agreed to sell the personal banking arm of its U.S. unit MUFG Union Bank to US Bancorp in a cash and stock deal worth \$8 billion.

- **J&J says second shot boosts protection for moderate-severe COVID-19 to 94%**

Johnson & Johnson said a second shot of its COVID-19 vaccine given about two months after the first increased its effectiveness to 94% in the United States against moderate to severe forms of the disease.

- **U.S. agency confirms air bag safety probe into 30 million vehicles**

U.S. auto safety investigators said they have opened a probe into 30 million vehicles built by nearly two dozen automakers that have potentially defective Takata air bag inflators.

- **China Evergrande's rising default risks shift focus to possible Beijing rescue**

Persistent default fears eclipsed efforts by China Evergrande Group's chairman to lift confidence in the embattled firm, as Beijing showed no signs it would intervene to stem any domino effects across the global economy.

- **Goldman's Petershill Partners sets IPO price at 320-380 pence a share**

Goldman Sachs' Petershill Partners unit has set a price range for its London market debut at 320-380 pence per share, implying a market value of between \$5.1 billion and \$5.9 billion, bookrunners said.

### BEFORE THE BELL

**U.S. stock futures** rose as investors tried to shake off the risks of a contagion from the Evergrande crisis in China, while focus remained on the Federal Reserve's meeting for cues on a timeline to taper its stimulus. **European shares** were up. **Japanese shares** closed lower as investors dumped risky assets, although some bargain buying helped limit losses. The **dollar** slipped from a one-month high, while investors sought safety in the **yen**. **Gold** prices rose. **Oil** prices were higher amid tighter U.S. supplies ending days of losses. The country's current account deficit and housing starts are on the economic radar.

**STOCKS TO WATCH****Deals Of The Day**

- **ConocoPhillips & Royal Dutch Shell PLC:** The oil producer said on Monday it would sell its Permian Basin assets to ConocoPhillips for \$9.5 billion in cash, an exit from the largest U.S. oilfield for the energy major shifting its focus to the clean energy transition. For ConocoPhillips, it is the second sizable acquisition in a year in the heart of the U.S. shale industry, as American and European producers diverge in whether to focus on hydrocarbons going forward.
- **Mitsubishi UFJ Financial Group (MUFG) & US Bancorp:** MUFG said it has agreed to sell the personal banking arm of its U.S. unit MUFG Union Bank to US Bancorp in a cash and stock deal worth \$8 billion. The payment will include \$5.5 billion in cash and 44 million US Bancorp shares, or a 2.9% stake, that will allow it to forge a capital alliance with the Japan's biggest lender, the banks said in a press release. The deal is expected to close by the end of June next year, they added.

**In Other News**

- **Amazon.com Inc:** British Prime Minister Boris Johnson discussed the issue of taxation when he met Amazon's founder Jeff Bezos in New York, Downing Street said. "The prime minister raised the issue of taxation, and hoped progress could be [made] in implementing the G7 agreement on tax," a Downing Street spokesperson said in a readout of the meeting.
- **American Airlines Group Inc, Delta Air Lines Inc & United Airlines Holding Inc:** U.S. airlines will benefit from the Biden administration's decision on Monday to reopen the country to fully-vaccinated air travelers from around the world, experts said, but the outlook for lucrative business travel was less certain. Lifting restrictions will allow tens of thousands of foreign nationals to fly to the United States. It also gives the big three air carriers, American Airlines, United Airlines and Delta Air Lines, a chance to recover part of their trans-Atlantic business. Moody's Investors Service estimates the White House decision would result in a "stronger" operating cash flow at U.S. airlines in the next six months.
- **Bank of America Corp:** The bank has named three bankers to head its global financial institutions investment banking business, according to a company memo seen by Reuters on Monday. The three executives - Will Addas, Gary Howe and Giorgio Cocini - each have over 20 years of experience in the sector, the memo said, adding that they would report to Thomas Sheehan, head of global investment banking. Addas and Howe were most recently co-heads of Americas financial institutions investment banking, while Cocini was co-head of financial institutions investment banking for Europe, Middle East and Africa, the memo said.
- **General Electric Co:** Vietnam's **Bamboo Airways** will sign a deal valued at nearly \$2 billion with General Electric to purchase GENx engines to power Boeing 787-9 Dreamliner aircraft, the airline said. The GENx engines, due to be delivered in 2022, will be used on the airline's wide-body Dreamliner fleet to operate planned non-stop routes between Vietnam and the United States, the company said. "This new signing agreement will be an important milestone for the airline to expand its transcontinental flight network, connecting Vietnam with medium- and long-range markets," the statement said.
- **General Motors Co:** The automaker said on Monday that battery production for its recalled Chevrolet Bolt electric vehicle had resumed and that battery replacements will begin next month. GM said supplier LG battery plants in Holland and Hazel Park, Michigan, have resumed production and LG is adding capacity to provide more battery cells to GM.
- **Johnson & Johnson:** The company said a second shot of its COVID-19 vaccine given about two months after the first increased its effectiveness to 94% in the United States against moderate to severe forms of the disease. That compares to 70% protection with a single dose. The data will help J&J make its case to U.S. regulators for a booster shot even as the company stresses the durability of its single-shot vaccine as a tool to ease the global pandemic.
- **JPMorgan Chase & Co:** The bank is challenging British rivals on their home turf with the launch of its long-awaited digital retail bank, Chase, as part of what the U.S. lender hopes will be a global expansion. The launch marks the first foray into retail banking outside North America by one of the United States' most dominant lenders, heaping pressure on British incumbents such as Lloyds, Barclays, NatWest and HSBC which are already battling low interest rates and upstart digital rivals. "We have been watching in which markets customers are really ready to do their banking primarily through digital channels, and the UK frankly leads the way in this respect" said Sanoke Viswanathan, chief executive of the new Chase bank venture.

- **Lennar Corp:** The company said on Monday it expects supply chain challenges in the homebuilding industry to continue and forecast fourth-quarter deliveries below analyst estimates, sending the No. 2 U.S. homebuilder's shares down. The U.S. housing market has faced labor supply issues over the past several months, causing shortages of lumber and other raw materials along with a rise in construction costs, while demand for new homes has been rising. "During the third quarter, our company and the homebuilding industry as a whole continued to experience unprecedented supply chain challenges which we believe will continue into the foreseeable future," Lennar Executive Chairman Stuart Miller said. "The housing market has proven to be strong in the current environment as demand continues to outstrip limited supply."
- **Robinhood Markets Inc:** The company is testing new crypto wallet and cryptocurrency transfer features for its app which would allow customers to send and receive digital currencies such as bitcoin, Bloomberg News reported on Monday. A beta version of its iPhone app showed the company's work on such features, the report said. There was also a hidden image showing a waitlist page for users signing up for a crypto wallet feature, the report added.
- **Sportradar Group AG:** Basketball great Michael Jordan will increase his investment in Sportradar and will serve as a special adviser to the company's board, the sports gambling data company said on Monday. Switzerland-based Sportradar went public last week via the initial public offer route after abandoning plans for a merger with a special purpose acquisition company earlier this year. The company did not provide details regarding Jordan's increased stake but said his advisory duties will revolve around the U.S. market, product development and marketing activities.

## INSIGHT

### A life and death question for regulators: Is Tesla's Autopilot safe?

Robin Geoulla had doubts about the automated driving technology equipped on his Tesla Model S when he bought the electric car in 2017. Geoulla made the comments to the investigator in January 2018, days after his Tesla, with Autopilot engaged, slammed into the back of an unoccupied fire truck parked on a California interstate highway.

## ANALYSTS' RECOMMENDATION

- **D R Horton Inc:** JPMorgan raises price target to \$129 from \$128, after the company updated its guidance for the fourth quarter.
- **Mirati Therapeutics Inc:** Oppenheimer raises price target to \$175 from \$160, following impressive results from the company's adagrasib drug.
- **Oshkosh Corp:** Jefferies cuts price target to \$105 from \$150, citing near-term delivery headwinds and uncertainty in the defense sector.
- **Steven Madden Ltd:** Jefferies raises price target to \$50 from \$44, crediting the company's supply chain.
- **Warner Music Group Corp:** Credit Suisse raises rating to outperform from neutral, anticipating healthy streaming growth.

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

0830 (approx.) **Current account** for Q2: Expected -\$191.0 bln; Prior -\$195.7 bln  
 0830 (approx.) **Building permits number** for Aug: Expected 1.600 mln; Prior 1.630 mln  
 0830 (approx.) **Building permits change mm** for Aug: Prior 2.3%  
 0830 (approx.) **Housing starts number** for Aug: Expected 1.555 mln; Prior 1.534 mln  
 0830 (approx.) **House starts mm change** for Aug: Prior -7.0%

## COMPANIES REPORTING RESULTS

**Adobe Inc:** Expected Q3 earnings of \$3.01 per share  
**Autozone Inc:** Expected Q4 earnings of \$29.92 per share  
**FedEx Corp:** Expected Q1 earnings of \$4.91 per share

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

0900 **Apogee Enterprises Inc:** Q2 earnings conference call  
1000 **Autozone Inc:** Q4 earnings conference call  
1000 **Macquarie Infrastructure Corp:** Shareholders Meeting  
1100 **Cracker Barrel Old Country Store Inc:** Q4 earnings conference call  
1100 **Houlihan Lokey Inc:** Annual Shareholders Meeting  
1100 **Lennar Corp:** Q3 earnings conference call  
1100 **Neogen Corp:** Q1 earnings conference call  
1700 **Adobe Inc:** Q3 earnings conference call  
1700 **InnovAge Holding Corp:** Q4 earnings conference call  
1700 **Stitch Fix Inc:** Q4 earnings conference call  
1730 **FedEx Corp:** Q1 earnings conference call

**EX-DIVIDENDS**

**Broadcom Inc:** Amount \$3.60  
**LTC Properties Inc:** Amount \$0.19  
**Seagate Technology Holdings PLC:** Amount \$0.67

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

PICTURE OF THE DAY



Emergency personnel respond to a shooting at Heritage High School in Newport News, Virginia, September 20. REUTERS/Jay Paul

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