

# MORNING NEWS CALL

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U.S. Edition

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## TOP NEWS

### • Fed likely to open bond-buying 'taper' door, but hedge on outlook

The Federal Reserve is expected to clear the way for reductions to its monthly asset purchases later this year and show in updated projections whether higher-than-expected inflation or a resurgent coronavirus pandemic is weighing more on the economic outlook.

### • Evergrande's domestic bond payment deal soothes fears, for now

China Evergrande Group's main unit said it negotiated a deal with bondholders to settle interest payments on a domestic bond, which helped calm fears of an imminent default that could unleash global financial chaos.

### • JPMorgan faces oil bribery probe in Brazil

Brazilian authorities are investigating whether JPMorgan Chase played a role in an alleged bribery and money laundering scheme dating back to 2011 and involved state-run oil company Petrobras, according to documents reviewed by Reuters and two law enforcement sources.

### • Facebook wraps up deals with Australian media firms, TV broadcaster SBS excluded

Facebook has told Australian publishers it has stopped negotiating licensing deals, an email to the industry seen by Reuters showed, a move which came just six months after the passing of a law designed to make tech giants pay for news content.

### • Cheerios-owner General Mills beats quarterly sales estimates

General Mills reported better-than-expected first-quarter sales, as strong growth in its pet foods business cushioned a slowdown in demand for its cooking sauces and baking products.

## BEFORE THE BELL

**Wall Street futures** were higher, mirroring **European shares**, as concerns over Evergrande eased after the company negotiated a domestic bond payment deal, with investors now shifting focus to Federal Reserve's policy decision scheduled later in the day. **Asian equities** mostly ended in the red. The **dollar index** and **gold** prices were little changed. **Oil** prices rose after industry data showed U.S. crude stocks fell more than expected last week.

## STOCKS TO WATCH

### Results

• **FedEx Corp**: The U.S. delivery firm posted a 7% drop in quarterly profit and cut its full-year forecast on Tuesday, after labor shortages crimped earnings, slowed packages and drove up costs ahead of the all-important holiday peak season. FedEx said staffing problems resulted in a \$450 million year-over-year increase in costs due to higher wage rates and overtime, increased spending on third-party transportation services and shipping hiccups. "The impact of constrained labor markets remains the biggest issue facing our business" and was a key driver for the first-quarter underperformance, FedEx Chief Operating Officer Raj Subramaniam said on a conference call with analysts. Separately, Norway's \$1.4 trillion sovereign wealth fund, said it will support FedEx CEO Fred Smith's \$54 million pay package at a meeting of the logistics company's shareholders next week.

• **General Mills Inc**: The company reported better-than-expected first-quarter sales, as strong growth in its pet foods business cushioned a slowdown in demand for its cooking sauces and baking products. Purchases of pet food, such as General Mills' premium brand Blue Buffalo, have soared in the past year as stuck-at-home customers adopted cats and dogs to help ease the stress of the pandemic. On a reported basis, net sales in General Mills' pet foods division increased 25% to \$488 million in the quarter.

### ***In Other News***

- **Abbott Laboratories:** The U.S. government has agreed to purchase rapid COVID-19 tests from Abbott and Celltrion to ship to nursing homes and other high risk populations as part of President Joe Biden's vaccinate or test plans, a senior administration official said on Tuesday. The federal government will purchase tests as needed and has agreed to spend up to \$626 million in its agreement with Celltrion and \$554.4 million in its deal with Abbott, the official said.
- **Aurora Cannabis Inc:** The company said on Tuesday it will shut down a facility in Edmonton, Alberta, adding to the woes of the cash-strapped Canadian pot producer which has been reeling under the impact of the pandemic since last year. The company said medical distribution from the Aurora Polaris facility that is being shut down will move to an adjacent factory called Aurora Sky, while manufacturing will move to its Aurora River factory in Ontario. "We aspire to be a leaner, more agile organization that keeps pace with our competition and is on a path to profitability," a spokesperson for the company said in an email statement. The company, however, did not disclose the number of employees that would be impacted by the move.
- **Facebook Inc:** The social media giant has told Australian publishers it has stopped negotiating licensing deals, an email to the industry seen by Reuters showed, a move which came just six months after the passing of a law designed to make tech giants pay for news content. While Facebook has announced deals with most of the country's largest news outlets, some companies including TV broadcaster SBS and smaller publishers have been left out in the cold, raising questions about the scope and effectiveness of the ground-breaking law.
- **Incyte Corp:** The U.S. Food and Drug Administration on Tuesday approved Incyte's cream Opzelura for treating inflammatory skin condition atopic dermatitis, commonly called eczema, in adolescents and adults with boxed warnings. The label for Opzelura carries the health regulator's JAK-class warning, flagging risks of serious infections, increased risk of heart attack, stroke or cardiac death.
- **JPMorgan Chase & Co:** Brazilian authorities are investigating whether JPMorgan played a role in an alleged bribery and money laundering scheme dating back to 2011 and involved state-run oil company Petrobras, according to documents reviewed by Reuters and two law enforcement sources. So far, police have focused their attention on purchases of roughly 300,000 barrels of Petrobras fuel oil by JPMorgan in 2011 according to the court documents and sources, who requested anonymity to discuss an ongoing investigation. The documents, which were seen by Reuters, include email messages among alleged co-conspirators, witness testimony and bank records. The authorities are working to determine if the alleged bribery continued in subsequent years, the sources added.
- **Macy's Inc:** The retailer said on Tuesday it plans to hire about 76,000 full and part-time workers at its stores, call centers and warehouses ahead of this year's holiday season, indicating a return to pre-pandemic levels of hiring. The department store chain's push to hire more workers comes during a major labor crunch in the United States that has spurred retailers to raise wages to attract workers during the crucial end-of-year shopping period.
- **Mastercard Inc:** The company said on Tuesday Chairman Ajay Banga would retire on Dec. 31, nearly a year after he stepped down as the payment processor's chief executive. Mastercard said current lead independent director Merit Janow would be the non-executive independent chair and would assume her new role on Jan. 1, 2022. Janow, who joined the board in 2014, is also a dean and professor of international economic law and international affairs at Columbia University's School of International and Public Affairs, the company said in a statement.
- **McDonald's Corp:** The restaurant chain said on Tuesday it will drastically cut the use of plastic in the more than 1 billion children's toys it sells globally each year by the end of 2025. The change involves swapping out a plastic figurine of Batman, for example, for one made with a dozen cardboard pieces that kids can put together themselves. More toys will also be made from recycled or plant-based plastics, McDonald's said. The changes will allow the Chicago-based company to cut its use of virgin fossil fuel-based plastic for Happy Meals by 90% compared with 2018.

### **ANALYSIS**

#### **JPMorgan's 2021 deal spree aims to fill the few holes left in its global operations**

JPMorgan Chase has been on a boutique-business buying spree this year, acquiring or investing in around 30 companies since the start of 2021.

**ANALYSTS' RECOMMENDATION**

- **Adobe Inc:** JPMorgan raises price target to \$680 from \$660 after the company's third-quarter revenue beat expectations.
- **Autozone Inc:** Credit Suisse raises price target to \$1785 from \$1660 after the company reported better than expected fourth-quarter results.
- **Lennar Corp:** Evercore ISI raises price target to \$166 from \$160 to reflect ongoing price growth, a net cost tailwind from lumber and greater leverage of field cost expenses in COGS.
- **Sofi Technologies Inc:** Jefferies starts coverage with buy rating; price target \$25, saying the company's "Flywheel" business model will continue to drive significant user growth, product adoption and margin expansion.

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

- 1000 **Existing home sales** for Aug: Expected 5.89 mln; Prior 5.99 mln
- 1000 **Existing home sales percentage change** for Aug: Prior 2.0%
- 1400 (approx.) **Fed funds target rate:** Expected 0-0.25%; Prior 0-0.25%
- 1400 (approx.) **Fed interest on excess reserves:** Prior 0.15%
- 1400 (approx.) **FFR projection-current** for Q3: Prior 0.1%
- 1400 (approx.) **FFR projection-1st year** for Q3: Prior 0.1%
- 1400 (approx.) **FFR projection-2nd year** for Q3: Prior 0.6%
- 1400 (approx.) **FFR projection-longer** for Q3: Prior 2.5%
- 1400 (approx.) **FFR projection-3rd year** for Q3: Prior 0.1%

**COMPANIES REPORTING RESULTS**

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

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

- 0900 **General Mills Inc:** Q1 earnings conference call
- 0900 **Scholastic Corp:** Annual Shareholders Meeting
- 1000 **Darden Restaurants Inc:** Annual Shareholders Meeting
- 1700 **KB Home:** Q3 earnings conference call

**EX-DIVIDENDS**

- Getty Realty Corp:** Amount \$0.39
- Korn Ferry:** Amount \$0.12
- Marriott Vacations Worldwide Corp:** Amount \$0.54

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

## PICTURE OF THE DAY



Firefighters from Orange County takes photos as the Windy Fire burns amid Sequoias in Sequoia National Forest near California Hot Springs, California, September 21. REUTERS/David Swanson

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