

# MORNING NEWS CALL

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U.S. Edition

Tuesday, October 5, 2021

## TOP NEWS

### • Facebook whistleblower to say former employer an 'urgent threat' to U.S.

Facebook whistleblower Frances Haugen will appear before the U.S. Congress, where she is set to sharply criticize her former employer as "one of the most urgent threats" facing the country, and to demand transparency about its operations in order to better regulate it.

### • J&J files for authorization of COVID-19 vaccine booster

Johnson & Johnson said it had submitted data to the U.S. Food and Drug Administration for emergency use authorization of a booster shot of its COVID-19 vaccine in people aged 18 years and older.

### • PepsiCo raises annual revenue forecast as soda demand jumps

PepsiCo raised its full-year revenue forecast, as the easing of pandemic restrictions boosts demand for sodas at theaters and restaurants.

### • Amazon and Google set to attend White House forum on quantum technology

Amazon.com, Google and Microsoft are expected to join a Biden administration conference focused on quantum technologies as the U.S. government works to head off hacking threats and corner a burgeoning growth industry.

### • Tesla ordered to pay over \$130 million to Black former worker over racism - WSJ

A federal jury on Monday has ordered Tesla to pay more than \$130 million in damages to a Black former worker, finding he was subjected to a racially hostile work environment, the Wall Street Journal reported.

## BEFORE THE BELL

**U.S. stock index futures** edged up as big technology shares bounced from a sharp selloff in the previous session. **Global equities** climbed as worries that rising oil prices will feed inflationary pressures appeared to ease. **Oil** rose after the OPEC+ supplier group decided to stick to a gradual output increase plan rather than fully opening the taps. **Gold** prices fell as the **dollar** benefited from subdued risk sentiment, with bullion likely to see choppy trade in the run up to Friday's U.S. jobs numbers.

## STOCKS TO WATCH

### Results

• **PepsiCo Inc:** The company raised its full-year revenue forecast, as the easing of pandemic restrictions boosts demand for sodas at theaters and restaurants. Sales in PepsiCo's North America Beverage unit, the company's largest business, rose 7% in the third quarter as a reopening economy and the lifting of COVID-19 capacity restrictions encouraged people to return to public venues and drink its sodas. The company reported double-digit net revenue growth from beverage sales to food-service joints. The company said it was expecting fiscal 2021 organic revenue to rise about 8%, compared with its prior forecast of a 6% increase. Net revenue rose 11.6% to \$20.19 billion in the third quarter ended Sept. 4, above analysts' estimates of \$19.39 billion.

### IPOs

• **Udemy Inc:** The online learning platform filed regulatory paperwork for an initial public offering in the United States, revealing a surge in revenue last year driven by the pandemic-led accelerated shift toward remote learning. The San Francisco-based company's revenue grew 55.6% to \$429.9 million in 2020 from a year earlier, its filing showed. Udemy incurred a net loss of \$77.6 million over the same period. The company, which did not share the terms for its offering, was valued at \$3.3 billion during a financing round in November last year. It is expected to go public at a much higher valuation. Udemy is the latest in a string of online education companies looking to list their shares in New York, after Coursera and Nerdly went public earlier this year.

**In Other News**

- **Amazon.com Inc, Alphabet Inc and Microsoft Corp:** Amazon.com, Google and Microsoft are expected to join a Biden administration conference focused on quantum technologies as the U.S. government works to head off hacking threats and corner a burgeoning growth industry. The White House's Office of Science and Technology Policy (OSTP) is hosting the event that will discuss critical applications of quantum computing, which is expected to operate millions of times faster than today's advanced supercomputers. Boeing, Honeywell, IBM, Intel and Northrop Grumman are also expected to attend, according to an administration spokesperson. "There's a lot of excitement about quantum computers and quantum sensors, and there's some hype associated with that," said Charlie Tahan, assistant director for quantum information science at OSTP. "But what we really want to get down to: what are the applications that a future quantum computer could run that could really benefit our society."
- **AstraZeneca PLC:** The company has requested emergency use authorisation from U.S. regulators for its new treatment to prevent COVID-19 for people who respond poorly to vaccines because of a weakened immune system. In a statement, the Anglo-Swedish drugmaker said it included data in its filing with the Food and Drug Administration from a late-stage trial that showed the drug reduced the risk of people developing any COVID-19 symptoms by 77%. The antibody therapy called AZD7442 could protect people who do not have a strong enough immune response to COVID-19 vaccines or to supplement a vaccination course for those, such as military personnel, who need to booster their protection further, AstraZeneca has said.
- **Facebook Inc:** The company has complied with Russian demands to delete some content Moscow deems illegal, but it could still face a hefty fine as it was slow to do so, the Vedomosti newspaper reported, citing Russia's state communications regulator. The regulator, Roskomnadzor, threatened last week to fine Facebook up to 10% of its annual Russian turnover unless it took down content that Russia has banned. The move to comply could signal that Facebook is responding to Russian pressure. Experts cited by Vedomosti estimate Facebook's Russian turnover at between \$165-\$538 million. Separately, Facebook blamed a "faulty configuration change" for a nearly six-hour outage on Monday that prevented the company's 3.5 billion users from accessing its social media and messaging services such as WhatsApp, Instagram and Messenger.
- **General Dynamics Corp:** The company's Gulfstream Aerospace introduced two new aircraft, Gulfstream G800 and Gulfstream G400, on Monday, the aircraft company said in a statement. The company described the G800 as the longest-range aircraft in the Gulfstream fleet and the G400 as the first new entrant to the large-cabin class in over a decade. The company said it expects to start customer deliveries of the G800 in 2023, while deliveries of the G400 are estimated to begin in 2025.
- **JPMorgan Chase & Co:** The bank said on Monday it will restrict business travel for U.S. employees who are unvaccinated or have not disclosed their vaccination status to the bank, according to an internal memo seen by Reuters. The bank has also mandated such staffers to be tested twice a week, and said they would need to contribute a higher cut of their pay towards medical insurance, to account for testing expenses. The Wall Street bank has urged its employees to get their COVID-19 shots, but not mandated vaccines, in line with peers such as Bank of America and Wells Fargo. JPMorgan Chase will also require proof of vaccination from employees participating in client events in-person, effective immediately, according to the memo.
- **Pfizer Inc:** The effectiveness of the Pfizer vaccine in preventing infection by the coronavirus dropped to 47% from 88% six months after the second dose, according to data published on Monday that U.S. health agencies considered when deciding on the need for booster shots. The data, which was published in the Lancet medical journal, had been previously released in August ahead of peer review. The analysis showed that the vaccine's effectiveness in preventing hospitalization and death remained high at 90% for at least six months, even against the highly contagious Delta variant of the coronavirus. The data suggests that the drop is due to waning efficacy, rather than more contagious variants, researchers said.
- **Southwest Airlines Co:** The airline said on Monday it will comply with a Dec. 8 deadline set by President Joe Biden for its employees to get vaccinated against COVID-19. "Southwest Airlines must join our industry peers in complying with the federal government's COVID-19 vaccination directive," said Southwest CEO Gary Kelly. In an internal memo seen by Reuters, Southwest said employees must submit vaccination status and submit documentation by Nov. 24. "If you're not yet fully vaccinated, plan accordingly to meet the deadline," the memo said. American Airlines said on Friday it would also comply but did not specify when it would require vaccinations of employees. Delta Air Lines CEO Ed Bastian said on Sunday that the company has not decided whether to mandate COVID-19 vaccines.

- **Tesla Inc:** A federal jury on Monday has ordered Tesla to pay more than \$130 million in damages to a Black former worker, finding he was subjected to a racially hostile work environment, the Wall Street Journal reported. The jury determined that the company failed to take reasonable steps to prevent Owen Diaz, a contract worker who was employed as an elevator operator at Tesla's Fremont factory in 2015 and 2016, from being racially harassed, the newspaper said. In a message to employees that Tesla posted on its website, the automaker noted the trial concerned racial slurs heard on the factory floor and racist graffiti in the bathrooms. It also said the three times that Diaz complained about harassment, Tesla stepped in and made sure action was taken by staffing agencies. The jury awarded Diaz \$6.9 million in compensatory damages and \$130 million in punitive damages, according to the newspaper.

## INSIGHT

### **Big oil courts U.S. clean-energy startups in bid to speed green transition**

U.S. clean-energy startups are booming as oil companies are giving them more attention and cash in a bid to speed up their own green transitions. Investors want oil producers to accelerate a move away from fossil fuels by selling cleaner energy and developing technology to eliminate climate-warming gases.

## ANALYSTS' RECOMMENDATION

- **Berkshire Hills Bancorp Inc:** RBC raises price target to \$30 from \$29, reflecting on the gains from the sale of the company's insurance business and 8 branches to Investors Bancorp announced in August.
- **Foot Locker Inc:** Cowen and Company cuts price target to \$61 from \$82, noting a deceleration in gross margin driven by potential product flow disruption due to COVID-related lockdowns in Vietnam and a tough back to school comparison in the third quarter.
- **News Corp:** JPMorgan raises price target to \$30 from \$29, due to strong advertising trends and expectations for profitability to benefit from the 9-figure licensing deals with Facebook and Google.
- **Range Resources Corp:** Wells Fargo raises price target to \$26 from \$21, noting management's commitment to focusing on balance sheet deleveraging and consistently messaging a maintenance capital plan for 2022.
- **VF Corp:** Cowen and Company cuts price target to \$83 from \$94, highlighting the company's dying relevance on internet trends which lags behind several of its competitors.

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

0830 (approx.) **International trade** for Aug: Expected -\$70.5 bln; Prior -\$70.1 bln

0830 (approx.) **Goods trade balance (R)** for Aug: Prior -\$87.60 bln

0945 **Markit Composite Final PMI** for Sep: Prior 54.5

0945 **Markit Services PMI Final** for Sep: Prior 54.4

1000 **ISM N-Manufacturing PMI** for Sep: Expected 60.0; Prior 61.7

1000 **ISM N-Manufacturing Business Activity** for Sep: Expected 59.5; Prior 60.1

1000 **ISM N-Manufacturing Employment Index** for Sep: Prior 53.7

1000 **ISM N-Manufacturing New Orders Index** for Sep: Prior 63.2

1000 **ISM N-Manufacturing Price Paid Index** for Sep: Prior 75.4

**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)**

0815 **PepsiCo Inc:** Q3 earnings conference call

1000 **Inter Parfums Inc:** Annual Shareholders Meeting

**EX-DIVIDENDS**

**Brandywine Realty Trust:** Amount \$0.19

**Comcast Corp:** Amount \$0.25

**CVB Financial Corp:** Amount \$0.18

**Gap Inc:** Amount \$0.12

**JPMorgan Chase & Co:** Amount \$1.00

**Roper Technologies Inc:** Amount \$0.56

**Toro Co:** Amount \$0.26

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

## PICTURE OF THE DAY



A commercial airliner takes off through clouds during sunrise, near Huntington Beach, California, October 4. REUTERS/Mike Blake

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